Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Robert (Bob) McHugh

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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 and prolific market analyst, Dr. Bob McHugh. I would encourage you to check out Dr. McHugh's work at his website, TechnicalIndicatorIndex.com. The website again is TechnicalIndicatorIndex.com. He also has a publication that I hold in high regard that gives people perspective on trading and investing. So Bob, welcome back to the program.

Robert McHugh:

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

Dennis Tubbergen:

So Bob, just for maybe our listeners who are not familiar with your work, you put out just voluminous amounts of analysis every day. Can you talk a little bit about what your work is and what you do every day?

Robert McHugh:

Yes, there's kind of two schools of thought on how to track the markets and predict where they're headed next. One is the fundamental approach, which 99% of all brokers in America and a lot of the mainstream media follow, where 12 months earnings past or future, you make a projection on where earnings are headed next and then you try to figure out what the price is going to be. This is a totally different science I do, which is very, very impressive, I think. For the years I've been studying it and doing it. And that is called technical analysis, where it really looks at the psychology of the markets, of the group psychology of all investors everywhere. The theory is, that everybody on the planet, all information known by everybody on the planet is reflected in the price of markets and that these prices form patterns over an extended period of time. And if you can understand the patterns, there's a language to them. And essentially the markets are telling us where they're headed next, based on these patterns of group psychology information convergence.

Robert McHugh:

And I find it to be pretty darn accurate and a lot more accurate than fundamental analysis because in fundamental analysis, you never know when the entire sea of stocks is going to go up or down. You just are focused on individual stocks, whereas in technical analysis, you can pretty much understand where the whole bag of stocks are headed up or down. Is the sea level going to rise or fall, which will carry all stocks with it? So I find that quite interesting.

Dennis Tubbergen:

So Bob, when you take a look at what you do in technical analysis, to what extent from your perspective and experience and your methodology, different timeframes. Talk a little bit about that. Do you analyze markets over, shorter term timeframes, longer term timeframes, and what impact does that have on your ultimate analysis?

Robert McHugh:

Yeah, we try to look at ... I'll break it down to three separate timeframes, very long-term, intermediate term and short term. Short term would be one to three months, sometimes a couple of weeks, the intermediate term might be three months to a year and then long-term would be greater than a year. And actually then you have very long-term, of course, if you want to go there. Where I could be looking at charts of the markets over decades, and centuries. So we try to do all at the same time to find out where the short-term trends fit into a larger degree trend, so that you don't get too far ahead of ourselves and saying, "Oh, the short-term looks really good. Yeah, but you got this barrier coming from an intermediate term that says you got to pay attention to the potential for a top or a bottom at that level." And then you go into a higher level degree to really get a better perspective overall, see how much potential does this run have or does it not have?

Dennis Tubbergen:

So when you look at what's happening with this massive amount of money creation going on, there's no doubt that the dollar is losing purchasing power in a sense. Most markets, at least in the US and in many markets around the world. Since they're all priced in dollars, what impact does this currency that's being devalued, what impact does that have on your work?

Robert McHugh:

It shows up in the charts on the individual stock indices that we study. So what we've been seeing is that the potential for a rally over the last several months was there based upon the stock charts. And then what fed it is, the dollar dropping like crazy because United States was printing so much money, so much out of thin air to fund COVID related handouts. And as a result, the inflation of the dollar had leaked into the stock charts, pushing prices higher in stocks. And then of course, it all tied together, it all fit. There was projections that the dollar would drop and the stocks would rise and that has been what we've seen, but there are limits and barriers showing up here that indicate that, that trend is going to change.

Dennis Tubbergen:

Yeah. Bob, at least from a fundamental perspective, if we were talking one year ago today, and someone were to say, "We're going to shut down the entire US economy, essentially, almost the entire US economy in response to a virus. We're going to have ongoing rioting in the streets. And the response will be to defund police. We're going to have a lot of divisive politics going on. And yet in the midst of all that, stocks are going to make all time new highs." Everybody would have looked at us like we were crazy. So given that stocks have risen, I guess, two things. What do you attribute that to? And then secondly, where do you see just general stock market indices going from here?

