THE
ADEN FORECAST
MONEY • METALS • MARKETS

MAY 2015 *our 34th year*

WADING THE WATERS... THE BUMPS AHEAD

For the longest time we've been talking about uncharted waters... That is, what's happening in the world economy is unprecedented. But many of you have asked, what happens next?

UNCHARTED WATERS... WHAT'S NEXT?

That's the big question and opinions are all over the place. Aside from following the markets closely every day, we do a tremendous amount of reading, gathering info and opinions from a wide range of sources. And the bottom line is, no one really knows.

Yes, they can make assumptions, and they do. Some are fearing the worst case scenario, like a collapse of Western civilization. Others take a more optimistic view, noting that similar things have happened before and the world has gotten through it.

LIKELY OUTCOME

And while we certainly don't claim to be holders of the torch, based on the facts, here's our take on the outlook for the years ahead...

It looks like the global economy is going to continue to plod along as it has in recent years. The U.S. and Europe will likely continue to follow Japan down their debt ridden path. And if they do, deflation will remain dominant, and so will slow economic growth, low interest rates and low inflation.

This in turn will continue to be good for stocks, bonds and real estate. But let's back up a bit and you'll see why we believe this will probably be the likely outcome...

THE CULPRIT

Looking at the big picture, the main culprit overriding the world environment is debt (see **Chart 1**). **World debt**, for example, has surged 40% since the last recession in 2008.

In the U.S., total debt is over $17 trillion and it's doubled over the past seven years. That is, it has passed the tipping point.

This means debt has become a load on the economy's shoulders, weighing it down and fueling deflation.

Looking at **Chart 2**, you can see how bigger debt has resulted in ongoing downward pressure on economic growth (this chart shows the 4 year average of the GDP growth rate). It's been declining since the 1950s.

Going back hundreds of years, normal economic growth has been about 4% on average. That was also generally the case in the 1950-60s.

But since 2000, growth has been on a steady decline and it hasn't seen 4% since then. Plus, the current recovery has been the weakest since WWII.

Longer-term subscribers may remember that around 2000 there were several signs indicating the world was entering a new era. It's been in this era since then, but it has intensified since the 2008 recession.

It's been an era dominated by creeping deflation, and its side effects, like low interest rates, slow growth, falling prices and so on.

CLOSER LOOK AT JAPAN

Okay, so if we're following Japan, how is Japan faring?

Japan has the biggest debt to GDP in the world, currently at 250%. This is crazy but after 25 years of deflation, its debt has continued to grow, all in efforts to keep things afloat.

But Japan's economy has been super sluggish during this time. Nevertheless, despite ongoing deflation, **the Japanese have had a high standard of living**.

In other words, deflation hasn't been so bad. Yes, prices have declined and interest rates have been near zero for decades, which has been hard for retirees, but they've adapted. And interestingly, we're seeing the same in the rest of the world.

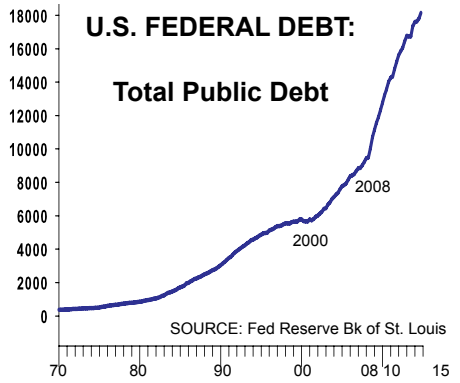
Since 1790, for example, the average U.S. interest rate has been about 5% and it's generally been similar in the other major countries. But now half of all bonds yield less than 1%.

Not too many years ago, people would have been shocked at interest rates this low, but savers have been relatively quiet.

Another interesting fact about Japan is that it has a large aging

INSIDE

CHART 1



population. Again, the U.S. and Europe are similar.

In Japan, this has put more stress on their financial system, adding to the deflationary pressures. How so?

Older people don't tend to spend like younger people do. And if they don't have enough money to retire, they'll be even less inclined to spend.

This has also contributed to slow economic growth and deflation. And it has all resulted in the economy being artificially controlled via government QE type stimulus programs over the years.

VICIOUS DEBT CIRCLE

That has led to even more debt and it's become a vicious circle. Like we've seen in Japan, deflation, stimulus and growing debt can continue for a very long time.

In the U.S., it's been going on for the past seven years. The economy has been managed to try and boost economic growth via different stimulus programs like QE1, QE2, QE3, ZIRP, TARP and so on. Debt has soared.

But still, the economy is on thin ice and if it continues to weaken, we're fairly sure the Fed will do all in its power to avoid another recession. More QE would almost be a certainty, as well as more debt.

How can we be so sure? Because the Fed has been actively stimulating the economy and it has only left it on its own for short periods of time.

As we saw in 2008, the Fed simply couldn't let the economy do its own thing. And it's still too fragile. If the Fed did not intervene, there's a good chance a recession could snowball into a depression.

So the Fed essentially has no choice. It's not going to stand back and let that happen.

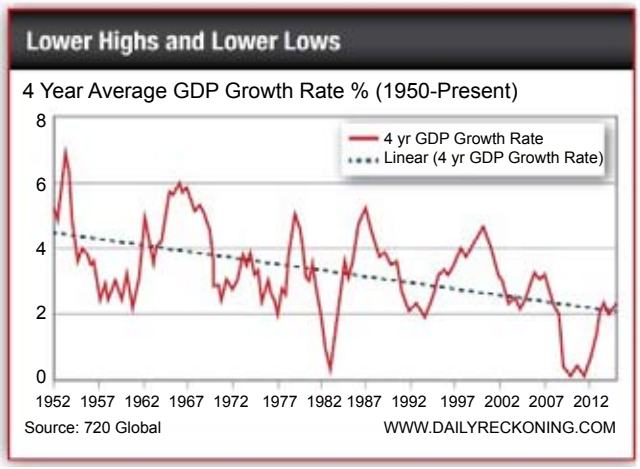
Instead, like the Japanese, the Fed will continue to stimulate whenever it needs to. But how long could this go on?

COULD GO ON FOR YEARS

As Richard Duncan points out, "U.S. government debt is now only 100% of GDP. (Remember Japan is at 250%.) This suggests the government could borrow and spend another $17 trillion before the U.S. hits 200% of government debt to GDP.

This means there's almost no limit as to how long the government could go on borrowing and spending, and supporting the economy through fiscal stimulus before it runs out of the ability to borrow and spend."

CHART 2



He also points out that globalization has been a big factor keeping inflation low during this process, while the Fed keeps shooting for a 2% inflation target.

LOW INFLATION INVESTMENTS

Meanwhile, the head of the Chicago Fed thinks inflation will stay below 2% until 2018. If so, then interest rates are going to stay low too. And stocks will continue to rise.

The same is true of bonds and real estate. Low interest rates will provide a bullish environment for these markets. So we expect they'll keep rising.

That's not the case, however, for the U.S. dollar. It looks like it's embarking on a renewed decline that could last for a long while.

The metals sector will then likely head higher, along with the currency markets.

So that's how we currently see it. Until we see evidence to the contrary, we'll stay with this trend that's been in force for years.

Yes, there will likely be ups and downs along the way and an accident could also happen. But we'll stay alert for changes.

NEW INVESTMENTS

Several of you have asked where to put new money. This would apply to new subscribers and/or others who want to invest more.

Our best advice would be to diversify by buying the strongest three or four stocks per sector listed at the top of each list on page 12. In other words, buy some stocks, bonds, metals and currencies, and try to spread this out based on our percentage allocations, which are also listed.

Meanwhile, thank you for your letters and keep them coming. We'll always try to answer as many as we can in these pages.

