Buybacks and dividends. The mere mention of either one is often enough to make some investors’ hearts race with excitement and embolden them with confidence that company management is being a better steward of capital.

Last week I discussed the importance of core investments, focusing on debt securities such as U.S. Treasuries and quality municipal bonds. Because most economists expect the Federal Reserve to raise interest rates later this year, it might be prudent for investors to stick with short-term, quality munis right now, as they’re less sensitive to rate increases than longer-term bonds.

But just as important to building a strong portfolio are investments in companies that return capital to shareholders in the form of dividends and repurchases of shares.

$1.2 Trillion in Buybacks

Why should you care about buybacks? There are a few answers to this question, but typically a company will initiate a buyback program when its management team believes that the stock is undervalued. This suggests that the company has a lot of confidence in its own future and could signal that strong growth is ahead.

Some effects and possible ramifications of buybacks are higher earnings per share, higher stock price and lower volatility.

When it comes to stock buybacks, no other world market right now beats the U.S. If we look at net buybacks, which is the difference between issuances and buybacks, American companies are clearly in the lead, repurchasing over 2 percent of market cap.
In April, a staggering $141 billion in buybacks were authorized—the most ever in a single month and an increase of 121 percent from April 2014. If this pace keeps up, a record $1.2 trillion in buybacks could be reached by year's end, crushing the all-time high of $863 billion set in 2007.

Leading the way is Apple, held in our All American Equity Fund and Holmes Macro Trends Fund (MEGAX). Between August 2012 and March 2015, the tech giant repurchased $80 billion of its own shares.
As for dividends, Apple has paid out $2.8 billion in each of the last four quarters, for a total of over $11 billion.

Apple has been a leader in buying back its own stock.

**Dividends per Share at Stunning Double-Digit Growth Rates—Government Bonds at Unattractive Yields**

Goldman Sachs recently estimated that dividend yield will be the single largest contributor to total returns by the end of this year.

It’s easy to see why, judging from the sheer number of companies that offer a dividend now. Apple is joined by 420 others in the S&P 500 Index that similarly reward shareholders. That calculates to an impressive 84-percent participation rate.

For the last 16 quarters, dividends per share rose at double-digit rates, and each of the last four quarters gave us a new record high in payment amounts.
Earlier in the month I shared the fact that dividends had a 15 percent year-over-year growth rate in the first quarter. Looking ahead, dividends per share are expected to increase an additional 8.2 percent over the 12 months starting March 2015.

Compare these attractive figures to the five-year government bond. Not only is the yield lower than that of S&P 500 companies as a whole, but the five-year doesn’t provide any growth. Stocks and Treasury bonds do have some obvious differences, though, including investment objectives, costs and expenses, liquidity and safety.

Source: FactSet Fundamentals, U.S. Global Investors
All of the companies in our All American Equity Fund either pay a dividend or buy back their stock. Those that currently have the highest yield are integrated energy company Entergy (5.12 percent), AT&T (5.44 percent) and communications provider CenturyLink (6.5 percent). The three also have stock buyback programs.

### Airlines Top the List of Bargain Stocks

Investors might point out that the domestic equities market is expensive right now. Historically, it is. The S&P 500 is trading at 18.6 times earnings.

But there still are many potentially rewarding deals out there. Barron’s recently published its annual list of the 500 cheapest domestic stocks, which in the past have demonstrated better-than-average growth. In 2014, for instance, the 20 cheapest stocks on the list rose a combined 20.7 percent, beating the 12.6 percent the S&P companies as a whole delivered.

This year, American Airlines and United Continental top the list of cheap stocks, the former trading at 5.1 times estimated earnings, the latter at 5.7. Also appearing in the top 20 are Prudential Financial, MetLife, Hewlett-Packard and Valero—all vastly cheaper than the S&P 500, and all held in our All American Equity Fund.

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<table>
<thead>
<tr>
<th>5-Year Government Bond</th>
<th>S&amp;P 500 Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>YIELD: 1.4%</td>
<td>2%</td>
</tr>
<tr>
<td>GROWTH: No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: U.S. Global Investors

As of May 2015
Buying the Dip

Too often we see that investors buy into a stock or industry too late in a bull market, after much of the gains have already been made.

