-GCRU-

Weekly Trading Strategies

Achieves gains by trading commodities, currencies and stocks

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September 16th, 2020 **IN ITS 19th YEAR – Nº 902**

BROAD ASSET INFLATION IS INEVITABLE

BUT COULD 'STRUCTURAL DEFLATION' GET IN THE WAY?

ASSETS MOVING TO THE EBB AND FLOW OF THE U.S. DOLLAR

It seems as if every day the talk in 'Wall Street' is inflation. Talking heads in financial media outlets, pundits and writers across the board…

The message from global central banks, heralded by the Federal Reserve, seems clear: MORE INFLATION AT WHATEVER THE COST.

Interestingly, it was only a few decades ago that we had exactly the opposite problem…

Too much inflation.

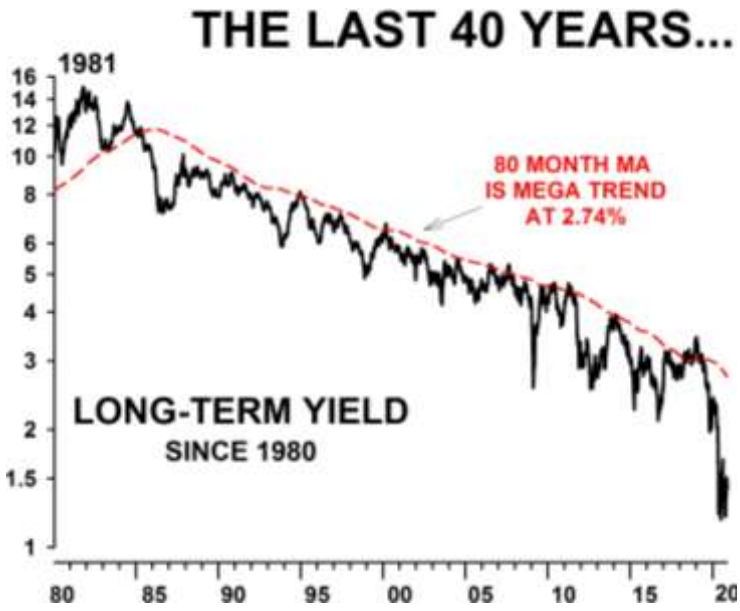
Back in 1980-81, U.S. government bond yields would make today's junk-bond trader blush.

> "Deflation is everywhere and always a monetary phenomenon." **Milton Friedman** (1968)

In the U.S., then Fed head Volker played a key role taming what had turned out to be runaway inflation.

But it took much more than a drastic hike in interest rates.

Government policy followed and coincided with one of the most innovative periods for tech since the industrial revolution.



The combination fueled a mega bull market in U.S. government bonds that remains alive to this day.

The decline in rates has reached such low levels that deflation, not inflation, is becoming the real problem, hence ZIRP (zero interest rates policy).

There are many similarities to the period of time in the U.S. that goes from 1870-1890. It was a period of 'structural deflation'caused by a considerable reduction in consumer prices of goods due to advancements from the mechanical revolution and the proliferation of railroads at the time.

Today, things are not very different…

Technological advancements, global connectivity and the internet of things together with people's growing apprehension to public interaction will keep fueling deflation.

Companies like Walmart, the world's largest brick and mortar retailer, are slowly shifting their life long business model to become more like Amazon (less retail space; better service)!

It's about cost reduction and efficiency. And it leads to reductions in consumer prices (deflation)…

Could this be the reason the inflation needle is stuck? The reason why the Fed is not worried about the longer term implications of keeping rates at zero? The reason why Modern Monetary Policy (MMT) could work ST?

More importantly…

Can it last?

History tells us it won't….

Back in the 1890s, the deflationary period ended through the re-engineering of inflation. Back then it was through the creation of unions, price controls, regulation and policy.

Today, it's currency debasement through monetary and fiscal policy.

Coordinated efforts to spur inflation are ongoing.

It's being promoted… at this moment, as this goes to press, inflation is being financially engineered into our system.

The inevitable destruction of all currencies will lead towards higher valuations in all assets that are real, essential or income producing.

It's inevitable…

But just like my good friend Rick Rule likes to say with a big smile on his face, "just because it's inevitable, it doesn't mean it's imminent".

The reality is the U.S. Fed is not worried about inflation over the next five years. It has pledged to take action that would've essentially destroyed any other currency in the world today or at any other time in history.

Yet inflation remains at bay…

And low inflation could easily extend, allowing a stronger dollar for longer and a pull back or decline in gold, copper and other assets.

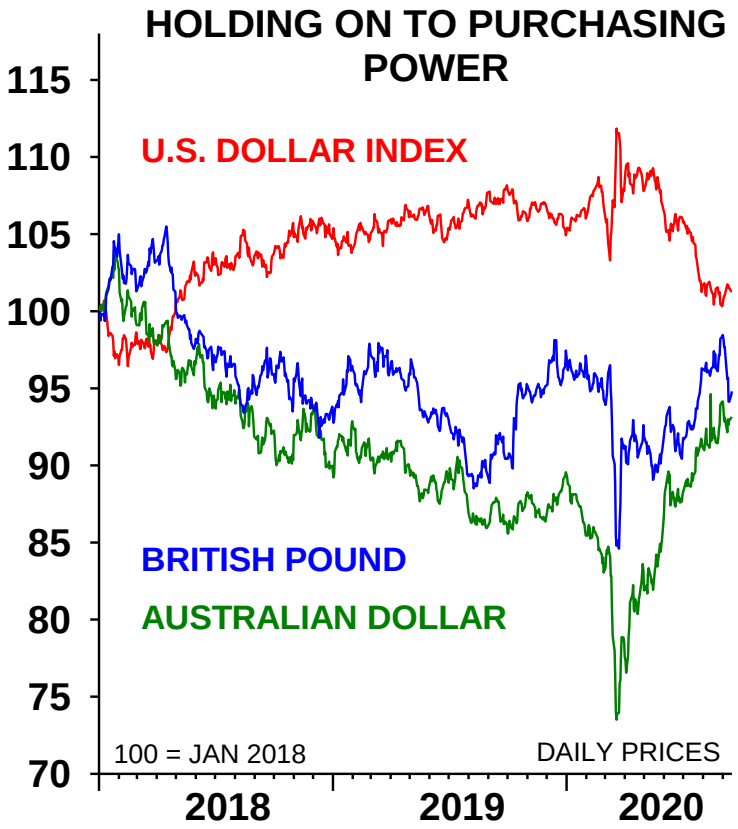
The dollar has been falling since the pandemic-led collapse in March. It lost about 10% of its value against peers.

It's one of the reasons we've been diversifying our cash position into other currencies, specifically British Pound Sterling (BPS) and the Australian dollar ("Aussie").

The idea being to counter downside risk on the U.S. dollar, particularly because of our growing cash position.

This strategy has worked and has allowed us to keep cash without losing its purchasing power.

I agree with Ray Dalio, "Cash is Trash"… but only as a store of value longer term and as it compares to gold. Short term, having cash is the price you pay to take advantage of developing opportunities.



How we keep cash in a way that allows for liquidity while keeping purchasing power is a big part of successful trading.