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U.S. & WORLD STOCK MARKETS

Chugging with record highs

The stock market keeps surprising. It's been chugging, and just when it looks like it's running out of steam and everyone is warning of a crash, stocks do an about face and head higher.

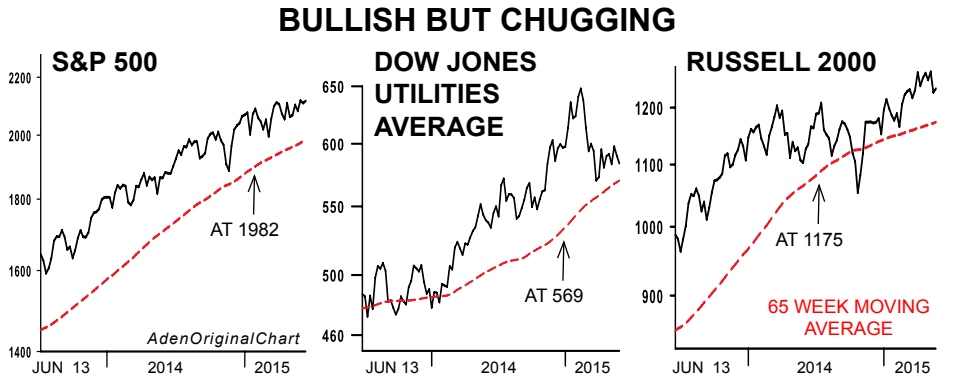
SOME RECORD HIGHS

Last month, for instance, the Nasdaq and the S&P500 both hit new record highs (see **Charts 3** and **4A**).

This was a big deal for Nasdaq because it marked the first time since 2000 that it finally surpassed its previous peak, reached at the top of the tech boom frenzy.

But then the market turned volatile, again reacting to the news of the day. Despite the fact that stocks have been in a steady uptrend, and they're bullish above their 65-week moving averages listed on the chart, investors are still generally nervous and insecure.

CHART 3



One reason why is rising interest rates. It's helped put some pressure on the market.

But when the market moves up impressively, it leaves many investors and market observers puzzled. They're quick to point out that this bull market rise has already lasted too long. In fact, it's been the second longest in history.

Others say it's overvalued. Some are calling for a steep bear market decline any time because the underlying economic foundation is unhealthy, manipulated, or take your pick.

SELL IN MAY?... NO WAY!

Nevertheless, the stock market keeps plugging along. And now the global stock markets have joined the party too (see **Chart 6**). That's especially true of the European stock markets, thanks to their QE monetary stimulus, which is already producing some better economic results.

Hong Kong is looking very good too. For the most part, that's due to the speculative upmove in the Chinese stock market (see **Chart 5**). It's created a frenzy with millions of Chinese pouring into their stock market. This actually has the making of a bubble, but not yet.

Meanwhile, the other emerging markets have been lagging. But with more of the global stock markets joining the bullish parade, it bodes well for all stocks and the global economy.

In other words, the laggards will likely be moving up soon. Russia, for instance, is particularly bombed out and undervalued. For bargain hunters who want to take a flyer, Russia is probably one of the best speculative markets around.

IT'S A BULL MARKET

We know we must sound like a broken record, repeating the same thing month after month. But putting all the noise aside, this bull market is solid and it's set to rise further.

The main reason is still the overall super low interest rates. They have fueled this bull market and with the economy barely hanging on, we don't see how interest rates can head significantly higher.

On the contrary, interest rates are signaling a green light for stocks, and the same is true for real estate, in spite of the past month's rise. Remember, interest rates are

CHART 4

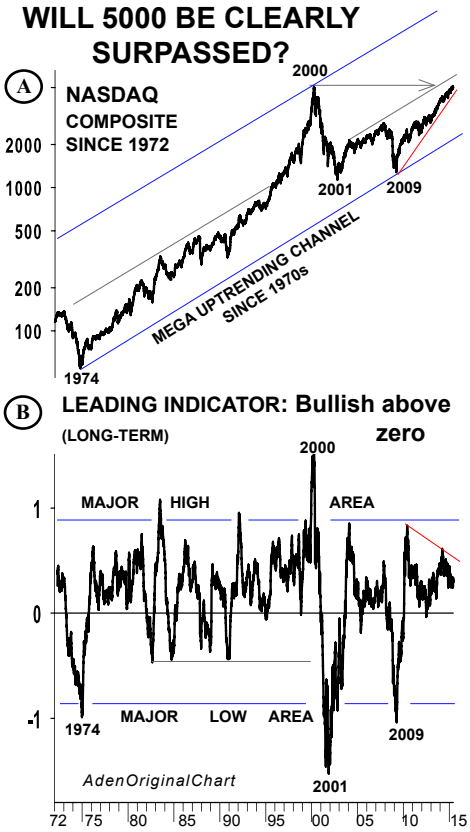


CHART 5

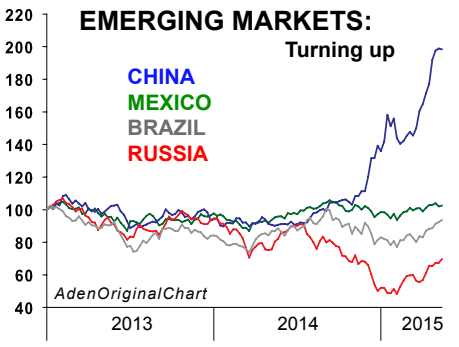
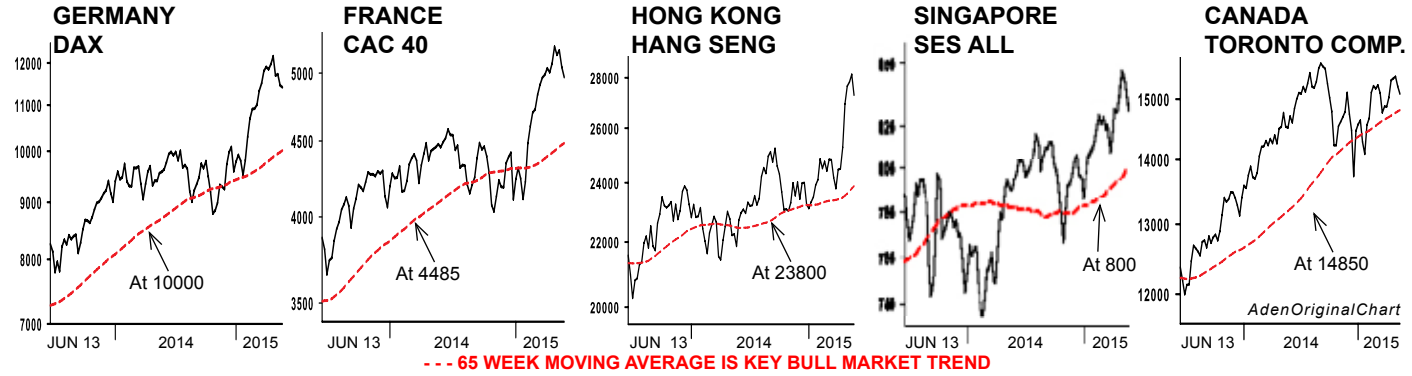


CHART 6

WORLD MARKETS: Looking good!

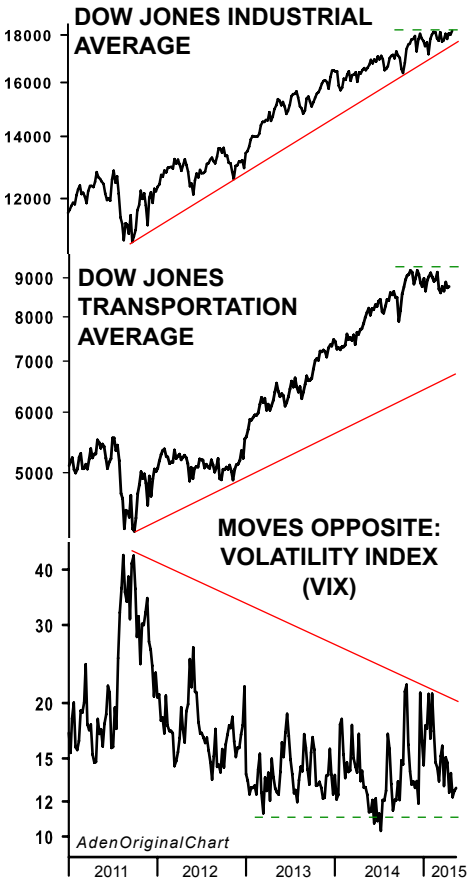


near zero and they've been this low for years.

This is unprecedented, which is why this rise in stocks is probably going to be unprecedented too. Sure it's going to end one of these days, but we don't see that happening as long as interest rates stay in a major downtrend.

CHART 7

DOW THEORY: WARNING CAUTION



Plus, the stock market has another new bullish point in its favor… the declining U.S. dollar.

The strong dollar had also been keeping a subtle lid on the stock market. It's hurt the earnings of many of the multinational companies and it's helped slow the economy. But now with the dollar on the decline, it'll make stocks even more attractive.

DOW THEORY: Signals caution

Currently, the Dow Theory bull market signal is one item we're watching closely (see **Chart 7**). As you'll recall, the Dow Jones Industrials hit a new record high on March 2. But that new high has not yet been confirmed by the Dow Jones Transportations.

The Transports have been lackluster all year. That's 4½ months since a record high was reached. And it won't give a renewed bull market confirmation until it reaches a new record high. Ideally, they'll both reach new record highs together.

Once this happens, all systems will be go and you'll definitely want to stay on board.

WHAT ABOUT INCOME?

Meanwhile, many of you have asked us how to earn some income in this near zero interest rate world.

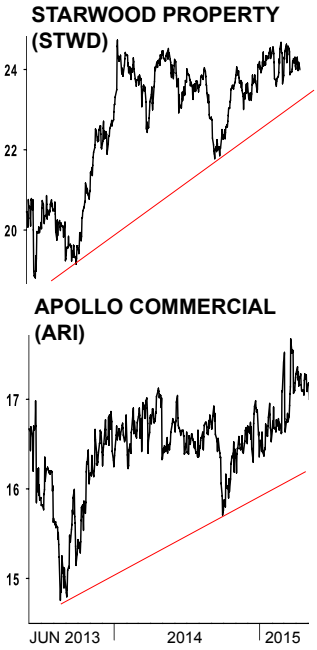
Well, we've done a lot of checking, and when you factor in risk, there aren't a lot of options.

As you know, we've been recommending bonds and they've done well, but the interest bonds pay is minimum. This month, however, we came across two stocks that look attractive, recommended by Carla Pasternak of *Income Investor*, and courtesy of *Dow Theory Letters* (see **Chart 8**).

These commercial mortgage REITS are trading near book value, they're in strong uptrends and they offer impressive dividend yields.

CHART 8

INCOME PRODUCERS



ARI invests in commercial real estate debt in the U.S. and it yields near 10%. STWD is the largest commercial mortgage REIT, investing in real estate debt in North and South America and Europe. It yields about 8%.

We recommend buying these two stocks, if you want to collect some attractive income.

But as usual, the market still warrants some caution. That's why we sold and took profits on a few of our lagging stocks this month.

Overall, we feel it's best to keep the rest of the stocks you have, which are listed on page 12, for the time being.

U.S. INTEREST RATES AND BONDS

Bonds: Declining in a bull market

Interest rates have been on the rise. That is, bond prices have been declining.

This is a rebound rise following the sharp interest rate fall and we don't think it'll last long. Why?... There are several reasons but following are the ones that are most important...

WHY RATES WILL STAY LOW

1. Deflationary pressures remain in the driver's seat. As long as that's the case, interest rates are going to stay relatively low.

Japan provides a perfect example. They've been in deflation for 25 years and their interest rates have been near zero for 20 years.

Deflation and low interest rates go hand in hand, and for now, there's no end in sight yet.

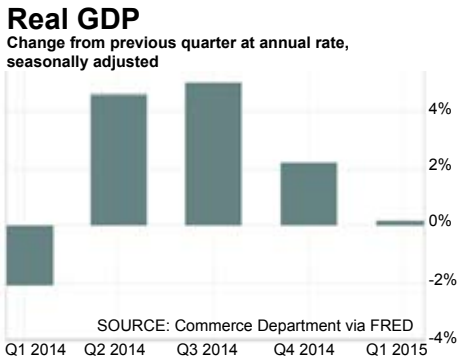
MONSTER DEBT

2. The debt is huge and it keeps growing. As we previously mentioned, this is helping to fuel deflation.

It's also why economic growth has been so slow. In the first quarter of this year, for example, GDP only grew at a .2% annualized rate (see **Chart 9**). In other words, it barely grew at all.

3. This must have spooked the Fed and it's why they didn't raise interest rates as many had expected. It's also why the Fed changed their game rules as to when they will raise interest rates.

CHART 9



This is something they've been doing all along. As the economy keeps dragging, the Fed has had to adapt. And the way things are going, it's unlikely they'll raise interest rates in the months ahead, and possibly even years ahead.

The combination of deflation and slow growth nearly guarantees ongoing super low interest rates.

The bottom line is simple... the Fed cannot raise interest rates in this environment. On the contrary, if the economy doesn't pick up soon, the Fed may have to resort to another round of QE to get things moving again.

LOW RATES GOOD FOR STOCKS & REAL ESTATE

4. As you know, low interest rates have been great for the stock and real estate markets. This in turn has been good for the economy.

With mortgage rates near all time record lows, real estate remains super attractive and affordable (see **Chart 10**, which goes back to 1900). Plus, home prices are still below fair value, meaning prices are headed higher. But these low mortgage rates are the most exciting.

In fact, if you own a home with a mortgage, we strongly recommend refinancing your mortgage to take advantage of these historically low mortgage rates, if you haven't already done so. In the long run, it'll save you tens of thousands of dollars.

Low interest rates are also good for the government. Why? Because they get to pay back their debt at cheap rates, making the debt burden more bearable. This alone is an important reason why the Fed won't be in a hurry to raise interest rates.

