THE
ADEN FORECAST
MONEY • METALS • MARKETS

NOVEMBER 2013 *our 32nd year*

THE GOOD, THE BAD AND THE UGLY

There was a lot of action this month, both above and under the radar.

Stealing the headlines, everyone focused on the U.S. debt ceiling dilemma. While this took center stage, other equally important developments were also evolving and the repercussions could be wide ranging, affecting us all.

CHINA WATCH

We often talk about China because we feel it's important to stay updated with what's happening on this front…

Many have discussed the power that's shifting from West to East, at least that's where the gold's going. And there's an old saying that goes, he who has the gold makes the rules.

As you know, China is making friends worldwide, buying their resources and building infrastructure.

That's certainly true in many African nations, for instance, resulting in stronger growth and an impressive decline in world hunger.

INSIDE

China has also made trade agreements with dozens of countries, which we've often noted, thereby eliminating the U.S. dollar from these global transactions.

The latest agreements were between China and the Eurozone, and Singapore. Agreements are also in place with most of the Asian nations, Russia, Australia, Argentina, Brazil and many others.

Meanwhile, China's middle class is growing, they're building up their military and their economy is strong. They're also on track to become the world's largest economy in a few more years.

And along the way, they've become the largest cash rich country in the world, as well as the largest importer of copper and oil, key resources.

China has done all this without much fanfare. They've been doing their own thing, saying little but accomplishing a lot. That was, until this month when they changed their tune.

AN INCONVENIENT TRUTH

As the debt ceiling deadline drew closer and the possibility of a U.S. default became more likely, China's frustrations came pouring out…

Here's a summary of what their news agency said…

"It is perhaps a good time for the befuddled world to start considering a de-Americanized world.

Instead of honoring its duties as a responsible leading power, a self serving Washington has abused its superpower status and introduced even more chaos into the world by shifting financial risks overseas and fighting unwarranted wars under the cover of outright lies."

It went on to say that Washington's irresponsibility has, "again left many nations' tremendous dollar assets in jeopardy and the international community highly agonized."

Remember, China is the U.S.'s largest creditor at over $1.2 trillion, so you can understand why a default world have caused panic among the U.S.'s big bond holders.

But as we've long suspected, then came the clincher…

China called for the U.S. dollar to be replaced as the world's reserve currency.

As far as we know, this was the first time China has said it outright, even though their actions have shown they're planning to eventually take over that position.

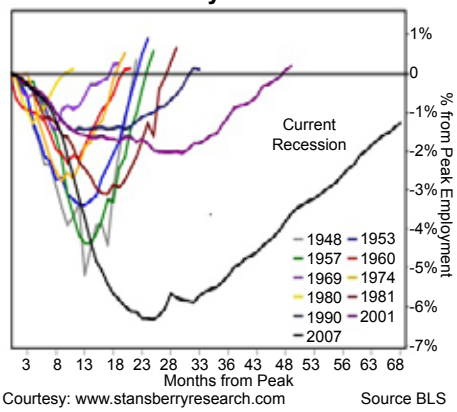
Basically, China took advantage of the U.S.'s weakness during the unsettling, drawn out debt situation to let the world know exactly how they feel. And many other countries tend to agree, to some extent or another.

It's sad to see, but the world is getting fed up, and it's been building for quite a while. U.S. debts keep soaring with no end in sight and the U.S. is losing its credibility.

Plus, the fact the U.S. has been spying on their friends hasn't helped build confidence either. On the contrary, Germany's Angela Merkel was

CHART 1

Job Loss Recovery from Recessions



Courtesy: www.stansberryresearch.com Source BLS

the latest to say, "friends don't spy on friends."

Whatever happens from here, the concern that China could dump their U.S. bonds is highly unlikely. Even if they needed the money at home, they're not going to jeopardize their own "savings." More likely, they'd ease out gradually, diversifying these funds into other financial assets.

What would happen if the U.S. lost its global reserve status?

It would mean the U.S. wouldn't be able to print the money it needs to pay its debts.

The U.S. dollar would decline sharply and this would result in higher prices, rising interest rates and a lower standard of living.

In Britain's case, for example, they were in sad shape for a few decades after they lost their reserve status, but they eventually rebounded and so would the U.S.

It's also important to recognize that this is something that will take time. If it's going to happen, it'll be gradual and there will be many signs beforehand.

Nevertheless, we can't ignore the telltale signs as they're happening.

We're certainly not gloom and doomers, just realists. And we want you to be aware of these evolving events as they're happening.

That's our job… steering you in the right direction, profiting as we go along and keeping you out of harm's way.

INSIGHTS & MORE

Along these lines, another noteworthy event this month involved JPMorgan Chase.

When asked if he was worried that the bond market could turn against the U.S., CEO Dimon stated, "It's virtually assured. The question is when and how. I don't know if it will be two or five years, but it will happen. The U.S. can't borrow indefinitely.

Over hundred years of bankruptcies of country after country, who thought they could get away with it because they had the reserve currency, we are going to have fiscal discipline. It's imposed on us or we do it ourselves. America knows the way but it doesn't have the will."

Okay… but around this same time, Chase agreed to pay the largest fine in history at $13 billion. This was for knowingly selling faulty mortgage securities, which contributed to the financial crisis.

Even more important, they also advised their clients they won't be able to send international money wire transfers.

In addition, clients will be unable to withdraw more than $50,000 of their own money per statement cycle, effective November 17.

These are plain and simple capital controls. Depositors at J.P. Morgan Chase are stuck. If they want to move some of their money overseas, they'll now be forced to stay in the U.S. in a currency that's devaluing.

> **Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.** *Albert Einstein*

> **Our best advice is… go with the flow.**

Other banks are expected to follow and this is yet one more freedom that is falling by the wayside.

What does it mean? We don't know, but it's not good.

Speculation is raging that the bank is preparing for a financial crisis, it's protecting itself from a run out of a sharply declining U.S. dollar, or perhaps it just doesn't want depositors to leave the bank because they're in trouble.

Whatever the reason, it brings back scary memories of the 2007-08 banking crisis and we all need to be on the alert.

WHAT COULD BE SOME EFFECTS?

In a worst case scenario, stocks would fall and gold would surge. But at this point, we're not seeing signs this is upcoming. Still, we'll be watching this closely, in case changes are warranted in our recommendations.

So stay in touch via our weekly updates. Like we said last month, we're in uncharted waters and anything is possible.

Meanwhile, the economy is chugging along. But as we all know, this recovery has been way more sluggish than previous recoveries, especially as far as the jobs situation is concerned (see **Chart 1**).

This strongly suggests stimulus (QE) is going to continue longer than most expect, with Janet Yellen at the helm.

That'll continue to be good for stocks. So despite all these crosscurrents, our best advice is, go with the flow.

We really have no other choice, and that's the good news, as you'll see next…

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U.S. & WORLD STOCK MARKETS

The never-ending bull market

The stock market shot up. It's super strong and it's headed higher.

BOUGHT BACK QUICKLY

Stocks had been under downward pressure prior to the partial government shutdown and caution was warranted.

That's why we recommended lightening up on some of your stocks last month.

But we quickly increased our positions again in our weekly updates as the market regained strength. And once the debt ceiling issue was resolved, the stock market literally took off.

So the bottom line is, we're back to holding a 50% position of our total portfolio in stocks, which we feel is a good allocation. The stocks we're currently recommending are listed on page 12.

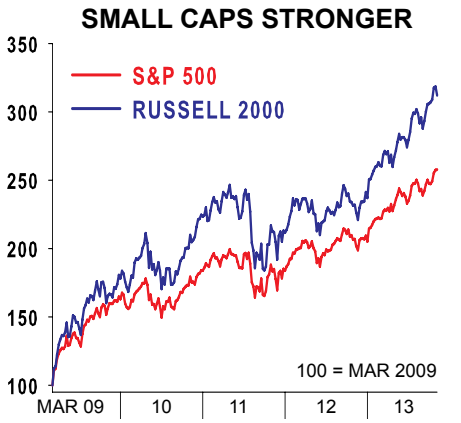
THE WALL OF WORRY

We know many investors are skeptical of the stock market. They feel it's gone too high and it's the next bubble.

Others point out it's a manipulated market. The rise isn't real because it's all being orchestrated by the Fed. Margin debt is too high, making the market very speculative, and so on.

And while many of these factors are true, we have to ignore the chatter and go with what the price action is telling us.

CHART 2



Yes, the stock market is climbing a wall of worry, but that's good, it's normal. It means the speculative phase, which is usually when the biggest gains are made, is still to come.

Plus, the markets couldn't be more bullish…

RECORD HIGHS...

Recently, for example, Nasdaq, the S&P500, the Russell 2000, the Dow Industrials, the Dow Transportations and several of the global stock markets all hit new bull market highs (see **Charts 2** and **3**). In most cases, these were also all-time record highs.

In addition, the Dow Jones Industrials and the Dow Transports signaled another Dow theory bull market confirmation (see **Chart 5**).

This is extremely solid action. Despite the naysayers, it's about as good as it gets.

This year, for instance, the Nasdaq has already gained 27%. The S&P500 is up 21% and the Dow Industrials has gained 17%. Meanwhile, the Russell 2000 has become a top performer and it's up 28%.

But despite these gains, generally good earnings and our technical indicators continue to reinforce that the stock market still has a lot more upside potential.

... & ROOM TO RISE FURTHER

As you can see, using the S&P500 as an example, it just keeps on going (see **Chart 4**).

Even though a lot of money has been flooding into stock funds, the most in years, the leading indicator shows that stocks have room to rise further before the market is overbought.

In other words, despite short-term volatility, the stock market is on a roll and it's headed higher. As long as that's the case, we'll stay onboard and we hope you do too.

BULLISH REASONS

There are several reasons for this, but we believe the most important factors are…

- The Fed's easy money. The Fed has kept this bull market going since 2009 with its QE stimulus

CHART 3

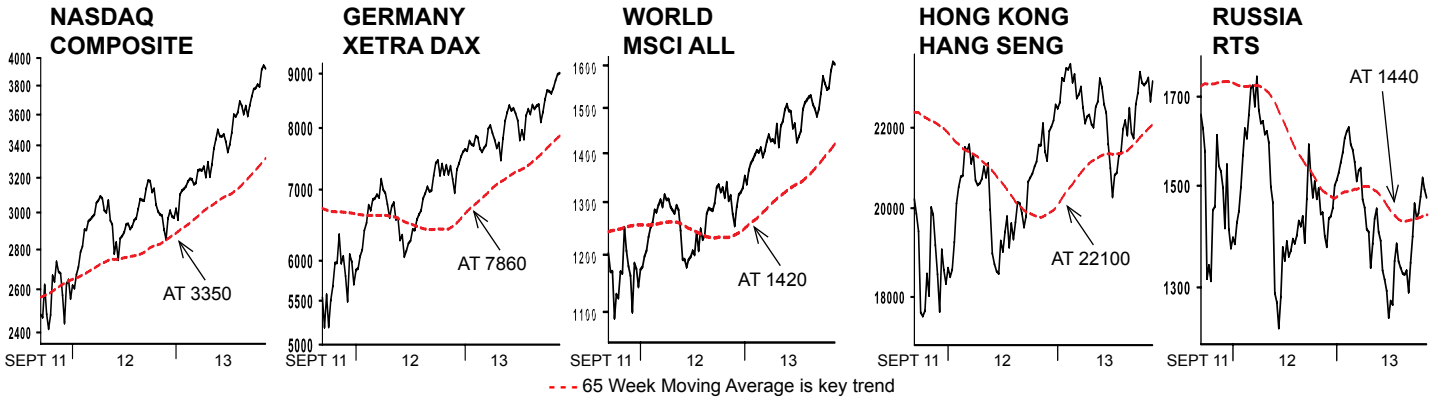
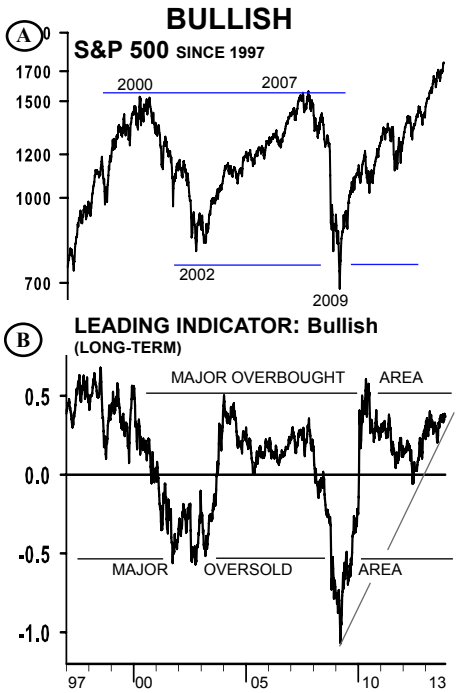


CHART 4



programs (see **Chart 5A**).

This has been the primary driver for stocks and there's no sign it's going to end any time soon.

On the contrary, with the economy still lackluster, combined with the recent fear and confusion swirling around Washington, the Fed is not going to be in a hurry to taper its stimulus.

Many, however, feel the Fed will be tapering sooner rather than later, but we don't think so.

The market likes Janet

The stock market is happy that Janet Yellen will be taking over for Bernanke.

She's determined to boost jobs and it's been her primary objective. So she won't be quick to cut back on the Fed's bond buying, risking higher interest rates, a slowing economy and a falling stock market as a result.

And considering she'll just be starting her new role as Fed head, it simply wouldn't make sense.

More likely, she'll want to keep interest rates low to help spur the economy, continuing on with the status quo. To date, we have seen nothing to indicate otherwise.

Of course, there are always surprises that could happen, so we have to be prepared for whatever comes. But it's very unlikely she'll change course for now.

Little competition

•Also positive for stocks is they have little competition.

In this age of super low interest rates, the stock market is one of the few markets providing good returns.

We know the income opportunities may not be fabulous, and they're often hard to find, but they are available.

In addition, the gains in stocks have been very good. And that's a whole lot better than any of the other markets.

Stocks, for instance, have clearly been stronger than bonds (see **Chart 6**). And they've outperformed commodities, metals and the currencies.

It's also interesting to note that, since interest rates are so low, they wouldn't hurt the stock market even if they headed higher. In fact, they'd have to rise a lot further before that would happen.

For now, a couple of our recommended stocks yielding over 3% are IXP, MSFT, BHP and PG.

