



# Starboard Weekly Report

The week ending January 9, 2015

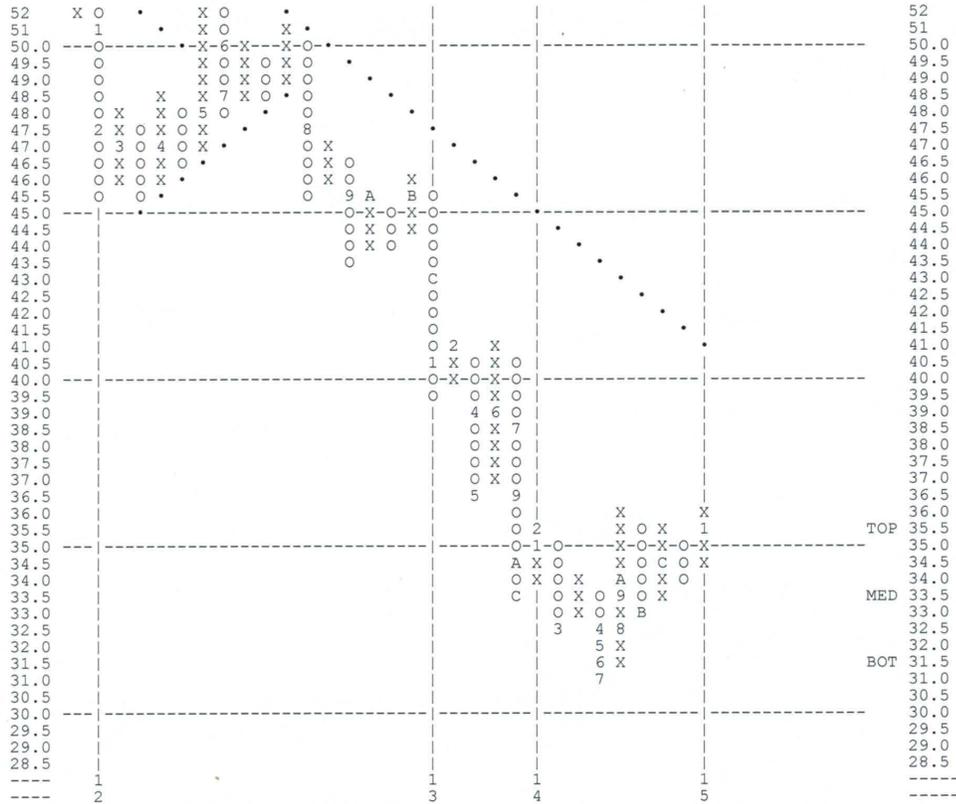
## Chart of the Week

### Short MSCI EAFE Proshares (EFZ) As of 01/08/2015 - 35.00 Dn 0.50 (1.43%)

ETF Data - Bullish Triangle 01/06/2015 - Yield 0.00%			
Score <u>2.7600</u> ↓	Mkt. RS vs IYY		
	Sig.		Col.
Trend: Negative		Sell 05/06/2009	O
Momentum: +7 D.  +5 W.  +12 M.		Wkly Dist: +58%	

Prior to the fund inception date (10/23/2007), the chart is created from extrapolated index data.

Bullish Price Obj: **46.50** Bullish Reward to Risk **7.67**



This week's chart is a point and figure chart of the inverse ETF for the EAFE Index (EFZ), an index of the developed foreign markets. The chart comes from Dorsey Wright charting service.

### **TECHNICAL**

Please note the triangle formation of the X's and the O's. The recent breakout from this pattern is a very strong signal to buy this security. The signal of the inverse, when viewed against the index itself, is even stronger since the chart of the EFAE Index appears to be ready to breakdown from major price support. In my opinion, this point and figure signal is a precursor for a major downside coming in this index. All of the other technical indicators that we have discussed in this Weekly Report also support my bearish opinion on the EFAE Index.

### **FUNDAMENTAL**

We recently purchased an Inverse Emerging Market ETF (EUM) which was highlighted several weeks ago in this Report. On the other hand, the EFZ represents 85% developed countries with over 50% of them coming from Europe. The Euro Zone cannot shake its deflationary economic problems. After its upcoming elections, if Greece decides to exit the EURO, it could cause major complications. Italy could follow Greece since an overwhelming majority of Italians want to do away with the EURO as their currency. Since Mario Draghi's pledge to "do whatever it takes", debt loads have increased dramatically in Europe. High debt and low deflationary economic development is a lethal combination. Japan represents 15% of the index and I do not expect any positive economic developments to come from them. They have three and a half times debt to GDP, along with structural economic problems that will continue to keep them as an economic basket case for many years to come.

### **ASIDE**

Our cash positions were built with the idea of using them for purchasing non US market opportunities. But instead of prospects for foreign markets, I see nothing but serious problems. These troubles are being confirmed by the charts. Therefore, instead I have been buying inverse opportunities in emerging and developed foreign markets. Next week we will looking at gold as well as its charting picture. Gold and gold stocks have greatly improved in price recently. We have had several false hopes in past gold rallies. But, as comedian Redd Foxx from the TV show "Sanford and Son" would say, "This is the big one!"

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