THE
ADEN FORECAST
MONEY • METALS • MARKETS

JUNE 2017 *Our 36th year*

YOUR QUESTIONS ANSWERED...

It's been a while since we've answered some of your questions... and they keep coming in.

So this month we're answering the most frequently asked questions and a couple of others we thought were interesting.

Please know that we appreciate all of your notes, comments and questions. But it's difficult to answer each one because we'd never get our work done. We do, however, always try to incorporate your questions into our issues and we thank you for writing.

So for now, here's what's on your minds...

Q: Could the Russian investigation and Trump's political concerns affect the markets?

A: So far, they haven't. The stock market has basically ignored what's happening in Washington and it's still focusing on other things, like good earnings, the economy and so on.

But last month we got a taste of how this could indeed affect the market. The stock market fell sharply in its worst one day drop in months. The growing concerns in Washington were the main reason why and this is something we'll definitely want to keep an eye on.

Some are saying the Russian probe could end up being like Watergate.

We'll see... but if so, it's important to remember that Watergate coincided with a big bear market in stocks in 1974 and a recession. That doesn't mean this has to fall out the same way but, again, it does warrant caution.

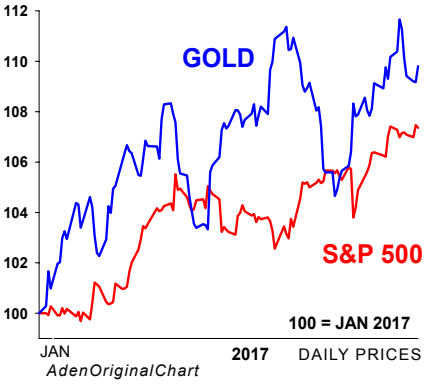
Q: What was the date of gold's last C rise top?

A: The last C rise in gold started at the bear market low in December, 2015, and the top was reached in August, 2016. During that rise, gold gained about 30%. It was also the rise that turned gold's bear market into a bull market.

This year gold has moved up too in a smaller rise we call 'A' (see **Chart 1**). (You'll read more about this latest gold action in this month's Metals section.)

CHART 1

2017: GOLD BETTER THAN S&P 500



Most interesting, you can see on the chart, gold has outperformed the S&P 500 this year!

Even though the stock market has been getting all the publicity, most people don't realize the gains in gold have actually been greater this year. In fact, that's been the case over the past 20 years too. Gold has outperformed both stocks and bonds.

Q: When you say buy on weakness, how do I know when to buy?

A: We know you're referring to the euro, which we recently recommended in a weekly update. Buying at a spot price near 1.10 would be ideal, or as close to this level as possible.

Q: When you refer to a "normal downward correction," what do you mean? The technical definition of a correction is after a market declines 10% from its high. Less than 10% is an adjustment Comments?

INSIDE

U.S. & World Stock Markets 3
It's a global rise

U.S. Interest Rates & Bonds 5
Short rates up, long rates down

Currencies 6
U.S. dollar: Turned bearish

Metals & Natural Resources 8
A resilient market

A: We're so glad you brought this up because we've been meaning to mention this…

These definitions are just something someone made up one day, and in the past decade or so many traders have taken these rules as gospel…

Another one is the definition for a bear market, which is a decline of 20% or more.

This doesn't really mean anything. A bear market, for instance, could be a decline of 10%, 20%, 50% or more. There are other indicators and tools to use that'll determine if a market is bearish or not, and not just a 20% decline.

The same is true of downward corrections…they might decline 4%, 8%, 15%… It just depends on if it's a steep correction or a moderate one. Here too, other indicators will assist in identifying when a correction is over.

Our indicators, for example, are designed to aid in identifying major and intermediate trends, and major changes.

But the numbers should not be ignored. Since so many traders follow this rule, you have to keep this in mind because it will affect sentiment.

Overall, however, all factors need to be taken together in an effort to reach an educated conclusion… at least that's what we strive to do.

Q: When the VIX is high, the adage is to buy. When the VIX is low, it's time to go. Does that still apply?

A: Like most stock market rules, this one is not ironclad…

As you know, the VIX index is the fear index. And the general rule is this… when investors are scared and fear is high, it usually coincides with a stock market bottom and you'd want to buy.

On the other hand, when fear is low, it usually means stocks have been doing well and the market's near a top, so you'd want to sell.

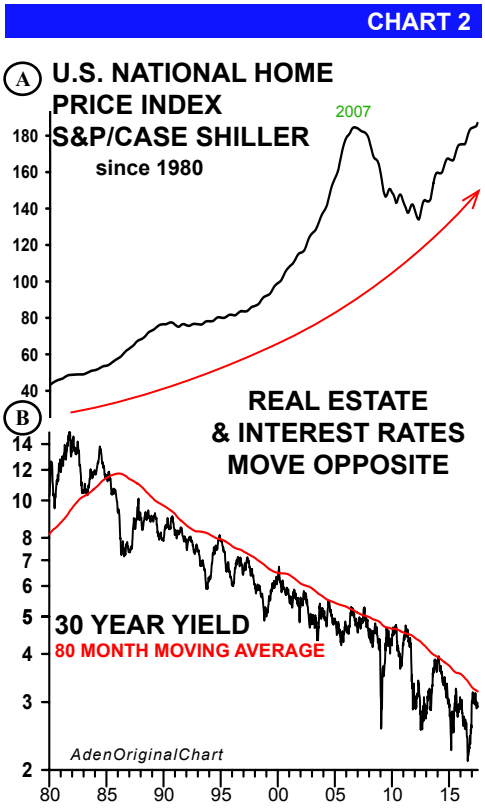
This is not a timing tool and the rule doesn't often work. This year, for instance, the VIX has generally been low for about the past year, meaning investors have not been fearful, yet stocks have surged upward. So this rule, like many others, can go off the bandwagon for a while.

Q: Many experts are warning of a steep crash. Are you concerned?

A: We're always concerned when we hear these forecasts. But we also know that many of these experts have been saying the same thing for decades. Yes, 2008 was scary but a total collapse just hasn't happened.

We know that debt, derivatives, delinquencies, credit growth and several other factors are at worrisome levels, and some are in worst shape that in 2008. Like the subprime problem then, any of these factors could evolve into a wild card, triggering a crisis.

At this point, there's no way of knowing when this might happen or how deep it could be, but here too we'll be staying cautious and on the alert.



Q: Will you be recommending cannabis stocks in the near future?

A: It's interesting to note that a lot of these companies are suddenly popping up all over the place. We saw this clearly at the recent Money Show Investment Conference in Las Vegas.

We'll see how it goes, but yes, some of these companies may end up providing some opportunities. And as always, we'll keep you posted.

Q: Do you think there should be caution about stocks given the historical pattern in 1929? At that time, the Dow Industrials rose for 8 years, then corrected for 3 years.

This time, the Dow has been rising for 8 years. If we're to see a similar pattern to 1929, then stocks could correct until 2020, which correlates to your time frame for a high in gold.

A: Well, anything is possible. We all know that. But looking at the price action, there is currently no sign of a stock market top, at least not yet.

On the contrary…as you'll see in this month's Stock Market section, stocks remain strong and bullish, and they're poised to rise further.

One important reason why is because interest rates remain near historical lows, and the stock market loves low interest rates (see **Chart 2B**).

The real estate market has been thriving too in this low interest rate environment. As you can see on the chart, real estate prices recently hit new highs and they'll likely continue to do well as long as interest rates stay near these low levels.

So all things considered, this alone could make today's situation different than what played out in the 1920s. But again, it's best to keep on open mind.

U.S. & WORLD STOCK MARKETS

It's a global rise

The stock market keeps on rolling. Once again, it's been hitting new record highs, in the U.S. and in many other countries. And despite these impressive rises, stocks are still set to rise further.

A 1990s REPEAT?

We know this may seem unrealistic, but that's what our indicators are telling us. In other words, even though stocks are overvalued, they could keep going up and become even more overvalued.

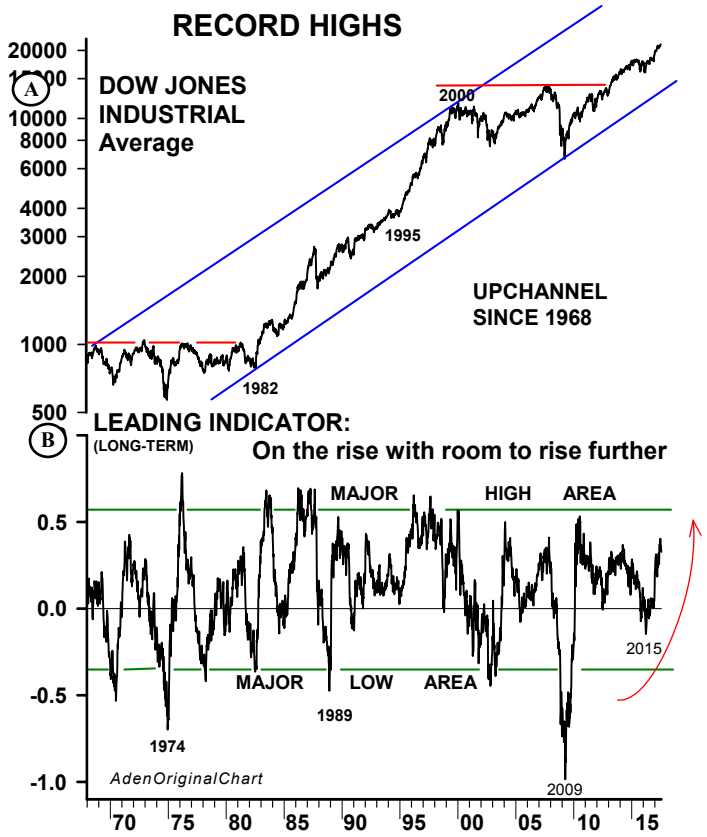
In fact, we're beginning to feel this bull market in stocks could end up being a late 1990s repeat…

As we showed you last month on Chart 5, today's bull market has been moving in lockstep with the 1990s rise.

You may remember, at that time stocks simply soared, reaching valuation levels that were totally unprecedented.

In true bull market fashion, the stock market was in a feeding frenzy for several years in the second half of the 1990s (see **Chart 3A**). Everyone was buying stocks like mad and that's all anyone talked about. This is typical when bull markets reach maturity.

CHART 3



Currently, however, this hasn't happened yet. Yes, stocks are hitting record highs but there's no frenzy in sight.

This will probably come later.

NO FRENZY YET

As you can see, the leading indicator for the Dow Industrials still has room to rise further before it reaches the "major high area."

This means there's more upside to come, and this will probably coincide with more "buyer's excitement." And if buyers then get frenzied, we could see stocks soar to levels most people aren't expecting.

Remember, stocks often overshoot during bull markets and as this upmove keeps gaining momentum, it has all the ingredients for an upside surprise. We'll see what happens…

So continue to enjoy the ride for as long as it lasts.

CRAWLING THE BULLISH WALL OF WORRY

Looking at **Chart 4**, you'll see that all of the stock indexes are well above their moving averages. These averages identify the major trends and if the indexes

CHART 4

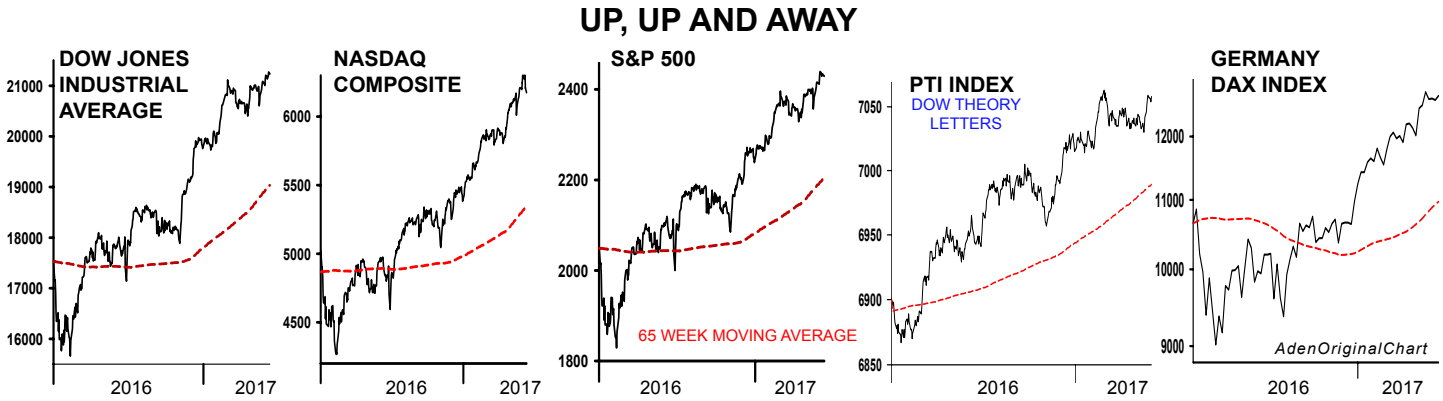
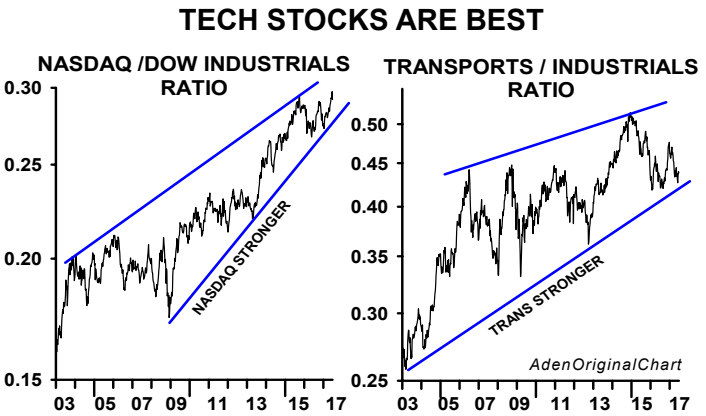


CHART 5



stay above these levels, the major trends will remain up, thereby signaling prices are headed higher.

Over the past month, stocks took a one day tumble, due to nervousness over Washington's ongoing woes. But the market then quickly rebounded and continued on its merry way. Pushing worries aside, the market instead focused on the bullish factors.

The growth rate for earnings in the first quarter, for instance, was a robust 14%. This was the strongest growth in more than five years and it coincides with the bullish price action.

Plus, as we showed you last month, more stocks are advancing than declining. This too reinforces the bull market is solid, and the same goes for the leading economic indicator.

It's been on the rise, telling us the outlook for the economy is still positive. This in turn is good for the market, signaling it'll likely continue to rise in the months ahead.

SECTOR STRENGTH

Okay, but which stocks are best?

Currently, we recommend a cross section of stocks and ETFs. That's mainly for reasons of diversification, but tech stocks have been leading in this bull market, and especially this year.

Chart 5 (left) shows the ratio of the Nasdaq compared to the Dow Industrials. As you can see, Nasdaq has been stronger than the Dow since this bull market began in 2009.

On the other hand, the Dow Jones Transportations has been declining compared to the Dow Industrials in recent years (see **Chart 5**, right). That is, the Transports are weaker than the Dow Industrials and they've been lagging.

GLOBAL MARKETS BULLISH

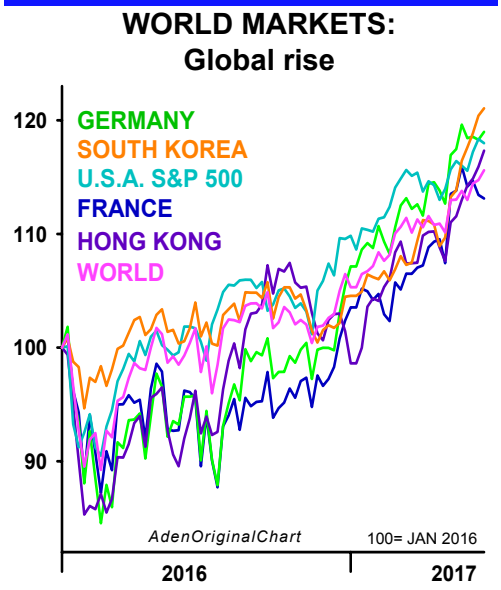
The global stock markets have generally been moving along with the S&P 500 (see **Chart 6**). But with lower PE ratios, many of the world stock markets are expected to outperform the U.S. stock market in the years ahead.

That's especially true of the emerging stock markets. Last month we showed you how they've already been outperforming the S&P 500. That's because their growth potential is greater and they are not expensive.

And if the global economy continues to move forward, the emerging markets will likely continue to be winners.

For now, we're invested in these sectors via the Templeton Emerging Markets and the S&P Global 100. Both of these are doing well and they'll probably remain good performers.

CHART 6



WHAT TO DO

Currently, we advise keeping the stocks you have. And if the market corrects downward, which should happen sooner or later, we'll probably buy more, ideally on a dip. Keep in mind, the market has risen steadily for 1½ years without a normal correction. So don't be surprised to see weakness as we go along.

For new positions, the stocks we like most are Dow Industrials (DIA), Nasdaq (QQQ), Russell 2000 (TWOK), Templeton Emerging Markets (EMF) and S&P Global 100 (IOO).

And finally, we'll likely soon be selling Alcoa (AA) and U.S. Steel (X), replacing them with better performing stocks.

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U.S. INTEREST RATES AND BONDS

Short rates up... Long rates down

Interest rates were clearly mixed this month. They're doing their own thing. This is sending mixed signals, so what's the story?

INTEREST RATES MATTER MOST

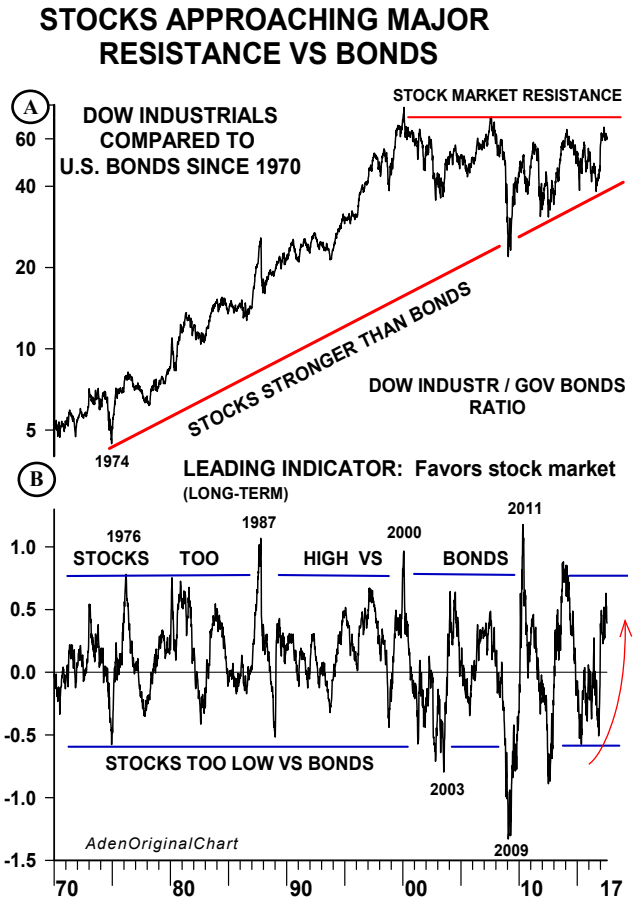
As you know, interest rates are one of the most important markets in the world, if not the most important. Most investors don't realize this and they don't pay much attention to interest rates, but we do. Why?

The main reason is because **interest rates affect nearly all of the other markets.** For example, low interest rates in recent years have steadily driven stock prices higher. And even though bond prices have risen too, the stock market has outperformed bonds.

Looking at **Chart 7A**, you'll see the ratio, which compares stocks to bonds.

Note, the ratio has been rising for decades, and in recent years it's moved up too. This shows how stocks have been much stronger than bonds and the leading indicator (**B**) is also reinforcing this. That's because the stock market literally thrives on low interest rates...and interest rates affect other markets in different ways too.

CHART 7



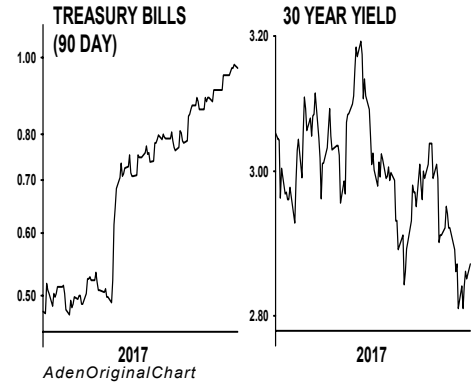
SHORT RATES UP, LONG RATES DOWN

Normally, interest rates move together. That is, short-term interest rates, like the 90 day T-Bill rate, will usually move in the same direction as a long-term interest rate, like the 10 or 30 year yields. But that isn't always the case.

