THE
ADEN FORECAST
MONEY • METALS • MARKETS

MAY, 2010 *in our 29th year*

TURMOIL HITS THE MARKETS

The concerns and reactions keep coming. It seems that something big happens nearly every month. Investors get all worked up until things settle down some, and then the next "crisis" comes along.

UNCERTAINTY IS THE ONLY CERTAINTY

Last month's optimism didn't last long before Goldman Sachs and Greece took center stage. In both cases these unfolding stories affected the markets in a big way.

As the Goldman facts emerged, Wall Street became an even dirtier word than it was before. The public held it largely responsible for the housing fiasco, foreclosures, the recession and unemployment.

While we certainly don't condone what happened, a few greedy traders and companies were hardly the sole culprits. Nevertheless, they were an easy target and they're now getting the brunt of the blame.

We all know it wasn't that simple. It rarely is and it's the same story with Greece.

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Greece is heavily in debt, but so are many other countries. It was just the first to suffer the hangover after the big party. Others are following, like Portugal and Spain. This created serious concerns that the crisis could spread as the shadow of another financial crisis lurked overhead.

As you'd expect, the markets have been volatile and filled with turmoil. Safe haven buying and risk aversion returned, fueled by uncertainty over what might happen next. Despite the huge bailout, no one really knows. And even though the markets have settled down some, they're still nervous.

As a result, gold is clearly benefiting… it's now at an all time high! The action in gold just keeps getting better and there are several solid, fundamental reasons why.

GOLD: A SAFE HAVEN

We've discussed these many times and we won't rehash them again. But the points is, several of these reasons were again reinforced this month. First and foremost, gold is the number one safe haven. When there are signs of economic or political trouble, investors turn to gold. But there's more and it's much bigger than the reactions to current events…

Around 2000 a new investment era began. Stocks had been rising for nearly 20 years and gold was down. The 1980s and 1990s were the era of stocks and they were the better investment, but then a major shift occurred.

The tech bubble burst and this was extremely significant. It marked the end of the stock era and the beginning of the gold era. This is clearly illustrated on **Chart 1**.

CHART 1

As you can see, the Dow Industrials hasn't really gone anywhere over the past 10 years. Gold, on the other hand, has risen steadily and it has strongly outperformed the Dow. It was finally gold's time and it's been that way since then. **Gold has been the best investment over the past decade.**

Gold shares have been even stronger than gold over the long haul, which is usually the case during major bull market rises. They're also more volatile than gold. That is, the ups and downs can be nerve wracking but as this chart shows, if you stay with them it's well worth the effort.

MEGA TREND IN PLACE

As you know, we believe these trends will continue as we move through this new decade. One important reason why is China and some of the other emerging countries, who are experiencing the most spectacular growth in history.

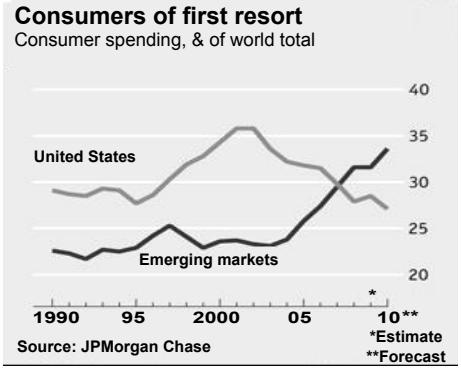
China especially is very attracted to gold. That goes for the government and the average Chinese citizen. China's growth is coinciding with gold's bull market and despite occasional slowdowns, its ongoing demand is keeping upward pressure on the price.

China has already increased its gold reserves 76% over the past 6 years and it plans to keep this up. Its reserves are still way below the global average and as its economy continues to grow, so will its accumulation of gold.

The same is true of India, which is already a big gold demand country. Remember, in both cases we're talking about hundreds of millions of people who are entering the middle class. Consider that only 25 years ago, 93% of all Indians lived in poverty. Now it's only about 35% and it's shrinking rapidly every year.

CHART 2

EMERGING MARKETS LEADING THE WAY



COURTESY: The Economist

China is similar. Money and wealth are building in the East and that's where the gold is going.

MEGA SHIFTS

These are truly mega developments and these mega shifts don't happen often. It's equivalent to the Industrial Revolution and if you think this won't continue to affect many of the markets, take a look at **Chart 2**.

This chart clearly shows that consumer spending in the emerging markets has been booming over the past five years, far surpassing the U.S., as well as other developed countries.

This is where the current growth is and over the next few years, 70% of the world's growth is expected to come from the emerging countries, with the majority coming from China and India. Plus, these countries were generally not as affected by the financial crisis of 2007-08 and they led the way out of the global recession.

As a block, they've become a powerhouse and based on demographics alone, and the huge number of people involved, they'll keep driving prices higher, not only for gold but for other raw materials and commodities too. Very simply, this global mega shift and boom has been, and will continue to fuel the mega rise in the commodity markets, probably more than anything else.

INVESTING VERSUS TRADING

This brings up another point, which involves trading versus investing. This is something we've often discussed, along with the mega big picture trends but it's important.

This month we came across a good example that clearly hit home. Bud Conrad of Casey Research showed that if you'd only made one trade per decade, you would've done extremely well. The trick of course would've been to pick the right market and then, most important, to stay with it.

If you'd done this, $35 in 1970 would've turned into $166,562. That's a return of over 475,000% and it clearly shows the power of staying with the mega trends. What were they?

It was gold in the 1970s and the Japanese stock market in the 1980s. In the 1990s, tech stocks were the big winners and now we're back to gold, so stay with it.

That's why we recommend keeping a large 40% of your total portfolio primarily invested in physical gold and silver, and other metals related investments like gold and silver shares.

We've actually been recommending these markets for 8½ years and they've done great. Stocks have been doing well since last year as the global economy rebounds. For that reason, we're keeping our stock positions. But that'll likely change once interest rates head higher and/or the economy sputters.

At that point, we'll probably move heavier into the metals related markets. They're in the driver's seat and it's hard to think of any scenario that could put the brakes on what's currently happening, other than on a temporary basis. So again, stay with it and we don't think you'll regret it.

FORBES CRUISE FOR INVESTORS

Please join us for an unforgetable cruise through the Mexican Riviera aboard the Crystal Symphony. See the flyer enclosed. For our electronic readers, go to https://www.adenforecast.com/events.php

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U.S. & WORLD STOCK MARKETS
Up like a rocket… down like a stick

It was a month that investors won't soon forget. After hitting a 19 month high, the stock market turned volatile, reacting to one crisis after another. This reached a crescendo on May 6 with the Dow Industrials plunging nearly 1000 points intraday, in its biggest drop in over 22 years, only to bounce up again.

TENSIONS HAVE BEEN BUILDING

Even though Greece tipped the market over the edge, tensions had been building all month. First, there was Goldman Sachs, which was sued for fraud by government regulators.

In essence, they deceived investors, playing both sides of subprime linked debt trades, which helped fuel the biggest financial crisis and recession since the Great Depression.

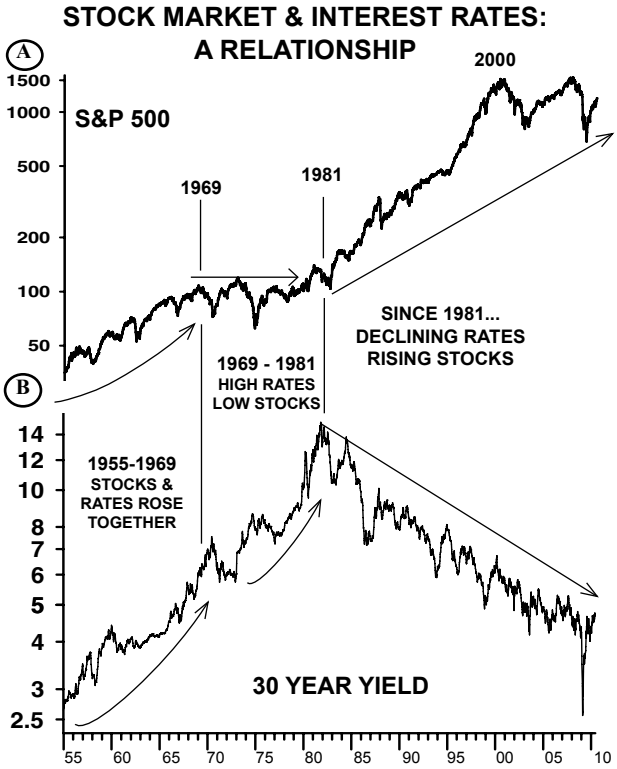
This alone made investors nervous. It brought back scary memories of the panic in 2008, which ended up resulting in losses of about $100,000 per family according to the PEW Economic Group.

Additional tension

This was followed by a series of random events, including the volcanic ash from Iceland, which paralyzed European air travel, the massive oil spill in the Gulf of Mexico, the car bomb in Times Square, the floods in Tennessee and so on.

And while these factors generally don't affect all markets, they do add to uncertainty. In Greece's case, however, it was another story.

CHART 4



GREEK DRAMA TAKES OVER

Even though concerns about Greece's debt situation have been growing for a while now, the stock market continued on its upward path. It was focusing on better earnings and the improving economy. This was reinforced by several factors, including the biggest jump in new home sales in almost 50 years and the ongoing growth in the manufacturing sector.

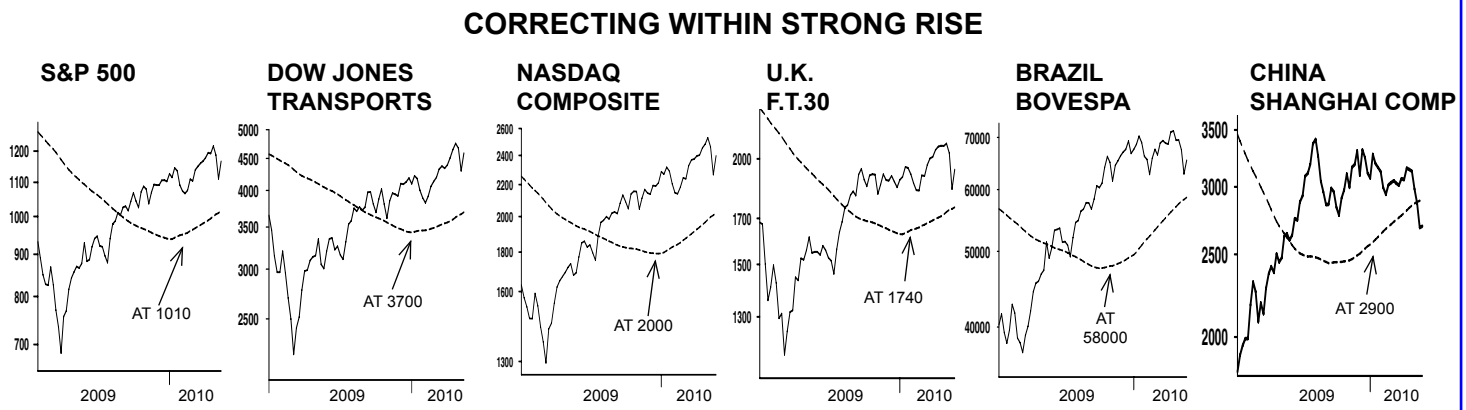
But in the end, the news out of Greece kept getting worse. Contagion fears intensified, as well as concerns about the effect this could have on banks and the entire global recovery. These fears overshadowed any good economic news and stocks fell steeply.

European stock markets rapidly erased their gains for this year. Asian stocks fell too and finally, so did the U.S. stock market.

PANIC SET IN

As the markets moved into panic and volatility mode it was hard to tell what might happen next because it's still too soon, but one of two options is most likely…

CHART 3



1-The stock market has been rising nearly non-stop since March, 2009. During that time it has barely had a downward correction (see **Chart 3**). The recent decline was likely the long overdue correction within the bull market rise in stocks, which is normal.

If that proves to be the case, then stocks will continue to move higher and resume its bull market rise. The stronger economy tends to back up this scenario.

Stocks, however, look ahead. They're not interested in what's recently been happening in the economy. Instead they're anticipating what's coming about six months from now. But here too, so far, so good.

The leading economic index, for instance, recently jumped the most in 10 months. That's a very positive sign that the economy will continue to grow since it tends to point the way for the months ahead. But this brings us to the second option…

PLAN FOR THE WORST

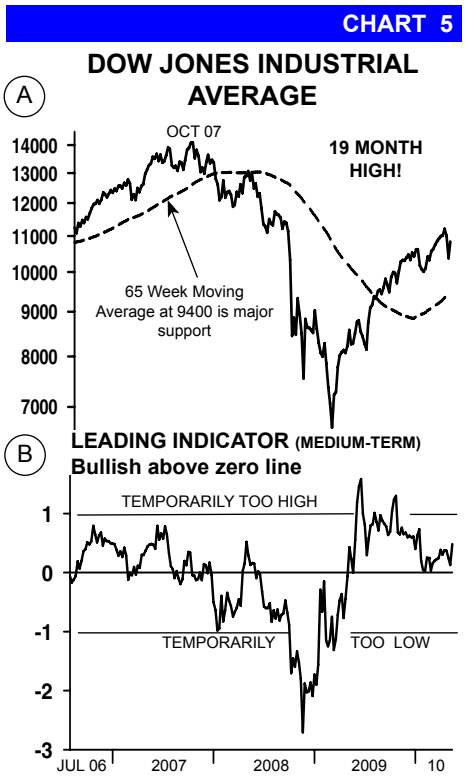
2-An intense financial shock could bring the global recovery to an abrupt halt. This is basically what happened in 2000 when the tech bubble burst and again in 2007 when the subprime problems erupted upon the scene.

Since we know this economy is not built on a solid foundation, another shock with a wide range of repercussions is indeed a possibility.

In this case, then stocks would turn bearish fall further. The first signs that's happening would be a decline below the February lows and a break below the long-term moving averages listed on **Chart 3**. This would trigger sell signals for a couple of reasons.

Most important, you wouldn't want to ride through a bear market decline in stocks as it could be steep like in 2002 and 2008.

There's also the possibility that 2000 marked the top in a mega bull market that started in the mid-1970s (see **Chart 4A**). As you know, the stock market has essentially



moved sideways since 2000. If the stock market is indeed correcting that huge 26 year bull market rise from 1974 to 2000, stocks could fall a lot further before they hit bottom and you'd definitely want to be out of the market.

INTEREST RATES & STOCKS

Chart 4 also shows the relationship between the stock market and interest rates. Note the ongoing rise in long-term yields from 1955 to 1981. During that time the stock market rose in a healthy bull market rise from 1955 to 1969, the boom years after WWII. It wasn't until rates reached higher levels in the 1970s that they adversely affected the stock market.

In the 1980s, declining rates created a great environment for rising stocks. For now, interest rates are still low and that's good for stocks. In fact, this chart is telling us that interest rates could rise another point or two, especially since the upmove is starting from such a low level, before rates could affect the stock market in a negative way. But when the time comes, rising rates will hurt the market. The bottom line is… we need to see more.

Unfortunately, our leading indicators aren't providing much insight. Even though they remain long-term bullish, you can see that the Dow's medium-term indicator is basically neutral with a bullish bias (see **Chart 5**). So here too, we'll have to see how it goes over the next week or two.

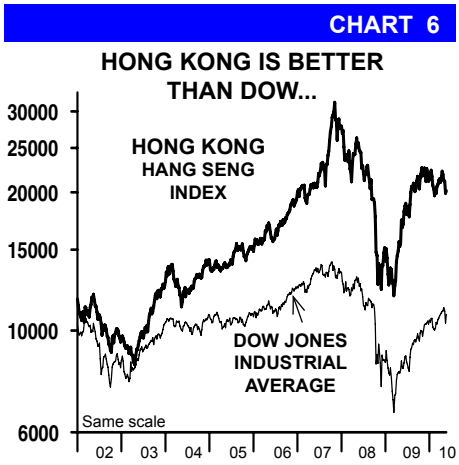
WHAT TO DO

Currently, our recommended U.S. and global stocks are just correcting. For the most part, they don't look bad, despite their recent declines.

On the bright side, nearly all of these stocks are oversold and they're now rebounding. This tells us to hold them because they're poised to rise further. If the bull market rise continues, we'll keep them. If not, we'll lighten up on either some or all of our stocks, depending on how events unfold.

If the markets stay bullish, for example, we may want to reduce our emerging market exposure. As we've shown before, these markets have been much stronger than the U.S. stock market (see **Chart 6**). But they've been lagging in recent months and the Dow has been catching up.

With the markets currently in volatility mode there's no telling how all of the markets will be affected. Some will obviously be hurt more than others and again, we'll have to wait until the dust settles somewhat to see where they stand.



U.S. INTEREST RATES AND BONDS

Rates building a base

Interest rates have been tricky lately. Last month they confirmed the start of a mega upmove, only to decline once again. So what's going on?

PRESSURE ON RATES

The Greek crisis and the credit downgrades for Portugal and Spain were important factors. As investors searched for a safe haven, they again turned to U.S. bonds, like they have in the past. This drove bond prices higher and interest rates lower.

This does not, however, change the major uptrend for U.S. interest rates. They are going higher but like we said last month, that doesn't mean interest rates are going to shoot straight up. There will be ups and downs along the way, and the reaction to the Greek crisis and the concern of it spreading were a perfect example of this.

Keep in mind, the Fed doesn't want interest rates to rise. Rising rates could kill the economic recovery and it makes the government debt even bigger as interest payments on the debt increase. It's in the Fed's interest to keep interest rates low for as long as it can, which is exactly what the Fed's been saying they want.

But wanting and reality are often two different things. And the reality is that interest rates are going to keep rising, regardless of what the Fed wants. This may not happen right away, but it's going to happen.

WHY RATES POISED TO RISE

How do we know? There are several reasons why…

✔First, **the bond market is a free market**. The Fed cannot dictate what happens to long-term interest rates. If U.S. debt is too large and finances are deemed risky, investors will demand higher rates for buying U.S. bonds. This will intensify as debt continues to soar. The financial pressure of the retiring baby boomers alone assures this.

✔Second, and regardless of what you hear, **the U.S. economy has been recovering** since the recession hit bottom nearly one year ago. For the past three quarters the economy has grown. The stock market has also been rising for over a year, signaling that the economy will continue to grow.

Granted, employment is lagging, which is usually the case, but this will likely soon change. Consumer confidence is near a two year high, consumers are spending again at the fastest pace in three years and retail sales had a big jump last month (see **Chart 7**, right).

This is all good news. Even though the underlying foundation remains unstable, the economy is steadily improving and it's much better off than it was before.

Eventually, this will come at a cost. Don't forget that a massive amount of money was created and spent to keep the economy from falling off a cliff. The price that will be paid is inflation.

✔Third, **inflation is inevitable**. In fact, it's already happening (see **Chart 7**, left). Producer prices have been rising steadily and food prices recently had their biggest jump in more than 26 years.

This is the direct effect of too much global money and it's very negative for bond prices. In other words, as inflation picks up, bond prices will drop and interest rates will rise.

We know that we've been warning of this for a long time. But as night follows day, inflation is going to happen. It's simply cause and effect, and the ongoing demand from emerging countries will only add fuel to the fire.

✔Fourth, **interest rates are rising in many countries**, most notably in Australia. And since global interest rates generally move together, it's only a matter of time until U.S. interest rates catch up with the global trend.

✔Fifth and very important, **the major interest rate trend has turned up** after many years of low rates (see **Chart 8**). Despite this month's decline in rates, the Libor free market interest rate is at a nine month high, and the trend is up. It's also up for T-Bills and some of the other rates.

This tells us that interest rates will be rising for years to come.

