Struthers Report V28 # 11.1 Two Perfect Storms, Gold, BULL, ZON, BRC, ENDR, Oil, Bear growls, Aug 26/22

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I have had a number of questions about our juniors, like Zonte and Canadian Palladium among others. I have not been providing many updates with these juniors because the market does not care right now.

However, I am certain of two things. Selling juniors now is simply capitulating at the bottom. Gold will have a powerful rally soon, just the timing is not certain.

The perfect storm has hit the junior resource market:

- We have a bear market in general equities, so risk investment is off;
- Gold corrected about $350 from the May highs or about -17%, not a bear market;
- Oil corrected almost $30 from it's June high or about -25%, so is technically a bear market;
- The usual summer doldrums and more so than usual with the 1st lock down free vacation period;
- War and high inflation creating confusion among investors;
- The lowest volume on the TSX Venture market in history.

It is difficult to see on this long term chart, but the volume in the past few months has been about 25 million shares per day, about the same as the 2002 lows. However, the important difference between then and now is computer robot trading that did not exist on the Venture until the last 10 years or so. The computer trading is now making up over half the trading volume. All the computers do on the Venture is sell short and then buy back to cover.

You can also see on the TSXV chart that the junior market has been very difficult since 2014. There was two decent rallies, in 2015 about +75% and off the 2020 lows that saw an over +200% rally into early 2021. I believe the perfect storm has created the set up for another large rally.

If you remember the last bear market in 2008, gold dropped a lot with the market on the first down turn. After that initial sell off, gold had a very powerful rally from $700 to $1900. Investors and even the big and smart money is always caught off guard at the start of a bear market and as a result sell off their stronger positions to raise cash. While big money was selling stocks in Q1 before the bear market really got started, they were riding an up move in gold. When markets really tanked in April to June, they started to sell off their gold positions. According to Comex data, Fund Managers net long position in gold went negative in July to -19,000 contracts from the March peak long position at 148,000 contracts. It is safe to assume they were also selling gold ETFs and gold stocks at the same time.

Fund Managers are shown below with the blue line. One of the safest bets in gold is to do the opposite of what they do, sell when their positions are high and buy when their positions are at zero or negative (short).

There a few key things I am watching on the gold chart:

- We don't want to see a significant drop below $1700, that would be bearish;
- A wedge pattern is developing from the longer term $1700 support and top of down trend channel;
- A significant break above the top line of the down trend channel would be very bullish.

I believe it is only a matter of when - that gold turns bullish because of the 2nd perfect storm.

Gold stocks and the juniors will see a strong rebound, for now I would try bids about a penny or two below the market on my favourite juniors at this time – **Canadian Palladium (BULL), Blackrock (BRC), Zonte (ZON), Enduro (ENDR) and Aztec (AZT).**

The 2nd perfect storm is coming this fall/winter in the energy market that will help drive inflation and gold higher and make for new lows in the equity bear market.

- Biden's drain of Strategic Oil reserves ends in October, it was just a political move ahead of elections;
- US Oil&Gas rig count at 762 has still not recovered to March 2020 levels and well below 1,000 count in 2019;
- US Natural Gas storage around 5 year lows and 268 Bcf less than last year at this time;
- Europe Natural Gas supplies are questionable and odds favour Russia to cut supplies further, gas prices already up 400% in Europe before winter;
- US Oil inventories at lowest level since March 1985;
- Governments promoting green while shunning oil&gas by closing pipelines and removing previous exploration credits;
- The majority of oil&gas companies are not trying to increase production but are maximizing cash flow and investor returns instead;
- Gulf hurricane season that threatens Gulf production runs another 4 months and the 1st one has yet to come;
- OPEC switching gears from increasing to cutting output. "*The paper and physical markets have become increasingly more disconnected,"* Abdulaziz bin Salman, Saudi Prince/Energy Minister;

Western governments are making a huge mistake by promoting green energy by attacking oil&gas companies. I have nothing against green energy and we should do it where it makes sense. But build the green energy first, before you tear down fossil fuels. It is liking tearing your house down and living outside and then start building a new one. Well when did governments ever do things right?

The Saudis know the oil prices are too low for the demand/supply situation and they are the world's biggest and most influential producer. Both oil and gold prices have been manipulated lower in a bid to try and punish Russia and some inflation relief and political brownie points ahead of the US November elections.

