The Bull & Bear's Resource Investor

1st Quarter 2019

GOLD
SILVER
URANIUM
PLATINUM
PALLADIUM
OIL & GAS
BASE METALS

INSIDE...

Bullish on Precious Metals for 2019

Higher Gold Prices Ahead in 2019

Gold should be positive in 2019 and 2020, according to analysts at ABN AMRO. Analysts expect a lower dollar, lower US Treasury yields, a recovery of the Chinese yuan and higher jewellery demand. Speculators are expected to cut their substantial short positions and gold prices should rise to above the 200-day moving average. We keep our year-end target for 2019 at USD 1,400 per ounce forecasts Georgette Boele, ABN AMRO Group Economics.

Gold prices weakened by 4.2% at year-end 2018. First, a looming trade war between the US and China has weighed on prices. Second, the recovery of the US dollar, higher US Treasury yields and Fed rate hikes haven been negative for gold prices. Third, concerns about the strength of the Chinese economy (also reflected by a weaker Chinese yuan and a lower Indian rupee) have resulted in a less favourable gold demand outlook. As a result, prices declined.

Here are the forecasts and opinions of ABN AMRO analysts for gold, silver, platinum, palladium, Chinese yuan and the dollar for 2019 and 2020.

Chinese Yuan to Recover in 2019

We expect higher gold prices in 2019 and 2020. First, since the Chinese yuan has had more room to move, the relationship with gold has become stronger. This is because China is a crucial consumer of gold. When China allows the yuan to decline, investors become concerned about the state of the Chinese economy. As a result they are also more negative about the outlook for gold demand.

Chinese authorities have taken measures to stimulate the economy and to shield its economy from the (potential) negative effects stemming from US import tariffs. Since April, the yuan has been allowed to weaken by around 10%

Continued on page 4

Stocks that are Likely to Benefit from Infrastructure Rebuilding

Argus Research analysts have designed a portfolio of BUY-rated companies in sectors that will likely benefit from government investment into infrastructure rebuilding.

A bi-partisan proposed infrastructure plan, to be considered when the 116th Congress convenes in January, is designed to put people back to work. The following areas of the economy stand to benefit from the government spending, which could total as much as $1 trillion. All stocks featured are rated BUY by Argus analysts, says John Eade, Chairman & CEO of Argus Research, a leading independent Wall Street research firm, **www.argusresearch.com**.

Materials

The plan may prove to be the single, largest new investment in the nation's infrastructure – roads, dams, bridges – since the Interstate Highway system was built in the 1950s. Initial estimates call for as much as $500 billion in spending on construction projects. At the base of these structures will be steel and construction aggregates, among other commodities, produced by companies such as **Vulcan Materials** (VMC) and **Nucor** (NUE).

Transportation

The commodities must be moved from mines and mills to work sites. In the U.S., rail companies in position to benefit include **Union Pacific Corp.** (UNP) and **Norfolk Southern Corp.** (NSC). Truckers include **J.B. Hunt Transportation** (JBHT). Infrastructure spending will also be used to improve airports, benefiting companies such as **Delta Air Lines** (DAL) and **Fedex** (FDX).

Energy/Utility

To get the money moving fast, Congress is likely to consider investments into "shovel ready" projects that are beyond the planning stages and under construction. Utilities with large infrastructure build-out programs (new transmission lines, grid enhancements, alternative energy projects) include **NextEra Energy** (NEE). Water systems, including those from **American Water Works** (AWK), are also due for an upgrade. Companies in the water eco-system that are also poised to benefit include **Ecolab** (ECL), **Roper Technologies** (ROP) and **Danaher Corp.** (DHR).

Industrial Equipment

By the fall, local municipalities may be spending the federal taxpayer funds on roads, bridges, dams, etc. You will know when you see an increase of yellow earthmovers. Indeed, the Machinery segment of **Caterpillar** (CAT) accounts for two-thirds of the company's sales and has a leading market position. **Eaton** (ETN) is also a core industrial infrastructure play, with businesses including electrical systems and hydraulics.

Construction Management

Jacobs Engineering (JEC) is a global provider of planning, consulting, architectural & engineering design, and construction management services for a broad range of infrastructure projects. **Autodesk** (ADSK), a recent Argus upgrade, provides design software used in the building, manufacturing and infrastructure industries. **Accenture** (ACN) is a blue-chip global management consulting company that brings projects to completion.

Communications & Security

To be sure, this is an important, if somewhat new, element of U.S. infrastructure and will no doubt be a focus in any spending plan. Companies playing a key role here include cell-tower REIT **American Tower** (AMT); **Raytheon** (RTN), a defense prime with a growing cybersecurity business; **Motorola Solutions** (MSI), with a prominent business providing first-responder devices and networks for civil agencies such as police, fire, and corrections; and **Palo Alto Networks** (PANW), which provides integrated internet security solutions to enterprise customers.

Business Services

United Rentals (URI) is one of the largest equipment rental providers in North America, with a broad range of equipment for the nonresidential construction and industrial markets. Given that the infrastructure spending plan will be financed at least in part by bonds, we expect a pick-up in issuance to benefit **Moody's** (MCO) and **S&P Global** (SPGI). And lastly, **Automatic Data Processing** (ADP) and **Paychex** (PAYX) could get a boost processing more paychecks as the infrastructure plan puts as many as 16 million people back to work.

Bullish on Precious Metals for 2019

Higher Gold Prices Ahead in 2019

Continued from page 1

versus the US dollar. This limits the impact of the import tariffs on the Chinese economy. However, Chinese authorities are very cautious about letting the currency weaken beyond 7.00 versus the US dollar, as the risk is quite high that they would lose control over their currency. A weakening of the Chinese yuan beyond 7 versus the US dollar could spur speculation of capital outflows and they would like to avoid that, at least for now. Against that background, we expect that the Chinese yuan will recover in 2019. This should calm investors and improve investor sentiment towards gold.

However, if gold prices in local currency terms rise too fast than this could dampen gold investment and gold jewellery demand. For 2019 we expect gold prices in Chinese yuan and in Indian rupee to rise. But both will not increase to the highs seen in 2012 (in our view). In addition we expect jewellery demand to pick up in China and the US.

Dollar & 10 Yr TreasuryYields Have Peaked…

We are of the view that the US dollar and US Treasury yields have peaked. During the next two years, we expect lower US economic growth and lower 2yr and 10yr US Treasury yields. We expect the Fed to hike one more time in 2019, some time during the first half. Going forward, the 2yr US Treasury yields will probably rise in tandem with inflation expectations. So real yields will likely not rise. All these factors support our view that the US dollar has peaked and will weaken in 2019 and 2020. Therefore, we expect gold prices to rally in 2019.

Risk/Reward Attractive

We think the risk reward for entering long gold positions is quite attractive. If our base scenario as described above plays out, it is likely that gold prices will rise in the coming two years on the back of a cut-back in speculative short positions, especially if gold prices would rise to above the 200-day moving average.

Gold Price Forecasts: For 2019, gold is forecast to reach a high of $1,375 by the 4th quarter of 2019 and average $1,325 for the year. For 2020, we forecast gold to reach a high of $1,488 in the 4th quarter of 2020 and average $14.50 for 2020.

