



Retirement *Lifestyle*
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RADIO PROGRAM

Expert Interview Series

Guest Expert: Mark Jeftovic
The Crypto Capitalist

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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 Mr. Mark Jeftovic. Mark is the publisher of The Crypto Capitalist Letter. You can learn more about his work at bombthrower.com or thecryptocapitalist.com. I'll give those sites again here before the segment is over. And Mark, welcome back to the program.

Mark Jeftovic:

Thanks for having me back. Great to be here.

Dennis Tubbergen:

So, Mark, let's just start, maybe for our listening audience keeps growing, thanks to terrific guests like you and others. Tell the listeners a bit about Mark Jeftovic.

Mark Jeftovic:

Well, sure. I'm based out of Toronto, Canada, and my main job is I run a web services company and web host domain registration, that sort of thing called easyDNS. I've been doing that since 1998 and just having that role got me into a lot of things over the years. It got me into open systems, being able to be censorship resistant, being able to resist the platform attacks and cancellation. So, I've been active there and that sort of unsurprisingly led me into Bitcoin and cryptocurrencies, non-state money that's unconfiscatable. And so, starting around 2013 or so, my main business, we just started taking Bitcoin as a payment method and pretty well stacked it, huddled it ever since with rare exceptions.

And so, today we are active in the online web services space, and we are making these innovations in the adjacent cryptocurrency and Blockchain Space. And then, when lockdowns hit, I just started writing research reports on some of these crypto equities I was getting into as an investor, wearing my investor hat. And that took on a life of its own and became The Crypto Capitalist Letter. And I write my personal blog on bombthrower.com, which again took on a life of its own. It's becoming more of an aggregator along the zero-hedge format. And it all keeps me pretty busy.

Dennis Tubbergen:

Well, appreciate that explanation. So, Mark, when you were talking and mentioned that I think you said in 2013 your business, your primary business began taking Bitcoin as payment for services. Given the volatility that has existed in the crypto marketplace, how has that worked out for you?

Mark Jeftovic:

It worked out great. I have no complaints whatsoever. I wish I had done it earlier, but the main secret there for me was that when you're a mainstream business, like a web host or a domain registrar like we were, you turn on crypto payments, you start taking Bitcoin as a payment method. It doesn't switch from dollars to Bitcoin overnight. It's just going to be a tiny residual percentage of your transaction volume is going to be in Bitcoin. And if you don't need to convert that Bitcoin into fiat dollars to maintain your operations, it just becomes a savings mechanism. So, as long as you're just stacking your Bitcoin as it comes in, you're not worried about the exchange rate, it just becomes a long-term dollar cost average, which is what I tell people is the best way to accumulate actual Bitcoin.

Dennis Tubbergen:

Well, Mark, I think when you've been on the program in the past, I have in the interest of full disclosure, told you that I have been and remain a bit of a cryptocurrency skeptic. What would you tell someone who saw a Bitcoin go from 60,000 per Bitcoin to 20,000 this year behaving a lot of other financial assets in 2022?

Mark Jeftovic:

Well, there's a couple of things in there. One of them is that pretty well all financial assets are correlated right now, because of a function of the structure of the monetary system. So, as long as the central banks are printing money and increasing money supply and holding interest rates artificially below their clearing level, everything's going to go up. And then, when they try to stop that and normalize that because inflation's getting out of control and it's causing problems of its own, everything's going to come back down. Now these are all functions of what we see as an ultimately failing system, because the central banks have obviously trapped themselves in a corner. They can't print, they can't tighten, they can't raise rates, they can't lower rates, they can't suck and blow at the same time, and they're trying to do both. So, it's just a matter of time before everything becomes untethered from this one trade and starts to move on its own fundamentals.

Now in terms of the Bitcoin volatility, I have a series of charts in a document I wrote a couple years ago called The Crypto Capitalist Manifesto. Can't describe it on the radio. If you go to bombthrower.com, you can get it for free there. It shows you what volatility looks like when you just zoom out. And so, when you look at the year 2013, for example, which was the year I discovered Bitcoin, you had some 90% down moves and you had some hundreds, or hundreds of percent up moves in the same year. And then,

when you zoom out, you can barely even see them on the line. They're just these tiny little wobbles along this baseline. And will that continue? What the way I look at that question is, I think about the global bond market and the global fiat currency, the size of like M2 currency for example.

