

Starboard Weekly Report Ending July 2, 2015
Charts of the Week



The StockCharts.com above charts are done on the Dow Jones Industrial (INDU) and the Dow Jones Transportation averages (TRAN).

TECHNICAL

This week's charts paint a gloomy pricing position. The top chart of the industrials quite often follows the bottom chart of transportations. The price of the TRAN has clearly broken down with the 50 day average trading below the 200. The supporting charts of the CCI and TSI clearly back up the downtrend in the TRAN. The trading action of the INDU broke below its 200 day average on Monday's selloff due to the Greek Crisis. This is the first such break since October 2014. After that decline, the INDU sold in a narrow range between 17,000 and 18,300. While in this range, the technical position of the index was badly eroding. This is not a good picture for the bubble bulls who are expecting an upside breakout. Longer-term, we are very possibly looking at the beginning of a major bear market. The first bounce after trading below the 200 day average should occur down 10% at October's lows of 15,855. When that occurs, it should be enough to draw the 50 day average below the 200 and that would be a confirmation of the beginning of a major bear market.

FUNDAMENTAL

It makes sense that transportation would lead industrials because as companies start to ship or contract on shipping merchandise, it is an advance indicator for business direction. If Greece shows us anything, it will be that we cannot trust elected politicians to do what is best for its constituents. Their political agenda comes first, closely followed by getting votes. This system thrives in crisis that is much like the one that the US had in 2008. The mandate that voters gave the FED and current administration after the banking fiasco is in its waning hours because of lack of economic results. The lack of confidence the market is broadcasting, as seen in this week's charts, is quite ominous.

ASIDE

"In a democracy the poor will have more power than the rich, because there are more of them, and the will of the majority is supreme." Aristotle

We will find out from the cradle of democracy this weekend whether Aristotle's words still apply. If Greece votes yes, then we will know that democracy has survived another demigod. However, a no vote could make Greece the incubator of something other than democracy; i.e., the World's leader in the lack of currency confidence.

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