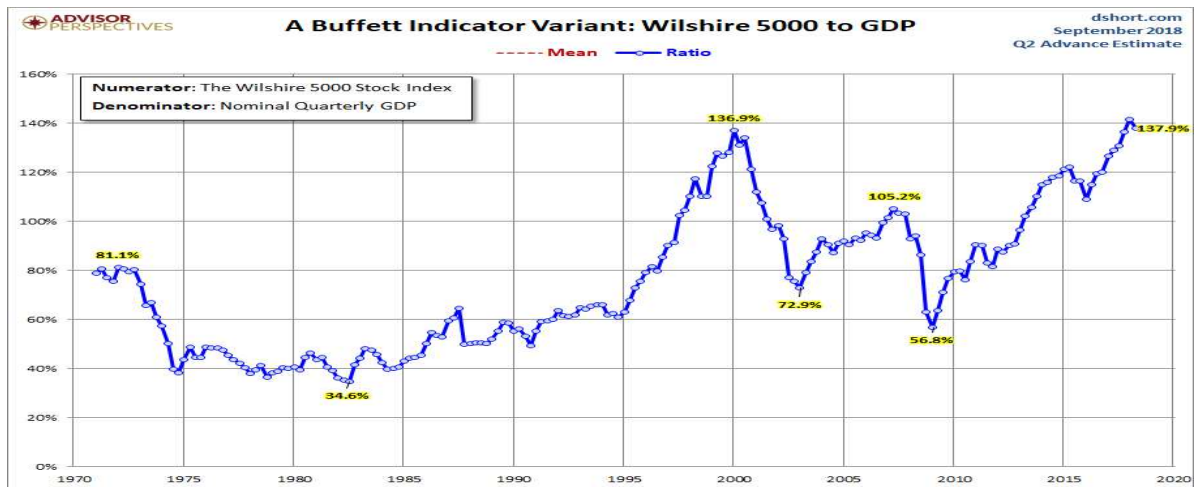


Starboard Weekly Report Ending October 12, 2018
Charts of the Week

GNI per capita growth (annual %)



This week's top chart from FRED is Gross National Income (GNI) since 1970. The bottom chart from Advisor Perspectives depicts the increase in the Wilshire 5000 Index (WLSH) as a ratio of Gross National Product (GNP).

TECHNICAL

The main takeaway in the top chart is the flat GNI and how it has averaged 2% starting in the late 1980's. That coincides with the beginning of the Greenspan FED and the massive amounts of quantitative easing (QE) practiced by him and his successors. When we compare these charts it is easy to see how the stock market benefited from QE while GNI suffered. The WLSH ratio to GNP on the bottom chart is showing how the broad stock market had two bubble peaks in 2000 and 2008 after rising sharply from the beginning of Greenspan's era. Other than the 2008 recessionary dip and subsequent recovery, the GNI has gone sideways compared with a sharp increase in the WLSH to GDP.

FUNDAMENTAL

These two charts are very telling regarding today's most pressing social-economic issue; income inequality. Portfolio wealth is controlling the economy rather than labor pursuits. That means that economic expansion or contraction is based on the wealth effect of one's portfolio rather than income from employment. The last two recessions directly coincided with market declines and the next one should be no different. In the past, corporate slowdowns created declining national income which was followed months later by a recession. Today's environment has changed due to the FED imposed wealth-effect driven asset inflation. If what we went through this week is a decline from a market peak, and I believe it is, then we can expect a recession much sooner than most analysts are forecasting.

ASIDE

QE has blurred the lines between fiscal and monetary policy. Quantitative easing (QE) has just been "turbocharged fiscal policy in drag with a lag." Great hip-hop line, no?

The above comment and quote is from Global Macro Monitor

To which I would add; the lag has arrived with quantitative tightening (QT).

Nothing on this Weekly Report should be interpreted to state or imply that past results are an indication of future performance. There are no warranties, expressed or implied, as to accuracy, completeness or results obtained from any information posted on this or any "linked" website. Any reference made to specific securities or any charts/graphs on the Weekly Report is not to be considered a recommendation. Every investment strategy has the potential for profit or loss.

Please note:

It's the client's responsibility to notify Starboard of any changes that would in any way influence their financial requirements. Starboard Asset Management, Inc. 10/12/18 Weekly Report