THE
ADEN FORECAST
MONEY • METALS • MARKETS

JANUARY 2018 *37th year*

HAPPY NEW YEAR!
2018: GREAT POTENTIAL

It's been a wild, interesting year, to say the least.

With one surprise after another, it's kept us all on our toes and at times not believing what we were seeing.

GO WITH THE FLOW

Following Trump's inauguration, who really thought the stock market was going to keep soaring all year?

Not many, and this provides a perfect example of why it's so important to go with the price action.

That is, let the market tell you what to do, instead of the other way around. Remember, the market knows everything it needs to know. It looks ahead and the price action will reflect this.

It'll reflect the collective opinions of millions of investors, experts and gurus all over the world. So when the market speaks, we'd be foolish not to listen, whether we agree with it or not.

We know this can be difficult at times. That's why we always stress the importance of being flexible and staying humble.

2017: GOOD YEAR!

One thing is certain... markets change and when they do, we have to change with them. Sometimes this is easier said than done, but that's the most important general market rule we must all try to abide by.

And this year, we're happy to report, it served us well.

INSIDE

U.S. & World Stock Markets 3
Another great rise for the new year

U.S. Interest Rates & Bonds 5
At a major crossroads

Currencies 6
Worst US$ decline in past decade

Metals & Natural Resources 8
A bright outlook for 2018

The stock market, for instance, was the big winner (see **Charts 1** and **2**). This sector outperformed the others (there were a few exceptions, which we'll get to in a minute).

Nasdaq gained nearly 30% and the S&P500 was up almost 20%.

Of the major sectors, stocks led the pack, it was our largest recommended allocation and our recommended stocks mostly did very well.

The global stock markets were also strong and we included several of the international markets in our Stock Market recommendations.

Not bad at all!

Moving along, the metals did pretty well too. Gold rose almost 14%, but the others were laggards.

Silver gained 7+% and gold shares were up nearly 6%.

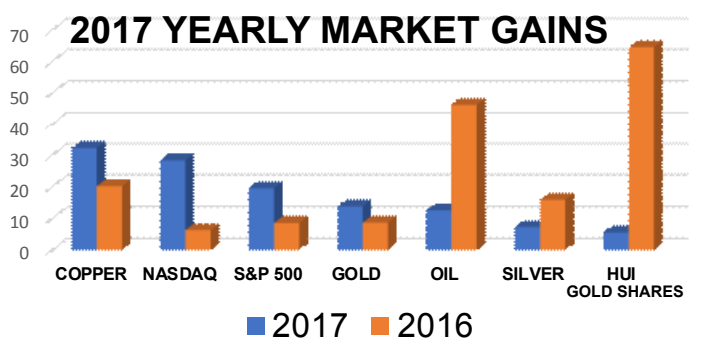
Aside from cash, the metals were our second biggest recommended position and we believe they're going to pick up steam as 2018 unfolds, along with stocks.

Copper was a big winner and it's leading the way for the resource sector. The oil price is following and our position is on the rise.

The U.S. dollar went down and we advised buying a few of the stronger currencies, which also have good potential in the year ahead.

Interest rates were volatile, but they headed higher in the closing months of 2017. This put downward pressure on bond prices and this too will likely continue.

CHART 1



2018: What's up

One interesting point you can see on **Chart 1** is that many of the markets that were the strongest in 2016 were the weaker ones in 2017, and vice-versa. So what to expect this year?

A TURNAROUND!

All signs point to an ongoing rise in the stock market... that goes for the U.S. and global stock markets too.

We also believe we're starting to see a turnaround, which may well end up being significant... Here's the situation...

As you know, resources, commodities and the metals tend to move together. With copper, palladium, oil and a few other resources heading North, this is promising for something big this year.

For example, the U.S. economy grew at its fastest pace in more than two years in the third quarter.

Wholesale inflation hit a six year high and the U.S. dollar is weak. This is the type of environment that enhances these markets.

Plus, there's going to be steady demand as the global economy continues gaining momentum. The same is true of U.S. infrastructure demand and the ongoing needs out of China, which are huge.

It's also important to note that **commodities are super cheap compared to stocks. In fact, they're the cheapest in 60 years.**

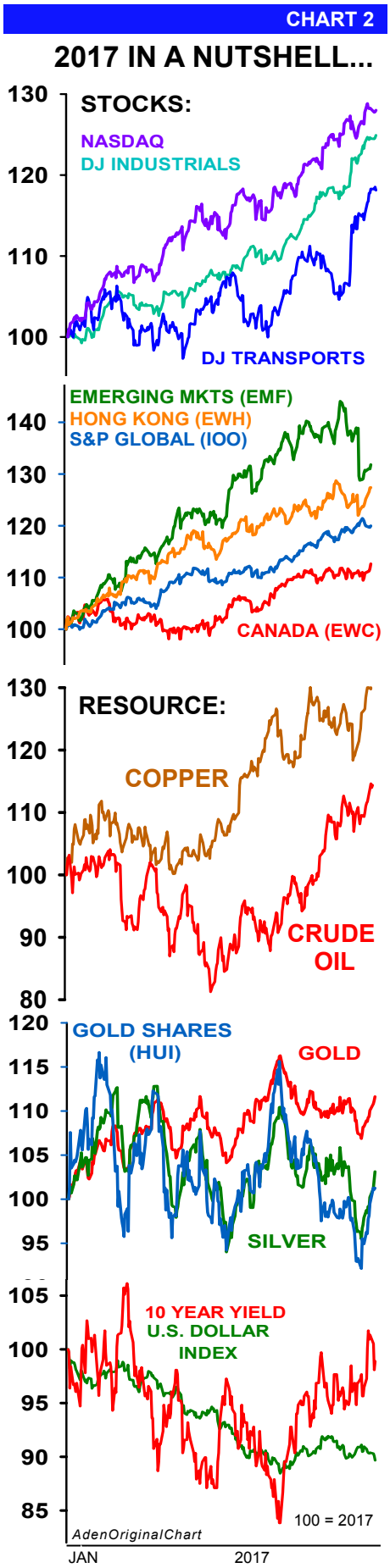
This too tells us that commodities are bombed out and due for a turnaround, and increasingly that's what we believe is happening.

If so, this will be bullish not only for commodities, but for the metals markets and resources as well. The sector is poised to do well.

CURRENCIES: Good!

As the dollar declines, the currency markets will likely keep rising too. And for your cash holding, we continue to recommend keeping it in the stronger currencies, like the euro.

The Australian and Canadian dollars will also probably get an extra boost from the resources and commodities, when these markets head higher as we suspect.



NEW KIDS ON THE BLOCK!

Two markets that did amazing this year were Bitcoin and some of the other cryptocurrencies, and some of the marijuana stocks (see **Chart 3**).

As we mentioned a couple of months ago, we're not comfortable recommending digital currencies, which are clearly in a bubble and volatile at the highs.

They're actually in the biggest bubble since the Dutch tulip bubble, which was the biggest in almost the past 400 years in 1636-37. So we advise watching the action from the sidelines.

As for marijuana, this too could be the next big thing...

Many of the stocks have been surging but with little history behind them, it's hard to know which ones are good and which aren't. This is similar to the Dotcom boom.

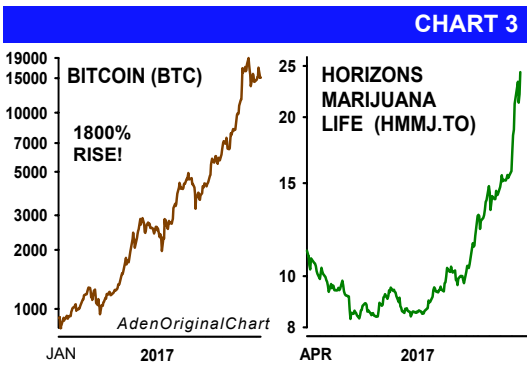
That's why we recommended buying the Horizons Marijuana Life Sciences ETF (HMMJ.TO) if you wanted to buy and diversify within the industry.

But a word of caution if you do... Even though eight states have legalized cannabis, Trump's attorney general, Jeff Sessions, is not tolerating this.

Last week he rescinded the Cole Memo, which treated marijuana as a state issue. That is, his new policy could signal a crackdown by the federal government, which could overpower state laws.

The cannabis movement, however, is powerful, and we believe any weakness that comes from this will become a good buying time.

Whatever happens, we're excited about the potential for this year. It's going to be an interesting and profitable year, and we look forward to sharing it with you.



U.S. & WORLD STOCK MARKETS

Another great rise for the new year

This stock market rise doesn't stop. And as the new year got underway, the stock market continued its incredible record breaking surge with most of the indexes hitting new all-time record highs.

MILESTONES

The Dow Industrials, for instance, powered through the psychologically important 25000 level. In fact, the Dow hit five of these 1000 milestones in 2017. That was the most milestones reached in any year in the Dow's 120 year history.

The Dow Industrials also made history by chalking up 71 record closes, ending the year with a gain of 25%. And the other stock indexes were similar (see **Chart 4**).

Nasdaq charged through the 7000 level, gaining nearly 30% for the year and marking its longest string of gains in 37 years. Like the Dow, it too hit a record number of new all-time highs.

Meanwhile, the S&P500 was making records too. It climbed nearly 20%, its biggest annual gain in four years, which was double its gain in 2016. And the S&P started off 2018, hitting one record high after another, which is something it hasn't done in 53 years.

HISTORY IN THE MAKING

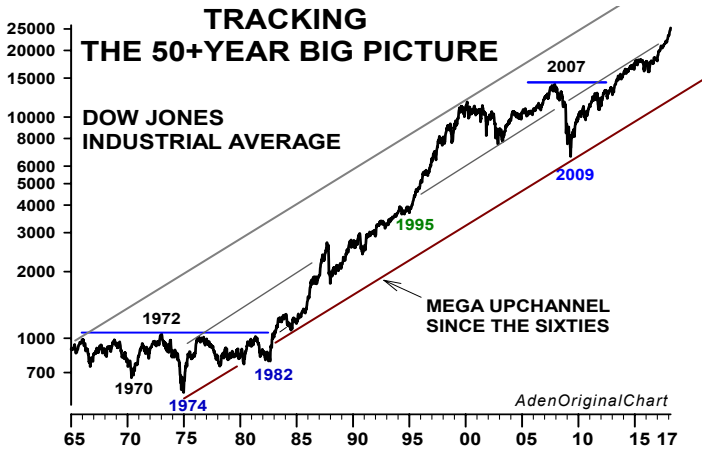
The action in the stock market has truly been history in the making. It's been head spinning and with the market hitting so many records, you'd think it's all going to end soon. But the amazing part is... it doesn't look like it's going to.

Momentum is picking up and it's being fueled by global growth, low interest rates, a positive U.S. economy, strong earnings, the weak U.S. dollar, the tax plan and, increasingly, more bullish sentiment.

Basically, the market is embracing the good news and ignoring the bad news, like the tensions between the U.S. and North Korea.

Plus, our technical indicators remain very bullish.

CHART 5



Looking at the big picture of the Dow Industrials, on **Chart 5**, you'll see one example of what we mean... Note the Dow has been trading in a huge upchannel since the sixties. The current bull market started in 2009 but it did not hit a new record high until 2013 when it surpassed the 2007 high.

From a technical viewpoint, and considering the power in this bull market rise, it would not be unusual to see the Dow continue up to the top of its trading channel in the next couple of years or so.

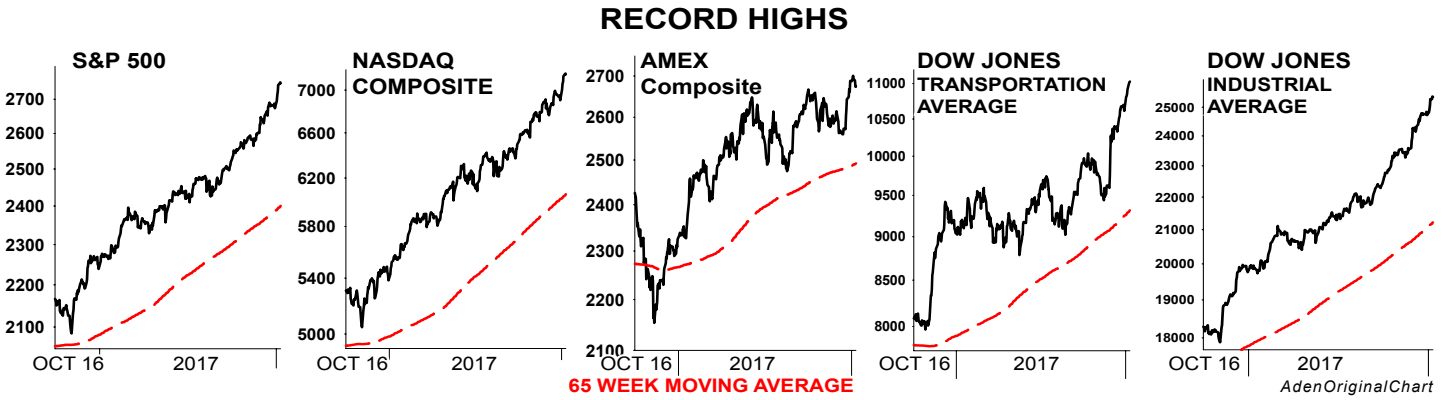
Of course, we'll go with the trends, but it's indeed a possibility and there are a few solid reasons why...

GLOBAL BULL MARKET POWER

As you know, this bull market is global, reinforcing its solid foundation. Not only that, but these global stock markets are also hitting records.

For example, the All Country World Stock index, which tracks 47 countries, rose every month in 2017, gaining 22%. This was the first time this has ever happened (see **Chart 6** as an example).

CHART 4



Some countries rose more than others. But looking at developed countries, emerging markets and just about everything in-between, they all headed higher and that's a powerful sign.

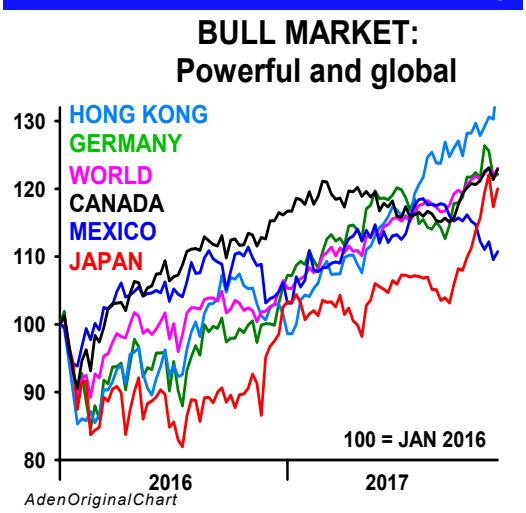
Plus, the S&P500 has risen 20% or more 19 times in prior years. After each of these upmoves, the S&P was higher the next year 16 times, or 84% of the time. This is saying the odds favor another up year for 2018.

