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# **Weekly Market Update 6-4-20**

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## Weekly Market Update 6-4-20

The single most important development of the last two weeks concerns the \$USD.

Specifically, the \$USD is breaking down in a big way.

Before going into the details, we need to assess the significance of this.

The \$USD is the single largest asset in the world. It is the reserve currency of the world: the monetary lubricant that allows the global financial system to function.

To understand what I mean by this, consider the following:

- 1) Over 60% of all central bank foreign exchange reserves (meaning over half of the “money” central banks own is in the \$USD).
- 2) Nearly 40% of all global debt (which is north of \$253 trillion) is denominated in the \$USD.
- 3) Some 90% of all currency transactions involve the \$USD.

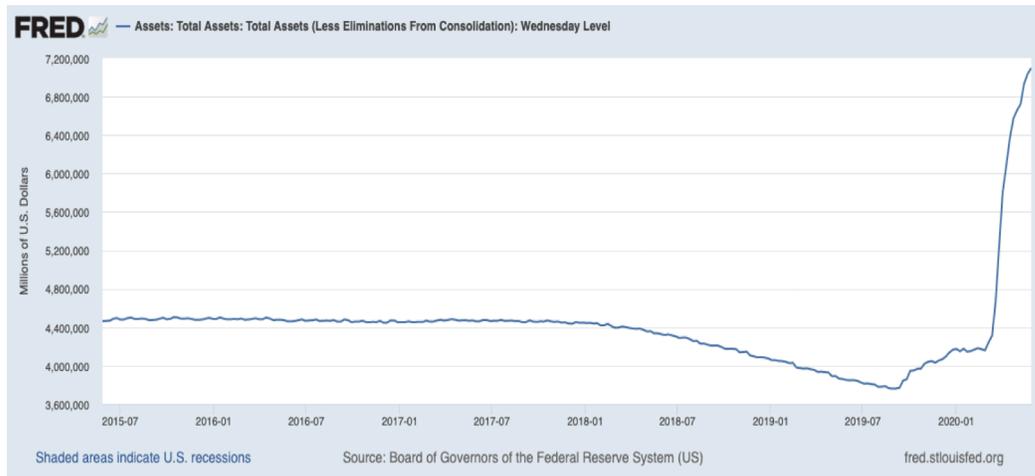
Put simply, whatever happens to the \$USD has a profound impact on the global financial system. Which is why I want to alert you to the fact that the \$USD has broken down in a big way.





The reason for this is simple.

The U.S. has embarked on a massive money printing campaign. The Fed alone has printed over \$2.8 trillion since February 26<sup>th</sup> 2020. That was a mere 13 weeks ago. So the Fed is printing nearly \$1 trillion per month!



On top of this, the Federal Government has performed a \$2 trillion stimulus program (and is talking about launching another \$1 trillion stimulus program today). So between the Fed and the Federal Government, we're talking about nearly \$5 trillion being funneled into the economy/ financial system over the course of three months.

To put that number into context, it's roughly 25% of the U.S. GDP. And policymakers have printed this in the span of a single quarter (three months out of a 12-month year). Which means...

On an annualized basis, the US is currently on track to print its entire GDP in new money in the span of a single year.

And that was *before* a significant portion of the economy broke down in protests/riots/ civil unrest.

Without delving into the specifics of the current political environment in the U.S., the fact is that a significant portion of society has broken down into total chaos. Issues of racial discrimination are central to this development, but so is economic inequality and frustration from the economic shutdown. Put simply, the U.S. was a powder key *before* the name George Floyd became nationally known. That incident was simply the match that lit the fuse.

From an economic perspective, this chaos will induce policymakers to print more money to



stimulate the economy/ assuage outraged Americans. As I've noted over the last few weeks, "printing money" appears to be the only answer policy makers have for society's problems today.

When you combine the fact that the U.S. has already printed \$4.8 trillion in the last 12 weeks with the fact that it will need to print a whole lot more going forward you begin to realize just why the \$USD is breaking down as it is.

