

Starboard Weekly Report Ending July 28, 2017 Charts of the Week



This week's top chart is a StockChart.com weekly comparison of the relative strength of the Russell 2000 (RUT) to the Dow average (INDU).

The bottom chart from Kimble Charting is a monthly Gold versus Dollar ratio depicting 6 year cycles.

TECHNICAL

From its high made this time of the year in 2015, the relationship of the RUT to the INDU has been moving sideways. This boring downward slanting movement will gather momentum and when it does the Russell 2000 will collapse. The bottom chart is as interesting as the Russell is boring. If charting history repeats itself then we are in for a big eruption in the dollar price of gold.

FUNDAMENTAL

Although these two seem unrelated, they are very much tied together because of their uncorrelated nature. Gold becomes a safe harbor once the markets decline. When stocks collapse gold can erupt. These charts are indicating that an interconnected explosion is not too far off, especially as the FED starts to tighten the money supply and raise interest rates. Our patience should only be required through the summer doldrums and then as fall arrives our patience will be rewarded.

ASIDE

“Patience is bitter, but its fruit is sweet”. Jean-Jacques Rousseau 18th Century Philosopher

Those who have enjoyed the benefits of the Central Bank's low rates and liquidity are soon to witness the opposite of Mr. Rousseau's quote.

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