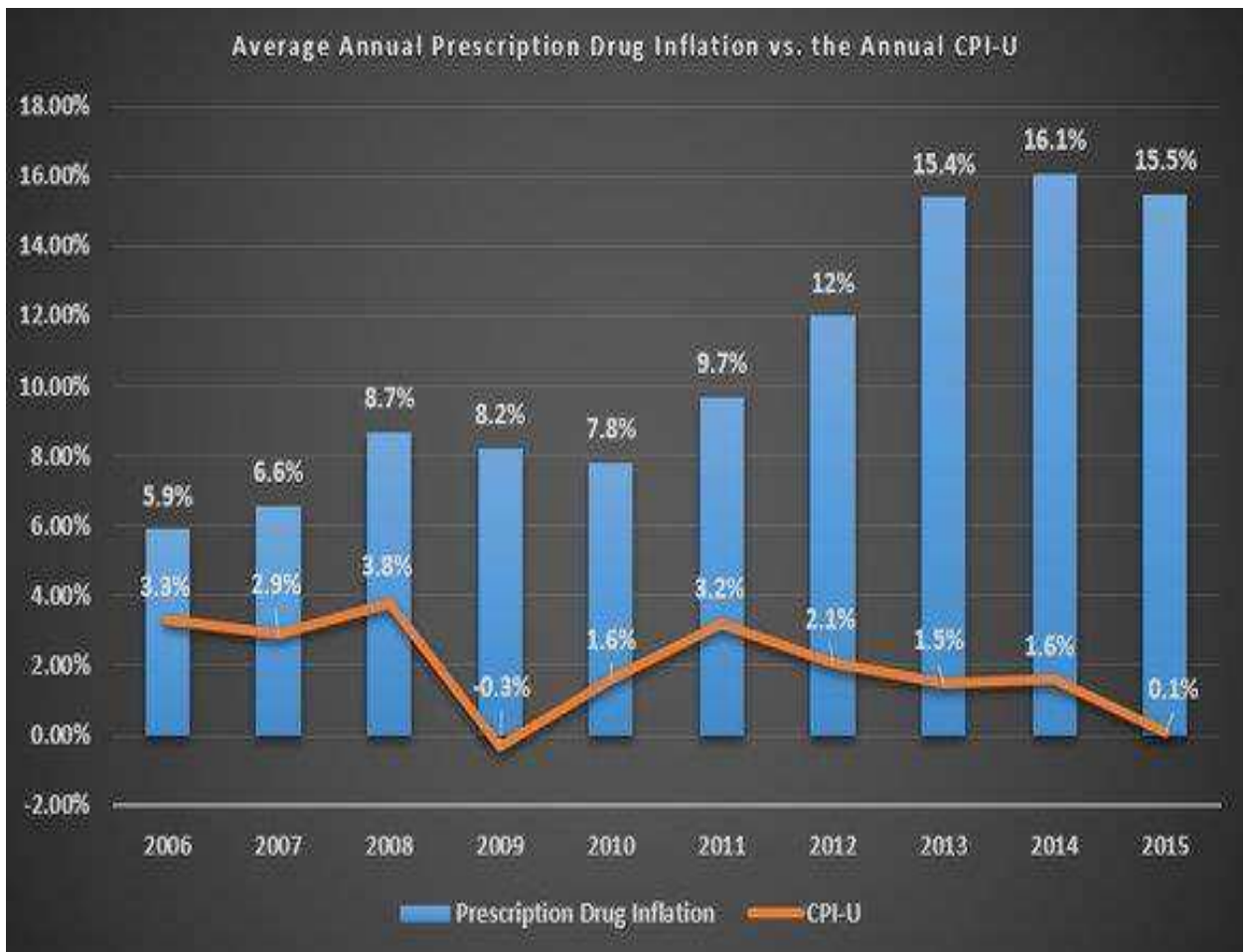


Starboard Weekly Report Ending May 5, 2017
Charts of the Week



This disturbing chart is an internet commentary from The Motley Fool and it is our lead article this week. It refutes all laws of supply and demand and it is a major inflation item that is somehow disguised within the CPI readings.

TECHNICAL

Charts are historic depictions of supply and demand. However, this picture is greatly distorted. While the CPI is declining, prescription drug costs are rising at ridiculous inflationary levels. This is a great example of how the Bureau of Labor Statics (BLS), who is the producer of government inflation figures, holds back real data from the consumer. When the BLS tells us there is little or no inflation (actually 1.7%), I always scratch my head and wonder where their information comes from. We all know that our country's food, medical and education cost are rising in the double digits. A possible explanation for the rise in prescription drugs is that they assume that only 1.25% of the average budget is spent on drugs. If you use such a low budget figure rather than a realistic one then BLS can fudge the real effect on inflation. Years ago when energy prices were rising, the BLS decided to exclude them from the inflation numbers. They also came up with some crazy formula to calculate housing costs based on rents in order to conceal the inflationary effect.

FUNDAMENTAL

This tirade has a great deal to do with why we own gold. We all know that there is inflation, although it is concealed in statistics by the government. This is just another reason that gold is outstanding politician insurance. Another economic effect of this inflation would be the demographic effect of higher drug cost on the baby boomer generation as they are the largest user of pharmaceuticals. As drug inflation hits them they will spend less on other consumer items; such as the lost revenue announcement this week by Proctor Gamble and Pepsi. There is no greater example of greed in our economy than what is happening in the Pharma industry and it is the type of crony capitalism that takes place at market tops. It is worse than the housing greed that ended the last cycle and at least that didn't kill people like this voracity is doing to those who can't meet payment for needed drugs.

ASIDE

"There are three kinds of lies: lies, damned lies, and statistics." British Prime Minister Benjamin Disraeli

Keep this quote in mind when reading how the new growth from tax cuts will not affect the deficit. It would also be useful framework to apply to the next FED announcement.

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