BATTERED BONDS STILL BULLISH

5. Despite the recent decline in bond prices, the market remains

CHART 10

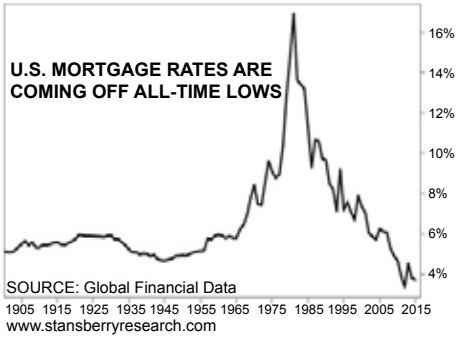
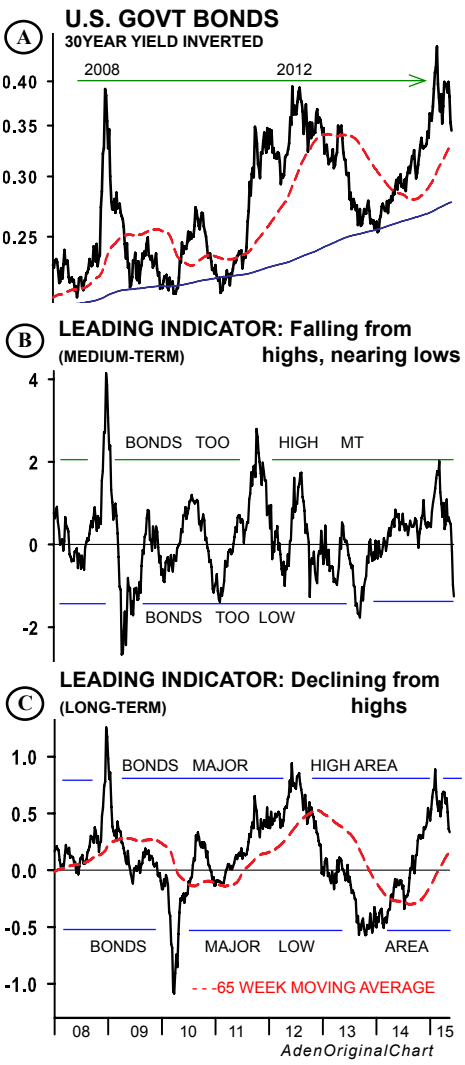
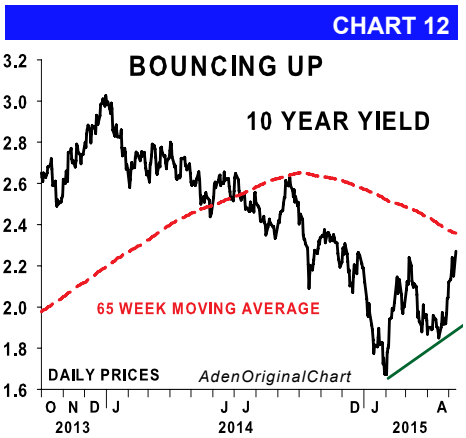


CHART 11





bullish (see **Chart 11A**).

As you can see, the bond price is still above its moving average, signaling the major trend remains up. In other words, the decline so far is still a normal downward correction following the steep rise in bond prices in 2014.

Bond slide limited

Plus, the leading medium-term indicator (**B**) for bonds is now approaching the "bonds too low" area. This tells us the decline in bond prices may be near an end.

Most interesting is the long-term leading indicator (**C**). It's coming down from a lower high than the peak areas in 2008 and 2012. So if it now stays bullish above the zero line during further weakness, it too will reflect a bullish market.

If it does, like we suspect, then bonds will again head higher while interest rates decline.

On the other hand, if the bond price declines and stays below its moving average, it would be an important sign that the bull market in bonds is ending and prices are headed lower. It would also mean interest rates are going to rise further.

KEEP AN EYE ON...

Taking a close up view, you can see the 10 year yield bouncing up (see **Chart 12**). This rise has been affecting the stock market and gold market over the past month. Currently, the two important numbers we're watching are 2.35% on the 10 year yield and 3.10% for the 30 year yield.

These are the key levels for signs of a major trend change. If these interest rates stay below these levels, the recent rises will essentially be rebounds and the major downtrends will remain intact.

But sustained rises above these levels would signal the environment is changing. That would be confirmed if the 30 year yield rises and stays above 3.60%.

As you know, we've been recommending long-term U.S. government bonds and/or bond ETFs since February, 2014 and we've chalked up some good double digit gains since then. But if a major trend change is upcoming, we'd go with what the market is telling us and recommend selling our bonds.

For now, like stocks, we're maintaining some caution. For that reason, we advised selling and taking profits in TLO and MUNI. But keep the rest of your bonds.

MARKETS LEAD, STAY ALERT

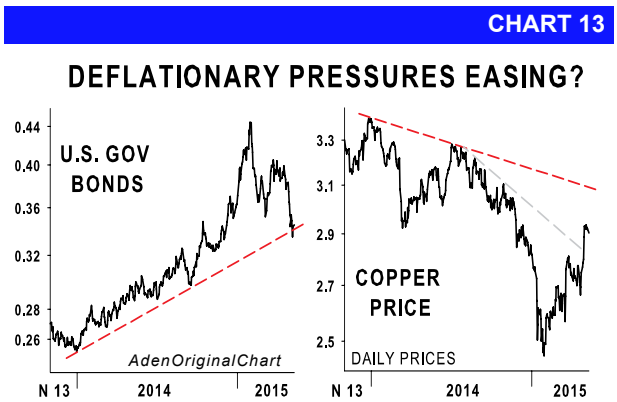
How could interest rates keep rising in this deflationary environment? Remember, the market leads and if bond prices do turn bearish they'd be telling us that these deflationary times are going to get better. It could also mean inflation's going to perk up.

We don't think that's going to happen, but again we'll soon see.

Currently, the only hint that deflationary pressures may be easing is the rise in the copper price (see **Chart 13**). Even though copper is still bearish, we're watching this closely.

Copper is a good barometer for the global economy. And if it keeps rising and turns bullish above $3, it would be telling us that better times are coming.

That in turn could put downward pressure on bonds and propel interest rates higher. So stay tuned. The weeks ahead should prove to be interesting.



CURRENCIES

U.S. DOLLAR: Correcting in a bull market

Well, it finally happened. The super strong U.S. dollar topped out and it fell this past month.

As you'll remember, the U.S. dollar had risen so far, so fast, it's been overdue for a decline for a while. And this decline is now getting started.

DOLLAR: Poised to decline further

Currently, it looks like the dollar's heading a lot lower in the months ahead and there are six important reasons why...

• Most important and at the top of the list is the **economy**. The strong dollar was a huge influence in slowing the economy to a standstill in the first quarter.

With the economy essentially bordering on recession, the strong dollar had become outright dangerous.

And even though there has been some positive economic news, like jobless claims hitting a 15 year

low, there have been negative signs too. For example, there are still 15 million people who want to work but can't find a job.

So it's been a mixed bag. But the bottom line is growth, and it's been anemic. This is something no one wants.

• The strong dollar has also kept **inflation** down. As you know, the Fed wants higher inflation, but inflation's been close to negative over the past 12 months.

The strong dollar has reinforced these deflationary forces and again, this is not what anyone wants.

STRONG DOLLAR HURTS PROFITS AND EXPORTS

• Plus, the strong dollar has been hurting the profits of many of the big multinational companies. Coca Cola, DuPont, McDonalds and so on are just a couple of the dozens of companies that have felt the negative pinch, thanks to the strong U.S. dollar.

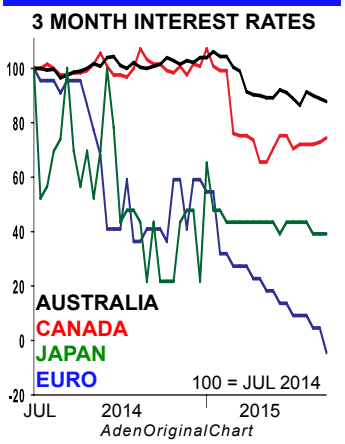
• It's also affected U.S. exports, which have become more expensive.

As a result, the latest trade deficit surged to $51 billion from $36 billion. This was a jump from a five year low to a six year high, and that's not good for the dollar going forward.

• With the economy slowing, the world finally realized the Fed's not going to be quick to raise interest rates as previously expected.

So this too erased some of the dollar's former glamour. In other words, U.S. rates will probably continue to march to the same drummer as the rest of the major countries (see **Chart 14**).

CHART 14



DOLLAR OVERBOUGHT

• Then there's the fact that the dollar's extremely overbought. (see the dollar index and its leading long-term indicator on **Charts 15A and B**.)

Note, the indicator is now beginning to decline from an extreme record high level. This overshoot alone tells us that the dollar's likely embarking on a steep drop that could last for months, and possibly years.

Remember, the dollar's been on the decline since 1971 and none of the dollar's fundamentals have changed. The strong rise since last year was actually an aberration within the dollar's long road down *(see Chart 16 in our April issue).*

So it would not be a surprise if the dollar resumes its long-term 43 year decline. In fact, with the currency wars going on, it would actually be pretty normal because the U.S. also wants a weaker dollar to help boost its economy and fuel some inflation.

