

## Starboard Weekly Report Ending February 17, 2017 Charts of the Week



Today's theme is Gold versus Goldman. The top chart is Gold the Commodity (\$GOLD) compared to Goldman Sachs common stock (GS). The bottom chart is Junior Gold Stocks (GDXJ) versus GS. Both charts were generated from StockChartsCom.

## **TECHNICAL**

Since the beginning of the Trump rally, GS has appreciated 38% and it recently exceeded its 2007 high. Since 2007 \$GOLD has doubled while GS has come back to break even. As our top chart indicates GS is doing much better than \$GOLD since 2012 and the commodity price has not been able to exceed its 50 month average, despite last year's rally. When that average is exceeded we will have the next basis for a strong run in gold. GS can be used as a proxy for the stock market and when it does poorly gold is often an uncorrelated trade. The Bottom GDXJ chart representing gold stocks was higher in 2007 (not shown) when compared to GS's breakeven. The junior golds are showing better relative strength to GS from the beginning of this year. Let's hope that continues because if we get a move above the 50 month average (blue line) these stocks have enormous upside. The GDXJ's upside will not happen if today's top chart does not start improving its relative strength to GS.

## **FUNDAMENTAL**

GS is a market darling, primarily due to its huge economic influence on Wall Street as well as in Washington. When they are in decline mode they bring the market with them. Their old high from \$250 in 2007 bottomed at under \$50 in 2008. Moving essentially sideways since then followed by the Trump surge has given some hope for a bank lead economic surge. However, I'm not optimistic due to structural debt and demographic issues that favor continued deflation or possible stagflation.

## **ASIDE**

*"It's not the size of the dog in the fight. It's the size of the fight in the dog".* Mark Twain

Goldman surely qualifies as a big dog. The outcome of whether they can fight against today's structural economic issues will determine the future direction of the markets. We can only hope GS fares better than the last time their stock made its high.

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