

Starboard Weekly Report Ending May 22, 2015

Chart of the Week



The above chart from StockCharts.com represents a longer-term weekly view of the Dow Jones Transportation Index (IYT).

TECHNICAL

For a while now, we've been showing negative technical charts within the Weekly Report but this particular chart on the Dow Jones Transportation Index (IYT) is negative both technically and fundamentally. The deleterious financial reasons will be covered below. The printed notes on the chart above shows a clear declining trend for the Transport Index. Note how the moving average decline started the first week of 2015 and is not indicating any consolidation of the down movement. There was a great deal of hoopla this week regarding the daily chart declining below its 200 day average, but the weekly declining below the 50 week is a stronger indication of a longer term deterioration. The volume increase and Commodity Channel downtrend are further support of a strong continued selloff in Transportations.

FUNDAMENTALS

The Dow Theory has been a highly regarded market direction indicator since the latter part of the 19th century. It states that for a market trend to endure, the Transportation Index must continue to confirm the direction of the Dow Jones Industrial Index (DJII). Transportation usually leads because as demand and supply for moving merchandise expands or contracts, the industrial economy will follow. There is currently a 10% gap in the movement of the transports versus the industrials. History shows us that the DJII will not continue making new highs while the IYT continues to struggle. Bank of America Merrill Lynch must be Dow Theorist since this week ***they recommended their clients go to cash and gold and sell stocks***. (Does this tune sound familiar). You need both hands on the piano; i.e., technical and fundamental analysis, to make money in stocks. The IYT index is a two handed index since it is technically broken and fundamentally relevant.

ASIDE

"I made my money by selling too soon". Bernard Baruch

Baruch's quote may sound counter-intuitive, but early selling in an artificially FED driven market will prove to be outstanding advice.

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Please note:

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