PRIVATE WEALTH ADVISORY

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Weekly Market Update 3-19-20

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Dear Subscribers,

The Everything Bubble has burst. The next crisis, the BIG one to which 2008 was the warmup, is fast approaching.

During the 2008 crisis, the Fed did three things:

1) Cut interest rates to zero making credit all but free for banks.

2) Implemented large Quantitative Easing (QE) programs through which it printed $3.5+ trillion in new money to buy assets from large financial institutions, primarily mortgage backed securities and US government debt, also called Treasuries.

3) Urged the Financial Accounting Standards Board (FASB) to abandon "market to market" valuations for the banks, thereby allowing the banks to value the debts on their balance sheet at "make believe" prices.

Combined, these three policies, particularly #s 1 and 2, create a bubble in US Treasuries, forcing yields to extraordinary lows.

Treasuries are the bedrock of the global financial system. Their yields represent the "risk free" rate of return: the rate against which all risk assets (stocks, commodities, real estate, etc.) are priced.

So, when the Fed created a bubble in Treasuries, **it created a bubble in EVERYTHING**: the entire financial system became mispriced based on a false risk profile.

Every asset class in the world trades based on the pricing of bonds. So the fact that bonds are in a bubble (arguably the biggest bubble in financial history), means that **EVERY asset class is in a bubble.**

I am focusing on the Fed here, but the same policies played out in every major financial system.

The European Central Bank (ECB) employed the same policies in Europe, the Bank of England (BoE) employed the same policies in the UK, and the Bank of Japan, (BoJ) which had already been doing both ZIRP and QE since 2000, took these polices to even greater extremes.

The end result is central bankers created the BIGGEST, most egregious bubble in financial history.

To put this into perspective, the **Tech Bubble was about $15 trillion in size**. The Housing Bubble, which triggered the 2008 Crisis, **was about $30 trillion in size. The bond bubble is over $250 TRILLION in size.** Some $50 trillion of this is in sovereign debt, with the rest coming from corporate debt, mortgages, auto loans, credit cards and the like.

This mountain of debt is categorized based its riskiness. Not all debt is equal because of the fact that different borrowers have different levels of risk of default. For instance, an oil shale company that needs oil to trade at $60 per barrel is at much greater risk of default than a sovereign nation like the U.S..

For simplicities sake we're going to ignore auto-loans, student debt, and credit card debt to focus on the truly systemically important debt.

Corporate, Municipal, and Sovereign/ National.

In the U.S., things rapidly moving up the bond food chain.

The Junk Bond corporate bond market bubble has burst.

The bubble in less risky corporate debt, called investment grade is about to do the same.

Further up the food chain, the bubble in high yield municipal bonds (bonds issued by cities, states and the like) has also burst.

The BAD news is that the bubble in investment grade municipal bonds has ALSO burst.

This leaves sovereign bonds, or Treasuries. Right now, the bubble in U.S. treasuries remains intact with bond yields within a clearly defined bear market (bond yields fall when bond prices rise, so the bubble is stable).

This is NOT the case in Europe.

Germany is the largest most dynamic economy in Europe. As such Germany is the ultimate backstop for the EU. And German sovereign bonds are beginning to breakdown.

Despite a deflationary collapsing, bond yields on the 10-Year German Government bonds is RISING, meaning those bonds are falling in value.

This SHOULD not be happening. German bond yields should be falling based on the deflation in the system right now.

Indeed, just this week Germany experienced a failed bond auction… meaning not enough buyers showed up to buy its bonds.

