STARBOARD
ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending May 25, 2018
Charts of the Week

This week's chart is a monthly relative strength comparison of the spot gold price to the EURO currency ETF, symbol FXE. The accompanying charts attached to your email are also an important part of this analysis.

TECHNICAL

Gold has been relatively firm to the EURO since early 2016 as shown by its trading above the 50 month moving average (blue line on chart). However, the major takeaway in this chart is the recent breakout of the green triangle which started to form in 2016. Also note the positive volume for the past two months (circled in green on the right). Two of the three arrows in the supporting charts show upside reversal; the third TSI chart has yet to confirm the move of gold to positive territory. The current relative strength breakout could be very significant toward the future of gold because of the two year bullish consolidation relationship comparison that goes back to 2016. The rally that took place in 2016 from the 2015 lows was a depressed price bounce. This current move is built on a better foundation and therefore should create a more persistent longer term rally. What gold does in EURO currency is more important than dollar terms because of the precarious debt situation in the Eurozone. The buying of US debt by Europe, which is outlined in a PDF file attached to your email, is further proof of flight to safety by Europeans. When The European Central Bank (ECB) starts to tighten by selling US debt and driving prices down, its citizens will be forced into gold or the dollar as safe havens.

FUNDAMENTAL

When I look at the ownership of US debt chart that is attached to your email, I cannot help but believe that there was collusion between The ECB and the FED. Due to risk the ECB could not buy their own European toxic debt; however, we were more than happy to sell them ours in order to finance our deficit. Most investors believe that China has been the buyer of our government debt but the attached chart refutes that. This chart represents corporate and government debt. Given the US government necessity to finance its deficits, the majority is more than likely government debt. European investors may have a problem finding buyers for their debt if the ECB decides to employ quantitative tightening (QT) at the same time that the FED is shrinking its balance sheet. If there was complicity between the two central banks then they sure did not plan ahead. As these trillions of total US debt are liquidated, it can only drive interest rates much higher. Many believe that higher yields will be harmful to gold; however, the declining bond prices from massive selling of all types of debt argue against that happening. The resulting rate increase would actually make gold the only asset refuge because the dollar would likely decline as proceeds from debt selling is converted back into Euros.

ASIDE

In the past European debt crisis, ECB President Mario Draghi is famously quoted to do *"whatever it takes"* to save the Euro.

Negative rates and massive amounts of QE is what it took over the short term. Over the long term it will take enormously higher rates along with much higher gold prices.

Please note:
It's the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements.