GCRU

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Weekly Trading Service

Omar Ayales

Achieves gains by trading commodities, currencies and stocks

May 29th, 2019 IN ITS 18th YEAR – Nº 836

BONDS OUTPERFORM EVERYTHING!

STOCKS PULL BACK… I'M STILL BULLISH!

GOLD UNIVERSE IS TESTING SUPPORT…

'B' DECLINE STILL DEVELOPING

Ongoing concerns over the trade war continued to weigh on stocks and commodities globally.

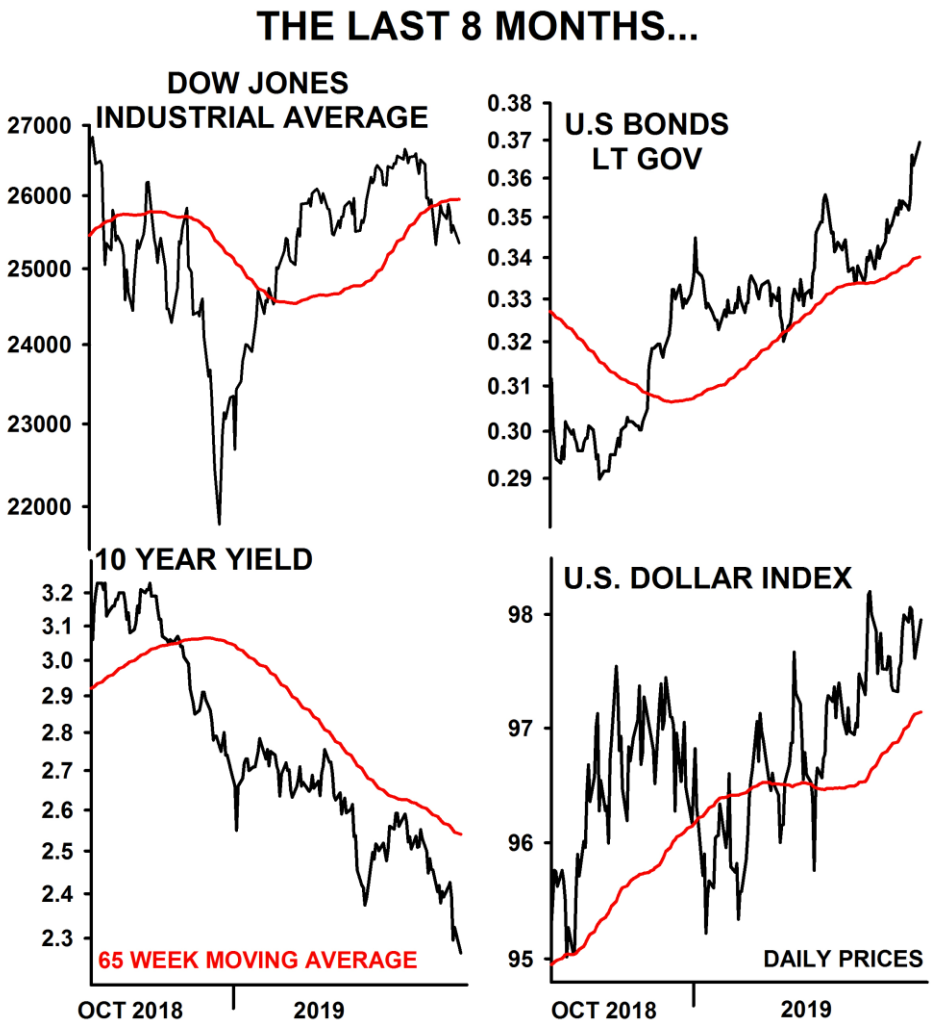
U.S equities, particularly those perceived to be affected from the tit for tat retaliation, continued to pull back even further. Demand for resources rolled back. Even crude oil wasn't able to hold up, falling violently below $60.

And it has been U.S. Treasuries that've provided shelter to safe haven seekers, particularly at a time when the U.S. bond yield is not only way above the average government bond yield globally, but also well above global inflation expectations.

> Globalization and trade liberalization were supposed to make us all better off through the mechanism of trickle-down economics. What we seemed to be seeing instead was trickle-up economics, accompanied by a destruction of democratic politics, as we moved ever closer to a system of 'one dollar, one vote' as opposed to 'one person, one vote.'
>
> **Joseph Stigliz**

And as investors flock to U.S. Treasuries, the U.S. dollar gets a boost.

Notice our chart of the week…



It shows the Dow Jones Industrials, the U.S. 10 year yield, the U.S. dollar index and LT government bonds since last Oct 2018.

Notice LT bonds and the dollar rising while the Industrial Average falls.

If the decline in yields (rise in bonds) suggest a global in-balance of government debt given the disparity in yields between U.S. government bonds and those offered by other countries (as shown in the negative bond yield matrix last week), we'll continue to see U.S. bonds rise and the U.S. dollar remain strong.

If this is the case, it could also be bullish for stocks as U.S. dollar denominated assets remain in favor with a better outlook compared to others globally given the strength of economic fundamentals in the U.S.

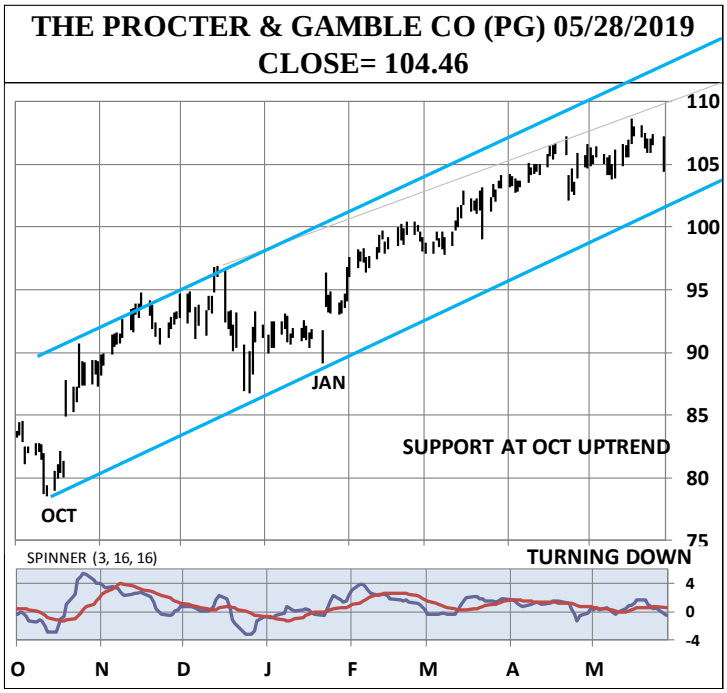
That is, an extended 'goldilocks' scenario. This would also mean stocks and bonds could revert to a historic mean of moving together.

Conversely, if the decline in yields is indicative of a decline in inflation due to a decline in economic activity in the U.S., then we could see bonds and stocks take different paths. In this recessionary environment, bonds could then rise and stocks would be vulnerable to further weakness along with further declining yields.

I believe the U.S. consumer remains very strong given the economic success story taking place in the U.S. and hence will remain the driver of the U.S. economy.

The stronger consumer will continue to demand products and services produced locally or abroad. This is precisely why the U.S. is ultimately destined to win a trade dispute with China. It has the rock star consumer, that is confident and strong and capable of moving mountains.

Based on this reasoning, I've secured positions in U.S. companies that are consumer oriented and that cater to the economic success story out of the U.S.



This week, we increased positions in Procter & Gamble (PG). As I've stated before, PG is not only a play on a strong U.S. consumer, it's also a very strong company, with strong fundamentals. It remains undervalued compared to many others.

It's showing some weakness as it pulls back from the highs. However, it remains above the Dec uptrend showing impressive strength. Keep your positions for now and buy more on weakness.

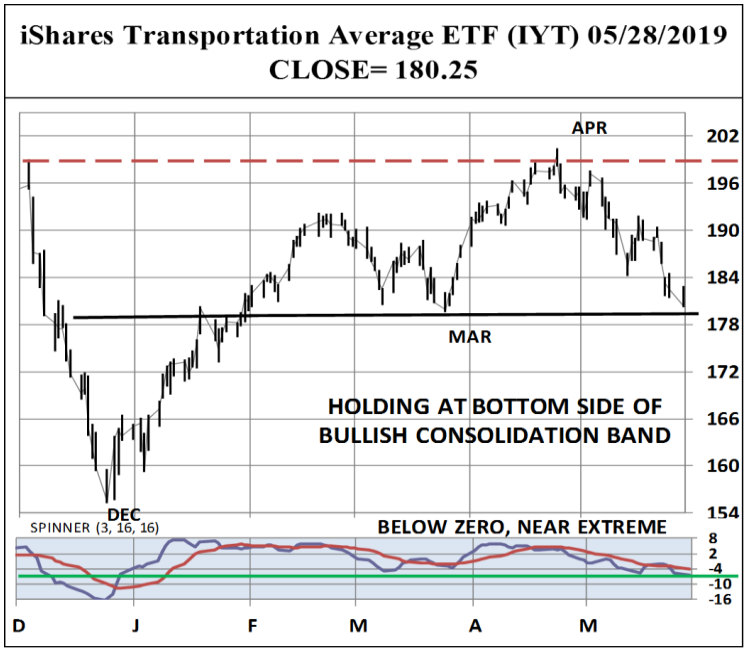
We also bot Disney (DIS). It's also a solid company with solid products and fundamentals. It has its new streaming service going for it too. DIS has been carefully positioning itself as the largest content producer in the world.

