Private Wealth Advisory

A Phoenix Capital Research Publication September 5, 2012

China, the US, and the EU

Short-Term Trends
-Nothing has changed.
-Set your calendars for September fireworks.

Intermediate Trends
-Grexit, systemic risk to break up the EU before the summer's end.
-US Dollar rally and stock/commodity collapse.
-Massive moves coming in agricultural commodities based on crop shortages

Long-Term Trends
-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

Let's start with China.

I've been skeptical about China for some time. While I do believe China has made some serious economic progress as a country, I remain thoroughly convinced that ultimately its economic "miracle" will be much like that of the Soviet Union powerhouse in the late 20s: apparently awesome in scope at the time, but a total fraud after the fact.

For one thing, China remains a control economy. There is no history that I know of in which a controlled economy works. The primary drivers of macro-economic growth are innovation, technological adaptation, and increased efficiency.

In order to have this, you need to have rule of law, strong education, openness to trade, and quality institutions to establish credibility and uphold the rule of law.

China is big on trade and education, but sorely lacking on quality institutions and rule of law. Just a few of the more glaring items include:

1) China's obviously fraudulent economic data.
2) Rampant corruption of Chinese Government officials (no rule of law).
3) A lack of individual rights for Chinese citizens (again no rule of law)
4) A total lack of credible institutions to maintain accounting standards, quality control, protection of Intellectual Property, and the like.

One could easily argue that the US suffers from some of these issues (indeed, every country in the world does). However, the US remains, for the most part, a dynamic and open economy with semi-credible institutions and which generally upholds the rule of law (I remain convinced that those who committed fraud and broke the law leading up to the Financial Crisis and since then will eventually be brought to justice).

China on the other hand experiences corruption on a scale that is truly staggering to understand. More importantly, the corruption is deeply intertwined with the economic growth story itself.

Consider the following story I recently came across.

The Chinese Government wanted to build a bridge in one of its many rural provinces. However, the retired government officials (who happened to reside in the best real estate over looking the area in question) complained that doing this would *block their view*. So the Government… built a far more expensive tunnel instead. It boosted GDP, kept the officials happy, but made absolutely no sense what-so-ever.

A few other items of note:

1) In 2010 alone, 146,000 cases of corruption were launched in China (that's 400 PER DAY).
2) How much these officials stole is unknown. But… of the 14 cases that were *actually reported* in the Chinese media, the average amount stolen was 18 MILLION RMB (for perspective, the average college graduate in China earns 2,500 RMB *per year*).

Now, no one knows how much money the 146,000 officials stole in 2010, but one report that *was* verified stated that just 29 officials were caught stealing 647.18 million RMB that year. Between that figure and the average theft of 18 million RMB the media reports, it's safe to assume that the 146,000 officials engaged in corruption probably stole a staggering amount of loot.

How staggering? Well let's look to history:

Between 1991-2011, it's estimated that between 16,000-18,000 Chinese officials *fled* China taking 800 BILLION RMB (roughly $125 BILLION) with them. **Bear in mind China's entire GDP was just 2.1 trillion RMB in 1991.**

With this kind of insane corruption combined with a desire to maintain ridiculous GDP numbers at all costs, quality goes right out the window. Case in point, it's estimated that on average *bribes* comprise 5-10% of a given project's costs in China today.

Let me say that again… if you are proposing a construction project in China, on average you'll need to allocate 5-10% of your costs towards *bribing officials*.

Small wonder then that many of the "projects" behind China's growth "miracle" are falling to pieces… literally.

Collapse of New Bridge Underscores Worries About China Infrastructure

One of the longest bridges in northern China collapsed on Friday, just nine months after it opened, **setting off a storm of criticism from Chinese Internet users and underscoring questions about the quality of construction in the country's rapid expansion of its infrastructure.**

A nearly 330-foot-long section of a ramp of the eight-lane Yangmingtan Bridge in the city of Harbin dropped 100 feet to the ground. Four trucks plummeted with it, resulting in three deaths and five injuries.

The 9.6-mile bridge is one of three built over the Songhua River in that area in the past four years. **China's economic stimulus program in 2009 and 2010 helped the country avoid most of the effects of the global economic downturn, but involved incurring heavy debt to pay for the rapid construction of new bridges, highways and high-speed rail lines all over the country.**

Questions about the materials used during the construction and whether the projects were properly engineered have been the subject of national debate ever since a high-**speed train plowed into the back of a stopped train on the same track on July 23 last year in the eastern city of Wenzhou. The crash killed 40 people and injured 191; a subsequent investigation blamed in particular flaws in the design of the signaling equipment.**

http://www.nytimes.com/2012/08/25/world/asia/collapse-of-new-bridge-underscores-chinas-infrastructure-concerns.html

True, the US suffered a bridge collapse a few years back, but in China these kinds of disasters are far more commonplace than you would imagine.

Spate of bridge collapses trouble Chinese netizens

After three large bridges collapse in a single month, Chinese internet users say "I told you so".

A complete section of the Wuyi mountain bridge in Fujian Province collapsed on July 15, killing a bus driver and injuring 22 bus passengers. The following day, gaps appeared in the middle section of the third Qianjiang River Bridge in Hangzhou, injuring a truck driver…

All three bridges were built in the mid-to-late 1990s. The Qianjiang bridge in Hangzhou was refurbished in 2005, but minutes from a meeting of the local transportation bureau showed that an incorrect ratio of sand to concrete was used in the maintenance, according to the China Daily newspaper.

> Internet users predicted the collapse of the Qianjiang bridge several years ago. As early as 2007, posts on popular internet forum Tianya pointed out that the ratio of sand to concrete used to build the bridge was incorrect, according to the Beijing News. Other posts to the forum pointed out that the bridge was built by the same company responsible for a collapsed bridge in Hunan province, and advised drivers to avoid crossing the bridge.
>
> Low quality infrastructure may be caused by corruption amongst officials responsible for overseeing construction projects. **The China Daily reports that Zhao Zhanqi, an official responsible for the Qianjiang bridge project, was sentence to life in jail in 2007 for taking over 6 million yuan in bribes during the bidding for the bridge project and during its construction.**
>
> The world's longest ocean bridge, spanning 23 miles, opened in Qingdao, Shandong province last month. Chinese internet users soon complained about the rushed construction of the bridge, after pictures of easily loosened bolts and incomplete safety rails along the bridge were posted online. Last year a bridge in Henan province collapsed, killing 37 people.
>
> The frequency of bridge collapses in China leads to an attitude of cynicism among some sections of the public. "If the bridges didn't collapse, how else could we rebuild them and boost our GDP?", wrote one commentator on Chinese news website Caixin.
>
> http://asiancorrespondent.com/60253/shoddy-bridges-trouble-chinese-netizens/

For those of you who glossed over that article, the key point is this: **three major bridges collapsed in a *single month* in China. The reason? Shoddy construction courtesy of bribed officials.**

My point with all of this is that the China growth story has been dramatically overhyped in the Western media. So with that in mind, we have to consider what impact this realization would have on the capital markets.

Put another way, imagine if the world found out that China's growth and recovery post 2008 were largely based on fraudulent data and garbage development projects fueled by easy money and rampant corruption on the part of Chinese officials?

Imagine a world in which the China "miracle" turns out to be the China "lie"? The bulls and those desperate to claim that the world is in great shape would lose one of, if not *the* key pillars of their a growth rgument.

Indeed, by some measures China is considered the engine for the post-2008 recovery. So if this engine turns out to be not only sputtering, but broken…

China’s steel mills braced for slowdown

Chinese steel traders are short on good news these days. Prices for steel are falling, demand is poor, loans are hard to come by, and no relief is in sight.

“There is just no demand,” says one trader in the town of Tangshan. “It’s much worse than [the last downturn] in 2008. I**n 2008 at least you had buyers talking to you. Not any more.”**

The collapse of China’s steel market has reverberated around the world: benchmark prices for iron ore, a key steelmaking ingredient, have dropped to three-year lows of $89 a tonne, down 24 per cent in the past month alone. China accounts for about 60 per cent of global imports of iron ore, a market worth more than $100bn annually worldwide and one that is essential for the profits of global mining houses such as BHP Billiton, Rio Tinto and Vale of Brazil.

http://www.ft.com/cms/s/0/0db84534-f691-11e1-9dff-00144feabdc0.html#ixzz25cn4xBrh

So… unlike in 2008, steel traders in China find people are not even *talking* to them. We see similar signs of a collapse in China in the form of iron ore prices, retail sales, oil demand, and on and on.

My point with all of this is that China is no longer going to be an engine for economic growth. Indeed, the Chinese stock market has *just* broken the trendline that has supported it from the 2008 lows, indicating that the bull market is OVER:

And this time around, China cannot swamp its economy with liquidity as food prices are already at record highs (roughly 30% of China lives off $2 a day or less). Indeed, I do not think it's coincidence that the Chinese stock market peaked out and began to crater right around the time agricultural commodity prices shot up:

So… China is entering a hard landing and cannot hit print to save the day as it's already facing massive food inflation. So there goes *that* engine for global growth.

