Struthers Report V21 # 16.0 Gold BTO Dec 6 2015

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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..

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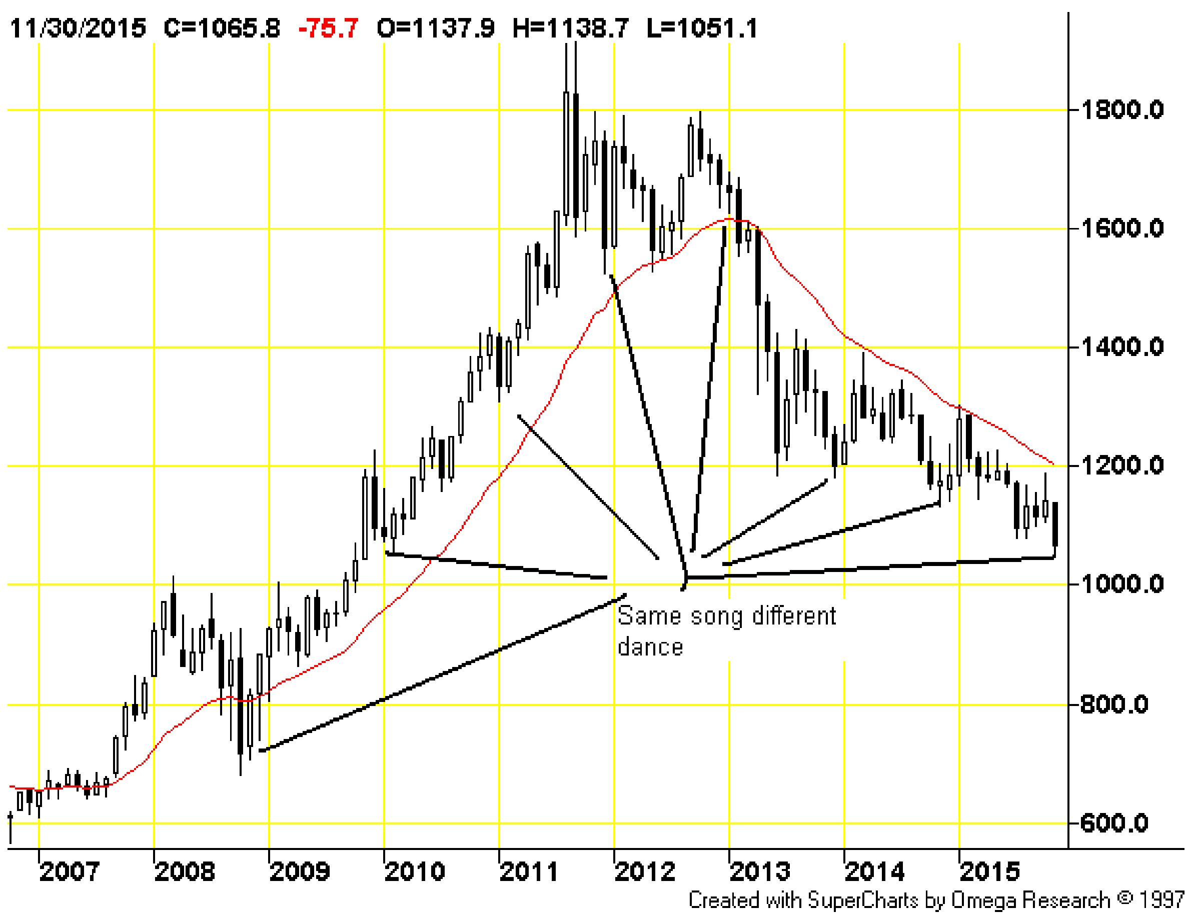
I have started writing articles for a very popular site, Seeking Alpha. Basically they will be based on information already written in the newsletter or on the the web site but presented a little different. The last one was on Gold and the paper Gold market and NewGold that I added back on the Selection list in mid November. Never the less you will probably find these articles worth reading. Here is the link to the one I did this past week

http://seekingalpha.com/article/3728296-unprecedented-aberration-in-the-gold-market

A lot of the weakness in Gold has to do with year end. In the chart below you can see this year end weakness in 8 of the past years with a rally starting in December/January in 7 of those years. The December Futures Options expired the last week of November and delivery notice for the December Futures has also passed.



