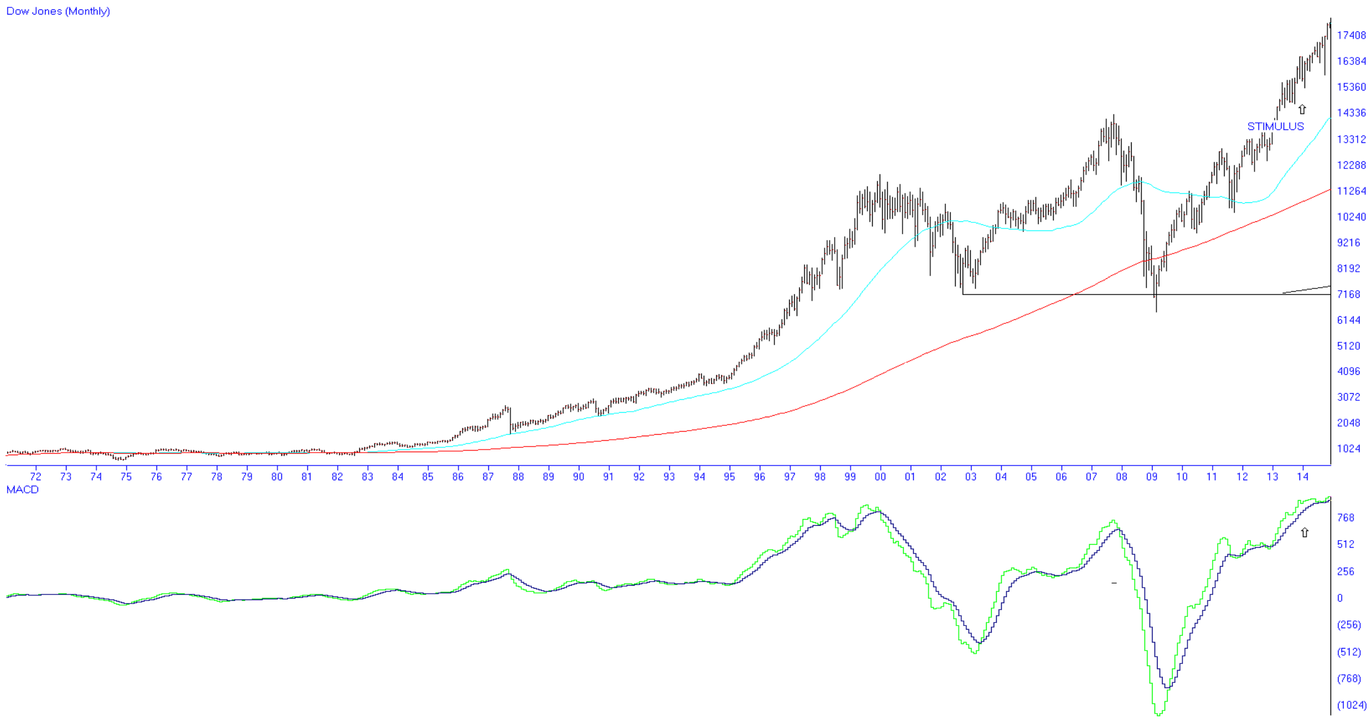
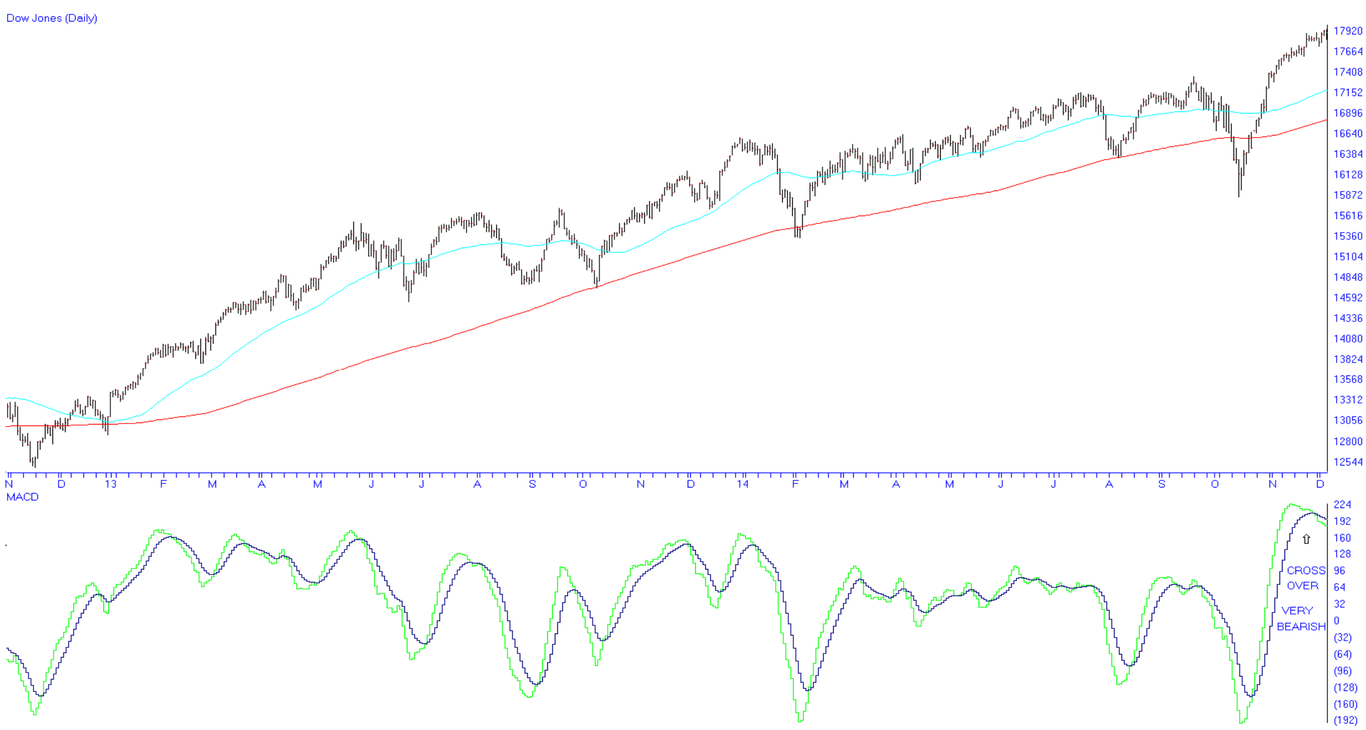
Starboard Weekly Report

The week ending December 5, 2014

Chart of the Week





MACD is an acronym for Moving Average Convergence Divergence that shows the relationship to two moving averages; in this case 12 day over 25 day. Above is a pair of two charts. The first set is a monthly price chart accompanied by the MACD chart. The second set is the same, but on a daily basis. The main purpose of an MACD is to show when a trend has exhausted itself on both the upside and downside. It can also indicate the volatility of a trend by showing the height and depth of a market direction. Focus on the top MACD chart because it is truly a picture that expresses a thousand words.

TECHNICAL

The top set of MACD monthly charts are a long term view. Please note how every market decline since 1972 is depicted, although those prior to 1987 are difficult to read due to the compression of the charts. The bottom set of MACD charts is a daily chart showing that the short-term has declined below long term and has done so from a very high level; actually the highest level going back to 1972. All of the similar peaks coincide with major market declines. The monthly has not crossed over, but with the daily crossing over, it is just a short time before we get that signal indicating that a major decline is in process. How bad a decline could be ascertained by viewing the 200 month average (the red line on the monthly chart). This shows a Dow price level of 11,264, down 37% from the current level. That would be the initial support in a major decline. The real support lies at the 7,100 level, which is 57% from the near 18,000 Dow of today.

FUNDAMENTAL

The fiscal and monetary stimulus started in 2009 is finished. That economic motivation is the only reason that this market is where it is today, and it has little to do with economic growth. Yes there has been earning growth, but most of that was due to financial engineering rather than real top line growth. The economic remuneration of the corporate earnings growth has accrued to only executive class and little to the overall population. By enriching themselves at the expense of real future economic growth, Corporate America has stolen from our future wealth as a nation. This could be what the market charts are telling us. Enjoy the hoopla surrounding Dow 18,000 because according to my work. it is the end and not a new bullish beginning.

ASIDE

Last Friday was the end of the statement month. The OPEC news trashed oil and gold prices, creating big value declines. Most of the sharp declines have been reversed by this week's trading. The gold decline has retraced most of its turn down and is actually looking rather constructive in the current rebound. Gold's negative volatility has been hurtful to our portfolio values; however, volatility is a double edged sword that can create a quick rapid upside as well. When the predicated market decline begins, gold could attract buying interest due to its uncorrelated trading history. When markets are in transition, it can feel like a bucking bronco that is always trying to throw you off. If you are properly positioned, stay the course and hang on so that long term you will wind up with a much smoother ride. Because of the *extreme* FED liquidity, this transition has taken much longer than I had anticipated. Please persevere and your patience will be rewarded because the coming decline will be a long and very ugly one.