



rhstruthers@gmail.com

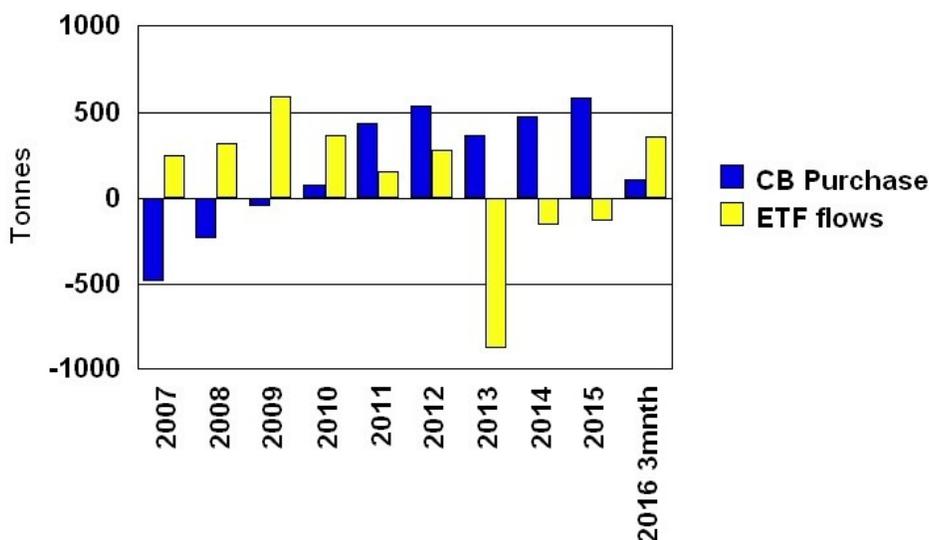
Know when to hold-em!  
 Know when to fold-em!  
 Know where to set stops!  
 Know when to run!  
 Never count your portfolio  
 Until the sells are done..

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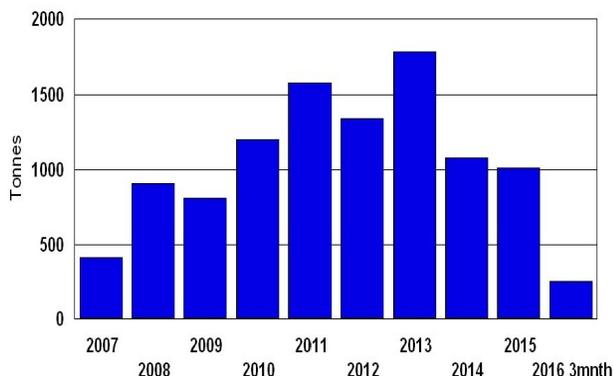
World Gold Council came out with their 1st qtr numbers late last week. Gold demand hit its highest level ever for a first quarter in 2016, jumping to 1,289.8 tonnes or 21% more than the same period last year, according to the latest [World Gold Council report](#).

I updated these Gold demand and supply charts and will update the web site.

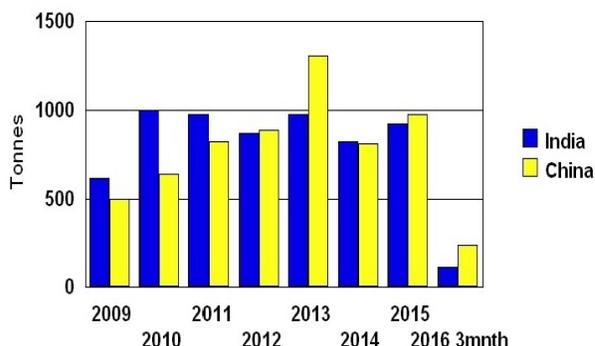
### Central Bank & ETF Flows



### Gold Bar & Coin Demand Source WGC



### India & China Gold Demand Source WGC



ETF demand was through the roof. CBs kept buying, but India demand fell off, but only because their was a strike by the jewelry industry over government tax. Coin and bar demand was strong as well.

I am sticking to my #1 scenario where there is no major correction in Gold stocks - but just consolidation before going higher.

I updated the [Market Trend section](#) on the web site with the progression of charts I sent you regarding the HUI Index with support and target areas. You may find the charts in a slide show give a better picture.

As I pointed out there has been a major shift in trend to a new bull market. I did a [new article on Seeking Alpha](#). And I sent out a link with a Playstocks Alert. These were the main points

- *The circumstance and drivers propelling precious metals is like nothing experienced before, especially the combination of factors.*
- *Strong physical demand has persisted for several years.*
- *The paper gold market, Comex and London OTC are seeing the highest leverage in history (contract claims on deliverable physical ounces).*
- *A new Shanghai Gold exchange, focused entirely on physical, has just begun setting price.*
- *Countries and other entities are repatriating gold and withdrawing physical out of leveraged paper markets.*
- *Major bullion banks have admitted to market manipulation, artificially pushing prices down.*
- *ZIRP (zero interest rate policy) and now NIRP (negative rates).*

One of the most bullish factors I pointed out - is most traders, and the retail traders have not come in the market yet and actually have it all wrong trying to make the last trade by shorting the Gold stocks. **This chart of [DUST is the Gold stocks - 3 times bearish ETF](#)**



Note the huge increase in volume. A good portion can be attributed to price ( a trader can buy more at a cheaper price) , but even considering that, the volumes are still 2 to 3 times higher.

We see this too in Stocks, **Kinross 65M shorts, Yamana 31M and B2Gold 37M short**

I will also update the Market Trend section with this S&P 500 chart. The rally went a bit higher than I thought but the downtrend of lower highs continues to show an exhausted bull market, fighting fundamentals that are not supportive.

I am looking for the market to chop sideways for a month or so, until the next triple witching, later part of June. This often ushers in volatility and I am looking to short the market then with some bearish ETFs, Puts or VIX calls.

### S&P 500



### OIL

Probably the most significant change in my outlook is Oil. I was expecting a slower recovery in Oil prices for 2016 and not that significant. Nobody can foresee the supply disruptions and disasters. Militant attacks in Lybia, Terrorism asabotage in Nigeria, but the fires at Fort McMurray was the biggy that took about 1 million bopd off line. The market sees this as removing the supply glut a lot faster.

And really all this did was move up the Oil price to my next target much more quickly. We have significant resistance in \$46 to \$51 area. I doubt we will get through this resistance in the near term.

Next page I show a weekly chart for the longer term picture and a daily one for short term

## Weekly Oil Chart



I drew in the last candle on the weekly chart above and you can see we are in the strong resistance zone as of yesterday. Below on the daily chart I show the uptrend and support area. I am expecting we will soon correct back to this support, but I doubt we will go much lower and then see another attempt at the \$50 resistance area.

## Oil Chart Daily



I think we will see a strong up move in Oil once we break through the \$50 area resistance. I believe this will be driven by a supply deficit **because the cut back by the Oil companies is so severe.**

This was a price shock, not a correction. I believe it was driven by the U.S. and Saudi to hurt Russia and also in an attempt for the U.S. to revive their economy and the Saudi to gain market share.

**Interventions have unintended consequences** and the first one was their plan did not work. Russia managed, the US economy is still in the tank, but the Saudi's are gaining some market share.

**The 2<sup>nd</sup> consequence** will probably an Oil shortage and significant price shock.

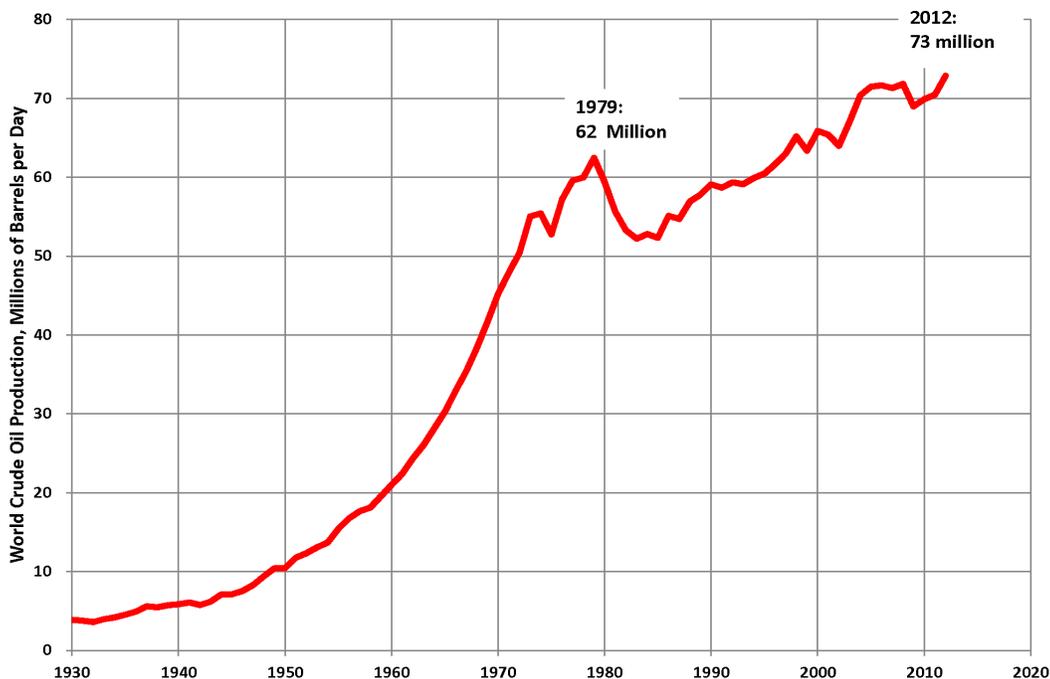
The Oil rig counts have plummeted so that means a significant supply drop is on it's way. Even with higher Oil prices, companies will reduce debt and repair balance sheets before they start drilling again.

The U.S. rotary [rig count from Baker Hughes](#) was down 9 at 406 for the week of May 13, 2016. It is 482 rigs (54.3%) lower than last year. **Rig count is again at the lowest level since Baker Hughes started counting rigs in 1949.** Baker Hughes counted 47 for Canada. Noteworthy is : Alberta 27, Sask 2, and BC 8 (**only 6% of 671 available rigs**).

International rig count, which excludes the US and Canada, was down 39 to 946 for the month of April 2016 and is 256 rigs (21.3%) lower than last year's 1,203 rigs. This is not so bad because it includes the Middle East which has really seen little decline (-6%) but on an annual basis:

- Europe -24.2%
- Africa - 25%
- Latin America -37.5%
- Asia -21.5%

What you need to realize while this rig count is the lowest in recent history, it is against a backdrop of a lot higher oil consumption. If this was the 1960s or 70s you could recover because the world was only consuming 40 to 50 mbopd. Today the world is consuming 95 mbopd and [IEA is predicting](#) close to 97 mbopd by end of 2016. **If you stop drilling with this kind of consumption, you will not recover for a very long time. We should see this start to unfold within about 2 years time.**



This was from Haliburton's NY:HAL, Q1 operational update, one of the world's largest Oil service companies. Bold highlights are mine.

*"Life has changed in the energy industry, especially in North America, and over the past several quarters we have taken the steps to adapt to that fact,"* said Dave Lesar, Chairman and CEO.

*"Operators globally are **under immense pressure**, and many of our North America customers are fighting to maintain some value for their shareholders. Our goal is to work with those customers to get through these tough times."*

*"Our customers have taken defensive actions to solidify their finances including **significant reductions to headcount and capital spend**. While these were necessary actions, it clearly will result in production declines in the back half of 2016. But even when operators feel better about the markets, they will still face issues of balance sheet repair and we believe **they will be cautious in adding rigs back**. .....,"* added Lesar.

Essential Energy (ESN.T) released Q1 financials and they have one of or the largest service fleet in Western Canada. Oil field service activity was hit hard, with drilling rig utilization reaching 30-year lows. Unseasonably warm weather also hindered activity with the onset of spring breakup conditions throughout the Western Canadian sedimentary basin (WCSB) in early March. Well completions and drilling activity in the WCSB declined 61 per cent and 43 per cent, respectively, during the first quarter of 2016, compared with the same period in 2015.

Well completions, a key indicator of industry activity, declined 61%

**I will be adding Oil stocks to our list and we will do very well with them in the long term, but we have time as the dust settles in the industry.**

\*\*\*\*\* UPDATES \*\*\*\*\*

**Avino Silver TSX and NY:ASM  
Entry Price \$1.42**

**Recent Price \$2.11  
Opinion - hold**

ASM released financial results for the company's first quarter ended March 31, 2016 and these were very good considering the qtr. Only included 2 months of sales.

- Generated revenues of \$2,751,949 million and net income after taxes amounted to \$58,046
- Produced 715,933 silver eq ozs, including 403,447 ozs silver, 1,497 ozs gold and 1,350,912 pounds of copper
- Consolidated all-in sustaining cost ("AISC") was \$11.29 (US\$8.22) per payable silver equivalent ounce, a 9% decrease compared to \$12.36 or (US\$10.09) per ounce in the first quarter of 2015
- Total consolidated cash cost was \$5.64 per payable silver ounce
- Cash and cash equivalents of \$6,022,283 million were on hand at the end of the quarter

*"We are pleased to have delivered another quarter of positive operating and financial results. Our revenues from the San Gonzalo Mine were lower than expected due to a new sales arrangement which resulted in only two months of sales. Going forward, each quarter will reflect three months of sales and related production costs. Our teams in Mexico and Canada have done an excellent job of monitoring and reducing costs, with stronger metal prices we anticipate improved profitability in future periods. During the quarter we achieved a consolidated all-in sustaining cash cost of \$11.29 (US\$8.22) compared to \$12.36 (US\$10.09) per silver equivalent ounce in the first quarter of 2015. In April 2016, the Company commenced underground mining using the long-hole caving method at the Avino Mine. Management is currently analyzing the economics of the new mining method and is optimistic that the results will lead to a commercial production decision in the coming months."* David Wolfen, President, CEO & Director



<http://www.avino.com/s/Home.asp>

**Eurocontrol Technics**  
**Entry Price \$0.125**

**TSX V: EUO**

**Recent Price \$0.20**  
**Opinion - buy**

I last updated EUO on February 20<sup>th</sup> with a buy at \$0.17 as I believed their stock repurchase plan was a good idea. The stock did run up to \$0.22 and correct some but there has been a lot of news recently and what really caught my attention was the stock chart.