CURRENCIES: Bouncing up from lows

As you'd expect, with the U.S. dollar declining, the bombed out currency markets have now bottomed and they're on the rise (see **Chart 17**).

As you can see, they've all risen above their moving averages, signaling higher moves ahead. This will be reinforced if they stay above these levels, which are listed on the chart.

Improving economic signs, QE programs, a higher oil price and a steep jump in German interest rates have all been contributing factors, driving these markets higher.

Plus, the technicals look good too (see **Chart 16A**). Looking at the euro, for example, you'll note that it held at the bottom side of its trading channel. At the same time, its leading indicator is at unprecedented low levels.

This means the euro has plenty of room to rise much further. It also suggests that somehow the Greek situation will be worked out and the Eurozone will continue to get better as a result of its QE operations.

It's also important to remember that the euro is the offset currency to the U.S. dollar. So as the dollar heads lower, the euro will be the main beneficiary.

CHART 15

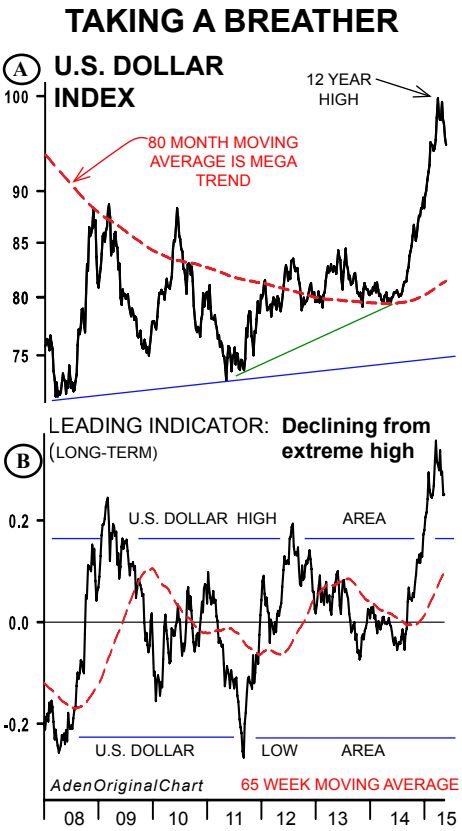
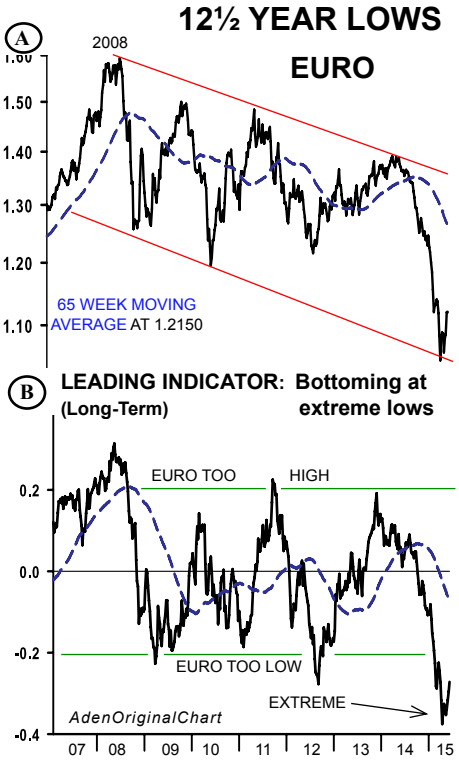


CHART 16



WHAT TO DO

For now, we're recommending two currencies we feel have the best potential, and that's the euro and the Canadian dollar.

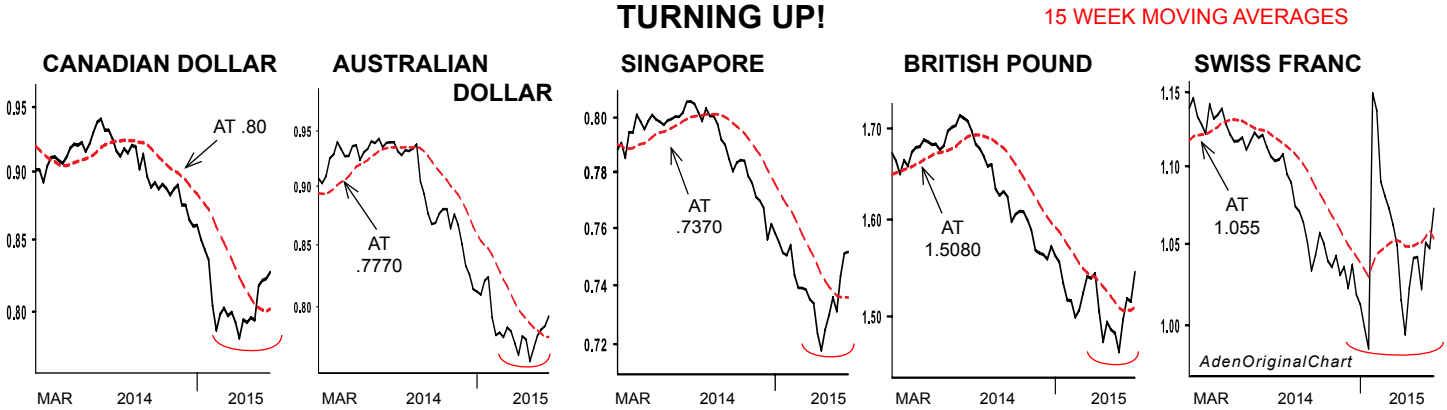
Here's the overall situation... since we lowered our stock and bond allocations by 5% each, it gave us a 25% cash position.

We advise dividing it by keeping 10% in U.S. dollars for the time being because the major trend is still bullish.

Divide the remaining 15%, by buying the euro and the Canadian dollar.

If it's easier we also like their ETFs, which are FXE and FXC.

CHART 17



METALS, NATURAL RESOURCES & ENERGY

Will 2015 be the year of a turnaround?

Gold's perky rebound rise from its mid-March lows started chugging this past month.

UPSIDE SURPRISE?

Rising yields kept downward pressure on the metals, as well as the ongoing wonder about the next direction in interest rates.

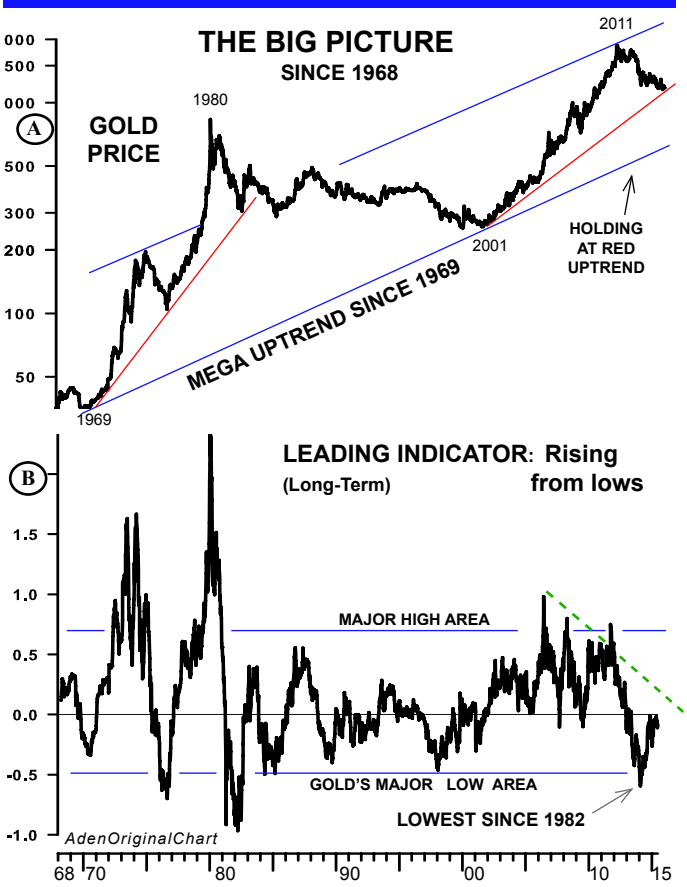
Strong global equities also added pressure and so has the uncertainty about Greece.