CHART 7

INFLATION BREWING

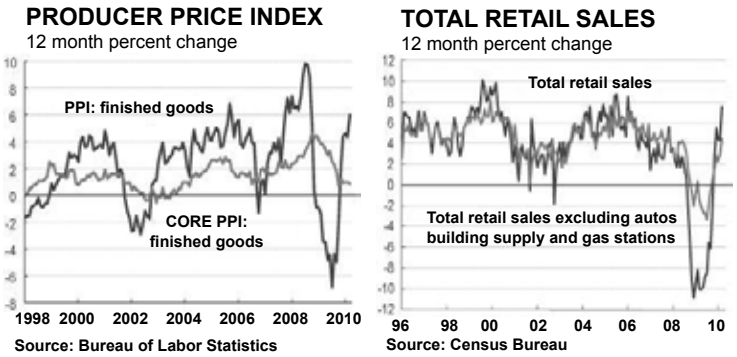


CHART 8

TURNING UP... SLOWLY

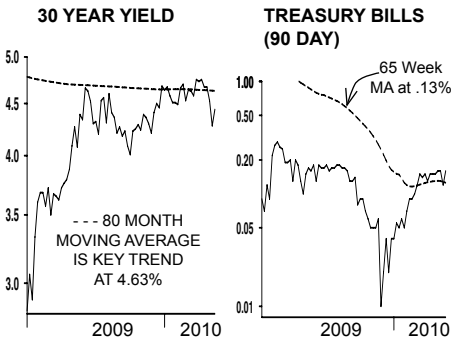
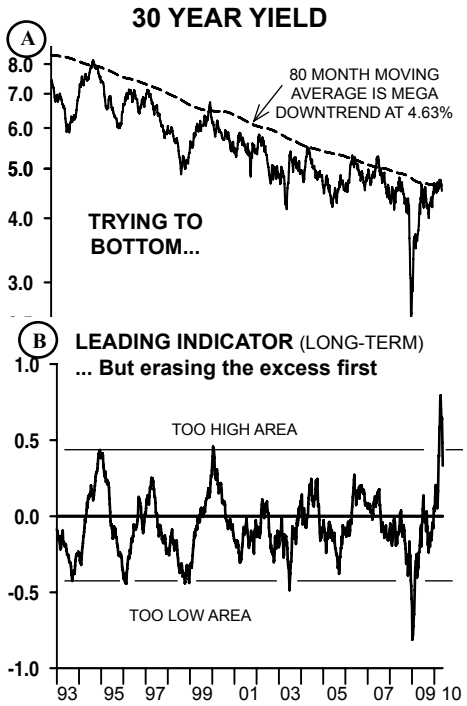


CHART 9



And while this critical change is taking place slowly, this is pretty normal considering the concern about the economy, confusion over safe havens, the accepted notion that inflation is under control and so on. Again, that's not unusual at major turning points, which is where interest rates currently stand.

FOR NOW, RATES UNDER PRESSURE

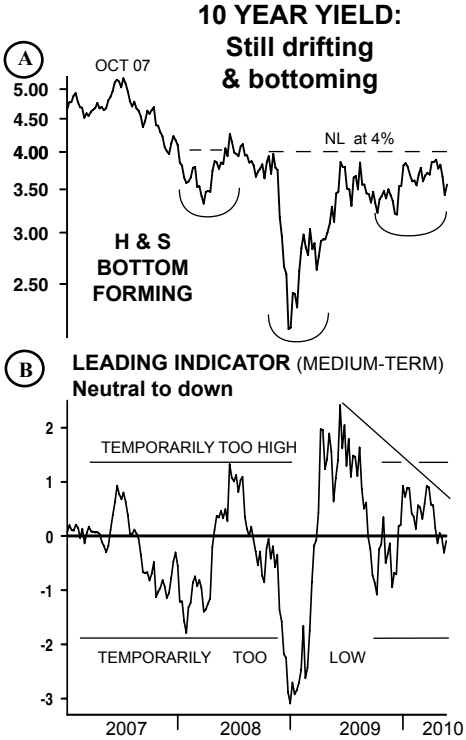
This will change as time passes, but not yet. For now, interest rates have moved up too far, too fast. They are overbought and the leading indicators are telling us that they'll likely head lower before they rise further (see **Charts 9** and **10**).

This will actually provide a great buying opportunity to take advantage of the upcoming rise in interest rates if you haven't bought yet. If you have, then just hold on to what you have. We'll probably increase our positions in this sector as better buying opportunities present themselves.

We understand that some of you have been unable to buy RRPIX, which moves up along with rising rates. We also like TBT and these two essentially move together. Even though they declined this month, they're now rebounding. Nevertheless, we'd hold off on buying new positions for now until we see further evidence that the current downward pressure on rates is indeed over. Traders may want to short Treasury bonds, but not yet.

These should all do well in the months and years ahead. But keep in mind that metals will likely do even better and that's why our interest rate allocation is so small. Keep metals as your primary focus but also take advantage of the interest rate rise that lies ahead.

CHART 10



CURRENCIES

U.S. dollar: Benefiting from crisis

The debt crisis in Greece started out as a concern. Then it transformed into a monster, affecting most of the global markets.

RISK AVERSION IS BACK

Fears of contagion spread around the world. Investors were again seeking safe havens and avoiding markets that were considered risky.

At the top of the risky list was the poor euro. It took the hardest hits, but so did most of the other currencies, as well as stocks, commodities and other markets.

Even though it doesn't make much sense, the U.S. dollar has become the primary beneficiary in the currency arena. Its safe haven status returned to center stage and as we've seen in the past, when push comes to shove, investors will still opt for the dollar.

As you can see on the right of **Chart 12**, the dollar has been rising all year. But as fears intensified, the rise has gained momentum.

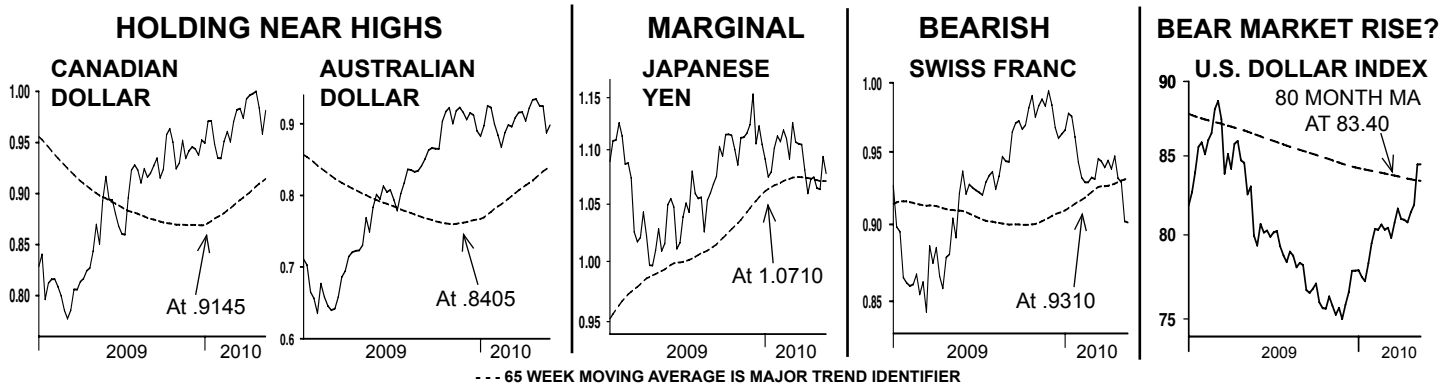
CHART 11

3 MONTH INTEREST RATES	
Australia	4.74
New Zealand	2.50
Norway	2.32
China	1.94
U.S.	0.89
Euro	0.76
U.K.	0.70
Canada	0.60
Japan	0.43
Switzerland	0.22

Despite the huge aid package to help the Euro zone, investors are still concerned that the crisis could spread to Portugal and Spain, two EU members who recently had their credit ratings downgraded.