What about the US?

By all counts, the latest ISM (a measure of manufacturing in the US) was a complete and total disaster. In August the ISM hit 49. Anything below 50 is considered a recessionary rating.

However, things are even worse below the surface. The ISM is made up of several components. Its Production component is back to **May 2009 levels**. The New Orders component is back to **April 2009 levels**.

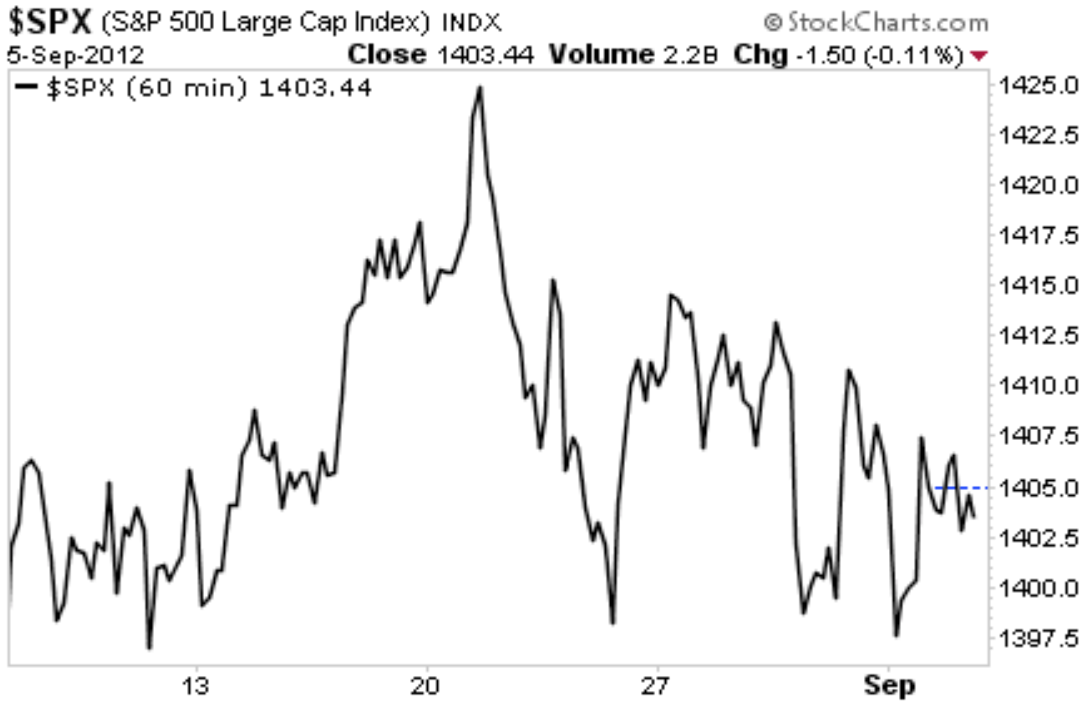
And worse of all, Prices Paid is up to 54, up from a reading of *just 39* in July.

In simple terms this tells us that inflation is hitting "lift off" in the US at the very same time that we are entering a recession **<u>that could be on par with that of 2008</u>**. And with corn and soybean prices at or near record highs, we could be on the verge of a stagflationary disaster combined with a food crisis at the very same time.

We get additional confirmation of a major economic contraction from corporate earnings. Recently we've seen earnings forecast cuts from Fed Ex, Bed Bath and Beyond, Proctor and Gamble, Adobe, Starbucks, McDonald's and more. Indeed, when you remove financials, S&P 500 earnings FELL year over year for 2Q12.

This is hardly indicative of a strong economy. The fact a record number of Americans are on food stamps doesn't bode well either. And the Rasmussen Employment Index indicates worker confidence is at levels not seen since the FALL OF 2008!

On that note, despite moving this way and that in violent swings, the S&P 500 ended August barely positive. The reason for this back and forth? The market is veering between realizing the economic realities and hoping for more QE from the Fed.



From a larger picture perspective, we've yet to take out the March 2012 highs on a daily closing basis. In fact, we're now forming a wedge that could result in a rather nasty breakdown if we take out 1,398 on a daily basis with conviction:

Bear in mind, the only reason we're where we are today is based on hopes of QE. Take out the QE punchbowl and the business cycle/ bonds suggest we'd be closer to 1,000 on the S&P 500.

