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'm your host, Dennis Tubbergen. Joining me on today's program, once again, is returning guest Dr. Bob McHugh. Bob is the publisher of one of the most comprehensive daily markets investing technical analysis newsletters that I'm aware of. You can learn more about his work at technicalindicatorindex.com. He also offers a platinum and silver trading program, a couple different trading programs we'll talk to him about, to subscribers. And Bob, it is always a pleasure to catch up with you. Welcome back to the program.

Dr. Robert McHugh:

Thanks, Dennis. I always enjoy speaking with you. It's always a pleasure.

Dennis Tubbergen:

So, Bob, let's just start with the US economy. After the last Fed meeting, Chairman Powell suggested that future rate increases, interest rate increases, would not be automatic, that they'd be looking at the data. And since he made that statement, the data is such that corporate bankruptcies are now at a high not seen, I think, since 2010, and inflation is once again heating up. So, what would you, first of all, just to get started here, how would you rate the health of the US economy?

Dr. Robert McHugh:

It's very sick, it's a lot sicker than the mainstream media wants people to recognize. There's all this talk about the large tech companies, the big eight, the chip company Nevada, the Microsoft's, Apples, Google and so on, Meta. And everybody can get the false impression so easily from the mainstream media that as long as those companies have their stock price going up and their revenues are going up and their subscribers are going up, that all is well with the world. And it's just the opposite, it's just those eight stocks.

You look at the predominance of all the stocks in the country and they're going downhill. There's a disconnect between the accumulation of the, the accumulative New York stock advanced decline line and the S&P 500, which is driven by those eight stocks.

And so, to talk about the economy a little bit, just look at inflation. I mean, we were just doing some household analysis the other day and we realized, okay, it went up a hundred bucks a year, that year or 200 bucks three years ago, 500 bucks. And we did the percentages, and our car insurance is up 50% and we don't have any car accidents. And food's up 100% in four years. So when you hear an 8% inflation rate, yeah, that's one year. You compound it over four years, you go back to the COVID lockdown period and inflation's up 50%.

So, people are trying to struggle, where are we going to get the money? They're cutting back, you can see it, and it's tough. So my impression, and then just looking at the statistics and the numbers and the stock market and so on, is that there's a false read on the stock market and the economy's really sick.

Dennis Tubbergen:

Well, Bob, and just to add on what you said there, credit card debt in the US is now, if not at all-time highs, near all-time highs. There is about a trillion dollars in credit card debt. And at this time of year you would expect that people would be paying down credit cards, that's not what's happening. And then that kind of gives you an indication that people are using credit cards and loans to just make ends meet.

Dr. Robert McHugh:

Yeah, that's right. I see the same thing. You hear a lot of people are tapped out now in their credit cards. They were going on it, living on it, for a while. And a lot of people are not in the labor force, because they've been doing that, and they're going to have to join the labor force.

Supply continues to be a major, major problem in this economy. The Fed has been attacking this from the wrong direction of the equilibrium equation between supply and demand. They've been going after shutting down demand for products and services. And what they really should have been doing is working with the treasury and the policymakers to increase the supply of goods and services.

I mean it's three, four years later now from the lockdown, and every car dealership we drive by locally in this Pennsylvania area I'm from, there's no new cars out there. There's nothing, they're still not supplying brand new cars. I mean maybe get one here or there, but it's amazing, the supply problem.

Workers are still in great demand. People, there's hiring signs everywhere, the labor shortages are everywhere. Every now and then you find out that the mayonnaise you used is gone. They don't make that anymore. The peanut butter you liked is no longer there, and so on. There's a serious, serious supply problem that's not being addressed. And until that is, this economy is not going to improve. And all the Fed's done is caused an awful lot of unnecessary pain with their ridiculous, rapid, historically rapid, rise in interest rates. It's just killing small time businesses, and mom and pops, and families and households. And it's a shame, it really is.

Dennis Tubbergen:

So, Bob, when you look at what the Fed's options are, this is the way I see it and I'd like your feedback. I think the Fed has two options, they're both bad.

One, they pivot, which is now the popular term. They revert to easy money policies. And while they're talking about a taper behind the scenes, when we saw the banking failures, the Fed back stopped that. That was just currency creation to backstop that, so that's feeding inflation. So, they, one, go back to easy money policies to try to prop this economy back up, which probably creates more inflation. Or two, they stay the course, and we go to what is arguably going to be a deflationary depression given current private sector debt levels and that doesn't even take into account government debt levels. So, I guess, one, do you agree with that assessment? And, if so, which way do you think the Fed goes?

