

Starboard Weekly Report Ending December 29, 2017 Charts of the Week



\$GOLD:XLK Gold - Continuous Contract (EOD)/Technology Select Sector SPDR Fund CME/NYSE
29-Dec-2017, 13:42 ET, weekly, O: 1,994.386, H: 2,022.922, L: 1,992.359, C: 2,022.766, Chg: +41.359 (2.09%)

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com



On this week's top chart, we have a long term study of the Technology ETF (XLK) by Kimble Charting Solutions. The bottom weekly Point & Figure Chart is provided by StockCharts.com and it compares Gold to XLK.

TECHNICAL

The breakout, or most likely a breakdown, of XLK is a critical determinate to the overall market direction in 2018. It is virtually hard to believe that we are challenging the Tech Bubble levels set in 2000. Breaking through those historical levels would be equally as difficult to comprehend. It can happen, but the correlation to Gold in the Point & Figure Chart is suggesting that it will not. The relationship to Gold will also give us future expectations for the yellow metal, including the stocks that are affected by its movement. Although Gold was up 13% in 2017, it pales in comparison to XLK which was up 35.3%. Gold is a good store of value link with any market sector. The start of the green X's on the right side of the bottom chart shows a new outperformance of Gold to XLK. If it continues a buy signal would be created at 2,060 on this chart. Then we can expect an end of the bull market and the early stages of gold recovering further. Technology has led this market bubble and its reversal is likely to bring the entire market down with it.

FUNDAMENTAL

Continue to continue to pretend that the bull market will never end. (My apologies to Simon & Garfunkel for paraphrasing their beautiful lyrics). If technology ends like it did in 2000, then this week's chart study is indicating that we are very near the terminating point for the current bubble. The average Shiller P.E. for the top performing FANG (Facebook Amazon Netflix Google) stocks is 32 times versus 42 times for the TECH darlings of 2000. Earnings are not the only downside issue. These stocks are over owned and would be very vulnerable when panicky investors start heading for the exits at the same time. That is what causes bubbles to burst; and it doesn't necessarily take a major event to cause the stampede. It can begin when enough people start selling due to a chart (like the top one above) that reaches an elevated resistance point.

ASIDE

"Those who don't know history are destined to repeat it." Author, Philosopher, Orator and Irish Statesman Edmund Burke

The FED and Wall Street don't know history because they are too busy creating Fiat money in order to buy Fiat Bonds that in turn inflate stocks. That is why historic bubbles are repeated.

Please Note: XLK closed out the year at 63.95 below the support number on the top chart of 64.11

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Starboard Asset Management, Inc. 12/29/17 Weekly Report