Gold, The End of Fiat Money

By John Ing, President & CEO
Maison Placements Canada Inc

Gold is an alternate investment to the dollar for central banks. Continued on page 3

10 Best Stocks to Buy for 2018

Here are 10 stocks to buy now for 2018 picked by Kiplinger.com contributors James K. Glassman and Tom Petruno based on the promise they offer in the year ahead. These stocks should be able to capitalize on a strong economy and a strong market.

Applied Materials (AMAT) – Exploding global demand for computer chips is a bonanza for the world’s leading maker of chip-manufacturing equipment. Continued on page 14

Where to Invest In 2018

By Anne Kates Smith
Kiplinger’s Personal Finance

The late John Templeton, a renowned investor with an eye for stock market value, once said: “Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.”

The most important tasks for investors in 2018 will be to figure out where we are on that timeline and position their portfolios accordingly.

It’s clear that the animal spirits so lacking in this bull market’s long climb are returning to Wall Street. And it’s no wonder stocks in the U.S. have been on a tear. Major economies across the globe are on a synchronized growth track, corporate earnings growth both here and abroad is robust, and business executives and consumers are confident.

Standard & Poor’s 500-stock index has eclipsed even the most bullish forecast from a year ago. That broad market benchmark notched a record high 60 times during the first 10 months of this year alone.

Make no mistake: This bull market is closer to the end of its journey than to the beginning. If it survives beyond August, it will be the longest-running bull ever. Yet this bull market appears to have some room left to run. “The market will continue to grind higher,” says David Lafferty, chief market strategist at Natixis Asset Management, “but the risks are fairly high.”

Mindful that the broad market has not suffered a meaningful downturn since the 14 percent decline that ended in early 2016, a total return of 8 percent or so, including roughly two percentage points from dividends, seems reasonable for 2018. A conservative forecast would put the S&P 500 at about 2730 and the Dow Jones industrial average somewhere in Continued on page 13
International Convention, Trade Show & Investors Exchange
Prospectors & Developers Association of Canada (PDAC)
March 4–7
Metro Toronto Convention Centre | Toronto, Canada

WHY YOU SHOULD ATTEND

ATTEND ENGAGING PRESENTATIONS
Aboriginal Program | Capital Markets Program | Corporate Presentation Forum for Investors | CSR Event Series | Exploration Insights | Letter Writer Presentations for Investors | Presentation & Reception Rooms | Short Courses* | Student Program | Technical Program*

ACCESS CAPITAL
Meet with private, retail and institutional investors and senior executives.

BUILD YOUR NETWORK
Connect with thought leaders and industry colleagues from around the world. Be sure to purchase tickets for networking events including the Awards Gala & After Party and the Mineral Outlook Luncheon.

SHOWCASE YOUR BUSINESS
Interact with exhibitors promoting leading products, services, mining jurisdictions, investment and development opportunities.

REGISTER at pdac.ca/convention

PDAC 2018
THE WORLD’S PREMIER MINERAL EXPLORATION & MINING CONVENTION

24,000+
Attendees from 130 Countries

3,800
Investors

1,000+
Exhibitors

* Receive a certificate of attendance to assist with professional development requirements.
It is the rational solution to an excessive accumulation of dollars. The rise in the gold price can be seen as a devaluation of the dollar. The world is awash in dollars. The Fed ironically is the world's biggest holder of gold, and while supplies of the metal are shrinking, America's creditors are loading up on gold. If gold is a finite currency, its value against fiat currencies like the dollar, euro, and even sterling must rise. Gold is thus an index of currency fears.

In the last 50 odd years, more and more people have unsuccessfully looked for alternative stores of values and payment methods. Under fiat currencies, we have had a series of economic upheavals from the 2007–2009 crash, the Asian crisis, the Nifty Fifty collapse, the internet bubble and of course various European crises. It goes on with regularity. Without confidence in the dollar, there is no valid reserve currency.

On the other hand, gold is a product that is thousands of years old, made by Mother Nature, and is both finite and inherently valuable. There was a time when gold was money. In today's uncertain world, the cryptocurrency craze is a reflection of a market top in a mania-fueled world where bitcoin investment is matched only by the tulip bubble craze of 1600s. Gold is the real deal in an overvalued world. We believe the yellow metal will soon be back in fashion. Part of the allure is its traditional status as a safe haven against a world where there is quite a list of uncertainties and concerns. It is the ultimate store of value when everything seems risky.

**Recommendations**

Total above ground gold stocks in the world are small, at only 180,000 tonnes or less than one ounce per person in the world. Despite demand, gold remains extremely scarce. The largest share is held in jewelry form but the second largest is held by central banks. Global supplies have been squeezed with a decline in output from China, the largest producer in the world. China's mines are expected to run out of reserves in the next few years, raising the possibility of a supply crunch particularly as Chinese demand grows even faster. China has become more open in its challenge to American financial hegemony, purchasing gold to become the fifth largest holder in the world. Russia too has made monthly purchases becoming the sixth largest holder in the world, declaring recently that any escalation of sanctions, which would freeze foreign accounts of the Central Bank of Russia, would be regarded as a “declaration of financial war”.

We believe it is the relationship between the dollar and the reaction of the world's central banks of whom many are creditors to the US that is important. Gold's biggest driver is a depreciating US dollar. The combined debt of governments, corporate and households are now 300 percent of global GDP. Many are still accumulating dollars that they do not want. Over the last decade, the Fed has created a risk of a sharp rise in American inflation and a precipitous collapse in the dollar.

Gold miners are facing an identity crisis. Some have written off billions of dollars and are still repairing their balance sheets. Others have made expensive acquisitions hoping that the increase in reserves would give them a growth multiple and a market following. Others however, have expanded their exploration budgets with hopes that acorns can grow into trees. However, it can take two to seven years to fully commission a gold mine from discovery to first gold pour, so that bet is for the very lucky and very patient. Moreover, the cost of extraction keeps on rising. To be sure, the lack of exploration and declining production suggests that gold supply is a major problem.

**Gold $2,200/oz Within 18 Months**

Technically, the group has been in a base building more for almost three years and recent activity suggests a breakout from a triangle formation. Fundamentally, cash costs have declined 20 percent from $1200 to under $1,000 an ounce, suggesting that the industry is at long last profitable. Of note is that the gold miners' in-situ reserves are at the cheapest ever, trading under $300 an ounce on a market cap per ounce basis. We believe that in the near term, gold is headed for resistance at $1,375 an ounce which will support higher gold miner prices.
Gold, $2,200 Within 18 Months

Continued from page 3

We continue to believe gold will reach $2,200 an ounce within 18 months.

As such, we would emphasize Barrick for its 85 million ounces of reserves, Agnico Eagle for its growth profile and organic pipeline. We also like mid-tier B2Gold for its growth profile now that Fekola is in production. Among the juniors, we continue to recommend McEwen Mining as it brings Gold Bar in Nevada into production and down the road, exploit a fourth leg in Timmins through the acquisition of the Black Fox mine. We also think its time and thus financed some exploration vehicles like Aurania. Keith Barron’s newest company as he tries to discover another Fruta del Norte in Ecuador.

- **Agnico Eagle Ltd. (AEM)** – Agnico had a record quarter producing over 450,000 ounces at a total cash cost of $546 an ounce allowing the company to raise its dividend by 10 percent. Agnico also raised its production guidance for this year to exceed 1.6 million ounces. Of note, Agnico’s operating margins widened with record production from flagship LaRonde, mining below 3.1 km underground. Importantly the discovery of Whale Tail and Amaruq deposits extend the life of Meadowbank in Nunavut. We continue to recommend the shares here.

- **B2Gold Corp. (BTO)** – B2Gold had a strong quarter with contributions from the Otjikoto mine in Namibia and Masbate mine in the Philippines. The improvement offset lower output from its Nicaraguan mines. Importantly, B2Gold commissioned Fekola in Mali ahead of schedule which will contribute 400,000 ounces next year at an all in sustaining cost (AISC) of around $600 an ounce. Fekola only took two years to build and will contribute to B2Gold’s 975,000 ounce estimated production next year from five mines pushing all in costs down below $800 an ounce. B2Gold has one of the best growth profiles among the gold companies growing from zero output to almost one million ounces in only 10 years. With the ramp up at Fekola complete, the company has boosted its exploration budget. We like the shares here.

- **Barrick Corp. (ABX)** – Barrick had lower output due to the cessation of mining activity at 64 percent owned Acacia in Tanzania. Barrick generated free cash flow of $225 million in the quarter. Barrick’s core projects, Lagunas Norte, Turquoise Ridge, Goldrush and Cortez Hills Deep South are expected to contribute more than 1 million ounces beginning in 2020. Barrick boasts the largest gold reserves in the world at 85 million ounces and does not have to explore for more ounces since its core development plans alone will replace reserves. Barrick has also begun a prefeasibility study for the underground development at Pascua Lama, under a deal with Chinese Shandong Gold. Barrick has also reduced debt and the annualized savings on debt since 2015 are more than $300 million per annum. Barrick has a much-improved balance sheet sitting with $2 billion in cash and a $4 billion credit facility. Barrick’s focus on cash generation will allow it to finance the pipeline of core projects including Cortez Hills lower zone, which is 44 percent complete. In Tanzania, the company and the government have agreed to a framework agreement, handing over 16 percent of its mines for a 50/50 split and the payout of $300 million. The agreement hopefully ends an almost 9 month standoff with the government that stalled gold exports, but is dependant upon the granting of go-ahead permits allowing production, exports etc. Barrick also sold 25 percent of Cerro Casale to Goldcorp in a 50/50 joint venture. The huge project shifts a large part of the financial risk to Goldcorp allowing Barrick to extract some near term value for a long life asset that investors gave little value. We like this deal. We continue to recommend Barrick for one of the best quality collection of assets and having one of the best managements in the gold mining business. Buy.

- **Detour Gold Corp. (DGC)** – Detour’s mining rates improved in the quarter, with mill throughput at 61,500 tonnes per day, a record. However, production was lower due to lower grades. Total cash costs was $668 per ounce and all in cost at $1,032 per ounce mainly due to lower milling costs. Detour Gold is a low-grade open pit operation and thus grade is particularly important. Detour Gold expects to be mining higher-grade ore from the Campbell pit, which will boost results. We prefer Agnico Eagle here.

- **Eldorado Gold (ELD)** – Eldorado Gold shares plunged to 15-year lows on disappointment over the recoveries at flagship Kislayadag in Turkey, which shocked investors. Because Kislayag is coming to the end of its oxide mine life, recoveries have declined sharply. Eldorado is contemplating high grade high-pressure grinding
Continued from previous page

and conducting metallurgical tests to improve recoveries but have not yet completed work to recover output. Noteworthy, comparable milling facilities could cost $300 to $400 million so the heavy lifting has just begun. Meantime in Greece, the company received final permits at Olympics’ Phase 2 however, Skouries’ permits are overdue resulting in a construction hiatus. Skouries’ construction is 35 percent complete and the plant is at 54 percent completion but the halt will mean more delays. Consequently, Eldorado has again put the project on hold not wanting to spend more money until the government grants the permits.

In Canada, Eldorado is working on a prefeasibility study (PFS) at Integra’s Lamaque project in Québec as Eldorado seeks to diversify from its heavy exposure to Greece and Turkey where the outlook has dimmed. At Integra, underground development continues and the project could produce some 120,000 odd ounces annually over 10 years. While Eldorado has a strong balance sheet with liquidity of more than half billion dollars, the acquisition of Integra Gold is an expensive price to pay for a safe jurisdiction. To be sure, the exploitation of the Integra acquisition will stretch Eldorado’s balance sheet. With the uncertainties of the Greek government permitting issues and Kisladag’s recovery problems, the shares have limited upside. However, longer term we think Eldorado shares have adequately discounted many of the problems and as a result is an attractive option on higher gold prices.

• Goldcorp Inc. (G) – Goldcorp had strong results producing 630,000 ounces at an all in cost of $827 per ounce. During the quarter, former flagship mine Penasquito in Mexico and newly commissioned Eleanore in Quebec improved. Goldcorp boasts proven reserves at 53.5 million ounces bumped up from newly acquired Cerro Casales joint venture with Barrick. Importantly however, the recent reserve additions reflect an expensive acquisition price and Goldcorp, still has to spend billions to exploit its reserve position. Meantime, at flagship Red Lake, Goldcorp is trying to extend its life. Also, the company is still working on a prefeasibility study at Century where continuity is a problem. While Goldcorp has a pipeline of projects which could bring 3 to 4 million ounces on stream, huge capex and sustaining capital for Coffee (cost $526 million), bringing on Dome – Century (Borden cost $526 million) and Cerro Casales (cost $1 billion) are in the billions. Until the dust settles, we prefer Barrick.

• Iamgold Corporation (IMG) – Iamgold Gold reported better results due in part to production from Essakane in Mali, which contributed about 93,000 ounces towards the 217,000 ounces, produced in the third quarter at an all in sustaining cost of $969 an ounce. Iamgold’s production guidance remains at 845,000 ounces to 885,000 ounces for 2017. Iamgold’s flagship Rosebel produced 75,000 ounces in the third quarter at an all in cost of $900 per ounce and hopes to extend its life with nearby discovery Saramacca which contains one million ounces at higher grades at 2.2 grams of gold per tonne. Iamgold was fortunate to salvage a joint venture with Sumitomo for Côté Gold whose original price tag was a whopping $600 million. A feasibility study is to be completed by the first half of 2019. Delineation drilling has already started which in our opinion is needed since our belief that the deposit was not drilled properly. However, the mine won’t be in production until 2021 at the earliest. We prefer B2Gold here.

• Kinross Gold Corporation (K) – Kinross had an excellent quarter due to improved output from Tasiast in Mauritania and from its Nevada mines, which generated about $320 million of adjusted operating cash flow. Also a strong performance from Kupol in Russia contributed to the results. Kinross’ balance sheet is strong at $1 billion of cash with totally liquidity of $2.5 billion, required for the proposed buildout of Tasiast Phase 2, and Round Mountain Phase W. Kinross produced 654,000 gold equivalent ounces in the third quarter. Importantly, at Paracatu, sufficient rainfall in late October allowed the resumption of operations and the reprocessing of tailings, which contributed 47,000 ounces in the quarter. Under normal rainfall conditions, one of the largest mines in Brazil could produce some 500,000 ounces, so water management is a key here. In Russia, the mine produced 146,000 ounces at a cash cost of $524 per ounce due to higher grades.

• McEwen Mining Inc. (MUX) – McEwen Mining had mixed results due to a mechanical failure at the El Gallo Mine in Mexico. Also in Argentina, poor weather and lower grades contributed to San José’s lower results. McEwen closed their $30 million strategic acquisition of the Black Fox mine, which brought in facilities, a mine and $150 million of tax pools which allows McEwen to exploit subsidiary Lexam’s reserves. McEwen completed a detailed PEA at Los Azules in Argentina, which is a long life copper project. During the first 13 years of production, average output is

Continued on page 6
Gold, The End of Fiat Money

Continued from page 5

projected 415 million pounds of copper at an average production cost of $1.14 a pound. However, Azules requires a healthy $2.4 billion so the big project will likely require partners. Nonetheless, we believe Los Azules is not reflected in McEwen’s stock price. Meantime at flagship El Gallo in Mexico, mining is taking place in the deeper portion with better grades. McEwen will bring on Gold Bar in Nevada to replace declining oxide output from Mexico. Progress is substantially advanced and engineering is more or less completed. At Black Fox, McEwen is processing low-grade stockpiles but the intention is to exploit Lexam’s Timmins properties and ship to the 2,400 tpd mill, making it McEwen’s fourth mine. We like the shares here for its growing profile and debt-free balance sheet. Maison recently participated in the last underwriting.

• New Gold Inc. (NGD) – New Gold is an intermediate player, producing 82,000 ounces from New Afton, Peak and Cerro San Pedro. However, Peak Gold in Australia was recently sold for $58 million. Trouble prone Rainy River was finally commissioned and the Ontario mine is more or less complete. However the balance sheet has been stretched by the build-out, cost overruns and delays. While New Gold only has about $200 million in cash, some $73 million is left on their credit facilities, the sale of Peak will help Rainy River until it is in full production. Cash costs at Rainy River is high but as production increases next year, the cost should come down. Blackwater (100 percent owned) is New Gold’s next big project, but the inevitable start-up problems at Rainy River and capex must be addressed before Blackwater could be considered. We remain on the sidelines here.

• Newmont Mining (NEM) – Newmont had a good quarter with production from newly commissioned Merian and Long Canyon offsetting mature operations like Yanacocha whose oxide life is winding down. However, Newmont generated nearly $500 million in free cash flow, double the previous year. The performance reflects the harvesting of some of its assets allowing Newmont to retire $575 million of convertible notes, further improving its stellar balance sheet. Newmont has total liquidity of nearly $6 billion and net debt to EBITA at only 0.4 times. Of interest is that 70 percent of Newmont’s production comes from the United States and Australia. While, Merian and Long Canyon were small contributors, Newmont ambitiously hopes to add 1.7 million ounces annually from nine projects over the next few years financed internally and with cash flow. Barrick with more reserves is a better buy here.

• Yamana Gold Inc. (YRI) – Yamana had a strong quarter producing 257,000 ounces of gold and 1.4 million ounces of silver from six mines. Yamana increased the guidance for silver and for copper. Yamana’s results were assisted by contributions from Chapada and Jacobina. Nonetheless, debt reduction was a key factor since the company is saddled with a whopping $1.6 billion of debt from acquiring its half of Canadian Malartic. Yamana also hedged putting in gold and copper collars. We would avoid this debt-loaded player.

Editor’s Note: John Ing is President, CEO and gold analyst at Maison Placements Canada Inc. Mr. Ing has over 45 years of experience as a portfolio manager, mining analyst and investment banker. Maison Placements Canada Inc. is recognized for providing the highest quality research for emerging growth companies with an emphasis on in-depth analysis instead of the quick synopsis in vogue today. For more information visit www.maisonplacements.com.
President Trump signed the Tax Cuts and Jobs Act into law on December 22, 2017. The corporate tax rate was cut to 21% from 35% beginning in 2018. John Eade, President and Director of Portfolio Strategies for Argus Research Company shared his views and listed “Buy” rated companies that could be big beneficiaries, based on their 2016 tax bills.

We share the market’s enthusiasm for tax relief. It now looks like corporate tax rates will be cut in 2018, joining with tax reform for individuals that is designed to aid all income groups in the coming year. Assuming this windfall is partly spent (and partly saved), consumer spending will be a beneficiary.

The independent Tax Foundation has forecast that tax reform may result in a 3.7% increase in GDP, 2.9% higher wages and an additional 925,000 new full-time jobs. While it may raise the deficit by some $1.4 trillion, higher federal revenues from economic growth could provide offsets. On the corporate side, a new 21% tax rate is expected to reduce the temptation for corporations to move to countries with lower taxes, keeping more of the tax base in the U.S. The new rate may also free up funds for higher share buybacks and dividends, and lower the cost of capital by reducing marginal tax rates on labor and investment.

We expect the earnings benefit for large companies from the tax plan to be in the 5%-8% range. S&P 500 companies had an effective tax rate of about 25% in 2016, far lower than the 35% effective rate due to lower taxes on overseas operations and other offsets. Small caps may be in even better position, as they tend to be less global.

Here are 10 BUY-rated companies that could be big beneficiaries, based on their 2016 tax bills:

**Lowes Cos.** (LOW: BUY): This home supply retailer’s tax rate last year was 38.0%.

**UnitedHealthGroup Inc.** (UNH: BUY): This health insurance company’s tax rate last year was 40.4%.

**Union Pacific Corp.** (UNP: BUY): This railroad’s tax rate last year was 37.4%.

**Amazon.com Inc.** (AMZN: BUY): This Internet company’s tax rate last year was 36.6%.

**Home Depot Inc.** (HD: BUY): This home supply retailer’s tax rate last year was 36.3%.

**Costco Wholesale Corp.** (COST: BUY): This warehouse retailers’ tax rate last year was 34.3%.

**Walt Disney & Co.** (DIS: BUY): This media and entertainment company’s tax rate last year was 34.2%.

**FedEx Corp.** (FDX: BUY): This airfreight company’s tax rate last year was 33.6%.

**Automatic Data Processing** (ADP: BUY): This business services company’s tax rate last year was 33.2%.

**Air Products & Chemicals** (APD: BUY): This industrial gases company’s tax rate last year was 33.2%.

Included are small-and mid-caps such as United Natural Foods (UNFI), Vishay Intertechnology (VSH), Ciena Corp. (CIEN) Blackhawk Network Holdings (HAWK) and Dunkin Brands (DNKN).

Editor’s Note: For more information on these companies, please see the Analyst Reports at www.argusresearch.com.
Eleven Biotherapeutics: Targeting cancer with power + precision

“The KonLin Letter” (TKL) has had many winners in the biotech sector, but remember, there are many that can go down for whatever reason, including underwritten public offerings increasing dilution; case in point is Eleven Biotherapeutics, Inc. (Nasdaq: EBIO), a late-stage clinical company advancing a broad pipeline of novel anti-cancer agents based on its targeted Protein Therapeutics (TPTs) platform. EBIO’s TPTs incorporate a tumor-targeting antibody fragment and protein cytotoxic payloads into a single protein molecule in order to achieve focused tumor cell killing that are produced through its proprietary low cost, one-step manufacturing process. EBIO’s most advanced TPTs are in clinical development for cancers which have significant unmet needs for patients.

“Its lead product candidate, Vicinium™ is in an active Phase 3 clinical trial in the U.S. and Canada for the treatment of high-grade, non-muscle invasive bladder cancer (NMIBC) in patients who have previously received two courses of Bacillus Calmette-Guerin (BCG) and whose disease is now BCG-unresponsive. Bladder cancer is the ninth most common cancer diagnosis worldwide and the second most common malignancy of the genitourinary system, and is the highest per patient treatment cost, with an estimated overall cost of $3.9 bil. annually. The American Cancer Society estimated that approximately 79,030 new cases of bladder cancer would be diagnosed in ’17 and there would be approximately 16,870 deaths due to bladder cancer in the U.S. during this year. There are approximately 10,000 cystectomies or bladder removals a year in the U.S. and it is projected that twice the number of patients refuse the surgery. Reflecting on this unmet medical need, the FDA actually came out with draft guidance laying the groundwork for drug development in this specific space, EBIO believes its trial design closely follows this guidance. EBIO is on track to complete patient enrollment in the Q1 ’18 and report top-line 3-mo. data in mid-’18.

“In addition, Proxinium™ is being developed for late-stage squamous cell carcinoma of the head and neck and has been tested in over 150 patients, including Phase I and II clinical trials. Also, a Phase I/IIa clinical trial in combination with a checkpoint inhibitor is planned to be initiated at an appropriate time. Proxinium-induced apoptosis is believed to set off a chain of events that may lead to stimulation of the patient’s own immune response against cancer cells.

“With the stock in decline, the announcement of a successful $8 mil. Underwritten Public Offering (net approx. $7 mil.) of 5,525,000 shares, prefunded warrants to purchase an aggregate of 4,475,000 shares of common stock, and common warrants to purchase up to an aggregate of 10 mil. shares of common stock at an effective price to the public of $0.80 per share and accompanying common warrant. To date, EBIO has no revenue from product sales, and for the 1st 9 mos. of FY’17, reported a net loss of $(0.91) per share vs. 0.26 per share for the same period in the prior year. Ending Sept.’17, cash and cash equivalents totaled $11.3 mil. together with the proceeds of approx. $7 mil. received in Nov. but will still require additional funds to maintain operations for the next 12-mos. Of the 31,831,995 shares outstanding (as of Nov. 15, 2017), 18.2% are held by insiders and 44.3% are owned by institutions.

“Meanwhile, it appears that the stock completed its waterfall decline and needs to close above 0.77 and then needs to break above the 1.01 level for a technical reversal. The stock will increase volatility as it continues to back and fill putting in a long-term double bottom before reclaiming its 50-Day MA in the area of 1.05 (declining). We would take advantage of the panic selling and Add/Buy as our 1st target of 5.00-5.50 remains, especially since EBIO’s TPTs provide effective tumor targeting with broader cancer cell-killing properties than are achievable with small molecule payloads that require tumor cell proliferation and face multi-drug resistant mechanisms. Additionally, its payloads promote a certain type of cell death called immunogenetic cell death which is known to spark an immune response against the cancer cells. Ultimate target 7.00-8.00.”

