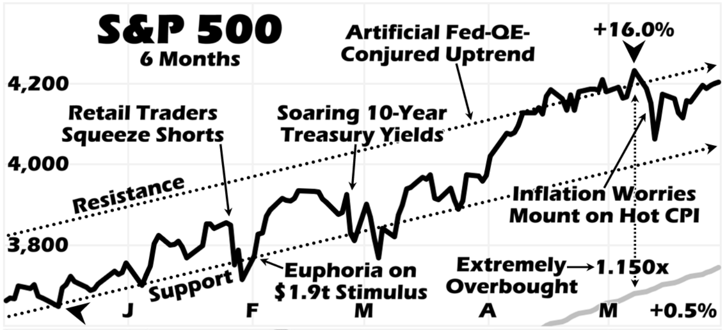
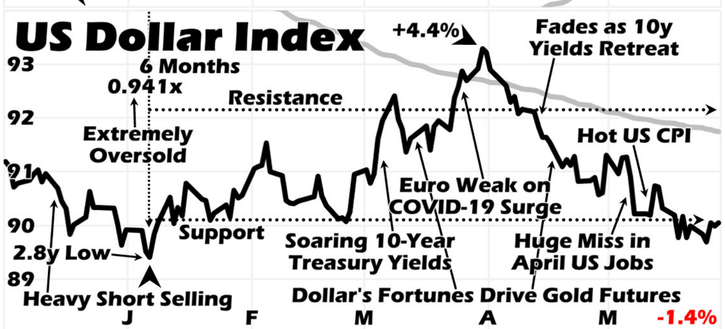
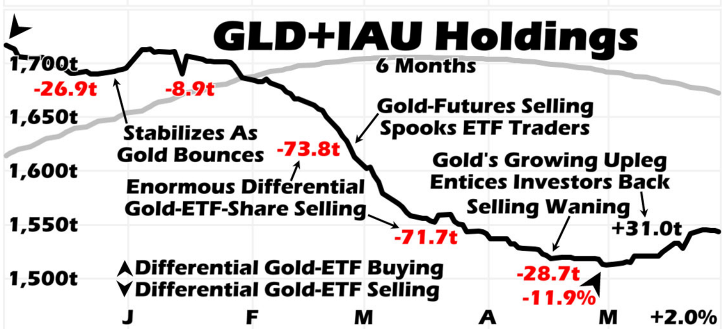
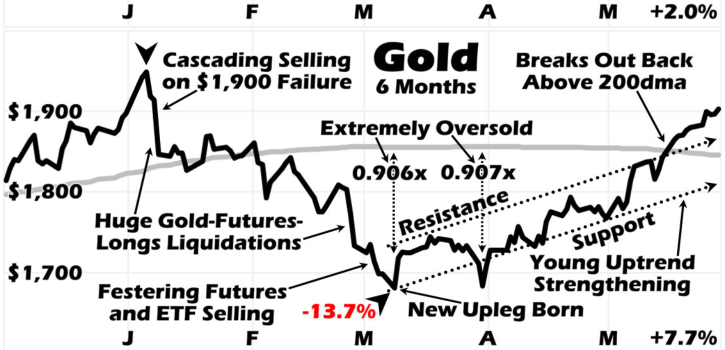
Zeal Intelligence

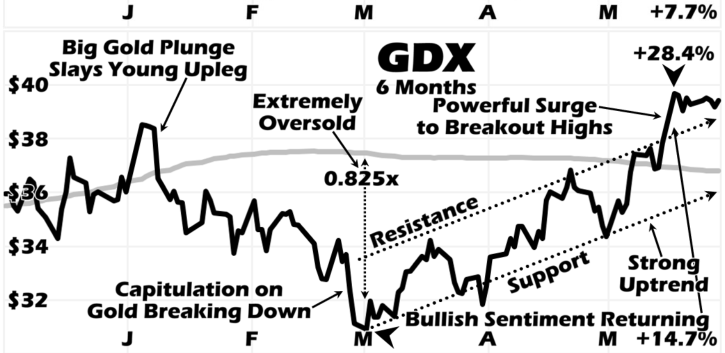
Brave When Others Are Afraid, Afraid When Others Are Brave











The lofty US stock markets wobbled in May, on *mounting inflation fears*. While Fed officials continued to downplay the relentlessly-rising prices on virtually everything as transitory, traders aren't so sure. Highly-inflationary times are bearish for stock prices, eroding corporate earnings. Inflating prices relentlessly eat into customers' purchasing power, leaving them less able to buy the products companies sell. That is even more threatening with the S&P 500 still trading way up at extreme bubble valuations. Leaving May, these elite US companies remained priced for perfection averaging trailing-twelve-month price-to-earnings ratios way up at 36.4x!

With the Fed conjuring up $120b per month of new dollars with quantitative easing alone, the US Dollar Index continued sliding last month. Monetary inflation dilutes the value of all existing US dollars, making them less desirable to foreign traders as a store of value. Fed officials choosing to ostrich and dismiss fast-rising prices sure isn't helping global confidence in this waning reserve currency! Traders realize it will be a long time before the Fed musters the courage to slow QE bond monetizations or hike interest rates. Until then and even after that long-overdue tightening starts, the Fed's printing presses will keep spewing new dollars.

The deteriorating US dollar helped fuel resurging gold investment demand in May. The holdings of the leading and dominant gold exchange-traded funds *reversed and started to trend higher!* GLD and IAU shares were being bought by American stock traders faster than gold itself, forcing these ETFs to shunt those excess capital inflows into physical gold bullion. That buying pressure increases gold's gains, which soon becomes self-feeding with traders chasing them. The longer and higher gold rallies, the more attractive it becomes enticing in ever-more traders to bid it even higher.

Gold surged *powerfully and relentlessly* last month, with multiple drivers propelling it. Speculators poured into gold futures as the US dollar weakened. That forced gold higher, rekindling investment demand further amplifying gains. All that blasted gold to major breakouts above its young upleg's uptrend resistance and 200-day moving average! Mounting inflation fears certainly helped, buoying interest in this classic portfolio hedge for such environments. The collapse of cryptos' speculative mania led by bitcoin was another gold tailwind. Their soaring had overshadowed gold, dampening interest in it. Everything is aligning for the yellow metal!

That outsized gold strength in May catapulted its miners' stocks sharply higher. Due to their inherent profits leverage to gold, gold stocks are the main beneficiary of gold uplegs. The miners' strong fundamentals reported in their Q1 results contributed. The gold stocks *remain undervalued* relative to prevailing gold prices, with great potential for their parallel upleg to grow much larger. While the GDX gold-stock ETF also broke out above its 200dma, it remains far from overbought levels based on historical precedent. This upleg still has legs, with lots of room until greed waxes excessive.

Gold Tailwinds Blow

May proved a fantastic month for contrarians, with fierce tailwinds blowing gold and its miners' stocks sharply higher! Softer stock markets, a weaker US dollar, mounting inflation fears, and bitcoin collapsing all fueled improving inflows into gold. The final trading day of April helped set the stage for all of that. The flagship S&P 500 stock index dropped 0.7% to 4,181 on Friday April 30th, after hawkish comments from the Dallas Fed president. Robert Kaplan warned "we're now observing excesses and imbalances in markets". So he argued the Fed needed to start slowing its massive $120b per month of quantitative-easing bond monetizations as well as begin hiking rates *way earlier than Wall Street expected*.

That ignited a sharp 0.8% US Dollar Index surge to 91.3, yet gold shrugged it off by slipping just 0.3% to $1,767. The major gold stocks of this sector's leading GDX ETF still fell 1.2% to $34.36. A big theme of last month's ZI was "Major-gold-ETF capital flows are starting to reverse!" That was a really-bullish omen for gold, as major uplegs must be fueled by investment buying. The best high-resolution daily proxy for gold investment is the holdings of the dominant GLD and IAU gold ETFs. They finally bottomed at 1,512.8 metric tons that very day! That was a *huge bullish inflection point* after they had dropped 16.0% or 287.7t since peaking in mid-October. Investment capital inflows were returning to gold.

That Saturday, famed billionaire investor Warren Buffett spoke extensively at Berkshire Hathaway's annual meeting. He warned "we're seeing very substantial inflation ... it's very interesting. We're raising prices, people are raising prices to us, and it's being accepted." That flew in the face of Fed officials' increasingly-doubted narrative that these fast-rising prices are merely "transitory". Once companies are able to boost their selling prices, they are almost never lowered! If those price hikes stick, they certainly aren't temporary. So on Monday May 3rd, serious-inflation fears mounted in the markets. Gold surged 1.4% to $1,792, which GDX amplified with a big 3.8% gain. Bitcoin also climbed 1.2% to $57,513, as it was also being touted as an inflation hedge. But as I've warned in recent months, cryptos are in "a *classic parabolic speculative mania*" which are exceedingly dangerous.

While that dominant crypto had soared 12.5% higher in just six trading days, that was a rebound following its 19.5% collapse in the preceding six trading days. It smelled like a *dead-cat bounce*, leaving bitcoin still 9.5% below its all-time-record US closing high of $63,552 in mid-April. There's no doubt bitcoin's meteoric rise to epic gains in recent months weighed on the precious metals and their miners' stocks. I personally know long-time gold-stock traders, and was hearing from others, who had shifted their capital and interest to bitcoin-mining stocks! So gold's psychology was drained by the long shadow of extreme crypto greed. In last month's ZI I warned "When the bitcoin bubble inevitably bursts, trading will crater in the bust to follow. And the myriads of other lesser cryptos all follow bitcoin's lead." That would also alleviate a big sentimental headwind dampening gold demand.

On the 4th, more rate-hikes-sooner talk rattled the stock markets. The SPX fell another 0.7% after Biden's Treasury secretary and former Fed chair Janet Yellen warned during a speech "it may be that interest rates will have to rise a little bit to make sure our economy doesn't overheat". She also said "we've gone for way too long letting long-term problems fester in our economy". After seeing the market impact, she flip-flopped that evening walking back her rate-hike call saying "let me be clear it's not something I'm predicting or recommending". But hawkishness from the Biden Administration lifted the USDX 0.3%, driving enough gold-futures selling to push gold 0.7% lower. That closed out another Commitments-of-Traders week with gold flatlined at +0.2%.

The hyper-leveraged gold-futures speculators who drive gold's short-term price action were modest sellers, unloading 3.6k long contracts while adding 1.7k short ones. That was the equivalent of 16.3t of gold, extending the four-CoT-week trend of buying and selling by these traders to -18.7t, +13.7t, -18.7t, and -16.3t. Spec positioning *continued looking very bullish for gold*, with total longs and shorts running 14% and 100% up into their past-year trading ranges. The most-bullish-possible near-term setup for gold is 0% longs and 100% shorts, implying selling is exhausted leaving room for nothing but buying. At 321.3k contracts, spec longs were well below the gold-futures-selling-overhang threshold way up at 400k. Thus these traders still had the capital firepower to do massive buying before they ran out of steam. During those same four CoT weeks, that GLD+IAU-holdings proxy for investment capital flows into and out of gold was running -5.4t, -7.5t, -1.2t, and -4.1t. So that inflection point of shifting from investment selling to buying wasn't apparent yet.

On the 5th, Bank of America reported mentions of "inflation" during SPX companies' earnings calls soared almost 800% year-over-year by that point! It also compiled a long list of direct quotations from those calls of companies saying they are raising prices. If major US corporations shared the Fed's belief that this inflation is transitory, they wouldn't risk eroding their market shares by hiking selling prices. Make no mistake, supply-chain disruptions are not the root of this. Since that COVID-19-lockdown-fueled stock panic in March 2020, the Fed had grotesquely ballooned its balance sheet by a shocking 81.1% or $3,499b! In other words, the supply of US dollars *had nearly doubled* in just 13.8 months. That tsunami of new money is competing for and bidding up the prices on everything, with growth radically outpacing that of goods and services on which to spend it. Gold climbed 0.5% with inflation worries justifiably continuing to fester.

The Fed's voice in the wilderness Robert Kaplan spoke again on the 6th. He said he hadn't yet decided whether the surging inflation was persistent or transitory, contrary to the other top Fed officials with the *hubris to think they somehow know*. Kaplan warned "the Fed should start the taper debate sooner rather than later". The longer the Fed waits to ease off its floored monetary accelerator, the more damage this raging inflation will wreak on the US economy. While hawkish, the USDX fell 0.4% as traders realized the futility of trying to convince the rest of the Fed's Federal Open Market Committee to start tightening soon. Gold surged enough on that to jump back above the psychologically-crucial $1,800 line. That major upside breakout unleashed big gold-futures buying, blasting gold 1.5% higher to $1,814 on close. With GLD+IAU holdings only edging up slightly since their nadir, investment capital wasn't returning yet. But gold-stock traders were getting interested, pushing GDX 3.3% higher.

