THE
ADEN FORECAST
MONEY • METALS • MARKETS

APRIL 2017 *Our 36th year*

FASCINATING MARKETS: A STORY TO TELL

Uncertainty was kicked up several notches this month... The world was taken by surprise when the U.S. bombed Syria and it's still to be seen how the repercussions will unfold.

BLACK SWANS & MARKET SENTIMENT

As you know, we've often talked about uncertainties or black swans and the impact they can have on the various markets.

For the most part, the markets don't like surprises. It makes them nervous and they tend to react accordingly. That's especially true with geopolitical surprises.

Currently, that's the case with the situation in Syria and North Korea. Tensions could escalate and we're watching this closely, but so far the market reactions have been relatively moderate.

WEIGHING IT ALL OUT

Gold moved up and so did bond prices, but that was to be expected because these markets are traditionally safe havens (see **Chart 1**).

The U.S. dollar has also been rebounding for the same reason.

For now, these markets seem to be in wait-and-see mode. But if tensions intensify, they'll likely head higher.

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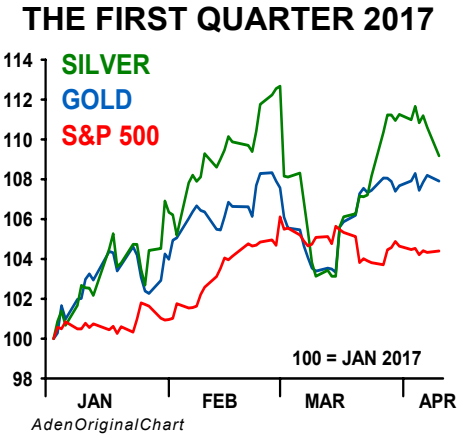
Currently, stocks are also holding firm. But again, much will depend on how events unfold.

As you'll see in this month's Stock Market section, the market remains strong and bullish. It's been thriving on the economic news, which keeps improving.

The market likes what it sees, like ongoing job growth and unemployment at another 43 year low. (We know these numbers are adjusted and not accurate, but they're what the markets watch and react to.)

CHART 2



And along with surging confidence, rising corporate profits and inflation finally reaching the Fed's target for the first time in five years, it was all good news. Month after month, these factors (and many more) continue to reinforce a back seat for deflation. The markets are happy about that.

Q1 RESULTS: Interesting mix

In fact, rising inflation in the U.S. and around most of the world has been another one of the key reasons why gold performed so well in the first quarter. And rising inflation expectations will now likely keep a foundation under the gold price.

Interestingly, as you can see on **Chart 2**, silver and gold outperformed the S&P500 in the first quarter. That's pretty incredible considering the stock market's been getting all the hype and news attention.

In contrast, little has been said about gold and silver, but that's not unusual.

The news tends to focus on stocks and there's no question the stock market has been a good performer

Join us at **The Money Show** in Las Vegas

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

so far this year.

That's certainly true of Nasdaq. It's been the top stock gainer, rising nearly 10%, compared to about 5½% for the S&P500 (see **Chart 3**, right).

Still, silver gained an impressive 14% in the first quarter, despite the decline in March, and gold was up nearly 9%...

So silver actually outperformed Nasdaq and gold was right behind it.

MORE INTERESTING WITH 2016 GAINS!

But when we also consider the market gains of last year, the picture becomes even more interesting...

As you can see on the left of **Chart 3**, gold shares were by far the top performer last year.

And even though the market was very volatile and we temporarily got tripped up, gold shares have been #1, combining last year's gains and the gains so far in the first quarter of this year. We believe this will continue.

Palladium has also been a winner, but unfortunately we didn't recommend it.

Again, silver has consistently been a top performer. It's up 30% combining last year's gains and this year's first quarter gains. This was followed by gold and the Dow Industrials, which both rose about 17%, combining the two time periods. Nasdaq followed closely at 16% and so did the S&P 500 at 14%.

We've been recommending all of these markets and continue to do so.

SIMPLE RULE: Go with trend

Remember, a trend in motion tends to stay in motion until it ends.

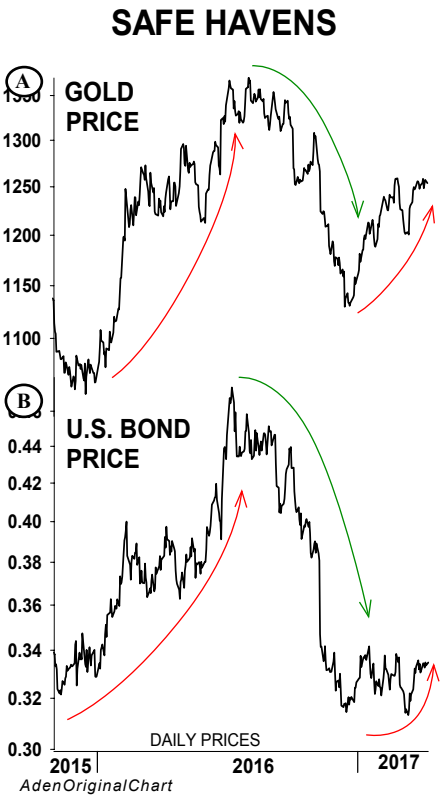
All of these trends remain up and these markets will likely keep doing well as long as these uptrends stay in force and/or until the markets tell us the trends are nearing an end.

Many of you have asked what to do if you haven't bought stocks yet.... This is a tough one because the bull market in stocks is already eight years old.

It's also overvalued, but as you'll see next, it could still rise quite a bit further.

Nevertheless, if you're just now going into the stock market we would invest modestly and not put a large portion of your portfolio in stocks.

CHART 1



We would also stick to the strongest six stocks, which are listed at the top of the stock list on page 12, and **ideally buy on weakness**.

FINANCIAL MARKETS' WALL OF WORRY

Okay, but what about some of the concerns we talked about last month, like the massive debt load. Couldn't that upset the apple cart?

Yes, it could. Aside from debt, there are other negatives hanging over the market, which also warrant attention.

Bank lending, for instance, is down and so is money supply growth. Historically, these have led recessions by about one year. Will it happen again? It could.

As we mentioned last month, currently there's no recession in sight and the positives are outweighing the negatives. But things can change and the outlook could be different later this year.

Time will soon tell and we still believe that 2017 will be a key year. In the meantime, stay invested in the strongest markets, which are the metals related and stock markets.

And keep a good cash position in order to take advantage of good opportunities as they come up. Stay alert and stay flexible. These are uncertain times, which means anything is possible.

CHART 3

2016 YEARLY GAIN	
Gold Shares (HUI)	64.50%
Crude Oil	45%
Palladium	21.50%
Silver	15.83%
Dow Industrials	12.26%
Gold	8.63%
S&P 500	8.50%
Nasdaq	6.26%

Q1-2017 SCORECARD	
Palladium	16.81%
Silver	14.20%
Nasdaq	9.82%
Gold	8.64%
Gold shares (HUI)	8.18%
S&P 500	5.53%
Dow Industrials	4.56%
Crude Oil	-5.80%

U.S. & WORLD STOCK MARKETS

A booming market

The stock market just keeps on going. It remains bullish and even though it's already had a strong upmove, stocks are still set to rise further.

