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Starboard Weekly Report Ending January 19, 2018
Charts of the Week

One of this week's news items that got lost in the Dow's huge rally is the enormous decline of GE. The chart above was provided by StockCharts.com.

TECHNICAL

Up until 1999 GE was viewed as a market darling; much like today's Amazon. Fast forward up until late last year, and continuing into this year, when GE shares plummeted. They are down 45% from the high made during July 2016. Attached to your email is a monthly Point & Figure chart with GE's history going back to the early part of the century. Essentially, GE has been dead money since the early 2000's and it traded below 6 during the Great Recession decline. The current selloff can only get worse as they struggle with their enormous debt problems. It is interesting to note that in today's Wall Street Journal there is a column on GE that mentions the company bought back 25 billion dollars of their shares since late 2015. That vast amount of money has evaporated and this probably could happen to many other current bull market buyback programs. In order to preserve cash, GE halved its dividend two months ago, only its second cut since the Great Depression and currently it is considering total elimination of dividends.

FUNDAMENTAL

GE is the oldest member of the Dow Jones Average and *in many respects GE is a carbon copy of the US economy.* Parallel to the government, it is drowning in the evils of excessive debt. Additionally, GE's stock decline could be indicative to what will eventually happen to the rest of the market that is riding the crest of a debt wave. Similar to the US government, GE is loaded with insidious debt. They used subsidiaries to finance other assets they owned and borrowed extensively in what is starting to look like the same Ponzi scheme that our Central Bank is running. They have a debt to equity of 140%**,** which ironically is the same as the US Government debt of 145% to Gross Domestic Product (GDP). Comparable to the Government's social benefits, that debt does not include their enormous pension benefits that are coming due. During the great recession, just like the banks, GE was bailed out by the US Government TARP program. This was due to excessive debt in their finance division; much of which they restructured. However, they continue to be in a much overleveraged state. Congress is working on extending the government debt ceiling, which is making the markets very nervous in the process. The reason for the nervousness is that if they don't get it completed, then the entire US markets could react in a negative fashion resembling the GE chart above.

ASIDE

"Only one thing can save this country, and that's to get a handle on this deficit and debt issue." Mitch McConnell, Senate Majority Leader

That's what GE is now trying to do and it ain't easy; so good luck with this monumental problem Mitch.