PRIVATE WEALTH ADVISORY

INVESTMENT RESEARCH THAT CONVERTS

Weekly Market Update 5-3-18

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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	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%

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 5-3-18

The "Trump Bump" in economic activity appears to be rolling over. Worse still, this is occurring at a time when inflation is on the rise.

As I noted in the January 31, 2018 issue of ***Private Wealth Advisory*** titled, ***Economic State of the Union***, the Trump administration had succeeded in inducing a sharp rise in economic growth by aggressively cutting regulations that had previously targeted small businesses (the primary driver of job and GDP growth in the US).

However, as I noted at that time, it was unclear if this would lead to a sustained pickup in economic growth:

> *Is this the beginning of a sustained economic boom for the US?*
>
> *I have no idea. All I do know is that the Trump administration's move to cut back regulations targeted the single most important component of the US economy (small businesses)**. Whether this recent uptick in economic activity is the start of something larger or simply a kind of knee-jerk reaction to the US implementing more "business friendly" policies after eight years of Central Planning, remains to be seen.***
>
> *Economic State of the Union, Pg. 8.*

It now appears that the answer is a resounding, "no."

GDP growth for 1Q18 clocked in around 2.3%. Under normal circumstances, this wouldn't be particularly bad. However, in light of the fact that 4Q17 GDP growth was 2.6%, which itself was down from the growth rate of 3.2% in 3Q17**, it quickly becomes evident that the US economy is now softening.**

Unfortunately, this is ALSO occurring at a time when inflation is rising sharply. To whit:

- The NY Fed's UIG inflation metric shows inflation to be 3.1%
- The Atlanta Fed's Sticky Inflation metric shows inflation to be 2.5%
- Even the "official" inflation metric, the Bureau of Labor Statistic's CPI metric, shows inflation at 2.4%.

It is easy to shrug off these data points as being short-term spikes, however, we are already beginning to see signs of REAL inflation cropping up in the REAL economy.

As I've noted previously, inflation enters the financial system in stages.

The first stage involves a jump in prices paid by producers. This means that those firms responsible for manufacturing goods and services suddenly see a sharp spike in the cost of basic materials they use to build/ manufacture their finished goods.

That process began in early 2016 and accelerated throughout 2017 into this year. Indeed, **the Producer Price Index has risen in 8 out of the last 9 months.**

A few months here and there is no big deal, but a persistent trend such as this means firms will soon have to raise the prices of the finished goods they are selling or risk seeing their profits drop.

We hit that point in March 2018: according to the National Federation of Independent Business (NFIB), a net percent of 25% of small business owners plan on raising prices, **a 10-year high and up from just 2% in 2016.**

The NFIB is straightforward in its assessment: ***"This should raise the overall average increase in average prices for the economy."*** In plain terms, higher prices will soon be hitting the economy.

At the same time, corporates are facing demands for higher wages and salaries from employees. This is yet another sign that inflation has begun to seep into the real economy (workers are demanding higher wages in order to meet the rising costs of living).

> ***The index for wages and salaries in the first three months of the year posted the biggest increase "since NABE began tracking the data in April 1982*** *and the largest*

share of respondents reporting shortages of skilled labor in nearly 10 years," Sara Rutledge, chair of the quarterly survey, said in a statement.

While sales continued to grow and profit margins remained healthy, the survey results suggested "profit margins slowed" in the first quarter of 2018 as a result of mounting price pressures, she said.

http://www.industryweek.com/economy/record-us-wage-gains-gnawing-corporate-profits-survey

Put simply, the economy is softening and inflation is on the rise.

There is a word for this, it's **stagflation…** and in some regards it represents the Fed's worst nightmare.

Stagflation presents the Fed with an impossible situation. The "stag" part means stagnation: a scenario in which the Fed would traditionally *ease* monetary policy by cutting rates and providing liquidity.

In contrast, the "flation" part pertains to higher inflation: a scenario in which the Fed would traditionally *tighten* monetary policy by raising rates and cutting liquidity.

Obviously we are early in this scenario: while it is CLEAR inflation is on the rise, the softening of economic data is only a recent phenomenon. However, it was enough to warrant the Fed removing its assessment that the *"economy outlook has strengthened"* from yesterday's FOMC statement.

The truth is, the market hasn't quite figured out how to take this.

On the one hand, if the economy is weakening, the Fed is less likely to raise rates and might possibly even *ease* monetary policy, which would be HIGHLY bullish for stocks.

However, on the other hand, if inflation is becoming a major threat, the Fed might be forced to hike rates REGARDLESS of economic weakness, which would be HIGHLY bearish for stocks (a weak economy+ rate hikes= an UGLY market).

This is why I postponed this week's update by a day… because the truth is the market didn't know what to think yesterday. The S&P 500 initially spiked for 10 minutes after the Fed FOMC was released. It then nosedived into this morning's session at 11AM when we had a significant bottom. We've since rallied.

In short, stocks have been a roller coaster since 2PM yesterday. But the fact is that as of this writing, they're down less than 1% from where they were before the FOMC was released.

Despite this small drop, sentiment has become TRULY bearish. Everywhere I look on social media, I see traders and gurus proclaiming that THE top is in and that even hoping for a rally to 2,800 on the S&P 500 is "insane."

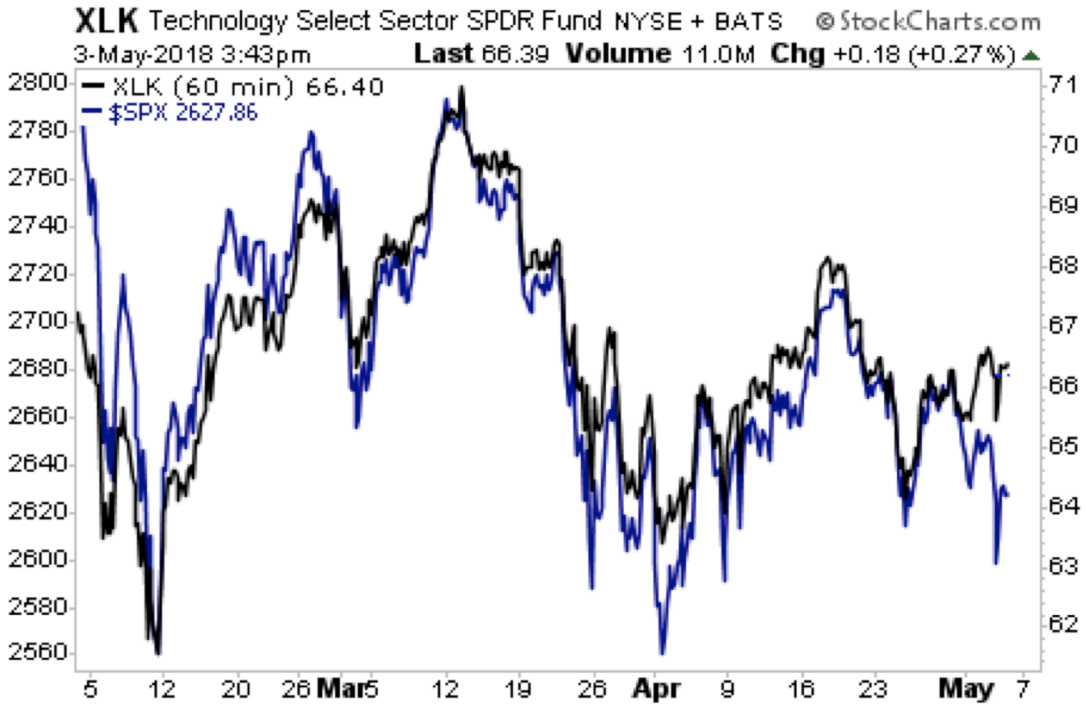
THAT tells me that it's highly likely we're about to start a "rip your face off" rally in the stock market. Anytime you see investors getting apocalyptic over a less than 1% drop in stocks, you know you're DARN close to a major bottom.

Indeed, high yield credit (black line), which usually leads stocks (blue line, has already bottomed and is now moving sharply higher.

Similarly, the $USD: Japanese Yen pair (another "risk" metric for the financial system) is ripping higher.