INVESTORS: Optimistic

One important reason why is because the public is now pouring into the stock market. They're feeling good about stocks and they don't want to be left behind.

In fact, they're feeling so good, investor optimism just surged to a 17 year high (see **Chart 4**).

CHART 4

This means nearly 50% of these investors expect stocks will keep rising over the next 12 months.

That's the highest level since the 2000 and 2004 highs. But despite these highs, our old friend and market expert Steve Sjuggerud believes the current situation is similar to 2004. At that time, the S&P500 soared over 50% in the following three years and he feels a similar upcoming move is likely, starting now.

This may seem too optimistic, but there are several reasons why we tend to agree.

BULL MARKET THIRD PHASE

As we mentioned last month, we believe this bull market is currently in its third phase. During third phases, the public starts to charge into the market, which is what we're seeing. This tends to feed on itself until investors become frenzied.

The end result, third phases can last longer and go higher than anyone expects. In other words, the gains made in these speculative third phases are usually greater than the gains made in the earlier stages of the bull market.

Yes, we know stocks are overvalued, but in third phases stocks will stay overvalued while the market keeps rising. A good example of this was the dot.com frenzy in the late 1990s.

You may remember, everyone went crazy for tech stocks at the time. That was all the talk. And while this may not play out exactly the same, it could be similar.

SO WHAT COULD DRIVE STOCKS HIGHER?

The Trump Rally has been good for stocks because investors remain positive about his planned changes, which will be good for business and stocks. But there's much more behind this bull market...

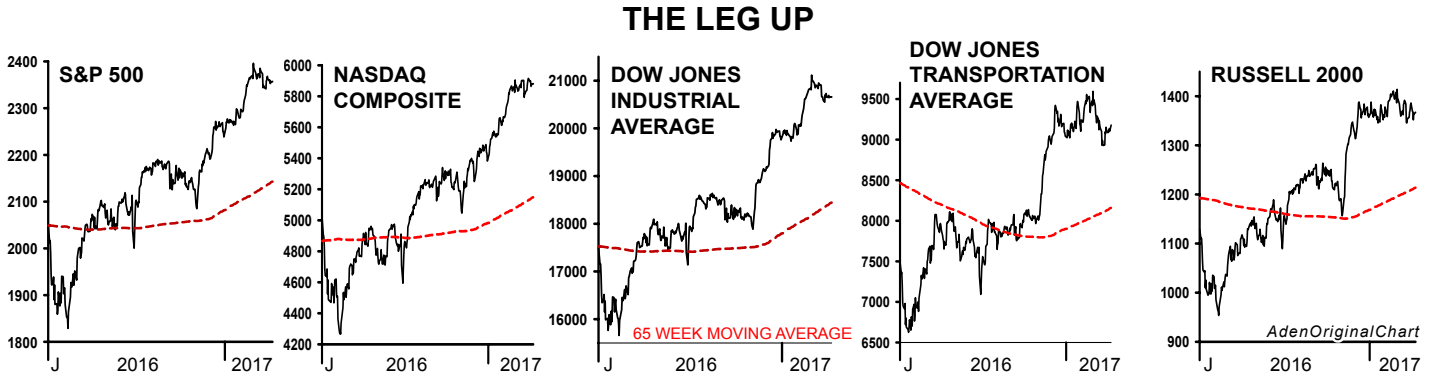
As our friend and colleague Matt Kerkhoff of *Dow Theory Letters* points out, more and more investors are coming around to the idea that this is a "Reflation Trade." That's the bigger picture and here's the story...

CHART 5

The bigger story

Behind Trump is a global economy that's been improving for quite some time, and it's likely to continue doing so. This improvement has less to do with Trump, and more to do with a general reflation of the global economy, led

CHART 6



by a rebound in energy prices. And since the oil price remains bullish, this should continue to bode well for the world economy, which is being reflected in stocks around the world.

Let's start with the U.S. stock market and take a look at the technicals...

STRONG SECTOR RISE

As you can see on **Chart 6**, all of the stock indexes remain strong and bullish. They're still well above their 65-week moving averages, which identifies the major trend.

Lately, the markets have been stalling or correcting downward and this could continue in the months ahead. The Volatility Index (VIX) is starting to rise from a low area which coincides with corrections in the market. This is normal following such a steep rise. If anything, it's providing a good opportunity if you want to buy more stocks, especially if stocks correct further.

Nasdaq has clearly been the stock market winner this year. It's risen more than twice as much as the Dow Industrials. This tells us investors are willing to take more risk, and of course bigger gains also attract buyers.

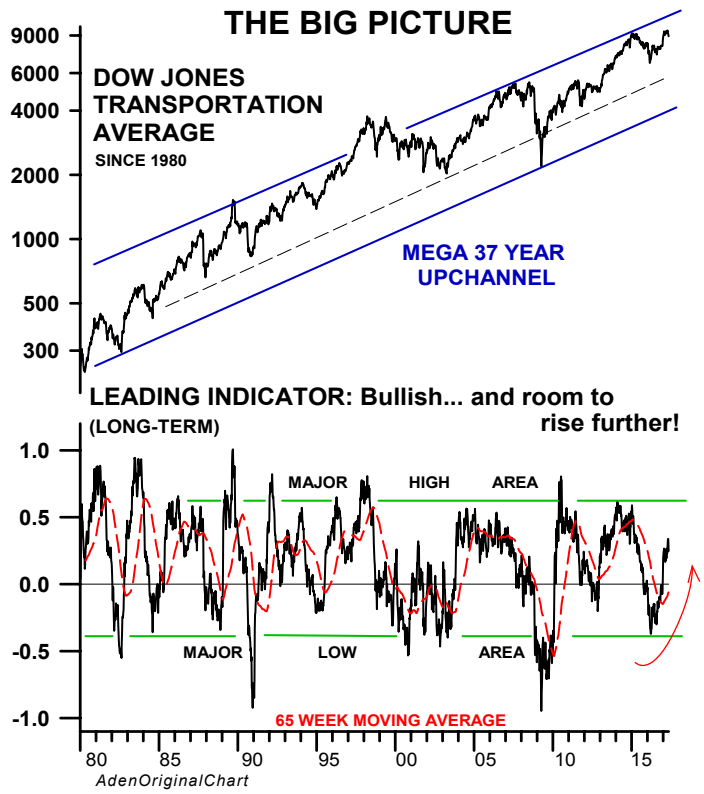
On a bigger picture basis, note Nasdaq has formed a huge rising wedge formation (see **Chart 5**). If Nasdaq breaks out on the upside, it'll be super bullish. As you'd expect, a break below the uptrend would be a bearish sign.

TRANSPORTS: Good... and led decline

Our leading indicators, however, keep suggesting the odds favor the upside. Looking at the Dow Jones Transportations, for example, you'll see what we mean (see **Chart 7**).

