Private Wealth Advisory

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Buckle Up… It's Coming

There are a number of items we need to cover this week. They are:

1) The ongoing collapse of Europe's banking system/ economic deterioration in Europe
2) The end of the Bernanke Put
3) Where the markets are today and where they're headed
4) Subscriber questions/ issues

The European Crisis is accelerating with every day. Indeed, at this point there's a new major development (if not more than one) on a daily basis.

Rather than detailing every single news item, I'd rather address the larger concerns. This will better help you understand the larger systemic issues and how this is all likely to play out.

Greece, which we've been told was "saved" more than a dozen times, is back on the ropes and on the verge of needing a *third* bailout:

> **Greece will need more debt restructuring EU officials**
>
> **Greece is unlikely to be able to pay what it owes and further debt restructuring is likely to be necessary, three EU officials said on Tuesday, a cost that would have to fall on the European Central Bank and euro zone governments.**
>
> The officials said that twice bailed-out Greece would be found to be way off track by EU and International Monetary Fund officials who have been assessing the country.
>
> Inspectors from the European Commission, the ECB and the IMF -- together known as the troika -- returned to Athens on Tuesday and will complete their

<u>Short-Term Trends</u>
-The next leg down is here
-Spain shifts into a sovereign crisis
-US economy back in recessionary territory

<u>Intermediate Trends</u>
-Grexit, systemic risk to break up the EU before the summer's end.
-US Dollar rally and stock/commodity collapse.

<u>Long-Term Trends</u>
-Global debt implosion.
-Markets to go to new lows either nominally or in terms of purchasing power depending on whether we get hyperinflation or severe deflation.
-Trade wars and very likely REAL warfare

> debt-sustainability analysis next month, but the sources said the conclusions were already becoming clear.
>
> It means Greece's official-sector creditors -- **the ECB and euro zone governments -- will have to restructure some of the estimated 200 billion euros of Greek government debt they own if Athens is to be put back on a sustainable footing.**
>
> http://www.reuters.com/article/2012/07/24/us-eurozone-greece-idUSBRE86N11D20120724

How this can be a surprise to anyone is beyond me. Greece was already asking for repayment extensions after its *first* bailout. Put another way Greece was already showing that it couldn't meet its easier/ more lax debt repayment schedule back in 2010.

As a standalone item, Greece is now at the point of either leaving the Euro or defaulting. Both items are receiving coverage in the mainstream financial media, which tells us that high-level officials have plans in place for either eventuality (things don't get out into the media in Europe until political "sources" plant them).

> **Greece's Far-Left Leader Says Country Will Default**
>
> **Greek's leftist leader said his country would default**, and has forecast that the ruling coalition government would look into returning to using the country's old currency.
>
> Syriza party head Alexis Tsipras said in an interview Saturday with Greek weekly Real News that the government will "soon present" the idea for Greece to stop using the euro and use the drachma, reported the Athens-Macedonian News Agency.
>
> Tsipras said that any extension of the deal with the International Monetary Fund and the European Union is "essentially a longer rope with which to hang ourselves."
>
> http://www.theepochtimes.com/n2/world/greece-s-far-left-leader-says-country-will-default-268844.html?popular

Tsipras is the head of Greece's anti-Euro Syriza party, which has grown rapidly in popularity over the last few elections:

	October 2009	**May 2012**	**June 2012**
SYRIZA's % of Vote	4%	16.8%	26.9%

Indeed, in the most recent election, Syriza lost by less than 3%. With Greece now showing a GDP contraction of 20% (this is on par with Argentina in 2001 which was accompanied by systemic collapse and full-scale defaults), it is highly likely that should Greece hold another election, Syriza would take is Parliament. The man who says Greece should just default would then be in charge of things in Greece.

On the other side of this debate is Germany whose political leaders are increasingly calling for Greece to leave:

> **Angela Merkel's coalition partners are lining up to demand a Greek exit from the euro, mounting pressure on the German chancellor and fanning market fears that Greece could shortly leave the single currency bloc**.
>
> Patrick Döring, general-secretary of Angela Merkel's junior coalition partners the Free Democrats (FDP), told the regional Passauer Neue Presse newspaper that **Greece could recover and regain competitiveness more quickly outside the eurozone.**
>
> "If Greece was no longer a part of the eurozone it could create trust on markets", he said in remarks published Tuesday (24 July).
>
> **He is the latest of a number of top-ranking members of the two smaller parties in Merkel's coalition to call for an exit for the benefit of Greece and to prevent contagion, mindful of the rising cost to Germany of bailing out weaker eurozone states.**
>
> Rating agency Moody's acknowledged that burden on Monday, dropping its **outlook on German debt from stable to negative.**
>
> http://drugi.euractiv.com/euro-finance/merkel-partners-call-greek-euro-news-514099

The Moody's outlook change on Germany lets us know that this time around the debate is more than political posturing. If Germany loses its AAA status, then it's GAME OVER for the EU: the German population, already outraged by the EU bailouts, and now facing a recession will NOT tolerate a credit rating downgrade.

As I've stated many times, Germany is THE REAL backstop of the EU. And it's comprised its own solvency as a result: the country is only €328 billion away from reaching an official Debt to GDP of 90%, the level at which national solvency is called into question.

Moreover, that €328 billion has already been spent via various EU props. Indeed, when we account for all the backdoor schemes Germany has engaged in to prop up the EU, Germany's REAL Debt to GDP is closer to 300%.