Some fear that Ireland and Italy could follow, putting the future of the euro at stake, and they wonder if the euro would be able to

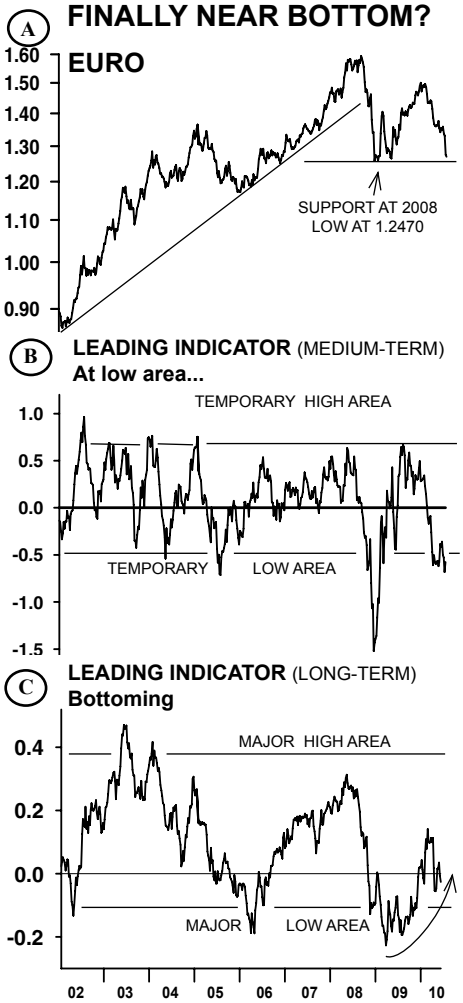
CHART 12



survive ongoing financial pressures. As Greece turned violent over the austerity measures, there was also concern that this contagion could simply halt the global recovery.

For now, European leaders are doing all they can to restore confidence, but we'll have to see how it goes in the weeks ahead. Memories of 2008 still linger and with some reason.

CHART 13



UNCERTAINTY HURTS CURRENCIES

Greece was the first Euro member to have its credit rating officially cut to junk. Portugal soon followed. Some feel these weaker countries should be forced out of the euro. Whether or not this eventually happens, uncertainty is still weighing on the euro and on other currencies too (see **Chart 12**).

The currencies are currently mixed. Some are obviously feeling the heat more than others. The Swiss franc, for instance, turned bearish this month, following the euro down, even though Switzerland is not a euro member. In the end, it didn't matter. Most of the currencies became more risky, even if it was not warranted.

COMMODITY CURRENCIES ALSO AFFECTED

Let's take the Canadian and Australian dollars as examples. These two currencies have been the strongest for quite a while now. They are commodity currencies and they've been moving higher, along with the ongoing rise in commodity prices.

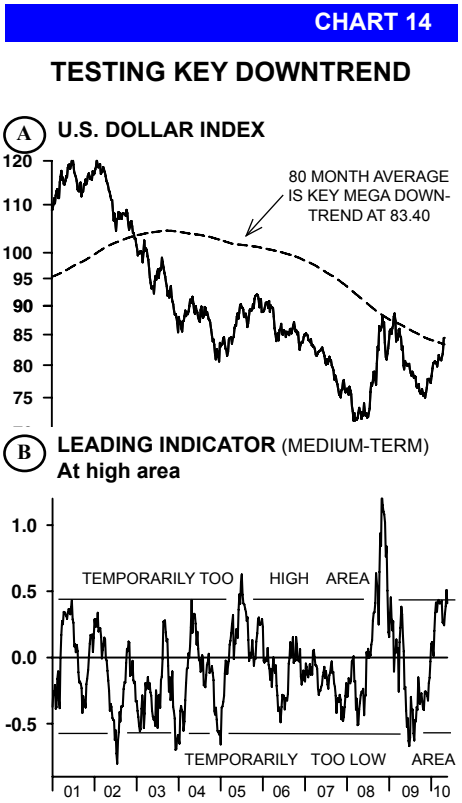
Rising interest rates have also been bullish for the Australian dollar, making it very attractive since its rates are much higher than those in other countries (see **Chart 11**). China's booming economy has been very positive for Australia too since it's their top trading partner.

In Canada's case, the surging oil price has helped fuel the Canadian dollar because Canada is a top oil producer. The same is true of higher metals and other commodity prices.

In other words, these countries have nothing to do with Greece. If anything, the massive oil leak in the Gulf would've normally put upward pressure on the oil price and the Canadian dollar. But even these markets were initially held down.

Greece and its effects overpowered other fundamental forces and it became all consuming. So the Australian and Canadian dollars were essentially thrown into the wash along with everything else, even though they've since rebounded and are near their highs.

CHART 14



EURO LEADING?

For now, the euro may be leading the way down for some of the other currencies (see **Chart 13A**). But as you can see, it's now near its 2008 low when the financial meltdown was the most intense. This means that if this support is broken at 1.2470, the euro will be extremely weak.

Remember, the currencies generally move together. So if the euro is headed for a further fall, sooner or later the others will also be pulled lower.

At this point, the bright sign is that the euro is technically oversold (see **Chart 13B**). Following its steep decline, it's now at a low area, suggesting it's probably fallen too far, too fast. Plus, the long-term indicator appears to be bottoming. Time will soon tell but the moment of truth is now at hand. What do we mean?

FIAT CURRENCIES ARE RISKY

As you know, the U.S. dollar has become the safe haven currency during this crisis, second only to gold which has been the #1 safe haven. But the dollar has major fundamental problems. The U.S. is up to its neck in debt. The point is, all fiat currencies are risky and this will eventually become more obvious as events unfold.

Currently, the dollar index has risen above its mega trend at 83.40 (see **Chart 14A**). If it stays above this level, then it's going a lot higher, suggesting the crisis is going to get worse.

On the other hand, if the dollar index resists near this area, it'll eventually continue on its downward path that's been in force for nearly 40 years. And since the dollar's leading indicator is now near a high area, this is a real likelihood.

Plus, the developing countries and the oil producers are all making plans to reform dollar pricing in trade and so on, using their own currencies instead. This coincides with the ongoing trends we've been seeing as the dollar generally becomes less desirable.

Nevertheless, we take what comes and for now, the dollar is attractive again. This may not last long, but the weeks ahead will soon tell the story.

In the meantime, caution is warranted and anything is possible, so watch the market closely. Currently, we continue to recommend keeping your small 10% cash position in Australian and Canadian dollars, as well as any currency funds you're holding. But stay in touch with our weekly updates in case this changes and don't buy new positions for the time being.

METALS, NATURAL RESOURCES & ENERGY

Gold: The new record high

The gold price jumped up to a new all time high today.

Once again the reason was uncertainty… uncertainty that the crisis in Europe may continue. This concern had also threatened the global recovery which was bad for all assets, except gold.

STANDS ALONE

Gold has essentially been standing alone. It's clearly rising as a refuge from all fiat currencies also hitting record highs in several currencies (see **Chart 15**). In fact, what you're seeing is a perfect example of gold performing as the ultimate safe haven currency.

As you know, gold and the commodities generally move together on a major trend basis, but gold moves alone when the monetary and financial system are shaken. This will likely continue to come up as the bull market strengthens, so it's important to recognize this.

NOT IN A BUBBLE

It's impressive to think that gold's bull market is in its tenth year. It's had consistent yearly gains since 2001, averaging 17% per year, yet it's still a quiet market.

The average investor is really not aware of this, but they are slowly seeing the turn. This alone strongly suggests that **the gold market is far from being in a bubble**.

CHART 15

Bubbles cause a lot of attention while euphoria is in the air. But comparing the enthusiasm in today's gold market to the tech frenzy bubble in 2000, or the real estate craze in 2007, the difference is like night and day.