The stock is in a steady uptrend with decreasing volume, a bit strange and when I checked 'On Balance Volume' you can see the stock has been under steady buying accumulation. There is a whole new shareholder group taking control.

On May 4<sup>th</sup> we learned that some of this buying has been SICPA, disclosing that they purchased 100,000 common shares, increasing its holdings in Eurocontrol to 9,276,500 common shares, representing ownership of 10.09 per cent.

Bruce Rowlands, chief executive officer, stated: *"We welcome SICPA as a significant shareholder. Given the partnership relationship through our subsidiary Xenematrix that has an exclusive supply agreement with SICPA/GFI supporting their Petromark technology, we view this investment in Eurocontrol as confidence on our business model and outlook."*

I would not be surprised if SICPA at some point, just buys out EUO.

Early May, EUO announced 2015 year-end results reflecting a 33% increase in fiscal year revenue, including discontinued operations, to \$7,909,442, compared with \$5,956,733 for the year ended Dec. 31, 2014.

They also recently announced that Eurocontrol's wholly owned subsidiary, XwinSys Technology Development Ltd., has been granted a patent from the United States Patent and Trademark Office for its patent application No. 14/234,169 made in 2014 covering a method and a system for inspection of voids in a bump. This is in regard to quality control on electronic wafer production. Rowlands comments explain it:

Bruce Rowlands, CEO stated: *"The acceptance of this patent application by the United States Patent and Trademark Office is a significant milestone for our subsidiary XwinSys. This invention in the field of wafer inspection is new for its ability to detect the existence of voids in a bump and to calculate voids volume along with other critical dimensions relative to bump inspection, such as bump height, pillar height and solder composition ensuring overall product quality."*

## **The most recent news is signing of an MOU with DigiFlex of Israel**

DigiFlex Ltd., is a private Israeli company that holds patents in inks and printing, the MOU is to form a joint venture that will focus on developing technology to address security inks to provide a security solution to governments and product brands protection to industry.

Xenemetrix and DigiFlex are investigating a new approach to security printing that will involve a three-stage coding system with simple implementation and ease of operation. Utilizing DigiFlex's unique ink solution that can be printed with high resolution on any surface (including glass, metals and plastics) and a hand-held reader based on Xenemetrix's ED-XRF technology, the new technology will be able to identify the composition of elements in the ink and will also have the ability to identify a visual image printed with DigiFlex coded ink.

The signing of this MOU coincides with a business mission to Israel and the West Bank that Eurocontrol was asked to participate in by the Government of Ontario. The mission continues the decade long cooperation between Ontario and Israel that is focused on establishing Ontario as a top innovation and knowledge economy partner with Israel. The business delegation accompanying Premier Wynne includes a number of Ontario companies that are pursuing trade opportunities and research and development projects with Israel to create cutting edge technologies.

*"By combining their technical expertise, DigiFlex and Eurocontrol will not only improve security for governments and industry, they will help curb the illicit trade of goods all over the world,"* said Kathleen Wynne, Premier of Ontario. *"This partnership is one of the many cooperative agreements being signed during my business mission to the Middle East, where I am promoting the exchange of knowledge and information and seeking new opportunities for collaboration that will benefit both regions."*

Bruce Rowlands, Chairman and CEO stated, *"We were thrilled to be invited to participate in this trade mission. Eurocontrol has had significant success in working with Israeli companies to commercialize and assist with global expansion of leading edge Israeli technologies. The MOU with DigiFlex is another such initiative that will initially focus on identifying niche markets where Xenemetrix's existing ED-XRF chemical and elements analysis can be broadened through marrying it with DigiFlex inks and processes to hopefully bring new authentication products to the market that will help address the wide spread trade in illicit goods."*

Hezy Rotman, DigiFlex's CEO stated, *"We are excited for the opportunity to join forces with Eurocontrol and Xenemetrix to bring to market a breakthrough product in the "chemical authentication" industry segment based on the proven technologies of DigiFlex and Xenemetrix."*

This is a good fit for Eurocontrol as it will expand their security marking and identification beyond the Oil market that SICPA is now handling for them. When it comes to security, Israel next to the U.S. and maybe even better than the U.S. is a world leader. So I am sure a great partner for EUO.



On the chart you can see the steady up trend and less volume. It is a day old and we just seen a retest of the 22 cent high. I am looking for the stock to break above 22 and continue it's up trend.

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