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 and joining me once again on today's program is returning guest, Mr. Simon Popple. If you are a longtime listener RLA Radio, you probably recall that Simon is the publisher of the Brookville Capital Intelligence Report. His website is brookvillecapital.com and his work and his publication is devoted to helping people invest in commodities. And given the world in which we live, I thought having Simon back on the program would be especially timely. So Simon, welcome back to the program.

Simon Popple:

Thanks. Great to be here.

Dennis Tubbergen:

So Simon, maybe before we get into actually investing in commodities, we should take a step back and just take a look at the world at this point. And certainly, here in the United States, inflation is more than noticeable and you're joining us today from the UK. And I've been reading some stories there about energy costs and fuel costs, seems like the inflation genie is out of the bottle?

Simon Popple:

Yeah, I know. I think that's very true. And normally, when the inflation genie pops out of the bottle, interest rates are increased and the genie is put back in the bottle. I think what the big question mark is at the moment is, because debt has increased so dramatically over the past few years, to what extent can they increase interest rates? Because obviously, you increase interest rates, your debt becomes more expensive and on the one hand, yes, you bring down inflation but on the other hand, you've got to then find the money to cover the escalating debt cost.

Dennis Tubbergen:

Simon, it just seems to me that the central banks all around the world, I mean, I obviously follow the Fed being here in the states, but it seems that they're in a no-win situation. We're either going to have massive inflation, perhaps even hyperinflation, some would argue we're on that path. Or we have debt defaults and a severe deflationary environment that will rival or maybe even exceed the 1930s. So, what's the path forward here for central banks? And is there a way to avoid one of those two outcomes, in your opinion?

Simon Popple:

I don't think there is really. I think that they're in a horrible position. I think that the most palatable for them is probably inflation because if you have inflation, then you can bring down the debt because you're paying people back with dollars that are worth less than what you borrowed in the first place. But that's not a long-term strategy because the next time people lend money, it's a bit like, if you lend someone enough money to buy 10 bottles of wine, but they pay you back with enough money that you can only buy 5 bottles of wine. Then the next time you lend the money, you're going to make sure that you've got an interest rate that means that you should get at least 5 bottles of wine, oh, sorry, 10 bottles line. And I think that inflation can work the first time around, but I think they're going to have to think of a way of making sure that this doesn't happen again. And I think the only way they can do that, is to cut expenditure and that is going to hurt people a lot.

Dennis Tubbergen:

So Simon, it just seems to me that that's very logical. That look, you can't have hyperinflation because we now have really the lower income earners, in many countries around the world, are now trying to figure out if they pay rent or they buy fuel or they buy food. And when that choice becomes reality, you get the populous that becomes quite upset, there's a lot of social unrest and I think we're seeing that now. Do you really think that the politicians around the world have the discipline or the fortitude to be able to cut back spending before we have a hyperinflationary outcome?

Simon Popple:

Look, they've got a lot of power, whether or not that is used in the best interest of the greater population is another question, unfortunately, we just don't know. But they certainly have power. But I think the big question really is, how they use that power? And I think that they will be able, to an extent, and I have to be careful what I say here, to an extent, they may be able to control certain prices, but you can't control all prices. We're living in a capitalist society so prices are met by supply and demand. But the trouble is you have knock on effects. So for example, high fuel costs or high energy costs, they get fed into industry and that industry then has to increase the prices of the product that they produce to reflect the higher fuel costs.

Simon Popple:

And then that increases the cost of their products, to let's say a manufacturer, and the whole thing snowballs, and it can snowball quite quickly. And even in the UK, we've overcome the fuel crisis that we had but I mean, if that was to rear its head again, I mean, the knock on effects of that were terrible because it meant that people didn't have enough fuel to get to work. Now over the short-term, you can deal with that but if that becomes a longer-term problem, then it's very, very difficult for governments to actually deal with that.

Dennis Tubbergen:

Well, if you're just joining us, we're chatting today with Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report, you can learn more about his at brookvillecapital.com. So Simon, is it your view that we are in recession or heading that way? How would you come down on that question?

Simon Popple:

It's difficult to look at an exciting growth path. Headline, it could look quite good because you've got inflation. So, sales revenue is bound to go up because of inflation. So, I think initially, it could look like a very nice recovery from the pandemic and from the world we live in at the moment. But as inflation rears its ugly head, then people's purchasing power will go down. So, the higher revenue, perhaps the higher earnings and things like that of the past, could feel pretty good for a short-term but when your dollar can't buy as much as it used to tomorrow, as it does today, then people would demand more dollars and that's when everything starts to unravel.

Dennis Tubbergen:

Well, Simon, there's been a lot of attention again, recently, as we're recording this, it's the 21st, this will air just a couple days after we record it. There's been a lot of renewed interest in cryptocurrencies. I think Bitcoin recently made all time highs and a number of investors are looking toward cryptocurrencies as a way to hedge against this inflation. Where do you come down on the cryptocurrency argument?

