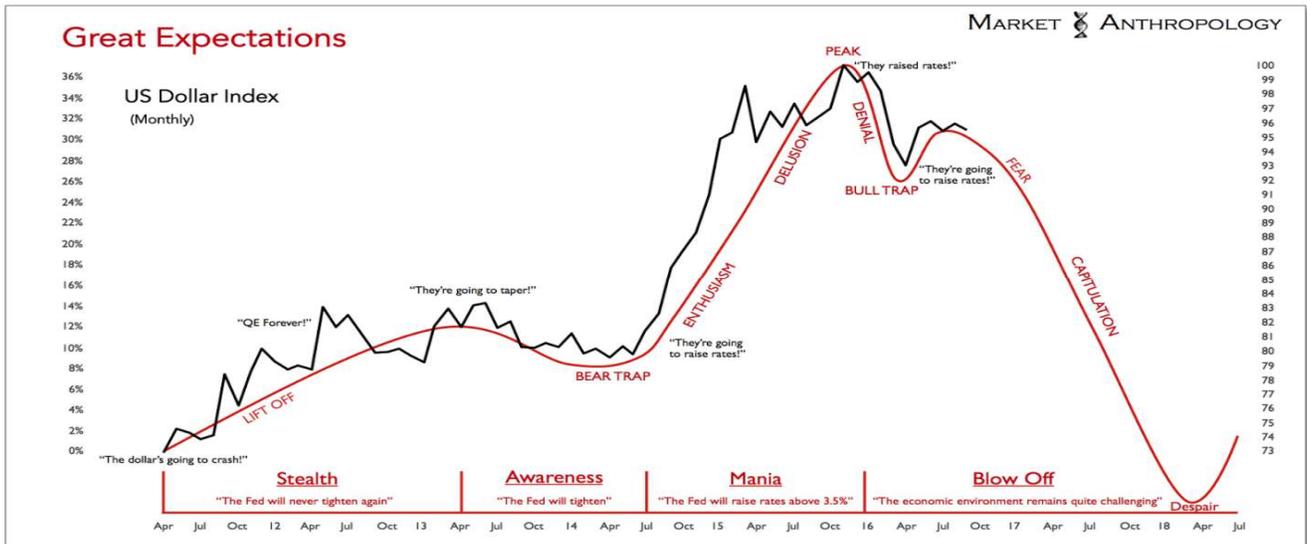


## Starboard Weekly Report Ending September 30, 2016 Charts of the Week



This week we have a follow up to my August 5th report where I mentioned that it was my intention to buy Power Shares Inverse Dollar ETF (UDN) and since then I have been monitoring it. The top chart from Market Anthropology (MA) and the bottom monthly depiction from StockCharts.com are long-term images that give further cause to effect the purchase of UDN. I have recently placed 10% of portfolio cash positions into UDN.

## **TECHNICAL**

The MA chart is a fun look at not only the expectation for the US dollar, but how markets generally trend. Investors tend to have three basic emotions that drive markets: fear, hope and greed. MA uses synonyms for these three market drivers: despair, denial and enthusiasm; however, they are very much the same emotions. They have us approaching the slippery slope toward capitulation leading to despair and fear. Explaining the dollars in Quantitative Easing (QE) terms makes enormous supply demand sense. The blue arrows indicated on the bottom monthly UDN inverse depiction shows supporting charts turning up. The straight blue line shows clear resistance in the inverse as the dollar has been making a top. Once the capitulation slide projected by the MA chart commences, UDN will break \$23 with the next resistance coming in at \$24.57 which is the 50 month moving average. Ultimately I believe that the UDN will trade back to the 29/30 area which would be a 33% appreciation. By using 10% of cash in a UDN hedge, the overall return on our entire cash position at a 33% gain would be a 3.3% cash return on the total amount. Our risk could be the EURO, or secondarily the YEN, blowing up and the dollar rallying. Our gold positions would more than offset such a risk.

## **FUNDAMENTAL**

One of the main reasons that the dollar has been so strong is due to money pouring into this country from abroad to buy into our stock and bond markets. The FED is at the end of their loose money activity. When it terminates the markets will not have ammunition to move any higher, thus driving the dollar down with them. Regardless of who wins the election, the FED has been called out via Trump's comments in Monday's debate. There have been several articles regarding his FED comments and the best comes from chief global strategist Ruchir Sharma at Morgan Stanley. It is titled "Trump Tees up a Necessary Debate on the FED" and can be found on page A13 in Thursday's Wall Street Journal. He ranted of the many atrocities that I have been preaching about for the past three years. It has taken some time for Wall Street to catch up because they have been enjoying a free ride due to FED activities, but they see what is approaching and want to ready their clients and/or cover themselves.

## **ASIDE**

*"When buying and selling are controlled by legislation, the first things to be bought and sold are legislators."* P.J. O'Rourke, Political Commentator

In order to validate this quote, we only have to look at the deficit build up over the past eight years. The dollar is about to start sliding a steep slope due to FED buying and selling controlled by our political class. Politician portfolio insurance will be necessary for every investor.

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**Please note:** It is the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements.