Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Charles Nenner
Charles Nenner Research Center

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me on today's program once again is returning guest Dr. Charles Nenner. Dr. Nenner has founded the Charles Nenner Research Center, he is a cycles expert, and his market analysis and forecasting has been uncannily accurate over the years. And Dr. Nenner, welcome back to the program, pleasure to speak with you again.

Dr. Charles Nenner:

Thank you, there's a lot to talk about.

Dennis Tubbergen:

There certainly is. So, Dr. Nenner, let's just get started, for our listeners maybe that are not familiar with your work, can you explain a bit about your background and what it is that you do?

Dr. Charles Nenner:

Yes, so I'm a medical doctor, actually, and I joined a group that, many years ago, talk about the early '80s, was doing research on the psychiatric problems all over the world, like when people become psychotic, and we found out that not only do they get in the same period, psychotic, doesn't matter if you were in New Zealand or in Timbuktu, but also at certain intervals. So, we could then predict when the next big inflow of psychotic patients would come. We were used to that, because when it's full moon, a lot of women give early birth, so you're going to have a lot of people in the hospital, and it's not exactly clear why, but that effect has occurred for over a hundred years. So, there's much more than, under the surface than we actually see, and that's how I started my research. So then I was watching in New York as a tourist, the CNBC program, financial program, and they had all kinds of theories as to why markets go up and down as well, that doesn't seem very much, you know, "Let's check this out."

Dr. Charles Nenner:

So, then I started to research it, and then I say, "Hey, things don't move at random. There are certain periods that markets go up and certain periods that markets go down, and even if a market goes up, it doesn't go up at random, you can calculate how high it goes up." So, I did everything by hand.

Dr. Charles Nenner:

And then by the mid-'80s there were better computers, so then everything was computerized, and then I started my year, my career at Merrill Lynch, and in the '90s I had my own firm in New York, and then I retired. And in 1997, I joined Goldman Sachs and I mostly was forecasting and, we call it market timing for the own investments of Goldman Sachs based on my system. Then later, when Obama didn't allow the own investments to be as big as they were before, because they were afraid that the market would collapse again after 2008, me and my partners and a lot of clients of Goldman Sachs left and I started my own firm, doing the same thing as I did for Goldman Sachs.

Dennis Tubbergen:

So, Dr. Nenner, you made a statement, "Markets don't move at random." I've had the pleasure of interviewing in the past Burton Malkiel, who wrote a book called A Random Walk Down Wall Street. He would very much disagree with that statement, so give our listeners your explanation. How did you conclude that markets don't move at random?

Dr. Charles Nenner:

Well, for instance, we were in zero stocks by the end of last year, because cycle topped. And then there were no signs of any top at the moment. Later it came, all kinds of ideas like Ukraine or whatever, and we're still in zero stocks. We have been out of the bond market for the last, I think it's already down 20, 25%, and I've been warning about people, "Don't stay in bonds, because the cycle is turning down," but since there was a bond market for 40 years, people fell asleep, and even the brokers had never seen a bear market in bonds. And it works for gold and currencies.

Dr. Charles Nenner:

Now, if somebody says there is, that things move at random, it's because he doesn't see the pattern. So, we give the exact dates on a weekly, monthly, and daily basis, we even have it to an inter-day so we can even say, "At quarter past two, the S&P will go up for two and a half hours," or, "Until the next morning at 9:00." I challenge him to look at our dates and our levels and then still think things don't move at random. It's the same story as the black swan theory, I forgot his name now, the gentleman who wrote the book about the black swan theory, he says, "Well, there are major occurrences that we don't know in advance, and they really have a big influence on the equity market." Well, the only thing I can say you don't know maybe in advance, it doesn't mean that they don't exist. It's the same thing, I still look sometimes at CNBC, that they say, "Well, Mr. Where, what is the next low on the Dow Jones?" And he says, "I don't know, but nobody knows."

Dr. Charles Nenner:

And I challenged him a couple of times, "Why don't you bring up people who know?" And if, at least they say exactly when and they can be proven wrong, but they have people saying nobody knows, then you educate the small investor that nobody knows, and that's why he's losing money. And that's why I always urge people, you have a free 30-day trial, and at least look that it's not at random, we know exactly what happens and when it happens.

Dennis Tubbergen:

Yeah, I'll urge the listeners, if you'd like to learn more, you can go to charlesnenner.com, that's charlesnenner.com. So, Dr. Nenner, would it be fair to say that cycles exist because human behavior is somewhat predictable, or at least the behavior of collective groups of humans tends to be predictable?