The falling U.S. dollar took a back seat, but it did help keep gold from falling. Political and financial uncertainty also gave safe haven support to the gold price.

Most interesting is that gold stayed firm and **the C rise since March is still underway.** This is most important.

Once interest rates settle down and the dollar declines further, gold's rise could surprise to the upside. And today's upmove could just be the beginning...

CHART 18



CURRENCY WARS: Good for gold

Currency competitiveness is still ongoing. It seems subtle at times, but it's clearly there, and we get tastes of this every few months or so.

It becomes clear when we also see central bankers act in a nationalistic, protective way.

We've mentioned several times in past issues that some countries, like Germany and the Netherlands, took possession of their gold. It had been stored for years at the Federal Reserve Bank of New York.

Interestingly, as James Rickards reminded us, prior to 2012, almost no gold was shipped from the Federal Reserve Bank of New York since the 1970s.

MEMORIES OF THE PAST

And you'll remember what happened to gold in the 1970s. A big bull market took hold after Richard Nixon closed the gold window in 1971. Countries have memories and they don't want something similar to happen again.

Chart 18 shows the gold price since 1968. Note the red lines marking the two major bull markets since then.

Gold rose over 2000%, from $35 to $850, in about ten years during the 1970s. During that time, the dollar fell, and inflation and interest rates shot up.

This time is different, but we may have a similar outcome. We're now fighting deflation pressures while interest rates sit near zero.

We're in unprecedented times, however, and no one yet knows what the final outcome will be.

Gold's leading indicator (**B**) is rising from the 1982 low levels, and while it has yet to turn bullish, it's heading in that direction. Once it closes above the dashed line, it will turn bullish for the first time in the current bear market.

OTHER DEMAND GROWTH

With other central bankers also hoarding gold, like China and Russia, we can see their mistrust in the global monetary system.

This month, China also added additional stimulus by cutting the amount of reserves commercial banks are required to hold. This freed up about $200 billion for lending, according to MarketWatch.

And it's a reminder that the Chinese will continue to slowly devalue their currency, which is bullish for gold prices in China. The renminbi looks to be topping but it's still holding near the highs (see **Chart 19**).

Rumors are circulating, according to Business Insider, that India is ready to announce a so-called "gold monetization" scheme. This plan will allow the country to access some of the massive stores of gold held by private citizens.

The public would essentially be lending the government their gold put in the bank. It's still to be seen if it'll happen, but in today's world anything is possible.

CHART 19

GOLD STEPS ARE USEFUL

We can remember when gold started turning bullish back in 2001. Sentiment was so dark after a 20 year bear market, that it almost seemed unreal.

Our indicators turned bullish in August 2001, a month before 9/11. While this also gave gold a boost, it wasn't the driving factor by far.

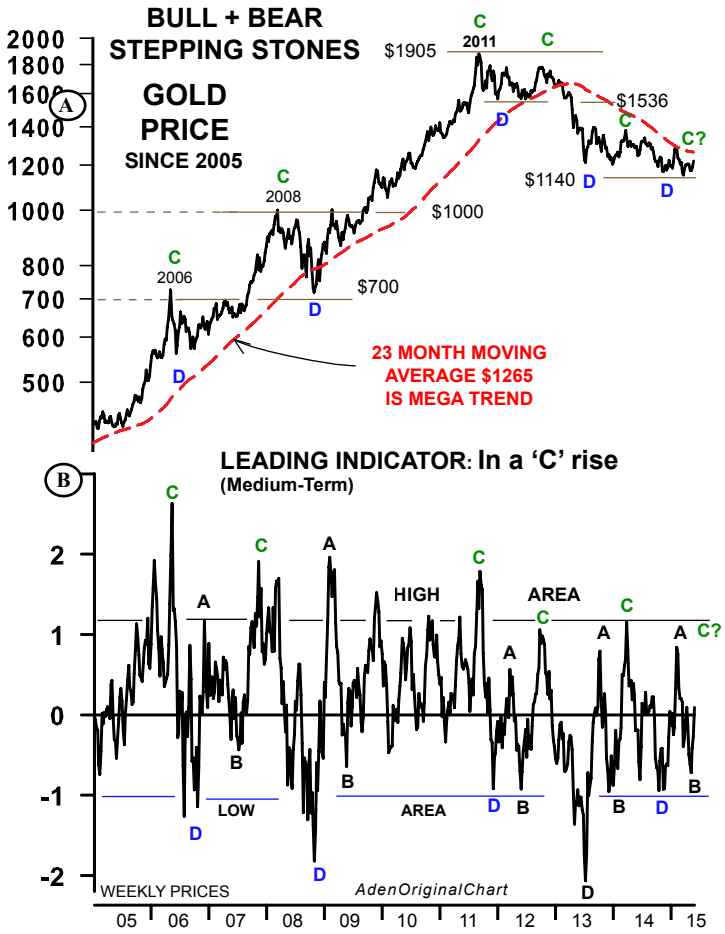
With sentiment so dreary, we made up the steps system. We said if gold could climb to the next step, the bull market would be getting stronger and confidence would be improving.

Chart 20A shows some of these bullish steps leading up to the 2011 record high, and it shows the bearish steps since then.

Gold rose from the 2001 low near $250, for example, to the 2008 highs near $1000, gaining 300%. The financial crisis then pushed gold down to the $700 level, and many felt the bull market was over.

But sure enough, by September 2009 gold burst through $1000 moving into record territory in the best C rise in the bull market. It moved essentially non-stop for two years before reaching its peak in 2011 near $1900.

CHART 20



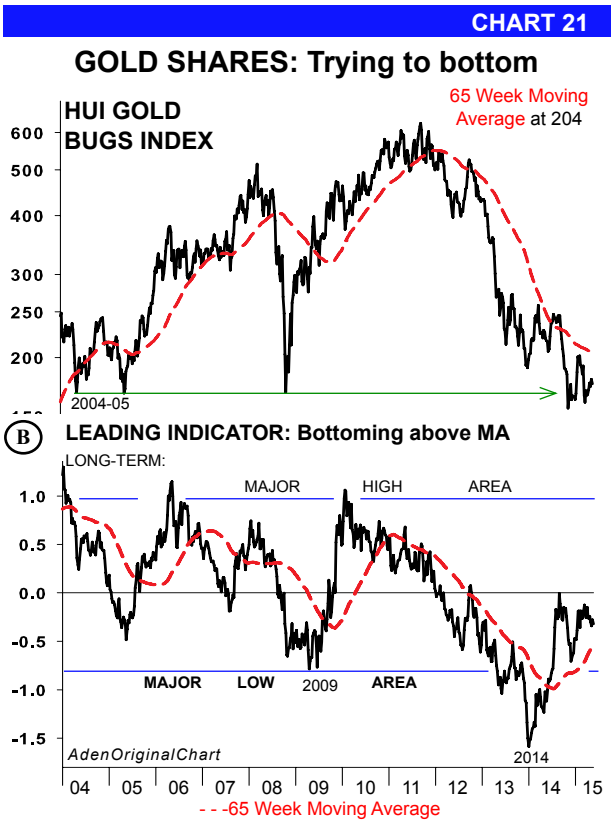
Note how different C rises move in a bull market, compared to a bear market.

They tend to be the best intermediate rise in a bull market and they tend to reach record highs. Bear markets are another story.

Gold has had two bear market C rises so far in 2012 and 2014, and both failed to have good strength. The 2012 rise was followed by a nasty gold decline in 2013, the worst fall so far.

Interestingly, the 2014 C rise was moderate and the D decline that followed was not a steep one. **This sheds some light of a change.**

The moderate B decline low this year was another good sign. Will the now almost two year bottoming action, marked by the two D



lows, really be THE bottom?

We'll soon find out and this brings us to today. For now, keep an eye on $1170 and $1220. This marks the past month's chugging area. A break either way will tell us a lot about the C rise. A break up will be another positive sign of a turnaround, and a better looking C rise.

If gold then rises above the 23 month moving average at $1265, it would turn bullish for the first time since 2011.

We could then see the $1536 step tested. If this were to happen in the current C rise, it would be shouting... load up on gold!

Keep in mind, gold is coming up to a seasonally low time for the price. The Summer months tend to be soft. This means if gold doesn't move higher this month or next, it could then possibly drag on for a few more months.

A break below $1170 wouldn't be the end of the world, but it'll then be important to watch the $1140 level closely.

If this level is clearly broken, then another down leg in this now 3½ year bear market would take hold. We could then see $1000 tested.

GOLD SHARES: Looking Better

Gold shares are saying this is unlikely. They reached an eight week high in recent weeks and they've been stronger than gold since the lows in March. Plus, they didn't chug this month like gold did.

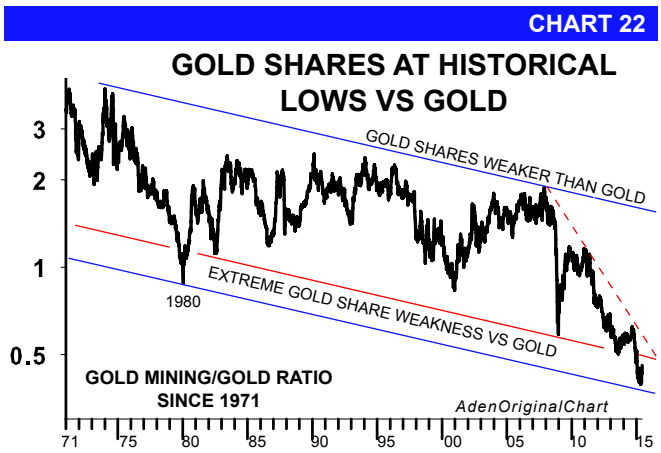
We realize that gold shares have been bottoming for months now. But as **Chart 21A** shows, the HUI index is holding at a key support level, while its indicator (**B**) continues to bottom and rise.

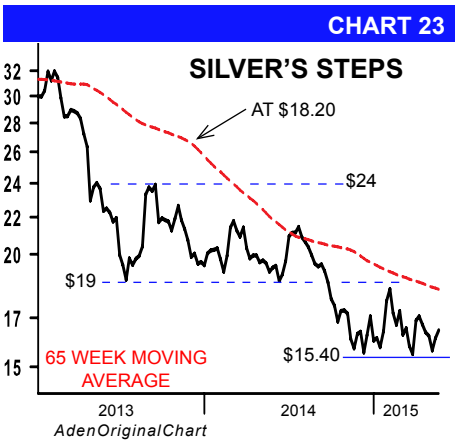
This is good news.

And this is especially true combined with the big picture. **Chart 22** shows how truly bombed out gold shares are compared to gold.

This ratio starts in 1971, and you can see it fell into the pits this past year, at a new low and at the extreme bottom side of a 45 year downchannel. It can't get more bombed out than this.

The point is, the ratio is just starting to rise from the pits while HUI rises from its key 10 year support. This is a good sign for both gold and gold shares.





It also means we need to keep an eye on some key levels...

If HUI stays above the 2014 low at 147, it's a start. It's firm above 174, and once it can rise and stay above the 65 week moving average at 204, it'll be off to the races for gold shares.

Keep your gold shares and buy if you don't have a position. It's still a bear market, but it's also a good value.

Silver is a special metal.

It always has been. And on a value basis, it's also a good buy. Silver has been chugging more than gold but once it pops up, it could take off like a bandit.

There are many reasons why silver will go higher, it's just a matter of time. And as our dear friend Richard Russell points out, JP Mor-

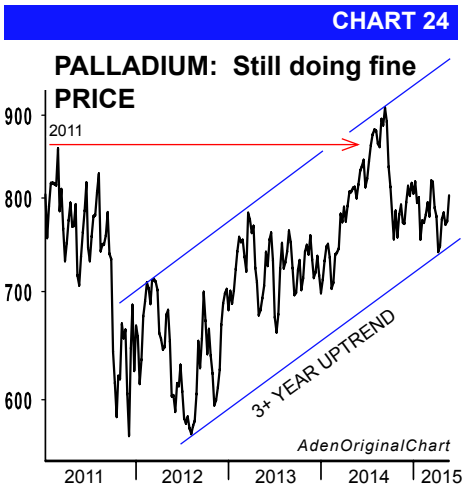
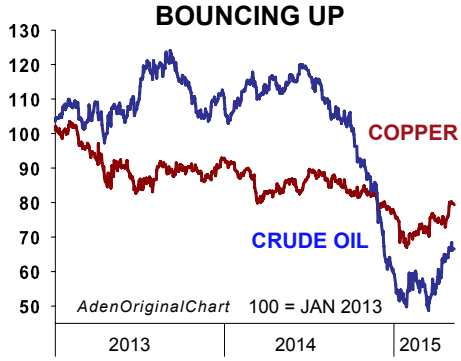


CHART 25



gan is aggressively accumulating physical silver by the hundreds of millions of ounces.

This is the largest accumulation of physical silver by a private entity in history! Plus it's three times the 100 million ounces acquired by the Hunt Brothers in 1980 or by Warren Buffet in 1998.

Some of you may remember when the Hunt Brothers tried to corner the silver market at the peak in 1980 when silver soared to the $50 level. It was a wild moment. And today is even more wild.

JP Morgan obviously thinks silver is going up, and we do too. We think your patience today will be well rewarded in a future rise.

Alan Greenspan also believes gold will be considerably higher in the years ahead. So it's not only central bankers who are looking ahead. Others are too.

Chart 23 shows silver close up since 2013. It also has steps like gold, as you can see. Keep an eye on these levels as they'll tell the story.

First of all, it's important for silver to continue holding above its seven month support at $15.40. If it then rises and stays above both its old 2013 support and 65 week moving average at $18.50 and $18.20, it'll start on a bullish path.

Silver could then jump up to the $22 -$24 levels, its next step. By then, it could clearly test the $30, which would be the following step.

The bottom line is, silver has great potential.

Palladium essentially resisted at its 2011 highs last year and it has been coming down (see **Chart 24**). After hitting a low for the year in late March, it's now bouncing up to an eight week high and the 3+ year upchannel continues.

We recommend keeping your position.

RESOURCES: Is the worst over?

Crude oil rose further in a rebound rise, reaching another new high above $60 for the year. This marked the eighth straight week of gains.

Copper is also bouncing up in a steady firm rise for the year (see **Chart 25**).

Is this the start of something good?

Well, it's still too soon to tell since oil was the biggest surprise last year falling from $100+ to $45 in January and March. But the landscape is calming down and looking better.

The dollar is a key element in the mix, but the price action is telling us to watch some key levels.

First take a look at copper's bigger picture since 2003 on **Chart 26**. Note that copper is bouncing up from a 12+ year uptrend.

This is impressive.

If copper now rises and stays above its 65 week moving average at $3.00, it'll be turning bullish for the first time since 2011.

