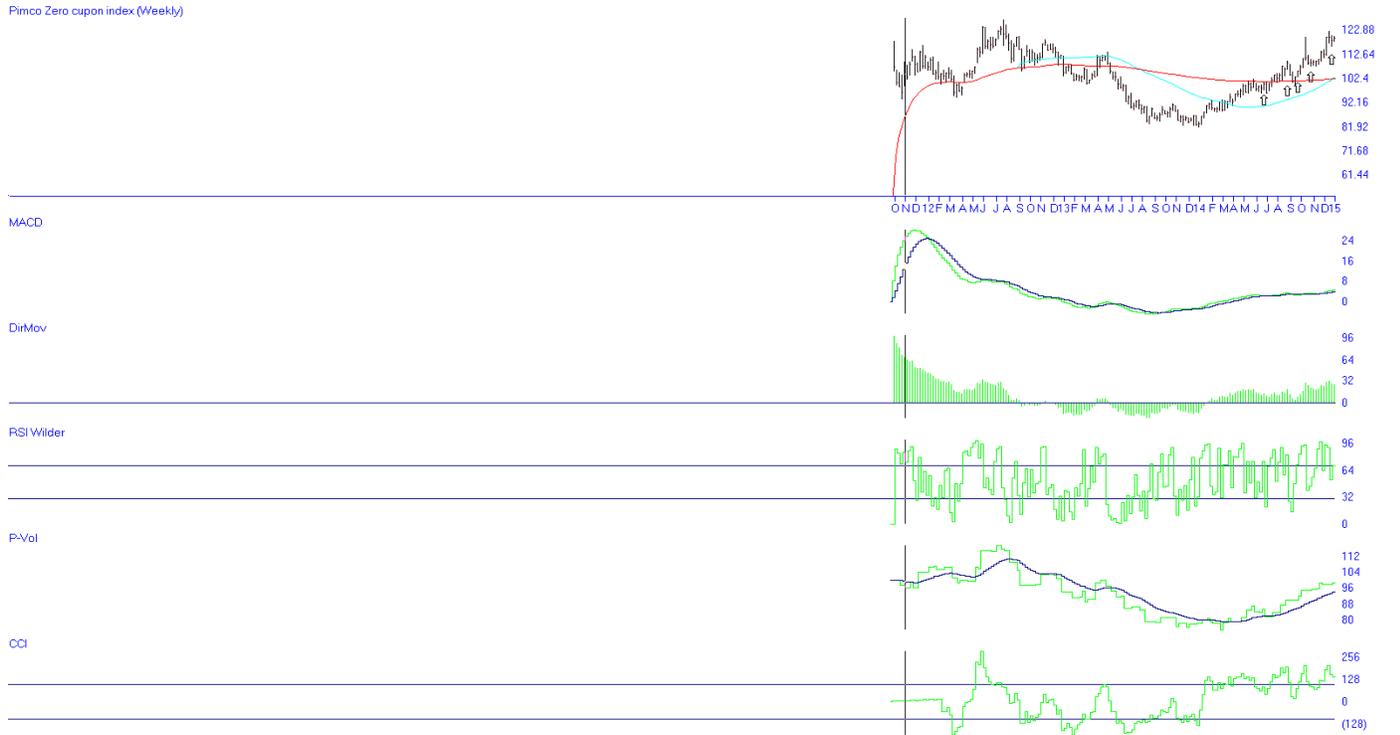
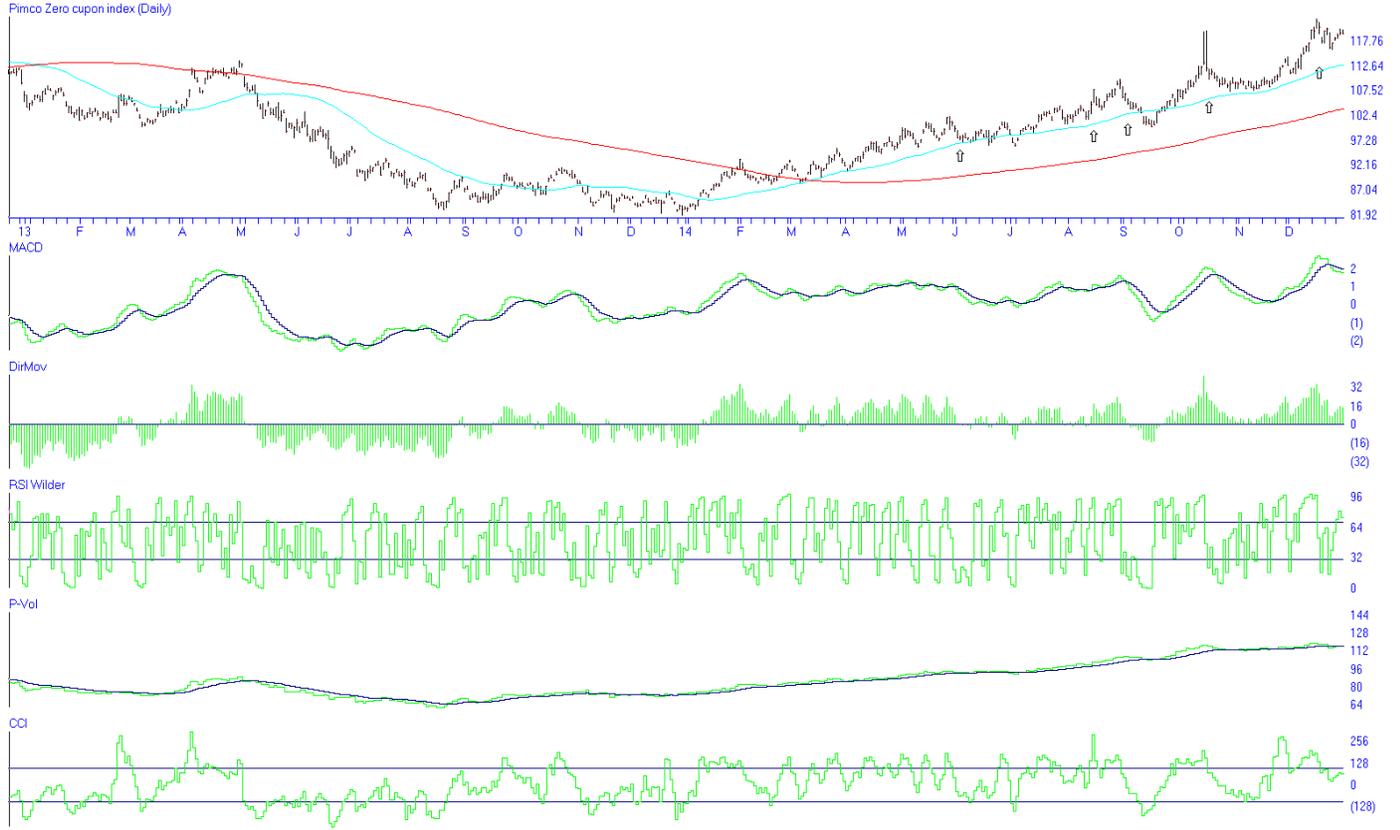




Starboard Weekly Report

The week ending January 2, 2015

Charts of the Week



This week's busy chart page gives a daily and a weekly chart, along with supporting data for our holding in the 25 year Zero Coupon US Treasury ETF (ZROZ). (Data provided by AIQ charts)

TECHNICAL

We have looked at this chart in the past to highlight the daily 50 day moving above the 200 day, which occurred in March of 2014. Since then there have been 6 higher highs on the daily chart, noted by up arrows. This was one of the best performing ETF's for 2014 and as is often the case, the best holding of one year can then turn around to be the worst holding in next year. I expect at some point during the first half of 2015, I will be selling this position. The chart action and subsequent movement of the supporting data will be my determinate for making that decision. There are some warning signals on the daily chart, but they are not being confirmed on the weekly. The first supporting chart of the MACD is showing a slowdown in the upside momentum and the daily CCI trading, below 100 on its graph, is also a warning sign. The daily DIR MOV graph, which is directional movement of ZROZ, is declining slightly. Although it would have to be followed by the weekly before it would cause enough concern to sell the position. P Vol, an abbreviation for positive volume, is flat lining on the daily chart, but it is in a continued uptrend weekly. P. Vol is representative of large institutional market action, so it is an important indicator to base buy and sell decisions on. Another reason to contemplate selling is that ZROZ is approaching its all-time high of 127.09. If it gets to that level, with the technical indicators deteriorating, it would be a sell candidate.

FUNDAMENTAL

The purchase of this ETF was a contrarian position when we bought it around this time last year. At that point, the conventional wisdom was that interest rates were going to rise as the FED wound down QE. We saw a 4% government bond yield in an economy that was growing at 2.8%. Last quarter's GDP growth was close to 5%. However, it had little bearing on the 25 year zero, which would indicate that the bond market does not expect continued GDP growth. A recent reason for the strength of our ZROZ position can be attributed to stock market volatility. As markets decline, investors seek safe harbors and government bonds become a choice investment. Another reason to feel good about this position is the deteriorating credit position within the US economy. There are a lot of sound reasons to own US Treasury bonds; however, markets change and I will be monitoring our position daily to help in the decision of whether to hold or exit it as price action and the charts dictate.

ASIDE

The ISM index, representing the health of US manufacturing, came in today at the lowest level since last January. This week's chart continues to tell a tale of anemic growth and until interest rates actually rise, we can expect more of the same weakness in our economy going forward. A weak economy, along with a stock market trading at all time highs, is definitely not the best scenario for continued stock market success.

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