STARBOARD
ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending September 14, 2018
Chart of the Week

This week's chart is a price comparison of the Russell 2000 Small Cap Index (RUT) with the Dow Jones Industrial Average (INDU). The main chart is accompanied by four supporting charts. (Courtesy of StockCharts.com)

TECHNICAL

The arrows on the main chart are significant because they show a consistent long term decline of the Russell 2000 Average (RUT) compared to the Dow Jones Industrial (INDU). The two red arrows on the left side are showing the 50 day average well below the 200 day average. The red arrows on the right side point to a lower low and lower high on the RUT versus the INDU. This short term comparative relationship has been declining for the 2000 Share Index RUT since June. It indicates that the 30 member index INDU is creating a false image of how strong the market is. Attached to today's email to back up this fake market appearance I have included a similar INDU comparison with the 5000 member Wilshire Index. Also attached are two articles on the Plunge Protection Team (PPT). This financial team was created by the FED after the 1987 market crash and they used the S&P futures market as a way to protect against a stock market panic that could do damage to the economy. According to the attached "Exposing the Plunge Protection Teams Fraud" article from Zero Hedge, the PPT came to the market's rescue this past February when there was a panic selloff. The unknown is how much they will continue to interfere in the markets. Looking at the discrepancy in comparing the Russell and Wilshire in today's charts makes me wonder if the PPT is operating on an ongoing basis for political reasons. Also, when our president makes the statement "The market will crash if I'm impeached", it makes you wonder if there is a political control factor over the markets.

FUNDAMENTAL

Longer term, this market has had a very fake appearance caused by FED quantitative easing. When compared to GDP growth, the FED caused excess liquidity has created an asset inflation exceeding the 2000 tech bubble. If the markets are to stay propped up then the PPT will be very busy as the FED has switched gears towards quantitative tightening. The markets the PPT cannot control are the bond markets because of their size and also the currently rising rates will force equity prices lower and stymie any further economic growth. Regretfully, it can take a while for supply and demand to catch up with economies and markets that are under government control. Our current anemic growth cycle has been driven by central bank easing and sovereign debt; not by private economic development. That is why it appears stretched out and to be so false. Worldwide debt levels are now unprecedented and one thing that will ring true is that repayment or restructuring of those borrowings will be very economically painful.

ASIDE

"Time has always been the greatest ally to Truth, because Time eventually relieves and reveals all." Author Suzy Kassem

It is truth that our politicians are kicking down the road and not the proverbial "can". Eventually time will expose their folly.

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