THE
# ADEN FORECAST
MONEY • METALS • MARKETS

APRIL 2016 *our 35th year*

# WILD CARD WATCH

The first quarter of 2016 is over and it was one for the record books. It also laid the foundation for what we might expect, looking out to the rest of the year...

## GOLD: Q1 2016 Winner!

Gold, for instance, was a big winner. It outperformed all of the other sectors, rising 15% (see **Chart 1**). This marked the biggest quarterly gain in 30 years and it's set to rise a lot further this year.

The U.S. dollar also made a five year quarterly record, but on the downside. It dropped 4%, following its strength over the past couple of years, and it's poised to fall further.

The decline in the dollar coincided with the ongoing drop in interest rates. And if interest rates head lower, as we suspect, it'll likely keep downward pressure on the U.S. dollar.

The weaker dollar also had some influence on the bombed out commodity markets.

Looking at copper and oil, for example, they moved up nicely and the worst appears to be over. That is, commodity prices are probably going higher.

And finally, the stock market rose strongly. But the stock market is currently mixed and this alone is a sign of caution.

We'll know soon enough how this unfolds, and we're keeping an open mind.

Meanwhile, the emerging stock markets are looking better. In large part, that's also thanks to the weaker U.S. dollar.

Could the stronger markets be leading the way for the rest of the global stock markets? It's a possibility and we'll be watching this too as we go forward.

## EXPECT THE UNEXPECTED...

Meanwhile several wild cards have taken center stage and we want you to be aware of them.

Why? Because any one of these could dramatically affect the markets...

## Europe

One important wild card are the developments in Europe. Specifically, we mean the growing risks of more terrorist attacks.

As you know, we've never been alarmists, or at least we don't think so. But as more information emerges, it is alarming. Our friend and military expert Byron King calls it the new crusade. Here's why...

He points out that 2 million migrants have entered Europe in the past year. The mastermind of the Paris attacks has boasted that he and many others entered Europe by blending with the migrants.

So let's say only 1% are terrorists, that's 20,000 people. Then say they break into small terror cells. How much trouble could a couple thousand terror cells cause? They could wreak havoc.

Remember, only 19 people were responsible for 9/11 and less than 10 were involved in the Paris massacre. Two in San Bernardino, a handful in Brussels, and you see the potential.

Byron and other experts believe we're in the early stages of what could be a catastrophic wave of terrorism and anti-Christian attacks, which will hit Europe and the U.S.

We don't say any of this to upset you, but we do want you to be informed based on accounts by Interpol, the FBI, and other global officials.

On a smaller scale, we're even seeing some of the effects here in Costa Rica... A couple of our daughters are in real estate and they're being flooded by European buyers wanting to move to Costa Rica because of what's happening in Europe.

## The U.S. election

The U.S. election is another wild card. And here too the repercussions could be wide ranging, depending on the outcome.

For the first time in many years, voters are making it known that they're tired of politicians who say one thing and do another. So they're opting for change in a big way.

That's why Donald Trump and Bernie Sanders have been gaining ground. People are angry about the economic imbalances between the haves and the have nots, technology, globalization and the loss of so many jobs.

**INSIDE**

Despite the improving economy, they're essentially fed up with living a reality that's different from the official accounts. No recession? Well, it doesn't feel like it for many people. Average household income, for example, is lower than it was in 2000.

That's an awfully long time to tough it out. So it's no wonder the working class is frustrated with the status quo.

Then there's the older crowd and they're not happy either… Interest rates have been near zero for over seven years and that's been a huge blow to many retirees.

Bloomberg estimates about $8 trillion in interest payments should've been paid to savers, but it's simply disappeared, thanks to the Fed's monetary policies.

The end result is that many elderly people are living in poverty, or they're very strapped for cash, and we've heard many stories first hand from some of our peers.

## Monetary policy

Monetary policy is a wild card too.

The Fed and the world's central bankers have taken unprecedented measures to boost their economies.

This has included lots of QE, and super low, or negative interest rates, but the results have been disappointing. Deflationary pressures persist. Economies remain sluggish and inflation is low.

The markets know the central banks have run out of options. Even former Fed chief Bernanke confirmed that monetary policy is "reaching its limits."

There's not much more they can do except for maybe helicopter money. Don't laugh, it's seriously being discussed by some leading experts. This would amount to central banks giving people money in the hopes they'd spend it, to spur their economy, fuel some inflation and avoid a recession.

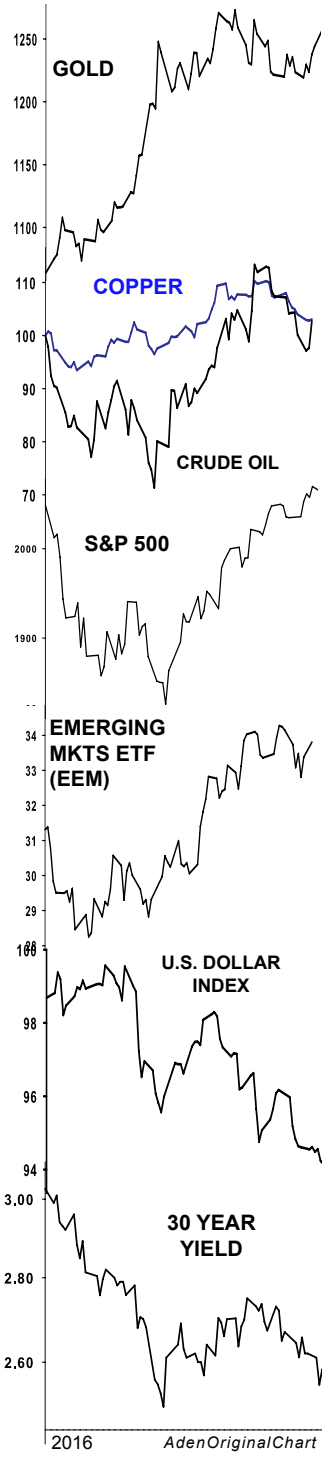
As a policy, this is about as desperate as you can get. But really, anything is possible at this point.

The bottom line is, the central bankers don't want a recession and they'll do whatever they can to avoid one. But considering that the current recovery is one of the longest without a recession since the Great Depression, it's vulnerable and it could indeed slip into a recession.

Does that mean low interest rates and maybe more QE are in our future? It's clearly a possibility.

**CHART 1**

**Q1-2016: A TURNAROUND**




## The debt

But the biggest wild card is debt. As we've often pointed out, it just keeps growing and growing. It's reached the stage where it's keeping a lid on economic growth, and it has been for the past few years.

As our friend John Mauldin notes, in a couple of years, all of the taxes collected by the U.S. government will go to pay defense, entitlements and the interest on the debt.

That means all spending for everything else will have to come from borrowed money. So there's basically no end in sight.

And it's not just the government, U.S. corporate debt ratings are near a 15 year low.

We've previously mentioned that several pundits, including Reagan's former budget director, David Stockman, believe we're on the edge of another financial meltdown, like in 2000 or 2008. Some of these people have been labeled gloom and doomers who are always negative.

But interestingly, Michael Burry, the market genius and hero featured in the movie The Big Short agrees. He notes that the 2008 financial crisis did not result in any positive changes and debt is what makes him most nervous about the future.

So again, we'll go with what the markets are telling us, but we also want to recognize that wild cards are hanging overhead. Maybe they won't amount to much, but we have to be aware of them, just in case.

> "When democratic governments create economic calamity, free markets get the blame."
> Jack Kemp

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# U.S. & WORLD STOCK MARKETS

## Strong rebound rise

The stock market's been rising. And it's been a strong upmove. This has many investors wondering...

### WILL A MARKET RALLY CONTINUE?

Several of you have written and asked... "considering the ECB is printing money, the Fed has become more dovish and we live in a low interest rate world that is awash with cash, couldn't the stock rally be extended? Should I hold out on selling some of my stocks a little longer?"

That's a great question and it's something we've been thinking about a lot...

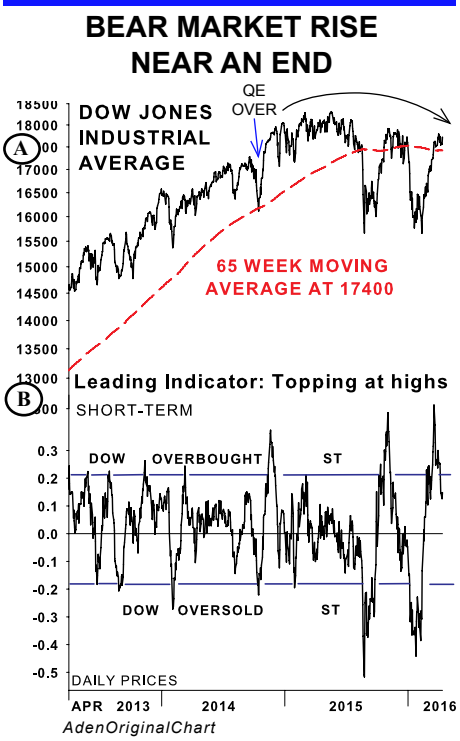
We know the Fed's QE monetary program was instrumental in pushing stocks up between 2009 and 2014. The same was true of low interest rates.

Estimates suggest the Fed was responsible for 93% of market gains during that time.

Since QE ended, the stock market has basically been rolling over (see **Chart 2A**). It's as though the stock market needs QE to really keep going, and currently, it's not getting it.

Okay, but what about low interest rates? Won't that keep stocks rising?

CHART 2




### STOCKS & INTEREST RATES

Looking at **Chart 3**, you can see that stocks and interest rates clearly move in opposite directions. So yes, low interest rates are bullish for stocks. But the question is, is that enough?

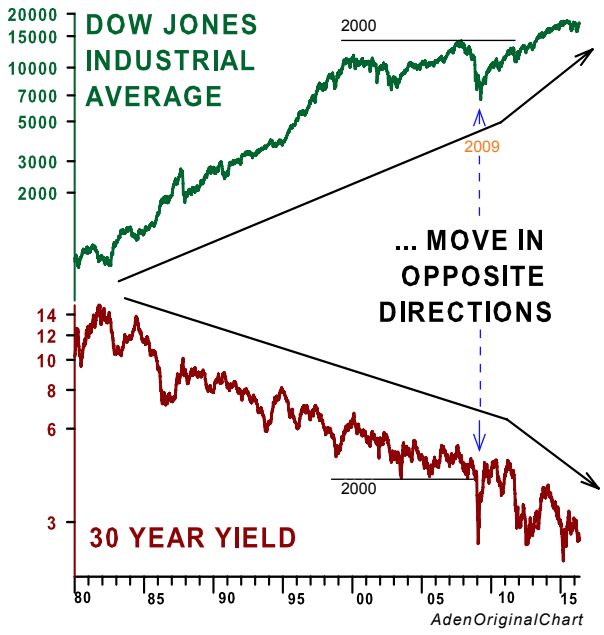
And looking at the price action for the Dow Industrials since the end of 2014, when QE ended, we'd have to say no (again, see **Chart 2A**).

Low interest rates alone will probably not be enough to keep stocks rising.

In fact, the leading (short-term) indicator is now declining from an overbought area (see **Chart 2B**).

This tells us the upside is limited for stocks and they're unlikely to rise much further...

CHART 3




But we're keeping an open mind.

### A MIXED PICTURE

For now, stocks are mixed. Looking at **Chart 4**, you'll see what we mean...

Many of the U.S. stock indexes have recently hit new highs for this upmove that started in February. That's positive action.

Plus, four of the stock indexes have risen above their 65-week moving averages, signaling the major trends may be changing from down to up. This includes the Dow Industrials, Nasdaq, S&P500 and the Dow Utilities.

But not all of the indexes are joining in. The Dow Transportations, Russell 2000 and Amex remain below their moving averages. And in an ideal situation, they'd all be moving together.

Plus, the Dow Transportation index has not reached a new high for this upmove (see **Chart 5**). In other words, it's not confirming the action in the Dow Industrials.

**So all systems are not go**.

Currently, this divergence is a sign of caution. Will the Dow Industrials and the stronger stock indexes pull the weaker ones up? Or will the weaker ones pull the stronger ones down? These are the big questions and the 65-week moving averages will tell us the answer.

### KEEP AN EYE ON...

So watch 17400 on the Dow Industrials, 8140 for the Dow Transportations, 4890 for Nasdaq, 2040 on the S&P500 and 1175 for the Russell 2000.

If the indexes can rise and/or stay above these levels it'll be a bullish sign.

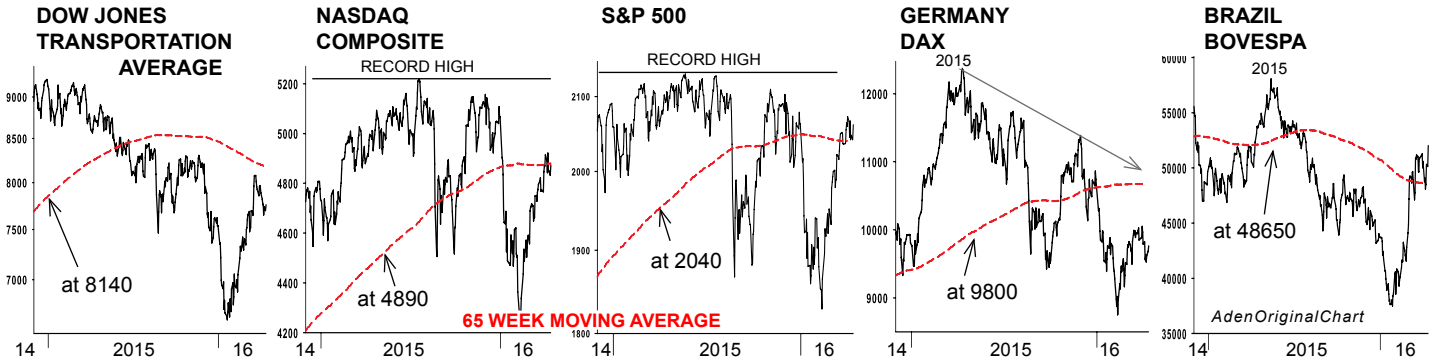
But if they decline and/or stay below these moving averages, the bear market will again be in full force, embarking on a renewed decline.

### WHAT COULD PUSH STOCKS DOWN?

So what could push stocks down again? Poor corporate profits and earnings...

Corporate profits declined

CHART 4




last year for the first time since the Great Recession. But earnings are a bigger concern.

