Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: **Michael Oliver**
Momentum Structural Analysis

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Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. Joining me once again on today's program is the Founder of Momentum Structural Analysis, Mr. Michael Oliver. Michael is a very, very bright market analyst. He recently published some terrific research I'm going to talk to him about, and Michael, welcome back to the program.

Michael Oliver:

Great to be back, Dennis.

Dennis Tubbergen:

So, Michael, for our listeners maybe that it's been about four months or so since you've been on the program, give us just a little bit of background and what does MSA do?

Michael Oliver:

Well, we're technical analysts, but we analyze markets, all major asset categories. It's a stock market, bond markets, commodities and foreign exchange, and especially with an emphasis on gold lately, but we don't just look at price charts. Most technicians reference price charts. We look at them, but we usually measure price in relation to certain moving averages. And by that I don't mean we overlay the average on the price chart and if it crosses, it's important or not important, because it usually is not important. We oscillate price versus a moving average. We end up with a momentum oscillator, okay? And it'll create a technical trend Vista that you could look at just like a price chart that often will be divergent from price. In other words, it'll tell you something different than price is telling you. It might indicate oncoming weakness or oncoming strength well before price indicates the same.

Michael Oliver:

So, we like it. We think it's a more valid way of technical analysis and we tend to emphasize longer-term stuff. We're not in there for short term day traders and stuff like that, but we tend to look at investment grade particularly, and we think we're right now... I've been in the market since 1975 when gold was legalized.

Michael Oliver:

I worked for EF Hutton in New York, their headquarters. And so, almost 50 years and I don't think we've ever been in a market situation across asset categories, not just one more, not just stock market, but commodity stocks, bonds, foreign exchange that we're in now. This is the most dangerous, yet opportunistic situation that any investor has ever faced. And some things it's going to be dangerous. Others it's going to be highly rewarding. And I think at the center of this vortex of activity that's about to erupt in big ways and it's only begun are the central banks. And I think they have created a situation over the past decades, especially over the last dozen years, that portents very violent market action and major directional movement. So, people who are retired and have assets to either want to grow or protect, this is a time to pay a lot of attention what's going on. This is not just some normal market activity, a minor recession or something like that. There's big stuff going on here.

Dennis Tubbergen:

So, Michael let's jump in because I want to talk about your report and for anybody who would like to learn more about Michael's work, you can go to OliverMSA.com. That's O-L-I-V-E-R-M-S-A.com. Michael talk about gold prices. Gold prices don't seem to be behaving in the minds of many people the way they should be behaving with the level of inflation that we have. What's your take?

Michael Oliver:

Well, we totally disagree with that. First of all, the definition of inflation is properly used as commodity inflation. In words, if you don't have commodity prices going up, you ain't got inflation. Well, that's totally untrue. Inflation is the increase in the money supply. And if you go to the St. Louis Fed website and just type in M2 and you'll get a chart and we sent that chart out today for education of our subscribers to inform them that we totally disagree with the popular notion, which by the way was in The Wall Street Journal today. There was a big article on gold and that this notion was presented that how come gold is not going up when commodities are going up? Well, it doesn't correlate to commodities. We show a chart going back to 1999, for example, and gold made a major low then in the 250 area and since, it's gotten up to 2000, okay?

Michael Oliver:

And then we overlay a Bloomberg Commodity Index chart during that same period and there's zero correlation between the two price charts. In other words, the Bloomberg Commodity Index is way below its 2008, 2011 highs. And it's really more in the lower half of that past 20 plus year range, whereas gold has gone from the left lower corner of its chart to the upper right corner of its chart. So, the two don't correlate. And in fact, if you go back to the 2008 period, if you recall, it was a sharp drop in the S&P in October of 2008, a year after it already made its high. And at that point, gold had a brief join in selloff with the stock market, but then turned and went from low under 700 to 1900 plus in the next two years, 2009... Next three years, excuse me, 2009, '10 and '11. So, it went up vertically.

Michael Oliver:

During that same time, commodities were a waste. In fact, they went down. So, there was no correlation in that last major move in gold and commodity direction. And if you look at the recent move, gold went from below in late 2015 to a high in the summer of 2020 that doubled its price from 1050 to 2100. Most of that move and much of that move occurred between a March 2020 price low, just above 1400, to 2100, 2070, actually in summer of 2020. Okay, now we're talking August of 2020 gold made its high for that surge. Commodities were still in the hole at that point, didn't even turn up until October 2020. And we put out a report saying there's going to be a commodity explosion. What happened for gold during that time? Since the summer of 2020 is it is pulled back several times to the same essential level, under 1700, while commodities have gone straight up.

Michael Oliver:

There's no correlation between them. The correlation is when you look at a money supply chart and a gold chart, and you go back to 1975 when gold was legalized, and you'll see that gold has had a 20-fold upward move. And M2 has had a 20-fold upward move. There's your correlation. So, when you want to talk about inflation, talk about money supply because quite often the money they print, the easy credit they create doesn't go into commodities. It often goes into stocks or real estate. Such as between 2009 and 2021, it went entirely into the stock market. That's where investors put that cash flow, that river flow of liquidity. They don't always do that. Sometimes they put it in commodities, which is what we've seen this year. The commodities have gone up while the stocks have gone down. So anyway, but the gold correlation to commodities is not good and it's a mistake to think about it that way.

Dennis Tubbergen:

And Michael, before we jumped on, you had mentioned that you'd be glad to send out a sample report to the listeners and if you want to go to OliverMSA.com and request a sample report, you'll get a look at what Michael's talking about. So, Michael, what is your forecast for gold moving ahead?

Michael Oliver:

I think the real test right now is we measure the decline that we've seen since the March high. By the way, gold is right now down on the year $100. Well, that's about five, 6%. That's much less down on the year than most asset categories around the world. Stock market is down much more than that, Nasdaq-100 much more than that. Muni bonds, high yield corporate debt down much more than that. So, gold is actually performing better year to date. Okay.

Michael Oliver:

The question right now, everybody is assuming, even afraid gold bulls, the gold's going to blow out the price range lows of the last couple years, which was 1673 in March of 2021 last year. Also, in August of last year, there was a sell off that got down under 17, down to 1670 something and held. And two weeks ago, gold got down to 1678 and turned up again.

Michael Oliver:

The question is, is that set of price chart loads going to be blown out as everybody thinks it will be, in which case all devastation will occur? Or even if it does, I'm quoting them, no. Not my view. If even if we do break that low and create a spike downside move in gold, which I think the bears better do it like yesterday, okay? They better get it going right now.

Dennis Tubbergen:

Hurry it up. Yeah.

Michael Oliver:

Now they're going to do it this month or early next, or they're not going to do it. And I think that would surprise more investors than if gold did break down through those lows to create a spike, that if it didn't and frankly our metrics show that what I just said is that is the bears, if you're a bear, you better break those lows soon because most of the metrics we look at say this thing's ripe to turn up. Now, whether it makes a spike low in the low 1600s first, or whether it doesn't, which would be a big surprise to most investors, and sometimes the big surprise to most investors is what happens, okay?

Michael Oliver:

So, we're on the fence right now. We're measuring gold for the upturn. We provide numbers every week to our subscribers, what numbers we need to see to be fairly convinced of the upturn underway. And I suspect it's going to happen soon.

Michael Oliver:

And then the other question is, well, where's gold going to go? I can't project how high gold might go because we're facing a crisis, as I said, that when this bubble on the stock market comes undone, like no other bubble in

US stock market history in terms of how high it went over a period of time, the real-world effects impact of that. The metrics, this so-called, quote, data points that the Fed looks at are going to go disastrous.

Michael Oliver:

And therefore, the question is, is the Fed really going to maintain a tough policy or are they suddenly going to get marshmallowy here? And it'll be very interesting to see their statement tomorrow after they raise three quarters of a point, which is a general consensus, whether they say we're going to get data sensitive again, meaning we're going to sit on our hands because we see cross currents here. You bet you do. The cross currents are very negative and they're going to get worse and worse. Most of those data points are much delayed to real reality out there.

Michael Oliver:

So, then the question is, okay, well, what does gold do with that? Well, it means the money supply ain't going to quit growing. Therefore, monetary inflation is going to continue, in which case that correlation will continue.

Dennis Tubbergen:

Well, Michael, we've got about a minute left in this segment. Would you say that silver will follow gold?

Michael Oliver:

Yep. Silver is a nasty wild child, just like the gold miners are. They have broken down below the March 2021 reaction low, it was around 21 and a half on silver and for most of the gold mining ETFs, they made a low similarly and they've since over the last few months broken below that, whereas gold has not. So, mama hasn't broken the obvious price chart level, whereas the miners in silver have had a tantrum. Now, if gold is not going to actually go into a big bear market, which so many people think, and we don't, instead it's going to fool people and it's focused on the Fed, not commodity prices, then these other guys, the babies, the children, the silver and the gold miners, which are vastly oversold right now, are at slingshot opportunity levels, regardless of how negative the price charts look on those markets. Most of the momentum charts we're watching say they are vastly oversold, and they could vortex out of here. The question is watch gold because if gold turns, they will turn, but they'll turn like slingshots. Why? Because they're far more oversold than gold is.

Dennis Tubbergen:

Well, my guest today is Mr. Michael Oliver. You can learn more about his work at OliverMSA.com. You can also request some sample reports, which they'll be glad to send you. I'll continue my conversation with Michael when RLA Radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen. You are listening to RLA Radio. My guest today is the Founder of Momentum Structural Analysis, Mr. Michael Oliver. You can learn more about Michael's work at OliverMSA.com and Michael, in the last segment, you said something that I made a note of because I wanted to be sure to ask you about it when we got to this second segment, and you said that if this bubble in stocks starts to unwind or maybe you said when it starts to unwind, the consequences are going to be devastating. I know I'm paraphrasing you, but I'm sure there are listeners out there saying, "Wait a minute, stocks are down 20% year to date. Are you saying this bubble has further to go?" What would you say to them?

Michael Oliver:

I think it's just begun, and we got bearish on the Nasdaq-100 as of January's close of this year, well above current prices, and on S&P's February close of this year. They both broke, not in price, but on our annual momentum studies broke massive support structures indicating the onset of a bear market. We're not measuring them week to week, month to month. This is annual momentum. So, we're talking about a 12 year plus bull market that went vertical on the S&P, sevenfold increase due to monetary policy and credit and 16-fold increase in the Nasdaq-100. Those sort of bull markets you've never seen in the history of the United... The 1923 through 1929 bull market in the Dow, the dot-com quote bubble that peaked in 2000, or let's say the real estate, primarily real estate and financial bubble that peaked in 2007 and all followed by bear markets were emotional and economic wipe outs for many people on the other side of those events.

Michael Oliver:

Those were bear trends. They generally last a couple years. They don't last six months, okay? Normal bear market is of that type. And we expect this to last another couple of years. We think it has only just begun. We think rallies are for selling. We thought that this rally would sustain longer than prior rallies we've had this year, most of which on the S&P, if you go back and look, were two to three, four-week spikes upside, and then they collapse again. The longest one was four weeks. We're now into the sixth week. Pardon me, I think we're into the seventh week since the recent lows. So, this one is older, and we thought it would last longer and therefore convinced more people that, "Oh, this one's different." It's not. It's just going to sustain a little longer.

Michael Oliver:

It wasn't that potent in price actually and we think there may be some more upside, but it's not important from an investment point of view. The major thing to take away from our work and we'd be happy to provide some recent reports that explain the full context here is that these are massive bubbles created by central bank largesse that lasted longer than any other liquidity flows and credit at effectively zero interest rates for years. They created a bubble in an asset category, narrowly in certain bonds in US stock market primarily, even more so than European or Japanese markets. They didn't have anything like what we've had. So, when it comes unwound and the errors are exposed, errors of economic judgements, investment judgements that people, corporations make, when those errors are exposed and you start to unfold, the unraveling will be deep and prolonged. It will not be brief.

Michael Oliver:

And so, we have a very negative view of not just the stock market, but the economic consequences that will follow it. Already Bank of America, we'll go with them as opposed to the Federal Government, thinks we're already in the second quarter of recession, period. We fully agree. And we think the data points that are lagged to reality that the Fed likes to watch, like unemployment and so forth, will suddenly begin to show that evidence. Again, lagged reality.

Michael Oliver:

What's going on in Europe is we're not unattached to Europe and Japan. We're all part of the same economy. We're a global economy. We're even connected to China. So, what happens to them affects us. Well, Europe is already in a recession and with the energy crisis they're facing, which is also going to start to pinch us this winter, I think, with natural gas, their natural gas crisis is going to shut their economies down even more so and if you don't think that's going to have an effect on us, you're in another world.

Michael Oliver:

So, the depth of the economic reality of this downturn will begin to show in the data points. The stock market led the way as it usually does, and then the data points follow and the important takeaway from all that is whenever this has happened before, what has the central bank done? They've gone the other way. And so, the Fed in their effort to quote, break commodity inflation, and really what they broke is the stock price inflation trend the prior dozen years with their pin brick over the bubble, is they've generated a downturn that will show itself an economic reality in ways that they have to come back and do their job the other way, which is to say support essential bond markets, community bonds, corporate bonds, US government bonds, and try to support the stock market.

Michael Oliver:

And that means that money supply growth is going to go up again, continue up, which is gold's main parallel universe is the money growth, and it's going to impact many investments in different ways, but in major ways. So, I think we're in a situation now that is unique historically. It's going to be major and many of the wave effects of that market situation have yet to hit reality in terms of our everyday life. And when they do, that's when all kinds of things can happen-

Dennis Tubbergen:

So, Michael, do you see asset prices like stocks and real estate declining while we see consumer price, consumer items and energy cost rising? I mean, are you looking for-

Michael Oliver:

That can easily happen. It happened in the quote stagflation of the late '70s, which is a term economist had to invent because they didn't understand what was going on. They didn't realize that inflation is really monetary growth and it happened at that time where commodities had been cheap, and gold was down to $103 after having hit 200 in 1975. So, 1976, it was down to 103. And what did it do? It went up to 850 between 1976 and 1980. Not because the stock market went up. No. The stock market was a wasteland. Nobody made any money there. It was up and down, going nowhere, but commodities then followed gold up and gold peaked first early in 1980 and commodities late in 1980. Again, gold was the leader. And the issue was what does the government do when they face economic downturn?

Michael Oliver:

Well, they had one then, and they tried to stimulate, but the stimulus went where? Not into the stock market. Investors put it into gold and put it into commodities, primarily gold and silver. And I think that's what we're facing again here. And I think smart investors like Ray Dalio, I quote him, about six months ago said, "Quit looking at the price of your stock. Pay attention to the underlying value of your money." Meaning it's being degraded rapidly. And therefore, look for things that protect you from that degradation and gold is one that historically does.

Dennis Tubbergen:

So, Michael, how and when might this degradation, to use that term, stop in your view?

Michael Oliver:

You mean the stock market or the-

Dennis Tubbergen:

Just the currency being devalued. I mean-

Michael Oliver:

Well, I think that this is a futuristic type of chaos theory review. It wouldn't surprise me in the next five years you don't have a federal reserve anymore. And by that, I mean, the Federal Reserve's not been here forever. It's been around 100 years. There're some humans who have been around as long as that, okay? It's 100 years ago. And ever since they've been here, boom bust cycles have occurred. They've been smaller than the one we've just had, the boom, but they're always created by a central bank stimulating, and then having to regret that they did. And then when it starts to bust, then they have to come back and stimulate again. It's an ongoing process.

Michael Oliver:

And the problem now is they've created a bubble that's so big that when it breaks, the real-world impact, the metrics that they quote data points, will force them to go back to what they do well, which is print, print, print, buy government bonds by printing money and to support the government. I mean, you could have a real tax problem next year. This past year there's a lot of capital gains tax paid because that's 2021. It's when the market topped. All of a sudden, now you got a year where capital gains won't be an issue. That revenue ain't going to the government or to municipalities. So, the Fed's going to have to come in and defend these asset categories. And in the defense of that, they're going to have to do what? Use monetary flows and ease credit again, and also use their balance sheet aggressively.

Dennis Tubbergen:

Well, Michael, I for one, would be not disappointed to see the Fed end, but should that happen, do you see somewhere in the world that we go back to a gold exchange standard as far as currency?

Michael Oliver:

Absolutely. Yeah. In fact, it wouldn't surprise me if the Chinese do it first or somebody else does. I don't think we'll be the leader in that regard, but it would not surprise me to see some other major country issue a gold backed currency and it's suddenly become somewhat contagious because it seems to work once, they do it. We need something like that, where money is not fabricated overnight by the wishes of statists, but it's backed by something that can't be expanded overnight by will, such as gold. And I think that is highly likely to occur and I think there's probably already many economists out there, some of whom are already gold biased favored anyway, but others who aren't, who are realizing that this boom bust cycle thing is ongoing. Is it natural or is it synthetic, created by the policies of central banks?

Michael Oliver:

And I think they're making the connection now and realizing that uh-oh, that's where it's come from. And so, all it takes is a few intellectuals in the economic world saying, "Hey, this hasn't worked, guys. This has not worked." And they've just created the biggest bubble in history and now it's bursting. So, we can't do it again. We need something else. And I think there's a high likelihood that it wouldn't even surprise me that some states in the United States issue gold backed currencies of their own. I think Texas is already considering that, if I'm not mistaken. So, those sort of revolutionary actions in effect, again, revolts against fiat currencies are something to watch for. I think it's a likely reality to occur, especially as this crisis worsens where people look back and say, "We could have avoided this."

Dennis Tubbergen:

Yeah, for sure. Well, my guest today, Mr. Michael Oliver, the website is OliverMSA.com. If you go to the website, you can request some sample reports. And Michael has said he would be happy to send those out. And Michael, always a pleasure to have you on the program today, appreciate you joining us and love to have you back down the road.

Michael Oliver:

We will. Dennis, thank you very much.

Dennis Tubbergen:

We will return after these words.