Bull & Bear's
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The Stock Market Surging Higher

Metals Taking A Back Seat

Mary Anne and Pamela Aden
The Aden Forecast

The stock market remains very bullish and it's been the top performer so far this year. The Dow Industrials and Transportations are hitting new record highs, signaling that stocks are likely headed even higher. That will be confirmed if the S&P 500 now stays abve 1550. The major trend will remain up with the Dow Industrials and Transports above 13,100 and 5,250, respectively (see Chart 1A).

But wait, you may be thinking... many things aren't right. Won't that push stocks down?

As we've often mentioned, the stock market leads the economy. And the fact that stocks are hitting new record highs is a good sign for the U.S. and the global economy. It's telling us the economy will likely continue to do well in the months ahead, and that makes sense.

Driven by Liquidity

The Fed is plowing ahead with

its QE monetary stimulus program, and it's vowed to keep QE going indefinitely.

Japan, Europe and China are doing the same, to one extent or another, in order to keep their economies growing and on track.

All this liquidity is creating a flood of money that's driving stocks higher. As *the old saying goes, a rising tide lifts all boats and it's happening worldwide*. It's basically driving most of the global stock markets higher.

European stocks, for instance, are at multi-year highs and so are many of the Asian markets, with Vietnam probably the best value. A few, however, are not joining in on this global bull market, but the majority of the global markets are.

Bullish Sentiment Rising

This has attracted a lot of attention and many small investors are jumping into the market, which is also driving prices higher. Sentiment is bullish and it's an important factor.

Investors, for example, poured $25 billion into stock mutual funds in January. That's the largest monthly amount in 13 years and we believe this trend will continue to grow. Why?

Low interest rates are always very bullish for stocks. And rates are currently extremely low, the lowest in fact in more than 60

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The Best Funds for Your 401(k)

Most popular funds in retirement plans range from decent to excellent. But also include a few slackers.

How good are the funds in your 401(k) plan? Because of the big discrepancy of the 10-year performance of some funds, Nellie Huang, *Kiplinger's Personal Finance* magazine asked BrightScope, a retirement program data collector that ranks 401(k) plans, for a list of the 100 mutual funds with the most assets in 401(k) plans and other defined-contribution programs such as 403(b) plans. Although the top 100 names represent a tiny fraction of the roughly 16,000 investment options in the 401(k) universe, the assets they hold account for 25% of all retirement-plan money.

Taking the oldest share class of each fund, Nellie Huang clustered the top 100 into six broad categories: large-company stock funds, small- and midsize-company stock funds, foreign and global stock funds, balanced funds, bond funds, and target-date funds. Then she analyzed each fund's long-term track record, looking not just at raw results but at each fund's volatility and its performance in difficult markets. We also considered manager tenure and fees, among other things. A summary of the best – and in some cases, the laggards – in each category appears below. (Funds in boldface are those we recommend. The symbols are for the share classes we analyzed and may differ from the classes offered in your 401(k) plan. All returns are through January 31.)

Best Balanced Funds

Of the 10 balanced funds among the 100 mutual funds with the most assets in 401(k) plans, most are solid choices. Two such funds, **Vanguard Wellington** (VWELX) and **Vanguard Wellesley Income** (VWINX), are near mirror images of each another. Wellington has about two-thirds of its assets in stocks and the rest in bonds (a typical allocation for the balanced genre), and Wellesley has about one-third in stocks and the rest in bonds. The funds do a good job of controlling risk: Wellington lost 22.3 percent in 2008, and Wellesley lost 9.8 percent; the average balanced fund sank 27.0 percent.

Fidelity Balanced (FBALX) and **Fidelity Puritan** (FPURX) saw bigger drops in 2008, but they stand out because they do well in strong markets. **American Balanced** (ABALX), sponsored by the American Funds, boasts a three-year annualized return of 12.0 percent, the highest of the bunch. Its above-average exposure to stocks – about 70 percent of assets – may be one reason. **Vanguard Balanced Index** (VBINX) holds about 60 percent of assets in stocks and 40 percent in bonds.

We're not so keen, though, on Vanguard's LifeStrategy Conservative Growth (VSCGX) and LifeStrategy Moderate Growth (VSMGX) funds. Vanguard recently revamped this series of funds, but it remains to be seen whether the changes help boost so-so returns.

Best Foreign and Global Stock Funds

One theme was clear among the top foreign and global stock funds: Funds with seasoned managers who tend to buy and hold stood above the rest. This includes **New Perspective** (ANWPX), a team-run global fund from the American Funds family. Also in the top 100 are **Dodge & Cox International Stock** (DODFX) and **Harbor International** (HAINX), both members of the Kiplinger 25.

BlackRock Global Allocation (MDLOX) is a go-anywhere, multi-asset fund that holds stocks (both foreign and domestic), bonds, cash and even a smattering of precious metals. Global Allocation's ten-year annualized return of 10.4 percent edged out the MSCI EAFE index (a measure of foreign stocks in developed markets), and the fund did so with less risk than the index.

The only emerging-markets fund to appear in the top 100 is **Oppenheimer Developing Markets** (ODMAX). It's a worthy choice: The fund outpaced the MSCI Emerging Markets index in each of the past five calendar years. If you prefer an unmanaged approach, try **Vanguard Total International Stock Index** (VGTSX) and **Fidelity Spartan International Index** (FSIIX). They charge low fees and mirror their benchmarks well.

Finally, a word about Fidelity Diversified International (FDIVX). The fund isn't horrible; its 9.4-percent annualized return over the past ten years trails the EAFE index, but only slightly. Over the past five years, it trailed both the index and its average peer.

Best Bond Funds

Only six bond funds make a list of the 100 mutual funds with the most assets in 401(k) plans. Two are index funds: **Fidelity Spartan U.S. Bond**

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Index (FBIDX) and **Vanguard Total Bond Market Index** (VBMFX). Two more are designed to protect investors against the effects of rising inflation: **Vanguard Inflation-Protected Securities Fund** (VIPSX) and **Pimco Real Return** (PRTNX). The remaining two, **Pimco Total Return (**PTTRX) and **Dodge & Cox Income** (DODIX), are medium-maturity bond funds.

In years past, we might have recommended a broad-based bond index fund such as the Fidelity and Vanguard funds. But with bond yields near all-time lows, these Treasury-heavy portfolios are susceptible to rising interest rates (rates and bond prices usually move in opposite directions). Meanwhile, both Vanguard Inflation-Protected Securities and Pimco Real Return had the majority of their assets in Treasury inflation-protected securities. This is not a great time to invest in TIPS; they are expensive, and the funds are likely to lose value if interest rates rise. You're better off holding funds with low exposure to Treasuries and with managers who have the flexibility to navigate the bond market's potentially treacherous waters. Pimco Total Return and Dodge & Cox Income fit the bill.

Best Target-Date Funds

The portfolios of target-date funds automatically reset the mix of stocks, bonds and cash over time, becoming less risky as they approach their target date. According to BrightScope, Fidelity, **T. Rowe Price** and **Vanguard** control 75 percent of all target-date assets, which explains why their funds dominate the 401(k) list. The Vanguard and Price funds regularly rank among the top 20 percent of their peer groups over the long haul. Vanguard's target funds typically hold Vanguard index funds, including Total Stock Market and Total Bond. Price leverages many of its best funds, including New Horizons, in its target funds.

Fidelity Freedom funds, however, have lagged their Vanguard and Price counterparts. One reason: lousy performance in the underlying funds. Take Freedom 2040 (FFFFX), which sank 39 percent in 2008. Its top two holdings that year – Fidelity Disciplined Equity and Fidelity Equity-Income – lost more than 40 percent each. Fidelity has since retooled the Freedom funds and created a special group of Series funds to fill them, alongside other Fidelity funds. Star managers Will Danoff, of Contrafund, and Joel Tillinghast, of Low-Priced Stock, run two such Series funds. But because the mandates for the Series portfolios differ from those of their existing funds, we want to see how the managers perform with the new products. And we're taking a wait-and-see approach toward the Freedom funds as well.

Best Large-Company Funds

The list of the 100 mutual funds with the most assets in 401(k) plans includes some top-performing U.S. stock funds. Among the best large-company funds is **Fidelity Contrafund** (FCNTX), a member of the Kiplinger 25. Its seasoned skipper, Will Danoff, has outpaced the market over the long haul – and has done so with below-average volatility. At **Fidelity Growth Company** (FDGRX), manager Steve Wymer has a knack for buying good, growing companies early and holding on. **Washington Mutual Investors** (AWSHX) has a strict focus on dividend payers that adds stability. The nine managers of **Dodge & Cox Stock** (DODGX), another Kiplinger 25 fund, stick with their bargain-hunting strategy even when it's out of favor; the result is a fine long-term record.

Finally, several index funds stand out, including three from **Vanguard: Total Stock Market Index** (VTSMX), **500 Index** (VFINX) and **Institutional Index** (VINIX). The latter two track Standard & Poor's 500-stock index, but Institutional is cheaper, with an annual expense ratio of just 0.04 percent. **Schwab 500 Index** (SWPPX) is also a bargain, with annual fees of 0.09 percent. The biggest disappointment has been Fidelity Magellan (FMAGX). Once Fidelity's flagship, Magellan scores rock bottom over three, five, ten and 15 years among the 32 large-company funds on the list.

Best Small, Midsize Company Funds

There are only 16 funds in the small-and-midsize category ranked among the top 100 funds. You're lucky if **Allianz NFJ Small-Cap Value** (PSVIX), **Artisan Mid Cap** (ARTMX) and **T. Rowe Price Mid-Cap Growth** (RPMGX) are in your 401(k) plan – these excellent funds are otherwise closed to new investors. The Allianz fund has turned in above-average returns with below-average risk by focusing on undervalued dividend-paying companies with market capitalizations between $100 million and $3.5 billion. Artisan Mid Cap focuses on midsize firms with strong balance sheets and sturdy growth prospects that trade at discount prices. And the Price fund, run since its 1992 launch by Brian Berghuis, has won with a contrarian, low-turnover approach to growth investing.

But this category has a slew of other winners. **Fidelity Low-Priced Stock** (FLPSX), a member of the Kiplinger 25, has $36.9 billion in assets, making it the biggest fund in the group. Even so, the average market cap of its holdings is $3.9 billion, well below the $6.5 billion average size of holdings in the typical midsize-company fund. Two other Price funds prominent in retirement plans deserve praise: **Small-Cap Stock** (OTCFX) and **New Horizons** (PRNHX). Fidelity Mid-Cap Stock (FMCSX) has been one of the less-scintillating funds in this group, matching its peers over the past ten years but trailing its index benchmark.

Editor's Note: Nellie S. Huang is a senior associate editor at *Kiplinger's Personal Finance* magazine. Her comments on mutual funds can be read at www.Kiplinger.com.

Mutual Funds

DOW THEORY FORECASTS
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ETFs drive growth at BlackRock

Richard Moroney: "**BlackRock's** (BLK: $249) iShares family of exchange-traded funds (ETFs) collected 32% of global inflows last year and accounted for 41% of the world's ETF assets, maintaining its No. 1 market share.

ETFs as a whole and iShares in particular got off to a strong start in 2013. ETFs saw net inflows of more than $28 billion in January on the heels of nearly $38 billion in December, accounting for the largest two-month total in history. iShares garnered 44% of January ETF inflows.

Accounting for less than 10% of the assets in U.S. mutual funds, ETFs still have plenty of room for growth. BlackRock CEO Larry Fink says he sees a "secular shift to passive investing in the ETFs." BlackRock does a lot more than ETFs, but iShares assets under management jumped 27% last year, and ETFs remain the company's strongest growth engine. BlackRock is a Focus Buy and Long-Term Buy.

Business Breakdown

Last year, BlackRock earned $13.68 per share excluding special items, up 15%. Credit the growth to 3% higher revenue, aggressive stock buybacks that reduced the share count by 5%, and a boost in net profit margins to 26.1% from 24.7%. Growth accelerated in the second half of the year.

Fees for investment advice, account administration, and securities lending accounted for 86% of 2012 revenue. Performance fees – extra compensation for topping preset targets – generated nearly 5% of revenue. BlackRock Solutions, a business that provides risk management and other services to institutional clients, accounted for nearly 6%.

Assets under management rose 8% for the year to a record $3.79 trillion. Nearly two-thirds of those dollars are managed for institutional accounts, with 25% of total assets actively managed and 41% in index funds.

The iShares family of exchange-traded funds (22%) and retail accounts (12%) round out the rest of BlackRock's assets under management. While retail accounts comprise the smallest chunk of assets, they generated more than one-third of BlackRock's $7.71 billion in base fees for the year. Retail fees totaled 0.65% of assets under management, versus 0.20% for actively managed institutional accounts.

Stock funds captured 97% of total new ETF money in January, but over the long haul fixed income may offer superior growth potential. Assets in fixed-income ETFs rose at an annualized rate of 57% over the last decade but still account for just 0.3% of the global bond market. BlackRock says it is jumping into portions of the bond market that large investment banks have vacated, opening new avenues for growth.

Conclusion

The consensus projects per-share profits will rise 13% in both 2013 and 2014. Both estimates have risen at least 3.4% over the last 30 days. In January, the company raised its quarterly dividend 12%. At 18 times trailing earnings, BlackRock trades at a premium to its peer group well justified by its superior growth potential, and at a 18% discount to its five-year average P/E ratio. An annual report for BlackRock Inc. is available at 55 E. 52nd St., New York, NY 10055, (212) 810-5300, www2.blackrock.com."

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Pure value outperforms

Walter Frank: "Value-oriented funds dominated the top of *Moneyletter's* domestic stock funds list as of mid-February. And what is even more noticeable is the prevalence of the "pure value" ETFs, which account for 30% – or five of the top 17 funds. Pure value funds are more narrowly defined than value ETFs, and being ETFs, they are quantitatively driven, without portfolio manager discretion.

The two fund groups offering these five funds are Guggenheim Investments and PowerShares (Invesco PowerShares Capital Management). Of course, each bases its pure value funds on different underlying indices, and those indices use different methodologies for selecting component stocks. You might think that being pure value, there would still be substantial overlap in sector allocation and in individual stocks between the funds in each market capitalization range (i.e., mid-cap pure value). But it turns out there is not. Let's take a look at the methodology of the two systems.

Guggenheim Invstments has three pure value ETFs among the top *Moneyletter* funds; **S&P 500 Pure Value** (RPV), S**&P MidCap 400 Pure Value** (RFV), and **S&P SmallCap 600 Pure Value** (RZV). Starting with each respective base index, S&P calculates growth and value styles scores based on six factors. Growth factors are: sales growth, earnings change to price, and momentum. Value factors are book value, earnings, and sales, all compared to price. Growth and value scores are calculated as an average of the standardized factors. Stocks are initially assigned to three baskets: growth, blend, and value. For the pure indices, the highest ranking stocks in the growth and value baskets are selected. Stocks within the pure style indices are weighted according to their style score to remove any size bias that might arise from a market cap weighting system.

Stocks that score highly on these value criteria often have depressed prices. The result is that each of these three ETFs tip to the lowest end of their respective capitalization ranges. The S&P 500 Pure Value has more than half of assets in mid-cap stocks, S&P MidCap 400 Pure Value has two-thirds of its assets in small caps, while the SmallCap Pure Value has nearly three-quarters of assets in micro-cap fare.

The PowerShares Pure Style Portfolios tap the RAFI (Research Affiliates Fundamental Index) US style index series. These begin by taking the largest 2,500 companies and dividing them by size, based on a combination of sales, cash flow, book value, and dividends. The largest 70% (200-250 companies) are large, the next 20% (450-550 firms) are mid-cap, and the final 10% (1,650-1,750) are small.

From there, the RAFI series uses a multi-factor approach to identify growth and value stocks. The factors are different from the S&P elements. For growth: average five year dividend, sales, book value, and cash flow growth. For value: dividend, sales growth, book value, and cash flow, all measured against market value. Once scores are calculated, nine buckets emerge, large, mid, and small-cap, all separated into value, core and growth stocks. Like the S&P indices, market capitalization weighting is not used in the indices. Rather, RAFI uses a weighting style based on "four fundamental measures of size: sales, cash flow, book value, and dividends."

Differences

The PowerShares portfolios are considerably larger (in number of stocks) and less concentrated than the Guggenheim offerings. The **PowerShares Fundamental Pure Small Value** (PXSV) fund has more than 700 holdings, with just over 5% of net assets in the top ten, while **Fundamental Pure Mid Value** (PXMV) has 225 holdings with 10% in the top ten stocks. In contrast, the Guggenheim funds have between 100 and 150 individual holdings each, with 15% to 22% of net assets concentrated in the top ten stocks.

The PowerShares portfolios are also truer to their stated style. The Mid Value portfolio has 73% of assets in mid-cap stocks, while the Small Value fund has 52% in small caps and 38% in micro issues. And there is virtually no overlap in top holdings between two families' complementary funds. Only the financial sector figures heavily in most of these five funds, with industrials well represented in both small-cap offerings and the Guggenheim mid-cap fund (which, as stated, is heavy in small cap stocks).

Still, all five funds are performing well, despite the fact that the method of choosing stocks differs from one fund family to the other. It's a good time for value stocks."

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THE TURNAROUND LETTER
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Mutual fund turnarounds: This year's crop

George Putnam, III: "In addition to advising against market timing, we always strongly recommend diversification as the best way for investors to reduce risk. For that reason, we believe that mutual funds are very appropriate for many investors because they provide ready-made diversification. However, given our contrarian bent, we don't like just any mutual funds; rather we like funds that either focus on turnaround investing as part of their strategy or are themselves something of a turnaround. This latter category usually means funds with good long-term track records that have stumbled for a year or two.

Last year around this time, we looked at nine funds that fit in this rebound category. They had underperformed significantly in 2011 despite strong long-term records. As a group, they definitely lived up to our expectation that they would turn around: the average return (net of fees) for the nine funds for 2012 was just shy of 20%, almost four percentage points better than S&P 500.

The stock market was less volatile in 2012 than it was in 2011, but nonetheless a number of funds with good long-term records stumbled last year. We've highlighted several of them below that we expect to revert to their winning ways before long.

Calamos Growth (CGRRX) is the only holdover from last year's list, as it underperformed again in 2012. We're including it again because of its experienced management team and good long-term record. Also, we like the fund's focus on consumers in emerging markets, aging populations in developed markets and technology to enhance productivity. We expect a return to outperformance.

Marsico Growth (MGRIX) is overseen by Tom Marsico who achieved near-legendary status as a growth stock manager while at the Janus funds in the 1990's. He left Janus in 1997 to launch his own firm, Marsico Capital. Since inception, Marsico Growth has roughly doubled the performance of the S&P 500, but the fund has underperformed the S&P for both the past two years. Nonetheless, we expect Marsico to regain his touch.

Nuveen Tradewinds Value Opportunities (NVOAX) seeks special opportunities with an emphasis on value investing. With a measly 2.05% return in 2012, the fund was obviously not a good performer; it was particularly hurt by its exposure to mining and coal stocks. The fund has performed well since inception in 2004, however, and we expect it will rebound. We like its current exposure to AIG and GM as well as the energy sector.

Pioneer Fundamental Value (CVFCX) fund began in 2000, but the management company's roots date back to 1928. Ill-timed bets on European companies dragged down performance last year, but its ten-year record remains strong. We think the fund's exposure to banking and financial services and the pharmaceutical industry could power a rebound.

Royce Low-Priced Stocks (RYLPX) fund invests in low-priced equities, mostly in the U.S., but the fund can also look overseas. The fund has performed well since inception in 1993, but has lagged recently. Royce Low-Price's underperformance in 2012 followed an even more disappointing 2011. We expect the fund to revert to its more typical strong performance before long.

Yacktman Fund (YACKX) is overseen by Donald Yacktman, who has established an enviable long-term record as a value investor. Perhaps it should come as no surprise that we like this fund since four of his top eight holdings at year-end were *Turnaround Letter* recommendations. While Yacktman's 2012 performance lagged the overall market, his time horizon is more like ten years than one year. We agree with that approach.

Virtus Mid-Cap Value (FMIVX) fund originated in 1997 and continues to be managed by Sasco Capital, sub-advisor specializing in contrarian/value investments. The fund seeks undervalued, diversified companies that have been dragged down by an underperforming division. Poor stock picking in consumer discretionary stocks held back the fund's performance in 2012. Materials and industrial stocks account for a majority of holdings, and so broad-based economic growth would bolster the fund's returns in coming quarters."

Stocks to Watch

THE COMPLETE INVESTOR, P.O. Box 248, Williamsport, PA 17703. Monthly, 1 year, $199. www.completeinvestor.com.

Why Google is looking sweeter than Apple

Stephen Leeb: "**Google** (GOOG) has joined our Growth Portfolio in our medium-risk category. This Internet giant now dominates mobile Web searches even more thoroughly than it does desktop searches: more than 90 percent of all searches made from phones and other mobile devices use Google (compared to 65 percent of desktop searches). This helps account for profit growth that continues to come in at 20 percent a year.

What's more, mobile searches still make up only around 11 percent of total searches, a percentage that should accelerate sharply in coming years. Mobile searches cost Google a lot less than desktop searches, and their costs are continuing to decline, so their increasing importance will help boost margins for the company.

That's just the start of what is keeping Google at the head of the tech pack. Its Android mobile phone platform has the lion's share of the smartphone market. The company plans to introduce its own phone, and it could score its first real hardware win with its Nexus tablet. Longer term, Google has plans that could pay off in a spectacular way. For instance, it plans to launch a driverless car, a sci-fi sounding initiative that could create a hundred-billion-dollar new market. The company's balance sheet is pristine, and the projected free cash flow yield is 9 percent.

Category Shifts

While adding Google, we're further altering our tech profile by lowering our weightings on two current tech picks, **Apple** (AAPL) and **Intel** (INTC), moving each from medium risk to our highest-risk category. Apple – for the second time in its history – appears to be proving that being first is no guarantee of being the long-term leader, especially in technology. AOL, Digital Equipment, and even IBM (Income/Value Portfolio) in the computer area, are among the many companies whose head starts didn't translate into lasting leads. For all practical purposes, Apple invented the personal computer. But after dominating the business in its initial years, it ceded leadership to what were then called "IBM-compatible" computers, those using Windows software and Intel hardware.

Upon his return to Apple, Steve Jobs, with his uncanny ability to humanize technology, brought the company to the fore once again. But while he created a massive and fertile tech ecosystem that will generate massive profits for many participants, Apple doesn't appear destined to be the most successful player over the longer haul.

It's not that we think Apple will lose its franchise and appeal completely. It always will have devoted fans willing to pay premium prices for its premium brand. The company retains a small but solid market share in PCs that seems secure for at least five years. And its current niche is both larger and more solid than just PCs: with applications able to be ported across many different Apple devices, would-be competitors will find the barriers to entry quite difficult to penetrate.

Ultimately, however, Apple is about relatively small niches supported by consumers who are willing to pay up for quality. Apple has always been Tiffany, while its competitors eventually become Wal-Mart.

We expect the company, whose profits have risen 400-fold since 2003, will find it increasingly difficult to keep generating growth. Any meaningful growth likely requires the introduction of gangbuster new products, and with Steve Jobs gone, the odds of this happening have lengthened considerably.

The real action in tech these days lies with mobile smart devices, ranging from smartphones to tablets to ultra-thin computers. The mobile explosion started in late 2001 with the introduction of Apple's iPod, which broke little technological ground but converted clunky portable music players into elegant devices with superior sound quality. The iPhone came next, followed by the iPad. Various upgrades added further appeal to these devices, while Apple's proprietary IOS operating system allowed them to become integrate with one another.

Apple's reward was to become the world's biggest-cap company. But as the upgrades became less meaningful, competitors entered the market with ferocity. Today Apple faces declining market share and a likely losing battle in the developing world, where price counts for much more than in the U.S. Apple's latest earnings were disappointing as profits barely budged, and the company's guidance suggests little growth lies ahead.

So while Apple's products always will find a market, we don't expect the company to maintain its leading position. On a best-case basis, it might sustain growth near double digits. Still, it's by no means time to give up on the company. Given Apple's enormous cash horde, modest valuation, and devoted fans who would latch onto any genuinely new product, it still could be a win for investors. But as reflected in our relocating it to our highest-risk level, it has become more of a speculation than it used to be."

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Mistras Group, Inc.

Douglas Gerlach: "**Mistras Group** (NYSE: MG) is a leading global provider of "asset protection solutions" to companies in the energy, industrial, and infrastructure sectors. The company provides engineering and inspection services in order to prevent catastrophic failures, reduce costs, and comply with safety, environmental, and regulatory requirements. The company describes its expertise as mechanical integrity, non-destructive testing, and predictive maintenance services.

Its testing services include evaluating the structural integrity of various materials, detecting leaks in storage tanks and pipelines, and looking for corrosion. Over half its revenue comes from the oil and gas industry. The remainder comes from a variety of industries including chemicals, electric utilities, aerospace, and infrastructure. Its services are vital to the proper operation of its customers' assets, yet its services are not needed on an ongoing basis. Therefore, they are better performed by outside consultants rather than in-house experts.

Mistras technicians use proprietary sensors and equipment such as acoustic emission, radiography, infrared, and ultrasonic instruments to detect problems. The company also has a range of data collection and analysis software to help assess the integrity of the assets being tested. The company provides clients with a schedule for maintenance, future testing, and eventual retirement of assets. Some products can be purchased by customers, but Mistras' products and services are usually purchased on an outsourced contract basis. Revenue outside of the United States is now approximately 25% of its total. Its top ten customers represent 30%-40% of revenue depending on the particular quarter or year.

Mistras' business is fairly consistent, but can have some lumpiness from time to time. Lower activity among refining and chemical customers in the November quarter caused organic growth to be just 2% compared to 9% in recent quarters. However, the company experienced 30% growth in markets outside of oil and gas.

The firm makes numerous small acquisitions. Pricing of acquisitions seems to be fairly low as a multiple of revenue. Note also that Mistras has a very manageable debt burden.

Over the past several years for which results are available, growth of both sales and profits has been about 30% annually. We don't believe that this is sustainable and have dialed back expectations to 18% per year. We expect better organic growth than the recent observation, and also see significant potential for further acquisitions, particularly outside of the United States.

Because of the moderation of growth expectations, we also reduced the high P/E ratio to 25 from the 30's as experienced in recent years. Combining 18% EPS growth and a P/E of 25 produces a potential high price of 47. The company does not pay a dividend, and the potential annual return could exceed 17%.

We see the downside risk as 32% to 14.50. This is the multiple of the average low P/E ratio of 17.4 and EPS of $0.83 for the past twelve months."

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CVS Caremark: Double-digit growth prospects

Eric Vermulm: "**CVS Caremark** (NYSE: CVS) stands out not only as the largest pharmacy chain in the country, but as a well positioned Consumer Staple stock with one of a kind structure driving market share growth. Through the company's more than 7,400 retail stores, CVS provides local health care expertise and convenience to millions of Americans. CVS leverages its retail position through Caremark, its wholly owned pharmacy benefit manager (PBM). A PBM acts as an intermediary, coordinating prescription drug benefits and prices among pharmaceutical companies, retail pharmacies and individual health care customers. The Caremark and CVS combination makes filling prescriptions even easier for some of the country's largest prescription drug plans. This vertical integration is allowing the company to expand market share – up from 16% of the U.S. prescription market when the two companies merged in 2007 to 21% in 2012.

In addition to gaining a bigger slice of the prescription market, CVS is also benefiting from growth in the entire pharmacy industry. The U.S. Census Bureau estimates that the "over 65" population will grow by nearly 80% in the next 20 years. This is a benefit to the pharmacy sector as people 65 and older fill an average of 25 prescriptions annually, roughly three times the national average. As well as an aging population, the health care reform act is expected to bring an additional 30 million people onto health insurance beginning in 2014. Prescription drugs are often one of the first medical purchases made by newly insured individuals.

CVS' unique retail and PBM structure drives consistent profitability and growth, neither of which in our view is fully priced into shares. Over the past 10 years revenue per share (RPS) has expanded at an annualized 12.5% per year. Over the same time, earnings per share (EPS) has compounded at nearly 15% per year, and management expects EPS to grow 12% to 16% again in 2013. At a current Price to Earnings ratio of 15.1, CVS trades at a discount to its 10-year median of 16.7, and well below the 18.0 to 20.0 valuation norm seen during the 2003 – 2008 timeframe. Bottom line, CVS is an opportunity to own a high quality Consumer Staple stock with double-digit growth prospects at an attractive valuation."

Editor's Note: Eric Vermulm, CFA, is Senior Portfolio Manager at Stack Financial Management.

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Apple trading at an attractive valuation

Ingrid Hendershot: "Apple designs Mac personal computers, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store and is defining the future of mobile media and computing devices with iPad.

Outstanding Growth

In the 1970's, the late Steve Jobs co-founded Apple with his high school friend, Steve Wozniak. Two hundred units of the Apple I, an early personal computer, went on sale in July 1976 at a price of $666.66 because Wozniak liked repeating digits. From that first Apple seed, the company has continued its tradition of developing innovative products with revenues now topping $156 billion.

Over the past five years, Apple has experienced outstanding growth with sales compounding at a 43% annual rate and net income growing even faster at a 62% annual rate. These are exceptional growth rates for a company the size of Apple, reflecting the success of new product introductions such as the iPhone, iPad and iPod which enjoy incredible brand loyalty. Profit margins have steadily expanded over the last five years due to favorable costs on commodity components and the ability to leverage operating expenses on the strong sales growth.

First Quarter Results

However growth slowed and margins contracted during Apple's first fiscal 2013 quarter which led to the stock price pulling back from its $700 peak level. Nevertheless, Apple posted record first quarter revenue of $54.5 billion, which increased 18% over last year. Apple also reported record quarterly net profit of $13.1 billion, or $13.81 per share, approximately flat with last year which was a 14-week quarter compared to a 13-week quarter this year. International sales accounted for 61% of the quarter's revenue, with sales in China more than doubling.

Gross margin was 38.6% compared to 44.7% in the year- ago quarter, as the company launched a record number of new products. The company sold a record 47.8 million iPhones in the quarter, which represented 39% growth on a comparable weekly basis as Apple's phones continue to gain market share. Apple also sold a record 22.9 million iPads, which represented 60% growth on a comparable weekly basis.

Bountiful Cash Flows

Apple continues to generate superb cash flows with free cash flow increasing 30% during the first quarter to $21 billion with cash at the end of the quarter topping a whopping $137 billion. Apple returned $4.5 billion of this cash to investors during the first quarter through $2.5 billion in dividends and $2 billion in share repurchases. Apple had previously outlined plans to return $45 billion of cash to shareholders through dividends and share buybacks during the next three years. Given its bountiful cash harvest, Apple's management and Board have been in active discussions about returning even more cash to shareholders.

Attractive Valuation

With trailing 12-month free cash flow of $46 billion, Apple's free cash flow yield is a juicy 11.5%. Apple is attractively valued trading for less than 10 times trailing earnings, or 6 times trailing earnings when the company's copious cash is excluded. Long- term investors should take a byte out of Apple, a HI-quality company with outstanding growth in sales, earnings and cash flows, trading at an attractive valuation. Buy."

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Time for a correction?

Thomas Bishop: "With the stock market hitting all-time highs, one can argue that a correction is overdue. With interest rates still near zero, and bonds at high rates maturing, where are you going to reinvest the money? This time of year a lot of pension and IRA money is looking for a place to invest as well. Investing in bonds now when interest rates are so low and have nowhere to go but up (and thus bond prices have nowhere to go but down) is risky business unless you plan on holding until maturity. CD yields are even more pitiful. So many are concluding the best place to park funds until rates improve is in the steadily rising stock market, especially in dividend paying stocks, and up we go.

The thing is, this picture is not changing anytime soon so maybe we won't get much of a correction. And more than one legendary investors has cautioned not to invest against the trend, never underestimate how much higher a stock can go, and don't fight the Fed. So while a correction seems likely, it's not a sure thing by any means. Balancing all this with the fact that we are still in a seasonally strong 6 months of the year, I'll ease off the throttle just a touch to 80% invested.

Currently most attractive for purchase are **InVivo Therapeutics** (OTC.BB: NVIV), **Sanchez Energy** (NYSE: SN), **PetroBakken** (PBKEF.PK), **Taseko Mines** (TSX: TKO; NYSE Mkt: TGB), **Kodiak Oil & Gas** (NYSE: KOG), **Spirit Airlines** (Nasdaq: SAVE), **Vascular Solutions** (Nasdaq: VASC), and **Matthews Pacific Tiger Fund** (MAPTX)."

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Apple vs. Amazon

Russ Kaplan: "A good example of how expectations influence the market short-term has been provided for us this quarter. Two high tech companies reported earnings this quarter. One of them earned $54 billion, which is near the highest quarterly earnings reports ever, while the other lost money for the second quarter in a row.

Which one would you rather have? Probably most would choose the one that made $54 billion. You would be wrong.

The one that earned $54 billion was **Apple** (AAPL) and the one that lost money two quarters in a row was **Amazon** (AMZN). Upon announcement of the results Apple plunged in price, while shares of Amazon soared.

The one thing the analysts gave as an excuse for Apple's low performance was the iPod sales were a bit below expectations. I believed that Apple mostly fell because over the years you had soaring sales and a constant series of blockbuster products. I believe that because of this slowdown investors have panicked and driven Apple shares way below where they should be on a value basis.

I would not in fact be surprised to in fact see a blockbuster come out in the future, and I am hearing about Apple's alleged breakthroughs in televisions and wristwatches.

The price may go lower, but I think Apple is a steal at its current price and if you buy now you will be well rewarded in the future.

Amazon, on the other hand, is in my opinion in a bubble based on unrealistic expectations and that eventually this bubble will burst."

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Chanticleer Holdings known worldwide for wings and Hooters Girls

Konrad Kuhn: "The world economy has been in a state of flux for some time, with the debt problems of a number of countries in Europe, the anemic recovery after the Great Recession in the U.S., compounded by its reckless spending, China's economy declining sharply and Japan's two decades of massive deflation. Investors continue to look to the emerging economies for growth. **Chanticleer Holdings, Inc.** (Nasdaq: HOTR; $1.92) is an international franchisee of the iconic Hooters® restaurants and is aggressively opening Hooters® in four emerging international markets, minimizing its risk through investment in different geographical areas.

Hooters® restaurants are casual, beach-themed establishments with sports on televisions, jukebox music and the "nearly world famous" Hooters Girls. The menu consists of spicy chicken wings, seafood, sandwiches and salads. Each location's menu can vary with the tastes of its locality.

HOTR owns 6 Hooters® restaurants in whole or part in its international territories (4 in South Africa, 1 in Australia and 1 in Hungary). In the 1st half of '13, Hooters® of Budapest will be opening its outdoor patio for the first time, adding 140+ seats, a 56% increase to 390 seats and in time for the tourist season (Apr.-Oct). HOTR currently has exclusive franchisee rights to open and operate Hooters® restaurants in parts of Brazil, as well as all of South Africa and Hungary. Additionally, they have entered into a joint venture (49%) with the exclusive owner of Hooters® franchises in Australia. HOTR also has a minority ownership interest in the privately held parent company of the Hooters® brand, Hooters of America (HOA), the franchisor and operator of over 430 Hooters® restaurants in 28 countries.

In '12, HOTR grew its number of Hooters® restaurants by 100% to 6 restaurants, compared to 3 in the prior year. HOTR is continuing to move forward with its development plan and expects to secure a long awaited site in Rio de Janeiro, Brazil within Q1'13 and open a restaurant in Pretoria, South Africa in the first half of '13. HOTR's Campbelltown, Australia location became profitable in the Q3'12, giving confidence that the new Surfer's Paradise, Australia location would also be a success. Construction is set to commence after receipt of HOA approval, which is expected shortly. HOTR plans to increase the number of operational restaurants by 66.7% in '13 to a total of 10 restaurants. With their current territories, HOTR could grow to have more than 75 locations.

HOTR reported record revenue of $4.9 mil. for the 1st 9 mos. of FY'12, with a loss of (1.06) per share vs. (.43) for the same period in the prior year. It should be noted that the loss per share for the Q3 narrowed significantly to (.20) per share vs. (.40) in the year ago period. The company maintains a healthy balance sheet, with cash and cash equivalents of $1.7 mil. ending Sept. 30, '12. Of the 3,698,896 shares outstanding, approx. 10% are held by insiders. The stock resumed trading on 1/16/13 after the previous disclosure of misconduct of its former CFO of Hooters® South Africa. HOTR implemented further internal controls and hired a new CFO and an in-house counsel for its South African subsidiaries.

Meanwhile, the stock is base-building in the 1.70-2.00 area of purchase for a 1st target of 4-4.50, especially since HOTR is the only way to invest in the iconic Hooters® brand, as HOA is privately held. HOTR offers investors an established U.S. restaurant brand expanding into a number of rapidly emerging economies offering more growth than in the U.S. Other U.S. branded restaurants like KFC, Pizza Hut, McDonalds and Taco Bell have experienced significant growth in emerging markets. In a recent report by McKinsey Global Institute (part of the McKinsey & Co. blue chip consulting firm), consumer spending in the emerging market nations was projected to increase to $30 tril. By the year 2025. Benefitting from this will be restaurant chains like HOTR that operate around the world. Ultimate target 5-6."

NATE'S NOTES
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Top Picks of the Month

Nate Pile's recent recommendations are Celgene, Hambrecht & Quist Life Sciences Fund, and Walt Disney.

"**Celgene** (CELG) – The company is continuing to fire on all cylinders, and after spending several years waiting to break out, it appears the stock is finally doing so with a vengeance! CELG is now a strong buy under $105 and a buy under $120.

Hambrecht & Quist Life Sciences Fund (HQL) – the biotech sector continues to be one of the strongest on my radar screen… and the chart of this closed-end fund suggests it may be poised for a significant breakout. HQL is considered a strong buy under $15 and a buy under $17.

Walt Disney (DIS) – Another situation where both the company and the stock are doing exactly what we want them to be doing… DIS is now considered a strong buy under $54 and a buy under $58."

Commenting on his largest position, **Apple**, Nate Pile says "now that AAPL has broken $445, the odds have gone up dramatically that it will likely trade down to the $400-level (and perhaps even a bit lower) before all is said and done." He believes the odds are becoming dramatically stacked in your favor when it comes to buying the stock today and then making money in it over the next three year. Pile considers AAPL a strong buy under $425 and a buy under $475.

MONETARY DIGEST

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Diamond Offshore Drilling: Strong balance sheet and dividends

Genia Turanova: "We have added **Diamond Offshore Drilling** (DO) to our Growth and Income portfolio. Why? The company has compelling yield, an improving growth profile, and its industry is experiencing a recovery.

Diamond offshore owns and operates one of the world's largest fleets of offshore drilling units; including 32 semisubmersibles, 13 jack-ups, and four dynamically positioned drillships, three of them with expected deliveries between 2013 and 2014. Its equipment lets the company offer equally diverse worldwide services in both the floater (ultra-deepwater, deepwater and mid-water) market and the non-floater, or jack-up, markets. Often criticized for its older fleet, Diamond Offshore in fact had been for years investing in its fleet, having devoted nearly $4.2 billion to its in new capital since 2009. Since then, the total number of rigs has declined, as the company divested 8 jackups and 2 midwater rigs, but the focus on ultra-deepwater and deepwater markets has resulted in Diamond having more than doubled its fleet there, from 8 to a total of 19.

The company focuses on deep- and ultra-deep-water market because that's where demand and day rates are expected to remain strong for the next few years.

Of course, at first glance, Diamond Offshore, as a deepwater driller, may not look to enticing to most income investors: it's not exactly in a recession-proof business. Its yield, on the surface, does not look very high, either: if you measure the size of its regular dividends, they fall at under 1 percent. However, over time the company has consistently paid "special" quarterly dividends – and said dividends, since mid 2010, have held steady at 75 cents a share. Add them, and the annual yield pops to about 4.7 percent.

