PRIVATE WEALTH ADVISORY

INVESTMENT RESEARCH THAT CONVERTS

Weekly Market Update 9-6-17

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Weekly Market Update (9-6-17)

Nothing major has changed in terms of Central Bank policy of macro developments in the last week. The defining trend remains $USD weakness induced by the ECB tapering QE, leading to Euro strength (the Euro has an inverse relationship to the $USD and so Euro strength pushes the $USD down).

This trend has other secondary effects including the outperformance of Emerging Markets, reflation plays and precious metals.

As I've noted during the last several weeks, the key chart for identifying the next move in these assets is the TIP:TLT ratio. When this chart falls, the markets are in deflation mode. When it rallies, the markets are in reflation mode.

Below is the long-term chart for this ratio.

As you can see, this chart has been in a downward channel since 2011. The channel is clear. But we might be about to witness its breaking.

Here is a closeup of the last three years. As you can see, we had a major move higher from mid 2016 until early 2017. Since then the ratio has been sliding. It is now at critical support.

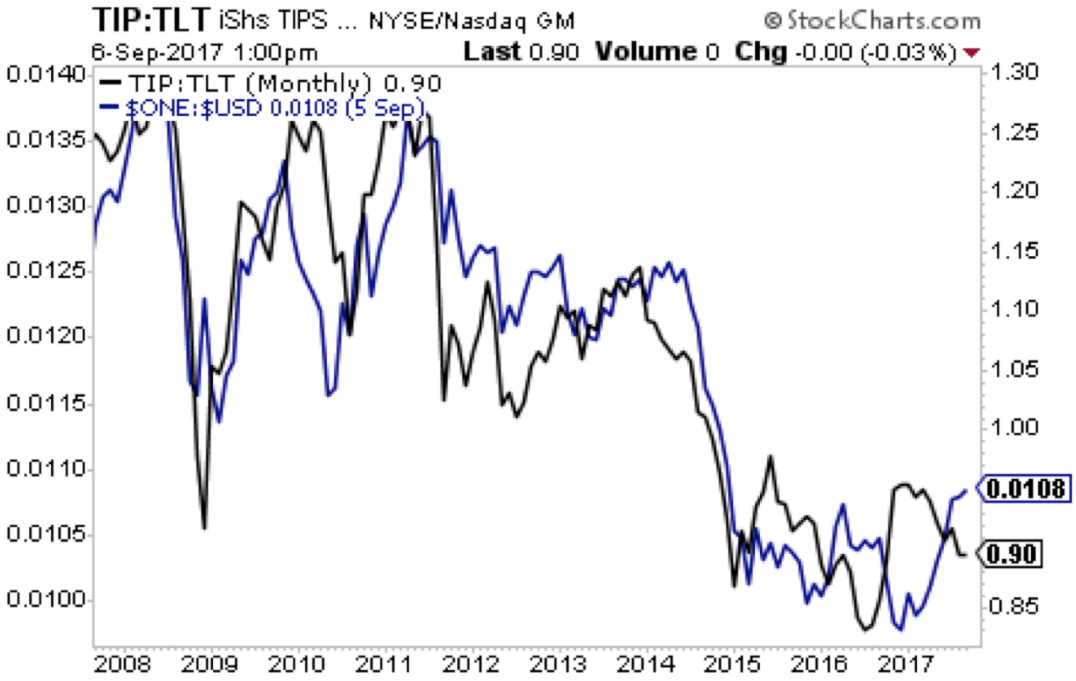
If we break below support here (the red line) then deflation remains the dominant trend. This would mean all reflation plays taking a big hit as bonds, particularly Treasuries, continue to roar higher.

However, if we hold this line and begin our next leg up, potentially breaking the long-term upper blue trendline, then we are officially in a totally new environment of reflation. I'm talking about an environment in which commodities, particularly those associated with reflation, would erupt higher as bonds sell off.

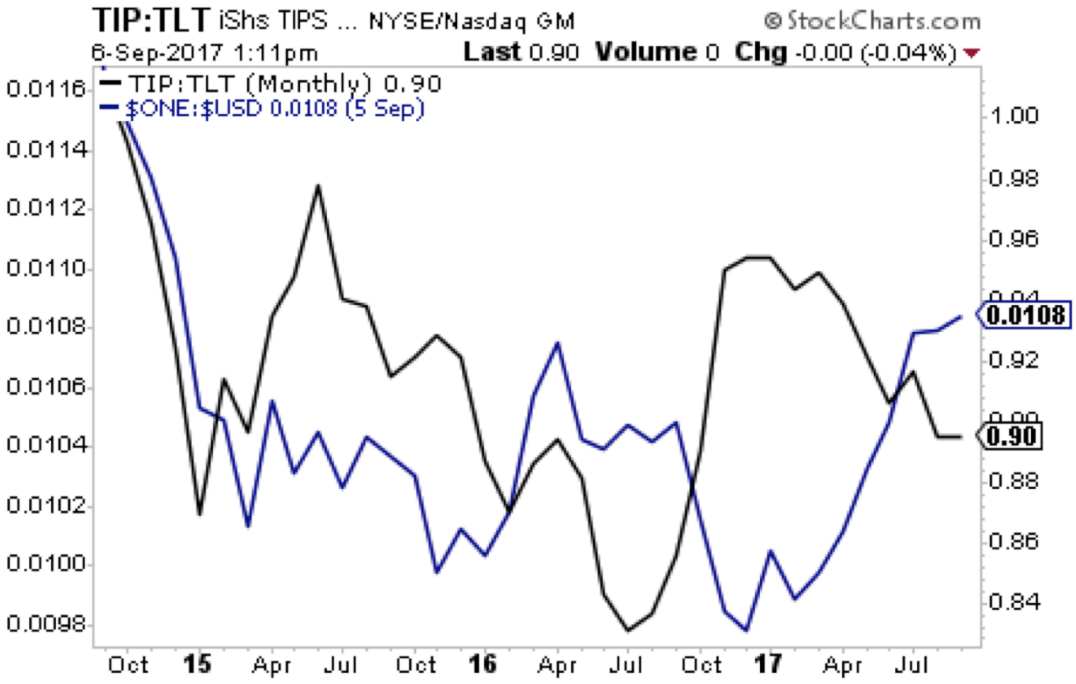
I've annotated these outcomes in the chart below.

Right this moment it's a 50/50 toss up on which way we'll break here based solely on the bonds markets. However, the $USD seems to be suggesting the move will be UPWARDS and that a period of GREAT reflation is coming.

Below is a chart of the TIP:TLT ratio (black line) overlaid with an inverted $USD (when the $USD falls, the blue line rallies and vice versa.). As you can see, the TIP:TLT ratio tracks the $USD closely.



With that in mind, I want to note that the recent $USD weakness has lead to the blue line rallying hard even when the TIP:TLT ratio is falling.



If the $USD is indeed leading here, this would suggest we are about to see a MAJOR breakout in the TIP:TLT ratio. Indeed, the initial upside target on the inverted $USD is red line, with the ultimate target being the blue circle sometime in mid-2018.

For the $USD, this comes to a drop to 87.5 in the near-term with an ultimate downside target in the range of 77.5-80.

This would suggest industrial metals have an additional 25%-35% to the upside from here.

Emerging Market stocks (EEM) seem to be suggesting this will prove to be the case.

Again, it's too early to know for sure. But the markets seem to be indicating that the next major round of reflation is about to hit. I'm watching all of the above charts closely. As soon as we get a confirmed move into reflation, we'll be moving into a number of new positions. I expect we'll have confirmation within the next two weeks.

A critical, possibly THE most critical part of investing is patience. There is no reason to be active all the time. Instead it's better to wait for clear setups rather than rushing into trades.

Speaking of which, Oil is finally beginning to catch a bid. We've been waiting for a bottom here for a few weeks. And by the look of things it's finally here.

As you can see, Oil has move upwards to test its downward trendline. If it can breakthrough here, we're on our way to $52.

Energy stocks suggest this will prove to be the case.

The Energy ETF (XLE) looks to have finally bottomed after a nasty false breakout in early July.

