STARBOARD ASSET MANAGEMENT

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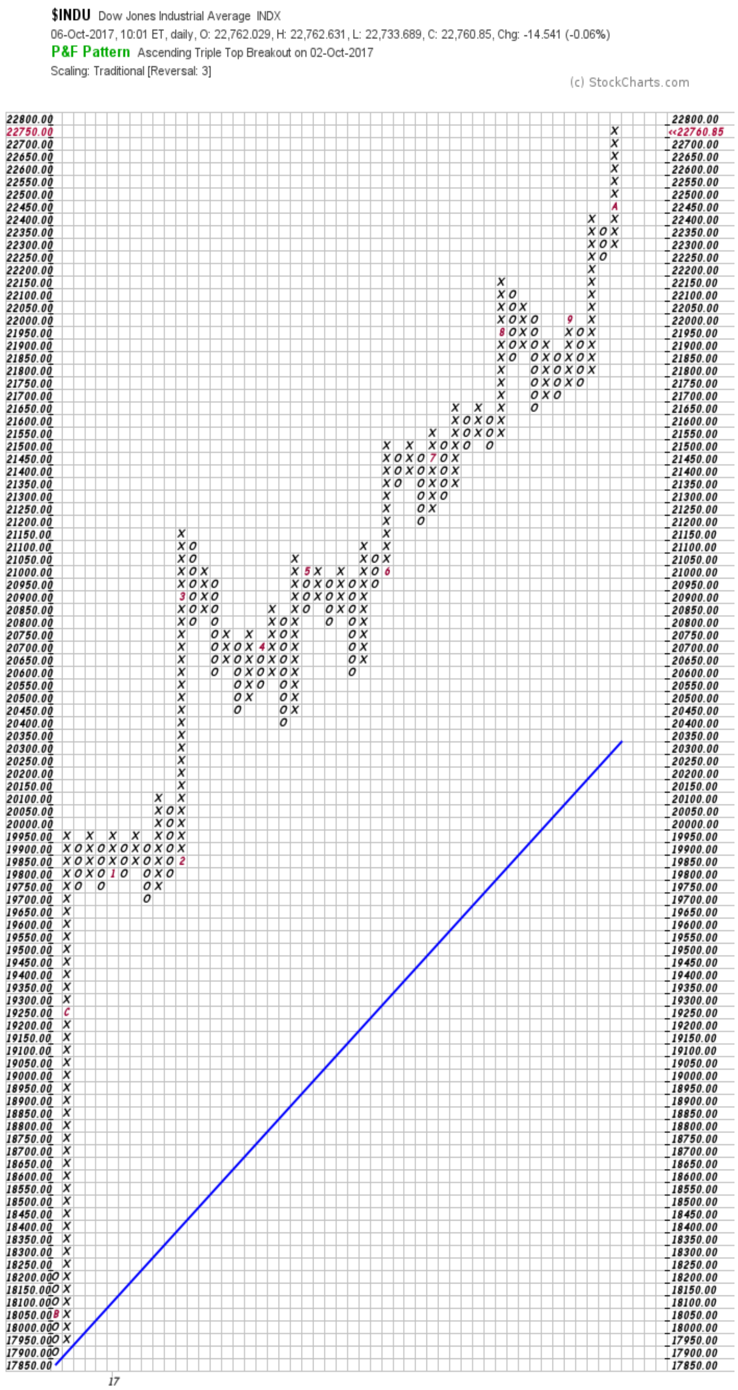
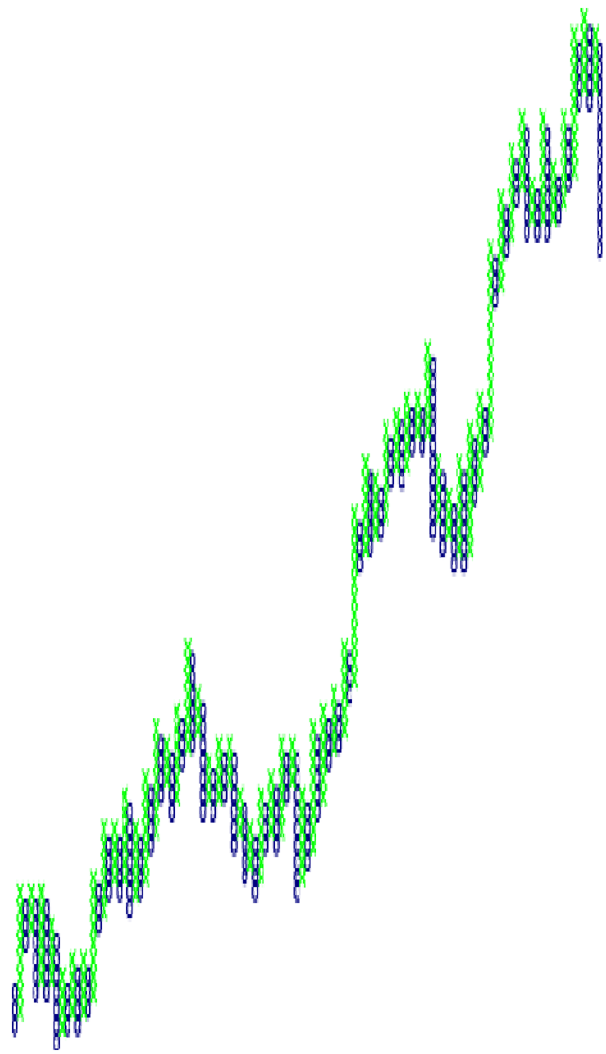
Starboard Weekly Report Ending October 6, 2017
Charts of the Week





AIQ Charts - 11/02/06 to 07/30/07 - Daily Dow Jones

Along with a StockChart.com point and figure chart (PF) on the left depicting the current Dow Jones average is an AIQ PF chart on the right showing the market top formation in 2007.

TECHNICAL
The blue and green PF chart unfortunately does not have grid lines showing time and price; however, the time period is noted at the bottom of the chart. Both charts correspond in velocity showing how long-term bull cycles often show a melt-up effect before they reverse. I have seen this type run up in several markets before they finally are exhausted. Two recent markets that had this type of parabolic surge were the NASQAQ in 2000 and silver in 2011; both had huge 77% and 72% losses from their surge level to their next cycle bottom. It has been mentioned several times in this weekly letter that excesses in one direction usually means the same occurs in the opposite direction. Another aspect of exhaustive tops is that they tend to create long drawn out bottoms. The initial NASDAQ bottom took two and a half years while the current cycle bottom took almost nine years from the cycle top in 2000. Silver took five years to hit its cycle bottom. As the late Yogi Berra would say: *it is looking like Deja vu all over again*. The big question on everyone's mind is when will it get exhausted. When it finally does exhausts itself then one of two scenarios will play out: a straight down or a bounce after a short decline creating a double top like the one that occurred in 2007 (not shown above).

FUNDAMENTAL
The driver of this rally bus is Central Banks. The US and EURO banks have been supplying huge amounts of Quantitative Easing (QE) causing trading departments of large banks to load up on stocks and bonds (largely through trading leveraged derivatives). While on the other hand through QE programs the Bank of Japan (BOJ) and the Swiss National Bank (SNB) are buying stocks directly. Along with the US and EURO they are creating a Central Bank bubble and the economic consequences could be dangerous.

ASIDE
Oct 5, 2017, 1:08 PM by Kevin Muir via The Macro Tourist Blog in the article titled: "There Are No Bears Left... None... Not A Soul" comes the internet quote below:

"So yeah, knock yourself out buying stocks because Central Banks are printing like mad. Instead of examining what they did, I am more interested in what they will do. And to me, it looks like this game is nearly over. Nothing sums up better the crazy rush into stocks than the recent headlines."

The above was posted by Tyler Durden of Zero Hedge

We all should be interested in what Central Banks will do next; and that is the announced reduction of their QE programs. Cause and effect should mean a short matter of time before the markets start discounting the lack of liquidity that this will create.