Executive Summary:

- Following the strongest global stock market advance in years, the bulls came to rest in May following an overbought rally. The S&P 500 Index got slammed along with world markets last month, dropping more than 6.6% and marking its first losing month since December’s meltdown. The MSCI World Index plunged more than 6% and the MSCI Emerging Markets Index tanked 7.5%;
- Investors dumped global stock ETFs at a record pace in May, selling almost $20 billion worth of securities – the biggest monthly outflow on record, according to State Street Corp.;
- The trigger for broad-based selling was President Trump’s tweet earlier in May, threatening to raise tariffs on more Chinese imports following an impasse on trade talks. Global equities spent most of May consolidating while Treasury bonds rallied sharply with yields dropping to 24-month lows. Still, the S&P 500 Index is up 12% this year and the MSCI World Index has rallied 10%. The MSCI Emerging Markets Index is up 4%;
- The big news this spring is the growing concern over plummeting sovereign government bond yields in the major economies and the reemergence of a negative yield curve. The benchmark U.S. 10-year Treasury bond has seen its yield plunge from 2.68% on January 1st to 2.09% on June 5th. Over the past 12 months, Treasury bonds have gained 10.2% compared to 2% for the S&P 500 Index. Also, in May and early June, the yield curve inversion returned with 90-day U.S. Treasury bills yielding 2.34% compared to a yield of 2.09% for 10-year T-bonds;
- A trade deal that seemed imminent weeks ago now looks months away, if it happens at all. Mr. Trump’s threat of 25% tariffs on foreign autos also hangs over Europe and Japan. Worse, the ratification of a new NAFTA deal looks uncertain after the President threatened tariffs on Mexican imports because of the migration crisis at U.S. southern borders. It’s now clear that investors can’t believe anything coming out of Washington, and certainly can’t strategize based on historical assumptions about U.S. foreign policy. Trump is too volatile. Mr. Trump signed a new trade pact with Mexico and Canada earlier this year, reassuring global financial markets. But that process is now in flux as ratification of the new NAFTA might be delayed amid new U.S. tariffs on Mexico;
- In addition to a growing trade impasse with China, Mexico and possibly the EU and Japan, investors also face growing uncertainty over federal antitrust enforcers and lawmakers looking to scrutinize the nation’s largest technology companies for potential anti-competitive practices. Shares in the FANG stocks (Facebook, Amazon, Netflix, Alphabet-Google) were slammed on June 3rd and are poised to relinquish market leadership;
- The Russell 2000 Index (small stocks) and the Dow Jones Transportation Average have failed to surpass new all-time high, unlike the S&P 500 Index and the Dow Jones Industrial Average. Smaller stocks remain 13% below their all-time high last year; transport stocks are off 12%. Both barometers signal a slowing economy and for different reasons. Transport stocks are sensitive to manufacturing growth, freight and business spending. Smaller companies are struggling with higher wages and falling margins;
- We’ve downgraded our macroeconomic outlook following a string of bearish economic data in both major and emerging markets since May, including softening manufacturing, weak PMI data, a decline in business spending, a big drop in May ADP payrolls and weak housing. A major concern is the ongoing Sino-American trade conflict. An escalating in the U.S.-China trade war could deliver a blow to financial market confidence and consumer
optimism. While the Federal Reserve might feel compelled to cut rates this summer if global markets decline sharply, the central bank has relatively limited monetary firepower at its disposal;

- Capital spending in the United States peaked in 2018. Capital spending rose 3% from a year earlier in the first quarter at 356 S&P 500 Index companies, down from a 20% rise in the year-ago period for the same companies, according to The Wall Street Journal and Cacbench;