We saw this very thing happen when the Shanghai Composite Index tumbled 6.5 percent on Thursday, the most significant correction since January. The index has been on a tear for the 12-month period, returning over 125 percent. But between Wednesday of last week and Wednesday this week—just one day before the correction—approximately $4.6 billion in emerging market funds around the globe were moved into China A-Shares. It was the largest weekly inflow since 2005.

We noted the Shanghai Composite bull market last September and were early participants in the rally through our exposure to China A-Shares. We also accumulated on the dip this week, as we expect the index to move higher.

“It’s very important to know the rhythm of a bull market—slow rise, sharp correction, slow rise, sharp correction,” says Xian Liang, portfolio manager of our China Region Fund (USCOX). “In fact, one should be concerned if the market doesn’t correct because too much froth builds up in the near-term.”

Losing your confidence is one of the worst things that can happen when investing. We maintain our confidence by seeking companies that reward shareholders through stock buybacks and dividend payments and that trade at discounted rates.

Index Summary

- The major market indices finished lower this week. The Dow Jones Industrial Average fell 1.21 percent. The S&P 500 Stock Index fell 0.88 percent, while the Nasdaq Composite fell 0.38 percent. The Russell 2000 small capitalization index fell 0.45 percent this week.
- The Hang Seng Composite fell 1.56 percent this week; while Taiwan gained 0.65 percent and the KOSPI fell 1.46 percent.
- The 10-year Treasury bond yield fell 8.8 basis points to 2.12 percent.
In the News

May 29, 2015
Dividends Are Moving Markets

May 27, 2015
The Dollar and Gold Wrestling Match

May 28, 2015
Opportunities Developing in the Oil Market

Domestic Equity Market
Strengths

- Each of the 10 sectors in the S&P 500 retreated this week. However, defensive sectors outperformed on a relative basis as investors reverted to a risk-off sentiment in response to uncertain global macro conditions and political risks. The best individual sector in the group was utilities, which fell 0.28 percent.
- New home sales came in higher than expected, surpassing the previous month’s figure as well. April saw 517,000 new homes sold compared to an expected 508,000.
- Capital goods orders, excluding air-related products, rose by 0.8 percent for the month of April, surpassing estimates of a 0.2 percent increase.

Weaknesses

- The yield on 10-year U.S. government notes fell 8.95 basis points to 2.12 percent this week. The retreat in risk-free assets is a concerning sign for global growth.
- Economic activity for the first quarter was revised down to a contraction of 0.7 percent from an advance of 0.2 percent. On a brighter note, this downward revision was less than what analysts were expecting.
- Cyclicals lagged this week due to a weakening of investor confidence in the global recovery. Energy was the worst performing sector, falling 2.06 percent this week.

Opportunities

- ISM manufacturing data will be released next week. Analysts are expecting a reading of 52 compared to a prior reading of 51.5. Should the manufacturing data meet or exceed these
expectations, more cyclical areas could benefit.

- The Markit Manufacturing purchasing managers’ index (PMI) for the U.S. will be released next week as well. So far these readings have remained strong, implying that momentum is still strong.
- The eurozone’s M3 money supply grew faster than expected last month. M3 growth came in at 5.3 percent compared to an expected 4.9 percent. This reading is certainly positive given the monetary policy prevailing in the eurozone.

**Eurozone M3 Money Supply Growth Picks Up In April**

<table>
<thead>
<tr>
<th>Year</th>
<th>Latest Data</th>
<th>Surveyed Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>2006</td>
<td>4.5</td>
<td>4.0</td>
</tr>
<tr>
<td>2007</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>2008</td>
<td>5.5</td>
<td>5.0</td>
</tr>
<tr>
<td>2009</td>
<td>6.0</td>
<td>5.5</td>
</tr>
<tr>
<td>2010</td>
<td>6.5</td>
<td>6.0</td>
</tr>
<tr>
<td>2011</td>
<td>7.0</td>
<td>6.5</td>
</tr>
<tr>
<td>2012</td>
<td>7.5</td>
<td>7.0</td>
</tr>
<tr>
<td>2013</td>
<td>8.0</td>
<td>7.5</td>
</tr>
<tr>
<td>2014</td>
<td>8.5</td>
<td>8.0</td>
</tr>
<tr>
<td>2015</td>
<td>9.0</td>
<td>8.5</td>
</tr>
</tbody>
</table>

**Source:** Bloomberg, U.S. Global Investors

**Threats**

- Consumer sentiment in the United States fell to a six-month low for the month of May. As consumer confidence continues to weaken, retail stocks are vulnerable.
The U.S. core personal consumption expenditure index rose less than expected from the fourth quarter of 2014 to the first quarter of this year. The underwhelming inflation reading looks concerning.
The U.S. dollar gained again this week, further crushing the optimism created following the weeks of its sharp contraction. The U.S. Dollar Index rose 0.88 percent this week.

