



-GCRU-

Weekly Trading Strategies



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Achieves gains by trading commodities, currencies and stocks

August 26th, 2020

IN ITS 19th YEAR – Nº 899

U.S. EQUITIES RALLY RESOURCES LED BY COPPER HOLD FIRM GOLD EDGES LOWER

U.S. stocks continued to rise. Nothing it seems can derail their bold strength. Skeptics are concerned about a decoupling from the economy; optimists are looking ahead...

Interestingly, most of the bull market rally in U.S. equities since the financial crisis (over 11 years ago already) has been despite ongoing worries and concerns.

But stocks have kept chugging...

A decade of ZIRP (zero interest rates policy) has redefined the concept of risk pushing savers to scramble for a yield in safe environments. It has priced ST U.S. government notes as 'risk free assets'. Ground zero... Corporate and Muni bonds are next on the radar.

“The stock market climbs a wall of worry to march into bullish territory, and bear markets slide down a slope of hope.” **Old trader’s adage**

TINA (“there is nothing else”) has turned companies that were once considered by investors “risk assets”, into shelters for safe haven seekers.

The Sino-American fight for global technological dominance will continue fueling U.S. tech stocks too as policy out of the U.S. will likely continue favoring their own.

My first chart shows a ratio between U.S. government bonds and the Dow Jones Industrial Average since 2007. The chart has a leading indicator that measures MT momentum below.

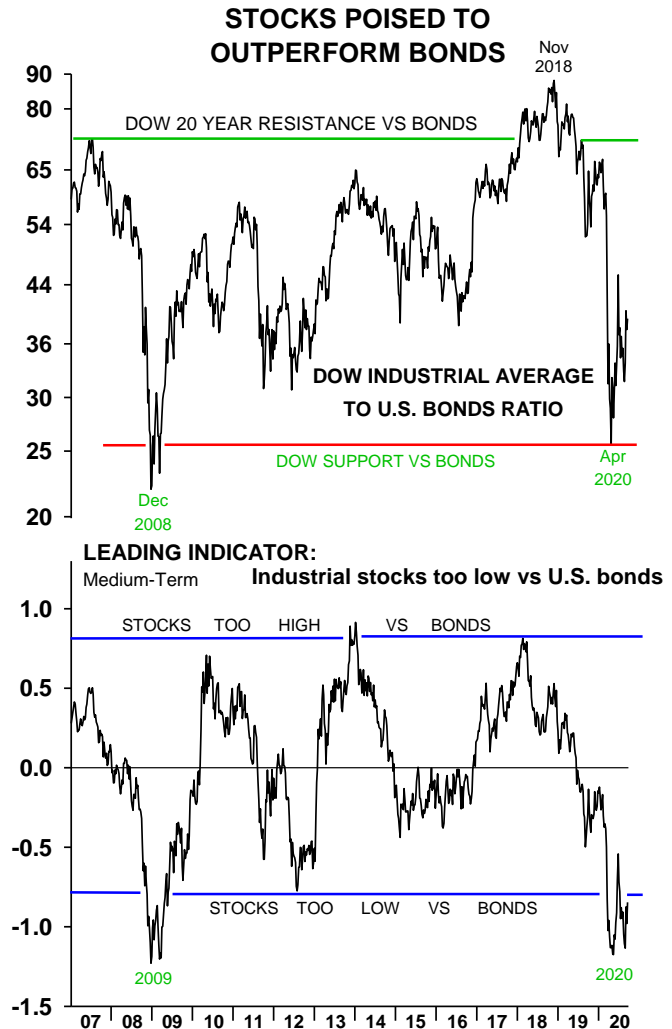
You’ll notice when the ratio rises, the Dow Jones Industrials is stronger than the bond market, and when it falls, U.S government bonds are stronger.

The ratio has been declining for over a year in favor of bonds, reaching extreme lows this year. The chart suggests bonds have been stronger than stocks. It also suggest that might be about to change...

Both the ratio and its indicator are at extremes last seen at the height of the financial crisis over 10 years ago... Remember the financial collapse then preceded one of the strongest bull markets in U.S. stock market history.

The chart is suggesting the recent collapse is resetting the economic cycle, with a new one likely re-emerging.

This coincides with a decline in demand for safe havens as fund managers, investors and traders roll over into riskier assets in search for a yield.