This is good for gold investors because it's saying that the gold market still has much further to rise in the years ahead.

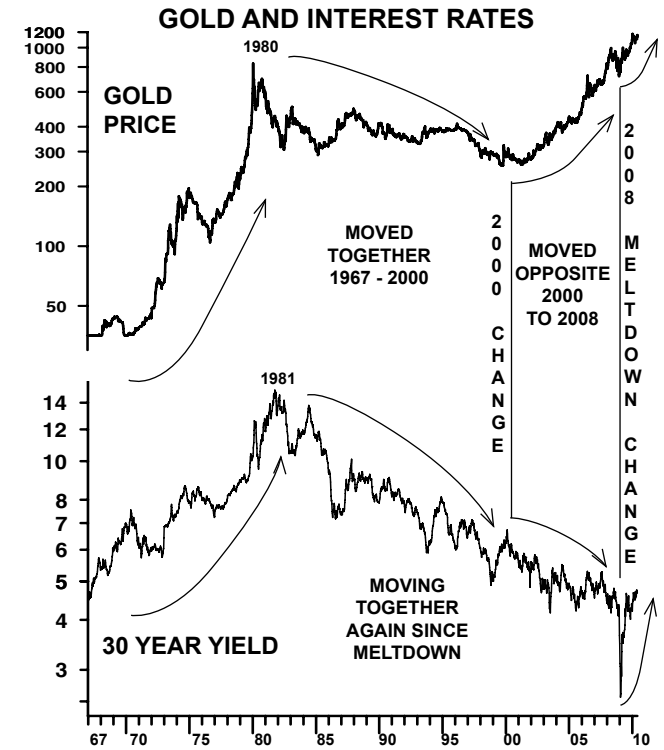
BE AWARE

Interestingly, fraud and Ponzi schemes have been getting some attention in the gold market.

Whether it be about the gold deposits at the London Bullion Market Assoc. (LBMA), questioning the physical gold being held to back up the Exchange Traded Funds, ETFs, or that the gold bars are fake, skepticism has been growing and buyers should be aware.

Doubts surrounding the gold market have been around since the

CHART 16



1970s. At that time there was concern as to whether the U.S. Treasury really had gold at Fort Knox.

Many people also rejected gold's ETF when it was first launched in 2005. The best advice we can give you is to know how and where to buy gold, where to store it and identify it as real gold.

HOW TO BUY GOLD

Clearly, the best way to buy gold is buying gold coins or bars from a reputable dealer, and then taking delivery. The same applies to silver and platinum.

We like American Gold Exchange in Austin, Texas, but it's important to shop around to get the best price because all standard and well known gold coins, like the Maple Leaf, Krugerrand or American Eagle and the bars are similar… physical gold investments.

Once you have the gold in your hands, you can store it at home if you have a safe place. Do not use safety deposit boxes at the bank. Do not have the dealer hold it for you.

Our good friend and expert, Chris Weber, recommends storing your gold at an independent issued depository not affiliated with a bank, like First State Depository in Delaware on the East coast or a similar type of depository on the West coast, or in your home country. Check the serial numbers on your bars and keep a note of this.

ETFs

Exchange Traded Funds have made buying gold easy, which is why we liked them when GLD was launched. Since we'll never really know if all gold ETFs are fully backed by gold, we think it's best to use them as an index for gold.

That is, when buying a gold ETF, think of it as an index that tracks the gold price. If you treat this investment as you would when buying, say DIA instead of an actual industrial stock, you will be doing yourself a big favor by not worrying if the gold is truly backing up the ETF.

Treat it simply as an index that tracks the price of gold and it profits as gold rises. The same applies for the ETFs of the other precious metals.

Closed-end funds

The Canadian closed-end funds, Central Fund of Canada (CEF) and Central Gold Trust (GTU) are also a great way to buy gold, knowing with full confidence that the gold and silver are clearly stored for you.

CEF holds a mix of physical gold and silver, while GTU holds gold only. At times the premium is high when buying these funds, but otherwise they provide a great way to buy both gold and silver.

Futures

There is also the futures market. If you go this route, we recommend buying without using margin.

These are some of the good ways to buy gold but if you want full details about all aspects of the gold market, we recommend the new book by Jim Gibbons, *The Golden Rule,* published by Wiley Press. It's filled with valuable information and we added a few pages as well.

GOLD: A primary bull market

You may remember that gold started a stronger phase of the bull

CHART 17

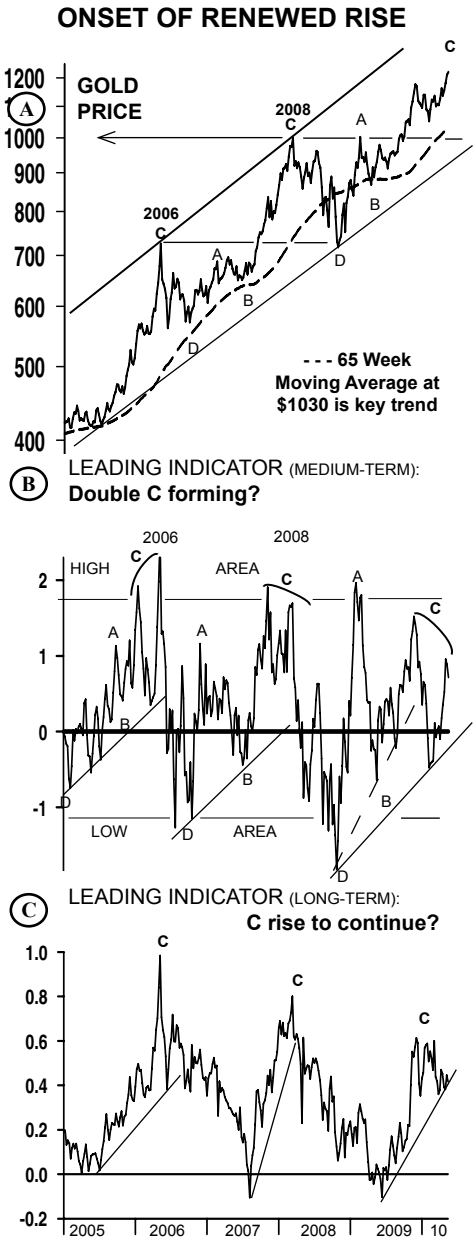


CHART 18

market last September. It then went on to reach new highs until hitting a record closing high in early December of last year at $1218.

Gold didn't even go back to test $1000 after that. Instead, it reached a low at $1053 last February.

This shows incredible strength because the gold price has now surpassed the December record highs. This action alone backs up the stronger phase of the bull market and it's super bullish.

It's not a coincidence that gold demand is growing in the East where money and wealth are building.

You'll remember that India bought gold from the IMF last November when the price was near $1000. This was a surprise to many who felt the $1000 level was expensive. But now, just six months later, we see that it ended up being a good price.

Gold & interest rates

This new gold phase also enhances the growing relationship gold has with interest rates.

The extreme market reaction to the financial meltdown during the last quarter of 2008 started a new trend. **Chart 16** shows that since then, gold and interest rates have been rising together, like they did in the past.

