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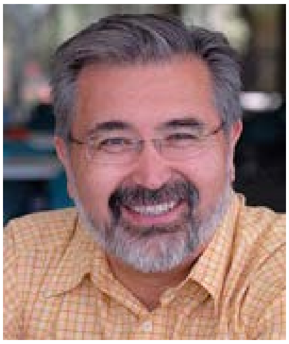
Bitcoin Set to Enjoy Safe-haven Demand in 2020

Meanwhile, Disney+ is starting to see Netflix-like demand ... from Netflix subscribers!

By Tony Sagami



I have one grandchild; a precious 2 1/2-year-old granddaughter.

Both my daughter and I are trying to raise her without traditional gender stereotypes. We have resisted buying her pink clothes, Barbie dolls, toy jewelry and the like.

Instead of telling her how pretty she is, I tell her how smart she is. Even her name, Andersen, was consciously chosen to help her grow up without gender-based barriers.

We want her to grow up to be a strong, independent woman. But despite our efforts, she is very much a girly girl.

Her favorite color is pink, she loves playing dress-up, wears necklaces and rings, and is obsessed with Disney princesses like Cinderella, Ariel and Elsa.

And that brings me to one of the biggest challenges of raising a child today: limiting the amount of time they spend sitting in front of the TV and zoning out on their iPad watching cartoons and animated movies.

That's not easy, which is why entertaining children has become a BIG business.

The number of young Americans watching online videos every day has more than doubled, according to a survey from Common Sense Media. This nonprofit group aims to help kids, families and schools navigate the digital world.

In a recent study, Common Sense Media found U.S. children are glued to a screen twice as long as they were four years ago.

The average "tween" — ages 8 to 12 — spends four hours and 44 minutes a day watching digital media. Meanwhile, 13- to 19-year-olds spend a whopping seven hours and 22 minutes.

Tweens said they enjoy watching online videos more than any other online media activity now. In 2015, it was fifth in enjoyment.

Children aren't watching videos on TV screens, though. Tweens and teens spend roughly 30 minutes less per day watching TV than four years ago. But online videos more than make up for the decrease.

Smartphones have become the new viewing platform of choice:

- 1 out of 5 children under 8 years old has a smartphone.
- 53% of kids have their own smartphone by age 11.
- And nearly 70% have one by age 12.

With all that online video viewing, you know somebody is making a mountain of money ...

Inside this Issue ...

And the one company best poised to profit from it is **Disney (DIS)** with its new Disney+ service.

Disney+: The Next Netflix

By Tony Sagami

For decades, cable companies had a monopoly on video programming. Blockbuster and Redbox followed, and they enjoyed some short-term disruptive success.

Then streaming pioneer **Netflix (NFLX)** came along and totally changed the way Americans watch videos. And the rest of the world started to catch on.

For years, Netflix has been the only streaming game in town. Today, it has roughly 145 million paying subscribers. To put that into perspective, it has more paying customers than the top three U.S. cable companies combined!

Netflix has been one of the best stocks you could have owned, rising some 27,000% since its 2002 Initial Public Offering, compared to 200% for the S&P 500. That success attracted dozens of streaming-video competitors such as Hulu, Amazon Prime Video, HBO Now and CBS All Access.

But all good things end.

The dominance that Netflix enjoyed ended on Nov. 12, 2019.

I'm talking about the launch of Disney+, the move by **Walt Disney Co. (DIS)** into the streaming-video business.

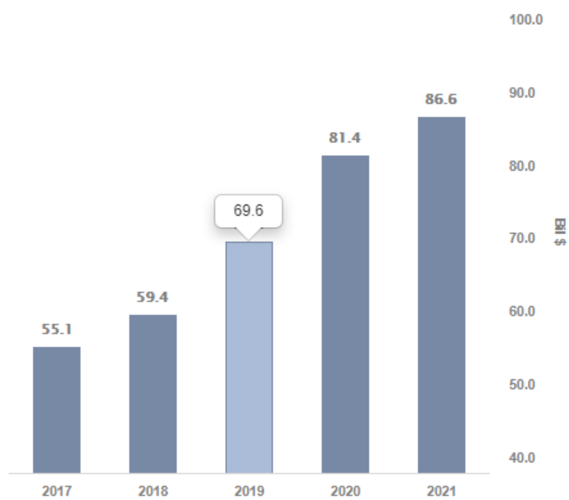
There's a lot more to Disney than theme parks and Mickey Mouse. What Disney is really good at is producing movies and TV shows, and the "House of Mouse" owns the greatest content library ever created.

"Snow White and the Seven Dwarfs" was released in 1937. Since then, Disney has produced a long series of intergenerational brands with deep emotional connections with consumers all over the world, such as "Cinderella," "101 Dalmatians," "Dumbo," "The Jungle Book," "Aladdin," "The Lion King," "Toy Story," "Cars," "Zootopia," "Finding Nemo," "Beauty and the Beast," "Finding Dory" and "Monsters Inc.," just to name a few.

Disney also has a huge collection of non-animated movie successes: "Pirates of the Caribbean," "Armageddon," "Pretty Woman," "National Treasure," and the two most profitable movie franchises in history: Marvel and Star Wars.

Disney has a new live-action Star Wars show called "The Mandalorian" that will be exclusive to Disney+. And its newest movie release, "Frozen 2," just became Disney's sixth movie to top $1 billion in ticket sales this year.

In 2019, five more Disney movies — "Captain Marvel," "Aladdin," "The Lion King," "Toy Story 4" and "Avengers: Endgame," which dethroned "Avatar" as the highest-grossing film of all time — grossed more than $1 billion.



Disney's total revenue rose to $69.6 billion in 2019. Thanks in large part to Disney+, revenues are set to surge 25% to $86.6 billion in 2021.

These billion-dollar blockbusters led Disney to become the first movie studio in history to top $10 billion in box office ticket sales in one calendar year.

In short, Disney+ offers a library of 7,500 TV shows and 500 movies, including pretty much every movie my 2 1/2-year-old granddaughter wants to watch.

Disney has transformed itself from being disrupted to becoming a disruptor. The

Disney+ launch kicks off a new era of domination for Disney And unlike those triple-digit ticket prices for a day at one of its parks, this service costs consumers just $6.99 a month!

That seven bucks only seems like a lot if you're trying to buy a refreshment at one of its parks. But those monthly fees are adding up fast for the company.

In just the first 24 hours after the November launch, 10 million Americans signed up for Disney+. And Disney has been adding another 1 million new customers a day ever since. So far, 24 million Americans have signed up.

Those new Disney+ subscribers are going to turn into a steady stream of recurring revenue and goose Disney's profits to the moon.

A lot of those customers are coming at Netflix's expense. Cowen & Co. estimates Netflix lost over 1.1 million subscribers, or about 5.8% of its customer base, to Disney+ over the past month.

Those are just the early adopters. I expect Disney to ultimately get more than 100 million people to sign up and dethrone Netflix as the No. 1 streaming service.

Content is king in the streaming business, and it's expensive to create. Meanwhile, Disney has a library that's older than a lot of our readers. Plus the budget to make new movies and shows — not to mention products and parks — for many lifetimes.

Bottom line: It is impossible for the competition to replicate the collective value of Disney's movies. The direct distribution of Disney+ allows the company to eliminate intermediaries and, most importantly, pocket all the money.

More Than Movies

Disney is the silver-screen king, but it is also a major TV force. Its empire includes the Disney Channel, ESPN, ABC, Freeform, Lifetime, and National Geographic. And in 2019, it acquired 21st Century Fox's entertainment assets for $71.3 billion. That deal came with "The Simpsons" and Fox Studios, which includes the Hulu streaming service.

For the fiscal year ended in September, 41% of Disney's revenues came from media, while 34% came from parks/resorts, 17% from studio entertainment, and 8% from consumer products.

Disney barely batted an eye at that big expenditure, thanks to its rock-solid balance sheet. It currently has $5.4 billion of cash in the bank. But with free cash flow of over $7 billion last year, that cash hoard is going get even larger.

And it rewards its shareholders with that hoard. Disney pays a $1.74 annual dividend, and the next quarterly payout is coming in mid-March. I recommend getting on board for that now.

Here's what to do:

Using 5% of the funds allocated to this service, buy the Walt Disney Co. (DIS) at the market.

Even though the stock has been hitting all-time highs recently, currently trading around $145 and change, I see more upside ahead.

Bitcoin, Gold, Gov't Bonds to Rise on Robust Safe-haven Demand in 2020

by Juan M. Villaverde

We stand today on the threshold of a new decade. And going forward, the most powerful disruptive force at work in financial markets — and 21st-century society — is the unprecedented level of money-printing, along with zero and near-zero interest rates.

These policies date from the 2008 global financial crisis. And for a while, they seemed to work, as global markets edged back from the brink of meltdown. But with the cost of borrowing dirt-cheap, investors — and especially governments — went hog-wild, piling trillions in new debt on top of the old.

These debts are now so vast, the merest uptick in interest rates can cause crippling increases in loan-service expense, and put vast sectors of the world economy on the brink of bankruptcy.

Result: Instead of growing more robust as 2008 recedes into distant memory, the global financial system is actually becoming *less stable* and *shakier*.

People are starting to realize it's only a matter of time until another global crisis. That's what's driving growing demand for traditional safe-haven financial assets like gold and government bonds.

But this time, there's a new member of the safe-haven asset club: Bitcoin. Its design makes it the ultimate financial safe haven:

- Highly portable,
- Anonymous,
- Easy to store, and most importantly,
- Free of counterparty risk.

I emphasize this last point. Nearly *all* financial assets in the world today have some form of counterparty risk.

Anytime an asset you're holding is someone else's IOU, there's a chance you'll wake up one morning to find it trading for pennies on the dollar. This applies to bank accounts, corporate and sovereign bonds, even stocks.

Conversely, it is the relative *absence* of counterparty risk that makes safe-haven assets what they are. Think about it.

Gold has intrinsic value totally beyond the ability of any government to corrupt. But it *does* come with the risk of being seized — by thieves or government officials. (In 1933, President Roosevelt famously confiscated all the gold in America.)

The safe-haven case for U.S. Treasuries is a bit trickier. Sure, a U.S. bond is an IOU. But the counterparty is the U.S. government — which not only issues the world's reserve currency, but can always print all the dollars it needs to pay off what it owes. For this reason, the market generally considers Treasuries free of default risk.

Bitcoin, however, has value totally independent of the wishes or policies of any government on the planet. Neither does it depend on any market intermediary keeping his promises.

And although a newcomer to the world of money, its design is so solid and restrictive that financial markets are starting to regard it as the ultimate safe haven.

You can see clear evidence of this in how Bitcoin has begun to move into alignment with traditional safe-haven assets like government bonds and gold.

Turning points in long-term U.S. Treasury prices starting to converge with Bitcoin

Notice how the general shape of this chart resembles Bitcoin in 2019. Specifically, long-term U.S. Treasuries made an important low in November 2018 and rallied into August 2019.

Bond prices then took a break during the North American winter, and resumed their rally in late March 2019.

This is similar to Bitcoin, which made an important low in December 2018, then rallied impressively to a top in early July 2019. Also, Bitcoin's 2019 runaway move didn't really get going until late March of that year.

On top of that, both Bitcoin and the long-term U.S. Treasuries spent the better part of the second half of 2019 consolidating. Our cycle model says both are overdue for important lows, as 2020 begins.

Gold & Bitcoin

Gold is still the quintessential safe-haven asset it's been for centuries. Today, it's the No. 1 asset central banks buy when they want to diversify their reserves.

Accordingly, it's not exactly a surprise it was the first safe-haven asset to establish an important cycle low between August and September 2018. It was also the last to top out — as its rally lasted almost one full year, into September 2019.

Long-term Treasuries, Gold & Bitcoin

Forgive me if this next chart looks a bit like tangled spaghetti, but it's actually lots simpler than it seems. The two keys to understanding it are:

- **The solid-red horizontal line** — which shows how gold (illustrated by the yellow up-arrow), government bonds (blue up-arrow), and Bitcoin (red up-arrow) … *all* bottomed out, one after the other, in the 4th quarter of 2018.
- **The solid-green horizontal line** — showing the subsequent cycle highs for Bitcoin (red down-arrow), government bonds (blue down-arrow), and gold (yellow down-arrow).

The blue line shows daily prices of the 20+ year US Treasury Bond Exchange-traded Fund (TLT). The yellow line shows gold's daily price series from Figure 2. The red-green candlesticks show the daily BraveNewCoin Bitcoin Liquidity Index (BLX).

Note how gold was the first to bottom out, and the last to make a top, with Bitcoin experiencing the shortest rally, and bonds falling somewhere in-between.

