



Excerpts Nov 2015-Now

Belkin Report Nov 16, 2015

Financials - The model's top European sell and short sector prospect is banks. These names currently stand out as strongest short recommendations: Deutsche Bank ... Deutsche Bank is an undercapitalized, colossal pile of derivatives, with a new recovery program announced every few months. DBank stock is at a six-year low, with a downward model forecast. Deutsche Bank is one big bank with huge problems, reminiscent of Citibank in 2008. ... You probably don't want to own European banks and you should short them.

Belkin Report Nov 23, 2015

Global financials are recommended shorts: European banks, US brokers and asset managers and Japanese securities stocks are recommended shorts. Remember our frequent exhortations to short Greek banks like National Bank of Greece? NBG is down -86% ytd, hope you listened. European banks look like a can of worms, with high nonperforming loans and big capital-raising dilutions approaching. We recommend selling and shorting euro banks. US money center banks like JPM, C and BAC are choking on bridge loans that can't sell.

Belkin Report Nov 30, 2015

Global financials are top short recommendations. In the US: GS, MS, GLRE, BX, KKR and OZM. In Europe: Deutsche Bank, Barclays, CS Group, Unicredit, BBVA R, Intesa Sanpaolo, Banco Popolare, UBS ... Asset managers have been great shorts this year as speculative bubble positions go up in smoke and reward those who have the courage to buck the system.

Belkin Report Dec 7, 2015

Selling into brief rallies is recommended. For long exposure in the US the consumer staples, utilities and telecom sectors have an outperform forecast. The model is long the 30Yr Treasury future, long government bonds are recommended. Of course this contradicts conventional wisdom and record hedge fund short bond positioning, which anticipate Fed rate hikes and a strong economy. We think the Fed and hedge fund consensus are totally nuts. The global economy is headed south, S&P500 reported earnings are down -14% yoy and headed much lower. The centralbank-created speculative bubble is headed for the dustbin of history, don't get trapped in its demise.

Belkin Report Dec 14, 2015

In Europe, banks and financial services are the model's top sell and short recommendation. The Greek bank (NBG) that we repeatedly begged you to short is down -99% ytd. Other European banks like Deutsche Bank and many others are now top recommended shorts (see page 7). Defensive European sector and stock outperform prospects have been working, currently those are food & beverage, utilities, personal goods and real estate. Central bankers like Yellen and Draghi turned markets into levers of monetary policy and investors into puppets. Their game worked for awhile, but it is now blowing up. The junk bond and emerging market collapse should feed into equities. Wherever you see crowded trades, take the opposite side in preparation for liquidation. Hedge funds are long the dollar index DXY and \$JY (we're short), they are short US Treasury bonds (we're long) and they are long Nasdaq cult stocks (we're short). It takes courage and tenacity to **question the status quo** (that's a guiding principle of my alma mater UC Berkeley Haas School of Business). Oddly enough, A Berkeley Haas professor (Yellen) has become the ultimate status quo figure that portfolio managers must resist as a matter of survival. Instead of living a lie and faking it as pawns of second-rate central bankers, investors should spurn the insane equity market overvaluation created by Yellen et al. and check out of Heartbreak Hotel before the fire alarms trigger a stampede for the exits.

Belkin Report **Dec 20, 2015** - THE REAL STORY OF 2015



The real story of 2015 is *many individual stocks have declined way more than the indexes*. It was a fantastic year for shortselling, if you were short popular selected stocks that hedge funds own. Why don't you hear that story anywhere else? Here's why: Most investors and information peddlers are like those slobbering bulls in that cartoon to the left, slavishly hopping to whatever *Simon says* (Yellen). They have been long or recommending stocks that been obliterated. But the market dances to a different beat than Yellen's *Simon Says* instructions to Bubble People. Here's a brief list of stocks from many

different industry groups that have been on our recommended sell list, with percentage down from recent peak: VW -49%, VRX -59%, MU -55%, WDC -45%, STX -46%, KMX -28%, CMG -31%, MON -24%, FOSL -70%, CAT -41%, QCOM -39%, TWTR -60%, YHOO -37%, NAV -78%, UNP -40%, LVS -51%, WYNN -70%, CMI -45%, MT -76%, AKS -79%, X -79%, BZH -45%, M -50%, JWN -38%, SHLD -55%, OZM -49%, KKR -33%, CG -54%, BEN -38%, AAPL -20%, Deutsche Bank -45% ... Expect more European bank stock turbulence, with share offerings that nuke stock prices. Deutsche Bank, Unicredit and BBVA stand out as shorts.

Belkin Report **Dec 27, 2015**

Short the Dollar: The latest BofA Merrill Lynch Global Fund Manager Survey shows long US dollar to be the most crowded position, by a factor of three (almost doubling from November). Fund managers must think its a no-brainer, the US economy is strong (says Yellen), the Fed is raising rates so buy the dollar! We have the exact opposite opinion. Our model is SHORT the US dollar Index DXY, US\$/JY and US\$/€. Our global economic scenario says Yellen is out of her frigging mind to raise interest rates in the face of a cyclical economic downturn. So this could present a real opportunity for a contrarian currency play. With a trade this crowded, macro hedge funds could get demolished rushing for the door at the same time when their long dollar mirage fizzles. We recommend shorting the US dollar Index and dollar/majors (not dollar/EM) ...

Bonds and Gold: The model is long the US 30Yr Tbond future. That might sound silly when the Fed is hiking interest rates, but we are calling the Fed and consensus bond shorts wrong about the economy. A weaker economy should squeeze shorts out of TBonds, squeeze asset allocators into TBonds and make junk bonds into mincemeat. Gold is the anti-dollar and anti-Federal Reserve trade, it's not a *material* commodity short. The model is long gold and gold mining stocks. Our Australian gold stock index is +67% in 2015, depressed South African gold miners are now recommended. Tbonds and gold are defensive positions that should prosper in a global financial market liquidation.

Belkin Report **Jan 10, 2016**

Sector Rotation: There is a huge opportunity in sector rotation in the US, Europe and Japan. Defensive sectors are forecast to outperform, while popular and overowned sectors are forecast to underperform. **US:** Overweight (long) utilities, consumer staples and telecom services. Underweight (short) technology, financials, consumer discretionary, industrials and materials. **Europe:** Overweight (long) utilities, telecom, food & beverage, real estate. Underweight (short) banks, chemicals, autos, financial services, technology. To provide some idea of the opportunities in sector rotation, the S&P500 utilities/tech and staples/discretionary ratios could easily have 30%+ moves. That would be pure alpha.

Belkin Report **Jan 17, 2016**

European Banking Crisis: Our 2015 short recommendation on National Bank of Greece resulted in a 99% gain, when NBG stock fell that much from its February peak. There is a lesson here for investors and shortsellers: Many other European bank stocks have similar problems as NBG. In a nutshell, weaker European banks have high nonperforming loans and are undercapitalized (that was NBG's problem too). This will likely result in an European banking crisis. Banks waited too long to raise capital, it might have worked when European stock markets were stronger one year ago. In a stock bear market with non-performing loans rising, bank capital calls will be a disaster. NBG's recent emergency stock offering was priced 90% below the already-depressed stock price, which promptly fell to that level. Get the picture? Stockholders of European banks are likely to get diluted into oblivion. The EuroStoxx bank sector is the

model's top European sell recommendation. One of the top names on that sell list fell -15% today (Banca Monte dei Paschi di Siena). Many other Italian, Spanish and French banks are top sell recommendations. The #1 European bank sell and short recommendation is Deutsche Bank. This mega bank has too little capital and an enormous balance sheet loaded up with questionable derivatives. Shortsellers take note ...

Sectors: The model's top US sector overweight recommendation remains utilities, which have provided +8% alpha in just two weeks. The forecast suggests utilities are merely commencing an extended period of outperformance. Reverse psychology is perfect: Conformists hate utilities and are short bonds because the Fed is raising interest rates because the economy is so strong. *Wrong!* Consumer staples and telecom services are also top outperform prospects. The technology, financials and consumer discretionary sectors have the weakest forecast, Bubble Peoples' favorite sectors.

Gold Mining: Our South African gold mining ADR index recommended last week was up +9%, with the #1 stock on the list up +25% (HMY). South African golds should be starting a sustained advance. The rand is weakening, which raises gold dollar revenues accordingly. South African golds are a roundabout way of benefiting from emerging market turmoil. The dollar gold price should also rally, because gold is a currency, not a material. Buy South African golds.

Belkin Report Jan 24, 2016

Financials: Déjà vu all Over Again: Financials are a top model short: Specifically European banks, US brokers, money center banks, credit cards and asset managers. Deutsche Bank (top BR model short) is down -26% ytd. Other financial model shorts are down ytd: Citigroup -24%, Bank of America -23%, Morgan Stanley -22%, Unicredit -27%, Banca Monte dei Paschi di Siena -41%, American Express -21% and Raymond James -26%. Get the picture? Leading financial stocks are down almost three times as much as the indexes. Citigroup (BR short) reports Italian banks have 18% nonperforming loans: *"Total gross NPLs in Italy have increased by 160% since 2009 and now represent 18% of loans (vs 8% in 2009)."* Banca Monte dei Paschi is teetering on bankruptcy, Unicredit and Deutsche Bank are much bigger institutions and have a similar model forecast. If you followed our National Bank of Greece (NBG) short recommendation last year (stock -99% since 2014), you know what probably lies ahead for numerous other European banks with low capital and high nonperforming loans. With NBG, their crisis capital raising was a total flop, no one wanted to buy stock in a failing bank with high NPLs. They priced the emergency share offering -90% below the market and the shares (already down -90% ytd) instantly fell another -90%. Get the picture? We recommend shorting European banks ASAP. They will almost certainly forbid bank shortselling in a crisis.

Belkin Report Feb 1, 2016

Sector Shangri La: Our recommended S&P500 overweight sectors had astounding outperformance in January: Alpha of +10% utilities, +11% telecom services and +6% consumer staples. While that seems like almost a year's worth of alpha gains in a month, the model forecast suggests the defensive outperformance is just starting. *We strongly recommend overweighting utilities, telecom services and staples, 12 month view.* The model's European Stoxx supersector recommendations were similarly rewarding in January: Alpha of +6% utilities, +4% telecom, +9% food & bev and +8% personal goods. Stick to those Stoxx supersectors: *We strongly recommend overweighting Stoxx utilities, telecom, food & beverage, personal goods and real estate supersectors.* On the downside, the model's sell financials recommendation turned out as good as the overweight utilities call: European Stoxx banks were the worst performing supersector in January, -10% alpha (-17% absolute). S&P500 financials were the 2nd worst performing January sector, -4% alpha (-9% absolute). This trend is here to stay according to the model forecast. *We strongly recommend underweighting, selling and shorting US and European financials, especially European banks and US securities brokers.* European autos (another model sell recommendation) had -9% alpha in January.

Gold and Gold Miners, the Midas Touch: The best-performing asset across all global macro asset classes in January was gold, according to today's Deutsche Bank table. Likewise, the best performing January S&P500 industry group in our database was gold miners (+11% absolute). The subset of gold miners that we have most strongly recommended (South African, equally weighted ADR index in \$US) was up a stunning +44% in January.