THE
ADEN FORECAST
MONEY • METALS • MARKETS

AUGUST, 2009 *in our 28th year*

RISING MARKETS, EASING ECONOMY, AND A HUGE DEBT

Since last year, events have been unfolding so fast it's sometimes hard to keep up. That goes for the markets and the economy, and we know this can often be confusing.

That's especially true because there are so many conflicting opinions out there. Some say we're headed for another Great Depression and the monetary system is doomed. Others feel the economy's on the road to recovery. Inbetween, there are opinions ranging from an ongoing recession and high unemployment, to deflation, massive inflation and so on. So what's an investor to do?

MARKETS TELL THE STORY

First, let the markets tell you what's happening. Remember, the markets are the most important. They've already digested all of the opinions and facts, and they look ahead. The markets will point the way, always telling us what lies ahead. If you can correctly interpret what the markets are signaling, you'll be way ahead of the game.

You'll then be less inclined to listen to so many opinions. You'll find they often confuse, diminish, dilute and/or miss the main points. In fact, if we were forced to choose between the daily market closing prices, or all of the popular business investment commentary and opinions, we'd definitely pick the prices because they're the most valuable.

That's one reason why we like living in Costa Rica, the happiest country in the world, according to a recent British study, which measured happiness in 143 countries covering 99% of the world's population. There are many other reasons why we like living here too, but being away from the Wall Street hubbub is a big plus.

Second, it's also important to look at the evidence. Follow the global economic indicators and the facts. Even though these are often adjusted or misrepresented, they still give a good idea of what's going on, especially combined with the market action.

MORE POSITIVE SIGNS

Over the past few months, we've been pointing out some important market and economic changes as they've emerged. They were the first straws in the wind, signaling the recession was easing and better times were coming. This month there were many more signs reinforcing this as events continued unfolding at a breakneck pace.

Some of these included surging U.S. and global stock markets, confirmed by a powerful Dow Theory bull market signal, rising gold and commodity prices, declining bond prices, a break down in the U.S. dollar and strong rises in the currency markets. These are not deflationary signs. On the contrary, they're all pointing to an improving economy and inflation downstream.

Then there's the economic indicators, which continue supporting what the markets are telling us. Most important, the index of Leading Economic Indicators rose for a third consecutive month. This means a recovery is coming in the months ahead. This backs up what the stock market is saying since stocks generally hit bottom about four months before the economy does.

Combining the two, this suggests that the recession is probably now ending. This was further reinforced by a general leading world economic indicator, which had its biggest monthly jump in 34 years.

IMPROVING HOUSING SIGNS

Also important, housing is showing signs of improvement. New home sales had its largest gain in eight years and home prices rose for the first time in more than three years.

Earnings improved and so did retail sales, while employment and manufacturing showed the first slight signs of stabilization. That was enough to fuel the beginning of a new optimism... but coming at a high cost.

But this shouldn't come as a surprise considering the massive spending and monetary stimulation that's been taking place.

The end result... the U.S. budget deficit surpassed $1 trillion this month, by far the largest ever, and there's still three months to go before the fiscal year ends. At the

INSIDE

rate it's growing the deficit could top $2 trillion by year end. There's no question that spending and money is flowing at an unbelievable pace. In just one week last month, the Treasury reportedly auctioned $235 billion in notes to finance its expenses. As our old friend Doug Casey pointed out, that's the cost of the entire Vietnam War in just one week!

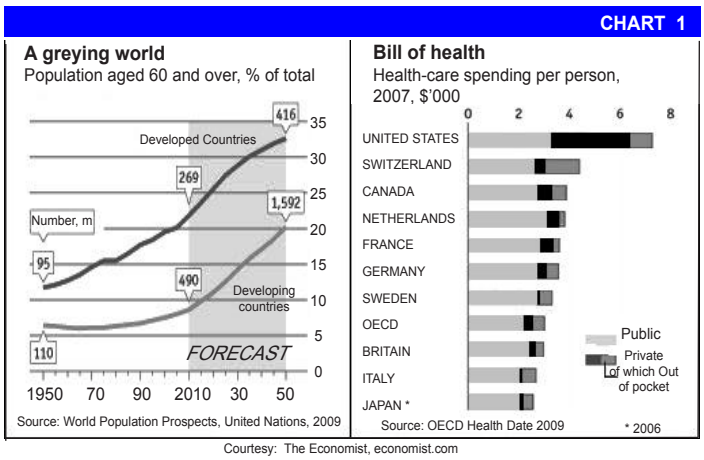
The amounts involved are all so huge, it's difficult to grasp, but as we discussed last month, it's happening and it's going to result in massive repercussions for the economy and the markets in the years ahead, like a collapse in the dollar and bonds, soaring gold and commodity prices, and so on. That's the big picture and it's extremely important to understand it. (To refresh your memory, please re-read pages 1 and 2 in last month's issue.)

But this is where timing comes in. Everything takes time and within the big picture there will be other opportunities well worth taking advantage of.

BUY SOME STOCKS

Currently, for example, the U.S. and global stock markets are looking very good. These new bull markets are going higher, probably for at least another year or two. So why not jump on board? In most cases, these markets were extremely bombed out, risk is low and they have good upside potential. That's certainly true of the strongest markets and we have several new stock recommendations this month.

Sure, the party may not last for a decade, but that doesn't mean we shouldn't attend at all. As we all know, the big picture is ultimately the most important, but we also have to take advantage of good opportunities as they arise; it would be foolish not to.



Courtesy: The Economist, economist.com

Ultimately, however, the big picture will prevail. At that time we'll get out of our stock positions because once inflation seriously kicks in, common stocks will not do well. And despite all the spending that's already occurred, if you still have doubts that big inflation is in our future, consider the following…

Very simply, spending, debts and the deficits are going to get much worse in the years ahead. So far, this is just the tip of the iceberg. How do we know? Aside from everything else, the aging population alone is a coming tsunami that cannot be avoided.

POPULATION AGING

People are living much longer and this trend is going to continue (see **Chart 1**, left). This is historically unprecedented and governments around the world are starting to come to terms with growing health care and pension costs that they can't afford.

The U.S. health care plan currently being considered will likely increase the deficit by another $1 trillion over the next few years. Plus, it's estimated that taxes would have to rise to more than 50% to cover these costs.

In the U.S. the situation is more complicated because health care is much more expensive than in other countries (see **Chart 1**, right). Costs have doubled since 2000 and they've tripled since 1990. In addition, most pension plans suffered huge declines in value due to last year's stock market drop. We've all heard many sad stories about retirement plans evaporating and the numbers reinforce this. Most baby boomers will not have enough to retire on.

Older people need more health care. So when you combine a bulging older population with higher costs, along with a lot more pensions, it all adds up to debts and deficits for as far as the eye can see.

It'll also add up to more inflation to diminish these debts, an ongoing drop in the dollar and soaring gold, which is the best inflation hedge. Commodity prices will soar too as the growing world population increases its demand for food.

PLAN YOUR INVESTMENTS ACCORDINGLY

These factors will fuel the mega uptrend we've often discussed. That is the big picture. Keep in mind that in previous mega uptrends, commodity prices rose for an average of 17 years. The current mega uptrend started in 2001, so it still has years to run, probably at least another decade or so.