Since January 1, 2006, Diamond Offshore has paid and declared more than $33 per share in overall dividends, and going forward, the special dividend looks safe, as Loews Corporation owns over half of Diamond Offshore– and like all stockholders also reaps the special dividend. Thus, with Loews remaining the majority owner, we think there is little risk to the "special" dividends.

Another positive – compared to its industry group – is Diamond Offshore's balance sheet strength: The size of its long-term debt is about equal to the total cash it carries on its balance sheet. This, plus the recent debt upgrade create financial flexibility and further enhances our investment case. Buy Diamond Offshore up to 78."

Maderas Futuro Plants New Fast Growing Hardwood For Direct Ownership in 2013

Adding Timber to Your Investment Portfolio Provides Access to the Best Performing Risk-Adverse Asset Class of Past 30 Years

The next seven years will see timber outperform all other asset classes, forecasts Jeremy Grantham, chief investment strategist for Grantham Mayo Van Otterloo, which currently has $106-billion under management.

Timber has produced annual returns that have often matched or outpaced the S&P 500 over the long term, but with notably less risk. Between 1971 and 2010, timber boasted average annual returns above 14%. In 2008, while the S&P fell 38%, the value of timberland rose 9.5%. When timber is compared to gold over the past dozen years (1991 thru 2010), timber wins by a wide margin of 11.6% annual gains, to gold's 7%, according to a Bank of America report.

Maderas Futuro: A Way to Invest in Timber

So why is it then that most average investors own no timber?

The answer to that, historically, has been access. There are publicly traded shares investors can buy, exchange-traded funds (EFT's) and timberland real estate investment trusts (REITs), but they're by no means a pure play on timber. Ideally, you want to own timber outright.

This is where **Maderas Futuro, S.A.** can help. With a significant sawn lumber purchase contract in hand, the company is perfectly positioned to become one of Central Americas leading hardwood growers.

Maderas Futuro, a privately owned Central American company headquartered in Southern Nicaragua, specializes in the managed growth of precious tropical hardwoods for local and worldwide export markets.

The company follows strict reforestation practices that not only save and protect endangered flora and fauna, but also the wildlife and habitat they support. The company works closely with the National Forestry Institute of Nicaragua (INAFOR) and is committed to helping the country with its avoided deforestation and bio-fuel projects.

While most of the timber grown on Maderas Futuro's plantations is corporately owned, a few years ago the company began growing hardwoods on behalf of private owners. This approach affords average investors direct timber ownership, and, with it, access to the above-average risk-adverse returns timber has historically produced.

Timber is a longtime favorite of some of the top investors in the world. Ted Turner and Jon Malone own millions of acres of timberland; Harvard University's Endowment holds as much as 10% ($3 Billion) of their portfolio in timber, and Boston-Based John Hancock owns 5.3 million acres on behalf of its institutional and rich clients. The wealth creation and wealth preservation attributes of timber have long been a defensive investment decision shared by the wealthy; and now the average Joe can buy in, too. Average investors have been hunting for the riches of the forests for years, and now they can find the financial shelter it provides there, too. The correlation between timber and other assets is low, which means timber is not very likely to lose money when say, stocks are tumbling. After all, trees grow through bear markets, they grow through bull markets, they grow when the economy is good, they do the same when the economy is bad, and they keep on growing through everything.

Not Your Typical Timber Play

Unlike much of the timber that is grown in North America that ends up as pulp or standard building material, the precious hardwoods grown by Maderas Futuro are virtually immune

High-demand tropical hardwords grown and harvested by Nicaragua-based Maderas Futuro, S.A. offer a high-return vehicle for resource and commodity investors.

to price fluctuations. Whereas North American timber prices are correlated to the housing market and the economy, worldwide demand for tropical hardwood is constantly greater than the supply.

"We have a very unique set of natural characteristics that cause our hardwoods to grow very fast," Alex Wilson, Maderas Futuro's head of marketing explains. "The trees we are planting in 2013 will grow to 40 feet in five years and will be ready to harvest at the end of their fifth year. Growing under the intense Central American sunshine; and in fertile volcanic soils with tropical rains that average 60 inches a year, our return on investment timeline is greatly reduced."

Maderas Futuro has secured a guaranteed purchase contract for all sawn lumber—which each direct owner has the option of selecting. Timber harvested by Maderas Futuro is used for high quality doors, window frames, conference tables, high-end residential furniture, to musical instruments, designer coffins, and more recently, iPad cases.

Hassle-Free Pure Play Direct Ownership

Maderas Futuro has designed the most straight-forward way for investors to own the risk-adverse profit potential of timber. The company offers a free report that outlines several ways investors can learn more. For example, the company's **College Bound Plan** is designed for investors searching for ways to offset future higher education expenses for their children or grandchildren. For those investors seeking a sustainable income during retirement, the **Millionaire Retirement Plan** is the best fit. And if an investor wants to pass money on to family members, taking advantage of the current annual IRS gifting allowances is another consideration.

The company offers entry level programs below $10,000 and works individually with clients to personalize programs that fit every aspect of someone's financial goals.

"I have always been interested in hard assets and timber was something I wanted to diversify into," says a direct timber owner from California. "The direct owner programs Maderas Futuro offer are a perfect fit for me."

Community Focused

Maderas Futuro's core principal is to support the communities where their plantations are located—and to do so in more ways than one.

"This year we are making a difference in local schools," explains Ken Ross, plantation manager. "We learned that most classrooms don't have enough chairs for each student to sit on, so we are making chairs and getting them delivered to schools so that every child has a seat. Alcoholism can be a big problem for unemployed men, so we started and fund the local AA program and have seen tremendous positive results."

Direct timber owners who work with Maderas Futuro will find the company is committed to the local community and is working to create as many local jobs as possible over the next ten years.

Today's Nicaragua: A Vibrant Global Business Environment

Today, Nicaragua is a globally recognized and expanding international business center that boasts one of the fastest growing economies in Central America. From 1989 onwards, the country has focused on providing attractive foreign business incentives while ensuring excellent political stability. Nicaragua has Bilateral Trade Agreements with over 15 countries globally and has taken steps to ensure that the current trends of economic growth and stability continue. Nicaragua has also become a popular tourist destination with visitors now in excess of 1 million annually.

Investment Considerations

With the recent acquisition of a guaranteed lumber purchase contract in place, plus government forestry approvals, and exponentially expanding supply and demand factors, the future prospects at Maderas Futuro are impressive. Add to this the obvious environmental benefits, employment creation possibilities, and community focused programs, Maderas Futuro's management team is more than excited about the future.

"Timber has been described as a low risk, high return asset which has outperformed stocks, bonds and other commodities for the last 30 years," says founder, Hugo Rodriguez. "The track record of early investors and a surge in modern academic research have shown that timber is a near-perfect asset. We are looking forward to helping Nicaragua forge its way forward as a major hardwood producer, and at the same time help direct owner clients earn better than average returns."

There seems to be little question that Maderas Futuro offers the average investor an intriguing entré to the high-performing timber sector.

"This year we are ready to welcome any investor who has been hit hard by recent portfolio losses," says Wilson. "Our direct ownership programs come with projected returns in the middle teens. This is unique in an asset class that has such a low risk correlation."

Wilson urges investors to contact him directly for a free personalized consultation on the pluses of investing in timber. He stresses that speculating where gold and silver prices will be five years from now is virtually impossible, and that investors should not have to just hope stocks will be higher or that inflation will not drastically reduce buying power. Timber is different.

"If timber prices continue to do what they have done for more than a century, then prices will be higher next year, five years from now, and every year thereafter," Wilson says. "Simple supply and demand factors are on our side and direct timber owners will be able to enjoy these returns for years to come."

To learn more about direct timber ownership contact Alex Wilson at (949) 204–3404 ext: 101, awilson@maderasfuturosa.com and be sure to visit Maderas Futuro's website: www.MaderasFuturosa.com

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Seasonal effects favor gold stock bulls

Alan Newman: “We believe seasonal effects strongly favor gold stock bulls When you add in the grossly oversold nature of gold stocks, the ingredients are there for a substantial turn to the upside. In the last few years, we have traded in and out of our two core investment stance ideas of **Newmont Mining** (NEM) and **Goldcorp** (GG) but still maintain a 30% long exposure. We are thinking of adding modestly but will wait for more evidence that out upturn scenario is indeed, in play. In the meantime, GG at a near 2% yield is attractive as is **American Barrick** (ABX) at a 2.7% yield. NEM at over a 4% yield is outstanding. NEM’s dividend is now competitive with the Dow Utility Index and exceeds utilities such as **Northeast Corp.** (NU) and **Chesapeake Utilities** (CPK) by a wide margin.”

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Contrarian bells ringing loudly

Ian McAvity: “Extraordinary negativity on Gold is ringing the contrarian bells loudly…

Decade lows in bullish sentiment, record redemptions from the GLD ETF and nearly all of the net shorts that rose 133,025 contracts July to Oct’12 have been reduced by covering 131,650 contracts by Feb 26th on the price break. The New Short position has rarely been this small since Jan’09.

The Gold Miners shares have been getting killed, in part attributable to heavy redemptions according to some analysts. Smaller companies that did a lot of ‘bought deal’ with typically low liquidity have been hammered recently as funds sell *“what they can rather than what they want to”* according to Brent Cook’s Exploration Insights.

The GLD ETF reported holdings have fallen by 100 tonnes since Dec 10th…3 months… which adds to the speculation of why the NY Fed should need 7 years to deliver 300 tonnes back to Germany?

The latest try for some day light is a demand by the auditor general of Mexico that their 120 tonnes (held by in the UK) must be audited. Suspicions about how much ‘official gold’ may be swapped or leased out with the result being a gold receivable rather than a gold bar are rapidly escalating as details of the Libor scandal and who knew what/when evolve. With HSBC and JPM bullion custodians on the major ETF’s big Gold and Silver derivatives issuers, and major shorts in the Commitment of Traders data… the concerns are worrisome.

I watch GLD inflows/outflows on a 20-Day net basis. They hit their 2nd highest outflow of 74.8 tonnes on March 4th. Extreme withdrawals tend to occur near key bottoms, while media reports suggest the uptrend is over because of the outflows!

The decimation of the Gold Miners is remarkable and is clearly impacting sentiment as the industry majors talk of shifting their focus from growing production to trying to grow bottom line instead. The have a history of cutting back their plans at cyclical bottoms…

The notion that the gold uptrend from 2001 is “over” is very reminiscent of the negativity we saw at the 2004, 2006 and 2008 bottoms. Given that Bernanke just testified that his ‘zirp’ (zero-rate-policy) is expected to continue into 2016 should put that fear to rest.

I don’t see much evidence of an equity bubble. Earnings are very high, and equity holders are risk-averse in their behavior” Bernanke said. (Feb 26, 2013). He and Greenspan didn’t foresee the 2000 tech or 2007 ABS bubble tops either…

I believe a very significant gold bottom is very near.”

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Exelon: A time-tested strategy for big long-term gains

Roger Conrad: “Buying utility stocks after dividend cuts is a time-tested strategy for big long-term gains. And I expect nothing less from here for Growth Portfolio Core Holding **Exelon Corp** (NYSE: EXC).

The company had warned for several months that it would cut its payout to maintain balance-sheet strength, unless North American wholesale power prices recovered in 2013. Exelon derives more than half of its income from this unregulated business, with the rest coming from regulated utility operations.

The 41 percent dividend reduction is a tacit admission prices are likely to stay low. So is management’s 2013 earnings target of $2.35 to $2.65 per share, down from $2.82 earned in 2012, which reflects the expiration of hedges locking in higher selling prices.

The silver lining is the $700 million saved from the dividend cut allows Exelon to effectively wait out current power-price weakness without sacrificing its ability to profit from the inevitable recovery.

The company now controls 20 percent of US nuclear generating capacity thanks to last year’s acquisition of Constellation Energy Group Inc. Its plants had another stellar year, running at 93 percent of capacity.

And unlike the natural gas-fired power plants they compete with, the nukes have a record of stable operating and fuel costs spanning decades. And they emit no carbon dioxide (CO_2).

An Obama administration tax on CO_2 or tighter regulation of emissions would boost the cost of gas-fired power overnight. So will eventual export of North American liquefied natural gas, coupled with surging demand at home.

And the likely result will be power prices back at normal (higher) levels as well as a gigantic lift to Exelon's margins on power sales.

That's a bet almost no one is making now. But it's plenty of reason to own this stock, particularly now that the company has resolved near-term financial pressures. Buy Exelon up to 35."

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Top contenders for 2013

Jennifer Dowty: "Equity markets this year have got off to a positive start. So which stocks will lead the pack? Which ones will be the top performers in 2013?

I've listed some of my candidates below. But readers should keep in mind that the greater the potential return, the greater the potential risk.

Luna Gold Corp. (TSX: LGC; $3.78) is a junior production and exploration company with operations in Brazil. Insiders own about 14 per cent of the shares outstanding.

Company bucks trend

Luna has been one of the few gold plays which has delivered positive returns despite the downtrend in the price of the metal itself. There are several reason for this.

First, some analysts believe Luna has held up because many of its shareholders are value investors, in for the long term.

Another possible reason for the stock's strong performance is the company's attractive growth profile.

In 2012, Luna produced more than 74,000 ounces of gold. And it sees its 2013 output going higher, ranging between 95,000 and 105,000 ounces at cash costs of US$705 to US$715 an ounce.

Meanwhile, for 2014, the company hopes to be producing 125,000 ounces a year.

For their part, analysts see Luna Gold generating solid growth in both earnings and cash flow.

For 2012 and '13, the consensus crew is predicting both net earnings and cash flow of $0.18 and $0.33 a share, respectively.

Lastly, Luna Gold boasts several potential catalysts from which it may deriving downside protection.

Those catalysts include both resource and reserve updates, as well as drilling results from several exploration sites.

Total resources are anticipated to rise to more than four million ounces from 3.9 million ounces.

Moreover, in the fourth quarter, the company is expected to release a preliminary feasibility study for phase two of its mine expansion – an expansion that could see its annual output rise to 200,000-300,000 ounces.Of the eight analysts who follow Luna Gold, seven now recommend it as a buy and, one, as a sell. Their average one-year price target is $5.54 a share, equating to a potential return of 47 per cent.

Year-to-date, Luna's shares have risen more than 16 per cent. Although technically, its chart is very strong, the stock in the near term is overbought.

Strong downside support exists at $3.50 and $3.35 a share, its 50-day moving average. There's technical resistance at $4.

Bottom Line: Although Luna Gold may be due for a pause in the near term, it could resume its climb in the second half of 2013, ahead of the release of the preliminary feasibility study.

Trican Capital Group Inc. (TSX: TCN; $6.84) is a residential real estate investment company.

For Trican, America's gradual housing recovery is a key driver. So by buying its stock, investors get to participate.

Trican is focused on homes in some of America's hardest hit depressed real estate markets such as Arizona, Florida and California.

Its business model is to buy homes at low, depressed prices, often at foreclosures, make minor renovations and then rent the home to families.

The company's strategy is two-pronged: to buy home that appreciate in value and then to rent out homes for the income streams.

Some analysts estimate about 75 per cent of the company's forecast revenue for 2013 will come from the U.S. market.

Stream is stable

Trican's rental income provides a stable revenue stream, allowing the company to pay stockholders a quarterly dividend of $0.06 a share, equating to a yield of 3.5 per cent.

All five analysts who now cover Trican rate it a buy. Their average one-year price target is $8.10 a share, implying a potential one-year return of 18.4 per cent excluding from the dividend.

Analysts see Trican logging robust growth. Indeed, for 2012 and 2013, the consensus crew is forecasting revenue of $29 million and $69 million, respectively.

Year-to-date, Trican's stock has risen six per cent. Its shares have technical resistance at $7 and $7.25 a share, technical support at $6.50.

Bottom Line: Economic indicators suggest that a U.S. housing recovery is well-underway.

Trican allows investors to participate in this recovery, while collecting a reasonable dividend at the same time.

Here are our top contenders for 2013 with their potential 1-year return: **NovaCopper** (NCQ; Potential 1-Year Return: 157%), **Belo Sun Mining** (BSX; 137%), **Orvana Minerals** (ORV; 120%), **Luna Gold** (LGC; 47%), **RMP Energy** (RMP; 39%), **Black Diamond Group** (BDI; 30%), **International Forest Products** (IFP.A; 23%), **WestJet Airlines** (WJA; 23%), **CCL Industries** (CCL.B; 22%), **Secure Energy Services** (SES; 19%), **Tourmaline Oil** (TOU; 19%), **Trican Capital Group** (TCN; 18%).

For disclosure purposes, either I or my employer may have investments mentioned in this column."

Editor's Note: Jennifer Dowty, CFA, is managing director and portfolio manager at Manulife Asset Management and a frequent contributor to *Investor's Digest of Canada.*

THE COMPLETE INVESTOR
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Gold: It's just getting started

Stephen Leeb: "Okay, here's a provocative question. Should you believe Warren Buffett, or should you believe us?

Buffett is clearly one of the all-time great investors. And like the rest of the world, we've long respected his acumen and indeed followed many of his recommendations, including our longtime ownership of **Berkshire Hathaway** (BRK/B) (Growth Portfolio).

But when it comes to gold, we think investors who listen to Buffett are headed for severe disappointment, not wealth. He's been bad-mouthing the metal – among other things, claiming it can't be considered a currency. We think he's dead wrong and that as resource scarcities worsen all investors need a serious stake in precious metals to stand any chance of coming out ahead.

Right now two separate forces have an interest in tamping gold prices down. They could succeed a while longer, perhaps even a year or two. But eventually, the dam will burst, and gold will soar. So while the metal is up six-fold since the century's start, think of this as a mere appetizer to the main course.

The first force seeking to underplay gold is central banks and other establishment financial players in the developed world. They have a vested interest in maintaining the existing economic system, which is underpinned by the dollar as a reserve currency. To acknowledge that gold is becoming a de facto currency would hasten the reordering of this existing system, which they are desperate to avoid.

As evidence of this resistance to gold, recent actions by the Bank of International Settlements (BIS) are revealing. BIS, known as the central bank for central banks, issues global regulations concerning bank reserves and liquidity. The financial meltdown of 2008 made clear that current requirements are inadequate. As a result, early this year BIS began releasing new rules – named Basel III – that could take effect in the next few years.

So far BIS has proposed guidelines to banks to ensure they hold sufficient liquid assets to last at least 30 days. Notably, it has specified that banks can meet these requirements in part with assets like stocks and the lowest-rated (BBB-) non-junk corporate bonds. But in a striking omission, BIS avoided all mention of gold and other precious metals as qualified liquid assets.

It amounts to a vast misdirection away from the reality that increasingly very few liquid assets – or more precisely, trusted assets – remain to be had. BIS's efforts to preserve "normalcy", a worldwide financial system in which the dollar keeps its status as the chief reserve currency, ignores the fact that the buck and most other paper currencies are rapidly becoming debased. And in a world of increasingly scarce natural resources, it will become even harder to find anyone willing to accept these paper currencies in exchange for resources.

China's Big Push

Meanwhile, a second force also wants the world to avert its gaze from gold: China. It has been amassing gold at a frantic pace and wants still more, giving it a strong interest in keeping prices as low as possible until it feels it has enough.

In 2012 China likely imported about 800 tons of gold through Hong Kong, and additional amounts could have entered through other channels. Moreover, in the past four years China has consistently been the world's largest gold producer. Though China hasn't announced its reserves since April 2009, it would be no surprise if China already were the No. 3 or even No. 2 country in the world in the amount of gold reserves it holds.

China's plans for the yellow metal in 2013 appear even more ambitious. The Shanghai gold exchange has become a full-fledged exchange for spot gold and derivative trading. This not only makes it easier for China to accumulate gold, it also helps attract foreign investors, leading to ever more yuan-based transactions. Moreover, the Chinese are completing due diligence on gold ETFs, a pathway to accumulating massive amounts of gold.

The resistance by BIS to considering gold as a qualified bank asset gives China more time to carry out these plans, which will result in the yuan being the only currency backed to some degree by the yellow metal. But BIS is clearly fighting a losing battle, and eventually, like it or not, it will be forced to acknowledge that gold is tantamount to a currency.

At that point BIS would be undercutting Buffett and virtually all other Western bankers who rely on the dollar as their exchange medium. Potentially it could lead to an upward spiral in which gold purchases lead to higher gold prices, and higher prices encourage banks to buy more of an asset not easily debased.

Investing in Gold

For investors, the current situation has created an exceptionally rare point of inflection. Gold reserves as a percent of paper reserves have been nearly stagnant since the start of this century, with central banks' buying aimed only at keeping gold at its low 1-plus percent of total reserves. Once this changes and central banks start being bigger buyers, look for gold prices to really take off.

The easiest way for investors to track rising gold prices is via ETFs, such as **SPDR Gold Trust** (GLD) (Growth Portfolio) and **iShares Gold Trust** (IAU). These hold physical bullion.

But for the greatest potential gains, investors will likely do even better by investing in selected junior miners with strong asset bases. Remember, in the 1970s, while gold climbed 20-fold, gold mining stocks on average rose 18-fold, meaning there were individual stocks that did far better – with some soaring 30-fold and more. We think some of the junior miners this time around will do just as well if not better.

Among the junior miners, our favorite is **Nova Gold Resources** (NG) (Growth and Small-Cap Portfolios) and whose operations have the great virtue of being located in politically secure North America. And for a diversified stake in the junior miners, we like the ETF **Market Vectors Jr. Gold Miners** (GDXJ) (Growth Portfolio)."

LIBERTY'S OUTLOOK, published by Liberty Coin Service, 300 Frandor Ave., Lansing, MI 48912. Monthly, 1 year, $149. www.libertycoinservice.com.

Expect extremely volatile precious metals prices

Patrick Heller: "With so much at stake for the US government to hold down prices versus enormous demand to purchase physical precious metals, expect prices to be extremely volatile for the next couple of months.

Is it possible that gold might dip below $1,500? It is. Do I think it likely? I do not. The same goes for how much further silver might or might not decline.

At current rates of consumption, the governments and private parties in China and India are absorbing about 80% of annual worldwide gold mine production! In 2012, central banks together (including China) made the largest net purchases of physical gold reserves in almost 50 years.

After a sudden price drop, some buyers immediately jump in to make purchases. Other waiting buyers hold off, hoping that the absence of their demand will lead to even lower prices.

Recently, we have seen the price of gold swing as much as 4% and silver 5% within the course of one day.

I am convinced that future gold and silver prices will be at least double of what they are today. On that basis, it doesn't really matter if prices jump 1-2% between the time you make a decision to purchase and you actually go to consummate a transaction.

One standard reaction to increased price volatility is that wholesalers have widened their buy/sell spreads in self-defense. Not by a lot – yet. When this occurs, retailers also tend to widen their buy/sell spreads as well. This has occurred repeatedly over the years in volatile markets. It is not something for knowledgeable buyers to be concerned about. When the time is right to buy or sell, just make sure you are getting a competitive price in that market and execute your trade. Don't let volatile prices scare you into doing nothing."

Market Outlook

THE DINES LETTER, P.O. Box 22, Belvedere, CA 94920. 1 year, 14 issues, $295.

TDL's Seasonalities: April Rally Ahead?

James Dines: "Based on the Dow-Jones Industrial Average, April has been the top-performing month in the past 63 years, up 41 times and down only 22 times, almost 2 to 1 bullish odds, averaging a 2.0% rise for the month. The S&P 500 corroborates this with 43 up and 20 down, 68% bullish, its second-best performing month.

Our research additionally reveals that April has been a month with a pivotal reversal of the March trend 62% of the time (31 out of 50 years) since 1963, and at least a semi-important Top has been reached in virtually every April or May since then. April was notably a pivot month to the upside in 1994, 1997, 2001, 2002, 2003, 2005 and 2007, coinciding with our very important "Buy" signals on 5 Apr 94, 14 Apr 97, 18 Apr 05 (within two days of rock bottom for the year), and on 20 Apr 07 after which the DJI soared 1,280 points. (April 1995 and 1999 were not pivot months, and simply continued the DJI's bullish drive). April churning has frequently led to declines in May or June in preparation for the seasonal "summer rally," as was the case in 1984, 1985, 1986, 1988, 1991, 1992, 1998, 2000, 2004, 2006, 2008, 2009, 2010, 2011 and 2012.

In 31 of the past 51 years the DJI rose in the first two weeks of April more positively than the final two weeks (61% of the time). The average percentage rise from 1 April to 15 April was 1.23%; the average for the period 16 April to 30 April was 0.65%. The S&P 500, when subjected to the same analysis, corroborated those results. Since 1955, the April 1-to-15 rise averaged 1.05%, but from April 16 to 30 it was only 0.54%. This particular *Technical Indicator* predicts better market action in the first half of April than the last half.

Gold & Silver: The Dines Gold Stock Average (DIGSA) in the last 45 Aprils has risen 19 times, declined 25 times, and was neutral once; bearish 57% of the time. The Dines Silver Stock Average (DISSA) has risen 19 times and declined 26 in the past 45 Aprils, for 58% bearish odds. No bullish percentages this month."

Editor's Note: *The Dines Letter* is one of the best-known and oldest stock-market newsletters of its type in the world. Basing its recommendations on Mass Psychology, Technical Analysis and Fundamental Economics, *The Dines Letter* offers explicit advice on stocks, gold and silver stocks, commodities, currencies, the economy and the overall international outlook. For more information visit www.dinesletter.com.

Atna Resources Producing Gold at Pinson Underground Mine

Atna Resources Ltd. is building a successful gold mining company dedicated to responsible gold production and the creation of sustainable value for shareholders, employees and communities. Atna's professional management team is committed to integrity and creating a performance driven culture dedicated to safety and environmental responsibility. The company's strategy is focused on using solid existing asset base to create a multi-mine gold production scenario a strong platform for growth: gold production at its Briggs Mine, where began in 2009 and the Pinson Underground Mine, as well as a contiguous gold project pipeline (Reward and Columbia) and promising exploration ventures. Atna produces a sustainable cash flow, profits and value balancing mine depletions with new gold production start up. Atna recently announced report it has extended its outstanding CAD $17.5 million credit facility, the remainder of a 2009 $20 million credit facility obtained to finance the cash portion of the Pinson Mine acquisition and to provide initial development capital.

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The DTS8 Coffee Company, Ltd. The DTS8 Coffee Company is a diversified, horizontally-integrated coffee roaster and marketer. This growing horizontally-integrated gourmet coffee roaster and wholesaler targeting to capturing a portion of the world's fastest growing coffee market: China. DTS8's business plan focuses on developing a solid market share in the fast growing and wide open Chinese coffee drinking market which is gradually shifting from instant coffee towards gourmet whole bean and ground coffee products. DTS8's focus is on China where coffee is quickly becoming the fashionable drink for younger generations of China's 1.3 billion population. Barclay's Capital analysts predict China's coffee consumption could grow by an average rate of almost 40% a year by 2015. The bottom line for DTS8 and its Chinese subsidiary DTS8 Coffee is a wide-open market with huge potential.

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U.S. Silver & Gold: Low Risk, Low Capital Needs, High Growth

U.S. Silver & Gold Inc. is focused on growth from its existing asset base and the execution of targeted accretive acquisitions. The company owns and operates the Galena Mine Complex in the heart of the Silver Valley/Coeur d'Alene Mining District, in Idaho and the Drumlummon Mine Complex in Montana. The Galena Mine produces high-grade silver and is the second most prolific silver mine in U.S. history, delivering over 200 million ounces to date. The Coeur Mine is under re-development with first production having been achieved in late 2012 and the Caladay Zone is being evaluated for bulk mining development. The Drumlummon Mine currently produces high-grade gold and silver with historical production of 1 million ounces of gold and 12 million ounces of silver and has never been fully exploited or explored. U.S. Silver & Gold recently announced production for 2012, production guidance for 2013 and positive new findings in the Caladay Zone of the Galena Complex. Forecast 2013 silver production to grow about 10 - 15% to 2.7 - 3.0 million ounces with projected cash costs reduced about 10% to $17.00 - $19.00 per ounce.

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The Stock Market Surging Higher

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years. That leaves investors and savers with few options.

CD's pay nothing. The yields on bonds are very low. So rising stocks, especially those that pay a decent dividend, are looking all the more attractive.

Plus, stocks are not expensive. They have room to rise further before they become overpriced based on the price/earnings ratio, and this too is a big attraction.

Currently, the PE ratio is at 17.9 and with interest rates as low as they are, the average PE has been about 21.8 based on a study over the past 60 years by our friend Steve Sjuggerud. So again, stocks are a good value at today's levels.

Technically Bullish Too

The technicals are also very bullish. Looking again at Chart 1A, you can see the S&P 500 is starting to break above its 2000 and 2007 resistance levels at 1550.

Following on the heels of the Dow Industrials and Transportations, if the S&P 500 can rise and stay above 1565, it'll be extremely bullish for the U.S. and global stock markets.

And based on the S&P's leading indicators, this could happen soon (see Charts 1B and C). Note that both indicators could rise further before they're overbought or at a major high area. This means stocks will likely keep rising.

The volatility index (VIX) is also known as the fear index and it too is reinforcing this. It tends to move opposite to stocks and it remains at a six year low, which means investors are calm. In other words, despite the huge debt load, the Fed's money policies, the debt ceiling and all the rest, investors are okay with it.

Overall, investors are generally optimistic about the underlying fundamentals and this optimism kicks up when the news is good. And when it's not, it's basically ignored.

Stocks Better Than Bonds

Another important change is that investors are starting to dump bonds, opting for stocks instead. Looking at Charts 2A and B, you'll see what we mean.

