THE
ADEN FORECAST
MONEY • METALS • MARKETS

APRIL 2011 *our 30th year*

AN UNFORGETABLE MONTH

Gold and silver continue to soar. This is happening for many reasons… ongoing unrest in the Middle East, signs of inflation, growing demand, monetary policy, and the list goes on. Let's take these one at a time…

HEAD SPINNING CHANGES

The changes in the Middle East and Northern Africa continue to astound most observers, primarily because they've quickly grown so widespread. In just the past couple of months, we've seen developments evolve to a point that simply seemed unthinkable before.

Not only has the civil war in Libya intensified, including other countries, but tensions have heated up in Yemen, Syria, Jordan, Bahrain and now the Ivory Coast.

The bottom line is, the area is experiencing its biggest upheaval in decades and no one knows where or how it'll all end up.

This keeps uncertainty hanging in the air, which is providing a solid backdrop for gold and silver since they are safe haven markets.

INSIDE

It's also keeping upward pressure on the oil price due to concern the turmoil could slow oil shipments out of the area.

This in turn is fueling inflation expectations. And as you know, that too is bullish for gold and silver.

INFLATION BREWING

Aside from the U.S., inflation is beginning to pick up around the world. It overshot its target in the Eurozone for the fourth consecutive month, and it's become a big concern in China, India and many other countries.

The ongoing rise in commodity prices is reinforcing this outlook and so is monetary policy, which remains inflationary.

The Fed is saying that it's now watching inflation. But it's actually saying one thing and doing another.

The quantitative easing (QE) process of buying government bonds with money created out of thin air is alive and well. It's also ballooning the monetary base.

As you can see on **Chart 1**, it's been soaring since 2008 and this alone tells a powerful story…

FED POWER

During the depths of the worst financial crisis since the Great Depression, the Fed decided it had to take action, and it did. It began funding different programs to get the economy back on track and it succeeded.

QE has been the biggest effort, resulting in the recent spike up in the monetary base. But there's a price to pay for creating all this excess money and that's inflation, which usually occurs a year or two later, and this is now starting to become more obvious.

The questions now are, will the Fed really stop its QE2 monetary stimulation on June 30 as planned? Or will it keep going because the economy still needs more help, therefore embarking on a QE3 program?

Many experts believe QE3 is coming and there are a couple of reasons for this… basically they are Japan and China.

These two countries are the U.S.'s largest lenders. They have by far bought more U.S. government bonds than any other country and their bond holding are huge. That's the dilemma.

JAPAN HURTING

In Japan's case, we don't need to tell you that they're hurting and in serious trouble. It's truly heartbreaking to watch what's happening there.

Aside from the worst earthquake in 300 years and the resulting tsunami, the damage to their nuclear facilities and the worsening radiation are now their number one concern. Needless to say, money is needed at home.

Japan has huge monetary re-

serves. The amounts involved to rebuild, however, are estimated to be about four times more than the damage costs caused by Hurricane Katrina in the U.S.

So buying U.S. Treasury bonds is not going to be high on Japan's priority list. It has more important ways to use its reserves and you can bet they'll be focusing on the home front for a long time to come.

CHINA'S SHIFT

Okay, what about China? Here too it's become increasingly obvious that China is not as interested in lending the U.S. more money like it used to. In fact, it's been cutting back.

You may remember that last year China started diversifying. They didn't buy that many U.S. bonds.

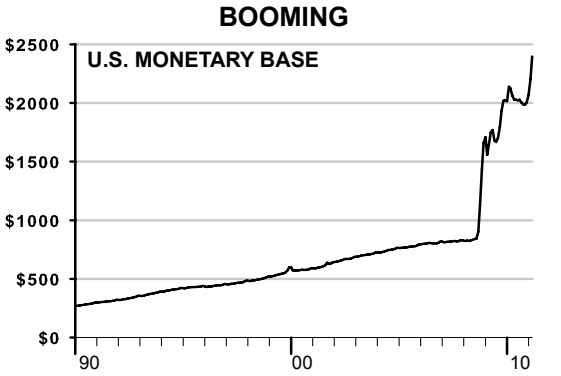
Instead, they started buying more gold, and investing in other countries and their currencies. It became very clear that China was spreading its reserve assets around and that's still the case.

Make no mistake, China's reserves are huge. They are the biggest in the world and while there's still lots to be done at home, as far as we can tell, China is making good choices, and managing their money, and their growth very well.

China has simply become an economic powerhouse and the rest of the world knows this. Their economy keeps surging year after year and no other country has come close. China is economically young, dynamic and it keeps its eye on the big picture.

Instead of wasting its money on international wars, China has been using its money to invest in countries throughout the world. As it does, it's building goodwill.

CHART 1



Even though we've often discussed China's international actions, we just witnessed this firsthand and it was very impressive to see.

GOOD EXAMPLE

Costa Rica is a small country, but it provides a good example of what China is doing. The Chinese built a soccer stadium here and the Costa Ricans love soccer. China brought their own workers to build it and it's state of the art gorgeous.

The stadium was recently inaugurated. A top Chinese government official came and it was a spectacular event. They had elaborate fireworks, beautiful cultural dances from all regions of China, and a kick off game between China and Costa Rica, which ended in a tie.

Goodwill was everywhere. Suddenly, Costa Rica learned a lot about China, it appreciated and respected the country it didn't really know before.

More people now want to learn Mandarin. The local newspaper had a special on Chinese food, as well as on Chinese immigrants who settled here in the 1800s. Plus, Costa Rica is now incorporating a Chinatown in the center of town and trade deals are being made.

This is essentially what China is doing all over the world. It's not just investing abroad, it's making friends internationally. Had we not seen this up close, it would be harder to understand.

But it's powerful and it's changing the global power shift, which brings us back to the point. If China is no longer interested in taking on more U.S. debt, what's going to happen?

KEEP YOUR POSITIONS

We know China is buying more gold, so this will boost demand and gold will keep rising. We also know that if China and Japan aren't buying so many U.S. bonds, then the Fed will have to pick up the slack.

That'll mean ongoing QE, which will be more inflationary. But let's say the Fed does stop QE2 on June 30, considering just the amounts already involved, inflation is inevitable. If QE3 is around the corner, it'll be another story.

We'll soon see what happens. But aside from China, we have to remember that gold demand is strong and it's building all over the world. This is a global situation and it's very bullish for gold.

The world is changing in so many ways, and gold and silver are emerging as the shining stars. In fact, rising commodity prices are in part one reason why the world is changing.

So keep these investments. They are the best and the way things are evolving, that'll continue to be the case for years to come.

There are many factors that could take center stage at any moment, from the Middle East to the historical debt load... we must stay alert.

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U.S. & WORLD STOCK MARKETS

More bull market highs

Stocks are on the move again. The Dow Transportation reached a new bull market high. It led the way and the Dow Industrials and S&P 500 quickly followed.

These markets are looking good (see **Chart 2**). They're leading the other U.S. and global stock indices higher and the bull markets remain intact.

MARKETS WERE NERVOUS

You'll remember that last month the markets were nervous. They were watching events unfold in the Middle East and increasingly, they came under downward pressure. The Dow and the Transports both broke below support levels and it was the same story in the rest of the world.

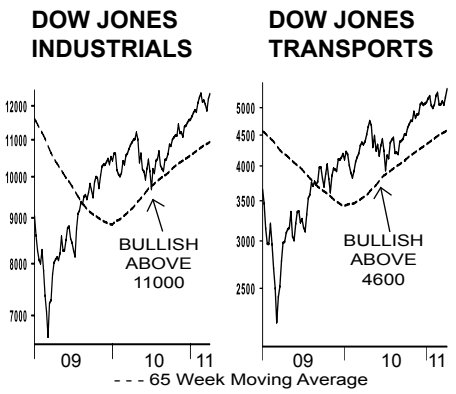
The earthquake and tsunami in Japan, and the resulting nuclear meltdown made matters worse. As the terrible news emerged, concern intensified about the future of the global recovery.

The S&P500 retracted the gains made so far this year. European stocks fell the most in eight months. The Japanese stock market suffered its biggest two day drop in 24 years and the other Asian stock markets were affected too (see **Chart 3**).

Under the circumstances, we took some precautions. In February, for instance, we sold the BRIC because it was underperforming. Last month we sold a couple of laggards, including Japan and this month we sold some more.

CHART 2

DOW THEORY BULLISH CONFIRM!



REORGANIZING OUR HOLDINGS

In essence, this provided an opportunity to weed out weaker stocks and add to positions that were showing better strength. If you missed any of this in our weekly updates, you'll see a summary of this repositioning in this month's U.S. and Global Stock Market Recommendation on page 12.

As the month wore on, it became clearer that despite ongoing concerns, stocks are focusing on the brighter news and they resumed their rise. In the end, the S&P500 ended the quarter by chalking up its biggest first quarter rally in 13 years.

The better outlook for jobs and growing confidence that the world economy could withstand Japan's worst disaster since World War II were some of main reasons why.

Meanwhile, ongoing events in the Middle East moved to the back burner.

GLOBAL ECONOMY RECOVERING

For now, the stock market is telling us that the global economy will continue to do well. That's fine, but we also have to remember that this stock market rise is already about two years old.

Plus, the underlying foundation is not on solid ground, at least not in the developed world.

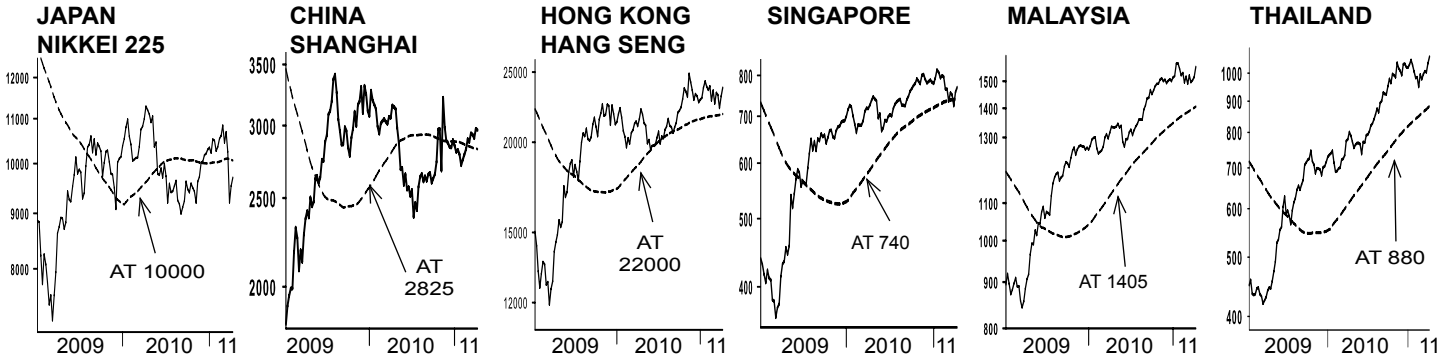
Since the global stock markets move together, however, this means that all of the stock markets still warrant some caution. Yes, interest rates are still relatively low, which is good for stocks, but with inflation pressures brewing that may not be the case for long.

The point is, stay with the stocks you have and add to your positions in the stronger stocks, for as long as this bull market lasts. We'll just keep going with what's happening.

But if we see signs of a big change taking place, we'll be quick to head for the exits. We feel that's the best way to invest and profit from stocks for the time being and we'll explain more of the reasons why in this month's Interest Rate Section.

CHART 3

ASIA: REBOUNDING TOO



- - - 65 WEEK MOVING AVERAGE IS KEY TREND. MAJOR TRENDS ARE UP ABOVE THESE LEVELS.

HOW HIGH?

So how high could stocks go? Again, we'll see. But based on these renewed signs of strength, it's starting to reinforce what we've been pointing out for a while now. That is...

If stocks keep reaching new bull market highs, there's a good chance the major stock indices will test their record highs of 2000 and/or 2007.

If they do, then the Dow Industrials could rise to as high as the 14000 level, while the S&P500 could get to around the 1500 area.

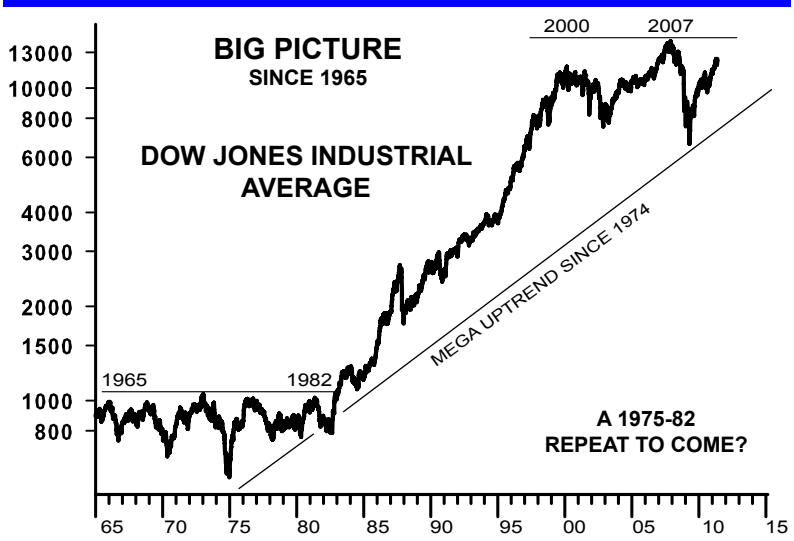
Interestingly, if we look at the Dow Industrials going back to 1965, you'll see some amazing similarities between what's currently happening and the action in the 1960s, 70s and early 80s...

At that time, the Dow basically went sideways throughout the 70s and the 1000 level was a very strong resistance level. In the current case, the Dow has been doing the same since 2000.

It's gone sideways since then and the market has been unable to break above those 2000-2007 high resistance areas. Could it do so this time around?

There are no guarantees, but as long as the major trends remain up, these are our next target levels. This could change, however, especially considering the balancing act currently taking place around the world.

CHART 4



MANY FIRES

From the Middle East to the extreme debt load, there are many factors that could take center stage at any moment. This is basically why we advise staying alert.

In the meantime, the dynamics in the market have also changed somewhat. Before, the emerging markets were the shining stars, but that's no longer the case.

Even though some are doing well, also leading the way up, generally they're still lagging. So we'd focus on the U.S. and the strongest markets at this time. You can see this on **Chart 5**, which compares the relative strength of the Dow Industrials to Brazil.

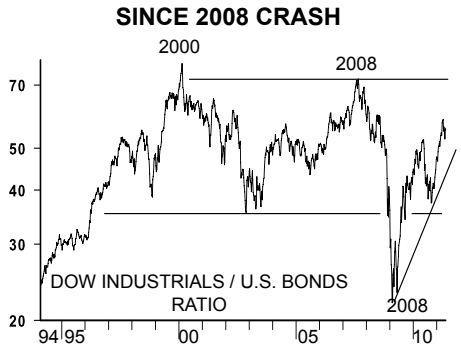
Note, the ratio between the two shows that the Dow has been much weaker than Brazil since 2002. But a trend change appears to be taking place, indicating that the Dow is poised to outperform the Brazilian stock market. It's the same story with several other emerging markets.

In the case of bonds, we know that stocks have been much stronger than bonds since 2008. This too will likely continue (see **Chart 6**).

Comparing stocks and bonds, you can see that the ratio keeps rising and it has room to move higher. That is, the major trend favors stocks and they're still the far better investment.

CHART 5

CHART 6



U.S. INTEREST RATES AND BONDS

Rates are bottoming

Interest rates are at the same level as they were last month.

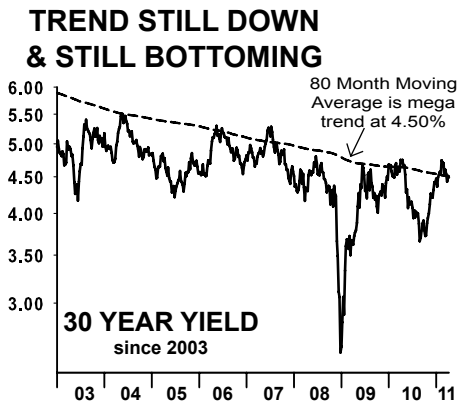
But they've been volatile, rising and falling on the news of the day.

TRYING TO TURN UP

This coincided with super heavy resistance at the 4.50% level on the 30 year yield. In other words, it hasn't been easy for the yield to break well above this area, but it's currently giving it another good try.

As you know, we believe interest rates are going much higher, prob-

CHART 7



ably sooner rather than later. This will be confirmed once the 30 year yield clearly stays above 4.50%, which identifies the mega trend (see **Chart 7**).

Once this happens, it's going to be a whole new ball game. A mega interest rate trend change would mean that interest rates are going to rise for years to come, along with higher inflation. It would be bullish for gold, but bearish for the dollar, and eventually it would put downward pressure on stocks.

SELLING BONDS

Bill Gross obviously agrees. He's the head of PIMCO, manager of the world's largest bond fund, and they recently sold all of their Treasury bonds.

Gross is an important market participant and a keen observer of the global scene. He's been very critical of the Fed's monetary policy and he feels higher interest rates are coming. His advice is to stay clear of dollar denominated bonds.

