THE
ADEN FORECAST
MONEY • METALS • MARKETS

NOVEMBER 2011 *our 30th year*

WE ARE THE WORLD

The New Orleans conference was a great one, especially because we had an opportunity to meet many of you.

Hearing the uncertainties and problems face to face, it crystallized that we all feel the same. It's not just the Occupy Wall Street crowd, or the European protestors who are frustrated, everyone is being affected in one way or another.

WE'RE ALL IN THIS TOGETHER

Rich, poor, business people, salaried employees, old, middle aged, young or unemployed… they're all concerned and being affected by the changes happening before our eyes.

This goes way beyond borders and investor concerns, it's become very personal.

The elderly are receiving little, if any income. In many cases, their plans and hopes for a good retirement have been dashed. Plus, with the markets so volatile, they don't know where to turn.

Middle aged working people are struggling too. Their incomes have gone nowhere for decades and concerns about job security and future retirement are becoming more worrisome. Essentially, they're nervous, angry or depressed as a not-so-bright future seems to hang overhead.

The poor and unemployed wonder if they'll ever get a job as their ranks grow by the most since records began over 50 years ago. And many young people are feeling the same.

DIM OUTLOOK

For young people, the situation is also very serious. We talked about this with several people in New Orleans who were deeply concerned. One woman said she feels the need to help her children, and you can understand why.

With youth unemployment at levels last seen during the Great Depression, the consensus is that this young generation doesn't have the same opportunities that the last several generations have had. So the older generation has been helping the young and it looks like that'll be continuing. In the past, it was usually the other way around.

It's no wonder then that so many feel the system has failed them. And if they haven't been directly affected, they worry they will be (see **Chart 1**, which shows the Misery Index at a 28 year high). This coincides with a recent poll showing that 75% feel the U.S. is on the wrong track.

As we've often discussed, the world has indeed changed and many of the jobs that used to be available aren't coming back, not only in the U.S. but throughout most of the Western world. They've moved to other countries where the wages are much lower.

Whether people understand this and all of the other fundamental factors that got the West into the situation it's in, isn't really the point. The point is, people are upset, they don't like what's happening and they're taking action.

PROTESTING IS GLOBAL

This explains why the Occupy Wall Street and the "indignados" movement in Spain (where youth unemployment is almost 50%) have gained momentum in such a short time.

From New York, to Oakland, to European capitals, to Sydney, protests have occurred in hundreds of cities all over the Western world.

The protestors blame the banks, Wall Street greed, the governments, war, the rich, capitalism, socialism and corruption. The mask of Guy Fawkes, a British revolutionary who tried to buck a religious repression over 400 years ago, has become a symbol for those who are upset with the current system.

Most people didn't take the protestors very seriously when

INSIDE

they started out, not even six months ago in Spain, and two months ago in New York. Many still don't. They make fun of them.

But despite these views, the protestors have hit a nerve and this movement is getting stronger. Powerful unions have joined them, and both Bernanke and Obama have acknowledged them.

HOW WILL THIS TURN OUT?

No one really knows. Some say a revolution is coming, others feel it's like the Tea Party, while many hope it'll all fizzle out as the weather gets colder. We'll soon see.

But if Athens is any indication, at some point, people in general will turn to violence when their benefits or jobs are cut.

We're now seeing the same in Italy, which is right behind Greece as financial pressures mount. It happened in London and as one expert noted, austerity and violence go hand in hand.

Just what's happened in Greece has been an eye opener. It's brought the Eurozone and the world economy to the brink, a couple of times. And considering that Greece's economy is only one seventh the size of Italy's, the growing crisis there is evolving into a much larger danger for the global economy.

VOLATILE & MORE VOLATILE

This is making the markets even more volatile than they already were and uncertainty remains a constant. In fact, if you look strictly at the world's fundamental picture, it's currently not good.

Aside from what's happening in the West, the Middle East remains uncertain too. Following Kaddafi's death, Libya appears to be headed for a fundamentalist, Islamic conservative government, and tensions are growing in Syria and Iran. The Arab spring countries are trying to find their way and, again, it's still to be seen how it ends up.

GO WITH THE FLOW...

With so many uncertainties hanging overhead, it's best to just turn to the markets. Like we always say, they look ahead and they'll tell us the story. The trick is trying to understand what they're saying. And since they've been so volatile, it's been more difficult.

In fact, it's hard to remember a time that compares to the present one. The markets are still swinging wildly and simply reacting to the news of the day, which indicates nervousness. This reflects how people are feeling... nervous and uncertain with spurts of optimism... and that's what nearly all of the markets are suggesting.

... AND WATCH CLOSELY

Stocks, bonds, currencies and commodities have all been very volatile. Gold has been one of the few exceptions. but as you'll see, all of the markets need to be watched more closely than usual...

U.S. & WORLD STOCK MARKETS

Bear market bounce?... or...

The stock market jumped up this month. After hitting new lows last month, stocks did an abrupt about-face. And just when the news was getting worse, the market started heading higher.

MAJOR BOTTOM?

This is very interesting and it's noteworthy because similar situations have often happened when major bottoms were forming. That is, new bull markets usually unfold when the news is really bad.

It happened, for instance, in 2002 when the tech crash occurred, and a recession left Wall Street reeling and facing massive losses (see **Chart 2A**). In the depths of this

Editors:
Mary Anne Aden
Pamela Aden

www.adenforecast.com

info@adenforecast.com

Published monthly by Aden Research. Also includes access to a weekly update $250 per year. Send all customer service or market related questions to Aden Research, Dept. SJO 874, P.O. Box 025331, Miami, Florida 33102-5331 or E-mail info@adenforecast.com Questions will be answered in future issues. Copyright Aden Research 2011. All rights reserved. The Editors may have a position in the securities recommended and may change such positions without notice. This publication's sole intended purpose is to provide investment-related information and opinions to subscribers. FREE WEEKLY UPDATE every Wednesday at 8 P.M. (Eastern time). You can access it through our website, http://www.adenforecast.com. To receive the market update by fax every week $160 per year for U.S. subscribers and $260 for subscribers outside the U.S. FASTER NEWSLETTER DELIVERY OPTIONS: Downloading from the website, no extra charge. Fax only, $65 more per year for U.S. subscribers and $170 more outside the U.S. Air Mail and Fax, $90 more per year for U.S. subscribers and $220 more outside the U.S. Make checks payable to Aden Research, S.A.

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

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

negative environment, a new bull market rise began.

It was the same story in 2008. Again, this was during a recession, in the midst of the subprime crisis when the world financial system was on the brink of falling apart.

Could the same thing currently be happening? Yes it could. Why? Because as we just discussed, the news has been very worrisome, yet stocks have been rising.

STOCKS LOOK AHEAD

As you know, stocks look ahead by about six months. So even though the news may be bad, stocks appear to be seeing brighter signs ahead. That's why bull markets begin during dark periods.

And if a bull market is indeed getting underway, then it likely means the economy is going to improve in the upcoming months.

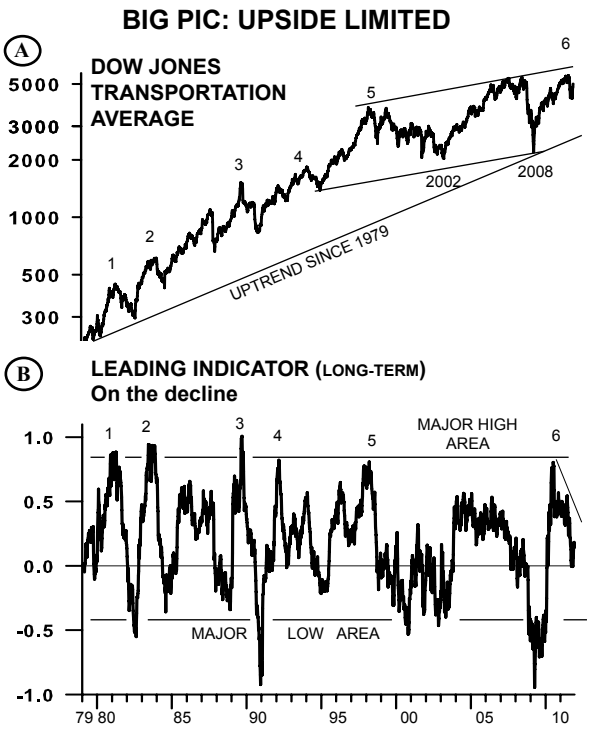
It could also be suggesting that the Eurozone will work something out to ease the ongoing crisis there, or maybe it'll be something else.

CAUTION IS THE WATCH WORD

For now though, stocks are not out of the woods. The signs are still mixed and stocks continue moving in tune with events in Europe... rising on good news and falling on bad news.

