



U.S. Global Investors

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Table of Contents

[Index Summary](#) • [Domestic Equity Market](#) • [Economy and Bond Market](#) • [Gold Market](#)
[Energy and Natural Resources Market](#) • [Emerging Europe](#) • [China Region](#) • [Leaders and Laggards](#) • [Fund Performance Link](#)

To our podcast listeners, please tune in on Monday. Thank you for listening!



Why Argentina's New Leader Is Good for Latin America and Global Investors

By Frank Holmes
CEO and Chief Investment Officer
U.S. Global Investors



President-elect Mauricio Macri promises to bring market-friendly policies to Argentina.

It might be hard to believe now, but Argentina once ranked among the top 10 wealthiest nations in the world, following the United Kingdom, United States and Australia.

Today, however, it's one of the most corrupt, according to [Transparency International](#), a group that annually measures public sector corruption around the world. In 2014, Argentina ranked 107, sandwiched between Niger and Djibouti.

That's largely because for more than half a century, Argentina has been led almost exclusively by the far-left Justicialist Party, based on the political thought of Juan Perón—an admirer of Mussolini—and his wife Evita.

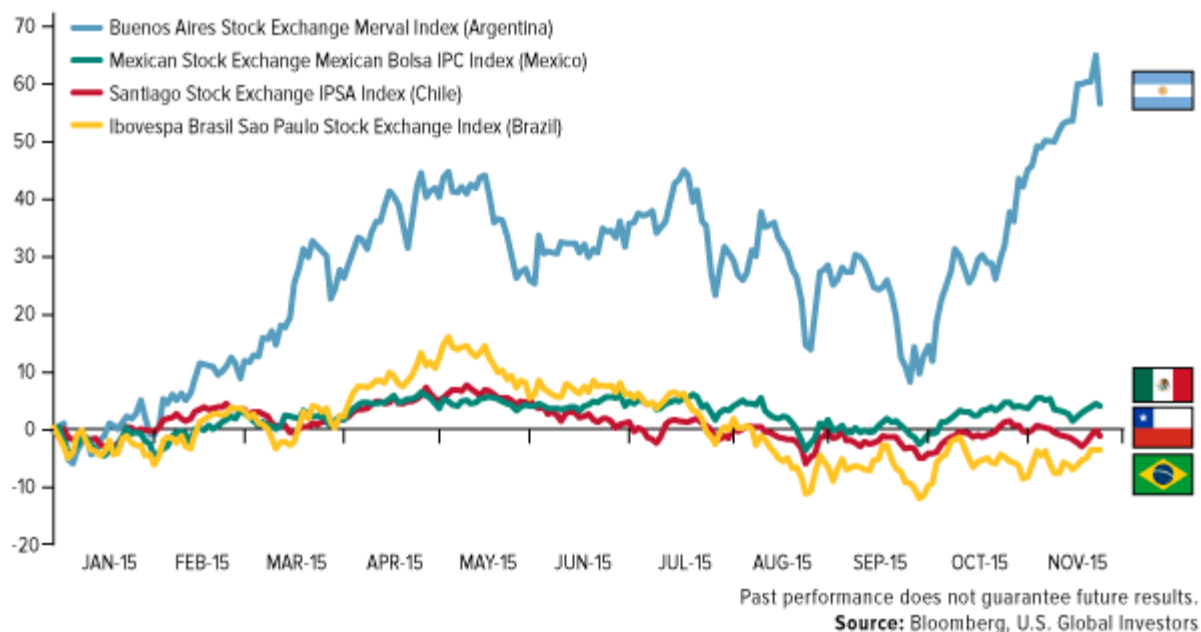
But this week, Argentina said “no, gracias” to further leftist rule when it elected conservative businessman and two-term Buenos Aires mayor Mauricio Macri to succeed Cristina *Fernández* de Kirchner as president. It was an upset victory for the people of Argentina, who have seen their once-prosperous nation deteriorate under decades of Marxist policies.

It was also a strong win for investors around the globe. Not since [Narendra Modi's election](#) last year has a leader's entry on the world stage inspired such bullishness.

In the three months leading up to the November 22 election, Argentina's Merval Index rose 30 percent as optimistic investors anticipated a win by Macri.

Argentina Presidential Election Drove Investor Confidence

Normalized as of December 30, 2014



[click to enlarge](#)

This week I was in San Francisco attending the Silver Summit & Resource Expo, where many fund managers commented that their Argentine holdings had seen huge jumps recently. Many people I spoke with were bullish on the country.

Latin America Veering Right to Escape Corruption

I join many others in expressing my belief that this change in leadership points to an ideological shift in Latin America and a rejection of the Peronism that has threatened to turn the region into an also-ran economy. I'm confident that once Argentina demonstrates to its neighbors that market-friendly policies stir economic growth and help lead to widespread prosperity, the people of Colombia, Brazil, Venezuela and others will demand similar corruption-free leadership.

In Venezuela—which is slightly less corrupt than the likes of Yemen, Libya and Iraq, according to Transparency International—the people are still reeling from Hugo Chávez's disastrous administration. With food shortages and hunger worsening, the government implemented fingerprint scanners in grocery stores last year to limit purchases of

basic goods.

This, despite Chávez—a leader who was supposed to be “for the people”—being worth an estimated \$2 billion at the time of his death two years ago. It’s believed that he stole much of his wealth from the country’s oil industry. Today, his daughter Maria Gabriela is the wealthiest woman in Venezuela, worth double that.



Chávez's daughter, Maria Gabriela, is worth an estimated \$4.2 billion.

In August, global intelligence company Stratfor conducted an [analysis of satellite imagery](#) taken of Puerto Cabello, Venezuela’s main port of entry for imports, between February 2012 and June 2015. The visible reduction in food container traffic is alarming.

Meanwhile, in Peru, First Lady Nadine Heredia is being investigated for money laundering and the usurpation of public functions. When I was in country earlier this month speaking at the Mining & Investment Latin America Summit, there was a lot of discussion on rule of law and corruption in Peru and surrounding South American countries. It’s estimated that [stolen public money in Peru](#) adds up to about 2 percent of GDP annually.

Latin Americans are increasingly saying enough is enough.

“What happened in Argentina was the first change in Latin America,” said former Brazil finance minister Maílson da Nóbrega, speaking to the [Wall Street Journal](#). “It may be the start of a downfall in populist governments. I think the next one should be Venezuela. And I think Brazil will follow suit in 2018.”

Brazil President Dilma Rousseff, who won reelection last year, currently has an approval rating in the single digits. As I shared with you last month, her Marxist policies have suffocated business development. The country tumbled 18 points this year in the annual [Global Competitiveness Index \(GCI\)](#) and is now considered to be one of the worst in terms of burdensome government regulations and unethical business practices. The people of Brazil deserve better.

This is part of the reason why I believe active management is so important. When I travel around the world and talk to different people, I obtain and return with tacit knowledge that can’t be found by simply reading Bloomberg.

