

Starboard Weekly Report Ending May 19, 2017 Charts of the Week



The two charts above are from StockCharts.com and they both show us a tale of two diverging markets. These daily relative strength comparisons to the Dow Jones show a completely different interpretation of the current stock market. This same separation took place in 2000 before the NASDAQ peaked.

TECHNICAL

Every supporting chart, as well as the main chart, show the \$RUT in a declining mode to the \$COMPQ relative to the Dow. The Russell is often a lead indicator and when viewing the actual Russell 2000 chart (not shown) it has been in a free fall; especially this week. When it trades below its 200 day moving average it will likely signal the beginning of the next bear market. The average is now 1367 down from the 1425 high made in the last week of April with the 200 day at 1319.5. The NASDAQ could have a further speculative blow off the top like it did in 2000, but that will be short lived and also signal the beginning of the upcoming bear market.

FUNDAMENTAL

Last week's report had a featured article about the Swiss Central Bank buying US stocks and the article listed their top holdings. Many of those holdings are the very stocks that are driving the NASDAQ higher. When this madness ends and they are forced into selling into a declining market they will be throwing gasoline on a market that will be already burning down. Couple this Swiss craziness with the indexing that is taking place among US investors, we have the ingredients for a prolonged market decline. Incorporating this week's political news concerning a special prosecutor will likely make Trump totally ineffective concerning health care and tax reduction. That creates a scenario where the economy gets no fiscal help from Washington.

ASIDE

"The world is being run by irresponsible spoiled brats." P. J. O'Rourke

"The Democrats are the party that says government will make you smarter, taller, richer, and remove the crabgrass on your lawn. The Republicans are the party that says government doesn't work and then they get elected and prove it." P.J. O'Rourke

Leave it to comedian O'Rourke to find humor in our sad governmental process.

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