

Weekly Notes for December 16, 2016

Market Week

Fed Week began mixed with the Dow & S&P 500 opening up and NASDAQ down. Venezuela's inflation was officially added to the list of certified episodes of hyperinflation recorded by the Hanke-Krus "*World Hyperinflation Table*". The Maduro contraption has run the rate to well over 100% per month and last week he decided to confiscate all paper currency and replace it with coins and new improved paper. In Dallas, the pension system has suffered a run as \$600 Million of the \$2.8 Billion it had on account has been withdrawn by the Police & Fire employees taking early retirement in hopes of locking in some retirement cash. The plan was well underfunded, having only 45% of its liabilities on hand at the start of the year and that has now fallen to 36% since August. The rate of subtractions have accelerated to the point where the Dallas Police and Fire Pension System's board has halted withdrawals while it figures out how far to cut back on the unfunded promises that caused the wreck in the first place. President –Elect Trump's stance toward China is causing problems in their markets, especially the Yuan. Trump said his support for the One-China policy will be determined by trade negotiations and that China won't dictate who he talks to. This caused a swoon across the entirety of the Chinese markets with stocks, bonds and currency lower. We finished mixed with only the Dow up for the day. Tuesday all the markets' doubts and worries were erased and stocks exploded at the opening. Italy's biggest bank, UniCredit SpA, said it will be laying off 14,000 and raising \$13.8 Billion in a bond offering. It will also take a \$12 Billion write off by packaging \$17.7 Billion in bad loans into an entity it will sell off to investors. The stock and EU markets also greeted the news with great joy. In Venezuela, Sr. Maduro closed the country's borders to prevent cash & citizens from escaping to Columbia.

Wednesday, the long awaited Fed rate decision arrived. The markets have done the job already with the 10 Year & 30 Year treasury bonds rising to their annual highs from the July lows but the icing on the cake was that, although retail sales were less than predicted in November and October's sales were revised lower, the PPI rose 0.4% in November, above the 0.1% expected, and year over year was up 1.3%, its largest 12 month increase since November 2014. OPEC reported that the current oil glut may not be reduced as soon as originally predicted and energy prices fell. China's markets are tumbling as the Gang of Nine that calls all of the shots is losing its grip on the economy. Our markets took a breather and the S&P dropped 18.44.

Thursday began with more exuberance and our averages rose steadily throughout the morning. The British Government is dithering over which way to exit the EU resulting in stress on its economy. Venezuela is in an economic black hole and after recalling all of its large bills, closing its borders to prevent citizen escape, it failed to deliver the replacement currency exacerbating the Maduro morass. China has been selling its U.S. Treasuries saved up from a time when the economy was doing well and now holds fewer of our bonds than Japan. The government tried to stem the losses in its bond markets by suspending trading in bond futures. It's amazing that the rest of the world is paying so little attention to the mounting problems there. Our stocks sold off a bit in the afternoon session and gave back half the early gains. Gold has been in a recent melt down and lost \$33/oz on the day.

Friday, China's woes continued as an auction of 91 and 182 day bills failed to be completed and the rates on the bills that the government actually managed to sell spiked to 2.9565% on the 182 day, while the 91-day bills sold for 2.8991%. Money printing & manipulation has costs and could trigger a large increase in interest rates there largely due to distrust of the issuer. Our markets opened higher again even as the cyber war fomenting between Russia and the current White House heats up. Our rally fizzled when it was announced that the Chinese had captured an unmanned NOAA undersea vessel in international waters. China wants to widen its sphere in the seas near its shores and will use force to get its way. Stocks gave back all of the day's gains and closed the week off a tiny bit. With the run up of interest rates the Census Bureau reported that housing starts fell off a cliff at minus 18.7% and permits dropped 4.7% in November. Mortgage rates are up, averaging 4.38%.

Friday began with a positive tone but for the second day in a row, profit taking took over and the averages sold off. Markets are reacting to as if it is new news that the Fed is going to try manipulating rates higher thus removing the stimulus opioid and subjecting prices to actual market supply & demand. We expect that if our indexes really take gas on

this news that a policy reversal won't be too far behind. Meanwhile we advise that our readers take care to follow the cash rather than the often histrionic punditry. The averages ended the week with the Dow and Oil up and Gold, NASDAQ, The S&P 500 and Russell 2000 lower. QPM Radar™ finished with positive momentum crossing 70% at 70.49%.

Weekly Actionable Signals

Long time readers know we have a four quadrant system that illustrates the movement of money into or out of securities we follow. Of the four only two of the quadrants, 'A' and 'D', are considered decision points. These have generally met our criteria for action by showing which direction the majority of market participants is employing their money.

Company	Symbol	Current Price	QPM Score	Pos/Neg	Open Date	Start Price
Dominion Resources	D	75.87	A3-3	Positive	16-Dec-16	75.87
MSCI France	EWQ	24.36	A3-3	Positive	16-Dec-16	24.36
iShare Dow Jones U.S. Utility	IDU	122.59	A3-3	Positive	16-Dec-16	122.59
PowerShares Utilities	PUI	25.72	A3-3	Positive	16-Dec-16	25.72
Vanguard Utilities	VPU	106.64	A3-3	Positive	16-Dec-16	106.64
Altria Group Inc.	MO	67.04	A3-3	Positive	15-Dec-16	66.26
PS Dynamic Food & Beverage	PBJ	33.51	A3-3	Positive	15-Dec-16	33.55
Apple	AAPL	115.97	A3-3	Positive	14-Dec-16	115.19
Ultra Short FTSE/Xinhua China 25	FXP	33.91	A3-3	Positive	14-Dec-16	32.63
Exelon Corporation	EXC	35.72	A3-3	Positive	13-Dec-16	35.46
Asia 50 ADR	ADRA	28.35	A3-3	Positive	12-Dec-16	28.57
PowerShares Dividend Achiever Int'l ID	PID	14.61	A3-3	Positive	12-Dec-16	14.80
NASDAQ Biotech	IBB	272.42	D1-1	Negative	16-Dec-16	272.42
Agilent Tech	A	45.91	D1-1	Negative	16-Dec-16	45.91
Nasdaq Biotech Index	NBI	2844.76	D1-1	Negative	15-Dec-16	2844.73
Regeneron Pharma	REGN	378.85	D1-1	Negative	15-Dec-16	378.01
AFLAC	AFL	69.41	D1-1	Negative	14-Dec-16	69.72
Biogen Idec	BIIB	286.40	D1-1	Negative	14-Dec-16	286.25
Hecla Mining	HL	5.39	D1-1	Negative	14-Dec-16	5.88
Pan American Silver	PAAS	14.71	D1-1	Negative	14-Dec-16	16.03
MSCI Pacific ex-Japan	EPP	40.54	D1-1	Negative	13-Dec-16	41.65
Vanguard Health Care	VHT	128.10	D1-1	Negative	13-Dec-16	127.50
ACADIA Pharma	ACAD	25.98	D2-1	Negative	16-Dec-16	25.98
FireEye	FEYE	13.21	D2-1	Negative	16-Dec-16	13.21
Aegerion Pharma	AEGR	1.97	D2-1	Negative	15-Dec-16	1.97
Virmetx Holding	VHC	2.45	D3-1	Negative	12-Dec-16	2.55

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