Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Simon Popple
Brookville Capital Intelligence Report

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Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. I have the pleasure of chatting, once again today, with returning guest, Mr. Simon Popple. If you're a longtime listener, you'll recognize Simon as the publisher of the Brookville Capital Intelligence Report. It is a weekly investing update, giving investment ideas in the commodity space. And, Simon, welcome back to the program.

Simon Popple:

Great to be here. Thank you.

Dennis Tubbergen:

So, Simon, for our listeners maybe that aren't familiar with your work, could you give them just a little bit of background as to what you do, and maybe how you got here?

Simon Popple:

Yeah, absolutely. Well, I mean, I sort of initially made my money in real estate to be honest. But then, about 10, 12 years ago, I sort of was looking more closely at commodities, in particular, and what happens to the world if we get inflation. I worked in investment banking and property. To be honest, I thought I was reasonably successful, and then I looked at what happened to my pension if we got sort of inflation, and at the moment in the UK, it's running at about 9% RBI, hoping it goes down, but I can't really see any reasons why that's going to happen. And so, I'm particularly sort of sensitive to trying to help people in a high inflation environment to see if we can get them in some things that sort of soften the blow.

Dennis Tubbergen:

Well, Simon, here in the United States, we're seeing fuel prices at all-time high. If you look at a gallon of gasoline now where I live, it's $5.20 a gallon, up over $7 a gallon in California. Of course, that creates additional pressures on food prices, since here diesel is used a lot to transport food from one location to another. So, I'd like your take. I mean, there's a couple schools of thought out there as to what's causing the current inflation. One is that it's just been really, almost reckless, central bank policy, quantitative easing and currency creation to levels that we've really never seen. And the second school of thought is it's due to supply shortages due to production interruptions due to COVID. Well, what's your take?

Simon Popple:

Well, I think in a way we've got a bit of a perfect storm, because if you print money, then there's obviously more money, so therefore you've got natural inflation, but then if you've got supply problems caused by COVID, and obviously the war in Ukraine, that exacerbates the situation. So, on one hand, you've got money being printed, on the other hand, you've got problems with supply. So, if you've got less supply, the price generally goes up anyway, but then if you've got money being printed, it can make it a whole lot worse.

Dennis Tubbergen:

So, you mentioned that you don't see inflation changing, moving ahead. Do you have an inflation forecast, and if so, what is it?

Simon Popple:

Well, to be honest, I don't have an inflation forecast. All I would say is I feel it's going to get worse rather than better. I can't see any reason why inflation is going to come down. And, when I see that, that'll be fantastic if it does, but with fuel prices going up, I can't see the war ending anytime soon, and there's a lot of supply chain issues. I think that inflation could be around for quite a long time, in fact I think the US government has dropped the word transitory, and we really don't know how long it's going to last. But I think it's better to be prepared that it lasts longer, be pleasantly surprised if it lasts shorter, but my view is you kind of need to lean into inflation. And, by that, I mean, there's nothing you can do about it. So, it probably makes sense to look at investing in some sectors, which are particularly inflation rate, because then if you're investing in something where the prices are going up, then the hope is that at least you're getting some of the benefits from it.

Dennis Tubbergen:

Well, if you're just joining me today, I'm chatting with Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report. You can learn more about his work at brookvillecapital.com. The website again is brookvillecapital.com. And, Simon, you just made a comment that I thought was interesting, because when you look at the official inflation narrative, to use that term, it's a term I kind of pulled out a thin air here. We originally had Jerome Powell with the Fed, and his colleagues, saying that inflation would be transitory. Then they said that we are going to have persistent inflation, and Janet Yellen, I think, recently said we are probably going to have high inflation for the near future.

Dennis Tubbergen:

So, this narrative has changed to a little bit more, what I would consider, to be a realistic narrative. It's hard for me to believe that that the Fed is raising interest rates. It's such a low rate when you go back and take a look at what Paul Volcker did, when we had persistent inflation in the late seventies and early eighties, I mean, interest rates were raised to nearly 20%, to get inflation under control. Is there any prayer in your view that the current central banking policy could get inflation under control? To me, it seems like it's just more form over substance.

