

**What lies ahead for the Economy, the Stock Market, Oil,
Natural Gas, Gold and Silver, and Monetary Policy?**

Straight Money Analysis Newsletter



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By Joseph Meyer
A Leader in Privacy Assets and Your Wealth Protection

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March 2018 Edition

Straight Money Analysis Newsletter

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A word about your newsletter

As we begin the 8th year of publication, we are proud of the fact that over the last seven years we have been able to provide our subscribers the most accurate analysis and forecasts of market trends anywhere. As we enter the volatility of another presidential election cycle, your Straight Money Analysis newsletter is more important than ever. Rest assured that we will continue to provide you with the same kind of information used to form highly guarded proprietary investment strategies and market analysis as individuals managing a billion-dollar hedge fund on Wall Street has at only a fraction of the cost. We also proud that that Andre Michael Eggelton, author of "Thieves in the Temple," is still a contributor to this newsletter. His expertise on monetary policy and its effect on the economy is invaluable.

Our track record speaks for itself. Straight Money Analysis has consistently called these markets to perfection. No other newsletter can even come close to our level of accuracy, accessibility, and unflinching commentary. That is the reason why we are the very best at what we do, period.

I strongly suggest that you, along with your investment professional's help, take full advantage of this newsletter. And please don't forget to urge friends and loved ones to get a subscription to Straight Money Analysis. Follow me on Twitter at josephmeyer@meyerassoc, or find me with the twitter and You Tube icons on the www.straightmoneyanalysis.com home page.

Respectfully

Joseph Meyer, Founder and President of Straight Money Analysis

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To those subscribers whose subscription is coming due, **please check your subscription date and all pricing details. Act accordingly for a timely renewal to the Straight Money Analysis newsletter.**

Straight Money Analysis is committed to providing the most timely and relevant worldwide business and financial news to its subscribers. This information is designed to provide a comprehensive overview of the most important and pertinent facts about what is taking place the domestic and global economy.

Because of the acceleration of globalization and international trade, Straight Money Analysis will give you the essential information to gain a greater understanding of the changing logistics currently underway in the world's economy. The topics discussed on a quarterly basis (March, June September, and December) beginning in January 2015 are often historic in nature, for providing direct correlations to those current events in the news that are affecting major policy decisions of commercial institutions. In between the quarterly issues we will issue special bulletins and reports if there is important breaking news in any of the markets. I will also be available to answer any questions from subscribers via phone or email if need as I always have.

These are challenging times so don't forget to tell your family and friends to get their own subscription to the "Straight Money Analysis" newsletter. If you like this newsletter, tell your friends and family through Twitter and Facebook

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THE ECONOMY: Understanding the current effects of politics on the economy

The economic effect of President Trump's tax cuts

President Trump's tax cuts injected \$1.5 trillion into the economy. Enacted with very little political debate, the tax overhaul was promoted as being critically needed to spur job creation and economic growth. But the tax cut has been criticized for expanding the debt and being potentially inflationary. Critics point to the fact that both the U.S. and global economy have seen steady improvement over the past nine years, thanks largely to historic stimulus measures from the world's various privately owned central banks. Arguably, the last thing an economy operating at close to full employment in the ninth year of an economic expansion needs is a shot in the arm from fiscal policy. So, there is fear that the economy didn't need a \$1.5 trillion tax cut, and thereby, such an addition to the debt and deficit. In fact, a recent study by PIMCO concluded "2017–2018 could well mark the peak for economic growth in this cycle and that investors should start preparing for several key risks that lie ahead in 2018 and beyond." PIMCO points to the U.S. fiscal expansion in 2018 as being worth close to 0.5 percent of GDP in 2018. They also say half of which is likely to come from tax cuts and half from higher federal spending.

What were the associated effects of the tax cuts?

Unfortunately, the law restrains state's abilities to levy their own taxes, thereby limiting their ability to fund education, health care, transportation, and social services. There were also other measures attached to the tax bill designed primarily for social and political purposes. Nonetheless, the tax cuts carried the Dow to a stratospheric 8,000 points. These were levels never seen before.

The price of the euphoria in the bond market

Investors ignored the possibility that the tax cuts might cause bond yields to spike and spur the Federal Reserve to raise interest rates faster to fight inflation. In fact, 10-year Treasury yields have surged from 2.4 percent at the beginning of the year to as high as 2.85 percent by the time of the recent stock market crash on February 5, 2018. Investors clearly saw they could no longer ignore the better returns from bonds, than the risky stock market. The bond market is surging because of the threat of inflation from overstimulating the economy. The bond market is also anticipating greater government borrowing to pay for the tax cuts. Consequently, bond yields must rise, and prices will continue to fall, because the government must continue to attract interest from bond purchasers.

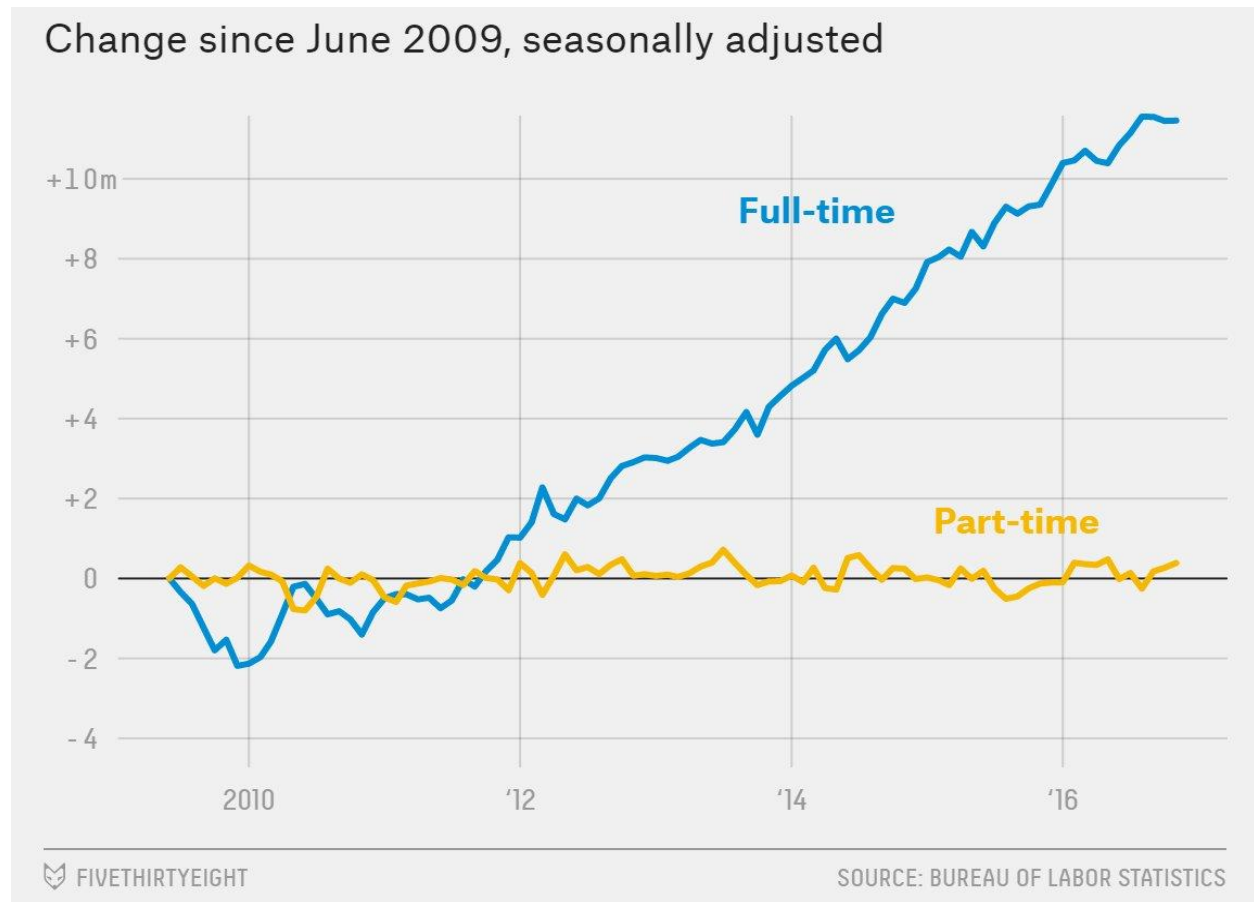
The reality no one wanted to face

No one wanted to face the reality that the bull market would not last forever. For the past 8 years it has been party time on Wall Street. But like big parties are often followed by a hangover, so was the euphoria on Wall Street. On Monday February 5, 2018 investors reminded us that giving lots of medicine to an already healthy economy can have side effects, namely inflation. Those

inflation fears suddenly sent the Dow plummeting 1,800 points in just two trading days. The losses wiped out a quarter of the gains since Trump's election.

Have the tax cuts started the long-awaited correction?

The Dow spiked 45 percent between Trump's election and its all-time high in early February. Economic growth had been accelerating, and as revealed in the chart below, the number of people employed full-time in the U.S. unemployment has reached a 17-year high.



President Trump shoveled a tremendous amount of stimulus into the economy at the peak of the cycle. Clearly, taking on \$1.5 trillion in debt to stimulate the economy is becoming a trigger mechanism for the long-awaited correction in the stock market that we at Straight Money Analysis have been warning about. Even the outgoing Federal Reserve Chairwoman Janet Yellen warned us in December, it could leave Congress less ammo to help the economy when times get tough again. But President Trump argued that the rationale for the tax cut was economic, and not political. The president told reporters on October 25 that “*We desperately need tax cuts to put our people back to work.*”

I believe if the tax cuts continue to overheat the labor market, then the ensuing inflation will bring Wall Street’s party to an end. The Fed has been concerned about normalizing monetary policy. If we see continued inflation, it will force the Fed to raise rates faster than investors

thought. If the Fed raises rates too fast, it be a tough pill to swallow for a stock market that has been addicted to historic liquidity and low rates. I think we should listen to the bond market right now. It is telling us to expect rising deficits, expanding inflation and increasing wages.

But maybe I'm wrong. Maybe the market is overreacting to early signs of inflation. Maybe the market is just having a healthy pullback before going on to new all-time highs. Time will tell, and rest assured, we at Straight Money Analysis will be watching.

JOBS

The U.S. Department of Labor's January jobs report revealed the strongest wage gains since 2009. It also highlighted the struggle businesses are having recruiting and keeping talented workers, forcing them to pay more. Keep in mind, businesses will eventually have to raise prices on the stuff they sell to afford their growing payrolls. Let's look at who, what, where and how.

How much are wages increasing?

The February 2018 jobs report from the Labor Department reported the biggest hourly wage increase since 2009. It showed an average increase of 2.9 percent for private sector employees.

Why are wages increasing?

Approximately 4.5 million minimum wage workers throughout 18 states saw their pay increase when their states boosted the minimum wage on Jan. 1, 2018. Finally, as I already stated, businesses are struggling to hire or hang onto workers, so they have no choice but to raise wages.

What do these rising wages say about the strength of the recovery?

With 125.5 million people working across the country, the raises for those 4.5 million minimum wage workers who got a raise doesn't say very much about the strength of the recovery.

Who saw the wage growth?

CLOTHING MANUFACTURING: Data from the Labor Department showed some wide disparity in who got wage increases and who did not. According to the labor department, the biggest annual percentage wage increases, at 14 percent, were in clothing manufacturing. Clothing manufacturing is a very small sector of only 116,000 mostly highly skilled high-end merchandise makers. Most clothing sold in U.S. is imported from low wage countries.

The effect of the immigration crackdown on clothing manufacturing

The clothing manufacturing industry has a high percentage of foreign born workers. Thus, the crackdown on immigration is having an impact in that sector, forcing manufacturers to pay their remaining workers even more. I believe this is just the start of an increasing problem trend in this sector.

