THE
ADEN FORECAST
MONEY • METALS • MARKETS

JUNE 2016 *our 35th year*

YOUR QUESTIONS ANSWERED

It's been a tough environment lately. Market volatility has been a reflection of uncertainty and some confusion.

As a result, we've received many letters this month from you, our dear subscribers. So now, we'll try to answer the questions most frequently asked...

Q. Could you tell us more about the importance of investing in physical precious metals vs. the "paper" form?

A. As gold's bull market gets stronger, there could come a point where physical gold and silver continue to soar while the ETFs get left behind. It's okay for now but as you accumulate, buy more of the physical metals.

Gold and silver ETFs will move with the metals and you'll profit on the rise, but it's better to have more of the metals in hand.

Q. Is there a link to some of your explanations, like D decline, C rise?

A. You can find a description of our indicators on our website at https://adenforecast.com Go to "About us" and then click on "Indicators."

Q. With the U.S. dollar still strong, your current 50% in metals related markets seems high. Comments?

A. Gold has been the strongest market this year by far (see **Chart 1**). It's more than doubled the gains in stocks or bonds.

We believe that's going to continue, thereby warranting a larger than normal metals related allocation in our recommended portfolio. But if you're not comfortable with this, then go with what feels right for you.

Q. Why are there no stop losses on your metals recommendations?

A. The metals markets can be very volatile and we don't want to get whipped out of any of our positions on short-term dips. But we'll likely be adding stops to these in the months ahead.

Q. How do you buy physical gold? Where do you buy it?

A. The best way to buy gold or silver is through a reputable coin company. We recommend Dana Samuelson at Amergold, who we've known and respected for decades (www.amergold.com, ph. 1-800-613-9323).

Coins can be mailed to you and the gold coins we like best are the American Gold Eagle, the Canadian Maple Leaf, the Krugerrand, the Mexican 50 Peso and Austrian 100 Corona.

Q. What exactly do you mean by Buy on weakness? What about Hold/Buy on weakness? And Buy/Hold on page 12?

A. Most of our investment recommendations are geared to hold for months and often years. When a major trend is turning up in a certain market, we'll often just buy. But if it looks like a downward correction could occur before the market heads higher, we'll advise to buy on weakness to get in at a better price. But sometimes the weakness doesn't come. In those cases, it's best to go ahead and buy.

Hold/Buy on weakness means if you have that stock, hold it and if you don't have it, or want to buy more, ideally buy on weakness. Buy/Hold means to go ahead and buy if you don't have it. And if you have it, keep it.

Q. What do you mean by the open positions on page 12 are "in order of strength"?

A. In the Metals section, for example, Central Fund of Canada is listed first. This means it's the strongest on the list. Platinum would be the weakest.

For new purchases, you'll want to buy the strongest ones listed in each sector.

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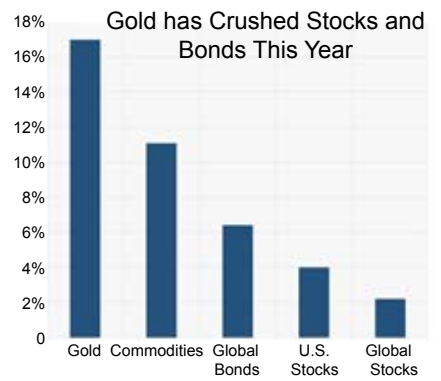
Q. I'm not comfortable trading currencies, what to do?

A. Keep your cash in U.S. dollars. Again, our recommendations are guidelines. If you don't feel good about it, do what's best for you.

Q. I got confused on your Australian dollar stop and advice. In the future could you try to be more specific?

A. We were stopped out of the Aussie dollar last month because our stop was too tight. It was then lowered and now we bought it again. We apologize if our advice was confusing and we'll try to be more specific next time.

CHART 1



COURTESY: Casey Research SOURCE: Financial Times

DOW THEORY LETTERS AND US

We want to let you know that we've taken over *Dow Theory Letters*. This will not affect your subscription in any way, but here's the story…

Dow Theory Letters was written by our dear friend, Richard Russell, who passed away last November. He was one of our mentors back in the 1970s when we first got started. We were, therefore, deeply honored that he and his family chose us to keep his letter and legacy going.

Basically, we're keeping the letter pretty much the same. Every day one of their team of market experts will publish their article, providing the outlook for the stock market, precious metals, the economy and so on.

Richard's primary tool, the Dow Theory method of looking at the stock market, is the main factor behind the letter. This indicator has stood the test of time and it's been reliable for over 100 years. But other indicators are also used, resulting in a great guide to the markets.

Our input

As the new owners, our main role will be to oversee the operation. And we're very proud to be writing the "Richard's Wisdom" column every Friday.

Using Richard's vast 50+ years of research, this involves publishing Richard's timeless work. and then applying it to what's currently happening in today's markets.

The Aden Forecast will remain the same. Always know, you are our dear subscribers and we appreciate every one of you. And we'll continue to do our best for you, like we always have.

Also, we know that many of you are already subscribers to *Dow Theory Letters*. In this case, both letters will essentially continue on as is. But if you don't know Dow Theory, we recommend giving it a try.

If you do, you can read the letter five days a week, which includes a daily market recap and a comprehensive article, usually with many great charts, by one of DTL's super star writers, and a Weekly Recap.

We believe this will greatly compliment your *Aden Forecast* letter, especially now with the stock market on thin ice and the metals sector ready for takeoff.

For more information, go to dowtheoryletters.com

HEALING TONICS: Next Level Nutrition

My daughter (Pam) just wrote a book on Healing Tonics. We've always loved her passion for health and wellness, and we're now very proud to tell you about her new book.

She explains next level nutrition, juices, smoothies and elixirs for health and wellness in an easy and enjoyable way. That is, you can create your own home pharmacy using things you already have in your kitchen.

The photographs are beautiful, and they're done by my daughter (MaryAnne). We think you'll gain a lot from the book, and keep it for an ongoing reference and recipes.

It's in hard cover and you can click on this link below to see it on Amazon. If you decide to buy it, we'd love to hear your comments.

https://www.amazon.com/Healing-Tonics-Next-Level-Smoothies-Wellness/dp/1454918861/ref=sr_1_1?ie=UTF8&qid=1465504880&sr=8-1-&keywords=HEALING+TONICS

If you're in the New York area, visit her retail store, Botica in Brooklyn. You can sample the main menu, or have something to help what's ailing you!

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U.S. & WORLD STOCK MARKETS

The push-pull in the market

The stock market's become a toss-up... some feel it's going to surge higher from here, but others are sure it's ready to crash.

VOLATILITY PREVAILS

So far, the market has remained volatile. Yes, stocks moved higher this month, in some cases approaching record highs. But then as we've seen before, the stock market stalled and fell back again.

Low interest rates have provided a real boost for stocks and that's been the case for the past seven years. But stocks are still looking toppy and now a subtle shift also appears to be taking place (**Chart 2**).

With global growth still chugging, investors are becoming more concerned about the ongoing drop in interest rates and what it all means (see the German 10 year bond hitting a new record low on **Chart 3**, for example). As we write, it's dipping below zero.

