CASEY RESEARCH

Six Big Predictions for 2019

By E.B. Tucker December 5, 2018

It's one of the most important things we do all year…

Each December, we predict the direction of prices for several key markets in the coming year. We don't care about the exact price. That's as useless as guessing the weight of a cow at the state fair. What we want to determine is the direction – higher or lower.

This is one of the most valuable things we can share with you. It's also important that you understand *why* we value it so much.

When prices in any corner of the market rise, related stocks tend to do well. Even the worst-run companies in a hot sector benefit. That makes stock picking fun.

When the opposite happens, people rush for the exits. Even if you're sure you've picked the best stock by all metrics, it's likely to flop if its industry faces a down market.

However, all down markets are temporary. Over time, everything runs in its own cycle. Focusing on the corners of the market heading into upswings and staying away from those on the edge of downswings is the key to building substantial wealth in the market over time.

Getting the big picture right today is more important than any time in recent memory. Thanks to the popularity of low-cost index funds, trillions of investment dollars now sit idly in the market. Most investors in these funds are not paying attention. That's exactly what you see before big losses wipe out hard-earned savings.

Now is the time to stay away from trouble. We like to focus on overlooked sectors on the cusp of runaway bull markets.

Before we get to our predictions for 2019, let's look at our 2018 predictions. We published these in *The Casey Report* on December 14, 2017.

For new readers, it's important as we go through each of these categories to consider how valuable the insight was in retrospect. If a sector fell as we predicted, any time spent studying specific investments in that market was wasted. Bitcoin tops that list.

2018 Prediction Recap

Sector	Our Prediction	What Happened
Bitcoin	Lower	↓ 77%
Gold	Higher	↓ 3%
U.S. Dollar	Lower	↑ 4%
Interest Rates	Higher	↑ 30%
Crude Oil	Higher	↓ 10%
Real Estate	Lower	Market Slowing

Bitcoin

You should know that I (E.B.) endured several rounds of questioning from my publisher about my pessimistic thoughts on bitcoin. I went as far as to call the coins themselves worthless and the technology underpinning them revolutionary.

Our 2018 market predictions came out on December 14, 2017. We pleaded with bitcoin owners to at least sell enough of the computer money to recoup their initial investment. That was just four days before it hit its all-time high of $18,500. As we write, bitcoin sells for 77% less.

This might be the last time we make a prediction about bitcoin's direction. Last year, we could not resist including the cryptocurrency as it was in peak mania just as we went to press.

If you did not take our advice last year and you're still sitting on bitcoin profits, consider taking them. The price is due for a relief rally at this point. We hope you'll see that as a selling opportunity.

It's essential to realize that bitcoin's value has little to do with the coins themselves. The genius of cryptocurrency is the architecture behind the coins. You've probably heard it called blockchain technology. This technology is separate from the actual coins.

Major corporations like IBM and Microsoft have blockchain projects in the works now. We speculate even the Federal Reserve will look to adopt the technology. This would make the dollar impossible to counterfeit, prevent tax evasion, and ultimately give the Fed total control of every dollar in circulation.

The Fed could do all of this without buying one bitcoin. That's why we see the price of bitcoin heading lower.

Bitcoin Price In One Year

Another reason I am so confident in my prediction is that bitcoin fails my dogma test. Any time you encounter dogma in a popular investment, people are not thinking clearly. Prices tend to fall far enough to wipe these people out.

To test for dogma, ask an investor who has conviction about his idea, *"Have you **ever**, even for the **briefest** of moments, considered that you **might** be wrong?"*

If the answer you get back is, *"Absolutely not!"* then you know to sell immediately because dogma has overpowered rational decision making.

Crude Oil

Last year, we predicted the price of crude oil would rise. It did rise – from \$57 to a high of \$76 on October 3 – before collapsing 35% in six weeks.

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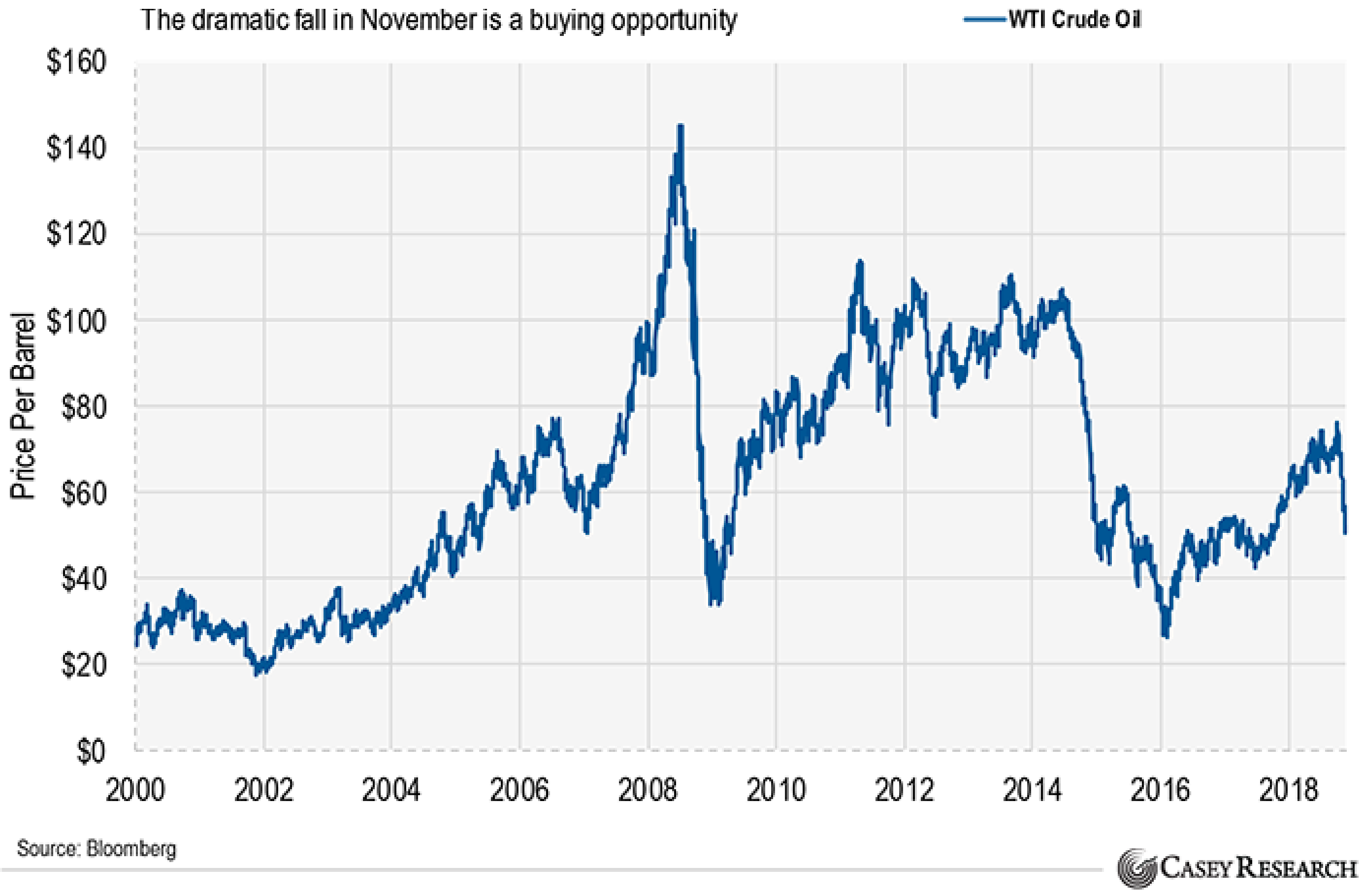
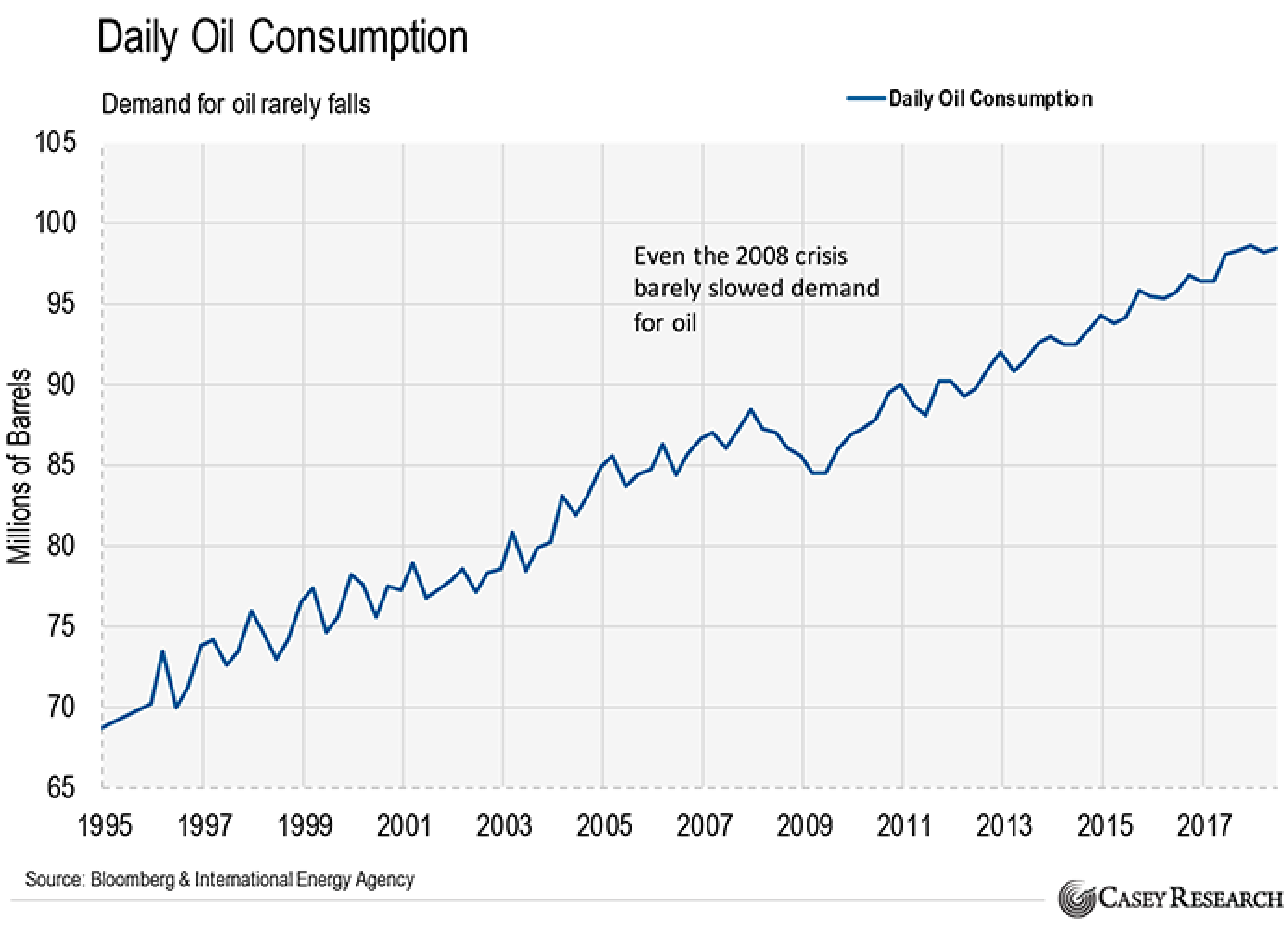