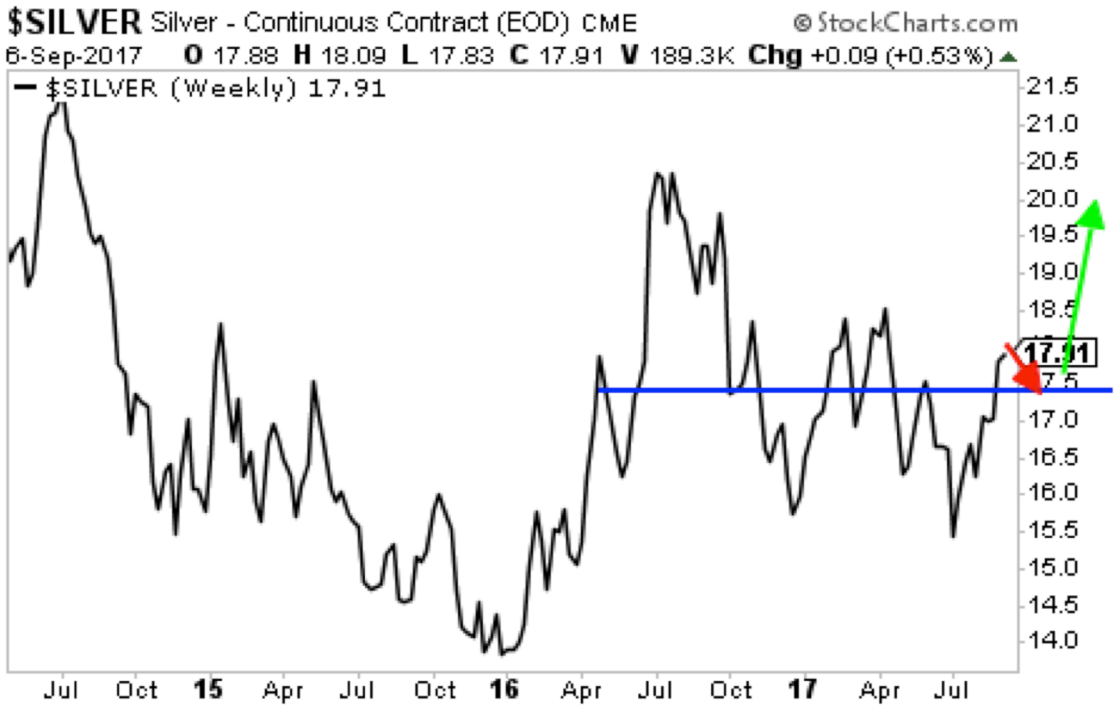
Similarly, Natural Gas (UNG) is ready to breakout.

Many of our Energy plays have moved into the green this week. As Oil and Natural begin their next legs up, I expect us to see even greater gains here.

Elsewhere in the markets, we've closed out the majority of our precious metals miners. The reason is that Gold and Silver are both SHARPLY overbought. I expect back-tests on both to shake out the momentum players who piled in based on the recent breakouts.

Specifically, I expect Gold to correct to $1,300 before starting its move to $1,400…

…while Silver corrects to $17.40, before starting its $19.00+.



When we hit those "buy zones" ($1,300 on Gold and $17.40 on Silver) we'll be moving back into the mining complex. I've already got five new plays lined up for this.

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 after the market's close in our usual weekly market update.

