



JIM POWELL'S

April 2017

GLOBAL CHANGES & OPPORTUNITIES REPORT



Information and insights about world events affecting your business, career, family and investments

Dear Reader,

The most important events that we are seeing in the US and the world today mark the continuing erosion of many long-established ways of doing almost everything, and the difficult search for more effective ways to replace them.

Few people realize how much is at stake. Nearly everything that shapes our lives and fortunes is being reexamined.

The future of our economic system is at the top of the list. Over the past 20 years, millions of citizens have come to believe that capitalism increasingly benefits the wealthy upper class, and is destroying jobs and comfortable lives for everyone else. Capitalism's growing number of critics point to how much the middle class has been damaged, and how fast its numbers are shrinking.

If the public's opinion about the US economic system continues to decline, we will begin to hear a rising chorus to try something else. Although the election of Donald Trump and a modest uptick in the economy have temporarily muted the calls for change, I think they will come roaring back if the new president fails to deliver on his promises. We will definitely hear a growing demand for a new economic model when the next recession shows up.

Another major threat to the capitalist economic model is the rapid development of highly efficient workplace technology that is eliminating countless workers in nearly every field. Take no comfort from knowing that the new devices aren't really intelligent. They are smart enough to do the work, and they are improving rapidly.

To cite just one example: long haul trucks – not private automobiles – are likely to be the first place that we will see driverless technology widely adopted.¹ Many test runs have already been conducted on the nation's interstate highway system that show human drivers are not only unnecessary, they are more costly and troublesome than automated systems.

New computer-assisted devices are also eliminating many additional office and factory jobs. Nearly any

work that follows a set of rules – the more complicated the better – can be automated.

For example, thousands of people at the leading banks and Wall Street firms are being replaced by fintech (financial technology). New diagnostic systems in hospitals sift through mountains of lab tests and medical knowledge to accurately diagnose problems. Robots now make pizza and cocktails.² The list of tasks that are being automated is expanding rapidly – and will probably accelerate.

The big question about the future of our (somewhat) free market economic system is, how much longer will people support it if it appears to be working against them?

Judging from the popularity of Bernie Sanders – an ardent socialist – in the recent race for the presidency, capitalism may give way to greater government control of economic affairs that were once left to the private sector to sort out. A move further into socialism will be a disaster, of course, as we can

clearly see in Europe. Nevertheless: most Europeans like their government-dominated economic systems better than what they view as dog-eat-dog struggles of the fittest.

Democracy itself is also in peril – at least as it is practiced now – and for the same reasons that our economic system is under fire. A growing number of people believe the democratic process has been hijacked by the so-called “1%” that buy elections and use their politicians to enrich themselves at the expense of everyone else. While 70% of Americans born in the 1930s think democracy is an “essential” component of liberty and prosperity, only 30% of those born in the 1980s agree.³

As I wrote in the January GCOR, I think the election of Donald Trump as president was a Hail Mary

Autocrats Xi Jinping and Vladimir Putin



They rule the world's two largest countries

¹ Olivia Solon, “Self-driving Trucks: What's The Future For America's 3.5 Million Truckers?”, *The Guardian* (US Edition), June 17, 2016.

² Lindsay Whipp, “Robot Chefs Battle For Place On \$783 Billion Menu”, *Financial Times*, March 18, 2017.

³ Gideon Rachman, “The Stamp Of Authority Gains In Appeal”, *Financial Times*, February 21, 2017.

pass by millions of disaffected Americans to give the democratic process a last chance to address their grievances. As with our economic system, when Mr. Trump doesn't, or can't deliver on his promises, I think many people will stop believing that democracy can be made to serve them.


The ability of the democratic process to address the public's needs is already being questioned. Large cuts in social programs that many middle class Americans rely upon are being considered in Washington. The proposed 20% border tax would greatly increase food prices. Food stamp cuts would impact about one in seven Americans – and so on. I believe several cost-cutting measures are long overdue – but I doubt that the public will see it that way.⁴

The proposed Republican healthcare plan is attracting the most opposition. The bill that's currently up for a vote in Congress may provide less – and more expensive – coverage for more people than Obamacare.⁵ Many angry citizens who are opposing the changes at tumultuous Republican town hall meetings were ardent supporters of Mr. Trump's bid for the White House.

