Capital Trading Group
One Financial Place
440 S LaSalle Street, Suite 2301
Chicago, IL 60605
Ph: 800.238.2610
www.CTGtrading.com

WEEKLY UPDATE **JUNE 16th 2016**

Please note the disclaimer attached at the end of this report.

Sorry we are putting this out before Friday, but we figured the FOMC meeting and its outcome are too important to pass up. We cannot stress enough the importance of the market's reaction to the FED and their inaction. Lets first get to the headlines of the meeting:

***FOMC: KEEPS POLICY RATE UNCH AT 0.25-0.5%, VOTE 10-0**
***IT EXPECTS LABOR MARKET INDICATORS WILL STRENGTHEN**
***MEDIAN FED FUNDS EST. 1.6% END-2017 VS 1.9% IN MARCH**
***SAYS PACE OF LABOR MARKET IMPROVEMENT HAS SLOWED**
***6 FED OFFICIALS EXPECT 1 2016 RATE HIKE VS 1 IN MARCH**
***GROWTH IN ECONOMIC ACTIVITY APPEARS TO HAVE PICKED UP**

We tend to pick on CNBC's Steve Liesman, for being such an avid FED cheerleader, but lately we have seen a very different version of his rhetoric. It started in March after the FOMC meeting when he asked Chair Yellen, whether or not she has a credibility problem? Well, we will not bore you with the complete gibberish that was spewed, but it can be found on zerohedge via this link[1] below.

After today's press conference Steve went on CNBC to say this, **"I think the first rate hike cycle is over. It's as close to the FED getting to capitulation as I've ever seen, about the efficacy of FED policy, about the outlook for the economy."**

He also went on to try to give his nemesis Rick Santelli, the good old Chicago market trading floor cover guy (the only one on there with any sense of reality btw) a kudos compliment when he said this,

"Rick - the markets won. The Fed has completely capitulated to the market's point of view. The Fed is not leading the markets here, the markets are leading the Fed. Every single time."

Which Rick promptly and loudly stated "there is no market. There is Janet. There's Mario Draghi. There is Abe. There is no market left."

We thank Zerohedge for pointing this out and enlightening us once again to this exchange. I think the profoundness of both Steve in saying "**I think the first rate hike cycle is over"** and then Rick stating "there is no market. There is Janet. There's Mario Draghi. There is Abe. There is no market left," is far reaching and starting to resonate across the the globe and entire investment arena.

If indeed the rate hikes are over and as we have long suspected which Rick so blatantly pointed out, that there aren't markets, just central banks. Well then my dear readers, confidence may have already left the building and central banks are about as

[1] http://www.zerohedge.com/news/2016-03-16/here-what-janet-yellen-answered-when-steve-liesman-asked-if-fed-has-credibility-prob

vulnerable as ever or at least since they embarked on their insane QE and Negative rate policies. Dr. Ben Hunt and his Epsilon Theory Newsletter, recently put out a piece entitled "Pressure and Time."[2] If you aren't a regular reader, well, you should be. Anyhow he quotes one of our favorite movies of all time The Shawshank Redemption. Going on to state that "Hope" is what's driving the investment meme's across the globe. Hope that the central banks policies will somehow transcend into the next boom. Hope allows you to survive to have faith that things will turn around or in the words of Red, one of the characters in the movie ***"Let me tell you something my friend. Hope is a dangerous thing. Hope can drive a man insane."*** "The Shawshank Redemption" (1994)

Has the investing public, the large subset of multi-billion and sometimes Trillion dollar managers gone insane? Are they slowly losing "Hope"? If so and from the likes of all the bearish rhetoric we have been hearing out of this camp, then the markets are in for one hell of a ride and tolerances will be tested and outcomes will remain unknown. You see dear reader when you try to manipulate something, when you try to mess with the general nature of something, well the outcomes might not be what you thought they would be.

Then again the arrogance at the Central Bank level is wrought with iron and damned if they will be told what to do. From our perspective the last 8 years, maybe even longer, seems like the central banks have been trying to pull down that giant ball of debt under the water and eventually the pressure will be too much and it will come popping out with a vengeance. When all this central bank created debt balloon bursts it will have devastating and far reaching consequences. Far greater than any Tech Bubble, any Sub Prime bubble, this is the bubble of all bubbles and one outcome is certain, **bubbles never last**!

We want to say today was the day the FED lost their credibility, today was the day that the algo's couldn't press the buy more button and drive stocks higher. Today was the day that all the fixed income shorts took it on the chin and now will be racing to cover in any way they can, except the door won't be wide enough.

Confidence is a funny thing, you work so long to build it, then in one second, it can all be lost. It's the nature of things and once its lost regaining it is virtually impossible. That is where we are at, we feel it, we sense it, we can put our investing feelers on to it and trust that maybe this time is different, maybe the cycle has turned, for goodness sakes, maybe Steve Liesman is right? That would certainly signal the end of an era, now wouldn't it?

This is a warning letter for all of you to start truly looking at your assets, looking at your allocations and wonder what will happen if confidence in credit is lost, how it will affect various assets and evaluate your risk parameters, that's all. We have markets predicated and built on a construct designed by a very few unelected men and woman. We have a media that glorifies these players and ascends them to the upper echelons of societal and economic prowess. Are they really all that, or is all not as it appears? One thing is certain, we don't want to hear that zero rates is the new normal now do we? It's increasingly likely that they indeed and most certainly are. If so, then a whole lot of painful adjustments are going to have to be made and accounted for, we just hope the actuaries at the pension and insurance companies can figure out a way to put a negative sign in their long term liability matching equations. We highly doubt it will look pretty.

Ok, enough of the banter and narration. Let's look at the market reaction and see if we can make some sense of the movement's that have taken place. As of this writing the BOJ has also acted and decided to keep policy unchanged, which has given the Yen an early bid. So let's start with that chart. As you can see the 9478 level has been broken and has