Robert McHugh:

Yeah. I mean, fundamentally the reason they rose was because the Federal Reserve printed five trillion, maybe they're up to six trillion now because they've got this new stimulus, that's going to be coming out, of dollars, which is an enormous percentage of GDP and sent it into the economy, which went right to the stock market. So that fed the rally from the end of last March through now. And it was just simply a hyperinflation on the stock market. The stock market's real inflation adjusted top really occurred back in 2000. So most of what we've seen since then is just hyperinflation from printing of dollars. But there are limits going on right now. There's a pattern that we're tracking. That's about a three and a half year pattern, I call it the jaws of death. It looks like a shark's mouth wide open, ready to gobble up, what I refer to as the economy. And this pattern needed a fifth a wave up. And that's the wave we saw from last March to now.

Robert McHugh:

And it projected that there would be new, higher highs, and that has been the case, but it's nearly complete. It's this five way pattern, there's an A down, B up, C down, D up, E down for another wave. And then it needed a final wave, E up. I know I'm getting technical here, but it needed another wave up and we've gotten it, it's almost over. And this pattern is an ominous topping pattern. And when it completes, the projection is that we're going to see substantially lower stock prices in the not too distant future starting, maybe in early 2021. And for maybe another year or so. It's going to be a big drop. We saw a very big drop last March, and it could be as good or bad or worse than what we saw then.

Dennis Tubbergen:

Bob, I interviewed Dr. Charles Nenner a couple months ago, and he's a cycle's analyst and his work, he's predicting, predicting or projecting, I should say. That by 2022, that the Dow could be as low as 5,000. Now, what would your reaction be to a dire prediction like that?

Robert McHugh:

Well, it's interesting. I just read you, it's called a long-term chart from 2017, which predicts, I'd say a drop to around 18,000. But that's a small piece of the next larger pattern of the higher degree from 1986. And that's a major pattern, a rising bearish wedge pattern. And what we just saw in the last three years is the topping part of that gigantic pattern and that rising bearish wedge pattern that I'm referring to from 1986 has a downside price target eventually of about 5,000. So that confirms what he was saying. I don't know if the timing is the same, whether it'll be 2021, 2022, 2023, because it's such an extraordinary pattern. You never quite know how fast they're going to drop, but the pattern does, this very large pattern does project an eventful drop towards 5,000, yeah.

Dennis Tubbergen:

So Bob, you had mentioned ... So you'd confirm that. It's amazing when you think about how far the market would actually have to drop to have that happen. But when you look at this Fed stimulus and certainly the Feds, it seems like they're committed to keeping markets propped up. Is there any Fed action or anything that you can see that might prevent that from happening, that you would see stocks maybe go higher on a nominal basis, but continue their decline on a real basis?

Robert McHugh:

Well, I mean, they've been successful in doing this for a long time, where they print money out of thin air and people are willing to accept the inflated dollars and go merrily on their way and push prices up another degree. So at some point you just wonder if the world's going to say, "We're sick and tired of the United States Fed doing this, and we're not going to accept the dollar international reserve currency anymore." And see, that's the reason we can do this, it's because it's the world's reserve currency. If the world no longer accepts the dollar as a reserve currency, because of the hyperinflation with it, then we can no longer just print like this, the Fed is not going to be able to do what they're doing now to pull themselves out of declining stock markets. That's a whole different scenario.

Robert McHugh:

Let's say they switched to the Chinese yuan for the reserve currency or the euro for the reserve currency or something else, that all of a sudden takes away a tool from the Fed that they've been using to keep stock markets going higher and higher.

Dennis Tubbergen:

Bob, you said something earlier in this segment, we have time for, I think one more question here in this segment. That the stock market had a top on an inflation adjusted basis back in 2000, that's 20 years ago. Can you explain how you come to that conclusion?

Robert McHugh:

Well, you can look at it a couple of different ways. You can look at it in terms of gold, or you can just do the math and see how much the money supply has risen, since then and see how much the stock market has risen. And then you can just basically look at it versus gross domestic product and you come up with a fact that it's been a nominal great growth since 2000 in the stock market. We really, haven't created a lot of value. We've created artificial prices and it's reflected in everybody's grocery store and the price of everything, it's crazy. The proof of the pudding is, just look at your wallet and what you're paying now for things versus what you were paying 20 years ago.

