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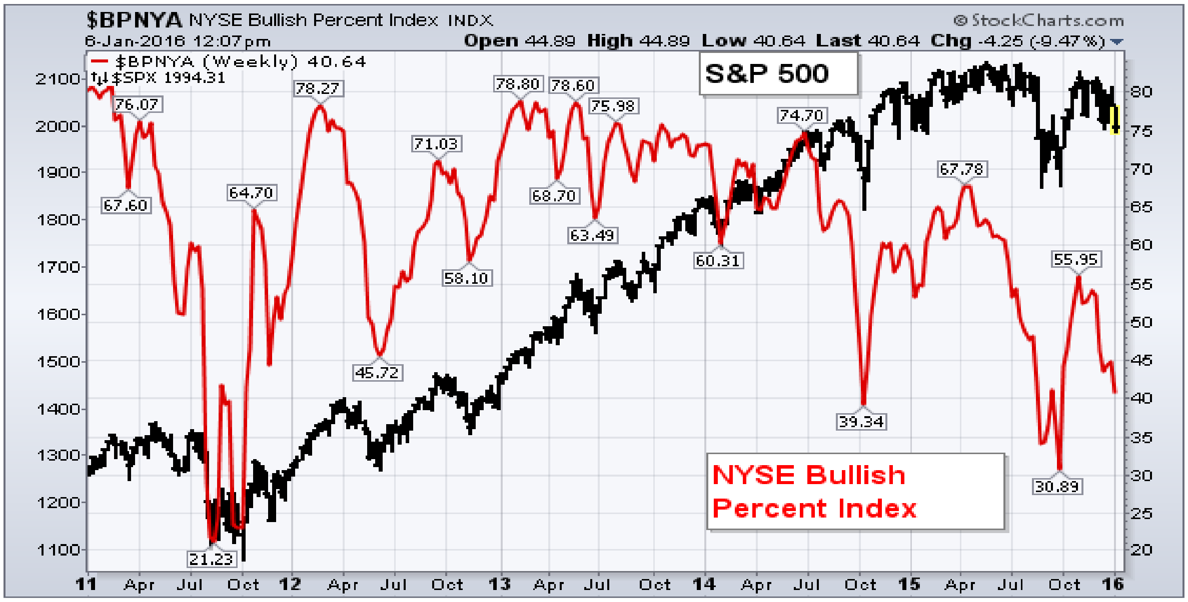
Starboard Weekly Report Ending January 8, 2016
Charts of the Week



The above 2 charts came via email from John Murphy, a principal at StockCharts.com. Both charts analyze the internal strength and weakness of the NYSE, thus representing a broad section of the U.S. stock market. The top chart is a history of the percentage of stocks that have bullish point and figure charts. The bottom chart information is arrived at by compiling the percentage of stocks on the NYSE where the 50 day average is above their 200-day.

TECHNICAL

Both of these studies are two very insightful ways to analyze markets. They represent two very basic supply demand and price relationships. A point and figure chart price change clearly shows whether buyers or sellers are in control. When the percentage of bullish charts are rising and remaining high, then the market is likely to remain strong. Another way to analyze these charts is to observe the strength or weakness of a market move. When we look at the high made in early 2013, followed by a lower high in the following subsequent highs, we see a series of lower highs that are a sign of overall weakness. This weakness is further confirmed by the lower lows through early 2014. Then we had one additional lower high around July 2014 at 74.70% followed by two weaker highs. During this entire time, the market was deteriorating from a supply demand standpoint. I believe that this is categorically one of the best technical indicators. It allows observers to cut through the fluff broadcasted by the bubble bulls. I am also a huge fan of 50-day over or less than 200-day moving averages and would like to point out several takeaways from our second chart. One of them is the importance of the green line and what happens to markets when they are above or below the line. Another is that during the rally off the August 2015 low, the chart number remained below the green line showing the bogus nature of that rally.

FUNDAMENTAL

These charts both show a deteriorating market from 2013. When the supply demand and price average charts are this weak and price still rises, there will be hell to pay when price catches up to the weak internals. These charts further prove how this divergence was created by Wall Street; i.e., big banks and the Washington politicians through FED manipulation. And it was this manipulation that drove the market to levels not justified by fundamentals. History will show that through debt they mortgaged our economic future for several years to come. Another effect of this governmental façade is that it draws the average investor into the stock market at the wrong time. The Wall Street Journal's top headline **Vanguard Hauls in Record** in Wednesday's Money & Investing section is tragic proof of this entrapment. "*Investors added $361.8 billion to all passively managed stock and bond funds in the U.S. in the first eleven months of 2015, while pulling $139.5 billion from actively managed funds, according to the most recent Morningstar data available.*" I would like to add that this uninformed greed on the part of U.S. investors will have epic economic consequences.

ASIDE

"Propaganda does not deceive people; it merely helps them to deceive themselves." Eric Hoffer

Charts help people from being deceived by political propaganda. They may not be an exact science; however, they are a great windsock to ward off deception.