STARBOARD
ASSET MANAGEMENT

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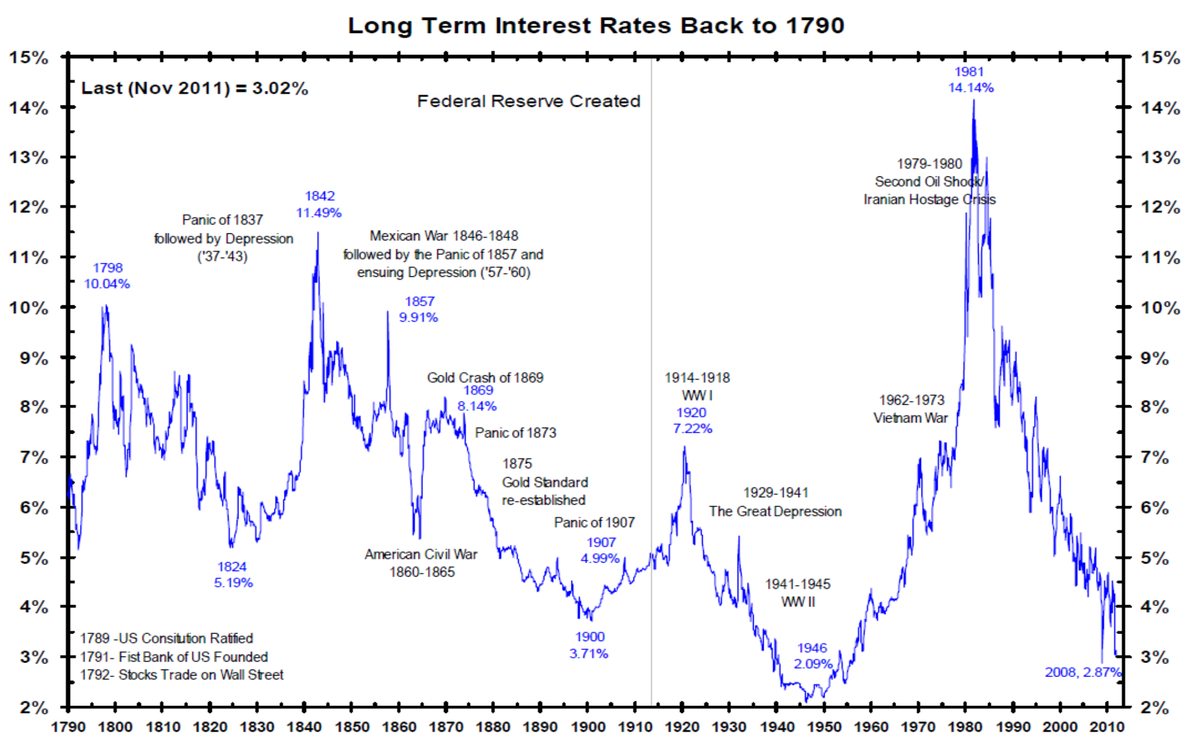
Starboard Weekly Report Ending November 20, 2015 — Charts of the Week

