-GCRU-

Weekly Trading Strategies

Achieves gains by trading commodities, currencies and stocks

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June 17th, 2020 IN ITS 19th YEAR – Nº 889

## S&P 500 BOUNCES UP FROM 200 DAY MA

# THE SAFE HAVEN TRADE CONTINUES TO UNWIND

## GOLD & MINERS UNDER PRESSURE

## CRUDE OIL & LT RATES POSITIONED TO RISE MORE

The discussion among skeptics and optimists is getting more heated by the day. The power struggle between fear and greed continues.

The skeptics are distressed over the impact of a second wave of viral infections.

The optimists see re-openings and with those they see the light at the end of the tunnel.

Regardless, lockdowns are becoming less of an option. The lesson on its economic impact has just been too pricey…

> "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." - **Mark Twain**

Also, most of us have adopted lifestyle changes that will minimize the propagation of this or any other virus.

Awareness is powerful.

Businesses, particularly those that involve gatherings of people, are adapting.

Everyone is working on catering to their community in ways that are health safety aware.

Many individuals are warming up to working from home.

Whatever the path, the economic miracle is poised to happen. It's human nature to move, interact, buy, sell, trade!

Robin Hood or not, price movement was already developing.

Once a primary trend has been set, there's no turning back until that primary trend is over.

For the S&P 500 the line in the sand is the 200-day MA, the 3000 level.

The optimists took control of the market when the S&P broke this level for the first time since the virus-led collapse in March.

Stocks quickly erased the losses, and to this day remain a stone's throw away from new highs.

0thers like the NASDAQ rose to new highs.

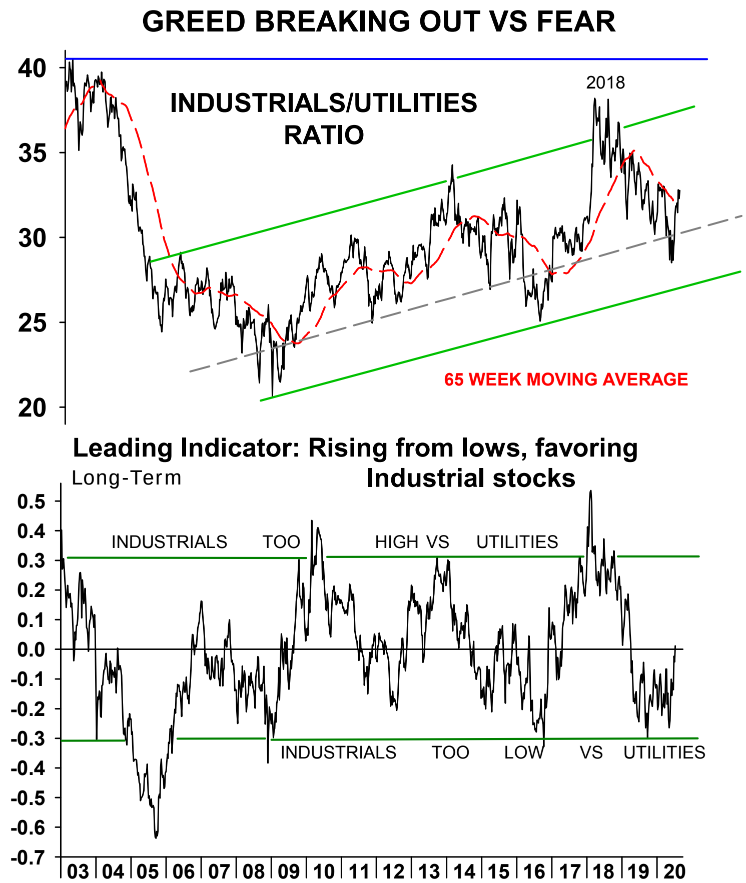
More interesting, the S&P 500's recent pullback held (for now) at its 200-day MA.

It's showing growing support at the 3000 level.

Technically, the outlook remains favorable for stocks.

One of my fear/greed gauges shows utilities favored over industrials since 2018.

More specifically, the gauge is a ratio made up of the Dow Jones Industrials divided by Dow Utilities. When the ratio rises, it favors industrials, and utilities are favored when it declines.




The ratio suggests sentiment has favored safe havens over risk assets for the past 2 years; and a shift may be taking place, favoring risk assets short term.

The ratio's break above the 65 week MA is a bold sign.

The indicator below the chart measures momentum on a longer-term basis. Notice it's coiling at an extreme low, equal only in extreme situations such as in 2009.

The indicator is telling us utility stocks are expensive, and the ratio could start favoring industrials stocks in the foreseeable future.


We have growing exposure to U.S. equities that provide stability, great dividends, and they remain oversold given its longer-term fundamentals.

One of my positions is Citigroup (C).

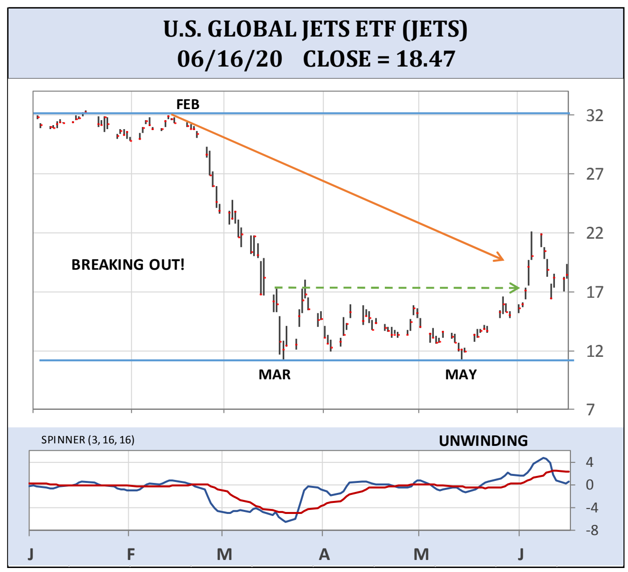
It recently broke above a bullish ascending triangle showing impressive strength. It pulled back after flirting with the Jan downtrend & resistance while seemingly holding above a previous resistance level near $50.

Spinner, the indicator below, is quickly losing steam, unwinding the recent rise since March.

If it continues falling, it may be saying C could fall back to the March uptrend near $45.

For now, C is forming a new uptrend since May. It tells us C is bullish above $50.

Keep your positions as long as C holds above $45.


A position we recently added was Broadcom (AVGO). A semi-conductor producer with long standing stability and a large dividend yield (especially for a tech company).

AVGO has failed to surpass the Jan highs near $320. It recently fell back to test the Mar uptrend near $290, but it's quickly bouncing back up. It's poised for more upside.

Buy some more below $300.

Also, we've wanted to buy into the hype of one of most bombed out sectors, the airline industry, but without exposing ourselves to individual companies and their own liabilities. We bot JETS which is an airline ETF from U.S. Global ETFs.


It's composed of different companies from airlines, to airport administrators, to airline services of different sorts.

We picked up some just before it took off. It triggered our first stop the day or two after we bought. We took profits and I mentioned I kept my (small) position.

Notice on the chart JETS pulled back after breaking out.

It's classical bullish action. If JETS now holds above $17, it could rise to the Feb highs near $32. Keep in mind, this remains a high-risk trade and you should avoid a large exposure.

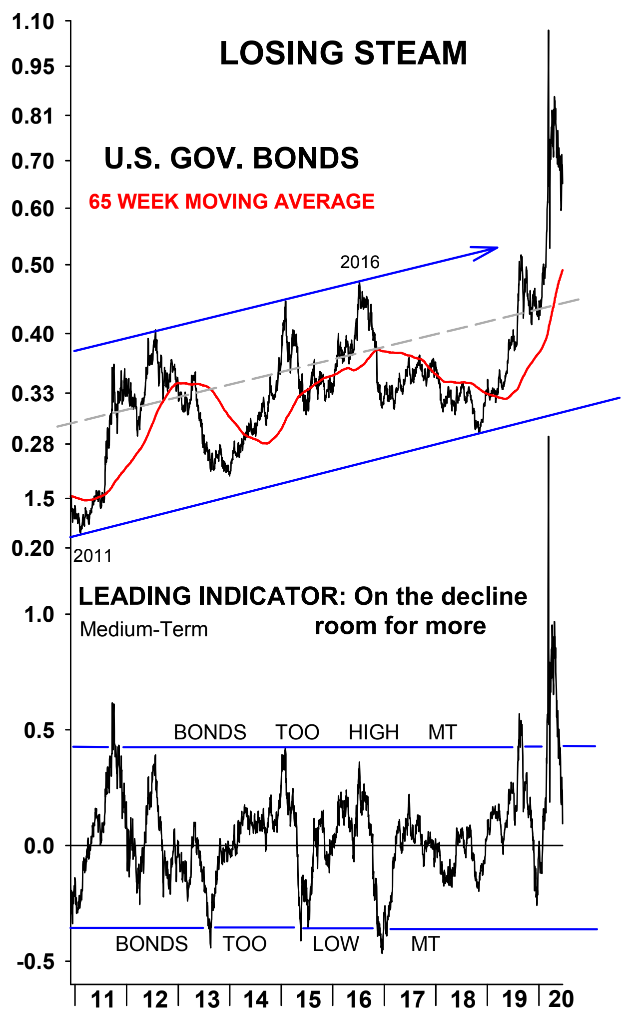
If you're not in and looking to buy, buy on weakness, ideally below $17.50.

Novartis (NVS) is picking up steam. It's testing resistance. But remains lackluster below $92. Wait or a stronger bounce to unload.

**Yields Pick Up Steam**

Yet another chart showing the extreme nature of safe havens versus risk assets are long term U.S. government bonds with their leading indicator.

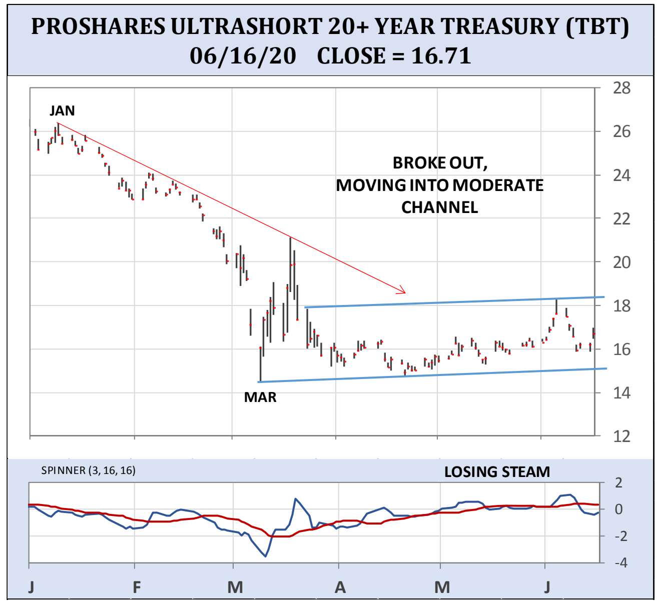
Notice the extreme rise in both bonds and the indicator. This extreme has been unwinding, but more downside is still likely.



Yields are so bombed out, that a mere correction provides a great opportunity.

Earlier this year, based on this chart, we bot bonds and enjoyed the blow off surge.

More recently, however, notice bonds have been retracing, and so has its indictor below.




Together they're showing the decline has just begun and more downside is likely.

This also means that long term bond yields are poised to rise. The yield curve will likely steepen as the Federal Reserve keeps short term rates near zero (ZIRP).

And it makes sense.

Bond holders are likely to sell assets to invest in riskier ventures, thereby pushing LT yields up.

We recently bot TBT and added more last week, below $17. TBT is an ETF that trades inversely to LT gov bonds. By owning TBT is like shorting bonds.


TBT is up trending.

It hasn't broken above meaningful resistance yet, but it looks ripe for further upside.

It's held above an uptrend since March and it's looking ripe for a stronger up-move.

Keep your positions for now.

Weakness in the U.S. dollar index, however, has been probably the strongest indication of weakness in demand and in safe havens.

Interestingly, the dollar has risen together with bonds and gold since 2018. The recent decline in safe haven demand has been led by the dollar.

The dollar continues to flirt with 96. If its key support is broken, it could shift the dollar's longer-term dynamic, pushing it into an intermediate bear market.

I'm holding large reserves held in U.S. dollars in highly liquid, low interest baring accounts.

I also have some exposure to British pound sterling. It helps offset weakness in the U.S. dollar.

The British pound is also near a new high, regaining the historical level of $1.25 dollars per pound.

Keep your positions.

The last strongest safe haven thus far has been gold.

**Invesco Currency Shares British Pound Sterling Trust (FXB) 06/16/20 CLOSE = 121.69**


And it continues to hold near the highs.

**GOLD AUG 2020 (GCQ20) 06/16/20 CLOSE = 1734.9**


Gold remains solid above ST support at $1680; but it's also under pressure below $1750.

If gold fails to surpass $1750 and falls below $1680, it'll confirm weakness with a deeper decline likely.

Notice on the chart how the uptrend since April is slowly turning into a downtrend.

Coincidently, the key support level is $1680.

I continue to hold a reduced position in gold. I bot it during the Mar washout lows after having sold a longer-term position in Feb.

I'm keeping this reduced position during any weakness.

But as I've been suggesting recently to anyone who might remain overweight, take some profits. Keep an amount you'd feel comfortable with riding through weakness.

The rotation out of safe haven assets recently pushed us to bank profits in gold shares.

The profits taken are making this quarter one of the best on record.

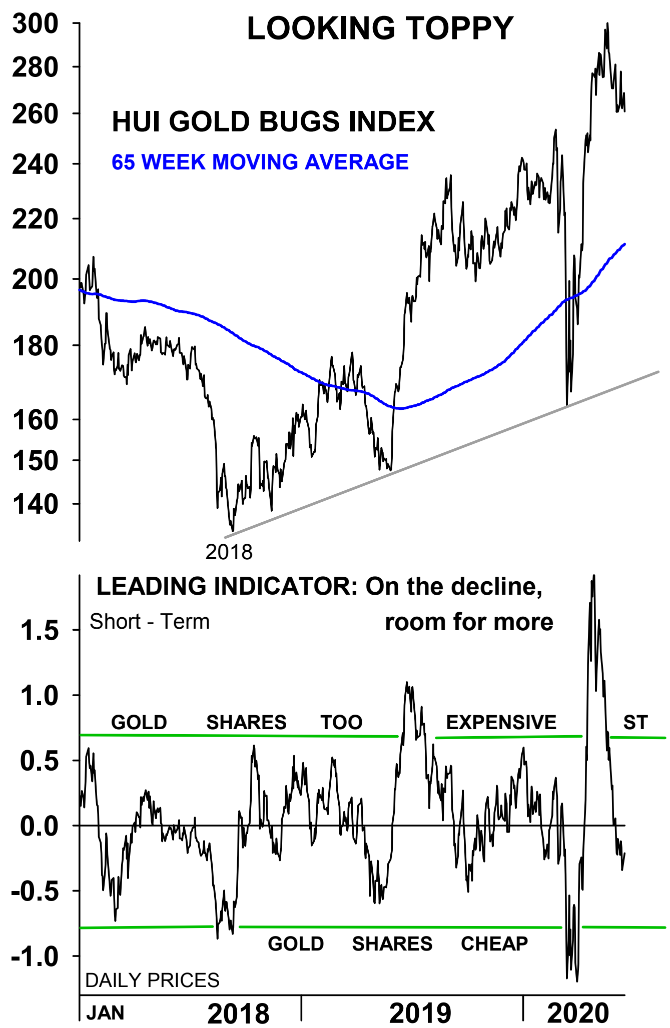
We've been waiting for weakness to jump back in …

And although they're holding up better than anticipated, they still have room to fall.

Consider HUI could fall to the 225 level (nearly 10% from current levels) and remain bullish.

To counter downside risk in my gold position, and to try and gain from gold share weakness, I recently purchased a small position of DUST.

It's an inverse ETF to the GDX (The GDX is an ETF that tracks gold shares, similar to HUI). So, DUST is like shorting gold shares.




It's a position intended for insurance. If you're not in, consider buying some at mkt.

Also, avoid having large exposure to this particular trade. It can swing wildly.

The rotation also pushed us into silver.

It's been very inexpensive compared to gold, and silver has been stronger this past month and it's set to continue in the foreseeable future.


This shouldn't come as a surprise, given the pick up in resources and industrial activity that could support silver's price.

Silver has been unable to break above key resistance at $19. It's now below $18 showing weakness.

Silver remains solid above key support but it's been unable to break above resistance at $19.

But silver is holding up better than gold as the ratio starts to swing in favor of silver.

This allows us exposure to the precious metal with least downside risk based on its value relative to gold.


Currently I remain overweight silver and will sell half of my position at mkt to protect a 15% profit built.

I'll buy more on weakness.

After selling silver, my total exposure to precious metals is further reduced to about 15% of my portfolio.

Silver shares are also under pressure, but they're holding up better than gold producers.

Silvercorp Metals (SVM) remains above the March uptrend showing impressive strength.

If it continues to hold and rises above the recent high (above $5.20), it could then rise to the top side of the March upchannel near the Dec highs (at $6.20).

Keep your positions; sell at the profit target.

Hecla Mining (HL) is also holding strong. It's looking good above the Mar uptrend near $2.90.


Also consider our position in HL was reduced when I sold half, banking a 46% profit. I'll keep the rest during weakness and wait for a bottom to emerge to buy more.

Fortuna Silver Mines (FSM) is also breaking down.


You'll notice on the chart it's breaking below a rising wedge pattern with a downside target near $3.50.

FSM has had a great run and those that bot have done well. Many have taken partial or total profits.

If you haven't, consider taking some at mkt.

I'm waiting for a decline to the Mar uptrend to buy.

**Resources Poised For More Upside**

Copper and crude oil kept on rising.

Speculation fueling the airline stocks could have seeped into resources.

Copper is very bullish above a previous resistance level near $2.50. It's suggesting a pick up in global demand is growing, and it's likely due to the ease in lockdown provisions.

Crude oil is also catching a bid. It's rising with resources and with a weaker U.S. dollar index.

My next chart shows Crude oil, copper and the Dow Transportations indexed to 100 since January 2017.

Notice that during that time frame, crude oil outperformed both copper and the Transportation Average, with the notable exception to the recent virus-led collapse.

Could crude oil catch up and go back to trading at a premium when compared to copper and transportation stocks?

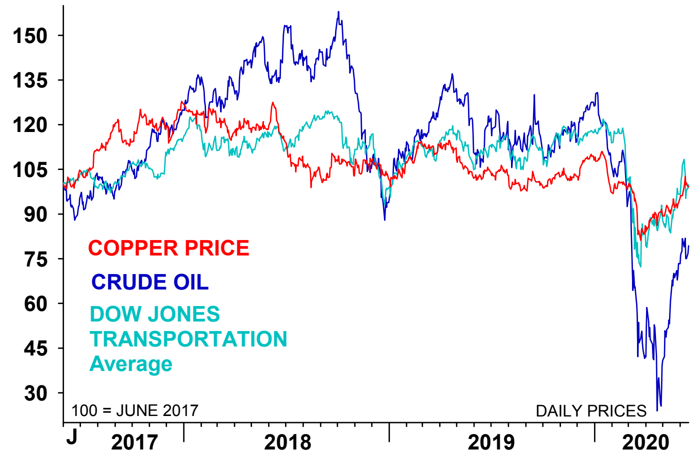
We'll see. Last Thursday and Friday crude oil slipped below $35. I picked up some positions then.

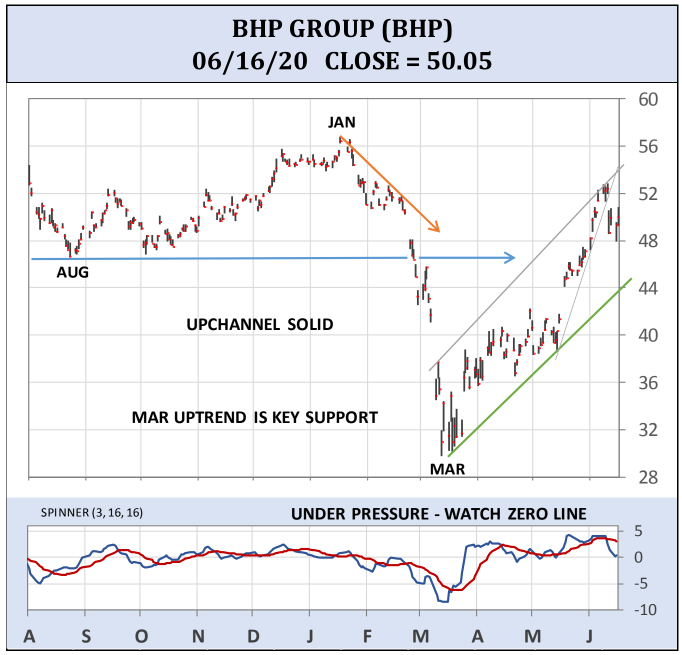
I believe that crude will ultimately rise to the Feb highs in the lower to mid $50s.

If you're looking for exposure and haven't bot yet, buy on weakness.

Until this past week, I had exposure to resources only through

**CRUDE OIL CATCHING UP!**




BHP Billiton (BHP) and Exxon Mobil (XOM). Both are solid multinational companies, with great stability and a rock star dividend yield.

They're in bombed out levels within bombed out sectors.

Keep your positions. Demand for these blue chip stocks could continue rising, given the value they offer. Both BHP and XOM are bullish above the Mar uptrend at $45 (coincidently for both).

Our strategy for this week is to sell some silver if you're overweight (like me!). Consider taking some profits in FSM also, if you haven't already. Exposure to stocks remains appropriate at about 35% (including XOM and BHP). The cash pile is growing… but that's okay!

Remember, if it's Wednesday, it's GCRU!

Good luck and good trading,

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TRADER SHEET PAGES 14 & 15

| KEY PRICES | | | |
|---|---|---|---|
| **Name/Symbol** | **Jun 16,20 Price** | **Change** | **Jun 09,20 Price** |
| Gold (GCQ20) | **1734.90** | 13.00 | **1721.90** |
| Silver (SIN20) | **17.65** | -0.14 | **17.79** |
| HUI (HUI) | **260.76** | -6.44 | **267.20** |
| Copper (HGN20) | **2.56** | -0.04 | **2.60** |
| Crude Oil (CLN20) | **38.38** | -0.56 | **38.94** |
| S&P500 | **3124.74** | -82.44 | **3207.18** |
| U.S.Dollar (DXU20) | **96.93** | 0.61 | **96.32** |
| 30 Year T-Bond (ZBU20) | **175.69** | 1.38 | **174.31** |
| 10 Year T-Note Yield | **0.76** | -0.07 | **0.83** |
| 13-week Treasury Bill | **0.160** | -0.005 | **0.165** |

