THE
ADEN FORECAST
MONEY • METALS • MARKETS

JULY 2015 *our 34th year*

UNCERTAINTY PREVAILS

There's a lot to cover this month...

Greece, China and the U.S. are just a few of the hotspots. This has fueled volatile markets, raising concerns that a crash of some sort could be coming up.

THE GREEK DILEMMA

Let's start with Greece...

Going back in history, the Greeks initially invented banking and the beginning of modern finance, like credit based trade, foreign exchange and so on.

But interestingly, Greece has had debt problems throughout their history as well. So what's happening now is nothing new.

The first financial crisis happened in Greece around 600 BC. Since then, Greece has defaulted on their loans more often than any other country in the modern world. In the past 200 years or so, Greece has defaulted about half the time.

The current crisis began shortly after the 2008 global financial meltdown.

Greece has been in a recession for the past six years, and some say it's actually in a depression.

Its debt and unemployment rate have skyrocketed. Currently, for instance, Greek's total debt is about 353% of its GDP.

This has led to a series of bailouts, near bankruptcy, austerity measures, strikes and demonstrations, ultimately resulting in the default on their loan payments due to the IMF on June 30.

The latest surprise was Sunday's "No" vote to the bailout referendum. This means Greece will soon run out of cash to pay its bills. And they still have huge payments due in July and August.

TIP OF ICEBERG

Even though Greece has already received $284 billion in bailout money over the past five years, they still couldn't get it together.

One reason why was because most of that money went to financial institutions, and only a small portion went to the people.

Another reason why was due to their pension system.

By now, everyone has heard the stories of the hairdresser example... That is, someone who's worked as a hairdresser for three years, then retires around age 50-55 and receives nearly a full pension.

Multiply this by more than two million pensioners, along with a whole lot of other financial problems, and you see why Greece is in such deep trouble.

But Greece is not alone.

As our friend Bill Bonner recently reported, **the whole world is basically in the same boat**.

Using the total debt to GDP ratios, the U.S. is at 370%, which is higher than Greece. Germany is 302%, Britain 546%, and even China is bringing up the rear at 250%. But the big prizes go to Japan at 646% and Ireland at 1,000%.

DEBT DROWNING WORLD

The point is, the world is drowning in debt and it's become a real drag on global economic growth. In fact, it's become such a problem that the Bank of International Settlements (BIS), the central bankers' bank, recently issued a very blunt report.

In it, they warned, "the world will be unable to fight the next global financial crash as central banks have used up their ammunition trying to tackle the last crisis."

They also said that central banks have backed themselves into a corner after repeatedly cutting interest rates to shore up their economies.

We all know this is true. The Fed and many of the other central banks are in uncharted waters. They're doing the best they can to keep the world economy afloat, but the measures they've taken since 2008 have never been taken before.

You may remember that going back to the beginning of recorded world history, about 5000 years ago, **there's never been a time when so many interest rates were negative, or near zero, especially for such a long time.**

INSIDE

So could a wild card come flying at us and disrupt the fragile global economy? The answer is yes. Is it going to happen? We don't know, but we have to be prepared and alert, just in case.

With so many countries deeper in debt than Greece, it's basically an accident waiting to happen. And like we've seen many times before, if an accident does happen, the effects will be felt worldwide.

CHINA: World engine is slowing

Another country we're watching very closely is China.

China's been the global powerhouse and primary driver of global growth over the past few years.

Since many countries depend on China to buy their products and commodities, what happens in China is a very big concern to most countries.

For now, the Chinese economy has been slowing. And even though it's still the strongest in the world, there are fundamental problems that warrant concern.

Aside from slow growth, inflation is low, deflationary pressures are growing, and the stock market is in a bubble.

Literally, millions of Chinese have opened accounts and they're trading stocks like mad. It's a craze, reminiscent of the tech bubble in 2000.

Even though China's stock market has been weak and extremely volatile, it's still 20% cheaper than its historical average, so it still has upside potential.

Meanwhile, China has taken extreme measures to increase the liquidity in their financial system and it's still working towards gaining official status as a world leader.

With the largest economy in the world and the second most used currency in trade finance, the IMF is now saying the yuan may obtain global SDR status this year. We're pretty sure it will, but we won't know until October.

U.S.: Mixed economy

Back in the U.S., the economy is still mixed and this makes things confusing.

On the positive side, inflation started picking up. That's good news because it helps offset deflation. Plus, housing continues to look good, with sales rising at the fastest pace in eight years.

The index of leading economic indicators is also on the rise, and consumers are confident and spending. Jobs are also improving.

On the other hand, wage growth remains lackluster, along with the economy. Technology is also keeping deflation in the driver's seat because prices keep going down.

Most important is the wide divergence between the haves and the have-nots reaching the highest level in the past 100 years.

Currently, for instance, U.S. net worth is at a record high, but 70 million U.S. citizens are teetering on the edge of financial ruin. They're essentially one pay check away from personal disaster.

The Fed has to be concerned. They're watching and waiting for more improvement on the jobs and inflation fronts before raising interest rates. But it still seems unlikely that they'll be able to make the move under the current circumstances.

WHAT TO DO

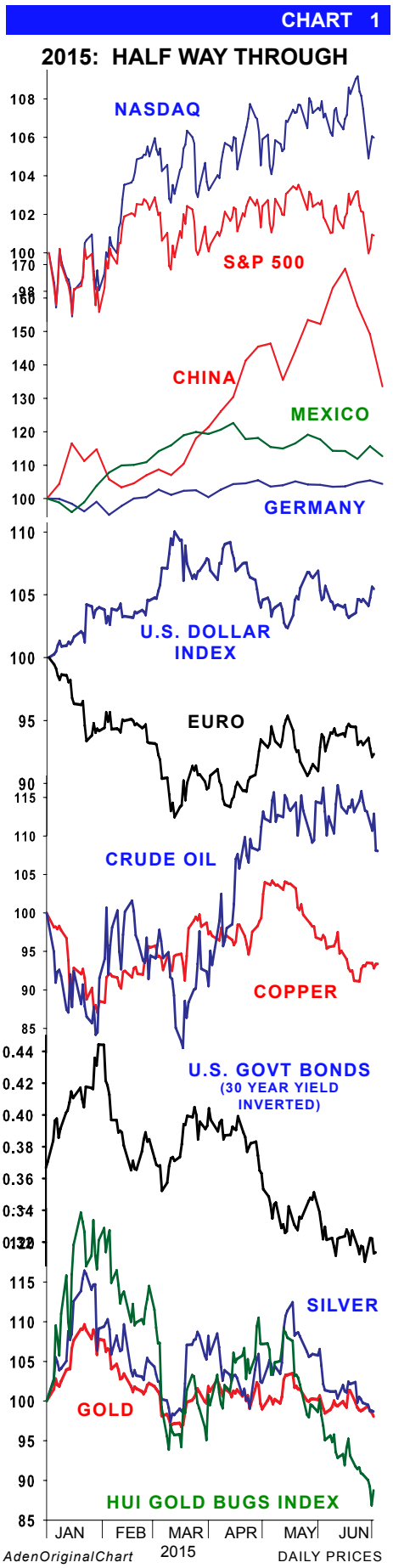
As you can see on **Chart 1**, the markets have been frustrating so far this year. In most cases, they've been stalling, going sideways or declining.

In other words, they're reflecting the confusion and uncertainty in the world. This reminds us of a quote by investment legend Jim Rogers, which seems to apply to the current situation...

