Private Wealth Advisory

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Can We Make It To November?

Short-Term Trends
-The inflation trade is in full effect.
-Precious metals and commodities to rally, stocks to likely top out.

Intermediate Trends
-Global economic contraction to accelerate.
-A possible Crisis/Crash event based on any number of issues that are currently in the works.

Long-Term Trends
-Global debt implosion/ higher interest rates.
-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

Looking around the economic and financial world today, I see countless negative developments and virtually no positive developments to speak of.

Just off the cuff, I note that:

- China is entering a hard landing if not an outright economic collapse.
- Europe is facing a recession, banking collapse, sovereign crisis, potential break-up.
- The US is in a stagflationary recession.
- Japan is in a sovereign debt crisis, approaching armed conflict with China
- Inflationary pressures are increasing worldwide: new record food prices will hit within the next 12 months.
- The risk of armed conflict is increasing in the Middle East as well as Asia along with food inflation creating civil unrest/ riots.

Against this backdrop, the one remotely positive development as far as the markets are concerned is the belief that Central banks will somehow solve these problems via endless liquidity.

It's truly astounding. I cannot actually remember a single time in which the global economy and financial system have faced this many difficulties. And that <u>includes</u> the build up to the 2008 Crash.

With that in mind, I'm going to paint the global macro picture in broad strokes before narrowing in on the investment strategies that will profit from this picture.

First off, let's take a look at China.

As you can see, the Chinese stock market is on the verge of breaking its bull market trendline. When this line breaks, China's market will enter a free-fall falling to at least 1,000.

How could China, the alleged economic "miracle" that pulled the world out of recession in 2008, be on the verge of entering a full-scale market collapse?

The answer is simple: China is not an economic *miracle*, it is one massive **Government-sponsored fraud**.

History has shown us countless times that centrally-planned, command style economies do not produce long-term economic growth. We've seen this will the Soviet Union, the UK, the US-since the Tech Crash, and today in China.

I realize that many would argue China has adopted free market policies with its "free market zones." However, even this terminology reveals China is nowhere near a free, dynamic market (a free market is simply a free market, not a "zone.").

Instead, China should be viewed through the lens of rampant corruption, fraud, and insider dealing that has seen a select handful get rich (usually those with close ties to the ruling party) via paper wealth (real estate and stock prices).

First and foremost, no Chinese economic data is even close to accurate. The reason for this, is that unlike the US in which GDP is measured using final sales, China simply counts *any* and all economic production as economic growth.

So, let's say that China built a city. Regardless of whether any of the buildings are ever purchased or leased, China will count the entire city in its GDP growth. As one can imagine, this has highly incentivized China's government to build "bridges to nowhere" or economic projects that are never actually used.

As a result the country is replete with ghost towns…

China's ghost towns and phantom malls

"In Chenggong, there are more than 100,000 new apartments with no occupants," according to the World Bank's Holly Krambeck.

Designed as an overspill point for nearby Kunming, a city of nearly six-and-a-half million, Chenggong began to take shape in 2003.

High-rise apartment blocks have mushroomed but today it is still largely deserted after failed attempts by the authorities to attract new residents.

Matteo Damiani, an Italian journalist who worked for seven years in Kunming, has visited Chenggong several times, photographing empty tower blocks that loom over gigantic plazas, peopled only by enormous works of art.

He found a small community of students, workers and security guards but nobody else.

"The suburbs and even the city centre are empty," he says. "You can find a big stadium, shopping malls and hundreds of buildings finished but abandoned."

There is even an area for luxury villas that is totally abandoned, he adds.

It is said to be one of the biggest ghost cities in Asia.

http://www.bbc.co.uk/news/magazine-19049254

…as well as widespread economic fraud and counterfeiting:

Fraud, Culture and the Law: Can China Change?

Counterfeit goods and scams are used to defraud millions of Chinese daily.

This week alone, the country's state media have reported the arrests of two men for fraud: one a high-profile real estate financier suspected of manipulating bids, the other a sales manager at milk producer Mengniu who reportedly tampered with production dates on milk and yogurt labels.