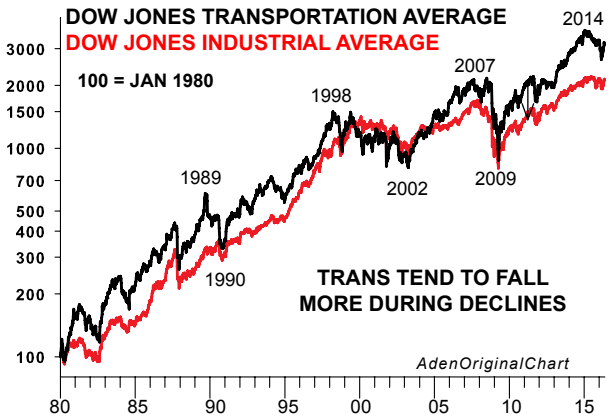
Earnings are expected to be down in the first quarter. And if they are, it'll be the fourth consecutive quarter of earnings declines.

As our friend Matt Kerkhoff notes, the last time that happened was during the financial crisis.

And since stock prices and corporate earnings tend to move together over the long haul, this is another sign of caution.

It's also worth noting that our leading indicators remain bearish. And based on Dow Theory, the primary trend is still down for the stock market.

CHART 5




## KEEP AN OPEN MIND... ON THE SIDELINES

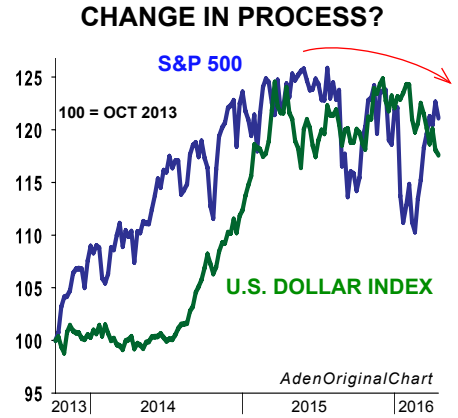
So for now, our recommendation is essentially the same... If you've lightened up on your stock positions during this upmove, then stay put. And if you're out of common stocks, then stay on the sidelines for the time being.

But again, we definitely want to keep an open mind. If the Fed continues on its dovish path, for instance, and let's say it embarks on QE again, it'll be another story.

That would be very bullish for stocks and we'd then want to jump back into some stronger stocks without much hesitation.

**Remember the old rule... don't fight the Fed**, and this is something we clearly wouldn't want to do.

CHART 6




## WEAKER DOLLAR NOT NECESSARILY GOOD FOR STOCKS

Currently, however, the U.S. dollar has been declining. Normally, this would be good for stocks. The main reason why is because a weaker dollar would provide a trade advantage for the U.S., making products less expensive.

It would also help manufacturing and provide a boost for multinational companies. A weak dollar would also fuel some inflation and ease pressure on the U.S. economy.

Nevertheless, note how the S&P500 and the U.S. dollar have both been toppy since last year and they're moving together (see **Chart 6**).

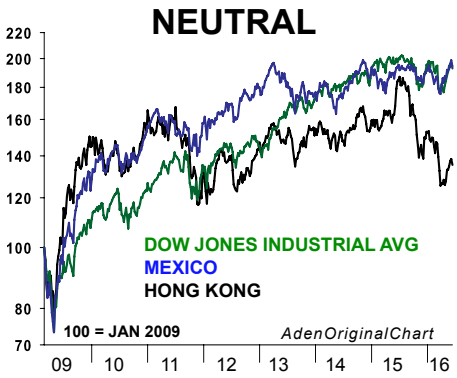
This is a perfect example of how many of the old correlations haven't been working lately. So we can't rely on them like we did in previous years. Other countries stock markets, like Japan, China and others, tend to move opposite to their currency. But the U.S. is different for now.

A weaker dollar would also be good for many of the emerging markets, and they have been doing better lately (see **Chart 4**, right).

Here you'll see Brazil, which has been the strongest emerging market. In large part that's due to optimism that their president will be impeached. But the other emerging and global stock markets remain neutral to bearish (see **Chart 7**).

So again, stay cautious and stay in touch. And let's wait to see how things unfold.

CHART 7



# U.S. INTEREST RATES AND BONDS

# Downward pressure on interest rates

Rumors have been flying that a deal was made at the latest G20 meeting in Shanghai. It was not made public, but here's the gist of it from alleged inside sources, and it makes sense...

## G20 COUNTRIES CONCERNED

The G20 countries were very concerned about the global economy. China, the world's strongest economy and the locomotive for the rest of the world has been slowing, the most since 1990.

This spooked the world's stock markets and they fell sharply last August, and they're still vulnerable. Overall, the global situation has been a concern, to say the least.

As we've often pointed out, the strong U.S. dollar was taking its toll, especially on the emerging markets.

Since most of their debt is denominated in U.S. dollars, concern was mounting that this was putting heavy pressure on these countries. There was fear some of the emerging countries could go bust, or fall into dire straits.

Brazil, for example, has been in bad shape, the worst since the Great Depression. This has led to political unrest and a lot of other problems the G20 didn't want to see repeated in other emerging countries.

Plus, it's important to note that several emerging countries were largely responsible for boosting the global economy following the 2008 financial crisis.

While the more developed Western countries struggled with slow growth, the emerging markets were carving the path to better times ahead.

But commodity prices plunged and that was a severe blow for the emerging markets. So what to do?

## PRESSURE ON TO WEAKEN DOLLAR

Apparently, the G20 agreed to weaken the U.S. dollar. This would ease pressure on the emerging markets, and it sure did.

Emerging market stocks surged nearly $2 trillion last month, and the dollar's been falling since then.

This wouldn't be the first time the dollar's been manipulated, and the story rings true. Besides, a strong dollar is hurting U.S. manufacturing and other sectors.

CHART 9

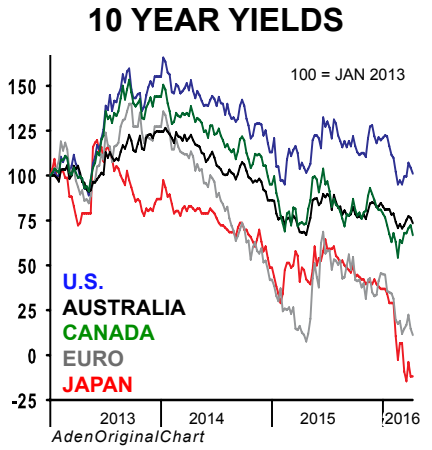



CHART 8


This would explain why Janet Yellen's been flip-flopping, first saying that interest rates were going to be raised four times this year, and then only two times.

Then she said it'll depend on global economic developments and risks, and interest rates could stay low for longer than expected.

## BONDS: Good investment

This alone boosted bond prices and it drove long-term interest rates down to a two month low.

The general feeling is that interest rates are going to stay low, probably for most of this year. And this in turn is bullish for bond prices, driving prices higher.

We agree and that's why we still recommend buying and holding a 20% position in long-term U.S. government bonds and/or the bond ETFs we like best, which are listed on page 12.

They've been doing really well and based on all factors combined, we don't see this changing any time in the near future...

