PRIVATE WEALTH ADVISORY
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Market Update: Hold on to the miners, Buy FXP and Short CX

Dear Subscribers

I wanted to give you an update on the markets.

Yesterday, the Federal Reserve indicated that it is openly considering tapering its QE programs. Worse than that for the bulls, Bernanke stated that QE might be tapered as soon as the end of 2013 or mid-2014.

The single driver for the markets in the last 12 months has been QE 3 and QE 4. And if we go back to 2009, it was QE or the promise of more QE which has pushed stocks continually higher.

Indeed, literally every asset class around the globe has been influenced by QE. QE creates an artificial prop in the bond market, which in turn determines interest rates, which in turn dictate asset price levels everywhere.

Thus, we have been living in an artificial world for the last five years. QE skewed everything. Risk is too cheap. Stocks are too expensive. Rates are too low. Commodities and real estate are too high. And on and on.

Yesterday the Fed signalled openly that this era is coming to an end. The market is not reacting well to this. And this was the problem with the Fed's policies all along: markets can be propped up, but they always revert to the underlying realities. And this reversion tends to happen both quickly and violently.

Consider the 10-Year Treasury yield: we've violated resistance and are beginning an uptrend (this means higher interest rates).

This is the beginning of a MAJOR shift in the markets.
The move won't come all at once, but in the coming months we're going to enter a period of very sharp volatility and possibly even a market Crash. Again, this won't necessarily happen right away, it will unfold over the coming months.

Some perspectives on individual investments.

Gold miners have been slammed by liquidations across the entire industry. Many of these companies are now trading at levels last seen during the 2008 CRASH.

Indeed, our four miners are now trading at essentially their CASH LEVELS: so the gold, their infrastructure, the IP and everything else are FREE.

Company	Symbol	Market Cap (in millions)	Cash (in millions)	Debt	Resources	MC Vs Cash
Asanko Gold	AKG	$176	$204	$0	3.8 million ounces M&I	-13.73%
Richmont Mines	RIC	$63	$60	$1 million	1.8 million ounces M&I	5.00%
Vista Gold	VGZ	$93	$88	$0	12.9 million ounces M&I	5.68%
Exeter Resources	XRA	$60	$56	$0	11.4 million proven ounces	7.14%

Several of these plays have hit their trailing stops. Let's let them ride for a while longer. As I mentioned when

I first recommended them, there would be a lot of volatility.

At these bargain basement levels, we'll hit a bottom relatively soon. Just let these plays ride for now.

Action to Take: Hold on to Asanko Gold (AKG)

Action to Take: Hold on to Richmont Mines (RIC)

Action to Take: Hold on to Vista Gold (VGZ)

Action to Take: Hold on to Exeter Resources (XRA)

Elsewhere in the markets, China has confirmed what I mentioned a few months ago: a false breakout.

As you can see, FXI broke out to the upside from a MASSIVE triangle pattern. It has now proven to be a false breakout. We're likely going to the mid-20s in the coming months as China's shadow banking system is in a literal free fall.

We'll play for this with the UltraShort China ETF (FXP)

Action to Take: Buy the UltraShort China ETF (FXP) and use a 25% trailing stop.

It's also time to bet on a collapse for Cemex, the massively overdebted, poorly run cement company I outlined in our April 17 2013 issue, Mind the Slump.

As you can see, CX has taken out its trendline and is now entering a downtrend.

Action to Take: Short Cemex (CX) and use a 25% trailing stop.

I'm watching the markets closely and will issue more updates as needed.

Good Investing!

Graham Summers