



ZEAL SPECULATOR

Brave When Others Are Afraid, Afraid When Others Are Brave

Open Trading Positions

	Stocks	Opening Date, Price	Latest Price, Change	Trailing Stop Loss	Comments
1	LUG.TO	12.22.20 C\$10.81	C\$12.01 +11.1%	↑C\$9.52 25%	
2	AGI	1.12.21 \$8.43	\$9.17 +8.8%	↑\$7.03 25%	
3	TXG.TO	1.12.21 C\$19.30	C\$18.02 -6.6%	C\$14.54 25%	Still relatively-low, can still buy
4	WDO.TO	1.19.21 C\$9.21	C\$11.33 +23.0%	↑C\$8.91 25%	
5	AUY	1.26.21 \$4.89	\$5.28 +8.0%	\$4.07 25%	
6	EDV.TO	2.2.21 C\$27.28	C\$29.37 +7.7%	↑C\$22.28 25%	
7	PAAS	2.9.21 \$33.05	\$33.73 +2.1%	\$27.97 25%	Still relatively-low, can still buy
8	MUX	2.16.21 \$1.24	\$1.50 +21.0%	↑\$1.15 25%	
9	OGC.TO	2.23.21 C\$1.85	C\$2.56 +38.4%	C\$2.02 25%	
10	PRU.TO	2.23.21 C\$1.09	C\$1.34 +22.9%	↑C\$1.01 25%	
11	BTG	3.2.21 \$4.54	\$5.14 +13.2%	\$4.03 25%	Still relatively-low, can still buy
12	EQX	3.2.21 \$8.25	\$9.44 +14.4%	↑\$7.16 25%	Still relatively-low, can still buy
13	NGD	3.2.21 \$1.69	\$2.13 +26.0%	↑\$1.61 25%	
14	VGCX.TO	3.2.21 C\$11.16	C\$18.18 +62.9%	C\$14.40 25%	
15	AXU	3.9.21 \$2.46	\$3.21 +30.5%	↑\$2.51 25%	
16	FSM	5.4.21 \$6.17	\$7.03 +13.9%	↑\$5.42 25%	Still relatively-low, can still buy
17	HYMC	5.4.21 \$3.72	\$3.84 +3.2%	\$3.28 25%	Still relatively-low, can still buy
18	AG	5.11.21 \$16.47	\$18.40 +11.7%	↑\$14.20 25%	
19	FTCO	5.11.21 \$5.66	\$8.65 +52.8%	↑\$6.71 25%	
20	KNT.TO	5.18.21 C\$8.19	C\$8.05 -1.7%	↑C\$6.68 25%	

	Options	Opening Date, Price	Latest Price, Change	Comments
1	GDXJ June \$52 Calls	12.1.20 \$7.35	\$3.20 -56.5%	
2	SPY June \$370 Puts	12.8.20 \$22.34	\$0.32 -98.6%	
3	KL July \$40 Calls	1.19.21 \$5.20	\$3.70 -28.8%	

Good evening fellow speculators! As expected, it's been a drifty calm holiday-shortened ZS week. The precious-metals complex consolidated high, holding on to its big gains in May. That's certainly bullish, as higher gold and silver prices help convince more speculators and investors to shift capital back into these hard assets and their miners' stocks. Slower uplegs generally have more staying power too. They don't stoke too much greed too soon, pulling too much buying forward which slays uplegs. Less volatility also increases participation, broadening the pool of traders attracted in.

On our open-trades front, odds were there wouldn't be a lot of news around a holiday week soon after earnings season ended. Moving down our stock trades, the first thing of interest was from **WDO.TO** and it was big. Wesdome Gold released the pre-feasibility study for a second gold mine. It was so impressive the company already made the decision to move forward! Once fully spun up, this Kiena mine is expected to average 83.6k ozs of gold annually during a mine life of seven years. That's a huge boost to output, with Wesdome's main gold mine forecast to yield a midpoint of 98.5k ozs this year. That second mine is expected to average fantastic all-in sustaining costs of *just \$676 per ounce!* Those are super-profitable levels which will make it a big cash cow for this company. Even better, this new mine was a previous producer that already has expensive infrastructure including a shaft and mill. So the restart will begin soon in Q3'21!

