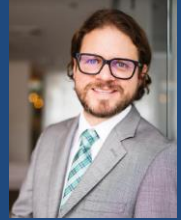




# -GCRU-

## Weekly Trading Strategies



*Omar Ayales*

Achieves gains by trading commodities, currencies and stocks

June 3<sup>rd</sup>, 2020

IN ITS 19<sup>th</sup> YEAR – Nº 887

## **DOLLAR INDEX APPROACHES KEY SUPPORT AT 96**

## **SAFE HAVEN TRADE UNWINDS**

## **GOLD MINERS RESIST AT THE 5WK MA**

## **U.S. STOCKS RISE SHOWING STRENGTH**

—

**T**he safe haven trade continues to unwind. Investors and traders are rotating into riskier assets as speculation runs wild about the end to lockdowns.

Riots from Hong Kong to Minneapolis are being used as political pawns by governments in U.S. and China. Tit for tat retaliations are growing.

But financial markets thus far are shaking it all off.

Investors and traders are so optimistic, it seems nothing will derail sentiment (not to say greed).

“The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell” -**John Templeton**

The S&P500 broke above its 200 day MA (3000) last week which was a price confirmation that more upside is likely.

The decline in the U.S. dollar index, U.S. bonds and a topy gold market are signs we've been pointing out recently.

The much-feared virus has at the very least moved to the back burner.

Studies minimizing the importance of Covid-19 are starting to come out by the truckload.



Trump has formally resigned from the World Health Organization, W.H.O.

A leading headline in Bloomberg even reported mass testing in Wuhan has eradicated the virus.

Do governments have a choice?

I suspect the shift in narrative from fear to greed will continue. Governments will start promoting it and speculation will continue to push stocks and risky assets up further.

Is it rational?

It doesn't matter.

It's about market perception.

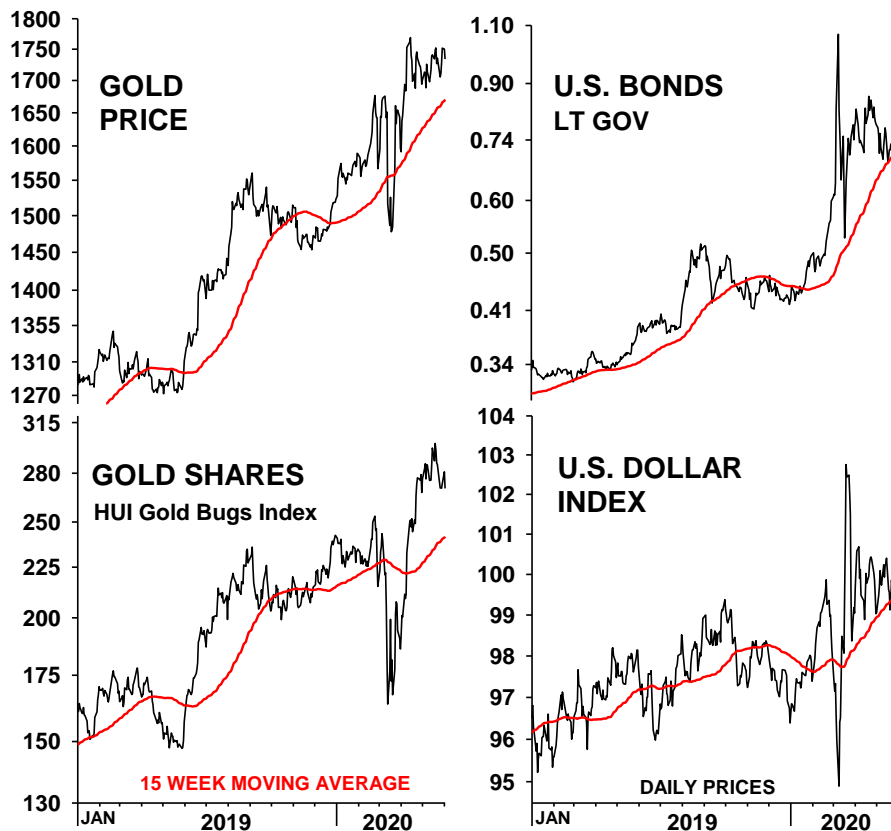
Our chart of the week below measures the safe haven trade.

It's made up of the U.S. dollar index, U.S. government bonds, gold and the HUI (a gold miner index) since Jan 2019.

Gov bonds were the first to pull back after their amazing rise in 2019 leading up to their 2020 peak; but the U.S. dollar was the first to break key support at 99 showing signs of deeper weakness just last week.

They're both below their 15wk MA (red line on the chart).

### IS GOLD FOLLOWING BONDS & U.S. DOLLAR?



Although gold has not fallen yet, it remains under pressure. It's a question of time.

Weakness is more noticeable in the gold miners which are more volatile.

The chart suggests gold could follow bonds and the dollar as the safe haven trade unwinds.

True, demand for gold goes over and beyond fear of the virus and riots; but the froth built on fear could roll back as concerns ease.

If gold breaks below \$1680, it would be very telling, potentially opening the door for a deeper correction.

Gold's stronger support is at the \$1450 - \$1470 level, the Dec 2019 and Mar 2020 lows.

I'm holding a reduced position in gold and have sold all my gold miners.

Notice all three charts that were sold last Wednesday jumped up after breaking below ST support levels.

More importantly, gold miners failed to regain their 5wk MA on the bounce up. The ones who did, gave it back. The miners are showing weakness.

Over the past two years gold shares have had great returns. I'll buy again, but first wait for weakness to develop.

I secured a small position in DUST to hedge my position. DUST is a 2x inverse ETF to the GDX (GDX is an ETF that tracks the price of HUI). So, by buying DUST, you'll be shorting gold shares, in other words.

I prefer to see it as insurance. Avoid a large exposure.

### Silver Stronger

As anticipated, silver has been holding up better than gold.





In the recent weeks I've shown how cheap silver is compared to gold and other assets.

I've also shown how resource metals are ready to outperform precious metals. This is yet another sign silver could continue to outperform gold moving forward.

Silver nearly reached our first profit target before pulling back. It was just shy by a few cents.



I'm overweight silver and will consider selling half at my first profit target at \$19 to protect a 25%+ gain.

Silver shares are also holding up well.

I unloaded some Silvercorp Metals (SVM) last week for a small loss. In hindsight, it might have been a bit early. But I was overweight SVM and it has been showing weakness after the announcement of its acquisition of Guyana Goldfields (GUY). I still have a solid exposure.



SVM's resistance at \$4.70 is proving to be strong. It has failed to rise to new highs like HL and FSM have done.

Keep the rest of your positions for now.

Hecla Mining (HL) bounced up with strength showing support growing

above \$3. It rose to new highs for the move.

HL is very bullish above the Mar uptrend, and especially above proven support near \$2.50.

We recently sold half for great profits and are holding the rest.

Fortuna Silver (FSM) is also rising with strength. It also broke to new highs for the move and it's looking very strong above \$4.50.

FSM hasn't pulled back much. Many of you did buy FSM just before taking off. Many holders have taken some profits and are holding on to the rest.



FSM is very bullish above the Mar uptrend near \$3.50. I'll wait or a decline below \$4 to buy.

## Resource Sector Picks Up Steam

Resources and energy have been following U.S. equities up.

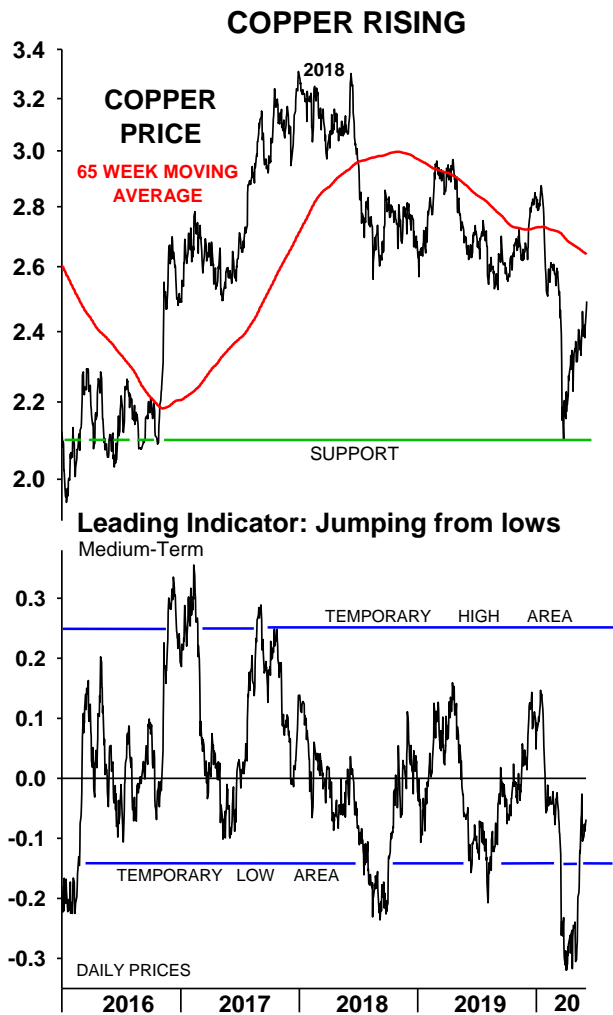
They're rebounding with strength, showing more upside potential.

Dr. Copper has nearly regained the \$2.50 handle. A break above this level will confirm strength and a rise could take it to the 2020 highs, just below \$3.

My next chart shows copper since the 2016 lows. Notice copper was holding at the lows then, just before taking off.

The chart below copper shows its leading indicator. Notice it's rising from a bombed-out area.

The indicator suggests copper has room to rise further, if anything to unwind the recent decline.



This tells us copper will likely continue to rise until it reaches its next key resistance near \$3.

The continued bounce up in resources is poised to give silver an upward boost too.

Crude oil is also rising.

It's following U.S. equities.

Last week I showed a chart with U.S. stocks, crude oil and the yield on a 10-year U.S. government bond.

The chart showed how the three move together and how stocks were leading rates and energy up.

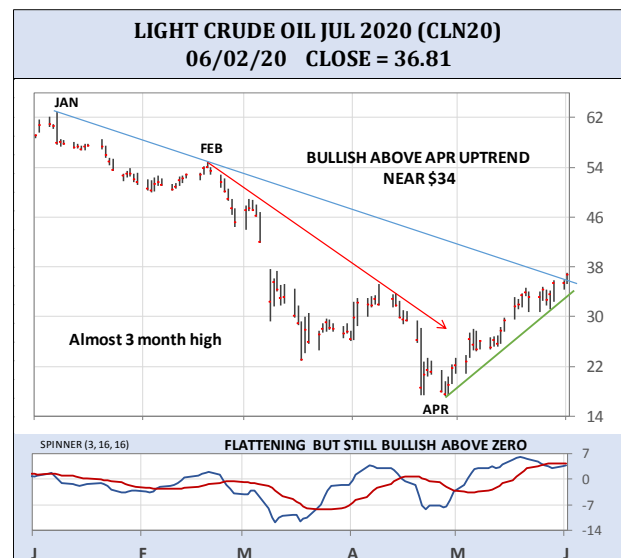
Today, crude oil is breaking a key resistance showing more upside is likely. The move is bullish. It confirms recent strength fueling the

rise in stocks.

We're out of crude oil and copper; but we have exposure to energy and resources through BHP Billiton (BHP) and Exxon Mobil (XOM).

BHP has risen to new highs. It's testing \$50 and looking great.

BHP is already logging in a 10% capital gain (not counting its handsome dividend yield). And it's showing room for continued upside. Keep your positions for now and sell at profit targets.

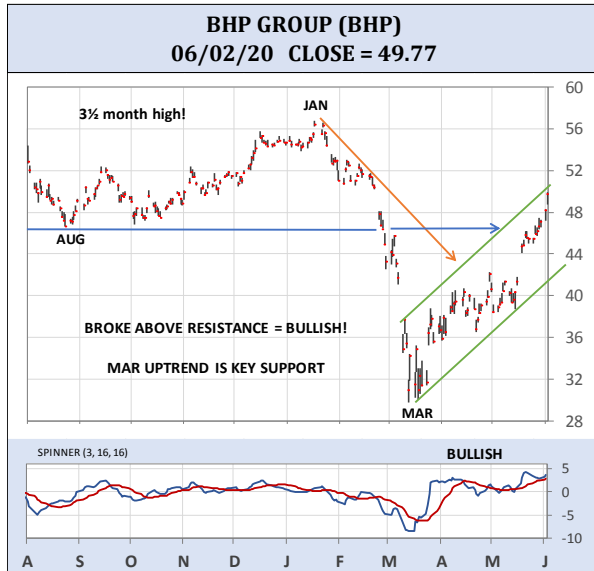


XOM is also rising with strength.

