STARBOARD ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending February 5, 2016
Chart of the Week

Gold Bull & Bear Markets					
	Bull Markets			Bear Markets	
Dates	Length (months)	Total Returns	Dates	Length (months)	Total Returns
Jan 1970-Jan 1975	61	451.4%	Jan 1975-Sep 1976	20	-46.4%
Oct 1976-Feb 1980	41	721.3%	Feb 1980-Mar 1985	61	-55.9%
Mar 1985-Dec 1987	33	75.8%	Dec 1987-Mar 1993	63	-34.7%
Apr 1993-Feb 1996	35	27.2%	Feb 1996-Sep 1999	43	-39.1%
Oct 1999-Sep 2011	144	649.6%	Sep 2011-Present	52	-44.1%
Average	**63**	**385.1%**	**Average***	**47**	**-44.0%**
Median	**41**	**451.4%**	**Median***	**52**	**-42.7%**
*Excludes the period from September 2011 to date.					
sources: Bloomberg, ICE Benchark Administration, WGC, Richardson GMP AM					

This historiography came from an article in ZeroHedge.com titled Golden Age.
The sources of information for it are listed on the bottom line of the graph.

TECHNICAL

In the past we have analyzed several gold charts. However, it is often better to look at the actual raw data that the charts are created from, such as the graph above. Much like stock markets, gold also goes through secular bull and bear markets. The 1970's had a huge gold bull market that spanned all of the decade. Under bear markets on the chart above, please note the selloff from January 1975 to September 1976. During that 20 month bear market period, the price of gold dropped 46.4%. We have currently witnessed a very similar percentage decline during gold's recent grueling 52 month drop. We have been in a gold secular bull since 1999. To compare the two moves, now to the 1970's, gold would have to rise 523% more to equate the 70's total. The second move back then was 62% higher or 721.3% vs. 451.4%. If that were to prevail on the next bull leg, then we could be looking at a 1,052% upside. That translates into $11,612 gold, which would prove to truly be a "golden age".

FUNDAMENTAL

I guess that about now you are thinking that I am a dreamer. How can the number of 11 thousand gold be feasible when we have no inflation? It is due to two possible scenarios. One is that currency wars would bring about a change in the dollar as the world's reserve currency. That could create a new world reserve that includes gold in its make-up. And another possibility is that the current deflation causes Central Banks to continue expanding Quantitative Easing (QE) until we wind up with hyperinflation. In much of the developed world, interest rate incentives used in the past by Central Bankers have been rendered useless due to zero to minus interest rates. It has ineffective but easy to create QE to fight deflation. This will likely go on until it starts to have the opposite effect and creates out of control inflation. Central Bankers want inflation because it makes debt disappear by paying it off with cheaper currency. If they are not careful, and I do not expect them to be, the banksters (Bernie Sanders term) will get what they wished for and it could be the launch pad for the continuation of the secular gold bull market that started in 1999.

ASIDE

"Because bankers measure their self-worth in money, and pay themselves a lot of it, they think they're fine fellows and don't need to explain themselves." James Buchan

Gold has been referred to as politician insurance. With the high debt economic problems we are facing today, it can also be looked upon as banker insurance.