The pieces are falling into place and what's going to drive this massive uptrend in commodities, gold, resources and energy is becoming more obvious. The point is, recognize what's happening and position your investments to benefit from what's taking place, and what's coming. Preservation of capital is going to be very important and if you can also make fabulous profits, all the better. Equally important, you'll want to avoid the markets that are going to suffer. For now, that's the U.S. dollar and bonds but there will be more casualties and beneficiaries as this new, very different era evolves.

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-
1-305-395-6141

In Costa Rica:
Ph: 506-2271-2293
Fax: 506-2272-6261
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U.S. & WORLD STOCK MARKETS

A confirmed bull market

The stock market surged this month, reaching a ten month high. It's strong and bullish, the market is poised to rise much further, and finally there are profits to be made after a rough couple of years.

TURNING BULLISH... GLOBALLY

As you know, we've been seeing signs that the market was headed higher but the evidence was far from overwhelming. That changed this month. All of the U.S. stock indices are now in new major uptrends, and so are most of the international stock markets.

In fact, some of the global markets led the way, rising months before the U.S. market did (see China on **Chart 2** as an example). That's because the Asian economies have generally recovered more strongly than most of the others, and they've been important in boosting global growth.

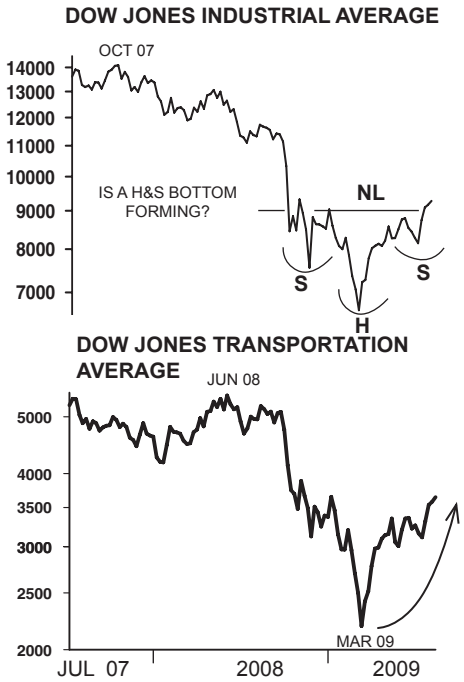
Currently, out of 63 world stock markets we track regularly, five are showing declines for this year. That means 92% of them are up. Considering that stock markets consistently look ahead, this is a strong vote of confidence that the world economy is indeed going to get better.

So far, **the Asian and Latin American stock markets have been the strongest**, with China, Indonesia, India, Russia and Turkey being among the very best performers this year. But all of the markets are showing potential, some just more than others.

It's all pretty exciting and as per our weekly update, we're recommending that you buy new common stock positions in the strongest sectors and markets for the first time in a long time. The specific stocks are listed in our Stock Recommendation on page 12.

CHART 3

BULLISH DOW THEORY CONFIRM



BULLISH CONFIRMATIONS

Reinforcing our bullish outlook, Richard Russell's Dow Theory also confirmed a bull market in late July with both the Dow Industrials and Transportations breaking above their June highs (see **Chart 3**).

Also important, you can see that the Dow Industrials has formed a big head and shoulders bottom. The neckline (horizontal line, NL) was at 9000.

This is a bullish technical formation and by breaking above 9000, the Dow will now probably rise the same distance as the size of the head (see H), at least that's the rule of thumb. If so, this pattern suggests the Dow could continue up to the 11000-12000 level.

MOST ASKED QUESTION

The question many of you are asking is, if this rise is the beginning of a long lasting bull market, or just a rebound rise within a long-term bear market that's going to continue? Really, it doesn't matter.

Officially, this is a new bull market that's starting from extremely oversold levels. This type of low has historically preceded significant rises in stocks (see the

CHART 2

EQUITIES: Rising around the world... and bullish above moving average

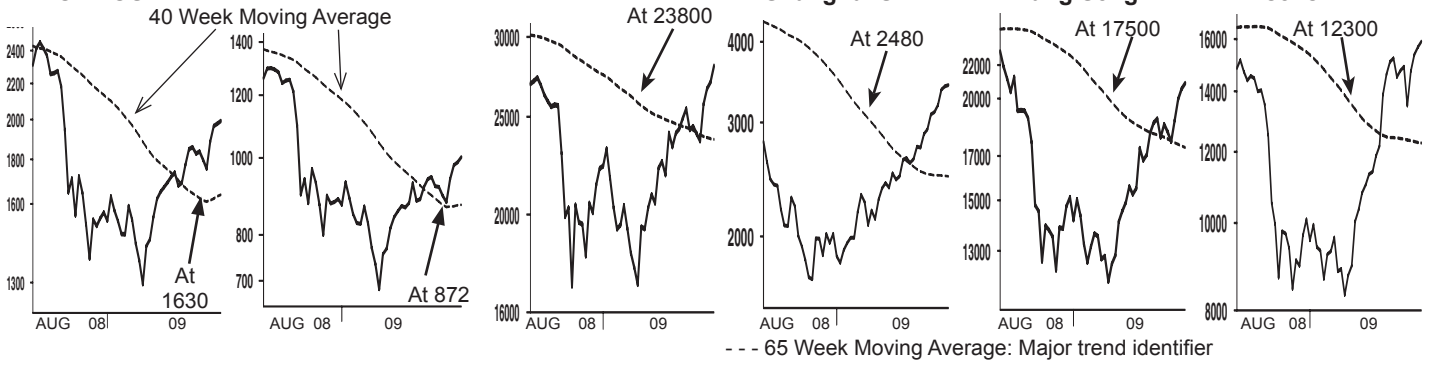


CHART 4

number 1, 2 and 3 lows on **Chart 4** as an example). The current #4 low is unlikely to be an exception. Plus, keep in mind that the average bull market rise has lasted 57 months with a gain of 164%, based on an average of the last 12 bull markets since 1932. The shortest one lasted 26 months, gaining the least out of the 12 at 48%. The next shortest was 31 months and it gained 65%.

So regardless of how this bull market evolves, the point is, this is a rise well worth taking advantage of. Basically, if stocks hit new record highs, it'll then signal that a long lasting bull market is in force. If not, it won't. In the meantime, we can enjoy the ride for as long as it lasts, remain cautious, keep stops on our positions and sell when the market tells us to exit.

But that isn't the case right now. The emerging markets are hot, the developed countries are on the move, the markets have plenty of room to rise further, the overall environment is becoming more favorable, which is clearly illustrated on **Chart 5**, showing the Fed funds interest rate and the S&P500 going back to 1955.

First, note that interest rates and stocks clearly move in opposite directions on a big picture basis. But within this big picture, lows in interest rates have consistently coincided with stock market lows prior to good sized rises (see vertical lines). This is currently happening again and it's yet another bullish factor.

NOT A ROSY ENVIRONMENT

We know the fundamentals are a problem. The overall environment is not ideal, considering the massive amounts of money that have been created to "fix things." But situations are rarely ideal when good opportunities present themselves and you have to take what the market gives you, weigh the risks and go with it.

CHART 5

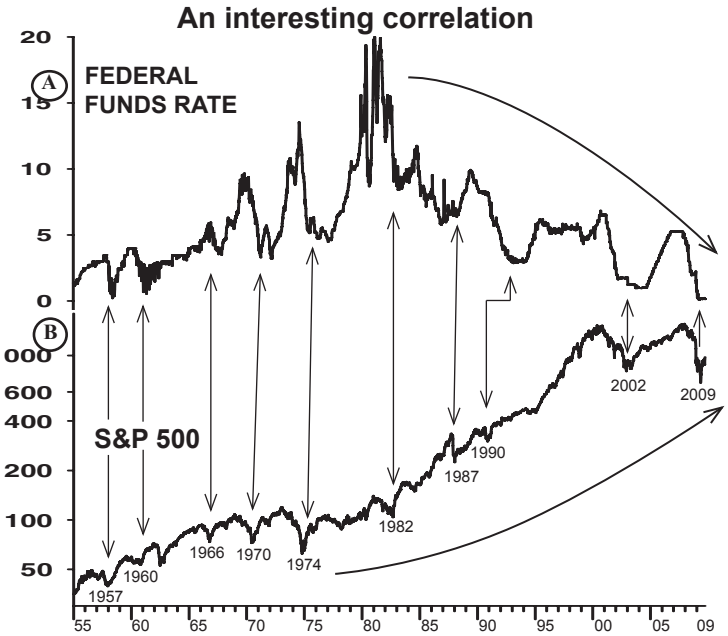
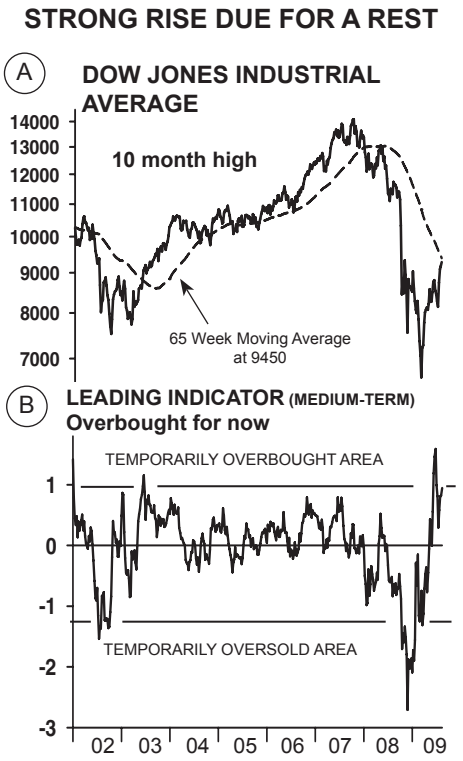


CHART 6



The good news will come later, and then things will probably change again as the piper is paid and the effects of all that's happened become more obvious. But we'll take it one step at a time and for now, we recommend adding to your common stock portfolio, using your U.S. dollars to buy. If you've followed our recommendations, however, you're not holding dollars. In that case, use your Swiss francs to buy into these stronger markets.

One word of caution... the stock market is still temporarily overbought (see **Chart 6B**). This means it could decline first before it heads higher. Then again, the market is showing such strength, it could stay near these overbought levels as it continues to move higher, which is essentially what it's been doing this past month. So if you're buying new positions, just go head and buy. Also, continue to keep the stock positions you currently have.

U.S. INTEREST RATES AND BONDS
Bonds are bearish

The bond market is extremely sensitive to inflation. In fact, it hates inflation and the bond vigilantes are always on the alert, watching for any inflation signs.

FALLING BOND PRICES THIS YEAR

Bond prices have dropped sharply this year, the most in 30 years. This alone tells us that bond investors are getting nervous, they're concerned about future inflation and they're cutting back on their bond purchases or selling them.

Bond investors are known to be among the most sophisticated. That's why they're called vigilantes. They're hip to what's going on and they often take action well before other investors. This explains why the bond market often leads other markets and points the way for the economy.

Foreigners own about half of all U.S. government bonds, the highest level ever. And the bulk of those bond holders are foreign governments. Many of these governments are holding hundreds of billions of dollars in U.S. bonds, so it's no wonder they're watching the situation like a hawk.

In recent months, we've discussed the vulnerable position the U.S. is in. It needs foreign buyers to finance its spending, which it does in large part by selling bonds. At the same time, foreigners have been selling bonds since last year when the global financial crisis worsened.

What's worrisome is that selling is intensifying as governments continue to voice their concerns about massive U.S. spending, the likelihood of future inflation, the negative outlook for the U.S. dollar and the general direction the country is taking.

The latest figures show that investors sold the most Treasury bonds in six months (see **Chart 7**). Russia and Japan trimmed their bond holdings, while China is openly discussing plans for more alternative, non-dollar investments.

LESS DEMAND FOR BONDS

The bottom line is, foreign demand keeps dropping. Plus, foreign governments are shifting out of long-term bonds and into shorter-term bills. That's why long-term interest rates have been rising (see **Chart 8**, right). The free market is driving them up due to low demand in order to attract buyers.

As you can see, the major trend is up for long-term interest rates, signaling they're headed higher in the months and probably years ahead. That'll surely be the case as inflation becomes more obvious, especially combined with the new low in the U.S. dollar.

These factors simply aren't appealing to investors and they'll demand a very high premium before they lend more money. That premium will be much higher interest rates. And considering the government's going to need four or five times more money than it needed last year, this interest rate premium will likely shoot up much higher than most people realize.

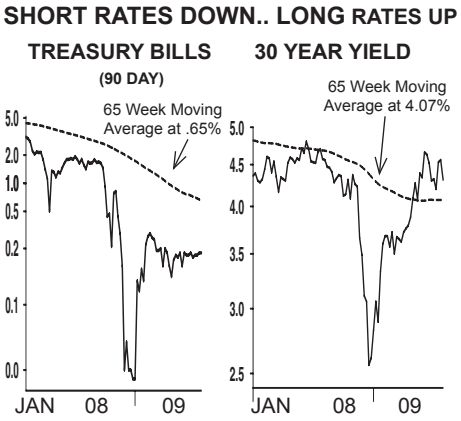
Short-term interest rates are another story. The Fed is keeping them low and it probably will for as long as the economy remains on thin ice (see **Chart 8**, left). But eventually, short-term rates will follow long-term interest rates up and we're now probably seeing the lows for interest rates for a long time to come. Again, this will become more obvious as the economy recovers and inflation begins to kick in.

Overall, all signs are pointing to the likelihood that this financing problem is not going to go away any time soon, and it'll probably intensify. As things currently stand, the U.S. is on notice.

As you know, China is the U.S.'s largest lender to the tune of around $1.5 trillion. It wants assurances that its loans are going to be okay and top government officials, including Treasury Secretary Geithner, have promised to shrink the deficit by 2013. Will this be enough to satisfy China? Probably not. The Chinese will want to see actions, not words and only time will tell if the results satisfy them.

CHART 7

CHART 8

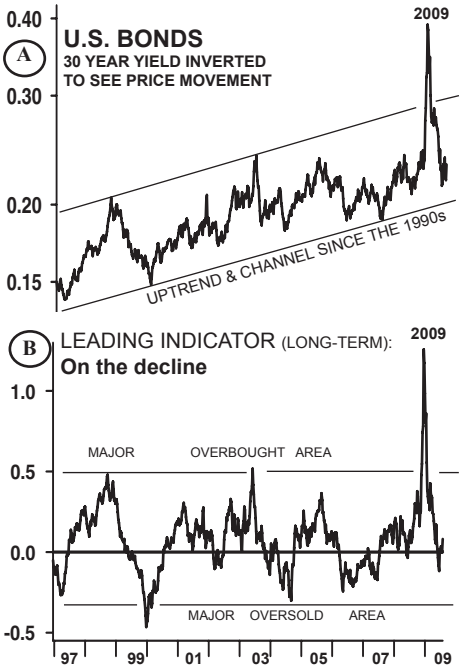


BONDS: On the decline

Looking at the bond price chart, you can see that bonds are weak (see **Chart 9A**). Plus, the leading indicator has turned bearish and it has plenty of room to fall further before it's oversold. Since major oversold levels coincide with important lows in bonds, this tells us that bond prices are still headed lower. That makes sense because as interest rates rise, bond prices will decline.

CHART 9

PRESSURE ON BONDS



It's now important to watch the major uptrend that's been in force since the 1990s. If the bond price breaks clearly below that trend, bonds would be extremely bearish and they'd probably then be headed for a mega drop similar to the one that happened in the 1970s, which coincided with the last big inflation boom. At that time, bond prices plunged about 70% as long-term interest soared, eventually peaking over 15% in 1981.

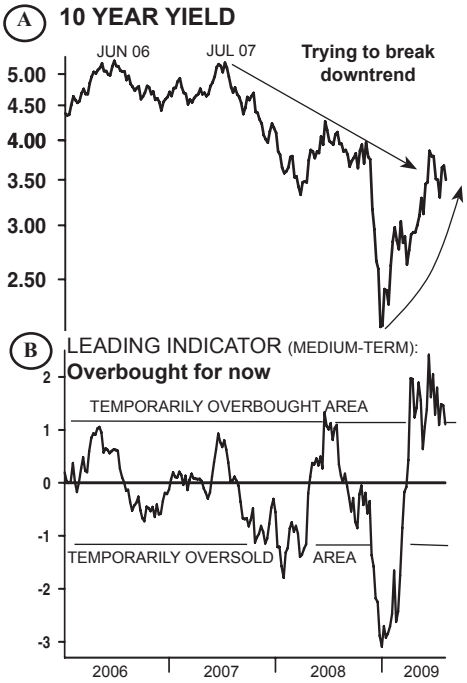
We don't yet know if bonds will react as dramatically this time around, but we do know that all of the ingredients are in place, so they could. The first two solid signs would be a break below that long-term uptrend and/or a sustained rise above the mega trend identifier at 4.67% on the 30 year yield. If that happens, you'd want to sell any bonds you may be holding.

For now, it still looks like long-term interest rates are going to decline first before they head higher because they remain temporarily overbought (see **Chart 10**). This will provide a good opportunity to sell some bonds, for those of you who have them.

It'll also provide a great opportunity to buy into a rising rate fund, or to short bonds. That way, we'll get in at a better price and be well positioned to take advantage of the big rise in rates, probably starting in the months ahead.

CHART 10

ON THE RISE



CURRENCIES

U.S. Dollar: Fell to new low for year

Well, it finally happened. After months of anticipation, the U.S. dollar fell to a new low. It's at the lowest level for the year, the major trend is clearly down, signaling the dollar is going to fall much further in the upcoming months, and probably well into next year.

DOLLAR BEAR CONTINUES

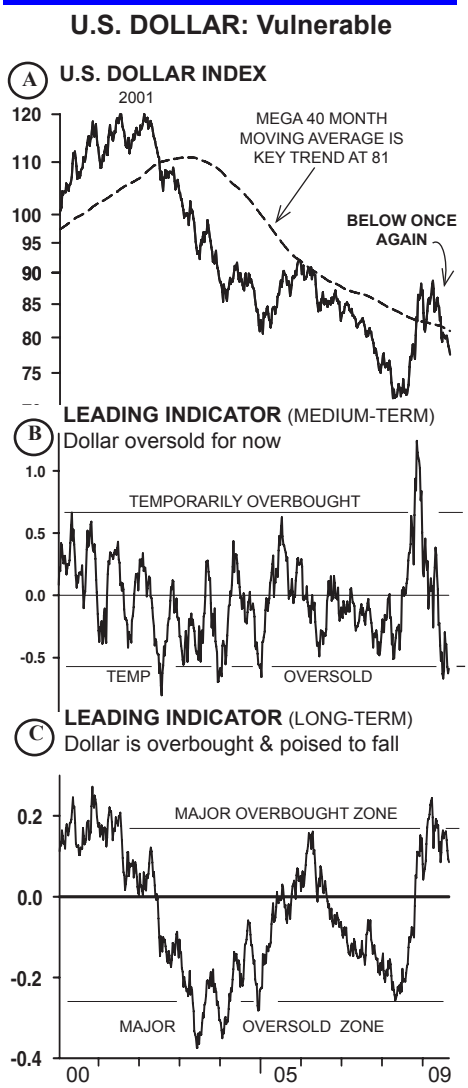
This shouldn't come as surprise. Considering the dollar's very weak fundamentals, we're frankly surprised the dollar rose as far as it did last year during the heat of the crisis (see **Chart 11A**).

As you can see, the dollar's bear market decline began in 2001. It was temporarily interrupted last year in reaction to the financial crisis. But now that things have settled down, and the global economy appears to be on the mend, the dollar is resuming its eight year decline.

Its next downside target is at the 2008 lows near 71.50, and once it breaks below that level, the dollar will be at a new record low and it'll then likely fall sharply as downside momentum accelerates. It looks like the dollar is now headed in this direction. As we discussed in this month's Interest Rate section, all of the reasons why foreign governments are cutting back on their U.S. bond purchases apply to the U.S. dollar as well. So we won't rehash the reasons here. We will add, however, that the voices calling for replacing the U.S. dollar as the world's reserve currency are getting louder.

Aside from the usual suspects like China, Russia, India and the Arab states, this month the President of France also joined the chorus, calling for a diversified monetary system.

CHART 11



As our dear friend Chuck Butler says, the writing is on the wall. Keep in mind that more than two-thirds of all the dollars in the world are held outside of the U.S. And three-quarters of all reserves are being held by emerging countries, with China holding the biggest portion, so these countries are calling the shots.

CHINA: Changing rules

China is simply doing its own thing. As we mentioned last month, it has arranged currency swap agreements with a host of countries, which basically eliminates the dollar from its trade equation and replaces it with the yuan (renmimbi). These agreements could total half of China's exports and if this continues, China will soon have one of the top three currencies used in global trade.

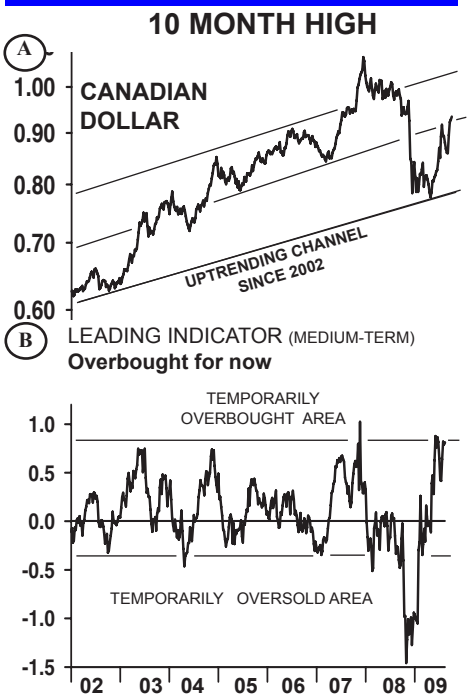
Interestingly, China has also been taking the first steps for the yuan to become a reserve currency one day. Based on their actions, China seems to be slowly moving in that direction.

China has clearly been instrumental in boosting the global economy, leading it out of its deep slump. This was one important factor putting downward pressure on the dollar because it's beginning to spur confidence, renewing the desire for some risk. Rising global stock markets, higher oil prices and a surge in commodity prices all weighed on the dollar too.

