THE
ADEN FORECAST
MONEY • METALS • MARKETS

MARCH 2016 *our 35th year*

A PIVOTAL YEAR INDEED!

We appreciate your notes and letters more than you know. And we thank you.

Most of your comments are heartwarming. But many of you ask questions.

It's difficult to answer each letter individually. But please know, we read each one and try to answer as many as we can in these pages.

As you'd expect, with the markets volatile since this new year began, we've been receiving more questions than usual... So here's what's on your mind...

Q. Why haven't you bought new positions in gold and gold shares yet?

A. Gold and gold shares are now clearly bullish for the first time in years. But they've also risen far and fast, and they're very overbought. This means they're due for a normal downward correction and we recommend buying new positions, and adding to your metals related investments, during this upcoming weakness.

Please read our Metals section for more details and recommendations.

Q. How do I discuss making changes to my investments with my money manager who doesn't agree with me? Can you recommend a manager who follows your recommendations?

A. This is a common question... If you have a manager, it's important to remember that they work for you. They may try to talk you out of something, but you must make the final decision. After all, it's your money.

Also, we don't have a recommended manager who follows our advise. But after so many years, we know this is not difficult to arrange.

Q. Where is the best place for cash to sit? And is it worthwhile with interest rates so low?

A. It could be in a money market fund or in short-term T-Bills. Most important, and despite low rates, you want to be able to access your cash easily in order to take advantage of good investment opportunities as they come along.

Q. Since stocks are bearish, why don't you recommend shorting stocks, or inverse ETFs that rise when stocks go down?

A. Basically, we think it's too risky. Even though stocks are in a bear market, they've been rising this month. This type of volatility can trip you up and it's quite common during bear markets. We feel it's best to just let it go. But if you're a trader and don't mind the risk, then go ahead and short as long as the stock market stays bearish.

Q. Are you concerned about negative interest rates?

A. Yes. Many experts believe this is a dangerous experiment and a desperate measure by some of the world's large central banks to get consumers spending again and to spur economic growth. But instead, it's hurting the banks by squeezing their profits making the global economy more vulnerable.

Q. Are negative interest rates connected to the new so-called war on cash?

A. We believe they are... Several countries are supporting the elimination of large currency notes. They say it's to fight crime, drugs, terrorism and so on. But in large part, they simply don't want people to withdraw their money because of negative interest rates and hoard their cash. If they do, they won't spend it and spending is the #1 goal. So by making it hard to obtain large bills, it'd make holding cash in small bills outside of a bank more difficult.

Q. Will Trump be an important factor this year?

A. We think so. Trump is set to win the Republican nomination, and his controversial authoritarian ways have caused political turmoil, which could eventually affect the markets.

Q. David Stockman (the former budget director under President Reagan) is forecasting the end of an era that has created enormous imbalances in the system, which is drowning in worldwide debt. I am very disturbed. Comments?

A. Mr. Stockman believes we're on the edge of a third market meltdown, similar to the onset of the dotcom bubble that burst in 2000 and the housing/financial bubble that burst in 2008. Along with others, they

INSIDE

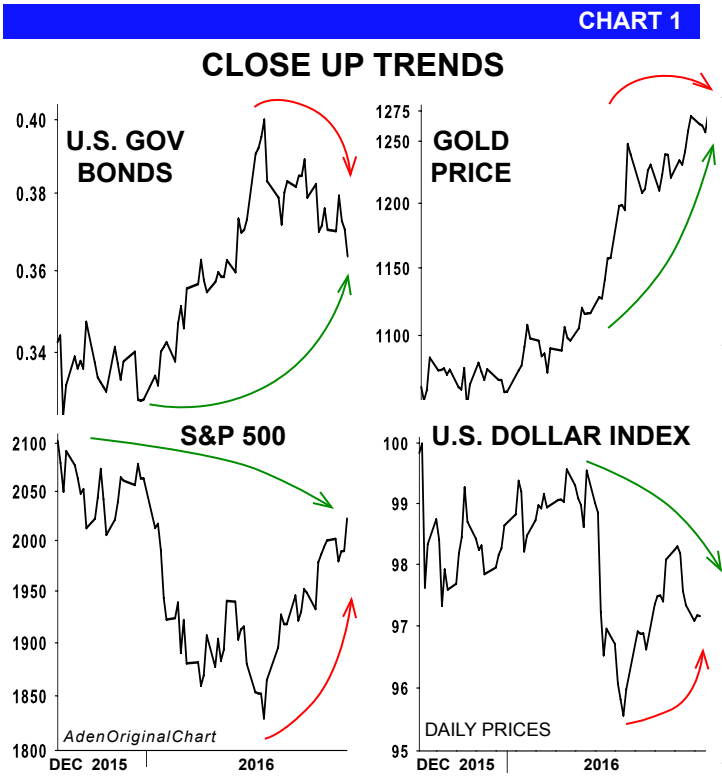
worry the central banks have run out of ammunition and the world economy is headed for a recession.

Most impressive, even the BIS, which is the central bankers' bank, warned that investor confidence in central banks is "**faltering due to the perception that central banks might be running out of policy options.**"

This is a big deal because BIS rarely makes comments along these lines.

We've often pointed out the many risks facing the global economy. The bottom line is, few of the 2008 problems have been fixed. A bandage was put on them and debt is much bigger now than it was then. This makes the financial system more vulnerable too.

Plus, many economic signs are weak. Retailers, for instance, are closing many of their stores. Office Depot, Macy's, Walmart and Sears are just some of these, and these are not good signs.



Q. What can we do to prevent a 2008 type decline in our stock portfolio?

A. The best strategy is to stay out of stocks, or cut back on your stock holdings as long as the bear market is in force. This month's Stock section provides more details.

Interestingly, John Hussman points out that in both 1929 and 1987, stocks first dropped about 14%. They then rose between 4½% - 9½% and then a collapse followed. And that's exactly what's happened this time too.

So far the S&P500 dropped 14% and it has rebounded about 9½%. So is a collapse coming? Considering that stocks are bearish, it could. And if it does, Stockman has more to say...

He warns that the ETF sector could suffer and the market plunge on August 26 provided a taste. The S&P500, for instance, declined 5.3%. But the iShares S&P500 ETF dropped 26%.

Normally, they're supposed to move in synch but some divergences have happened during times of panic, like last August. So it's important to keep things balanced. **Don't put all of your funds into ETFs.** Spread it around with some in ETFs and some in the physical markets. This would apply to your bonds, stocks, gold and currency related investments.

Q. Can you tell us more about trailing stops.

A. A dear subscriber wrote and recommended Tradestops.com. He noted subscribers need to understand that their trailing stops may differ from ours, based on the entry point.

Tradestops explains the use of their system and he likes their basic plan. In sum, they'll send an e-mail alert when your stop is hit and this system sounds well worthwhile.

Q. The markets aren't making much sense. I read that old correlations are breaking apart, throwing investment managers for a loop, based on allocations and established strategies. For example, should I sell bonds and buy riskier investments? What to do and what does it mean?

A. This often happens when big changes are taking place. And that's currently happening. Here's an example of what we mean...

