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Starboard Weekly Report Ending February 13, 2015
Charts of the Week

This week's charts came from StockCharts.com. The top one is on the commodity price of Gold while the bottom one is a chart on Seabridge Gold, Inc. The take away is that gold is trending higher regardless of its recent selloff.

TECHNICAL

In the first chart of Gold, it appears that it is trying to turn up from the recent selloff that started from its previous advance to 1300. The lines drawn in blue on the chart resemble two hockey sticks, which is a very healthy sign in a recovery. Each rally has a corresponding pull back consolidation as it advances. Markets rarely go straight up or down, but have pull back consolidations which are visible above in the Gold and Seabridge charts. In technical analysis, these patterns are referred to as waves. Whether a security or market is in an up wave or a down wave, it often has to do with the 50 day moving average in relation to the 200 day moving average. If the 50 is above the 200, the wave is most likely in a bullish pattern while 50 below the 200 is in a bearish configuration. Please note how close the 50 day is to crossing over the 200 day in both of this week's charts. If gold crosses over to the upside of 50 over 200, it will be the start of a bull market wave which could carry it to new all time highs. Markets, both long term and short term, move in 5 wave cycles and the top Gold chart clearly shows this wave action. From early November there are 4 up down waves. The 5th up wave possibly started this past Wednesday. If the # 5 wave has begun, it should be strong enough to carry the 50 day over the 200 and then it's off to the races. This wave analysis can be diagramed on a long term basis going back to 2002 when gold started its climb from $250 per oz. The 5th wave is always the strongest. If we are starting this pattern, as I believe we are, then there will be a lot of money made in gold, gold equities and especially in junior miners like Seabridge that is showing much the same pattern as Gold. Please note how close this stock is to crossing over as there is only an 11 cent price gap. Also note the lower volume in the recent selloff for both Gold and Seabridge.
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FUNDAMENTALS

To most of the investment community, there is no reason for Gold to go on to new highs. Wall Street assumes that we will be able to prod along with sub-par growth while increasing debt and expanding world money supplies. Greece and a good part of the Euro Zone have been increasing debt and lowering interest rates for a decade and all they have accomplished is more deflation. Japan has been using the Keynesian formula for over 25 years with nothing but deflation to show for it. If rates continue to rise in their bond market, they will not be able to pay the interest on their debt. The United States has fared better economically because we are the World's reserve currency. For now the World is buying our money which causes our rates to drop and our dollar to soar, and neither of these is helping our already lackluster GDP growth. Problems related to debt deflation and currency volatility is why Gold is in its early stages of transitioning into the 5th wave. Fasten your seat belts because we are in for a bumpy climb.

ASIDE:

The markets are often the opposite of how they appear. That is why being a contrarian is the best way to be a successful investor. World markets are giving the impression that they are ready to blast off. According to my analysis, the US markets are in the process of starting a 5 wave down pattern. The US, being the planet's largest economy, would then bring the rest of the World down with it causing a long and painful experience for those who remain fully invested.