Why such extreme actions? In a nutshell, Gross says there's no way out of the debt trap. Blaming the situation on years of reckless spending, the U.S. is now near a breaking point and it can no longer rely on foreign capital as a last resort.

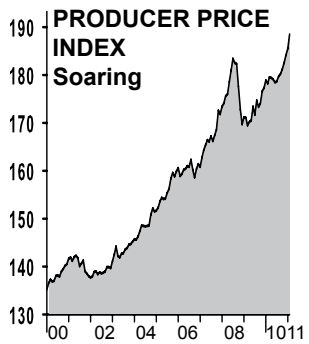
So the Fed has stepped in to fill the void. It's been buying massive quantities of U.S. government bonds, essentially funding the government's unprecedented spending via its QE programs.

The latest monthly deficit, for example, hit $223 billion, the biggest in recorded history. And by using these unorthodox financing policies, the Fed continues creating money every single day.

This is very inflationary and it's actually the direct cause of inflation. Remember, too much money means it takes more dollars to buy things, which drives up prices, resulting in inflation.

This is basically what the interest rate mega trend is telling us. Bill Gross knows this and so do many other experts, and that's why they're taking strong preemptive action to get out of bonds before inflation and interest rates start rising sharply.

CHART 8

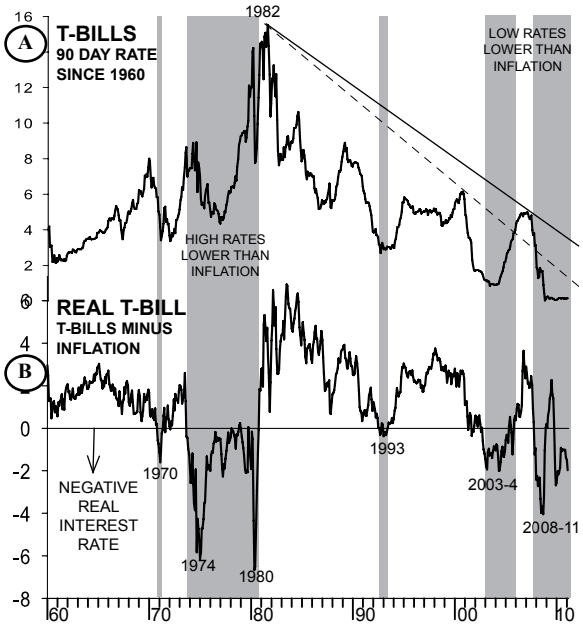


LIQUIDITY BOOSTING INFLATED PRICES

In fact, this is probably already starting. We know that commodity prices have been rapidly moving higher, especially food and oil prices. As we mentioned last month, producer prices have been picking up a lot of momentum over the past four months. This month, however, was a real eye opener.

Producer prices soared at an annualized rate of 19% due to the biggest jump in food costs in more than 36 years (see **Chart 8**; inflation is up in Europe and other countries too). Food prices surged an unbelievable 47% annualized in their largest rise since 1974.

CHART 9

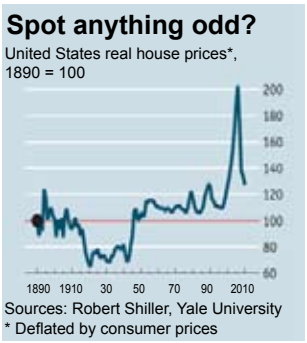


So this is already equivalent to the inflationary 1970s and it's likely still in its early stages. How bad could it get? Who knows... some feel hyperinflation is a possibility. Others think a collapse is coming, or a deflationary inflation, stagflation, you name it.

The point is, we're in uncharted territory. All we can do is protect ourselves, see how events unfold and take it one step at a time.

For starters, avoid bonds and keep a good chunk in precious metals. Plus, with interest rates so low and inflation perking up, real interest rates will likely remain negative for a while, which will keep downward pressure on the dollar and it'll put upward pressure on interest rates (see **Chart 9**).

CHART 10



COURTESY: The Economist

For now, the economy is still looking good, at least on the surface. Stock markets are rising, and so is spending. The leading economic indicator index was up strongly, pointing to ongoing growth in the months ahead, and unemployment has been declining.

But cracks in this

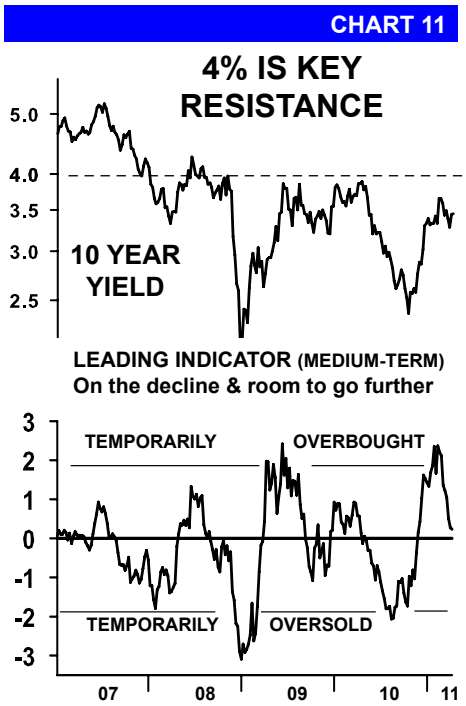
rosey picture are also starting to emerge. This month, consumer confidence fell sharply, thanks to higher oil and gasoline prices, and consumers are the driving force in the economy. If they're not confident, it could mean a rocky road ahead.

Plus, the housing picture continues to disappoint. For most people, their homes are their biggest asset, so it doesn't help that home prices are still falling (see **Chart 10**). As you can see, prices remain high and above the historical mean.

Home sales are lagging and housing starts are also down. That is, prices are still adjusting to the oversupply, the recession, foreclosures and the loose lending policies of a few years ago.

MIXED GROWTH

This is clearly a drag on the economy. So although growth continues, it is mixed growth and this is the case throughout the developed world. Essentially, the recession hangover and debt is pulling in one direction, while excessive liquidity and growth is pulling in the other way.



Which will win out remains to be seen. In the meantime, there's little question that big inflation is coming due to the Fed's efforts to save the economy.

Will it? No. We were recently reminded of this, watching a hard hitting documentary on the facts leading up to, during, and after the financial meltdown in 2008.

It's still happening. The sad truth is, the Fed is applying band aids whenever it must to avoid the inevitable. As long-term market observers know, this can last longer than you'd think. But eventually, the day of reckoning will come.

We don't know exactly when that'll be, but the markets will tell us and again, we'll just go with what they say.

Currently, they're telling us to avoid bonds. And while interest rates could decline in the near-term, the longer-term picture is not good. This will be reinforced once the 10 year yield also closes above 4% (see **Chart 11**).

So keep your interest rate related investments for the long haul. We think you'll be glad you did. At some point, we'll likely buy more, but not yet.

CURRENCIES

U.S. dollar: Drifting down

The currencies are surging as the U.S. dollar declines further. Aside from short-term blips, the dollar is bearish and it's showing renewed weakness. In other words, the dollar is headed lower.

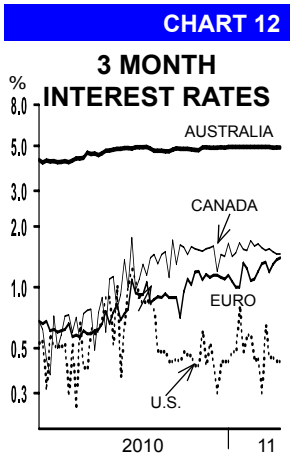
FRANCE LEADS AGAIN

Even though we've been expecting this, we witnessed a shocker this month. At the G20 meeting, France's President Sarkozy called for an agenda to end the dollar's global dominance.

He didn't say so outright but that was the message. Instead, he proposed plans to start internationalizing the world's monetary system to better reflect economic realities, including the dollar, euro and other stable currencies, as well as the Chinese yuan.

This is the first time we've seen a world leader propose action to actually start moving forward. It's also interesting that the country was France. You may remember, France initially pushed the U.S. to the brink in 1971, which marked the beginning of the end for the U.S. dollar.

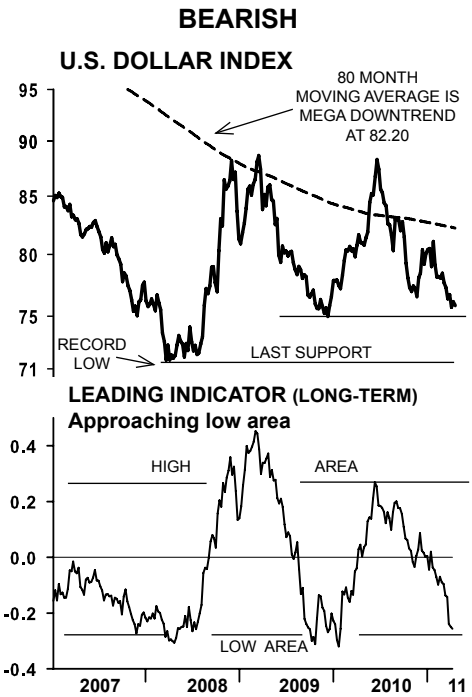
Prior to that time, the U.S. dollar was as good as gold, or so they said. Countries were able to receive gold in payment, rather than dollars, and many countries did. The result was a huge drain on the U.S.'s gold reserves in the years before 1971.



Finally, the U.S. was forced to stop the gold outflow. The dollar then stopped being as good as gold and the world went off the gold standard. Currencies began to float and the U.S. dollar has been falling ever since.

But there's more to this story... Our old friend and investment expert, Chris Weber, recently published an excellent book on this and we highly recommend it (ama-

CHART 13



zon.com). As usual, Chris has done exhaustive research to uncover the truth about the quantity and quality of U.S. gold holdings. His conclusions are eye opening, revealing a sad chapter in U.S. history.

U.S. DOLLAR: Changing times

As you know, the U.S. dollar is already very weak for valid, fundamental reasons, which we've often discussed… the debt load, inflation, the Fed's monetary policies and so on (see **Chart 13**). But even if part of what Chris documents is true, there's little hope for the dollar's future as it now stands.

This is also one of the big reasons why gold is rising so strongly. Gold is real money and it rises during uncertain times. It sees the truth and gold is telling us that the dollar's days of dominance are over. This will of course take time. Major changes like this always do, but it's happening.

As our dear friend Richard Russell so well explains… "Few Americans realize the advantage the U.S. has enjoyed over the years in being able to print the very currency our debts are denominated in. The U.S. has been able to print trillions of dollars that it never earned. Somewhere ahead the reserve status of the dollar is going to bump into the wall of non-acceptance." And this is what we're starting to see.

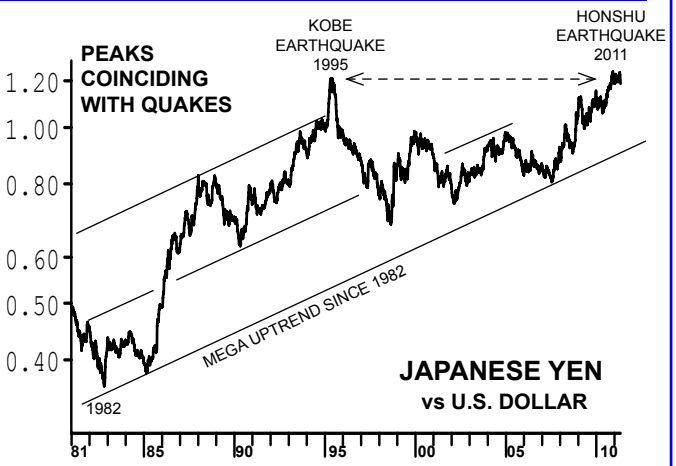
This will accelerate the dollar's decline and it will come as a shock to most people. The dollar itself is sending this message. It was the worst performing currency over the past six months.

What to do? If you have too many dollars, diversify into more precious metals and other currencies that are stronger.

CURRENCIES UP

As the dollar falls, most of the currencies are rising sharply (see **Chart 15**).

CHART 14



The Canadian dollar, for instance, remains very strong at an over three year high. Middle Eastern tensions are keeping the oil price high and as oil goes, so goes the Canadian dollar.

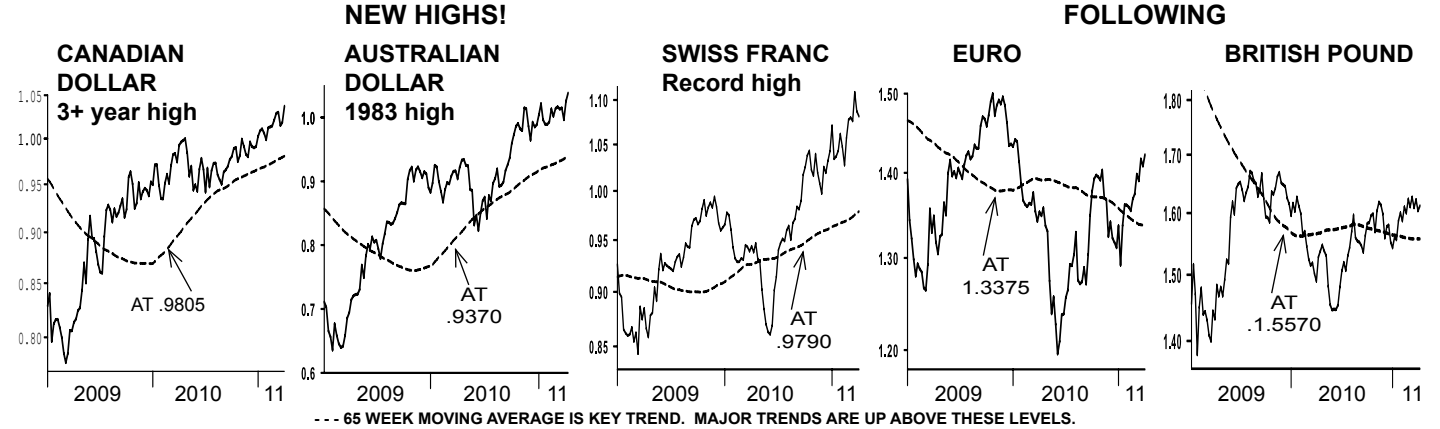
The Australian dollar is similar. It moves with commodities. And thanks to the ongoing rise in gold and other commodities, the Aussie dollar recently hit a record high since 1983, when it began floating in the free market.

The euro has also been a big winner. But like we said last month, it has more risk and that's why we're not recommending it.

Nevertheless, with inflation brewing in the Eurozone, euro interest rates recently rose and they're likely headed higher (see **Chart 12**). So if you have the euro, keep it as it's looking good.

This month we bought the Swiss franc. It's been very strong, benefit-

CHART 15



ting from its safe haven status, but this month itslowed down some. Still, we feel the Swiss franc is a good currency investment.

YEN: Peaking near record highs

Obviously, that's not the case for the Japanese yen. Following its worst disaster since World War II, the yen dropped sharply (see **Chart 14**). For the first time in over a decade, the G7 jointly intervened to push the yen lower, and it worked.

The yen had been strong, but it looks like those days are over. Japan is not only deeply in debt, but recovering from this terrible disaster is going to be very expensive. Making matters worse, many countries are starting to curtail Japanese exports due to possible contamination. It's really very sad and it will take a long time for Japan to recover.

Interestingly, the chart tells the story. As you can see, the 1995 level has been a strong resistance for the yen. The last time it reached this area coincided with the Kobe earthquake. Now it's coinciding with yet another major disaster and the yen is poised to fall a lot further.

The same is true of the U.S. dollar index. It has already broken below 76. Its last support is now the 71.50 level, which is the 2008 low. But with so many currencies breaking out to new highs, it's probably just a matter of time until this low is taken out. So again, protect yourself and don't keep excess cash in U.S. dollars. The best bet is to diversify.

METALS, NATURAL RESOURCES & ENERGY

Gold record highs... silver almost record

The mouth-dropping rise continues. No sooner did we finish last month's issue when the devastating earthquake hit Japan, adding to a world already in turmoil.

The month of March will surely go down in history as an exceptional month, full of natural and man-made disasters, war and debt insanity.

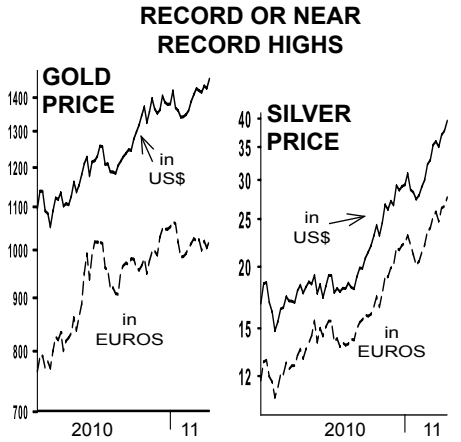
Records are being made everywhere. Record highs in gold, almost records in silver, record earthquakes, record world debt, record turmoil in the Middle East and North Africa, record highs in oil, raw materials and food... The world is volatile and so are tangible goods.

