

Starboard Weekly Report Ending June 8, 2018 Charts of the Week



These busy charts are showing the Relative Strength (RS) price of Copper versus the S&P weekly. On the bottom chart we have a daily RS view of Oil companies (XLE) versus Technology (XLK). Both charts are from StockCharts.com

TECHNICAL

Relative strength charting is often a way to spot trends early and these two highlighted commodity trends can be very important to the future of the markets. The top weekly chart is showing a trend of Copper price being stronger than the S&P. The 50 week average is about to cross over the 200 week (top green circle). If and when it does, then this will show a clear bias toward an overall commodity rally. Also, the supporting charts show early improvement in RS (marked by green arrows on the right side). Copper has been called a commodity with a PHD in economics because as a raw material it is used in so many varied areas of the economy. When it breaks out, as shown in the top chart, it can have serious inflationary effects on the entire economy. In the bottom chart we see another potentially inflationary area; energy. This is a daily chart and therefore not as convincing as the top weekly view. However, the 50 day crossing over the 200 day is showing the start of a trend (green circle on the bottom chart). All of the green arrows on these two supporting charts are indicating further relative strength for energy. This is an ominous trend because energy (XLE) is being compared to the strongest sector of the market as represented by the technology ETF (XLK). The weekly comparison bottomed in March and is now trending upward. As it develops I will be monitoring this for future reports.

FUNDAMENTAL

If the spectacular growth that “The Donald” is forecasting does indeed happen, then he better be careful of what he wishes for because it will surely bring on inflation. Higher prices often come at the end of a cycle because it mandates that the FED be more aggressive in raising rates. Politically motivated oil price spikes, if they get worse, are often very damaging to the economy. Copper on the other hand is rising due to long term supply-demand issues brought on by the expected electrification of the planet through solar energy and electric vehicles. Silver (see attached email report) will also benefit from the same green power trends as copper. The risk reward for commodity companies is currently much better than the potential of other sectors because, for the most part, prices are at depressed levels.

ASIDE

“You can no longer buy commodities at Merrill Lynch. My guess is many analysts and even executives are too young to know how profitable a hot commodities market can be. They will soon.” Well know international investor Jim Rogers.

If the US economy is to have real growth, then the hot commodities market that Rogers speaks of is inevitable.

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