Weiss Ratings
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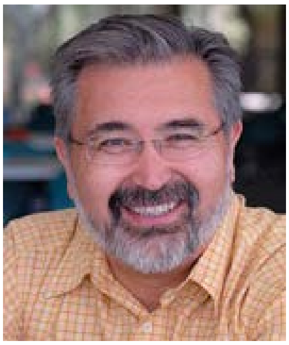
A 'Single' Big Idea That's Bigger Than Black Friday

Chinese love & e-commerce is a mega-marriage worth investing in

By Tony Sagami



Forgetting about her on Valentine's Day will make your sweetheart sad. Forgetting to buy her something for the Double 11 Shopping Festival will downright enrage her.

I can already hear many of you pondering, "Double 11 Shopping Festival? What's that?"

Also known as Singles' Day, the idea was conceived in 1993 at China's Nanjing University by four lonely, single students. They came up with the idea to create a day for single people to meet up and socialize at parties.

Nov. 11, or 11/11, was chosen because it resembles four solitary sticks. Double 11 ... get it?

Singles' Day has taken off and morphed into a day to celebrate relationships (similar to Valentine's Day) and for lovers to exchange gifts. For many Chinese couples, it has become a hugely popular wedding date.

The tradition of gift-giving — mainly from men to women, of course — has so become thoroughly entrenched into Chinese culture that Nov. 11 has become the most popular shopping day in China.

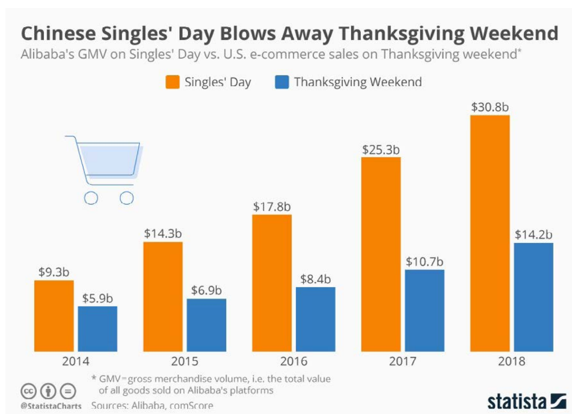
In fact, Singles' Day has become the largest e-commerce day in the world. Yes, even bigger than Black Friday or Cyber Monday ... combined.

Do you love me ... enough to buy me an iPhone?

As the world was reeling from the pain of the 2008-'09 financial crisis, Taobao Mall, a fledgling e-commerce company in China, was trying promotion after promotion with little success.

President Daniel Zhang was desperate to jump-start his business and came up with the idea to offer a one-day, 50% Singles' Day discount with free nationwide shipping on Nov. 11, 2009.

By noon, companies were calling Taobao to stop selling their goods because they had run out of inventory. By the end of the day, Taobao had seen its business skyrocket by more than 600% to $7 million.



$7 million may not sound like much, and its certainly isn't by today's e-commerce standards. But that fledging company — now renamed Tmall — has made Amazon green with envy.

Singles' Day is now a day filled with a fun, games, and entertainment — starring big names such as

Inside this Issue ...

Taylor Swift, Mariah Carey, Kim Kardashian and David Beckham — and offers massive discounts on everything from electronics to cars.

This past Singles' Day hit a new record of total sales, topping charts at 268.4 billion yuan, or $38.4 billion. Apple made out like a bandit, selling over one million units of its new iPhone 11.

T-Mall reaches new revenue highs every year from this event. This year, it sold more merchandise in the first seven hours than the total revenues of Black Friday and Cyber Monday combined in 2018.

Unfortunately, you can't buy stock in T-Mall. You can, however, buy stock in its parent company, Alibaba (BABA).

Alibaba is called the Amazon.com (AMZN) of China. And that's accurate in that they're both e-commerce giants. But Amazon can only wish it was growing as fast.

Let me break this down for you:

Amazon 2016 revenue	$136 billion
Amazon 2018 revenue	$232.9 billion
2-year revenue growth	**71.3%**
Alibaba 2016 revenue	$9.4 billion
Alibaba 2018 revenue	$23.2 billion
2-year revenue growth	**146.1%**

Alibaba is so dominant in China that Amazon has thrown in the towel and closed its Chinese fulfillment centers last May. Walmart and eBay have also shuttered their Chinese doors.

