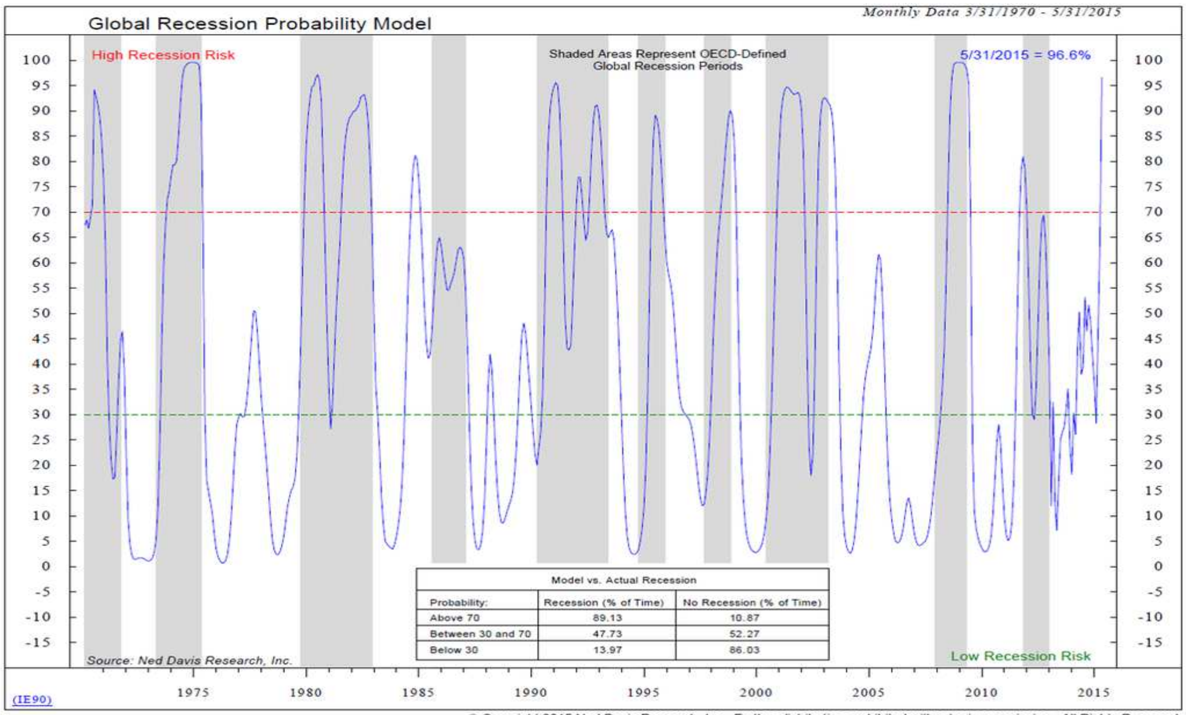
# Starboard Weekly Report Ending June 12, 2015
## Charts of the Week







| Recession peak | Recession trough | Lift-off month | Months after lift-off |
|---|---|---|---|
| July 1981 | Nov. 1982 | May 1983 | 7 |
| July 1990 | Mar. 1991 | Feb. 1994 | 35 |
| Mar. 2001 | Nov. 2001 | Jun 2004 | 32 |
| Dec. 2007 | Jun. 2009 | ? | 72+ |

This week's charts come from three different sources. Top chart is Ned Davis Research, middle chart is StockCharts.com and bottom chart is a tweet from MarketWatch.com

**TECHNICAL**

These charts justify my early concerns about market risk. Stocks are bought so they can participate in the growth of an economy and although equities have been on an upward spiral since 2012, there has been no corresponding growth. The stock market is up 184% peak to trough and we have yet to lift off from the bottom of the recession of 2007 to 2009. Now, according to Ned Davis research, we have a 96.6% chance of recession and the market is making new highs. These charts are screaming enormous risk and those who do not heed do so at their own peril. The cheap money the FED has flooded into the economy since 2009 created asset inflation; not growth. This week's charts say a great deal about the current state of the economy versus the stock market. For several years there has been a colossal disconnect between the two.

**FUNDAMENTAL**

The market advance would not have been possible without some earnings growth; however, that corporate growing was done with smoke and mirrors. The markets are no longer valued by corporate growth of revenues, earnings or assets. They have become a casino where high frequency traders (HFT) and corporate buybacks have taken control. This year's expected corporate buybacks are 600 billion floor, and that demand allows the HFT's to continually flick buy and sell buttons at support and resistance levels which causes the market to drift within a very narrow range. Recently, online web site Zero Hedge highlighted the effects of a buyback program for Caterpillar Corporation. This is a stellar performing company of the Dow and it is up 437% at its peak from the 2009 bottom. They have borrowed over 2 billion and have earmarked 12 billion for their buyback program; this despite the fact that they have had 28 quarters of declining sales. Any HFT knowing this can buy Caterpillar stock with advanced knowledge that the corporate repurchase provides a floor in the price of the stock. Many corporations are doing the same thing as Caterpillar and feeding the HFT's. However, when this bubble bursts then both of these artificial market props will go away and there will be no liquidity. As our charts this week illustrate, the economy will not be there to bail out investors. When the estimated 96. 6% likelihood of a recession comes to fruition and the HFT and corporate buybacks stop buying, then the unsuspecting public will be left to deal with the carnage.

**ASIDE**

"When in a hole, stop digging. But when in a bubble, keep blowing". An old proverb taken from a Zero Hedge article on Caterpillar.

Either the market will run out of air or a black swan will stick a pin in it; and one or the other will happen soon. I believe that the high possibility of a recession will take its breath away or Greece will provide the popping pin.