THE
ADEN FORECAST
MONEY • METALS • MARKETS

MARCH 2018 *37th year*

TODAY'S KEY TALKING POINTS

There's been a lot going on this month. And after reviewing many issues, we've boiled it down to the topics we feel are currently the most important.

So here goes...

TARIFFS

Suddenly, everyone is talking about tariffs, and opinions are all over the place.

This all started when the U.S. put tariffs on Chinese solar panels, which were flooding into the U.S. Then, after several warnings, Trump surprised the global community by announcing a 10% tax on aluminum imports, and a 25% tariff on steel.

The main reason for these actions was to bring steel jobs back to the U.S. But according to the experts, the results could end up being the opposite.

For example, they point out the tariffs will hurt the workers at steel consuming manufacturers. Why? Because the price increases for steel and aluminum users, like the auto and oil industries, will disrupt jobs, not create them, amid rising supply costs.

Meanwhile, the hardest hit steel producing countries are looking to retaliate, possibly sparking a trade war. (Canada and Mexico were excluded.)

Already, the European Union has announced tariffs on U.S. goods, like jeans, bourbon whiskey and motorcycles. And we don't think it's a coincidence that bourbon is produced in Mitch McConnell's state of Kentucky, and Harley Davidson's come from Wisconsin, home of Paul Ryan.

Other countries are likely going to follow. In this month's Currencies section, we touch on the "trade wars" in 2002 and 1930. In both cases, the outcome was not positive and the current situation is similar.

In other words, this could end up hurting global economic growth and the U.S. dollar. So this is one of those wild cards we've previously discussed that seems to pop up from out of nowhere.

For now, however, trade worries are easing, thanks to optimism over the Korea talks and we'll want to keep an eye on these developments.

INFLATION: Off the back burner

After many years of sitting on the back burner, inflation is coming back (see **Chart 1A**). It continues gaining momentum and this will likely continue.

The U.S. dollar dropped 10% last year. This makes foreign products more expensive because their currencies rise as the dollar falls. The end result is that import prices surged 1% in January alone, which helped fuel inflation.

Producer prices have also been rising and these upmoves are now being reflected in higher consumer prices. In fact, one measure of inflation recently had its biggest gain in one year.

What happens next will depend, in large part, on the U.S. dollar. If the dollar keeps falling as we suspect, inflation will head higher and this will have a wide range of consequences...

It'll mean higher interest rates, for instance, and lower bond prices. Rising currency prices, and higher prices for the precious metals and commodities could also be expected. It would be bad for stock prices and, overall, it would signal that a new investment era is indeed underway.

We're already seeing some signs this is unfolding. The 30 year yield, for example, is embarking on a mega trend change from down to up, and it coincides with this scenario. The same is true of the dollar's bearish downtrend.

The final confirm of a new era

INSIDE

beginning would be a sustained rise above gold's long-term resistance area at $1380. Once that happens, there will be little doubt about this new era, and we'll want to continue making adjustments to our recommendations as the markets dictate.

So stay tuned.

STRATEGY

These subtle changes in the underlying environment have confused some investors.

They're mainly concerned about rising interest rates and the stock market. Can the stock market keep moving up in the face of higher interest rates? At some point, rising rates will affect stocks, but that hasn't happened yet.

Despite the recent volatility, the stock market remains bullish and as long as it is, it'll be poised to rise further. Granted, the stock market is more risky today and this bull market turned nine years old this month, thereby making it one of the longest on record.

But if the economy stays firm and hangs in there, then companies should continue to do well and stocks will then likely head even higher.

So this raises the question many of you have been asking, is it too risky to buy new stock positions this late in the game?

Even though we're now recommending stocks again, it basically depends on your individual situation...

If you're younger and don't mind taking on the added risk, then you may want to buy stocks again, and ride this bull market until it's over.

But if you're an older investor or a baby boomer, you may want to be more conservative. Keep the stocks you have, but don't buy new positions, and sell the stocks you have when the market turns bearish. Generally, you'd also want to keep more cash in order to take advantage of good opportunities as they arise.

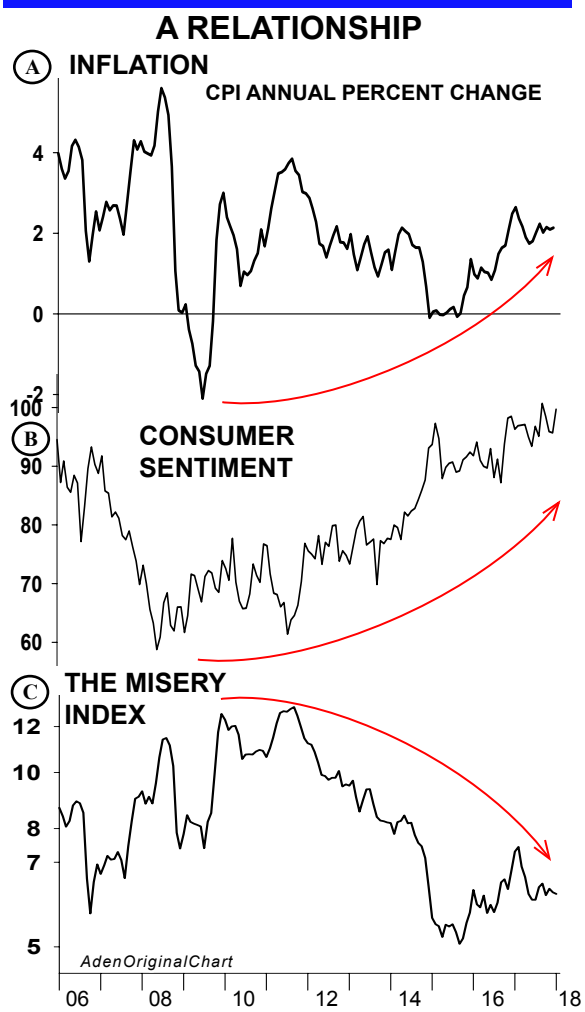
ECONOMY: Staying the course

Much of how this unfolds is going to depend on how the economy holds up. So, we're of course watching it closely, and here's the deal...

The economy is holding up well, and there are many positives, but a few cracks are beginning to show...

On the bright side, Consumer confidence hit a 17 year high and Sentiment keeps rising too (see **Chart 1B**). These are good signs that consumers remain optimistic, which is very important because consumers drive the economy.

CHART 1



The index of Leading Economic Indicators has also been surging for four consecutive months, signaling no recession in sight. Jobless claims are near a 48 year low, new jobs are surging and the Misery index (**C**) is low.

Plus, disposable income is up the most since 2015. And despite the decline in home sales, home prices are up and the real estate sector is doing well. Again, these are all good signs.

Okay, so where are the cracks?

Retail sales have been down, and so have car sales and durable goods. This suggests consumers are not so keen to spend. And since consumer spending accounts for the majority of economic growth, it's a sign of caution, especially if it continues.

Industrial production has also been down, along with factory orders. Here too it's something to keep an eye on.

And it doesn't help that household debt is at record levels. This coincides with the big surge in government debt, and neither one of these is healthy or conducive to a solid underlying foundation.

So these are the items we feel are currently most important to be watching... Depending on which way they tilt, it's going to tell us a lot.

CONFERENCE IN LAS VEGAS

We'd like to take this opportunity to invite you to The Money Show Conference in Las Vegas. The dates are May 14-16 and Mary Anne will be speaking on May 15. Omar Ayales, the editor of GCRU, will also be giving a presentation and we look forward to seeing you there. Admission is free and we'll be sending more details this week. For more info go to: *https://conferences.moneyshow.com/moneyshow-las-vegas/speakers/7f021d7bf25e478c91706341d8cde3eb/mary-anne-aden/?scode=044904*

U.S. & WORLD STOCK MARKETS

Bull market is 9 years old

The stock market is on a roll again.

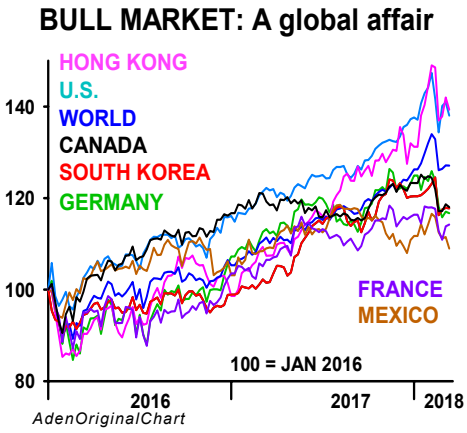
MARCH 9, A GOOD DATE

Since its steep decline in January, the market has been volatile, fueling uncertainty and concern. But it now looks like those days are coming to an end.

Stocks broke out to the upside on Friday, March 9, thanks to a super jobs report. But despite this "reason," more important was the price action...

It's reinforcing that the major bull market remains in the driver's seat and stocks are headed higher.

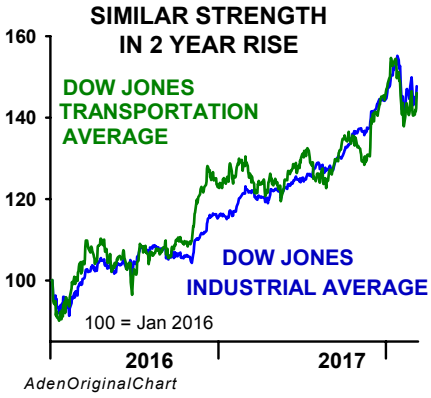
CHART 4



That being the case, we again recommend buying some of the strongest stocks with 25% of your total portfolio. Currently, we still have a 5% position in Adobe. So this will raise our total stock position to 30%.

A VOLATILE, YET MODERATE DECLINE

CHART 3



After being stopped out of most of our stocks in January and February, we sold and took profits as a precaution. Since then, we've been waiting for the dust to settle. We wanted to see how the downward correction would play out before jumping back into the market.

While it was touch and go for awhile, the way it played out was positive.

It actually ended up being a moderate downward correction with the Industrials down 10%, and this alone is bullish, especially following such a steep rise like the market had in 2017.

CAUTION WARRANTED

Nevertheless, we still want to maintain some caution.

This bull market is mature, so we'll probably not be keeping these new positions for the long haul.

That's also why we advise keeping stops on these new positions and sell if a stock drops below its stop level.

And finally, we want you to please reread the Strategy notes on page 2. Don't feel like you "have to" be in market. You don't. But if you do want to venture in, the stocks we recommend buying are Netflix (NFLX), Amazon (AMZN), S&P Tech Software (IGV), Adobe (ADBE), Nasdaq (QQQ) and SPDR Small Cap (SPSM).

MAJOR TREND IS UP

Okay, let's now take a look at what the charts are telling us...

As you can see on **Chart 2**, all of the stock indexes are looking good, above their moving averages, signaling the major trends are up.

Nasdaq has been leading the way up and it hit a new record high on March 9. We believe the other stock indexes will likely follow.

The Dow Theory major bull market signal also remains in force (see **Chart 3**). And this will be recon-

CHART 2

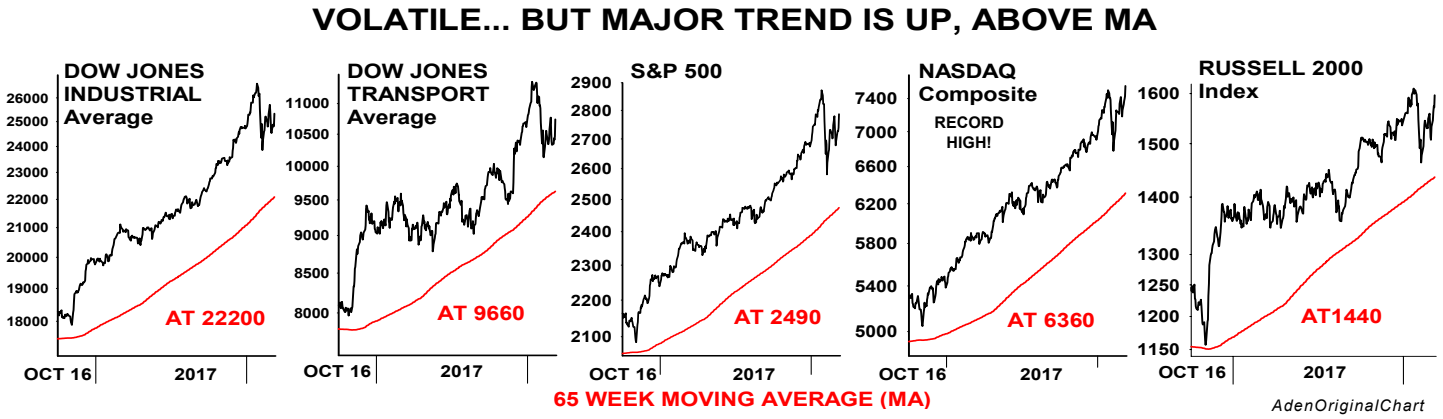
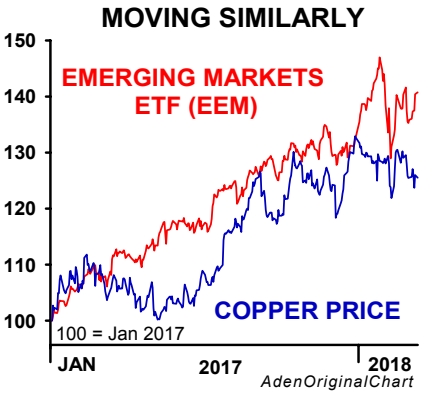


CHART 5



firmed if the Dow Industrials and the Dow Transportations both hit new record highs.

A GLOBAL BULL MARKET

The global stock markets remain bullish too and that's a good sign for all of the markets (see **Chart 4**).

Note, some of the markets are stronger than others, like Hong Kong and the U.S. But the main point is, they're all reinforcing the bullish case.

The same goes for the emerging markets (see **Chart 5**). They've been moving up with the global trend, but the copper price has also been an influence. That's because some of the emerging countries are copper producers as well.

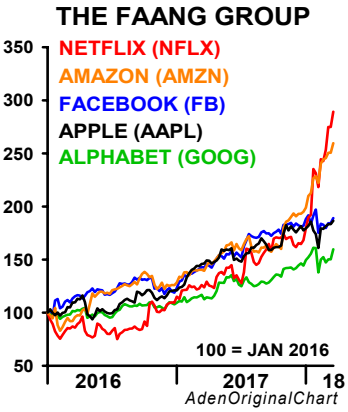
Interestingly, palladium and the housing sector, which includes lumber, have also been moving up with stocks (see **Chart 6**). That's mainly because of the good economy.

As they say, a rising tide lifts all boats. That's what seems to be happening with these markets, and it should continue as long as the economy stays firm.

The real leaders in this upmove so far have been two of the FAANG group (see Netflix and Amazon on **Chart 7**). Also leading the charge have been tech stocks in general.

INTEREST RATES: A wild card?

CHART 7



But what about rising interest rates? Since stocks and interest rates move opposite, the 35 year drop in interest rates has propelled stocks higher (see **Chart 8**). But what happens to the market if interest rates rise further?

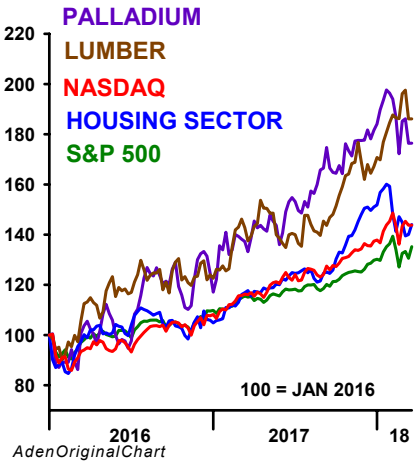
This is the big question. Rising rates haven't hurt stocks yet, but at what point will they put the kibosh on the bull market?

Unfortunately, we don't know. This is something that increases risk and we'll be watching it closely.

To offset the interest rate risk, however, we do know that valuations, which had been very high came down during the downward correction.

Thanks to Trump's tax bill, corporate taxes are lower and, therefore, corporate earnings are now expected to rise 26% over the next year.

CHART 6

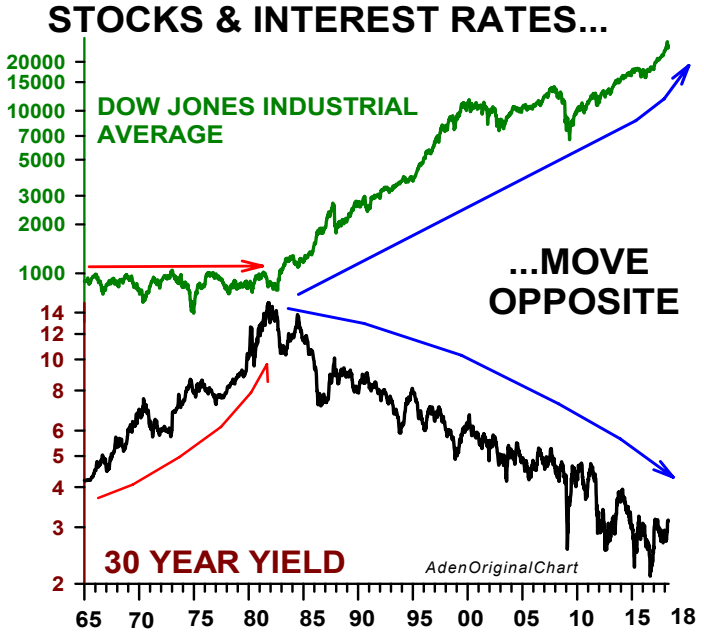


In other words, stock valuations are currently near 2016 levels and this could become a more dominant positive factor than interest rates.

This alone also allows for a good sized upmove during what will probably end up being the final phase of this bull market.

Remember, final phases tend to be the most exciting in bull market upmoves, and that may be what's in store. We'll soon see.

CHART 8



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

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U.S. INTEREST RATES AND BONDS

The Talk of the Town

Interest rates have become the talk of the town. From Wall Street to Main Street, everyone seems to be commenting on interest rates.

They're wondering if rates are headed higher, what's the Fed going to do, how it'll affect the economy, business, housing and profits, and more. Every innuendo out of the Fed is dissected for hints of which way interest rates are headed next...

WHY THE BIG CONCERN?

As we've often noted, interest rates are the most important markets in the world. We know this may sound strange because most people think interest rates are boring, but they're absolutely not.

Interest rates are the driver of the locomotive. Everything else is secondary. What do we mean by this?

Well, here's an example...

Let's say the economy's been plugging along and interest rates have been creeping higher, which is what's been happening for the past couple of years.

This is a form of tightening and it'll keep a brake on economic growth.

At this point, it hasn't had much effect because interest rates started rising from near 0%, which was a 5000 year low!

CHART 10

So even though interest rates have been rising, it really didn't matter... rates were still very low and all was well.

But that's now starting to change and investors are starting to notice.

INTEREST RATES: At key crossroads

That is, interest rates have now reached a level where they could affect other sectors and the markets.

Let's start with real estate... Mortgage rates have been rising, along with the 10 year interest rate, and both are at four year highs (see **Chart 9**). This has been a key factor driving home sales to a three year low.

The real estate sector is a leading economic indicator and if housing is beginning to stumble, it's a sign the economy may soon be slowing too.

It doesn't help that interest rates on car loans are at an eight year high.

These higher rates will put a crimp on consumer spending, and this in turn will also help slow the economy.

CHART 9

FURTHER RISES

Meanwhile, inflation is perking up and that's going to push interest rates higher to keep it under control.

The Fed has confirmed this, saying they're going to raise interest rates three times this year, and maybe even four.

This is going to make borrowing more expensive, which could be a drag on corporate profits.

It's a chain reaction... one thing affects the other. Weaker profits, for instance, will likely drive the stock market lower. And since bond prices move in the opposite direction of interest rates, higher interest rates are going to keep downward pressure on bond prices.

At the same time, more inflation will propel the gold price higher because gold is the ultimate inflation hedge. And here too, with the U.S. dollar moving opposite to the gold price, this could drive the dollar lower.

A weaker dollar would fuel more inflation, even higher interest rates, and the chain reaction would feed on itself.

We'll see how this develops. But for now, we wanted to emphasize the importance of interest rates, and the role they play.

