PRIVATE WEALTH ADVISORY

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Monetary Madness

Last week the US Federal Reserve surprised yet again by announcing QE 4: a program through which it would purchase $45 billion of US Treasuries every month.

Between this program and the Fed's QE 3 Program announced in September, the Fed will be monetizing $85 billion worth of assets *every* month ($40 billion worth of Treasuries and $45 billion worth of Mortgage Backed Securities) ad infinitum.

Indeed, the Fed's new policies are anchored to its goal of getting employment down to 6.5%. This means the Fed will buy these assets *non-stop* until employment gets down to 6.5%.

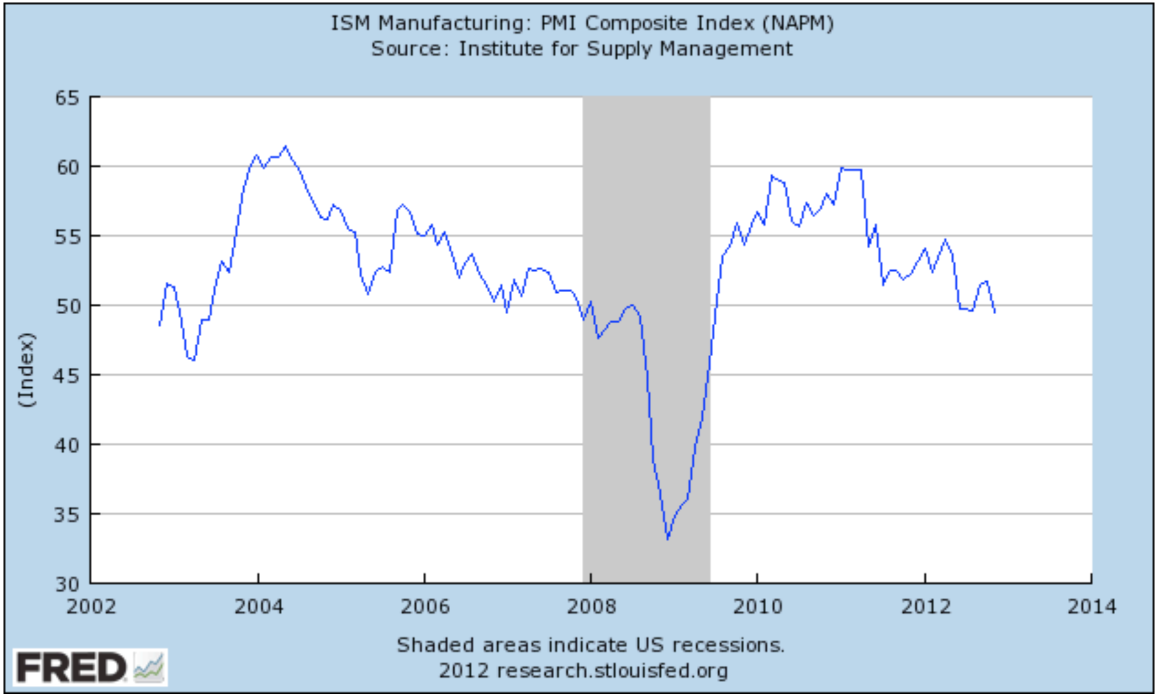
I've spoken to a number of people in the financial community as well as outside investors and no one seem to grasp the significance of this announcement.

First and foremost, QE does not create jobs. The UK has announced QE efforts equal to an amount greater than 20% of its GDP and has not seen any meaningful job growth. Similarly, Japan has announced nine rounds of QE for a combined effort equal to 20% of its GDP over the last 20 years and job growth remains dismal there.

Based on this, the Fed's decision to anchor its QE efforts to employment is a bit hard to swallow. Indeed, I would argue that the Fed's moves have very little to do with employment and instead are meant to address the following:

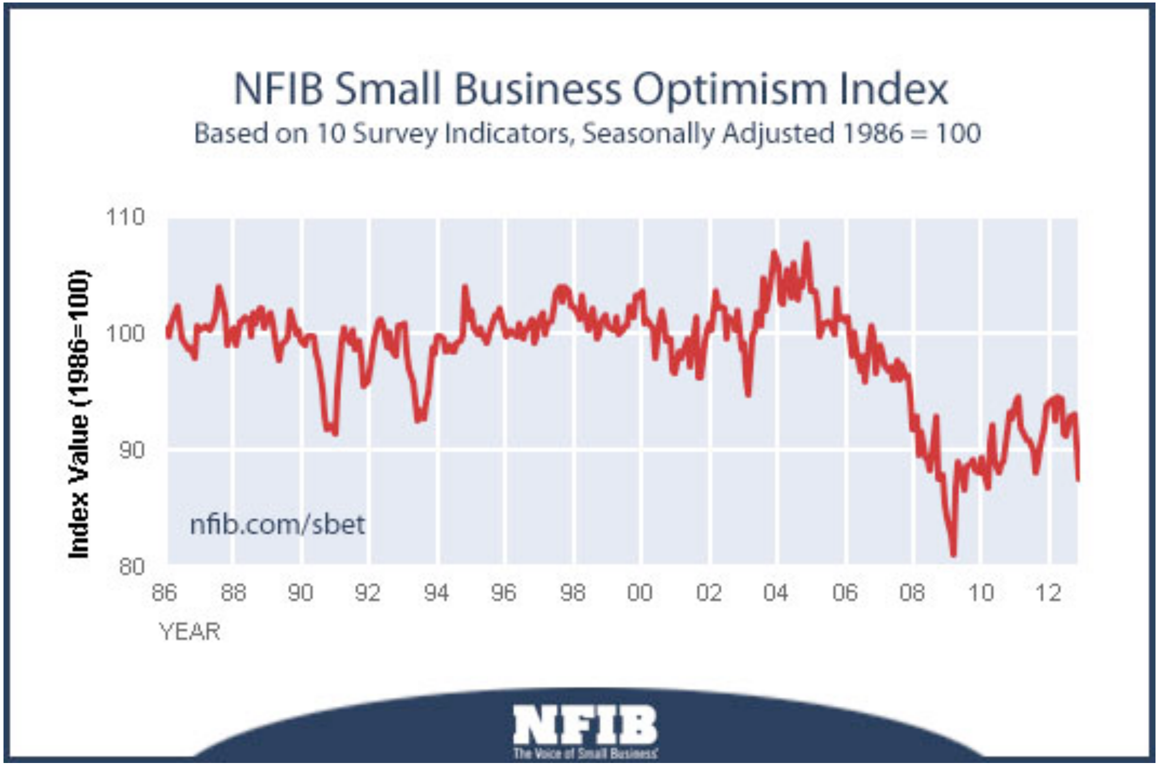
1) The US economy is nose-diving again and the Fed is acting preemptively.
2) The Fed is trying to provide increased liquidity going into the fiscal cliff.
3) The Fed is funding the US's Government massive deficits.

Regarding #1, the November ISM report indicates the US economy is again contracting. Looking at the chart, you can sense why Bernanke and the Fed are getting concerned: the similarities between the recent downturn of the last few years and that going from 2004- 2008 are striking. It's obvious helicopter Ben doesn't want us breaking into the mid'40s range.

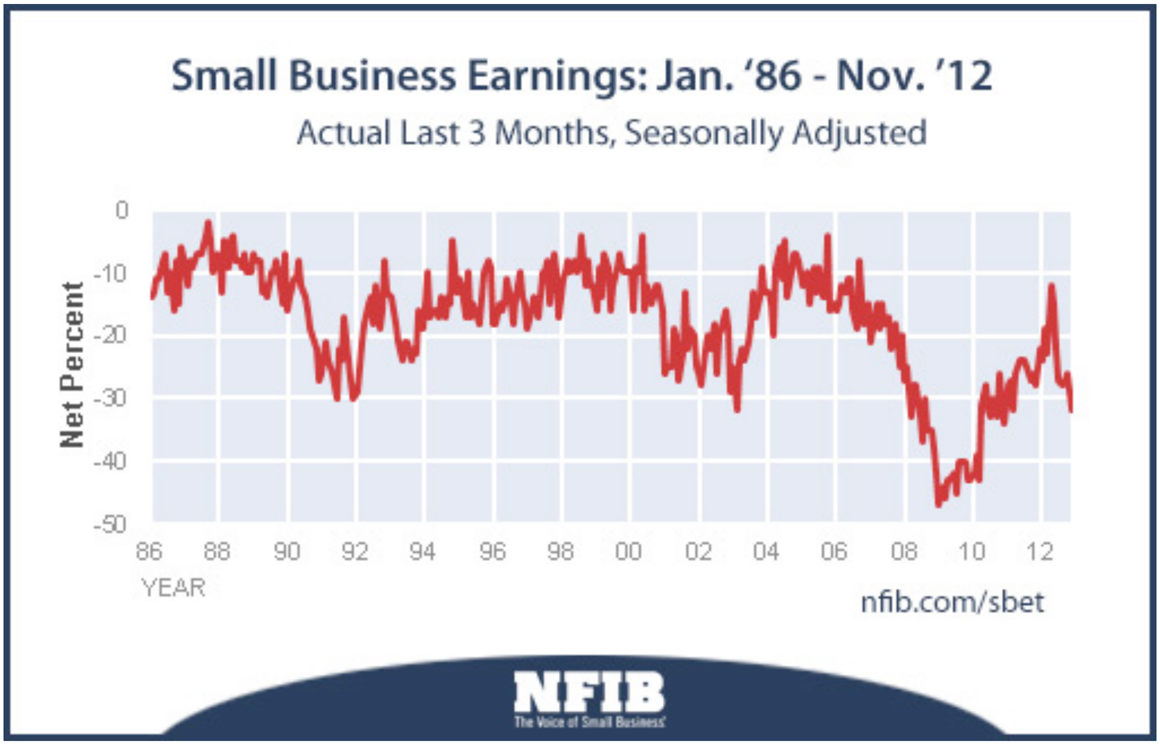


Similarly, the ECRI, which has proven a far better judge of the onset of US recessions than the NBER, has stated that the US likely slipped back into recession in September. Bernanke and the Fed have close ties to the ECRI. I believe they're moving preemptively based on this announcement.