Silver Outlook 2019 Silver Has Seen the Worst

COMEX Silver futures declined by 12% in 2018, the biggest yearly decline since 2014, spot silver fell about 9% in 2018. Silver prices have seen their worst say ABN AMRO analysts and are positive on the silver outlook, because of lower dollar, lower US Treasury yields and recovery in the Chinese yuan.

Bullish on Silver Prices

We think that silver prices have seen the low and we expect higher prices from now. For a start, we expect the US dollar to weaken and US Treasury yields to decline in our forecast horizon. Silver prices tend to rally when the US dollar and US Treasury yields are lower. Moreover, we expect a recovery in the Chinese yuan and also a recovery in the Indian rupee. This will brighten the demand outlook for silver prices. Even though silver prices are expected to outpace the recovery in the yuan and the rupee, the rise in silver price denominated in yuan and rupee is still manageable. In the years ahead we expect higher industrial demand and higher jewellery demand for silver.

Our positive outlook for gold prices should also support silver prices. Last but not least, investors are very negative on the silver price outlook. Speculative short positions in silver are extremely large, while long positions are modest. As a result, speculators are net-short silver. This has only happened on a number of occasions since the inception of the data. In other words: it is exceptional that the speculative community is net-short silver. If investors would become more optimistic about the silver price outlook, they will clean their short positions. It is likely that this will result in a substantial rally in silver prices (above the 200-day moving average). So the upside in prices is far greater than the downside in our view. Taken all these factors together we think that silver is

Continued on next page

Continued from previous page

cheap and it is likely that prices will rally in our forecast horizon. So we are bullish on silver prices.

Silver Price Forecasts: For 2019, silver is forecast to reach a high of $17.50 by the 4th quarter of 2019 and average $16.60 for the year. For 2020, we forecast silver to reach a high of $19.80 in the 4th quarter of 2020 and average $19.00 for 2020.

PGM Outlook 2019 Platinum to Catch up with Palladium

Palladium outperformed gold, silver, and platinum in 2018, its third straight year of gains, but price volatility was high. ABN AMRO analysts expect price volatility in palladium prices to continue and the upside to be limited. Analysts also expect higher prices for platinum in their forecast horizon.

Palladium prices have been by far the strongest precious metal in 2018, gaining 18.3% ending the year at $1,197.20 oz. However, the price rally has been more volatile and less amazing compared to 2017. Prices have outperformed the US dollar by around 13% year-to-date. Platinum prices have declined by around 14%. So the platinum/palladium ratio has declined to the lowest level since 2001. We had expected lower platinum prices because of lower Chinese jewellery demand, expectations that diesel cars will lose market share and higher US Treasury yields and the US dollar. We also had expected weakness in palladium prices but this did not materialise.

Why have palladium prices strongly outperformed platinum prices? For a start, fears that US sanctions to Russia would hit palladium exports. Russia is one of the main producers/exporters of palladium. Moreover, the decline of market share of diesel cars in favour of petrol cars has weighed on platinum prices and this has supported palladium prices (used in petrol cars). Moreover, expectations of higher demand from China because of China's new auto emissions standards.

Positive Outlook for Platinum…

"For 2019, Georgette Boele, Coordinator of Currency and Precious Metals Strategy, ABN AMRO expects platinum prices to rise. She adds, "this is because a weaker US dollar and lower US Treasury yields will be supportive for platinum prices." Moreover, Boele expects Chinese jewellery demand to bottom out. In addition, she expects that platinum prices will rise above the 200-day moving average. This will probably result in a change in sentiment towards a more constructive one. However, it is likely that the share of diesel cars will continue to decline but this is well anticipated by investors. Moreover, investors may already have cut back short positions – they are now moderate net-long platinum – but there is ample room to build up further net-longs. Taken all together, the analyst expects higher platinum prices in 2019 and 2020.

…and Fasten your Seatbelts for Palladium

The case for palladium prices looks strong. With the increase of the middle class in China, demand for cars in China will likely continue to increase, even though annual growth of Chinese car sales has slowed this year.

Autocatalyst demand for palladium will rise further because of stricter emission standards and a slight increase in Chinese car sales. Dental and industrial demand will probably hold up well. However, investors are already positioned for this bull case and we doubt if there is more upside in prices.

The reason is as follow. Prices have increased sharply while the increase in net-long investor positioning would suggest a less spectacular price increase. Moreover, palladium is even rising when equity markets are not. This is unusual combination. This means that the price increase is probably driven by the prospect of lower supply instead of the prospect of higher demand.

In other words, the market is more worried about the supply side than on the demand side. As soon as these supply fears ease, palladium prices could move sharply lower. ABN AMRO analysts think that this will be the case in 2019. So "fasten your seatbelts" would be the best strategy for palladium. They hold the view that all the positive news is already reflected in the price and prices have overshot too much.

In 2019 analysts expect some normalisation and palladium prices to come back to earth, meaning a move back below USD 1,000 per ounce. They also think that the longer the price difference between platinum and palladium remains in place, technological changes will probably support the substitution from palladium to platinum. In short, the analysts don't share the bullish palladium view of the market."

Platinum & Palladium Price Forecasts: For 2019, platinum is forecast to reach a high of $988 by the 4th quarter of 2019 and average $938 for the year. For 2020, we forecast platinum to reach a high of $1,088 in the 4th quarter of 2020 and average $1,050 for 2020. Palladium is expected to average $1,000 throughout 2020.

The Bull & Bear's Resource Investor
GOLD SILVER URANIUM PLATINUM PALLADIUM OIL & GAS BASE METALS

Publisher: The Bull & Bear Financial Report
P.O. Box 917179, Longwood, FL 32791
Editor: David J. Robinson;
Email: Editor@TheBullandBear.com
1 year, 12 issues, $198. Includes updates.
TheResourceInvestor.com

Outlook for Precious Metals Prices in 2019

Charles De Meester, founding partner of Metals Focus, one of the world's leading precious metals consultancies, discusses the latest developments in the precious metals space and gives his outlook for gold, silver, platinum and palladium in 2019.

• **Gold prices: further upside this year, but concentrated in Q4** – Early 2019 has seen the gold price continue to build on the gains established during late December. At the time of writing, gold is trading close to $1,290, its highest level since mid-June 2018. To a large extent, this reflects three factors. First, the ongoing weakness and volatility in global equities markets, which has led to some rotation into safe haven assets, including gold. Second, the gradual shift in the market consensus, towards seeing the Fed becoming less hawkish in the foreseeable future. Third, the exceptionally low starting point for speculative positioning in gold, following last year's liquidations. As sentiment towards gold has improved and prices have firmed, investors have covered shorts and also added new long positions.

Looking ahead, we believe that there is still room for gold prices to move higher. However, over the coming months we expect several headwinds to remain in place, which we believe will limit their upside. In particular, we expect the dollar will remain resilient over much of 2019, for three main reasons. First, as touched on above, even if the pace of that increase slows, US interest rates should continue to rise. Second, and arguably more important, the economic and political uncertainty in Europe mean that it is unlikely to see the ECB raising interest rates until much later this year. Finally, the ongoing US-China trade war and its impact on emerging markets should also support the dollar.