- Interest-only mortgages are surging in popularity with commercial landlords across the United States fueling fears of a return to crisis-era loose lending and a spike in defaults if the economy contracts. Interest-only loans accounted for 77% of the $16.5 billion of new commercial mortgages in the U.S. during the first quarter, according to Trepp, up from 68% a year earlier. The interest-only phenomenon is a late-cycle indicator and a red flag for the economy. Combined with partial interest-only loans, the total reached 89% of all new commercial mortgages in Q1, the highest since 2008;

- PIMCO has launched a new private equity-type product to invest in distressed UK real estate. Investment in UK retail property has stalled over the past year due mainly to Brexit and a big drop in overseas buyers. But values have begun falling steeply in recent months, luring private equity investors. PIMCO has hired New River, a London real estate investment trust, to isolate opportunities in distressed local shopping centers. Prospective investors should consider Derwent London plc (London-DLN), a manager of 86 building in central London. The stock trades at a wide 15% discount to book value;

- Since earlier this spring, we’ve become bullish on Treasury securities because of a slowing U.S. economy, rising trade tensions and a debt ‘bubble’ across high-yield, leveraged loans and mortgage-financing. Though Treasury bonds are heavily overbought in early June, we strongly advise accumulating long-term T-bonds on any intermittent weakness. As the Fed continues to pivot towards a rate cut, longer term bonds will outpace intermediate-term securities;

- After correcting in April, gold prices surged over the past two weeks as world markets buckled. Falling bond yields are bullish for gold investors. Spot gold is up more than 4.5% this year. We’ve upgraded our outlook for gold for the rest of 2019 following a crippling bear market since 2013;

- The sell-off in base metals continues, strongly suggesting a weak global supply-and-demand picture. In late May, copper prices declined in eight out of ten sessions after data showed activity in Chinese factories slumped in May. Tepid global manufacturing data and weak demand from China – the world’s largest consumer of raw materials – hurt industrial metals over the past six weeks;

- Foreign exchange markets erupted with fresh volatility as the British pound, Swedish krona, Mexican peso and Chinese yuan have all weakened recently. The peso dropped 2.5% in a single day last week following President Trump’s threat to impose tariffs on Mexico. The levies could hit 25% by October if Mexico fails to meet Trump’s demands on immigration. The Swedish krona plummeted to its lowest level versus the EUR in almost ten years last month. Traders blame the Riksbank or central bank for excessive dovish rhetoric, echoing the ECB’s renewed commitment to ‘easy money’ following weak GDP in the euro-zone;

- We remain cautious. Growth portfolios should be carrying above-average cash balances and sizable holdings of long-term U.S. Treasury securities as the yield inversion persists. Increasingly, the odds are growing that the Fed will cut rates in 2019. The United States is now slowing along with the rest of the global economy. We favour U.S. large-cap dividend-paying multinationals, defensive stocks in consumer staples, utilities and pharmaceuticals and hefty cash reserves to be deployed in inverse-ETFs to help protect stock portfolios, if
another bear market materializes. We’ve downgraded most emerging markets, except South Korea and Vietnam. Germany is our favorite major market bourse, offering high value and a cheap EUR vis-à-vis the dollar.

Global Equities

Powell Fed Pivots Again in June to Keep Bull Market Alive in 2019

For the second time in less than six months, the Federal Reserve has induced a major stock market recovery. After declaring the possibility for an interest rate cut, the Fed Chairman on June 4th helped to unleash the biggest single-day rally of the year. After five weeks of declines, U.S. equities are rallying in early June as the Fed increasingly carries the market at a time when the Trump administration is waging dangerous trade battles. Mexico is the latest target.

Major markets are outpacing emerging markets (EM) again this year. The correction in May hurt EM stocks more than major market equities with the MSCI Emerging Markets Index falling 7.5% compared to a 6% loss for the MSCI World Index. We’ve downgraded most EM stocks in June, except South Korea and Vietnam. Both countries offer excellent values at current levels and are recipients of rising foreign direct investment (FDI), courtesy of the U.S.-China trade conflict. Increasingly, more manufacturers are shifting supply-chains to other locales in Northeast Asia.

