THE
ADEN FORECAST
MONEY • METALS • MARKETS

SEPTEMBER 2017 *36th year*

GROWING TENSIONS AFFECT THE MARKETS

The markets were moving along just fine. They were moving within their trends... and all seemed well.

But then North Korea threw a wrench into the works...

A WILD CARD...

As you know, we've often talked about wild cards, also known as black swans. These are usually unexpected events that often pop up from out of nowhere and throw the markets for a loop. For the most part, they are surprise events no one saw coming.

Then there's the lingering wild cards. They're often low grade and ongoing. These create concern, but it's not bad enough to upset the markets, until finally it does. The event boils up, it crosses a line and the markets react.

The end result is usually the same... Markets turn volatile, some fall sharply and others surge as safe havens.

ACTIONS WENT UP A NOTCH

In No Korea's case, it's been crossing many lines. They've been testing their missiles for a long time and making threats.

Recently, No Korea fired a missile over Japan and said they were going to shoot one over Guam. But, the markets didn't react strongly.

They were concerned, but it wasn't enough to really upset the markets... that is, until Labor Day.

No Korea tested its long range hydrogen bomb. Trump reacted more forcefully saying, "all options are on the table." And where this goes from here is unknown, but it spooked investors.

Meanwhile, things have settled down, yet again. World leaders spoke out, warning of the devastating effects should war break out. The U.N. tried to beef up its diplomatic efforts. Stiffer sanctions were passed for the eighth time since 2006. But No Korea keeps making threats.

Interestingly, we spent time with a money manager from China last month who handles one of the world's biggest pension funds. Some of his comments were noteworthy, especially considering how things have evolved.

He said that contrary to what many think, the Chinese have very little influence over Kim Jong-un. He does what he wants and doesn't care about the rest of the world's opinion.

MARKET REACTIONS

Perhaps this realization is what finally caused the markets to react more strongly. But also important was Trump's warning that the U.S. may halt trade with countries doing business with No Korea.

Should this happen, it would likely hurt the global economy. Corporate profits and the world stock markets could be affected as well.

This uncertainty makes the markets nervous and that'll likely continue while this wild card hangs overhead.

As long as that's the case, the safe havens will probably remain on center stage. As you know, this has been an on-and-off situation for quite a while now, depending on what's happening. And for now, it's still on but it's simmering down...

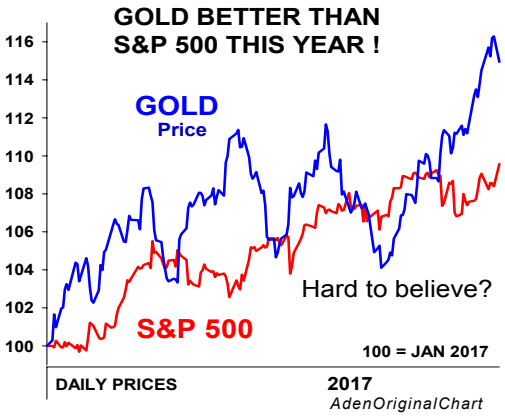
To all of our subscribers in the Houston area, the Caribbean, Florida, the Southeastern U.S. and Mexico we send our best wishes for a speedy recovery. Our thoughts and prayers are with you...

INSIDE

This means investors have been turning to gold, bonds and some of the stronger currencies whenever they get the jitters.

You'll remember the U.S. dollar was a big safe haven in previous years, but that's no longer the case. Sentiment shifted this year and now the euro has become a safe haven of choice.

CHART 1



Gold, however, gets first prize. Even though it's been up and down this year, it's been making up for lost time in recent months (see **Chart 1**).

As you can see, despite the strong bull market upmove in stocks this year, gold has outperformed stocks by a wide margin. It's also outperformed bonds and the various currency markets.

GOLD IS FAVORITE SAFE HAVEN

There's no question, gold is the world's favorite safe haven and we expect this too will continue, especially if No Korea stays in the limelight.

We've kept a good position in gold this year, along with silver and a few gold shares, and we'll stay with this major uptrend for as long as it lasts.

The same is true of the stock market. We're in some of the stronger stocks and we'll keep them. The stock market remains bullish and we advise riding this bull until it ends. As you'll see in this month's Stock Market section, this could still be quite a while from now.

And we also recommend staying with the strongest currencies.

On a side note and along these lines, we came across an interesting historical study we wanted to pass on...

Going back to 1870 and contrary to what most people think, the best long-term investment was not stocks, gold or bonds. Instead, it was residential real estate. It beat out the other asset classes and with a lot less volatility.

So as we've often noted, regardless of what's happening, you don't want to keep all your eggs in one basket. Diversify into the strongest markets and be sure to keep some real estate in your basket too.

GROWING NATURAL DISASTERS

Meanwhile, the two big hurricanes also took a tremendous toll. Sadly, this has disrupted big cities, causing loss of life and amounting to hundreds of billions of dollars.

According to *The Economist*, the number of natural disasters worldwide has more than quadrupled since 1970.

Just Hurricane Harvey alone was one of the 10 worst natural disasters in the world over the past 50 years. And since Houston was the fourth largest economy in the U.S., the repercussions will be felt for a long while.

The damage caused by hurricanes Irma and Harvey could reduce growth this year. But come next year, rebuilding will be good for the economy. Again, we'll see how this all unfolds, so stay tuned.

SPECIAL NOTES

• We'd like to invite you to join us at the Money Show's Legends of Wall Street Seminar at sea. From January 12 to 22 aboard the Crystal Serenity we'll be going from Panama, Costa Rica, along the Mexican Riviera and ending in San Diego. These cruises are a real treat... 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

• Our dear friend Robert Prechter has written an excellent book for serious market students. The Socionomic Theory of Finance is an in depth study of the markets and social trends and we highly recommend it. For more info go to *https://www.amazon.com/Socionomic-Theory-Finance-Robert-Prechter/dp/0977611256/ref=sr_1_1?ie=UTF8&qid=1504816461&sr=8-1&keywords=robert+prechter*

• We also wanted to remind you that the big New Orleans Investment Conference is coming up on October 25-28. We usually speak at this conference and it's our favorite, but this year we'll have to miss it due to other commitments. But it's always an excellent conference, with great speakers and it's fun, so we hope you'll go. To sign up go to *http://neworleansconference.com/wp-content/uploads/2017/07/NOIC2017_Ayales.html*

Thanks and best wishes to you all.

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U.S. & WORLD STOCK MARKETS

Strong and bullish

The stock market slowed down this month, but it's now perking up again and it remains strong and bullish.

Despite the devastating hurricanes, North Korea and other concerns, the market is still focusing on the good news, the strong fundamentals and the positive technical signs.