We get additional indication of things worsening in the US economy from the NFIB's Small Business Optimism Index. This measure has entered an absolute free-fall, posting its single largest drop in over 30 years. To put this into perspective, this indicates that Small Business Owners are becoming less optimistic about the future of the economy faster now than they were *after Lehman failed.*



In additional to this, small business earnings are have rolled over sharply since the beginning of 2012. Small businesses account for 70% of jobs. To see both small business owner optimism and as well as small business earnings cratering is a bad sign for the US economy.



Bernanke firmly believes that the single biggest reason the Great Depression lasted as long as it did was because the Federal Reserve didn't do enough to fight it at the time. This is *the* driving thesis behind his life's work and his tenure at the Fed.

With the above information making it clear that things started to get quite ugly in September, QE 4 should be seen as his attempt to act preemptively to stop another 2008-type economic plunge.

In addition to this, we know that Bernanke has stated point blank that the Fed does not have the tools to deal with the fiscal cliff.

> **The U.S. economy is already being hurt by the "fiscal cliff" standoff in Washington, Federal Reserve Chairman Ben Bernanke said Wednesday**. But Bernanke said the Fed believes the crisis will be resolved without significant long-term damage.
>
> The steep tax increases and spending cuts can be avoided with a successful budget deal, Bernanke said during a news conference after the Fed's final meeting of the year. The Fed's latest forecasts for stronger economic growth next year and slightly lower unemployment assume that happens…
>
> **Bernanke repeated his belief that if the scheduled tax hikes and spending cuts do take effect in January, they will have a significantly adverse effect on the economy, regardless of what the Fed might do.**
>
> "**We cannot offset the full impact of the fiscal cliff. It's just too big," Bernanke said.**
>
> http://news.yahoo.com/bernanke-says-fiscal-cliff-already-hurting-economy-201018687--finance.html

Given Bernanke's extensive connections on capital hill, the move to implement QE 4 should also be seen as a warning that we will very likely be going over the fiscal cliff; not having the tools to deal with the aftermath of this mess, the Fed is moving preemptively to prepare the system for what's coming.

Finally, and most critically, the Fed's implementation of QE 4 represents the Fed's full commitment to finance the US's deficits.

In 2011, the Fed bought over 70% of US debt issuance. Based on the projections for QE 4, the Fed will buy upwards of $480 billion of the $918 billion in new US debt to be issued next year: roughly 52% of all new debt issuance.

Between this and the Fed's monthly monetization of $45 billion worth of Mortgage Backed Securities, the Fed will be *soaking up 90% of all net new dollar-denominated fixed-income assets next year.*

There are several implications to this.

1) The US will be lurching ever closer to an EU-style debt crisis.
2) There will be an even greater shortage of high quality collateral in the financial system going forward.
3) Inflation will continue to rise.

Regarding #1, by soaking up so much of the US's new debt issuance, the Fed is permitting the US Government to continue overspending at a time when the bond market would normally begin raising interest rates.

Last year the US paid $454 billion in interest payments on its debt. This was at a time when the average interest rate was only slightly above 2%.

During the same year, the US only took in about $2.3 trillion in tax revenue. So, even with interest rates at historic lows, we're spending about 20% of tax receipts on interest payments.

Now let's suppose that interest rates rise to an average of 4%. At that rate, the US would owe nearly $900 billion in interest payments: enough to soak up nearly 40% of *all US tax receipts*. And this is assuming tax receipts don't fall as the economy contracts (historically taxes do fall during times of contraction).

This is why the Fed is committed to keeping interest rates low: if interest rates were to rise then the payments on the debt would send the US into an EU-syle debt crisis along with the commensurate intense austerity measures being implemented.

Unfortunately for the Fed, the bond markets may indeed force this in spite of the Fed's efforts.

Weimar Germany, like most historic episodes of hyperinflation, occurred when Germany's Central Bank began monetizing its debts. This worked until the country lost credibility in the international bond markets at which point the Central Bank was forced to monetize everything resulting in a currency collapse and one of the worst episodes of hyperinflation in history.

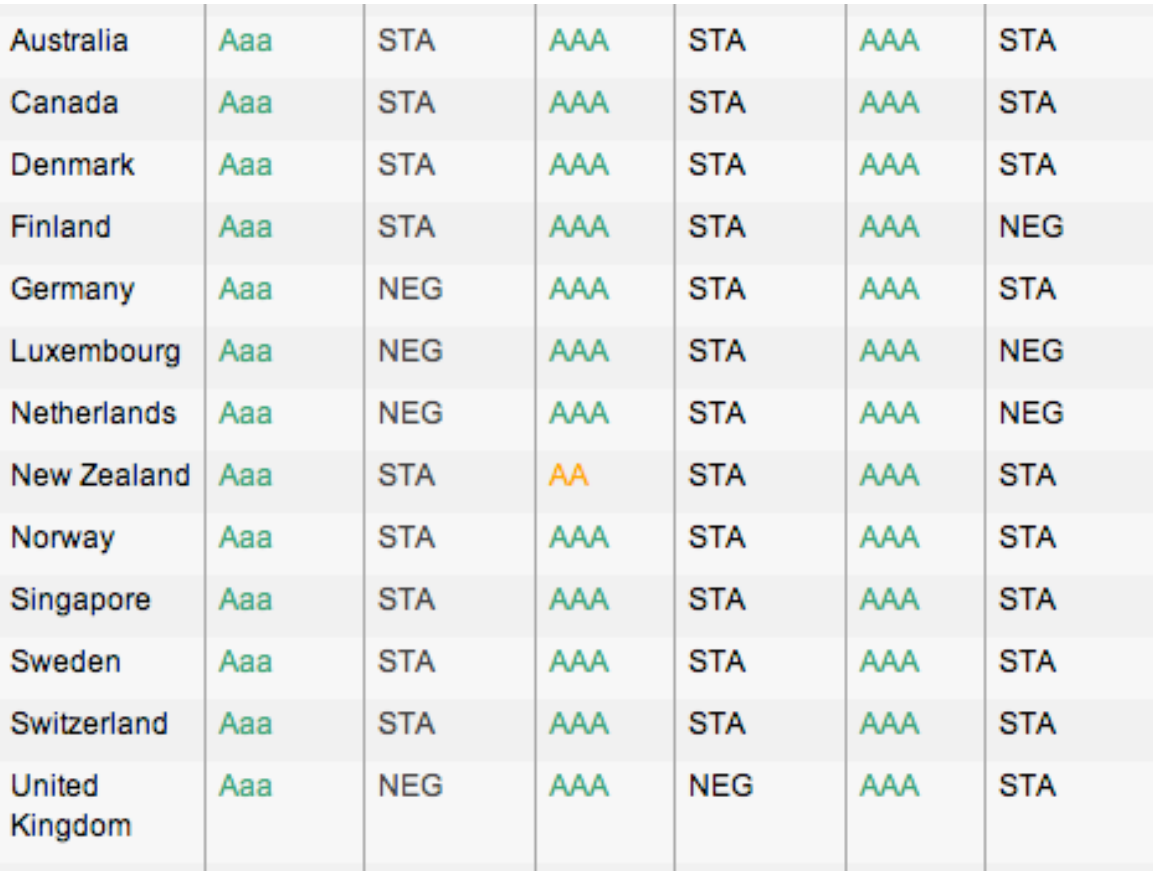
The US has been moving increasingly down this path which each new QE program. The two reasons the US has not yet entered an inflationary death spiral are:

1) The fact that the US continues to maintain its credibility in the bond markets (at least compared to Europe and Japan).
2) Large financial institutions' needs for high-grade sovereign bond collateral.

Regarding #1, the US has never defaulted on its debt. Compared to Germany (another safe haven), which has defaulted on its debts twice in the last 100 years, the US remains one of the most credible governments in the world, regardless of how bad the country's finances are becoming (for now at least).

