

The Global Macro Digest^(R)

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The Global Macro Digest® Weekly Newsletter
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Gold Rally Continues

Highlights: Over the past several weeks the markets have been very lackluster. The most recent week was no exception. All of the major indexes in the U.S., Europe and Asia declined this week. What's more, recent very slight declines have begun to turn into larger declines. For example, in the U.S., the S&P 500 slipped -.30% the previous week but fell -1.13% this week. The FT-100 rose .36% the previous week but fell -.30% this week. The Nikkei fell -1.29% the previous week and fell -1.76% this week. All around the globe the markets seem to be pausing to rest and reevaluate the economic environment.

Two exceptions to the slump have been the price of oil and the prices of precious metals. In an interview with the Wall Street Journal that was published on Wednesday, President Trump said that the U.S. dollar is "getting too strong." This comment caused the U.S. dollar to fall suddenly. The price of gold was up every day this week. No doubt the President's comment affected not only the dollar's value but the price of gold as well. However, this was not a reversal of a trend. Gold prices have risen four weeks in a row.

More on energy and gold prices below.

INDUSTRY GROUPS:

Gold: Gold prices received a boost this week when President Trump expressed concern that the U.S. dollar is "getting too strong." The dollar immediately slumped, and gold rose.

However, this was not a reversal of a trend. Gold prices have been on the rise for the past four weeks. Over this period, gold mining companies have been the best performing of any industry group.

Moreover, the gains have not been limited to a few companies. Premier Gold Mines (PIRGF), Torex Gold (TORXF), Newcrest Mining Ltd (NCMGF), Randgold (GOLD), and Barrick Gold Corporation (GOLD) are just a few of the many gold mining stocks that have been doing well of late.

Energy: Oil prices were up again this week. Brent Crude rose 1.18%; West Texas Intermediate crude rose 1.80%. However, energy companies and energy services companies did not join in the rally. There seems to be a lack of confidence about whether the oil price rise will hold up against pricing pressures from U.S. oil shale producers.

Telecommunications: There are two factors that weighed down on telecommunications stocks

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this week. Both relate to Apple, Inc. (AAPL). First, Apple announced that the introduction of the new model iPhone, the iPhone 8 would be postponed to October or November of this year, or maybe even later. It had been expected in September.

Second, Apple announced that they plan to bring more development of smartphone, iPads and iPods technology in-house, and eliminate some of their suppliers. Specifically, they announced that they would no longer be licensing technology from Imagination Technologies. That company has relied on their relationship with Apple for more than half of its revenues. Imagination stock was hit especially hard. Other suppliers, such as Skyworks Solutions, Inc. (SWKS) and Qorvo, Inc. (QRVO), were also negatively affected, although they were not mentioned by Apple.

Technical Indicators: This was the first week in which technical indicators clearly slipped into negative territory. In previous editions of the GMD Weekly Newsletter I have observed that market volume has been on the decline of late. However, this was the first week in which technical indicators (Advance/Decline and Up Volume/Down Volume) obviously slipped into negative territory for both the NYSE and the NASDAQ.

Featured stocks:

Alibaba Group Holding Limited (BABA)

Alibaba is an online and mobile commerce company in mainland China. They are a Chinese version of Amazon.

POS: Alibaba has enormous growth opportunity in cloud computing in China. Some commentators believe that they have an excellent opportunity to win a majority of this \$50B to \$75B market over the next five years.

POS: Alibaba has enjoyed a faster growth than Apple in the smartphone market in China.

POS: Alibaba is well positioned for their planned expansion into a myriad of Internet related services, including cloud computing, web hosting, and the financial investment industry, i.e. the robo-advisor market, a very large growth opportunity.

NEG: Their valuation is high. P/E of 50.67 times trailing earnings; P/E of 25.75 times forward earnings.

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