PRIVATE WEALTH ADVISORY

A PHOENIX CAPITAL RESEARCH PUBLICATION AUGUST 22, 2012

A Whole Lot of Nothing

I have to admit, I am pretty sick of writing about Europe, particularly since nothing has changed over there in the last month.

Instead what's happened is that Mario Draghi issued a borderline ridiculous statement that he somehow will be able to fix the EU's solvency Crisis.

The actual speech started with a philosophical inquiry comparing the Euro to a bumblebee. I kid you not:

I asked myself what sort of message I want to give to you; I wouldn't use the word "sell", but actually I think the best thing I could do, is to give you a candid assessment of how we view the euro situation from Frankfurt.

And the first thing that came to mind was something that people said many years ago and then stopped saying it: ***The euro is like a bumblebee****. This is a mystery of nature because it shouldn't fly but instead it does. So the euro was a bumblebee that flew very well for several years. And now – and I think people ask "how come?" – probably there was something in the atmosphere, in the air, that made the bumblebee fly. Now something must have changed in the air, and we know what after the financial crisis.* ***The bumblebee would have to graduate to a real bee. And that's what it's doing.***

The first message I would like to send, is that the euro is much, much stronger, the euro area is much, much stronger than people acknowledge today. Not only if you look over the last 10 years but also if you look at it now, you see that as far as inflation, employment, productivity, the euro area has done either like or better than US or Japan.

Short-Term Trends
-Nothing has changed.
-Set your calendars for September fireworks.

Intermediate Trends
-Grexit, systemic risk to break up the EU before the summer's end.
-US Dollar rally and stock/commodity collapse.
-Massive moves coming in agricultural commodities based on crop shortages

Long-Term Trends
-Global debt implosion.
-Markets to go to new lows either nominally or in terms of purchasing power depending on whether we get hyperinflation or severe deflation.
-Trade wars and very likely REAL warfare

The first two paragraphs are absolutely stunning. A grown man, in charge of one of, if not *the* largest banking system in the world, rambling about bumblebees. A mid-level manager at a small company could get away with this rhetoric, but we're talking about one of the single most powerful men *in the world*. It's simply stupefying.

Draghi then rambles on about how great the Euro is and how it's so much better than the US or Japan using various metrics. I have no comment on Japan as that country is heading into its own debt implosion. However, to argue that Europe is on sounder footing that the US today overlooks glaringly obvious financial, economic, and most importantly, cultural differences.

Europe, in its simplest form, is a collection of countries, none of whom have a long history of getting along (WWII was just 70 years ago) all with various levels of insane entitlement spending (even Germany sports Debt to GDP levels about 200% when you include unfunded liabilities).

On top of this, the entire European banking system is leveraged at nearly Lehman Brothers levels… and *that's* based on the **banks on in-house risk models**. Asking a bank to determine its leverage levels based on its own in-house risk assessments is like asking a raging drunk to determine the health risks related to his drinking.

I'll explain that last one.

Executive compensation at banks is very closely tied to earnings… which are largely based on lending activities. So bank executives are highly incentivized to push for aggressive lending practices that downplay the risks to the loans.

This is why Europe's housing bubbles dwarf that of the US. It's why European banks are likely really sitting on leverage levels closer to 50-to-1. And it's why Mario Draghi is talking out of his backside when he says EU is much stronger than the US.

Bear in mind, I'm not arguing that the US is somehow a banking or monetary utopia… but the US at least *did* attempt to recapitalize its banks after 2008 and the US *has* seen some movement towards the deleveraging of the private sector (in fact it's one of only three major economies in the world that did this, the others being Australia and South Korea):

Exhibit E1

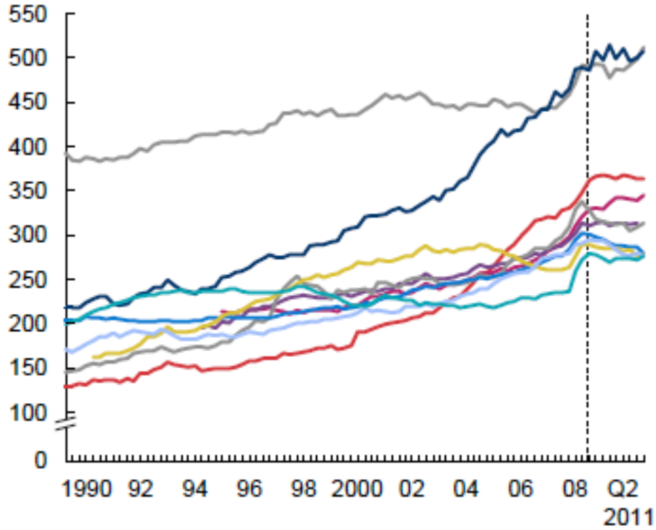
Deleveraging has only just begun in the ten largest developed economies

Total debt,[1] 1990–Q2 2011

% of GDP

▲ Significant increase in leverage[2]

▼ Deleveraging



Change
Percentage points

	2000–08	2008–Q2 2011[3]
Japan	37	39 ▲
United Kingdom	177	20
Spain	145	26 ▲
France	89	35 ▲
Italy	68	12
South Korea	91	-16 ▼
United States	75	-16 ▼
Germany	7	1
Australia	77	-14 ▼
Canada	39	17

1 Includes all loans and fixed-income securities of households, corporations, financial institutions, and government.
2 Defined as an increase of 25 percentage points or more.
3 Or latest available.

