

**PRIVATE
WEALTH
ADVISORY**

**INVESTMENT
RESEARCH
THAT
CONVERTS**

Weekly Market Update 8-11-20

© 2020 · Phoenix Capital Research, Phoenix Capital Management Inc. All Rights Reserved. Protected by copyright laws of the United States and international treaties. This newsletter may only be used pursuant to the subscription agreement and any reproduction, copying, or redistribution (electronic or otherwise, including on the world wide web), in whole or in part, is strictly prohibited without the express written permission of Phoenix Capital Management Inc. · All Rights Reserved.



Disclaimer: The information contained on this newsletter is for marketing purposes only. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice by Phoenix Capital Research or any of its affiliates, nor is it to be relied upon in making any investment or other decision. Neither the information nor any opinion expressed on this newsletter constitutes and offer to buy or sell any security or instrument or participate in any particular trading strategy. The information in the newsletter is not a complete description of the securities, markets or developments discussed. Information and opinions regarding individual securities do not mean that a security is recommended or suitable for a particular investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Opinions and estimates expressed on this newsletter constitute Phoenix Capital Research's judgment as of the date appearing on the opinion or estimate and are subject to change without notice. This information may not reflect events occurring after the date or time of publication. Phoenix Capital Research is not obligated to continue to offer information or opinions regarding any security, instrument or service. Information has been obtained from sources considered reliable, but its accuracy and completeness are not guaranteed. Phoenix Capital Research and its officers, directors, employees, agents and/or affiliates may have executed, or may in the future execute, transactions in any of the securities or derivatives of any securities discussed on this newsletter. Past performance is not necessarily a guide to future performance and is no guarantee of future results. Securities products are not FDIC insured, are not guaranteed by any bank and involve investment risk, including possible loss of entire value. Phoenix Capital Research, OmniSans Publishing LLC and Graham Summers shall not be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Phoenix Capital Research is not responsible for the content of other newsletters to which this one may be linked and reserves the right to remove such links.

OmniSans Publishing LLC and the Phoenix Capital Research Logo are registered trademarks of Phoenix Capital Research. OmniSans Publishing LLC - PO BOX 2912, Alexandria, VA 22301



Weekly Market Update 8-11-20

Dear Subscribers

I'm publishing this week's market update early, as I will be on vacation Thursday and Friday of this week. Of course, I will be watching the markets and will send out updates if anything significant happens. So do not worry about whether I'll be 100% disconnected from all things finance.

The biggest theme going forward is the potential for an inflationary spike and a bubble in stocks.

Why do I think this will happen?

- 1) The Trump administration will do everything in its power to juice the stock market higher going into the election.
- 2) The Fed is going to continue providing *at least* \$125 billion in QE every month.
- 3) The \$USD is weakening rapidly.

Regarding #1, President Trump's obsession with the stock market is beyond parody. Very early into his Presidency, Donald Trump branded the stock market's returns as illustrating the success of his policies. Time and again, the President would reference the stock market's gains via both tweets and in television interviews.

This attitude extends well beyond the President himself. Treasury Secretary Steve Mnuchin has stated that the White House views the stock market as a "report card." What this means is that the Trump administration views stock prices as representing their performance leading the country and the economy.

Regardless of whether you like or don't like the President, it is clear that the stock market is now more closely aligned with his administration than any other president in the last 30 years with the possible exception of Bill Clinton during the Tech Bubble years of the late '90s.

With that in mind, the Trump administration will be employing every trick in the bag to ensure the stock market rallies into his election. This will include verbal interventions, tax breaks, and other policies.

Which brings us to #2.

The Fed has made it clear it plans to continue easing monetary conditions until the U.S. economy reaches a "full recovery." During the Fed's most recent FOMC meeting, Fed Chair



Jerome Powell announced...

- 1) The Fed will hold rates near zero for the foreseeable future
- 2) The Fed is extending its dollar repo and swap line to March 31
- 3) The Fed will continue to use its “full range” of tools to support the economy.
- 4) The Fed will continue to perform its QE programs at the “current pace” or \$125 billion per month (\$1.5 trillion per year).
- 5) The economy, household spending, labor market, and business fixed investment are in various stages of recovery.

Let’s provide some perspective here.

Prior to its COVID-19 policy response, the Fed’s largest balance sheet expansion was \$3 trillion over the course of eight years (2008-2016).

The Fed has already spent MORE than this in just three months.

Prior to its COVID-19 policy response, the Fed’s largest QE operation \$80 billion per month. At its peak during the March 2020 meltdown, the Fed was spending \$125 billion **per day**. It has now reduced this to \$125 billion per month. And the Fed intends to keep it there until there is a full recovery (which the Fed currently believes will be sometime in late 2021).

So... the Fed just told the market that it intends to provide, at a minimum, \$2.1 trillion in additional liquidity to the financial system over the next 18 months.

And we all know that if the stock market took a dive, the Fed would step in rapidly to introduce new monetary policies, including buying stocks outright. As I’ve noted previously, the contract the Fed signed with financial firm BlackRock to perform the Fed’s current QE programs (by law the Fed isn’t permitted to directly buy municipal bonds, corporate bonds, or any of the other items it is buying via its QE programs), **explicitly states that the Fed is giving BlackRock authority to buy stocks.**

See for yourself.

*Subject to this Agreement, including the Investment Guidelines (as defined in Section 5.1), the Manager is hereby appointed as the FRBNY’s agent in fact, and it shall have full power and authority to act on behalf of the Account with respect to the purchase, sale, exchange, conversion, or **other transactions in any and all stocks, bonds, other securities, or cash held for investment subject to the Agreement.***

https://www.newyorkfed.org/medialibrary/media/markets/special_facilities/ima-blackrock-fma



Let me ask you... Why would the Fed authorize BlackRock to buy stocks if it wasn't planning on eventually doing this?

Again, if the stock market begins to crumble going into the election, I would expect the Fed to step in with even more aggressive monetary policies, including buying stocks.

As for the inflationary implications of this, the Fed has been given the political "cover" it needs to allow inflation to spike higher.

That cover?

The racial wage gap (no I'm not making this up).

There's a move underway to make closing the racial wage gap one of the Federal's Reserves mandates.

A trio of Democratic Senators (Warren, Waters, and Gillibrand) this week unveiled legislation that would require the Fed to "minimiz[e] and eliminat[e] racial disparities in employment, wages, wealth, and access to affordable credit."

*Currently the Fed has a Congressional mandate to promote maximum employment and stable prices. Adding a third would be no small change, and could undermine the latter. **Basically, the best way to lower wage gaps is to run the economy "hot"--just look at how the unemployment rate for Blacks and Hispanics hit record lows last year at the tail end of one of the longest economic expansions on record.***

<https://www.cnn.com/2020/08/07/kelly-evans-inflation-and-the-feds-new-mandate.html>

This is not merely Democrat dreaming either. During his recent FOMC Q&A sessions, Fed Chair Jerome Powell sounded off on issues of racial injustice and wealth inequality. At times the presser sounded more like a political rally than a financial conference.

*And you know, like every other organization, the Fed could have done more and should have done more. **I would say though, that we -- you know, we have made it a very high priority to have as diverse and inclusive an organization as we can...***

*They get it, that if you want to attract the best people, this is what you -- you're going to attract the best people by having a diverse and inclusive workforce and workplace. **So we've made diversity a priority.** We actually -- you know, this has been a big issue for the economics profession...*



So it's falling very heavily on people who have the least financial wherewithal to, you know, to bear that. And that happens to be heavily skewed to minorities and to women. So that's just what the pandemic is doing.

So what does that mean? I think what we learned is that a tight labor market really does a lot of good things for minorities and people at the lower end of the income spectrum generally. But you know, tight labor markets, it took eight years -- it took sort of the eighth and ninth and tenth years of that expansion to get to those benefits.

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20200729.pdf>

Put simply, the Fed is now looking to get into the “social justice” business. And its plan to help bridge the racial wage gap and gender inequality is to let the economy run “hot” i.e. allow inflation to spike higher.

Which brings us to #3 in our earlier list: the \$USD is weakening rapidly.

The greenback has been collapsing in the last few months driven by the Fed and Federal Government flooding the system with dollars. Remember, between March and June 2020 these two entities spent roughly \$6 trillion (an amount equal to 27% of GDP).





The greenback is bouncing this week from an extremely oversold status. This is happening at the last line of support (blue line) before the \$USD falls to test the 2018 lows (purple line). And the ultimate downside target if this trend continues (which I think it will) is the mid-80s (green line).



I expect this will occur, driven by ongoing Fed largesse and additional stimulus/ tax breaks from the Federal Government heading into the November election.

Add all of this up, and we've got the makings of an inflationary spike/ bubble in stocks.

Indeed, there are signs that this is happening already. The first wave hit precious metals which are correcting as I write this, largely due to their being overbought and the \$USD bouncing.



The next wave will concern the laggard commodity plays, like energy, and laggard stock sectors like financials.

Energy stocks have finally broken their downtrend (blue lines) and are now breaking above resistance (red line).





We already have some exposure here via Schlumberger (SLB) and Kinder Morgan (KMI). We're adding Parsley Energy (PE) to the mix.

PE is in a clear uptrend (green lines) and has just broken above critical resistance (red line). A run to the top of the uptrend (top green line) at \$15 looks to be coming.



Action to Take: Buy Parsley Energy (PE).

Outside of Energy, financials, the other big laggard, are finally catching a bid as well.

The financials ETF (XLF) has maintained its uptrend (blue line) and just broken above the first of two major lines of resistance (red line). If it can break above the next line of resistance overhead (purple line) then we are off to the races.



In this space I like Paypal (PYPL).

PYPL is in a strong uptrend. It has corrected to “close the gap” from its ramp higher in July. We’re likely to see the next leg up shortly.





Action to Take: Buy Paypal (PYPL).

To conclude, the big picture for the markets going forward is higher inflation and a bubble in stocks running into year-end. Whether or not this is a good thing is irrelevant, as investors our goal is to play the probabilities for gains regardless of whether we agree with the policies that drive the markets or not.

Put another way, whether we like what President Trump or the Fed are doing doesn't matter when it comes to investing. Our job is to make money from their policies. And their policies running into year-end are: print more money/ stimulate the economy and weaken the \$USD.

This will mean higher inflation and a bubble in stocks.

This concludes this month's longer issue of *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.

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research



OPEN POSITIONS: STOCKS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Schlumberger	SLB	6/4/20	\$20.32	\$20.73	2%
Kinder Morgan	KMI	6/4/20	\$16.10	\$14.68	-9%
Delta Airlines	DAL	6/4/20	\$31.97	\$30.03	-6%
Slack Technologies	WORK	6/18/20	\$34.13	\$28.01	-18%
Goldman Sachs	GS	7/13/20	\$212.00	\$215.10	1%
Rockwell Automation	ROK	7/16/20	\$222.75	\$235.75	6%
US Concrete	USCR	7/16/20	\$26.59	\$30.11	13%
Shopify	SHOP	7/20/20	\$1,000.63	\$1,012.38	1%
Zoom Communicatios	ZM	7/20/20	\$268.72	\$237.92	-11%
Roku	Roku	7/22/20	\$151.65	\$151.00	0%
Twilio	TWLO	7/22/20	\$262.62	\$249.98	-5%
Alteryx	AYX	7/22/20	\$167.32	\$113.35	-32%
Reliance Steel	RS	8/10/20	\$106.59	\$107.64	1%
Parsley Energy	PE	8/11/20	\$12.33	NEW	BUY!
Paypal	PYPL	8/11/20	\$192.82	NEW	BUY!

OPEN POSITIONS: PRECIOUS METALS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Gold	GLD	8/23/19	\$148.28	\$182.92	23%
Silver	SLV	8/23/19	\$14.87	\$25.28	70%
Kirkland Lake	KL	2/23/20	\$41.79	\$48.10	15%
Nemont Mining	NEM	3/26/20	\$64.50	\$63.96	-1%
Barrick Gold	GOLD	3/26/20	\$28.15	\$26.75	-5%
Silver Miners	SIL	6/30/20	\$36.80	\$46.39	26%
Silver Mining Juniors	SILJ	6/30/20	\$11.90	\$14.83	25%
K92 Mining	KNT.V	6/30/20	\$3.92	\$6.42	64%
American Gold & Silver Corp	USA.TO	6/30/20	\$3.58	\$4.19	17%
Gold Miners ETF	GDX	6/30/20	\$36.30	\$39.83	10%
Gold Mining Juniors ETF	GDXJ	6/30/20	\$49.30	\$56.77	15%
Jervois Mining	JRVMF	8/6/20	\$0.176	\$0.21	19%
Rare Earth Metals	REMX	8/6/20	\$44.05	\$42.65	-3%

Prices as of 8/11/20 at 11:35AM.