We also get signs that things are much more serious this time from the fact that the ECB is already taking steps to shelter itself from a Greek default:

> **ECB suspends eligibility of Greek bonds as collateral**
>
> The European Central Bank said Friday it would suspend ”for the time being” the eligibility of Greek sovereign bonds as collateral for its loans to banks.
>
> Greek sovereign bonds ”will become for the time being ineligible for use as collateral in eurosystem monetary policy operations,” the ECB said in a statement.
>
> The ECB said its policy-setting governing council would re-assess their eligibility once the so-called ”troika” of experts from the ECB, the European Commission and the International Monetary Fund had completed their review of the progress made by Greece in meeting the conditions of its bailout programme.
>
> http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_20/07/2012_453064

Moreover, the IMF is putting all Greek aid on hold:

> **The International Monetary Fund will stop paying further rescue aid to Greece, making the country's insolvency in September more likely, the Der Spiegel magazine said. citing unidentified European Union officials**.
>
> While a review of Greece's progress in meeting terms of its rescue is unfinished, it is “already clear” to the reviewing body of the IMF, the EU Commission and the European Central Bank that Greece will not be able to fulfill its promise to cut debt to 120 percent of annual economic growth in euro terms by 2020, Der Spiegel said.
>
> Missing the target means Greece needs between 10 billion euros and 50 billion euros ($60.8 billion) in additional aid, a potential outcome that the IMF and several unidentified euro- area states are not prepared to accept, the magazine said, citing the review.
>
> Euro-area leaders regard Greece's exit from the euro as manageable even though they want to prop up the country's finances until the new and permanent rescue fund called the European Stability Mechanism is in operation, the magazine said, citing from the same sources. **Germany is holding up the inception of the ESM as it awaits a court ruling on the fund's constitutionality on Sept. 12, Spiegel said.**

http://www.bloomberg.com/news/2012-07-22/imf-to-stop-further-aid-tranches-to-greece-spiegel-says.html

The writing is clear on the wall now: Greece will either leave the EU or default by October (the country, without intervention, will out of money in mid-August). The only thing keeping Greece from the brink has been monetary injections from the ECB, IMF and Germany. **All three of those entities are now closing off the money spigot (more on Germany in a moment).**

So prepare for some major fireworks to come from Greece in the coming weeks.

There is a second, far more pressing problem coming from the Eurozone: SPAIN.

As I've outlined in earlier issues of ***Private Wealth Advisory,*** Spain will be the straw that breaks the EU's back. The country's private Debt to GDP is above 300%. Spanish banks are loaded with toxic debts courtesy of a housing bubble that makes the US's look like a small bump in comparison. And the Spanish government is bankrupt as well.

Indeed, in the last two weeks alone we've seen:

1) Spain request a €300 billion bailout from Germany (the original bailout was only €100)
2) The regions of Catalonia, Valencia, and Marcia (and three others) hinting at needing or requesting bailouts.

Indeed, the following story reveals more than I think Spain would like… but it's clear that EU political leaders are prepping for something VERY nasty.

> **Spain in crisis talks with Germany over €300bn bailout**
>
> **Germany's finance minister, Wolfgang Schäuble, will meet his Spanish counterpart, Luis de Guindos, for crisis talks on Tuesday amid fears that spiralling bond yields in the eurozone's fourth biggest economy will force it to seek a €300bn bailout from the European Union and the International Monetary Fund.**
>
> Interest rates on Spain's 10-year borrowing rose to 7.59% – the highest since the euro was created – and the stock market in Madrid fell by 5% in morning trading following fresh bad news about the financial health of the country's regions.
>
> Hints from politicians in Berlin that Germany is preparing the ground for Greece to leave the single currency also unsettled markets, with hefty falls in equity prices on European bonuses and the euro under pressure on the

foreign exchanges. London's FTSE 100 index was down 100 points at midday, at 5551.

Dealers were unimpressed by de Guindos's claim that Spain would not become the fourth eurozone country to require a formal bailout, after Murcia on Sunday became the second Spanish region to request financial assistance from the government. The Spanish finance minister categorically denied that a bailout was imminent, but **media reports from Spain suggest up to six regions could require financial aid, with Catalonia next in line.**

http://www.guardian.co.uk/business/2012/jul/23/spain-crisis-talks-germany-bailout-eurozone

This story tells us several important items:

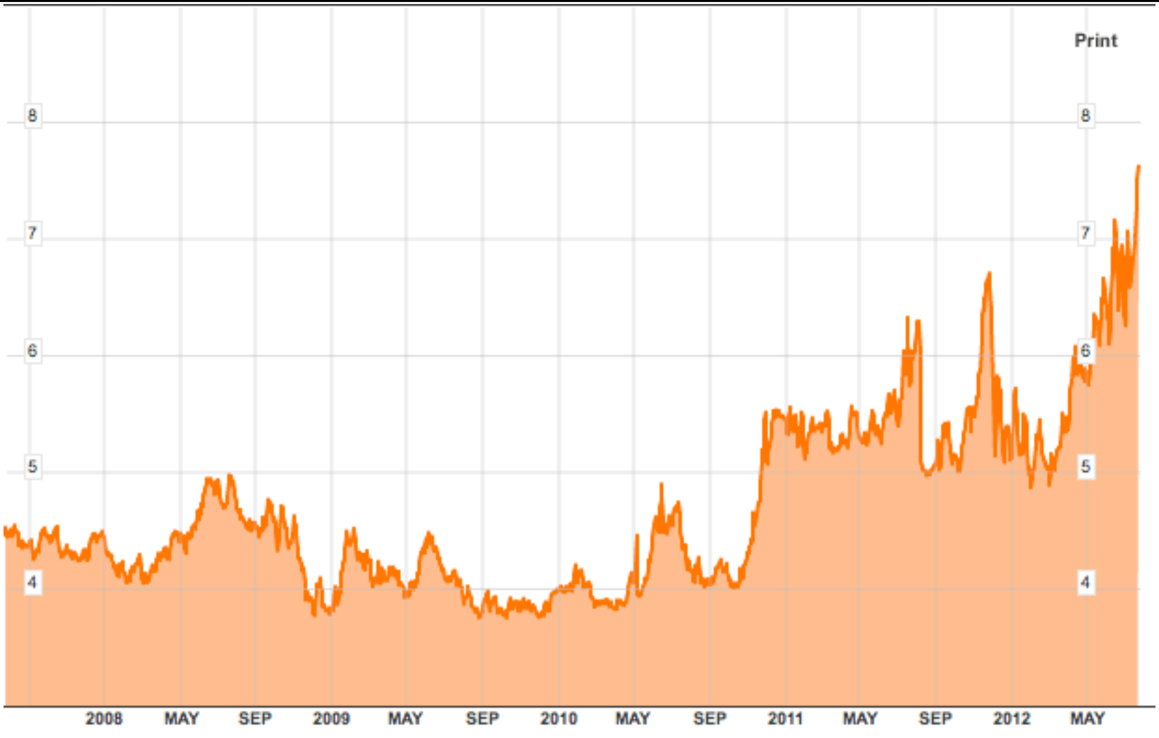
1) Germany IS the money for the EU (Spain went to Germany, NOT the ECB or IMF)
2) The original bailout request for €100 was an outright lie or a covering up of the facts (why does Spain now need €300 billion only one month later?)
3) Spain as a country is broke. As in BROKE. Its sovereign Debt to GDP of 70% is not the issue, the issue is the hundreds of billions of Euros worth of debt hidden amongst the various regions and its banking system.

If you need more info on Spain, go back to the issues of ***Private Wealth Advisory*** titled ***Spain Takes Center Stage*** and ***The Markets Call "BS" on Spain***. The bullet items from them that you need to know are that:

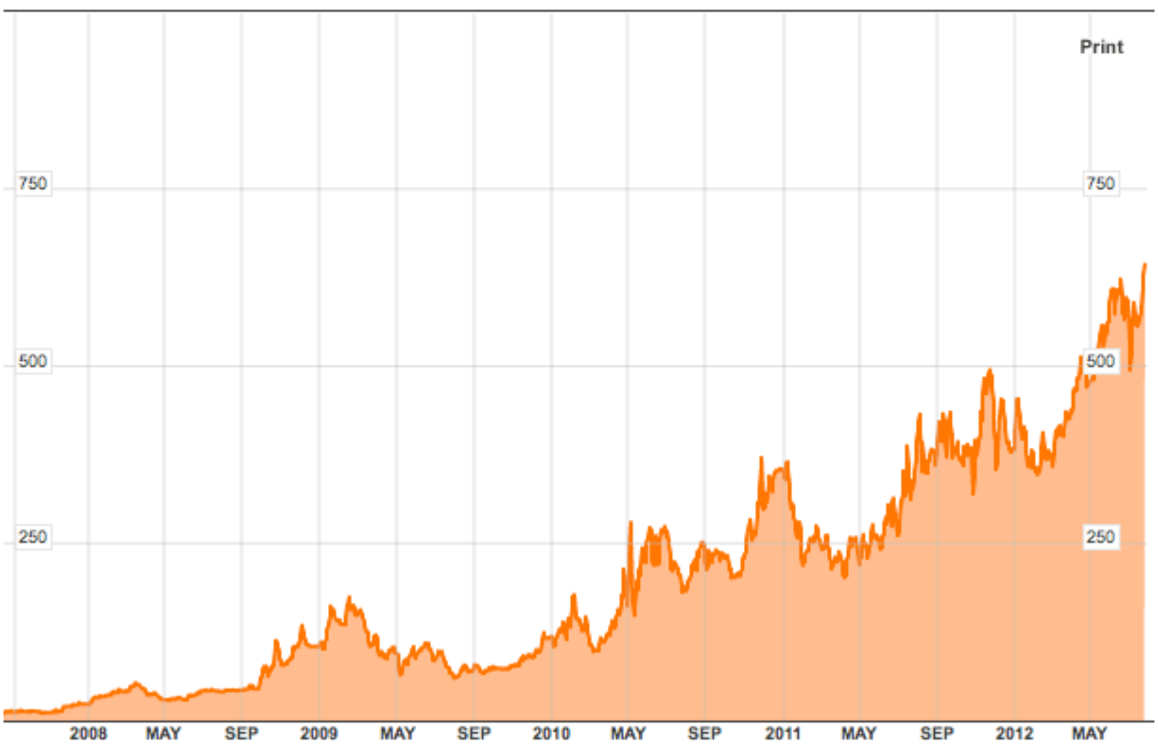
1) A huge portion of Spain's banking system (representing over 50% of mortgage loans AND deposits) was totally unregulated up until just a few years ago.
2) Spanish banks are drawing €337 billion from the ECB on a monthly basis to fund their liquidity needs.
3) Every political figure and bank in Spain is HIGHLY incentivized to lie about the true nature of the Spanish banking system (a private text message from the Prime Minister claimed the REAL capital needs were closer to €500 billion… which is assuming he knows what he's talking about/ the banks were honest with him… which I HIGHLY doubt).

Indeed, the markets have figured out the Spain is DONE. After all, if the IMF and ECB are refusing to fund Greece anymore, how on earth could they fund Spain whose problems are many multiples of the size of Greece's?

Indeed, the yield on Spanish ten year bonds is now well above the "we need a bailout" 7% level:



Moreover, Spanish Credit Default Swaps (bets that Spain will default) are at record spreads:



And Spain's Ibex has broken its 15-year bull market and is now on the verge of confirming a Head and Shoulders pattern with a downside target of nearly ZERO:

European political leaders can play their little games, but the markets have a way of figuring out the truth sooner or later. And the truth is that Spain is in as bad a shape as Greece if not worse. Expect things to get very, very ugly soon.

The reason is two fold:

1) Spanish banks need to roll over (meaning renew terms on) more than 20% of their bonds this year.
2) Spanish sovereign bonds are collateral for hundreds of billions of Euros' worth of trades.

With interest rates spiking throughout Spain (meaning Spanish corporate, bank, and sovereign bonds are falling in value), Spanish bank bondholders are going to be demanding much higher rates of return when it comes time to renew their positions.

With Spanish banks already under severe funding stress (again, they drew €337 billion from the ECB last month), they're in no position to start paying out higher interest payments to bondholders.

And with investors realizing that Spain's banks are all lying about the state of their balance sheets (remember, Bankia was talking about paying a *dividend* just one month before it collapsed and revised its €41 million 2011 profit to a €3.3 billion LOSS), we're going to be seeing plenty of bank failures this year.

Remember, Spain's initial request was for the EU to bail out its *banks* NOT the country itself. However, with some six Spanish regions (probably more) looking for bailouts Spain is now facing both a sovereign debt AND a banking crisis.

Secondly, as noted in our last issue ***Why You Cannot Just Hit Print*** Spanish sovereign debt is used as collateral for hundreds of billions of Euros' worth of trades (again my thanks to Raoul Pal of Global Macro Investor for broadening my understanding of this situation).

In simple terms, banks and financial institutions do not trade with actual money they have. Instead they leverage up aggressively (see MF Global and more recently JP Morgan) using sovereign bonds as collateral for their trades.

So when a sovereign nation (such as Spain) defaults, the banks not only take a hit in terms of their asset base (sovereign bonds are the senior most assets on bank balance sheets) but the collateral used to back hundreds of billions of Euros' worth of trades goes up in smoke.

This is the REAL problem with Europe: that when these countries go broke, the entire banking system can implode. This is why every EU political leader as well as the IMF and ECB stated that the Greek Second Bailout wasn't a "default." It's also why the Spain bailout was so rushed (it took all of one weekend).

As I noted in last issue, Greece is just a minor issue here: its entire sovereign bond market is roughly €580 billion in size. In contrast, Spain's sovereign bond market is over $2.1 trillion and Italy's (which is also on the brink) is over $2.2 trillion.

What do you think would happen to the financial system if $2+ trillion worth of collateral vanished (remember, the global derivatives market is over $700 TRILLION in size)?

The answer is ***systemic collapse***. As a recap, this will include:

1) Many major banks disappearing, as well as numerous potentially lengthy bank holidays (think Argentina in 2001)
2) Multiple sovereign defaults as well as broad economic contractions and their commensurate unemployment/ civil unrest/ erasure of retirement accounts/ pensions (this process has already begun in some US municipals, e.g. San Bernandino and Stockton California as well as Harrisburg Pennsylvania).
3) Possibly new currencies being introduced or new denominations of currencies (say one new unit being worth 1,000 of the old one)

4) Massive wealth destruction to the tune of tens of trillions of Dollars (think MF Global i.e. the money is *gone*… only systemically… in fact we just had another such instance with PF)
5) A global contraction that will result in new political/ power structures being implemented as well as the breakup of various countries/ unions.
6) Very serious trade wars to begin (see Obama's recent attack on China) and very possibly a real war.

Understand, that I am not predicting this will happen overnight. Instead, the process will take several years to unfold. The first phase will be Greece defaulting or leaving the Eurozone, which will happen likely before October.

Once that happens, we'll see the larger players such as Spain and Italy collapse (carrying us into 2013). After the disaster in the EU is finished, Japan will implode (likely throughout 2013) and finally the US will default (probably 2014 or so).

At that point, we'll have hit the "Great Reset" and a new financial system will have been put in place.

