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Know when to hold-em!
Know when to fold-em!
Know where to set stops!
Know when to run!
Never count your portfolio
Until the sells are done..

Website – it is currently down, I found out the credit card info was incorrect so last payment did not process. This is corrected and in a couple days when payment processes will be back up.

I have been in this newsletter business a long time and sometimes you feel real good and comfortable about your predictions and market direction - 2016 is one of those years. In the past couple years I have been surprised and somewhat astonished how bad the precious metals and how relentless the decline in the mining market became.

It was similar in the 2008 crisis, but that time there was a very good excuse, because the SEC and FED changed the rules over night. In 2007 I was predicting a top and plunge in the real estate bubble and that gained a lot of steam in 2008 as the financial stocks were being killed with all the bad mortgages and related derivatives. And on that note I would suggest watching the movie “ The Big Short” that just came out.

The movie just focuses on the Real Estate bubble, but if you remember as the crisis deepened, the hedge funds were shorting financial stocks and going long precious metals and commodities. To rescue the financial system, **a decision was made to outlaw shorting of financial stocks** and approximately 160 financial stocks were on the no short list. As a result, the hedge funds had to cover their short positions and a huge rally took off immediately in the financials. And to cover their losses with the bear market rally in financials they had to sell commodity related stocks - Gold, Oil etc. - and all commodities and related stocks plunged. **Many hedge funds went under!!**

However it was very easy and I was real comfortable predicting a rally in the commodities because they were artificially pushed down and had to rebound. We bought stocks like Tech Cominco for \$6 and Nova Chemicals for \$5 and less that was bought out a couple months later for 50% gains and more. **Our gains on average in 2009 were 155% and this is the kind of potential I see for 2016.**

In 1999/2000 it was also very easy and I was real comfortable predicting a top in the tech market and a coming bear market. It was easy to predict in 2000/01 that the bottom in precious metals was at hand and I could see a big rally on the horizon.

I was jumping up and down trying to persuade readers to buy the PM stocks, but for the most part nobody did. It is just like today where I can make a good bullish analysis for a particular PM stock and hardly anyone buys a share. **However this is what makes bottoms.**

In 2002 our Gold stocks on average were up 157% and the silver stocks up 118% and in 2003 up another 83% and the whole list with an average 68% gain.

All of 2015, I was predicting a topping formation in the general equity markets, the S&P 500 and now we can conclude with a great deal of certainty that this was an accurate prediction. I don't listen to CNN much but I did yesterday and all I was hearing was concerns about how far stocks

might rally before dropping further. There is no talk of a bull market and new highs, but only guesstimates of how much further stocks will fall.

This also means I am very comfortable and certain we have seen the bottom in the PM stocks and those who buy now, or in many cases hang onto these stocks will soon see huge rewards.

Gold is playing out pretty much as I have been expecting. We can see on the Gold chart below, we seen the test of the \$1080 support and the bounce off of it and very important Tuesday we seen a breakout to a new high keeping the uptrend intact.

Just as the S&P 500 put in a head and shoulders top, I now see the Gold market doing the same but an inverse head and shoulders bottom. We have a left shoulder around \$1100 to \$1130 and seen a head form down around \$1050 to \$1060.

There is a couple resistance areas around \$1130 and \$1160 so these could act as some sideways trading in these ranges forming the right shoulder.



Although Gold has done well during the general market correction of late, the Gold stocks to a great extent were thrown out with the bath water and they had a hard time moving higher during the steep sell off in markets. Many funds were selling their PM stocks to make up for losses else where.

However it is important to point out that while the S&P 500 has rallied about 5% from it's recent bottom around 1810, **the HUI Gold Bugs Index is up about 17% from it's 100 bottom**

The HUI chart on the next page is basically a continuation of the one in my Jan 6th issue V22 # 1.1. We can see the support around 100 to 105 held and we are now up against the top of the down trend line. I am looking for a clear break above 125 that will signal a break above the down trend line and a higher high. Next I would look for a move above 140 as a strong signal of a new bull market.



Gold and Gold stocks are projecting a dovish statement from the FED at this weeks meeting Tuesday and Wednesday and I believe we will see that. This will help support further gains.

Another bullish factor is the strong support for physical Gold with the increased buying out of China on price weakness and we can see on this chart from Bloomberg that they were accumulating at the bottom, especially during the December bottom.

China's Purchases Surge in December



Source: Hong Kong Census and Statistics Department

Bloomberg

Zonte Metals
Entry Price - \$0.15

TSXV:ZON

OTC:EREPF

Recent Price \$0.075

Opinion - buy

“As the stomach turns” is a phrase or parody on soap operas and I think that is what we got going at the Antioquia, Colombia department of mines.

After market close yesterday Zonte provided an update that the Antioquia Department continued to deny the application with a some different excuses this time. It seems to me they are really waffling - grasping at straws.

As previously announced Zonte with a Colombian Partner (the “Partners”) made application for open ground sitting over the Gramalote Deposit which is a gold deposit joint ventured between AngloGold Ashanti (NYSE:AU) and B2Gold (TSX:BTO, NYSE:BTG) in Colombia. **The Secretary of Mines has previously acknowledged that the area under application as open ground**, but denied issuing the title.

From News Release

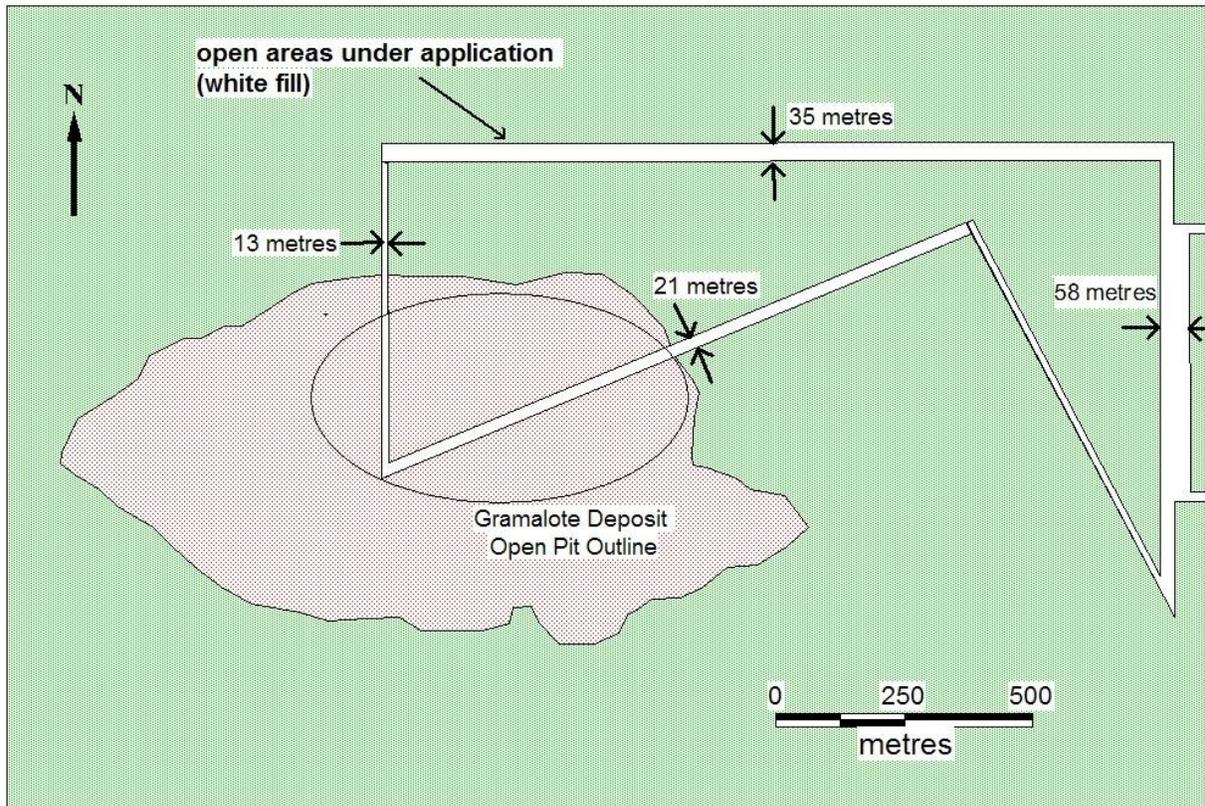
Legal counsel for the Partners is of the strong opinion that the application has not been processed in accordance with the Colombian Mining Code. A map of the open ground, which is under application, sitting on top of the Gramalote Deposit is illustrated below.

The Partners have on a number of occasions requested that the Secretary of Mines process the application in accordance with the Mining Code. The latest request occurred on November 4, 2015 which was supposed to have been answered by January 4th, 2016. Despite missing the due date for the response, the Secretary of Mines has now answered the request and continues to deny the application. The Partners’ legal counsel is again of the opinion that the Mining Code was not followed in the latest response. The Partners’ legal counsel includes a team of lawyers from a legal firm and an independent legal advisor; **the latter being the former head of the Secretaria de Minas, Department of Antioquia, whom is well versed in all matters related to mineral applications and titling.**

Legal counsel will attempt to next meet with the Secretary of Mines to discern if a solution to this issue can be reached, and assuming the answer is consistent with past communications, the Partners will proceed to “Special Court”. At the “Special Court” level the Partners will finally have the legal right to request that the application be processed according to the Mining Code as well as request other aspects around this irregular situation. Zonte will provide updates of the progress as developments materialize.

This last paragraph is important because Zonte and their partners are now just 2 steps away from putting a lot of pressure on this situation that should yield expected positive results.

There is a lot at stake here for Anglo and B2Gold. According to mining code if a company fails to meet environmental code their claims can be relinquished. **One of those rules is you cannot drill on ground you do not have legal title to** and if Zonte's claims are awarded to them this is exactly what Anglo did. There is at least 50 drill holes through the disputed claims. It is possible that Zonte could end up with the whole deposit. However, I would bet that Anglo dangles a very big and nice carrot in front of Zonte before it came to that.



The map above is of Anglo's Gramalote deposit and the white indicates Zonte's fractional claims under dispute. The circle is my doing and it indicates the area that has seen at least 50 drill holes through Zonte's disputed claims.

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