ENERGY: The second biggest wage increase was for another small sector. The 115,000 workers who refine petroleum and coal products. They saw an increase of 4.6 percent.

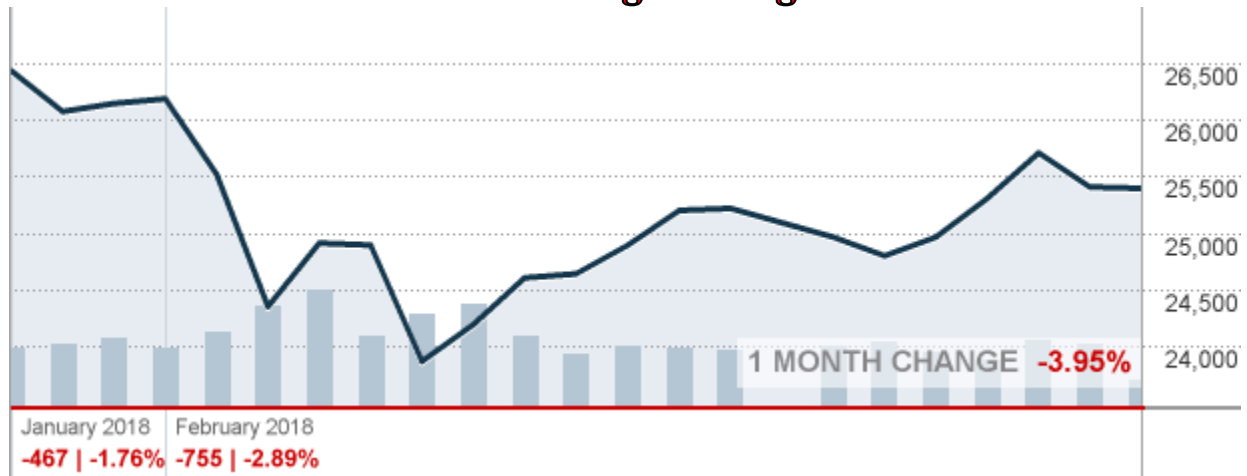
FINANCIAL SECTOR: Workers in the financial sector, such as the banking, insurance industries as well as Wall Street professionals got a 4.2 percent raise. This sector employs about 8.5 million people.

LEISURE AND HOSPITALITY: The 16 million people who work in restaurants, including fast food, and bars saw a 3.3% raise on average.

MINING AND LOGGING: Mining and logging workers posted only a 0.3% increase, on average, despite all the attention that's been focused on mining jobs.

AUTOMOTIVE MANUFACTURING: Wages declined for workers in auto manufacturing and in the factories that make parts for cars saw their pay decrease by an average of 0.3 percent. In fact, there were a series of lay-offs in auto plants in Michigan and Ohio during the year.

STOCK MARKET: Monitoring the long-overdue correction



We told you so

After rising approximately 34 percent since the election of President Donald Trump, the stock market has finally witnessed the long and anticipated price correction in valuations. In our last issue of this newsletter, we indicated and reaffirmed our warning to our subscribers indicating that the U.S. equity markets had become very vulnerable to sharp correction in prices. The equity market, since the onset of this correction in prices, is now trading differently than it did for the prior eight years. I continue to believe we are in a transitory phase throughout the world's

markets. I continue to believe we will, at some point in 2018, enter a long overdue economic recession.

What should you do?

I am advocating at this juncture in the U.S. equity markets, that investors undertake a fully defensive posture in beverage, food, soaps, and tobacco sectors of the markets. Most of these companies are household names, and are decent dividend plays as well. They are continuing to have the ability to grow their respective market share. The other sectors of the equity market that I continue to favor are still the precious metals; both gold and silver, crude oil, natural gas, along with keeping adequate cash reserves.

Four indications that inflationary forces are rising faster than expected

- 1) U.S. treasury bond yields now trading at the highest level in 4 years.
- 2) The two-year treasury is note now trading at the highest level in 10 years
- 3) The five-year German government bond has recently traded in positive territory for the first time since 2015.
- 4) The Employer Costs for Employee Compensation (ECEC) increased 4.1 percent last year up from the level of 1.3 percent in 2016; a triple increase in costs.

Are rising global interest rates signaling the end of the equity bull market? Here are four things to consider

- 1) If we go back and study history, we will discover the fact that equity bull markets do not continue to rise in an environment of rising interest rates. It is my belief we will continue to see global interest rates increase throughout 2018. I believe we will also at some point in 2018 witness the bond markets responding negatively to the continuation of rising interest rates. The European Union will now face a renewed crisis in its sovereign debt problems.
- 2) Regarding current positioning of interest rates, investors are drawing comfort in the fact that at current levels interest rates are not higher than they were in the years of 2009, 2010, 2011, 2013, and 2014. What I believe investors are not factoring is the fact that in the years just mentioned, the trend for interest rates was down. Today the trend is up and moving higher. The two sectors of the equity market that are positive for rising interest rates will be the precious metals and the energy sectors of the market.
- 3) Corporations during the outlined period above added \$2.3 trillion in additional debt to their already heavily leveraged balance sheet, which is equal to the current GDP of Great Britain. Central government marketable debt during this same period rose from \$28 trillion to its current debt level of \$42 trillion; roughly an amount almost equal to the

GDP of China. We now have Germany, Japan, and the United Kingdom all witnessing their 10-year bonds reversing and establishing a pronounced rising uptrend.

- 4) We are now also witnessing the dividend yield on the S+P 500 index being now less than the yield on the 10-year U.S. Treasury bond for the first time in over a decade. It is but another very important indicator of how truly over valued the U.S. equity markets have now evolved but continue to drive to even higher valuations. Globally since 2009 the world has added \$15 trillion in debt at almost zero interest rates. Now rates are rising and servicing this debt is now a very serious problem for many countries.

