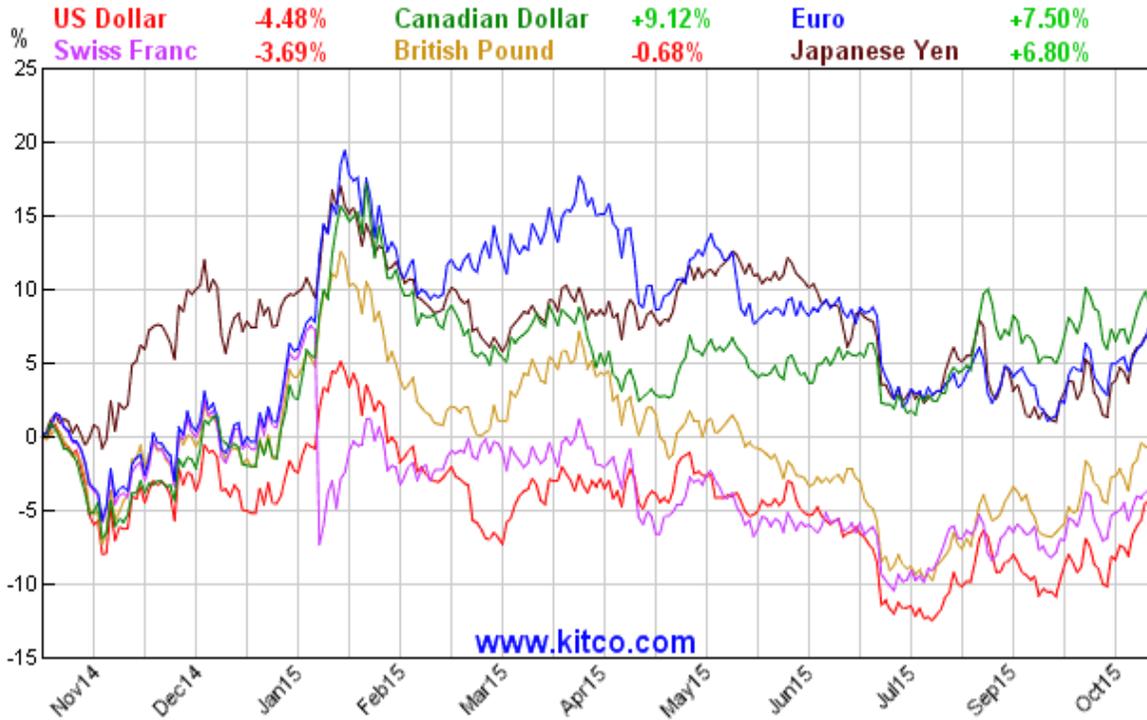


## Starboard Weekly Report Ending October 16, 2011 Charts of the Week



### 1 Year Spot Gold US Dollar vs. Major Currencies

(Change calculation is from the start of the chart)



The top chart is on the US Dollar vs a basket of currencies and it is from StockCharts.com. The bottom chart from kitco.com depicts the value of major world currencies priced in gold and listed at the top of this chart is the performance of each currency also priced in gold.

## **TECHNICAL**

As readers of this Weekly Report know, I hold a great deal of credence in the crossovers of the 50 day over or under the 200 day. More often than not, it is the beginning of a new trend for a security, currency or commodity. The two ancillary CCI and KST charts are confirming that a down trend is in place (top and bottom of the first chart). The longer term weekly chart of the dollar has not confirmed the current trend. If it does, I will be sure to call it to your attention because of the importance of the dollar as the reserve currency and its effects on so many markets throughout the world. The real long term monthly chart is interesting since the 50 month is still well below 200 and this indicates that the recent dollar rally is only a positive cycle change in a bearish secular environment. The major takeaway from the bottom chart is the list of appreciation and depreciation of various major currencies versus gold. Using the EURO as an example, if you owned gold, you then have a 7.5% profit in your investment so far this year. Dollar holders are minus 4.48%. However, if our top chart is correct, that will change because as our currency value drops then gold should appreciate.

## **FUNDAMENTAL**

A dollar decline will be beneficial to the world since it is the reserve currency. Its recent rise has been especially hurtful to Emerging Market countries that have to trade in appreciating dollars from a declining currency base. Downward pressure on the dollar will also help multinational companies in this country by lowering the price of their products in the world market. The biggest beneficiary of a falling dollar will be the commodity companies because most of them are priced in dollars and thus they will be more in demand as prices become cheaper due to the currency drop. One big reason for recent dollar strength was due to foreigners buying US securities, but that has reversed. It is especially evident with the disclosure that China is selling massive amounts of US Treasury bonds. If this is a real downtrend for the buck, it will be volatile since the next support on the chart is at 80.

## **ASIDE**

*“Believe me, the next step is a currency crisis because there will be a rejection of the dollar, the rejection of the dollar is a big, big event, and then your personal liberties are going to be severely threatened.”* Ron Paul

Should this new dollar down trend be just another cyclical event, we will be okay. However, if it is something more serious, then Mr. Paul’s extreme opinion is worth noting. If he is correct about a currency crisis, then gold is the cheapest asset on the planet.

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