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TRENDS JOURNAL

HISTORY BEFORE IT HAPPENS®

The Gold Bull Run

What is the trend? Are you prepared?

➤ The HI-TECH HEROIN epidemic: It's worldwide and growing worse.

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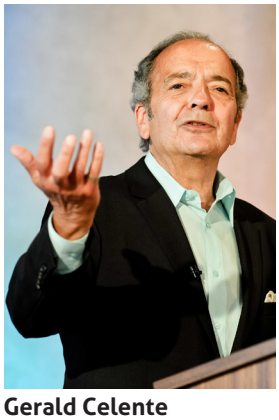
As forecast: The Gold Bull Run has begun

How high, how low can it go?



Gerald Celente

In our 6 June *Trend Alert*, when gold was $1,332 per ounce, we forecast that a series of converging trend lines, including "weakening economic fundamentals and how central banks will address them — from Australia cutting interest rates to new lows, to China inventing money pumping schemes to artificially inflate falling equities and its sagging economies with cheap money" — would ignite the next Gold Bull Run.

Gold has jumped to six-year highs, hitting $1,438.63 an ounce in late June and now hovering around the $1,420 an ounce mark on the expectation more central banks will cut rates and introduce other stimulus measures to temporarily and artificially offset the impact of a sustained global economic slowdown.

While the main driver pushing gold prices higher will be central banks lowering interest rates, gold, the ultimate safe haven asset, has also been pushed higher by geopolitical tensions across the globe,

President Donald J. Trump signs The Taxpayer First Act in the Oval Office

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particularly between Iran, Israel, Saudia Arabia, and the U.S. (see Nations on the brink feature in this edition on page 12.)

FOLLOW THE TREND LINE

Last October, in our *Trends Journal*, we stated:

> *"As we have long forecast, the higher U.S. interest rates rise, the lower gold goes. The stronger the dollar becomes, the lower gold goes.*
>
> *It's a simple equation. The higher rates increase, they boost the dollar and push up U.S. Treasury yields, making gold a less attractive investment since it does not bear interest."*

When these dynamics reverse course, as we have been forecasting, gold prices will rise. And that's exactly what is unfolding now.

Specifically, we had maintained that the bottom end of gold was in the $1,200 range and that prices would have to break above $1,450 per ounce to leap back to the $2,000 range it neared in 2011.

GLOBAL ECONOMIC SLOWDOWN

The data don't lie. Global trade growth has slowed to its lowest rate since the Panic of '08.

Manufacturing output has reached sustained negative growth rates in many countries. The eurozone's Purchasing Managers Index dropped to 47.6 in June, the fifth month below 50, a watermark that indicates contraction. In the UK alone, the PMI dropped to 43.1, the lowest mark since 2009.

In China, manufacturing productivity fell to a 10-year low, driving its PMI down to 49.4.

From the U.S.'s PMI falling to its lowest level since Sept. 2009, to the Czech Republic, Germany, Spain, Japan… PMI rates across the globe are contracting.

Furthermore, from Brazil to South Africa, nations are slumping into recession. In June, the World Bank warned of "a deepening slowdown in global trade, and sluggish investment in emerging and developing economies."

IT'S ALWAYS BEEN ABOUT INTEREST RATES

In our 27 March *Trend Alert* we forecast that a global economic slowdown and weakening corporate earnings in the U.S., coupled with the fading positive effects of President Donald Trump's tax bill, would compel the U.S. Federal Reserve "to lower interest rates before economic conditions markedly deteriorate."

Indeed, the U.S. Federal Reserve is expected to cut rates later this month, signaling that fears the global economic slowdown is sustained.

Australia has cut its interest rate twice in two months to 1 percent, a record low. China is introducing a series of new money schemes, from consumer rebates for purchases of appliances and other items, to record low interest rates on small business construction loans.

European Central Bank President Mario Draghi has recently indicated more stimulus would be needed if the economic trends stayed the current course, news that drove the euro down 0.5 per cent against the dollar, reaching a low of $1.12 on that day.

With all signs pointing to central bank intervention to boost equity markets and economies with increased flows of cheap money, plus exploding global debt, declining economic growth and geo-political instability, gold, the ultimate safe-haven asset, will increasingly emerge as a sound investment.

In fact, we have repeatedly underscored that when gold starts to move aggressively upward, that trend would signal a more aggressive downturn on the horizon in equity markets and economies.

In our 30 May *Trend Alert*, we warned: "How severe is the current market turmoil? Watch gold, the safe-haven asset. Stuck in the high $1,200 per ounce trading range, it is not signaling danger ahead. When gold spikes above $1,450 per ounce it will signal true market fears."