It's breaking above the 2020 downtrend at \$46.50. Moreover, XOM's 5wk MA is breaking above its 15wk MA, showing a bullish cross for just the second time this year!

We're not breaking even yet, but very close to being.

Keep your position for now. Sell at the profit target.

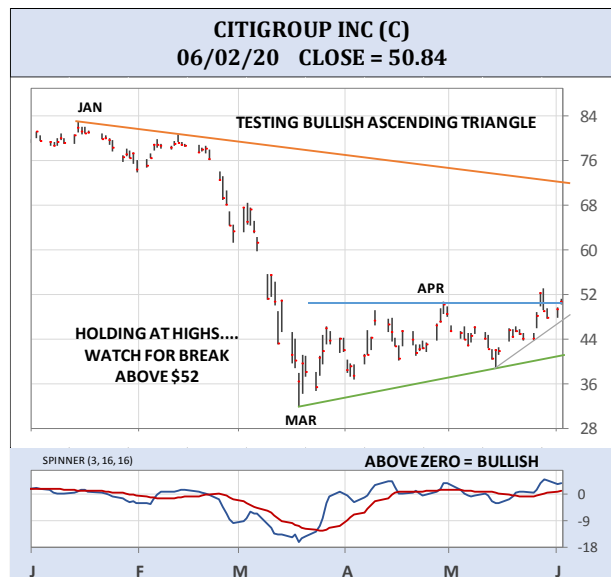


## U.S. Equities Rise

As we sold gold shares, we've been buying stocks, cautiously.

Citigroup (C) continues to rise with financials. It's one of the sectors investors and traders first rotated into when exiting safe haven positions.

C broke above its bullish ascending triangle earlier this week. The break confirms strength, showing upside potential.





Keep your positions for now.

A new position we picked up just last Wednesday was Broadcom (AVGO). I've been wanting to have some exposure to tech ever since we sold Shopify earlier this quarter.

AVGO is a leader in technology infrastructure and it pays a handsome dividend. Since I bot, it rose above \$290 and is a stone's throw away from reclaiming the \$300 handle. A break above this level will confirm strength and a rise to our first profit target would be likely.



Keep your positions.

I also went out on a limb and shorted long-term U.S. government bonds through the ETF: TBT.

Remember TBT is an inverse ETF to TLT (TLT is a widely used ETF that tracks long term U.S. government bonds). In other words, it moves with long term bond yields.

I picked up some last Wednesday and it's rising.

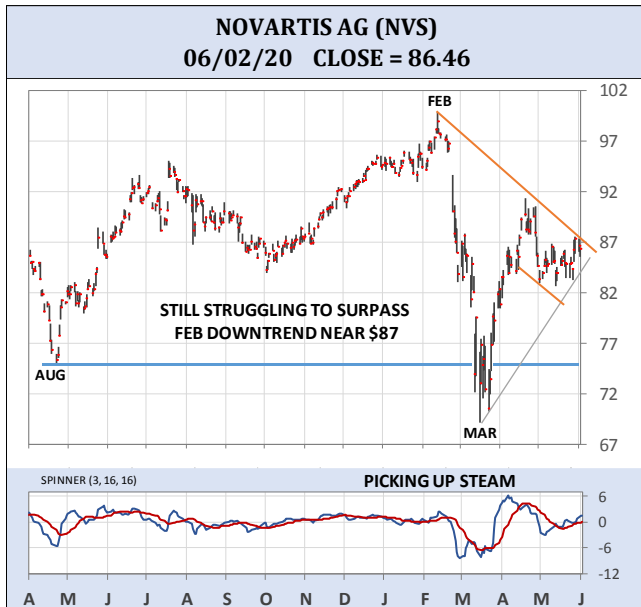
The reasoning behind this trade is that as the safe haven trade unwinds, money will flow out of bonds and into riskier assets, fueling a rise in bond yields.



This could be the start of stronger inflationary pressures.

Keep your positions. A break above \$17 confirms strength and a rise to our first target would then be likely.