It's also interesting to note that interest rates are currently at a very important crossroads and what

CHART 11

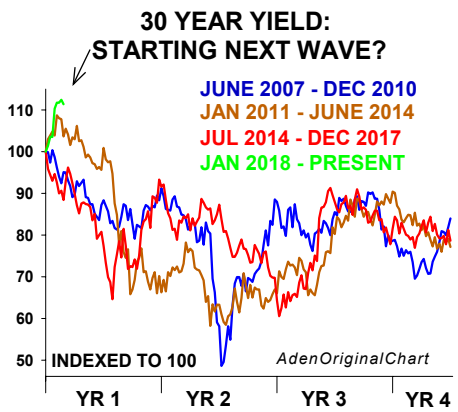
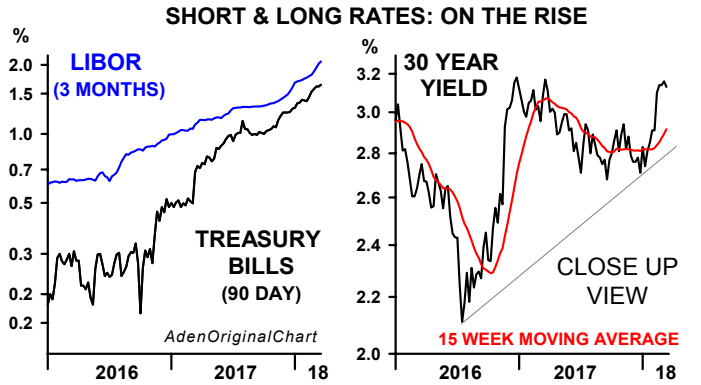


CHART 12



happens next is going to affect all of us in one way or another…

LONG YIELDS: Mega change up

The mega interest rate trend reversal on the 30 year yield we've been talking about in recent months remains intact (see **Chart 10**).

This means interest rates are still poised to head higher for the first time since 1981… This is a huge change, and it'll coincide with a total shift in the economic and investment environment, assuming this new trend continues.

And it will, as long as the 30 year yield now stays above its 80-month moving average, which is the mega trend identifier at 3.02%.

But as you can see, the 30 year yield has peeked above this average several times in the past, only to turn down again. These 'fake out' moves happened in 1995, 2000, 2007 and 2011. The current rise could end up being another fake out and if it is, that too will tell us a lot. Mainly, it would mean that interest rates are going to stay at low levels indefinitely.

For now, we're also still watching the "Wave" to see if it's going to repeat (see **Chart 11**). You'll remember this interest rate pattern has been repeating since 2007.

But if interest rates now keep rising, it'll break this pattern as we enter a new era. If interest rates decline, the wave will continue.

GLOBAL RATES: Tend to move together

Meanwhile, it's important to remember that interest rates around the world all generally move together as well. Some will lead and some will lag, but this upmove in interest rates is going to be global.

Looking at the Libor interest rate, which is the world's most widely used benchmark for short-term loans and adjustable mortgage rates, you can see it's risen sharply over the past year or so (see **Chart 12**). The 90-day Treasury Bill rate has been joining the Libor, and so have interest rates in other countries (see **Chart 13** as an example).

GOOD NEWS FOR INCOME INVESTORS

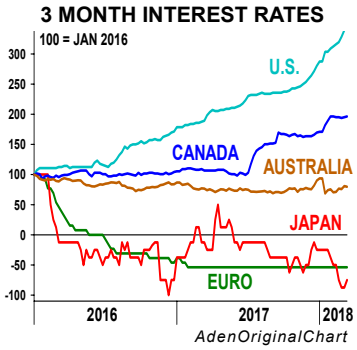
So one of the good things we can say about this interest rate change… it's going to be nice for savers to finally collect a better interest rate after years of near zero interest rates.

But like Warren Buffett, you'll want to keep your funds in short-term instruments, like 90-day Treasury Bills, and not in long-term Treasuries because bond prices are likely embarking on their biggest drop in many years.

That's why we still advise avoiding bonds and staying on the sidelines.

CHART 13

TRYING TO TURN AROUND



CURRENCIES

U.S. dollar: Rebounding in a bear market

The U.S. dollar bounced up this month. This was normal, following its steep decline since last year. And the dollar could now stabilize for a while.

HIGHER INTEREST RATES HELPING

The prospect of higher interest rates has made the dollar a bit more attractive, at least temporarily.

This makes sense because U.S. rates continue to be higher than interest rates in most other countries, making the dollar more desirable in this low interest rate world.

But despite this positive, the dollar fell on the tariff news. The possibility of a trade war or retaliation by the U.S.'s trading partners was bad news for the dollar, and it generally overpowered other good dollar news.

Here are a couple of important reasons why…

NO ONE WINS IN A TRADE WAR

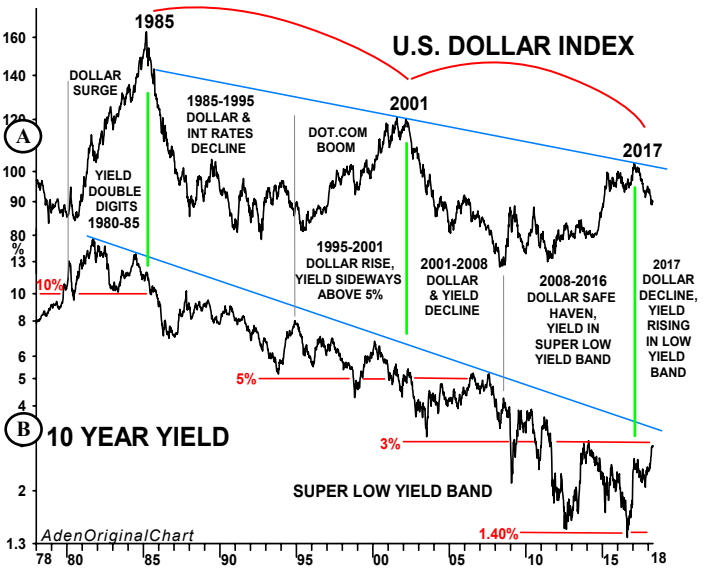
Trade wars are not good for anyone. Basically, you end up fighting with many of your closest friends, which is obviously not good for relations.

Also, our dear friend and colleague, Chuck Butler, pointed out that the situation in 2002 was very similar to what's happening today.

At that time, Bush was a fairly new president, the economy was muddling through, tax cuts were implemented, the national debt was rising and stiff tariffs were put on Japanese steel. This resulted in a hit to the economy and the tariffs were lifted the following year.

The situation was also similar in 1930 when the

CHART 14



Smoot-Hawley Tariff Act was introduced, triggering a global trade war. This happened prior to the Great Depression.

So the precedents are not good.

And for now, the European Union and others are unhappy, planning to tax U.S. imports, or seeing what they're going to do.

U.S.: Between a rock and a hard place

Basically, the U.S. is in a jam... Its trade deficit keeps growing and it recently hit a nine year high. This means the U.S. is importing much more than it's exporting.

So by putting tariffs on some imports, it'll make them more expensive. The idea being that consumers won't buy the imported goods and opt for the local version instead. This would help reduce the trade deficit.

Another option is to let the U.S. dollar weaken and the U.S. has been going for that option too. A weaker dollar makes U.S. exports less expensive, which would help the trade imbalance, business and the economy.

Interestingly, the U.S. dollar is due for a decline based on its cyclical pattern and its relationship to interest rates... Let us explain....

Looking at **Chart 14**, for example, you can see that the U.S. dollar tends to peak about every 16 years, in 1985, 2001 and 2017.

In the two previous cases, the dollar declines that followed coincided with a decline in interest rates, or a period of low interest rates (see the 10 year yield B below). Currently, the dollar is declining but the interest rate is rising. So what to make of it?

CHART 15

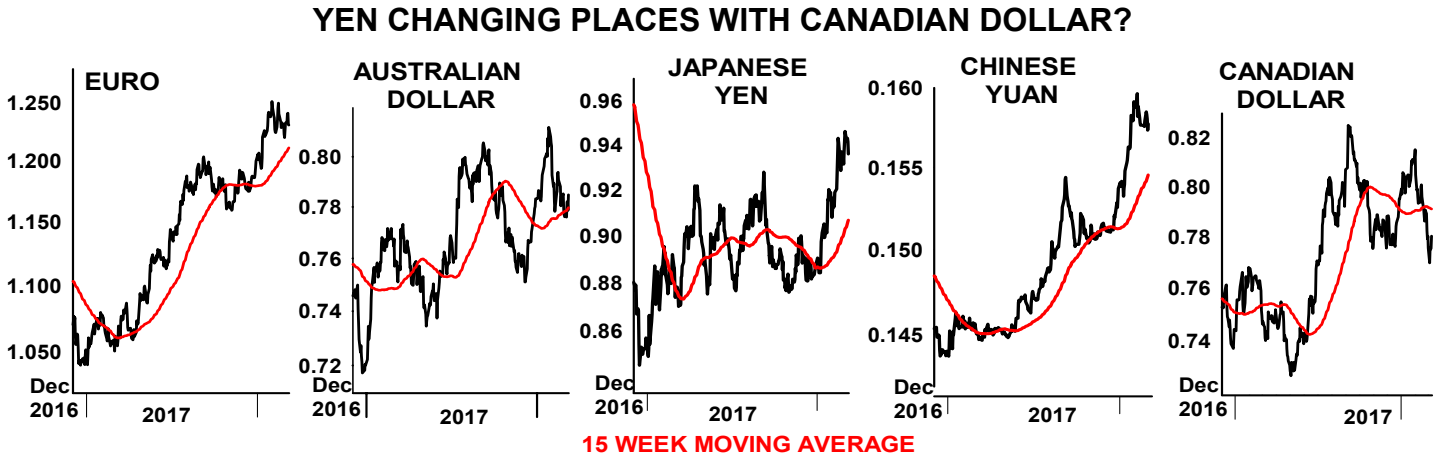
We continue to believe the dollar is set to fall further in the months and years ahead. Even if interest rates rise, they'll still be at very low levels with the 10 year yield below 3%, and even if it rises to as high as 5%. So it's unlikely to make much of a difference.

Meanwhile, the dollar index remains very weak by staying below 91.20 (see **Chart 15A**). The leading indicator, however, is at a low area. This means we could see the dollar index rebound some in the weeks ahead but the major trend will remain down as long as the dollar index trades below 96.

CURRENCIES: Looking good

For now, the currencies remain bullish. And even

CHART 16



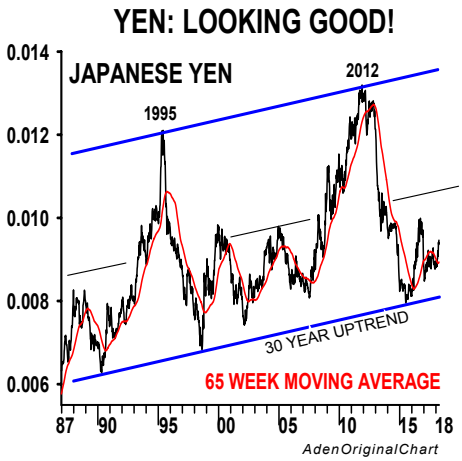
though they've been stalling and/or moving lower, they're still looking good (see **Chart 16**).

This being the case, we continue to recommend buying and holding the euro (FXE), and the Canadian and Australian dollar (FXC) and (FXA).

The euro is still our favorite. Economic growth is doing well, and inflation in Germany and the Eurozone is starting to perk up.

The Japanese yen, however, has been moving up nicely in the ranks. Even though Japan has a big debt load, it's considered to be a safe haven and it's poised to rise further (see **Chart 17**).

CHART 17



Note, it's bottoming at the lower end of a 30 year trading channel and there's a good chance it could soon take off on the upside.

At this point, we feel a position in the yen is warranted and we recommend buying it and/or its ETF, which is FXY.

As for the U.S. dollars we've been holding, use them to buy new stock positions. This will lower our dollar position to 10%. The rest of your cash would be better off diversified between the recommended currencies.

METALS, NATURAL RESOURCES & ENERGY

Correcting in a bull market

Gold has been under pressure this past month.

After rising 10% from its December lows to its peak in late January, gold's been correcting in a mild decline. Its highs and lows since then have each been lower, and the decline is still underway.

Gold's poised to head lower. But now is the time to buy more if you want to add to your position, during this temporary weakness because bullish signs continue to grow in the bigger picture.

Bullish signs for the gold universe

Gold shares and silver have been weaker than gold overall this past year. During weakness, junior gold mines tend to be weaker than the seniors, while silver tends to be weaker than gold. This is normal behavior.

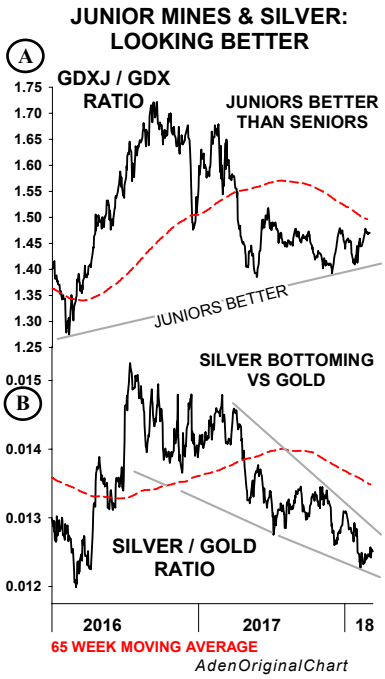
But this may be changing and **Chart 18A** shows this bullish subtle change.

In recent weeks, junior mines have held up better than the senior mines causing the ratio to rise from a two year uptrend. Plus, silver is stabilizing versus gold and the ratio is forming a downside wedge (**18B**). Both are suggesting that the downward correction may be nearing an end for all of them.

When both ratios rise and stay above their respective moving averages, it'll confirm a trend change with junior mines set to continue outperforming the larger senior mines, and silver will then outperform gold.

In both cases, this would also be a very bullish sign for the whole gold universe. And at that time, it would be best to have more silver and gold shares than gold.

CHART 18



Gold itself is a long term investment, whereas gold shares are a type of speculation behind gold. Silver has the long term value that gold has, and when it outperforms, you clearly want to be onboard.

INFLATION PLAYS A ROLE

Rising inflation and a weak dollar have kept a solid base under gold, and it looks like this will continue. And interestingly, as interest rates rise it won't necessarily be bad for gold.

Much depends on inflation. Note on **Chart 19** when comparing the gold price to the "real" Treasury Bill rate you can see a very interesting correlation.