The bottom line is, most people are not bound by any philosophical or ethical commitment to capitalism, democracy, or any other system that influences their lives. If the public believes that a way of doing something is no longer helping them – or may even be hurting them – it will be tossed on the scrap heap of history next to dictatorships, monarchies, theocracies, communism, fascism, military rule, and several others.

So what will the growing ranks of unhappy Americans turn to? I think the answer can be seen in over a dozen countries where free markets and traditional democratic processes are being shown the door. People are increasingly turning to authoritarian leaders who they believe will be more effective than mainstream politicians.

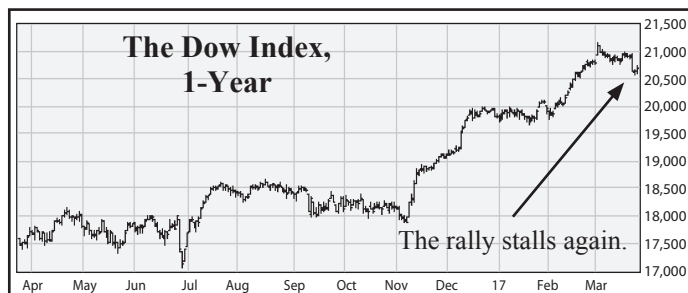
Mr. Putin of Russia and Mr. Xi Jinping of China, are but two of the world's growing number of authoritarian leaders who have taken power in recent years. In the US, Mr. Trump is clearly a move in that direction. If anything makes life more difficult for millions of our citizens, I think whoever replaces Mr. Trump will be even more autocratic. I'll have more to say about this matter on page 8.

Meanwhile, we have a robust stock market that requires our attention. If we update our portfolios to reduce our risks, and we select new investments that are priced attractively, we can expect our gains to continue. Details are coming up in the next section. 



Lower Risk Strategies For A Lofty Market

For several months I have been warning GCOR readers that risks are rising in lockstep with the soaring stock market – and we need to become more cautious with our investments. Happily, there are still ways to reduce our exposure to a market slide and increase our returns at the same time.



Before looking at the particulars, however, I want you to know that the odds are high that the bull market has further to run. Stocks typically make the largest gains towards the end of an extended rally in what is often called the blow-off stage. The final sprint can be wild and wonderful.

However, we don't know when the party will break up. The most successful investors will prepare for a reversal at the same time they move to capture the additional profits that are likely to come. With that in mind:

There are three basic ways to deal with today's vulnerable stock market:

1. You can sell everything and move to cash and fixed income securities such as bonds and CDs. If so, you will probably sleep better – for at least a night or two. However, that tranquility will end when you consider how little you will be earning on your money. You will also miss out on whatever gains the bull market has yet to deliver.

2. Alternately, you can sell some of your best-performing stocks to protect a good portion of your profits.

At the same time, I suggest that you rebalance your portfolio to stress top blue chip dividend stocks that have long track records of surviving downturns and then bouncing back – and paying their dividends all along the way. This two-part plan is much better than cashing out for investors who wish to reduce their risks while staying with the current uptrend.

3. You can also do everything in #2 above, but also buy blue chip bargains when they can be found. If you buy quality stocks that have already stumbled, they will usually pose little risk of taking other big

⁴ Edward Luce, "A Field Day For America's One Percent", *Financial Times*, February 27, 2017.

⁵ According to a report by the Congressional Budget Office, a non-partisan government research group.

hits if we have a market correction.

In fact, during market downturns when investors have fewer promising stocks from which to choose, recovering fallen angels will often attract more attention than they would during better conditions. A “bear hug” can be wonderful to see, and even nicer to experience.

I believe this is the best plan for most investors right now. Play it safe with what you have, and even safer with what you buy. I have two promising bargain opportunities – plus a top low-risk growth & income stock – for your consideration this month.

Caterpillar, Inc. (CAT)

I love it when a top company that I have been buying runs into what I am certain is short-term trouble and gives me a chance to get more at a discount.