If you think I'm somehow being too dramatic here, you should consider that this process is already underway. In some areas of Germany, you can once again use Deutsche Marks as legal tender:

> **Who Needs the Euro When You Can Pay With Deutsche Marks?**
>
> Shopping for pain reliever here on a recent sunny morning, Ulrike Berger giddily counted her coins and approached the pharmacy counter. She had just enough to make the purchase: 31.09 deutsche marks.
>
> "**They just feel nice to hold again,"** the 55-year-old preschool teacher marveled, cupping the grubby coins fished from the crevices of her castaway living room sofa. **"And they're still worth something."**
>
> Behind the counter of Rolf-Dieter Schaetzle's pharmacy in this southern German village lay a tray full of deutsche mark notes and coins—a month's worth of sales.
>
> Germans have yet to give up on the euro. **But as Europe's debt crisis rages on, many are indulging their nostalgia for the abandoned mark by shopping with it again—and retailers are happily going along.**
>
> As defunct currencies go, "die gute alte D-mark," or "the good old D-mark," as it is still affectionately called, **is far from dead**. Germans officially traded in the currency for euro bills and coins on Jan. 1, 2002, and the mark immediately ceased to be legal tender. **But 13.2 billion marks—worth €6.75 billion ($8.3 billion)—remain tucked in mattresses, old prayer**

books, coat pockets or otherwise in circulation, according to the Bundesbank, more lucre than the euro bloc's 16 other ex-currencies combined.

http://online.wsj.com/article/SB10001424052702304373804577520930784840596.html?mod=rss_markets_main

Why would Germany start allowing Deutsche Marks to be used again? Moreover, if Spain and Greece are on the brink, why has Germany refused to increase the funding of the EFSF and ESM bailout funds AND tied up its ratification of the ESM in legal proceedings that won't even begin until September?

The answer is simple: Germany knows that the game is up. Its best bet is to put off the implementation of various bailout funds (for legal reasons) while looking as though it *wants* to help… and let the EU crash and burn around it.

Consider the following stories:

Top German court to announce ESM ruling Sept. 12

Germany's Federal Constitutional Court will announce a decision on lawsuits challenging the country's participation in the permanent euro-zone rescue fund, the European Stability Mechanism, and the fiscal pact on Sept. 12, the court said Monday in a statement on its website. The court held a public hearing earlier this month to examine complaints that participation in the fund and the fiscal pact violated German law by taking some authority over the national budget away from parliament.

http://articles.marketwatch.com/2012-07-16/economy/32688803_1_top-german-court-fiscal-pact-german-law

German court dumps election law that favored Merkel

Indeed, if we read between the lines of the political proceedings coming out of Germany

Germany's top court ruled on Wednesday that the country's election law is unconstitutional, leaving Europe's biggest economy with no valid rules on how to distribute seats in the Bundestag lower house just over a year before the next vote.

The Karlsruhe-based Constitutional Court upheld a case brought by the opposition Social Democrats (SPD), the Greens and more than over 3,000 citizens against the law, which was altered by Chancellor Angela Merkel's center-right coalition last year.

Germany's complex system, which can end up creating extra or "overhang" parliamentary seats that benefit the bigger parties, breaches citizens' rights to take part in direct, free and equal elections as enshrined in the constitution, the court said.

Merkel's government, preoccupied with trying to stem the euro zone debt crisis, **now has to come up with a new law by autumn 2013, when the next federal election is due.**

http://www.chicagotribune.com/news/sns-rt-us-germany-election-courtbre86o0w8-20120725,0,2079941.story

Europe is imploding and Spain is so desperate for cash that its Finance Minster flew to Germany to meet in private with German officials, begging for €300 billion… and Germany won't vote to even *ratify* the ESM, let alone raise capital for it until September 12!?!?

On top of this, Germany suddenly decided that its election process is unconstitutional and needs to be revised? Why now? Aren't there more pressing issues such as the implosion of the European banking system? (remember, Germany has already created a firewall around its own banks… read the former issue titled, *Germany: The Smoking Gun*)

To me the message is clear, Germany is going to do all it can to appear ready to help, but it will forestall any actual helping, especially if it involves increasing Germany's exposure to the PIIGS (note: Merkel stated that there would never be Euro-bonds for as long as she lived).

This is not political posturing. Germany has already brought its own solvency into question (see the Moody's warning) by propping up the EU. **Angela Merkel is not going to lose Germany's AAA status the year before she's up for re-election.**

So don't count on Germany to come to save the day.

Don't count on the Fed either.

Last issue I explained in clear monetary terms why the Fed cannot just hit "print" to save the financial system. Many of you wrote in questioning this so I'm going to review this situation again. Try not to think in terms of beliefs or what you *think should* happen, but in terms of reality of the banking system.

Let's say the Fed just hits "print" and prints TRILLIONS of dollars to monetize everything under the sun. If this happens then the bond market will implode taking down the US financial system with it (85% of the $224 trillion in derivatives sitting on US bank balance sheets are related to interest rates).

Moreover, it's not as though "printing" solves a solvency crisis. Instead it results in a loss of faith in the underlying currency, which causes hyperinflation (this is exactly what happened in Weimar). Most people forget that hyperinflation is the SAME as defaulting: in both situations the underlying currency becomes worth much less if not worthless.

So printing is ultimately a useless concept. But what about debt monetization? Couldn't the Fed just print tons of money to buy Treasuries and other debt instruments?

Doing this *pulls* collateral out of the system. The top four banks in the US (JP Morgan, Goldman Sachs, Bank of America, and Citirgroup) **only have $7.12 trillion in assets backstopping over $200 TRILLION in derivatives.**

When the Fed "monetizes" debt it is in fact *pulling* collateral out of the system (swapping out Treasuries and other assets for cash). With over $224 TRILLION in derivatives outstanding this is the LAST thing the Fed wants.

Indeed, Bernanke has all but admitted this recently, saying "I assume there is a theoretical limit on QE as the Fed can only buy TSYs and Agencies… **If the Fed owned too much TSYs and Agencies it would hurt the market.**"

Why would it *hurt* the market? Because the market NEEDS collateral. And QE takes collateral out of the system.