SILVER: Most impressive

Silver has been soaring almost daily. When silver reached a 31 year high on March 9 at $36, after rising 30% in the six weeks leading up to this high, we thought this was a fantastic rise within an already amazing bullish upmove since last Summer. Then, a week after hitting that $36 high, silver took off again, soaring to over $40 as we write.

Silver has certainly lived up to its characteristics... once it starts to rise, it takes off like a bandit. With a rise like this, up 50% since the end of January, it really doesn't matter

CHART 16



which currency it's rising against (see **Chart 16**).

Gold has also been impressive. After the longest streak of quarterly gains in more than three decades, gold continued up in April reaching yet another record high.

This is extremely impressive when you consider that gold's bull market is 10 years old, yet it's been relatively quiet. It's not common knowledge that gold and silver have been soaring. If this would've been the stock market, for instance, the news would've been all over the media.

GOLD & SILVER: Much better than stocks

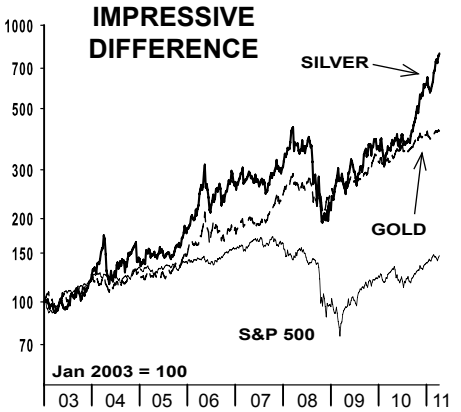
In fact, there is a lot of talk going on about the stock market, but look at its returns compared to gold and silver, especially over the past few years... **Chart 17** shows this clearly with the three starting at 100 in 2003. Note that the disparity started in 2005 and it's still going on. Gold and silver are far stronger than the stock market.

But going back to the question many are asking, is a bubble forming in gold, and especially in runaway silver? We don't think so.

Gold is still a very small part of total global assets. That is investment assets in gold are low. Be it investment or pension funds, you don't see an important position in gold.

Total global investment assets are

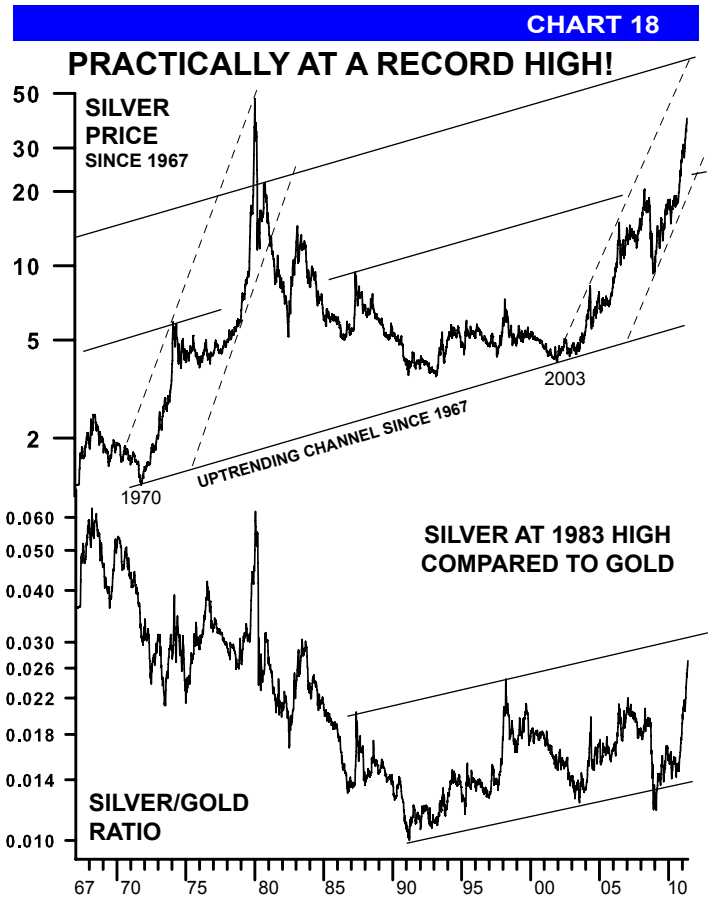
CHART 17



much greater today than they were in the 1970s. Perhaps, gold is a smaller percentage of this total because other investments, like in the emerging world, have taken the limelight. Or perhaps lots of money is on the sidelines waiting to buy on weakness, which has yet to materialize.

Whatever the reason, gold and silver's bull markets haven't been much noticed by the average person. This is a stark difference compared to the 1970s when all eyes were on gold.

Overall, it's a bullish omen because the situation in the world today calls for people to protect themselves, and eventually they will.



GLOBAL INFLATION UPCOMING

Part of the reason why gold is rising is due to safe haven buying to protect against inflation and chaos. Inflation is picking up around the world.

In Europe, it's rising at the fastest rate since the financial meltdown in 2008. Plus, their debt situation is serious.

Portugal's debt rose to an all time high and their borrowing costs are unsustainable. Nevertheless, the ECB raised interest rates this week to tame inflation.

China has been trying to defuse inflation by raising their interest rates for the fourth time in six months.

Meanwhile, the U.S. keeps pumping out the money. As we previously mentioned, this is fueling inflation.

So it's no wonder the Kansas City Fed President said the highly accommodative monetary policy is partly to blame for rapidly increasing global commodity prices, and that interest rates should rise. Ben Bernanke was right this month when he finally acknowledged that inflation must be watched closely. It should because it's become a driving force.

DEMAND IS STRONG

Demand is also growing worldwide, from central bankers to the average person. In fact, American Eagles and Canadian Maple Leafs have been sold out at their respective mints.

But it's not just buying for safety, the world is also buying up commodities... from raw materials to food. And as economic growth is being sustained, commodities are rising to two year highs.

The shining star

Silver is getting a boost from both the rising gold price and a recovering global economy. When this is in synch, silver tends to soar. It is also helped along by rising inflation, commodity shortages, and the turmoil in the Middle East.

Note the similarities in silver's rise in the 1970s compared to the rise of the past decade (see **Chart 18**). The difference is silver rose 3000% then, versus today's gain of 830% since 2003.

This suggests that silver could eventually rise to the top of the mega channel, and probably surpass it like it did in 1980. Also bullish, remember that there are a lot more reasons for silver to rise today than there were in the 1970s.

With silver now hitting $40, it's essentially at record high territory. Looking at the chart, you can see that the spike peak above the top of the channel was quick. Silver was above $39, for instance, for only a week back in 1980.

Silver is more powerful now and world demand will also help drive prices much higher. We strongly recommend keeping your positions, and riding through weakness, as long as the major trend stays in your favor. We think you will be rewarded even more handsomely...

Meanwhile, silver will remain very strong above $35, but even if it declines to the unlikely $25 level, the trend will still be solidly up.

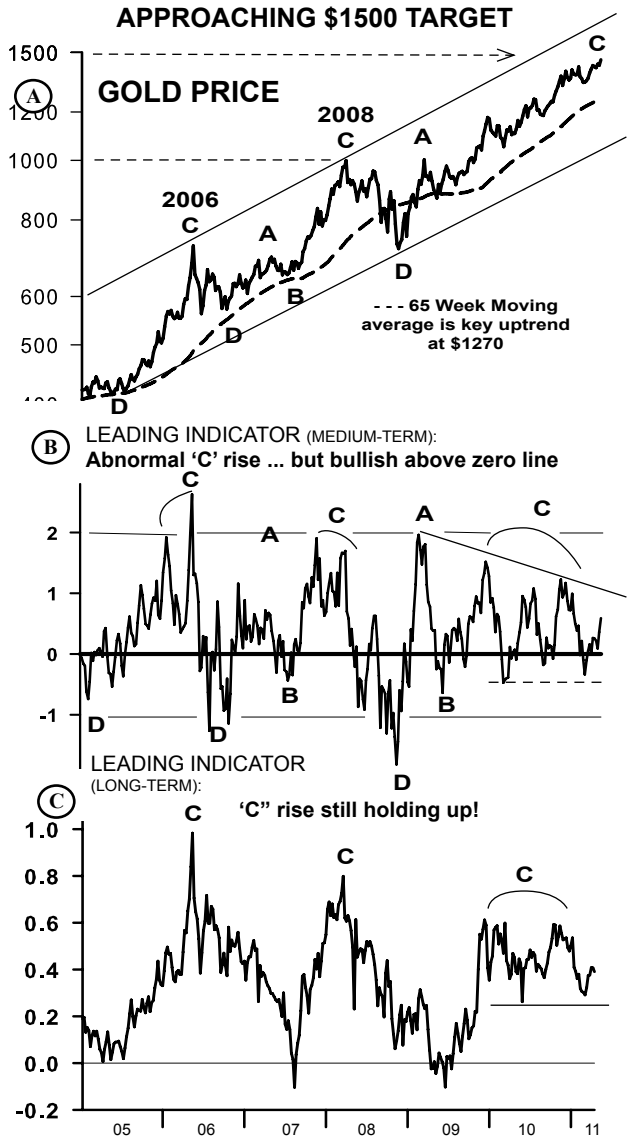
Silver is also soaring much more than the strong gold price. It reached its 1983 highs versus gold, as you can see on lower **Chart 18**, which shows the ratio of silver compared to gold.