In the long-term, the \$USD remains in an uptrend... just barely. If we break the below trendline, things could start to get interesting... meaning the \$USD bull market of the last two years is over.



There are many implications for a declining \$USD. One of the biggest ones is that it signals higher inflation is coming.

Interestingly, this is also what the bond market is saying.

To understand what I mean by this, we need to do a brief introduction to how the Treasury bond market works.

When we talk about the Treasury market, we're actually talking about Treasury Bonds that are issued for different time periods – ranging from four weeks to 30 years.

Of these various bonds, two are considered important for examining longer-term economic



developments: the 5-Year Treasury and the 10-Year Treasury.

These two Treasuries are most important for a simple reason.

Five years represents half of an economic cycle while 10 years typically encompasses an entire economic cycle (both growth and contraction).

Together, the yields on these two Treasuries are called the yield curve.

It's called a "curve" because under normal conditions, bond investors demand that a Treasury bond pay them a greater yield for lending their money to the U.S. for a longer time period. So, under normal conditions, the yield on the 10-Year Treasury is greater than the yield on the 5-Year Treasury. And the difference between the two is called the "steepness" of the curve.

If the curve becomes extremely steep, it can signal that the bond market is anticipating greater inflation. Bond yields move based on inflation (as well as other things). So, if the yields on longer-term Treasuries are rising rapidly compared to the yields on intermediate term-Treasuries, it signals that the bond market is anticipating higher inflation.

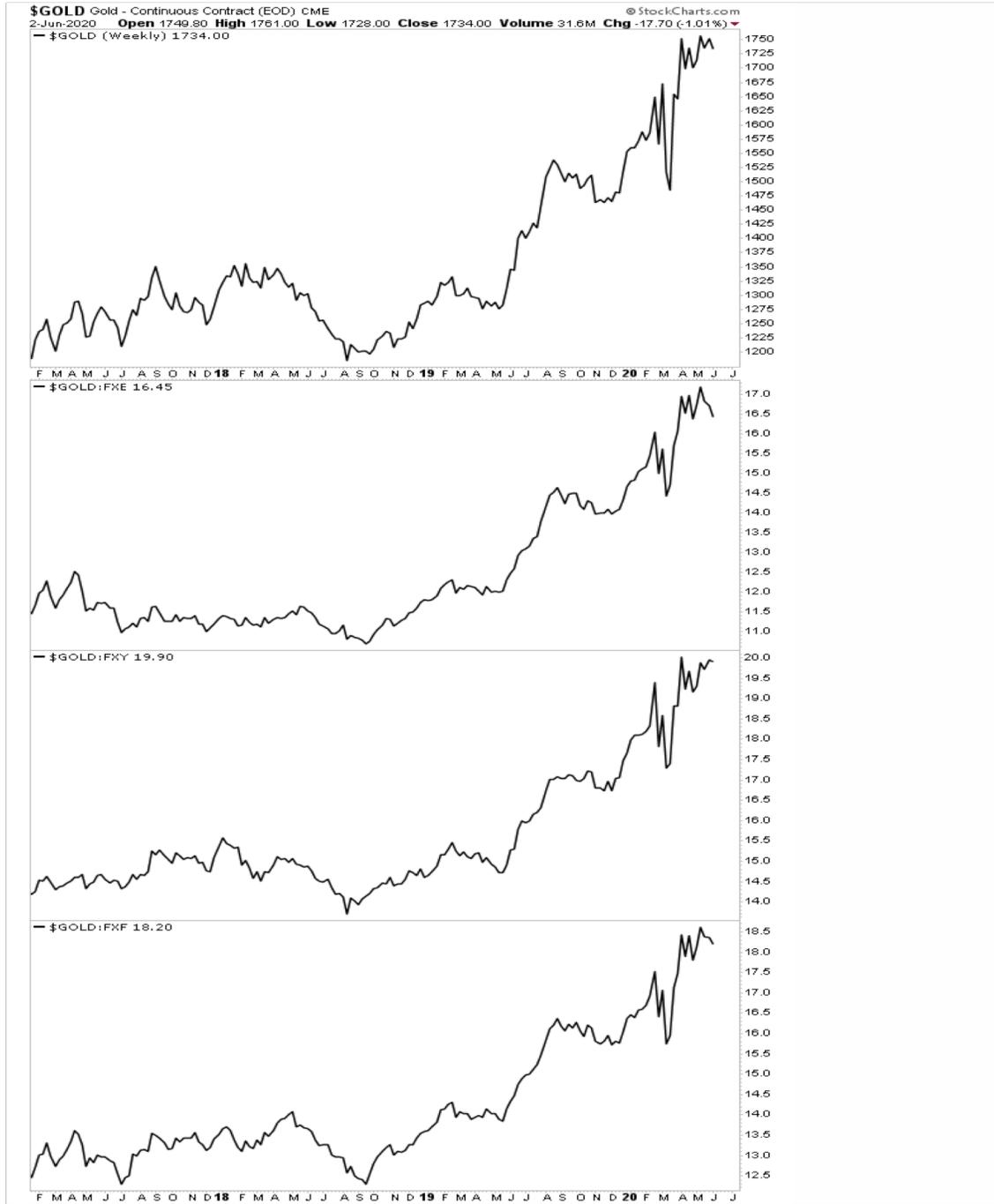
With that in mind, the yield curve between the 5-Year Treasury and the 30-Year Treasury is the steepest it has been in year. Indeed, if this yield curve was a stock, you would say that it has broken out of a multi-year downtrend.