Regarding the collateral situation, as I've explained in recent issues (see the "C" Word) one of the most critical issues in the financial system is the shortage of high grade collateral to backstop the $700 trillion derivatives market.

With France and the ESM bailout fund recently losing their AAA status, the only countries to maintain AAA rated sovereign bond ratings with all three credit rating agencies (ignore New Zealand) are:



Australia	Aaa	STA	AAA	STA	AAA	STA
Canada	Aaa	STA	AAA	STA	AAA	STA
Denmark	Aaa	STA	AAA	STA	AAA	STA
Finland	Aaa	STA	AAA	STA	AAA	NEG
Germany	Aaa	NEG	AAA	STA	AAA	STA
Luxembourg	Aaa	NEG	AAA	STA	AAA	NEG
Netherlands	Aaa	NEG	AAA	STA	AAA	NEG
New Zealand	Aaa	STA	AA	STA	AAA	STA
Norway	Aaa	STA	AAA	STA	AAA	STA
Singapore	Aaa	STA	AAA	STA	AAA	STA
Sweden	Aaa	STA	AAA	STA	AAA	STA
Switzerland	Aaa	STA	AAA	STA	AAA	STA
United Kingdom	Aaa	NEG	AAA	NEG	AAA	STA

Source: the Telegraph

There is already a scramble for high grade collateral in the system. The US, despite losing its AAA rated status is still consider high grade due to its having never defaulted on its debt. With that in mind, the Fed decision to take US Treasuries at a time when more and more countries are losing their AAA rated status means that even less high grade collateral will be in the system.

Indeed, as I've noted before, because so much of the US debt market is already held by government controlled entities, the Treasuries shortage is even worse than the below article indicates.

> Clearinghouses, run by firms such as Chicago-based CME Group (CME) and London-based LCH.Clearnet Group, make traders provide collateral, including government bonds, that can be seized and easily converted into cash to cover defaults. **Traders may need from $2 trillion to $4 trillion in extra collateral to meet the new requirements, according to Timothy Keaney, chief executive officer of BNY Mellon Asset Servicing.**
>
> The trouble is finding all that high-grade debt. The U.S. had $10.8 trillion in Treasuries outstanding at the end of August. **Other countries, including Japan and European nations rated AAA or AA, had about $24 trillion of debt in the second quarter of 2011,** according to an April report by the International Monetary Fund. Those government securities are already in heavy demand from central banks and investors.
>
> **The solution: At least seven banks plan to let customers swap lower-rated securities that don't meet standards, in return for a loan of Treasuries or similar holdings that do qualify, a process dubbed "collateral transformation."** The maneuver allows investors who don't have assets that meet a clearinghouse's standards to pledge corporate bonds or mortgage-linked securities to a bank in exchange for a loan of Treasuries. The investor then posts the Treasuries—the transformed collateral—to the clearinghouse. The bank earns fees plus interest, and the investor is obliged at some point to return the Treasuries. In effect, the collateral is being rented…
>
> **JPMorgan Chase (JPM) and Bank of America (BAC) are already marketing their new collateral-transformation desks, executives at the companies say. Other banks confirmed they're planning to offer the service too, including Bank of New York Mellon (BK), Barclays (BCS), Deutsche Bank (DB), and State Street (STT).**
>
> http://www.businessweek.com/articles/2012-09-20/a-shortage-of-bonds-to-back-derivatives-bets

Here's the actual amount of Treasuries available to the banks:

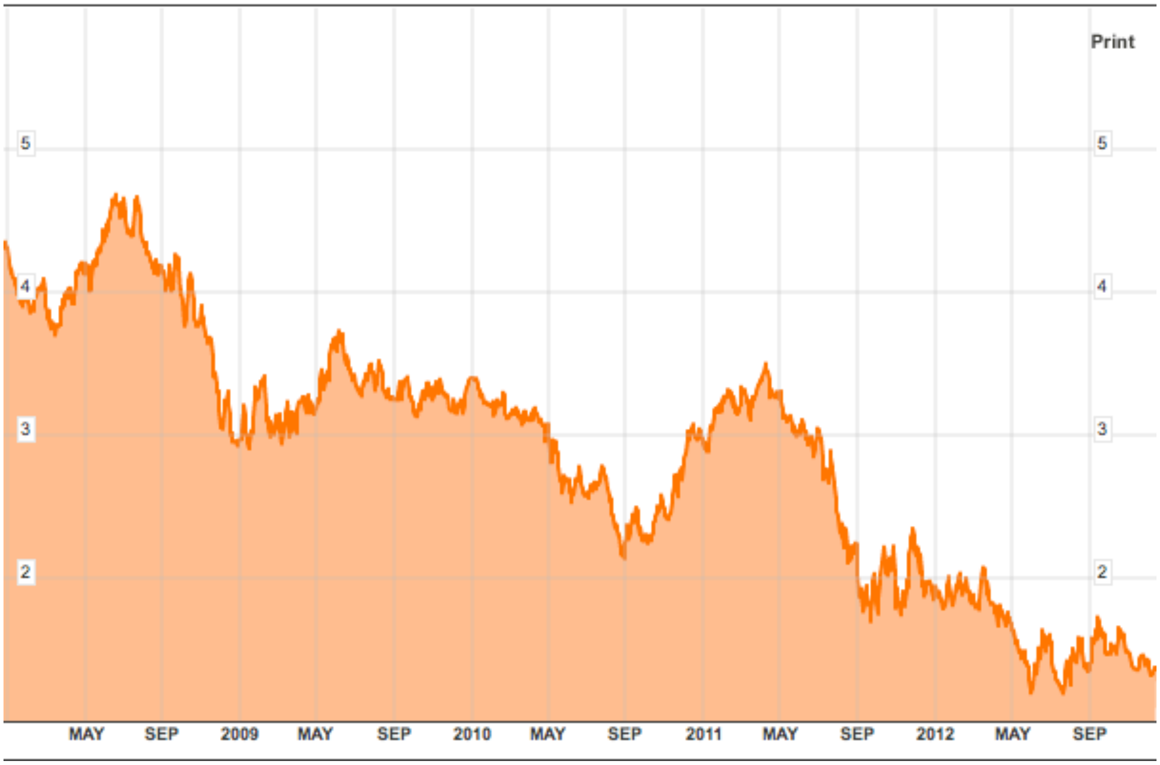
Total US Sovereign Debt	$16 trillion
Foreign Nation holdings	$5.4 trillion
Intergovernmental holdings	$4.8 trillion
US Federal Reserve	$1.5 trillion
Remaining	**$4.3 trillion**

Indeed, as the below article reveals, the search for high quality collateral is one of the primary items holding up the Treasury market. The Treasury's latest information reveals that:

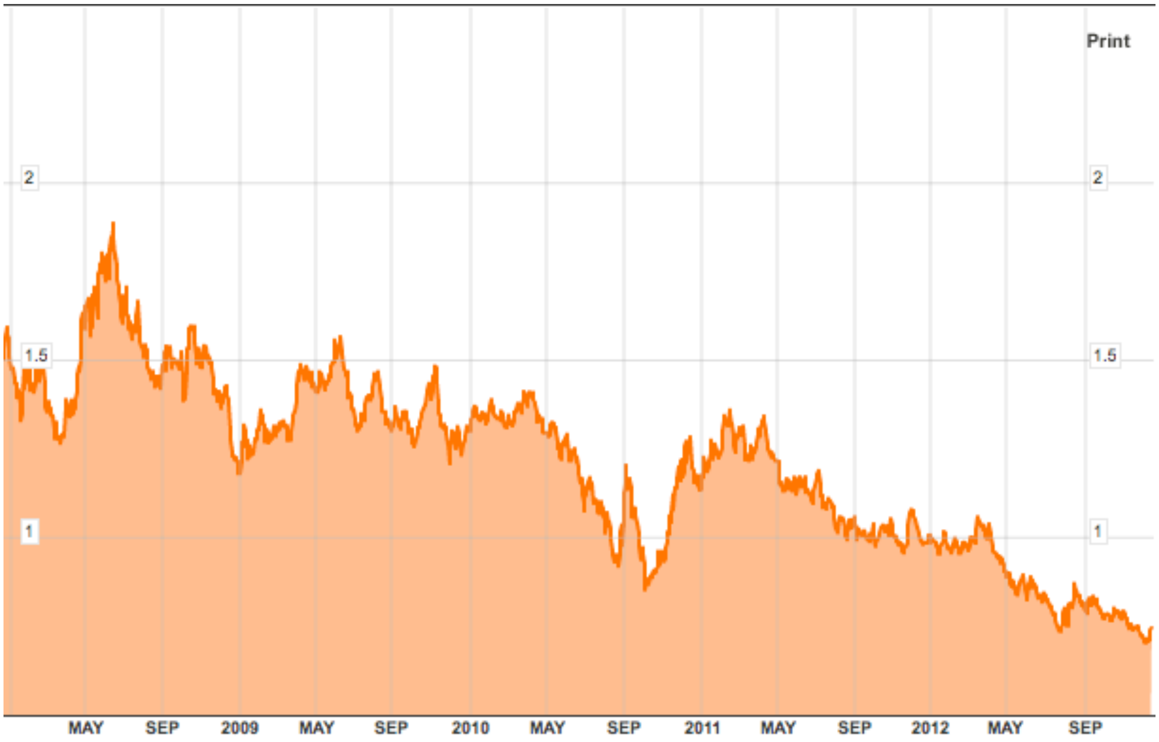
> Foreign ownership of U.S. Treasury securities rose to a record level in October, a sign that overseas investors remain confident in U.S. debt despite a potential budget crisis.
>
> **Total foreign holdings of U.S. Treasurys rose to $5.48 trillion in October**, the Treasury Department said Monday. That was up 0.1 percent from September. Still, the increase of $6 billion was the weakest since total holdings fell in December 2011.
>
> China, the largest holder of U.S. government debt, increased its holdings slightly to $1.16 trillion. Japan, the second-largest holder, boosted its holdings by a smaller amount to $1.13 trillion. Brazil, the country with the third-largest holdings, increased its total to $255.2 billion.
>
> http://hosted.ap.org/dynamic/stories/U/US_FOREIGN_HOLDINGS?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT&CTIME=2012-12-17-09-44-48