Simon Popple:

I don't really understand cryptos. I mean, I think they've obviously got a role to play at the moment, but ultimately, I think that governments will want to control currencies. And therefore, I think a Dollar crypto, Euro crypto, Juan crypto inevitable because central banks want to control the money supply. And people have said, "Oh, well, those are different, you can't trace them." And everything like that. But recently, governments have proven that they're actually quite easy to trace and obviously, they're digital.

Simon Popple:

So, I think the technology is amazing, but the extent to which they remain independent, I really don't know. And I think it was Paulson who said that, "Cryptos are a limited supply of nothing." And I'm not saying he's right, but I mean, it's such a new area that a lot of people are scratching their heads and sort of wondering what's going to happen. But I think that if cryptos do start to hurt the US dollar and other currencies managed by central banks, I don't think central banks will have a huge amount of patience with them.

Dennis Tubbergen:

Well, Simon for our listeners, maybe that are not familiar with your work, and you can learn more about Simon's work at brookvillecapital.com. Talk a bit about the Brookville Capital Intelligence Report and what it is you do? And in the next segment, our listeners are going to want to stay tuned, we're going to talk about what you're advising your subscribers. But share with the listeners a bit about what it is that you do?

Simon Popple:

Well, I really specialize in commodities. I like commodities because you can't print them. And the world that we live in, I think that having some gold or silver and other commodities is very important. And what I really do is, I look at companies in Canada, US and Australia, and look at companies that I like in those markets. And really try and guide investors as to really, what I'm doing and therefore, perhaps what they will think about doing, in terms of allocating capital to commodities.

Dennis Tubbergen:

Well, I encourage the listeners to check out Simon's website at brookvillecapital.com. In the next segment, we will talk with Simon about what he's advising his subscribers and a bit more on why he thinks commodities are important. That's when RLA Radio returns after these words.

Dennis Tubbergen:

I'm Dennis Tubbergen, you're listening to RLA Radio. My guest today, joining me from his offices in the UK, Mr. Simon Popple. If you're just joining us, Simon is the publisher of the Brookville Capital Intelligence Report, you can learn more about his work at brookvillecapital.com.

Dennis Tubbergen:

And Simon, you said something as we closed the last segment, that I thought was great. You can't print commodities, and that's why you like commodities. So let's start with the very basics if we can and then we'll narrow it down and give our listeners some ideas that will hopefully benefit them. Talk about, for somebody that's not familiar, what are commodities? And can you give us some examples of what they are? And then we'll get into maybe how you can invest in companies that could benefit from a rise price from commodities?

Simon Popple:

Yeah, sure. Well, I mean, commodities, you basically use commodities in everyday life and they're incredibly important. They range anything from the cereal you have in the morning or your cup of coffee, through to hard commodities like gold and silver and cobalt, lithium, iron ore. Basically, as you said at the top of the show, you can't print them. And that's one of the things I like about them because in certain instances like gold and silver, they've been around for thousands, if not millions of years and technology has improved dramatically, in terms of being able to find them.

Simon Popple:

For example, you've got things like drones that weren't around several years ago, which means that people can explore on a far more cost effective basis than they used to be able to do. So, commodities really are an interesting area because they're finite, in terms of their supply. You do need to find them. And especially with the way the world is developing, more towards clean energy, electric vehicles and things like that. I think it makes sense for people to have some commodities in their portfolio.

Dennis Tubbergen:

Well, Simon here in the program, we've talked a lot in the past about the importance of owning some gold and silver in your portfolio, as an inflation hedge and we'll go back and explore that. But taking gold and silver out of the conversation just briefly, what are some of the commodities that you really like at this time?

Simon Popple:

Well, let's break the market down into different segments. I mean, electric vehicles, the way the world is shaping up, you've got things like lithium, cobalt, graphite is quite important for the anode in the batteries. So, I like those commodities. I wouldn't go crazy about them, but I like to have fingers in those pies, because if the EV market takes off, then having a lithium or cobalt or nickel or graphite company could do very well. Looking at other sectors, my neighbor who is probably the greenest person I know, I said to him, "What do you think the greenest form of energy is?" And he actually said, "Uranium, nuclear."

Simon Popple:

And so I think that there's going to be a lot more nuclear power, so therefore, I think uranium obviously, you've seen the uranium price recently, I mean, it's going through the roof. But I think uranium is a very interesting market. And then you've got rare earths and various other commodities as well, which they're not called rare for no reason. They're very difficult to find in the commercial quantities that you need to make production viable. So I think that having exposure to a broad basket of commodities could be a very attractive way of getting exposure to all the exciting developments going on in the world.

Dennis Tubbergen:

So Simon, for our listeners, maybe that are not familiar with the rare earths and what the industrial application is, could you fill them in?

Simon Popple:

Yeah, sure. I mean, clean technology is becoming more and more important with climate change and everything like that. And rare earths are increasingly used in different parts of the clean tech world. So having some clean tech exposure in your portfolio through a tangible commodity, rather than just perhaps investing in clean tech companies, I think is quite important.

Dennis Tubbergen:

So Simon, if we have a listener that says, "Okay, this all makes sense to me. I should have some exposure to lithium and cobalt and nickel and graphite and uranium and rare earths." What's the best way for someone to get that exposure in their retirement investments?

Simon Popple:

Well, a lot depends on their appetite for risk and also reward because explorers are the highest risk element of the market. So you can look at companies exploring for those commodities that perhaps found some already, but they want to find more. But that's high risk stuff, but the returns can be fantastic. If you want to be lower down the risk curve, then you probably want to be looking at someone who's developing a resource they've already found. So they're not really looking to find a lot more lithium, cobalt, nickel, whatever it is, but they are more focused on taking what they've got into production. And at the lower end of the scale, which is still considerable risk, you've then got the producers who are producing that commodity.

Simon Popple:

And on the one hand, you've got risk of mining and production, but you've also got the risk of the commodity price itself. Because if the EV market doesn't take off, then what are you going to do with your lithium? And even though a lot of these products have got alternative uses, if you've got a very high grade manganese or high grade graphite that is suitable for EV batteries, then using that on a lower application, won't enable you to demand the premium prices that you would get from something like electric vehicles. So, it is a risky market, you mustn't assume that it isn't because it is. But the returns can be very exciting. And as I say, you can't print commodities. So, I think that if you've got a diverse exposure to them and you've picked the right companies, you can have a lot of fun.

Dennis Tubbergen:

If you're just joining us, we're chatting today with Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report, you can learn more at brookvillecapital.com. So Simon, take somebody who's listening to this that maybe is aspiring to a stress free retirement, they're concerned about inflation, they want something to hedge inflation risk. Would you suggest that they look more at the traditional inflation hedges of gold and silver? Or should they diversify with some of the other commodities that we've been talking about?

Simon Popple:

Yeah, well, I mean, stress free retirement, good luck with that. But I think a lot depends on how much money they've got and as I say, their appetite for risk. If they are looking at lower risk, then unfortunately, there's no perfect hedge for inflation, but what they can do is look at historically, what has happened. By all means, get in touch with me and I can send you some information on what's happened historically to various asset classes. And I think you just hope the history broadly repeats itself.

Simon Popple:

But yeah, me personally, I like to have a diverse exposure. I don't want it to be purely to gold or silver or other commodities, which are purely for hedging inflation. I like to have exposure to other areas, as well, commodities for uranium and electric vehicles and things like that. So, I think that people, if they want a bit more risk, then have a few more commodities. But if they really don't want to have any risk at all or not any risk at all, but if they want to be at the lower end of the risk curve, then perhaps having some physical gold, physical silver in storage is perhaps more what they're interested in. But they really need to discuss things with their financial advisor to work out what is best for them.

Dennis Tubbergen:

So Simon, I'd love your take, moving ahead on gold versus silver and which of those metals you think has more upside potential? We've often talked during the program of the level of industrial demand for silver really outweighs the production. There's on both gold and silver, more investors in the futures markets are standing for delivery of those metals, and yet the price has been suppressed. So just two questions in the time we have left, moving ahead, do you like gold, silver better? And why have those prices seemingly not kept up with inflation, like say, oil has in your view?

Simon Popple:

Well, I think the answer is, I like both, but gold is, I feel more stable, silver is more volatile. If you look at the prices of gold and silver, gold is the fairly close to previous highs, whereas, silver is a long way off previous highs. So, I think that silver has probably got more way to go, but I think it makes sense to have a bit of both. And if you want to have a silver coin, a silver coin is probably worth, and I'm guessing, $30, $40, which is pretty useful. If you ever need to use that, that's fantastic.

Simon Popple:

But you don't want to be walking around with a gold coin in your pocket, if you want to go shopping and it's worth $1,000 because what are you going to do with $1,000 in a supermarket? But looking at them from an investment perspective, I think that I like silver because it's got more uses, but it is incredibly volatile. And if you look at what happens with the silver price, it's suitable for some investors, but if you are retired and you look at it on a daily basis, it could be quite traumatic.

Dennis Tubbergen:

Well, my guest today has been Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report, you can learn more at brookvillecapital.com. I'd encourage you to do that. And Simon, always a pleasure to catch with up with you and have you on the program and love to have you back down the road. Thank you for joining us today.

Simon Popple:

Really enjoyed it. Thank you very much.

Dennis Tubbergen:

We'll return after these words.