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



RECENTLY CLOSED TRADES CONTINUED

<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>
Carnival Cruise Lines (HALF)	CCL	4/29/20	\$16.61	6/5/20	\$21.73	31%
Dave And Busters (HALF)	PLAY	4/29/20	\$16.36	6/5/20	\$19.48	19%
Simon Property Group (HALF)	SPG	4/30/20	\$66.69	6/5/20	\$87.18	31%
Carnival Cruise Lines (OTHER HALF)	CCL	4/29/20	\$16.61	6/9/20	\$22.52	36%
Dave And Busters (OTHER HALF)	PLAY	4/29/20	\$16.36	6/9/20	\$19.64	20%
Simon Property Group (OTHER HALF)	SPG	4/30/20	\$66.69	6/9/20	\$87.31	31%
Enterprise Partners	EPD	4/9/20	\$16.78	6/11/20	\$19.47	19%
Adobe	ADBE	5/28/20	\$382.80	6/11/20	\$398.04	4%
Shopify	SHOP	5/28/20	\$751.02	6/24/20	\$888.00	18%
Smith & Wesson	SWBI	6/2/20	\$15.29	6/24/20	\$18.24	19%
Wayfair	W	6/16/20	\$196.91	6/24/20	\$200.28	2%
Coca Cola	KO	4/9/20	\$49.46	6/25/20	\$44.43	-10%
Trade Desk (HALF)	TTD	6/16/20	\$377.75	7/2/20	\$446.39	18%
Square (HALF)	SQ	6/16/20	\$93.07	7/2/20	\$115.73	24%
DocuSign (HALF)	DOCU	6/25/20	\$169.48	7/2/20	\$194.27	15%
Trade Desk (Other Half)	TTD	6/16/20	\$377.75	7/6/20	\$462.43	22%
Square (Other Half)	SQ	6/16/20	\$93.07	7/6/20	\$126.20	36%
DocuSign (Other Half)	DOCU	6/25/20	\$169.48	7/6/20	\$197.54	17%
Pinterest	PINS	6/18/20	\$23.07	7/6/20	\$25.49	10%
Alteryx	AYX	6/25/20	\$164.08	7/6/20	\$171.20	4%
Coupa Software	COUP	6/25/20	\$272.98	7/6/20	\$288.62	6%
US Steel	X	6/4/20	\$9.17	7/8/20	\$6.75	-26%
Alcoa	AA	6/18/20	\$11.68	7/4/20	\$12.48	7%
UltraShort QQQ	QID	7/8/20	\$11.72	7/20/20	\$10.69	-9%
Short Term Volatility ETF	VXX	7/8/20	\$33.24	7/20/20	\$28.50	-14%
Silver (HALF)	SLV	8/23/19	\$14.87	7/22/20	\$21.43	44%
Silver Miners (HALF)	SIL	6/30/20	\$36.80	7/22/20	\$46.49	26%
Silver Mining Juniors (HALF)	SILJ	6/30/20	\$11.90	7/22/20	\$15.35	29%
K92 Mining (HALF)	KNT.V	6/30/20	\$3.92	7/22/20	\$5.62	43%
American Gold & Silver (HALF)	USA.TO	6/30/20	\$3.58	7/22/20	\$4.59	28%
NexGen Energy	NXE	4/23/20	\$1.33	7/22/20	\$1.78	34%



RECENTLY CLOSED TRADES CONTINUED

<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>
Gold (half)	GLD	8/23/19	\$148.28	7/27/20	\$182.05	23%
Silver (25%)	SLV	8/23/19	\$14.87	7/27/20	\$22.60	52%
Kirkland Lake (25%)	KL	2/23/20	\$41.79	7/27/20	\$50.74	21%
Silver Miners (25%)	SIL	6/30/20	\$36.80	7/27/20	\$49.74	35%
Silver Juniors (25%)	SILJ	6/30/20	\$11.90	7/27/20	\$16.13	36%
K92 Mining (25%)	KNT.V	6/30/20	\$3.92	7/27/20	\$5.70	45%
American Gold & Silver Co (25%)	USA.TO	6/30/20	\$3.58	7/27/20	\$4.78	34%
Gold Miners ETF (half)	GDX	6/30/20	\$36.30	7/27/20	\$44.07	21%
Gold Mining Juniors ETF (half)	GDXJ	6/30/20	\$49.30	7/27/20	\$62.71	27%
Russia ETF	RSX	6/2/20	\$21.32	7/27/20	\$22.56	6%
Wayfair	W	7/20/20	\$226.51	7/31/20	\$262.43	16%
Shopify (half)	SHOP	7/20/20	\$1,000.63	8/3/20	\$1,076.80	8%
Twilio (half)	TWLO	7/22/20	\$262.62	8/3/20	\$286.00	9%
Apple (half)	AAPL	7/30/20	\$384.10	8/3/20	\$436.60	14%
BMC Holdings	BMCH	7/16/20	\$25.92	8/4/20	\$31.61	22%
Microsoft	MSFT	7/30/20	\$204.18	8/10/20	\$208.95	2%
Apple (remaining half)	AAPL	7/30/20	\$384.10	8/4/20	\$449.00	17%