PRIVATE WEALTH ADVISORY
A Phoenix Capital Research Publication

Weekly Market Update 11-12-15

© 2015 · Phoenix Capital Research, OmniSans Publish, LLC. All Rights Reserved. Protected by copyright laws of the United States and international treaties. This newsletter may only be used pursuant to the subscription agreement and any reproduction, copying, or redistribution (electronic or otherwise, including on the world wide web), in whole or in part, is strictly prohibited without the express written permission of OmniSans Publishing, LLC. · All Rights Reserved.

Disclaimer: The information contained on this newsletter is for marketing purposes only. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice by Phoenix Capital Research or any of its affiliates, nor is it to be relied upon in making any investment or other decision. Neither the information nor any opinion expressed on this newsletter constitutes and offer to buy or sell any security or instrument or participate in any particular trading strategy. The information in the newsletter is not a complete description of the securities, markets or developments discussed. Information and opinions regarding individual securities do not mean that a security is recommended or suitable for a particular investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Opinions and estimates expressed on this newsletter constitute Phoenix Capital Research's judgment as of the date appearing on the opinion or estimate and are subject to change without notice. This information may not reflect events occurring after the date or time of publication. Phoenix Capital Research is not obligated to continue to offer information or opinions regarding any security, instrument or service. Information has been obtained from sources considered reliable, but its accuracy and completeness are not guaranteed. Phoenix Capital Research and its officers, directors, employees, agents and/or affiliates may have executed, or may in the future execute, transactions in any of the securities or derivatives of any securities discussed on this newsletter. Past performance is not necessarily a guide to future performance and is no guarantee of future results. Securities products are not FDIC insured, are not guaranteed by any bank and involve investment risk, including possible loss of entire value. Phoenix Capital Research, OmniSans Publishing LLC and Graham Summers shall not be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Phoenix Capital Research is not responsible for the content of other newsletters to which this one may be linked and reserves the right to remove such links.

OmniSans Publishing LLC and the Phoenix Capital Research Logo are registered trademarks of Phoenix Capital Research. OmniSans Publishing LLC - PO BOX 2912, Alexandria, VA 22301

WEEKLY MARKET UPDATE 11-12-15

The most important issue today concerns the US Dollar/ Euro pair.

The Fed has all but promised it will be raising interest rates in December. Those of you who have been reading me for some time know that my view is it's "too little too late." The Fed should have begun tightening in 2012 so that it would have some ammunition to deal with the next Crisis when it happened. Instead, the Fed has waited until today when another Crisis has already begun.

While the Fed will probably raise rates in December, it is highly unlikely that the Fed will be entering a significant tightening cycle as the US economy has reentered a recession.

I've noted before that numerous economic metrics (inventories, PMIs, industrial production) are pointing to a recession. Now corporate results are confirming this: Year over Year US corporate revenues have fallen four quarters in a row.

The last time this occurred was in the heart of the 2008-2009 recession.

In short, the US is back in recession… right as the Fed has been cornered (by its own hubris) into raising rates for the first time in nearly a decade.

This is EXTREMELY US Dollar positive. Aside from generating even more attractive interest rate differentials between the US Dollar and other major currency pairs, the Fed's raising of rates is likely to trigger a significant degree of market turmoil; turmoil that will drive even more money into safe havens such as the US Dollar.

The US Dollar currently yields 0.25%, the Euro yields -0.2%, and the Japanese Yen yields 0.1%. And this is BEFORE the Fed raising rates. Moreover, the ECB has begun threatening to cut interest rates even further into negative territory.

The Euro comprises 56% of the basket of currencies from which the US Dollar derives its value. Thus, between the Fed's being cornered to implement at least a symbolic rate hike, and the ECB's hints of deeper NIRP, the US Dollar/ Euro pair has finally broken out of a seven month consolidation pattern:

<u>In short, the next leg up for the US Dollar's multi-year bull market has begun and the brief respite from market volatility is over.</u>

Recall that it was the US Dollar rally that first kicked off this current round of the Crisis in mid-2014. The below chart shows an inverted US Dollar chart (so when the US Dollar rallies, the black line falls), Brazil's stock market (blue line), Commodities in general (red line) and Oil (green line).

As you can see, as soon as the US Dollar began to rally, it triggered an implosion in "risk on" assets, dragging them down as much as 60% in a matter of six months.

This massive sell off was triggered by the first wave of the $9 trillion US Dollar carry trade implosion.

If you're unfamiliar with the concept of a carry trade, it occurs when you borrow in one currency, usually at a very low interest rate, and then invest the money in another security, whether it be a bond, stock or what have you, that is denominated in another currency.

More often than not, you invest directly in the other currency itself, pocketing the difference in interest rates. So if the US Dollar pays 0.25% and the Yuan offers 5% for example, you borrow Dollars and invest in Yuan and pocket the 4.75% difference.

It is important to note that investors in currencies are permitted to use greater leverage than their counterparts in stocks or bonds. Whereas a stock investor might be permitted to leverage up at 20 to 1, (meaning he or she can borrow $20 for every $1 in capital in his or her account), **currency investors can leverage in excess of 100 to 1 or even 300 to 1…**

Now a carry trade only works when the currency you are borrowing in remains weak. As soon as it begins to strengthen, your profits not only evaporate, but you can end up **deep in the red** (remember you've borrowed $100 for every $1 you have in capital).

Globally the US Dollar carry trade is north of $9 trillion: larger than the economies of Japan and Germany combined. And it began to blow up in July of 2014 when the US Dollar began to rally.

This is what caused the extreme volatility in Emerging Market Currencies during the last 14 months, ultimately resulting in China's decision to devalue the Yuan, which triggered the August 2015 meltdown in the S&P 500.

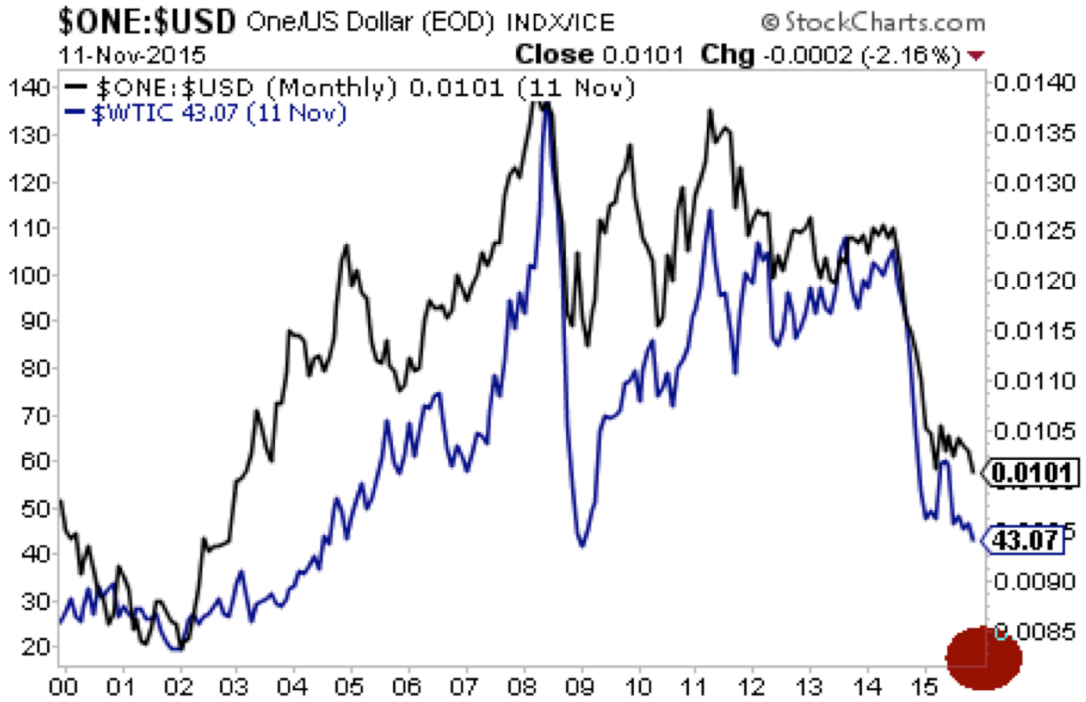
Many corporates and investors were hoping that the US Dollar rally from July 2014-March 2015 was a "one off" event. But as the below chart shows, the prospect of a Fed rate hike and potentially even lower interest rates for the Euro has resulted in the US Dollar finally breaking out of a falling wedge consolidation pattern for the US Dollar/ Euro pair:

The next target for the Dollar is the high teens/ 120:

This would correspond with the Euro falling below parity:

It would also mean a collapse in numerous risk assets.

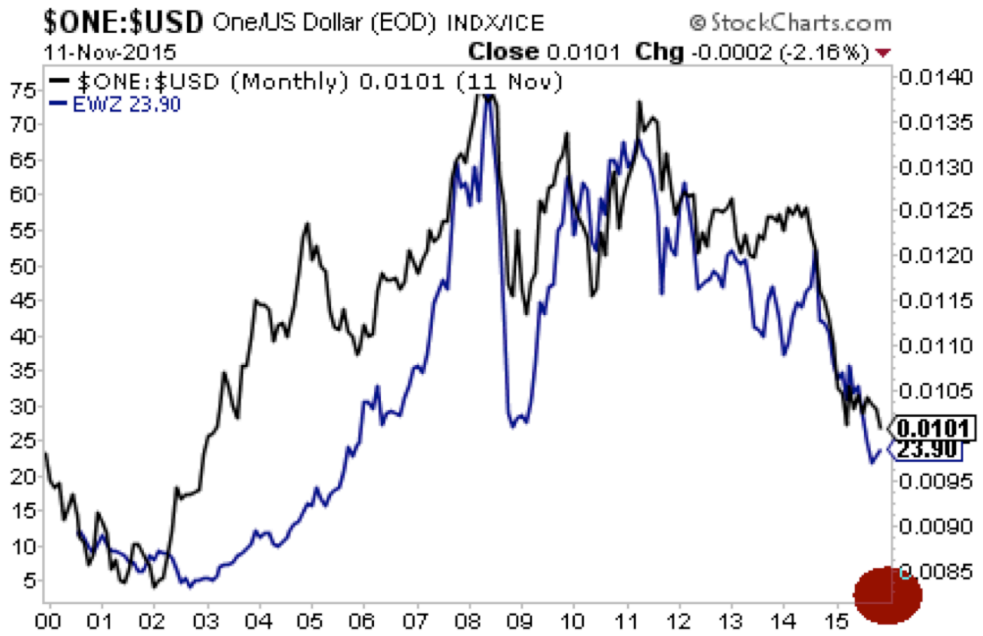
The below chart shows the US Dollar inverted (meaning when the US Dollar rallies, the black line falls) and Oil. When the US Dollar moves to its next target, Oil should drop to $20 per barrel.



Let's play for this with the UltraShort Oil ETF (SCO).

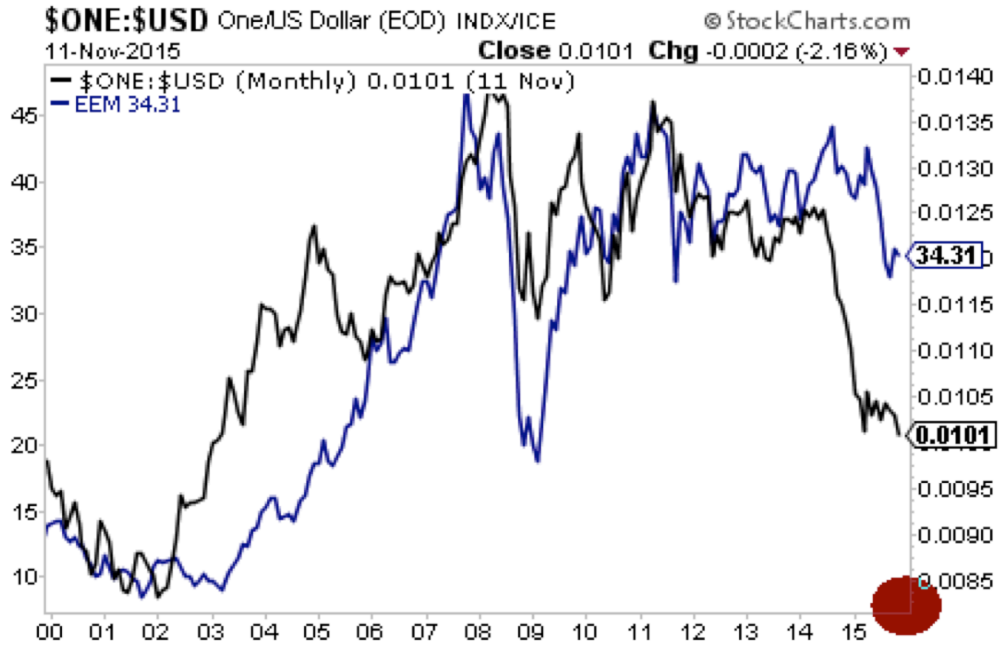
Action to Take: Buy the UltraShort Oil ETF (SCO).

This move will also implode Brazil (the largest exporter of most commodities).



Action to Take: Buy the UltraShort Brazil ETF (BZQ).

It will also implode the Emerging Market space in general:



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

My timeline for the above is before June of next year (likely by March/April).

Regarding the US markets, the S&P 500 has been rejected at former support/ now resistance. This is a *serious* issue for the bulls.

The same is true of Financials:

Indeed, not one of the S&P 500's individual sectors have reclaimed their former trendlines. This suggests that as I forecast, this rally was largely a bounce and not the beginning of the next leg up for stocks to new highs.

As I've noted previously, when collapses/ bear markets begin, there is usually a bounce to "kiss" former support as the bulls attempt to reignite the lost momentum. It is only *after* the "kiss" (the bulls fail) that the real collapse begins.

Again, the pattern is:

1) The initial drop
2) The rally to "kiss" former support
3) The REAL drop

#1 and #2 are complete. #3 may have just begun. Thus far the sell-off is being somewhat contained by the fact that there are numerous Central Bankers speaking this week. But once we get past the window for verbal interventions, the selling pressure should increase dramatically.

This concludes this week's update for ***Private Wealth Advisory***. Barring any new developments, you'll hear from me next Wednesday in our usual weekly market update.

Until then…

Best Regards,

Editor
Private Wealth Advisory

OPEN POSITIONS

US DOLLAR CARRY TRADE IMPLOSION PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Ultra Bullish Dollar ETF	UUP	5/23/11	$21.79	$25.76	18%
UltraShort Euro	EUO	4/10/15	$27.68	$26.22	-5%
UltraShort Yen ETF	YCS	5/27/15	$94.48	$91.99	-3%
UltraShort Gold ETF	GLL	7/29/15	$112.00	$113.11	1%
Banco De Chile (Short)	BCH	8/18/15	$61.89	$61.64	0%
Singapore ETF (SHORT)	EWS	9/22/15	$10.31	$10.72	-4%
Malaysia ETF (SHORT)	EWM	9/22/15	$9.90	$10.11	-2%