A lot of hedging is based on the December Gold price and December is always the most active or has the most open interest. The big players, the bullion banks always influence December contract. **What is unique this time is the hedge funds have been sucked in more then ever before.**

According to the CFTC's weekly Commitment of Traders (COT) data speculators cut back long positions – bets that prices will rise – and added to their short positions. That raised bets that gold will be cheaper in future to nearly 11 million ounces. **At 1.4 million ounces the market is now in its biggest net short position ever,** surpassing bearish positions entered into in July and early August. That was the first time hedge funds were net negative since at least 2006, when the Commodity Futures Trading Commission first began tracking the data.

This chart - the COT index, it is in contracts not ounces and I don't show the funds except blue line at end

Compare the green line (large speculates – includes funds) to red line (commercials – bullion banks). Above zero is long - below is short. Note at market tops the Funds are always very long and commercials very short - at market bottoms the Commercials close short positions and the large specs go short.

It is the extreme positions that we look for. See the big gap at market tops with Specs long and Commercials short. And how the gap closes at market bottoms. You can see Gap is completely closed at this bottom. To show the managed money (Funds) I would have to show 4 more lines so to keep the chart clear I just drew a blue line in for December to show the record short position.

I also added in open interest (purple line with volume) and you can see it has dropped quite low. This shows a lot of the December positions have already been closed out and these hedge funds that remain short have a smaller market to cover into.

What stands out is the lock step moves in the opposite directions – the green vs red line

On Nov 18th I wrote:
It is just the same old story over and over again, the Funds go long as the Bullion Banks go short and then the Bullion Banks short more to drive the market down so Funds cover at a loss and Banks profit. How stupid can these Funds be? How many times do they need their head handed to them in a basket??

Regardless this will be interesting to see how it plays out, whether Gold snaps lower or rebounds. But I just don't see how it can come up with more sellers except shorting. But these shorts should know by now every time Gold goes down it cause physical demand to soar. My Gut is telling me there is a run on the Comex and in a desperate attempt to avoid default they are pushing Gold lower, hoping for capitulation. The other strong signal is the Gold stocks are

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Since Nov 18th we did not go much lower and I believe a substantial rebound has begun like we seen off the July/August bottom when Funds were heavily short. **To be fair to the Funds many will make profitable trades, those that shorted earlier and covered. However since we know so many piled on at the bottom here – there will be many that take a loss.**

It will be interesting to see the next COT report and find out if there was much short covering in the rally on Friday.

I also believe given the year end timing, the Fed rate hike probably actually going to happen and the strong fundamentals (physical demand) there is a good chance this is the final bottom in the Gold Bear. We will have to see confirmation signs.

There is so much talk in the main stream media about this interest rate hike hurting Gold it is just sheer nonsense and is bordering on pure stupidity.

We are talking a 1/4 point rise off of zero. This is not a tight monetary policy. The main stream talks about a strong economy which is more nonsense, it is bordering on recession, but that is for another issue. The Fed is backed into a corner talking about this hike so long they have to do it or lose credibility and the real reason they are raising rates is to give wiggle room to lower them later.

Also the zero rates are distorting markets so they want to get to something more normal. I would bet the farm they will never raise rates above 1% until the market itself forces it - when the Fed loses control.

The U.S. government is so far in debt they need these low rates to keep afloat.

The rate hike will probably actually be a catalyst to move Gold higher as it will end the nonsense, but maybe the media will start talking about the next one. However I doubt the Fed/Government can keep the illusion of a strong economy much longer.

The start of holiday shopping on Black Friday and the effect of the U.S. consumer, the economic driver - held a few surprises.

Retail sales over the Holiday weekend plummeted 11%
http://www.wsj.com/articles/holiday-weekend-retail-sales-sink-11-1417376714

Of course there are excuses – shopping earlier, don't like lines blah blah but the reality is the economy sucks. It is also interesting given the plunge and excuses, consumers **managed to get out and buy record amounts of Guns and Gold**

Do you really need a better signal that Americans are not so optimistic on the economy and future??

