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Starboard Weekly Report Ending April 20, 2018 Charts of the Week

SPY SPDR S&P 500 ETF NYSE
 19-Apr-2018, 16:00 ET, daily, O: 269.65, H: 269.88, L: 267.72, C: 268.89, V: 77655912, Chg: -1.50 (-0.55%)
 No recent chart pattern found
 Scaling: Traditional [Reversal: 3]

(c) StockCharts.com



EWJ iShares MSCI Japan ETF NYSE
 19-Apr-2018, 16:00 ET, daily, O: 60.79, H: 60.88, L: 60.63, C: 60.81, V: 4764322, Chg: -0.23 (-0.38%)
 No recent chart pattern found
 Scaling: Traditional [Reversal: 3]

(c) StockCharts.com



Two popular ETF's are represented above. SPY for the United States S&P 500 and EWJ for the Japanese MSCI index. Both Point & Figure charts come from StockCharts.com.

TECHNICAL

President Trump and Prime Minister Abe meet this week at Trumps Mar-a-Lago. If they have an interest in re-election they should be discussing these charts. Both men are governing their economies based on growing stock markets; therefore, their future electoral success will be quite dependent on stock market direction. Trump has a problem since the SPY has broken down from a perfect triangle in the top chart which is very bearish for US markets. (note column of O's on the top right side ending in 4) Abe on the other hand has his stock market forming a triangle that could break either way. Despite the Bank of Japan buying Japanese equities, my belief is that it will also give a sell signal in the near future.

FUNDAMENTAL

The Bank of Japan has been buying Japanese ETF'S since 2010. They stepped up their buying to 6 trillion YEN per year (108 Yen to the Dollar) in the past 2 years. They have bought over \$180 billion in ETF'S and now own 75% of that market. It is expected that the 6 trillion yen will continue at least through the Japanese Olympics in 2020. Despite this aggressive buying, the EWJ dropped 9% in February and is currently down 6% for the year. Abe has an easier job than Trump in controlling their stock market. But the financial QE power of the FED and the resulting reserve increase to the big banks has assisted Trump's upward stock market. What neither can control is higher interest rates and the resulting inflation they will cause. As the FED moves toward Quantitative Tightening (QT) rates will rise and markets will drop in the US, but the rest of the world is expected to follow and also raise rates. So far this year the YEN Japanese currency has remained strong versus the Dollar and as per its chart above, their market has not broken down. This may be indicating that money exiting the US markets is reallocating to Japan. Both Trump and Abe would be well advised to focus on these charts because their impending direction will have a strong political bearing on their futures.

ASIDE

"The economy, stupid". James Carville, Former President Bill Clinton's campaign manager Today's political advice is the stock market, stupid. Trump and Abe would be wise to heed my new take on that now famous advice from Mr. Carville in the 1992 election.

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