

## Starboard Weekly Report Ending December 23, 2016 Charts of the Week



This week's workup is comparing the daily chart with the weekly relative strength of the DJ Transportation Index (TRAN). The relative strength comparison is with the DOW Index. This charting association is one of the best forecasting tools in technical analysis for predicting market direction. Both charts above were produced from StockCharts.com.

## **TECHNICAL**

The red and green arrows have nothing to do with holiday colors. They are highlighting positive and negative aspects of each chart. On the top daily chart of the TRAN, the red arrows help us see that the Trump rally is ending. Beginning last August, the three green arrows show the 50 day moving average crossing the 200 and the other two green arrows show positive Bollinger Band buy signals. The red arrows on the bottom chart (TRAN relative to the DOW) are deteriorating, with the exception of the TSI chart (green arrow) that has not yet signaled a complete reversal. I believe it is just a short matter of time before that occurs and creates a weekly or intermediate sell signal. The center red arrow in the time period of early June shows the 50 week declining below the 200 week. This is further confirmation that the recent rally will do nothing for long term investors; but it will enhance Wall Street yearend bonuses over the near term.

## **FUNDAMENTAL**

We have looked at the fundamentals of the TRAN in the past and pointed out that it is part of the Dow Theory sell signal for markets. The idea is that as the economy either expands or contracts, transportation is the first to feel the effects. Thus the movement of goods affects the earnings of transportation companies to go either up or down. This is especially true today with the heavy onset of online retail. The TRAN index is up from 4100 in 2011 to a recent double top high of 9480. That leaves a lot of room on the downside. The monthly support moving average (not shown) suggests a bottom around 4770, which is 50% down from the current level. The daunting part is that this average will be leading the rest of the market to lower levels. I hate to be such a Grinch, but the Trump rally is not real and TRAN is doing its job by informing us that the recent price noise cannot be trusted to produce higher prices. We can conclude from this that even if a 20,000 Dow materializes, it will be meaningless.

## **ASIDE**

“Christmas is a season not only of rejoicing but of reflection.” Sir Winston Churchill

There will be coal in investor’s stockings this year because the Christmas reflection is that 2017 will not be at all similar to the recent Trump rally.

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