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ASSET MANAGEMENT

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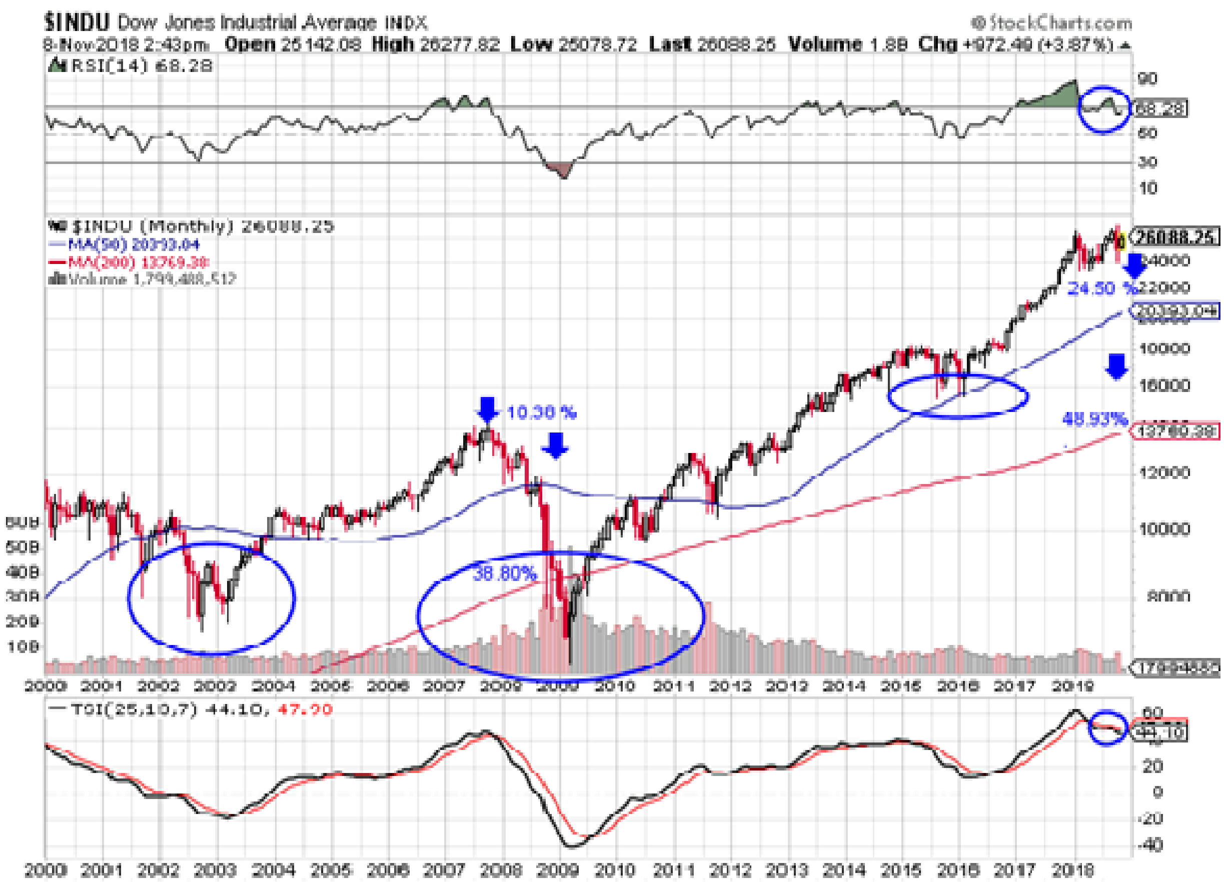
Starboard Weekly Report Ending November 9, 2018
Charts of the Week

Federal Receipts



The top chart is from the Federal Reserve web site (FRED) and it is showing the revenue receipts from 1984 to the beginning of 2018. The bottom chart from StockCharts.com is a monthly depiction of the DOW from 2000. The reason for this comparison is to establish that a stock market decline and not a recession is the cause of loss in government receipts since 2000.

TECHNICAL

The purpose for the top chart is to show the dip in tax receipts when the market declined. This was particularly true in the two recessionary periods of 2000 and 2008. Most economists would attribute the lower receipts being due to recession. The actual annual changes are attached to your email and it is interesting to note how the market dip in 2015/16 caused receipts to be up a very slight amount. I believe that the typically increasing receipts are due to the FED assisted rising market and this was especially the case from 1987 through 2000. These pre 2000 proceeds grew on a continual annual basis despite a recession during the 1990/91 period. The long term Dow chart has quite a few ominous circles and arrows. The major takeaway is the gap that exists between the current approximate 26,000 DOW level and the 50 month and 200 month averages. It is easy to see how the 50 and 200 moving averages act as support levels and how markets eventually will return to those levels. The current gaps of 24.50% for the 50 month and the 48.93% for the 200 month represent the downside risk from today's DOW level. The RSI and TSI supporting charts above, along with several other diverging technical indicators, are showing us that the decline has begun.

FUNDAMENTAL

The idea for these receipts vs. market level comparisons came from a Zero Hedge interview with Mike and his excerpt is attached to your email. For some time now I have mentioned that the wealth effect decline in economic activity will bring on a recession when the market declines. Until doing research for this Weekly Report, I never focused on how serious the losses of government revenues are as a consequence of a bear market. If this revenue loss is a direct relationship to a declining market, and the chart history is showing that, then the US economy is in a very difficult position because of its twin deficits. The distinct possibility of a decline to the moving averages, along with the likely revenue loss, is enough to devastate our over leveraged economy. When this takes place then the likely occurrence will a declining dollar. The best hedge for that are our gold and silver holdings.

ASIDE

"When government - in pursuit of good intentions - tries to rearrange the economy, legislate morality, or help special interests, the cost come in inefficiency, lack of motivation, and loss of freedom. Government should be a referee, not an active player."
Milton Friedman

On Election Day we finished another government active player period. All of the good intended politicians are promising to improve our lives with the one exception of how are we going to pay for it! If Mike Maloney's estimate of 50 to 60% revenue loss analysis is correct (on email attachment) then government would be forced into refereeing as a bankruptcy referee.