Five primary challenges for the stock market moving forward

- 1) Historic corporate debt levels are now higher now than they were in 2008 and we all know how that turned out once rates started to move higher. Corporations more leveraged now than at any time in history as the current economic expansionary cycle is now ending. Corporations are paying higher interest rates to service their debt obligations. At some point their higher rates will have an adverse effect on corporate earnings and share prices.
- 2) Price/earnings ratios are still in record territory in the equity market, even after this price correction in valuations. The following three measures of valuation that are truly meaningful and valid are still pointing extreme stock market over valuation. They are: book value, price/earnings ratio, and dividend yield.
- 3) The 10-year treasury yield is now spiking. We are also witnessing the 2-year treasury note now trading at 10-year highs in price. We are going to see higher interest rates. The wild card question for the stock market is how high and how fast do interest rates truly rise. We are now witnessing global interest rates rising. The central banks of the world are all keying off what the U.S. Fed is currently doing.
- 4) U.S. Dollar weakness continues as interest rates attempt to stabilize as all the major global equity markets focus on what is currently taking place in the U.S. equity markets. Trillions of dollars have already been lost in the initial repricing of asset classes. I continue to believe these losses will continue. The Petrol-Dollar is now in its final stages as China, Iran and Russia are now moving away from the U.S. dollar. One thing I do know with certainty is that the new currency that finally replaces the U.S. dollar will be backed with gold much to the surprise of many.
- 5) The Federal Reserve's balance sheet reductions are now accelerating at a level of 50 percent higher than had been previously reported. The message here is clearly that the Fed will no longer be back stopping the markets and propping up the equity markets. It is very important to note that during the last period of economic crises the Fed's balance sheet expanded from the level of about \$800 billion to over \$4.5 trillion. The Fed is now committed to accelerating its balance sheet reductions as the U.S. economy enters recession and the equity markets begin a long and painful bear market.

Will the stock market reach new highs?

The stock market is now attempting to test the recent all-time highs in the respective averages. As this is happening, nominal new highs in the stock indexes are a possibility. In the short-term, bonds and interest rates will determine how far this new advance in stock prices can carry.

Maintain a good defensive posture

I am still advocating the use of close price stops of 2 -3 percent under all existing long positions in the U.S. equity markets. The price stops can be adjusted upwards as stocks complete their rally prior to beginning a deep and prolonged price correction and bear market.

Support and resistance levels for the Dow, S+P 500 index, and the NASDAQ 100 index

Dow Jones Industrial Average

Support levels----- 24,500, 24,000, and 23,500

Resistance levels-----25,500, 26,000, and 26,750

S+P 500 Index

Support levels-----2,700, 2,650, and 2,600

Resistance levels-----2,759, 2,800, and 2,875

NASDAQ 100 Index

Support levels-----6,600, 6,400, and 6,200

Resistance levels-----6,800, and 7,000

Watching the moving averages

The current 200-day moving average of price for the Dow is at the 23,040 level, and the 50-day moving average of prices is in the 25,281 area. In the S+P 500 Index the 200-day moving average of price is at the 2,558 level, and the 50-day moving average of prices is in the 2,736 area. In the NASDAQ 100, the 200-day moving average of price is at the 6,157 level, and the 50-day moving average of prices is in the 6,691 area.

GOLD: Why owning gold is a necessity



Understanding the value of this newsletter

We are in my humble opinion in the eye of the storm of one of the most historic and tumultuous times in history. I believe before this period is over fortunes will be made and lost by investors in these various markets. The value to subscribers of this newsletter is that we compare similarities and differences of similar periods economically and financially. I have always maintained that if you do not understand the past how can you have any understanding of the coming future. I understand the past not because I read about it in a history book, I was there in these various markets over the last 50 years. Straight Money Analysis does not market investment related products or services. We sell knowledge, wisdom and vast experience in all the various markets. That's what you are paying for when you become a subscriber to our news letter

Indifference to gold persists

I have often told my subscribers of the need to understand the mindset of Eastern vs. Western nations on precious metals; primarily gold. The rising standard of living we are witnessing in the large eastern nations is directly correlated to the continuing rise in the price of gold as an asset class. In the west believe in our central banks who have issued paper promises. Here in the U.S. we have been off the gold standard since 1971. The investing public in America still own very little gold as an asset class and storage of wealth. It is astounding to note that we still witness indifference to gold even though gold began its bull market in 2001 at \$255.00 per ounce.

Gold buying the Dow

I want to mention again the fact that one ounce of gold bought the Dow Jones Industrial Average already twice in history, first in 1932 and again in 1980. Will it happen a third time? I sure think so. Patience is the paramount word when we speak about gold and silver.

I want to remind my subscribers of an important fact. It took gold 9 years to go from \$35.00 to the price level of \$200.00 per ounce in the 1970's, then only 5 months to reach the price \$850.00 per ounce. Governments around the world despise gold because it represents real wealth and money. They hate it because it cannot be printed like fiat dollars are. The two billion people in

the East will gladly buy your gold if you are foolish enough to sell it. They know the role of gold moving forward, and its importance in the ever-changing monetary system.

Support and resistance levels

Support levels

\$1,310.00, \$1,300.00, and \$1,280.00

Resistance levels

\$1,340.00, \$1,360.00, and \$1,375.00

Four positives for gold in 2018

- 1) Shrinking central bank balance sheets coupled with global rising interest rates. Economies, globally, are only in the very early stages of readjustment which will be, long term, very bullish for the precious metals. The monetary influences and role moving forward relating to Iran, Russia, China, and India are going to be very positive for the precious metals in 2018 and beyond. The role of the U.S. Dollar will face, in my humble opinion, a crossroad in continuing to be a world reserve currency. It's legitimacy moving forward will be challenged internationally.
- 2) Very frothy asset prices being led by the equity markets, collectibles, and to some degree, the ever-expanding interest in Bit coin are all positives for gold. Gold and silver have both resumed their respective bull markets but are rising by flying under the radar of most investors at these current price levels. I continue to believe we will witness a massive amount of capital come out of equities and the bond markets once the long overdue correction finally materializes in equity prices.
- 3) We have witnessed a year of global economic growth which should continue primarily coming out of South East Asia and Europe as well. We will continue to see progress being made in resolving issues relating to trade with the United States and its trading partners. Trade barriers now being dismantled allowing trade with many countries where prior none existed allowing markets to continue to expand.
- 4) Greater access and transparency in global markets allowing the opportunity to participate in the ever-expanding global economies for many new participants. The increase because of this development will allow both gold and silver prices to continue to rise dramatically for many years to come. Gold to many of these emerging economies has a cultural as well as a monetary role for its citizenry.

What you need to know about crypto currencies

I wanted to bring to the attention of our subscribers some facts and concerns I have as it pertains to the crypto currencies.

- 1) Crypto currencies will never replace gold and silver as a storage of wealth and as a safe-haven asset. The top 50 crypto currencies in the recent very sharp sell-off in global markets lost over 50 % of their value in a period of just 24 hours much to the surprise of investors that own them. The average investor in these crypto currencies own very little gold and silver as do many investors currently invested in the equity markets.
- 2) Over \$60 billion in crypto currency market value was wiped out during a 24-hour period. Money is moving now out of stocks, bonds, and crypto currencies into both gold and silver. The surprise, I believe, for investors will be how quickly we establish new all – time highs in both the prices of gold and silver.
- 3) Gold prices climbed about 11 percent in 2017. I now believe the precious metal bull market is poised to continue higher in 2018 and beyond; the wind now at its back. I have advocated in his newsletter that investors cash in some of their gains in crypto currencies and buy both gold and silver with some of their profits. Did very many people do it? No. It made to much sense.
- 4) The three immediate concerns about crypto currencies are increased regulation, increased manipulation, and country-wide bans of sales of these currencies. Gold and silver are demonstrating, as they have done all through history, that they are and continue to be a safe-haven investment and a storage of value.

Watching the moving averages

The current 200-day moving average of price for gold is at the \$1,287.00 level, and the 50-day moving average of prices is in the \$1,322.00 area.

SILVER: Don't miss the profits ahead



Get ready for the bull market

Silver has completed a long period of base building and is now preparing to resume its ongoing bull move which began in 2001 at less than \$4.00 per ounce. Gold was trading at the price level of \$255.00 per ounce. In 2018 we will see silver outperform gold on a relative basis. Although I continue to strongly urge my subscribers to own both precious metals. I also wanted to list eight very important factors that will affect the price of both gold and silver in 2018 and beyond. I continue to believe that when the precious metal bull market builds its upside momentum, we will see the investing public moving very heavily into gold and silver mining shares, and both coin and bullion.

The key levels to watch in the price of gold is \$1,400.00 dollars per ounce, and in the price of silver is the key price level of \$21.00 dollars per ounce. I also continue to believe we will witness a massive selloff in both the stock and bond markets, with many of these investors attempting to get on board the precious metal train as it resumes its journey to substantially higher prices. The silver mining shares are now in the process of testing their respective reactionary low in prices. I believe now is an ideal entry point into these shares.

A major buy signal in silver is upon us

- 1) Silver has now triggered technically a long-term major buy signal
- 2) Silver has also triggered, technically, a short-term buy signal
- 3) Multi-month correction now complete. Look for higher prices

Eight factors affecting the price of gold and silver in 2018 and beyond

- 1) The rise and fall of the U.S. Dollar
- 2) Demand for both physical gold and silver
- 3) Gold & silver bullion buying
- 4) Current economic and monetary factors
- 5) Central bank buying of gold & silver
- 6) New gold & silver mining supply
- 7) Demand for both gold and silver traded funds
- 8) Technical indicators for both precious metals.

Silver will lead in 2018

Silver is now the beneficiary of many changes which has taken place globally since the beginning of 2018. It is important to note that this confluence of circumstances listed below will have a very dramatic effect on the price of silver moving forward. I am fully expecting silver to lead the precious metals sector to much higher prices in 2018 and beyond.

Silver will boom during the correction

The correction in all global asset classes is in its very early stages. Silver will benefit from the ongoing reallocation of capital from other asset classes which are liquidated. We continue to witness, particularly at these currently very low silver prices, a shortage of above ground silver for sale. Investors should be asking themselves what will happen to the supply once silver prices rise dramatically. It is clear to me that if you do not own your coin, bullion, and the high-quality mining shares now is the time to do so.

Positive developments for silver

In early 2018 we began to experience the following combinations of positive developments for silver.

- 1) Inflation is now rising across the board.
- 2) The U.S. Dollar is now falling
- 3) Bond yields are now rising
- 4) We are now witnessing commodity prices rising
- 5) VIX volatility index now rising
- 6) Both the stock and bond markets now facing tumultuous times.

The best way to own silver

I am often asked by my subscribers what is the easiest and best way to own silver? The answer to that question, in my opinion, is to simply buy the most popular and high-quality silver bullion coins. I have listed for you my subscriber the 6 most popular silver coins that should be purchase on a regular basis and put away for safe keeping. It is of paramount importance that, as investors in precious metals, we understand that we own, in addition to our bullion coins, some silver bullion and very high quality precious metal silver mining shares. Remember, silver was removed from our coinage in 1965. Pre-1965 coins are becoming hard to find because collectors buy up what is still available and put them away for investment purposes. I also want to mention that silver bullion coin sales, so far into early 2018, continue to set records as investors see the long-term appreciation in owning these popular silver bullion coins.

Six most popular investment grade silver coins

- 1) Silver American Eagles
- 2) Silver Canadian Maple Leaf
- 3) Ampex one-ounce Fine Silver Rounds
- 4) Morgan Silver Dollars
- 5) Austrian Silver Philharmonic
- 6) Mexican Silver Libertads

Three important long-term lows for silver

We've seen silver reach three important long-term lows over the last three years; 2015, 2016, and 2017. Here are the levels they achieved:

- 1) December 2015 at the price level of \$13.61
- 2) December of 2016 at the price level of \$15.64
- 3) December of 2017 at the price level of \$15.60

Support and resistance levels for silver

Support levels

\$16.00, \$15.50, then \$15.00

Resistance levels

\$17.50, \$19.00, then \$21.00

Silver vs. Bit Coin: Here is what needs to be kept in perspective

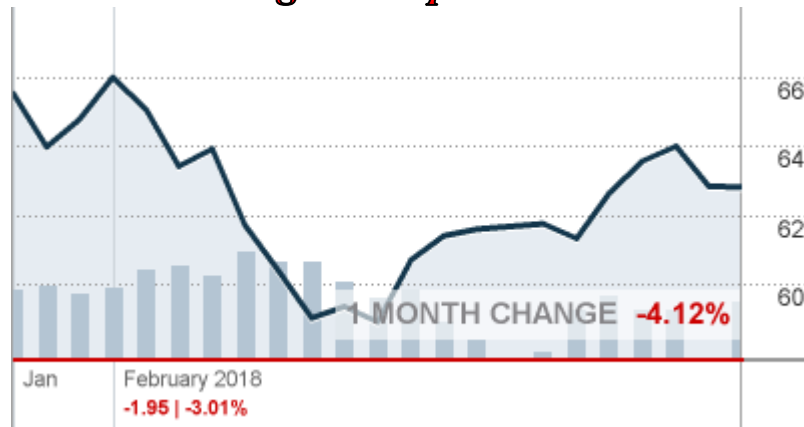
Silver in 2001 was trading at less than \$4.00 per ounce. In 2009 it was trading at less than \$13.00 per ounce. By the year 2011 it had reached \$50.00 per ounce. I now believe when the speculative money moves away from the crypto-currencies and Bit Coin it will move into the silver market and we will then witness a very explosive move in the price of silver.

I want to mention for the benefit of my subscribers the fact that Bit Coin was selling for about \$800.00 per coin in January of 2017 and by December of 2017 it had reached the price level of almost \$20,000.00 per coin. Never forget, silver has tremendous potential as a monetary metal, but it also has a role in the fields of high technology, medicine, and in future power generation. Bit Coin has no such potential.

Watching the moving averages

The current 200-day moving average price for silver is at the \$16.94 level, and the 50-day moving average of price is in the \$16.79 area.

OIL: Focusing on the positives



The plight of the petrol-dollar

The latest news coming out of Venezuela is that it is no longer pricing its oil in U.S. Dollars. They are following Iran and China in by-passing the petrol dollar to facilitate the purchase and sale of crude oil. China is now buying and selling oil in Yuan, which is convertible into gold, utilizing the Shanghai Gold Exchange. This is a major development for both gold and crude oil.

Gold and oil

I believe, just like in the 1970's, we are going to see a very important link moving forward between both gold and crude oil. I further believe, although the reasons for the important link between gold and oil may be different than they were in the 1970's, they will nevertheless be just as important.

Oil and conflict

If we study and review history, which I have always done, you learn many things. It is an acknowledged fact that the world's wars and serious conflicts have been fought over crude oil. It has often been stated that if you live long enough you can and witness history repeat itself. Will crude oil supplies once again be the spark that triggers a conflict? I do not know. I am prepared for that eventuality. Hopefully through the information provided in this newsletter you are as well.

Be prepared

I know many investors and even some subscribers to this newsletter want believe things are fine. They want to believe that nothing can derail this economy and equity market. I believe there is plenty that can go wrong for many reasons. Hopefully with the information we provide in this newsletter you are now prepared for any eventuality.

Support and resistance levels

Support levels

\$58.00 then \$56.00 per barrel

Resistance levels

\$61.00 then \$63.00 per barrel

The five largest oil producing states

Here is a list of barrels produced per day and proven oil reserves by state

- 1) Texas produces 3 million barrels of oil per day. If it were a country, Texas would be the 6th largest producer of oil in the world.
- 2) The Gulf of Mexico has 4.7 billion barrels of proven oil reserves
- 3) North Dakota has 4.0 billion barrels of proven oil reserves
- 4) California has 3.0 billion barrels of proven oil reserves
- 5) Alaska is now producing 2 million barrels of oil per day.

Three sets of important facts about oil production

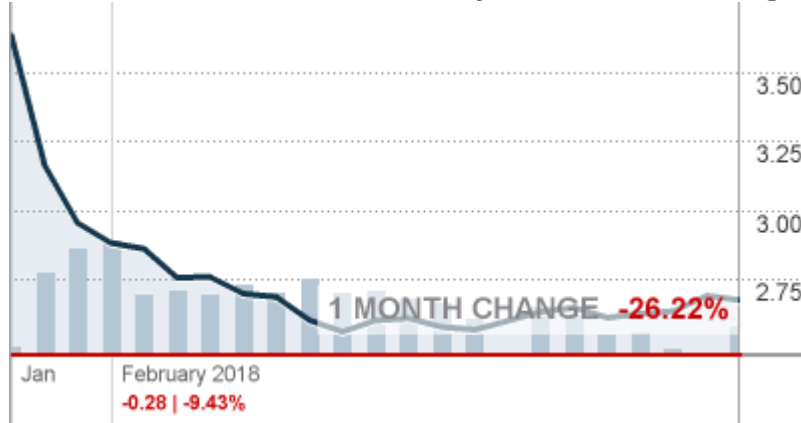
- 1) The U.S. oil industry is now positioned to grow very rapidly in 2018 producing over 10 million barrels per day for the first time since 1970. The U.S. oil industry is now entering a period of accelerated growth, surpassing Saudi Arabia and rivaling the world's number one producer of crude oil, Russia.
- 2) According to the US Energy Information Agency, six million barrels of U.S. oil production was derived from shale oil. Oil production reached the level of 10.033 million barrels per day in November of 2017 for the first time since 1970 highlighting the power of the shale oil and natural gas boom now underway.
- 3) Under the Trump Administration, we have witnessed an elimination and easing of existing regulations which were adversely impacting the fossil fuel industry. The policy is

called “energy dominance.” The oil shale boom began in 2015 under a law passed by Congress that ended a 40-year ban on exporting crude oil. The U.S. remains a net importer of crude oil to meet its ever-growing energy requirements

Watching the moving averages

The current 200-day moving average of price for crude oil is at the \$53.10 price level, and the 50-day moving average of price is in the \$62.19 area.

