THE
ADEN FORECAST
MONEY • METALS • MARKETS

MARCH 2017 *Our 36th year*

2017: A KEY YEAR FOR THE MARKETS

"May we live in interesting times", goes the saying... and we are. It seems to be one thing after another. And whether it's serious, funny, important, worrisome, controversial or whatever, the action never ends.

THE GOOD, THE BAD AND THE UGLY

So what to make of it? Well, there's good news and bad news... We'll start with the good news...

The best news is, investors and the business community remain optimistic. They're anxiously waiting for the details about Trump's "phenomenal" tax plan and the massive tax cuts that'll go with it.

They're also excited about the likelihood of fewer regulations, more infrastructure spending, and better trade deals. The scary deflation pressures have subsided and inflation is picking up.

INFLATION: Off the back burner

It's been a long time since inflation's been in the news and it's actually a welcome relief. Producer prices, for instance, recently rose by the most in over five years. This is coinciding with a better economy, and that's good news.

The labor market has been improving for a while now. More jobs are being created and unemployment is at 4.7%, near a 43 year low. Manufacturing is also picking up and consumers are generally feeling a lot better.

Rising real estate prices always make home owners happy and as you can see on **Chart 1**, home prices are now near their 2007 highs. Real estate is important for the economy, so it's a good sign that existing home sales recently hit a 10 year high.

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THE TIDE IS TURNING

This has all been enough to make the Fed confident about raising interest rates, which is a very big deal... Remember, it was only 15 months ago that the Fed raised interest rates for the first time since the financial crisis.

That is, the overall global economic situation was on such thin ice, the Fed and the rest of the world's major central banks had to leave interest rates near 0% (and in some cases below 0%), for about seven years.

Last December the Fed raised interest rates again, but many thought they were premature, raising rates too soon in an environment that was still rather vulnerable. But now it's a different story.

Everyone is okay with this third interest rate hike. In fact, it's reinforcing a more solid ground for the economy, and it's strongly suggesting the start of a new, more positive era... This is all good for business and the economy.

SOARING STOCK MARKET

That's one important reason why the stock market has been soaring. As you know, the stock market looks ahead by about 6-9 months. And the fact it keeps rising is telling us the world economy is going to continue to do well this year. In other words, there's no recession in sight, at least for the time being.

In fact, increasingly it looks like the stock market is in its third psychological phase of a major bull market. What does that mean?

As our dear friend Richard Russell often noted, "every major bull market that I have studied ends up with a wildly

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Pamela will be speaking as well as the editor of our sister letter, GoldChartsRUs, Omar Ayales, and we'd both love to see you there. It'll take place at Caesar's Palace on May 15-18. For more information please go to Aden.LasVegasMoneyShow.com

speculative third phase. This is where the public and the crowd rushes headlong into the market. This is accompanied by news and endless hype by the Wall Street experts."

Third phase buying can easily turn into hysteria and madness. And as you'll see in this month's Stock Market section on **Chart 7**, this bull market indeed appears to be in its early stages. And if it is, then it has a lot further to run.

Following Trump's speech to Congress, which was very well received, stocks surged again. The market loved his presidential demeanor and this boosted confidence in his leadership and the economy.

THE U.S. DOLLAR IS ANOTHER STORY

In another twist, we suspect Trump will let the U.S. dollar weaken. Why? Mainly because the U.S. is importing much more than it's exporting. This makes the U.S. less competitive, it hurts producers of U.S. goods, which ends up hurting the economy.

A weaker dollar would be beneficial and Trump knows it.

Basically, the majority of people are giving Trump every chance and every benefit of a doubt. They want him to succeed.

Is this just part of the honeymoon period? It could be. But whatever it is, Trump still has sentiment on his side and, again, that's good for the stock market and ongoing economic growth.

DEBT: The ugly wild card

Despite this rosey outlook, however, the basic fundamentals have not changed. In many cases they're not good and downright worrisome.

Debt is the biggest concern and it has been for a long time. But it just keeps growing.

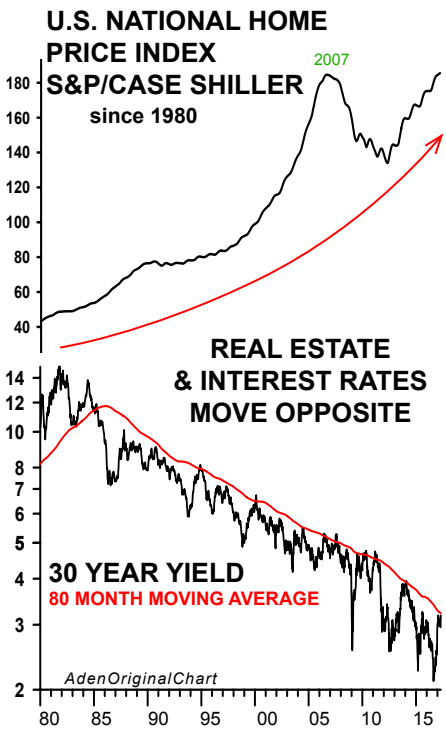
In fact, we've talked about debt so much over the years, you're probably tired of hearing about it, but the facts cannot be ignored.

Currently, the U.S. government is $20 trillion in debt. But this does not include Medicare, Social Security or Medicaid. As Justin Spittler of Casey Research points out, if you include these programs, the total debt shoots well past $100 trillion, and maybe even to $200 trillion.

That's 10 times the U.S. economy's annual economic output. In other words, the government has more debt than it could ever pay back and eventually this will throw a serious wrench into the financial system.

Meanwhile, Trump wants to spend $1 trillion on infrastructure and cut taxes. And while that's fine for the moment, it's also going to increase the debt.

CHART 1



At what point does this break apart? That's the big question and no one knows. These things can take a lot longer than you can imagine while the situation just keeps chugging along. But be aware it is a negative hanging overhead and it's not going to go away.

And it's not only the government... households are deep in debt too. **Debt just jumped the most in a decade and it's currently near the dangerous levels of 2008.** As a result, people are going bankrupt at the fastest rate in years.

Corporations are in deep debt too. And many are in dire straits, even worse than they were prior to the 2008 financial crisis.

So as you'd expect, U.S. banks have cut back on lending for the first time in over five years. This is not good for the economy and it's not good for many people who have been left behind... those who are still living hand to mouth and struggling, which amounts to millions of people.

This could explain why the Misery index is starting to pick up (see **Chart 2**). And maybe that's why consumer sentiment is looking toppy.

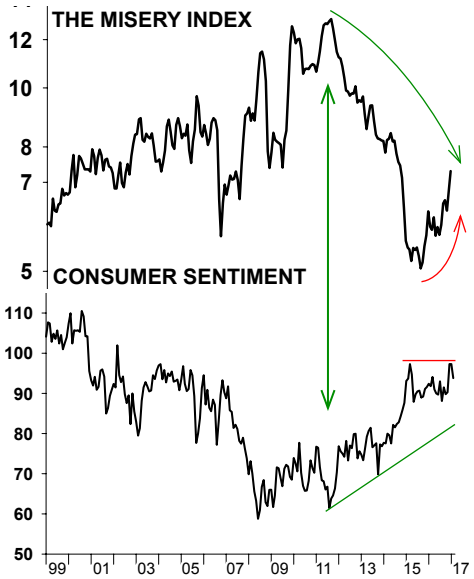
THE VERDICT IS STILL OUT

At this point, we don't yet know how this will unfold. There are positives and negatives facing the economy and you want to be prepared for whatever comes our way. But all things considered, we'd say the positives are carrying more weight, at least for now.