CURRENCIES: On the rise

This was all very bullish for the currency markets and they moved sharply higher this month (see **Chart 12**). The major trends are up and these markets are still in the early stages of new major bull markets. That is, prices are headed much higher, so you'll want to continue to buy and hold the strongest currencies for the long ride ahead.

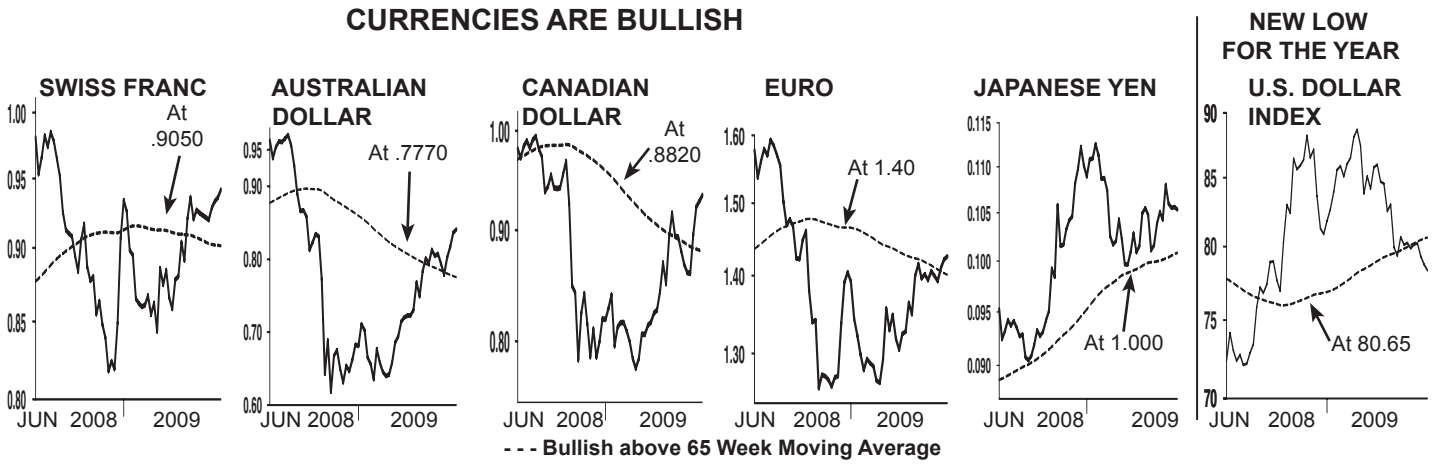
CHART 13



The Australian dollar has consistently been one of the top performing currencies this year. Recently, it's been the strongest one, posting the longest string of monthly gains in five years. Here too, China has been instrumental.

China's demand for commodities and raw materials is absolutely massive and Australia is China's main provider of raw materials. Coal shipments to China alone, for instance, are about 3 million tons per month. Iron ore exports are even

CHART 12



more impressive.

This relationship has been a big boost for Australia's economy and for the Australian dollar. China's demand has also helped fuel rises in other commodities, like oil, which in turn has driven, and will continue to drive, the Canadian dollar higher (see **Chart 13**).

Rising stock markets have been bullish for the currencies too, and so have more positive economic signs. It's all a chain reaction as one market drives the other with China essentially in the driver's seat.

SWISS FRANC: Lagging

At this point, all of the currencies are strong, but some are obviously stronger than others. The euro is very bullish and so is the New Zealand dollar. The Swiss franc has been lagging and the outlook is better for our other recommended currencies.

The Swiss franc is actually one of the most overvalued currencies in the world today, along with Norway's currency. Plus, the Swiss central bank intervened for the first time in 17 years to keep the Swiss franc from rising too much. So even though it'll likely rise further, together with the other currencies, it's our least favorite.

If you've followed our advice you have all of your cash in our recommended currencies. In that case,and as we previously mentioned, we'd sell the Swiss franc in order to buy our new recommended stocks, which we believe have better potential. But if you're holding cash in U.S. dollars, then use the dollars to buy these stock positions and keep the Swiss francs.

METALS, NATURAL RESOURCES & ENERGY

The commodity world is growing in strength

The commodity market is bubbling. Whether it be sugar reaching a three year high, copper and other base metals reaching almost one year highs, or oil and gold rising further. The markets are looking good.

They're moving up on signs that the global recession is easing. This is boosting demand, especially in China and Asia, which is pushing up the prices.

TANGIBLES ARE "IN"

Tangibles are growing in strength. From the metals, natural resources, energy and food, these markets are rebounding strongly and they're poised to continue rising in the years ahead. Demand is the driving force, making commodities a powerful market.

The Chinese are astute investors. They're buying up lots of hard assets and commodities for infrastructure, and they're using their dollar reserves to buy these goods.

The world is on sale and China is the main buyer. The Chinese have already been focusing on resource rich developing countries, and less on monetary investments. They're using their reserves to support and speed up overseas expansion and acquisitions by Chinese companies.

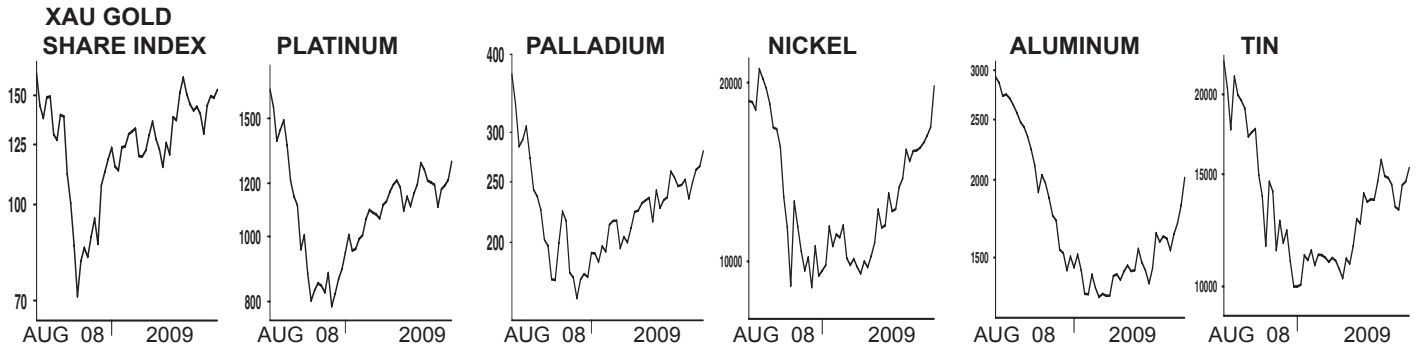
This is a growing tendency, and it's not just China. Other countries are doing the same to lock in natural resources for the future.

China's stimulus package is taking effect and their economy is showing impressive strength, boosting raw materials' consumption even more. Top Chinese officials have been commenting about this more than usual in recent weeks.

A research chief, for example, said China should buy gold and U.S. real estate instead of Treasuries. Another top economic official said China should use more of its $2 trillion reserves to buy energy and natural resources. He also believes their 2% gold reserve is too small, even though China has already increased their gold reserves

CHART 14

2009: GOOD FOR METALS & SHARES



about 75% over the last five years.

DEMAND IS ROBUST

To give you an example of how huge the current surging demand is, let's take a closer look at iron ore, the raw material used to make steel and iron. China is the world's biggest buyer of iron ore and Australia is the largest exporter of the ore.