GLOBAL MARKETS

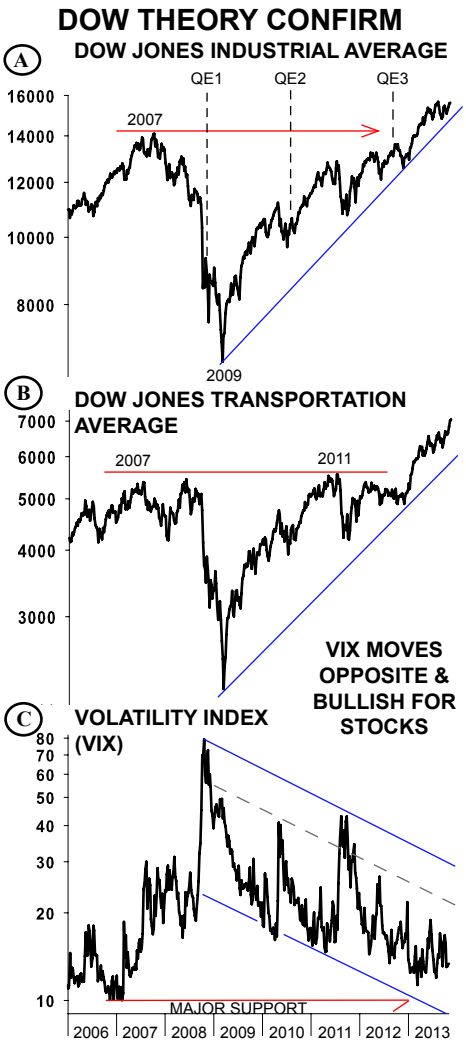
The global stock markets have generally been lagging behind the U.S. market. But there are some exceptions like Germany and Malaysia.

The big laggards, however, are still the emerging markets. Hong Kong and Russia provide an example on **Chart 3**.

But many of these markets are very cheap compared to the U.S. market. They're currently priced at real value levels. So if the overall stock environment remains bullish, many of these markets could take off in a hurry.

CHART 6

CHART 5



Russia, for instance, is probably one of the cheapest markets in the world. And while we're not recommending it, if you don't mind volatility and speculation, it has good potential.

Overall, we're happy with our current recommendations. Some are outperforming others, which is normal, but we feel it's a good mix.

For new buyers, or those who want to add to your positions, we'd buy the strongest ones, which are IXP, RTH, QQQ, IYZ, IHI, IYT and EWG.

Meanwhile, the overall stock market will remain in a major uptrend as long as the S&P 500, Nasdaq and the Dow Industrials stay above 1570, 3350 and 14400, respectively.

U.S. INTEREST RATES AND BONDS

Bonds in a topping process

The eleventh hour agreement saved the day for U.S. bonds and interest rates.

Even though the budget agreement was essentially a non-agreement, kicking the can further down the road, it avoided a U.S. government default. This alone was a very big deal.

POSTPONING DEADLINES

Even the feuding politicians recognized a default would have had devastating worldwide consequences. It would have been a first for a major world power since Nazi Germany defaulted in 1933.

So the politicians came to their senses. They agreed to postpone their differences, thereby avoiding the likelihood of a global recession, along with a big list of other negative effects.

Interest rates, which had been rising, have generally been on the decline since then. That's one positive effect because, as the markets briefly showed us, a default would have had a radically different outcome.

U.S. LOSING CREDIBILITY

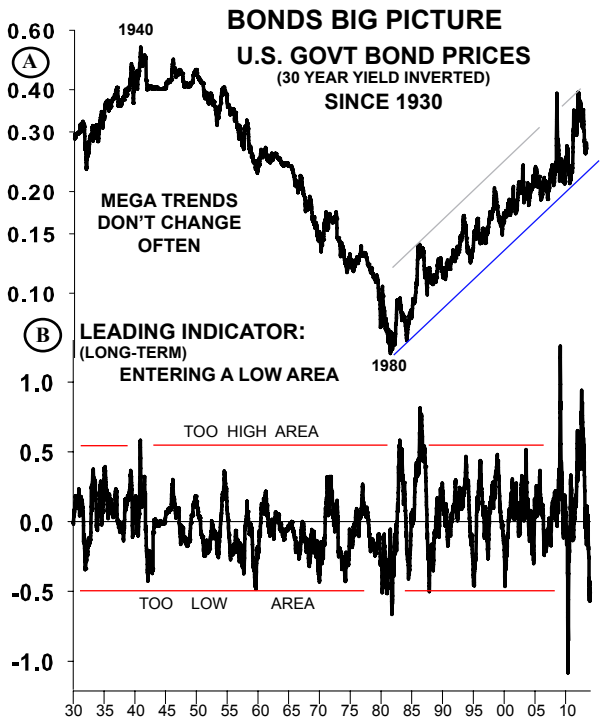
In the days leading up to the October 17 deadline, when default seemed like a real possibility, the market started freaking out.

The 1 year Treasury interest rate, for example, literally soared, hitting a five year high as it jumped 100% from one day to the next. Some Treasuries surged 200%.

This was a taste of what was to come...

The entire world watched, frozen in disbelief. Not only were they fearful, but they could not believe this type of irresponsible brinkmanship was happening in the world's largest economy.

CHART 8



Many countries were furious, consistently warning the U.S. of the dangers. That was certainly true of the big bond holders.

The rating agencies were bluntly spouting out warnings as well, along with the IMF and the U.S. Treasury.

Their main concern was that a default would seriously damage the world economy.

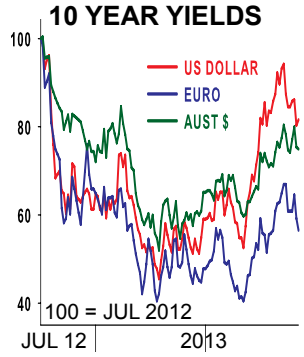
And as the stock market fell, the Republican party's approval rating also plunged to its lowest ever, along with Obama's.

This obviously put pressure on the politicians to take action, and finally they did. But it was too little, too late.

The bottom line is, the U.S. lost a good amount of international credibility, and it intensified as the daily saga wore on.

For now, it'll take time to rebuild confidence, and the world will be cautious as it watches closely.

CHART 7



MOVING TO GLOBAL BONDS

This explains why global investors are leaning toward bonds in other countries (see **Chart 7**).

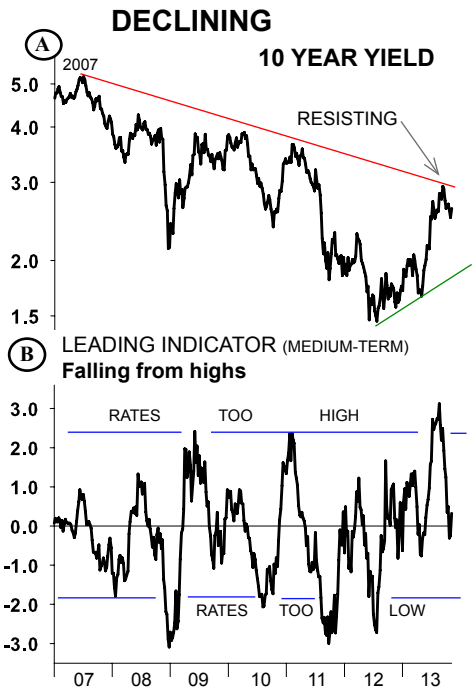
Even though international interest rates and bonds basically move together, safety has become a greater issue. Investors don't want melodrama. They want their investments to be safe.

Along these lines, *MarketWatch* published an article listing the five countries whose bonds are safer than U.S. Treasuries, and the results may surprise you...

Norway was #1, followed by Sweden. Both countries have assets greater than their liabilities. Then comes Denmark, Australia and New Zealand.

With these currencies also poised

CHART 9



to rise further, it makes their bonds even more attractive. For those who want to venture into the international bond markets, we'd go to Everbank.com (their minimum is $25,000).

U.S. BONDS STILL FINE

But don't write off U.S. bonds. Even though we're not recommending them, they're still okay to hold if you have them.

The Fed is determined to keep interest rates low, so it'll continue buying U.S. bonds, which will keep the bond market firm.

That is, QE will probably stay on track into 2014. We're now more certain of this than before for two important reasons...

- **First**, the Fed's not going to taper, or cut back on its bond buying. It would be too unsettling on the heels of the debt drama, and considering new budget deadlines will be coming up on December 13, January 15 and February 7.

Some believe QE is already set in stone and it's going to continue indefinitely. If so, interest rates are going to stay low for a very long time.

- **Second**, Janet Yellen was one of the main designers of the Fed's QE stimulus program. So that's another reason why she'll likely keep the easy money flowing once she's the new Fed chief.

In other words, the party will carry on. And as we've seen many times before, dysfunctional markets can stay in force far longer than most expect.

BONDS TOPPING

For example, everyone's been waiting for the bond bubble to burst. But it hasn't (see **Chart 8A**).

Looking at the big picture of the bond price, you can see it's been on the rise for 33 years, but the price is now declining.

Had interest rates risen further, it would've marked the onset of a mega upmove in rates, signaling the bond bubble was bursting.

Instead, bond prices will likely keep topping, near their 60 year highs, like they've been doing since 2008. Reinforcing this, the leading indicator for the 10 year yield still has room to fall further before it's too low (see **Chart 9B**). This also tells us interest rates are poised to fall further as bond prices rebound.

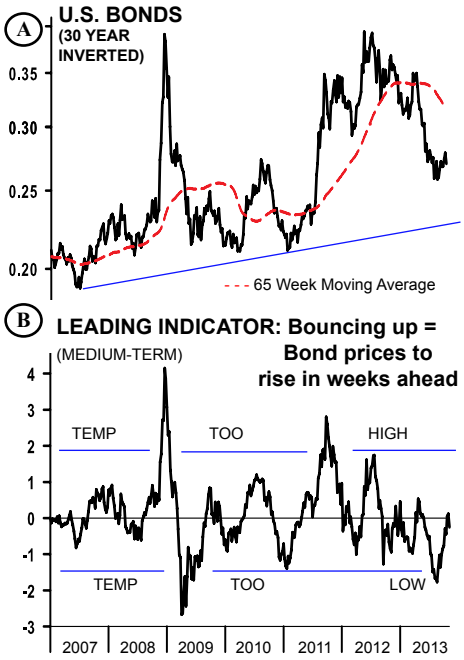
Nevertheless, bond prices remain bearish below their moving average (see **Chart 10A**). That means they're risky, and even though they'll likely move higher in the weeks ahead, we'd use this strength to sell if you're still holding bonds.

This could change depending on how events unfold in the upcoming months. If it does, we'll again recommend buying bonds, but not now.

Currently, we feel it's best to stay on the sidelines, especially since more budget deadlines and disputes will soon be coming up.

CHART 10

BOND PRICES STILL BEARISH



CURRENCIES

U.S. dollar: Bearish

The U.S. dollar is on the decline. It has turned bearish and it's set to fall further.

TREADING ON THIN ICE

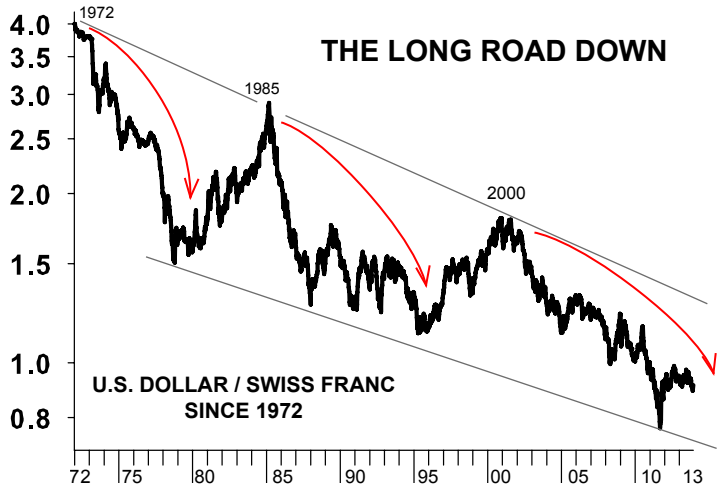
The dollar was already on thin ice. But the government shutdown, the debt ceiling drama and fears of a default were simply too much.

They spooked investors, pushing the dollar into bear market territory.

The renewed decline in interest rates didn't help either. Along with the loss of international confidence, lower interest rates added fuel to the fire, making the dollar less attractive.

Even though other countries have low interest rates too, it's more bearish in the dollar's case. That's because Yellen will likely keep them low for a long time.

CHART 11



DOWNHILL SLOPE

As most of you know, the U.S. dollar has been on a mega downhill slope for more than 40 years (see

CHART 12

Chart 11).

This new bear market is really just a continuation of the dollar's long road down. And we're fairly certain the dollar will fall to new bear market lows before it's over.

If so, then the U.S. dollar index will drop below its 2008 lows, near the 72 level (see **Chart 12A**).

As you can see, the dollar's leading indicator is bearish and it has a long way to go before it reaches the dollar's oversold area. This too means a weaker dollar ahead.

CURRENCIES: Looking good

It also tells us the other currencies are headed higher. That's why we recommend buying the stronger currencies with good potential, like the euro and Australian dollar. It's also why we advise only keeping a small portion of your cash in U.S. dollars for now.

That way you'll maintain your purchasing power, as the U.S. dollar heads down in what could be a steep fall.

If this seems extreme, it's important to remember, this is nothing new. It's been a slow and steady dollar erosion over the years and there are few signs of change.

Before the recent debt ceiling standoff, the U.S. lost its AAA credit rating in 2011. This was preceded by the banking crisis in 2007-08, which brought the world to the brink of another Depression, triggering a recession with lingering effects to this day. And so it goes.

This has not gone unnoticed by the rest of the world and increasingly, they're speaking out.

RESERVE CURRENCY STATUS: A privilege

Remember, the U.S. dollar is the world's reserve currency. This is a privilege that, historically, has been held by the world's most powerful and fiscally sound nation.

But history also shows that reserve currency countries end up taking the same path. And so far, the U.S. is following in the footsteps of the nations before it.

Briefly, the reserve country usually starts out fine. But then it spreads itself too thin, both at home and abroad.

It gets involved in costly wars it can't afford. It goes into too much debt, and eventually it's replaced by the next upcoming powerful nation. Along the way, it loses its reserve status.