Editor’s Note: The KonLin Letter is a unique service that recommends 5 low-priced stock selections each month including a Featured Stock of the Month, and reviews 30-35 different small caps while monitoring a broad range of technical indicators for the best possible Market Timing Advice. The newsletter is consistently rated as one of the best performing Low Priced Stock market letters in the nation. For more information on The KonLin Letter visit www.konlin.com.
AT&T adapting to the changing landscape

Russ Kaplan: “AT&T (T) was started in 1879 shortly after Alexander Graham Bell invented the telephone. Within this time span of over a century, AT&T has been able to adapt to massive changes in the communications industry.

Combining AT&T, which distributes digital content over its wireless networks, with a news and entertainment provider like Time Warner is what economists and antitrust experts consider a classic vertical merger. Because the companies don’t compete, their combining would not alter the competitive landscape in either the telecommunications or entertainment industries.

The company’s current strategy to adapt to change with its proposed purchase of Time Warner is having some anti-trust problems. Because of this the price of the stock has fallen from a high of 43 to a recent price in the 34 range which falls within our value parameters. We believe the merger will go through although maybe with some changes not anticipated at the beginning of merger talks. Even if the merger doesn’t go through we see AT&T adapting to the changing landscape.

This is a Value Line AA+ rated company with a 5.23% yield which has been increasing for most of its recent history. The dividend will probably increase every year in the next several years. AT&T is an excellent choice for those investors who are interested in income. It is my conservative stock pick for 2018.”

Growth Justifies Rich Valuation

For the 12 months ended September, per-share profits, operating cash flow, and free cash flow surged more than 75% on revenue growth of 48%. Cash assets swelled 46% in the past year to $38.29 billion, or $12.95 per share. Operating profit margin has expanded by more than 250 basis points in eight consecutive quarters, while returns on assets, equity, and investment have also marched steadily higher.

Growth for ad prices has accelerated in three straight quarters, most recently jumping 35% for the three months ended September. Management says advertising demand is growing faster than supply, increasing prices for the ads it auctions off.

For investors, that growth comes at a price. Facebook’s Quadrix® Value score of 36 is lower than any of our other recommended stocks. Although the shares look pricey from many angles, they become more reasonably valued when you consider Facebook’s growth prospects and cash position.

Facebook trades at 33 times trailing earnings, or 39% above the average S&P 500 technology stock. Based on its estimated 2018 profits, projected to grow 13%, Facebook has a forward P/E of 27, a 29% premium to its sector. Excluding net cash of $13 per share lowers Facebook’s forward P/E ratio to 25, or 20% above its sector average. But Facebook is expected to increase per-share profits at an annual clip of 28% over the next five years – fewer than 10% of stocks in our research universe are projected to grow at a faster pace. The stock’s PEG ratio, which divides P/E by long-term growth, is 1.1, well below the sector average of 2.0. By this measure, Facebook looks cheaper by than about 85% of our research universe. Even taking a more cautious estimate of future profit growth, such as 20%, Facebook has a reasonable PEG of 1.5.

Encouragingly, analyst estimates are steadily climbing. In the past 16 quarters, Facebook has topped the consensus profit estimate 16 times and the sales estimate 15 times.”
ENERGY AND INCOME ADVISOR
published by Capitalist Times
6841 Elm St., Ste. 1057, McLean, VA 22101. 1
year 24 issues, $999.
www.energyandincomeadvisor.com

2018 WTI forecast

Elliott Gue and Roger Conrad: “A year ago, we
forecast that WTI would likely average about $50
per barrel in 2017 and range between $40 and $60
per barrel, with the commodity spending most of its
time between $45 and $55 per barrel.

Our outlook for 2018 calls for WTI to average
between $55 and $60 per barrel, while spending
the bulk of its time between $50 per barrel on the
downside and $65 on the upside. This slightly higher
lower-for-longer range bodes well for upstream and
oil-field service stocks, groups that we also expect to
benefit from a rotation out of growth-oriented fare
and into value names.

In addition to improving investors sentiment, the
recent strength in crude-oil prices should support
solid capital spending among US exploration and
production companies, many of which have taken
advantage of the rally in WTI to lock higher prices
on expected production.”

Editor’s Note: The Energy & Income Advisor is a complete
guide to the energy sector, from growth stocks to royalty trusts,
master limited partnerships and other income-oriented fare.
Call customer service at 877-302-0749 for a limited-time Special
Subscription Offer of $649 for one year – a savings of $350.

Conrad’s UTILITY INVESTOR
Capitalist Times
LLC, 6841 Elm St. #1057, McLean, VA 22101.
Monthly, Online e-Letter, 1 year, $299

TransCanada Corp:
Steady as she grows

Roger Conrad: “Holiday shopping for stocks?
TransCanada Corp (TSX: TRP, NYSE: TRP) offers
a unique value proposition for conservative investors
in search of a safe yield with substantial upside.

The stock yields 4 percent, and the company likely
will increase the payout by roughly 10 percent later
this winter. TransCanada also has a credible plan
to grow its earnings, cash flow and dividend by 8 to
10 percent annually through 2021, fueled by CA$20
billion worth of smaller-scale power and pipeline
projects throughout North America. About 95 percent
of the company’s projected operating cash flow over
this period will come from regulated businesses and
assets that operate under long-term contracts.

TransCanada also boasts a strong balance sheet,
headlined by CA$1.4 billion in cash on the books,
firmly investment-grade credit ratings and its
September 2047 bonds yielding just 3.85 percent to
maturity.

With TransCanada’s enterprise value (debt plus
equity) standing at 16.2 times operating cash flow, the
stock trades at a reasonable valuation on a historical
basis and relative to its peers. Near-term upside
catalysts include a potential final investment decision
on the controversial cross-border leg of the Keystone
XL pipeline, a high-profile project that would enhance
but won’t break the company’s growth story.

Most investors have focused on Keystone XL to
the exclusion of the company’s other opportunities,
in part because of the resulting earnings uplift and
the potential to improve capacity utilization on the
system’s southern leg.

The stock has remained range-bound since mid-
2016, suggesting that investors remain skeptical
about whether the long-awaited project will move
forward, despite the recent regulatory approval in
Nebraska. But even without this marquee project,
management expects TransCanada’s current project
backlog to drive 40 to 60 percent growth in operating
cash flow through the end of 2021.

Natural-gas pipelines accounted for 63 percent
of the company’s operating cash flow in the third
quarter of 2017. This business line includes a number
of growth opportunities serving Appalachia’s prolific
Marcellus Shale and the promising Montney Shale
in Alberta.

TransCanada also has several large-scale initiatives
that could move the profit meter significantly if they
move forward. Potential opportunities include the
CA$5.3 billion repowering of the Bruce nuclear power
plant in Ontario and CA$10 billion worth of proposed
LNG (liquefied natural gas) infrastructure in British
Columbia.

Conservative investors can buy TransCanada’s
New York listed shares up to US$50.”

Editor’s Note: Conrad’s Utility Investor delivers high-quality
analysis and rational assessment of the best dividend-paying
utilities, MLPs and dividend-paying Canadian energy names,

Money
Digest
P.O. Box 91719, Longwood, FL 32791
editor@TheBullandBear.com
www.TheBullandBear.com
Publisher: The Bull & Bear Financial Report
Editor: David J. Robinson
The Monetary Digest, 1 year, online, 12 issues, $98 + Updates
© Copyright 2018 Monetary Digest. Reproduction in whole or
in part without written permission is strictly prohibited. The
Monetary Digest publishes investment news and comments of
investment advisory newsletters whose thoughts are deemed of
interest to subscribers. Neither the information, nor any opinion
which may be expressed constitute a solicitation for the purchase
or sale of any securities or investment referred herein.
However, CarMax remained profitable, earning response, the company stopped opening new stores. Deep recession sapped demand for vehicles and, in Fiscal 2009 was the firm's most difficult year as the year's quarter. However, as interest rates have begun to rise, interest margin is getting squeezed and will due to ultra-low interest rates. In the most recent quarter this spread was 5.8%, about flat with last year's quarter. As for online initiatives, CarMax recently redesigned its website and is seeing increased customer engagement and leads. It is eliminating paperwork required from associates by testing a new mobile appraisal system. It is also testing a vehicle delivery service.

Financing for customers makes the company's balance sheet look more like a bank's. As of August 31st, CarMax had about $11.3 billion in interest bearing liabilities it owes to investors who buy its auto-loan securities, backed by about the same amount of loan receivables, almost entirely issued to prime buyers. The firm's cash flow and balance sheet easily support its new store expansion program and share repurchases. CarMax has earned $3.64 over the previous four quarters. Applying a low P/E of 13.1 to that figure generates a potential low price of 47, a 30% loss. If 7% sales growth comes to pass, 10% EPS growth is reasonable. Five years of 10% EPS growth multiplied generates a potential high price of 134. This implies the stock price could double, generating a compound annual total return of 15%. We model the upside/downside ratio as 3.5 to 1."

**Editor's Note:** Published continuously since 1973, the Investor Advisory Service is one of the nation's top-performing investment newsletters. Each month 3 stock recommendations are featured along with in-depth profiles of recommended companies and economic and market trends. Download a FREE sample issue at www.InvestorAdvisoryService.com.
Prudent to hold defense shares

Sean Christian: “Defense stocks (RTN and PPA) represent 13.92% of our total portfolio.

Raytheon (NYSE: RTN) continues to look good as analysts raise target prices. RTN (up 471% from our purchase price) continues to see strong demand for their advanced solutions. There is an increased backlog of nearly $1 billion year over year. RTN is cautiously optimistic that a final Defense Appropriations Bill will be completed by the end of December or shortly thereafter. There is strong support for the fiscal year 2018 defense spending Congressional committee markups. Strong demand is seen within the company’s integrated air and missile defense portfolio both domestically and internationally.

RTN has a wide range of solutions to address threats, ranging from short-range rockets all the way up to intercontinental ballistic missiles. Also, RTN has developed some of the strongest domain expertise derived from decades of experience designing and building interceptors, radars, and command and control networks.

JP Morgan is bullish on defense stocks, upgrading its RTN rating and moving its target price to $210 from $190. Morgan sees solid fundamentals and valuations that are still reasonable in the sector. Global sales of arms and military services are growing after five years of consecutive decline.

PowerShares Aerospace & Defense Portfolio (PPA) the largest holding in our portfolio, along with RTN gives us wide diversification in this important sector.”

Investment Quality Trends

INVESTMENT QUALITY TRENDS
1 year, 24 issues, $310 (print). Online, 1 Yr/$265

Timely Ten undervalued stocks

Kelley Wright: “The Timely Ten feature represents our top ten recommendations from the Undervalued category as of each issue.

The Timely Ten is not just another “best of, right now” list. Rather, it is our reasoned expectation based on our methodology and experience that these ten currently Undervalued stocks offer greatest real total-return potential over the next five years.

Do we believe that all 10 will appreciate simultaneously or immediately? Of course not. Our five-plus decades of research and experience, however, leads us to believe that these stocks, purchased at current Undervalued levels, are well positioned for both growth of capital and income.

Traditionally we recommend that all investment considerations begin with the following criteria: Stocks from the Undervalued category; An S&P Dividends and Earnings Quality Ranking of A- or better; A “G” designation for outstanding long-term dividend growth of 10% over the last twelve years; A P/E ratio of 15 or less; A Payout Ratio (percentage of earnings paid out as a dividend) of 50% or less (75% for Utilities); A debt level of 50% or less (75% for Utilities).

The current Timely Ten selections and their yields are:

Walgreens BA (WBA) yielding 2.21%
Cracker Barrel (CBRL) yielding 3.20%
Target Corp (TGT) yielding 4.39%
Lowe’s Companies, Inc (LOW) yielding 2.00%
International Business Machines (IBM) yielding 3.93%

General Mills (GIS) yielding 3.58%
TJX Companies (TJX) yielding 1.72%
Disney, Walt (DIS) yielding 1.63%
Coca-Cola (KO) yielding 3.23%
Omnicom Group (OMC) yielding 3.40%
Editor’s Note: Investment Quality Trends provides a significant amount of fundamental and technical information and data on high-quality dividend-paying Blue Chip stocks.
Where to Invest In 2018

Continued from page 1

the neighborhood of 24,800 at year’s end. Passage of comprehensive tax reform could push markets higher. And the chance of a runaway rally is increasing, says strategist Ed Yardeni, of Yardeni Research – although, he quips, “an earnings-led melt-up isn’t a melt-up, it’s a bull market.”

It behooves investors to look back at how far they’ve come and make some portfolio adjustments. Several years’ worth of spectacular gains may have tilted your portfolio too much toward stocks considering your age, risk tolerance or stage in life. Now is a good time to rebalance your holdings.

And although the bond market will face challenges in 2018, don’t forget that Treasury and other high-quality bonds serve as ballast in a portfolio, providing diversification, buffering volatility and, usually, moving in the opposite direction of stocks during market downturns.

Finally, investors who have a global mindset will fare better than those with a parochial view. Some of the best returns will likely be found outside the U.S.

The Bull’s Hurdles

The risks facing this aging bull are familiar, including political discord in Washington, escalating tensions with North Korea and other flash points. But the market “has been bizarrely unreactive to anything political or geopolitical,” says Samantha Azzarello, of J.P. Morgan Asset Management. Add natural disasters and terrorist attacks to the list of challenges ignored by investors. Midterm elections could prove to be an exception. Market declines of roughly 15% are typical for midterm election years, says LPL Financial’s chief investment strategist, John Lynch. “We have to be prepared for uncertainty over taxes, trade and regulation – and for all the nonsense that leads into elections,” he says. Nonetheless, 12 months following a midterm year’s declines, the market is up 25%, on average, from its low point, he says.

Ironically, what’s good for your pocketbook poses a threat to your portfolio. Were wages to rise enough to cut into corporate profit margins and lift overall inflation, it would signal an overheating economy and spell sharply rising rates and the beginning of the end for the bull market. “We see higher inflation and rates over the next 12 months than the market is anticipating,” says Erik Knutzen, chief investment officer at Neuberger Berman. To date, wages have been stubbornly flat, and Kiplinger expects overall inflation to remain under control, rising by 2% over the course of 2018, up only modestly from 2017’s modest pace of 1.7%.

Complacency is a real risk. Volatility essentially vanished from the market in 2017, a development that can boost bullish sentiment, encourage excessive risk-taking and push valuations to extremes. The University of Michigan’s consumer sentiment index hasn’t been higher since January 2004. But Hank Smith, chief investment officer at Havercord Trust, isn’t worried about euphoria. “There’s more money going into fixed-income funds than into stock funds, and anyone buying a bond fund isn’t making a statement about how exuberant they are,” says Smith. “They’re saying, ‘I’m willing to earn very little in order not to lose money.”

But there’s no getting around the fact that stock valuations are high. Price-earnings ratios have been lower than they are now 89% of the time, going back to the 1970s. The S&P 500 trades at 20 times expected earnings for the year ahead, above the five-year average of 16 and the 10-year average of 14. Still, investors weighing market risks will have to consider the cost of leaving even an expensive market too early. Brian Belski, of BMO Capital Markets, notes that bull markets going back to 1975 have delivered gains of more than 20% in their final year as P/Es creep higher. His message to investors: “Get on board the train.”

Where to Invest Now

Investors who fare best in 2018 will be selective, with a focus on high quality. Sectors, and stocks within sectors, are moving less in lockstep than they have been, which means that stock pickers will have a chance to shine.

Characteristics of high-quality companies include consistent earnings and dividend growth, strong balance sheets, and higher returns on equity (a measure of profitability) than the average S&P 500 company. Such stocks should sidestep the worst losses if the market turns down, but they’ll also do well in strong and even in sideways markets, Belski says. Stocks BMO likes include software giant Oracle (symbol ORCL, $51), truck manufacturer Paccar (PCAR, $72) and insurer UnitedHealth Group (UNH, $210).

