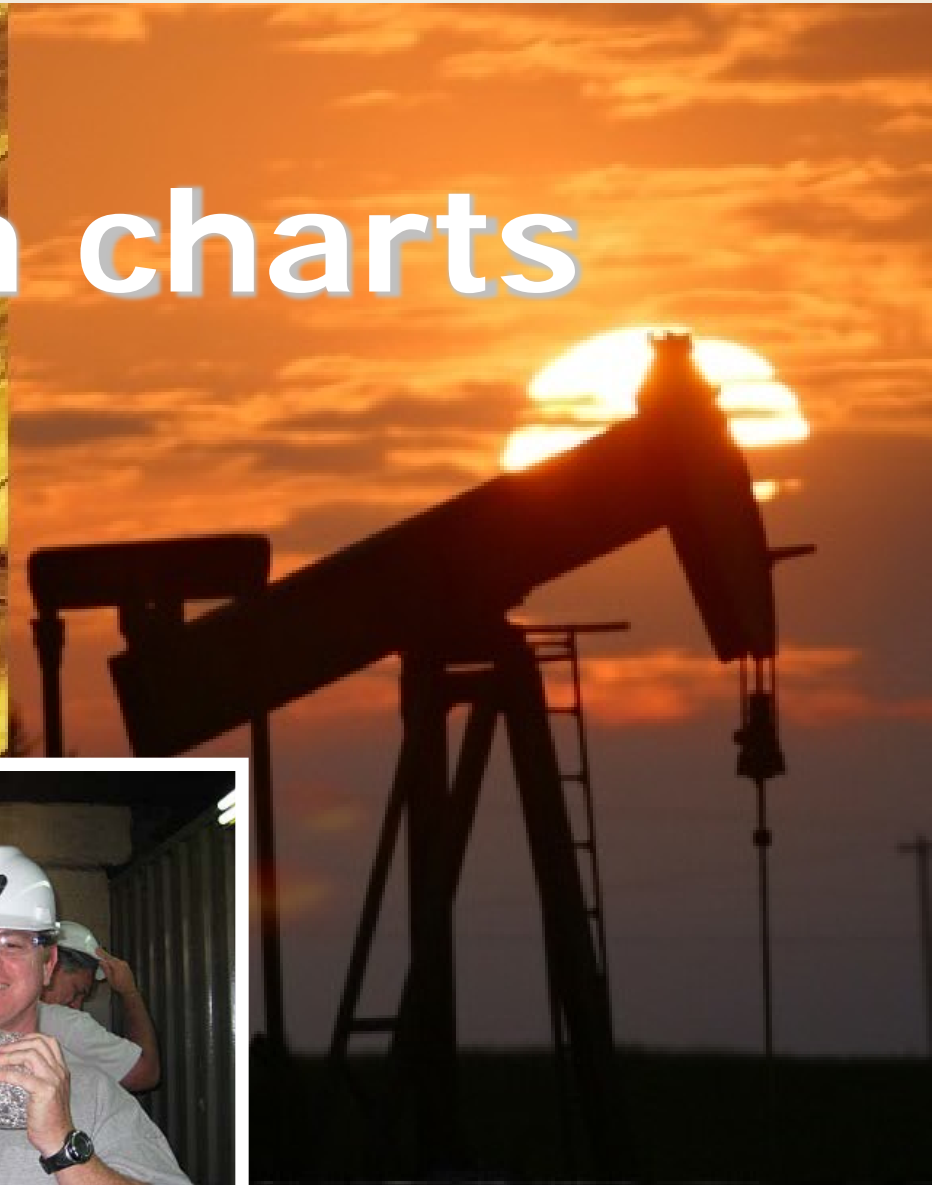
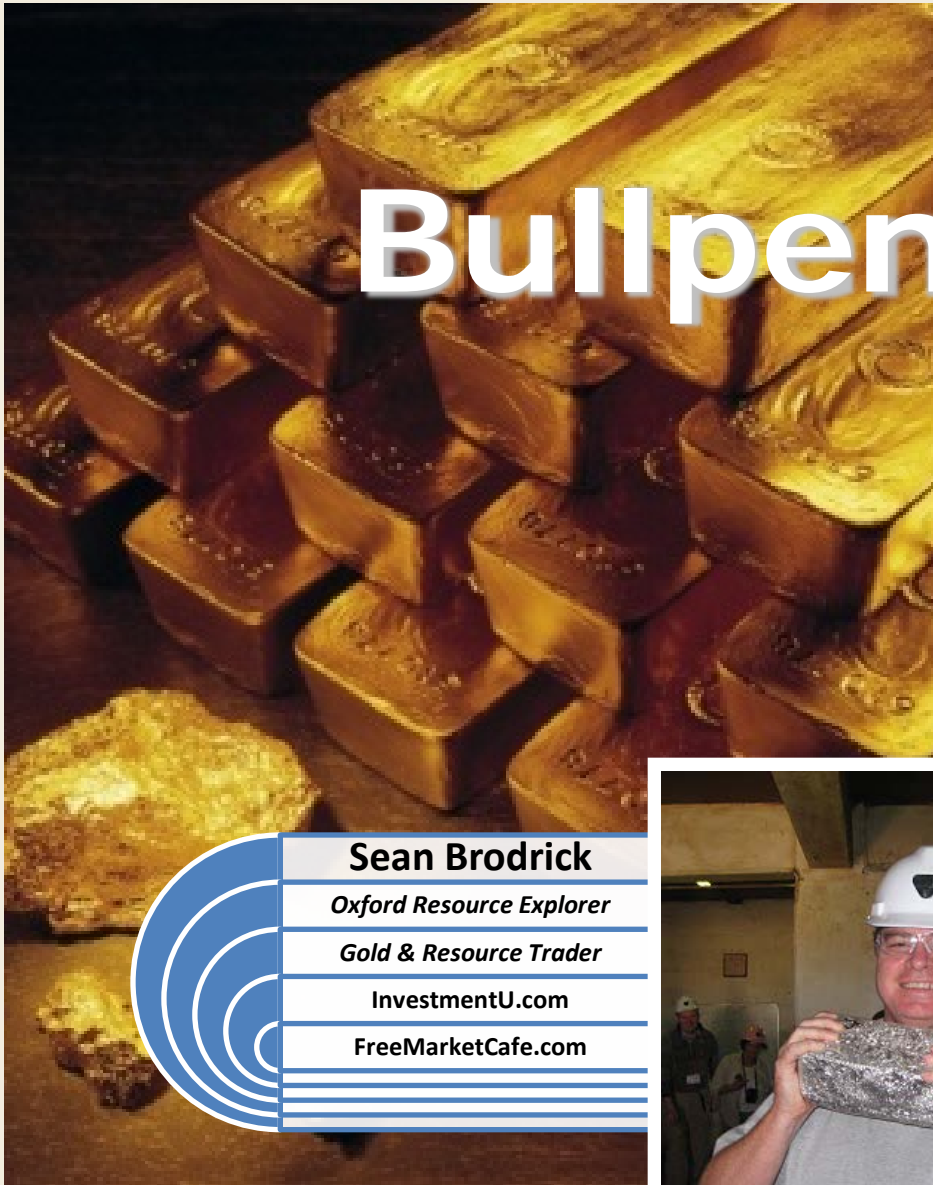


