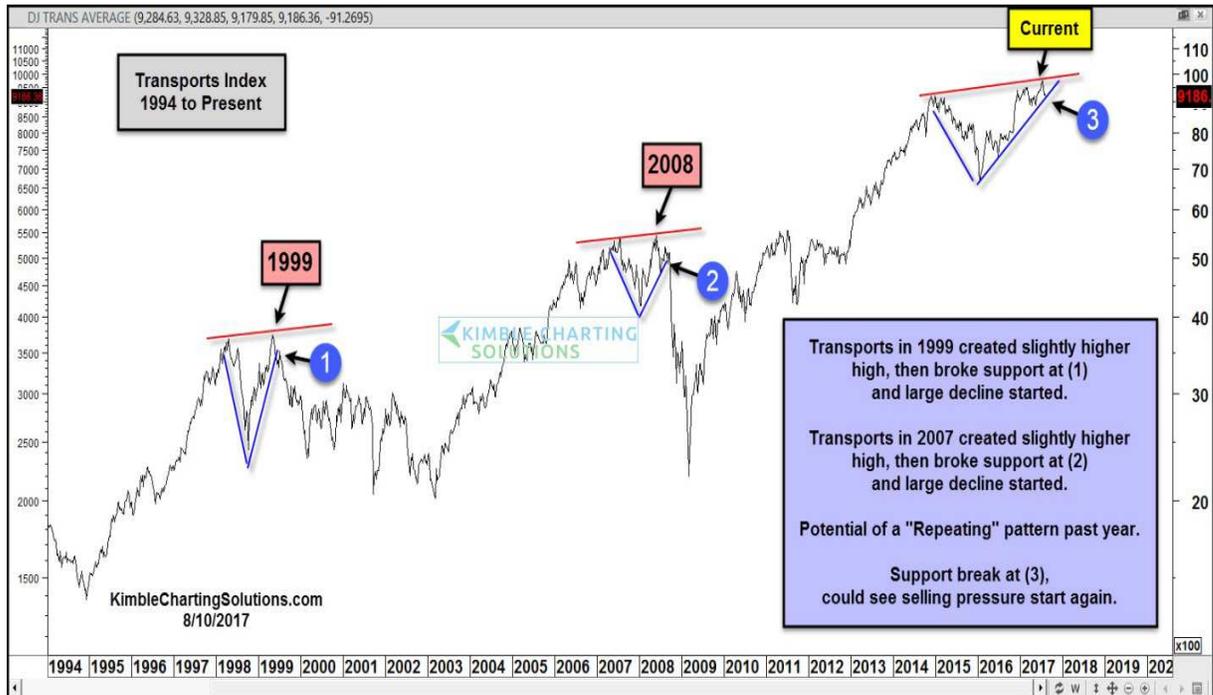


Starboard Weekly Report Ending August 11, 2017 Charts of the Week



The two chart studies above from KimbleChartingSolutions.com represent the monthly Dow Transports Index (TRAN) and the weekly US Dollar (\$).

TECHNICAL

The top chart on the TRAN was prepared Thursday as the index was declining. The breakdown level of 9,186 was severely penetrated on Thursday's close at 9,119. Today the index is trading up to correct a short term oversold condition; but yesterday's close is more likely indicative of a continued down trend. The current TRAN breakdown can now be compared to 1999 and 2008 where it signaled the beginning of both of those bear markets. The dollar is down 10% this year and at a critical support level. If it has a further breakdown through support, then it could go a great deal lower. Like a two handed economist would predict: on the other hand it could bounce back since it is very much oversold and at a support level. The future direction of the dollar will have a strong influence on world markets; especially emerging markets, commodities and bonds. The TRAN decline could be forecasting movement out of US equities into other risk assets, similar to what transpired going into and immediately following the 2008-2009 great recession.

FUNDAMENTAL

Last week we discussed the fundamental reasons for the TRAN predicting market declines. However, I did not also discuss how the Dow Theory will often forecast recessions. Both the 1999 and 2008 signal were market declines that preceded upcoming recessions. Much of today's world economies are based on the wealth effect of asset price inflation. They are so dependent on the stock and bond market wealth effect that a market reversal could create a worldwide recession. The dollar's 10% decline could also be a recession signal.

ASIDE

"We are what we repeatedly do" Aristotle

This is a borrowed quote from this week's Kimble Charting Study. It is so appropriate that I could not resist using it.

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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.

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