That’s happening today with **Caterpillar**, a company that’s positioned to profit from the infrastructure rebuilding trend that is ramping up in the US – and in many other countries.

Caterpillar, as I’m sure you know, is a world-class construction equipment company. I first recommended the stock in the June/July 2016 GCOR when it was selling for \$72.27. CAT subsequently rose to \$99.46 – and was still in an uptrend.

However, on March 8 the federal government raided Caterpillar’s offices at Peoria, IL to serve papers and seize records. At issue was \$7.6 billion in offshore profits the company brought home without sending Uncle Klepto in Washington what he says was his share. The company insists that its actions were legal.

Investors were in no mood for the tax controversy and promptly sold Caterpillar off. Today, CAT is \$92.51. Although that’s not a screaming discount, for a company with such good long-term potential, it’s an opportunity that we should not ignore.

I don’t know what the outcome will be for CAT’s dispute with Washington, or how long it will take to resolve. Even if the taxes are imposed, they will have a small impact on the company’s long-term performance. In any event, Mr. Trump has promised to slash taxes on repatriated offshore profits and may ask Congress to make the new rates retroactive through 2016.

There is an even more important matter in CAT’s favor that is not getting much attention. A large portion of Mr. Trump’s proposed \$54 billion defense spending increase will be for civilian infrastructure projects that improve the nation’s security. Just as President Eisenhower pushed the intrastate freeway system in large part to facilitate troop and equipment

movements in case of war, today’s proposed highway improvements will have the same dual civil/military purpose. Ditto for the proposed upgrades to our ports and airports.

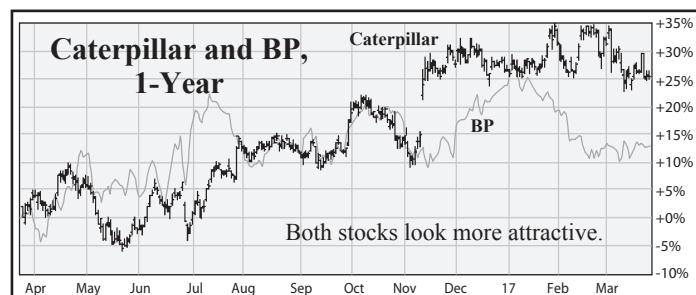
Caterpillar, is ideally positioned to benefit from the multi-billion dollar infrastructure/defense projects that are on the way. I like CAT’s price, its attractive 3.23% dividend, and its outlook.

BP, PLC (BP)

I also recommend buying more **BP** (formerly British Petroleum) that I first recommended in March 2015. At the time, the company was clawing its way back from two heavy blows: its disastrous 2010 Deep Water Horizon oil spill in the Gulf of Mexico, and the plunge in oil prices.

As can be seen from BP’s stock chart, its recovery has been continuing by fits and starts since my recommendation. From \$29.63 two years ago, the stock climbed to a high of \$38.68. It has since declined to \$33.97, where I believe it is again attractive.

BP appears to have fully recovered from the 2010 oil spill. Although the cleanup expense, the compensation payments, and the fines cost the company \$61.6 billion,⁶ the loss appears to be reflected in the stock price. In any event, the total blowout cost was never a threat to the company’s \$382 billion in annual revenues.



BP, of course, is still climbing out of the oil price hole along with others in its industry. However, the company has been switching its attention to the new energy market that is dominated by low-cost natural gas. BP also scaled down its offshore operations in order to make better use of its less expensive land-based resources. Lastly, BP introduced many small-company practices to improve its productivity.

The bottom line is, BP isn’t the same struggling giant that it was seven years ago. I think the company has more promise than when I first recommended it, and should deserve a larger place in a long-term portfolio. The company’s 6.96% yield adds to its appeal.

⁶ Ed Crooks, “BP Draws Line Under Gulf Spill Costs”, *Financial Times*, July 14, 2016.

Senior Housing Properties Trust (SNH)

The goal of most of our stock investments is capital appreciation. Only Portfolio #5 has income as one of its priorities.

With interest rates now on an upswing, we need to include more stocks that offer a blend of rising income and growth.