Strong demand for guns on Black Friday drove FBI background checks to a record for a single day. The FBI processed 185,345 requests through the National Instant Criminal Background Checks System, also called NICS, on November 27 that beat the prior record for a single day, which was 177,710 on Dec. 21, 2012.

Holiday week, even eBay (NASDAQ:EBAY) reported record demand as gross merchandise volume for bullion **has spiked 60 percent from last year, and 27 percent from October.**

Another very positive sign, despite Gold going to new lows the Gold stocks did not. In fact while Gold was making new lows Gold stocks were going up. They were basically telling us they did not believe this head fake with Gold to new lows

Also note the bottom here on the HUI Index around 105 is very solid with numerous tests of that bottom. That is what long term bottoms are made of

Therefor I am adding back some of the Gold stocks we got stopped out of . I am very quite confident this is a solid bottom to see a substantial move higher. I cannot say a new bull market is in the making but I believe at the very least we will see a move where we can eventually move stop losses higher and make profits

I am adding back B2Gold TSX: BTO NY:BTG Recent Price C$1.67
Shares Out 926.6 million Market Cap C$1.55 B US$ 1.16 B

We got stopped out at $1.75 so are getting in a little cheaper

There is a triple bottom on the stock chart and fundamentals are great with a strong growth profile

On November 25th they officially started construction of their Fekola Gold project in Mali.
On June 11, 2015, BTO announced robust results from the optimized feasibility study at the Fekola gold project. According to the feasibility study, the current average annual production for the first seven years is approximately 350,000 ounces per year at an average operating cash cost of $418 per ounce and for the life of mine plan approximately 276,000 ounces per year at an average operating cash cost of $552 per ounce. The total preproduction capital costs are estimated to be $395-million plus $67-million of anticipated mine fleet and power generator costs which are expected to be lease financed.

Some highlights

- Record 3rd quarter consolidated gold production of 124,371 ounces, 38% greater than in the same period in 2014

- Consolidated cash operating costs of $584 per ounce, 20% or $148 per ounce lower than in the same period last year

- All-in sustaining costs of $875 per ounce, 22% or $242 per ounce lower than in the same period last year

- The Company is on track to meet the lower end of its 2015 production guidance of 500,000 to 540,000 ounces of gold and on track to meet its 2015 cost guidance of cash operating costs between $630 to $660/ounce and all-in sustaining costs between $950 and $1,025 per ounce

- The Fekola project will propel B2 Gold into the 850,000 to 900,000 oz/annum range by 2018

Summary

Cash flow from operating activities was US$126.9 million ($0.14 per share) during the nine months ended September 30, 2015 compared to US$76.2 million ($0.11 per share) in the comparable period of 2014.

For the third quarter of 2015, the Company generated a net loss of US$13.6 million (negative $0.02 per share) For the nine months ended September 30, 2015, the Company generated a net loss of US$30 million (negative $0.03 per share)

B2Gold is cash flow positive and just around break even on earnings so it gives them strong leverage to rising gold prices and still room on the downside to stay cash flow positive

At September 30, 2015, the Company had cash and cash equivalents of US$86.8 million and working capital of SU$111.8 million. On May 20, 2015, the Company signed a credit agreement with a syndicate of international banks for a new Revolving Credit Facility (the "New RCF") for an aggregate amount of US$350 million.

There has been no short covering yet with 25 M reported on Canadian side and only 1 M covered on US side, still 17.2M short there

B2Gold has 16.3M ounces of Measured and Indicated Gold Resources and subtracting US$86 million of cash from their market cap of US $1.16 billion is a value of $1.3 billion or US$79 per ounce, quite cheap for a mid tier producer.

The chart looks like the down trend is being broken and we have a good triple bottom. We will have to see a break above $1.90 to consider a new bull move in the stock.

http://www.b2gold.com

On the Zonte front, in B2Golds December 2015 presentation I noticed they say Gramalote has positive economics at today's gold price and will continue to advance the Environmental Impact Study