



U.S. Global Investors

Investor Alert



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We've added a new section to Investor Alert! [Click here to read this week's SWOT for the Blockchain and Digital Currency market.](#)

What Do Quincy Jones, Serena Williams and Blockchain Have in Common?

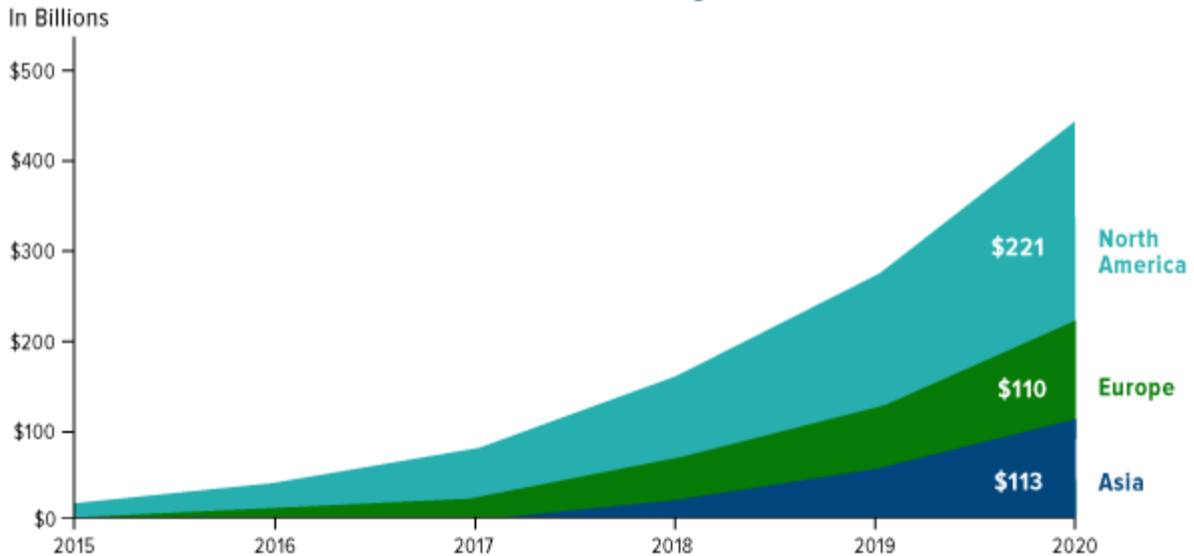
By Frank Holmes
CEO and Chief Investment Officer
U.S. Global Investors



Two big themes this week at Inside ETFs, the Comic-Con of exchange-traded funds attended by more than 2,300 advisors and investors, were innovation and disruption. Like all other industries, the investing world has seen its fair share of disruption in the past quarter century—think indexing, passive investing, the rise of robo-allocation and now blockchain and cryptocurrencies. This year marks the 25th anniversary of the first ever ETF, and today total ETF assets top \$3 trillion. That's a far cry from the estimated \$40 trillion sitting in mutual funds worldwide, but exchange-traded funds are rapidly catching up as investors seek cheaper, more innovative and tax-efficient instruments.

Consider robo-advisors, which emerged only 10 years ago. Who would have thought in the mid-2000s that so many investors would be comfortable enough with the idea of a machine managing their money? And yet here we are. By 2020, Citi analysts predict, assets controlled by robo-advisors could reach close to \$450 billion globally.

Robo-Advisor Platforms Forecast to Continue Growing Around the World



Source: Financial Times, Citi Business Advisory Services, U.S. Global Investors

[click to enlarge](#)

Disruption was definitely top of mind during many of the presentations and interviews at Inside ETFs, including that of producer and composer Quincy Jones, who was at the conference to promote a new stock index that tracks music and entertainment companies. “Q” is the very definition of a legend, having been at the center of some of the most influential musicians, actors and artists over the course of his long career. With a record 79 Grammy Award nominations to his name, he’s made an indelible impression on the music, television and film we all consume and enjoy, whether we’re aware of it or not.

When CNBC’s Bob Pisani asked Jones if he was ready for the day when robots write and perform music, the 84-year-old Jones said, “You can’t stop the technology,” adding that he was among the earliest experimenters of synthesizers. (Anyone remember the synthy theme song to the old 1960s-1970s detective show *Ironside*? That was composed by Quincy Jones.)

“You got to always stay curious. You got to be willing to take a chance,” he said.



Tennis star Serena Williams being interviewed by Barry Ritholtz at Inside ETFs 2018

A similar forward-thinking attitude was expressed by Serena Williams, who was also in attendance. The tennis virtuoso and four-time Olympic gold medal winner, who bagged her 23rd Grand Slam last year *while pregnant*, is a

savvy businesswoman in her own right, sitting on the board of online survey firm SurveyMonkey and Oath, a subsidiary of Verizon that controls a number of media outlets such as HuffPost, Yahoo and Tumblr.

When asked why she was drawn to tech firms in particular—her husband Alexis Ohanian cofounded Reddit—Williams said, “This is a new time, and I don’t want to be left behind.”

I couldn’t agree more with Jones and Williams.

Embracing Disruption with HIVE Blockchain Technologies

Curiosity and a willingness to embrace change and innovation are what led me to [invest in HIVE Blockchain Technologies](#) and agree to become its chairman last year. As many of you know, HIVE is the first publicly-traded company engaged in the mining of virgin digital currencies, including bitcoin, Ethereum, Litecoin, Dash, Monero and many more.

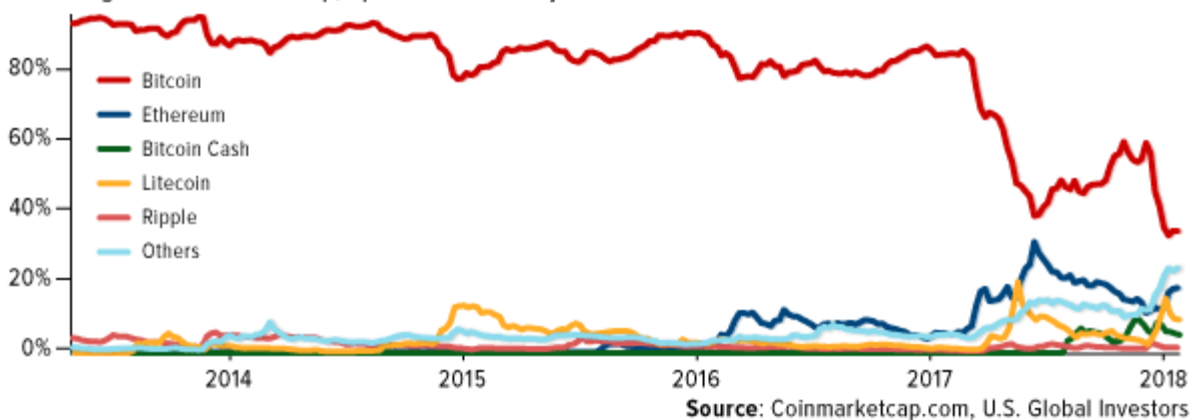
I’m thrilled to be at the forefront of this new technology that’s already disrupting our industry and reshaping how transactions are made and companies raise funds across the globe. The year 2017 was the real catalyst, bringing cryptocurrencies into mainstream conversations as bitcoin hit an all-time high of nearly \$20,000 apiece in mid-December.

Total crypto market cap briefly cracked \$830 billion earlier this month yet has since receded to around \$540 billion, with strong pressure being exerted by the global equities bull market. A record \$33.2 billion flowed into stocks in the week ended January 24, according to investments data provider EPFR Global. U.S. stocks alone attracted \$7 billion, while emerging markets saw inflows reach \$8.1 billion, the second-highest amount recorded in a week.

Competition among the digital currencies is also heating up. Although bitcoin remains the top dog, it faces tough competition from the likes of Ethereum, Litecoin, Ripple and the other nearly-1,500 coins on the market today. It now accounts for about 40 percent of the entire market, down from almost 100 percent just a few years ago.

