THE
ADEN FORECAST
MONEY • METALS • MARKETS

MAY 2016 *our 35th year*

UNCERTAINTY: STILL THE ONLY CERTAINTY

We keep hearing about how things are getting better and in many cases they are. But when looking under the surface, which we've often discussed, things aren't looking so good.

The tug of war continues, resulting in uncertainty, the unexpected and mixed signals.

In fact, these cross-currents are confusing many investors. And based on what's happening on the election front, these feelings are running deep.

With that in mind, this month we're taking a look at a few key charts to see what they're telling us...

GOLD BETTER THAN BONDS

One chart we thought was very interesting this month is our old inflation-deflation barometer. Some of you will remember this chart, which shows the ratio comparing gold and bonds (see **Chart 1**).

Generally speaking, since gold rises during times of inflation, and bonds do well during periods of low inflation, recession or deflation, these markets provide an insight into what lies ahead.

Over the past months, gold and bonds have been safe havens, and they've both been strong. But it now looks like gold will continue to rise, and it'll keep outperforming bonds in the months ahead.

Gold is rising as the best currency, especially with the dollar declining. But does this mean inflation's making a comeback?

Not necessarily. Currently, there are no signs of inflation. The last U.S. inflation number was near zero. So despite what the Fed wants and all the global monetary stimulation, it's just not happening.

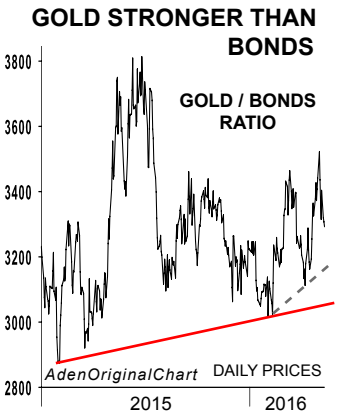
DEFLATIONARY DRAG

In fact, inflation is so low worldwide, the IMF has been urging countries to do more with their monetary and economic stimulus policies to promote growth and inflation.

With the IMF downgrading growth for 2016 yet again, it's still concerned that the world economy is on thin ice and it wants the ice to thicken.

That's not surprising considering the U.S. economy only grew by .5% in the first quarter. The fact is, the U.S. hasn't seen 3% annual growth for the past nine years. The rest of the world hasn't been much better. Japan, for instance, has been super aggressive with their stimulus programs for a long time and they're barely hanging on.

CHART 1



FED: Savior of last resort

In the meantime, our dear friend Chuck Butler of Everbank notes that the Fed and FDIC recently said that five out of the U.S.'s eight largest banks do not have credible plans on how they would deal with a crisis without sowing panic.

This includes Bank of America and J.P. Morgan Chase, and it suggests the government would have to again prop up the largest banks, like they did in 2008 to avoid chaos, if need be.

KONDRATIEFF WAVE REVISITED

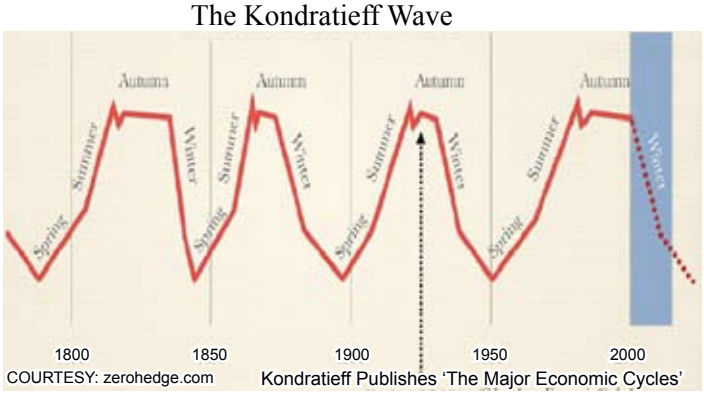
It's been a long time since we've talked about the Kondratieff Wave.

This is the super long cyclical trend developed by Nikolai Kondratieff many years ago (see **Chart 2**). Basically, it shows how prices and several markets move in 50-60 year cycles, which encompass expansion, crisis, recession and recovery. The cycle goes back to the late 1700s, and it's still in place.

Currently, for instance, we're in a downwave, known as Winter. It started near 2000 and it might last until 2020, based on the timing of previous

INSIDE

CHART 2



downwaves. (The blue shaded area shows how far into the downwave we are and how much further we have to go before things are supposed to turn around.)

Most interesting, as Grant Williams reports, Winters are marked by deflation, banking crises, bankruptcies, credit crunches, international currency crises and rising gold, along with debt repudiation and rising interest rates.

Sound familiar? Well, if this cycle stays on course, we may be seeing more of this in the years just ahead.

PLUGGING ALONG

But on a brighter note and despite slow growth, housing looks very good. And the jobs picture has generally been positive.

We know many say the numbers are rigged, but there's no denying there's been improvement. We also hear that jobs being created are not good jobs because they're in the services sector.

But here too, the world has changed... Reviewing global employment, the services sector has surged over the past 10 years, becoming more important.

At the same time, work in agriculture has steadily declined. And global manufacturing has really dropped.

Macquarie Research, who conducted the study concludes, "the current expansion should continue to be characterized by lower growth rates, but also by incredible persistency and resiliency."

That's what's been happening for several years now, and if it does continue, it'll generally be good news, according to this study.

GOLD AND DOLLAR: Move opposite

Okay, but getting back to gold, won't low inflation keep a lid on the price? The answer is no.

More than anything else, the declining U.S. dollar will fuel an ongoing gold rise. That is, as long as the dollar keeps falling, which has now been confirmed, then gold is headed much higher.

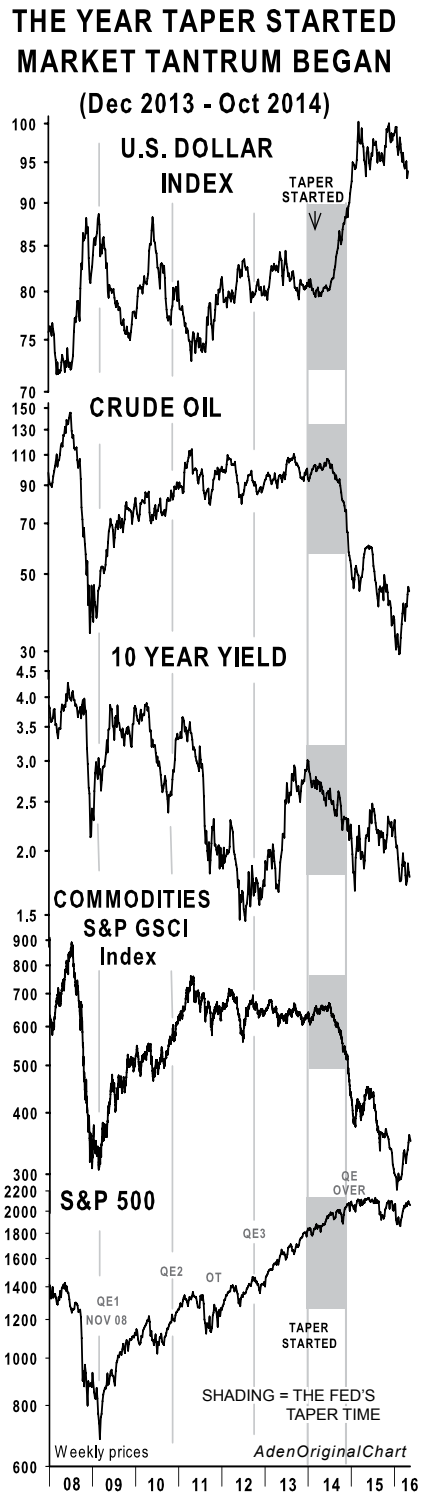
Looking at **Chart 3**, you'll see several markets, along with the shaded area, which shows when the Fed was cutting back or tapering their QE monetary stimulus.

