

Starboard Weekly Report Ending January 4, 2019  
Chart of the Week



This week's chart is a weekly relative strength comparison of the gold price to the US Dollar (USD). It is provided by StockCharts.com.

## **TECHNICAL**

All five supporting charts are positive for the price of gold and such technical charting consistency is likely to cause a continuation of its price increase. The main chart has recently broken above a resistance point (vertical green line) and once it moves above the 50 week average it will confirm its bull trend. The blue hockey stick formation is a very common development in market and stock trends and this chart very precisely displays the form. A similar hockey stick developed in last December's trading and breaking out into a higher price than the previous high. The higher high is a likely outcome for this move, especially when given the seasonality of gold rallies. The USD has lost its upside luster and appears to be headed lower. Normally during times of market volatility the USD is a safe haven trade; although that is not occurring this cycle. Gold and bond prices are the current refuge for falling equity prices.

## **FUNDAMENTAL**

The direction of the dollar on the chart attached to your email is the key to the long term market path. The USD index is currently 95.88 versus a high of 102 made in early 2017. And that followed a decline to 89 in January 2018. For most of 2018 it rallied to its current price. It stopped advancing about the time of the market top and has been sideways since then. If it breaks out of its recent high of 97.5 then that will signal further upside for the US equity markets. Should the opposite happen then it will be a strong buy signal for commodity prices and emerging markets. Yesterday and today were very volatile swings in the US Stock market. However, today the dollar declined and that gives an indication that foreigners are not buying into this rally. That is not a good sign if you are a USD bull. The declining market converse mentioned above is indicating that the USD is losing its safe haven. The dollar and its movement will be the most vital economic development in this New Year. Due to sovereign deleveraging causing liquidity issues and potential continued political drama unfolding between Trump and Congress, the point of least resistance for the USD should be down.

## **ASIDE**

*"I am concerned about the erraticness of the dollar. The dollar is up, the dollar is down. We print a lot of dollars. The dollar gets devalued. That is really the concern. If people think the gold price up and down is a reflection of something wrong with gold, no – I say it is something wrong with the dollar."* Ron Paul

*"When the dollar is in trouble, that will be one of the alternatives, and the more Bitcoins are used, the worse it will be for the dollar."* Ron Paul

Bitcoin is just another fiat currency backed by something few people understand. Attached to your email is an interesting Q and A interview article on the Sprott gold backed bitcoin. The comments by Casey about weak currency countries could make gold crypto currencies a viable alternative to an expensive USD. If this concept grows it could have huge ramifications for gold and the emerging world.

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### **Please note:**

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

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