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EMERGING MARKETS INVERSE ETF update...

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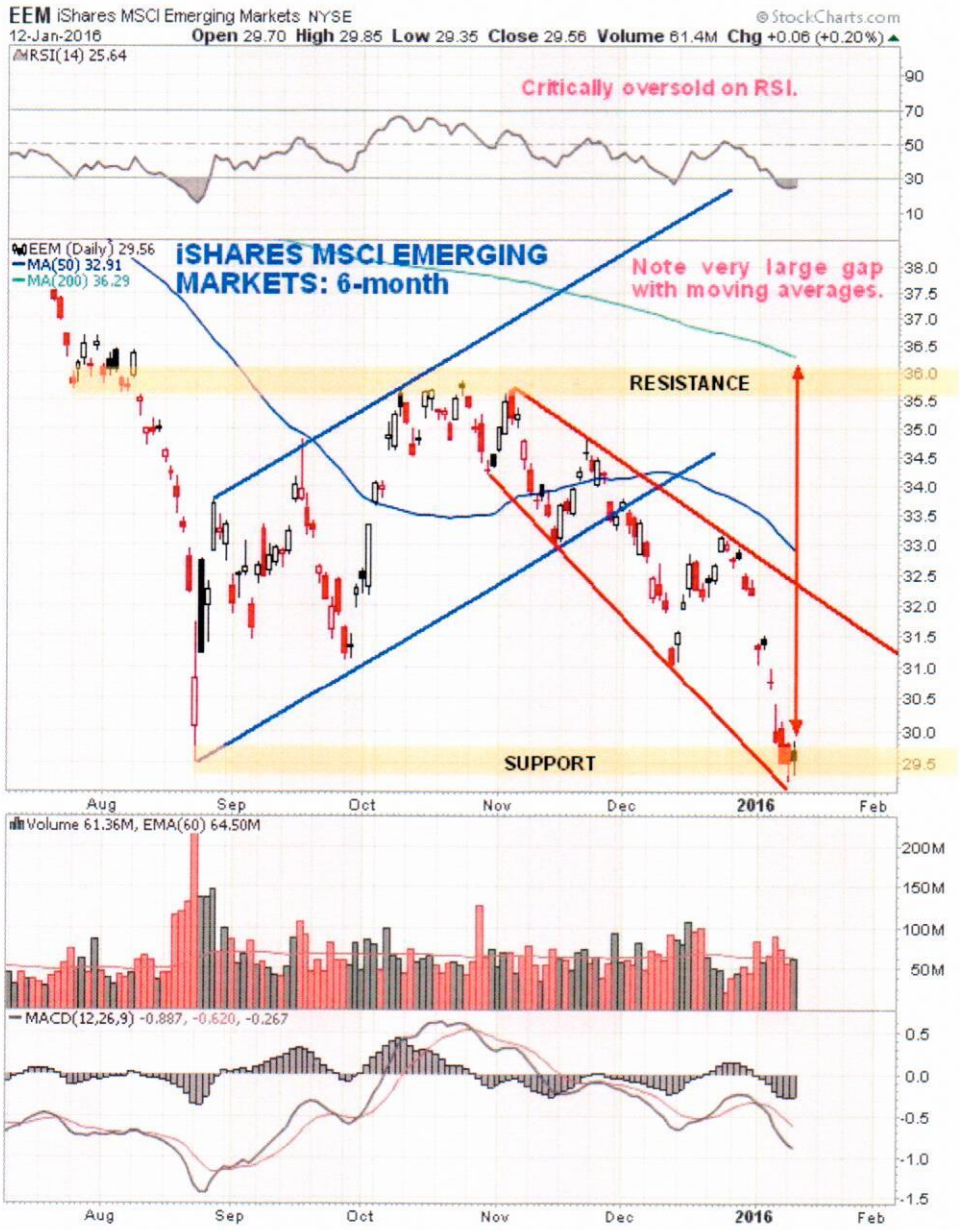
Emerging Markets have dropped sharply since late December, along with the main Western Markets, and have reached a short-term target at the lower boundary of a trend channel as we can see on the 6-month chart for the proxy, the iShares MSCI Emerging Markets ETF, code EEM shown below. Since EEM has also arrived at a support level at the August lows, and is critically oversold on its RSI indicator, and has opened up a big gap with its 200-day moving average, the chances of a significant bounce here are rated as high.

Late in November it was written on the site that this was set to drop - and it has. The plunge since the start of the year has brought it down to a target at the bottom of the broadening channel shown and at a support level, with a very large gap having opened up with its moving averages. This is therefore a good point to take profits in shorts, like EEV which we did buy, with the aim of buying them back on a bounce.



This being so it is considered prudent to take profits in the Emerging Marekts inverse ETF that we bought at the time, the ProShares Ultrashort Emerging Markets ETF, clode EEV, which is up 25% as of last night's close, a decent gain for the 6-week period of this investment. We should really have sold this over the past couple of days when good prices prevailed, as it will likely open down some this morning, as

futures as indicating that the market will open up, but even so, unless it opens really sharply down, we should still be able to unload it at a decent profit. So **TAKE PROFITS IMMEDIATELY.**

We bought this late in November, and have made a decent profit out of it, or we will have when we sell it, which we should have done over the past couple of days, as it has hit the trendline target shown . TAKE PROFITS IMMEDIATELY. The longer-term outlook for Emerging Markets remains grim, so if this dips sufficiently, we may buy it back later.

The long-term outlook for Emerging Markets remains awful, as we can see on the 20-year chart for EEM below, which is hardly surprising given a broad based market crash is looming. If markets do crash this year as expected then it would not be surprising to see EEM drop all the way back to the $10 - $12.50 area later this year. We will therefore be looking to buy back EEV soon on a short-term dip.

Although there is room for a short-term bounce to occur, the longer-term outlook for Emerging Markets remains grim - they look set to crash in sympathy with big Western marekts like the US. It would not be all that surprising to see this ETF back at $10 - $12.50 by the end of this year. Therefore, we will aim to short any significant bounce.

The bounce that is occurring in the broad market now is viewed as being nothing more than a short-covering rally triggered by profit taking by shorts like us, which for a while can be self-feeding. The S&P500 index should get no higher than about 1990 – 2000 on this bounce at a maximum. If it does rally like this we will buy back the bear ETFs that we have been selling at a profit at a better price. That's the plan, but we will have to remain vigilant because things are falling apart now at frightening speed, with a devastating decline looming in the not too distant future, so any rally is unlikely to carry far.

There is a shocking report in zerohedge about international ship movements having ceased almost completely, entitled Nothing is Moving. It seems hard to believe, even given the extremely low level of the Baltic Dry Index, that we have been keeping an eye on, but if true, the implications are absolutely dire.

It is hoped that the color scheme on the charts in this article will appeal especially to lady subscribers.

End of update.

This article will be filed under Exchange Traded Funds in the Archive.

Posted at 7.45 am EDT on 13th January 16.