Dr. Robert McHugh:

I do agree, Dennis, and I guess I lean toward the scenario where they continue to raise interest rates and go with the depression, inflationary depression or direction. Because they see the unemployment numbers, they think that's a permission slip to raise rates. They're on the wrong track. I can't imagine why they would suddenly get knowledge and all of a sudden say, wait a minute, we need to reverse course here.

The banks are… there's going to be a lot of problems with debts going bad soon. And the banks, there's going to be banks that are going to feel it. And so those problems are headed our way, but not before the Fed does more damage, raising more interest rates. I really think they're going to keep that going. That's my view here.

Dennis Tubbergen:

So, Bob, you mentioned banks. When you study his history and take a look at the panic of 1837, the long depression of 1873, the Great Depression and the bank holiday of 1933, banking failures have always kind of been the canary in the coal mine, so to speak, and one of the first things we see happen before we go into this deflationary timeframe. So, you think that that's probably where we're going, you would suggest? How severe do you think this downturn actually gets?

Dr. Robert McHugh:

Well, I mean, if you file a technical analysis of the stock market, it's calling for a really big problem here. This is a historic, Grand Supercycle bear market that we're just really starting in. And so, the charts are saying that it's going to get a whole lot worse.

Dennis Tubbergen:

Do you think we're on a path, or we're going to see a repeat of what we saw in the 1930s?

Dr. Robert McHugh:

Yeah, I do. I think that that's very possible because of the mistakes of the Federal Reserve, because of the mistakes of the policymakers that run the economy where they're not addressing the supply side of our economy.

I mean housing, you can't buy a house in Pennsylvania. The prices of housing are continuing to rise rapidly because there's no supply of housing. Part of the problem is Zillow, and Blackstone, and these large REITs, these real estate investment trusts, they're just gobbling up houses. And that's going to require a legislation change where they're prohibited from doing that. And all they're doing is driving prices higher and higher.

That's a supply issue. Housing basic housing is a supply issue. I mean, if you just read, watch the YouTubes for fun once in a while at night and plug in homeless, it's interesting, it's very educational. Almost every single city now in this country has tents up and down the main streets of their cities of the homeless people. And these are not just druggies and people that have, are mentally ill or whatever. These are people that had bad things happen to them economically and they're given up. And so this is what they're doing.

And this is a very dangerous situation because it's going to result in increases in crime, whether it's cyber crime or actually people just busting in your house. It's definitely headed in the wrong direction. And I keep saying this, I've been writing about it for a long time now, the problem is a lack of supply. And they've got to do something to incent production and to incent people to work and they're not doing it.

Dennis Tubbergen:

Bob, at the beginning of the segment, I mentioned to the listeners that you offer a platinum trading service, as well as a silver trading service. Do you want to explain a little bit about that as we close this segment?

Dr. Robert McHugh:

Oh, sure. Thanks Dennis. Yeah, what we do is we provide newsletters forecasting the market movements up or down, both short term, intermediate, and long term. And as a service that we brought on about 10 years ago, we also offer the opportunity for people to evaluate potential opportunities in trading the market with options or exchange traded funds on the indexes, the major stock indexes themselves. You could trade the industrials to go up or down, the S&P to go up and down, NASDAQ to go up or down. And we time it based on what we see in the different charts and indicators we track.

So, we offer that as an additional service to our newsletters for people that want to have a premium product. For educational reasons, they may want to just see what we're thinking. They may want actually play around with it, give it to their financial advisor and say, hey, what do you think? Should we do this trade or that trade? And this is a way to make some extra money for a lot of people.

Dennis Tubbergen:

Well, I'm chatting today with Dr. Robert McHugh. You can learn more about his work at technicalindicatorindex.com. The website, again, technicalindicatorindex.com. As I said at the outset, Bob publishes one of the most comprehensive daily investing newsletters that I have ever seen. I'd encourage you to check it out. I'll continue my conversation with Dr. Robert McHugh when RLA Radio returns, stay with us.

I'm Dennis Tubbergen, your host. You're listening to RLA Radio, and I have the pleasure of chatting today with returning guest Dr. Robert McHugh. If you're just tuning in, Dr. McHugh publishes a very comprehensive daily investing newsletter. You can learn more at technicalindicatorindex.com and I'd encourage you to do that. But Bob, in the last segment, you used the term that the charts are now telling you that we are at the beginning stages of a Grand Supercycle bear market. Can you explain what that means?

