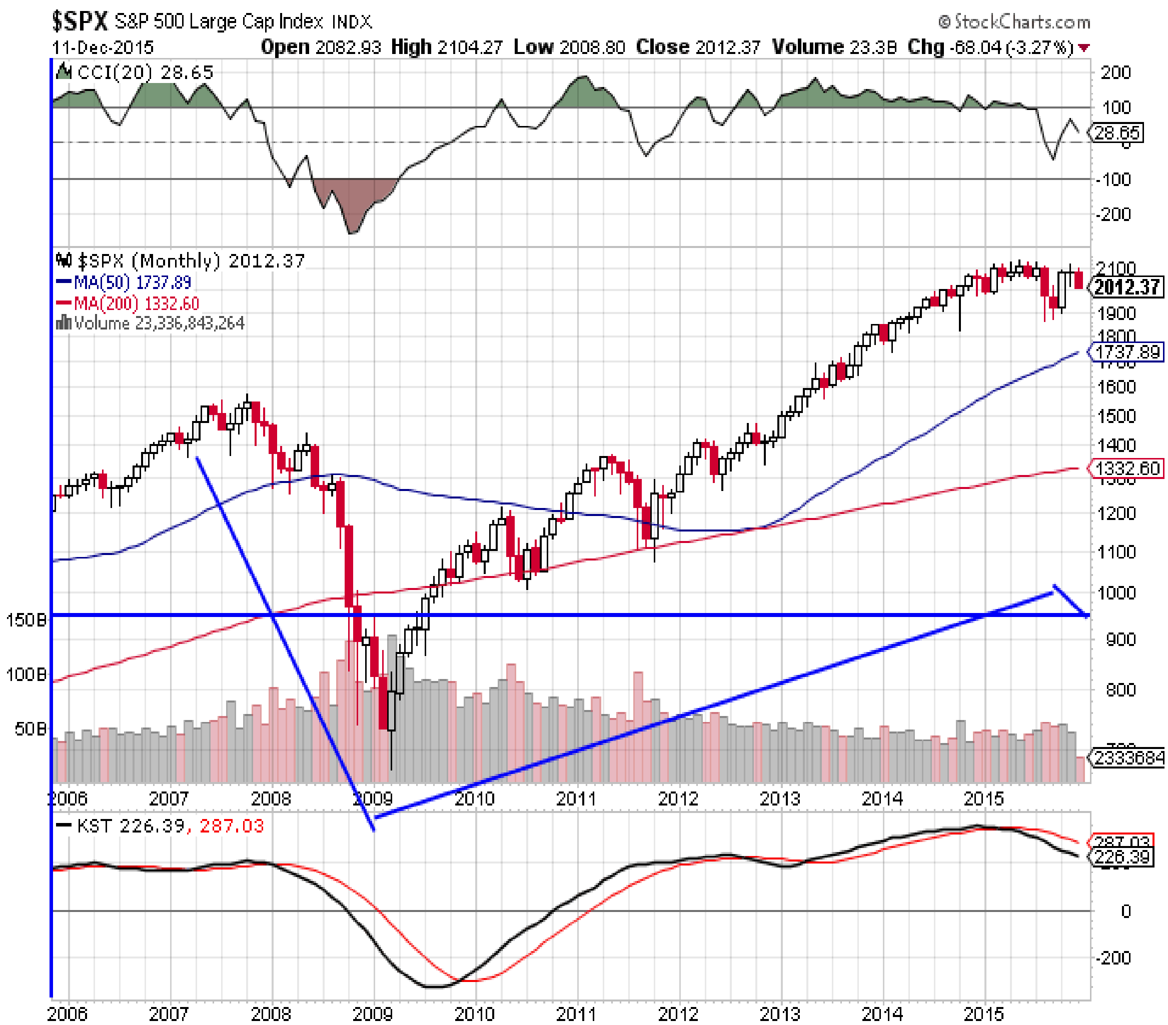
Starboard Weekly Report Ending December 11, 2015
Charts of the Week



The above chart from Stockchart.com is a long-term monthly picture of the S&P index. The blue lines at the bottom of the chart represent what the market would have done when you extract the days during and one day after the FED's meeting. The material that this chart was created from used 6% of the overall trading days representing FED activity and extracted them from price performance. The result was a 50% difference in actual price than FED assisted prices.

TECHNICAL

The blue lines are where the market would be minus FED pronouncements. The very important take away from that, minus their influence, is we are still very much in a secular bear market. Many market analysts are stating that we are in a new secular bull market which started in 2009, but I believe that we are still in a secular bear market and have been since 2006. We might conclude from this chart that we are in a FED sponsored bull market since 2009 but would have been in a long-term bear market since 2000 when you factor out the FED. If the Central Bank stops being our central planner, then we will start to see a huge price adjustment in stock prices to the downside reflecting the real condition of the world economy.

FUNDAMENTAL

A client of Starboard pointed out to me today that we have been warning about this FED control of the market for over two years now. Our belief was that once the Central Bank successfully rescued the economy from the great recession, they had no reason to further stimulate with additional quantitative easing and zero interest rates. The additional monetary incentive was political and not economic. The Federal Reserve Bank was more interested in generating a stock market bubble to create a wealth effect; much like the housing market was used in the last economic market top. Excessive stimulus creates enormous risk to long term investors because once the bubble burst they are right back to where they started from. We believe that it is important to manage money by being defensive when the FED is aggressively causing cyclical bubbles. The upcoming expected interest rate increase could signal the end of FED interference in markets. And if that is the case, then our weekly chart showing where the market should be (blue lines) and where it actually is, as shown in the chart, definitely indicates a painful downside.

ASIDE

“The art of pleasing is the art of deception.” Luc de Clapiers

This aphorism from a French contemporary of Voltaire sums up nicely what the current Washington leadership (and in reality most politicians) is trying to do to the American people. When economic reality catches up with government deceit, then we will have a weak economy and stock market for years to come.