INSIDE...

Higher Prices For Commodities

Argus Research forecasts higher prices for commodities in 2018-2019 as the Brazilian economy recovers and China continues to grow. Here are the 5 Top Commodity Stock Picks by John Eade, President, Argus Research.

...Page 3

Oil Prices to Average $60-$70 Through 2020

Oil prices are expected to remain close to current levels averaging $60 to $70 per barrel through the end of the decade, according to a survey of energy professionals.

...Page 5

Top Commodity Stock Picks for 2018

The nation’s leading financial newsletter advisers were asked for their Top Commodity Stock Picks for 2018 in a survey conducted by the MoneyShow.com. Featured are some of the Top Picks for the resource sector from the survey.

...Page 6

Gold and Silver Weakness in 2018

Weakness in Gold and Silver prices in 2018 are forecast by ABN AMRO. But analysts expect silver prices to rally in 2019 in line with higher gold prices.

...Page 14

Precious Metals Outlook 2018

Gold: Further Upside, Silver to Outperform

Charles de Meester, Metals Focus, forecasts further upside for Gold in 2018 but expects Silver to outperform Gold, and says that the outlook for Platinum will remain largely contingent on the trend in gold prices and Palladium will very likely experience a period of consolidation in 2018.

Gold

Gold: Further Upside Expected This Year – Gold ended 2017 on a positive note, breaking through $1,300 for the first time since last October. Although this initially occurred during thin, end of year, trading it has been noteworthy to see the gold price build on these gains, peaking above $1,320.

The recent upside largely reflects a weaker dollar, which may surprise, given the passing of the tax reform bill and the mid-December interest rate increase by the Fed. However, both events had been largely priced in, while for 2018, the consensus is that the Fed will maintain a relatively

Continued on page 4
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Higher Prices for Commodities in 2018-2019

5 Top Commodity Stock Picks

John Eade, President and Director of Portfolio Strategies for Argus Research Company forecasts higher prices for commodities in 2018-2019. Also, he lists five of the top commodity stock picks.

Commodity prices have stabilized over the past 15 months, as the dollar’s upward trajectory has eased and value vultures have been drawn in by prices that are down sharply compared to cycle highs. The commodities market bottomed in January 2016, when oil prices were below $30 per barrel and copper was below $4,500 per metric ton, according to the World Bank. Since the lows, oil prices have climbed 94% and copper prices 53%. Yet oil remains 44% below the highs of 2008 and copper 53% below the highs of 2011, and we forecast higher prices for commodities in 2018-2019 as the Brazilian economy recovers and China continues to grow.

Last year, we upgraded our sector recommendation to the Basic Materials group to Over-Weight, based on expectations for further commodity price gains and attractive valuations. The current market weighting of the sector is 3.0%, and we think investors should consider exposure of 4%-5% in diversified portfolios. We recommend well-managed, financially strong industry leaders that are able to take market share during challenging periods for the Chemical, Metals, Ag and Paper industries.

Here are five of our top commodity stock picks.

- **Newmont Mining** (NEM): Founded in 1921, Colorado-based Newmont Mining is one of the largest gold-mining companies in the world, with assets and operations in North America, South America, Australia/New Zealand, Asia, Europe and Africa. While approximately 96% of its revenues come from gold, the company is also a major producer of copper and zinc. The NEM shares are a featured recommendation in our Portfolio Selector Focus List.

- **Rio Tinto** (RIO): Rio Tinto is a leading global mining and metals group. The company’s primary product groups are iron ore, aluminum, copper & coal, and diamonds & minerals. The RIO shares have an indicated yield above 4.0%.

- **BHP Billiton** (BHP): BHP Billiton is one of the world’s largest producers of major commodities, including iron ore, metallurgical coal and copper. It also has substantial interests in conventional and unconventional oil and gas and thermal coal. The BHP shares have an indicated yield above 3.6%.

- **DowDuPont** (DWDP): DowDuPont is a chemical company formed from the September 1, 2017, merger of Dow Chemical and DuPont. The combined entity has three divisions: Agriculture, Materials Science and Specialty Products. The DWDP shares are a core holding in our Institutional Model Portfolio.

- **International Paper** (IP): International Paper is the largest paper and forest products company in the world. IP’s purchase of assets from Weyerhaeuser will continue to strengthen its product line and expand its customer base. The company also acquired a newsprint mill in Spain from Holmen Paper, which it will convert to produce recycled containerboard, and has sold a range of underperforming assets. In addition, it is buying back stock and has a steady record of increasing its dividend, with a 3% increase in October 2017.

Editor’s Note: For more information on these companies, please see the Argus Research Analyst Reports at www.argusresearch.com.

Newmont is one of the world’s leading gold producers
dovish stance. Finally, improving economic growth outside the US, for example in Europe, has also contributed to the dollar losing ground (especially towards end-2017) on a trade-weighted basis.