Jobs Friday the 7th proved utterly jaw-dropping. Heading into that all-important monthly US jobs report that really moves markets because it helps drive Fed monetary policy, Wall Street economists were predicting enormous gains of 1,000k US jobs in April. The whisper number was another 50% higher, with near-record-high stock markets convincing many the US economy is booming. Yet the actual came in at just 266k jobs created, *the second-biggest miss* in the entire history of this key data! Adding insult to injury, another -78k of past-month revisions further weakened that headline read. That jobs report was a total disaster, a monster disappointment. The Biden Administration paying Americans not to work was likely a major contributor. The $300-per-week extended federal unemployment benefits on top of the ones states provide made it more lucrative and far easier to sit at home than do most drudgery-laden low-wage jobs.

Wells Fargo's economists calculated that anyone making less than $34k on average is better off financially collecting unemployment than returning to work! Why slave away in a restaurant when you can make more money doing nothing? There were countless news stories of owners of leisure-and-hospitality businesses saying they couldn't find enough people to hire. That employment crisis grew so bad throughout May that *fully 24 US states* had dropped the $300-per-week federal unemployment benefits by later last month! These Republican governors said the beefed-up benefits had disincentivized Americans to return to the workforce. I certainly would rather be paid to play video games than flip burgers.

With jobs growth coming in horrifically short, that slashed any likelihood of the Fed slowing its hyper-easing anytime soon. Those dovish implications pushed the SPX up 0.7% to a new record close of 4,233, while hammering the USDX a sharp 0.7% lower. That unleashed big buying in both gold and bitcoin. The yellow metal surged another 1.0%, and not just on gold-futures buying. That gigantic world-dominating GLD American gold ETF enjoyed a sizable 0.6% daily holdings build, the biggest capital inflows it had seen by far since mid-January. Gold investment demand was returning! Bitcoin shot up 4.0% to a three-week high of $58,001.

On Monday the 10th, a high state official in Pennsylvania published a stunning study of welfare benefits compared to wages. He found that a single mom there would be better off earning yearly gross income of $29k than $69k due to all the government payments she could get! Bloomberg reported its Commodity Spot Index had soared 62% YoY, *its fastest pace since January 1980!* That was when inflation was soaring, with even the lowballed US Consumer Price Index printing 13.9% absolute annual growth. Also big news then was that major US gasoline-pipeline shutdown to the eastern seaboard resulting from a ransomware attack. Soaring gasoline prices among drying up supplies exacerbated inflation fears. So the SPX fell 1.0% while gold eked out a 0.3% gain. But interestingly bitcoin plunged 5.5% that day.

The latest US monthly Job Openings and Labor Turnover data was released on the 11th. Always one-month-delayed, March job openings surged to a record high of 8.1m! Due to the government handouts, Americans don't want to work. But they are worrying about rising prices in their lives, with Google searches for "inflation" soaring. Billionaire hedge-fund manager Stan Druckenmiller warned in an interview on CNBC that "We are in a raging mania in all markets. ... The central bank should balance rather than fuel asset prices." Legendary newsletter writer and monetary expert Jim Grant in another interview said *the Fed can't control inflation*. He said "gold isn't a hedge against monetary disorder. It's an investment in monetary disorder, which is what we have." A wave of tech-stock selling pushed the SPX 0.9% lower, and gold was flat ending a CoT week with huge 3.3% gains.

That nascent investment buying certainly played a role, with GLD+IAU holdings climbing 6.8t in that span. That was the first CoT-week major-gold-ETF build since back in early January! It extended the four-CoT-week trend to -7.5t, -1.2t, -4.1t, and +6.8t. While that key shift from investment selling to buying was becoming evident, the vast majority of that big CoT-week gold buying came from gold-futures speculators. They added a hefty 15.2k long contracts while buying to cover a sizable 9.9k short ones. That made for total CoT-week buying equivalent to 78.3t of gold. That was the most seen since June 2020, ahead of a big-and-sharp 16.6% gold rally over the next six weeks! That four CoT-week trend of spec gold-futures buying was massively strengthening at +13.7t, -18.7t, -16.3t, and +78.3t. Just like bitcoin or anything, the faster and higher gold rallies *the more traders want in*.

And with total spec longs still running at just 336.6k contracts, that left room for another 197.3t of gold buying before we need to start being wary of selling. That threshold starts at 400k long contracts. So probable spec gold-futures long buying so essential to fueling young gold uplegs remained *nowhere near exhausting*. Despite its breakout surge back over $1,800, gold's setup continued to look very bullish.

Inflation worries exploded on the 12th after a red-hot US CPI report, the most-popular inflation benchmark for traders. The April headline read rocketed higher by 4.2% YoY and 0.8% MoM, shattering expectations of +3.6% and +0.2%. In core terms excluding food and energy, the actual 3.0% YoY and 0.9% MoM rises were the fastest seen since 1996 and

Relativity Trading (200dma Multiples)

	Level, MoM Change, Multiple			Bias	Past 5y Range			6m Low and High, Dates			
SPX	4,204.11	+0.5%	1.123x	Short	<0.85	-	>1.12	1.087	3.4.21	1.171	12.4.20
VIX	16.65	-10.0%	0.710x	Long	<0.75	-	>2.25	0.638	12.4.20	1.354	1.27.21
USDX	90.05	-1.4%	0.982x	Neutral	<0.94	-	>1.05	0.940	12.17.20	1.006	3.30.21
Gold	$1,902.90	+7.7%	1.031x	Long	<0.92	-	>1.15	0.906	3.8.21	1.066	1.5.21
Silver	$27.90	+8.0%	1.085x	Long	<0.90	-	>1.30	0.975	3.30.21	1.275	1.5.21
GDX	$39.42	+14.7%	1.071x	Long	<0.80	-	>1.50	0.825	3.1.21	1.074	5.17.21
Bitcoin	$36,077.56	-36.5%	1.131x	Short	<0.75	-	>2.25	1.131	5.28.21	3.285	2.19.21
Crude Oil	$66.61	+4.9%	1.298x	Short	<0.60	-	>1.20	1.227	5.20.21	1.499	3.5.21
Copper	$4.67	+4.8%	1.282x	Short	<0.85	-	>1.15	1.174	2.2.21	1.387	2.24.21
CRB	218.60	+3.0%	1.198x	Short	<0.80	-	>1.08	1.120	12.8.20	1.277	2.24.21

1981! That's despite the CPI being heavily manipulated by government statisticians *to downplay price increases*. One way they have done that is remove house prices which were included in the CPI for decades. If still a part of that inflation gauge as they ought to be, they would've more than doubled that hot headline read! As everyone running a household or business knows, the prices of everything are surging if not soaring. Skyrocketing money supplies are to blame.

