

Starboard Weekly Report Ending March 4, 2016
Charts of the Week



Both charts are from StockCharts.com, with my overlaid notations. The top chart is the Dow Jones Industrial Average (INDU) while the bottom chart is the Spot Gold Price.

TECHNICAL

As you look at these two charts, they appear to be in the same trend; however, this is not the case. The INDU is topping out below its 200 day average while Gold's 50 day is breaking above the 200 day. These are classic technical signals of opposing events. Stocks have enjoyed a counter-trend rally from recent selloffs, whereas Gold has rallied strongly from a recent bottom. There are several things to note on the INDU chart. The top arrow shows an advancing moving average situation. As mentioned above, the circle shows how the price is approaching the 200 day average. Please note the declining volume during the recent rally. Additionally, the CCI is showing an overbought trend. The huge takeaway on the Gold chart is the 50 day crossover. This shift in price could represent a major value move for Gold longer term. Shorter term, I expect a pull back since Gold is over extended. A consolidation at lower prices, followed by another surge, will indicate the lows for Gold are history.

FUNDAMENTAL

Even though the market rebounded a little over 10% from the January 20th bottom, it has no economic reason to continue. The bond market continues to show downward pressure on the government rates, which is an indication of an anemic growth environment. A major reason for the Gold rally is that the inflation rate, although low, is now higher than short term rates. This is very bullish for Gold. At recent congressional hearings, the FED Chairperson Yellen mentioned negative rates and Gold has been strong ever since. And when the interest rates to hold Gold is low, then it is a positive since it does not pay interest or dividends. Negative rates create a real compelling reason to own Gold because it can be considered safer than money that you have to pay to store at minus rates. As you are reading this Report, you can surely picture the smile on my face while gloating over these charts. The economic gospel that I have been preaching for several years is finally showing very strong signs of becoming reality.

ASIDE

"An ounce of practice is worth more than tons of preaching." Mahatma Gandhi

We have practiced my preaching for some time and I strongly believe that it is about to deliver us to portfolio promise land.

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