As a result, although dollar gold prices are expected to rise in the coming months, the upside will remain capped, at least until the fourth quarter. At that time, we believe that the macro environment will become increasingly supportive of stronger gold prices, on several counts. First, US economic growth is expected to slow markedly, in part as the boost delivered by last year's tax cuts comes to an end, which in turn will lead to a further equities sell-off. We are also of the view that, eventually, tariffs will also adversely affect the US economy. All this, coupled with rates approaching what FOMC members see as an appropriate long-term average, will suggest that the end of rate hikes is nigh. At this point, we may also see the ECB start to gradually tighten, further weighing on the dollar. Overall, therefore, a combination of a weaker dollar and a more pronounced rotation in favour of safe haven assets, should result in gold reaching highs last seen in mid-2013.

• **Silver prices: on course for healthy gains in 2019** – Last year, the silver price disappointed, realising a 10% decline, against a 5% drop for gold. As a result, the gold:silver ratio trended higher for much of 2018, reaching a multi-decade high of over 86:1 in Q4. The escalating trade war and its impact on industrial commodities weighed on silver. Meanwhile, the ongoing weakness in coin and bar investment, principally in the US, contributed to a third, uninterrupted and sizeable market surplus, of around 54Moz in 2018.

Looking ahead, while we expect to see another big surplus in 2019, the silver price should benefit from positive spillover effects from the gold market. Meanwhile, silver's smaller market size (global demand in 2018 amounted to $15bn against $168bn for gold) will amplify the impact of investor inflows, resulting in it eventually outperforming its sister metal. Indeed, following its recent underperformance, the silver price may deliver some of the strongest gains among precious metals this year.

• **Platinum prices: forecast rise will be contingent on the gold price trend** – Platinum prices fell by 10% last year. In part this reflected weak investor sentiment towards precious metals. Most notably, it was due to platinum's poor fundamentals. On the supply side, there has been little sign of material mine production cuts, as the mining industry has benefited from a weak rand, record palladium and strong rhodium prices, all of which have helped offset the impact of weak platinum prices. As a result, mine output is estimated to have fallen by less 1% in 2018, with a similar outcome

Continued on next page

Continued from previous page

forecast for this year (in spite of the forthcoming wage negotiations in South Africa). In terms of demand, the key headwind remains the weakness in platinum automotive fabrication, which last year fell by almost 5% to an estimated four-year low. Within this, the main issue concerns the declining market share of diesel in the western European light duty vehicle market. According to the latest LMC Automotive figures, diesel's share fell to 34% last November, against 40% in January. To put this into perspective, as recently as November 2016 diesel's market share exceeded 50%.

The combination of limited supply cuts and weak demand in the platinum market has contributed to an estimated surplus of almost 360koz in 2018. While by itself this is modest, during the past nine years (from 2010) platinum has only achieved two physical deficits. As a result, the platinum market has faced rising above-ground stocks, which have grown from an estimated 6.9Moz at end-2010 to 8.7Moz at end-2018. This year is forecast to post another surplus, which will see stocks surpass 9Moz. In terms of demand cover, platinum above-ground inventories risen from around 11 months' demand cover in 2010 to over 13 months' last year.

This in turn helps explain why the forecast trend in platinum prices will remain largely dependent on the outlook for gold. Given our positive expectations for the yellow metal, platinum should follow a broadly similar path. However, we expect it will continue to under-perform gold, and so this year platinum appears unlikely to reach $1,000.

• **Palladium prices: strong underlying fundamentals to deliver the highest annual average y/y gain across the major precious metals** – In sharp contrast to its sister metal, the palladium market continues to benefit from strong supply/demand dynamics. Key to this has been the strength of automotive demand, which has enjoyed uninterrupted growth this decade. This in turn has reflected healthy gasoline light vehicle (LV) sales in China and the US, together with market share gains in Europe (at the expense of diesel). Even though 2018 saw the first y/y decline in Chinese LV sales and a softer performance in the US, this was offset by the impact of tighter emissions legislation, resulting in further growth for global automotive palladium demand.

This, coupled with constrained supply conditions, have seen palladium record sizeable and growing physical deficits, estimated last year at 1.1Moz. This in turn has led to a sharp fall in above-ground stocks, from 17.7Moz at end-2010, to 13.3Moz last year. Looking at palladium inventories in terms of demand cover, the tightening becomes even more apparent. Compared with 24 months' cover in 2010, by last year this had fallen to just 15 months' demand cover.

Even so, early 2019 is likely to see palladium prices retreat, for two reasons. First, record high prices may result in some profit taking. Second, the potential for further weakness in car sales and ongoing equity declines may see investors reduce their exposure to palladium. However, the downturn in prices should be relatively short-lived. We still expect palladium to post a significant market deficit this year, which will ultimately be supportive of higher prices. As a result, we forecast that the palladium price will once again strengthen later in the year, setting new record highs, in the process delivering the highest y/y gain for the annual average price across the major precious metals.

Source: Charles De Meester writing in *Precious Metals Weekly,* a newsletter published by Metals Focus, one of the world's leading precious metals consultancies, www.metalsfocus.com.

Charles De Meester is a founding partner of Metals Focus, one of the world's leading precious metals consultancies, www.metalsfocus.com.

Bull & Bear Insider...
The Most Diversified Digest of Investment Newsletters in Print and Online
www.TheBullandBear.com

Dudley Baker: Metals and Kootenay Silver

In an interview with Ellis Martin of *The Ellis Martin Report,* Dudley Baker editor of Common-StocksWarrants.com and JuniorMiningNews.com opines opportunities in the precious metals sector including a "Buy" recommendation for **Kootenay Silver** (TSX.V: KTN) (OTC: KOOYF). The Company is actively engaged in the development of two major silver projects in Mexico. To listen to the Ellis Martin broadcast *Click Here*

Scaramucci's Advice to Trump

During a phone interview with MarketWatch, Anthony Scaramucci, "The Mooch," said he's optimistic about the outlook for the stock market in 2019 but thinks there are at least three things the 45th president can do to stabilize markets:

• Resolve the trade dispute with China and Europe.

• Continue to deregulate markets.

• Better control the media message.

The hedge-fund manager, who looks after some $9.6 billion at SkyBridge's fund of funds, said a resolution of the tariff clashes between Trump and Chinese President Xi Jinping is paramount in easing investor anxieties. "The overhang and the bellicosity of the rhetoric has jarred people and has altered market psychology," in Scaramucci's view.

Separately, the SkyBridge founder said Trump retains significant leverage in Washington despite a midterm election that saw Republicans lose their majority in the House. Trump's sway over the makeup of the judicial branch can still have the effect of fostering free-market and business-friendly conditions, Scaramucci said. "Trump's greatest strength is the execution on the judicial side. He can de-layer the economy regulatorily."

One key message Scaramucci has for Trump, whose prolific tweets have become a key feature of his presidency, is to adopt a tone of "more optimism and less anxiety" on social media.

As for Trump's frayed relations with the traditional media, said Scaramucci: "His war with the media is absolutely asinine."

Even without such issues having being resolved, Scaramucci remains sanguine about the outlook for 2019, where, he said, he believes high-single-digit returns can be achieved, despite a resurgence of volatility marked by gut-wrenching intraday moves that have whipsawed investors.