Notice DIS continues to consolidate its bullish breakout rise. Keep your positions. If the streaming service is anything like Netflix, DIS would be one of the most undervalued companies ever.

Another play on the strength of the U.S. consumer is our American Express Company (AXP). AXP is one of the largest credit card companies in the world and it's totally undervalued when compared to Visa (V) or MasterCard (MA).

AXP is testing the Dec uptrend near $118. A break below this level could push AXP to $110. If it does, don't sweat it. Buy more. Keep your recently added position.

Aurora Cannabis (ACB.TO) is also holding above support at CA$11. We're well positioned to benefit from the medicinal success story that cannabis is offering. Keep your positions.



The Transportation Average (IYT) has been among our weakest positions. It's now near our stop and support level near $180. This level is at the bottom side of a bullish consolidation band, and if IYT holds above it, it could rise to the top side of the band initially. A break above this top side would be very bullish.

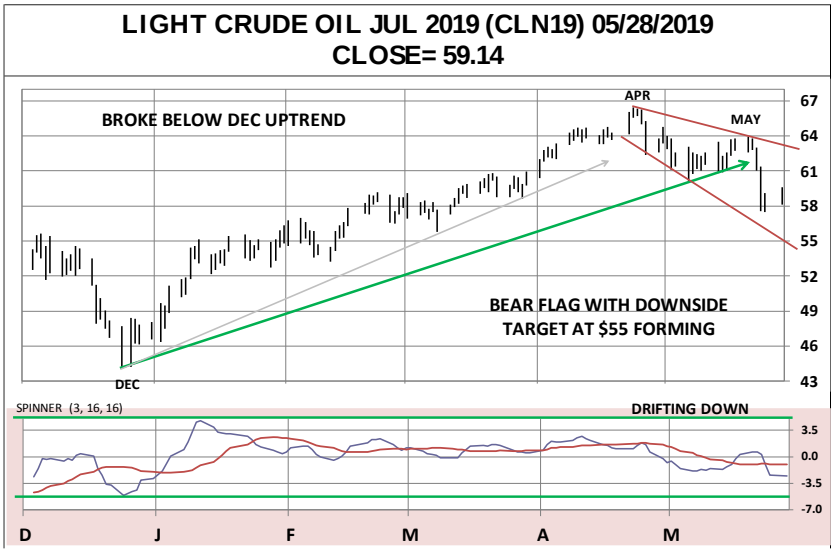
Conversely, if IYT breaks below the bottom side of the band, renewed weakness could push IYT to the Dec lows.

But also, we want to try and benefit from the global bond reshuffle. We're adding UBT to our stable of charts. It's a 3x levered ETF to 20 year U.S. government bond.

Notice UBT reached a new high. It's been rising strong since Oct, and with the potential reshuffling of global government bonds given the global disparity in yields, U.S. government bonds are poised to continue rising.

We recommend waiting for a pull back to $81 before buying some.