Dennis Tubbergen:

Well, my guest today is Dr. Bob McHugh. His website is Technicalindicatorindex.com. He is a prolific analyst. He also has a couple of publications to help people trade and invest. I would encourage you to check them out. I will continue my conversation with Dr. Bob McHugh when RLA Radio returns, stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen, you're listening to RLA Radio. I am chatting today with Dr. Robert McHugh. Bob's website is TechnicalIndicatorIndex.com. I would encourage you to check out his work. He's also got some publications that I read, that give you great perspective on trading and investing. Again, the website is TechnicalIndicatorIndex.com. So Bob let's go down this road again, the Fed is printing all this money, creating all this money out of literally thin air. It would seem to indicate that, that would be bullish for commodities or anything related to things that are tangible. Give me your take on that and then maybe we can get into some specific markets.

Robert McHugh:

Yeah. I mean, one of the keys that sends us to hyperinflation and currencies is holding hard assets, whether it's real estate or gold or oil or something concrete, that has always been a pretty good defense. So again, I guess that's where we're headed in this environment is to hold on to tangible assets as a protection mechanism for the devaluation of cash.

Dennis Tubbergen:

So when you look at hard assets, I think that the traditional typical, precious metal holdings like gold and silver come to mind. What's your take on where the gold market has gone this year? We've had a big run-up from March to about August, and we've had a bit of a pullback. Where do we go from here?

Robert McHugh:

I'm looking for this consolidation pattern that started in gold back in August to conclude soon, soon being in the next few months and to follow should be a very powerful, strong rally in gold. It's a little bit unclear over the next two months, which direction it's headed in the short run. There's two scenarios, I track. One, allows it to drop down to 1,700 before it hits bottom. And the other says, it's hit bottom and it's starting its track up now. So we'll see what more price movement gives us to complete these patterns to come up with a more definitive short-term forecast. But once this bottoms in, which I would say at the latest would be in early 2021. You would see a firm bottom that'll support a very lengthy, strong, powerful rally in gold, which of course will be a reaction to the deflation. I mean, the hyperinflation of the US dollar and taking away the value of the dollar of cash.

Dennis Tubbergen:

Bob, this may not be a fair question, but do you track or put price targets out there? Just how high do you see gold going potentially?

Robert McHugh:

I do, from time to time, a pattern will give you a target. The next wave is wave three of primary degree. It's a big wave. I don't have a specific price target at the moment, but wave threes are strong. They're typically very strong. Now in metals, the strongest wave is the fifth wave. It's a five wave rally and a progressive wave with two and four correcting the major primary wave. So we're going to be heading ... We're in a two now, correcting. We're going to be heading into a three. It's going to be a big wave. I would say, it's at least going to go to 3,000 anyway.

Dennis Tubbergen:

So Bob, I've had analysts on that say, that we're going to see gold at 8 or 9,000. I've had others who say if the Fed keeps printing, which seems to be the policy that they are going to pursue, and it'll work until it doesn't. You may find that you can't find metals at any price. Do you have an ultimate price target? Can you envision 8, $9,000 gold?

Robert McHugh:

Yeah, because this is the third of five waves that I'm talking about coming next. That's not going to be the longest wave. That's not going to be the highest wave. Does it take us to 3 to 4,000? Yes. It's the fifth wave that's going to get us up to what we're talking about 9, 10,000. And that's probably a couple of years away, but once that comes, yes. Gold is headed for 10,000, I would say, over the next five years.

Dennis Tubbergen:

So Bob, that would have to mean that you're also bullish when you start to look at mining companies, companies that actually mine the gold mine silver.

Robert McHugh:

Yeah. I'm optimistic with mining stocks. They're a little different because they're an operating company, as well as they have gold under the ground, metals under the ground and a little bit above it, they're inventories. So they're a little different, they're hybrid. They do have operating issues, regulatory issues, all the headaches that any company would have. So they're going to behave a little bit like a normal stock would, but at the same time, they have the benefit of the metals underlying their movement. And I have a very optimistic, progressive wave going on there. Another big wave three up, and I had metals going ... I mean, sorry, mining going above 500, actually above 600, probably over the next five years as well.

Dennis Tubbergen:

So when you compare gold and silver from a technical perspective, are you more bullish on gold or are you more bullish on silver?