And since Europe is still a wildcard, risk remains high and anything could happen. Here's an example of what we mean...

CHART 2



Looking at **Chart 2B**, you can see that the leading indicator for the Dow Jones Transportations is still on the decline. It has not reached the major low area, like it usually does after hitting major highs (see numbers 1 through 6).

This is a sign of caution. In other words, the current rise could be a fooler, and not the onset of another bull market rise.

In addition, many of the global stock markets are still bearish, below their moving averages (see **Chart 3**). Mexico, however, looks good. Some of the U.S. stock indices have now also risen above their averages, which is bullish.

But taken together, it's still a mixed picture for the global stock markets, which have all been marching to Europe's tune of the day.

Remember, the world stock markets move together, and maybe the U.S. and Mexico are leading the other markets (see **Chart 4**, which shows the U.S. now clearly stronger than Hong Kong as an example).

But this has not yet been confirmed by a majority of the global markets. And until they do, there's still the chance they could pull the U.S. and Mexico back down, so this is another sign of caution.

MANY UNKNOWNS

German Chancellor Merkel has been calling the shots and she says the European debt crisis is not going to be resolved soon. So far, they've been plugging the dike when it leaks, and the markets have generally been pleased with the results.

Nevertheless, too many unknowns are also spooking the markets and the situation in Italy is becoming far more serious. This, together with the weakening economy is not a good combination, as you can see on **Chart 5**.

CHART 3

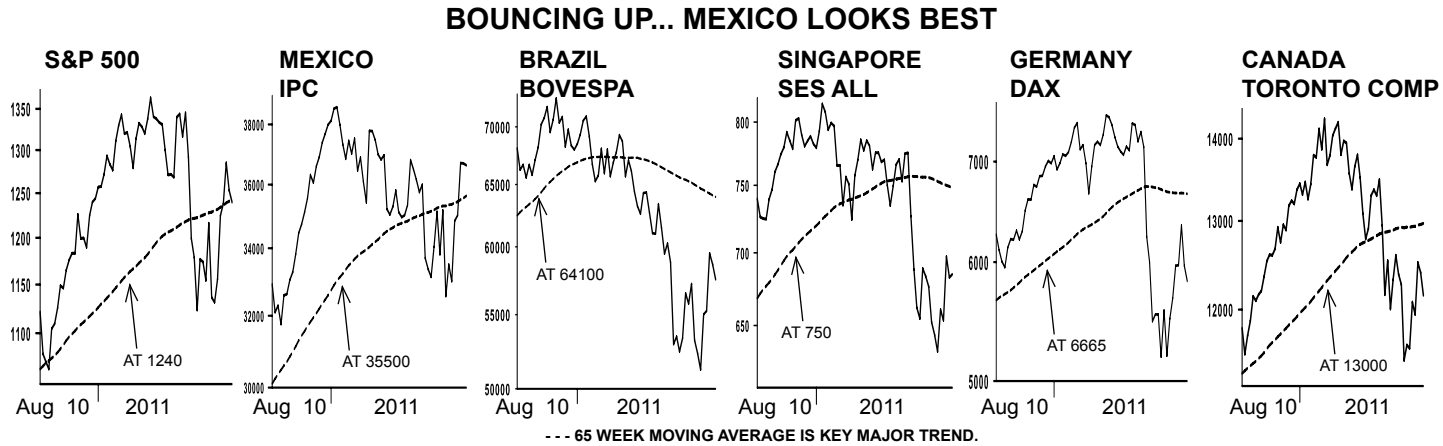


CHART 4

The economy dictates the action in stocks, and copper is the global economic barometer. The same is true of the 30 year yield. They generally move with stocks.

The fact that copper and the yield are still down means that downward pressure persists for the global economy, and the world stock markets. This could soon change but for now, that's the current situation.

MARKET TELLS THE STORY

On a bright note, the U.S. stock market is technically showing some strength, which cannot be ignored, despite these signs of caution. And as we've often discussed, the market tells the story. If the story doesn't make sense now, it will later on and you have to go with it.

Price action is always the most important and it's been impressive. The Fed also stands ready to help boost the economy, and we all know the stock market loves the Fed's stimulation.

Once it happens, and we're pretty sure it eventually will because of the jobs situation, stocks could surge even higher.

Plus, stocks still have plenty of room to rise further, despite this month's upmove (see **Chart 6**). Note that the leading indicator for the S&P 500 is far from overbought.

So even though stocks could fall further following this month's upmove, which would be normal, there's a possibility they could then test their record highs.

That is, the S&P 500 could rise to as high as about 1550, while the Dow Industrials tests the 14000 level. This is not a given, but it's looking more possible.

Another possible positive, the Libor interest rate has been bottoming and it too moves with the stock market (see **Chart 7**). If it now heads higher, it'll suggest the economy is improving, which would boost stocks, or it could be a sign danger is looming, which was the case prior to the 2007-08 crisis.

WHAT TO DO

As you know, we recommended selling stocks on August 4 and we've been out of the stock market since then. We still feel caution is warranted, and all things considered, we're maintaining our position.

The stock market is essentially on the fence. The technical indicators are mixed and there are simply too many negatives involved. So we continue to feel that it's best to stay on the sidelines to see how things evolve.

Even though the markets have evolved fairly well, they're still very volatile and risk is high. That being the case, we're recommending that you stay in metals, cash and bonds for the time being.

CHART 6

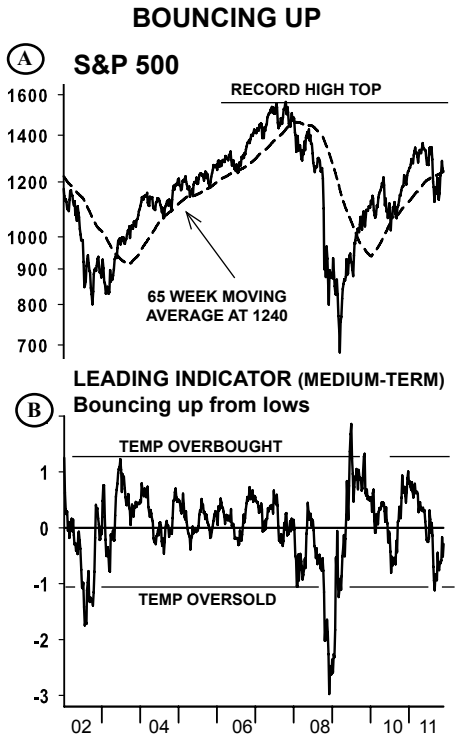
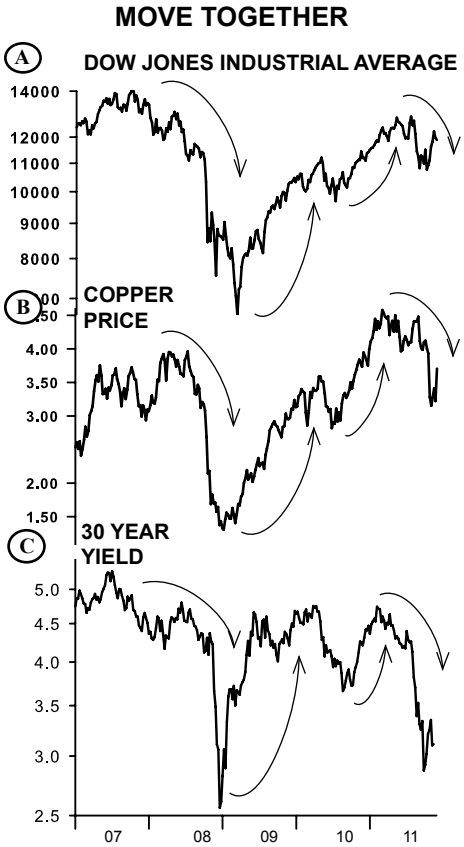
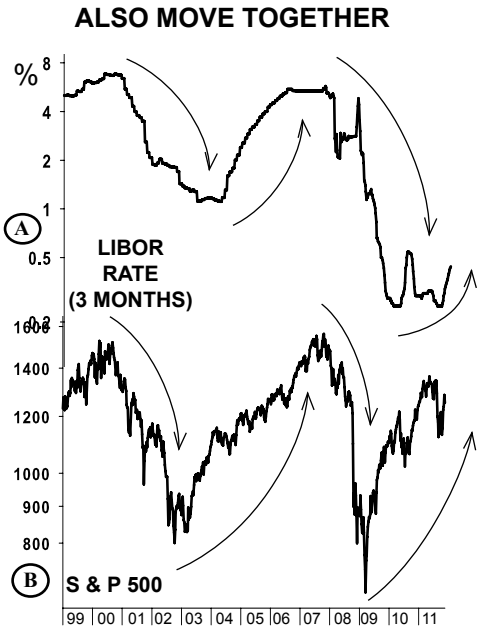


CHART 5



Stocks could decline in the weeks ahead since they're currently short-term overbought. But if the market holds up, that'll provide a good buying opportunity, and we'll quickly let you know.