The Transports are strong but, like the other stock indexes, its leading indicator is not yet at the major high area. These high areas tend to coincide with important stock market tops. So the bottom line here is, stocks are not technically overbought and they could keep rising in the months ahead. That's been the case throughout this year's upmove.

CHART 7



GLOBAL EQUITIES: Strong

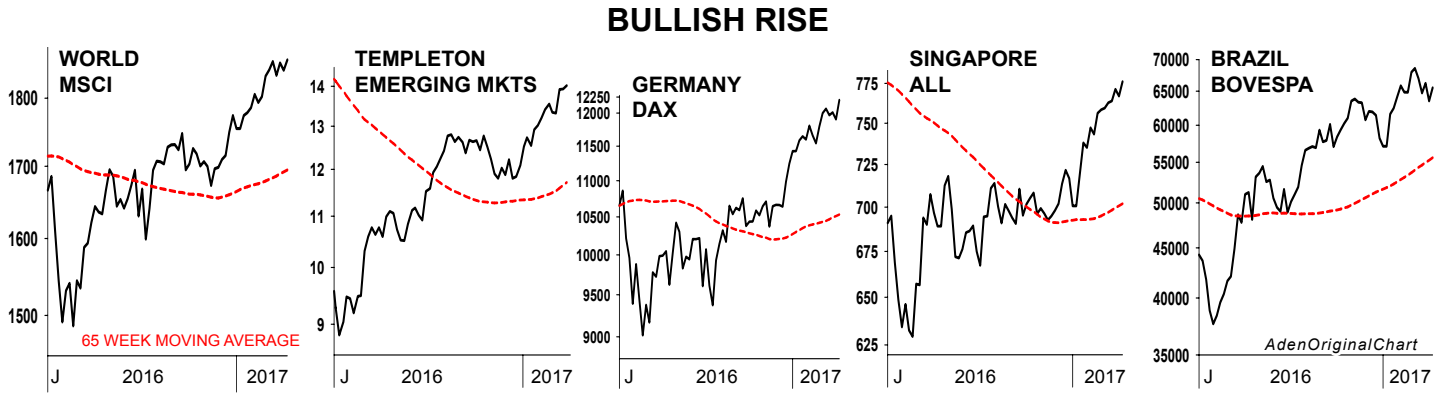
The international stock markets are telling us the same thing (see **Chart 8**). Using these markets as an example, they're all bullish above their moving averages. And when all of the markets rise together, the bull is even more powerful.

Interestingly, the emerging markets have been doing well and this too is yet another bullish omen. It tells us investors are betting on more economic growth.

The Templeton Emerging Markets (EMF), for instance, has good potential. It has a nice chunk in China, which has been doing well, and it has a good portion in Europe, which just had its best quarter since 2015.

Currently, the market is telling us to stay with it, and that's what we continue to recommend.

CHART 8



U.S. INTEREST RATES AND BONDS

Mega interest rate trend still down

Interest rates can be confusing. We know many of you get frustrated because of the interest rate action and what it means.

WHICH WAY INTEREST RATES?

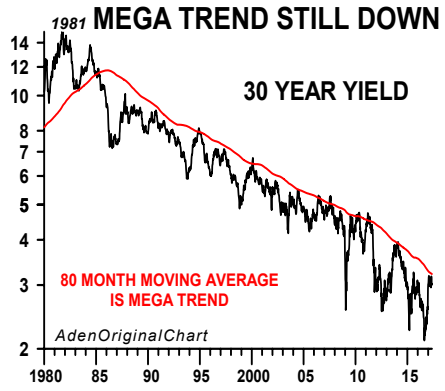
This is understandable because there's always so much talk about interest rates. Are rising interest rates bad for the stock market? Will they hurt the economy? Why does the Fed often say one thing and do another?

This month we'll try to answer these questions and put the current interest rate situation into perspective...

The Fed raised short-term interest rates last month and long-term interest rates have been declining ever since...

Wait a minute, you may be thinking... shouldn't all interest rates be moving up instead of down?... The "normal" answer is yes, interest rates should be rising, but here's why they're not...

CHART 9



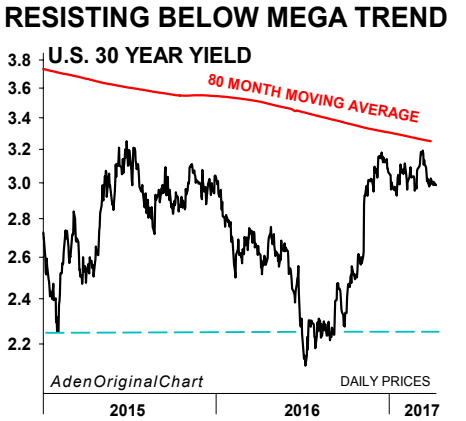
SHORT TERM RATES ARE ONE SIDE...

Short-term interest rates and long-term interest rates usually move together, but lately they've been going their separate ways.

Short-term interest rates, like the 90-day T-Bill rate for instance, is near an eight year high. That's because it tends to move with the Federal Funds rate, which is the interest rate the Fed moves up or down when it wants to change the overnight rate banks lend to each other.

The Libor interest rate also moves with the Federal Funds rate and it's very influential worldwide. This is the rate banks charge each other for U.S. dollar deposits at foreign banks. Plus, many other interest rates are also pegged to the Libor interest rate.

CHART 10



...LONG RATES ARE THE OTHER

On the other hand, long-term interest rates, like 10 year or 30 year Treasuries, are based on the free market. And this market is massive.

Basically, when demand is high for Treasuries, long-term interest rates rise, and bond prices decline. Conversely, when demand is lackluster, long-term rates decline and bond prices rise.

Basically, both long and short-term interest rates tend to move together in major up and down moves, but they don't necessarily move in lockstep otherwise.

MEGA TREND STILL DOWN

The latest action provides a good example of this...

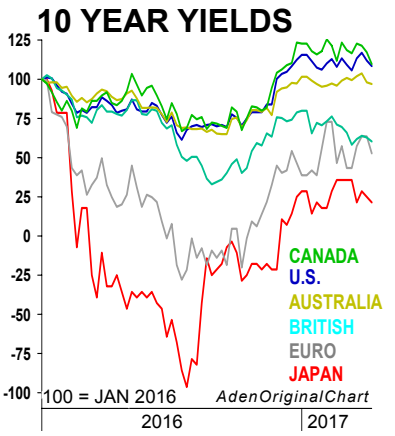
As you can see on **Chart 10**, the 30 year yield rose sharply at the end of 2016 and it's been going sideways since then. That is, it's been resisting below its 80-month moving average, which identifies the mega interest rate downtrend that's been in force for 36 years! (You can see this clearly on **Chart 9**.)

In other words, this mega downtrend remains in force, meaning long-term interest rates are set to decline further. And even though the Fed says they're going to keep raising interest rates this year, long-term interest rates are not yet poised to turn up.

This would happen if the 30 year yield were to rise and stay above 3.20%. Once that happens, we'll know that all interest rates are going a lot higher.

