THE
# ADEN FORECAST
MONEY • METALS • MARKETS

AUGUST 2017 36th year

# UNUSUAL TIMES - UNUSUAL MARKETS

This month we've received many more questions, especially about the stock market. So this month we're again answering the most frequently asked questions and a couple others, which were interesting.

**Q. The stock market keeps rising. Isn't it overdue for a drop?**

**A**. Yes it is, but that doesn't mean it's going to decline any time soon. Sure, it could, but the bullishness is strong and it's growing.

Nevertheless no market grows to the sky and the stock market will not be an exception. The Dow Industrials has been rising practically non-stop for about a year.

Normally, corrections happen about every seven months, so the market is way overdue for at least some sort of downward correction. We don't know when this will happen but when it does, it'll be normal following such a steep rise.

So don't be alarmed. If anything, it'll probably provide us with a buying opportunity, as you'll see in this month's Stock Market section.

**Q. I didn't buy stocks when you first said to buy. Is it too late now?**

**A**. Our stock market indicators continue to signal a higher market head. And if this bull market evolves like the last two bulls, which we showed you last month on Chart 6, then no, it's not too late to buy.

Even though you'd be buying somewhat late in the game, it's important to remember that the biggest gains almost always happen when the bull market enters the frenzied stage in the latter part of a big rise. But also know that you probably would not be holding these stocks for too long.

**Q. This time I am puzzled. If we are to experience a mid-1990s style hype in general stocks, wouldn't that spell bad news for gold stocks and gold like it did in the late 1990s?**

**A**. Not necessarily. Gold shares tend to primarily move with gold. In the 1990s the U.S. dollar hit bottom in 1995 and it then moved up in the late 1990s. During that time, gold declined while the dollar rose.

And with gold heading South, gold stocks did too. They were being affected primarily by the dollar, not the stock market.

This time around, the U.S. dollar is just starting to embark on a new bear market decline. And as you'll see in this month's Currencies and Metals sections, that's going to be good for both gold and gold shares.

Basically, the environment is different, but we'll still be on the alert, just in case. And if this doesn't work out for some reason, you'll be the first to know.

**Q. Isn't the stock market in a bubble? Are you concerned? When will it pop?**

**A**. As you can see on **Chart 1**, bubbles have been happening with some regularity since 2000. First, there was the Dot.com Bubble. Then the Housing Bubble came along eight years later. And now we have the Everything Bubble.

This would include stocks, bonds, car loans, student loans and debt, which is greater than it was prior to the previous crashes.

And yes we are concerned and we're watching these developments closely. But there's no telling when this bubble will pop, or how bad it'll be when it does.

For now, the stock market keeps rising, telling us all is well on the economic front. And as long as that's the case, we can argue all day about why this shouldn't be happening, but it is.

So that's what the markets are telling us and we have to go with it. Remember, the market knows

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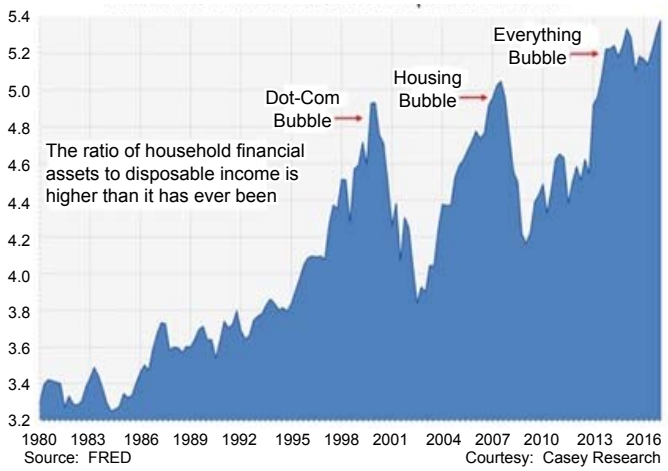
CHART

**Household Financial Assets to Disposable Income**




all and it's our ultimate guide, not the pundits, or the experts, and the commentators. The markets have the final word and they'll tell us what's coming... And so far, so good.

**Q. And what about a bond bubble?**

**A**. According to Alan Greenspan, the former Fed Chairman, equity bears hunting for excess in the stock market might be better off worrying about bond prices. That's where the actual bubble is, and when it pops, it'll be bad for everyone. His reason is simple...

"By any measure, real long-term interest rates are much too low and therefore unsustainable. When they move higher they are likely to move reasonably fast. We are experiencing a bubble, not in stock prices but in bond prices. This is not discounted in the marketplace. They will break higher as the era of global central bank monetary accommodation ends. We are moving into a different phase of the economy -- to a stagflation not seen since the 1970s. That is not good for asset prices." We'll see what happens.

**Q. It would be helpful if your updates could have a sentence or two advising new subscribers what to do. When do I start averaging in and what to buy?**

**A**. We provide this info every month on page 12. All of our recommendations are listed there, along with our Current Recommendation. If it says Buy/Hold, then it's fine to buy new positions in that stock, ETF or gold share.

If it only says Hold, then it's fine to hold if you have it, but you'll want to wait to buy new positions.

**Q. Do you still think it's best to diversify?**

**A**. Yes, we do. With so many crosscurrents taking place on the world stage, your investment should be diversified between stocks, metals, real estate, cash, and geographically. It's simply the best strategy to take during these times.

**Q. I have X gold stock. Do you suggest I stay with it for the upcoming C rise, or should I get out because the 30 year yield is also rising?**

**A**. Stay with it. The 30 year yield is unlikely to influence the gold price for the time being.

**Q. Richard Russell always said to never sell your gold, or trade it. Do you agree?**

**A.** Here we are talking about two different things... one is your core gold holdings and the other is gold you may want to trade, selling it during bear markets.

Core holdings are gold you'll never sell. It's coins or bars you want to pass on to your kids and grandchildren. This is gold you're planning to keep for the very long haul. We agree that a portion should be in core holdings, but how much is a personal decision and it's up to you.

## SPECIAL NOTES

• We're both going on vacation this month to celebrate Mary Anne's special birthday. We'll be gone two weeks trekking in Rwanda to see the gorillas and then to Kenya for the great wildebeest migration. So we will not have a weekly update on August 16 and 23. But we'll be watching the markets while we're gone and you'll hear from us if anything unusual happens. Our updates will be back to normal on Aug 31.

• We would also like to invite you to join us for the Money Show's Legends of Wall Street Seminar. The dates are January 12 to 22 aboard the Crystal Serenity, going from Panama, Costa Rica along the Mexican Riviera and ending in San Diego. If you've never been on one of these cruises, you're in for a real treat... They're simply wonderful, combining useful investment info, lovely ports of call, personal get togethers and dinners, all aboard the world's #1 rated cruise ship. We hope to see you there! For more info go to https://www.moneyshow.com/events/cruises/the-legends-of-wall-street-cruise/?scode=043574

**Thanks and best wishes to you all.**

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
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# U.S. & WORLD STOCK MARKETS

## A bull market for the record books

This bull market in stocks has been incredible and clearly one for the record books.

### MARKET LOVES GOOD NEWS

The market remains strong and bullish, and it keeps chalking up new highs. This latest upsurge has primarily been driven by good earnings, but it's really all just part of this ongoing major bull market rise (see **Chart 2**).

Low interest rates have also been a welcome relief and part of the market's pattern... That is, the stock market has been thoroughly enjoying the good news and ignoring the bad news.