The price decline over the past month is alarming. Oil fell for a record 12 days straight. That's a rare decline for a commodity that fuels world commerce.

Demand for oil is strong. In fact, it's getting stronger. The chart below shows worldwide daily oil usage is close to 100 million barrels per day.



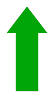
Strategic Investor analyst John Pangere and I went to Houston in early 2018 to visit with several oil industry veterans. They told us the massive fracking boom in the middle of the U.S. had likely reached an extreme. At the same time, investment in offshore oil supplies dwindled to almost nothing in the years following the *Deepwater Horizon* accident.

Our Houston contacts also told us the technology at work producing oil in many parts of the Middle East was on par with what we used in the U.S. 40 years ago. At some stage in the future, modernizing these operations means hundreds of billions in capital spending. These upgrades are unavoidable as dated equipment is inefficient and expensive to operate.

It's important to realize that most of the world's oil production comes from state-owned entities. U.S. and U.K. companies are some of the world's only non-government oil producers. That means when the price of oil tumbles 35% in six weeks it stings Exxon… but it cripples governments dependent on oil exports.

the price of oil moving higher in 2019.

Oil Price In One Year



If the oil price does stabilize here, we'd look to own more oil service stocks like portfolio holding **Transocean (RIG)**.

The word from Houston was oil doesn't need to be $100 for the U.S. Gulf to draw in billions in new investment. After years of neglect, the Gulf looks set to reap big benefits with only a modest increase in the oil price. That's a trend that will carry related stocks to new highs.

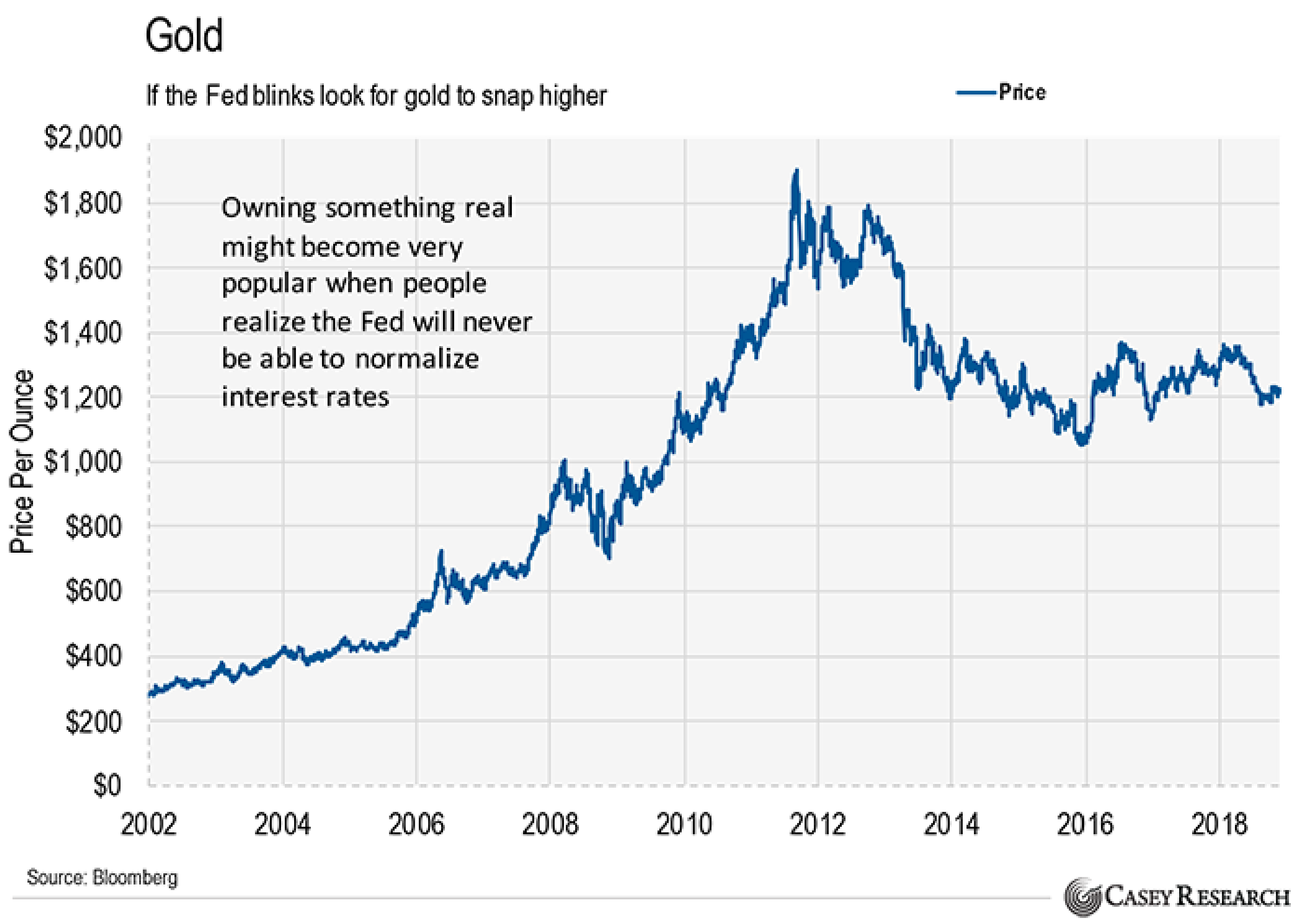
Gold

Gold passes the dogma test which bitcoin failed.

There are not many gold bugs left. If you find one, ask him if he has considered that he might be wrong about gold. I bet he'll say, "yes, everything has gone wrong."

I spent a day at the traditionally gold-focused New Orleans Investment Conference last month. From my vantage point, there were more exhibitors than conference attendees. This is telling.