Bullpen charts



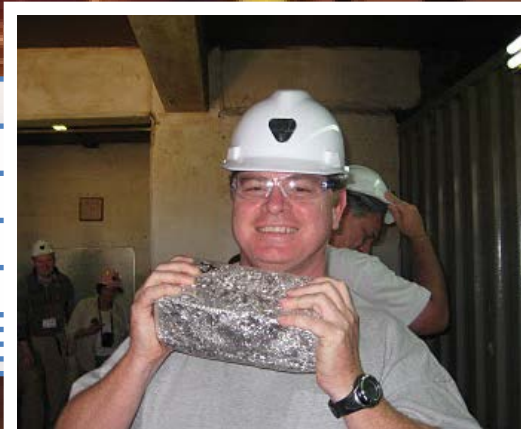
Sean Brodrick

Oxford Resource Explorer

Gold & Resource Trader

InvestmentU.com

FreeMarketCafe.com



**“The future ain’t
what it used to be”
-- Yogi Berra**

While No One Was Looking, Gold Headed Higher

- Trigger for latest decline was Fed's announcement it would reduce its 'asset purchase program' in 2014.
- Spot gold prices fell as low as US\$1,183 intra-day on October 5. Retest of previous low of US\$1,180 on June 20, 2013 For 3rd time since 2013 gold has found support at around \$1,200 per ounce
- That seemed to be the bottom. Now, gold is trending higher and testing overhead resistance.



Dollar and Gold on the 'Seesaw of Pain'



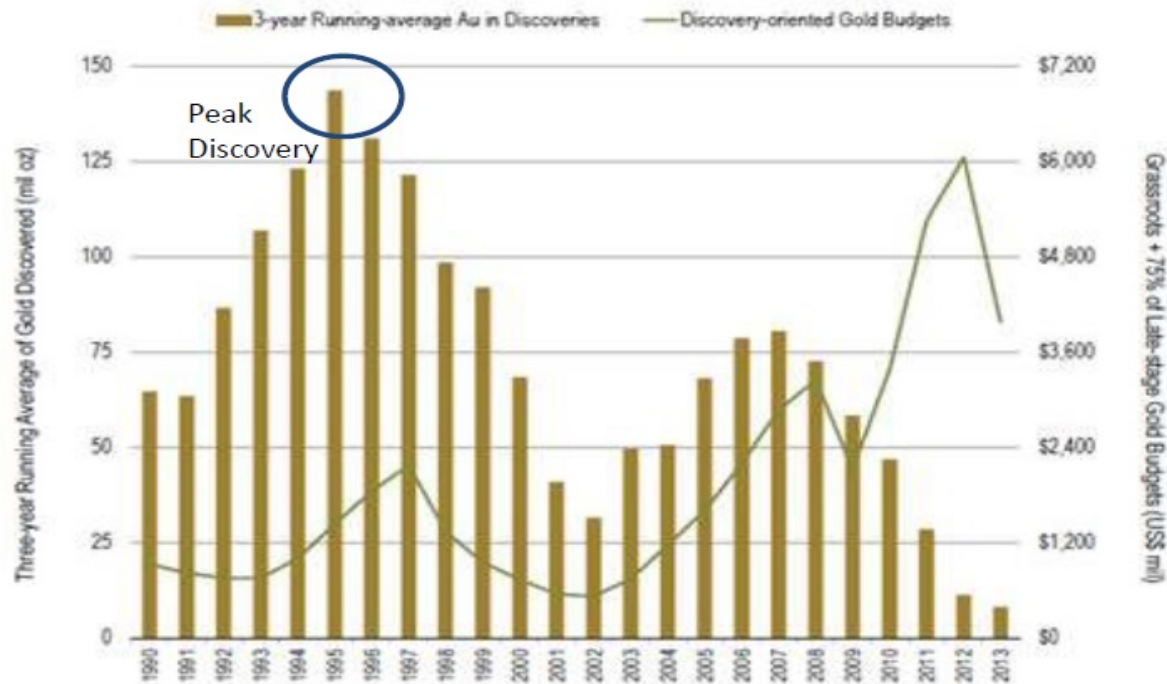
- On the basis of the past relationship between the dollar and gold, the metal might now be expected to be at \$1,000 or under. Part of the dollar's outsized recent rally has been pricing in expectations of a faster Fed exit from its current historically accommodative monetary policy stance. Is that still on the table?

