



PRIVATE WEALTH ADVISORY

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Market Update: 1-20-14

The situation in the Dollar is looking more and more like our prediction: a massive breakout that will begin a multi-year bull market.

Here's the long-term chart for the US Dollar that I showed you in the last issue:



This pattern is now being confirmed by breakouts in individual currency pairs between the US Dollar and other major currencies.

Here's the US Dollar/ Euro pair (when the Dollar strengthens against the Euro, the chart rallies):

\$USDEUR US Dollar to Euro (EOD) INDX

© StockCharts.com

16-Jan-2015 **Open** 0.84 **High** 0.87 **Low** 0.84 **Close** 0.86 **Chg** +0.02 (+2.34%) ▲



We've just broken out of a massive wedge pattern to the upside. The end target is with the US Dollar trading at 1.2 Euros. Let's play for this with the **UltraShort Euro ETF (EUO)**

Action to Take: Buy the UltraShort Euro ETF (EUO)

Here's the US Dollar against the Japanese Yen:

\$USDJPY US Dollar to Japanese Yen (EOD) INDX

© StockCharts.com

19-Jan-2015 **Op** 118.50 **Hi** 119.31 **Lo** 115.82 **Cl** 117.61 **Chg** -0.89 (-0.75%) ▼



Again we see a breakout to the upside from a multi-year pattern.

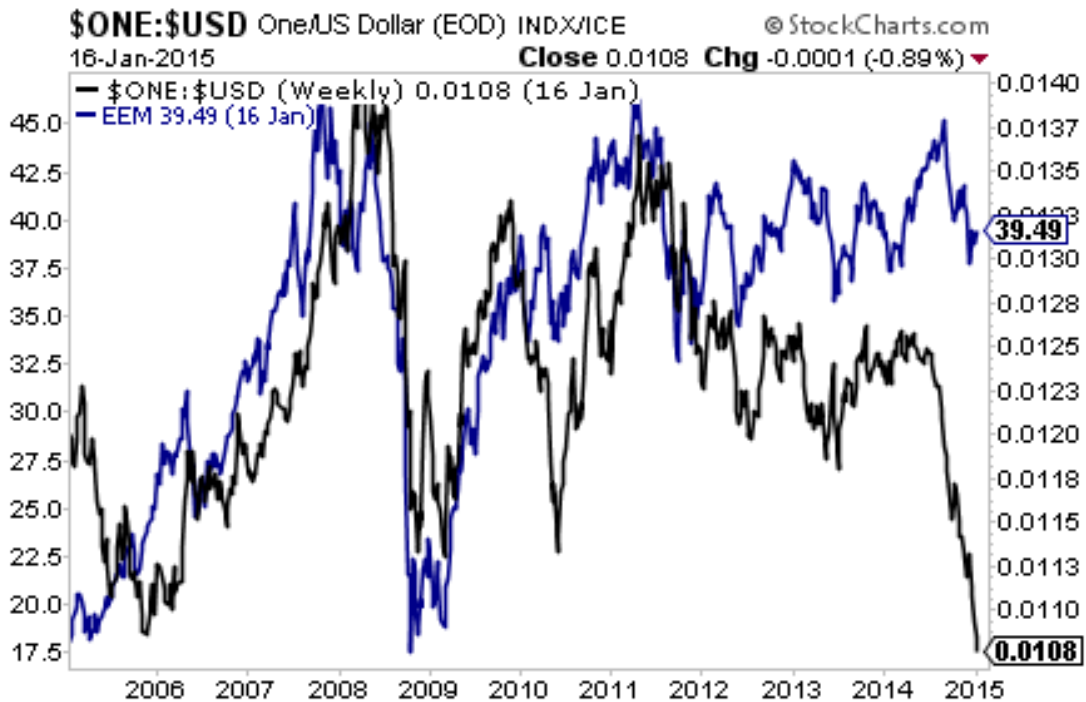
So that's two major world currencies suggesting that the move in the US Dollar is indeed the real deal.

From a macroeconomic perspective, this means that large investors (think pension funds and corporations) that have been borrowing in US Dollars to finance investments (infrastructure projects, acquisitions, mergers, property development, etc.) are now rapidly moving into the **red**.

In this scenario, the economies most at risk of collapse are the emerging markets most closely associated with commodities. This is why we're currently shorting Brazil and Australia (Japan is another story).

With that in mind take a look at the chart for Emerging markets (EEM) and an inverted US Dollar (when the US Dollar strengthens, the black line falls).

Notice how closely correlated the two have been right up until the Dollar began strengthening in 2012. By the look of things, Emerging Markets have a LONG ways to catch up to the downside.



Let's play for this with the **UltraShort Emerging Markets ETF (EEV)**.

Action to Take: Buy the UltraShort Emerging Markets ETF (EEV).

Regarding the significance of the US Dollar rally, I want to emphasize that this US Dollar move is the result of **systemic distress**, not just the Dollar being fundamentally more attractive than the Euro or the Yen.

We get confirmation of this from the price action in the precious metals. If the Dollar move was just about fundamentals instead of fear, Gold would be falling.

Instead, we find that both Gold and the US Dollar are strengthening. This is indicative of "fear" in which investors move into safe havens.

Gold is strengthening. When we break out of this pattern to the upside, we'll have confirmation that the system is in REAL trouble.



Here's the key line for Silver:



I'm not yet ready to buy either (or to move us into precious metals miners just yet).

Thus, the big trades for 2015 will likely be:

- 1) Long US Dollars
- 2) Long Treasuries
- 3) Short Emerging markets
- 4) Long precious metals

I'm watching the markets closely and will issue updates as needed. Otherwise, you'll next hear from me next week.

Until then...

Best Regards

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