PRIVATE WEALTH ADVISORY

INVESTMENT RESEARCH THAT CONVERTS

Weekly Market Update 5-24-18

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TRACK RECORD: RECENTLY CLOSED POSITIONS

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
Freeport McMoRan	FCX	10/4/17	$14.53	12/13/17	$16.32	12%
Russell 2000 ETF (SHORT)	IWM	12/14/16	$135.37	12/21/17	$153.75	-14%
Homebuilder ETF (SHORT)	XHB	8/10/17	$37.94	12/21/17	$44.26	-17%
Oil Services	OIH	11/30/17	$24.12	12/22/17	$25.86	7%
Metals and Mining ETF	XME	12/6/17	$31.83	12/22/17	$35.25	11%
Pioneer Natural Resources	PXD	6/15/17	$158.02	12/27/17	$171.12	8%
Halliburton	HAL	10/11/17	$45.37	12/27/17	$48.01	6%
Biotech ETF	IBB	11/15/17	$102.08	1/2/18	$108.87	7%
Wheaton Precious Metals	WPM	10/5/16	$20.83	1/2/18	$22.42	8%
Helix Energy Solutions	HLX	10/11/17	$7.75	1/9/18	$8.29	7%
Exxon Mobil	XOM	12/13/17	$83.12	1/9/18	$87.08	5%
Enterprise Products Partners	EPD	8/10/17	$26.08	1/9/18	$28.16	8%
DB Commodity ETF	DBC	9/13/17	$15.26	1/12/18	$16.97	11%
Gold Miner ETF	GDX	9/20/17	$23.50	1/17/18	$24.44	4%
Gold Mining Juniors ETF	GDXJ	9/20/17	$34.11	1/17/18	$35.67	5%
Euro Trust	FXE	8/23/17	$114.05	1/29/18	$118.95	5%
UltraShort Oil ETF	SCO	1/17/18	$21.72	2/8/18	$23.66	9%
UltraShort Silver ETF	ZSL	1/10/18	$31.27	2/9/18	$34.12	9%
UltraShort S&P 500	SDS	2/15/18	$38.82	3/22/18	$39.84	3%
Facebook	FB	5/31/17	$151.63	3/28/18	$152.13	0%
Alphabet	GOOGL	5/31/17	$987.72	3/28/18	$1,001.09	-1%
UltraShort Oil ETF	SCO	2/7/18	$22.71	4/11/18	$18.71	-18%
Long Treasury Bond ETF	TLT	2/8/18	$118.69	4/11/18	$121.33	3%
US Dollar	UUP	1/31/18	$23.25	5/9/18	$24.42	5%
Energy ETF	XLE	4/11/18	$70.56	5/9/18	$76.86	9%

To view the full track record of all closed positions running back to early-2015, visit:

http://phoenixcapitalresearch.com/privatewealthadvisory/track-record/

To view our current open positions, scroll to the bottom of this issue of *Private Wealth Advisory.*

Weekly Market Update 5-24-18

The Fed went dovish yesterday.

That, in of itself, is significant… to understand why, we first need to acknowledge how the Fed currently operates to control risk in the financial system.

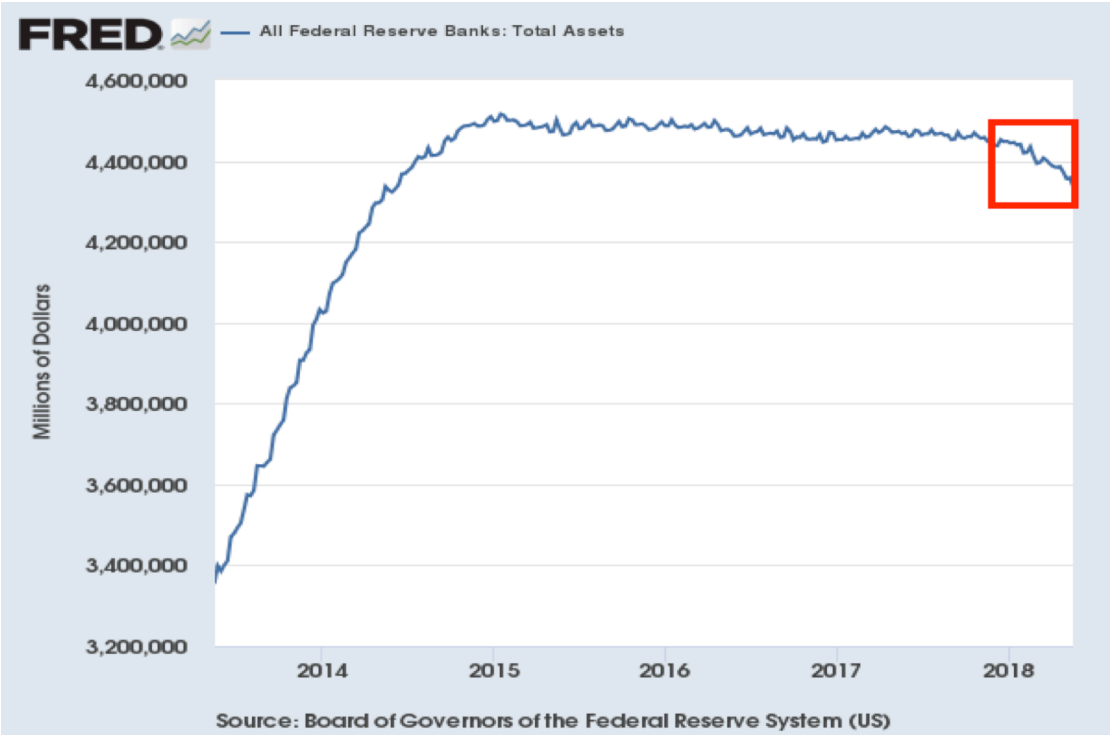
The Fed currently has two primary tools for controlling the financial system. They are:

