

## Starboard Weekly Report Ending September 15, 2017 Charts of the Week



These monthly charts show West Texas Intermediate Crude Oil (WTIC) on a relative strength comparison versus Gold on the top chart and the US Dollar on the bottom chart. Both charts are provided by StockCharts.com

## **TECHNICAL**

The dollar and gold contrast to WTIC in both charts above demonstrates how gold over the long term has been much better protection from oil inflation. Please notice the period circled on the bottom chart matched against the strong relative strength of gold/oil on the top chart. The pricing superiority of gold occurred while oil prices were generally rising. The period from 2013 to late 2014 had gold weak while oil made its highs. Also noteworthy is the long-term moving average strength of gold versus that of the dollar comparison with WTIC. Golds 50 month is well above its 200 month moving average and it maintains a big gap between the two moving averages (blue arrows on top chart). The 50 month moving average that is below the 200 month on the bottom dollar chart (blue line) has gained in price since mid-year 2014. From 2014 to 2016 the dollar has been strong and oil weak. Recent dollar weakness suggests that it is about to change, and if and when it does, oil could start to rise in price. Gold would also benefit from the declining dollar. Gold could also reflect the inflationary pressure of higher oil and rise a lot more than oil.

## **FUNDAMENTAL**

World oil is traded in dollars and a higher dollar has affected the demand, especially in the emerging nations. Despite the lower price of oil, emerging countries have had to buy or borrow in expensive dollars for their oil and this premium reduced demand. The declining dollar will change that and thus create more worldwide demand for petro. If oil is going to rebound due to a declining dollar, then oil stocks will offer enormous potential. This is a possible investment opportunity that I will be carefully monitoring. Along with oil, other commodities will also benefit. Attached to your email is a review of other possibly lucrative opportunities and in particular industrial metals. Positions in Zinc and Uranium have been recently added to portfolios. Both of these industrial metals have excellent upside supply demand dynamics.

## **ASIDE**

*“Commodities tend to zig when the equity markets zag.”* This week’s quote is from well-known hedge fund investor Jim Rogers

The dollar is the cause of both the zig and the zag.

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