Prices as of 11AM on 11/12/15
Prices include dividends

RELATIVE US STRENGTH PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Nuveen Muni. Fund	NIO	1/2/14	$13.12	$13.91	19%
Wal-Mart	WMT	7/30/14	$74.78	$57.34	-20%
Exxon	XOM	9/24/14	$95.82	$80.55	-12%
7-10 Yr Treasury ETF	UST	11/26/14	$55.54	$55.77	2%
20+ Yr Treasury ETF	TLT	7/15/15	$116.89	$118.83	3%
Nvidia	NVDA	6/26/13	$14.14	$30.63	122%
Coke	KO	8/28/13	$36.80	$41.79	21%
Auto-Zone	AZO	9/25/13	$422.73	$781.84	85%
Intel	INTC	12/20/13	$25.14	$32.75	38%
General Electric	GE	2/5/14	$24.57	$30.75	32%
Target	TGT	5/28/14	$55.34	$74.69	41%
Pfizer	PFE	7/30/14	$29.26	$33.65	20%
Kraft	KHC	9/24/14	$56.81	$70.69	29%
McDonalds	MCD	10/30/14	$92.87	$113.10	25%
Eli Lilly	LLY	12/3/14	$71.13	$80.55	16%
Microsoft	MSFT	12/3/14	$48.08	$53.47	13%
Universal Corp.	UVV	3/5/15	$48.05	$54.96	18%
RPX Corp	RPXC	8/5/15	$15.48	$13.71	-11%
Apple	AAPL	9/11/15	$114.21	$116.36	2%

SYSTEMIC RISK/ BLACK SWAN PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Gold		3/17/10	$1,120	$1,078.00	-4%
Silver		3/17/10	$17.50	$14.24	-19%
Gold Miners ETF	GDX	5/13/15	$20.78	$13.52	-35%

Prices as of 11AM on 11/12/15
Prices include dividends

ASIA SLOWDOWN PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
UltraShort Nikkei ETF	EWV	1/6/15	$67.46	$47.58	**-29%**

TECH BUBBLE 2.0 PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Tesla (SHORT)	TSLA	2/25/15	$203.76	$218.93	**-7%**
Amazon (SHORT)	AMZN	2/25/15	$385.37	$672.65	**-75%**

MARKET HEDGE PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
UltraShort S&P 500	SDS	9/18/15	$22.33	$19.83	**-11%**
UltraShort Financials	SKF	9/18/15	$52.39	$45.48	**-13%**
France ETF (SHORT)	EWQ	9/30/15	$24.07	$25.19	**-5%**
Spain ETF (SHORT)	EWP	9/30/15	$29.66	$30.32	**-2%**
Santander (SHORT)	SAN	10/28/15	$5.70	$5.41	**5%**
UltraShort Oil ETF	SCO	11/12/15	$95.35	NEW	**BUY!**
UltraShort Brazil ETF	BZQ	11/12/15	$66.32	NEW	**BUY!**
UltraShort Emerging Markets ETF	EEV	11/12/15	$22.14	NEW	**BUY!**

Prices as of 11AM on 11/12/15
Prices include dividends

RECENTLY CLOSED POSITIONS

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
Apple	AAPL	4/2/14	$77.51	9/29/14	$98.84	28%
European Financials (SHORT)	EUFN	4/15/14	$24.89	10/10/14	$22.47	11%
UltraShort Russell 2000	TWM	4/15/14	$49.46	10/10/14	$52.28	6%
UltraShort Brazil	BZQ	10/15/14	$62.00	10/21/14	$71.92	16%
UltraShort Gold	GLL	10/24/14	$94.15	11/14/14	$104.21	11%
UltraShort Silver	ZSL	10/24/14	$104.89	11/14/14	$122.00	17%
Enduro Royalty Trust	NDRO	5/22/13	12.05	11/28/14	$7.06	-26%
UltraShort Euro	EOU	1/20/15	$23.49	3/5/15	$26.51	13%
UltraShort Brazil	BZQ	1/6/15	$91.07	3/6/15	$100.74	11%
Target	TGT	5/28/14	$55.34	4/1/15	$82.13	52%
Pfizer	PFE	7/30/14	$29.26	4/1/15	$34.56	20%
General Electric	GE	2/5/14	$24.57	4/13/15	$27.89	18%
BP Prudhoe Bay Royalty Trust	BPT	1/2/14	$76.77	5/20/15	$66.70	5%
Conoco Phillips	COP	3/5/14	$66.30	5/20/15	$65.27	4%
Russia ETF	TRF	4/9/15	$10.62	5/20/15	$11.36	7%