We've also got key divergences in the form of the Russell 2000 vs the S&P 500:

Speaking of divergences, the Dow has a non-confirmation of its recent move via the Transportation index severely lagging in performance:

Finally, an interesting chart worth considering is that of Tiffany's vs Wal-Mart.

I like to use Tiffany's as a gauge for idiotic spending (their jewelry is overpriced to say the least). You can literally see the peak of the alleged "recovery" in the US slamming against a wall in mid-2011 roughly when QE 1 ended and before QE 2 started (right around the time that people began to figure out that the Fed really didn't have the answers and that the economy wasn't actually improving).

In contrast, Wal-Mart, which I consider *the* recession stock to watch has exploded in 2012, a beautiful indicator that things have gotten much, much worse in the US, despite what the nonsensical government GDP and unemployment data claims.

So that's China and the US in recession or worse. What about Europe?

The world continues to believe that Europe is somehow savable. The reality is Europe is in worse shape than most people can imagine. Case in point, Spaniards took €75 billion out of Spanish banks in July. Why is this a big deal? The entire Spanish banking system's market cap is just €114 billion!!!!

> **Fears Rising, Spaniards Pull Out Their Cash and Get Out of Spain**
>
> **In July, Spaniards withdrew a record 75 billion euros, or $94 billion, from their banks** — an amount equal to 7 percent of the country's overall economic output — as doubts grew about the durability of Spain's financial system.

> The withdrawals accelerated a trend that began in the middle of last year, and came despite a European commitment to pump up to 100 billion euros into the Spanish banking system. Analysts will be watching to see whether the August data, when available, shows an even faster rate of capital flight.
>
> More disturbing for Spain is that the flight is starting to include members of its educated and entrepreneurial elite who are fed up with the lack of job opportunities in a country where the unemployment rate touches 25 percent.
>
> **According to official statistics, 30,000 Spaniards registered to work in Britain in the last year, and analysts say that this figure would be many multiples higher if workers without documents were counted. That is a 25 percent increase from a year earlier**.
>
> http://www.cnbc.com/id/48889555

As I've stated many times before, Spain is an absolute disaster. The Prime Minister denied needing a bailout for weeks, then demanded €100 billion in one week, procured the funds and went to see a soccer match (no joke).

Now he's openly threatening the ECB. Not a good idea when your entire banking system is on life support to the tune of €300 billion+ from the ECB.

> **Spanish PM Rajoy challenges the European central bank and Germany**
>
> Spain will consider seeking extra aid from Europe on top of a 100 billion Euro rescue of its financial sector but does not see any need for new conditions, Prime Minister Mariano Rajoy said in an interview published in European newspapers.
>
> http://en.mercopress.com/2012/09/03/spanish-pm-rajoy-challenges-the-european-central-bank-and-germany

That one paragraph says it all: give me more money with no conditions.

This is coming from a man who demands €100 billion in bailout funds, threatens to blow up the EU, and then goes to watch a soccer match once he's got the money.

However, in some ways you can't blame Rajoy for this attitude as it appears to be endemic for Spanish politicians:

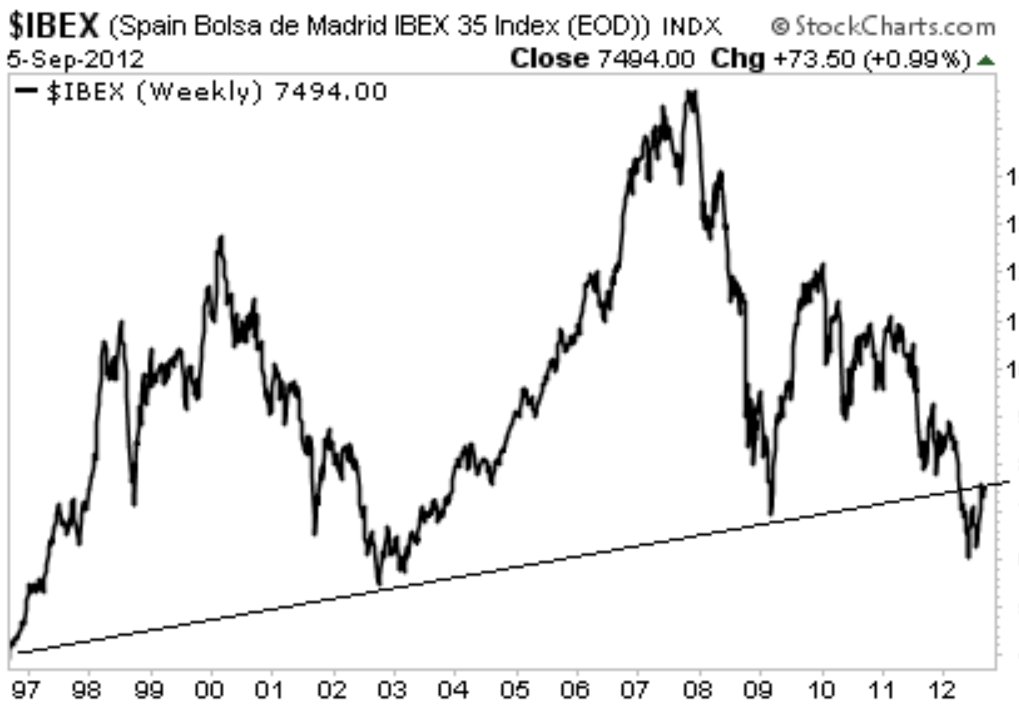
> **Catalonia asks for €5bn bailout from Spain**
>
> Spain's north-eastern region of Catalonia, which represents around a fifth of the country's economic output, will tap a state liquidity facility for just over €5bn, a spokeswoman for the region's economy head has said.

> **We will not accept political conditions for the aid," she added.** Of Spain's 17 regions, Valencia and Murcia have also said they would need recourse to the fund.
>
> http://www.telegraph.co.uk/finance/financialcrisis/9503633/Catalonia-asks-for-5bn-bailout-from-Spain.html

Again, give me more money with no conditions. Simply incredible.

I don't want to go over my whole argument for why Spain will take down the EU. For those of you who missed it, please see the former issues ***Why You Cannot Just Hit Print***.

The markets know Spain is done. That's why the Ibex, despite a short-selling ban, has slammed up against resistance and is now set for a REAL collapse (as I've noted many times before, most break-downs follow a pattern of 1) the initial drop, 2) the re-test/ bounce, and 3) the REAL collapse).



I expect this market to be sub-600 before November. If things get especially nasty a la 2008, we could even go to 4,000 with little trouble.

This is THE chart to watch for clues of where the world is going. No matter what the ECB or various EU politicians say, unless the Ibex can reclaim its bullish trendline, then Spain is collapsing and taking the rest of the EU with it (unless the EU gets broken up before then).

Again, I want to stress this, almost no one understands how bad things are in Spain. Imagine a banking system imploding at the same time that a country is facing a sovereign and regional debt crisis.

So, given that things are so horrific in Spain, why has it not blown up yet? The simple answer lies in the power of short-covering. Spain has banned short selling. That combined with a monumental amount of mis-guided hopes that Mario Draghi will wave a magic wand and Spain's problems will disappear have resulted in a *massive* rally in Spanish stocks.

As a quick question, let me ask you, where would you rather put your money, Spain or Germany?

Germany hands down.

So why has Spain's bank Santander crushed Deutsche Bank in share performance since this rally began?

Short-covering and hope. Neither of those end nicely.

That's Spain. I have no doubt it's going the way of Greece if not worse. By the way, Spain, Italy and Greece have placed limits on cash transactions. And Germany, France, Poland and Spain are contemplating implementing border controls. Oh and the UK has announced provisions for literally helping Brits flee the EU when the system fails (ATMs don't work, etc).

But don't worry, Europe is in good shape. Never mind that it probably entered a recession last quarter. And forget that Germany's PMI (a measure of economic strength) just hit its lowest levels since **June 2009**. Mario Draghi will SAVE THE DAY!

So, that's China, the US, and Europe in recession if not worse. **Combined these three regions account for 55% of global GDP.**

I will be blunt with all of you, things are about to get very, very bad. I've been warning that Europe would implode for months. However, I clearly underestimated the degree of insanity EU leaders were capable of. If you had told me that the capital markets would stage a huge relief rally on a man comparing a currency to a bumblebee a year ago, I would have laughed.

But it happened. That's the level of insanity Europe has attained: talk of bumblebees and promises from Central Bankers somehow trump math and funding requirements.

History will not be kind in its writing of this period.

Elsewhere in the world, Gold and Silver have finally answered the question: up or down? The answer is up.