GOOD ENVIRONMENT FOR STOCK MARKET

A big bullish factor continues to be low interest rates. Rates declined this month and as long as interest rates stay near these lower levels, it'll keep upward pressure on the stock market. It's the fuel driving the market higher, but of course there's much more…

Earnings growth, for instance, has been equally important (see **Chart 2**). Note, the last four quarters have seen strong growth, especially the last two quarters. This alone is very bullish for stocks, and combined with strong business and consumer confidence, it's keeping a solid foundation under the market.

Plus, **the global economy is strong**. In fact, global growth and wealth has surged over the past decade. The same is true of global trade and the world stock markets.

Also positive is the labor market, the weaker U.S. dollar and the index of leading indicators, which is telling us the economy will continue to do well in the months ahead.

This is all good for stocks and the Advance/Decline line is reinforcing this (see **Chart 3**). It's hitting new record highs, which is very bullish. It means more stocks are going up than going down, and it's a strong sign the stock market is healthy.

CHART 2

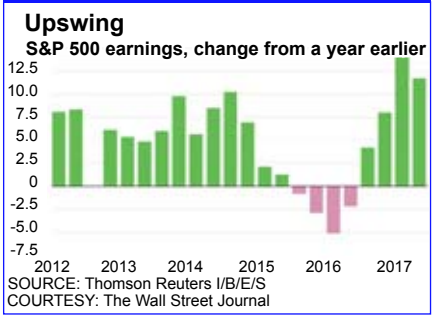
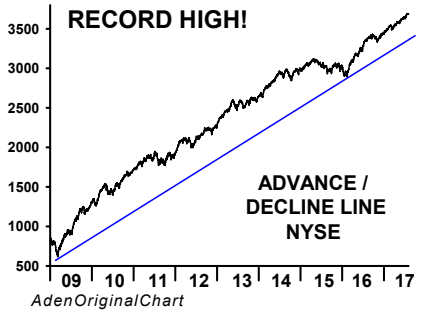


CHART 3



BULLISH

Our technical indicators are all bullish too, signaling the stock market is poised to head higher.

The Dow Theory, for example, remains bullish. The same is true of Richard Russell's Primary Trend Index (PTI) and our own leading indicators and moving averages… They're all saying the major trend is up and the bull is in the driver's seat.

Currently, the major stock indexes are all above their 15-week moving averages and they're super strong by staying above these levels (see **Chart 4**). So despite short-term ups and downs, not only is the major trend up, but so is the medium-term trend. (The major trend identifier is the 65-week moving average [not shown], but the stock indexes are way above those levels, further confirming the major bull market uptrend.)

OUR POSITIONS: Most strong

The same applies to most of our recommended stocks (see **Chart 5**). Here you'll see a sample of some of the stronger ones. They're looking very good and they'll also remain strong by staying above their 15-week moving averages.

Last week we recommended selling three of the laggards. These were U.S. Financial Services (IYG), S&P

CHART 4

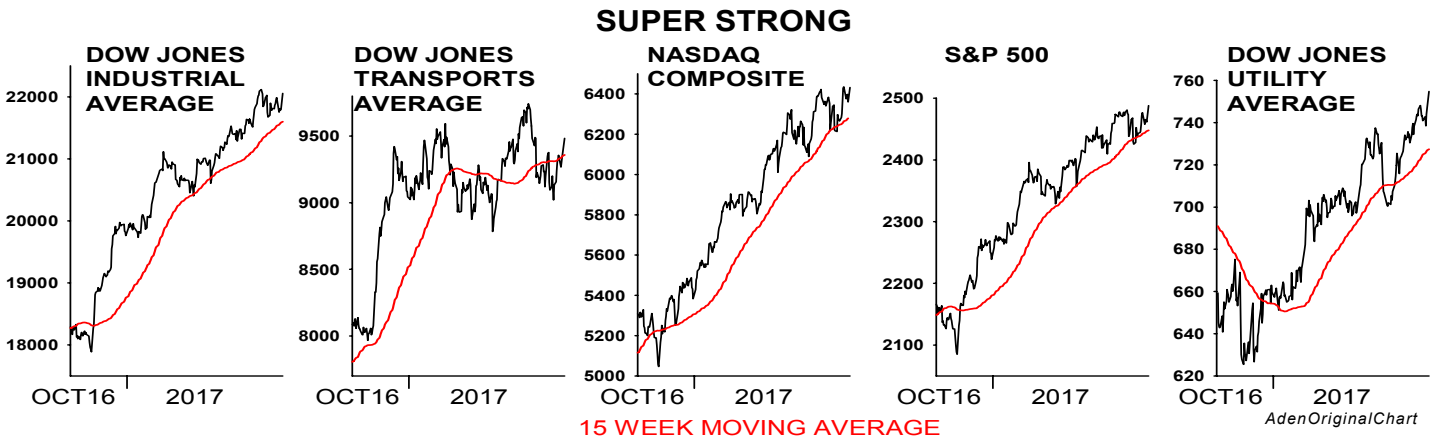
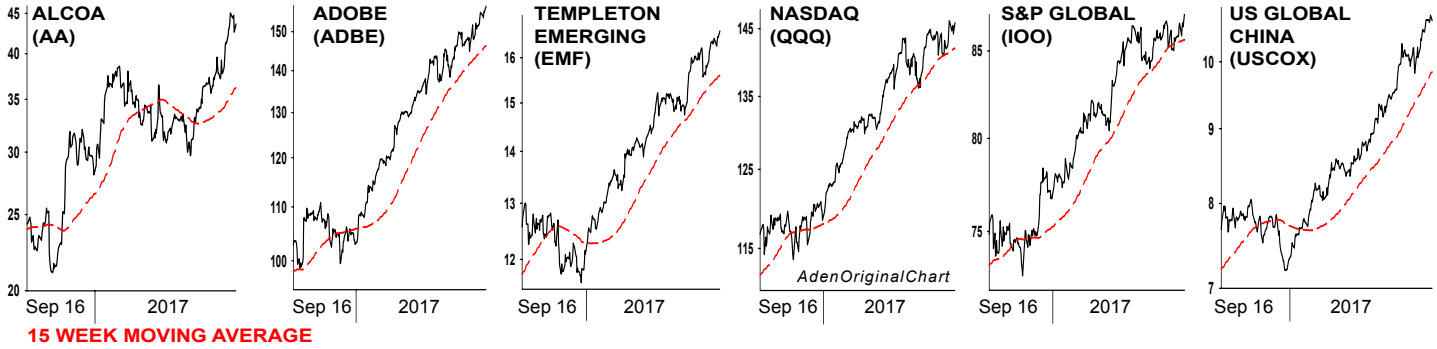


CHART 5

SOME OF OUR POSITIONS: Strong above 15 week moving average



Insurance (KIE) and S&P Bank (KBE). If you're still holding these, it's best to sell and instead buy stocks that're strong upside leaders.