This would apply to interest rates around the world too because

CHART 11



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they generally move together (see **Chart 11**). It would also mean the global economy is picking up steam, and so is inflation. That is, it would be a good economic sign.

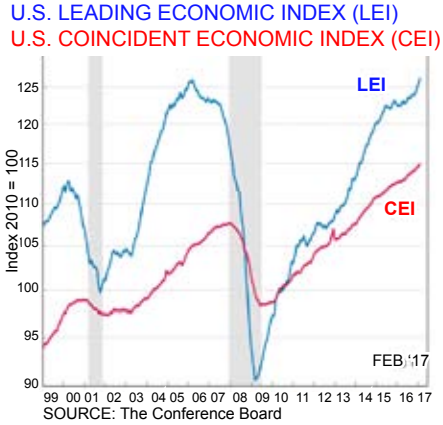
REFLATION

Lately, we've been pointing out how the economy has indeed been improving. Deflation concerns have moved to the background and the outlook keeps getting better.

Consumers drive the economy and consumer confidence is now at the highest level since 2000 (see **Chart 13**). This is very positive. The stock market is also reinforcing this and so is the Leading Economic Index.

Note it's now at the highest level in a decade. And since this indicator leads the economy, it's telling us the U.S. economy is going to accelerate (see **Chart 12**).

CHART 12



RATES RISING FROM THE PITS

But if the Fed keeps raising interest rates, won't that eventually influence long-term interest rates higher? And wouldn't it hurt the economy?

The answers are yes and no. Yes, long-term interest rates will eventually follow short-term interest rates up. And contrary to popular belief, no this won't necessarily hurt the economy. Here's why...

Remember, interest rates have been plunging, especially since the 2008 financial crisis. As you'll remember, they fell so far, they hit 5,000 year lows last year!

This alone was unbelievable and it told us interest rates could keep rising for quite a while before they begin to affect the economy. The main point is, **rising interest rates can indeed coincide with a growing economy and a rising stock market.**

CHART 13

THE END IS NEAR

This is what we see coming down the pipeline in the months and year ahead. And if all interest rates eventually head higher as we suspect, then bond prices are going to fall hard into a big bear market.

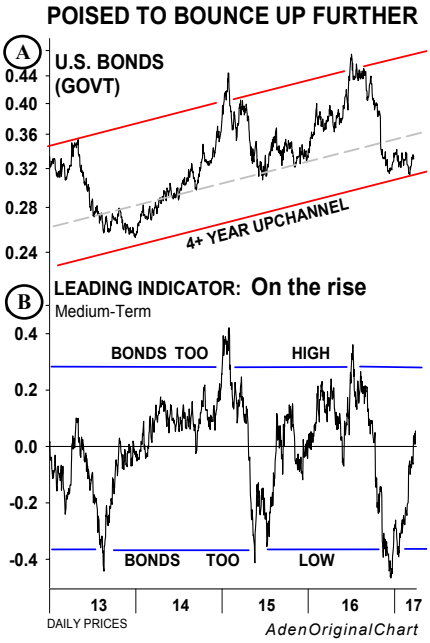
Remember, bond prices and interest rates move in opposite directions. So if interest rates rise, bond prices will decline.

Currently, however, bond prices are poised to rise further before a bear market evolves (see **Chart 14A**). As you can see, bonds appear to be bottoming and the leading indicator is moving up.

This means bond prices will follow, in at least a bounce up. This will likely coincide with lower interest rates in the upcoming weeks... but this will probably end up being temporary.

That's why we continue to feel bonds are risky. The bond bubble could burst at any time and it's best to stay on the sidelines for the time being. If that changes, you'll be the first to know.

CHART 14



CURRENCIES

U.S. dollar index: Topping in bull market

The action in the U.S. dollar has been unusual too. When the Fed raised interest rates last month, the dollar also declined.

A DOVISH FED

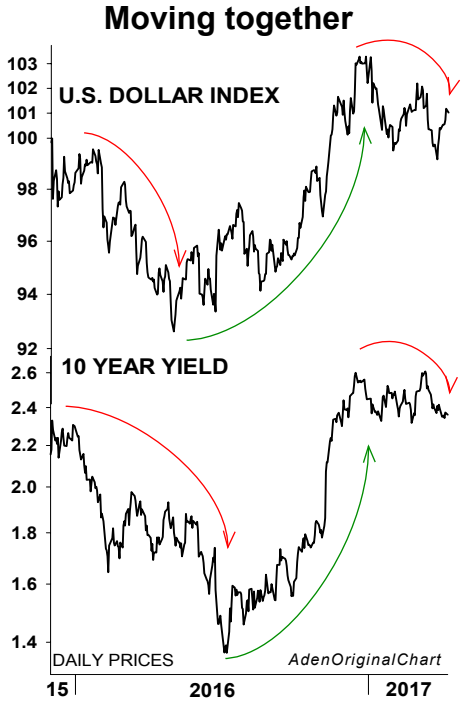
This is exactly the opposite of what you'd expect... Normally, when interest rates rise, it makes a currency more attractive and, therefore, it creates more demand for buyers. This in turn pushes the currency higher... So what happened?

There were actually a couple of reasons for this...

Even though the Fed raised their Federal Funds interest rate for the third time in 15 months, the markets expected more. They wanted to hear enthusiastic comments about the Fed's outlook and future interest rate hikes. Basically, the market felt the Fed's comments were too dovish.

The decline in long-term interest rates also drove the U.S. dollar lower (see **Chart 15**). And if long-term interest rates keep declining in the weeks ahead as we suspect, this will likely keep downward pressure on the dollar.

CHART 15



The same is true of politics. The currency markets have been watching some of Trump's plans derailed because of obstacles that seem to keep popping up.

The health care bill, for example, had to be pulled which pushed the dollar to a four month low.

WHICH WAY?

Okay, so where does the dollar currently stand?

As you can see on **Chart 16**, the U.S. dollar index remains bullish. Despite its recent weakness, it's still in a strong uptrend that's been in force for about three years. Good economic news has been keeping the dollar firm.

Still, the U.S. dollar index is now vulnerable and if it stays below 101, it could continue down to 97.80, but the dollar index would remain bullish.

The dollar, however, could be forming a broad top formation. This would be confirmed if the dollar index drops below 97.80. It would also mean the dollar's headed a lot lower.

But since the dollar's (long-term) leading indicator is essentially neutral, it's telling us the dollar could go either way. Even though there's a slight bias to the downside, most important, the dollar's bull market is still intact.

So we continue to recommend keeping your cash in U.S. dollars. But you'll want to keep an eye on these markets because there are signs we could be seeing the start of a new weak U.S. dollar trend.

LOOKING FOR BALANCE

That's one reason why many were focused on the meetings between Trump and China's president Xi. As the leaders of the world's two strongest economies, these meetings were important due to the possibility of repercussions depending on the outcome.

Most sensitive were the currency markets because trade issues and currency depreciation were on the table.

But in the end, the outcome was friendly and the issues were kicked down the road for another time.

CHART 16

CURRENCIES: Trying to bottom

Looking at the major currencies, you can see the Chinese yuan hasn't been alone (see **Chart 17**).