Those are two gigantic bubbles sitting on one side of this big question mark. Right? And then, on the other side of this question, I see things like gold, which is 10 trillion and Bitcoin, which is under a half a trillion dollars. And those bonds, the 300 trillion in bonds or 150 whatever you count, and the M2, like 25 trillion. I see, my mental model is purchasing power deflating out of the one side, getting sucked out of that side, going through this process that we're in now, which is almost a classic crack-up boom style thing happening and then blowing out into the other side of anti-fiat assets, hard money, gold, silver, real estate, commodities and Bitcoin. And I've done some models in that Crypto Capitalist Manifesto that shows that if 1% of the global bond market moves into Bitcoin as a hedge, it's going to completely transform the price of Bitcoin and it's going to make a 60,000 to \$20,000 drop just look like another one of those very minor perturbations in retrospect.

Dennis Tubbergen:

So, you made a comment Mark, and for the listeners, if you're just joining me, I'm chatting today with Mr. Mark Jeftovic. His websites are bombthrower.com where you can get his blog and also thecryptocapitalist.com where you can learn more about his crypto capitalist letter. So, you mentioned the central bank around the world, and it seems to me that they are now painted squarely into a corner if they continue to raise interest rates. Artificialness, if that's a word, but it's certainly an artificial economy as you pointed out, will disappear and we're going to have this big deflationary event in financial assets. And to a certain extent we are having that. Now, the other side of the coin is that they throw the towel in on inflation and say we can't possibly control inflation. And they go back and try to save the value of financial assets. So, it seems to me they're in a lose-lose situation here. Mark, tell me if you agree and how you see this playing out.

Mark Jeftovic:

Yeah. Absolutely, I wrote a piece on bomb store I guess last summer maybe, and it said all central bank paths lead to Bitcoin, because they have this lose-lose choice. It's actually, well let's start with lose-lose. They raise rates, they destroy the bond market. The bond market, never mind the equities market. I mean a lot of people watching this thing, the Fed doesn't care what happens to the equities market. They know it's going to come down in

this tightening cycle, but if they lose the bond market, it's all over. So, look at things like the move index and the bond volatility and look what's happening with the British gilts and just look at what's happening. The bond yields everywhere. They're all blowing out. They raise rates or that they keep trying to raise rates and they probably will keep trying to raise rates until something breaks.

The thing that breaks and that changes everything is the bond market. So, on one hand they raise rates, and they destroy the global bond market, which is game over for everyone, for governments and sovereigns and everything. So, let's say they don't do that, they're going to not raise rates anymore, they lower rates, they have to start printing money again, money printer gober, then they destroy the currency. And so, that's a no-win situation as well, because hyperinflation and inflation and nothing will put a government out of power faster than out of control inflation. When people can't put food on the table, when they can't drive their car to work, they put the government into guillotines. So, they don't have an option there. And in that article, I hypothesized a third possible path where they just try to roll everything into a central bank digital currency that they think gives them another chance to kick the can down the road.

But the problem there is nothing is ready. I've been watching this for years and people have been watching this and they, everyone's talking about central bank digital currencies, but there's actually nothing ready. So, another article that I wrote on Bombthrower a few weeks ago was that this, the global financial system is unraveling so quickly they may have to go with something that's already out there to deploy CBDCs in an effort to save their currencies and get a lid on the economy. And my guess, and that's just a guess, and I could be wrong, is they're going to look at Ethereum for that. And I guess that brings us back to an earlier point that there's become a bit of a distinction between Bitcoin itself, which is a protocol for digital hard, decentralized digital bear instruments and sound money and cryptocurrencies, which are more like applications that exist and are centralized and have CEOs and a lot of them are securities. And there's a big difference between the two. And that's what I think may happen with Central Bank digital currencies is they may just try to build out on top of Ethereum, it's still quite late in the game, the system's unraveling faster to this can be done practically. So, the central banks really have created a no-win situation for themselves. And I think out of that you're going to see these parallel systems coming up built on Bitcoin, built on just utter peer-to-peer systems outside of what's in place now.