CHART 7



 Copyright Aden Research

U.S. INTEREST RATES AND BONDS

Bonds: Holding firm

Like stocks, bonds have been volatile and jumpy, reacting to the news of the day. But all things considered, U.S. bonds are still an important safe haven, as we clearly saw this month.

When push came to shove, as the drama in the Eurozone intensified, uncertainty hit frenzied levels. So what did investors do? They charged back into bonds and the market rose strongly, driving interest rates down.

BONDS ARE ATTRACTIVE FOR MANY REASONS…

Mainly bonds are viewed as a safe place when everything else is falling apart, or appears to be. And this month it was all about Greece and Italy.

The back-and-forth wobbling on what might happen next made all of the markets nervous and uncertain. This in turn boosted bonds.

Also positive for bonds were the fears of a global economic slowdown or double dip recession. As Europe teetered on the brink, the Presidents of China, Japan and the U.S., as well as Euro leaders, all jumped into the fray warning of the dangers.

CHART 8

MOVE TOGETHER

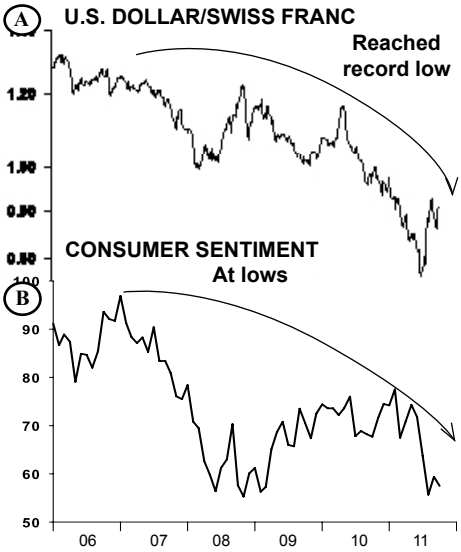
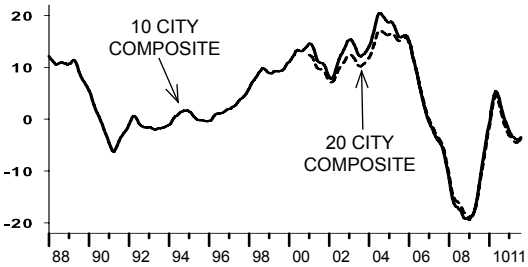


CHART 9

S&P/CASE-SHILLER HOME PRICE INDICES



As we mentioned last month, most of the world is already on thin ice and vulnerable. Economies aren't bouncing back like they did following previous recessions and, as you'd expect, this has led to lots of blame throwing.

THE BLAME GAME

Russia blames the U.S. for its fiscal policies and taking advantage of the weak dollar's monopoly as the reserve currency (see **Chart 8A**). The U.S. is blaming China for currency manipulation, while China is mad at the U.S. for its tariff threats, risking a trade war.

Not surprisingly, China cut back sharply on its U.S. bond holdings, by the most in a decade. And since China is the U.S.'s largest foreign lender, this is not good news, especially since other countries are cutting back too.

So the Fed will have to step up its bond purchases via Operation Twist to pick up the slack. If not, interest rates could surge, which the Fed doesn't want as it would put even more pressure on the already weak economy.

A weak economy, however, is good for U.S. bonds. They thrive in this type of environment and the U.S. economy is certainly weak. So weak, Obama is calling it an emergency.

HOUSING & JOB WOES

As we've often mentioned, jobs and housing are the main drags on the economy and they're not getting better.

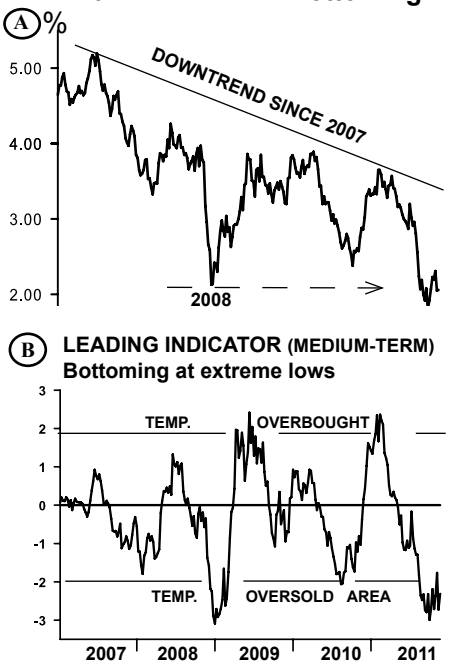
Home prices are still weak (see **Chart 9**). This will likely result in more foreclosures, keeping downward pressure on consumer sentiment, which is now near the 2008 low (see **Chart 8B**).

As you know, when sentiment is down, the economy stagnates. People become nervous, anxious about the future, and downright fearful. So they don't spend and it all becomes a vicious circle. Unemployment plays a huge role in this circle.

Currently, unemployment has been above 8% for the longest time period since records began in 1948. In September, job cuts hit a two year high and there are now seven potential workers for every available job. That's why Obama wants to kick start a jobs program.

CHART 10

10 YEAR YIELD: Bottoming



A VICIOUS CIRCLE

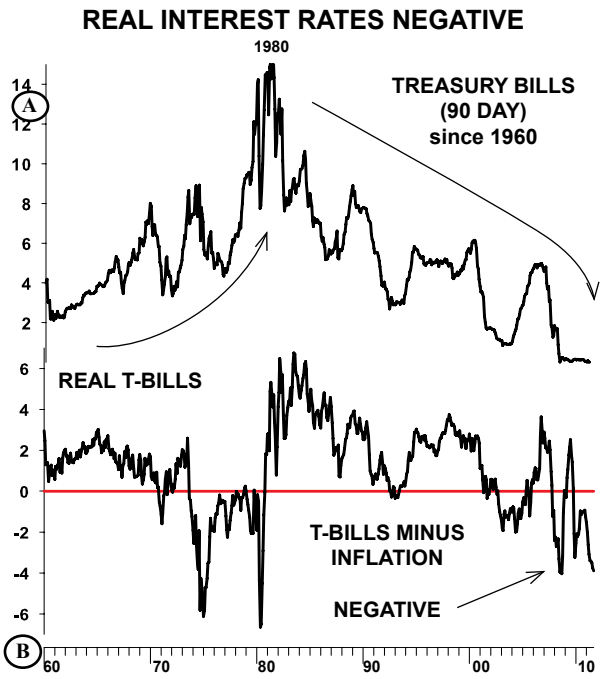
Meanwhile, the vicious circle continues. Without jobs, people can't make their mortgage payments, much less buy a home. They can't spend and the banks won't lend. More people are on food stamps, which has soared 74% over the past four years. This in turn means even more government spending on entitlement benefits.

Against this backdrop, the Fed keeps saying they'll do more to help pull the economy out of this slump. But with interest rates already near zero, their options are limited. **More QE? Probably, and maybe sooner than later.**

It's not an easy situation. The world is in a mess because what's happening in the U.S. is also happening in dozens of other countries. At this point, we don't know how it'll all work out and neither does anyone else, despite the wide ranging opinions.

So, we'll stay focused on the markets. They'll provide the best guidelines for what's likely coming.

CHART 11



RATES AT HISTORICAL LOWS

Standing back and looking at the big picture, you can see that the major trend for interest rates is clearly down, and it has been since the early 1980s (see **Chart 11A**). In fact, rates are so low, they're negative compared to inflation and savers are going into the hole.

The last time real interest rates were negative was during the inflationary 1970s when interest rates were soaring. They couldn't keep up with inflation. Now the situation is exactly the opposite as deflationary pressures persist.

The Fed says they're going to keep rates low for a long time and you can understand why. Rising interest rates would make the current situation even worse. But interest rates remain very oversold (see **Chart 10B**).

This tells us they've gone down too far and, whether the Fed likes it or not, interest rates are headed higher. This might happen in the upcoming months due to less foreign buying, or for a number of other reasons. But even if they do rise, the mega trend will remain down as long as the 30 year yield stays below 4.42%.

In other words, bonds are bullish and as long as they are, we recommend keeping them. For new buyers, we'd hold off and wait for a better buying opportunity.