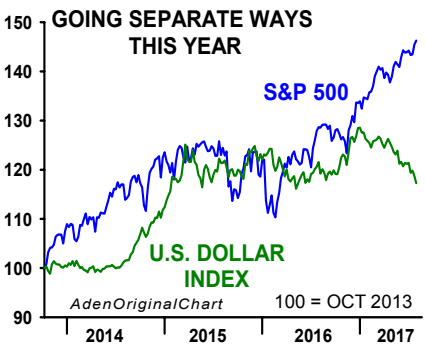
### SOLID FOUNDATION

Despite warnings of doom, it still looks like the market is headed higher. In other words, this bull market is not overbought and its foundation remains solid.

As you can see on **Chart 3**, some of the stock indexes are stronger than others, but that's normal. More important, they're all in major bull markets, well above their key moving averages.

The weaker U.S. dollar has also provided a boost for stocks. We've seen this happen in several other countries and it now started to happen in the U.S. this year (see **Chart 4**). And if the dollar stays weak as we suspect, it'll likely help keep upward pressure on the stock market...

CHART 4




### ISN'T MARKET OVERVALUED?

Okay, but isn't the stock market way too expensive and overvalued? And doesn't this mean it could drop at any time?

The answers are sort of and maybe. Let us explain...

Last month we showed you that based on Nasdaq's Price-to-Sales ratio, today's valuations are high but it doesn't mean stocks can't go higher. They can.

Valuations are nowhere near the high levels reached during the last bubble in 2000 and stocks soared leading up to the peak when valuations were super high.

Interestingly, the Price/Earnings Ratio is similar (see **Chart 5**). This is a popular tool to measure the stock market's value.

As you can see, the ratio is currently near 25, and above 25 is a historically high level.

But here too, this ratio has a long way to go before it reaches the levels attained in the last two bull markets, which peaked in 2000 and 2008.

So this alone tells us that yes, stocks are expensive, but not compared to previous bull markets. And basi-

CHART 2

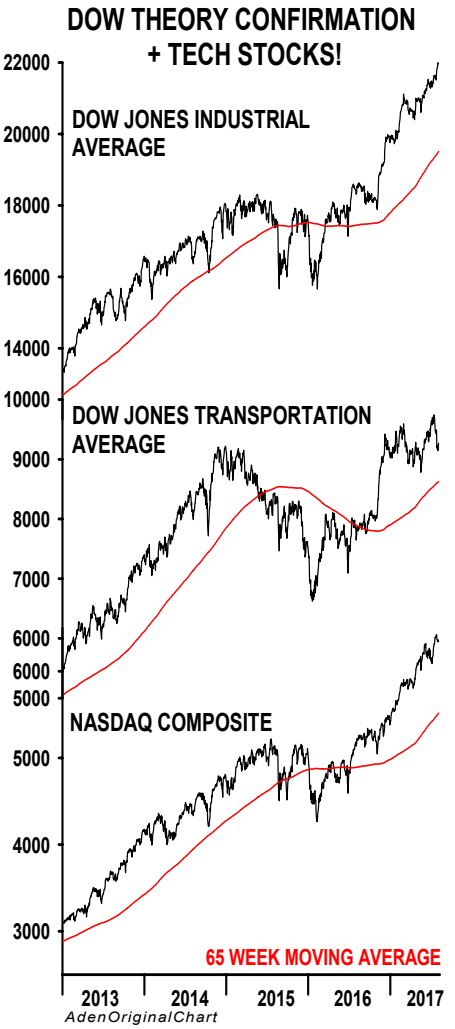
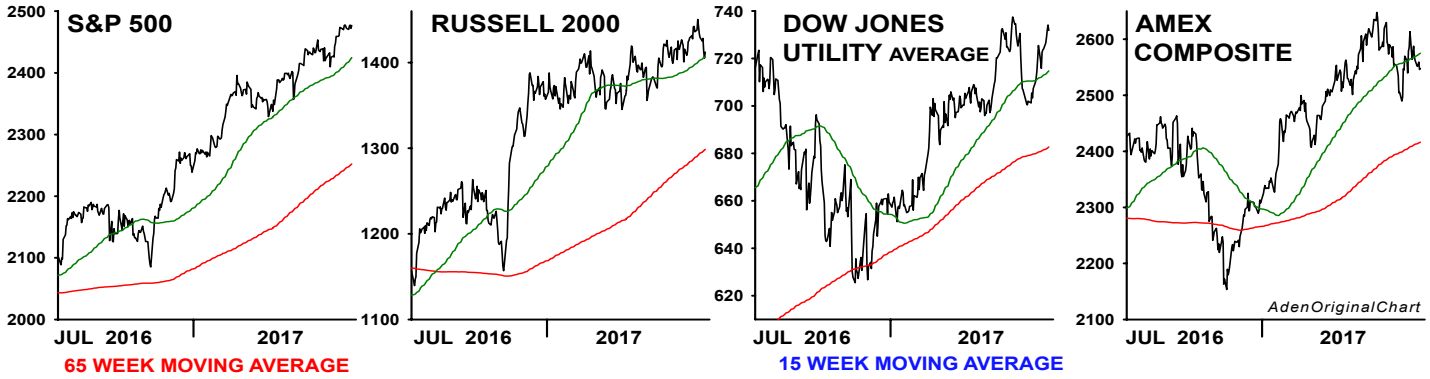



CHART 3



cally, stocks could keep rising, but this is where another factor comes into play.

## DON'T BE SURPRISED TO SEE WEAKNESS

As we've often pointed out, no market goes straight up or straight down and the stock market is not an exception.

Currently, stocks have been rising almost non-stop for over a year now. That's a long time without even a modest 5% downward correction. So, a pullback is overdue and it's going to happen sooner or later.

When it does, stocks could decline between 7% and 19%, which has been the size of the previous downward corrections during this bull market. But the bull market would still remain in force (see **Chart 6A**).

But there's a very high probability that stocks will stay in their major uptrend, especially if interest rates remain near their lower levels (**Chart 6B**). That's been the case for the past few years and there are no concrete signs this is going to dramatically change any time soon.

If so, this upcoming downward correction would provide a good opportunity to buy into some of the stronger stock sectors, if you want to add to your stock positions. If, for instance, the S&P500 or Industrials decline to test their major uptrends, they could take off 8-10%.

## EMERGING MARKETS ARE HOT

We know it may seem a little late in the game to be buying, but not for many of the global stock markets, which are making up for lost time. As a result, many are much stronger than the U.S. stock market and they're a lot cheaper (see **Chart 7**).