Those cases follow the announcement earlier this month by police that they had seized more than $182 million in counterfeit pharmaceuticals, including drugs used to treat diabetes and high blood pressure, as part of a nationwide crackdown on fake food and drugs. Drug counterfeiters "are coming up with new schemes, becoming craftier and better able to deceive" police warned in a statement accompanying the news.

The persistence and extent of fraud in China, despite a near constant string of crackdowns and arrests, raises fundamental questions about cultural forces in Chinese society that limit the reach of law…

…**The production of counterfeit cigarettes, for example, has been estimated to reach <u>400 billion cigarettes</u>, although cigarette manufacturing and distribution is supposed to be exclusively state-owned and controlled. One manufacturer reportedly went so far as build a counterfeit cigarette factory in Fujian designed to look like a military compound, including laborers dressed in second-hand military uniforms who conducted false military drills to complement the masquerade**. In Sichuan, meanwhile, police are said to have raided a black-market cigarette factory that had been disguised as the "Number 1 Block" of a provincial prison.

http://blogs.wsj.com/chinarealtime/2012/08/24/fraud-culture-and-the-law-can-china-change/

Some more striking evidence of fraud, corruption, and counterfeiting in China:

1) In 2010, 30 animals died in the Chinese zoo of Shenyang due to *malnutrition*.
2) China built the world's largest mall in 2005. Of the over 2,300 spaces available for lease only 47 were rented.
3) China alone accounted for 73 % of $1.69 billion in counterfeit goods seized in the EU in 2011.
4) Chinese officials have seized over 50 TONS of counterfeit pharmaceuticals.
5) Raids have seized more than 350,000 counterfeit golf products.

These sorts of issues don't come out of a free market with a stable regulatory bodies, sound accounting principles, and a legitimate legal structure: they come out of control style economy that are based on fraud and corruption. Indeed, as noted in the issue before last of ***Private Wealth Advisory***:

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*).

3) 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.**

So I fully believe that China is heading for a full-scale economic collapse a la the Soviet Union, *not* just a hard landing.

Indeed, if you need evidence of just how desperate the Chinese Government has become to maintain control, you should consider that it has launched $1 trillion in stimulus projects:

> **China's More Than $1 Trillion Stimulus Will Disappoint, Barclays Says**
>
> From the central government and the PBoC to regional governments, spending plans **worth approximately more than 11 trillion RMB ($1.74 trillion) have been announced, according to Barclays and Nomura**. Analysts at the Japanese bank expect Chinese GDP to hit 7.7% in the third quarter and then rebound strongly to 8.8% in the fourth.
>
> There are reasons to be skeptical of these growth expectations, as China is going through both structural and cyclical changes that will limit the impact, and the breadth, of the coming stimulus, Barclays' team argues. "This time is different," they wrote, noting that both in the Asian crisis and in the 2008-9 financial crisis, China suffered massive job losses and deflation.
> http://www.forbes.com/sites/afontevecchia/2012/09/17/chinas-more-than-1-trillion-stimulus-will-disappoint-barclays-says/

To put this number into perspective, China's entire economy is only $7.3 trillion. So China just unveiled stimulus measures equal to 23% of its entire GDP. **This is more than TWICE the size of the 2008 stimulus plan.**

And yet, China's stock market has barely moved:

Imagine if the US announced a QE program equal to over $3 trillion. *That's* the equivalent scale of the recent stimulus programs announced in China. And the Chinese stock market barely reacted to this.

Again, China is beyond a hard landing at this point. Combine this with growing food inflation and it's possible China may in fact break into several smaller countries in the coming years. With that in mind, we remain short China via the **UltraShort China ETF (FXP).**

Indeed, once the China ETF breaks down out of its massive wedge pattern, we're going to the mid-20s in short order. By the look of things this could happen before year-end.

Speaking of countries breaking up, Spain is on the verge of a *constitutional* crisis (as well as its ongoing sovereign and banking crises).

