

## Starboard Weekly Report Ending June 29, 2018 Charts of the Week



This week we are looking at XLE, which is an ETF for oil stocks. The top chart is a monthly comparison of the XLE to the S&P Index. The bottom chart is a depiction of the XLE price movement. Attached to your email is a chart on West Texas Crude, the driver for these two charts. Both oil and the oil stocks appear to be headed higher.

## **TECHNICAL**

All of the supporting charts in both of the illustrations above have an upward slant. This is very bullish; especially when compared to the strength in the oil commodity that is indicating higher prices. The oil chart attachment to your email is indicating potential \$100 for a barrel of oil and that will surely take both of today's charts much higher. Forty percent of the XLE is made up of Exxon and Chevron who are not performing as well as many smaller energy companies. Oil is very likely to lead to higher prices of other commodities and that should start to reflect itself in an increase in the CRB index; which we will look at next week. Should the increase in oil continue then it will most unquestionably increase the narrative on inflation.

## **FUNDAMENTAL**

The US dollar has had a precipitous decline compared to the price of oil. This is not a healthy economic situation because it is a dual inflationary problem. Especially now since we are net exporters of oil; and a lower currency makes our competitive energy advantage less beneficial in world trade. We cannot depend on oil to help with our balance of payments while higher prices are negatively impacting our domestic economy. Recently China started trading oil in Yuan; an event that could greatly change the dollar dominance as a petro currency. Those changes can only work against this country and lead to big increases in inflation. Asian emerging countries will need huge amounts of commodities in the future. If the choice of trading currency is Yuan, then the US could likely go through an inflationary period like the 1970's.

## **ASIDE**

“Laughter is America’s most important export”. Walt Disney

If the Yuan increases in world energy trading then we will be importing laughter when the emerging world begins laughing at our inflationary misery.

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### **Please note:**

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