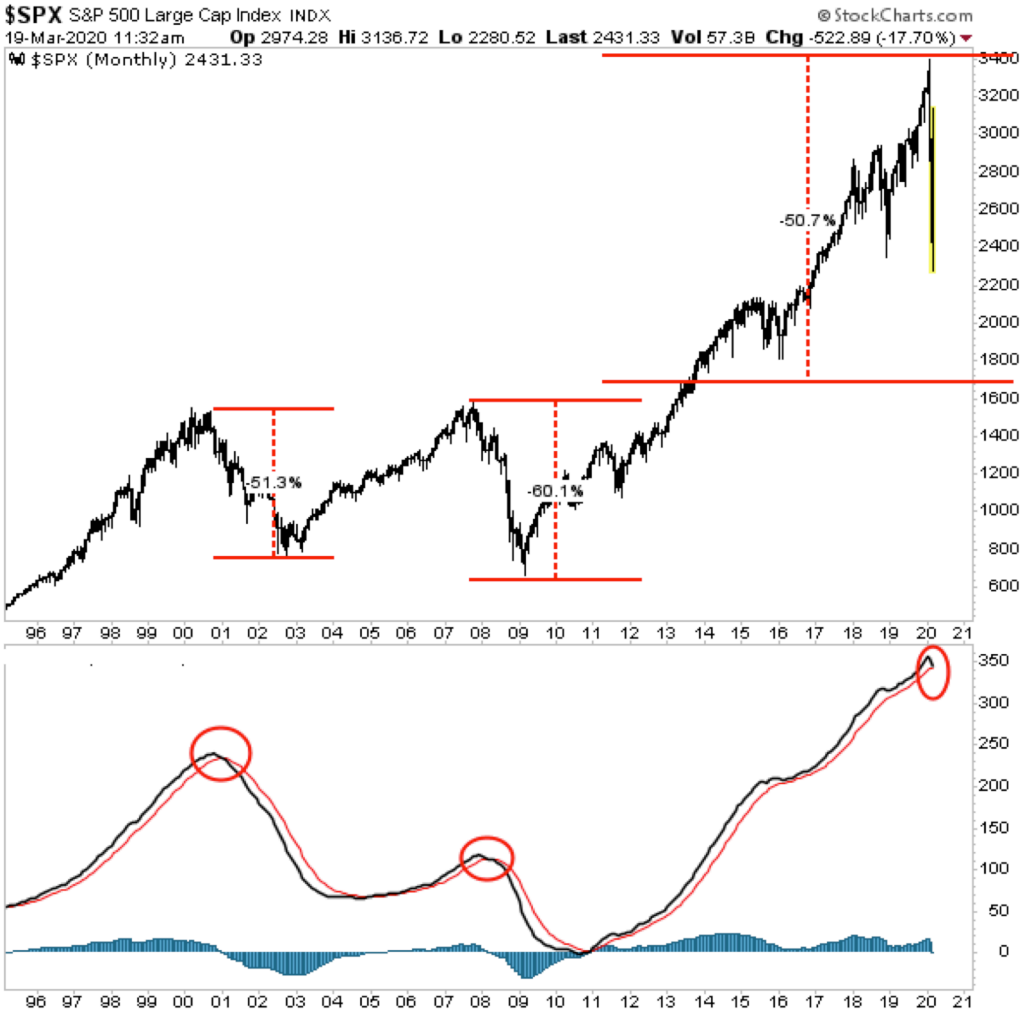
That kind of thing can happen from time to time… but for it to happen during a flight to safety like the one happening right now is a REAL signal that the EU's bond market is in serious trouble.

Europe is not the only one. Look at Japan's government bond yields. Again, they're moving in the WRONG direction.

Again, the Everything Bubble has burst. Risk is rising globally and has begun infecting even sovereign nation's bonds.

We are perhaps one day away from my proprietary Bear Market trigger hitting (red circle in the chart below).

This will mark the third trigger in the last 25 years. Every single other trigger has resulted in a prolonged recession/ crisis that saw stocks lose at least 50% from their all-time highs. A similar drop this time around would mean the S&P 500 dropping to sub 1,800 **<u>at the least</u>**.



Put simply, things are going to be getting BAD in the future. We are at best only a little over halfway through this bear market in terms of losses. And if this is truly THE BIG debt crisis, it would be possible the stock market below the 2008 lows (sub-666 on the S&P 500).

This is indeed some scary stuff. However, fortunately there are some very basic strategies you can employ to preserve your wealth through this.

I want to be clear here… we are no longer in "making a lot of money" mode in the markets. We are in **wealth preservation** mode meaning doing everything we can to maintain our capital.

Ignore anyone who is talking on social media or in the media about making a fortune from this crisis. It is almost impossible to make a fortune during a crisis. The world has seen too many movies like ***The Big Short*** were a handful of heroes get filthy rich betting on a collapse.

These movies ignore the hundreds of other fund managers and professionals who did the same thing but ended up broke. Also, it's worth noting that everyone who got FILTHY rich from the 2008 crisis.

