Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Simon Popple
Brookville Capital

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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 returning guest Mr. Simon Popple. Many of you will recognize Simon as a prolific author and economic commentator. You can learn more about his work at BrookvilleCapital.com. He also has a gold package available there for a very, very low cost, 6 or $7. My pound-to-dollar exchange rate is not exact here in my head, but it's very inexpensive. Simon, welcome back to the program.

Simon Popple:

Great to be here.

Dennis Tubbergen:

Simon, let's just jump in. Let's talk about the banking sector to get started. We've had here in the States, Silicon Valley Bank, Signature Bank, First Republic, we've had a lot of banking issues. Is it your view that this is really, these banking failures are the canary in the coal mine and there's more to come? Do you expect this is going to be a worldwide issue? What's your take on the banking sector?

Simon Popple:

Well, I think in a word it's scary because the answer is we don't know. All these problems were dealt with very quickly, which was great but it makes me nervous, and so I like to have a diversified portfolio. For one moment I'm not saying that you shouldn't be in regional banks or anything like that, but I like the idea of not having all my eggs in one basket and I think that's quite important.

I think that gold, which is even though it's a new opportunity for many people, it's been around for thousands of years. And so people strive for their gold medal in the Olympics. They have their golden years when they retire. A child's been as good as gold. I think there's a lot of our lives are driven by gold, but I know we've become so used to it. We've done nothing about it, which is a bit of a shame, really.

Dennis Tubbergen:

Simon, are you suggesting that you're thinking that we're going to see more banking failures, and gold is going to be perhaps a bit of a way to hedge from that? What's your outlook for the banking sector?

Simon Popple:

Well, I think the banking sector clearly it's had some issues. I think that if interest rates continue to rise, I would've thought those issues are going to get worse rather than better. That's a bit of a, I don't know, canary in the coal mine, so to speak. Let's see what happens to interest rates because I they keep going up, then the banking sector probably could be under more pressure.

But I think the Fed's in a horrible position because inflation's going up. If I lend you some money, and let's say I'll lend you 100 bucks and I can buy 10 bottles of my favorite wine. And then you pay me back whatever it is, 8, 10% interest in a year's time but I can only buy 8 bottles of my favorite wine, then one or two things are going to happen.

Either I'm going to ask for a much higher rate the next time you ask for money or I'm not going to lend you any money. I think the banking sector, for me personally, I'm less confident than I used to be about it. And so should you have some money in regional banks, I don't see why not, but I wouldn't have all my money in there.

Dennis Tubbergen:

Simon, if I can just follow up on a comment you made because you know suggested the Fed is in a horrible position. I certainly agree. I guess as I see it, when the Fed started to taper, when they started to increase interest rates ostensibly to get inflation under control. I suggested that at a certain point we would have to see them reverse course.

Simply because they really have a choice of sacrificing the purchasing power of the dollar or perhaps sacrificing the economy. It was my opinion that they would probably opt to try to save the economy. It seems now that that may be where they head, although it's a little bit early to tell. What do you think the Fed policy will be moving ahead?

Simon Popple:

Well, as I say, I think they're in a horrible position. I mean, I think you have to look at what they can control and what they can't control. They can control interest rates, but they can't control inflation. I think that I recently went shopping and it was a lot more expensive than it used to be. But if that's the case, then interest rates are traditionally the tool to deal with inflation. But I think you can only increase interest rates so far, and they're already several-hundred percent higher than where they used to be.

With property prices and everything else going up, which has been great for leveraged assets, it's not so good for leveraged assets on the way down. It is great on the way up but not so good on the way down. And so they're in a horrible position because if your cost of borrowing goes doubles, trebles, then things become a lot less affordable. If things become less affordable then the value has to come down. I mean, we'd all like a Ferrari but we can't afford a Ferrari, and so I think that they've got some very, very tough decisions ahead.

Dennis Tubbergen:

Simon, just along those same lines or in that same vein, we have the BRICS countries. Brazil, Russia, India, China, and South Africa that are openly talking about developing a trading currency, for lack of a better term, to maybe take the place of the US dollar and a lot of international transactions. That certainly seems to be a trend that's accelerating. Getting back to your gold comment, do you see the BRICS countries or any other country at some point in the future, going back to some type of gold-exchange standard?

Simon Popple:

I think it's something that a lot of people are talking about. I don't think there'll be a gold-exchange standard, but it'd be no surprise if there was a fiat currency which was more, let's say, commodity backed than what we have at the moment. I can never see anything being fully backed by anything, but if there was a degree of backing then that wouldn't surprise me. I don't see a gold standard but I do see perhaps let's say a resource-standard-type currency.

Dennis Tubbergen:

Simon, just to jump in maybe a little bit and drill down on gold. Do you have a forecast as to where you think gold ultimately goes in terms of priced in a fiat currency like the US dollar?

Simon Popple:

Well, I mean, I don't so much have an upside but I've got more of a downside. Because according to the World Gold Council the all-in sustainable cost is around 1,200 bucks an ounce. And so if the price goes much below that, then logically a lot of mines will stop producing. If you've got simple economics, if you've got less supply, you tend to find the price goes back up.