NATURAL GAS: The future burns bright



What to expect stock market moving forward

The stock market is now becoming increasingly volatile as we are finally witnessing the re-pricing of all asset classes that we have written about consistently in this newsletter. This volatility will not only continue, it will worsen as literally trillions of dollars rotate out of one asset class and into another. If we have begun a bear market, and we should know the verdict very soon, because of the changes in our lives and finances that will occur.

What should investors focus on?

In a bear market, investors should be focusing on two things of paramount importance: Preservation of investment capital and an income stream you can depend on with conservative growth potential.

Four income stream utilities for your consideration

I wanted to outline four quality utilities, some of which are natural gas fueled or natural gas affiliated. I would review these four listed below companies with your investment professional's

guidance to ensure that these companies meet the criteria and suitability to be added to your portfolio.

Company name	Stock symbol	52 -week high/low	Dividend/yield
1) Southern company Recent stock price \$43.10	SO	\$53.51 - \$42.63	\$2.3 - 5.25 percent
2) Duke Energy Corp. Recent stock price \$73.87	DUK	\$91.80 - \$73.77	\$3.56 - 4.58 percent
3) Edison International Recent stock price \$59.90	EIX	\$83.38 - \$58.78	\$2.42 - 3.93 percent
4) Wec Energy Group Inc. Recent stock price \$59.70	WEC	\$70.09 - \$56.67	\$2.21 - 3.49 percent

Five excellent reasons to own natural gas

To put a few things into perspective, I wanted to outline the main five reasons for owning the natural gas sector of the equity market. It is of paramount importance that we keep in mind the big picture on energy and its role in the ever-evolving world we all reside in. The two primary countries that will increase their respective usage of natural gas in the decade ahead will be China and India. The demand for natural gas fueled vehicles globally will also continue to increase as pollution problems in many countries has now reached a critical point. China is now the world's 4th largest user of natural gas behind only the United States, Russia, and Iran.

- 1) Natural gas is the cleanest burning of all fossil fuels.
- 2) Natural gas burns cleaner than gasoline and diesel fuel.
- 3) Natural gas serves a dual role in both air conditioning and heating.
- 4) A large natural gas infrastructure already exists.
- 5) Natural gas omits 45 percent less CO-2 than coal and 30 percent less CO-2 than crude oil.

Top ten countries with the largest proven natural gas reserves

Country	Proven reserves
1) Russia	47.77 trillion cubic feet
2) Iran	29.4 trillion cubic feet
3) Qatar	25.4 trillion cubic feet

- | | |
|------------------|-------------------------|
| 4) Turkmenistan | 7.5 trillion cubic feet |
| 5) Saudi Arabia | 7.4 trillion cubic feet |
| 6) United States | 6.9 trillion cubic feet |
| 7) U.A.E. | 6.0 trillion cubic feet |
| 8) Nigeria | 5.2 trillion cubic feet |
| 9) Venezuela | 4.9 trillion cubic feet |
| 10) Algeria | 4.5 trillion cubic feet |

The five largest natural gas consuming states

- 1) Texas
- 2) California
- 3) Louisiana
- 4) New York
- 5) Florida

The five largest natural gas producing states

- 1) Texas
- 2) Pennsylvania
- 3) Louisiana
- 4) Oklahoma
- 5) Wyoming

Watching the moving averages

The current 200-day moving average price for natural gas is in the \$2.96 area, and the 50-day moving average of prices is at the \$2.85 level.

MONETARY POLICY



Chaos meets the new Fed chairman

Jerome Powell has his hands full. After Mr. Powell was sworn in as the new chairman of the Federal Reserve he had to spend his first day as chairman of the Federal Reserve dealing with the largest one-day point decline in the history of the Dow. Very wisely, Mr. Powell and other Fed governors made no public comment on the selloff last month. They all know any sudden moves by the Fed could further exacerbate market volatility.

Who is Jerome Powell?

I think it is important to know who the person is who has been chosen to run the most powerful banking institution on earth. So, let's look at his chronology and economic philosophy. In general, we know that Jerome Powell was hand-picked by President Trump. The reason I point that out is because every president since Reagan has kept his inherited Fed chair in place during his first term. But why rock the boat when the economy is doing so well? Many people believe the removal of Janet Yellen further makes it appear that President Trump is simply trying to erase just about everything President Obama enacted.

Also, in general, Mr. Powell is a Republican businessman with 40 years of experience in law and banking. He is the first Federal Reserve chairman in more than a decade to have a background in

the private sector. He's also the first Fed chairman since the 1970's who does not have an academic background in economics, so he is not an economist. He does not have a PhD degree. He is very, very rich. According to Bloomberg, his net worth is approximately \$112 million, making him the wealthiest Fed Chairman in history. In fact, he's 800 times wealthier than Paul Volker was when he became Fed Chair.

Here is Mr. Powell chronology:

- 1) He graduated from Princeton studying law in 1975. He received his law degree from Georgetown in 1979.
- 2) In 1979, Powell moved to New York City and became a clerk to Judge Ellsworth Van Graafeiland of the United States Court of Appeals for the Second Circuit.
- 3) From 1981 to 1983, Powell was a lawyer with Davis Polk & Wardwell, and from 1983 to 1984, he worked at the firm of Werbel & McMillen.
- 4) He worked in an investment bank from 1984-1990.
- 5) From 1990 to 1993 he worked for President G.H.W. Bush in the Treasury Department as Under Secretary of the Treasury for Domestic Finance.
- 6) In 1993, Powell began working as a managing director for Bankers Trust, but he quit in 1995 after the bank got into trouble after several customers suffered large losses due to derivatives. He then went back to work for Dillon, Read & Co.
- 7) From 1997 to 2005, Powell was a partner at The Carlyle Group, where he founded and led the Industrial Group within the Carlyle U.S. Buyout Fund.
- 8) After leaving Carlyle, Powell founded Severn Capital Partners, a private investment firm focused on specialty finance and opportunistic investments in the industrial sector.
- 9) In 2008, Powell became a managing partner of the Global Environment Fund, a private equity and venture capital firm that invests in sustainable energy.
- 10) Between 2010 and 2012, Powell was a visiting scholar at the Bipartisan Policy Center, a think tank in Washington, D.C., where he worked on getting Congress to raise the United States debt ceiling during the United States debt-ceiling crisis of 2011. Powell presented the implications to the economy and interest rates of a default or a delay in raising the debt ceiling.
- 11) In December 2011 was nominated to the Federal Reserve Board of Governors by President Barack Obama. The nomination was the first time that a president nominated a member of the opposition party for such a position since 1988. He served from May 25, 2012, until he was nominated by President Trump to become Fed Chairman.

- 12) In 2013, Powell made a speech regarding financial regulation and ending "too big to fail". In April 2017, he took over oversight of the "too big to fail" banks.

Mr. Powell's economic philosophy

- 1) **Monetary policy:** He is not as hawkish as the average Federal Reserve board governor according to a survey of 30 economists in March 2017. Though a skeptic, he still voted for all three rounds of quantitative easing which began in 2012.
- 2) **Financial regulation:** He is a supporter of the Dodd–Frank Wall Street Reform and Consumer Protection Act, and those higher reserve ratio requirements and stress tests that have made the financial system safer. He also stated that the Volcker Rule should be re-written to exclude smaller banks.
- 3) **Housing finance reform:** He believes Fannie Mae and Freddie Mac, under the current status quo are unsustainable. He warned that "the next few years may present our last best chance" to "address the ultimate status of Fannie Mae and Freddie Mac" and avoid "repeating the mistakes of the past". Powell expressed concerns that, in the current situation, the government is responsible for mortgage defaults and he believes that private capital should be used to support housing finance activities.

What I expect from the Powell Fed

I expect the Fed to maintain monetary policy continuity with his predecessor, Janet Yellen. The Fed is fully aware that the market is experiencing a long overdue correction in asset values. I think the sell-off will make the Fed to stick with its plans to raise interest rates at least three times this year. The only question is how large the increases will be in the Fed's expected fight against the looming inflation. Everyone fears inflation is most certainly to materialize following this ending period of historic accommodation from the central bank.

Monitoring Wall Street and the Fed's fight against inflation

The Federal Reserve combats inflation by raising its interest rates. The central bank has been unable to significantly raise its interest rates over the past decade, fearing it could stymie the economic recovery and perhaps cause prices to fall. The Fed has planned to raise rates just three times in 2018. But if inflation picks up, the Fed could raise rates more often or more steeply than it had planned. Wall Street is having a hard time digesting the prospects of rapidly rising rates, as was reflected in the stock market crashes in February (See section on the economy.)

I believe the equity markets carry significant risk in 2018 because of the reduction of monetary accommodation. The reason why I believe this is because markets have become addicted to low short rates and a depressed yield curve in bonds. With markets having become used to easy monetary policies, this shift toward monetary restriction by central banks all over the world poses significant risks to markets and economies, particularly as the new and still-evolving Fed leadership is untested.

Here's our monetary policy baseline for 2018:

- 1) The U.S. Federal Reserve will raise rates three more times in 2018, taking the fed funds rate range to the 2.25 percent area by the end of 2018. This should shrink the Fed's balance sheet at an accelerated pace.
- 2) The European Central Bank (ECB) will likely end its quantitative easing by the end of 2018 and start raising short-term rates in 2019.
- 3) The Bank of Japan (BOJ) will begin reducing its balance sheet in 2018

How does this affect individuals and businesses?

Both consumers and companies must be concerned about the Fed raising rates, thereby increasing the cost of borrowing money. Companies will have to pay more for their loans, which cuts into corporate profits. Americans will pay more for mortgages and loans.

How fast are things changing on the inflation front?

Although the economy has been growing steadily for almost nine years, price inflation has remained stubbornly and mysteriously low. How fast are things changing? During February, the Fed printed \$44 billion in new cash and buying bonds. In January of last year, they printed \$167 billion. By October we will see a net contraction. This trend in monetary policy clearly indicates that the Fed is entering inflation fighting mode.

Why is the government selling bonds? Answer. The government needs money.

The U.S. Treasury on Tuesday February 20, 2018 sold \$179 billion of short-term securities. Why? Because the Fed is cutting back on its accommodation. That means the government is entering scuffle mode. The government is increasingly on its' own. We are seeing the collapse of the government's bond prices. This is the government's ability to borrow money. Still, the government must cover the cost of the Trump tax cuts, as well as all its other spending obligations. Remember, the government sends out tax refunds and awaits payments, which tend to come in closer to the April 15 filing deadline. And the government is raising the size of its bond and note offerings to finance \$1.5 trillion in tax cuts over the next 10 years. which were enacted in December. So, with the reality that as we move forward, the government will increasingly have to finance its spending with less help from the Fed, and the amount of money it can borrow from bond sales is falling. So, the government must pay a higher dividend on what it borrows. Remember, this happens because bond prices and yields move in opposite directions. Today, yields at its auctions of three-and six-month debt rising to levels unseen since 2008.

How much more selling will the government have to do?

As the Fed continues its slow march towards higher interest rates, financing estimates from January show that the Treasury expects to issue \$441 billion in net marketable debt in the current

quarter, with the bulk of that in the short-term market. The government needs money to pay for massive spending in the form of tax cuts. So, you can bet, this is just the beginning of the U.S. debt auction schedule. The Treasury will increasingly sell five- and seven-year maturities to meet its obligations. Can the markets and the economy stand on their own without the Fed's accommodation? We shall see, as the Fed's restriction advances. But rest assured, we at Straight Money Analysis will be here with the information you will need.



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