What this is telling us, as we head into a new decade, is that safe-haven assets are in high demand — for all the reasons we discussed earlier.

Moreover, the tendency of cyclical tops and bottoms for gold, government bonds, and bitcoin to *cluster* … as shown in Figure 3 above … is evidence of Bitcoin moving toward claiming its rightful place at the top of the safe-haven asset food chain.

Action to Take

With crypto markets near or at important lows, my recommendation is that you increase your exposure to Bitcoin, once more.

We've been adding Bitcoin to our buy list regularly, with an initial purchase 4/26/19 ($5,217.25) and subsequent buys 8/7/19 ($11,901.45), 8/30/19 ($9,584.37) and 10/2/19 ($8,266.70).

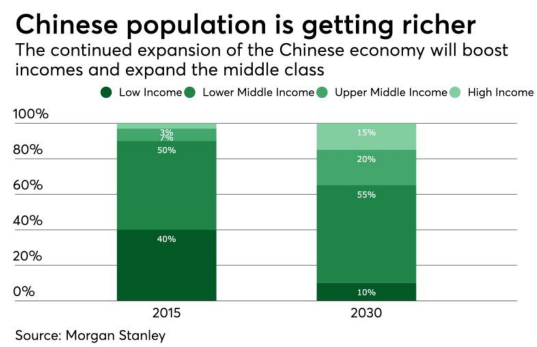
In your recent issues, I've recommended buying Bitcoin below $9,000. It's currently trading in the $7,200 area. Which makes this a great time to start or add to a position.

After all, if 2020 brings another good year for safe havens, then this may be the last time to buy Bitcoin at current levels.

Stock Portfolio Update

By Tony Sagami

Alibaba Group Holdings (BABA): The best news you can hear about a stock that you own is that it reached a new 52-week high. And that's exactly what happened to BABA. The reason for the surge is simple: Revenues are up by 40% and profits have increased by 36% in the first three quarters of 2019.



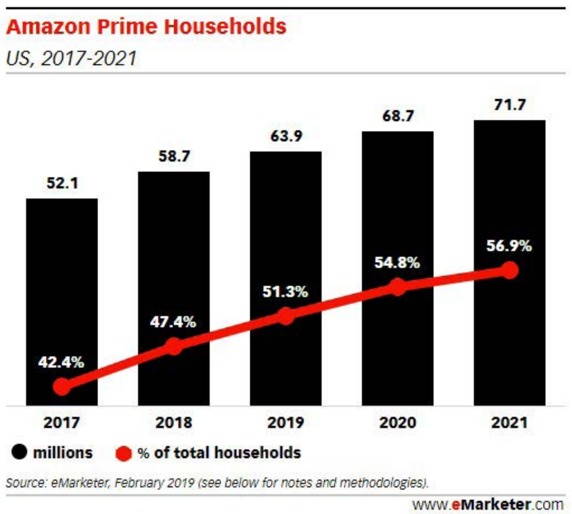
One of the most powerful global trends we're riding is the *middle classification* of Chinese consumers. Instead of "Made IN China," the trend is "Made FOR China." BABA is the very best way to profit from the rising Chinese consumer. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy Alibaba Group Holding Ltd. (BABA) at the market.

Amazon (AMZN): In the last 90 days, Amazon pulled in $4.95 billion in subscription revenue (primarily Amazon Prime membership fees). That's a 35% year-over-year increase and is anticipated to hit $18.5 billion for full-year 2019.

Get this: Research company eMarketer expects that 50% of all Americans will be Amazon Prime members in 2020 and forecasts that Amazon's subscription revenues will hit **$30 billion** next year. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy Amazon.com (AMZN) at the market.



DocuSign Inc. (DOCU): DOCU hit a new 52-week high last month and did it again in December after reporting better-than-expected revenues and profits.

DOCU pulled in $249.5 million of sales ($9.1 million above expectations) and profits of 11 cents per share — a whopping 7 cents or 175% more than Wall Street was expecting.

Best of all, DOCU said it expects to pull in $265 million next quarter, well above the $260.4 million consensus forecast. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy DocuSign Inc. (DOCU) at the market.

