THE
ADEN FORECAST
MONEY • METALS • MARKETS

NOVEMBER, 2009 *in our 28th year*

A SLOW TURNAROUND AS CRISIS LINGERS

Gold is soaring. It hit another new record high in recent days and it's well on its way to much higher levels.

This is good news for all of us who have been invested in gold for the past eight years. But even for those of you who invested in more recent times, gold has been a good and profitable investment.

We feel strongly that this will continue in the months and years ahead. And there are many valid reasons why, but in the meantime…

UNCERTAINTY CONTINUES

We know that many of you are confused and concerned about the future… and we understand why. These have been scary times, the crisis lingers on and things don't seem to be getting better.

This leads to insecurity and confusion. It makes it hard to plan, both personally and investment wise. Plus, there's a lot of gloom and doom out there.

We know. We read a lot of it, every day. And if you're reading it too, of course you're nervous and unsure. And while a lot of it is true, we also have to go with what's happening and try to strip out some of the emotions.

Yes, there are problems…. serious problems. But that doesn't mean the world is going to fall apart next month or next year.

Pessimists are always going to paint the worst case scenario. Optimists will forever present the best case scenario. But the reality is usually somewhere in between. As we've often discussed, the markets and the facts always tell the story and that's what we try to focus on. So what are they currently telling us?

SOME CALM AFTER THE STORM

First, despite all that's happening, it's important to put things into perspective… and looking back, the overall situation was a lot worse last year compared to how it is now.

Remember, the entire financial world was on the verge of collapse last year as one huge company after another failed, or came close to it. Economies worldwide were dropping and so were all of the global stock markets. Fear and panic were rampant, and with reason. The crisis wiped out a greater chunk of household wealth than during the Great Depression. No one knew what to do…

Now fast forward to today…

For starters, nearly every economy in the world is growing, some obviously more than others. But the point is, they're all up. Stocks around the globe have also been rising this year and confidence is returning.

In the U.S., for instance, the economy grew 3½% in the third quarter. The leading economic indicator has been up for six consecutive months and stocks, which lead the economy, have been rising for eight months. Manufacturing is on the mend, along with other important economic signs, all showing that the recession ended in June and the economy is now on its way up, albeit slowly.

In other countries, growth has been far more robust. In China, for example, the economy is growing at a 9% rate. So Korea is growing at the fastest pace in seven years. India is going strong, the same is true in most of Asia, Brazil, and to a lesser extent, Europe is improving too.

ASIA LEADING

But how can the world economy grow without the active participation of the U.S. consumer? After all, these are the people who propelled global growth before the crisis hit. So can the world really move ahead without them?

Yes it can. Asia is booming and it's already taken the lead. As millions of new consumers join the ranks, it's picking up the U.S. slack and this is similar to what happened in the 1990s.

At that time, Japan was the

INSIDE

world's second largest economy, yet it endured 10 years of stagnant growth while other countries were booming. In other words, the global economy can move ahead without the participation of one of its major players.

If we look next at the markets, they tell an interesting story as well. Let's start with stocks and you'll see that the rises have been very significant this year.

2009: Great gains

So far, based on 18 of the world's major stock markets, the gains this year have ranged between 11% and 92%. The average has been 31%. So even though the Dow Industrials is only up 14%, the global stock markets are all telling us that ongoing growth lies ahead.

Since the markets look to the future, if that were not the case, these markets would be falling, not rising.

Okay, but what about commodities? The CRB commodity index has gained 24% this year. More impressive, copper has soared 101% and it's known as the global economic market barometer.

Oil has also surged. It's gained 75%. Very simply, if these two key commodities were not in big demand due to improving world economies, they wouldn't be rising the way they are. Instead, they too would be falling.

Meanwhile, gold has risen 27%, silver is up 51%, and the list goes on… The main point is… these are not signs of recession and they're certainly not signaling a depression. In fact, they're telling us that deflation is not currently a concern.

On the contrary, these rising prices are more indicative of inflation downstream. That's especially true considering the weak dollar and the massive amounts of money that are being created to cover the unprecedented amount of deficit spending in recent months. Remember, excessive money growth is the direct cause of inflation.

And while inflation is not yet a concern, based on what the markets are signaling, it looks like it'll be just be a matter of time until inflation becomes more apparent.

HYPERINFLATION?

Super impressive was one study we came across this month by Peter Bernoholz, a Swiss Economics professor. He points out that there were 28 hyper-inflations in various countries during the 20th century. The 12 largest were all caused by huge deficits, which were financed by creating money. His bottom line was very revealing…

Bernholz notes that hyperinflation results once the government's deficits amount to 40% of its expenses. Most interesting, the U.S. recently hit that level. (The deficit is about $1.5 trillion and that's nearly 42% of the expenses at $3.6 trillion.)

So is hyperinflation coming? Like we said last month, it's not out of the question and this study strengthens the case.

If it is coming, there's no telling how high gold could go in that type of environment. But whatever the outcome… inflation, hyperinflation, regular growth, recession or deflation, it's pretty certain that gold will continue to head higher. Why?

The main reason is because the U.S. dollar will continue to decline. As it does, gold will keep rising. How can we be so sure?

HOLD GOLD

Again and very simply, in a healthy economy annual deficits shouldn't be more than 3% of GDP. Once this percentage exceeds 5-6%, the currency of the country involved historically falls sharply.

Currently, this percentage has soared to about 10% in the U.S. and unfortunately, that pretty much puts the nails in the dollar's coffin.This alone will propel gold much higher.

These are the key reasons why we continue to recommend buying and holding gold. Whatever the ultimate, longer-term outcome, it's pretty clear that the situation is going to intensify and as it does, gold is going to be the main beneficiary. That's been the case for thousands of years during times of economic uncertainty and gross imbalances, and it's now happening again.

A Reminder…

For the benefit of new subscribers and as a reminder to older subscribers… We apologize for not personally answering your individual e-mails. We would love to, but we realistically can't. If we did, we wouldn't get our work done. But please know that we read every e-mail and letter, and we do our best to answer your questions and concerns in our monthly issues.

We sincerely hope you understand and also know that we appreciate your trust, confidence and business. For that, we are truly grateful. So a big thank you to all of you, and keep those questions coming.

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U.S. & WORLD STOCK MARKETS

Looking good

The stock market is also on the rise, hitting new bull market highs. Stocks are looking good and that goes for nearly all of the world markets.

UNUSUAL PARTNERS

Actually, gold and stocks are both moving higher for several of the same reasons… the floods of money and liquidity currently out there, interest rates near zero and the weaker dollar (see **Chart 1**).

Gold of course has been much stronger than stocks, but you can see that the general direction for both has been similar for most of this decade. There's a good reason for this…

Excess liquidity lifts most markets up with the tide, stocks included. You already know that gold and the dollar move in opposite directions, but a weaker dollar also helps stocks. How? Since many companies export to countries overseas, a declining dollar gives exporters a price advantage, which improves their earnings and the stock goes up.

As for low interest rates, they eliminate any competition gold may have had and they've always provided an excellent environment for rises in the stock market (see **Chart 2**). Since 1981, the ongoing decline in interest rates was clearly a key factor which helped propel stocks higher.

STOCKS & INTEREST RATES

Okay, but what'll happen to stocks if interest rates start rising due to building inflation pressures? Eventually, rising rates would halt the stock market rise, but we're not sure at what point would that happen.

Since interest rates are currently so low, they could move up for a while before they reach a level that'll adversely affect stocks. That's what happened in 1955-69. Interest rates and stocks moved up together but finally, the ongoing interest rate rise put a lid on stocks for about 12 years. The bear markets of 1970 and 1974 occurred during that time and they were big declines in those days.