Stock sectors poised to outperform in 2018 include financials, especially banks, and technology. Banks will profit from higher interest rates, a growing economy and lighter regulation. Portfolio manager Saira Malik, of investment firm TIAA, recommends Bank of America (BAC, $27) for its strong loan growth, robust cost controls and high credit quality. Or consider an exchange-traded fund, Financial Select Sector SPDR (XLF, $27) is a member of the Kiplinger ETF 20, the list of our favorite exchange-traded funds.

Don’t confuse today’s new-economy tech companies with those of the dot-com era, says Golub. Today’s titans are “well-managed businesses with terrific profits, not speculative investments,” he says. Malik recommends Google’s parent, Alphabet (GOOGL, $1,093). Or check out Fidelity MSCI Information Technology Index (FTEC, $50), which has the
10 Best Stocks to Buy for 2018

Continued from page 1

The firm should benefit from the proliferation of chips in cars, industrial machinery and smartphones. Although Applied’s stock has surged 95% over the past year, it still looks appealing.

**Berkshire Hathaway** (BRK-B) – Berkshire owns dozens of businesses that touch virtually every corner of the economy, so its businesses stand to benefit if U.S. economic growth picks up. And if the market forges ahead, Berkshire’s stock holdings should deliver gains. Even if the market stumbles, master investor Warren Buffett and his team have $100 billion in cash to swoop in on bargains.

**Charles Schwab** (SCHW) – Schwab is much more than a discount brokerage. By offering a broad menu of financial products and services at low cost, Schwab continues to attract investors and financial advisers alike. Client assets top $3.1 trillion. It also benefits from rising interest rates, thanks to a wide gap between what it pays on short-term accounts and what it earns on investments.

Schwab “has the best strategic position of any retail broker,” according to analysts at Sun Trust Robinson Humphrey.

**Delphi Automotive** (DLPH) – The auto-parts giant is a leading low-cost supplier of electronics and other components for electric and self-driving vehicles – a market expected to boom for years. In the near term, Delphi (which is renaming itself Aptiv) could face pressure from a U.S. slowdown in auto sales. But investment firm Cowen views Delphi as “the bridge between the tech sector and the auto sector.”

**DXC Technology** (DXC) – The firm, one of the world’s largest providers of technology-consulting services, was formed in April 2017 by the merger of Computer Sciences Corp. and the business-services arm of Hewlett Packard Enterprise. DXC’s precursor businesses were disappointing. Now, a new team is working rapidly to boost profitability and ratchet up the level of tech expertise. Analysts expect DXC to earn $6.84 a share in the fiscal year that ends in March 2018, then earn $8.22 a share the following year.

**Intuitive Surgical** (ISRG) – Intuitive Surgical makes robotic systems that surgeons use for minimally invasive procedures. Its “da Vinci” system is expected to generate $3.4 billion in sales in 2018 and earnings of $9.22 a share. Bulls see potential for growth as the firm sells more systems and tools for an increasing array of procedures and expands in foreign markets.

**McDonald’s** (MCD) – It’s a rare stock that gains top marks from the Value Line Investment Survey in three categories: timeliness, safety and financial strength. Value Line analyst Matthew Spencer forecasts earnings will rise at a 9.5% annualized rate for the next three to five years. With a P/E of 25, McDonald’s isn’t cheap, but it has a lot going for it: strength in China, successful introductions of premium sandwiches in the U.S. and more-efficient technology everywhere.

**Microsoft** (MSFT) – When Satya Nadella became CEO in 2014, he vowed to shift Microsoft’s focus from personal computers to mobile computing. It’s paying off. Microsoft’s sales jumped 12 percent in the quarter ending September 30, powered by soaring usage of its Azure cloud service. Strong sales of Microsoft Office software show that it remains the most popular workplace tool of its kind.

**UnitedHealthcare** (UNH) – This health insurer has become the indisputable leader in managed care, say analysts at BMO Capital Markets. It operates in all three major insurance markets: individual, group and government-sponsored. It also fills 1.2 billion prescriptions each year via its OptumRx unit. UnitedHealthcare’s navigation of the Affordable Care Act boosted confidence in its ability to prosper under whatever new policy regime that emerges from Washington. The firm is “well positioned for a long runway of growth,” BMO says.

**United Parcel Service** (UPS) – It is a steady performer benefiting from the sharp rise in online sales. It enjoys a solid “moat,” as it would take a fortune or two and decades for a competitor to replicate its delivery business. UPS is a new holding for Parnassus Endeavor (PARWX), the socially conscious investing fund run by Jerome Dodson – which only holds 32 stocks total.

Where to invest in 2018

Continued from page 13

lowest expense ratio (0.08%) of any tech-sector ETF and gives you access to 360 tech names.

Companies that do well when the economy is growing should prosper in 2018. Among so-called cyclical stocks, investment firm CFRA recommends **Honeywell International** (HON, $144), an aerospace and industrial conglomerate whose stock yields 1.8%. Or gain exposure to hundreds of industrial firms with **Vanguard Industrials** (VIS, $135).

We prefer stocks to bonds for 2018. Bonds that have shorter-term maturities will be less sensitive to interest rate hikes. A good choice: **Vanguard Short-Term Investment Grade** (VFSTX), a member of the Kiplinger 25, the list of our favorite no-load funds, yielding 2%. Most investors would be caught off-guard by a jump in inflation. Treasury inflation-protected securities deliver an affordable hedge. Buy them from Uncle Sam at www.treasurydirect.gov. Bargains in municipal bonds could emerge as the possibility of tax reform draws nearer and tax-exempt debt takes a hit. Kip 25 member **Fidelity Intermediate Municipal Income** (FLTMX), yielding 1.7%, is a good choice. Investors who want to stay flexible can choose **Pimco Income** (PONDX), a go-anywhere, Kip 25 fund yielding 3.5%.

Thermo Fisher Scientific: Not Getting “Amazoned”

This is an edited version of George Fisher’s “Best Stock of the Month for January 2018” Thermo Fisher Scientific and was published for subscribers of Guiding Mast Investments newsletter.

George Fisher: “Thermo Fisher Scientific (TMO) is an often overlooked but very diversified medical company worthy of adding to healthcare portfolios as a core holding.

TMO offers the full range of medical customers a wide variety of products. Consumables comprise 60% of revenue, Instruments and Lab Equipment 26%, and Services 14%. While most investors hold healthcare firms in the drug business or in medical services business, few offer the diversity of products and services as TMO. TMO could be seen as a complementary position to what is mostly considered “healthcare stocks.”

The firm’s target market is approximately $110 billion. With total sales approaching $20 billion, Thermo Fisher is the largest supplier of research instruments and consumables, with total market share of 18% – substantial in a highly fragmented market.

Management has grown their business through an aggressive acquisition program. Since 2010, TMO has invested $29 billion in 50 mergers ($20 bil since 2012), and management has indicated that going forward, they plan on using the same playbook: Growth through acquisition in a highly fragmented medical sector. Management has a goal of 60% to 75% of capital deployed will be to expand their business through mergers and acquisitions.

TMO believes its strengths lie in its extensive product offering and geographic coverage. This “one-stop shop” strategy allows scientists, researchers, and health care professionals to order their diverse product needs in a timely and cost-effective manner from one source.

TMO is expected to earn $9.35 per share in 2017 and $10.30 in 2018. This would create a 2017 PE of 20.3 and a 2018 PE of 18.4, in line with the current valuation of the S&P 500.

However, TMO peers are trading at a PE of 25x 2018 estimates. If TMO were to gain this valuation, prices should rise to the $235 to $250 range, adequate reward for shares currently trading at $190.

The three current concerns holding back share prices are:

1) Fear of Amazon cannibalizing its business. There is some concern that Amazon will target the medical consumable business as another challenge.
2) High debt from acquisition. The majority of acquisition capital has been either cash or debt.
3) Acquisition integration risk.

Investors looking to expand their healthcare exposure are well advised to review Thermo Fisher.”

Editor’s Note: Guiding Mast Investments newsletter comes in two parts – 1) the written commentary and 2) the spreadsheet of the companies followed. For more information on the newsletter, visit www.GuidingMastInvestments.com.
Enjoy your copy of The Stock Warrant Handbook as a gift for signing up to Common Stock Warrants free subscriber email list!