SOURCE: Haver Analytics; national central banks; McKinsey Global Institute

In contrast, Spain, France, Italy, and Germany (the four largest economies in Europe accounting for 58% of the EU's total GDP) have seen household leverage levels *increase* since 2008.

A few final points on the US vs. the EU from a cultural standpoint. The US is a republic of states. Europe is a union of countries. And while both regions are facing fiscal fall-outs that will ultimately result in default and the restructuring of their respective financial systems, the US will come out far ahead of the EU (as well as just about every other country in the world).

The reason for this is that the US remains the single most dynamic, innovative economy in the world. I realize this flies in the face of what most people think these days, which is why I strongly urge you to read Walter McDougal's books *Freedom Just Around the Corner* and *In the Throes of Democracy*.

Most US historians either revile the US as a place of corruption, fraud and hypocrisy or deify it as a magical realm where mythical founding fathers created a heaven on earth. McDougal destroys both characterizations and displays the US for what it truly was and remains today: a vibrant, hustling mass of energy and business. It's the US as it truly is, warts and all.

McDougal also shows, clearly, that the very corruption, fraud, political games, and crises that the US experiences today have been with us all along. Most US-based institutions of higher learning make it a point of pride to talk about how the Declaration of Independence was ratified by unanimous consent of the founding fathers… as though somehow politics back then was a clean decent business.

The reality is that the Declaration was ratified via "desperate arm-twisting, logrolling, and possibly back-alley threats and bribes." I don't point this out to condemn the US, I'm just trying to show you that human nature in the 1700s was not any different than it is today. Politics was always an ugly business.

The same goes for 2008-level financial crises, which the US seems to experience at least 2-3 times every century. Indeed, at times it's hard to believe McDougall's writing about episodes that occurred 100+ years ago.

> The following year the bottom fell out for rich and poor alike when disaster struck Wall Street again. It began on Saint Patrick's Day when the might firm Joseph and Joseph went bust… This bankruptcy touched off so many business failures that Philip Hone [then mayor of New York] quit counting. Stocks and real estate plummeted; assets evaporated…
>
> ~Throes of Democracy, pg. 17

The above paragraph references the Panic of 1837, but it very well could have been about the Crisis of 2008 (Bear Stearns collapsed on March 14 2008 kicking off that Crisis, just as the firm of Joseph and Joseph collapsed on March 17 1837, kicking off the Panic of 1837).

My point with all of this is that the US has gone through periods of Crises many times before. Indeed, the opening to *Throes of Democracy* recounts how the Great Fire of 1835 burned 700 buildings (including all of Wall Street) covering a space of 17 blocks to the ground. That was December 16. **Within five days, Wall Street was back up operating again.**

Again… a fire *literally* destroyed Wall Street and business was back on track five days later. The US's history is replete with countless other examples of disaster followed by resurgence. Indeed, this is precisely how the US economy managed to grow so quickly and remain so dynamic.

This current crisis will be no different. It may be larger in scope, but the US will come out of it stronger than most if not all other major economies based on the simple fact that these types of collapses are practically a national pastime for us. In the 20th Century alone we had the Panic of 1907, the Crash of 1929, the 1987 Crash, the Long-Term Capital Management implosion, and 2008. And we're completely ignoring the fall-outs due to WWI (when the stock market was actually *closed* for several months) and WWII.

So yes, the US is in for a rough patch, but it remains the least ugly girl at the prom.

With that in mind, let's *briefly* assess one of the ugliest girls out there: Europe. Here are the key developments you need to know:

1) Spain is now outright demanding that the ECB monetize Spanish bonds (in other words, it's back on the brink of collapse after receiving a €100 billion bailout a few months ago).
2) Greece is asking for "room to breathe" because… frankly it's run out of money again despite receiving €240 billion in bailouts and failing to enact any real meaningful reform.
3) Both the ECB and Germany have stated that no more funds are coming without strict conditions.

So… we're essentially where we were before this latest rally began. No new programs have been announced, no new funds released, no new policies enacted.

And *that's* been the most frustrating part of what's going on… *nothing* has actually happened, but the markets have acted as though some massive new plan has emerged all based on a whole lot of nothing.