The Economy and Bond Market

Concerns over Greece's ability to complete a deal and avert its exit from the eurozone continue to weigh on markets. Adding to investor uncertainty, several major economies including the U.S., Canada and Switzerland reported first-quarter contractions. Major global indices were mixed, with most giving up ground. Yields on 10-year U.S. Treasury notes fell for the week, ending at 2.12 percent.

Strengths

- The Consumer Confidence Index came in at 95.4 for May, up from 94.3 in April. Additionally, the University of Michigan consumer sentiment index increased to 90.7 in the final May report from 88.6 in the preliminary report.
- The pending home sales index, a forward-looking gauge of U.S. home purchases, rose for the fourth straight month in April by 3.4 percent and reached its highest level in nine years, the latest evidence of firming demand in the housing market. Economists expected pending home sales
would rise 1 percent in April. Home sales typically close within a couple months after signing.

- New home sales added 6.8 percent month-over-month in April, increasing to 517,000 and slightly higher than expectations of 508,000. March was revised slightly higher to 484,000 from the initial 481,000.

**Weaknesses**

- The move up and down in long U.S. rates over the past five weeks has been an isolated event. Since late April, U.S. 10-year rates first increased 40 basis points and then declined 20 basis points. Over the same period, high-yield spreads have been essentially flat, investment-grade spreads have been flat and the stock market has also moved sideways.

The fact that the rate movement was so isolated shows that it was not driven by a change in the outlook for U.S. economic fundamentals. Instead, the fluctuation seen in May has been driven by changing expectations from the European Central Bank (ECB). This serves as a reminder that U.S. rates are not driven solely by U.S. economic data and Federal Reserve communication. The lesson from the past five weeks is that upside and downside surprises in Europe (including in Greece) along with how the market looks at the growth prospects there, can have a significant impact on how big the drag from Europe is on long rates in the U.S.

**Fluctuating U.S. Rates Continue to be Driven by ECB Expectations**

*U.S. 10-Year Bond Yields*

![Graph showing fluctuations in U.S. 10-Year Bond Yields from December 2014 to June 2015.](image)

**Forward Implied Hike Month for the Fed vs. the ECB**

![Graph comparing forward implied hikes for the Fed and ECB from January 2014 to June 2015.](image)

*Note:* Data from OIS curves. For the first hike the cutoff is 0.25% in Europe and 0.375% in the U.S.

U.S. first-quarter GDP was revised lower to -0.7 percent annualized, down from the first estimate of 0.2 percent. However, that was slightly better than the expectation of -0.9 percent. The result underscores the choppiness of an expansion that has struggled to lift off.

The latest Chicago purchasing managers’ index (PMI) data from the Institute of Supply Management plunged to 46.2, coming in far below expectations of 53. This recent May data suggests that the strong bounce in business activity seen in April was a false signal and that sluggish activity has carried through to the second quarter.

Opportunities

- The release of consumer income and consumer spending data next week should help gauge the extent of the rebound in U.S. economic growth trends.
- Wednesday’s ECB policy announcement is unlikely to deliver any major policy changes and will provide another chance for Draghi to reiterate the ECB’s quantitative easing (QE) commitment.
- April’s U.S. trade balance data, which will be released next week, is expected to shrink from the previous month, when the deficit widened to the highest level in more than six years.

Threats

- OPEC’s upcoming meeting, scheduled for next Friday, is unlikely to deliver a change in production policy. Any surprises from the cartel could result in significant volatility in the financial markets, especially U.S. fixed income.
- ISM Manufacturing data will be released on Monday and if there is a miss on the expected reading of 52, this could exacerbate concerns stemming from this week’s disappointing Chicago PMI data.
- A strong reading in inflation and payrolls data next week would lend support for the Federal Reserve’s intention to lift rates later this year.