UNCONVENTIONAL METHODS

In other words, negative and zero interest rates haven't fueled growth as central bankers expected.

Instead, many people have been hoarding their money, suggesting central bankers may be making things even more risky with their unconventional methods.

Concerns about the UK leaving the European Union on June 23 are also weighing on the market. As the head of the IMF warned, "the impact of this would range from pretty bad to very, very bad."

The end result is that the stock market remains mixed. Lately, it's done well, in large part thanks to the rising oil price.

But then the market gets nervous because of the negative factors hanging overhead.

Looking at **Chart 4** you'll see what we mean.

CHART 2

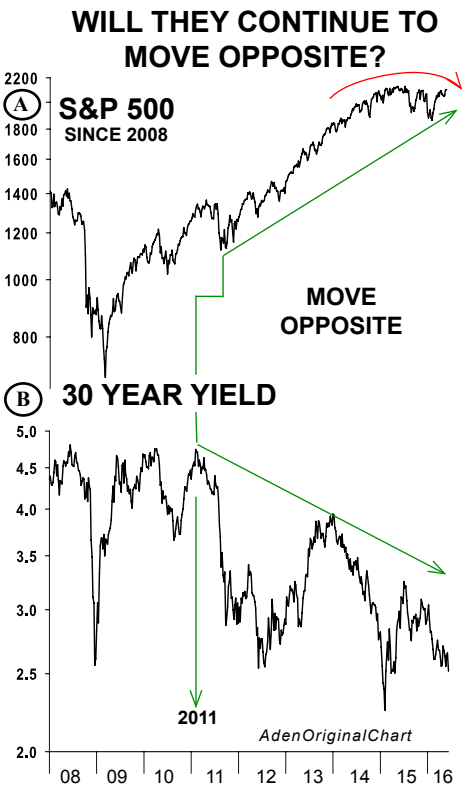


CHART 3

SOURCE: Germany Dept of Treasury
COURTESY: www.tradingeconomics.com

A MIXED BAG

Note that some of the stock indexes are back above their 65-week moving averages. This means they're technically bullish. But it bothers us that the Dow Jones Transportation index hasn't joined in.

As you can see, it remains bearish below its moving average and it has stayed bearish since last year.

And since the Transports often lead the way for the other stock indexes, this is an important sign we can't ignore.

The same is true of the World stock index, which

CHART 4

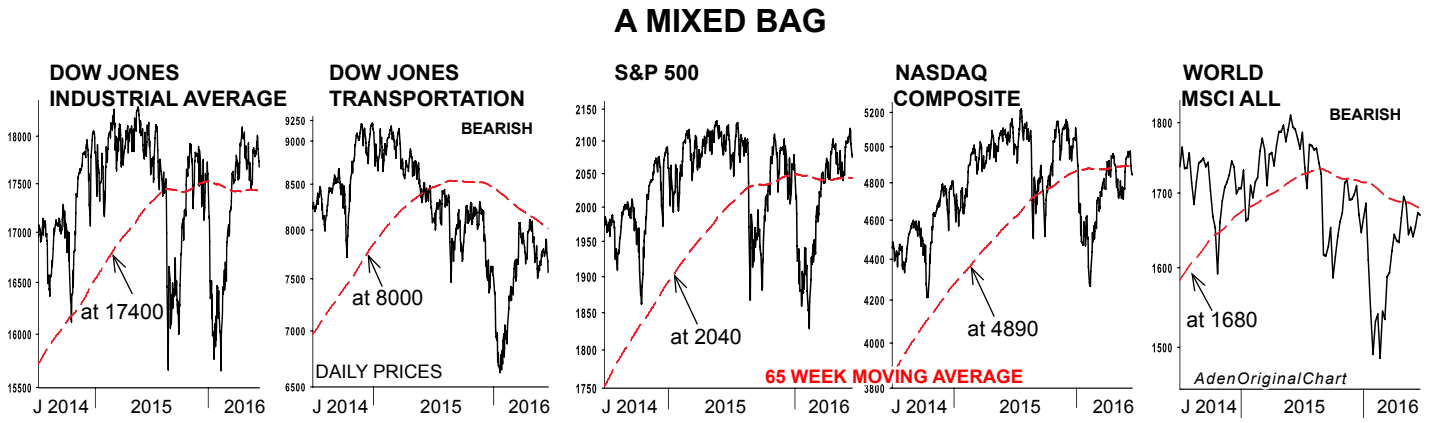


CHART 5

is a composite of the major world stock markets, and it's bearish too. Plus, Nasdaq is also resisting near its average.

AN ONGOING TUG-OF-WAR

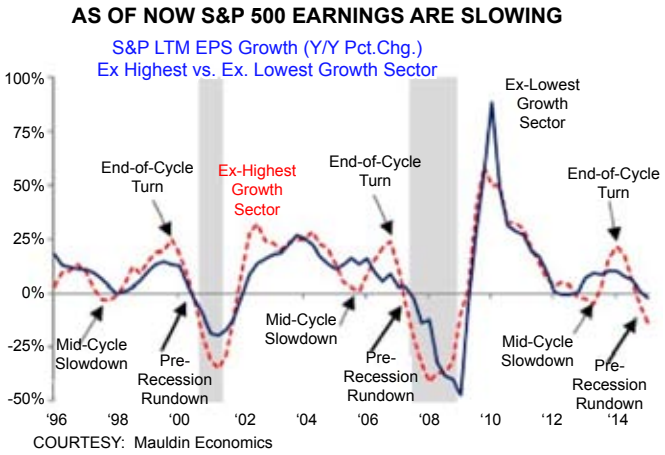
So really, there's a tug-of-war going on in the market with low interest rates on the one side, which have been bullish for stocks, pulling against other negative factors on the downside.

At this point, we're still not sure which side is going to win, so we continue to advise staying on the sidelines until the outcome is more certain.

On the bullish side, this would happen if several of the stock indexes were to reach new record highs. And we'd want to see the stock market's leading indicators confirm the bullish action as well.

On the bearish side, declines back below the moving averages would again reinforce that the bear is still in the driver's seat, like the Transports continue to indicate.

CHART 6



STAY CAUTIOUS... AND WATCH...

In the meantime, stay cautious... and keep an eye on what's happening... Here are some of the other things we're concerned about and currently watching...

1. Demand for stocks has been weak. Many hedge funds are short, and many big name fund managers have been saying to get out of the stock market and move into gold, which has been the top performer this year.

This makes gold even more attractive. And since gold doesn't pay interest and neither do the banks, that's yet another positive. Plus, gold is simply more solid than stocks.

That's one reason why foreign investors have been selling U.S. stocks like there's no tomorrow (see **Chart 5**).

As you can see, selling is at a new low. Basically, investors want safety during these uncertain times, so they're turning to gold and bonds, the traditional safe havens.

2. This is not good for stocks and neither is the earnings picture, which is also on the decline (see **Chart 6**). Stocks are historically expensive and slow earnings aren't helping.

A decline in earnings tends to lead the stock market down and it tends to precede recessions.