Looking ahead, we expect weakness of the US dollar will persist, lending support to gold. Meanwhile, changes in the US tax law are set to result in faster than previously expected growth in US government debt, from arguably already problematic levels. This, as well as concerns about debt levels elsewhere, for instance in China, should also boost the appeal of the yellow metal in the months to come.

One factor that undermined gold for much of last year was the strength in equities which, in the US in particular, achieved successive record highs. The early part of 2018 may see further gains, for instance relating to the boost in earnings that lower taxes will result in and potentially also Trump’s expected infrastructure bill. Sooner or later, though, we expect to see an equity market correction emerge, given the exceptionally rich valuations in place, which should be beneficial for gold.

One final point worth making is that markets still seem to be under-pricing risk. For instance, the VIX Index continues to trade at historic lows. This ultra-low volatility environment means that if a risk, such as a correction in equities, crystallises, it would likely send ripples across other markets. While initially such an event would likely see gold also sell off, its aftermath would be positive for the yellow metal, as investors are once again drawn to its safe haven properties.

Platinum

Platinum Boost from Gold, but gains capped by poor fundamentals – Last year, the platinum price underperformed the other major precious metals. Platinum moved into a discount to palladium for the first time since 2001, while its discount to gold widened further over the year. This price weakness has reflected a challenging supply/demand backdrop, which we believe will remain in place in the months ahead.

On the supply side, meaningful cuts in platinum mine output seem unlikely in the short term. Given high unemployment rates, any large-scale redundancies in South Africa will face significant political headwinds. Meanwhile, a still weak rand and strong palladium and rhodium prices are giving local producers some breathing room.

Switching to demand, the most significant challenge facing platinum is the ongoing decline in light duty diesel’s market share, especially in Europe which accounts for around 50% of global platinum automotive demand. Another issue for platinum concerns falling jewellery demand, principally because of weaker Chinese consumption. Finally, bars and coin investment is estimated to have fallen sharply in 2017 to “normal” levels, following two years of historically high purchases (led by Japan).

All this suggests that 2017’s estimated physical surplus of around 300koz could increase further this year, adding to platinum’s above-ground stocks, which are forecast to exceed 9Moz by end-2018. This translates into around 14 months of demand cover, compared with some 12 months’ cover at end-2010. In terms of price expectations, this means that the outlook for platinum will remain largely contingent on the trend in gold prices. As a result, while we expect the platinum price to strengthen this year, without a supportive supply/demand backdrop we do not expect platinum’s discount to gold to narrow.

Palladium

Palladium enjoys the strongest supply-demand fundamentals, but is likely to experience a period of consolidation in 2018 – In 2017, palladium was comfortably the strongest performer among the major precious metals. Annual average prices rose by 42% y/y; while on a spot basis palladium broke through $1,000 and moved into a premium over platinum for the first time since 2001. In contrast to 16 years ago, prices in excess of $1,000 now appear to be a near-permanent feature of the market, backed-up by massive physical deficits, which in 2017 could have exceeded 1.5Moz. We believe above-ground stocks are sizeable, at an estimated 14Moz, but they are declining fast. At end-2017, demand cover stood
Oil Prices Expected to Trade Around $60-$70 through 2020

Oil prices are expected to remain close to current levels averaging $60 to $70 per barrel through the end of the decade, according to the annual survey of energy professionals conducted by Reuters.

Forecast prices have changed very little since the last survey a year ago, and are only modestly higher than in the first survey conducted in 2016, when spot prices were much lower than they are today and near the bottom of the cycle.

Long-term price expectations have become anchored around $70 per barrel – with forecasts clustered in a range of $60-$70 for 2018 widening to $60-$80 by 2020.

The results are based on a questionnaire sent to over 7,000 energy market professionals. Responses were received from just over 1,000 between Jan. 9 and Jan. 11.

Brent prices in 2018 are expected to average $65 per barrel, which is only marginally higher than the $60-65 forecast in last year’s survey. Brent prices in 2019 are expected to average $65-$70, up from about $65 in the 2017 survey.

By the end of the decade, prices are expected to average around $70 in 2020, basically unchanged since the surveys in 2017 and even 2016.

Forecasts for 2018 and even 2019 are tightly clustered, with only 5% of the respondents expecting prices to average less than $55 per barrel in either year.

Similarly, only 5 percent of the respondents think prices will average more than $75 in 2018 or more than $85 in 2019.

Even by 2020, the majority of the respondents think prices will average between $60 and $80, with few expecting prices to be below $55 or above $85.

Compared with previous surveys, fewer forecasters expect prices to slump again to very low levels in the $30s and $40s – which perhaps reflects growing confidence in the sustainability of the cyclical recovery. There has been a lot of commentary about the risk of prices spiking towards the end of the decade because of the dearth of investment in new supply since prices slumped in 2014.

But only four percent of the respondents expect prices to return to average $100 or more by 2020, the level that prevailed between 2011 and the first half of 2014.