This is why we're keeping the biggest percentage of our overall recommendation in stocks, a good position in gold and the metals sector, and a hefty portion in cash. This will be used to buy into the stronger sectors as opportunities arise. So stay tuned and stay in touch...

CHART 2

IS THE MISERY INDEX TRYING TO TELL US SOMETHING?



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U.S. & WORLD STOCK MARKETS

The bull keeps on surging ahead

The stock market continues to soar. Again, it hit new all time highs, breaking one record after another.

In fact, this month it also reached 12 consecutive new highs, for the first time in 30 years.

SO WHAT'S GOING ON?

Investors are optimistic. They see an improving economy and they're looking forward to better times ahead. And even though some of the initial excitement has worn off, investors are still feeling good about Trump's promises, which will be good for business.

As a result, trillions of dollars have been pouring into the stock market. Investors see the market rising day after day and they don't want to be left behind. This sentiment is essentially feeding on itself, driving stocks sharply higher (see **Chart 3**).

As you can see, all of the stock indexes are strong and bullish, well above their 65-week moving averages, which identify the major trend.

This clearly tells us the major trend is up and it'll stay up, signaling stocks are headed higher, as long as the markets stay above their moving averages.

In addition, this month there was yet another Dow Theory bull market reconfirmation. It happened a couple of weeks ago when the Dow Industrials and the Dow Transportations both hit new record highs.

CLIMBING A WALL OF WORRY

Many have watched this stock market rise in disbelief. We all know the market is overvalued and many are warning that a crash, similar to 2007-08, is just around the corner. So why in the world would you want to buy stocks?

These types of contrary opinions have always been around in every bull market we've ever seen. That's why they say, bull markets climb a wall of worry.

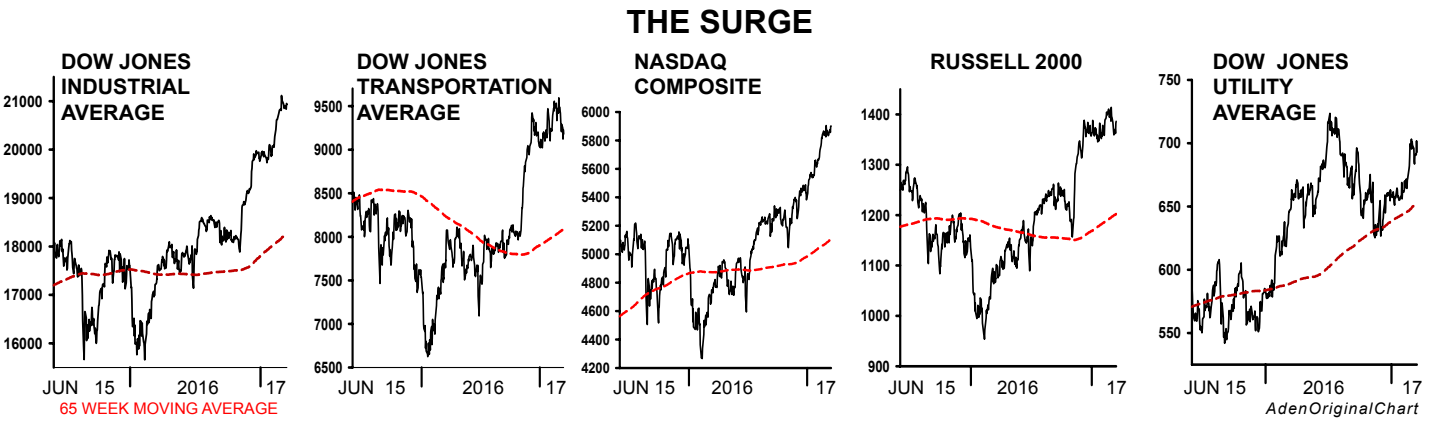
The environment is never perfect. In other words, there's always something to worry about. So it's best to keep an open mind and let the market itself tell you what's happening.

This is where technical analysis takes center stage. It provides insight into the price action and at times like this it becomes even more helpful.

CHART 4

3

CHART 3



Remember, the price action contains the opinions of millions of people. It's the most important factor and if we zero in on the price alone, we'll be focusing on the market's reality, not opinions.

Currently, there's probably dozens of reasons why the market shouldn't be going up. But it is, so let's take a look at the action itself.

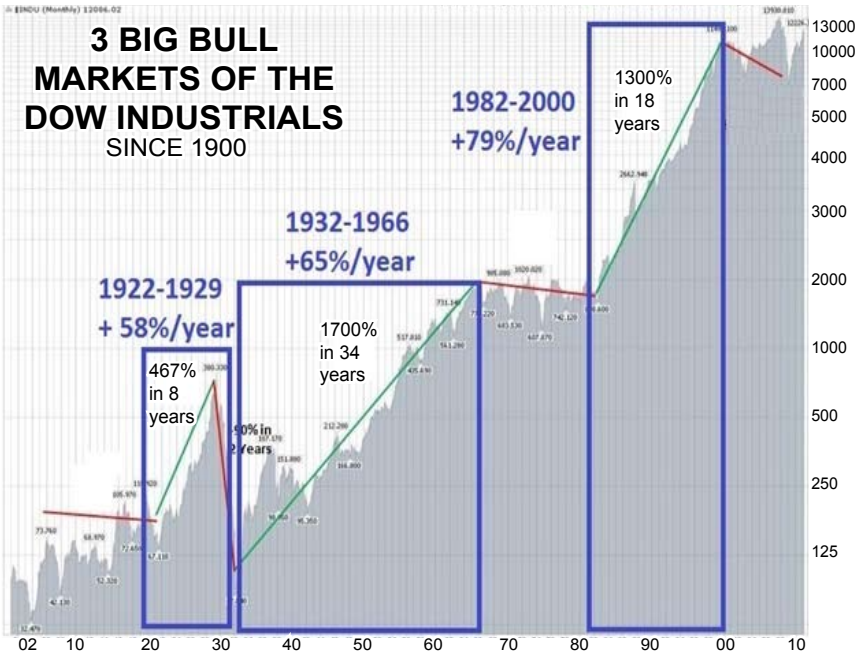
ROOM TO RISE MUCH FURTHER

As you know, one of our favorite technical tools is the (long-term) leading indicator (see **Chart 4**). Here, for example, you'll see the S&P500 hitting new highs, but its leading indicator is not.

In fact, you can see the indicator has plenty of room to rise further before it reaches the major high level, which generally coincides with important tops in the stock market. So this means stocks could still rise further in the months ahead.

The same is true of the international stock markets. They are all bullish (see **Chart 5**). And as we've often noted, when all of the world stock markets rise together, the bull market is even more impressive. It's a sign the global economy is looking good too.

CHART 6



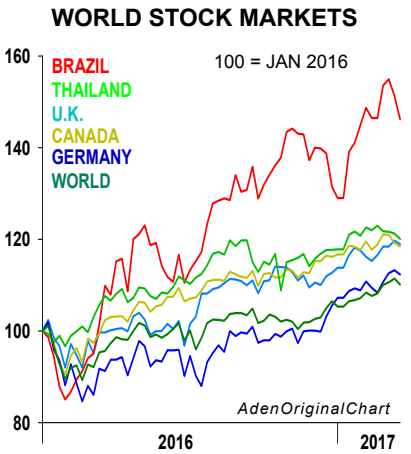
COURTESY: dowtheoryletters.com

SUPER BIG PICTURE: The big waves

The next **Chart 6**, is fascinating. It shows the super big stock market picture, courtesy of our friend and market veteran, Jon Strebler of *Dow Theory Letters*. It starts in 1900 and provides an idea of what this bull market's potential might be.

Jon has broken the action down, identifying the three huge bull markets in 1922-29, 1932-1966 and 1982-2000. Jon notes... "In each of these cases, the moves were incredible! Up 58% a year (average) for eight years; up 65% a year for 34 years; up 79% a year for 18 years.

CHART 5



The Dow also soared between 2003 and 2007. But compared to previous bull markets, it was short in term and a pauper in terms of profits: up a modest 24% per year."

He goes on to point out that the current bull market from 2009-2017 has so far risen 222% over seven years for a 32% a year (average; see **Chart 7** in red). This has been good, but it's far less than the 58% -79% yearly averages in the first three bull markets.

The current bull market is also still in its early stages compared to the bull markets of 1974-87 and 1987-2000.

So the big question is, if all of Trump's plan work out, could it send the Dow to 40,000 or 50,000 in the coming years?

Jon concludes, it's a reasonable possibility until proven otherwise.

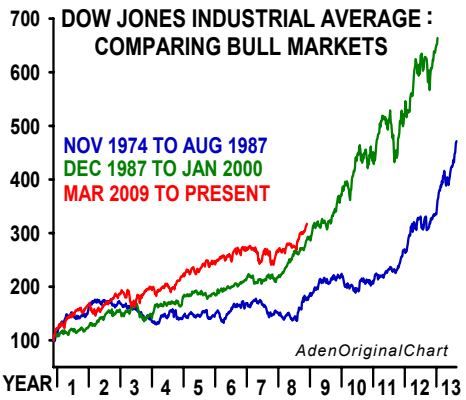
BUT ONE STEP AT A TIME

For now, it looks like the stock market is finally taking a breather, following its steep rise. This is normal, but the market is so strong, this breather may not amount to much.

So continue to keep your stock positions. They're generally holding firm and they're looking good. And if stocks do dip further, we may want to buy more on weakness.

Currently, the stocks we like best are Nasdaq (QQQ), Adobe (ADBE), S&P Global (IOO) and Templeton Emerging (EMF). See page 12 for our buy and hold recommended stocks.

CHART 7



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U.S. INTEREST RATES AND BONDS

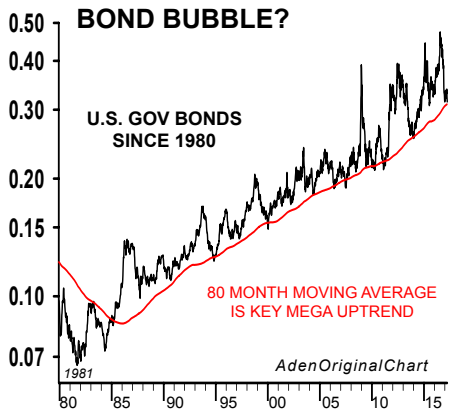
Is a major turnaround starting?

The Fed raised interest rates this week. This was widely expected and it's a vote of confidence for the economy.

The interest rate hike was only .25%, so it wasn't such a big deal. But the Fed said they foresee two more interest rates hikes this year and this raises a bigger question...

Is the Fed going to keep raising interest rates? If so, that would be significant. Here's why...

CHART 8



HAS THE BOND MARKET PEAKED?

As you know, for quite a while the experts have been saying the bond bubble is going to burst. So what exactly do they mean?

The bond market has been rising for 36 years (see **Chart 8**). During this time long-term interest rates have dropped from 15% to near 2%... So there's no question the bull market in bonds has been long lasting, it's in a bubble and it's overdue for a decline.

What could trigger the bursting of this bubble?

Previously, it was difficult to say. Deflationary forces were in the driver's seat, strongly suggesting interest rates were unlikely to rise in that environment. But now this is changing...

INFLATION PICKING UP... GLOBALLY

First, inflation is picking up faster than originally expected. This is happening not only in the U.S. but in other countries too (see **Chart 9**).

In the U.S., for example, producer prices rose double the level that was expected. And since producer prices end up boosting consumer prices, the CPI recently had its biggest jump in four years.

This is now fueling optimism. Investors aren't worried about deflation anymore. On the contrary, consumer confidence recently hit a 15 year high. And the index of Leading Economic Indicators is also rising strongly.

These signs are currently telling us, interest rates are probably going to rise sooner rather than later, especially if the inflation numbers keep rising.

For now, **the 90 day T-Bill rate has already surged to a 8+ year high** (see **Chart 10**). Since T-Bills usually lead long-term interest rates, this too is an important sign, indicating all interest rates are likely headed higher. And if rates do keep moving up, then the bond bubble could indeed burst.

This would happen if the 30 year yield were to rise and stay above 3.23%. At that point, you'd want to avoid bonds like the plague because it would confirm the mega bond price trend is changing from up to down, and bond prices would then be headed for a steep bear market drop.

CHART 9

STOCKS BETTER THAN BONDS

Another negative for bonds is the booming stock market. With the stock market surging day after day, many investors are selling their bonds and moving into stocks (see **Chart 11**).

Currently, stocks are a lot more attractive than bonds. As long as that's the case, it'll help fuel the momentum for higher interest rates in order to attract bond buyers.

The far bigger concern, however, is the action of some of the world's major central banks. These are the big boys and if they're selling bonds (which they are), this is going to affect interest rates.

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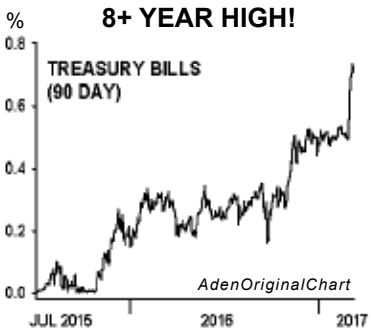
CHART 10



SELLING BONDS

China, for instance, sold the most Treasuries ever last year. And in December, Japan sold the most in three years.

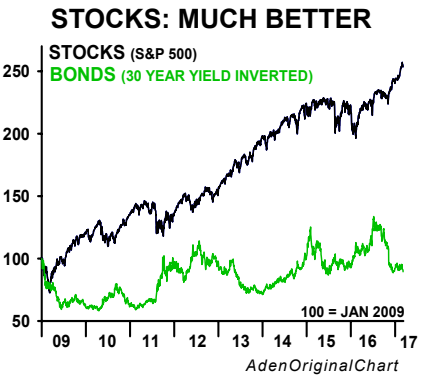
This is a very big deal because China and Japan are the U.S.'s biggest creditors. Trump has been criticizing these two countries, accusing them of manipulating their currencies.

As our dear friend Chuck Butler points out, if this continues, China and Japan could retaliate by selling even more of their Treasury bonds.

This could cause long-term interest rates to soar, which is the last thing the government can afford because it would make paying the interest on the debt more expensive.

