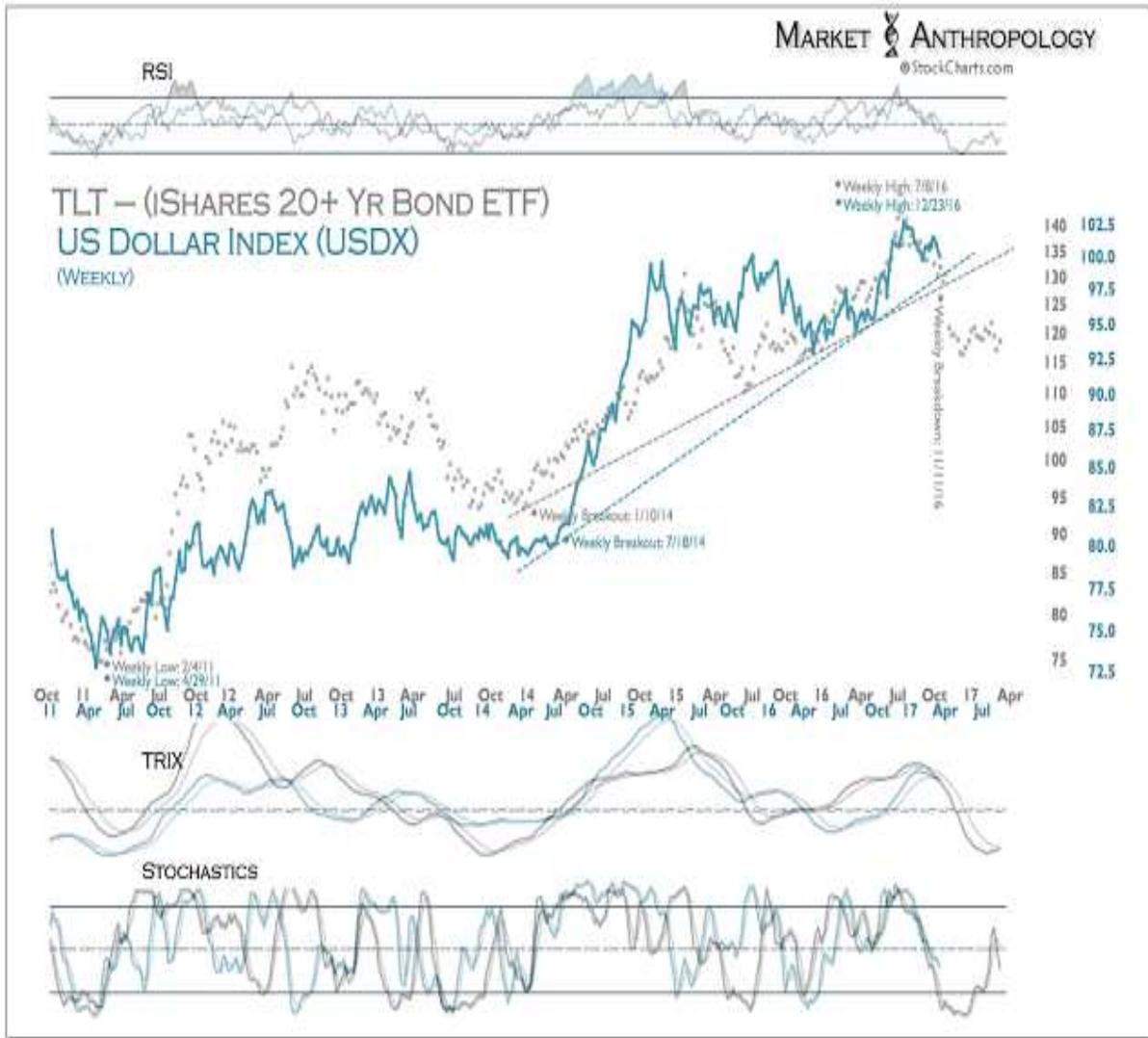


Starboard Weekly Report Ending March 31, 2017
Chart of the Week



This very busy weekly chart study was created by Market Anthropology and it is quite interesting since it deals with two of the most important economic variables in US markets; bond prices and the dollar. Their conclusion is that *bond price moves precede dollar moves by several months.*

TECHNICAL

The first item on the chart, shown in gray, is the relative strength (RSI) of the 20 year US bond price (TLT), an I Shares ETF. The blue line represents the US Dollar index (USDIX). The TLT grey line is current pricing while the USDIX blue line indicates expected dollar pricing. All supporting diagrams confirm the speculation on the main chart of the dollar declining. Please note the pricing on the far right of the chart in coinciding grey and blue colors. If Market Anthropology's analysis holds true to the past, then the dollar should follow the current bond price of 121 down from 143 to around \$93 on the USDIX. Should the dollar break down it would be very bullish for gold as well as other commodities; also emerging markets.

FUNDAMENTAL

This analysis has a good supply demand basis. As foreign money is exiting our bond market, these sellers are converting into other currencies. Conversely, when US bond prices are increasing, foreign buying causes demand for dollars. Bonds are down more than 15% from their July highs. We can see in this analysis the serious break of the long term support line that coincided with Trump's surprise election. Could that mean that foreign Treasury buyers are sending a diplomatic message to the new administration? If they do not hold at present levels then we could be looking at a very serious dollar break that would be a real game changer for markets. The same relationship to foreigners selling dollars relates to the stock market. When it breaks down like bonds have from current nose bleed levels, additional downside pressure will be put on the dollar.

ASIDE

"If the Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also" Thomas A. Edison

A scary thought when you start talking in billions; especially when neither bond nor dollar have any backing other than political spend and borrow policies. Possibly world debt buyers are paying attention.

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