Among survey respondents, 25 percent are involved directly in oil and gas production (exploration, drilling, production, refining, marketing and field services).

Most of the rest are involved in banking and finance (18 percent), research (9 percent), hedge funds (9 percent), professional services (8 percent) and physical commodity trading (8 percent).

The results from respondents involved directly in the oil and gas industry were very similar to those in other sectors.

Insiders are marginally more bullish than outsiders for prices by the end of the decade but the difference amounts to only around $3 per barrel and is not really significant.

Continued from previous page

at around 15 months, but this compares with some 25 months' cover at end-2010.

Furthermore, in 2017 the palladium price benefited from a strong, positive correlation with US equities. However, as discussed in the gold price outlook, we believe 2018 will see a stock market correction. As a result, palladium is likely to face some downward pressure, which may be exacerbated as investors book profits. In addition, Chinese imports may ease back. Over the past two years, it is our understanding that sizeable palladium inventories were built in the country and this clearly boosted import volumes. In 2018, we may see this stock-build slow or even reverse, weighing on Chinese imports.

Taken together, this backdrop could see palladium prices fall, although any weakness should be short-lived. As a result, we still expect annual average prices to rise this year, albeit modestly.

Editor’s Note: Charles de Meester is a founding partner of Metals Focus, one of the world’s leading precious metals consultancies. His forecasts for the precious metals sector appeared in Precious Metals Weekly.
Each year the MoneyShow.com editorial team asks the nation's leading financial newsletter advisors for their favorite stocks for the coming year. Conducted for over 35 years, the annual Top Picks report features the advisory industry's most trusted and respected experts known for their high-quality research and long-term track records of success.

This year's report features over 100 investment ideas for all types of investors, from high growth opportunities for risk takers to conservative, income-oriented favorites suitable for retirement portfolios. These Top Picks are a starting point for your own research. Make sure that any stock you buy meets your personal financial needs, risks parameters and time horizon.

Click here to download MoneyShow's 2018 Top Stock Picks Report. You can also receive MoneyShow's free daily newsletter – Top Pros Top Picks, edited by Steven Halpern – which highlights the best stock, funds and ETF ideas of the nation’s leading newsletter experts.

Below are some of the resource Stock Picks from the MoneyShow's Report:

**2018 Top Stock Pick: BHP Billiton**

The bull market rise in stocks has been impressive. In fact, the stock market has risen every month in 2017 in its longest streak of monthly gains in 22 years, explain Mary Anne and Pamela Aden, editors of The Aden Forecast.

The commodity market is coming alive. After years of low prices, the stronger global economy means that we'll likely see far better times in the resource sector as 2018 unfolds.

Copper seems to be leading the pack and the future looks bright. With demand growing it’s set to head higher. That’s especially true considering the growing popularity of electric cars and their future growth potential. This alone will keep strong upward pressure on copper.

Copper’s technical indicators are also looking good. Copper reached a four year high at year-end, and it’s now poised for a downward correction.

Several of the other resources are following copper's lead.

Crude oil, for instance, is also strong. With production slowing, we could see the oil price much higher in the months ahead. Considering these factors and more, our top pick is BHP Billiton (BHP), the world's largest metals and minerals company based in Australia.

This company is one of the biggest resource companies in the world. And since it deals in a wide variety of resources, it’s a good all around stock to own in order to benefit from the upcoming strength in this sector.

We’re adding a Rare Earth position (REMX). It's done very well, and we'll buy it now and on weakness. REMX is an ETF composed of different rare earth elements and it’s a great way to be exposed to elements such as lithium.

Cannabis belongs in commodities. We recommended Horizons Marijuana (TSX: HHMJ) in November. Buy some now and on weakness because it’s risen too far, too fast. HMMJ invests in 10 large marijuana stocks, it’s a good way to diversify in this field.

**2018 Top Stock Pick: Cathedral Energy Services**

This drilling company, our top growth pick for 2018, almost died during the energy price swoon, says Benj Gallander, value investing expert and editor of Contra the Heard.


The major slowdown in the energy sector dropped revenues precipitously from about $275 million to $81 million. That hurt the bottom line where red ink became the flavor of the day.

But management worked with the bank and while Cathedral had to make concessions and do some deal making, the company has knocked debt down from more than $56 million to less than $1 million.

Revenues jumped in the last quarter to $36 million, up 85 percent from the quarter a year ago. That pushed the number up 106 percent year-to date. That turned the bottom line profitable with earnings approaching $2 million.

Though a Canadian company based in Calgary, Cathedral does much of its work in the United States. Some of their equipment is quite specialized, which helps to distinguish this enterprise from others in the sector.

The billionaire Wilks brothers from Texas have been major investors in this company. Often their purchase of shares in companies precedes excellent price appreciation.

Cathedral is poised for growth as it has been demonstrating over the past year. Of course, future expansion largely depends on how things go in the oil and gas patch. Certainly prices around where they are now will help. But even if they drop, the stock has positioned itself to do well in a more difficult market.”

**2018 Top Stock Pick: Compass Minerals International**

Overland Park, Kansas-based Compass Minerals International (CMP) produces salt and magnesium chloride for use in road deicing and dust control, food processing, water softeners, pool salt, and agricultural and industrial applications, explains John Dobosz, income expert and editor of Forbes Dividend Investor.
“It mines for salt hundreds of feet below ground, using both drill-and-blast and continuous mining techniques, and its mine in Goderich, Ontario, is the largest rock salt mine in the world.

Revenue in 2017 is expected to climb 20.5% to $1.37 billion, with net operating cash flow rising 63% to $262.6 million, and $174.5 million in free cash flow.

Compass generated $11.75 in free cash flow per share over the past 12 months, well above the $2.88 it pays annually in dividends. The next ex-dividend date coming up for a payout of at least $0.72 per share rolls around in late February.

In addition to Compass trading at discounts to five-year averages on most measures of value, there is also some strong seasonality that makes Compass look attractive.

For the period between November and February, the stock has risen in every year except for two since Compass went public in December 2003. The company’s chief financial officer in August purchased 300 shares at prices above $66 per share.”

2018 Top Stock Pick:
Enbridge Inc.

Enbridge Inc. (ENB) – our top conservative idea for 2018 – has always been a highly dependable utility stock, with steady annual dividend increases and a gradual gain in share price, suggests Gordon Pape, editor of Internet Wealth Builder.

“However, the company – a Canada-based firm focused on energy transportation, distribution and generation – took a hit in 2017 after completing the purchase of Houston's Spectra Energy in February. Investors became concerned about the stock dilution that flowed from the deal, the doubling of the company’s long-term debt, and disappointing financial results. The stock fell from a high of $44.52 in late January to a low of $34.39 in November.

The company responded by raising its dividend by 10%, effective next February, and announcing asset sales and the issuing of new shares to strengthen the balance sheet. The stock bounced back but is still well below its 52-week high.

With a yield of 5.4%, Enbridge, which trades on both the NYSE and the Toronto exchange, offers excellent cash flow and modest capital gains potential for conservative investors.”

2018 Top Stock Pick:
Energy Transfer Partners LP

“I am forecasting that the energy midstream/infrastructure sector will return to valuation growth in 2018 and there is lots of upside potential in the group,” explains Tim Plaehn, editor of The Dividend Hunter.

“Through 2017, MLP sector market values declined sharply even as business fundamentals continued to improve. 2018 should be the year when investors realize very attractive returns from the quality companies in the sector.

Energy Transfer Partners LP (ETP), my aggressive idea for 2018, is one of the largest MLPs, with a $20 billion market cap. The MLP and other energy service company stocks experienced a bear market in 2015, stabilized their business operations in 2016, and into 2017.

The company owns and operates an extensive network of natural gas and crude oil pipelines, terminals and processing facilities. Energy Transfer Partners owns assets in all the major oil and gas energy plays.

Those assets allow for commercial synergies across the entire midstream value chain, including gas, crude and natural gas liquids, known as NGLs.

In recent years the company has invested heavily in new growth projects, and will have $10 billion

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worth of those projects coming on line between mid-2017 and the end of 2019. As the projects start to earn revenue, the Energy Transfer Partners distributions will be covered by free cash flow and continue to grow. In the four quarters through the 2017 third quarter, EBITDA and distributable cash flow have climbed steadily higher. The company has continued to increase the quarterly distribution with a 3% annual growth rate. DCF coverages of distributions was 1.03 times over the last four quarters. This is not great coverage, but Energy Transfer is covering the payouts to investors. Market participants are primarily worried about ETP’s large debt load, which has grown to fund the growth capex and currently stands at over $34 billion. Management has stated that they will not need to access the capital markets in 2018. With new projects coming on line, EBITDA growth will quickly bring down the debt/EBITDA ratio. With a current 13% yield, the market is pricing ETP with the expectation of a dividend reduction. Management is determined to continue and even grow the current distribution rate. Once investors see the current payout is stable and well covered by cash flow, the ETP share price will rise to bring the yield down to as low as 8%. To get the yield down to that level, the share price would need go close to double.”

2018 Top Stock Pick: First Solar

“There are lots of potential winners in the oil and gas sector for 2018, but the future belongs to renewable power. I’m particularly bullish about solar photovoltaic (PV) power,” explains Robert Rapier, editor of Real World Investing. “The world is in the midst of a strong global push to limit carbon dioxide emissions. Solar power is a primary beneficiary because of a declining cost curve that is making solar PV increasingly competitive. The growth in solar power over the past decade has been astonishing. From 2007 through 2016, global consumption of solar power grew at a compound annual growth rate (CAGR) of 52%.