Robert McHugh:

I'm more bullish on gold because of its strength as a currency, it's strength and industrial usage. It's just traditionally been a stronger metal. Silver is not going to do poorly at all. It will track gold, but I like the beta on gold better. It seems like it's going to have a higher high and silver will have its moments, but no, I'm more favorable to gold.

Dennis Tubbergen:

So Bob, when you look at ... Let's just technically look at briefly the US dollar, and let's take a look at the US treasury market, also. Can you give us your take on those two markets?

Robert McHugh:

Yes. The dollar is still going to go lower. They've decided to sacrifice the dollar at this time. And my charts are saying that it's got further to go on the downside. It's going to reach these occasional bottoms and bounce and that kind of thing, but they're not done printing. And as long as that's the case and the charts seem to indicate that it's going to be the case, the dollar will be weakening further and further. And we put up all these blocks with trades. So normally when you lower the value of the dollar, you pick up gain in the economy through trade. It's an encouragement for people to buy our products but we put these regulatory barriers up now with trade with certain countries. And so that has a mitigation on the benefit of a lower dollar as far as the economy is concerned.

Robert McHugh:

So as far as the dollar, I see it continuing to weaken, which is good for metals, good for hard assets. Now, the impact on treasuries, that's another issue. This is where the Fed's gamesmanship comes into play. Under normal circumstances, when you would see, in free markets, when you would see this kind of hyperinflation of the currency, interest rates should rise through the roof and the value of bonds and treasuries should drop like a rock. But what's happening is, who's the buyer of all the treasuries? It's the Fed. The Fed is basically saying to the treasury, "You print the notes and we'll buy them from you. And that'll keep interest rates nice and low for everybody." It's not good for savers, that's for sure.

Robert McHugh:

People over 60 are realizing that, they've put their nest egg away and have quite a bit in cash, and they have not generated any benefit, any income from their savings accounts in years, because the thinking has always been, help the borrowers with lower interest rates and don't help savers. And that's the problem with manipulation of markets, which is what the Fed is doing with the treasury. It has been for decades. And so I think treasury rates can continue to stay low because of the manipulation of the Fed. But again, the whole thing changes, if the reserve currency is changed from the dollar to something else.

Robert McHugh:

Now countries have gone to war over that kind of an event. So in my book that I wrote several years ago, I made the point that when you see this jaws of death depression that comes, you're going to see war with it too, because nations starting fighting against economic power. There's an event happening ... If we continue to devalue the dollar with hyperinflation and manipulation of currencies, there are other nations that are going to get fed up with this and that puts a real strain on relationships internationally.

Dennis Tubbergen:

So Bob, let's look at another hard asset, arguably tangible asset, oil. We've enjoyed certainly at the gas pump, lower gas prices. Where do you see oil going?

Robert McHugh:

It's been flat since May. June, since June, it's been completely flat. It's risen a little bit recently, the long-term chart I'm watching for oil has it going very, very high, eventually. The track that we're in now is just a mid range track. It got down to almost zero back in March. And since then it's risen $50 a barrel, but it's following a track along this rally that eventually you could see oil up over $200 a barrel. I'm not saying that's going to happen soon. And there's certainly going to be some manipulation along the way with that but that to me would imply a war. That would mean to me, imply there's going to be a real strong need for oil and resources of oil are going to be interrupted.

Robert McHugh:

So if you look at a chart and you see it saying that oil is going to 200, you have to say, there's got to be a war in there somewhere to make that happen, but we're tracking that. For now, it's flat at 50, 45 in that range, trading range. In the short run, it could continue to stay in that range or move up slightly for another year or two. But it's hard to say, at some point this is going to break out North. And prices could get really crazy, but at the other side of it is, as demand for oil drops, you think prices should drop. So there's an economic forces, fundamental forces saying oil should drop. The technical chart I'm studying says it's going up. So it sees something outside of what we're looking at fundamentally right now.

Dennis Tubbergen:

Well, my guest today has been Dr. Robert McHugh. Bob's website is TechnicalIndicatorIndex.com. I would encourage you to check out the website and also check out Bob's publications. It can give you some really good perspective on trading and investing. Bob, always a pleasure to chat with you and catch up and get your perspective. I appreciate you joining us today, and I'd love to have you back down the road.

Robert McHugh:

Thanks, Dennis. I always enjoy chatting with you and anytime I'd love to come back.

Dennis Tubbergen:

We will return after these words.