Gold Market

For the week, spot gold closed at $1,190.55 down $15.65 per ounce, or -1.30 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, lost 1.34 percent. The U.S. Trade-Weighted Dollar Index gained 0.90 percent for the week.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Survey</th>
<th>Actual</th>
<th>Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-29</td>
<td>U.S. Durable Goods Orders</td>
<td>-0.50%</td>
<td>-0.50%</td>
<td>4.00%</td>
</tr>
<tr>
<td>May-26</td>
<td>U.S. New Home Sales</td>
<td>508K</td>
<td>517K</td>
<td>481K</td>
</tr>
<tr>
<td>May-26</td>
<td>U.S. Consumer Confidence Index</td>
<td>95</td>
<td>95.4</td>
<td>95.2</td>
</tr>
<tr>
<td>May-28</td>
<td>Hong Kong Exports YoY</td>
<td>1.70%</td>
<td>2.20%</td>
<td>-1.80%</td>
</tr>
<tr>
<td>May-28</td>
<td>U.S. Initials Jobless Claims</td>
<td>270K</td>
<td>282K</td>
<td>274K</td>
</tr>
<tr>
<td>May-29</td>
<td>U.S. GDP Annualized YoY</td>
<td>-0.90%</td>
<td>-0.70%</td>
<td>0.20%</td>
</tr>
<tr>
<td>May-31</td>
<td>HSBC China Manufacturing PMI</td>
<td>49.2</td>
<td>--</td>
<td>49.1</td>
</tr>
<tr>
<td>Jun-1</td>
<td>Germany CPI YoY</td>
<td>0.70%</td>
<td>--</td>
<td>0.50%</td>
</tr>
<tr>
<td>Jun-1</td>
<td>U.S. ISM Manufacturing</td>
<td>52</td>
<td>--</td>
<td>51.5</td>
</tr>
<tr>
<td>Jun-2</td>
<td>Europe CPI Core YoY</td>
<td>0.70%</td>
<td>--</td>
<td>0.60%</td>
</tr>
<tr>
<td>Jun-3</td>
<td>ECB Main Refinancing Rate</td>
<td>0.05%</td>
<td>--</td>
<td>0.05%</td>
</tr>
<tr>
<td>Jun-3</td>
<td>U.S. ADP Employment Change</td>
<td>200K</td>
<td>--</td>
<td>169K</td>
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<tr>
<td>Jun-4</td>
<td>U.S. Initial Jobless Claims</td>
<td>278K</td>
<td>--</td>
<td>282K</td>
</tr>
<tr>
<td>Jun-5</td>
<td>U.S. Change in Nonfarm Payrolls</td>
<td>225K</td>
<td>--</td>
<td>223K</td>
</tr>
</tbody>
</table>

**Strengths**

- GDP shrank at a 0.7 percent annualized rate in the first quarter, lower than the previous 0.2 percent growth estimate. With the expansion stalled, the Federal Reserve may be inclined to hold interest rates at record lows longer to ensure sustained growth.
- Shanghai Gold Exchange withdrawal volume continues to be strong, coming in at 45.5 metric tonnes for the week ending May 15. According to Credit Suisse, the gold monetization plan in India may boost imports if banks pay investors interest on bullion deposits. The Austrian central bank announced it has adopted a new storage strategy whereby it will store 50 percent of its total gold reserves in Austria by 2020; it currently has only 17 percent within the country.
- UBS has slapped a buy recommendation on its entire gold coverage list with the exception of Newcrest and Independence Group. Balmoral announced it intersected 216 g/t of gold over 0.76 meters in a new discovery zone at its Fenelon and Jeremie Properties in Quebec. Roxgold announced it has received approval of its Mining Convention for the Yaramoko Gold Project from Burkina Faso's Council of Ministers.

**Weaknesses**

- Gold faced a second weekly drop and investors cut holdings in bullion-backed funds to a four-month low amid speculation that U.S. interest rates will rise this year.
- Australia, an engine room of the decade-long global commodity boom, is forecasting a staggering 90 percent plunge in spending on projects, according to Mineweb. The fall in spending may portend more mergers in the future.
- The Democratic Republic of Congo's Mines Minister announced that Ivanhoe would have to seek approval of its sale of copper assets to Zijin Mining. The issue, if not resolved quickly, threatens to cloud what is otherwise a landmark deal as the company pushes forward in developing a trio of major deposits.