Peak Gold 1

Discoveries peaked in 1995

- Peak gold discovery occurred in 1995 at ~175 million ounces
- Annual discoveries have fallen to less than 50 million ounces in recent years
- This trend is in spite of much higher exploration budgets

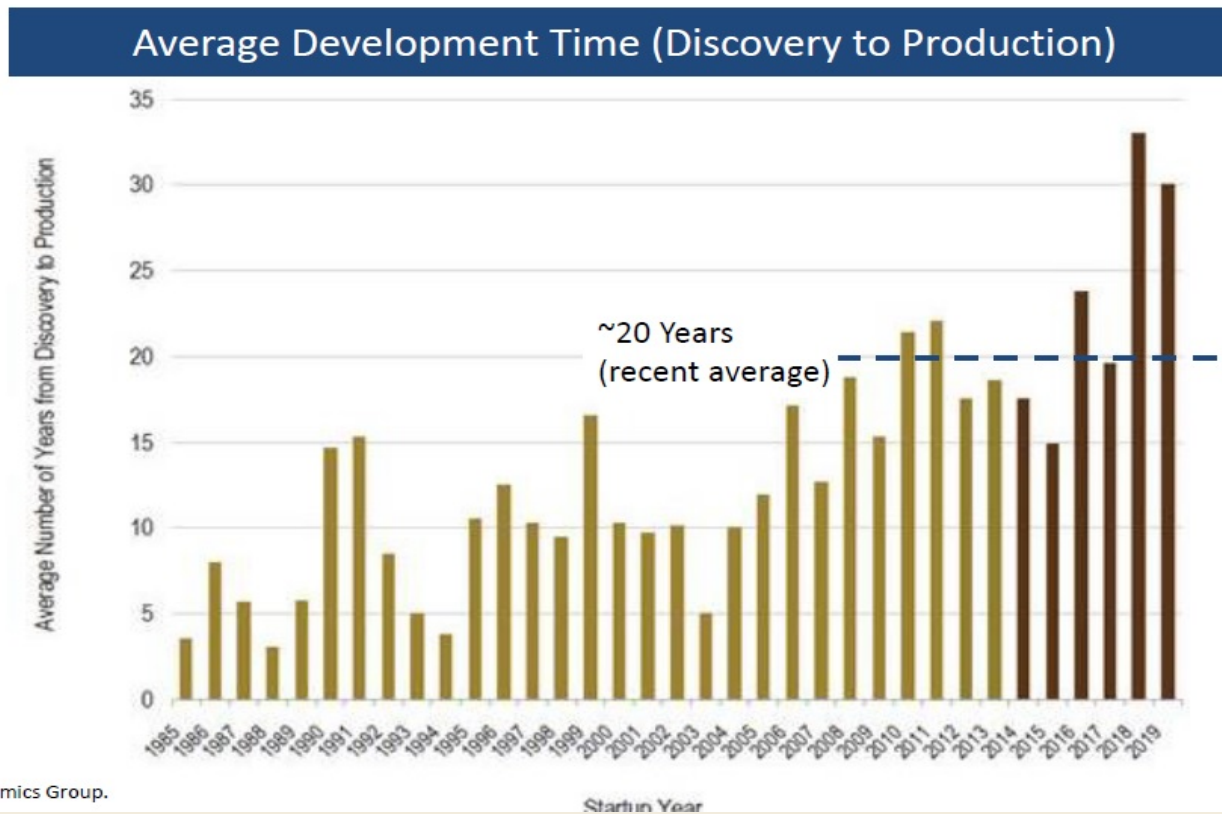
Gold in Major Discoveries 1990 - 2013



Peak Gold 2

Development time is approaching 20 years

- Average development times have been steadily increasing
- In the next few years average development time is expected to be ~20 years
 - Increased environmental regulation, social obligation and land-use restrictions have contributed to longer lead times



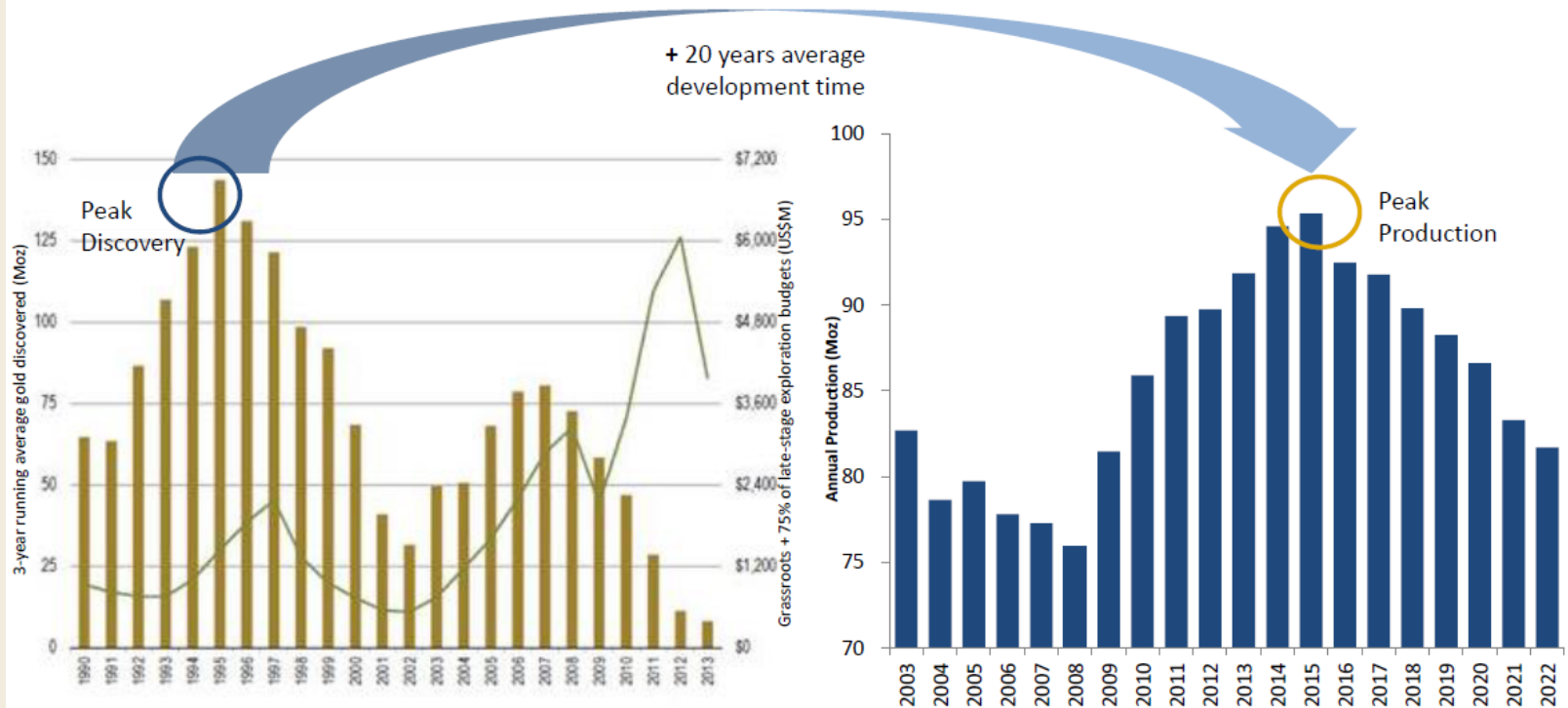
Source: SNL Metals Economics Group.

Peak Gold 3

Peak production is expected ~2015

- Peak Gold production is expected in ~2015
- This coincides with a ~20 year development cycle from peak discovery

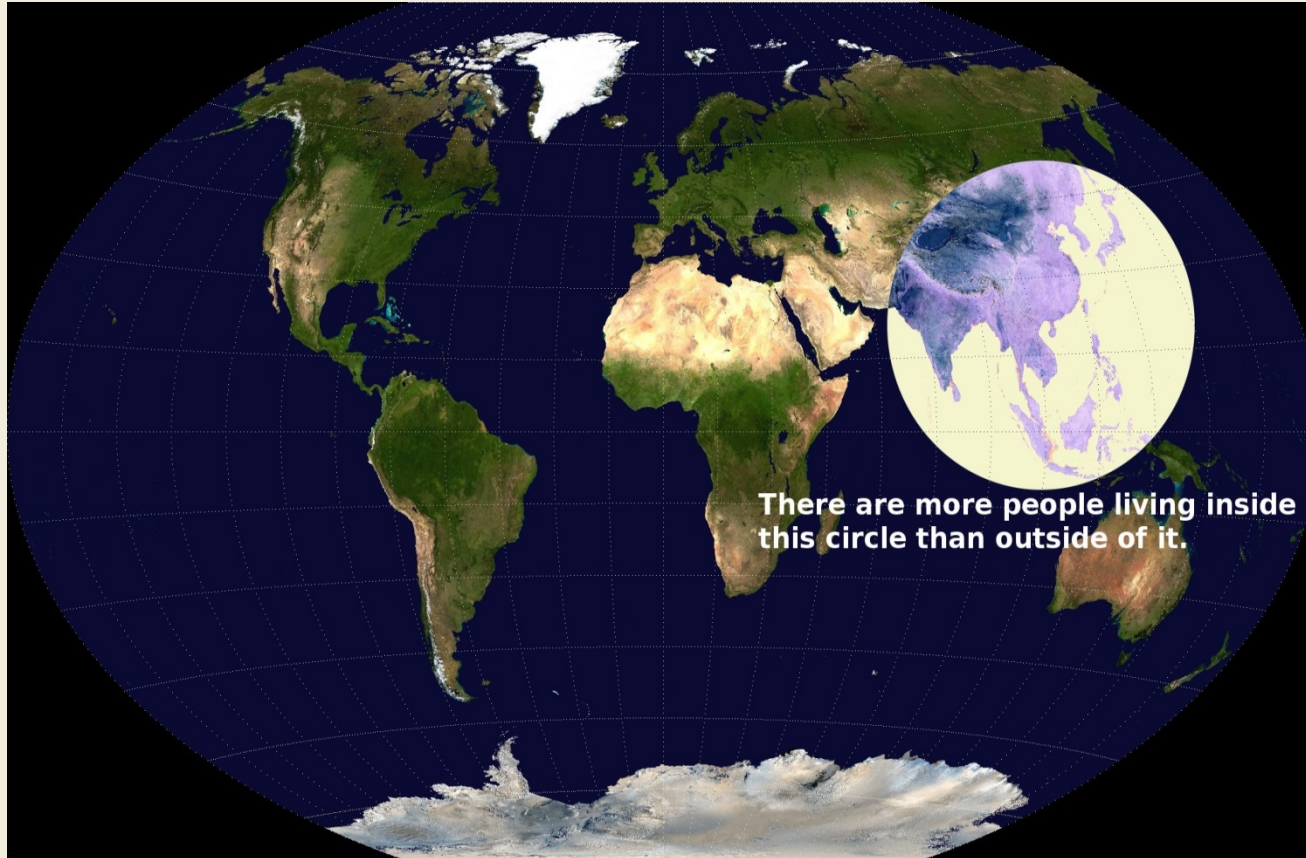
“Peak Gold”



Source: SNL Metals Economics Group.