Simon Popple:

Yeah. I mean, it's a real challenge because, if you look at the amount of debt that we've got, and the cost of servicing that debt is astronomical already, even taking interest rates from 1% to 2%, that's a hundred percent increase, and that makes it very expensive to service the debt. And so, I think that tool is not as available, as perhaps, it used to be. But I did some very basic analysis in the UK. I mean, if you've got a bank that will give you one and a half percent interest, and RPI is running at 9%, then you are losing seven and a half percent of your purchasing power straight away. And, whilst keeping some money in a bank for an emergency makes perfect sense to me, you don't want to have too much money in a bank, losing seven and a half percent. So, that's a difficult one. And obviously we hope that the inflation rate comes down, but you know, it could go up.

Dennis Tubbergen:

So, Simon, you mentioned debt, and when you look at sovereign debt, it's at all-time highs, and you look at private sector debt, it's at all-time highs. It seems that this central banking policy has brought debt up to just very unsustainable levels. And maybe created a bubble in stocks, and real estate, and even bonds. What do you think the outlook is for an investor that tries to invest in a traditional sense, like in a retirement account, having stocks and bonds? It seems to me that we might be entering a bit of a different paradigm here.

Simon Popple:

No, I completely agree with that. I mean, what I like about commodities is you can't print them. You can't print food. And so, I think commodities will go up significantly. If you look at the Goldman Sachs commodity index, you can look at that, I think, on trading economics website is pretty good way of looking at it. But I suggest you look at it... If you look at it over 12 months, you'd probably think, "Oh, I missed the boat." But look at it over 25, 50 years, and you get a very different picture. And, because you can't print commodities, I think that, especially compare them to other sectors, as you said, equities, bonds, real estate. I think that if you don't invest for the modern way, you invest the way that you've invested over the last 20 years. We've had little or no inflation. I think you could get quite badly burned.

Dennis Tubbergen:

So, Simon, when you look at where we are, we're recording this conversation June eight. And, if you look at what markets have done year to date, I mean, stocks are down, bonds are down, and precious metals, which, arguably, would be potentially an alternative currency, but also arguably a commodity. They simply haven't seemed to perform the way someone might expect them to perform, in an environment that is as inflationary as this one is. What do you read into that? Why do you think that gold and silver maybe have not performed as one would've expected, or have they in your view?

Simon Popple:

Well, no, they haven't, but I mean, I think we're very early, as early days, so to speak. There's been obviously a softening of bond prices, and the S&P, but we haven't had a major correction, or major crash, or anything like that. It's interesting that the price of Bitcoins come down significantly over the last sort of six to 12 months. And crypto's are viewed as a safe haven, and they don't appear to be a safe haven. And I think a lot of, perhaps younger investors, perhaps viewed them as a safe haven, and they've perhaps got their fingers slightly burned by what's happened there. But yeah, I'm not worried about gold and silver. They've got a lot of value moving forward, as far as I'm concerned. I like the fundamentals. And, one thing I particularly like, going back to our conversation about supply chains, is a lot of the supply sort of value added, is over a very short supply chain for gold and silver companies.

Simon Popple:

You've got the gold, you process it, and then you produce gold bars, gold, whatever you've got, but you're probably creating sort of 85, 90% of the value on site. Compared to many products where you've got very long supply chains, branching across several countries. And, obviously with the issues we've got in the world, I see that becoming significantly challenging to meet supply, and the old adage you only need one missing component to stop a supply chain is very true. And, you can't make a television missing a screen, or there's certain things where semiconductors are incredibly important, and it doesn't matter if you've got every other part, if you're missing semiconductor, it won't work. And what I like about gold and silver companies is they're very simple. Most of the value is actually finding the gold or silver in the first place and being able to mine it. And so, that is one of the reassuring parts of the sector as far as I'm concerned.