| TRADER SHEET | | | | | | |
|---|---|---|---|---|---|---|
| **Symbol** | **Trade Update &/or Current Position** | Status L=Long S=Short O=Out P=Put C=Call | **Long or Short** | **Last Closing Price** | **Stops** | **Targets** |
| **PRECIOUS METALS PORTFOLIO (19%)** | | | | | | |
| **GOLD (GCQ20)** | Gold remains under pressure below $1750. A break below support at $1680 would confirm weakness that could open the door to further downside. If gold rises above $1750, it'll show subtle signs of renewed strength but must ultimately break above $1800 to show solid upside potential. Momentum continues to wane. Keep your reduced positions. | L | Bot: 1485 (Mar-18-20). | **1734.90** | 2dc below 1450. | 1900 |
| **PHYS** | Keep your positions. Sell when gold reaches profit target. | L | 11.75 (Mar-18-19). | **13.77** | 2dc below $11.20 | Open |
| **SILVER (SIN20)** | Silver is showing signs of weakness below key resistance at $19. It's forming a bearish H&S stop since May with neckline support at $17. A break below could push silver to $15. Consider selling some above $18. Otherwise, keep your positions during weakness. Stop is at the H&S target at $15. Sell half at mkt to protect 15% gain. | L | Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19), 12 (Mar-18-20) (AVG: $15.275) New members bot at $15.20 (May-6-20). | **17.652** | 2dc below 15 | 19 (almost reached!) & 25 |
| **PSLV** | Keep your positions. Sell when silver reaches first profit target. | L | Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19), 6.19 (Nov-8-19), 4.65 (Mar-18-20) (AVG: 5.65). | **6.37** | 2dc below $5.25 | - |
| **HUI Index** | Under pressure. Gold shares have been weaker than gold since HUI peaked in May. HUI is testing ST support at 250 but it could still fall further. A break below this level exposes more weakness with a likely downside to possibly 220-230 level; coincidently it's also HUI's 15wk MA. The A/D Line reached a new low this past week. It's also showing weakness could linger for longer. We're out of gold shares and are holding a bit of DUST, an inverse ETF to HUI. It's our short on gold shares. We have limited exposure to silver shares too, with Hecla Mining (HL) and Silvercorp Metals (SVM). Newer readers likely have exposure to Fortuna Silver Mines (FSM). Keep reduced positions in gold shares; it's whatever you are willing to keep during a continued downmove. | -- | - | **261.17** | - | - |
| **DUST** | Holding small position to counter weakness in precious metals portfolio. Keep your position. | L | 30.75 (May-27-20) | | 2dc below 25 | 70 |
| **HL** | Keep your positions. I recently sold half my position for a solid gain. Indicators now showing weakness ST. A HL break below $2.80 confirms weakness. I'll take advantage of weakness to buy more later on. | L | 2.96 (Jan-28 -20), 2.65 (Mar-4-20), 1.65 (Mar-18-20) (AVG: $2.42). Sold half at $3.50 (May-20-20) for 46% gain. | **3.06** | 2dc below 1.50 | 6 |
| **SVM** | Losing steam... SVM is holding up strong above the Mar lows. However, recent weakness suggest the Mar uptrend could be violated. We recently reduced exposure by selling half of our position. Keep the rest during weakness. | L | 5.49 (Jan-6-20), 4.92 (Feb-4-20), 3.40 (Mar-4-20), 3.45 (Apr-7-20) Sold half at $4.10 for 7% loss. (AVG: $4.40). | **4.60** | 2dc below 4.20. | 6+ |
| **FSM** | FSM broke below a rising wedge pattern with a downside target near $3.50 (the Mar uptrend). New members may have bot mid May near the more recent lows. I'll buy some on weakness below $4 and more on a decline below $3. If you have FSM consider keeping it through weakness. Or take partial profits if you haven't already. | O | New Subs Bot $3.25 (May-13-20). Some may have sold part for 30% gain. | **4.39** | 2dc below 3 | 4 & 6 |