Even though I wouldn't say 1,200 is a firm floor, economics would suggest that the price shouldn't go much lower than that, otherwise you've got no real new supply coming onto the market. But what I like about it is there's no lid to the upside. I personally view it as a limited downside risk, but open-ended upside risk and where that can go, nobody knows.

But I like the economics of it, and it's one of those areas that very few people have got any exposure to whatsoever. I'm just saying they should have some. Even if it's 1% of their portfolio, having some exposure to an asset that's been around for thousands of years and has been important in times of difficulty.

I think I'd also add that there aren't many assets that are globally recognized. You could take a bar of gold anywhere in the world and it's viewed as valuable, whereas, you can't say the same for property. Obviously, property in let's say New York is worth a lot more than property in some other parts of America simply because of location and that doesn't apply to gold. It doesn't matter if you're selling gold in New York or wherever you are in America or wherever you are in the world, it's still worth the same amount.

Dennis Tubbergen:

Well, if you're just tuning in, I'm chatting today with author Simon Popple, his website is BrookvilleCapital.com. I'd encourage you to go there and check out his gold package. Simon, just in the time that we have left in this segment, maybe you'd like to talk a little bit about your gold package to the listeners.

Simon Popple:

Yeah. I mean, basically what I'm trying to do is it's a new opportunity for a lot of people. Even though gold's been around for thousands of years, there's a lot of people who haven't invested in it. What I'm trying to do really, is help them take gold from outside their comfort zone to inside their comfort zone.

The book sets out different ways you can get exposure to the market. A lot of people think, oh, I'm going to have to buy a gold bar and have it knocking around the house, which is it's just a misconception. There're loads of ways you can get involved in the gold market and commodity market for that matter, without ever taking any form of physical delivery of gold or silver or copper or whatever it is. There're obviously different risks to different approaches. At the end of the day, you want to take an approach that is suitable for your appetite for risk.

That's really the idea of it and that's the book. On top of the book I've got two, three bonuses. One is my six pillars of investing that takes you through how I look at literally any investment. It'll give you an example that includes cycles. A lot of people don't understand cycles. What I say to people is, "You never know if you're at the bottom of the cycle, but you've probably got a good idea that you're at the top of one. And I personally would rather invest more towards the bottom of the cycle than the top of the cycle."

The other bonus I have is in you can discover where some of the big funds are investing in gold, what companies are investing in, how they're investing. I think that's really useful for people because that gives them a perspective as to how other professional investors are investing. Clearly, these people are putting their own money into things. They've done a lot of research on it, and I think it's quite a nice shortcut for people to put a few companies on their list to have a closer look at.

Dennis Tubbergen:

Well, the good news is I am going to talk to Mr. Simon Popple again in the next segment, but the bad news is we're out of time for this segment. Again, Simon's website is BrookvilleCapital.com. And I'll continue my conversation with Mr. Simon Popple when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. My guest on today's program is Mr. Simon Popple. He is an author and is offering a gold package to the listeners today for just under 5 pounds, which I think is around $7. You can learn more at BrookvilleCapital.com.

Simon, at the end of the last segment, you were talking a bit about cycles and how it relates to investing. I'd like to drill down on that just a little bit. Let's talk about cycles as it relates to stocks worldwide, in your opinion, and as it relates to precious metals, gold and silver worldwide. Can you comment a bit more?

Simon Popple:

Yeah, sure. I mean, if you look at a lot of stock markets, they're perhaps not at their highs but they're not a million miles off their highs. I appreciate the gold prices. It's towards previous highs but I think there's various points to make. I mean, the first is the gold miners. If you're going to buy equities, they are perhaps not at their lows but they are a lot cheaper than a lot of stocks are.

What I like about gold is you can't print it. These companies are producing something. Some of the larger ones are paying dividends, and you've got a really established metal. Gold's been around for thousands of years, so you're not investing in new fads. You're investing in something that's been tried and tested.

I've done a bit of analysis and looked at gold versus the Dow Industrial Average. There's been quite a lot of situations where the Dow's taken a tumble and gold's done pretty well. I wouldn't say it always does well, it's not a perfect hedge, but I like the odds. I think that if you don't have any gold in your portfolio, it makes sense to have some. If we do get a tumble, then you know can work out what you want to do.

Dennis Tubbergen:

Simon, I want to talk a little bit about what I would call the elephant in the room. Worldwide debt is at an all-time extreme level. At the time of the financial crisis, we'll call it 14 or 15 years ago, worldwide debt was at about 100 trillion. It is now in excess of 300 trillion. Here in the United States just after a lot of drama, predictably the politicians in Washington decided to suspend the debt ceiling and not deal with it again until after the next election, which virtually assures we're going to have another four plus trillion dollars of debt.

When you do the math, this debt worldwide, both in the private sector and on the balance sheets of governments, is obviously at a level that it can never possibly be repaid with honest money. Which makes me think, and then just I'd like your view, makes me think that we're either going to see massive currency creation and a lot of inflation perhaps hyperinflation followed by a deflationary period. Or we're going to see massive amounts of defaults and we're going to go straight to a really severe deflationary period. What's your opinion?