From a macro perspective, this move is most likely based on investors fleeing the Euro and other paper currencies for precious metals. Put another way, I do not see this move based on money printing or more Central Bank intervention (the Fed's balance sheet is $32 billion smaller now than last year and the ECB's just announced plan is a total dud that doesn't involve actual money printing).

Put another way, the next round of the bull market in precious metals is likely here. And this move will be based on investors moving into the sector as an alternative to stocks, cash, and the like.

With that in mind, I'm openly admitting I was wrong in my forecast of shorting Gold. So we're covering our Gold short.

Action to Take: Sell the UltraShort Gold ETF (GLL)

This makes two losses in 13 months' time. I hate losses. I don't plan on us having more in the future either.

To summate, we now have clear signals that the world economy is entering a recession that will likely be as bad as 20008 if not worse. Add to this potential food shortages courtesy of the US drought, a banking system implosion that will spread from Spain throughout Europe, China's hard landing, *and* a potential conflict in Iran and we've got no shortages of reasons to be worried about what's coming.

This is why I've positioned our portfolio the way I have. It's also why I remain so bearish in spite of the large move in stocks.

I realize that this has been a rough summer for us. Heck, the S&P 500 traded between 1425 and 1397 for a month only to end the August essentially break even! That's not any easy ride for anyone.

However, all signs indicate that the Crisis I initially forecast to hit in May-June is about to begin. Why was I so early? Because I underestimated the sheer insanity of what EU politicians would try to pull. Again, the world issued a collective sigh based on the ECB talking about a bumblebee!

It's mind-blowing.

However, in the end, nothing has changed. Europe doesn't have the funds to save itself. The Fed cannot save the day. And the world economy is fast slowing. Those are the facts we need to keep in mind, no matter how many verbal interventions Central bankers make.

I'll post alerts as needed in the coming weeks. But I full expect that by the next issue of ***Private Wealth Advisory*** the break-down will have officially begun.

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	$1,662.00	48%
Silver bullion	N/A	3/17/10	$17.50	$30.10	72%
Centamin Mining	CEE.TO	5/25/11	$2.01	$1.20	-40%

Deflation Portfolio (OPEN BUYS NOW)					
Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Dollar ETF	UUP	5/23/11	$21.79	$22.31	2%
Rydex Dollar 2x Strategy	RYSDX	12/14/11	$14.39	$13.90	-3%
HSBC* (short)	HBC	12/14/11	$37.07	$43.08	-8%
UltraShort Brazil+	BZQ	5/23/12	$85.47	$76.69	-10%
UltraShort Emerging Markets++	EEV	5/23/12	$31.33	$28.73	-8%
UltraShort Euro ETF	EUO	6/25/12	$21.45	$21.01	-2%
EU Financials ETF (SHORT)	EUFN	6/25/12	$14.59	$16.27	-12%
UltraShort China ETF++++	FXP	6/25/12	$28.97	$29.47	2%
Russia ETF (SHORT)	TRF	6/25/12	$13.21	$14.48	-4%
Goldman Sachs (SHORT)	GS	6/25/12	$91.22	$109.94	-21%
Citigroup (SHORT)	C	7/11/12	$25.87	$29.77	-15%
Spain ETF (SHORT)	EWP	7/25/12	$20.15	$26.31	-18%

Italy ETF (SHORT)	EWI	7/25/12	$9.49	$11.75	-13%
France ETF (SHORT)	EWQ	7/25/12	$18.18	$20.66	-7%
UltraShort Russell 2000 ETF	TWM	7/25/12	$32.51	$28.10	-14%
UltraShort S&P 500	SDS	7/25/12	$16.09	$14.45	-10%
UltraShort Consumer Goods	SZK	7/25/12	$18.24	$16.75	-8%
Corn ETF	CORN	8/8/12	$51.61	$50.82	-2%
Credit Suisse (SHORT)	CS	8/22/12	$19.07	$19.24	-1%

- **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 $26.77 on July 5 2012 at 10:57AM

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	12/14/1 1	$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	12/14/1 1	$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	12/14/1 1	$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	EUFN	4/13/12	$16.19			$14.88	8%

(Short)							
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 (Short)***	BNPQY.PK	5/16/12	$16.59		5/30/12	$15.51	7%
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%
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%
Rogers Agricultural ETN	RJA	6/12/12	$8.19	$8.79	8/8/12	$9.80	-10%
			$9.39				
Soybeans ETC	SOYB	8/8/12	$26.03		8/23/12	$27.80	7%
UltraShort Gold	GLL	12/14/11	$19.76	$19.61	9/5/12	$15.58	-21%