Bitcoin Is Facing Greater Competition from Other Cryptocurrencies

Percentage of Total Market Cap, April 2013 – January 2018



[click to enlarge](#)

What’s important to remember is that digital currencies are, at the moment, highly volatile and speculative. Unlike gold and other hard assets, they haven’t been tested in all economic backdrops. Bitcoin was created only in 2009, after the worst months of the financial crisis, and it’s existed mainly in an environment of rising equity prices and gradually improving economic conditions. How investors might use it in the next recession or major market correction is unknown at this point.

Coinbase Generated \$1 Billion in Sales Last Year

Having said that, the crypto space is rapidly maturing in a number of different ways. Every day, more and more businesses accept the currency as a form of payment. Investors can now buy bitcoin futures. Fidelity and USAA both allow accountholders to monitor their cryptocurrency holdings. Blockchain ETFs are appearing on the market—though a couple of proposed bitcoin ETFs have hit roadblocks getting approval from the Securities and Exchange Commission (SEC). And I overheard at the Canaccord Genuity Blockchain Conference in Toronto this week that as many as 10,000 millionaires have been created from Ethereum.

Last year, the cryptocurrency trading platform Coinbase booked \$1 billion in revenue, almost double what company executives had expected for 2017. Founded only six years ago and boasting more than 13.5 million accounts,

Coinbase has recently closed the door on any additional venture capital, leaving investors to hope for an initial public offering (IPO) sometime in the near future.

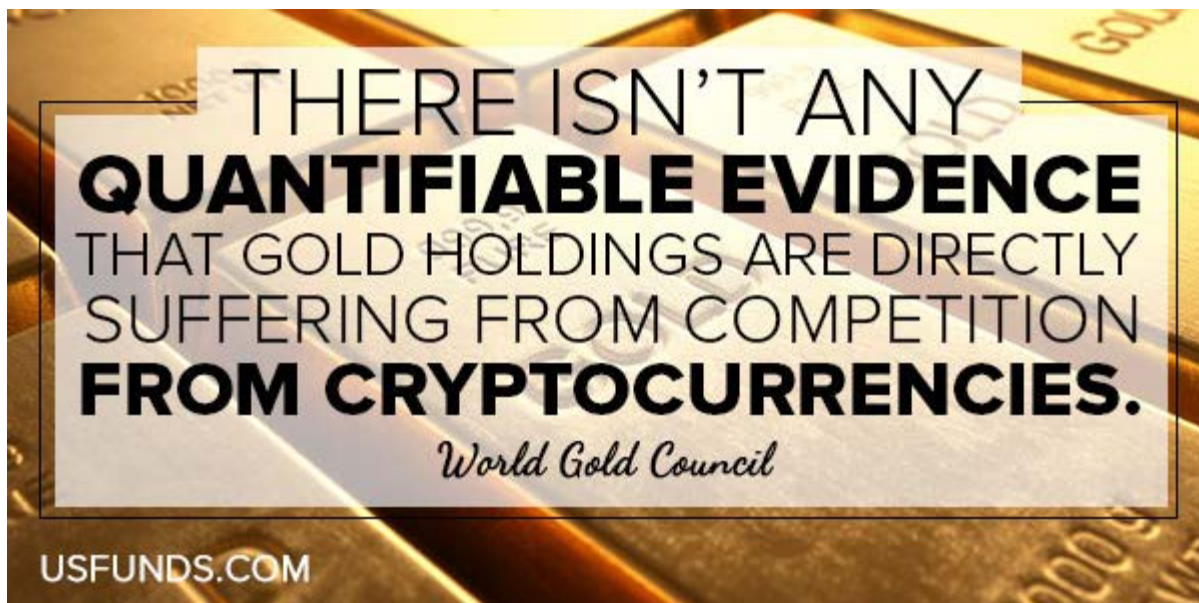
Coinbase is about to face some serious competition, though, as smartphone-only trading app Robinhood will begin allowing customers to trade bitcoin and Ethereum next month—all commission-free.

World Gold Council: Cryptocurrencies Are No Substitute for Gold

Several attendees at Inside ETFs and the blockchain conference raised concerns that cryptocurrencies are on a path to replace gold as a safe haven investment. I've mentioned multiple times before that [I do not see this to be the case](#), for a number of reasons. Unlike bitcoin, gold has thousands of years' worth of history to justify its role as a currency and store of value. Central banks own gold, as do institutional and retail investors. It's widely used not just as money but also as jewelry and in dentistry and electronics. The metal, in fact, can be found in the very computer hardware used to mine bitcoin.

Now, in a new report, the World Gold Council (WGC) takes the position that, while cryptocurrencies and blockchain technology are attractive, they simply don't and can't usurp gold's place in investors' portfolios.

What's more, "there isn't any quantifiable evidence that gold holdings are directly suffering from competition from cryptocurrencies," the WGC writes.



Need proof? According to the group, bitcoin currently trades around \$2 billion a day on average. That's less than 1 percent of the \$250 billion in gold bullion that's traded every day. Remember, gold is one of the most liquid currencies in the world, with a highly developed and accepted market structure.

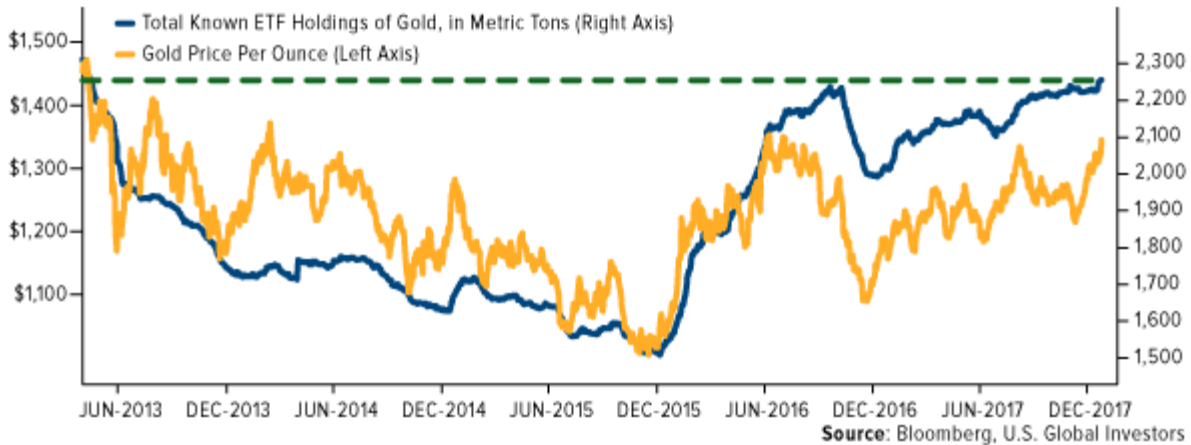
There are several other important differences between the two asset classes, and I highly recommend you read the full report. You can do so by [clicking here](#).

Investors Pile into Gold-Backed ETFs Ahead of Potential Jump in Inflation

Coming back full circle to ETFs, Bloomberg reported this week that holdings in gold bullion-backed funds rose to their highest level since 2013 on a weaker U.S. dollar, rising geopolitical risk and growing expectations that inflation could finally heat up in 2018.

Holdings climbed to 2,250 metric tons earlier this week, the highest amount since May 2013, when gold prices were still in the \$1,400 to \$1,500-an-ounce range.

Holdings in Bullion-Backed ETFs Are at Their Highest Since 2013

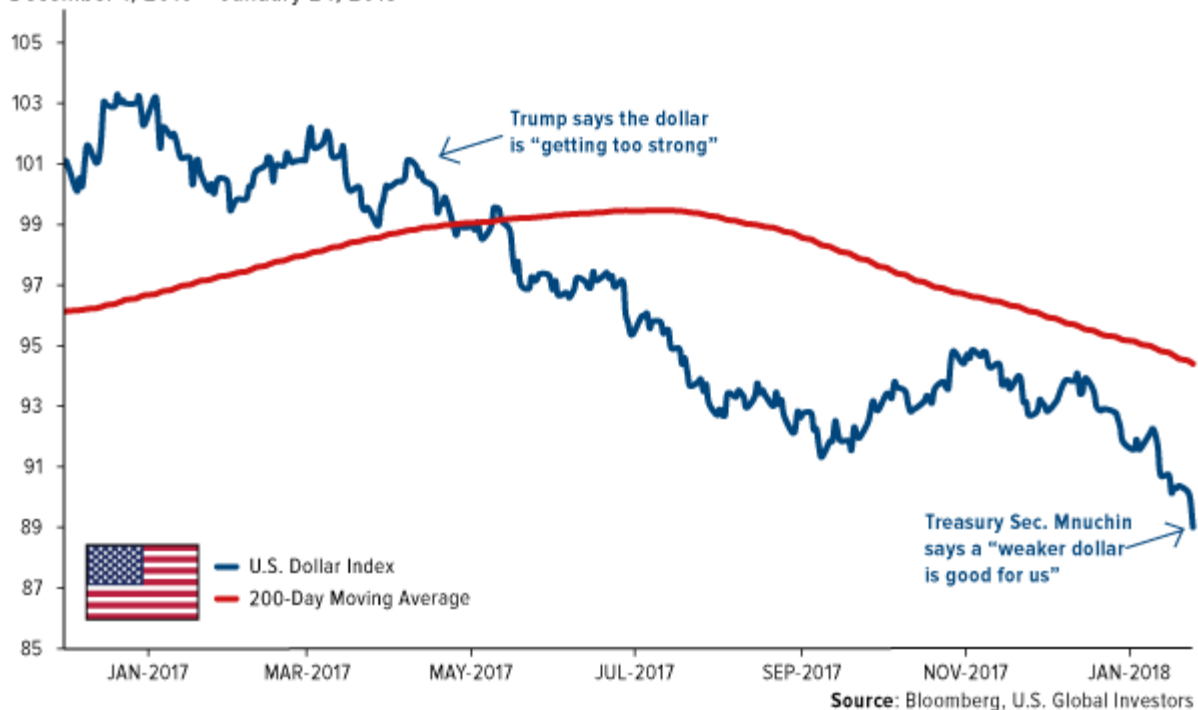


[click to enlarge](#)

The U.S. dollar has plunged in value for the past several weeks, dipping more than 1 percent on Wednesday alone—the biggest one-day pullback in 10 months—following Treasury Secretary Steven Mnuchin’s comment at the World Economic Forum in Davos, Switzerland, that a weaker buck “is good for us as it’s related to trade and opportunities.” The greenback similarly tanked back in April 2017 when President Donald Trump said the dollar is “getting too strong.” Soon after, it fell below its 200-day moving average.

U.S. Dollar Has Lost 12% Since Trump’s Inauguration, Boosting Commodities and Trade

December 1, 2016 – January 24, 2018



[click to enlarge](#)

Yesterday, however, Trump walked back Mnuchin’s (and his own) comment, [telling CNBC](#) that the dollar “is going to get stronger and stronger, and ultimately I want to see a strong dollar.”

In any case, this has all been constructive for the price of gold, which [Thomson Reuters GFMS](#) now sees hitting \$1,500 an ounce this year. If you remember, [\\$1,500 was approximately my estimate](#) after analyzing gold’s performance in the months following the December rate hikes in 2015 and 2016.

According to Thomson Reuters, the price appreciation could be driven by “concerns that the United States may pull out of NAFTA.”

Doing so, of course, would be highly inflationary—and inflation, as I point out in this week’s episode of [Frank Talk Live](#), has historically been a tailwind for gold. The tax overhaul is already helping to boost wages at Walmart,

Starbucks and elsewhere, and the U.S. recently slapped fresh tariffs on imported washing machines and solar cells. In response, South Korea opened two cases against the U.S. at the World Trade Organization (WTO).

And let's not discount geopolitical noise. This week, the "Doomsday Clock" was moved 30 seconds closer to midnight and now stands only two minutes away. That's the closest to midnight the symbolic barometer has come since 1953, when both the U.S. and Russia first began testing thermonuclear weapons—among the most disruptive advancements of the past 100 years.

Curious to learn more about what's driving gold? [Click here!](#)



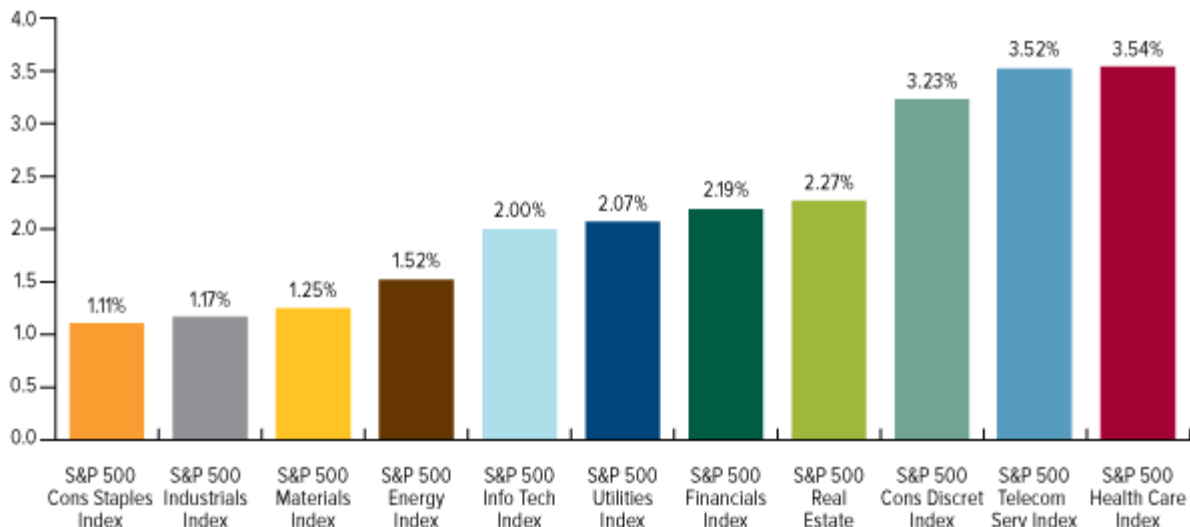
Index Summary

- The major market indices finished up this week. The Dow Jones Industrial Average gained 2.09 percent. The S&P 500 Stock Index rose 2.23 percent, while the Nasdaq Composite climbed 2.31 percent. The Russell 2000 small capitalization index gained 0.65 percent this week.
- The Hang Seng Composite gained 2.87 percent this week; while Taiwan was down 0.03 percent and the KOSPI rose 2.16 percent.
- The 10-year Treasury bond yield remained essentially flat for the week.

Domestic Equity Market

S&P 500 Economic Sectors

(Percentage return for each sector group from Friday to Friday, January 19, 2018 – January 26, 2018)



Source: Bloomberg, U.S. Global Research

Strengths

- Health care was the best performing sector of the week, increasing by 3.54 percent versus an overall increase of 2.13 percent for the S&P 500.
- Netflix was the best performing stock for the week, increasing 24.56 percent.
- Intel beat big in its fourth-quarter earnings. Fourth quarter revenues were up 4 percent from 2016, and earnings per share were up 37 percent.

Weaknesses

- Consumer staples was the worst performing sector for the week, increasing 1.11 percent versus an overall increase of 2.13 percent for the S&P 500.
- Newell Brands was the worst performing stock for the week, falling 18.87 percent.
- Twitter found more than 50,000 Russia-linked accounts that actively shared election-related material.

Opportunities

- Dell is reportedly considering an IPO and other strategic options. The company will hold a board meeting this month to discuss its options.
- Apple's delayed HomePod speaker is finally going on sale. It is set to become available for preorders on Friday. It will cost \$349 and is scheduled to hit stores on February 9.
- Netflix blew past subscriber growth targets in the fourth quarter. The company gained 8.3 million subscribers globally, which made the fourth quarter the highest quarter in its history, according to a letter the company sent to its shareholders.

