

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



We have two different time periods of the same ETF with the first being a relative strength comparison of the Daily StockCharts.com chart. The bottom chart is a long-term monthly view of the price of the Global X Uranium ETF (URA).

TECHNICAL

Since Trump was elected, the relative strength of Uranium shares to the S&P has been very strong. Contrary to this short term strength, our second chart displays how weak Uranium stocks have been over the past 5 years and that is largely due to the aftermath of the 2011 Fukushima disaster. The uranium producers which make up this ETF have been as weak as the price of the commodity because of the negative political effects of nuclear power. The spot price was as high as \$136 per lb. in 2007 and it now fetches \$18.5 per lb. The URA traded at its start in 2011 at near \$90 per share and is now selling at \$13.40 a share. Uranium and the production companies are down over 80% and that leaves a good deal of upside should world demand pick up for this commodity. Many asset classes have been volatile since the election, but uranium may represent the best opportunity because of its terribly depressed price. It is my intention to buy this ETF, or individual uranium companies, when the shares pull back from their current overbought conditions. I would also like to see the commodity price confirm the recent uranium stock surge.

FUNDAMENTAL

President-elect Trump has made several references to uranium as a fuel to solve the world's global warming concerns. He compared the 2011 Fukushima accident to a plane crash and said that people did not stop flying every time a plane crashes. Uranium demand will increase when political acceptance occurs. That could happen through the power of the Presidential Tweet if the leader of the free world comments favorably on this alternate energy; thus enhance the acceptance of nuclear power. This increase could also happen if an actual demand surges due to China and India moving ahead with several new nuclear projects. Japan is also looking to get back into building nuclear plants. Supply of the metal has been very low because uranium is selling below the production cost and many new mine plans have to be scrapped. Thus, new supply will not materialize for many years until higher prices allow for profitable mining operations. Current producers that have inventory are in a sweet spot because the price of uranium could skyrocket due to an increase in demand versus the metal's current low supply

ASIDE

"One pound of uranium is worth about 3 million pounds worth of coal or oil." James Lovelock, Scientist

Nuclear power plants helped avoid 90 percent of all carbon emissions averted in the U.S. energy sector between 1981 and 1994. As we refocus on uranium's benefits, prices could soar like they did during the Bush years when the price went from \$10 in 2003 to over \$100 in 2007.

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