Gold tends to rise in a bull market when the T-Bill interest rate minus the inflation rate is negative.

That is, **when inflation is higher than the 90 day T-Bill rate it's a bullish environment for gold**.

This is called the real interest rate because inflation is eating away at your fixed income, so in reality you're really not receiving the interest rate quoted.

You can see the real T-Bill rate have been essentially negative, below the red zero line since 2002, except for two times when it jumped up briefly.

That is, while the T-Bill rate itself has been at historical lows in recent years, inflation was higher thereby making the real T-Bill rate a negative rate.

And this in turn has been good for gold. It's also another bullish factor for gold in the coming years with inflation now perking up.

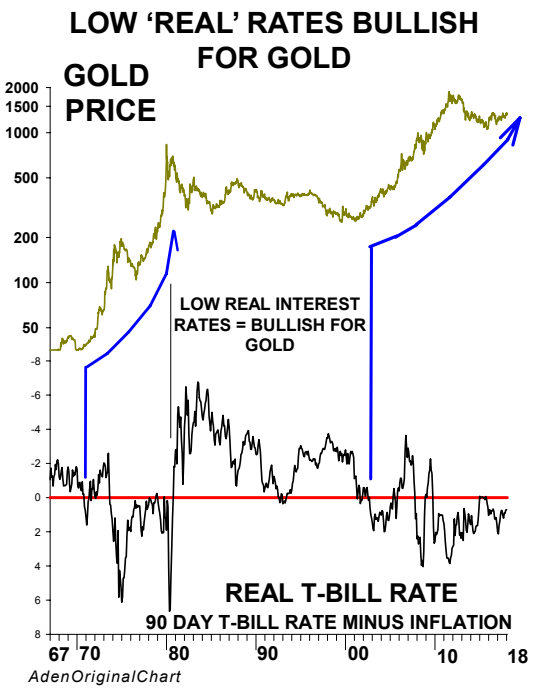
As an aside, the 1970s was the best example of an extreme case. Even though interest rates surged into double digits, the real T-Bill rate was well below zero due to the high inflation rate at the time. Both interest rates and inflation were soaring, and so did gold.

That said, it's important to note that gold can rise in an inflationary and deflationary environment. Much depends on the dollar, the state of the world economy and geopolitical tensions.

Gold is a good safe haven in uncertain times.

In the end, it's uncertainty, diversification and jewelry buying that draws investors to gold.

CHART 19



And demand continues to grow. China, for example, has become the largest gold buying nation in the world and it's a healthy market. According to the World Gold Council, Chinese purchases of gold coins and bars rose 8% last year. Plus, demand is looking positive following the Lunar New Year holidays.

GOLD VS STOCK MARKET

Gold is also starting to look interesting compared to the stock market. Yes, the stock market has been on a tear for nine years now. There's no question, it's been a great investment.

During those 9 years, gold rose in four of them.

The ratio of gold compared to the stock market on **Chart 20** shows that gold's bull market peak in 2011 was the last year gold outperformed the stock market rise. The stock market rise was quiet compared to the roaring gold bull market at that time.

And now during the last two years, gold has been rising with the stock market after ending a bear market since 2011. But the stellar stock market rise has kept a muzzle on gold's rise. And this could continue for a while longer.

The ratio will be our guide. When the ratio is above its red mega moving average (MA), gold is better than the stock market. Conversely, when the ratio is below this MA, stocks are a better investment.

CHART 20

Clearly from 1980 to 2000, when the ratio was declining and below its mega MA, the stock market was the winner, and that was the investment of choice.

Gold then took over for the next decade until its peak in 2011. And the stock market has been best since 2011 until now.

Meanwhile, the ratio has formed an upchannel favoring gold while momentum grows.

This all means, the trend still favors the stock market over gold, but there are signs that a change is in the wind.

And with the resource sector now gaining steam over the past year, it's adding more strength to the gold market's turnaround phase.

Don't forget that copper outperformed the S&P500 last year. This is a start. Plus, you'll remember when we showed you in January that gold and the stock markets' rises can overlap each other, and when they do, it tends to precede the start of a big bull market for the underdog.

This is saying, the last two years was the start of a change. The point is, the quiet bull eventually turns into a big bull market... and it's now gold's turn.

THE WATCH LIST

There's no doubt about it, gold has been forming a wide saucer bottom during the last almost five years. **Chart 21A** shows this clearly (see lined arrow).

Here you can see two key factors, the 23 month moving average (MA) and the top heavy resistance at $1380. If you had to boil down what to keep an eye on, it's these two levels.

On the downside, gold's decline we call B has room to go further. Gold's not even down 5% from its January highs, and its leading indicator has barely started a decline.

So for now, lets keep an eye on the downside stepping stones. The $1274 level is this mega MA. If it's broken, a worst case decline could test the bull market uptrend at $1240.

On the upside, the glaring resistance level is $1380. Once gold can surpass it, all the bear stains will be wiped away. The bull will clearly be in charge, and this type of move will most likely happen during a C rise.

And one is coming right up, once

this current period of weakness is over. So keep an eye on $1360 and $1300… whichever way gold breaks this month, will determine the next short-term direction.

SILVER HAS POTENTIAL

Silver is cheap, and it's a buy and hold. We want to be onboard before it takes off. Because silver tends to soar and not look back once a strong rise gets underway (see **Chart 22**).

Silver looks set to outperform gold this year. It's quiet, and it could stay that way a while longer. But rising global growth will have a bigger influence on silver in the years ahead, and it wouldn't take much new investor demand to see it take off.

GOLD SHARES: Down but not out

Some feel that gold shares are getting left in the dust due to growing interest in lithium and cobalt, and other resources. In part this could be true, but we still believe gold shares have good upside life to look forward to.

For now, we're watching HUI's December 2016 low to see if it holds. And as long as it does, a major bottom is still developing, and this period has been the left shoulder of a major head and shoulders bottom formation.

Gold shares have remained extremely weak versus gold in the last few years. Looking at the big picture of the gold shares compared to gold ratio on **Chart 23** you can see gold shares have remained at historically low levels.

Gold shares have been weaker than gold on a mega trend basis since 1970. There have been times when gold shares were stronger, like in the 2001-2007 bull market when gold shares soared.