A Look At Bear Markets

Bear Market	Starting Date	Duration In Months	Return Peak To Trough	Five Years After The Peak: Total S&P 500 Return	Five Years After The Peak: Annualized S&P 500 Return	Shiller CAPE Ratio At Market Peak
Panic of 1873: The Long Depression	2/1873	9	-11.10%	-38.25%	-9.19%	N/A
Panic of 1893: Railroad Bubble	1/1893	8	-15.30%	-13.01%	-2.75%	17.66
Panic of 1907: Knickerbocker Crisis	1/1907	10	-37.69%	-13.56%	-0.94%	18.14
Wall Street Crash of 1929: Black Tuesday	9/1929	34	-86.10%	-71.63%	-22.27%	32.56
Crash of 1937-1938	2/1937	15	-54.50%	-52.24%	-12.68%	22.24
1946 Bear Market: Inventory Recession	5/1946	37	-26.60%	17.27%	3.24%	16.01
Crash of 1957	7/1957	3	-20.70%	17.44%	3.26%	16.87
Crash of 1962: Kennedy Slide	12/1961	6	-28.00%	13.37%	2.54%	22.04
Crash of 1966	1/1966	8	-22.20%	0.18%	-9.51%	24.06
Crash of 1969-1970: Vietnam Jitters	12/1968	18	-36.10%	-11.00%	-2.31%	22.28
Crash of 1973-1974 : Nixon & OPEC price shocks	1/1973	21	-48.40%	-23.78%	-5.29%	18.71
Crash of 1980-1982: Volcker Crash	11/1980	20	-27.10%	45.54%	7.80%	9.65
Crash of 1987: Black Monday	8/1987	3	-33.50%	26.88%	4.88%	18.33
Crash of 2000: The Dot-Com Bubble	4/2000	31	-49.10%	-20.32%	-4.44%	43.53
Crash of 2007: The Housing Bubble	1/2007	17	-56.80%	-6.61%	-1.36%	27.31
PEAK 2015	6/2015	?	?	?	?	26.83

The above table "A Look at Bear Markets" comes from an article from Wade Dokken the founder of WealthVest.com. In the last column, Shiller CAPE (Cyclically Adjusted PE's) highlights the bear markets in dark yellow. Excerpts of Dokken's article are an attachment with the email for this week's report.



The long term interest rate chart shown above comes from Bianco Research LLC and it is dated January 18, 2011.

TECHNICAL

There is not a great deal of technical analysis that needs to be done on the table above because it is not the usual chart picture depicted in these reports. There is one observation which falls into the *history repeating* or at least the *rhyming* category. Please give your attention to the duration of the bear markets from 1929 to 1946. In the Duration column above, the 1929 bear market lasted for 34 months followed 8 years later by a 15 month bear market. Then another 9 years later we had a 37 month bear episode. This agrees with my very strong viewpoint that the next down leg will be similar to the 3 year plus variety that started in 1946. The 2000 down market was 31 months duration while the 2008 was 17 months duration. If we follow the 1929 to 1946 pattern, the next negative period will be a lengthy duration. The long-term interest rate chart supports my thesis. Rates bottomed at 2% in 1946 at almost exactly the same level as they did in this cycle. We appear to be in the early stages of the end of declining rates and what the FED does regarding rate increases could accelerate this process.

FUNDAMENTAL

In 1971 President Nixon initiated wage and price controls that were not phased out until President Ford created less stringent measures. I would like to compare the attempt of controlling inflation through price controls to shaking up a carbonated beverage bottle and then releasing the cap to an explosion. Zero interest rates that the current FED imposed for the past eight years could very well end up like the wage and price controls of the 1970's. They may not cause an explosion like prices did back then, but when the FED reverses its interest rate policy they very well may end the 34 year bull market in bonds. Accelerating rates in an over leveraged world could be the major reason for the pending bear market. There is another attachment to the email for this week's report on a Wall Street Journal article written by Congressmen Jeb Hensarling. It regards new legislation created called the FORM Act. It is designed to rein in the powers of the FED. The contention of this new legislation is that the FED is a central bank that is becoming a central planner. The power the FED has over the major banks is creating a scenario in which banks are controlling markets, at the FED's request. The FED has a strong belief that stock markets must remain up in order to aid the economy and it appears that they have the banks do their bidding. There are numerous signs pointing to artificial buy-sell actions in today's markets, and if FORM legislation is successful, then it will bring an abrupt halt to them. This country's new leadership in Congress is to be commended for their action. Controlled markets are very dangerous. Thankfully, this issue now has political recognition.

ASIDE

"*We have met the enemy and he is us*". Walt Kelly, the Pogo cartoonist.
These words appeared on a poster for the first Earth Day celebration. Kelly's reference is to man disturbing nature; however, it is equally appropriate when governments upset the laws of supply and demand. Central planning does not work long term, just look at any socialist or communistic society for proof of this.