THE
ADEN FORECAST
MONEY • METALS • MARKETS

FEBRUARY 2018 *37th year*

YOUR QUESTIONS ANSWERED...

Q. Does the stock market drop signal a possible recession this year?

A. No... A bear market in stocks usually precedes a recession, but so far this is not a bear market. And if we look at some of the other leading recession indicators, they're telling us the economy is on solid ground.

Consumer confidence, for instance, is up strongly and consumers are spending. Jobs are being created, manufacturing is very strong, jobless claims are at a 45 year low, and wages are way up. Unemployment has dropped to 4%. **And there's more...**

The index of Leading Economic Indicators keeps hitting new highs. The same is true in other countries.

This indicator normally tops out and declines prior to a recession. That's not happening now and it's telling us there's no recession in sight.

The yield curve also usually inverts prior to a recession. That means the short-term interest rate, like the 90-day Treasury bill, will rise above the long-term interest rate, like the 10 or 30 year yields. This has not happened either.

For now, the 90-day Treasury rate is at 1.55% and the 10 year rate is 2.91%. In other words, they're normal.

Long rates are higher than short rates, which is how it should be (if you're lending your money for a longer time period, you should receive a higher rate of return).

So all is well on the interest rate front.

The real estate market tends to lead the economy as well. That is, if real estate turns down it could precede a recession.

Here too, with new home sales soaring, there's no sign of trouble in this sector (see **Chart 1**).

Q. What drove the stock market down so sharply?

A. There really wasn't a solid fundamental reason. Mainly, the stronger jobs numbers and the jump in interest rates were the trigger because this meant inflation could head higher, which would drive interest rates up even further. This in turn would be bad for stocks.

But it could have been anything... The stock market had risen so far, so fast for such a long time it was simply overdue for a normal downward correction.

The fact that the downward correction was so quick and extreme indicated some panic selling. It was also indicative of automatic trading systems, selling stocks based on a predetermined formula.

This all snowballed with sell orders swamping the exchanges, which was the exact opposite of what we've been seeing on the upside, and it resulted in a lot of volatility.

In the end, however, it hasn't really been that big of a deal. As strange as this may sound, and as you'll see in this month's Stock Market section, this 10% correction in the Dow Industrials and S&P 500 has not been unusual.

On the contrary, it's actually been moderate in percentage terms. The bottom line is, the stock market remains bullish and it's still looking good.

Q. Reading between the lines, it sounds like you're trying not to spook your subscribers, but you're also telling us to sell stocks.

A. We're always open and upfront with our subscribers, based of course on our interpretation of the situation. In this particular case, most of our recommended stocks declined and closed below our stop loss levels, so we advised selling them and taking profits. This is something we've been recommending for many months now.

A couple of stocks did not close below their stops and we advise keeping them.

And depending on how this downward correction unfolds, and assum-

INSIDE

ing the bull market remains intact, we'll probably buy more stocks again, once things settle down.

Q. Why do you put stop loss levels on your stock recommendations, but not on your metals and gold share recommendations?

A. The main reason why is because we believe the metals and shares have been forming a huge bottom for the past few years. And since these markets can be volatile, we didn't want any of our subscribers to get whipped out of the market on a volatile dip.

For now, the metals related recommendations are essentially buy and hold for long-term investments. **Stocks were another story...**

They're closer to a top than a bottom, but they still have good upside potential. For this reason, we wanted to protect profits as the bull market evolved, which is why we put stops on our positions.

Q. Wouldn't it have been wiser to wait and buy more stocks on a correction?

A. Yes, That was our plan. But sometimes stocks can stay overbought for a very long time while the price keeps rising, which is what was happening. So a couple of months ago we advised buying small positions in a few stocks with the idea of averaging in. Unfortunately, we recently sold those when our stops were broken.

The stops served us well with good percentage gains made on nearly all of our stocks. But we got tripped up on those recent purchases due to the timing.

Overall, however, the end result was good.

As for our newest resource purchases, they didn't have a stop but they're now oversold and we advise riding them through and giving them time.

Q. Are you concerned about inflation? Is it headed a lot higher?

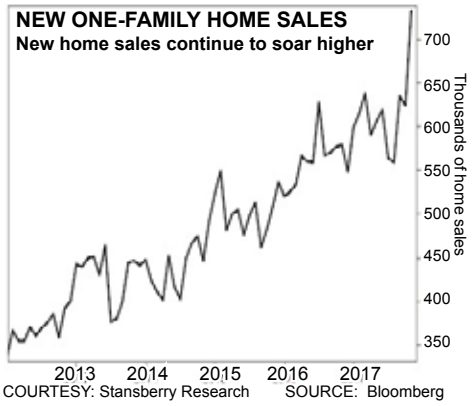
A. Inflation is brewing and it's starting to gain momentum. How high it goes, we don't know yet, but the days of deflation are clearly behind us.

Producer prices have been rising for a couple of years now, hitting a six year high last month. In part this has been due to the rise in commodity prices. Easy money has certainly played a big role in this too.

These upmoves have filtered through the pipeline, affecting consumer prices (CPI), which also moved higher, from 0% to 2.1%. And, it looks like prices will continue to move up. Today, for instance, the CPI was higher than expected.

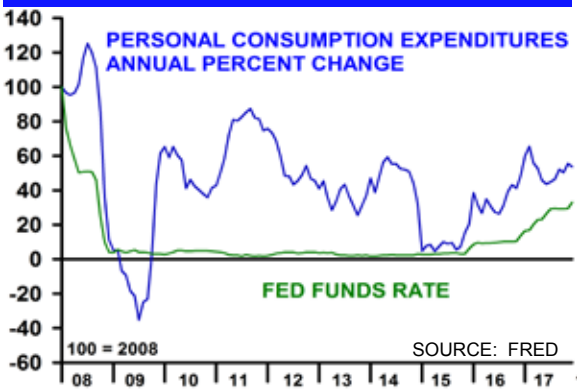
The Personal Consumption Expenditures is the index the Fed watches to gauge inflation. On **Chart 2** we're comparing it to the Fed Funds interest rate, which is the rate the Fed raises when it feels interest rates should move up, due to inflation pressures and/or to manage the economy (both were indexed to 100 in 2008 for comparison purposes).

CHART 1



As you can see, the Fed Funds rate is lagging below inflation, despite last year's interest rate hikes. This tells us we'll likely see more upward pressure on interest rates in the months ahead.

CHART 2



Meanwhile, assuming inflation continues, you'll want to avoid bonds, which will not do well. On the other hand, gold should shine since it's the ultimate inflation hedge. The same is true of the other precious metals and commodities in general.

As for stocks, they "should" continue to head higher, especially because interest rates are still at very low levels, despite their moderate rises.

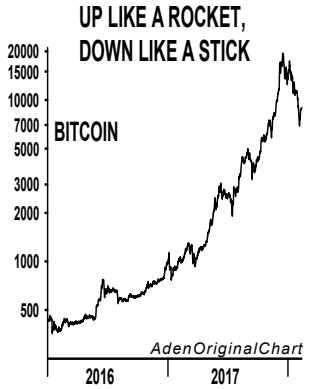
At some point, higher interest rates will bring the bull market in stocks to an end. But we don't think that's currently the case.

Q. Has the Bitcoin bubble burst?

A. It sure looks like it... You may remember in our December issue (Chart 21) we showed you how Bitcoin was matching the biggest bubble rises in history. This included the tulip bubble of 1636-37, which was the biggest of them all.

Bitcoin recently dropped about 65% (see **Chart 3**). Other cryptocurrencies did too. It's still to be seen how this will evolve and it's best to watch the action from the sidelines.

CHART 3



Q. What would be the minimum amount of money to buy gold to "test the waters"?

A. You could buy one ounce of gold if you're on a limited budget. Currently, for instance, a one ounce Maple Leaf gold coin costs about $1375. And then you could continue buying every month or so, if you like, gradually building up a core metal's position.

U.S. & WORLD STOCK MARKETS

Volatility hits the roaring bull market

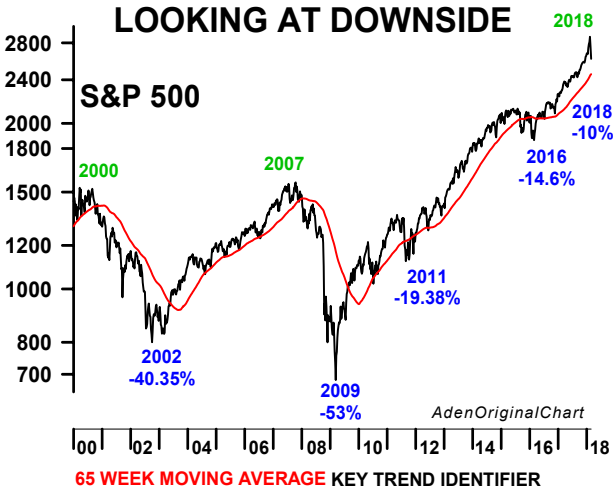
The stock market has been on a wild ride. The steep drop in recent weeks was one for the history books and it spooked many investors. So what's going on?

A NORMAL DECLINE

The bottom line is, this has so far been a normal downward correction following last year's big rise. Yes, its speed was record breaking, but the percentage decline has only been 10% to date on the Industrials and S&P 500.

That is, this downward correction has been more moderate than the two previous declines during this bull market, which began in 2009 (see **Chart 4**).

CHART 4



As you can see, in 2011 the S&P500 declined 19% and it fell almost 15% in 2016. These were normal downward corrections.

In comparison, during the 2000 and 2007 bear markets the declines were much more severe, dropping 40% and 53%, respectively. So the big question is, is the current decline a downward correction, or the beginning of a bear market?

MAJOR UPTREND INTACT

To provide more insight, let's take a chart walk to see where the market stands...

Looking first at the major stock indexes, note that they remain in major uptrends (see **Chart 6**).

They're only now declining below their 15-week moving averages, but they'll remain bullish by staying above their major 65-week moving averages.

Most important, despite the recent decline, the S&P 500 is still up 26% since Trump's election.

The international stock markets are similar (see **Chart 5**). They're bullish which is good for the overall stock environment.

One concern, however, is the Dow Jones Utility Average (see **Chart 7**). It has broken below its major 65-week moving average. Could the Utilities be leading the other stock indexes down? It's a possibility and we'll be watching closely.

Meanwhile, **the Dow Theory major bull market signal remains in force**, telling us that this has just been a bump in the road and stocks will eventually head higher.

Reinforcing this scenario, **Chart 8** shows that the current bull market (in red) could indeed rise further if it ends up matching the last two big bull markets.

Will it happen? It sure could, especially because

CHART 5

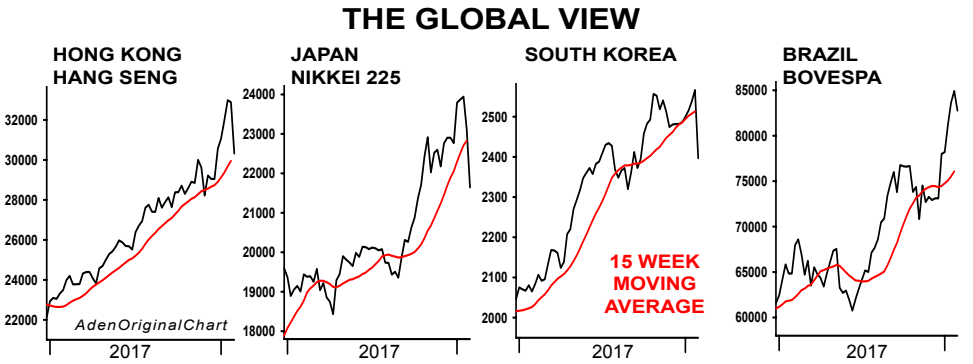


CHART 6

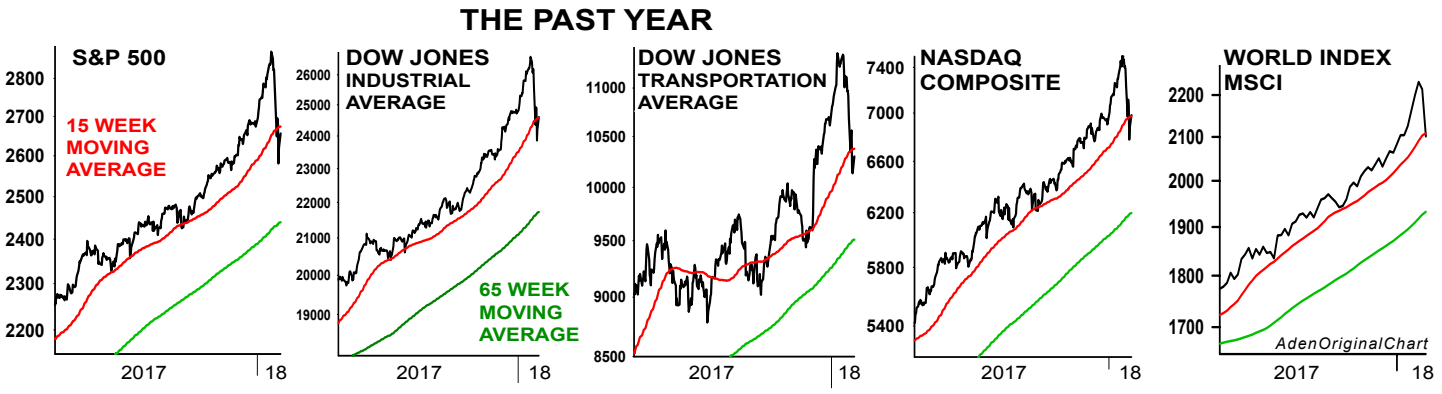
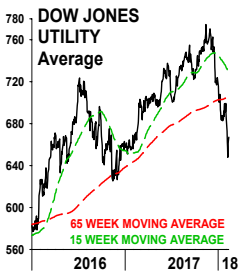


CHART 7



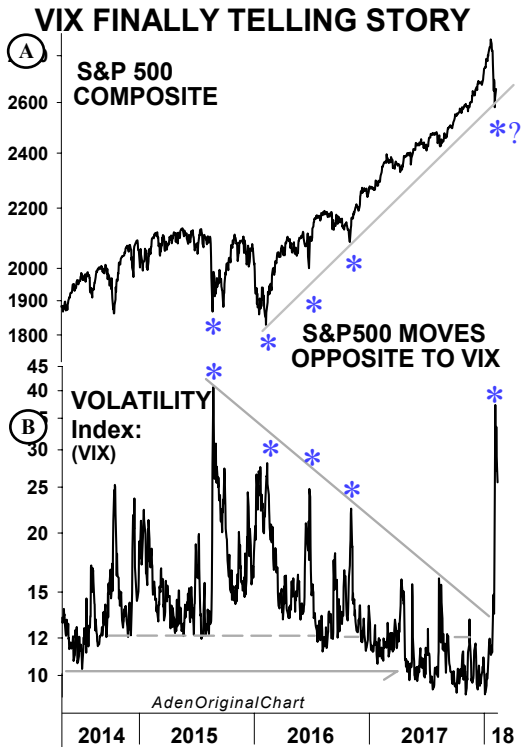
the fundamentals are so good and there are no signs of a recession. In other words, you could say we're in the 7th inning.

Here's something else we wanted to show you... The VIX index has literally soared (see **Chart 9B**). This is the fear gauge and it hit a very high level.

Interestingly, when the VIX reaches these high levels, it tends to coincide with a bottom in the stock market (see asterisks on **Chart 9A**). This is telling us the market may be near its correction lows and getting ready to embark on a renewed rise. But for now, we'll take this with a grain of salt due to recent claims of manipulation.

Last but not least, let's take a look at the big picture for the Dow Industrials, along with its leading indicator (see **Chart 10**).

CHART 9



We had previously noted, 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.

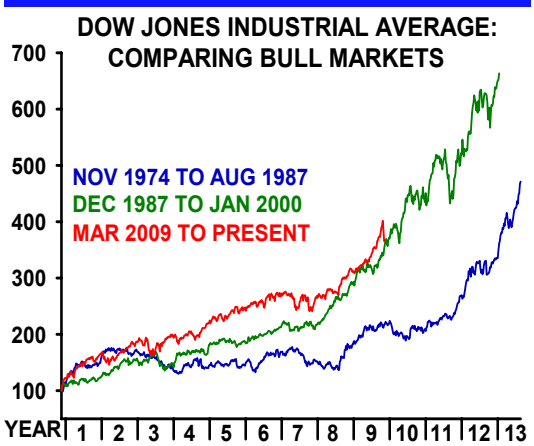
But now, the leading indicator has surged up to the major high area, which normally coincides with a top in the market.

The only exception was in the late 1990s when the indicator stayed at the high area while the stock market continued rising. This could now happen again.

MIXED SIGNALS IN A BULL MARKET

Currently, we have some mixed signals but the bullish forces remain in control. As long as that's the case, we'll likely buy stocks again during this period of weakness, but we're waiting until the market settles down to see how this downward correction plays out.

CHART 8



Meanwhile, as you'll see on page 12, most of our stops were triggered, and we recommend selling and taking profits.

For now, we advise keeping those funds in U.S. dollars for the time being. But this will only be temporary until we end up buying stocks again, or maybe buying into other markets.

CHART 10

Editors:
Mary Anne Aden
Pamela Aden

www.adenforecast.com
info@adenforecast.com

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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

Mega trend changing!

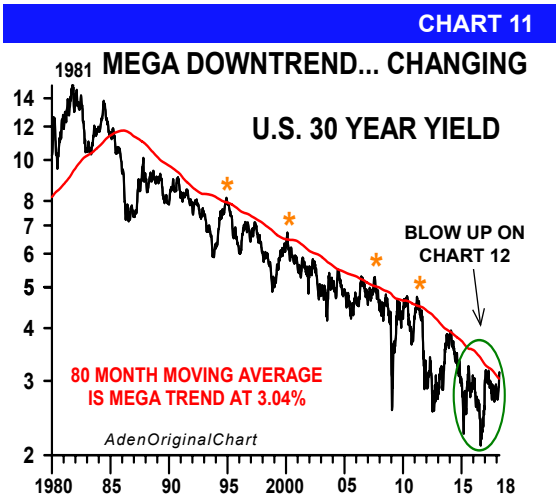
Interest rates have been the powerhouse this month...They're flexing their muscles, which is affecting nearly all of the markets.

INTEREST RATES DOMINATE MARKETS

In fact, there's much more going on here than meets the eye...

As you know, we've often talked about how important interest rates are... contrary to what many believe, they are the dominant factor.

The bottom line is, what happens in the interest rate world is going to directly affect you, in one way or another. So it's very important to keep tabs on interest rates and what they're doing...



WHAT ARE INTEREST RATES CURRENTLY TELLING US?

First and most important, a mega interest rate trend reversal is now most likely taking place... If so, this is a huge deal...

It means the downtrend in the 30 year yield (which is an example of all interest rates because they generally move together) is turning up. This is something that hasn't happened since 1981 when the 30 year yield peaked near 15% (see **Chart 11**).

As you can see, however, there have been a few fake outs (see asterisks). These happened when the yield peeked above the moving average, but then resumed its decline. And interestingly, these corresponded with major events, like the dot-com stock market peak, the sub-prime stock peak and the peak in the gold price.

Could this be another fake out? We don't think so, and here's why...

The yield is now breaking above its 80-month moving average, which identifies the mega trend (see the close up on **Chart 12**). And if it stays above 3.04%, then the mega trend will remain up, signaling interest rates are going to continue moving higher in the years ahead.

This in turn would mean the bull market in bonds is definitely over and a big bear market decline is just getting underway.

This view is also being reinforced by the great bond gurus, like Bill Gross, Jeff Gundlach and Ray Dalio. Even former Fed head Alan Greenspan joined the party saying bonds are in a bubble and it'll be a critical one.

MEGA TREND REVERSAL IN LONG-TERM YIELDS

And as you can see on **Chart 13**, the bond price index has actually been bearish for nearly two years by generally staying below its moving average.

And this will be reconfirmed if the bond index declines and stays below its 2017 lows.

That's why we've been advising to avoid bonds and stay on the sidelines.

The 30 year yield is telling us this mega trend reversal is in process, and so is the bond's leading indicator, which also remains bearish.

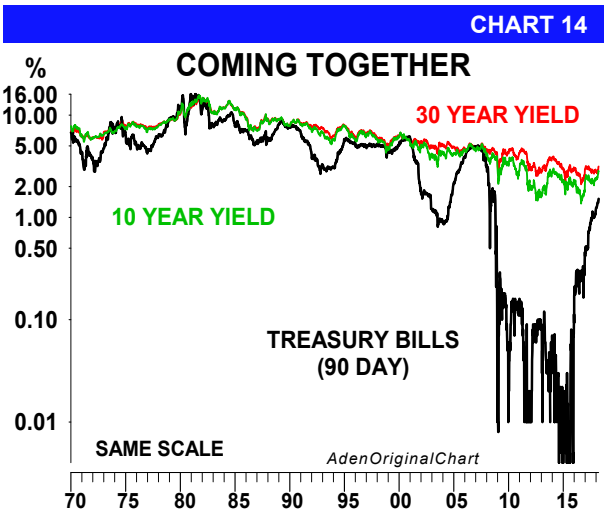
So if you're still holding bonds, you may want to head for the exits before this downmove in bonds picks up more momentum.

SOME REASONS WHY

There are a couple of important reasons why bonds are likely headed lower, and interest rates higher...

The economy is holding firm and the employment picture keeps improving. Unemployment is at a 17 year low but more important, wages recently increased the most in eight years.

This is adding to inflation concerns, especially coming on the heels of rising commodity prices and the biggest consumer price upmoves in months.



As you may remember, bonds can't stand inflation. It's the bond market's worst enemy. So any sign inflation is perking up is very negative for bonds.

This hasn't happened for a long time. Inflation hasn't been a problem since the early 1980s. And over the past 10 years, it's really been on the back burner.

DEFLATION IS YESTERDAY'S PAPER

On the contrary, deflation was the big concern. But those days are over and now inflation is starting to rear its head again.

Will it keep going and pick up steam?

That's the big question and we'll be watching out for this.

If so, it'll result in the Fed boosting interesting rates to stem the inflation pressures and this is also weighing on the bond market.

Rising interest rates alone, however, wouldn't necessarily hurt the stock market because it would reinforce the economy is strong enough to handle higher interest rates.

Also, don't forget that, even though interest rates are rising, they're still at low levels, pretty much across the board (see **Chart 14**).

But perception is something else. If investors perceive that interest rates are going to keep going higher, then yes, it could make investors nervous, which is what we've been seeing. And that's certainly true of bond investors.

LESS FOREIGN BUYING

Most important, foreign bond buyers have been lightening up on their U.S. Treasury bond purchases. That's already been the case with China, Russia, Saudi Arabia, and others.

In China's case, it's problematic because China is the U.S.'s biggest lender, holding nearly $2 trillion in U.S. government bonds...

But now with trade tensions brewing, Chinese officials have recommended that they slow their purchases of U.S. bonds even further, or stop them.

Meanwhile, the Fed stopped buying U.S. bonds too. So who's going to buy?

FED WAS A BIG BOND BUYER

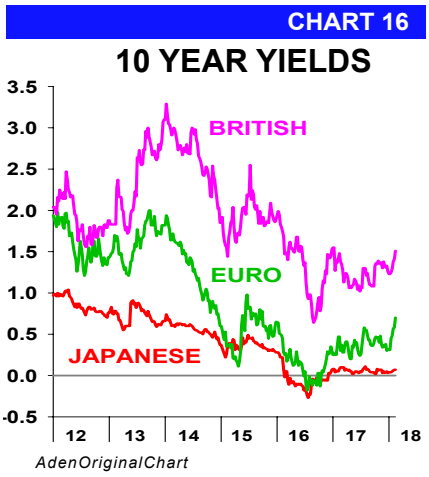
As you know, the Fed had been buying huge amounts of bonds to help boost the economy during the past few years. But with all this buying drying up, there is less demand and the 10 year yield has risen from about 2.05% to 2.90% in recent months, reaching a four year high and technically breaking out on the upside (see **Chart 15A**).

Plus, the leading indicator shows it has room to rise further before it's too high. In other words, interest rates are poised to rise further.

This has driven mortgage interest rates way up too. And as we've mentioned before, if you want to refinance your mortgage, it would be good to do this sooner rather than later.

The story is similar in other countries. Note, 10 year yields are also perking up and this upmove is going to be global (see **Chart 16**).

So again, stay on the sidelines and keep a minimum in bonds at this time... or better yet, avoid them.



CURRENCIES

U.S. dollar hit a 3 year low

The U.S. dollar fell sharply again last month, in its worst beginning to a year in 15 years. Last week the dollar rebounded some, but it still remains bearish and it's set to fall further. Here are the main reasons why...

U.S. WANTS A WEAK DOLLAR

Treasury Secretary Mnuchin let the cat out of the bag in Davos a few weeks ago when he said he welcomed a weak U.S. dollar. At the same time, Commerce Secretary Ross unnerved investors by saying a "trade war" is underway.

Trump later contradicted Mnuchin's comments, but Mnuchin simply stated what everyone already suspected... the U.S. wants a weak dollar to help U.S. trade.

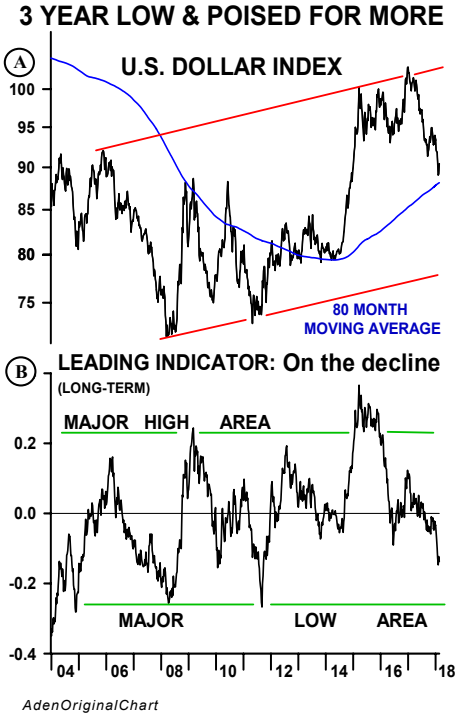
Currently, for instance, the U.S. trade deficit is huge. That's because the U.S. has been importing more than it exports.

Its biggest deficit by far is with China. It's more than five times greater than Mexico, which is #2.

The rule of thumb is that a country with a trade deficit more than 2½% of GDP is set for a major currency sell-off. The U.S. deficit is now more than 4% of GDP, so this dollar decline was basically overdue.

A weaker dollar would make U.S. exports less expensive and imports more expensive. This in turn would help boost business, the stock market, the economy, reduce the trade deficit and help fuel some inflation. So of course a weaker dollar would be beneficial.

CHART 17



LESS DEMAND FOR DOLLARS

Plus, as we discussed last month, demand for the dollar has been declining on the international stage. This too will keep downward pressure on the dollar.

The same is true of more government spending for infrastructure and the military. This could result in budget deficits of more than $1 trillion per year and that'll be bearish for the dollar.