The late Richard Russell's proprietary stock market indicator keeps hitting new record highs too (see **Chart 7**, left).

This Primary Trend index has been very reliable in confirming the market's primary direction and pointing the way, and the trend is clearly up and bullish. The same is true of the Advance/Decline line.

There's another indicator we feel is important to mention because some investors are worried about rising interest rates...

CHART 6



WATCH INTEREST RATES TOO

As our friend and top market analyst Steve Sjuggerud pointed out, stock market peaks tend to occur prior to a recession. That is, recessions typically happen right after stock market peaks.

He notes, over the past 30 years, in 1989, 2000 and 2007 when the Fed artificially pushed short-term interest rates above the 10 year Treasury note yield, the stock market peaked, sending the economy into recession.

So how close are we to this happening again? With interest rates rising gradually, we're not very close. Steve believes it could happen as late as 2019 or even 2020. And if so, this reinforces what our other indicators are telling us.

THE NOT SO GOOD SIGNS

Nevertheless, there are a couple of concerns we're watching closely. The Dow Jones Utilities, for instance, has been declining (see **Chart 7**, right). Could it be leading the way?

We don't think so. Utilities usually move with bonds and they've both been under downward pressure because of rising interest rates... But it may still be a sign of caution and we can't ignore it.

Then there's all the debt hanging overhead, which could become a problem. Margin debt is at record highs (see **Chart 8**). And so is corporate debt. But for now no one seems to mind

OUR POSITIONS: Doing great

Meanwhile, our recommended stocks are doing great with all of them hitting new highs. So continue to keep them, but sell if one of your stocks closes below the trailing stop level listed on page 12.

If you want to buy new stock positions, we'd average in buying some now, some next month and so on for a couple of months, hopefully during a downward correction (which doesn't seem to come) in order to buy at a better price.

For new positions, we'd buy small positions in Dow Industrials (DIA), S&P (RSP), Microsoft (MSFT), S&P Global (IOO) and Nasdaq (QQQ).

CHART 7

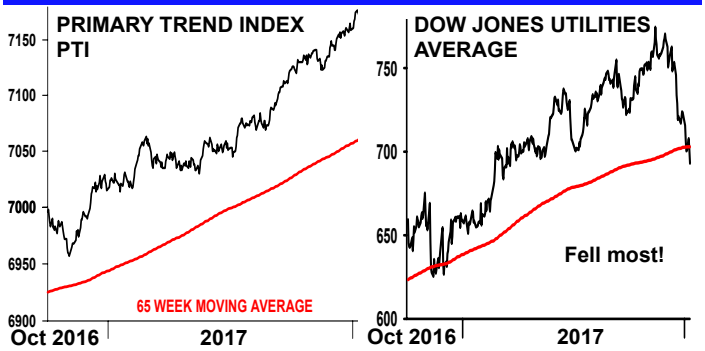


CHART 8

Editors:
Mary Anne Aden
Pamela Aden

www.adenforecast.com
info@adenforecast.com

Published monthly by Aden Research. Also includes access to a weekly update $250 per year (U.S. dollars only). Send all customer service or market related questions to Aden Research, Dept. SJO 874, P.O. Box 025331, Miami, Florida 33102-5331 or E-mail info@adenforecast.com Questions will be answered in future issues. The Editors may have a position in the securities recommended and may change such positions without notice. This publication's sole intended purpose is to provide investment-related information and opinions to subscribers. FREE WEEKLY UPDATE, Thursdays at 8 P.M. (Eastern time). You can access it through our website, http://www.adenforecast.com. To receive the market update by fax every week $160 per year for U.S. subscribers and $260 for subscribers outside the U.S. Make checks payable to Aden Research, S.A., and send to The Aden Forecast, P.O. Box 790260, St. Louis, MO 63179-9927.

The Aden Forecast
1-305-395-6141
In Costa Rica:
Ph: 506-2271-2293
Fax: 506-2272-6261
from the U.S. dial 011 first, otherwise dial 00

U.S. INTEREST RATES AND BONDS

At a major crossroads

Interest rates have been really interesting over the past few decades; they've done things they've never done before and there's more to come...

KEEP THE PERSPECTIVE

Currently, interest rates are at a critical point. And what happens next is going to affect all of us in one way or another. Here's the story...

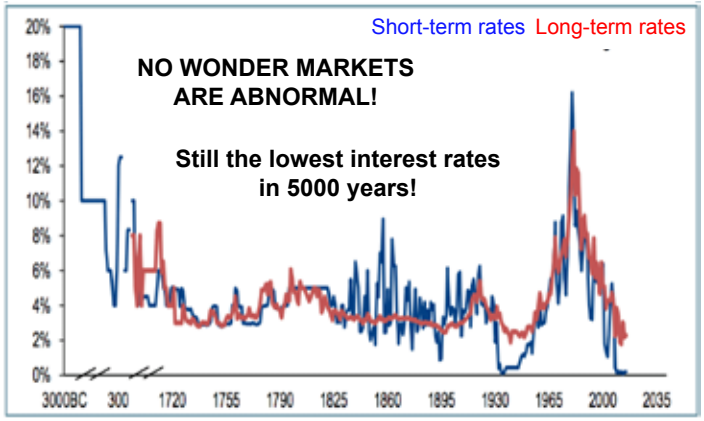
First off, let's start with the really big interest rate picture, which goes back 5000 years (see **Chart 9**). We've shown you this chart several times in recent years, but we think it's important to keep this perspective in mind...

Specifically, interest rates dropped to the lowest levels ever in recorded history in recent years and that's a big deal for several reasons.

It shows how desperate the world's central bankers were in their determination to fight deflation and pull the economy back from the abyss in 2008.

It also illustrates how they were willing to keep monetary policy easy for a very long time. And it shows us that interest rates are still at historical lows.

CHART 9



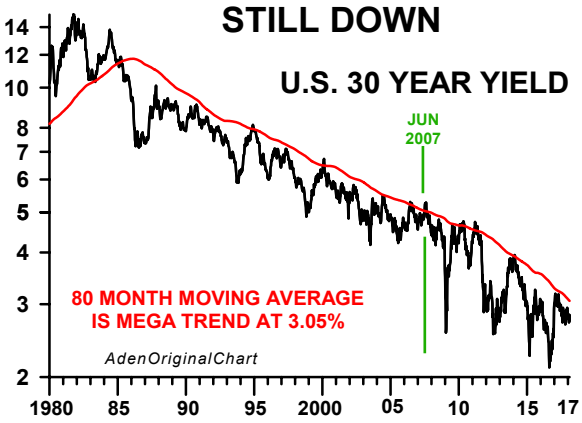
SOURCES: Bank of England, Global Financial Data, Homer and Sylla "A History of Interest rates"
Note: the intervals on the x-axis change through time up to 1700. From 1700 onwards they are annual intervals. Full methodology available upon request.
COURTESY: Business Insider

BIG LEAP UP IS ONLY A BABY STEP

In other words, even though interest rates have been rising for the past two years, the rises have been small and gradual.

And as long as that's the case, rising interest rates are not going to hurt the stock market, gold, or real estate. That's because **interest rates are coming up from such super low levels, so they're still very low.**

CHART 10



For example, the Fed Funds interest rate, which is the one the Fed moves, is now only near 1½%. So it's not anywhere near a worrisome level.

LONG RATES KEY

Next, let's take a look at the mega trend (see **Chart 10**). Here you'll see the 30 year yield going back to 1980. The mega trend is clearly down and it'll stay down if the 30 year yield remains below 3.05%, the 80-month moving average.

On this chart, we've marked off the past 10 years. This focuses on the interest rate action since the financial crisis.

Interestingly, during this time the yield has moved in three consistent waves (see **Chart 11**). It was precisely in mid-2007 when some alarm bells went off. Subprime was the word of the day!

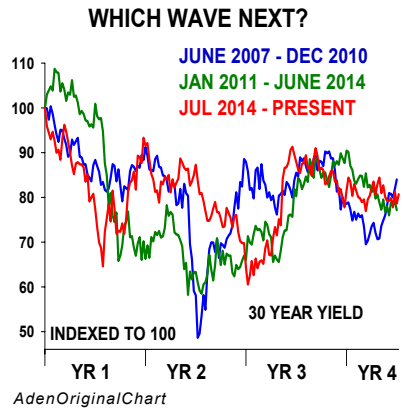
This was the start of historically low interest rates and a flow we call The Wave, which resulted in two more waves that moved in synch with the first one.

The big question now is, will a fourth wave begin? Or will this first quarter of 2018 mark the start of a stronger rise in interest rates?

The T-Bill rate rose 180% this year but from the super low .50% to 1.40% it's still a low rate by any standard.

This is why we say interest rates are at a critical point because the next direction will tell us a lot about the economy and the markets. So here's what we're watching...

CHART 11



END OF THIRD WAVE

Chart 12 shows a close up view of the current wave... On the downside, if the 30 year yield drops below 2.75%, then we'll likely

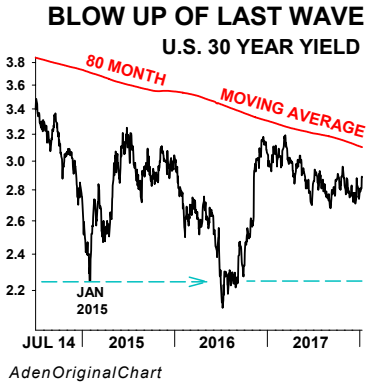
continue to see sluggish up and down movements, but nothing dramatic.

However, if the 30 year yield rises and stays above 3.05%, it'll be breaking up marking a mega trend reversal from down to up. It would also signal a new era of economic strength, and steady interest rate hikes.

This in turn would be good for most of the markets, at least initially. It would then be important to see how the upmove unfolds and we'd want to keep a close watch. Why?

Because we all know how much the interest rate action can affect all of the markets, and the economy.

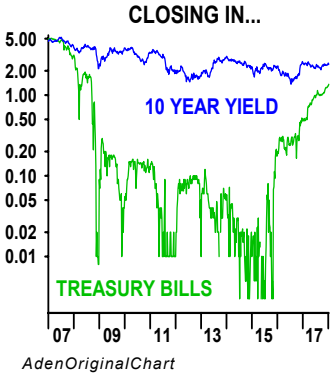
CHART 12



RATES JUMPING UP

In the meantime, the 10 year yield is now surging to a 10 month high. That's because several of the world's central banks are starting to ease off after years of bond buying stimulus. There's also concern that China may soon begin slowing its purchases of U.S. bonds.

CHART 13



For now, the T-Bill short-term interest rate, the Libor rate and other short-term rates have also been surging. The 2 year yield, for example, hit a new decade high a couple of weeks ago.

And looking at **Chart 13**, you can see how the T-Bill rate is closing the gap as it catches up to the 10 year yield. This is basically the flattening yield curve you've probably been hearing about, but it's not a problem.

An inverted yield curve is another story. That's when the short-term interest rate is higher than the long-term interest rate and it's not a good sign for the economy. But that's not currently a concern.

BOND MARKET TURNING BEARISH

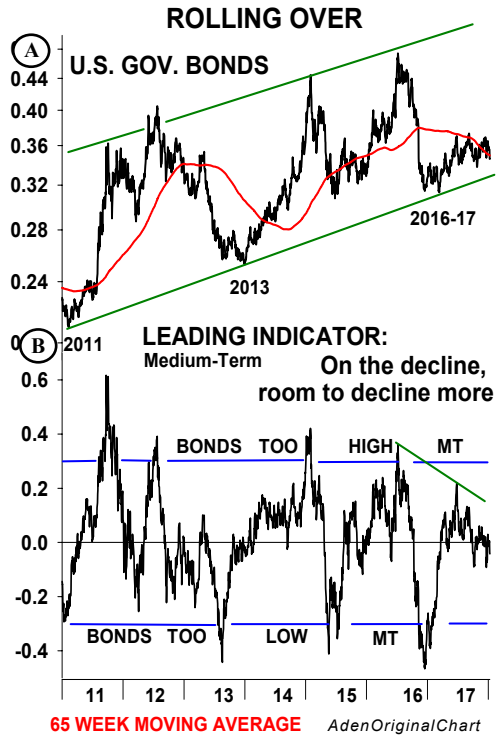
Nevertheless, bond prices are still under downward pressure (see **Chart 14**). Even though the uptrend remains intact, bonds are trading below their moving averages, signaling the trend is down for bond prices.

That would be clearly confirmed if the bond price breaks below the 2017 lows.

If so, it would be a very negative sign for bond prices and you'd want to be out of the market, if you aren't already.

We continue to recommend avoiding bonds for now and staying on the sidelines.

CHART 14



CURRENCIES

2017: Worst U.S. dollar decline in past decade

The U.S. dollar is bearish and it fell sharply this month, ending the year down 10%. In fact, the dollar declined throughout 2017 in its worst drop in 14 years and it's set to fall further this year.

We suspect Trump will let the U.S. dollar weaken for a couple of reasons...

MOST IMPORTANT, TO BALANCE TRADE-DEFICIT

First, the U.S. is importing more than it's exporting. Imports are actually at a record, and the trade deficit is at a six year high. This makes the U.S. less competitive and it hurts producers of U.S. goods, which ends up hurting the economy.

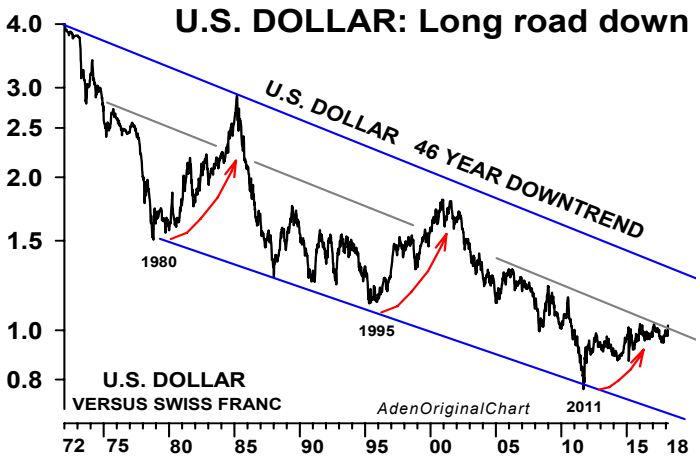
A weaker U.S. dollar is making exports cheaper and it helps fuel some inflation. A pick-up in inflation would be a welcome relief, because it would reinforce that global growth is solid and deflation continues to diminish.

Looking at **Chart 15** a dollar decline shouldn't really come as a surprise...

As you know the U.S. dollar has been falling ever since 1971 when it went off the gold standard and started trading in the free market.

This downtrend has been fueled by massive debt and deficits, and a gradual loss of confidence. Unfortunately, this is accelerating.

CHART 15



U.S. DOLLAR RESERVE STATUS FOR 74 YEARS

As we've pointed out before, the U.S. dollar has been the world's reserve currency since 1944, but over the past decade or so, we've been seeing cracks on the surface.

This too shouldn't come as a surprise... Over the centuries several countries have been the world's reserve leader. This privilege usually goes to the world's strongest and most fiscally sound country. Spain, Holland and the U.K., for instance, all had their day in the sun, at different times.

Eventually though, things changed and the torch was passed. These changes can take years, and increasingly it looks like it's happening again.

Changing Times-Take Time

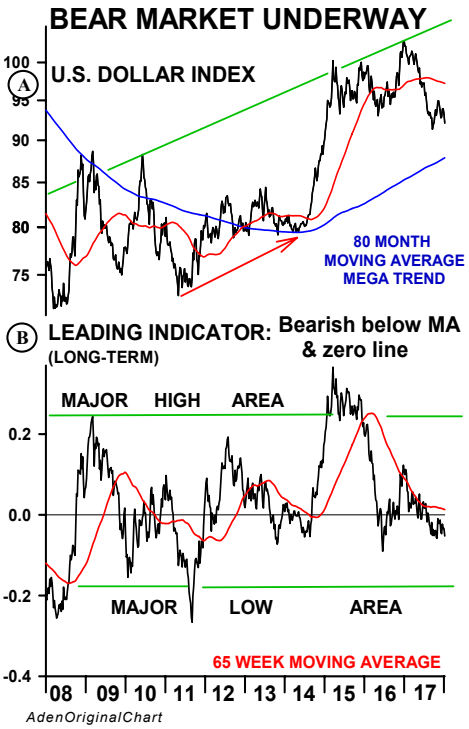
Many countries have been turning away from the U.S. dollar and doing their own thing. They've been making trade deals in their own currencies, for example, thereby eliminating the dollar from their transactions.

In the meantime, China has been making its currency more available and attractive, and dozens of countries are moving in that direction.

One reason why is because the U.S. has tons of debt and China has huge monetary reserves. Plus, China has been buying huge amounts of gold. They also produce gold, and rumor has it they may eventually back part of their currency with gold.

If so, it would make the yuan the world's most desirable currency and the U.S. dollar could plunge. But there's more and it's important...

CHART 16



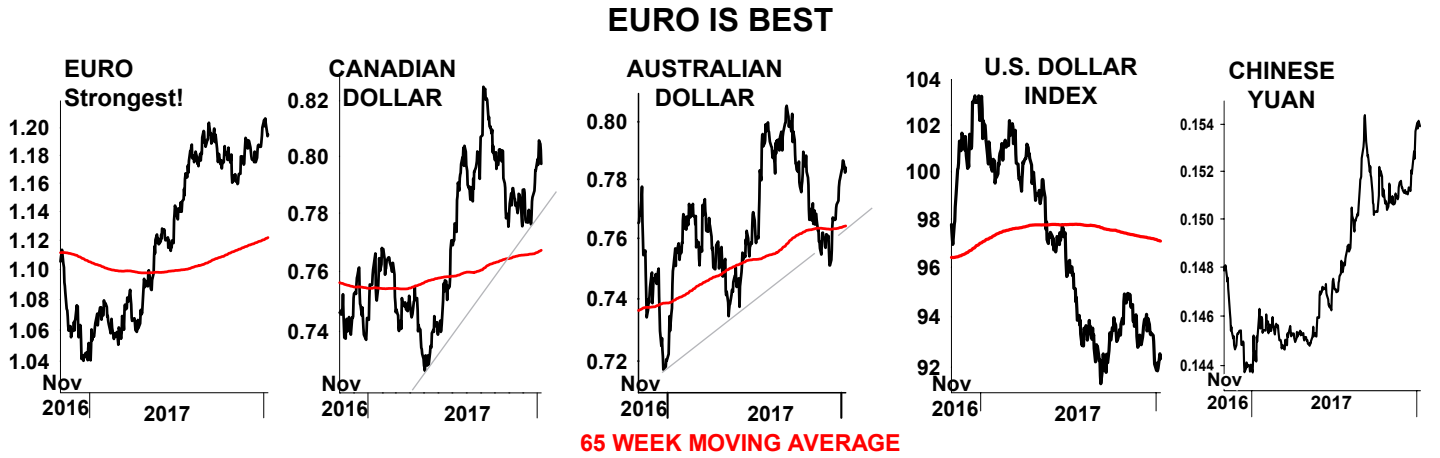
BLACK GOLD: NEW OPTIONS

As our dear friends at Asset Strategies (*assetstrategies.com*) pointed out, the Chinese government recently announced a new mechanism that will allow world oil producers to trade their oil for gold (and not in U.S. dollars, as is currently the case). For many oil producers this will be much more attractive than the petrodollar system... Here's the deal...

"The Shanghai International Energy Exchange (SIEE) is launching a crude oil futures contract denominated in yuan, China's currency. This will allow oil producers around the world to sell their oil for yuan.

But most oil producers don't want large stashes of yuan and China knows this. That's why it's linked the crude oil futures contract with the option to convert the yuan into physical gold through exchanges in Shanghai and Hong Kong...

CHART 17



Meanwhile, Russia is one of the world's largest energy producers and China is the world's largest energy importer. And they've been buying and selling in yuan.

But the SIEE will streamline the process of selling oil to China for yuan - or effectively for gold... So when two of the biggest players in the global energy market totally bypass the petrodollar system, it's a very big deal."

CHINA'S GOLDEN ALTERNATIVE

The bottom line is, China's "golden alternative" will provide an attractive option. It will also likely become a key factor that'll put downward pressure on the dollar and upward pressure on gold. And we'll be watching this closely.

Also weighing on the dollar are other factors, like low interest rates, more central banks reducing their monetary stimulus in 2018, the tax cut bill, rising commodity prices, the trade deficit, Trump's political problems, North Korea tensions, and more bearish dollar sentiment than before.

For now, here's what we're watching... If the U.S. dollar index declines and stays below its 2017 low near 91, it'll be the strongest sign yet that the dollar is embarking on a much bigger decline (see **Chart 16**). Its next downside target would then be at 88, its 80-month moving average.

The dollar's leading indicator is bearish, so it's reinforcing this bearish outlook.

EURO IS BEST

A declining dollar means the major currencies will rise (see **Chart 17**). So far, the euro continues leading the way up, hitting a four year high.

The Canadian and Australian dollars are also on the rise. With the resource sector doing well, these currencies will head higher because they're generally resource or commodity/energy based markets.

So continue to hold the currencies we've been recommending: euro (FXE), and the Canadian and Australian dollars (FXC and FXA). It's now okay to buy new positions in these and keep a minimum amount of cash in U.S. dollars for the time being.

METALS, NATURAL RESOURCES & ENERGY

A bright outlook for 2018

THE 2 YEAR TURNAROUND TIME IS UP

Gold is impressive in spite of the overbearing stock market. It ended its best year since 2010, and after being up now for two consecutive years.

Copper is enjoying its best run in almost three decades while crude oil is seeing the strongest start to 2018 in four years. Other base metals and raw materials are on the rise too.

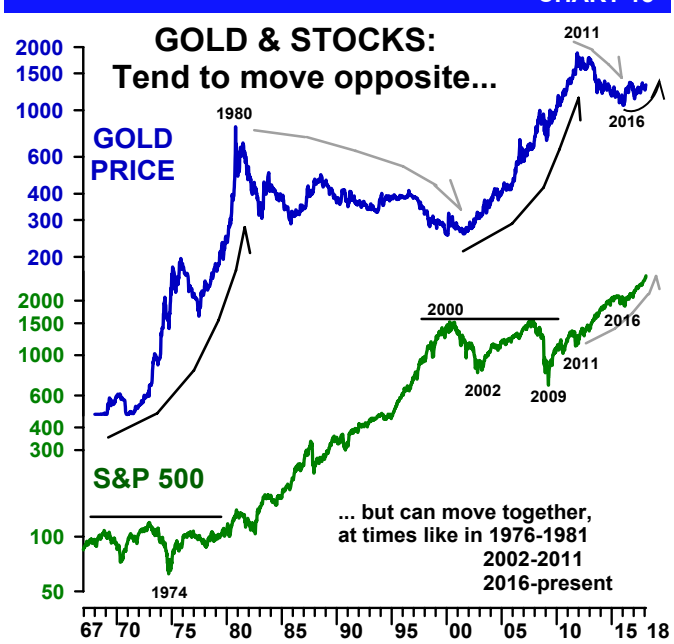
This sector is bubbling. With each passing month we can see the turnaround year has been good to us.

The resource sector is backing this up in a solid turnaround, and we believe 2018 is going to be a really good year for this sector.

Stronger demand in a growing global economy, and lower supply, together with some geopolitical tensions and a weaker U.S. dollar are the main reasons why.

Plus, renewed optimism about the health of the Chinese economy is providing a huge boost to the copper price since China accounts for 40% of global demand for copper.

CHART 18



Gold is getting a boost of safety with the tensions in North Korea, and protests in Iran. The Bitcoin cryptocurrency volatility has also spilled over to gold. And it looks like this will continue.

Crude is similar. The violence in Iran and speculation that crude stockpiles are in the longest decline since the Summer have boosted oil. And of course, OPEC's production cuts started the rise.

The tax package is expected to stoke higher deficits and inflation, and it could accelerate economic growth, making metals more attractive and bonds less so. This could add to upward pressure on interest rates.

Interestingly, gold and bonds have been moving together for several years now, mainly due to safe haven reasons, but this seems to be coming to an end.

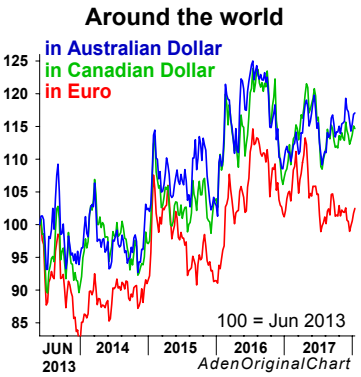
Gold has been rising while bonds have been sluggish. And that's probably what this change is telling us.

We're starting to see a very bright future for the whole sector of precious metals, resources and energy, and their shares.

GOLD: A solid investment - Some reasons why investors should go for gold in 2018

Asset rotation: Equities are soaring, and as amazing as they are, their rise has been a long one, and we could see some rotation in this area.

CHART 19



The stock market and the gold price tend to move in opposite directions in a general big wave, but there are times when they do move together.

And we think this year could be one of those times, like it's been over the last two years.

Take a look at **Chart 18**, showing the gold price and the S&P500 index going back to 1967. In the later sixties and seventies when the gold price soared to its 1980 peak, the stock market basically moved sideways to down until it broke out in 1983.

Most interesting, and it's similar to today in reverse, is when gold soared from 1976 to 1980, the stock market was quietly rising from its 1974 low, during these same almost four years.

But stocks were so quiet that few even talked about it. It was all about soaring gold, interest rates and inflation, and the falling dollar at the time.

By 1982-1983, a flip occurred. The stock market broke clearly above its strong resistance line, embarking on a nearly 20 year bull market while gold began its uneventful bear market.

The point is, the quiet stock bull turned into a raging bull.

2002 to 2011 was also a time when they both moved together. They rose from 2002 to 2008, then declined together during the crisis, and rose together until 2011.

Once again, the gold bull market was rip-roaring while the stock market moved essentially sideways. The stock rise starting in 2009 didn't have the fanfare gold did at all, but it all changed in 2011.

Gold fell while the stock market went to the stratosphere!

But here again, since 2016 we've seen gold quietly move up, commodities move up, but the rip-roaring stock market has taken over the news.

Is this a repeat ready to start once again? Will the quiet gold rise of the last two years turn into a roaring bull market? It's something to keep an eye on.

CHART 20

There's strong global demand... China is the largest gold consumer, and it bought lots of gold bars last year, up 40% through November from a year earlier. India, the second largest consumer, saw their gold imports surge 67%!

Plus, the U.S. Gold Council reported that gold backed ETFs added almost 200 tonnes of gold to their holdings in 2017, which is up 8.4% from 2016. In December alone when gold reached its lows the global gold ETFs increased their holdings by 5.3 tonnes.

European funds captured a big 75% of global inflows last year. This was a gain of almost 150 tonnes of gold. In the U.S., the two largest gold ETFs (that we own) accounted for about 28% of the global net inflows.

This strong demand shows up in the gold price around the world.

Gold is rising in most currency terms, and when this happens you know the rise is for real. **Chart 19** shows that gold in several major currencies has been rising for four years now.

As we write, gold is reaching new highs in eight emerging market currencies. This means the bull market is solid and strong. **Gold is better than most key currencies.**

This past year has been a big consolidation year for gold, yet

CHART 21

at a higher level, which means this turnaround time has been a great time to accumulate gold.

Gold's big picture is also bullish

Gold has phases and it continues to amaze us that these phases work! **Chart 20** shows these phases. First, note in red the times when gold had a major low every 7-8 years. The last one started at the December 2015 lows, and it continues to follow suit. So far, so good.

Next is the 11 year phase. Here you can see most of these 7-8 year lows were followed by a major high 11 years later. The last high occurred in 2012. And now this time around, based on the 2008 low, it's saying we could see a major peak in 2020, which is just in a few more years!

We'll be keeping you updated on these phases.

Gold: 'A' rise underway

Meanwhile, our intermediate indicator on **Chart 21** guides us through intermediate moves and gives us insight to the major trend, and trend changes.

The D decline is over; it was a moderate one, and it ended right on script, in December when the Fed raised the Fed Funds rate.

CHART 22

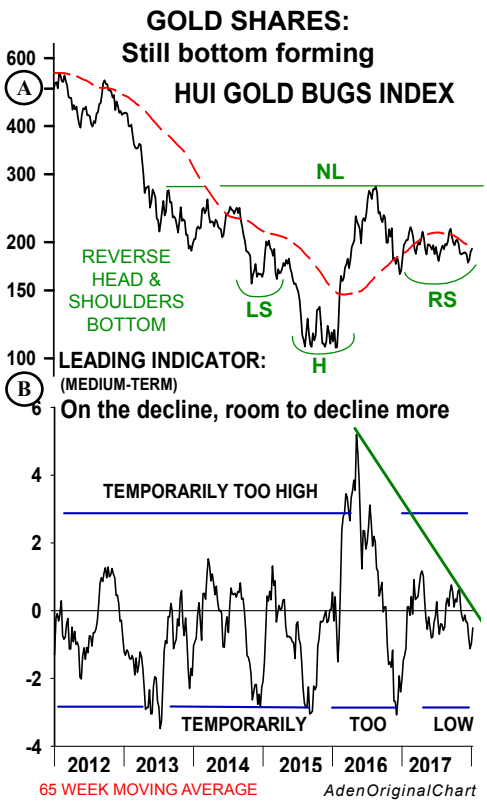


CHART 23

This chart shows you how the last three December lows have formed a solid uptrend, and the lows each coincided with a Fed rate hike. Gold is now bouncing up in an A rise. These rises tend to be moderate, and it's to be seen if gold will surpass the $1380 key resistance level, see prior C peaks.

It's not a bad thing if it doesn't at this point. But considering the D decline was the most moderate D decline in over 17 years, we could see more strength in this A rise.

We'll see, but be it strong or moderate, it's all good. Likewise for the upcoming B decline. It tends to be part of a consolidation time with A and B together. That would be normal.

Thereafter, the C rise will then be THE KEY to this growing bull market. It "should" then break clearly above this $1380 level. The bull market would then be moving into a stronger bull market phase.

Meanwhile, note how well the 23 month average has worked this year. Gold briefly dipped below it and jumped back up. This provides solid support at $1265.

Gold shares continue to form the right shoulder (RS) of a four year bottom formation, and even though this RS has lasted a year, it's still forming (see **Chart 22A**). The bounce up this past month will remain underway with the HUI above 185. But keep in mind, gold shares also have room to decline further (see **22B**).

Gold has been stronger than gold shares and silver since 2011. This is normal, but both clearly outperform gold when a bull market heats up. In fact, silver really takes off in a wild rise in the final years of a bull market (see **Chart 23**).

We suggest buying and keeping your silver, gold and gold shares. And if you don't have all of your position set, buy now and on weakness.

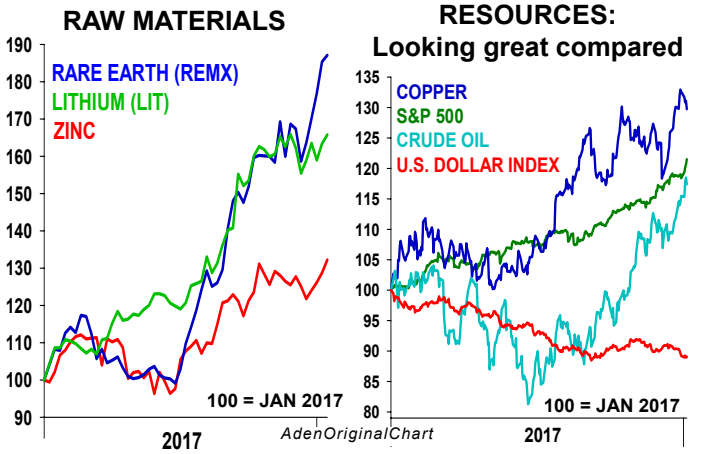
RESOURCES: Bright lights ahead

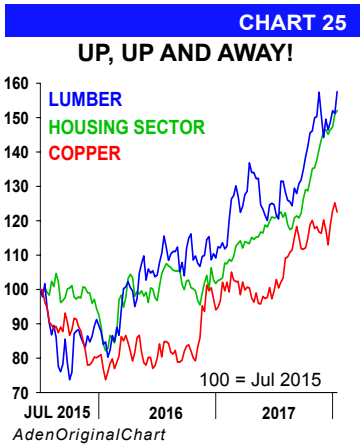
Commodities staged a nice comeback, especially in the second half of the year, in part due to the strong stock market and a bigger appetite for riskier assets. They ended 2017 on a high note, reaching highs last seen in 2015.

In fact, **Chart 24** shows how well both copper and crude, the two barometers, fared compared to the soaring stock market. Copper outperformed the S&P500 while oil quickly made up for lost time, ending the year just about as strong as the S&P. Of course, the weaker dollar, as you can see, helped all of them too.

Raw materials and the base metals made a great

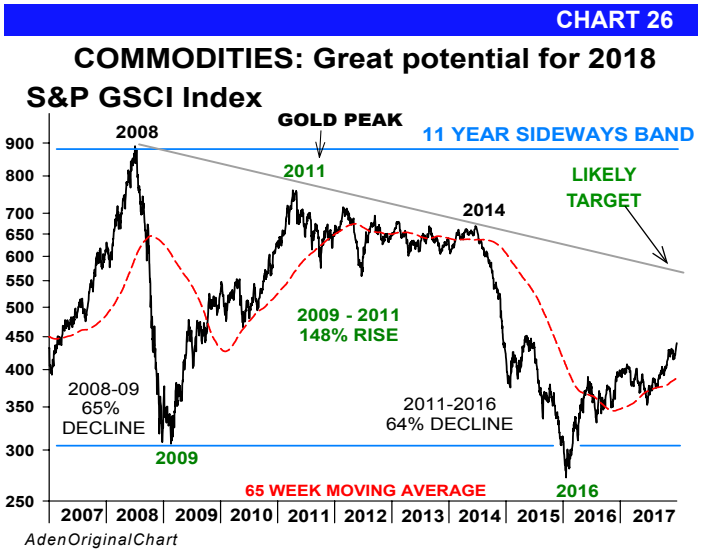
CHART 24





performance this year as well. And if you go back to mid-2015, you can see how much better housing and lumber did compared to copper (see **Chart 25**).

Chart 26 shows the commodity bull market gaining steam. It bottomed in 2016 after falling 64% from its 2014 highs, which ended up being a similar decline to the 2008 financial crisis selloff.



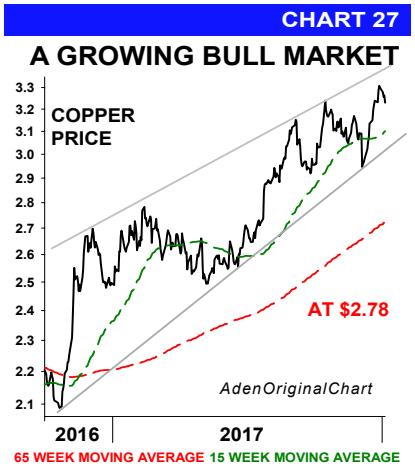
And now, the commodities rise has a bright road ahead. It's already gained 65% from its lows two years ago. It's holding steady above its 65 week red average, and it could easily rise back up to test its 2008 downtrend, and possibly the 2014 highs.

A rise to the 2014 highs would be similar to the 2009-2011 rise!

And it would be a rise we'd definitely not want to miss!

The best way to take advantage of this ongoing and upcoming rise is to buy selective raw material, resource and energy stocks. We already have BHP Billiton, and it's paid off to ride it through. It's the world's largest metals and minerals company based in Australia.

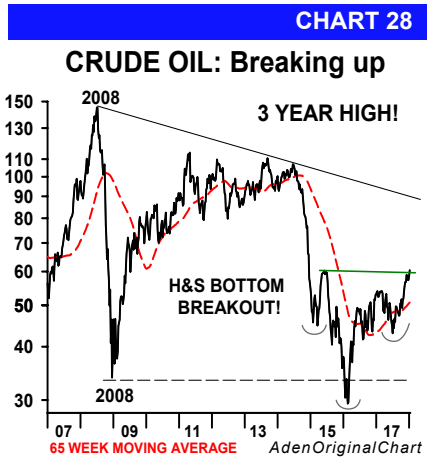
Note that copper on **Chart 27** reached a four year high at year-end, and it's now poised for a downward correction. This closer up look is saying, don't be surprised to see the uptrend (in grey), near $3.05 tested, before a further rise occurs.