Dennis Tubbergen:

Well, my guest today is Mr. Simon, Popple. He is the publisher of the Brookville Capital Intelligence Report. You can learn more at his website, brookvillecapital.com. I'll continue my conversation with Simon Popple when RLA radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen, and you are listening to RLA radio. If you're just joining us, I'm chatting today with Mr. Simon Popple. Simon is the publisher of the Brookville Capital Intelligence Report. It is a weekly update published by Simon, who is a commodities' investment expert, giving investment ideas in the commodity space. You can learn more at brookvillecapital.com. And, Simon, as we were concluding the last segment, you had mentioned that you liked the fundamentals for gold and silver. Can we dig into those fundamentals a little bit? When you take a look at the spot price of gold, as we're recording this, we're in the mid to high 18 hundreds. When you start talking about gold fundamentals, what does it cost to produce ounce of gold?

Simon Popple:

Well, it varies enormously from one miner to another. I mean, if you look at the average is probably between 11 and 1200, all in the saving costs, which covers a much broader area than cash costs per ounce. So, with the gold price of around 1800, you've got a nice margin in there already for many mining companies. Clearly, obviously, it depends from one company to another what their costs are, but that's not a bad yard stick to use. But it's certainly an area if you do see a company you want to have a keen eye on whatever their costs are, because that has a fundamental determination of the kind of margin that they're earning.

Dennis Tubbergen:

So, we talked about gold, talk a bit in general terms, if you would, about the silver market. As we move ahead, do you expect that silver will actually track with gold, and the price trajectory there will be upward as well?

Simon Popple:

Yeah, I mean, it's a very interesting situation. I mean, gold is not a million miles off all-time highs. I mean, it's sort of, I think, around the 18 hundreds, 1850-mark, all-time highs been just over $2,000 an ounce. Whereas silver is more like 22, 23 dollars an ounce, and all-time highs being sort of closer to $55 an ounce. So, I think there's more scope for silver to increase. But what I particularly like about silver is it's got a wider array of applications than gold. It's got industrial use; it's used in a lot of clean tech areas. And a lot of silver is a byproduct. What I mean by that is when it's mined, the mining company is predominantly, let's say, looking for copper, or mining copper. And so, if the copper price falls off cliff or goes down, it may not make sense for them to mine copper. And the impact on that is you get a higher silver price, because there aren't many pure silver producers out there.

Dennis Tubbergen:

So, Simon, you made a comment in the prior segment that you like commodities, because you can't print commodities. And I think there's a lot of sage wisdom in that comment. So, when you start looking at commodities, can you for, maybe our listeners that aren't familiar with commodities investing, talk about the different sub sectors that might exist in the commodities space? And we've talked about precious metals, but can you expand on that a bit?

Simon Popple:

Yeah, absolutely. Well, I mean, commodities are basically things, stuff that you use to make other things, and there's a huge array of commodities. There’re energy commodities, like you've got your oil, you've got your gas, you've got uranium, things like that to create power for one to the better term. And then, you've got commodities in the food space, like your wheat, your corn, your rice, your soy. And there's loads of other commodities, like ammonia, and things like that, which are used to make things. So, it covers a really broad spectrum of investments. And so, what I like about them, is not only are there lots of different types, but you can invest in different currencies.

Simon Popple:

So, it may be that you've already got a lot of exposure to US dollar through, perhaps, a property portfolio or something like that. So, you may choose to invest in some Canadian companies, or some Australian companies, or some companies that are based, or trading, elsewhere. So, what you do is you invest, and you've got exposure to the commodity, but also the currency that the company has been traded in. So, you've got commodity exposure, and you've got currency exposure. Which, for some people, perhaps you've made their money in property, may be quite attractive if all their exposure is in US dollars.

Dennis Tubbergen:

So, if you look at energy commodities, you look at precious metals, you look at agricultural commodities. Do you have a favorite sub sector when it comes to commodities?

Simon Popple:

At the moment I like the precious metals, particularly silver, as I just said, it was a long way off of previous highs, but I think there's a lot of sense to have a broad exposure across the sector. And so, not just have gold and silver, and platinum and palladium, but also some energy commodities and some soft commodities. So, food commodities, and other commodities that are used to in, let's say clean tech, or EV vehicles, and things like that.

Simon Popple:

I mean, I'm sure you're aware lithium has gone through the roof here. But do I want some lithium investments? Yes, I do. Do I want all my investments to be in lithium? No, I don't. So, just by having a broad array of investments, you hopefully stand more chance of finding a few winners. I think, just to add to that, I mean, given a recent talk about fossil fuels, people are trying to use, in the future, less in the way of oil, and coal, and other various fossil fuels. Now, what the next oil is... Oil or gases, we just don't know. But I think if you've got a broad portfolio investing in lots of different areas, then hopefully if one area does really go through the roof, you spend more chance of having mass in your portfolio.

Dennis Tubbergen:

So, Simon, you mentioned fossil fuels, you mentioned oil. I interviewed a technical analyst on last week's program, and he suggested that, it was his view that oil could go from the current price of about $110 a barrel, to $200 a barrel. Which, in US dollar terms, we could see eight or $9 per gallon of gasoline. Do you have a perspective on where you think oil prices might go?

Simon Popple:

I must say, I kind of, I don't like forecasting, because there's so many different sorts of elements. All I would say is it would be no surprise if they continue to go up. The amount they go up by depends on so many different factors. But I think the days of cheap commodities are probably over. And so, I think that there's going to be a real kind of increase in demand, as much as anything, for people buying commodities whilst they're still around these levels.

Dennis Tubbergen:

So, Simon, it's my view that, at least here in the US, and perhaps in the UK as well, that we may already be in a recession. How do commodities perform typically historically in a recessionary type of environment?

Simon Popple:

Well, they vary enormously, because recession generally means a downturn in production, and things like that. So, if your commodity is one that is used in an industry that's not doing very well, then the price is likely softened. But, if it's an industry that is doing well, the price could obviously increase. So, this is why I say you need a diverse range of commodities, because under the commodity umbrella, there are so many different components. And so, you have to be quite careful about generalizing from one to the other. What I would say is if you look historically, and I'm just talking about goals here, but when there's been a market correction, and I must underline the word historically, gold actually performed reasonably well. So, if you're someone who's concerned about a market correction, you may want to get some gold in your portfolio. And, when I say gold, I'm talking about physical gold, not shares in gold companies, because, if there's a market crash, you tend to find that shares in gold companies will also go down.

Dennis Tubbergen:

So, Simon, if somebody wants exposure to gold and silver, which are a couple of your favorite sectors, just to expand on what you just said, would you suggest people have physical gold and silver in their portfolio first, and then look at mining shares? Talk about your general philosophy there. And, again, in a general sense. And then, do you buy ETF's? Do you make specific mining share recommendations? Talk a little bit about your work as well, if you could, please.

Simon Popple:

Yeah, sure. I mean, I use fantasy football format here in the UK, which I suppose if you think of American football, you've got different positions, and some are more defensive than others. So, in soccer parlance, I've got the stadium, which would be your physical gold and silver, then I'd have goalkeepers, which are the largest mining companies in the world. Then, defenders, which are large mining companies, but typically focus on one or two commodities. Midfielders would be new to production, or about to get into production, and forwards are your out and out explorers. So, what I generally say to people is, you don't want to jump in the deep end. You should probably start off by having some physical gold and silver, and then have some of the larger companies in your portfolio. And then, as your appetite for risk increases, or if it does increase, then you can look more at midfielders and forwards, but investing is... It's a personal thing, and you want to have something that sort of matches your appetite for risk and return.

Dennis Tubbergen:

Well, my guest today has been Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report. I would encourage you to check out his work. You can do so by visiting his website at brookvillecapital.com. That's brookvillecapital.com. And, Simon, always a pleasure to have you on the program. I always get terrific feedback from our interviews, and appreciate you being so generous with your time today. And, I'd love to have you back down the road.

Simon Popple:

That's great. Lovely to be on the show. Thank you very much.

Dennis Tubbergen:

We will return after these words.