Looking at **Chart 17A**, you'll see the dollar's technical picture reinforces this outlook.

Note, the dollar index is now near a three+ year low and it's approaching its 80-month moving average, which is its mega trend identifier. It's currently at 89.10, and if the dollar index declines and stays below this level, it'll be super bearish and poised to fall a lot further.

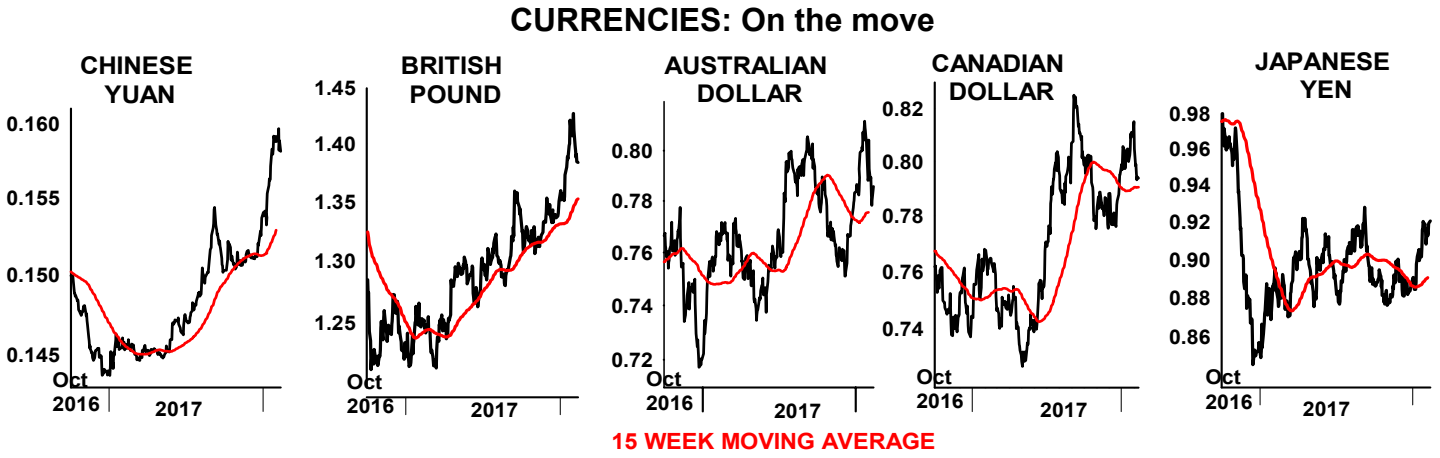
The lower uptrend near 77 would then be its next downside target.

Meanwhile, the dollar's leading indicator is also hitting a new low and it has plenty of room to fall further before it reaches the major low area. This means the dollar's decline will likely be a steep one.

BULLISH CURRENCIES!

And since the major currencies move opposite to

CHART 18



the dollar, this also means the currencies are headed higher (see **Chart 18**). So you'll want to continue buying and holding the currencies we've been recommending, which are the euro (FXE), and the Canadian and Australian dollars (FXC and FXA).

Even though the currencies have generally been stalling somewhat, they remain strong and bullish.

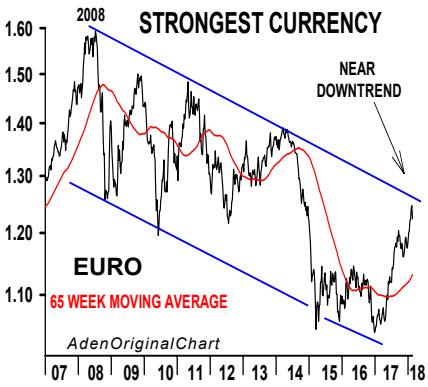
The euro is still the leader (see **Chart 19**). It's been the strongest and it's our favorite.

EURO: The best

As you can see, it's up sharply at a three+ year high and it's already risen nearly 9% since we recommended it eight months ago. That's a great return for essentially holding cash... just cash in a different currency.

But the euro is now approaching strong resistance at its 10 year downtrend near 1.27. Will the euro be able to break above it, signaling it's going much higher? We believe it will.

CHART 19



Europe has been leading global optimism and its fundamentals are positive. Economic growth is good and Germany's Angela Merkel is back in business. As long as this continues, the euro will keep leading the way for the other currencies.

Meanwhile, we currently have a large U.S. dollar cash position, having sold many of our stocks. But this is a temporary situation and we'll soon be using these funds to get back into stocks and/or other markets. So stay tuned.

METALS, NATURAL RESOURCES & ENERGY

A new year and a growing bullish market

The gold market rose further reaching a 17 month high in late January when Treasury Mnuchin said a weaker dollar is good for trade. Gold's rise was in part safe haven buying during the bond rout.

The key here is the decent 10% "A" rise gold had from its December lows. It was a positive rise within its turnaround time.

DOLLAR WEAKNESS BOOSTS GOLD

The gold market, like many markets, got a boost from U.S. dollar weakness over the past year as the dollar fell steadily to a 3+ year low, also reached in late January.

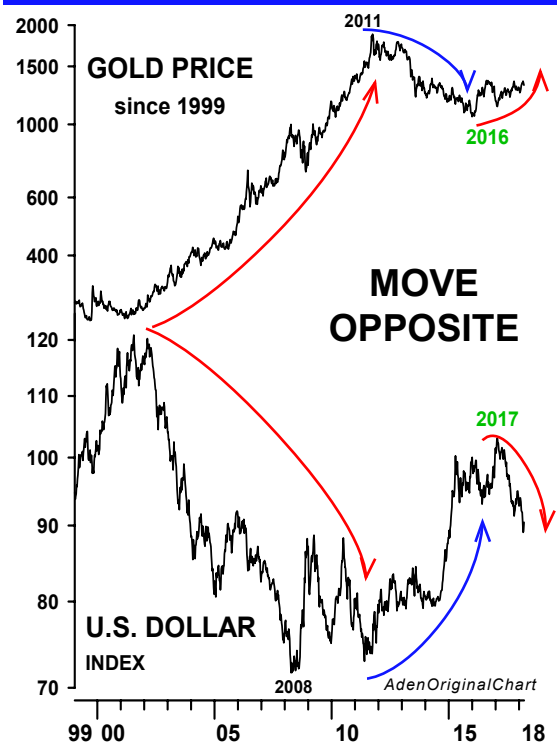
You can see this relationship between gold and the dollar on **Chart 20**, and how clearly they move in opposite directions.

They've been doing this since 1971, when the dollar was taken off the gold standard. The dollar has declined steadily since then, reaching a record low in 2008 where it found a bottom for several years, while gold shot up to its 2011 peak, see chart.

Most interesting, you can see gold led today's turnaround time when it bottomed in 2016. The dollar then followed a year later in 2017.

The dollar is poised to continue its bear market, which will keep giving gold a boost.

CHART 20



INFLATION: Off the back burner

Common knowledge says that the dollar and bonds are the safe havens in times of recession and in a deflationary environment. Conversely, gold and real estate tend to be the winners during inflationary times.

Inflation is coming back.

The word inflation is back in the news. Gold bulls have seen this inflation coming. Sentiment grew as the dollar steadily declined, which is now making the CPI a closely watched indicator.

And most interesting, gold is also looking good compared to the bond market.

GOLD & BONDS: The ultimate inflation-deflation barometers

Gold and bonds have always been known as the inflation-deflation barometers.

The fact that they were moving together in lockstep over the last few years was unusual, but they were both pegged as safe havens for a good while.

But now we're seeing that this correlation was a transition! And it's now very interesting!

CHART 21

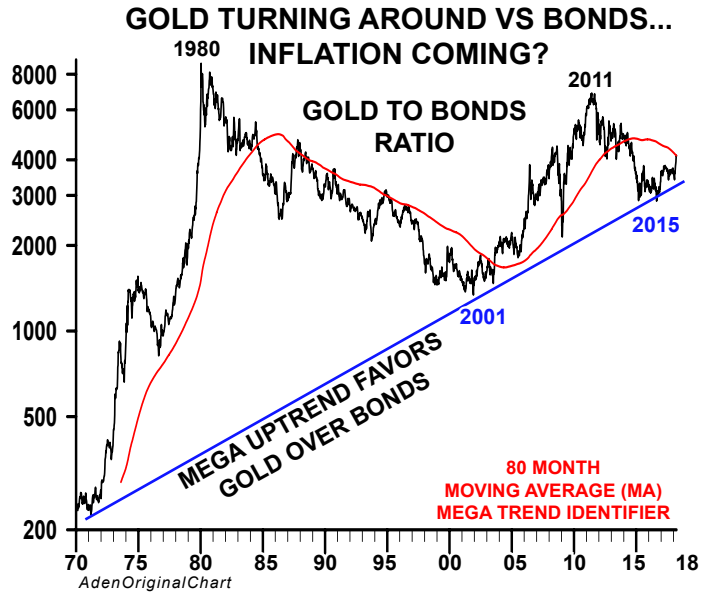


Chart 21 shows the big picture of the gold to bonds ratio since 1970. When the ratio is above its red 80 month moving average (MA), gold is better than bonds, and conversely when it's below the MA, bonds are a better investment.

This ratio shows bonds have been the better investment since 2013 when the ratio declined and stayed below the MA.

Interestingly, in 2015 the ratio began to bottom at a mega uptrend, and it's only now jumping up to test the mega red MA.

This means gold has also been bottoming versus bonds for the last three years, and it's now outperforming bonds. Once this mega MA is clearly broken, **it'll confirm a mega change for gold, for the first time since 2003!**

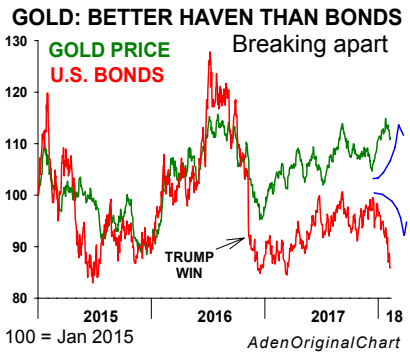
This will also mean that the gold and bond lockstep moves of the last several years were indeed part of a gold bottoming process!

Note on **Chart 22**, how close gold and bonds moved together in 2015-16. The Trump win was the first time bonds fell much more than gold, which started the break up between them. Bonds never regained much strength, and now as 2018 warms up they've clearly broken apart.

This is more normal behavior.

The bottom line is... gold and this universe are taking over the dollar and bonds as the better investment moving forward, and inflation times are coming back.

CHART 22



THE BULLISHNESS

There are many reasons why we believe gold, hard assets and natural resources have been the growing bullish trend with a bright future. Not only are the bearish dollar and bonds, and rising interest rates and inflation a good reason, there's more .....

Demand continues to grow. Starting with gold, it's interesting to see that paper gold (ETFs) have been more popular than physical gold, at least for now in the U.S.

CHART 23

But **Chart 23** shows that China and India have bought about half of the global gold bars and coins. China is the world's largest gold market for a fifth straight year, and demand for jewelry was especially strong.

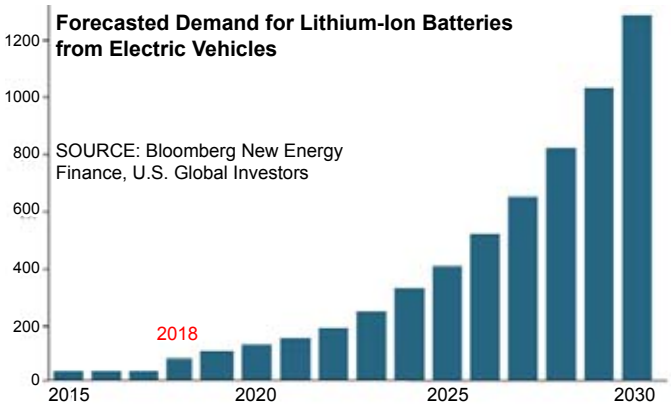
This is the most gold that Chinese citizens have bought since 2013 when they took advantage of the huge gold price sell-off. That was during the worst decline in the bear market.

India is the second biggest buyer of gold. The point is, this growth will continue to rise as the bull market gains steam.

The World Gold Council said in their annual outlook that the following trends will support positive gold performance in 2018...

They said it'll be a year of synchronized global economic growth, with shrinking balance sheets and rising interest rates. Plus, frothy asset prices and greater market transparency, efficiency and access in the financial markets over the past decade, makes it more

CHART 24



inviting for all kinds of investors.

POPPING UP... ONE BY ONE

The **resource sector** is getting a big boost from global demand and growth. Trump's infrastructure plans in the U.S., the housing growth, the weak dollar and worries about accelerating inflation are all adding to this growing demand.

We're seeing pop up rises in many commodities, like we showed you with lumber due to housing last month.

Lithium, as well, due to its future in batteries. **Chart 24** gives you an idea of the demand forecasted for lithium in the years to come. From Tesla to Apple batteries, lithium faces long term supply constraints as batteries for smartphones and electric vehicles (EV) boom.

Copper is another base metal with great potential. You can see on **Chart 26** how much it's risen over the past 15 months.

This red metal was one of the best performing commodities last year, and it's in a major uptrend by staying above $2.85.

Copper's investment demand is near all-time highs and as Robert Friedland says, copper, as well as aluminum, cobalt, nickel and platinum will be the biggest beneficiaries of the global transition to EV and clean energy.

