

Starboard Weekly Report Ending December 8, 2017 Charts of the Week

\$BTK Biotechnology Index - NYSE Arca INDX

08-Dec-2017, 10:24 ET, daily, O: 4,208.277, H: 4,236.697, L: 4,206.204, C: 4,210.51, Chg: +28.741 (0.69%)

No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com



\$GOLD Gold - Continuous Contract (EOD) CME

07-Dec-2017, 14:30 ET, weekly, O: 1,277.60, H: 1,280.50, L: 1,245.80, C: 1,253.10, V: 1110790, Chg: -29.20 (-2.28%)

P&F Pattern Triple Bottom Breakdown on 04-Dec-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com



Both weekly Point and Figure Charts are from StockCharts.com. On the top chart we are looking at the BIOTECH Index (BTK) and on the bottom chart is the Continuous Gold Futures Contract (Gold)

TECHNICAL

The inverse relationship to Biotech versus Gold may be more volatile than bitcoin. An attachment to your email for this week's Report has a monthly relative strength chart comparison of GOLD vs BTK that confirms how explosive this relationship is. For the past three years, December into January has been the turning point for acceleration of this volatility. The letter C in the top chart (second box over from the left) represents the selling price of BTK in December 2015. For the next three months Gold rose 22.8% while BTK declined 32.9%. The 2016 bull run for Gold was interrupted by the Trump rally that started in November 2016 and has continued to today. Although gold did not decline this year, it is only up 10.9% compared to BTK's 38.7%. We now have an early indication that this relationship is setting up to be like 2015. We will know definitely in January. This is especially important to gold mining stocks, many of which are depressed due to tax loss selling. BTK is also important to our small cap inverse holding since the top performing holdings of the Russell 2000 are Biotech's

FUNDAMENTAL

The reason that this GOLD vs. BTK diversion happens is due to momentum mongers chasing the hot sectors. Since the current market environment is all about momentum rather than sound fundamentals, it is likely that this comparative relationship will continue. As mentioned above regarding the mining stocks, tax loss selling drive values to strong bargain levels causing a rebound into the New Year. The stocks in these two sectors have opposite risk on risk off characteristics. GOLD is viewed as a safe haven risk off and when the metal price rises, that can send junior gold mining companies up ten times the movement in the commodity price. When we have a strong risk on market like we have now, then Biotech companies accelerate. Please note that on the BTK Point and Figure Chart we already have a sell signal; a very unhealthy indicator if, at these elevated levels, you are bullish Biotech. Gold is also on a sell signal similar to last year. Both December declines are due to the Fed rate hike, but unlike Biotech, it is somewhat depressed going into year end. In my view, it is not likely that the interest rate increase, or the tax bill, will have any long term effects on Gold.

ASIDE

"Belief systems thrive in circumstances of collision. They are energized by their opposites."

James P. Carse, American Historian

My belief system, based on historic relationships, is that Biotech is on a collision course and that it will energize Gold.

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Starboard Asset Management, Inc. 12/08/17 Weekly Report