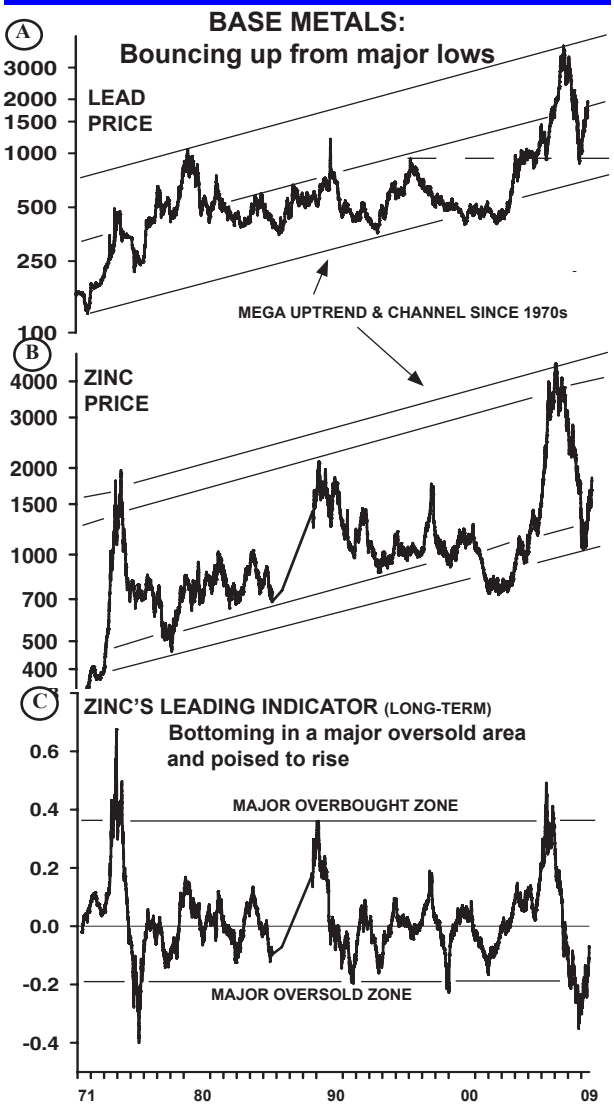
BHP Billiton and Rio Tinto, two of the world's biggest mining firms, have an incredible organization in Australia to get the ore out in a speedy fashion. They run, around the clock, the longest trains on earth in a chain that stretches for three kilometers.

After hauling tons of iron ore 400 kilometers from the North-Western mountains to the coast, a complex network then tips the iron ore out of the railroad cars and mixes it. This is then loaded onto ships, which are crowded in the harbor, bound for China, Japan and Korea. It's an impressive and incredible set up and it's going on day in and day out.

This explains why cash prices for iron ore delivered to China rose above $100 metric tons. Steel prices in the U.S. also rose 13% in July while aluminum's 11 day rise was the longest advance in 22 years (see **Chart 14**).

The base metals are rising from a major low area with some like zinc, lead and nickel reaching 10 month highs. The big picture looks promising (see **Chart 15**). Zinc's leading indicator (C) provides a good example, showing how oversold the base metals are.

CHART 15



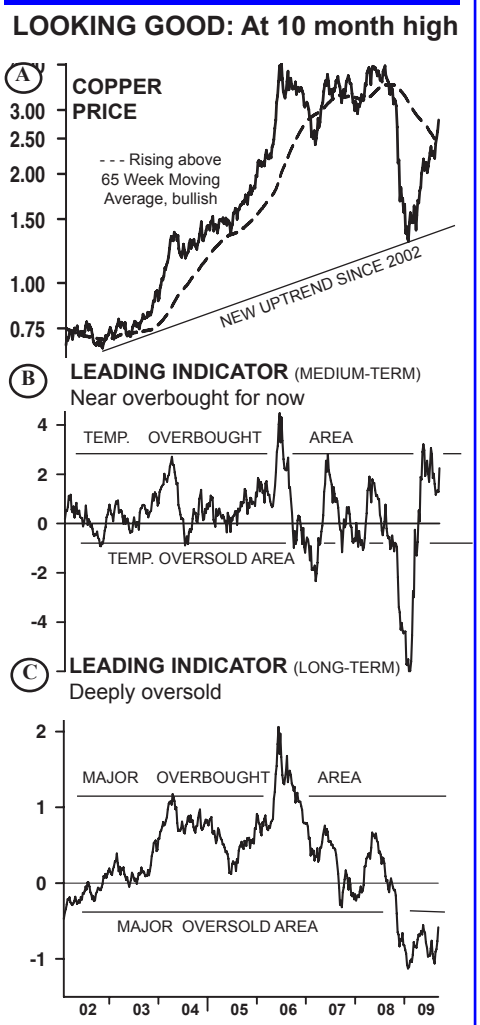
COPPER: Almost one year high

With this kind of demand, it's not surprising to see copper jumped up further this month, turning clearly bullish along the way. We have been showing you how truly bombed out copper has been, as well as crude oil.

Resource and energy have been bouncing up from an extreme oversold area and both sectors are poised to continue rising in the years ahead. **Chart 16A** shows that copper is now rising back above its 65-week moving average for the first time in a year, thereby turning bullish. It's now strong above it at $2.42.

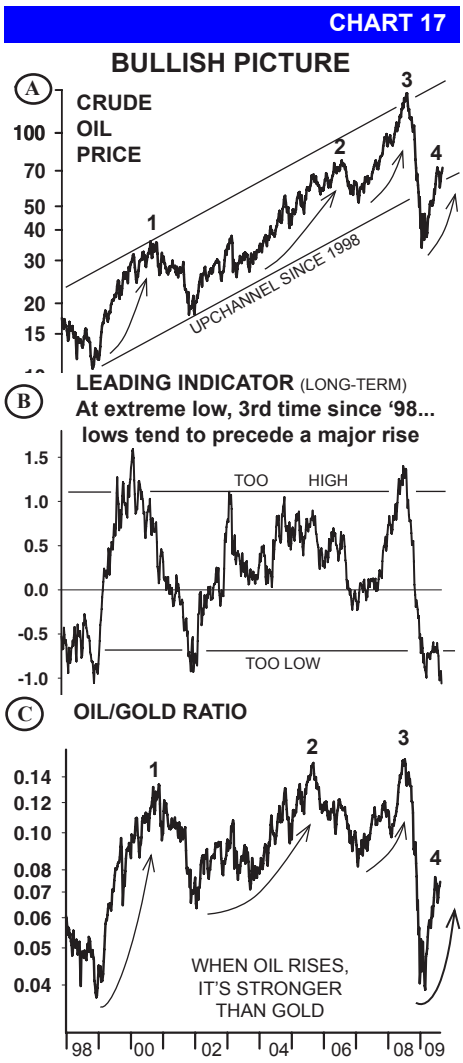
Copper's medium-term indicator (B) is currently overbought, which means we could see the metal consolidate its whopping 110% gain since March. But the long-term indicator (C) is most telling as it's showing that the rise has only just begun. This is clearly a buy and hold market, which is why we have Freeport-McMoran in our portfolio. It's the largest publically traded copper producer.

CHART 16



The same is true of oil. In fact, they are both saying the same thing… the big picture is very bullish (see **Charts 17A** & **B**). Incidentally, China also plans to build up their oil reserves over time.

