Starboard Weekly Report Ending September 2, 2016
Charts of the Week

World Debt Analysis

	BY COUNTRY			BY INDIVIAL	
COUNTRY	Debt to GDP in domestic currency	Domestic Plus Trade Balance	Debt per capita	GDP per capita	Difference GDP to Debt
Argentina	39%	16%	$2,282	$22,600	$20,318
Australia	58%	101%	$52,596	$65,400	$12,804
Brazil	59%	32%	$1,608	$16,100	$14,492
Canada	101%	72%	$37,165	$45,600	$8,435
China	24%	4%	$1,195	$14,100	$12,905
England /UK	87%	265%	$146,244	$41,200	-$105,044
France	101%	206%	$86,317	$41,200	-$45,117
Germany	70%	141%	$68,720	$46,900	-$21,820
Greece	178%	193%	$47,636	$26,400	-$21,236
India	52%	22%	$46	$6,200	$6,154
Ireland	92%	783%	$43,621	$55,500	$11,879
Italy	140%	130%	$52,227	$35,700	-$16,527
Japan	253%	60%	$24,000	$38,100	$14,100
Mexico	46%	34%	$1,956	$17,500	$15,544
Portugal	135%	235%	$47,835	$27,800	-$20,035
Russia	17%	44%	$3,634	$25,400	$21,766
Saudi Arabia	12%	27%	$3,176	$53,600	$50,424
South Korea	34%	29%	$7,567	$36,500	$28,933
Spain	116%	147%	$52,045	$34,800	-$17,245
USA	74%	100%	$60,340	$55,800	-$4,540
Average	84%	132%	$37,011	$35,320	-$1,691

The spread sheet above was prepared by me from information gathered on internet debt sites and was done for us to look at individual country's effects of world debt. There have been numerous articles written this week on the sorry state of debt; especially the negative interest rate variety. Bill Gross, formally of PIMCO fame, was carping on how capitalism cannot exist on negative returns. The Wall St Journal's assistant editor, James Freeman, ran an editorial article September 1st titled "The 5000-Year Government Debt Bubble". He concluded his opinion column with: *"Investors are left with the hope that today's central bankers have achieved a wisdom somehow eluded other policy makers for 5,000 years"*.

TECHNICAL

The first two columns look at a country's ability to handle their debt load by comparing debt to Gross Domestic Product (GDP). The first column is debt to GDP while the second adds foreign obligations; i.e., exports over imports. Japan is a good study of the effects of exports over imports versus having a huge debt to GDP. However, since they export more than import, they have a lower overall debt to total output. We are the opposite due to our trade status representing the world's reserve currency. The really alarming part of this analysis is the position of European debt versus their various GDP's. Although Greece has gotten a great deal of press over their debt, Great Britain appears to be in a more precarious position. The second half of the analysis looks at how debt impacts a country based on its population and income (determined by dividing the population by the GDP of the country). The last column looks at the positive or negative position of individual's income compared to debt. This is what we can relate to in our own households. England has a shortfall of $105,000 which is staggering, especially when we consider the potential ramifications of BREXIT. The only way that the countries in deficit can improve would be to grow their way out of debt. Unfortunately, that very debt is keeping them from accomplishing that objective. World bankers and politicians refuse to recognize that the real problem they are creating in the name of growth is more government debt. Common sense dictates that overextended balance sheets cannot grow from more debt.

FUNDAMENTAL

So you might ask yourself: how does all this impact me? Frivolous debt is risk that is especially risky to currencies. It also impedes growth, which is necessary to reduce the indebted mess we find ourselves in. The one favorable thing it continues to do is drive stock prices higher due to the lack of competition from bond returns. The longer stock prices continue to be manipulated by central bankers through low interest rates, without real economic growth, the worst the bubble will be when it finally bursts. Another way it impacts all of us was recently present at the Jackson Hole central bank meeting. It was blatantly obvious that they do not have a clue how to solve the debt problem because Chairperson Yellen's "Tool Kit" speech was full of the same garbage about raising rates based on improved employment. The US media equivalent of Pravda that covered the event continued to report about the FED's magic formula without challenging its lack of results.

ASIDE

The following movie quote from 1977's Annie Hall was part of an email from Epsilon Theory author W. Ben Hunt, Ph.D. (Chief Risk Officer of Salient Partners, L.P.) ***"****This guy goes to a psychiatrist and says, 'Doc, my brother's crazy; he thinks he's a chicken.' And the doctor says, 'Well, why don't you turn him in?' The guy says, 'I would, but I need the eggs.' Well, I guess that's pretty much how I feel about relationships; y'know, they're totally irrational, and crazy, and absurd... but, I guess we keep going through it because most of us... need the eggs."* Ben Hunt also says in his email: *"We're all passengers in the backseat of the FED-driven car and we all suspect that our drivers might be high-functioning lunatics and we're all terrified about what they might do next… but, we need the eggs."*

Wall Street continues to want the eggs... when this changes, the market will be scrambled."