Stocks have been rising this month (see **Chart 1**). But this is a contra-trend (see red lined arrows). The major trend for stocks is still down. It's the same story for bonds. The major trend for U.S. government bonds remains up. But they've recently been declining in a normal downward correction, following their steep rise.

Gold and the U.S. dollar tend to move in opposite directions. Gold's strong rise is overdue for a breather decline, which could happen at any time. This will be a contra-trend because gold's major trend is now up. At the same time the U.S. dollar may continue the 2016 rebound rise.

So yes, some of the markets are doing their own thing, but overall, everything still makes sense. Change is in the air.

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U.S. & WORLD STOCK MARKETS

Bear market rebound rise

The stock market has been in a rebound rise mode.

Following its steep drop earlier this year, stocks have been rebounding, along with the oil price, moving higher, which is a normal reaction. And they'll probably rise further in the weeks ahead.

FOLLOW MAJOR TREND

But this is where it's important to differentiate between the major trend and minor trends...

As you can see on **Chart 3**, all of the stock indexes remain below their 65-week moving averages, despite the past month's rise. (The Dow Utility Average is the only exception because it rises with bond prices.)

And since the 65-week moving average identifies the major trend, this tells us the major trend will stay down with the stock indexes trading below their moving averages.

The recent stock rise simply means the minor trend is up.

It's difficult to make money trading minor trends. That's why we don't recommend buying into them. They can turn quickly. The major stock market trend is far more powerful and that's where your focus should be.

Currently, a bear market is in force.

This means that once this upward rebound in stocks is over, stocks will likely fall a lot further.

CHART 2

STAY ON SIDELINES

That's the main reason why we continue to advise lightening up on your stocks during this period of rebound strength. And especially if you feel you're too heavily invested in the stock market.

If you're out of the stock market, it's best to stay out and remain on the sidelines.

One look at the big picture also suggests this route is best to take for the time being. Looking at the Dow Industrials on **Chart 2A**, you'll see what we mean.

BEARISH SIGNS

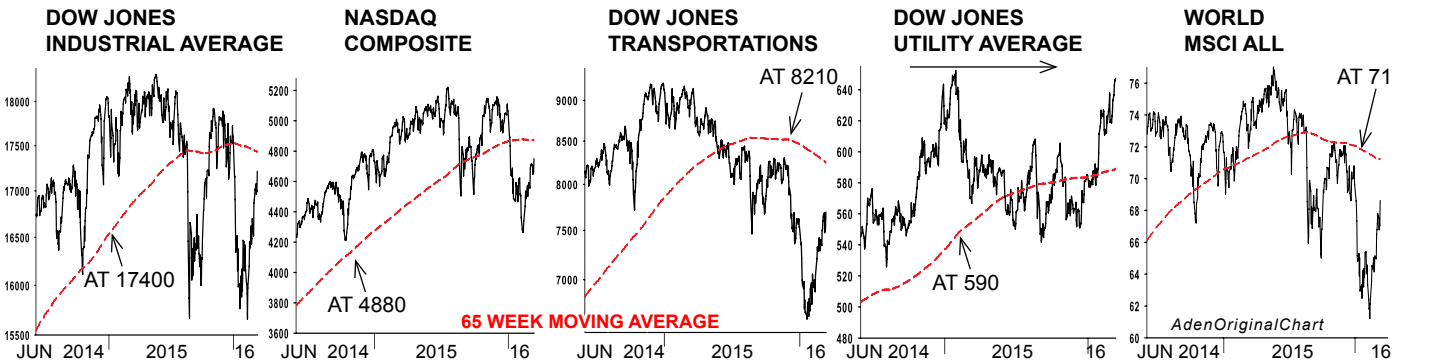
This chart begins in the late 1960s and the Dow Industrials has been trading in a mega upchannel since then. Within this upchannel, here's what's been happening in more recent years...

Note, the Dow formed an uptrend since 2009. This ended up becoming part of a giant wedge formation going back to 2000. Last year the Dow broke below its uptrend and wedge, which were very bearish signs.

Technically, this suggests the Dow could decline to near the bottom side of its mega upchannel, like it did in 2009, which would be around 12000 as a soft downside target.

If so, that would be a decline of about 34% for the bear market. And interestingly, as we pointed out last month, based on the past 40 bear markets, average bear market declines have been about 30%.

CHART 3



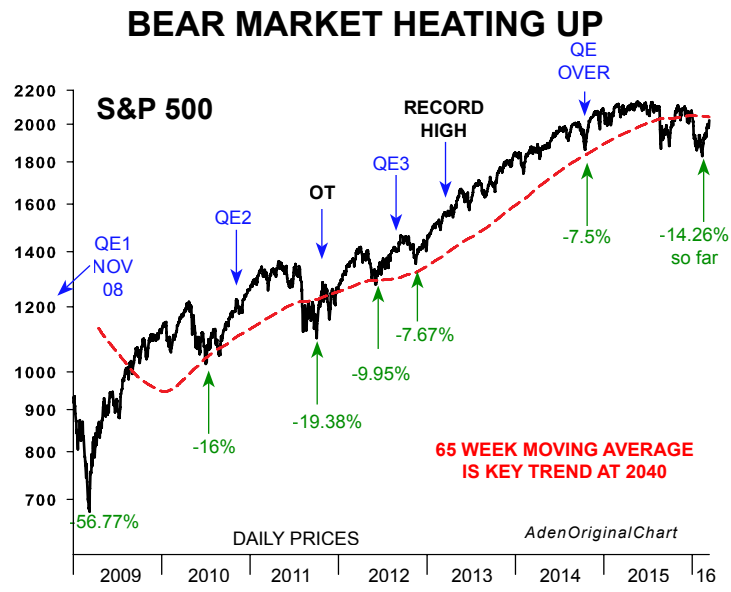
NEGATIVE INDICATORS

Meanwhile, the Dow's leading indicator has dropped further into negative territory (below the zero line) to an almost seven year low, while stocks have been rebounding (see **Chart 2B**). Here again, this is a very bearish sign.

This alone tells us that stocks are headed lower. The leading indicator has a lot of room to fall further before it reaches the major low area.

This low area coincides with important stock market bottoms and it's also signaling that the upcoming bear market decline will likely be a steep one.

CHART 4



WORST DECLINE SO FAR SINCE QE ENDED

So far, the stock market has declined about 14% since reaching its peak last May (see **Chart 4**, which shows the S&P500 and its downward corrections since 2009).

As you can see, the only decline that was steeper was in 2011 when the Eurozone crisis was heating up, and gold was hitting record highs. Things finally settled down and stocks then continued their upmove, in large part thanks to the quantitative easing program.

So why don't we think the same thing could happen this time around?... There are mainly two technical reasons why.

TREND IS DOWN

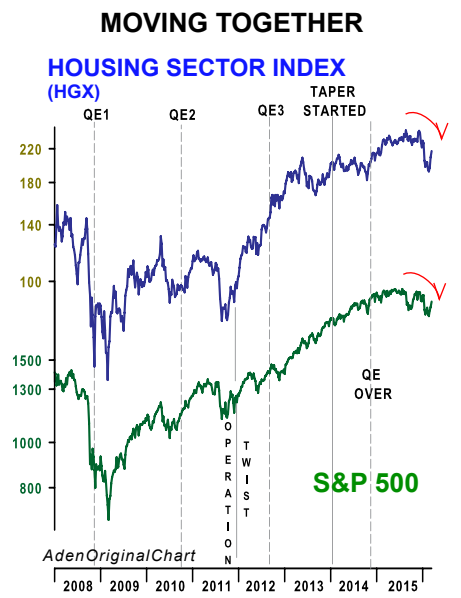
One, the S&P500 is still below its moving average. The same is true of all the stock markets in the world. In other words, the major global trend is bearish, and that makes it even more powerful.

Also, if you again look at the Dow's leading indicator on **Chart 2B**, you'll note that it was not negative in 2011. It was higher than it is now, which reinforces the current reading is far more bearish.

What could stocks then be telling us?

As we've often mentioned, the stock market is a leading indicator. It often leads the economy and housing (see **Chart 5**). You can also see this on the Dow's big picture chart. Is it a coincidence that stocks and housing are coming down since QE ended?

CHART 5



SLOW GROWTH MOVES WITH BEAR

For example, stocks fell sharply in 1970, 1974, 2001 and 2007. These drops all preceded and/or coincided with economic recessions.

On the flip side, the huge bull market rise in the 1990s moved in tandem with the tech boom and good economic growth.

Unfortunately, we're now looking at the downside. And with economic growth struggling worldwide, it would not be surprising if a recession does end up evolving this year.

GLOBAL MARKETS MOVE TOGETHER & STRONG CURRENCIES ARE BEARISH FOR STOCKS

Another negative factor is that the currency markets are bottoming (see **Chart 6B**). The Japanese yen is leading the way up and this too is putting downward pressure on the Japanese stock market.

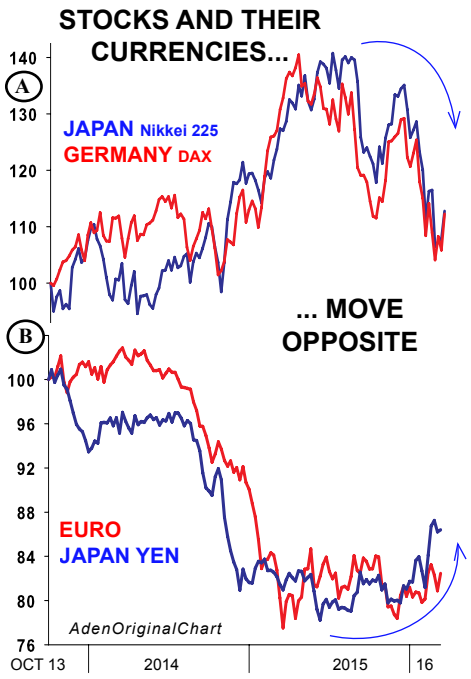
The euro is doing the same for the German stock market. The bottom line is, currencies and their stock markets tend to move in opposite directions.

And once currencies start moving up, it's going to keep downward pressure on the global stock markets.

Does this mean a weaker U.S. dollar will be good for U.S. stocks? Not necessarily.

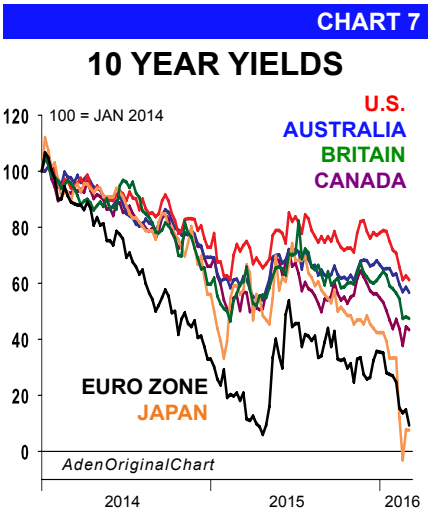
Global forces are more dominant and we believe they'll remain in the driver's seat. So again, stay cautious.

CHART 6



U.S. INTEREST RATES AND BONDS
Bond's bull market still underway

Bonds are still looking good. They hit a new one year high in February, and they've been coming down since then.



STRONG SAFE HAVEN

But the bond market remains bullish. It's one of the world's favorite investments and it continues to be a super safe haven during times of uncertainty, nervousness or fear.

Currently, bonds are set to rise further, signaling the bull market will stay intact, at least in the months ahead. At the same time, long-term interest rates are poised to fall further.

We, therefore, continue to recommend buying and keeping 20% of your total portfolio in long-term U.S. government bonds and/or the bond funds listed on page 12.

They've been one of this year's best investments and we believe that's going to continue.

BONDS: Still good investment

We know some of you are skeptical and think bond investing may not make sense.

After all, bond prices have been rising for a long time and they're not going to rise forever.

In fact, we've had several people ask us, how in the world can you like bonds?

Long-term interest rates are already super low in the 1½% - 2¾% range, so how much lower could they go?... There doesn't seem to be much potential, they say. It doesn't look like a good investment to me, and so on.

We understand these arguments and we agree, but as we've often said, it's not our opinion... We're just the messengers, and the markets are telling us bonds are still a good investment.

As you can see on **Chart 7**, interest rates are dropping around the world. In Japan's case, they've literally plunged in recent months, even though they were already super low to begin with.

We've previously discussed how the U.S. has been following the Japanese example for many years now. And so have most of the other countries.

The point is, if the Japanese 10 year interest rate could drop so quickly in such a short time, so can interest rates in other countries.

Indeed, it's already happening. Canada's rate has declined to a new low and the Eurozone is following.

And remember, as these interest rates fall sharply, bond prices surge upward because bonds and interest rates move in opposite directions.

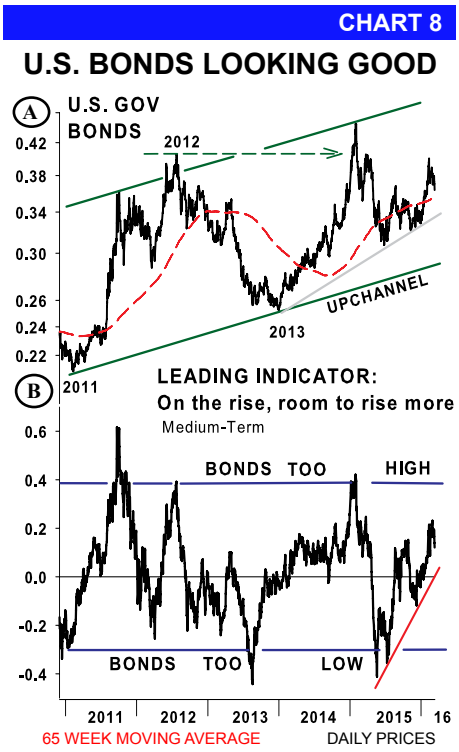
FALLING GLOBAL RATES: Powerful force

So yes, bond prices can go a lot higher even though interest rates are already very low. The question is, will the U.S. follow these other countries and drop their interest rates too? For now, there's reason to believe they will.

In this era of global recessions, sluggish economic growth and negative interest rates, the real question is, why not?

As we've often seen, if everyone's doing it, then others join in and do it too. This seems to be the global way since the major countries all march to the same drummer.