"One of the best rules about investing is to do nothing, absolutely nothing unless there is something to do."

The other option is to stay diversified. Keep some funds in stocks, bonds, precious metals, real estate and cash. This will protect you from both deflation and inflation.

And until we see clear economic and market signals one way or the other, we feel it's best to stay diversified. As you'll see this month, that may not be the case for long.



U.S. & WORLD STOCK MARKETS

Bullish but mixed

The stock market is mixed, to say the least.

It can't seem to buck the downward pressure and it warrants some caution. So stay on the alert.

WHAT'S WRONG WITH STOCKS?

They've been jittery over the events in Greece. They're worried about the economy. They're concerned the steep declines in the Chinese stock market could spread to the rest of the world. They're worried interest rates are going to rise soon... you name it and the stock market gets spooked.

This alone is a bad sign, but there's more...

The action in the Dow Jones Transportations has everyone's attention. Check out **Chart 2** and you'll see what we mean.

First off, Nasdaq and Russell 2000 recently hit new record all-time highs. That's bullish action. They remain strong and well above their moving averages.

In sharp contrast, the Dow Jones Transportation and Utility Averages are weak. They're both below their moving averages, which means they're bearish. That is, the major trends are down if they stay below 8500 for the Transportations and 575 for the Utilities.

Normally, the stock market indexes move together. But it's not happening now and this big divergence between Nasdaq and the Transportations has investors on edge.

The big question is, if the Nasdaq is leading the way up, or is the Transportation index leading the way down?

We'll soon find out. But taking at look at the big picture helps provide some insight...

As you can see on **Chart 3A**, the Dow Transportations is still in a 25+ year uptrend. And if it ends up declining to that uptrend, it would be a steep drop, similar to the ones in the early 2000s or in 2008.

Meanwhile, the leading indicator (**3B**) will not turn bearish until it declines below the zero line. For now, it's still in bullish territory. That gives us a shred of hope for the Transports, but it's losing steam and not looking good.

CHART 3

S&P 500: Still looking good

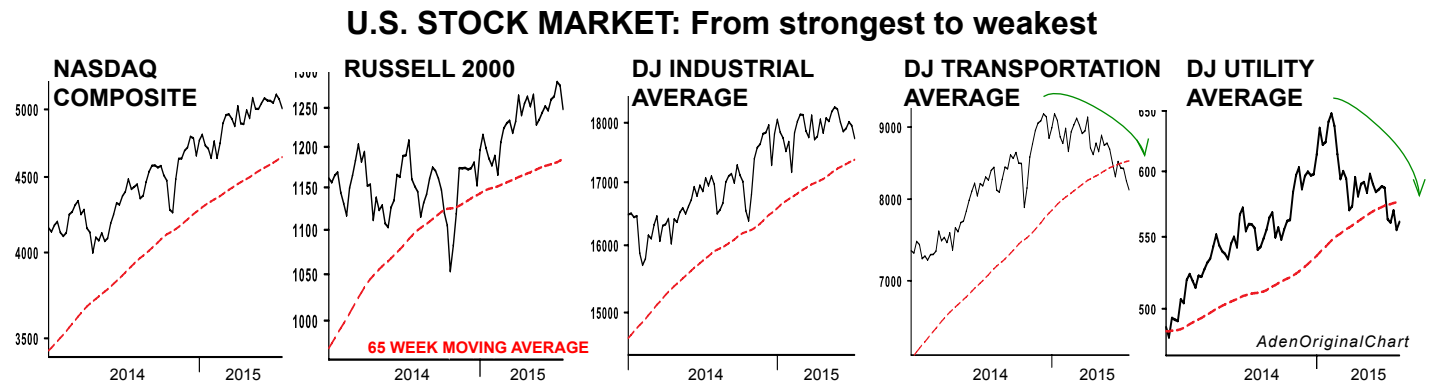
On the contrary, the S&P500 is looking good (see **Chart 4**). Like the Dow Industrials, it's essentially been going sideways this year but it remains bullish.

Taking a closer look, you'll note that the S&P500 has had several downward corrections since 2012. These declines have ranged from 3.24% to 7.5%, which was the steepest downward correction. Currently the S&P is down 3½%.

So looking at this in perspective, the recent downward corrections in the bullish indexes (so far) have not been a big deal. In fact, using the S&P500 as an example, the weakness to date is similar to the moderate downward correction in early 2013.

In other words, the worst case scenario in Greece did not rattle

CHART 2



U.S. stocks much. Is this a backward case of sell on the rumor and buy on the fact? It could be and the outcome should become more obvious in the weeks ahead.

The bottom line is that the majority of the stock indexes remain bullish. And as long as that's the situation, they're poised to eventually head higher.

Dow Theory also still indicates it's a bull market. And the stock market will remain bullish by staying above 17350 Dow Industrials, 4625 Nasdaq, 1185 Russell 2000 and 2014 for the S&P500.

GLOBAL MARKETS: Also mixed

The global stocks have been mixed too (see **Chart 5**). The majority of the markets are bullish, but others are marginal and a couple are bearish. Like the U.S. stock market, they've all been reacting to the Greek crisis. So for the most part, they too have been correcting downward.

The big news, however, has been the Chinese stock market. It's literally soared over the past year, driven higher by margin debt via millions of frenzied Chinese investors.

Some prices reached super overvalued levels. Then the bubble started to burst as prices dropped sharply.

As a result, the Chinese government intervened, taking strong action to stop the bleeding. Over the weekend, dozens of brokerage firms and mutual funds also made moves to hold the market together and keep the bubble from bursting further. But so far, no luck.

Nevertheless, the Chinese government is not going to let the bull market come to an abrupt end. They know that if it did, it would deal a severe blow to the Chinese economy, probably driving it into a recession. This in turn would affect the global economy and the global stock markets, especially the emerging markets.

As we've often pointed out, the emerging markets have been lagging way behind the U.S. stock market (see **Chart 6** as an example). They haven't done much in recent years and many are now very cheap.

This suggests they'll probably make up for lost time. And when they do, we'll want to get onboard, but not yet.

For now, we'll continue to hold our recommended stocks, but stay cautious. Some of them are doing fine but some are not. If the market heads higher, these lagging stocks will rebound, along with the others. If not, we'll advise selling if the major stock indexes turn bearish by breaking below the levels listed above. **Currently, we wouldn't buy new positions.**

