

## Starboard Weekly Report Ending October 19, 2018 Charts of the Week

**\$BPNYA** NYSE Bullish Percent Index INDXX  
 18-Oct-2018, 16:00 ET, daily, O: 44.081, H: 44.081, L: 43.198, C: 43.198, Chg: -0.912 (-2.07%)  
**Status** Bear Confirmed on 08-Oct-2018  
 Scaling: User-Defined [Reversal: 3, Box Size:2.0]

(c) StockCharts.com



Both of the long term charts above from StockCharts.com are depicting the New York Stock Exchange Index (NYA). The top chart is the bullish percentage (my favorite market barometer) while the bottom chart shows the relative strength of the NYA to the Standard & Poor's 500 Index (SPX).

## **TECHNICAL**

Bullish percentage is the charting of the stocks in an index that are positive; thus, bullish percent. It is rare for this index to exceed 80% bullish. As seen in the first column on the top chart, it got to that 80% level back in 2011. However, it was only able to get to 78% on three subsequent tries through 2012 and 2013. Lower highs, such as this, are a sign of longer-term weakness. Two additional bull runs in 2014 and again this year only got up to 76%. On the downside, from 2014 through 2016, the chart shows three lower lows. Again a display of weakness that is important because the NYA represents the largest capitalized index of 1900 companies and is therefore a better indicator of overall market strength than the SPX 500. Please note in this top chart how weak the last column of O's are and how it is breaking down. The bottom chart represents the relative strength between the NYA and S&P. Because of the broader representation of the NYA, it is indicating that the S&P price explosion to new highs does not have a very broad foundation. It is interesting to note how the NYA relative strength decline was particularly weak during the Trump rally from late 2016. Could it be that the futures derivative action of the SPX is driving the market actually higher than it should be? We will likely know the answer to that question between now and the end of the year.

## **FUNDAMENTAL**

It is a statistical fact that a larger sample size makes a poll more reliably accurate. Stock prices are looked upon as a poll on the economy. Viewing the above long term Point & Figure Chart relative strength comparison makes it clear that the SPX is not the indicator that most of the investment community thinks it is. In addition to futures activity, the SPX has been influenced by corporate buy backs and a huge public shift to index investing through ETF's. Buy backs will dissipate as tax benefits and lower interest rates squeeze corporate cash. So far the 200 day moving average of the SPX has been a line in the sand support level for the current market decline. The breakdown NYA bullish percent chart above is telling me that the current supply demand dynamics are in favor of the 200 day being broken. That is very concerning since there is so much money invested in passive ETF strategies.

## **ASIDE**

*"Crazy old people are our entire source of polling information."* American political satirist P.J. O'Rourke

I plead guilty as charged...

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### **Please note:**

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