So bond prices are rising worldwide. But the reason why we like U.S. government bonds best is because, unlike the other countries, they have better potential and the U.S. dollar is also strong. That provides a double bonus... a strong currency and a rising bond market. It's the best of both worlds.



INDICATORS BULLISH

Meanwhile, our technical indicators are looking good too (see **Chart 8A**).

As you can see, the major upchannel remains in force with the bond price above its 65-week moving average.

So far, bonds have been resisting at their 2012 highs. And if they fall further in the weeks ahead it would be a normal downward correction following their steep rise earlier this year.

But once this correction is over, bond prices will probably take an-

other shot at the highs.

And if those resistance levels are broken on the upside, bonds will then likely keep rising to the top side of their upchannel as their next upside target.

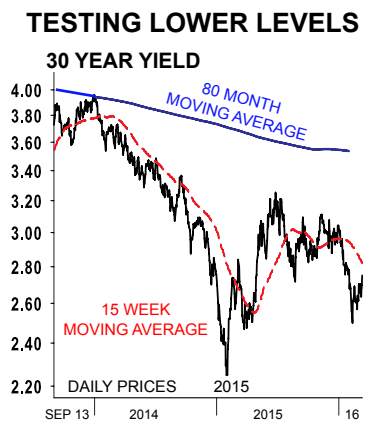
If so, that would be a 32% gain from current levels. This illustrates why we feel it's not too late to buy bonds.

The leading indicator for bonds also reinforces this view (see **Chart 8B**).

Note it's on the rise, which is bullish. But it hasn't yet reached the "bonds too high" level, which coincides with an overbought bond market. In other words, bonds still have room to rise further.

CHART 9

CHART 10



THE LONG ROAD DOWN

It's interesting to note that long-term interest rates have been declining for the past 35 years (see **Chart 9**).

That's right... Once the inflation bubble topped out in 1980, interest rates dropped. And they kept falling, along with inflation, reaching historically low levels in more recent years.

These low rates have coincided with deflationary pressures. And as long as deflation is dominant, interest rates will stay low.

But as you'll see in this month's Currencies section, this may be changing... that's a big may, but we'll see.

If that proves to be the case, then interest rates will eventually rise. We don't believe that'll happen any time soon, but the first sign of a turnaround would be a clear rise above 2.80% on the 30 year yield (its 15-week moving average, see **Chart 10** for a more close up view).

But the more important mega trend for the 30 year yield will remain down (bond prices up) as long as it stays below its 80 month moving average at 3.48%.

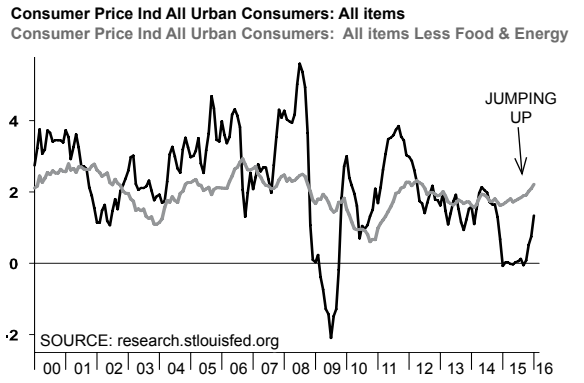
So again, keep your bonds.

CURRENCIES

U.S. dollar: Forming a top

The U.S. dollar index is holding firm. It's been volatile and it hasn't reached a new high in a year now, but it's still benefitting as an important safe haven on the global stage.

CHART 11



BULLISH, BUT CHUGGING

Nevertheless, the dollar remains toppy and its days of strength are likely numbered. But in the meantime, it's bullish and clearly holding its own.

That being the case, we continue to recommend keeping your cash position in U.S. dollars. It's the best strategy for the time being.

This way we'll be ready for more profitable investment opportunities when they come along. And as you'll see in this month's Metals section, it looks like we're going to have an ongoing "once every decade or two" type opportunity to buy with super upside potential in the very near future.

In fact, this will be further confirmed once the dollar starts to head lower, and here's what we're watching...

Looking at the U.S. dollar index on **Chart 12A**, you can see how it's stalling at a strong resistance level.

At the same time, the dollar's leading indicator (**B**) is coming down from the high area. This means the dollar will soon be following.

The 95.50 level remains very important. If the U.S. dollar index declines and stays below 95.50, it'll be a strong signal a new bear market decline is indeed getting started.

MONEY FLOWS WHERE IT'S TREATED BEST

Meanwhile, the currency wars are still going on. The bottom line is, no one wants a strong currency because it puts a damper on economic growth and it fuels deflation. It's also bad for trade and a host of other negatives.

So in an effort to boost their economies, fight off deflation and keep their currencies weak, negative interest rates have become the tool of choice. And in some cases interest rates are going even deeper into negative territory.

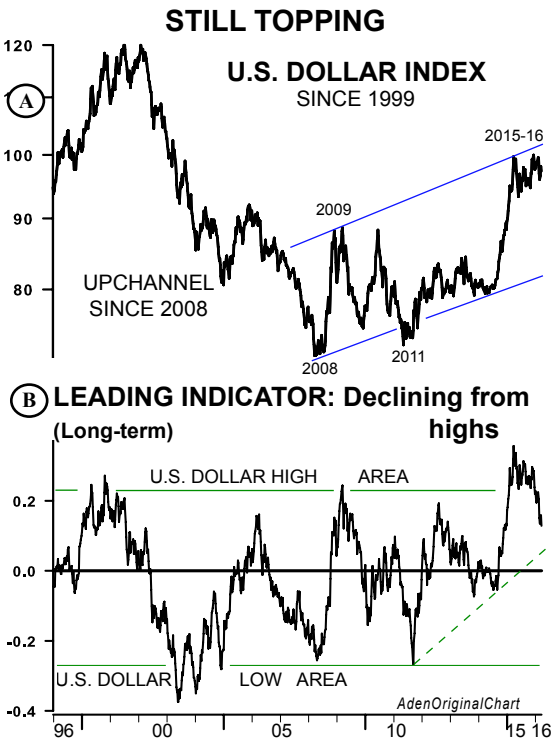
We know this is crazy, but it's happening. And as you'll see next, it may turn out that some of these countries are overreacting.

BIT-O-INFLATION... REALLY?

Now here's a big surprise... inflation is actually starting to pick up.

We know that doesn't make sense considering the big drop in oil and other commodity prices, along with the ongoing deflationary pressures intensifying month after month. But Matt Kerkhoff of *Dow Theory Letters* (*dowtheoryletters.com*) presented an interesting case and we wanted to pass it along...

CHART 12



Looking at the Consumer price index (CPI), which is a popular inflation barometer, you can see it's been rising this year (see **Chart 11**). In fact, the core CPI, which excludes food and energy, recently rose above 2%, which has been the Fed's inflation target level.

Okay, we know these numbers are always adjusted and they're not the most trustworthy. So we decided to dig a little deeper, and guess what the other inflation indicators are showing?

