



# PRIVATE WEALTH ADVISORY

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Dear Subscribers

The US Dollar rally is demolishing several market/ economies.

In particular, Brazil (EWZ) is ripe for greater losses. The Real has collapsed over 20% against the US Dollar in the last six months. And with most of Brazil's economy coming from commodities (all of which fall when the Dollar strengthens), we have the makings of a Crash here.

**Action to Take: Buy the UltraShort Brazil ETF (BZQ)**

Another commodity based economy that is hurting right now is Australia.

For the last two decades, Australia has been the main supplier of commodities to China. With China's economy now slowing dramatically, Australia is particularly susceptible to a contraction as the US Dollar continues to strengthen.

**Action to Take: Short the Australia ETF (EWA)**

Another area of the globe that is in serious trouble is Japan. Having launched a "Shock and Awe" QE program in 2013 only to see it fail, Japan is now facing economic collapse, higher inflation and now political turmoil.

**Action to Take: Buy the UltraShort Japan ETF (EWV)**

The big question mark for me right now is the Eurozone.

Germany's inflation data came in much lower than expected... and the EU as a whole is flirting with debt deflation (the *bad* deflation... the one of which Central banks are terrified).

Thus far, the ECB's asset purchase plan has been relatively limited in size and scope: a modest 21 billion Euros has been spent since October

(by way of contrast, the Fed was spending over \$80 billion per month with its most recent QE programs).

Technically, the Maastricht treaty (the one signed to create the EU) forbids the ECB from buying EU- member sovereign bonds. And Germany has repeatedly opposed any such program.

However, as we've seen repeatedly, the ECB is willing to do *anything* to hold the EU together. And with the ECB meeting this week to announce any policy changes, there *is* the potential for EU markets to rally hard based on either a policy change or even the hint of a change coming down the road.

So we're steering clear of any investments in Europe this week. There's just too much uncertainty regarding the ECB's actions.

At the end of the day, everything depends on what the US Dollar does. This is the Big Picture for the markets. It's clear the economy is slowing. What's not clear is how Central Banks will address this right this moment.

I'll touch base with you next week. Until then...

Best Regards,

Graham Summers

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