STARBOARD ASSET MANAGEMENT

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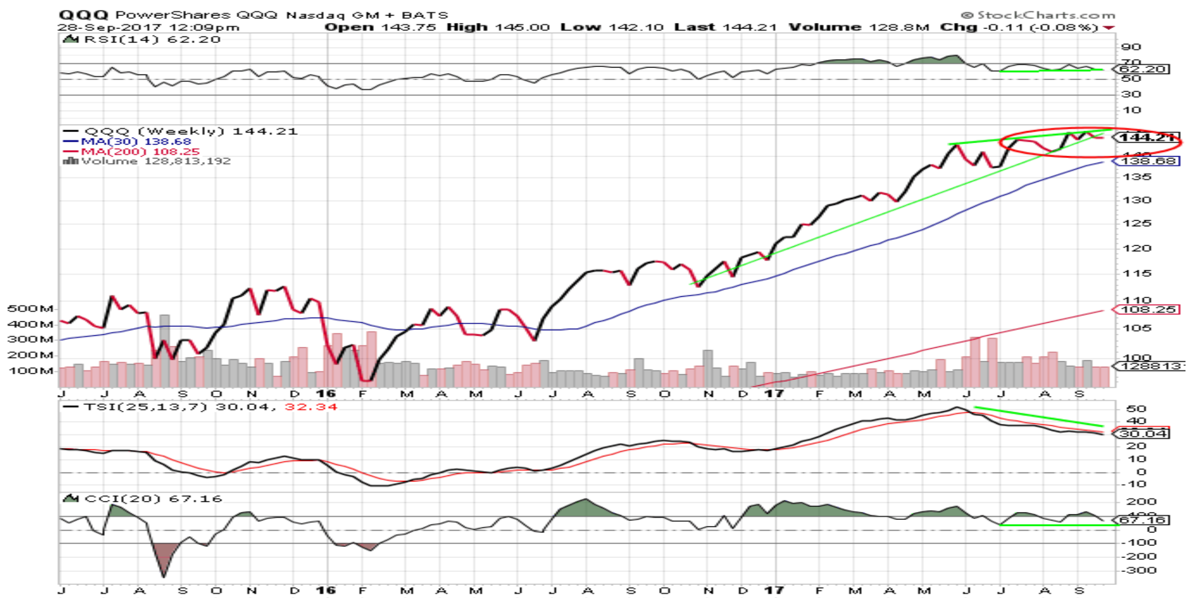
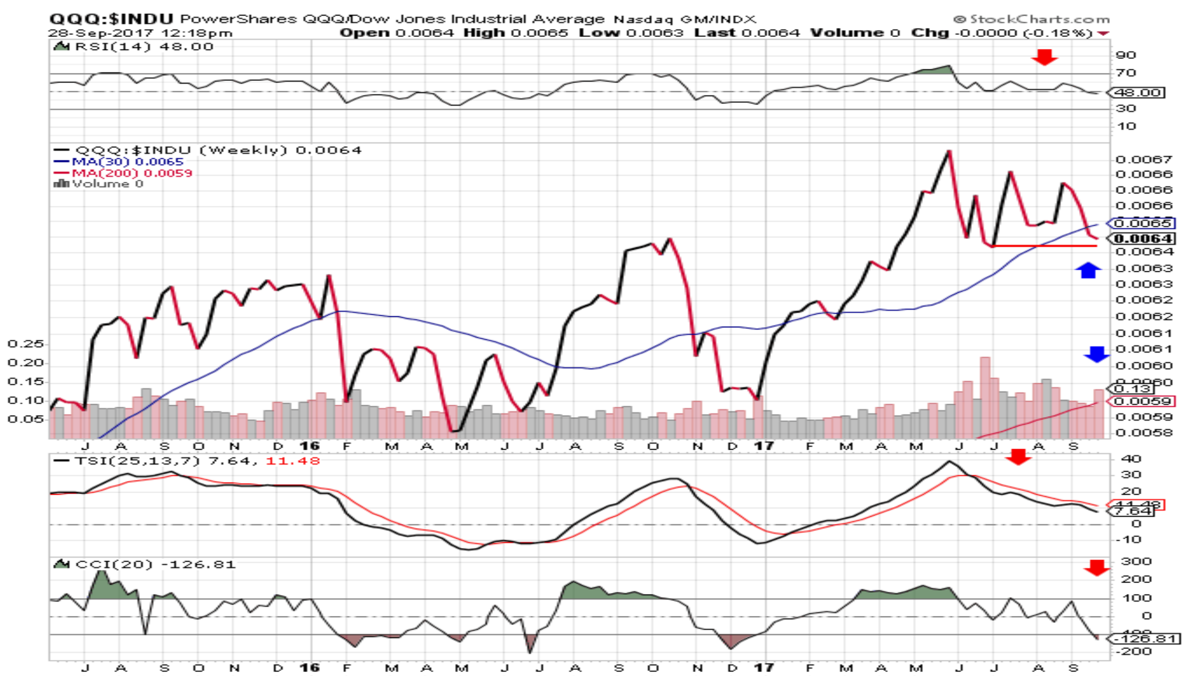
Starboard Weekly Report Ending September 29, 2017

Charts of the Week





This week's charts denote two different looks at the Nasdaq 100 Index Power Shares ETF (QQQ). The top graph is a weekly price chart while the bottom is a QQQ relative strength comparison to the Dow Jones average.

TECHNICAL
The red circle in the top chart shows a breakdown of a topping formation triangle. If this price decline continues then the QQQ (which is comprised of the 100 largest NASDAQ companies) will likely lead the overall US stock markets lower. The bottom comparison chart and supporting graphs clearly display a breakdown of the QQQ to the current DOW price surge. Please note the red and blue arrows on this bottom chart that demonstrate the QQQ comparative weakness. These are early signals and therefore it is possible they could reverse. However, if they continue in the current direction then they will signal an end to the Bull Market. Tech stocks are most often volatile leaders of market direction so the future direction of these charts is very important to the various markets resolve.

FUNDAMENTAL
The QQQ represents the major growth companies in our economy. Eighty-nine percent of the companies in this QQQ index are in three sectors; technology, consumer services and healthcare. These groups have enjoyed the best growth and market performance since 2003. This year was the bottom of a recessionary period and from that point to now the share price of QQQ increased 4.9 times. Total earnings over that period went from 16 billion to 211 billion. However, debt increased from 94 billion to 99 billion. Keeping in mind that earnings are variable, we now have 211 billion earnings to cover 995 billion in debt or 4.7 times. In 2003 we had a better ratio of 15.7 billion earnings covering 94 billion debt or 6.26 times. The impressive growth since 2003 should have created a stronger balance sheet result for investors than these numbers indicate. In this "new-normal" economy we keep piling on debt until we can't. Earnings cannot go up forever and when they do reverse, corporate executives throughout our economy will be scrambling to figure out how to pay interest and principal . Corporate borrowings represent risk and QQQ executives have been piling it on while creating serious downside for this very volatile index.

ASIDE
"Let us not bankrupt our todays by paying interest on the regrets of yesterday and by borrowing in advance the troubles of tomorrow." Ralph W. Sockman, Preacher Radio Commentator

The above quote is yet another way of looking at the famous economic quote: *"Debt is future consumption denied."*