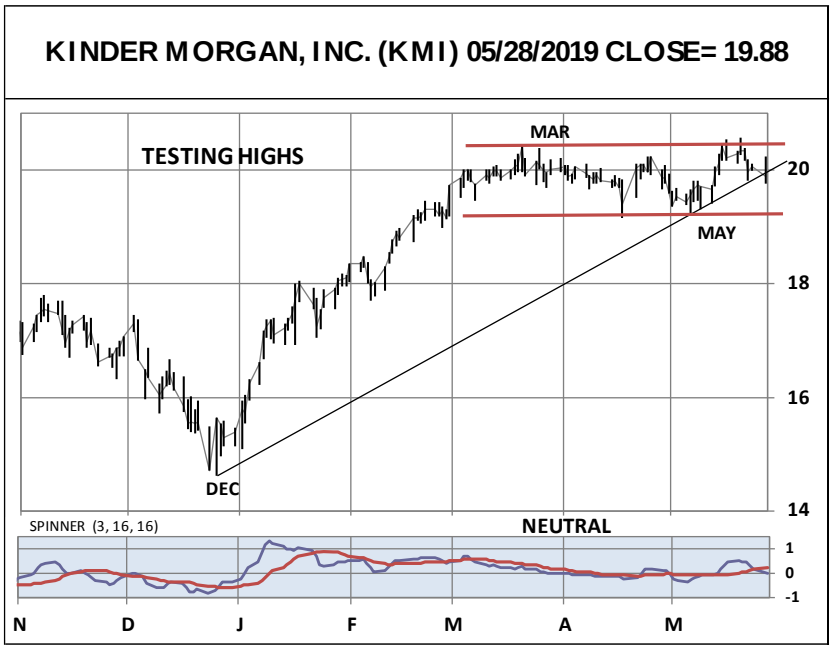
Crude oil has been among the resources that've been holding up best, due to concerns over supply disruptions from OPEC+, and geopolitical turmoil in the Middle East, Venezuela, Iran and others.



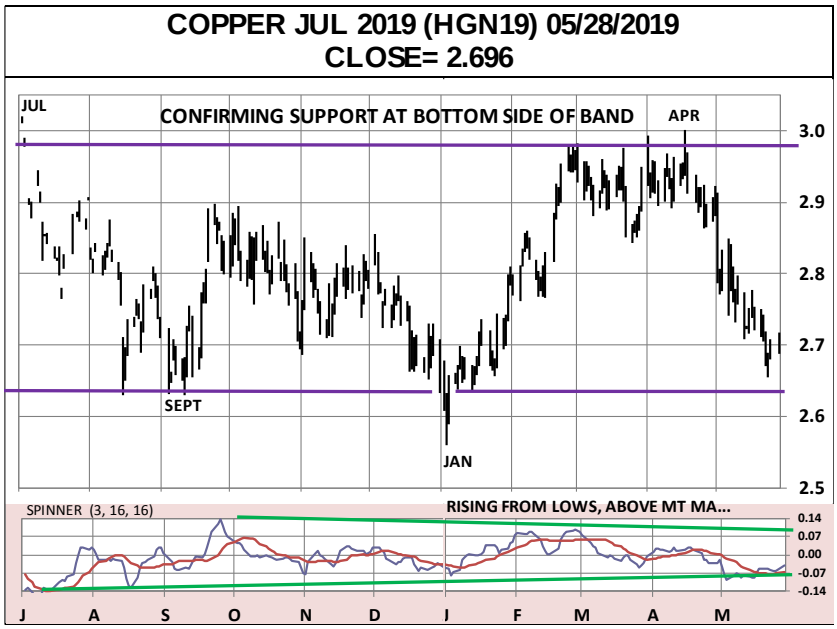
However, crude finally gave up and fell through support at $60 like a hot knife thru butter. We had raised our entry level to below $60 but ended up buying just below $58.

Crude is finally catching 'down' to copper and it’s showing more downside risk. We’re ready to buy again on further weakness below $55.

Our energy share, Kinder Morgan (KMI) held up better than most. It’s showing support above $19 and holding. Remember KMI is grossly undervalued, especially when compared to others, with a dividend payout yielding nearly 5% per year.



Copper reached an extreme low. It's jumping up after testing its support at the bottom side of a long term sideways band.