1) Was managing other people's money.
2) Was betting on a collapse using complicated investment structures that were *literally* built for them by investment bank and weren't available to anyone else.

Again, most people don't get RICH during bear markets. The ones who do are 1 out of 1,000.

However, if you can get through a bear market intact, or maybe with a little extra money, then you can EASILY get rich by buying at the bottom.

I'm talking about buying high quality world class businesses, when they're trading at mouth-watering valuations

So with that in mind, here are our three strategies to use for surviving this bear market.

Strategy #1: Move Some Capital Into Cash

Perhaps the easiest step you can take is to move a MAJOR portion of your capital out of various risk assets and into cash.

During deflationary collapses such as the one we are currently experiencing, CASH IS KING.

Indeed, the $USD is roaring higher right now. Anyone sitting in cash is UP while anyone sitting in stocks is DOWN in a big way.

The reason for this is that globally there is a massive $USD shortages to the tune of $12 trillion.

When you borrow debt in $USD, you are effectively SHORTING the $USD. So when the $USD rallies it becomes more expensive for you to pay back your debts.

During deflationary spirals like the current one, this can result in debt defaults and deleveraging which in turn forces the $USD higher.

For this reason, CASH IS KING and you should have a significant portion of your portfolio in cash.

How much cash you want to have on hand is up to you. But I personally have made cash my largest holding right now.

Strategy #2: Buy Some Bullion (both Gold and Silver)

Another easy way to prepare for the bond bubble's bursting is to move a portion of your wealth into Gold or Silver bullion.

There are many reasons for this, but the biggest ones are:

1) Bullion is a form of wealth you can hold yourself, as opposed to trusting a bank or broker both of which are at risk of collapse during a crisis.
2) Policy makers will be doing everything they can to stop the crisis, including engaging in "helicopter money" through which they funnel money directly into the economy. This will ultimately result in EXTREME inflation down the road. Bullion will be an excellent hedge against that.

Because many investors are unfamiliar with precious metals bullion, I've arranged put together

a Frequently Asked Questions section below.

What is bullion?

Bullion is simply another term for actual, physical Gold or Silver as opposed to "paper" Gold or Silver, which trades via either the futures market or in one of the various Gold-or Silver-based Exchange Traded Funds (ETFs).

Bullion comes in one of two forms: coins or bars. Coins typically contain an ounce of pure Gold or Silver. Bars range in size from one ounce up to 400+ ounces. You can buy either for a small premium over "spot" price or the current market value of Gold or Silver.

What are the most common forms of bullion?

In terms of gold coins, there are three coins that comprise the bulk of the bullion market. They are Kruggerands, Canadian Maple Leafs, and American Gold Eagles. We suggest avoiding Maple Leafs because they can easily be scratched which damages the gold and reduces the coin's value.

In terms of Silver coins, the easiest way to purchase bullion is via pre-1965 coins (often termed "junk" silver). However, you can also get silver one-ounce rounds (coin-like medallions) or Silver Eagle coins which also contain one ounce of Silver.

In terms of bars, you can buy either Gold or Silver bars in a variety for forms. However, they are much bulkier, usually weigh considerably more, and are harder to move around. They are also much more expensive as they typically are comprised of as much as 400 ounces.

Why should I own bullion?

Historically, many investors have argued that there was no point to owning bullion since it didn't produce any cash flow. However, with the majority of Government bonds now yielding less than 1% and over $15 trillion in bonds sporting **negative** yields, this argument is no longer valid.

Owning bullion is a means of securing your wealth outside of "paper money" or the cash that the Central Banks want to tax. Provided you store it securely, it's a means of preserving your capital and keeping it under **your control**.

Why should I own bullion instead of an Exchange Traded Fund (ETF) that owns bullion?

There is considerable evidence to suggest that the Gold and Silver ETFs do not actually have all the Gold or Silver they claim to. However, regardless of whether this is completely true, at the

end of the day it is much safer to have your own physical Gold or Silver *in hand* as opposed to buying a paper-based ETF run by a bank or other financial entity that *claims* it owns Gold and Silver.

After all, if the firm that owns the Gold goes bankrupt, there's no guarantee that you'll get your hands on your share of the bullion any time soon, if at all. This completely defeats the purpose of buying Gold or Silver: to store your wealth safely.

How much Gold or Silver bullion should I buy?