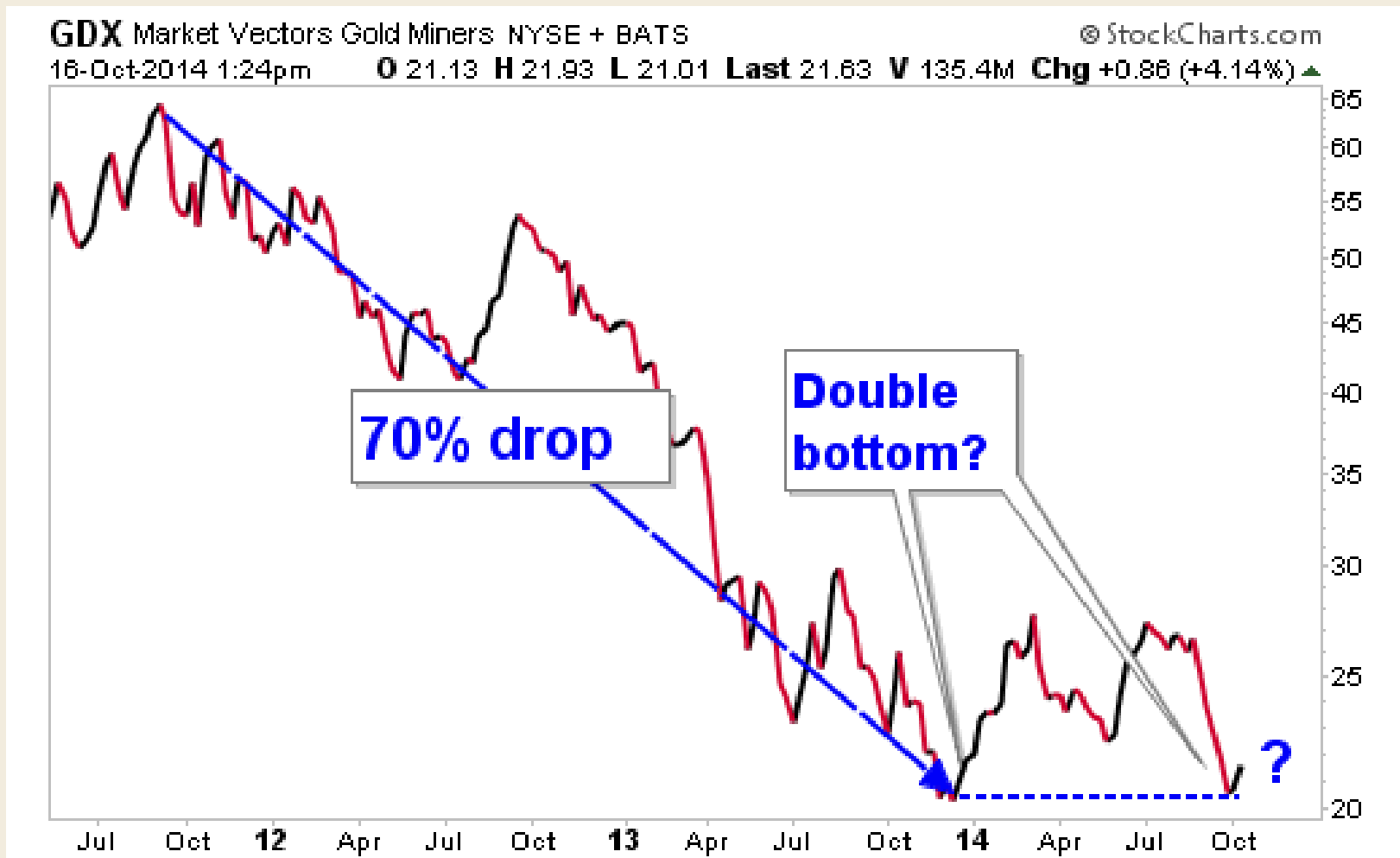
Source: Consensus estimates. Includes CPM Group, GFMS, and Metals Focus.

The Rise of the Global Middle Class



- Outside of those in India and China, another 650 million people spread across Southeast Asia.
- Asia's middle class is expected to triple to 1.7 billion by 2020... and they have a cultural affinity for gold

After 70% Drop in Gold Miners ...?



- Gold appears to have spent the last year putting in a double bottom.
- The yellow metal is hated now. HATED! That's when bull markets start.

Better Than the GLD: GTU



- Closed-end fund holding gold bullion that provides an alternative to SPDR Gold (GLD)
- GTU gains qualify for the long-term capital gains rate of 20%. On the other hand, GLD is considered a collectible; thus gains would be taxed at the collectible rate of 28%.
- The same 28% collectible rate applies to gold coins and bars.
- Recently traded at a 7.1% discount to net asset value