1) The size of its balance sheet (via Quantitative Easing, or QE, and Quantitative Tightening, or QT, programs)

And …

2) The Fed Funds Rate which controls the prices of "money" in the system.

Regarding #1, after engaging off and on in QE for six years (2008-2014), the Fed has only been tapering QE for **six months and it's already in trouble**. The fact the Fed is already "pumping the brakes" despite having shrunken its balance sheet a mere $126 billion (less than 3% of its gargantuan $4.3 TRILLION balance sheet) is telling.



Regarding #2, the Fed has raised the Fed Funds Target rate six times from 0.15% to its current level of 1.5%-1.75%. While this DOES seem significant, it is worth noting that these are usually the levels to which the Fed CUTs rates during a recession/ crisis.

Put another way, having kept the Fed Funds Target Rate at ZERO for seven years ('08-'15), even after some 2+ years of tightening, rates remain at levels that USUALLY mark EXTREMELY easy conditions.

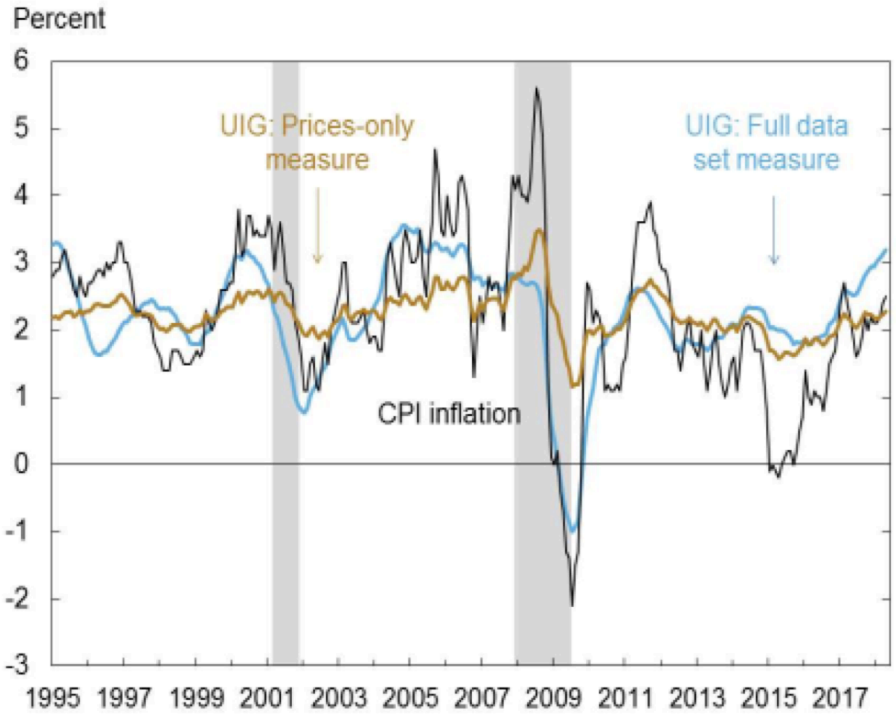
To conclude… both of the Fed's primary tools for controlling the financial system have barely budged towards normalization… **and the Fed is already going dovish**. Indeed, the Fed opened the door to an inflationary "overshoot" of its 2% inflation target in yesterday's FOMC release!

> *Federal Reserve officials said the economic outlook warranted another interest-rate hike "soon"* ***and signaled they would welcome a modest overshoot of their 2 percent inflation target, indicating they're in no rush to tighten more aggressively.***
>
> *"Most participants judged that if incoming information broadly confirmed their current economic outlook, it would likely soon be appropriate for the committee to take another step in removing policy accommodation," minutes released Wednesday of the Federal Open Market Committee's May 1-2 meeting said.*
>
> ***A temporary period of inflation "modestly above 2 percent would be consistent with the committee's symmetric inflation objective and could be helpful in anchoring longer-run inflation expectations," according to the minutes.***
>
> https://www.bloomberg.com/news/articles/2018-05-23/fed-sees-next-hike-soon-signals-modest-inflation-overshoot-ok

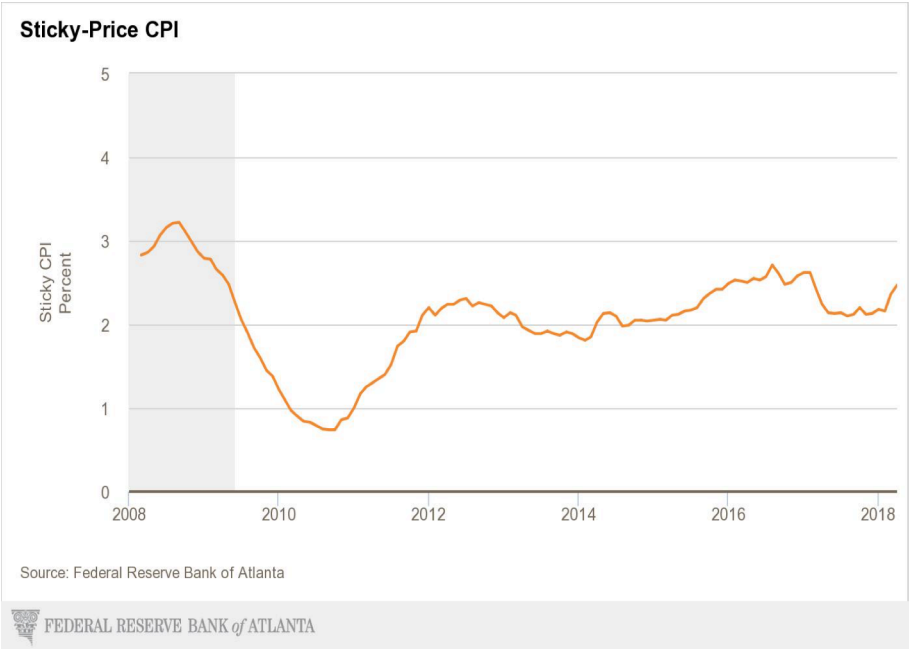
Let me be blunt… The Fed will ALWAYS understate things because its primary role is to maintain financial stability. So if the Fed is even *hinting* at permitting an inflationary overshoot, it's because the Fed knows this is unavoidable.

And why wouldn't it be?

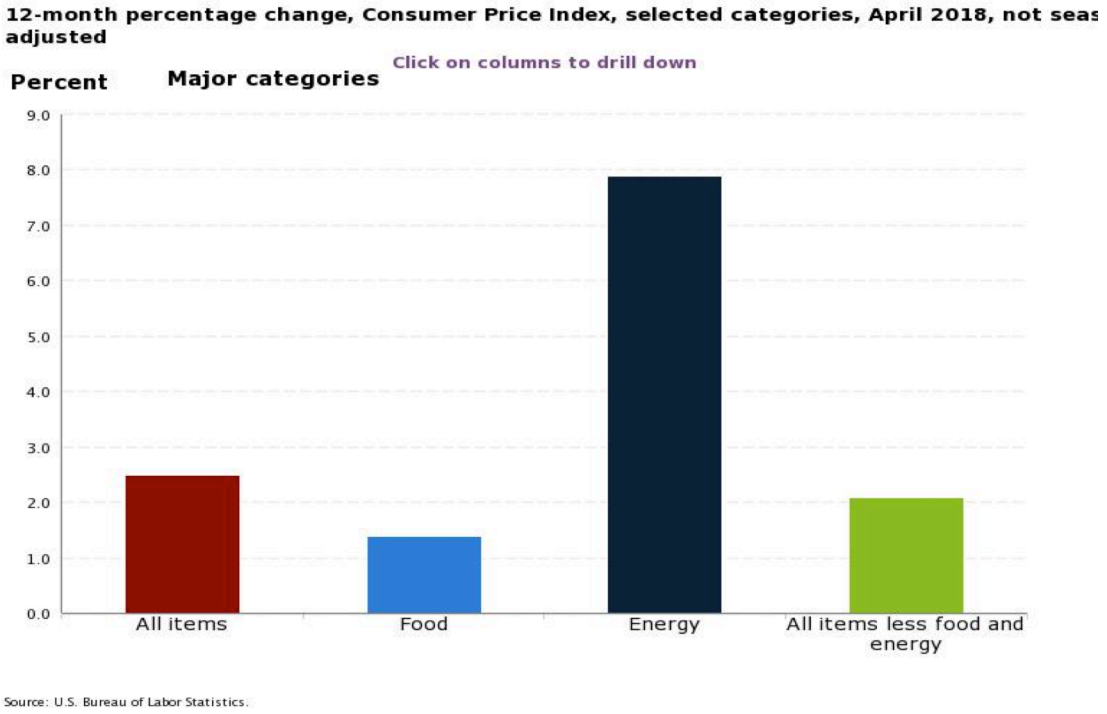
As I write this, the NY Fed's UIG inflation measure is at 3.2% (even its "prices only" measure is at 2.29%, well above the Fed's 2% inflation target).