This search for high grade collateral is also why both German bund and Japanese Government bonds continue to see their yields fall:

German 10-Year Bund Yields:



Japanese 10-Year Bond Yields:



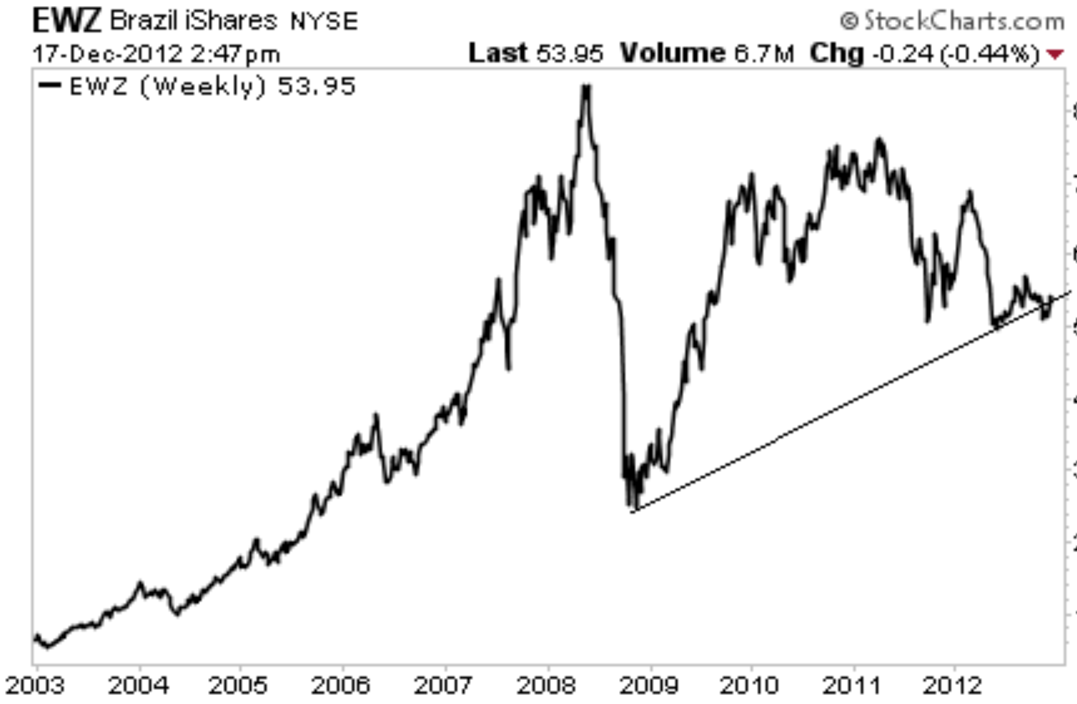
My point with all of this is that the search for collateral will drive yields lower… until the bond markets truly begin to spin out of control. In the meantime, the US Fed is playing a very dangerous game by purchasing as many Treasuries as it is. But that game can last much longer than anticipated.

How precisely these issues will finally play out is a mystery. But the consequences will be tremendous. And enormous fortunes will be made by those who get it right. The first key clues will be when Bunds and Treasuries begin to nose dive in a big way.

A final feature of the Fed's decision to implement QE 4 will be greater inflationary pressures. This will result in lower economic growth (in real terms) as well as higher operational costs, which will eat into corporate profit margins.

As an example, consider Brazil.

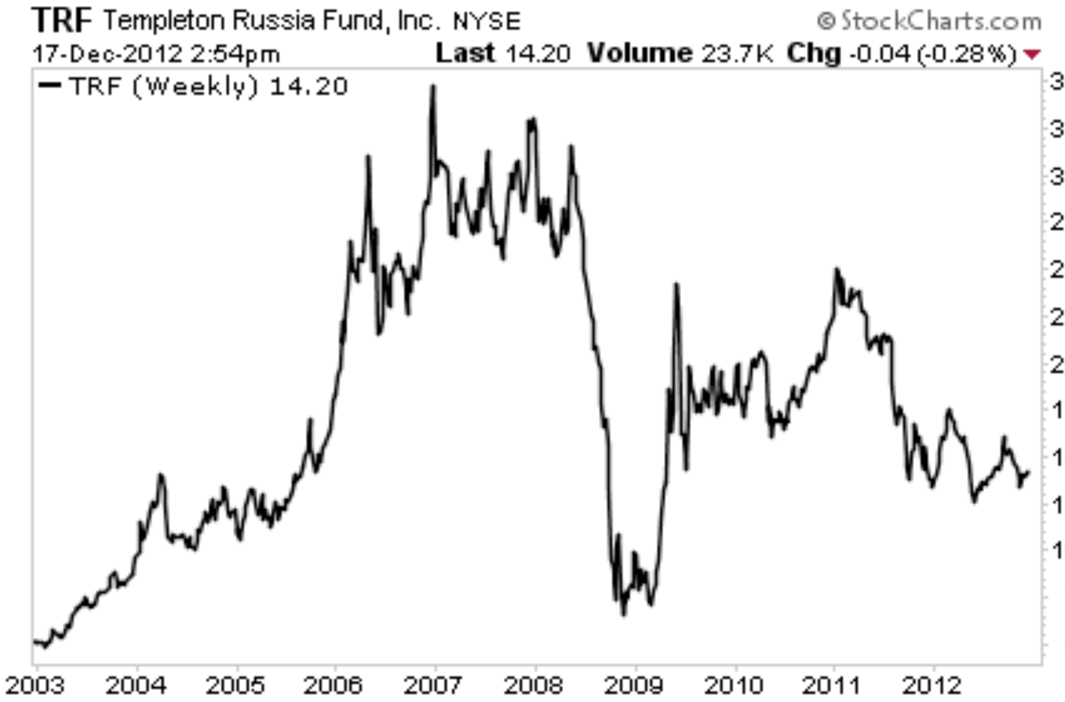
As the largest exporter of most commodities in the world, few economies benefit from higher commodity prices like Brazil. However, in spite of this supposedly strong backdrop, Brazilian stocks actually peaked back in early 2011 and have been languishing ever since:



Few analysts understand that much of the boom in emerging markets over the last 10 years was the result of the Fed's easy monetary policies post 2003. With money flooding the system and interest rates low, capital flowed into higher growth projects in the emerging market space. As a result, virtually *every* emerging market rallied strongly from 2003 until the 2008 Crash.

Indeed, Ruchir Sharma of Mortgan Stanley notes that only 50 countries grew their GDPs at a rate greater than 5% a year during the '80s and '90s. However, from 2003-2007, more than double this number (114) saw growth of greater than 5% per year. This is out of just 183 countries in the world.

You can this in Brazil's action in the chart above as well as Russia's in the chart below: both charts show explosive growth going into 2003 followed by pronounced weakness since 2008.



This era ended with a bang in 2008. And it's not coming back. The Fed and other Central Banks continue to flood the system with money, but they're not pushing economic growth anymore. Instead, what we're seeing is higher inflation, which is resulting in higher costs of loving and occasional outbreaks of civil unrest.