> **Secession crisis heaps pain on Spain**
>
> Spain lurched further towards a full-blown constitutional **crisis as Catalonia announced a snap election potentially opening the way for the country's most economically important region to declare independence from Madrid**.
>
> As police in the Spanish capital barricaded the Spanish parliament against anti-austerity protestors, the government of Mariano Rajoy vowed to stand firm against a drive by Catalonia for secession as the Spanish leader faces the most critical period of his premiership.
>
> "The hour has come to exercise our right to self rule," said Artur Mas, Catalonia's president. He called the vote, which is likely to be cast as a proxy referendum on Catalan independence, after Mr Rajoy last week rejected his demands for greater fiscal autonomy, triggering a wave of nationalist sentiment in the northern region.
>
> The political turmoil within Spain came amid signs that a German-led group of eurozone countries were attempting to roll back an agreement reached in June that would free Spain of tens of billions of euros in bank bailout debt.

Under the June deal, Spain's €100bn bank bailout would be shouldered by the new €500bn eurozone rescue fund, the European Stability Mechanism, rather than the Spanish government.

On paper the ESM will not be given legal powers to take over the bank bailouts entirely until the eurozone politicians have agreed to a federal banking supervision system. But according to senior officials Spain has promised that its bailout will be covered even though it is scheduled to begin in November well before a final agreement.

However, after a meeting between the German, Dutch and Finnish finance ministers on Tuesday, the three said the ESM would not be allowed to take over "legacy assets" recapitalised before the banking supervision system was in place. This calls into question the markets' assumption that Spain's bailout and any assets put in the soon-to-be-created Spanish "bad bank" will be covered by the deal.

http://www.ft.com/intl/cms/s/0/901894a6-0722-11e2-b148-00144feabdc0.html#axzz27n7hfRTE

As I noted in last issue of ***Private Wealth Advisory,*** Spain has three options:

1) Spain goes the "Greek route" of agreeing to austerity measures in exchange for bailouts (which will implode the economy).
2) Prime Minister Rajoy refuses to impose austerity measures and is removed/ replaced by an EU technocrat who is pro-austerity measures (like Italy experienced last year)
3) Spain defaults/ leaves the EU.

Thus far Spanish Prime Minister Rajoy has opted to go for #1. The end result has been riots, protests, and now the threat of Spain as a country breaking up. I've long averred that Spain will bring about the break up of the Euro. By the look of things, we're not far from this.

To whit, as the above article notes, Germany, Holland, and Finland have decided to pull back on the promise of a €100 billion Spanish bank bailout first established in June. These countries are now stating that this bailout should be included as part of the ESM mega-bailout fund's banking program that could take *years* to implement.

Spain doesn't have time for this. As I've noted before, Spain is facing a full-scale bank run (Spaniards pulled another €17 billion from Spanish banks in August, bringing the year to date bank run to over 18% of total Spanish bank deposits).

Now add multiple regional bailout requests, as well as 25% total unemployment to the mix and Spain is an absolute disaster. The Spanish Ibex knows it too:

Congratulations Mario Draghi, you promised unlimited bond buying and you bought less than one month's worth of gains for Spain. If you want proof positive that Central Banks are losing their grip on things, the above chart is it. The moment we take out that trendline again, it's GAME OVER (what more can the ECB promise?)

Here's a close-up of the above chart:

As soon as we break back below this trendline, we're in Crisis mode in Europe. "So what?" many investors will ask, "Spain is nothing in the grand scheme of things."

Wrong.

Spain's sovereign bond market is $2.1 trillion in size. And Spanish bonds are used as the collateral for hundreds of *trillions* of Euros worth of derivative and credit trades.

I first wrote the following in the issue of ***Private Wealth Advisory*** titled, *Why You Cannot Just Hit Print*. I'm repeating here because while my timing of this situation was off (Draghi and Bernanke bought a few extra months of time) the outcome will still be the same: the collapse of the entire EU banking syste,

> … the global derivative market is over $700 TRILLION in size. And we know that the US only accounts for about $228 trillion of this.
>
> The EU banking system is roughly $46 trillion in size. Total EU sovereign debt outstanding is $13.7 trillion. Assuming that EU derivatives are in the ballpark of $300 trillion or so (a safe assumption), this means that EU derivatives exposure is likely:
>
> - Nearly SEVEN TIMES the size of the entire EU banking system.
> - More than 19 times the size of total EU GDP.
> - More than 21 times TOTAL EU SOVEREIGN DEBT OUTSTANDING
>
> By now I trust you are beginning to understand why EU politicians and the ECB are terrified of an unorganized EU sovereign default: doing this would result in a significant portion of the collateral for over $300 trillion in trades (remember, I'm only assessing derivatives here) **vanishing**.
>
> I simply cannot stress this last point enough so I am going to say it again in different terms: **EU bonds, including the totally garbage PIIGS' debt as well as the soon to be garbage debt from France and others are the COLLATERAL for $300+ trillion in trades.**
>
> What happens when this collateral is found to be worth much less or potentially even ***worthless…?***
>
> Those hundreds of trillions of Euros worth of trades blow up, there's nothing backing them, and the banks that made them **implode** taking everyone's money with them (think of an MF Global type event across the board for ALL MAJOR EU Banks).
>
> **At that point the entire EU banking system collapses.**