"I don't see the recession happening," he said, and with markets undervalued after the multimonth downturn, "it augurs for an OK environment for 2019."

An election-year cycle usually brings with it increased government spending, he said, another potentially bullish factor for the market.

A New Era for Barrick Gold Has Started

The newly formed Barrick Gold began trading on Jan. 2, 2019 with a market capitalization of nearly $24 billion. Barrick was merged with Randgold Resources with the deal first announced in September.

Barrick will change its ticker symbol on the NYSE from ABX to GOLD, which was the old symbol for Randgold American depositary shares traded on the Nasdaq. Barrick will continue to trade on the Toronto Stock Exchange under the symbol ABX.

According to market insiders, many global miners are now keen to discover which non-core assets the new Barrick plan to divest, to see if they have an opportunity to bid on these assets.

Based on 11 Wall Street analysts offering recommendations for ABX in the last 3 months, 2 analysts rate ABX a Buy and 9 recommend Hold. The 12 month average target price is $17, according to www.tipranks.com.

Fed to be Patient with Interest Rate Hikes

Speaking to economists in Atlanta, Fed Chair Jerome Powell said the Fed will be patient with raising interest rates in 2019 because of volatility in equity and bond markets, suggesting rate hikes might end sooner than expected.

Rising rates have been a major headwind for gold over the past two years because they boost the dollar, making gold more expensive in other currencies and thereby curtailing global demand. Any reduction in the number of future hikes would undermine the strength of the dollar and ultimately support higher gold prices – Bill Musgrave, American Gold Exchange.

American Gold Exchange is one of the leading precious metals companies in the U.S. AGE buys and sells the highest-quality classic U.S. gold and silver coins, European gold coins, and modern bullion coins and bars at low prices. The Company takes a consultative approach to helping individual investors build and manage a profitable, private and rewarding hard asset portfolio. For more information visit www.amergold.com.

2019 – A Turbulent Year

Looking at the shorter term, 2019 is going to be the year when most markets will change direction. Stock markets are likely to go down substantially and probably crash. The dollar will continue its long term fall to ZERO and gold and silver will resume their uptrend to new highs – Egon von Greyerz, Founder and Managing Partner, Matterhorn Asset Management, Zurich, Switzerland.

Continued on next page

Continued from previous page

The 10 Percent Golden Rule

One of the possible implications of a less aggressive Fed in 2019 is a weaker dollar, writes Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors. And once the dollar starts to lose ground relative to other world currencies, gold could rocket up to as much as $1,500 in the blink of an eye.

The dollar looks positioned to revert back to its mean, and that's when you want to have some exposure to gold. Keep in mind the 10 Percent Golden Rule – 5 percent in gold bullion, the other 5 percent in well-managed gold mutual funds and ETFs.

Analyst Targets $1,400 Gold in 2019

Merrill Lynch research analyst Michael Jalonen writes that the outlook for gold in 2019 is very promising, with the potential to reach $1,400 per ounce by the end of the year. This could happen due to U.S. twin deficits and China easing monetary policy. Continuing the Merrill Lynch outlook, Jalonen writes that key themes in the gold market could be growth in free cash flow (FCF) and industry consolidation. He predicts that royalty and streaming companies will continue to generate robust FCF and pursue new deals to pay higher dividends. Additionally, the production weighted all in sustaining cost (AISC) is forecast to decline by 6 percent, to just $876 per ounce in 2019, notes Frank Holmes in *Investor Alert*, www.usfunds.com.

Palladium: White-Hot Metal Doubles in 3 Years

Palladium has been on a multi-year run that shows few signs of abating. For the tumultuous market year 2018, spot palladium gained 18.6% and is up 124% since the beginning of 2016. In comparison, spot gold, platinum and silver all declined last year (1.6%, 14.5%, and 8.5%, respectively), while U.S. equities lost 4.4% in 2018, as measured by the S&P 500 Total Return Index, notes John Ciampaglia, Senior Managing Director of Sprott and CEO of Sprott Asset Management.

In a two-part series, *The Palladium Play*, Ciampaglia writes palladium is close to becoming the most "precious" of precious metals. Palladium passed the $1,000 per ounce mark in late 2017 for the first time since 2001. Palladium's momentum accelerated in 2018, with its $1,262 price-per-ounce edging close to gold's $1,282 price by year-end.

Today, catalytic converter demand accounts for 70% of the palladium demand worldwide. While any threat to palladium's role within catalytic converters could impact its long-term price outlook, our view is that palladium's fundamentals should remain strong for at least the next 24 months, says the Sprott CEO.

Gold's Bull Market Has Just Begun

John Ing, President & CEO, Maison Placements Canada, believes gold will continue to rise in value as long as the United States runs twin deficits, spends more than they bring in and Donald Trump is in the White House.

Gold's bull market has just begun. Gold will benefit from the diversification away from equities. From a low of $1,150 when Trump was inaugurated, gold has built a two year base and Ing expects the rally to continue with a near term target at $1,275 an ounce. Short covering and hedge fund demand will push gold to $1,340 an ounce with a $2,200 an ounce target within 18 months. Gold will be a good thing to have, says Ing.

The senior players, that John Ing continues to favour are **Barrick Gold** (ABX), **Agnico Eagle** (AEM) and **B2Gold** (BTO). He also likes mid tier **Kirkland Lake Gold** (KL) and growing juniors like **McEwen Mining** (MUX).

Resource Stocks: Gold, Silver & Oil & Gas Shares

SMALL CAP INFORMER
711 W. 13 Mile Road, Madison Heights, MI 48071. Monthly, Online, 1 year, $99 (regularly $199). Print version $199/Yr (regularly $299). Updates & Alerts. www.SmallCapInformer.com.

Eagle Materials: Low cost producer

Douglas Gerlach: "**Eagle Materials Inc**. (NYSE: EXP) is a diversified producer of building products used in residential, industrial, commercial, and infrastructure construction. The company manufactures and distributes cement, aggregates, concrete, gypsum wallboard, recycled paperboard, and frac sand from 80 facilities across the U.S. and is recognized as a low cost producer through all economic cycles. Its business segments are geographically diverse and its customer base is broad. No customer accounts for more than 5% of revenue and its top 10 customers represent less than 25%.

By division, Cement is the company's largest, making up 42% of fiscal 2017 sales. Gypsum Wallboard is next at 31%, followed by Recycled Paperboard (12%), Concrete and Aggregates (10%), and Oil and Gas Proppants (5%). Together, Eagle's Gypsum Wallboard and Cement segments bring in 83% of operating earnings.

Eagle Materials' Cement business is located in the mid-West, largely insulated from low-cost coastal imports. Seven plants each have a minimum of 25 years of limestone reserves on site, and a network of 24 terminals serve markets within a 150 mile radius by truck and 300 miles by rail. There are high barriers to entry to this business, and demand for cement in the U.S. is very near the current manufacturing capacity of U.S. producers and will soon exceed it. Additionally, National Emission Standards for Hazardous Air Pollutants (NESHAP) regulations are constraining capacity expansion for U.S. providers.

Five plants in the southern half of the U.S. serve the Gypsum Wallboard segment, allowing for national distribution to 38 states. Demand for wallboard is closely linked to new home sales, and 85% of Eagle's sales are for residential construction.

The Recycled Paperboard segment is vertically integrated with wallboard production. Eagle's technologically-advanced facility manufactures high-strength gypsum liner from recycled paper, selling 60% of its output to third-parties and consuming 40% internally.

The Concrete and Aggregates division utlizes 21 facilities to sell construction aggregates and ready mix concrete. The Oil and Gas Proppants segment operates two processing and three drying facilities and two mines in Wisconsin and Illinois.

Founded in 1963 as a subsidiary of Centex Corp., Eagle Materials Inc. was renamed and spun off from the company in 2004. The business is headquartered in Dallas, Texas.

Growth Analysis

Closely tied to the cyclical nature of residential and commercial construction, Eagle Materials will see its revenues and earnings drop off during a recession and peak during an economic expansion. Since 2008, revenues have grown at an annualized rate of 13.8%, while EPS have grown at 32.5% a year on average during the decade.

In the second quarter ended September 30, 2018, Eagle's revenues grew just 1.4% due to unusually wet weather that limited sales in many markets. The Texas cement market experienced one of the wettest Septembers on record, while the southeastern wallboard markets dealt with the impact of Hurricane Florence. Still, the company boosted EPS 16.8% to $1.53.

Wall Street analysts project long-term EPS growth at 8%. We think average growth will likely be higher, but model our stock study using this rate. If actual results are better, a higher total return could be achieved.

Quality Analysis

Eagle Materials' pre-tax profit margins have been trending upward and ended 2017 at 22.9%. This, cites the company, is double the margin of its nearest heavy-side and light-side competitors.

Management also notes that its five-year average return on equity is more than double the level of its nearest peers.

In a capital intensive industry, debt will play a role, but Eagle Materials has reduced its long-term debt-to-equity considerably in the last decade. At the end of fiscal 2017, long-term debt-to-equity stood at 43.5%, while total debt was 31.3% of total capital.

Valuation Analysis

Eagle Materials' P/E ratios have been contracting, and the high P/E of the last 52 weeks is 21.3. To match our lower growth expectations and provide a margin of safety, we have reduced our high P/E estimate to 18, which suggests a high price of $152.

On the downside, we have lowered our low P/E ratio estimate below the 52-week low of 9.9 and the adjusted average low of 16.6, to a P/E of 9. Based on the TTM EPS of $5.75, a low price of $52 is indicated.

From the recent price of $58.58, the upside/

Resource Stocks: Gold, Silver & Oil & Gas Shares

downside ratio is 13.8:1, and total annual return of 21.5% is possible. The current P/E is just 10.2, and the price is near the 52-week low of $57, suggesting significant upside from the current valuation.

For more information on Eagle Materials visit www.eaglematerials.com."

Editor's Note: Each monthly issue of the *Small Cap Informer* features two or more small-cap stock profiles. Each stock write-up includes an overview of the company's business, and analyses of the growth prospects, key quality metrics, and valuation assessment. For more information on *Small Cap Informer* and a Special Offer visit www.smallcapinformer.com.

****

BOTTOM LINE PERSONAL
3 Landmark Sq., Ste. 201, Stamford, CT 06901.
1 year, 24 issues, $39 plus free digital editions, www.bottomlineinc.com.

Top Resource Picks

Harry Berkowitz: "Stock-picking expert Hilary Kramer, CIO of A&G Capital Research listed 10 of her favorite stocks under $10. Here are two stocks from the resource sector that offer promising growth prospects:

• **Smart Sand** (SND) – Crush-resistant quartz sand is a critical component of the fracking industry, helping to prop open the fractures that drillers create in underground shale rock to allow oil and natural gas to flow out of the rock and into wells. This company owns one of the nation's largest specialized-sand deposits, located in Wisconsin. Higher energy prices mean demand for fracking sand is expected to grow nearly 40% annually over the next few years. *Recent share price:* $2.35. The 52 wk range: $1.92 to $11.06.

• **Halcón Resources** (HK). During the US fracking boom from 2010 to 2014, this oil and natural gas driller traded for as much as $2,200 per share. When oil prices collapsed, it was caught with too much financial leverage and went bankrupt. Halcón emerged a leaner, more disciplined company in 2016 focused on the Permian Basin in West Texas, where it's far less costly to drill than in shale rock basins in other states. With oil prices more than doubling since early 2016 and likely to trend higher, the company is positioned to ramp up production quickly and affordably. *Recent share price:* $1.71. The 52 wk range: $1.43 to $9.07.

Every week *Bottom Line* has a top money expert give you an investment idea that shows great promise over the next 12-to-24 months. A recent Stock of the Week selection was **The Mosaic Company** (MOS) one of the world's largest producers of phosphate and potash fertilizers, selected by Peter W. Tuz, CFA, CFP, president, Chase Investment Counsel

It was formed in 2004 through the merger of the fertilizer businesses of Cargill Inc. and IMC Global, giving it production facilities in North and South America. It recently bought Brazil-based Vale Fertilizantes to become the leading manufacturer and distributor of fertilizer in the fast-growing Brazilian market.

Fertilizer demand is rising worldwide as population surges. This should help revenue increase from $7.4 billion in 2017 – it will likely be reported as $9.25 billion for 2018 and $9.8 billion this year. Mosaic is also improving its cost structure through a $575 million cost-cutting program and expects $1 billion in cumulative cash-flow improvement within two years – despite some uncertainty caused by continuing tariff disputes involving China and the US. The small dividend of $0.10/share/yr. recently yielded 0.4% and appears secure. *Recent share price:* $28.97. The 52 wk range: $22.90 to $37.37.

Editor's Note Peter W. Tuz, CFA, CFP, is president, Chase Investment Counsel, which manages $340 million, and portfolio manager of the $65 million Chase Growth Fund (CHASX) and $19 million Chase Midcap Growth Fund (CHAMX), Charlottesville, Virginia, www.ChaseInv.com.

Bottom Line Personal has a readership of nearly a million readers every month and is the most widely read consumer newsletter published. It provides action-focused advice directly from the top experts on the hot topics of investment advice…raising children…buying and selling a home…avoiding illness…building careers…retirement planning…taxes…and much, much more.

DOW THEORY FORECASTS
7412 Calumet Ave., Hammond, IN 46324.
1 year, 52 issues, $289. www.dowtheory.com.

Chevron weathers oil-price storm

Richard Moroney: "It requires a leap of faith to buy an energy stock when oil prices are falling. But **Chevron** (CVX) seems positioned to pay off for patient investors. It enjoys robust operating momentum, rising profit estimates, an attractive valuation, and a generous dividend yield of 4.1%.

Chevron, earning a Quadrix® Overall score of 76, is rated Long-Term Buy.

Business Breakdown

An integrated oil and natural-gas giant, Chevron relies on the U.S. for 38% of revenue and 46% of profits. Its shares have increased 2% since the end of October, while the average S&P 1500 energy stock slumped 10%.

