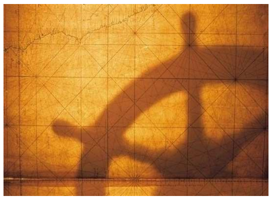

The Starboard Side Report

The week ending October 31, 2014

5th plus Year of Current Bull Cycle

Cyclicical Bear Start Date	Cyclical Bear Total Performance		1Year	2nd Year	3th year	4th	5th	6th	7th	8th
Sept 1900	32%									
June 1901	-46%		-15%	-22%						
November 1903	144%		49%	93%						
January 1906	-48%		-7%							
November 1907	90%		56%	85%						
November 1909	-27%		-15%							
September 1911	29%		24%							
October 1912	-44%		-13%	-24%						
December 1914	107%		80%							
November 1916	-40%		-38%							
December 1917	81%		25%							
November 1919	-47%		-29%							
Average anualized	-3.37%									
August 1921 Bull Begins	497%		52%	36%	52%	107%	137%	166%	240%	401%
September 1929	-89%		-39%	-65%						
July 1932	372%		140%	136%	170%	261%				
March 1937	-49%		-32%							
April 1938	60%									
November 1938	-41%		-3%	-17%	-20%					
Average anualized	-74%									
April 1942 Bull begins	129%		44%	49%	67%	108%				
January 1966	-25%									
October 1966	32%		26%	23%						
December 1968	-36%		-5%	-16%						
May 1970	67%			48%	49%					
January 1973	-45%			-19%						
December 1974	76%			48%						
September 1976	-27%			-14%						
March 1978	38%			12%	18%	28%				
April 1981	-24%			-18%						
Average anualized	-22%									
August 1982 Bull Begins	250%			54%	43%	72%	141%	204%		
January 2000	-38%		-9%	-15%						
October 2002	86%		28%	42%	44%	56%	87%			
October 2007	-52%		-30%							
March 2009	160%		58%	87%	93%	108%	135%			

Today's GavKal worksheet table is a continuation of last week's report, only this time we are looking at the *cyclical* bear periods versus last week's *secular* bear periods. The main take away from this table is that we are in an unprecedented bull cycle from a longevity standpoint. The average bull & bear cycle for the past 100 years was 3 ½ years, but this one is approaching 6 years next March. If we are in a long term *secular* bear market, which I strongly believe that we are, this shorter term *cyclical* bull cycle will end shortly. The extreme artificial market action of the past few weeks is a strong indication that we are in the mist for that change to occur soon.

TECHNICAL ANALYSIS

The numbers in this spread sheet may seem random when the yearly is compared to the total performance. That is because the first year is added or subtracted from the individual year number. The focal point is that big rallies have occurred in past structural bear markets. The largest upside was in 1932 when the market rose 372% over a 4 year period. This may prove to be ironic because that was double the rally we are now experiencing. That 1929/1942 cyclical bear market was the worst of any of the negative market periods since 1900, with a total decline of minus 74%. Like that big 374%, can we get further upside from today's market? It is possible, but not very probable because of the length of time that the upside has taken to get to this point. Quantitative Easing has been the market's life blood and its ending coincides with a very negative charting picture. Every technical analysis indicator that I am looking at tells me that the highs are in or very close.

FUNDAMENTAL ANALYSIS

It was interesting to note in this review the volatile cycles during the time period of 1900 to 1921. Most of that period was spent without a Federal Reserve Bank, which came into existence in 1913. A market left to its own devises without government interference will have greater fluctuation. When government agencies like the FED interfere, we get a disruption of economic supply and demand. Then this can create unwanted crisis, that in turn leads to greater government control and ultimately political unrest. The same type of government interference was present in all of the past structural bear environments. A case in point today is the income gap that we have in this country and lies at the root of many of our structural economic issues. We can no longer function as a capitalistic system when capital wealth, like the FED has been producing since Greenspan, overcomes wage wealth. We are getting close to that point in our economy and unless the government can stop abusing the laws of supply and demand through self-serving agencies, our entire socio-economic system could turn into a bursting bubble.

ASIDE

At tops and bottoms of markets we often have capitulations before a retreat or advance and if you are on the wrong side of them, they will make you feel nauseous. Today's trading action certainly felt like admission of defeat because in Starboard's Quarterly Letter, it is mentioned that I thought the market top was in place from September 19th. It did not take long to be proven wrong since the Dow went above that high today. The other indexes are close, but have not exceeded the September highs. I still strongly believe we are in the final stages of this almost 6 year bull cycle and that this overextended, artificial feeling rally will end shortly. At that point, the secular bear will resume. Gold could be doing the opposite on the downside and we will take a look at that next week.