Dr. Robert McHugh:

Sure. The world economy has been tracking Elliot waves for thousands of years, hundreds of years. And the best data we have, it goes back toward the 1700s due to the good work of a lot of people like Robert Proctor and people like that. And what we are seeing now is that the markets have just completed Grand Supercycle degree, wave three, which is a multi-century move up. And waves move in one up, two down, three up, four down, five up, in five sequence waves. And we are now in a four wave down, a Grand

Supercycle four wave down correcting what has been a movement for two or three centuries. So, this is a big, big drop.

To give you a perspective, the Great Depression of the 1930s was a Supercycle wave four down. So, this is a level higher or worse than that, and that's what's just starting. It'll probably last at least 10 years, maybe more, and it's going to do a lot of damage and probably change the way we see the world. And by the time it's all over, not to scare people, but you know, can always prepare, do the best you can to deal with it, but it's best to be prepared. You know, prepare for the worst, expect the best, prepare for the worst, kind of thing. So that's the overall arching picture, the big picture right now.

Dennis Tubbergen:

So, Bob, as it relates to stocks, you're obviously expecting stocks to decline from here. Give the listeners, to the extent you're comfortable, some idea as to when you think this decline begins and how severe does it get? Do you have downside targets on the major stock market indices like the Dow and the S&P?

Dr. Robert McHugh:

Yes. The bear market started in November of '21 in the NASDAQ, and in January of '22 in the S&P and the industrials. So, basically, about a year and a half ago for both the major indices. And we had a stock market crash throughout most of 2022, that bottomed on October 13th, 2022, so it was about a 10-month crash. And it didn't feel like a drastic crash because it was kind of a stair step, up, down, up, down, and the rallies were steep. But by the time we got to the bottom in October, the markets were down almost 25, 30%. That's a crash.

And since then, since October, the market has been correcting that crash. And as we retraced about 50%, which is a mild correction in perspective, a lot of corrections go 61.8%. But the rally from October is nearing its end, and that's about only about only, we got only about 50% retracement, so that's weak. And now I think it's getting ready to turn down again. We could start seeing that third wave down, which could... Wave one would've been the crash, wave two is the rally since October, and now we're going to soon start, I think wave three down, which would take stocks lower, far lower than the October 22 lows. Eventually, to answer your question, we're looking at an 80 to 90% drop in the value of the stock market before this thing's all said and done.

Dennis Tubbergen:

Well, I interviewed Harry Dent a few weeks ago here on the program. He has a similar forecast, but for different reasons. So, it's interesting that he's using more fundamental and demographic analysis, you're using technical analysis, and both of you are coming to a similar conclusion. So, if you think about an 80 to 90% correction in stocks, to most of our listeners that is just unfathomable. You just can't imagine that. So, will there be any areas of opportunity moving ahead or are we seeing what a lot of analysts are calling an everything bubble unwind here?

Dr. Robert McHugh:

It will probably be an everything bubble, that's for sure. And there are financial instruments you can play, to play it, to make money as it goes down. Or you can just play it very safe and get a lot of cash, put it in banks that have been around for a long time. They're not these high-flying fast growth banks that we just saw go down the toilet.

You want a bank that's been around a long time, a community bank, it has conservative lending practices, solid capital ratios, has grown slowly and doesn't have a lot of what they call hot money, which is deposits from people over $250,000. That's hot money. They grow their banks fast with that, but that leaves fast also, which creates a liquidity crisis which caused the banks to collapse as we just saw. You want a strong community bank that has a lot of small depositors, keep them the money under the FDIC insurance $250,000 limit, and diversify among half a dozen banks. So if one bank has a little bit of a struggle or something, you got others.

So that's one way to play it as well, is just to hang on to cash. In depressions the old saying is cash is king, because eventually prices will start dropping and then you'll have opportunities that way too.

Dennis Tubbergen:

Well, I was just going to play devil's advocate as you were talking there, because around the world there is certainly accelerating movement away from the US dollar, the BRICs countries, Brazil, Russia, India, China, South Africa, as well as many other countries that have expressed interest in now joining or aligning with BRICs are actively looking for a reserve currency alternative to the US dollar. How do you think that might affect, if at all, someone who says, okay, I'm just going to put my money in cash and ride this out?