Wesdome is initially predicting that second mine yielding a midpoint of 20k ozs in 2021. But that will be updated later this year depending on how that start-up goes. Having two gold mines will make this company much more attractive to investors. Operational diversification is always good, reducing overall risks. And much-higher output with lower costs will really boost earnings, which is very bullish for **WDO.TO**. This is a major victory for this Canadian gold miner!

EDV.TO is getting another stock listing in London, under the same ticker. This will put Endeavour Mining on the radars of a big new pool of British and European investors. Of course the more capital that can bid on any gold stock, the greater its ultimate upside potential during gold uplegs. This London Stock Exchange listing goes live in mid-June.

BTG felt the need to affirm that its main gold mine in Mali hasn't been affected by political unrest there. There was a military coup there in August, which forced the president to resign. Since then that country has been ruled by a council of military officers who led overthrowing that government. It all sounds bad, and that lack of a normal government is why B2Gold was denied a permit for a key exploration project in that country back in March. It wouldn't make much sense to nationalize BTG's massive Fekola gold mine, which is forecast to yield at a midpoint of 545k ozs this year. It produces about a quarter of that country's gold output, and *Mali has a 20% stake* in it already. In 2020 Fekola produced \$300m in

taxes and dividends for Mali's government, while employing over 2k nationals. Overall B2Gold paid \$64m in salaries and benefits last year. Odds are that Mali unrest will blow over, with a more-stable government emerging in its wake.

AXU released an updated technical report on its new silver mine ramping up, which was very impressive. Reserves grew 22%, boosting average annual production to 4.4m ozs of the white metal over an eight-year mine life. And the big zinc and lead byproducts along with a little gold are forecast to yield outstanding AISCs of just \$11.59 per ounce! To put that in perspective, in the recently-reported Q1'21 the major silver miners averaged \$14.33 AISCs. Alexco Resource's 2021 projected silver production is 1,686.8k ozs. And since this new mine only produced 101.0k in Q1, that implies this year's next few quarters should average 528.6k weighted to Q3 and Q4. Then in 2022 full-year output soars to 4.3m ozs. All that production growth is very bullish for this stock.

FSM reported some good news too, on the legal front. It was facing an old royalty claim on its main silver mine, that was disputed and dubious. In order to pressure Fortuna Silver to pay up on this legally-invalid claim, the counterparty was pushing a case through courts arguing that FSM's concession to operate this mine should be cancelled since this company wasn't paying that royalty! Last week FSM heard from Mexico's government that the *cancellation procedure was ended*, because cause wasn't found to proceed. That removes a low-probability-yet-considerable legal risk for this company. That makes it more attractive for investors who worry about such things, particularly pension funds.

Moving on to the markets, last Tuesday the SPX drifted slipping 0.2%. Traders ignored some red-hot housing data for the US, from the Case-Shiller house-price index. That had soared 13.2% YoY, its fastest pace since 2005. Overall US house prices were also *at record highs*, about 19% over their previous peak in mid-2006. That didn't end so well, as US house prices dropped by about a third over the few years after that. These crazy house prices also again highlighted the lowballing of official inflation via the CPI, which no longer includes them. If house prices were still figured in like they were for decades, the hot headline read last month would've more than doubled. Instead today a fiction called "owners' equivalent rent" is included. Rather than hard data, it is just a survey asking homeowners how much they think it would cost to rent their house. This is a farce compared to using actual real price data, which isn't subjective at all.

Bitcoin plunged 4.8% that day, continuing its sharp selloff as its bubble continued to burst. CNBC ran a story that day illuminating this leading crypto's 43.7% cratering during the

past five weeks or so. It reported that about \$12b in levered bitcoin positions were dumped in the previous week, which helped hammer this crypto 28.8% lower in that short span. The thing that really caught my attention though was foreign cryptocurrency exchanges had allowed crypto traders to *run up to 100x leverage!* That is ridiculous given bitcoin's wild volatility, and the margin calls must have been brutal.

Gold surged nicely midday in US trading, rallying up to a +0.9% close right at \$1,900. That new upleg high extended gold's total run since early March to +13.0%. That wrapped up another Commitments-of-Traders week which enjoyed a strong 1.6% gold gain. It was wonderful to see *investment demand continue to return*, with the holdings of the leading and dominant GLD and IAU gold ETFs climbing 12.3 metric tons on stock-market capital flowing into gold. As expected with gold continuing to climb on balance, investors' interest is growing. That extended the four-CoT-week trend in GLD+IAU holdings to -4.1t, +6.8t, +11.9t, and +12.3t. But most of gold's CoT-week gains came from gold-futures buying.

Speculators only added a small 2.4k long contracts, but they rushed to buy to cover a major 15.6k short ones! With gold back up challenging \$1,900 again, they recognize that upside momentum is building. That attracts in the vast pools of investment capital, which accelerate gold's gains. So it is foolish to stay short, especially way leveraged like in these gold futures, in that kind of environment. That was the most spec short covering since back in late September. Together all specs' buying added up to the equivalent of 55.9t of gold, the most in a couple CoT weeks. Nevertheless, speculators' gold-futures setup *continued to look bullish for gold*.

Relative to their past-year trading ranges, spec longs and shorts were running 39% and 51% up in. That is still on the bullish side, still a long ways out from buying exhaustion at 100% longs and 0% shorts. Total spec longs at 347.8k contracts remained well below that 400k+ gold-futures-selling-overhang threshold where we have to start being cautious. To get back up there would require another 162.4t of gold buying from last Tuesday's levels. And total spec shorts still up at 96.9k contracts remained fairly high. They had been trading around 75k in late January and early February, prior to gold being forced into a rare extended correction driven by heavy gold-futures selling. Specs would have to buy to cover the equivalent of another 68.1t of gold in order to get back down to there. So spec gold-futures positioning is still nowhere close to nearing probable buying exhaustion.

Wednesday proved a really-quiet day in the markets as the long holiday weekend neared in the States. I barely had any notes that day, which is unusual. The SPX edged up a

Relativity Trading (200dma Multiples)

	Level, WoW Change, Multiple	Bias	Past 5y Range	6m Low and High, Dates
SPX	4,202.04 +0.3% 1.121x	Short	<0.85 - >1.12	1.087 3.4.21 1.171 12.4.20
VIX	18.07 -4.3% 0.771x	Long	<0.75 - >2.25	0.638 12.4.20 1.354 1.27.21
USDx	89.90 +0.2% 0.980x	Neutral	<0.94 - >1.05	0.940 12.17.20 1.006 3.30.21
Gold	\$1,899.10 -0.0% 1.029x	Long	<0.92 - >1.15	0.906 3.8.21 1.066 1.5.21
Silver	\$27.88 -0.4% 1.084x	Long	<0.90 - >1.30	0.975 3.30.21 1.275 1.5.21
GDx	\$39.50 -0.0% 1.074x	Long	<0.80 - >1.50	0.825 3.1.21 1.074 5.17.21
Bitcoin	\$36,062.46 -4.1% 1.126x	Short	<0.75 - >2.25	1.126 6.1.21 3.285 2.19.21
Crude Oil	\$67.92 +3.1% 1.321x	Short	<0.60 - >1.20	1.227 5.20.21 1.499 3.5.21
Copper	\$4.65 +3.1% 1.274x	Short	<0.85 - >1.15	1.174 2.2.21 1.387 2.24.21
CRB	221.52 +3.0% 1.211x	Short	<0.80 - >1.08	1.120 12.8.20 1.277 2.24.21

slight 0.2%, while gold drifted that same amount lower. That was fairly resilient for the yellow metal, as the USDX surged 0.4% which could've easily driven more gold selling. I didn't find any catalyst for that particular US-dollar bounce.

Thursday was a heck of a lot more interesting, and really the reason I wrote this ZS today instead of tomorrow. It all started with the Biden Administration revealing an *eye-popping \$6t federal budget* for the government's coming 2022 fiscal year! As a percentage of the US economy, that would be the highest government spending since World War II except in only 2020 and 2021. Of course those were the fiscal years where the government spent trillions more to stimulate the COVID-19-ravaged US economy. If anything even close to that monster budget passes Congress, it is going to really intensify the inflationary pressures. The Fed will also have to print most of those US dollars to finance those epic levels of spending. Ominously the Democrats can pass this all by themselves using that budget-reconciliation process to get through the Senate with just a simple-majority vote.

The second estimate of US Q1 GDP also came out that morning, surging at a 6.4% annualized rate. But way more important than that headline number slightly below expectations was GDP's inflation gauge. That is called the Personal Consumption Expenditures index, or PCE. The Fed prefers this over the CPI, using the PCE as its primary measure of inflation. The main reason the Fed likes the PCE is *it skews reported inflation lower*, with lower weights for both cars and shelter. The PCE also excludes perpetually-rising prices for health insurance. So the PCE allows the Fed to claim that inflation is even lower than the lowballed CPI indicates! Yet even the headline PCE soared at a 3.9% rate in Q1, rapidly accelerating from Q4's 1.7% rate. And the core PCE liked by the Fed even more rocketed up 2.5% quarter-on-quarter! Inflation is popping out in the Fed's preferred indicator.

Later on that day, stocks fell after the Wall Street Journal reported that Biden's budget assumes a *retroactive capital-gains-tax hike* effective in late April. That budget seriously raises those taxes on Americans earning over \$1m annually from 23.8% to 43.4%. While dishonest, it was clever on the Administration's part to try and make that tax hike effective before people can sell stocks to try and avoid it. That lowers the potential for a negative market impact in anticipation of higher rates. Congress still has to approve that though.

The news kept on coming that day. Without stimulants to artificially boost demand, US durable-goods orders came in weak in April. They fell 1.3% month-on-month, compared to the +0.8% expected. That was the first time they dropped since their COVID-19-lockdown collapse in April 2020. US

The Fine Print

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pending house sales also unexpectedly plunged that same month, coming in at -4.4% MoM which was way short of the +0.4% economists expected. More Americans are getting priced out of being able to afford a house. That isn't just an inflation thing, but has negative social consequences.

On top of that, the Fed's overnight reverse-repurchase-agreement-program usage soared to an all-time record high way up at \$485b that day! I discussed this RRP issue briefly in last week's ZS, and I still don't understand it. But experts who traffic in this realm are warning that stellar RRP usage with calm stock markets near record highs could be *warning of underlying systemic problems*. That also implies waning global appetite for the vast torrents of US Treasuries being spewed to finance this insane deficit spending. That could force interest rates higher creating all kinds of problems, and even hobble the Fed's ability to keep monetizing \$120b per month in bonds via quantitative easing. This RRP thing still bears watching, it could be a harbinger of real trouble.

But the markets looked calm on the surface that day, very summery. The SPX edged up 0.1% while gold proved dead-flat. A high consolidation is always good in precious-metals land though, helping make more traders comfortable gold's broader uptrend *is real and sustainable*. That drives better capital inflows into gold, silver, and their miners' stocks.

Speaking of silver, I always watch it but don't write about it often. That's because silver acts like a leveraged play on gold technically, trading like a gold sentiment indicator. Silver tends to rally when gold does, and vice versa. So gold's outlook almost always applies to silver too. Circling back to this latest-reported CoT week current to last Tuesday, *silver futures aren't as bullish* as gold futures. Speculators' total longs and shorts in silver futures were running 87% and 34% up into their past-year trading ranges. That left silver futures with considerably less probable near-term buying than those gold ones at 39% and 51%. Silver will still likely continue to rally on balance with this gold upleg. But with specs closer to being tapped out on silver, silver's gains are less likely to be really outsized compared to gold's. And we've already seen that. During that span since early March where gold's price climbed 13.0%, silver's lagged with an 11.5% gain.

Interestingly late that evening the US Mint issued a statement on Facebook instead of a normal press release. It declared that "The global silver shortage has driven demand for many of our bullion and numismatic products to record heights." The Mint alluding to a worldwide dearth of physical silver is fascinating! Because of this, it was delaying some preorder windows for silver coins. On Friday monthly data on that PCE index came out. The core PCE deflator soared 3.1% YoY, ahead of the +2.9% expected. That made for the hottest monthly core-CPE-inflation read since way back in May 1992! With the fastest price increases in nearly three decades, Americans are increasingly worried about inflation in their everyday lives. In the University of Michigan's leading sentiment survey, there was a record surge in the number of people spontaneously talking about higher prices for houses, vehicles, and durable goods! While scary, this is all really bullish for gold. The more traders see and fear inflation as the Fed's printing presses continue screaming, the more capital they will allocate to gold and gold stocks.

Godspeed and good trading! ADAM HAMILTON ☺