Using tariffs to influence migration policy (e.g. Mexico) shows the White House is prepared to use trade to gain leverage outside of the economic sphere. Indeed, for post-WW II investors, we’re now in new territory as trade wars accelerate, threatening the U.S. economic expansion and corporate earnings; in June, the American economy posted its tenth consecutive year of growth. Meanwhile, economic data from overseas has worsened since March with India, China,
Brazil, Germany and other large economies all softening this year. In June, the Reserve Bank of Australia became the first major central bank in 2019 to cut interest rates. In the emerging markets universe, India has begun cutting rates along with China.

If President Trump has a chance at re-election in 2020, a trade deal with China must be signed soon. Along with help from the Fed to cut interest rates heading into 2020, we think the incumbent has a strong chance at re-election, IF the economy and stock market hold firm.

In Europe, markets have struggled since May with a host of economic data pointing to mostly slowing growth. German government bond yields hit their lowest level on record on May 31st as fears grow Europe is running out of monetary bullets at the European Central Bank (ECB). Three-month Euribor trades at -0.36%. Most of the euro-zone’s economies managed to post recoveries in the first quarter – avoiding outright recession following a poor third and fourth quarter. Manufacturing contracted in May as the euro-zone PMI hit a two-month low of 47.7. Germany barely escaped recession in the first quarter. In another poll, the Ifo Institute’s business climate indicator, which reflects business sentiment in Germany, fell to 97.9 in May – the lowest level since 2014. Germany’s export-oriented growth model, which is predicated on high-end engineering, continues to face pressures from potential U.S. auto tariffs, slowing regional growth and a marked decline in global trade. In 2019, the MSCI Europe Index is up 8.2% but has declined 7.7% over the past 12 months. We’ve downgraded the euro-zone in June to HOLD.

We’ve turned bearish on Japan. The Bank of Japan, engaged in a seemingly endless exercise of quantitative easing since 2010, owns a staggering 75% of the country’s exchange-traded-funds or ETFs. Hoping to boost the Nikkei and other segments of the market, the Bank of Japan’s ETF policy did work until 2015-2016; despite offering cheap stocks, Japan has failed to draw long-term buyers after stocks topped-out in early 2018. Going forward, the yen is also going to pose a challenge to policymakers because of rising global recession fears. The yen is the leading ‘safe-haven’ currency amid crises or market dislocations. A strong yen is bearish for Japan’s big exporters. We’ve downgraded the iShares Currency Hedged MSCI Japan ETF (NYSE-HEWJ) to SELL.
Selling England by the Pound

Is London on sale? Arguably one of the most expensive cities in the world, London is indeed a bargain for some real estate deals. Along with a smashed-out British pound since the Brexit vote three years ago, London property is now the cheapest adjusted for U.S. dollars in years. As a regular visitor to London since 1995, I can tell you with utmost certainty that London isn’t cheap. As one of the leading international cities of the world, London is a major hub for global finance, an amazing place to visit important historical sites, ride the Underground and believe it or not, even enjoy fantastic restaurants. London has a vibe. It’s hard to describe. But there’s a reason why so many people call it home and why thousands of tourists worldwide return to visit regularly.

According to Savills, one of the largest London property agents dating back to 1855:

The economy is forecast to grow more slowly this year, compared to expectations at the end of 2018. In the recent Spring Statement, UK GDP growth has been revised down from 1.6% in 2019 to 1.2%. Slower growth will have a negative impact on the occupational markets, driven by lower corporate activity and growth. Investment volumes, as at mid-March 2019 are currently 49% below the same period in 2018. The first couple of months was reported as being 40% below, so clearly the last couple of weeks has shown further weaker investor sentiment in the UK. However, 2019 is likely to represent the ‘peak risk’ to the UK property markets, assuming an orderly exit from the EU. Looking further out and considering current sentiment, forecasts for UK annual average total returns are shown below.

Investment volumes for UK Commercial real estate reached £62.1bn. ($79.2 billion) in 2018. This represents a fall of 5.7% year-on-year but a rise on the three-year rolling average of £59.8bn. ($76.3 billion). While the overall investment volumes paint a robust picture, it’s worth noting that all sectors, aside from leisure and alternatives, saw a decline in investment. Alternatives and mixed-use accounted for 29% of all investment, the highest proportion ever recorded.
As demonstrated in the graph below, courtesy of Savills, UK real estate has performed remarkably well compared to other global asset classes, with UK industrial property leading the charge with 12 month returns of 17.4% in sterling terms or 11.9% in US dollars. With little risk of over development in many sectors and occupier demand in many markets reaching surprisingly high levels, 2019 may see certain sectors repeat this performance.

Listed on the London Stock Exchange, Derwent London plc (London-DLN) owns 86 buildings in a commercial real estate portfolio predominantly in central London valued at £5.2 billion ($6.6bn) as of December 31, 2018. DLN is the largest London-focused real estate investment trust. The company acquires central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End of the Tech Belt. Derwent London has a strong balance-sheet with modest leverage and a robust income stream.
Derwent London plc trades at 16.4 times trailing 12-month earnings and 0.87 times price-to-book value or a 13% discount to net asset value. The REIT yields a modest 2% in sterling. The company sports a $4.7 billion market-cap. In 2019, the REIT has rallied 15% in dollars. From its all-time high in 2015, DLN trades 10% below its best level.

London commercial real estate might continue to struggle in the wake of the Brexit referendum and the UK’s possible hard exit from the European Union in October. But at this point, the pound has declined significantly from its pre-Brexit level of around 1.50 and real estate prices have softened in central London – a rarity in the long-term history of the market. The pound offers substantial appreciation potential for foreign currency investors. Sterling’s highest level over the past ten years vis-à-vis the USD was 1.72; at 1.27 currently, that’s a whopping 26% discount.

London will bounce back. It’s an exceptionally vibrant international city and I’m bullish on Derwent London plc.

Portfolio News

The month of May was largely challenging for our ENR Market Outlook Portfolio with about 40% of our open positions posting net gains and the remaining 60% recording losses. Defensive equities like consumer staples, telecoms, utilities and pharmaceuticals led the way higher in a tough month for global stocks. Leaders in May were Azko Nobel (Amsterdam-AKZA), Verizon Communications (NYSE-VZ), BCE Inc. (Toronto-BCE), PayPal Holdings (NASDAQ-PYPL), Pfizer Inc. (NYSE-PFE), Nestlé SA (Zurich-NESN) and Diageo ADR (NYSE-DEO).

With the Federal Reserve pivoting for the second time since January and appeasing the markets with talk of an imminent interest rate cut, we’d continue to add or dollar-average into mostly international securities on impending dollar weakness and lower rates. If the Fed is going to move, it’ll cut before the end of the year. Meanwhile, some of the best values remain overseas where stocks have trailed Wall Street since 2010; a weaker dollar is also starting to become reality as markets discount a Fed rate cut. Lower U.S. rates would be bullish for non-U.S. bourses.

Our first choice is value-hog iShares MSCI Germany ETF (NYSE-EWG), the industrial locomotive of Europe. The iShares Edge MSCI International Value Factor (NYSE-IVLU) remains the biggest bargain among non-U.S. ETFs in the world. This product is the cheapest non-U.S. ETF based on price-to-book ratios. We also like the iShares MSCI EAFE ETF (NYSE-EFA) Europe is a big theme representing 59% of the portfolio.

ENR All-Weather Series

We’re pleased to announce three new products introduced in the ENR All-Weather series. Designed and back tested for more than ten years, these products are structured to produce low volatility and consistent returns in almost all markets. Our goal was to design a strategy that is low cost accompanied by low management fees; producing consistent annual returns and harboring minimal portfolio turnover and minimal cash balances. The results are impressive. Three new portfolios are now available: ENR All-Weather, ENR Global All-Weather Portfolio and ENR All-Weather Excel. The results below include the deduction of management fees starting at 0.75%:

ENR All-Weather gained 0.27% in May’s steep market decline and is up 6.23% in 2019. In last year’s tough market, AW declined a net 1.28%. Since 2006, the portfolio has recorded four losing years with 2015 the worst loss at -5.42%. In
2008, the strategy declined a net 4%. Its best year since 2006 was in 2014, up 16.42% followed by a net 16.36% in 2011 and 14.48% in 2006.

**ENR All-Weather Global**, holding more global large-cap stocks, has gained a net 7.36% this year. The strategy has logged three losing calendar years since 2006 with -7.2% the worst loss in 2008. Its best years were in 2010 (+15.56%), 2006 (+14.56%) and 2017 (+14.27%).

**All-Weather Excel** has the highest constituent weighting in equities of all three programs. But it also has the smallest number of losing years – just two. Its worst losses were recorded in 2018 (-4.16%) and 2015 (-3.35%) after fees. Its best years were in 2014 (+13.68%), 2017 (+13%) and 2010 (+12.9%).

## Market Outlook Stock Portfolio:

<table>
<thead>
<tr>
<th>Security</th>
<th>Listed</th>
<th>Symbol</th>
<th>Entry Price</th>
<th>Date</th>
<th>Current Yield</th>
<th>Current Price</th>
<th>Gain/Loss</th>
<th>Advice</th>
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</thead>
<tbody>
<tr>
<td>Derwent London</td>
<td>LSE</td>
<td>DLN</td>
<td>£32.92</td>
<td>Jun 5/19</td>
<td>2.00%</td>
<td>£32.92</td>
<td>NEW</td>
<td>BUY</td>
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<tr>
<td>Vanguard Mid-Cap Value ETF</td>
<td>NYSE</td>
<td>VOE</td>
<td>$110.74</td>
<td>Jul 5/18</td>
<td>2.53%</td>
<td>$107.02</td>
<td>-1.47%</td>
<td>BUY</td>
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<tr>
<td>iShares Russell Top 200 Value Index</td>
<td>NYSE</td>
<td>IWX</td>
<td>$52.46</td>
<td>Jan 2/18</td>
<td>2.47%</td>
<td>$52.46</td>
<td>2.95%</td>
<td>BUY</td>
</tr>
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<td>iShares MSCI EAFE</td>
<td>NYSE</td>
<td>EFA</td>
<td>$58.91</td>
<td>Dec 31/18</td>
<td>3.14%</td>
<td>$64.55</td>
<td>9.57%</td>
<td>SEL</td>
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<tr>
<td>iShares MSCI Germany</td>
<td>NYSE</td>
<td>EWG</td>
<td>$27.21</td>
<td>Apr 1/19</td>
<td>2.76%</td>
<td>$27.62</td>
<td>1.51%</td>
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<td>iShares Emerging Markets Dividend</td>
<td>NYSE</td>
<td>DVYE</td>
<td>$37.53</td>
<td>Dec 31/18</td>
<td>5.64%</td>
<td>$39.54</td>
<td>6.01%</td>
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<td>Akzo Nobel</td>
<td>Amsterdam</td>
<td>AKZA</td>
<td>€ 70.60</td>
<td>Oct 4/18</td>
<td>3.78%</td>
<td>€ 78.31</td>
<td>23.18%</td>
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<td>iShares Currency Hedged MSCI Japan</td>
<td>NYSE</td>
<td>HEWJ</td>
<td>$33.74</td>
<td>Oct 4/18</td>
<td>1.33%</td>
<td>$29.52</td>
<td>-12.16%</td>
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<td>iShares Edge MSCI Intl Value Factor</td>
<td>NYSE</td>
<td>IVLU</td>
<td>$24.34</td>
<td>Sep 10/18</td>
<td>2.76%</td>
<td>$22.87</td>
<td>-4.85%</td>
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<tr>
<td>Flughafen Wien AG</td>
<td>Vienna</td>
<td>FLU</td>
<td>€ 32.00</td>
<td>Aug 7/18</td>
<td>2.40%</td>
<td>€ 38.25</td>
<td>18.89%</td>
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<td>Verizon Communications²</td>
<td>NYSE</td>
<td>VZ</td>
<td>$47.93</td>
<td>Apr 5/18</td>
<td>4.26%</td>
<td>$57.16</td>
<td>24.26%</td>
<td>HOLD</td>
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<tr>
<td>BCE, Inc.⁴</td>
<td>TSE</td>
<td>BCE</td>
<td>CAD 57.97</td>
<td>Mar 8/17</td>
<td>5.18%</td>
<td>CAD 61.71</td>
<td>19.13%</td>
<td>HOLD</td>
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<tr>
<td>PayPal Holdings⁸</td>
<td>NASDAQ</td>
<td>PYPL</td>
<td>$40.10</td>
<td>Jan 3/17</td>
<td>0.00%</td>
<td>$110.04</td>
<td>174.41%</td>
<td>HOLD</td>
</tr>
<tr>
<td>Pfizer Inc.³</td>
<td>NYSE</td>
<td>PFE</td>
<td>$32.92</td>
<td>Jan 3/17</td>
<td>3.32%</td>
<td>$42.72</td>
<td>39.98%</td>
<td>HOLD</td>
</tr>
<tr>
<td>Nestlé SA²</td>
<td>VTX</td>
<td>NESN</td>
<td>CHF 65.15</td>
<td>Dec 7/16</td>
<td>2.47%</td>
<td>CHF 99.99</td>
<td>59.61%</td>
<td>HOLD</td>
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<tr>
<td>Diageo ADR</td>
<td>NYSE</td>
<td>DEO</td>
<td>$113.71</td>
<td>Jul 4/16</td>
<td>2.07%</td>
<td>$169.31</td>
<td>57.75%</td>
<td>HOLD</td>
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<tr>
<td>Apple Inc¹</td>
<td>NASDAQ</td>
<td>AAPL</td>
<td>$92.79</td>
<td>May 9/16</td>
<td>1.65%</td>
<td>$182.32</td>
<td>104.19%</td>
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<td>General Dynamics</td>
<td>NYSE</td>
<td>GD</td>
<td>$131.37</td>
<td>Mar 31/16</td>
<td>2.27%</td>
<td>$169.61</td>
<td>37.59%</td>
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</table>
Disclaimer: The ENR Global Contrarian Portfolio owns Nestlé and Verizon Communications, ENR Medium Risk Portfolio owns Nestlé, Pfizer and Verizon Communications. ENR Aggressive Growth Portfolio owns PayPal Holdings.

Fixed-Income

Global Bond Yields Plunge; Inversion Returns

Recession risks are rising – again. For the second time this year, the yield curve or yield differential between ten-year Treasury bonds and three-month Treasury bills, steepened to minus 0.28% in late May. As of June 6th, the spread is minus 0.20%, a slight improvement compared to last week. As the curve continued to head into greater negative yield territory recently, investors accelerated stock sales in favor of bonds. The U.S. yield curve across several maturities has been distorted since late last fall with two and five-year Treasury bonds carrying the same yield (1.86%) and the 30-year Treasury bond yielding what ten-year T-bonds were yielding in mid-January at 2.61%. It’s a bizarre cocktail of yield anomalies, suggesting something isn’t right in the U.S. economy, inevitably inviting a Federal Reserve rate cut. Markets have begun pricing in a rate cut later this summer or fall. The May payrolls report confirmed the bond markets’ message that the American economy is indeed slowing.

In Germany, benchmark bunds saw yields hit record negative yields over the past week to minus 0.30%. In Japan, short-term government debt prices rallied sharply recently, hitting yields of negative 0.22% -- the lowest level in two years.

Throughout the industrialized bond markets, yields have been plummeting all spring, symptomatic of a slowing global economy and high indebtedness. Trade war concerns are fanning recession risks as trade volumes decline and business
sentiment turns sour. Just about every major and emerging economy is reporting a marked decline in GDP the first half of 2019 with the Reserve Bank of Australia cutting interest rates this week – the first major central bank to cut rates.

Sovereign government bonds are now heavily overbought following a huge rally. We would not chase yields lower. A correction in bond prices is imminent. However, trade tensions between the United States and China are encouraging risk averse investors into high quality government paper; in China, bank solvency concerns are growing following a report that some regional banks have yet to report 2018 results because of some $647 billion worth of non-performing loans. Also, FX traders are watching the USD-yuan rate for possible devaluation. A yuan devaluation, similar to events in August 2015, would destabilize world markets and possibly, tip the global economy into recession.

With the Fed on track to cut rates for the first time since 2008, floating rate debt is redundant. We’d recommend selling floating rate loans. Sell the **iShares Floating Rate Bond Fund** (NYSE-FLOT).

<table>
<thead>
<tr>
<th>Security</th>
<th>Listed</th>
<th>Symbol</th>
<th>Entry Price</th>
<th>Date</th>
<th>Current Yield</th>
<th>Current Price</th>
<th>Gain/Loss</th>
<th>Advice</th>
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<tr>
<td>iShares Floating Rate</td>
<td>NYSE</td>
<td>FLOT</td>
<td>$50.69</td>
<td>Oct 5/16</td>
<td>2.93%</td>
<td>$50.89</td>
<td>5.58%</td>
<td>SELL</td>
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<td>iShares 20+ Year Treasury Bond</td>
<td>NYSE</td>
<td>TLT</td>
<td>$117.57</td>
<td>Dec 4/18</td>
<td>2.51%</td>
<td>$124.60</td>
<td>7.11%</td>
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<td>iShares TIPS</td>
<td>NYSE</td>
<td>TIP</td>
<td>$113.53</td>
<td>Dec 7/16</td>
<td>2.34%</td>
<td>$113.14</td>
<td>4.81%</td>
<td>HOLD</td>
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**Disclaimer:** The **ENR Global Contrarian Portfolio** holds the iShares 20-Year + U.S. Treasury Bond ETF. The **ENR Aggressive Growth Portfolio** holds the iShares 20-Year + U.S. Treasury Bond ETF. The **ENR Low Risk Portfolio** holds the iShares 20-Year + U.S. Treasury Bond ETF.

**Foreign Exchange**

**Fed Rate Cut in 2019 Points to Lower Dollar**

After a blistering rally off the late 2011 lows, the U.S. dollar is poised to finally weaken ahead of an imminent interest rate cut currently in the process of being discounted by financial markets. With May payrolls up just 75,000, markets have begun to discount a possible July Fed rate cut. The dollar has also started to soften this week, down more than 1.5% and the biggest weekly decline in months.

The number of central banks shifting to ‘easing’ mode is accelerating in June with the Reserve Bank of Australia and the Reserve Bank of India cutting rates. They join the People’s Bank of China, Reserve Bank of New Zealand, and the Malaysia and Indonesian central banks. Among other central banks, Norway, Chile and the Czech Republic have hiked rates this year. I suspect those central banks raising rates will shortly shift to a ‘neutral’ bias.
2019 Currency Sandwich

Currency Sandwich Gains 0.5%; Gold Prices Soar

Our equally weighted five-member ENR Global Currency Sandwich, including gold, rallied sharply in May and into June. In 2019, the Sandwich has gained 0.51% compared to a 1.3% rise for the U.S. Dollar Index. The best performing unit in our currency basket this year is gold, up 4.64%, following a blistering rally this spring triggered by the Fed’s second pivot on interest rate expectations. Lower rates and plunging bond yields are bullish for gold. In a year otherwise marked by general dollar strength, only several foreign currencies have managed gains; the emerging market currencies in Russia, Ukraine, Egypt, Sri Lanka and Thailand have posted the biggest gains along with the Japanese yen.

