Risk Management for nagivating your future.

Starboard Weekly Report Ending June 26, 2015

Charts of the Week

This week's 3 charts from StockCharts.Com cover the spot price of Gold.

TECHNICAL

It is pleasant to be reporting on what appears to be a positive trend; the upcoming rally in the price of gold. The 3 circles on the above charts all show a coiled spring type price action, which is sideways activity with no price volatility. For the entire second quarter, gold has traded sideways in money flow, price and moving average convergence divergence. Tight trading action for a long period usually indicates a breakout that could be up or down, but the longer-term bottoming process of gold indicates an upside breakout. If the price trades above $1230, then it should shoot up to the $1300 to $1350 range before consolidating; then moving to another higher level. On the other hand, like the two-handed economist, should gold break down then it should support at a previous low of $1140 versus today's $1170. When compared to the $1300 upside, that is a good risk-reward for buying gold now. There was a recent analysis of gold going around the internet forecasting $25,000 per oz. price for gold on its next move up. I think that this is extreme; however, I do believe that $10,000 could happen before the next cycle tops out. From an Elliott Wave prospective, we are setting up for the fifth wave of a wave process that started in 2002. The fifth wave is always the strongest. If we break out above $2458, which is the inflation adjusted price high from the 1980 high, then a crazy upside could ensue. In the 1970/1980 period, gold went from $35 per oz. to $850. That top is $41 times the $35 starting point. In the current cycle if you multiply 41 by the March $257 low of this cycle, it gives you a price of $10,537 per oz.

FUNDAMENTAL

The US dollar is 4.4% backed by gold and if it were 100% backed, gold would have to rise to the $9000-$12,000 price range per oz. The next crisis is likely to be a money bubble affecting all world currencies due to the tremendous buildup of debt. World debt is $200 trillion more than two times World GDP. And if you believe, as I do, that gold is money, it would require a value of $33,900 per oz. gold to cover the current world debt. When more countries are forced to deal with their overspending and debt; i.e. Greece, then we will start to see a breakdown in the confidence of Central Banks. This will ignite a strong interest in gold money. Gold produces monetary discipline and that is severely lacking on the part of today's elitist Central Bankers. A shorter-term reason we could see a gold rally is the recent Merrill Lynch report titled "Mid-Summer Rally', which states since 2001 there is an average increase from July through September of 14.9%. The main reason behind these summer rallies is India's upcoming wedding season.

ASIDE

Gold and Silver are money. Everything else is credit." J.P. Morgan

If world politicians and Central Bankers did not abuse this concept, we would not have to be concerned about currencies. Gold is politician insurance and every portfolio should hold it.