It coincides with recent price action in gold, as it unwinds some of the excess; it coincides with the recent rise in base metals and resources such as copper; with strength in global currencies such as the Loonie and the Aussie...

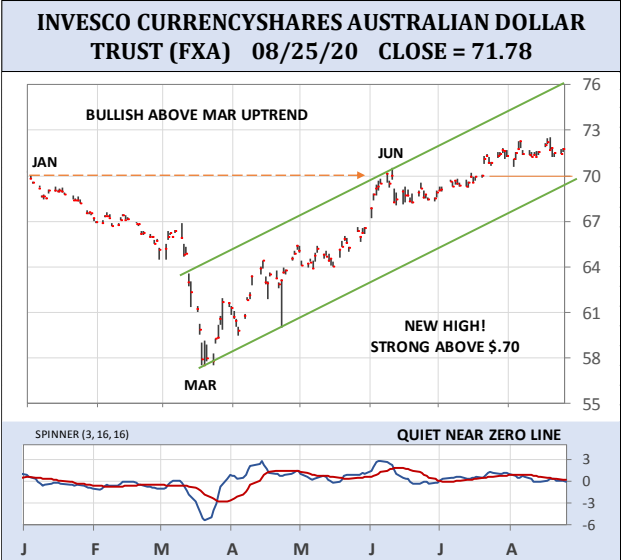
The U.S. dollar index (DXY) has stabilized at the recent 92 lows. But don't be fooled, DXY will remain vulnerable, under pressure with more downside risk as long as it stays below the March downtrend near 95.



The dollar's been falling since the March peak, reaching a new low for the move this month.

The break down pushed us into diversifying out of dollars a bit more. I already had some British pound sterling and looking to buy some Australian dollars on weakness.

The 3 charts together are telling us the dollar could bounce up ST to 95, putting downside pressure on gold, commodities and currencies.



Take advantage of dollar strength to diversify your cash position.

This next chart is yet another hint in the same direction...

It's a gold to copper ratio since 2009 with a momentum indicator.

When the ratio falls, it favors gold, when it rises it favors copper. The indicator below identifies when either gold or copper are cheap versus each other.

Notice the ratio fell steadily over the past year, and it recently fell to a new low showing gold's great strength versus copper.

The indicator below has also reached an extreme 10 year low; deeper only during the financial crises over 11 years ago.

The ratio now suggests copper is cheap compared to gold and it could start getting more holding up better than gold in the foreseeable future.

Another way to read this chart would be, risk assets are likely going to be preferred over safe havens; stronger signs might become clearer in the weeks ahead.

Recently, I've been adding U.S. equities into our portfolio.



One of the most recent inclusions was the ETF: SPXL. It's an ETF that triples price action on the S&P 500. I added some recently before the S&P 500's breakout rise to new highs.

SPXL reached a new high for the move today and it's approaching resistance at \$58. A break above this level could push SPXL to its highs in the lower \$70s.

It's rising quickly. Keep your positions.

Another recent inclusion was Shopify (SHOP). It's a tech company that's thriving in the post Covid-19 new normal. SHOP's online platform puts small businesses together with the final consumers.

SHOP is testing a bullish uptrend & support since the Mar lows. SHOP regained the \$1000 handle today toward the end of the trading day.

I'm keeping SHOP for now. If it falls further, below \$800, I'll buy more.

I'm also holding TBT. It's an ETF in the bond market that moves with long term U.S. bond yields. Put another way, TBT is like shorting government bonds.

As demand for safe havens continues to dwindle, bond prices are poised to recede, giving way to higher long-term yields.

We'll soon see. But the chart suggests TBT has a strong floor at \$14.50. Keep your positions as long as TBT holds above this level.

I'm also holding Citigroup (C). I haven't given up on the banks just yet.

Yes, it's true the Fed's retail lending window and policies compete



directly with a bank's core business. However, certain banks have also shown their ability to produce revenue from different sources and streams and remain a key component in getting the economy jump started.

I'm keeping my positions as long as C holds above support at \$48.

I'm also including a new position Walmart Stores (WMT). An unusual 'beneficiary' from pandemic led lockdowns...



The world's largest global retailer has been working hard in trying to compete with Amazon.

Consider WMT's annual sales are double those of Amazon, but revenues are not that far apart. Also, Amazon's market value is 6 times higher than that of WMT.

During lockdown, WMT was put to the test, and got to experience first-hand what it would be like to operate as an online retailer.

WMT has the funds and connections to compete with Amazon. It has the distribution know-how and it's located in every corner within the U.S. It's also launching Walmart+, a subscription service that provides all sorts of perks and benefits to its users, for example unlimited same day delivery.

I like the narrative and will buy some at mkt, ideally below \$130. If WMT falls lower, to \$120, I'll buy some more.

Resources Uptrending - Exxon Gets Dropped

As shown in the copper to gold ratio, copper will likely be favored over gold in the foreseeable future. This means resource companies are likely to thrive.

Our own BHP Billiton (BHP) has been pulling back after testing all-time highs near \$58. However, BHP remains strong above the March uptrend near \$54.



Spinner is edging lower, reaching a recent low area. If it holds above the zero line, momentum could revert back to the upside. A BHP rise to the top of the March upchannel near \$65 would then be likely.

Keep your positions.

Exxon Mobil (XOM) was dropped from the Dow Jones Average. It was the oldest standing member, for nearly 88 years.

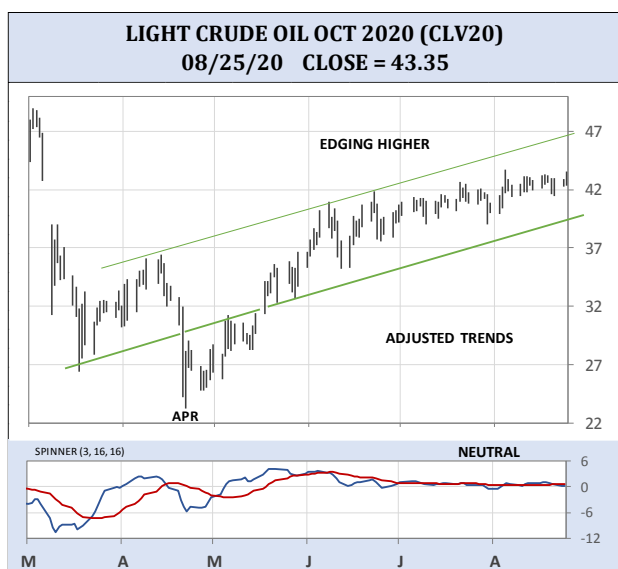


A sign of the times?

Maybe. But remember XOM has an intricate and diversified operation. It has many other things going for it longer term. Its solid dividend yield remains one of the most attractive features. It's safe for now but may not be forever.

I'm waiting for a bounce up to the \$50 level to unload.

Hold for now.



Oil seems out of date in today's high-tech world. But the reality is that it remains an inexpensive source of energy that will likely have a place in our society for years to come.

Crude's uptrend suggests the Mar uptrend near \$39 is key support. Keep your positions as long as crude oil holds above support at \$39.

Precious Metals on the Back Burner

As demand for resources and riskier assets grows, demand for precious metals and safe havens dwindles, at least for now.

Gold continues to hold above the March uptrend but it's broken back below its 5wk MA. Downside pressure is rising.

A break below \$1900 will show weakness and it could push gold down further, to deeper support.

At the moment I'm out but my ideal re-entry level is at \$1685; I'll start buying below \$1800.

Exposure to precious metals has been through limited exposure in silver and the miners. Exposure to gold and the miners is at 15% of my total portfolio, or the lowest it's been since the beginning of the year.

Silver is holding up better than gold.

It's very strong above \$26, a more recent uptrend. A break below this level will show further ST weakness that could push silver to the March uptrend near \$21.50.



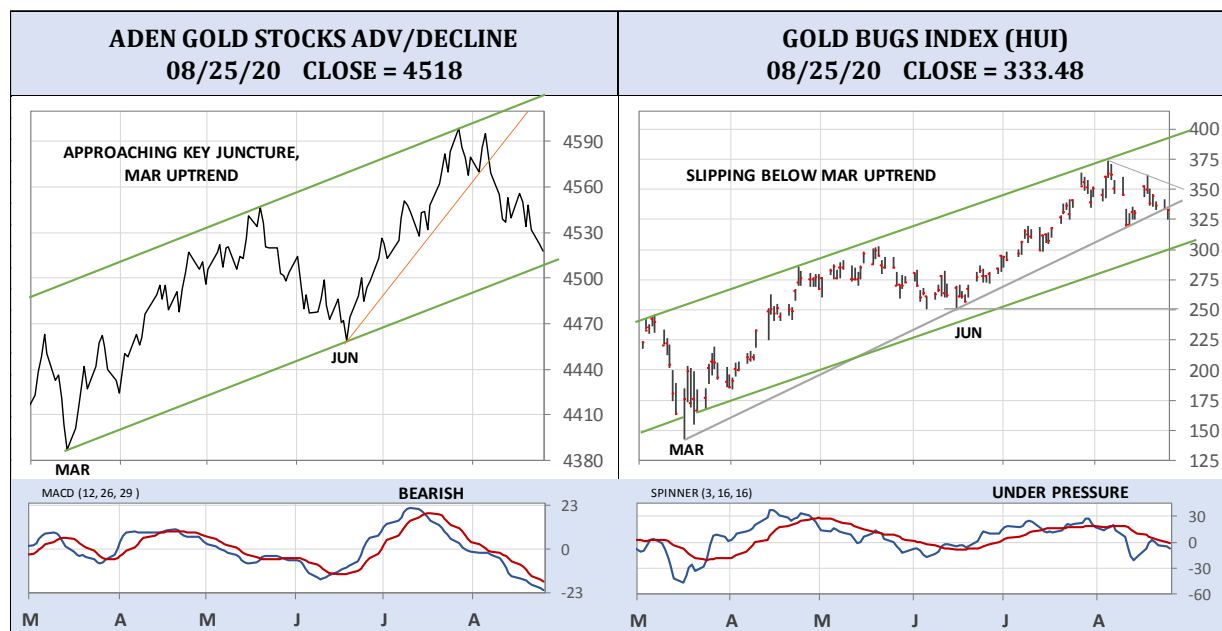
I'll be looking to buy more silver then and will retain my reduced position for now.

Gold and silver miners continue showing weakness.

This chart below shows the HUI Index (a gold miner index) and our in-house gold stock A/D line.

Although both charts do not always move together, when they do, the movement is validated and strong.

The HUI index is breaking below the March uptrend. A clear break below 300 could push HUI down further, to possibly the Jun lows near 250. The A/D Line has not broken below the Mar uptrend. It's very close. If it does, it'll open the door for more downside.



I've taken all of my profits in gold and silver miners. I'm holding only a handful of minimum positions. Hecla Mining (HL), NovaGold (NG) and Bonterra Resources (BTR.V).

HL has been one of my best. It's given back triple digit returns. It's now falling and could collapse to the Mar uptrend & support below \$4.

Spinner is collapsing, but it could soon reach extremes last seen in Mar this year.

Keep your position. Allow leeway and buy again below \$4.





NG has been one of the only gold shares to rise while everyone else falls.

NG has held above \$9 showing strength. However, it has failed to surpass resistance at \$9.50. It's unlikely NG will go too far against the current.

Nevertheless, keep your full position. Allow some leeway. I'll be looking to buy again on weakness.

Bonterra Resources (BTR) is also under pressure. It's breaking the March uptrend and testing support at \$1.20. Spinner is turning down, showing momentum is falling further.

BTR has lots of take-over appeal. Hold on through weakness and for as long as BTR holds above deeper support at CA\$1. Keep your reduced position.

Our strategy for this week is to add a bit to your U.S. equities portfolio. Industrial and Transportation companies are poised to catch up to tech. But don't stay out of tech either. The current global circumstance will continue fueling U.S. tech companies. Most importantly, keep a large, liquid, diversified cash position.



Good luck and good trading,

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TRADER SHEET BELOW, PAGES 12 & 13

KEY PRICES			
Name/Symbol	Aug 25,20 Price	Change	Aug 18,20 Price
Gold (GCZ20)	1923.10	-90.00	2013.10
Silver (SIU20)	26.27	-1.80	28.08
HUI (HUI)	333.48	-17.07	350.55
Copper (HGU20)	2.93	-0.05	2.98
Crude Oil (CLV20)	43.35	0.23	43.12
S&P500	3443.62	53.84	3389.78
U.S.Dollar (DXU20)	93.02	0.76	92.26
30 Year T-Bond (ZBU20)	178.53	-0.28	178.81
10 Year T-Note Yield	0.682	0.013	0.669
13-week Treasury Bill	0.095	-0.005	0.100