Note that gold and the 30 year yield rose together from 1967 to 1980-81. They then declined together in the 1980s and 90s. The point is, they normally move together.

The abnormal time was essentially the past decade from 2000 through 2008 when gold and rates moved in opposite directions.

This is saying that as the stronger phase of gold's bull market develops, rates will rise with gold, which essentially reinforces an inflationary outcome.

GOLD TIMING: Renewed rise

A renewed rise in gold is clearly underway, and it looks like an extended C rise is in the making. This too is very bullish action.

Now that gold has broken into record high ground, above $1218 on a close, it could jump up to $1300 or higher, to possibly the top of the channel during the current rise (see **Chart 17A**).

Gold's leading indicator (B) has jumped up and it has room to rise further. This tells us that gold is headed higher.

The long-term indicator backs this up… It's signaling that the rise we call "C" is still ongoing on a bigger picture basis.

That is, the rise since November 2008 is still underway, in spite of its already 73% gain from $705 to $1220 today.

The gold market is hot and it has all of the ingredients to rise further in the years ahead, eventually reaching much higher levels.

SILVER: Still cheap

Silver is not a monetary metal like gold, but it's gold's little sister

CHART 19

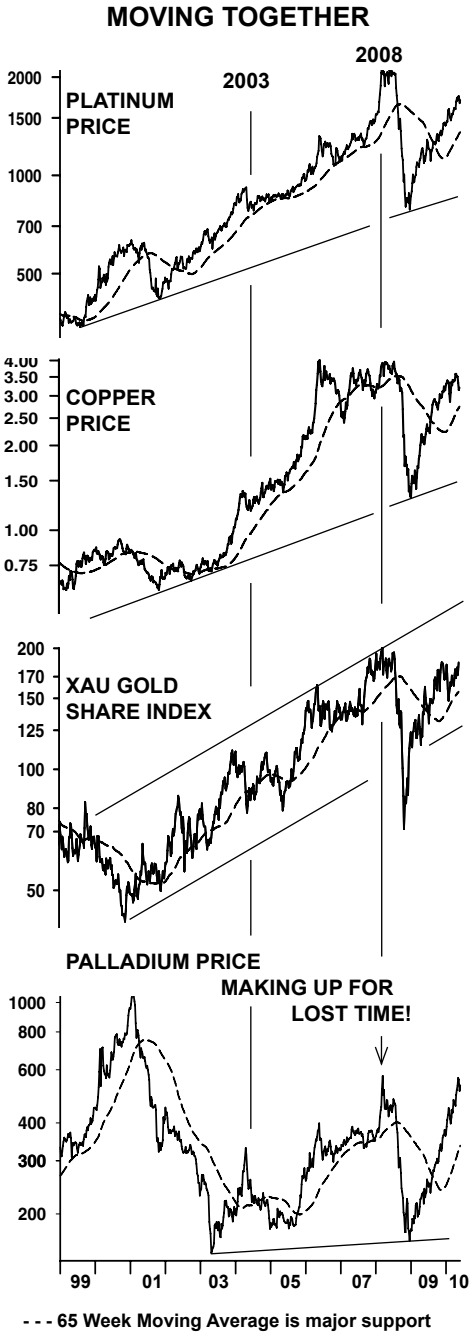
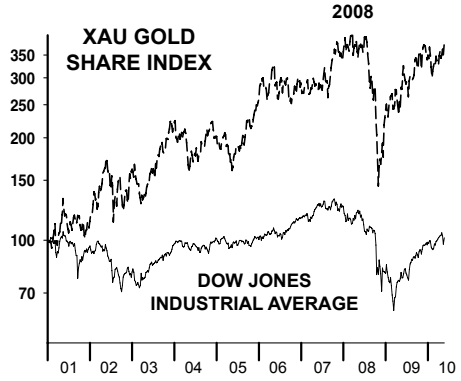


CHART 20



and it will be influenced by gold. So far in the current bull market, silver had its best rise in the five years from 2003 to 2008 when the resource sector was the hottest (see **Chart 18A**).

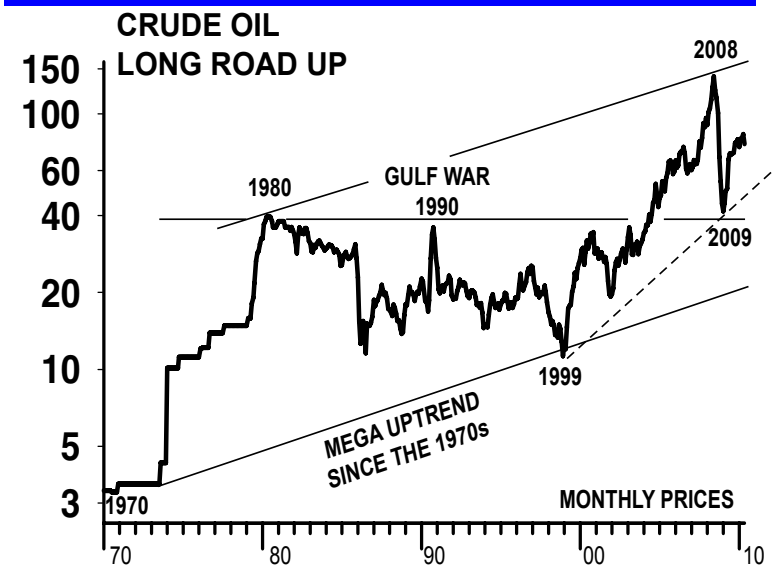
Silver is now coming into its own and it looks ready to go. It's quickly approaching its 2009 high near $19.32. A clear close above this level, and especially above its 2008 high near $20.80,would mark a clean break out and silver could then soar even further.

This is especially so considering how cheap silver is compared to gold (see **18B**). The ratio between the two has been quietly rising since 1990, favoring silver, but it's still at a historically low norm.

At some point, silver will clearly outperform gold as the ratio normalizes and again moves higher. It's best to be well positioned before this rise gets going.

Silver shares are also a good investment and Silver Wheaton is still our favorite silver share.

CHART 21



THE OTHER PRECIOUS METALS AND SHARES: Moving together

We have often said that when all of the precious metals rise together, you know the rise is real, strong and solid. This was clearly the case from 2003-2008, as you can see on **Charts 19** and **20**.

Along with gold, silver and interest rates moving up together since the meltdown, the other precious metals and their shares have been rising strongly over the past 1½ years and they're bullish too. This is also very positive for the entire metals arena.

In fact, gold shares have been leaders in this renewed rise and they've clearly been among the top performers. So hold on to them and buy new positions in the strongest ones.

RESOURCES: A double whammy hit

The resource sector, on the other hand, was hit the hardest by the Greek drama, as concern grew over the health of the global recovery due to the possible spreading debt debacle.

In addition, Australia came out with a proposed new super tax on mining profits of around 40%. As you know, Australia is one of the largest exporters of raw materials, and companies like BHP and RTP have benefited from this, which is why they fell sharply in recent weeks.

These two companies are the largest mining companies in the world. For now, they've declined to extreme oversold areas, and they're likely to continue rebounding. Meanwhile, this proposal is causing mining companies to look more toward Latin America and Africa.