Basically, it's the same story. Producer prices (PPI) have also been rising this year. And in both cases, the **CPI and the PPI** are close to, or back above the zero line, **signaling that deflationary pressures are easing.**

Import prices are also rising for the first time in several years and so is the Personal Consumption Expenditures index, which is the Fed's favorite inflation indicator. Plus, commodity prices have been rising.

In other words, commodities are poised to rise further, and as they do it will help keep upward pressure on inflation.

If this happens, it'll be **a breath of fresh air**. It'll lift the veil of uncertainty deflation has created and it'll mean the chances of a recession have eased. Overall, it would be good news.

And **if the U.S. dollar heads lower as we suspect, it'll help add to this momentum**, increasing inflation pressures even more so. It would also help boost the economy and improve trade and business.

CURRENCIES: Bottoming

This could be why most of the currencies still look like they're bottoming (see **Chart 13**).

Whether their central banks like it or not, these markets are doing their own thing and they're poised to rise.

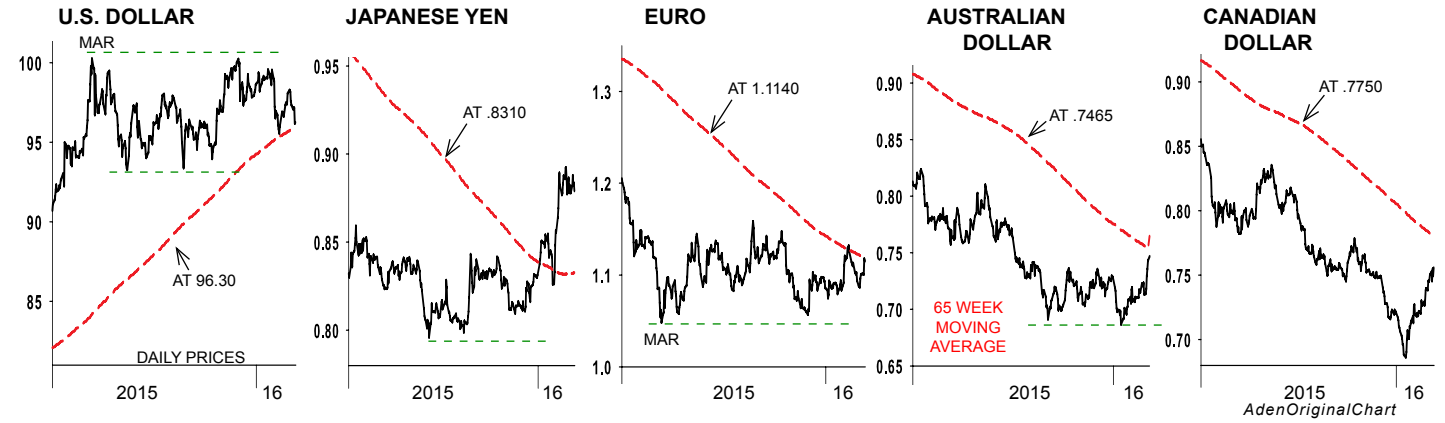
That'll be especially true once the U.S. dollar heads down because these currencies move opposite to the dollar.

Currently, **the Japanese yen is leading the pack.** It's turned bullish, which doesn't make any sense. Not only are Japanese interest rates below zero, but they also have the largest debt to GDP in the world, among the larger countries.

The euro is still bottoming, but we were stopped out of FXE, the euro's ETF, and we recommend selling it, if you haven't sold already.

So again, until we see major trend reversals, you'll want to keep your cash in U.S. dollars. Get ready!

CHART 13



METALS, NATURAL RESOURCES & ENERGY

This is IT!

Michael Jackson wasn't the only one who could say this. Gold is now clearly bullish for the first time since the start of the bear market.

Gold shares are even more impressive. They're in a unique situation. And when a market is set up like gold shares and gold are today, you clearly want to be on board for the ride. This is it!

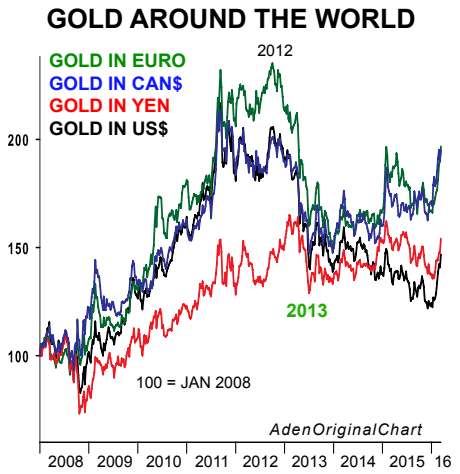
CHANGING TIMES

After a best start to a new year since 1974, gold is proving that it's much more than just an inflation hedge!

Gold is up 21% since December on safe haven buying. Uncertainty has climbed several notches this year and this is keeping upward pressure on gold.

Most impressive today are gold shares. They've soared from their January lows after going through the wringer, and coming out of one of the longest and most devastating bear markets in the last forty years.

CHART 15



Like we showed you last month, the recent bear market in gold shares matches the one from 1996 to 2000. But this bear was worse in many ways. Most interesting, the 1996-2000 bear was followed by a beautiful bull market rise. And the same thing is happening again!

TIME TO BUY ON WEAKNESS

Gold and gold shares have confirmed a new bull market turnaround for the first time since the bear market began.

This is what we've been waiting for... a full confirmation before buying new positions. And we now recommend buying on weakness by raising your metals position up to 30% of your total portfolio, for the time being.

Over this month and for the next few months, we believe gold and gold shares will give us a special opportunity to buy more at a great price, and then just hold on for a multi-year rise.

CHART 14

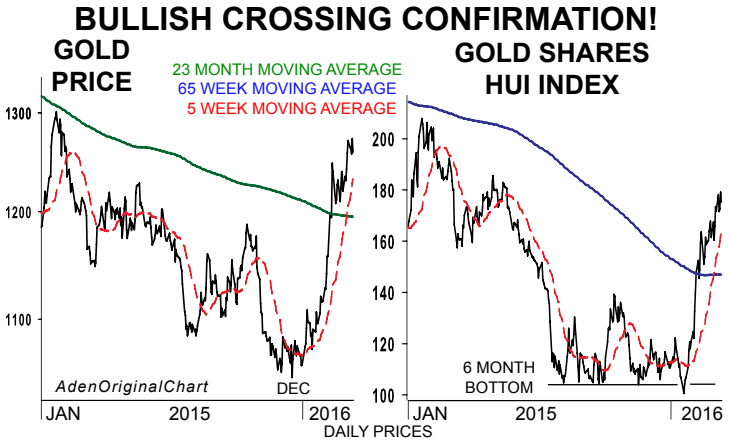


Chart 14 shows a good example of the bullish turn this past month. It shows a close up of both gold and the HUI gold bugs index, and the bullish crossing this past month. Note how the red 5 week moving average has risen above the key mega moving averages on both.

In gold's case, we're using the 23 month moving average. This was first crossed by the price in February, and now the 5 week moving average is following. This is bullish action!

Likewise for the HUI index. The 5 week average followed the price to rise above its 65 week average.

For now though, gold and gold shares have risen too far too fast and they're overdue for a normal downward correction. We don't say this lightly... But we'll keep a close watch on the upcoming decline to see how best to use it in our favor.