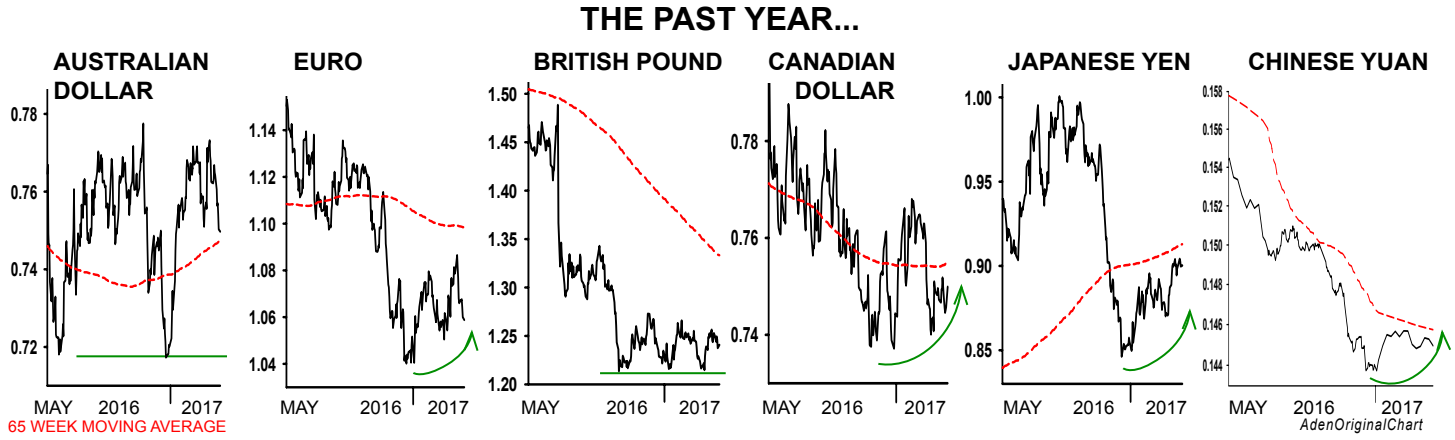
Most of the major currencies have been very weak since last year, and actually before then as well. Basically, when the dollar is strong, the currencies are weak and vice versa.

Some currencies have obviously been weaker than others and for different reasons, but the general downtrend has been in force over the past year, pretty much across the board.

This has helped these countries in several ways, primarily as a trade advantage. If a currency is weak, that country can sell their goods at a cheaper price than say the U.S. This in turn helps their economies.

With the U.S. dollar strong it makes U.S. products more expensive and, therefore, less desirable. In other words, a strong currency is a disadvantage in the global

CHART 17



market place. And that's the main reason why the U.S. trade deficit has been ballooning.

The U.S. has essentially suggested it would like to see a weaker dollar, but we'll see if it happens.

In the meantime, a bottom may be forming in the currencies. Even though they all remain bearish, they've been building a base, which could end up being a spring board for higher prices.

The only exception continues to be the Australian dollar. It's not in the bearish camp. It's still above its moving average and the major trend is up.

So is the Australian dollar leading the other currencies? It's certainly a possibility and something we'll be watching. If the other currencies rise and stay above their moving averages, it'll be a strong sign they're trading places with the U.S. dollar.

METALS, NATURAL RESOURCES & ENERGY

2017: Off to a good start

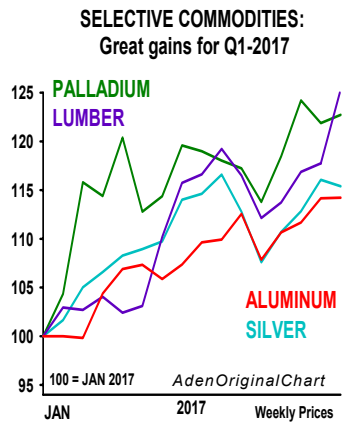
The metals shined in the first quarter. And the second quarter is starting out with a bang!

This year's strength is following last year's gains when gold and silver were both up on the year for the first time in four years.

In fact, it seems little known that gold and especially silver, gold shares, palladium, aluminum and lumber have all outperformed the S&P500 during the first quarter (see **Charts 3** and **18** as samplers).

In fact, an index of six major metals rose for the fifth straight quarter in the longest stretch of gains since 2010.

CHART 18



GOLD SHARES: The star

In 2016 gold shares nearly quadrupled the gains in the Dow Industrials and rose about six times more than Nasdaq. And most impressive, this included the Trump effect.

That is, this gain included the collapse in gold shares following last November's election and up to the December low. At the same time, the stock market soared on Trump optimism.

This stark difference in the stock market and the metals market caused stocks to look like the obvious winners.

But this euphoria is clouding reality, as you saw with the gains of last year and this first quarter on **Chart 3**.

BULLISH SIGNS

We have strongly felt that 2016 was a turnaround year for the metals. And we've been watching them closely this year to further back up this bullish scenario.

Looking at gold around the world on **Chart 19**, you can see this turnaround in terms of all the major currencies.

The 2013 plunge in gold was indeed the worst gold decline in all currencies. But gold reached a bottom that year in all currencies except the U.S. dollar.

Gold in dollars finally bottomed in December 2015, about 2½ years later.

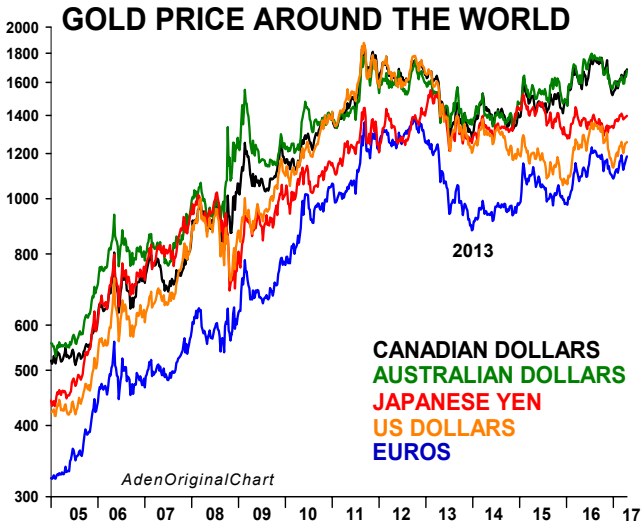
You can also see that gold tested its 2011 record high area last year in both Canadian dollar and Australian dollar terms.

Interesting, the gold price today is near the same price in U.S. dollars as it is in euros. This is unusual and it may be saying gold is undervalued in dollar terms, or that the dollar is too strong.

Either way it's a good sign for gold.

When gold rises in all currencies you know the rise is real, and it's not just a currency movement. And this is what we're currently seeing.

CHART 19



GOLD AND THE DOLLAR: Move opposite

The U.S.dollar index has been under pressure since reaching a high at the start of the new year. And it looks like it could be nearing the start of a major turnaround on a big picture basis.

Chart 20 shows how the gold price and the U.S. dollar move in opposite directions on a general major trend basis.

The mega trends have been up for gold and down for the dollar ever since the dollar was taken off the gold standard, when it began to move in the

free market in the early 1970s.

Within this mega trend, the red lines show the contra moves in both, lasting about five years. 2011 marked the last contratrend move when gold declined and the U.S. dollar rose until last year.

2016 marked the start of a major turn from the contratrend. The gold price started to rise while the dollar started to decline, and it could be getting ready to resume its mega downtrend.

This will be confirmed once gold closes and stays above the August highs near $1372, and the dollar index closes and stays below 97.80. It still has a ways to go to confirm this turnaround.

DEMAND IS GROWING

Low interest rates have been a positive for gold and the metals because they don't give gold much competition.

The Fed raised rates in mid-March for the third time since December 2015, but short-term rates are still very low, while long-term rates have been coming down since this March announcement.

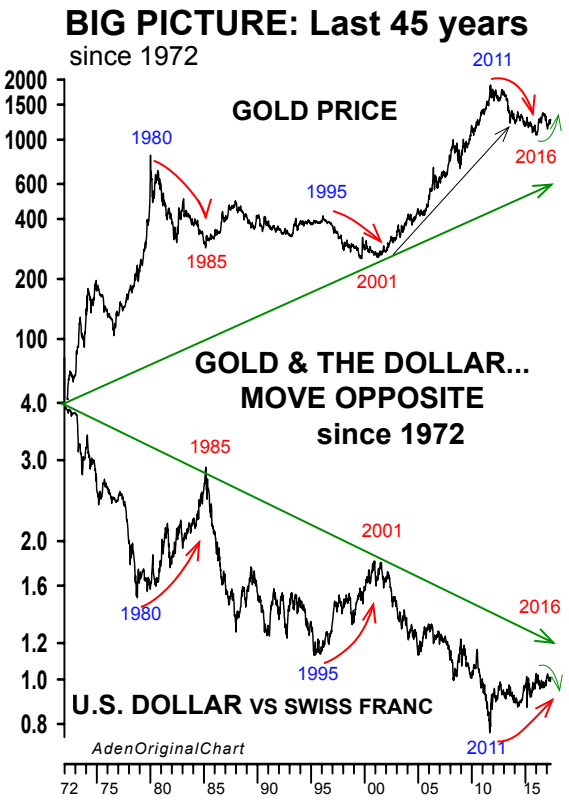
And coincidentally, the gold price bounced up from $1200 when the Fed raised rates.

In other words, interest rates are unlikely to adversely affect the gold price. That is, until they rise much further, or until the Fed talks more aggressively about raising interest rates.

Stalling U.S.and world equity markets, as well as the **vulnerable dollar index** have added to more demand for the metals. Plus, expectations of **rising inflation** gave gold some glimmer because it's seen as a hedge against rising consumer prices.

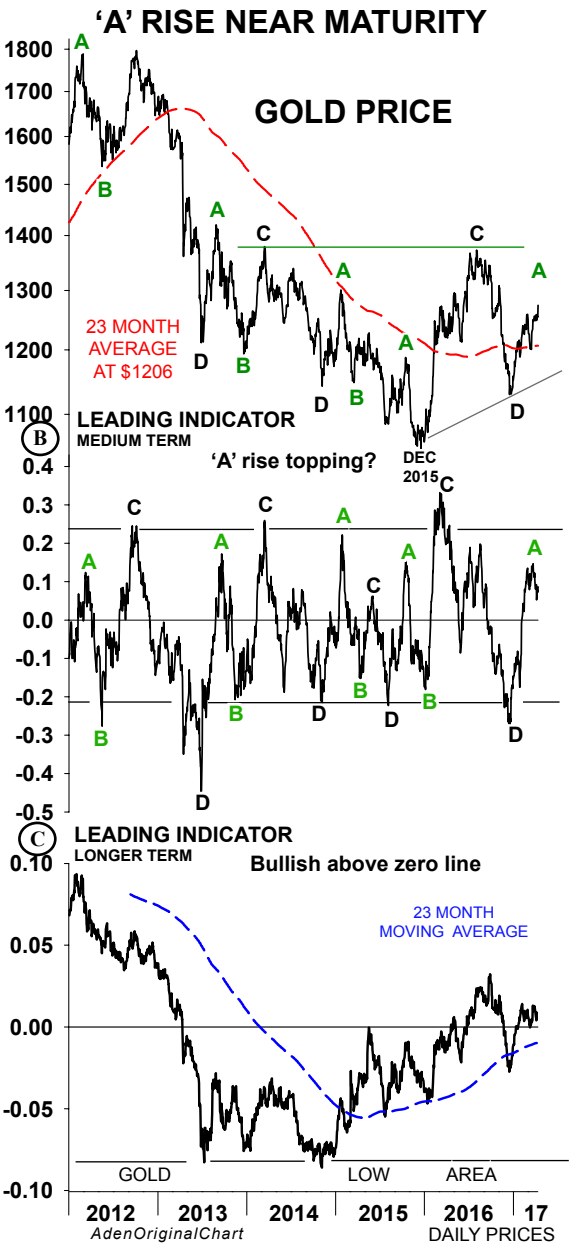
But mainly, demand for gold and silver as a **safe haven** continues to grow, and uncertainty plays a big part in this demand. Be it financial, economic or political, there are many areas of uncertainty. So countries and individuals continue to accumulate gold and silver.

CHART 20



Russia, for example, has been accumulating gold over the last three years when they decided to diversify their currency reserves into gold. And this last quarter was no exception as they started with larger amounts.

CHART 21



How Trump's promises play out will also be a factor moving gold this year. The health care reform situation was seen as a hit on confidence in the Trump card. This too helped taper the post election rally in assets.

In fact, this year will be a key year to determine how the markets react going forward. And for now the Syria strike is a good reason to have safe haven investments.