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 (15%)						
GOLD (GCZ20)	Pressure building... gold is testing support at the Mar uptrend near \$1900. A break below the uptrend will show renewed weakness; another leg down to the Apr highs & possibly to the Jun lows would then be likely. Spinner still unwinding suggesting more downside is likely. Stay out for now. Waiting for more weakness to buy.	O	Bot: 1485 (Mar-18-20). Sold via alert for 35% gain (Aug-11-20).	1923.10	-	-
PHYS	Stay out for now.	O	11.75 (Mar-18-19). Sold via alert for 35% gain (Aug-11-20).	15.26	2dc below \$11.20	-
SILVER (SIU20)	ST support at \$26 is gaining relevance. Silver is strong above it, but a break below it would cast renewed weakness. Silver could then fall to its next support at the Mar uptrend near \$21.50. Spinner is fading quickly with room to fall further. Keep reduced exposure and be ready to buy more on weakness.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19), 12 (Mar-18-20), \$15.20 (May-6-20). (AVG: \$15.275) Sold half at \$18 for 17% gain (Jun-22); Sold more at \$26 for a 70% gain (Aug-4-20).	26.273	2dc below \$21	50
PSLV	Keep your positions.	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). Sold half for 17% gain.	9.82	2dc below \$5.25	-
HUI Index	Gold shares are trading lower and are slipping below a key juncture: the Mar uptrend. The HUI Index is showing signs of exhaustion as the August highs form a top. A break below 325 will confirm weakness and it could decline to 300, the adjusted channel support. In a worst case, a further decline to the Jun lows near 250 could be possible (a nearly perfect 50% retracement from the recent highs). Our in house A/D Line is reaching its target from a bearish rising wedge pattern confirmed in early Aug, coincidentally at the Mar uptrend (4500). A break below the Mar uptrend by both the index and the A/D Line would be a strong indication the trend for gold shares has shifted to the downside.	--	-	333.48	-	-
HL	A wild ride! HL has been amazing! One of our best this year. It's looking topy at the highs & it's starting to break lower. A break below \$5 could exacerbate weakness that could push HL to the Mar uptrend near \$3.50. I'm holding a reduced position and keeping it through weakness. I'll be buying more again on a decline to the Mar uptrend near \$4.	L	2.96 (Jan-28 -20), 2.65 (Mar-4-20), 1.65 (Mar-18-20). Sold half at \$3.50 (May-20-20) for 46% gain. New Positions: 2.90 (Jun-24-20) (AVG: \$2.85). Sold half at \$6 for 105% gain (Aug-4-20).	5.43	2dc below \$3.5	8
NG	NG continues to resist below the Apr downtrend near \$9.50. NG is among the better performers these days. However, downside pressure in the sector is putting a lid. Keep your position during weakness.	L	8.30 (Jul-15-20), 8.70 (Jul-22-20), 8.99 (Aug-7-20) (AVG: 8.65).	9.29	2dc below 8, but allow leeway	12
BTR.V	Holding small position due to its takeover potential. BTR just broke below the Mar uptrend showing first signs of weakness. Spinner is also under pressure, suggesting momentum will likely trend lower. BTR has support at \$1. Keep your positions during weakness.	L	1.32 (Jul-23-20).	1.23	2dc below \$1	\$2.20 & \$3
CURRENCIES (47%)						
U.S. DOLLAR (DXU20)	The dollar is showing growing signs of a bottom. It's been holding up consistently above 92 and Spinner is quietly rising, suggesting momentum could be turning in favor of the U.S. dollar ST. The dollar must break convincingly above the Mar downtrend, on a 2dc above 95, to show renewed strength.		-	93.02	-	-
FXB	Pound sterling is holding at the recent high but clearly below the Dec 2019 high (\$1.31 // FXB: \$129.50). Spinner suggests momentum could be shifting down. BPS will remain bullish above the Mar uptrend at \$1.26 (FXB: \$123.50). Keep your large cash position diversified.		-	127.22	-	-
FXA	The Australian dollar is also holding strong above the Mar uptrend near \$0.70 (FXA: \$70). A break below the uptrend could derail longer term upside momentum and push the "Aussie" lower. But, if it holds at the key uptrend (\$0.70), it could continue to rise for longer. Having some Aussie's in our currency bag reduces downside risk in the U.S. dollar index.		-	71.78	-	-

