STARBOARD
ASSET MANAGEMENT

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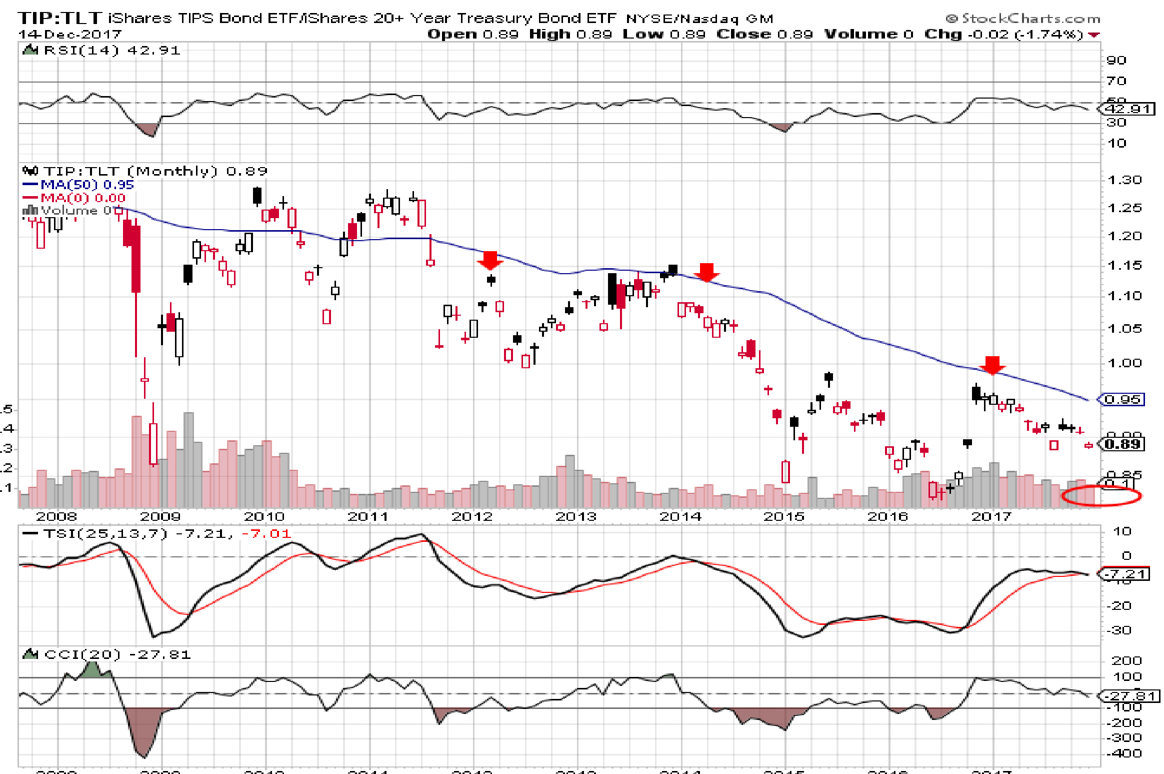
Starboard Weekly Report Ending December 15, 2017
Charts of the Week



The two monthly charts above are from StockCharts.Com and they are mirror images of the relative strength of the TIP Treasury bond versus the 20 year Treasury (TLT). The top chart is a Point and Figure one, while the bottom is a bar chart with supporting graphs.

TECHNICAL

When the TIP is divided into TLT it creates the number on these charts. This comparison is a very accurate inflation gauge. The TIP is an acronym for Treasury Inflation Protection and it receives an increase in principal with inflation and a decrease in principal with deflation. So where is the inflation that is forcing the FED to raise interest rates this week? It has been on the decline since 2011 and has flat lined since 2013; as shown on both charts above. **Please note** how prior to and just after the great recessions of 2007 and 2011, we had inflation that coincided with growth.

FUNDAMENTAL

The Politicians love it – the Banks love it!

The FED was established with a dual mandate to balance employment against inflation. That mandate has been altered since the great recession and our charts show that it has become a façade. According to government data, higher prices do not exist and increased employment no longer causes inflationary pressure. That is what happens when the FED, through the banking system, is allowed to control the economy. *The politicians love it* because it allows them to finance their deficits through a banking system that is forced through FED regulation to buy government debt. If the 4.5 trillion of FED bond purchases was circulated into the economy instead of through the banking system, we would have a very different inflation picture. *The banks love it* since they have improved their balance sheets from bankrupt levels during the last recession to once again being market darlings. Margaret Thatcher said that *"the trouble with socialism is you eventually run out of other people's money"*. The current tax bill will decrease the amount of money available to pay for the new FED financial socialism. We better hope we don't get real growth with higher interest rates because we might need those missing tax dollars to pay the government interest bill on their 21.09 trillion debts.

ASIDE

"If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their Fathers conquered.... I believe that banking institutions are more dangerous to our liberties than standing armies.... The issuing power should be taken from the banks and restored to the people, to whom it properly belongs." Thomas Jefferson

Is this what Bitcoin is all about? The new initiation of Bitcoin Futures market demonstrates that the banks are worried about this new fiat currency that bypasses them.