THE
ADEN FORECAST
MONEY • METALS • MARKETS

MAY 2018 *37th year*

A CHALLENGING YEAR

Dear Subscribers,

Every month we receive many notes and questions and we thank you and appreciate every single one.

As we've mentioned before, we try to answer as often as we can, but we also have to get our work done. So when we receive several similar comments, please know we'll answer them here.

Thanks again, and here's what's currently in our email bag...

Q. Why has this been a difficult year for investors?

A. It has been a challenge, especially compared to last year. The big difference is that the stock market rose steadily all last year. Gold was up too and most of our recommendations did very well. This year, however, the markets have been volatile, erratic and the trends aren't as solid as they were last year.

This means we have to be patient.

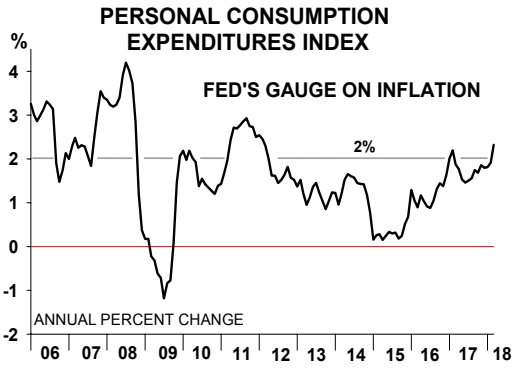
As you know, it's all about timing. There are times when markets go up, there are times when they go down, and there are times when they're choppy, sideways and don't do much.

That's the current situation and as long as this lackluster period lasts, we'll watch it, maintain some caution with our positions, and wait for clarity when good trends are established. Then we'll take more direct action.

Until then, stay patient and recognize that this won't last indefinitely.

INSIDE

CHART 1



Q. Is this all part of the turnaround time you've been talking about?

A. Yes, it is... We believe a shift is taking place in several of the markets and the economy... and this shift or turnaround could end up being a big deal.

For now, it's not a given, but different indicators continue pointing in that direction. One good example can be seen on **Chart 1**.

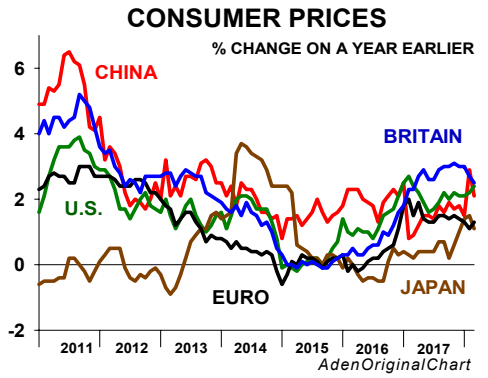
This shows the Fed's favorite inflation index. Note, it's been rising steadily for over two years and it's now at a six year high. Inflation is rising in the other major countries too (see **Chart 2**). This in turn has resulted in a rise in our Inflation - Deflation barometer.

Older subscribers will remember this barometer and its importance in measuring the pulse of the overall economic environment (see **Chart 3**).

This ratio compares gold to the bond market. When it rises, gold is stronger than bonds. And since gold tends to do well in an inflationary environment, it also means brewing inflation.

On the other hand, when the ratio declines, gold is weaker than bonds (bonds are stronger). And since bonds generally do well in a slowing economy, recession or deflation environment, it's a sign the economy isn't doing so well and/or it's vulnerable.

CHART 2



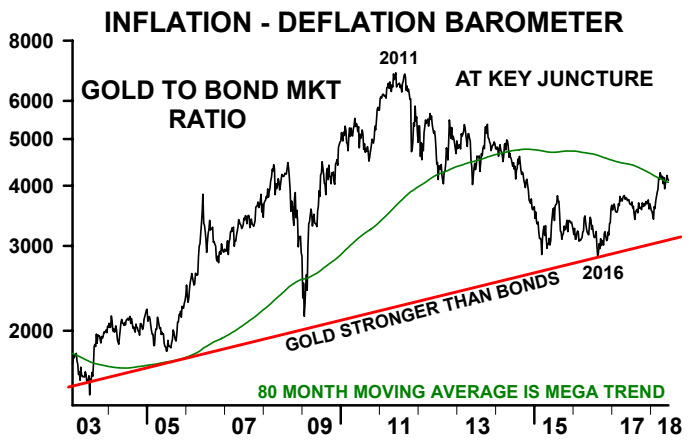
Currently, the ratio's been rising since 2016, telling us that gold is stronger than bonds and the economic environment is leaning toward inflation. But the ratio has now reached the moment of truth...

As you can see, it's holding at its mega moving average. And if it keeps rising from here, it'll mark a *major* reversal, following years of deflationary pressures, to an era of inflation.

This would strongly suggest gold will keep outperforming bonds. And separately, we know gold's going to be stronger than stocks too.

This would confirm the turnaround is indeed gaining ground and it's going to continue! It would likely coincide with a change in our investment outlook and recommendations. So stay tuned...

CHART 3



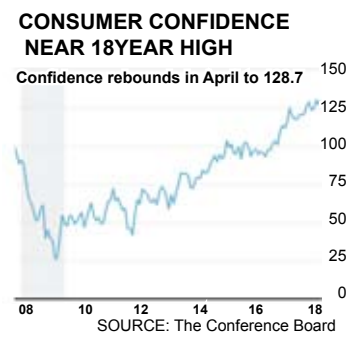
Q. Is that why you currently recommend a large cash position?

A. Yes. With the markets volatile and choppy, we feel it's best to keep a good part in cash until the outlook is clearer, and until we see some good investment opportunities. Then we'll be ready.

Q. Do you see a recession on the horizon?

A. No. As you'll see in this month's Interest Rate section, the outlook remains positive for the economy, at least for now. Plus, consumer confidence is at an 18 year high, real estate is still looking good and so are other leading economic indicators (see **Chart 4**).

CHART 4



Q. Why do you accept the standard government figures rather than the "realities" of the U.S. economy?

A. Even though we know these numbers are adjusted and revised, it's all we have and that's why we use them. Our old friend John Williams at *Shadow Statistics* publishes many economic numbers the way they used to be reported (prior to adjustments) and we follow those too. But we find the official numbers are okay to use, as far as the trends go.

Q. When you speak at a conference, or something unexpected comes up, you sometimes skip a weekly update. Why should I be penalized for this?

A. If we skip a weekly update, for whatever reason, please know that we're watching the markets every single day. If something happens that you should be aware of, we'll always send a Special Alert or a note to let you know. This goes for anything that's noteworthy in between weekly updates as well. You'll hear from us.

Q. You haven't mentioned the British pound for some time. Not all readers are U.S. based.

A. That's true and we take this into consideration as often as possible. Since the major currencies generally move together, we figure the euro is a good overall proxy. But this month we included the British pound in our currency line up, which will provide insight as to how it's doing and how it compares to the others.