GOLD TIMING: Buy during B decline

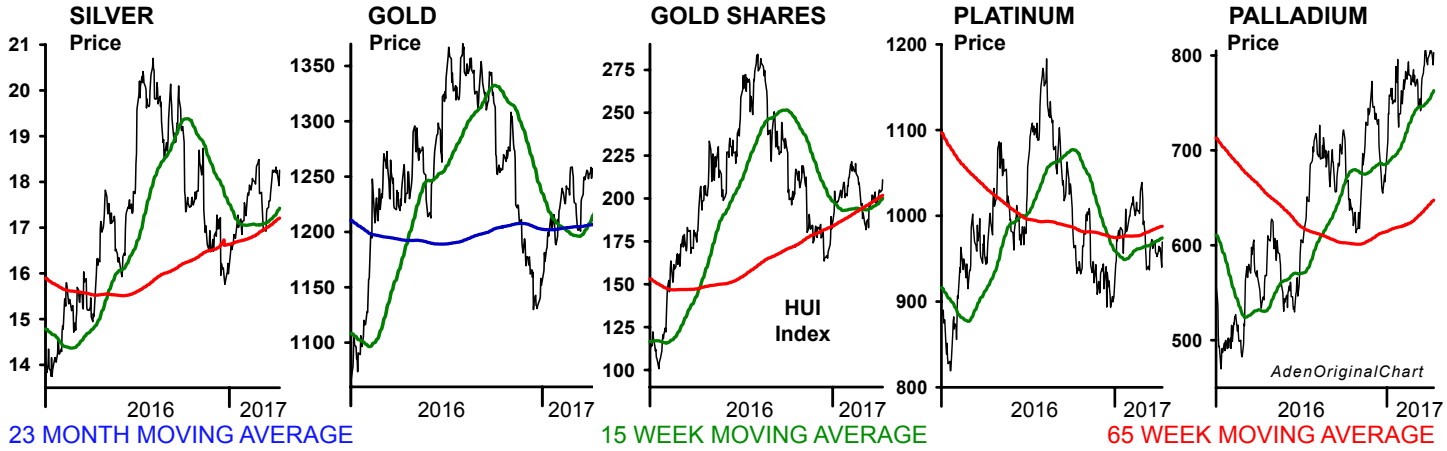
Gold is seasonal, which allows our A through D phases to play out every year. Albeit, not the same, but they rhyme. **Chart 21** is very familiar to our older subscribers.

It shows this seasonality with the intermediate moves. In our last issue it looked like gold's 'A' rise since December was over because gold fell almost $60 in early March.

But gold bounced up from its key $1200 level when the Fed said

CHART 22

A MOVING AVERAGE STORY



they'd probably raise rates slower this year, and gold's been bouncing up since then.

Most interesting is the medium-term indicator (**21B**). It held at the highs the whole time and touched a new high. This tells us the B decline hasn't happened yet.

The bottom line is, the A rise is still underway, and it should be nearing maturity. But gold jumped well above the February highs to a five month high when geopolitical tensions intensified.

This is a wild card and it will likely keep upward pressure on gold, at least for the time being.We'll soon see.

If gold continues to rise from the current high areas, the A rise is very strong. Gold could then approach the 2016 highs at the prior C peak near $1370.

On the downside, if gold declines and stays below $1230, the A rise will be about over. But a price below its 15 week average at $1220 would confirm a B decline has clearly begun.

Gold could then easily test the $1200 level. And if that level is broken, we could even see the $1170 level tested, yet gold would still be forming a turnaround.

In the end, either direction at this point is fine for gold with $1170 and $1370 being its wide range band as a guide.

GOLD SHARES: Undervalued

When gold shares first reached their bombed out lows in January 2016, no one wanted them. They then did an abrupt about-face and soared over 180% in less than seven months, when they peaked last August.

But the annual gain wasn't shabby either.

If you would've bought them at the start of the year and sold them at end-December you would've gained 64.50% based on the HUI gold share index, in spite of all its volatile moves last year.

And now in this first quarter of 2017 the HUI gained similar to gold at 8%+, also in spite of its wild volatility. This is telling us a buy and hold strategy is best for your gold share positions, unless the major trend changes.

We'll do just that. And according to the big picture, gold shares are still undervalued, and it's not too late to buy new positions.

The HUI index is quietly holding near its key 15 and 65 week moving averages (see **Chart 22**).

But taking a look at the HUI index going back to 2005 on **Chart 23A**, you can see a major bottom is forming.

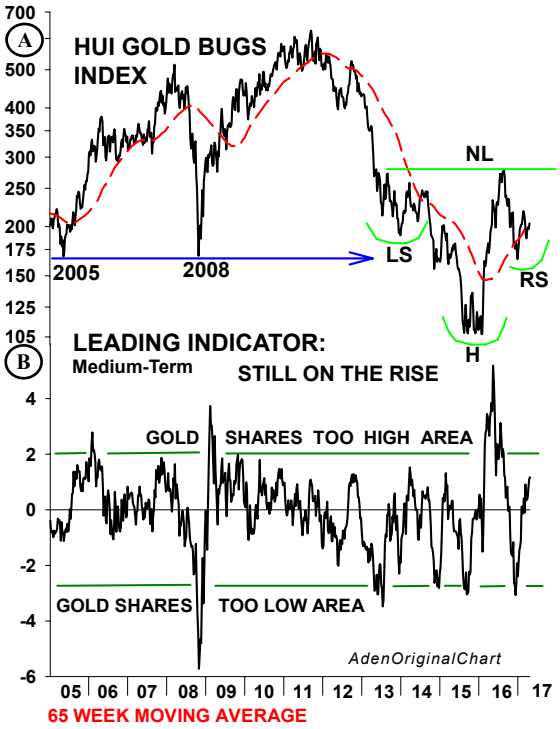
A four year head and shoulders bottom formation is still ongoing. HUI is forming the right shoulder (RS), and even if the HUI slips down further, it's still stable by staying above its March lows.

Once this shoulder is complete, we could see gold shares rise to their 2016 highs. This is the neckline (NL) resistance and a key area.

The bull market would become very powerful once this key level is broken above 284. It would

CHART 23

MAJOR BOTTOM STILL FORMING



be a huge breakout of a major bottom area.

You can see we have time, and all we need is patience. We'll be patient and look forward to a good upcoming ride.

SILVER: Best Precious Metal (almost)

Silver was a star metal, gaining over 14% in the first quarter. And this is after completing 2016 with an annual gain of almost 16%.

CHART 24

Silver has the edge over gold. The trend favors silver over gold, and it's saying we should have more invested in silver than gold (see **Chart 24**).

Chart 22 shows how firm silver looks above its two key moving averages near $17. It's saying it could break above its next step at $19 once $18.50 is clearly broken.

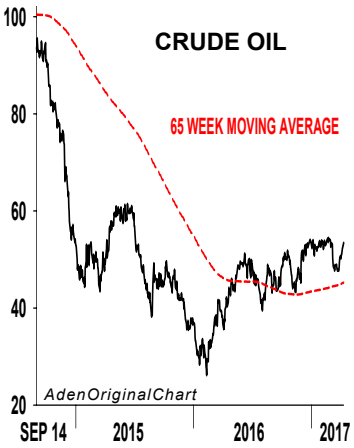
Palladium has been on a run with the auto industry in its favor. It gained almost 17% this first quarter (see **Chart 22**). It's a little late to buy palladium, and we'd rather wait to see how it develops considering some negative straws in the wind circulating about the auto industry.

Platinum is fine but it's the quietest metal of them all. Until it changes its quiet ways, we'll continue to steer clear.

RESOURCES AND ENERGY: Look promising

Crude oil made an about-face, rising briskly over the last few weeks.

CHART 26



Geopolitical worries are growing in the Middle East after the U.S. air strike on Syria. Together with another shutdown at Libya's largest oilfield it's pushing oil up and it's approaching its February highs near $55.