Interestingly and as we've shown you in the past, the stock market's movements in the years between 1966-76 were amazingly similar to this decade (see **Chart 3**). And if these similarities continue, then stocks are headed higher this year and next.

Could it be that simple? Normally no, but stock markets are strong all over the world. They're all bullish. The major trends are up, signaling that stocks are going higher. They're also all pointing to an ongoing global recovery and better times ahead (see **Chart 4**).

CHART 1

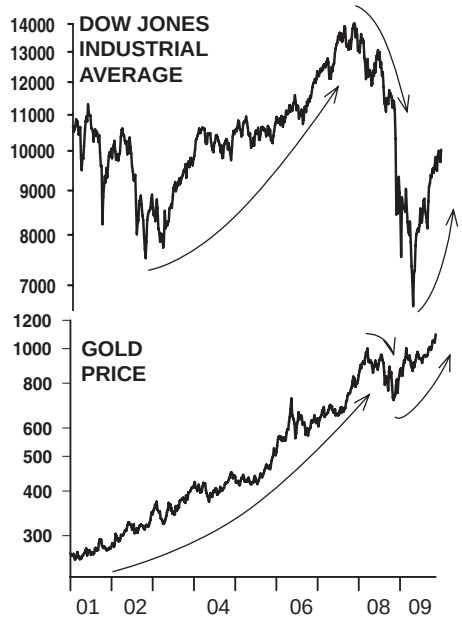


CHART 2

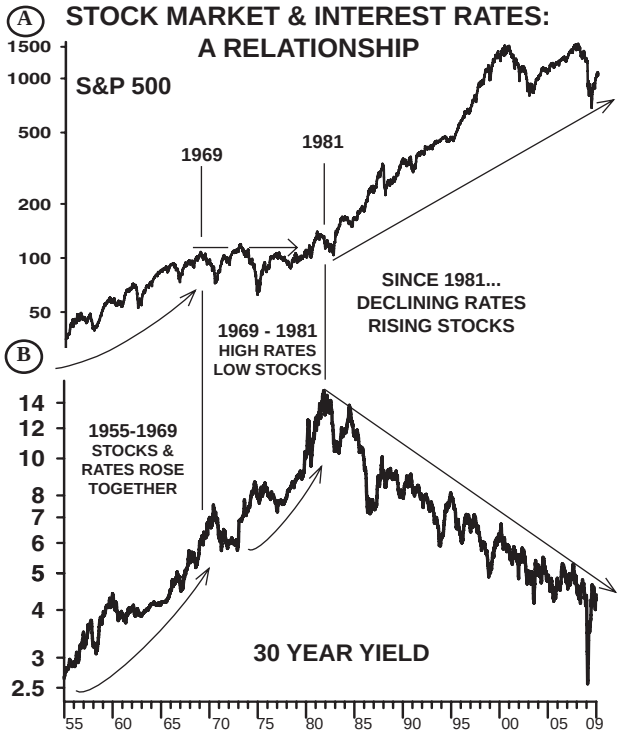


CHART 3

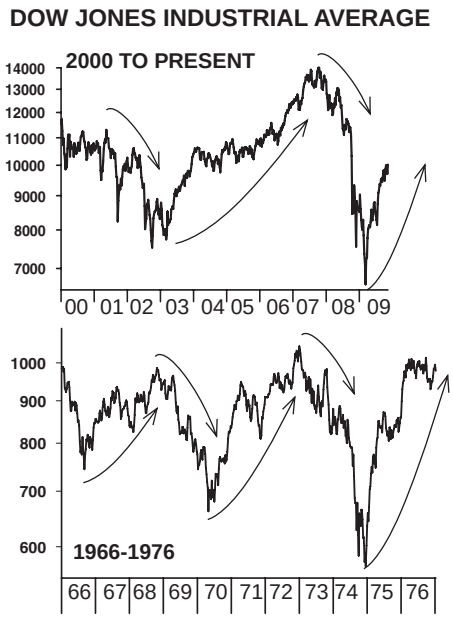
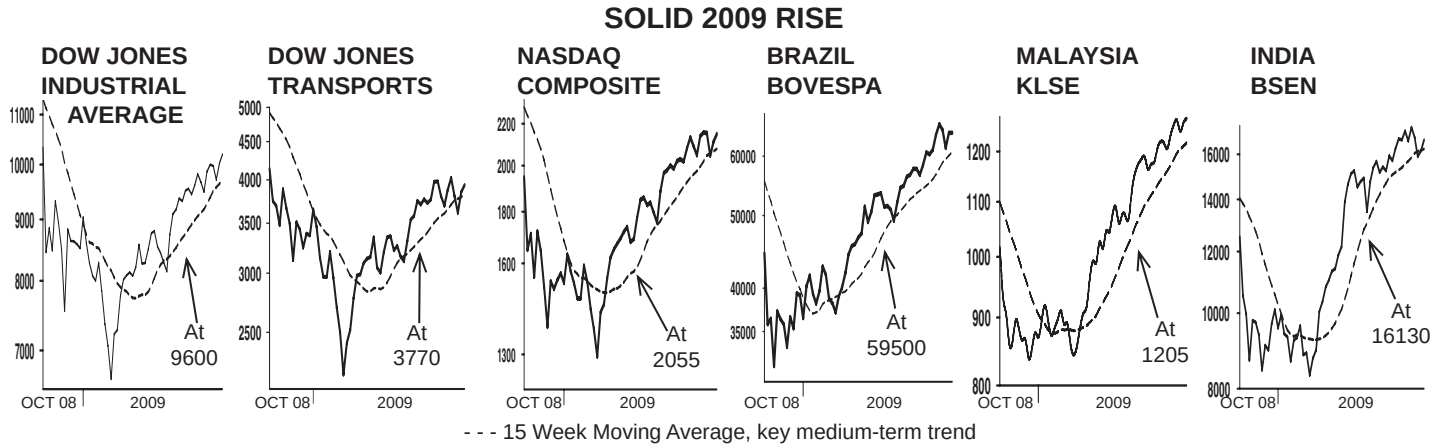


CHART 4

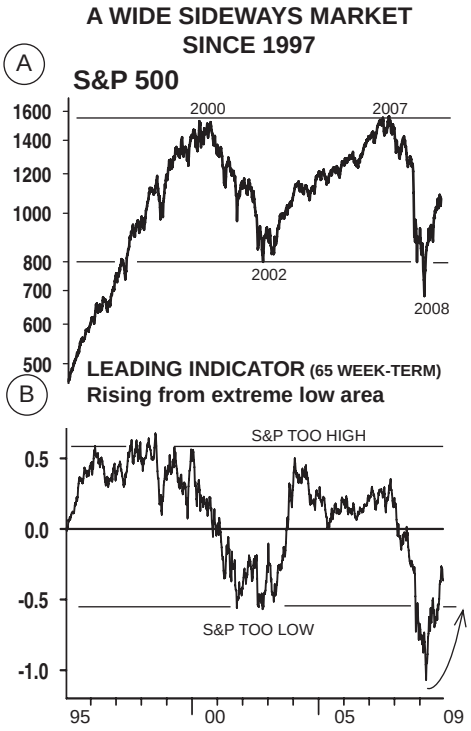


STAY WITH RISE

Now we know that many analysts disagree with this outlook. They're certain that a big bear market is lurking just around the corner and in many ways, you can't blame them. Why? Because the stock market hasn't been a good place to be since 2000.

Looking again at the top of **Chart 3** and as our old friend Jim Stack points out, this has been the worst decade in stock market history. From 2000 to the present, the market has lost 10%, and that's not even including the depreciation in the U.S. dollar.

CHART 5



Nevertheless, there have been times to profit. The years 2002-07 provide a good example. The markets are currently indicating that we're now likely in a similar situation.

And unless and until we see a change, we have to go with what the markets are saying. We advise you to do the same. Our stock recommendations are showing profits, they're poised to rise further and as long as that's the case, let's stay with them.

STAY THE COURSE

Our reliable leading indicators are also telling us to stay the course. In nearly all cases, they're just starting to rise from extremely low, bombed out oversold levels (see the S&P 500's long-term indicator on **Chart 5B** as an example).

As you know, these historically low levels have always led to good sized rises in the stock market, which tend to last at least a couple of years. This means that the global bull market in stocks still has a lot more upside potential, despite the impressive rises they've already had this year.

Okay, so how high could stocks go? There's a good chance that the S&P500 could rise back up to its 2000 and 2007 highs, near 1550. If it does, that would be a gain of 40% from its current levels and again, that would be a move well worth taking advantage of.

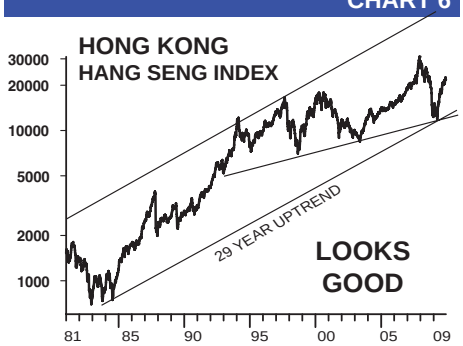
One last item we're watching, which will increase the odds of this happening is a Dow Theory confirmation. As our dear friend Richard Russell recently mentioned, the Dow Industrials closed at new highs for the move this week, but the Dow Transportations did not. In order to confirm, the Transports would have to close above its previous high, reached on October 20 at 4045.11. If it does, both the primary and secondary trends of the stock market would then be bullish and that would provide the final "all's clear."

Meanwhile, the downward correction we were expecting didn't amount too much, at least so far. We suspect the market will correct further in the weeks ahead and when it does, that'll provide a good opportunity to buy new stock positions, but keep the ones you have.

It's also important to only invest in the strongest sectors. Even though the market's rising, many stocks are outright weak or dull. So go with the strongest global stock markets, which are clearly outperforming the U.S. market (see Hong Kong, for instance, on **Chart 6**). And generally buy into the strongest overall sectors.

The stocks we like best are listed on page 12 with the strongest ones at the top of each list.

CHART 6



U.S. INTEREST RATES AND BONDS

Historically low short rates are still needed

Interest rates are becoming more interesting with each passing month. Even though the action has been as slow as it could be, things seem to be brewing under the surface.

A SLOW RECOVERY

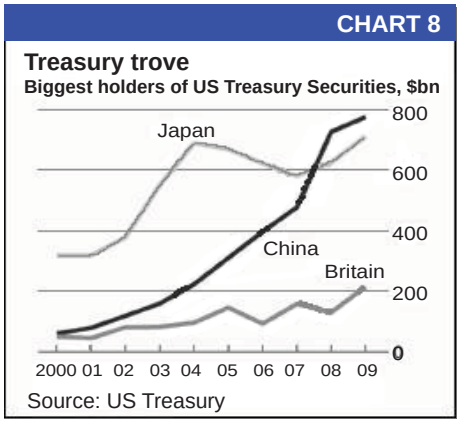
This month, for instance, the Fed left interest rates unchanged as expected, and near zero. With unemployment rising above 10% for the first time since the early 1980s, the economy remains mired in the recession aftermath effects, and these will likely linger well into next year, assuming the economy stays on track from here.

That being the case, there's little the Fed can do to raise interest rates in the current environment, even if it wanted to. It would choke off the long awaited first blooms of the recovery, which is why the Fed keeps saying they'll keep interest rates low for an extended period (see **Chart 7**, left).

How long will this extended period last? No one knows. That will all depend on the unemployment picture, along with housing, foreclosures, spending, growth, sentiment and some of the other indicators that remain troubling.

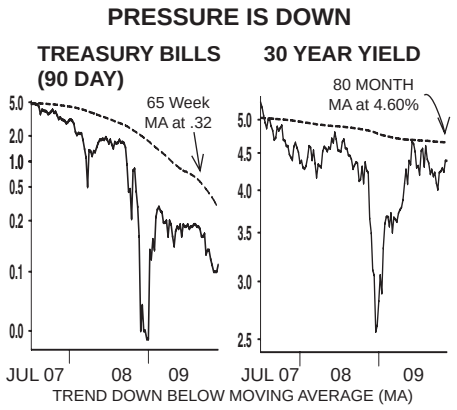
But the bottom line is that, following the biggest recession and crisis since the Great Depression, and with inflation low, the Fed is not going to be quick to raise interest rates any time soon.

CHART 8



Courtesy: The Economist, economist.com

CHART 7



But what if inflation starts perking up faster and quicker than expected, in response to all of the money floating all over the place? In that case, the Fed would be in a real dilemma. They'd want to raise interest rates, but they probably wouldn't be able to.

... BUT LONG RATES MOVING UP

Meanwhile, long-term interest rates moved up this month. They rose from 3.96% on the 30 year yield in early October to the current rate of 4.40% (see **Chart 7**, right). That's one of the biggest monthly jumps in a while and as we've often pointed out, long-term rates are trying to tell us something…

Since they are free market rates and they're not controlled by the Fed, they often lead the way and signal what's coming. And while it's still too soon to be sure, our guess is that long-term interest rates are starting to reflect the inflationary pressures that're building up and they're behaving accordingly.

As these inflation pressures intensify, interest rates will rise further. There's no way around it. Investors will demand higher interest rates for the bonds they're buying (see **Chart 8**). And since foreign investors already own such a huge amount of U.S. bonds, and the U.S. needs them to keep buying more, long-term rates will have to rise based on supply and demand alone.

Plus, as you can see on **Chart 9**, the trend for all global bond yields has generally been rising this year. Even though this trend has been quiet and subtle, it has been up for U.S. long-term rates since May.

That means interest rates are headed higher. How fast this will happen, we don't yet know. But once the 30 year yield rises and stays above 4.60%, it'll be a major event because that'll be the final confirmation that big inflation is coming. At that point, long-term rates could start moving up very quickly.

CHART 9

AT HISTORICAL LOW

As they do, short-term interest rates (T-Bills for example) will likely follow and head higher too. That shouldn't come as a surprise considering that these rates have been held at artificially low levels for such a long time (see **Chart 10A**).

Here you can see that short-term T-Bills are near zero and much lower than long-term interest rates (the 30 year yield). The spread or difference between the two is clearly out of whack. This normally happens during recessionary times (see numbers 1, 2 and 3 on **Chart 10B**) and it's now happening again for the fourth time since 1980.

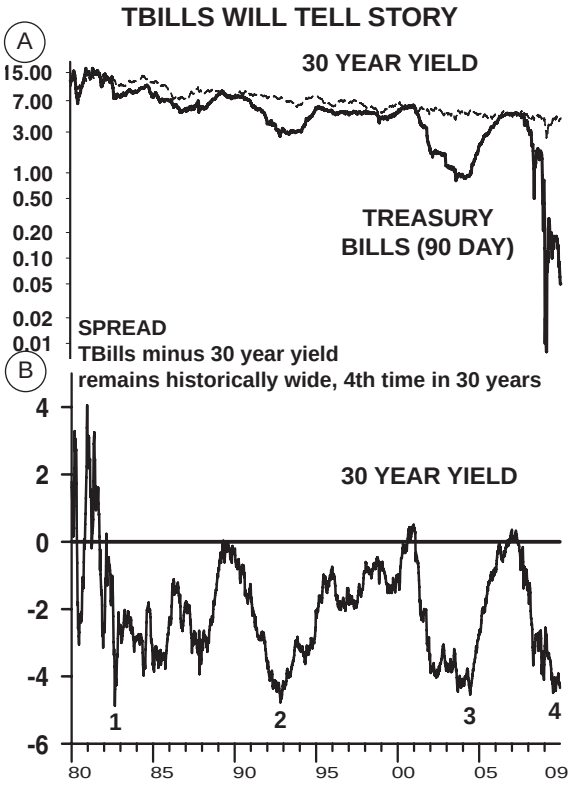
Based on previous cases, this could continue into next year. But once the economic recovery becomes stronger and more obvious,

the T-Bill rate will rise. There's no question about it and it'll eventually reach the same level as the 30 year yield.

GREAT INVESTMENT

As we've often pointed out, rising rates are going to provide a good investment opportunity. The easiest way would be to buy an ETF that rises along with interest rates. On the flip side, bond prices will fall as interest rates rise and there are investment vehicles that also benefit from declining bond prices.

CHART 10



Higher rates mean...

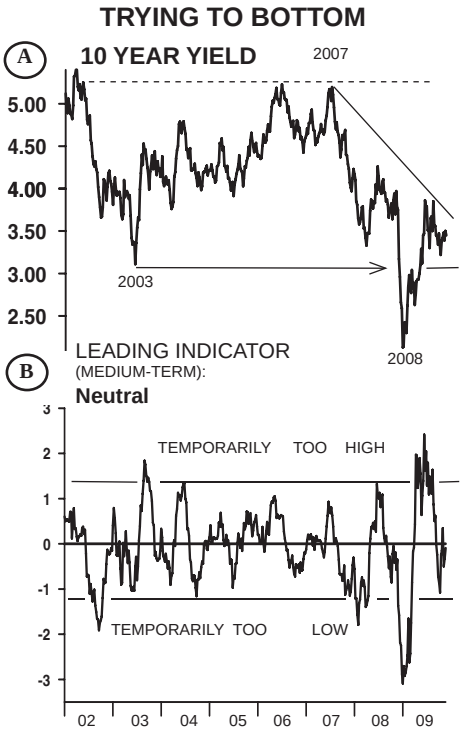
Higher interest rates will be good news for savers, especially for those who rely on interest income. These have been lean times for income investors, but that shouldn't last too much longer.

Bond investors may want to sell or lighten up. This is something we'd strongly recommend if the 30 year yield surges above 4.60%, as it would signal a mega change that only happens every couple of decades. In other words, it would be a major red flag that bond prices are going to plunge for years to come and you wouldn't want to ride through something like that.

And finally, it would be your last chance to refinance your mortgage if you've been thinking about locking in the current low rates.

So be on the lookout. As you can see on **Chart 11**, the 10 year yield appears to be bottoming and its leading indicator is near the low area. This means interest rates could start heading up at any time.

CHART 11



If they do, it'll be most important to watch the key 4.60% level on the 30 year yield. We can't stress that enough. And if the 10 and 30 year yields now stay above 3.30% and 4%, this will increase the probability that it's going to happen. Until then, sit tight.

CURRENCIES

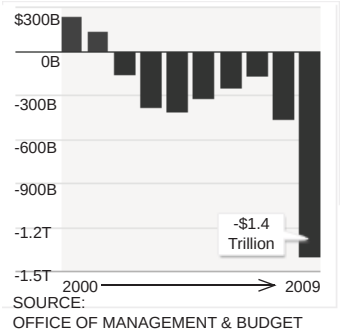
U.S. dollar: Testing lows for the year

The U.S. dollar hit yet another low for the year. And as you'd expect, the currencies surged much higher.

DOLLAR WOES

The poor dollar keeps feeling the heat and, not to sound like a broken record, but the main reason why is because the U.S. is spending too much money, and way more than it can afford. That's it. This has resulted in trillions of excess dollars and a deficit that's more than three times greater than it was last year (see **Chart 12**). It's essentially guns and butter all over again, only to a much greater degree.

CHART 12



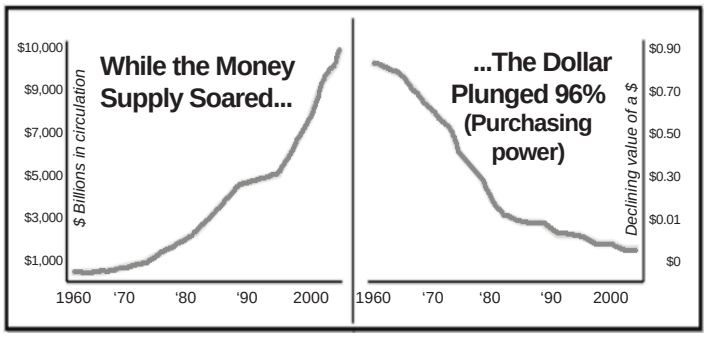
These excess dollars make the dollar worth less. It's not complicated and it's like any other product. When there's too much of anything, the price goes down. It's a perfect example of supply and demand, but in this case those who already have too much of this particular product (dollars) are worried and they're starting to get scared.

To personalize this, let's say you have a large part of your savings

in stocks, or Florida real estate. Prices plunge, so you don't want to sell, and you certainly don't want to drive prices even lower. But you do want to start easing out and diversifying into other markets or cash. Well, that's the dilemma most of the world's central banks are in.

They simply have too many dollars in their reserves. They see the U.S. money supply soaring, now more than ever. And they know what this has done to the dollar over the years (see **Chart 13**).

CHART 13



SOURCE: OUTSTANDING INVESTMENTS outstandinginvestments.agorafinancial.com

LENDERS LOSING CONFIDENCE

But now they see the situation getting worse as the dollar falls more sharply. So they're easing out and you can't blame them. They're looking out for themselves, and buying more euros and other currencies. Plus, with U.S. interest rates near zero, this isn't surprising. It's what we'd all do if we were in the same boat.

That's the current situation and it's the primary reason why foreigners are cutting back on their U.S. dollar investments, which are now near the worst levels on record. In other words, foreigners are losing confidence.

Unfortunately, this feeling is widespread. It's been mentioned, either discretely or not so discretely, by the BRIC countries (China, Russia, Brazil and India), Arab countries and old friends like Canada, France and the European Union in general. Basically, everyone's concerned about what's going on and their actions reflect this. Central banks put more than 60% of their new reserves into euros and the yen in the second quarter and they only kept 37% in U.S. dollars.

GRADUALLY WEAKER DOLLAR IS WELCOME

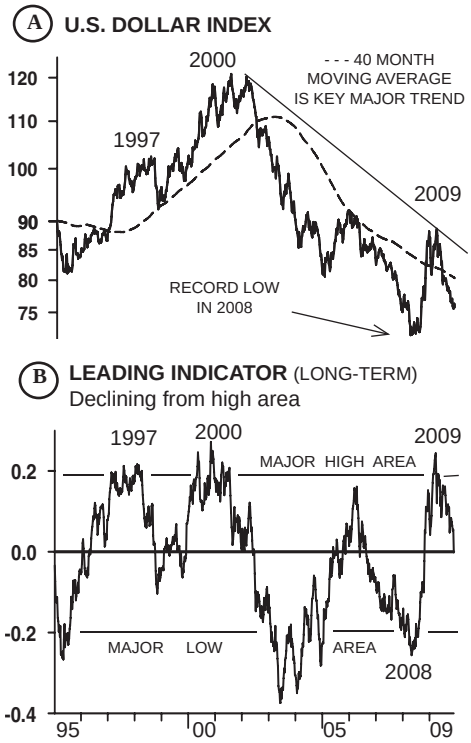
Central bankers know that once a country gets into a serious financial jam, they only have a couple of options… balance the budget, default on the debt, or inflate some of the debt away. Default is not an option for the world's leader. Balancing the budget is out of the question because of all of the built in expenses like Social Security and Medicare. Inflation is simply the easiest way to go.

This essentially means a gradually weaker dollar, which makes the debt easier to pay down. It also helps manufacturing and boosts imports by making them more economically attractive. This is the route the U.S. has chosen and even though it will never be publically discussed, actions speak 10 times louder than words.

So in these sensitive matters, rule #1 is always… watch what's happening, not what's being said.

CHART 14

U.S. DOLLAR: Not a bright future



It's nothing personal. It's not political. It's just the way things are, and then plan accordingly.

DOLLAR IS BEARISH

Our technical indicators are reinforcing this. They're showing that the dollar is likely headed a lot lower in the months ahead (see **Chart 14A** as an example). In fact, this year's decline is likely just getting started.

Note that the leading indicator (below) is now coming down from a major high area and it has plenty of room to fall further before it's too low. And since these low areas coincide with bottoms in the dollar, this means that the dollar's downside is currently wide open. That is, new record lows will probably happen soon.

AUSTRALIAN DOLLAR: BEST

Many people we talk to don't seem to care that the dollar's falling. They think it doesn't affect them. That's because it's subtle. But it does… it erodes your purchasing power (inflation), but you can protect yourself.

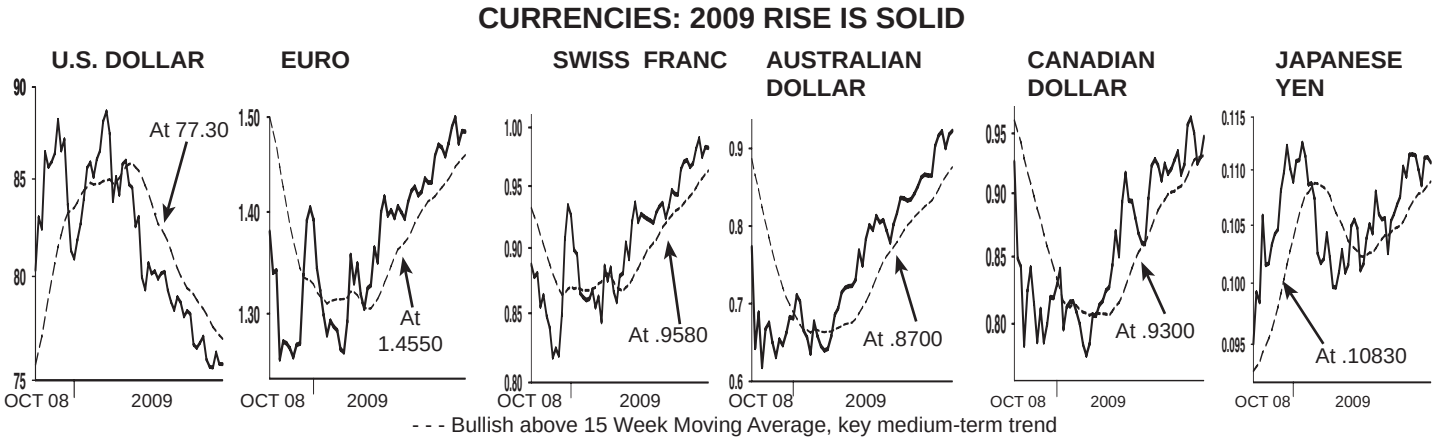
The best way is buy owning gold and keeping your cash in the strongest currencies, and that's what we've been recommending (see **Chart 15**). As you can see, as the dollar slides, the currencies continue rising and the major trends are clearly up. The point is, why keep your extra cash in deteriorating dollars when you don't have to?

Our top performing currency has been the Australian dollar. It's been a real winner this year and the second best of all currencies (only the Brazilian real has been slightly stronger, but since it's an emerging currency it's higher risk, so we've avoided it).

The Australian dollar has a slew of positives in its favor, all signaling that it's going to rise even further. Australia was the first country to raise its interest rates, twice this month, making the Aussie dollar even more attractive than it already was.

In addition, Australia is a country that is commodity rich and it

CHART 15



wasn't affected by the crisis last year. It's a huge exporter to China, and as China's growth and demand booms, it benefits Australia. Rising stocks worldwide have given the Australian dollar yet another boost, and so has gold.

Canada is somewhat similar. It's been propelled higher by rising oil and commodities, and a better overall environment. In Europe, improving economic signs are keeping upward pressure on the euro.

So keep your currencies and continue to buy new positions in the strongest ones. As you'll see next, gold is headed higher. This is going to keep downward pressure on the dollar and it'll maintain a solid foundation for the currencies.

METALS, NATURAL RESOURCES & ENERGY

Gold at record highs

Gold plowed through $1100 as the power behind the bull market heats up. The ongoing six month C rise got a boost when the IMF sold 200 tonnes of gold to India.

CENTRAL BANK SURPRISE

This was a big surprise because it's showing that a central bank is willing to buy gold above $1000. India spent $6.7 billion on the gold purchase, which was half of the IMF's long-planned bullion sale and it had been a cloud hanging over the gold market. It's now believed that China or Russia will be happy to buy the rest of the IMF's gold.

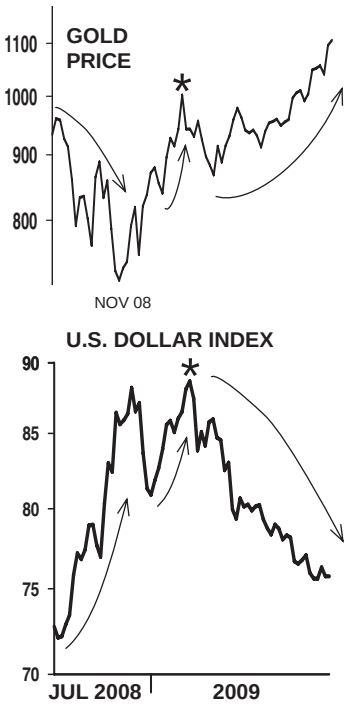
Then, the 26 year high in the unemployment rate pushed gold up even further in a flight to quality, or you could say in a flight to own something tangible in this uncertain environment.

The weak dollar has also been an important influence pushing the gold price up, just as it's been an influence for all asset classes, be it the commodity world, the currency markets or the stock markets.

Chart 16, however, shows that this is not always a direct influence. This recent example shows that gold and the dollar both rose together earlier this year before they started moving in opposite directions in March and April (see *). Plus, the recent record high in gold is happening while the dollar is holding well above its record lows posted last year.

What we're saying is that gold and the dollar don't always move in opposite directions, although they generally do. So don't be surprised if gold rises further, while the dollar is quiet, like it did in 1978-79.

CHART 16



Gold is actually most powerful when it rises while the dollar is stable, quiet or moving up because gold is then rising on its own… and it's also then rising in all currencies.

Chart 17 shows that gold is now rising in euro terms and it's approaching its February high. If the February high is surpassed near 780 euros, gold would be extremely bullish.

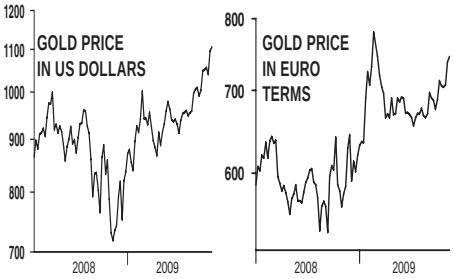
MOST EXCITING…

The next phase of the bull market is currently underway. That is, another seven to eight year rise could develop from here.

People are basically scared and they're

CHART 17

GOLD: Record high in dollars... near highs in euros



moving into gold. Gold is still in a relatively unknown bull market, in spite of its eight year rise and that in itself is a bullish sign.

The changing attitudes by central banks is bullish for gold too. This month, the head of China's Green Energy drive was the latest official to say that gold is definitely an alternative for its reserves, but they have to be careful not to move the market. Today, central banks are not only reluctant to sell, they are buying gold.

REASONS TO BUY GOLD

There are many other reasons to buy gold… The extreme monetary policy is inflationary, and the continued expectations of globally loose money is keeping gold high. Although deflation is still a threat, the weak dollar is keeping inflation fears growing, along with economic uncertainty. Rising oil and commodities, as well as negative interest rates, add to this and they're another plus for gold.

Momentum buying, as more people jump into the gold market is also bullish. The exchange traded funds have given a big boost to gold due to the ease in buying. New buyers, like individuals, hedge funds, pension funds and institutional investors, are buying gold with ETFs. And even the famous Harrods department store in London is now selling gold.

Over the years, gold has provided us with a good lesson as to the benefits of buying and holding. There have been some trying times and the major trend had been tested, but it's been important to stay with the major trend. It truly is your friend. For many, it's just too hard to get out and then get back in.

GOLD: A great market

When you compare gold to the other markets, you can see how strong it really is (see **Chart 18**, which shows gold compared to stocks, copper, oil, silver and gold shares). Here you can clearly see that gold was much stronger than these other markets in 2008, during the financial crisis, as the ratios rose sharply. Better said, gold fell much less than the other markets. It ended the year on an up note, in spite of the strong dollar.

During the turmoil the dollar rose because all of the positions that were being offset went into dollars. It wasn't necessarily a flight to safety as much as an automatic offset to the dollars in the system.

Since gold fell the least, it was a good sign considering the horrific events. It also stood to reason that this year, gold rose less than these other markets because the ratios were adjusting to the sharp rises last year.

But things now appear to be back to normal. Gold is starting to outperform the others again, which is evident with its recent new record high, while the others are not at new highs. In other words, you could say that gold is now catching up to the others after lagging this year.

For example, so far this year the Dow Industrials is up 56% since its March lows, silver is up 71% from its January low, the HUI gold share index has gained 83% during the same time and oil is up a whopping 138%.

Copper is similar to oil. It's gained 132% while gold is "only" up 36% from its January low. Gold's rise is certainly not shabby but it's a far cry from the others. This is also one of the reasons why gold has further upside potential… even at $1100.

TIMING GOLD: A great rise so far

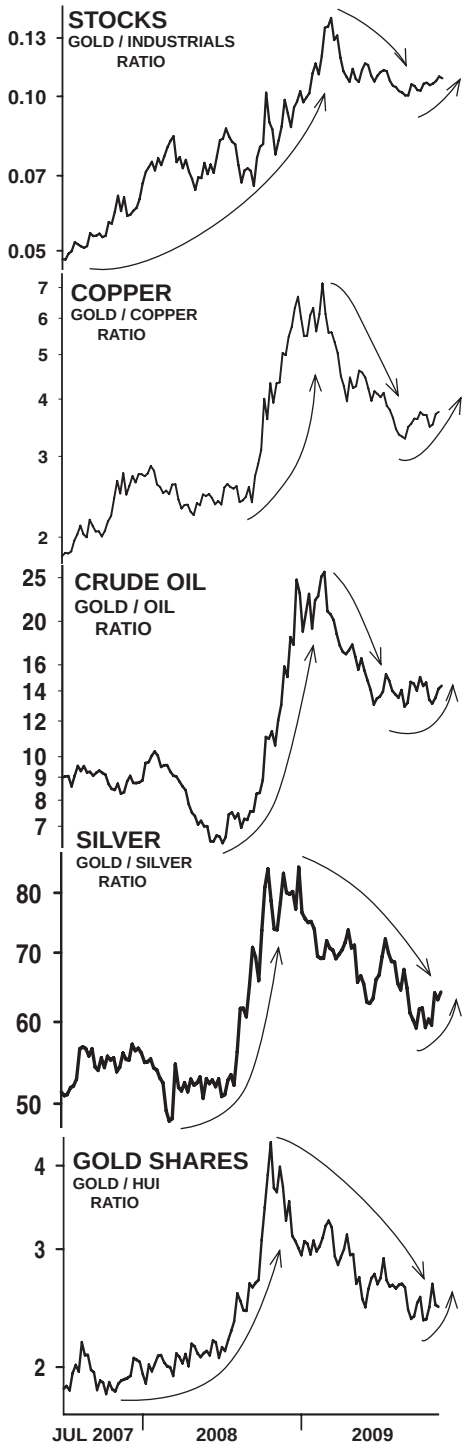
After gold broke clearly above $1000, it didn't look back. A very bullish intermediate rise we call "C" is clearly underway and the strength of the rise is starting to resemble the two powerful C rises in 2006 and 2008 (see **Chart 19A**).

Gold gained over 55% in each of those two rises and currently gold's rise is approaching a 30% gain from its April low. This means that our initial $1200 target level for this current rise is very possible.

Chart 19B shows you what we

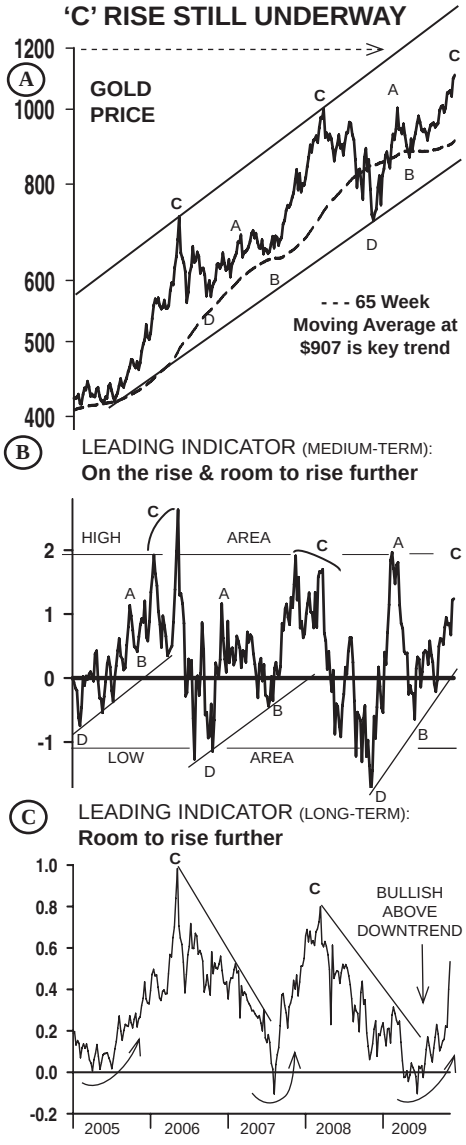
CHART 18

GOLD COMPARED TO...



GOLD BEST DURING CRISIS

CHART 19



mean. You can see that even though gold has been robust, it still has room to rise further. The leading (medium-term) indicator is on the rise but it can still rise further before it reaches the high area.