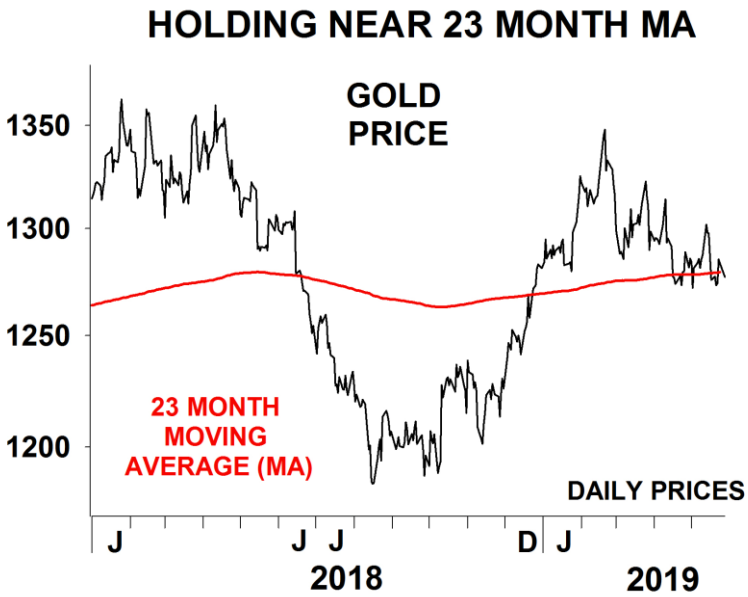


This tells us, we could see copper bounce up from current levels. We continue to wait for the rebound to unload.

Caterpillar (CAT) is also hovering above a support at an extreme level near $120. Spinner is rising from an extreme suggesting a rebound rise is likely.

The subtle move in copper and resource companies tells me we could see trade concerns subside ST allowing a bounce up in certain assets.

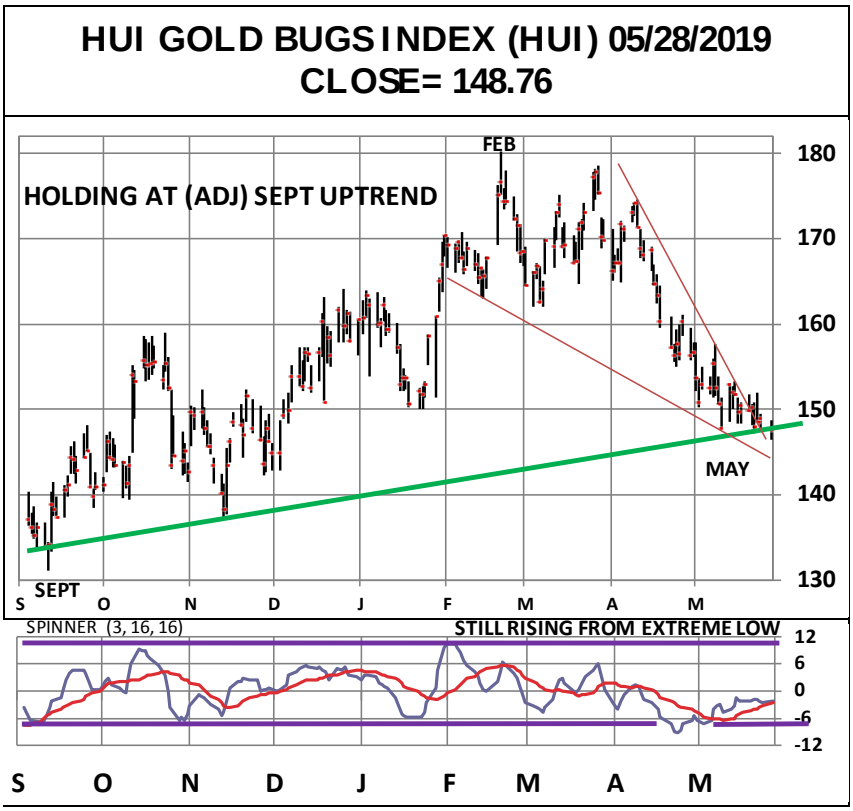
The 'B' decline in gold continues to develop and more downside is likely ST. Plus we're entering into a seasonally slow time for the gold universe.



But despite weakness, gold's still holding near its key level, the 23 month MA near $1280, and it's solidly above its Dec 2015 uptrend near $1250. If gold continues to hold during seasonal weakness, it would confirm support and show strength that could push it to test the multi-year resistance at $1365.

Another bullish sign for gold is how well it's holding up against a strong dollar. A relationship that won't last long, but they could remain in sync ST.

Gold shares are barely hanging on. They're also showing technical damage with a grim outlook.



Consider we've been reducing our precious metals positions since last December. We've been net sellers. We went from having 5 or 6 gold shares to just 3, for a net profit since Aug 2018. We also

sold positions in silver and platinum for essentially break-even. We had sold half of our gold position too for a gain, and recently we started buying back near a key support level.