Most impressive, even with this jump up in the ratio, it's still within the lower side of the average. This is saying, silver could continue to outperform gold. Plus, the market cap of all silver ETFs is tiny compared to other companies and compared to gold. It's a growing market, and investors feel it's more affordable.

GOLD: Getting closer to the $1500 target!

The gold price is still on its way to $1500, and it's almost there. This is

CHART 19



a major target level in the bull market's big picture. It certainly doesn't mean that it's the major target, it's simply the target for the first part of the stronger phase of the bull market. If gold takes a breather from the $1500-$1550 level, it would reinforce that it's a great bull market full of energy.

Just like China encouraging their citizens to buy gold, we encourage you to do the same. When we get weakness it will provide a great buying area. Meanwhile, averaging in continues to be a good strategy.

Timing gold

Gold's C rise is still underway and it's been amazing (see **Chart 19A**). The rise will turn two years old this month. Who would've guessed in April 2009 that this intermediate C rise would end up being the longest and strongest intermediate rise? Gold has now risen 70% in two years. It went from $868 to almost $1500!

The rise has taken on a different form since the stronger phase of the bull maket began in September 2009. It's been a steady consistent rise instead of the spiky looking volatile moves of 2006 and 2008. It looks more focused on the seriousness of today's situation.

The leading indicator (B) also looks different. It's bullish above or near the zero line, but it has yet to reach an overbought area, which usually clearly identify peak areas in the gold price.

Since it's now starting to rise from a neutral level, it has plenty of room to rise before it's overbought, so it's saying we could see more upside in gold before an intermediate high is reached!

The long-term indicator (C) is similar as it has yet to break down from the high area, which says gold's strength is not near maturity.

The super rise is here! And gold shares are obliging as they had their biggest one day rise in months recently. Many gold shares are at new highs! This is being reflected in the XAU index (see **Chart 20**).

Of our gold and silver positions... SLV, GLD and IAU, our silver and gold ETFs, are soaring. Our Canadian gold & silver fund, CEF, is at new highs as well. Our silver share, SLW, continues to amaze while NGD is holding at the highs. Our new addition GRS is at new highs as well.

ENERGY & FOOD: Go hand in hand

As Libya and the spreading turmoil in the region heat up, the crude oil price is also heating up, as it closed this week at another 30-month high at $112.

Oil has mainly been getting a huge boost from the growing turmoil but it also rose with better economic news. A threat of supply disruptions, together with more promising demand are sure fire reasons for a further rise in the oil price.

Crude's biggest advance in two years led commodities to a third straight quarterly gain. And in turn, a rising oil price will surely keep upward pressure on food costs.

This month we saw record highs in cattle and hogs, but corn has

CHART 20

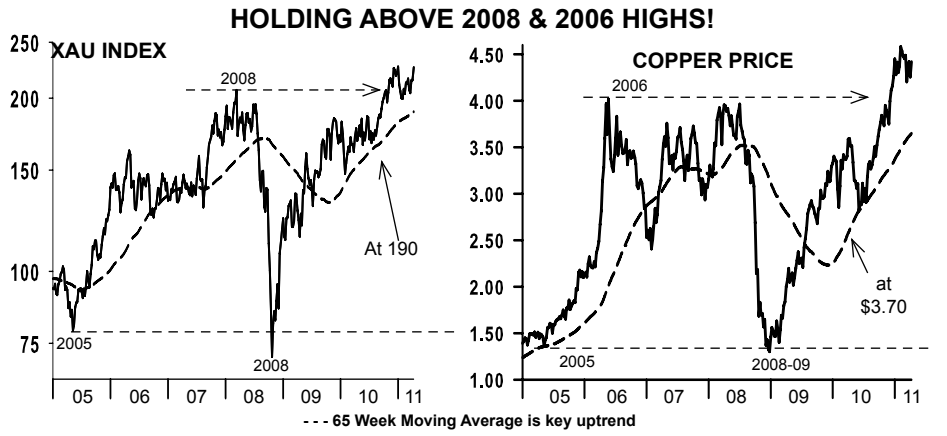
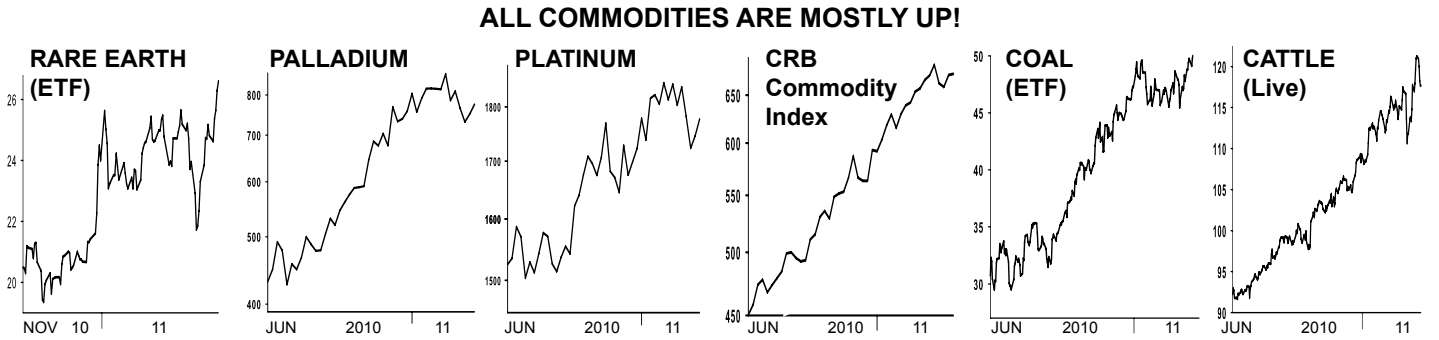


CHART 21



more than doubled in the past year, while wheat has risen 68% and soybeans are up 45%. But all the commodities are rising. As grains rise to record highs, cattle prices rise too as the cost to feed them rises. It's a linked chain.

Demand based rises are the most powerful and combined with rising inflation, it practically guarantees higher commodity prices will continue.

Food at record highs

Global food prices are also set to rise in this first half century due to the expanding world population, higher income and the effect of climate change.

FAO forecasts that food output will have to rise by 70% from 2010-2050 as the world population swells to $9 billion, and rising incomes worldwide will boost meat and dairy consumption... not to mention energy. Many countries will have income growth, which will have a positive effect on demand for many products.

This will also intensify serious problems like hunger and revolutions, as we are now seeing in the Middle East and North Africa. The high food prices are pushing millions into poverty.

Soaring crude

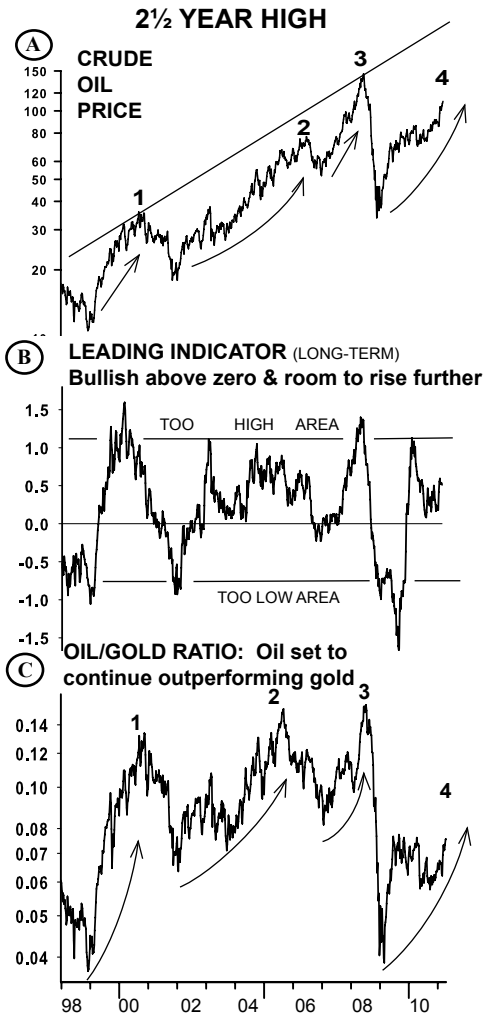
Crude oil is set to rise further and with all that it implies. **Chart 22A** shows oil since 1998.

