

Starboard Weekly Report Ending February 23, 2018
Charts of the Week



This week's charts are quite different and both are taken from separate studies. The top chart from Market Anthropology, with StockCharts.com, compares the recent parabolic moves in the S&P and Bitcoin. The bottom one from Kimble Charting is the long term ratio of 1oz. of Silver to 1oz. of Gold.

TECHNICAL

Attached to this week's email is a complete study from Market Anthropology that is entitled "Gravity vs. Greed". Fundamentally, their conclusion is that gravity, or the decline from it, is winning over greed in Bitcoin as well as the S&P. Most stock market participants view Bitcoin as a wild speculation while they happily chase stocks to the moon. High gravity parabolic moves in any free market do not end well and the Trump Bubble will be no exception. On the other hand the silver gold ratio chart is at a bottom range that has held 4 times since 1997. The channel drawn on this chart indicates that an upside breakout could explode in the near term future. Comparing these two charts is a classic charting exercise of greed versus fear.

FUNDAMENTAL

A sharp decline like the early February swoon is not likely to reverse; however, if it does then we are only delaying the inevitable. Since the economy has been trading on the stock and bond market wealth effect, a continued more serious decline could create an immediate recession. That is what occurred when the markets crashed in 2008. Currently, lower bond prices caused by higher interest rates could correct due to their oversold conditions. Also the dollar seems to have found an oversold bottom. Over the short term as these two recover, the stock market should work higher; but once this bounce is over then gravity will once again take over.

ASIDE

"I defy gravity." Marilyn Monroe.

Defying gravity is what today's investors are practicing. Let's hope that the market has a better end than Marilyn's.

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