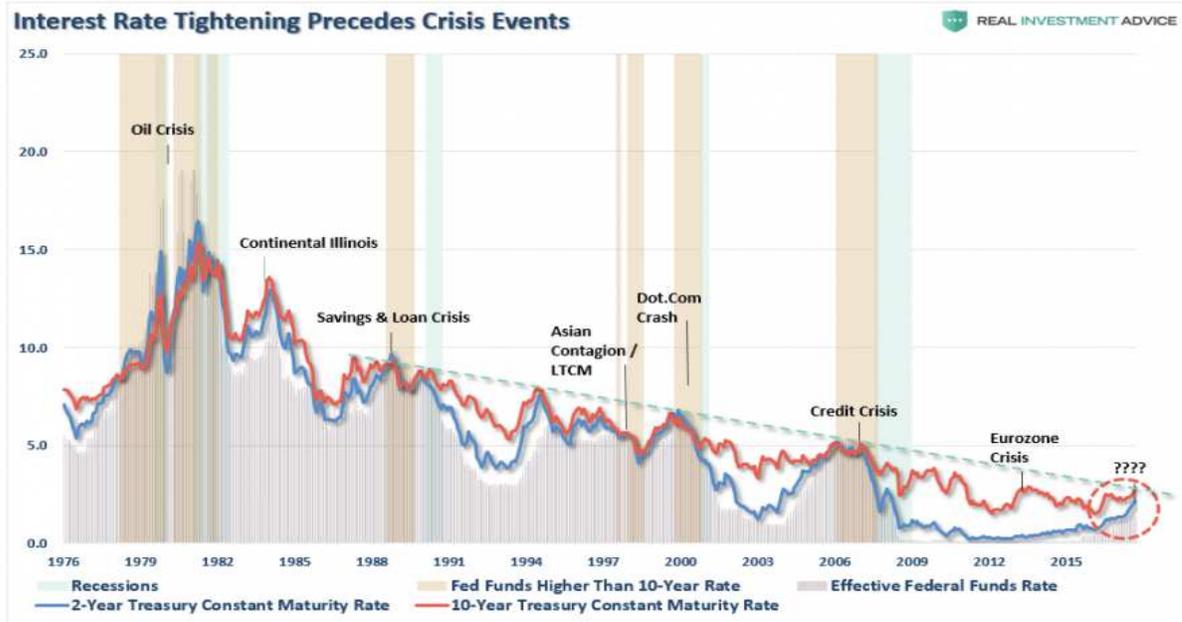


Starboard Weekly Report Ending August 31, 2018 Charts of the Week



The top chart came from an article posted on Zero Hedge and the article is an attachment with your email. The bottom chart is the relative strength of the FED Funds Rate of the 10-year US Treasury Bond Yield Index.

TECHNICAL

The email article referred to above is entitled “As Good As It Gets”. It points out how the Media and most investors are focused on the stock market while the FED Funds Rate is raising to a level at where all of the previous economic disasters have started. This is not the backdrop for a continued rally in stock prices but quite the opposite; especially as we approach September which is the worst seasonality month for the market. (See attached Seasonality Chart). Also attached is an Event Risk schematic covering potential hazards into the first quarter of next year. The bottom chart on the page above displays the velocity of the FED Funds rate and it is interesting to note how this rate has accelerated since Trump’s election. At that point the banks were given more lending freedom and thus the economic cycle took off, but unfortunately this is “As Good As It Gets”. A number of technical indicators are confirming that we are looking at the stock market highs and that this could be the all-time high for most market indexes worldwide.

FUNDAMENTAL

Many Wall Street pundits are stating that we have two more years left in the current up cycle; however, the top chart suggests that we are there now. Their comments are largely based on what they believe will be further earnings expansion. Earnings will not increase in a higher interest rate environment. The only way interest rates will decline is if the economy gets into trouble and at that point it will be too late for stock prices. My utmost concern is that with regularity bear markets wipe out most of bull market returns. The market demand has reached unparalleled greed proportions and as many trapped market participants head for the exits at the same time, we could possibly witness a crash of historic magnitude.

ASIDE

“The Great Depression, like most other periods of severe unemployment, was produced by government mismanagement rather than by any inherent instability of the private economy”. Economist Milton Friedman

For the past ten years we have had huge fiscal and monetary government mismanagement. The past two years have given us glimpses of cyclical stability; however, this is likely to be erased by previous government mismanagement.

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