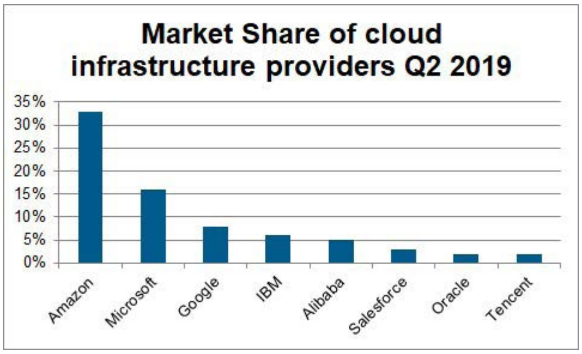
Facebook (FB): If you're a football fan, keep your eyes open for Facebook's commercials during the Super Bowl. Advertising has been paying off for Facebook, witnessed by the 9% year-over-year increase in daily active users — the most important metric to measure Facebook's success.

At the same time, Facebook has aggressively been buying back its stock. Currently, Facebook uses about 20% of its free cash flow each quarter — that amounted to $1.3 billion in the most recent quarter — to repurchase its shares. Lower share count equals higher earnings per share. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy Facebook, Inc. (FB) at the market.

International Business Machines (IBM): With the Red Hat acquisition now complete, IBM is ready to goose its share of the cloud storage market.

IBM is currently fourth in market share at 6%, but Red Hat grew its Q3 revenues by 19% on a year-over-year basis and when combined with IBM's 11% cloud growth, its future is very bright. Continue to hold.



New Subscribers: Using 5% of the funds allocated to this service buy International Business Machines Corp. (IBM) at the market.

JPMorgan Chase (JPM): There isn't a better-run bank than JPMorgan. Over the last year, it grew its profits by 10%, crushing the results of Citigroup, Wells Fargo and Bank of America.

JPM will pay a 90-cents-per-share dividend on Jan. 31, to shareholders of record as of Jan. 6. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy JPMorgan Chase & Co. (JPM) at the market.

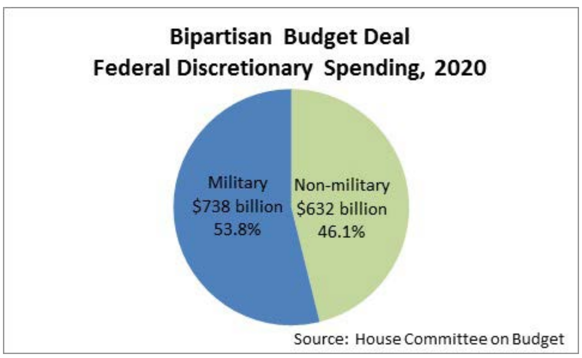
Mastercard Inc (MA): Online shoppers spent $4.2 billion just on Black Friday alone, a 14.5%

year-over-year increase from $3.7 billion last year. Adobe Analytics expects 2019 online holiday shopping sales to hit $143 billion.

Amazon, of course, will collect the lion's share of those online purchases. But the other big winners will be the credit card processors, Visa and Mastercard. Continue to hold.

Using 5% of the funds allocated to this service, buy Mastercard Inc. (MA) at the market.

Mercury Systems (MRCY): Congress passed a last-minute $1.4 trillion spending bill to keep the government from shutting down, and it included $738 billion of military spending. That's music to the ears of all defense contractors, including Mercury Systems. Continue to hold.



Using 5% of the funds allocated to this service, buy Mercury Systems, Inc. (MRCY) at the market.

Microsoft (MSFT): You may not have heard much about Microsoft's HoloLens ... but you soon will. HoloLens is a better version of augmented reality headsets, which projects holographic-type images to the user and bridges the gap between reality and the virtual world.

The mistake that Wall Street is making is that they think HoloLens is just a gaming device. However, its greatest value will be for the business world. With HoloLens ...

- View holographic ideas created by your co-workers regardless of where they're located in the world. You can even walk around in their augmented office space
- Collaborate on projects like never before. Hands-free video calling, image sharing, and mixed-reality annotations makes working together on next-level projects easier than ever
- Access useful applications: HoloLens even comes with access to Microsoft Apps, like the Office 365 services, and support from intelligent assistant Cortana

HoloLens began selling in November for $3,500 and could become MSFT's next hardware home run. Continue to hold.

Using 5% of the funds allocated to this service, buy Microsoft Corp. (MSFT) at the market.

Nvidia Corp. (NVDA): Roughly 20% of NVDA's revenues comes from China, but that percentage is about to skyrocket. NVDA cut three huge deals to provide its Artificial Intelligence or AI chips to Chinese giants.