As our friend John Mauldin notes, the market appears to be in a place much like the early stages of the last two bear markets. So this is a big warning sign.

3. In addition, this is a seasonally slow time for stocks, and it'll last until October. Thus, the saying... sell in May and go away.

Will it happen again? At the least, we could see more weakness ahead based on the consistent action over the past 65 years.

4. Then there's the election year cycle and it's telling us the same thing. Going back to 1901, the average stock return for the eighth year of all U.S. presidential terms is down14%.

There's nothing that says this pattern has to repeat, but it's yet another sign of caution.

ARE LOW INTEREST RATES ENOUGH?

So this brings us back to the question, will low interest rates be enough to offset these negative factors and keep stocks rising?... We'll soon find out.

If so, we'd want to be very selective and go with the stocks that've been the strongest.

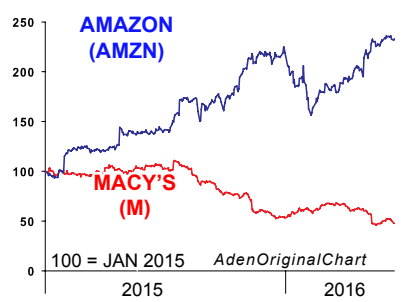
Gold and silver stocks, for instance, have been super strong, and they're looking good.

The same is true of some of the giants, like Amazon (see **Chart 7**). It's strongly outperforming the brick and mortar type businesses, and this trend will likely continue.

All things considered, **we'll go with what the markets tell us**. But until we get the final word, don't buy new stock positions at this time (gold and silver shares are the exceptions).

And if you still have a large amount in stocks, then trim your stock holdings. Everyone else, stay on the sidelines for the time being.

CHART 7



U.S. INTEREST RATES AND BONDS

Historical lows

This month we made an about-face regarding our bond position. This doesn't happen often. But when the markets change, we have to change with them. And bonds have changed.

So what's going on?

SOURCE: Tradingeconomics.com, U.S. Bureau of Labor Statistics
COURTESY: Dow Theory Letters

INTEREST RATES:
A mirror of world economy

As we've often pointed out, interest rates are one of the most important markets in the world. We know that may sound strange, but they are.

Many people think interest rates are boring or barely noteworthy, but nothing could be further from the truth.

Interest rates are extremely sensitive to what's happening on the world stage. They provide insight into both current and future developments. And even though they're manipulated by central banks, the major trends are powerful and dominant.

That's because the bond market is huge. It's also more sophisticated than other markets.

So if you want to know what likely lies ahead, the interest rate and bond markets can give you a good idea. This brings us to what's been happening and where we currently stand...

TITLE

For months now everyone seemed pretty sure the Fed was going to raise interest rates again, and why not?

The Fed's been telling us this plan, assuming all continued to go well.

And as they've been pointing out, the economy's been doing pretty good. This reinforced the view that they'd probably raise rates again this month or next, following their first interest rate rise in many years last December.

As we showed you last month, our leading indicator for bond prices had also turned down, signaling this scenario was on track. (Remember, bond prices decline when interest rates rise.)

But then a shock hit the market. On June 3 the jobs report showed the worst month for hiring in five years (see **Chart 8**). This affected many markets, including the bond market.

Since Yellen has said all along that the interest rate decision would be dependent on the data, this report had strong repercussions...

NO RATE HIKE NOW...

Most important, it strongly suggested the Fed will <u>not</u> be raising interest rates any time soon. In fact, some are calling this whole episode one of the biggest policy errors in central bank history.

We wouldn't go that far, but it has hurt the Fed's credibility. And the bottom line is, this has been very bullish for bonds.

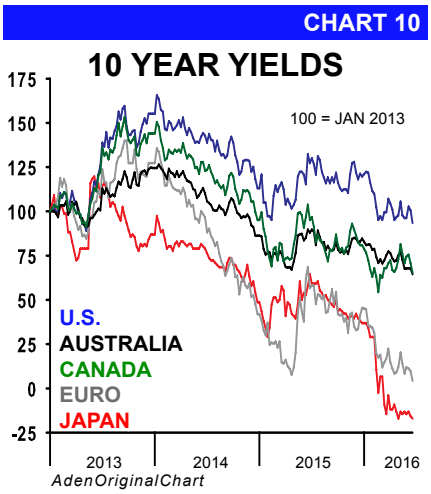
So even though we recommended selling your bonds last month, after keeping them for over two years, the market has changed. Bonds are looking good again. They're benefitting as a safe haven and they're poised to rise further.

That being the case, we again recommend buying long-term U.S. government bonds and/or the strongest bond ETFs, which are UBT, TIP, TLT and TLO, with 20% of your total portfolio. (Use your cash to buy your new bond positions.) Even though we may not hold these positions for a long time, increasingly it looks like it may be longer than we initially expected.

BOND BULL CONTINUES!

Looking at **Chart 9A**, you'll see what we mean.

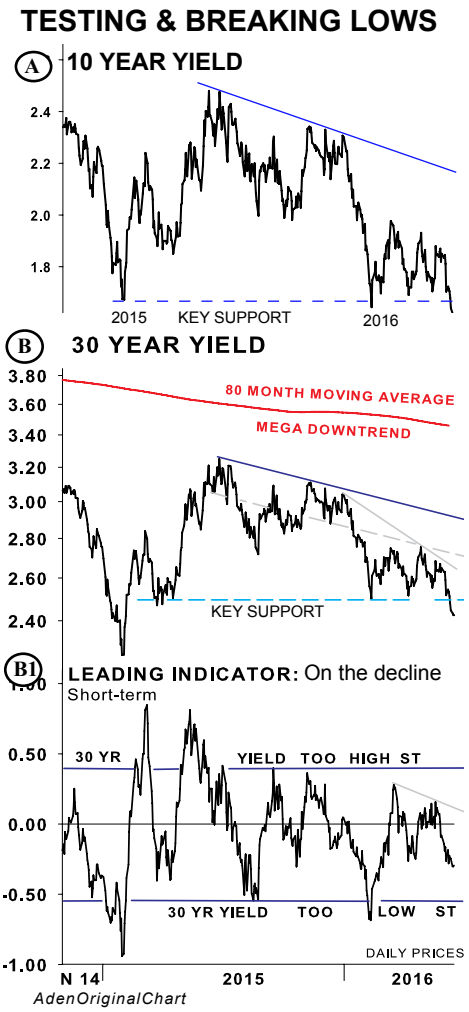
Note that the bond price has broken above the strong resistance level that's been in force since 2008. This suggests much higher prices for the bond market.



Currently, the leading indicator is telling us this is a real possibility. As you can see, it reversed and it's again on the rise, above the zero line (see the arrow on **Chart 9B**).

In other words, it's bullish again, signaling bond prices are headed higher, and long-term interest rates are going to fall further. These fake outs don't happen often, but when they do we have to go with them.