Meanwhile, the Atlanta Fed's "sticky inflation" measure (which measures inflation in items that "change price relatively slowly") is clocking in at 2.2%: again above the Fed's 2% inflation target.



Even the "official" inflation measure, the Consumer Price Index (CPI) for which the Bureau of Labor Statistics does everything in its power to DOWN-play inflation, is at 2.5% for all items and 2.2% when you exclude energy and food.

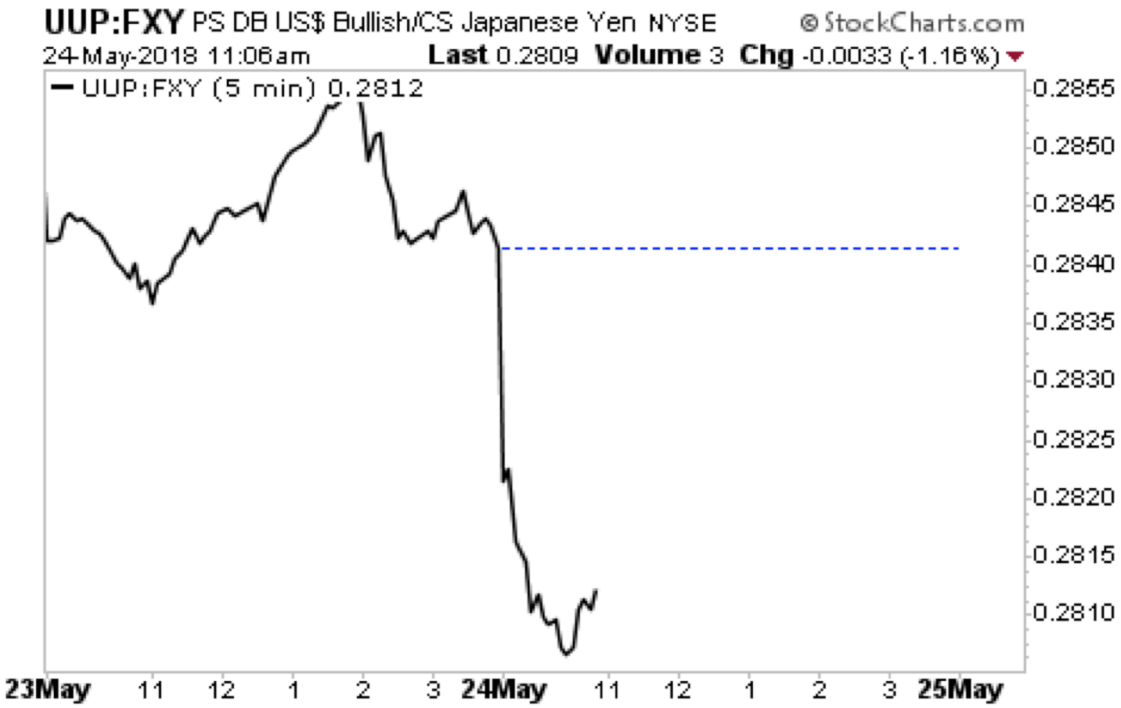


Put simply, the Fed is waxing dovish about allowing a potential inflationary overshoot to take place in the future when an inflationary overshoot is already well underway! How's that for a forecast?

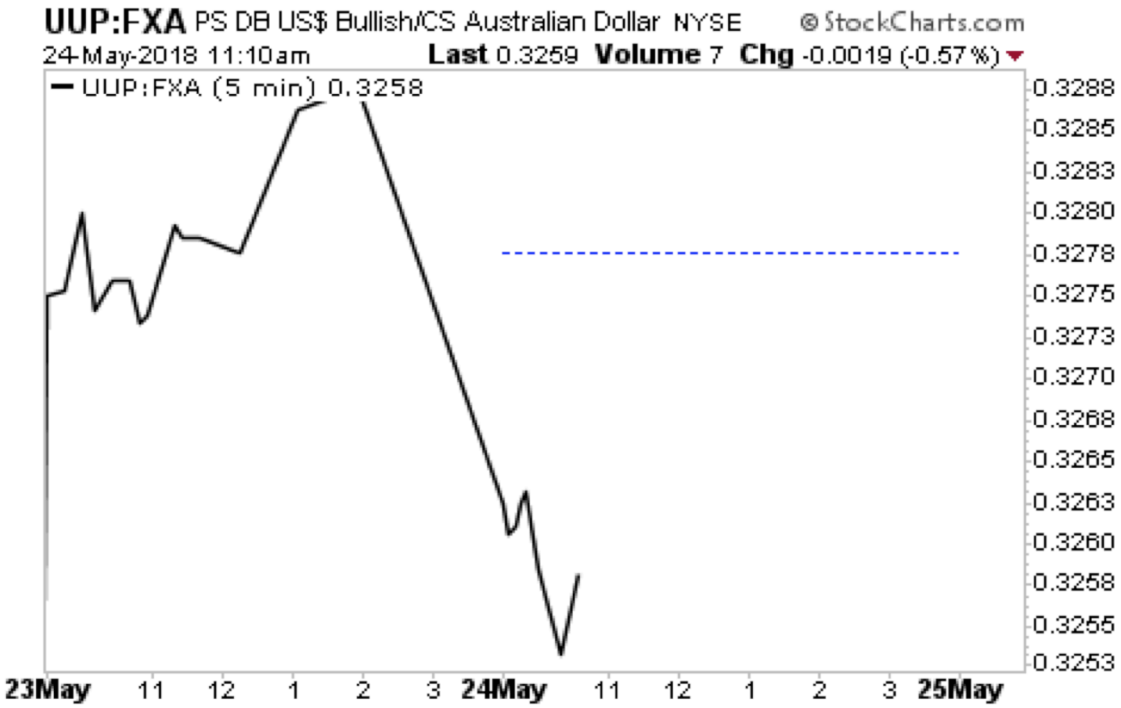
While the Fed hems and haws, the markets have already figured out what's coming. As I've noted time and again, the currency markets are the largest, most liquid markets on the planet. As a result of this, they are the FIRST markets to react to changes in the financial system.