CHART 5

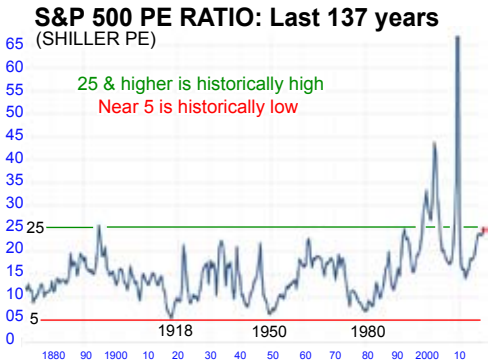



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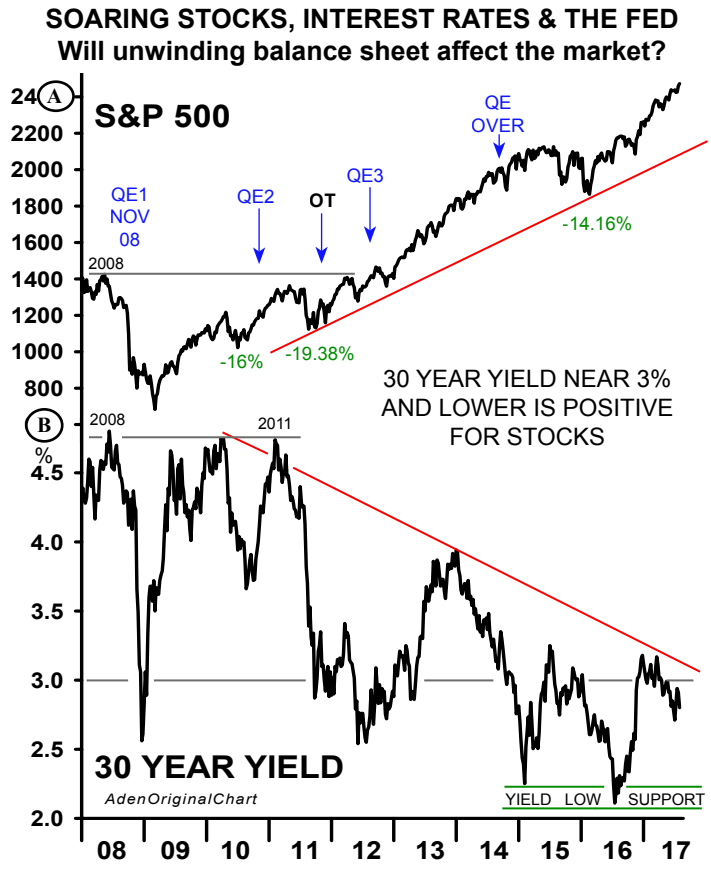
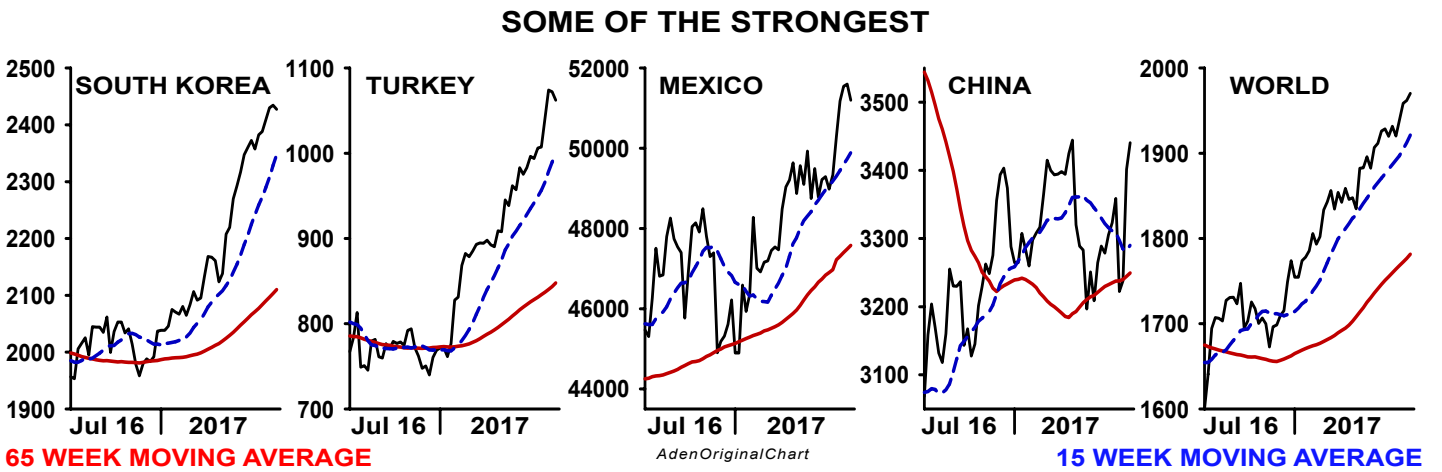
CHART 6




Some of the emerging markets are really the shining stars. With their economies growing at higher levels than the developed world, it makes them more attractive. For now, U.S. money managers only have about 5% of their assets in emerging market stocks. We're pretty sure demand is going to keep rising and these stocks will continue to be global leaders.

As you know, we've been recommending Templeton Emerging Markets, S&PGlobal 100 and as of last month, U.S. Global China. But if the opportunity arises, we'll likely increase our holdings in the strongest global markets. So, keep the stocks you have and continue to ride this bull for as long as it lasts.

CHART 7



# U.S. INTEREST RATES AND BONDS

## Which way next?

Interest rates have been volatile. They don't seem to know if they should go up or down. In large part, that's because of the mixed signals we've been seeing in the economy.


### MIXED SIGNALS

For example, when the economy showed signs of weakness, like slow retail sales and consumer sentiment, interest rates declined. And ongoing economic weakness had been keeping downward pressure on interest rates, driving them to their largest weekly fall in more than three months.

The same applied to the low inflation numbers. This reinforced that the Fed was unlikely to keep raising interest rates in view of a weakening economy and low inflation. It simply wouldn't make sense.

On the other hand, when the economy showed signs of perking up, like rising housing starts, the index of Leading Economic Indicators, the better jobs situation, rising stocks and manufacturing, which have all been good, then interest rates ticked up in their biggest monthly rise in nine months... thus, the volatility (see **Chart 8**; GDP was also looking better in the second quarter).

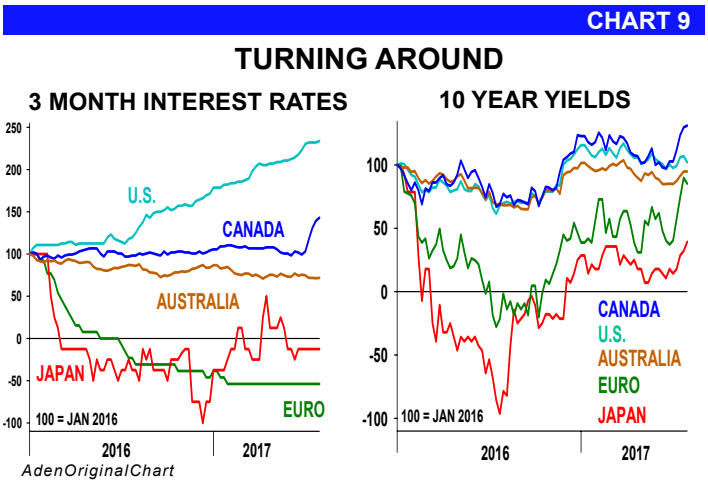
### WILL THE FED KEEP RAISING RATES?

Yellen has said the Fed is still on track to keep raising interest rates gradually. She feels the better economic signs and stronger economic conditions abroad warrant this. So after raising interest rates three times since 2016, the Fed would like to hike rates one more time this year and a few more times next year. But will they?

As our dear friend and colleague Chuck Butler pointed out, the Fed Funds futures are confirming that the odds of an interest rate hike are basically nil in August, September, October, November and probably December too.

Despite the Fed's plans to gradually raise interest rates and unwind its big balance sheet, it just may not be able to. Not only because of the still rather sluggish economy, but also because of the massive size of the Fed's $4.5 trillion portfolio.

This has spooked investors. They wonder how hundreds of millions of dollars of government bonds and mortgage backed securities would impact the markets. And this alone makes the bond and stock markets nervous.




### HIGHER RATES ON HORIZON

Nevertheless, if we had to pick one or the other, we believe the trend will be changing to higher interest rates... at least higher than they are now.

This trend has actually been in motion globally since last year when interest rates hit 5,000 year lows! At that time, many rates were negative, but they've gradually been rising since then (see **Chart 9**).

In the U.S. the short-term Treasury Bill rate has been soaring. Currently, it's at a 9 year high and it's still set to rise further (see **Chart 10**).

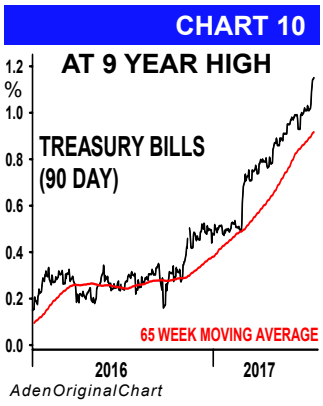
But even though the T-Bill rate has risen sharply, it's coming up from such a super low level, it's now barely above 1%. Still, the major trend is up and while it's early, our guess is that long-term interest rates will be following the T-Bill rate up.

### RISING T-BILLS LEADING LONG YIELDS?

The final confirmation that long rates are turning up would be a clear rise in the 30 year yield above its mega moving average, which is now at 3.16%... As we've often noted, this mega average is very important. Why?

It identifies the mega interest rate trend. That is, trends that do not change often. The current downtrend, for instance, has been in place since 1981. That's over 35 years, so a mega trend change would be a huge deal.

It would mean the whole deflationary environment that's been in force for decades was changing from




down to up. And this alone would eventually affect many of the markets.

It's not happening yet because short-term interest rates are still at very low levels. In other words, even if rates keep rising, they're unlikely to rock the boat.

That would likely come later, depending on how things evolve. But with growth in the developed world expected to stay at low levels in the years ahead, it's hard to imagine that interest rates will rise to levels that're much higher than they are now... another point or two would probably be it...

## BOND MARKET: Also telling story

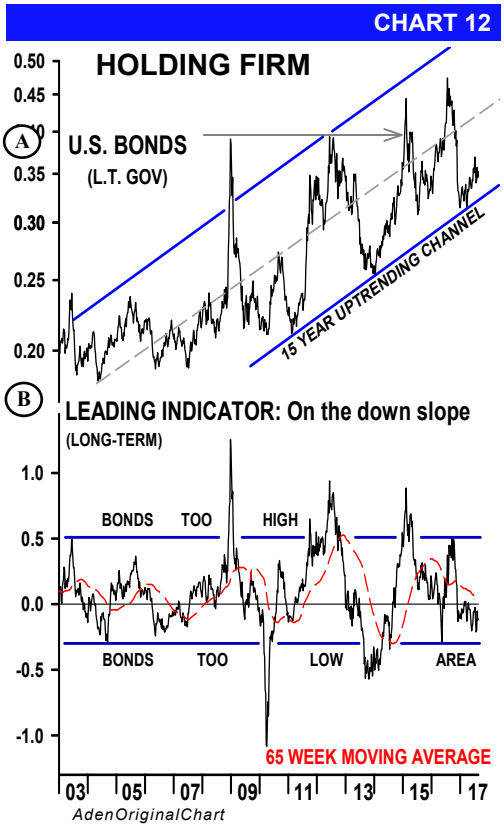
But the 30 year yield will point the way, and that's what we're watching closely.

The bond market will also tell the tale. In fact, it already has been to some degree (see **Chart 12**).

Looking at the leading indicator for bonds, you can see it's currently below the zero line, which is bearish. But it's been holding near current levels for most of this year and it hasn't dropped to the low area. If it does, it'll likely coincide with a steep drop in bond prices. And the longer it stays bearish, the more likely this outcome will unfold.

## WILL THE BOND BUBBLE BURST?

Then, the big question would be, will U.S. bond prices break below their 15 year uptrend? If the upcoming decline is a major one, yes the uptrend would probably break. This would be super bearish, signaling the bond bubble has burst, as Alan Greenspan is expecting.




And it would be reinforced if the 10 year yield also rises and stays above 2.60%.

In the meantime, our bottom line is the same. We believe bonds are risky and we don't recommend them. Continue to stay on the sidelines for the time being.

# CURRENCIES

## U.S. dollar: Look out below!

The U.S. dollar has literally been plunging. It dropped to a 15 month low and it's set to fall even further.

## SO WHAT'S GOING ON?

The dollar has clearly embarked on a new major bear market. The main reason why is because sentiment has changed...

Investors are concerned about the political situation in the U.S... With drama erupting almost daily, investors are losing confidence due to what's happening in Washington. But even though this has pushed the dollar lower, it hasn't affected the stock market. So that's good, but it hasn't been good enough.

Investors are also concerned about the U.S. economy. Sure, it's been picking up but so have interest rates,

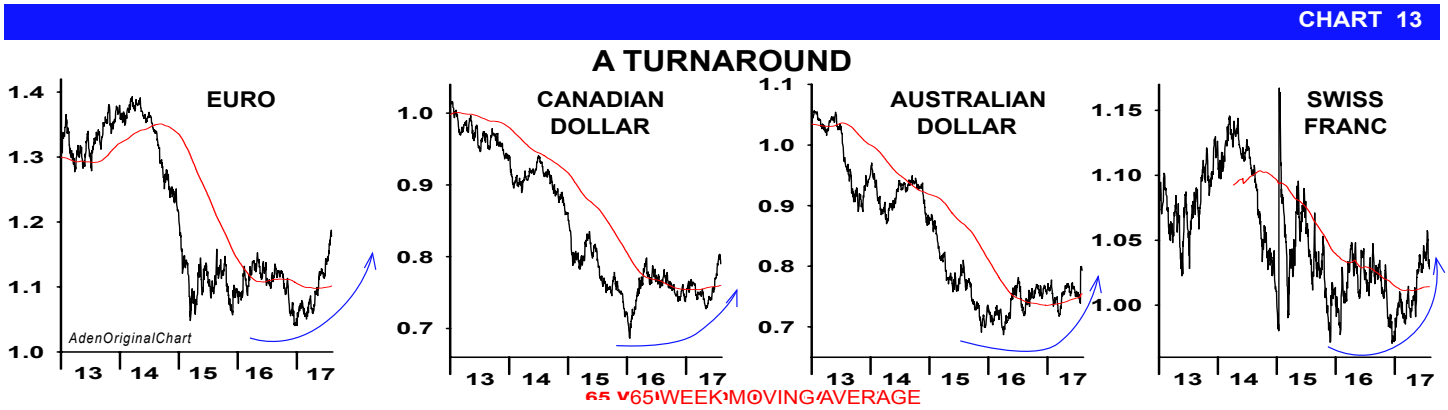


CHART 14


and inflation has not. So rising rates when the economy is still rather lackluster is being seen as a no-no.

## EURO BEST

The biggest factor, however, is simply that the euro has become the darling of the currency world. And as the euro rises, the U.S. dollar falls. Plus, the euro's economy is doing better, QE continues to provide a boost and the euro's technical indicators are looking good for further gains.

Looking at **Chart 14A**, you'll see the euro is very bullish above its moving average, currently at 1.10. The euro has also broken well above its two year resistance area, which was at 1.15.