How much you purchase is up to you. I suggest having at least several months' worth of expenses in Gold *and* Silver bullion. Some investing legends have as much as 20% of their portfolios in bullion. But again, this is a personal preference.

How do I buy Gold or Silver bullion?

The safest way to buy bullion is from a dealer. There are literally hundreds of dealers to choose from. The US mint provides a list of authorized coin dealers on its website:

http://www.usmint.gov/mint_programs/american_eagles/?action=lookup

I cannot tell you which dealer to go with, but look for someone who's been dealing for years (not a newbie). You should ALWAYS ask for references from the dealer (former clients you can talk to about their purchases/ experiences).

Be sure to talk to the dealer for some time and ask him or her numerous questions about the industry, different types of coins, etc. (feel free to test him or her on the information we've provided you with above e.g. the three most liquid Gold coins, etc.).

If they can answer everything you ask in a knowledgeable fashion, their references check out, and you verify everything they say with a 3rd party, you should be OK.

Some warning signs to avoid are dealers who try to store your bullion. *Never*, *ever* store your bullion with someone else. *Always* store it yourself.

How should I store my bullion?

In terms of storing your bullion, you can store it in a safe deposit box at a bank or buy a home safe from Target or Wal-Mart (or a specific safe store). Personally, I distrust safe deposit boxes because part of the reason for having Gold or Silver on hand is in case there's a run on the banks or a bank holiday is declared. For that reason, I suggest having at least some bullion in a

personal safe.

You can get a decent safe for anywhere between $100 and $1,000. Both Target and Wal-Mart sell decent models for $50-$300. However, there are plenty of other more sophisticated safes out there.

On a side note DO NOT tell people about your bullion stash OR your safe. Trust virtually NO ONE with this information except your closest loved ones (and we mean CLOSEST).

If I buy bullion and the crisis doesn't hit soon… won't I miss out on stocks' gains?

No. CNBC will never tell you this, but the fact of the matter is that Gold *outperformed* the stock market for the better part of 40 years.

I say 40 years because there is no point comparing Gold to stocks during periods in which Gold was pegged to world currencies. Most of the analysis I see comparing the benefits of owning Gold to stocks goes back to the early 20th century.

However, Gold was pegged to global currencies up until 1967. Stocks weren't. Comparing the two during this time period is just bad analysis. Once the Gold peg officially ended with France dropping it in 1967, the precious metal has outperformed the S&P 500 by a LARGE margin.

Indeed, once Gold was no longer pegged to world currencies there was only a single period in which stocks outperformed the precious metal. That period was from 1997-2000 during the height of the Tech Bubble (the single biggest stock market bubble in over 100 years).

In simple terms, as a long-term investment, Gold has been better than stocks for over 40 years. So, owning Gold bullion, like US Dollars, will not only shelter your capital from systemic risk, but will actually GROW your purchasing power more rapidly!

Which brings us to our third strategy for surviving the crisis.

Strategy #3: If You Must Own Stocks, Move Into High Quality Companies

If you DO have to stay invested in stocks for whatever reason (you can't cash out your 401K or something else like that), you should shift into High Quality, Blue Chip companies.

The reasons for this are as follows:

1) High Quality, Blue Chip stocks will fall less than smaller, riskier companies when the Crisis hits.