## HOW LOW RATES?

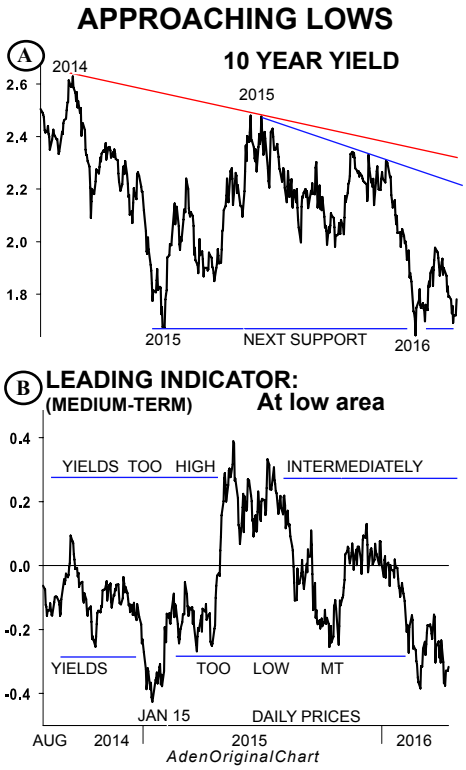
We know that's probably still hard for some of you to believe because interest rates are already so low (and bond prices move opposite to interest rates).

So really, how much lower could they go?

Keep in mind, bonds have been one of the best investments this year, thanks to their safe haven status. And since we live in uncertain times, safe havens are going to remain in demand.

That's one rea-

CHART 10



son why hedge funds have been pouring into the bond market. They see the potential.

Plus, the U.S. economy is still growing at the slowest rate since World War II (see **Chart 8**). In fact, the whole world is chugging in this deflationary environment and the IMF now says there's a greater chance of recession by year end.

This provides a bullish foundation for bonds.

Most important, however, is the drop in interest rates worldwide. And they're negative (below 0%) in Japan, Europe, Switzerland, Sweden, Ireland and Finland (see **Chart 9**, showing 10 year yields).

**This has become the new global trend** and the U.S. will probably follow, despite what the Fed says.

But it's an unprecedented experiment by countries to stimulate their economies. The idea being, if banks aren't paying interest, then people will spend their money and, therefore, help boost their economy and inflation.

But it's not working out that way. Consumers aren't spending and inflation remains very low.

### JAPAN SETTING TONE

In Japan, for instance, savers have been pulling their money out of banks. And they've opted to keep their money at home. They're also buying gold.

**CHART 11**

**30 YEAR YIELD: Is three a charm?**


As you know, gold doesn't pay interest. That used to be a negative, but now it's a positive. No interest is better than a minus interest rate, so this gives gold an advantage.

It also gives U.S. government bonds an advantage. Even though it's not much, the 10 year note currently pays about 1.78% and that's better than a negative interest rate.

### KEEP EYE ON 10 YEAR YIELD

But as you can see on **Chart 10A**, using the 10 year yield as an example, it's rolling over and set to decline further. And if it breaks below 1.63%, it'll be breaking a strong support level. This would signal even more downside for long-term interest rates, and higher bond prices.

We've shown you **Chart 11** several times. It shows the similarities between the current 30 year interest rate action (in red) and the moves in 2007-10 and 2011-13.

Currently, the 30 year yield is stalling and a down move seems more likely, similar to the ones that happened in year 2 in the previous cases. Again, if this happens, it'll coincide with a super rise in bond prices.

For now, keep your bonds. Even though the U.S. dollar is weakening, bonds are still solid, and they should continue to be a good investment in the months ahead.

# CURRENCIES

## U.S. dollar: Turning bearish!

**Big news this month...**

The U.S. dollar has now turned bearish. It may not be obvious yet, and it could take a while, but it'll likely become more obvious in the upcoming months.

As you know, for several months we've been pointing out the topping formation in the dollar. In fact, it's been topping for over a year now (see **Chart 12**, left). But, these topping days are coming to an end, and the dollar's now poised to fall further this year and beyond.

The U.S. dollar just had its worst quarter in five

**CHART 12**

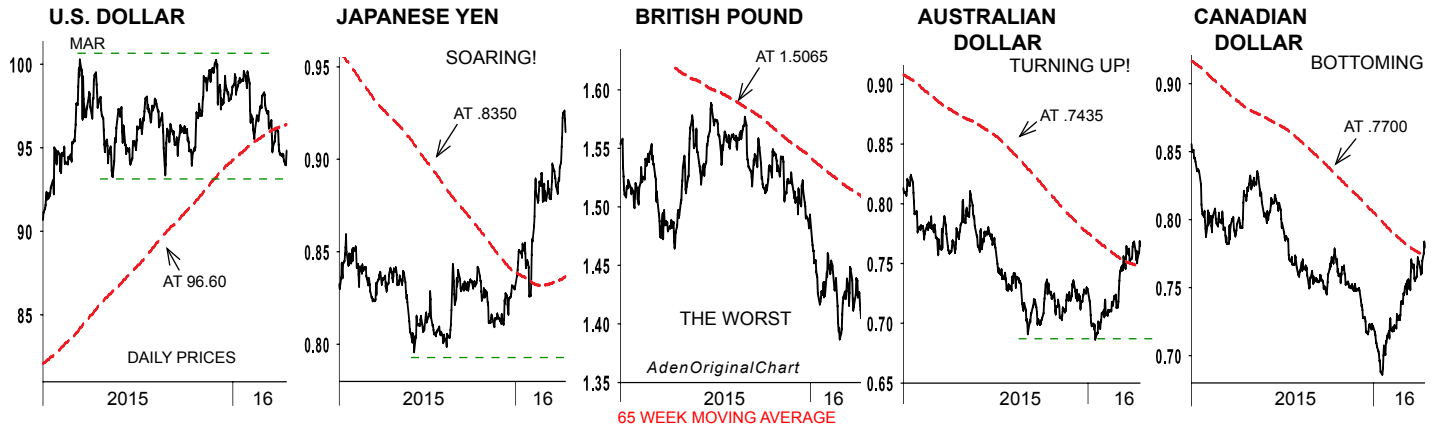
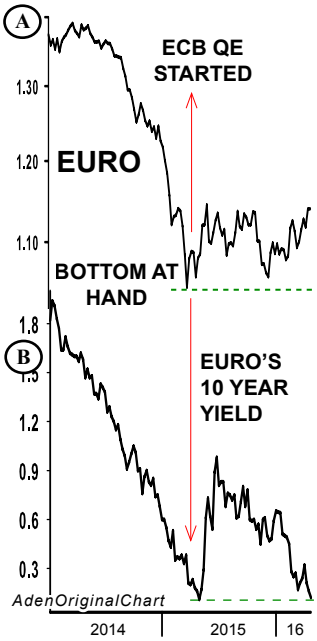


CHART 13




years, but this is likely just the beginning.

As you can see, the dollar index has dropped below its 65-week moving average, thereby reinforcing a major trend change to the downside.

This will be fully confirmed once the dollar index declines below its lower support line at 93.

At that point, a bear market decline would be clearly underway.

## SMALL CASH DOLLARS

In the meantime, we're still keeping a smaller portion of our cash in U.S. dollars for the time being, but that won't be the case for long.

The main reason why is to have money readily available to buy new profitable investments at better prices during the upcoming downward corrections.

That's especially true of the metals related markets, which will be presenting us with an amazing buying opportunity. We'll then use our dollars to buy, which will essentially eliminate them, for the most part, from our cash position.

## KING OF CURRENCIES: Unstable throne

Despite the latest action, most investors believe the dollar is still the king of currencies.

After all, the dollar has been the king for the past five years. And as many experts explain, the U.S. is better off than most other countries and its interest rates are higher. It's a safe haven, and all this makes it more attractive.

But amazingly, none of this seems to matter. Fundamentals are not impacting the currency markets. The currencies are basically doing their own thing, regardless of the fundamentals.