Once this happens we could see the $4.00 level tested. This has been its major lid since 2006.

Other resources are bouncing up too (see **Chart 27**). And BHP Billiton is no exception. We'll keep our position, but don't buy new positions just yet.

Iron ore prices are still in the pits but BHP and Rio Tinto are digging up more iron ore and increasing output from their Australian mines. Rio Tinto still expects 2015 to be another year of record sales, in spite of a slow first quarter.

They see something that's not obvious yet... does this mean the lows are at hand?

OPEC's oil output climbed to the highest level since 2012 in April, boosted by record or near record supplies from Iraq and Saudi Arabia. This caused worries that the current rebound could end, especially with economic growth in China at the slowest in six years in Q1.

But then again, China's crude oil imports hit a record high in April too, as falling prices encouraged stockpiling.

Plus, there's already been 15 straight weekly rises in U.S. crude supplies after the EIA reported yet another climb in supplies for mid-April.

OPEC doesn't expect strong ongoing rises in crude. OPEC is looking at oil prices to be about $76 a barrel in 2025, in its most optimistic scenario, according to *The Wall Street Journal*.

Do they foresee strong production continuing? We'll soon see.

Meanwhile, the alternative energy uranium is starting to look interesting. And Russia is now one of the world's top five producers of the metal since acquiring Uranium One of Canada.

The resource world seems to be in a transition, and we're watching it closely.

CHART 26

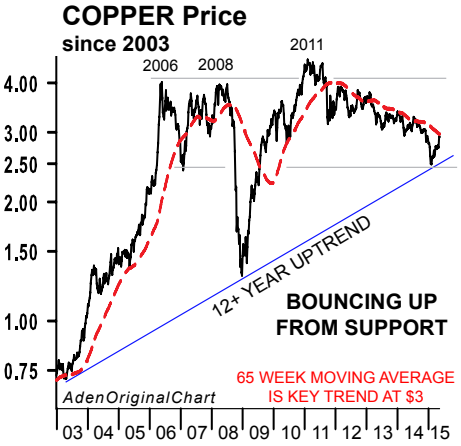
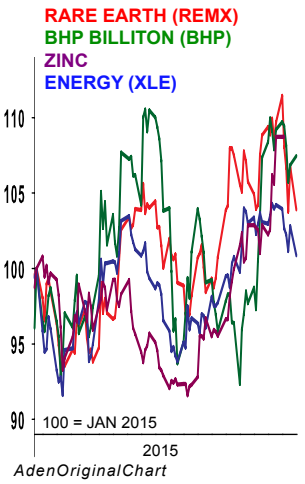


CHART 27



OVERALL PORTFOLIO RECOMMENDATION

PRECIOUS METALS, ENERGY, RESOURCE

Gold's perky rebound rise from its March lows started chugging. Nevertheless, gold's rise may surprise to the upside and today's upmove could just be the beginning. That'll be reinforced if gold rises and stays above $1220, signaling the C rise is gaining momentum. Gold shares, silver and palladium are also looking better, and the weaker dollar should bode well for all these markets. Keep your positions.

U.S. & GLOBAL STOCK MARKETS

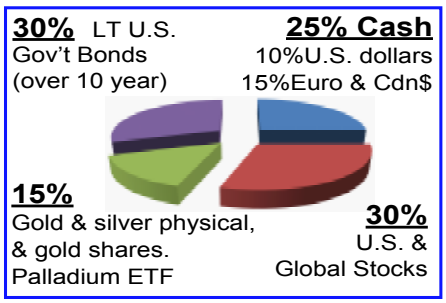
The stock market remains bullish, and the S&P 500 and Nasdaq both hit new record highs. For now, the market still warrants some caution. In our weekly update, we sold and took profits in IYT, JNJ, XLU and PG, lowering your stock position to 30% of your total portfolio. Keep the rest of your stocks. We also advise buying Starwood Property (STWD) and Apollo Commercial (ARI), which are good income producers.

CURRENCIES

The strong U.S. dollar topped out and it fell this past month. It looks like the dollar is headed a lot lower in the months ahead while the currencies rise. Currently, we have a 25% cash position (having lowered our stock and bond positions by 5% each). Keep 10% in U.S. dollars because the dollar's still bullish. Buy the euro and Canadian dollar with the remaining 15% or their ETFs, which are FXE and FXC.

INTEREST RATES & BONDS

Interest rates have been on the rise. That is, bond prices have been declining. But bonds remain bullish and so far, this is a normal downward correction and it may be near an end. Still, we're being cautious. That's why we recommended selling in our weekly update, and taking profits in TLO and MUNI. This lowered your bond position to 30% of your total portfolio. For now, keep the rest of your bonds and/or the bond ETFs.



OUR OPEN POSITIONS in order of strength per section

GOLD AND SILVER ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Gold Miners ETF	GDX	Jan-15	21.74	20.78	-4.42	Hold
Palladium	PALL	Jan-13	69.71	76.10	9.17	Hold
Royal Gold	RGLD	Mar-14	66.04	66.85	1.23	Hold
iShares Silver Trust	SLV	Jan-15	17.61	16.35	-7.16	Hold
Gold Shares SPDR	GLD	Jan-15	125.23	116.55	-6.93	Hold
Gold (physical)		Oct-01	277.25	1218.20	339.39	Hold
Central Fund of Canada	CEF	Jan-15	13.36	12.28	-8.08	Hold
Silver Wheaton	SLW	Jan-15	23.05	20.74	-10.02	Hold
Silver (physical)		Aug-03	4.93	17.22	249.31	Hold

STOCKS & ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Consumer Discret Sel	XLY	Feb-15	74.89	75.67	1.04	Hold
Dynamic Software	PSJ	Feb-15	41.58	42.46	2.12	Hold
S&P Glbl Tech	IXN	May-14	87.75	99.41	13.29	Hold
Nasdaq Powershares	QQQ	Jun-14	92.82	108.00	16.35	Hold
Dow Diamonds	DIA	Jun-14	169.08	180.74	6.90	Hold
Nasdaq Biotech	IBB	Nov-14	296.31	350.85	18.41	Hold
iShares Singapore	EWS	Jul-14	14.04	13.52	-3.70	Hold
Microsoft	MSFT	Feb-13	28.01	47.62	70.01	Hold
iShares Hong Kong	EWH	Jul-14	21.65	23.46	8.36	Hold
Russell 2000	IWM	Apr-15	125.65	122.49	-2.51	Hold
iShares US Med Dv	IHI	Oct-13	86.70	117.27	35.26	Hold
Global 100	IOO	Oct-13	72.97	79.47	8.91	Hold
Apollo Commer *	ARI	May-15	17.05			Buy
Starwood Prop *	STWD	May-15	23.92			Buy
Home Construction	ITB	Feb-15	27.51	26.33	-4.29	Hold
iShares Canada	EWC	Jul-14	32.65	28.81	-11.76	Hold
BHP Billiton	BHP	Aug-13	67.68	51.82	-23.43	Hold
Energy Select SPDR	XLE	Aug-12	72.37	80.38	11.07	Hold
iShares Mexico	EWW	Jul-14	70.93	59.32	-16.37	Hold
DJ US Telecom	IYZ	Sep-12	25.22	29.90	18.56	Hold

BOND ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
10-20 Treasury Bond	TLH	Feb-14	125.73	133.32	6.04	Hold
Ultra 20+ Treasury	UBT	Feb-14	58.00	71.80	23.79	Hold
20+ year Try Bond	TLT	Feb-14	107.78	118.88	10.30	Hold

CURRENCY ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Canadian dollar ETF *	FXC	May-15	81.78	83.05	1.55	Buy
Euro ETF *	FXE	May-15	110.15	111.48	1.21	Buy

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