Thus the bond market telling us to prepare for higher inflation.

And as I've noted for weeks, now, gold is telling us the same thing as well, breaking out against every major currency: the U.S. dollar, the Euro, the Yen, and the Franc.





Put simply, the financial system is aligning to tell us that higher inflation is coming. This is THE dominant theme for the markets for the coming months. So, we'll be spending a lot of time on investments designed to profit from it.

In terms of trades to make today, we are closing Alpha Pro Tech (APT). The upside breakout never came and this breakdown looks like the real thing, not a false break down.



**Action to Take: Sell Alpha Pro Tech (APT).**

As I write this, APT is a 30% loss for us.

We also closed out a number of winners earlier today. All of these positions were up in the double digits and extremely overbought. So, we moved to lock in these gains. We'll revisit these positions later down the road.

**Action to Take: Sell Freeport McMoran (FCX) for a 15% gain if you have not already done so.**

**Action to Take: Sell Uber (UBER) for a 13% gain if you have not already done so.**

**Action to Take: Sell Wayfair (W) for an 11% gain if you have not already done so.**

**Action to Take: Sell Trade Desk (TTD) for a 12% gain if you have not already**

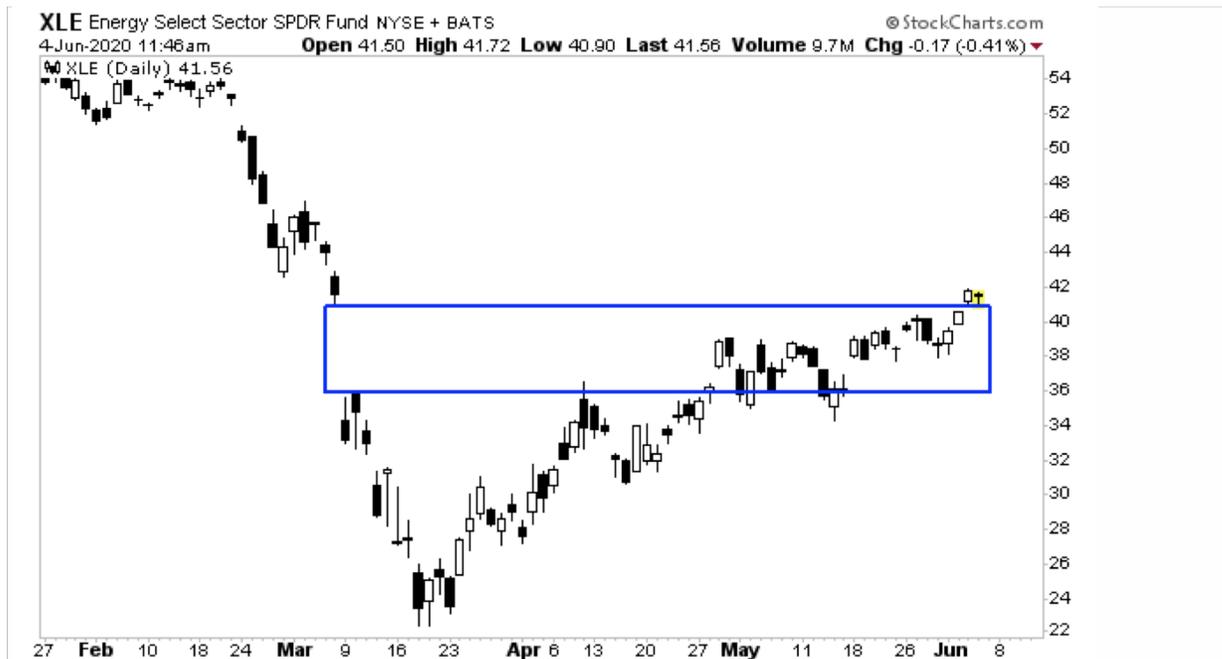


done so.

**Action to Take: Sell Alcoa (AA) for a 12% gain if you have not already done so.**

In terms of new trades to make right now, energy is finally catching a bid.

The Energy ETF (XLE) has finally closed the gap from the limit down move in early March. The ETF is now in the process of backtesting this breakout.

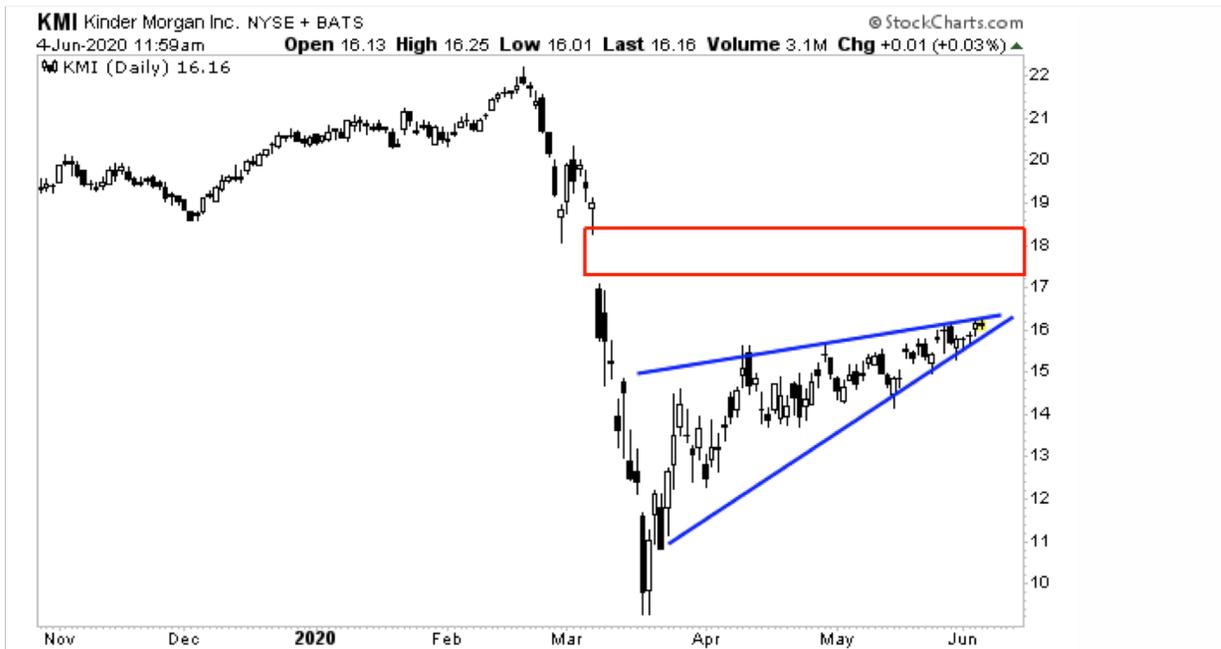


In terms of specific energy plays, Schlumberger (SLB) has just broken above critical resistance. There is a massive gap overhead that will be closed.



**Action to Take: Buy Schlumberger (SLB)**

Kinder Morgan (KMI) looks ready to pop higher and close its own gap.



**Action to Take: Buy Kinder Morgan (KMI).**



Outside of Energy, some other plays I like include Delta Airlines (DAL). We've had a breakout above resistance. I expect the gap from mid-March (blue rectangle) to close in the coming weeks.



**Action to Take: Buy Delta Airlines (DAL).**

Also, I note that US Steel (X) has broken out of an inverted Head & Shoulders pattern.





### **Action to Take: Buy US Steel (X).**

Big picture, the financial system appears to be moving into a higher inflation/ weak \$USD framework. This will have profound implications for the financial markets going forward, particularly when you consider that the US will need to print even more money going forward.

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 Thursday in our usual weekly market update

In the meantime, there is one final slot left up for our options trading service *The Crisis Trader*.

As I mentioned last week, we recently closed the doors on this service to new subscribers. However, two of our older members decided option trading was no longer for them (I'm unsure why this is as we've locked in SEVEN straight double digit winners in the last four weeks including a 36% gain on Tuesday on a trade we held for three hours).

One of these two available slots has already been taken. If you'd like to lock in the last one you can do so at the discounted price of \$499 (normally this service costs \$999).

Once this final slot is full, the doors are closed on this service again.

To lock in the last available slot for *The Crisis Trader* use the link below.

**<https://phoenixcapitalmarketing.com/tctrenewal499.html>**

Until next Thursday...

Best Regards,

Graham Summers  
Chief Market Strategist  
Phoenix Capital Research



## OPEN POSITIONS: STOCKS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Enterprise Partners	EPD	4/9/20	\$16.78	\$20.35	<b>24%</b>
Coca Cola	KO	4/9/20	\$49.46	\$47.94	<b>-3%</b>
NexGen Energy	NXE	4/23/20	\$1.33	\$1.42	<b>7%</b>
Carnival Cruise Lines	CCL	4/29/20	\$16.61	\$18.53	<b>12%</b>
Dave And Busters	PLAY	4/29/20	\$16.36	\$19.38	<b>18%</b>
Simon Property Group	SPG	4/30/20	\$66.69	\$76.14	<b>14%</b>
Adobe	ADBE	5/28/20	\$382.80	\$386.58	<b>1%</b>
Shopify	SHOP	5/28/20	\$751.02	\$746.88	<b>-1%</b>
Russia ETF	RSX	6/2/20	\$21.32	\$21.13	<b>-1%</b>
Smith & Wesson	SWBI	6/2/20	\$15.29	\$14.29	<b>-7%</b>
Schlumberger	SLB	6/4/20	\$20.32	<b>NEW</b>	<b>BUY!</b>
Kinder Morgan	KMI	6/4/20	\$16.10	<b>NEW</b>	<b>BUY!</b>
Delta Airlines	DAL	6/4/20	\$31.97	<b>NEW</b>	<b>BUY!</b>
US Steel	X	6/4/20	\$9.17	<b>NEW</b>	<b>BUY!</b>

## OPEN POSITIONS: PRECIOUS METALS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Gold	GLD	8/23/19	\$148.28	\$161.65	<b>9%</b>
Silver	SLV	8/23/19	\$14.87	\$16.61	<b>12%</b>
Kirkland Lake	KL	2/23/20	\$41.79	\$37.90	<b>-9%</b>
Nemont Mining	NEM	3/26/20	\$64.50	\$56.49	<b>-12%</b>
Barrick Gold	GOLD	3/26/20	\$28.15	\$23.57	<b>-16%</b>

Prices as of 6/4/20 at the 2:00PM.



