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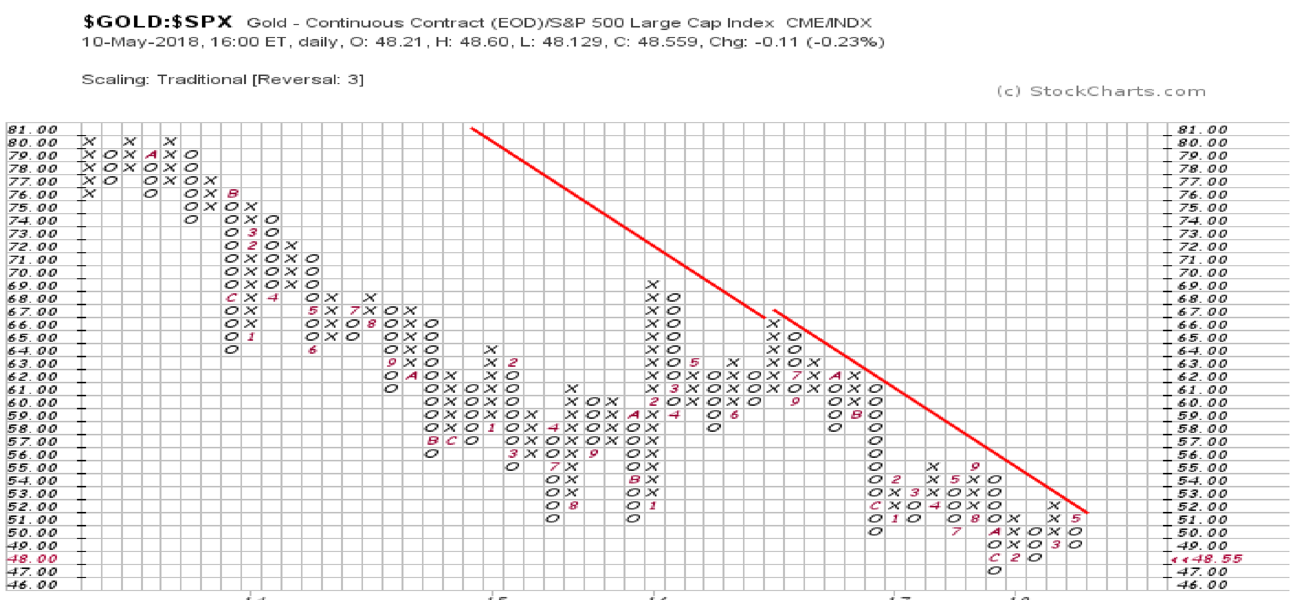
Starboard Weekly Report Ending May 11, 2018
Charts of the Week



This week we are looking at the NYSE Bullish Percent Index chart, along with the Gold to S&P Relative Strength chart. Both of these Point & Figure charts were provided by StockCharts.com.

TECHNICAL

This week the frustration continues with the market rallying but not really going anywhere, especially when viewed on the NYSE Bullish Percent Chart above. Until the needle on this NYSE Bullish Percent Chart moves, we have nothing but noise as far as the market rallies are concerned. The current Point & Figure status of this chart is bear correction meaning that it is trying to recover from the previous bear market status. On the top chart it would take a move up to 60 to accomplish a bullish reversal for the market. But I do not believe that is in the cards. The bottom chart is in an opposite position with a bullish breakout in March having recently reversed into O's. It would take a move down to 46 on this chart to create a bearish reversal for gold. This gold to S&P comparison is one of many similar chart patterns indicating gold is waiting for a break in the market to finally rally to higher prices.

FUNDAMENTAL

The change in market direction will likely come about with increased inflation and higher interest rate news. The recent rise in energy prices should start to show up soon in inflation numbers. The cost of labor is another inflationary wild card that could start appearing in the headlines and has serious inflationary implications. This bull market has being driven by corporate buy backs since 2012; and aided by tax savings it has continued with a vengeance in the current bounce. Because of the faux market strength buybacks engender, very few analysts are focused on interest rates and their recessionary consequences. In the spirit of a picture being worth a thousand words, there are two charts attached to your email. One is a monthly bar chart of the relative strength of the two year versus the 10 year Treasury. The other attachment is a Point and Figure chart of the same comparison. The noteworthy aspect of these two charts is their explosion since Trump's election. This is very possibly due to shifting back to the US shifting back to a more cyclical economy. If this is the case then rates are telling us that the current cycle is near its end.

ASIDE

"When you reach the end of your rope, tie a knot in it and hang on." Franklin D. Roosevelt

This is very good advice for stock market bulls.

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