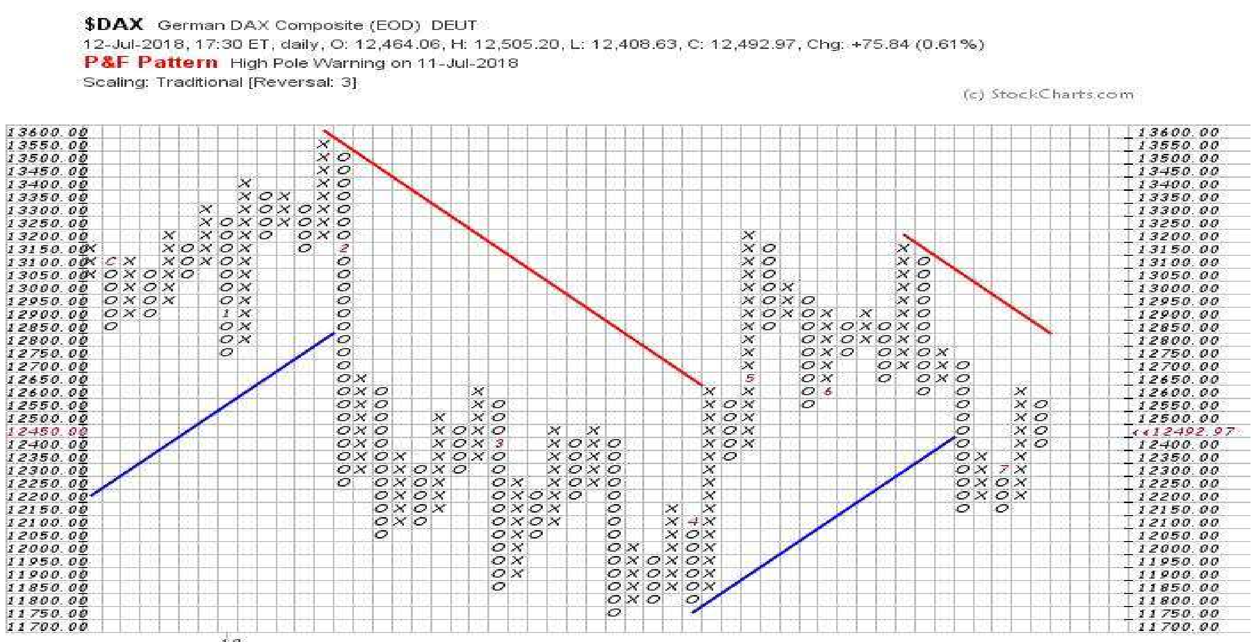
Starboard Weekly Report Ending July 13, 2018
Charts of the Week



The Japanese Nikkei 225 Index (NIKK) and the German Composite Index (DAX) are this week's featured charts. Both of these daily Point & Figure charts were provided by StockCharts.com.

TECHNICAL

The NIKK has been so volatile this year that the entire chart would not fit on the page; therefore, the January high of 24,100 is not shown. There is a compressed 3 on the left side of the fifth row on the top chart that shows March as the starting point for this year. The decline from the January top to the March low is a 15.56% drawdown. From the March low to the May high is a rise of 13.3%. That is what you call real volatility, especially in an index of 225 members. The major takeaway on the NIKK chart is the recent breaking of the blue support line. This is a very bearish chart with a lower high and then breaking support which demonstrates that it is destined for lower prices. The DAX has had a less volatile ride but is indicating the same bearish picture as the NIKK.

FUNDAMENTAL

The Japanese market has been propped up by its Central Bank which now owns 70% of the countries ETF's. However, this certainly does not look like the chart of a market that is supported by the government. Japan has not been in the news regarding Trump's tariffs but they are a huge exporting nation and will be impacted as much or more than Europe. Their 2.53 times Debt to GDP does not leave them much breathing room should their economy start to falter. Germany on the other hand has a respectable Debt to GDP of 0.68 times; which may be why Trump is after them to pay up for NATO. The entire EURO zone is at 0.87 times Debt to GDP while the US is at 1.05 times. So why should we pay more of our GDP toward NATO than Germany and other EURO members? Attached to your email is a Point & Figure Chart on the Chinese ETF symbol FXI and it also is flashing sell. That means we are the only major world market not on a sell signal. Can we go alone as our President believes or does it take other partners to create economic growth? I believe it will be a short time before the US chart plays downside catch up with the rest of the major economies.

ASIDE

"As we learned after President Herbert Hoover signed the Smoot-Hawley tariff at the outset of the Great Depression, vibrant international trade is a key component to economic recovery; hindering trade is a recipe for disaster." Asa Hutchinson, Governor of Arkansas

The best follow up for this quote is another quote attributed to Mark Twain *"History never repeats but it often rhymes."*

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