

## Starboard Weekly Report Ending April 22, 2016 Charts of the Week



This week's StockCharts.com graphs are upside down mirror images of the same Russell 2000 Index. The top illustrates the Inverse ETF Pro Shares short Russell 2000 (RWM) while the bottom is the actual Russell Index (RUT).

## TECHNICAL

I find it interesting to look at opposite chart pictures to confirm a market direction. These two graphs are as one would expect; in perfect opposite harmony. The symbols of both charts represent Japanese Candlesticks that are signaling a top formation on the Index and a bottom formation on the RWM. Of very important note is the position of the 50 day and 200 day averages on both charts. The RWM is in a bullish configuration 50 over 200, while the actual index has a negative relationship. The recent rally on the RUT was not enough to reverse the bearish pricing of the index. When the current momentum of the Russell stops, I expect RWM to return to its old highs and beyond.

## FUNDAMENTAL

The current FED speak is a hawkish tone for higher interest rates. Two weeks ago FED chairperson Yellen was dovish sighting international concerns and this week the head of the Boston FED (a voting Governor) stated that rates are going to soon rise. The markets continue to react to this nonsense. If rates do rise, and there are some signs that they are starting to, then the dollar will rise with them and that will stop the current commodity rally (especially oil) dead in its tracks. Despite all the back and forth on interest rates and employment, the world economy is in a deleveraging, deflationary mode. Until we get some structural fiscal changes, that are not likely in the current governmentally controlled world, we are doomed to markets manipulated by Central Bank public relations. It is quite evident that the Central Bank policies of zero to negative rates are not working, so their next step will be currency debasement. When that begins, our gold and market short positions, like RWM, will prove very rewarding. Because I expect the current rally to fizzle, we are buying RWM. With May just around the corner, this could be the last rally for quite some time. The significance of May is the seasonality for the markets "Sell in May and go away" and it has worked more times than it has not.

## ASIDE

*"The most exciting attractions are between two opposites that never meet."* Andy Warhol

Our two charts are opposites that will never meet and both can be exciting trades if they are caught at the right time. Now is a very exciting time for the short inverse side.

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