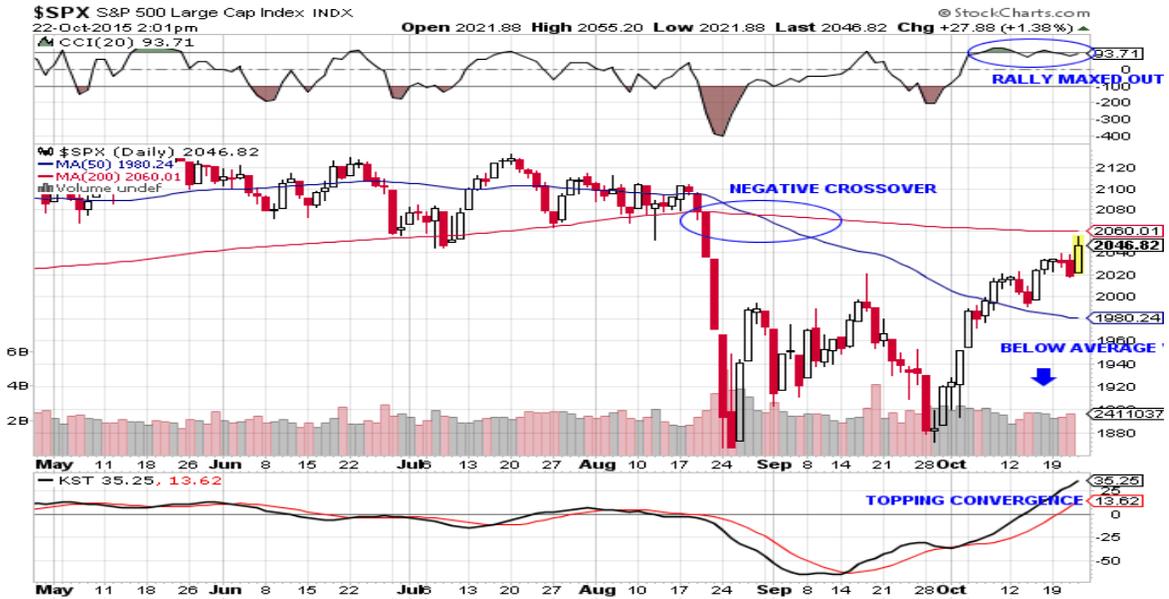


Starboard Weekly Report Ending October 23, 2015
Charts of the Week



The top chart is the daily StockCharts.com of the S&P Index (Large Cap Index).
The bottom chart is the daily StockCharts.com of the Russell 2000 Index (Small Cap Index)

TECHNICAL

This week's top chart, more than ever, reminds me of the now famous 2007 quote of Citigroup President Chuck Prince: "*As long as the music is playing you have to get up and dance. And we are still dancing*". Citigroup's financial frivolities ultimately led them into bankruptcy, followed by a bail out from the US Government. Partakers in today's bear market rally have a similar mindset of Mr. Prince and hopefully their fate will not be as catastrophic. The 50 day average is clearly below the 200 day and it is showing no signs of reversing. When it does cross back over, we would then be back in a bull market. Until that happens, participants are doing some dangerous dancing. Note that the bottom chart of the Russell 2000 small cap stocks is not rising in tandem with the S&P larger caps. The troops are not following the generals. This is reassuring since our inverse positions are in small and mid-cap indexes and as they decline we profit. This market rally is extremely overbought and has occurred with weak supporting technical data along with low volume as shown on the S&P chart. Bear market rallies often recover back to their 200 day average, which is where the top chart is now, so we can expect a reversal very soon.

FUNDAMENTAL

The market music beat picked up yesterday with a maybe from Dragi from the ECB insinuating that more QE could be in store for December. That, along with lower unemployment claims, created a 300 point Dow rally. Both events are irrelevant since Central Bankers are not fixing any of the world's economic problems. Also, because the only relevant number on employment is total employment, but that is never reported and continues to drop. Due to the fact that we have far fewer totally employed, we get no real economic growth despite what the monthly charade of a report on unemployment states. The only thing that the rally will create is more volatility, so fasten your seatbelts people because next week could be a bumpy ride.

ASIDE

"One thing we have lost, that we had in the past, is a sense of progress that things are getting better. There is a sense of volatility, but not of progress."

Nobel Prize winning economist Daniel Kahneman

Central Bankers are the architects of volatility over progress. Until our leaders figure this out, we must continue *to dance with the devil*.

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