Trust me… Bernanke *knows* about the collateral situation in the financial system. This is why he propped up the four TBTFs as well as Fannie/ Freddie and AIG while letting just about everyone else go under: if these firms collapsed it would implode the system.

Now, about the Bernanke Put.

Many people believe that because Bernanke once talked about dropping money out of helicopters to fight deflation that he literally meant that he would do this if push came to shove. He didn't. The whole thing was a bluff meant to prop up the markets: the famed Bernanke Put.

Truth be told, this bluff is probably the smartest thing Bernanke ever did. By threatening to leave a paperweight on the "print" button, he convinced the market and all of Wall Street that the Fed would always be there to step in and save the day.

However, Bernanke knows fully well that this is impossible. Consider that as early as 1998, soon to be chairperson of the Commodity Futures Trading Commission (CFTC), Brooksley Born, approached Alan Greenspan, Bob Rubin, and Larry Summers (the three heads of economic policy) about derivatives.

Born said she thought derivatives should be reined in and regulated because they were getting too out of control. The response from Greenspan and company was that if she pushed for regulation that the market would **"implode."**

Greenspan knew this back in 1998. You can bet your bottom Dollar Bernanke does too. He even admitted it, saying, "**If the Fed owned too much TSYs and Agencies it would hurt the market.**"

So the Bernanke Put is a lie. The markets will be realizing this in the coming months.

Having said all of that, let's take a look at what the markets are telling us today.

We're going to go in order of ugliness:

First is Spain, which is about to enter a full-scale collapse:

We've already seen some good gains here, let's go short again.

Action to Take: Short the Spain ETF (EWP)

Italy will be right behind it:

Action to Take: Short the Italy ETF (EWI)

Then France:

Action to Take: Short the France ETF (EWQ)

You're probably thinking, "why are we shorting Spain and Italy again… didn't we just close those positions?"

The answer is that we closed those positions because I was very concerned we'd potentially see a snap-back rally in Spain and Italy when I heard Spain's Finance Minister was flying to Germany. However, this no longer looks to be the case. Instead it looks as though we're going lower a lot sooner than I thought.

As for the emerging markets, China looks to have *just* broken out of its massive triangle pattern to the downside. I'd expect FXI to be in 20s sometime this fall:

Brazil: we were early, but buckle up, the fireworks are about to begin!

Russia: ditto.

Finally, the Emerging Markets ETF (EEM) will collapse, though a little later than China or Brazil or Russia.

What about the US? Many of you have written me asking when the market collapse I keep forecasting is going to occur. The answer is that it is already in process in Europe and will soon spread to the Emerging Markets. Indeed, when you price the Emerging Markets ETF (EEM) via the S&P 500 it is clear we're entering a prolonged period in which the US will dramatically outperform the Emerging Markets.

The above chart is one of my favorites for gauging how Emerging Markets are moving relative to the US. When the chart rallies, then Emerging Markets are outperforming the S&P 500. When the chart falls, the S&P 500 is outperforming the Emerging Markets.

As you can see, we've *just* broken a near decade long trendline. What comes next will NOT be pretty. However, of the global markets in general, the US, being the most liquid and transparent will perform best. This is why we shorted emerging markets before we shorted US indexes.

However, it's now getting to be time to short the US. In terms of specific US plays, the Russell 2000 looks primed to drop first:

Action to Take: Buy the UltraShort Russell 2000 ETF (TWM)

I also get the feeling the S&P 500 is ready to take a tumble:

Action to Take: Buy the UltraShort S&P 500 ETF (SDS)

Regarding individual sectors, I would look to short Retail companies:

I'd do this with the UltraShort Consumer Goods ETF (SZK).

Action to Take: Buy the UltraShort Consumer Goods ETF (SZK).

On a slightly different note, many of you have written in to me with questions about your portfolios and asking for individual preparation plans for what's coming.

Because of these unique circumstances I'm going to make myself available for private consultations and strategy sessions to help you get through this. I realize a lot of what I've been writing is very frightening. I'm here to help you in whatever way you need whether it be answering questions or helping you devise specific strategies based on your particular needs.

So if you have any interest in setting up a consultation session with me, contact our Director of Operations, Dr. Tejada at tejada@phoenixcapitalresearch.com and we'll line something up.

This concludes this week's issue of ***Private Wealth Advisory***. I'm watching the markets closely and will issue updates as needed. Otherwise, you'll next hear from me on August 8th.

Until then…

Best Regards,

Graham Summers

Watch List (Positions we are close to opening)

Investment	**Symbol**
JP Morgan (SHORT)	JPM
Bank of America (SHORT)	BAC
Conoco Phillips (SHORT)	COP
Exxon Mobil (SHORT)	XOM
Total SA (SHORT)	TOT
British Petroleum (SHORT)	BP
Apple	AAPL

OPEN POSITIONS

Inflation Portfolio (OPEN BUYS NOW)

Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Gold bullion	N/A	3/17/10	$1,120	$1,571.00	40%
Silver bullion	N/A	3/17/10	$17.50	$26.92	54%
Centamin Mining	CEE.TO	5/25/11	$2.01	$1.08	-46%

Deflation Portfolio (OPEN BUYS NOW)

Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Dollar ETF	UUP	5/23/11	$21.79	$22.98	5%
Rydex Strengthening Dollar 2x Strategy	RYSDX	12/14/11	$14.39	$14.91	4%
HSBC* (short)	HBC	12/14/11	$37.07	$40.11	-1%
UltraShort Gold ETF**	GLL	12/14/11	$19.61	$17.49	-11%
UltraShort Brazil+	BZQ	5/23/12	$85.47	$85.31	0%
UltraShort Emerging Markets++	EEV	5/23/12	$31.33	$31.09	-1%
Rogers Agricultural Index (SHORT)+++	RJA	6/12/12	$8.79	$9.73	-10%
UltraShort Euro ETF	EUO	6/25/12	$21.45	$22.61	5%
EU Financials ETF (SHORT)	EUFN	6/25/12	$14.59	$13.84	5%
UltraShort China ETF++++	FXP	6/25/12	$28.97	$28.97	0%
Russia ETF (SHORT)	TRF	6/25/12	$13.21	$13.59	-3%
Goldman Sachs (SHORT)	GS	6/25/12	$91.22	$95.96	-5%
Citigroup (SHORT)	C	7/11/12	$25.87	$25.79	0%
Spain ETF (SHORT)	EWP	7/25/12	$20.15	NEW	SHORT!
Italy ETF (SHORT)	EWI	7/25/12	$9.49	NEW	SHORT!
France ETF (SHORT)	EWQ	7/25/12	$18.18	NEW	SHORT!
UltraShort Russell 2000 ETF	TWM	7/25/12	$32.51	NEW	BUY!
UltraShort S&P 500	SDS	7/25/12	$16.09	NEW	BUY!
UltraShort Consumer Goods	SZK	7/25/12	$18.24	NEW	BUY!

- **Opened 12/14/11 at 11:13AM, averaged in second prices on 1/27/12**

**** Opened 12/14/11 at $19.76 averaged in second price of $19.46 on 5/23/12 at 11:50AM**

+ Averaged in second price of $78.31 on July 5 2012 at 10:57AM

++ Averaged in second price of $28.24 on July 5 2012 at 10:57AM

+++ Averaged in second price of $9.39 on July 5 2012 at 10:57AM

++++ Averaged in second price of $26.77 on July 5 2012 at 10:57AM

RECENTLY CLOSED TRADES							
Investment	**Symbol**	**Buy Date**	**Buy Price**	**Avg. Price**	**Sell Date**	**Sell Price**	**Gain**
Deutsche Bank (SHORT)	DB	6/25/12	$34.23		7/13/12	$31.38	**9%**
Santander (SHORT)	SAN	5/30/12	$5.25	$5.77	7/20/12	$5.20	**11%**
Average In		7/9/12	$6.29				
Spain ETF (SHORT)	EWP	6/12/12	$23.28		7/20/12	$21.39	**9%**
Italy ETF (SHORT)	EWI	7/11/12	$10.61		7/23/12	$9.52	**11%**
Credit Suisse (SHORT)	CS	6/25/12	$18.09		7/23/12	$16.46	**10%**
UBS (SHORT)	UBS	7/11/12	$10.79		7/23/12	$9.90	**9%**
Barclays (SHORT)	BCS	7/11/12	$10.25		7/24/12	$9.42	**9%**
Societe General (Short)	SCGLY.PK	5/16/12	$4.00		7/24/12	$3.64	**9%**

Previous Closed Positions

Investment	Symbol	Buy Date	Buy Price	Avg. buy price	Sell Date	Sell Price	Gain
UltraShort Euro ETF	EUO	7/28/11	$17.32		9/12/11	$18.87	9%
UltraShort China ETF	FXP	8/9/11	$36.58	$34.63	9/21/11	$37.60	9%
(Added to)		9/2/11	$32.68				
UltraShort Emerging Markets ETF	EEV	8/9/11	$40.30	$37.27	9/21/11	$39.60	6%
(Added to)		9/2/11	$34.23				
UltraShort Brazil ETF	BZQ	8/9/11	$23.40	$20.72	9/21/11	$21.90	6%
(Added to)		9/2/11	$18.03				
IamGold	IAG	5/25/11	$20.95		9/21/11	$23.10	10%
UltraShort Russell 2000 ETF	TWM	8/9/11	$62.75	$57.36	9/22/11	$58.79	2%
(Added to)		9/2/11	$51.97				
UltraShort Real Estate ETF	SRS	8/9/11	$19.50	$17.31	9/22/11	$17.33	0%
(Added to)		9/2/11	$15.11				
UltraShort Financials ETF	SKF	8/9/11	$88.73	$82.59	9/22/11	$87.63	6%
(Added to)		9/2/11	$76.44				
UltraShort China ETF	FXP	9/28/11	$41.04		9/30/11	$45.02	10%
UltraShort Emerging Markets ETF	EEV	9/28/11	$42.90		9/30/11	$46.00	7%
UltraShort Brazil ETF	BZQ	9/28/11	$24.07		9/30/11	$26.28	9%
Bank of American (Short)	BAC	9/28/11	$6.46		10/3/11	$6.06	6%
Citigroup (Short)	C	9/28/11	$26.84		10/3/11	$24.90	7%
Goldman Sachs (Short)	GS	9/28/11	$98.97		10/3/11	$93.60	5%
JP Morgan (Short)	JPM	9/28/11	$31.64		10/3/11	$30.19	5%
Bank of America (Short)*	BAC	11/1/11	$6.48		11/14/11	$6.09	6%
Citigroup (short)*	C	11/1/11	$29.19		11/16/11	$27.46	6%

Goldman Sachs (Short)*	GS	11/1/11	$106.64		11/14/11	$98.73	8%
JP Morgan (Short)	JPM	11/1/11	$32.65		11/17/11	$30.84	6%
Deutsche Bank (Short)*	DB	11/1/11	$37.45		11/21/11	$34.90	7%
Santander (Short)*	STD	11/1/11	$7.91		11/17/11	$7.32	8%
HSBC (Short)*	HBC	11/1/11	$42.03		11/16/11	$38.95	8%
UltraShort Emerging Markets ETF*	EEV	11/1/11	$34.78		11/21/11	$38.12	10%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/21/11	$44.03	10%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/21/11	$71.41	10%
UltraShort Emerging Markets ETF*	EEV	11/1/11	$34.78		11/23/11	$39.50	14%
UltraShort Brazil ETF*	BZQ	11/1/11	$19.04		11/23/11	$21.37	12%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/23/11	$46.04	15%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/23/11	$75.23	16%
UltraShort Brazil ETF*	BZQ	11/1/11	$19.04		11/25/11	$22.40	18%
UltraShort Real Estate ETF*	SRS	11/1/11	$40.09		11/29/11	$44.45	11%
UltraShort Financials ETF*	SKF	11/1/11	$65.13		11/29/11	$71.47	10%
UltraShort Emerging Markets ETF*	EEV	1/1/11	$34.78		12/14/11	$37.16	7%
Ultrashort Silver ETF	ZSL	12/14/11	$15.57		12/28/11	$17.60	13%
UltraShort Euro ETF	EUO	9/12/11	$19.13		1/5/12	$20.80	9%
Ultrashort Silver ETF	ZSL	3/6/12	$10.27		3/15/12	$10.75	5%
MSCI Euro Financial Fund (Short)	EUFN	3/21/12	$18.37		3/29/12	$17.48	5%
BNP Paribas (Short)	BNPQY.PK	3/21/12	$24.99		3/29/12	$23.70	5%
Societe General (Short)	SCGLY.PK	3/21/12	$6.34		3/29/12	$5.83	9%
Credit Agricole (Short)	CRARY.PK	3/21/12	$3.27		3/29/12	$3.08	6%

Societe General (Short)	SCGLY. PK	3/21/12	$6.34		4/2/12	$5.64	12%
Credit Agricole (Short)	CRARY. PK	3/21/12	$3.27		4/2/12	$2.97	10%
MSCI Euro Financial Fund (Short)	EUFN	3/21/12	$18.37		4/3/12	$17.34	6%
BNP Paribas (Short)	BNPQY. PK	3/21/12	$24.99		4/3/12	$22.78	10%
Santander (Short)	STD	12/14/11	$7.11	$7.63	4/4/12	$7.21	6%
(Added to)		1/27/12	$8.15				
BNP Paribas (Short)	BNPQY. PK	4/13/12	$19.96		4/23/12	$18.73	6%
Societe General (Short)	SCGLY. PK	4/13/12	$4.67		4/23/12	$4.38	6%
Credit Agricole (Short)	CRARY. PK	4/13/12	$2.55		4/23/12	$2.33	9%
UltraShort Brazil ETF	BZQ	5/2/12	$16.26		5/10/12	$17.85	10%
Deutsche Bank (Short)	DB	12/14/11	$35.33	$39.89	5/15/12	$37.24	7%
(Added to)		1/27/12	$44.44				
Santander (Short)	STD	4/13/12	$6.44		5/15/12	$5.85	9%
MSCI Euro Financial Fund (Short)	EUFN	4/13/12	$16.19			$14.88	8%
UltraShort China ETF*	FXP	11/1/12	$32.64	$27.93	5/17/12	$30.89	11%
(Added to)		1/27/12	$23.22				
UltraShort Materials ETF*	SMN	11/1/12	$20.23	$17.48	5/17/12	$19.00	9%
(Added to)		1/27/12	$14.73				
Barclays (Short)	BCS	12/14/11	$10.65	$12.37	5/18/12	$11.28	10%
(Added to)		1/27/12	$14.09				
UltraShort Russell 2000 ETF	TWM	5/16/12	$33.53		5/21/12	$34.88	4%
Spain iShares (Short)	EWP	5/2/12	$25.16		5/21/12	$23.56	6%
UltraShort Euro ETF	EUO	1/27/12	$19.78		5/23/12	$21.32	8%
Banco Sabadell (Short)**	SAB.MC	5/16/12	$1.55		5/29/12	$1.34	14%
Banco Popular (Short)**	POP.MC	5/16/12	$2.00		5/29/12	$1.63	19%
BNP Paribas	BNPQY.	5/16/12	$16.59		5/30/12	$15.51	7%

(Short)***	PK						
Credit Agricole (Short)***	CRARY. PK	5/16/12	$1.90		5/30/12	$1.76	7%
National Bank of Greece (Short)	NBG	5/16/12	$1.55		5/30/12	$1.45	6%
Credit Suisse (Short)	CS	5/30/12	$19.34		6/14/12	$18.02	7%
PowerShares Double Short Oil	DTO	6/12/12	$53.78		6/21/12	$58.93	10%
Junior Gold Miners ETF	GDXJ	6/12/12	$21.10		6/21/12	$19.52	8%