

March 2, 2011

SURGING MARKETS

Gold, silver and oil are all surging, hitting new bull market highs. Events in the Middle East are still driving the markets and this has become a powerful force, likely to continue. This is also keeping stock investors nervous and its helping to push the U.S. dollar down. Here's the latest...

Silver continues to shoot ahead in a surging rise and it ended up leading gold indeed, as it soared to a record high today. The crude oil price is jumping up to over \$100 (see **Web chart**). These markets are boiling and as long as turmoil continues, the upside is open. All three are extremely strong by staying above \$31.30, \$1395 and \$94, respectively.

Gold & silver shares are also rising with the metals. Some like SLW are at new highs. XAU is very strong above 212. Our gold, silver and energy positions are doing great... keep them.

Now that gold is hitting new highs, it's still be seen if this is really the start of an A rise or an extended C rise. In either case, it's very bullish. An extended C rise would be an incredible almost two year rise, whereas if it's an A rise reaching record highs, it's reinforcing the stronger phase of the bull market. Most important, you are invested and riding the bull. Meanwhile, resource continues to be under pressure (like the stock market) from the rising oil price. Copper, the barometer, is sluggish yet firm as long as it stays above \$4.28 (see **Web chart**).

The **U.S. dollar** index hit a four month low today. It's quickly approaching its November lows at 76 and if it closes and stays below 76, the dollar will turn very bearish. That is, a renewed major decline would clearly be underway and it could then fall much further. As the dollar weakens, the Swiss franc is getting the biggest boost from safe haven buying. The rising oil price is keeping upward pressure on the Canadian dollar. The other currencies are getting a boost as well and we may soon be buying more, especially if the dollar index breaks below 76.

The **stock market** has been volatile over the past week. It's still reacting to events in the Middle East and the rising oil price. For now, the Dow Industrials is holding above 12000 and it'll remain very strong above that level. In fact, even if the Dow were to decline 11800 in a steeper downward correction, it would still be strong (see **Web chart**). Continue to hold your stock positions.

Interest rates remain under pressure as the downward correction continues. But the 30 year yield is still holding at or near 4.52%, so the mega trend remains up. This tells us interest rates will head higher once this downward correction is over, especially if the 30 year yield now stays above 4.30%. Keep your positions.

Best wishes and until next Wednesday,
Pam and Mary Anne Aden