



PRIVATE WEALTH ADVISORY

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Market Update: 4-1-15

A major long-term momentum indicator is flashing, “sell.”

Based on the historical significance of this indicator we may be putting in a top and possibly THE top for the bull market that began 2009.

The indicator concerns the monthly moving average convergence divergence or MACD.

For those of you who like technical analysis, this indicator is formed by two interweaving lines.

The first line (usually black on the chart) is formed by subtracting the 26-month exponential moving average (EMA) from the 12-month EMA.

So if the 26-month EMA is 12 and 12-month EMA is 10, the black line would be at 2 for that particular day.

The second line (usually red on the chart) is formed by the 9-month exponential moving average.

The “signals” come when the two lines connect:

- 1. Anytime the black line breaks above the red line, it triggers a “buy” signal.**
- 2. Anytime the black line breaks below the red line, it triggers a “sell” signal.**

“Sell” signals usually coincide with market tops forming. **They also trigger when bull markets END.**

I've labeled the "sell" signals on the monthly chart of the S&P 500 below. We are using the monthly chart because we're most concerned with timing when a multi-year bull market ends, NOT intermediate swings in price.



As you can see, this signal has been fairly accurate for picking tops.

Of course it's more of an art than a science when it comes to timing the end of a bull market (two of the "sell" signals hit on short-term tops in 1998 and 2011, as opposed to the *ultimate* market tops which came later).

However, it is worth noting that even during those periods in which "sell" signals only coincided with temporary tops (1998 and 2011), BOTH times stocks staged a dramatic collapse before beginning their next leg up.

In 1998, when the “sell” signal triggered, stocks dropped nearly 20%.



In 2011, when the “sell” signal triggered, stocks fell 17% and the Fed announced Operation Twist to try and prop the markets up.



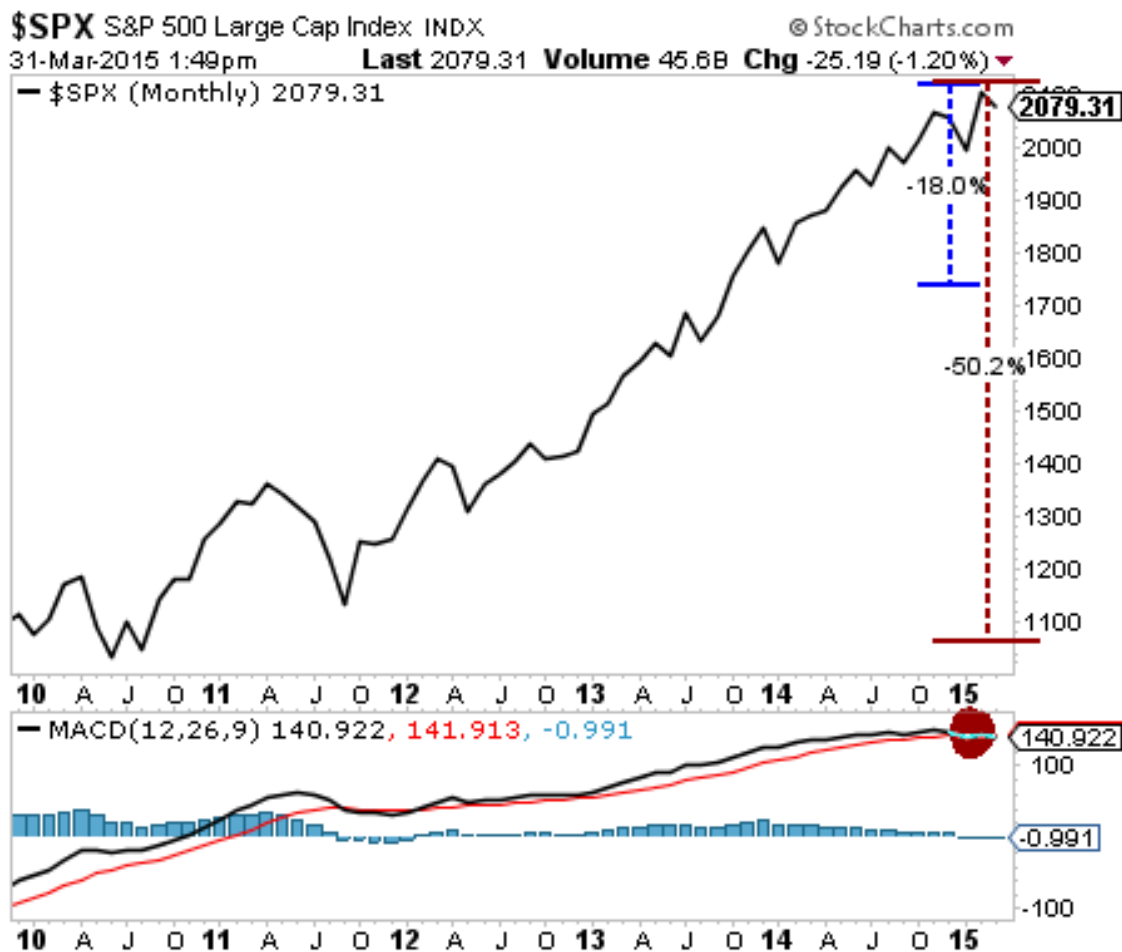
Moreover, the other times that this indicator registered a “sell signal” (the times