Q. What's the latest on Bitcoin?

A. Cryptocurrency fever has died down.

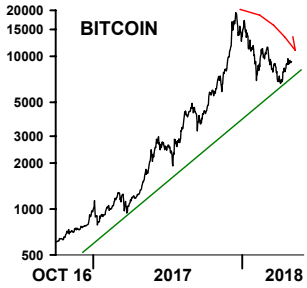
Bitcoin has retreated this year from its frothy highs of late 2017-2018 (see **Chart 5**). While it's worth less than half of its value at the highs, there is still a place for those who want digital currencies.

Barclays Bank is one, and now Goldman Sachs will be opening a cryptocurrency trading desk. We have one here in Costa Rica.

The challenges continue ... like trust, privacy and not being able to undo a transaction in case of error, to name a few. But in countries where trust is low due to war, or unrest, or whatever, it provides a way to diversify money out of domestic assets.

In the end,most people are buying Bitcoin for an investment and speculation. And for now, we'll continue to watch it from the sidelines. It has a future but that niche is still evolving.

CHART 5



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U.S. & WORLD STOCK MARKETS

Sell in May, and go away?

The stock market is biding its time.

It remains volatile, swinging up and down with lower highs since the peak last January. It can't seem to make up its mind, which way next?

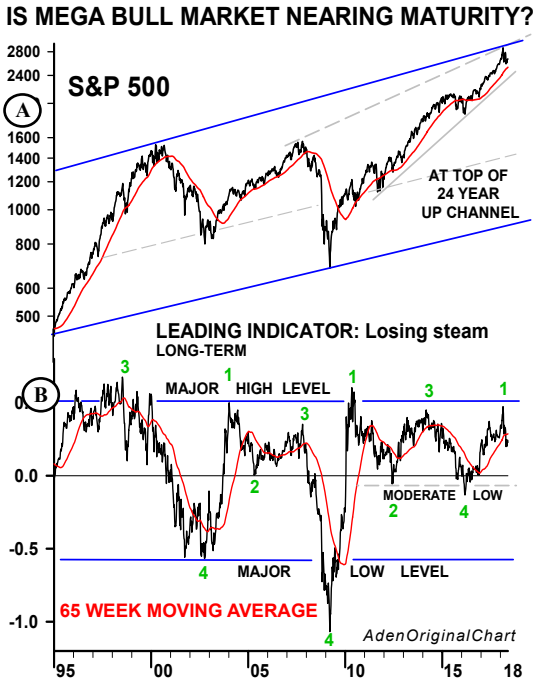
A NERVOUS MARKET

The main reason why is because the market is still reacting to the news of the day, and primarily the political news...

It's nervous about the trade situation, for instance. And since many of the key trade issues have not been resolved, the stock market will continue to be vulnerable and volatile, depending on what happens.

In the meantime, things have turned very positive on the Korean front, and that's great news. But the market then wants to focus on the next problem area, and that alone is a problem because it's not being balanced by the good news.

CHART 6



IGNORING GOOD NEWS

And there has indeed been very good news for stocks.

As our dear friend and colleague at *Dow Theory Letters*, Matt Kerkhoff, points out...

As of the end of April, "over half of the S&P500 had reported earnings. Nearly 80% of those companies have posted positive earnings surprises, which leaves the blended earnings growth for the S&P500 at 23.2%.

If this is the final figure when all is said and done, it would represent the strongest earnings growth since Q3 2010.

In terms of valuation, this puts the forward 12 month P/E ratio for the S&P500 at 16.3, which is just above the five year average of 16.1%."

STRONG EARNINGS

Now, think about this for a moment...

First quarter results have now been the best in 24 years. This is huge, and it's very bullish for the stock market.

Plus, stocks are not overvalued, based on the price/earnings (PE) ratio. In other words, despite the strong rise stocks have had since 2009, stocks are not expensive.

MEGA BULL

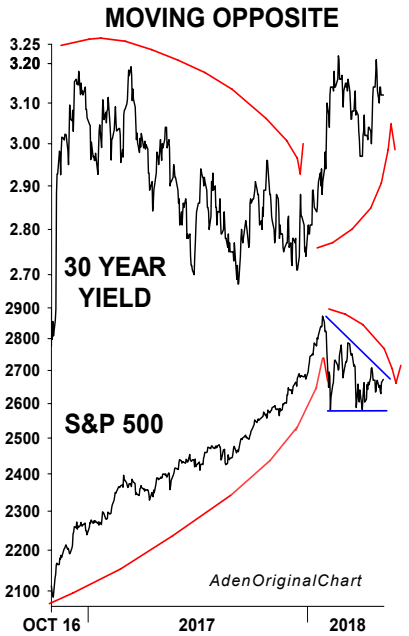
You can see this big rise on **Chart 6A**, which shows the S&P500 going back to the mid-1990s. Note that it's formed a large trading channel and it's currently resisting at the top of this channel.

Does this mean stocks are headed lower? Not necessarily, but they could...

Looking at the S&P500's leading indicator, it's been coming down from a major high level (see **Chart 6B**). This usually leads the action in the stock market and it's coincided with major tops in the S&P500, or downward corrections (see #3 and 1 on the **chart**).

So if this pattern repeats, we could see further weakness in the months ahead.

CHART 7



SLOW SEASON UPCOMING

There's a famous old saying on Wall Street that goes like this... sell in May and go away... That's because the upcoming months tend to be slow months for stocks.

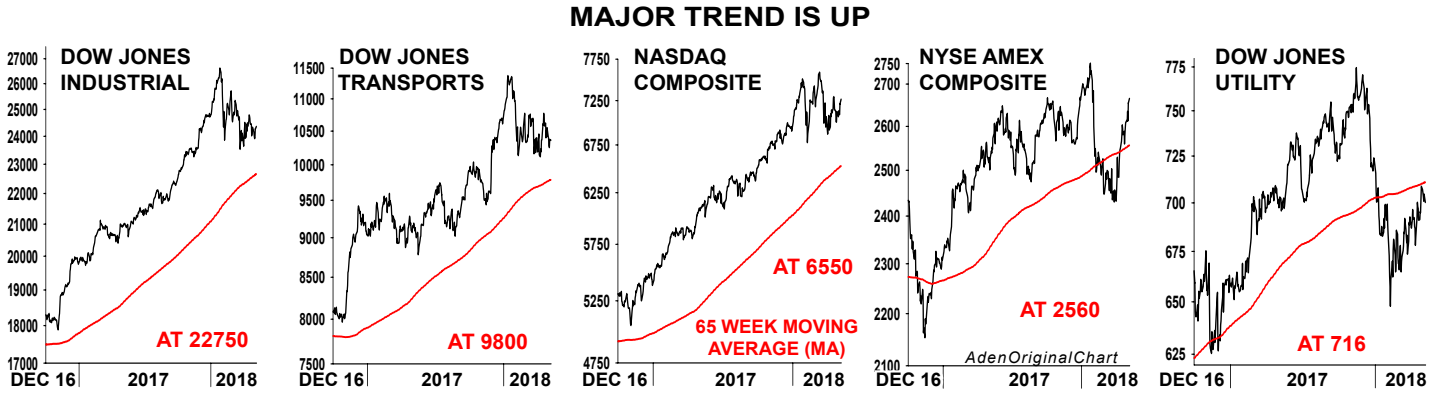
Will it happen against this year? It sure could, despite the strong earnings we're seeing, because sentiment is off base. No one seems to care about the good earnings, at least not at the moment.