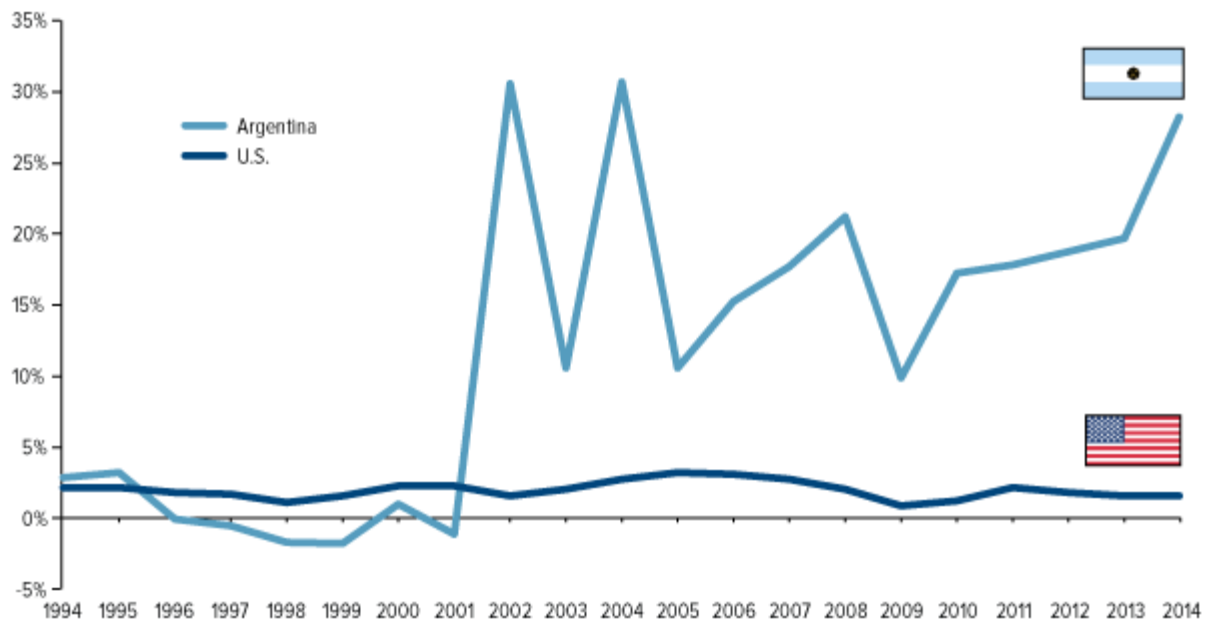
Macri Bucks the Trend

In this troubling context, Mauricio Macri is a breath of fresh air. He’s not what most people envision when they’re asked to describe the stereotypical South American leader. Unlike Fidel Castro, Chávez, Rousseff and others, Macri never served as a Marxist guerilla in his youth. There are no pictures of him posing heroically in a steaming jungle, attired in military garb like fellow Argentine Che Guevara. Macri’s more likely to be found playing a friendly game of soccer than delivering a rousing hours-long speech from a balcony. By most accounts, he’s contemplative and soft-spoken.

But change is precisely what Argentina needs now. For the last 12 years, former President Néstor Kirchner and, following his death, wife Cristina managed only to cripple the country’s economy even further. The size of the state doubled in the last 10 years alone. Entire industries were nationalized, taxing and spending skyrocketed, foreign investment fled and inflation exploded at an average pace of 20 percent a year.

20 Years of Wild Inflation: Argentina vs. the United States

Annual Growth Rate of the GDP Implicit Deflator



Source: World Bank, U.S. Global Investors

[click to enlarge](#)

Under these conditions, holding gold in Argentina pesos has been a good bet for investors.

Price of Gold Per Ounce in Argentina Pesos



Past performance does not guarantee future results.

Source: Gold Price Ticker, U.S. Global Investors

[click to enlarge](#)

Realistic or not, Macri has vowed to roll back many policies from previous administrations. He also plans to cultivate a warmer business climate with Brazil, Argentina's top trading partner, and staunch the outflow of foreign capital. Last year, \$2 billion left the country, a 75 percent increase from 2013, according to the Organization for Economic Cooperation and Development (OECD).

Which is a shame. Argentina has a huge amount of untapped potential—a highly educated population, the fastest-growing middle class in Latin America and an abundance of natural resources.

Here's hoping Macri's administration can succeed at fostering a more welcome environment for business, one that might benefit the Argentine people and global investors alike.

From Pump to Plate: Low Fuel Costs Help Americans Spend Less on Thanksgiving Dinner



As Argentina is facing steep inflation, American consumers today are spending a little less on essentials such as food—more specifically, Thanksgiving dinner.

According to the Texas Farm Bureau's Thanksgiving Meal Report, a typical spread of turkey, stuffing, sweet potatoes, cranberry sauce and more cost \$46.48 this year, down 31 cents from 2014.

(The one Thanksgiving staple we spent more on this year was pecans. They're up 11 percent as China's appetite for the nut has increased.)

The reason for the savings? Lower fuel and grain prices. As a whole, grains are down about 11.5 percent from a year ago, while crude oil is off more than 36 percent. According to AAA's Fuel Gauge Report, gas averages \$2.05 per gallon right now, a 27 percent decline from this time last year.

As I've been saying since last December, this "oil peace dividend" is helping us save not only at the gas pump but also the grocery store and elsewhere.

Additionally, AAA estimates that 46.9 million Americans travelled 50 or more miles this Thanksgiving holiday, the highest travel volume since 2007. Because of lower fuel costs, more Americans evidently felt as if they could afford to travel longer distances to visit Grandma and Grandpa. A spokesman for AAA says that motorists are currently saving about **\$11 on every full tank of gas** compared to this time last year.

What Is Janet Yellen Thinking?

Speaking of saving, Americans are saving at the highest levels since 2012. At the same time, personal spending is slowing GDP growth.

That's according to a new report by investment advisor Strategic International Securities (SIS), which writes that it believes a rate hike next month is unlikely.

"The Federal Reserve needs to keep real interest rates at zero to set the equilibrium between the demand and supply for money in the economy," SIS strategist Philip L. Miller says. "This further implies in order to keep investment where it is already making up for nearly 30 percent in the trend GDP shortfall, the Fed believes it needs to keep real rates at zero to sustain the current anemic levels of private investment or they may falter even more."

In addition, BCA Research reports that the Fed is no closer to achieving its key 2 percent inflation goal than it was at the beginning of the year. Inflation expectations, in fact, are shifting down. The Fed's preferred measure of inflation, core PCE, has remained stuck at 1.3 percent all year.

We won't know what Yellen's thinking until December 15, but whether or not she decides to raise rates, it might be a good time to consider tax-free, short-term municipal bonds. Shorter-term, quality munis are less sensitive to rate increase than longer-term bonds that are locked into rates for greater periods of time.

TIME-TESTED HISTORY OF
NO DRAMA

MORNINGSTAR ★ ★ ★ ★ ★

EXPLORE NEARX

Index Summary

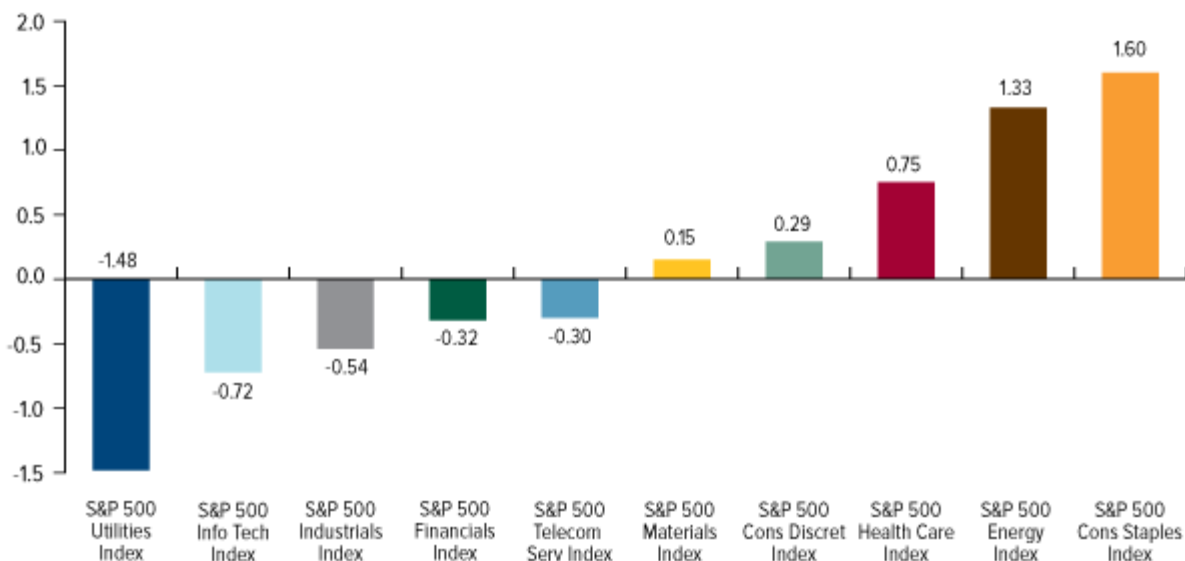
- The major market indices finished mixed this week. The Dow Jones Industrial Average fell 0.14 percent. The S&P 500 Stock Index rose 0.04 percent, while the Nasdaq Composite climbed 0.44 percent. The Russell 2000 small capitalization index gained 2.32 percent this week.
- The Hang Seng Composite lost 3.12 percent this week; while Taiwan was down 0.79 percent and the KOSPI rose 1.97 percent.
- The 10-year Treasury bond yield fell 4 basis points to 2.22 percent.

All American Equity Fund - GBTFX • Holmes Macro Trends Fund - MEGAX

Domestic Equity Market

S&P 500 Economic Sectors

(Percentage return for each sector group from Friday to Friday, November 20, 2015 – November 27, 2015)



Source: Bloomberg, U.S. Global Research

[click to enlarge](#)

Strengths

- Consumer staples was the best performing sector for the week, increasing by 1.60 percent versus an overall advance of 0.08 percent for the S&P 500 Index. A number of retailers posted better-than-expected earnings reports, fueling momentum for the sector amid anticipation of strong consumer spending during the holidays.
- Tyson Foods was the best-performing stock for the week, increasing 16.15 percent. Rebounding from a mid-November selloff amid a massive recall, the company has rallied as input costs continue to fall, thanks to downward pressure in feedstock commodities such as soybean and corn.
- Other packaged foods companies also performed well, with Hormel Foods and Campbell Soup returning 10.03 percent and 8.77 percent, respectively.

Weaknesses

- Utilities was the worst-performing sector for the week, falling 1.48 percent versus an overall advance of 0.08 percent for the S&P 500.
- Hewlett-Packard was the worst-performing stock for the week, falling 10.31 percent. The stock slumped as HP delivered its final results after the bell on Tuesday and gave disappointing forecasts for both HP and Hewlett-Packard Enterprise Company.
- Video game stocks were also hit hard this week, as GameStop fell 8.28 percent. GameStop, the largest video game specialty retailer, was pummeled as consumers continued to choose digital delivery over physical sales.

Opportunities

- Railroads stocks may be positioned for positive performance in 2016, as industry fundamentals remain healthy. Train speeds have steadily improved over the past year, reinforcing arguments that prior investments are paying dividends. Additionally, BCA Research's diffusion index of rail freight categories shows that more than 50 percent are now experiencing growth, which is a strong indicator for overall shipment growth.
- Companies in the S&P Containers and Packaging Index primarily serve the non-cyclical food and beverage industry, which has just come off a five-year high. While containers and packaging companies succeed based on the volume of goods sold rather than the value of those goods, lower prices may serve as an often-overlooked growth catalyst, as they frequently drive volume higher.
- Amazon.com has benefitted from consumers choosing ecommerce sales over in-store consumption. The company continues to experience growth in its consumer base as it offers free, two-day shipping as well as an increased focus on fashion and premium goods.

Threats

- There continues to be a sizeable gap between equity prices and capex data. That points to equity prices that are running ahead of the underlying pace of economic growth. Since investment spending is likely to continue to increase only gradually, the implication is that if the gap is set to close, there is still more downside potential for equity prices.
- According to BCA Research, free cash flow levels are trending down. With businesses no longer generating enough internal cash flow to fund operations, broad market valuations are likely to come under pressure as corporate buybacks dwindle, consequently putting downward pressure on earnings-per-share growth and return on equity.
- About 135.8 million Americans are expected to shop in stores or online over the four-day weekend, according to the National Retail Federation, the largest U.S. retail trade organization. Consumers have benefitted from lower fuel prices and low unemployment rates. However, major retailers still face challenges, as shoppers are spending more on experiences and less on physical items. Additionally, this year's warmer-than-average autumn has left stores with excess inventories on higher-priced items such as outerwear and winter footwear. These factors will likely bode well for consumers but not so well for retailers' profits.



November 23, 2015

What We're Paying Attention to Following the Paris Attacks



November 18, 2015

5 World Currencies That Are Closely Tied to Commodities



November 16, 2015

The Bullish Case for Aussie Gold

A blog by Frank Holmes, CEO and Chief Investment Officer

[U.S. Government Securities Ultra-Short Bond Fund - UGSDX](#) • [Near-Term Tax Free Fund - NEARX](#)

The Economy and Bond Market

Strengths

- Eurozone confidence levels remain at multiyear highs, as measured by the European Commission's Economic Sentiment Indicator. Economic Confidence came in at 106.1 even as the prior month's data were revised higher. All eyes will be on Mario Draghi and the European Central Bank (ECB) next week as investors widely expect forthcoming additional stimulus measures. The U.S. dollar is near its 52-week highs, while the euro is near its 52-week lows.
- Preliminary Markit U.S. Services Purchasing Manager's Index (PMI) data beat estimates, coming in at 56.5 and surpassing expectations for 55.1. Preliminary U.S. Manufacturing PMI November data were higher than October's, coming in at 52.6, while preliminary U.S. Composite PMI is now at 56.1 as the U.S. heads into the holiday season.
- Preliminary Durable Goods Orders also came in better than expected at 3.0 percent, while September's data were revised higher as well, to -0.8 percent from a previous -1.2 percent.

Weaknesses

- The Consumer Confidence Index in the U.S. came in much lighter than expected, at 90.4 versus analysts' expectations of 99.5.
- Investors cautiously eyed Friday's selloff in China as well as geopolitical rhetoric between Russia and Turkey, both of which had weaker currencies for the week.
- Some investors sought the safety of U.S. Treasuries in the wake of the Friday selloff in the Shanghai Composite Index, but—somewhat encouragingly for broader global markets—equity indices in Europe and the U.S. largely shrugged off Chinese concerns.

Opportunities

- The path of policy tightening will depend on how economic and financial conditions evolve. While the Federal Reserve can decide whether it wants to tighten policy, it cannot always decide whether monetary tightening will occur via higher interest rates or a stronger exchange rate. With U.S. economic growth outpacing the rest of the world, the dollar will likely continue to do the bulk of the Fed's work for it. A possible dynamic is that both Treasury yields and the dollar continue to rise between now and the liftoff date, only to reverse course in tandem as it becomes clear that monetary conditions are becoming too restrictive to maintain an adequate pace of U.S. growth. That turning point would likely occur sometime after Fed liftoff. If that unfolds, a stronger dollar will prevent the Fed from delivering on its projected pace of rate hikes. That would argue for a slightly above benchmark duration stance on a 6-12 month horizon.
- In addition to expectations of additional forthcoming stimulus from the ECB (December 3), U.S. markets will attend carefully to Janet Yellen's speeches (December 2 and 3) next week as well as a slew of final economic data points including PMI, Durable Goods, and—perhaps more important than everything else—the final Bureau of Labor Statistics (BLS) report (December 4) before the Federal Reserve's December 12 meeting. Almost surely, anticipated guidance from Chairman Yellen next week

and the subsequent BLS readings will provide investors with an even higher sense of certainty about liftoff—one way or the other—which according to Fed Funds futures are currently pricing in a 72 percent probability of an interest rate move at the December Federal Open market Committee (FOMC) meeting.

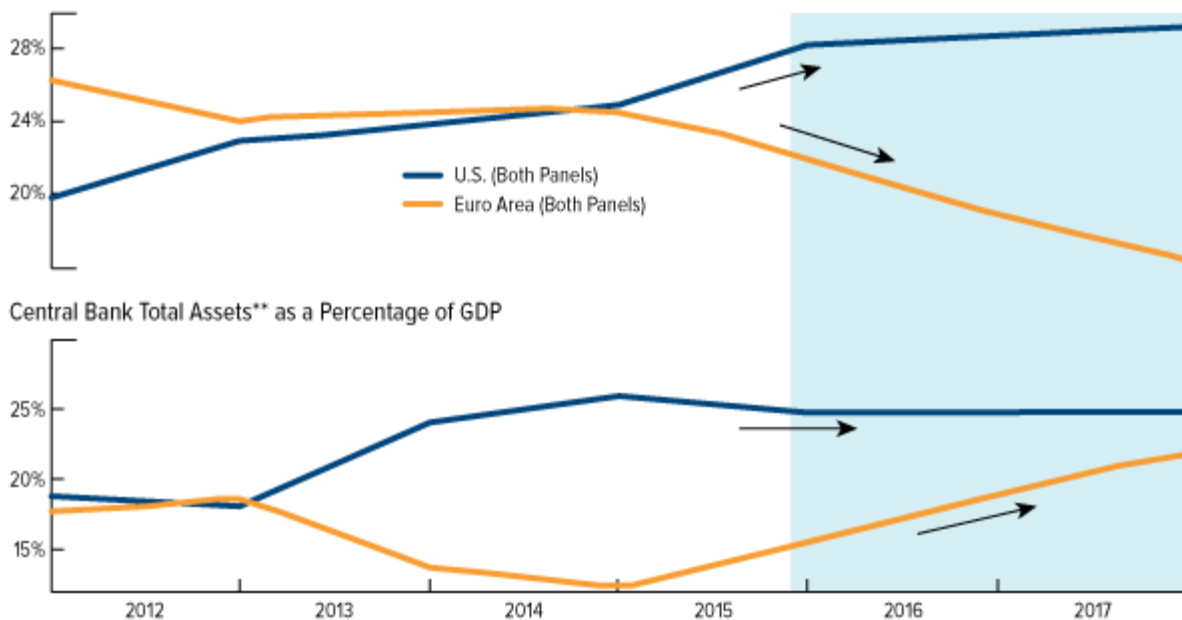
- New home sales rose month-over-month by 10.7 percent to a 495,000 annualized rate, on the heels of encouraging recent household formation data and even as S&P/Case-Shiller data continues to show steady strength in U.S. housing.

Threats

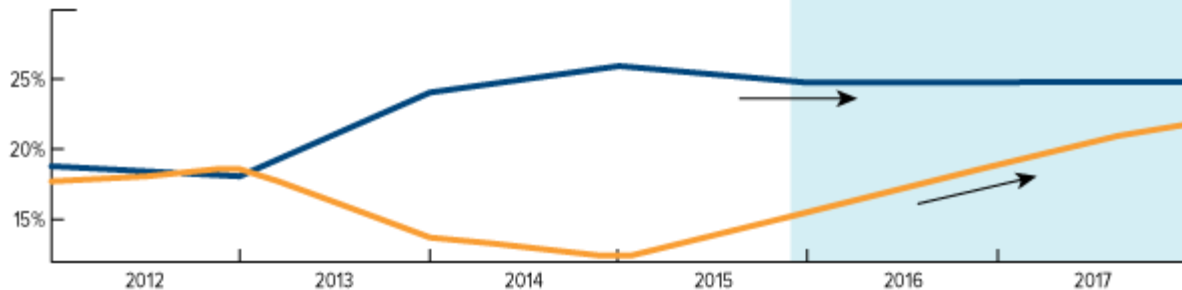
- The Fed and the ECB are looking at similar rates of core inflation and real GDP growth rates are not too far apart either. That said, the ECB is contemplating ramping up monetary stimulus while the FOMC is looking to do the opposite. The 10-year Treasury/Bund spread, at around 175 basis points, is wide by historical standards. The spread peaked at 190 basis points in March of this year. The previous peak was about 170 basis points in 1998. The spread has not been above 200 basis points since the late 1980s. It is difficult to estimate how much wider the spread can go, given that monetary policy is set to diverge to an extent never before witnessed. The ECB's balance sheet will expand in absolute terms and relative to the Fed's balance sheet. The stock of central government bonds available to the private sector will rise in the U.S. and fall in the eurozone. Both of these relative trends argue for wider yield spreads.

Widening of Treasury/Bonds Spreads Is Likely

Government Bonds Available to Private Sector* as a Percentage of GDP



Central Bank Total Assets** as a Percentage of GDP



[click to enlarge](#)

- According to the official U.S. inflation data, the Fed is no closer to its 2 percent inflation goal than it was at the start of the year. Perhaps even more worrying is that inflation expectations are still dropping. The Fed's preferred measure of actual inflation—core PCE—has not budged all year and is stuck at 1.3 percent. The U.S. economy is closer to full employment than it was a year ago, but the lack of any momentum in core PCE continues to suggest there is an output gap. Although global deflationary pressures are pulling down goods prices, service price inflation has also been unchanged at 1.8 percent since the first quarter. Moreover, a wide variety of inflation expectations have been shifting down. Survey data of consumer inflation expectations are lower now than at the beginning of the year. The Fed's survey of professional forecasters also showed a shift down in long-term expectations for core PCE. While the Fed is likely to move forward with lift-off next month, the overall picture points to a rate cycle that is likely to be shorter and shallower than the Fed's current projections.
- In the midst of an ongoing but seemingly minor spat between Turkey and Russia over a recently downed fighter jet, an Organization of Petroleum Exporting Countries (OPEC) meeting on December 4 inspire no expectations for a change in production. Continued well-publicized media concerns about

Syrian spillover and new geopolitical headlines could potentially exacerbate responses.

World Precious Minerals Fund - UNWPX • Gold and Precious Metals Fund - USERX

Gold Market

For the week, spot gold closed at \$1,057.98 down \$19.90 per ounce, or 1.85 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, were essentially flat with a 0.03 percent decline. Junior miners outperformed seniors for the week as the S&P/TSX Venture Index climbed 0.14 percent. The U.S. Trade-Weighted Dollar Index gained 0.47 percent for the week.

Date	Event	Survey	Actual	Prior
Nov-24	GDP Annualized QoQ	2.10%	2.10%	1.50%
Nov-24	Consumer Confidence Index	99.5	90.4	97.6
Nov-25	Durable Goods Orders	1.70%	3.00%	-1.20%
Nov-25	Initial Jobless Claims	270k	260k	271k
Nov-25	New Home Sales	500k	495k	468k
Nov-26	Exports YoY	-4.00%	-3.70%	-4.60%
Nov-30	CPI YoY	0.40%	--	0.30%
Nov-30	Caixin China PMI Mfg	48.3	--	48.3
Dec-1	ISM Manufacturing	50.5	--	50.1
Dec-2	CPI Core YoY	1.10%	--	1.10%
Dec-2	ADP Employment Change	190k	--	182k
Dec-3	ECB Main Refinancing Rate	0.05%	--	0.05%
Dec-3	Initial Jobless Claims	269k	--	260k
Dec-3	Durable Goods Orders	--	--	3.00%
Dec-4	Change in Nonfarm Payrolls	200k	--	271k

Strengths

- Silver was the best performing precious metal this week, falling just 0.63 percent. Short sellers apparently did not care if silver traded lower as over 18,000 gold contracts, or \$1.9 billion notional, was dumped in overnight markets as U.S. participants woke from the Thanksgiving holiday on Friday morning.

Silver Approached Six-Year Lows This Week

Silver Price per Ounce



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- The U.S. Mint has sold out of its 2015 one-ounce American Eagle gold coins, according to Bloomberg. In an email statement this week, the Mint confirmed that inventories have been depleted and no additional 2015-dated coins will be produced. According to bullion traders, the purchase of gold jewelry for wedding season demand, along with a firm global trend, contributed to a recovery in the price of the precious metal earlier this week. Silver bounced back a bit as well on increased offtake by industrial units and coin makers.
- James Steel, chief precious metals analyst at HSBC, sees gold's trading range at \$1,025 to \$1,275 for 2016, according to a November 24 report. Further 2016 forecasts from Steel include demand exceeding total supply, mine production falling and jewelry demand climbing.

Weaknesses

- Palladium was down 2.29 percent and platinum was not far behind with a loss of 2.16 percent for the week. Despite half the platinum mines making losses as the prices dip below \$1,000, the PGM's were the worst performing precious metals this week.
- Precious metals funds posted their biggest outflows in almost 17 weeks, according to Bank of America Merrill Lynch, who said investors pulled out \$1.0 billion in the four trading sessions to Tuesday. On the flip side, investors continue to pour money into money market funds – a net \$12 billion brings the accumulated inflow to a “huge \$132 billion in eight weeks,” reported BAML.
- China's net imports of gold from Hong Kong dropped for the first time in four months, according to Bloomberg. Net purchases fell to 87.8 metric tons from 96.6 in September on holiday-shortened October as well as lapsed demand in a “lean season” prior to the New Year.

Opportunities

- Precious metals bulls want to know why metals prices keep falling despite what appears to be great fundamental reasons for the contrary. A huge demand for precious metals hidden behind an enormous glut in paper supply could be why, according to Goldseek, who stated that the market has been overwhelmed by an increase in leverage. Referencing a chart in Zerohedge last week, the amount of paper gold has tripled in the past few months relative to registered stocks available for actual delivery.
- Mauldin Economics says there is one “universal deficiency” in most investors' portfolios – gold. Calling the metal the “ultimate hedge against any unforeseen crisis,” the group says most professional investors agree that this asset should represent between 3 and 5 percent of a portfolio. They go on to reference Ray Dalio's portfolio which has a 15-percent allocation to gold and similar assets in 2015, along with

Marc Faber's suggestion in August that investors allocate 10-15 percent to gold.

- BCA points out that worldwide savings rates point to continued downward pressure on interest rates. In recent years, there has been a trend of increasing investment, especially in emerging economies. However, the pattern appears to be changing, so there is an overabundance of savings as compared to investment. The shift toward lower investment rates in emerging markets may be another downtrend in real interest rates, despite the possibility of nominal interest rates increasing on December 16. Lower real interest rates should be supportive of gold prices despite the lift in nominal rates.

Threats

- Hedge funds don't believe that gold's decline is over and money managers are holding their first net-short position in the precious metal since August. Talk of the U.S. raising borrowing costs for the first time since 2006 are leading investors to flee the asset class, according to Bloomberg. Assets in exchange-traded products backed by gold have reached their lowest since 2009.
- Goldman Sachs believes the U.S. could see four interest rate hikes by the Federal Reserve next year. The central bank is expected to raise the short-term Fed funds in December, and according to a Bloomberg article, Goldman predicts the U.S. will continue to grow fast enough to spur the Fed to raise rates by an average of once a quarter.
- Gold dropped to its lowest level since February 2010, as a looming U.S. interest rate hike in December has curbed the metal's appeal. Fed funds rate data shows that the probability of an interest rate increase rose to 74 percent on Friday from 72 percent the day prior.



Global Resources Fund - PSPFX

Energy and Natural Resources Market

Strengths

- This week, NGEx Resources announced an updated mineral resource estimate for the Filo del Sol silver-copper-gold deposit, stating that contained copper increased by 42 percent. The deposits are located near the Chile-Argentina border and are controlled 100 percent by NGEx. Replacing historical deposits in Chile, the world's largest copper producer, and nearby Argentina is vital as demand is set to outpace supply as early as next year.
- Rail volumes have been spiking after U.S. President Barack Obama rejected the Keystone XL Pipeline earlier this month. Shipments in the third quarter jumped 38 percent, the first increase in a year. Additionally, crude oil transported in western rail cars rose 22 percent, which accounts for the biggest gain since 2012. Struggling crude-by-rail shippers could see a short-term benefit with the Keystone XL Pipeline out of the picture.
- Oil & Gas Refiners and Marketers performed well this week, as the S&P 500 Oil & Gas Refiners and Marketers Index rose 2.24 percent. Falling crude oil prices have benefited refiners and marketers, who are able to acquire crude at a lower price, thus widening their profit margins.

Weaknesses

- This week, iron ore sank to the lowest level in at least six years surrounding speculation that Chinese

mills are scaling back steel output. Iron ore has suffered this year as some of the biggest miners have been ramping up production, while demand from industrial China has faltered as policymakers in Asia's largest economy steer it towards consumer-led growth and services.

- Bond proxies such as Master Limited Partnerships (MLPs) may suffer with the impending Fed rate hike, as investors view MLPs a source of income. If securities like MLPs are being used as alternatives, their price will be linked to the price of bonds, so it is the effect of a rate hike on bonds that makes bond proxies something might be wary of in a rising rate environment.
- Coal stocks were hit hard this week, as the Market Vectors Global Coal Index fell more than 3.5 percent. This comes in anticipation of next week's Paris climate talks, as some European banks feel pressure to send a clear messages in response to various Eurozone governments' pledges to cut carbon pollution.

Opportunities

- PhosAgro, the world's third-largest phosphate fertilizer maker, could see significant demand for its product next year, as El Nino leads to droughts. According to the company's CEO, consumption will be higher than in 2015 as El Nino conditions contribute to an increase in crop prices and larger consumption of the nutrients.
- Copper prices, which have been among the hardest-hit in this year's commodity fallout, rallied this week amid reports that Chinese regulators may be looking into short-selling of various metals, including copper. December high-grade copper jumped 2.2 percent and was the best performing metal among the base and precious metals group.
- Feedstock commodities such as soybean and corn are nearing 5-year lows, however companies in the packaged foods sector should benefit, as lower input costs create wider profit margins for companies such as Hormel Foods and Cal-Maine Foods.