CHART 13

As our dear friend and currency expert Chuck Butler points out, for the five countries that held reserve currency status in the 475 years prior to the U.S., their average time was 95 years.

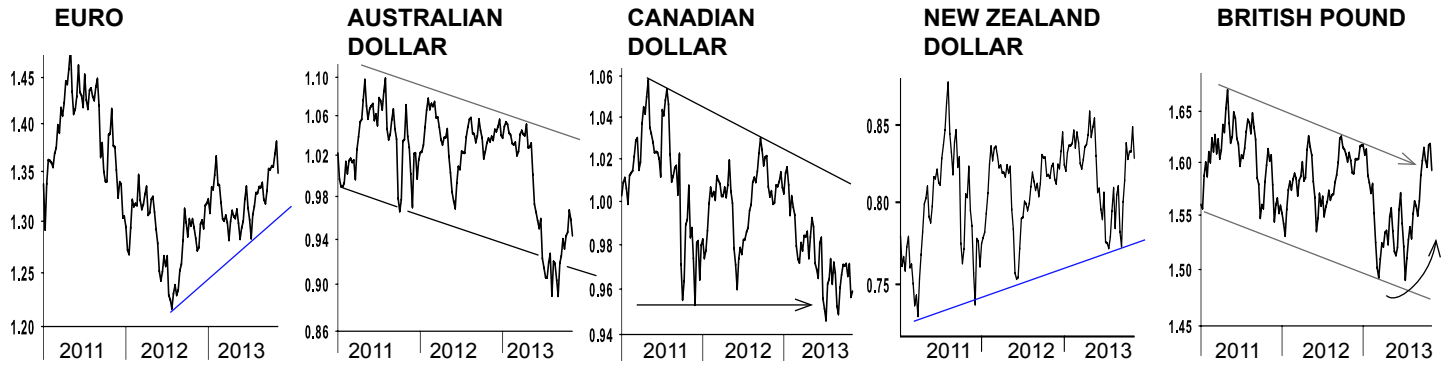
The U.S. has now held its reserve status position for 88 years. Now, 95 years is by no means a magic number. It could be sooner or later, but as we've often discussed, China is making significant moves to take over as the world's reserve currency, slowly but surely.

You may think that's not possible. But China currently has the world's largest foreign currency reserves at $4 trillion. No other countries' reserves even come close. **China is also buying tons of gold**.

China's currency, the renminbi (yuan) is at a 20 year high versus the U.S. dollar (see **Chart 13**). And based on this alone, if the Chinese were to announce that a portion of their currency was to be backed by gold, it would make the renminbi the most desired currency in the world.

As for the U.S., it wouldn't mark the end of the world, like many claim. Yes, there would be big

CHART 14



changes, but there always are... the U.S. would have to adjust, just like Britain did when they lost their reserve status.

EURO: Offset to dollar

For now, however, the euro has been the top performing currency (see **Chart 14**). It's essentially the offset currency to the U.S. dollar, it reached a two year high and it's our favorite.

Troubles in the Eurozone have settled down over the past two years and the euro is reflecting this. It has good upside potential and its next target is at 1.40. Above that level, it could go to 1.50.

The Australian dollar has good potential too and it's our second favorite. It has strong fundamentals and it's rich in resources. Australia's new oil discovery, for instance, is massive and experts believe it could break OPEC's oil dominance.

Plus, China's economy is moving up, and stronger Chinese growth means more demand for Australia's resources. That's very good for the Aussie dollar because these two countries are big trading partners.

So even though several of the other currencies are also headed higher, we'd stick with the euro and Aussie for the time being.

METALS, NATURAL RESOURCES & ENERGY

A stable, yet lackluster market

Gold, silver and their shares reached five week highs in late October, in spite of negative sentiment. This reinforces the solid basing action that's been going on since the June lows.

The metals are reflecting the taper-no taper possibilities in reaction to mixed economic signs.

But you can't really blame the negative sentiment when you see the stark contrast between gold and the strong stock market (see **Chart 15**).

Nevertheless, **a solid gold base continues to form**. Gold began the fourth quarter at $1287 and, except for a quick slip below this level on October 11 to $1251 intraday, gold has been holding above it. This is providing a good foundation so far.

Our concerns today...

But there are also some concerns.

Gold, for instance, is not rising during a normally strong time. Autumn is a seasonally and fundamentally good time for gold when it usually rises in a strong leg upward.

India normally buys gold for jewelry during their festival season but today, with curbs in place on gold imports, demand is down.

China's premium on gold imports from Hong Kong is also adding to slower demand.

Something is wrong with gold. Is it simply a bear market in action?

Gold turned bearish in April when outflows fell, but this year will be a good test. If gold closes below $1689 at year end, it will be the first down year for gold since 2000... not a good sign.

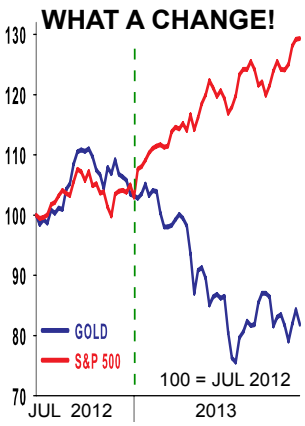
But don't be fooled

For now, however, the world is still viewing gold as a store of value.

Overall demand remains strong, despite the temporary dampers on gold sales in China and India. As Eric Sprott said, " It's staggering to think demand for gold is twice global mine production."

China is now the largest gold buyer and producer in the world. And with their economy looking better, especially in the manufacturing sector, gold continues getting a big boost from this area.

CHART 15



MORE CONSOLIDATION?

Currently, our bigger picture, mega bull market tells us, we could have one more year of a sluggish market.

Assuming the June 27 low was the low for this over two year decline, then gold could simply continue to fluctuate within the $1900 - $1200 level.

A trading market? Not bad if that is the outcome.

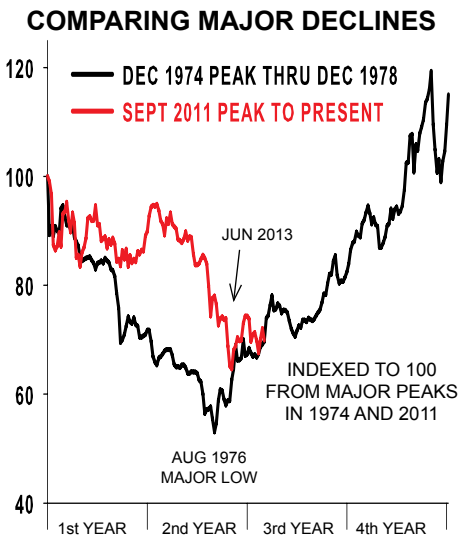
Many compare today's two+ year decline to the sharp decline in the 1970s.

As we've often mentioned, during the last strong bull market in gold in the 1970s, gold fell 50% to its 1976 low in the midst of the bull market, after rising about 460% from the 1970 lows.

Gold then embarked on the best part of the bull market when it soared from the $100 level in 1976 to the $800 level in 1980... three + years later.

Today's bull market has so far gained 661%, from its 2001 lows to

CHART 16



the 2011 high. And gold has fallen 36% from its $1905 high. Is the second part of the bull market upcoming? We'll soon see.

Chart 16 compares both of these major declines by indexing them to 100 for easy comparison.

In 1974-76 gold fell straight down taking 1 year and 8 months to do so.

This time around, gold held firm and it didn't fall sharply until this year. Most of the decline took place in the second quarter... and it took three months longer to hit its low- than it did in 1976.

We'd say that's pretty close and similar.

This means the lows are probably behind us. And if the next phase of the bull market develops similarly to the 1970s, we could see gold creep upward for another year or more until record highs are reached, and before a soaring bull market takes place.

At some point, a big move upward will very likely develop to catch up with some of the monetary excesses of the last several years... and this could easily coincide with the continuation of the bull market.

CHART 17

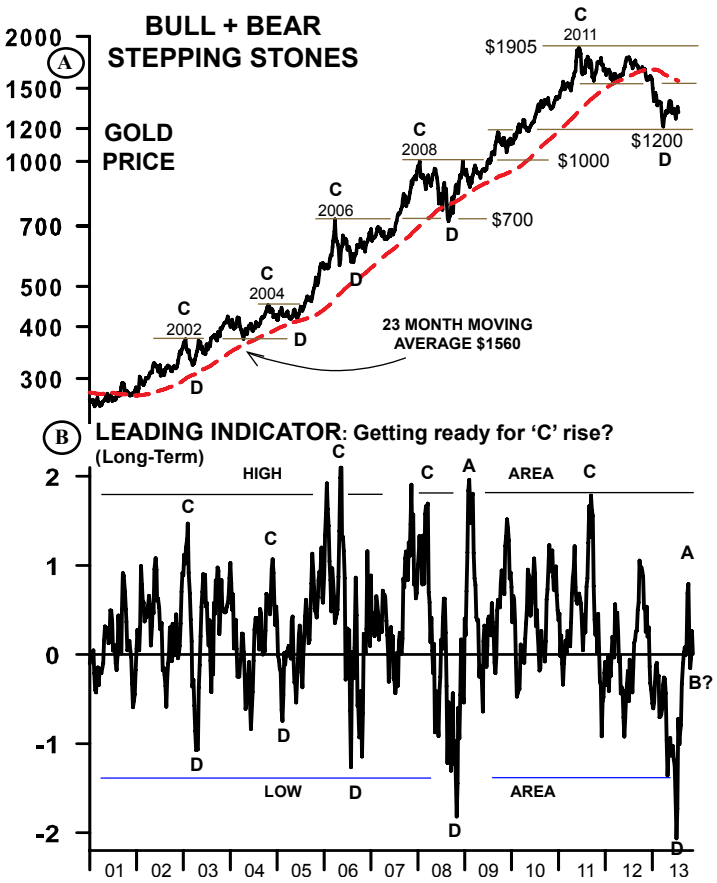
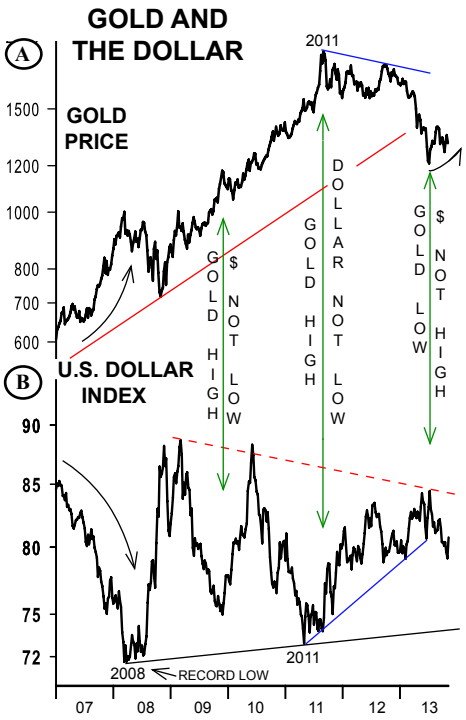


CHART 18



Gold steps are your friend

Time will tell, but for now all is good on the basing front. Our best bet is to keep track of the stepping stones.

They served us well on the way up, and they'll serve us well now.

Chart 17A shows gold's steps, along with its mega 23 month moving average.

Briefly, during the up moves, the C peaks generally marked the support for the future D declines.

This was a bull market check point.

The interesting point today is that the low in June near $1200 is still higher than the prior C peak in 2008.

This is technically a good sign and if $1200 holds, it'll be a bullish signal.

The C rise up to the 2011 peak was an unusually long C rise, but the D decline has also been unusually long. This means, on the downside, if the June low is clearly broken for a few days, we could see the $1000 level tested, the 2008 prior C peak.

If so, the entire post financial crisis rise would've then been erased. This would probably be the worst case scenario.

More interesting right now is the upside. We'll understand the overall strength of the market based on the upcoming intermediate rise.

This strength, or lack of it, will tell us a lot because gold is at a crossroads.

Gold reached a peak on August 28, gaining about 18% in two months, from its June low.

It then declined to a low in mid-October reaching $1269 on a close. Gold gave back almost 10% of the rise, and it formed a B low.

This A and B consolidation action since June is actually normal. Let's now see if gold can stay above this October low.

If it does, the first obstacle on the upside is the A peak near $1420. Once surpassed, gold's new C rise could run up to its next resistance, the $1536-1540 level.

If gold can rise above its 23 month moving average during this C rise, and move up to the $1600 - $1700 level, it'll be a very good looking C rise.

Gold could then end the year on an upnote.

These are the steps we're watching closely this month.

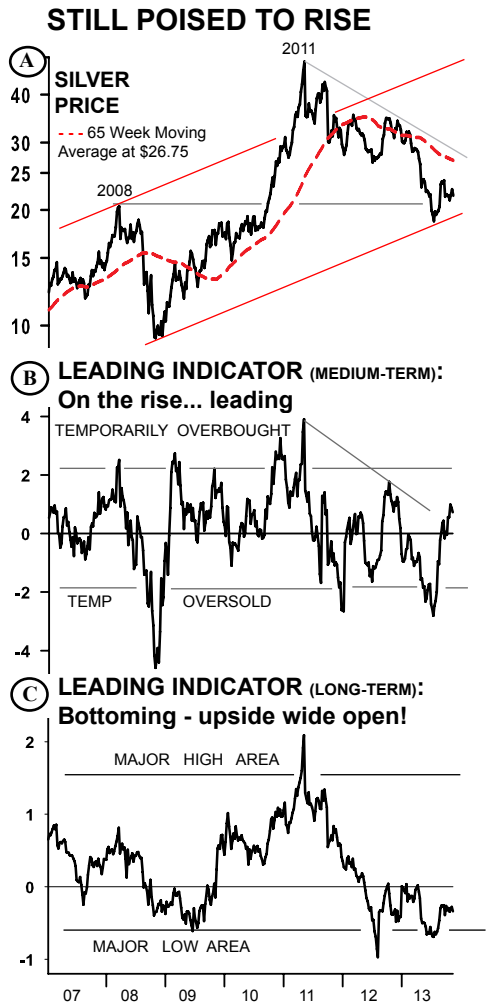
GOLD & DOLLAR: A relationship

Last month we showed you the new relationship gold and the U.S. dollar have developed since 2009. The telltale signs of upcoming weakness or strength can be seen in this relationship.

Chart 18 shows a closer view of this. In 2009 and 2011 when gold reached a record high, the dollar didn't fall to new lows. This was a good sign for the dollar.