CHART 11



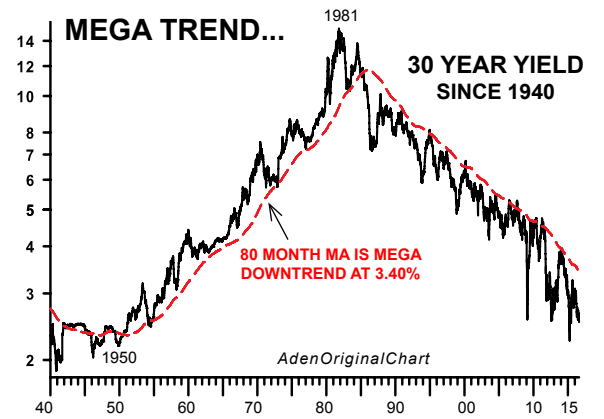
But how can this be, you may be thinking? Aren't interest rates already super low?

EVEN LOWER RATES

The answer is yes. But as we've often pointed out, the prevailing global interest rate trend is solidly down and it doesn't look like the U.S. is going to be able to escape from its clutches (see **Chart 10**).

In fact, it's the opposite. This trend keeps intensifying. This month for the first time ever, over $10 trillion in government bonds have been issued with negative yields. As our dear friend Chuck Butler points out, this means that one third of all global government debt now has a negative yield. And most of the countries that don't have a negative interest rates have a super low rate.

CHART 12



It's a sad state of affairs but since the U.S. interest rate is still relatively high compared to the other major countries, it makes U.S. bonds more attractive. It also means U.S. interest rates could indeed head lower. That will be confirmed if the 10 and 30 year yields now stay below 1.69% and 2.50%, respectively (see these support levels on **Charts 11A** and **B**).

MEGA TREND IS DOWN

Looking next at the mega big picture for the 30 year yield, going back to 1940, you can see that the mega trend is clearly down (see **Chart 12**). And it has been since 1981.

As we've again been reminded, this trend is not going to change easily. It's been in force for 35 years and it's coincided with a deflationary environment and slow economic growth. And it'll likely continue as long as that's the case.

Plus, if the 30 year yield ends up dropping below 2.25%, it'll be at a low not seen since 1950! That'll be a huge deal and it would reinforce that interest rates are indeed headed a lot lower.

We know that may seem unreal but remember, we are clearly in uncharted waters... waters that have not seen anything like negative interest rates in 5000 years, when interest rates were first recorded.

So literally, anything is possible. Meanwhile, we'll do the best we can with the hands we're being dealt, keeping you on the right side of the major trends.

CURRENCIES

U.S. dollar: Vulnerable

The Federal Reserve (Fed) was founded in 1913, just over 100 years ago. The story about how it was secretly founded by a handful of big names is a story for another time. For now, we'll stick to the Fed's role since then.

THE FED'S HIGH PROFILE, CALLING SHOTS

The Fed is the U.S.'s central bank and it's in charge of monetary policy. Since the Fed embarked on its path, it's generally kept a pretty low profile staying in the background most of the time.

But that all changed in recent decades, especially in recent years. And now it's gone to the other extreme.

Currently, everyone clings to every word, innuendo, hint or insight (real or imagined) that comes out of the Fed, or from Fed head Janet Yellen, or any of the other Fed members. It's truly become unreal. Why?

The main reason is because the Fed has become super powerful. It calls the shots and everyone else reacts... It moves the markets based on what it says or does and everyone has to invest accordingly.

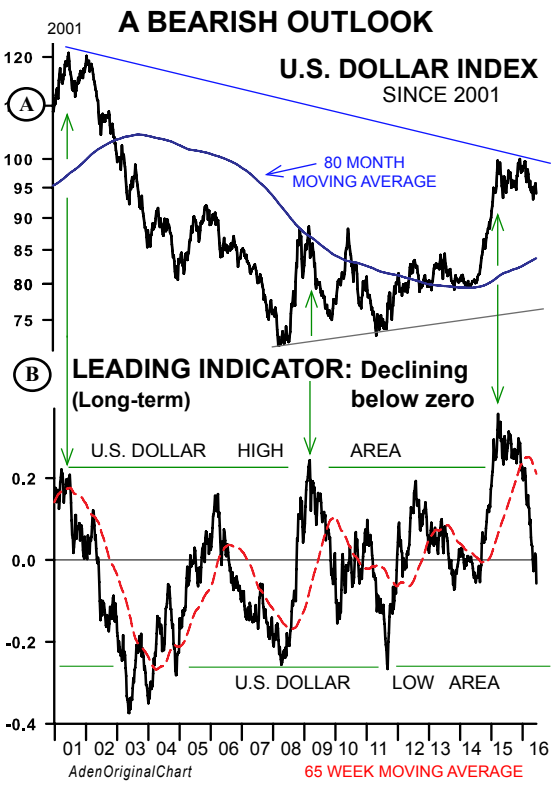
It decides it's going to keep interest rates near zero for years on end, which has been devastating for seniors and savers, but everyone has to go along. So keeping track of what the Fed's doing has become increasingly important, whether we like it or not.

LATEST EXAMPLE

The interest rate outlook over the past month provided a good example of what we mean. Not only did it affect the bond market, but it affected the currency markets too, as well as stocks and the metals markets. But for now, we'll zero in on the currencies...

When all the talk focused on the likelihood that the Fed was going to raise interest rates, the U.S. dollar index moved higher. As it did, it put downward pressure on the currencies and they headed lower (see **Chart 15**).

CHART 13

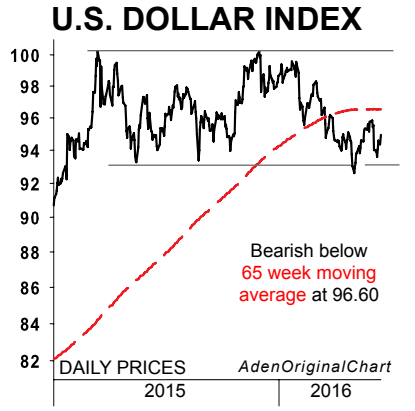


With global interest rates so low, the possibility of higher U.S. interest rates made the dollar more attractive. This alone boosted the dollar.

WEAK JOBS CHANGED PICTURE

But here too... when the weak jobs report was released, it was another story. The U.S. dollar also pulled an about-face, dropping strongly. And it fell for the same reasons that bond prices rose.

CHART 14



Since the jobs report reflected a weaker economy, it strongly suggested that interest rates are going to stay low. They simply can't rise in the current environment. And low rates means that downward pressure on the U.S. dollar is going to persist.

That is, the **U.S. dollar is headed lower...** In fact, despite the dollar's rise this month, it remained bearish all along and it'll stay bearish with the U.S. dollar index below its key moving average at 96.60 (see **Chart 14**).

As you know, a weaker dollar means the currencies are going to rise further because they move in opposite directions. And if we next take a look at the dollar's big picture, you'll see it's indeed set for a drop (see **Chart 13B**).

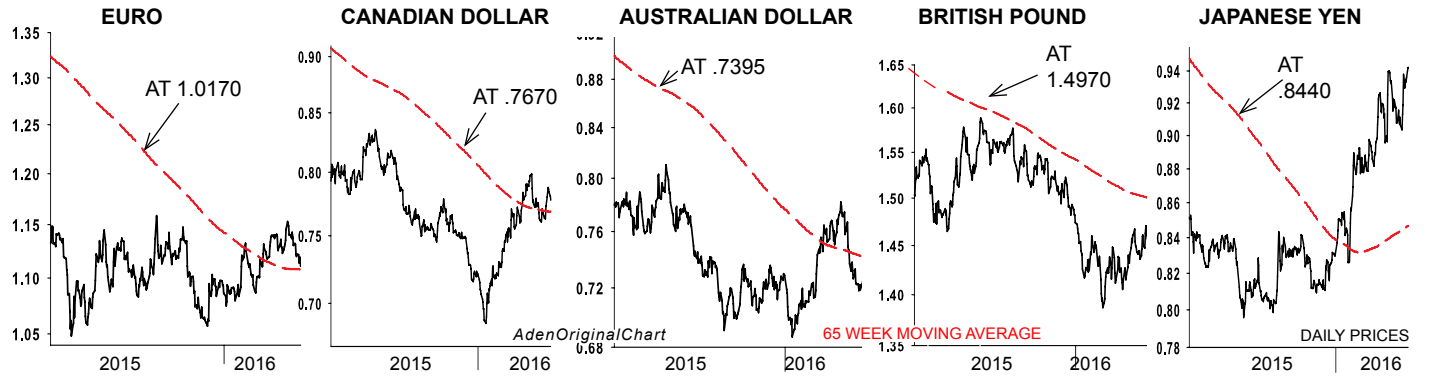
Note, for instance, when the leading indicator peaked in 2001 and in 2009, it preceded a steep decline in the dollar index (see the green arrow and the dollar's decline on **Chart 13A**). And the same thing is currently happening. The leading indicator is bearish and the dollar will likely soon follow.

BE PREPARED

So be prepared... one way to do that and profit is by buying some of the stronger major currencies, which we've been recommending. The ones we like best are the euro, Australian and Canadian dollars and/or their ETFs, which move in tandem with these currencies. The symbols are FXE, FXA and FXC, respectively. The Canadian and Australian dollars are considered to be oil and resource currencies. And with commodities rising, these currencies should continue to do well.

As for the euro, it's the main offset currency to the U.S. dollar. So if the dollar's going down, the euro will

CHART 15



benefit. The currencies we would avoid are the British pound and the Japanese yen... the pound has been nervous over the possibility they may end up leaving the European Union (Brexit). Until then, the pound will be vulnerable. The yen is an exception simply because we're not comfortable with it.

Meanwhile, our cash position has now been lowered to 30% of our recommended portfolio, having used 20% to buy U.S. bonds. (As we mentioned in our weekly update of June 9, use 10% of your U.S. dollars and 10% of your euros and Australian dollars to buy the bonds.) Please see our new cash allocation on page 12.

METALS, NATURAL RESOURCES & ENERGY

Gold: An investment based on fear and uncertainty

After rising all year, the gold price finally reached a peak on May 2nd. It then declined all month while the U.S. dollar bounced up. Upbeat U.S. economic data raised expectations that interest rates would rise. This, in turn, pushed the dollar up and caused gold to fall in a 'needed' decline we call D.

Gold ended up having its first monthly loss this year. It gave back almost $100 from the May high above $1300 to the May lows above $1200. But the decline didn't last long.

This picture turned on a dime this month with a weak jobs growth. All of a sudden, it didn't look like the Fed would be able to raise rates, and the dollar fell. Gold, silver, platinum and palladium, and especially gold shares, all jumped up.

Clearly, the gold universe has been one of the best investments this year. But the main observation today is .... if the May decline is all we get for weakness, and a renewed rise is getting started, then the bull market is truly roaring.

May is typically the start of a slow season for the gold market. But demand-wise, 2016 is bucking this trend.

According to the U.S. Mint, gold coin sales were up more than 206% in May compared to May 2015. It was the strongest May for physical gold since 2011, and this was in spite of the downward correction.

CHART 17

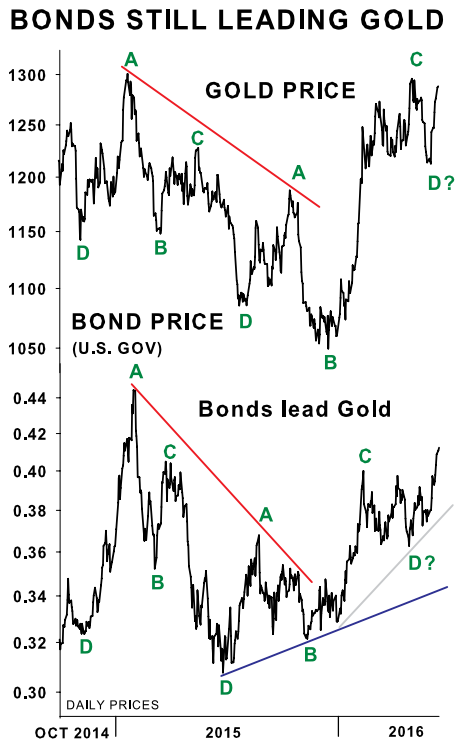
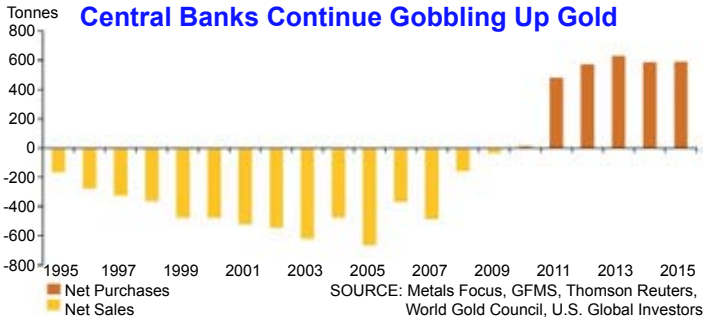


CHART 16



Gold is in a class of its own. Investors see a world flooded with negative interest rates and a world where investors have to pay "for the privilege" of holding government debt. And if the poor jobs report means the Fed may be keeping interest rates lower for longer, it makes sense that **more interest is turning to gold**.

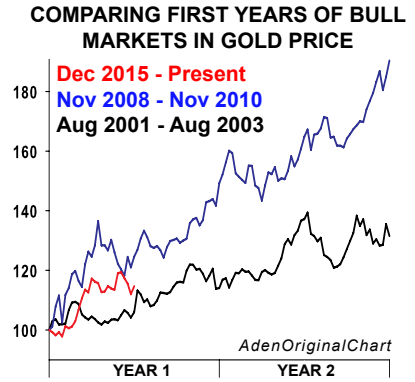
AN UNPRECEDENTED UNCERTAINTY

Bill Gross, the bond expert, believes the growing global move toward negative yields will have dire consequences. It's no secret that the current situation with the world's debt market is unprecedented and dangerous.

Does it make sense that the gold and bond markets are moving together? Yes, they're an odd couple, but they've been moving in lockstep for well over a year now. **Chart 17** shows that the bond market has been leading gold, and the latest rise is reinforcing this. Both have been moving together as safe havens, but it may now be different...

The growing bubble in the global bond market that Bill Gross is referring to is more likely the key factor that's been boosting the gold rise. It makes gold an attractive alternative for investors as a wealth-

CHART 18



preserving asset.

We all know that low interest rates are good for gold, but that doesn't mean that rising rates are bad for gold. Much will depend on the economic environment when that time comes.

DEMAND REMAINS ROBUST

Central banks have been diversifying into gold. You'll remember they turned to net buyers around the world in early 2010. They were net sellers up until then, as **Chart 16** shows.

Last year, according to Forbes, they collectively added 483 tonnes. This was the second largest annual total since the end of the gold standard, with Russia and China accounting for most of it. And the second half of 2015 saw the most robust buying on record, according to the World Gold Council.

Russia bought more gold than China in April, but China has been getting their vaults in place.

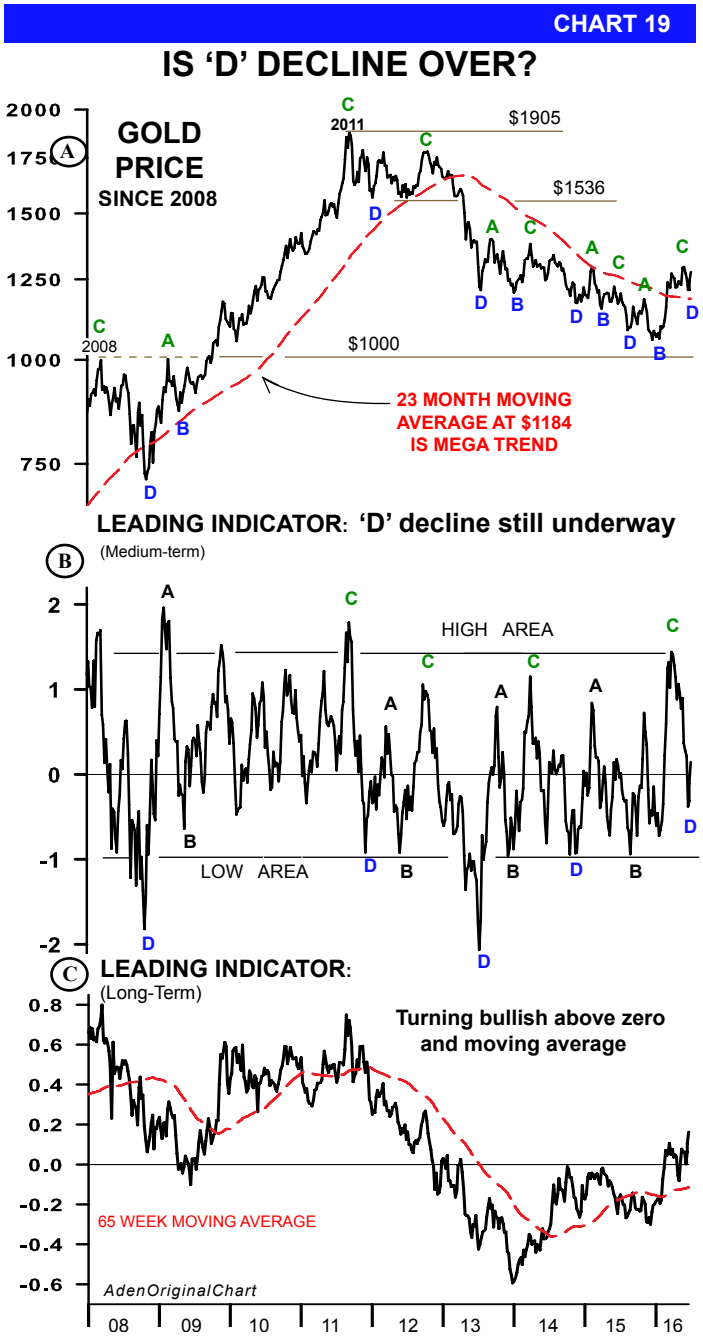
They bought one last year, and they're now buying another $90 billion vault for gold storage. While Chinese demand may be down some this year, their long term plan is well in place. They want more gold.

Hedge funds are also backing gold. George Soros and other big fund managers are returning to gold for the first time in years.

Soros bought $264 million worth of shares in ABX, the largest gold miner, and over $1 million in options to buy GLD. He also doubled his bet against the S&P500.

Banks are turning bullish on gold, like we mentioned with JP Morgan last month. And now HSBC is looking for gold buying to accelerate this year. Plus, the Perth Mint, like the U.S. Mint, sold far more coins and bars in April than a year ago.

The bottom line is, with each passing month, we continue to see a growing interest in gold. Be it a central bank, a famous person, or the average investor… The mainstream is moving toward gold.



BULL MARKET SIMILARITY

It's interesting to see how well the gold rise of the last six months has fared compared to the start of the last two bull markets. **Chart 18** shows that when indexing this rise to the start of the 2001 bull market rise, and to the start of the 2008 rise, this year's rise fits in well.

And assuming the current 2016 rise continues on in a multi year bull market, as we suspect you can see how much higher gold has to rise just in the first two years of the bull market. And that's not even showing the best part of the bull markets!

GOLD TIMING: Is "D" decline over?

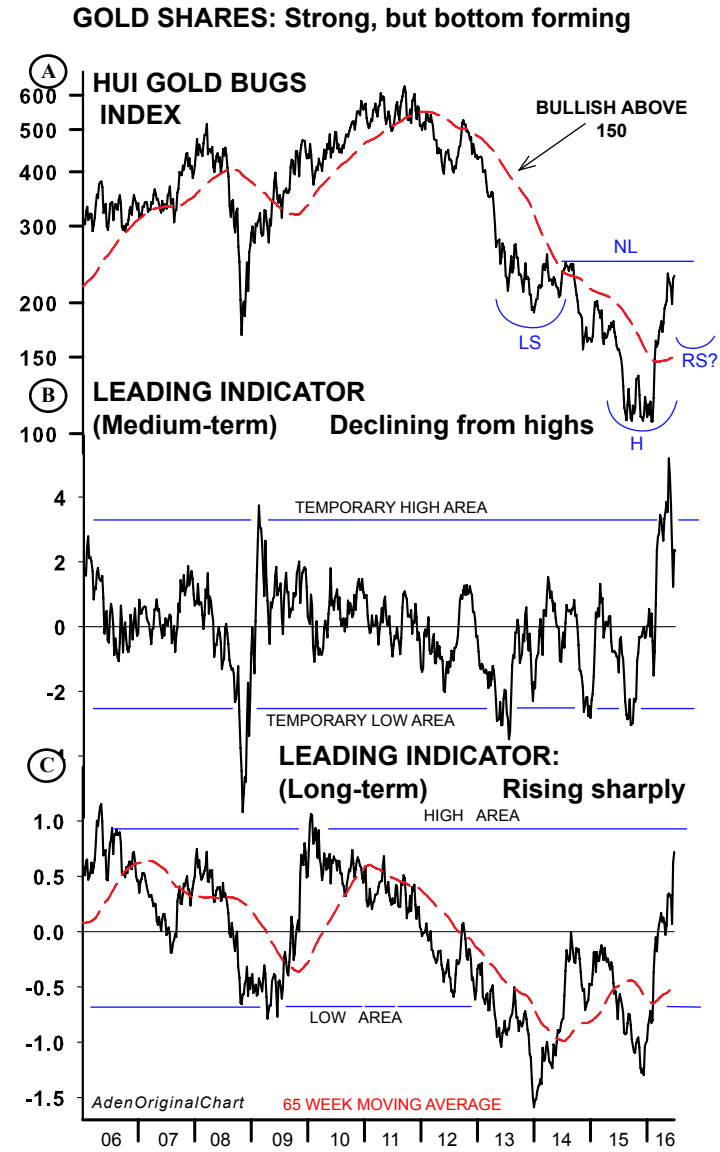
It doesn't seem possible that the 6½ % decline in May was gold's complete D decline. Gold held above $1200, which was very strong. But we'll go with what the market says, and for now a major bull market is getting started. And this decline was the first one since the rise began last December.

Gold's rise this year has been a great rise, up 23½% from its December lows. This has been the best intermediate rise since gold reached a record high in September 2011.

Gold has held between $1200 and $1300 since February, so this is the range we'll keep an eye on. Whichever way it breaks first will tell us if a new "A" rise is getting started, or if the same ongoing "D" decline is still in force.

Chart 19B is showing that the leading indicator is still in a D decline, and it has room to fall further. In other words, if it doesn't decline further, it'll be the highest D low since 2008, and it'll even be higher than the B lows. This would be unusual, indicating super strength, and we'll soon see the outcome.

CHART 20



More interesting are the steps and moving averages.

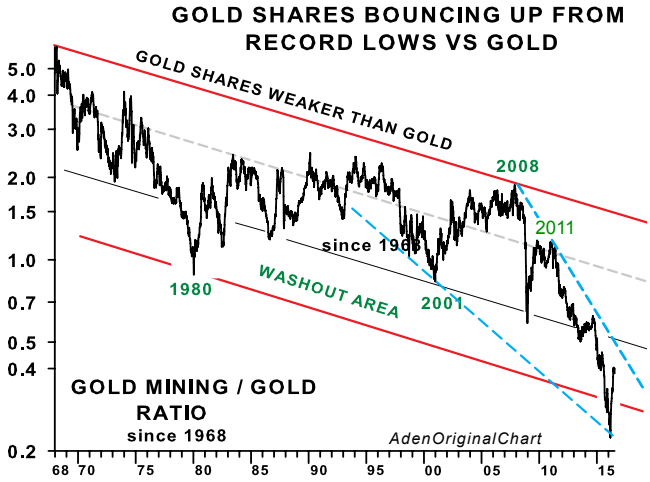
Note that gold is holding well above its 23 month moving average. This alone is very bullish and by staying above this level, now at $1184, it confirms that the December low was the low for the bear market near $1050, which was above the 2008 peak near $1000 (see **Chart 19A**).

This level is key during any further weakness in gold. We still can't discard more weakness because the D decline is still underway. But if gold rises and stays above $1300, the high area in May, it'll be another story.

If this happens and gold doesn't decline below $1200, then the bull market will be heating up. And if $1300 is clearly surpassed, an A rise will be underway, and the next target would be $1400.

It's interesting to point out that the $1536 level was the old bull market support, and once this level eventually gets surpassed, the full weakness of the major part of the bear market will be behind us.

CHART 21



The verdict is still out for the current D decline, and you can bet we're watching it closely.

Meanwhile, the leading indicator on **Chart 19C** shows the major gold trend turning up and it's bullish. That is, it's holding above the zero line and its moving average. Plus, it has plenty of room to rise further before it reaches the 2008 and 2011 high levels.

This is bullish action.

Keep in mind, at the start of bull markets, you'll hear a lot about price manipulators, and granted much of this is probably true. But once gold fever kicks in, there's no stopping the gold price. Once it takes off, it'll rise versus everything and push its way to the top. We'll be sure to be onboard for this type of move.

GOLD SHARES HAVE BEEN INCREDIBLE

They jumped back up to the highs, and in some cases reached further new highs this past week. We realize that gold shares are coming out of a big hole that lasted a few years, but they seem to be making up for lost time.

The HUI index, for instance, has already risen 133% since its January lows up to its latest June 9 high. It's still clearly overbought, and more down time would certainly be normal at this time.

Chart 20A shows that gold shares could still be forming a major head and shoulders bottom. And if this is the case, gold shares could consolidate before heading higher.

The upside is

CHART 22

limited to the NL for now. And during any upcoming weakness, the HUI index would remain in a bull market even if it were to decline to as low as 150, its 65 week moving average.

Note the two indicators on **Charts 20B** & **C**. They clearly show that the medium-term indicator is declining and it has room to fall further, while the long-term indicator is soaring.

Currently, as long as this major indicator stays above the zero line, it'll be giving a bullish reading.

With gold shares so strong, it's good to remember where they're coming from. **Chart 21** shows this best. It shows gold shares compared to gold since 1968. The plunge since 2008 was clearly a mouth dropping move.

Gold shares were hit the hardest during the post financial crisis in 2008. And they were especially hard hit after 2011 when the gold bear market started.

By the end of the drop, gold shares were at the bottom of an almost 50 year down-channel! And they are only now bouncing up from those very extreme lows. Note how this year's rise looks insignificant in the bigger picture. This tells us that gold shares still have a lot of upside potential.

CHART 23

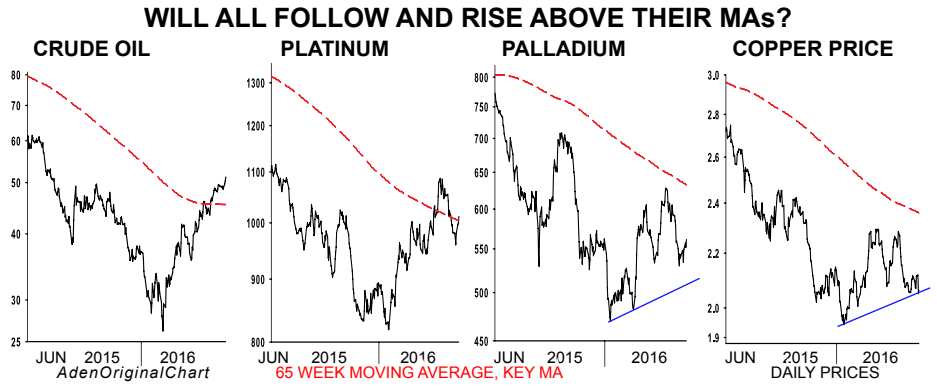
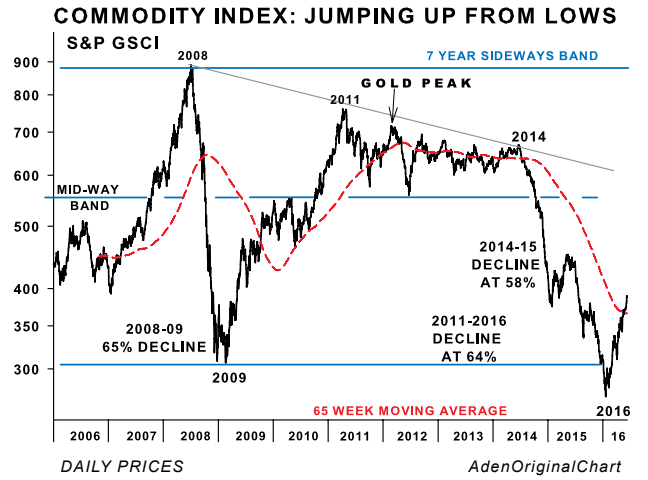


CHART 24



SILVER: Bullish too

Silver jumped up this month in its best daily gain since April. It's looking good and it's poised to outperform gold. **Chart 22** shows silver's bullish steps while it climbs out of the bear market. Like gold, its trend has turned up by staying above its 65 week moving average now at $15.50.

Silver gained 30% from its December low to its end-April high, just below $18. This means if silver stays above $15.50 and rises above $18, its next target level at $19 could be attained.

Gold, silver and gold shares generally move together, and while the other metals and commodities tend to move similarly, they are not in lockstep.

For now, we recommend buying and/or holding gold, silver, and the gold and silver ETFs and shares listed on page 12.

ENERGY AND RESOURCES: Mixed

The commodity market has been rising since February with higher highs and higher lows. And so far so good. A bottoming appears to be underway.

Commodities are the building blocks of the global economy. But with the second largest global economy, China, growing at its slowest pace since 1990, and considering they're the world's biggest buyer of many commodities, we'll continue to watch this sector from the sidelines.

Crude oil shot up sharply. It recently pushed up against $51, and it's now back above its 65 week moving average at $45 (see **Chart 23**).

Supply disruptions played a key role in pushing the oil rise above $50. Plus, China also helped keep oil up. They continue their robust demand, importing crude at a fast pace.

Meanwhile, Saudi Arabia, Iran and Iraq are ramping up production as OPEC's output surges. But this global glut was offset by the oil disruptions.

Higher oil prices this year relieved the ailing energy sector. But many drillers are still drowning in tons of debt. And Shell is set to lay off another 2200 employees.

Oil is now overbought, and it could likely fall to the $40-$43 support as China's crude imports hit an inevitable ceiling.

The commodity index on **Chart 24** shows its strong bounce up this year. This is a start, and it's saying we could see rising commodity prices in the years ahead.

So what commodity sector is best? Agriculture takes the prize for strength.

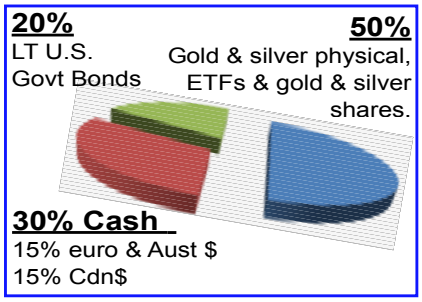
Energy is next. But with oil overextended we'll wait before buying energy stocks.

Resources are the least attractive because they're mixed. Zinc has been a winner while lead is a laggard. China has been taking advantage of lower prices in the raw materials too. They've been buying up iron ore, for instance, at today's lower prices.

Overall, the commodities are mixed. But looking at copper on **Chart 23**, you can see this depressed metal is a sign of a depressed global economy. Palladium is swayed by the resources as well.

OVERALL PORTFOLIO RECOMMENDATION

As we've often noted, when the markets change we have to change with them. And this month they changed. As you'll see below, this affected our Bond and Currency recommendations. It also changed our Allocation box on the right.



INTEREST RATES & BONDS

This month we made an about-face regarding our bonds. Bonds are looking good again and they're bullish. They're benefitting as a safe haven and they're poised to rise further. That is, long-term interest rates are set to fall further. After taking profits in bonds last month, we again recommend buying long-term U.S. government bonds and/or the strongest bond ETFs, which are UBT, TIP, TLT and TLO, with 20% of your total portfolio in our June 9 update. Use your cash to buy the new bond positions. For now, bond prices will remain very strong with the 10 and 30 year yields below 1.69% and 2.50%, respectively.

PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver and gold shares remain strong and they're set to rise further in this major bull market that's just getting started. So far, gold held above $1200 last month, but the D decline is still technically underway. If gold now rises and stays above $1300, however, it'll be embarking on a new A rise. For now, we recommend buying and/or holding gold, silver and the gold and silver ETFs and shares listed below. In our weekly update of May 19 we sold and took profits in AEM and NGD. We also sold RGLD, which was a laggard, but we may be buying more shares soon.

U.S. & GLOBAL STOCK MARKETS

The stock market has remained volatile and it's mixed. The tug-of-war continues and we advise staying on the sidelines until the outcome clarifies. Meanwhile, stay cautious and don't buy new stock positions at this time (gold and silver shares are the exceptions). And if you still have a large amount in common stocks, trim your stock holdings.

CURRENCIES

The U.S. dollar remains bearish and it's poised to fall further. That is, the currency markets are headed higher.

Our cash position has now been lowered to 30% of our recommended portfolio because we used 20% to buy U.S. bonds. (As mentioned in our weekly update of June 9, use 10% of your U.S. dollars and 10% of your euros and Australian dollars to buy the bonds.)

This will leave you with a 15% position divided between the euro and Australian dollar and 15% in Canadian dollars, which we continue to recommend buying and holding and / or their ETFs, which are FXE, FXA and FXC, respectively.

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	Jun-16	93.20	94.69	1.60	Buy/Hold
20+ year Try Bond	TLT	Jun-16	134.78	135.57	0.59	Buy/Hold
iShares TIPS	TIP	Jun-16	115.81	115.78	-0.03	Buy/Hold
LT Treasury SPDR	TLO	Jun-16	77.55	78.18	0.81	Buy/Hold

GOLD AND SILVER ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Central Fund of Cda	CEF	Jan-15	13.36	13.45	0.67	Buy/Hold
Gold Miners ETF	GDX	Jan-15	21.74	26.28	20.88	Buy/Hold
Sprott Gold Miners	SGDM	Mar-16	19.20	24.35	26.82	Buy/Hold
Gold Shares SPDR	GLD	Jan-15	125.23	123.43	-1.44	Buy/Hold
Gold (physical)		Oct-01	277.25	1288.30	364.67	Buy/Hold
iShares Silver Trust	SLV	Jan-15	17.61	16.64	-5.51	Buy/Hold
Silver (physical)		Aug-03	4.93	17.50	255.03	Buy/Hold
Silver Wheaton	SLW	Jan-15	23.05	21.09	-8.50	Buy/Hold
Platinum ETF	PPLT	May-16	101.10	94.00	-7.02	Buy on weakness

CURRENCY ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM	TRAILING STOP
Can dollar ETF	FXC	May-16	76.81	76.68	-0.17	Buy/Hold	72.00
Euro ETF	FXE	Mar-16	110.65	109.85	-0.72	Buy/Hold	106
Australian dollar ETF	FXA	Mar-16	76.48	74.24	-2.93	Buy/Hold	70.00

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