Many of these are global markets, which are generally outperforming the U.S. stock market. That's certainly true of some of the emerging markets, like China, as you can see on **Chart 5**.

CHART 6

Generally, these economies are growing much faster than those in the developed countries. And these stocks are generally a lot cheaper too.

Currently, the stocks we like best for new positions are shown on **Chart 5**, as well as MSFT and DIA. New stocks we also recommend buying are U.S. Global E.Europe (EUROX) and Canada (EWC). (See the stock box on page 12.)

NOT TOO LATE TO BUY POSITIONS

Okay, at this point some of you may be thinking, isn't it too late to be buying stocks? Aren't stocks too expensive?

As we showed you last month, yes, stocks are expensive but not compared to previous bull markets. And even though this bull market has already lasted over eight years, conditions remain bullish. And while it may be approaching maturity, we believe it still has good upside potential in selective sectors that are worth it. Remember, stocks basically tend to surge far and fast in the later stages of a big bull market and that hasn't happened yet.

There has been no frenzy to buy stocks. Many buyers have been coming in, and many buyers have taken on a lot of margin debt to buy stocks (see **Chart 6**). But there has not been frenzied buying by the masses, like we saw in the late 1990s.

While this doesn't have to happen, it often does following longer-term bull markets. Looking at **Chart 7**, you'll see what we mean...

A LOOK AT DOWN-TIME IN THE BIG PICTURE

Here you'll see the S&P500 going back to 1978. Since then there have been six good sized declines and/or bear markets with stocks dropping between 14.6% to 53%. In most of these cases, there was widespread buying prior to the decline.

In this latest bull market upmove, however, we've hardly seen even a moderate downward correction this year. That's unusual and it suggests a pullback could still happen. And since September isn't historically a great month for stocks, it could happen in the weeks ahead, or not.

With renewed rises getting underway in several sectors, that little pause in August may have been all we get for now. That's why we advise buying some now, if you want to add to your stock position, or haven't bought yet. And then, if we do get a downward correction, we'll likely buy more.

For the bulk of your stock positions, just hang on and keep riding this bull for as long as it lasts.

CHART 7

U.S. INTEREST RATES AND BONDS

Historically low rates under pressure

Interest rates have been under downward pressure all year. This has surprised many experts who've been expecting interest rates to rise, especially since the global economy has been firming up.

LOWEST RATE SINCE TRUMP ELECTED

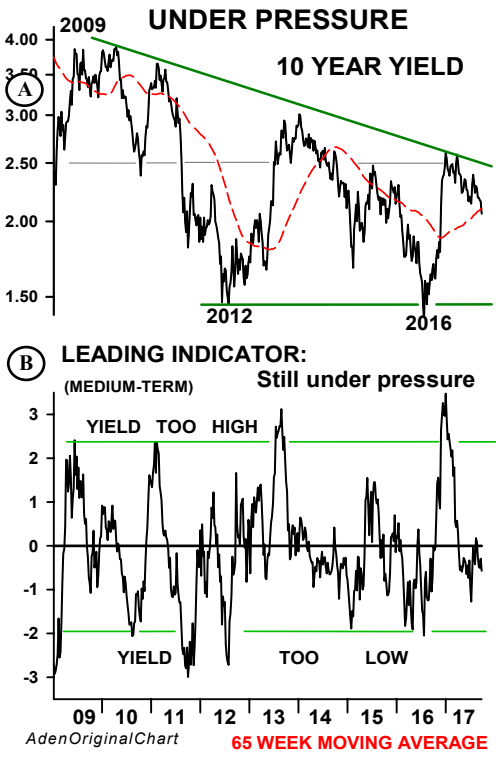
But as we've often pointed out, interest rates have basically remained at very low levels all along. The 10 year Treasury yield, for instance, has not been higher than 2½% since 2012 (see **Chart 8A**).

In fact, it's been on a downhill slope for the past two months, falling to a 10 month low in its steepest monthly decline in over a year, mainly due to tensions over No Korea and the hurricanes.

Plus, the leading indicator (**B**) is suggesting the yield could fall even further...

We'll soon see but if so, this really shouldn't be a big surprise.

CHART 8



LOW RATE ENVIRONMENT: Sign of times

Sure, the Fed has been raising interest rates since last year. And yes, the economy rose more than anticipated. But in order to try to figure out what's really going on, we have to again return to the super big picture...

To refresh your memories, it's important to remember that it was only last year when interest rates hit their lowest levels in 5000 years! That is, they plunged to lows never seen before in all of recorded history (see **Chart 9**).

Think about this for a moment because it's a very big deal... Going back to the building of the pyramids, the Greek and Roman Empires, and all of the empires before and after that, interest rates were never as low as they were in 2016... That's awfully impressive and it's telling us a couple of things...

Increasingly, it's indicating that following such a historical low, interest rates aren't going to go shooting up from here. Instead, they'll probably back and fill, and take their time moving up, very gradually. And that's likely what we're now seeing.

THE GOOD & BAD OF LOW RATES

Also, don't forget, low interest rates have been great for the economy. They've been bullish for stocks and the real estate market, and they've kept consumers spending. It's also a plus for gold.

On the downside, low interest rates have been terrible for savers. As you can see on **Chart 10**, the return on cash has dropped to near zero over the past decade or so.

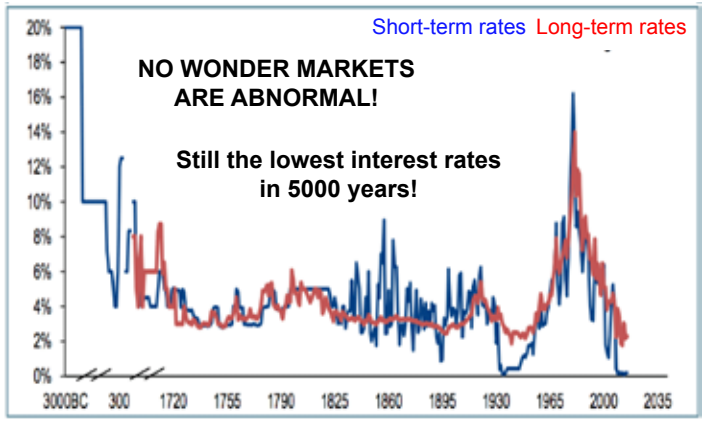
It's a Japan repeat and we really don't know how much longer rates will stay near these low levels. In Japan it's been going on for 20 years. So is the rest of the world on course to follow?... We just don't know.

A NEGATIVE RATE OF RETURN

We do know, however, that at current inflation and interest rate levels, cash is generating a negative real rate of return.

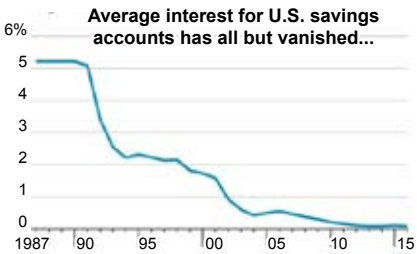
You can see this on **Chart 11**, which shows the 90-day Treasury Bill rate, along with the 30 year yield. In both cases, even though rates have been ris-

CHART 9

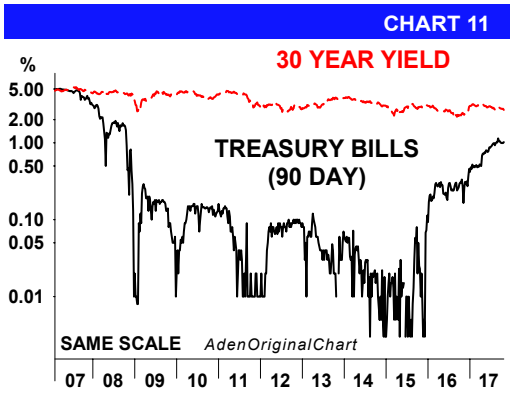


SOURCES: Bank of England, Global Financial Data, Homer and Sylla "A History of Interest rates"
Note: the intervals on the x-axis change through time up to 1700. From 1700 onwards they are annual intervals. Full methodology available upon request.
COURTESY: Business Insider

CHART 10



COURTESY: dowtheoryletters.com



ing, they're still very low at near 1% for T-Bills and 2.75% on the 30 year yield.

And while it looks like T-Bills have been surging, it's coming up from such a bombed out level, it's still very low. So until we see some solid signs of change, that's basically today's reality.

CHINA: BIGGEST CREDITOR

Meanwhile, China has been devouring U.S. Treasuries and it's again the U.S.'s biggest creditor. But you can understand why. With interest rates so low, stocks are the best option and bonds are less desirable. But since bond prices rise while interest rates decline, they've been okay in recent months, at least the Chinese think so.

Looking at the bond price, however, this may not be the case for long (see **Chart 12A**). Although bond prices are still in a long-term uptrend, they're below the 65 week moving average and the leading indicator remains bearish below zero.

In other words, this chart continues to signal that bond prices are going to fall further. This in turn tells us interest rates will likely keep creeping higher, probably in the months ahead, but they're not in a hurry.

Currently, our recommendation remains the same... stay on the sidelines and continue to avoid bonds. That goes for U.S. and global bonds. They're still risky and not worth it, at least not for now and compared to other investments.

CURRENCIES

U.S. dollar: 2½+ year low!

The drop in the U.S. dollar has been picking up steam. The dollar index has already declined 11½% so far this year, recently hitting a 2½+ year low.

Most important, it looks like the dollar's still going to fall a lot further. Why?

There are several reasons for this and they all seemed to align at about the same time...

POLITICAL UNCERTAINTY

As you know, we try to keep political comments to a minimum. The main reason why is because no matter what we say, we're going to offend some of our readers, and that's something we don't want to do.

The only exception is when politics affect the markets and this is one of those times... The global community is losing confidence in U.S. policies, both domestically and internationally. As Bloomberg bluntly put it... "It's all about Trump, no matter how you slice it."

Many of his comments make investors nervous and then they sell the dollar.

On the other hand, the Eurozone is picking up. German economic growth has been impressive and other countries are joining in as well. Even though U.S. growth was also robust at 3% annualized, the markets seem to be reacting to the weak U.S. economic data and not paying much attention to the good news, at least for the time being.

In the euro's case, it's the opposite. As we mentioned last month, the euro has become the darling of the currency world and, since the euro is the offset currency to the dollar, when the euro rises, the dollar falls.

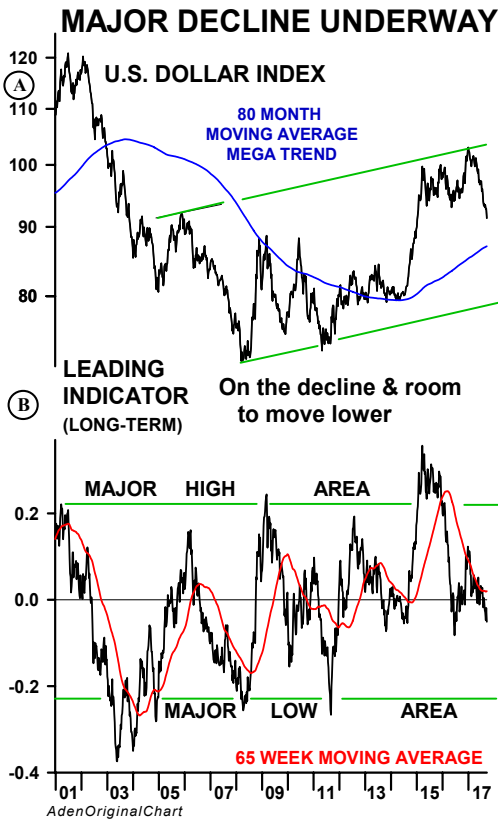
WEAK DOLLAR: Good for economy

At this point, however, a weak dollar isn't necessarily a bad thing... You may remember a few months ago there was talk that a weaker dollar would be good for trade and the economy. And this is now happening...

The 11½% dollar decline means that U.S. exports are now about 11½% cheaper, making them more attractive. As our dear friend and colleague Matt Kerkhoff also points out, nearly half of S&P500 sales come from abroad, so this discount amounts to a significant tailwind. Here's Matt...

"In other words, if we view the dollar decline through the lens of corporate profits, it's a de facto benefit for stock prices. It's also a major benefit for commodity prices, which are rebounding nicely and influence global profits in a few key sectors, namely energy and

CHART 13



materials."

And of course, you all know that the weaker dollar will keep upward pressure on gold and the other precious metals, and gold and silver shares too.

TECHNICALLY BEARISH

Taking a look at our technical indicators, you'll see they're also very impressive...

First, the top of **Chart 13** shows that the U.S. dollar index has now declined to a new low for this decline, signaling a major bear market is indeed underway.

In fact, the dollar's (long-term) leading indicator is only now confirming this (see **Chart 13B**). Note, it has declined below the zero line and it has a lot further to fall before the indicator reaches the major low area, which has coincided with lows in the dollar.

This means the dollar index could fall to its mega 80 month moving average, and in a worst case to the nine year uptrend near the 79 level, in the months ahead.

But this is unlikely to happen right away because the dollar is temporarily oversold. This means the dollar is currently due for a rebound rise first, before it heads lower.

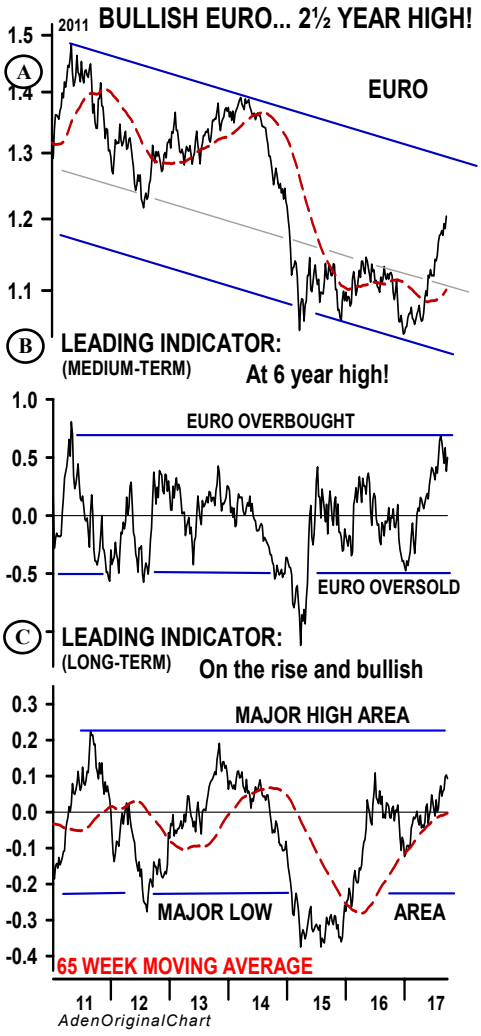
This will provide a good opportunity to buy the U.S. Dollar Bearish ETF, which is (UDN), if you haven't bought it yet, or want to add to your positions. Since it rises as the dollar falls, it should do well once the dollar's rebound rise is over.

STRONG EURO

Now, as you'd expect, the euro is the exact opposite (see **Chart 14A**). It's on the rise, but it's now overbought and due for a downward correction, following its steep upmove (see **Chart 14B**).

But its leading (long-term, **C**) indicator is bullish and it has plenty of room to rise further, which is very positive for the euro.

CHART 14



We're looking at 1.30 as the euro's next target and it'll remain bullish by staying above 1.1050. So here too, if you want to buy more, use this upcoming weakness to buy at a better price.

Overall, we continue to recommend keeping about half of your cash in the euro and/or the euro's ETF, which is FXE.

CHART 15

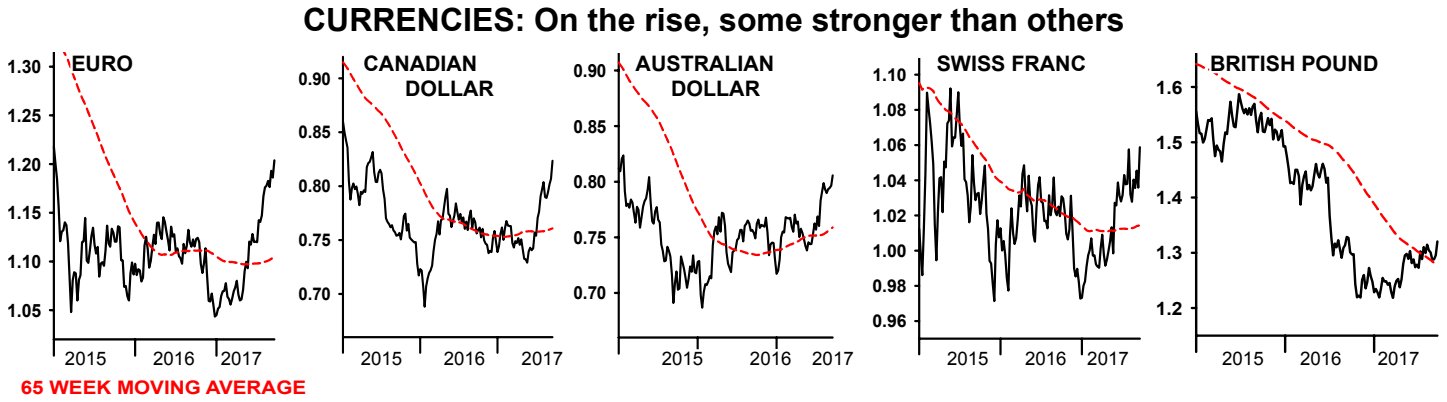


CHART 16

We also continue to recommend the Canadian and Australian dollars (FXC and FXA), which have also been on the rise (see **Chart 15**).

A rise in interest rates kept upward pressure on the Canadian dollar.

But the economic fundamentals have also been important. The same is true of the Aussie dollar. It continues to benefit due to the firm Chinese economy and higher resource prices. And these factors are set to continue.

The Chinese yuan has also benefitted, surging upward (see **Chart 16**).

Overall, the U.S. is not the safe haven it was just a few months ago. Other currencies are filling in.

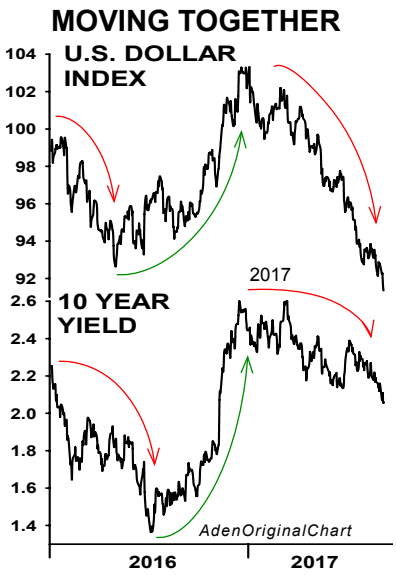
And if tensions in No Korea continue, it'll keep putting downward pressure on the dollar.

Interest rates continue to be important as well (see **Chart 17**). With interest rates on the decline, it's kept the dollar weak.

Since they generally move together, the longer rates stay low, the further down the dollar will likely go.

So all things considered, **the bottom line is**... more dollar weakness and stronger currencies on the horizon.

CHART 17



METALS, NATURAL RESOURCES & ENERGY

Coming alive: All metals rising together

Gold jumped up to a one year high last Friday, breaking clearly above the key $1300 level. It's now on its way to test its peak last year near the $1380 level.

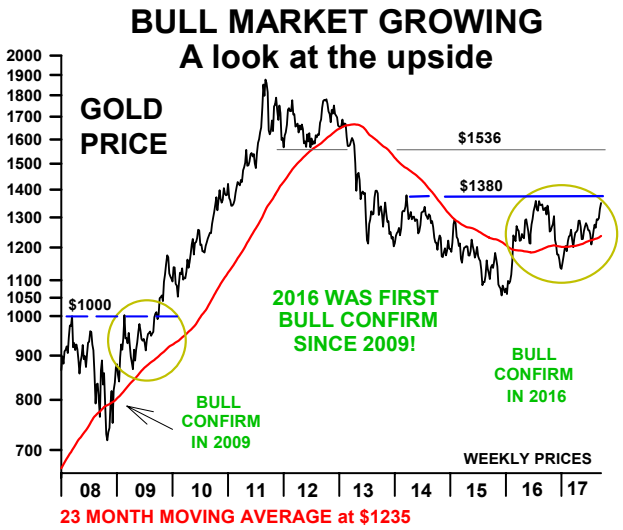
This level is key for the now nine week rise that began on July 7.

And it's not just gold. Gold shares are popping up, and so is silver, platinum and the base metals. Copper has been the leader, reaching a three year high.

In other words, it's a powerful move when the precious and base metals are in a major turnaround together from bear market to bull market. The weak U.S.dollar and low interest rates have also given this sector a boost. You could say the same about the stock market, and this will continue to be a bullish backdrop for these metals and shares.

Gold has risen almost 20% from its December lows, which is much more than the 11.5% decline in the dollar index.

CHART 18

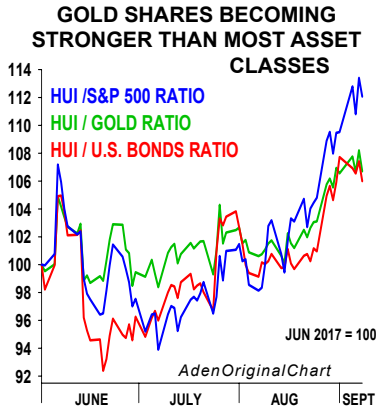


UNCERTAINTY PREVAILS

There is uncertainty coming from all angles... Political uncertainty, geopolitical uncertainty, natural disaster uncertainty and Federal Reserve and central banks uncertainty.

This list could go on, but the point is, we investors are crawling a wall of worry. And safe haven buying has been popular this month.

CHART 19



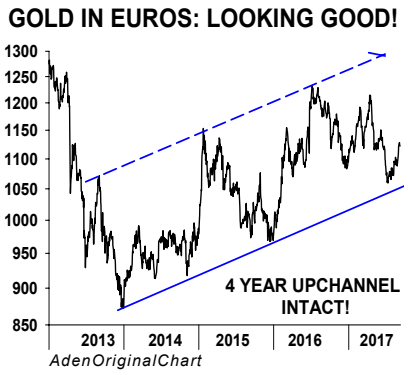
This is normal at times, but this time there does seem to be more reasons to worry. And downbeat economic news in late July added to this.

BULL MARKET GROWING!

Chart 18 shows gold getting ready to overcome the next hurdles. First, you can see that today's turnaround looks similar to 2008-09. At that time, once gold rose and stayed above $1000, it was off to the races.

Today, it's $1380. This is a strong hurdle to surpass because it identifies the whole weak

CHART 20



part of the bear market since 2013.

Gold is now approaching this level, and it would show great strength by rising above it.

It would then also be surpassing its prior C peak, which would be very bullish.

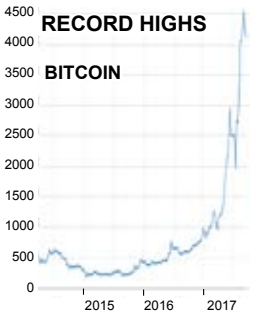
But once this level is broken, perhaps during this C rise, then the final hurdle will be next. The $1536 level was the first support of the last bull market and it's now the last resistance for this new bull market. Overcoming this level at $1536 would be a giant step to reaching a new record high.

There are many bullish signs today.

One is the gold share market. It powered ahead this past month compared to gold, the stock market and bonds, as you can see on **Chart 19**. This too is a key to higher prices in this universe.

Another sign is gold in other currencies. You can see gold in euros, as an example, is jumping up from the bottom side of a 4 year upchannel (see **Chart 20**). It was oversold and the fact that it held at this uptrend and is bouncing up is a bullish sign.

CHART 21



GOLD BUYING GROWING STRONG

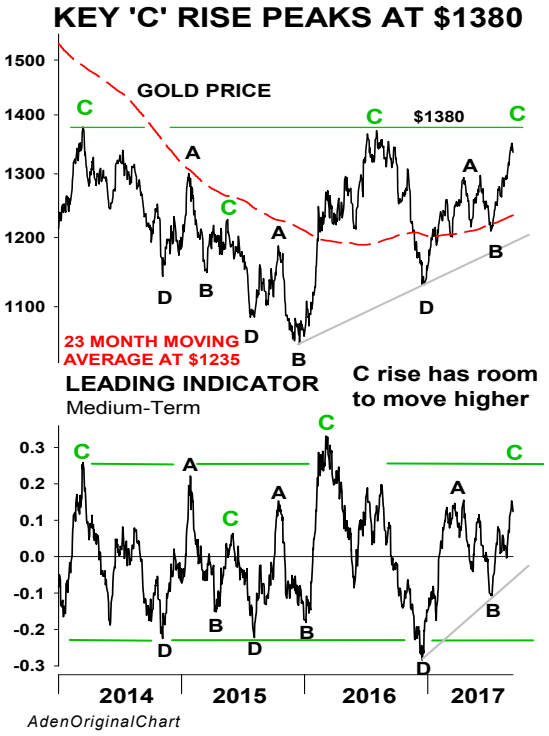
Investors and hedge funds think so as they pile into gold. Hedge funds' bullish bets have climbed almost nine times since early July, while Commerzbank has seen a more than "five fold" bullish positioning in gold.

In fact, just last week, investors poured $1 billion into the largest ETF of gold, which was the most since mid-2016.

Russia and China continue to stockpile gold in a bid to cut their economies' dependency on the dollar.

Other countries are doing the same. And many have taken advantage of the low Summer months to increase their positions.

CHART 22



Germany finished repatriating the gold reserves they had in France during the Cold War, and it's happening three years ahead of schedule. Frankfurt now has over half its gold with the rest still in New York and London.

The Bundesbank, one of the world's biggest holders of gold, started this plan to return its gold in 2013. (After WWII, Western countries tied their currencies to gold under the Bretton Woods agreement. But this changed when the U.S. ended the convertibility of the dollar to gold in 1971.) Now, many countries are storing gold on their own, as part of their reserves.

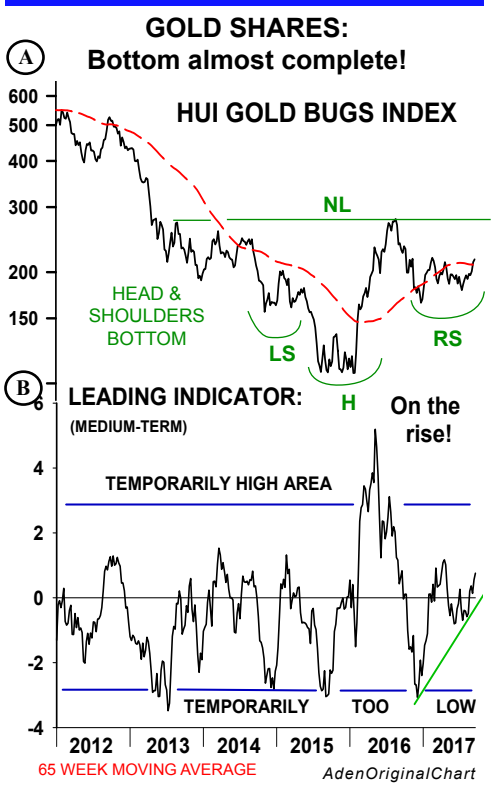
SAFE HAVENS AND CRYPTOCURRENCIES

Gold, bonds and currencies rose together as safe havens.

