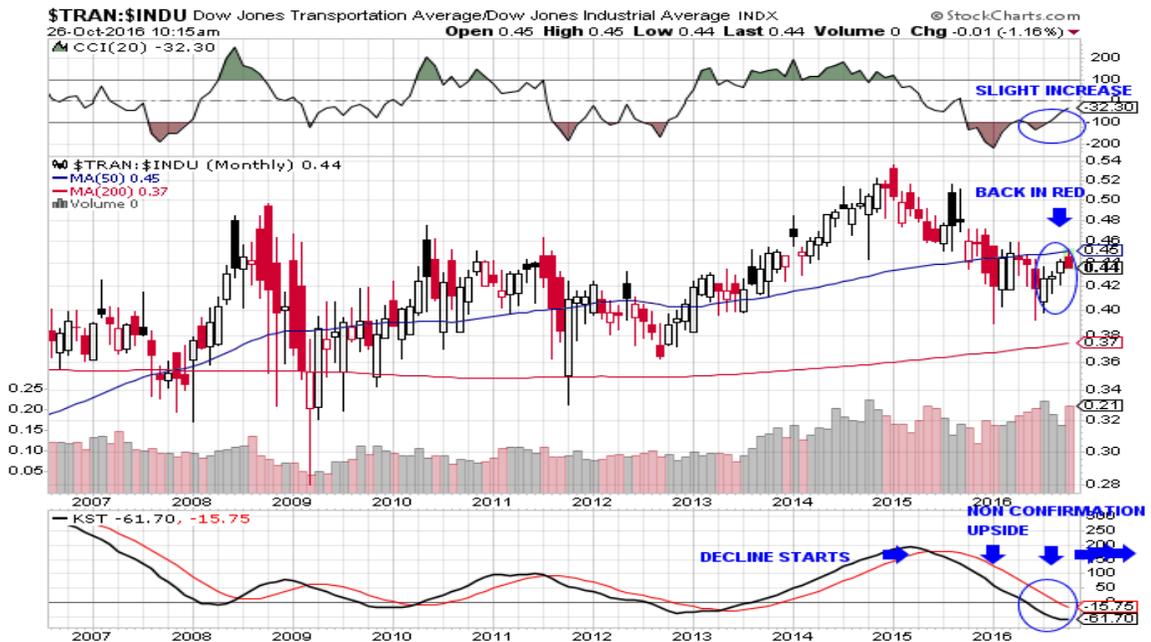


Starboard Weekly Report Ending October 28, 2016 Charts of the Week



The two StockChart.Com charts above represent the same relative strength relationship shown in two different time periods. On top we have the daily relative strength chart and on the bottom we are looking at the same monthly performance relationship of the Dow Transportation Index (TRAN) to the Dow Industrials (INDU).

TECHNICAL

This relationship is one of the oldest and most followed technical analysis indicators. It is traced back to Charles Dow at the end of the 19th century and it is still as valid today as it was back then. In the top chart, despite the moving average crossover, the recent sell off keeps the current down relationship of transportation (TRAN) in a negative trend to the INDU. In the last week, we can see via the supporting moving average KST chart, that we have a recent clear sell signal. The main portion of the longer-term monthly chart is showing the start an uptrend coinciding with the Brexit bottom in early July. Judging from the slight CCI increase, that move appears to be over before it ever started and also there was no change at all in the KST moving average. This is a strong indication the FED induced election rally is waning. There is a short term possibility that we might have a post-election rally. However, unless TRAN is invited along for the rally ride, it will also be as meaningless as the recent Brexit bounce.

FUNDAMENTAL

The fundamental reason TRAN works so well as a confirming indicator is that it is very common sense based. When the economy starts to ship merchandise, the TRAN is showing economic strength happening through share price appreciation. When business is in a contracting mode then TRAN stock prices fall because of a drop in moving merchandise. This relationship shows up very clearly in the bottom long term chart. The top of the monthly chart in late 2014 coincides with the slowdown in the economy. The INDU has not yet responded to the sharp negative TRAN relative strength signal largely due to the FED's keeping the market up to create a wealth effect benefit for the economy.

ASIDE

"A healthy relationship is built on unwavering trust." TV Actor Beau Mirchoff

The TRAN INDU relationship has built over a century of unwavering forecasting trust. Its future relative strength relationship will continue to guide us on the economy and stock market. Currently, the upside prospect is not very promising.

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