However, the price chart of gold looks pretty good. This chart goes back to January 2002. At that time, no one imagined the Federal Reserve would soon own $4.5 trillion worth of debt. Most of that is Treasury and mortgage debt effectively subsidizing the bloated U.S. budget and fragile housing market.



The Fed began unwinding its debt binge recently. When bonds mature, it opts not to repurchase new ones with the proceeds. To date, its balance sheet is around 8% smaller than it was at the peak of its subsidizing efforts.

Think about that for a minute. By shrinking its debt hoard a mere 8%, the Fed triggered the most volatile stock market we've seen all decade. Interest rates lurched higher. Cracks appeared in the economy.

There is no way the Fed can ever unwind its debt binge. At some stage, gold figures this out and becomes the asset of choice for those who want to maintain wealth.

Last year, we predicted a move higher for gold in 2018. After a strong start to the year, it's down 3% as we write. That's not a bad performance, considering recent stock market volatility. When you take into account gold's limited downside and potential upside from here, the picture starts to look pretty good.

the corner.

We expect the Fed to blink. By that we mean it'll slow the pace of rate hikes from here. If the greatest central bank money creation experiment in human history can't be undone, we expect gold to shine.

Gold Price In One Year

It's our take that almost no professional money managers own gold. Most have considered a position in cryptocurrencies in the last year to appease clients. If you stick around long enough, you'll notice these "professionals" are more comfortable following the pack than leading it.

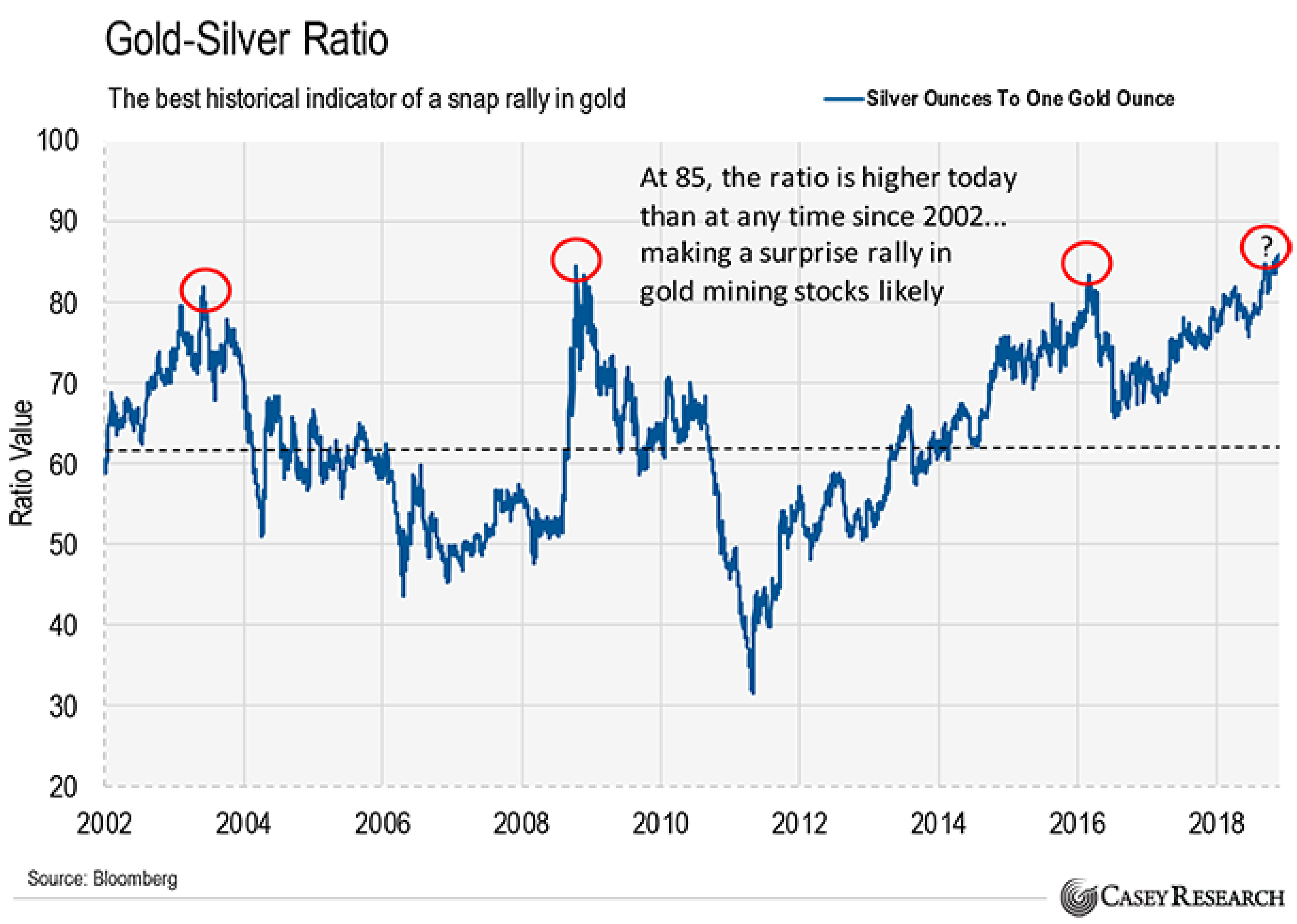
I'm on the board of a company that buys gold royalties. I can tell you firsthand that the state of the gold market is beyond dire. **This is exactly the type of condition you see before a big rally unfolds**.

The best indicator of a coming rally in the gold market is the gold-silver ratio. It measures the number of silver ounces it would take to buy one ounce of gold.

The average reading for the gold-silver ratio back to 2002 is 64. Today it sits at 85, a record high. Notice in the chart below the extreme highs in this ratio in 2003, 2009, and 2016 all signaled a major rally in gold and gold stocks within months.

From 2004-2006, gold rose 85% after this ratio hit 80. From 2008-2011, gold rallied 171%. And in 2016, it rose another 28%.

Gold stocks – as measured by the Philadelphia Stock Exchange Gold and Silver Index (XAU) – did even better… From 2004-2006, gold stocks rose 116%. They rose 256% from 2008-2011. And they jumped another 191% in 2016.



Consider that for a minute. We've seen three very big moves in the price of gold in the 21st century. That's one roughly every six years. We're about due for the next one and it's likely to be the biggest yet.

The best way to play the setup in gold today is by owning physical gold. I've arranged for my *Strategic Investor* subscribers to get a big discount on select coins through our exclusive partnership with Gainesville coins. Click here to access the site.

We also recommend buying gold stocks. In our core portfolio, we have world-class gold miner **Agnico Eagle Mines (AEM)** and silver miner **Pan American Silver (PAAS).** We also have a handful of very small positions in our Speculator's Corner portfolio, which we will update you on later.

U.S. Dollar

We predicted the U.S. dollar would fall in 2018. We were wrong. The dollar rallied 4% over the course of the year.

We think our missed call is a grace period for people with all of their wealth in dollars to get some out. This is a tough concept for novice investors, but it's actually quite simple.

Take our recommendation on natural gas giant **Gazprom (OGZPY)** for instance. The company's primary stock listing is in Russia. If its stock price on the Russian exchange does absolutely nothing next year while the dollar declines in value, shares of the U.S. listing we own (OGZPY) would trade higher.

Owning foreign stocks that trade on the U.S. exchange gives you a way to profit from a falling dollar. As the dollar falls, it takes more dollars to buy the same share of stock. If those foreign stocks rise on their home exchanges at the same time, U.S.-listed shares soar even further.

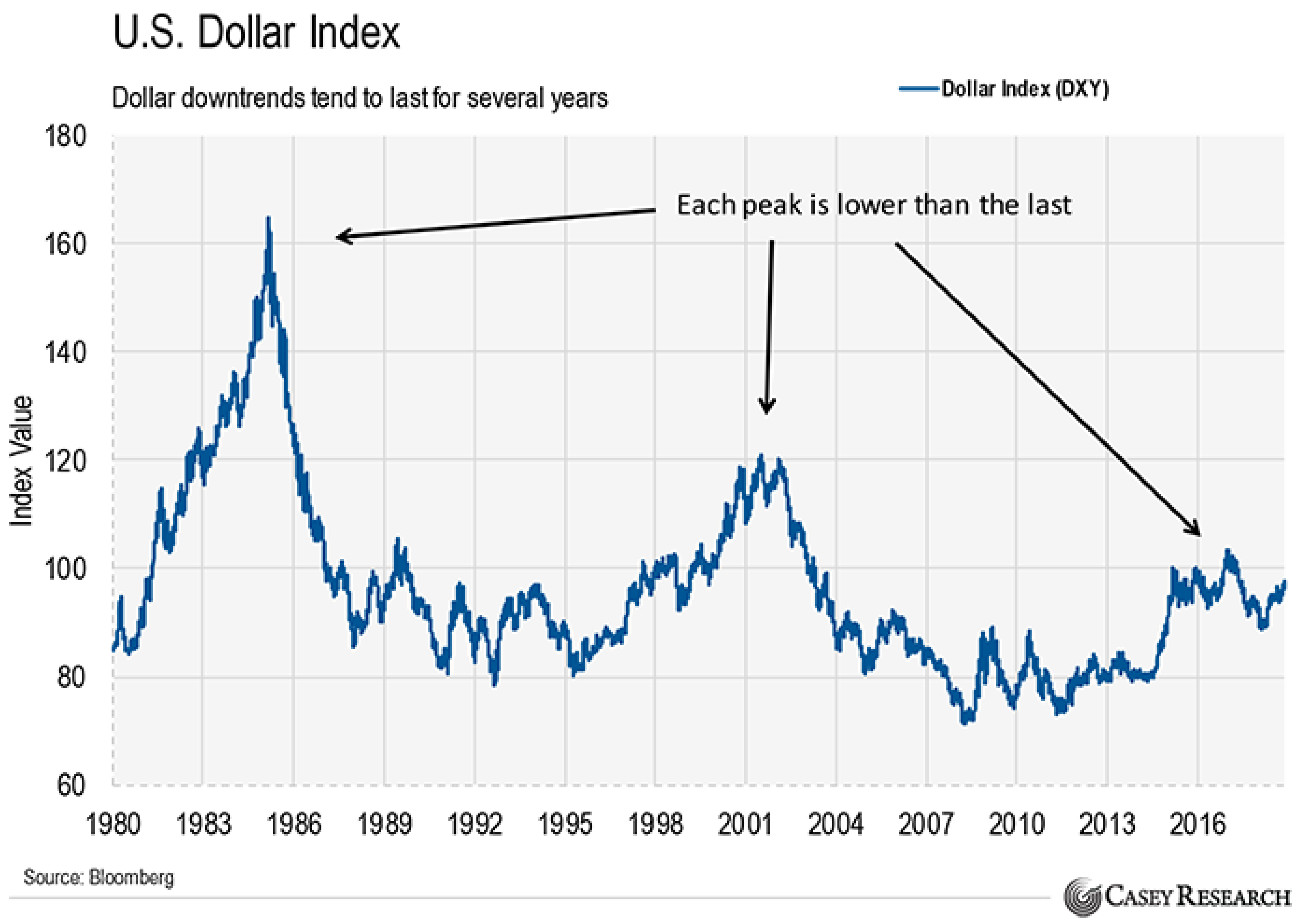
From 2002-2007, having even a small part of your portfolio positioned in U.S.-listed foreign stocks meant big investment returns. As our next chart of the dollar shows, that was a period of sustained dollar weakness. Stocks listed in BRICs (Brazil, Russia, India, China) soared.

We're not talking about buying tiny companies from the middle of nowhere. Gazprom (OGZPY) is a huge company. It paid a 5.5% dividend last year. This week, it announced that its dividend might see another big boost in 2019.

If the dollar rolls over like we expect, we'll look to add more foreign stocks that trade right here on the U.S. exchanges.

Currencies today are a game of hot potato. After last decade's financial crisis, money flowed into the U.S. looking first for safety then for growth. It found both. Growth hit a wall and we expect a lot of that money to flow out of the U.S. in the coming years.

Notice in this chart of the U.S. dollar going back to 1980, it makes lower highs after each plunge to new depths. After a historically weak rally over the past few years, it looks like we're on the cusp of another plunge.



The average developed world saver has no idea how to spot an impending currency decline. That's exactly what central bankers and politicians count on.

U.S. Dollar Price In One Year

in the coming months if this plays out the way we predict, we'll have a lot to say about where to hide.

Interest Rates

We predicted interest rates would rise in 2018 – and they did.

The yield on the 10-year U.S. Treasury note rose 28% from 2.35% to 3.02% as of last week.

We have an unproven theory about Treasury debt in modern times. It doubles under each two-term president, regardless of party.

Under Reagan, the debt grew 185%. Under George W. Bush, it grew 93%. And under Obama, it grew 78%. George H.W. Bush and Clinton together sent it up 111% over a combined 12 years. We don't see this trend slowing anytime soon. Spending money that someone in the future will be on the hook for is just too easy.

Trump racked up $211 billion in net borrowing in August of this year alone, according to the Congressional Budget Office. **That's over 1% added to the heap in just a month**.

During Trump's first two years, the national debt grew 10%. Keep in mind we've been in a historic economic boom. Think about what will happen to that pace of growth during a recession when government spending tends to grow to offset a private sector retreat.

We see interest rates moving higher next year. The government needs to borrow more and more money. As rates rise, its interest expenses rise, worsening its budget deficit.

However, we expect the next big move higher in rates could come later in 2019 with a brief respite first. This is a chance for you to get your house in order before financing costs rise.

Interest Rates In One Year

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This is a perfect time to reiterate why we go through this exercise each year. We're not suggesting you turn into an interest rate trader… there's a much easier way to profit from this prediction.

Rising interest rates are terrible for certain industries. Commercial real estate is one of them. Last month, we sold short shares of leveraged strip center owner Site Centers (SITC).

Rising interest rates create financial stress for any business that relies on leverage. While borrowing money is common for businesses, some depend completely on it.

Real Estate

Last year, we predicted real estate prices would begin to decline in 2018. Each market is local, so we'll show you the indicators we track to see if our prediction is accurate.

Real Estate In One Year

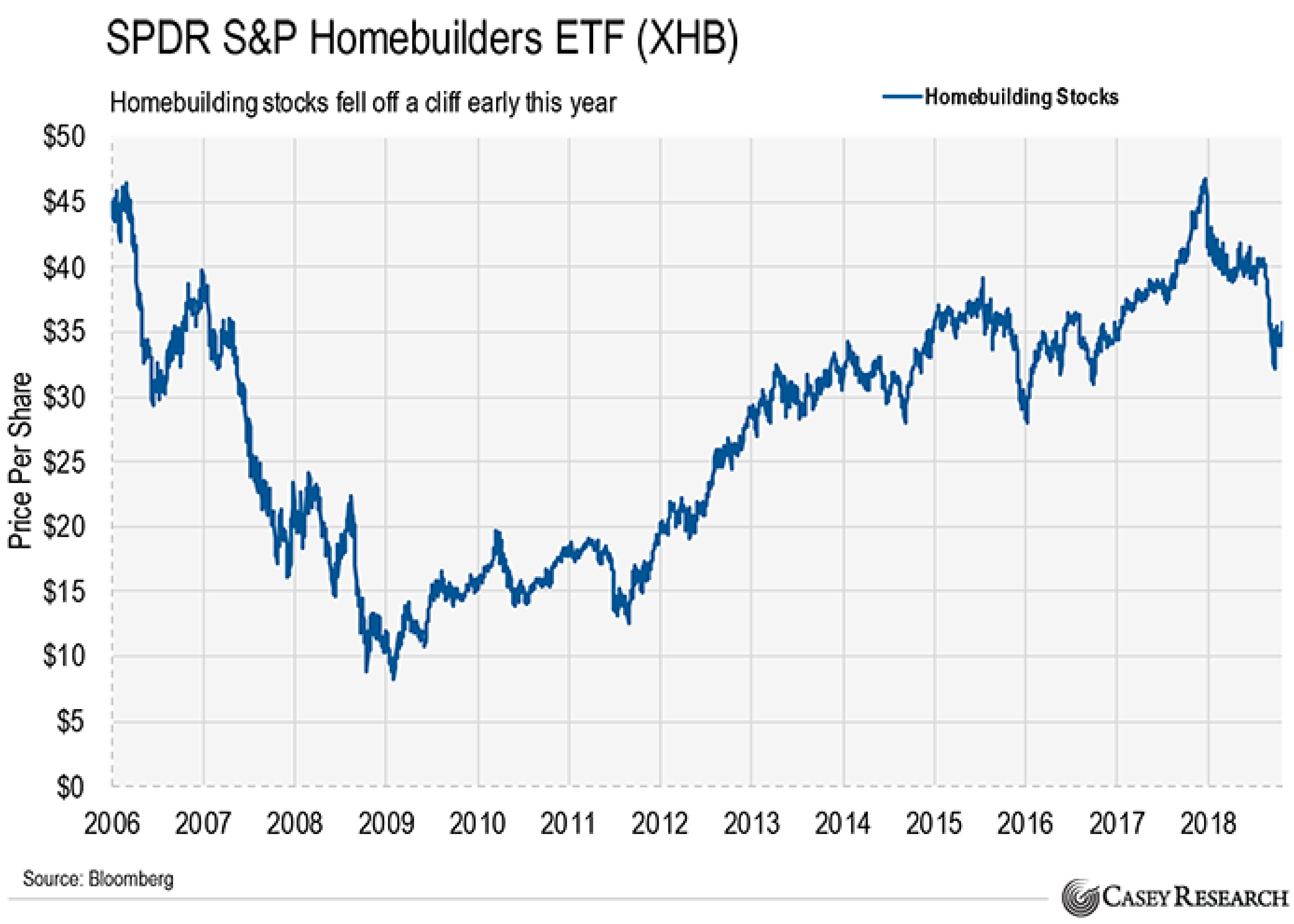
If we're right about interest rates climbing in 2019, it will mean sand in the gears for the real estate market. Our call is a shot across the bow for anyone holding fully leveraged real estate.

While most people own a home, we don't consider that an investment. You have to live somewhere. We see our homes as a consumption expense alongside clothing and food.

If you have a mortgage on your home it might be a good time to make sure you have a fixed interest rate. As we mentioned above, rates could stall early in 2019 before moving higher. That's your window to get things tied down.

If you have a big mortgage and think you'll need to move in the next two or three years, that's where you might want to rethink things.

This chart of homebuilding stocks shows that after touching its 2006 high early this year, stocks tumbled. If this fall turns out like the last one, they have a lot further to go.



We need to be clear about what we're saying here. This is not 2008. The housing market is not going to implode. However, we want you to consider these facts:

- Homes are sitting on the market longer
- Borrowing costs are rising
- Incomes are not rising enough to keep pace
- Real estate taxes are rising in many places

When most people stretch their budget to the maximum in order to buy a home, they're counting on that home increasing in value. If it doesn't, they have to write a check at closing to cover the cost of moving. That's not always possible.

While residential real estate is not an investment asset, commercial real estate is. Last month, we shorted shares of heavily leveraged strip mall operator **SITE Centers (SITC)**.

Commercial real estate owners tend to keep properties fully levered. For liability and tax reasons, that makes sense. For 35 years, falling interest rates meant each time a loan came due, the borrowing costs on the new one came in lower. That has changed.

The problem with being fully levered is higher borrowing costs on a new loan might have to come out of the owner's pocket on a refinancing. If the owner is a public company, shareholders will suffer the cost of that refinancing. In some cases, that can send the company's stock to zero. Remember, the bank owns the debt and the shareholder owns the equity. If debt makes up 100% of the building's value, the shareholder owns nothing.

I keep a close eye on the real estate market. What I've seen recently confirms my instinct that rising interest rates and a slowing economy will stop the real estate boom in its tracks.

A quick check you can do easily if you live in a large city is count the number of construction cranes in the sky. If you run out of fingers when you count, we're at the peak of the boom. It can only go one way from there.

This is a time in real estate to sell what you might not want in the future now. Sit back and store up cash. As any real estate pro will tell you, make money when you buy. Great deals are worth waiting for.

Speculator's Corner

Over the past month, we moved several of our core positions into our Speculator's Corner portfolio. If we still like a company's business prospects, market volatility might make it prudent to pare back the position.

Speculative positions should be smaller than core positions. They carry heightened risk. They also have the chance to surge.

Penn National Gaming (PENN) and Eldorado Resorts (ERI)

On November 5, we issued a BUY alert on regional casino operators **Penn National Gaming (PENN)** and **Eldorado Resorts (ERI)** in our speculative portfolio. Regular readers will recognize these names. We held them in our core portfolio until recent volatility triggered our trailing stop loss alerts.

After traveling to casinos, placing bets, and doing channel checks on the industry, we see that traditional casino traffic is in decline. It's also what tells us a recession is on the horizon. Trips to casinos and other small luxuries are what consumers cut back on first.

If you've followed our work on sports betting, you know what we see materializing will result in a surprise windfall for casinos in certain states. We've placed bets on sporting events three times in New Jersey this year to get a feel for how legalization is going. Last month, we visited casinos in out-of-the-way Tunica, Mississippi and found the same uptick in casino visits by sports bettors.

While traditional casino revenue still makes up the majority of total revenue at PENN and ERI, sports betting revenue is new. It's too big of a market for investors – and deeply indebted states like Illinois – to ignore for too long.

Even sports leagues know they can't ignore the trend for long. Just last month, the NHL struck a deal with MGM Resorts as its official betting partner. As more states open up sports betting, we think we'll see more acceptance from other pro sports leagues. That bodes well for companies like Eldorado and Penn.

If shares stabilize and investors catch on to what we've noticed, we'll move these shares back to our core portfolio. For now, they're speculations.

BUY shares of Penn National Gaming (PENN) up to $40 and Eldorado Resorts (ERI) up to $60. We will not use a trailing stop loss on shares.

GulfMark Offshore (GLF.WS) Warrants

On November 15, we sent out an alert to sell shares of **GulfMark Offshore (GLF)**. (More on that in the Portfolio Review.) In the same alert, we told you to sell our speculative trade in the **GulfMark Offshore (GLF.WS)** warrants.

SELL GulfMark Offshore (GLF.WS) warrants. We'll record a 10% gain on the trade.

Please note: For those of you that missed our alert and have not sold your GulfMark warrants, they now trade under the symbol (TDW.WS). This reflects the company's merger with larger rival Tidewater (TDW).

The iPath Bloomberg Nickel ETN (JJNTF)

In our November 20 alert, we moved the **iPATH Bloomberg Nickel ETN (JJNTF)** from our core portfolio to our Speculator's Corner.

We first recommended JJNTF in April 2018. JJNTF is not an actual company. It's an exchange-traded product that tracks the price of nickel.

Nickel is the key ingredient in rechargeable batteries. These batteries are essential for electric vehicles… And grid storage for renewable energy is a new source of demand for these batteries.

This makes a great case for owning nickel. In this case, JJNTF needs to be a speculative holding.

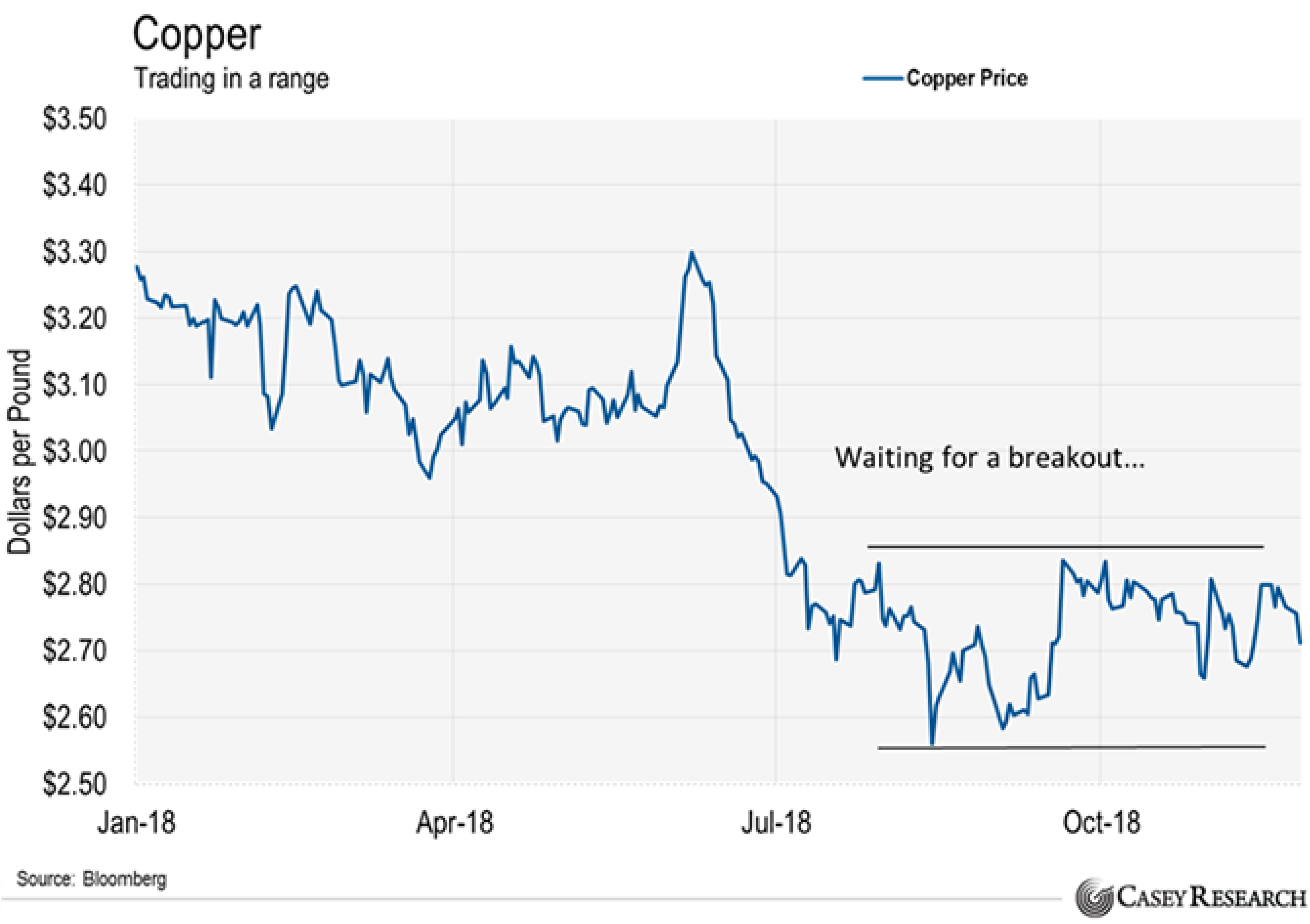
If you are a new reader and have not yet established a position in JJNTF, we recommend you BUY the iPATH Bloomberg Nickel ETN (JJNTF) up to $25. We'll hold the position without a stop loss.

If you are a current reader who established a core position, we recommend you limit risk by selling down your shares to a level you can afford to lose.

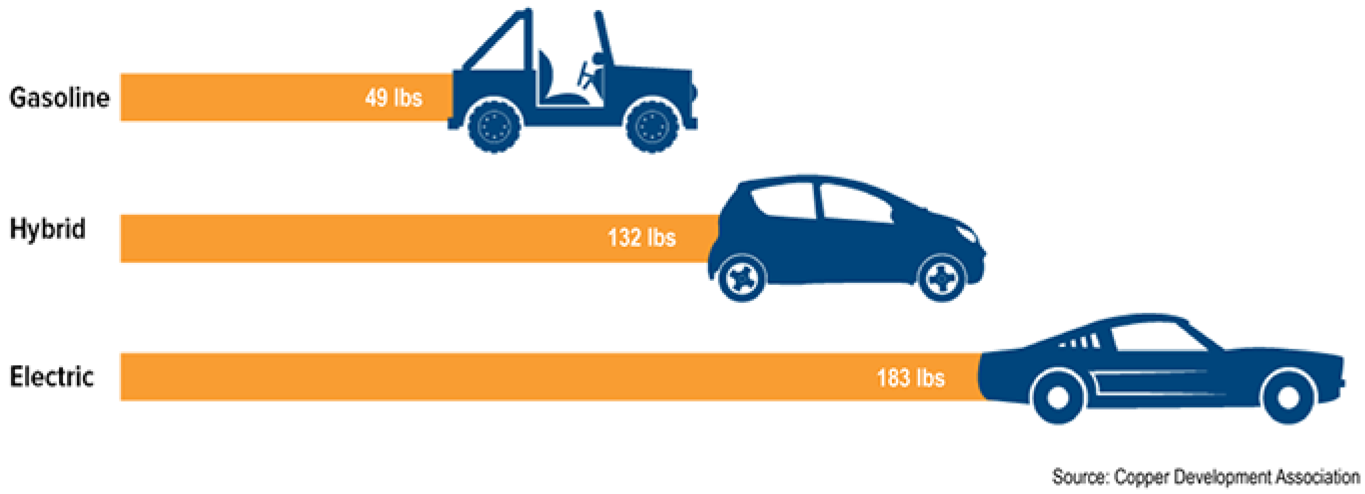
Southern Copper (SCCO)

We recommended shares of **Southern Copper (SCCO)** in September as a pure play on the rebound in copper prices.

Copper prices are off about 15% from the beginning of the year. Since prices topped in June, copper is trading in a range, as you can see in the chart below.



We expect that to change soon. Copper isn't just a metal used for electricity or wiring in new buildings. Just like nickel, it's a key component for electric vehicles:



Electric vehicle sales are on the rise. That means nearly five times the amount of copper used per car over traditional gasoline cars.

Even in today's depressed environment, Southern Copper makes money. Best of all, it produces plenty of free cash flow to pay its modest debt load and a dividend of nearly 5%.

BUY shares of Southern Copper (SCCO) up to $60. Right now, we're down 19% on the position.

Aurion Resources (AU.V) in Canada or (AIRRF) in the U.S.

Weeks after our initial recommendation of gold exploration company **Aurion Resources (AU.V) in Canada or (AIRRF) in the U.S.,** shares more than doubled. After the run up, we advised you to hold shares.

The company is on the hunt for a major gold deposit in Finland. In an ongoing drill program, Aurion has recorded results of 789 grams of gold per ton over 2.9 meters. This means in that particular area, the company found roughly 25 ounces of gold in each ton of ore. That's a massive find if the company reports similar results from future drilling. It's more than 50 times the purity that would be worth building a mine to extract gold in most cases.

Over the past month, shares cooled and now trade for roughly C$1.00 on the Canadian exchange. This correction is what we were waiting for. We changed our HOLD back to a BUY in an alert on November 14.

It's normal for exploration companies to move up and down wildly in short periods of time. It's also why we exercise patience when trying to get into a speculative position. Aurion is the perfect example of this.

BUY shares of Aurion Resources (AU.V) up to C$1.10 or (AIRRF) up to $0.85 as a speculation.

Remember that speculations offer the chance at unusually large gains. However, they also carry higher-than-average risk. Don't bet more than you can afford to lose. Your serious investment money belongs in our core portfolio.

Portfolio Review

It was a busy month in our core portfolio. The market continues to ride a wave of volatility, whipsawing stocks up and down.

It's also a reminder of why we use trailing stop loss alerts. They set the maximum decline we're willing to endure from a stock's highest closing price. When the market sells off, our trailing stops help protect capital by preventing further losses.

Since our last issue, five of our positions hit their trailing stops. While it's tough to see some of our stocks go, long-term success in the market depends on maintaining an effective risk management strategy. It's what separates investors from gamblers.

Right now is a great time to sit on cash and wait for the market correction to abate. The chance to buy a stock during a market panic passes if you have no cash when it happens.

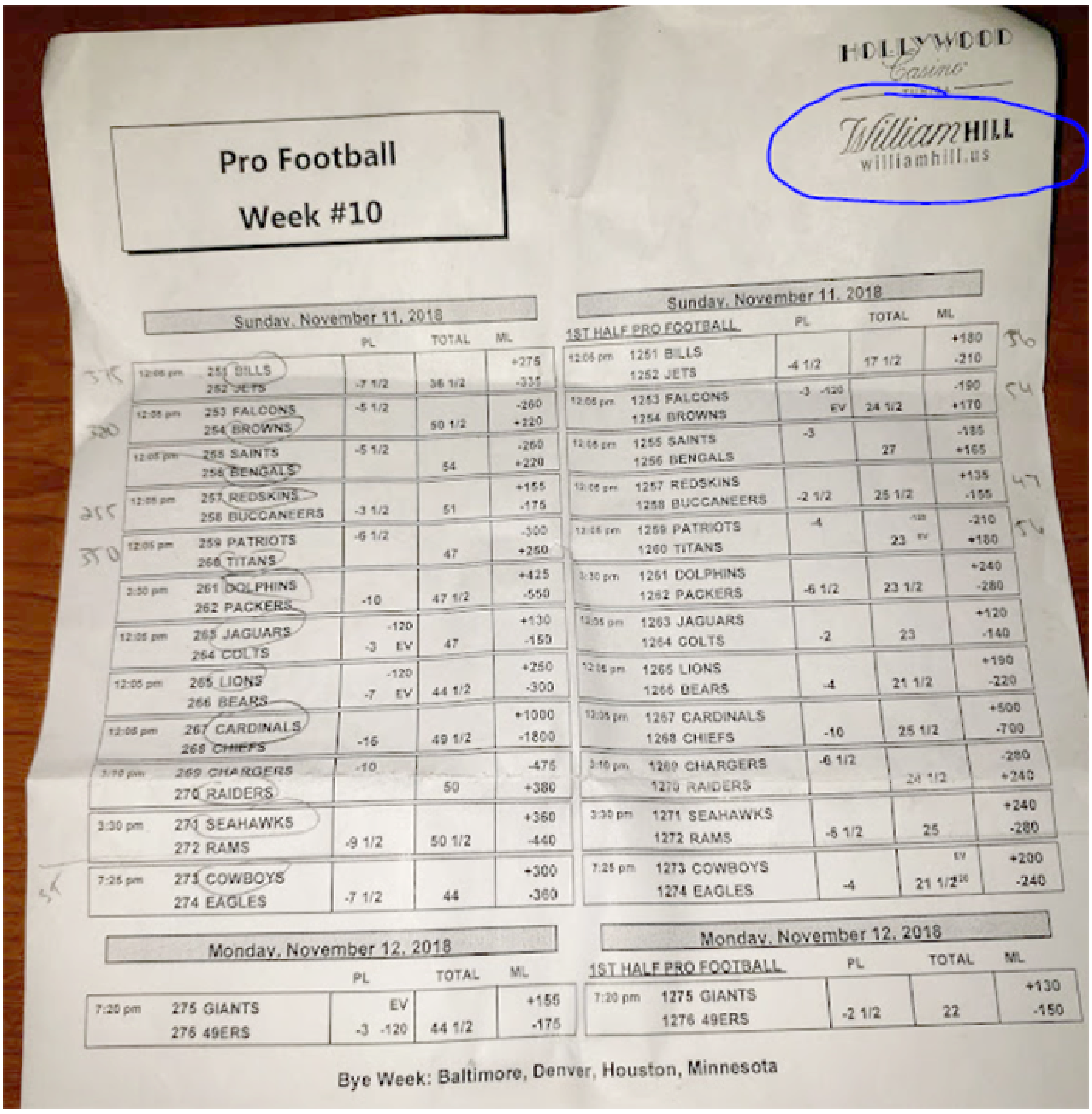
William Hill (WIMHY)

