

Starboard Weekly Report Ending April 15, 2016 Charts of the Week



The two StockChart.com charts above reflect the daily (short term) and monthly (long term) picture of Central Fund of Canada (CEF). This closed-end fund owns just gold and silver; 62.8% gold and 37.2% Silver.

TECHNICAL

The daily chart shows a nice move in CEF, caused by the move in precious metals. The current price action of gold and silver is reflecting that a pullback for CEF may be in the offing. The support should be the at \$11.99 price area, which is the 50 day average. The worst case scenario would be a decline to the 200 day at \$11.01 on the chart. The monthly chart shows that the gold and silver rally has more room to go, with resistance developing around the 50 month average or at about \$14.95. Please note that despite the decline that started in early 2013, the 50 month is well above the 200 and thus indicating that precious metals are still in a bull market. Also noteworthy is the price that CEF sold at while gold and silver were at their highs. It was at 26, which is more than double the current price. The major reason for that price surge is the mix of gold and silver rather than having just gold holdings.

FUNDAMENTAL

I believe CEF is one of the best ways to own precious metals. Clients often ask me if they should own actual gold and silver or coins of both metals. When comparing the premium paid to buy bullion or coins with the 5.8% discount from net asset value (NAV) for CEF, the closed-end fund is considerably cheaper. The discount and at times premium from NAV for CEF can fluctuate. CEF definitely makes more sense than actual precious metal ownership. There is however a peace of mind factor in touching the metal; especially if you believe that the world financial system could implode. I'm not in that camp and even though world-wide deleveraging could be painful, I believe the system will survive but with currencies that are backed by gold. That backing will be necessary to keep politicians from spending beyond safe GDP levels. Gold is politician insurance and CEF is an investment vehicle that I will continue using to protect your portfolios.

ASIDE

"He who wakes up early finds gold." Hungarian Proverb

The markets appear to be awakening and finding gold again. It is in fact early, but the next up cycle seems to have begun. Owning gold and gold equities in the next cycle will likely prove to be the best investment decision of your lifetime.

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Please note: It is the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements.