

Starboard Weekly Report Ending August 5, 2016 Charts of the Week

\$USD US Dollar Index - Cash Settle (EOD) ICE
04-Aug-2016, 16:00 ET, daily, O: 95.49, H: 95.875, L: 95.385, C: 95.717, Chg: +0.192 (0.20%)
No recent chart pattern found
Scaling: Traditional [Reversal: 3]

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This week's StockCharts.com daily charts are on the US Dollar Index*. The top depiction is Point and Figure (PF) analysis and it shows a breakdown in the offering. The bottom bar chart of the Power Shares Inverse Dollar ETF, symbol UDN, is an opportunity to profit by a declining value of the dollar. It is my intention to purchase this index to hedge our large cash positions.

*Dollar Index Components: 57.6 Euro, 13.6 Yen, 9.1 Canadian Dollar, 4.2 Swedish Krona, 3.2 Swiss Franc

TECHNICAL

It is noteworthy, that on three occasions, the dollar has not been able to penetrate 100 on the PF chart. In addition, it has had three lower-lows along with two lower-highs that indicate a bearish trend is developing. The next downside breakdown would occur at 91 and if that transpires it could cause the greenback to trade to the low 80's. The technical position of the UDN is interesting from the standpoint that it had three gaps down trading episodes (see circles) since Brexit in late June. The most recent gap occurred today based on the employment data rally, along with Britain lowering interest rates. This type of volatility is indicative of price change and it is my bet that the change will be negative.

FUNDAMENTAL

Elections, Emerging Markets and the Euro are three E words that could possibly make the dollar decline from a fundamental standpoint. The uncertainty surrounding the US elections are a huge issue. No matter who wins, the future does not look very bright for this country. Hillary means more of the same low growth due to a growing government, along with economically strangling debt that would choke markets if rates rise. Trump on the other hand is likely to cause huge short-term economic uncertainty due to changes that he would implement. Growth in the Emerging and Developing countries has come to a standstill due to the rising dollar. This would have to change if we are ever going to claw our way out of world debt. A lower dollar would go a long way to ignite two thirds of the world into another growth cycle. The Euro has been through a great deal over the past two years and the currency has held its value in a sideways fashion. Any slightly positive developments could cause an upside breakout in the Euro. Since the Euro represents such a big portion of the dollar index; a strong Euro would have a large negative effect on the dollar.

ASIDE

"A weak currency is the sign of a weak economy, and a weak economy leads to a weak nation." Ross Perot

A big bloated government will cause a weak economy and we are about to have this largesse effect our currency.

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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.