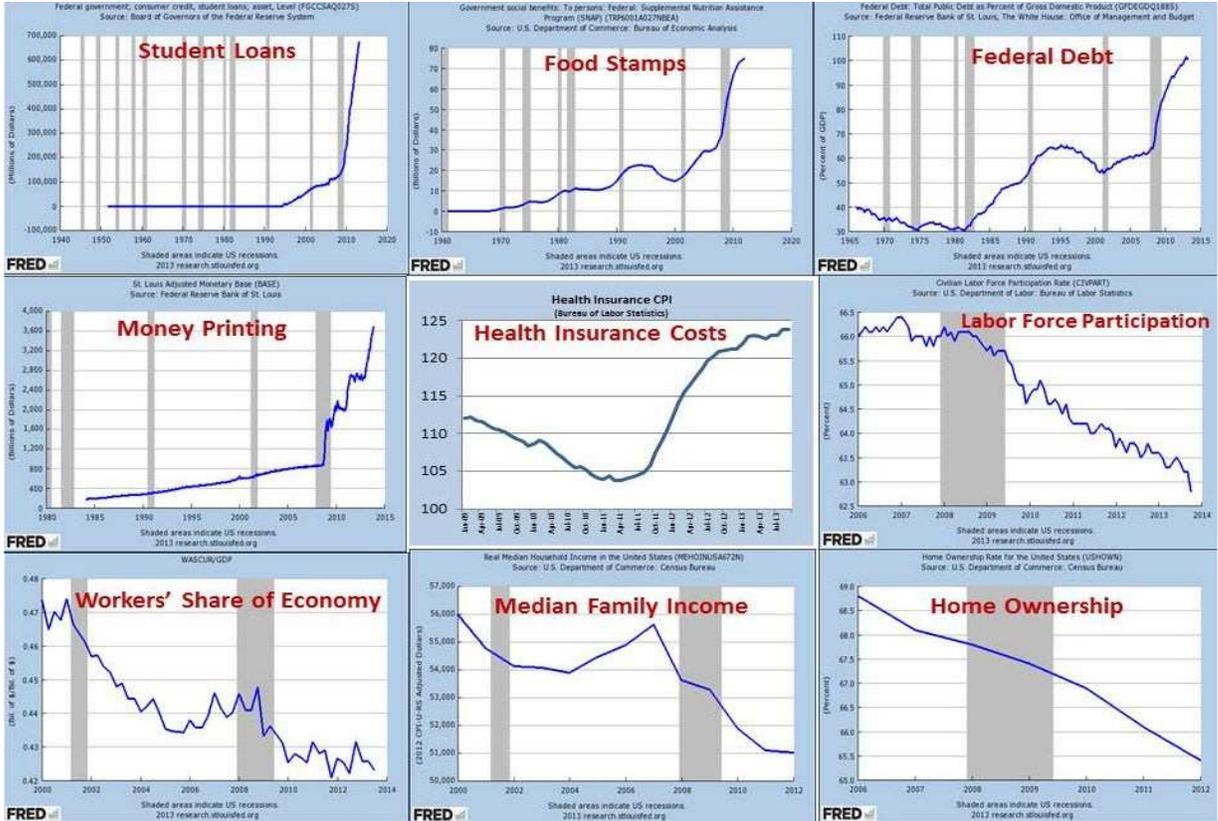




Starboard Weekly Report Ending December 2, 2016 Charts of the Week



President-elect Trump's geographic sweep exceeded 85% of the more than 3,000 U.S. voting counties.

TECHNICAL

The source for the top 9 charts, FRED, is from the Federal Reserve Bank in St. Louis. The ominous depictions are not something drummed up from a conspiracy web site but are actual government statistics. The top 9 charts were responsible for producing the bottom map depicting Trump's landslide election results. Even though the press withheld this type of readily available information, it was still realized by the American electorate. These are very daunting charts and confirm what I have been railing about for years now in this letter; i.e., debt stimulated economic growth. The common confirming theme in these graphs is deficit borrowing, along with an ill-conceived health insurance plan. New government debt paid for the student loans and food stamps, as shown in charts 1 and 2. Money printing is quantitative easing (or another form of debt as shown on chart 4) and it drove down interest rates. Rather than additional borrowing, the government just kept creating money through the Federal Reserve Bank. A great deal of that money found its way into the stock market instead of job producing activity. This also created the decline in workers' share of the economy (chart 7) while benefiting stock owning management.

FUNDAMENTAL

"It is the economy stupid". James Carville's advice to former President Clinton goes a long way toward explaining the surprise Trump victory. The American people vote their pocketbook. And as these 9 charts demonstrate, the current administration did a poor job of macroeconomic management. These charts are history and how successful our new president will be in reversing them will go a long way toward determining the future performance of markets. Economically, I am not impressed with Trump's choice for Treasury Secretary because Mnuchin is a Goldman Sachs alum and that denotes a status quo mindset. It is too early to pass judgment, but Wall Street and Government Sachs (as they are jokingly referred to) have their fingerprints all over this week's charts. Changing the direction of the above charts will be the crucial difference between Trump's re-election and or a shift back to a government controlled economy. These changes will take time, so the current market reaction is just noise.

ASIDE

"Elections have consequences". Scott Walker

The recent market movement of stocks, bonds and gold is only on speculation and not on consequence. The consequences of this election will be determined if and when the 9 charts listed above can be reversed.

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