## TRADER SHEET CONTINUED

| Symbol | Trade Update &/or Current Position | Status L=Long S=Short O=Out P=Put C=Call | Long or Short | Last Closing Price | Stops | Targets |
|---|---|---|---|---|---|---|
| **CURRENCIES (45%)** | | | | | | |
| **U.S. DOLLAR (DXU20)** | The dollar index (DXY) is holding at key support at 96. A break below it exposes critical weakness with more downside likely. It if holds, DXY would show some strength. A break above the Mar downtrend (99) could propel the dollar back to 101. Keep sideline cash in U.S. dollars mainly. | | - | **96.93** | - | - |
| **FXB** | FCB is bullish above the Mar uptrend (120). But watch out for resistance at 124. If FCB fails to break above this level, it'd show weakness and eventually break below the Mar uptrend (120). But if FCB rises above 124, a continued rise to the Dec highs near 130 (BP: $1.33) would be likely. | | - | **121.694** | - | - |
| **RESOURCES AND ENERGY (18%)** | | | | | | |
| **Crude (CLN20)** | Crude oil is pulling back after breaking above the Jan downtrend and its ascending triangle showing impressive strength. I picked up some as crude dipped below $35. If you didn't buy at the lower level. Don't worry, the indicators suggest more weakness is likely. If not in, buy a bit below $35. I'll buy more in lower $30s. | L | 35 (Jun-15-20) | **38.38** | 2dcd below 30 | 54 |
| **XOM** | XOM is pulling back with resources and energy. Indicators suggest continued downside is likely, especially if XOM breaks below 46. However, XOM has proven to be a great company to hold during weakness. Keep your positions; if you're not in, consider buying below $45. | L | 61.90 (Feb-6-20), 61 (Feb-12-20), 50 (Mar-5-20), 32 (Mar-18-20) (AVG: $51) | **48.20** | 2dc below 40 | 65 & 75 |
| **COPPER** | Bullish rebound... Dr. Copper continues to show upward momentum as it stays above the Mar uptrend near $2.50. Copper is now resisting at the Feb highs. A break could propel copper higher, to possibly the Jan highs near $3. But, if it fails to rise above the Feb highs at $2.65 and falls below the Mar uptrend at $2.50, more downside would be likely. | O | - | **2.5645** | Out | - |
| **BHP** | BHP resisted at the Feb highs and fell below the $50 handle. It's showing more downside is likely, initially to possibly the Mar uptrend near $44. Keep your position during weakness. BHP is a great company, with a great dividend yield. Take advantage to buy below $47 if you're not yet in. | L | 54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40) | **50.05** | 2dc below 40 | 55 (almost reached!) |
| **MELT UP RISE PORTFOLIO (18%)** | | | | | | |
| **C** | Failed to surpass the Jan downtrend and resistance level near $65. C is now showing weakness ST. Keep in mind, however, C's deeper bullish support is at the Mar uptrend near $45. Keep your positions. | L | 73.75 (Nov-20-19), 40 (Mar-25-20), 50 (May-27-20) (AVG: $55). | **54.45** | 2dc below $45 (adj) | 65 (adj) & 85 |
| **NVS** | Weakness. NVS failed to rise above stronger resistance at $92 showing weakness. Spinner suggesting more downside is likely ST. We've been patient with NVS. It remains a great company, but for now, sell at mkt. | L | 94.75 (Jan-23-20), 80.75 (Apr-1-20) (AVG: 87.75) | **86.76** | 2dc below $82 | 100 |
| **AVGO** | AVGO failed to surpass the 2020 highs showing weakness. Since, it's declined and it's testing the Mar uptrend near 290. If AVGO holds above this level, it could re-test the Jan highs at 330. If AVGO breaks below 290, more downside would follow. Keep your positions for now. | L | 282 (May-27-20). | **310.72** | 2dc below 290. | 360 & 400 |
| **TBT** | Pulled back, allowing us to pick up some more below $17 this past week. TBT is looking good above the Mar uptrend near $15. Keep your positions. | L | 16.15 (May-27-20), 16.75 (Jun-10-20). | **16.71** | 2dc below 15 | 20 & 25 |
| **JETS** | JETS pulled back after taking off. It looks like it could be settling down above the previous resistance level at $17. If JETS holds above $17 and rises above $22, a continued rise to the Feb highs near $32 would be likely. Keep your positions as long as it holds above $17. | L | 16.50 (Jun-3-20). | **18.47** | 2dc below $17 | 30 |

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| ABBREVIATIONS | |
|---|---|
| 1dc | 1-day close (the share price must close above or below the indicated price level, before our recommendation is activated) |
| 2dc | 2-day close (consecutive) |
| bot | bought |
| CAD$ | Canadian dollar |
| H&S | head & shoulder |
| LOC | line on close |
| LT | long term |
| MT | medium term |
| NL | neckline |
| PF | portfolio |
| PO | price objective |
| Recom | recommended |
| RH&S | reverse head & shoulder |
| RS | relative strength |
| ST | short term |
| Sym/tri | symmetrical triangle |
| Tgt | target |
| Unch | unchanged |
| Vol | volume |
| Wk | week |
| Ystdy | yesterday |
| C | close |

**Spinner**: Spinner is an in-house momentum indicator (not always shown on charts). Momentum indicators use the rate of change in price to determine predominant energy flows. Spinner trading signals are generated when the faster timing line crosses above or below the slower confirming line. Upside crosses in the lower range of positive territory offer the most reliable signals for longs; downside crosses in the top range of negative territory for shorts. Avoid trading against the timing line, i.e., buying/selling if the timing line is in corrective mode (against direction of trade) unless the confirming line is positioning for a new 'confirming cycle'. It's important to always be aware of location, direction & cycling phase of the confirming line. Spinner signals are more effective in trending mkts than in trading ranges where indicators such as Stochastic & Williams %R should be used.

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