Dennis Tubbergen:

Well, my guest today is Mr. Mark Jeftovic. His websites are bombthrower.com and thecryptocapitalist.com. I'll continue my conversation with Mark when RLA Radio returns. Stay with us.

Welcome back to RLA Radio. I'm your host Dennis Tubbergen. Joining me once again on today's program is Mr. Mark Jeftovic. Mark is an extremely busy guy, a very bright guy. You can check out his work, his blog is at bombthrower.com and he publishes a letter called The Crypto Capitalist Letter. You can learn more about that at thecryptocapitalist.com. And Mark, in the last segment, we were talking a bit about central bank issued digital currencies, and I always looked at this as a desperation effort, if you will, like a Hail Mary pass for the central bankers trying to figure out some way to fix this thing, which as we discussed in the last segment, it doesn't seem to be fixable. There are those out there that are prognosticating that perhaps there will be some central bank around the world that will link a digital currency to something tangible like gold or silver. What do you think?

Mark Jeftovic:

I don't think any central bank will ever link their CBDC to something tangible, because that takes away their ability to inflate the monetary system out of thin air. And that is the sole purpose of a central bank.

Dennis Tubbergen:

So, Mark, let's talk a little bit about how you see all this playing out. You used the term crack-up boom in the last segment, a term I believe that was invented by Ludwig von Mises, which talked about hyperinflation really morphing into a deflationary depression. When you use the term crack-up boom, is that see you? Is that how you see things playing out?

Mark Jeftovic:

Pretty much. I mean I think it ends in hyperinflation. I think in terms of deflation, I think that comes before it. The hyperinflation in different places at different times and some things may deflate while other things are inflating. But I think right now, for example, the central banks of the world, some sooner than others have started hiking and abandoned hiking already. And I think the next... And that's deflationary and all the asset prices are coming down and at some point, if the Fed pivots is what everyone is waiting for, which I think will happen. They start bringing interest rates down, they start expanding the money supply again. And that's when we get into that hyper inflationary phase.

Dennis Tubbergen:

Well, Mark, I happen to agree with you. I think we're going to see a pivot by the Fed, because there's really, they really are going to try to go with what makes the most sense. And when deflation gets really ugly, that's probably the... That's the only bullet they have left in the gun. So, talk to me a bit, if you would, as this inflation reignites, assuming we see that, talk to me how you think Bitcoin and other cryptos will perform compared to precious metals like gold and silver.

Mark Jftovic:

Compared to, I couldn't tell you. I think directionally they go in the same direction. I'm not one of those bitcoiners that oppose gold. In fact, I've been invested in gold since the late 90s. I have positions in gold mining stocks that are older than my teenage daughter. I still like gold. I've got a 10-ounce Credit Suisse bar on my desk that I just like having there. Gold and Bitcoin are going to move in the same direction and they're going to move so fast that the people who don't have any are going to be playing a serious catch-up game to try and get on that train.

Dennis Tubbergen:

So, Mark, right now, relatively speaking, we're seeing a strong dollar around the world. And I always like to point out to listeners that that is relative to other fiat currencies, the dollar's obviously not gaining in absolute purchasing power. Do you see that strong dollar trend continuing?

Mark Jftovic:

That? Well, how long it goes? I couldn't tell you, and there's a phrase for that called, the dollar milkshakes theory. It was created by, oh, what was his name? Brett Wilson, San Diego Capital, I might have the name wrong. I know the firm is San Diego Capital and he is not really a bitcoin guy either, but his theory. But the Bitcoin crowd has looked at this and think he's right about it. And what he says is that the dollar, there's going to be this perceived flight to safety in the dollar as the global financial system unravels and things start to crack up and there's a dollar shortage.

And so, the dollar is going to act like a milkshake is going to suck the liquidity out of all of the other fiat currencies and all the weaker currencies are going to fall against the dollar as that plays out. And then, what happens after that though, is the dollar itself, the US dollar itself starts to implode and so, all fiat currencies are basically headed in the wrong direction or headed in the same direction. You're going to go true value, which is worthless. But before that happens, it's like that when the tide goes out

before a tsunami or how we talked about you get deflation before the hyperinflation, this is sort of like all the liquidity gets sucked up into the US dollar before it just crashes into a crater.

Dennis Tubbergen:

So, as this hyperinflation that you're forecasting plays out, do you see new currency systems emerging and do you see Bitcoin and Ethereum and other cryptocurrencies being the preferred currency, or do you see some country in the world maybe tying their currency to gold? We talked about that, but when you study history Weimar Germany, they tied the Rentenmark to land in industrial goods, so people were more confident in the currency. How do you see this transitioning?

Mark Jftovic:

Yeah, my thinking on this has changed over the years. So, I used to think the people who thought Bitcoin would become a world reserve asset were delusional and I don't believe that anymore. Now I believe that Bitcoin will be part of a hard money solution after this all plays out. It may not be the global world reserve currency, but I think it would be part of a basket of a global reserve current like basket of gold and maybe land and whatever else is in there. And partially Bitcoin I think will be part of the mix. I don't see any of the other cryptos being part of that except for, I think as I mentioned earlier, I think Ethereum may end up finding a niche as a sort of base layer for central bank digital currencies, which will not be sound money. They'll be closer to social credit systems. And I think people that have wealth and have assets and purchasing power that they want to protect are going to stay as far away from the central bank digital currencies as they can and hold their wealth in something that's got a hard asset backing.

Dennis Tubbergen:

So, Mark, in the time we have left, let's talk a little bit about The Crypto Capitalist Letter. Can you describe for the listeners the editorial content that you put out in The Crypto Capitalist Letter?

Mark Jftovic:

Sure. It's generally two issues a month. PDF format runs between, I don't know call it 30 pages each issue. The month end letter is more of a macro-overview. So, I look at interest rates, I look at the development of central bank digital currencies, I look at what's going on geopolitically. I've got a section called Clown World Report where I just sort of talk about how our globalists and elite are detached from reality increasingly so. And it ties in because this all plays into the Bitcoin thesis in my mind.

And then, mid-month we put out our portfolio update. So, our tactical focus is, it started out covering crypto equities, publicly traded Bitcoin stocks and crypto stocks. So, we run a concentrated portfolio. I come from a value investing kind of ideology, so we keep it focused 10 names plus some ETFs, and we look for value, not momentum. And so, we look at the balance sheets of these companies and we like companies that are Bitcoin miners, for example, that are just stacking their Bitcoin and actually driving revenues from their operations. And we're not invested in NFTs or anything like that. We're just, we're looking for the picks and shovels of the crypto world is really what we're after, because that's what I know best. My main business easyDNS is picks and shovels of the online world. So, I took what I knew and applied it to this investing methodology.

Dennis Tubbergen:

Well, Mark, we've got just a few minutes left in this segment. I want to go back and just finish talking a bit about central bankers. It seems that central bankers are quickly and rapidly losing credibility among the general population. And there are those out there that maybe couldn't define a central bank that now saw the story here that we had the Atlanta Fed president actually just refile some disclosure reports that evidently, he didn't realize he was supposed to file and he's still the... He's president of the Atlanta Fed. We had an insider trading scandal at the Fed here a year ago. As this hyperinflation, that you're forecasting emerges, are central bankers going to provide a solution or have they lost too much credibility?

Mark Jeftovic:

Central bankers have never provided the solution. Central bankers only make a bad system worse. That's the one thing they know. I've got to... Actually, I was talking about that Fed scandal in the mid-month portfolio, which I just sent out this morning and I called it whiteboard economics. So, central bankers are only good at whiteboard economics that have never survived the collision with reality. And so, we can't look to central bankers to solve anything. We have to all find paths forward that will succeed in spite of central bankers, not because of them.

Dennis Tubbergen:

Well, my guest today has been Mr. Mark Jeftovic, his website if you'd like to check out, his blog is bombthrower.com. If you'd like to learn more about his crypto capitalist letter, you can visit thecryptocapitalist.com. And Mark, always a pleasure to catch up with you, appreciate you taking time out of your schedule to talk with us today, and I'd love to have you back down the road.

Mark Jeftovic:

Thanks, Dennis. I'm happy to come on whenever you want me.

Dennis Tubbergen:

Appreciate that.

RLA Radio will return after these words.