This signals higher highs for the euro and it could now rise to its resistance near 1.30 as its next target. That would be about another 10% gain from its current levels.

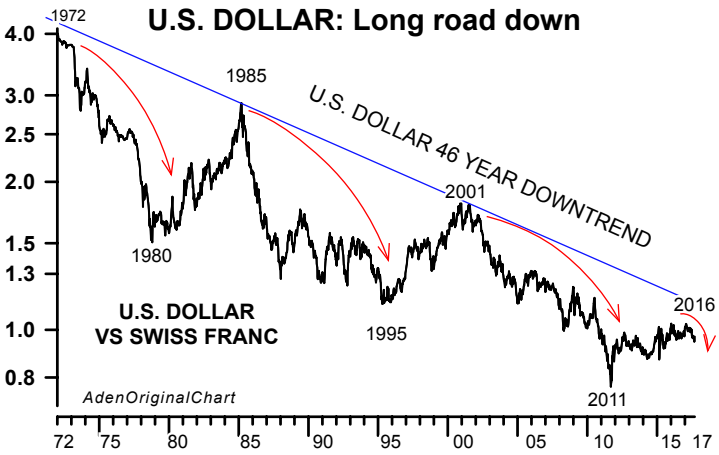
Reinforcing this outlook is the euro's leading indicator which is just starting its bullish rise. In other words, it has plenty of room to head higher before it reaches the euro high area. This means the euro may surpass the 1.30 area and keep on going.

## KEEP THE EURO AND BUY ON WEAKNESS

We like the euro. It's our favorite and it's been the strongest currency. We continue to recommend buying it. And we would keep about half of your cash holdings in the euro and/or the euro ETF, which is FXE.

The other currencies we like best are the Canadian and Australian dollars (see **Chart 13**). They're both

CHART 15




moving up nicely and this too will likely continue.

**The Canadian dollar** has been getting a boost from the higher oil price and resources in general. An interest rate rise was also beneficial, and so is its political and economic climate.

A stronger than expected Chinese economy has been the main ingredient fueling the Aussie dollar's rise. Together with improving prices in the resource sector, this should keep upward pressure on the **Australian dollar** going forward.

The ETF for the Canadian dollar is FXC and it's FXA for the Australian dollar. These are both doing well and **we continue to advise buying and holding these two currencies.**

The disappointment has been the Swiss franc (FXF). It's not bouncing up like the others. Instead, it's lagging and increasingly, it looks like this situation isn't going to change. Why?

The Swiss central bank keeps talking the Swiss franc down. They feel it's overvalued and they don't want it to rise. So we're going to recommend selling the Swiss franc and sticking with the stronger currencies. (By the way, the Japanese yen is a drag and it's best to avoid it.)

CHART 16


## BEARISH DOLLAR ETF

Another one we've been recommending is the U.S. Dollar Bearish ETF (UDN). It rises as the U.S. dollar falls and it could turn out to be very profitable, along with the strong currencies. Here's why...

To fully understand the potential here we have to first stand back and take a look at the U.S. dollar's big picture (see **Chart 15**).

This chart goes back to 1972, which was following when the dollar

went off the gold standard and began trading in the free market. As you can see, the dollar's been declining since then in a mega downtrend that's been in force for 46 years.

Most interesting, within this downtrend, the dollar has had three giant drops. The big drops lasted 8-10 years (1972-1980, 1985-1995, and 2001-2011). These drops averaged about 60% each.

The dollar has also had three big rises and they lasted about five to six years each. We believe the third rise started in 2011 ended in 2016, right at the five-six year mark.

So if this current new bear market decline keeps falling it would fit in with this pattern, based on timing and the mega downtrend. It would also mean the dollar will probably keep dropping for another 8-10 years and this decline could end up being a big one, like the prior major downtrends.

### DOLLAR OVERSOLD FOR NOW

Currently, however, the dollar index is very oversold (see **Chart 16B**). This tells us the dollar will soon bounce up, in at least a normal rebound rise. That would not be unusual and it'll provide a good opportunity to buy more currencies if you want to add to your positions, or if haven't bought any yet.

The dollar and the 10 year yield generally move together. So if interest rates do bounce up as we suspect, it'll likely coincide with this dollar rebound, perhaps in the month ahead. But if so, we don't expect to see a change in the dollar's major downtrend.

We'll soon see how this unfolds. But in the meantime, keep your currency positions.

# METALS, NATURAL RESOURCES & ENERGY

## Gold's turnaround bull market test

**July has been a good month.**

Gold, silver and gold shares bottomed on 7-7-17, and they've been rising since then. Gold started August at an eight week high.

Silver's "flash crash" ended up being the low for the move. And it now looks like a C rise has started. Once this rise is on a stronger path, it'll be exciting because it'll tell us the true strength of this new bull market, and the turnaround year from bear to bull.

We've been taking this new bull market one step at a time, and so far the steps are coming along...

**The time of truth is at hand.**

Gold has been generally uneventful during the ongoing political uncertainty facing the U.S., the geopolitical tensions and the falling dollar. But that changed this past month.

Gold started to rear its head in July during Trump's troubles. The Russian situation, the healthcare surprise, as well as North Korea's missile tests, and the further weakness in the dollar all pushed gold higher this month.

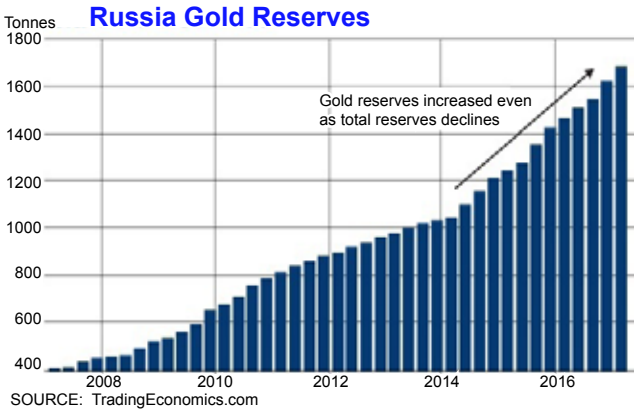
### CENTRAL BANKS: Still dovish

The Fed's interest rate scenario also kept gold firm when Janet Yellen gave the nod for a gradual approach to raising interest rates.

But it wasn't just U.S. concerns that pushed gold up. The ECB's Mario Draghi also pushed gold higher with surprising actions to leave their monetary policy unchanged. He suggested the ECB has no plans yet to roll back any monetary policy stimulus measures... So a dovish stance for both the U.S. and Europe.

**In contrast, Russia continues to accumulate gold** (see **Chart 17**). Russia and China have a long term plan to try and debase the U.S. dollar as the reserve currency of the world. And both are the biggest buyers of gold.

CHART 17




### GOLD & THE DOLLAR: Move opposite

So here we are in 2017, and the dollar has fallen 10% since January, which is the most since it plunged in 2009-2011.

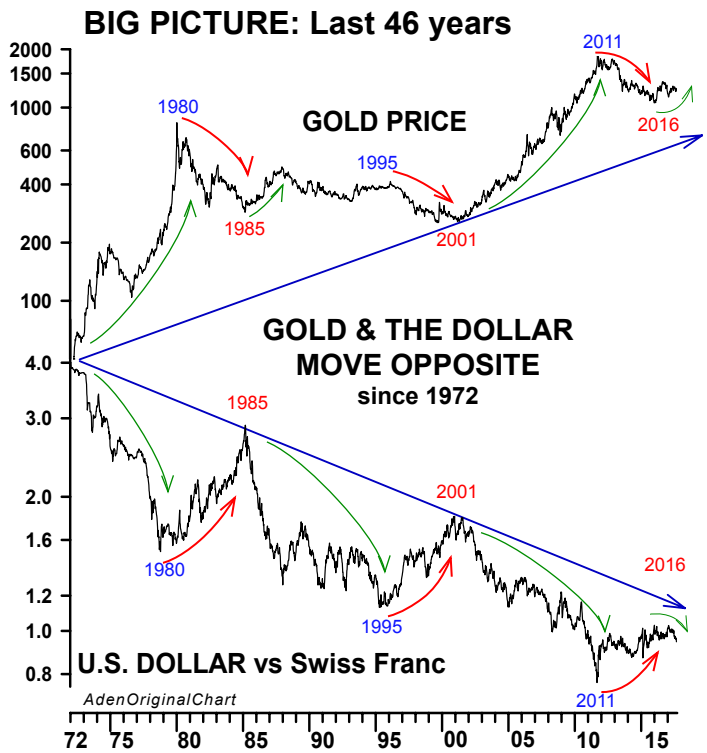
As you saw in the Currency section, this plunge marked the end of the third major sell off in the dollar since it went off the gold standard. **Chart 18** shows this same dollar chart to illustrate how it moves opposite to the gold price.

That is, **the dollar's moves have directly affected the gold price since gold began to move in the free market.**

Our older subscribers know this well. Note when the dollar had its major legs down within the mega downtrend since 1972, it coincided with a strong bull market rise in gold, in the 1970s and in the 2000s. The 1990-95 was the only exception to this now 46 year pattern.

CHART 18




Most impressive today are the red lines. These are the 5-6 year contra-trends when gold declines while the dollar rises. The last one was in 2011 to 2016. The dollar rose steadily while gold fell in its latest bear market decline.

**The turnaround year has been underway since 2016.** That is, a gold turn from a bear market to a new bull market has been in process. And it is coinciding with the start of a new bear market in the dollar. Now that gold has recently started a rise we call a C rise, it'll be helpful to tell us how this turnaround is doing.

You could argue that the dollar versus the Swiss franc is not ideal in today's world. And perhaps so. But looking at the dollar versus the SF, or as the dollar index, it's similar. In fact, the dollar index fell much further than it did versus the SF, as you can see on **Chart 19**.

This chart shows you the close up of the turnaround time period. See gold reached its lows in December 2015 while the dollar also reached a high level. This low marked the start of the change.

Gold went on to rise in its best rise to date, peaking a year ago, while the dollar declined moderately. Gold rose more than the dollar fell. Gold then fell to last December's low thereby forming a new bull market uptrend, while the dollar hit a major peak high.

Gold's rise this year was a good rise, but it fell behind on June 6, while the dollar continued to collapse. The green asterisks show this.

The point here is that once gold rises above the double green asterisks above $1300, the C rise will be heating up, and the turnaround will be clearly underway.

**What will confirm the end of the turnaround?**

Granted, gold hasn't been as perky as prior bull markets have been during their second year (see **Chart 20)**. But this bull market may end up being similar to the 2001-03 time period.

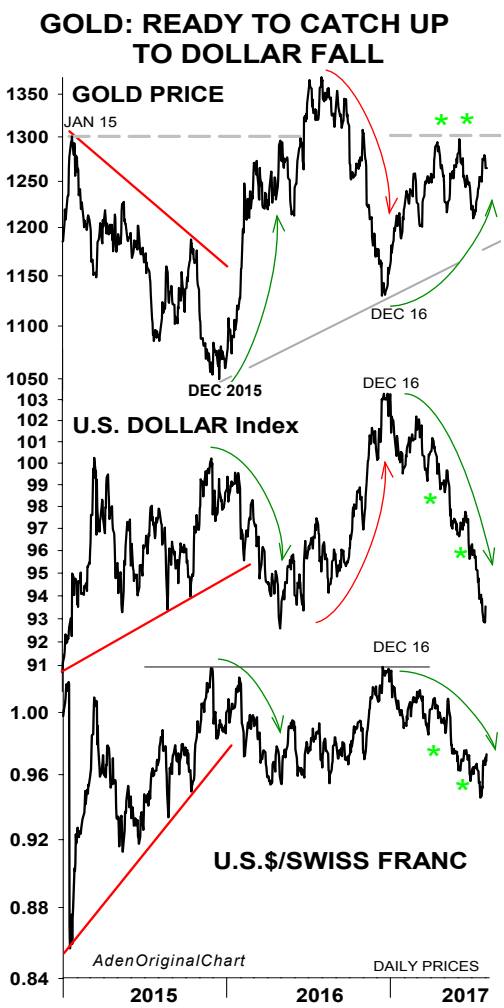
**Chart 21A** will guide us through these intermediate gold moves. To refresh your memories, the As and Cs identify intermediate rises in gold, and the Bs and Ds identify the declines. The A and B moves tend to be moderate, while the C and D moves are normally more volatile.

In a bull market, the C rise tends to be the strongest rise in the phase, and gold will usually reach new bull market highs.

Gold has been in a B decline since June. This decline was moderate, the most since 2006-07, and the timing was on the short side of normal. Gold held well above the B-D uptrend and essentially above the 23 month moving average. This is good and it's in a solid position.

**On the upside**, it's now important to see if gold will surpass the double A peak near $1300. Once it does, the C rise will be gaining steam.

CHART 19




The strongest obstacle is the prior C peak last August near $1380. This also happens to be the C peak in end-2013, which makes it more important.

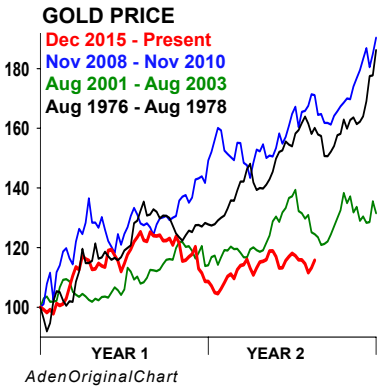
**A clear rise above $1380 would clear all obstacles for a very strong C rise**. This would move gold into a stronger bull market.

The long-term leading indicator (**C**) is also bullish because it's above zero and the moving average.

**On the downside**, gold will remain strong and bullish by staying above its key moving average at $1227. In a

CHART 20

COMPARING FIRST YEARS OF BULL MARKETS




worst case, an unlikely decline to gold's B-D uptrend could occur.

## GOLD SHARES: Also bottoming

Interestingly, gold shares have been forming a major four year bottom since 2013. **Chart 22** shows the head and shoulders formation, and you can see the right shoulder (RS) has been forming all this year.

This is saying that as long as the HUI index stays above the July low at 179, and especially above last December's low at 163, the shoulder will continue to form.

**On the upside**, HUI will be poised to rise to the neckline (NL), once it rises and stays above 210 and then 221. This alone would be a great rise, but once the NL is broken, the upside will be wide open.

Keep your gold shares. There are many good gold shares, and we'll soon be adding more to our list.

## SILVER: Down, but not out

Silver has been under pressure since mid-April. Its drag hasn't been positive, especially considering the rise in both gold and copper this past month.

Even though hedge funds remained net short during July, according to the Commodity Futures Trading Commission, we aren't giving up on silver yet. It's firm and as long as it is, we're staying with it.

**Chart 22** shows silver's steps and these will be our guide. Note that silver broke below its December lows but quickly shot back up. This means silver is firm by staying above $15.50. In a worst yet unlikely case, silver could decline ot its major support at $13.70, the 2015 lows.

**On the upside**, once silver rises and stays above $18.50, it'll be poised to shoot up to step 1, last year's high near $20.75. This type of move would be very bullish for silver.

## PLATINUM: Trying to come alive?

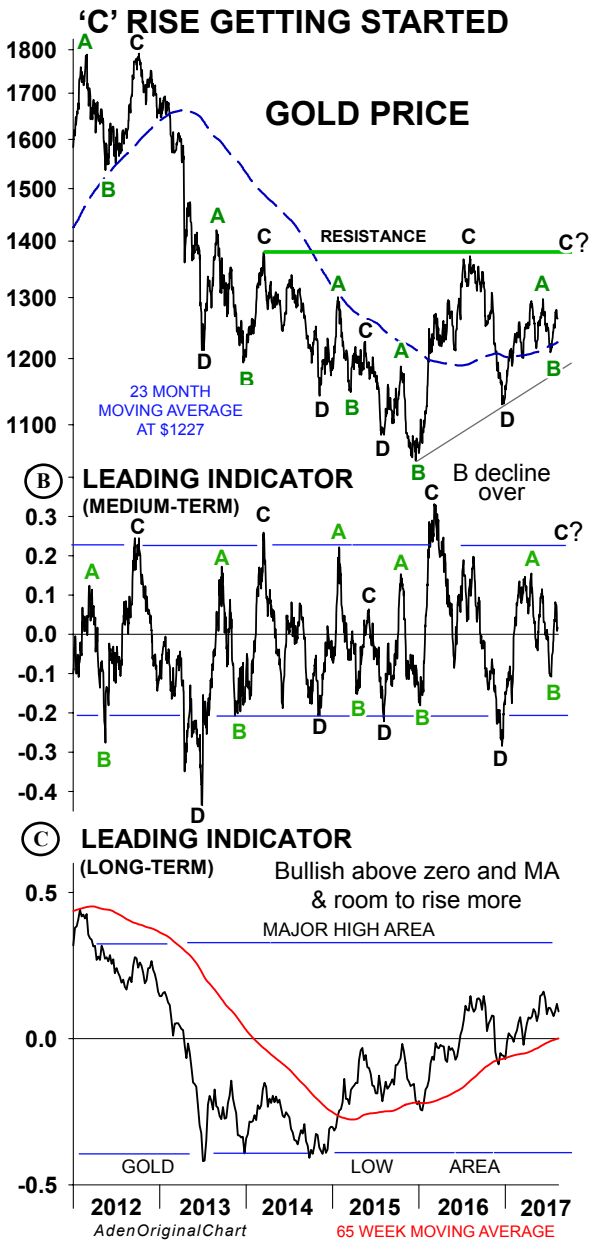
Platinum is bouncing up to a 15 week high as we write. It's the first sign of an interesting light! Platinum has been weak the whole time. It hasn't reflected good strength since its 2016 high.

Platinum has always been more expensive than gold, but it never regained its luster following the 2008 financial crisis. That is, it didn't rise to a record high in 2011 like gold did. And it's been very cheap versus gold over the past year.

This week's rise could be telling us that platinum may be changing. We'll be watching it closely. Our guide for platinum is shown on **Chart 22**. It's holding above the December lows at $892, and it's now looking better above $940.

Like silver, once it rises above this year's high at $1040, it could rise to the 2016 highs (step 1) at $1180.

CHART 21




According to the president of the International Precious Metals Institute, perhaps platinum foresees a massive impact on demand from electric car growth. But for now, the use of platinum-heavy fuel cell technology in electric cars is growing slow in order to offset auto catalyst demand.

Meanwhile, palladium's rise just doesn't quit. It went on to rise to new highs this past week, and it remains very strong.

## RESOURCES: Starting to bubble

The resource sector is coming alive. Oil and copper have both been on the rise this month.

And so have several base metals and resource stocks. They're starting to bubble.

The precious metals and resource sectors normally move together during a strong clear bull market. And one key similarity is that gold and copper both bottomed in December 2015-January 2016. And they've both been in uptrends since then.

**This year's sluggishness is changing.**

Copper is jumping up

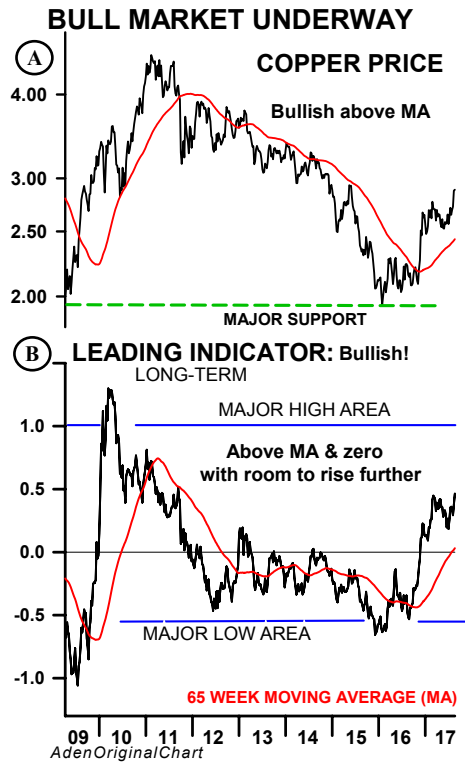
CHART 22


on upbeat Chinese data. China is copper's biggest market, and China's GDP and industrial production beat expectations, which has pushed copper up to its 2½ year high. The IMF backed this up with an improved forecast for Chinese economic growth.

China's growth also pushed up Caterpillar's sales in Q2, which were driven by construction in China, as well as parts in mining and energy. The Australian dollar is also sensitive to copper prices, and it too is rising.

A strike in the world's second largest copper mine also helped to boost the metal. But Freeport McMoran, the mines owner, is rising in spite of the strike.

CHART 23

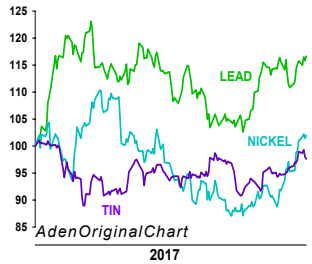



Copper's jump up this month may be leading gold, like it did last year. **Chart 23A** shows that copper is in a confirmed bull market. It's clearly above its 65 week moving average and it's on the rise.

And according to the leading indicator (**B**), copper has room to rise much further.

Dr. copper is also saying the global economy is doing better.

CHART 25




## CRUDE OIL: Also looking good

Oil logged its biggest weekly gain of the year at month's end with renewed production curb commitments from OPEC and due to the uncertainty in Venezuela.

The oil industry is changing. One key factor is the U.S. being on its way to becoming one of the top 10 oil exporters by 2020. PIRA estimates growth in American crude exports will grow four-fold from the 2016 levels.

