



New York Securities Pty Ltd

Get ready for a Great 2018...

Trump got his tax plan over the line in the USA, the Dow has hit historical records above 25,000 with another 220 points on Friday night, and finally the ASX 200 has been dragged screaming into new highs of 6,138 as well.

As indicated in one of my previous Newsletters when the Headlines turn positive we will be well and truly on our way to having our market improve, dragging in the numerous investors sitting on the bench waiting for the bell to ring. That time has arrived with the Index stocks continuing to attract attention and funds, Gold price making new highs of US\$1,322 after recovering from a bit of a slapping recently after the US\$ firmed up.

Traders are slowly returning to the lower end of the market and taking some very good short term profits which we have not seen for some time. Even I took a shot at some small tech stocks in the block chain technology area and skimmed off some 25-30% in a week or so. Yoji and Digitalix never heard of them right!?

A perceptive client grabbed some AC8 Marijuana shares the other day after reading an article about the company's progress and government support, and made about 50% in a matter of days. AC8 went on to reach \$1.78 as of today.

This is what creates the beginning of a bullish market in junior and risk stocks. The Global stock markets are all being dragged into positive territory by the USA boom and are actually churning out really positive numbers.

Like Trump or not, he's a business man and he has identified all the areas that needed to be fixed to return the USA to being the World leader again in investment and Profits, as well as generating jobs in all sectors. Had his own Republican Party not let him down in repealing the Obamacare by one vote (John McCain), he would have had two major pieces of legislation through, covering tax and health care for the USA residents.

The sheer enthusiasm of the business community in the USA and very large companies is resulting in them already handing out bonuses of \$1-2000 to hundreds of thousands of employees and wage rises, as well as announcing major new investments as a result of the drop in corporate tax rate to 21%, is resonating around the World.

Now other countries will have to drop their tax rates, or investment funds will flow into the USA where they have a major consumer population. Wake up Australia!! And get out of the

way Shorten. Governments will have to reduce their size and start to make cuts to reduce the debts, to repay wasted expenditure by past Politicians buying votes. Over generous social benefits where greed is applicable and not need, needs to be reigned in over a period. Unemployment benefits need to be controlled the same way and stop lazy people and immigrants who do not want to work, start to have their benefits reduced or stopped, and stop gaming the Australian tax payer.

Yes the USA have a major debt of some \$20 trillion dollars, but an increase in their GDP from 2% to 3% will generate huge Tax income to the Government, coupled with savings and cut back on wasteful spending on Foreign Aid, and numerous other areas will see a balancing of their budgets and or reduction within his first term of 4 years. For every person out of work receiving food stamps and government benefits, who then obtains a job and starts paying taxes, it creates a double whammy benefit to Governments of all persuasions, especially the USA citizens who are major spenders and consumers.

More money circulating through more hands is what they call the Velocity of Money, and the greater the velocity, the more people who receive and handle that dollar, the more each party pays in tax and small businesses employ more people.

The USA has already had a rise to 3% GDP for the last 2 quarters, up from 1.8 to 2%, and they're aiming for 4% plus. Then the game gets very active for everyone around the Globe. This will eventually create inflation in the USA with commensurate small increases in the cash rate by the Fed which will be absorbed without too much damage, and will recover quickly.

All of this incidentally is a major boost to commodities of all sorts, both hard and soft commodities, of which Australia has both and massive quantities.

In regards to our ASX 200, in previous newsletters I have regularly shown you the VIX chart in which we have expected the gap between ASX200 & VIX to close and possibly merge but it has done the opposite, the gap has widened and it may in fact just trade sideways at worst for some time, thereby automatically flattening the divergence. Let's hope so because the alternative could be a fairly severe correction. A 5-10% may even be welcomed to allow the cash sitting on the sidelines to enter the market at a lower price.

Yet the charts are not actually showing any short term overbought signals as shown in the below **ASX200 Chart**. The second section from the bottom of the chart is the MACD, my favourite indicator, has just started turning up indicating a buy signal.

The RSI (Relative Strength Indicator), the section above the MACD, is meant to show any potential overbought or oversold indication, but is only showing slight movement into the short term overbought territory. Not yet a concern.

ASX 200 Chart



The big sectors that have been running hot are Energy and Materials sectors covering Oil & Gas and Resources just the beginning.

The ASX 200 has had a pretty good kick up from the 6th October 2017 after some 5 months of flat range trading before that.

Spot Gold has also had a very good run up to touch the US\$1322 level again, and may also need a short correction before it heads off to US\$1400. Gold will be a boom metal over the next 2 years.

Note the short term overbought signal in the RSI in the bottom section of the **Spot Gold Price Chart** below.

Spot Gold Price Chart



Those investors holding a lot of short term trades from 2007 onwards that turned into long term holds, do not fret, as my alert signals are going off on a regular basis for a lot of small stocks I hold, and in most cases what you may be holding. As I indicated last week stocks which owed me a lot have recovered in the last few months and I have been able to take some cash out of the market, when I felt they were over bought. This is happening for a number of these juniors as the enthused Directors find projects of interest, raise cash and start drilling. We hope to replicate that with Cervantes of which I am a director and substantial shareholder, as are a number of you. We look forward to a very positive year.

There are some very interesting stocks, most of which I have not heard of before, after name changes and recapitalisation. All having increased volumes in trading and making small incremental rises in price, as well as some dividend stocks beaten down for short term reasons. One of those stocks we recommended some time ago was Greencross (GXL) which has improved from our recommendation date of \$5.50 to \$6.50 and of course Pioneer Credit (PNC) has improved from \$2.50 to \$3.16 and settling in at a support of \$3 for now.

A stock I am watching is RFG (Retail Food Group) at \$2.47 which took a real beating recently on downgrades etc and may be worth a trade. You can see the major sell down, then a small dead cat bounce and now uncertainty.

RFG is a global food and beverage company headquartered in Australia. The Company is owner of the Donut King, Brumby's Bakery, Michel's Patisserie, bb's Café, Esquires, Gloria Jean's Coffees, It's A Grind, The Coffee Guy, Café2U, Pizza Capers and Crust Gourmet Pizza Bar Brand Systems, and is a significant wholesale coffee roaster supplying existing Brand

Systems and third party accounts under the Di Bella Coffee Co. As well, RFG is an emerging leader in foodservice, dairy processing and wholesale bakery pursuits, operating the Hudson Pacific Foodservice, Associated Foodservice, Dairy Country and Bakery Fresh businesses.

RFG Price Chart



Stock price is trading sideways (top section).....RSI (middle section) is just moving into comfort areas and the MACD (bottom section) has just broken upwards. Good dividends but earnings will be adjusted so they may be lower but on a sizably lower share price. I will decide this week to buy or try something else with more return and more risk.

I once again remind clients who have not yet completed the forms (which we will do for you) to transfer over to our new execution and clearing agent; please do so as soon as possible.

You will be ecstatic about the facility of reviewing your portfolio each morning online, reviewing your previous transactions, ledger, watch lists, creating charts and looking at Market Depth for each stock, as well as P/E ratios, dividend yields and real time news on any company on either the ASX or NSX.

We also recommend considering and looking up **ETF's (Exchange Traded Funds)** which allow you to buy commodities, International shares Globally, or in specific countries, or Large companies in various countries. In addition you can buy currencies, bonds or cash ETF's which reduce the risk of any one investment going bad as ETF's hold a portfolio in each style of investment. They are listed and provide the same ability to move in or out as an equity depending on the liquidity of that ETF.

When you begin to have a **synchronised group of the major countries economic indicators all showing positive signs, such as USA, Europe, Japan, China and Asia in particular, you have to believe the animal spirit is returning**, and we can hope for substantial profits to begin showing up in your portfolios, and the return of the traders and fund Managers who have been sitting on the sidelines for some considerable time.

We could even be approaching and replicating our 2005 to 2007 period.

Our areas of concern are Iran, North Korea, a collapse of Bit Coin wiping out millions of investors funds and removing confidence of the investors, and a larger correction of the USA markets beyond an acceptable correction. Gold would benefit from nearly all of these issues.

AS ALWAYS:



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