Until then…

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research

OPEN POSITIONS

STOCKS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
RPX Corp	RPXC	8/5/15	$15.48	$12.96	-16%
Agricultural Commodities ETF	RJA	1/12/17	$6.46	$6.16	-5%
Public Storage	PSA	3/23/17	$225.92	$207.89	-7%
Verizon	VZ	4/26/17	$47.17	$46.91	1%
Vietnam ETF	VNM	6/7/17	$14.64	$14.75	1%
Transocean	RIG	6/15/17	$8.56	$8.78	3%
Pioneer Natural Resources	PXD	6/15/17	$158.02	$133.08	-16%
Helix Energy Solutions	HLX	7/19/17	$6.16	$6.80	10%
Southwestern Energy	SWN	7/19/17	$6.17	$5.60	-9%
EOG Resources	EOG	7/19/17	$95.00	$87.85	-8%
Natural Gas ETF	UNG	8/2/17	$6.30	$6.67	5%
Energy Transfer Partners	ETP	8/2/17	$21.35	$18.85	-8%
Enterprise Products Partners	EPD	8/9/17	$26.08	$26.17	0%
Oil Services ETF	OIH	8/23/17	$22.07	$23.55	7%
Apache	APA	8/23/17	$40.33	$40.13	0%
Halliburton	HAL	8/23/17	$39.06	$41.01	5%
Uranium ETF	URA	8/29/17	$13.53	$13.85	2%
Cameco	CCJ	8/29/17	$9.88	$10.07	2%

Prices as of market's close on 9/6/17. Gains include dividends

BONDS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Long Treasury ETF	TLT	7/27/17	$123.16	$127.97	4%
Emerging Market Bonds ETF	EMB	7/27/17	$115.17	$116.70	2%

PRECIOUS METALS/ MINERS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Gold		3/17/10	$1,120	$1,339.00	20%
Silver*		3/17/10	$16.23	$17.95	11%
Wheaton Precious Metals Corp	WPM	10/5/16	$22.59	$20.63	-8%
First Majestic Silver	AG	5/12/17	$8.70	$7.34	-16%

Prices as of market's close on 9/6/17. Gains include dividends
***Average price of $17.50 and $14.97**

SPECIAL SITUATIONS/HEDGES/SHORTS PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
France ETF (SHORT)	EWQ	9/16/16	$23.38	$29.90	-28%
Italy ETF (SHORT)	EWI	9/16/16	$21.56	$30.59	-42%
Russell 2000 ETF (SHORT)	IWM	12/14/16	$135.37	$139.46	-3%
Apple (SHORT)	AAPL	3/23/17	$140.92	$161.91	-15%
Facebook	FB	5/31/17	$151.63	$172.09	-13%
Alphabet	GOOGL	5/31/17	$987.72	$942.02	5%
Homebuilders ETF	XHB	8/9/17	$37.94	$38.40	-1%

CASH/ CURRENCIES PORTFOLIO

POSITION	SYMBOL	BUY DATE	BUY PRICE	CURRENT PRICE	GAIN/ LOSS
Euro Trust	FXE	10/5/16	$114.05	$115.13	1%

Prices as of market's close on 9/6/17. Gains include dividends

RECENTLY CLOSED POSITIONS

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
American Eagle Outfitters (SHORT)	AEO	5/26/16	$15.36	1/31/17	$14.59	5%
Cliffs Nat Resources (FIRST HALF)	CLF	2/8/17	$10.15	2/13/17	$12.10	19%
Ambev	ABEV	11/25/16	$4.96	2/23/17	$5.93	21%
Cemex	CX	11/25/16	$8.07	2/23/17	$8.69	8%
Cliffs Nat Resources (SECOND HALF)	CLF	2/8/17	$10.15	2/23/17	$11.13	10%
Exxon	XOM	9/24/14	$95.82	3/8/17	$81.28	-8%
Enterprise Products Partners	EPD	11/31/16	$25.93	3/8/17	$27.83	9%
Natural Gas ETF	UNG	2/22/17	$6.57	3/8/17	$7.11	8%
Emerging markets ETF	EEM	1/12/17	$36.60	4/10/17	$39.20	7%
Barrick Gold	ABX	10/5/16	$15.54	4/10/17	$19.04	23%
Uranium ETF	URA	6/8/16	$15.49	4/12/17	$15.90	9%
Cameco	CCJ	1/4/17	$10.69	4/12/17	$11.48	7%
Coal ETF	KOL	1/4/17	$12.59	4/12/17	$14.51	15%
Silver Standard Resources	SSRI	10/5/16	$10.30	4/12/17	$11.32	10%
Royal Gold	RGLD	2/8/17	$71.50	4/12/17	$74.14	4%
Silver Miners	SIL	3/15/17	$35.81	4/12/17	$37.60	5%
US Steel (SHORT)	X	2/1/17	$31.97	4/13/17	$29.42	8%
Copper Miners ETF (SHORT)	COPX	3/23/17	$22.64	4/18/17	$21.02	7%
Financials ETF (SHORT)	XLF	12/21/16	$23.61	4/26/17	$24.06	-2%