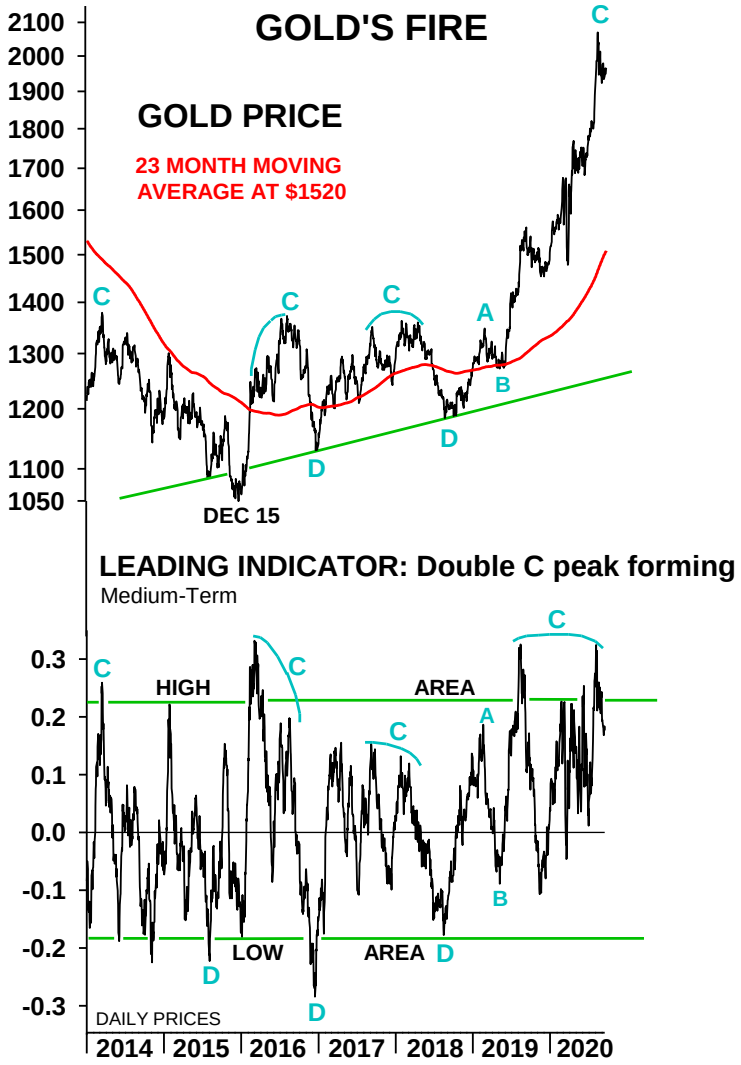
Our charts and indicators continue to suggest the dollar index could hold above 90 (a 10 year long uptrend) for a bit longer.

Keep in mind the dollar rebound is not over just yet. The U.S. dollar index could reach 95 before continuing the intermediate bear market trend it triggered earlier this year.

More downside pressure on global currencies and assets is likely. Like I've been saying, take advantage of the dollar rebound rise to buy assets and diversify cash position if you haven't already.

This scenario coincides with the 'D' decline gold has been developing since peaking in early August, as our indicators show.

You'll recall gold moves in mini intermediate cycles we identify as ABCD. The 'A' rise tends to be a mild rise that starts off the cycle, followed by a mild 'B' decline, then a strong rise called 'C' develops, and the cycle ends with a strong down move called 'D' before it restarts. The depth of the rises and declines is very telling of where gold is within its secular bull market.



Our indicators and studies show gold is at the end of an extended 'C' rise. A bullish one in length similar only to the gold experience of the second half of decade starting in 2000 .

But momentum is bound to unwind. The current rise has been nearly 2 years long. Downside pressure will likely continue a while longer.

Our indicators will lead the way and tell us when to start buying again.

Notice the MT indicator starting to recede from extreme high levels. Price action suggests gold will continue to consolidate or decline in the foreseeable future.

I'm keeping a close eye on it. Oct-Dec could prove to be an interesting time to buy new positions. It has typically coincided with a low since the secular bull market restarted in Dec 2015.

My hunch to gold's downside has been $1685. But gold has held so strong that any correction could be short lived. I'm buying some below $1900 and waiting for a deeper correction to buy more.

If gold doesn't correct and rises above the highs near $2100, it would show renewed strength and a renewed leg up could be starting…

Under that scenario, I'd be looking to buy again then; once we've seen a confirmed breakout.

Overall exposure to the gold universe remains at low levels. It represents about 15% of total portfolio only after two great profit-taking events this year.

We're out of gold itself and holding reduced positions in silver plus a handful of miners that've held up during times of cyclical weakness.

Silver has been looking stronger due in part to rebounding demand for resources after the pandemic-led lockdowns.

It's highly sought for its industrial purposes relative to its cost, especially when compared with other precious metals.

You'll remember silver also moves with gold. And performs best when both gold and resources (copper) are rising.

Silver has deep support at the Mar uptrend near $22 but must pierce the recent month+ long support at $26 first. Buy again on weakness, ideally near the Mar uptrend (below $23).

A way to measure momentum in gold is measuring strength between the junior and senior gold miners.

Senior mines represent stability, more disciplined balance sheets, established successful operations. The juniors, on the other hand, range from exploration companies, to small producers, streamers and others.

Junior mines tend to be a haven for speculators. Many salivate at the volatility… they are riskier and most have a long road ahead.

I use a ratio between senior and junior miners to help determine sentiment driving the gold universe. When juniors are stronger than seniors, it tends to mean speculative money is going into the space.