Another important reason why is thanks to rising interest rates. That's another negative for stocks that investors have been focused on.

RISING RATES = BAD FOR STOCKS

As you know, rising interest rates are bad for stocks. This is clearly illustrated on **Chart 7**, which shows a close up view of the 30 year interest rate and

CHART 8



the S&P 500.

When interest rates go down, stocks go up. And when interest rates rise, stocks decline.

That's been happening this year. Interestingly, the volatility in recent months has also formed a downside triangle in the S&P500. This is a sign of uncertainty.

The bottom line is, whichever way the S&P breaks out of this formation will determine the next trend direction.

So the numbers to be watching are 2710 on the upside... that is, a sustained S&P 500 rise above this level would determine that stocks are headed higher. On the other hand, a sustained decline below 2580 would mean stocks are going to fall further.

If a downside break happens, it would be a sign that interest rates are indeed headed higher, and it could suggest the nine year bull market in stocks is coming to an end.

KEEP AN EYE ON...

This, however, would not be confirmed until the stock indexes decline and stay below their 65-week moving averages, which are listed on **Chart 8**.

Since this average identifies the major trend, if the stock indexes stay above their moving averages, the major stock market trend will continue to be up.

And as long as that's the case, it's okay to hold stocks if you're holding for the long-term.

But it's important to stay flexible and stay alert because the market is on volatile ground and it could go either way.

That's why we've advised keeping only a small stock position for the time being.

For now, the only stocks we're still holding are Adobe (ADBE) and Netflix (NFLX). Continue to hold them, but watch the stop levels on these stocks and sell them if they close below the following levels: 218 for ADBE and 305 for NFLX.

STOCKS ALSO TOO HIGH VS BONDS

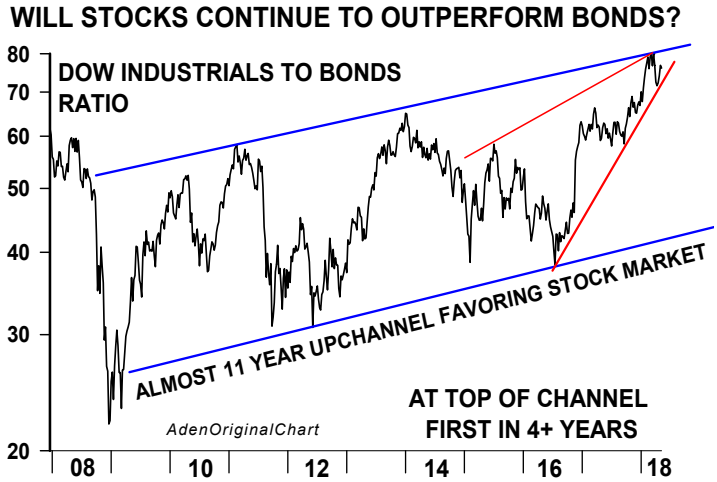
On a final note, it's very interesting to see that the ratio comparing the Dow Industrials to bonds is also up at a strong resistance area (see **Chart 9**).

This tells us stocks have been stronger than bonds over the past couple of years, but this may now be changing. And if this ratio breaks down, it'll be a bad sign for stocks, signaling they're going to be weaker than bonds.

That's yet another item to be watching and it reinforces our view that it's currently best to maintain caution.

So, we'll soon see, if sell in May and go away actually ends up being the thing to do this time around as well.

CHART 9



CONFERENCE IN LAS VEGAS

We'd like to again invite you to The Money Show Conference in Las Vegas. The dates are May 14-16 and Mary Anne will be speaking on May 14, 15 & 16.

Omar Ayales, our editor of GCRU, will also be giving presentations on May 16, and we look forward to seeing you there. Admission is free.

For more info go to: https://conferences.moneyshow.com/moneyshow-las-vegas/speakers/7f021d7bf25e478c91706341d8cde3eb/mary-anne-aden/?scode=044904

U.S. INTEREST RATES AND BONDS

Rates trying to turn up

Interest rates have been tricky lately...

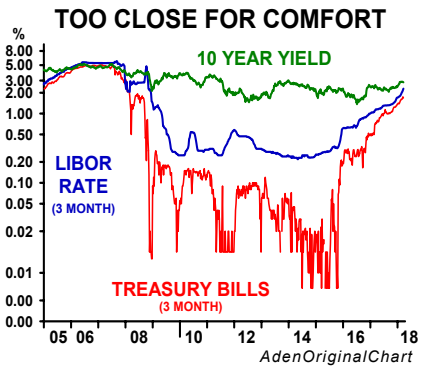
YIELDS AT CRITICAL JUNCTURE

First, it looked like interest rates were going to rise. Then last month several signals indicated they could stay at low levels, or just muddle along in a sideways type of move, or move up in a slow and steady rise.

The point is, interest rates are at a critical juncture.

And we have to care because interest rates are the most important markets in the world. We know that may seem strange, but it's not, and here's why...

CHART 10



RATES DICTATE ECONOMY AND MARKETS

Even though we've often discussed this, we feel it's worth repeating because most investors don't realize how vital interest rates are.

Very simply, interest rates dictate which way the world economy is headed. They also determine where the markets are going... and that goes for nearly all of the markets.

Will bull markets continue? Are markets going down? Is a recession on the horizon? Will property values keep rising? These questions and dozens more can be answered by looking at what interest rates are doing.

NARROWING YIELD CURVE

Here's an example of what we mean...

Right now everyone is watching the narrowing yield curve like a hawk. This means they're watching to see if short-term interest rates will end up moving higher than long-term interest rates (see **Chart 10**, which shows the Libor interest rate and 90-day Treasury Bills, two short-term interest rates, and the 10 year yield, a longer-term interest rate).

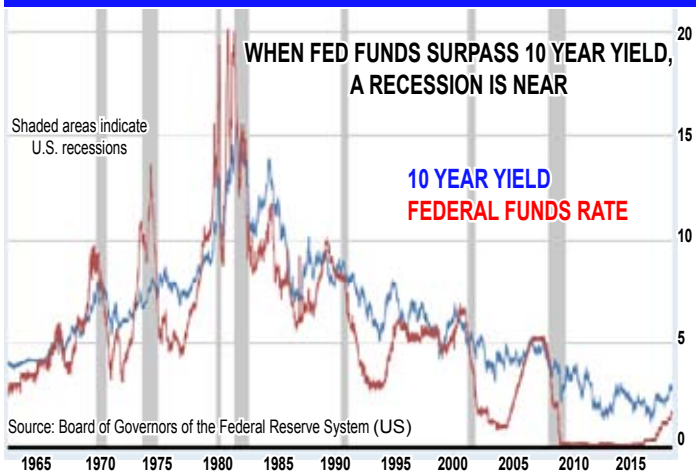
In this case, the rates have all been rising, with the short rates rising faster, but the 10 year rate is still higher than T-Bills and the Libor rate. That's the "normal" relationship, so they're currently in synch, and that's good... it's good for the economy and it's good for the stock market.

