Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Robert McHugh
TechnicalIndicatorIndex.com

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Dennis Tubbergen:

Welcome back to RLA Radio. I am your host, Dennis Tubbergen. Joining me on today's program once again as returning guest, Dr. Robert McHugh.

Dennis Tubbergen:

Bob is probably the hardest working technical analyst in the business. For longtime listeners, you know that Bob was on the program the first of the year, said that in his view, the highs were in, in the market. Certainly, that has turned out to be the case. I wanted to have Bob back for an update and welcome back to the program, Bob.

Dr. Robert McHugh:

Thanks, Dennis. Great to be here again.

Dennis Tubbergen:

Bob, your insights in January, when you were on saying that it was your view the market tops were in, that we were likely going to see more downside, certainly has been the case. For our listeners maybe that aren't familiar with the nature of your work, could you just give them a bit of a primer?

Dr. Robert McHugh:

Sure. It's a technical analysis of stocks, the stock market and any other market, really, gold, oil, currencies, et cetera. It uses a theory that human behavior drives future prices and that the collective psyche of all mankind has all knowledge that's available to the planet on the planet. So, in collection, their group psychology will drive future prices in markets.

Dr. Robert McHugh:

In this science, we have patterns and wave mappings and indicators that measure the group psychology going on at any one time and provide the forecast for where prices are headed next in the different markets. Essentially, it's the markets themselves telling us where they're headed next. There's a language. There's a language with the market that tell us where they're going next.

Dr. Robert McHugh:

That's a kind of a different approach to market forecasting than fundamental analysis, which is the traditional earnings came in at this level and, therefore, the prognosis is the stock or this market will go up or down. We look at that more as that historical information or that some of the events that happen, the news events that happen, come after the technical analysis picture has already forecast the direction of prices and the events just fulfill what the technical forecast was expecting all along.

Dennis Tubbergen:

Bob, when you were on about five months ago and you suggested the markets would go lower, which is exactly what's happened, fill us in a bit as to, you mentioned there's language, fill us in a bit as to what you were seeing at that time and what led you to make that call.

Dr. Robert McHugh:

Yeah. The pattern that stuck out the most was, well, two patterns, one was a long-term rising bearish wedge pattern and there was another pattern that was a little bit shorter term, but actually was pretty long term. It's from 2017, which is a jaws of death pattern or megaphone top pattern. These are very highly reliable patterns and when they're completed, the direction of these markets always goes down, almost always.

Dr. Robert McHugh:

I did, in my book, a full analysis of what I call a jaws of death pattern, which is a megaphone broadening top pattern. I showed demonstrations over the last 100 years of, I don't know, eight or nine separate situations, which led to great recessions, recessions and depressions, and we had another one of these complete for the end of last year.

Dr. Robert McHugh:

So based on the history and the reliability of this pattern, it was easy for me to just simply read it and say, okay, the markets are headed down hard now. I don't know why. I don't know what news events are going to come. I'm not sure what's going to particularly scare people down, but the market knows, and the group psychology knows there were some bad stuff coming.

Dr. Robert McHugh:

Then shortly after the first of the year, the Russian invasion of Ukraine happened, shortages became very prevalent among people, and then the inflation numbers went through the roof, which we kind of sensed was happening at the end of last year anyway. But finally, the labor department, the commerce department finally fessed up and said yeah, it's pretty bad inflation scenario out here right now. So, it was technical analysis knew there was going to be problems, knew this thing was headed down. It just didn't provide us with the specifics as to what will be the causal factors why it's going down.

Dennis Tubbergen:

Well, for our listeners that would like to learn more, Bob's website is technicalindicatorindex.com. The website again is technicalindicatorindex.com.

Dennis Tubbergen:

Bob also has a platinum and silver trading service where he provides trades for anyone that might like to try to generate some additional income from their portfolio and we'll talk more about that momentarily.

Dennis Tubbergen:

Bob, given what you just said, what do you see now as far as stocks go for the near future?

Dr. Robert McHugh:

Well, these are very, very large patterns. I mean, the one rising bearish wedge is from 1986, the jaws of death pattern is from 2017, there's one in the S&P 500 that goes back much further than that so these are major, major patterns. This is a conclusion of a very long, long term, large bull market, which means that this coming bear market, developing bear market, which we're already in, has more to go.

Dr. Robert McHugh:

There'll be sharp rallies from time to time that's typical in a bear market, which it fools people to thinking things are getting better, things are okay, it'll be all right, but it's not done yet and it's just a setup. There's a saying the bear in the bear market, he doesn't want anybody to make money. He wants to fool the people that are pessimistic about the market and want to sell and the bear wants to take money out of people that are optimistic about the market. When bear markets happen, it's very, very difficult to navigate. And this one's a big one. This is very, very big. This is bigger than the great recession of 2008, 2009. This is almost as big. Actually, I shouldn't say that almost as big. It's bigger than the Great Depression of the 1930s if you look at the pattern sizes.