**Opportunities**
2015 has been a busy year for acquisitions as the value of gold deals jumped more than 150 percent in the first quarter compared to a year earlier. Producers are seizing on a wave of mine sales and tumbling asset valuations to expand output or secure growth projects. This week Barrick Gold announced that it signed a strategic partnership with Zijin Mining Group which will take a stake in its Porgera Joint Venture gold mine in Papua New Guinea. Under the deal, Zijin will acquire 50 percent for $298 million in cash. It appears that Zijin received a very favorable price on this transaction as Barrick is hoping to bring in a partner on other South American assets which need a capital injection. Additionally, Evolution Mining has agreed to pay $550 million for Barrick’s Cowal mine in Australia’s New South Wales which went for considerably more than where we see the relative valuation of this asset.

China has announced the establishment of a new international gold fund with over 60 countries as members. The fund, which expects to raise 100 billion yuan ($16 billion), will develop gold mining projects across the economic region known as the New Silk Road. The project will facilitate the central banks of member states to acquire gold for their reserves more easily.

While the conventional wisdom holds that rising real rates would strengthen the dollar, which would in turn pressure gold, Cornerstone Macro believes otherwise. In a recent piece of research, it demonstrates how global growth determines the direction of the U.S. dollar, not the U.S. economy. Only when the U.S. economy briefly decouples, does the dollar strengthen, but this is rarer now as global trade is 60 percent of world GDP and emerging market currencies have a 69-percent weighting in the Trade-Weighted U.S. Dollar Index.

**Global Growth Determines U.S. Dollar Direction, Not U.S. Economy**

A Stronger U.S. Economy Often Leads to a Weaker U.S. Dollar

![Graph](image)

**Source:** Cornerstone Macro, U.S. Global Investors

**Threats**
South Africa gold mining groups face tough pay talks as they gear up for crucial wage negotiations in the coming weeks. Peter Major, mining specialist at Cadiz Corporate Solutions, announced that issues like government interference, the power and conflict between unions, and BEE legislation have all contributed to a situation where mine productivity in South Africa has declined significantly and speculated the gold industry could be wiped out by 2020 if the current direction persists. McKinsey & Company published a study showing that worldwide mining operations are as much as 28 percent less productive today than a decade ago. It attributes increases in capital expenditures and operating expenditures as having the greatest impact on productivity trends. Up-sizing projects by increasing the productive capacity of the project to shorten the mine life did not yield the higher IRR’s (Internal Rate of Return) forecasted by the models.

Energy and Natural Resources Market

Strengths

- Utilities were the best relative outperformer this week amid a shift toward risk-off sentiment with investors. The S&P 500 Utilities Index closed down 0.29 percent this week.
- Chemicals also outperformed this week due to ethanol producers getting a boost from a new Environmental Protection Agency (EPA) mandate requiring a mean use of 13.4 billion gallons in 2015 and 14 billion gallons in 2016. The S&P Supercomposite Chemicals Index fell 0.59 percent this week.
- Gold stocks outperformed on a relative basis this week as investors moved toward safer assets. The NYSE Arca Gold Miners Index fell 1.34 percent this week.

Weaknesses

- Drilling stocks underperformed despite a slight rise in the price of crude oil this week. This divergence between oil prices and the stocks is a concerning sign. The S&P Supercomposite Oil & Gas Drilling Index fell 5.88 percent this week.
- Coal producers are suffering as investors see the need for significant supply cuts. The Market Vectors Global Coal Index fell 5.06 percent this week.
- Metals and mining stocks underperformed this week amid a concern of a global economic slowdown. The S&P/TSX Diversified Metals and Mining Index fell 2.65 percent this week.

Opportunities

- The oil rig count continued to decline this week, falling to fresh 52 week lows. The continued decline in oil rigs is positive for oil leveraged stocks.
Iron ore has reversed course and is showing signs of increasing momentum. Reports indicate that stockpiles in China are heading for a record monthly contraction.

South Korea is planning to boost its metals purchases by 58 percent this year on fears that a U.S. recovery will drive prices higher. Clearly this would benefit metals and mining stocks.

**Threats**

- The U.S. dollar rose again this week, marking it the second weekly increase. The currency’s surprising bounce is concerning to those who predicted that its rally was overdone. It seems the strong dollar could be with us into the near future.
- West Texas Intermediate crude is unable to remain elevated above $60 a barrel. The rally has lost most, if not all, of its steam over the last few weeks.

**Copper traders are bearish on the industrial metal this week. Eight out of 12 analysts tracked by Bloomberg are maintaining a negative outlook.**
Emerging Markets

It was one of the weakest weeks and months we have seen for emerging markets in a while. Currencies were particularly weak as Federal Reserve Chair Janet Yellen stated that U.S. rates should rise sometime this year. Furthermore, equity risk premiums are increasing, pushing down asset prices, as political uncertainty in many emerging European economies becomes a larger concern for investors.

Strengths

- Hungary’s central bank lowered its policy rate 15 basis points to a record low of 1.65 percent this week. The latest easing from the central bank is a response to persistently weak inflation in the economy. What’s more, the central bank said it is prepared to ease further in order to combat disinflation. While the country’s currency depreciated relative to the dollar, Hungarian equities responded positively to the policy move, with the Budapest Stock Exchange Index rising 0.85 percent this week.
Greek equities were relative outperformers this week, with a significant amount of the outperformance surprisingly coming from two banks, Piraeus Bank SA and Eurobank Ergasias SA, which beat analyst earnings estimates for the first quarter. The Athens Stock Exchange General Index fell 1.77 percent.

Despite the weak performance in emerging markets this week, funds continue to flow into many emerging markets. Greece, Turkey, and Czech Republic all reported positive fund flows for the week.

**Weaknesses**

- It is safe to say the ruble rally is done as the crude rally stalls and the Russian central bank buys dollars. Reports indicate the central bank is prepared to buy as much as $200 million a day in order to replenish the country’s reserves, although many believe the move is aimed at putting a cap on the ruble’s rapid appreciation. On the macro front, economic fundamentals in Russia remain considerably weak as the worst is yet to come. The ruble and the MICEX Index fell 4.69 and 3.39 percent, respectively.
This past weekend, Poland surprised everyone when it elected Andrzej Duda over incumbent President Bronislaw Komorowski. Markets were hoping for the opposite to occur, which explains the selloff in Polish markets this week. On a positive note, the new president elect softened his policy stance on the country’s retirement age, symbolizing a willingness to meet in the middle. The WIG20 Index declined 3.14 percent this week.

Turkish markets faltered this week after the most recent polls showed the ruling AKP party is less likely than before to secure the number of seats needed to avoid forming a coalition government. Investors fear that if a coalition government must be formed a political gridlock will follow, preventing any of the much needed structural reforms from occurring. The Borsa Istanbul 100 Index fell 3.29 percent this week.

Opportunities

Greek banks, which remain exceptionally cheap, received a positive piece of news from various press reports this week. Regulations concerning deferred tax credits, on which Greek banks are heavily dependent, will remain unchanged until at least 2016 due to strong lobbying from Italy. If these reports are indeed confirmed, it would be a much needed win for the struggling banks.

Thursday’s sizable correction in the Chinese A-Share market might have been driven by profit taking after an eight-day-straight 1- percent advance as global investors reallocated $4.6 billion for the week ending Wednesday to Chinese A-Shares in anticipation of FTSE index inclusion. Additionally, one cannot rule out the likelihood that Chinese policymakers intend to “tame” the market before the next reserve ratio cut, probably soon after the final May PMI release early next week sends the stocks even higher. Any correction in the ongoing Chinese bull market, against
no evidence of government policy change, should be deemed as an accumulation opportunity.

**Global Investor Reallocation to China in Progress. What About You?**

Weekly China Equity Fund Flows in Billion U.S. Dollars

- FTSE Group announced it will include China A Shares in two new emerging market indexes. The move highlights increasing demand for the mainland market shares, indicating strong momentum moving forward.

**Threats**

- The upcoming Turkish elections present a threat to the market’s future. With the most preferable scenario (the AKP party retains power) becoming less likely as time moves forward, volatility in the equity and foreign exchange markets should increase.
- Greece’s economic sentiment index (ESI) reached its lowest level since December 2013. Clearly this weakness is the product of the uncertainty surrounding Greece’s negotiations with its creditors. Investors are anxiously holding their breath as the deadline for June International Monetary Fund (IMF) repayments creeps closer.
- Macau’s first-quarter GDP shrank 24.5 percent year-over-year, decelerating from a 17.2 percent contraction in the fourth quarter of 2014, reflecting a secular decline of the city’s casino gaming business affected by China’s incessant anti-corruption campaign. With little sign of reversal in Chinese authorities’ effort to crack down on various corruption activities, especially at the local government level, to earn political goodwill from its increasingly vocal middle class, it is difficult to envision that the bear market in Macau casino stocks will be over anytime soon.

(c) US Global Investors