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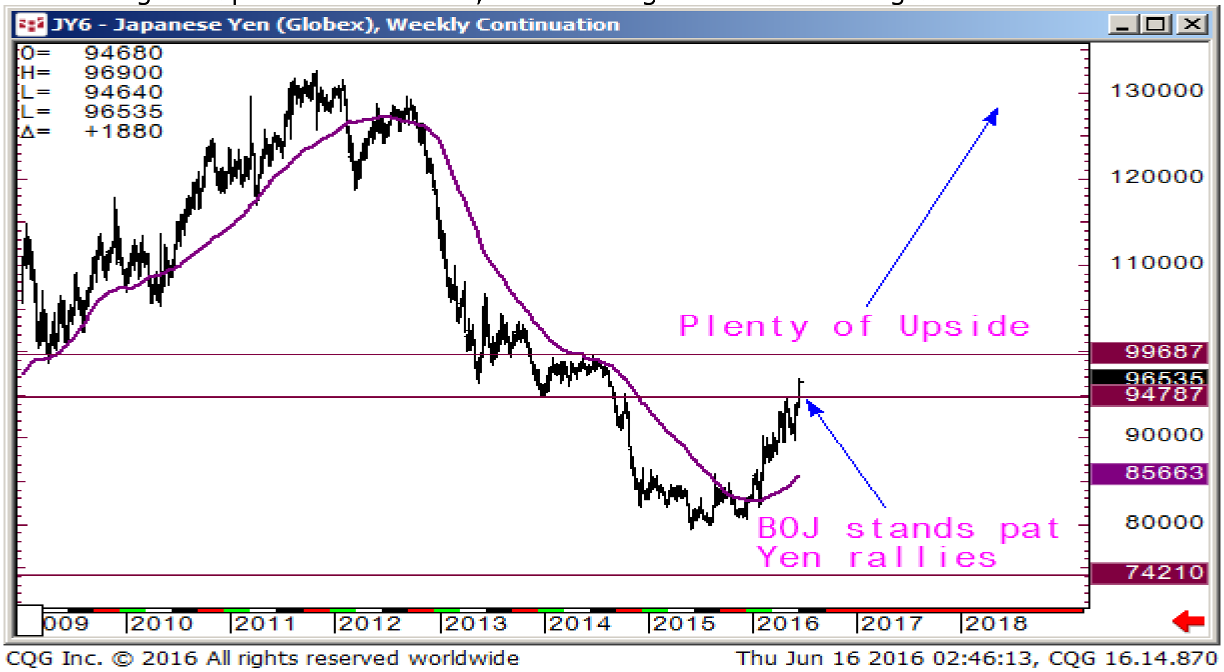
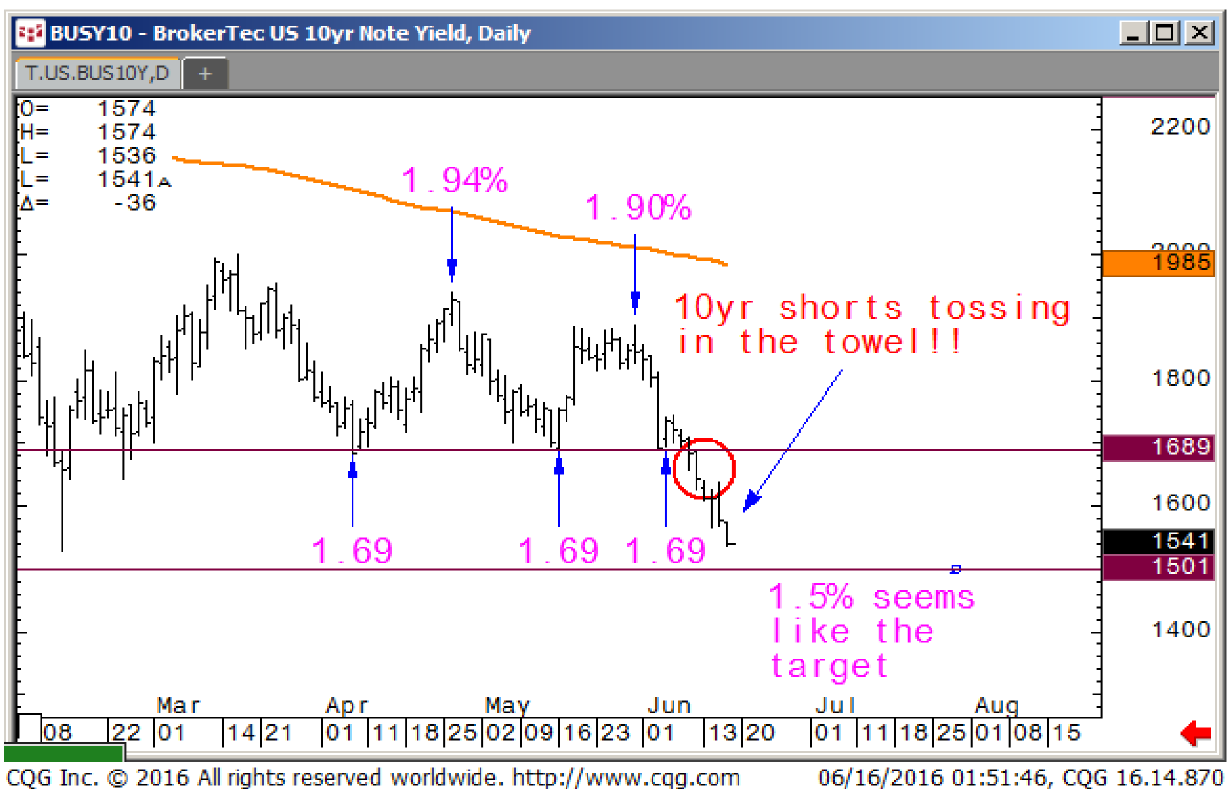
[2] http://www.salientpartners.com/epsilon-theory/pressure-and-time/

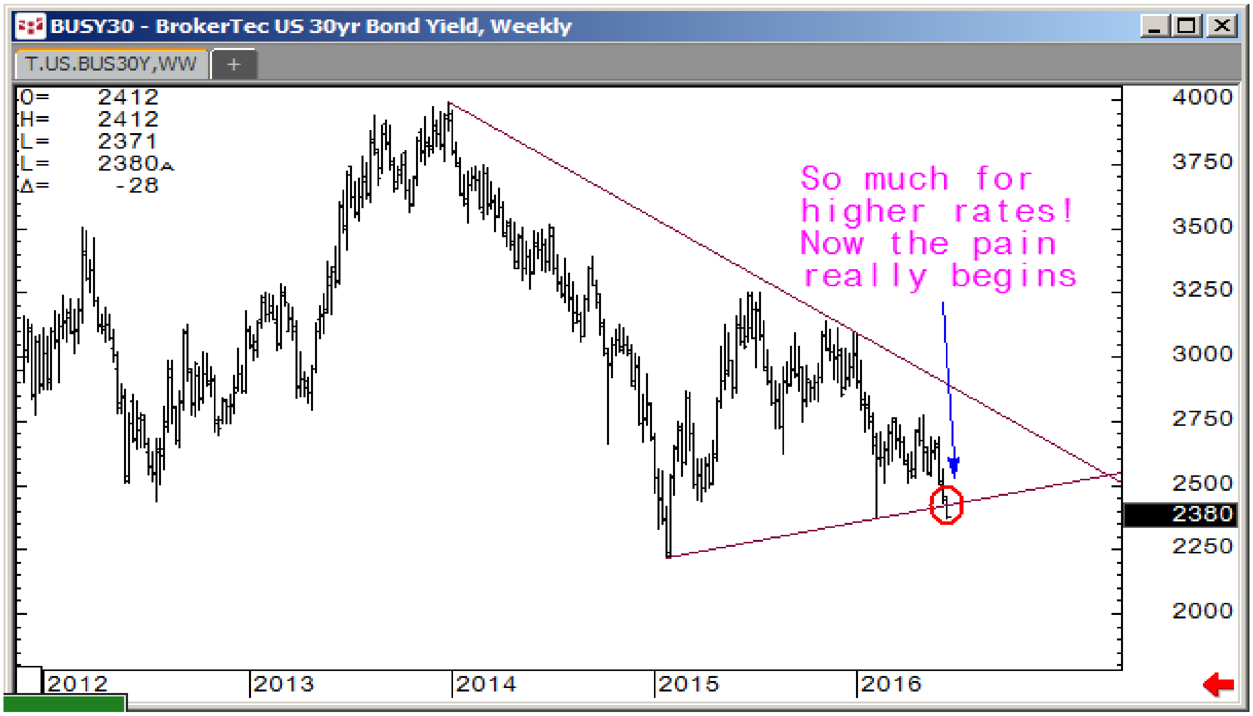
opened quite a door for the next leg up. Furthermore shown on this chart is the fact that the Yen has some tremendous upside, perhaps $70 Billion a month isn't enough stimulus, perhaps considering the up move in the Yen, the BOJ might consider adding on:



Let's turn our attention to the US Treasury market where some real pain is being felt by the shorts. This is a chart of the US 10yr on the run in yield. As you can see once the 1.69 level broke, the door was open for probes lower, now 1.5% seems likely:



The next chart shows the US 30yr Treasury on the run in yield, which has lagged the breakout in the 10yr, but now itself has broken a significant wedge pattern which will only inflict further pain on the shorts as fast money and CTA trend followers add on here:



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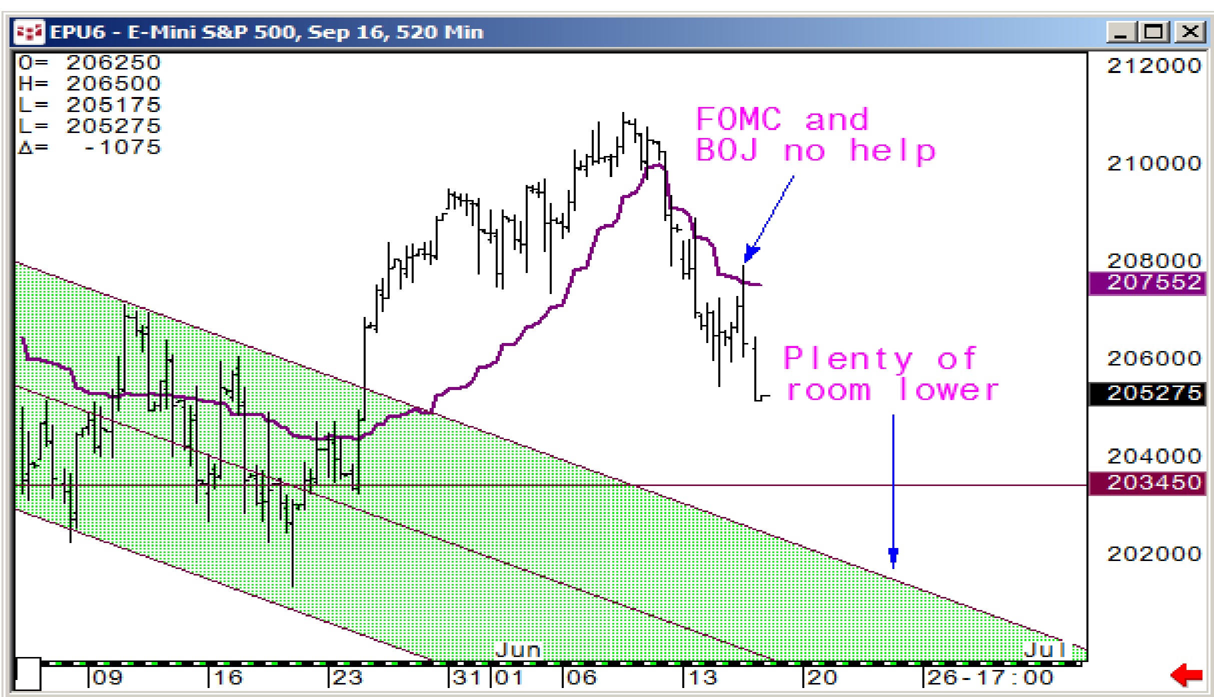
As for the equity markets, let's look at a chart of the SP500 Sep Future, the VWAP capped it earlier today and now further probes lower may send it back into the prior channel 2034 seems logical tech target to us here, which may just prove to be a short reprieve:



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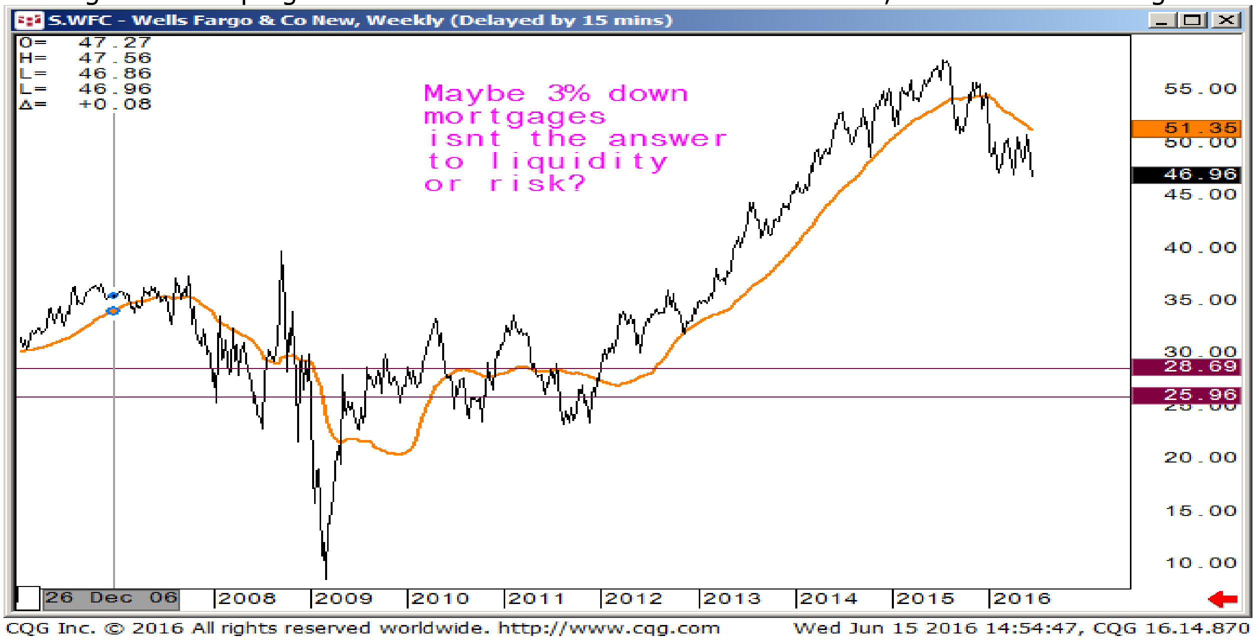
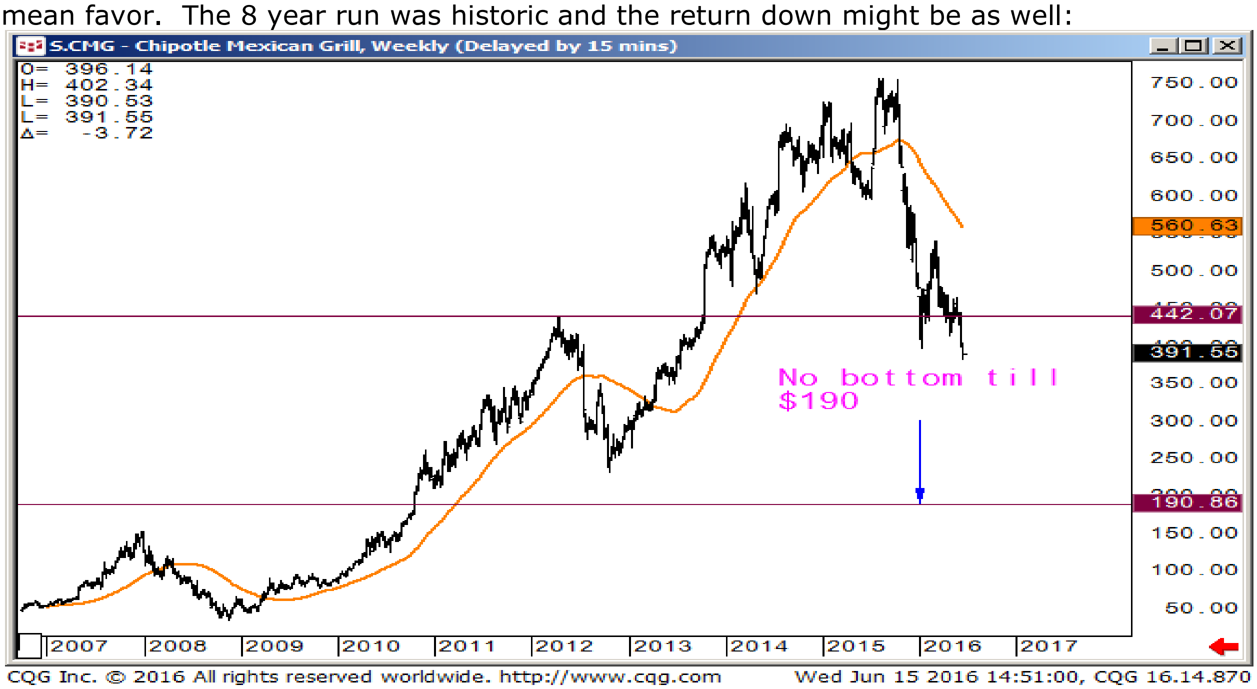
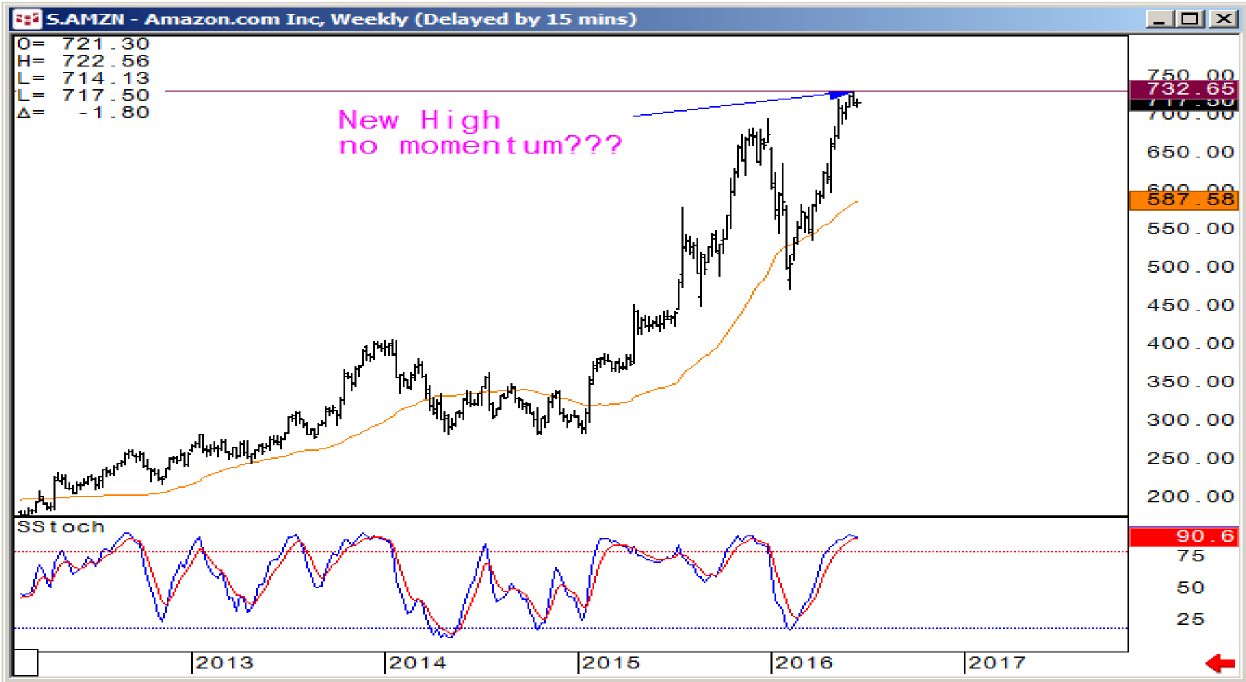
Continuing on the equity theme we choose a few charts of interest, the first is Wells Fargo and considering they are about to embark on 3% down mortgages, we tend to wonder if earnings are slumping and some much needed revenue is needed, no mind the risk right?



