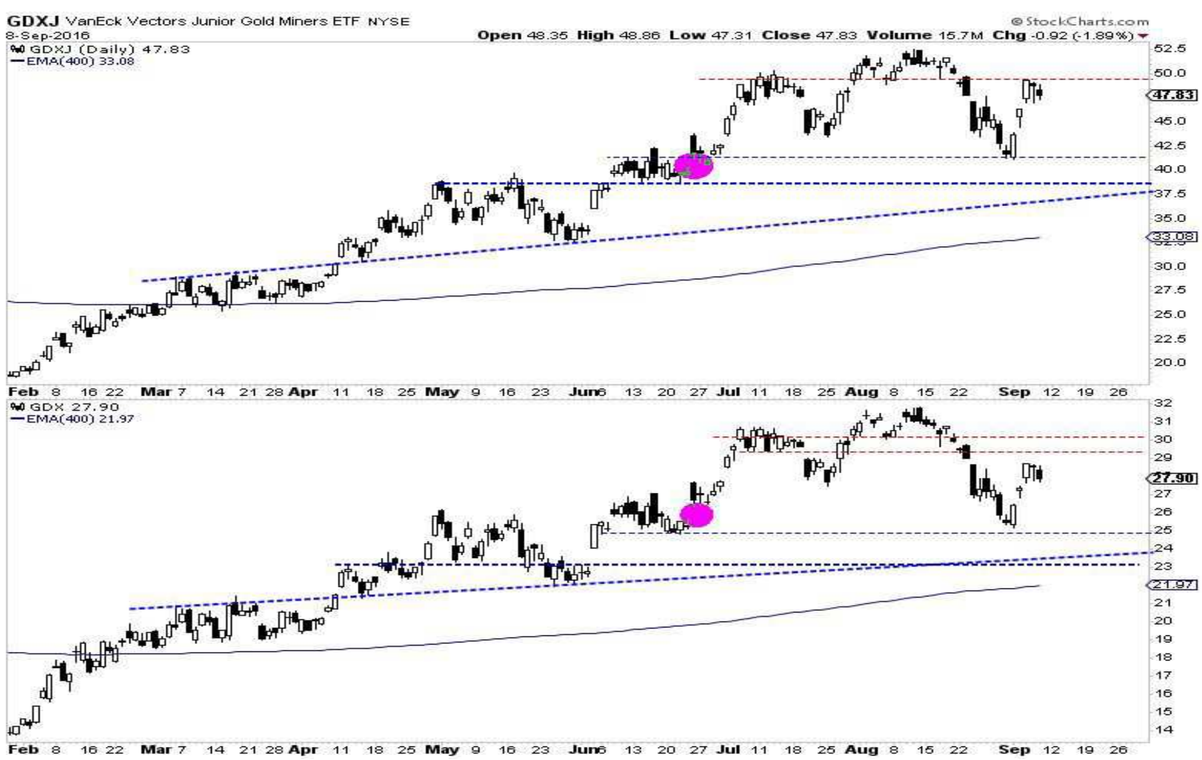
Starboard Weekly Report Ending September 9, 2016
Charts of the Week

"Gold remains in a bullish consolidation as long as it holds $1300-$1310. Over the past few days it tested resistance at $1355-$1360 and retreated, closing at $1342 today. Daily resistance is $1355-$1360 while weekly resistance is around $1350. A close tomorrow above $1350 would be significant." Jordan Byrne, author of The Daily Gold Letter



TECHNICAL

The following comments are from author Jordan Byrne of The Daily Gold Letter and they relate to the two primary gold stock ETF's, GDX (Large Cap Companies) and GDXJ (small cap or junior gold companies), that are charted above.

> *"The gold stocks retreated for the past two days after three consecutive days of strong gains. GDXJ has showed more strength than GDX as it recovered more of the August losses and endured only minimal losses the past two days. Even if miners traded lower from here and retested the lows of the past week they remain in good shape".*
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> *"If GDXJ closed above initial resistance near $50 then it would be in position to retest the August high. The same can be said for GDX if it closes above $30. Because GDXJ is stronger, it is much closer to testing and breaking that resistance."*

Gold is the obvious driver of the two classes of gold shares. Note how the break above 1300 caused acceleration of both the GDX and GDXJ. Gold has been in a consolidation pattern since making its high in early July. When it breaks above 1380 gold stocks will have another spurt. In the meantime, we are stuck in a trading range. I share Mr. Byrne's longer term opinion that gold will see 1500 this year. Should we break below 1300 that opinion would have to be altered.

FUNDAMENTAL

A question I often hear is: "Why is gold moving up when we have no inflation"? And the answer is that we now have deflation that is driving yields to low levels in the US and negative rates in Japan and Europe. Gold pricing is very sensitive to interest rates because it has no yield and when it has to compete with bonds that pay yields higher than inflation, many investors will prefer bonds. Now, however, investors are flocking to gold because rates in the US are lower than inflation and rates are negative in Japan and Europe, and thus lower than the extremely low inflation. The more important reason for owning gold is that it is a substitute for currencies. The world's central bankers are losing creditability due to continued deflation. Central bank confidence is an important component of what stands behind money. The loss of it causes countries, banks, institutional and individual investors to seek out precious metals as a substitute to holding declining cash value. As I often reiterate in the Weekly Reports… Gold is both central banker and politician insurance.

ASIDE

"A crucial responsibility of any central bank is to control inflation, the average rate of increase in the prices of a broad group of goods and services." Janet Yellen

I might ask you: How well has the FED accomplished controlling inflation long term? Today's problem is deflation; so obviously the FED doesn't get it. To paraphrase a comment from a Kitco.com interview this week with Jim Grant (letter writer of Interest Rate Observer): "*The FED are lost souls adrift on an island of financial planning*". As more of the world realizes this, gold will flourish