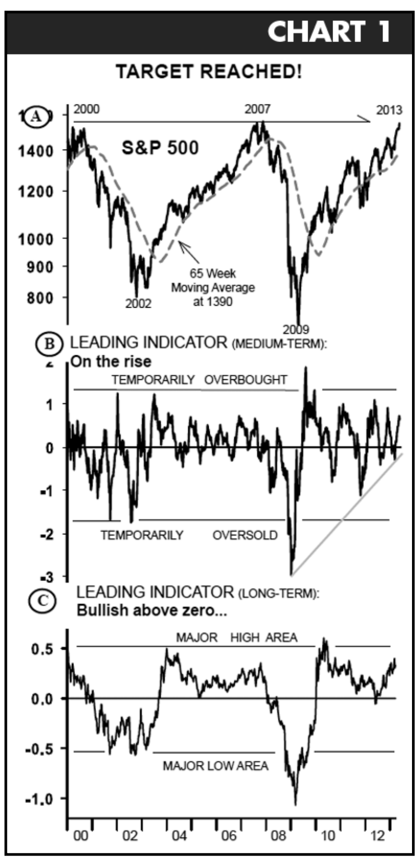
From 1950 to 1982, stocks and bonds moved in opposite directions. But from 1982 to the present, they rose together. The ratio of the two, however, fine tunes this (2C).

When the ratio rises, stocks are stronger than bonds and that was indeed the case until 2000. Since 2000, stocks have been weaker than bonds but another change is now underway.

The ratio has been bottoming for the past few years and it's poised to head higher. That is, stocks will again soon be outperforming bonds, as bonds form a double top.

How High Could Stocks Go?

With small investors moving into the market, it could embark on a speculative phase which could send stocks far higher. We're literally in uncharted territory.



Based on a long-term point and figure chart one estimated target is 17,000 on the Dow Industrials. It sure feels like 2006-07, but we'll see what happens.

For now, we feel we're well positioned with a mixture of blue chips and good dividend paying stocks. We also have some tech and global stocks in the mix. These should all do well as the bull market unfolds.

Most important, watch the major uptrend. It will stay intact with the Dow Industrials, Transportations, S&P 500 and Nasdaq above 13,100, 5,250, 1,395 and 2,975, respectively. As long as that's the case, stay with it.

Metals Taking A Back Seat

With the stock market hitting record highs, gold has clearly taken a back seat for now. This enthusiasm is taking more glitter out of gold, especially so because gold hasn't reached a record high since September 2011.

The stock markets are getting

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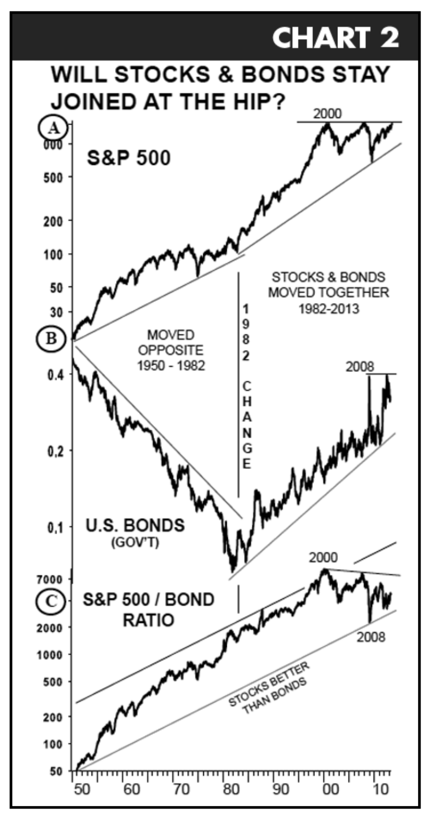

The Junior Mining Stocks? Some Important Points Not To Be Overlooked!

By Bob Pellerin
and Charlie Grainger

The CanadianMineAnalysis.com now finds many junior mining stocks are currently selling at such low prices that based upon historical valuation benchmarks, we thought that some points may merit attention. However, one must keep in mind that the mining stock market is not an efficient market where value and potential are quickly recognized; so patience is required. In 1736, statesman Ben Franklin wrote that "he that can have patience can have what he will." That sage advice still goes today.

1. Using technical analysis, we divide a stock into three "zones" after having done in-depth fundamental analysis indicating that there is solid investment potential and that the fundamentals merit investment consideration. What are the "three zones? They are "Red" (high price and higher risk, maybe distribution), "Yellow" (undetermined, in the middle of its price range) and "Green" where our analysis finds a stock as undervalued and a suitable time for accumulating shares. Many junior mining stocks and large mining stocks are in the "green zone" today.

After any stock has had a large percentage move up in price, it often carries greater risk as a correction could be in the offing. So examine the stock's chart and search for the "green zone" which is where we consider accumulation of the stock. For example, let's say that XYZ Mining has been as high as .80 cents over the last year and its fundamentals remain positive. If it is near its price high, we wait for a correction down in price. The green zone buying level for XYZ Mining may be closer to .35 cents where we may consider putting in limit orders to buy it.

2. But what if an XYZ Mining stock declines even more? If the key fundamentals (reserves, resources, cash, capable management and insiders buying company shares and not selling) are positive, you might consider "dollar cost averaging" where you accumulate the stock at the lower prices giving you a lower price cost basis. Some of the world's most successful investors do this in large cap stocks right down to the micro-cap stocks such as the juniors. Their attitude is that when good value is "on sale" they should take advantage of it.

3. Valuations today? For example, historically, when a gold exploration company has gold verified resources and reserves, the market has given them a value of between $30 and $150 an ounce for their in-ground gold ounces. Incredibly today, we can see gold companies "in-ground gold resources" valued as low as $8 an ounce. That is exceptional

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Stock Market

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the benefit of a seemingly better looking economy and an ultra loose monetary policy. This subsidized optimism is boosting the stock market, and it's the focus for now.

We are firm believers in going with the flow. It's the best (only) way to treat the markets, especially since the financial crisis, and it will continue to be our best guide.

The flow for gold is still up, but after a stellar 12 year bull market run, this market is telling us to have patience and to also continue taking advantage of weakness to accumulate at better prices.

Gold's reluctance to fall is most interesting. After rising 660% since 2001, it has fallen less than 20% from the highs. That is, after reaching its record high 1½ years ago, it fell to its low quickly, three months later in December 2011. That low was tested in the Summer of 2012, and it's now being tested again as gold neared this low.

This low is key today... for gold and for silver. Our eyes will be peeled on these two levels... $1536 and $26. If gold and silver can weather the storm by staying above these levels, they will come out smelling like a rose.

Gold Demand Remains Strong

Central banks continue to buy gold. They added 534.6 tons of gold to their reserves last year, the most since 1964. Plus, the World Gold Council also reported official holdings increased to more than $12 trillion in 2012 from $2 trillion in 2000.

India has been the largest buyer and its January gold imports jumped 23% from a year ago. China is launching its first ETF backed by gold, and its new Shanghai gold exchange has become a full on exchange. China's been a major gold producer over the last four years and it's also been importing more gold, so much that it's surpassing India.

In fact, central banks are not only increasing their gold reserves, they're also buying yen and renminbis to reduce their dollar and euro holdings.

Investor interest is solid as judged by the successful gold EFTs around the world. Just considering that GLD holds more gold than all but four central banks, shows the strength and interest behind the gold move, in spite of the larger than normal sales this past month.

We'll probably see the stock market continue to outperform the gold market this year, or at least during the first half of the year, but the big picture says the mega trend still favors gold over stocks.

Editor's Note: Mary Anne and Pamela Aden are co-editors of the *Aden Forecast*, now in its 32nd year, P.O. Box 790260, St. Louis, MO 63179, 1 year, 12 issues, $250. Includes weekly online updates. *The Aden Forecast* specializes in all major markets with special emphasis on the precious metals, currencies, and natural resource markets. www.adenforecast.com.

Junior Mining Stocks

Continued from page 21

undervaluation and merits attention! We will write more on this valuation of "in-ground" gold shortly. Many factors have to be considered.

4. When we invest in any mining company, we only enter limit orders. We do not chase or push up stocks as we in invest. We "insist on value" and accumulate on weakness. And if a stock is of great interest to us, we don't talk about it. We don't need or want company.

5. Most of us like to use charts to assist us in the timing of buys and sells. One of several technical indicators that we favor is the "Money Flow" indicator which indicates if money is flowing into a stock. For example, a stock may be declining in price on light volume but stronger hands money may be buying that stock. So if you find the stock is declining on light volume, it may tell you something.

Let's suppose that a stock rises from $1 to $2 over six months on a total volume of 12 million shares and later declines from $2 to $1 on a total volume of 2 million shares. That may indicate that much more money had wanted to own that stock than sell it. So take a look at the "Money Flow indicator" or the "Chaiken money flow" indicator on your technical services. It is well worth your time.

6. Today, there are very few market makers at the brokerage houses that support stocks by accumulating or holding positions as they have done in the past; so shares are sold and often sell at even lower prices than in the past. This gives the patient value oriented investor the opportunity to accumulate shares when they are on sale. Yet, few ever take advantage of sales on stock, it's just human nature.

7. Take advantage of the "flow through" financing price declines. A "flow through" is a private placement of shares to Canadian investors that enables the investors to legally claim an enormous tax deduction. The investor in that "flow through" after having participated in the "flow through" placement must hold those shares for four months. Often, after the four months required holding period, those flow through shares are sold putting selling pressure on the stock. At that time, one can accumulate shares that may be undervalued due to the price decline. As a rule of thumb, after a flow through, we expect a decline of 20% to 30% to commence about four months later.

8. Our analysis suggests that we are in a positive market for gold that will remain for years. The United States is running a $5,000,000,000 ($5 billion) deficit every day. That is where the bubble is! Many institutions are woefully underinvested in gold and gold stocks today. We feel that eventually they will have to have much greater representation in the gold sector. Think about that.

Editor's Note: Authored by Bob Pellerin and co-authored by Charlie Grainger. The CanadianMineAnalysis.com is a research site whose aim is to provide informative insight and research on specific companies that their analysis indicates are undervalued based primarily upon in-depth fundamental analysis. The focus is on "tangible values" as in reserves, resources, hard assets et al that companies have. For more information visit www.Canadianmineanalysis.com.

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