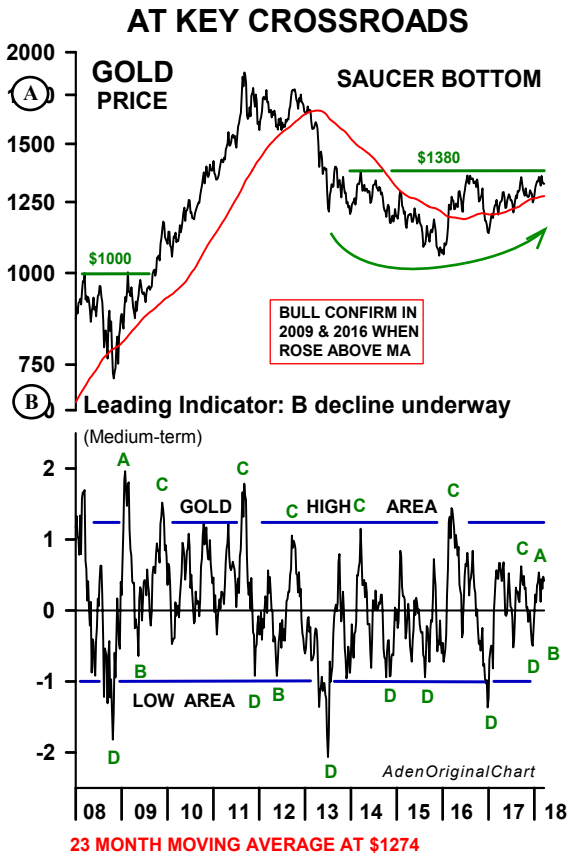
And we may be approaching a similar situation today.

Gold shares are the most bombed out ever. But since reaching the maximum extreme in 2016, the ratio has been bottoming and it looks poised to rise.

This means that once it does, you definitely want to be onboard for an amazing gold share rise.

Keep in mind, if the ratio simply bounces up to the major red downtrend, it would coincide with an incredible rise for gold shares.

CHART 21



RESOURCES: The comeback kids!

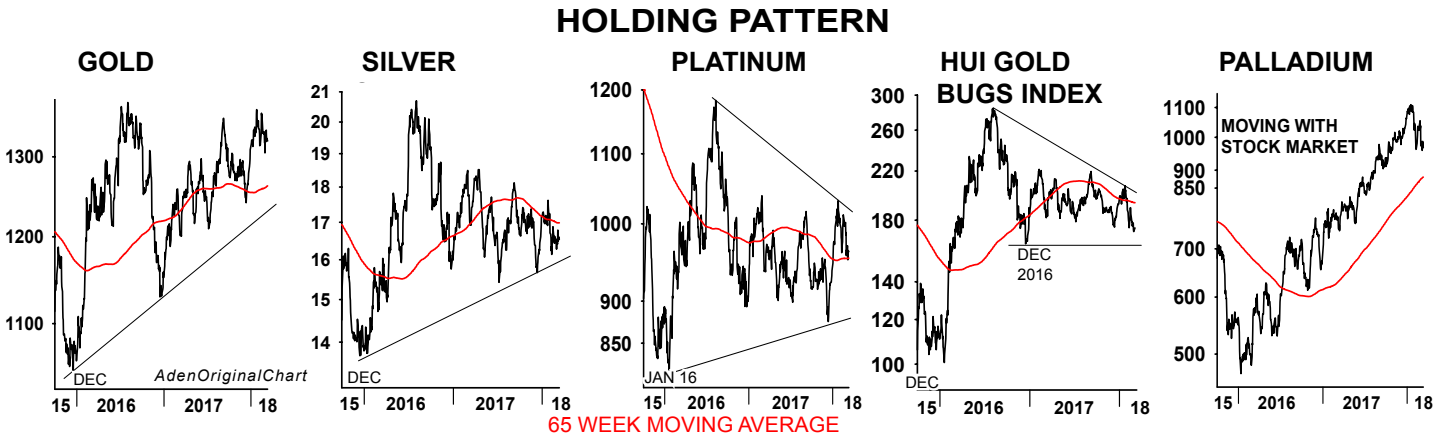
The resource sector has come alive after having a stellar year in 2017. Tariffs or not, the prices are going up, and they're set to rise further (see **Chart 24**).

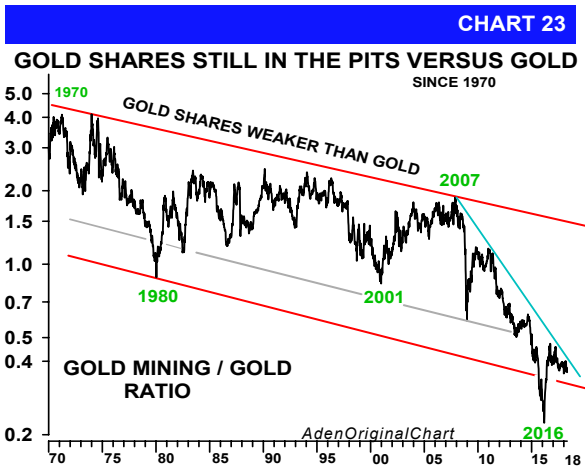
We showed you a sample in the Stock Market section about how well intertwined several commodities are to the global economy and the stock market.

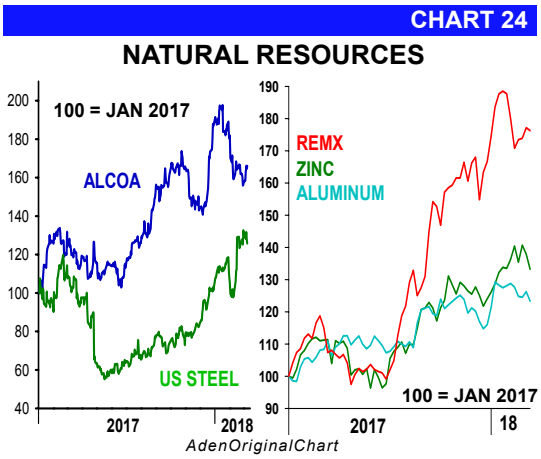
Palladium has had a strong rise due to the robust car industry, while lumber has enjoyed the rise in construction and housing. Copper, being called the barometer for world growth, is moving closely with the emerging markets.

And while copper has been taking a breather since the new year began, you can see on **Chart 25** that copper is in a major almost 15 year uptrend. It also embarked on a new rise last year when copper rose above its 65 week moving average. This is bullish action.

CHART 22







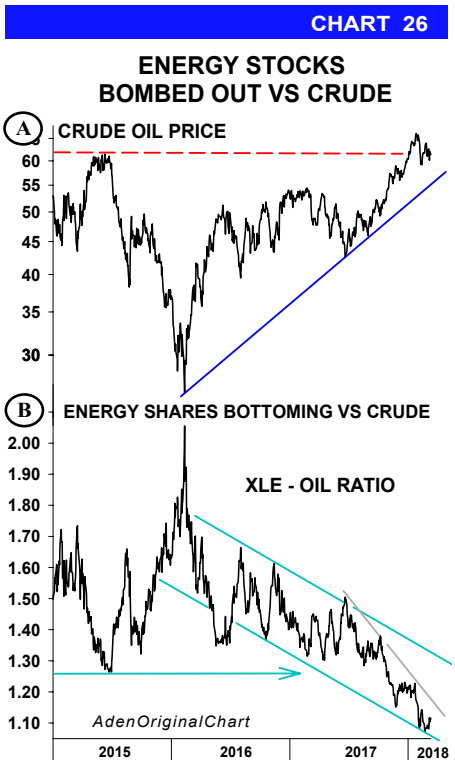
With President Trump's infrastructure plan, raw materials have a great future ahead. The world is growing too, adding to the demand for resources.

Cobalt and lithium have a bright future in batteries, from Apple to electric cars, and we are on board for this upcoming (and already growing) boom.