Looking at **Chart 11**, for instance, you can see that each of the recessions over the past 50+ years was preceded by an inverted yield curve (note the crossing of the Federal Funds rate above the 10 year yield and the recessions that followed, see shaded areas). The recessions usually happened about 6 to 24 months later.

And since the stock market doesn't like inverted yield curves or recessions, these situations also tend to coincide with stock market peaks, weak bond prices, sluggish real estate prices and rises in the gold price.

For now, it's so far, so good. But this is something we're watching closely, and so is everybody else. We urge you to do the same.

CHART 11



KEEP AN EYE ON 10 YEAR YIELD

In the meantime, the 10 year yield will provide insight (see **Chart 12A**).

As you can see, it's been resisting at the 3% level and even though the yield is at a four year high, it's having a tough time breaking above that strong resistance.

The leading indicator, however, is stalling (**12B**). This suggests the 10 year yield may not break clearly above the psychologically important 3% level, but we'll see.

As you know, sometimes interest rates can fake us out and that's certainly been the case over the past couple of decades. Could it happen again?... Yes and looking at **Chart 13**, you'll see what we mean.

MEGA TREND IS DOWN... BUT

This chart shows the 30 year yield since the late 1970s, along with its mega trend identifier, the 80-month moving average.

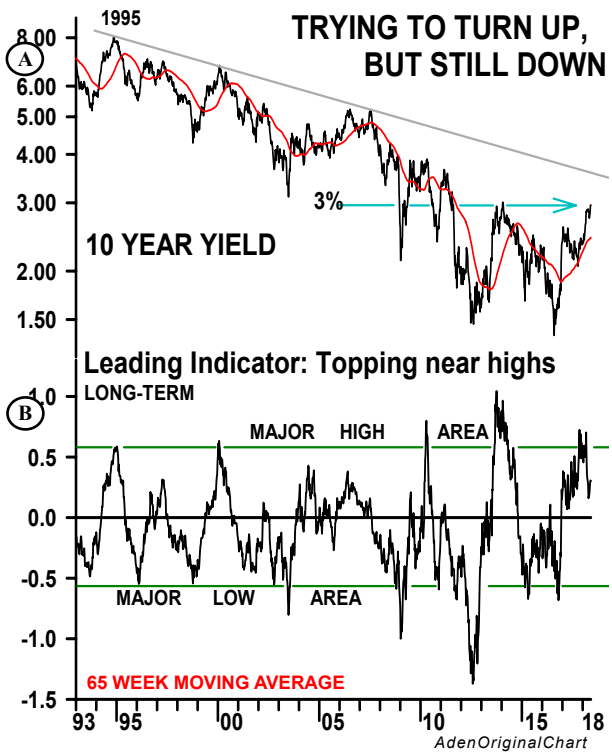
This average is very long-term and it has been down for years, confirming the mega interest rate trend has been down since the 1980s.

But during this time, there have been four instances when the 30 year yield poked above the moving average,

signaling that the mega trend was turning up (see asterisks). In all four cases, however, the 30 year yield turned back down again.

In other words, these were fake outs and the same thing could now be happening again...

CHART 12



You'll remember, the 30 year yield rose above this average three months ago, but last month it dropped below it. Currently, it's back above it. So what's going on?

CHART 13

INDECISION

At this point, interest rates are volatile, and it's trying to define which way next. The 30 year yield has been bouncing around this moving average and to be certain, we'll want to see a clear break, either well above or below the average, now at 3%.

The outcome will be very important.

If interest rates end up going higher on a mega trend basis, it's going to upset many apple carts. And if they stay low, it'll mean more of the same, like we've already seen for quite a few years now.

Currently, the big questions are... will the Fed plow ahead and keep raising interest rates to curb inflation pressures, even if it could hurt the economy? Or will they take moderate measures and not rock the boat?

We'll soon find out. But in the meantime, it's best to continue avoiding bonds, at least until we see how this all important market unfolds.

CURRENCIES

U.S. dollar: Bouncing up in a bear market

The U.S. dollar has been strong this month, hitting fresh 2018 highs. It's been boosted by higher interest rates, strong economic numbers, along with easing trade and geopolitical tensions.

DOLLAR HIT 4 MONTH HIGH...

But higher interest rates have really been the primary driving force.

With U.S. interest rates moving up, much higher than rates in other countries, it's made the U.S. dollar far more attractive (see **Charts 14 and 15**).

This drove the dollar index to a four month high, finishing its strongest month since Trump's election.

So is the dollar headed higher?

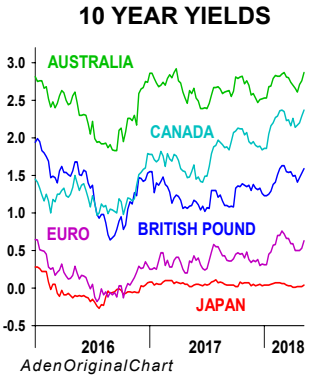
Last month we mentioned that the dollar could bounce up, especially if trade tensions settle down. Plus, the leading indicator was pointing up for the dollar in the months ahead. And that's what's currently happening.

... BUT MAJOR TREND IS DOWN

It's important, however, to keep this rise in perspective, and you can see this clearly on **Chart 15**.

To refresh your memory, the U.S. dollar's been in a mega bear market downmove since the early 1970s.

CHART 14



That's when the dollar cut loose its last links to the gold standard, which had provided some discipline, and it's been dropping ever since.

That's because the dollar is not linked to anything except the good reputation, economy and confidence in the U.S.... But the U.S. has been piling on massive amounts of debt since the 1970s, and it has become the largest debtor in

CHART 15

the world.

This in turn is going to keep downward pressure on the dollar in the years ahead. And some experts believe it will also eventually lead to the termination of the U.S. dollar as the world's reserve currency.

So that's the dollar's long-term history in a nutshell...

Contra-trends

But within the dollar's long road down, there have been times when the dollar has rebounded. These rebound rises have generally lasted about five-six years and they happened in the early 1980s, late 1990s and in recent years (see red lined arrows).

You can see this latest rise on **Chart 16A**. You'll also note the dollar's been coming down since early 2017. That is, the dollar again dropped once the rebound rise hit the five-six year mark, and it looks like the decline since then is likely the onset of a bigger drop in the dollar.

If so, the current dollar decline could end up being similar to the big drops in the 1970s, late 1980s and 2000s.

And if this proves to be the case, the dollar will be on a downhill slope in the years ahead. This will be confirmed and the dollar index will remain bearish if it now stays below 95.

In other words, the dollar's leading indicators show the dollar could still head higher, but this rise is unlikely to be meaningful or long lasting.

CHART 17

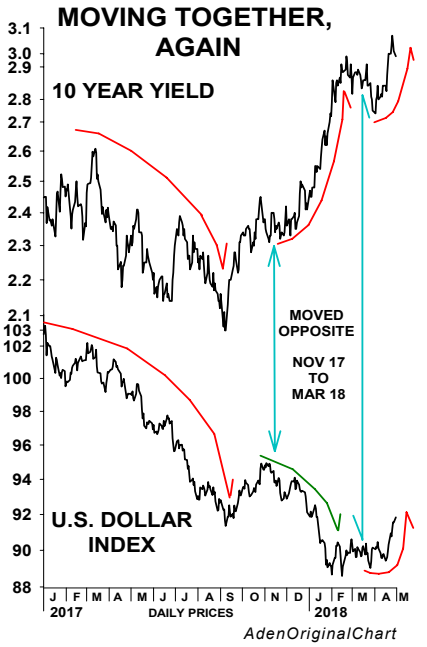
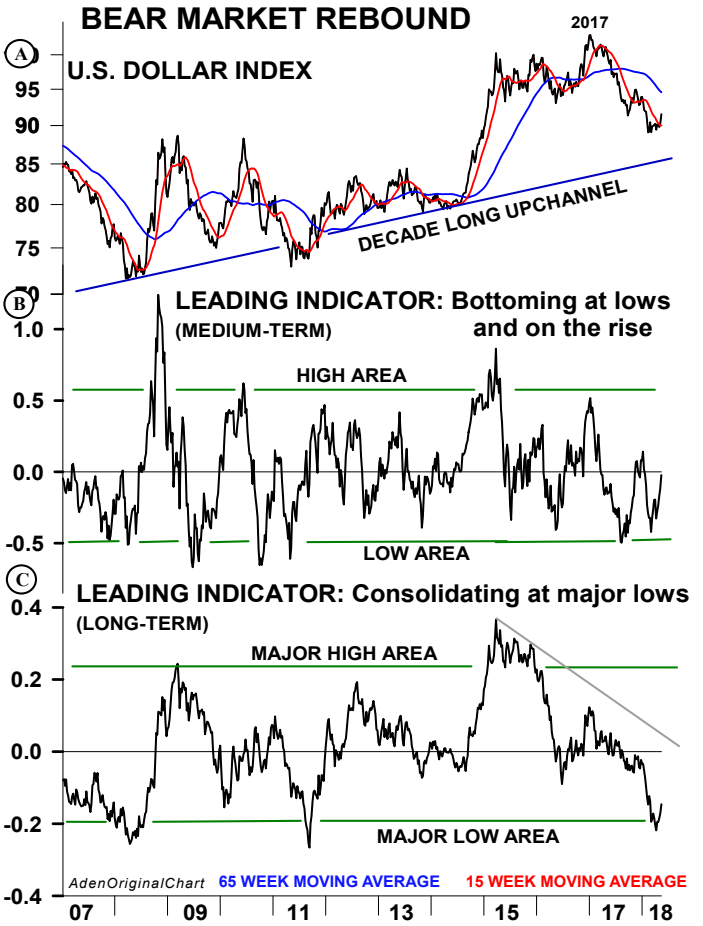


CHART 16



DOLLAR - INTEREST RATES AND INFLATION

If the dollar does head South it will almost certainly coincide with a steep rise in the gold price.

Since these two markets move in opposite directions, and gold remains bullish, it too is providing some insight as to what's likely coming...

Okay, but what about interest rates? If they keep rising, won't that keep the dollar strong?

Not necessarily. Much will depend on inflation... If inflation is rising along with interest rates, it could have no effect on the dollar.

That's what happened in the late 1970s when interest rates, inflation and gold all rose together while the dollar fell sharply. And this could happen again.

CURRENCIES: Declining in a bull market

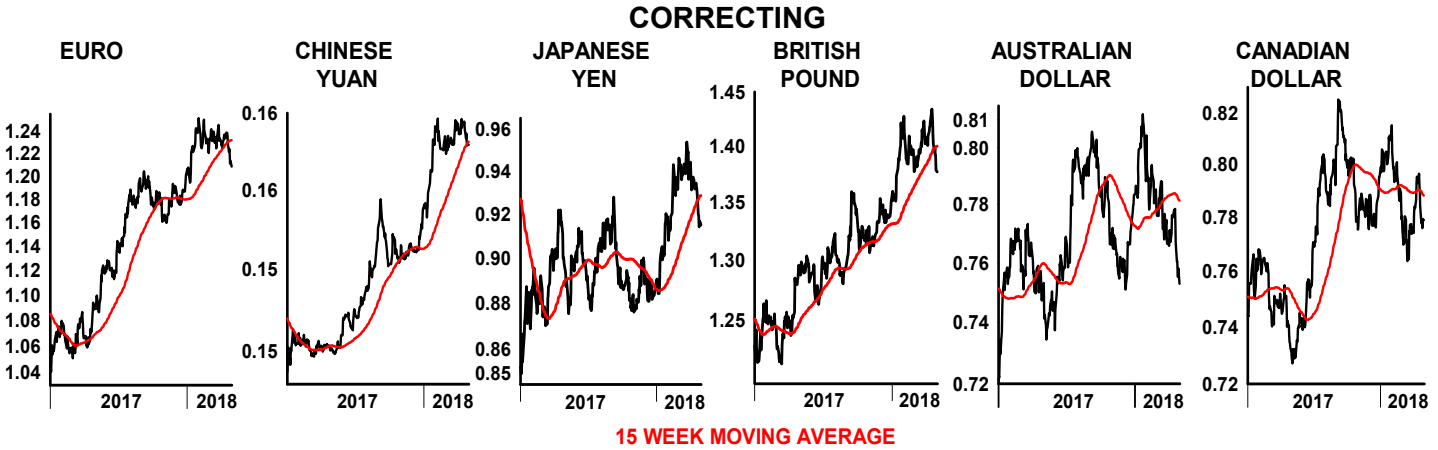
For now though, the dollar is on the upswing and that's putting downward pressure on the currencies (see **Chart 18**).

Even though most of them remain bullish, they've been weak or sluggish. But it still looks like this will end up being a temporary downward correction. And as long as that's the case, we'll keep our positions.

That is, we continue to recommend holding the euro (FXE), Japanese yen (FXY), and the Canadian and Australian dollars (FXC and FXA). But we wouldn't buy new positions, for the time being.

We're also currently holding a large U.S. dollar cash position. This will likely be temporary while we wait for new opportunities, but it's fine for now. And it provides a good cash diversification.

CHART 18



METALS, NATURAL RESOURCES & ENERGY

Gold preparing for a breakout?

Gold felt the heat when the U.S. dollar finally jumped up this past month. Gold's B decline is alive and well, and it could last a while longer as the dollar rebound plays out.

Gold, however, is doing a good job of holding up firmly. It's probably because there's been a fair amount of geopolitical uncertainty over the past month. Including comments by Trump about China and Russia playing a "currency devaluation game," which added to the uncertainty.

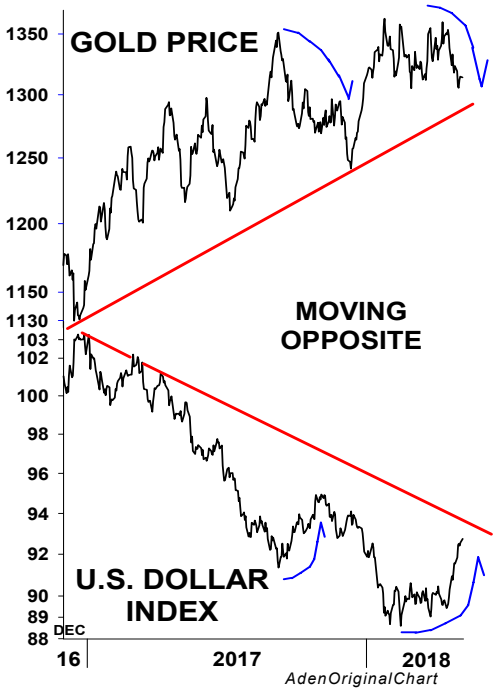
Gold sales were down globally in Q1 2018. A stronger U.S. economy and a stronger Chinese Yuan were part of the reasons why, according to the World Gold Council. But even so, the gold price is holding steady.

Gold shares are also firm, but the pressure is still on. Silver remains undervalued, and it seems to be closing in on a breakout.

Crude oil, on the other hand, popped above $70, reaching a four year high, gaining from Middle East tensions and low OPEC production, and it's poised to rise further.

Is crude oil leading the way? Interesting is that crude is rising while the dollar jumps up. It seems unfazed about the dollar. But rising oil is adding inflation pressures too.

CHART 19



GOLD AND DOLLAR: A relationship

Chart 19 shows the gold to dollar relationship over the past 1½ years. You can see the intermediate movements are similar, and so is the mega trend (not shown). But note how much weaker the dollar was compared to gold when it fell to its 2014 lows in February.

Gold failed to rise above its key $1380 level when it reached a high in late January, but overall gold has risen much more than the dollar has fallen since December 2016. This is good solid turnaround action.

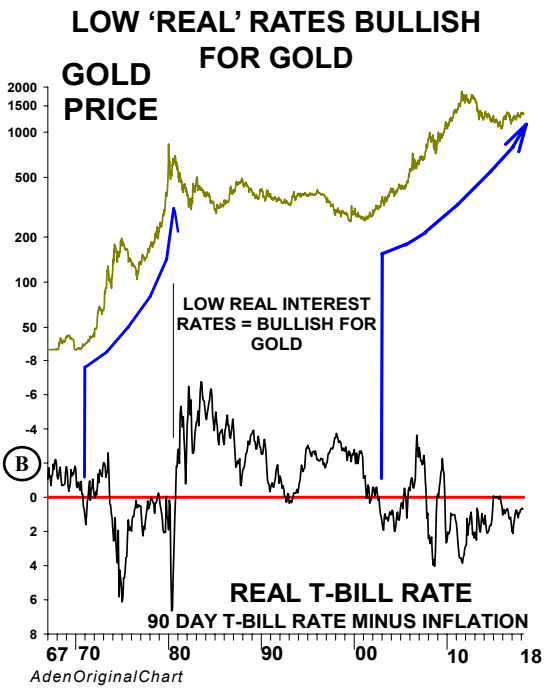
Inflation is brewing in the U.S. and around the world.

Interest rates are starting to rise from the dead. And while they're still very low on a historical basis, they're higher than they've been in years.

That is, short-term rates have risen almost two fold from the lows. Take the T-Bill rate, for instance, it rose from zero in October 2015 to 1.84 as we go to press, 2½ years later. Yet when looking at the real T-Bill rate on **Chart 20B**, you can see it's still below zero.

The real interest rate is the T-Bill rate minus inflation. That

CHART 20



is, taking inflation away from the interest rate, you can see the true background environment we're really in.

For example, look at the 1980s-90s... the real T-Bill rate was high, very high in many of those years, even though interest rates peaked in 1981.

This is a key to understanding the gold price. Note when the real T-Bill rate is below zero, for the most part, it's a bullish environment for gold. That is, when inflation is higher than the T-Bill rate, it's a good environment for gold.

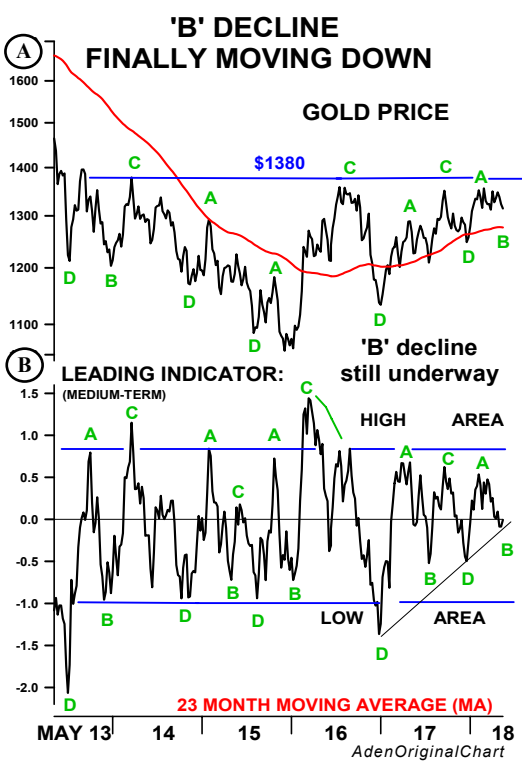
And that's what we have today. Rising interest rates today are moving together with rising inflation. This continues to be a good environment for a higher gold price. And if inflation continues to rise as we suspect, rising interest rates won't necessarily adversely affect gold.

MORE MANAGERS ARE BUYING GOLD

Interestingly, last month we mentioned that several famed money managers have gold in their portfolios. And now several bond kings are also turning bullish on gold... Jeffrey Gundlach is saying gold could rise $1,000. Others, like the CEO of Doubleline, sees a massive base-building in gold that is at a critical juncture (now that sounds like us!).

Last month we showed you how the **stock market and gold** can rise together. This month, although stocks were in consolidation, they've had their up moves, and when they did, many were surprised to see gold hold up well while stocks rose. We just want to repeat, it's okay.... it happens and it's not unusual. See last month's issue for more details.

CHART 21



GOLD TIMING: B decline underway

Gold's weakness remained moderate this month, just like it's been since the peak in January (see **Chart 21A**). Gold is holding above $1305 and, unless this level is broken, we'll continue to see a moderate consolidation.

But the B decline is not over yet. And considering that the Summer months tend to be seasonally slow months for gold, we could possibly still see this B de-

CHART 22

cline muddle along another month or two.

If $1305 is clearly broken, gold could test its bull market uptrend near $1275, and the mega 23 month moving average at $1280.

We think the $1380 strong resistance will eventually be broken. It's just a matter of time. And when it does, it'll be the strongest confirmation of a growing bull market flourishing.

And we'll all want to be onboard.

Silver is in an interesting position.

It's been forming a large triangle for over two years now. It's currently near the apex and when this happens it tends to be a fizzle.

But this time around silver is being pulled by two forces. Global growth helped to lift industrial demand for silver last year. But according to the Silver Institute it also had a steep drop in investment demand.