**Case in point...**

The Japanese yen is currently the strongest currency, but its fundamentals are the worst (see **Chart 12**).

Japan is teetering on recession. It has a huge debt and negative interest rates, and its officials are actually fighting to keep the yen weak. But the yen recently hit a 17 month high against the U.S. dollar.

Other countries are trying to keep their currencies weak too. They want a weak currency to help grow their economies and inflation, and to maintain the trade advantage a weak currency provides. The U.S. too will benefit from a weaker dollar.

So, it's still a currency war with everyone trying to race to the bottom, but it's not working out.

## SLOWLY TURNING BULLISH

With the exception of the British pound, most of the other currencies are rising and they're turning bullish.

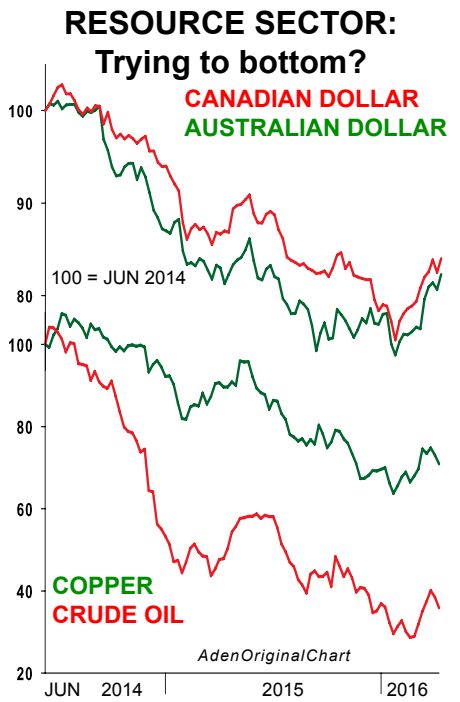
And contrary to what you hear, the Chinese yuan has been bullish all along, which has been a factor keeping their economy slow.

The **euro**, however, is another interesting example bucking the fundamentals... We all know Europe is having a hard time due to the immigration crisis and the latest terrorist attacks. Its economy is sluggish and interest rates are also negative, yet contrary to what you'd expect, the euro is rising (see **Chart 13A**).

Like the yen, this doesn't make sense. The fundamentals are telling us one thing and the price action is telling us another.

As you know, we'll go with the price action and that's why we're now recommending a position in the euro and the Australian dollar.

CHART 14




The **Australian dollar** and the **Canadian dollar** are both rising from super low levels, as you can see on **Chart 14**.

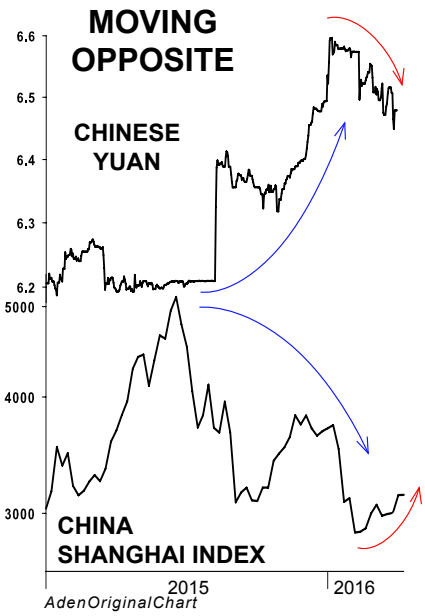
In these two cases, the upmoves are coinciding with the fundamentals. And the main one is the recent rise in commodity prices.

Using copper and oil as examples, you can see they appear to be bottoming.

This is in synch with the rises in other commodity markets. And as long as commodities stabilize and head higher, it'll continue to give these commodity currencies a nice boost.

**So all things considered, here's what we're currently recommending...** Keep your 50% cash position. But use half of it to buy the Australian dollar and the euro, or their ETFs. For now, keep the other half temporarily in U.S. dollars.

CHART 15



# METALS, NATURAL RESOURCES & ENERGY

## A bull market turnaround

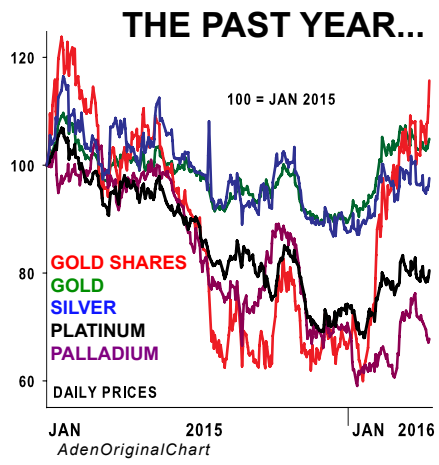
Many of you are asking us if a bull market is really... really getting started?!

We say... YES, the turnaround from bear to bull has started. The first quarter of 2016 was just the beginning by having its best quarter in 30 years.

Gold is up 18% so far this year, or it's up 21% since the December lows, but gold shares have soared!

Their rise has been phenomenal...YET they're just barely starting to rise in the big picture. That's right, gold shares are up 80% overall this year, and the major rise is JUST STARTING.

CHART 16




Gold shares have woken up from the deep dead! In fact, if you missed the rise from the January lows to today, not to worry because we have a wide open panorama for gains this year and the coming years.

### This is a golden opportunity.

**Chart 16** clearly shows the run out of the gate in gold shares. It's been truly impressive compared to the rest of the gold universe. Plus, many other commodities are also up this year. Silver, for instance, has gained 18% and lumber is up 18.6%.

The bottom line is that today's global environment of low to negative interest rates is a boost for gold as a source of savings and safety. And the Fed's dovish tone, at a time when the world's economy is sluggish, tells us it'll most likely stay that way in the upcoming years, which is also very bullish for gold.

### GOLD AND THE DOLLAR: A relationship

But most telling is the U.S. dollar. Gold has stayed extra strong over the past month, mainly due to a weak dollar index that's fallen to a six month low. Competitive devaluations and falling commodities had been keeping many currencies low, but this is changing.

It's now the dollar's turn to weaken and decline further.

Gold and the dollar tend to move in opposite directions. You can see this on **Chart 17**. Interestingly, the 30 year yield has been moving in lockstep with the dollar for the past year. This then means that gold has been moving opposite to not only the dollar, but also to long term interest rates.

We had already been noticing the similarities in the bond and gold movements as safe havens over the past year. And for now, it's still underway.

Most important, gold is showing its upper hand. When it fell, for instance, to a new bear market low last December, the dollar didn't have the strength to break up into a new high area, see the chart.

Overall, gold has now been rising this year more than the dollar has fallen. This too shows gold's strength.

But for now, it's also saying it would be normal to see both gold and the dollar correct. That is, we'll likely see prices move down for gold and up for the dollar in a correction phase (we call D).

As for interest rates, we all know low interest rates are good for the gold price. There's basically no competition. Since gold doesn't pay interest, it becomes better looking to investors.

But the question here is, once interest rates begin to rise, at what level will higher rates adversely affect gold? We'll go over this in depth in a future edition. It's not a concern for today.

### RISING GOLD SPELLS UNCERTAINTY

We also must never lose sight of the main reason why gold is turning bullish. It rises during times of economic uncertainty, and the world still has many hoops to overcome before some normality enters the picture.

Many believe the 2008 financial crisis never really ended. A lot of patch work was done to tone it down, with the massive central bank liquidity programs that continue. But the verdict is still out as to how this will all evolve.

Meanwhile, we want our dear subscribers to be well positioned for this rise that could last many years. We'll be invested in gold, silver, gold and silver shares, and possibly platinum.

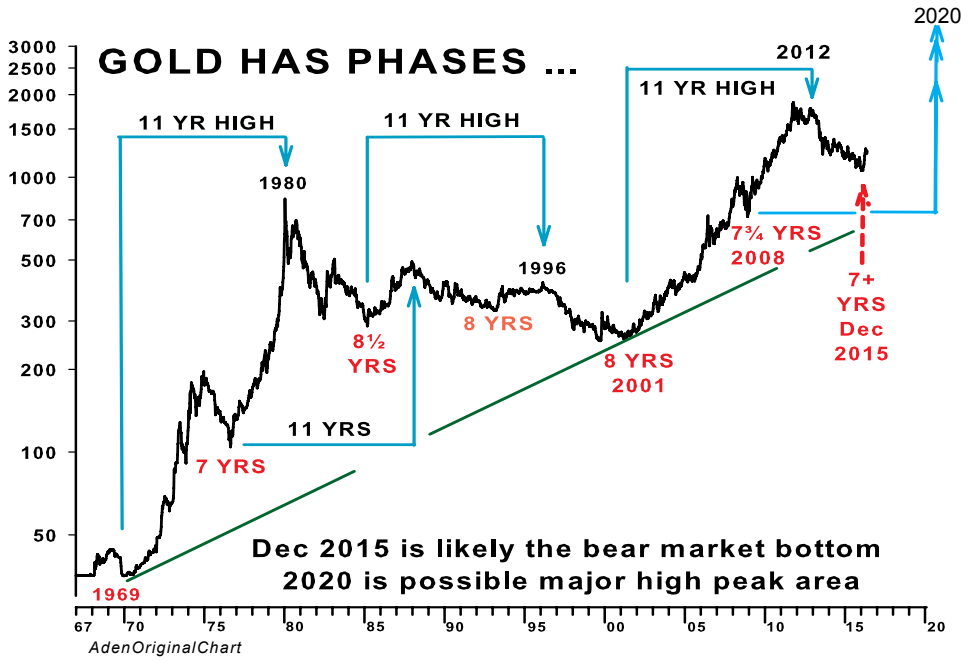
CHART 17


### DEMAND KEEPS GROWING

More banks are turning bullish on gold. The

CHART 18




Dutch bank, ABN Amro raised their gold forecast to $1370 for year-end, and higher thereafter.

It seems the Chinese and Russians are getting well prepared as they continue to buy gold during this low time period. In Russia, holdings in gold are up by 30% just since 2014.

China is taking it a step further. Being the largest gold consumer and producer, they're aggressively looking for overseas acquisitions. By taking advantage of the low gold prices and the hurting mining industry, it's an ideal time for them to buy assets cheaply.

China consumes around 1000 tons of gold annually. It accounts for almost 30% of global demand, according to the World Gold Council, which reflects why it has a keen interest in gold, *http://www.gold.org/*.

**Silver demand is up too**, from coin sales, to jewelry, to ETFs, silver is gaining interest. Silver coin sales in March were at the second highest level on record, according to the Perth Mint, and the U.S. Mint is selling a million ounces of 1 oz Silver Eagle coins per week.

Plus, silver jewelry sales rose in the U.S. for the seventh straight year in 2015. And a survey done for the Silver Institute shows that 60% of jewelry retailers reported increased sales. Investors also continue to pile into silver ETFs reports Commerzbank.

## STRATEGY AND INVESTING

If you're one of those investors who have been holding gold throughout the bear market, don't worry. We'd definitely keep the gold you have and plan to add to your position, holding it for the long-term.

But it also depends on how big your position is today compared to your total investing worth. That's something you'll have to decide.

We missed some of the gold share runup because we were waiting to buy on weakness. We said to buy in our weekly updates if you're willing to ride through weakness as a way of averaging in.

We advise buying now and on weakness, and we're planning to keep these positions until this new bull market matures.

## GOLD'S BIG PICTURE: BULLISH...

**Chart 18** shows gold's big picture since 1967. Here you can clearly see the cyclical moves in the gold price. Since the late 1960s, gold's had a low about every 8 years (in red on the chart).

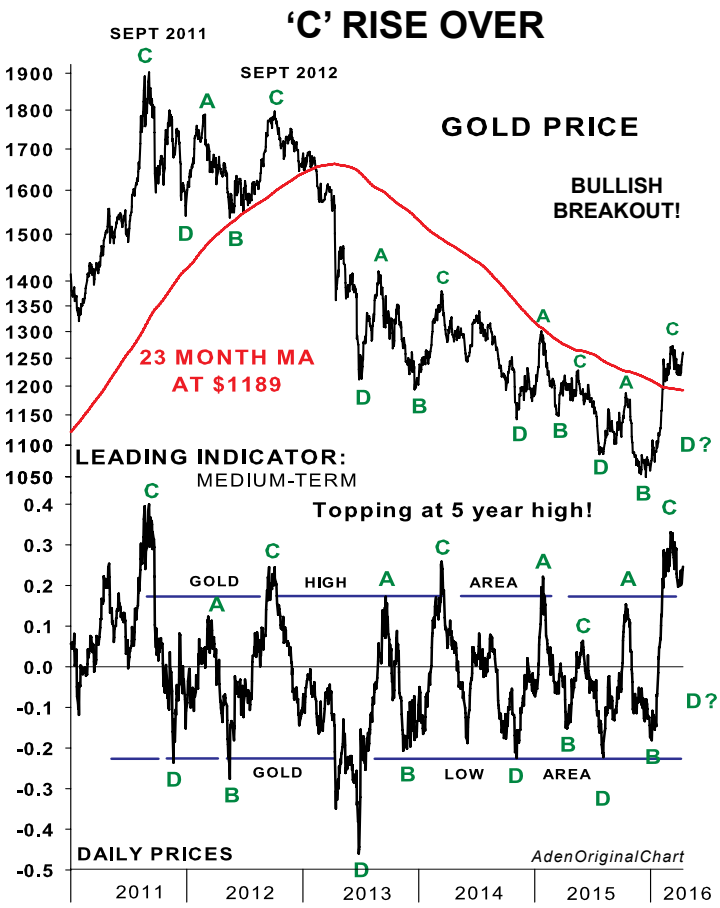
With the first quarter now complete, we're calling the low of last December the "8 year low time."

Counting from the November 2008 low, it was really shorter at 7+ years. The upcoming decline will clearly confirm this low. But it seems safe to say that it was likely the low for this bear market.

We'll continue monitoring this rise. And by using steps it'll help us identify the ongoing strength in gold until a new record high is reached above $1900.

Most fascinating are the 11 year highs. Counting again from the Nov 2008 lows, the 2019-20 time period

CHART 19



is the likely time for a major high area (in blue on the chart). We wouldn't be surprised if it lasts longer.

### ...And So Is The Intermediate Picture

For now, it's a step by step situation. And **Chart 19** will help us in this regard. Currently, gold is holding exceptionally strong near the March highs, and this rise we call a C rise has more than completed a bullish turnaround. It's been the first bullish C rise since the September 2011 record high peak. And gold is now sitting solidly above its 23 month moving average, which is a bullish confirm.

But it's also overbought and it has been for over a month now. The leading indicator is poised to decline in a normal correction, we call a D decline.