Investments in Africa by countries like China have already been growing. The continent has big deposits in platinum, diamonds and other materials.

In fact, the World Economic Forum in Africa has far more delegates this year, which is coinciding with the proposed tax.

Some fear that China is overheating and it's due for a slowdown, which will hurt the resource and energy sectors even more. And while China may slow temporarily, all signs indicate that their growth and development will continue in the years ahead.

For now, China's demand for copper, for instance, is set to grow this year.

As we've often discussed, copper is a good barometer for global growth. It has been hit with the whole sector in recent weeks but that doesn't change the major trend, which clearly remains up.

CRUDE DISASTER

The oil spill in the Gulf of Mexico is a sad situation. Aside from being one of the worst environmental disasters, it'll likely push up the price of oil once the Greek concerns die down. It's also an ugly reminder of the need to develop more efficient energy alternatives.

Our good friend Rick Rule is excellent at identifying the best in the resource sector. And if you don't have a special broker, we recommend his company, which specializes in this area. It's Global Resources Investments Ltd., www.gril.net, ph 800-477-7853.

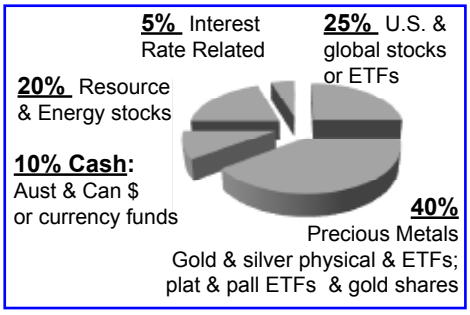
Looking at the oil price since 1970 on **Chart 21**, you can see the mega uptrend that's been underway since the first oil crisis hit in the 1970s.

Interestingly, you can also see the strong support near $40. This is the pivotal level which was near the 1980 and 1990 peak areas. It has since become the key support level (see horizontal line).

Note that oil has a major top or bottom every 10 years. The latest bottom in 2009 was almost 10 years after the 1999 low (but four times higher in price). This suggests, along with many other factors, that oil has a lot further to go on the upside.

OVERALL PORTFOLIO RECOMMENDATION

Turmoil hit the markets this month. Spurred by the crisis in Greece and fears of contagion, all of the markets were affected. Stocks fell sharply and gold was the primary beneficiary as safe haven buying and risk aversion returned. The U.S. dollar and bond prices also moved higher, as the currencies and interest rates tumbled. Despite this latest crisis, our recommended positions and allocations remain the same as the markets are now rebounding and generally beginning to normalize.



PRECIOUS METALS, ENERGY, RESOURCE & THEIR SHARES RECOMMENDATION

Gold hit a new all time record high today. Silver, and gold and silver shares also soared. These markets are super strong and bullish, and gold is leading the way. It's been the primary beneficiary and #1 safe haven during the ongoing crisis and this will likely continue. It looks like an extended C rise is in the making and gold could now jump up to $1300 or higher. Continue to hold on to all of your metals related investments. If you want to buy new positions, then buy gold and silver, and the strongest shares, which are listed at the top of our open positions to the right.

U.S. AND GLOBAL STOCK MARKET RECOMMENDATION

After hitting a 19 month high, the stock market was hit hard by the crisis, capped off by the biggest intraday drop in the Dow Industrials in over 22 years. Even though, the stock market remains bullish and it's now rebounding, but it's still too soon to tell what might happen next. So far, this decline has been a downward correction within the major uptrend, but this could change. The first signs that's happening would be a decline below the February lows and a break below the long-term moving averages. Currently, the markets are oversold. They're due for a further rise, so hold the stocks you have, but don't buy new stock positions for the time being.

CURRENCIES RECOMMENDATION

The U.S. dollar returned to center stage as a safe haven as the situation in Greece intensified. If the U.S. dollar index now stays above 83.40, it'll remain very strong. This has affected most of the currencies, especially the euro. But even countries that have nothing to do with the euro or Greece have been affected by the downward pressure and risk aversion, some more than others. The Swiss franc turned bearish, but the Australian and Canadian dollars are now rebounding. Nevertheless, caution is warranted. Currently, we continue to recommend keeping your 10% cash position in Australian and Canadian dollars, and any currency funds your're holding. But stay in touch with our weekly updates in case this changes and don't buy new positions for now.

INTEREST RATE & BOND RECOMMENDATION

Interest rates have been tricky lately. Last month they confirmed the start of a mega upmove, only to decline again. This was primarily due to safe haven buying, but it still doesn't change the major uptrend for U.S. interest rates. The Libor free market rate, for instance, is currently at a nine month high. But for now, rates will likely head lower before they rise further. If you have TBT and/or RRPIX, continue to hold your small 5% position. We'll probably increase our positions in this sector as better buying opportunities present themselves prior to the anticipated upcoming major interest rate rise.

Note: All of the shares, funds and ETFs are listed in order of strength in each section. Buy new positions in the strongest ones. The gold and silver ETFs are listed in bold.

OUR OPEN POSITIONS

GOLD & SILVER ETFs AND SHARES

Eldorado Gold	EGO-AMEX
Central Gold Trust	GTU-NYSE
SPDR Gold Shares	**GLD-NYSE**
iShares Comex Gold	**IAU-AMEX**
iShares Silver Trust	**SLV-AMEX**
Silver Wheaton	SLW-NYSE
NewGold	NGD-AMEX
Central Fd of Can	CEF-AMEX
Physical Platinum	**PPLT-NYSEArca**
Physical Palladium	**PALL-NYSEArca**
Stillwater Mining	SWC-Nasdaq

RESOURCE & ENERGY SHARES

iShares Tr Glbl En	IXC-NYSEArca
RioTinto	RTP-NYSE
BHP Billiton	BHP-NYSE
Peabody Energy	BTU-NYSE
Suncor Energy	SU-NYSE
Arcelor Mittal New	MT-NYSE
Freeport McMoran	FCX-NYSE
US Steel	X-NYSE
US Oil Fund	**USO-Nasdaq**

U.S. & GLOBAL STOCKS

iShares Malaysia	EWM-NYSEArca
SPDR Consumer Dis	XLY-NYSEArca
PowerShrs Finan	PFI-NYSEArca
Nasdaq ETF	QQQQ-Nasdaq
PowerShrs Leisure	PEJ-NYSEArca
Dow Diamonds	DIA-NYSEArca
iShares S&P Tech	IGM-NYSEArca
iShares S&P Glbl Tech	IXN-NYSEArca
iShares Mexico	EWW-NYSEArca
SPDR S&P Bio	XBI-NYSEArca
iShares BRIC	BKF-NYSEArca
Prshrs Dynamic Soft	PSJ-NYSEArca
Japan Small Cap	JOF-NYSE
Templeton Emg Mkts	EMF-NYSE

CURRENCY ETFs & FUNDS

Canadian DL Tr	FXC-NYSE
Franklin Temp Hard	ICPHX-NSDQ
Australian Dl Tr	FXA-NYSE
Merk HD Cur Inv	MERKX-NSDQ

INTEREST RATES

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