Here you can see the four upmoves oil has had since then. The fourth one is currently underway and it's starting to outperform gold. This alone tells us that the oil price has a lot further to rise.

Gold tends to lead oil, like you've seen this year. But once an upleg starts in the oil price, it tends to outperform gold.

Note the oil/gold ratio (C). When it moves up, oil is rising and it's stronger than gold. This is now happening again for the fourth time in 14 years. Plus, the ratio is rising from a low level, which suggests that oil could continue to rise and outperform gold. The leading indicator also has room to rise further before it's in the high area.

CHART 22



RESOURCES: Strong

Our resource shares are doing well too, in spite of copper's sluggishness. It turned down when oil started to rise, but Japan's devastation also hurt copper as it was perceived that the world economy would be affected. But with the economy looking better, copper is bouncing back and it's holding near a record high level (see **Chart 20**).

Copper is a global economic barometer and it's saying the world economy is okay as it broke into record highs last December. Its major trend is at $3.70 and it's quickly approaching its previous record high area at $4. This is very bullish indeed.

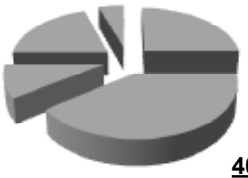
Rare earth is an area that has gained popularity and, since it jumped this month, we are showing it in the rundown on **Chart 21**.

China controls about 95% of global shipments of rare earths. But with their huge appetite for materials, they may start importing some of the material to meet their rising domestic demand. This is probably why it shot up and why we are keeping it on the radar as a resource indicator.

All of our energy and resource shares are doing well. The oil ETF and BHP Billiton are soaring and are the strongest. The others are near the highs, like APA, CAT, IXC, DIG and SU. BTU is coming down from the high but it's still strong.

OVERALL PORTFOLIO RECOMMENDATION

It's been another exciting month. The action doesn't seem to end for silver and gold, as they keep surging into new high territory. There are so many factors fueling these rises, we'll just stay with it for as long as it lasts, which is likely to be a long time. Meanwhile, stocks are also rising again and we've readjusted our stock recommendations, as you'll see below. Otherwise, stay with your positions as they're all doing well.



PRECIOUS METALS, ENERGY, RESOURCE RECOMMENDATION

New highs everywhere... Record highs in gold, almost record highs in silver, 30 month highs in oil, record highs in tin, cotton and cattle, new highs in aluminum and lead. The commodity markets are red hot and it's happening during a historical moment in time with spreading wars, record earthquake, a nuclear accident, record global debt and rising inflation.

Silver is the shining star as it tears through $40. Gold is approaching its $1500 target level and even with this surging rise, the market is not clearly overbought. They will remain super strong by staying above $35 for silver, $1420 for gold and $98 for crude oil. At some point, a decline will kick in but for now, they have room to rise further.

In the end, the oil price was leading copper and the resource sector as the world economy looks better. Copper is starting a renewed rise while our favorite resource company, BHP, soars. Platinum and palladium, while bullish are not as good as the others, which is why we sold Stillwater Mining (SWC) in our weekly update. If you haven't yet sold, it's still in a good position to sell. Otherwise keep your positions and also buy Gammon Gold (GRS).

U.S. AND GLOBAL STOCK MARKET RECOMMENDATION

Stocks are rising again. The U.S. and global markets remain bullish, so stay with the stocks you have and buy new positions in the stronger ones. This month we made some adjustments, generally weeding out the weaker stocks and adding stocks that were showing better strength. In summary, **we recommend selling the Nasdaq ETF (QQQ), iShares S&P Tech (IGM) and Power Shrs Finan (PFI). We also now advise selling Power Shrs Leisure (PEJ). Instead, add to your positions by buying more SPDR S&P Bio (XBI) and Dow Diamonds (DIA). Also buy S&P Global Telecom (IXP).**

CURRENCIES RECOMMENDATION

The currencies are surging as the U.S. dollar declines further. The U.S. dollar index is now headed for its last support at 71.50, the 2008 all time record low. If it breaks below that level, it's going much lower and there are many reasons why it may. We continue to recommend holding and buying the Canadian dollar. We also bought the Swiss franc this month and the Australian dollar looks good too. They're benefitting from the rise in commodities and oil, higher interests and as safe havens. We do not advise keeping excess cash in U.S. dollars. Instead, keep your small 10% cash position in these stronger currencies. if you have other currencies, they are fine to hold as well.

INTEREST RATE & BOND RECOMMENDATION

Interest rates are on the rise again. It's still to be seen if the 30 year yield can stay above the 4.50% level. But if it does, a mega uptrend in interest rates will be underway, indicating much higher rates for years to come. The way things are unfolding, this could happen sooner rather than later, but we'll see. If the 10 year yield rises and stays above 4%, this will clearly be confirmed. For now, avoid bonds. Keep your small interest rate related investments, but don't buy new positions yet.

OUR OPEN POSITIONS

GOLD & SILVER ETFs AND SHARES

iShares Silver Trust	SLV-AMEX
Silver Wheaton	SLW-NYSE
iShares Comex Gold	IAU-AMEX
SPDR Gold Shares	GLD-NYSE
Gammon Gold *	GRS-NYSE
Central Fd of Can	CEF-AMEX
New Gold	NGD-AMEX
Central Gold Trust	GTU-NYSE

RESOURCE & ENERGY SHARES

US Oil Fund	USO-Nasdaq
BHP Billiton	BHP-NYSE
Apache	APA-NYSE
Caterpillar Inc.	CAT-NYSE
Ultra Oil & Gas	DIG-AMEX
iShares Tr Glbl En	IXC-NYSEArca
Suncor Energy	SU-NYSE
Peabody Energy	BTU-NYSE

U.S. & GLOBAL STOCKS

SPDR S&P Bio	XBI-NYSEArca
Templeton Emg Mkts	EMF-NYSE
iShares Mexico	EWW-NYSEArca
S&P Glbl Telecom *	IXP-AMEX
iShares Malaysia	EWM-NYSEArca
Dow Diamonds	DIA-NYSEArca
Prshrs Dynamic Soft	PSJ-NYSEArca
SPDR Consumer Dis	XLY-NYSEArca

CURRENCY ETFs & FUNDS

Canadian DL Tr	FXC-NYSE
Swiss Franc *	FXF-NYSE

INTEREST RATES

Proshrs Ultra Short20+	TBT-NYSEArca
Profunds Rising Rates	RRPIX-NYSE

*** New Position**

Note: All of the shares, funds and ETFs are listed in the box above in order of strength per each section. Keep the ones you have on the list and buy new positions in the strongest ones.

Big Picture

By Uncle Harry Schultz Apr 8, 2011 Dear Reader,
The world is in a state of flux. *Flux R Us*. Maybe FLUX stands for Financial Landslide Upheaval X-rated.
Or, as I said some time ago, this is *The Planet of Oops!* Libya is a big Oops. Or is it? Is it only as we see it on TV? Just a series of bashings & blunders? Or is it a long-planned multi-nation, coordinated mass regime change, to strengthen the grip of either: 1. Elite chess players who run this oily world? Or 2. Communist/ Socialist & radical Islamist strategists who've furtively undermined the West for decades. Glenn Beck (*Fox News*) thinks the latter. IMO, it was one or the other, not just a series of young men demonstrating for jobs & a better, freer life, which triggered other teens. It was too pat & synchronized for that & sponsored by too many insiders or men with a cause.

•••• This is the first time old friend Jim Sinclair has said hyperinflation is *"assured"* –ie, certain, not just possible or likely. Jim says: *"The madness will not stop. The situation is over the edge. The damage is done. Hyperinflation is assured."* I'm afraid Jim is right. Govt could have prevented it, but didn't want to pay the price. Fiat currencies will pay the price. The US$ will both waterfall & lose its reserve currency status—which in turn will ignite rampant inflation.