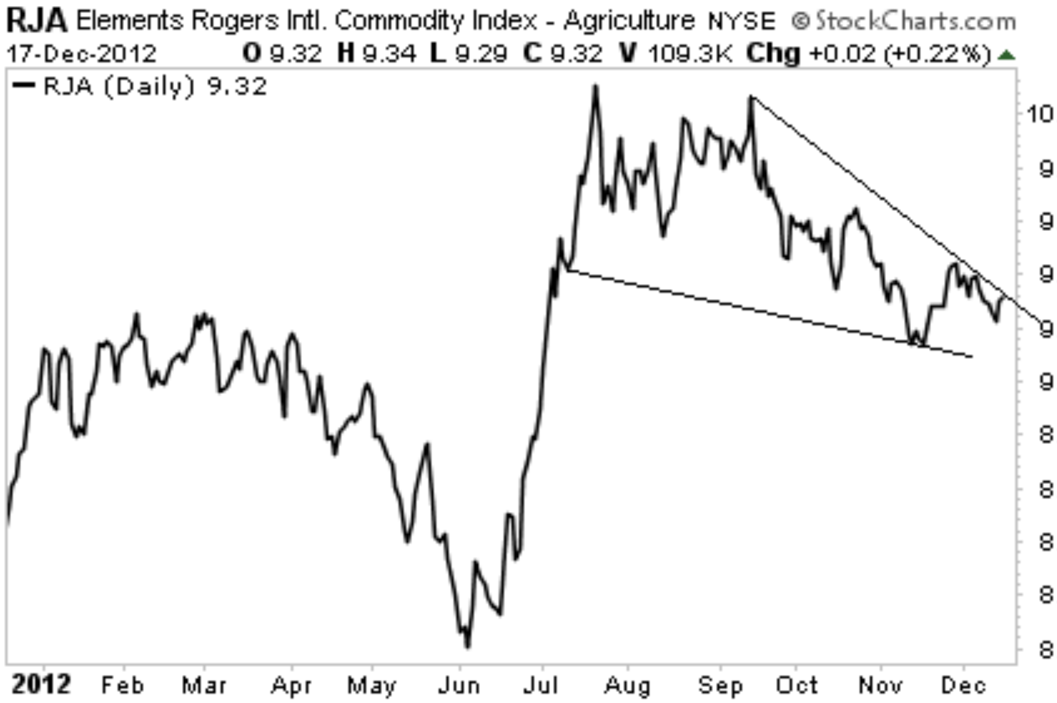
With QE 4 and QE 3 now in effect we're going to be seeing more of this as the below articles show:

> Farmworkers demanding higher wages in South Africa's biggest table grape-growing region resumed protests today in the absence of new talks between the government, labor unions and the main farmers organization.
>
> About 150 people protested peacefully near a shanty town outside Worcester in the Western Cape province, demanding that the minimum wage be increased to 150 rand a day ($16.92) from 70 rand. In Stofland, on the outskirts of De Doorns, about 50 people marched through the streets of the settlement singing songs and carrying banners of the United Democratic Front, a civil rights group.
>
> http://www.bloomberg.com/news/2012-12-04/south-african-farmworkers-resume-protests-over-higher-wages.html
>
> Spreading protests and escalating demands from Indonesia's labor groups could delay or even derail spending on the country's overburdened infrastructure, industry leaders warned.

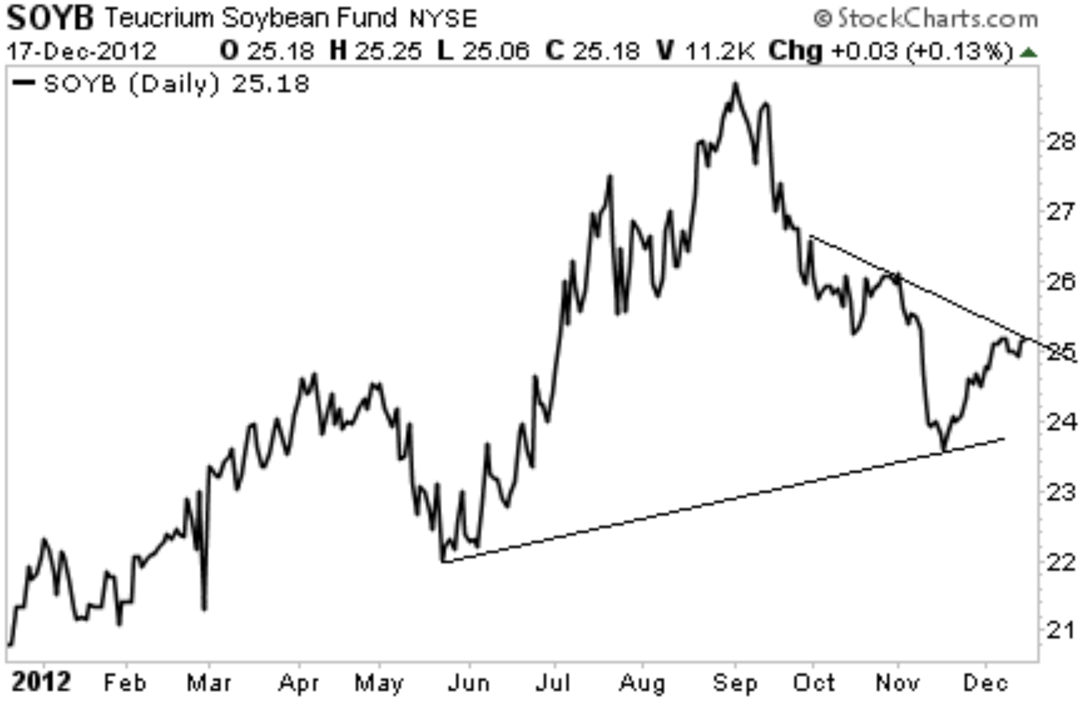
> Jakarta's governor agreed to increase the minimum wage in the capital by 44% this week. As other regions are expected to follow suit, the populist move could trigger higher wages and inflation and discourage investment in Southeast Asia's largest economy, say some analysts and executives. Unions say workers deserve higher wages, better benefits and better job protection as the country's economy blossoms.
>
> http://online.wsj.com/article/SB10001424127887324352004578136521801067406.html?mod=googlenews_wsj
>
> Nearly half of the bus drivers from China who were involved in a dispute over salaries on Monday did not show up for work on Tuesday morning.
>
> SMRT said 88 of the 171 drivers who refused to work on Monday did not report for work again on Tuesday.
>
> SMRT said it takes a serious view of the bus service delays that were brought about by the irresponsible behavior of the bus drivers who did not report for work as scheduled.
>
> It said SMRT's priority is to ensure that bus services are restored to normal as soon as possible.
>
> http://www.channelnewsasia.com/stories/singaporelocalnews/view/1239610/1/.html

There is no indication this trend will be ending. Once wages begin to rise aggressively is when inflation really begins to take hold. In the system. This process has begun and will accelerate in the coming months.

Indeed, agricultural commodities are sending a signal that they’re ready to begin the next leg up:



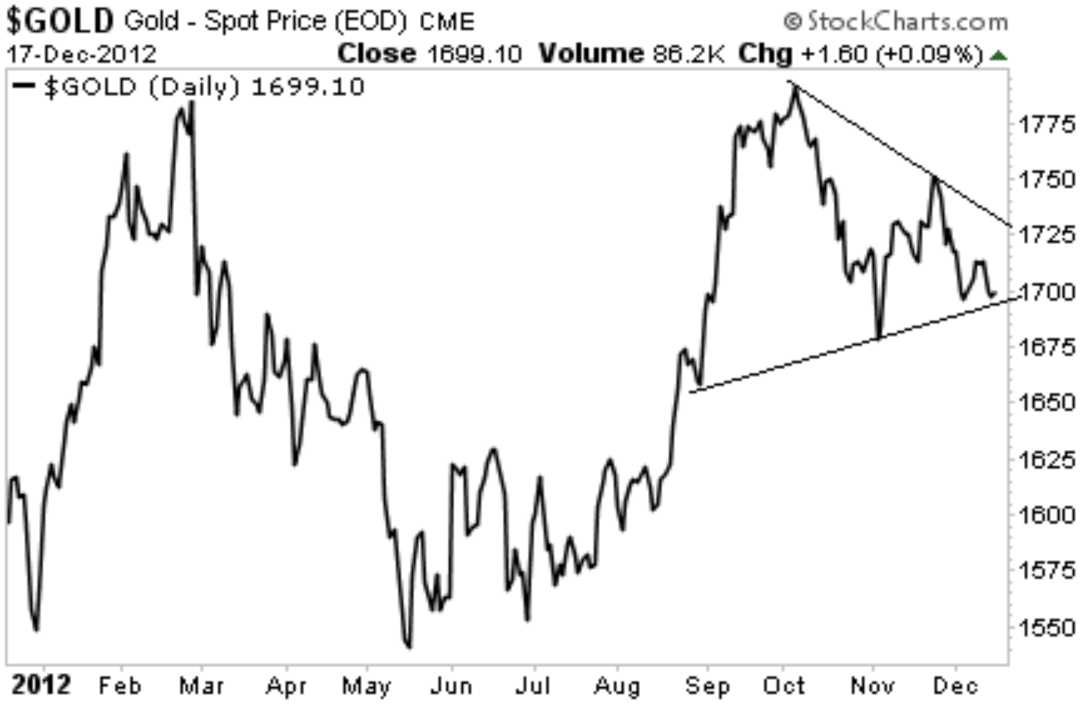
Soybeans look similarly ready to break out to the upside:



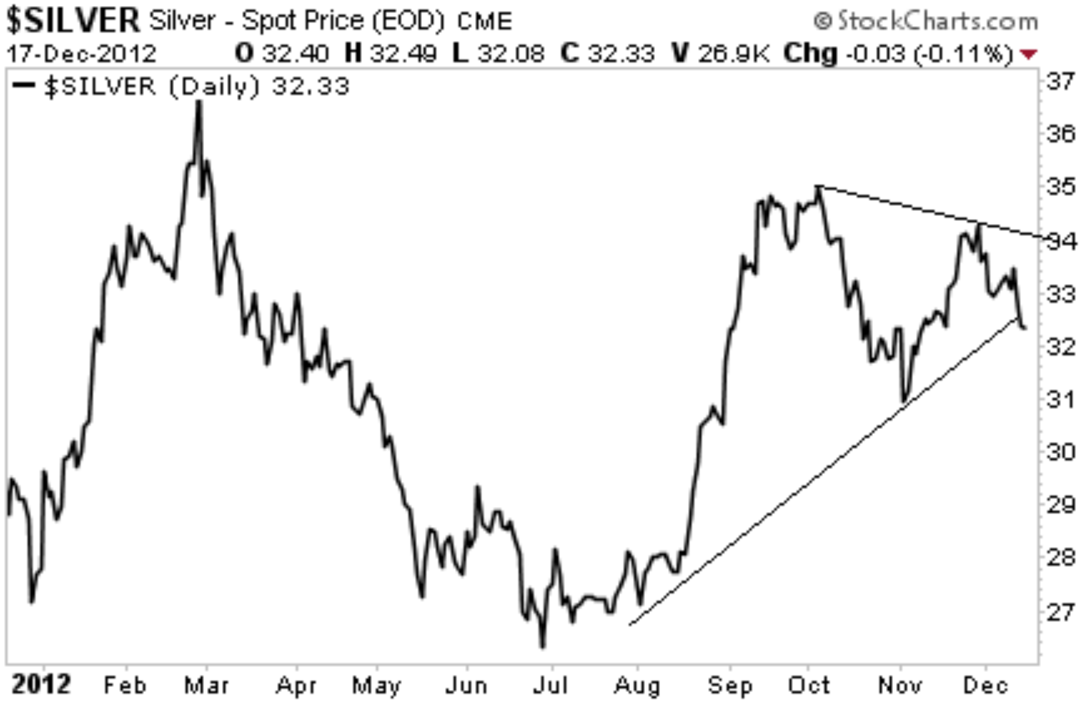
Let’s get on board for this move.

Action to Take: Buy the Soybeans ETF (SOYB)

Strangely Gold and Silver are not looking very good.



Here's Silver:



It think we could be in for a sharper correction here with Gold going maybe to $1600 per ounce and Silver to $30. Long-term, both precious metals will move higher. But it looks as though hedge fund liquidations in anticipation of the fiscal cliff are pushing both downwards in the short-term.

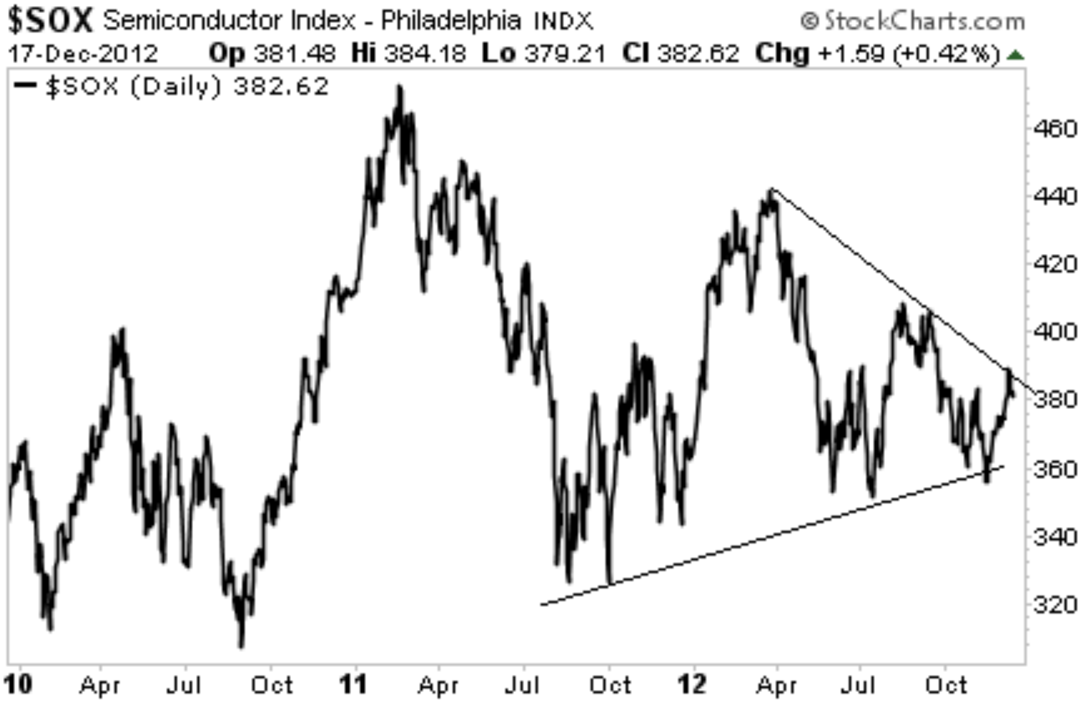
Let's take advantage of this for some quick gains.

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

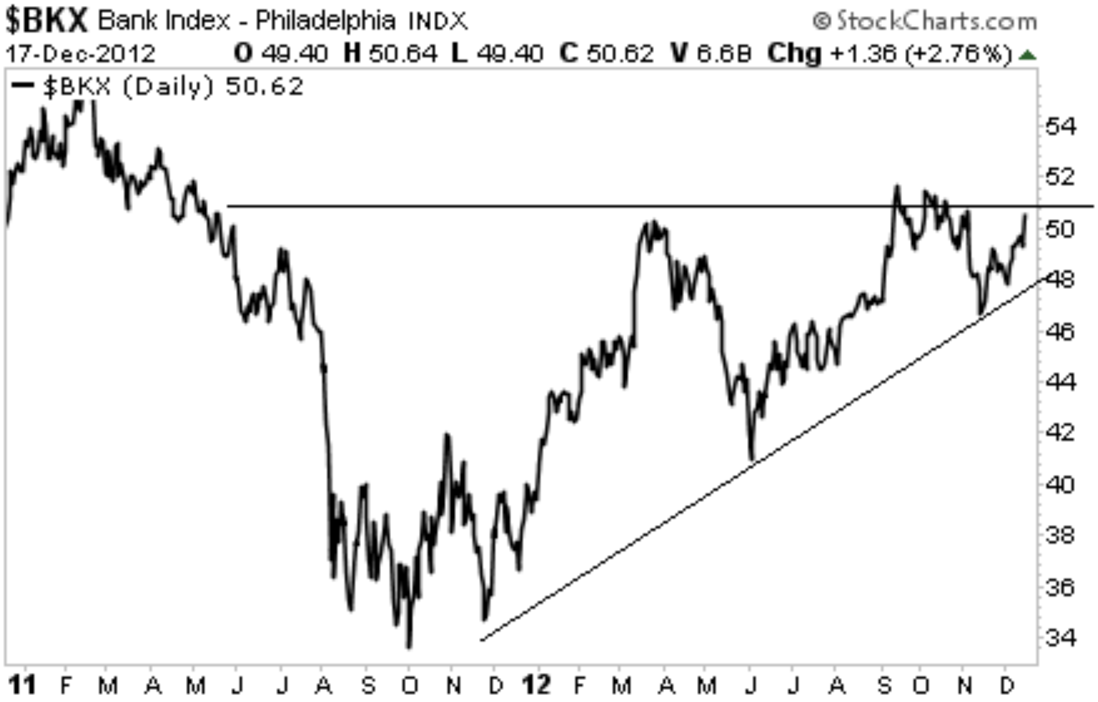
Action to Take: Buy the UltraShort Silver ETF (ZSL)

Some other items have caught my eye. In spite of the world economy rolling over and so many problems facing the world, several leading sectors are breaking out to the upside:

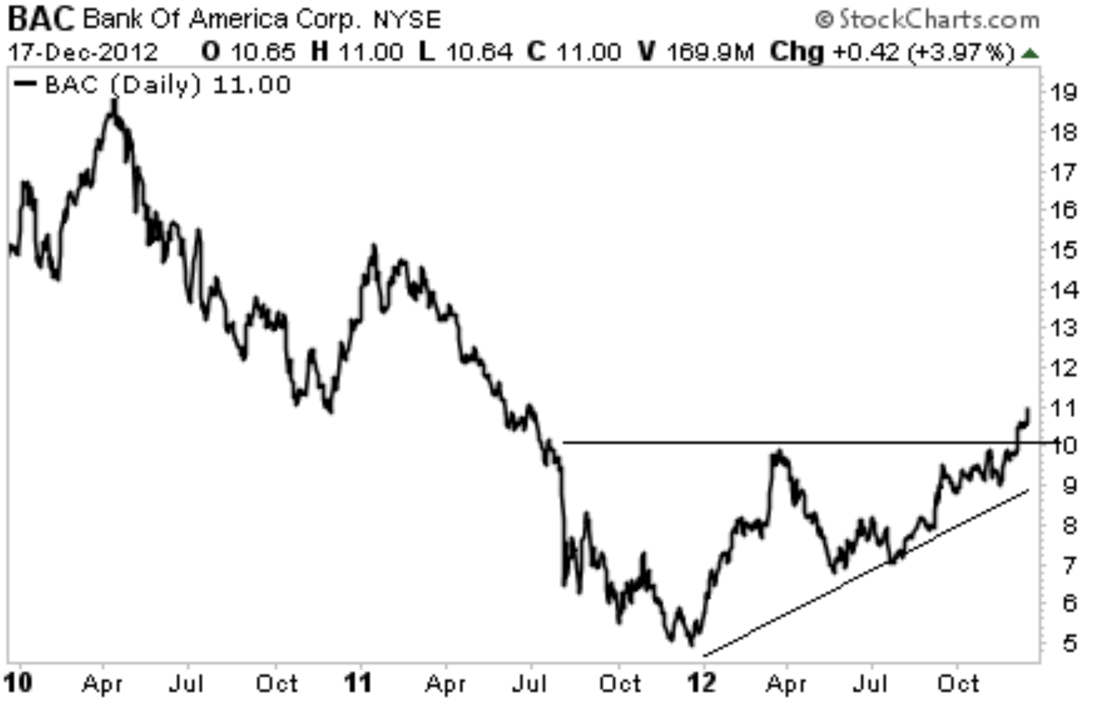
Here's Semiconductors:

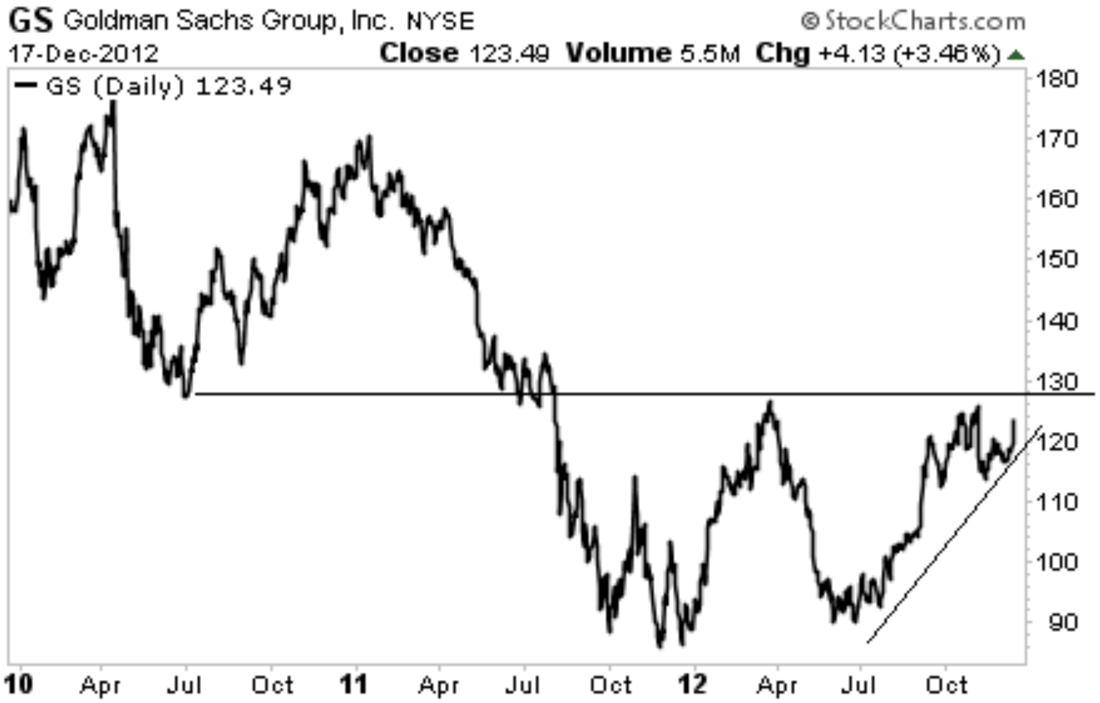


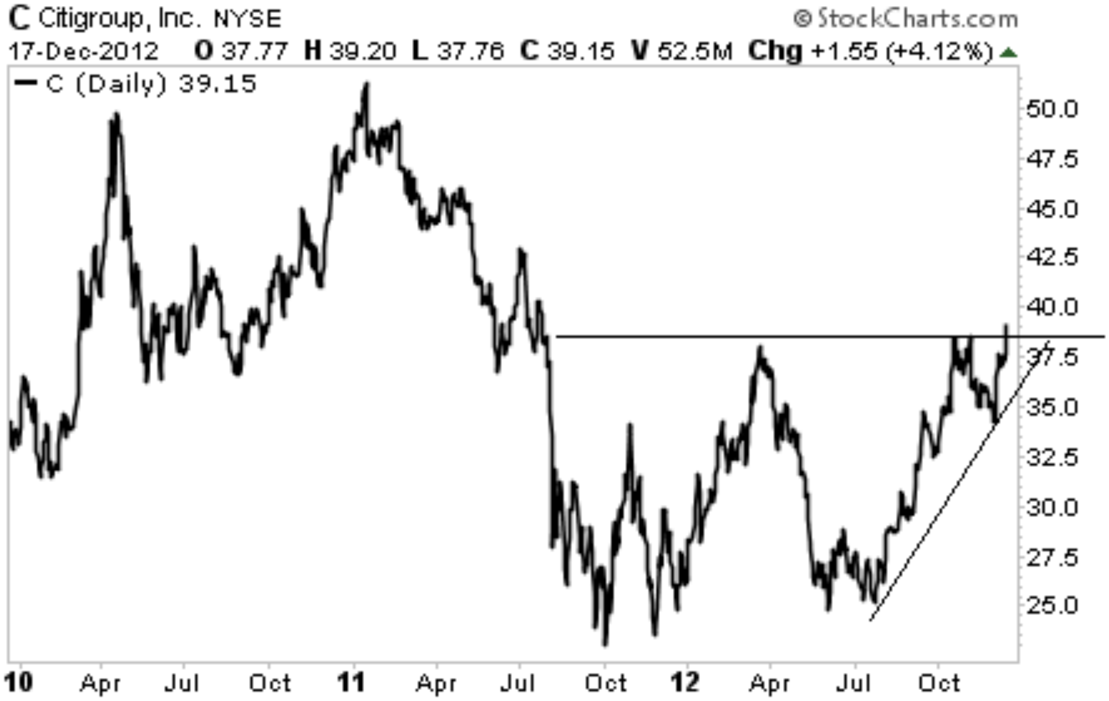
Here's the Banks:



Moreover, the individual US big banks are all breaking out to the upside:







It is totally baffling. The only thing that could be driving this is Central Bank funny money. Indeed, the Fed balance sheet, which has been flat for nearly a year until November, has finally begun to expand rapidly, clearing $2.9 trillion just a few weeks ago. We'll clear $3 trillion early next year at this pace.

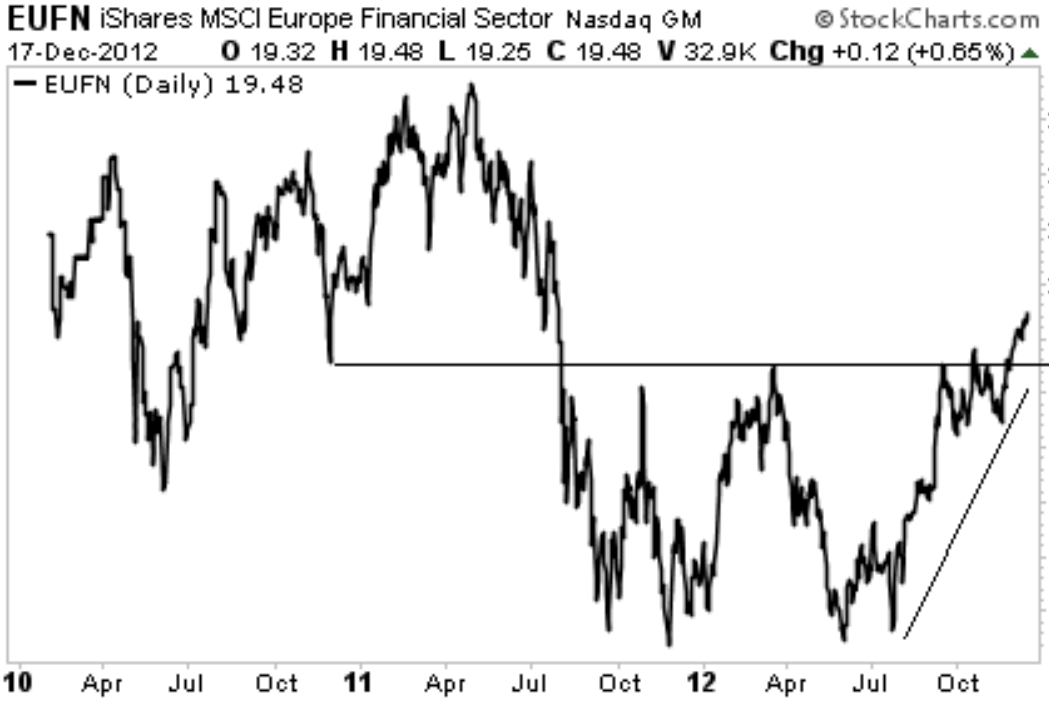
I do not believe in this market move in the long-term and I do not think that somehow 2013 will be a great year for risk assets. But the current move is to the upside. So we might as well ride it for the time being until things become truly unhinged in 2013.

With that in mind, we're creating a short-term portfolio called the Monetary Madness portfolio. We'll be using it for some short-term trades to profit from the Central Banks' ongoing monetary printing.

The first position is the **UltraLong Financials ETF (UYG)** which returns 2X the movement of the financials ETF. As noted above, the banks are all rallying hard. UYG gives us a means of playing this move with some added juice.

Action to Take: Buy the UltraLong Financials ETF (UYG).

For those looking to profit from the ongoing liquidity induced move in European banks, the European Financial ETF (EUFN) is a good vehicle.



Action to Take: Buy the European Financials ETF (EUFN).

This move up will only bring more pain for a handful of our positions. It's staggering to see fundamentals being trumped by monetary madness, but the fact of the matter is that the Central Banks have gone "all in" on their efforts to reflate the system. And financials and a handful of other markets will be moving up no matter what until the big crash hits.

For that reason we're closing the following positions before the losses get larger.

Action to Take: Cover your Societe General Short (SCGLY.PK)

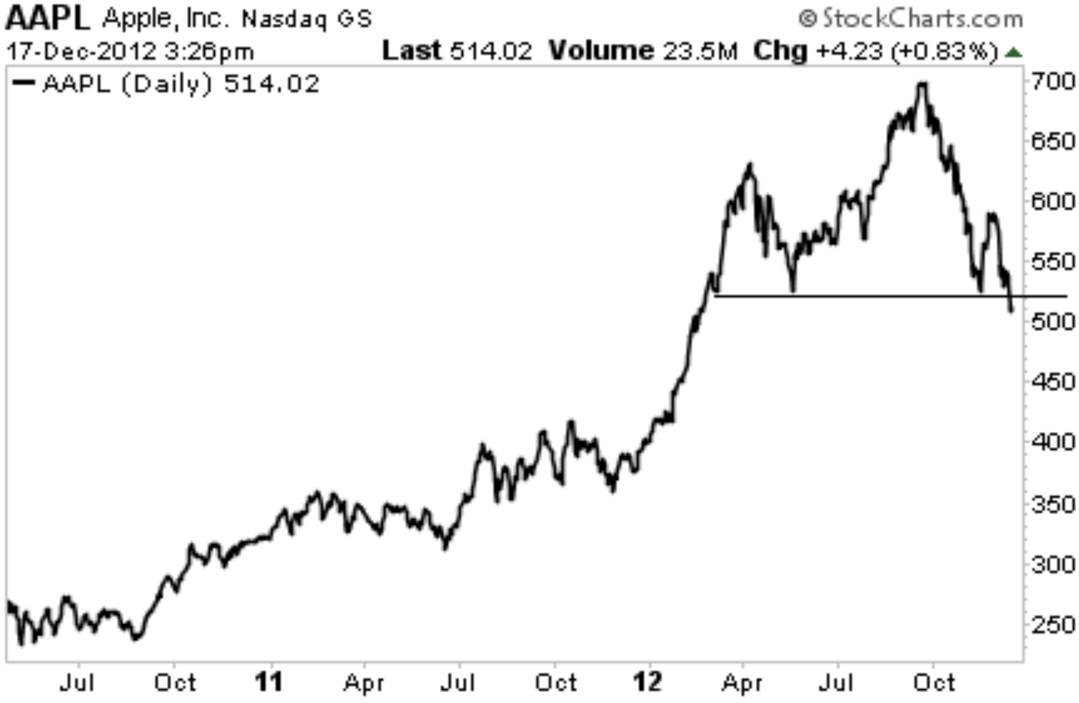
Action to Take: Cover your BNP Paribas Short (BNPQY.PK)

Action to Take: Cover your Santander Short (SAN)

Action to Take: Sell the UltraShort China ETF (FXP)

Action to Take: Sell the UltraShort Consumer Services ETF (SZK)

One investment that hasn't been invited to the liquidity party is Apple. Indeed, the Wall Street darling has finally taken out its critical support line. The Head and Shoulders pattern predicts a move down to $400 per share.



Action to Take: Short Apple (APPL)

This concludes this week's issue of ***Private Wealth Advisory***. The world is now fully in the grips of the Central Banks which will be driving everything higher for as long as they can. I cannot tell precisely how long until this house of cards collapses. But for now, the markets are reliant on one thing only: QE and money printing.

We're playing this trend until it breaks.

On a final note, two of our mining plays have been hit hard by the markets. They are Vista Gold (VGZ) and First Majestic Silver (AG).

VGZ fell because it announced a share offering at a 6.5% discount to its Friday December 13 2012 price. As you would expect, shares plummeted on the announcement (why own shares if you know others are going to be able to buy at a price almost 7% lower?).

However, nothing material has changed about the company or its business. Indeed, VGZ is now sharply oversold and is more undervalued than ever. For that reason we're holding on.

In the case of First Majestic Silver (AG) the company announced it would be acquiring Orko Silver using shares to finance the deal. The deal is a good one and brings more high quality assets with lots of upside potential to AG's portfolio. However, the fact that AG is using shares to finance the deal has hit AG's share price hard.

I remain bullish on both companies. These current setbacks are temporary. Both remain in possession of extraordinary assets that are deeply undervalued. We're going to be holding them for the long-term.

Until next time.

Best Regards,

Graham Summers

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	$1,698.00	52%
Silver bullion	N/A	3/17/10	$17.50	$32.36	85%
Corn ETF	CORN	8/8/12	$51.61	$46.22	-10%
Rogers Agriculture ETN	RJA	8/17/12	$9.80	$9.32	-5%
Vista Gold	VGZ	9/24/12	$3.66	$2.70	-26%
First Majestic Silver	AG	10/1/12	$23.17	$20.59	-11%
Peru ETF	EPU	11/28/12	$44.18	$44.77	1%
Soybeans	SOYB	12/17/12	$25.18	NEW	BUY!

*** Averaged in second price of $1.64 on October 17 2012.**

Monetary Madness Portfolio (OPEN BUYS NOW)

Company	**Symbol**	**Buy Date**	**Buy Price**	**Current Price**	**Gain/ Loss**
Ultralong Financials	UYG	12/17/12	$66.81	NEW	BUY!
European Financials ETF	EUFN	12/17/12	$19.48	NEW	BUY!
UltraShort Gold ETF	GLL	12/17/12	$60.94	NEW	BUY!
UltraShort Silver ETF	ZSL	12/17/12	$44.75	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	$21.75	0%
Rydex Dollar 2x Strategy	RYSDX	12/14/11	$14.39	$13.23	-8%
UltraShort Euro ETF	EUO	6/25/12	$21.45	$19.12	-11%
Russia ETF (SHORT)	TRF	6/25/12	$13.21	$14.26	-3%
Italy ETF (SHORT)	EWI	9/28/12	$12.03	$13.11	-6%
France ETF (SHORT)	EWQ	9/28/12	$20.98	$23.27	-9%
Spain ETF (SHORT)	EWP	11/14/12	$26.93	$29.80	-11%

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	C	11/1/11	$29.19		11/16/11	$27.46	6%

(short)*							
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	CRARY.	3/21/12	$3.27		3/29/12	$3.08	6%

(Short)	PK						
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 (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%
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 (SHORT)	EWP	7/25/12	$20.15			$29.42	-32%
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%
Centamin Mining	CEE.TO	5/25/11	$2.01	$1.83		$0.97	-47%
			$1.64				
BNP Paribas (SHORT)	BNPQY	11/14/12	$25.11			$28.88	-15%
Societe General (SHORT)	SCGLY	11/14/12	$6.17			$7.81	-27%
Santander (SHORT)	SAN	11/14/12	$6.99			$7.81	-12%
BNP Paribas (SHORT)	BNPQY	11/14/12	25.11			$28.88	-15%
UltraShort Consumer Goods	SZK	7/25/12	$72.96			$62.09	-15%
UltraShort China ETF	FXP	6/25/12	$31.17	$28.97		$18.64	-36%
			$26.77				
UltraShort Consumer Goods	SZK	7/25/12	$72.96			$62.09	-15%

- **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

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