First Solar (FSLR) is a leading player in the solar PV industry. Unlike most of its competitors, First Solar has been consistently profitable. The company currently sits on $2.7 billion in cash. The company is innovating with more efficient PV module designs and capacity is booked through 2020. The energy sector bounced back in the last half of 2017. The recovery was spurred by a steady decline in global crude oil inventories, which helped push the price of Brent crude from lows of about $45 per barrel in late June to around $63/bbl in November. The biggest beneficiaries of an oil price recovery will be oil producers and oilfield services providers. U.S. oil production grew sharply in 2017, and continues to show momentum into the end of the year. Next year will likely see the previous all-time production record in the U.S. broken. But here’s the dynamic to understand: solar power is no longer affected by the price movements of oil and gas. The infrastructure for the solar industry is pervasive and entrenched, leading to a “price decoupling” of solar and fossil fuels. Solar and other renewable energies are now part of the energy status quo. Fact is, solar power is becoming larger in scale and cheaper to produce. The average price of a solar panel has dropped by 60% since 2011 and technological advances continue to push down costs.

With a market cap of $7.3 billion, First Solar is the industry leader and historically has shown the most stability in an industry typically made up of smaller, more volatile players. The triple-digit gain for First Solar in 2017 may...
give some investors pause. Indeed, growth will be accompanied by volatility. But in the long run, solar power is a clear winner, and First Solar’s leading position puts it in front of the pack."

2018 Top Stock Pick:
Freeport-McMoRan

“Copper and gold miner Freeport-McMoRan (FCX) is expected to grow earnings per share nearly fivefold this year, another almost 50% in 2018, and more than 70% annually over the next five years,” asserts Dr. Carla Pasternak, editor of Dow Theory Letters’ Income Investor.

“Earnings are forecast to rise mainly in the wake of higher copper prices, which are currently trading at a three-year high at better than $3 a pound. Prices have been trending higher this year as China’s crackdown on its copper smelters to control pollution has increased its reliance on copper imports.

A lack of reserves to meet projected demand for copper in the coming years is also pushing prices higher. As the world’s largest publicly traded copper producer, with over 50% of revenue derived from copper, Freeport-McMoRan is expected to benefit from higher prices.

Uncertainty about the fate of its Grasberg copper mine in Indonesia has been a large overhang for the shares, but the clouds are clearing. Right now, Freeport owns 91% of Grasberg, the world’s second largest copper mine, and the Indonesian government owns the balance.

In an effort to control the country’s natural resources, Jakarta is demanding mining companies get new licenses and build smelters for local production. In response, Freeport said it will sell a 51% interest in the mine to the state if it can retain operating control until 2041. At stake is whether the two parties can agree on price for this interest.

Investors are optimistic that the parties are close to closing in on a deal that’s a win-win for all sides. The government would get a bigger stake in the open pit mine, but Freeport would have enough of an interest to support an underground expansion project that would generate additional corporate revenues while also funding local government coffers.

Investors are starting to take notice. But they are still trading at a forward PE of only 10 times and a 1-year trailing price to earnings growth rate of just 0.5, which leaves room for considerable upside. (A PEG of 1.0 or less represents good value.)

For almost the last two years, the shares have been “dead money.” In the last several weeks, however, the technical picture has radically changed. In December, the stock broke out above $17 resistance that had restrained it for almost a year.

After a long period of sideways movement, the 10- and 40-week moving averages are now both below the share price and beginning to slope bullishly upward. The 10-week crossed above the 40-week in August 2017, forming a bullish “golden cross.”

The next important resistance I see is in the $23-$24 range, a brief support level in 2013 and recovery peak in 2015. My stop would be $13.79. Since old resistance should be new support, there should be prior buying interest near $17 if there is a retreat.”

2018 Top Stock Pick:
Glencore Plc

“Several technology trends are greatly increasing the demand for the metals that make them possible,” observes Jim Powell, editor of Global Changes & Opportunities Report.

“The demand for cobalt is shooting up. The metal is a critical element in the production of lithium batteries in electric cars, an application that consumes 42% of production. Cobalt prices doubled in the last year alone.”
Some energy analysts are predicting a 30-fold increase in cobalt demand within 10 to 15 years, which should send its price into the stratosphere. This is a hot new metal play that few investors know about.

I believe the best cobalt investment is Glencore Plc (GLNCY), a large UK miner and commodity trader whose stock is traded on the NYSE.

Glencore is primarily a copper producer, but it is also the world’s leading producer of cobalt, and quite a bit of the world’s nickel. All three metals are needed in large quantities in electric cars and many other battery-powered devices.

There is one caution with Glencore that you should know about. The company has important operations in central Africa, an unstable region ruled by some very corrupt and nasty people.

However, all the leaders are addicted to the taxes and other benefits that Glencore produces. I think Glencore will be volatile, but a winner. The stock is my top pick for speculative investors for 2018.

2018 Top Stock Pick: MPLX

“Following a soft year of performance in 2017, I’m upping my exposure to domestic energy infrastructure where there are more favorable tailwinds, both politically and structurally,” explains Bryan Perry, editor of Cash Machine.

“MPLX LP (MPLX) is a Master Limited Partnership formed out of Marathon Petroleum (MPC), an extremely well-run company engaged in refining, marketing, retailing and transporting petroleum products primarily in the United States. My top conservative pick for 2018, the stock offers a current dividend yield of 6.3%.

Like many oil and gas companies, there are many tax advantages to carving out the most capital intensive infrastructure assets of total operations that provide a home for future acquisitions and properties of the same structure.

MPLX LP owns, operates, develops and acquires midstream energy infrastructure assets. The company engages in the gathering, processing and transportation of natural gas; the gathering, transportation, fractionation, storage and marketing of natural gas liquids; and the gathering, transportation and storage of crude oil and refined petroleum products.

As of September 30, 2017, the company’s assets included approximately 3,500 miles of crude oil and refined product pipelines across nine states.

On October 26, 2017, MPLX reported fourth-quarter net income of $216 million and adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of $538 million. The company also reported net cash from operating activities of $494 million and distributable cash flow of $442 million.

The partnership is in the midst of a period of strong distribution growth that should fuel increased income and capital gains. MPLX declared distribution of $0.5875 per common unit, a 4.4% increase over second quarter 2017.


2018 Top Stock Pick: Osisko Gold

“Osisko Gold (OR) is the newest and smallest of the “big four” gold and silver royalty companies; this business model allows companies to benefit from rising precious metals prices without the geologic, political and social risks of mining,” notes resource sector expert Adrian Day, editor of The Global Analyst.

“I am a big fan of this group, which also includes Franco-Nevada (FNV), Royal Gold (RGLD), and Wheaton Precious Metals (WPM). These companies have advantages over bullion ETFs since they have leverage to rising prices and pay dividends. Franco, Royal and Wheaton have all been huge winners over the years.

Osisko backed into being a royalty company when it sold the Canadian Malartic mine it had developed following a hostile takeover attempt, keeping a very generous royalty on the mine. It soon added a second major royalty on a long-life Quebec mine when it purchased Virginia Mines.

Other acquisitions and investments now give Osisko 131 royalty and stream assets, of which 16 are currently cash flowing. Most of these assets are in Canada. Cash flow from these royalties could double by 2023, without any increase in the price of gold.

Osisko differentiates itself from the other large royalty companies through its “accelerator program” by which Osisko takes stakes in exploration companies and through the expert exploration team it acquired when it bought Virginia and top development team from building Malartic, helps the companies develop projects, earning a royalty in exchange.

The value of the shares held through these investments is well over C$400 million. That’s in
addition to the $405 million in cash. So Osisko has a solid balance sheet, an experienced management team, a diversified portfolio and built-in growth.

It remains, however, the most speculative of the bid four royalty companies – and that’s a relative comment, given the low-risk nature of the group – and the one with the lowest valuation. But Osisko is rapidly catching up, and as it does, the stock will rerate to the lofty premiums enjoyed by the others.”

2018 Top Stock Pick: Weatherford International

“Our top speculative pick for 2018 is Weatherford International (WFT), one of the largest providers of drilling services to the global oil and gas industry,” notes George Putnam, editor of The Turnaround Letter.

“While its field-level capabilities have always been respected, the company had become an organizational jumble of businesses thrown together by the whims of its dominant former CEO. Not only did this produce a remarkably inefficient company, it also led to a mountain of debt.

When oil prices collapsed a few years ago, Weatherford’s survival was threatened, leading to the CEO’s departure in late 2016.

The arrival of new CEO Mark McCollum in March 2017 launched Weatherford’s revival. Previously the CFO of industry giant Halliburton (HAL), McCollum is highly regarded and very capable.

His priorities are generating cash to pay down $2 billion or more of the company’s $8 billion of debt, integrating and standardizing the vast sprawl of products and services, and improving accountability and discipline.

One notable goal: cutting overhead costs as a percent of revenues by nearly half. The company anticipates reaching break-even free cash flow in the current quarter after years of cash outflows.

Other near-term catalysts include the innovative OneStim joint venture with Schlumberger (SLB) and the sale of the international drilling rig operations, producing as much as $800 million in combined proceeds.

Weatherford’s shares currently trade at eight-year lows. This turnaround will take time and progress could be lumpy, but Weatherford’s shares have tremendous gain potential from their current low level.”

2018 Top Stock Pick: Solaris Oilfield Infrastructure

“For my 2018 favorite I am going to pick a stock from our stable with the highest BI Rank; in our proprietary ranking system, anything over 10 is very good and Solaris Oilfield Infrastructure (SOI) ranks at 12.9,” notes Tom Bishop, editor of BI Research.

“Solaris Oilfield Infrastructure makes and supplies portable silo systems that can be delivered on a truck to an oil/gas well site and raised into a vertical position in sets of three silos.

These silo systems each hold 1.25 million pounds of proppant (usually sand) which is used in the stimulation of almost every oil and gas well in America to increase flow rates. These silo systems have so many advantages over the existing method (for example speed of delivery of sand to the well bore, less well site congestion, less silicon dust in the air…), that the Company cannot keep up with demand.

It just raised manufacturing capacity from 3-4 systems a month to 6. And these systems don’t just operate in sets of 3 silos. Many use 2 systems (6 silos, 2.5 million pounds of sand) and there is an increasing trend to employ 4 systems at a well site (12 silos).

So not only is there an increasing trend of frack crews adopting the use of Solaris silos, but there is an increasing trend of how many silos are being used by
Precious Metals Results For 2017

Here is a snapshot of how the four precious metals performed in 2017 provided by Liberty's Outlook, a publication of Liberty Coin Service:

**Gold:**
- December 31, 2016 ...............$1,150.00
- Low for the year
- January 3, 2017 $1,160.50
- High for the year
- September 8, 2017 .............$1,346.00
- December 29, 2017 .............$1,306.25
- Net change for year .............. +$156.25

**Silver:**
- December 31, 2016 ...............$15.88
- Low for the year
- July 7, 2017 .....................$15.37
- High for the year
- April 14, 2017 ....................$18.53
- December 29, 2017 .............$17.06
- Net change for year .............. +$1.18

**Platinum:**
- December 31, 2016 ...............$901.00
- Low for the year
- December 12 & 13, 2017 .........$874.00
- High for the year
- February 27 2017 ...............$1,039.00
- December 29, 2017 .............$934.00
- Net change for year .............. +$33.00

**Palladium:**
- December 31, 2016 ...............$678.00
- December 29, 2017 ...............$1,074.00
- Net change for year .............. +$396.00

Even though all prices rose in 2017, gold and silver results were dwarfed by the returns of many US and world stock exchanges.

Palladium, was an outlier in rising more than 50% for the year. A temporary supply shortage developed that may persist for another year or two. The bulk of the world’s palladium supplies come from Russia, which adds a potential political monkey wrench to that market.

A new financial development also impacted precious metals in 2017 – the rise of the cryptocurrency market. Bitcoin, the most widely traded cryptocurrency was trading for less than $1,000 at the end of 2016 but reached about $19,000 toward the end of 2017.

As cryptocurrency prices soared, so did the news coverage on them. All this attention sparked more investor and speculator interest, which further fanned higher prices.

MoneyShow.com Top Picks 2018

Each crew. I like the math. It is not uncommon for a single well stimulation/fracking to use 10-12 million pounds of sand ... or more.

The company is also moving further upstream completing a transload facility (a central place where sand can be delivered by the trainload within an oil basin for transport to nearby wells) to be operational early in 2018.

The EPS expectation for 2017 has been climbing steadily; to $0.54 currently. Ninety days ago the EPS expectation for 2018 was $1.32; 30 days ago it was $1.46; and today it is $1.54. I like the trend.”

**2018 Top Stock Pick:**

**Praxair Inc.**

“Praxair Inc. (PX) is a global supplier of industrial gases to diverse users in energy, electronics, medical, food & beverage and manufacturing, with fiscal 2016 revenues $10.5 billion,” notes Bill Selesky, analyst with Argus Research.

“We view its current operating environment as favorable based on strong global manufacturing trends, which include global industrial production rising at 2.8% through 2020: higher volumes in electronics, metals & manufacturing; and in Asia, new plant start-ups, Chinese project wins and strong end-markets.

We believe that Praxair remains well positioned to deliver stronger EPS growth based on its mix of high-growth businesses, which have generated above-industry-average margins, earnings, and returns on invested capital.

The company has size and scale, operating in 50 countries and servicing 30+ industries. The company’s Linde merger is on track, and we see the new company prioritizing shareholder returns.

In March 2017, Praxair raised its quarterly dividend by 5% to $0.7875 per share, or $3.15 annually, for a yield of about 2.1%. The company has raised its dividend annually for the last 24 years.”
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What will 2018 bring for gold prices? In short, some downward pressure... says Georgette Boele, Senior Precious Metals and Diamond Analyst for ABN AMRO, the third largest bank in the Netherlands.

Ms. Boele no longer expects gold prices to rally in 2018. She lists several reasons for this.

First, it is unlikely that the US dollar will be aggressively sold off in 2018 for reasons ranging from higher US nominal yields, upside momentum in the US economy and two more 25bp rate hikes in 2018 by the Fed (one is priced in). In fact, Boele expects a modest recovery in the dollar.

Here are her forecasts for Gold and Silver in 2018:

This brings us to the next dominant driver for gold prices, namely 10y US real yields. In 2017, the 10y US real yields ranged from 0.2% to 0.7%. For 2018, our US economist expects 10y US real yields to stay close to the mid-December level of 0.45%.