On November 5, we added sports book operator **William Hill (WIMHY)** to the portfolio. The company is the second-largest oddsmaker in the world, but the largest with an actively traded U.S. stock listing.

As more small casinos obtain sports betting licenses in more states, demand for William Hill's services will increase.

William Hill has been operating in Nevada since 2012. Today, it owns nearly 30% of the entire Nevada bookmaking market. From our research, business is taking off.

owns the Hollywood Casino in Tunica. As you can see, PENN made a deal with William Hill to help manage the odds at the sports book:



HOLLYWOOD Casino

William HILL
williamhill.us

Pro Football
Week #10

Sunday, November 11, 2018

		PL	TOTAL	ML
12:05 pm	251 BILLS			+275
	252 JETS	-7 1/2	36 1/2	-335
12:05 pm	253 FALCONS	-5 1/2		-260
	254 BROWNS		50 1/2	+220
12:05 pm	255 SAINTS	-5 1/2		-260
	256 BENGALS		54	+220
12:05 pm	257 REDSKINS			+155
	258 BUCCANEERS	-3 1/2	51	-175
12:05 pm	259 PATRIOTS	-6 1/2		-300
	260 TITANS		47	+250
3:30 pm	261 DOLPHINS			+425
	262 PACKERS	-10	47 1/2	-550
12:05 pm	263 JAGUARS	-120		+130
	264 COLTS	-3 EV	47	-150
12:05 pm	265 LIONS	-120		+250
	266 BEARS	-7 EV	44 1/2	-300
12:05 pm	267 CARDINALS			+1000
	268 CHIEFS	-16	49 1/2	-1800
3:10 pm	269 CHARGERS	-10		-475
	270 RAIDERS		50	+380
3:30 pm	271 SEAHAWKS			+360
	272 RAMS	-9 1/2	50 1/2	-440
7:25 pm	273 COWBOYS			+300
	274 EAGLES	-7 1/2	44	-360

Monday, November 12, 2018

		PL	TOTAL	ML
7:20 pm	275 GIANTS	EV		+155
	276 49ERS	-3 -120	44 1/2	-175

Sunday, November 11, 2018

1ST HALF PRO FOOTBALL		PL	TOTAL	ML
12:05 pm	1251 BILLS			+180
	1252 JETS	-4 1/2	17 1/2	-210
12:05 pm	1253 FALCONS	-3 -120		-190
	1254 BROWNS	EV	24 1/2	+170
12:05 pm	1255 SAINTS	-3		-185
	1256 BENGALS		27	+165
12:05 pm	1257 REDSKINS			+135
	1258 BUCCANEERS	-2 1/2	25 1/2	-155
12:05 pm	1259 PATRIOTS	-4	-120	-210
	1260 TITANS		23 EV	+180
3:30 pm	1261 DOLPHINS			+240
	1262 PACKERS	-6 1/2	23 1/2	-280
12:05 pm	1263 JAGUARS			+120
	1264 COLTS	-2	23	-140
12:05 pm	1265 LIONS			+190
	1266 BEARS	-4	21 1/2	-220
12:05 pm	1267 CARDINALS			+500
	1268 CHIEFS	-10	25 1/2	-700
3:10 pm	1269 CHARGERS	-6 1/2		-280
	1270 RAIDERS		24 1/2	+240
3:30 pm	1271 SEAHAWKS			+240
	1272 RAMS	-6 1/2	25	-280
7:25 pm	1273 COWBOYS		EV	+200
	1274 EAGLES	-4	21 1/2	-240

Monday, November 12, 2018

1ST HALF PRO FOOTBALL		PL	TOTAL	ML
7:20 pm	1275 GIANTS			+130
	1276 49ERS	-2 1/2	22	-150

Bye Week: Baltimore, Denver, Houston, Minnesota

William Hill and Penn National Gaming betting lines for NFL week 10 games

This partnership will benefit both companies as sports betting comes out of the shadows and into legal sports books. (For those wondering, we walked away with a 40% profit betting on week 10 of the NFL season.)

BUY shares of William Hill (WIMHY) up to $20. Use a 30% trailing stop loss on the position.

Pan American Silver (PAAS)

On November 16, **we added shares of major silver miner Pan American Silver (PAAS).**

We believe the bear market in silver is nearing its end. It could take weeks. Maybe even months. We want to own shares in the world's most effective silver miner before the move.

Just before our recommendation, PAAS announced it is merging with silver miner Tahoe Resources (TAHO). This will make PAAS one of the world's top publicly traded silver miners. Combined, PAAS will have the largest silver reserves in the world.

When silver prices turn, we'll have direct exposure with this position.

BUY shares of Pan American Silver (PAAS) up to $18.50. Use a 36% trailing stop loss on the trade.

Coeur Mining (CDE)

On November 14, we alerted you that we hit our trailing stop in shares of **Coeur Mining (CDE)**.

We first recommended shares of Coeur in April 2018, expecting a rebound in shares with a rising silver price and as a new management team executed its plan. That rebound hasn't happened.

Coeur is a major silver producer. The company produces about 43 million ounces of silver each year. The downtrend in Coeur shares seems to be deeper than just what's happening to silver. We sense Coeur might have more headaches to deal with.

National Oilwell Varco (NOV)

In the same November 14 alert, we also stopped out of oil services provider **National Oilwell Varco (NOV)**.

We recommended shares in the February issue of *The Casey Report* on the heels of what we saw as a rebounding oil price. For most of the year, we were right. Shares surged as oil producers started making up for a lack of investment in finding new sources of oil.

U.S. West Texas Intermediate (WTI) crude oil hit a high of $76 in early October before falling for 12 straight days. Today, it's just over $50. The pace of the decline is unprecedented in the oil market.

It's usually a sign that there's something more going on than just supply and demand fundamentals. Speculating on those reasons doesn't help.

Shares of NOV hit a closing high of $48.62 in July. The stock's closing price of $32.61 on November 13 triggered our 30% trailing stop loss.

SELL shares of National Oilwell Varco (NOV). We'll record a 3.6% loss on the position, including dividends.

GulfMark Offshore (GLF)

On November 15, we alerted you that we stopped out of our position in **GulfMark Offshore (GLF)**.

We first added GulfMark Offshore in May. In that issue, we told you that we continued to expect a recovery in oil prices, which would increase offshore oil exploration and production. More offshore activity means better days ahead for GulfMark.

As with our other oil-related holdings, shares of GulfMark fell hard with the tumbling oil price. A lower oil price typically means weaker demand for GulfMark's offshore services in the short-term. Even though we expect oil to march higher over the coming year, it's best to preserve capital and move on.

If you haven't done so already, SELL shares of GulfMark Offshore (GLF). Please note that rival company Tidewater Offshore (TDW) and GulfMark completed their merger on November 16. The combined company will continue on as Tidewater. If you haven't yet sold your GulfMark shares, they should now be trading with the symbol (TDW). We'll record a 17% loss on the position.

Energizer Holdings (ENR)

On November 20, we hit our stop loss on **Energizer Holdings (ENR)**.

We first recommended Energizer in *The Casey Report* just before the 2017 hurricane season kicked off. Shares surged on demand for Energizer's products shortly after our recommendation.

After hitting a high of $65 last month, a weak holiday sales forecast scared investors. Energizer shares fell for seven straight days, triggering our stop loss. If sales of electronics and toys slump this holiday season, demand for disposable batteries should suffer.

