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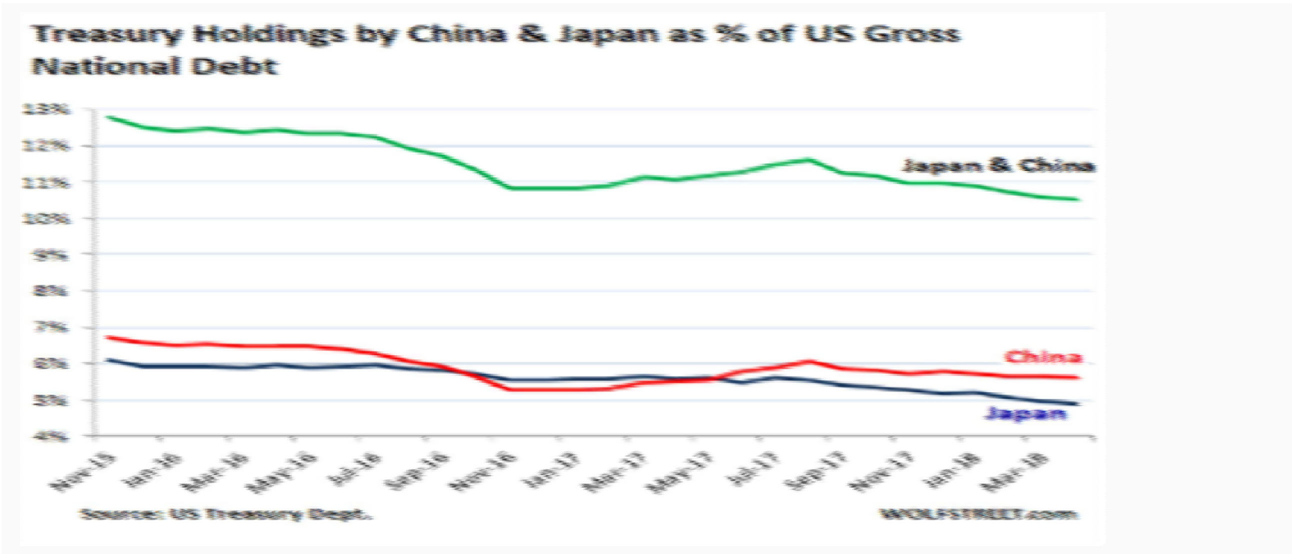
Starboard Weekly Report Ending October 26, 2018
Charts of the Week



These two totally different chart formats are presented to show how the US Treasury Rate (TNX) has raised (bottom chart) as China and Japan stopped buying US Bonds (top chart). The China & Japan chart came from WolfStreet.com (an Internet Blog) while the TNX chart came from StockCharts.com. The top chart is a little blurry but it makes a point of the declining buying importance on the part of China and Japan.

TECHNICAL
A major value of technical analysis can be its ability to compare cause and affect relationships. Today's charts are a prime example on the importance of this type study. Please note on the red circled area of the bottom chart how not only did rates move higher but their advance was also enough to create a weekly moving crossover. The direction of the TNX is indicating additional advancement in the 10 year interest rate. The expected 1.1 Trillion of annual additional financing that the US Treasury will be doing for several years, with their two primary buyers not participating, also suggest higher rates. When technical analysis and fundamental supply and demand agree then we have the ingredients for a high degree of accuracy for any forecast.

FUNDAMENTAL
President Trump is putting pressure on FED Chairman Powell for raising rates; these charts suggest he is barking up the wrong tree. He is looking for a scapegoat for what his advisors must be telling him about the future upward pressure of the direction for rates. To attract buyers the US Treasury will have to raise rates further. Rising rates in a highly leveraged economy could be a serious problem. This is not only a problem for the government but will also affect the record levels of corporate debt. Higher debt service means lower earnings and that is likely what the stock market decline is about. This is especially showing up in the small cap and tech stocks as both were in crash mode during today's trading. The Small Cap Index is down 16.5% and the NASDAQ composite of mostly tech stocks is down 12.6% from their highs made on August 31st. The companies in these two indexes are usually more highly leveraged than their large cap cousins and thus will be more impacted by higher rates. Many Wall Street and media analysts are calling for a quick rebound from the recent market selling. My guess is that they are not factoring higher rates or do not read charts and therefore are likely to regret remaining bullish. One potential source of funding for the debt is the nearly a decade of stock market gains. That would take a near panic sell off. We seem to be headed in that direction; especially, when we factor in the sharp declines in small caps and tech shares over such as short period.

ASIDE
"What I'm concerned about is endless borrowing, which is going to compromise our economy not only today but in the future. Because we know the decisions we make right now really dramatically impact us in the future, and the debt is literally getting out of our control." Paul Ryan, Speaker of the US House of Representatives
Mr. Ryan was Chairman of the House Budget Committee and therefore knows what he is talking about when it comes to US debt. In my opinion he left office as the 54th Speaker of House because he did not want to be associated with the consequences of our debt that has "gotten out of our control".