At first glance, it may appear to be a mistake to look for another income stock at this time. When interest rates start to rise, many high yield stocks decline because their dividends become less valuable. It's only natural for many conservative investors to avoid a stock that yields less than the interest rate paid on new bonds.

However, there are notable exceptions to the rule.

For example, during modest interest rate increases – *that investors see coming* – income stock prices usually decline ahead of time and pose little risk of dropping further when the new rates arrive.

Secondly – and most importantly – some income stocks benefit from the inflation that usually accompanies interest rate hikes. Those companies can raise their payouts year after year and keep their shareholders abreast of interest rate and inflation increases.

One such company is **Senior Housing Properties Trust**, a real estate investment trust (REIT) that invests in retirement residences, medical facilities, and other operations that cater to the needs of our retiring Boomers.



The case for investing in aging Boomers has been made for so many years that some readers may assume that the trend is nearly over.

Just the opposite is the case. The number of Americans aged 65 and above is expected to reach 20 million by 2030. The number of more elderly Americans – the first wave of the Boomers – is increasing even faster. It's clear that catering to the needs of older people is still a growth industry.

As is true of almost all real estate, the value of senior housing and medical facilities rises during inflation – and so does the rental income they generate. As a result, I expect Senior Housing to do well for many years.

Lastly, Senior Housing is paying a very attractive

7.84% dividend. That's over three times the 2.59% rate on 10-year bonds, and over four times the 1.94% current yield of the S&P 500.

Lastly, I continue to recommend all the investments that I reviewed in this column last month. Our Big Pharmaceutical stocks, Emerging Market ETFs, Alcohol and Tobacco stocks, and Energy Exploration & Development stocks remain well-suited for this stage of the bull market. 🏠

My "Big Mistake" That Paid Off

Most investors who have high-quality blue chip stocks they purchase for the long-term gains they are likely to deliver, should plan to remain in the market during a downturn. Besides the advantage of holding onto top stocks while they grow their businesses – during market declines most of them will continue to pay their dividends. Nevertheless, you may wish to consider doing some selling to protect against a possible disaster.

I'm the best example I know about the benefit of getting out of a shaky market when the bull starts to look a bit tired.

After soaring for nearly 10 years, I saw signs that the Great 1990s Boom was coming to an end. In 1998 I sent an alert to my clients to put tight stop loss orders on their winners – or to start selling them.

At the time, nearly everything was soaring – especially the red hot dot.com stocks. Many investors who took my advice to protect themselves were unhappy with me when the market went into a year-long blow-off and several high-flyers doubled again.

Then in 2000, the "tech wreck" hit. The Nasdaq plunged 77%, from 5,046.86 to just 1,163.37. Several dot.com stocks went down over 90% – and a few went to zero. A few months after the tech slide began, the whole market took a nosedive.

By the time the dust settled, my clients who had taken my recommendation to get out early decided that I hadn't made such a big mistake after all. 🏠

Portfolio Review

Since my last GCOR, the Dow's meteoric rise slowed down once again. From February 17 to March 17, the index gained 1.4%, from 20,624.1 to 20,914.6, Vs. a 4.0% rise the previous month. Until Congress makes some important decisions about healthcare, trade, and taxes, the market may remain subdued. A bad decision or two could trigger the correction that I have been warning about.

Our Basic Needs Suppliers led the pack with a modest 3.2% increase. Major Banking Companies gained 3.1%. Multinational Growth Stocks rose 0.7%. Blue Chip Food & Agriculture ticked up 0.1%.

The sole decliner for the month was our Blue Chip Income Plus Growth that eased down 0.5%.

As a group, 16 of our stocks made gains and 8 lost ground – vs. 19 gains and 5 declines the previous month. Many price changes were so small that I was tempted to list them as “flat.” See the tables for details.

Portfolio #1: Blue Chip Food & Agriculture

Last month, this conservative portfolio only managed to inch ahead 0.1%. Four stocks made gains, and three declined modestly.

McCormick led the pack with a 2.7% upturn, from \$99.33 to \$102.00. **Coca-Cola** gained a barely measurable 0.6%, from \$41.78 to \$42.03. **ConAgra** also inched up 0.6%, from \$41.16 to \$41.42. **Hershey** made an even smaller 0.1% uptick, from \$108.90 to \$109.01.

Moving down was **Archer Daniels** that slipped 1.2%, from \$45.26 to \$44.72. **General Mills** also declined 1.2%, from \$61.37 to \$60.66 – as did **Kraft-Heinz** that dropped from \$93.08 to \$91.98. All these stocks remain “OK to buy.”

Company	Sym	Price 12/20/11	Price 3/17/17	Percent Change	P/E	Yield	Recommendation
Archer Daniels Mid.	ADM	\$28.35	\$44.72	57.7%	21.7	2.84%	Down. OK to buy.
Coca-Cola	KO	\$34.20	\$42.03	22.9%	28.2	3.51%	Up. OK to buy.
ConAgra	CAG	\$26.19	\$41.42	58.2%	29.2	1.93%	Up. OK to buy.
General Mills	GIS	\$39.27	\$60.66	54.5%	22.7	3.14%	Down. OK to buy.
Hershey	HSY	\$59.57	\$109.01	83.0%	32.6	2.27%	Up. OK to buy.
Kraft-Heinz Group	KHC	\$36.91	\$91.9	149.2%	32.7	2.61%	Down. OK to buy.
McCormick	MKC	\$49.56	\$102.00	105.8%	27.6	1.87%	Up. OK to buy.

✓ Portfolio 1 Average Since 12/20/11: 75.9%. Change since last month: +0.1%

Portfolio #2: Basic Needs Suppliers

Our Basic Needs Suppliers had another positive month as concerns remained low about further gains in the dollar and declining export sales.

Johnson & Johnson led the pack with a 4.3% rise, from \$122.73 to \$128.06. **Colgate** posted a modest 0.8% increase, from \$73.35 to \$73.96.

Procter & Gamble was the sole decliner as it slid a miniscule 0.1%, from \$91.05 to \$91.00. Colgate and Procter are “OK to buy”, but JNJ is still a hold.

Company	Sym	Price 12/20/11	Price 3/17/17	Percent Change	P/E	Yield	Recommendation
Colgate Palmolive	CL	\$45.78	\$73.96	61.6%	27.1	2.16%	Up. OK to buy.
Johnson & Johnson	JNJ	\$64.52	\$128.06	98.5%	21.6	2.48%	Up. Hold now.
Procter & Gamble	PG	\$65.79	\$91.00	38.3%	16.7	2.93%	Down. OK to buy.

✓ Portfolio 2 Average Since 12/20/11: 66.1% Change since last month: +3.2%

Portfolio #3: Multinational Growth Stocks

This Multinational Growth portfolio also rose last month, although the 0.7 gain wasn’t significant. With interest rates, business regulations, taxes, and other important economic changes still undecided, I’m surprised that we didn’t see a decline.

Alcoa managed a 1.4% gain, from \$34.48 to \$34.97. **Deere** rose 1.7%, from \$108.62 to \$110.45. **Ford** jumped a whole penny, from \$12.47 to \$12.48.

On the downside, **GE** lost 1.0%, from \$30.19 to \$29.88. Given the economic uncertainties we have today, I’m encouraged by the small price moves, so I am changing my holds to “OK to buy.”

Company	Sym	Price 12/20/11	Price 3/17/17	Percent Change	P/E	Yield	Recommendation
Alcoa **	AA	\$26.64	\$34.97	31.3%	N/A	N/A	Up. OK to buy.
Deere Co.	DE	\$68.87	\$110.45	60.4%	23.9	2.17%	Up. OK to buy.
Ford	F	\$9.20	\$12.48	35.7%	10.9	4.81%	Up. OK to buy.
General Electric	GE	\$14.92	\$29.88	100.3%	28.9	3.27%	Down. OK to buy.

** Alcoa’s prices are adjusted for a 1-for-3 reverse stock split.

✓ Portfolio 3 Average Since 12/20/11: 56.9% Change since last month: 0.7%

Portfolio #4: Major Banking Companies

Our Major Banking Companies had another good month, although the 3.1% move was far smaller than we saw in the frothy weeks following Mr. Trump’s election.

Citigroup moved up 1.4% from \$59.56 to \$60.37. **Bank of America** rose 2.6%, from \$24.23 to \$24.86. **Wells Fargo** moved up 1.5%, from \$57.81 to \$58.67. **JPMorgan** gained 0.4%, from \$90.33 to \$90.68. At the same time, **Goldman Sachs** declined 1.4%, from \$247.35 to \$243.94.

Because our banks are slowing down following their earlier bull run – and are vulnerable to a sharp correction – I am continuing to recommend holds on them.

Company	Sym	Price 12/20/11	Price 3/17/17	Percent Change	P/E	Yield	Recommendation
Citigroup	C	\$25.95	\$60.37	132.6%	12.8	1.06%	Up. Hold now.
Bank of America	BAC	\$5.17	\$24.86	380.9%	18.0	1.21%	Up. Hold now.
Goldman Sachs	GS	\$90.98	\$243.94	168.1%	14.9	1.07%	Down. Hold now.
Wells Fargo	WFC	\$26.50	\$58.67	121.4%	14.7	2.60%	Up. Hold now.
JPMorgan Chase	JPM	\$32.21	\$90.68	181.5%	14.6	2.12%	Up. Hold now.

✓ Portfolio 4 Average Since 12/20/11: 196.9% Change since last month: +3.1%

Portfolio #5: Blue Chip Income Plus Growth

Once again, our Growth & Income portfolio delivered mixed results.

Kinder Morgan moved up a miniscule 0.2%, from \$21.24 to \$21.28. Our other pipeline company, **TransCanada**, declined 0.8%, from \$46.28 to \$45.89.

Among our pharmaceutical stocks, **Eli Lilly** gained

1.3%, from \$82.87 to \$83.96. **GlaxoSmithKline** rose 1.7%, from \$41.56 to \$42.27. **Merck** slipped 3.4%, from \$66.16 to \$63.90.

I am keeping my holds on our pipeline stocks, but our three drug stocks remain “OK to buy.”

Company	Sym	Price 12/20/11	Price 3/17/17	Percent Change	P/E	Yield	Recommendation
Kinder Morgan*	KMI	\$39.70	\$21.28	-46.4%	NM	2.31%	Up. Hold now.
TransCanada*	TRP	\$42.45	\$45.89	8.1%	NA	3.67%	Down. Hold now.
Eli Lilly*	LLY	\$41.12	\$83.96	104.2%	32.5	2.42%	Up. OK to buy.
Merck*	MRK	\$37.07	\$63.90	72.4%	45.3	2.87%	Down. OK to buy.
GlaxoSmithKline*	GSK	\$45.23	\$42.27	-6.5%	NM	4.77%	Up. OK to buy.

* These stocks were purchased at different times. See the website for details.

✓ Portfolio 5 Average Since 12/20/11: 26.4% Change since last month: -0.5%

Other Investments

Precious Metals: The timeout for gold and silver that I predicted last month is in progress. After rising 9% and 17% respectively earlier in the year, both metals retreated in what feels primarily like a normal correction.

However, precious metals are also reacting to the Fed’s March 15 decision to raise interest rates. Gold and silver are always in competition with other investments – especially bonds and CDs – and tend to lag when the latter offer greater returns. With two more interest rate increases likely this year, flat precious metal prices could persist a while.



The key factor for gold and silver now will be the inflation rate. If inflation comes in higher than expected, precious metal prices should take off again. Since rising inflation is a slam dunk longer-term, I think today’s price declines should be seen as opportunities to buy.

One caution is in order: Gold is widely believed to be a good hedge against a stock market plunge. However, that’s been much less the case in recent years. Because huge quantities of gold are now held in ETFs – rather than safety deposit boxes – when stocks take a swan dive, tons of the metal can be sold with a few mouse clicks to raise cash. As a result, when stocks plunge so does gold – most of the time.

Real Estate: I’ve been advising readers for several months that rising interest rates will trigger a jump in

home buying – and home prices – by people who want to beat the increases. In the week before the Fed’s March 15 interest rate hike, mortgage applications rose 3%. The day after the Fed’s decision, 30-year mortgage rates went from 4.21% to 4.30%.

Since more interest rate hikes are likely this year, I think the rush to beat the cost increases will soon become a flood. If rental housing is to be part of your investment portfolio – and one of your inflation hedges – this would be a good time to make it happen. 🏠

International Developments

The most important international development this month is the deteriorating relationship between Washington and the regime in North Korea.

Mr. Trump has promised to prevent North Korea from gaining the ability to fire nuclear missiles at its neighbors or the US, and so has the new Secretary of State, Rex Tillerson.⁷ A preemptive strike to the North’s defense facilities may be on the way. If so, the impact of the resulting war on our lives and finances could be severe and long-lasting.

Contrary to popular belief, the biggest danger from North Korea isn’t that the country is becoming stronger and more aggressive, but that it might collapse. The country’s military is falling apart. Most of its Civil infrastructure is obsolete. Hunger is widespread and famines are common. If the regime crumbles, taking care of twenty five million destitute North Koreans would be a huge burden on South Korea, China, Russia, and UN relief agencies.

For perspective, just look at the problems that Germany had supporting and assimilating 12 million East Germans when the Berlin Wall came down in 1989.

Keeping the North Koreans where they are is why Washington, Beijing, and Seoul have been sending large quantities of food, fuel, and other emergency supplies to the country, despite stiff opposition at home.

Even without a preemptive strike against North Korea’s military facilities, the cash-starved regime might be tempted to sell nuclear weapons, or their critical components, to other governments or organizations that may have few qualms about using



⁷ James Griffiths, “Tillerson On North Korea: Military Action Is An Option”, *CNN News*, March 17, 2017.

them.⁸ And, if North Korea becomes a failed state, the world could be faced with a “loose nukes” situation.⁹

Despite North Korea’s enormous difficulties, its volatile young leader, Kim Jong-un, continues to provoke Washington, Seoul, and Tokyo with nuclear tests, missile launches, and threats. It’s a dangerous standoff that seems unlikely to end well.

What to do:

The threat of a new, and possibly nuclear, war with North Korea is yet another reason to hold onto our **defense stocks**, and to increase the **personal security preparations** that I have been recommending in this newsletter for several years.

My most important articles about increasing your physical safety are available in our special report, *Personal Security Articles from August 2006 to March 2015*. The report now comes with my *Appropriate Force Supplement* at no extra cost. Both are still available.¹⁰ Best of all, the report will be sent free to GCOR members who renew their subscriptions using our convenient Auto-Bill service.

Personal Security: Online Threats

Hackers, scammers, snoopers, thieves, foreign governments – and even our own CIA and NSA¹¹ – have started to target the personal files and online activities of individual Americans. The digital invasions to our privacy and the theft of assets are not only becoming common, they are also sophisticated, and often devastating. If you do anything online, you need to protect yourself against the attacks – and do it soon.

What to do:

The best way to safeguard your personal files from being hacked is to keep them on a computer that has never been connected to the Internet, and never will be (see the November/December 2012 GCOR). Even an inexpensive laptop should have more than enough storage capacity to hold all your personal information, including sensitive tax and business records, photos, lists of household assets, and so on.

If you want to use the Internet to send anything from your secure computer, transfer the files to an inexpensive USB pen drive (often called a flash drive) and move that device to your online computer.

Before You Plug It In

If you decide to buy a secure computer, please be certain to have your supplier turn its modem off before you bring it home. If you don’t, most computers will detect your Wi-Fi network and hook up to it automatically.

I also urge you to think twice before installing

any of the new so-called smart devices in your home. Hackers are already using the “Internet Of Things” (IOT) to gain access to computers that are part of smart home systems.

Smart TVs are especially vulnerable to penetration. Ditto for voice-activated home assistance devices that listen for your commands – *and everything else you say* – 24/7. As a rule of thumb: if you can control your smart home’s devices using your voice or your cellphone, so can hackers.

If you wish to have some smart household devices – such as a TV that can download movies – please create a separate Wi-Fi channel for them.


Most Passwords Are Obsolete

All your old passwords should probably be changed.

Your new passwords should contain numbers, symbols, and both uppercase and lowercase letters. For example, the password “GCOR is #1 for inve\$tors” hits all the bases.