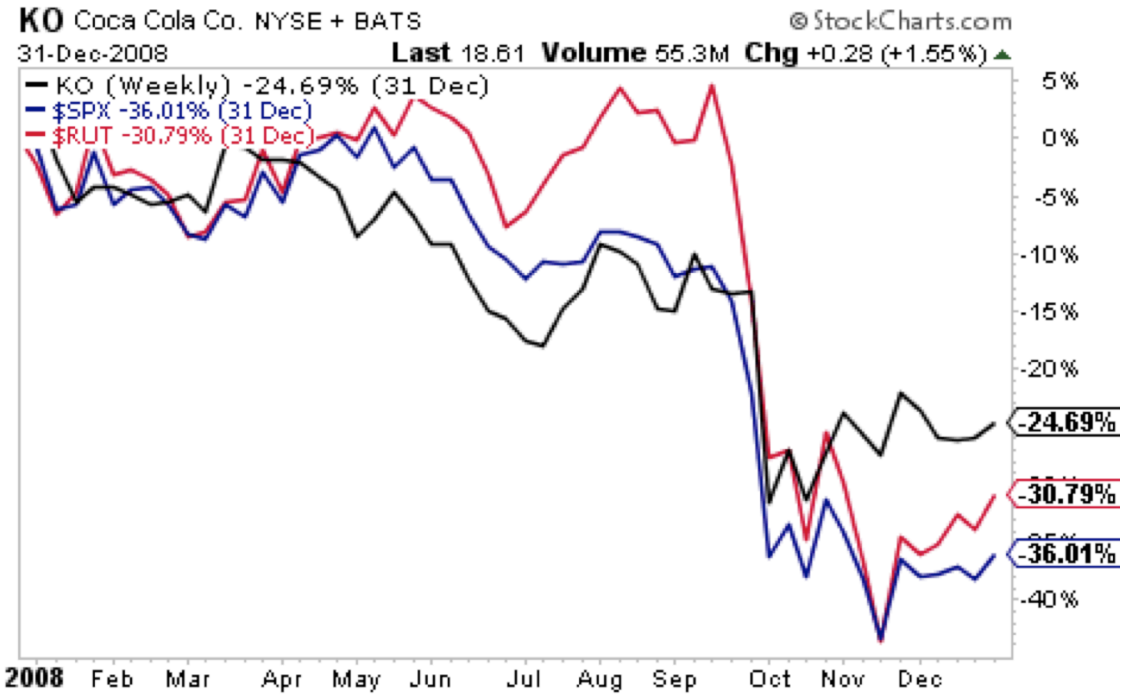
2) High Quality, Blue Chip companies have stronger balance sheets, which means less debt, which means less likelihood of a default or debt restructuring that could collapse stock prices.

3) High Quality, Blue Chip companies are actually even MORE attractive when their prices fall.

Consider Coca-Cola (NYSE: KO) as an example.

KO is one of the best, most profitable brands in the world. The competitive moat around this business is extraordinary and it remains one of the most easily recognized franchises on the planet. You can drink six glasses of Coke a day and still enjoy it the next day. That quality is almost nowhere to be found in any other food/ beverage on the planet: even chocolate would get old after six bars a day.

The quality of this business showed during the 2008 Crisis, when KO's stock only fell 24% compared to the S&P 500's drop of 36% and the Russell 2000's drop of 30%.



Not only did KO actually grow profits during a year in which the global economy imploded, but it actually increased its dividend. So those investor who held throughout the crisis were actually paid to *wait*.

Moreover, when KO's stock fell it became even more attractive as an investment.

Let me explain.

Volatility can either hurt you or be your friend. Most people would sell a position if it fell 20%-30%. This is wise if you're investing based on momentum. However, if you're investing based on value, then doing this is completely antithetical to attaining high returns.

Consider Coke. Let's say Coke's share price collapsed 50% from $40 to $20 per share. Most investors would panic and sell. A value investor like Warren Buffett, who buys because he or she wants to own a business, not cash in on short term momentum or trends, would be buying greedily.

Why?

Because Coke's business has a fundamental value. Even during a Financial Crisis and Depression, people will continue to drink soda.

So, the opportunity to buy Coke at $20 a share would be truly an extraordinary opportunity. Indeed, from an income perspective alone, the investment potential here would be fantastic.

Consider that in 2008 when everyone thought the world was ending, Coke paid out $0.76 in dividends. With shares at $20, this meant a dividend yield of 3.8%, which is a very reasonable return.

However, let's say you were wise enough to recognize that Coke offered even MORE value at $18 and added to your position in Coke when its shares fell to $18. If you did this, and held on to your position, you would currently be locking in a massive yield.

In 2019, KO paid out $1.60 per share in dividends. **Based on your buy price of $18 per share, you would be collecting a massive return of 8.8% per year ($1.60/ $18.00 = 8.8%) from your investment.**

Again, because you bought KO on the cheap in 2008… you'd now be collecting an 8% yield on its dividends. Like I said before, High Quality Blue Chip companies like Coke are even MORE attractive when their share prices fall.

So, if you HAVE to remain invested in stocks to the long side for whatever reason, now is the time to be moving into high quality companies. This means finding companies with low debt, lots of cash, strong results (KO actually GREW revenues in 2008), and significant competitive advantages.

