Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Robert McHugh
TechnicalIndicatorIndex.com

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Dennis Tubbergen:

This is RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure today of chatting once again with returning guest, Dr. Bob McHugh. Dr. Bob McHugh has to be the hardest working technical analyst in the business. His website is technicalindicatorindex.com. I'd encourage you to check out his work, technicalindicatorindex.com is the website. Bob, welcome back to the program.

Dr. Robert McHugh:

Thanks, Dennis. It's always great to be here.

Dennis Tubbergen:

Bob, I have to start by just getting your take on Federal Reserve policy. The Fed, despite evidence of inflation emerging, has said they have no intention of raising interest rates. They have no intention of even slowing down the printing press, to use that term. Crazy is the word that comes to mind. What do you think?

Dr. Robert McHugh:

Absolutely crazy. The Federal Reserve has increased its balance sheet by $4 trillion, almost 50... or a hundred percent, actually. They doubled it in the last 18 months. The money supply, this is unbelievable, has increased 33%, almost $5 trillion, over the last 18 months. That's unheard of. That's unheard of. Now, here's one other point. The U.S. population has only increased 1% over that 18-month period. What this is saying is that we have substantially increased the number of dollars per person in this country by an astronomical amount.

Dr. Robert McHugh:

That is a formula for hyperinflation, not just inflation but hyperinflation. Their ludicrous measures of consumer price index and the producer price index do not include food and energy and housing. These things are going up dramatically, dramatic. I mean, the housing's up 20% last month. This is nuts and this is going to lead to a very, very big bubble that's going to pop and it's going to create an economic collapse worse than what we saw last year with the lockdown. It's insane, it's irresponsible. I've never seen anything like it and all of that money that they're printing over the last 18 months.

Dr. Robert McHugh:

I picked 18 months because I want to compare to before the lockdown. The 18 months takes us back to September 2019. During that same 18-month period, GDP has dropped $2 trillion, from 21 trillion to 19, so what they're doing is not working. It's irresponsible. It's creeping into the inflation of all assets, including the stock market. This is a bubble ready to burst and it's going to be ugly when it happens.

Dennis Tubbergen:

You know, it's almost laughable, Bob, when you have Jerome Powell, Chairman of the Federal Reserve, come out and state publicly that the inflation that we're experiencing is transitory, and then you have Warren Buffet, who at his most recent, I guess, virtual Berkshire Hathaway annual meeting, spoke for six hours and he said, "We're seeing massive inflation. We're passing on prices to other people and they're passing it on and they're accepting it." That by definition tells you this is not transitory. We have an inflation that is here to stay until the bubble bursts. What's your take on that whole thing?

Dr. Robert McHugh:

I totally agree with what Warren Buffett said. It's evident anywhere. Anybody that does any shopping at all, anybody that buys anything knows for a fact that the price of everything has gone up substantially. There's very little pushback right now because of the propaganda lies about what the inflation rate is coming from the mainstream press and from the government and because they've been goosed with a lot of money. There's a willfull unemployed segment of our population that is putting political pressure on the powers that be to keep sending out the pandemic checks. They are not willing to work.

Dr. Robert McHugh:

Where we live in Pennsylvania, I see help wanted signs everywhere. Every kind of business that you can imagine, factories, retail, you name it. You're driving around and you're bumper to bumper on roads that are rural that shouldn't have anybody on the road, but everybody is busy driving around during the middle of the day, during the middle of the week, during business hours not working. There's a problem here. There's a socialism... an incentive to not work and dollars are just being fed from the Federal Reserve. This is creating a massive bubble. It's ludicrous and it's dangerous.

Dennis Tubbergen:

Well, Bob, just... I think this is in your neck of the woods. Correct me if I'm wrong, but I just read this past weekend that there is a convenience store chain called Royal Farms and I think they're in Pennsylvania and Maryland and out that way. They're giving a $500 signing bonus to get convenience store clerks to take a job. I mean, we're seeing some really crazy stuff in the labor market.

Dr. Robert McHugh:

Yes, yes. They are in our area and, yep, you're right, Dennis. It's crazy.

Dennis Tubbergen:

So-

Dr. Robert McHugh:

Something is out of balance here.

Dennis Tubbergen:

Yeah, so, Bob, there's another stat I think I'd like to get your comment on. I read that government transfer payments, just income coming from the government in whatever form made up 34% of all income. Now, that's banana republic stuff, isn't it?

Dr. Robert McHugh:

Yeah, that's socialism at its finest, and that's a disincentive to work. That's a disincentive for employment, what we were just talking about. It's bad economics. It's proven to fail throughout the world over the last century and it's bad economics.

Dennis Tubbergen:

We are chatting today with Dr. Bob McHugh. Bob's website is technicalindicatorindex.com. I'd encourage you to check it out. The website again is technicalindicatorindex.com. Bob, this is the... I guess we'll call it the trillion-dollar question. How much longer can the Fed get away with printing at the level they're printing? How does this stop? Do they go until we have just a very noticeable hyperinflation and there's a revolt? How do you see this playing out?

Dr. Robert McHugh:

It's a great question. I don't know whether the real estate bubble will crash first or the stock market bubble will crash first, but there's going to be a crash and that'll ignite anger. It'll be reminiscent but worse of probably what we experienced in the '70s. Now, in the '70s, the hyperinflation catalyst was the rising price of oil. This time, it's just Fed printing, monetary policy and it's reflective of the classic Weimar Republic action that happened in Germany way back. There'll be a crash. It's going to be either in the stock market or in the real estate market or both simultaneously. I mean, I'm looking at a long-term chart for the Dow Industrials that goes back to '86, and it's a classic rising bearish wedge pattern.

Dr. Robert McHugh:

This pattern has been in development for a long time. It's been close to topping, but what changed over the last three months is it rose above the upper boundary for the final wave, which is what they call a throwover. When you see the throwover, you're at the end. You're near the end. This thing is ready to pop and the bullish sentiment is ridiculously extreme. We have people trading this market. Well, all they do is buy it, buy it, buy it. They're borrowing money all over the place to buy the stock market. They're getting into debt to buy stock, only believing it can go up and up and up. This is classic major league dangerous territory for a bubblemania top. I see the stock market crashing into a crash sometime this year with this action and real estate will soon fall.

Dennis Tubbergen:

I had the pleasure of interviewing Harry Dent last week on the program and he has the same timeframe. He said, "This has got to correct this year," so to talk a little bit about your work, Bob, you're a technical analyst. The work that you do and the volume that you do never ceases to amaze me. I've been a big fan of your work for a long time. You recently talked about the fact that the stock market has generated something called a Hindenburg Omen. Can you talk a little bit about that and what the significance of that might be?

Dr. Robert McHugh:

Yes, I sure can. In my website, I have the best article free for anybody who wants to read it at technicalindicatorindex.com. That'll explain everything about the latest Hindenburg Omen on March 6th, 2021, but to give you the thumbnail version of it, this is a rare condition in the market. There's only been 53 times in the last 35 years where we've seen it, which is a higher risk than random, much higher risk than random, of a coming stock market crash.

Dr. Robert McHugh:

There has never been a stock market crash without one of these on the clock. This one's on the clock now from March 6th, and what did I say? March 4th and it has about a four-month life, four-month shelf. What it is is a condition where the number of new 52-week new highs and the number of 52-week new lows are both very high at the same time. There's other conditions that are necessary to be met which are met.

Dr. Robert McHugh:

What this means is that the stock market... Normally, the rationale behind the stock market is that you should have a lot of new highs or a lot of new lows, but not both at the same time. When you have this extreme divergence where there are many new highs and lows at the same time, it means that it's not a healthy stock market. The stock market requires some semblance of internal uniformity, and this indicator's saying that uniformity is gone and there's a higher risk that normal of a crash.

Dr. Robert McHugh:

Now, the crash probability is only one out of five, but without this indicator there cannot be a crash and, therefore, when you compare the possibility of a crash on a random basis, one out of five is extremely high. It's like going to the surgeon and he says, "You got a one out of five chance of dying if you take the surgery." That's a high possibility when you're looking at some kind of a financial collapse or personal injury or something. It is a big number, it's a big percentage.

Dr. Robert McHugh:

Last year before the crash, a 36% crash in 2020, there was a Hindenburg Omen then, too. It predicted the possibility, the higher than normal probability of a crash. We got one of those now and people can read the article if they would like for the full details and a lot of information. It just means you've got to be a little bit more careful. You got to keep your eyes open. You got to be sensitive to it. The bull market mania is not sensitive to this possibility right now.