This next charts shows a ratio between seniors gold miners (as represented by the GDX) and juniors gold miners (as represented by the GDXJ).

Notice since Jun, juniors have been outperforming the seniors. More recently the ratio rose strongly towards a downtrend since the peak in 2016.

If juniors breakout against the seniors it's a strong indication that new and speculative money is coming into the gold universe, which could propel it higher.

If the junior mines resist however, and reverse their current course, we could see the senior mines hold up stronger while juniors unwind. This could coincide with funds leaving the space. It could also coincide with gold's 'D' decline.

One of our recent purchases in the junior space was with Novagold (NG). Its price had been depressed in large part due to a short seller report giving out misleading information. We bought a full position, averaged in at the mid $8s and are now enjoying a nearly 40% built in profit.

It's breaking out further to new highs, very close to reaching our profit target (and 2020 highs). Keep your positions for now and for as long as it holds above the Mar uptrend. Sell half at profit target ($12) for handsome profit. It's close.

Other positions within our precious metals portfolio include a reduced position in Hecla Mining (HL) and a small position in Bonterra Resources (BTR.V). I'm also adding two new ones, a junior to buy at mkt (Blackrock Gold) and a senior royalty company Franco Nevada Corp (FNV).

HL continues to hold near the highs. It clearly broke below a rising wedge with downside target at the Mar uptrend near $4.

Consider HL is holding above support at $5 for now but Spinner (below HL) is lackluster suggesting weakness is not over. A break below $5 could exacerbate weakness.

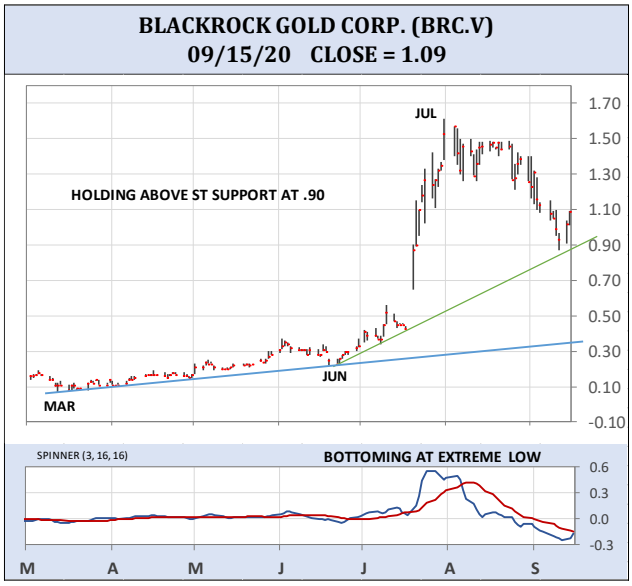
I'm holding a reduced position after taking juicy profits this year. I'll be looking to add to my positions on a decline to the Mar uptrend.

If you're out and want in on this trade, consider buying a bit to have exposure. Notice a stronger upchannel could be developing. If you do have exposure, wait for further weakness to start adding to your position.

BTR continues to hold at the Mar utprend. The primary purpose of us keeping a small position is for a potenial buy out scenario involving Kirkland Lake Gold (KL). BTR has sexy assets and a stand-alone value. Keep for now.

BRC is another junior mining company that I've had my eye on for a while. They have a great team and ambitious projects in the U.S. and Canada.

They recently secured funding from Eric Sprott and have enough liquidity to power forward. BRC is traded in the Vancouver exchange under the symbol BRC or on the OTC under the symbol BKRRF and in the Frankfurt exchange under symbol AHZ.