Currently, for instance, the 90 day T-Bill rate has been soaring, rising from .50% earlier this year to almost 1% (see a close up view on **Chart 8**). This is a very big deal.

Even though the T-Bill rate is still below 1%, this short-term interest rate was so low, this rise has been impressive and it's now at the highest level since 2008.

CHART 8



This also clearly confirms a major trend reversal, which means interest rates are poised to head higher in the months and years ahead.

LT YIELD: 7 month low

Contrary to what you'd think, however, the 30 year yield fell to a seven month low in its largest drop in nearly one year. Rather than rising like T-Bills, it's on the decline and it could fall further.

As you can see on **Chart 9A**, which shows a longer term perspective, the 30 year yield has been resisting at its mega moving average, signaling the mega trend remains down. Plus, the leading indicator (**B**) is also falling, telling us the 30 year yield is headed even lower.

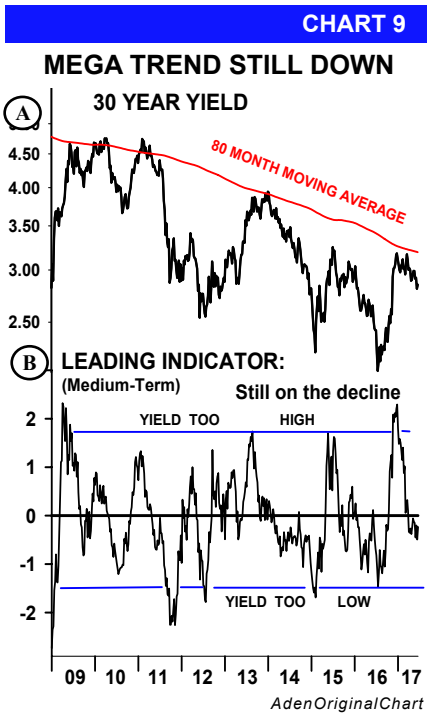
If so, this means bond prices will rise further, and these are the mixed signals we're referring to.

A higher T-Bill interest rate, for example, suggests the economy is strong and inflation pressures are increasing. It moves with the Fed Funds rate which is dictated by the Federal Reserve.

On the other hand, declining long-term interest rates are pointing to slower economic growth and low inflation expectations.

But again, **higher bond prices are also due to a flight to safety.** Bond prices almost always go up when investors get nervous and they've been concerned about what's happening in Washington.

So far, this hasn't been a huge concern but nervousness definitely kicked up a notch this month. This in turn drove long-term interest rates down as investors bid up the price of bonds (Remember they move in opposite directions). But there



have been other effects as well…

BONDS AND UTILITIES

Bond prices and utility stocks generally move together (see **Chart 10**). This month, the Dow Jones Utility Average hit a record high.

Bond prices are following and this too is suggesting bond prices are set to rise further (long-term interest rates are going to head lower).

For now, lower interest rates have also been putting downward pressure on the U.S. dollar. As you can see on **Chart 11**, the dollar index has been on the decline since December and it's currently near an eight month low. In this month's Currencies section, you'll see the dollar has finally turned bearish, meaning the major trend is now down.

Lower interest rates will make the dollar more unattractive to investors, putting even more downward pressure on the dollar in the months ahead. This in turn will put upward pressure on the stock and metals' markets.

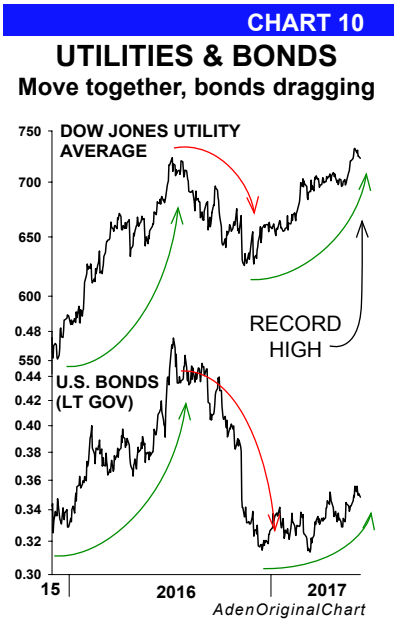
So you see how it all ties together and interest rates basically call the shots… We'll soon know if this scenario unfolds as the markets are forecasting.

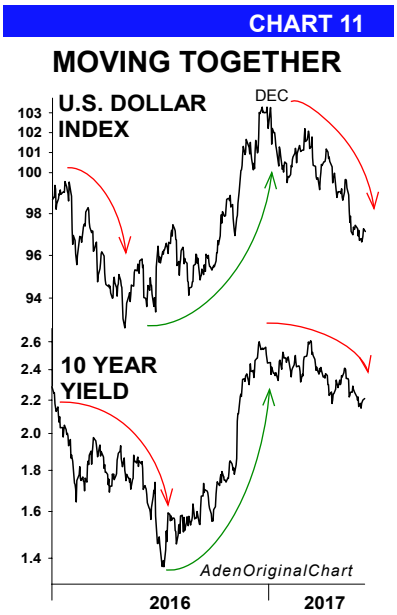
But until they tell us otherwise, we'll go with what the markets are telling us.

WATCH FROM SIDELINES

Okay, then why don't you recommend bonds?

We've mentioned several times why we believe long-term interest rates will eventually follow short-term interest rates up.





This will likely coincide with a bursting of the bond bubble that's been in force for 36 years.

Once this happens, bond prices will drop sharply and a rise above 3.20% on the 30 year yield would confirm this.

We're not sure when this will happen. But bonds have been lagging, they're risky, and stocks and gold have better potential.

That's why we continue to recommend avoiding bonds and staying on the sidelines. If this changes, it'll be another story and we'll get on board. But we don't see that happening for the time being.

CURRENCIES

U.S. dollar: Turned bearish

The U.S. dollar finally broke down. It dropped to an eight month low and it's turned bearish. That is, the major trend is now down and it's set to fall further.

CONCERNS ABOUND

The main factors pushing the dollar lower this month were the developments in Washington… Comey, the Russians, the investigation and tensions with Europe all caused worries to grow, fueling concerns about the outlook for the U.S.

As we've often noted, the markets do not like uncertainty. And as uncertainty continued, it took its toll on the U.S. dollar. Investors became more nervous and they sold their dollars, opting for other currencies instead.