Meanwhile, Saudi Arabia, Belgium, Russia and Switzerland have also been selling their U.S. bonds. In fact, the trend has been going down since last year. And it's intensified since Trump's election, resulting in the most bond selling ever.

CHART 11

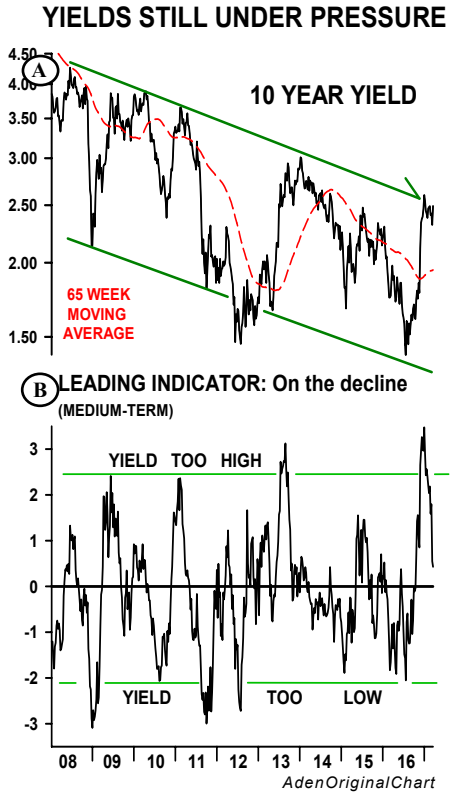


Are foreign central banks nervous about Trump's fiscal policies? At this point, we don't know, but this decline in bond purchase suggests there is a level of discomfort, or even downright resentment.

Foreign investors (and mainly foreign central banks) own almost half of all of the U.S. Treasury bonds outstanding.

In other words, they've been a very important source of funds for financing the U.S. debt. So again, if they cut back for whatever reason, the consequences could be a real wild card, affecting many of the markets.

CHART 12



10 YEAR YIELD

In the meantime, let's take a look at the 10 year yield and its leading indicator (see **Chart 12**).

As you can see, the leading indicator is still declining from a "too high area." This means interest rates could stay under pressure. That is, they'll likely decline first before they head higher.

We'll soon see what happens... But it looks like the Fed's options are boiling down to inflation (and interest rate rises) versus slow economic growth (leave interest rates alone).

For now, bonds are still risky. So we continue to advise staying on the sidelines and out of bonds.

CURRENCIES

U.S. dollar index: Hitting a ceiling

The U.S. dollar has been on the rise. It's being boosted by the likelihood of more interest rate hikes in months ahead.

DOLLAR STILL #1... BUT

The dollar is still #1 on the international currency hit parade. And if interest rates rise further, it'll likely stay in first position, at least for the time being.

As you can see, the U.S. dollar index remains very bullish. But it's currently vulnerable below 101.40, thanks to inflation jitters (see **Chart 13A**). If it now stays below this level, the dollar index could decline to 97.50 but it would still be bullish. For now, we continue to recommend keeping your cash in U.S. dollars.

How long will this last? It's hard to tell, but if the dollar index declines clearly below 97, it'll signal much lower prices ahead.

And with the dollar's leading indicator on the decline, this could happen sooner than expected...

WHAT COULD PUSH THE DOLLAR LOWER?...

Trump is one big factor, for a couple of reasons...

First, traders are still uncertain about Trump's tax and economic policies. They want more details and they're becoming a little more cautious. With Trump calling China, "the grand champions of currency

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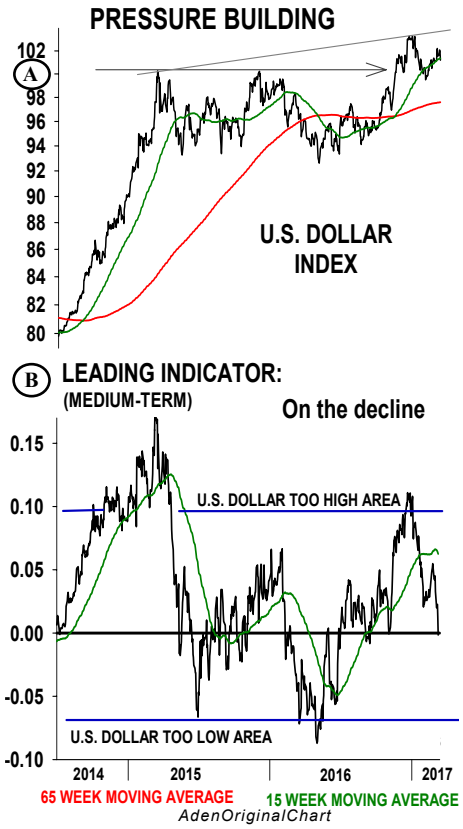
CHART 13



manipulation," it also raises some concerns about a possible trade war.

More important, on several occasions, Trump has indicated he wants a weaker U.S. dollar. That's mainly because of the economic and trade advantages.

TRADE DEFICIT

As you can see on **Chart 14**, the trade deficit recently hit a five year low. The strong dollar was a main reason why. And if the dollar stays strong, the trade deficit will continue to grow, and this is something no one wants.

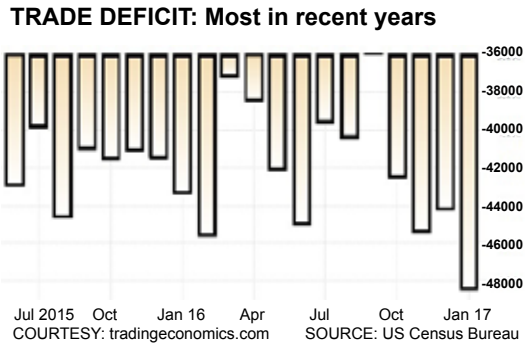
For now, countries with weaker currencies can sell their goods at cheaper prices. That is, it clearly gives them a trade advantage and it helps boost their economies.

CURRENCIES: A mixed picture

The weaker **euro**, for example, has helped fuel optimism about further growth in the Eurozone. The election results in Netherlands were another positive. The same is true in other countries where interest rates are now perking up, as deflation concerns diminish (see **Chart 15**).

For now, all of the currencies are technically bearish, below their 65-week moving averages. In other words, the major trends are down, signaling they could decline further (see **Chart 16**).

CHART 14



The only exception is the Australian dollar. It's been firming up, thanks to higher base metals prices. Since Australia is a big resource and metals producer, its economy benefits when prices rise, and so does the Australian dollar.

The same generally applies to the Canadian dollar. These two currencies are known as the commodity currencies and when commodities move higher, it generally provides a boost to these markets.

Currently, however, with the oil price under pressure, it's keeping a lid on the Canadian dollar as well.

The British pound is in a league of its own. The main force driving its outlook is Brexit. The market is not in favor of Brexit, which is why the British pound has declined so steeply.

The **Japanese yen** is somewhat similar. The yen has pretty much received the brunt of the U.S. dollar's strength. This isn't surprising considering Japan has been battling deflation for decades and it has the biggest debt to GDP in the world at 230%. Like the others, the **Chinese Yuan** is bearish too.

