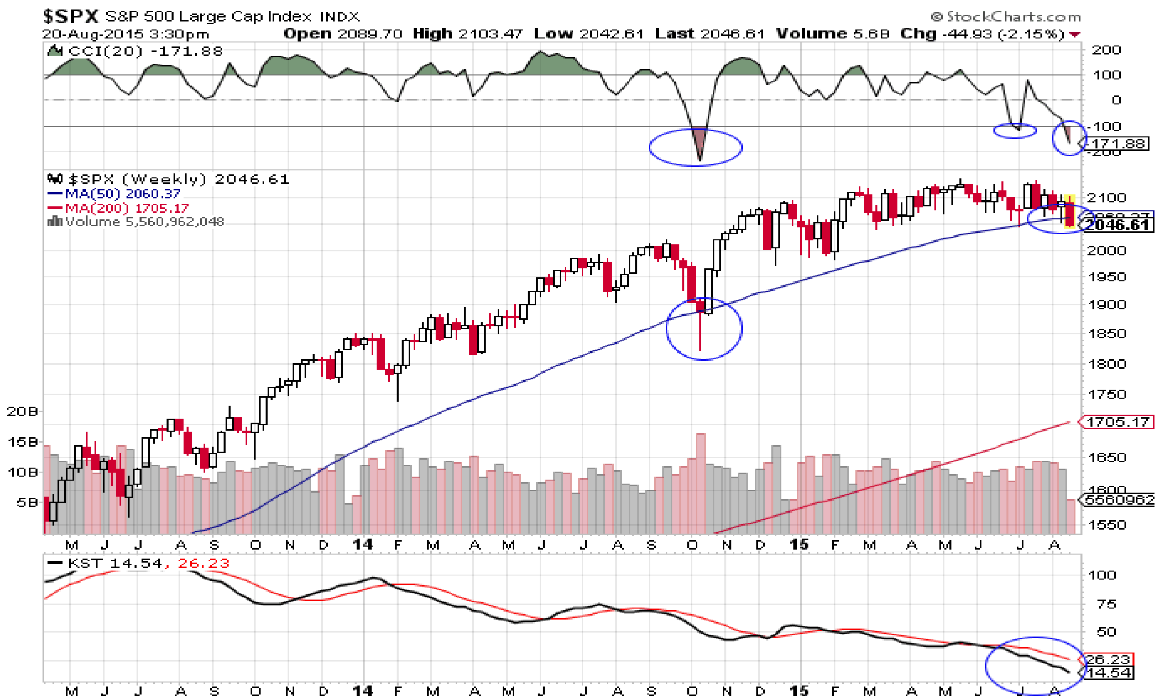
STARBOARD
ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending August 21, 2015



StockChart.com Charts of the Week: **top -** weekly S&P index **bottom -** daily S&P Index

TECHNICAL

The most important take away from this week's S & P 500 charts are the fact that the current price of the index is below the 200 week and the 200 day averages (represented by the blue lines). The weekly decline is a strong indication of a meaningful downward trend taking place. The serious decline of the daily below its 200 day will cause the 50 day to drop below it. This will provide the first such bear market environment since 2011. The first graph on the top chart is the Commodity Channel Indicator (CCI) that shows the direction of a trend. If the chart is above 100, or moving in that direction, then the trend is up. However, when it is minus 100 we are then in a bearish situation. During the 2008 bear market, the weekly CCI was in minus territory from June 2008 to May 2009. The Bear Market that started in 2000, known as the Tech Bubble, saw the CCI dropped below -100 on Feb. 2001 and it did not rebound above -100 territories until Apr 2003. Given the sovereign leverage issues, it would not surprise me if this bear market will be the long drawn out type. We may have a short correction similar to last October (like the media predicts) but don't count on it. Do not confuse strong oversold rallies, as may occur next week, with a market turnaround. That is just part of normal bear market volatility.

FUNDAMENTAL

The reason I believe that this decline could be drawn out is not only because of the previously mentioned debt, but also the dollar is a major culprit. The strong dollar affects not only the revenue and earnings of larger US companies, but it also affects the growth levels of world economies. That is where the market problems are coming from. Most analysts are telling us how great the US economy is while they fail to factor in the deflation that emerging economies like China are creating. China has been the growth engine for the world's economies and its expansion is especially important given the low growth being produced by Europe, Japan and the United States. The decline of the Chinese stock market is flashing warning signals. The devaluation of the YUAN is creating economic signals from the Central Bank of China indicating that their money must drop to a lower level in order to help put the country back on a growth path. Until we get a signal that China is growing again, then most likely we will have to stand by watching world stock markets deteriorate.

ASIDE

"What we know about the global financial crisis is that we don't know very much."
Professor Paul Samuelson, who is known as the father of modern economics.

We may be about to find out. What we did learn since 2008 is that QE and zero interest rates forever, along with government spending, will not solve a crisis.