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
RESOURCES AND ENERGY (20%)						
Crude (CLV20)	Crude oil continues to edge higher. Quietly, but surely, it's reclaiming the \$43 handle and it's at the brink of reaching the top side of the (adj) Apr upchannel near \$47. A break above this level could push crude to our second (and original) profit target at \$54. Keep your positions. More upside is likely.	L	35 (Jun-15-20), 42 (Aug-12-20) (AVG: \$38.50).	43.35	2dc below \$39	47 (new) & 54
XOM	Energy shares are getting sold after the Dow dropped XOM from the average. Selling pressure could increase ST. XOM continues to show support at \$40. Keep your positions for now.	L	61.90 (Feb-6-20), 61 (Feb-12-20), 50 (Mar-5-20), 32 (Mar-18-20) (AVG: \$51)	40.88	2dc below 40	50 (new) & 65
COPPER (HGU20)	Pushing higher... copper continues to rise with impressive strength. It confirmed bullish support above the Mar uptrend near \$2.90 and it's positioned to rise to the top side of the Mar upchannel near \$3.15. Watch for a clean break above \$3 for heat to pick up.	O	-	2.9340	-	-
BHP	BHP is pulling back after breaking the 2020 high & resistance. It's holding above \$54, and coincidentally it's the Mar uptrend & support. Spinner below zero, but near a recent low since Apr. Price action suggests, if BHP holds above the Mar uptrend (\$54), it could rise to the top side of the Mar upchannel to our profit target. But, if the Mar uptrend is clearly broken, it'll be a strong sign bullish momentum since the Mar low may have peaked and possibly shifted. Keep your positions as long as BHP holds above \$54.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40).	54.72	2dc below 54.	\$64 & \$72
MELT UP RISE PORTFOLIO (18%)						
C	C is showing signs of support by holding above the Mar uptrend during weakness. The recent bounce up suggests some upside potential ST is likely. C's symmetrical triangle continues to narrow. It's showing support at \$48 and resistance at \$53. A break in either direction will hint towards C's next intermediate move. Keep your positions for now.	L	73.75 (Nov-20-19), 40 (Mar-25-20), 50 (May-27-20), 50 (Jul-1-20) (AVG: \$55).	51.65	2dc below \$48 (adj).	\$65 & \$85
WMT	Buy below \$130; buy more on further weakness near \$120. WMT is very bullish above the Mar uptrend near \$126; but a longer term trend since Dec 2015 show \$115 is deeper, stronger support. WMT is already the largest retailer worldwide. It sells almost twice as much as Amazon; although it's not nearly as profitable (annual income for both is very similar). WMT's distribution capabilities has always been one of its strongest suits. A recent positive experience with online sales during the pandemic lockdowns is opening management's eyes to not only increase sales exposure in online retail, but to also reduce cost significantly and keep a bit more of its total sales. Despite the fundamentals, Amazon is 6 times more expensive than WMT. Place stops at 2dc below \$110. Profit targets at 200.	O	-	130.63	-	-
SPXL	The S&P 500 rose to new highs showing strength. Other indices and averages are quickly catching up, particularly the industrials. A break above \$58 could bring in new buyers that could push SPXL to the Feb highs near \$75. Keep your positions.	L	53 (Aug-11-20), 54 (Aug-12-20) (AVG: 53.50).	57.43	2dc below 45	75
SHOP	SHOP continues to show signs of a top. "Tech" is seemingly giving way to industrials, transports and other stocks after a bullish rise. A pull back would be normal. The mid-channel line gives support at 900. The Mar uptrend, SHOP's major support, is at 700. Adjust stops. I've been waiting for weakness to buy more, ideally below 800.	L	930 (Jul-16-20), 900 (Jul-24-20) (AVG: 915).	1037.19	2dc below \$700 (adj).	1200
TBT	TBT continues to form a base near the Mar lows. This means, rates remain low and bonds high. How much longer is the question, and if U.S. gov long term rates can fall much further. We'll soon see. But if economic activity starts picking up steam again, we could see long term bonds sell off and TBT explode to the Jan highs near \$27. Keep your small position.	L	15.40 (Aug-12-20).	15.56	2dc below 14.50	\$18 & \$26

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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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