Buying during weakness is ideal.

We're adding a Rare Earth position (REMX). It's done very well, and we'll buy it now and on weakness. REMX is an ETF composed of different rare earth elements and it's a great way to be exposed to elements such as lithium.

These resources are becoming more and more important as they make way in modern day electronics, electric cars and more.



Cannabis belongs in commodities. After all, it's the commodity of choice today. We recommended Horizons Marijuana (HMMJ.TO) in November. If you didn't buy it, then buy some now and on weakness because it's risen too far, too fast. We'll continue to monitor many companies closely. But since HMMJ.TO invests in 10 large marijuana stocks, it's a good way to diversify in this field.

Crude oil is in a good situation. It's been soaring this month, reaching an almost 4 year high on speculation oil inventories in the U.S. are low. OPEC's members have kept their production low to push up the price. But the shale oil business in the U.S. hasn't been obliging, and OPEC is getting anxious as oil prices above $60 could cause shale producers to step up their output.

Overall, demand is strong and supplies are still down, and together with tensions it's all keeping crude up. Note on **Chart 28** oil has broken above a three year bottom pattern. If it now stays above $56, it could rise to at least the 2008 downtrend near $80-$90.

Energy shares were slow to catch up to the jump in crude. But they are now on the move, and they have plenty of room to rise further. We already have the oil ETF (USO); it's doing great and we'll keep it. We're also adding DJ US Energy (IYE), an energy ETF to our positions.

Both oil and copper are poised to decline this month and possibly next. Let's take advantage and buy our new positions now and on weakness.

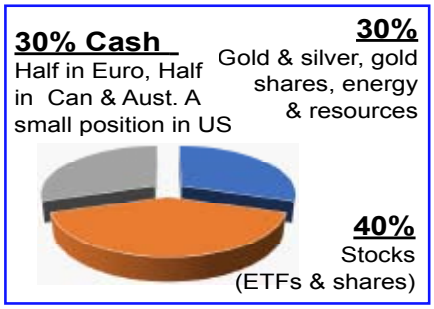
Meanwhile, palladium has been soaring, hitting new record highs (see **Chart 29**). Is it leading too? We wouldn't be surprised, so stay tuned.

OVERALL PORTFOLIO RECOMMENDATION

U.S. & GLOBAL STOCK MARKETS

The stock market rise doesn't stop. It keeps breaking records, hitting more new all-time highs. Keep the stocks you have, but if one of your stocks closes below its trailing stop level listed below, sell it. This month we were stopped out of Templeton Emerging Markets (EMF), and took good profits. If you still have it, sell. If you want to buy new stock positions, buy small positions in Dow Industrials (DIA), S&P500 (RSP), Microsoft (MSFT), S&P Global (IOO) and Nasdaq (QQQ) now and more next month, and so on for a couple of months in order to average in.

Note: Some of you have asked how we determine our trailing stops. We usually use a 10 week moving average or a support level. So the stops will be changing every week or two and we don't advise selling any of our stocks unless they close below the stop levels. This allows us to continue riding the bull market up and lock in greater profits.



PRECIOUS METALS, ENERGY, RESOURCE

Gold ended 2017 in its best year since 2010 and after being up for two consecutive years. Gold's D decline is over and it was a moderate one. Copper is enjoying its best run in almost three decades while crude oil broke out to a three year high. The turnaround time is up.

We're starting to see a very bright future for the whole sector of precious metals, resources and energy, and their shares. Our recommendation box will now encompass all of this sector.

Gold's A rise is now underway, which could end up being part of a consolidation period. Silver and gold shares are doing fine. Keep your positions, and if you didn't buy as we suggested in December, buy now and on weakness.

Our resource and energy stocks had a good rise. We have BHP Billiton (BHP) and the Oil Fund (USO). We've been recommending to add to our BHP position over the past month, but if you don't have either, buy some now, and more on weakness. We're recommending three new shares, Rare Earth (REMX), DJ US Energy (IYE) and Horizons Marijuana (HMMJ.TO). Buy some now, and more on weakness. Note: We are lowering our cash position by 5% to raise our resource position by 5%.

INTEREST RATES & BONDS

Interest rates are at a critical point. They've been rising but remain at low levels. We continue to recommend avoiding bonds and staying on the sidelines.

CURRENCIES

The U.S. dollar is bearish and it's set to fall further. The currencies are on the rise. Continue to keep the euro (FXE), and the Canadian and Australian dollars (FXC and FXA). If you want to add to your positions, it's now okay to buy these currencies and keep a minimum amount of cash in U.S. dollars for now.

* New Position

OUR OPEN POSITIONS in order of strength per section

STOCK ETFS & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM	TRAILING STOPS
S&P 500 Index Equal	RSP	Dec-16	87.55	104.21	19.03	Buy/Hold	99.50
Dow Industrials	DIA	Aug-16	186.52	255.61	37.04	Buy/Hold	240.00
Nasdaq Pwrshrs	QQQ	Aug-16	117.7	163.29	38.73	Buy/Hold	155.00
S&P Global 100	IOO	Aug-16	75.34	95.65	26.96	Buy/Hold	92.00
SPDR Small Cap	SPSM	Nov-16	25.73	31.16	21.10	Hold	29.75
U.S.Global E.Europe	EUROX	Sep-17	7.11	7.57	6.47	Hold	7.10
Microsoft	MSFT	Dec-16	63.62	88.08	38.45	Buy/Hold	84.00
Canada Index	EWC	Sep-17	28.49	30.01	5.34	Hold	28.75
Adobe Systems	ADBE	Feb-17	118.93	188.92	58.85	Hold	170.00

PRECIOUS METALS, ENERGY, RESOURCES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM	
Horizons Marijuana *	HMMJ.TO	Jan-18	20.38			Buy/Hold	
BHP Billiton	BHP	Sep-17	42.00	49.67	18.26	Buy/Hold	43.00
DJ US Energy *	IYE	Jan-18		42.27		Buy	
U.S. Oil Fund	USO	Nov-17	11.51	12.70	10.34	Buy/Hold	11.50
Rare Earth *	REMX	Jan-18		32.30		Buy	
SPDR Gold	GLD	Mar-17	117.51	125.44	6.75	Buy/Hold	
Gold (physical)		Oct-01	277.25	1322.50	377.01	Buy/Hold	
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.45	6.24	Buy/Hold	
Agnico Eagle	AEM	Feb-17	47.10	46.30	-1.70	Hold	
Silver (physical)		Aug-03	4.93	16.96	244.02	Buy/Hold	
Gold Miners ETF	GDX	Feb-17	25.20	23.38	-7.22	Hold	
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	33.96	-19.37	Hold	
Royal Gold	RGLD	Sep-17	90.19	84.72	-6.06	Hold	

CURRENCIES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Euro ETF	FXE	Jun-17	110.48	115.9	4.91	Buy/Hold
Australian dollar ETF	FXA	Jun-17	76.91	78.89	2.57	Buy/Hold
Canadian dollar ETF	FXC	Jun-17	76.09	78.77	3.52	Buy/Hold

Note: Shares, funds & ETFs are listed in the box in order of strength per each section. Keep the ones you have on the list.