Everyone and the market believed that Biden releasing a record breaking 180 million barrels of oil from the Strategic Reserves would boost inventories of **diesel, gasoline and heating fuel, but that has not happened and in fact these supplies are lower. Data released this week by the EIA shows crude oil inventories below the 5 year average.**

What is absolute crazy and in my view probably treason is the U.S. is exporting these reserves at a pace of 5 million barrels per day last week. Does Biden and the Democrats know they are done in November so are giving out favours to their foreign friends or puppet masters. Are they trying to create the most damage to the oil&gas sector before they go to help their green friends? It does not make any real sense. Furthermore there has now been 4 or 5 U.S. political leaders visit Taiwan in the last few weeks, are they trying to provoke a war with China? I searched why Biden is exporting oil. It seems everyone is asking but few answers.

Why is Biden selling our emergency oil reserves.

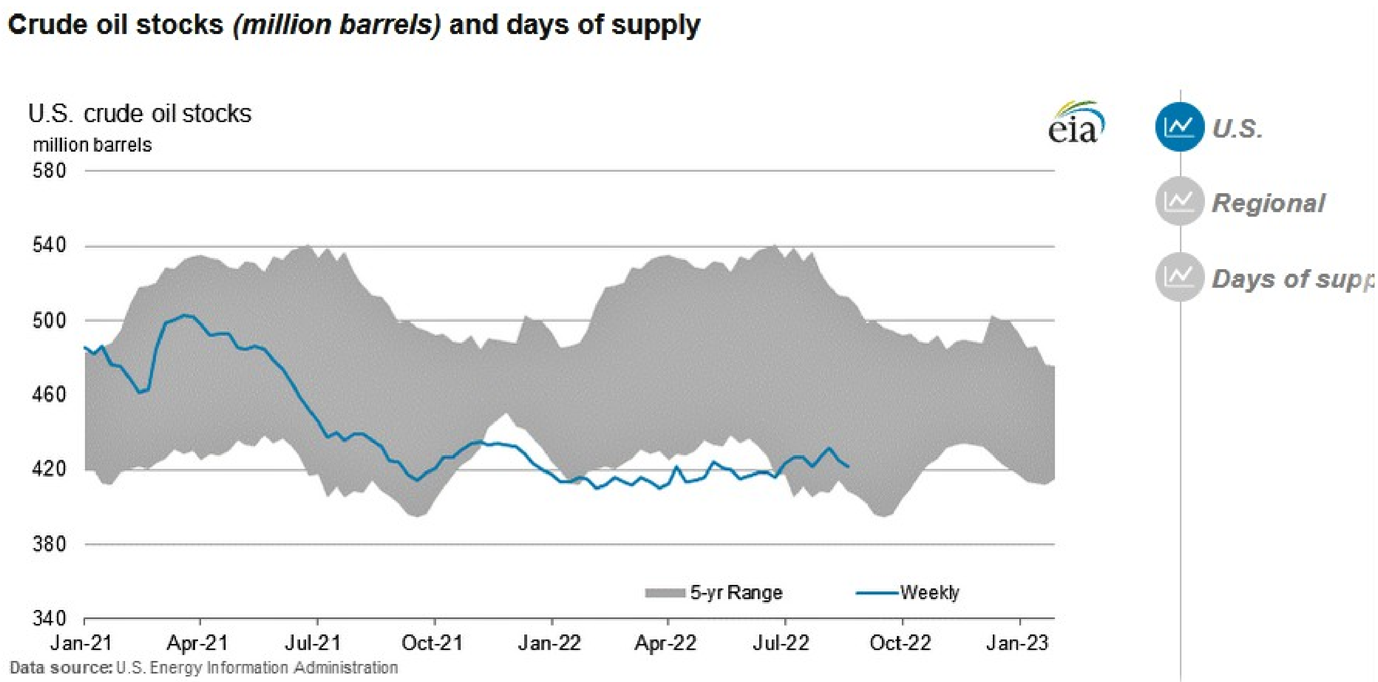
Why Is The U.S. Sending Its Emergency Oil Reserves To China?

US Oil Exports hit a Record.

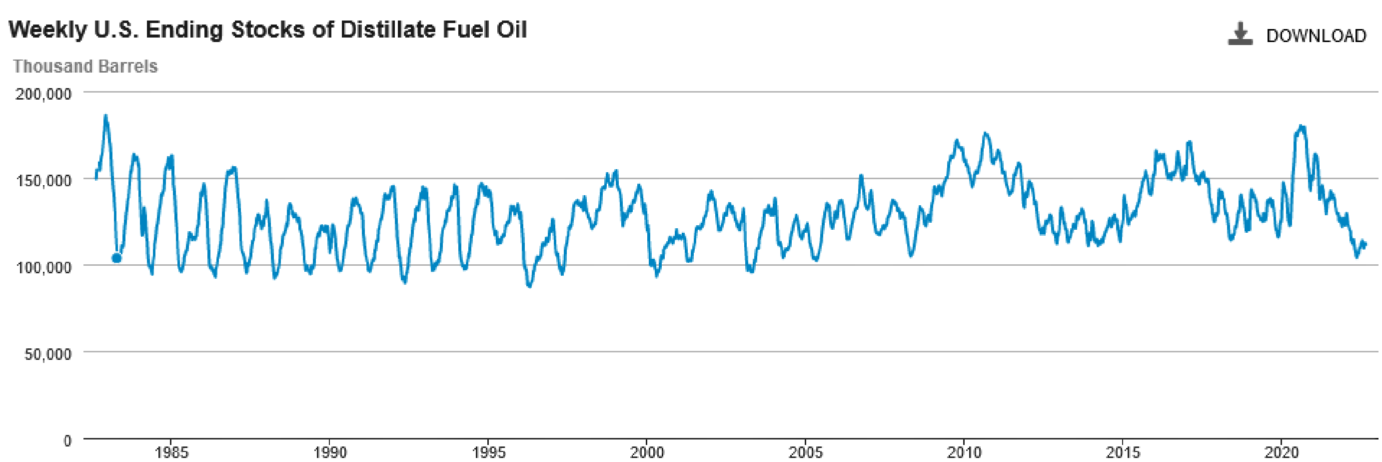
The best main stream acceptable answer is that Biden is exporting US oil to bring world prices down. That said, would it not also help if more oil went to U.S. Refiners to build diesel and gas inventories. On one hand the U.S. is penalizing countries and entities that are dealing with Russia and than on the other hand they send oil to China who is buying Russia oil and threatening war on Taiwan. Perhaps China is blackmailing Biden because of some very bad past dealings there by the Biden Family?

Something smells bad here and there is probably some hidden agenda behind this that we don't know of. **I know one thing that is certain though, we are just getting some short term gain on price relief for long term pain that will start to strike in the next few months.**

Check these latest crude inventories by the EIA. Despite all the releases of strategic reserves, inventories remain around 5 year lows.



More scary is the low levels of distillates, your heating oil and propane liquids. They have not been this low since 2008. Also put in context the economic or demand growth since 2008.



Now the oil chart has the same set up as gold but it has already made it's bullish break. Oil has broken above the top of the down trend channel which also makes it a bullish break out from the same wedge pattern we see with gold. First significant resistance is around $99.

In other important updates we have the first initial cracks in the Canadian Banking sector. Royal Bank reported profits down -17% from a year ago as they set aside more funds for loan losses. National Bank profits were down -2%. This is not a big deal yet, but I expect there will be an awaking with the next quarter that ends October 31.

Jerome Powell pokes holes in Market Rally Narrative

The bear market rally is probably over and this was likely cemented today when Federal Reserve Chair Jerome Powell commented at Jackson Hole that interest rates would keep rising ***'sharply***' for quite some time as the Fed worked to rein in stubbornly high inflation.

'*Our responsibility to deliver price stability is unconditional,*' Powell said, adding that restoring price stability would take 'some time.'

'*The historical record cautions strongly against prematurely loosening policy,'* Powell said, harkening back to former Fed Chair Paul Volcker, who reined in over-10 percent inflation of the early 1980s.

He quoted the hawkish inflation fighter who has said that *'inflation feeds on itself.*'

Well no surprise to me, but blows a lot of holes in the markets false narrative that was feeding the bear rally. That narrative was rates would soon peak and the Fed would have to reduce them in 2023. I also saw numerous comments the past month or so that 'Jerome Powell is not Paul Volcker.' Maybe so but he is starting to sound a lot like a brother. Anyway no surprise, I have been and continue to warn that rates will go much higher and things a lot worse before they get better.

I have been commenting that the bear rally would probably go to around 4200 to 4300. That is looking pretty accurate now. The market is currently testing support around 4100, but support at 3900 area is more important. A break below that would signal new lows.