CHART 20

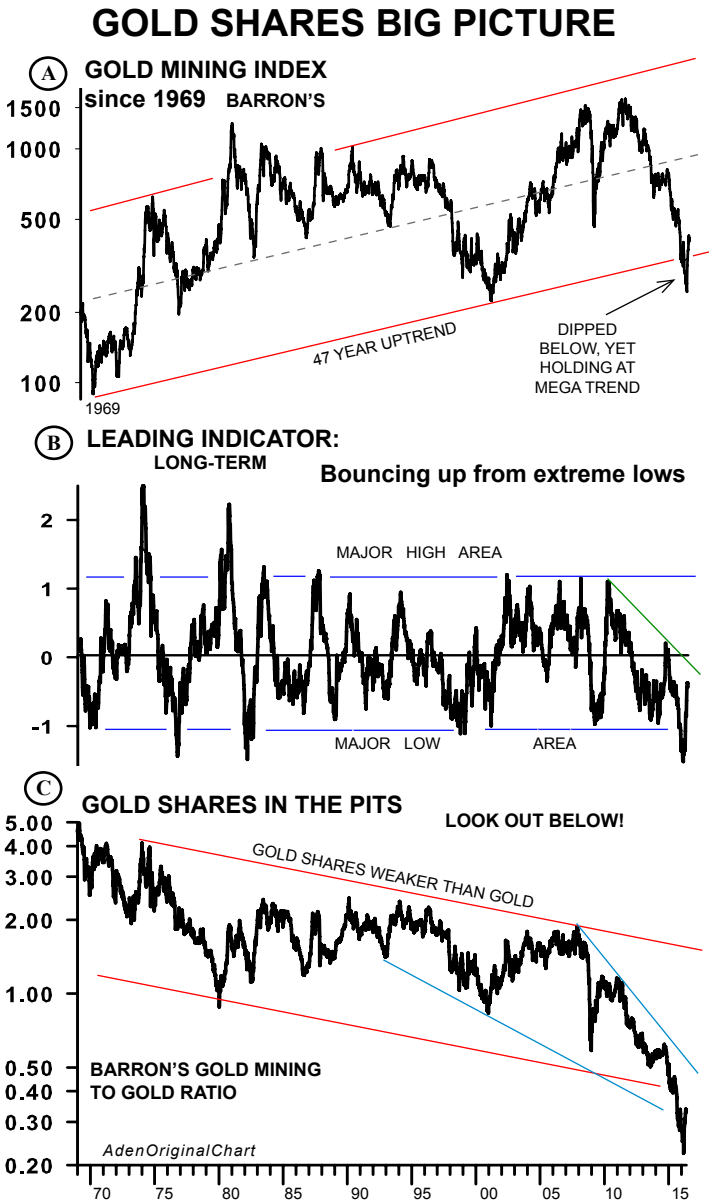

If gold now stays below its March 10 high at $1273, and declines below $1220, it could decline to the $1165 level but it would still be in a solid rise.

Note on **Chart 20**, the gold price is also having a bullish crossing. Its 15 week moving average is crossing above its 65 week average for the first time since 2009. This is another bullish confirmation, and it's a key support at the $1165 level.

**The key today will be the depth of the upcoming decline. We'll be watching this closely, and when it happens, it'll be the most ideal time to buy gold, gold shares and silver.**

**Gold shares** are starting to have a bullish crossing too. Gold shares have risen by far the most this year, but more important is to understand the nature of the beast!

CHART 21




We can't stress enough how deeply oversold, bombed out and historically out of favor gold shares have been, especially last year. But in the end, that too was a sign of a bottom.

We haven't shown you the big picture in gold shares for a while, but it's important to see this year's rise in perspective.

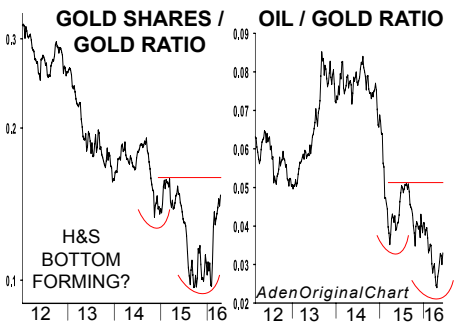
It's basically just starting. This year's impressive rise is barely a move up in the big picture. **Chart 21** shows this clearly.

Note the Mining index (A) is bouncing up after slipping below its mega 47 year uptrend. This

CHART 22

CHART 23




shows the trend is still solid and the index is now near this mega support.

Meanwhile, the leading indicator (B) is also bouncing up from an extreme major low, a low that hasn't been seen since 1980. Plus, gold shares have also been bombed out compared to gold (see **Chart 21C**).

They plunged much more than in previous bear markets. And even as strong as the rise has been this year, the ratio hasn't even risen back inside the channel!!

**The bottom line is**... Gold shares are still very cheap and they have a wide open panorama for a very profitable rise. You can bet we'll all be on board for this upcoming super bull market.

**Silver** is starting to follow by breaking up to an almost 10 month high and its picture is looking bright (see **Chart 20**).

The 65 week moving average works very well in identifying the major trend in silver, (see **Chart 22**). If silver now stays above $15.50, it'll become clearly bullish for the first time since 2013. And the leading indicator (**B**), is also hitting a three year high. It'll be outright bullish above the zero line and it's practically there now.

**Silver** is a buy and hold. And most exciting, it's starting to outperform gold for the first time since the bear market started.

**Platinum** clearly felt the global boom and bust. It fully flowered when it soared to its 2008 highs. After the bust, it never regained its luster.

Platinum has historically been a more expensive than gold. It was a rare moment when platinum was at a lower price. But that's the case now, and it has been since 2014.

If there was ever a time to say platinum is at a good value, it's now. It's also at a historic low area compared to gold, just like gold shares and crude are (see **Chart 23**).

## RESOURCES:

### Is the worst at hand?

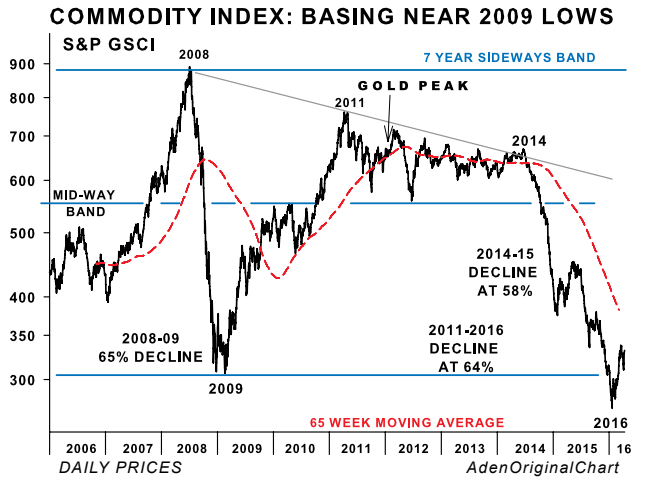
The collapse in oil was one main culprit for the swift slowdown worldwide. It hurt many countries. All oil producing countries suffered, and so did the energy and shale oil companies. PetroChina, for instance, saw their profits plunge nearly 70%.

The rise of fracking has reshaped the global energy world. According to the EIA, it recently hit a new milestone in the U.S., as it now accounts for about half of all U.S. oil output.

Meanwhile, the commodity countries are dependent on a strong Chinese economy. China remains the main global trading partner for many of these exporting countries.

And the slowdown in China was the main reason why the commodity market collapsed over the last almost two years. You can see this clearly on **Chart 24**. The commodity index (S&P GSCI) ended up falling below the extreme 2009 lows, but it's now bouncing up and stabilizing near the lows.

CHART 24



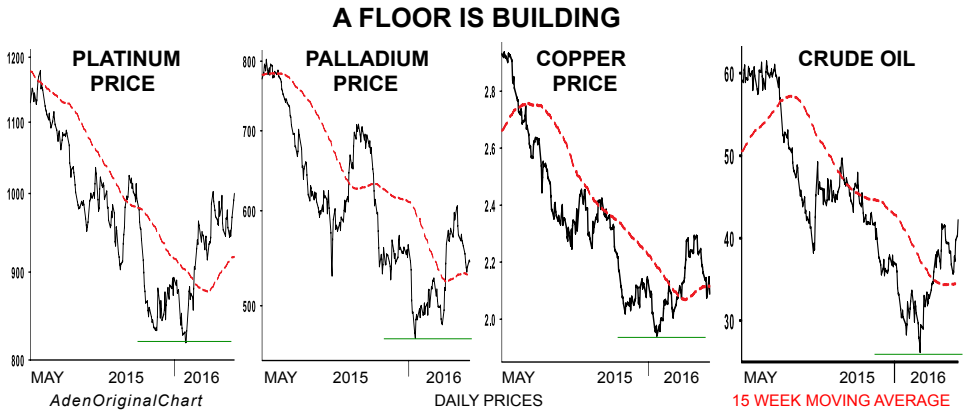

Crude **oil** and **copper** are moving with this index, and while they're bouncing up and could be forming a bottom, the major trend is still down for the resource and commodity sector in general.

Copper, however, jumped up after China showed a huge rise in copper imports. Copper is up over 18% from a six year low it hit in January.

It's a start, and so far a floor is starting to build as you can see on **Chart 25**, but the downdraft is not over. We'll be watching for signs of a turnaround.

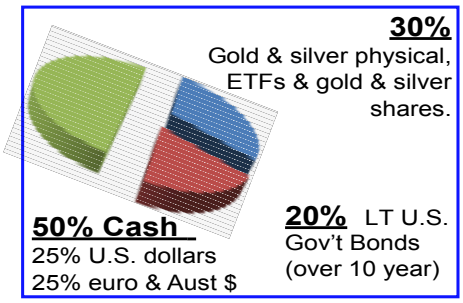
And with gold, silver and gold shares confirming a new bull market, we don't think the commodity bear market will last too much longer. A start would be the commodity index rising above its 65 week moving average. We'll be keeping you posted.

CHART 25



# OVERALL PORTFOLIO RECOMMENDATION

The markets are moving and it's time to start taking more action. That being the case, we wanted to clarify a couple of things about our recommendations... They're all listed below, broken down per sectors. The strongest ones are at the top of each list and if you're buying new positions, those would be the top picks. Buy/Hold means it's okay to buy new positions and/or buy more if you already have them. And finally, if it just says Hold, then don't buy new positions but keep the ones you have... We hope this is clear enough.




## INTEREST RATES & BONDS

Bond prices remain bullish and they should continue to do well in the months ahead. That is, long-term interest rates will probably stay low for most of this year. We continue to recommend buying and holding a 20% position in long-term U.S. government bonds and/or the bond ETFs listed below, which are UBT, TLT and TLH. But watch the trailing stops. If they close below these levels, you'd want to sell your ETFs.

## PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver and especially gold shares continued to rise this past month, bucking its overbought situation. The rise this year has proved to be the winner for the first quarter, and it reinforced the strength in the turnaround from bear market to bull market. A downward correction (we call a D decline) seems to be finally getting started, so be ready to buy new positions on weakness. Like we said in our weekly update, buy some new positions now if you don't mind riding through weakness, and buy more on weakness. We're buying core positions now for the upcoming bull market in gold. Buy new positions in the strongest ones.

## U.S. & GLOBAL STOCK MARKETS

The stock market's been rising but it's currently mixed. This divergence is a sign of caution. For now, if you've lightened up on your stocks, then stay put. And if you're out of the market, stay on the sidelines for the time being. But keep an open mind because if the market changes, we'll change with it.

## CURRENCIES

The U.S. dollar has turned bearish. This will be fully confirmed once the U.S. dollar index declines below 93. Most of the currencies are set to head higher. The currencies we like best are the Australian dollar and the euro. We recommend buying these and/or their ETFs, which are FXA and FXE, using half of your cash position (25%). Watch the trailing stops, however, and sell if they close below those levels.

For now, we'll temporarily keep the other half of our cash in U.S. dollars. This will be used to buy new profitable investments during the upcoming downward corrections.

## OUR OPEN POSITIONS in order of strength per section

### BOND ETFs

| NAME | SYMBOL | PURCHASE DATE | PURCHASE PRICE | PRICE AT issue date | % GAIN/LOSS SINCE BOT | CURRENT RECOMM | TRAILING STOP |
|---|---|---|---|---|---|---|---|
| Ultra 20+ Treasury | UBT | Feb-14 | 58.00 | 87.30 | 50.52 | Buy/Hold | 84.00 |
| 20+ year Try Bond | TLT | Feb-14 | 107.78 | 131.39 | 21.91 | Buy/Hold | 127.00 |
| 10-20 Treasury Bond | TLH | Feb-14 | 125.73 | 141.81 | 12.79 | Buy/Hold | 138.00 |

### GOLD AND SILVER ETFs & SHARES

| NAME | SYMBOL | PURCHASE DATE | PURCHASE PRICE | PRICE AT issue date | % GAIN/LOSS SINCE BOT | CURRENT RECOMM |
|---|---|---|---|---|---|---|
| Sprott Gold Miners | SGDM | Mar-16 | 19.20 | 20.90 | 8.85 | Buy/Hold |
| Gold Miners ETF | GDX | Jan-15 | 21.74 | 22.25 | 2.35 | Buy/Hold |
| Agnico Eagle | AEM | Mar-16 | 38.04 | 40.42 | 6.26 | Buy/Hold |
| Central Fund of Canada | CEF | Jan-15 | 13.36 | 12.48 | -6.59 | Buy/Hold |
| New Gold | NGD | Mar-16 | 3.88 | 4.14 | 6.70 | Buy/Hold |
| Gold Shares SPDR | GLD | Jan-15 | 125.23 | 118.77 | -5.16 | Buy/Hold |
| Gold (physical) | | Oct-01 | 277.25 | 1248.30 | 350.24 | Buy/Hold |
| Royal Gold | RGLD | Mar-14 | 66.04 | 55.17 | -16.46 | Buy/Hold |
| iShares Silver Trust | SLV | Jan-15 | 17.61 | 15.44 | -12.32 | Buy/Hold |
| Silver (physical) | | Aug-03 | 4.93 | 16.33 | 231.14 | Buy/Hold |
| Silver Wheaton | SLW | Jan-15 | 23.05 | 17.50 | -24.08 | Buy/Hold |

### CURRENCY ETFs

| NAME | SYMBOL | PURCHASE DATE | PURCHASE PRICE | PRICE AT issue date | % GAIN/LOSS SINCE BOT | CURRENT RECOMM | TRAILING STOP |
|---|---|---|---|---|---|---|---|
| Australian dollar ETF | FXA | Mar-16 | 76.48 | 76.59 | 0.14 | Buy/Hold | 72.50 |
| Euro ETF | FXE | Mar-16 | 110.65 | 110.20 | -0.41 | Buy/Hold | 106.00 |

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