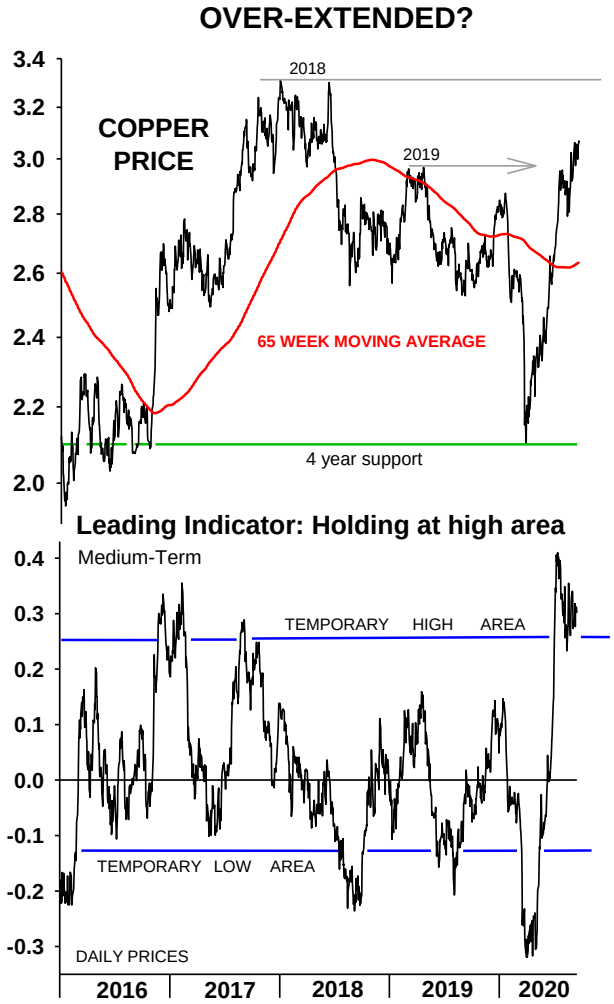
On the chart, notice BRC pulled back a nearly perfect 50% retracement from the Jun lows. BRC is showing support at CA$1 just as Spinner

bottoms at an extreme low level, suggesting the downside is overdone ST. Coincidently BRC is also holding above its 15wk MA, a key trend identifier (not shown).

Buy at mkt, more on weakness.

Franco Nevada (FNV) is another great company. It's a royalty company which means it doesn't carry the same risks that producers carry since it's not a producer.

FNV has been among the best companies within the royalty business. Notice it has been falling steadily since reaching a high near $150 back in Aug.



Price action suggests FNV could fall further, to possibly the Jun lows near $125. Wait for a further weakness to buy some.

Copper Over-extended?

Copper's bullish rise may be reaching an intermediate peak. At least that's what our next chart is telling us…

Notice copper's bullish rise since Mar. It's sitting comfortably above $3 and it's now showing signs of growing support.

The chart suggests some consolidation or a pull back is likely. A shorter chart exposes that copper's support is the Mar uptrend, currently near $2.95. This means if copper falls below this level, it could trigger a trend reversal.

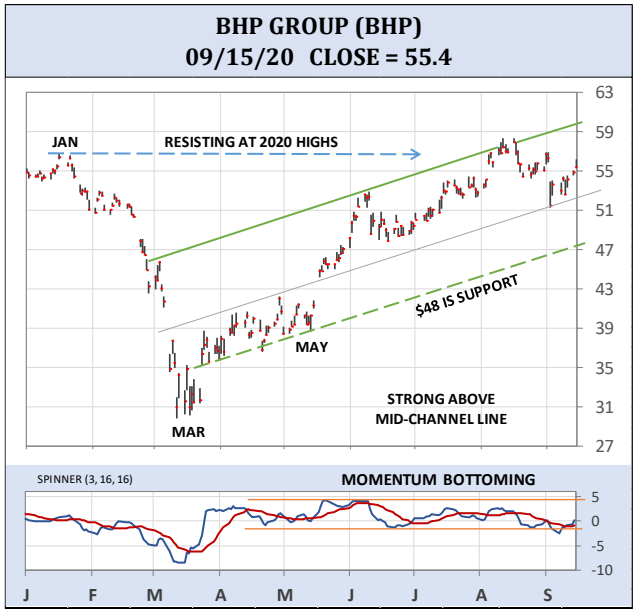
Lower copper would fit in with the deflation narrative mentioned above. As prices fall, deflationary forces tighten.

We're basically out of resorces with the exception of a full position (down from overweight) in BHP Billiton (BHP) and a full position in crude that we're looking to unwind after hitting our stop loss.

I adjusted the Apr uptrend for crude to show it's holding at the uptrend and the lower side of the channel. This new way of looking at the chart shows a rebound rise to the $40+ level is likely ST.

Today's upmove in crude was very promising. It's confirming support above $35. I'm still looking to unload my position near $40.