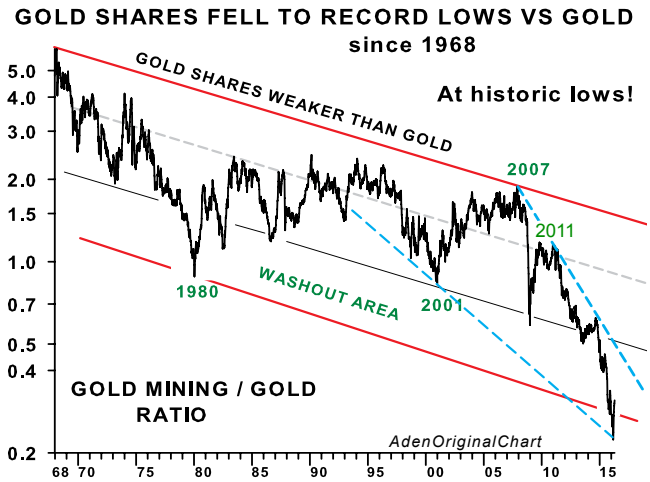
GOLD: The new black for 2016

Gold is bucking the trend. The 'C' rise is performing better than we'd anticipated. This is a good thing and it means the bull market is super strong.

This is why we didn't jump into gold earlier. We wanted to wait and see a full C rise and D decline develop before we could confirm a new bull market 100%. But we've seen enough. Gold has outperformed on the upside and all systems are go.

We know we'll have plenty of time to make a great profit in the upcoming bull market. We have a long term view and we're very optimistic.

CHART 16



Gold and especially gold shares are still very cheap. And with the rise we've seen over the past month is enough to tell us, we'll start buying now.

GOLD BULLISH IN ALL CURRENCIES

Another bullish factor for gold is the rise it had this past month in several currencies.

We've often seen in the past, that gold must rise in all currencies before a true bull market can gain ground. Regardless of the currency fluctuations, gold being the strongest currency is key in a bull market.

Chart 15 shows how bullish gold turned after the 2008 financial crisis. It soared to new highs in all currencies, and in fact gold didn't reach a peak until 2012 in some. When gold, for instance, reached a second high in U.S. dollar terms in 2012, it reached record highs in euros and yen.

Even more interesting is the bear market. Note, the worst year was clearly 2013 in all currencies. Nothing compares. Gold collapsed to bear market lows. Gold then began rising or stabilizing in most currencies. But gold in U.S. dollars fell further for a few more years. Note that gold in euros, yen and Canadian dollars reached their bear market lows in 2013.

And now **this year's run-up is turning gold bullish in all the major currencies!** Granted, the dollar was strong leading up to 2015, but now that it's been topping for the past year, it's yet another bullish sign for gold.

You'll remember our big picture gold phases, and that a major low in gold could occur in 2015-2016. Well, the way gold is rising, it now looks like the major low was indeed last December at $1050.

So, we now have a good part of 2016 to buy gold and gold shares on weakness for the big rise that lies ahead.

GOLD SHARES: The jewel

Looking at the next chart, you can see that buying key gold shares now, and just holding them for several years will be the best investment you can make for the years ahead.

There's never been a time in history when gold shares have been so so very bombed out versus gold. It's truly a historic situation, and one we want to take advantage of.

This **Chart 16** shows the ratio of gold shares to gold since 1968. Today is really just the third time gold shares have had a washout versus gold in 48 years.

The first washout leading up to 1980 was due to gold fever and inflation. Gold shares soared after the peak in gold.

The second washout leading up to 2001 was due to the tech revolution boom. Gold shares were weaker than gold, and they were the laughing stock of the markets. But even then, you can see it wasn't that bad.

The worst was yet to come. And it did after 2007. Once again gold fever took over for safe haven reasons, but in 2011 when the gold bear market started, there was no mercy for gold shares.

They collapsed to even lower levels than the washout area, to a new record low. And this is where we are today.

Gold shares are still in a totally bombed out situation, the most ever. And even now, despite their recent rise, they're still at bargain levels and set to rise much, much further in this new major bull market. The key is to buy selectively.

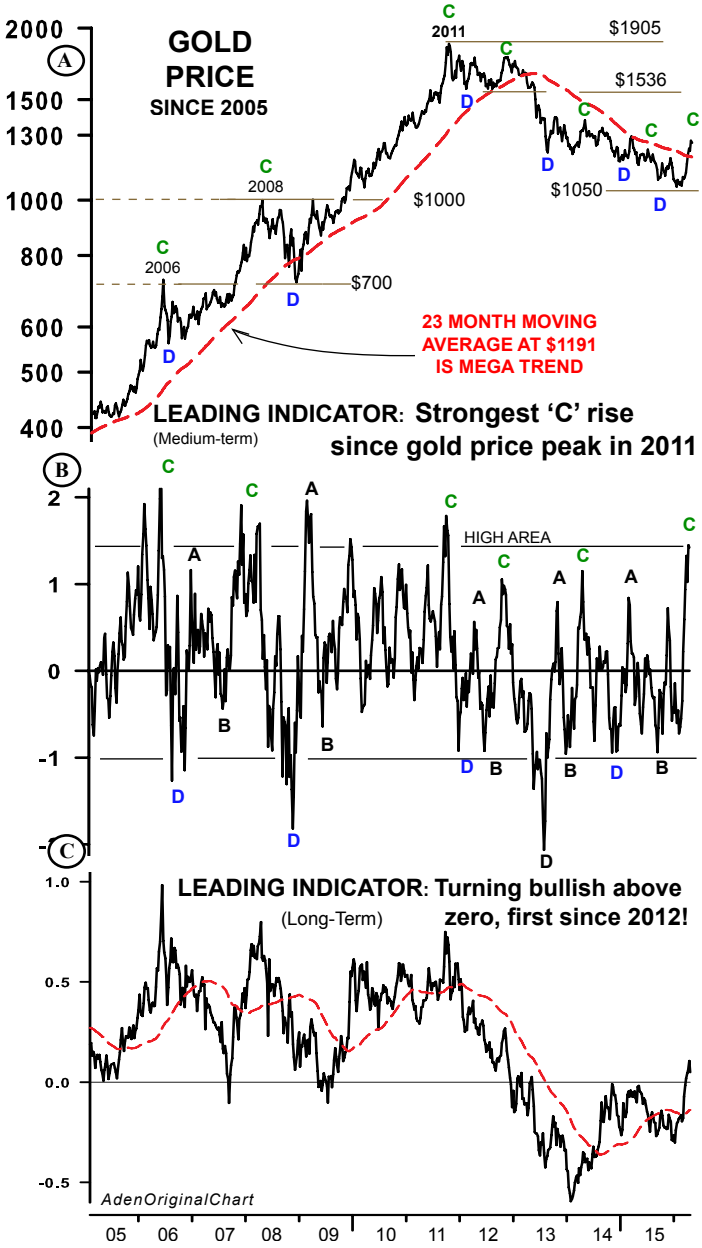
GOLD HAS LITTLE COMPETITION

Since the Fed raised interest rates in December, investors have been waiting for another rate hike this year. But considering the negative interest rate world we live in, with no end in sight, especially since the ECB lowered their negative rate even more just this past week, we believe it'll be a longer time before the U.S. raises rates again.