Drop In Feedstock Looks Positive For Packaged Food Companies



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

Threats

- The Bloomberg Commodity Index has plunged two-thirds from its peak, to the lowest level since 1999. With fears of a slowing Chinese economy, now headed for its weakest pace in 25 years, and the first U.S. interest rate increase since 2006 expected next month by the majority of investors, commodities could suffer even more. A stronger dollar would mean a decrease in the spending power of global raw-materials buyers, as most commodities are priced in dollars.
- According to BlackRock, the worst commodity selloff in a generation still has room to run. The current glut of crude oil has dragged prices lower as OPEC members continue to pump above their collective quota in order to protect their market share and challenge U.S. producers.

- Public pressure continues to mount for large asset managers to distance themselves from coal stocks and take greater positions in cleaner forms of energy. This week, Allianz, Europe's largest insurer, said that it will reduce its coal investments and double its spending in renewables from about 2 billion euros.

China Region

Strengths

- South Korea was the best performing market in Asia this week, as net purchases from local pension funds continued to eclipse net sales from foreign investors. The Korea Stock Exchange KOSPI Index rose 1.97 percent this week.
- Technology was the best performing sector in Asia this week, led by a rebound of South Korean and Taiwanese electronics makers on speculation of potential Chinese acquisition. The MSCI Asia Pacific ex Japan Information Technology Index gained 1.29 percent this week.
- The Malaysian ringgit was the best performing currency in Asia this week, strengthening by 0.19 percent, as planned sales of land and power assets by Malaysia's state investment company to China drove the country's sovereign credit default swaps to a three month low.

Weaknesses

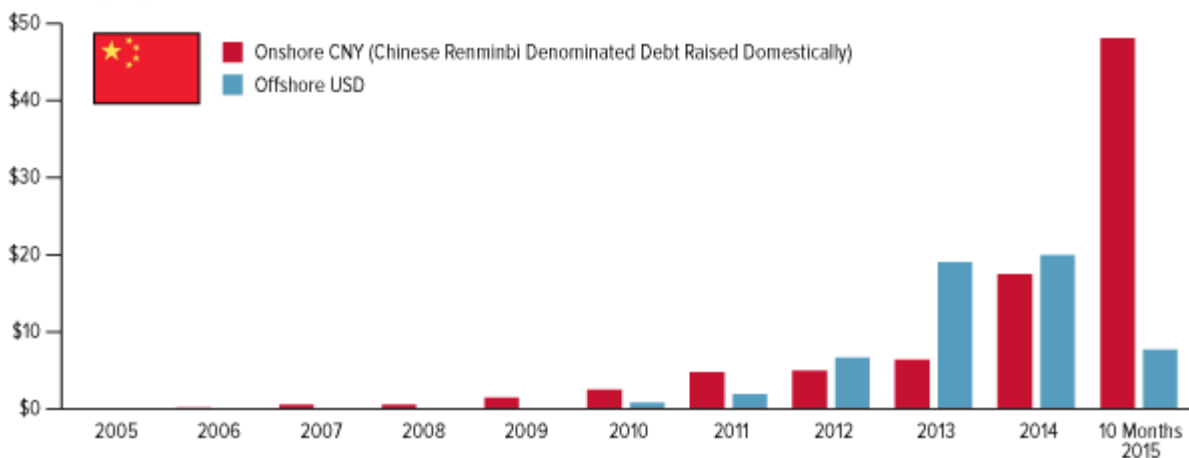
- China A Share was the worst performing market in Asia this week, on the back of new restrictions on local brokers' margin financing business, market manipulation investigation of several brokers, and deterioration of industrial profits in October. The Shanghai Composite Index retreated 5.35 percent this week.
- Materials was the worst performing sector in Asia this week, driven by chemicals and construction materials makers on expectations of further Chinese industrial slowdown in colder weather. The MSCI Asia Pacific ex Japan Materials Index lost 2.01 percent this week.
- The Indonesian rupiah was the worst performing currency in Asia this week, weakening by 1.00 percent, as the country's vice president criticized its central bank for using the Federal Reserve as an excuse not to cut interest rates, and therefore, hurting investment recovery.

Opportunities

- If further depreciation of the Chinese renminbi remains a real menace for investors next year, currency risk for Chinese property developers should be reduced going forward thanks to a significant wave of issuance of renminbi-denominated debt so far this year to refinance existing U.S. dollar denominated debt. The moderating breadth of home price increases in October should warn Chinese policymakers against complacency, and more follow-up housing policy relaxation can be expected over the next year to help stabilize the country's continuous growth slowdown. Quality developers with more exposure to major cities in China should prove most resilient in today's environment.

Debt Switch to Curtail Further Depreciation Risk for Chinese Property Developers

China Property Bond Issuance, Billion U.S. Dollars



Source: Morgan Stanley, U.S. Global Investors

[click to enlarge](#)

- Colder weather in northern China may once again increase the risk of toxic smog reappearing in major cities and boost investor awareness of lingering pollution and health care challenges facing the country. Leading environmental protection and pharmaceutical companies in China should be perceived favorably as a secular investment theme.
- China's environmental degradation and food safety concerns are the reasons behind rising sports participation from the health-conscious middle class, and next year's summer Olympics and European soccer championship should provide further catalysts for mass consumption of value sports apparel and footwear, and therefore, bode well for leading local brands.

Threats

- Macro challenges are not dissipating in scandal-plagued Malaysia, and its recent market and ringgit rebound could soon fade away, given probably rising U.S. interest rates, slowing Chinese demand, lower commodity prices, and constrained fiscal spending next year. Valuations remain high for Malaysian stocks overall, and may continue to face downward pressure.
- Resumption of initial public offerings in the Chinese A Share market and the International Monetary Fund's (IMF) potential decision for Chinese renminbi inclusion next week may just be the high-profile events that could trigger profit taking activities in the market against few convincing signs of economic recovery in the country as Tuesday's PMI data release probably reveals. Recent terrorist attacks in Paris might further discourage typically risk-averse mainland Chinese tourists traveling to international metropolitans such as Hong Kong, which has already started witnessing a secular decline in tourist arrivals and per capita tourist spending. Local retailers and hotels in Hong Kong should

Emerging Europe Fund - EUROX

Emerging Europe

Strengths

- Hungary was the best performing market this week, gaining 2.6 percent. Richter Gedeon, a pharmaceutical company, was the best performing company on the Budapest Exchange.
- The Czech koruna was the best performing currency this week, despite losing 60 basis points against the dollar. November Business Confidence was reported at 13.1, much stronger than prior reading of 11.9. Gross Domestic Product was reported at 4.5 percent in the third quarter versus prior year's GDP of 4.3 percent.
- The healthcare sector was the best performing sector among Eastern European markets this week.