CHART 4

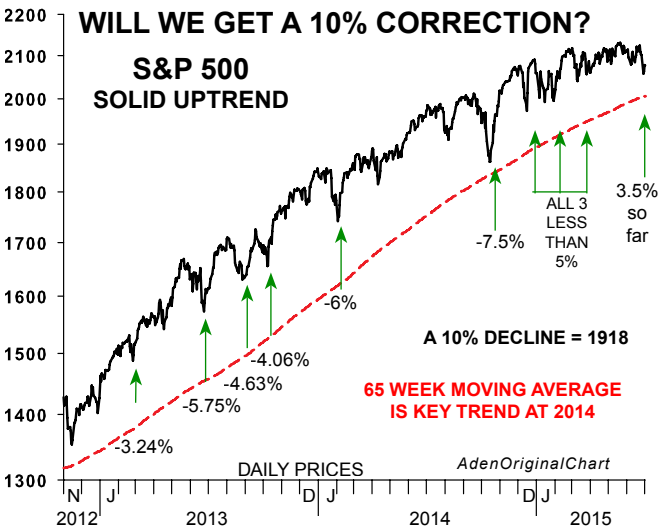


CHART 6

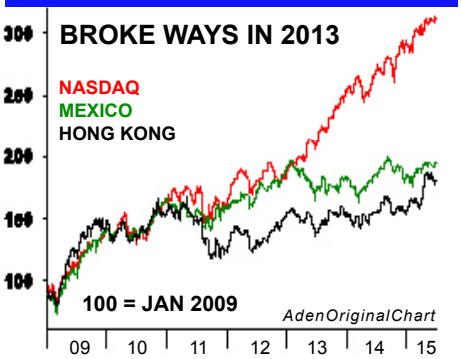
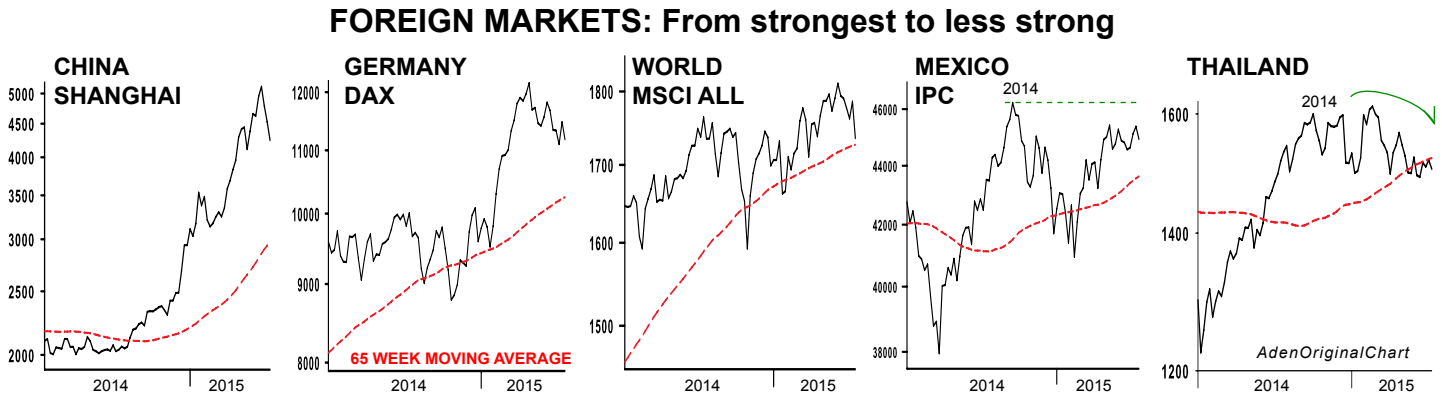


CHART 5



Editors:
Mary Anne Aden
Pamela Aden

www.adenforecast.com
info@adenforecast.com

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The Aden Forecast
P.O. Box 790260
St. Louis, MO 63179-9927

1-305-395-6141
In Costa Rica:
Ph: 506-2271-2293
Fax: 506-2272-6261
from the U.S. dial 011 first, otherwise dial 00

U.S. INTEREST RATES AND BONDS

Bond bull market in final stretch?

Long-term interest rates have been on the rise. They've risen further than we expected and while it's been a disappointing surprise, it's understandable in the big picture.

HISTORICAL LOW RATES

As you know, the Fed has not raised their Fed funds interest rate for the past eight years. They're waiting until the economy shows better signs of growth.

Plus, the IMF and the World Bank are also pressuring the Fed to wait until next year to raise interest rates. Basically, they fear higher rates will hurt the global economy.

For now, the Fed is saying they expect interest rates will rise at a slower pace than they originally anticipated. But many feel the first interest rate hike will happen in September.

If so, then long-term interest rates could be leading the way up. And if they are, it means a major trend change may be taking place.

This would signal an end to the era of zero interest rates that've been in force for six years. It would also mark the beginning of a new phase, which would include rising interest rates.

While we find this hard to believe in the current deflationary environment, we're keeping an open mind and we'll go with whatever the markets tell us.

CHART 8

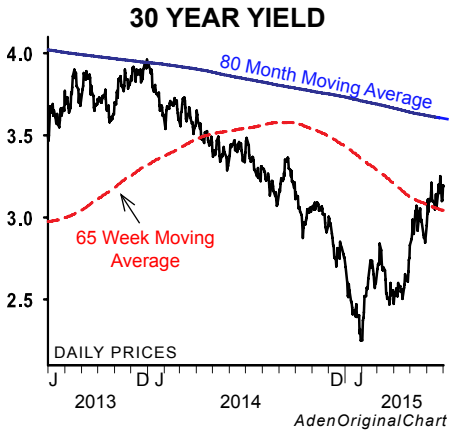
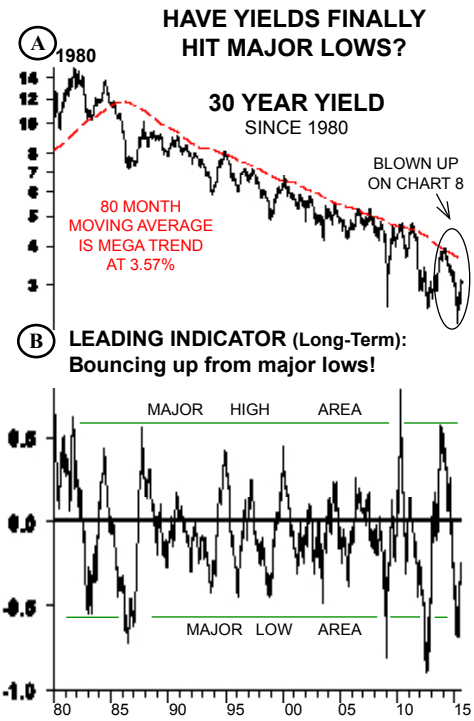


CHART 7



GREEK CRISIS

Currently, for instance, bonds are again benefitting from safe haven fears as the Greek crisis intensifies. With the banks still closed, long lines keep forming at ATM machines where Greeks are only allowed to withdraw 60 euros per day. That's the equivalent of U.S. $67.

This ongoing situation has affected many of the markets, including U.S. bonds.

Greece has made investors nervous and they want something safe. This drove bond prices higher and long-term interest rates lower.

For now, as long as the Greek crisis hangs overhead, it'll fuel uncertainty and U.S. government bonds will continue to be one of the main beneficiaries.

When U.S. interest rates rose sharply this month, above the important numbers we've been watching, our indicators signaled that it was an overshoot. That is, interest rates had gone too far and they'd soon be coming back down (bond prices would rise). That's now happening.

Plus, the rise was not confirmed by the 30 year yield moving above 3.57%, which identifies the mega trend.

That's why we didn't recommend selling your bonds. Instead, we're still holding them for the time being and feel it's okay. It'll also give us an opportunity to sell at a better price.

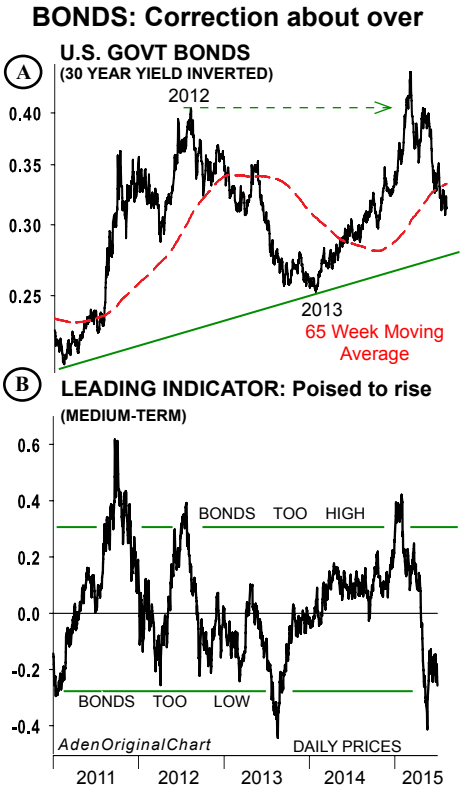
Here's what we're watching…

As you can see on **Chart 7A**, the 30 year interest rate has been in an huge decline since 1980. This mega downtrend remains in force and it illustrates the big picture for interest rates is clearly down.

That will continue to be the case if the 30 year yield stays below its 80-month moving average at 3.57%.

Meanwhile, the leading indicator

CHART 9



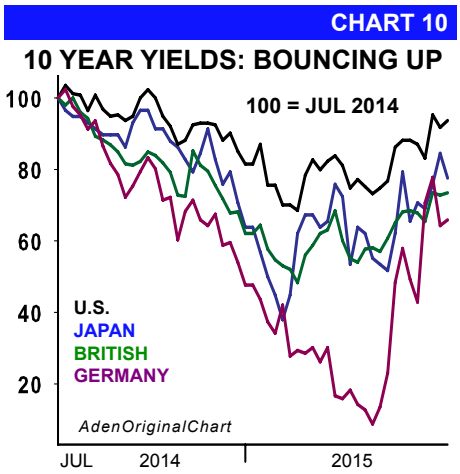
is starting to move up from a major low area. If it keeps rising, the 30 year yield could rise to the 3.57% level. But even if it does, the mega trend would still be down (like we've seen in the past).

Taking a close up view of the 30 year yield, we're also watching the 65-week moving average (see **Chart 8**). It's currently at 3% and it identifies the major trend.

In other words, a sustained decline below 3% would mean a renewed interest rate down move is getting started.

If the 30 year yield, however, stays above 3%, it'll continue to be a caution sign of a major trend change to the upside.

But again, it will not be confirmed unless the 30 year yield gets above 3.57%. If it does, we'd recommend selling your bonds because it would also mean that deflationary pressures are easing. This would be good for the economy, but not for bonds.



Taking a look at the bond price, you can see that it's below its moving average (see **Chart 9A**). One reason why bond prices have been weak is due to a lack of liquidity. That is, bond supplies have been tight, but this too may be coming to an end.

Note the daily leading indicator is near a "bonds too low" area. **This tells us bond prices have plenty of room to rise further and they could now continue to head higher, keeping the bull market intact.**

We'll soon see what happens. But with interest rates bouncing up in most countries, the U.S. is unlikely to swim again the tide for long (see **Chart 10**).

In other words, the bond market rise is likely approaching the final inning, and we'll probably be selling bonds sooner rather than later. So stay tuned.

CURRENCIES

U.S. DOLLAR: Still forming a top?

It was all about Greece this month. It dominated the news and the currency markets.

We know you're probably tired of hearing every detail about the Greek crisis, but unfortunately it's important to recap the bottom line…

GREECE DOMINATING

After the IMF got frustrated and broke off their bailout talks with Greece, things settled down somewhat, but not for long.

At this point, leaving the Eurozone would mean Greece drops the euro and goes back to the drachma (that was their old currency before they adopted the euro.)

This would likely mean a big devaluation and possible chaos for the Greek economy.

EURO: Weathering storm

Meanwhile, what would happen to the Eurozone if Greece were to leave? Probably not much.

Sure it might initially spook investors even further, but here too, a look at the facts tells another story…

Greece is only 2% of the Eurozone's GDP. So its exit would not be a big deal. Banks holding Greek debt would take a hit, but again it wouldn't be earth shattering.

More damaging, it would expose the first crack in the Eurozone's unity.

This alone could hurt confidence in the euro and the Eurozone's future. And that's something no one wants.

That's why we're fairly sure that one way or another, the Greek situation will be worked out. A compromise will likely be reached and Greece will stay in the Eurozone.

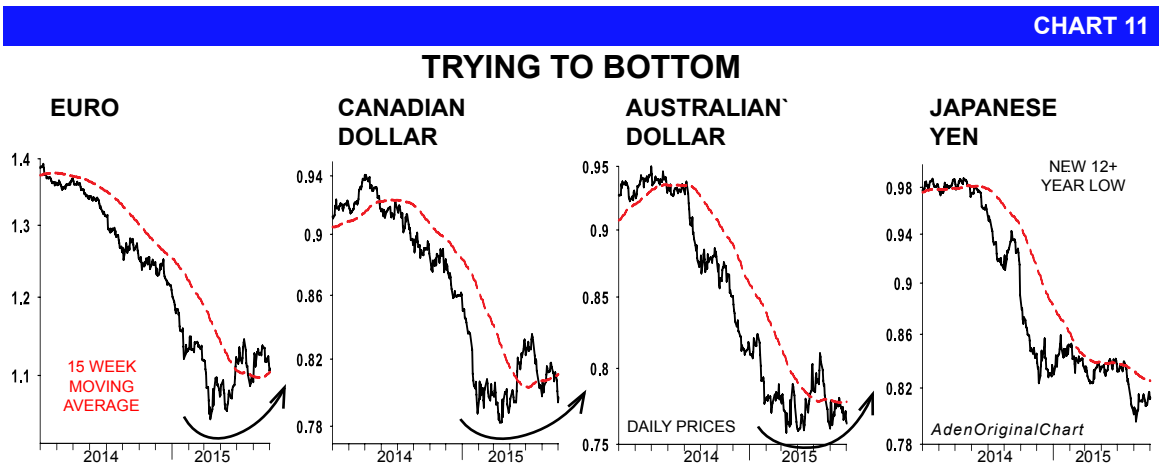
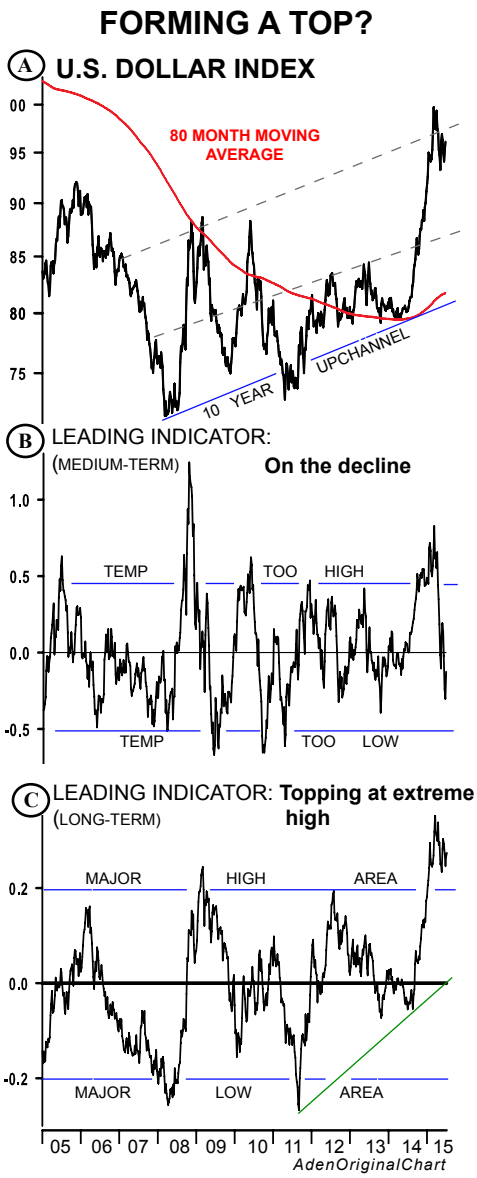


CHART 12



EURO: Poised to rise

This in turn would be positive for the euro, driving it up further (see **Chart 11**). And as the euro heads higher, the other currencies will follow and rise strongly too.