There's also been massive short selling on the futures market for silver. According to Goldmoney, speculators sold over 600 million ounces of silver over the last 12 months. This exceeds the previous record three times since the data began in 1990. This is not sustainable, and it's all the more reason why silver could take off and not look back.

We believe this will change with time. When gold finally turns clearly bullish, silver will benefit too, and it could skyrocket.

We'll keep an eye on the triangle (see **Chart 22**). A break out will determine the next direction.... above $17.75, or below $15.70.

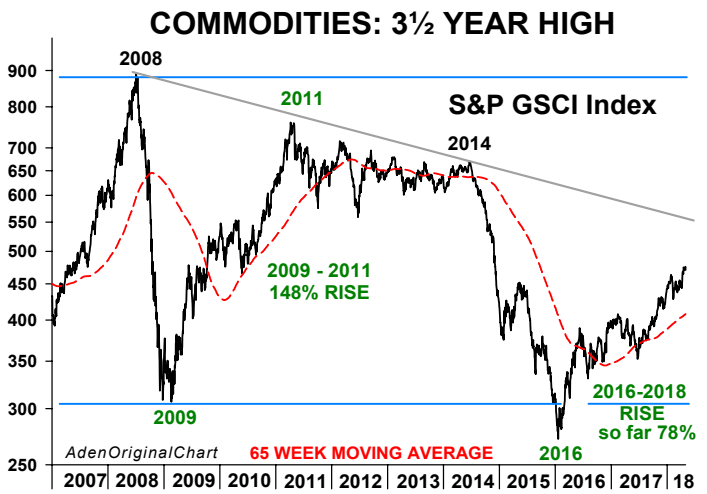
Gold shares are the most bombed out sector.

The HUI index has been building a strong support above its December lows shown on **Chart 22**. Like silver, once it breaks out of this pattern, it'll tell us the next trend direction.

Keep an eye on the Dec 2016 lows near 163. This is a key level to stay above for the basing to continue. Gold shares continue to form a wide head and shoulders bottom, and the chart shows the right shoulder.

On the upside, a break above 193 will confirm a clear breakout! HUI could then jump to the next target areas near 220 and then 285.

CHART 23



Platinum and palladium are interesting. Last September, palladium gained the rare moment of having the upper hand in price over platinum for the first time in 16 years, but since then it's been flip-flopping.

Note on the chart how palladium soared over the past two years while platinum was sluggish, barely holding on to its support. This glaring difference was the reason why.

But now the $900 level is key for both metals. It's an important support level for platinum, give or take $10-$20. And it's near the key 65 week moving average for palladium. If, for example, platinum holds at this level while palladium breaks below it, it'll be a pivotal point for their relationship.

We'll keep our eye on this. And since palladium has been moving closer to the stock market, while platinum has been moving and weaker than gold, it'll be indirectly telling us a story.

Russia is the largest producer of palladium and there was worry this month that the latest sanctions could affect palladium. That's been keeping palladium above its key 65 week average, see **Chart 22**.

RESOURCE & ENERGY: Strong

Crude oil is taking the limelight as it popped above $70. But several parts of this raw material sector are also strong.

The commodity index on **Chart 23** provides a good example. It has a higher energy base but it's made up of 24 commodities from energy to industrial, agriculture, livestock and precious metals.

You can see it's been on the rise for the past 2½ years, and it recently hit an almost four year high! A major uptrend is clearly underway, and the index could end up rising similar to the **2009-2011** time-period.

The point is, it has potential to rise further, and we should be on board. The next target is the 2008 downtrend.

The industrial metals have been outperforming the precious metals as a group in recent years as our Metals Index shows. This ratio is made up of gold,

CHART 24

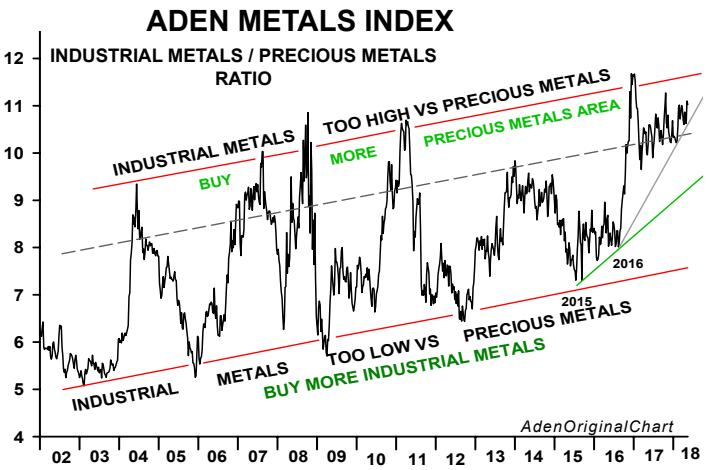
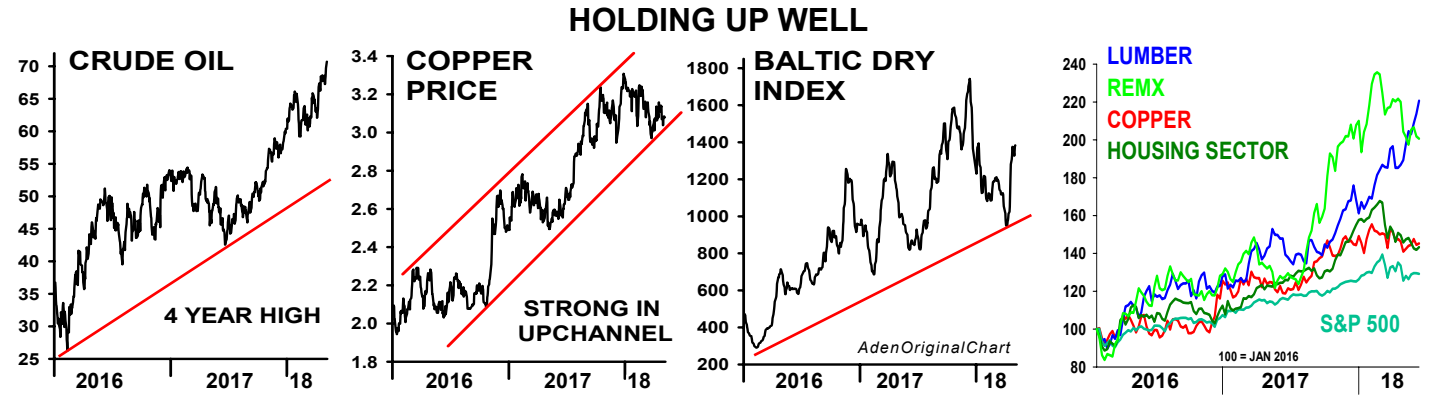


CHART 25



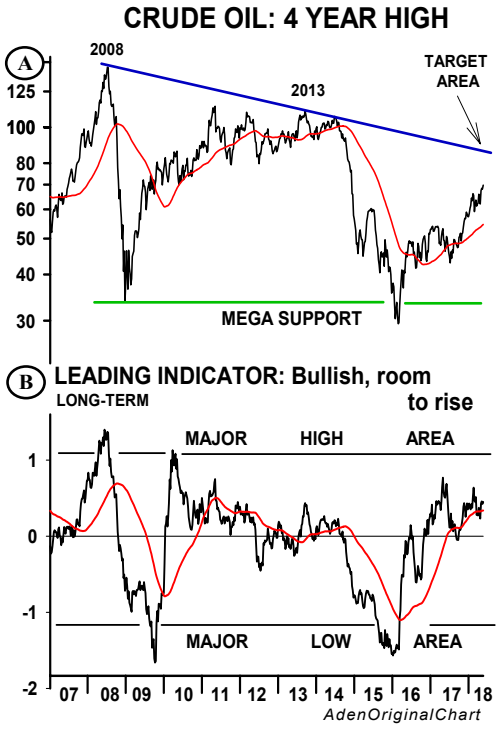
silver and platinum for the precious metals group, and copper, zinc and tin for the industrial metals group. This helps to tell us which group has the most potential (see **Chart 24**).

