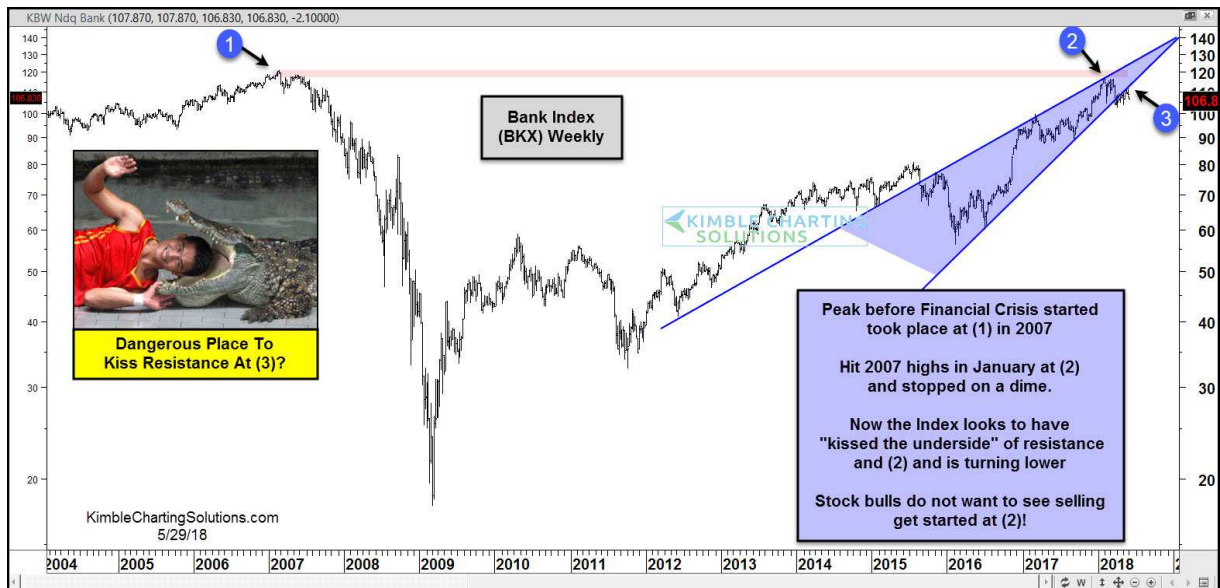


Starboard Weekly Report Ending June 1, 2018 Charts of the Week



The top chart study from Kimble Charting solutions is a weekly presentation of the Bank Index (BKX). On the bottom chart we have a monthly depiction of Deutsche Bank (DB) provided by StockCharts.com.

TECHNICAL

If you are bullish on the US market then you will find the top chart very concerning. The reason is that a good deal of the Trump rally of the past two years was due to the move in the Bank Sector and this BKX index chart tracks 90 % of the large domestic banks. This upper chart represents an ironic situation since it corresponds with the same highs achieved in 2007 before the crash. Speaking of crashes, we only have to look at the bottom chart of DB from 2009 to see another scary downward price spiral. It went from \$85 in October 2009 to the current low of \$10.57 and this is a reflection of the deteriorating debt issue in the Eurozone. Those concerns increased this week as Italy is going through political unrest. These anxieties may change Italy's position as to whether they continue to participate in the EURO experiment. Banks are an over owned asset class. A chart breakdown, such as shown in the Kimble study, could create a stampede for the exits and the beginning of a long awaited bear market. The other over owned area of the US market is technology and it is the only strong sector holding the market up. If and when the TECH sector breaks down, the market will have no leadership and will likely go through the floor.

FUNDAMENTAL

We live in an overleveraged world. Stock price movements of the major banks are reflective of the financial health of bank balance sheet loans. Please see the attached PDF file *Totally Nuts* for a further perspective on a potential credit caused looming liquidity crises. As we discovered in 2008, the inability to pay back over-extended borrowing can create serious risk to the entire economy. Deutsche Bank resides in the most over leveraged place in the world (the Eurozone) and their chart is signaling that bad loans may be causing problems with their balance sheet. As the Italian political drama plays out, DB is likely to have further downside volatility. Should Italy pull out of the EURO then DB, along with other Eurozone banks, would very definitely face bankruptcy.

ASIDE

"Borrowing and spending is not the way to prosperity." House Speaker Paul Ryan

When you borrow to build, it can lead to prosperity. But when you borrow to speculate, it often leads to disaster. Today's borrowing is done by governments to spend and by banks to speculate; the result will lead us to financial ruin.

Nothing on this Weekly Report should be interpreted to state or imply that past results are an indication of future performance. There are no warranties, expressed or implied, as to accuracy, completeness or results obtained from any information posted on this or any "linked" website. Any reference made to specific securities or any charts/graphs on the Weekly Report is not to be considered a recommendation. Every investment strategy has the potential for profit or loss.

Please note:

It's the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements. Starboard Asset Management, Inc. 06/01/18 Weekly Report