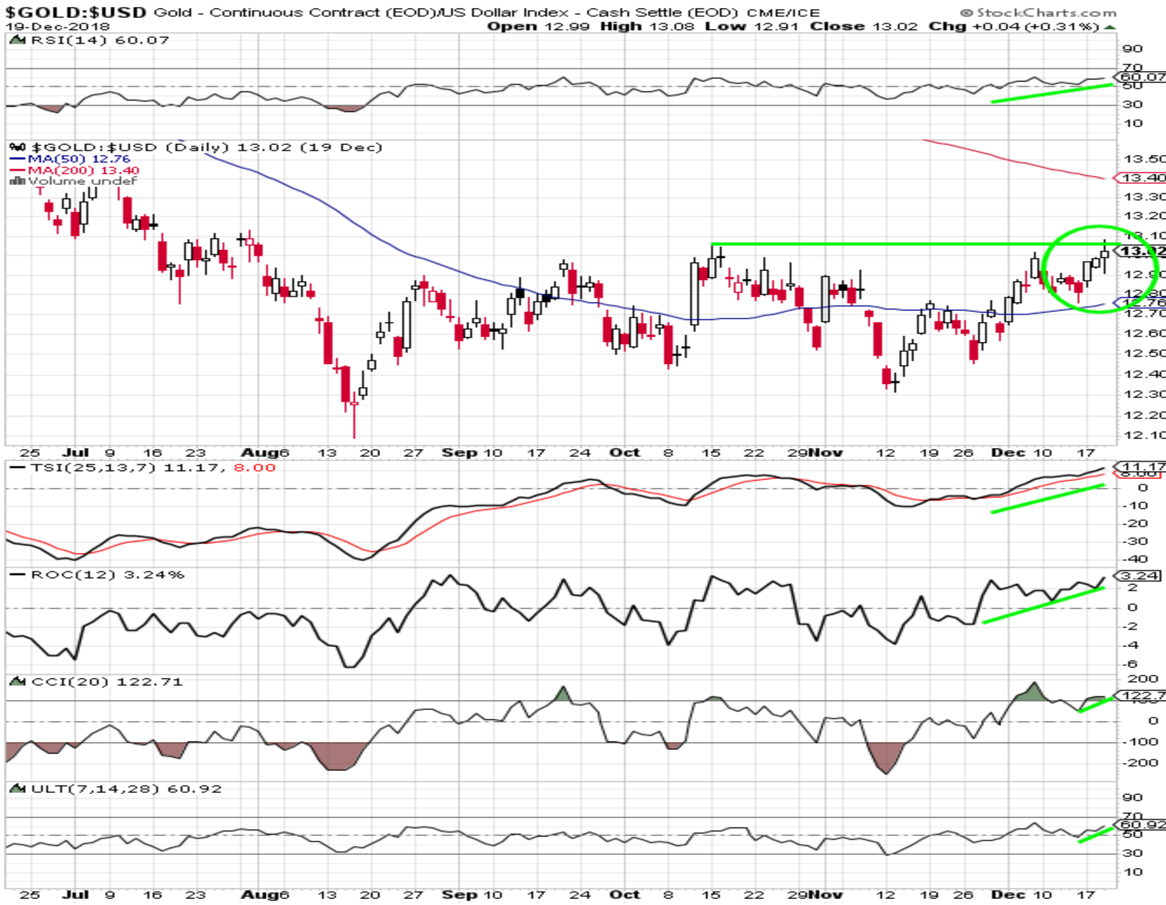
Starboard Weekly Report Ending December 21, 2018
Charts of the Week



This week there are two StockCharts.com daily relative strength charts on gold. On the top gold is compared to the U.S. Dollar, while the bottom comparison is gold to the NYSE Index.

TECHNICAL
The top main chart is showing an early breakout in gold versus the dollar. The supporting charts are all confirming a positive direction for gold. The dollar gold relationship is crucial for the future movement of the yellow metal as well as other commodities. Gold versus the stock market is another matter as it is clearly outperforming the NYSE Index which represents 1,900 of the world's largest companies. Several markets, small caps, transportations, and this week the NASDAQ, are all in bear market territory; i.e., 20% below this past September high. The S&P Dow and NYSE Indexes are down 15 to 16% from their highs but look as if they will follow the other indexes into a bear market. The almost ten-year bull market has created an enormous amount of complacency with some market pundits still looking for a Santa Clause rally despite the worst December since 1931. In an attachment to your email there is a Charles Schwab Client Cash Chart going back to 1993 showing that investor cash levels have barely budged. The current declined level does not look like much of a bottom given the lack of panic.

FUNDAMENTAL
The big market change this week comes from the FED who is turning their back on investors after almost 10 years of bullish narrative. The FED protection is likely ending because they have no choice due to the disposition of their 4.5 Trillion dollar balance sheet as well as having to help the US Treasury finance their 21.5 Trillion in debts. Since 2008 there have been changes in money market funds due to "break the buck' problems from the Lehman bankruptcy. The SEC made a rule that in order to guarantee a dollar in a money market fund it must own government bonds. This change has created demand for short term government debt and it becomes a beneficial domestic means of government financing. The only problem though is it will take a lot more of the stock market liquidation proceeds to finance the above mentioned debts. If this is what the FED is up to and the market continues to drop, then we will have a very unhappy president; one who has linked his political performance to the stock market. Silly boy!

ASIDE
"The debt limits have to come down. The whole world of debt has to be changed as far as this country is concerned. We have to create jobs and we have to create them rapidly because if we don't things are just going to head in a direction that's going to be almost impossible to recover from." President Donald Trump

So far this is just campaign rhetoric. Once he gets his wall up maybe then he will start to understand and concentrate on changing the *whole world of debt*. And if he can do that we will get a real stock market rally; not one based solely on debt.

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