

The Global Macro Digest^(R)

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The Global Macro Digest® Weekly Newsletter
For April 7, 2017

Gold on the Rise

Highlights:

Military conflicts, such as we witnessed this week, usually give positive impetus to gold prices. And that was true this week. However, the rise in gold prices should be kept in context. First, the rise was very modest. Comex gold rose just .43%. Furthermore, this was the fourth consecutive week in which gold prices have risen, and this was the smallest gain of any of the four weeks. Seen in this context, the movement in gold prices was quite moderate.

There actually seems to be more concern about anticipated actions of the U.S. Federal Reserve. There are concerns about the magnitude of planned interest rate hikes. These concerns are not unjustified. The history of the Fed is a record of moves from one extreme to the other, from extraordinarily free and easy monetary policy to extremely restrictive monetary policy. At the present time it cannot be said that Fed policy is too restrictive. Nevertheless, it is a situation that should be monitored carefully.

In the U.S., all of the major indexes declined slightly this week. The DJIA, the NASDAQ, and the S&P 500 slipped -.03%, -.57%, and -.30% respectively.

Overseas, the Hong Kong and Shanghai Composite indexes both gained ground. The DAX lost -.71%, while the FT 100 gained .36%.

Industry groups:

Gold:

As mentioned above, gold prices have been on the rise for the past four weeks. Gold mining companies have been the best performing industry group over this 4-week period.

Telecommunications and utility stocks both rose slightly this week.

Other than those three industry groups, all market sectors did poorly this week.

Energy:

Oil prices jumped this week on fears that military action in the Middle East might disrupt deliveries. As of the end of the week, there were no signs of a disruption, but oil prices rose nevertheless.

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Technical Indicators: Technical indicators are stuck firmly in neutral. They are not especially positive; they are not particularly negative. It is difficult to interpret them in any way except neutral.

The one facet of technical indicators that bears watching is volume. Total market volume on both the NYSE and the NASDAQ peaked on about March 28. Since then market volume has been declining. This has not been happening at a sharp, precipitous rate. Rather, there has been a slow but noticeable erosion.

Featured stocks:

Activision Blizzard, Inc. (ATVI)

Activision Blizzard, Inc. develops and publishes games for video game consoles, personal computers (PCs), mobile devices, and online social platforms.

POS: They have increased their operating margin to 35% of sales.

POS: They purchased King Digital and they are just beginning to monetize this large new user base.

NEG: Shareholders of ATVI have been enjoying a very nice rally since the beginning of the year. This has led some to express concern that the stock has become fully valued.

NEG: ATVI recently announced that they are raising prices on some of their popular games. This has resulted in negative reaction from some customers.

Qorvo, Inc. (QRVO)

Qorvo is an innovator in radio frequency (RF) solutions for mobile, infrastructure, civilian and military applications. The company supplies RF solutions to wireless network infrastructure, defense, and aerospace markets.

POS: Qorvo is a major supplier to Apple, Inc. Qorvo is expected to benefit greatly from the next iPhone cycle.

NEG: Apple has postponed the launch date for its new model, presently referred to as the iPhone 8.

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