Dr. Charles Nenner:

Yes, they equalize each other out. So let me give one example, let's say you own IBM and you bought it at 100. And now it's 150, and IBM comes out with a great result. Now, will the stock go up or down? So that's an interesting thing. I mean, a lot of people got caught, which is why does the stock go down when the results are good? So, the explanation is if the cycle is up, then IBM has to go up, and the Wall Street Journal will write, "The results were excellent, and people poured in to buy IBM." So how does IBM go down? Well, if the results are very good, and the cycle now is down, then IBM goes down with results, and the Wall Street Journal will write, "The investor doesn't think IBM does better next year, and they took profit." So as long as you don't know what interpretation of the news is, the news is not even interesting for you.

Dr. Charles Nenner:

And the interpretation is, I should totally mention this now, it's totally, totally correct, it depends on mass psychology and mass psychology doesn't change. So, what you have to know is that when the mass psychology is positive and when it's negative, and when it starts to be negative, then people come up with anything that can bring down a market that was already there maybe half a year before, but nobody was worried, so they didn't even look at it. But once cycles are down, then they come up with anything that can go wrong, and then the market goes down, but the insiders already out a long time, because they understand it's not because of the news, it's because something else is going on.

Dennis Tubbergen:

So, Dr. Nenner, when you start looking at cycles for each market, you mentioned bonds, we could look at the S&P 500, we could look at Bitcoin. Are the cycles that exist in each market unique to each market, are the timeframes unique to each market? Fill our listeners in.

Dr. Charles Nenner:

Yeah, yeah, they're unique. We also do separate stocks, if they want to request, we can show them that the cycle topped exactly at the height of Facebook before it came down like $150. The cycle topped exactly on Netflix, it came down, I think, $500. When it topped, I don't know by heart, I think was around $600. Nobody knew that it would come down. The cycles knew it would come down, and half year later or maybe even a year later, the news comes out, and now everybody knows why it came down, but now it's too late. So that's the interesting, interesting thing with the study of cycles and the study of market behavior.

Dennis Tubbergen:

So, if you're going to analyze a particular market, and in the next segment I'll just tell the listeners, we're going to get Dr. Nenner's forecast for a number of different markets, including probably some of the assets you have in your IRAs and 401(k)s. But if you're going to, Dr. Nenner, go back and try to figure out cycles, I mean, without giving away the secret sauce, how do you go about that?

Dr. Charles Nenner:

Well, you can, when I did it by hand, I took a chart, let's say, of 100 years of Dow Jones, and then I look at major tops that, I'm just giving an example, right? That maybe was 30 years apart. But let's take a cycle of 100 years. There was a cycle in the 1907, a top, and there was a cycle top in 1807, and there was a top in 2007, and that gave away another secret. Every time a year ends in the number seven, you have a substantial market decline. Why this happens with the seven, that's a whole other story, but people can look it up. So, then you have, let's say, a cycle for 100 years, and then within the 100 years, you look at market tops and market bottoms, and you say, "Oh, every 12 years, there's a top, and every six years there's a bottom." And then within a six years you find the small top and you find a smaller cycle.

Dr. Charles Nenner:

And then if all the cycles top together, like they did right now, the beginning of the year, then you have a major down move. I showed to my subscribers that the cycles looked exactly the same as in 2008, so I said we're going to get at least the situation like we had in 2007-2008, and that's how you do the research.

Dr. Charles Nenner:

Now, the same thing happens if you look in today, it's very interesting, and my programs can look for intraday cycles, so it can tell you in the morning if the market was up and down, how many hours it goes up and how many points it goes up. So, it makes it a very secure way of investing and takes away all the emotion that mostly people have and that favors them by having a good result of investing.

Dennis Tubbergen:

So, Dr. Nenner, in the minute or so we have left in this segment, I'll tell the listeners you can get 30 days free and see Dr. Nenner's work firsthand, no cost, charlesnenner.com. Talk a little bit about what your work is. Do you tell people what to invest in, how to invest, or do you focus mainly on markets?

Dr. Charles Nenner:

Well, we do the different markets, but we make sure that we have always an excellent rate of return. So how were we positioned in this market? We were long UNG, that is following the natural gas, we were long USO, that's following the crude market, and we were short Bitcoin, and we had zero stock, still. We expect that there could be a small bounce now, but this down move goes much longer and much further. So, we tell them in which asset class to go. And for instance, we're looking now to start a new bull move in gold and silver. Not yet, it's not ready yet, but we know when it is ready, so we don't have to look every day what we think, we can really wait for a nice buying opportunity and just wait in cash like we are now until we see the gold and the silver cycles bottom, and then we can make a nice up move in metals.

Dennis Tubbergen:

Well, my guest today is Dr. Charles Nenner. You can learn more about his work at charlesnenner.com. I'll continue my conversation with Dr. Nenner when RLA Radio returns, stay with us.

Dennis Tubbergen:

You are listening to Retirement Lifestyle Advocates Radio, I'm your host Dennis Tubbergen. I have the pleasure of chatting today once again with Dr. Charles Nenner. He is the founder of the Charles Nenner research institute, you can learn more about his work at charlesnenner.com, and he's offering the listeners 30 days of his service for free. So, Charles, in this segment, let's jump in and talk a little bit about markets. You had mentioned in the last segment, and for our listeners that are just joining us, Dr. Nenner mentioned that he had been short Bitcoin. So, you were betting on a Bitcoin downturn, how much lower does it go from here, in your view?

Dr. Charles Nenner:

Well, we already went short on 65,000, and we had a target just above 25,000, which we hit. So, we're not short anymore, excuse me. The cycle is still down, so I don't tell people go long, the risk is still there. For the moment, there could be a small bounce, but it's not a place to be, the Bitcoin. The problem, right, is now there's actually nowhere to be. I think real estate is topping, I don't think so. I know because if you look at stocks that we follow like Toll Brothers or Lennar, it showed the same pattern in 2006-2007, they're already down like 25, 30%. And usually, the housing market follows one year later. So down market, it still could see a bounce, but it's not over, because the cycle that they follow is a 30-year cycle, and it just turned up, it means for 30 years we will have high interest rates and inflation, so that's going to be a big mess. And the longer-term cycle of the stock market is also down. The only thing that looks promising is the gold and silver market, but like I said, not yet.

Dr. Charles Nenner:

And it's very hard to know where to invest, and how to get a rate of return. Because I know the problem is that because of inflation, the buying power goes down if you're in cash. But we're still doing better in cash than in other assets.

Dennis Tubbergen:

Dr. Nenner, you just said something that I'm sure got the attention of many of our listeners. You said that we're going to have high inflation and high interest rates for 30 years. Can you explain?

Dr. Charles Nenner:

Well, there's a cycle, a cycle of 30 years, and it bottomed already. So, the disflationary cycle with low interest rates are finished. I get a bit upset by the fact that as well we look at the next results are coming out, they don't even understand about longer-term cycle, it's amazing to me, all the politicians and the press, nobody understands about longer-term cycle. It's not that there is a reason why we have some inflation, of course if the stock goes down, there's always a reason why a stock goes down, but that's usually not the real reason the market goes down, it goes down and we find the reason.

Dr. Charles Nenner:

So, inflation's going to go much higher, I think we'll go at least back to the situation in the '80s. I don't know if most of you listeners are remembering that or were born by that time, but that was a very difficult time, with very high interest rate and very high inflation. And why the cycle is 30 years, that again is one of the mystical things of nature, it's in the creation of nature. And again, if things move at random, you can never predict anything, and you will listen to the news next morning and try to make a decision, and if they don't move at random, then you have to check if the people who say it doesn't at random can prove that it doesn't move at random, and then it's very easy to invest.

Dr. Charles Nenner:

But the level of information that we get in the media is such that everybody's convinced that you don't know it, because like I said before, if they've got a pundit up and he doesn't know it, he says, "But actually, nobody knows." And again, I don't know why they get them to speak up if he doesn't know, they should bring in people who do know.

Dennis Tubbergen:

So, let's talk a little bit about real estate, you mentioned it in passing. Fundamentally speaking, we've seen an increase in interest rates, I think a 30-year mortgage began calendar year 2022 at about 2.75%, we're now up north of five at like 5.3%, fundamentally speaking that has to negatively impact the real estate market, and it sounds like your cycles are confirming that that will be the case.

Dr. Charles Nenner:

Yeah, on top of that, I think we're going at least into recession, maybe worse. So, the problem you lately have is that the GDP doesn't look good, and inflation is up, and the Fed doesn't really know what to do, they're much behind the curve, they're too late, and it's going to be a messy situation.

Dennis Tubbergen:

So, when you say recession, maybe worse, can you elaborate?

Dr. Charles Nenner:

Well, maybe worse, I mean that we had a situation that we had different Fed presidents who knew things were not going to end well, but they decided, "Not in my lifetime," so they kept interest rates low. Even in Europe now, I have some euros in the bank, and they are negative interest rate. That means is I have to pay for my money to be kept in the bank, costs me about a quarter of a percent. They're totally off, when inflation is also eight, 9%. They have no clue what they're doing, and you get to a situation that it cannot be fixed anymore. So that's why it's going to be a very bad situation. For years people said, "It's going to come, it's going to come," and cycles showed it's not going to come, but now it's going to come.

Dennis Tubbergen:

So, do you see a complete reset of the financial system, potentially?

Dr. Charles Nenner:

Well, I hear that word a lot, but I don't know exactly what it means. If you can help me out.

Dennis Tubbergen:

Yeah, let me be more specific. Do you see that the current banking system that exists in the United States will maybe move ... and around the world, will it move away from a fractionalized banking system, and will we move back to a currency system that maybe is based on gold and silver as opposed to fiat currencies?

Dr. Charles Nenner:

Well, then you get ... I calculated that if the world goes back to the gold standard, gold should be around 48,000 right now, so that would be a totally crazy situation. I don't think they're going to ... I really don't know how they think to solve the problem. I don't know what you do if you get in a recession and inflation starts ... My first next target is 12%. In a year, year and a half, we can go to 20%. What are you going to do? They had this problem before, and I don't know if you remember, they had to wait until Volcker, who was emotionally strong enough to say, "This is going to stop, I'm going to do something," and he broke the cycle.

Dr. Charles Nenner:

Now, the interesting thing is he broke the cycle exactly when it was supposed to break, so the question did he do something or not? So, the answer is that they voted somebody in like Volcker right on the time that the cycle had to churn. It's very interesting how these things go. Perhaps maybe you remember, we first had Carter, and it was followed by Reagan. And whatever Carter did went wrong, even when he tried to get people out of Iran, the helicopters collided and there was a big mess, and then came Reagan and everything went well. So why did Reagan was, how did he come to power? Because the cycle was turning up, and then people felt more positive, and that's why they didn't vote for the grumpy Carter, but they voted for somebody more positive like Reagan, and Reagan was lucky, because the cycle turned up. So according to me, whoever would've been president would've done well. Clinton had more or less the same situation on a cycle that was up. Biden is now in a cycle that is down, not that I think much of him, but on top of that, whatever he does is going to go wrong because the cycle is down.

Dennis Tubbergen:

So, let's talk about in the time we have left where you see stocks going, and the S&P 500, the Dow, any of the major indices. You said the cycle really topped at the beginning of the year. How low do we go here?

Dr. Charles Nenner:

Well, I think we can definitely go to 15,000 from the Dow Jones, and probably lower, and the cycle is down for another year and a half, maybe two years. Like I said, we're going to have some, probably have some upside to next couple of weeks, but then later in the year it will come down again, and talking fundamentally, not on cycles, but I don't pretend to know more about fundamentals than other people. Why would you own stocks if the profits of the companies go down, and inflation goes up, and interest rates go up, I don't understand how people can say, "Well, we're looking for a bottom." There has to be some sense in why you would be long stocks. So even from a fundamental point of view, I don't understand how people would want to be long stocks. The only thing that will happen is you get a bear market really because people are covering their shorts, and then people take the next chance to lighten up if they're still long.

Dennis Tubbergen:

So, let's talk about gold and silver, you mentioned that you believe that the up cycle on gold and silver is coming, but not quite yet. So, give us your perspective there, please.

Dr. Charles Nenner:

Well, the best thing is to follow the research, but the interesting thing is that everybody was jumping to get back into gold, and as long as people are jumping to go back into gold, it doesn't go up. When people are very disappointed, I guess they get now a little bit disappointed, then that goes together with a cycle low, that could come in one or two months, and then why people are going into gold? Maybe we have another interview, and then it's known why they go into gold. Right now, I wouldn't know why gold doesn't go up, because there's inflation, and I don't know why in a couple of months gold should go up, but actually that's not what I deal with, because then you get distracted. The only thing that I want to know is what's going to happen and when it's going to happen. So, in one or two months, we should start a new bull move up in gold, and we're sitting in cash, and waiting for the move to start.

Dennis Tubbergen:

So, Dr. Nenner, you had mentioned that if we went back to a gold standard, you extrapolated what that would mean as far as the gold price per ounce, and I think you said $48,000 per ounce. That-

Dr. Charles Nenner:

Correct.

Dennis Tubbergen:

... seems amazing, is that your upside target?

Dr. Charles Nenner:

No, my upside target is two and a half thousand for the moment, so I don't think it's going to happen. And if we go to two and a half thousand, you see the cycle is up for another five years. So, we'll probably get a higher price target once we hit two and a half thousand.

Dennis Tubbergen:

What's your target for silver?

Dr. Charles Nenner:

I don't have that ready I must honestly tell you, because the investment firms and the pension firms that I work with are more interested in gold than silver. We follow silver four times a week, but I haven't done the long-term outlook.

Dennis Tubbergen:

Well, fair enough. Well, my guest today has been Dr. Charles Nenner. He is the founder of the Charles Nenner Research Institute, you can learn more at charlesnenner.com. You can also get 30 days of his work for free and try it out, you can do that at charlesnenner.com. And Dr. Nenner, always a pleasure to catch up with you, and I know the listeners always appreciate your perspective and your insights. Thank you for joining us today.

Dr. Charles Nenner:

You're welcome, we'll do it again soon.

Dennis Tubbergen:

We will, we will return, after these words.