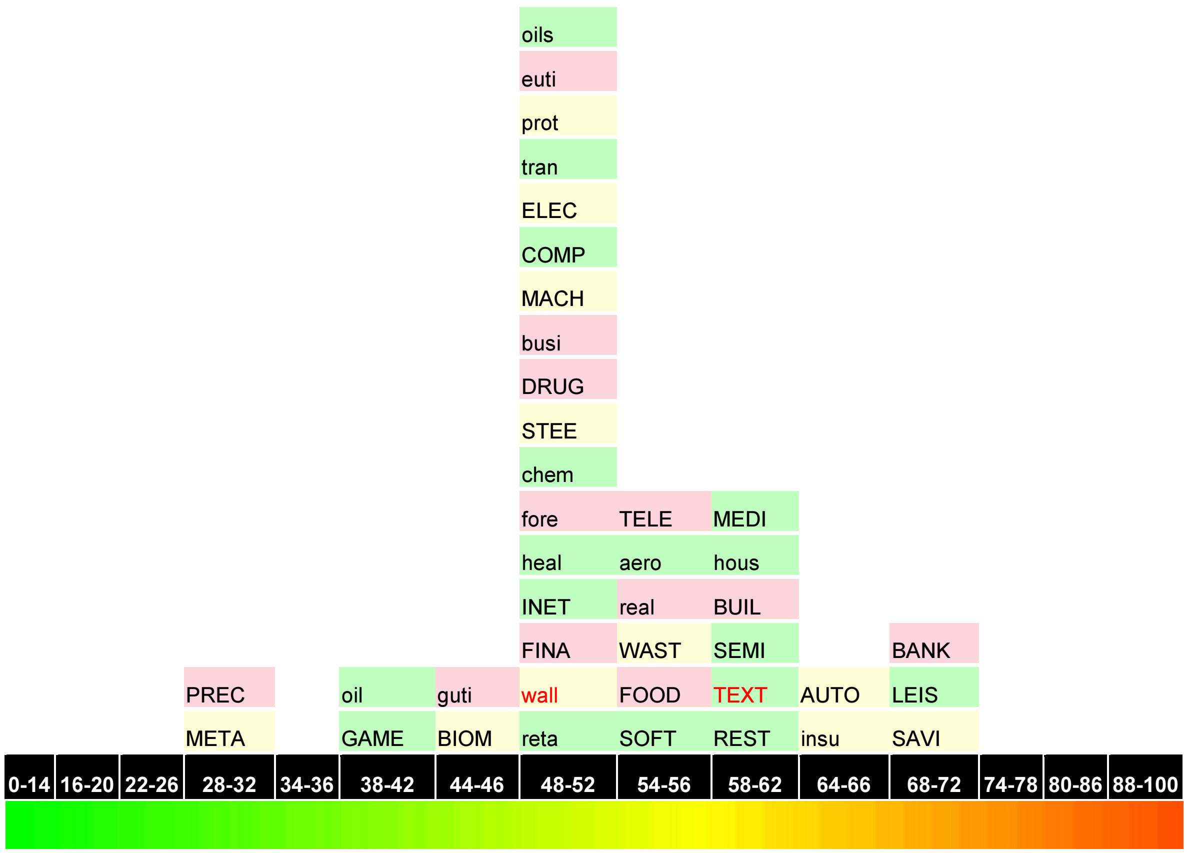
STARBOARD ASSET MANAGEMENT

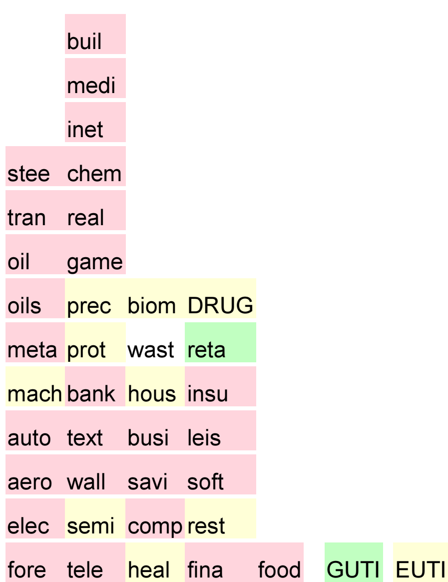
Risk Management for nagivating your future.

Starboard Weekly Report Ending June 5, 2015
Graphs of the Week

2015-06-05 Average Level: 51.91



2011-10-03 Average Level: 20.18



The graphs above were provided by Dorsey Wright Associates and the key to these abbreviations can be found at the bottom of this report.

TECHNICAL

Long time readers may remember this table as it was the format when I started the weekly report 15 years ago. I have saved every weekly report from its beginning and there is probably enough material to write a book. The value of this particular report is that it represents the entire market through sectors, which include thousands of stocks. There is a mathematical thesis which asserts that the more data involved in a conclusion, the more accurate the prediction. The top graph is the current average position for all of the sectors and the bottom table shows how they position during a decline. I have records of these weekly numbers going back to 2001 because, in my opinion, they represent the best way to determine strength or weakness of the markets. They also represent non-trends; such as has been occurring since May of 2013 when the average was at 65.5. Lack of movement in this gauge since then confirms to me that the price movement of the S&P and Dow are false. The current 50 week vs. 200 week shows the 50 below the 200. The average number for the 50 week is 49.81 vs. 53.08.

FUNDAMENTAL

Other than analysis of my weekly archives, another important way to determine stock market direction is to observe what is happening with US Treasury Bonds. It is very interesting to note that the sector average high point coincided with the May of 2013 break in the bond market. The actuality that stock prices at that point did not follow the bond market selloff of 2013 speaks to fact that the artificial stimulus from QE has created a false rally since then. The bond market is larger than the stock market and it is a bell weather of the economy. After the 2013 bond price decrease in late 2014, the bond market started to improve coinciding with slow economic growth. However, lately bond prices are trending downward again; however, there is no supporting growth in the economy to suggest that the 2014 rally has ended. Yesterday, The International Monetary Fund downgraded to 2.5% the US annual economic growth forecast for 2015 and asked the FED to hold the line in raising rates until 2016. The US Treasury Bond rates and the stock market sector average are two heavy weight forecasters. Both of these are telling us that we will have a weak economy and lower stock prices.

ASIDE

"*If you don't want to be average, don't rush into doing what the crowd is doing*".
Quote from "Constance Chuks Friday" online publication.
It has required patience by not doing what the crowd is doing, but we will create above average long-term performance.

AERO Aerospace Airline
AUTO Autos and Parts
BANK Banks
BIOM Biomedics/Genetics
BUIL Building
BUSI Business Products
CHEM Chemicals
COMP Computers
DRUG Drugs
ELEC Electronics
EUTI Utilities/Electricity
FINA Finance
FOOD Food Beverages/Soap
FORE Forest Prods/Paper
GAME Gaming
GUTI Gas Utilities
HEAL Healthcare
HOUS Household Goods
INET Internet
INSU Insurance
LEIS Leisure
MACH Machinery and Tools
MEDI Media
META Metals Non Ferrous
OIL Oil
OILS Oil Service
PREC Precious Metals
PROT Protection Safety Equipment
REAL Real Estate
REST Restaurants
RETA Retailing
SAVI Savings & Loans
SEMI Semiconductors
SOFT Software
STEE Steel/Iron
TELE Telephone
TEXT Textiles/Apparel
TRAN Transports/Non Air
WALL Wall Street
WAST Waste Management

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Please note: It is the client's responsibility to notify us of any changes that would influence their financial needs.