RECENTLY CLOSED POSITIONS CONTINUED

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
Peru ETF	EPU	12/7/16	$33.23	5/17/17	$34.77	5%
Brazil ETF	EWZ	2/8/17	$37.53	5/17/17	$39.90	6%
Utilities ETF	XLU	2/8/17	$49.35	5/17/17	$51.58	5%
Solar Energy ETF	TAN	4/19/17	$17.20	5/17/17	$18.00	5%
Royal Gold	RGLD	4/26/17	$69.92	5/17/17	$79.90	14%
Southwestern Energy	SWN	3/30/17	$8.15	5/24/17	$6.76	-17%
Gulfport Energy	GPOR	3/30/17	$17.17	5/24/17	$15.47	-10%
US Oil Fund	USO	4/26/17	$10.37	5/24/17	$10.60	2%
Exxon Mobil	XOM	5/3/17	$82.70	5/24/17	$82.29	0%
Energy ETF (SHORT)	XLE	5/24/17	$67.56	6/5/17	$65.05	4%
Emerging Mkts Bond ETF	EMB	11/21/16	$109.82	6/7/17	$115.95	8%
Long US Treasuries	TLT	11/21/16	$121.05	6/15/17	$126.10	5%
Nuveen Enhanced Free Muni Credit Fund	NVG	1/2/14	$13.12	6/22/17	$15.22	40%
Rio Tinto	RIO	6/19/17	$39.48	7/10/17	$43.48	10%
Clear Energy ETF	PBW	4/19/17	$4.06	7/10/17	$4.25	10%
Enterprise Products Partners	EPD	6/22/17	$26.00	7/17/17	$27.70	7%
US oil Fund	USO	6/28/17	$9.20	7/17/17	$9.57	4%
China ETF	ASHR	2/1/17	$24.98	7/24/17	$28.08	12%
Uranium	URA	6/15/17	$12.76	7/24/17	$14.28	12%
Cameco	CCJ	6/15/17	$9.14	7/24/17	$9.95	10%
US Steel	X	6/19/17	$20.83	7/24/17	$23.69	14%
Freeport McMoran	FCX	6/19/17	$11.53	7/25/17	$14.08	22%
Biotech ETF	IBB	4/26/17	$296.15	7/25/17	$324.86	10%
Baidu	BIDU	6/7/17	$187.53	7/27/17	$200.10	7%
Peru ETF	EPU	6/22/17	$33.64	7/27/17	$35.61	6%
Chevron	CVX	6/22/17	$104.45	8/2/17	$110.86	6%
Euro Trust	FXE	10/5/16	$108.80	8/2/17	$114.61	5%
US Dollar ETF	UUP	8/2/17	$24.08	8/23/17	$24.18	0%

RECENTLY CLOSED POSITIONS CONTINUED

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/ LOSS
Gold Miners ETF	GDX	10/5/16	$22.45	9/5/17	$25.09	**12%**
Gold Mining Juniors ETF	GDXJ	10/5/16	$34.72	9/5/17	$36.92	**11%**
Randgold Resources	GOLD	5/12/17	$93.25	9/5/17	$104.90	**12%**
Klondex Mines	KLDX	8/10/17	$2.94	9/5/17	$3.55	**21%**
Wesdome Gold Mines	WDO.TO	8/10/17	$2.18	9/5/17	$2.37	**9%**
New Gold	NGD	10/5/16	$3.88	9/6/17	$4.18	**11%**
Barrick Gold	ABX	4/26/17	$16.92	9/6/17	$18.23	**8%**
Silver Mining ETF	SIL	4/26/17	$34.44	9/6/17	$35.75	**4%**
Silver Standard	SSRI	4/26/17	$9.94	9/6/17	$10.70	**8%**