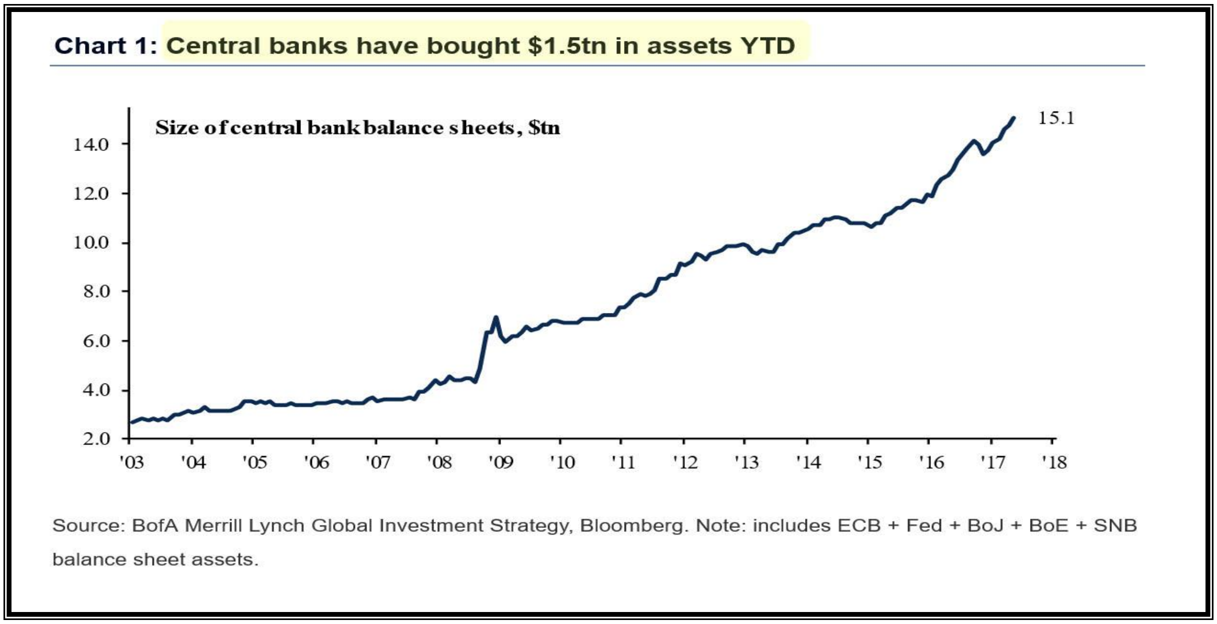
Summer Doldrums

As we labor along these summer trading days, awash in great anticipation of the next FED policy move, we can't help but bring to light some of the driving facets behind the equity, bond and currency moves. We believe that our readers must understand the simple fact that central banks are the biggest driver, not only as to the daily direction of bets placed, but as to the overall trends in general. We heard for years how the plunge protection team didn't exist. We heard for years that dope Steve Liesman, that FED butt kissing media spinning journalist tell us that the central banks don't directly affect the markets. Now after 9 long year of ZIRP and $15 Trillion dollar major central banks balance sheets (not including PBOC) the markets are as frothy as ever. We hear bubble talk after bubble talk, bonds are in a bubble, equities are in a bubble, Bitcoin is in a bubble.

We hate when people impose such generalities without contemplating the facts. Hey look, we don't agree with the weapon arsenal of choice by our money printing fanatics at the central banks, but hey they have the authority and by God they have used it. Who's complaining anyways? Your portfolio's should be higher, your interest rates on your debt should be lower and all is good right? Ohh wait, let me see, yes your savings earns a big fat NOTHING and all the while the so called sub 2% inflation keeps eating away at your ability to purchase the things you actually need in order to survive. Forgive us fine FED, but we hardly think the masses didn't notice you sold out Main Street for Wall Street, but then again, it would be ludicrous, sheer insanity to think they would deviate from their true masters. Ok Sorry we got off on a tangent, back to describing the main driver, the pace car if you will for all and every market. BofA gave us this nice chart this week:



The only real take away is this, the fact that the central banks have **bought $1.5 Trillion in assets THIS YEAR ALONE** and its only July. However let's not forget that this nearly 4x increase in balance sheet also means liabilities have increased just as much, because all money is debt and all debt is money, they are one and the same in fiat currency land. So just remember that all debt instruments come with two components, principal and interest and by increasing these varying amounts by factors of 4 in this case, you can see how the debt will continue to pile up. How do you suppose we roll all this debt and interest in the future? Well by printing more and more, this negative growth feedback loop is a byproduct of this monetary printing and it's why Japan has and will always be the proxy for this type of nonsensical solution. They have tried and continue to administer this experiment and it has failed. Now all the economies are on a crash course with destiny to destroy or in this case inflate all asset values all the while sacrificing any true ability to safely save for the future.