Cryptocurrencies have been soaring in recent months too, and several of you have asked what we

CHART 23

CHART 24



think about Bitcoin and the group.

We've never recommended them because they're based on nothing. It's electronic money that has no country or backing.

But it's grown by leaps and bounds. It seems to be based on the greater fool theory and it's in bubble territory (see **Chart 21**).

Fred Hickey says there are 1100 cryptocurrencies, with 63 of them valued at over $100 million, totaling more than $170 billion in valuation. And most of them are being created overnight! He says it feels like the tulip bulb mania in the 1600s, but even then there was an underlying tangible asset.

Most interesting, he pointed out that money printing and cryptocurrencies started about the same time. Is this a coincidence? We don't think so.

China is clamping down on them. As Mark Mobius said, "an inevitable global government crackdown on cryptocurrencies will trigger a new rush to gold." We agree. It's a matter of time before more lawmakers take note and follow China.

Once this sector peaks, and it looks like it could be happening now, you'll see a greater rush to gold.

GOLD: C rise poised to rise further

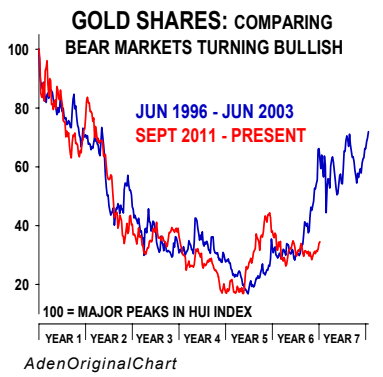
Gold will get its crown back as the ultimate currency.

There are more black swan potentials in today's waters. And interestingly, this potential coincides with a cyclical bull market that is ready to unfold in gold.

The gold price is a measure of fear... and economic fear is the most powerful. But it also moves on political fear and tense geopolitical fears. More important, gold is the true longstanding currency of last resort. You can take it with you, and it will have value anywhere in the world.

Gold has already risen almost 12% since the July 7 low. That is, after two months, the rise we call C has indeed been a strong rise. Now that the key $1300 level is behind us, gold's ready to test its bigger obstacle, the prior C peaks at $1380 in 2014 and 2016 (see **Chart 22**).

CHART 25



And the way gold is positioned, we wouldn't be surprised to see this level surpassed during the current C rise.

The leading indicator has room to rise further, and time-wise there is time for a normal bullish C rise to develop. For now, we'll keep our eye on $1380.

On the downside, gold will remain very strong in the C rise by staying above $1300. It has solid support above its 23 month moving average at $1235. In a worst case support, the $1200 level supplies it.

Once the C rise is over, the upcoming D decline will be the last key leg to watch in this growing bull market. D declines tend to be the worst decline during a bear market. So if gold can stay above $1235 during the upcoming D decline, it'll be a very bullish sign for gold because it would then be a moderate decline.

GOLD SHARES: Jumped up

Gold shares shot up as you saw on **Chart 19**. But it's just warming up (see **Chart 24A**).

The HUI index is still forming a major bottom. The right shoulder (RS) is filling out, and once 221 is clearly surpassed we could see a further jump up to reach the **NL** resistance.

It's also interesting to compare the gold share market since 2011 to the June 1996 to June 2003 time period (see **Chart 25**). First of all, the worst bear market in gold shares was in the second half of the 1990s, when dot.coms were all the rage.

And as you can see on the chart, the decline this time around fell almost in lockstep with the decline in the 1990s. Plus, the lows were similar and so was the bottom pattern. Today, the rises have been similar too and gold shares look ready to fly.

Gold shares have also been in the pits compared to gold itself. **Chart 26** shows the ratio fell to record lows in 2015, and it's only just now coming out from that steep

CHART 26

CHART 27

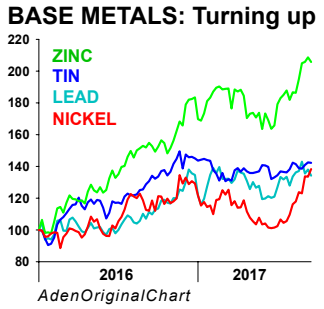
fall.

This is saying, gold shares have plenty of room to rise compared to gold. In other words, gold shares are poised to outperform gold, which is fairly common during bull markets.

It's also saying to have patience. For now, keep your positions, and buy new positions in the strongest metals and shares listed on page 12. New stocks we recommend buying are Royal Gold (RGLD) and BHP Billiton (BHP).

SILVER: Coming along

CHART 28



Silver has been rising with gold since July 7th. It reached its April highs but it has yet to surpass $18.50. This would be the first step to a more bullish outlook for silver. It's getting close, and we'll keep a watch on silver.

The steps are the same. Step one at $20.75 would then be the next stepping stone for silver to improve within the bull market.

Silver had the wind taken out of it several months ago, but it's gaining ground, and we still have faith in silver.

Platinum is coming alive, which is good for all the precious metals. It's clearly been the laggard, but this month it reached its early March highs and it's firm above $980 (see **Chart 23**).

It's been at an extreme low versus gold for a good while and we're watching it carefully, because this could be changing at some point.

Palladium has been on a tear, and it's now approaching its record high (see **Chart 27**). In fact, palladium is now priced only about $50 less than platinum. And with platinum now starting to rise, it's a better bet than palladium at this point.

The record number of autos being produced has been the key reason why palladium has been so strong. The problem is that inventory is growing.

So it looks like manufacturing will probably slow down, which would give palladium a rest.

RESOURCES: Onset of a bull market

Copper is soaring to a three year high on better manufacturing activity in China. It remains in expansionary territory, which is most powerful for a strong resource sector turnaround.

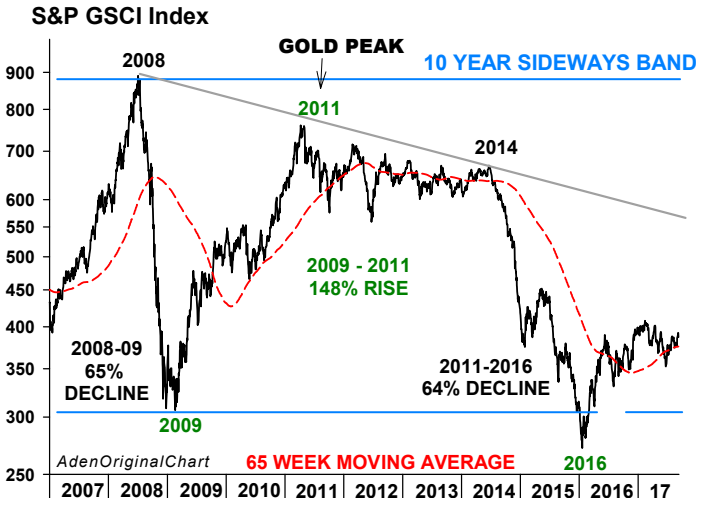
CHART 29

Asian stocks are rising with commodities. That is, the growth in emerging markets is boding well for commodities.

Hurricanes are disastrous, but in the long run they will be good for economic activity and for the commodities with all the rebuilding that will have to be done. This will eventually provide a further boost to a bull trend that's already underway.

You can see the rise in the base metals on **Chart 28**. And looking at copper on **Chart 29**, note its bullish rise could reach the $4 level, near the record highs. Copper's leading indicator backs this up with room to rise more.

CHART 30



Plus, the commodity index, a composite of hard and soft commodities, on **Chart 30** has formed a great base and it's poised to rise. It could move up to the 2008 downtrend in a great bull market run.

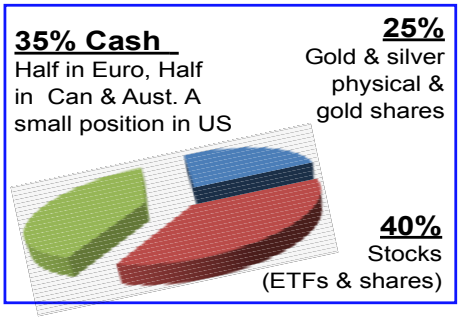
Crude oil was hit with Hurricane Harvey, but it's bouncing back, and it's stable and firm above $46. A break above $50 would be a bullish move. The bigger picture still points up for crude.

Commodities have a bright future, and we'll likely soon add more resources to our portfolio.

OVERALL PORTFOLIO RECOMMENDATION

PRECIOUS METALS, ENERGY, RESOURCE

The C rise continues!. Gold shot up to a one year high while gold shares and silver followed. With gold rising clearly above $1300 and now approaching the next hurdle at the $1380 level, this rise has been a good one so far. It still has potential to move up further in both time and price. The resource sector is also heating up and we now recommend buying more in both the gold share arena and the resource sector. We're adding RoyalGold (RGLD) and BHP Billiton (BHP) to our list. The current weakness is providing a good time to pick these up. Keep your positions and/or buy new positions in the strongest metals and shares listed in the box below.



U.S. & GLOBAL STOCK MARKETS

The stock market remains bullish. It's fundamentally strong and it's set to rise further, so keep your positions. Currently, the stocks we like best for new positions are USCOX, AA, EMF, ADBE, IOO, QQQ, MSFT and DIA. New stocks we also advise buying are U.S. Global E. Europe (EUROX) and Canada (EWC). If you haven't bought yet, or want to add to your positions, buy some now. Then, if we do get a downward correction, we'll likely buy more. We also recommend selling IYG, KIE and KBE, if you haven't sold them yet. These ended up being about break even overall.

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
US Global Inv China	USCOX	Jul-17	9.83	10.84	10.27	Buy/Hold
BHP Billiton *	BHP	Sep-17		43.95		Buy
Alcoa Corp	AA	Nov-16	31.85	45.00	41.29	Buy/Hold
U.S. Global E. Europe *	EUROX	Sep-17		7.20		Buy
Templeton Emerg Mkts	EMF	Feb-17	13.42	16.60	23.70	Buy/Hold
Canada Index *	EWC	Sep-17		28.46		Buy
Adobe Systems	ADBE	Feb-17	118.93	156.31	31.43	Buy/Hold
S&P Global 100	IOO	Aug-16	75.34	87.70	16.41	Buy/Hold
Nasdaq Pwrshrs	QQQ	Aug-16	117.7	146.22	24.23	Buy/Hold
Microsoft	MSFT	Dec-16	63.62	74.68	17.38	Buy/Hold
S&P 500 Index Equal	RSP	Dec-16	87.55	94.64	8.10	Hold
Dow Industrials	DIA	Aug-16	186.52	221.42	18.71	Buy/Hold
SPDR Russell 2000	TWOK	Nov-16	77.19	83.90	8.69	Hold
DJ Transportation	IYT	Nov-16	158.29	172.13	8.74	Hold
US Steel	X	Nov-16	29.17	26.66	-8.60	Hold

GOLD, SILVER & GOLD SHARES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Royal Gold *	RGLD	Sep-17		92.64		Buy
SPDR Gold	GLD	Mar-17	117.51	126.56	7.70	Buy/Hold
Gold (physical)		Oct-01	277.25	1332.70	380.69	Buy/Hold
Ctrl Fund of Canada	CEF	Mar-17	12.66	13.37	5.61	Buy/Hold
Gold Miners ETF	GDX	Feb-17	25.20	24.67	-2.10	Buy/Hold
Silver (physical)		Aug-03	4.93	17.89	262.88	Buy/Hold
Agnico Eagle	AEM	Feb-17	47.10	49.61	5.33	Hold
Jr Gold Miners ETF	GDXJ	Feb-17	42.12	36.34	-13.72	Hold

CURRENCIES

		PURCHASE		PRICE AT	% GAIN/LOSS	CURRENT
NAME	SYMBOL	DATE	PRICE	issue date	SINCE BOT	RECOMM
Euro ETF	FXE	Jun-17	110.48	115.58	4.62	Buy/Hold
Canadian dollar ETF	FXC	Jun-17	76.09	80.98	6.43	Buy/Hold
US Dollar Bearish	UDN	Jul-17	21.77	22.59	3.77	Buy/Hold
Australian dollar ETF	FXA	Jun-17	76.91	80.17	4.24	Buy/Hold

INTEREST RATES & BONDS

Interest rates have been on the decline. But rates will likely back and fill, and gradually move up in the months ahead. Bonds, however, remain bearish and they're poised to fall further. So we continue to recommend staying on the sidelines and avoiding U.S. and global bonds, at least for the time being.

CURRENCIES

The drop in the U.S. dollar has been picking up steam. But the dollar is oversold and it's due for a rebound rise, before it heads lower. That is, the euro remains bullish but it's set for a downward correction.This will provide a good opportunity to buy the euro (FXE), Canadian dollar (FXC), Australian dollar (FXA) and/or the U.S. dollar Bearish ETF (UDN), if you haven't bought yet, or want to add to your positions. Otherwise, keep the positions you have... we advise about half of your cash in the euro, and half in the Canadian and Australian dollars with a small position in U.S. dollars.

* New Position

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