Dennis Tubbergen:

Well, my guest today is Dr. Bob McHugh. His website is technicalindicatorindex.com, and I'll continue my conversation with him when RLA Radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen. You're listening to RLA Radio. My guest today is Dr. Robert McHugh. You can learn more about his work and read a lot of free information. He's got some terrific resources at his website, technicalindicatorindex.com. Bob, prior to the break, we were talking about this Hindenburg Omen and you explained that there has never been a crash without a Hindenburg Omen sign appearing first. Let me ask you, how severe do you think the coming potential correction could be?

Dr. Robert McHugh:

Well, when I define a crash, it has to have a drop of at least 15%. Last year's was a 37% crash. We had a 35% crash in 2019, November, so anywhere from 15% or more. Given the extreme mania, the bubble, the extraordinary hyperinflation, there's no GDP behind this growth. This is bubble. This printed growth. I think this could be a much larger crash than we've seen in a while.

Dennis Tubbergen:

Given that you analyze the metals market, stocks, bonds, currencies, give me your take for gold and silver. It seems that with the massive money creation that we've seen from the Federal Reserve and the European Central Bank's balance sheet, the Japanese Central Bank's balance sheets have all expanded significantly. It seems that gold and silver have not responded as one might have expected. What do you attribute to that?

Dr. Robert McHugh:

Yeah, I mean, I agree with you. Gold and silver are... I don't know if it's manipulation, holding back by the central banks so that they can get away with this scam, this scheme that they got going with this 33% increase in the money supply. There could be some of that going on where the Central... I mean, you get a balance sheet of the status of $8 trillion. They could be selling gold constantly to keep it down this summer, but at some point it's going to springboard. You know, like the old staying where you'll stretch a rubber band so far, you're going to springboard. Gold has to increase in value as they print more cheap dollars, as they devalue the Dollar.

Dr. Robert McHugh:

I do have bullish trends, bullish charts for both gold and silver, that they are an upside trend. They are in long-term bull trend, and I think that at some point here based on all of the money that we've seen printed without the results of gain in GDP that we're going to see gold catapult we're going to see silver catapult as assets that will be defenses against hyperinflation and defenses against the coming uncertainty of the economic collapse that has to happen from these bubblemanias that they've created.

Dennis Tubbergen:

Well, Bob, you have mentioned now a couple of times that GDP has actually declined, and I think it's important to know that GDP has declined even though it's being measured in dollars that are devalued. On a real basis, would it be fair to say that GDP has declined more than the numbers show?

Dr. Robert McHugh:

Well, that's a great point, Dennis. You're absolutely right. That's an even more telling situation of how their policy is not working. That's a great point.

Dennis Tubbergen:

Talk to me a little bit about what your analysis tells you about the fiat currencies of the world. We'll start with the Dollar.

Dr. Robert McHugh:

Well, I mean, the Dollar is the reserve currency of the world for now, and some country with the greatest currency will have the reserve currency. They're the ones that are allowed to print dollars, as much as they want, and the world has to kind of accept it, but at some point the Dollar, there's going to be so many dollars printed and other fiat currencies printed that it's going to drive a challenge to the reserve currency and once it loses its reserve currency status, then it cannot print like this and get away with it anymore.

Dr. Robert McHugh:

Right now, they're just... That's printing money. They go in and they buy treasuries. They go in and they buy private debt and then they put it on their balance sheet and exchange it for dollars to Wall Street. If it's a modest administration fee, then this game can't continue. It's artificial. There's no substance behind it. Gross domestic product, as we just talked about, around the world is not increasing. There's a general move to socialism where it's just fluff. It's just fluff and there's nothing behind it, so there's danger here, real danger. The Dollar is going to have to drop in value as they keep printing it, and it has been dropping and it's going to continue to while they keep printing.

Dennis Tubbergen:

Bob, when you take a look at how the average aspiring retiree accumulates money in an IRA or a 401(k), they're typically taught by I call them Wall Street-only advisors to buy stocks, buy bonds, usually in the form of mutual funds and hang onto them because you can't time the market, so just stay invested for the long haul. Based upon everything we've been talking about here, that seems at the current time really bad advice. What would you say to that?

Dr. Robert McHugh:

Absolutely it's bad advice. You're right because those assets are going to drop in value as the bubble bursts. Where the real rip-off is on the retiree. The real rip-off has been artificially low interest rates on savings and CDs and safe bank FDIC-insured investments, you know, bank accounts. There's almost a whole generation of people that are getting ripped off of a normal 6 to 8% return on their money.

Dr. Robert McHugh:

Their money is now just sitting there and not earning anything and normally you could rely on that interest income as part of your retirement income. It is not there anymore, so now they're being pushed into risky assets like stocks in a bubble market at the very end of a bubble market, which is the worst time to go in, and they're going to lose their principal. They're going to lose value and they don't know... Retirees, what do you do? What are you supposed to do? It's a very uncomfortable and troublesome situation.

Dr. Robert McHugh:

One of the things I just started doing with my service is doing day trading, and the reason I started to do that is it's a way to make a little bit of income to kind of replace the interest income you can't get in the banks anymore. People are searching for additional income sources, and so I've started doing a little bit of day trading to try to help educate people. It's an education service. I'm not managing money, I'm not doing that, but to teach people how to possibly do their own day trading, which is safer because you don't use a lot of dollars at risk. It's a small amount, but you're churning it constantly. Play it up an down and to try to weight it to defend in how you make money in this market. The advice of going into the stock market now is like criminal.

Dennis Tubbergen:

When people hear the word "day trading," I think that it's got at least in some people's mind, it's got a bit of a negative connotation. Can you just drill down a little bit and talk about what your service looks like? What kind of vehicles are you trading and maybe give us an example?

Dr. Robert McHugh:

Sure. I mean, for example, let's say I want to play the Dow Industrials and I'm going to say, "Okay, it makes these little moves up and down every day. I got an ETF that plays the Dow Industrials. I look at that, which is DIA, an ETF, exchange traded fund. Trades like a stock and when the market is short-term oversold, I have an indicator I follow. I go buy maybe a thousand dollars worth of the DIA ETF shares, and then in a short while, whether it's a few hours or maybe a day or two, when a short-term indicator gets overbought, that rally is over and no matter what, I get out.

Dr. Robert McHugh:

I don't want to take any risks. I get out. I follow the indicator, and then I'll make plays to go down. It may say, "Okay, I'm now in an overbought condition," so maybe I'll play a small amount of money and play the down move. I'll buy a call option on DIA to play it to go up. I play a put option on the DIA to play the stock market, the industrials to go down for a day or two or for a few hours. It's small dollar amount trades. It's frequent trades. It's pretty understandable. It's just education for overbought, oversold conditions and I can make a few dollars like the big boys do on Wall Street just on small moves. That's just a way to defend ourselves.

Dr. Robert McHugh:

Let's say you don't want to go into the stock market heavy right now because of the bubblemania. It's dangerous. There's risks. Well, you might want to still get a little benefit from this crazy stock market. I'll do a small day trade every day. Maybe I'll play it up one day and down the next and just based on these short-term overbought and oversold conditions. There's going to be occasional losses. I stick to a disciplined situational program and my goal is to have about 70% of them be winners. 30% might end up being break-even or small losses, but if I keep my Dollar small at risk, generally at the end of the day, I should be ahead of the game doing that.

Dr. Robert McHugh:

t's just a strategy. It's different than buy and hold. It's different than market timing. It's different than taking half of my portfolio and putting it in a long-term mutual fund or something or long-term stock market play, which is different than getting an annuity from an insurance company and that has risks. You just can't get interest income from banks, so it's just another attempt to try another strategy for people to learn to try to help themselves in this difficult market.

Dennis Tubbergen:

Well, my guest today has been Dr. Robert McHugh. His website is technicalindicatorindex.com. The website again, technicalindicatorindex.com. Bob, amazing how fast two segments go by when we get together to chat. I very much appreciate you joining us today and I know the listeners do as well, and would love to have you back down the road.

Dr. Robert McHugh:

Oh, thanks, Dennis. I always enjoy chatting with you and I look forward to another time.

Dennis Tubbergen:

We will return after these words.