Likewise for the (long-term) leading indicator (C). It broke clearly above its downtrend and it's poised to rise similarly to the prior C rises. Both of these indicators show that gold could possibly surpass the $1200 target. The point is, gold is not overbought in spite of its rise. It's still catching up.

Many are quick to say that gold and commodities are too volatile and highly speculative. Nothing could be further from the truth. Gold is no more volatile than the Dow Industrials. Just using the past year or two as an example, the Dow has been much more volatile than gold. The sky high debt and rising deficits are causing gold to rise and the dollar to fall. We'd say the higher risk today is by far in the dollar.

GOLD SHARES: New high

Gold shares have put in a great performance as well. They have been stronger than gold this year, which makes sense because gold mining becomes more profitable with a higher gold price. The reason why is because the cost remains constant as the product (gold) rises in value.

Another influence is the rising stock market. When gold and the stock market rise together, it gives an extra boost to gold shares (see **Chart 20A**). But as good as the gold share rise has been this year, they have yet to surpass their 2008 highs, unlike gold which has soared to a record high.

Gold itself has its own strengths, as we've seen in recent weeks, and it will now likely outpace gold shares for a while. But as the chart shows, gold shares have ongoing great potential.

The HUI gold share index has room to rise further, both on a medium and long-term basis (see **Chart 20B** & **C**). This is saying that the gold shares bull market is solid and it's only a matter of time before the old highs are breached.

SILVER: Similar to copper lately

Silver has been a great investment this year too (see **Chart 21**). It continues to have growing demand while supply is down.

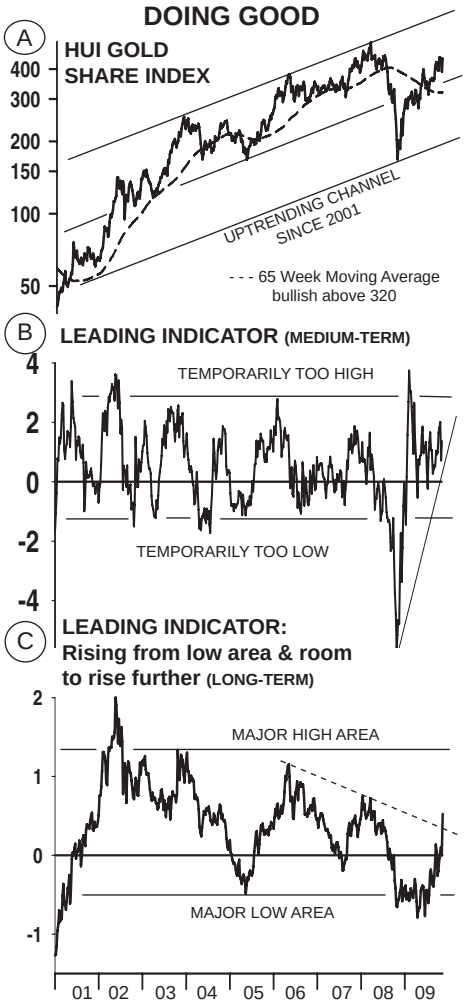
Silver is used in many areas, with the big one being the electronic industry. Silver coins are in great demand and the U.S. Mint alone continues producing millions of ounces. Meanwhile, the U.S. silver stockpile is practically gone.

Silver moves with gold but it also is influenced by industry. If the economies of the world keep growing, silver will continue to outperform gold over the long haul.

RESOURCE & ENERGY: A buy & hold market

Natural resource and minerals investments are clearly one of the best sectors for a buy and hold.

CHART 20



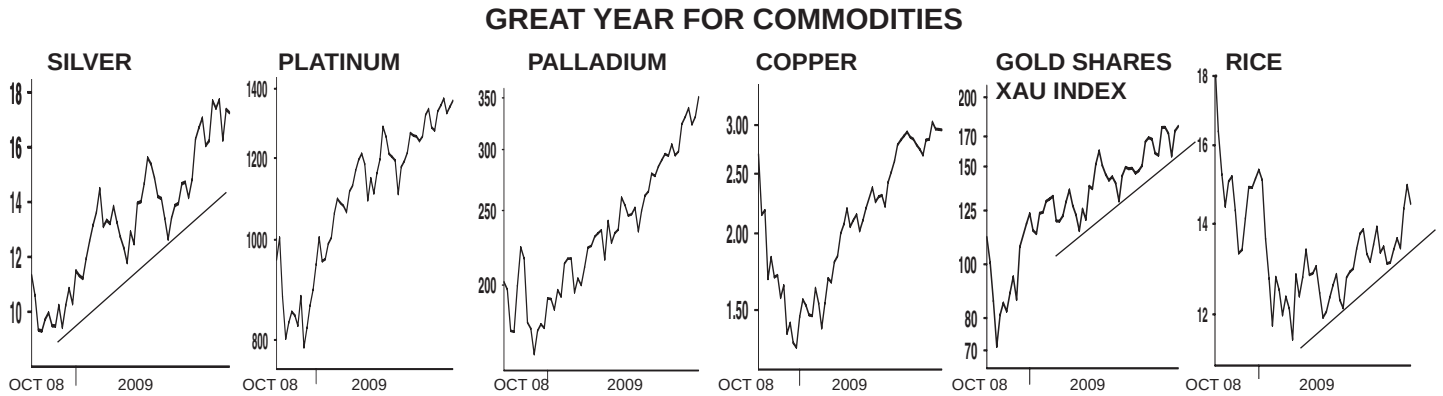
BHP Billiton is a good example of a company you can buy and forget about because it has its hands in every part of this area. It's the largest mining company in the world, from iron ore, to uranium, to copper… you name it. If it has to do with building, BHP probably produces it.

BHP Billiton believes demand for minerals is on the verge of unprecedented growth as China and India drive consumption. Its first quarter iron ore production, for example, reached a record with a rebound in global steel demand. It's estimated that an iron ore deficit will continue through 2012, which is probably why BHP is buying more iron ore companies.

BHP is our favorite resource company, together with Freeport McMoran, a copper company.

Looking at **copper** on a technical basis, you can see its upside is wide

CHART 21

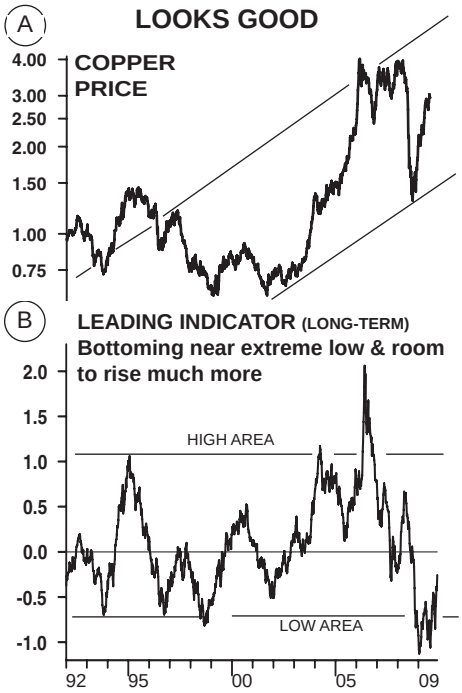


open. **Chart 22** shows you that in spite of copper's super 101% rise this year, its leading indicator (B) is still basing in a very low area, the lowest this decade. This means that copper could surge much higher in the months ahead.

As you can see, copper continues to move in a solid multi-year upchannel (see A). It's strong above $2.85 but once it reaches a record high, above the 2006 high, it could soar.

A move like this would coincide with a strong global economy. And depending on what type of recovery we have, it'll determine the type of strength copper has, as well as the base metals, oil and any commodity that is dependent on economic growth.