But this didn't really come as a surprise…

U.S. DOLLAR: Declining from major top area

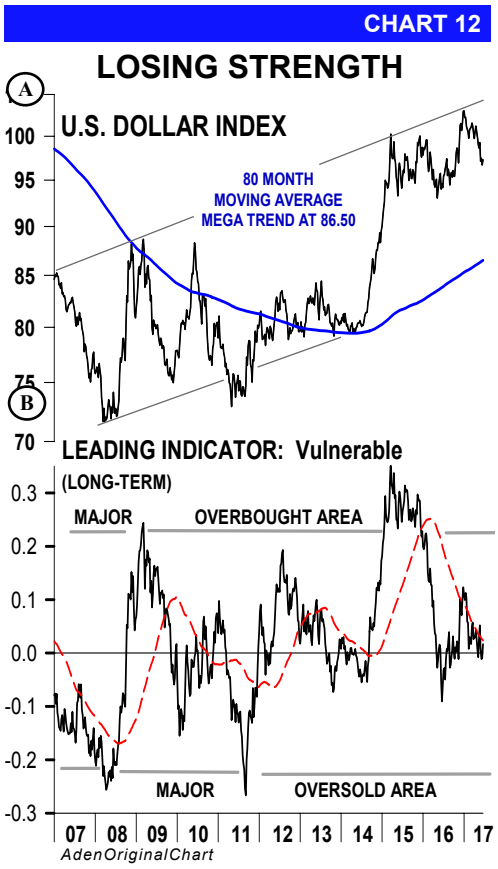
As you know, the dollar has been forming a top for a couple of years now (see **Chart 12A**). This followed its safe haven rise, which began during the financial crisis of 2007-08. And while the dollar index was volatile for

several years thereafter, it then rose strongly in 2014… But those days have come to an end…

The dollar has been declining this year. Lower interest rates have been negative for the dollar, and so has the sluggish economy and the big trade deficit.

It was finally too much and the dollar index broke below 97.80, its 65-week moving average (see left of **Chart 14**).

This triggered a bearish signal and the dollar index could now decline to about the 93 level, which is the next support, near the 2015-16 lows. If the dollar index then breaks below the 93 area, its next downside target would be at 86.50.



This level is most important. Looking again at **Chart 12A**, you can see the mega trend is currently at 86.50. So if the dollar index eventually falls below this level, it'll mean the mega trend is turning down, which would be huge because these trends do not change often. It would also signal a big dollar decline is underway.

Meanwhile, the leading indicator is starting to break down too (see **Chart 12B**). It's turning bearish and if it stays this way, which we believe it will, it's telling us the dollar index could indeed fall much further before it's oversold. That is, the 86.50 level would unlikely hold.

So these are the numbers to be watching in the weeks and months ahead… 93 on the U.S. dollar index and if that's broken, then 86.50.

CURRENCIES: Bottoming

The weaker U.S. dollar of course means the major currencies are firming up. But so far, the euro has been the primary beneficiary. This in turn has spread over to the Swiss franc (see **Chart 14** again).

The other currencies are basically still bottoming. They haven't benefited as much as the euro has, but we're fairly certain they'll end up following the euro up, sooner or later.

For now, however, let's take a closer look at the euro…

EURO: The leader

Looking at **Chart 13A**, you'll note the euro has been forming a bottom since 2015, at the lower end of its multi-year downchannel. Technically, it just turned bullish by rising above its moving average at 1.0980.

This tells us there's a good chance the euro will now continue to head higher, probably up to the top of the channel near the 1.30 level as a reasonable target. The euro's leading indicator is turning bullish, reinforcing this too.

We like the euro. So far, it's been the strongest currency and this will likely continue. Why?

Mainly, things have settled down in the Eurozone and the outlook has improved a lot. Macron's win in France is cementing European unity, political risks have faded, and that's been good for the euro.

Plus, Germany's economy is doing well and it's the largest in Europe… inflation is perking up, industrial production and business sentiment are strong, and exports grew almost 11% in March.

So all things considered we now recommend taking half of your cash, which is in U.S. dollars, and buy the euro on weakness, ideally at around 1.10. We also like the euro ETF (FXE) to buy near 107.

The Swiss franc is good too and if you'd like to diversify, it's okay to buy as well. Its ETF is FXF. But it looks like the euro will outperform the Swiss franc, which is why we favor the euro.

THE OTHERS...

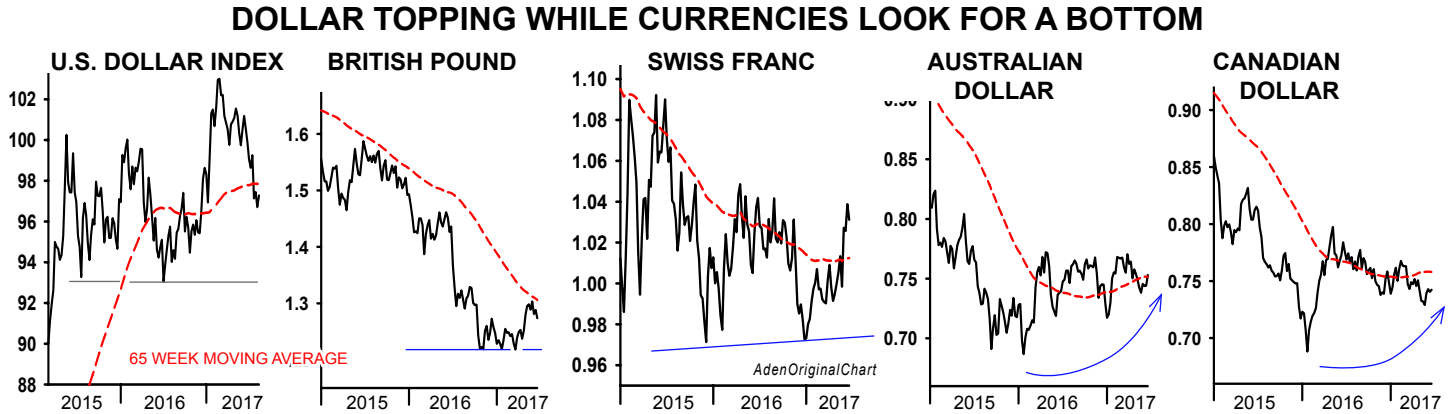
As for other currencies…

The British pound has Brexit and the surprise election results hanging overhead. Until that's settled, the pound will probably remain under pressure.

The oil price is basically still driving the Canadian dollar. The same is true of commodity prices, which also affect the Australian dollar, along with events in China.

Currently, we're keeping

CHART 14



half of our U.S. dollars. We want to have this cash available in order to take advantage of new opportunities as they pop up.

Also remember, the weaker dollar is going to make U.S. exports cheaper. This could boost business and the economy, which will be a welcome relief at some point. Nevertheless, we'd still keep your cash dollars to a minimum. And if the U.S. dollar is not your home currency, then keep your funds in your own currency or in the euro. We think you'll be glad you did.

METALS, NATURAL RESOURCES & ENERGY

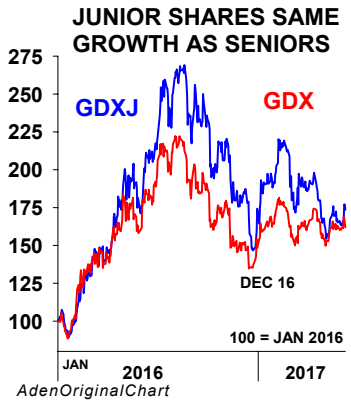
A resilient market

The metals bounced up with gold reaching its highs since the Trump election. It's been a rocky, yet steady rise to its recent June 6 high when gold neared the $1300 level.

Indeed, gold is a good investment to buy and hold during these unprecedented times. It's basically important to keep an open mind and go with the flow.

From uncertainties over the weakening dollar, President Trump, the Russian investigation, the UK terrorist attack and election, and most important, the monetary inflation and debt that's a constant in the background, it's wise to keep a good insurance protection, which is gold.

CHART 15



WHY ISN'T GOLD MUCH HIGHER?

With that said, you have to wonder why isn't gold much higher? Surely the dollar has fallen more than gold has risen. And even with many uncertainties, the stock market continues to leap forward.

You saw on page 1 that gold has gained nearly 13% this year, which is more than the S&P500 has risen at almost 9%. Of course, Nasdaq has been the winner this year; it's up 17.4%.

So far, the gold universe hasn't been rip-roaring like the stock market has, which is why the rise has gone unnoticed. But as you'll see, that may not be the case for long.

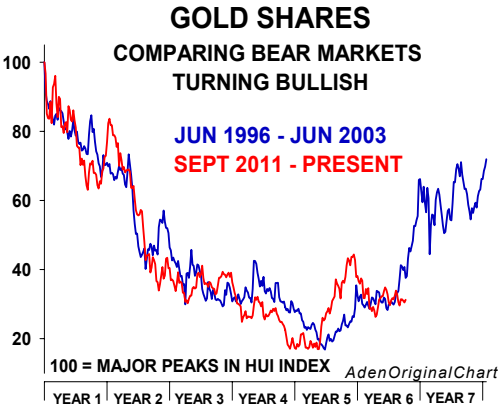
Gold shares have also been uneventful.

They were off to a strong start this year rising 20%-30% to the February high. But they've been lackluster ever since, and they've essentially been consolidating above the December lows for four months.

The sell off in the juniors ETF (GDXJ) was overdone. It was in reaction to investors wanting more than GDXJ was able to produce. It was too much of a good thing, but GDXJ is being readjusted and it rebounded more than the other gold shares in June.

Interesting is that for all the talk about the weakness in the junior mines, **Chart 15** shows that comparing GDXJ to the senior gold share ETF (GDX), since the start of the rise in 2016,

CHART 16

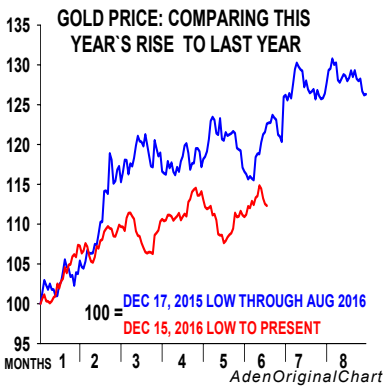


GDXJ has outperformed GDX. That is, the juniors are now stronger than the seniors, so it's all good.

Overall, however, gold shares are still very undervalued.

We're showing several charts this month that reflect this, but first, take a look at **Chart 16**.

CHART 17



It compares the worst bear market in gold shares starting in 1996, up until 2003, when they turned bullish (in blue), to the more recent bear market since 2011 (in red). Most impressive are the similarities.

This implies that gold shares may be at the onset of a good sized rise. Of course, we'll be keeping a close eye on the shares.

Like gold shares, silver's sell off was also overdone, but both have been holding up well. In fact, investors took advantage of silver's sell off and started buying Silver Eagles.

DEMAND UPDATE

Demand overall has been low so far this year compared to last year. But according to the World Gold Council (WGC), China's consumer demand for gold rose 8% yearly in the first quarter, in spite of the 18% fall in global demand, mainly due to slower central bank buying.

But investment buying was up in the first quarter. China's investment in gold bars and coins was the most impressive, jumping 30%, the 4th highest on record. Plus, global demand for bars and coins was up 9% during the same time.

Meanwhile, the second quarter's demand is coming more from European investors, especially after the French election, doubling North American buying according to the WGC.

The Russian central bank also bought up gold in May. Plus, demand for U.S. American Eagle gold and silver coins picked up in May, after three months of decline.

The volatile gold moves from the mid-April highs to the May lows and back again to the highs in June reflected this. Hedge funds and money managers sold in May, and expectations of a rate rise also put pressure on gold.

Demand, however, continues to grow in both India and China as they keep supporting gold at $1200. And our dear friend Chuck Butler says Dubai is going to issue a gold backed crypto-currency.

This is all good news for gold, with a promising outlook ahead, even though this year's demand has been down compared to 2016.

The bottom line is that so far this year, the U.S. Mint has sold about half the gold ounces it did last year during the same time period. **Chart 17** reflects this. Note that gold's rise this year has not been as robust as the rise in the first half of last year.

It's now to be seen how the seasonally slow Summer months fare for gold.

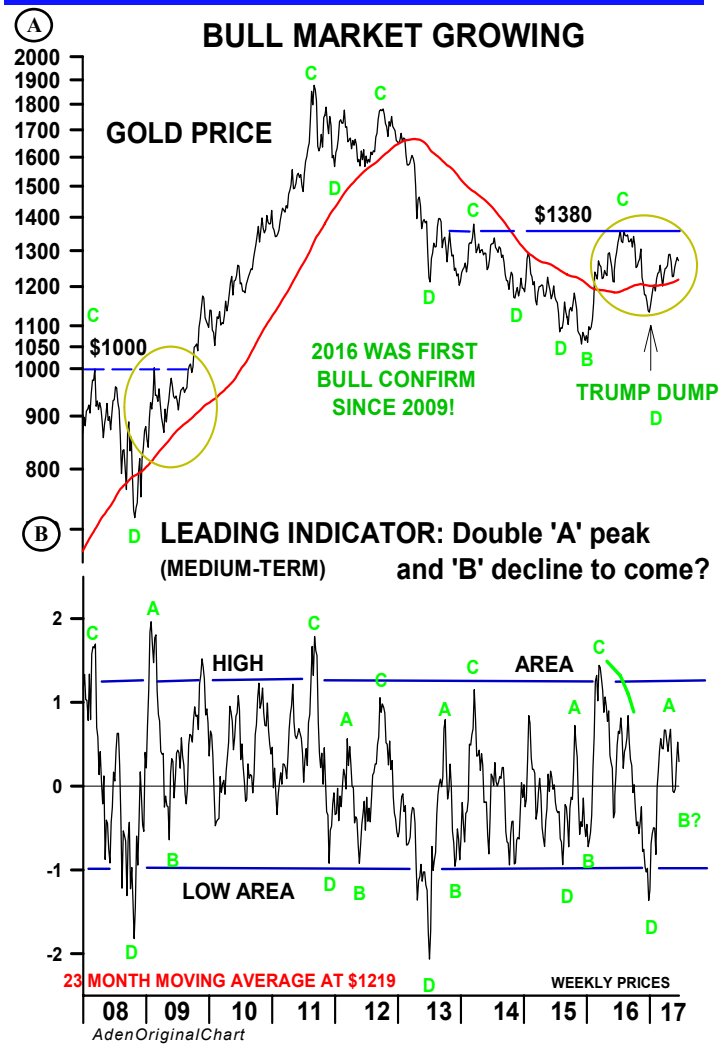
On a final note, one item that affects supply and demand is fraud. David Liew, a trader who used to work for Deutsche Bank, pleaded guilty in federal court in Chicago for spoofing the gold, silver, platinum and palladium futures markets. This is illegal trading where the trader places an order without the intent of executing it in an attempt to manipulate the price.

So price manipulation goes on.

KEEPING A CLEAR LOOK AT GOLD

Let's next take a look at gold's price action and see what it's telling us... **Chart 18A** provides a good guideline to better measure this bull market, and the

CHART 18



strength, or lack of it as time goes on. The red 23 month moving average also plays a key role.

The chart starts in 2008, almost 10 years ago. Starting first with the moving average, you'll see gold fell temporarily below this average in the previous bull market, during the worst of the financial crisis in 2008.

Otherwise, this average has worked uncannily well in identifying the major trend. The only other exception was gold's fall when Trump won the election. Gold again fell temporarily below this average. And in both cases it was during a decline we call D.

D declines tend to be the worst decline in the cycle. (These are labeled on the price action and on gold's leading indicator below.) And these declines are especially brutal in a bear market. However, in bull markets, during sharp sell-offs, gold tends to remain higher than the previous D decline.

The last D decline occurred this past December, and while it dipped below the red moving average, it held well above the prior D low. That was a good sign.

The A through D moves in gold have cyclical characteristics that have repeated over the decades.

The As and Bs, for instance, tend to be consolidation phases. That is, a moderate A rise and a moderate B decline are the norm. They can be strong, but if they are it's usually an exception.

What's unclear today is if the decline in April-May was indeed a B decline. At a 6% decline it would have been mild.

So we're now watching this closely, especially as we enter the slow Summer months. Even though gold reached a new high on June 6, it was close to the April 18 high, which means this could end up being a double A peak. And considering the rise has been an almost 15% rise from the December low, if this proves to be the case, then it will have been the best A rise since 2013.

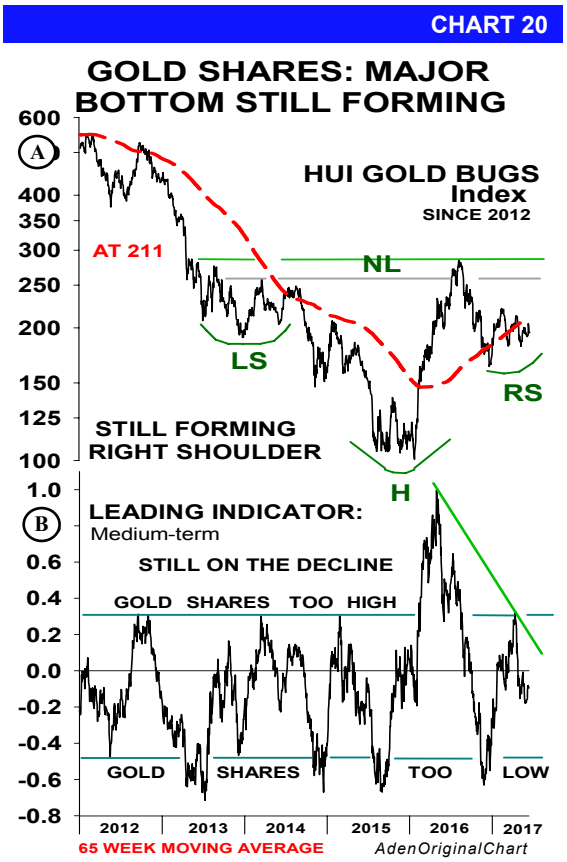
SO HERE WE HAVE IT...

C rises are the best rise in the cycle. During bull markets that's when the best leg up occurs, and gold tends to reach a new high for the move.

The questions today are, was the latest high this month truly a double A? If so, we could see a B decline still occur during the Summer months. OR, was the decline in May a mild B decline? If it was, then the bull market is very strong and a C rise is trying to get started.

Either way is good, and it's saying, while gold's upside has been disappointing compared to last year, it's holding up well.

For now, keep an eye on $1250 because gold is very strong above it. But if a B decline develops, we could see the $1200-$1217 level tested. In a stronger decline, we could possibly see $1180 tested.



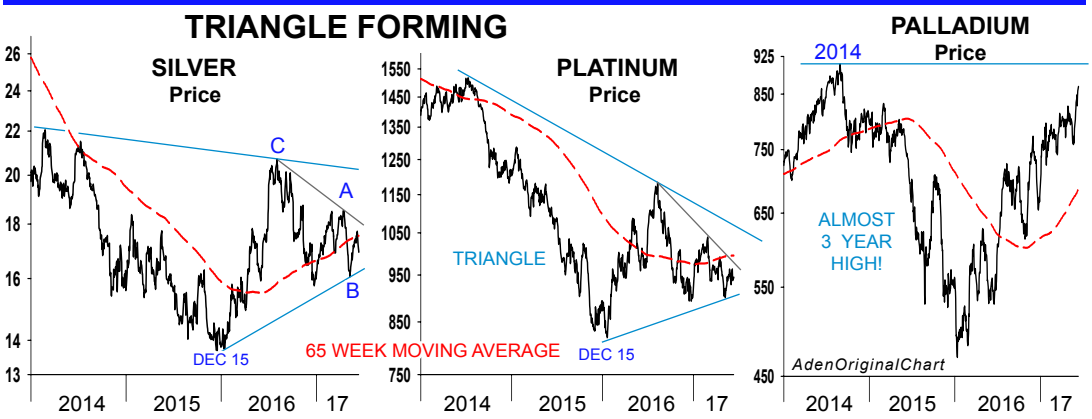
On the upside, $1300 is key! Gold's having a hard time rising above this level. So watch it. Once $1300 is surpassed, the $1380 level will become the biggest key number to confirm the full turnaround from bear to bull.

Note on **Chart 18A** that gold would then be breaking out of of a full four year bottoming sluggish area above $1380. This would be a big deal.

GOLD SHARES: Cheap

Looking again at gold shares, you can see on the big picture chart that they are still in a major

CHART 21



low area (see **Chart 19**). They are on sale... a big sale, even after the rise since 2015.

Note since 1970, the gold mining index (**A**) has been in a up-trending channel, and it's still in the major low area within the major up-channel. Not until last year's highs are surpassed will we begin to see gold shares rise out of this mega low area.

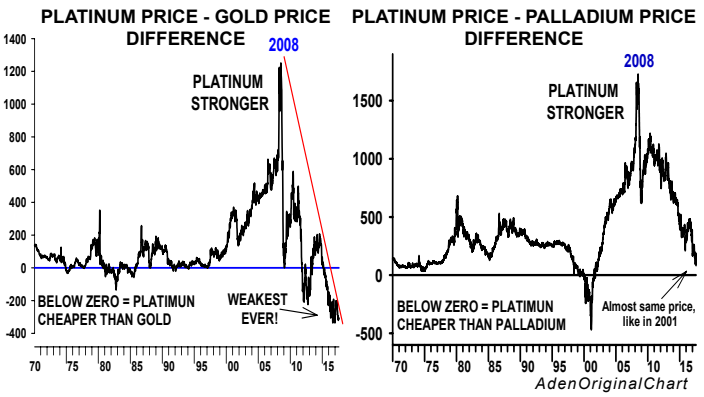
Plus, gold shares are cheap compared to the price of gold. The ratio comparing the two fell to a record low last year, and it's still at a major low area (**B**). The ratio has formed a big downside wedge, and once this wedge is clearly broken on the upside, gold shares will be off and running.

Chart 20A will give you the number to watch for this clear breakout time. It shows that a four year major head and shoulders bottom has been forming in the HUI Gold Bugs index. And a right shoulder (RS) has been forming since December.

This tells us we could see gold shares weaken further before a major rise gets underway. The December low is key because the HUI index should stay above this level at 163 for the shoulder to continue forming.

Note the leading indicator (**B**) is still on the decline, and it has room to decline further before it reaches a low area. This reinforces the possibility that lower prices could be normal for the time being.

CHART 22



But once the neckline (NL) is clearly broken at 284, the bull market will be well on its way. You'll want to be fully invested in selective gold shares and hang on for the ride, which is poised to be a strong one.

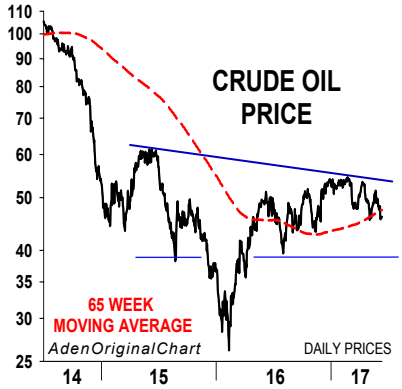
SILVER & THE OTHERS

Silver bounced back up from its fall, but, like platinum, it has been forming a triangle this year, as you can see on **Chart 21**. In fact, silver shows that the "A" rise peak was in April, and the latest jump up was part of the 'B' decline.

Weakness is more likely to continue for now, and if silver breaks below its uptrend, then the December low will be the next support.

Platinum has been the most sluggish precious metal. And **Chart 22** shows this unusual weakness compared to gold and palladium. Note that platinum never recuperated its 2008 high when platinum was the queen of the ball.

CHART 23



Platinum is normally priced higher than gold, and certainly much higher than palladium.

But platinum has never been as low as it is today compared to gold. And it has stayed at this unusual discount level for the last few years. And now it's almost the same price as palladium! Platinum was $1600 higher than platinum in 2008. Today the premium is about $100.

You'd think this big discount alone would mean platinum is a great buy. But we'd like to see platinum prove itself before buying some.

Meanwhile, palladium is now fast approaching its August 2014 peak near $900 and a sustained rise above that level would be very bullish.

The resource sector has been uneventful this month, and crude oil has been under pressure, in spite of good news on the production front.

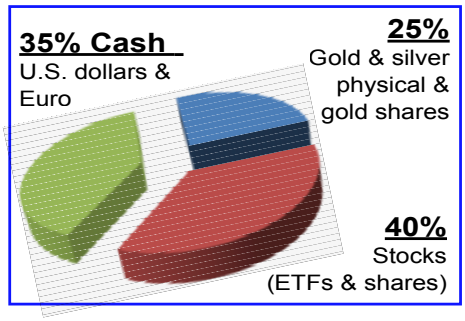
Chart 23 shows crude's sluggishness. Currently, if it declines and stays below its 65 week moving average, it could decline to the $40 level. We've shown you in the past that this level is a key long term support.

For now, keep your positions listed on page 12.

OVERALL PORTFOLIO RECOMMENDATION

PRECIOUS METALS, ENERGY, RESOURCE

Gold reached a high last April, and now in June this high was tested. It looks like this is a double A peak, or you could say it's part of the B decline. Either way, it's a consolidation period that could extend into the Summer months. Take advantage of this normally seasonally low time for gold, gold shares and silver, and add to your positions. Silver and gold shares have been weaker than gold, which makes them look more like a B decline has been underway since April. Our recommended positions in the box are in order of strength. Once this period of weakness is over, we could possibly see a strong C rise develop. Keep your positions.



U.S. & GLOBAL STOCK MARKETS

The stock market keeps hitting new record highs, in the U.S. and in many other countries. The stock market remains very bullish and it's still poised to rise further. Currently, we continue to advise keeping a 40% position in stocks. And if the market corrects downward, we'll probably buy more. If you want to buy new positions, the stocks we like best are: DIA, QQQ, TWOK, EMF and IOO. And we'll likely soon be selling AA and X, replacing them with better performing stocks.

INTEREST RATES & BONDS

Interest rates have been doing their own thing... Short-term interest rates are rising, but long-term interest rates are declining. That is, bond prices will likely rise further in the weeks ahead, but we don't recommend them. Eventually, long-term rates will probably follow short-term rates up and once this happens, bond prices will drop sharply. A rise above 3.20% on the 30 year yield would confirm this. That's why we still advise avoiding bonds and staying on the sidelines.

CURRENCIES

The U.S. dollar dropped to an eight month low and it's turned bearish. The major trend is down and the dollar's set to fall further. We now recommend taking half of your cash, which is in U.S. dollars, and buy the euro on weakness, ideally at around 1.10. We also like the euro ETF (FXE) to buy near 107. For now, we're keeping half of our U.S. dollars to have this cash available in order to take advantage of new opportunities as they pop up.

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

GOLD AND SILVER

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE 1st	RECOMM
Agnico Eagle	AEM	Feb-17	47.10	46.97	-0.28	Buy/Hold
Gold (physical)		Oct-01	277.25	1275.90	360.20	Buy/Hold
SPDR Gold	GLD	Mar-17	117.51	119.84	1.98	Buy/Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	32.85	-22.01	Hold
Gold Miners ETF	GDX	Feb-17	25.20	22.24	-11.75	Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	12.48	-1.42	Hold
Silver (physical)		Aug-03	4.93	17.14	247.59	Hold

STOCK ETFS & SHARES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE 1st	RECOMM
Dow Industrials	DIA	Aug-16	186.52	213.85	14.65	Buy/Hold
Nasdaq Pwrshrs	QQQ	Aug-16	117.7	139.75	18.73	Buy/Hold
SPDR Russell 2000	TWOK	Nov-16	77.19	83.53	8.21	Buy/Hold
Templeton Emerg Mkts	EMF	Feb-17	13.42	15.04	12.07	Buy/Hold
S&P Global 100	IOO	Aug-16	75.34	85.88	13.99	Buy/Hold
S&P 500 Index Equal	RSP	Dec-16	87.55	93.37	6.65	Hold
DJ Transportation	IYT	Nov-16	158.29	169.45	7.05	Hold
Microsoft	MSFT	Dec-16	63.62	70.27	10.45	Hold
Adobe Systems	ADBE	Feb-17	118.93	138.25	16.24	Hold
SPDR S&P Insurance	KIE	Nov-16	80.24	88.55	10.36	Hold
US Financial Services	IYG	Dec-16	107.06	112.38	4.97	Hold
SPDR S&P Bank	KBE	Dec-16	43.41	44.01	1.38	Hold
Alcoa Corp	AA	Nov-16	31.85	31.54	-0.97	Hold
US Steel	X	Nov-16	29.17	20.68	-29.11	Hold