Keep your positions.



Last but not least is Novartis (NVS). It caught a bid as it tested support at \$82.

This week, NVS broke back above ST resistance, but remains under pressure below \$87-\$90.

The recent upmove suggests more upside is likely. A break above resistance at \$90 could push NVS to the \$100 level.

It all sounds really nice. But if NVS fails to break above \$87-\$90 resistance in the next week or so, I'll be looking to swap it for other positions.

A new trade I'm looking at is the airline industry. It's an extremely bombed out sector with a strong floor given the government bailouts.

The sector is down nearly 60% and it could have an explosive upside.



Increase in airline activity is becoming more noticeable.

Consider airlines are already starting to open new routes within the U.S. and globally.

Instead of assuming exposure to any given company, I'll buy some of the ETF: JETS.

It's an ETF from U.S. Global. The symbol JETS, or U.S. Global

Jets ETF has exposure to the global airline industry, including airline operators and manufacturers from all over.

It's a smart way to trade an industry that still has many unknowns; with investors the likes of Warren Buffett having sold.

Notice the chart shows strong support built up at \$12. A break above \$17 opens the door for more upside.

Buy some at mkt. Place stops at 2dc below \$12; place profit targets at \$22 & \$30.

Our strategy for this week is to keep a close eye on stock rotation as investors drop safe havens for riskier assets. And as lockdowns end, this sentiment is poised to grow. Keep reduced positions in precious metals. Wait to buy again or buy more on weakness. In the meantime, take advantage of rising momentum in stocks.

Good luck and good trading,

Chief Trading Strategist/GCRU  
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**TRADER SHEET PAGES 12 & 13**

KEY PRICES			
Name/Symbol	Jun 02,20 Price	Change	May 26,20 Price
Gold (GCQ20)	1734.00	12.80	1721.20
Silver (SIN20)	18.26	0.67	17.60
HUI (HUI)	270.28	-0.27	270.55
Copper (HGN20)	2.49	0.07	2.42
Crude Oil (CLN20)	36.81	2.46	34.35
S&P500	3080.82	89.05	2991.77
U.S.Dollar (DXM20)	97.66	-1.25	98.91
30 Year T-Bond (ZBM20)	178.97	-0.43	179.40
10 Year T-Note Yield	0.68	-0.02	0.70
13-week Treasury Bill	0.145	0.027	0.118