CHART 22



OIL: GREAT POTENTIAL

Crude oil is the bloodline of the world. The world depends on oil to the point of political danger, which is why alternative energy will continue to grow in the future. As investors, we'll continue to keep our eyes on good opportunities in gas, uranium, green energy, solar and wind energy. These have potential but it'll still be many years before petro will be replaced or partially replaced.

Meanwhile, oil's upside also has great potential. **Chart 23A** shows that over the last 12 years, oil has been rising in a clear uptrend. While it temporarily dipped below this trend during the heat of the crisis last year, oil quickly bounced back this year, rising 75%.

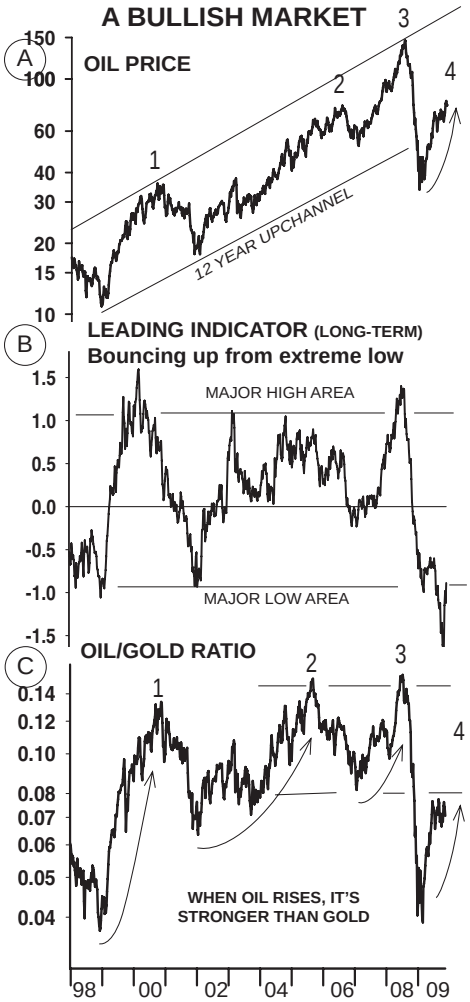
Oil is now coming up from an extremely bombed out level (see **Chart 23B**). In fact, this indicator is saying that oil is starting a multi-year rise, similar to 2001 when it was also near the lows.

Oil is more volatile than gold. While gold tends to lead oil during intermediate moves, oil tends to outperform gold when both of them are rising. **Chart 23C** shows this clearly. The most recent rise in the ratio this year came from a very low area, like it did in 1998. This is saying that oil will likely continue to outperform gold over the next year or so, despite temporary pauses when gold outperforms, as is currently the case.

Keep an eye on oil; it'll remain very strong above $73 and while it's been resisting in recent weeks once it closes above $81.50, a new high for the move could take oil to possibly $90. Oil's major trend is up above $65.

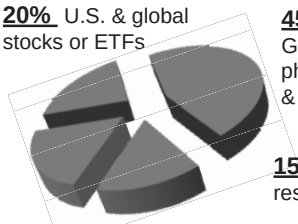
Overall, we believe that a commodity boom will thrive as shortages for raw materials grow and demand continues to boom. We want you to stay invested and take advantage of the ongoing rises in all of these sectors as they evolve.

CHART 23



OVERALL PORTFOLIO RECOMMENDATION

Gold hit another record high this month, surging beyond the $1100 level. The other markets are strong too. Metals, commodities and their shares, stocks and the currencies are all bullish and headed higher. These markets could correct in the weeks ahead but for now, keep your positions. Buy new positions in the strongest stocks in each sector, which are listed at the top of each category, ideally on temporary weakness. Also, try to keep your investing portfolio broken down in the markets and percentages shown on the right.



20% Cash:
Australian and Canadian dollars, euro or currency funds

STOCK MARKET RECOMMENDATION

The stock market is on the rise, hitting new bull market highs. Stocks are looking good and that goes for nearly all of the world stock markets. They're bullish and poised to rise much further. Keep the stocks you have and buy new or additional positions in the strongest ones, but buy on weakness. These are listed at the top of the Stocks list. This month we made a couple of adjustments in our weekly update by selling two laggards and replacing them with stronger performers. We advise selling Japan Smlr Cap (JOF) and Gldn Dragon China (PGJ). Buy iShares BRIC (BKF) and iShares Malaysia (EWM).

PRECIOUS METALS, ENERGY, RESOURCE & THEIR SHARES RECOMMENDATION

The gold price continued breaking ground, reaching another record high as we write. Gold shares also rose to new highs for the year while silver is holding onto its 2009 highs. Gold is starting to catch up to the others, and it's poised to outperform the commodity sector for now.

Gold has now gained almost 30% since April, and it still has room to rise further before the current very bullish C rise matures. We recommend keeping more of your 45% position in gold coins, bars or ETFs. Silver will eventually continue to outperform gold once the global economy becomes more robust. Keep your positions. The box on the right shows the order of strength.

The energy and resource sector remains strong with oil and copper reaching another new high for 2009 in October. We made some adjustments to our positions in our weekly updates. We recommend selling Cameco (CCJ) and Denbury Res (DNR) because they are lagging. Buy new positions in iShares Tr Global Energy (ICX) and Diamond Offshore Drilling (DO), as well in our strongest shares listed to the right. We believe the materials sector has great further potential in the years ahead, and we urge you to keep your positions.

INTEREST RATE & BOND RECOMMENDATION

Even though the Fed is keeping short-term rates low and near zero, long-term interest rates are moving up. They appear to be leading the way, likely in reaction to building inflation pressures. The major trend will remain up with the 10 and 30 year yields above 3.30% and 4%, signaling rates are headed higher. Most important, watch 4.60% on the 30 year yield. Above that level, a mega change will be underway with a wide range of repercussions. If you currently have bonds, keep them. Otherwise, sit tight and don't trade one way or the other for the time being.

CURRENCIES RECOMMENDATION

The U.S. dollar hit another new low for the year. The currencies surged. The major trends are up and they're headed much higher. Our top performing currency has been the Australian dollar and it has many positives going for it. The euro and Canadian dollar are also going strong, and so is the New Zealand dollar and the Swiss franc. These are all fine to hold. For now, keep the currencies your have and continue to buy new positions in the strongest ones. To buy currencies, contact Everbank (www.everbank.com). We also manage currency accounts through Everbank. For info, write info@adenforecast.com

OUR OPEN POSITIONS

GOLD & SILVER ETFs AND SHARES

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

U.S. & GLOBAL STOCKS

SPDR Consumer Dis	XLY-NYSEArca
Nasdaq ETF	QQQQ-Nasdaq
iShares BRIC *	BKF-NYSEArca
iShares Malaysia *	EWM-NYSEArca
Dow Diamonds	DIA-NYSEArca
Templeton Emg Mkts	EMF-NYSE
iShares S&P Glbl Tech	IXN-NYSEArca
iShares S&P Tech	IGM-NYSEArca
Prshrs Dynamic Soft	PSJ-NYSEArca
iShares Mexico	EWW-NYSEArca
Turkish Invest	TKF-NYSE

RESOURCE & ENERGY SHARES

Freeport McMoran	FCX-NYSE
RioTinto	RTP-NYSE
iShares Tr Glbl En	IXC-NYSEArca
BHP Billiton	BHP-NYSE
Diamond Offshore	DO-NYSE
Transocean	RIG-NYSE
Suncor Energy	SU-NYSE

CURRENCY ETFs & FUNDS

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

***New Position**

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.