If you believe in the future of e-commerce, there is no better company positioned to cater to 1.4 billion consumers in the second-largest economy in the world than Alibaba.

Alibaba: Just Like Amazon ... but BETTER

By Tony Sagami

How was the recently completed Double 11 Shopping Festival? Spectacular!

Alibaba set a new Singles' Day record, selling $38.4 billion worth of goods and smashing last year's record of $30.5 billion. That's an amazing $1.6 billion per hour!

Heck, Alibaba sold $12 billion of goods in just the first hour! But breaking records is nothing new for Alibaba; it has been doing it every year since 2009.

Now hold on; there's a lot more to Alibaba than just Singles' Day. It's a full-fledged rival to its U.S. counterpart, Amazon. In fact, here are five ways Alibaba dethrones Amazon as the real king of e-commerce.

Reason No. 1: Long-term Growth King. Alibaba's success goes far beyond a one-day event, and data shows it's only going to get bigger. In the last quarter:

- Alibaba added 19 million new customers, boosting the total to 693 million.
- Revenues jumped to $16.5 billion, a whopping 40% year-over-year increase.
- At $1.83, EPS was 21% higher than the Wall Street estimate of $1.51 per share, and up 36% from the previous year.

Those numbers are only going to get better. Internet penetration, per-capita income and consumer spending in China have been steadily grinding higher, which is why Chinese e-commerce is expected to grow by 15% a year (or more) for many years to come.

If you combine Amazon and China, you get an investment dream: a dominant, rapidly growing e-commerce king with a stranglehold on the largest market in the world that has rapidly rising consumer buying power.

That is exactly the way to think about Alibaba. EXCEPT that Alibaba has 60%-plus market share of the e-commerce market in China, while Amazon only has a 38% market share of the U.S. e-commerce market.

Amazon is a great company. But for my money, Alibaba is better by a long shot.

Reason No. 2: Shipping/Logistics King. Both e-commerce giants need reliable shipping. But Alibaba has a massively profitable secret: It owns a majority stake in four different shipping/logistics companies: STO Express, ZTO, YTO and Best Logistics.

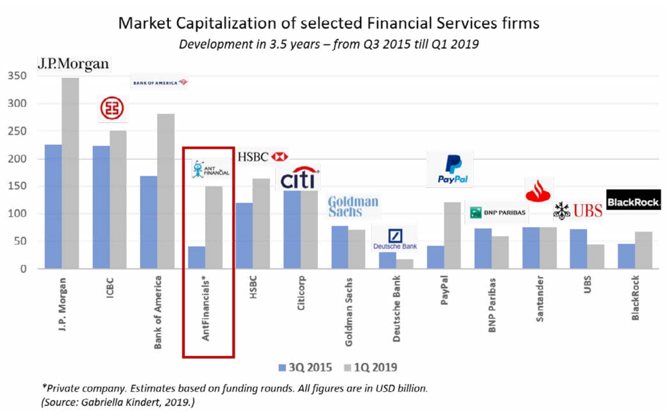
Never heard of them? Of course you haven't; you don't live in China. But those are the four largest logistics and supply-chain companies in China.

So unlike Amazon, which enriches somebody else's shipping/logistics business, Alibaba is enriching itself on the shipping end.

Last year during its busiest season (Nov. 11 to Nov. 16), Alibaba shipped 1.9 million packages. Then it declared Nov. 20 as National Cardboard Box Recycling Day. It set up 75,000 recycling stations all over China. Consumers scanned a QR code on their smartphones and received "green energy" points that are redeemed to plant real trees in China's most arid regions, such as Inner Mongolia.

Like Singles' Day, recycling day has also become an annual event. And why not — Alibaba makes bank recycling that cardboard. Genius!

Reason No. 3: The E-wallet King. If you've traveled to China, you've discovered that few businesses — other than western hotel chains and high-end stores — accept credit cards. In China, purchases are made with old-fashioned cash or smartphones.



In fact, China is light years ahead of the U.S. when it comes to mobile payment applications. Square (one of our portfolio holdings) is changing that it in the U.S., but it is years behind Ant Financial, a wholly owned subsidiary of Alibaba that operates Alipay.