Simon Popple:

Well, I don't think we're going to see defaults because we've already had situations where there is potential for default. The US government is a case in point, and I can't ever see anyone voluntarily defaulting. I think the issue is at the moment you've got a choice whether you default or not.

Whereas I think at some point in the future, and I think it could be a long time away, but I think that people may turn around and say, "Well look, I don't want that particular currency. Because there's so much of it relative to how much they generate, that I want to have my own currency."

I think that's my concern is that it's okay lending in pounds or euros or dollars, whatever it is, that's one thing. But well, if I borrow that currency, I want to pay back in that currency because I control the currency. What I don't want to have is a situation where I lend in pounds, but I have to pay back in a different currency. Because then I'm not only taking credit risk, but I'm also taking a lot of currency risk as well. If I don't control my own currency, then if we get hyperinflation or something like that, then I could have difficulty paying back.

Dennis Tubbergen:

Simon let's just talk about the fact that you said you don't envision anybody voluntarily defaulting. I certainly would agree with that. Doesn't that mean that the only other alternative these central banks are going to have is to create currency here in the states?

The Fed's already the largest holder of US government debt that's likely going to get bigger. They've made a decision to backstop banks at this point, even uninsured deposits. The insurance fund I think has less than 1% of the assets in the reserve fund that actually are being insured. Don't all these situations, these scenarios just point to the fact that we're going to have to see more currency creation?

Simon Popple:

Absolutely, yeah. I think that's exactly what's going to happen, which leads me on to gold. Because you can print currency, but you can't print gold and you can't print other commodities either. And so, I think that I don't see any defaults. Well, any defaults. I don't see many defaults, but I think that there'll simply be currency printing to avoid defaults.

The more currency you print, the higher inflation is likely to be. Interest rates could get really nasty, and I think it could be a challenging time. People talk about the cost-of-living crisis, and I really hope it is a cost-of-living crisis rather than the good old days.

Dennis Tubbergen:

Well Simon, you mentioned other commodities that we've talked a little bit about gold. Talk a bit about silver. What's your opinion on silver relative to gold? Do you have a favorite between the two?

Simon Popple:

To be honest, I like both and I'm a big fan of diversity. I think you should have gold, silver, copper, nickel, lithium. You should have a broad range of commodities in your portfolio because no one really knows. What we do know is we know we're in trouble, but we don't know what the winners are going to be. I think there's a good chance it could be gold, but it could turn out to be lithium or copper or nickel or silver. You just don't know.

But I think if you've got a good, well-diversified portfolio you can get a lot of diversity. You can get different commodities. You can get different stages of the cycle. You can have some producers, some explorers, some that are very new to production.

You could have a pretty broad portfolio, not only at different commodities in different stages of production but also different currencies. You could have exposure to, let's say, the Australian dollar and Canadian dollar, as well as your exposure to the US. What I really like about the asset classes, is even if you're investing a relatively small amount of your portfolio, whatever it is, let's say 1%. Within that 1% you can have huge diversification, which I really like.

Dennis Tubbergen:

You alluded to this, Simon. In the time we have left, I think it'd be very helpful, maybe we can zero in on either gold or silver, whatever you'd like to talk about. But short of someone buying gold rounds, gold bars or Canadian maple leaf's or some type of gold coin that they take physical possession of. Talk about if you would in some detail, about different ways to get exposure to gold and silver.

Simon Popple:

Yeah. I mean there's lots of ways you can get exposure to gold and silver. I view it as a bit like buying fine wine. You want to know who it's from, that they're highly credible. You want to know that it's stored correctly, insured correctly. If it costs you a tiny bit more to do that, I'm inclined to pay that because at the end of the day, chances are you'll sell it.

I've bought and sold lots of gold without ever seeing it. But if I'm selling it back to the people who sold it to me in the first place and it's never left their premises, they've got no reason to have any issues about its authenticity. And so I think that people do need to think about what they're buying it for.

Physical gold, I use the money that I'm saving up for my daughter's education, so I view that as my lowest risk. But then I've got some explorers where I've made an awful lot of money. And then I've got some producers and some new to production, which are as far as I'm concerned, lower risk.

You need to build up a portfolio. As I said earlier, I have different commodities as well. What I'm trying to do with the gold package as much as anything, is not only help people create a comfort zone for themselves, but also to strategize about how they want to invest in the sector. If you've got money that you really need, then I put that in a much lower-risk form of gold or silver. If you've got money that you know can punt around a bit, then you can put it in a higher-risk category, but everyone's different.

Dennis Tubbergen:

Well, we have just about a minute left, so I'd like to remind everyone that Simon's website is BrookvilleCapital.com. At the website he's offering a gold package. I'd encourage you to check it out. Again, the website, BrookvilleCapital.com. Simon, it is always a pleasure to catch up with you. Thanks for taking time out of your day today to chat with us and I'd love to have you back down the road.

Simon Popple:

That was great. I really enjoyed it and I'll speak to you soon.

Dennis Tubbergen:

We will be back after these words.