The next one is that once mighty hip burrito joint, it seems has fallen out of heavy flavor, we mean favor. The 8 year run was historic and the return down might be as well:



The next chart is Amazon, it too has had a similar run to Chipotle over the last 8 years, and it too seems to have found some resistance at the same $730 level, anyway here is how it looks. Momentum seems to be stalling into these highs and considering BofA continues to report net selling from just about every equity camp, we wonder if Elvis has already left the building:



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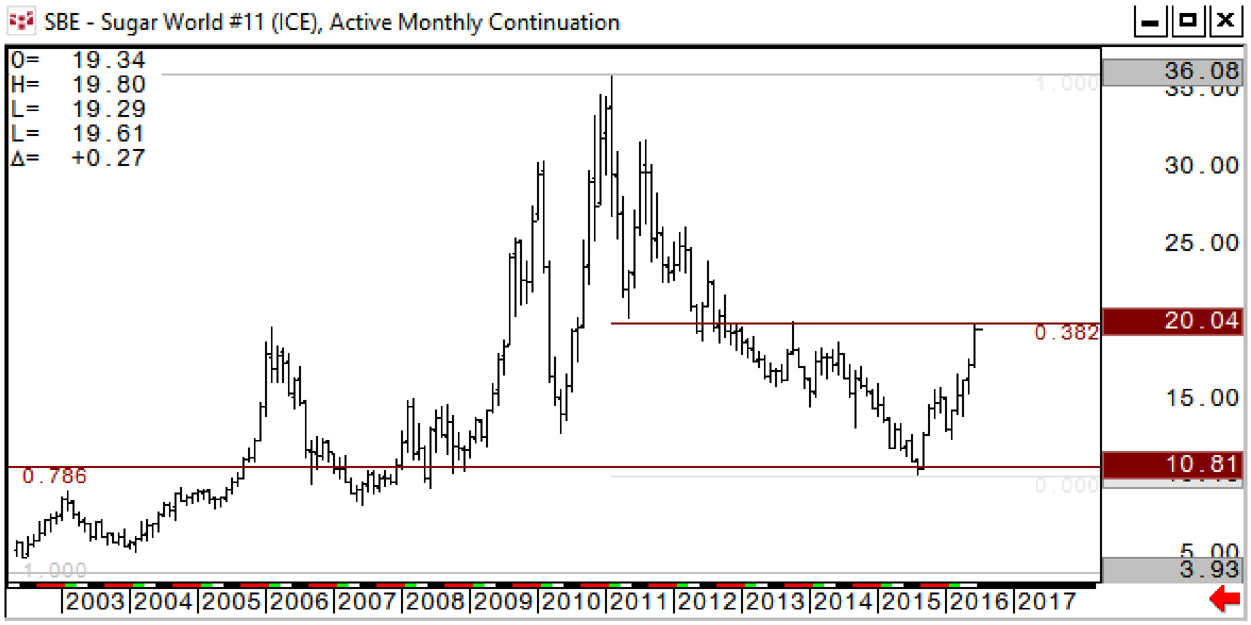
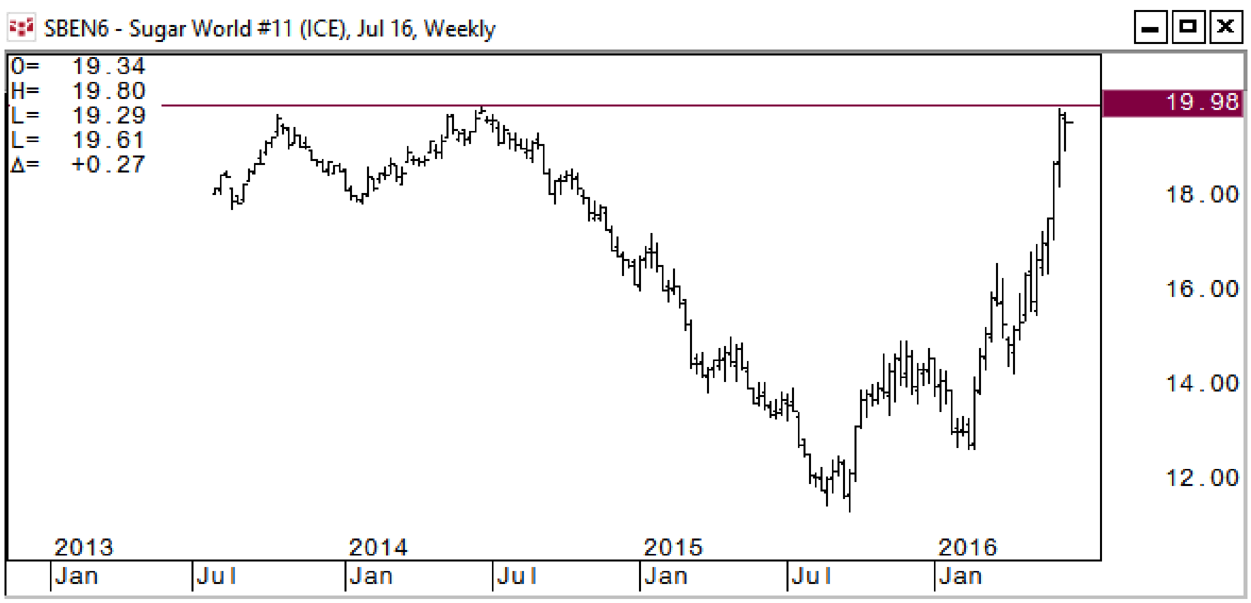
Let's move to the metals which saw both Gold and Silver jump after the FOMC charts courtesy of Kitco.com:

Now we had to share these charts from our friends at Point786Ltd.[3] This chart is July Sugar and we will show two charts first the monthly, then the weekly for perspective. Obviously sugar has been on a tear for the last year but the weekly chart is showing some resistance, while the monthly will show, levels above from prior years moves:





Next week brings us the Brexit vote and most certainly more volatility and uncertainty. We hope you take some of this information, digest it and come out with a little bit more knowledge and know how as to how we view things at any given moment. The markets move and evolve and so must we, for adaptation is critical for long term success, viability and survival. As we evolve, we hope you do to, thanks for taking the ride with us.

[3] Point 786 Ltd High Touch Coverage in Technical Analysis David Wienke dave@point786.com

Capital Trading Group, LP ("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.

We invite you to contact us to receive a complimentary E-Book on investment options outside the traditional stock and bond market. Please call us at 800.238.2610 or by email info@CTGtrading.com.