So the bottom line is... most of the major

CHART 15

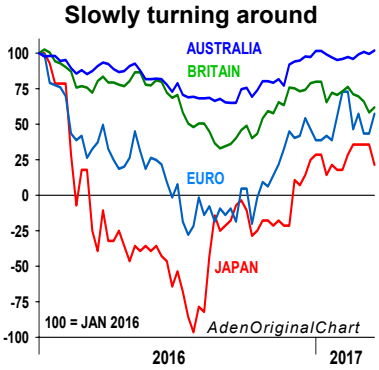
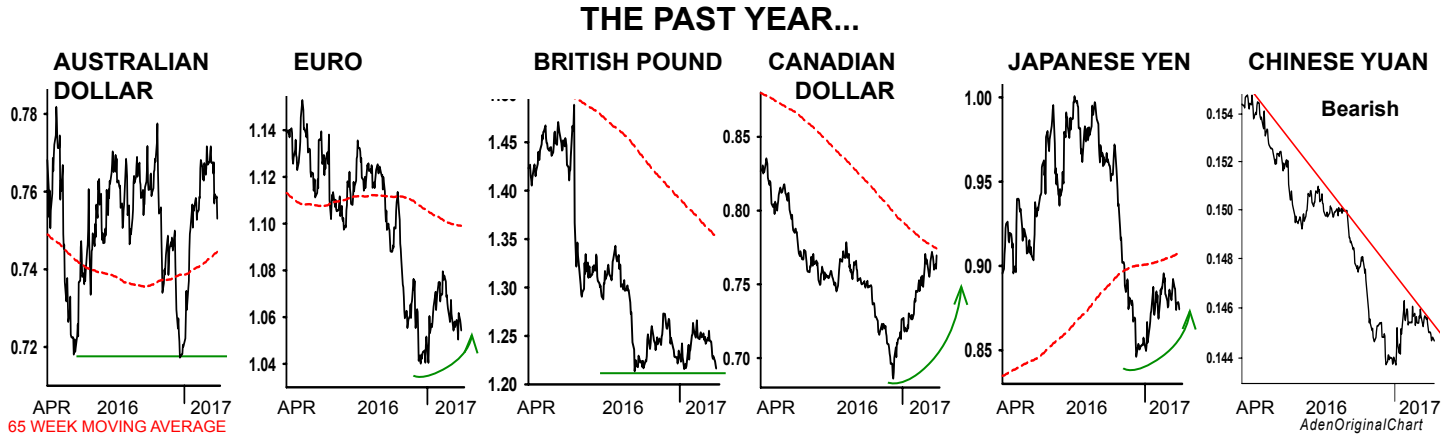


CHART 16



world countries have problems. The U.S. does too but the general perception is... its problems aren't as serious as those in some of these other countries. It's all relative.

U.S. DOLLAR: Feeling pressure?

The U.S. dollar is the best of the bunch and that's why the dollar has maintained its strength in recent years.

But if this perception begins to change, then the currency markets will likely change too and it could be a whole new ballgame.

For now, however, the dollar remains in the driver's seat and that's where you want to be... in U.S. dollars.

METALS, NATURAL RESOURCES & ENERGY

A Good Welcome Rise to 2017

Gold and silver reached a four month high in late February, with gold rising almost 12%. Silver gained nearly 18% from its December lows. This has been a good welcome to 2017.

2016 WAS A GOOD YEAR

The 2016 bull market spirit was hit in the final months of the year, but it was a whirlwind.

Silver, for instance, first rose over 50% from its Dec 2015 lows to the highs last August, while gold rose over 30%. And most important, they ended 2016 with a gain, up for the first time since 2012.

Looking at this carefully, the 2016 turnaround year is still with us. Granted, it had a set back, but considering all the uncertainty over a Trump presidency, and the "will he, or won't he" attitude on all his promises, combined with the global reality we are dealing with, we think gold has a positive environment behind it.

The stronger dollar was a big factor in gold's weakness, but the dollar's rise looks limited.

The Federal Reserve's latest rise in interest rates also included inflation expectations.

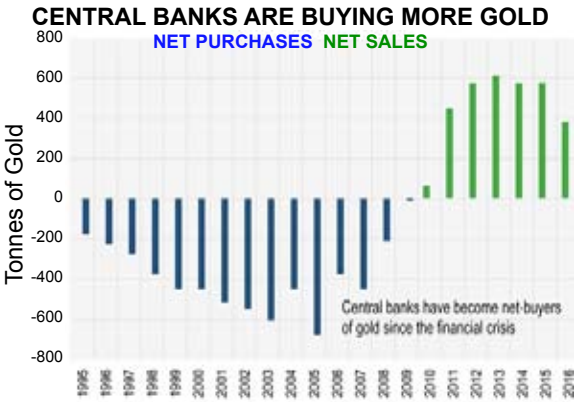
This caused most markets to jump up, including the gold universe.

The dollar and long term yields fell.

The soaring stock market put pressure on gold shares. But here again, the HUI gold share index rose over 180% from its January 2016 lows to its Aug high last year.

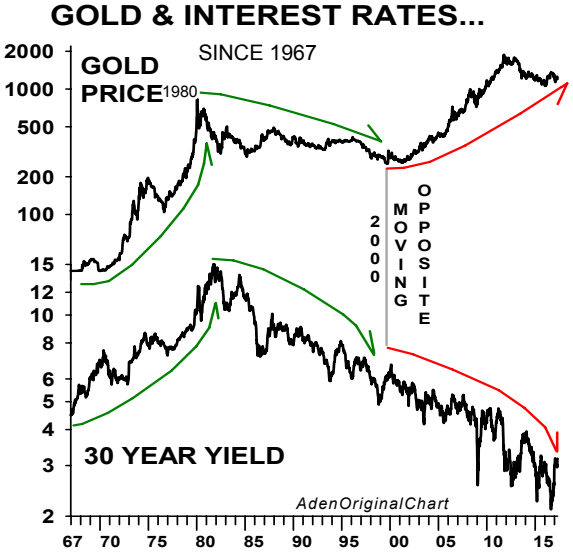
And it closed up 59% for the year, not bad in spite of the decline.

CHART 17



SOURCE: Thomson Reuters & World Gold Council
COURTESY: Casey Research

CHART 18



GOLD DEMAND IS UP

We've always felt that gold is the financial world's report card. It rises when there is trouble or uncertainty in the world, or when safe havens are needed. This is why governments really don't want to see gold rise sharply.

So it's no surprise to see the central banks loading up on gold. **Chart 17** shows central banks have bought more gold every year since the financial crisis. They know what's best for them, and having gold is important to them.

Germany has also been taking action with their gold. They've now completed a transfer of gold bars worth $13 billion from New York to Frankfurt as part of their plan to repatriate about half of the reserves they keep abroad. Their plan continues.

China is also keen on buying gold, especially during weakness. The president of the Chinese Gold and Silver Exchange Society said he drew his confidence from the turbulent global economic environment, which he feels will create a bull market for bullion.

He believes this year of the Rooster will be the year of gold.

India is buying gold up again too. According to our friend Chuck Butler, India's gold imports in February surged, up more than 82% from a year ago.

Money managers and hedge fund traders no longer hate gold. They say it's undervalued. Stanley Druckenmiller, for instance, is one of the big names who said he started buying gold again because it's cheap and central bankers are weakening

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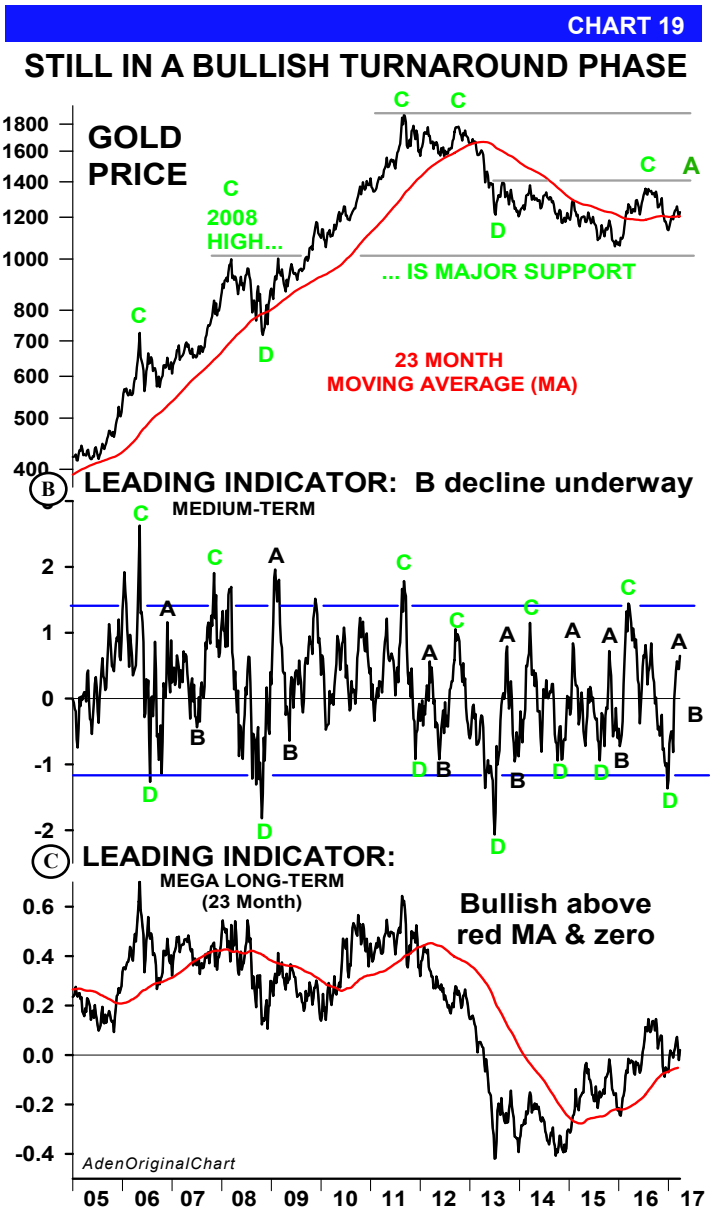


their paper currencies. We agree.

All this buying also goes hand in hand with Australia pumping up their gold production. Last year they produced the most gold since 1999, and a fourth of that came out during the final quarter, according to Kitco.

The most insightful comments about gold recently came from Alan Greenspan, the former Fed chair, in an interview by the World Gold Council. He said, "It would be best not to be short-sighted when it comes to gold. The risk of inflation is beginning to rise, and significant increases in inflation will ultimately increase the price of gold." (And the Fed's Yellen confirmed that inflation is indeed heading up.)

Greenspan also focused on the return to the gold standard, a standard that he said would help mitigate risks of an "unstable fiscal system" like the one we have today. "We would never have reached this position of extreme indebtedness were we on the gold standard. It's insurance."

And it's also insurance for us as investors. Clearly, gold is the best investment for rising inflation and as a safe haven. If the stock market takes a breather from its surging rise, we could see gold demand pick up even more.

It's happened before... For example, gold's bull market since 2001 came on the heels of a collapse in the tech sector following the soaring stock market rise, which peaked in 2000.

Physical gold is the best way to protect yourself. Jon Strebler of *Dow Theory Letters* put it well when he said, I may buy a bit of gold here more so for fundamental reasons (fear of Trump consequences).

The amount of gold held by the U.S. Mint is also still under suspicion. The latest to add to this was Koos Jansen who asked the Mint for audits on the U.S. gold reserve. He paid for these documents and they were incomplete, which continues to raise questions.

Gold is giving us another good buying opportunity. It's bouncing up from $1200, which is a solid sign. Perhaps gold investors are smelling a rat in this "animal spirits" market. We'll soon see, but we like the Chinese strategy to buy and then keep it.

GOLD AND INTEREST RATES: A changing correlation

The relationship between gold and interest rates may be changing, and we're keeping a close watch on this. **Chart 18** shows the two since 1967, the bigger picture.

Note that gold and the 30 year yield moved together for many years from the late sixties until 2000. When gold rose, so did interest rates in the 1970s. Then the 1980s-90s saw gold and the yield decline together. Inflation was a main cause during part of that time.

But it all changed in 2000 when they began to move in opposite directions.

This marked a major shift. And the lower interest rate world evolved, along with reckless fiscal and debt policies. Deflation became the "new" problem.

Now, and we mean just this year, we're seeing telltale signs of another change with interest rates following gold up in the A rise. And with inflation now on the menu, and coinciding with this subtlety, it's on our radar.

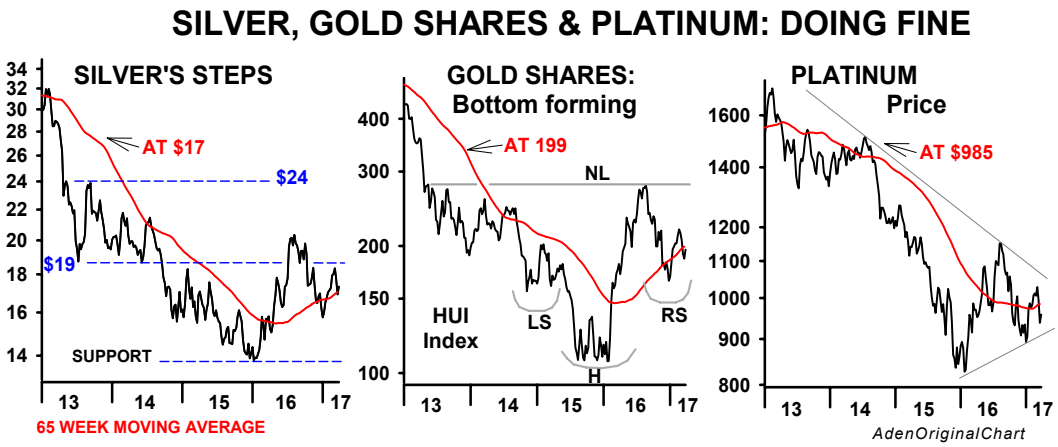
GOLD IS BULLISH

Chart 19 reinforces gold's turnaround from bear to bull. First note the mega long term indicator (**C**) is bullish near the zero line and above the moving average. This is a solid position for gold in the years ahead.

Our timing indicator (**B**) is also doing well. Gold's 'A' rise ended within a normal time frame and percentage gain, and the B decline has now declined about half of this rise.

Does this mean the decline is over after the surprise

CHART 20



jump up when the Fed raised interest rates?

We're not sure but we'll keep an eye on the numbers.

As you can see on **Chart 19A**, if gold can now stay above $1200, it'll be solidly holding above its 23 month moving average and in a very strong move. But if the B decline continues, the $1190 level would be an easy target. And in a worst case, the uptrend at the $1150-$1160 level is possible.

On the upside, once gold rises back above the $1260 level, the February high, a C rise will be well underway. This, as our older subscribers know, is the best rise in a bull market, and it'll again be the test to see how strong this market really is.