2019 ENR Global Currency Sandwich (Equally Weighted):

- Gold Bullion (+4.64%)
- Norwegian krone (-0.60%)
- Swiss franc (-1.00%)
- Japanese yen (+1.10%)
- New Zealand dollars (-1.60%)
Commodities

Time to Buy Gold Stocks!

Forget cryptocurrencies. Forget tech stocks. What’s sizzling now is gold stocks. Still down more than 65% off their late 2011 all-time highs, gold mining shares are going to surge as the Fed cuts rates and the dollar stalls. We’ve upgraded gold stocks to a BUY this month with Newmont-Goldcorp (NYSE-NEM) at the top of our list.

Silver, also in the doghouse for the past eight years, is a strong BUY at these levels. Markets have forgotten about silver. The white metal has been stuck around the $14-$15/ounce level for the last five years and long overdue for a big breakout. Wheaton Precious Metals Corp. (NYSE-WPM) is the best-managed silver royalty trust in the business and sits 45% below its all-time high eight years ago; also, the gold-to-silver ratio remains near a thirty-year high, strongly suggesting silver is hugely undervalued vis-à-vis gold bullion. WPM joins our portfolio this month.

Market Outlook Commodity Portfolio:

<table>
<thead>
<tr>
<th>Security</th>
<th>Listed</th>
<th>Symbol</th>
<th>Entry Price</th>
<th>Date</th>
<th>Current Yield</th>
<th>Current Price</th>
<th>Gain/Loss</th>
<th>Advice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheaton Precious Metals</td>
<td>NYSE</td>
<td>WPM</td>
<td>$22.78</td>
<td>Jun 5/19</td>
<td>1.63%</td>
<td>$22.78</td>
<td>NEW</td>
<td>BUY</td>
</tr>
<tr>
<td>Newmont Goldcorp</td>
<td>NYSE</td>
<td>NEM</td>
<td>$17.99</td>
<td>Dec 31/15</td>
<td>1.63%</td>
<td>$34.37</td>
<td>102.70%</td>
<td>BUY</td>
</tr>
<tr>
<td>Royal Dutch Shell⁵</td>
<td>NYSE</td>
<td>RDS.B</td>
<td>$65.51</td>
<td>Nov 5/18</td>
<td>5.90%</td>
<td>$64.02</td>
<td>2.03%</td>
<td>BUY</td>
</tr>
<tr>
<td>iShares S&amp;P GSCI Commodity Trust</td>
<td>NYSE</td>
<td>GSG</td>
<td>$16.34</td>
<td>Jan 2/18</td>
<td>0.00%</td>
<td>$14.83</td>
<td>-9.24%</td>
<td>BUY</td>
</tr>
<tr>
<td>Glencore</td>
<td>LSE</td>
<td>GLEN</td>
<td>£3.06</td>
<td>Mar 4/19</td>
<td>4.82%</td>
<td>£2.59</td>
<td>-6.79%</td>
<td>HOLD</td>
</tr>
</tbody>
</table>

① Market Outlook Commodity Portfolio:

$GOLD:SI SILVER Gold - Continuous Contract (EOD)/Silver - Continuous Contract (EOD) CME

Open 89.64 High 90.18 Low 89.32 Close 90.08 Volume 3 Chg -0.08 (-0.09%) ▼

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Thank you for your continued support.

Eric N Roseman
June 7, 2019
Montréal, Canada