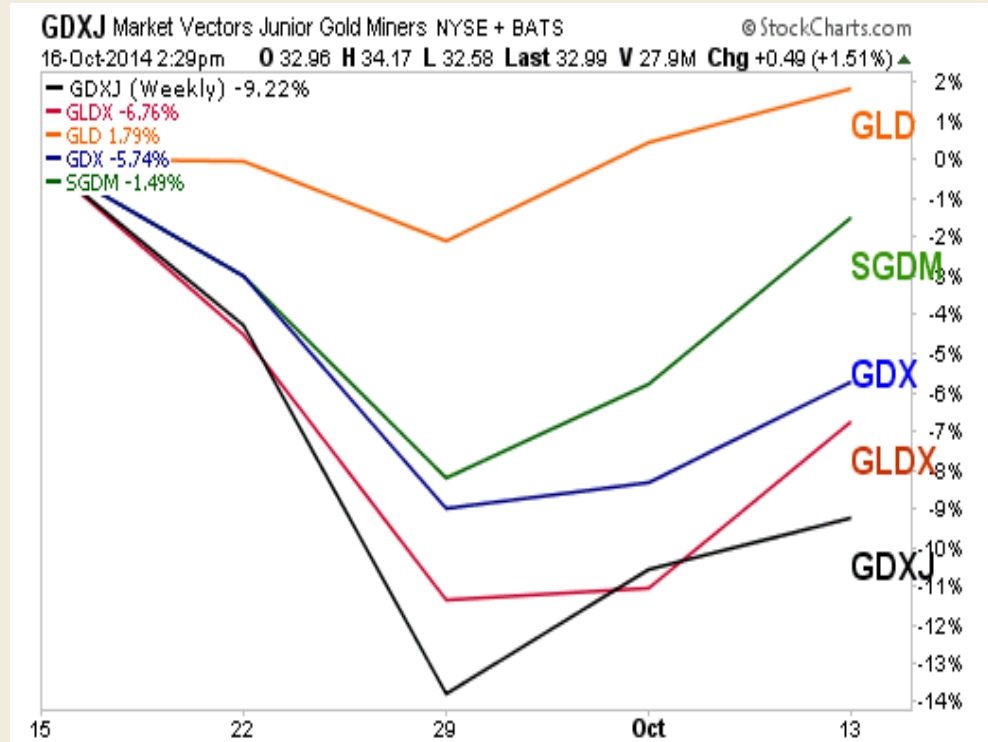
It's a Bargain: Goldcorp (GG)



- Costs down, production is up. Should produce between 2.95 million and 3.10 million ounces of gold this year, up from 2.67 million ounces last year.
- Goldcorp swung to a profit in the second quarter of 2014 on lower costs. Completely unhedged. Pays a 2.5% dividend
- El Morro Project in Chile is being “rethought”. But 5-year plan doesn’t include El Morro. It does include Cerro Negro gold project in Argentina and Eleonore and Cochenour gold projects in Canada.

A Better Way to Play the Miners?

- In the last month, no gold miner fund has kept up with gold.
- But since the 29th – the bottom – **Sprott Gold Miners ETF (SGDM)** has outperformed.
- It gives more weight to gold stocks with high quarterly revenue growth and stronger relative balance sheets.
- It holds 26 stocks in its basket. It is highly concentrated on the top three firms – Franco-Nevada, Randgold Resources and Goldcorp – that collectively make up 46.9% share.
- The ETF charges 57 basis points in annual fees.
- Google InvestmentU.com and ‘Grumpy Gold Men’ to find out more.



Silver Is Underperforming Gold -- Badly



- Silver has greater susceptibility to industrial volatility. Almost half of demand for silver is industrial, leaving it more susceptible to a weak global recovery. And investors are worried about China's economy.



- This latest episode is all the more remarkable given the strength of the US dollar. On the basis of the current valuation, which is at the top of the range of gold's

Many Silver Producers DO Look Cheap Here

- **Fortuna Silver - FSM**
- Big recovery off early October lows. \$587 million market cap. CEO has stated that during these times of low silver prices, company is going to concentrate on zones with higher base metal content. Silver production is up. Gold production is up. Zinc production is up 25% year over year. **All-in cost \$17.01.**
- **Silver Standard Resources – SSRI**
- \$450 million market cap. Looks dead in the water, so this is a value play. But what a value. It trades at around half book value. The company produced 40,442 ounces of gold in Q3, 83% higher than in the previous quarter. 2.6M ounces of silver produced, 25% higher than in the previous quarter, and 7M pounds of zinc. **Total cost \$20.05 per ounce.**
- **Pan American Silver – PAAS**
- \$1.6 billion market cap. As of last quarter, PAAS had \$334 million of net cash on its balance sheet. In 2Q it produced 6.56 million ounces of silver and 37,700 ounces of gold, an increase of 6% and 26% from 2Q 2013. It is focusing on low-cost projects. 4.7% dividend may be cut, but it still looks attractive. **2Q production cost \$18.23**
- **Silver Wheaton – SLW.** You can buy it under \$20 a share now!

**Just Remember that Cheap
Can Get Cheaper!
-- That Goes for Gold
Miners, Too**

QE Effect on Stocks



- Tell me again about stock market “fundamentals.”