The prior C peak at $1372 last August would then be the next target. And in a strong C rise market, this level would be surpassed in its bull market climb.

Silver is similar to gold as it too held at a key level at $17, its 65 week average (see **Chart 20**). If this level holds, we'll go back to watching the steps silver must surpass to watch a bull market grow.

The $19 - $20 level is the next hurdle. Once surpassed, silver would be well on its way to the next step at $24. Keep in mind, silver tends to be stronger than gold in a bull market, and the trend still favors silver.

Platinum is also looking good, and it just may be getting ready to finally outperform gold. It's not there yet but it could be upcoming. Note platinum has formed a bottoming triangle over the past 1+ years. Once it breaks above $1040 first, then the $1180 level, it'll start flexing its muscles.

Platinum has a supply deficit and if 2017 stays in deficit like the World Platinum Investment Council says, it'll be the sixth year that global consumption outstrips supply. Platinum is looking more interesting as time passes.

GOLD SHARES: Still bottoming at good value area

The world's top gold miners are starting to loosen their purse strings and spend more money to find new deposits and build mines, after five painful years of tightening. This goes hand in hand with the big picture screaming that gold shares are undervalued... historically...

When looking at gold shares' big picture on **Chart 21**, it shows a clearly undervalued market. You can see that gold shares have been in an uptrending mega channel since the late sixties.

Each time this index has entered the bottom side, inside the "extreme low area," it's been a big buying time.

It reached this level clearly last year and gold shares have been rising since then.

But even with the strong rise they've had, **gold shares are still in a historically low level within this big picture.** Once gold shares rise above last year's highs, they'll be entering a much stronger phase of the bull market, and the upside will be wide open.

Interestingly, and what we've been showing you for a while, is the head and shoulders bottom that's been forming for several years now. **Chart 20** shows this up close on the HUI index.

Note the right shoulder (RS) continues to form, and it could continue to build in these upcoming months, but once the NL is clearly broken, the pattern will be complete and gold shares would be poised to soar.

This bottom goes hand in hand with the big picture breakout, which makes it very powerful. **The bottom line is, have patience and keep your gold shares.** The buying time is now before the breakout. Then sit back and just wait it out.

We've been recommending to buy on weakness, and we still advise doing this.

RESOURCE and ENERGY: Volatile

Uncertainty over U.S. economic policy is weighing on the commodities. But overall the commodity market as a whole is still poised to rise further this year

CHART 21

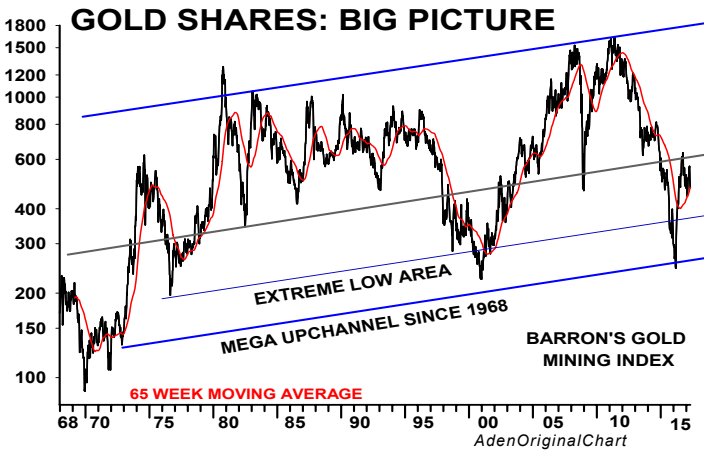


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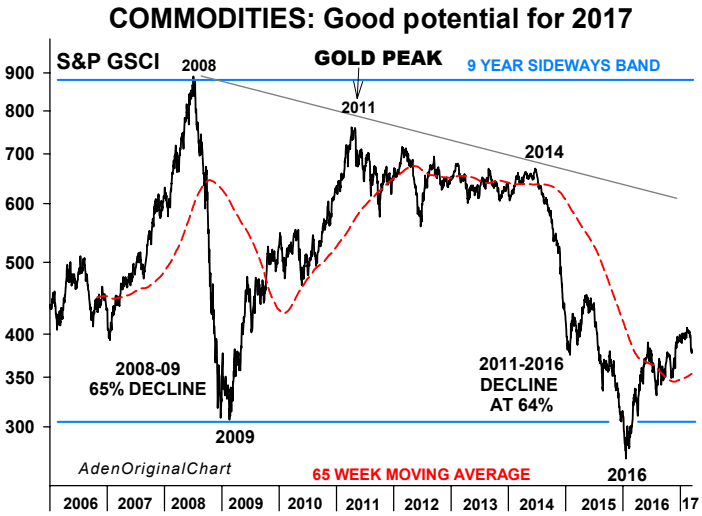
CHART 22



and beyond.

COMMODITIES: At onset of major rise

Chart 22 shows the commodity index over the past 11 years. You can see it's holding well above its 65 week average on the lower side of the sideways band.

This reflects a bullish positioning in the commodity market. It has plenty of room to rise further and it's clearly bullish above the moving average.

Interestingly, some key housing commodities are starting to move with the rising housing index. **Chart 23** shows they all were generally moving together after the financial crisis in 2008. But they clearly went their separate ways from 2013 to 2016 when housing continued to soar with low interest rates, while lumber and copper fell sharply.

They're now rising together, and it looks like they could continue to rise together. Plus, a weaker dollar will boost all commodities which in itself is inflationary.

CRUDE OIL: Volatile

When crude was reaching a high in February, hedge funds and money managers boosted their bullish wagers on U.S. crude to a record (see **Chart 24**). It was rising on OPEC's optimism for greater compliance based on its deal with other top global producers to curb output.

But the oil price couldn't break out thanks to new concerns that the OPEC-led output cuts won't be enough to rebalance the market. And especially because the rising output from the U.S. remains a threat.

In other words, **OPEC's cuts are being seriously tested**. And crude is falling in its steepest decline in months. This weakness has been putting pressure on the energy shares this past month.

Chart 24 also shows how much faster crude fell in 2014-15 compared to copper. It collapsed, and even though it's weakened this month, it's still in a wide base building type of move, and copper seems to be leading.

CHART 24

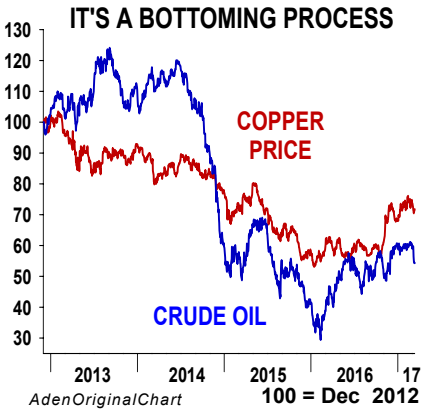
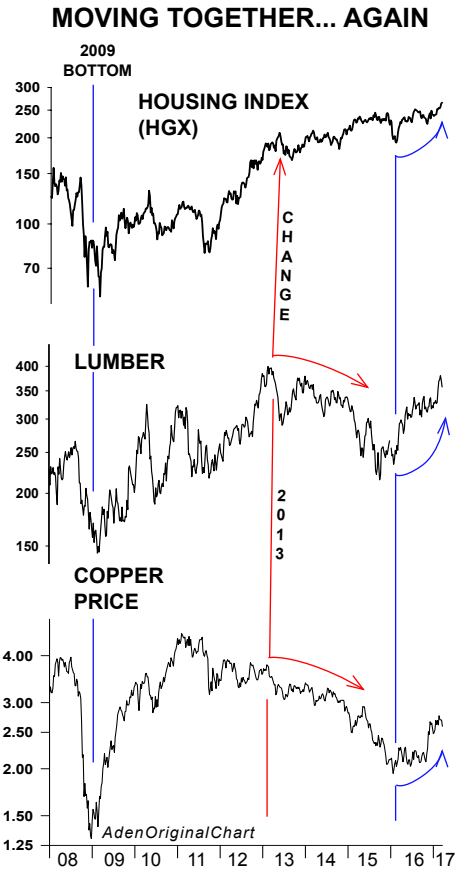


CHART 23



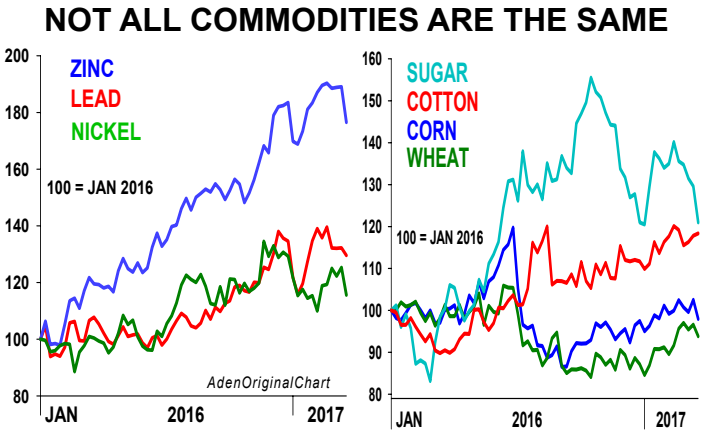
BASE METALS

The other base metals are rising too (see **Chart 25**). Zinc has been one of the strongest, rising on supply shortfalls. And iron ore reached a three year high. But global growth, the Chinese property market, and Trump's infrastructure plan are important ingredients to a stronger commodity world.

Meanwhile, this sector is trending up, including some of the soft commodities.

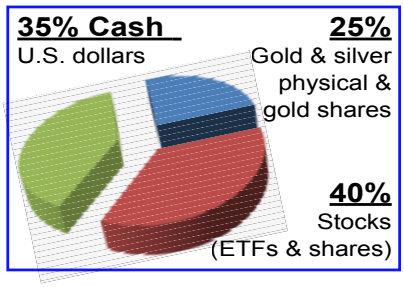
We have some resource related stocks like Alcoa and US Steel. Our strong global ETF, IOO, and our emerging markets ETF, EMF, are also reaching new highs, which bodes well for the commodities.

CHART 25



OVERALL PORTFOLIO RECOMMENDATION

These are interesting times, to say the least. It's been one thing after another and the news is good and bad. But all things considered, the good news has the upper hand. Still, you want to be prepared for whatever comes our way. For now, we advise staying put with the recommendations we have, but stay tuned and stay in touch.



PRECIOUS METALS, ENERGY, RESOURCE

Gold and silver went on to reach almost four month highs in late February in a rise we call an A rise. This rise performed well within the normal time frame and percentage gain. The B decline is underway but the way the metals popped up after the Fed announced their rate rise, it's now to be seen if more downside is coming or if that's all we'll see. And if this is the case, gold and silver are showing great strength above $1200 and $17. We could still see some weakness, but we're getting close to an upcoming C rise, which is the best rise in a bull market. We recommend to continue buying during this down time and have your 25% position complete. We also advise buying SPDR Gold (GLD) and Central Fund of Canada (CEF). Overall, the 2016 turnaround is still with us, and we want to be onboard.

U.S. & GLOBAL STOCK MARKETS

The stock market continues to soar... hitting new all time highs, and breaking one record after another. The market is strong, investors are optimistic and stocks are set to rise further. First, however, the stock market looks like it's taking a breather, following its steep rise, but this may not amount to much. For now, continue to keep your stock positions. They're generally looking good and if stocks do dip further, we may want to buy more on weakness. The stocks we like best are Nasdaq (QQQ), Adobe (ADBE), S&P Global (IOO) and Templeton Emerging Markets (EMF). We also like Apple (AAPL) and U.S. Home Construction iShares (ITB) but we'll wait to buy these on weakness.

INTEREST RATES & BONDS

The Fed raised interest rates this week. This was widely expected and it's a vote of confidence for the economy. With interest rates now headed higher, it increases the likelihood the bond bubble will burst. This would happen if the 30 year yield rises and stays above 3.23%. Currently, bonds remain risky and we continue to advise staying on the sidelines and out of bonds. A major turnaround may be starting.

CURRENCIES

The U.S. dollar has been on the rise. It's being boosted by the likelihood of more interest rate hikes. The dollar index, however, is currently vulnerable below 101.40, thanks to inflation jitters. But even if it declines to 97.50 it would still be bullish. For now, the dollar remains in the driver's seat and we continue to recommend keeping your cash in U.S. dollars for the time being.

*** New Position**

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

GOLD AND SILVER

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT Issue date	% GAIN/LOSS SINCE 1st BDT	CURRENT RECOMM
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	37.45	-11.09	Buy/Hold
Gold Miners ETF	GDX	Feb-17	25.20	22.77	-9.64	Buy/Hold
SPDR Gold *	GLD	Mar-17		117.00		Buy
Gold (physical)		Oct-01	277.25	1227.10	342.60	Buy/Hold
Ctrl Fund of Canada *	CEF	Mar-17		12.60		Buy
Agnico Eagle	AEM	Feb-17	47.10	42.25	-10.30	Buy/Hold
Silver (physical)		Aug-03	4.93	17.33	251.52	Buy/Hold

STOCK ETFS & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT Issue date	% GAIN/LOSS SINCE 1st BDT	CURRENT RECOMM
Nasdaq Pwrshrs	QQQ	Aug-16	117.7	132.01	12.16	Buy/Hold
Adobe Systems	ADBE	Feb-17	118.93	122.35	2.88	Buy/Hold
S&P Global 100	IOO	Aug-16	75.34	82.11	8.99	Buy/Hold
Templeton Emerg Mkts	EMF	Feb-17	13.42	13.86	3.28	Buy/Hold
Dow Industrials	DIA	Aug-16	186.52	209.44	12.29	Buy/Hold
SPDR S&P Insurance	KIE	Nov-16	80.24	87.59	9.16	Buy/Hold
S&P 500 Index Equal	RSP	Dec-16	87.55	91.44	4.44	Buy/Hold
Microsoft	MSFT	Dec-16	63.62	64.64	1.60	BuyHold
US Financial Services	IYG	Dec-16	107.06	114.02	6.50	Hold
US Steel	X	Nov-16	29.17	37.29	27.84	Hold
SPDR S&P Bank	KBE	Dec-16	43.41	44.90	3.43	Hold
SPDR Russell 2000	TWOK	Nov-16	77.19	81.45	5.52	Hold
Alcoa Corp	AA	Nov-16	31.85	35.38	11.08	Hold
DJ Transportation	IYT	Nov-16	158.29	165.77	4.73	Hold

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