Third, the largest central banks around the globe are moving towards tighter monetary policy or less accommodation. This is a negative for zero-income assets such as gold.

The net-long speculative positions in gold are currently not at extreme levels but they are substantial and they pose a risk to the gold price outlook. If investors downscale their expectations about the gold price outlook, prices will most likely suffer.

There are not only negatives for gold prices. We think that a deterioration in investor sentiment from time to time on the back of waves of political uncertainty will support gold prices. Moreover, we expect gold jewellery demand and industrial demand to improve. Taking everything together, we think that gold prices will likely ease towards USD 1,250 per ounce. It is likely that prices will fall to below the 200-day moving average but we expect it to remain relatively close. If there is a short wave of position liquidation, USD 1,200 per ounce could be reached but we think this is an opportunity to position for a price rally in 2019. For 2019 we expect US dollar weakness to return as drivers for the US dollar will become less favourable. However, the Fed and other important central banks will probably continue to tighten monetary policy and this remains a negative for gold prices. All in all we think that gold prices can rally towards USD 1,400 per ounce in 2019.

Weakness in Silver

Prices in 2018

We expect silver to broadly track gold prices in 2018 in terms of direction. But we expect the movements to be larger in silver, though. We think that silver prices will weaken in 2018 because of more Fed rate hikes, higher US treasury yields and a higher US dollar. We expect US real yields to move sideways which is less of a headache for silver as 10y real yields is one of the most dominant drivers for silver (and gold) prices. As we expect the rise in US Treasury yields and the US dollar to be modest, weakness in silver prices should not be in double digits. Weakness in gold prices is expected to also spill over to silver prices. The speculative positions in silver and the total ETF positions are considerable and there is clearly room for liquidation. Silver price weakness will probably run towards USD 16 per ounce. If investors were to square a substantial amount of net-long silver positions, prices could drop towards USD 15.0 to 15.5 area. This would be an opportunity to position for a recovery in silver prices in 2019.

...but Strength in 2019

We expect silver prices to rally in 2019 in line with higher gold prices. This is because US Treasury yields will flatten out and decline slightly. Moreover, we expect the US dollar to weaken. Also, the Fed rate hikes that we expect will probably fully be anticipated by that time. In addition, we expect investor sentiment to support silver prices again. If the global economy remains strong, the possibility of an outperformance of silver versus gold becomes more likely.
Though gold stocks have languished, the price of gold did fairly well in 2017, with the price up 11.4 per cent year to date.

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A Gold Stock to Invest In

Gold stocks in general are not timely investments. As we head into 2018, improved global economic growth, modest inflation and tighter monetary policy should act as headwinds against a higher gold price. On the other hand, geopolitical risks – in the Middle East, North Korea and even in the US where the unpredictability of President Trump could come into play – may provide support for the yellow metal.

Under these circumstances, the gold price will likely remain range-bound around its current level. Over time, we don’t see it moving much above $1,300, but it's unlikely it will drop much below $1,100.

Within this context, we like Agnico’s growth prospects through production growth and higher cash flows. Consequently, we anticipate a higher share price over the next three to five years.

The stock trades at a high 51.4 times the C$1.10 a share that Agnico should earn in 2017. However, it trades at a more reasonable 12.7 times the company's projected cash flow of $4.45 a share. Agnico Eagle is a buy for growth and some income.”
for new additions to my portfolio.

The next few years, 2018 - 2020, will see some exciting times in the precious metals sector and I am looking to make a fortune.”


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Caterpillar: Top growth stock

One of Donald Pearson's recommended growth stocks is Caterpillar Inc. (NYSE: CAT) a manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives.

The Company operates through segments, including Construction Industries, which is engaged in supporting customers using machinery in infrastructure, forestry and building construction; Resource Industries, which is engaged in supporting customers using machinery in mining, quarry, waste and material handling applications; Energy & Transportation, which supports customers in oil and gas, power generation, marine, rail and industrial applications, including Cat machines; Financial Products segment, which provides financing and related services, and All Other operating segments, which includes activities, such as product management and development, and manufacturing of filters and fluids, undercarriage, tires and rims, ground engaging tools, fluid transfer products, and sealing and connecting components for Cat products.

Institutional Holdings: 1,890. The annual dividend is 3.12 and the annual yield is 2%.

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Metals Investor Forum

The Metals Investor Forum held January 19-20, 2018 in Vancouver, BC, featured newsletter editors gave presentations on the resource industry for 2018 along with their current stock picks. Companies presenting at this conference have earned a recommendation from newsletter editors. Here are a few presentations by editors familiar to our readers:


Sean Brodrick – The Edelson Institute “Generational Buying Opportunity in Commodities”

Brien Lundin – Gold Newsletter Gold: Following the Plan...So Far

Gwen Preston – Resource Maven The Best Outlook in Years

Greg McCoach – The Mining Speculator Greg's Outlook 2018
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