Energizer is a world-class company and not one we're eager to let go of. However, trailing stop losses protect profits in a falling market. This is a perfect example. We may look to re-enter down the line.

SELL shares of Energizer Holdings (ENR). We'll record a 16% profit, including dividends.

We'd like to hear your feedback on *Strategic Investor* so far. Please email us at strategicinvestor@caseyresearch.com. While our compliance department will not let me respond to you directly, I personally read every email we receive. When appropriate, we'll respond to questions in future issues.

Regards,

E.B. Tucker with John Pangere

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
Physical Gold (Gold-NY)	07/01/08	$937.50	$0.00	$1240.30		32.3%	
Physical Silver (Silvr-NY)	02/29/08	$17.56	$0.00	$14.55		-17.1%	

Empire Stocks

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
Dollar General (DG)	10/12/16	$69.06	$2.16	$104.10	25%	53.9%	HOLD
Churchill Downs (CHDN)	06/06/18	$305.15	$0.00	$269.72	25%	-11.6%	Buy up to $400
Paddy Power Betfair (PDYPY)	10/03/18	$44.00	$0.00	$42.74	28%	-2.9%	Buy up to $65
William Hill (WIMHY)	11/05/18	$11.51	$0.00	$7.91	30%	-31.3%	Buy up to $20

Resource Stocks

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
Agnico Eagle (AEM)	04/04/18	$41.67	$0.55	$36.69	33%	-10.6%	Buy up to $55
Pan American Silver (PAAS)	11/16/18	$12.90	$0.04	$13.24	36%	2.9%	Buy up to $18.50
Gazprom Sp ADR (OGZPY)	01/11/17	$5.27	$0.54	$4.84	35%	2.1%	Buy up to $7.50

Strategic Cyclical Trades

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
Transocean (RIG)	02/07/18	$9.64	$0.00	$9.32	42%	-3.3%	Buy up to $16.50

The Trump Years

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
Rockwell Automation (ROK)	12/07/16	$138.93	$6.76	$171.46	25%	28.3%	Buy up to $210
Teledyne Technologies (TDY)	04/12/17	$124.12	$0.00	$215.15	20%	73.3%	Buy up to $250
TransDigm (TDG)	08/01/18	$368.68	$0.00	$353.81	20%	-4.0%	Buy up to $450

Trouble Ahead

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
SITE Centers (SITC)	11/01/18	$12.23	$0.00	$12.31	23%	-0.7%	Short above $10

Speculator's Corner

Investment	Open Date	Open Price	Dist/Adj	Recent Price	Stop Loss	Returns	Notes
iPath Bloomberg Nickel ETN (JJNTF)	04/04/18	$16.12	$0.00	$13.03		-19.2%	Buy up to $25
Leagold Mining (LMC.TO)	01/03/18	C$2.96	C$0.00	C$1.54		-48.0%	Buy up to C$4
Fiore Gold (F.V)	10/12/17	C$0.71	C$0.00	C$0.37		-48.6%	Buy up to C$1
Aurania Resources (ARU.V)	03/09/17	C$2.45	C$0.00	C$2.69		9.8%	Buy up to C$3.50
Applied Optoelectronics (AAOI)	02/01/18	$32.39	$0.00	$21.16		-34.7%	Buy up to $50
Neo Lithium (NLC.V)	05/03/18	C$1.30	C$0.00	C$0.78		-40.0%	Buy up to C$2.50
Aurion Resources (AU.V)	08/15/18	C$0.75	C$0.00	C$0.80		6.7%	Buy up to C$1.10
Gilat Satellite Networks (GILT)	09/05/18	$9.18	$0.00	$8.90		-3.1%	Buy up to $13.50

Southern Copper (SCCO)	09/06/18	$41.80	$0.40	$32.81	-20.6%	Buy up to $60
Penn National Gaming (PENN)	11/05/18	$23.20	$0.00	$22.14	-4.6%	Buy up to $40
Eldorado Resorts (ERI)	11/05/18	$38.53	$0.00	$40.95	6.3%	Buy up to $60

Notes From the Battlefield

In this section of Strategic Investor, *E.B. discusses topics outside the world of investing. He shares how a well-lived life, rich with experiences leads to better investing.*

I'm fascinated with great architectural design.

It all started about 10 years ago. I slowly realized most of the buildings we spend our lives in are complete crap. Not only do they look terrible, they make us feel terrible. When you experience great architecture there are no words to describe the feeling. Everything about it just feels right.

Over the years, I've made friends with several progressive architects. I've traveled with them. I spend time over dinners listening to them explain things. They'll point around a restaurant and show me the wall that's out of place, the corner that should be rounded, and the thing hanging from the ceiling that makes patrons subconsciously feel trapped. Meanwhile, most people just deal with it and never know any different.

My architect pals all tell the same story of how these terrible designs came to be. People hire them and ask them to design something amazing. They deliver. Then the customer balks at the cost and orders them to sterilize the design back down to something closer to what their neighbors have.

I'm moving in the opposite direction. I like to hire architects and let them do whatever they want. Other than paying the bill, I'm totally hands off. So far, this has worked out great. It's also been a lot of fun.

I had an architect lay out the interior of my new office in 2017. I gave him free rein to pick out everything from the art to the exact place my computer screens sit. The result was great. My office feels serious and relaxing at the same time. I'm more comfortable there than any other workspace I've had to date.

From remolding rooms to designing custom built furniture, I've had a lot of luck with this approach. Hire someone talented, then leave them alone while they create. Architects tell me I'm the rare exception… The problem with clients ruining great design is not new.

Legendary architect Frank Lloyd Wright had a zero-tolerance policy for client meddling. I'm intrigued by Wright's work and went on a quest to see as much of it as possible.

This summer, *Strategic Investor* analyst John Pangere and I rented a Frank Lloyd Wright-designed home in Chicago for one night.

CASEY RESEARCH

E.B. and John rented this home designed by Frank Lloyd Wright

Wright built this house for Emil Bach in 1915. Emil was the brother of Otto Bach, who ran the Bach Brick Company in Chicago. Otto lived in another home designed by Wright, which unfortunately was not preserved.

When we checked into the Emil Bach house, the caretaker told us about Wright's defiant style. One summer day after the Bach family moved into the house, Mrs. Bach looked out the window to see a man ripping up her garden. Frank Lloyd Wright walked past the house and noticed Mrs. Bach had planted vegetables in the space he purposefully designed as a small strip of grass. He let himself in the gate and ripped up the garden.

Wright thought out every meticulous detail when designing a home. He said the house should be as unique as the family that lives in it. If he could not find the materials needed, he would make them himself. In the Emil Bach house, he personally designed the bookcases, furniture, and complex windows which have built-in shades hidden from view.

The same goes for the exterior. The house has no drain pipes. Water funnels down to holes in the cantilevered roof before falling to drain in the ground below.

He even hid the steps leading up to the entrance of the house. From the street view all you see is the home, no steps, and no door. Wright called this a "pathway to discovery."


Front steps hidden from view

We had the unique opportunity to experience Wright's design by spending the night in the Emil Bach house.

Wright died in 1959. He was 91 years old. He designed hundreds of buildings. Another well-known house worth seeing is Fallingwater in Mill Run, Pennsylvania.


Built over a stream

Wright built Fallingwater for the Kaufmann family in the mid-1930s. Kaufmann ran department stores bearing his name. He asked Wright to build a summer cabin on his property. He ended up with a home that feels like part of the stream's natural waterfall. Wright ran 400% over budget in the process. If you have a chance to see the home in person, you'll see why the Kaufmanns went along with his obscure and expensive design.

Of the hundreds of buildings Wright designed over his life I'm aware of only one plantation. I had a chance to tour this magnificent structure in 2013.

[*Frank Lloyd Wright designed a plantation in Beaufort, SC*]

An engineer from Michigan commissioned the project in the 1940s. Wright worked on it for over a decade before giving up.

The owner's daughter lived in the mostly finished home for another 25 years. When she was too old, she leased it to local South Carolinians as a hunting cabin. My guide told me the hunters hung and skinned dead deer in the kitchen.

When movie producer Joel Silver bought and restored the one of a kind property, he saved it from ruin. Silver allows a local non-profit land trust to host a tour of the property one day each year. It's in November, which is a great time to visit South Carolina. Here is a link to the access tickets.

The next time you're in a building that feels right or wrong, take note of the design. You'll find you can tell a lot about the owner's personality by how he handled the architect who designed it. Maybe he restricted the architect, maybe he told him to play it safe so everyone would like it, or maybe he left him free to create something amazing. The rare cases when you experience the latter are memorable.

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