Moreover, the bond market certainly continues to be in a "risk on" reflationary move as the TIP:TLT ratio is holding on to support (red line). If we were about to enter a "deflationary spiral" as sentiment would suggest, this ratio should have already crashed through that red line and be back at its mid-April levels.

Indeed, the Tech sector has ALREADY bottomed and is now leading the S&P 500 to the upside again.



Again, ALL of the above points towards a "risk on" move coming soon. Do NOT let the crazed bearish sentiment shake you… the financial system remains in INFLATION mode and this is going to lead to a final blow off top in stocks running into this summer.

With that in mind, the following positions remains open buys.

Current Buys	**Symbol**	**Buy Date**	**Buy Price**	**Status**
US Steel	X	3/15/18	$38.34	BUY
Metals and Miners ETF	XME	3/22/18	$34.50	BUY
Freeport McMoRan	FCX	3/22/18	$18.30	BUY
Tech ETF	XLK	3/28/18	$64.15	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
Alphabet	GOOGL	4/25/17	$1,022.99	BUY
Japan ETF	EWJ	4/2511/17	$60.58	BUY

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 next Wednesday in our usual weekly market update.

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	$26.10	-2%
ArcelorMittal	MT	12/21/17	$32.77	$33.88	3%
Corsa Coal	CRSXF	12/21/17	$1.20	$1.08	-10%
Diamond Offshore Drilling	DO	1/3/18	$19.77	$18.06	-9%
Uranium ETF	URA	1/17/18	$14.93	$13.93	-7%

STOCKS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
RPX Corp	RPXC	8/5/15	$15.48	$10.42	-32%
Agricultural Commodities ETF	RJA	1/12/17	$6.46	$6.38	-1%
Public Storage	PSA	3/23/17	$225.92	$205.86	-5%
Energy Transfer Partners	ETP	8/2/17	$21.00	$17.67	-14%
Utilities ETF	XLU	2/15/18	$49.68	$51.30	4%
US Steel	X	3/15/18	$38.34	$32.90	-14%
Metals and Miners ETF	XME	3/22/18	$34.50	$35.16	2%
Freeport McMoRan	FCX	3/22/18	$18.30	$15.22	-17%
Tech ETF	XLK	3/28/18	$64.15	$66.38	4%
China ETF	ASHR	4/4/18	$30.94	$29.70	-4%
Emerging Markets ETF	EEM	4/4/18	$47.90	$46.21	-4%
Energy ETF	XLE	4/11/18	$70.56	$73.47	4%
Alphabet	GOOGL	4/25/18	$1,022.99	$1,026.30	0%
Japan ETF	EWJ	4/25/18	$60.58	$60.30	0%

Prices as of 5/3/18 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	$85.35	1%

PRECIOUS METALS/ MINERS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Gold		3/17/10	$1,120	$1,312.00	17%
Silver*		3/17/10	$16.23	$16.45	1%
First Majestic Silver***	AG	5/12/17	$7.91	$6.81	-14%
Klondex Mines	KLDX	9/20/17	$3.61	$2.45	-32%
Wesdome Gold Mines	WDO.TO	9/20/17	$2.21	$1.94	-12%
Iamgold	IAG	9/28/17	$6.40	$5.63	-12%
Silver Mining ETF	SIL	10/4/17	$33.96	$30.72	-10%
Silver Mining Juniors ETF	SILJ	10/4/17	$12.22	$11.22	-8%

Prices as of 5/3/18 at market's close. Gains include dividends
***Average price of $17.50 and $14.97**
***** Average price of $7.11 and $8.70**

SPECIAL SITUATIONS/HEDGES/SHORTS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
France ETF (SHORT)	EWQ	9/16/16	$23.38	$32.75	-40%
Italy ETF (SHORT)	EWI	9/16/16	$21.56	$33.78	-57%
Apple (SHORT)	AAPL	3/23/17	$140.92	$176.89	-26%

CASH/ CURRENCIES PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
US Dollar ETF	UUP	1/31/18	$23.25	$24.30	5%

Prices as of 5/3/18 at market's close. Gains include dividends