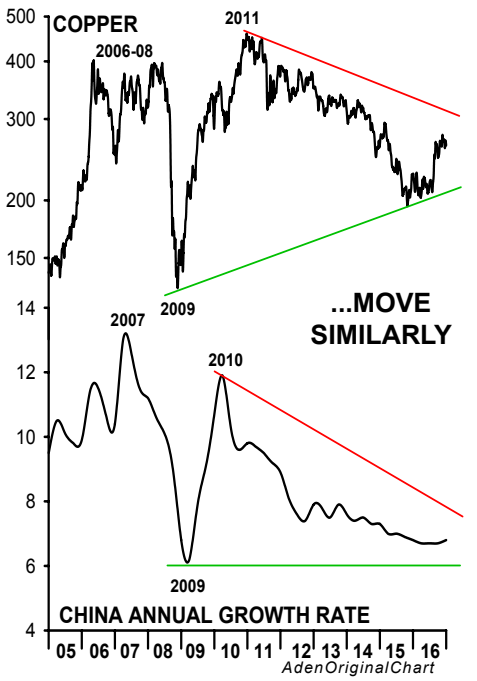
Crude turned bullish last year when it rose and stayed above its 65 week moving average (see **Chart 26**). It's been quietly bullish and it's been outperforming the energy shares since last November.

If crude breaks clearly above $55, it'll be a strong bullish breakout and it could rise much higher.

China surpassed Canada as the top buyer of U.S. crude in February at a time when OPEC seeks to cut global supply.

In fact, China's February imports quadrupled its January ones, which in turn helped boost U.S. exports to a record 31.2 million barrels that month, according to the U.S. Census Bureau.

CHART 25



Copper has always been the barometer for global growth. And since China has been the world's growth engine, it made sense they would move together.

Chart 25 shows how similar their moves are. And it shows it's no coincidence that both have been down and under pressure since 2010-11 when China's growth rate came down.

Things are starting to pick up.

Copper is bouncing up from last year's lows while China stabilizes. Plus, the Baltic Dry Index (BDI) is now also jumping up (see **Chart 27**).

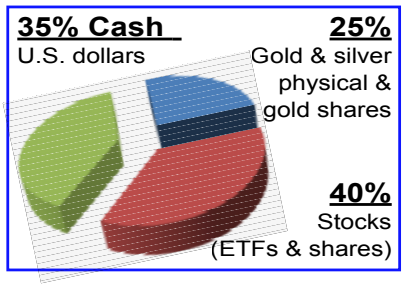
This index is a practical economic indicator on a global scale as well. It shows the cost to ship materials. And it's saying the global weakness has turned the corner, which also bodes well for the Transportation stocks.

This whole sector is slowly turning bullish. More money is flowing into commodities as investors search for investments that can keep up with faster inflation, and metals such as copper face supply shortages.

Plus, with silver stronger than gold, it's yet another good sign for the resource sector.

CHART 27

OVERALL PORTFOLIO RECOMMENDATION



Everything is growing! Better U.S. and global economies, rising markets, but also inflation and geopolitical tensions are rising. The markets have a story to tell, and Q1-2017 gave us an insight. Silver, for example, outperformed the best stock sector, Nasdaq, as you can see on chart 3. Like we've been saying, this year will be very telling. Keep the positions you have, and read each section below for more specifics.

PRECIOUS METALS, ENERGY, RESOURCE

Safe havens are rising. Gold's A rise is alive and very strong! Gold jumped up to a five month high, well above its February highs. The $60 fall in March was an aberration and not the end of the A rise. Gold shares (HUI) also hit a seven week high, and both are now poised to rise further. If gold reaches the prior C peak area at $1370, the A rise will clearly be a very bullish rise. We'll be watching this A rise closely this month because it could be nearing maturity. But when gold fever kicks in, and especially if geopolitical tension rises further, we could see a bigger jump. Gold shares are still undervalued in spite of its stellar performance the past year. We could see more volatility but as we clearly saw, it pays to stay put with the major trends. Silver is holding up firmly, while crude oil is jumping up and testing its February highs near $55. Both are in bull markets. We continue to recommend buying and keeping a 25% position in gold, silver and gold shares. Our order of strength this month is shown below.

U.S. & GLOBAL STOCK MARKETS

The stock market keeps on going. It remains bullish and even though it's already had a strong upmove, stocks are set to rise further. So keep your stock positions. First, however, the market could continue to correct downward before it heads higher. This is providing a good opportunity if you want to buy more stocks, especially if stocks correct further. We would also stick to the six stocks listed at the top of the stock list for new positions, which are the strongest. These are QQQ, ADBE, EMF, IOO, MSFT and DIA.

INTEREST RATES & BONDS

Long-term interest rates have been declining and bond prices are rising. That is, the mega downtrend will remain in force as long as the 30 year yield stays below 3.20%. Currently, bond prices are poised to rise in at least a bounce up, but this will likely be temporary. Overall, bonds are still risky and it's best to stay on the sidelines.

CURRENCIES

The U.S. dollar remains bullish. Still, the dollar index is now vulnerable and if it stays below 101, it could continue down to 97.80 but it would still be bullish. For now, we continue to recommend keeping your cash in U.S. dollars but there are signs we could be seeing the start of a new weak U.S. dollar trend. But we'll see how it unfolds and keep you posted.

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

OUR OPEN POSITIONS in order of strength per section

GOLD AND SILVER

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE 1st	CURRENT RECOMM
SPDR Gold	GLD	Mar-17	117.51	121.19	3.13	Buy/Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.00	2.69	Buy/Hold
Gold (physical)		Oct-01	277.25	1274.20	359.59	Buy/Hold
Silver (physical)		Aug-03	4.93	18.25	270.26	Buy/Hold
Gold Miners ETF	GDX	Feb-17	25.20	24.36	-3.33	Buy/Hold
Agnico Eagle	AEM	Feb-17	47.10	46.36	-1.57	Buy/Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	37.50	-10.97	Buy/Hold

STOCK ETFS & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE 1st	CURRENT RECOMM
Nasdaq Pwrshrs	QQQ	Aug-16	117.7	131.45	11.68	Buy/Hold
Adobe Systems	ADBE	Feb-17	118.93	129.95	9.27	Buy/Hold
Templeton Emerg Mkts	EMF	Feb-17	13.42	14.14	5.37	Buy/Hold
S&P Global 100	IOO	Aug-16	75.34	81.32	7.94	Buy/Hold
Microsoft	MSFT	Dec-16	63.62	65.48	2.92	Buy/Hold
Dow Industrials	DIA	Aug-16	186.52	206.33	10.62	Buy/Hold
S&P 500 Index Equal	RSP	Dec-16	87.55	90.74	3.64	Hold
SPDR S&P Insurance	KIE	Nov-16	80.24	85.49	6.54	Hold
SPDR Russell 2000	TWOK	Nov-16	77.19	81.02	4.96	Hold
Alcoa Corp	AA	Nov-16	31.85	34.39	7.97	Hold
US Steel	X	Nov-16	29.17	34.72	19.03	Hold
US Financial Services	IYG	Dec-16	107.06	107.29	0.21	Hold
DJ Transportation	IYT	Nov-16	158.29	164.41	3.87	Hold
SPDR S&P Bank	KBE	Dec-16	43.41	42.37	-2.40	Hold