Another indicator to watch is U.S. Treasury Bond yields. The 3-month Treasury bill rate, currently at 2.21 percent, is paying more interest than the 10-year Treasury note at 2.07 percent. And the 2-year

Yield curve inversions have occurred before each of the last seven recessions within 5 to 16 months before recession hitting.

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Treasury rate plunged 7.9 basis points in July to 1.82 percent.

Yield curve inversions have occurred before each of the last seven recessions within 5 to 16 months before recession hitting.

Moreover, beyond boosting sagging economies, central banks will aggressively pump more cheap money to keep propping up equity markets. Indeed, when stock markets crash, it's a signal to the general public that economic disaster is on the near horizon.

MIDDLE EAST WAR DRUMS BEATING LOUDLY

One dynamic that has been underscored in our economic forecasts has been the prospects for war with Iran, that have dramatically increased in recent months.

As geopolitical tensions intensify in the oil-rich Middle East – fueled by the crippling economic sanctions President Trump's administration has imposed on Iran and the blatant, outward threats of military action against the country made by Secretary of State Mike Pompeo and senior advisor John Bolton – chances of war are as great as they have been since Trump took office.

Should tensions escalate further and push crude oil prices up to the $80 - $100 per barrel mark, already fragile economies will decline into recession/depression and equity marks will crash. TJ

TREND FORECAST

We have repeatedly stressed that more artificially induced stimulus measures will only temporarily stave off recession while further inflating the $250 trillion global debt bubble, leaving economies more vulnerable to severe downturns that will crash equity markets.

More monetary central bank stimulus, more economic indicators reflecting sustained downward growth worldwide, diminished currency values and rising prospects for war are the ingredients for gold to shine.

On the low end, we forecast gold's bottom in the $1,270 range. And we maintain our six year forecast, that once gold sustains value above $1,450 per ounce it will then spike to $2,000 plus.

GOLD: Follow the trends

The *Trends Journal* has consistently and accurately forecast the price of gold based on global economic and equity market trends. Here are some examples from just this year to show how we were ahead of news and on top of the trend.

3 JANUARY 2019

"These worsening economic trend lines could compel the Federal Reserve to not only slow interest hikes, but even cut rates this year. While it would temporarily boost equities again it would lower the value of U.S. currency and weigh favorably on the price of the gold.

Thus, we maintain our forecast that gold remains the ultimate safe haven asset. We had forecast that prices would bottom out at around $1,200 per ounce. They have and now gold is flirting at $1,300 per ounce. When gold solidifies above $1,450 per ounce, we forecast a sharp spike toward $2,000 an ounce."

16 JANUARY 2019

"Exploding global debt, declining economic growth and geopolitical instability – especially in the Middle East and our forecast for the U.S., Brazil and other Lima Group nations to overthrow the government of Venezuela – will push gold prices higher.

Moreover, gold prices will stabilize above the $1,200 range as a matter of supply and demand. All the gold ever mined could fit in a 60-foot cube and discoveries of gold have dramatically tapered off over the last decade and no new discoveries were made since 2017.

Thus, we maintain our forecast that gold's downside is $1,200 per ounce, which has proven accurate, and that gold would have to break above $1,450 per ounce to leap back to the $2,000 range it neared in 2011."

31 JANUARY 2019

"With all signs pointing to central bank intervention to boost equity markets and economies with increased flows of cheap money, plus exploding global debt, declining economic growth and geo-political instability, we forecast gold, the ultimate safe-haven asset, will trend higher.

Currently gold is hovering around $1,320 per ounce. We maintain our forecast that gold will have to break above $1,450 per ounce to leap back to the $2,000 range it neared in 2011."

6 FEBRUARY 2019

"As evidenced by the building social unrest in Europe, wars and riots throughout Africa, escalating Middle East tensions, the mounting South American migrant crisis and the brewing U.S.-led Venezuelan coup d'etat, there are any number of wild card triggers and black swan events that will crash equity markets and economies worldwide.

In an atmosphere of such instability, demand for gold, the ultimate safe-haven asset, will dramatically increase."

6 MARCH 2019

"In the lead up to U.S. 2020 presidential elections, should the economy dramatically slow and/or markets sink, the Fed will aggressively lower interest rates.

Absent a black swan geopolitical/economic event, gold will be confined to the tight trading range of the past 6 years.

Real Estate markets will remain stable in the U.S. and many nations as central banks lower rates to boost demand.

On the equity market front, again, minus a wild card event, we forecast modest growth with occasional sharp downturns."

6 JUNE 2019

"In an effort to artificially stimulate equities and economies with monetary methadone, nations will in effect devalue their currencies, thus pushing investors to seek safe-haven assets such as gold.

As we have long noted, gold must first pierce the $1,385 an ounce mark to hit the $1,450 break out point, which will then spike gold prices above their 2011 highs."

On the equity market front, again, minus a wild card event, we forecast modest growth with occasional sharp downturns."