You can see the ratio has been favoring the industrial metals over the past 1½ years. And while the ratio could rise further, it's getting closer to the highs that'll favor precious metals as a new buy. It's on our radar.

Meanwhile, **the oil price** started jumping up after the trade war fears receded. Middle East tensions added to the fuel, together with OPEC's ongoing efforts to keep production down (see **Chart 26**).

OPEC's Secretary General said the glut has effectively shrunk by nine-tenths since the start of 2017. This is good news, in spite of the boom in U.S. shale production. The U.S. Energy Information Admin (EIA) showed that shale oil production is expected to increase this month for the fourth consecutive month, boosted by record production.

CHART 26



China has become the largest oil importer, and they are on a mission to make their currency a world traded currency.

They already have a Chinese renminbi oil futures contract, and it's working well for them.

Aluminum prices jumped up in its best rally since 1990, after the U.S. slapped sanctions on Russian producer, Rusal, the biggest producer outside of China. Alcoa also predicts growing aluminum demand and a shortage of supply.

We sold Alcoa last December and made a good profit, 44% and we'll keep it on the radar to buy again.

Nickel prices also rose to a three year high on the same growing concerns over sanctions. Nickel is a key base metal used in steel, construction and many other products. You can see it moves similarly to the oil price.

Both are shown since 2007 on **Charts 26** and **27**. Nickel is breaking above its decade long downtrend, and it's clearly on the rise. Its 2011 high is the next target.

Crude is on its way to test its 2008 downtrend and it could well surpass it during this bull market. Note that both leading indicators are also on the rise with room to rise further.

Even though many, like copper and rare earth, have come down with the stock market this year so far, the major trend is still up, and the future looks bright (see **Chart 25**).

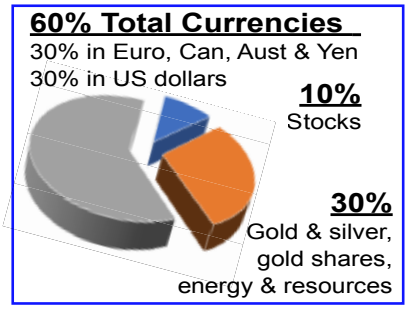
Lumber is soaring and some say it moves with interest rates. We'll see.

Overall, we want you well positioned for a buy and hold for the upcoming years. We think it'll be a great ride.

The market is in a young bull market that is just getting started.

CHART 27

OVERALL PORTFOLIO RECOMMENDATION



U.S. & GLOBAL STOCK MARKETS

The stock market is biding its time. It remains volatile and uncertain, swinging up and down and it can't seem to decide which way next. Currently, the stock market continues to be bullish and it'll stay bullish as long as the stock indices hold above their 65-week moving averages.

Keep holding a small position in stocks but stay flexible and stay alert. If ADBE or NFLX break below their stops at 218 and 305, respectively, then sell them.

PRECIOUS METALS, ENERGY, RESOURCE

Gold felt the heat of the strong U.S. dollar this past month. The B decline is alive and well, and it could last a while longer as the dollar's rebound plays out. So far, the gold decline has been mild and it'll stay firm if it remains above $1305. With the seasonally slow months approaching we could possible see gold decline further to its major support. It's a matter of time, however, before we see gold jumping up and surpassing its key $1380 level. Crude oil popped above $70 and it's very strong in its bull market. Likewise for the resource and energy sectors in general, while several have been correcting with gold. Keep your positions. If you don't have all your positions bought, buy during current weakness.

INTEREST RATES & BONDS

Interest rates have been tricky lately. They've been volatile and it's hard to define which way next. To be certain, we'll want to see a clear break, either well above or below the 80 month moving average on the 30 year yield, now at 3%. Meanwhile, it's best to continue avoiding bonds, at least for the time being, until we see how this market unfolds.

CURRENCIES

The U.S. dollar is strong. Higher U.S. interest rates have been the main driving force. The current upmove, however, is a contra-trend rebound rise and the dollar index will remain bearish by staying below 95. The currencies are still mostly bullish but they've temporarily been correcting downward while the dollar rebounds. We continue to recommend holding the currency ETFs listed in the box, but don't buy new positions for now. We also advise holding a large U.S. dollar cash position while we wait for new opportunities.

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

OUR OPEN POSITIONS in order of strength per section

STOCK ETFS & SHARES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT	TRAILING
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM	STOPS
Adobe Systems	ADBE	Feb-17	118.93	234.56	97.23	Hold	218.00
Netflix	NFLX	Mar-18	321.55	326.89	1.66	Hold	305.00

PRECIOUS METALS, ENERGY, RESOURCES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
DJ US Energy	IYE	Jan-18	41.84	41.03	-1.94	Buy/Hold
Agnico Eagle	AEM	Feb-17	47.10	43.14	-8.41	Buy/Hold
Royal Gold	RGLD	Sep-17	90.19	88.39	-2.00	Buy/Hold
BHP Billiton	BHP	Sep-17	42.00	47.59	13.31	Buy/Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	33.41	-20.68	Buy/Hold
Gold Miners ETF	GDX	Feb-17	25.20	22.68	-10.00	Buy/Hold
SPDR Gold	GLD	Mar-17	117.51	124.59	6.03	Buy/Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.31	5.13	Hold
Gold (physical)		Oct-01	277.25	1313.70	373.83	Buy/Hold
Rare Earth	REMX	Jan-18	32.12	27.19	-15.35	Buy/Hold
Silver (physical)		Aug-03	4.93	16.47	234.12	Buy/Hold
Freeport-McMoRan	FCX	Feb-18	19.12	15.30	-19.98	Buy/Hold
Horizons Marijuana	HMMJ.TO	Jan-18	20.38	16.55	-18.79	Hold

CURRENCIES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Canadian dollar ETF	FXC	Jun-17	76.09	76.16	0.09	Hold
Euro ETF	FXE	Jun-17	110.48	113.98	3.17	Hold
Japanese Yen ETF	FXY	Mar-18	90.25	87.79	-2.73	Hold
Australian dollar ETF	FXA	Jun-17	76.91	74.51	-3.12	Hold