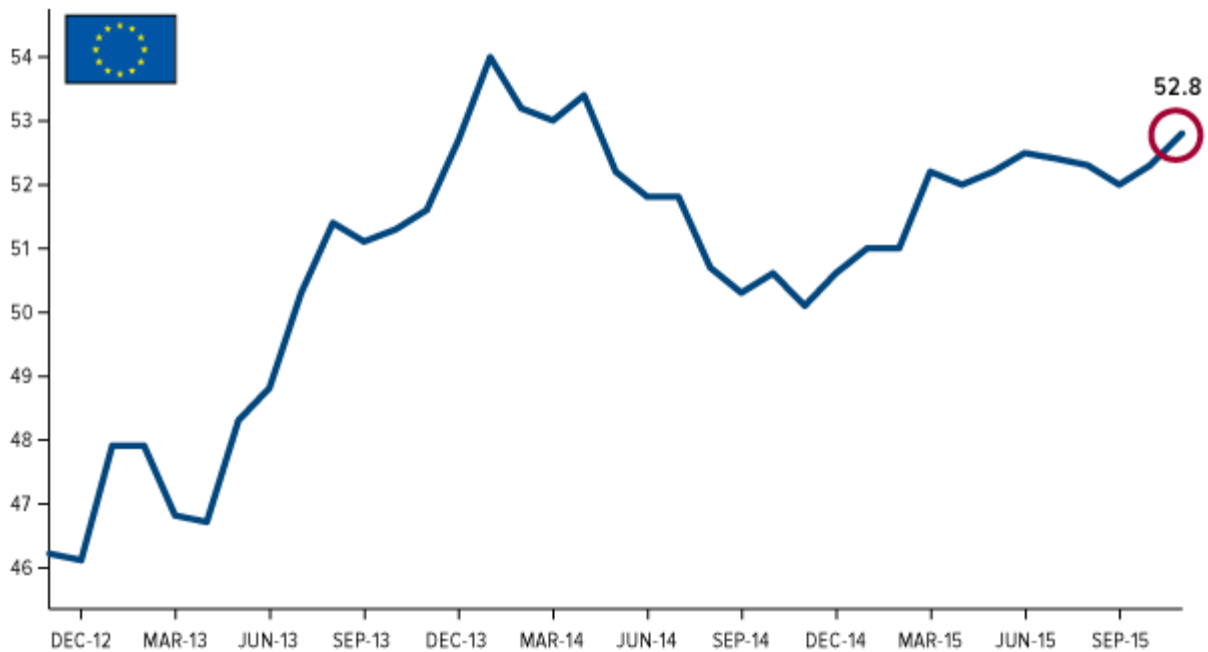
Weaknesses

- Turkey was the worst performing market this week, losing 6.35 percent. Russia announced plans to impose sanctions on Turkish economic interests in response to Turkey's downing of a Russian warplane.
- The Turkish lira was the worst performing currency, losing 3 percent against the dollar and adding further weakness to Turkish equities for U.S. dollar dominated investors. Turkey's central bank left all its main rates unchanged and said policy makers would keep liquidity tight as the weak lira is delaying a reduction in core inflation. Inflation stays above 7 percent, compared with the bank's 5 percent target.
- The industrial sector was the worst performing sector among Eastern European markets this week.

Opportunities

- The flash Eurozone PMI data showed expansions of new orders and growth in business activity. November PMI rose to 52.8 from 52.3, a 19-month high, while the service index rose to 54.6 from 54.1, reaching a 54-month high.

Eurozone November Manufacturing PMI



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- Eurozone economic confidence remained unchanged in November at the highest level seen since mid 2011. The economic confidence index came in at 106.1, while the economists had forecast 105.9. Strong domestic demand is expected to continue to drive growth in the region.
- Britain will boost its defense equipment budget by 7 percent to GBP 178 billion (\$270 billion) for the next ten years as it prepares to join the United States and others in carrying out airstrikes on Islamic State targets in Syria. The 2010 defense review emphasized sharp reductions in spending and military personnel in order to trim the U.K.'s budget deficit, but now the country can afford to invest further in national security.

Threats

- The Turkish air force shot down a Russian fighter jet near its border with Syria after pilots ignored repeated warnings they were violating Turkish airspace. Russian Foreign Minister Sergei Lavrov described it as a planned act and said it would impact efforts towards a political solution in Syria. Moscow would "seriously reconsider" its relations with Ankara, he said. Russia and Turkey are important trading partners as Turkey is the second largest export market for the Russian company Gazprom. Turkey imports about 55 percent of its natural gas from Russia.
- SK Bank, one of the cooperative banks in Poland, filed for bankruptcy. The bank has PLN 2 billion of Bank Fund Guarantee insured deposit base. This is the first bankruptcy of a bank in ten years and will trigger costs for the banking sector as Polish banks will participate in the PLN 2 billion payment to

depositors of SK Bank, in proportion of their market share.

- Russia said it would cut off the gas supply to Ukraine because Kiev had not paid up front for more gas and it might also halt coal supplies to Ukraine in retaliation for a power blackout of Crimea. State emergency was declared on Sunday in Crimea, after pylons supplying energy to the territory from Ukraine were blown up. Russia annexed Crimea from Ukraine last year, and Crimea still receives 85 percent of its water and 80 percent of its electricity from mainland Ukraine.

DISCOVER HOW **CHINA**
BECAME THE WORLD'S
**SECOND-LARGEST
ECONOMY**

VIEW OUR SLIDESHOW



Leaders and Laggards

Weekly Performance

Index	Close	Weekly Change(\$)	Weekly Change(%)
DJIA	17,798.49	-25.32	-0.14%
S&P 500	2,090.11	+0.94	+0.04%
S&P Energy	496.34	+6.48	+1.32%
S&P Basic Materials	285.83	+0.40	+0.14%
Nasdaq	5,127.52	+22.61	+0.44%
Russell 2000	1,202.38	+27.22	+2.32%
Hang Seng Composite Index	3,041.13	-97.85	-3.12%
Korean KOSPI Index	2,028.99	+39.13	+1.97%
S&P/TSX Canadian Gold Index	122.89	+0.75	+0.61%
XAU	44.92	+0.15	+0.34%
Gold Futures	1,056.10	-20.20	-1.88%
Oil Futures	41.77	+1.38	+3.42%
Natural Gas Futures	2.23	+0.08	+3.82%
10-Yr Treasury Bond	2.22	-0.04	-1.86%

Monthly Performance

Index	Close	Monthly Change(\$)	Monthly Change(%)
DJIA	17,798.49	+18.97	+0.11%
S&P 500	2,090.11	-0.24	-0.01%
S&P Energy	496.34	-0.89	-0.18%
S&P Basic Materials	285.83	+2.27	+0.80%
Nasdaq	5,127.52	+31.83	+0.62%
Russell 2000	1,202.38	+23.66	+2.01%
Hang Seng Composite Index	3,041.13	-108.87	-3.46%
Korean KOSPI Index	2,028.99	-13.52	-0.66%

S&P/TSX Canadian Gold Index	122.89	-18.74	-13.23%
XAU	44.92	-9.17	-16.95%
Gold Futures	1,056.10	-120.90	-10.27%
Oil Futures	41.77	-4.17	-9.08%
Natural Gas Futures	2.23	+0.19	+9.54%
10-Yr Treasury Bond	2.22	+0.12	+5.66%

Quarterly Performance

Index	Close	Quarterly Change(\$)	Quarterly Change(%)
DJIA	17,798.49	+1,155.48	+6.94%
S&P 500	2,090.11	+101.24	+5.09%
S&P Energy	496.34	+17.18	+3.59%
S&P Basic Materials	285.83	+12.79	+4.68%
Nasdaq	5,127.52	+299.20	+6.20%
Russell 2000	1,202.38	+39.46	+3.39%
Hang Seng Composite Index	3,041.13	+84.04	+2.84%
Korean KOSPI Index	2,028.99	+91.32	+4.71%
S&P/TSX Canadian Gold Index	122.89	-7.26	-5.58%
XAU	44.92	-3.90	-7.99%
Gold Futures	1,056.10	-78.80	-6.94%
Oil Futures	41.77	-3.45	-7.63%
Natural Gas Futures	2.23	-0.49	-17.97%
10-Yr Treasury Bond	2.22	+0.04	+1.79%

Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a fund prospectus by visiting www.usfunds.com or by calling 1-800-US-FUNDS (1-800-873-8637). Read it carefully before investing. Distributed by U.S. Global Brokerage, Inc.

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Stock markets can be volatile and share prices can fluctuate in response to sector-related and other risks as described in the fund prospectus.

Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. By investing in a specific geographic region, a regional fund's returns and share price may be more volatile than those of a less concentrated portfolio.

The Emerging Europe Fund invests more than 25 percent of its investments in companies principally engaged in the oil & gas or banking industries. The risk of concentrating investments in this group of industries will make the fund more susceptible to risk in these industries than funds which do not concentrate their investments in an industry and may make the fund's performance more volatile.

Because the Global Resources Fund concentrates its investments in a specific industry, the fund may be subject to greater risks and fluctuations than a portfolio representing a broader range of industries.

Gold, precious metals, and precious minerals funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The prices of gold, precious metals, and precious minerals are subject to substantial price fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. We suggest investing no more than 5 percent to 10 percent of your portfolio in these sectors.

Bond funds are subject to interest-rate risk; their value declines as interest rates rise. Though the Near-Term Tax Free Fund seeks minimal fluctuations in share price, it is subject to the risk that the credit quality of a portfolio holding could decline, as well as risk related to changes in the economic conditions of a state, region or issuer. These risks could cause the fund's share price to decline. Tax-exempt income is federal income tax free. A portion of this income may be subject to state and local taxes and at times the alternative minimum tax. The Near-Term Tax Free Fund may invest up to 20% of its assets in securities that pay taxable interest. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes.

Investing in real estate securities involves risks including the potential loss of principal resulting from changes in property value, interest rates, taxes and changes in regulatory requirements.

Past performance does not guarantee future results.

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These market comments were compiled using Bloomberg and Reuters financial news.

Fund portfolios are actively managed, and holdings may change daily. Holdings are reported as of the most recent quarter-end. Holdings as a percentage of net assets as of 9/30/15:

Tyson Foods, Inc.: Global Resources Fund, 3.80%
Hormel Foods Corp.: Global Resources Fund, 2.23%; Holmes Macro Trends Fund, 0.31%
Campbell Soup Co.: All American Equity Fund, 0.79%
HP, Inc.: 0.0%
Hewlett Packard Enterprise Co.: 0.0%
GameStop Corp.: All American Equity Fund, 1.28%
Amazon.com, Inc.: Holmes Macro Trends Fund, 2.23%
NGEx Resources, Inc.: Global Resources Fund, 0.24%; World Precious Minerals Fund, 1.20%
PhosAgro: Global Resources Fund, 1.35%
Cal-Maine Foods, Inc.: Global Resources Fund, 2.57%; Holmes Macro Trends Fund, 0.53%
Richter Gedeon: Emerging Europe Fund, 0.78%
Gazprom: Emerging Europe Fund, 4.29%

*The above-mentioned indices are not total returns. These returns reflect simple appreciation only and do not reflect dividend reinvestment.

The Dow Jones Industrial Average is a price-weighted average of 30 blue chip stocks that are generally leaders in their industry.

The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies.

The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks.

The Russell 2000 Index® is a U.S. equity index measuring the performance of the 2,000 smallest companies in the Russell 3000®, a widely recognized small-cap index.

The Hang Seng Composite Index is a market capitalization-weighted index that comprises the top 200 companies listed on Stock Exchange of Hong Kong, based on average market cap for the 12 months.

The Taiwan Stock Exchange Index is a capitalization-weighted index of all listed common shares traded on the Taiwan Stock Exchange.

The Korea Stock Price Index is a capitalization-weighted index of all common shares and preferred shares on the Korean Stock Exchanges.

The Philadelphia Stock Exchange Gold and Silver Index (XAU) is a capitalization-weighted index that includes the leading companies involved in the mining of gold and silver.

The U.S. Trade Weighted Dollar Index provides a general indication of the international value of the U.S. dollar.

The S&P/TSX Canadian Gold Capped Sector Index is a modified capitalization-weighted index, whose equity weights are capped 25 percent and index constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks.

The S&P 500 Energy Index is a capitalization-weighted index that tracks the companies in the energy sector as a subset of the S&P 500.

The S&P 500 Materials Index is a capitalization-weighted index that tracks the companies in the material sector as a subset of the S&P 500.

The S&P 500 Financials Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period.

The S&P 500 Industrials Index is a Materials Index is a capitalization-weighted index that tracks the companies in the industrial sector as a subset of the S&P 500.

The S&P 500 Consumer Discretionary Index is a capitalization-weighted index that tracks the companies in the consumer discretionary sector as a subset of the S&P 500.

The S&P 500 Information Technology Index is a capitalization-weighted index that tracks the companies in the information technology sector as a subset of the S&P 500.

The S&P 500 Consumer Staples Index is a Materials Index is a capitalization-weighted index that tracks the companies in the consumer staples sector as a subset of the S&P 500.

The S&P 500 Utilities Index is a capitalization-weighted index that tracks the companies in the utilities sector as a subset of the S&P 500.

The S&P 500 Healthcare Index is a capitalization-weighted index that tracks the companies in the healthcare sector as a subset of the S&P 500.

The S&P 500 Telecom Index is a Materials Index is a capitalization-weighted index that tracks the companies in the telecom sector as a subset of the S&P 500.

The NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.

The Consumer Price Index (CPI) is one of the most widely recognized price measures for tracking the price of a market

basket of goods and services purchased by individuals. The weights of components are based on consumer spending patterns.

The Purchasing Manager's Index is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

The Argentina Merval Index, a basket-weighted index, is the market value of a stock portfolio selected according to participation in the Buenos Aires Stock Exchange, number of transactions of the past six months, and trading value.

The Mexican Bolsa Index (MEXBOL), or the IPC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange.

The IPSA Index is a Total Return Index and is composed of the 40 stocks with the highest average annual trading volume in the Santiago Stock Exchange (Bolsa de Comercio de Santiago, Chile).

The Ibovespa Brasil Sao Paulo Stock Exchange Index is a gross total return index of the most liquid stocks traded on the Sao Paulo Stock Exchange.

The European Commission Economic Sentiment Indicator Eurozone is a monthly indicator that reflects general economic activity of the EU. The indicator combines assessments and expectations stemming from business and consumer surveys. Such surveys include different components of the economy: industry, consumers, constructions and retail trade.

The Consumer Confidence Index (CCI) is an indicator which measures consumer confidence in the economy.

The Shanghai Composite Index (SSE) is an index of all stocks that trade on the Shanghai Stock Exchange.

The S&P Oil & Gas Refining and Marketing Index tracks the market performance of downstream oil and gas companies.

The Market Vectors Global Coal Index is a capitalization-weighted index that covers the largest and most liquid coal companies globally that derive at least 50% of their revenues from coal production.

The Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements.

The MSCI Asia Pacific ex Japan Information Technology Index is a free-float weighted equity index.

The MSCI Asia Pacific ex Japan Materials Index is a free-float weighted equity index.