Today as was the case a month ago, everything ultimately hinges on Germany. It's interesting to note that the majority of this rally occurred while Angela Merkel was on vacation (as much of Europe is during late July-August). One wonders if Mario Draghi purposely timed his "bazooka" speech for when Germany was least likely to rain on the parade?

Political intrigues aside, Germany is just about out of money. And Merkel has to decide… save Germany or save the EU. Only one of these options is even possible at this point (save Germany) as the EU is beyond saving.

Why do I say this? The EU banking system is €36 trillion trillion in size. Total Eurozone banking deposits stand at €15 trillion. Even deposits at the current EU "problem" countries (Spain, Italy, Portugal and Ireland) are €5.5 trillion.

Germany doesn't have the funds to backstop even 10% of this. That's a fact. No one does. The money simply does not exist. And if the ECB decided to print it, Germany would walk out of the Euro (it may in fact do this regardless of what the ECB does).

These are the facts pertaining to Europe. Everything else (all the claims of new plans/ new strategies, all the stories of secret meetings, all of that garbage) is just one great big distraction.

The German Constitutional Court votes on whether the ESM bailout fund is even legal on September 12. If it doesn't it's the end of the EU as we know it. With German now heading into recessionary territory, this is in fact a possibility:

Europe's tired engine
As the euro zone goes into another recession, Germany is slowing down

Until the end of last year, German growth seemed to be gathering speed. Then some warning signs started to appear. The business-climate index of Ifo (Institute for Economic Research), which started falling in August 2011, has edged more or less persistently down. In July business expectations hit a low not seen since mid-2009. The Markit/BME purchasing managers' index, which measures the state of manufacturing, also started to fall last year; in July it too hit its lowest level since June 2009. This fall was reflected in a drop of 1.7% in new contracts won by German companies in June, compared with May—including a drop of 2.1% in domestic orders and of 4.9% in orders from the euro zone. "And we don't see the orders that were cancelled," points out Thomas Hüne, an economist at the Federation of German Industries.

http://www.economist.com/node/21560601?fsrc=nlw|wwb|8-16-2012|3117721|38031410|

The majority of Germans are fed up with Greece, worried about inflation, and want the Deutsche Mark back. Also bear in mind that Angela Merkel is up for re-election next year. So the courts *could* in fact rule the ESM is unconstitutional which would end the EU right then and there.

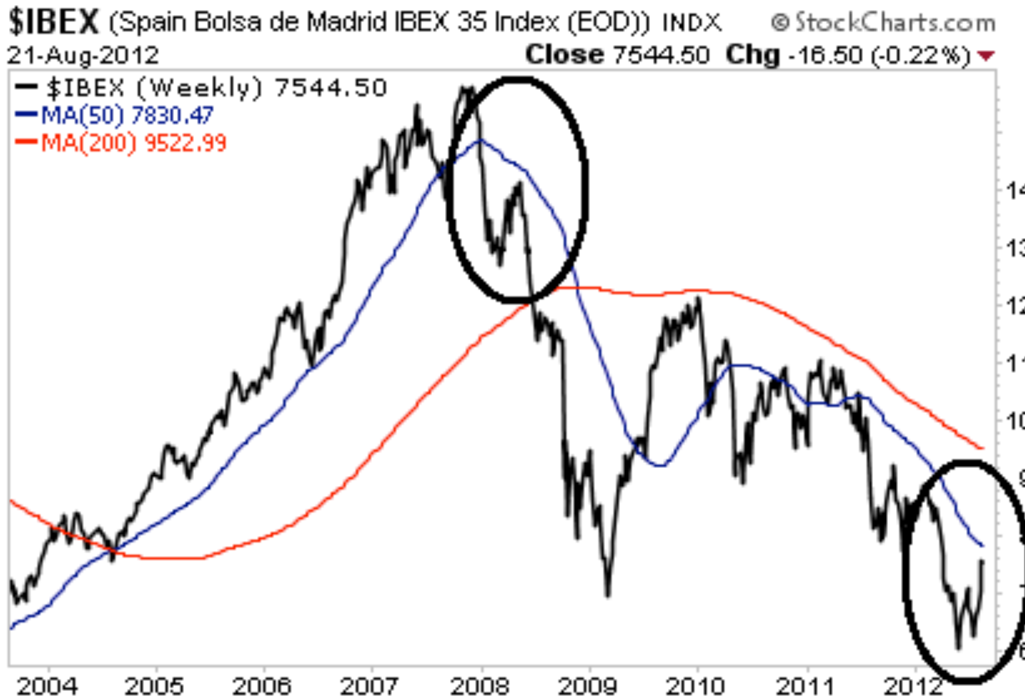
Aside from this court ruling, September is shaping up to be a month of major import for the markets. Some other dates to be aware of:

August 31: Bernanke's Jackson Hole Speech
September 1: Mario Draghi speaks
September 3: EU Finance Ministers meet
September 12: Germany ruling on ESM
September 12-13: Fed September FOMC meeting

Whether the markets will hold up until Bernanke's speech, I cannot say. All I can do is look at the charts. And the charts show we are likely topping right now.