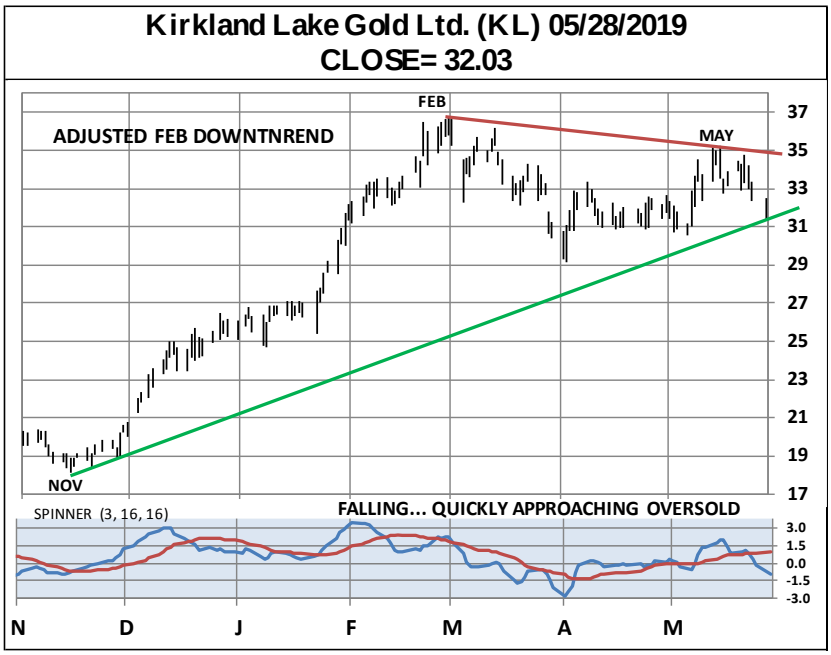
Despite weakness, HUI continues to hold at an uptrend since Sept as Spinner edges upward from a bombed out level. If the Sept uptrend holds, it could be a springboard for higher levels.

The better senior mines have been holding up strong.

Our position in Agnico Eagle Mines (AEM) is holding above $40. It's also resisting below $42, creating a nearly 2 month band between these levels. A break in either direction will give us insight as to AEM's next move. If AEM holds at $40 and rises above $42.50, it would show signs of renewed strength. Conversely, if it breaks below $40, we could see it fall to its next support near our stop. Keep your positions. Add during weakness.

Kirkland Lake Gold (KL) is also looking strong. It fell today after breaking above the Feb downtrend suggesting a bull trap.

Moreover, KL remains above the Nov uptrend and lower support levels. Allow for some weakness. We already have a reduced precious metal position.



Junior mines have been weaker than senior mines. This is typically the case when the gold universe is weak or in a bear market. This is another sign the 'B' decline remains ongoing.

Junior Gold ETF (SGDJ) is flirting with its stop. It broke below support at $24, but then jumped back to it at the close. Someone's watching that level… Even though gold shares are looking technically weaker, especially the junior mines as they've been most vulnerable, I recommend keeping your position unless $24 is broken on a 2dc. If if does, then sell half (not all). Keep in mind, our overall gold share position has been recently reduced.

Global uncertainty remains supportive of gold. Deeper rooted, longer term issues remain. Those forces will always be supportive of gold and that's why gold must always be a part of your portfolio. We'll continue to increase or decrease positions depending on value and opportunity and profit potential.

Our strategy this week is to remain watchful. The next month or so could be very tricky. Always use entry levels, profit and stops as guides. But also apply the logic and reasoning discussed. We're properly positioned given the current global scenario.

Good luck and good trading,

Omar Ayales
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www.goldchartsrus.net
A division of Aden Research

KEY PRICES			
Name/Symbol	May 28, 2019 Price	Change	May 21, 2019 Price
Gold (GCM19)	1277.10	3.90	1273.20
Silver (SIN19)	14.32	-0.09	14.41
HUI (HUI)	147.57	-2.72	150.29
Copper (HGN19)	2.696	-0.019	2.715
Crude Oil (CLM19)	59.14	-3.99	63.13
S&P500	2802.39	-61.97	2864.36
U.S.Dollar (DXM19)	97.84	-0.05	97.90
30 Year T-Bond (ZBM19)	152.03	2.84	149.19
10 Year T-Note Yield	2.27	-0.16	2.43
13-week Treasury bill	2.30	-0.03	2.33

