Starboard Weekly Report Ending August 24, 2018
Charts of the Week

These two charts provided by KimbleChartingSolutions.com are showing the S&P and the NASDAQ 100 as two markets potentially on the brink of an upside breakout. However, my contradictory comments are listed below.

TECHNICAL

The unanswered questions on these charts would be; are we at a double top or are we going to breakout into much higher levels? Only time will tell, but I do not think that there is enough supporting technical data to warrant a substantial upside breakout. Additionally, the monthly overbought relative strength position (not shown) for both of these charts are north of 95%. Therefore, a breakout from here would be short lived or both of these markets will have to drop before they could have enough momentum for a breakout. The Fibonacci levels Kimble refers to on the above chart are also a strong deterrent to market moves and in the S&P chart we can see how the market stopped at that barrier back in January of this year. The market has spent a lot of energy during the past 7 months while in reality it has only gone back to where it was at the end of January. This almost 10 year-old bull market is looking very tired.

FUNDAMENTAL

The 64 trillion dollar question is what will cause a market decline? It might be a fiscal blowup in the Federal budget that is hurting from low tax receipts due to the tax reduction. And this could very possibly be the black swan that reverses the macro outlook. Or perhaps it might be a blowup in another emerging country beside Turkey, who is similar to many other emerging markets that are ravished by inflation due to dollar debt burden. Yield explosion could also be the culprit. Today the FED promised to stay on the rate increase mode despite President Trump's objections. Despite the president's recent comment that the markets would crash if he were impeached, I think it will be a macro surprise that cracks the market. Of course meanwhile, the majority of Wall Street believes that the economy is rosy and a recession is years off.

ASIDE

Bob Farrell's Rule #9 states: *"When all experts and forecasts agree – something else is going to happen."*

David Rosenberg, who is now with Gluskin Sheff and is mentioned in an attachment to your email, was a former chief economist for Merrill Lynch. And Bob Farrell who wrote "10 Stock Market Rules" (also attached to your email) was Merrill's Chief Investment Strategist. Rosenberg is very skeptical. And if Farrell were still writing, according to his 10 rules, he would be cynical about further break out for the current markets.