STARBOARD
ASSET MANAGEMENT

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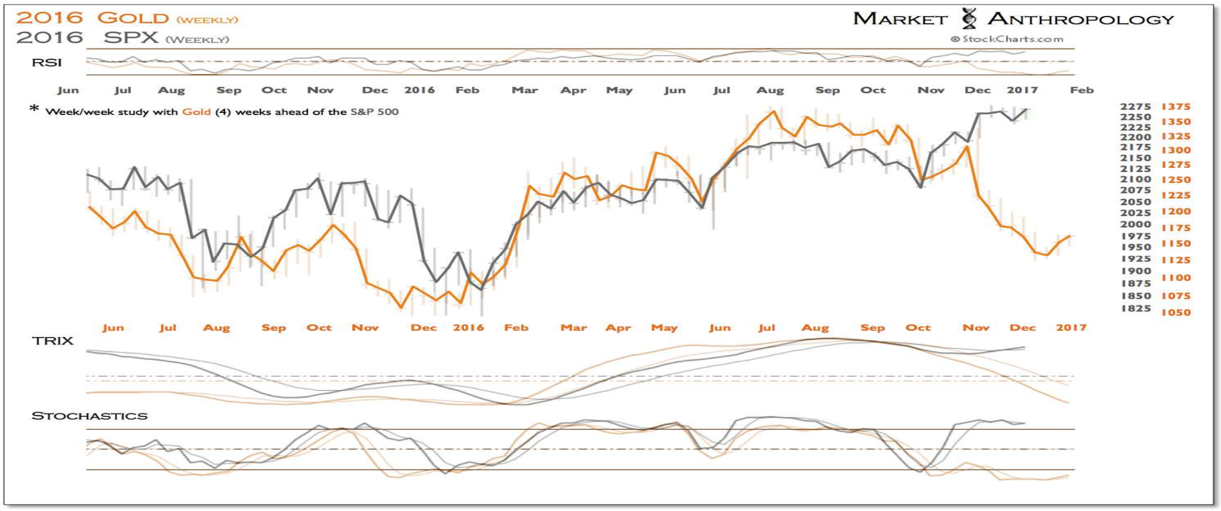
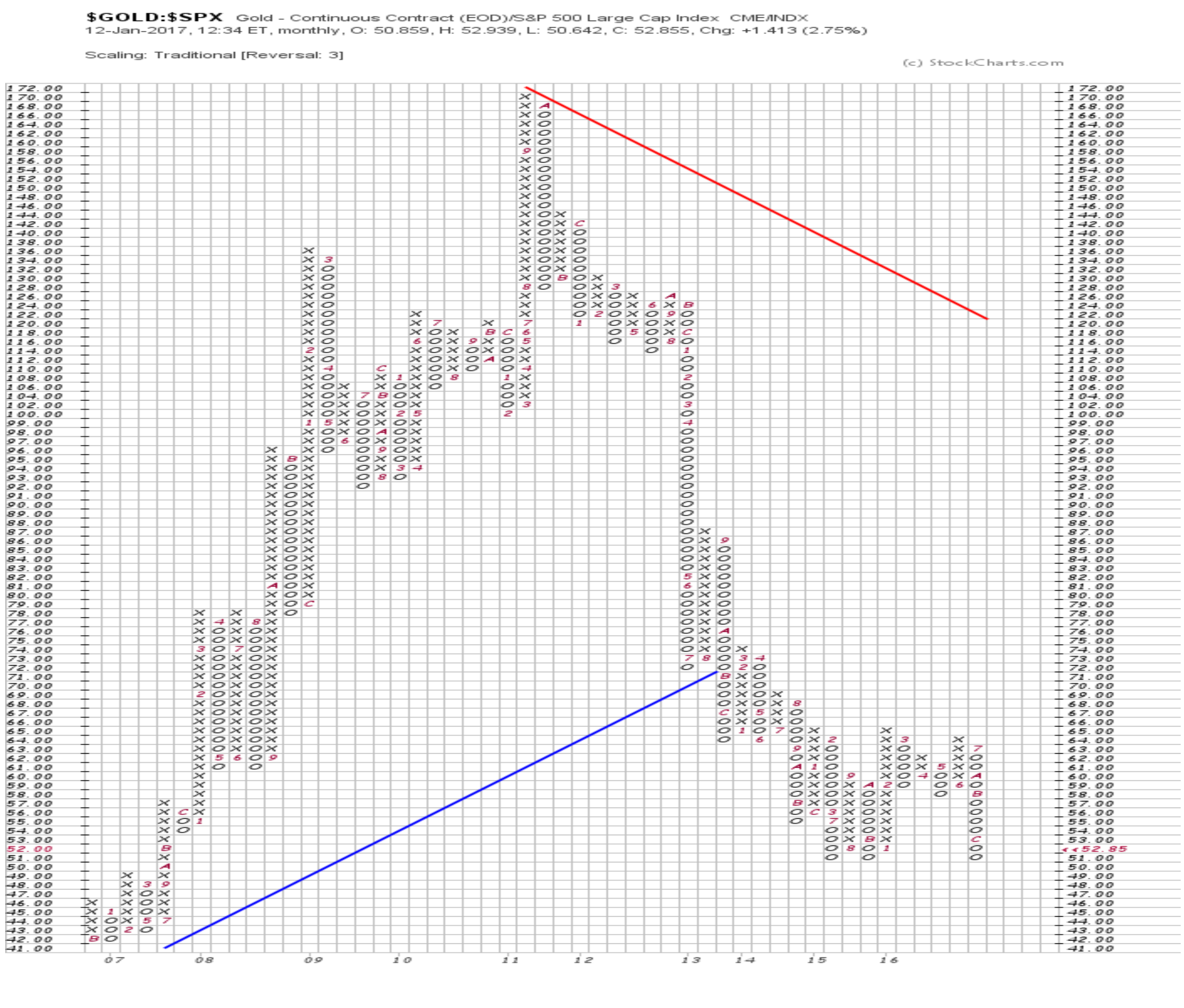
Starboard Weekly Report Ending January 13, 2017
Charts of the Week