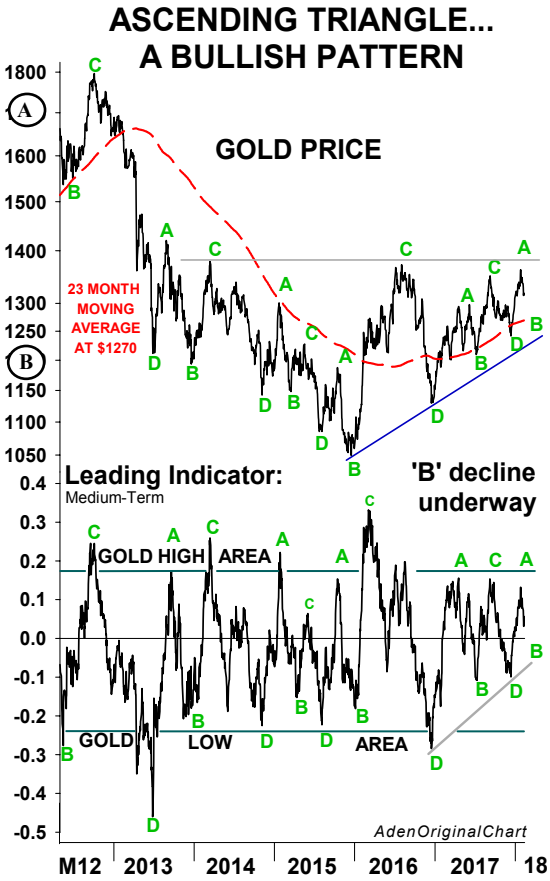
We all know that China is the largest importer of copper, taking about half of global production. And last year China set a new record in copper imports.

Copper is called Dr Copper because it's also the barometer for global growth. It's needed for construction, but now with this new huge demand, there's only one place copper can go, and that is UP.

Crude oil also jumped up this month, reaching a 3+ year high in its biggest January rise in five years. Oil is in a bull market, and note on **Chart 29**, it's been rising and taking off during the major turnaround time for gold. Oil is poised to rise further with the growing global demand and output cuts by OPEC.

Bottom Line: We're excited about the resource sector's potential, and of course we'll be monitoring the markets daily, but we want you all to be on board for this amazing time period we're embarking on.

CHART 25



GOLD TIMING: "B" decline underway

Gold reached its August 2016 highs in late January, and this rise from the December lows, we call an "A" rise, was a good one. Gold was a safe haven during part of the rise.

You wouldn't have noticed when 2 million ounces of gold were dumped within a 30 minute period in mid-January. Plus, the jump in interest rates didn't faze gold either when the dollar was on the downslope.

In other words, gold has climbed 10% since the Fed raised interest rates in December, while Bitcoin has fallen about 65% within the same time period.

> "In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value".
> -Alan Greenspan-

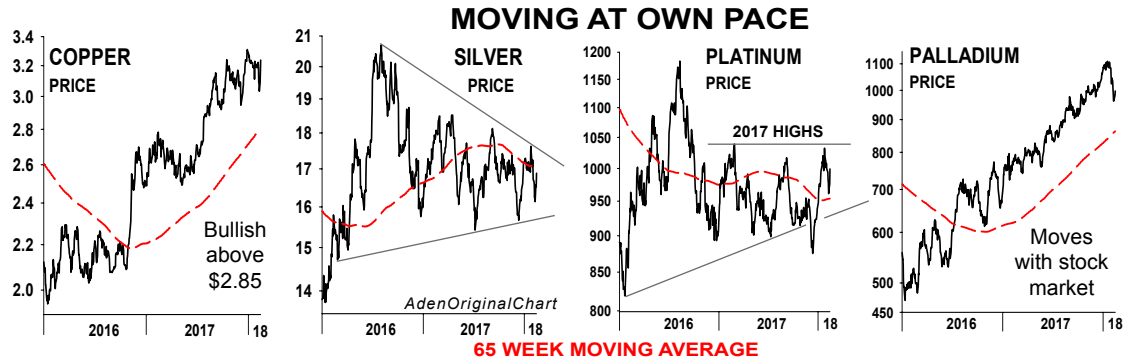
The February gold decline has been moderate so far, also aided by the wild swings in the stock market. Gold is still a safe haven.

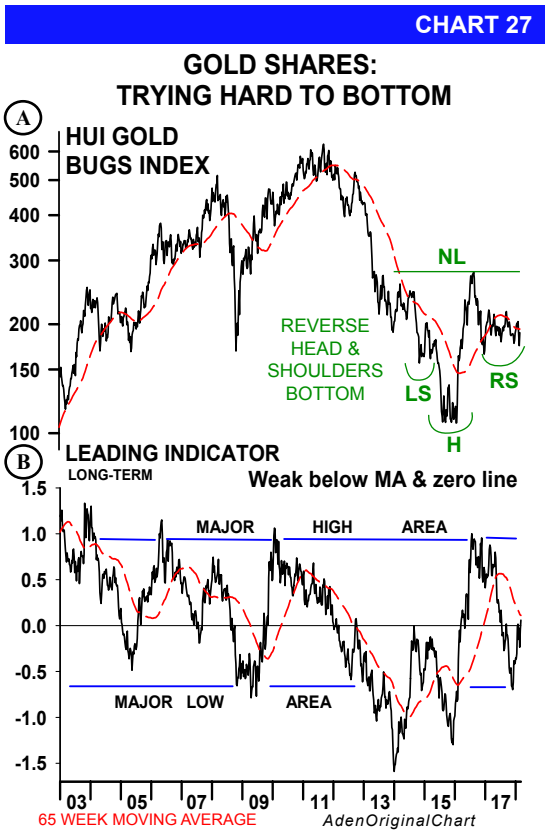
Chart 25A shows the bear market and the turnaround period for gold. The A rise ended up resisting below the key C peaks at $1380. This is not a surprise because A rises tend to be moderate. It was a solid moderate rise.

Now the February decline may also become a moderate decline. Within the A through D moves, the As and Bs tend to be a consolidation time and the B lows tend to be higher than the previous lows.

On the downside, this means we could see gold test its

CHART 26





23 month moving average at $1270 and it would still be in a solid move. In fact, we could even see the prior D low tested, which is also near the 2+year uptrend at $1240.

So if we see this type of move, the B decline will be okay. For now, gold is very firm by staying above $1300.

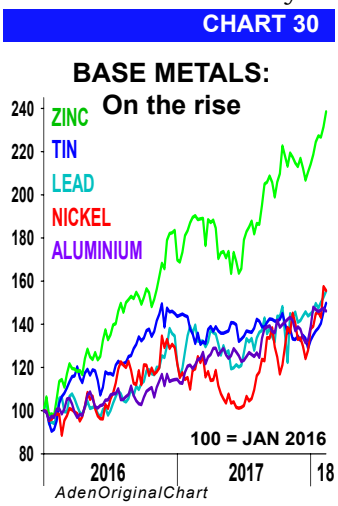
Most exciting will be the upcoming C rise. This rise feels like it could be powerful and end up breaking above the strong resistance near $1380.

Since December 2015, each intermediate low has been higher than the previous low. This is bullish action. It's a good time to pick up some positions during this down time if you want to buy more.