The sluggish world economy with a chugging U.S.

CHART 17

FIRST BULL MARKET STEPPING STONE



economy, combined with negative or low interest rates, will continue to keep investors buying gold for safety. This alone is very bullish because gold has little competition.

ROBUST DEMAND

And buying has been robust! Gold ETFs have had a huge rise and so have gold coins and bars.

Interestingly, Canada said goodbye to gold this month when their central bank sold off almost all its gold reserves, keeping a small stash.

This rings similar to England back in early 2000 when it sold all its gold at the lows, just prior to the great bull market.

Bankers are turning bullish. Some banks in Germany are looking up for the gold price.

Plus, when China rattled the world over the past year, it caused the Chinese and investors around the globe to buy and look to gold for safety.

We're seeing that when push comes to shove, gold is money.

Investor's poured an all time record amount into gold ETFs last month, according to Barron's. Holdings in the SPDR ETF increased 16% in February alone.

GOLD TIMING: A very bullish "C" rise

The rise since December is clearly a bullish "C" rise. It rose 21% in almost three months, and it turned bullish along the way. The last thrust upward to narrow closer to $1300 was the cherry on top on March 10.

Chart 17 shows a good example of gold's situation today. First note the indicators. The timing indicator (**B**) is at the highest level since the record high in 2011. This is a first in the bear market, and very bullish indeed.

Keep in mind, when "C" rises are strong this alone is bullish because it tends to occur only during bull markets, or when a bear is turning to a bull, like we believe is happening now.

This is also coinciding with the major long-term indicator (**C**) that is just turning bullish for the first time since 2012! This is impressive because it's also coinciding with the gold price rising above its 23 month moving average for the first time since the bear started, (see **Chart 17**).

This means the next step is at hand. And the key question now is... How far down will the upcoming 'D' decline be? Gold now has room to decline in a moderate decline and stay very strong within the new start to a bull market.

On the downside, if gold stays above the $1187-$1191 level, it'll remain exceptionally strong within this bottom area. It'll be ideal. But even if gold declines further to the $1160-$1150 level, it'll still be fine. In fact, in a worst, yet an unlikely case, we could see the December lows tested, and the bottoming area would still be looking good.

The deal will be off if gold hits a new closing low well below $1050.

On the upside, once this weakness is over, gold will show great strength if the current "C" peak is surpassed. A normal A rise doesn't necessarily have to rise higher, but it could approach the highs.

Overall, the upcoming D decline is most important for now. And it's the time we'll want to buy our positions.

Thereafter, the A and B move could be simply a consolidation period (below the highs but higher than the lows) that could last several months.

The then next C rise will be key, once again, for the bull market rise. The bullish stepping stones will help direct us.

The gold price fell 45% from the 2011 high to the December 2015 low. That is, after rising 661% from its 2001 lows.

It's now risen 21% from the December lows. And we'll soon see what the upcoming decline has in store for us.

CHART 18

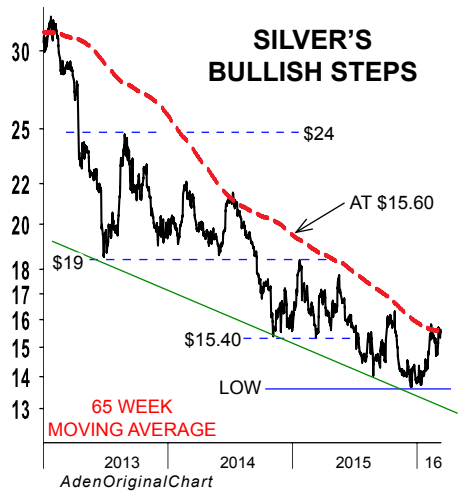


CHART 19

SILVER SIMILAR TO GOLD

Silver has been relatively quiet. It's risen with gold, but its rise has been moderate. That's typical for silver to stay quiet and base until it "wakes up". And when it does, it tends to take-off and not look back.

The early 2000s was a good example. Silver stayed quiet until 2003 when the resource sector starting taking off in a bull market. That's when silver "woke up" and soared.

We believe a similar situation will happen this time around. The resource sector gave us a sneak preview in recent weeks. And we believe it's a matter of time before silver reacts the same.

Chart 18 shows a close up of the lion's share of silver's bear market. Note how silver has stayed consistently below its 65 week moving average for the last 3+ years. This means the bear market is still alive.

Silver has steps like gold does. Its low in December at $13.70 is now the key support. It should stay above this level on any weakness to confirm that

this low is truly the low for the bear market.

On the upside, if silver can now stay above $15.40, and rise clearly above $15.60, the 65 week moving average, it'll be flexing its bullish muscles! Silver is currently, for the second time, testing this major downtrend. **This is key today**.

Once this hurdle is surpassed, silver will be on its bullish way within the steps. And $19 will then be the next hurdle to overcome.

Silver, like gold, has strong demand. And several silver shares are rising briskly, like Silver Wheaton. We'll keep this share and buy more.

More impressive, and a reason why silver could outperform gold once the rise gets underway, is shown on **Chart 19**. Note how weak silver has been versus gold. It's been steadily weaker since the bear market started in 2011. And it's now approaching the 2008 lows, which also happens to be a 20 year support for silver.

> "Opportunities don't come around often. We felt this opportunity in the early 2000s when gold sentiment then was thick with gloom. The sentiment today is similar, and opportunity too."

This alone is saying silver has found solid support and it's unlikely to continue underperforming gold. Plus, it now has more upside potential. That is, it may decline less than gold during weakness. We recommend buying some silver at today's levels, and on weakness.

PLATINUM & PALLADIUM: Following

Platinum is now FINALLY starting to follow gold. You can see on **Chart 20** how well platinum has been following gold this year since its January lows. It reached a 4½ month high, and it's now firm for the first time as long as it stays above its 15 week moving average at $900.

Platinum's been so very bombed out, unusually so, ever since the bust in 2008. Its last hurrah strength in 2008 collapsed with the financial crisis and stayed there. You can see this clearly on the ratio of platinum to gold on **Chart 19**.

Note that platinum didn't have the strength to rise with gold during the super rise to its 2011 peak. And from there it was still downhill. Platinum has now reached a record low versus gold this year.

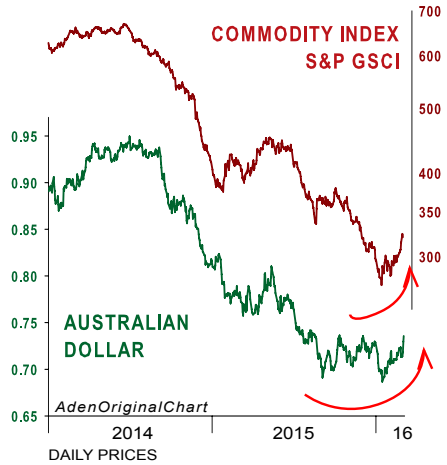
Platinum looks similar to gold shares because both are unusually and extremely oversold.... Bombed out. And we believe it's now finally time to keep a close watch on platinum. It may be ready to wake up.