The Market Enjoyed a Good Long Run



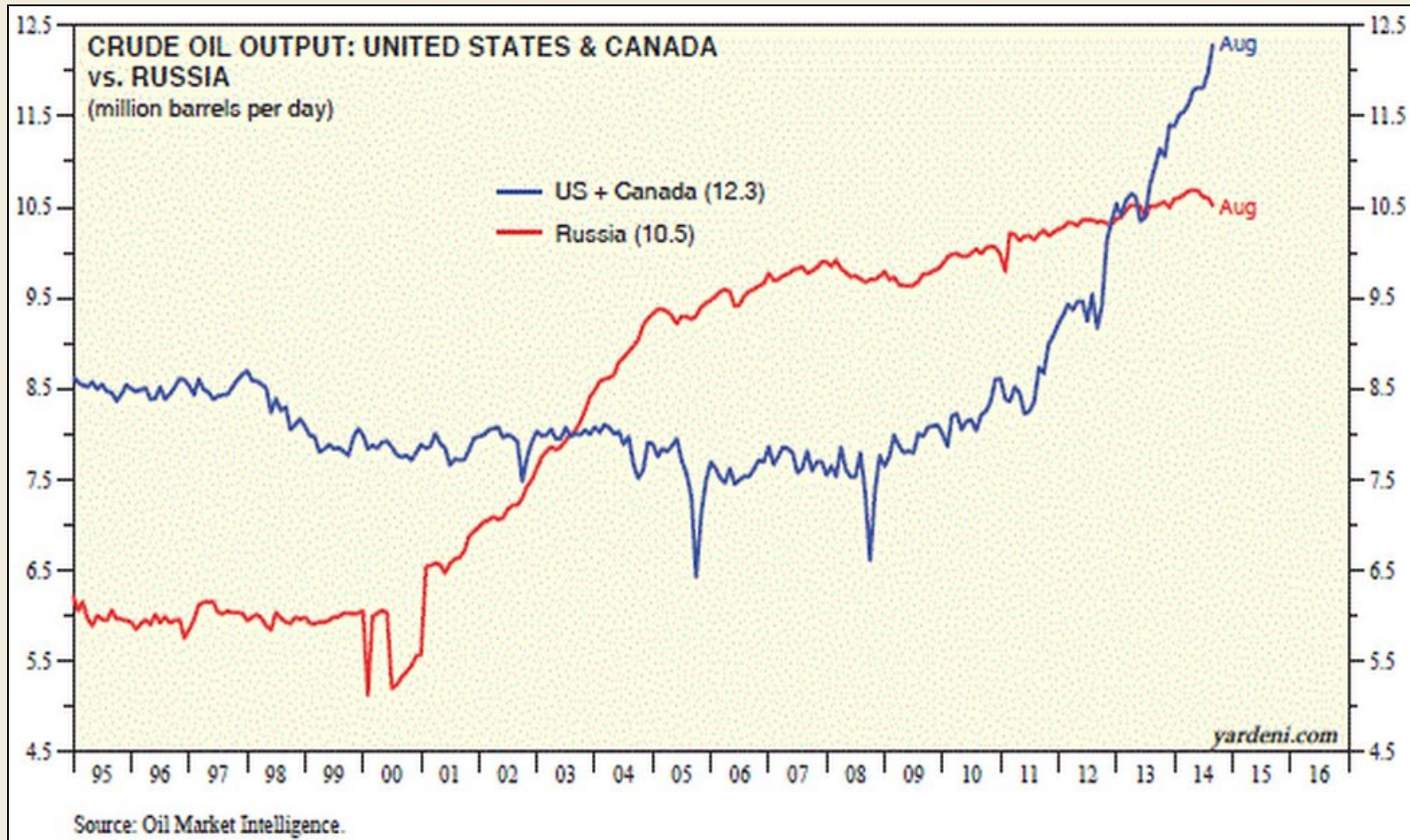
- This breakdown doesn't mean we're in a bear market. But it certainly means caution is warranted. Also, money may rotate into assets that have been underperforming

Small Caps Broke Support ... What's Next?



- Small-caps have been underperforming for quite some time. This is at least partly due to lack of the huge buy-backs that have juiced up the rally in large-cap stocks. Small-caps broke support. Trying to rally now. If the rally fails ...

Look Out, Russia!



- When you add U.S. and Canadian production together, we are now producing more – a *lot* more – than the world's #1 producer, Russia.

Oil is in a Downtrend. How Low Will It Go?

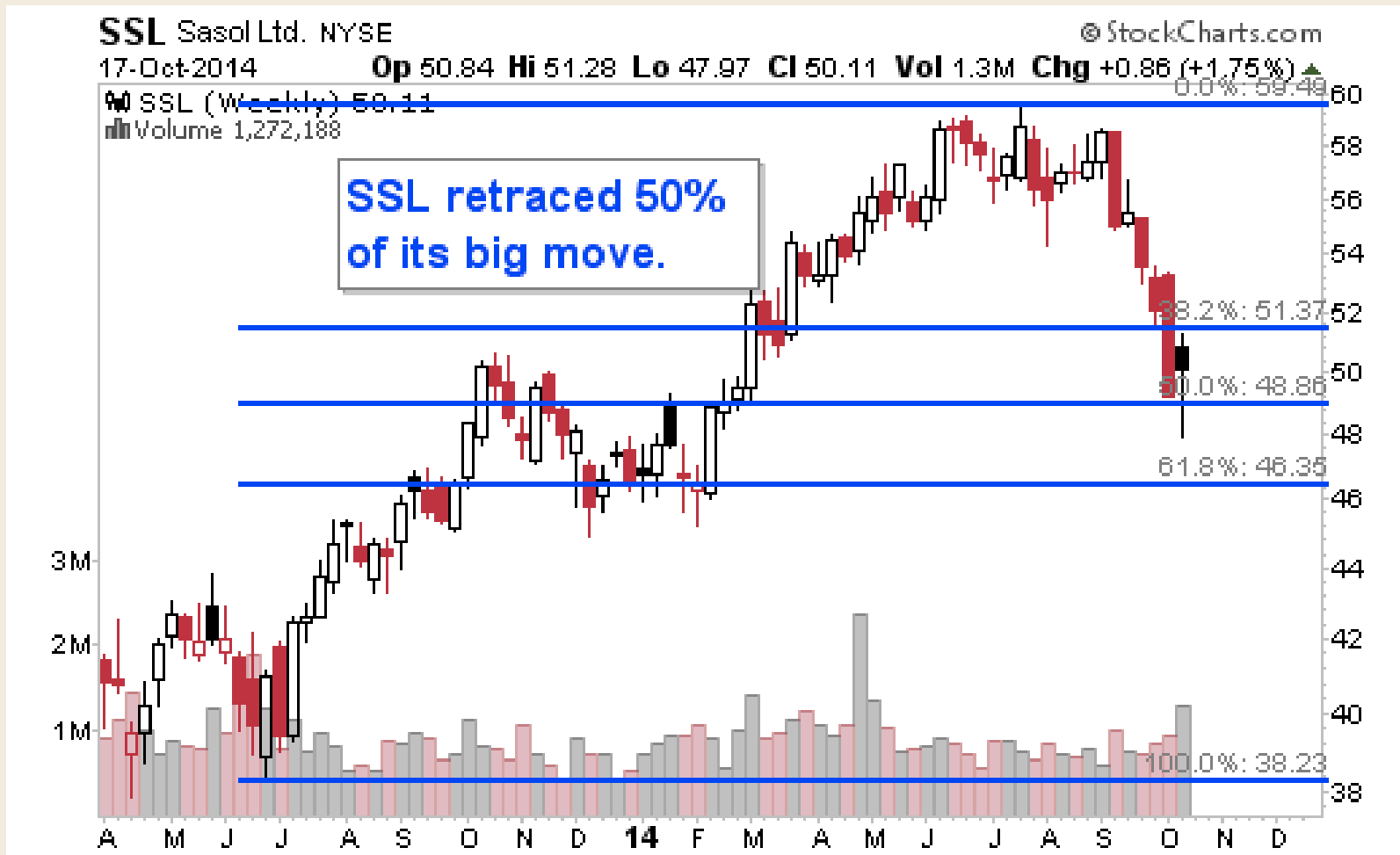
- Saudis are cutting prices to maintain market share in the face of rising production from US, Iraq and Libya. Saudis say they'll accept \$80 oil for "years." They believe they can outlast Canadian oil sands, deepwater oil and other higher-cost producers. Are they right?



What the Saudis Are Getting Wrong

- IEA: “All told, roughly 2.6 million barrels a day of world crude oil production comes from projects with a breakeven price in excess of \$80 a barrel.” World oil production was 93.2 million barrels a day in the third quarter.
- Just over 4% of this year’s U.S. light, tight oil production carried a breakeven price of \$80 a barrel or more. That’s less than 200,000 barrels a day.
- For many shale producers, a large chunk of production costs — acquiring acreage, contracting wells, etc. — have already been spent. As a result, the more important figure might be “half-cycle” production costs. which analysts at Citi last week pegged at between \$37 to \$45 a barrel.
- “Even at \$75 a barrel or perhaps below, U.S. oil production would almost certainly grow in 2015 an 2016.”
- A \$70 basis WTI price could slow the roughly 1-million b/d growth rate in shale by 25%.

Look for Energy Stocks That Are Ready to Bounce



- GTL – natural gas to liquids. Proving it can be profitable. Will build a new plant in Louisiana. Growth, competitive advantage, global reach and 4.2% (and growing) dividend.

US Natural Gas Production & Price Outlook

- Big draw-down last winter, but record production has rebuilt stockpiles.
- EIA expects natural gas marketed production to grow by an annual rate of 5.4% in 2014 and 2.0% in 2015.
- EIA expects natural gas consumption in power sector to increase in 2015 with retirement of some coal plants.
- US expected to become exporter of liquefied nat-gas in 2015 and a NET exporter of nat-gas by 2018.
- EIA has approved eight projects that would bring the export capacity to 4.4 trillion cubic feet by about 2019.
- Global liquefied natural gas market is shifting in favor of buyers across the Pacific.
- Prices are likely to average \$4.45 per million British thermal units in 2014 and \$3.84 in 2015

4 Industries Will Profit from Lower Oil Prices

- Every one-cent drop in gas prices means a \$1 billion annual decline in energy spending by consumers. “It’s like a tax cut that consumers can use to eat out more often, buy more goods or help save for a new home.”
- **Manufacturing.** Especially chemical manufacturers that use oil as an input. But really, any manufacturer that uses a lot of oil or gasoline will cheer lower oil prices.
- **Airlines & Travel.** Lower gasoline prices put more money into consumers’ pockets for discretionary spending and travelling at the same time that lower fuel prices lower airlines’ costs. Hotels & Resorts also.
- **Discount retailers.** Their customers squeeze every penny, and falling gasoline prices are a huge pay boost for them. The price of oil makes up 66% of the cost of a gallon of gasoline.
- **Transport Stocks.** Any company with a fleet of trucks should make money as fuel prices go lower. And now, experts are saying that gasoline prices in many parts of the country could fall below \$3 in the coming months.

Potential Outperformer: UPS



- UPS' daily package volume -- comprised of its next-day air, deferred and ground shipments -- has already increased 5.8% year to date. And now we're headed into the holidays.
- This company dominates the holiday shipping business in the U.S. with its 100,000 brown trucks. It's adding staff and pick-up locations.
- This Christmas season is expected to be an improvement over last year. U.S. retail sales could rise as much as 4.5% in November through January.
- It releases 3rd quarter results October 24th.

What About Investments in Energy Industry?

- Not all U.S. production is created equal. Some U.S. oil fields, including the Eagle Ford Shale and Permian Basin in Texas, would remain attractive to drill even at much lower oil prices. Robert W. Baird & Co. said prices could drop to \$53 a barrel in certain parts of the Eagle Ford and still be profitable to drill.
- Those drillers will be able to raise production.
- Also buy pipelines on dips – especially if they're serving oil and gas fields in Southwestern US and Louisiana that are low-cost.
- Refiners can do well. They become more profitable when the oil they use is cheaper. Prices of refined products such as gasoline typically don't fall as quickly as those for crude.

2 Eagle Ford Producers

- **Devon Energy – DVN**
- \$23 billion market cap. Thirty percent off its highs hit in late June.
- Works in Anadarko Basin, Barnett Shale, Mississippian-Woodford Trend, Permian Basin, Rockies, and other regions in the United States. It also owns oil and gas properties in Canada.
- Ramping up South Texas production – 48% more in just a few months.
- Insiders are buying.
- Trades at 0.81 PEG, 9.28 forward earnings. Pays a small dividend.

- **Anadarko Petroleum – APC**
- \$45.3 billion market cap. 21% off highs set in late August-early September
- Anadarko is among the largest producers in the Eagleford Shale with approximately 388,000 gross acres.
- In the second quarter, it produced an average 848,000 barrels of oil equivalent, up 50,000 barrels per day from the year-earlier period.
- Recently resolved a lawsuit in New York over fracking.
- Is a dividend raiser.

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