Since they all generally move together and they're now bottoming, a major bull market will likely soon be triggered. This will be confirmed once they rise and stay above the following levels: 1.23 for the euro, .86 for the Canadian dollar and 1.5950 for the British pound.

For that reason, we continue to recommend holding the euro and the Canadian dollar and/or their ETFs, which are FXE and FXC. The British pound also looks good, and they're our favorites.

The Japanese yen is in a league of its own and it doesn't fit into the same mold as the other currencies. That's mainly because of the massive Japanese economic stimulus, which has pushed it down. It's basically a wild card and we don't recommend it.

EURO IS DOLLAR OFFSET

As you know, the euro moves opposite to the U.S. dollar. And what happens in Greece will not only affect the euro and the other currencies, but it'll have a big impact on the U.S. dollar too.

In fact, it could trigger a steep drop in the U.S. dollar. And currently, our technical and fundamental indicators are telling us this outcome is more likely than not. Why?

As we mentioned last month, the U.S. economy remains sluggish and inflation is low. This is exactly what the Fed's trying to fix but the strong dollar only makes matters worse.

It's been hurting exports and it's been a stress for the global economy.

Increasingly, it looks like the Fed is going to be slow in raising interest rates. It's taking a gradual approach and with the economy still struggling, rate hikes will probably get postponed, possibly until next year. If so, it'll make the U.S. dollar unattractive.

Meanwhile, the dollar is likely forming a major top (see **Chart 12A**). That'll be confirmed if the U.S. dollar index declines and stays below 93. If it does, the dollar will then be in for a steep decline.

As you can see, both of the dollar's leading indicators have room to fall further before they reach the low areas. In other words, the downside is wide open.

MAJOR TURN STARTING?

In contrast, the euro has plenty of room to rise further. In addition, the Eurozone's economy is showing improvement and inflation is gaining some momentum.

This is what the ECB wanted and it's happening.

All things considered, with each passing month, it appears as though a major turn in the currency markets is indeed underway. If that proves to be the case as we suspect, it's going to affect several of the other markets and the economy.

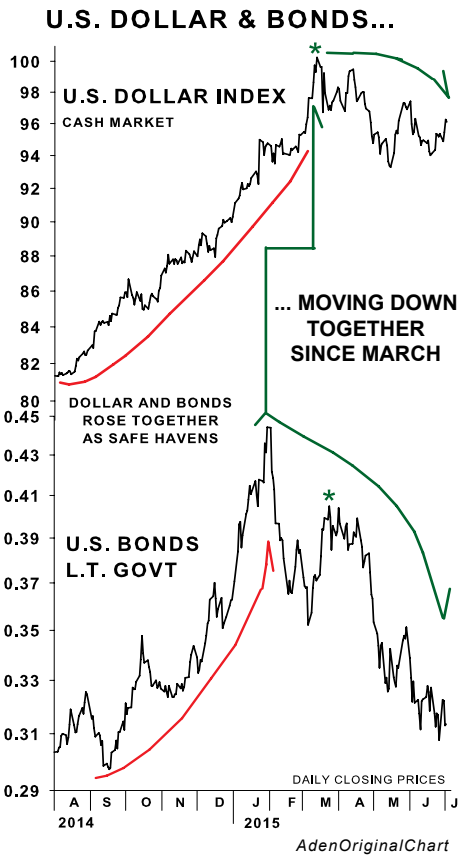
Aside from the currency markets, a falling dollar, for instance, will boost the metals and commodity markets.

It'll also help ease deflationary pressures and it could give inflation a much needed boost.

This in turn will help the U.S. and global economy. It could eventually lead to a rise in interest rates and a decline in bond prices, and probably stocks as well (see **Chart 13**, showing that the dollar and bonds generally tend to move together).

So much will depend on what happens to the U.S. dollar in the months just ahead. For now, the trigger could be Greece and we'll be watching it closely.

CHART 13



CURRENCY ACCOUNTS

Now that the currencies are bottoming, we wanted to remind you that we manage currency accounts through Everbank, a bank we highly recommend. If you're interested, write to info@adenforecast.com and we'll send you the forms to open a managed account.

METALS, NATURAL RESOURCES & ENERGY

2015: An accumulation year

SUMMERTIME BLUES

Gold is taking a hit. It had seemed oblivious to world events, but that's no longer the case.

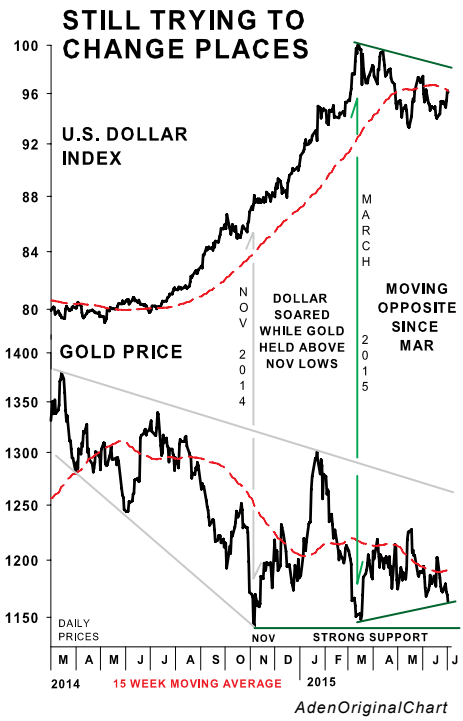
Chinese worries

Under normal circumstances, gold would have risen in reaction to all of the Greek turmoil, but it didn't. Instead, concern that the Chinese stock market could weaken the Chinese and global economies sent gold reeling.

In recent weeks, however, better economic news has given a boost to the dollar. This in turn is keeping a lid on gold as well.

But all eyes will be on the U.S.'s second quarter GDP figure later this month. If it disappoints, you can be certain the Fed won't be raising interest rates this year, especially in September.

CHART 14



Signs of change

Interestingly, on a seasonal basis, gold tends to do best after the Summer months.

And it looks like we'll see more weakness this month and next. But come September we could be in for a good upward surprise.

GOLD & THE CURRENCIES

As you know, gold and the U.S. dollar tend to move in opposite directions. This makes sense because gold is the ultimate currency, and it rises when monetary times are difficult.

Chart 14 gives you a good close up view of their interactions since last year.

First you can see that gold fell while the dollar rose last year. This was leading up to the November low in gold at $1143, and the then 4+year high in the dollar index at 88.

The dollar then started to really take off. Interestingly, gold also jumped up, but by the time the dollar index peaked in March near 102, gold fell back to test the November lows.

In other words, gold showed strength. It didn't fall to new lows while the dollar soared to a 12 year high!

And since March they've been trying to change places. Gold had been rising while the dollar came down from the highs, but this is now on pause...

When gold moves decisively on its own merit, it moves in terms of all currencies. **Chart 15** shows a good example of this using gold in Swiss Francs above, and the Swiss Franc (against the dollar) below.

Note that during gold's bull market since 2001, it really didn't take off until 2005. Gold then jumped up and soared to its record high in 2011.

The Swiss Franc also rose, but gold rose more.

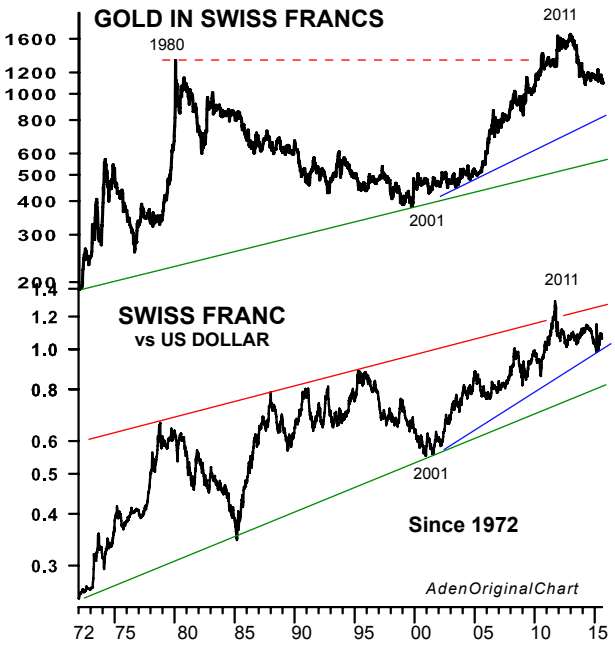
They tend to move together but gold has held up well against the Swiss franc since the 2011 peak.

Negative Swiss interest rates reflect how strong the Swiss franc really is, and it's indirectly a good sign for gold, which should bode well for gold going forward.

For now, once a renewed gold rise begins in Swiss franc terms,

CHART 15

GOLD & SWISS FRANC: Move Similarly



you'll know a gold turnaround is at hand.

We'll be keeping our eye on this.

GOLD AND THE STOCK MARKET

Another interesting correlation is gold compared to the stock market. **Chart 16** shows how much they move in opposite directions on a bigger picture basis.

The latest move was in 2011 when gold peaked. The S&P500 reached a new record high in 2013 once gold's bear market heated up. And both have been moving in opposite lockstep since then. Stocks up and gold down.

Looking ahead, we could see both move together for a while, but once the stock market peaks or the gold price reaches a low, the other shouldn't be too far behind.

In 1980, for instance, gold peaked. But it wasn't until 1982 when stocks jumped up to new record highs.

The year 2000 was another example. The stock market boom peaked in 2000, and it wasn't until 2001 when gold reached a major low.

This is yet another factor we'll be watching.

WHAT ABOUT SILVER?

Looking at **silver's big picture** on **Chart 17**, you can see that it too is approaching a major low area, just above the red mid-channel line.

If silver stays above this red line, it'll be okay within the mega 45 year uptrend.

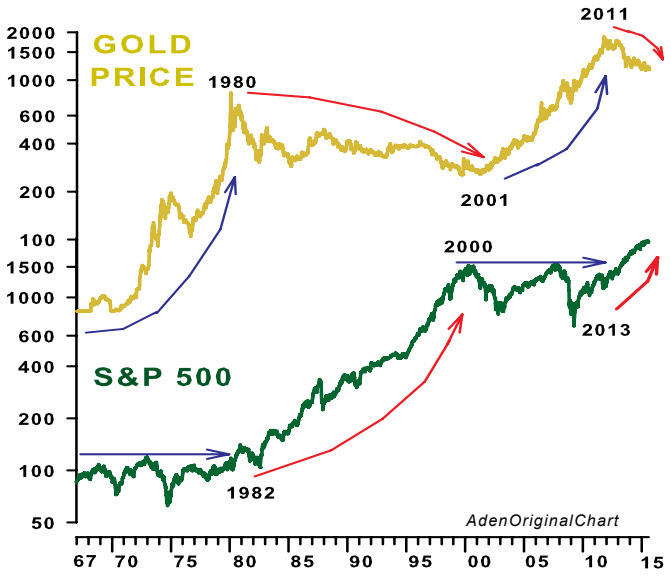
Silver's bear markets have dragged on in the past when it was below this red line. We'll be keeping our eye on this as well.

UNPRECEDENTED TIMES

Overall, on a big picture basis, we believe 2015, and possibly into 2016, will go down as a major accumulation time period for the metals.

CHART 16

GOLD & STOCK MARKET: Move opposite



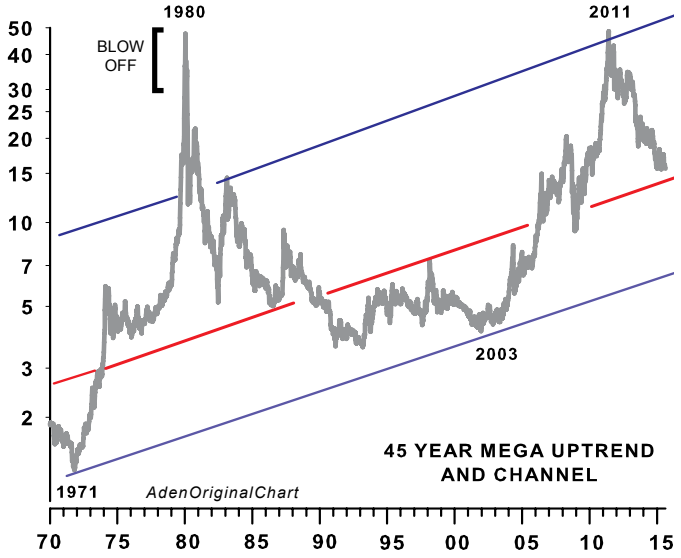
We know the deflationary pressures present today have been keeping downward pressure on commodities in general. The massive global debt monster, especially since 2008 has been the main culprit.

But considering the historical monetary actions taken by the Fed and other central banks, we believe it's a matter of time before we see the effects.

And since these actions are indeed unprecedented it's still to be seen how the final outcome plays out.

CHART 17

TRACKING THE SILVER PRICE SINCE 1970



It's our job to assist you during these turbulent times and to invest accordingly, and we'll do our best.

BUILDING RESERVES

With all this uncertainty going forward, it's no surprise to see more countries building their gold reserves. Silver is also looking attractive to many.

Last year, India imported over 7,000 tonnes of silver. And this year through April it has imported another 3,000 tonnes, according to our favorite friend, Chuck Butler.

Plus the demand for physical gold continues. Sales of gold and silver American Eagle coins jumped up in June, doubling and tripling the amount sold in May. Yet the ETF funds declined some.

So the trend continues and you too should be buying on weakness if you want to buy new positions or add to the ones you already have.

HSBC analysts have an interesting observation on gold and the emerging markets. They say emerging markets 'largely define' the range for gold.

Their demand is price sensitive where the $1,100 level attracts buyers and the $1,300 level causes buyers to shy away from purchases.

They also expect official-sector buying this year to climb by 25%.

Plus, consumers in important gold consuming nations like China, India and other emerging markets have few ways to protect their savings and wealth against rising prices. And that too will keep demand robust.

The point is, gold remains popular in these markets because it's seen as

an efficient and reliable store of value. In addition, there's little competition with global interest rates so low.