First off, Spain's Ibex has slammed up against resistance. If we turn down now the next leg down has begun.

This coincides with a test of the 50-week moving average. If the Ibex gets rejected there, it will be strikingly similar to what it did going into 2008:



Ditto for Italy: slamming into resistance both from a trendline standpoint:

As well as the weekly moving averages:

As for the Euro itself, we're coming up against several bands major resistance:

Starting in November 2011, I began to argue that Germany would very likely leave the Euro. I still stick to that forecast: a little known fact is that the "Euro" symbol in Frankfurt's airport was recently taken down.

The two large blue and yellow euro sign sculptures, one located outside the European Central Bank in Frankfurt and another recently taken down by Frankfurt Airport, **are facing uncertain futures.**

German artist Ottmar Hörl made them both in 2001. The sculptures, in his view, would be understood as symbols of a unified euro at a time when the currency was still in its infancy.

But one evening last week, **the smaller of the two sculptures, was quietly removed by the Frankfurt Airport authorities. The 5-metre piece had stood for around 11 years near a 'Sky line' transport ramp linking the airport terminals.**

The airport's spokesman Robert A. Payne told this website that the sculpture had been removed for safety issues and to open up space for the eventual expansion in 2013 of the airport's terminal 3.

The electrical display panels that light up the sculpture at night no longer function properly and no longer adhere to Germany safety code norms, said Payne.

"We don't have at the moment a particular spot where we could install it. We first have to see the particular repairs and the costs but at the moment its been dismantled for safety reasons, " said Payne.

The sculpture is now in a nearby storage area.

http://euobserver.com/institutional/117284

Coincidence? A sign that Germany is preparing to return to the Deutsche Mark? It's difficult to say, but the fact remains that Germany cannot possibly prop up Europe even if Greece leaves, so I expect Germany to leave at some point in the future.

Another item worth noting is that Finland (which has veto power over EU proposals) is preparing for a Euro break-up. The following is shockingly honest admission to have come from an EU politician:

Finland prepares for break-up of eurozone

The Nordic state is battening down the hatches for a full-blown currency crisis as tensions in the eurozone mount and **has said it will not tolerate further bail-out creep or fiscal union by stealth.**

"We have to face openly the possibility of a euro-break up," said Erkki Tuomioja, the country's veteran foreign minister and a member of the Social

Democratic Party, one of six that make up the country's coalition government.

"It is not something that anybody — even the True Finns [eurosceptic party] — are advocating in Finland, let alone the government. But we have to be prepared," he told The Daily Telegraph.

"Our officials, like everybody else and like every general staff, have some sort of operational plan for any eventuality."

Mr Tuomioja's intervention is the bluntest warning to date by a senior eurozone minister. As he discussed the crisis, the minister had a copy of the Economist on his desk. It had a picture of Angela Merkel, the German Chancellor, reading a fictitious report entitled "How to break up the euro", with a caption: "Tempted, Angela?"

"This is what people are thinking about everywhere," said Mr Tuomioja. "But there is a consensus that a eurozone break-up would cost more in the short-run or medium-run than managing the crisis.

"But let me add that the break-up of the euro does not mean the end of the European Union. It could make the EU function better," he said, describing the dash for monetary union in the 1990s as a vaulting political leap in defiance of economic gravity. Finland has emerged as the toughest member of the eurozone's creditor bloc as it tries to hold together a motley coalition. It has insisted on collateral from both Greece and Spain in exchange for rescue loans.

The coalition government is on thin ice as voters peel away to eurosceptic parties. The True Finns shattered the political order in last year's election with 19pc support. "Taxpayers here are extremely angry," said Timo Soini, the True Finn leader.

"There are no rules on how to leave the euro but it is only a matter of time. Either the south or the north will break away because this currency straitjacket is causing misery for millions and destroying Europe's future.

"It is a total catastrophe. We are going to run out of money the way we are going. But nobody in Europe wants to be first to get out of the euro and take all the blame," he said.

Like other member states, Finland has a veto that could be used to block any new bail-out measures. However, unlike some states, its parliament would have to approve each future measure of the eurozone rescue, including a full bail-out of Spain.

> http://www.telegraph.co.uk/finance/financialcrisis/9480990/Finland-prepares-for-break-up-of-eurozone.html

To conclude, nothing, absolutely nothing has changed in Europe. We've had a huge rally based on a lie. And that rally is about to end. Germany doesn't have the money to bail out Europe. And Finland can veto the whole thing if it wants to as well.

But, for the sake of argument, let's say that Germany *does* ratify the ESM and the ESM *is* given a banking license (which Germany says will never ever happen), even then Spain and Italy are supposed to fund 30% of it!

So even in a best case scenario, the bankrupt nations asking for bailouts are going to fund 30% of the very bailout fund that will bail them out!?!?

You couldn't make this stuff up if you tried.

Enough of Europe. The break-up is coming very likely in September. So let's move to the US.

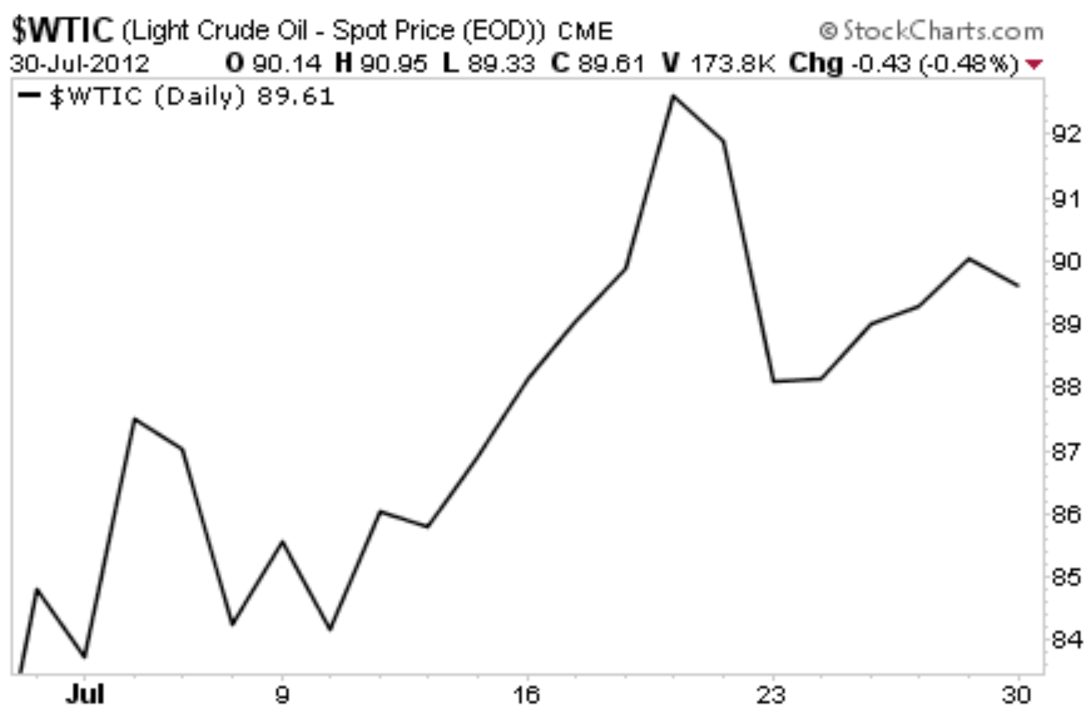
It is now clear that the US has entered a second recession. It's also clear that the BLS and other bean counters in the US are working overtime to massage data to make the US economy look better than it really is.

Case in point, the BLS' inflation data for July is beyond hysterical:

> **The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in July on a seasonally adjusted basis**, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 1.4 percent before seasonal adjustment.
>
> **Major indexes posted small movements in July, with a 0.3 percent decline in the energy index offsetting 0.1 percent increases in the indexes for food** and all items less food and energy. **Within energy, declines in the indexes for electricity, natural gas, and fuel oil more than offset a small increase in the gasoline index**. Within the food component, the food at home index was unchanged with major grocery store food group indexes mixed, while the food away from home index increased.
>
> http://www.bls.gov/news.release/cpi.nr0.htm

Just a few thoughts here… how did food rise only 0.1% in July? Agricultural commodities in general rose over 11% that month.

And electricity FELL in July… the hottest July recorded when people were running their A/C units 24/7? Also, oil prices *fell? REALLY?*



The same shenanigans are taking place in retail sales, PPI, and every government data point. In plain terms, the US Government is doing everything it can to massage data points to make the economy look better. The reality is that we're back in a recession. End of story.

Another item of note: China is heading into an absolute collapse, not just a recession, just as I been warning for months.

What Romney and Ryan Should Know About China

Patrick Chovanec, a business professor at Tsinghua University's School of Economics and Management in China, writes in to say that Ryan and presidential candidate Mitt Romney should know this about China:

1) China's economy is not just slowing, it is entering a serious correction. The investment bubble that has been driving Chinese growth has popped, and there are no quick "stimulus" fixes left. There is the very real possibility of some form of financial crisis in China before year's end.