They stopped QE towards the end of 2014. This whole episode resulted in a rising dollar, a steep drop in oil, the 10 year yield and commodities. And the stock market's been chugging ever since.

In other words, deflation intensified, but so far this year the markets have stabilized. The weaker dollar will provide a boost for many of these markets, but will it be enough?

We'll soon find out. But until then, don't be surprised to see more mixed signals and uncertainty. That being the case, let's now see what the markets themselves are signaling...

CHART 3



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U.S. & WORLD STOCK MARKETS

Hitting a ceiling

The stock market moved higher this month. In some cases, it came close to its all time high, but then it pulled an about face.

WEAK EARNINGS TILT

This is something we've seen happen several times in the past...

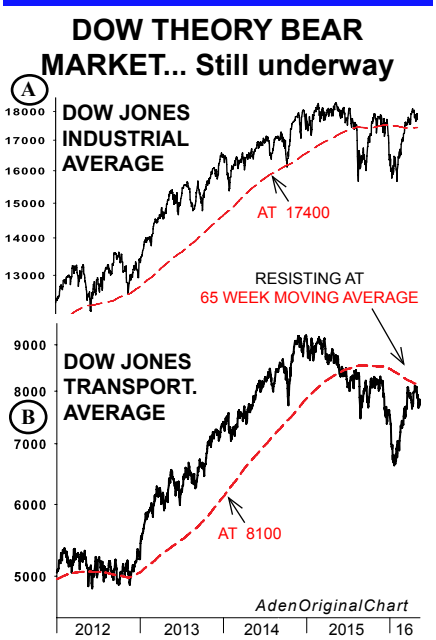
Just when it looks like things may be changing, the market gets the rug pulled out from under it.

This time it was mainly because of earnings, which have been lackluster.

In Apple's case, the resulting decline was the worst in 18 years and this put downward pressure on stocks in general.

So for now, Nasdaq is back below its 65-week moving average at 4900 (see **Chart 4**). That is, it's bearish and it'll stay bearish, signaling it's headed lower, by staying below this level.

CHART 5



NASDAQ: Joining the bears

This means Nasdaq has again joined the bear club along with the Russell 2000 and the Dow Jones Transportations.

In fact, it increasingly looks like the Dow Transportations could be leading the way down for the others (see **Chart 5B**). As you can see, it rose this year, but then it resisted at its moving average, which has clearly rolled over.

This is bearish action. And since the Transports have often taken on the role of leader, it's probably just a matter of time until the Dow Industrials and S&P500 decline further as well (see **Charts 4** and **5A**).

They would confirm the bearish action in the Dow Transports by declining below 17400 for the Dow Industrials and 2040 for the S&P500.

Once this happens, the markets bearish outlook will intensify.

THE LAST HURRAH?

As we've mentioned before, a Dow Theory bear market was triggered last August when both the Dow Industrials and the Transports hit new lows.

This bear signal was reconfirmed in February after they both hit new lows again.

But then something strange happened...

Stocks surged upward and this confused many investors. But in hindsight we think this was essentially a secondary upmove within the bear market.

Time will soon tell. But it seems like, without another round of QE, this already very mature and overvalued seven year bull market will continue to breathe its last.

UPSIDE LIMITED... downside not

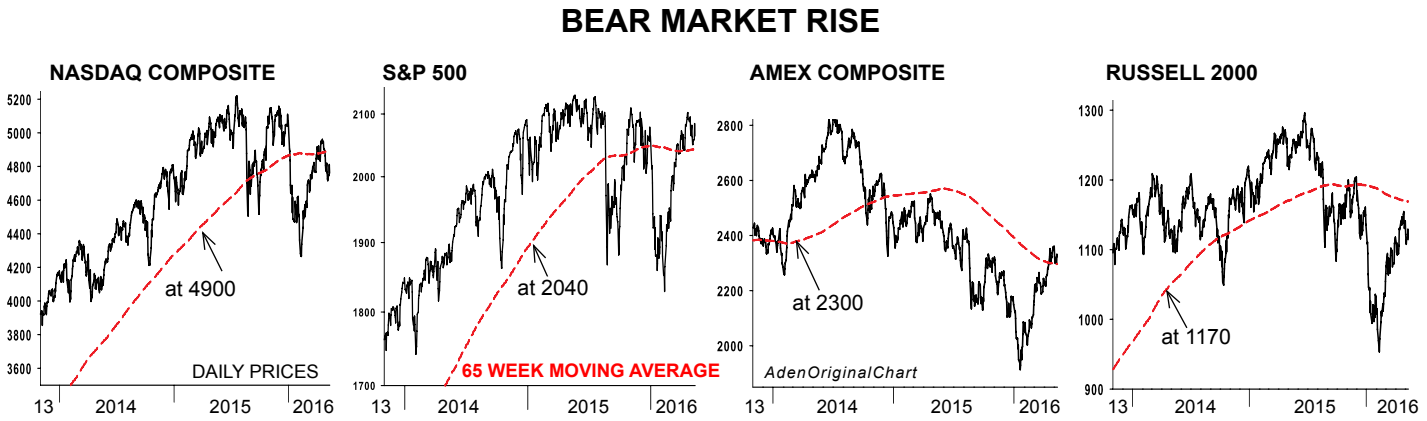
In other words, the upside is clearly limited and the downside is not. The big picture puts this into perspective (see **Chart 6A**).

Here you'll see the S&P500 going back over 20 years. Note that it's been trading in a mega 22 year upchannel since then.

Within this channel, it's formed a 1,2,3,4 pattern that's been pretty consistent.

Most important, the #3s have coincided with big

CHART 4



rises in the stock market, and the #4s have identified big declines, like in 2000-2002 and again in 2007-2009. And this brings us to where we are today...

Currently, the S&P500 appears to be forming a #3 top. This is being reinforced by the leading indicator, which has been on the decline and has now turned bearish by dipping below the zero line (see **Chart 6B**).

This strongly suggests that a #4 decline is coming in the months and/or year ahead. If it's anything like the previous #4 declines, stocks could decline for a year or two and the drops could be steep.

In 2000-2002, for example, stocks plunged 38%. In the 2007-2009 bear market they fell 54%.

And since the leading indicator has lots of room to fall further before it reaches the major low area, the current bear market could be similar.

That's not set in stone, but it's a real possibility.

CHART 6

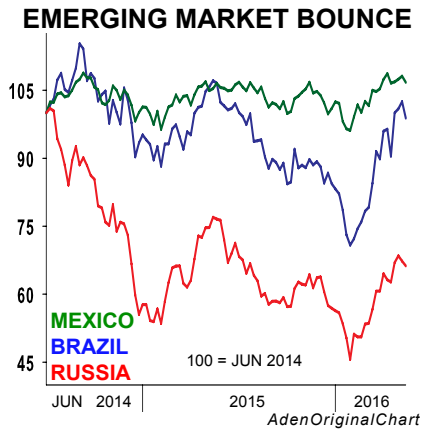
NOT ALL BETS ARE OFF

On the other hand, the reality is that stocks remain mixed. And if the bearish stock indexes were to reverse course and surge back above their 65-week moving averages, all bets would be off.

Stocks would again be on the rise, signaling the bull market will likely continue.

With interest rates still at super low levels, this scenario is not out of the question. And it would become more likely if the Fed were to again embark on another QE monetary easing program.

CHART 7



But as you'll see in this month's Interest Rate section, this is becoming more unlikely as time passes.

SO WHAT TO DO?

As we've been saying, if you've lightened up on your stock positions during this upmove, then stay put. If you're out of common stocks, remain on the sidelines for the time being until the coast is clear.

Now some of you have asked us if there's a way around this, and there is.

This would apply to stock investors who are holding stocks for the very long-term in pension plans and so on. In these cases, the strategy is a little different.

LONG-TERM STRATEGY

As you know, over past decades, traditional stocks have outperformed most other markets. So if you're looking out to many years ahead and don't mind riding through say a two year bear market, then keep some of the stocks you have, but don't buy new ones for now. And ideally, at least trim your stock holding if you still have a large amount in stocks.

Plus, there may even be profits to be made in some of the emerging markets in the months ahead.

WEAKER U.S. DOLLAR HELPS

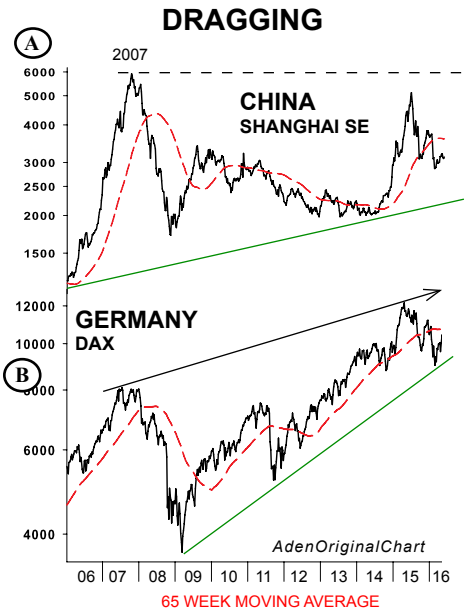
The weaker U.S. dollar has been good for several of the emerging markets. And even though the global stock market picture is mostly bearish, some of the emerging markets are bouncing up (see **Chart 7**).

Emerging markets are cheap after being on the decline for the past few years. And if these markets keep rising from here, they could be leading the other world stock markets up.

Meanwhile, China remains bearish and it's the most important emerging market (see **Chart 8**). The markets of the developed countries are still under pressure too.

Again, it's a mixed picture. So keep an open mind and we'll go with what the markets tell us... For now, the final word has not yet been given.

CHART 8



U.S. INTEREST RATES AND BONDS

Bonds turning bearish... but mega trend still up

This month we changed our strategy by selling our long-term U.S. government bonds or the bond ETFs for the first time in 2+ years. Why?

DOWNSIDE LIMITED ON RATES

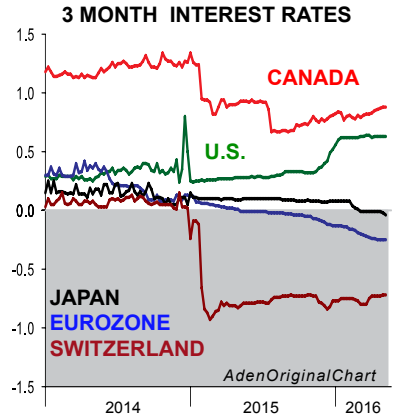
In a surprise move, the bond market has turned bearish. That is, a reversal has taken place and the major trend for bond prices is now turning down.

This means bond prices are poised to decline further and long-term interest rates are headed higher because they move in opposite directions. And since interest rates generally move together, this also suggests that the Fed may be raising short-term interest rates in the months ahead as well.

But wait a minute... aren't interest rates going down all over the world?

Yes, they are. That's one reason why this reversal doesn't make sense. The prevailing global trend is clearly down and interest rates are negative in a lot of the global short-term debt outstanding (see **Chart 9**). So rising interest rates would be unusual.

CHART 9

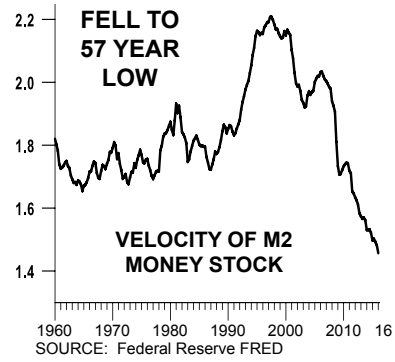


SLOWING ECONOMY

Plus, the U.S. economy is still growing at the slowest rate since World War II. That's hardly an environment for rising interest rates.

On the contrary, when growth is weak, interest rates tend to stay low and that's been true over the past several years. Everyone knows that a slow economy equals low interest rates.

CHART 10



Yet another low interest rate sign is the ongoing collapse in the velocity of money (see **Chart 10**).

We've shown you this chart several times in the past, but it doesn't get better. In fact, it's currently near a 60 year low.

This is a deflationary indicator, reinforcing a vulnerable economy indeed. That's because declining velocity means that money is not rolling over. It's not being spent the way it should be.

When an economy is robust, velocity rises and money rolls over. That is, it's being used at a rapid rate in more transactions for any number of reasons.

The opposite is true when it declines and that's what it's been doing since the tech bubble burst in 2000. Interestingly, it's been moving with the Kondratieff downwave.

WHAT TO MAKE OF THIS?

We're not sure but following are a few thoughts...

Looking first at the bond price and its leading indicator, you can see that for the first time in over two years, the leading indicator has dropped below the zero line (see **Chart 11B**).

This signals bond prices are headed lower, like they did in 2009 and 2013. So they'll probably decline to possibly their uptrend, while long-term interest rates rise.

The bottom line... this is a signal we can't ignore and it doesn't happen often. So it's best to take action, regardless of all the reasons why bond prices "shouldn't" be falling.

Remember, it's a mistake to try and tell the markets what to do. Instead, when a market changes, we have to change with it, knowing that the reasons why will become obvious in time. And there are a couple of reasons we can think of...

BONDS: Leading indicator

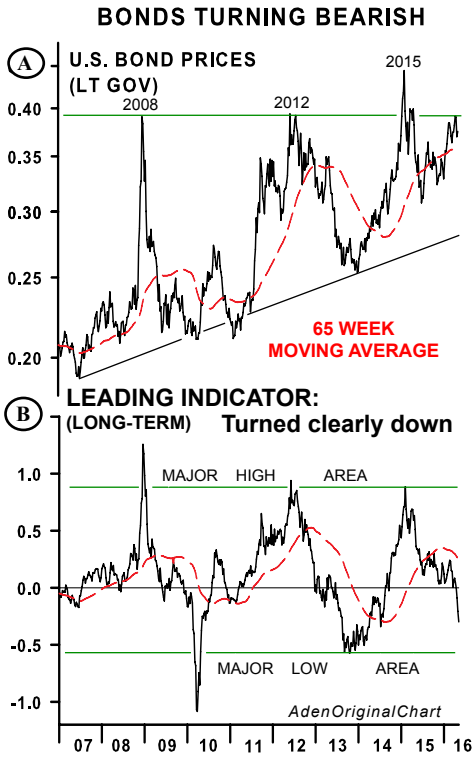
• You may remember that bonds are a reliable leading economic indicator.

So maybe bonds are telling us the economy is going to pick up to the point where inflation starts to perk up too.

We know that's hard to imagine and personally, we don't think that's going to happen. But anything is possible and again, we're keeping an open mind.

We know the bond market is telling us something important. And if it doesn't end up being a

CHART 11



pick up in the economy and inflation, then what else could it be?

- Well, Janet Yellen is an obvious option.

As you know, she raised interest rates last December. Since then, the Fed's been saying they're going to raise interest rates again this year... in June? ... September?

But they've been flip-flopping as to when they'll do this and how many times, based on economic and global developments. The point is, it looks like they'll probably deliver... at least that's what the bond market could be signaling.

- Or it could be something more dramatic...

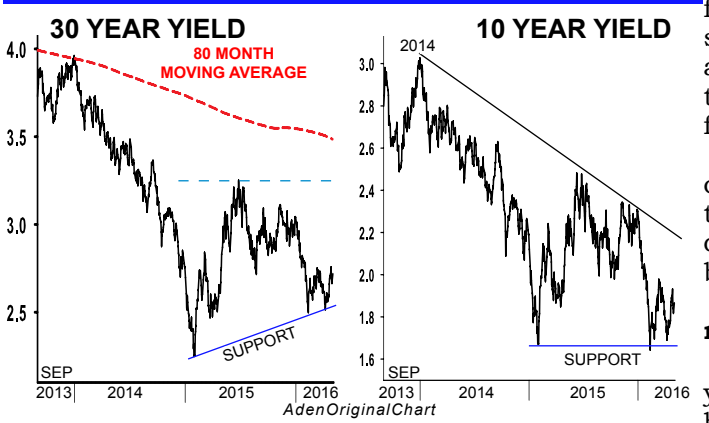
Saudi Arabia, for example, recently said they'd dump their $750 billion in Treasury bonds if Congress passes a bill implicating them in the 9/11 attacks.

If they were to follow through with this, it would deal a huge blow to U.S. bonds, driving them sharply lower. In other words, a wild card like this isn't out of the question.

We'll know soon enough. But in the meantime, it's best to watch from the sidelines. And here's what we're watching...

Chart 12 shows the 10 and 30 year yields. The 80 month moving average for the 30 year yield is also shown. This moving average identifies the mega trend and it's been down for over 30 years.

CHART 12



That is, it's not going to change direction easily and the mega trend will remain down for the 30 year yield below this key average.

What could happen now is this...

The 10 and 30 year yields move higher while bond prices head lower. But if the 30 year yield surpasses its 2015 high and reaches this mega moving average now at 3.43%, it'll encounter very strong resistance. That'll probably be the ceiling for the months ahead. The 10 year yield could rise to 2+% but it would still be in a steep 2½ year downtrend (see **Chart 12**).

If, on the other hand, the 30 year yield were to rise above 3.43% it would be a huge deal...

It would mean the mega interest rate trend since the 1980s is turning up. It would imply that a whole new economic ballgame is getting started

On the downside, if the 10 year yield falls and stays below its 2015 support at 1.65%, all bets are off, and we may then go back into bonds. So stay tuned...

CURRENCIES

U.S. dollar: Turned bearish

Well, it finally happened...

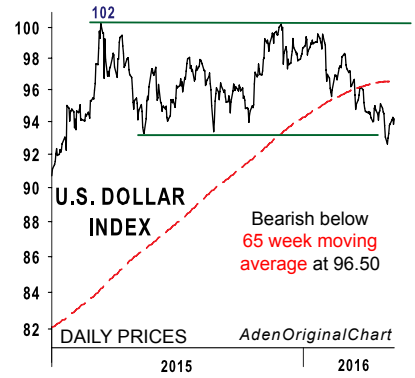
The U.S. dollar has confirmed its new bearish trend, further signaling that it's headed lower (see **Chart 13**).

As you can see, the U.S. dollar index is now well below its moving average at 96.50. And it'll stay bearish by staying below this level.

Taking a look at the dollar's bigger picture, you'll see its leading indicator turning bearish too (see **Chart 14B**). This means the major trend is down for the dollar and it'll probably last a year or more.

In other words, the international currency markets are clearly embarking on new bull markets and they're going to rise further. (The currencies rise when the dollar declines.)

CHART 13



CURRENCIES: Another asset class

We know that investing in the currencies tends to be outside of the norm to some of our subscribers. Many feel these markets are risky, they don't understand them and so on.

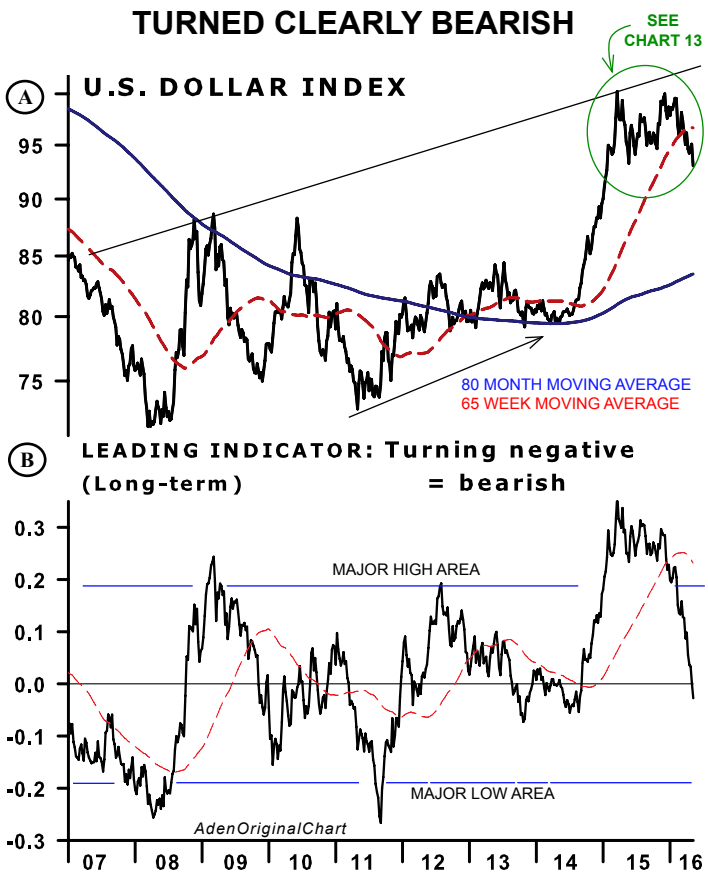
But think of these markets like you would any other market. They're not any more risky than stocks or bonds, for example. In fact, the currency movements are usually less volatile.

This applies to the major currencies, not necessarily the emerging market currencies. And that's why we recommend sticking to the currencies of the major countries.

Looking at **Chart 15**, you'll see what we mean. Note the Japanese yen led the way up this year and it's already gained 12%. That's better than stocks or bonds.

But despite this strength, we've decided to avoid the yen for several reasons. Even though this goes against our "going with the trend" theme, we feel the yen's too vulnerable. Its economy is on thin ice, it has the biggest debt in the world (per GDP), and its central bank is ready to jump in to halt the rise.

CHART 14



THE CURRENCIES WE LIKE...

On the other hand, **the Australian dollar** is another story and despite its recent decline, we're still recommending it.

Iron ore prices have been surging and this accounts for about 20% of Australia's exports.

Plus, China is a big buyer and with their economy stabilizing, that's good news too. The Australian dollar also has high interest rates compared to the others.

Another commodity currency we like is **the Canadian dollar** and we again recommend buying on weakness. It's benefitted from the rising oil price and with oil set to rise further, this will be good for the Canadian dollar.

And finally we like the **euro**... We know the Eurozone has its problems, but it's the most important offset currency to the U.S. dollar. In other words, if the dollar is going down, the euro will rise.

Plus, German investor optimism is at a high for the year. The Eurozone's GDP was also higher than a year ago. These are signs of improvement and if they continue that'll propel the euro higher.

DECLINING DOLLAR: Buy currencies

When the U.S. dollar drops, most U.S. dollar based investors don't give it much thought, but they should. A declining dollar will ultimately result in a loss of purchasing power.

And by offsetting the dollar decline with currency purchases, you'll not only maintain your purchasing power but you'll profit as well. Gold is the ultimate currency.

Holding currencies is essentially holding cash. The only difference is that you're keeping your cash in the euro or Australian dollar, for instance, rather than in the U.S. dollar.

This is not exotic or strange. Instead, it's great and here's an example of what we mean.

Let's say you have $1000 and you switch it into the euro. Then let's say the euro rises 20%. At the end of this rise, you change your euros back into U.S. dollars. At that time, you'd have $1200 instead of $1000.

And in this era of super low interest rates, that's a nice return, simply by making one trade (switching your dollars into euros and then back again).

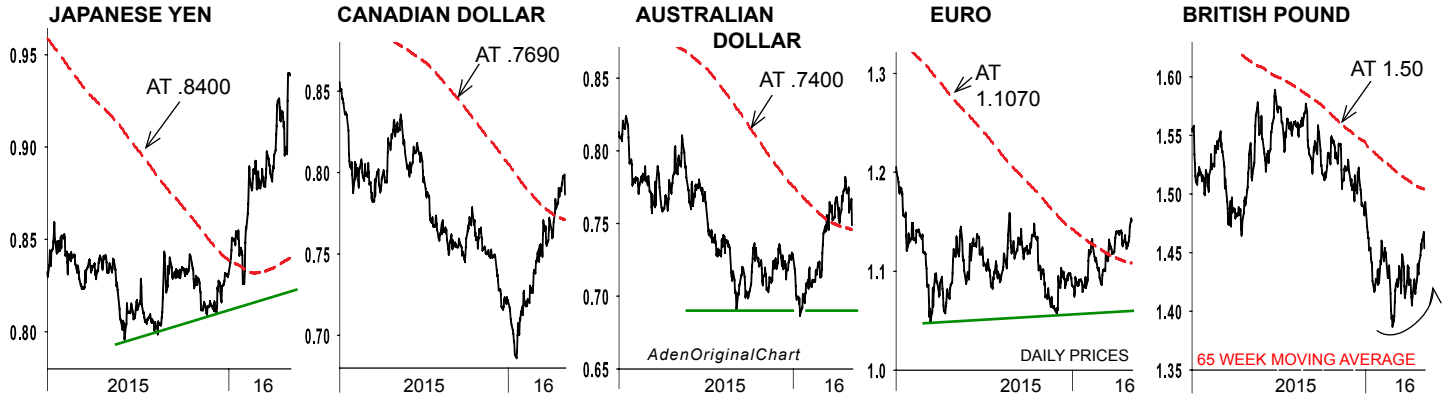
HOW TO BUY

You can buy global currencies by opening an account at everbank.com. We have known the officers there for over 25 years and we recommend them.

If you're interested, we also manage currency accounts at Everbank. These haven't done much in recent years because the U.S. dollar's been strong. But that's no longer the case and they should do well now that the currencies are headed higher. (For information, send an email to info@adenforecast.com.)

The easiest way to take advantage of rising currency prices is to buy the ETFs, which track the major currencies. For example, FXA moves with the Australian dollar. FXE moves in tandem with the euro and FXC moves with the Canadian dollar.

CHART 15



So for now, here's our bottom line recommendation... Keep your 50% cash position. But use half of it (or 25%) to buy and hold the Australian dollar and the euro, or their ETFs. Buy the Canadian dollar with 15% of your total cash position. Buy on weakness, and keep 10% in the U.S. dollar for the time being.

The main reason why is to have these dollars readily available to buy new profitable investments at better prices, mainly in the metals related markets, during the still-to-come downward corrections.

METALS, NATURAL RESOURCES & ENERGY

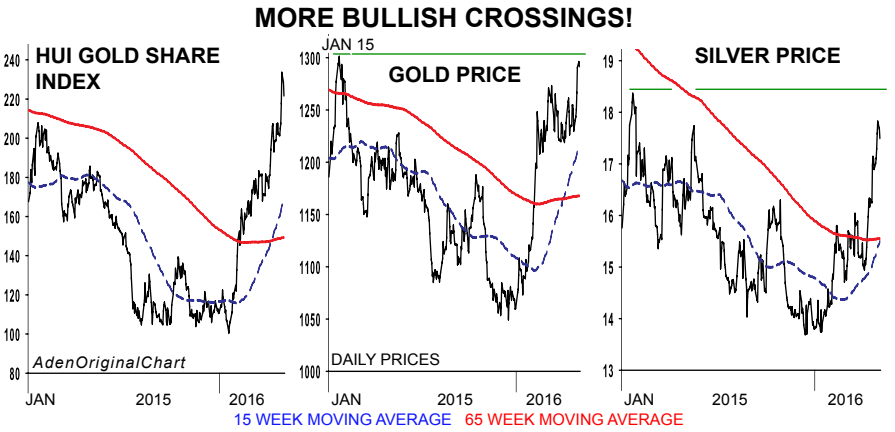
Rising prices draw attention

Nothing like a gold rise to turn heads.

As if the first quarter wasn't good enough with gold clocking in its best quarterly rise in 30 years, it went on to rise even higher this past month.

With a further weakening dollar, sprinkled with safe haven buying, it all helped to push gold and silver up to their January 2015 highs.

CHART 16



Gold shares were most impressive, reaching a 20 month high. No correction in these yet!

Chart 16 shows how dynamic the three have been this year... An impressive rise that is triggering a bullish omen.

That is, there's been another bullish crossing for the first time since 2009. As you can see, the 15 week moving average is crossing above the 65 week average and this is now becoming a strong support level.

The gold share rise has been the most spectacular. Its rise is coming up from extreme bombed out levels. It's starting to make up for lost time by rising even more than gold shares did at the start of their new bull market back in 2000 (see the red line on **Chart 17)**.

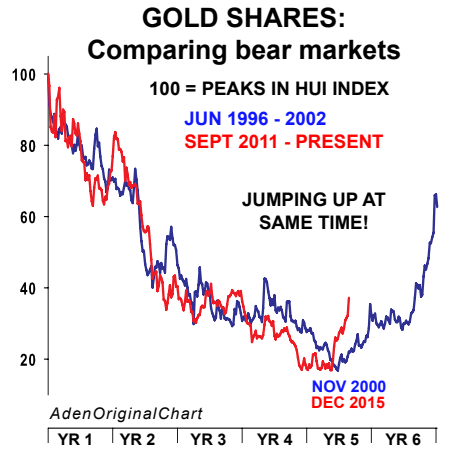
That is, the two worst bear markets in gold shares ended at the same time. The June 1996 to 2002 time period is in blue, and today's bear market since Sept 2011 is in red.