CHINA'S BIG DEMAND

China's gold demand remains strong as it continues to accumulate large sums of physical gold, according to Koos Jensen. Plus, it continues to have strong domestic mine output.

And it's no secret that China is taking steps for a bigger role in international financial markets.

It's been a decade since China kicked off a series of gold market reforms. Their plan has been to capitalize on the country's position as the world's top gold producer and leading consumer.

The latest is the Bank of China. It's become the first Chinese bank to help set the gold price by joining the group of lenders that sets global gold prices.

China is also expected to receive approval from its central bank for a yuan-denominated gold fix anytime now. Gold sold on the Shanghai Gold Exchange is already priced in yuan.

Several countries have been repatriating their gold this year, but now we're seeing states ask for their gold too. The first is Texas. They're asking for their gold back from New York.

The Greek crisis has also caused billions of deposits to leave the country, and some of that cash has gone into gold Sovereigns.

CHART 18

But this month, when push went to shove and the Greeks defaulted on their debt to the IMF, gold fell with the euro.

It was the dollar that got a boost, but it won't be much longer before the dollar ceases to get the benefit.

GOLD TIMING:
Wading through Summer

Last month we said the key will be how well gold holds up during the Summer months. And it didn't (see **Chart 18A**).

The C rise is clearly over, and it was weak and bearish. This is a bad sign, but considering that gold is still holding above the November lows it's showing stability.

You'll remember that C rises during bear markets are not clear compared to bull markets. And today is no exception.

But it is clear that gold declined well below the $1170 level. And so far, the longer it stays below this level, the more likely we could see the November lows tested near $1143.

A worst case decline for this bottoming process would be the $1100 level. Note, this level is the back low side of the D and B lows of the last two years.

If the bear market is a vicious one, then the upcoming D decline could be very weak with another leg down in the bear market. This would happen below $1100.

This doesn't seem likely but we can't discard it altogether.

On the upside, the lower high syndrome is still ongoing with gold below the January high near $1300. And interestingly, this is the level where HSBC says emerging market buyers tend to back off.

Anyway, the 23 month moving average is our key mega trend identifier. Once gold closes and stays above this level at $1253, a mega trend change will be underway from down to up.

Then the January high near $1300 will be the next key level to surpass. This would then give gold

CHART 19

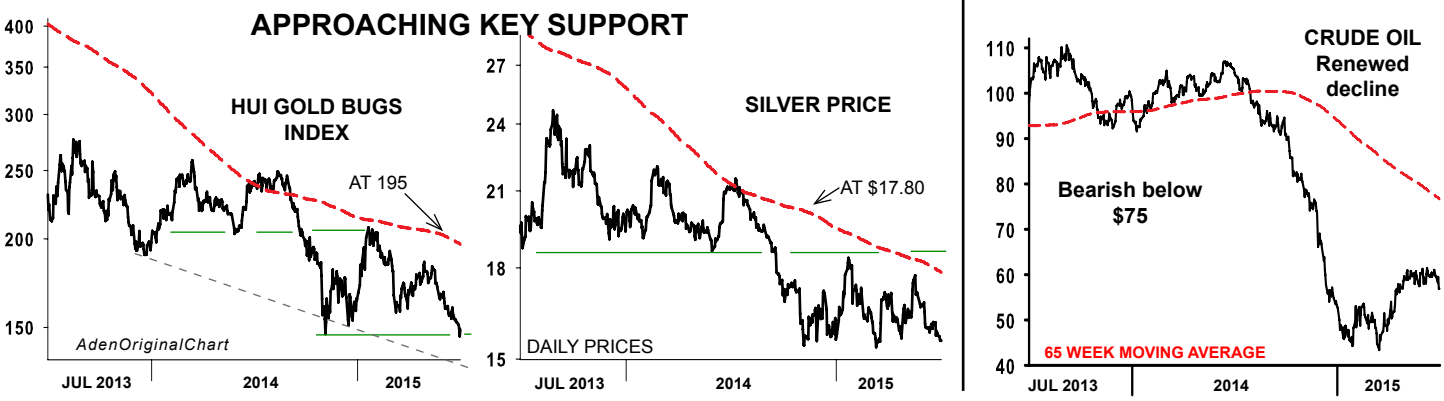
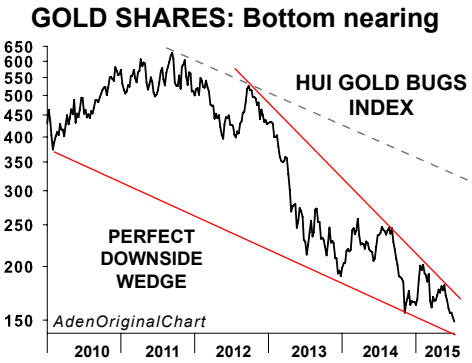


CHART 20



the clear green light.

Silver is an even better value than gold right now. Its excess has been removed and it's now down near levels that usually coincide with big bottoms (see **Chart 19**).

Gold shares are also in this same situation. Sometimes one picture says it all, and this time it's the 5+ year downside wedge on the HUI index on **Chart 20**.

This is saying gold shares are poised and coiled for a big bounce up. Once that happens, we could possibly see the 300 level tested on the HUI.

And it's not only HUI. Gold shares overall are in the same bombed out situation versus gold and the other markets as well.

The time is now here and it's getting close. Note on **Chart 19,** the HUI index on a daily basis fell below its November lows. So in a worst case, we could see HUI fall to the extreme bottom of the downside wedge.

We don't want to sell our gold share position. The bottom is too close. We'll keep our positions for now.

RESOURCES: Depressed

The resource sector remains depressed. Copper and the other base metals continue to decline. The largest resource company, BHP Billiton is ready to cut about 140 jobs, which adds to the sign of the times.

Palladium is very weak, in a bear market, and platinum is too (see **Chart 21**).

It's also unusual to see a strong housing sector while the construction commodities are weak. But this has noticeably been the case for the past year, as you can see on **Chart 22**.

Copper has been drifting down for several years now, and it's bearish by staying below $2.92.

The resource metals also remain down, as you can see on **Chart 23**. And silver, platinum and palladium have been feeling the heat of this weakness.

OIL IS HIT TOO

Meanwhile, **crude oil** had a good bounce up this year from its March lows (see **Chart 19)**.

It reached a new high for the year in June after the Energy Information Administration (EIA) showed U.S. crude supplies falling for a sixth straight week.

But that didn't last long. Oil is still in a bear market and it's been rolling over since May.

It was reported that OPEC's biggest members are pumping record amounts of oil, the most in almost three years, which pushed their oil supply to a three year high in June.

Plus, the stronger dollar, the slowdown in China, and the Greece uncertainty have also helped keep a lid on the price.

Crude is now falling out of its band. It fell 8% alone on the Greek vote and Iran's nuclear deal is adding to the pressure.

Overall supply is mounting with the first rise in U.S. oil stockpile adding to the OPEC supply.

In addition, U.S. rigs drilling rose for the first weekly increase in 30 weeks.

As long as crude stays below $75, its 65-week moving average, the major trend is down.

The start of a bright spot is agriculture (see **Chart 23**). The 'softs' are beginning to pick up steam.

It's still too soon to tell if the lows are at hand. We'd rather wait and see for the time being.