Also, and this is critical, look for companies with strong balance sheets: companies that will still EXIST if there's another Crisis. Depression or no, people will still drink soda, alcohol, smoke cigarettes, and need medicine. I've compiled a list of companies you should consider if you need to remain involved in stocks going forward:

Company	**Symbol**	**Sector**
Coca-Cola	KO	Beverages
Johnson & Johnson	JNJ	Healthcare
Wal-Mart	WMT	General Retail
Microsoft	MSFT	Software
Pfizer	PFE	Pharmaceuticals
Intel	INTC	Microchips
Altria Group	MO	Cigarettes
American Express	AXP	Credit Cards
Toyota	TM	Cars
Procter & Gamble	PG	Consumer Goods

I want to stress that these investments are only if you HAVE to stay in stocks for some reason. If there is another collapse these companies will fall like everything else. However, they will likely fall less than the rest of the market.

In an ideal situation you can get out of the market almost completely, and simply wait to buy companies such as these at the bottom.

Speaking of which, I have a bull market trigger, just as I have a bear market trigger. And when it's time to move aggressively into stocks because THE bottom is in and a bull market is starting, I'll let you know.

Which brings us to our fourth and final strategy for surviving the crisis.

Strategy #4: Speculative Trades For Profiting From the Bear Market

This final strategy is not without risk. You should consider the investments detailed here as speculative in nature, and not put large amounts of capital into any of them.

The reason for this is that should the crisis go systemic and begin to take down large banks, you could very well lose all of the capital you put into these trades (more on this later).

Having said that, there are a number of ways you can profit from the markets falling.

They include:

1) Buying puts (options that profit when the market falls).

2) Shorting futures

3) Buying UltraShort ETFs

Of these three, UltraShort ETFs are the most accessible to ordinary investors.

If you're unfamiliar with UltraShort ETFs, these are investments that return one time, two times, and even three times the inverse performance of a particular ETF. Consider the UltraShort Financials ETF (SKF) as an example.

SKF returns two times the inverse of the Financials ETF (IYF). So if IYF falls 5%, SKF rises 10%. If IYF falls 10%, SKF rises 20%. And so on.

There are quite a few UltraShort ETFs you can use to profit from a collapse in different market indexes or in individual sectors.

Below is a list of the most liquid, popular UltraShort ETFs. We will be trading these throughout the crisis. And our holding period for these positions will likely be relatively short (days or weeks at a time as opposed to months).

1) **The UltraShort S&P 500 ETF (SDS)**

2) **The UltraShort Dow Jones Industrial Average (DXD)**

3) **The UltraShort NASDAQ (QID)**

4) **The UltraShort Russell 2000 ETF (TWM)**

5) **The UltraShort Semiconductors ETF (SSG)**

6) **The UltraShort Financials ETF (SKF)**

7) **The UltraShort Real Estate ETF (SRS)**

8) **The UltraShort Materials ETF (SMN)**

9) **The UltraShort Emerging markets ETF (EEV)**

10) **The UltraShort China ETF (FXP)**

11) **The UltraShort Brazil ETF (BZQ)**

As I stated before, these investments are not without their risk.

The reason is that they are in fact based on derivatives owned by the large banks.

Put another way, when you buy the UltraShort Financials ETF (SKF) you are not actually shorting all of the financial companies' stocks located in the Financials ETF (IYF).

Instead, you own the rights to derivatives that are meant to produce the intended return the UltraShort ETF promises. Because of this, should the bank or financial entity that issues the UltraShort ETF go bankrupt, **it's possible you could lose your position entirely.**

This would not happen instantly. All crisis take time to unfold. The Tech Crash, for instance,

took two years to complete.

So when the next crisis hits, there will a window of time in which UltraShort ETFs will offer you the chance to see enormous returns. However, at some point, if the crisis gets bad enough, it will be best to get out of these investments altogether.

I cannot predict when this will happen in advance. But as the crisis unfolds, I'll be alerting you when major banks start to get into trouble. At that point we'll switch out of using Ultrashort ETFs to other hedges against a market collapse.

The other, speculative strategy to use to profit from the crisis will be to short momentum stocks such as Shopify (SHOP).

One of the secondary effects of the Fed's monetary madness after the 2008 crisis was that many businesses that would NEVER have been able to exist under normal circumstances were suddenly economical.

Consider Wayfair (W).

W is an online retailer. The company has never made a profit in its existence. And yet it somehow has become a $5 billion company.