## 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 (20%)						
<b>GOLD (GCQ20)</b>	At a key juncture. Gold continues to hold above growing support at the \$1680 level. ST leading indicators are starting to show renewed upside potential. But don't be a hero! Gold is in no man's land right now. It's upside potential remains capped unless the recent highs at \$1785 are clearly surpassed. We have a reduced position and continue to hold. I'll wait for further weakness to add to my positions, or a clear breakout rise that shows renewed upside potential. Keep your positions.	L	Bot: 1485 (Mar-18-20).	<b>1734.00</b>	2dc below 1450.	1900
<b>PHYS</b>	Keep your positions. Sell when gold reaches profit target.	L	11.75 (Mar-18-19).	<b>13.90</b>	2dc below \$11.20	Open
<b>SILVER (SIN20)</b>	Silver rose with strength this past week, reaching the Feb highs. It broke above a downtrend since Sept and indicators continue to show further upside potential. Silver was shy by a few cents from our first target at \$19. I've been building a large position since Jul 2019 and will be selling some at \$19 to protect profits. I'll remain with solid exposure. Don't sell unless you're overweight. If so, sell some at \$19 or better.	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).	<b>18.260</b>	2dc below 15	19 (almost reached!) & 25
<b>PSLV</b>	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).	<b>6.55</b>	2dc below \$5.25	
<b>HUI Index</b>	Downside pressure puts a lid on gold shares. Both the HUI and our in house gold share A/D Line broke below rising wedges showing the next intermediate move is likely to the downside. The downside target on the HUI is near 225, just below HUI's 15wk MA (240). A decline that holds at the wedge target would be a bullish secondary reaction within gold shares. One that will allow us to buy back at lower levels. The secular bull mkt in gold is strong with solid 'backbone strength'. Many will choose to keep their positions during weakness. And that's ok depending on your trading or investment outlook. However, ST expect downside pressure to increase. I'll be looking to take advantage from weakness to build up new positions. For the time being, I'll keep exposure to the sector through silver and silver shares mainly... And with some gold too.	--	-	<b>270.34</b>	-	-
<b>DUST</b>	Holding a small position in DUST to counter downside risk in precious metals portoolio. DUST is an ETF that is 2x inverse to the GDX (GDX is another ETF that tracks the HUI Index). Buying DUST is the equivalent to shorting gold shares. A decline in gold shares to their 15wk MA near 240 could propel a rise in DUST to \$70, over 100% rise. However, DUST is risky business. Avoid assuming large positions in relation to your remaining long positions in precious metals.	L	30.75 (May-27-20)	<b>29.68</b>	2dc below 25	70
<b>AEM</b>	AEM broke below the Mar uptrend & support, below \$64. Downside pressure is mounting. If AEM breaks below \$60 on a 2dc, a deeper decline would be likely. AEM has deeper support at its 15wk MA near \$54. Stay out for now. I'll be looking to buy again on weakness.	O	58.75 (Jan-9-20), 49.50 (Feb-19-20), 36.50 (Mar-18-20), 39.65 (Apr-1-20) (AVG: \$46); Sold half via alert at \$61+ for 32 ½ % gain. Sold second half at \$63 for 38% gain! Total Average Return 35% (80% annualized).	<b>62.18</b>	0.00	0
<b>KL</b>	KL is trying to hold at the Mar uptrend near \$38.50. However, downside pressure remains strong. KL is vulnerable below its 5wk MA at \$40.50. Stay out for now. I'll buy again later.	O	Sold recently for average gain: 34%; 80% annualized (May 2020).	<b>39.53</b>	0.00	0
<b>HL</b>	Holding strong! HL rose to the top side of the Mar upchannel, now testing resistance at the Dec highs. It actually broke to a new closing high for the move. Spinner shows momentum is still bullish. HL must stay above \$3.50 to confirm renewed strength and rise further ST. If it fails, it could fall back to the Mar uptrend near \$2.80, where it'd still be bullish. I'll consider buying more on weakness that pushes HL below \$3.	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.	<b>3.29</b>	2dc below 1.50	6
<b>SVM</b>	Testing resistance. SVM bounced up, and is re-testing resistance at \$4.70; it's showing signs of renewed strength. I'm adjusting Mar uptrend to \$4. Spinner is showing momentum could be picking up. I unloaded half of my position last week for a small loss. I was overweight and reduced exposure given it was not reacting as strong as other silver mines. Keep an eye on \$4.70. A break above this level would show renewed strength, followed by a rise to our target at \$6, the Dec highs.	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).	<b>4.47</b>	2dc below 2.25	6 & 9
<b>FSM</b>	FSM continued to rise with strength. It broke above the Aug highs showing great potential. If FSM can now stay above \$4.50, it could rise further ST. However, the potential rising wedge forming is telling us if FSM can't hold at \$4.50, it could fall below \$4 ST. Keep in mind, FSM remains very strong above the Mar uptrend near \$3.50. Newer members have done great on this trade. I'm still waiting for weakness to buy. I'm adjusting re-entry level to buy some below \$4, more near \$3.60.	O	New Subs Bot \$3.25 (May-13-20). Some may have sold part for 30% gain.	<b>4.63</b>	2dc below 3	4 & 6
<b>NG</b>	NG got sold. It broke below support and it's approaching levels last seen in over a month. Spinner is reaching an extreme low showing weakness. Noteworthy, NG was among the first gold shares to rise and it's among the first to fall as much as it has. NG is leading it seems. Although Spinner is at extreme levels, I'll wait for a bottom to emerge before jumping back in.	O	8.50 (Mar-4-20), 7.65 (Mar-18-20) (AVG: \$8). Sold half at \$11.50 (Apr-15-20) for 45% gain. Sold second half at \$10.50 for 32% gain. Total average gain 38.5% (80% annualized).	<b>8.81</b>	-	-

## 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
<b>CURRENCIES (48%)</b>						
<b>U.S. DOLLAR (DXM20)</b>	Breaking down. The dollar confirmed weakness, staying below 99, and dipping to new lows since Mar. Indicators show momentum is bearish with more downside likely. Consider the dollar index could fall and test support at 96. If it holds, it could resume its longer term rise. If it breaks, a new intermediate trend could begin to emerge. The decline is yet another indication of trader rotation out of safe havens and into riskier assets.		-	<b>97.66</b>	-	-
<b>FXB</b>	Pound sterling is jumping up after testing ST support. It's at a new high. It's gaining where the U.S. dollar is losing. Indicators are breaking out, suggesting a rise to the Dec downtrend near 123.50 (\$1.30) is likely.		-	<b>121.5</b>	-	-
<b>RESOURCES AND ENERGY (16%)</b>						
<b>Crude (CLN20)</b>	Crude oil continues to rise, holding on to the Apr uptrend near \$34. It's testing the Jan 2020 downtrend at \$37. A break above this level on a 2dc will confirm strength, and likely extend the uptrend to the Feb highs near \$54. We continue to have exposure through Exxon Mobil (XOM).	O	Out	<b>36.81</b>	-	-
<b>XOM</b>	XOM continues to rebound. It's starting to break above the Jan downtrend. The Mar uptrend and channel suggests a continued rise to the top side of the upchannel is likely, if XOM can hold above \$44. Keep your positions, sell half at first profit target.	L	61.90 (Feb-6-20), 61 (Feb-12-20), 50 (Mar-5-20), 32 (Mar-18-20) (AVG: \$51)	<b>47.31</b>	2dc below 40	65 & 75
<b>COPPER</b>	Copper continued to trend up. It's now testing a previous support, turned resistance at \$2.50. Indicators showing ST momentum is picking up steam. If copper breaks above this first resistance, it could rise initially to the Jan highs. Keep in mind, copper has strong resistance below \$3. We have exposure through BHP Billiton (BHP). Also, consider that a continued rise in resources could give silver a stronger boost.	O	-	<b>2.4910</b>	Out	-
<b>BHP</b>	Bullish! BHP broke above resistance at \$47 showing impressive strength. BHP remains very strong above the Mar uptrend near \$42. Keep your positions for now. Sell half at profit target.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40)	<b>49.77</b>	2dc below 40	55
<b>MELT UP RISE PORTFOLIO (16%)</b>						
<b>C</b>	C broke above the ascending triangle showing strength. We picked up more last week. C remains under pressure below \$52. C must break above this level to show signs of renewed strength that could push C to the Jan downtrend near \$70. Keep your positions.	L	73.75 (Nov-20-19), 40 (Mar-25-20), 50 (May-27-20) (AVG: \$55).	<b>50.84</b>	2dc below \$40	75 & 85
<b>NVS</b>	NVS is confirming support above \$82. However, resistance below \$87 is still key. Indicators show momentum picking up steam ST. A break above \$87 on a 2dc could open the door to a stronger upmove. Keep your positions for now, but we're getting ready to swap or unload if NVS fails to break resistance.	L	94.75 (Jan-23-20), 80.75 (Apr-1-20) (AVG: 87.75).	<b>86.46</b>	2dc below \$82.	100
<b>AVGO</b>	Bought some last week. AVGO is confirming support at the Mar uptrend after rising to a new 3+ mo high! AVGO is now poised to reach the Jan highs near \$320, our first profit target. On the downside, a break below the Mar uptrend would expose weakness. Keep your positions for now.	L	282 (May-27-20).	<b>298.06</b>	2dc below 275	320 & 400
<b>TBT</b>	TBT continues to trend up. It's flirting with new 2+ mo highs. Spinner is showing momentum rising. Remember TBT is inversely related to long term U.S. government bonds. TBT rises with the bond yield. Price action suggests rates are likely to tick upward as globally funds flows back into riskier assets.	L	16.15 (May-27-20).	<b>16.45</b>	2dc below 15	20 & 25
<b>JETS</b>	Buy some at mkt. As the lockdowns end, the airline industry is finding itself flush with cash. It is true that many uncertainties lie ahead, but activity will continue picking up from "ground zero". JETS is an airlines ETF from U.S. Global Investors. It's confirmed support at \$12 and it's now testing 2+ month highs near \$17. A break above \$17 shows strength and opens the door for a rise to the Feb downtrend near \$20, initially. Place stops at 2dc below \$12. Profit targets at \$22 and \$30.	O	-	<b>16.01</b>	2dc below \$12	22 & 30

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**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.

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

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