CHART 21

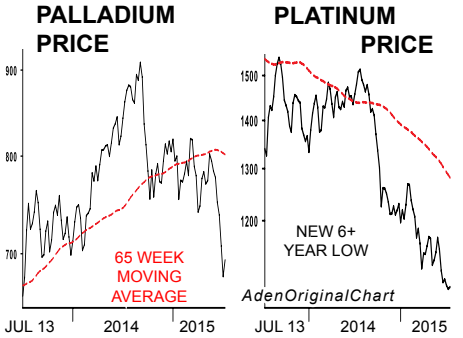


CHART 22

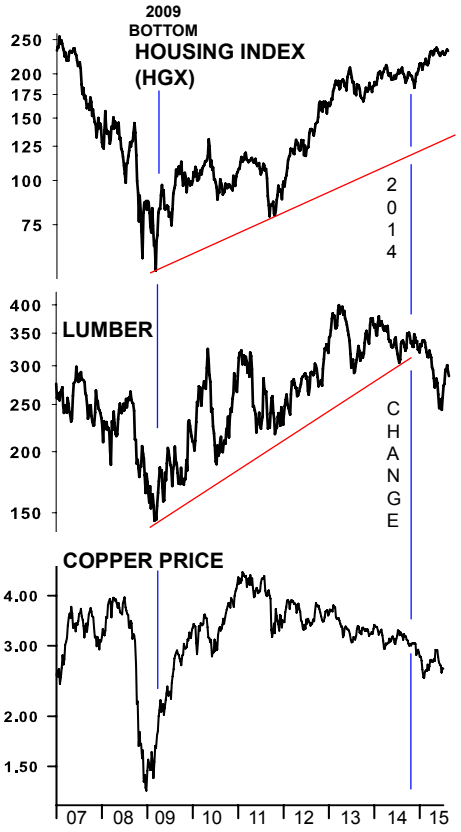
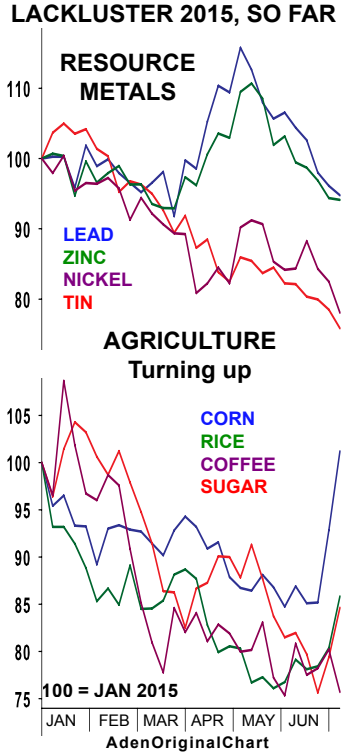


CHART 23



OVERALL PORTFOLIO RECOMMENDATION

PRECIOUS METALS, ENERGY, RESOURCE

Gold is taking a hit. The same is true of the other precious metals and the shares. The C rise is clearly over and it was weak and bearish. This is a bad sign, but considering that gold is still holding above its November lows at $1143, it's showing stability. This month we recommended selling palladium, but we recommend keeping the rest of your positions for now. If anything, buy on weakness if you want to buy new positions or add to the ones you already have.

U.S. & GLOBAL STOCK MARKETS

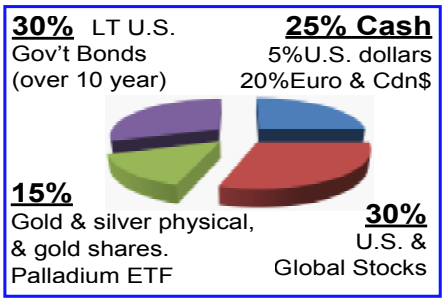
The stock market is still mixed and it warrants some caution. Nasdaq and the Russell 2000 hit new record highs but the Dow Transportations and Utilities are bearish. Still, the stock indexes will remain bullish with the Dow Industrials, Nasdaq and the S&P 500 above 17350, 4625 and 2014. Keep the stocks you have but don't buy new positions for now.

CURRENCIES

The U.S. dollar is likely forming a major top. That'll be confirmed if the dollar index declines and stays below 93. If it does, the dollar will decline and the euro will rise, along with the other currencies. We continue to advise keeping 5% of your cash in U.S. dollars and 20% divided between the euro and Canadian dollar, or their ETFs, which are FXE and FXC.

INTEREST RATES & BONDS

Bonds are again benefitting as a safe haven. The Fed is unlikely to raise interest rates soon and bond prices will likely continue to head higher, keeping the bull market intact. That will be reinforced if the 10 and 30 year yields decline and/or stay below 2.30% and 3%, respectively. Continue to hold the bonds you have but don't buy new positions for the time being.



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 ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Royal Gold	RGLD	Mar-14	66.04	61.63	-6.68	Hold
Central Fund of Canada	CEF	Jan-15	13.36	11.30	-15.42	Hold
Gold Shares SPDR	GLD	Jan-15	125.23	110.76	-11.55	Hold
Gold (physical)		Oct-01	277.25	1152.60	315.73	Hold
Gold Miners ETF	GDX	Jan-15	21.74	16.98	-21.90	Hold
Silver (physical)		Aug-03	4.93	14.97	203.63	Hold
iShares Silver Trust	SLV	Jan-15	17.61	14.43	-18.06	Hold
Silver Wheaton	SLW	Jan-15	23.05	15.46	-32.93	Hold

STOCKS & ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Nasdaq Biotech	IBB	Nov-14	296.31	373.42	26.02	Hold
Consumer Discret Sel	XLY	Feb-15	74.89	77.72	3.78	Hold
Home Construction	ITB	Feb-15	27.51	27.88	1.34	Hold
iShares US Med Dv	IHI	Oct-13	86.70	120.61	39.11	Hold
Dynamic Software	PSJ	Feb-15	41.58	42.86	3.08	Hold
Russell 2000	IWM	Apr-15	125.65	123.88	-1.41	Hold
Nasdaq Powershares	QQQ	Jun-14	92.82	107.97	16.32	Hold
Dow Diamonds	DIA	Jun-14	169.08	177.63	5.06	Hold
S&P Glbl Tech	IXN	May-14	87.75	95.52	8.85	Hold
Microsoft	MSFT	Feb-13	28.01	44.30	58.16	Hold
Apollo Commer	ARI	May-15	17.05	16.83	-1.29	Hold
iShares Mexico	EWW	Jul-14	70.93	57.18	-19.39	Hold
iShares Hong Kong	EWH	Jul-14	21.65	21.76	0.51	Hold
DJ US Telecom	IYZ	Sep-12	25.22	28.87	14.47	Hold
iShares Singapore	EWS	Jul-14	14.04	12.58	-10.40	Hold
iShares Canada	EWC	Jul-14	32.65	26.35	-19.30	Hold
Starwood Prop	STWD	May-15	23.92	22.24	-7.02	Hold
Energy Select SPDR	XLE	Aug-12	72.37	74.22	2.56	Hold
Global 100	IOO	Oct-13	72.97	75.10	2.92	Hold
BHP Billiton	BHP	Aug-13	67.68	38.97	-42.42	Hold

BOND ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
10-20 Treasury Bond	TLH	Feb-14	125.73	134.34	6.85	Hold
20+ year Try Bond	TLT	Feb-14	107.78	119.26	10.65	Hold
Ultra 20+ Treasury	UBT	Feb-14	58.00	71.92	24.00	Hold

CURRENCY ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Euro ETF	FXE	May-15	110.15	108.14	-1.82	Hold
Canadian dollar ETF	FXC	May-15	81.78	78.20	-4.38	Hold