The reason?

Because the Fed had interest rates at ZERO for most of 2008-2020. And so companies like W were able to finance themselves at ridiculously low interest rates despite the fact they've never made a dime in profits. In fact, W has become LESS profitable the larger it gets (W's profit margins have fallen from -3% in 2015 when it went public to -10% last year… despite sales tripling over the same time period).

These unprofitable, highly indebted companies have been Wall Street darlings for the last decade. W's shares more than QUADRUPLED from 2017 to 2019. However, as the below chart shows, momentum works both ways, and during a bear market, companies like W get ANNIHILATED.

For this reason, we will be SHORTING companies like W during this bear market.

We are already doing so. And we will continue to do so to profit from the market wiping out unprofitable businesses that should never have been taken public in the first place.

We've covered a lot of material today. But this stuff needs to be said. So please review this issue closely.

In terms of the market today, I don't expect we'll see a real significant bottom in stocks until we get to 2,100 on the S&P 500. That's where credit suggest we are heading.

Indeed, the odds of stocks finding a bottom until credit breaks the below downtrend are VERY small.

Once we break that downtrend in credit. It will be time to open some longs to profit from the bounce.

Until then, we're banking on greater losses for stocks.

This concludes this week's market update. I'm watching the markets closely and will issue updates as needed. But the game-plan is to use the bounce to unload longs and then get short for the bear market.

By the way, this process won't be fast. Bear markets take months if not YEARS to complete. So we have plenty of time.

On a final note, we've extended the launch of our special crisis oriented options trading newsletter called ***The Perfect Trade*** that will cost $1,999 until next week.

The strategy employed by ***The Perfect Trade*** has beaten the market every year in the last decade by double digits and it is not uncommon for it to return 100% or even 200% in a single year.

We closed this product to new clients after the 2011-2012 EU Debt Crisis. During that time we had just had the best years of in this product's existence.

I mention this because we have reopened our special LIFETIME subscription bundle to all of our products... **as well as any future products we launch... for $2,500.**

So you will get ***The Perfect Trade***, priced at $1,999 as well as a lifetime of all of our current products, for $2,500. But that is only the case if you take advantage of this offer before next Monday .

Obviously, once The Perfect Trade is launched next Monday, the price for a lifetime bundle on all of our products will be rising SUBSTANTIALLY.

Finally, for ***Private Wealth Advisory*** subscribers or ***The Crisis Trader*** subscribers (or people who subscribe to both products) this offer CANCELs out your previous subscriptions.

What I mean by this is that if you take advantage of this lifetime bundle offer, we'll REFUND you your current subscription fees.

Again, this offer CANCELS out your existing subscriptions. And after you lock in this deal, you won't be charged again, EVER. You'll receive a subscription to ***Private Wealth Advisory, The Crisis Trader***, and ***The Perfect Trade*** which will cost $1999... for the rest of your life.

To take advantage of this special LIFETIME bundle offer… use the link below:

https://phoenixcapitalmarketing.com/bundle.html

Until Next Thursday…

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research

STOCK POSITIONS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
UltraShort Semiconductors	SSG	3/18/20	$19.64	$18.50	-6%
Trade Desk (SHORT)	TTD	3/18/20	$151.55	$161.65	-6%
Service Now (SHORT)	NOW	3/18/20	$259.52	$277.57	-7%
UBS (SHORT)	UBS	3/18/20	$7.84	$8.55	-8%
CDW (SHORT)	CDW	3/18/20	$79.37	$84.21	-6%

PRECIOUS METALS POSITIONS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Gold	GLD	8/23/19	$144.12	$138.24	-4%
Silver	SLV	8/23/19	$16.35	$11.28	-31%
Silver Miners	SIL	8/23/19	$29.72	$20.83	-30%
Silver Mining Juniors	SILJ	8/23/19	$10.54	$6.20	-41%
Gold Miners ETF	GDX	12/12/19	$27.66	$21.52	-22%
Gold Mining Juniors ETF	GDXJ	12/12/19	$39.31	$26.36	-33%
K92 Mining	KNT.V	2/20/20	$4.27	$2.28	-47%
American Gold & Silver Corp	USA.TO	2/20/20	$4.02	$2.10	-48%
First Majestic Silver	AG	2/20/20	$9.74	$5.62	-42%