That inflation data was so ugly traders assumed the Fed would be forced to slow its $120b per month of QE sooner, so the USDX surged 0.6%. Higher odds of tightening hit the Fed-goosed stock markets hard, the SPX plunging 2.1% in its worst down day since late February. Despite soaring CPI inflation and falling stock markets, gold lost a sharp 1.2% to frustrate lots of contrarians. But gold had just blasted 3.3% higher in a single week leaving it short-term overbought, and the US dollar's fortunes are one of gold-futures speculators' main trading cues. So they sold hard as the USDX surged, which is normal. It's really important for traders to consider any day's market action *within essential longer context*.

April's read on US wholesale prices came roaring in hot too on the 13th, with the Producer Price Index soaring 6.2% YoY and 0.6% MoM. The former was the largest ever in this current PPI iteration running back to 2010! Since the surging wholesale prices feed into consumer prices in following months, *the CPI surge isn't over*. More higher prices are already baked into the pipeline, even as the Fed continues to flood the world with freshly-conjured US dollars via QE. As a hot PPI after a hot CPI was less of a surprise, the USDX was flat. That helped gold rebound 0.6%. More important that day was bitcoin, which plummeted 9.1% to break below $50k in US-close terms for the first time since its peak!

After just announcing accepting bitcoin in payment for its cars in February, Tesla's centi-billionaire CEO Elon Musk said it was revoking that decision. He blamed the "insane" environmental impact of bitcoin mining, which consumes an absurdly-large amount of electricity globally by computers. But as that has been well-known for years, this seemed like an excuse. With bitcoin's speculative mania cracking if not crumbling, it is foolish to treat such a hyper-volatile asset as money. Tesla's reversal *really shook crypto confidence*.

Friday the 14th started with another big round of bearish US economic data. April's read on retail sales stalled to flat, way behind economists' expected +1.0% MoM. The March print had rocketed 10.7% MoM, but that was directly fueled by the Biden Administration's helicopter-money direct payments to Americans. Without stimmies artificially boosting demand, consumers' spending power is much weaker. The leading US consumer-confidence survey from the University of Michigan was also released, and revealed soaring inflation expectations among Americans. Analysts watching the global ocean-going-shipping industry were also warning of radically-higher rates to ship containers. An index of costs for Asia-to-US-West-Coast spot rates had already rocketed *about 225% YoY nearing $6k per container*, with no end to price hikes in sight due to crazy-high demand. Those costs will also have to feed into higher retail pricing for goods. A leading US-house-price index from the National Association of Realtors was also surging. In Q1 alone, the median price for an existing house rose 16.2% to a record high of $319k! With the Fed's money pumps overclocked, serious inflation is popping up everywhere you look. Gold climbed another 0.9%, partially on a decent 0.4% GLD-holdings build.

Gold is so strong in inflationary times because its global supply can only grow about 1% annually at best from mining. So when fiat-currency growth outpaces gold's natural slow expansion many times if not orders of magnitude, that flood of new money bids gold prices higher. Monetary growth or debasement forcing up gold prices has been proven countless times around the world over millennia. Although crypto enthusiasts claim bitcoin is the equivalent of "digital gold", it was only launched in January 2009. So bitcoin *has no track record in inflationary times*. Leading cryptos may ride monetary excess higher, but that's a risky bet to make when they are trading at ludicrous speculative-mania extremes. Had gold sextupled between September to April like bitcoin, it too would look exceedingly bearish regardless of money-supply growth. Mean-reversion busts always follow manias.

On Monday the 17th, the political press started reporting that Democrats are worried about inflation's impact on next year's midterm elections. They fear the ever-climbing bills Americans face *will become an elections issue*. With razor-thin 50-50 Senate and 219-211 House majorities, they can't afford to lose any seats! There are serious inflationary consequences to flooding the US with trillions of dollars of new money to bribe Americans for votes. Resulting higher prices are a terribly-regressive stealth tax disproportionally burdening the poor and lower-earning families. There's going to be hell to pay if they figure out why prices are surging! Gold's young upleg powered another 1.2% higher to $1,865, which catapulted GDX up 4.9% to $39.68. That extended their total upleg gains since early March to +11.0% and +28.4%. The major gold stocks' upside leverage to gold was running 2.6x, in the normal 2x-to-3x range. Investment gold buying was accelerating, with another sizable 0.7% GLD build.

But so-called digital gold wasn't faring so well. Bitcoin's price crashed 12.0% that day to $44,208! While it was just cascading selling typical after a speculative mania, traders

Stock-Market Valuations

	Average P/E		MCWA P/E		Fair Value 14x		Overvalued		Market Cap.		Dividend Yield	
S&P 500	36.4x	-1.8%	34.2x	-6.4%	1,720	+6.6%	144%	-17%	$37,931b	-0.5%	1.35%	0.00%
NASDAQ 100	46.6x	-2.9%	42.6x	-2.1%	4,522	+0.6%	204%	-7%	$16,442b	-1.6%	0.63%	+0.01%
Dow 30	27.9x	+0.3%	27.5x	-1.2%	17,570	+3.2%	97%	-2%	$10,326b	-0.5%	1.56%	+0.02%

US Money Supplies and Inflation

		MoM	YoY			MoM	YoY
Fed Balance Sheet	$7,904b	+1.6%	+11.4%	Fed M2 Money	$20,256b	-0.6%	+15.3%
Fed US Treasuries	$5,087b	+1.4%	+23.8%	US CPI Inflation	267.054	+0.8%	+4.2%
Fed M1 Money	$19,100b	-0.4%	+19.7%	US PPI Inflation	217.5	+0.6%	+17.3%

in that realm blamed Elon Musk. In my office I have CNBC and Bloomberg on while I work, and I heard multiple crypto experts lay out detailed cases showing how Musk's tweets had torpedoed bitcoin! If true it must be pretty fragile.

That brutal bitcoin rout slowed a bit on the 18th, but that dominant crypto still fell another 2.8%. Retail traders were getting scared, led by younger millennials who had plowed their stimmies into cryptos to chase their speculative mania higher. That was despite the USDX tumbling 0.5% to break below 90.0 for the first time since early January. Gold only edged up 0.2% to $1,870 on that, but finished another CoT week with a big 1.7% gain. The GLD+IAU build during that span grew to 11.9t, revealing inflows of stock-market capital into gold *were accelerating*. The four-CoT-week trend of the major gold ETFs' holdings changes extended to -1.2t, -4.1t, +6.8t, and +11.9t. That super-bullish inflection point of gold investment selling reversing to buying was becoming more apparent. Speculators' gold-futures buying persisted, but at a more-modest pace. They added 8.9k long contracts which were partially offset by 3.0k of new short selling, making for the equivalent of 18.1t of gold buying during that CoT week. Specs' four-CoT-week trend ran -18.7t, -16.3t, +78.3t, and +18.1t. Total spec longs stayed relatively low at 345.4k.

In order to grow big and drive massive gold-stock gains, gold uplegs have to undergo a critical transition. Early on, they are overwhelmingly fueled by gold-futures buying. That includes speculators covering shorts and adding longs. But these hyper-leveraged traders can only buy for a couple of months or so until their capital firepower gets spent. By that point investment buying has to come in and take the baton from exhausting gold-futures buying. When investment capital is flowing into gold, its uplegs can persist much longer to drive this metal way higher. But investors aren't convinced to return until gold rallies long enough and high enough *to convince them* its gains are sustainable. That essential shift from spec gold-futures buying to investment buying certainly made good progress during May, which is very bullish.

Early on the 19th, bitcoin crashed near $30k until a sharp bounce sparked by Elon Musk. He tweeted that "Tesla has diamond hands", meaning it would keep holding its bitcoin no matter how low it fell. While a sharp intraday V-bounce catapulted it back up to $39,590 by the US close, that was still another 7.9% plunge from the prior one! Major crypto trading platforms were suffering outages as the rush for the exits intensified. The minutes from the FOMC's April 28th meeting were released that afternoon, surprising with some *tapering-quantitative-easing talk*. The key sentence read "A number of participants suggested ... it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases."

The USDX surged 0.4% on that hawkish hint that $120b of monthly QE won't last forever. That knocked about $19 off of gold. But it still closed flat after surging earlier in that day. A QE-taper-fueled dollar rally remains a sizable risk for gold, although it shouldn't be. The Fed *merely slowing the growth* of its balance sheet via bond monetizing is still a far cry from shrinking it with quantitative-tightening bond selling. Huge proportional QT is necessary to drain that vast flood of new money! Just tapering QE leaves the $3,611b vomited out by the Fed since the stock panic intact and growing.

Bitcoin was bouncing fast on the 20th until the US Treasury announced a serious regulatory crackdown on cryptos. Major new rules included requiring any crypto transactions with fair-market values over $10k be reported directly to the Internal Revenue Service! That reporting threshold has long applied to cash transactions. That gutted bitcoin's gains, so it only finished the US trading day 2.0% higher. All bitcoin's woes helped gold climb another 0.4% to $1,877. That was partially fueled by another sizable 0.6% GLD-holdings build, as investment capital continued to return to the yellow metal. Investors and speculators are momentum players, long preferring *to chase gold high* after it is already running instead of buying in low ahead of major uplegs. Sentiment was really improving across the entire precious-metals realm.

Overnight into Friday the 21st, China's powerful vice premier Liu He warned that country was pursuing banning both bitcoin mining and trading! China is responsible for around 70% of global cryptocurrency mining, which in bitcoin's case is incredibly energy-intensive. China's ruling Politburo had never before directly targeted crypto, so bitcoin crashed yet another 11.4% to $35,781 by the US close. In just over five weeks, *bitcoin had plummeted 43.7%* from its all-time peak in US-closing terms! Lesser cryptos were battered lower in sympathy, with some crashing. With the bloom off the rose for this crypto speculative mania, bitcoin's overshadowing of gold will quickly wane. Gold will regain its rightful crown as the best investment class all investors should diversify into during inflationary times. Crypto is wildly too volatile for any material portfolio allocation. Gold climbed a slight 0.2% that day, hitting a nice new upleg closing high at $1,880. GLD's holdings grew 0.6% again on more differential buying.

Bitcoin kept crashing over the weekend, plummeting all the way down near $31k that Sunday! But it bounced back hard on Monday the 24th, surging 10.4% in a huge counter-trend rally. Despite calm stock markets near record highs, the Fed reported near-record usage way up at $395b for its overnight reverse-repurchase-agreement program! I don't understand that market, but analysts who do are worried it is *signaling potential systemic problems*. They are warning that this extreme RRP usage indicates foreign banks are full to the gills with reserves. That could make it harder for the Fed to keep monetizing $120b per month of Treasuries and mortgage-backed bonds, a serious problem for markets.

Inflationary US-housing data kicked off the 25th, with the Case-Shiller house-price index showing average US house prices soaring 13.2% YoY! Driven by the Fed's torrents of new money, US house prices were running 19% above their previous peak in mid-2006. After that euphoric topping, they collapsed by about a third over the next few years. Houses are out of reach for a big and growing fraction of Americans. Gold surged 0.9% to $1,900 to wrap up another CoT week with a big 1.6% gain. That extended its total upleg born in early March to +13.0% over 2.6 months. But with gold still only trading at 1.029x its 200dma, it was *nowhere near overbought*. That danger zone starts way higher at 1.15x.

Gold investment demand continued to return during that CoT week, with GLD+IAU holdings climbing 12.3t. That left their four-CoT-week trend at -4.1t, +6.8t, +11.9t, and +12.3t for a nice progression. Speculators were heavy buyers, primarily on the short side. While only adding 2.4k longs, they bought to cover a big 15.6k short contracts! Together that made for the equivalent of 55.9t of gold buying, extending its four-CoT-week trend to -16.3t, +78.3t, +18.1t, and +55.9t. There was room for more buying, with longs and shorts running 39% and 51% up into their past-year trading ranges.

The markets were quiet on the 26th, with a long holiday weekend approaching in the US. With the pandemic paranoia thankfully winding down, pent-up demand for traveling and getting away is huge! Gold drifted 0.2% lower, proving resilient in light of the USDX's 0.4% gain. The gold stocks per GDX kept consolidating high, holding their big gains.

The 27th saw the Biden Administration unveil its first US budget, *a monster $6t of federal-government spending* in its fiscal year 2022! After 2020 and 2021 which had colossal pandemic-stimulus spending, this new budget would be the highest as a percentage of the economy since World War II! That's going to be highly inflationary if anything even close is able to pass Congress. The markets including gold drifted mostly flatlined with traders leaving early for the holiday.

On the trading front, May proved a great month for gold stocks and most of our trades! The first couple weeks were peak Q1'21 earnings season, so there were lots of quarterlies to digest. **AGI** had reported its Q1 results in late April, which I covered in the last ZI. So Alamos Gold had a quiet news month, which is typical after any company releases its big quarterly data dump. AGI stock surged strongly in May with its sector, decisively breaking out above its 200dma.

LUG.TO stock mostly consolidated high last month, after rocketing higher in April. Lundin Gold reported very-strong operating and financial results for Q1, driven by production of 104.1k ozs of gold. That *more than doubled*, soaring by 102.9% year-over-year with this company's new gold mine ramped up. Last quarter's gold output came in at excellent $830 all-in sustaining costs. That is way below the industry average, with the GDX-top-25 gold miners averaging $1,067 per ounce in Q1. Such low costs made for really-profitable operations, with LUG.TO's net income soaring to $86.0m in Q1'21 compared to a $9.3m loss in Q1'20! Lundin Gold said it is on track to meet its full-year-2021 guidance, coming in at midpoints of 400k ozs of gold production and $800 AISCs. The former would make for huge 97.2% YoY growth, while the latter is among the lowest among mid-tier golds.

AUY stock surged strongly in May with its peers, peeking back above its 200dma. And after reporting its Q1 results at the end of April, Yamana Gold also went radio-silent on the news front last month. This larger mid-tier miner should attract institutional capital as this gold upleg powers higher. AUY is also included in both leading gold-stock ETFs, GDX and GDXJ. Yamana Gold was the fourth-largest holding in the latter in mid-May, so AUY stock will see sizable buying as speculators and investors return to gold-stock ETFs.

While **BTG** stock climbed nicely in May, its gains lagged plenty of other gold stocks. B2Gold reported its Q1 results early on. It produced 220.6k ozs of gold, which dropped by a big 16.7% YoY. But that was planned, with H1'21 output expected to be lower due to stripping waste rock to dig down to higher-grade ores. BTG's Q1 output actually came in 9% above budget, and this company is still forecasting full-year-2021 production at a 1,000k-ounce midpoint. Naturally all-in sustaining costs rose with lower output, coming in at $932 last quarter. But with production ramping up later this year, B2Gold expects overall 2021 AISCs to retreat to an $890-per-ounce midpoint. These lower AISCs are very profitable, leaving BTG way undervalued and one of this sector's *best fundamental bargains*. As May wound down, B2Gold's trailing-twelve-month price-to-earnings ratio languished in dirt-cheap territory at just 8.4x! This anomaly won't last.

EQX stock finally started mean reverting sharply higher last month, which was sure overdue. This fast-growing mid-tier miner remains my favorite gold stock in this upleg. Equinox Gold published its Q1 results in early May, seeing gold production soar 45.2% YoY to 129.2k ozs. But unfortunately AISCs came in really high at $1,482 per ounce. EQX said this primarily resulted from inventory writedowns at a couple of its mines. Despite higher costs, Equinox's hard accounting profits *still skyrocketed 9.0x YoY* to $50.3m! For the full

Long-Term Investments

	Stocks	Opening Date	Price	Latest Price	Change	Comments
1	Gold	4.30.01	$264.40	$1,902.90	+619.7%	1-ounce national bullion coins or most metal for price
2	Silver	10.31.01	$4.20	$27.90	+564.3%	Bags of US-90%-silver coins or most metal for price
3	SSRM	3.29.02	$2.92	$18.55	+535.3%	SSR Mining - mid-tier gold, larger silver
4	PAAS	7.31.02	$6.10	$33.64	+451.5%	Pan American Silver - mid-tier gold, major silver
5	SCCO	1.31.06	$14.52	$69.74	+380.3%	Southern Copper - major copper, molybdenum, silver
6	EOG	6.30.06	$34.67	$80.34	+131.7%	EOG Resources - mid-tier US oil, natural gas
7	WPM	10.31.08	$3.60	$48.02	+1,233.9%	Wheaton Precious Metals - major gold/silver streamer
8	IAG	7.31.15	$1.52	$3.62	+138.2%	IAMGOLD - larger mid-tier gold
9	AG	9.30.15	$3.20	$17.78	+455.6%	First Majestic Silver - major silver, among purest silver
10	BTG	10.30.15	$1.07	$5.10	+376.6%	B2Gold - small major gold, low-cost very-profitable miner
11	PVG	1.31.18	$6.96	$11.40	+63.8%	Pretium Resources - small mid-tier gold
12	EGO	9.28.18	$4.40	$11.88	+170.0%	Eldorado Gold - mid-tier gold
13	KL	11.30.18	$20.78	$43.33	+108.5%	Kirkland Lake Gold - best major gold, low-cost producer
14	AUY	12.31.18	$2.36	$5.24	+122.0%	Yamana Gold - larger mid-tier gold, larger silver
15	NGD	1.31.19	$1.16	$2.13	+83.6%	New Gold - junior gold, small silver
16	CDE	3.29.19	$4.08	$10.40	+154.9%	Coeur Mining - junior gold, major silver
17	FSM	5.31.19	$2.59	$6.95	+168.3%	Fortuna Silver Mines - new junior gold, major silver
18	EDV.TO	5.29.20	C$13.99	C$29.00	+107.3%	Endeavour Mining - major gold, acquired our SMF.TO
19	EQX	12.31.20	$10.34	$9.31	-10.0%	Equinox Gold - fast-growing mid-tier gold
20	AGI	1.29.21	$8.00	$9.13	+14.1%	Alamos Gold - growing mid-tier gold

Open Trading Positions

	Stocks	Opening Date, Price		Latest Price, Change		Trailing Stop Loss		Comments
1	AGI	1.29.21	$8.00	$9.13	+14.1%	↑$7.03	25%	
2	LUG.TO	1.29.21	C$10.23	C$11.97	+17.0%	↑C$9.52	25%	
3	AUY	2.26.21	$4.01	$5.24	+30.7%	↑$4.07	25%	
4	BTG	2.26.21	$4.37	$5.10	+16.7%	↑$4.03	25%	
5	EQX	2.26.21	$8.28	$9.31	+12.4%	↑$7.14	25%	Still relatively-low, can still buy
6	MUX	2.26.21	$1.11	$1.47	+32.4%	↑$1.12	25%	
7	AXU	3.31.21	$2.51	$3.20	+27.5%	↑$2.42	25%	
	USAS	3.31.21	$2.25	$1.87	-16.9%	At stopping		**FINAL** - Stopped out on 5.17.21
8	FSM	4.30.21	$6.03	$6.95	+15.3%	↑$5.24	25%	Still relatively-low, can still buy
9	OGC.TO	4.30.21	C$2.05	C$2.56	+24.9%	↑C$2.02	25%	
10	HYMC	5.28.21	$4.02	$4.02	0.0%	$3.02	25%	

	Options	Opening Date, Price		Latest Price, Change		Comments
	GDXJ June $50 Calls	11.30.20	$6.75	$5.00	-25.9%	**FINAL** - Sell now, expiring soon
	SPY June $375 Puts	12.31.20	$21.64	$0.45	-97.9%	**FINAL** - Sell now, expiring soon
1	KL July $40 Calls	1.29.21	$4.40	$4.00	-9.1%	
2	GDXJ November $55 Calls	5.28.21	$5.80	$5.80	0.0%	Reloading expiring GDXJ calls

year, EQX is forecasting midpoints of 633k ozs of production coming in at much-better $1,233 AISCs. As Equinox Gold has some of the mid-tiers' strongest output growth, its stock will be bid way higher as sector enthusiasm grows.

MUX stock surged higher in May, highlighting the allure of *smaller US-listed gold miners with low share prices*. That was despite reporting a weak Q1 early on. McEwen Mining produced just 23.3k ozs and 493.2k ozs of gold and silver, which fell 20.2% and 10.8% YoY. That lower output forced AISCs so high that MUX just reported them on an individual-mine basis, trying to obscure them. But they worked out to a $1,586 weighted average per gold-equivalent ounce, super-high! Yet like plenty of other gold miners, McEwen expects growing output as this year marches on. So it is still forecasting overall 2021 production to "end 20 to 40% higher than 2020." And costs "are expected to fall considerably towards the latter half of the year". Better fundamental days are likely ahead for this small high-potential junior gold.

AXU stock continued powering higher in a tight uptrend last month. Alexco Resource reported its Q1 results in mid-May, which showed its new silver mine is still spinning up to commercial production. This company produced just 101.0k ozs of silver last quarter, and didn't report AISCs. While they have to be crazy-high at such low output levels, big lead and zinc byproducts had to help. That mine consists of different deposits, which are fed into a central mill with a 400 tonne-per-day capacity. That should be hit later this year. While AXU hasn't given output or cost guidance for 2021, that new mine's prefeasibility study projected yielding about 1,000k ozs per quarter at $11.94 AISCs after byproduct credits.

USAS stock was grinding higher until Americas Gold and Silver *disclosed terrible news* in its Q1 results. Its stock was slammed a horrific 27.0% lower in a single trading day! Of course that stopped us out. This company is having serious problems bringing its new gold mine into production. Gold recoveries on its leach pad are low, due to "carbonaceous material" that wasn't identified in drilling. That is messing up the chemistry of extracting gold from surrounding rock. So until Americas Gold figures this out, it is switching to run-of-mine ore bypassing all crushing! That led to a $56m impairment charge last quarter. While USAS thinks it can improve this mine's economics going forward, I'm not redeploying at this point. After that disaster, Americas Gold will likely have a tough time attracting capital in the coming months.

FSM stock started recovering in May after plunging on its highly-dilutive buyout offer for Roxgold. Since that deal isn't consummated yet, it wasn't reflected in Fortuna Silver's Q1 results issued in mid-May. This company mined 34.4k ozs and 1,914.8k ozs of gold and silver last quarter. The former soared 240.6% YoY with FSM's new gold mine coming online! Silver output was up 5.2% YoY. All-in sustaining costs came in relatively-low and profitable at $1,055 and $14.11. But Fortuna expects gold-mining costs to rise in Q2 due to more capital spending at that mine. Without Roxgold, FSM is still forecasting full-year-2021 production at midpoints of 190k ozs and 7,200k ozs of gold and silver. Roxgold should boost that to a *333k-ounce-per-annum* gold-mining rate.

OGC.TO stock soared last month, primarily on May 7th when its price rocketed 17.7% higher! OceanaGold had just announced some new directors, which rarely moves stock prices since most traders don't care. But these were some heavy hitters, former CEOs of Detour Gold and SSR Mining. Whatever the reason, OGC.TO stock blasted higher far outpacing GDX's 1.8% surge that day. OceanaGold reported its Q1'21 numbers at the end of April, which were discussed briefly in last month's ZI. This company looks to have turned the corner back to growth again, with 2021 gold production forecast to climb 19.3% YoY to a 360k-ounce midpoint. And AISCs are projected to retreat 12.0% to a solid $1,125.

With the gold-futures setup still bullish, investors starting to return to gold, and both gold's and gold stocks' uplegs still far from mature relative to their 200dmas, I'm adding a new trade to replace USAS. **HYMC** is a little sleeper stock with massive upside potential. Hycroft Mining is attempting to restart its namesake mine in Nevada, which had bankrupted Allied Nevada Gold back in March 2015. With $1,200 gold back then, that mine's economics couldn't support that company's heavy debt load. Hycroft's ore is also complex and difficult to process. But with today's *much-higher prevailing gold prices*, the economic area around that pit shell is way larger. And modern processing technologies should be able to unlock the gold from this major world-class deposit.

Stock Watch List and Fundamentals

			Gold Output, Cost, Changes						Silver Output, Cost, Change			
	Stocks	Qrtr.	Prod.	QoQ	YoY	AISC	QoQ	YoY	Prod.	QoQ	YoY	AISC
1	AG	Q1'21	24k	-9.1%	-25.8%				2,908k	-15.8%	-7.7%	$19.35
2	AGI	Q1'21	126k	+4.5%	+13.5%	$1,030	0.0%	+2.0%				
3	AR.TO	Q1'21	60k	+4.7%	+43.9%	$1,313	+10.4%	-0.8%				
4	ASM	Q1'21	0k	0.0%	-100.0%				0k	0.0%	-100.0%	
5	AUY	Q1'21	201k	-9.3%	+4.6%	$1,045	-2.9%	+1.3%	2,125k	-17.9%	-22.2%	
6	AXU	Q1'21	0k						101k			
7	BTG	Q1'21	221k	-18.4%	-16.7%	$932	+0.6%	+29.3%				
8	CDE	Q1'21	85k	-11.6%	+0.2%				2,403k	-15.3%	-5.3%	
9	CGAU	Q1'21	160k	-7.0%	-15.9%	$745	-23.5%	+3.8%				
10	DPM.TO	Q1'21	70k	+9.7%	-3.6%	$522	-19.8%	-12.0%	47k	-2.5%	-17.0%	
11	EDV.TO	Q1'21	347k	+0.9%	+101.7%	$868	+8.1%	-3.4%				
12	EGO	Q1'21	112k	-19.2%	-3.7%	$986	+2.8%	+3.6%				
13	EVN.AX	Q1'21	161k	-10.5%	-2.5%	$980	+15.0%	+50.3%	146k	+15.9%	+23.9%	
14	EQX	Q1'21	129k	-5.3%	+45.2%	$1,482	+36.5%	+53.9%				
15	EXK	Q1'21	11k	-11.4%	+28.0%				1,037k	-6.5%	+22.0%	$19.94
16	FSM	Q1'21	34k	+35.4%	+240.6%	$1,055			1,914k	+0.0%	+5.2%	$14.11
17	FTCO	Q1'21	12k	-4.2%	+210.8%	$575		-56.8%	7k		+39.2%	
18	GAU	Q1'21	30k	-8.5%	-9.5%	$1,158	-1.8%	+43.9%				
19	GCM.TO	Q1'21	49k	-14.3%	-8.4%	$1,164	-15.8%	+30.8%				
20	GGD.TO	Q1'21	3k	-11.7%					303k	+1.4%		$16.27
21	GORO	Q1'21	6k	-12.9%	-39.9%	$937	-31.0%	-26.3%	308k	+11.0%	-24.5%	
22	GPL	Q1'21	25k	-25.8%	-13.5%	$1,557	+24.8%	-11.0%				
23	GSS	Q1'21	40k	-2.0%	-19.8%	$1,100	+2.9%	-8.4%				
24	HL	Q1'21	52k	+6.1%	-11.6%	$1,284	-3.5%	-1.4%	3,459k	+3.2%	+6.6%	$7.21
25	HYMC	Q1'21	14k	+26.4%	+98.6%				95k	+15.6%	+126.3%	
26	IAG	Q1'21	156k	-7.7%	-8.2%	$1,238	-4.3%	+0.7%				
27	KL	Q1'21	303k	-18.0%	-8.5%	$846	+7.1%	+9.0%				
28	KNT.TO	Q1'21	18k	-38.5%	-7.3%	$1,038	+35.2%	+17.3%	8k	-24.0%	+2.6%	
29	LUG.TO	Q1'21	104k	+7.5%	+102.9%	$830	+11.1%	-8.6%				
30	MAG	Q1'21	0k	+42.4%					190k	+87.8%		
31	MUX	Q1'21	23k	-3.3%	-20.2%	$1,586	-22.6%	-7.5%	493k	-7.4%	-10.8%	
32	NGD	Q1'21	67k	-19.7%	-0.1%	$1,550	+4.0%	+7.2%	187k	-6.1%	+42.5%	
33	OGC.TO	Q1'21	83k	-16.1%	+3.1%	$1,229	+13.8%	+0.9%				
34	PAAS	Q1'21	138k	-10.0%	-11.9%	$1,058	+3.4%	+9.2%	4,583k	-5.9%	-17.6%	$16.99
35	PRU.TO	Q1'21	89k	+29.0%	+52.3%	$999	-3.6%	-7.8%				
36	PVG	Q1'21	86k	-2.8%	+3.5%	$1,005	-0.4%	+0.9%	118k	+9.3%	-4.8%	
37	SMTS	Q1'21	3k	-21.6%	-27.9%				961k	+4.3%	+1.4%	$30.28
38	SSRM	Q1'21	170k	-2.9%	+93.3%	$1,004	+12.1%	-20.4%	1,792k	-17.2%	+1.2%	$13.98
39	SVM	Q1'21	1k	-12.5%	+40.0%				1,056k	-35.9%	+32.0%	$12.55
40	TXG.TO	Q1'21	130k	-0.8%	+19.4%	$854	-3.7%	-12.4%				
41	USAS	Q1'21	0k						0k	0.0%	-100.0%	
42	VGCX.TO	Q1'21	27k	-36.8%	+155.2%	$1,586	+41.6%					
43	WDO.TO	Q1'21	23k	+13.0%	-10.0%	$1,182	-1.7%	+11.7%				
44	WPM	Q1'21	78k	-16.5%	-18.2%				6,754k	+3.8%	+0.7%	

The Fine Print

Zeal Intelligence is published monthly, the morning after each month's final trading day. E-mailed Adobe PDFs are US$149 for 12 months. www.ZealLLC.com

Warning, understand this before entering any ZI trades!

As it tests metallurgical processes, HYMC is already mining run-of-mine ore to place on its leach pad. That yielded 13.9k ozs and 94.8k ozs of gold and silver in Q1, soaring a huge 98.6% and 126.3% YoY. Hycroft Mining is *a real junior gold* expecting to produce at midpoints of 50k ozs and 425k ozs of gold and silver this year! Its very-experienced management team is led by the former Romarco Minerals CEO, who developed and built the Haile gold mine that OceanaGold now owns. With a tiny $238m market cap, traders are overlooking HYMC's chances of succeeding in resurrecting that mine. This stock could skyrocket with real progress.

Godspeed and good trading! *Adam Hamilton* ☺