Oil's relationship to gold is also interesting (see **Chart 17C**). This shows the ratio of oil to gold and as you can see, when oil rises it tends to be stronger than gold (see lined arrows). This year has not been an exception. Oil's been outpacing gold as the ratio rebounds from the lows. This is only the fourth time in



10 years that oil has been stronger than gold and this will likely continue for a while longer.

ASSET CLASSES STILL MOVING TOGETHER

The more it looks like the financial crisis and global recession is over, the more this pushes up stocks, commodities and currencies. They are all rising for the same reason, which is understandable for now, but keep in mind that this is not normal.

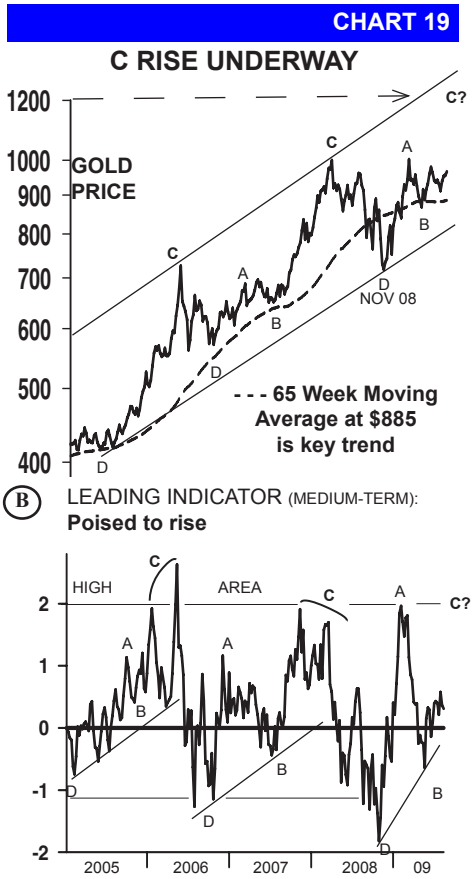
Commodities and the stock market don't usually move together and at some point they will go their separate ways. When this will happen and what will trigger it remains to be seen but it's something we have to keep a close eye on. We'll enjoy it for as long as it lasts, but most important is to understand why each market is rising in the first place.

For commodities, its demand together with a weak dollar which is very bullish. For stocks, it's optimism for a better economy, but inflation would eventually kill the rise. For currencies, it's the weak dollar, and also the commodity rise for the commodity currencies. For bonds, it's the financial health of the global economy and inflation.

The world is slowly moving towards tangibles and away from financials. The ongoing commodity bull market is eight years old and considering that commodity bull markets over the past 100 years have lasted on average 17 years, the current bull-run could go on for another decade. And the long-term indicators for oil, copper and the base metals are saying the same.

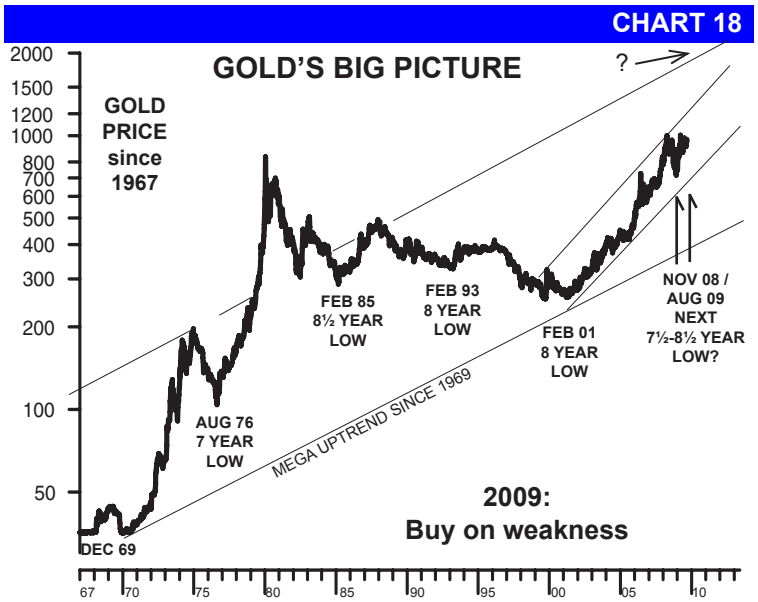
GOLD: THE SPECIAL ONE

As for gold, its main purpose is money. Gold is the ultimate currency, it's a safe haven and it thrives during economic uncertainty. Gold and commodities tend to move together in a general wave but it will outperform or underperform the other metals and commodities at times.



China is on the mend and its plans to add more gold to its reserves is very bullish for gold. China could easily overtake India in gold consumption this year, especially since it's the first nation to rebound from the global recession. China's GDP recently rose to 7.9% as the massive stimulus plan and record bank lending began to take effect.

Gold's big picture is bullish as you can see on **Chart 18**. The mega trend is up and the bull market rise since 2001 is turning 8½ years old this month. This is important because the eight year mark has been a key low point for gold going back to the 1960s when gold began trading in the free market.



THE TIME FOR TRUTH

Chart 18 shows this pattern has repeated four times since 1969 and the fifth low is now

on the longer side of the normal time span. This low period can vary from 7 to 8½ years, following the previous low, which means that, if gold stays above last November's low, then that $705 low was the low for this time around. This would make it a 7 year 10 month low following the previous February 2001 low… just three months shy of the 8 year mark. We'd say that's pretty close.

So if the 8 year pattern repeats, and we believe it will, then current prices are still at good levels for buying new positions. We should have all of our positions bought this month because come the Fall, we could see gold take off.

TIMING GOLD

Chart 19 shows a closer look at gold's intermediate moves and as you can see, gold has been forming a springboard for upcoming higher prices. As our older subscribers know, gold moves in an A-D pattern on an intermediate basis. D declines tend to be the worst decline and gold reached the last D low in November.

It then rose from those lows in a moderate rise we call "A" which peaked last February. This is when the springboard began as gold declined from that high to form a moderate "B" low last April at $868.

Since then, a C rise has begun. It's been quietly forming a coil and gold looks ready to take off. Gold's been rising this past month and it's strong above $935. It reached a nine week high and it would be very strong above $985. A super strong C rise would be underway above $1004, the record high.

Keep in mind, C rises tend to be the best rise in the pattern. By hitting a new record high, gold would confirm that the bull market is entering an even stronger phase and it could then rise to near $1200. It would also confirm that the 8 year low indeed happened last November.

Since November, gold's been posting higher lows which is also positive action. For now, if gold stays clearly above the July 8 low at $909, it'll be reinforcing its strong uptrend since November.

CHART 20

SILVER: Looking strong

Silver is following gold and it looks poised to outperform gold in the upcoming rises. **Chart 20A** shows the bullish big picture for silver. It's been in a mega uptrending channel since 1967, and once silver closes above its March 2008 closing peak near $20.80, it will then be moving into a stronger phase of the bull market. It could then rise to eventually reach its old record high near $49 posted in 1980.

And it looks like it's just a matter of time before the year ago March high will be surpassed. Silver's been moving in a strong uptrending channel since 2003. It lagged gold at the time by two years but when it finally took off, it jumped up, outperforming gold while the commodity market heated up. Silver is poised for a sustained rise in the years ahead.