RECENTLY CLOSED POSITIONS CONTINUED

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
UtraShort Oil ETF	SCO	5/27/15	$61.08	7/6/15	$70.30	**15%**
UltraShort Gold ETF	GLL	2/25/15	$95.49	7/7/15	$101.75	**7%**
Copper (SHORT)	JJC	3/10/15	$31.35	7/7/15	$28.78	**8%**
UltraShort Brazil ETF	BZQ	5/27/15	$85.70	7/7/15	$92.02	**7%**
Industrial Metals ETF	UBM	3/25/15	$15.24	7/7/15	$13.56	**11%**
UltraShort China ETF (half)	FXP	3/10/15	$36.45	7/8/15	$41.93	**15%**
UltraShort Oil ETF (half)	SCO	7/21/15	$76.19	7/23/15	$82.14	**8%**
UltraShort Brazil ETF (half)	BZQ	7/21/15	$91.39	7/23/15	$102.36	**12%**
UltraShort Brazil ETF (second half)	BZQ	7/21/15	$91.39	7/24/15	$109.60	**20%**
UltraShort Oil ETF (second half)	SCO	7/21/15	$76.19	7/27/15	$87.36	**15%**
LinkedIn (SHORT)	LNKD	6/17/15	$215.45	8/4/15	$194.96	**10%**
Australia ETF (SHORT)	EWA	1/6/15	$21.97	8/11/15	$19.85	**11%**
Ultra Short Emerging Mkts ETF	EEV	1/20/15	$19.48	8/11/15	$21.56	**11%**

RECENTLY CLOSED POSITIONS CONTINUED

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
UltraShort China ETF	FXP	3/10/15	$36.45	8/19/15	$41.59	**14%**
China Real Estate ETF (SHORT)	TAO	6/11/13	$20.11	8/24/15	$17.21	**14%**
South Korea ETF (SHORT)	EWY	8/18/15	$48.17	8/24/15	$43.82	**10%**
India ETF (SHORT)	INP	8/18/15	$70.18	8/24/15	$59.38	**18%**
Santander (SHORT)	SAN	8/13/15	$6.63	8/24/15	$5.99	**10%**
Spain ETF (SHORT)	EWP	8/13/15	$34.08	8/24/15	$31.38	**8%**
Australian Dollar ETF (SHORT)	FXA	5/27/15	$77.36	8/26/15	$70.99	**8%**
UltraShort Silver ETF	ZSL	7/29/15	$120.84	8/26/15	$132.02	**9%**
UltraLong S&P 500	SSO	9/2/15	$56.12	9/9/15	$59.37	**6%**
UltraLong Russell 200	UWM	9/2/15	$79.20	9/9/15	$83.75	**6%**
Canada Dollar ETF (SHORT)	FXC	5/27/15	$79.81	9/23/15	$74.47	**7%**
Canon (SHORT)	CAJ	7/31/13	$30.84	9/23/15	$29.12	**6%**
UltraShort Semiconductors ETF	SSG	9/18/15	$54.00	9/24/15	$60.20	**11%**
UltraShort Brazil ETF	BZQ	9/22/15	$172.16	9/24/15	$199.00	**16%**
Deutsche Bank (SHORT)	DB	10/28/15	$30.31	11/12/15	$26.17	**14%**