The two charts above represent the actual price relationship and the relative strength connection between commodity price of gold and the S&P representing the stock market. The weekly top line graphs were created by Market Anthropology while the bottom is a monthly point and figure study from StockCharts.com

TECHNICAL

Please note on both charts how the 2015 lows correspond to the recent low in gold. That lead to a strong 8 month bull run for this metal. The current gap between the S&P 500 and gold is now much greater than the 2015 trading level. In the future, as that gap closes gold should have an intense rally. The supporting illustrations on the top chart also show a likely upward bias for gold. On the bottom relative strength point and figure chart between gold and the market, we have three distinct lows indicating that once the chart switches into X's from the current low then we are off to the races for the shiny metal. The key takeaway here is that the faux Trump rally has set up a similar gold bull market analogous to what transpired in 2016.

FUNDAMENTAL

The election rally hurt our short-term yearend performance, but this week's chart pictures indicate that this is about to change. A good question might be: Why did we not lighten up on gold? The answer is that until the fake yearend market explosion, gold was going through a normal correction process. The post-election stock and dollar rally were finished within two weeks and we have been trading sideways since early December. Now we have a new year that is shaping up to be a mirror image of last year at this time. Our major market premise is for equities to decline and gold to rise for which we are positioned accordingly. Other asset classes and sectors may have short-term trading rallies, but precious metals have the best long-term performance potential, along with a likely decline occurring in equities. The stock market has provided a strong return of 102% since 2002. However, gold is up 330% over the same period. Gold has outperformed stocks 3 to 1 and could well be 10 to 1 before its bull run is complete. Stocks are at a cyclical high versus gold coming off a 3 year bear cycle. This makes for a strong intermediate-term indication that the chart gap shown in the top chart will be closed.

ASIDE

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value." Alan Greenspan

While at the FED, if Mr. Greenspan practiced what he preached, there would not be the same compelling inflationary reason to own gold.