Threats

- Billionaire investor Howard Marks says 'unrealistic' investors are getting desperate. In his year-end 2017 memo, the founder of the hedge fund Oaktree Capital said the lack of potential returns across asset classes has traders taking on uncharacteristic levels of risk.
- Speaking at the World Economic Forum in Davos, George Soros called Facebook and Google a 'menace' to society and 'obstacles to innovation' in a blistering attack. He also accused them of "monopolistic" and anticompetitive behavior.
- According to Macquarie, Mark Zuckerberg's control of Facebook may be a threat to the value of the stock. The company voiced its opinion after Zuckerberg announced that the priorities of the News Feed would change based on how "trustworthy" users believed their sources to be.

In the News



January 26, 2018
USGI Marketing Team Showcases Winning Strategy



January 25, 2018
Is Gold on Track to Hit \$1,500?



January 22, 2018
USGI in the Book of Lists

The Economy and Bond Market

Strengths

The Conference Board's US Leading Economic Index edged up 0.6 percent in December following an increase of 0.5 percent in November. The steady rise points to a continuation of strong economic growth in the first half of 2018.

- Orders placed with U.S. factories for durable goods increased in December by the most in six months, providing more evidence of an active industrial sector. Durable goods orders increased 2.9 percent after a 1.7 percent advance in November which was larger than previously reported, according to data from the Commerce Department.
- Manufacturers in the U.S. are seeing a solid start to 2018, per data released by IHS Markit. The Flash Purchasing Managers' Index (PMI) survey showed that production volumes and new orders have been reporting robust growth. Moreover, strong export growth has also been supporting manufacturers. The U.S. Flash Manufacturing PMI increased to 55.5 in January, compared with 55.1 in December.

Weaknesses

- The U.S. economy expanded at a slower-than-projected pace in the fourth quarter on drags from trade and inventories, offsetting strength in consumer spending and business investment. GDP rose at a 2.6 percent annualized rate after 3.2 percent in the prior period, according to Commerce Department data. The median called for growth of 3 percent.
- Sales of new U.S. single-family homes fell more than expected in December, recording their biggest drop in nearly one and a half years, likely as the boost from the replacement of hurricane flood-damaged houses faded. The Commerce Department reported new home sales declined 9.3 percent to a seasonally adjusted annual rate of 625,000 units last month.
- The seasonally adjusted IHS Markit Flash U.S. Services PMI Index registered 53.3 in January, down slightly from 53.7 in December, to signal the slowest rise in service sector output since April 2017.

Opportunities

- Next week's data on personal income (schedule for Monday), ISM (Thursday), the Employment Cost Index (Wednesday) and the labor market report (Friday) could have important ramifications for the number of rate hikes this year.
- BlackRock is bullish on municipal bonds that tax reform did away with. Its Strategic Municipal Opportunities Fund expanded its holdings of pre-refunded bonds, or debt that's been refinanced through an advance refunding, the firm said in a note Monday. So far, it has been a winning bet: the bonds have managed to return 0.14 percent this month, compared with the broader municipal market's loss of 0.38 percent.
- A draft outline of Trump's proposal was leaked to the press on Monday. It calls for expanding the use of tax-exempt bonds to finance roads, sewers, airports and other public works built by businesses. This proposal would lift state volume caps on issuance of such private activity bonds, eliminate restrictions on their use for transportation and encourage their sale by ports. It also would expand the ability to advance refinance the securities, creating potential savings that could be used for reinvestment.

Threats

- The spread between yields on nominal and inflation-linked U.S. Treasury debt, known as the breakeven inflation rate, is viewed as investors' outlook for price pressures. The measure touched an eight-month low in June, which was also a trough for the Bloomberg Commodity Index. Both gauges have risen since, with the breakeven rate now near the highest in more than three years. A weaker dollar, U.S. corporate tax cuts and signs of improving global economic growth have helped boost raw materials. The Bloomberg Commodity Index reached an 11-month high on Tuesday, and the underlying pace of U.S. inflation unexpectedly accelerated in December. While inflation has held below the Federal Reserve's target, advancing commodities are one factor that demonstrates why policy makers are expected to continue raising interest rates this year. Such a scenario would be detrimental to fixed-income securities.

Inflation and Commodities Gauges Rise From 2017 Lows



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- There has been much angst regarding the slowdown in Chinese growth. The PMI data (Thursday and Friday) will shed some light on the depth of the growth deceleration.
- Investors are concerned another political fight may be on the horizon in Illinois. Spreads on state debt maturing in 10 years reached a six-month high of 1.9 percent this week. On Monday, Governor Bruce Rauner reiterated plans to roll back the income-tax hike approved by the legislature last year. "The market doesn't know what to expect from the political perspective," said Guy Davidson, director of municipal investments at AllianceBernstein.

Gold Market

This week spot gold closed at \$1,350.91 up \$19.06 per ounce, or 1.43 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, ended the week higher by 3.07 percent. Junior-tiered stocks underperformed seniors for the week, as the S&P/TSX Venture Index came in up just 1.18 percent. The U.S. Trade-Weighted Dollar slumped this week falling 1.64 percent.

Date	Event	Survey	Actual	Prior
Jan-23	Germany ZEW Survey Current Situation	89.5	95.2	89.3
Jan-23	Germany ZEW Survey Expectations	17.7	20.4	17.4
Jan-25	Hong Kong Exports YoY	7.3%	6.0%	7.8%
Jan-25	ECB Main Refinancing Rate	0.000%	0.000%	0.000%
Jan-25	Initial Jobless Claims	235k	233k	216k
Jan-25	New Home Sales	675k	625k	689k
Jan-26	GDP Annualized QoQ	3.0%	2.6%	3.2%
Jan-26	Durable Goods Orders	0.9%	2.9%	1.7%
Jan-30	Germany CPI YoY	1.7%	--	1.7%
Jan-30	Conf. Board Consumer Confidence	123.0	--	122.1
Jan-31	Eurozone CPI Core YoY	1.0%	--	0.9%
Jan-31	ADP Employment Change	175k	--	250k

Jan-31	FOMC Rate Decision (Upper Bound)	1.50%	--	1.50%
Jan-31	Caixin China PMI Mfg	51.5	--	51.5
Feb-1	Initial Jobless Claims	235k	--	233k
Feb-1	ISM Manufacturing	59.0	--	59.3
Feb-2	Change in Nonfarm Payrolls	183k	--	148k
Feb-2	Durable Goods Orders	--	--	2.9%

Strengths

- The best performing metal this week was silver, up 1.68 percent. Gold traders remain bullish on the yellow metal for a third week on sustained dollar weakness, according to the Bloomberg weekly survey. The gold price heads toward its highest since August 2016, soaring above \$1,350 this week.
- Australia will be opening its first gold-backed ETF, the Perth Mint Gold ETF Trust, which seeks to be listed on the NYSE, according to a U.S. government filing.
- After poor performance in 2017, platinum has started to outperform palladium. Precious metals are on the rise even after the Federal Reserve raised rates in December.

Weaknesses

- The worst performing metal this week was palladium, down 1.72 percent as traders seem to be looking to platinum for outperformance. The gold price fell briefly this week after President Trump downplayed remarks by U.S. Treasury Secretary Steven Mnuchin that "a weak dollar is good for trade," reports Bloomberg. The gold price then rebounded. China's purchasing of bullion from Hong Kong fell to the lowest level in five years to a total of 602 tons in 2017.

Gold Drops As Dollar Jumps On Trump's Comments

Gold Price Per Ounce In U.S. Dollars



Bloomberg Dollar Spot Index



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- Gold has started the year strong, up 6 percent; however, the South African rand is also performing strongly. South Africa, a top gold-producing nation, might see mining companies miss out on the benefits of a higher gold price as they pay using the local rand currency. When both the gold price and rand are strong, profit margins are squeezed and can eliminate profitability of certain productions.
- The gold market might adopt blockchain technology to keep track of the roughly \$200 million in gold dug up

from mines all over the world and sold to buyers using middlemen. This represents a big shift in commodities looking to make use of new technologies. Cryptocurrencies fell on Friday after one of Japan's biggest bitcoin trading venues, Coincheck, halted withdrawals. Coincheck also reported that \$400 million in the NEM cryptocurrency was lost after being sent illicitly, reports Bloomberg.

Opportunities

- Analysts are forecasting gold could near \$1,400 per ounce by the end of the year, citing further weakness in the dollar and rising risks of a correction in equity markets. Stephen Innes, head of trading for Asia Pacific at brokerage Oanda Corp. said that gold at \$1,400 could be achievable in the next two months, writes Bloomberg. Caterpillar, Inc. forecasts that it will increase spending in mining due to global economic momentum and rising commodity prices.
- U.S. Treasury Secretary Steven Mnuchin endorsed a declining dollar at the World Economic Forum this week saying that "a weaker dollar is good for us as it relates to trade and opportunities." Daniel Morris, senior investment strategist with BNP Paribas Asset Management told Bloomberg Television that the U.S. economy "has a current-account deficit and it needs to close that – one way to do that is for the dollar to depreciate." A weaker dollar has historically been good for gold.
- Gold mining companies will be generating more cash this year as gold rises and the industry's growth prospects stagnate after years of cutting budgets, writes Bloomberg's James Attwood. As gold is up 3.5 percent in January and was up nearly 14 percent last year, gold miners have some catching up to do since we're currently seeing a disconnect in the gold price and mining stock prices. There is still a lack of belief that gold is going to go higher and the gold mining stocks, particularly the junior space, have not been bid up yet.

Threats

- Risk is escalating in the equities market after investors poured the most money ever recorded in a week into equity funds last week. Bank of America Merrill Lynch strategists forecast a market pullback coming in the first quarter and indicated the highest "sell" signal since March 2013. More evidence that something might be amiss is that the usually reliable quant strategy is suddenly not performing. Joseph Mezrich, head of U.S. quantitative analysis at Nomura Instinet LLC, said that what we're observing is "people panicking to get into these stocks because of a fear of missing out. It's a lack of rationality."
- Ray Dalio, prominent hedge fund manager, said that he predicts a 1 percent rise in bond yields will produce the largest bear market in bonds since 1980, speaking in a Bloomberg TV interview this week. Oaktree founder Howard Marks had a similar view saying that all the easy money has been made in the market and investors should now be defensive as prospective returns are well below normal for every asset class.
- Another sign of potential disarray in the market is General Electric Co. plummeting again this week after Deutsche Bank released a report questioning their next move. GE was the biggest loser in the Dow Jones last year struggling with weak demand for its industrial products. As a bellwether American company that produces products that span across a number of industries, it's a bit disconcerting that the outlook for stock markets is so positive.



Blockchain and Digital Currencies

Strengths

- Of the cryptocurrencies tracked by CoinMarketCap, the best performing for the week ended January 26 was Eryllium, which gained 373 percent.
- As Bernard Marr of Forbes writes this week, “It’s quickly becoming apparent that blockchain technology is about far more than just Bitcoin.” Marr details how innovative uses for blockchain are appearing every day across all sectors including finance, health care, media and government. For a detailed list of examples, explore his post “35 Amazing Real World Examples of How Blockchain Is Changing Our World,” on Forbes.com.
- Robinhood, a no-commission stock-trading app, is moving into the cryptocurrency trading arena, reports Seeking Alpha. Starting in February, Robinhood users will be able to trade Bitcoin and Ethereum with no added transaction fees. To compare, Coinbase charges 1.5 percent to 4 percent, the article continues.

Weaknesses

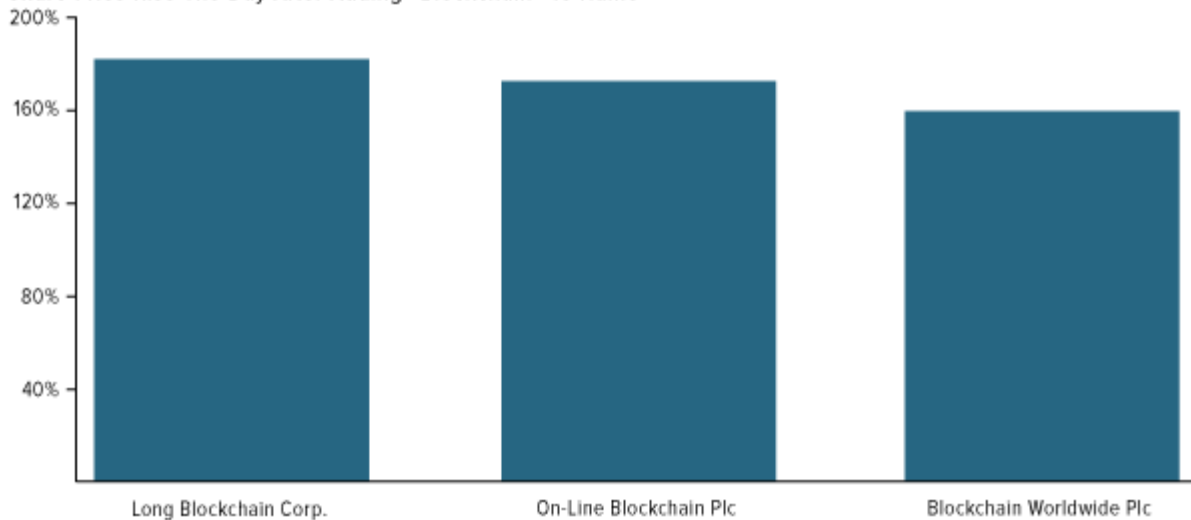
- Of the cryptocurrencies tracked by CoinMarketCap, the worst performing for the week ended January 26 was Safe Trade Coin, which lost 88.63 percent.
- According to Ernst & Young, more than 10 percent of funds raised through initial coin offerings (ICOs) have either been lost or stolen, reports Seeking Alpha. The group researched nearly 400 ICOs, and also reports that volume has been slowing since late last year, with only 25 percent of ICOs hitting their fundraising target in November, versus 90 percent that did so in June, the article continues.
- Despite several Bitcoin ETFs being proposed, Bloomberg writes that it might be quite some time before these products actually win U.S. regulatory approval. According to Tom Farley who oversees the New York Stock Exchange, “If I had to guess, it’s a while. I don’t have timing, but it is not imminent.” Following recent comments by the SEC’s staff saying it was worried about keeping investors safe, fund companies withdrew applications for 12 cryptocurrency ETFs and two mutual funds this month, Bloomberg reports.

Opportunities

- Coinbase, the leading U.S. digital currency marketplace, announced Monday that Tina Bhatnagar, former vice president of operations and user services at Twitter, is becoming vice president of operations and technology at Coinbase. One of Bhatnagar’s plans for Coinbase is to double the size of the support team and give all customers 24/7 telephone support by the second quarter of this year, CNBC reports.
- The strategy of adding the word “blockchain” to a company’s name is still paying off, reports Bloomberg. On-Line Plc, a British IT investment firm, implemented this tactic nearly three months ago and imitators are still benefitting from doing the same. “Stapleton Capital Plc, a buyout firm that targets the U.S. telecommunications sector, soared more than 160 percent on Monday after saying it shall, henceforth, be known as Blockchain Worldwide Plc,” the article continues.

Blockchain Name Changes Continue to Pay Off

Share Price Rise The Day After Adding "Blockchain" To Name



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- Nasdaq is looking into how it can offer cryptocurrency futures in a way that none of its competition has so far managed, Adena Friedman, CEO of the stock exchange, told CNBC this week. Although a timeline for launch was not given, nor were the plans confirmed as "absolute," Friedman did confirm earlier reports that Nasdaq is looking into Bitcoin futures, CNBC reports.

Threats

- It looks like South Korea and China aren't the only ones with plans to regulate cryptocurrencies, reports Investing.com. The European Union will release the analysis of its plans to prevent money laundering, terrorism financing on virtual currency platforms, and limits on cryptocurrency trading at the G20 meeting in March.
- Speaking at the World Economic Forum in Switzerland this week, Nobel prize-winning economist Robert Shiller said that he sees Bitcoin as an experiment and that "it's not a permanent feature of our lives." Also speaking at the conference, U.S. Treasury Secretary Steven Mnuchin said there are concerns of misuse of digital currencies and that Bitcoin wallets are subject to the same regulations as a bank.
- Some investors don't believe Ripple to be an actual digital currency and say it should not be listed with the big players such as Bitcoin and Ethereum. The argument is that because Ripple has no mining or miners and is infinite, that it is not, in fact, a cryptocurrency.

Energy and Natural Resources Market

Strengths

- Natural gas was the best performing major commodity this week rising 10.3 percent. The commodity rallied as the Department of Energy showed weekly inventories plummeted. Inventories fell by 288 billion cubic feet (bcf) in the past week, substantially above the five-year average 164bcf drop expected for this time of the year. The drop took the total inventory number to 17 percent below the seasonal average.
- The best performing sector this week was the NYSE Arca Gold Miners Index. The index rose 2.6 percent as gold posted its seventh weekly advance in eight weeks. The key driver for gold prices has been the weakness in the U.S. dollar, with Treasury Secretary Steve Mnuchin endorsing the "greenback" decline at Davos this week, stating it is positive for U.S. exports and the U.S. economy.
- Petrobras SA was the best performing stock in the broader resource market this week. Brazil's major integrated oil producer and refiner rallied 14.0 percent for the week. The stock rose to a 52-week high on two key elements; firstly, crude prices advanced more than 4 percent for the week, leading to a substantial rally across the global energy space. But more importantly, Petrobras was a key beneficiary of major dollar inflows into Brazil this week as a result of a court's decision to uphold the corruption conviction of former

president Lula, which makes Lula ineligible to run for office in this year's election.

Weaknesses

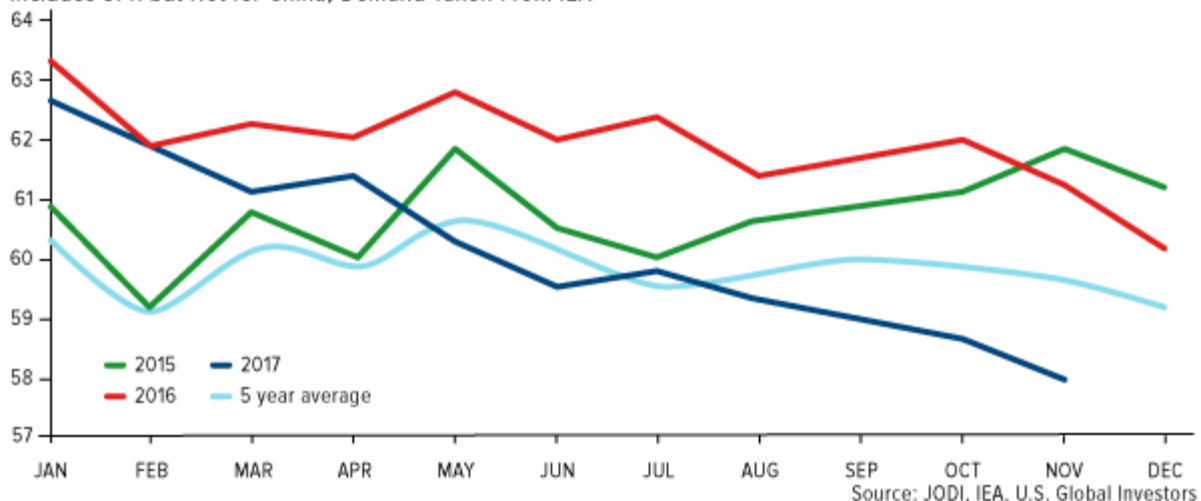
- Aluminum prices dropped 0.1 percent this week; the most among major commodities. President Trump's move to impose tariffs on solar panel imports rattled the commodities market as his office is also considering import tariffs on imports of steel and aluminum.
- The worst performing sector this week was the NASDAQ Clean Energy Index. The index of renewable power generators and suppliers dropped 1.4 after president Donald Trump slapped tariffs on imports of solar panels, in a move that suggests he is ready to move forward with his "America First" trade policy.
- The worst performing stock for the week was Norsk Hydro ASA. The Norwegian producer of aluminum and aluminum products dropped 3.9 percent. The stock dropped together with most of Europe's industrial metals producers after analysts suggested the U.S. may impose tariffs on certain metal imports, which if true, could affect Norsk Hydro more directly due to its reliance on aluminum products.

Opportunities

- The International Energy Agency (IEA) reported global oil inventories have fallen close to the five-year minimum, a bullish sign for crude prices. In 2017, the numbers from January through November suggest oil stocks in days of demand have dropped from 63 to 58, a sizeable fall that suggests the supply demand imbalance has been resolved. Generally, analysts consider that historically, drops below 57 days have proven bullish to crude oil prices.

Global Oil Stocks In Days of Demand Coverage

Includes SPR but Not for China, Demand Taken From IEA



[click to enlarge](#)

- The global oil inventory chart above is especially important now that Saudi Arabia and Russia have confirmed the recent rise in oil prices will not bring about an early end of the OPEC supply cuts agreement. In a rare interview together, the Saudi oil minister and his Russian counterpart reiterated both nations remain committed to delivering on the OPEC supply cuts agreement until the end of 2018.
- The International Monetary Fund (IMF) raised its global GDP outlook to the highest in 7 years thanks to Trump tax cuts. Ahead of the Davos meetings, the IMF raised its forecast for world expansion to 3.9 percent in 2018 and 2019, the fastest rate of growth since 2011. According to the fund's latest quarterly update, growth is expected to accelerate as a result of U.S. tax cuts spurring businesses to invest.

Threats

- Fears of a U.S.-China trade war were elevated this week as president Donald Trump imposed steep tariffs on imports of solar panels, many of which are manufactured in China, in a move that suggests he is ready to move forward with his "America First" trade policy. President Trump's move rattled the commodities market as his office is also considering import tariffs on imports of steel and aluminum, which would have greater negative impact on China's and Russia's trade balance with the U.S.
- Cost inflation has begun creeping back into metals and mining operators, warns the FT. Accelerating global

growth and supply constraints are providing support for price increases on the industrial supply chains. The FT warns that these dynamics, coupled with rallying crude prices could potentially impact producer margins in 2018.

- New home sales in the U.S., a key indicator for the forestry and construction materials industries, posted a significant deceleration in December, well below analysts estimates. The seasonally adjusted rate of new home sales for December dropped 9.3 percent from the previous year, well below expectations. In addition, the readings for November and October were revised downward, with the telling sign that new home sales declined in all regions across the U.S.

China Region

Strengths

- In another strong week for regional indices, the Shanghai Composite, Hang Seng Composite, KOSPI and Jakarta Composite all jumped more than 2 percent, rising 2.03, 2.87, 2.16 and 2.61 percent, respectively. The Vietnam Ho Chi Minh Stock Index stole the show altogether, surging 5.07 percent for the week.
- Taiwanese exports jumped in December, rising to a growth rate of 17.5 percent, well ahead of estimates for a gain of only 12.2 percent, and up solidly from November's reading of 11.6 percent.
- The Chinese yuan continued its recent strength, exacerbated by the outsized moves in foreign exchange markets. The yuan declined as low as 6.3116.

Weaknesses

- South Korea's preliminary reading of quarter-over-quarter growth for the fourth quarter of 2017 showed contraction for the period, dropping 20 basis points and coming in shy of analysts' anticipated reading of a gain of 10 basis points. As a result, preliminary readings of the year-over-year GDP growth rate for the fourth quarter period also missed, coming in at 3.0 percent and missing estimates for a pace of 3.4 percent.
- Year-over-year GDP growth for the fourth quarter period in the Philippines slowed to a pace of 6.6 percent, underperforming analysts' expectations for 6.7 percent and down from the prior quarter's reading. Still, the island nation's third quarter pace was revised up from 6.9 percent to 7.0.
- Exports from Hong Kong dropped in the December period, coming in at 6.0 percent, behind estimates for a 7.3 percent year-over-year growth rate.

Opportunities

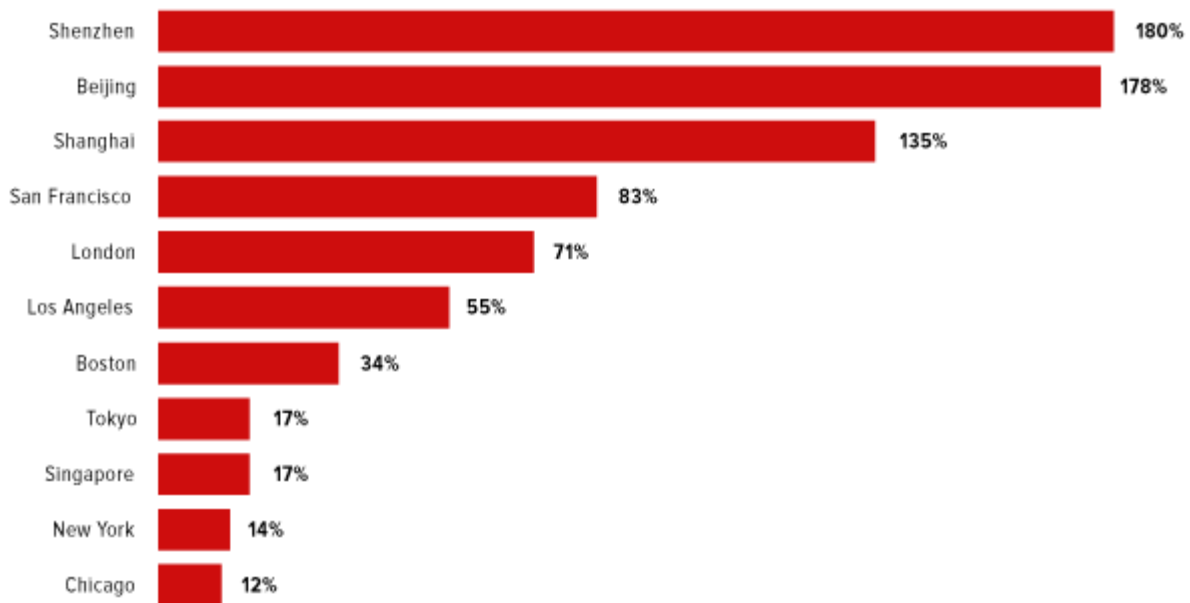
- Is the Trans-Pacific Partnership truly dead? Eleven members of the former TPP negotiations have tentatively reached an agreement on resurrecting the deal, which fell apart after U.S. President Donald Trump pulled out and China began to push for a separate regional deal, the RCEP reports. Bloomberg News reports Canadian Prime Minister Justin Trudeau as saying that recent accords reached in Tokyo have brought the "right deal" and opportunities for all involved. The deal is supposedly set to be signed in early March. Nations involved include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. And who knows? Perhaps others might yet join at the World Economic Forum in Davos this week, President Trump even suggested that, "I would do TPP if we were able to make a substantially better deal," according to media reports.
- Las Vegas Sands and Wynn Resorts both reported stronger-than-expected numbers this week in additional confirmation that Macau is back. Visitor arrivals from mainland China to the gambling center were up 15.8 percent year over year.
- Liu He, the top financial and economic advisor to Chinese President Xi Jinping, hinted that China will introduce and deliver surprising reforms this year to continue to open its economy. Bloomberg reports Liu as stating that, "We will further integrate with international trade rules and ease market access," while continuing to "open up the services sector [and] the financial sector in particular."

Threats

- As the now-delayed implementation of the introduction of a property tax in China looms out there, somewhere, in the distance, the government's crackdown on housing price appreciation does appear to

have slowed the pace of growth in Tier 1 cities. In other spots—notably the S.A.R. of Hong Kong—housing prices continue to climb unabated and despite the introduction of higher levies. The chart below offers, with a degree of global scope, some of the hottest housing markets of the past seven years, noting that mainland China dominates the top of the list.

China's Housing-Price Gains In Big Cities Trump Global Peers



Note: Seven year price growth (2010 – 2017)

Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- LG Electronics announced that washing machine prices will be going up, as the company pointed to the Trump administration's newly-enacted trade tariffs on imported solar panels and washing machines. Questions of possible additional and/or retaliatory tariffs remain on investors' minds.
- Gui Minhai, one of five Hong Kong-based publishers abducted and taken to mainland China in 2015, was eventually released from prison in October last year. Gui—who holds Swedish citizenship and has since 1992—reportedly required medical attention in Beijing and apparently requested accompaniment by Swedish diplomatic personnel to the capital. Nonetheless Gui “was snatched off a train in China despite being under the protection of Swedish diplomats” that accompanied him, the NYT reported this week.

Emerging Europe

Strengths

- Turkey was the best performing country this week, gaining 4.8 percent. Despite Turkey's attack on Syria, equities trading on the Borsa Istanbul 100 Index appreciated sharply, led by banks, which had the best weekly gain in 11 months. This week Credit Suisse published a positive report on Turkish banks, indicating 20 percent average upside potential.
- The Polish zloty was the best performing currency this week, gaining 2.6 percent against the U.S. dollar. Most emerging currencies appreciated sharply, as the dollar fell to a new three-year low after Treasury Secretary Steven Mnuchin, during his press conference in Davos, said that a weaker dollar is good for the United States.
- The real estate sector was the best performing sector among eastern European markets this week.

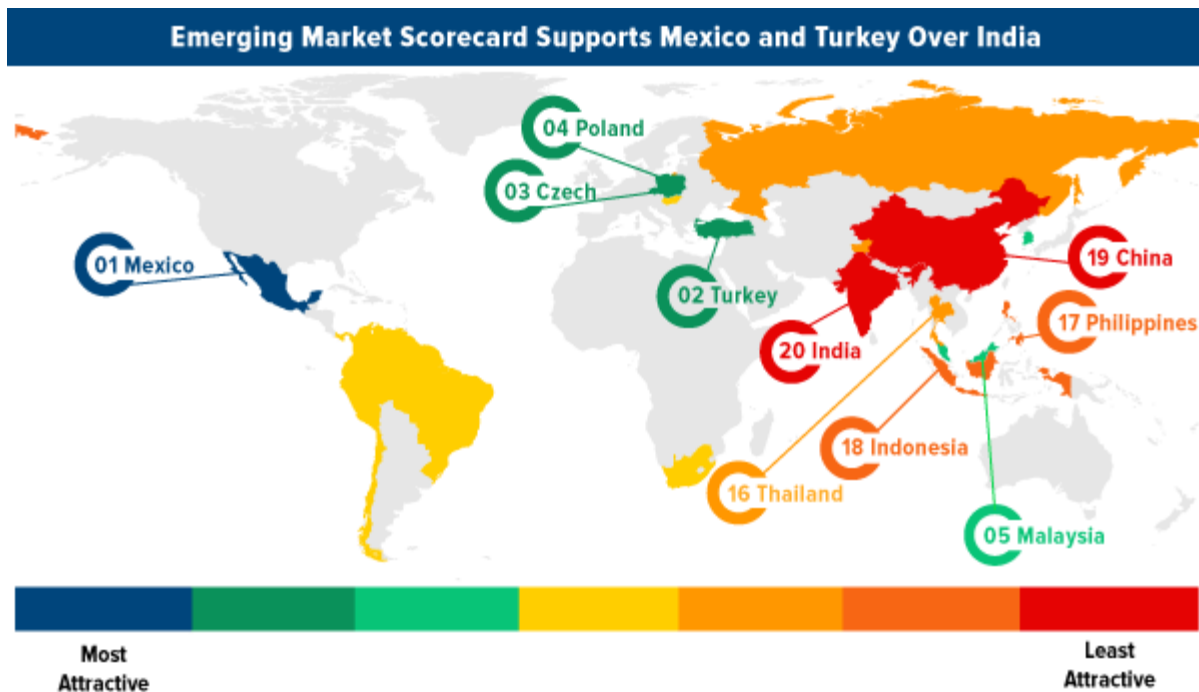
Weaknesses

- Poland was the worst performing country this week, losing 5 basis points. According to Bloomberg's survey, Polish economic growth will slow in 2018 to 3.8 percent from the estimated 4.4 percent expansion in 2017. Inflation is expected to increase from 2.1 percent at the end of 2017 to 2.3 percent on average by next year. A 25 basis points rate hike is expected in the fourth quarter of 2018.

- The Russian ruble was the worst relative performing currency this week, gaining 80 basis points against the U.S. dollar. The ruble did not appreciate as much as other emerging currencies ahead of the anticipated widening U.S. sanctions. Next week, the U.S. Treasury is expected to release a report analyzing the potential impact from sanctioning sovereign debt, including Russian local-currency OFZ bonds.
- Information technology was the worst performing sector among eastern European markets this week.

Opportunities

- In a Bloomberg analysis based on a range of metrics including growth, yields, current-account position and asset valuation, Mexico and Turkey came out as the most attractive emerging markets for 2018 among 20 developing economies. These two countries received the highest scores because their real effective exchange rates are more competitive than the average of the past 10 years. The Czech Republic and Poland were scored as number three and number four.



Source: Bloomberg, U.S. Global Investors

[click to enlarge](#)

- The European Central Bank (ECB) left its rates and policy statement unchanged. The central bank will continue the asset purchases at 30 billion per month until September. Economic growth is picking up and the euro is strengthening. BCA Research set a price target for the euro at \$1.3 to 1.35. They believe that the euro will further benefit from growing European current account surplus, under-valuation and from the ECB's retreat from its policy stimulus later in the year.
- Emerging Europe, as measured by MSCI Emerging Markets Europe Index (MXMU Index) had a great start in 2017, gaining 11 percent so far year-to-date in dollar terms. This could be another good year for investments in central emerging markets, as their economies are supported by improving economic growth in Western Europe, declining unemployment and increased consumer spending.

Threats

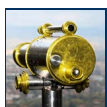
- Turkey attacked Kurdish forces in Afrin, in northwest Syria. Turkish forces are targeting the U.S.-backed Syrian-Kurdish Democratic Union Party (PYD) and its militia. The aggression will complicate the conflict in the region and present a higher possibility for a clash between U.S. forces and Russian and Turkish forces that are all present in the war in Syria. So far, there were no harsh comments from the U.S., but any negative headlines in regards to geopolitics will continue to push the lira lower.
- Mateusz Morawiecki, prime minister of Poland, during his speech in Davos said that Poland will definitely go ahead with the judiciary overhaul, which was heavily criticized by the European Commission as it paves the way for political interference in the legal system and it puts independence of the Polish judiciary at risk. More political tension between Germany and Poland may follow.

- Investors in Russia are awaiting the new round of U.S. sanctions which expected to be announced at the end of January or in early February. The new legislation is meant to punish the Kremlin for its alleged interference in the 2016 U.S. presidential elections. New sanctions threaten to further cut access to foreign capital, and may add new individuals to the sanctioned list and force companies to limit their ability to travel to the West and do business in the United States.

Frank Talk Insight for Investors



January 26, 2018
**Understated
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 Be Good for
 Gold**



January 24, 2018
**Another Positive Year Ahead
 for Gold, Says the World Gold
 Council**



January 22, 2018
**You'll Want to Read This
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 On Copper**

A blog by Frank Holmes, CEO and Chief Investment Officer

Leaders and Laggards

Weekly Performance

Index	Close	Weekly Change(\$)	Weekly Change(%)
Russell 2000	1,608.06	+10.43	+0.65%
S&P Basic Materials	401.59	+4.97	+1.25%
Nasdaq	7,505.77	+169.39	+2.31%
Hang Seng Composite Index	4,594.24	+128.13	+2.87%
S&P 500	2,872.87	+62.57	+2.23%
Gold Futures	1,354.20	+16.20	+1.21%
Korean KOSPI Index	2,574.76	+54.50	+2.16%
DJIA	26,616.71	+544.99	+2.09%
S&P/TSX Global Gold Index	200.68	+3.04	+1.54%
SS&P/TSX Venture Index	890.80	+10.36	+1.18%
XAU	90.31	+2.34	+2.66%
S&P Energy	573.24	+8.58	+1.52%
Oil Futures	66.20	+2.83	+4.47%
10-Yr Treasury Bond	2.66	-0.00	-0.11%
Natural Gas Futures	3.53	+0.34	+10.68%

Monthly Performance

Index	Close	Monthly Change(\$)	Monthly Change(%)
Korean KOSPI Index	2,574.76	+138.09	+5.67%
Hang Seng Composite Index	4,594.24	+504.15	+12.33%
Nasdaq	7,505.77	+566.44	+8.16%
XAU	90.31	+4.99	+5.85%
S&P/TSX Global Gold Index	200.68	+3.96	+2.01%
Gold Futures	1,354.20	+58.20	+4.49%
S&P 500	2,872.87	+190.25	+7.09%

S&P Basic Materials	401.59	+22.91	+6.05%
DJIA	26,616.71	+1,842.41	+7.44%
Russell 2000	1,608.06	+64.12	+4.15%
SS&P/TSX Venture Index	890.80	+64.08	+7.75%
Oil Futures	66.20	+6.56	+11.00%
S&P Energy	573.24	+38.21	+7.14%
Natural Gas Futures	3.53	+0.79	+28.74%
10-Yr Treasury Bond	2.66	+0.25	+10.16%

Quarterly Performance

Index	Close	Quarterly Change(\$)	Quarterly Change(%)
Korean KOSPI Index	2,574.76	+78.13	+3.13%
Hang Seng Composite Index	4,594.24	+640.95	+16.21%
Nasdaq	7,505.77	+804.51	+12.01%
Natural Gas Futures	3.53	+0.77	+28.09%
Gold Futures	1,354.20	+74.40	+5.81%
S&P 500	2,872.87	+291.80	+11.31%
S&P Basic Materials	401.59	+31.10	+8.39%
S&P/TSX Global Gold Index	200.68	+5.72	+2.93%
XAU	90.31	+8.74	+10.71%
DJIA	26,616.71	+3,182.52	+13.58%
Russell 2000	1,608.06	+99.74	+6.61%
SS&P/TSX Venture Index	890.80	+103.42	+13.13%
S&P Energy	573.24	+73.79	+14.77%
Oil Futures	66.20	+12.30	+22.82%
10-Yr Treasury Bond	2.66	+0.25	+10.39%

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Wynn Resorts Ltd

*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 S&P/TSX Venture Composite Index is a broad market indicator for the Canadian venture capital market. The index is market capitalization weighted and, at its inception, included 531 companies. A quarterly revision process is used to remove companies that comprise less than 0.05% of the weight of the index, and add companies whose weight, when included, will be greater than 0.05% of the index.

The Nasdaq Clean Edge Green Energy Index (CELS) is a modified market capitalization-weighted index designed to track the performance of companies that are primarily manufacturers, developers, distributors, or installers of clean-energy technologies.

The Bloomberg Dollar Spot Index (BBDXY) tracks the performance of a basket of 10 leading global currencies versus the U.S. Dollar.

The Bloomberg Commodity Index is made up of 22 exchange-traded futures on physical commodities. The index represents 20 commodities, which are weighted to account for economic significance and market liquidity.

The Borsa Istanbul 100 Index is a capitalization-weighted index composed of National Market companies except investment trusts.

The MSCI Emerging Markets Europe Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging markets countries of Europe (Czech Republic, Hungary, Poland, Russia, and Turkey).

The Vietnam Stock Index or VN-Index is a capitalization-weighted index of all the companies listed on the Ho Chi Minh City Stock Exchange.

The Conference Board index of leading economic indicators is an index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.

The ISM Prices Paid Index measures inflationary pressures within the factory sector.

The employment cost index (ECI) is a quarterly economic series detailing the changes in the costs of labor for businesses in the United States economy.

The breakeven inflation rate is a market-based measure of expected inflation. It is the difference between the yield of a nominal bond and an inflation-linked bond of the same maturity.

The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes.

Frank Holmes has been appointed non-executive chairman of the Board of Directors of HIVE Blockchain Technologies. Both Mr. Holmes and U.S. Global Investors own shares of HIVE, directly and indirectly.

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