Dr. Robert McHugh:

So, there's a real potential here for continuous decline in the stock market with occasional respite breathing rallies, pauses like we have seen the last couple weeks here. That's normal, but the forecast I have is that over time... This is an orderly crash. This is an orderly stock market crash. I think it could go down 75% before it's over, maybe 80% based on the patterns. I'm not a seer. I don't have any gift here. It's just what the market's telling us off of these patterns that have been so reliable for so long. There'll be pauses. There'll be times where it's sideways and people kind of can catch their breath, but it'll be orderly as it has been. It's been an orderly crash since late November and early January in all the different major markets, stock markets. So that's a forecast we're seeing.

Dennis Tubbergen:

Well, Bob, when you say that this has the potential to be bigger than the Great Depression, I mean, that's a pretty ominous thought. And you mentioned 75 to 80%, I believe, at the time of the depression stocks might have dropped about 90%. So, you're saying we could see something very similar to what we saw, or what those around at the time saw, in the early 1930s.

Dr. Robert McHugh:

Yes. That's what I'm seeing based upon what the markets are telling us. Yep.

Dennis Tubbergen:

Bob, often when you have a traditional asset allocation program, so many people that have money in a 401k or an IRA, they have money in stocks. They have money in bonds, and there's an old rule of thumb that I never really heeded that says you should have approximately your age in bonds.

Dennis Tubbergen:

But this time around, I'm a bit skeptical that US treasuries are going to be a safe haven. What's your take?

Dr. Robert McHugh:

Yeah. I mean, you're right. It's very difficult to look for a safe haven. I don't think there is a safe haven anymore, per se. You have different options that have been traditionally safe havens, US treasuries, gold, sometimes the US dollar, but the problem that's mixed in here is inflation, hyperinflation so that's eating up the value of the dollar. As far as the US treasuries, how dependable that is, it depends on, are we going to end up in a war with Russia? Who knows what's happening next?

Dr. Robert McHugh:

Now is that maybe the best, most secure item? Possibly. But what if the government decides to do something strange and take your money from you? I don't know. We've seen such strange things in the last three years. The entire world was locked down, locked down, the entire world for a year.

That never happened before ever, all the way back to Adam and Eve. It never happened before.

Dr. Robert McHugh:

So, to say here that treasuries are safe, the government will honor their commitments, I don't know if we can say that. Everything's different now. There's a whole new paradigm of life right now and so we do the best we can with things we're familiar with, cash on hand and under the bed mattress and a safe somewhere. It might be important in case they limit your ability to go to the ATM and pull cash. Something that defends against inflation, gold generally does, although right now it's not really performing like that. As interest rates rise, a short-term US treasury is an option to your treasury possibly is a very interesting term to work with during this period of time.

Dr. Robert McHugh:

Trying to make additional income is another strategy. Find another way to make it. If you have a job, get a second way to generate income. Whether you're trading the market, or you got a second job or doing something online, some kind of online business, we all have to become creative now to try to make sure that we're going to be okay.

Dennis Tubbergen:

Bob, we've got just a little bit of time left in this segment so that would be a perfect opportunity for you to explain your platinum and silver trading services, if you'd be so kind.

Dr. Robert McHugh:

Sure. I mean, we came up with this back in 2011, the platinum program, which is basically a market timing tool to try to make money using a small amount of money relative to your whole portfolio and trade options when the market goes up or down and try to generate a net profit. The gains would be greater than any losses that come along the way. We'd like to try to target 75% wins, no more than 25% losses. We try to keep our limits invested very small. It's like if we have a whole portfolio of a million dollars, we want most of that in cash right now. But we'll put some in bonds, short term treasuries or something. We'll put some in gold. We'll put some in this speculate platinum program where we will try to generate additional income trading the market with a short, maybe 15% of our portfolio.

Dr. Robert McHugh:

For those that don't like options we have another segment, the silver program, which is where we try to make an additional income stream with an exchange rate fund trades. Again, we try to keep the amounts limited, it's speculative. There are losses, but as long as the gains are greater in the losses, we're in good shape. I mean, so far this year, we've made $120,000 on an average investment, about $10,000 in five months. It's been a very good year. We've played the market to go down and we've done quite well. Some years it's not that glamorous. But we play to go up and down either way and it's just something to do to try to create a little extra income for the household.

Dennis Tubbergen:

Well, I'm chatting today with Dr. Robert McHugh. His website is technicalindicatorindex.com. I will be back and continue my conversation with Bob after these words. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen. You are listening to RLA Radio. I'm chatting today with Dr. Robert McHugh. Bob is the host of the website technicalindicatorindex.com. I would encourage you to check out his work. He is, without a doubt, the hardest working technical analyst in the business.