CHART 21

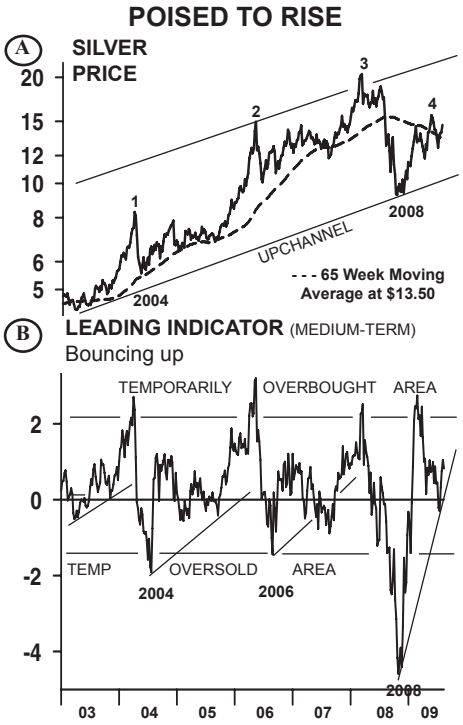


Chart 21A shows silver's ascent closer up. You can see it's had three strong intermediate rises since 2003, and the fourth is currently underway. Silver has room to rise further as the indicator (B) suggests. Keep an eye on $13.50 as silver is bullish and strong above this level. Once it closes above its June high at $15.95, a forceful intermediate rise will be underway.

Silver is also poised to outperformed gold. Note the ratio on **Chart 20B** as it's been bottoming at a silver support, which means the trend has been favoring silver since 1990 and it's now likely headed higher.

PLATINUM, PALLADIUM & GOLD SHARES

All of the precious metals and gold shares are on the rise (see **Chart 14**). Both platinum and palladium are turning bullish again for the first time in a year and they're very strong above $1250 and $260, respectively.

Plus, all of the precious metals and copper are now above their 65-week moving averages for the first time since the crisis hit. This is a strong sign that the future looks bright and it's a strong bull market confirmation for this entire sector.

OVERALL PORTFOLIO RECOMMENDATION

More strong signs surfaced this month that the recession is easing and better times are coming. These included surging U.S. and global stock markets, rising gold and commodity prices, declining bond prices, a break down in the U.S. dollar and strong currency rises. The stock markets are looking good and we now recommend buying more new stocks, raising your stock position to 20%. This will lower your cash position to 20%. These adjustments to our total portfolio are shown on the right.

STOCK MARKET RECOMMENDATION

The stock market surged this month. It's strong and bullish, and poised to rise further. This new bull market is well worth taking advantage of and we now recommend buying new common stock positions in the strongest sectors and markets. The stocks we advised buying in our weekly updates are: the Nasdaq ETF (QQQQ), Powershares Dynamic Software (PSJ), iShares S&P Tech (IGM) and iShares S&P Global Tech (IXN). Other stocks we now recommend buying are: SPDR Consumer Dis (XLY), Turkish Invest fund (TKF) and Japan SM Cap fund (JOF). Buy new positions in these stocks, as well as Gldn Dragon China (PGJ), which we already have. Use your Swiss francs or U.S. dollars to buy, boosting common stocks to 20% of your portfolio. Keep the other stocks you're holding. We'll be providing information on stop losses soon.

PRECIOUS METALS, ENERGY, RESOURCE & THEIR SHARES RECOMMENDATION

The pressure on the precious and base metals, as well as oil and energy didn't last long. By mid-July the lows were in and a renewed rise has turned many bullish again. New highs were reached in palladium, copper, nickel, zinc and lead while the others are bubbling.

The resource sector looks great and it's moving with the emerging markets and commodity currencies. Oil is strong and both the energy and resource sectors are solidly bullish with great potential for the future. We recommend keeping your positions and buying new ones in the strongest shares, which are at the top of the list to the right. We are adding Kinross Gold (KGC).

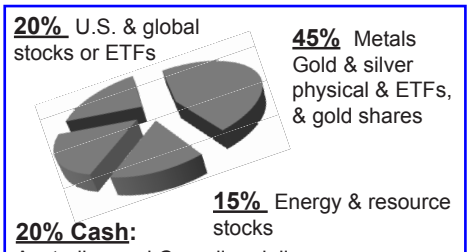
Gold looks ready for take off and silver is poised to outperform gold. If gold closes above $1004 and silver above $20.80, the bull market will be entering a stronger phase. Platinum and palladium are on the rise and turning bullish. This is the first time since the crisis that all of the precious metals and copper have turned bullish, which is a very positive sign for this whole sector. Continue to keep your positions and buy new ones in the strongest metals and shares at the top of the list.

INTEREST RATE & BOND RECOMMENDATION

Bond investors are nervous about upcoming inflation and selling has intensified. Bond prices are bearish. Long-term interest rates have been rising and they're headed higher in the months and probably years ahead. But rates may decline first before they head higher. If you own bonds, this will provide a good opportunity to sell some. That'll also be a good time to buy a rising rate fund, or to short bonds.

CURRENCIES RECOMMENDATION

The U.S. dollar finally fell to a new low for the year. The major trend is down, signaling the dollar is going to fall further in the upcoming months, and probably well into next year. This was very bullish for the currencies and they moved sharply higher. The bull market is still in its early stages, so continue to buy and hold the strongest currencies, which are the Australian and Canadian dollars, and the euro. The New Zealand dollar is strong too. The Swiss franc has been lagging and we recommend selling it in order to buy our new recommended stocks, which have better potential. This will lower our cash currency position to 20% (from 30%). But if you have cash in U.S. dollars, use the dollars to buy the stocks and keep the Swiss franc. We also manage currency accounts. For info, write info@adenforecast.com



OUR OPEN POSITIONS

GOLD & SILVER ETFs AND SHARES

Iamgold	IAG-NYSE
Eldorado Gold	EGO-AMEX
Agnico Eagle	AEM-NYSE
Kinross Gold *	KGC-NYSE
GoldCorp	GG-NYSE
SPDR Gold Trust	**GLD-NYSE**
Central Fd of Can	CEF-AMEX
Mkt Vectors ETF	GDX-AMEX
iShares Comex Gold	**IAU-AMEX**
iShares Silver Trust	**SLV-AMEX**
Central Gold Trust	GTU-NYSE

U.S. & GLOBAL STOCKS

Turkish Invest *	TKF-NYSE
Templeton Emg Mkts	EMF-NYSE
Gldn Dragon China	PGJ-NYSEArca
Dow Diamonds	DIA-NYSEArca
iShares Mexico	EWW-NYSEArca
Prshrs Dynamic Soft *	PSJ-NYSEArca
SPDR Consumer Dis *	XLY-NYSEArca
iShares S&P Tech *	IGM-NYSEArca
iShares S&P Glbl Tech *	IXN-NYSEArca
Nasdaq ETF *	QQQQ-Nasdaq
Japan Smlr Cap *	JOF-NYSE

RESOURCE & ENERGY SHARES

BHP Billiton	BHP-NYSE
Freeport McMoran	FCX-NYSE
Cameco	CCJ-NYSE
Denbury Res	DNR-NYSE
Suncor Energy	SU-NYSE
RioTinto	RTP-NYSE
Transocean	RIG-NYSE

CURRENCY ETFs & FUNDS

Franklin Temp Hard	ICPHX-NSDQ
Australian Dl Tr	FXA-NYSE
Canadian DL Tr	FXC-NYSE
Merk HD Cur Inv	MERKX-NSDQ
Euro Currency Tr	FXE-NYSE

*** New Positions**

Note: All of the shares, funds and ETFs are listed in order of strength in each section. Buy new positions in the strongest ones. The gold and silver ETFs are listed above in bold.