We talked with a very astute investor and colleague of ours this week. This gentleman sold his company to a much larger competitor and now invests in the markets for himself. We had the honor of picking his brain for awhile and we asked him his thoughts on the ongoing and linear uptrend in the equity markets. His response was very plain and simple,

He said, "look what you have is large efficiencies moving throughout various industries, which through technology, innovation and obviously streamlining operations, which drives shareholder value. The fact of the matter is all companies' large and small benefit, if you are smaller and provide value, a larger competitor will most likely take you over. If you are large and equal in size most likely you will merge. The bottom line is that the market place shrinks and thus the available pool of assets shrinks, just the same as it does when a corp. swaps debt for equity, its shares decrease thus the price moves higher."

So basically we took it to mean that the overall investor no matter if he or she is investing in small, midsize or large, should benefit going forward via these factors. Consolidation being one of the larger contributors. Now this guy isn't an econ major, isn't running any company at this point but this is a guy that understands the real driving dynamic behind things and it's refreshing to hear it from someone outside the financial industry.

SO with the Federal Open Market Meeting decision ahead of us tomorrow. It is widely expected the FED isn't going to make any significant change to its policy or wording at this time. The bond markets today took some heavy losses as yields in the long end were up some 11 basis points. The equity markets were up marginally across the board.

In other news and to keep the Crypto Currency theme going, the CFTC approved LedgerX this week for clearing derivatives in the digital currency trading space, quoting the CNBC article here:

"The U.S. Commodity Futures Trading Commission announced Monday it unanimously approved digital currency-trading platform LedgerX for clearing derivatives. LedgerX initially plans to clear Bitcoin options, the release said." (CNBC) link Here

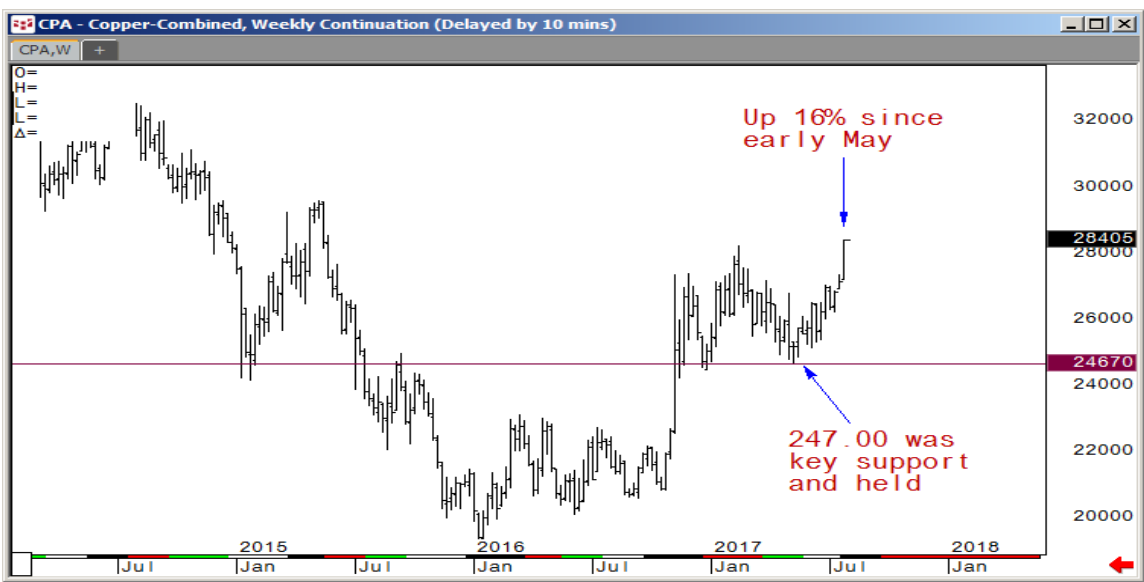
All of this on the heels of the somewhat elusive and always intriguing software billionaire John Mcafee saying he will take anyone's bets against his prognostication that Bitcoin will reach $500k in three years. Heck anyone with any sense would simply buy 2 Bitcoin today, bet him $500k and give them to him to hold in escrow and take his bet, because if it does reach $500k the 2 BTC will be worth $1 million and he would actually owe you $500k back. He didn't state that there were odds so that obviously would change the bet completely, but we like his thinking.

Also out this week was legendary Bill Miller, the former Legg Mason titan said he had put 1% of his net worth in Bitcoin in 2014. So this all presents some interesting food for thought as to the nature of this new phenomenon. It seems as if a lot of well-connected heavy weight financiers are in the mix and with them involved the influence should continue to spread. Heck, even Goldman Sachs Research is now covering Bitcoin. They ran a research technical piece this week that has a price target of $3600. All in all we hate to say it, but this little thorn in the fiat currencies side isn't going anywhere. We would also like to remind our readers that this technology is well worth researching for your own advanced knowledge and knowhow. We understand that like all new technologies there is a learning curve and with that comes volatility and uncertainty, its expected. So when you hear such things as "hard fork, mining, tokens, ICO" just dig a bit deeper into it and understand that this is all a natural progression as a given technology finds its place into our everyday lives.

Ok let's move to the technical talk shall we. With the US Dollar sinking to new lows once again, it may make some sense to look into some of those beaten down commodity index funds. We have decided to highlight the Powershares DB Commodity Index Tracking Fund chart here courtesy of finviz.com:

Trading at 50% values since 2011 perhaps the downtrodden dollar may bring some buyers into this complex. More info on this symbol can be found at the Reuters link [Here]()

Continuing on with the commodities bull theme, Copper has put in a nice bottom since a few weeks back when we highlighted the 247 level, its risen some 16% from there:



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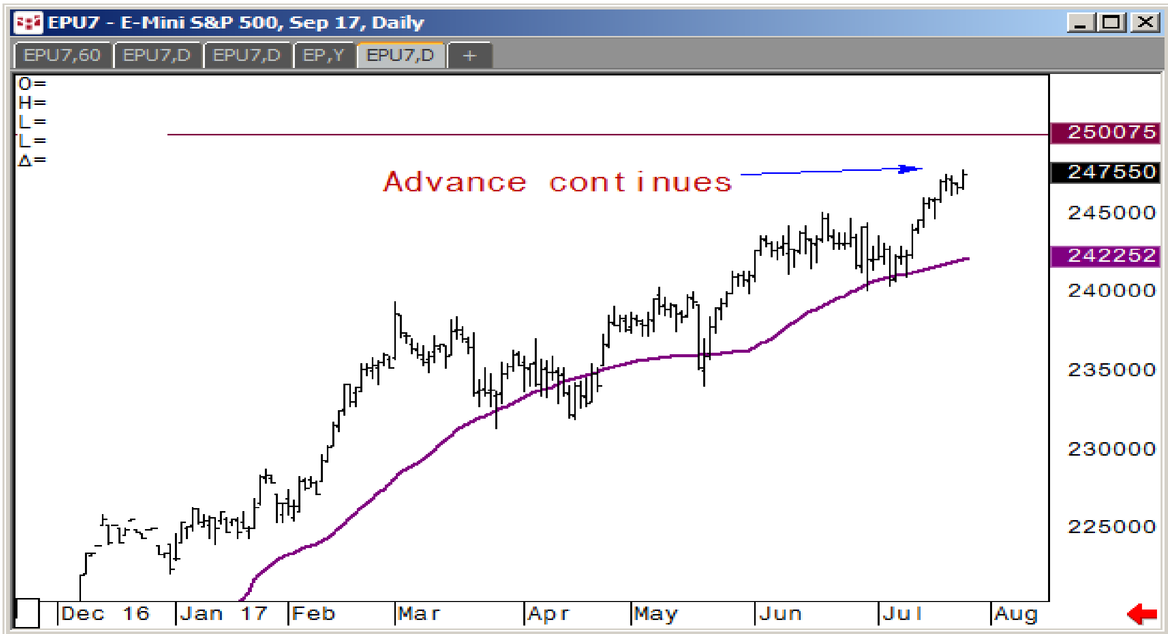
Crude is also putting in a small run toward the top our trend channel or the $49 area:

Moving on over to equity futures land, we show the Nasdaq continues with a good run this month up 7% and no signs of abating:

The SP500 future also continues unabated and as we pointed out last week, the bucks seem to propel the next leg higher, so bulls need to press it toward 2500:



As we talked about the US Treasury bond getting hit today pre FOMC, we see the damage down here on the yield chart as yields rose right to the Vwap and the 2.91% pivot area:

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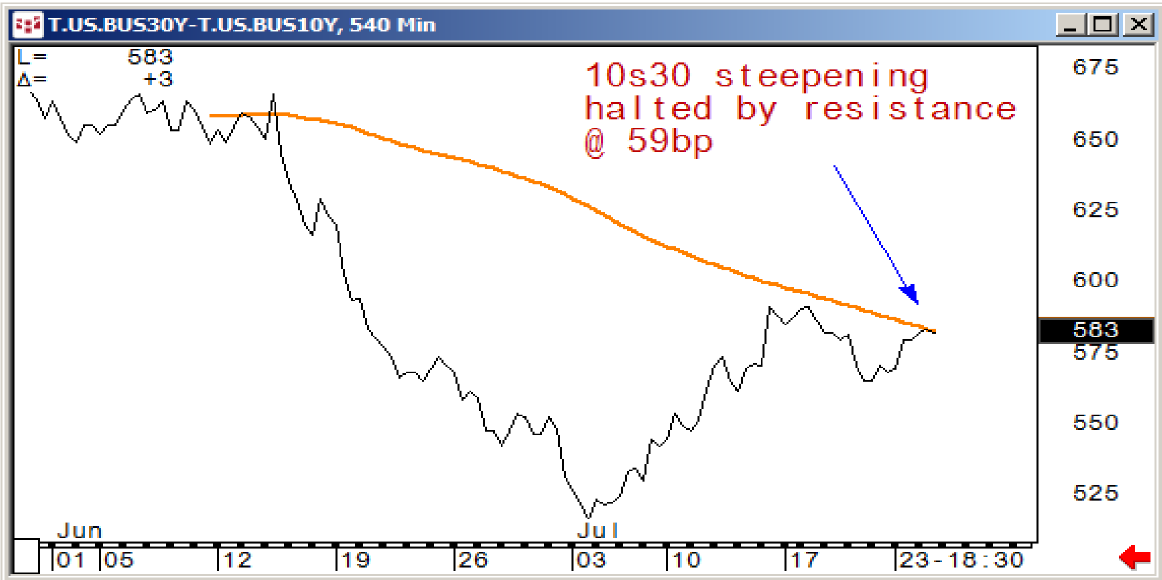
Looking at the 10s30 US Treasury spread the steepening advance has stalled here near 59bp:



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Ok hopefully the FOMC provides us with something of note and if so we will gladly provide you with background and as always sensible color on whatever transpires. We hope you continue to read our viewpoints and we hope you continue to search for alternative styles and approaches to investing as we must stay as dynamic as the market place. As always we leave you with our weekly settles and as you can see the Nasdaq continues to shine and the dollar continues to grind, while Bitcoin reasserts its trend. Till next time, cheers!

21-Jul		Weekly	Weekly	YTD
Instrument	Price/Yield	Net Change	% Change	Change
US 30yr Govt	2.80%	-11 bp	3.8%	8.2%
US 10yr Govt	2.23%	-9 bp	3.9%	8.4%
US 5yr Govt	1.80%	-6 bp	3.2%	6.5%
SEP Bond	154-25	2'05	1.4%	4.6%
SEP Ten Yr	126-10	0'20+	0.5%	2.4%
SEP Five Yr	118-082	0'09	0.2%	1.7%
SEP SP500	2469.50	13.50	0.5%	10.7%
SEP DOW	21518	(77.00)	-0.4%	9.5%
SEP Nasdaq	5918.75	75.50	1.3%	21.7%
SEP Nikkei	20005	(60.00)	-0.3%	5.1%
SEP Dax	12224.5	(386.50)	-3.1%	6.4%
Shanghai Comp	3237.98	15.56	0.5%	4.3%
SEP WTI Crude	$45.77	(0.98)	-2.1%	-20.0%
DEC Gold	$1,261.00	26.50	2.1%	8.4%
SEP Silver	$16.46	0.53	3.3%	1.7%
SEP Dollar Index	$93.68	(1.25)	-1.3%	-8.2%
SEP EURO	117.13	2.09	1.8%	10.2%
SEP YEN	90.280	1.20	1.3%	4.6%
Bitcoin (BTC)	$2,663.18	$477.24	21.8%	179.3%

Finally, we will decidedly end our notes with our reaffirmation of the growing need for alternative strategies. We would like to think that our alternative view on markets is consistent with our preference for alternative risk and alpha driven strategies. Alternatives offer the investor a unique opportunity at non correlated returns and overall risk diversification. We believe combining traditional strategies with an alternative solution gives an investor a well-rounded approach to managing their long term portfolio. With the growing concentration of risk involved in passive index funds, with newly created artificial intelligence led investing and overall market illiquidity in times of market stress, alternatives can offset some of these risks.

It is our goal to keep you abreast of all the growing market risks as well as keep you aligned with potential alternative strategies to combat such risks. We hope you stay the course with us, ask more questions and become accustomed to looking at the markets from the same scope we do. Feel free to point out any inconsistencies, any questions that relate to the topics we talk about or even suggest certain markets that you may want more color upon.

Capital Trading Group, LLLP ("CTG") is an investment firm that believes safety and trust are the two most sought after attributes among investors and money managers alike. For over 30 years we have built our business and reputation in efforts to mitigate risk through diversification. We forge long-term relationships with both investors and money managers otherwise known as Commodity Trading Advisors (CTAs).

We are a firm with an important distinction: It is our belief that building strong relationships require more than offering a well-rounded set of investment vehicles; a first-hand understanding of the instruments and the organization behind those instruments is needed as well.