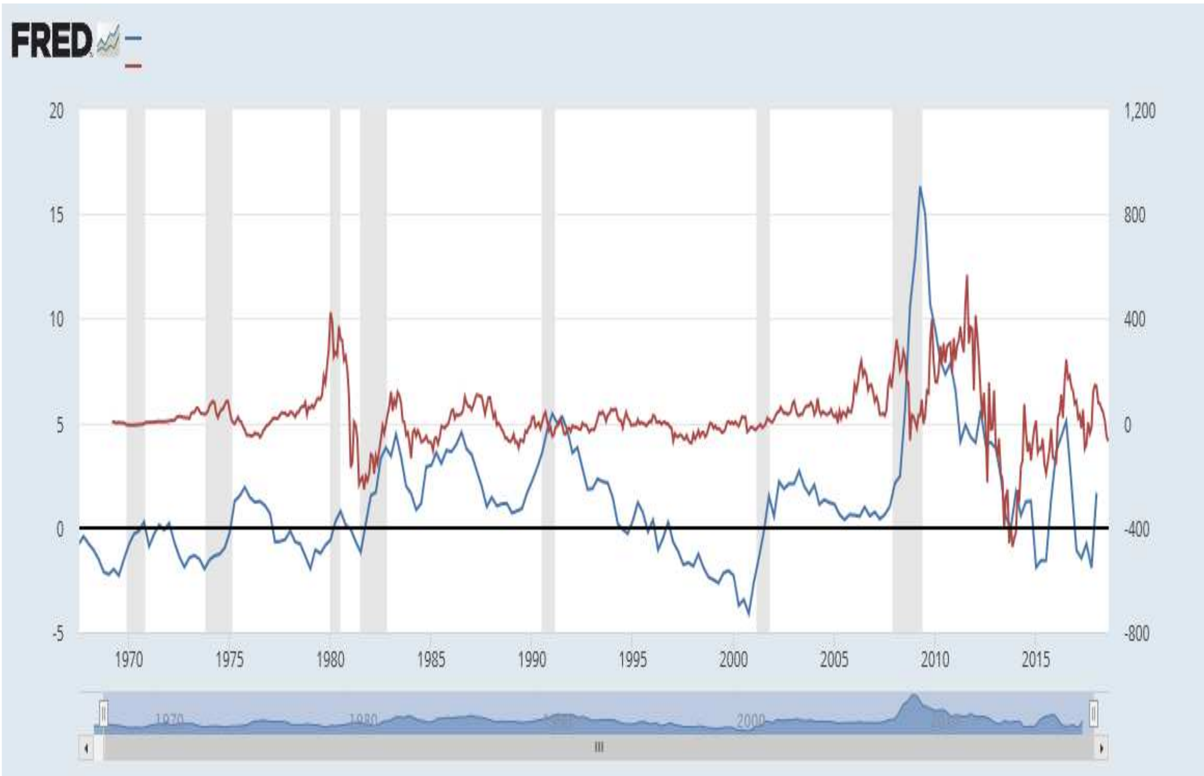
Starboard Weekly Report Ending August 10, 2018
Charts of the Week



Units: U.S. Dollars per Troy Ounce, Not Seasonally Adjusted

Frequency: Daily

"The London Bullion Market Association (LBMA) Gold Price was launched on the 20th March 2015 to replace the historic London Gold Fix. ICE Benchmark Administration (IBA) provides the auction platform, methodology as well as overall independent administration and governance for the LBMA Gold Price, with the LBMA holding the intellectual property rights. The price continues to be set twice daily (at 10:30 and 15:00 London GMT) in US dollars. Sterling and Euro prices are available but they are indicative prices for settlement only." Taken from the FRED August 10, 2018 website.

This week we have a St. Louis Federal Reserve chart (FRED) comparing federal debt vs GDP (blue line) to the price of gold via a dollar index (red line) and it was created by The London Bullion Market.

TECHNICAL
The major takeaway from this chart is the long term correlation between debt to GDP and the price of gold. With your email is a pdf attachment of a chart showing that strait debt is 87% correlated over the long term to the price of gold. However, the price relationship since 2013 has had a negative divergence. This has happened as debt has risen and it is expected to explode over the near term due to tax reduction deficits. Since the chart above represents debt to GDP, economic upturn could offset debt growth. But that potential economic surge would have to be ginormous to offset the expected debt increase caused by deficit spending. Each time we had a spike in debt to GDP then gold followed with a healthy increase. There is no reason to expect that this time will be any different.

FUNDAMENTAL
Debt creates currency risk and gold is a hedge against that risk. Due to the recent dollar strength, gold has performed poorly since May. When the current oversold dollar rally ends then gold will have a lot of catching up to do with the expanding public debt. Due to an excessive amount of dollars around the world, coupled with the declining growth in the emerging countries markets, the dollar could easily lose its current safe haven status. In particular debt markets could start to puke dollars sending the price much lower. Another email attachment titled “Valuing Gold in a World Awash with Dollars” describes the serious economic problem the US dollar faces.

ASIDE
"The cost of living has gone up another dollar a quart.” Actor W. C. Fields (1880-1946)

If my dollar forecast is correct, then it’s going to cost a lot more for Americans to drown their sorrows.

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