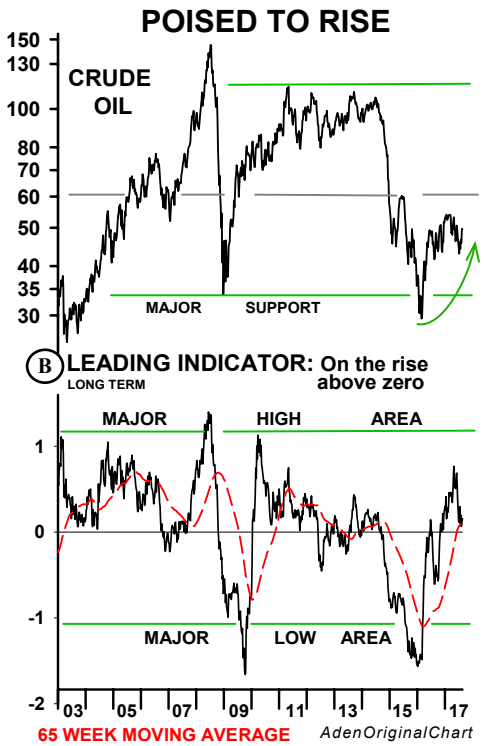
It's to be seen how this will affect the oil price, but meanwhile, the oil price has potential to rise further.

**Chart 24A** shows crude over the last almost 15 years. Oil fell to the 2003 lows in 2015-16, slipping below $40.

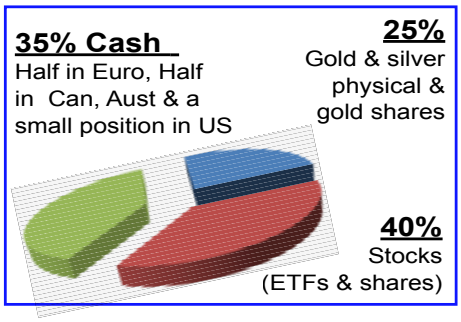
It quickly bounced back up and it's been steady, holding near the highs. For now, it's firm above $46, and once crude rises above $55, it could jump up further like the leading indicator suggests.

U.S. Steel jumped up when Trump vowed to curb steel dumping. This helped push up our stock.

CHART 24



# OVERALL PORTFOLIO RECOMMENDATION




### PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver and gold shares bottomed on 7-7-17 and they've been rising since then. It now looks like a 'C' rise has started and it'll tell us the true strength of this newhbull market. If gold can surpass the $1300 level, the rise will be gaining steam. But gold will remain strong and bullish by staying above $1227. Keep your positions.

### U.S. & GLOBAL STOCK MARKETS

The incredible bull market rise continues in the U.S.and globally. Good earnings, low interest rates and a declining U.S. dollar have helped to boost the market. The market's foundation is solid and it has room to rise further. But, don't be surprised to see weakness. Keep in mind, stocks have been rising almost non-stop for over a year now, and a pull-back is overdue, which will happen sooner or later. And when it does, it'll provide a good opportunity to buy some of the stronger stock sectors, if you want to add to your positions.

### INTEREST RATES & BONDS

Interest rates have been volatile this month. Long term yields have been sideways to down while short rates are rising steadily from very low levels. It seems like short rates are leading long rates up, but if they are, it'll most likely be a gradual move. The 30 year yield would confirm a major turnaround if it closes and stays above 3.16%. If so, we could see the bond bubble burst. We continue to recommend avoiding bonds and staying on the sidelines.

### CURRENCIES

The U.S. dollar continued to plunge, reaching a 15 month low, and losing 10% from the highs. The dollar has embarked on a new major bear market that could last several years. The euro has become the darling of the currency world, and it has room to rise further. We continue to recommend keeping half of your cash position in the euro and or its ETF, FXE. The Canadian and Australian dollars have also risen sharply this month. We continue to recommend keeping both or their ETFs, FXC and FXA. The Swiss franc has been disappointing, and we recommend selling it. We also like the U.S. Dollar Bearish ETF, UDN, but at this point, buy new positions on weakness.

## OUR OPEN POSITIONS in order of strength per section

### STOCK ETFS & SHARES

| | | PURCHASE | | PRICE AT | % GAIN/LOSS | CURRENT |
|---|---|---|---|---|---|---|
| NAME | SYMBOL | DATE | PRICE | issue date | SINCE BOT | RECOMM |
| Dow Industrials | DIA | Aug-16 | 186.52 | 220.85 | 18.41 | Hold |
| Templeton Emerg Mkts | EMF | Feb-17 | 13.42 | 16.22 | 20.86 | Hold |
| Alcoa Corp | AA | Nov-16 | 31.85 | 37.99 | 19.28 | Hold |
| US Financial Services | IYG | Dec-16 | 107.06 | 116.34 | 8.67 | Hold |
| SPDR S&P Insurance | KIE | Nov-16 | 80.24 | 91.75 | 14.34 | Hold |
| Nasdaq Pwrshrs | QQQ | Aug-16 | 117.7 | 144.56 | 22.82 | Hold |
| S&P Global 100 | IOO | Aug-16 | 75.34 | 86.78 | 15.18 | Hold |
| US Global Inv China | USCOX | Jul-17 | 9.83 | 10.01 | 1.83 | Hold |
| S&P 500 Index Equal | RSP | Dec-16 | 87.55 | 93.96 | 7.32 | Hold |
| Microsoft | MSFT | Dec-16 | 63.62 | 72.40 | 13.80 | Hold |
| Adobe Systems | ADBE | Feb-17 | 118.93 | 148.44 | 24.81 | Hold |
| SPDR Russell 2000 | TWOK | Nov-16 | 77.19 | 83.15 | 7.72 | Hold |
| US Steel | X | Nov-16 | 29.17 | 24.19 | -17.07 | Hold |
| SPDR S&P Bank | KBE | Dec-16 | 43.41 | 43.56 | 0.35 | Hold |
| DJ Transportation | IYT | Nov-16 | 158.29 | 167.35 | 5.72 | Hold |

### GOLD AND SILVER

| | | PURCHASE | | PRICE AT | % GAIN/LOSS | CURRENT |
|---|---|---|---|---|---|---|
| NAME | SYMBOL | DATE | PRICE | issue date | SINCE BOT | RECOMM |
| SPDR Gold | GLD | Mar-17 | 117.51 | 119.52 | 1.71 | Hold |
| Gold (physical) | | Oct-01 | 277.25 | 1264.70 | 356.16 | Hold |
| Ctrl Fund of Canada | CEF | Mar-17 | 12.66 | 12.23 | -3.40 | Hold |
| Gold Miners ETF | GDX | Feb-17 | 25.20 | 22.20 | -11.90 | Hold |
| Jr Gold Miners ETF | GDXJ | Feb-17 | 42.12 | 32.23 | -23.48 | Hold |
| Agnico Eagle | AEM | Feb-17 | 47.10 | 44.98 | -4.50 | Hold |
| Silver (physical) | | Aug-03 | 4.93 | 16.25 | 229.63 | Hold |

### CURRENCIES

| | | PURCHASE | | PRICE AT | % GAIN/LOSS | CURRENT |
|---|---|---|---|---|---|---|
| NAME | SYMBOL | DATE | PRICE | issue date | SINCE BOT | RECOMM |
| Euro ETF | FXE | Jun-17 | 110.48 | 114 | 3.19 | Buy/Hold |
| Canadian dollar ETF | FXC | Jun-17 | 76.09 | 77.78 | 2.22 | Buy/Hold |
| Australian dollar ETF | FXA | Jun-17 | 76.91 | 79.11 | 2.86 | Buy/Hold |
| US Dollar Bearish | UDN | Jul-17 | 21.77 | 22.27 | 2.30 | Buy/Hold |

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