To further protect your passwords I suggest placing them in a secure password manager. Several free or low-cost programs for Macs and PCs are available from CNET: <http://download.cnet.com/s/password-managers/?editor-rating=4>.

For more information about the growing threat to your online security – and for several excellent investments in the new industry – I urge you to read the March 2017 issue of the *Early Warning Report* by Richard Maybury. It’s worth every penny.¹² 

Be Wary Of Robot Advisors

Automated investment management is a new Wall Street service that’s attracting many customers. Instead of using human analysts and portfolio managers to buy and sell stocks and funds for their clients, computers make the decisions. Because robo-advisors, as they are called, have almost no human oversight, the fees they charge are usually very low. Just remember, you get what you pay for.

Cheap And Easy Always Attract Clients

The new computerized investment services are

⁸ Richard Haass, “We Will Be Lucky To Go 70 Years Without Another Hiroshima”, *Financial Times*, August 7, 2015.

⁹ Eli Lake, “Preparing For North Korea’s Inevitable Collapse”, *Bloomberg View*, September 20, 2016.

¹⁰ Call our office at (866)967-4267 to order. The current price for the printed edition is \$94.00. The email edition is \$79.00.

¹¹ John Bacon, “WikiLeaks: CIA Can Hack Into Phones, TVs – Everything”, *USA Today*, March 7, 2017.

¹² I highly recommend the *Early Warning Report*. Single copies are \$15. Call 800-509-5400 or use www.RichardMaybury.com to order.

especially popular with Millennials who realize they need to plan for their retirement – but they don't want to devote much time to it. Many investors are also reluctant to speak with human advisors, who they don't trust. For people who do nearly everything online, robo-advisors have a lot of appeal.

One serious limitation of robo-advisors is they do not have access to the highly sophisticated trading systems that big banks and hedge funds developed. Instead, most robo-advisors simply put their client's money in popular ETFs. The mix of funds for each client is based upon their investment goals and related factors. The funds that are chosen often change with market conditions – which can be a robo-advisor's most valuable service.


The biggest problem with robo-advisors is none of them have been tested during a market emergency. When the next scary downturn shows up, it's doubtful that computers will be able to match the performance of experienced analysts and portfolio managers who have been on Wall Street's roller coaster for many years.

Emotions Often Trump Hard Data

Robo-advisors are also at a disadvantage because it's common for investment decisions to be based on emotions rather than the dispassionate data that computers can analyze. There is no computer program that can accurately predict how humans will react under all circumstances.

Flesh and blood analysts don't bat 100% either, but they know more about how people behave than computers ever will. Humans know the public's hopes and fears and can understand far better than a silicon chip how investors will react in a crisis.

What to do:


As appealing as it may be to turn all the headaches of managing your investments over to a robo-advisor, I urge you to keep doing it yourself. No computer can possibly understand our complex world as well as you can – which is why I continue to write GCOR every month. An informed mind is still the finest analytical device ever created. 

Final Thoughts

The global trend towards more authoritarian leaders is disturbing. Autocrats may appear to have all the answers to a nation's problems, but they usually make a hash of their rule.

On the positive side, I think the autocratic trend is an important step on the way to a world in which people learn there is no type of government that can solve their problems. The only sensible course of action is to reduce the size and power of governments and allow people to improve their lives themselves. You know your needs and desires better than any politician or bureaucrat ever will.

A nation based upon liberty and personal responsibility is what America's founders put in place many years ago. After other political and economic systems are tried – and fail – I think people will go back to our roots and rejuvenate our country.

I doubt that we will see that happy time ourselves, but I think our grandchildren might. That thought should give us strength as we make our way through the challenges of the next few years. 

Best wishes,



Next Month:

- The higher stocks go, the more attention we must devote to them. I'll discuss additional steps that we can take to limit our risks and use new opportunities to increase our profits.
- The serious cultural divide developing in America will have huge and lasting consequences. I'll discuss the likely effect on our lives and finances, and how to deal with the changes.
- There are several new international events of importance that I think you should know about. Some of them have the potential to be quite rewarding.
- Increasing tensions within the US and around the world make it important to take some additional measures to improve our personal security.
- And much more...

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