- Didi Chuxing Technology Co. is the ride-sharing equivalent of Uber in China.
- Alibaba is using NVDA technology to target its shopping recommendations to its Chinese customers.
- Search engine giant Baidu is using this technology to drive more clicks from customers.

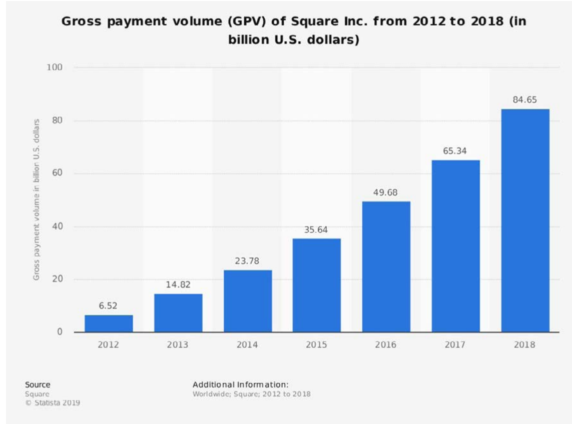
Those deals propelled NVDA stock to a two-year high this month. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy Nvidia Corp. (NVDA) at the market.

Square, Inc. (SQ): Like Mastercard, the key to Square's profits is the dollar value of the transactions it processes. In the third quarter, gross payment volume (total dollar volume of payments processed) increased by 25% year-over-year to $28.2 billion.

The fourth quarter, which includes the holiday season, will be even better. Continue to hold.

New Subscribers: Using 5% of the funds allocated to this service, buy Square, Inc. (SQ) at the market.



Weiss Ratings Crypto Investor Portfolio

Recommendations	Reco Date	$ Cost	Current Quote ($) as of 12/31/19	Total % Gain
Crypto Positions				
Cardano (ADA/USD)**	9/12/18	$0.05368758	$0.03357426	-37.5%
EOS (EOS/USD)	9/12/18	$5.39210000	$2.60484600	-51.7%
Holo (XHOT/USD)	11/19/18	$0.00060100	$0.00062830	4.5%
Bitcoin (BTC/USD)*	4/26/19	$8,742.44	$7,220.57	-17.4%
Fantom (FTM/USD)	8/7/19	$0.02205500	$0.01055526	-52.1%
Ethereum (ETH/USD)	8/7/19	$224.51	$131.02	-41.6%
Tezos (XYZ)	11/27/19	$1.25753900	$1.37009500	9.0%
Stock Positions				
Square (SQ)	7/27/18	$69.85	$62.56	-10.4%
Amplify Transformational Data Sharing ETF (BLOK)	9/13/18	$19.97	$18.75	-3.0%
Nvidia (NVDA)	10/19/18	$229.17	$235.30	3.2%
DocuSign (DOCU)	12/28/18	$40.50	$74.11	83.0%
Mastercard (MA)	1/18/19	$202.00	$298.59	48.4%
IBM (IBM)	2/22/19	$139.25	$134.04	-0.3%
JPMorgan Chase (JPM)	3/15/19	$99.76	$139.40	42.7%
Overstock.com (OSTK)	4/26/19	$13.07	$7.05	-46.1%
Facebook (FB)	7/12/19	$204.87	$205.25	0.2%
U.S. Global Investors (GROW)	8/7/19	$1.96	Sold 11/27 (-24.3%)	
Amazon.com (AMZN)	8/30/19	$1,776.29	$1,847.84	4.0%
Microsoft Corp. (MSFT)	10/2/19	$134.65	$157.70	17.5%
Mercury Systems (MRCY)	11/1/19	$74.60	$69.11	-7.4%
Alibaba (BABA)	11/27/19	$200.82	$212.10	5.6%
Walt Disney Co. (DIS)	**1/3/20**	**-**	**Buy 5% @ market**	

* Bitcoin's $ Cost and Total % Gain columns reflect average of initial purchase 4/26/19 ($5,217.25) and subsequent buys 8/7/19 ($11,901.45), 8/30/19 ($9,584.37), 10/2/19 ($8,266.70), and 11/1/19 ($9255.15).

** Cardano $ Cost and Total % Gain columns reflect average of initial purchase 9/12/18 ($0.06840000) and subsequent buy 11/27/19 ($0.03897516).

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