Dennis Tubbergen:

Bob, I kind of like to pick up if we could where we left off, and this may be an odd question to ask someone who's a technical analyst, but when you look at the fundamentals of government spending, one of the things you mentioned in the last segment is that we have this inflation or hyperinflationary condition. Do you see that changing any time soon based on this massive deficit spending the government has, and really the Fed is indirectly monetizing that? So, I mean, aren't we on this course that's it's almost unlikely to reverse?

Dr. Robert McHugh:

Yeah. Starting back with the lockdown, the government in unison decided to pump all kinds of cash, money, dollars into the economy irresponsibly, actually. They were handing out money left and right with the COVID check payments, they've canceled student loan debt.

Dr. Robert McHugh:

Well, that money has to come from somewhere and look, what's happened is a little parlor game where the Fed would buy the treasuries from the government and then the Fed would print money and hand it over to the federal government. Then the federal government would issue new treasuries and the Fed would just buy them from the federal government and issue more money. So, there was a parlor game going between the Fed and the federal government. Then the federal government would take that cash that they were getting from the Fed, and they were spending outrageously on a lot of things, giving it out, so on. Some of it was needed, I understand. I'm not trying to be insensitive, but the bottom line is there was like six or $7 trillion that the Fed pumped into the US economy in about two years.

Dr. Robert McHugh:

That had never happened before. I mean, the most the Fed had raised its balance sheet, which is what happens when they pumped cash into the economy, was maybe half a trillion in a two or three-year-period or something. But they did seven trillion in two years. And what happened is it ended up creating, at least it was one causal factor, for hyperinflation that we see now.

Dr. Robert McHugh:

The other hot causal factor was shortages, a mysterious shortage of goods and products about everything, and I have yet to see a decent explanation for why the shortages have happened. And there's factories, they're open, people are working, yeah, the lockdown for a while had people not working anymore, but they're working and there's still these shortages and so with shortages becomes hyperinflation. There's aggregate demand, demand for products and services are greater than what's available. They have a shrinking supply, and this has created a massive hyperinflation, massive hyperinflation. It's serious danger of becoming an inflation expectation that will feed on itself and it'll never be able to get out from underneath it again.

Dennis Tubbergen:

Well, Bob, when you look at the Fed's policy, I mean a half-point rate hike, if you compare that to the action that Paul Volcker took back in 1980, basically raising interest rates to the point that we had real positive interest rates. I mean, in my view, you almost have to do something similar to the Volcker move to get inflation under control. And when you just do a little simple fourth-grade math and take a look at debt and deficits and how that gets financed, I don't think we can get there. What's your take?

Dr. Robert McHugh:

No, I agree. We can't get there. Look, the Fed has created this mess and now they're going to try to reverse it and they're making it even 10 times worse.

Dr. Robert McHugh:

The problem is there's shortages. The problem is supply. Aggregate supply is not adequate to meet aggregate demand and the Fed can only attack the demand side of the equation. It can't affect supply. So, their attempt right now, they're reversing course of the mistakes they made the last two years, they're now going to raise interest rates rapidly, half a percent they say periodically, they are now going to suck out about a trillion dollars a year from the economy that's going back into their coffers so that's a reduction, that's a contraction in the available money.

Dr. Robert McHugh:

All this, their attempt here, what they're trying to do is reduce wealth, reduce family household, business wealth, shrink demand by reducing the wealth, by wealth destruction, to shut down spending. That's their attempt to try to shut down inflation. They're working a dangerous side of the equation that's going to cause a depression. The answer has to be an increase in supply and they're not working that side of it. And I don't think the Federal government is, either.

Dennis Tubbergen:

Bob, if you think back to the '30s, which we talked about in the last segment, that was a deflationary timeframe. So, is it your view that at some point we get this crack up boom that Ludwig von Mises talked about, and we ultimately transition from this inflationary or hyperinflationary environment to something that's going to be severely deflationary?

Dr. Robert McHugh:

Yes. Yes, I do see that. This is a curve. We're up in a hyperinflation. The Fed is overreacting. Supply is not increasing. The government economic policies are not aimed at increasing supplies. So, what's going to happen is we're just going to land with wealth destruction, household and business wealth destruction, which is going to destroy the economy, destroy the stock market, and we've already lost 10 trillion in the stock market in the last six months. That number's never been produced, spoken about anywhere, 10 trillion, and that's household money. That's IRAs, that's 401ks. So yes, I think eventually when they get their orderly wealth destruction result, that'll lead to deflation and depression, unfortunately.

Dennis Tubbergen:

Bob, in the time we have left, I'd like to get your take on some markets, and you mentioned gold in the first segment.

Dennis Tubbergen:

Normally in an inflationary environment and casting aside the official consumer price index, we can all agree that the real inflation rate is certainly higher than that. What's your take on why gold hasn't performed the way maybe we would expect it to and where do you think it goes from here?

Dr. Robert McHugh:

Well, gold is, if you look at just a technical pattern, forget about the fundamentals for a minute, they're inside a cup-and-handle pattern, which is a bullish pattern, very bullish, extremely bullish, very long term, goes back to 2012 and they're in the final handle pattern. This handle pattern's been going on for two years and so technically once it's complete, there'll be a huge upside breakout in golds.

Dr. Robert McHugh:

Why it's not moving quicker to the hyperinflation we have? It could be because the dollar has strengthened. The dollar strengthening as the Fed is increasing interest rates, as they're pulling dollars out of the economy, that's strengthening the dollar a little bit. And it ties in versus what other international economies or countries are doing with their currencies. So the gold is definitely going to be a very long-term bullish play here. I have it going up to 3,000 a couple years from now, but right now we're just stuck in this sideways technical pattern of the cup and handle, the handle portion is the best way I can answer it.

Dennis Tubbergen:

Bob, when gold moves, do you expect silver will move lockstep with gold, or do you see something else there?

Dr. Robert McHugh:

Well, I think it will go lockstep with gold because in silver's case, what I have is a flag pattern and, again, same thing. They're in a consolidation phase and flag slide half-mast. It rose sharply into the flag. It's been consolidating for a couple years sideways to picture a pennant of a flag. Then once it completes, which is pretty close at hand, silver will also explode higher along with gold.

Dennis Tubbergen:

So, if your upside target on gold is $3,000 an ounce, do you have an upside target for silver?

Dr. Robert McHugh:

38.

Dennis Tubbergen:

So, pretty big move from here then.

Dr. Robert McHugh:

Yeah.

Dennis Tubbergen:

Do you have an opinion on the real estate market? Often when you see stocks decline or real estate decline, the other market, if stocks go off and real estate follows, what's your forecast for real estate here?

Dr. Robert McHugh:

Real estate's going to fall. It's going to drop. It's been hyperinflated, it's been nuts, actually. And the problem is as wealth destruction hits households and businesses, it's going to turn from a seller's market to a buyer's market and there's going to be a substantial drop in the value of housing and prices as people are forced to, if they want to move, sell their house, they're going to have to drop their prices because the buyers are losing the ability to qualify for mortgages. They're going to lose their cash that they've had, their investment values they've had on hand, their budgets are getting tighter. So this is going to follow. It'll follow the stock market. It's just delayed a little bit because it's a larger ticket item, it's a slower transaction to process, and so on. It's a bigger, bigger item, but I think it will follow the stock market down.

Dennis Tubbergen:

Well, I'm chatting today with Dr. Bob McHugh. His website is technicalindicatorindex.com. At that site, you can learn more about his platinum and silver trading service as well.

Dennis Tubbergen:

Bob, in the time we have left, we should talk a bit about oil and gas prices because hasn't really been reported widely, but we have seen many, many consecutive days of higher gas prices, many parts of the country now over $7 a gallon. I think JP Morgan came out and said that was going to be an average price. We see gas stations on the West Coast now adapting their pumps to have two digits in front of the decimal. Where do you see oil and gas going and how are those correlated?

Dr. Robert McHugh:

Yeah, I see the same thing. It's going to be hyperinflated oil. Oil's got other issues. It's got supply issues, too. Oil's a response to supply issues. It's a response to what's going on with international warfare. And in my book, I mentioned it that whenever we've had this broadening top, a megaphone, jaws of death pattern and a subsequent recession, there's always been a war that goes with it and oils going higher. I have right now, the oil is priced around $115 a barrel. And I have it going up to 200, at least $200 a barrel over the next several years. It's a shortage issue. It's going to be a situation that just isn't going to get any better.

Dennis Tubbergen:

So, if we're seeing at this point, roughly $5 gas, a little bit under that, we could be seeing $9 gas then is what you're saying.

Dr. Robert McHugh:

Yeah, I think we could see $10 gas, I do. $9 to $10 gas, I do. Maybe not right away, but it's coming.

Dennis Tubbergen:

Well, we are out of time. I hate to leave it on that note, but we will.

Dennis Tubbergen:

My guest today has been Dr. Robert McHugh. His website is technicalindicatorindex.com. Bob, I always get terrific feedback when you're on the program, appreciate you joining us today and I'd love to have you back maybe toward the end of the year for an update.

Dr. Robert McHugh:

Sounds great, Dennis. I really appreciate that and look forward to coming back again. Yep.

Dennis Tubbergen:

We will return after these words.