STARBOARD ASSET MANAGEMENT

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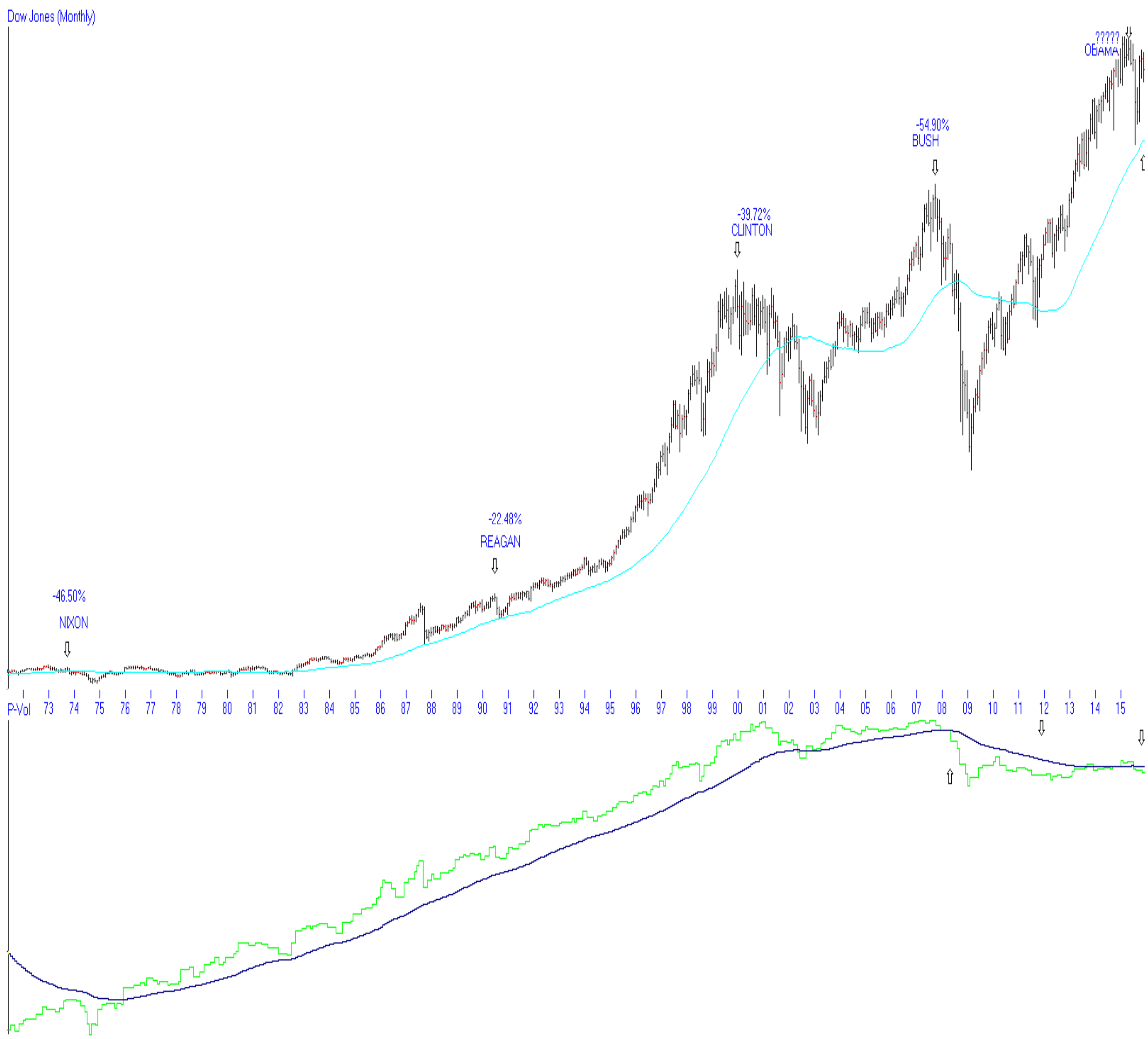
Starboard Weekly Report Ending January 29, 2016

Chart of the Week



I created the above chart from AIQ software and this idea came to me from a similar chart produced by Advantage Gold. The objective for their chart was to show the inverse relationship of gold to the US stock market.

TECHNICAL

This chart is being labeled the *Bear Market Legacy of two-term Presidents*.
Nixon did not complete his second term; however, the market started down January 1973 and bottomed in December 1974. Nixon resigned in August 1974. Reagan's 1990 decline was preceded by the 1987 crash, but both were followed by a tremendous bull market in the 1990's. The 2000 bear market started during Clintons last year in office and was completed in late 2003. Bush II wins the prize for the worst decline, although Obama could give him some stiff competition because currently the market is so elevated. It is truly ironic that bear markets are the only constant presidential legacy in almost a half a century. It is also interesting to note that the two one-term Presidents (Carter and Bush I) did not suffer the same fate as the two termers. The green line on the graph is the 50 week moving average of the Dow. The price has dropped below the average, which is a strong sign that Obama's bear market legacy has commenced. Also, note how flat the positive volume has been since 2000 versus the steady uptrend from the late 1970's.

FUNDAMENTAL

Power corrupts more than our liberties; it also attacks our wallets and pocketbooks. Other than Nixon, the bottoms of these bear markets took place in the early part of the succeeding President's term. Declining markets create crisis-like conditions that allow a new President to seize opportunity for making changes. However, those changes are only short-term 8 year fixes. This information could cause an argument in favor of one term Presidents. The power that the Executive Branch has had over the economy through the FED is the likely reason why bear markets are such a consistent historic event. Today's FED is a prime example of Presidential influence over economic activity. Obama has appointed **all** 12 FED Boards of Governors. The power of appointment should be viewed by Congress in order to reduce Presidential bear market legacies. It will be interesting to watch this year's market as a barometer for the elections. If it drops like it did during Clinton and Bush II's last year in office, then it could mean big trouble for the incumbents.

ASIDE

"You never let a serious crisis go to waste. And what I mean by that, it's an opportunity to do things you think you could not do before." Rahm Emanuel

As our chart shows, we have been running our economy on crisis mode for the past 46 years. Crisis and debt have become the main tools of politicians. And that my friends are why everyone should own some gold as politician insurance.