To summate, everything I've been writing about for nearly a year *will still happen*. The fact that I was early and we were stopped out of our Euro Crisis trades because the ECB promised "unlimited" bond buying right before the Fed announced QE 3 doesn't change the ultimate outcome: **the EU breaking up and a global financial meltdown.**

Timing this will be quite difficult as the situation in Europe is well beyond economics at this point. As Spain's region of Catalonia has demonstrated, it's all about politics in Europe. And predicting the outcome of a political process is difficult enough in a two party system such as the US, let alone a 17-*country* union such as the EU.

However, as noted above, Spain's Ibex is giving us clues as to when the BIG Collapse begins. Italy on the other hand is already primed to be shorted.

As you can see, we're heading down again in a big way. Forgetting about the BIG Collapse when Italy breaks the massive Head and Shoulders pattern, EWI has another 10% to go before it even tests the neckline. Let's short it now and pick up an easy gain.

Action to Take: SHORT the Italy ETF (EWI)

The same goes for France:

Action to Take: SHORT the France ETF (EWQ)

Again, I cannot stress enough that the BIG Collapse will indeed hit Europe. And when it does, things will be far worse than in 2008. I cannot say precisely when this will happen, but you should be taking full advantage of the fact it hasn't hit yet to prepare. For starters, I would re-read the *Prepare Your Family* report published on the ***Private Wealth Advisory*** website.

Now on to the US.

The Presidential election is within the next 40 days. Thus far I've refrained from commenting on this situation because:

1) Most of us are already saturated with information about the election.
2) The election is looking too close to call.

However, while I see no need to comment on the specifics of the election, I *do* want to alert you to several items that will have a major impact on you (and the US as a whole) regardless of who wins the election.

First and foremost, it is very clear that there has been a global coordinated effort to keep things calm going into the election.

> **Troika report on Greece may come after U.S. vote**
> A U.S. official said the United States had made clear to European officials that it wanted to avoid any "downside" economic surprises because of the fragile U.S. recovery, but denied that it had anything to do with the U.S. election.
>
> **Several sources in Germany described those conversations with their U.S. counterparts and said the message had been that the Americans didn't want surprises before the election.**
>
> Most polls show President Barack Obama leading his Republican rival Mitt Romney, but voters remain sensitive to any event that could damage U.S. economic growth and hurt jobs.
>
> **"It's likely the troika report will be pushed back beyond the U.S. election date," said a Berlin official who spoke on condition of anonymity**. Asked if that was a special request from Washington, he replied: **"They don't want any surprises."**
>
> http://uk.reuters.com/article/2012/09/21/uk-eurozone-greece-report-idUKBRE88K0OQ20120921

Setting aside any emotional reactions to this report, we have to ask ourselves, *"WHAT exactly was promised in exchange for EU efforts to keep things quiet until the election?"*

The fact that this was revealed so close to the announcement of QE 3 (remember a significant portion of the Fed's Primary Dealer network is based in Europe) offers some clues.

Indeed, as I've noted before, while the ECB's "unlimited" bond buying program is in fact negated by the fact that this promise comes only if EU members meet "conditions," the Fed's QE 3 is completely open-ended.

So in many ways, the Fed's QE 3 should be seen through the lens of offering aid to the EU in exchange for keeping things calm until after the US Presidential election. I would also argue that QE 3 was also a pre-emptive move by the US Fed in preparation for the Big Collapse that will be coming out of Europe.

The question now is whether it will work, that is, whether the Fed and ECB's moves keep things in check even *that long*. Looking at Spain today, it's possible we don't even make it to November before things get ugly (Spain could run out of money as early as mid-October).

However, even if we *do* make it to November without a Crisis breaking out, once the US election is over, things will start to get very nasty as:

1) The Fed and ECB have essentially used up their remaining gunpowder to keep things calm going into the election.
2) The global economy is entering a recession that will be at least as bad as the 2008 collapse.
3) Multiple regions in the world are entering a sovereign debt crisis (the EU, Japan, and ultimately the US)

Regarding the ongoing economic deterioration in the US, the latest Chicago PMI was an absolute disaster: September's Chicago Business Barometer fell to 49.7, its lowest level in three years. **Meanwhile, Prices Paid showed the biggest gain in nearly two years.**

This adds evidence to the argument that the US is not only in recession again but that this is a stag-flationary recession that will feature both an economic contraction on par with that of 2008 along with an inflationary spiral.

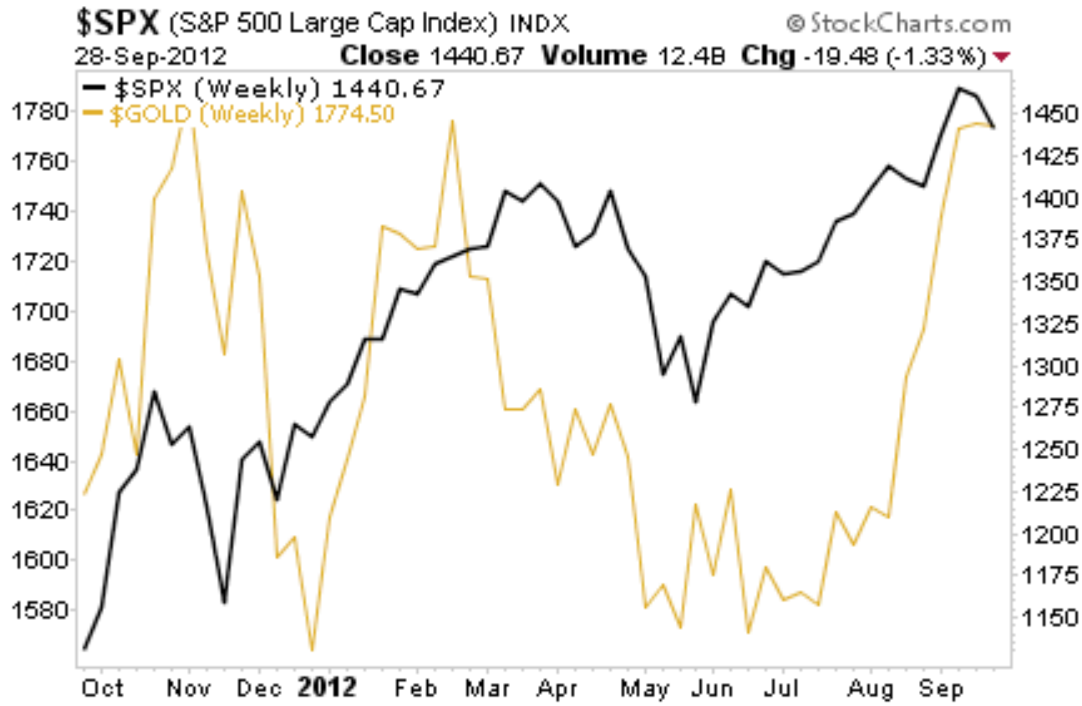
With that in mind, let's take a look at the US stock market.

First off we see *major* divergence between the S&P 500 and the Dow Transportation Index:

Financials are also lagging during this recent rally: another negative divergence.

In terms of timing when to go short again, S&P 500 is on the verge of testing the trading channel it's maintained since the May lows. When we break below 1,425 with conviction, it will be time to go short here again.

Now I want to alert you to a very dangerous development. I've been talking about stagflation for a while now. The below chart is going to be our indicator for when things start to get really bad:



The above chart shows the performance of Gold against that of Stocks (in this case, the S&P 500). Generally, the two have moved fairly closely together in relation to monetary intervention from the Federal Reserve.

The key item we need to watch for is when Gold breaks away from stocks: when stocks start to break down and Gold continues to rally.

When this happens, then we're in *big* trouble because the one allegedly positive result of Fed intervention (stocks rising) will have begun to break down despite the Fed promising open ended QE or QE infinite. Meanwhile the other primary consequence of Fed intervention (higher inflation) will be hitting lift off.

At that point, the US and its financial system will enter a stagflationary collapse.

We're not there yet, but as the above chart shows, if stocks turn down here and Gold continues to rally, then things will be getting nasty very quickly.

In terms of Gold as a standalone investment, the precious metal is pausing for a break before beginning its next leg up:

Whenever we take out $1,800 per ounce and stay there we're going to new highs.

Silver hasn't quite hit lift off either: we first need to take out $34 per ounce and stay there:

However, it *is* time to buy First Majestic Silver Corp (AG)

As you can see, AG has bounced off support and is now ready for its next leg up.

Action to Take: Buy First Majestic Silver Corp (AG)

To conclude, the global economy and world financial system are facing several *major* issues all of which could bring about a resurgence in systemic risk. The ECB and US Federal Reserve have bet the farm in trying to calm things for the US election. The big question now is if we can *even get to November* before things get ugly again.

While I cannot answer this question (no one can) I want to alert all of you that even if we *do* get to November, none of the primary issues facing the financial system have been addressed. So regardless of what happens in November, we're looking at a very nasty end to 2012/ beginning to 2013. (assuming, of course, that we get there before things get nasty).

In the meantime, we're positioning ourselves for stagflation as well as trouble in the EU and China. Those are the most obvious trades for now. Should anything change in the next two weeks, I'll issue an update. Otherwise you'll next hear from me on October 17.

Best Regards,

Graham Summers

Watch List (Positions we are close to opening)

Investment	Symbol
Centamin Mining (second buy)	CEE.TO

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	$1,773.00	58%
Silver bullion	N/A	3/17/10	$17.50	$34.52	97%
Centamin Mining	CEE.TO	5/25/11	$2.01	$1.45	-28%
Corn ETF	CORN	8/8/12	$51.61	$48.42	-6%
Rogers Agriculture ETN	RJA	8/17/12	$9.80	$9.62	-2%
Vista Gold	VGZ	9/24/12	$3.66	$3.63	-1%
First Majestic Silver	AG	10/1/12	$23.17	NEW	BUY!

Deflation Portfolio (OPEN BUYS NOW)					
Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Dollar ETF	UUP	5/23/11	$21.79	$21.92	1%
Rydex Dollar 2x Strategy	RYSDX	12/14/11	$14.39	$13.43	-7%
UltraShort Euro ETF	EUO	6/25/12	$21.45	$20.12	-6%
UltraShort China ETF++++	FXP	6/25/12	$28.97	$25.01	-14%
Russia ETF (SHORT)	TRF	6/25/12	$13.21	$15.34	-10%
UltraShort Consumer Goods	SZK	7/25/12	$18.24	$16.33	-10%
Italy ETF (SHORT)	EWI	9/28/12	$12.03	NEW	SHORT
France ETF (SHORT)	EWQ	9/28/12	$20.98	NEW	SHORT

++++ 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 (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	12/14/1 1	$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%
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%
HSBC* (short)	HBC	12/14/11	$37.07			$46.34	-14%
UltraShort Brazil+	BZQ	5/23/12	$85.47			$65.74	-23%
UltraShort Emerging Markets++	EEV	5/23/12	$31.33			$24.72	-21%
EU Financials ETF (SHORT)	EUFN	6/25/12	$14.59			$18.16	-24%
Goldman Sachs (SHORT)	GS	6/25/12	$91.22			$119.99	-32%
Citigroup (SHORT)	C	7/11/12	$25.87			$34.08	-32%
Spain ETF	EWP	7/25/12	$20.15			$29.42	-32%

(SHORT)							
Italy ETF (SHORT)	EWI	7/25/12	$9.49			$13.19	-27%
France ETF (SHORT)	EWQ	7/25/12	$18.18			$22.14	-14%
UltraShort Russell 2000 ETF	TWM	7/25/12	$32.51			$25.75	-21%
UltraShort S&P 500	SDS	7/25/12	$16.09			$13.41	-17%
Credit Suisse (SHORT)	CS	8/22/12	$19.07			$22.46	-18%

- **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