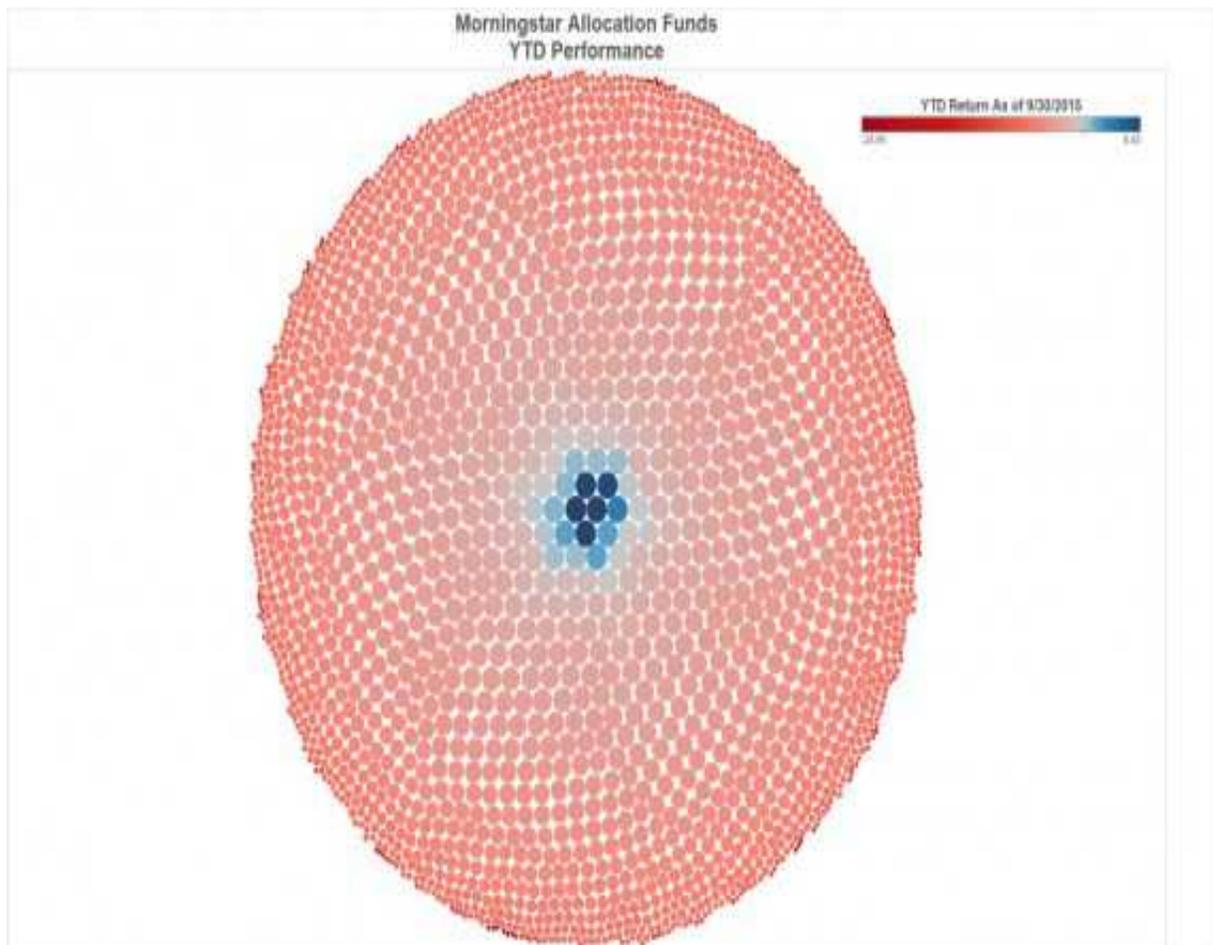


Starboard Weekly Report Ending November 6, 2015
Chart of the Week



This unusual looking September end of quarter bubble chart from Morningstar, a mutual rating service, tells an interesting story about the lack of mutual fund returns. The small bar above on the top right side represents the returns of World Allocated Mutual Funds. The top positive performance was + 6.48 and is the blue color on the right side of the bar and in the center of the chart. The worst performance was -24.06 and is the dark red left side of the bar and outer perimeter of chart. On this round chart each dot is a fund's performance level and it coincides with the bar's performance numbers. The various lighter red shades moving toward center are the displayed remaining performance between the outer extremes and the center.

TECHNICAL

This chart is telling us that only 15 (blue dots) of the World Allocated Mutual Funds, out of approximately 650, had positive year to date returns through 9/31/2015. At this stage of the economic cycle, it is not likely that mutual funds will recover. One of my favorite point & figure market indicator charts, the NYSE Positive Trend, is confirming institutional investor sentiment has been negative since September of last year. It dropped from 74 to 36 and then increased to 42 during the current rally, which moved the point & figure chart into X's. This is setting up a market top confirmation, which will occur when the chart goes back into O's. That is very similar to what occurred in Oct 2007 when the last cycle made its top. Poor mutual fund performance is strong proof that this sideways market is controlled by high frequency traders (HFT) and not long-term institutional investors. The net result of the HFT's control will be lots more volatility followed by a bear market.

FUNDAMENTAL

These weak returns represent a very negative investment climate around the world despite World Central Banker's efforts to stimulate the stock markets. Loose money has always been favorable for stock investments. However, for an up cycle to continue, economic growth is also needed. This cycle from the bottom of the great recession until now has given us strong stock markets around the world but no corresponding economic growth to go along with it. A break in that disconnected progression will be our next bubble and I expect it to pop soon. The "bubble bulls" are in for a year-end surprise.

ASIDE

"The World is a bubble." Saint Augustine
Bubbles are great. It is the bursting that is unpleasant.

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