Companies in the resource sector are a good value to buy and hold. They're relatively cheap, and we continue to recommend acquiring them during down times, like now.

Apple is concerned about a possible shortage for cobalt and it's considering buying cobalt directly from miners, according to Bloomberg. Apple is holding talks with the miners just as carmakers are also racing to lock up cobalt contracts as they prepare to make more electric vehicles.

Cobalt is mostly produced as a byproduct of nickel and copper mining. Freeport-McMoRan (FCX) has been the second largest company to produce it, but it's a smaller play on cobalt than is was just a few years ago.



We bought FCX mainly for its copper production, and we still recommend it. It's a buy and hold. We also continue to like the Rare Earth ETF because it has a variety of raw materials. Also, BHP Billiton is a world leading resource company based out of Australia.

These companies and the market are giving us a good buying time this month, and possibly next.

CRUDE OIL

Crude oil has been holding near the highs since reaching a high in late January. As **Chart 26A** shows, it's also resisting near its 2015 highs. Crude has a bright future but the chart also shows how much the energy shares are lagging (**26B**).

In fact, oil itself has been outperforming energy shares since 2016, but especially since last year. They may have reached some support, and we recommend keeping your position in IYE for a possible catch up as the chart suggests.

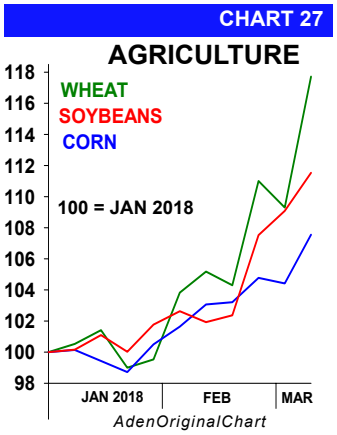
The International Energy Agency (IEA) sees U.S. oil output surging and stealing OPEC's share in the next five years, moving the U.S. closer to self sufficiency. Not that long ago the U.S. was the world's top oil importer.

OPEC will see demand for its crude fall below current production, suggesting a return to having an oversupply, in spite of its production cuts.

But the IEA also emphasized the need for more investment in the market to avoid a supply shortage after 2020.

The CEO of Saudi Aramco says the oil and gas industry needs to invest more than $20 trillion over the next 25 years to meet expected growth in demand and compensate for the natural decline in developed fields. So stay tuned.

The **agriculture commodities** are also starting to take off this year and we're watching them closely as well (see **Chart 27**).

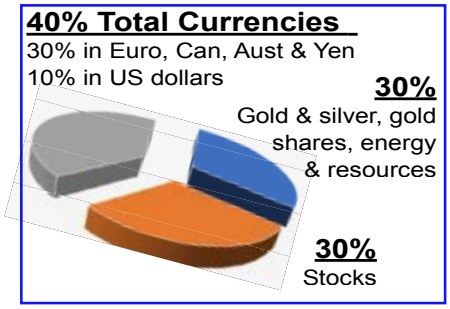


OVERALL PORTFOLIO RECOMMENDATION

U.S. & GLOBAL STOCK MARKETS

The market is resilient! It jumped up with Nasdaq hitting a new record high on the 9 year anniversary of the bull market. The market is pointing upwards, and we again recommend buying some of the strongest stocks with 25% of your total portfolio. Currently, we still have a 5% position in Adobe (ADBE). So this will raise our total stock position to 30%. The stocks we advise buying are Netflix (NFLX), Amazon (AMZN), S&P Tech Software (IGV), Adobe (ADBE), Nasdaq (QQQ) and SPDR Small Cap (SPSM).

But keep in mind, while the bull market has life, it's also close to maturity, so we probably will not be keeping these new positions for the long haul. Also, keep stops on these new positions and sell if a stock drops below its stop level.



PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver, gold shares and the resource sector have been under pressure this month, taking a break from a good sized rise. Gold's B decline has been moderate, and it could weaken further before it's over. Use this weakness to buy new positions if you don't have all of your positions complete. The upcoming C rise will be telling. If gold breaks out of its key resistance at $1380, all systems will be go. The resource and energy sector are similar. They are moving together. Buy on weakness in the ones listed as a buy in the box.

INTEREST RATES & BONDS

Interest rates are at an important crossroads. The mega interest rate trend reversal remains intact, meaning interest rates are still set to head higher in the years ahead, while bond prices decline. This is confirmed with the 30 year yield staying above 3.02% We continue to recommend avoiding bonds and staying on the sidelines. Keep your U.S. dollars in short-term 90-day Treasury Bills.

CURRENCIES

The U.S. dollar bounced up this month and it could rise further in the weeks ahead. But the major trend is still down and the dollar index will remain bearish by staying below 96. That is, the currencies are bullish and they're poised to rise further. We continue to advise buying and holding the euro (FXE), and the Canadian and Australian dollars (FXC and FXA). Also buy the Japanese yen (FXY), keeping a 30% position in these currencies. Use your U.S. dollars to buy new stock positions. This will lower your dollar cash position to 10%.

* New Position

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
Netflix *	NFLX	Mar-18		321.30		Buy	280.00
Amazon *	AMZN	Mar-18		1598.39		Buy	1400.00
S&P Tech Software *	IGV	Mar-18		181.99		Buy	167.00
Adobe Systems	ADBE	Feb-17	118.93	220.94	85.77	Buy/Hold	198.00
Nasdaq *	QQQ	Mar-18		171.71		Buy	164.00
SPDR Small Cap *	SPSM	Mar-18		31.09		Buy	29.50

PRECIOUS METALS, ENERGY, RESOURCES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Rare Earth	REMX	Jan-18	32.12	30.23	-5.88	Buy/Hold
Freeport-McMoRan	FCX	Feb-18	19.12	18.67	-2.35	Buy/Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.28	4.90	Buy/Hold
Horizons Marijuana	HMMJ.TO	Jan-18	20.38	19.38	-4.91	Buy/Hold
SPDR Gold	GLD	Mar-17	117.51	125.54	6.83	Buy/Hold
Royal Gold	RGLD	Sep-17	90.19	82.75	-8.25	Hold
Gold (physical)		Oct-01	277.25	1320.80	376.39	Buy/Hold
BHP Billiton	BHP	Sep-17	42.00	45.46	8.24	Buy/Hold
Silver (physical)		Aug-03	4.93	16.54	235.42	Buy/Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	31.99	-24.05	Hold
Gold Miners ETF	GDX	Feb-17	25.20	21.76	-13.65	Hold
DJ US Energy	IYE	Jan-18	41.84	37.51	-10.35	Hold
Agnico Eagle	AEM	Feb-17	47.10	39.46	-16.22	Hold

CURRENCIES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Japanese Yen ETF *	FXY	Mar-18		118.68		Buy
Euro ETF	FXE	Jun-17	110.48	118.68	7.42	Buy/Hold
Australian dollar ETF	FXA	Jun-17	76.91	78.79	2.44	Buy/Hold
Canadian dollar ETF	FXC	Jun-17	76.09	76.88	1.04	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.

