

## Starboard Weekly Report Ending January 11, 2019 Chart of the Week



This week we are looking at the 30-Year US Treasury Yield Index chart of the TYX Futures Index. The prices shown on the main chart reflect 10x the actual yield. Thus 30.51 would be the same as 3.051%. Chart courtesy of StockCharts.com.

## **TECHNICAL**

From this past November, long term US Treasury rates dropped from 3.45% yield to the current level of 3.05.1% yield. When rates drop then bond prices increase and to show the corresponding rally in bonds, I have attached the chart of the iShares 20+ Year Government Bond ETF (symbol TLT). It rallied over 10.6% from the November low to the January 3<sup>rd</sup> high. That is amazing bond volatility over such a short two month period. Annualized that would be over a 60% increase. The circle on the main weekly chart is telling us that the 30 year interest rate is in a weekly bull configuration since the 50 week average is well above the 200 week. The pullback from the November top to almost the 200 day average appears to be a buying opportunity. Accordingly, I made a recent purchase of two different types of Inverse Government Bond ETF's. They appear to have strong long term upside potential as rates are likely to continue their rise.

## **FUNDAMENTAL**

While a large part of the positive bond price move could be due to money moving out of stocks and into bonds, the upside is not likely to continue. And not because stocks won't resume their downside but because the US Treasury must borrow to pay back a \$21.5 trillion debt over the next decade. In addition, the FED has a \$4.5 trillion balance sheet that they are in the process of liquidating and that will be putting pressure on rates as well as crowding out other borrowers. In Tuesday's Wall Street Journal, an article "Lying Prices Keep America Hooked on Spending" addressed this debt issue. The authors point out that since 2011 the proportion of voters who worry "a great deal" about federal spending and deficits have fallen from 64% to 51% while national debt has risen 45%. This debt rise is a true number and not the lying narrative that politicians on both sides of the aisle are feeding us. The socialist concepts of free college and Medicare for all are absurd with the deficits we currently have; yet these fallacies got candidates elected on the prospect of those issues. It is somewhat refreshing that 51% of those polled still worry; the rest will wake up when interest rates to finance obscene government debts go skyrocketing.

## **ASIDE**

*"Half a truth is often a great lie."* Benjamin Franklin

Our political elite are very astute at half-truths; especially those that kick a problem down the road until it blows up. Very possibly the first flare-up could be higher interest rates.

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### **Please note:**

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