Until recently, Chevron's exploration-and-production business had benefited from rising U.S. oil prices, which hit $75 per barrel in October before falling to their current level near $51. The upstream unit (31% of revenue, 78% of net income for the 12 months ended September) has driven growth in the past year, with sales surging 41% and net income quadrupling. Boosted by drilling projects in Australia and North America, total production rose 4% in the past year, with oil holding flat and natural gas climbing 12%, Oil represents 62% of production, natural gas 38%.

Although falling oil prices aren't a net benefit for Chevron, its downstream refining business (68%, 22%) softens the blow. Lower crude-oil prices mean lower costs for refiners. And that often leads to fatter profit margins and a wider crack spread, which measures the price difference between crude oil and refined products. Chevron's downstream business grew sales 18% in the past year, though net income slipped 2%.

Chevron's earnings per share jumped 99% in the 12 months ended September on 25% higher revenue and 53% higher operating cash flow. With free cash flow turning positive so far in 2018 – after being negative from 2013 to 2017 – Chevron has elected to bolster its balance sheet. Cash assets have more than doubled to $10 billion this year, while long-term debt has declined 10% to $30 billion.

Using Less Cash

For drillers like Chevron, massive capital outlays are crucial to support production. From 2011 to 2015, Chevron's annual capital investment ranged from $26.50 billion to $37.99 billion. But capital expenditures dipped below $20 billion in each of the past two years and are projected to hold near $18 billion to $20 billion going forward as Chevron turns its focus on less-capital-intensive projects, such as those in the Permian Basin in Texas and New Mexico.

Lower demands for capital investment have freed up more cash. After a three-year hiatus, management resumed stock repurchases last quarter with the launch of a $3 billion buyback plan.

Analyst profit estimates for 2019 have steadily trended higher over the past 90 days, with the consensus currently projecting 16% growth. The stock trades at just 12 times estimated 2019 profits, ranking among the cheapest one-third of stocks in our research universe and below its sector average of 14."

****

THE MORGAN REPORT
621 Mallon, Ste. 422, Spokane, WA 99201.
Monthly, 1 year, $497 (Premium Membership).
Video Updates, 24/7 website access, Special Bonus Reports, 480-325-0230
www.themorganreport.com.

Metals markets in 2019, A 40% move in silver?

David Morgan: "This will be a significant year for the markets and the precious metals are most likely going to be one of the places to invest.

Generally, we are mostly bearish on the base metal complex – Copper, Zinc, Lead, and Nickel. Additionally, because we are convinced that the world economy will enter into a period of stagflation where the physical economy slows noticeably yet prices continue higher. We expect food prices especially to show significant increases and therefore we are bullish on the agricultural commodities both short and long- term.

The precious metals will do well in 2019. Some of the most bullish see gold moving up $500 in 50 trading days, and others see a $1300 price high for the year. We know that silver needs to outperform gold for us to be certain the bull market has returned. Since the gold- silver ratio has hit a high above 85 to 1.

Many observers think that gold will gain twenty percent this year which forecasts a price of $1500 if we start with $1250 gold. Silver outperforms in a bull market, and if gold were to make the $1500 level, it would not be unusual for silver to make a forty percent move, which indicates silver above $20USD per ounce. As this is being written, it seems a bit optimistic to make this forecast but as our loyal members you know we are good at letting our profits run and listening to the markets carefully.

If the stock markets around the world and in particular the U.S. do continue downward, the run to gold will accelerate. In 2017 gold made a low near

$1130 and peaked at $1370, which is a gain of over twenty percent when the bull market was continuing in the stock market."

In the January issue of *The Morgan Report*, David Morgan gives his Economic Outlook for 2019 and Beyond, Coverage of the Metals Market and profiled *Companies to Watch in 2019*. Among them is **Bonterra Resources** TSX.V: BTR); (OTCQX: BONXD), a company he's been been watching closely for the last few years. The company recently made a very smart strategic acquisition, creating significant value for its shareholders, greatly shortening its path to production but this has yet to be recognized by the market. Its common stock also recently underwent a 10-to-1 reverse split (creating a company with a relatively tight share structure at approximately 46m shares (basic) and 52m shares (fully-diluted), while also raising upwards of $21m, significant for a C$100m company. It has some strong backers such as Sprott, Kirkland Lake Gold, and Kinross.

Summary: This is one perhaps not to only watch but also to take action and buy. We can see how sensitive this stock could be if gold were to go from $1200 to $1400 in 2019; very likely, in Morgan's view, this stock could double.

Editor's Note: To receive David Morgan's *FREE* weekly E-Letter *Click Here*

****

THE NATIONAL INVESTOR
PO Box 1257, Saint Augustine, FL 32085.
1 year, 24 issues, $275. Special Reports and Alerts included. https://nationalinvestor.com

History suggests a rebound for stocks in 2019

Christopher Temple: "Make no mistake: in an overleveraged world where more cracks are starting to appear, what would otherwise be a garden variety cyclical bear market very well could lead to an economic recession. That, in turn, could turn a cyclical bear into the long-pined-for and predicted secular bear market so long called for by the perma-bears of the world. Maybe for them the third time will be a charm; after all, the prior two short-lived cyclical bear markets since 2009's major bottom – 2011, and then late 2015-early 2016 – were soon overcome.

On the surface, history suggests a rebound for stocks in 2019 is the most likely scenario; a hard notion to swallow for some right now, to be sure, with so much uncertainty still evident.

Going all the way back to 1929, there have only been *four instances* where a down year for the market was followed by another. Most recently, we had three successive years of down markets in 2000-2002 (also three in a row from 1939-1941.) There were back-to-back declines in 1973 and 1974. Otherwise, you need to go back to the onset of the Great Depression to have the only four-year string, from 1929-1932.

Since its stunning mid-year reversal last June, "Dr. Copper" has been consistently warning that deflation is a clear and present danger. So, too, have most other industrial commodities. There's no sugar-coating this: YES, on long-term fundamentals, copper at $2.60/pound or so looks for all the world to be very cheap. But it will get a whole lot cheaper for a while if China has some kind of an accident; or if the hawks advising President Trump push too hard.

Crude oil's recent decline also renders energy and energy stocks apparent bargains. Yet here, too, we need to remain on our guard. Oil's decline from the mid-$70's to the mid- $40's was out of all proportion to fundamentals. Yet if China implodes, we'll see those $20's of early 2016 again."

****

NATE'S NOTES
P.O. Box 667, Healdsburg, CA 95448.
Monthy, 1 year, $289, electronic delivery. www.NotWallStreet.com.

DBA, DBC: Bottom may be forming Gold seems to be the only commodity play

Nate Pile: "Shares of **PowerShares DB Agriculture** (DBA) are finally starting lo trace out a pattern that suggests "a bottom" might be forming. That being said however, the prices of ag commodities are every bit as sensitive to tariffs and trade wars as industrial commodities, and, consequently, there is still a large cloud of uncertainty hanging over the situation, so I am not ready just yet to start adding to our position.

Though shares of **PowerShares DB Commodities** (DBC) may be in the early stages of building a base just above $15, given the magnitude (and speed) of the sell-off that took place in October and into the first half of November, I would absolutely rather wait for some additional confirmation before stepping up and buying.

For now, gold seems to be the only "commodity play" that is acting well and so, if you are anxious to some additional money to work in the commodity space, you are encouraged to do it primarily through the **SPDR Gold Trust ETF** (GLD). In the meantime, it will be interesting to see how Russia, OPEC, China, the U.S., Europe, etc. end up incorporating "oil" into their trade war tactics. DBC is a buy under $17. DBA is a buy under $19.

I believe that the odds are continuing to grow that we may be entering a period when gold is once again sought out across the board by investors due to the fact that it is really is "an investment in disorder". GLD is a buy under $120."

THE ADEN FORECAST
P.O. Box 790260, St. Louis, MO 63179.
Monthly, 1 year, $250. Includes Weekly Updates.
www.adenforecast.com.

Gold's turn to shine

Mary Anne & Pamela Aden: "The stock market remains highly volatile and it's bearish. The primary trend is down and stocks are set to fall further. Currently, we're out of the stock market for the time being and we continue to recommend keeping a large cash position until we see how this bear market evolves. This is a temporary situation, but we feel it's best to stay on the sidelines for now." Currently, the Aden sisters are 80% Total Cash – in U.S. dollars mostly, small % in Japanese yen and 20% – gold, silver, gold shares, energy and resources.

Bullish Turnaround Time

"2019 is positioned to become a great year for the yellow metal. And silver is now coming up from behind. It could well end up being the star.

The gold price reached a 6-1/2 month high as the new year got started while silver and gold shares reached 5 month highs. The turnaround time is happening and 2019 looks set to embrace tangible assets. Last month we started buying **Royal Gold** (RGLD), **Agnico Eagle** (AEM), and gold itself again for the first time since August. Now silver is waking up, and we're adding silver to a buy from a hold. If you don't have all your positions purchased, but some now and during the upcoming D decline.

Junior mines are looking better and so is our overall position. **BHP Billiton** (BHP) is doing well and it's our best resource stock.

The marijuana industry is still young, but we'll keep our **Horizons Marijuana** ETF since it's designed to provide exposure to the performance of a basket of North American publicly listed companies in the marijuana industry. The resource sector is licking its wounds and it'll likely end up following gold this year. Keep your positions."

****

INVESTMENT MODELS
14326 Pine Valley Rd., Orlando, FL 32826.
Weekly newsletter, Online, 1 year, $395.
Bonus Reports, www.investment-models.com.

RIX keeping investors on the right side of the market swings

James Rohrbach: "We have already seen two wild swings in the market the first week. Looks like 2019 may be an interesting year!

The RIX did a nice job of keeping us on right side of the trend in 2018. We avoided the sharp declines in the 1st and 4th quarters and we participated in the one extended uptrend in the middle of the year. Bottom line, the RIX protected our base in 2018 even though U.S. stocks posted the worst year in a decade as the S&P 500 fell more than 6%

The NYSE RIX issued its last signal, a Sell Signal, on 11/21/2018 and the S&P had a sharp decline over the next few weeks which positions us nicely for a nice buying opportunity when the trend reverses in 2019."

The RIX (Rohrbach Index) mathematically translates the action of the stock market into a number that represents the trend of the market, every day.

The RIX Index is a mathematical formula that provides numbers that are simple to understand and have been successfully used for over 47 years. There is no guessing, hedging, predicting, or what ifs. Rohrbach does not make any attempts to forecast the future course of the stock market. He simply identifies the changes in the trend and goes with those changes.

"With the start of a new year comes a flurry of market "experts" giving their predictions on what the market will do in the upcoming year. I've heard everything from the market is going to have a good year to we should be prepared for a recession. But predicting what the market is going to do is futile. In fact, I like one analogy I read that said trying to determine the future of the market is like "guessing where a single paper will land in a windstorm."

The RIX has been telling us that we should be out of the market since I issued a NYSE RIX Sell Signal on 11-20-18 and the RIX numbers are still a long way from reaching Buy Signal levels. I think you will agree that this would be a very stressful time to be in the market."

Editor's Note: Subscribe to this excellent stock market timing service and you'll see why *Timer Digest* has ranked Investment-Models.com in their *Top Ten Timers List* and *Business Week* calls James Rohrbach "The Zen of Market Timing". Tobin Smith says, "Jim Rohrbach is the best market timer in the country". James Rohrbach has been successfully timing the stock market for over 40 years. For more information visit www.Investment-Models.com.

****

Stock Trader's ALMANAC INVESTOR
84 Clinton Ave., Nyack, NY 10960.
Monthly, 1 year, $150 (Limited Special Offer).
Includes Weekly Email Alerts.
www.StockTradersAlmanac.com/bb.

3 Scenarios for 2019

Jeff Hirsch: "Taking into account the risks of heightened volatility, increasingly bearish sentiment, a more tepid fundamental outlook, a persistently hawkish Fed, an embattled Federal government as well as the bullish history of pre-election year markets and historical seasonal patterns we have once again laid out three scenarios for 2019:

• **Worst Case** – Prolonged bear market caused by hawkish Fed, dysfunctional Federal Government, slow growth and weak corporate fundamentals brings us all the way back to November 2016 pre-Trump election levels or lower. Repeat of pre-election year 2015 with the bear lasting throughout 2019 into 2020.

• **Base Case** – Something gives. Mild bear market bottoms soon or in early 2019 as Fed tones down rhetoric and holds off raising rates, Trump and the Dems work out a few deals and we have modest pre-election year gains in the 5-10% range.

• **Best Case** – Everything resolves quickly. Fed becomes accommodative. Trade deals are worked out

Resource Stocks: Gold, Silver & Oil & Gas Shares

expeditiously. Trump tacks towards the center and works with congress and does not get "Muellered." Typical pre-election year gains of 10-15% for Dow and S&P 500 and 20-30% for Nasdaq.

We will be keeping you fully abreast of all readings from out three January Trifecta Indicators: Santa Claus Rally, First Five Days and the full-month January Barometer and will make adjustments on the close of January 2019.

Editor's Note: The *Almanac Investor eNewsletter* is designed to help active investors implement cyclical, seasonality, and historical market insights with online tools, calculators, alerts to reduce risk and increase returns. Also, receive profitable ETF and stock trading ideas with specific buy and sell price limits.

Stock Trader's Almanac 2019 – For over five decades, top traders, investors and money managers have relied upon the *Stock Trader's Almanac* to give them an advantage in the market. The 2019, 52nd Annual Edition provides a roundup of the year's data and encapsulates historical price information, patterns, seasonalities and trends into a calendar format that helps you seize opportunities year-round.

Receive the *Stock Trader's Almanac 2019* ***FREE*** when you subscribe to the digital service, **Almanac Investor**. For more information visit, www.stocktradersalmanac.com/bb

****

THE MONEYLETTER
133 Richmond St., W., Toronto, ON, M5H 3M8
Special Introductory Offer: 6 months, $38 + tax.
1-800-804-8845. www.adviceforinvestors.com

Oil & Gas the place to be

It's been about six months now since several analysts turned bullish on energy stocks. But whether you follow certain analysts or your own intuition, it's increasingly looking like energy stocks is the place to be – or at least on the sidelines, waiting to take a position.

The months from late November until early May have historically been kind to energy investors. Last year wasn't so hot, but far more often the months ahead have produced decent returns. Income investors especially will find some rewarding yields from this selection.

• **Top-picks Suncor and Canadian Natural Resources** – It's not hard to pick a favourite energy stock as many observers like the same ones. **Suncor** (TSX: SU) and **Canadian Natural Resources** (TSX: CNQ), both of which observers and analysts alike listed as their one-two top stock picks in the energy sector. It's hard to disagree, while waiting for the pipes to be turned back on, which is one way of characterizing the slumbering energy stocks of the past 12 months or so. If there is a favourite (and it can fall out of favour with an announcement about oil sands activity and its environmental impact) it is SU, mainly because of its higher price. On the other hand, CNQ may have more room to travel up, considering its current price. Nine analysts have a $70 target on Suncor. It is also the country's largest integrated energy company, with production, refining and retail divisions. The diversified revenue stream provides investors with a hedge against volatility in oil prices.

• **Enbridge** (TSX: ENB) – Among the all-important pipelines, the resounding favourite is Enbridge. While pipes are currently in disfavor because of recent uncertainty about the Keystone Pipeline, the advisor community is very positive on the stock. One reason for the optimism is that the company's CEO, Al Monaco, recently came out boldly and said that he fully expects the Enbridge pipelines to be full in 2019 and beyond. Keep in mind that the statement comes after accounting for the company's Line 3 Replacement project, the company's biggest yet. A not-too-shabby 6.7 per cent yield makes it a great stock for income-seeking investors.

• **TransCanada Corp**. – It's impossible to discuss pipelines without mentioning TransCanada Corp. (TSX: TRP). It has a 5.2 per cent yield and operates three business segments: (i) natural gas pipelines, which transport gas across Canada, the US and Mexico, and which has natural gas storage facilities in Michigan; (ii) liquids pipelines, which consists of wholly-owned and operated crude oil pipeline systems that connect Alberta and US crude oil supplies to US refining markets, as well as connecting US crude oil supplies from the Cushing, OK, hub to refining markets in the US Gulf Coast; and (iii) energy, which includes a portfolio of power generation assets in Canada and the US and unregulated gas storage assets in Alberta.

• **AltaGas** (TSX: ALA) – At a 10.1 per cent yield, it's not hard to understand why ALA is a favourite among analysts. It is an energy infrastructure company with a focus on natural gas, power and regulated utilities. AltaGas' operating segments are (i) Gas (including natural gas liquids (NGL) processing and extraction plants, transmission pipelines to transport natural gas and NGL, natural gas gathering lines, field processing and natural gas storage facilities, energy consulting and sale of natural gas and electricity); (ii) Power (including coal-fired and gas-fired power output under power purchase arrangements and other agreements, gas-fired power, wind and run-of-river power plants, and sale of power to commercial and industrial users in Alberta); and (iii) Utility including regulated natural gas distribution assets.

• **Pembina Pipeline** (TSX: PPL) offers integrated energy infrastructure – has a 5.1 per cent yield that appeals to income investors. Pembina has four operating segments: (i) conventional pipelines, which is a tariff-based operation consisting of pipelines and related facilities that deliver crude oil and natural gas liquids; (ii) oil sands and heavy oil business; (iii) midstream and marketing business and (iv) gas services business which consists of natural gas gathering and processing facilities.

• **STEP Energy Services** (TSX: STEP) – Is one of the favoured oil services stocks operating in Alberta and Texas. The company's coiled tubing segment operates 22 deep-capacity coil spreads, with integrated monitoring services. Its fracturing solutions segment currently deploys 209,000 HP, responsible for two-thirds of the company's revenue.

Editor's Note: This is an edited version of an article that was originally published in *The MoneyLetter*, www.adviceforinvestors.com.

Oversupply, Faltering Growth to Weigh on Oil Prices in 2019

Crude oil prices look likely to trade below $70 per barrel in 2019 as surplus production, much of it from the United States, and slowing economic growth undermine OPEC-led efforts to shore up the market, a Reuters poll showed.

A survey of 32 economists and analysts forecasts the North Sea Brent crude oil benchmark will average $69.13 per barrel in 2019.

"The first half of 2019 will be dominated by concerns about oversupply," said Ashley Petersen of Stratas Advisors.

The Organization of the Petroleum Exporting Countries and other producers including Russia, known collectively as OPEC+, agreed earlier this month to cut production by 1.2 million barrels per day (bpd) to try to drain global crude inventories and support prices.

But the cuts are not due to take place until January and prices have fallen more than 15 percent since the announcement.

"The market had largely priced in renewed production cuts from OPEC. As a result, we expect prices to sink if OPEC or Russia diverge from their production quotas notably," said Cailin Birch, an analyst at the Economist Intelligence Unit.

"We expect the cuts to be renewed in April, when the deal comes up for review, as higher output from the U.S. and weakening global demand require continued restraint."

Oil prices have fallen more than 40 percent from multi- year highs reached in early October on concerns about the impact of a trade dispute between the United States and China on global economic growth and demand for oil.

Another potential headwind next year is slowing consumption. Many analysts project demand growth of a little over 1 million bpd in 2019, compared with an increase of 1.54 million bpd in 2018, according to the U.S. Energy Information Administration.

Meanwhile, U.S. shale oil output growth is expected to remain robust, adding to supply. The United States this year surpassed Russia and Saudi Arabia as the world's biggest oil producer, with overall U.S. crude production climbing to a record 11.7 million bpd.

"We expect U.S. (companies) will increase shale oil production continuously over the next year," said Adria Morron Salmeron, economist at CaixaBank Research.

The Reuters poll forecast U.S. light crude would average $61.05 per barrel in 2019, versus $67.45 projected in the previous poll.

Analysts believe the end of U.S. sanctions waivers on Iran's oil exports will put extra pressure on oil prices.

The Dollar Outlook is Muddy in 2019 as a Weak Dollar is Not Guaranteed

The market now begins to worry that a recession is on the cards for the United States. An investment bank has recently assigned a probability of 80% that the U.S. will fall into a recession within the next three years. If there is a market panic as well as massive selling in the equities market, the dollar can possibly surge higher as investors run for the exits, meaning demand for cash (dollar) will increase.

Another concern that could possibly be providing strength to the dollar in 2019 is the weakness of the non-dollar currencies. The European Central Bank (ECB) has not just downgraded the region's economic growth in 2019 recently, but the more troubling message they are sending is they are now forecasting the region will grow by just 1.5% in 2021 (compared to 1.7% in 2019), but higher inflation at 1.8% in the same year (compared to 1.6% in 2019). That is basically suggesting that the EU could possibly be falling back into real negative growth, or a stagflation is possibly on the cards. On the other hand, the Chinese economy has weakened notably lately as well and the momentum of the Chinese economy will continue heading south in 2019. Under normal market mechanisms the yuan should continue to depreciate against the dollar in 2019 (unless the United States insists the Chinese try to appreciate the yuan valuation as one of the critical conditions reached in a trade truce).

While the outlook of the dollar remains muddy in 2019, traditionally precious metals tend to do well in the first quarters supported by seasonal demand. Traders may consider short term trading opportunities by taking advantage of the seasonal patterns.

Source: Thomson Reuters GFMS