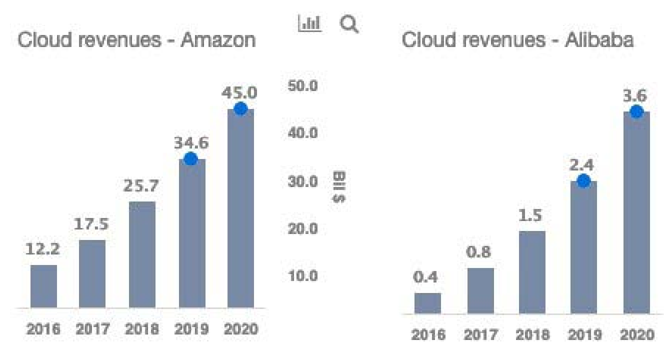
Alipay is Alibaba's mobile payment platform. It dominates digital payments in China, with more than 900 million annual active users. Heck, Alipay controls 90% of the mobile payment market in China.

That's right — 90%! No wonder Ant Financial is the fourth most valuable financial services company in the world. And you get it for free when you own Alibaba.

Reason No. 4: The Chinese Cloud King. If you take a close look at Amazon's business, you'll see it makes most of its profits from Amazon Web Services (AWS), its cloud-storage division. However, Amazon has to fist-fight **Microsoft (MSFT)** and **Alphabet (GOOGL)** for every piece of cloud business it gets.

Alibaba offers cloud storage solutions, too. But unlike Amazon, it doesn't have Goliath-sized competition. Alibaba has a solid 50% of the Chinese market for cloud services, while its nearest rival is far behind with just 15%.

And boy, is Alibaba's cloud business booming. Cloud revenues jumped by 64% year-over-year and now contribute 8% of Alibaba's total revenues for the quarter. Alibaba's cloud segment revenue stood at $1.3 billion during the quarter, but that's expected to grow by 145% in 2020.



In comparison, AWS — the industry leader in the U.S. cloud segment — was up 35%.

Reason No. 5: By the Numbers ... Rather, BUY the Numbers! Amazon stock has always been richly valued, but worth it. Alibaba, by comparison, looks dirt-cheap.

Alibaba reports its next quarterly earrings on Feb.

3. The blowout Singles' Day sales should translate into a record amount of profit.

	Amazon	Alibaba
P/E Ratio	64.2x earnings	20.7x earnings
Price/Book	15.3x book value	7.4x book value
Quarterly Revenue Growth	23.7%	39.6%

Now is the time to buy. Here's what to do:

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

My Bitcoin Target for the First Half of 2020

by Juan M. Villaverde

As we approach a brand-new decade, let's look at the Big Picture history of Bitcoin to see what the future holds for it.

In Bitcoin's first decade, we saw two major bear-market lows:

Big low of Oct. 19, 2012. The young Bitcoin was down in the dumps. Just a few months earlier, in mid-2012, it had enjoyed its first great surge and made its first blow-off top. But then it crashed. And then, on this day, it hit bottom.

Big low of Jan. 14, 2015. The not-so-young Bitcoin was down again. It has just suffered what was then — and still is today — its *worst* bear market in history.

Both big bottoms marked the end of Bitcoin's bear market…

Both marked the beginning of a major new bull market.

In both cases, after the bull market began, Bitcoin remained somewhat weak. After advancing for a while, it suffered a significant correction.

Think of this as the "first phase" of a bull market, and it's only after this phase is over that the real bull market gets underway …

And *that's when the real fun begins.*

Here's the evidence …

What Happened After Bitcoin's First Major Bear-Market Low (2012)

We use Bitcoin as a market benchmark the same way stock analysts use the Dow or the S&P 500. For cryptocurrencies, it's the longest-running market bellwether available. Time series data source: BraveNewCoin Bitcoin Liquidity Index (BLX).

In the chart above, the yellow rectangle identifies the first phase in the 2012 bull market. The green oval identifies where we are now, here in 2019, in the current bull market.

We're somewhere between the end of the first phase of the bull market, and the beginning of the second.

A major low separates these two phases, and I've highlighted that with an orange horizontal line in this chart.

Lesson No. 1. The second phase is much stronger than the first. Think of the first upward cycle as a warm-up — the first flash alert that the market trend has turned from bear to bull. But it's the second phase that really gets people's attention, that prompts investors to start piling in.

Lesson No. 2. An important event happens in the latter part of the second phase. It's Bitcoin's halving, when block rewards are cut in half … when each Bitcoin becomes scarcer and, arguably, more valuable. (I'll come back to why that's important in a moment, below.)

Lesson No. 3. As I said, assuming the current

Bitcoin cycle follows a similar pattern, the oval labeled "YOU ARE HERE" shows the point in the 2012 that's most equivalent to where we stand today.

Notice how, after the first phase was over, a consolidation period continued for quite some time back in 2012. Something very similar could also happen this time around. However, don't expect volatility to drop as sharply as it did in 2012, when Bitcoin was still a very small market.

Now let's have a look at the big bottom of 2015 ...

What Happened After Bitcoin's Second Major Bear-Market Low (2015)

The 2015 pattern is not identical to 2012. But the key lessons are the same:

Lesson No. 1. Like in 2012, the second phase of the bull market is much stronger than the first. (To see the contrast, just compare the area inside the yellow rectangle to what followed it.) It's the kind of explosive rally that stirs primal instincts among investors around the world.

Lesson No. 2. Like in 2012, the halving happens in the second phase. And before the halving is when you see the most explosive rally — in anticipation of the event.

Lesson No. 3. As in 2012, the "YOU ARE HERE" oval identifies the point which most closely corresponds to where Bitcoin is now in the 2019 cycle.

There is only one significant difference between 2012 and 2015. In 2012, it took a long time for the second phase to get going. In 2015, it started within weeks.

The main pattern, however, is very clear: The second phase of a bull market is much stronger than the first. And the big rally happens BEFORE Bitcoin's halving.

What's Likely to Happen This Time (2019-2020)

As before, the yellow rectangle highlights the first phase of the current bull market. It's not clear this phase is over yet, which is why the yellow rectangle extends to the present day. The orange horizontal line in this case indicates a potential low ending this first phase, but note that it's not a confirmed low as of the writing of this report. We won't really know until the end of the year.

What's unique about the first phase this time around is its sheer power. It's the strongest *ever* in Bitcoin's 10-year trading history. So, the big question is:

What will Bitcoin's second phase look like?

Will historians of the future look back at this 2019-2020 period and see an approximate repeat of the 2012 and 2015 pattern?

If so, here's the scenario that unfolds ...

1. **This second phase is stronger than the first.** That's dramatic. Even if Bitcoin merely *matches* the rise of the first phase (up 3.5x from its December 2018 low), it reaches an area between $20,000 and $25,000. If it's stronger, as it was in 2012 and 2015, Bitcoin goes even higher.
2. **This massive rally takes place *before* the next halving.** The halving will take

place in May 2020. So, Bitcoin has about six months, starting now, to fulfill this forecast.

3. **In the short term, Bitcoin continues to move along in sideways chop, much like it did in 2012, or it falls further into a low between $7,000 and $5,000.** In either scenario, Bitcoin does not take off immediately. And no matter what, there's plenty of opportunity to jump on board.

One fly in the ointment: In the past, it always took Bitcoin more than just two phases to surpass its prior all-time high. It never achieved that feat so soon. So, if BTC exceeds its all-time highs (near $20,000) during the second phase, it will be a first.

This is a key reason to suspect Bitcoin may go down further still. When it does rally, even though the rally may be potent, it will fall short of exceeding the prior all-time high — something that happens during the third phase, in our historic examples.

Portfolio Strategies

Right now, the crypto sailboat is aimlessly becalmed on quiet seas. But using our cycles model to peer ahead, we can readily see powerful winds approaching.

For this reason, we will continue to add Bitcoin to our portfolio, as an important low is either just behind, or just ahead, of us. A fantastic buying opportunity either way.

We'll also purchase some more **Cardano (ADA)** and start a new position in **Tezos (XTZ)** for good measure. The reason for these two is that they are set to become major staking assets in 2020.

Staking, if you don't know, is the act of generating crypto dividends in exchange for helping secure a Proof-of-Stake ledger.

It's the new thing in crypto, with major exchanges such as Coinbase, Kraken and Binance jumping on the bandwagon.

This trend toward staking is likely going to be a major boost for the price of ADA and XTZ in the year ahead, so make sure you hold some in your portfolio.

Using 2.5% of the funds allocated to this service, buy Cardano (ADA) at the market.

Using 2.5% of the funds allocated to this service, buy Tezos (XTZ) at the market.

We recommended starting a position in Cardano in our September 2018 issue. Today's addition will bring the total allocation to 5%.

You should already hold Bitcoin; feel free to add to your current position or, if you are just joining us here, start a new position.

Portfolio Update

By Tony Sagami

As we approach year-end, this is a good time to review our trading strategy. That means taking what's working into the new year with us and nipping losses in the bud on the positions that haven't delivered.

We're sitting on a bunch of double-digit gains in **DocuSign (DOCU)** (+64%), **Mastercard (MA)** (+42%), **JPMorgan Chase (JPM)** (+33.5%) and **Microsoft (MSFT)** (11.7%). All those open gains were generated in just a few months' time.

So, our strategy of investing in companies that dominate the market and are looking to extend that dominance to blockchain development is handily paying off. I recommend that you keep holding those for more gains, or look to establish a position if you haven't done so already.

Meanwhile, there are some other stocks that still hold plenty of promise, but they haven't generated the kind of returns we want in the time frame we are working with. Here's what to do:

Sell ALL shares of the Amplify Transformational Data Sharing ETF (BLOK) at the market.

Sell ALL shares of Overstock.com Inc. (OSTK) at the market.

Sell ALL shares of U.S. Global Investors Inc. (GROW) at the market.

As for the rest of the portfolio ...

Amazon.com (AMZN): Amazon is heavily investing in its cloud storage business while still making billions of dollars in profits. In the most recent quarter, Amazon reported $70 billion in revenues and $4.23 a share of profits.

This year's holiday shopping season is expected to hit new records. The National Retail Federation forecasts that retail sales during November and December will increase 3.8% to 4.2% over 2018. And online and other non-store sales are set to pop 11% to 14% over last year, which translates to about $162.6 billion and $166.9 billion. Continue to hold.

DocuSign (DOCU): With a 60%-plus open gain, this is our biggest winner so far. Rather than take profits now, though, I think it makes sense to wait for even BIGGER gains. We could see those as soon as Dec. 5, when the company reports its quarterly results.

Facebook (FB): Facebook delivered a fantastic quarterly profit report:

- Revenues of $17.6 billion, which was $300 million more than Wall Street forecasts and a whopping 29% increase from a year ago.
- Profits of $6.1 billion or $2.12 per share, 13% higher than expectations.
- Number of unique monthly Facebook users grew to 1.62 billion. Users for all its apps hit a record 2.8 billion.
- The average revenue per user is $7.26, way up from the $7.09 Wall Street was expecting.

And the future looks even brighter because Facebook is using all the money it is making to grow the company by building new data centers, lightning-fast servers, networking infrastructure and new office buildings. Continue to hold.

International Business Machines (IBM): IBM is getting out ahead of the potentially massive artificial intelligence trend.

According to IDC, the worldwide AI market grew 35.6% to $28.1 billion in the last year and IBM had the largest market share at 9.2% of any company in the world with $2.58 billion of sales. Wow!

IBM will pay a $1.62-per-share dividend on Dec. 10. Continue to hold.

JPMorgan Chase (JPM): When it comes to banking, nobody does it better than JPMorgan. In the last quarter, JPM was able to grow its profits by 10%, more than double the results of the No. 2 Citibank (C). Over the same 12-month period, JPM increased its revenues by 6%. Continue to hold.

Mastercard Inc. (MA): Mastercard is processing a growing dollar amount of transactions. The dollar value of those transactions increased 14% over the last year, helping Mastercard to easily beat Wall Street expectations by 14 cents with $2.15 per share of profits. Continue to hold.

Mercury Systems (MRCY): Wow, business is booming! MRCY delivered better-than-expected revenues and profits of $177.3 million and 44 cents per share, respectively. It also has a massive backlog of guaranteed business: $711.8 million worth, a whopping 40% increase over Q3 of last year.

Best of all, business is so good that MRCY upped its 2020 revenue forecast to $775 to $790 million, up from $740 to $776. Continue to hold.

Microsoft (MSFT): $10 billion dollars! That is the size of a new contract from the Department of Defense just awarded to Microsoft. The Joint Enterprise Defense Infrastructure, or JEDI is a complete modernization of the DoD's information systems.

Once completed, the JEDI system will unite the entire U.S. military — every solider on the ground, every ship at sea, and every jet in the air — within a single data framework. Continue to hold.

Nvidia (NVDA): You heard of artificial intelligence (AI), the Internet of Things (IoT), and the new lightning-fast 5G networks. In the near future, you've going to hear a lot about Smart Everything (SE), which is the merger of all three technologies.

SE is a new computing platform that's based on the millions of small 5G transmission boxes that are being attached to light posts, buildings, and communications towers, which will process information on the fly and bounced that data to cloud-based data centers. EVERYTHING will become connected, or smart.

Who's at the center of the SE revolution? Nvidia best of breed, lightning-fast processing chips! Continue to hold.

Square Inc. (SQ): Square delivered higher-than-expected quarterly sales and profits. It reported revenues of $602.2 million, $5.3 million more than expected. Profits of 25 cents per share were 25%, or 5 cents, more than expected.

The Wall Street crowd is focused on Square's payment processing business. But the hidden gem is its booming cryptocurrency business. In the last quarter, Square customers bought/sold $148.3 million of Bitcoin transactions, an impressive increase from the $43 million in the year-earlier period. Continue to hold.

Weiss Ratings Crypto Investor Portfolio

Recommendations	Reco Date	$ Cost	Current Quote ($) as of 11/25/19	Total % Gain	Action
Crypto Positions					
Cardano (ADA/USD)	9/12/18	$0.06840000	$0.04000000	-41.5%	Buy @ market
EOS (EOS/USD)	9/12/18	$5.39210000	$2.65000000	-50.9%	Hold
NEO (NEO/USD)	9/12/18	$18.09000000	Sold 11/1 (-42.27%)		
Holo (XHOT/USD)	11/19/18	$0.00060100	$0.00080200	33.4%	Hold
Bitcoin (BTC/USD)*	4/26/19	$5,217.25	$7,287.50000000	-41.5%	Hold
Fantom (FTM/USD)	8/7/19	$0.02	$0.01121000	-44.0%	Hold
Ethereum (ETH/USD)	8/7/19	$224.51	$151.26000000	-32.6%	Hold
Bitcoin (BTC/USD)	11/1/19	$9,751.92	$7,287.50000000	-24.0%	Buy @ market
Tezos (XYZ)	**11/27/19**	**-**	**$1.21000000**	**-**	**Buy @ market**
Stock Positions					
Square (SQ)	7/27/18	$69.85	$67.75	-3.0%	Buy 5% @ market
Amplify Transformational Data Sharing ETF (BLOK)	9/13/18	$19.97	$18.75	-6.1%	Sell @ market
Nvidia (NVDA)	10/19/18	$229.17	$210.89	-7.9%	Buy 5% @ market
DocuSign (DOCU)	12/28/18	$40.50	$71.12	75.6%	Buy 5% @ market
Mastercard (MA)	1/18/19	$202.00	$282.57	40.1%	Buy 5% @ market
IBM (IBM)	2/22/19	$139.25	$134.34	-2.4%	Buy 5% @ market
JPMorgan Chase (JPM)	3/15/19	$99.76	$130.79	32.0%	Buy 5% @ market
Overstock.com (OSTK)	4/26/19	$13.07	$7.57	-42.1%	Sell @ market
Facebook (FB)	7/12/19	$204.87	$198.82	-3.0%	Buy 5% @ market
U.S. Global Investors (GROW)	8/7/19	$1.96	$1.53	-21.8%	Sell @ market
Amazon.com (AMZN)	8/30/19	$1,776.29	$1,745.72	-1.7%	Buy 5% @ market
Microsoft Corp. (MSFT)	10/2/19	-	$149.59	11.5%	Buy 5% @ market
Mercury Systems (MRCY)	11/1/19	$74.60	$70.21	-5.9%	Buy 5% @ market
Alibaba (BABA)	**11/27/19**	**-**	**$190.19**	**-**	**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).

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