Palladium got a big boost from stronger U.S. car sales in February. Ford Motor, for example, had its highest sales in February in eleven years, while Honda sales jumped 13%.

This is coinciding with a sharp jump this month in palladium. It rose with the resource sector, and indeed palladium seems more in tune to this sector than the other precious metals. **Chart 20** shows this jump, and it's now firm above its 15 week moving average at $530.

CHART 21

MOVE TOGETHER: Turnaround at hand?



RESOURCE & ENERGY: Up from the dead

Evidence of the global market's better mood was seen by the rise in the resource and energy sector this past month. Perhaps investors are realizing that China weakness is overdone, in spite of its bad economic indicators. So far, the global economy isn't great, but it's not collapsing either.

Iron Ore, a key ingredient in steel, jumped 19% in one day in a fluke rise, but it's also a sign of the times. It was seen as a reflection of confidence over China's appetite for raw materials, but the point is the resource sector may be also trying to turn the corner on the bear.

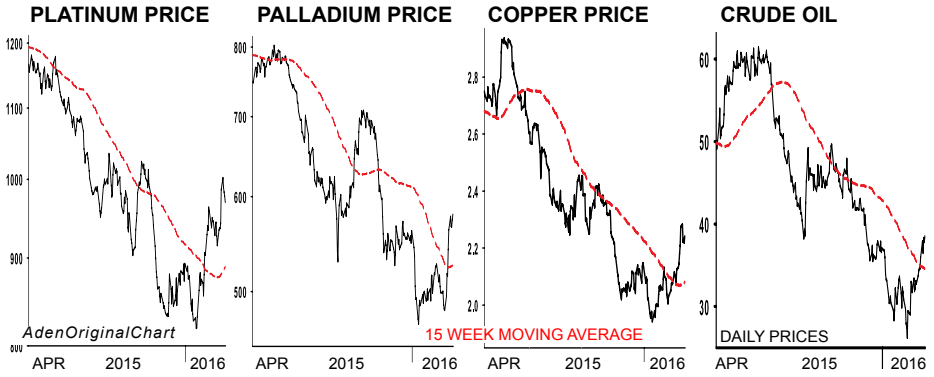
Crude oil has been the leader. And its rebound rise has been helping the resource sector. **Chart 20** shows both oil and copper bouncing up in a contra trend rise. Both are now firm above their 15 week moving average at $34 and $2.10, respectively, but it's still too soon to call a change.

So far, it's only gold and gold shares that have confirmed a turnaround. And while we believe this sector will follow, it's still in a bear market.

Note how closely the commodity sector and the Australian Dollar move together on **Chart 21**. We'll be watching these closely but once a turnaround is confirmed, it'll enhance the bull market in gold. We'll continue to watch from the sidelines.

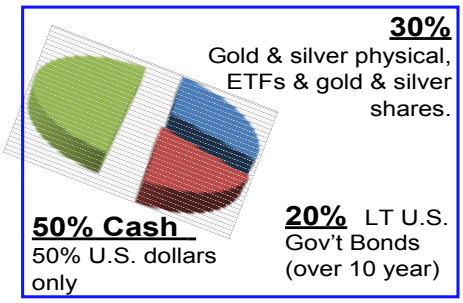
CHART 20

TURNING THE CORNER



OVERALL PORTFOLIO RECOMMENDATION

The contra-trends are still underway. That is, a bear market bounce up in the stock market and oil are ongoing, while the bond market is declining in a bull market. Gold and gold shares bucked the trend this month, but it looks like they too will follow the bond market in a correction. Most impressive is that gold and gold shares are turning bullish for the first time since the bear market began! We're now adding to our position on weakness.



INTEREST RATES & BONDS

Bond prices remain bullish, but they've been coming down in a normal 'contra-trend' downward correction. But they're set to rise further in the months ahead while long-term interest rates head lower. We continue to recommend buying on weakness and holding 20% of your total portfolio in long-term U.S. government bonds and/or the bond ETFs listed below, which are UBT, TLT and TLH. Watch the trailing stops, however, and sell if they close below these levels.

PRECIOUS METALS, ENERGY, RESOURCE

Gold and gold shares rose further in a bullish rise we call "C". They both have now confirmed a bull market turnaround for the first time since the bear market started in 2011. Gold shares are in a unique situation because they've been clearly tossed aside. In fact, there's never been a time in history when gold shares have been so very bombed out versus gold itself. And it's time to take advantage of this great situation that's ours for the taking. We now recommend raising your metals position to 30% from 15%, but buy new positions on weakness. Gold and this universe are poised to decline, in fact it's already getting started. Use this upcoming "D" decline in your favor by buying during this time. Our list of new and old metals, shares and ETFs are listed in order of strength. Silver hasn't been as strong as gold, but this may be changing in the months ahead.

Platinum and palladium are looking better, bouncing up like oil and copper are doing, but it's premature to buy, and we'll continue to watch them all from the sidelines.

U.S. & GLOBAL STOCK MARKETS

The stock market has been rebounding in a 'contra-trend' rise. But a bear market remains in force and once this rebound rise is over, stocks will likely fall a lot further. We continue to advise lightening up on your stocks during this current rebound, if you're too heavily invested. If you're out of the market, stay on the sidelines.

CURRENCIES

The U.S. dollar index has been topping for a year now, and its days of strength are likely numbered. But it remains bullish and we advise keeping a 50% cash position in U.S. dollars for now. This is now down from last month's 65% cash position because we're recommending to buy more metals related investments, on weakness. For now, we'll still be ready for more profitable opportunities when they come along in the very near future. The dollar index will turn bearish below 95.50. If you sold the euro's ETF (FXE) because our trailing stop was triggered, stay out for now. We'll be looking to buy at a better price in the months ahead.

OUR OPEN POSITIONS in order of strength per section

BOND ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM	TRAILING STOP
Ultra 20+ Treasury	UBT	Feb-14	58.00	83.04	43.17	Buy/Hold	80.00
20+ year Try Bond	TLT	Feb-14	107.78	127.76	18.54	Buy/Hold	125.50
10-20 Treasury Bond	TLH	Feb-14	125.73	138.79	10.39	Buy/Hold	137.50

GOLD AND SILVER ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Gold (physical)		Oct-01	277.25	1245.10	349.09	Buy/Hold
Gold Shares SPDR	GLD	Jan-15	125.23	117.87	-5.88	Buy/Hold
New Gold	NGD	Mar-16		3.57		Buy
Sprott Gold Miners	SGDM	Mar-16		17.81		Buy
Gold Miners ETF	GDX	Jan-15	21.74	19.12	-12.05	Buy/Hold
Agnico Eagle	AEM	Mar-16		35.07		Buy
Central Fund of Canada	CEF	Jan-15	13.36	11.87	-11.15	Buy/Hold
Silver Wheaton	SLW	Jan-15	23.05	16.79	-27.16	Buy/Hold
Royal Gold	RGLD	Mar-14	66.04	47.11	-28.66	Hold
iShares Silver Trust	SLV	Jan-15	17.61	14.58	-17.21	Buy/Hold
Silver (physical)		Aug-03	4.93	15.52	214.83	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.