Jim adds: "The new reserve currency will be a virtual currency (an average of the major currencies). It will be {remotely} tied to gold via a worldwide M3 type liquidity. It won't be convertible. {will be used between central banks not U&I} Today's existing currencies will continue to be used but valued one to the other. A measure will be created similar to the old M3 {which reveals govt pumping} but to reflect their entire past money creation. Upon initiation, the M3 level & the level of gold will be considered as 100 on the virtual index. Contributions of gold to BIS or IMF (agent of the virtual reserve currency) to participating currencies in index will have to rise to meet rising liquidity. All situations, like now, will resolve themselves via a commodity currency. That is the entire story."
Ace forecaster, friend Geoffrey Payne says: "Lots of US media "news" about **rising prices,** but no valid inflation figures, because a deceiving govt **excludes energy & food.** A joke really, since inflation is mostly about energy & food prices." •••• A new form of inflation is described in blogosphere. It's called "biflation." Everything U **already** own, a house, car, stocks--has declined in value. Everything U actually **need** to buy--food, gasoline, medicine, education--is going up. Al Lewis (*DowJones* tellittoal.com) says: "Biflation happens when the Fed creates trillions of new $'s out of nothing, but mostly just gives it to the banks." ••••A step ahead: How will this alleged world govt come about? Are the Chinese, Russians & Islamic nations going to sign up for that? I think not. •••• Another way-out comment making the rounds is that everyone will be made so poor they will not or cannot revolt, history has shown otherwise. Hungry/poor people make motivated revolutionaries.
Re labor unions: note these quotes: *"All govt employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct & insurmountable limitations when applied to public personnel management."* -Franklin D. Roosevelt (1882-1945), 32nd US President. http://quotes.liberty-tree.ca
•• *"It is impossible to bargain collectively with the govt."* - George Meany (1894-1980) Former AFL-CIO president.
••••**Gold Goslings**: I'm delighted with the young Turks taking over leadership of the gold movement. Those of us golden oldies who pioneered it, from 1964 onward, can be pleased. Eg, there's now a free site devoted to the gold standard! See it at: TheGoldStandardNow.org. The free *DailyBell* is another with brilliant leadership. People are also learning how to trade gold with a part of their gold position. ••••

Friend Richard Russell & I are on the same page 80% of the time. On 3/21 he said *"By now most Americans are aware the US$ has been sinking. I call it a death spiral. So what's the reaction of most Americans? Their reaction is to buy the stock market or buy US T-bonds; they regard both as safe havens. Does it not occur to them that both US stocks & US Treasuries are **denominated** in US$? I fail to see US stocks or Treasuries as safe havens."*
I agree. U can't blame Americans from rushing into the stk mkt as an escape from inflation & falling $-value. But it's funny they don't realize they're jumping from $'s to $'s. If they were more ginned up they'd jump into Canadian/Oz/euros or Swiss bonds, for example, &/or Cad & Oz & German comod based stks to escape US$'s. Ironically, the euro is strongest in the pack just now. And gold, of course, which has no nationality.

The long-term chart of the Dollar Index shows a huge **head-&-shoulders top** with a complex left shoulder (1988 to 1995), a tall head rising to above 120 in 2002, & then a decline back to support at 70. From there, a right shoulder is forming (2005 to 2011). A shorter-term 4-yr chart shows a mega symmetrical triangle with price trying to break & hold below 76 (75.83 at presstime); if done, chart says the target is 60.55, a teutonic fall. But at 60.55, it would break the 23-year H&S top's neckline around 70, yielding a catastrophic target of 30. !! That spells either Weimar, Zimbabwe or Argentina. Watch the chart yourself; let it tell U what to do re US$ based assets. Do your own think, or sink.

Straws in wind: British inflation rising to a 28month high (4.4% in Feb) has started ringing bells. •••• Europe's central bank will raise interest rates next week. China has done it 5 times over past 12mos. •••• Air passengers can be tracked now via the wi-fi emitting devices they carry. •••• Recent G20 seminar

on int'l reform reached no agreement. Why? Nobody really wants reform. Same in US. Talk but no walk. •••• Wolfgang Munchau (FT 4/4) says: *"Politics will bedevil resolving the euro crisis."* He says: EU has a stark choice betwn break-up of the eurozone & a single Euro bond with a fiscal union." The bond for sure. Angela aside. Fiscal union? Maybe not. •••• *FT* columnist Clive Crook writes: *"In a democracy, people are supposed to get the politicians they deserve. What on earth did Americans do to deserve these?"* •••• US food prices soared this week on the worst kind of news, that inventories of corn were lower than believed. •••• "To be passive & content when confronted with evil is to become part of It." *–Purton Today,* UK).

Off the Cuff Be sure to get a DVD of "Agenda." Their agenda against freedom has been successful. ••• Urge U subscribe to Richard Maybury's *Early Warning Report*. He is great on geopolitics & wars. Must get his March issue to start your sub. POBox 84908, Phoenix AZ 85071. •••• Look who said this in the 1920's! Nothing changes, except got worse: *"The ruling class has the schools & press under its thumb. This enables it to sway the emotions of the masses."* **-Albert Einstein** (1879-1955) Physicist & Professor, Nobel Prize 1921. http://quotes.liberty-tree.ca

Has it come to this? In no less than the *FT* Lex column 3/26 it is proposed that Portuguese-speaking Brazil ***annex*** Portugal! "Yes the ex colonizer would resent the loss of status, but the old colony has much to offer. Brazil is one of the successful Brics." What an idea! Would it spread? Who would like to take over Greece? ☺ Would the UK want Ireland back? Failing Spain merge with Argentina? Would Holland want ex-colonies back? Belgium want ex-African cols back? Bankruptcies make strange bedfellows ☺.

Gold seems destined for $1,500 as next target, & silver to $40 (pause) then 42.50. Use pauses to collect/bank trading profits & buyback on automatic corrections. I practice what I preach & taking profits has no true downside! ☺. Au&Ag really prefer US$ to dip under 75 to bring about next metals bump up. •••• Clever FT columnist GillianTett says **black swans** (basis the book & meaning shock/unpredictable events) imply we can't always master risk anymore. Computers proving to be near useless for predicting. Things now ultra interconnected, complex, & opaque. Banks desperately need solutions. Best bet: **diversity** & self-sufficiency, which I've urged for some time. Don't be all in gold or anything! Society & U&I plan on more black swans since the "sophisticated" forecast & stop loss system techniques go wrong—for govts, biz, mkts.
•••• US govt shutdown? Amusing, they found1mil govt employees were "not essential." Including tax audit dept. I don't hear a lot of complaints from public. ☺ •••• US Fed buys 70% of US govt bonds. That is a big message. Hope U get it. •••• Japan is dying. Very sad. •••• If U have a Mac computer, be sure to cover the 'camera' at the top of the screen, when opened. Microsoft (& govt) may be watching U there. Not a joke. Ask a teckie if U doubt it. •••• Great *NYT* cartoon Mar 4 "Hillary says: We support the struggle of the people (against the regimes we supported)." PS: & funded & armed. •••• Water cures or helps cure many illnesses. Lack of water creates illness. Drink up!

Uncle health report: consolidating. Got super email from faithful reader Liz Hannock, only 85, re treatment for osteoporosis & bone weakness. Recom Strontium & BoneGrow. Advisor Jim Ehmke agrees. Jim writes: "Keep up good work. Despite your 87.7yrs, this is one case where quantity matters! ☺ •••• U can still write me (but don't expect reply) at same Swiss address: POBox 622, CH-1001 Lausanne, Switz. Our website is closed down.

••Here's part of a fabulous *DailyBell* interview with Dr.Hans-Hermann Hoppe, renowned Austrian school author. I endorse his view re the Net & have said so before, but not as eloquently. Last 2 lines are deadly!

Dr. Hans-Hermann Hoppe: *It is true that both inventions revolutionized society & greatly improved our lives. It is difficult to imagine what it would be to go back to the pre-internet age or the pre-Gutenberg era. But I am sceptical if technological revolutions in & of themselves also bring about moral progress & an advance toward greater freedom. I am more inclined to think that technology & technological advances are 'neutral' in this regard. The Internet can be used to unearth & spread truth as much as to spread lies & confusion. It has given us unheard of possibilities to evade & undermine our enemy -the state, but it has also given the state unheard of possibilities of spying on us & ruining us. We are richer today, with the Internet, than we were, say, in 1900, without it (& we are richer not because of the state but in spite of it). But I would emphatically deny that we are freer today than we were in 1900. Quite the contrary!"*

•••Friend Chris Weber has written a book detailing US real gold holdings, with govt info to indicate there is aprox no gold left at Ft Knox. He calls it the Great American Disaster. U can buy the book *Good As Gold* at Amazon.com

•• **Potpourri**: Teacher: Maria, go to the wall map & find North America. Maria: here it is. Teacher: correct. Now class, who discovered North America? Class: Maria. ••• Free Health Care: If U can't afford a doctor, go to an airport - you'll get a free x-ray & a breast exam, & if U mention Al Qaeda, you'll get a free colonoscopy. ••• You come to love not by finding the perfect person, but by seeing an imperfect person perfectly. -The love we give away is the only love we keep. •Too bad all the people who know how to run the country are busy driving taxicabs and cutting hair. ••• ☺ That's it for this time. God bless U, each & every one Uncle Harry, KM, KCSA