2) China is in the midst of a once-in-a-decade leadership transition that has not been going smoothly. The transition will take place, but it has paralyzed the Chinese leadership's ability to respond to the country's growing economic troubles. China's leaders believe time is on their side; they do not "get" how serious and urgent the situation is, and that what has always "worked" is no longer working.

3) China's economic problems spell trouble for the U.S. on several fronts.

* First, China is flirting with devaluing its currency to boost exports—a move that will put it in direct conflict with Mitt Romney's commitments on this issue.
* Second, China is already dumping excess capacity in steel and other products onto the export market, a tactic that is likely to inflame trade tensions and reinforce imbalances in the global economy.
* Third, in a worst case scenario, China may be tempted to provoke a conflict in the South China Sea to redirect popular discontent onto an external enemy.

All of these things are happening now and could unfold before the end of the year, or the end of the campaign. They will certainly shape the first year of any Romney-Ryan administration.

http://www.weeklystandard.com/blogs/what-romney-and-ryan-should-know-about-china_649917.html

The markets know this, which is why China's ETF has formed a triangle pattern that forecasts *disaster:*

We'll be in the mid-20s here before year-end.

Russia looks about ready to begin its collapse as well:

A few other charts warning of an impending global slowdown…

Caterpillar: the largest machine manufacturer in the world looks to be indicating a massive global slow-down:

If we turn down here, get ready for another global economic collapse a la 2008.

Arcelor Mattel (MT), the world's largest steel manufacturer is downright ugly.

Ford (F) also looks ready for a test of its 2008 lows:

Coach (COH): is the bull market in overpriced handbags courtesy of maxed out consumer credit cards coming to an end? It is if we turn down here.

Credit Suisse (CS) looks primed to reverse in a big way.

Let's short this bank again.

Action to Take: SHORT Credit Suisse (CS).

Gold:

I'd be very careful here. We could get a false breakout based on hopes for QE 3 at the Fed's September FOMC. If we do, the reversal could be very nasty indeed (which I suspect will be the case as the financial system begins liquidating in the coming fall).

Silver: ditto.

To conclude, nothing has changed in Europe. The US economy is in recession again. China is entering a hard landing. And we are getting multiple signs of a global economic contraction a la 2008.

I realize it's frustrating to be on the wrong side of the markets for a month. But the fact is that what has happened since early June is precisely the sort of move we saw in the summer of 2008: a massive short-squeeze on next to no volume courtesy of a power player (Hank Pauson in 2008, Mario Draghi today) threatening to intervene in a big way.

But, in the end, the money to save the system simply doesn't exist. And if the Central Banks *do* decide to hit print (I doubt this as I've explained in the issue *Why You Can't Just Hit Print*), the bond market will collapse.

It's checkmate for the Central Banks. All they have left is verbal intervention. And we just got the mother of all verbal interventions from Mario Draghi this summer.

My question is: what happens when the market figures out it's a lie?

We all know the answer. So buckle up. It's coming.

Best Regards,

Graham Summers

Watch List (Positions we are close to opening)

Investment	**Symbol**
JP Morgan (SHORT)	JPM
Bank of America (SHORT)	BAC
Conoco Phillips (SHORT)	COP
Exxon Mobil (SHORT)	XOM
Total SA (SHORT)	TOT
British Petroleum (SHORT)	BP
Apple	AAPL

OPEN POSITIONS

Inflation Portfolio (OPEN BUYS NOW)					
Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Gold bullion	N/A	3/17/10	$1,120	$1,662.00	48%
Silver bullion	N/A	3/17/10	$17.50	$30.10	72%
Centamin Mining	CEE.TO	5/25/11	$2.01	$1.20	-40%

Deflation Portfolio (OPEN BUYS NOW)					
Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Dollar ETF	UUP	5/23/11	$21.79	$22.39	3%
Rydex Dollar 2x Strategy	RYSDX	12/14/11	$14.39	$14.03	-3%
HSBC* (short)	HBC	12/14/11	$37.07	$44.45	-10%
UltraShort Gold ETF**	GLL	12/14/11	$19.61	$16.38	-16%
UltraShort Brazil+	BZQ	5/23/12	$85.47	$69.43	-19%
UltraShort Emerging Markets++	EEV	5/23/12	$31.33	$26.64	-15%
UltraShort Euro ETF	EUO	6/25/12	$21.45	$21.26	-1%
EU Financials ETF (SHORT)	EUFN	6/25/12	$14.59	$16.42	-13%
UltraShort China ETF++++	FXP	6/25/12	$28.97	$26.04	-10%
Russia ETF (SHORT)	TRF	6/25/12	$13.21	$14.69	-6%
Goldman Sachs (SHORT)	GS	6/25/12	$91.22	$104.67	-15%
Citigroup (SHORT)	C	7/11/12	$25.87	$30.49	-18%
Spain ETF (SHORT)	EWP	7/25/12	$20.15	$25.85	-16%
Italy ETF (SHORT)	EWI	7/25/12	$9.49	$11.81	-14%
France ETF (SHORT)	EWQ	7/25/12	$18.18	$21.00	-6%
UltraShort Russell 2000 ETF	TWM	7/25/12	$32.51	$28.89	-11%
UltraShort S&P 500	SDS	7/25/12	$16.09	$14.29	-11%
UltraShort Consumer Goods	SZK	7/25/12	$18.24	$16.80	-8%
Corn ETF	CORN	8/8/12	$51.61	$52.49	2%
Soybean ETF	SOYB	8/8/12	$26.05	$28.02	8%
Credit Suisse (SHORT)	CS	8/22/12	$19.07	SHORT	SHORT

- **Opened 12/14/11 at 11:13AM, averaged in second prices on 1/27/12**

**** Opened 12/14/11 at $19.76 averaged in second price of $19.46 on 5/23/12 at 11:50AM**

+ Averaged in second price of $78.31 on July 5 2012 at 10:57AM

++ Averaged in second price of $28.24 on July 5 2012 at 10:57AM

++++ Averaged in second price of $26.77 on July 5 2012 at 10:57AM

Previous Closed Positions

Investment	Symbol	Buy Date	Buy Price	Avg. buy price	Sell Date	Sell Price	Gain
UltraShort Euro ETF	EUO	7/28/11	$17.32		9/12/11	$18.87	9%
UltraShort China ETF	FXP	8/9/11	$36.58	$34.63	9/21/11	$37.60	9%
(Added to)		9/2/11	$32.68				
UltraShort Emerging Markets ETF	EEV	8/9/11	$40.30	$37.27	9/21/11	$39.60	6%
(Added to)		9/2/11	$34.23				
UltraShort Brazil ETF	BZQ	8/9/11	$23.40	$20.72	9/21/11	$21.90	6%
(Added to)		9/2/11	$18.03				
IamGold	IAG	5/25/11	$20.95		9/21/11	$23.10	10%
UltraShort Russell 2000 ETF	TWM	8/9/11	$62.75	$57.36	9/22/11	$58.79	2%
(Added to)		9/2/11	$51.97				
UltraShort Real Estate ETF	SRS	8/9/11	$19.50	$17.31	9/22/11	$17.33	0%
(Added to)		9/2/11	$15.11				
UltraShort Financials ETF	SKF	8/9/11	$88.73	$82.59	9/22/11	$87.63	6%
(Added to)		9/2/11	$76.44				
UltraShort China ETF	FXP	9/28/11	$41.04		9/30/11	$45.02	10%
UltraShort Emerging Markets ETF	EEV	9/28/11	$42.90		9/30/11	$46.00	7%
UltraShort Brazil ETF	BZQ	9/28/11	$24.07		9/30/11	$26.28	9%
Bank of American (Short)	BAC	9/28/11	$6.46		10/3/11	$6.06	6%
Citigroup (Short)	C	9/28/11	$26.84		10/3/11	$24.90	7%
Goldman Sachs	GS	9/28/11	$98.97		10/3/11	$93.60	5%

(Short)							
JP Morgan (Short)	JPM	9/28/11	$31.64		10/3/11	$30.19	5%
Bank of America (Short)*	BAC	11/1/11	$6.48		11/14/11	$6.09	6%
Citigroup (short)*	C	11/1/11	$29.19		11/16/11	$27.46	6%
Goldman Sachs (Short)*	GS	11/1/11	$106.64		11/14/11	$98.73	8%
JP Morgan (Short)	JPM	11/1/11	$32.65		11/17/11	$30.84	6%
Deutsche Bank (Short)*	DB	11/1/11	$37.45		11/21/11	$34.90	7%
Santander (Short)*	STD	11/1/11	$7.91		11/17/11	$7.32	8%
HSBC (Short)*	HBC	11/1/11	$42.03		11/16/11	$38.95	8%
UltraShort Emerging Markets ETF*	EEV	11/1/11	$34.78		11/21/11	$38.12	10%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/21/11	$44.03	10%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/21/11	$71.41	10%
UltraShort Emerging Markets ETF*	EEV	11/1/11	$34.78		11/23/11	$39.50	14%
UltraShort Brazil ETF*	BZQ	11/1/11	$19.04		11/23/11	$21.37	12%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/23/11	$46.04	15%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/23/11	$75.23	16%
UltraShort Brazil ETF*	BZQ	11/1/11	$19.04		11/25/11	$22.40	18%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/29/11	$44.45	11%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/29/11	$71.47	10%
UltraShort Emerging Markets ETF*	EEV	1/1/11	$34.78		12/14/11	$37.16	7%
Ultrashort Silver ETF	ZSL	12/14/11	$15.57		12/28/11	$17.60	13%
UltraShort Euro ETF	EUO	9/12/11	$19.13		1/5/12	$20.80	9%
Ultrashort Silver ETF	ZSL	3/6/12	$10.27		3/15/12	$10.75	5%
MSCI Euro	EUFN	3/21/12	$18.37		3/29/12	$17.48	5%

Financial Fund (Short)							
BNP Paribas (Short)	BNPQY.PK	3/21/12	$24.99		3/29/12	$23.70	5%
Societe General (Short)	SCGLY.PK	3/21/12	$6.34		3/29/12	$5.83	9%
Credit Agricole (Short)	CRARY.PK	3/21/12	$3.27		3/29/12	$3.08	6%
Societe General (Short)	SCGLY.PK	3/21/12	$6.34		4/2/12	$5.64	12%
Credit Agricole (Short)	CRARY.PK	3/21/12	$3.27		4/2/12	$2.97	10%
MSCI Euro Financial Fund (Short)	EUFN	3/21/12	$18.37		4/3/12	$17.34	6%
BNP Paribas (Short)	BNPQY.PK	3/21/12	$24.99		4/3/12	$22.78	10%
Santander (Short)	STD	12/14/11	$7.11	$7.63	4/4/12	$7.21	6%
(Added to)		1/27/12	$8.15				
BNP Paribas (Short)	BNPQY.PK	4/13/12	$19.96		4/23/12	$18.73	6%
Societe General (Short)	SCGLY.PK	4/13/12	$4.67		4/23/12	$4.38	6%
Credit Agricole (Short)	CRARY.PK	4/13/12	$2.55		4/23/12	$2.33	9%
UltraShort Brazil ETF	BZQ	5/2/12	$16.26		5/10/12	$17.85	10%
Deutsche Bank (Short)	DB	12/14/11	$35.33	$39.89	5/15/12	$37.24	7%
(Added to)		1/27/12	$44.44				
Santander (Short)	STD	4/13/12	$6.44		5/15/12	$5.85	9%
MSCI Euro Financial Fund (Short)	EUFN	4/13/12	$16.19			$14.88	8%
UltraShort China ETF*	FXP	11/1/12	$32.64	$27.93	5/17/12	$30.89	11%
(Added to)		1/27/12	$23.22				
UltraShort Materials ETF*	SMN	11/1/12	$20.23	$17.48	5/17/12	$19.00	9%
(Added to)		1/27/12	$14.73				
Barclays (Short)	BCS	12/14/11	$10.65	$12.37	5/18/12	$11.28	10%
(Added to)		1/27/12	$14.09				
UltraShort Russell 2000 ETF	TWM	5/16/12	$33.53		5/21/12	$34.88	4%
Spain iShares	EWP	5/2/12	$25.16		5/21/12	$23.56	6%

(Short)							
UltraShort Euro ETF	EUO	1/27/12	$19.78		5/23/12	$21.32	8%
Banco Sabadell (Short)**	SAB.MC	5/16/12	$1.55		5/29/12	$1.34	14%
Banco Popular (Short)**	POP.MC	5/16/12	$2.00		5/29/12	$1.63	19%
BNP Paribas (Short)***	BNPQY. PK	5/16/12	$16.59		5/30/12	$15.51	7%
Credit Agricole (Short)***	CRARY. PK	5/16/12	$1.90		5/30/12	$1.76	7%
National Bank of Greece (Short)	NBG	5/16/12	$1.55		5/30/12	$1.45	6%
Credit Suisse (Short)	CS	5/30/12	$19.34		6/14/12	$18.02	7%
PowerShares Double Short Oil	DTO	6/12/12	$53.78		6/21/12	$58.93	10%
Junior Gold Miners ETF	GDXJ	6/12/12	$21.10		6/21/12	$19.52	8%
Deutsche Bank (SHORT)	DB	6/25/12	$34.23		7/13/12	$31.38	9%
Santander (SHORT)	SAN	5/30/12	$5.25	$5.77	7/20/12	$5.20	11%
Average In		7/9/12	$6.29				
Spain ETF (SHORT)	EWP	6/12/12	$23.28		7/20/12	$21.39	9%
Italy ETF (SHORT)	EWI	7/11/12	$10.61		7/23/12	$9.52	11%
Credit Suisse (SHORT)	CS	6/25/12	$18.09		7/23/12	$16.46	10%
UBS (SHORT)	UBS	7/11/12	$10.79		7/23/12	$9.90	9%
Barclays (SHORT)	BCS	7/11/12	$10.25		7/24/12	$9.42	9%
Societe General (Short)	SCGLY. PK	5/16/12	$4.00		7/24/12	$3.64	9%
Rogers Agricultural ETN	RJA	6/12/12	$8.19	$8.79	8/8/12	$9.80	-10%
			$9.39				