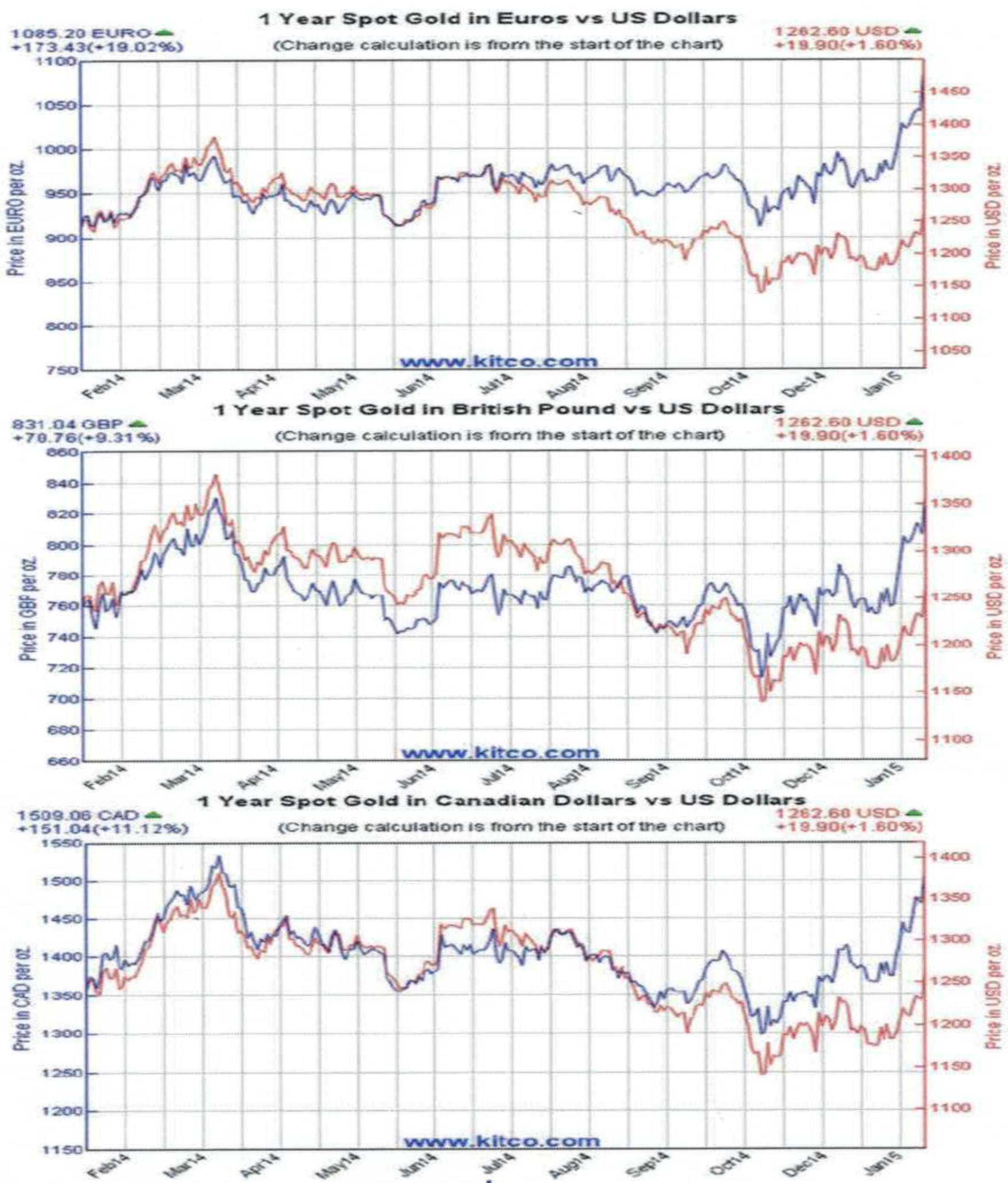
Starboard Weekly Report Ending January 9, 2015

Charts of the Week



adjusted rates that matter) | and stick to the current

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This week's charts have been copied from *The HRA Journal*, a subscription service Starboard receives. They show gold in EURO"S, the British Pound and the Canadian Dollar (Loonie). The purpose of presenting these charts is to view how strong gold is throughout the rest of the world. Ultimately, this will drive precious metal prices higher for American investors.

TECHNICAL
In each of the 3 currency charts above, the blue line represents a very strong upside in gold priced in their respective currencies. And in each case, the recent strength has moved their 50 day average above the 200 day (not shown). The dollar chart priced in gold is represented by the red line and that has not had the jump of the 50 over the 200 day. This picture clearly shows that the recent gold price advance is coming from markets away from the United States. The latest dollar advance, which has happened at the expense of the EURO, Pound and Loonie, has contributed to the strength of gold. Most of the conversation regarding gold centers around inflation and deflation, as well as negative interest rates to inflation, but these charts clearly show that the current rally is currency driven. As currency volatility persists, and it most certainly will after the Swiss Franc de-pegging to the EURO, gold will be driven higher. Additionally, the potential of the Greeks exiting from the EURO could also have a huge currency affect on gold. The next and most important part of being invested in gold is how it performs in dollars because it has not given a bull market signal by having the 50 day average advance over the 200 day. If that is going to occur, and I strongly believe that it will, then at that point we will be able to enjoy a very strong upside in precious metals.

FUNDAMENTAL
Aside from currency, interest rates affect the price of gold. This is due to the fact that there is no interest or dividends associated with holding gold. The current rate at the Bank of Switzerland is -0.75 (that's not a misprint). To maintain a Swiss bank account, you actually will lose money. The rates in other European Banks are just barely positive. On that basis, holding gold is competitive with currency in the bank, so these rates make it an easier decision to own and hold gold. Not noted in this week's charts are India and China, the two largest buyers of gold on the planet. Both of those currencies have been stable and therefore there has not been a big change in the price of gold in Yuan or Rupee. India is a continuous buyer of gold, mostly on the dips, but if gold takes off they could become aggressive in their buying. China has debt issues and a strong local stock exchange, which looks vulnerable. Should it start to decline, gold could become an alternative. If Yellen, Draghi and Abe are able to continue to pull QE rabbits from a hat, they may postpone gold's move. But ultimately, the damage they are inflicting on the developed world currencies and economies will work in gold's favor. The Swiss have a reputation as smart bankers and when they take a drastic action like they did this week, the rest of the world should also become more cautious.

ASIDE
One of the news services had the headline "The Swiss scored a knockout punch". I would call it more of a wakeup slap in the face. However, the three world bankers mentioned above will likely turn the other cheek and carry on as usual until it is too late. *And that is why we own gold.*