BHP held above $50 after pulling back from the new highs near $60. I was waiting for a decline below $50 to buy, but didn't get the chance. BHP is now bouncing up and it's looking ready to retest resistance at $60.



A break above $60 would be very bullish. Keep your positions for now; buy again on weakness near $50.

Stock Market Spurs Confusion

U.S. equities continue to climb a wall of worry. Many indexes and averages are at new highs or near their all time highs.

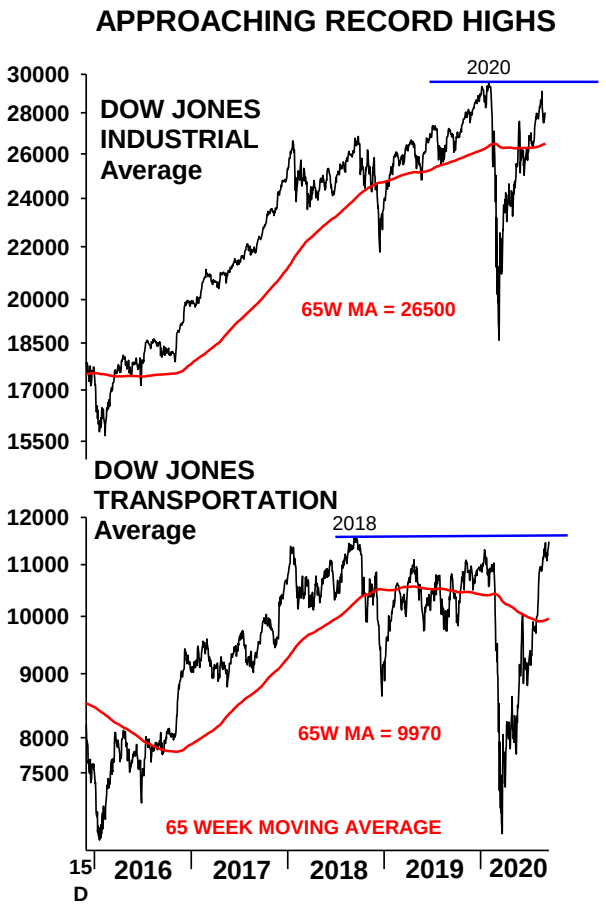
But concern remains. The up-move seems unsubstantiated, at least by many metrics and fundamentals.

Zero interest rate policies and currency debasement, however, are not giving investors and investment funds much of a choice. It's redrawing the entire value board.

The search for a 'safe yield' will continue driving investors to certain stocks that are becoming havens themselves.

Remember we're in a primary bull market according to Dow Theory. The sell off decline in Mar, as bad as it was, was not enough to trigger a bear market. The proof lies in the aftermath and where many of those stocks are today.

For the bulls… it would be nice to see both the Transportations and the Industrials reach new highs…



A stock I'm very excited about is Walmart (WMT), for reasons already mentioned last week. You can go to my archive in the members's section of the website and look at last week's issue and all others prior.

The giant retailer going tech could be some of the biggest news of the year for retail. It allows a much higher ceiling for WMT.

The recent announcement that Oracle won the bid for TikTok is putting downside pressure on WMT. However, it's no longer that important. WMT's intention is now clear as to what it will become in its future.

WMT has strong multi-year support at $115. Keep stops at this level. Buy more at mkt.

Shopify (SHOP) is another of my favorite stocks. It's the company that will help many small business owners bridge the technological gap, allowing for an effective online presence.

SHOP's alliance with WMT is yet more even more appealing to both the giant retailer and SHOP.

Together, SHOP and WMT are out to get Amazon. I have a full position in SHOP.

The chart shows since Sept SHOP has formed a bearish flag pattern with downside target at the Mar uptrend near $800.

This means if SHOP breaks below 900, a decline to the Mar uptrend is then likely. Spinner is at extreme lows, suggesting a bottom is near. Buy at mkt if you're not in.

If you are in, wait for weakness below 900 to buy more.

The bond market remains extremely overextended by most metrics. LT gov yields are poised to rise. TBT, an ETF that moves opposite to LT U.S. gov bonds shows a strong bottom has been forming for the past 6 months above $14.50.

However, if we are at the onset of a tightening deflationary forces, it's likely that TBT will continue bottoming for longer. Keep your positions for now.

Citigroup's (C) stock took a beating. It fell from below a symmetrical triangle, suggesting more downside is likely.

In simple terms, the decline has been hard and fast. It's likely to rebound to the breakdown level at $50. Sell your positions on a 'dead cat bounce', ideally to the $50 level.

Our position in SPXL, an ETF that triples the action on the S&P 500 has been moving within the Mar upchannel. It's volatile, but keep your positions for now. A rise to the Feb highs initially is likely.

Our strategy this week is to continue looking for an exit strategy on the last of our duds: crude oil and C. Crude oil is already bouncing up today and could be a sell in the next day or so. Sell at the best price possible. Also buy more WMT and SHOP, if you don't have a full position already. We'll be buying more on further weakness.

Remember to keep your cash position well diversified. Use U.S. dollar strength to your advantage. Also, start buying great deals selectively. We have lots of cash and great opportunities are forthcoming.

Good luck and good trading,

And remember, if it's Wednesday, it's Gold Charts R Us!

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A division of Aden Research

TRADER SHEET PAGES 15 & 16

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 (17%)						
GOLD (GCZ20)	We're out, waiting for weakness to buy. Gold is seriously testing the Aug downtrend at $1965. A clear break above shows signs of strength. But a break above $2100 is key for bullish flag to unfold and push gold into a renewed leg up rise. Keep close eye on $1900. A break below opens the door for continued decline, to possibly the Jun lows at $1685. Buy some near $1900 and more on a deeper decline, ideally near $1685 support.	O	Bot: 1485 (Mar-18-20). Sold via alert for 35% gain (Aug-11-20).	**1966.20**	-	-
PHYS	Stay out for now.	O	11.75 (Mar-18-19). Sold via alert for 35% gain (Aug-11-20).	**15.65**	2dc below $11.20	-
SILVER (SIZ20)	Holding reduced position. Silver continues to lose steam. It remains under pressure below the Aug downtrend near $28.50. A break below support at $26 opens the door for a continued decline to the Mar uptrend. Wait for weakness to buy again.	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).	**27.464**	2dc below $20	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.	**9.67**	2dc below $5.25	-
HUI Index	Weakness continues to develop. HUI has thus far held above the Mar uptrend, but lackluster momentum is keeping a lid. A break below 325, the Mar uptrend, opens the door for further weakness. In house Gold Miner A/D line is showing a more clear path to the downside. The divergence between both charts is bearish. HUI is likely to catch down to the A/D Line. We're holding a full position in NovaGold (NG), a reduced position in Hecla Mining (HL) and smaller position n Bonterra Resources (BTR.V). I'm including another junior and senior royalty company (Blackrock Gold (BRC.V) and Franco Nevada Corp (FNV)). I'm also keeping a close eye on long time favorites (BTG, AEM and KL among others).	--	-	**356.03**	-	-
HL	Holding reduced position. Riding thru weakness. HL is showing signs of support above $5. Momentum remains lackluster, however, and I'll be looking to buy more on a decline to the mid $4s.	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).	**5.80**	2dc below $4 (adj)	8
NG	Holding full position with great profits built in. Approaching profit target at $12. Sell half then to protect profits. NG is on a bullish path as long as it holds above the Dec uptrend near $8.50. Buy again on any weakness near $9.	L	8.30 (Jul-15-20), 8.70 (Jul-22-20), 8.99 (Aug-7-20) (AVG: 8.65).	**11.57**	2dc below 8.	12
BTR.V	BTR is on the take over radar. Holding small position thru weakness. Keep as long as BTR.V holds above the Jun low at $1.	L	1.32 (Jul-23-20).	**1.24**	2dc below $1	$2.20 & $3
BRC.V	Buy at mkt and more on any decline to the Mar uptrend. Showing support at a ST uptrend since Jun with upside potential, to possibly the Jul highs near $1.60. BRC is a junior exploration company with great management and assets.	O	-	**1.09**	-	-
FNV	Under pressure. FNV's declining steadily from the Aug highs. It has strong resistance at Aug downtrend near $150. FNV's holding strong above Mar uptrend & if broken the next key support is at the Jun lows near $125. Wait for weakness to buy.	O	-	**148.18**	-	-
CURRENCIES (55%)						
U.S. DOLLAR (DXZ20)	The dollar Index continues to show signs of forming a bottom above its 10 year long uptrend and support at 90. The dollar's rebound could still reach 95 and remain within its bear market. A break above 95 would show signs of a renewed bull market. Consider the dollar's rebound rise to 95 will likely continue to put downside pressure on gold and most other assets.		-	**93.09**	-	-
FXB	BPS is falling on dollar strength. It fell to the Mar uptrend. Continue to take advantage of a rebounding dollar to diversify ample cash position (Buy cheaper pounds with expensive dollars).		-	**124.7**	-	-
FXA	Holding strong… the Aussie has held near the highs showing resilience. It still has strong support at the Mar uptrend. Dollar strength could continue to put a lid on upside potential ST. Take advantage of dollar strength to diversify some of your ample cash position into Australian dollars.		-	**72.82**	-	-