GOLD SHARES: Quiet

Gold shares have been essentially lifeless. The best thing they have going for them is that they move with gold, and they're extremely oversold versus gold.

Plus, the HUI index has been forming a major bottom. **Chart 27A** shows the four year reverse head and shoulders bottom it's formed. It's impressive, and the levels to watch are key.



On the downside, the last two December lows are key support. The HUI index is bouncing up from last December's low near 175. The Dec 2016 low would be the next support if this 175 is clearly broken.

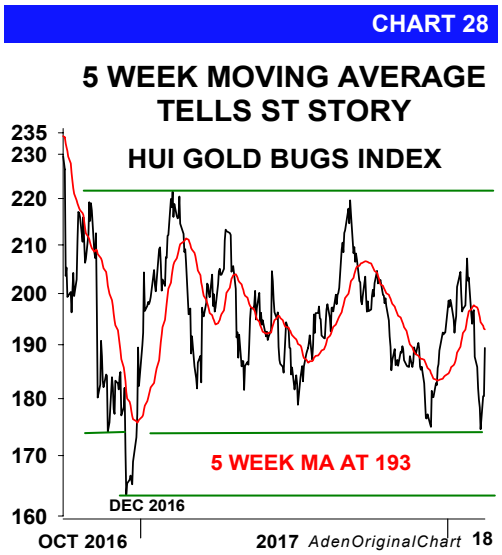
On the upside, the 5 week moving average is key within the sideways band. But **Chart 28** shows that once HUI breaks out of this band, it'll clearly tell us the next trend direction.

Will the right shoulder complete and break out on the upside as shown on **Chart 27A**. The indicator is suggesting the upside is open. We'll continue to have more patience.

SILVER: Lackluster

Silver has been dragging, and it's formed a triangle (see **Chart 26**). Whichever way it breaks out of this $15.75 and $17.50 pattern will point to the next direction.

We believe that silver is a sleeper. Its tendency is to be boring for a long time until it awakens. It then takes off.



According to the Silver Institute, this low volatility and rising risk in all other asset classes could see investments flow back into precious metals this year.

Silver has a dual role... 60% of total silver produced is used for industrial purposes. And investment demand will grow. So silver has great potential.

It's been no real surprise to now see the weak metals lead the way down in this moderate B decline.

We could also see the sluggish platinum market change its ways. Palladium surpassed platinum in price and while they are now about the same price, companies are looking into the possibility of starting to use platinum instead of palladium in certain industries. And if this happens, platinum will get a big ongoing boost.

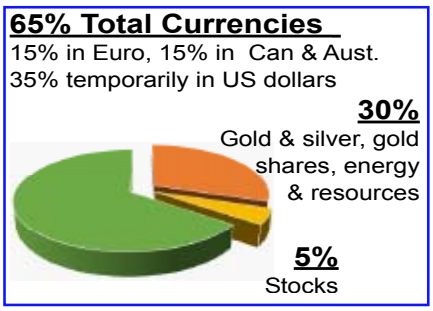
Energy shares have fallen short of the strong oil price. The biggest oil companies in the U.S. surprised investors with quarterly profits that missed expectations. This put a clear damper on the rise in shares.

OVERALL PORTFOLIO RECOMMENDATION

U.S. & GLOBAL STOCK MARKETS

The stock market has been on a wild ride. But so far this has been a normal downward correction following last year's big rise. This month most of our stops were triggered, and we recommended selling and taking profits on the following stocks: S&P 500 Index (RSP), Dow Industrials (DIA), Nasdaq (QQQ), S&P Global (IOO), SPDR Small Cap (SPSM), US Global E. Europe (EUROX), Microsoft (MSFT) and Canada (EWC).

Depending on how this downward correction unfolds, and assuming the bull market remains intact, we'll likely buy stocks again, once things settle down. Until then, keep your stock proceeds in U.S. dollars. This will only be temporary until we end up buying more stocks, or maybe buying into other markets.



PRECIOUS METALS, ENERGY, RESOURCE

Gold reached a 17 month high in late January while the dollar index fell to a 3+ year low. As we write, today's inflation worries caused gold, gold shares, copper, the other precious metals and resources to jump up while the dollar fell. Gold is now flirting with its A peak of 3 weeks ago. The B decline has barely started, and it's too soon to say if it's over, or if a double A peak is in the making. If a C rise begins from here, the market will be exceptionally strong. All of our positions are bouncing up. USO temporarily broke our stop. We sold it near break even. If you want to buy new positions, buy the ones listed as "buys" in the box below. We're now adding a new resource position, Freeport McMoran (FCX). It's basically a copper position but it has other resources as well. Try to buy on weakness or average in.

INTEREST RATES & BONDS

A mega interest rate trend reversal is now likely taking place. If so, then interest rates will continue to rise in the years ahead, and bond prices will decline. This will be confirmed if the 30 year yield now stays above 3.04%. We continue to recommend avoiding bonds and staying on the sidelines.

CURRENCIES

The U.S. dollar fell sharply again last month. It remains bearish and it's set to fall further. That is, the currencies are headed higher. The euro is leading the way and we continue to recommend buying and holding the euro (FXE), and the Canadian and Australian dollars (FXC and FXA). Having sold most of our stocks we temporarily have a large U.S. dollar cash position, while we wait for new opportunities.

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

OUR OPEN POSITIONS in order of strength per section

STOCK ETFS & SHARES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT	TRAILING
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM	STOPS
Adobe Systems	ADBE	Feb-17	118.93	197.13	65.75	Hold	180.00

PRECIOUS METALS, ENERGY, RESOURCES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
SPDR Gold	GLD	Mar-17	117.51	128.25	9.14	Buy/Hold
Gold (physical)		Oct-01	277.25	1358.00	389.81	Buy/Hold
BHP Billiton	BHP	Sep-17	42.00	49.28	17.33	Buy/Hold
Freeport Mcmoran *	FCX	Feb-18		19.12		Buy
Gold Miners ETF	GDX	Feb-17	25.20	23.01	-8.69	Buy/Hold
Agnico Eagle	AEM	Feb-17	47.10	45.47	-3.46	Buy/Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.43	6.08	Buy/Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	33.46	-20.56	Hold
Horizons Marijuana	HMMJ.TO	Jan-18	20.38	19.05	-6.53	Hold
Silver (physical)		Aug-03	4.93	16.88	242.35	Buy/Hold
Royal Gold	RGLD	Sep-17	90.19	85.08	-5.67	Hold
Rare Earth	REMX	Jan-18	32.12	29.41	-8.44	Hold
DJ US Energy	IYE	Jan-18	41.84	37.43	-10.54	Hold

CURRENCIES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Euro ETF	FXE	Jun-17	110.48	119.98	8.60	Buy/Hold
Australian dollar ETF	FXA	Jun-17	76.91	79.32	3.13	Buy/Hold
Canadian dollar ETF	FXC	Jun-17	76.09	78.86	3.64	Buy/Hold

* New Position