The Stock Warrant Handbook will serve as your personal guide to trading stock warrants. The handbook provides easy to read explanations of stock warrants and why you should consider adding stock warrants to your portfolio.

What is a warrant?
A warrant on what?
How to trade?
Leverage
Private placements vs trading warrants
United States and Canadian investors
Market timing
Brokerage firms
Hedging with stock warrants

Common Stock Warrants, edited by Dudley Pierce Baker, provides an exclusive database of all stock-warrants trading in the U.S. and Canada. To receive your copy of The Stock Warrant Handbook, sign up at:

www.CommonStockWarrants.com
2018 TOP STOCK PICKS REPORT
an annual publication of the MoneyShow.

Each year the MoneyShow 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 – Top Picks 2018 features 100 investment ideas for the new year. To receive a free e-book including all 100 Top Picks for 2018, go to www.moneyshow.com and enter your email address. You’ll also get their free daily newsletter – Top Pros Top Picks – which highlights the best stock, funds and ETF ideas of the nation’s leading newsletter experts.

Below we feature a Top Pick from MoneyShow’s 2018 Top Picks Report from Nate Pile, Nate’s Notes and Benj Gallander, Contra the Heard newsletters.

NATE’S NOTES
P.O. Box 667, Healdsburg, CA 95448.

2018 Top Stock Pick:
MannKind

After receiving a very positive label change for its lead product, Afrezza (an inhalable form of insulin), late in the year, MannKind (MNKD) also raised a sizable chunk of cash, notes Nate Pile, editor of Nate’s Notes.

The company has been putting that money to work running television ads in a number of select regions around the country as part of a campaign to raise awareness of the product among both Type1 and Type2 diabetics.

Not only is Afrezza inhalable rather than injectable (all other insulins are injected), it also acts more quickly in the body than existing insulins.

Because of this, diabetics who are using Afrezza are reporting that not only are they able to maintain better control of their blood sugar levels on the high side, they are doing so with less fear that they might cause things to spiral out of control on the low side.

Along with Afrezza, the company also owns the rights to the technology platform upon which Afrezza was created (called Technosphere).

As more of the large pharmaceutical companies look to turn their existing pill and injection products into inhalable, it would not surprise me at all if at least a few of them decide to license MannKind’s technology.

The company has also a identified and begun work on its own formulations of a number of pharmaceutical compounds that it has discovered are especially good candidates for pairing with the Technosphere platform.

The company got a new CEO in May, and though there is still plenty of work to be done, the story is starting to look more and more like the sort of turnaround story that Wall Street likes to get excited about.

With roughly one-third of the float currently sold short, things could get interesting in a hurry once awareness of the product finally hits “critical mass” and doctors and diabetics.

I am a big believer in always scaling-in or scaling-out of positions with several small trades over a long period of time rather than doing it all at once.

Given the volatility of the stock, investors are encouraged to be especially disciplined about scaling into a position over time. Provided you are willing to take such an approach, Mannkind is considered a strong buy under $5 and a buy under $10.”

CONTRA THE HEARD
42 Rivercrest Rd., Toronto, ON M6S 4H3.

2018 Top Stock Pick:
Quarterhill

Quarterhill (TSX; Nasdaq: QTRH), has evolved from a one-trick patent troll pony to an enterprise that is now involved in the Internet of Things, explains Benj Gallander, editor of Contra the Heard.

“That expansion has seen revenues skyrocket from $93 million in 2016 to $86 million just last quarter, with the bottom line showing a fat profit of better than $26 million or $0.22 per share.

Meanwhile the stock trades below $2.00 USD, as after having some mediocre years, it fell off the radar screen for many investors. Back in its heyday this was an $80 stock.

In December, a new CEO was hired, Douglas Parker, who was Senior Vice-President, Corporate Development at Open Text (OTEX). In that position the company acquired about $2.5 billion of enterprises with over 3,500 employees.

Most importantly for investors, the stock price skyrocketed. It would not surprise at all to see Parker create tremendous value at Quarterhill given his track record. Prior to his arrival, the firm has already made a number of acquisitions this year.

Quarterhill plays in an impressive sandbox. Some partnerships include Amazon (AMZN), Ericsson (ERIXF), Fujisoft (Tokyo: 9749), Hitachi (HTHHY) and Samsung (SSNLF), just to give a brief sample. Those are only some of the agreements signed this year.

A primary reason that this stock qualifies as a conservative pick is the dividend. Currently it is north of 2 percent, a very decent payout in these low interest times. If the bottom line stays reasonably fat, there is an excellent chance that it could double over the next few years.”

Editor’s Note: Gallander reports on the Portfolio results for 2017. “For the President’s Portfolio, the 2017 gain clicked in at 9.4 percent, by far its worst performance since 2008. Without the rise in the loonie the return would have been 14.3 percent. C’est la vie. The five- and 15-year numbers now clock in at 22.5 percent and 16.7 percent.

The Vice-President’s Portfolio had a 2017 gain of 11.6 percent. The decline in the USD knocked it down from 16 percent. The 5-year return registers 13.5 percent.
The Coca-Cola Company: Earnings recovery should begin in 2018

Once again Ian Gendler shines the spotlight on The Coca-Cola Company (KO), a Dow-30 component and the world’s largest beverage company.

“The Georgia-based corporation produces and markets over 500 nonalcoholic beverage brands through a network of company-owned and independent bottlers/distributors, wholesalers, and retailers. It employs approximately 100,000 individuals and has a market capitalization that exceeds $195 billion.

Coca-Cola has wrapped up its refranchising campaign in the United States. The company still has work to do on this front in Canada and Africa, but most of the heavy lifting appears to be behind it. These efforts, along with other structural items, have had a big influence on operating results, likely reducing 2017 full-year revenues by 18% and pretax income by 6%-7%. The changes will continue to weigh on comparisons in 2018, but should position Coke as a higher-margin, less capital-intensive business moving forward.

An earnings recovery should commence in 2018. While the global beverage giant generates most of its pretax profits outside of the U.S., it should still realize some benefit from the reduction in the corporate tax rate here. In addition, as mentioned above, the bottom-line headwinds from refranchising ought to diminish considerably this year. All told, our 2018 share-net estimate now stands at $2.05, or 8% higher than last year’s probable tally.

All told, Coca-Cola is making good progress in regard to its restructuring. As for the stock, while not cheap, it will likely retain some appeal with conservative investors. The issue carries our top rank for Safety™ and perfect scores for Price Stability and Earnings Predictability.”

Editor’s Note: Ian Gendler is Executive Director, Value Line Research, www.valueline.com.

*************

Value Line MARKET FOCUS
551 Fifth Ave., FL 3, New York, NY 10176.

The Coca-Cola Company: Earnings recovery should begin in 2018

Once again Ian Gendler shines the spotlight on The Coca-Cola Company (KO), a Dow-30 component and the world’s largest beverage company.

“The Georgia-based corporation produces and markets over 500 nonalcoholic beverage brands through a network of company-owned and independent bottlers/distributors, wholesalers, and retailers. It employs approximately 100,000 individuals and has a market capitalization that exceeds $195 billion.

Coca-Cola has wrapped up its refranchising campaign in the United States. The company still has work to do on this front in Canada and Africa, but most of the heavy lifting appears to be behind it. These efforts, along with other structural items, have had a big influence on operating results, likely reducing 2017 full-year revenues by 18% and pretax income by 6%-7%. The changes will continue to weigh on comparisons in 2018, but should position Coke as a higher-margin, less capital-intensive business moving forward.

An earnings recovery should commence in 2018. While the global beverage giant generates most of its pretax profits outside of the U.S., it should still realize some benefit from the reduction in the corporate tax rate here. In addition, as mentioned above, the bottom-line headwinds from refranchising ought to diminish considerably this year. All told, our 2018 share-net estimate now stands at $2.05, or 8% higher than last year’s probable tally.

All told, Coca-Cola is making good progress in regard to its restructuring. As for the stock, while not cheap, it will likely retain some appeal with conservative investors. The issue carries our top rank for Safety™ and perfect scores for Price Stability and Earnings Predictability.”

Editor’s Note: Ian Gendler is Executive Director, Value Line Research, www.valueline.com.

*************

THE INVESTMENT REPORTER
MPL Communications
133 Richmond St., W, Toronto, ON M5H 3M8.
Weekly, $5.83+taxes a week billed monthly

Balance your portfolio across 5 sectors

It’s best to diversify your portfolio across all five sectors of the economy: finance, utilities, consumer, manufacturing and resources. Remember, though, there’s danger in loading up on stocks in sectors that we expect to beat the market. That’s because investors often bid up the prices of such stocks, making them vulnerable in market setbacks – Investment Planning Committee for The Investment Reporter.

*When you buy stocks in sectors and sub-sectors of the market, keep your goals in mind. If you’re a conservative, income-seeking investor, focus on utilities, financial and consumer stocks. If you’re aggressive, buy more manufacturing and resource stocks.

As a general rule, we advise you to keep at least 10 per cent – but no more than 30 per cent – in each of the five main economic sectors. Remember, too, that within any given sector or sub-sector, individual stocks will perform differently from one another.

Here’s our outlook for the next six to twelve months for the five main sectors and their sub-sectors. Our long-run outlooks can differ from our short-run outlooks.

Financial Stocks

We still expect the bank stocks to beat the market. Interest rates are moving up, they’re expanding, cutting costs and pay high, growing, dividends. We now expect mutual funds to match as they offset competition by the banks with exchange-traded funds. We still expect insurers to beat due to rising interest rates and fast growth abroad, particularly in Asia.

Utilities Stocks

Utilities mostly pay high and rising dividends. We still expect gas and electricity utilities to match as they compete against renewables. We now expect pipelines to match due to vociferous opposition. We still expect the telephone oligopoly to beat.

Manufacturing Stocks

We still expect building materials stocks to match as construction and renovation proceed. We still expect chemical stocks to match as they merge and cut costs. We still expect fabricating stocks and engineering stocks to outperform as North American governments invest in infrastructure. We still expect steel-related stocks to lag due to low prices as China dumps excess output. We still expect technology stocks to outperform as firms invest to cut costs. We now expect transportation stocks to match. Protectionism will reduce the movement of goods internationally, but the North American economy is growing.

Consumer Stocks

We still expect traditional communications stocks to lag, but not those that serve online advertisers. We now expect food, beverage and tobacco stocks to match as more investors seek dividends and safety. We still expect Canada’s drugstores and small healthcare stocks to lag, due to government regulations, lower drug prices and generic drugs. We still expect surviving merchandisers to match as competitors fail. But online sales by say, Amazon, are a threat.

Resources Stocks

We now expect gold stocks to match as inflation is low but they rationalize operations. We now expect oil and gas stocks to match as US shale drillers profit from higher prices at Canada’s expense. We now expect mining stocks to outperform. Stronger international trade is positive for demand and prices. We now expect forestry stocks to match. US duties are partly offset by brisk construction and rebuilding in Houston and the Florida keys after the hurricanes.

Sector Overview

It’s best to diversify across the five main sectors of the economy: finance, utilities, consumer products

Continued on page 19
Continued from page 18

and services, manufacturing and resources. Each of these broad sectors is made up of sub-sectors that often have different outlooks.

Remember, though, there’s danger in loading up on stocks in sectors that we expect to beat the market. That’s because investors often bid up the prices of such stocks, making them vulnerable in market setbacks. Stocks in sectors that we expect to underperform, by contrast, often trade at bargain levels. Besides, predictions – including ours – are susceptible to errors. So make sure you own some stocks even in sectors that we expect to lag the market.”

Editor’s Note: This is an edited version of an article that was originally published for subscribers to The Investment Reporter. You can profit from the award-winning advice subscribers receive regularly in The Investment Reporter.

S.A. ADVISORY
4708 S. Holladay Blvd., Salt Lake City, UT 84117.
1 year, 8-12 issues, $250.
Special: 6 month personal phone service, $1,000

Top Dividend Pick for 2018

William Velmer’s Top Dividend Pick for 2018 remains his mid-year pick Optex Systems (OPXS $1.05 / OPXXW $.38). The dividend per share and warrant is current. 08/year. The next 2 payments are Jan 19th/April 19th 2018.

The current upgrade, refurb and “new” purchases of military hardware domestically and by are allies are just starting to “kick-in” and for many years to come should reward unique companies like OPXS with dramatic growth potential organically as well as via acquisition.

The company is certified ISO 9001 2008. The main DoD business consists of manufacturing optical sighting systems. It provides these systems for Abram Tanks, Bradley’s, LAV/SAV and the Stryker family of vehicles. Domestically as well as Internationally this easily amounts to billions upon billions of dollars being spent after years of break down, destruction, failure, worn out and enhancement of military equipment needed to combat the evil that encompasses our world.

The company also provides optics for Navy vessels and on the consumer side has been marketing sighting devices that has been growing rapidly for the company.

At present there are 8.5 million common shares and 4 million common stock warrants outstanding (the warrants can be converted @ $1.50 –they are non callable and expire August 2021. The current yield based upon an 08 div and .35 warrant price equals a very juicy 22.8% yield. Based upon the $1.09 share price and the same dividend the yield equals 7.3%. (note: heavy insider buying and corporate buyback)

Major weapon systems that OPXS participate in for 2018 equals some $3.4 billion for the current fiscal year. This amount of money being invested within OPXS’s area of purchase has not been seen since 2011.

Revenue was up slightly (fiscal 2017) and losses almost disappeared. Most of the loss of (.04) for the year resulted from non-cash. (Note: prior yr (.91))

For fiscal 2018 the company saves $1.2 mn in preferred payments+ $120K that went to the x-chairman. This saving alone will result in at least $.15/sh in earnings during the current year. We believe with huge backlog anticipated to start forming during the current (above and beyond the $20 mn in current backlog) year and beyond that OPXS could easily earning $.20-.25 with revenue of $22-$25 mn during this current year.

We are estimating that OPXS will earn around $.20 and based upon the current share price of $1.09 is trading at an est. PE of 5.5x. We believe a more realistic PE should be 15x or a share price of 3.00 ~ a 200% appreciation potential from current levels. If this happens the warrant much be priced around $1.75 or 5X the current level.

For leverage sake & yield we favor the 2021 common stock purchase warrants OPXXW @ .35. We remain totally committed to both avenues of investment and place a Strong Buy recommendation on both.”

Editor’s Note: S. A. Advisory recommends low priced Nasdaq and Nasdaq Bulletin Board opportunities that are fundamentally undervalued and underfollowed, midcap higher priced stocks that are out of favor and turn-around situations, and international investment opportunities. Sign up to receive FREE Buy and Sell recommendations at www.saadvisory.com.

***************

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

Bright outlook for 2018

Mary Anne and Pamela Aden: “Gold ended 2017 in its best year since 2010 and after being up for two consecutive years. Gold’s D decline is over and it was a moderate one. Copper is enjoying its best run in almost three decades while crude oil broke out to a three year high. The turnaround time is up.

We’re starting to see a very bright future for the whole sector of precious metals, resources and energy, and their shares.

Gold’s A rise is now underway, which could end up being part of a consolidation period. Silver and gold shares are doing fine. Keep your positions, and if you didn’t buy as we suggested in December, buy now and on weakness.

Our resource and energy stocks had a good rise. We have BHP Billiton (BHP) and the Oil Fund (USO). We’ve been recommending to add to our BHP position over the past month, but if you don’t have either, buy some now, and more on weakness.

We’re recommending three new shares, Rare Earth (REMX), DJ US Energy (IYE) and Horizons Marijuana (HMMJ.TO). Buy some now, and more on weakness.”

***************
THE BEST MONEY IDEAS OF 2018

THE MONEYSHOW
ORLANDO
FEBRUARY 8-11, 2018
OMNI ORLANDO RESORT AT CHAMPIONSGATE

- LEARN from a stellar lineup of financial experts
- Have ACCESS to 200+ discussions and presentations
- DISCOVER NEW cutting-edge products and services
- GAIN wealth-building insights for profitable success

PRIORITY CODE: 044204

ATTEND FREE! www.OrlandoMoneyShow.com or Call 800-970-4355!

PLATINUM SPONSOR
GOLD SPONSORS
BRONZE SPONSORS
EVENT SPONSORS

TD Ameritrade
Merrill Edge
VectorVest
tastytrade
Fidelity
New York Stock Exchange
The Options Industry Council