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 (8%)						
Crude (CLV20)	Waiting to sell. Crude oil seems to have found support at an (adj) Apr uptrend and channel. It could rise in a rebound to the Mar downtrend near $42. Keep in mind, however, support may prove to be soft as shown by the developing bear flag pattern formed over past two weeks. A break below $35 confirms the pattern and it could extend the decline to the lower $30s. Our stop loss has been hit and we're waiting for a rebound to sell, ideally near $42.	L	35 (Jun-15-20), 42 (Aug-12-20) (AVG: $38.50).	**38.28**	Hold.	47 & 54
COPPER (HGZ20)	Chugging upward. Copper has shown strength thus far but momentum may have peaked for now. Copper must rise above $3.10 to show renewed strength. If copper instead falls below the Mar uptrend on a 2dc below $2.95, an intermediate downtrend may be triggered. Our exposure to resources is at a low after having sold XOM and half of BHP. We're also looking to unload crude oil. It was reduced to 8% of portfolio and will fall to about half that once we sell crude.	O	-	**3.0630**	-	-
BHP	Held above $50. BHP didn't fall below $50 allowing us an opportunity to buy more lower. Momentum is rising. If BHP holds above $50 the new mid-channel line, a rise to new highs above $59 will be likely. Keep your reduced position. Buy on weakness.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40). Sold half per alert at $53.50 protecting 18%+ gain (Sept-8-20).	**55.40**	2dc below $47	$64 & $72
MELT UP RISE PORTFOLIO (20%)						
C	Breaking down. Today C hit the second day of a 2dc below $48. C's failure to surpass the Mar downtrend at $55 added to the pressure. I'll be looking for a rebound to unload.	L	73.75 (Nov-20-19), 40 (Mar-25-20), 50 (May-27-20), 50 (jul-1-20) (AVG: $55).	**44.81**	2dc below $48.	$65 & $85
WMT	Showing a stronger support at $135. It's not allowing us to buy at the lower levels. If you're not in, consider buying at mkt. Buy more below $135. I'm looking to buy more during weakness.	L	130 (Aug-26-20).	**137.36**	2dc below 115.	300 & 600 (adj)
SPXL	Hold. SPXL is confirming support at the Mar uptrend near $50. Keep your positions for now and sell half at our profit target.	L	53 (Aug-11-20), 54 (Aug-12-20) (AVG: 53.50).	**54.80**	2dc below 45	75
SHOP	Holding thru weakness. SHOP is forming a bearish flag pattern with downside target at the Mar uptrend near 800. A break below 900 would be the trigger. If you're not in, buy at mkt. If you already own it, wait for a decline to 800 to buy more.	L	930 (Jul-16-20), 900 (Jul-24-20) (AVG: 915).	**929.39**	2dc below $800.	1500 & 2000
TBT	TBT continues to form a base above the Mar lows. It's been 6 months. An old trader adage says, "the longer the base, the higher the space!". The LT U.S. gov bond market overall and by many metrics seems over-extended. Keep small exposure for now and as long as TBT holds a above $14.50.	L	15.40 (Aug-12-20).	**15.56**	2dc below 14.50	$18 & $26

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All charts in GCRU are daily prices.

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Note: U should NOT feel our recommended prices are set in concrete. If mkts suddenly feel hot or cold to U, or dramatic news occurs, U can buy or sell, or stop at slightly higher or slightly lower prices. It also hinges on your experience level. Some people can use our prices as guides & know when they can take bigger risks.

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