

Starboard Weekly Report Ending August 25, 2017 Charts of the Week



Both weekly charts above come from StockCharts.com and they are relative strength comparisons. The top chart is an association between silver and gold, while the bottom equates gold with the Dow Jones average.

TECHNICAL

Both of these weekly charts represent very important price direction forecasts toward analyzing our oversized precious metal positions. They both tell a story of a consolidation from gains enjoyed for the first three quarters of 2016. The circles on the main charts depict a strong 2016 versus the opposite of complete sideways price frustration for 2017. As we review the supporting graphs, it is apparent that all are indicating an upward direction (the green and blue arrows on the right side). The silver to gold relative strength top chart is critical to the break out of precious metals. Silver movement indicates speculative interest in precious metals. It has been said that silver is gold on steroids as it can move twice as fast and more than twice as far. The direction of silver versus gold is telling us that we may be on the verge of an upside breakout, but if it does not move up soon then the whole metals complex will suffer in performance. The bottom chart compares weekly relative strength of gold to the Dow Jones and it is indicating that a non-correlated move is close for gold.

FUNDAMENTAL

Markets frequently act out their cycles on a seasonal basis. There are often fundamental reasons why this occurs, such as inventory buildup for oil and gas before the driving or the heating seasons. For some reason the stock market has its weak season in the August and September. Just think back to the serious bear markets that started during the pre-harvest season. Then October and November are normally favorable rebounding months. We have the dreaded September already starting next week and the charts show we are in for a down market. Gold's positive seasonality months favor January, April and August. The momentum of these three months usually carries gold into the following three months. November often tends to be the worst month for the yellow metal. Many technical analyses, as well as fundamental indicators, show the market is topping. This, along with this week's charts showing the possible breakout of precious metals and a breakdown for the Dow, will carry the rest of the markets with it.

ASIDE

“Excess generally causes reaction and produces a change in the opposite direction, whether it be in the seasons, or in individuals, or in governments.” Plato (428 BC – 348 BC)

Will this “season” cause a reaction that produces excessive change in an opposite direction? I believe that it will.

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Please note: It is the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements.

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