PRIVATE WEALTH ADVISORY

INVESTMENT RESEARCH THAT CONVERTS

It's Over

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I'm publishing this month's longer issue of ***Private Wealth Advisory*** a week early because our office will be closed next week for the holidays. During that time I will monitor the markets and will issue updates as needed, but barring any major developments, you'll next hear from me in the New Year.

Having said that, this issue is going to be more "Big Picture" than usual. The reason for this is that yesterday's Fed meeting has made it absolutely clear that Jerome Powell is the real deal, a Fed Chair from a different era, who is not going to alter Fed normalization based on the stock markets, Wall Street, or even the President's tweets.

This confirms for me that we are now in a bear market and that stocks will soon experience a crisis/ crash.

Let's dive in…

Depending on your framework, what the Fed did yesterday was either the single biggest screw up in history, or the single best move the Fed has made since the late '80s.

If you believe that it is the Fed's purpose is to paper over declining living standards in the US by promoting easy credit/ monetary policies that fuel asset bubbles, that the Fed should focus on where stocks are trading, and that Fed Chairs should be considered Rock Stars by Wall Street and the financial media as former Fed Chairs Greenspan, Bernanke, and Yellen did, then Jerome Powell has made a major mistake and will go down in history as a complete disaster.

December 20 2018

SHORT-TERM ISSUES

- The Powell Fed ends the Fed Put.
- Stocks to Crash within four weeks.
- Deflation is the primary trend.

INTERMEDIATE-TERM ISSUES

- China to enter a crisis.
- The EU to break apart.
- Defaults in corporate bonds space.

LONG-TERM ISSUES

- A Crisis worse than 2008.
- Eventual market collapse of 50%+ in real terms.
- A scramble for high-end collateral to bring about derivatives collapse/ implosion of big banks.
-

Phoenix
CAPITAL RESEARCH

If, however, you believe that the Fed should focus on the real economy, that the Fed has no business acting like a stock promoter, and that Fed Chairs should be boring people who shun the spotlight and loathe Wall Street, then Jerome Powell is the second coming of Paul Volcker.

The problem for most investors and analysts today is that they have based their financial models and most likely their entire careers/ net worth on the first option (a stock market-centric Fed and Rock Star Fed Chair). **For them, Powell's tenure will be a time of great wailing and gnashing of teeth.**

The reason for this is that Jerome Powell is going to implement a financial reset back to a time BEFORE the Fed used monetary policy to intentionally create asset bubbles.

We know this because the Fed didn't even HINT at tapering its Quantitative Tightening program at this latest Fed FOMC despite stocks staging the worst December since the Great Depression.

This tells us that the Powell Fed is going to normalize the Fed's balance sheet no matter what. And THAT is the real issue for the financial markets (the withdrawal of liquidity) NOT rate hikes/cuts.

This is what the market is reacting to. Stocks now know that the era of easy money is over. The Fed is being run by a man who doesn't see it has his job to create/sustain asset bubbles. Moreover, Jerome Powell can't be bought. He's worth over $100 million and is not using his position as Fed Chair to launch a later career giving speeches for $250K or signing advisory deals as former Professors Bernanke and Yellen were. He has zero career risk and doesn't care what Wall Street thinks.

And that is why we are going to crash.

Think of it this way, the era from 2008-2018 was a time in which stocks got bubbly, disconnecting from economic realities. Once Jerome Powell took the helm at the Fed, the markets slowly began to realize that this era is OVER. As a result, we've seen numerous asset classes begin to crash as their respective bubbles burst and they drop to price levels that are fundamentally sound.

Stocks are now going to play catch up.

We know this because the VIX is telling us that the era of record low volatility is OVER. We've broken out of the downtrend of the last 10 years on a monthly basis. The bubble has burst.

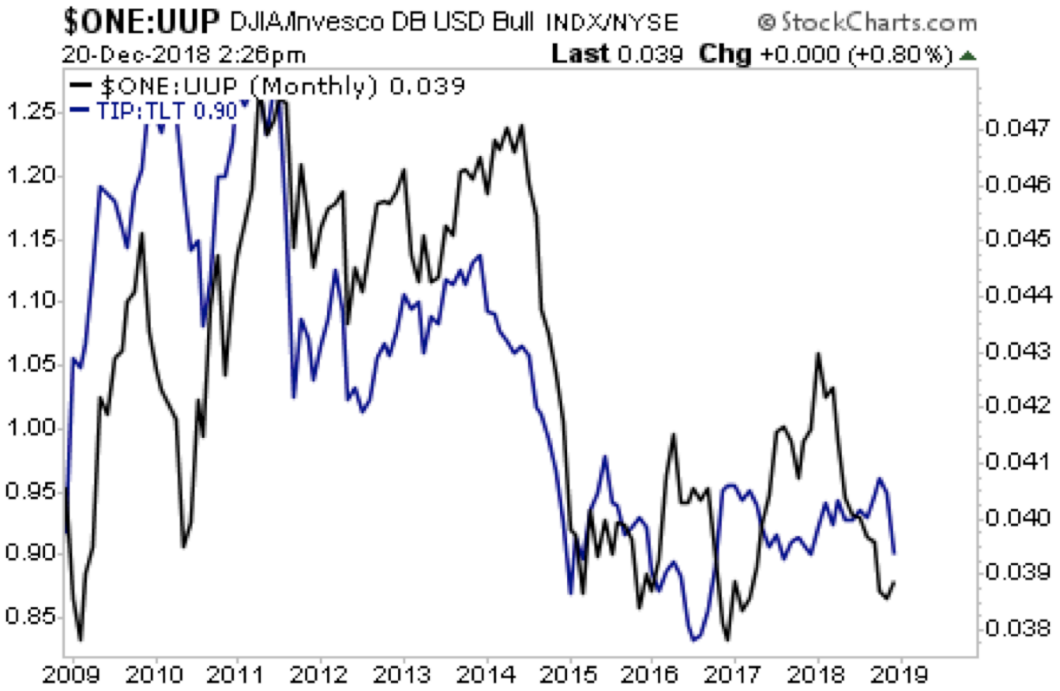
The financial system is now going to adjust to economic realities. And the way, the VIX is still below 30 despite the recent market carnage. We are NOWHERE NEAR a bottom yet (more on this shortly).

So what are economic realities for financial assets?

First and foremost, the Inflation/ Deflation ratio (the TIP:TLT ratio in which up=inflation and down =deflation) in the bond markets is showing us that the Inflationary breakout triggered in 2017 was a FALSE breakout.

The downside target for this is now the red circle.

We get confirmation of this from the $USD. The below chart shows an inverted $USD (black line) against the TIP:TLT ratio (blue line). Note that the $USD is leading bonds as is usually the case (currency markets lead bonds which in turn lead stocks). BOTH are HIGHLY deflationary.

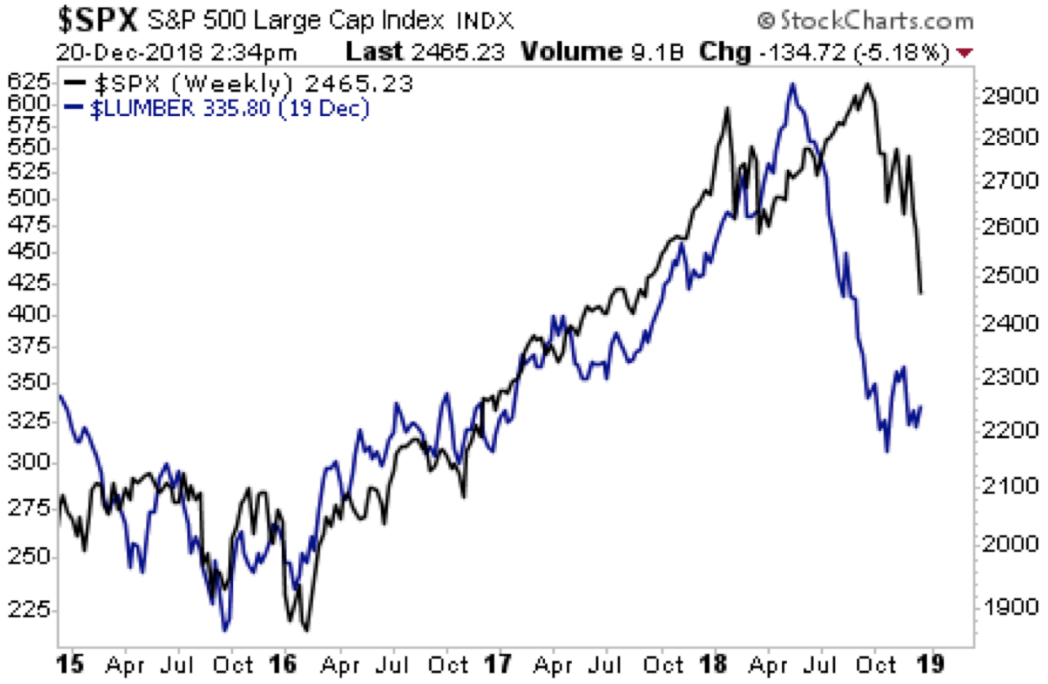


In terms of pricing economic assets, the TIP:TLT ratio translates to Oil at sub-$35.

$35 Oil translates to the S&P 500 at 2,100.

This is roughly where Lumber suggests the real economy is today.

Same for Gasoline.



So yes… stocks will be going DOWN very soon. The Russell 2000 already suggests the S&P 500 should have broken below 2,400.

As does the more diversified NYSE.

Incidentally this is ALSO roughly where China is today.

As well as Germany.

Put simply, the US stock market is about to play catch up to the rest of the world.
In this context, it's going to be VERY difficult to make money on the long side anytime soon. And those who are calling for a bottom are going to get taken to the cleaners.

Yes, there will be bounces, but they won't last more than a day or two (more on this soon). And there is NOT going to be a significant, lasting bottom until stocks are in the LOWS 2000s. And that is if we're LUCKY.

Indeed, if you need one single chart to look at to consider just how serious this situation is, consider that the Global Dow is about to break the bull market it started in… **2003.**

Again, we are in a MAJOR bear market here.

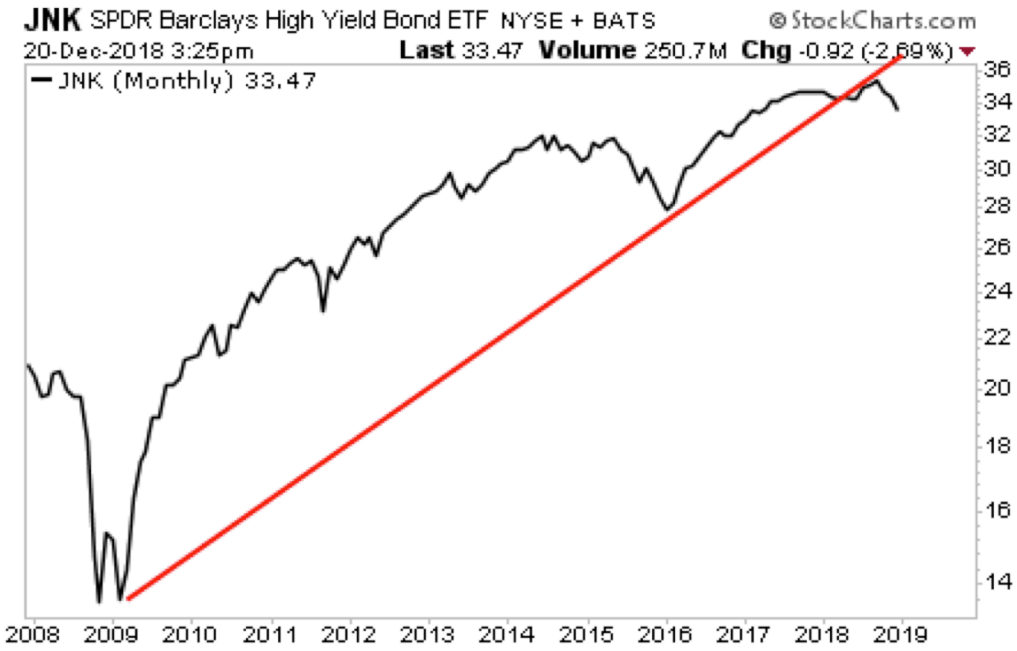
With that in mind we're closing out our last two long stock positions.

Action to Take: Sell the Rogers Agriculture ETF (RJA).

Action to Take: Sell the Japan ETF (EWJ).

Some other signs of deflation worth noting…

The bull market in Junk Bonds is OVER.



The ratio for Junk Bonds to Treasuries tells us that the next shoe to drop will be the corporate bond bubble blowing up.

With that in mind, I've got a number of new positions I'm watching. However, DO NOT open them yet. The market will close tomorrow and Monday at 1PM. And it will be closed all day Tuesday. This opens the door to a sharp manipulation of the markets higher by the PPT.

Between this and the fact that most hedge funds are DESPERATE to end the year with better returns than those they sit on today, I think we're going to see a sharp dead cat bounce over the next 3-4 sessions. And we won't be able to trade it because most of the moves will happen in the after-hours markets.

Once that is over, we'll start opening new positions for the next leg down in the crash. Here are the ones I'm looking at.

At&T (T) will one of the first corporates to blow up. It's broken its bull market trendline (red line) and has *just* taken out critical support (blue line). This is the single largest debt load in corporate history.

Do NOT short this just yet. We'll short this next week. I'll send out a real-time trade alert when it's time.

Elsewhere in the markets, the last FANG standing, Alphabet (GOOGL) has finally taken out its bull market trendline. There isn't really any significant support until we get to $600 or so.

Do NOT short this just yet. We'll short this next week. I'll send out a real-time trade alert when it's time.

Amazon (AMZN) has a Head and Shoulders pattern that targets $600.

Do NOT short this just yet. We'll short this next week. I'll send out a real-time trade alert when it's time.

Bottomline: the markets are going to crash. The bubble has burst. The time to be EXTREMELY defensive is NOW. This means moving most of your capital to cash and only making defensive plays (Treasury Bonds and Shorts/ Hedges). A bottom is coming, but it won't hit until we are MUCH lower. I expect we'll be there sometime towards the end of January.

This concludes this week's update for ***Private Wealth Advisory***. I'm watching the markets closely and will issue updates as needed. Barring any new developments you'll next hear from me the Thursday after next, January 3rd 2019.

In the mean-time, if you are looking for a way to play short-term market moves or to get into day trading for larger, more rapid gains, I also run a weekly options trading service that typically holds positions for just 2-3 weeks at the most, and usually just a few days.

It's called ***The Crisis Trader*** and it uses options to trade highly predictable moves in stocks and ETFs for double-digit gains. **Since inception, this newsletter has returned average annual gains of 41%. We just closed out a 21% gain on today… bringing our current win streak to 9 straight winning trades, 8 out of which were double digit winners.**

Typically a subscription to this service costs $799. But I'd like to invite any of you to join at a discounted rate of $499 (35% off the usual market price).

You can try it for 60 days. If you find it's not what you're looking for, you can email us at support@phoenixcapitalresearch.com and we'll issue a full refund no questions asked.

To take out a 60 day $499 trial subscription to ***The Crisis Trader*** use the link below.

https://www.phoenixcapitalmarketing.com/tctrenewal499.html

Until Next Year…

Graham Summers
Chief Market Strategist
Phoenix Capital Research

OPEN POSITIONS

BONDS PORTFOLIO

Position	Symbol	Buy Date	Buy Price	Current Price	Change From Last Week	Total Return *
Long Treasury ETF	TLT	6/27/18	$122.11	$120.74	2%	2%
7-10 Year Treasury ETF	IEF	10/25/18	$100.69	$103.13	1%	3%

PRECIOUS METALS/ MINERS PORTFOLIO

Position	Symbol	Buy Date	Buy Price	Current Price	Change From Last Week	Total Return*
Gold		3/17/10	$1,120	$1,264.00	2%	13%
Silver		3/17/10	$16.23	$14.84	0%	-9%
First Majestic Silver	AG	5/12/17	$7.43	$5.58	4%	-25%
Iamgold	IAG	9/28/17	$6.40	$3.73	5%	-42%
Silver Mining ETF	SIL	10/4/17	$32.51	$25.24	3%	-22%
Silver Mining Juniors ETF	SILJ	10/4/17	$11.83	$8.13	1%	-31%
Gold Mining ETF	GDX	6/6/18	$22.58	$20.67	1%	-8%
Gold Mining Juniors ETF	GDXJ	6/6/18	$32.99	$29.10	2%	-12%
Hecla Mining	HCLA	7/23/18	$3.39	$2.44	2%	-28%

Prices as of 12/20/18 at market's close.
***Gains include dividends**

Bear Market Portfolio

Position	Symbol	Buy Date	Buy Price	Current Price	Change From Last Week	Total Return*
UltraShort China	FXP	10/31/18	$75.07	$76.27	9%	2%
Microsoft	MSFT	10/31/18	$107.30	$101.51	7%	5%
Emerging Markets ETF	EEM	12/6/18	$40.64	$38.79	4%	5%
Rio Tinto	RIO	12/6/18	$46.38	$47.74	0%	-3%
Wells Fargo (SHORT)	WFC	12/13/18	$47.03	$46.04	2%	2%

CASH/ CURRENCIES PORTFOLIO

Position	Symbol	Buy Date	Buy Price	Current Price	Change From Last Week	Total Return*
US Dollar ETF	UUP	11/8/18	$25.75	$25.77	0%	-1%

Macro Trend Portfolio

Position	Symbol	Buy Date	Buy Price	Current Price	Change From Last Week	Total Return*
Corsa Coal	CRSXF	12/21/17	$1.20	$0.56	5%	-53%
Uranium ETF	URA	1/17/18	$14.93	$11.69	-5%	-20%

Prices as of 12/20/18 at market's close.
***Gains include dividends**