With that in mind, multiple "risk on/ weak $USD" currency pairs reacted violently to the Fed's FOMC release yesterday.

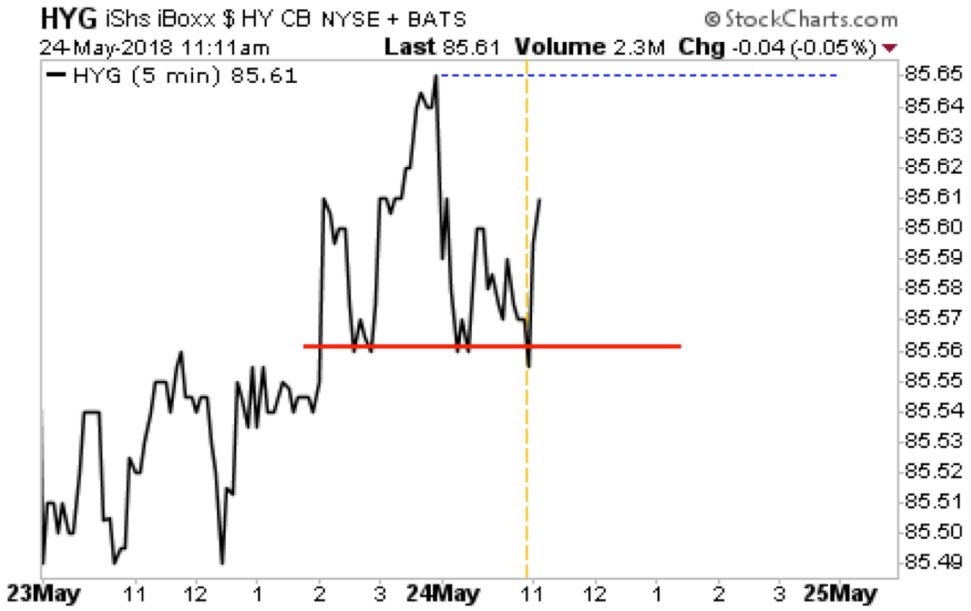
The $USD: Japanese Yen pair COLLAPSED on the news and hasn't looked back.



Ditto, for the $USD: Australian Dollar pair: another "risk on" indicator.



The bond markets also sensed that the Fed was "walking back" the risk of aggressive tightening. High Yield Credit (HYG) whipsawed on the Fed's release at 2PM but has held support and remains up.



Meanwhile, "real rates" (inflation adjusted Treasury bonds MINUS regular Treasury bonds) erupted higher: a clear signal the market is expecting IN-flation, NOT DE-flation.

Put simply, both the currency AND the bond markets are SCREAMING that the Fed is walking back its earlier hawkishness.

Now I know many of you are asking, "*If this is all true, why are stocks in the red?*"

The current down move in stocks has nothing to do with the Fed; it is all performance gaming by the large banks during a week in which most of Wall Street has already left for the weekend.

One of the dirty secrets about investing is the fact that the large banks routinely push various asset classes around in order to pocket some easy gains from outside investors.

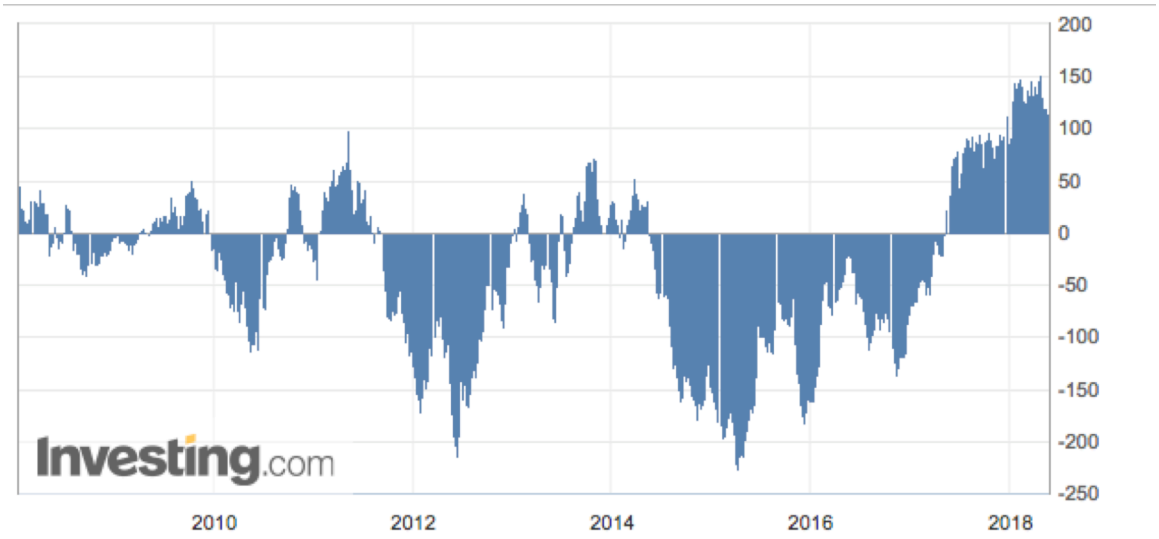
In a nutshell here's how this scheme works.

1) The various futures exchanges regularly publish reports that detail how traders are positioned in various asset classes. These reports are called the "Commitment of Trader" reports.

2) Traders at the large banks, who have ample access to large amounts of short-term liquidity, will use this positioning AGAINST these outside traders, often times taking the opposite position and "running the stops" on the outside traders' trades (many of these same banks are broker dealers and so have records of the outside traders' stop losses).

Let me give you an example that pertains to why stocks are red today.

Going into the end of April, the Commitment of Traders report revealed that traders had established a RECORD net long position in Euro futures contracts.



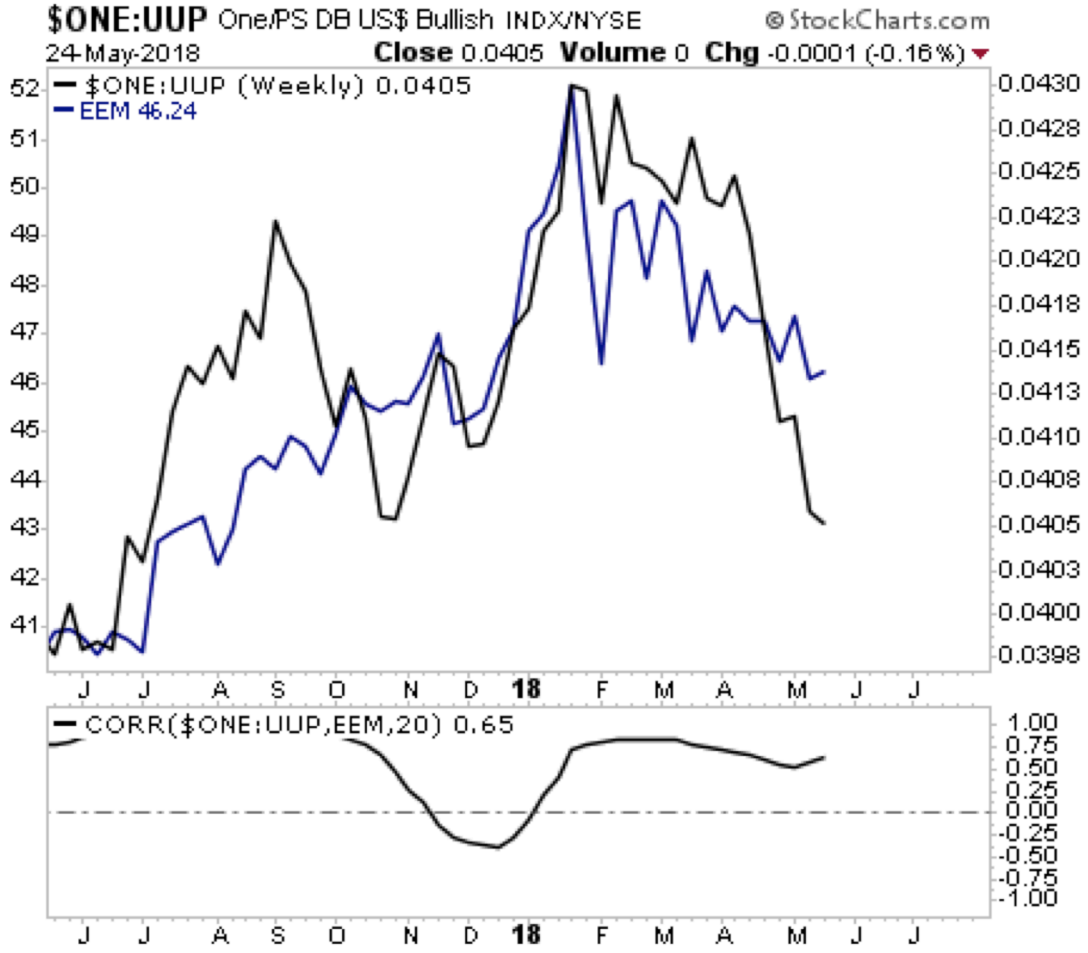
Traders at the large banks, seeing this, began to absolutely SHRED these positions by going SHORT the Euro. Doing this forced the Euro longs to begin exiting their positions, which in turn only added to the downside pressure on the Euro.