The weakening dollar is the main reason why the precious metals, commodities and the stock market have risen with this big boost.

The sluggish global and U.S. economy is also adding pressure on the Fed to keep interest rates low, which is bullish for gold.

The point is, even if interest rates start to rise, they'll likely stay at historically low levels. And this will continue to add a bullish tone for the gold price.

CHART 17



Gold is a fear investment. It rises when there's trouble in the global currencies. With the dollar now on the decline, this will be a change in the landscape.

The overall environment continues to enhance the mega trend change in the gold price. The zero interest rate policy, negative rates, a declining dollar, economic uncertainty and now political uncertainty are all bullish factors.

Ever Growing Demand

Who would've guessed at the start of the year that the dollar and U.S. interest rates would be on the decline? Certainly not J.P. Morgan. But they made an about face by turning bullish on gold this month, saying that aside from the 20+% rise this year it has more potential, and it's just starting a "new and very long bull market."

No doubt demand is growing. Buyers have come back into the market around the world. Even demand in the U.S. is the strongest it's been in 30 years.

According to the World Gold Council, demand jumped in the first quarter in the largest increase on record. Inflows into ETFs were the highest since 2009.

Clearly, paper gold has been a driving factor in the demand for gold since 2005. It was then that the bull market really took off. It became easy to buy gold. And it's still a big influence today, although physical bar and coin sales also rose.

Plus, central banks continue to buy gold on an ongoing basis.

The World Gold Council also stated that central banks bought a lot of gold in the first quarter, up 28% from a year ago. Main buyers continue to be Russia and China.

Emerging-market central banks have also been buying. And, as Kenneth Rogoff, a respected Harvard professor and author said .... emerging market central banks should buy lots of gold to replace some of the rich country debt they hold as foreign-exchange reserves.

Plus, Capital Economics went on to say... The primary driver of central banks' gold buying continues to be diversification away from the U.S. dollar, and some are also looking for a hedge against currency volatility.

The point is, more mainstream companies and investors are jumping on the "bull market in gold" band wagon.

In fact, many billionaires are buying gold too. Stan Drunkenmiller, the billionaire investor with one of the best long-term track records in money management, said the bull market in stocks has "exhausted itself" and that gold is his largest currency allocation.

Good wording!

CHART 18

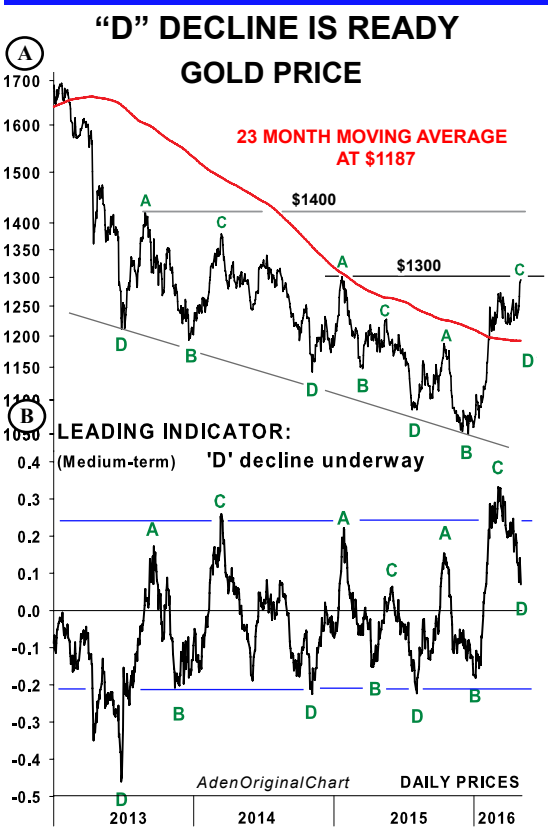
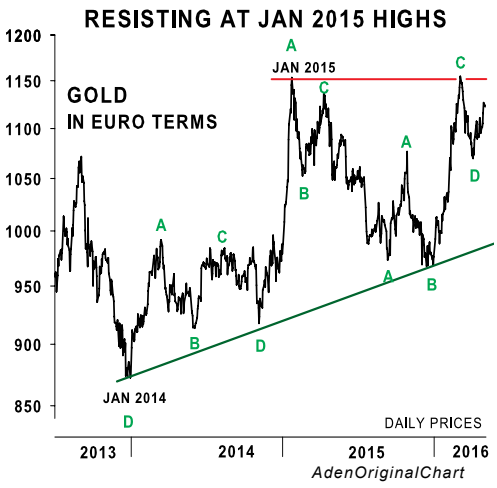


CHART 19



This reminds us of the start of the 2000 bull market when a good friend of ours was at a BBQ with many billionaires present.

They were talking about gold and how much they were buying. They bought early then and it now appears to be happening again. A sign of the times.

Rick Rule said it best when he made the observation that today's retail owner has about half a percent of their portfolio in gold. If this amount goes back to the normal average of the last 30 years at 1½%, gold could triple in value. This would mean about $4000 gold, based on this alone.

As an aside, while we appreciate the moves in gold, helped along by paper gold, we must be cautious about gold and precious metals ETFs. There isn't the gold behind them like in prior years.

You're better off buying more physical metals and coins, like American Eagles, Maple Leafs and Kruggerands, and select solid gold shares.

GOLD: Bull market correction still upcoming!

The downward correction we've been anticipating hasn't officially started yet. But it seems to be getting started this month.

This sector has been overbought, especially gold shares, and we wanted the ideal time to buy generously. So here's where we stand...

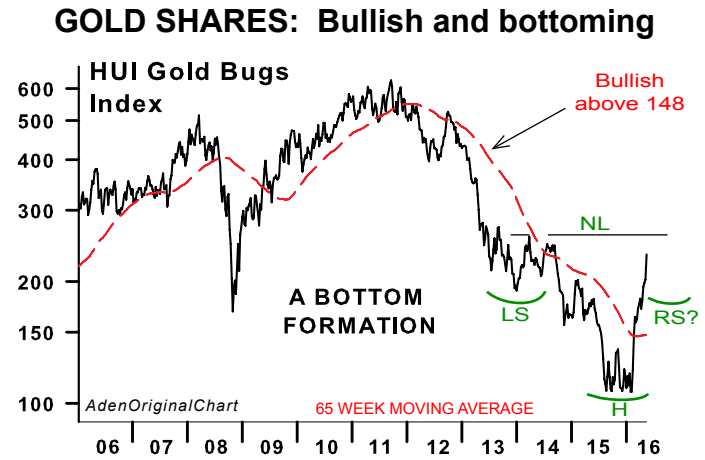
Gold rose more over-passing its March 10 high by a week, and it's now back below it. **Chart 18A** shows gold reached the $1300 level, while its leading indicator continued to lead the way down in a decline we call D.

The rise from the low last December to its May 2 high has gained 23%. It's been a great rise. And it's turned the bear market around. A new bull market is underway, and even if an upcoming decline tests the 23 month average at $1187, gold will still be bullish and strong, and at the start of a major bull market.

Some of you have asked if our A-D count is off. We went back to look it over even more carefully, but we have to say ... it stands as it is.

Granted, the December lows performed more like a D decline rather than a B. But it was a bearish B low and the C rise thereafter has been a bullish C rise because it surpassed the prior peak last October. It's

CHART 20



been a beautiful bullish C rise.

But, equally important, this is still a key time to see how weak the upcoming D decline will be. If it's a normal decline, it'll reinforce the bullish C rise. If it falls back to the lows and goes even lower, it'll reinforce the weakness in the B decline low, and that the eight year cycle is still open.

So we have a tug (although biased to the upside), and the downside middle of the road would be the $1150-$1200 level. But once the $1300 level is surpassed on the upside, gold will overcome the first step in the quest for a further bull market rise. We could then see gold test the next step target at $1400 (see **Chart 18A**).

Interestingly, gold in euro terms reached its January 2015 highs in March. And during the recent run-up it failed to rise further (see **Chart 19**). This reinforced the C peak price. Be it March or May, the C peak in gold seems to have landed.

Once gold declines and stays below $1230, the D will be underway and it'll provide a great buying opportunity. It'll be the weakness you won't want to miss!

Gold shares have been forming a bullish bottom formation during the last few years, as you can see on **Chart 20**. If a consolidation now forms the right shoulder (of a head and shoulders bottom), and the HUI index breaks above the NL line, it could test the 2011 highs.

That is, once a downside correction is over first. For now, the HUI index could decline to its 65 week average at 148, and it would still be very bullish.

SILVER: Poised for great strength!

Silver is looking good as it approaches $18. It's clearly in breakout mode, and it's now ready to see how well it passes the upcoming hurdles while the bull market grows.

First of all, silver's 65 week average on **Chart 21A** is a good barometer for the major trend. Silver rose well above it in April and by staying above this average now at $15.45 during weakness, it'll remain strong in a new bull market.

The leading indicator, **B**, is turning bullish above the zero line. This reinforces the bullish scenario.

A dear subscriber sent us the price of silver with a French curve drawn on the price. It does look fascinating and goes well with the way silver tends to soar when a bull market heats up.

If this curve follows the script, we could see silver test the 2011 highs near $50 before the bull market is over.

CHART 21

Silver poised to continue outperforming gold

And the gold/silver ratio is saying we could see silver go even higher! **Chart 22** shows the ratio since 2003, essentially when silver's bull market started back then.

Note the red arrows. In each case it shows how much stronger silver was than gold during the bull markets of 2003-2007 and 2008-2011. Silver was the place to be invested.

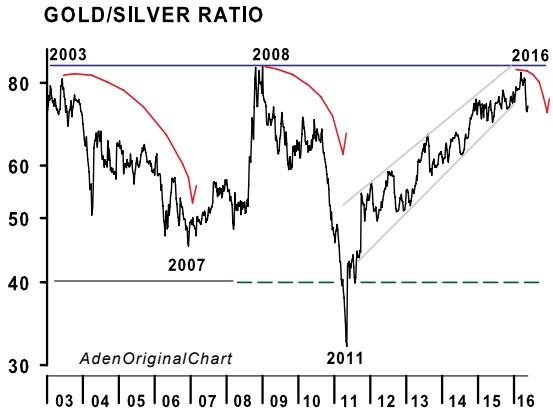
And only now, for the first time since 2011, are we seeing a turn in the ratio. This means silver is now poised to outperform gold and it's an overall bullish sign for both metals.

Silver looks bright, and it clearly has a good place in everyone's portfolio.

Once silver rises and stays above $18.35, the first platform hurdle will be behind us. Then the next target step will be $24.70.

We'll be watching these platform steps as we move along in the rise.

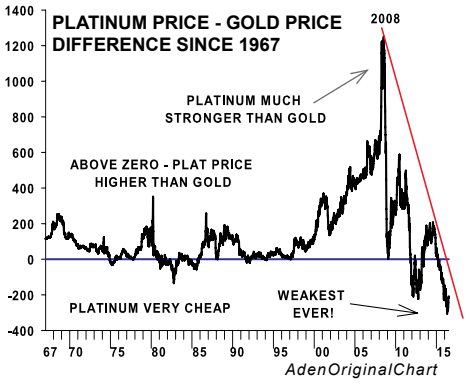
CHART 22



PLATINUM: Turning bullish

Platinum jumped up in recent months, along with gold, and it's now turning bullish for the first time

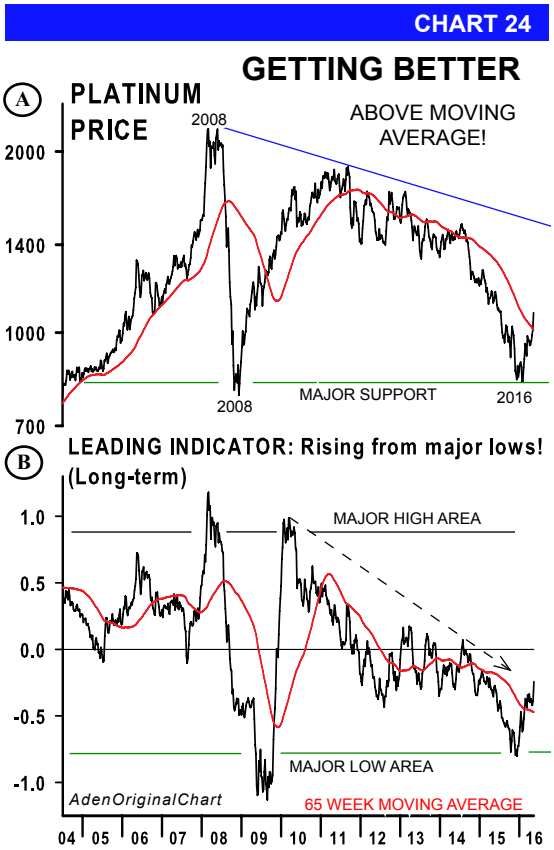
CHART 23



in five years. It's been basically out of favor since 2008, and investors have put it aside.

It's been much weaker than gold, to the point that its value today is the cheapest it's ever been versus gold.

Chart 23 shows this well. Here you'll see that the differential between the platinum price and the gold price is at a new low since 1967.



Common knowledge knows that platinum has always been a more expensive metal than gold. But now you're getting it at a double discount...

...**which is why it looks so very interesting.**

Platinum is not only cheap versus gold, but it's also simply cheap. **Chart 24A** shows platinum now bouncing up from its 2008 lows, and rising above its 65 week moving average (in red). Plus, its leading indicator is also rising from its major lows, trying to turn bullish (**B**).

This means, if platinum can now stay above this average at $1005, the trend will clearly be turning up. Now would be a good time to pick up some platinum for your core investment, especially during weakness.

Platinum's biggest surge was in 2007-08 when it soared much more than gold.

At that time we were walking around San Francisco with a good friend in the industry. Comments were made about the high price of real estate in the city, and he said.... Clearly if you were paying for your building in platinum, it wouldn't be expensive at all!

Of course, that was true but the point is, we want to be on board this time.

Resource and Energy: Stabilizing... for long?

The resource sector and emerging markets had a good start to 2016, and it's looking like the global economy may be stabilizing.

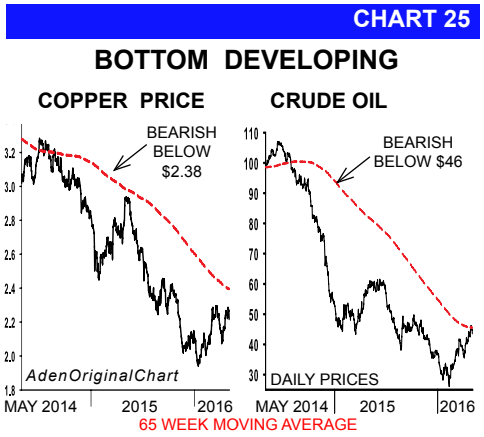
But this is far from reality. It'll still take more time this year to confirm if indeed the worst is over.

When you see silver and platinum poised to be stronger than gold, it tends to coincide with the start of bull markets, and better times for the resources.

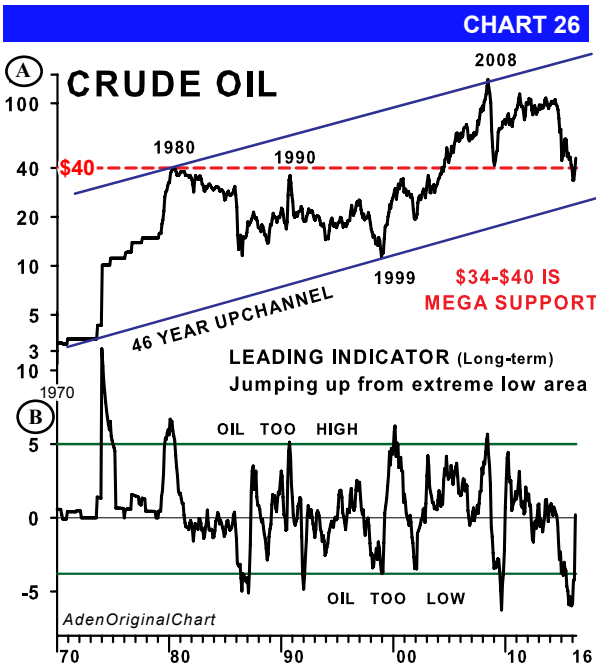
But the change has yet to happen.

Crude oil and copper, along with several base metals, have had a decent rise this year, and all eyes have been on energy. The rise in oil pushed up the depressed energy sector, and it gave an ongoing boost to the stock market.

But as you can see on **Chart 25**, both crude and copper are still below their 65 week averages. This means the major trend is still down, in spite of better prices this year.



The big picture of crude tells us the downside may be limited, however. Note on **Chart 26A** that going back to the 1970s, the key has been the $40 level. This has been a medium price range.



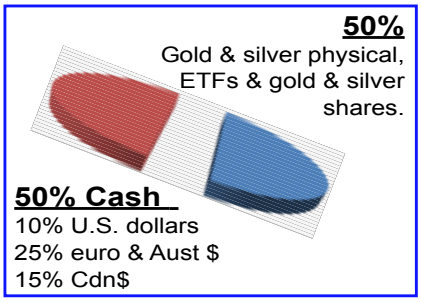
For now, oil's essentially been bouncing up from this $34-$40 level. And according to the leading indicator **B**, it's backing up a limited downside. Note it's bouncing up from an extremely low area for oil. It's only been that low a few times in the last 46 years. This means the upside is open on a big picture basis.

Crude oil is now flirting with its 65 week average due to low U.S.inventory, and it's near a six month high. If oil can now stay above $46, it'll be giving a bullish reading.

Overall, except for the unusual strength in commodities, like soybeans, the commodity market needs to be watched from the sidelines for more action. If China is as bad as George Soros says, then we'll be waiting even longer... We'll soon see.

OVERALL PORTFOLIO RECOMMENDATION

We've made some changes this month in our investment allocation box. We now recommend selling your bonds and putting the proceeds into metals related investments. This will raise your metals sector up to 50% (up from 30%) of your total portfolio. Keep the other 50% in cash with most of that in recommended currencies and a small position in U.S. dollars, for the time being.



INTEREST RATES & BONDS

The bond market has turned bearish and prices are headed lower. So this month we switched our strategy. We now recommend selling your 20% position in long-term U.S. government bonds and/or the bond ETFs, which are UBT, TLT and TLH. Use these proceeds to buy more gold, silver and gold shares, buying some now and some later.

PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver and gold shares rose further in the rise (we call a C rise) this past month, with gold and silver nearing their January 2015 highs, while gold shares hit a 20 month high. Clearly it's been a wonderful rise and there's been no correction yet! It's coming though, and it looks like it's just starting. We're selling our bond position and putting it into metals, which raises our total metals position to 50%. But we'd like to take our time and buy new positions on weakness. If you buy now and plan to hold for the coming bull market, it means you'll probably ride through weakness for now. We definitely want to buy when weakness finally arrives. We're now adding platinum to our recommended list but like the others, wait to buy on weakness. Buy new positions in the strongest one. It's always best to buy long term holding in physical gold, silver and platinum. Coins and bars are best. We like American Eagles, Maple Leafs and Kruggerrands.

U.S. & GLOBAL STOCK MARKETS

The stock market remains mixed but it's looking toppy. Currently, we continue to recommend staying on the sidelines, if you're out of common stocks. And if you've lightened up on your stock positions, then stay put for the time being. Keep an open mind, however, because if the market changes, we'll go with it.

CURRENCIES

The U.S. dollar index is now clearly bearish and it's headed lower. That is, the currency markets are embarking on new bull markets and they're set to rise further.

Keep your 50% cash position. But use half (25%) to buy and hold the euro and Australian dollar, or their ETFs, which are FXE and FXA. Buy the Canadian dollar or its ETF, which is FXC, with 15% of your cash position on weakness. And keep 10% in the U.S. dollar for now to be used to buy new profitable investments when the time comes. Note: We lowered our stops on FXA and FXE.

*** New Position**

OUR OPEN POSITIONS in order of strength per section

BOND ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Ultra 20+ Treasury	UBT	Feb-14	58.00	89.06	53.55	SOLD AND TOOK PROFITS
20+ year Try Bond	TLT	Feb-14	107.78	132.28	22.73	SOLD AND TOOK PROFITS
10-20 Treasury Bond	TLH	Feb-14	125.73	142.44	13.29	SOLD AND TOOK PROFITS

GOLD AND SILVER ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Agnico Eagle	AEM	Mar-16	38.04	46.20	21.45	Hold/Buy on weakness
New Gold	NGD	Mar-16	3.88	4.53	16.75	Hold/Buy on weakness
Central Fund of Cda	CEF	Jan-15	13.36	13.15	-1.57	Buy/Hold
Sprott Gold Miners	SGDM	Mar-16	19.20	22.90	19.27	Hold/Buy on weakness
Gold Miners ETF	GDX	Jan-15	21.74	24.79	14.03	Hold/Buy on weakness
Gold Shares SPDR	GLD	Jan-15	125.23	121.71	-2.81	Buy/Hold
Gold (physical)		Oct-01	277.25	1272.70	359.04	Buy/Hold
Silver (physical)		Aug-03	4.93	17.13	247.51	Buy/Hold
iShares Silver Trust	SLV	Jan-15	17.61	16.28	-7.55	Buy/Hold
Royal Gold	RGLD	Mar-14	66.04	57.73	-12.58	Hold
Silver Wheaton	SLW	Jan-15	23.05	19.21	-16.66	Hold/Buy on weakness
Platinum ETF *	PPLT	May-16		101.19		Buy on weakness

CURRENCY ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM	TRAILING STOP
Euro ETF	FXE	Mar-16	110.65	110.46	-0.17	Hold/Buy on weakness	106
Can dollar ETF *	FXC	May-16		76.60		Buy on weakness	
Australian dollar ETF	FXA	Mar-16	76.48	72.73	-4.90	Hold	69.50

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