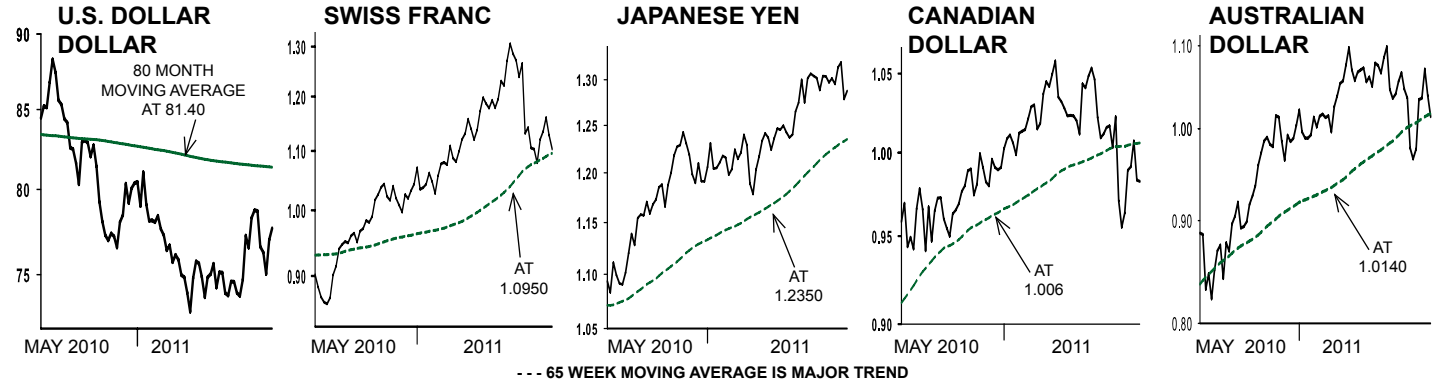
CURRENCIES

U.S. dollar: Stable

Are you getting tired of hearing about Greece, and now Italy? If you're watching the currency markets closely, you probably are because that's all that seems to matter these days.

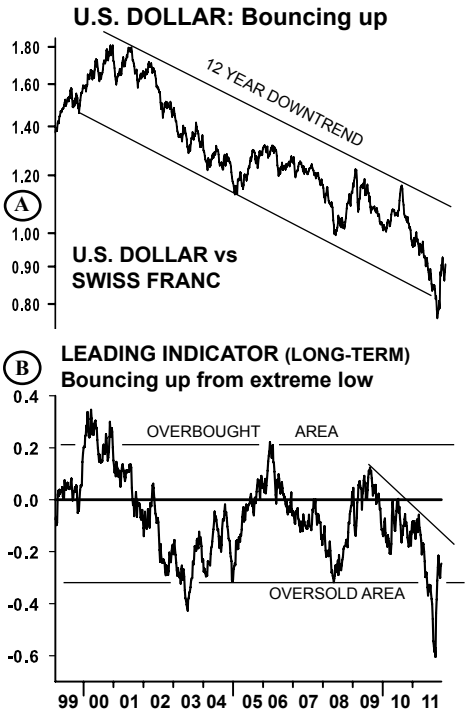
It's amazing. Every little twist or turn is being closely followed with baited breath. It doesn't matter if

CHART 12



 Copyright Aden Research

CHART 13



it's a big deal, a small deal or an innuendo. If it's about the Eurozone, with Greece and Italy (GI) at the forefront this month, it's reported and the currency markets react.

One day it looks like GI may default. So the U.S. dollar rises and the euro falls. The next day, there are signs that GI will be rescued, and the euro rises as the dollar falls.

We really can't remember seeing these dramatic types of reactions before. It's become a daily soap opera and the whole world is watching, and waiting…

Why is GI so important? As we explained last month, using Greece as an example, if Greece defaults, it'll affect all of the Eurozone and many of their banks. This would then likely trigger a domino effect throughout the world, weighing heavily on a very vulnerable global economy.

This month was particularly interesting… The Eurozone went to great lengths to bailout Greece, which included getting the banks to agree to 50% off on their Greek debt. Everyone was happy and so were the currency markets.

But the Prime Minister then decided to get an okay from the Greek people, who had just ended a massive strike and would've obviously voted no to more austerity measures. Understandably, the Euro leaders were angry and some wanted Greece to exit the E.U. The Prime Minister then stepped down and a new government is now taking over.

While this was going on, Italy was following the Greek path. Thousands recently hit the streets opposing the government and Berlusconi also resigned, adding to more uncertainty.

Meanwhile, France was calling on China to help Europe. China said yes, but they too backpedaled, following strong public opposition, essentially suggesting they can't be Europe's savior…

WHAT MARKETS TELL US

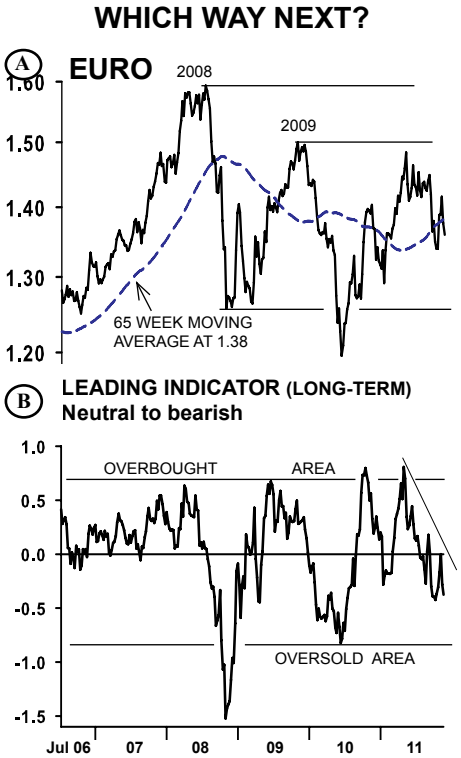
Those were the highlights in a nutshell. And at this point, no one knows how it will all play out.

Like everything else, the currency markets have also been jittery… rising and falling on the news of the day (see **Chart 12**).

Currently, the U.S. dollar is still rebounding. Even though it softened this month, it held above support levels and it's now on the rise (see **Chart 13**).

Basically, with the Eurozone at the brink, the euro has been under pressure (see **Chart 14A**). For now, the U.S. dollar remains a better alternative and it's hanging on to its safe haven status. The Japanese yen had also been a safe haven, but that's another story.

CHART 14



YEN INTERVENTION

As we mentioned last month, Japan's days were looking numbered, and they were. The Japanese had been warning of intervention to halt the yen's rise and this month they

CHART 15

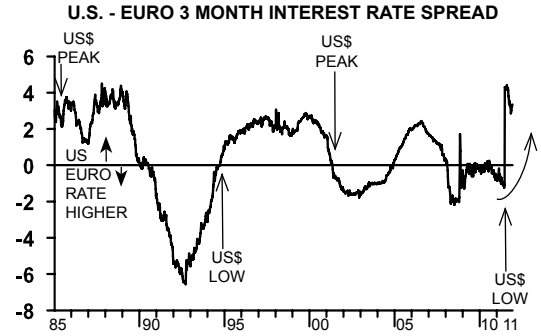
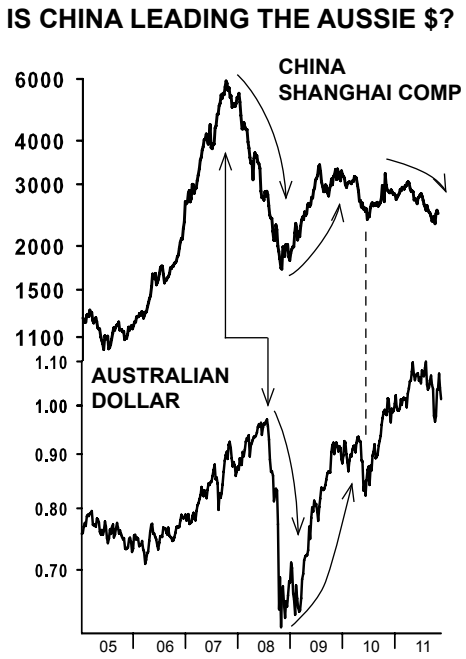


CHART 16



intervened heavily in the markets, which stopped the strong yen in its tracks, by falling the most in three years. Japan says they'll keep intervening if they have to, which is adding to the U.S. dollar's attraction.

In Europe, aside from its debt problems, its economy is showing some serious signs of slowing. And as the euro falls, it's been taking the other currencies with it. Plus, Europe lowered its interest rate, and this too gives the U.S. dollar an edge because U.S. rates are higher (see **Chart 15**).

For now, the currencies are mixed. The Canadian dollar is bearish, but some of the others are marginal. Which way they go next will largely depend on the euro and all of the implications that are involved. If the euro stays below 1.38, it'll continue to be a bad sign for all of the currencies, above 1.38 would be the first sign of stability (see **Charts 12 & 14**).

The U.S. dollar, however, is far from being the safe haven many believe. As we previously mentioned, the U.S. is in big trouble too, it's just not grabbing the headlines as much as Europe is.

CHINA FOCUS

China is cutting back on dollars, as they've often said they would. They're buying a lot of gold and they're still making deals to trade in their own currency, thereby avoiding the U.S. dollar.

Most recently, China made an agreement with 10 Asian nations to trade in yuan (see **Chart 16**). They're also buying more Japanese debt as a way to diversify out of the U.S. and Europe. But there's really few places to go.

All of the world wants to keep their currencies cheap in order to be more competitive, now more than ever. So overall, this makes all of the currency markets more risky than they were before.

That being the case, we're watching these markets closely as the saga continues. For now, we're keeping our cash in U.S. dollars, but this could change and here's what we're watching...

If the U.S. dollar index stays above 74.20, it'll be firm. But the mega trend will remain down by staying below 81.40. As long as that's the case, the dollar will not be out of the woods and it's best to maintain some caution.

METALS, NATURAL RESOURCES & ENERGY

Gold: The ultimate safety haven

With all of the daily drama and contagion fears out of Europe over the past month, it's no wonder that gold has held up well.

The gold price has actually been telling us for the past few years that the world is a scary place, even more than it was during the 2008 meltdown.

The fact that gold has hardly declined in a normal downward correction (down only 16% so far) since then, while it keeps reaching record highs, reinforces that the world is tense and uncertain.

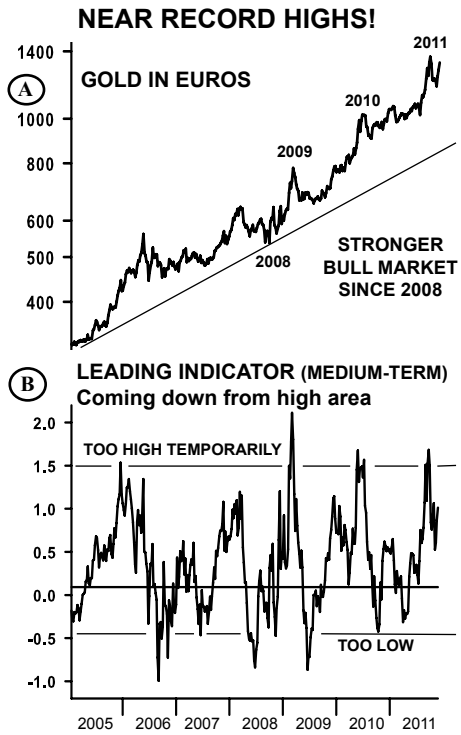
Plus, with gold in other currency terms also rising to record highs, it further reinforces this (see **Chart 17**).

Gold: Strongest market

If you go back to the turn of the century, in 2000, you can clearly see the shift that then began to take place. The move from financial assets to hard tangible assets was underway. **Chart 18** provides a great, easy-to-see, example of this.

It shows gold compared to the stock market, to the bond market, and compared to a strong currency.

CHART 17



In all three cases, the mega trend changed to favor gold in 2000. This became more evident in 2005 when gold really started taking off.

But even then, the clean rise in the gold price was camouflaged by the ongoing rises in the stock and currency markets.

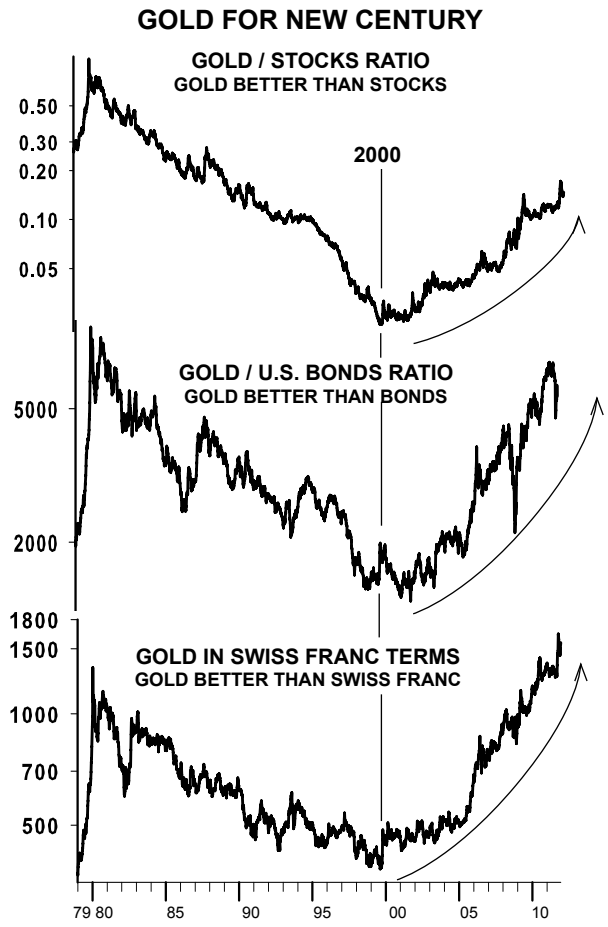
Also, when the resource and housing markets began heating up in 2003, boosting the silver price, it took some of the spotlight away from gold as well.

This, and several other factors, are the main reasons why many people still aren't invested in gold. It's been gaining ground, but it took the 2008 financial crisis, and even more so, this year's crisis, for many to notice that gold is a good place to park your money.

Note that gold reached a record high this year against the Swiss Franc; it reached its 1980 highs versus the bond market and it reached an over 20 year high compared to the Dow Jones Industrials.

 Copyright Aden Research

CHART 18



You may remember that during the financial meltdown in 2008, all assets fell, including gold, and only the dollar and bonds held up. This is something that could happen again.

We might see an accident or a meltdown at any time, which would tie in with the much awaited full downward correction in gold (more on this later).

But most telling during the 2008 crisis was that gold fell much less than the other markets, and it ended the year on an up note. It fell almost 30% during the year but ended up about 5%.

The fact that gold has been stronger than the precious metals this year may be suggesting the same (see Chart 19).

Gold has been holding up better than the other metals and gold shares, which suggests that fear is causing physical gold to be in higher demand.

A RESILIENT BULL

And this strength is not over. Last month we showed you the current bull market in gold compared to other bubbles of the past. Gold is hardly near those explosive high levels, and the next chart is yet another good example of this.

Chart 20 shows the gold price above, along with its leading indicator, below, since 1968. Note the sharp steady rise in gold since 2001. It's been an amazing rise, up 660%.

But the type of volatility gold had in the 1970s has yet to be seen. The indicator (lower chart) helps to identify volatility, as well as high and low areas in the major trend. Note the clear difference between the volatility in the 1970s and the movements since 2001.

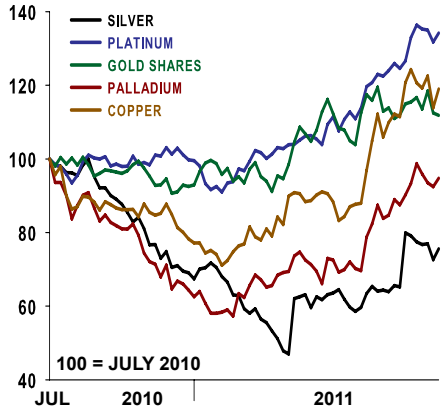
This indicator is saying that gold is near a normal high area within a major uptrend, but it has yet to experience any type of explosive action. It could be getting close though!

SILVER IN SIMILAR SITUATION

Chart 21 also shows the silver price since 1968. Here you can see the similarities of the dashed upchannel in the 1970s and today's rise since 2003.

The volatility is similar, yet silver's current bull market has been mild in comparison. Silver has risen 1000% since 2003, whereas in the 1970s it rose about 3600%. The bottom line is that the explosion is still to come.

CHART 19

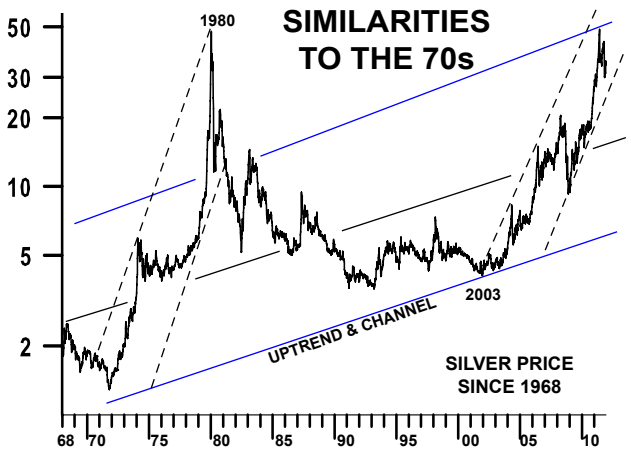


IT'S A CURRENCY PROBLEM

Meanwhile, the central banks are taking historical actions to save the system. Bernanke continues to reaffirm that more monetary stimilus may be needed, while the European Central Bank (ECB) unexpectedly lowered interest rates. **Lower rates are also positive for gold.**

CHART 20

CHART 21



Meanwhile and in stark contrast, China and India continue buying up gold. Their 2010-2011 consumer demand is up 25% and 38%, respectively, compared to the low 7% in world gold sales.

Plus, China continues to expand its interest in having its citizens buy gold. In September, China joined other countries by having gold coins and bullion available in their ATMs.

Then, this past month, a bullion exchange in Hong Kong called the Chinese Gold and Silver Exchange Society started trading gold in Chinese yuan. It's called the Renminbi Kilobar Gold and it's being promoted as a double safe haven... by holding gold in a strong currency.

With the U.S. and Europe trying to save their systems, while China slowly boosts the yuan's international appeal, you can see why gold is on the rise. It's the ultimate currency when all seems so uncertain.

Fear and uncertainty

Fear and uncertainty have been the biggest emotions moving the markets this year.

The world is a volatile place, which is what the markets are reflecting. And this makes investing more difficult.

But if you use technical analysis to help stay on the right side of the trends, the volatility and noise tend to be more understandable.

Gold, for example, has been in a record strong intermediate rise for almost three years now. And it's stayed clearly above its 65 week moving average during the bull market (see **Chart 22**).

The only time gold has dipped below this average was at the extreme 2008 meltdown low. Otherwise, it has stayed consistently above this average since it first rose above it in 2001.

This moving average is currently at $1490, which is now higher than the lows reached last May-June. This is an impressive example of the power of this major trend.

If you would've simply used this average as your investing guide over the last 10 years, **you would've stayed invested in gold for the lion's share of the rise.**

Gold's intermediate moves have basically been biased towards the upside for the past several years. For this reason, we've been advising to buy gradually over the past month to take advantage of any weakness.

Gold has been due for a normal downward correction, but with the world as it is today, the downside has been limited to moderate declines, like the one we had in September, losing only 16%.

GOLD: WHAT NEXT?

With gold rebounding and approaching the September highs, the question now is, does the correction still have more downside, or is another leg up in the bull market ready to develop?

It certainly feels like 2008 all over again, but our best bet is to stay onboard and watch the numbers. The trend is your friend and for now, the gold trend is very strong by staying above $1700.

But the key level for this decline is the September 26 low at $1594. If this level is broken, then a sharper decline could take gold to the $1490 - $1500 level. A decline to this level would be more in line with a normal decline, down about 20%.

On the upside, if gold closes and stays above the $1903 level, then a leg up in the bull market could take gold to the $2000 to $2200 level as the next target.

We should be prepared for anything short term, which is why <u>the focus has to be on the major trend and being well positioned within this great bull market.</u>

Silver is looking good, even though its recent rise has been pale next to gold's. Most impressive is how well it's held

CHART 22

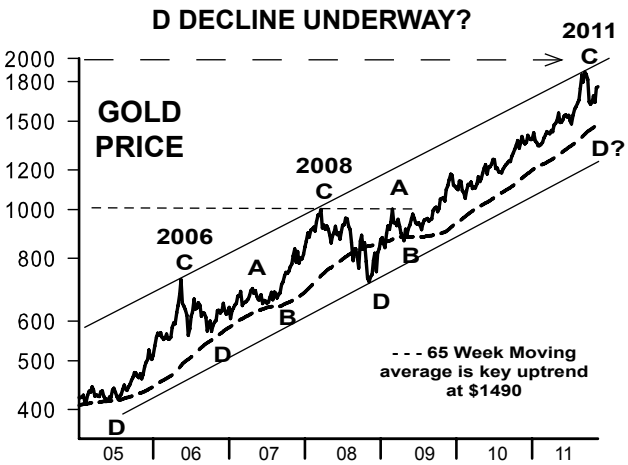
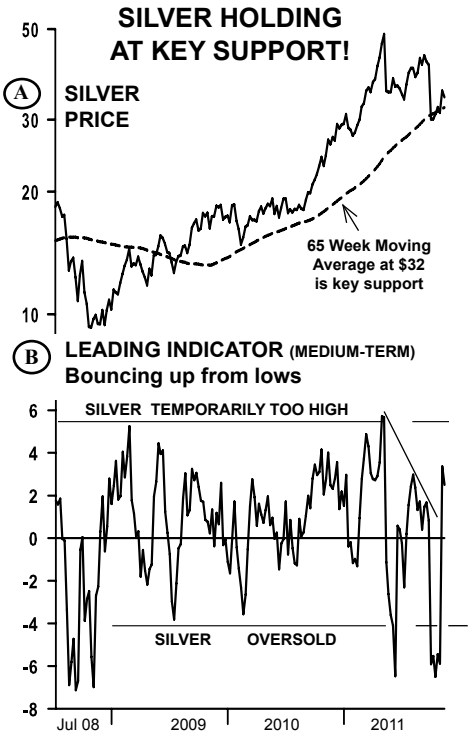


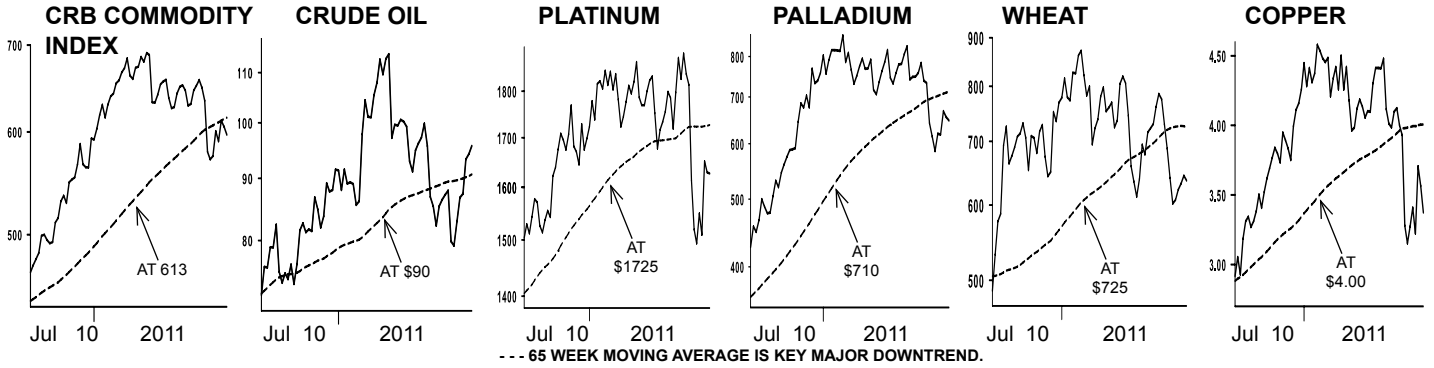
CHART 23



 Copyright Aden Research

CHART 25

BOUNCING UP

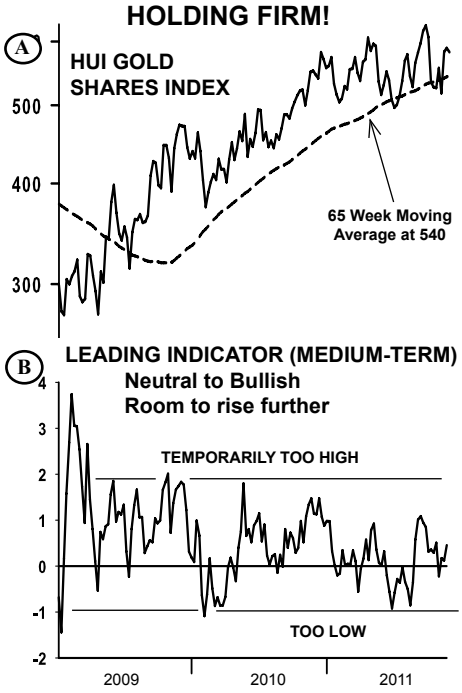


above its major trend, now at $32 (see **Chart 23A**). Plus, its leading indicator (B) is bouncing up from a clear oversold level, which is positive.

All in all, silver looks good and we continue to recommend buying and keeping your silver positions. The silver price flipflops from being a precious metal to a base metal. It's being pulled up by gold, but the drag's been coming from the resource sector as the global economy slows.

We don't think it's a coincidence that the markets exploded the day following the end of QE2 on June 30. There had been telltale signs of uneasiness since April and May, but the Summer months were the ones filled with volatility.

CHART 24



Gold Shares: Holding firm

Gold shares bounced up nicely in recent weeks, especially the senior shares. This makes sense because with uncertainty at a high, investors want more safety and they'll get that with the senior mines.

The HUI gold share index has been sitting on its major support for several months. Its strong trend went sideways this year, but as you can see on **Chart 24A**, the major trend is still up, as it's holding above its 65 week moving average.

The leading indicator also has room to rise further. Gold shares have been in a tug of war between the gold price and the stock market. With both bouncing up this past month, gold shares received a boost from both markets.

For now, gold has been stronger than gold shares, but our shares have been doing well. Our silver share has done well too.

RESOURCE & ENERGY: October bounce

Crude oil, platinum, palladium and the CRB commodity index also bounced up nicely during the past month, while copper bottomed and finally joined in reluctantly (**see Chart 25**).

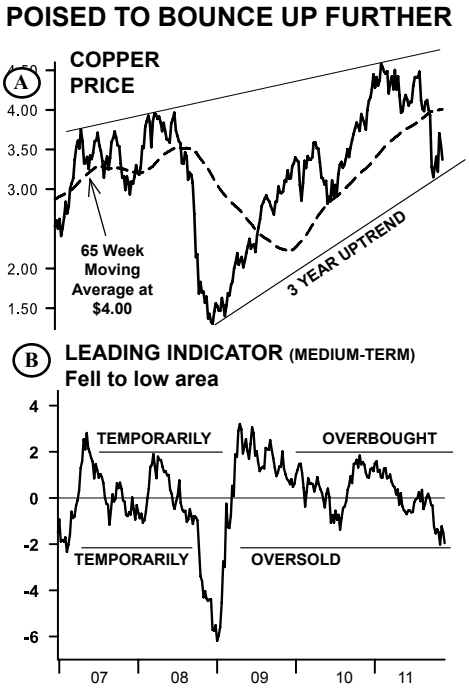
Copper, for instance, is reflecting the sluggish economy. On the other hand, oil is reflecting the ongoing real need for oil in everyday life.

The International Energy Agency (IEA) recently reaffirmed that the world is on an unsustainable energy path if the governments do not take immediate action to optimize the resources available.

The U.S., China and Japan are the three biggest oil consuming countries, and with ever more cars being driven in China and the world's dependence on oil, it's a difficult task to lower consumption.

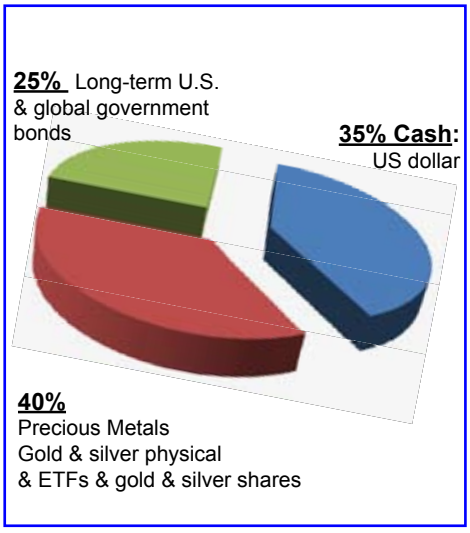
Oil looks like it's leading copper. Note on **Chart 26** that copper is bouncing up from the lows while its indicator is near oversold. If copper can rise back above $4, it'll be a renewed bullish sign, which would also be a good sign for the global economy.

CHART 26



OVERALL PORTFOLIO RECOMMENDATION

It's been all about Greece and Italy this month. The markets were fixated on this daily drama as volatility became commonplace. We've never seen anything quite like this. But the world economy hangs in the balance and that's why it's so important. Overall, gold, bonds and the U.S. dollar continue to be the main safe havens, so stay with them. As for stocks, they rose strongly this month, but they're still mixed and high risk and we're staying on the sidelines.



PRECIOUS METALS, ENERGY, RESOURCE RECOMMENDATION

The precious metals, oil and some of the resource sector bounced up this month, following September's fall out. Gold jumped back up to the high area as safety came to the forefront with the ongoing crisis in Europe. Gold is holding up firmly, just as it has over the last three years. But for the sake of buying on weakness, if gold fails to reach record highs this month or next, then a decline, we call D, is still a good possibility. Our same strategy continues... buy gold coins, bars and ETFs gradually to take advantage of any weakness. The bull market is solid and it really has everything going for it. Keep your positions.

Silver held at its major support and it's bouncing up from an extreme low area. We've been advising to take advantage of this weakness to buy more silver coins, bars and ETFs. Also continue to keep our recommended gold and silver shares (see box below). If you have others that are doing well, stay with them.

We'll wait a while before recommending the energy and resource sector in general. While the oil price is jumping up nicely, the sector as a whole is still on the fence along with the world economy.

U.S. AND GLOBAL STOCK MARKET RECOMMENDATION

The market jumped up this month, but it's not out of the woods. The market is facing many negatives, it's volatile and mixed, moving in tune with events in Europe. Risk remains high and anything could happen, so caution is still warranted. That being the case, we feel it's best to stay on the sidelines. Stocks could decline in the weeks ahead but if the market holds up overall, that'll provide a good buying opportunity and we'll let you know. If not, we'll be glad we maintained our stand aside position.

CURRENCIES RECOMMENDATION

The currency markets were clearly affected by events in Europe as well. As you'd expect, the euro was especially sensitive, rising and falling on the news of the day, taking the other currencies with it. So the markets were volatile and the U.S. dollar eventually came out on top. It remains a better alternative and it's hanging on to its safe haven status. Plus, the U.S. dollar now has an interest rate advantage. Currently, the currencies are mixed but if the euro stays below 1.38, it'll be a bad sign for all of them. Continue to keep your cash in U.S. dollars and/or buy the U.S. Dollar Bullish Index (UUP).

OUR OPEN POSITIONS

GOLD & SILVER ETFs AND SHARES

Royal Gold	RGLD-Nasdaq	TSX:RGL, FSX:RG3
iShares Comex Gold	IAU-AMEX	
SPDR Gold Shares	GLD-NYSE	HKE:2840
Central Fd of Can	CEF-AMEX	TSX:CEF-A
New Gold	NGD-AMEX	TSX:NGD
Central Gold Trust	GTU-NYSE	
iShares Silver Trust	SLV-AMEX	
Silver Wheaton	SLW-NYSE	TSX:SLW

BONDS & CURRENCY ETFs & FUNDS

Barclays LT Treasury	TLO
USD Bullish Index	UUP-NYSE

INTEREST RATE & BOND RECOMMENDATION

The bond market has been volatile and jumpy, also reacting to the news of the day. But all things considered, U.S. bonds are still an important safe haven and they're bullish. When events in the Eurozone intensified, bonds rose sharply, driving interest rates down. Keep the bonds you have, as well as TLO, but sell BEGBX as it's poised to decline.

For new buyers, we'd still wait before buying bonds because the market is overbought, meaning a downward correction is likely in the weeks or months ahead. That'll provide a better opportunity to buy at a better price.

Note:
The shares, funds and ETFs are listed in the box above in order of strength per each section. Keep the ones you have on the list.

 Copyright Aden Research

Big Picture

By Uncle Harry. Nov 6, 2011 Dear Reader,
Think or swim. That's where you (we) are. U have to think your way out of this growing global crisis or U'll swim alone & maybe sink. A majority *will* sink. Situation: desperate. •• What's coming (& barely underway) is a tsunami of paper—fiat paper money. It will persuade most conservatives into more gold & encourage traders into general stock mkts (which love QE). Currencies will continue mixed & confused, **trendless**, so keep some in several (US$,A$,C$,NorKr,euro,NZ$)(SwFr?). •• Bonds: At some stage they're destined to begin a notable bear mkt. U can spot it when inflation figures (even via govt's distorted index) rise smartly & interest rates turn up aprox 3x in major nations. Meantime sell longterm bonds & replace with 3-mos 1st world govt T-bills.

Friend Jim Sinclair says *"The mess in Euro zone is incurable & can only be damage-controlled by QE."* Exactly. *"There is no practical solution to today's economic problems, which makes gold desirable longterm."* ••• Gold shares have been out of sync with gold bullion, but that may be changing now. Let the charts tell U which to buy, if any. Or short. Only buy bullish chart patterns, especially down-wedge patterns, **far** more important than simple breakouts—which often mislead. But breakouts from a symmetrical triangle are safer than breakouts to new highs. Down-wedge patterns also let U get in at lower prices, vs upside breakouts which obviously don't! These chart guidelines should be worth a fortune to U. It took me decades of trading to discover them.

FT wordplay ☺ headline of the day (11/3) *Euro stress. Cannes Debt Festival. Q3 ahead?* They get it. •••• So far, instead of debt disclosure, take a 50% hit, mark to mkt, & agree regulations, the mega bank & political jugglers ***extend & pretend*** non-solutions. Analyst Ed Steer predicts the system could collapse in 2 wks. It would surprise us not. •••• Bill M. predicts a global financial holiday link computerization will make the 'end' happen overnight. Gold will suddenly become liquid & none will sell it in exchange for something worth nothing." Pow. But yes, it could happen that way, as computer trading is now out of hand & can reduce a stock to zero in seconds. With no faith in the system, HongKong could begin a selloff that travels around the globe in an hour & U wake up to all mkts closed, followed by all banks. Can U survive that? Better have some gold coins. Better yet: gold wafers, which guarantee the amount of gold (in grams) in the sealed packet—unlike coins whose exact gold content is hard to prove, even if U know it. Swiss banks sell wafers & some mega banks worldwide. Comes in gram weights i.e. 1, 5, 10, 20 gr. 1&5 gr suitable for grocery shopping. Try shopping with a one oz Kruggerand Cad/US eagle @ $1,760 ea. 1/10 oz coins good but again, % au content unclear.
••• A web site began their recent edition with these appropriate words: *Dear Horrified Onlooker.* Aren't we all? Hard to top that. And the sad thing is, the econ weather forecast is: increased monetary thunderstorms. •••• Are bank runs due soon? Yes, because banks have run away with or misused your money. •••• I said lastime (for the 5th time): "Greece needs to default, devalue, decouple. And Europe needs that to happen." At press time they are trying to side step the inevitable, again.

Some history U probably don't realize (I borrowed this from Simon Black's excellent Singapore website: www.sovereignman.com
"Here's the thing about govts going bust-- it's been happening for centuries. Default is nearly as old as the concept of the sovereign bond itself. History is full of examples. Spain has defaulted 15 times since the 16th century. Greece defaulted 5 times since the 19th century. Portugal has defaulted 7 times since the 16th century. What's happening right now is not new. Neither is govt response. When govts get deeper & deeper into debt, their options start to run out. They become desperate; history shows a common pattern: First, they impose capital controls. They compel individuals & biz to repatriate funds from abroad, or prevent them from moving new funds overseas. This is happening in several countries right now. For example, Argentina's fascist president Cristina Fernandez just ordered oil, gas, & mining exporters to repatriate all export revenue back to Argentina. This was her very first decree after winning re-election just days ago.

"The second thing they'll do is direct capital into govt bonds. Pension funds, central banks, commercial banks, private corporations, & even individual investors will be forced into the 'safety & security' of govt debt. That means YOU. This is also happening all over the world right now-- Hungary, Ireland, Argentina, etc. 3rd, they'll inflate away the debt by conjuring more money out of thin air. Everyone holding govt bonds will lose money against inflation. Again, this is also happening. Last, they'll selectively default against politically weak bondholders. Example-- paint the Chinese to be economic terrorists, then stiff them. It's a slippery slope delay tactic that usually results in full-blown default."

Ambrose Evans-Pritchard (*DailyTelgraph*) says current solutions don't solve EMU's fundamental problem, ie, the 30% gap in The Euro zone. *"The North/ South split idea, at the expense of Club Med deficit states is unlikely to succeed. It means Italy, Spain, Portugal, et al must close the gap with Germany by austerity alone, risking a Fisherite debt deflation spiral. As I have written many times, this is a destructive & intellectually incoherent policy. Europe will have to evolve into a fiscal union to make the system work, but that would be inherently undemocratic without a genuine European govt, parliament, & civic union. Such a supranational union*

cannot enjoy democratic vitality, as there is no European democs, or shared view of the world, or indeed any popular support for such a revolutionary step. Such a union would castrate historic national parliaments, to the advantage of whom? So this 'solution' leads ineluctably to an ***authoritarian*** *regime. Bad situation."* Argh ☹ ••• •••••• Did U notice how fast we went from a corporation crisis to a national crisis to a sovereign debt crisis? Such speed makes the overnight mkt/bank shutdown scenario credible. •••• *FT* cartoonist Banx shows mkt trader talking on his mobile: *"Buy drachmas."* Cartoonists always lead events •••• Stk mkts (eg, S&P) are just where they were 3yrs ago: no gain. But Lex points out *"Best argument for stocks is that central banks are giving us little other choice."* Agreed but essential to pick best groups & best charts in the group. But still: gold for 45% of pf.

Revolting Times. *FT*/Lex says street protestors would gain ground if they set useful targets, like tax-reform, & if they'd include blame on the millions who greedily over extended themselves (3rd homes, over-mortgaged) in a frantic attempt to join the 1%. •••• Triple dip underway in US housing crisis. Property dips in Europe (even Switz) & Oz & China. ••• **Troc** is on the way (**barter** in French). Has started in Greece, Hungary, & parts of the US. •••• US$ & gold often move in the same direction. Don't be black&white on this. ••• *IHT* & *Reuters* columnist James Saft (10/28/11) explains "Why banks take such huge risks. To fix the global financial system U first have to fix the way bankers get paid. Not only has pay been too high but also it's too high relative to the risks bankers create & the value they periodically destroy. Their incentive system encourages behaviors that are short-term & ever more risky, while giving employees a free shot at the upside & no equiv share of the pain when things go wrong. Ditto bank shareholders! Only masochists are long-term bank investors. Who benefits? Only shorterm traders & bank mgrs. The bigger riskier balance sheets produce big profits mixed with occasional catastrophic losses. Via limited liability, execs can walk away from the smoking wreckage, having pocketed the gains when times were good. Tis made worse via debt is tax-deductible but equity isn't, gives banks incentive to borrow. US/UK banks leverage in 1900 was 5-6 x equity. That shot to 30 before current crisis, higher now for many in EU. Bonuses set via return on equity." For details see original article. Reform essential. So far, banksters oppose almost all reform.

Jeff Sachs is one professor not bought off by the elite. On Fareed *CNN* 10/31, he boldly said: the top 1% took the prizes, broke the law, took power, made the rules, banks got bail outs, banks get impunity & abuse the system. Only US CEO's got excessive bonuses give less care to the poor than any 1st level nation, eg, childcare, education. •••••• The Arab Spring has quickly become the Muslim Winter as Coptic Christians are murdered in Egypt. ••••• Niall Ferguson says Euro Union becoming Japan—slow or no growth. Forecasts shrink. Never thought I'd vote for QE. But in the UK for example, a slump is well, slumping. Deflation is in place. If PM Cameron wants debt destruction, the least damaging policy would be careful inflation. So says top FT economist Martin Wolf & I agree. UK's central bank added £75bil in QE recently & that may stop things getting worse—providing the money is well spent. Credit easing is needed, a better approach than QE. Govt can buy private debt. Wolf says why not give £1,250 to each citizen resident in the UK? QE in the US was misspent, going to banks & buddies.

••••• There are several bank rescue plans on offer. Their price is very high, even awful. But, as Martin Wolf puts it, *"It is the price to pay for having entered too hastily into an indissoluble monetary marriage* {the euro currency & treaties around it}. *The cost of a meltdown in Europe would be too grave to contemplate. The EC members have to prevent that. They have no sane alternative."* •••• Euro jobless numbers at euro-era peak. That's the Achilles heel. Ditto in US/UK. EU central bank warns recession at hand. ••••We're out of the eye of the hurricane, back into its fury. ••••• Subscribe to the *FT (Financial Times).* Eat 3 meals a day & read *the FT.* If U want to cut out one of those, cut out one of the meals. *FT* is anti-gold because its stock controllers are elitists. Ignore that. *FT* has the best, biggest team of quality columnists in the world & best global news coverage.

If we boil down all the above, it's fair to say we're heading for a new social order. Historically, when they start it's ragged & can be violent. Eventually it softens & society is improved. We have to get from here to there. ••• Step up your defenses: more cash at home/office, food, water, medi, seeds, how-to books, barter items, reduce bank exposure, secure your home defenses, etc. As I said on pg 1, think your way through possible scenarios. Think or swim.

Potpourri *"There are only two ways to live your life. One is as though nothing is a miracle. The other is as though everything is a miracle."* --Albert Einstein. •••• We never really grow up; we only learn how to act in public. •••• *War does not determine who is right - only who is left.* •••• I used to be indecisive. Now, I'm not so sure. •••• *The Evening News is where they begin with 'Good Evening,' & then proceed to tell U why it isn't.* •••• An anonymous UK reader claims to have organized a star to be named for me. The certificate says it's located at M71 in the constellation Sagittarius. Sky maps enclosed! The card reads: *"U have been a bright star for so many people in the world. Now U will shine on the universe forever."* Warm thought, even if real only in Star Trek terms. Thank U. ☺ Wonder if I can arrange to move up there if this earth crisis gets too sticky? •• I'm still getting birthday cards, especially nice ones from Carl Parker & Sylvia Calhoun. I'm grateful to U all. A fond goodbye from my Giraffe-level reviewing stand. I'll try to be back in December. Uncle Harry @ 88.2 & discounting. God bless U all. ☺