Dr. Robert McHugh:

Well, the reserve currency has always been of the nation that has the largest military power on earth. And so as long as the United States is the number one military power on earth, that'll probably keep the reserve currency in the US dollar. If it changes, then that could change. But when you hear about nations starting to move away from the reserve currency of the US dollar, and a lot of times you'll see a war right after that against those countries, which is kind of weird, but that tends to happen. So, Iraq cried a lot about that, and we saw what happened to Iraq with the United States War. So, I would stick with the dollar. Until you see a better option, what else is there?

Dennis Tubbergen:

Yeah, so Bob, as you were talking, you really expect that deflation will ultimately cure the inflation problem, is that what I'm hearing you saying? Or are you saying that we might get more of a stagflationary outcome where we have inflation in things we buy and deflation or maybe falling prices in things we own?

Dr. Robert McHugh:

I think that initially it'll be stagflation, high inflation slowing the economy, and that's because of the supply issue problems. And then it'll eventually collapse into a declining price situation, deflation, depressionary scenario as things get really bad. So, it's kind of going to be a phase one, phase two type bear market, I think.

Dennis Tubbergen:

So, Bob, with all the theatrics, as we're recording this, it is Wednesday, May 31, so just a few days before the radio program and podcast will air. We've got all the theatrics going on in Washington relating to the debt ceiling and the deal that McCarthy and Biden put together. Not much as far as spending cuts go, and it's like we're going to agree to spend 4 trillion more, add 4 trillion to the debt, a lot of resistance being met on this. So, nothing serious really going on to preserve the integrity of US government bonds. Do you have a forecast for government bonds, what are your charts telling you?

Dr. Robert McHugh:

Well, the chart is on the US Treasury and bonds that I do in the newsletter, had them bottoming pretty close to where they did. In other words, the interest rates kind of peaked pretty close to where they have peaked. Those are the longer-term securities. And then as the economy starts to falter again, they will rally. And I actually have pretty strong high upside projections for the value of bonds and treasury notes, long-term treasury notes. But the pain's going to be in the short-term interest rate scenarios as the Fed keeps tightening the short term. So, there is a scenario where we go back down to retest the lows in the treasuries, which would mean a drop toward 110, 108 in the treasury. Right now, it's at 113, we're not far from that.

But I do have it, once this economy cut starts and the markets start really dropping, it could rally in the opposite direction. I mean, in the 1987 stock market crash, which a lot of us lived through and some of us didn't, the bond market rose 10 points in one day. When the stock market crashed 25%, the bond market rose 10 points, which was historically ridiculously unbelievable. And so usually they will move inversely when you start seeing serious stock market crashes on the long end of the spectrum.

Dennis Tubbergen:

And Bob, in the time we have left, I'd love to get your take on gold, or gold and silver. What are your charts telling you?

Dr. Robert McHugh:

Gold is hung up, frustratingly for gold bugs, it's hung up in a pattern. It's a large cup and handle pattern, and the last part of it, picture a teacup. You've grabbed the handle at the right hand side, it's there. And it's frustrating because it's getting hard, it's getting stuck in there. It needs to break out to the upside. It will, eventually, it will. And it's tested the upper breakout point three times in the last three years, and it's failed each time. So maybe the fourth time will be the charm.

But once it busts above 2100, gold busts above 2100, it's off to the races. Gold should really take off sharply from this very reliable pattern. This pattern's 12 years old, it started in 2011. So that's where I'm seeing gold, but it's just a frustratingly slow process to get that breakout. In the meantime, it's just kind of in a sideways lethargy to just hang out and wait for some event, whether it be news or a bad economy or something will happen to bust gold higher. I'm not sure what the news event will be, but it's going to happen.

Silver should track it pretty closely; I have the same forecast for silver. Mining stocks are a little different, they're kind of a mix of the two. Ultimately, they think they will follow gold and silver, but initially they may follow the stock market down. So that's a little bit tougher call on mining stocks.

Dennis Tubbergen:

Well, the clock says we need to leave it there. My guest today has been Dr. Bob McHugh. His website is technicalindicatorindex.com. The website, again, technicalindicatorindex.com. Bob, always a pleasure to catch up with you, appreciate your perspective, and I know the listeners do too as well. I get great feedback when you're on the program. And I'd love to have you back, down the road, so thanks for joining us.

Dr. Robert McHugh:

Thanks, Dennis. It's a really a treat for me, too, and I appreciate the opportunity.

Dennis Tubbergen:

We will return after these words.