But now, the tables have turned.

CHART 19



When gold fell to a 34 month low last June, the U.S. dollar index failed to surpass its 2010 highs. It barely surpassed its 2012 highs.

This reflects dollar weakness.

And now going forward, as long as the dollar index stays below 84 and the gold price stays above the October lows, this too will be bullish for gold.

SILVER: Looking good

For all the lack of excitement, silver is holding its own and it still looks poised to rise.

It's been in a four month rising trend since June and it remains firmly solid above $21.

Silver is also poised to outperform gold and it'll be off and running once it closes above its August highs at $24.65 (see **Chart 19**).

We recommend holding physical gold and silver, their ETFs GLD and SLV, as well as the Canadian gold and silver fund, CEF, and the gold fund, GTU.

WHAT'S BEST TO BUY & KEEP

Many have asked if CEF and GTU are safer and better to hold than the gold and silver ETFs, like GLD and SLV.

Both CEF and GTU are Canadian gold and silver funds that are backed up by gold and silver in their funds.

This is not necessarily the case with the ETFs. Many rumors are flying that the Comex gold warehouse supplies are way down, and during the mad ETF selling last April-May-June, China was picking up a lot of that same gold and silver.

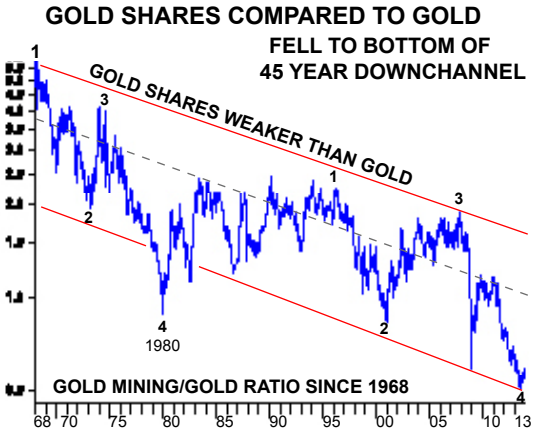
For reasons of safety, you know gold and silver are stored with CEF and GTU, but you'll never really know about the ETFs.

In today's world, safety is important, and keeping the physical metals in your possession is always best, followed by CEF and GTU.

Follow the bankers

When price manipulators take the gold price down, central banks see value and buy.

CHART 21



Mario Draghi, the head of the European Central Bank (ECB) said it well when he explained, " I never thought it wise to sell gold because for central banks this is a reserve of safety."

He also said it gives non-U.S. dollar countries a good protection against fluctuations of the dollar.

This is clearly a different view than Ben Bernanke's view that nobody really understands gold prices. He doesn't seem to enjoy talking about the barbarous relic.

THE OTHER METALS

Platinum and **palladium** are getting a boost from strong global car sales. And with good potential for 2014, it'll keep these metals in short supply.

Chart 20 shows palladium is the best as it holds firmly above its 2008 highs. It's firm in a sideways band above its moving average.

Platinum is the most sluggish. But if it can hold above $1370, it could start to look interesting.

We have palladium and we recommend buying new positions if

CHART 20

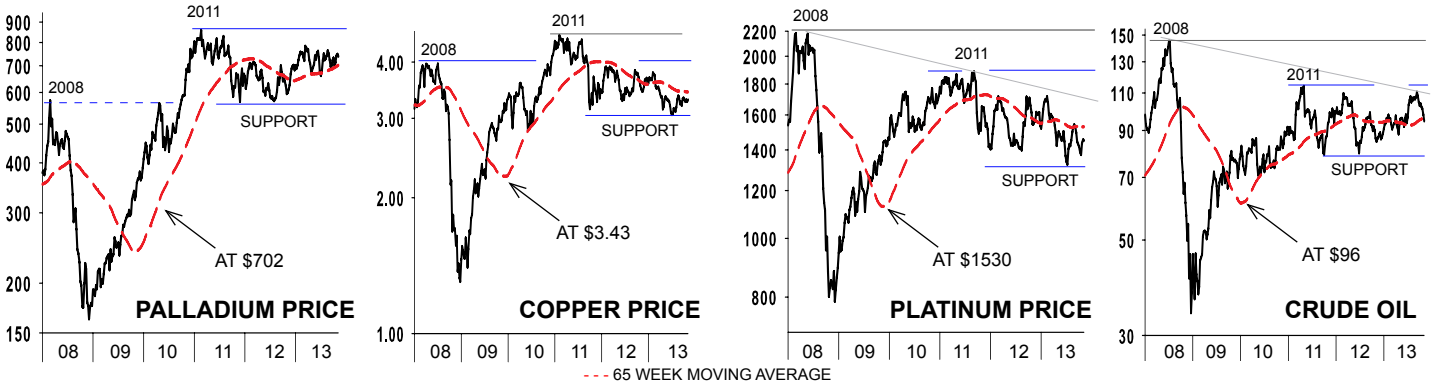
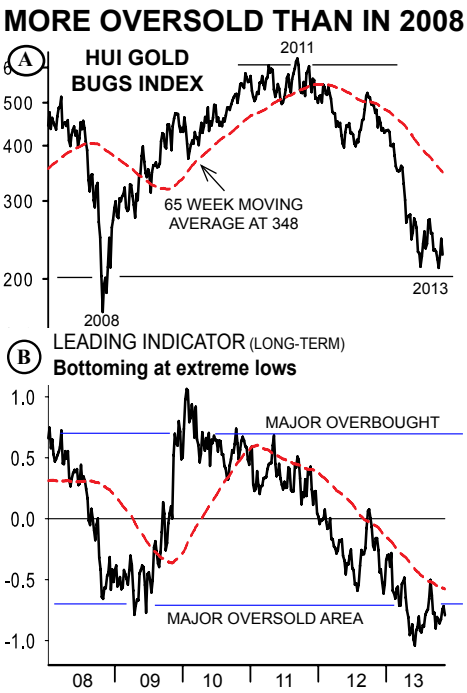


CHART 22



you haven't bought yet. We'll steer clear of platinum until it changes.

GOLD SHARES: Negative sentiment at extreme

There is one chart that tells the gold share story best.

Chart 21 shows how grossly oversold gold shares are compared to gold. The ratio fell to the bottom side of a 45 year downchannel!

It's only been near this bombed out level once before in 1980 when gold soared to its record high, rising much more than gold shares at the time.

This 1980 low labeled number 4 ended a 1-4 pattern, which was followed by years of a gradually rising ratio, favoring gold shares.

Here it is, now 33 years later, and the ratio is at the second number 4 low. This means that gold shares will start to outperform gold going forward.

And, of course, they remain extremely oversold. **Chart 22** shows how the HUI index continues to bottom near both the 2008 and 2013 lows. **It sounds like a broken record, but gold shares are extremely oversold.**

That is, a bounce up could occur at any time.

CHART 23

RESOURCES: Looking good

Palladium and silver are also good indicators for the resource sector. You can see on **Chart 20** how palladium basically moves with copper and crude oil. They are tied together.

The resource sector is also oversold versus the stock market in general.

Chart 23 provides a good example of this. It compares the largest mining company in the world to the general stock market index.

You can see how the ratio has been falling since 2011. It's now at its 2008 lows and it's holding.

In other words, the resource sector may be set to outperform the stock market. We'll keep our position and add to it as strength picks up.

Keep an eye on copper, the global economic barometer. It's been holding firm above $3.00 and it looks poised to rise with the others.

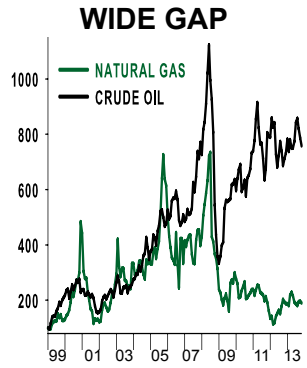
ENERGY: Changing

Crude oil has been on the decline for two months now. It recently fell to an over four month low and it'll remain vulnerable below $100. The main reason has been due to plenty of U.S. supply. But as you can see on **Chart 24**, oil is still technically bullish.

Oil has remained in an uptrend since 2008 and it's holding near its 17 year mid-channel line. Meanwhile, its leading indicator (**B**) is holding above zero with room to rise further.

China is the number one oil importer in the world today, while the U.S. is now the largest oil producer, set to surpass Russia and Saudi Arabia this year, according to the Energy International Agency (EIA).

CHART 25



North Dakota's Bakken oil fields and Texas' Eagle Ford Shale have had the biggest growth, which is basically the reason why.

The second biggest oil boom in history, according to many, just started a few years ago.

Texas, for example, as a country is now the world's 12 largest producer, while Australia's oil growth is also growing by leaps as well.

There are several companies that are involved, and our BHP is one of them.

Natural gas remains sluggish. It moved up with the oil price until the 2008 peak. They have since clearly gone their separate ways as natural gas fell and stayed low while crude didn't (see **Chart 25**).

Will natural gas catch up? Its production has also grown in the U.S., but it'll remain under pressure by staying below $4.

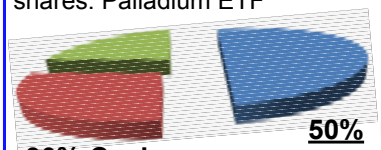
Overall, we're cautiously bullish on the resource sector.

CHART 24

OVERALL PORTFOLIO RECOMMENDATION

There was a lot of action this month, both above and under the radar. This led to volatility in the markets but the stock market again came out on top, hitting new bull market highs. As noted in our weekly updates, we're back to recommending a 50% position of your total portfolio in stocks. This has lowered our cash position to 30%. See below for more details...

20%
Precious Metals Gold & silver physical & ETFs & gold & silver shares. Palladium ETF



50% U.S. & Global Stocks

30% Cash
25% Euro & AUD
5% U.S. dollars (temporarily)

PRECIOUS METALS, ENERGY, RESOURCE

Gold, silver and their shares reached five week highs in late October, which reinforces a solid basing action that's been going on since the June lows. The upside has been disappointing for this seasonally good time, but it doesn't take away from the four month bottom action. Silver and palladium are holding the firmest and are showing more potential than gold. Gold shares are truly in bombed out territory and they're poised to outperform gold. We believe it's just a matter of time before they take off and we recommend keeping your positions. Keep more in silver, and keep more of your gold and silver position in the physical form. Buy new positions in gold, silver, palladium. The Central Fund of Canada (CEF), and Central Gold Trust (GTU), are both good ways to buy gold and silver.

OUR OPEN POSITIONS

GOLD AND SILVER ETFs & SHARES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Palladium	PALL	Jan-13	69.71	73.24	5.06	Buy/Hold
Central Gold Trust	GTU	May-09	36.53	46.15	26.33	Buy/Hold
Central Fd of Canada	CEF	Apr-04	6.39	14.75	130.83	Buy/Hold
SPDR Gold Shares	GLD	Nov-04	44.38	126.56	185.17	Hold
iShares Gold Trust	IAU	May-05	4.17	12.73	205.23	Hold
iShares Silver Trust	SLV	May-06	14.50	20.90	44.14	Hold
Gold (physical)		Oct-01	277.25	1308.10	371.81	Buy/Hold
Silver (physical)		Aug-03	4.93	21.64	338.95	Buy/Hold
Silver Wheaton	SLW	Sep-09	11.66	22.24	90.74	Hold
NewGold	NGD	Apr-10	5.13	5.65	10.14	Hold

STOCKS & ETFs

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
iShares Glbl Telecm *	IXP	Oct-13	65.97	67.80	2.77	Buy/Hold
Mkt Vect Retail *	RTH	Oct-13	56.05	59.64	6.40	Buy/Hold
Powershares Nasdaq	QQQ	Aug-12	66.86	83.03	24.18	Buy/Hold
DJ US Telecom	IYZ	Sep-12	25.22	29.32	16.26	Buy/Hold
iShares US Med Dv *	IHI	Oct-13	86.70	89.42	3.14	Buy/Hold
iShares Transports *	IYT	Oct-13	118.85	126.74	6.64	Buy/Hold
MSCI Germany *	EWG	Oct-13	28.31	29.06	2.65	Buy/Hold
Global 100 *	IOO	Oct-13	72.97	74.84	2.56	Buy/Hold
Microsoft	MSFT	Feb-13	28.01	36.64	30.81	Buy/Hold
Energy Select SPDR	XLE	Aug-12	72.37	86.36	19.33	Hold
iShares Russell 2000 *	IWM	Oct-13	107.68	109.59	1.77	Buy/Hold
US Global Inv Res	PSPFX	Sep-12	10.02	9.98	-0.40	Hold
BHP Billiton	BHP	Aug-13	67.68	72.18	6.65	Hold
Procter & Gamble	PG	Sep-12	68.10	81.43	19.57	Hold
Johnson & Johnson	JNJ	Feb-13	76.16	92.81	21.86	Hold
SPDR S&P Bank	KBE	Jul-13	30.30	31.17	2.87	Hold
Mkt Vect Vietnam	VNM	Feb-13	23.27	19.01	-18.31	Hold

CURRENCIES

NAME	SYMBOL	PURCHASE DATE	PURCHASE PRICE	PRICE AT issue date	% GAIN/LOSS SINCE BOT	CURRENT RECOMM
Euro ETF	FXE	Sep-13	134.82	133.27	-1.15	Buy/Hold
Australian dollar ETF	FXA	Sep-13	94.06	94.94	0.94	Buy/Hold

U.S. & GLOBAL STOCK MARKETS

The stock market is super strong, most of the stock indexes are near record highs and the market is headed higher. This month we again increased our stock positions via our weekly updates. We're back to holding a 50% position of our total portfolio in stocks. All of the stocks we're currently recommending are listed to the left. For new buyers, or those who want to add to your positions, buy the strongest ones, which are IXP, RTH, QQQ, IYZ, IHI, IYT and EWG.

CURRENCIES

The U.S. dollar has turned bearish and it's set to fall further. The other currencies are headed higher and we continue to recommend buying the euro and the Australian dollar. Only keep a small portion of your cash in U.S. dollars for now. You can buy currencies through Chris Gaffney at Everbank.com We also manage currency accounts. For info write to info@adenforecast.com

INTEREST RATES & BONDS

Interest rates are on the decline and bond prices are rebounding. But bonds remain bearish and we don't recommend them. Even though they'll likely move higher in the weeks ahead, use this strength to sell if you're still holding bonds. For now, it's best to stay on the sidelines.

* New Position

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