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						
GOLD	Gold continues to coil within a symmetrical triangle between the Feb downtrend near $1295 and the Aug uptrend near $1270. Spinner struggling to break back above zero showing weakness. If gold holds above $1270, it'll show resilience that could push gold above the Feb highs. Keep in mind, gold must break above $1365 before showing renewed strength that could push it higher. For now, it seems more weakness is likely before renewed strength gets underway. We'll be looking to buy again on weakness.	L	Bot: 1170 (Jan-5-17), 1220 (Mar-16-17). **Sold half at 1287 for 8% gain.** Bot: 1225 (Jul-3-17). **Sold half at 1345 for 11% gain.** Bot 1289 (May-16-18), 1265 (Jun-21-18), 1258 (Jul-5-18), 1205 (Aug-30-18). **Sold half at 1290 for 5% gain.** 1282 (May-8-19).	**1277.10**	2dc below $1247	1365, 1536
PHYS	Keep your positions.	L	Bot: 9.63 (Jan-5-17), 10.12 (Mar-16-17). **Sold half at 10.54 for 7% gain.** Bot: 9.98 (Jul-3-17). **Sold half at 10.95 for 10% gain.** Bot: 10.58 (May-1-18), 10.15 (Jun-28-18), 10.20 (Jul-5-18), 9.65 (Aug 30, 18). **Sold half for 5% gain.** 10.20 (May-8-19).	**10.48**	2dc below 10	10.85, 12.75
HUI Index	Gold shares seem to have stopped the bleeding... Specifically the senior mines. The junior mines have fallen more. A typical characteristic of weak gold market confirming the 'B' decline in gold remains the driving force. Our junior mine nearly hit our stop loss with today's close. I recommend keeping the positions you have during weakness. We'll look to increase once again if clearer indications show us that weakness has subsided.	--	N/A	**148.76**		
AEM	AEM continues to hug the Nov uptrend. It's caught in a tight trading range between $40 and $42. A break above 42 would be bullish. Don't discard continued weakness ST. But keep your positions.	L	38.60 (Dec-11-18), 38.95 (Jan-4-19), 40 (Apr 23-19).	**41.13**	2d below 39	46 & 52
SGDJ	Flirting with support… Our junior mine ETF broke below support for the first time all year but bounced back to it today. Our stop called for 2 consecutive day close so it has not technically hit our stop. However, SGDJ must rise above the Mar downtrend on a 2dc above 25 to show signs of renewed strength. Allow for another 2dc below $24 before selling. If it triggers, consider selling half and not all your position.	L	26.65 (Jan-30-19), 28.35 (Apr-10-19). 24.95 (May-8-19).	**24.00**	2dc below 24	31.5
KL	KL fell after breaking above the Feb downtrend suggesting a bull trap. KL is holding on to the Nov uptrend near $32. Let's keep during weakness. We'll be adding more on further weakness.	L	32.90 (Mar-21-19), 32 (Apr-10-19), 31.70 (May-1-19). 32.50 (May-8-19).	**32.03**	2dc below 29	39 & 50
CURRENCIES						
U.S. DOLLAR (DXM19)	Testing the highs… the U.S. dollar index rose to the Apr highs, just above 98 but failed to surpass it on a closing basis showing signs of resistance. Spinner is uptrending and above zero telling us momentum is still up. DXY has ST support at the Apr uptrend near 97.50, but its key support level is the Sept uptrend near 96. The dollar is strong and could remain strong as demand for U.S. Treasuries rises.	O	Holding cash reserves mainly in U.S. dollars.	**97.84**		
BONDS						
UBT	U.S. Treasuries are among the only asset class that's moving up. It broke to new highs and looks poised to rise further. Remember the negative bond yield matrix shown last week is telling us demand for U.S. Treasuries is poised to rise. We're adding UBT, a 3x levered ETF that rises with 20 year bonds. But wait for a pull back to the Nov uptrend below $82 to buy some.	O		**85.96**		