Now, the Euro represents 56% of the basket of currencies against which the $USD trades. So when the Euro collapses, the $USD outside of any fundamental reason, will begin to rally. You can see this in the chart below:

And it is *this* upside pressure from the $USD that has been limiting the "risk on" move in reflation trades.

Consider the Emerging Markets ETF (EEM) for example.

The inverted US Dollar (meaning when the $USD rises the chart falls) has a 65% correlation with this ETF (any correlation over 50% is rate in investing). Put another way, every uptick in the $USD translates to downward pressure on EEM (by the way the $USD is inverted in the chart below so when it strengthens the black line falls).



So EEM is being suppressed by $USD strength. And that $USD strength is ENTIRELY due to traders at the large banks taking advantage of low trading volume due to the coming holiday to SHRED Euro longs.

I realize this is getting rather complicated. So let's put it this way… the $USD is currently being forced higher by trader games at the big banks. This, in turn, is putting pressure on reflation/ risk-on assets. This issue will end next week after most of Wall Street returns from the 3-day weekend.

And that will unleash the risk on move we've been expecting for stocks.

On a final note, I am increasingly bullish on precious metals. Indeed, by the look of things we are in the process of forming a MAJOR bottom.

First and foremost, during major precious metals bull markets, Silver typically leads Gold. We are currently seeing precisely that play out. In fact the Silver to Gold ratio (SLV: GLD) has just broken out of a two-year bullish descending wedge formation.

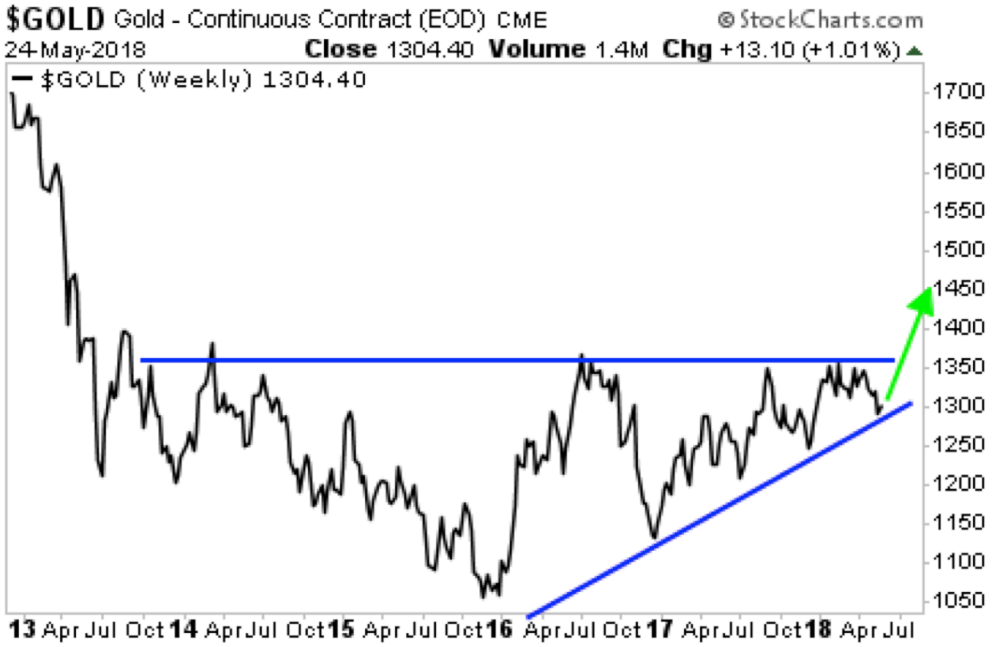
THIS. IS. EXTREMELY. BULLISH. FOR. PRECIOUS. METALS.

Moreover we see the riskier elements in individual precious metals signaling that a major "risk on" move is about to begin. In particular junior miners are leading to the upside, just as you would expect at the start of a major bull run.

The Gold Mining Juniors to Gold ratio (GDXJ:GLD) is on the verge of breaking out of a multiyear wedge formation.

We see the same thing playing out in Silver with the Silver Mining Juniors to Silver ratio (SILJ: SLV) preparing for a massive upside breakout.

All of this is EXTREMELY bullish. So let's talk targets for year-end. Gold is going to rally $150 from here to $1,450.



Silver is going to $19.50 by year-end.

This is why we've move aggressively into this space. If you do not already have exposure here, now is the time to get it.

Currently the following positions are ALL open buys in our portfolios. I'm removing XME which has now broken out to the upside and is too expensive.

Current Buys	Symbol	Buy Date	Buy Price	Status
US Steel	X	3/15/18	$38.34	BUY
Freeport McMoRan	FCX	3/22/18	$18.30	BUY
High Yield Credit ETF	HYG	3/28/18	$85.35	BUY
Copper Miners ETF	COPX	12/21/17	$26.55	BUY
ArcelorMittal	MT	12/21/17	$32.77	BUY
Corsa Coal	CRSXF	12/21/17	$1.20	BUY
Energy ETF	XLE	4/11/18	$70.56	BUY
Japan ETF	EWJ	4/25/17	$60.58	BUY
First Majestic Silver	AG	5/12/17	$7.43	BUY
Wesdome Gold Mines	WDO.TO	9/20/17	$2.05	BUY
Silver Mining ETF	SIL	10/4/17	$32.51	BUY
Silver Mining Juniors ETF	SILJ	10/4/17	$11.83	BUY
Australian Dollar ETF	FXA	5/10/18	$75.13	BUY!
Emerging Market Bond ETF	EMB	5/16/18	$108.49	BUY!

This concludes this week's Weekly Market 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 next Wednesday in our longer monthly issue of ***Private Wealth Advisory.***

Until then…

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research

OPEN POSITIONS

LONG-TERM INFLATION PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Copper Miners ETF	COPX	12/21/17	$26.55	$26.54	0%
ArcelorMittal	MT	12/21/17	$32.77	$33.51	2%
Corsa Coal	CRSXF	12/21/17	$1.20	$0.96	-20%
Diamond Offshore Drilling	DO	1/3/18	$19.77	$18.97	-4%
Uranium ETF	URA	1/17/18	$14.93	$13.32	-11%

STOCKS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
RPX Corp	RPXC	8/5/15	$15.48	$10.47	-32%
Agricultural Commodities ETF	RJA	1/12/17	$6.46	$6.43	0%
Public Storage	PSA	3/23/17	$225.92	$207.15	-5%
Energy Transfer Partners	ETP	8/2/17	$21.00	$18.49	-10%
Utilities ETF	XLU	2/15/18	$49.68	$50.27	2%
US Steel	X	3/15/18	$38.34	$35.79	-7%
Metals and Miners ETF	XME	3/22/18	$34.50	$37.31	8%
Freeport McMoRan	FCX	3/22/18	$18.30	$17.39	-5%
Tech ETF	XLK	3/28/18	$64.15	$69.82	9%
China ETF	ASHR	4/4/18	$30.94	$30.02	-3%
Emerging Markets ETF	EEM	4/4/18	$47.90	$46.26	-3%
Alphabet	GOOGL	4/25/18	$1,022.99	$1,085.45	6%
Japan ETF	EWJ	4/25/18	$60.58	$60.34	0%

Prices as of 5/24/18 at market's close. Gains include dividends

BONDS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
High Yield Credit ETF	HYG	3/28/18	$85.35	$85.68	1%
Emerging Market Bond ETF	EMB	5/16/18	$108.49	$109.35	1%

PRECIOUS METALS/ MINERS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Gold		3/17/10	$1,120	$1,304.00	16%
Silver*		3/17/10	$16.23	$16.69	3%
First Majestic Silver**	AG	5/12/17	$7.43	$7.36	-1%
Klondex Mines	KLDX	9/20/17	$3.61	$2.51	-30%
Wesdome Gold Mines***	WDO.TO	9/20/17	$2.05	$2.14	4%
Iamgold	IAG	9/28/17	$6.40	$6.33	-1%
Silver Mining ETF****	SIL	10/4/17	$32.51	$31.11	-4%
Silver Mining Juniors ETF*****	SILJ	10/4/17	$11.83	$11.56	-2%

Prices as of 5/24/18 at market's close. Gains include dividends
***Average price of $17.50 and $14.97**
**** Average price of $6.94 and $7.91**
***** Average price of $2.54 and $3.61**
****** Average price of $31.05 and $33.96**
******* Average price of $11.44 and $12.22**

SPECIAL SITUATIONS/HEDGES/SHORTS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
France ETF (SHORT)	EWQ	9/16/16	$23.38	$32.60	**-39%**
Italy ETF (SHORT)	EWI	9/16/16	$21.56	$31.42	**-46%**
Apple (SHORT)	AAPL	3/23/17	$140.92	$188.15	**-34%**

CASH/ CURRENCIES PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Australian Dollar ETF	FXA	5/10/18	$75.13	$75.82	**1%**

Prices as of 5/24/18 at market's close. Gains include dividends