when it coincided with THE top for stocks) the markets **fell 50% and 57% respectively.**

So the fact a “sell” signal is hitting now is of massive importance. It tells us that momentum is falling and we can expect a sizable correction in stocks at the very least and a Crash at the very worst.

I’ve marked where drops of this magnitude would take stocks on the chart below.

An 18-20% correction would take the S&P 500 down to the mid-1700s. A 50% Crash would take us to a **little under 1100.**



Timing when exactly this will hit is impossible. Remember, this is a **monthly** chart, so the drop could come in the next week or so or possibly in 4-6 weeks. But regardless, stocks are on red alert.

With that in mind, we’re closing out two of our biggest winners in our long portfolio: **Target (TGT) and Pfizer (PFE).**

Both companies have rallied to their fair value. And both are at risk of losing dramatic gains when the correction hits/ the US re-enters recession. I'd rather close them out now before the carnage hits.

Action to Take: Sell Target (TGT)

Action to Take: Sell Pfizer (PFE)

We're not opening any new positions just yet because I want to give the markets some time to play their hand. But once things get rolling I'll have some more short ideas.

On a final note, I received an email regarding a long-term holding Enduro Royalty Trust (NDRO).

NDRO is an American energy trust that was grandfathered into our portfolio from another newsletter in mid-2013. It stopped out on November 28th 2014 at a price of \$7.06 for a loss of 26% (our stop loss was 25%).

I've updated our recently closed trades to include this position below.

I continue to watch the markets, closely. Barring any new developments you'll hear from me next week in our weekly market update for *Private Wealth Advisory*.

Until then...

Best Regards

Graham Summers
Chief Market Strategist
Phoenix Capital Research

RECENTLY CLOSED POSITIONS

POSITION	SYMBOL	BUY DATE	BUY PRICE	SELL DATE	SELL PRICE	GAIN/LOSS
Apple	AAPL	4/2/14	\$77.51	9/29/14	\$98.84	28%
European Financials (SHORT)	EUFN	4/15/14	\$24.89	10/10/14	\$22.47	11%
UltraShort Russell 2000	TWM	4/15/14	\$49.46	10/10/14	\$52.28	6%
UltraShort Brazil	BZQ	10/15/14	\$62.00	10/21/14	\$71.92	16%
UltraShort Gold	GLL	10/24/14	\$94.15	11/14/14	\$104.21	11%
UltraShort Silver	ZSL	10/24/14	\$104.89	11/14/14	\$122.00	16%
Enduro Royalty Trust	NDRO	5/22/13	\$12.05	11/28/14	\$7.06	-26%
UltraShort Euro	EOU	1/20/15	\$23.49	3/5/15	\$26.51	13%
UltraShort Brazil	BZQ	1/6/15	\$91.07	3/6/15	\$100.74	11%
Target	TGT	5/28/14	\$55.34	4/1/15	\$81.88	52%
Pfizer	PFE	7/30/14	\$29.26	4/1/15	\$35.03	22%

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