## RECENTLY CLOSED TRADES

<u>Position</u>	<u>Symbol</u>	<u>Buy Date</u>	<u>Buy Price</u>	<u>Sell Date</u>	<u>Sell Price</u>	<u>Gain</u>
Microsoft	MSFT	4/8/20	\$165.09	4/20/20	\$176.00	<b>7%</b>
Apple	AAPL	4/8/20	\$264.96	4/20/20	\$278.00	<b>5%</b>
Gold Miners ETF	GDX	12/12/19	\$26.57	4/20/20	\$30.37	<b>14%</b>
Gold Mining Juniors ETF	GDXJ	12/12/19	\$35.70	4/20/20	\$37.34	<b>5%</b>
Nemont Mining	NEM	3/26/20	\$47.13	4/20/20	\$58.98	<b>25%</b>
Barrick Gold	GOLD	3/26/20	\$19.31	4/20/20	\$24.64	<b>28%</b>
UltraShort S&P 500	SDS	4/20/20	\$24.35	4/21/20	\$25.35	<b>4%</b>
VIX ETF	VXX	4/20/20	\$42.29	4/21/20	\$46.29	<b>9%</b>
Wayfair	W	4/23/20	\$104.63	4/28/20	\$127.07	<b>21%</b>
Alcoa	AA	4/8/20	\$7.38	4/29/20	\$8.67	<b>17%</b>
US Steel	X	4/8/20	\$6.86	4/29/20	\$8.00	<b>17%</b>
Marathon Petroleum	MPC	4/23/20	\$25.94	4/29/20	\$33.02	<b>27%</b>
Parsley Energy	PE	4/23/20	\$8.30	4/29/20	\$9.36	<b>13%</b>
Diamondback Energy	FANG	4/23/20	\$37.10	4/30/20	\$43.38	<b>17%</b>
TradeDesk	TTD	4/27/20	\$263.90	4/30/20	\$297.24	<b>13%</b>
Wayfair (HALF)	W	4/30/20	\$124.35	5/5/20	\$179.06	<b>44%</b>
JP Morgan	JPM	4/9/20	\$103.67	5/7/20	\$91.09	<b>-12%</b>
Square	SQ	4/27/20	\$63.60	5/13/20	\$72.13	<b>13%</b>
Wayfair (other HALF)	W	4/30/20	\$124.35	5/13/20	\$178.26	<b>43%</b>
Nvidia	NVDA	5/14/20	\$314.14	5/20/20	\$358.80	<b>14%</b>
Silver Miners	SIL	8/23/19	\$27.74	5/20/20	\$37.19	<b>34%</b>
Silver Mining Juniors	SILJ	8/23/19	\$9.13	5/20/20	\$11.86	<b>30%</b>
K92 Mining	KNT.V	2/20/20	\$3.61	5/20/20	\$4.22	<b>17%</b>
American Gold & Silver	USA.TO	2/20/20	\$3.19	5/20/20	\$3.98	<b>25%</b>
Gold Miners ETF	GDX	12/12/19	\$34.75	5/20/20	\$37.35	<b>7%</b>
Gold Mining Juniors ETF	GDXJ	12/12/19	\$42.60	5/20/20	\$48.01	<b>13%</b>
First Majestic Silver	AG	2/20/20	\$8.44	5/21/20	\$9.40	<b>11%</b>
Goldman Sachs	GS	4/9/20	\$185.02	5/28/20	\$205.79	<b>11%</b>
Steel Dynamics	STLD	4/9/20	\$24.44	5/28/20	\$27.14	<b>11%</b>
Freeport McMoRan	FCX	4/30/20	\$8.81	6/4/20	\$10.13	<b>15%</b>
Uber	UBER	5/14/20	\$32.49	6/4/20	\$36.70	<b>13%</b>
Wayfair	W	5/28/20	\$163.54	6/4/20	\$181.08	<b>11%</b>
Trade Desk	TTD	6/2/20	\$308.03	6/4/20	\$344.37	<b>12%</b>
Alcoa	AA	6/2/20	\$9.95	6/4/20	\$11.18	<b>12%</b>
Alpha Pro Tech	APT	5/14/20	\$15.39	6/4/20	\$10.72	<b>-30%</b>