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						
Crude CLM19	Crude broke below the Dec uptrend, dropping below $60. We had raised our entry level to below $60 from below $58 but still managed to buy some below $58 on the waterfall decline last week. Spinner turned bearish, showing more downside is now likely. Crude is forming a bear flag with downside target at $55 if $58 is clearly broken on the downside. I recommend buying more on a further decline to the $55. Keep your position. Take advantage of weakness to buy.	L	57.90 (May-24-19).	**59.14**	2dc below 52	67 & 75
COPPER HGN19	Copper continued its descent to the bottom side of a massive sideways band. Spinner bouncing up showing promise. If copper can hold above 2.65, a rise to the top side of the band would then be likely. We're still looking to unload on a bounce as our stop had been broken. However, copper is now bouncing up from extreme lows. Wait for a further bounce up before selling.	L	Bot: 2.97 (Sept 20-**17). Sold half at 3.20 for a 7.5% gain!** Bot: 2.95 (Dec-6-**17). Sold half at 3.26 for a 10% gain!** Bot: 3.06 (Feb-9-18), 2.95 (**Mar-26-18). Sold half at 3.30 for 10% gain! (Jun-7-18)**. Bot: 2.99 (Jun-27-18), 2.75 (Aug-1-18), 2.65 (Jan-10-19), 2.85 (May-1-19).	**2.70**	Holding during weakness.	3.10 & 3.30
JJCTF (JJC)	Keep your positions. Wait for a rebound to unload.	L	Bot: 33.60 (Sept **20-17). Sold half at 37 for a 9.5% gain!** Bot: 33.50 (Dec-6-17). **Sold half at 37.30 for a 11% gain!** Bot: 34.50 (Feb-9-18). **Sold half at 37.25 for 9% gain (Jun-7-18)**. 33.40 (Jun-27-18), 30.40 (Aug-1-18), 28.75 (Jan-10-19), 32.14 (May-1-19).	**32.33**	Holding during weakness.	33.5 & 36.50
CAT	Waiting for a rebound to unload. CAT has been hit hard from global trade disruptions. However, it's holding above the Dec lows showing signs of support. If CAT holds and breaks above the Apr downtrend on a 2dc above 128, a rise to the Apr highs could then be likely. Spinner rising from the ashes, showing lots of potential for upside. Keep your positions. Wait for a stronger rebound to unload.	L	Bot: 115 (Oct-24-18), 125 (Nov-28-18). **Sold half via alert for an average gain of 18% (Feb-25-19).** Bot 134.70 (May-2-19).	**121.59**	Waiting for rebound to unload.	150
KMI	KMI is pulling back after testing the top side of the consolidation band since Mar. KMI continues to hold up strong despite weakness in crude and energy. KMI will remain bullish by holding above the bottom side of the band near $19. Spinner is looking good overall. Bot some more this past week. Keep your positions.	L	20 (Apr-24-19), 19.90 (Apr-29-19), 19.90 (Mar-22-19).	**19.88**	2dc below 19.	24 & 28
OTHER STOCKS						
AXP	AXP pulled back after reaching new highs, likely on profit-taking. However, it continues to hold above the bullish Dec uptrend showing strength. Remember, AXP recently broke above a bullish ascending triangle and a technical pull back to the breakout level near 114 is likely. Keep your position, we'll wait for more weakness to add to our positions.	L	119.75 (Mar-23-19)	**118.17**	2dc below 108	160 & 200
ACB.TO	ACB.TO continues to hold above support at CA$11. Spinner rising but still below zero showing weakness. ACB.TO is a key crossroads. A break above CA$12 could propel it to the Mar highs near $14. A break below CA$11 could push ACB.TO to the Feb lows near CA$9. Keep your positions.	L	Bot: 9.90 (Nov-8-18), 9.40 (Nov-9-18) (ACB: 7.60 Nov-8-18, 7.15 (Nov-9-18). **Sold half for 25% gain (Mar-13-19)!** Bot 11.75 (May-2-19).	**11.31**	2dc below 11 (ACB: 2dc below 8).	14.50 (ACB: 12)
PG	PG is declining from the highs. Spinner breaking below zero showing weakness could pick up steam. PG has support at the Oct uptrend near 102.50 and remains very strong above this level. Some may have picked up some last week. Keep your positions. We'll buy more at lower levels.	L	103 (Apr-24-19)	**104.46**	2dc below 90	124 & 130
IYT	IYT fell to the bottom side of a bullish consolidation band near 180. Spinner fell to the lowest level in 2019 telling us weakness may have reached an extreme and a rebound is now likely. If IYT holds at this level a bounce up to the Apr highs initially would be likely. Keep your positions. Buy some at mkt.	L	192 (May-1-19), 191.50 (May-8-19)	**180.25**	2dc below 180	210 & 230
DIS	DIS continues to consolidate its explosive rise to new highs. We added to our positions this week. Raise your stops to 2dc above 110. Keep your positoins for now.	L	133.75 (May-22-19), 132 (May-23-19).	**132.62**	2dc below 110	160 & 200

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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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