

PRIVATE WEALTH ADVISORY

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Special Inflation Portfolio

I'm saving my more detailed analysis on QE 3 and its implications for this week's issue of *Private Wealth Advisory*. But for now, all you need to know is that QE 3 is a total game changer for the financial markets.

How precisely things will play out is not clear as there are so many major forces at work (tensions in the Middle East, growing conflict between China and Japan, Europe's ongoing sovereign debt crisis, the US's stagflationary depression, etc.)

However, one item is relatively clear, that worldwide the cost of living will be increasing going forward.

The first sign of this comes from agricultural commodities:



As you can see, agricultural commodities broke out of a large wedge pattern in late May 2012 (see the black lines above). This move indicated that the next leg up in agricultural commodities was here (former resistance for the 2009-to-mid-2010 period had now become support: see the lower green line above).

Today, agricultural commodities have just broken above major resistance at 10. They are now forming a base before the next leg up, which will likely see us going to 11.

With that in mind, the simplest, most obvious investment here is to buy the Rogers Agricultural ETN (RJA), which is the broadest range of agricultural commodities available to individual investors (and handpicked by investing legend Jim Rogers himself).

As the closeup chart below shows, this investment is currently consolidating in another wedge pattern. Once this breaks to the upside, we're going to at least 11.



Action to Take: Buy the Rogers Agricultural ETN (RJA)

Another investment that interests me is junior gold miner **Vista Gold (VGZ)**.

VGZ is a junior gold mining company with six projects located in the US, Mexico, Indonesia, and Australia. Combined these projects have 5.4 million ounces of Gold in proven and probable reserves.

With Gold currently trading over \$1,700 per ounce, this puts VGZ's proven and probable reserve value over \$9 billion.

And it's currently trading at a market cap of just \$260 million.

At this price alone, VGZ is a prime take-over target. However, the company *also* has an additional 11.1 million ounces of Gold in Measured and Indicated reserves for a total of **nearly 17 million ounces of potential gold lying in the ground.**

Now, Gold lying in the ground is not the same as Gold in hand. However, if VGZ can get even 10% of this out of the ground, it's worth more than time times its current market cap.

The potential here is tremendous. The company has one of the best management teams in the mining space: all members of senior management have industry experience between 25 and 40 years. Altogether they've been involved in 18 different mining projects.

And they have a history of finding Gold. Between 2008 and 2010, the company found an additional 4.4 million ounces of resources at just one of its projects. It just added another 1.02 million ounces of Gold to its Measures and Indicated resources in the last 12 months too. I expect this number to rise in the coming months and years.

Oh and as an added bonus, the company has 9.4 million ounces of Silver in Indicated and Inferred resources as well.

And again, its market cap is just \$260 million in size.

At this valuation, VGZ is a prime takeover target for any large Gold producer looking to increase its reserves. With all of its projects located in politically friendly countries (US, Mexico, Indonesia, Australia) the political risk here is minimal. And as I stated before, VGZ's management has a history of making great deals (they've already spun off one project for \$110 million).

The potential for triple digit gains here is relatively high whether they come from a takeover *or* VGZ's management simply producing their expected returns within the next 18 months. Indeed, the chart shows VGZ just broke out of a triangle pattern that should see the share price move to \$5.00 in the coming months alone (that move alone is nearly 50% up from where VGZ is now):

VGZ (Vista Gold Corp.) AMEX

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Last 3.40 Volume 354.8K Chg -0.10 (-2.86%) ▼

— VGZ (Weekly) 3.40



I'd let this pullback finish before I recommend buying VGZ. I'll send out an alert when it's time to buy this investment. **DO NOT BUY IT NOW.**

This concludes this short report on Inflation trades. I will actually have more trades to you this Wednesday in this week's issue of *Private Wealth Advisory*. The reason I am not including them here is because the inflation trade (precious metals and inflation hedges up and the US Dollar down) is overbought today and we need a few days' correction to cool things off before the next move begins.

So I'll have more trades to you this Wednesday. Until then...

Best Regards

Graham Summers