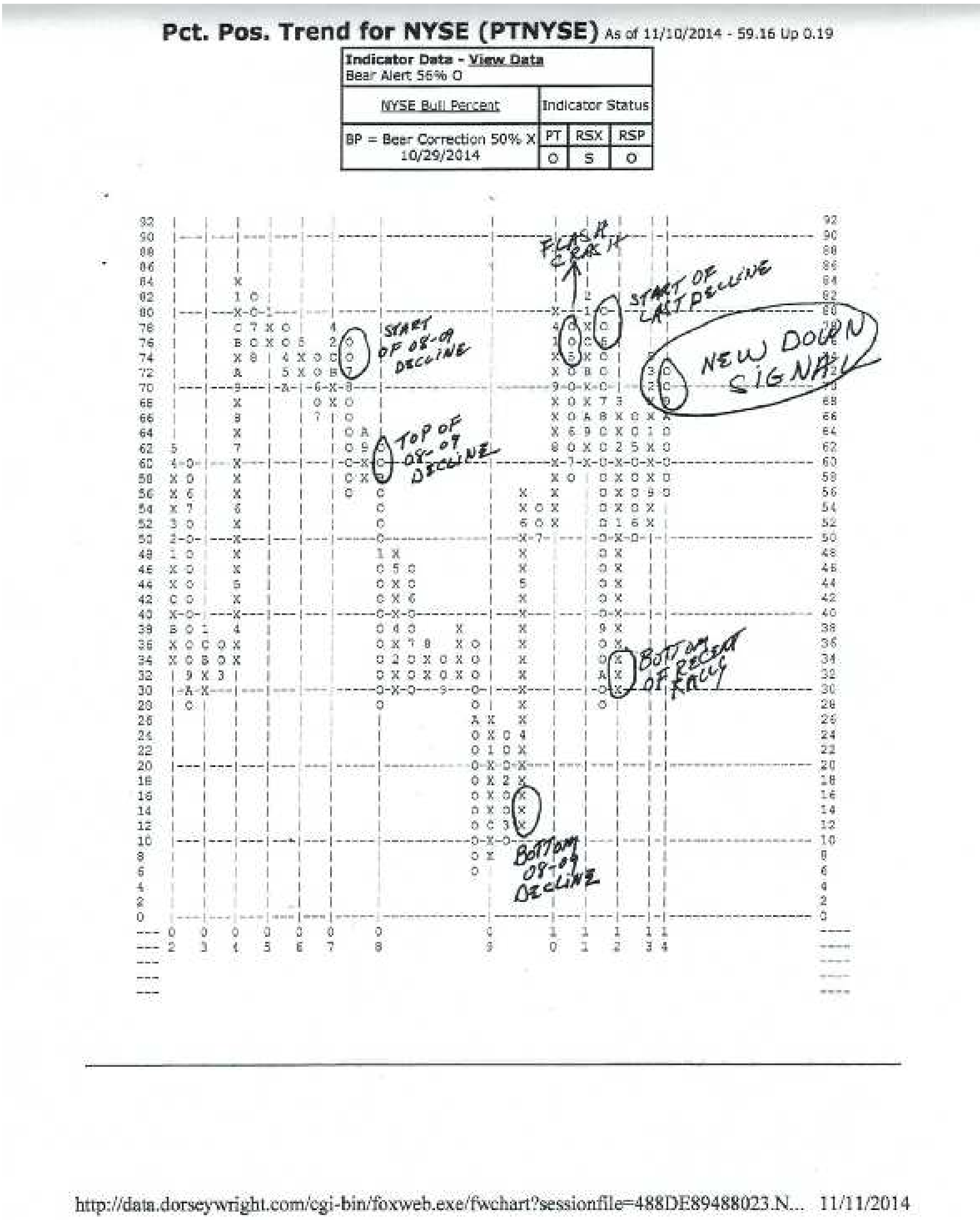
Starboard Weekly Report

The week ending November 14, 2014

Chart of the Week



This week's NYSE bullish percent chart has been taken from Dorsey Wright. They are a well-known point and figure charting service that we subscribe to. The best way to read this chart would be to focus on the changes from X's to O's and vice versa. The years are marked on the bottom of the chart and the months are shown inside the chart as 1 to 9, which represents January through September; while the last three months of the year are shown as show as A, B and C. The important changes are circled to show the accuracy of the past market change predictions.

TECHNICAL COMMENTS:

Point and figure charts have always been my favorite way of analyzing stocks and the markets. They are simplistic and often a very accurate way to analyze expected direction of any price movement because they are based on the simple concept of supply and demand. This week's chart is indicating a percentage change in the direction of all stocks on the New York Stock Exchange (NYSE). The notations on the chart show the past history of changes and when they took place. It is plotting the percent of charts that have positive chart patterns out of the 2,800 companies listed on the exchange. When it goes from a long line of X's to O's, as occurred this September, it is signaling a reversal. It has forecasted every move down with a high degree of accuracy, starting with the top of the last cycle in 2007, then the "Flash Crash" in 2010, and finally the more serious budget crisis decline in 2011. It also caught the market bottoms in 2009, as well as this cycle's low in early 2012. Now it is flashing a new down signal, which could be a bit early, as it was in 2007. However, we do not want to ignore what it is showing us because of its historic accuracy. When a signal does come from above 70% and then declines, it is an indication of a much more serious market decline. This current reversal down came from 74%.

FUNDAMENTAL COMMENTS:

The recent elections could be the catalyst for the market to start a decline. Now that the GOP controls the Senate, the Federal Reserve Bank will get heightened political pressure to rein in Quantitative Easing (QE). The third round of QE just ended and due to the governmental change in Washington, it is very unlikely that it will be resumed anytime in the future. That means that the economy must grow on its own without any stimulus, which may not be possible. Too much of the FED' s economic incentive found its way into Wall Street, while not enough went into Main Street for us to anticipate any long range economic QE benefit.

ASIDE:

The current US market puts me in mind of a truck that is pulling a very heavy trailer uphill without adequate engine power. Eventually, the oversized load with truck and trailer will go into reverse. When this occurs, we can only hope that this backup will not cause a crash.