Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Charles Nenner
CharlesNenner.com

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Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. I have the pleasure of chatting today, again, with returning guest, Dr. Charles Nenner. Dr. Nenner is a very prolific market commentator and a brilliant analyst, and we're going to learn more about his work and if you'd like to learn more about his work, you can go to www.charlesnenner.com, and he's offering listeners a free trial to check out his work. So, Dr. Nenner, welcome back to the program.

Dr. Charles Nenner:

Well, it's great to be back.

Dennis Tubbergen:

So talk a little bit, Charles, if you would, about how you approach market analysis.

Dr. Charles Nenner:

Let me first give a little story fast. When I was at Goldman Sachs, I was teaching the newcomers. The newcomer shifts understand were graduates from Harvard, and very good universities. And so I presented the fact that markets don't move at random. That means if something moves at random, you cannot predict anything. They didn't totally agree with that. And I says, "Well, if you think things move at random, then we don't need you for such a big salary, then we can pay somebody from the street." Oh no, no, no. So, okay. So then they agreed.

Dr. Charles Nenner:

So the theory is that markets don't move at random because if they move at random there's nothing to analyze. So once you assume that they move at random, then you want to know, so what do they do? How can you predict the market?

Dr. Charles Nenner:

So then the neural networks that I built, where we talk about the eighties, when I worked for Merrill Lynch, but they're my programs. They show that things recur in cycles. That means is every 50 days there's a top in every half year. There's a bigger top, and if those two collide, then you have a big down move. And if some cycles are up and some cycles are neutral or down, then you can see it. But then I have a system that the computer calculates what the end result is. So that means is every so many days, and every so many months a market goes up and the market goes down. Now we don't pay attention because usually there is a trigger why markets go down, and just to remind you that when we had a cycle top before the virus came, the gentleman who wrote the book about the Black Swan theory, it came up because he wrote the Black Swan theory means that there's going to be something happening that brings a market down but we don't know what.

Dr. Charles Nenner:

And I used to go on television and say, "Listen, instead of trying to figure out what is it going to be, try to figure out when it happens." So we were totally out of the market and then this virus situation came. Okay, that was the Black Swan.

Dr. Charles Nenner:

And what I try to explain to people is that you spend time on the wrong things because you don't believe that things have a pattern. Now, the second thing I showed is that, people maybe know that from high school, if you shoot a bullet up in the air, then we used to be taught how you can calculate how high the bullet goes and how long it stays in the air, and what momentum is. And theories that come close to that can predict how high your market goes.

Dr. Charles Nenner:

That means is instead of shooting a bullet up, IBM goes up for three weeks, and based on the points, how many points IBM went up the first time before it set a little bit, we know what the end result is. So then we can calculate into the future what the upside of IBM is. And also if IBM starts coming down, then we can calculate how low it goes, so it's pure predictable. It's a lot of mathematics. And it went very well when I was at Goldman Sachs for many years, and then I started my own firm. And that's why I agree what you said is for people to take a free trial even if you don't like it, at least you have an idea what is possible in analyzing markets.

Dennis Tubbergen:

Well, and again, if our listeners want to check it out, it's at charlesnenner.com. So Dr. Nenner, let's just talk a little bit about how these cycles actually, how do you sort through a market and find cycles? Is this something that someone can do? Does it require a computer program? For those people that are listening, could you kind of dig into what your daily analysis looks like?

Dr. Charles Nenner:

Well, how did I get to work to this cycle? A couple of reasons. One is that I was, at a time, a medical doctor, was on vacation in New York, and I watched CNBC. And they said the market goes up and the next time it goes down, it goes up. And I said, let me check it out. So there were no real computers in the beginning of the eighties that we worked with. So I took the Wall Street Journal for the last 100 years. And I checked out when there was a top, and when there was a top, and another top. Hey, that's interesting.

Dr. Charles Nenner:

So every 53 trading days is a top, let's see again. Oh, there's another one. So then... Sorry, you find a cycle that is like 53 days long, but then sometimes it doesn't really come down a lot. That's because there's a bigger cycle going up. So you have to find the biggest. So I did everything by hand. And then when I knew the length of all these cycles, I put it in a computer and since then everything is computerized and now the computer improves itself and the computer can find cycles that I didn't find because it's, you can look for cycles of the last 200 years and that's too much work for us. So the computer can do it in five minutes.

Dennis Tubbergen:

So you said, just for example, a 53 day cycle, does each market that you analyze, or just for example, if you look at the S&P 500 and you look at the gold market, does each market have a cycle or a series of cycles that is unique to that market? Or are these cycles more universally applied?

Dr. Charles Nenner:

No, no, they're unique. So what we do is we do the bond market, we do the dollar market, we do currency market. We do, sometimes real estate, even European markets, Bitcoin, we have a lot of requests on Bitcoin. Bitcoin is very simple, and you'll ask me, "Why would it be simple?" Because there could be some noise. Let's say, IBM goes according to cycle, but there could be some noise because some fundamentals interfere, but Bitcoin has no fundamentals. Nobody really knows why it goes up and down. It's all cycles. So that makes it very predictable. And it actually proves is that if you understand that Bitcoin is just cycles and price targets, and then you put next to it what IBM does. Then if you believe that to Bitcoin there are no fundamentals, then stop looking at all these analysts and all these reports of IBM, because we just proved that Bitcoin can be predicted without any fundamentals. So it saves a lot of time.

Dennis Tubbergen:

So let's talk about Bitcoin because certainly has got a lot of attention. And I think a lot of people are fascinated by the fact that something that, a unit of digital currency, that was worth less than a penny a dozen years ago is now, it's been over 50,000. What do you see as far as Bitcoin? Can you talk a bit about the cycles and then how you interpret where Bitcoin goes from here?

Dr. Charles Nenner:

So, very short term, this morning we wrote that as long as, because we were out of Bitcoin before the thing crashed because of cycle top. And I think the cycle bottoms again today or tomorrow, I have to look it up and we said, the target that I'm looking for is 43,500. And as long as it doesn't go below 43,500, since the cycle is up, it moves up again. And the weekly cycle, that is a couple of weeks is up. So as long as 43,500 is holding, we should go back, have an up move in Bitcoin.

Dennis Tubbergen:

So talk a bit, if you would please, about... A lot of talk about currencies and fundamentally speaking, a lot of quantitative easing, a lot of money creation going on, not only in the United States, but around the world. Talk a bit about the US dollar and what your cycles are telling you as far as the US dollar is concerned.

Dr. Charles Nenner:

So you see, the good thing is, I don't have to deal with all these explanations because it doesn't make a difference anyway. So that saves me a lot of time. And people say, why do you think the market goes up or down at a dollar...? Read it in a newspaper in a couple of days. I don't know. So the dollar, very specific, is a small bounce, the dollar index in a small bounce that could take another week or so. And then we see the dollar weakening again, especially if the dollar index can close below 90. So we were short the whole time, and now we have no position. And I think in a week or so, the cycle turns down and then if it goes below 90, then the dollar goes down again. Now I'm sure that there's going to be an explanation.

Dr. Charles Nenner:

It's very interesting. We do intraday updates. So during the day we can say the cycle... Now we talk about hourly cycles. The hourly cycle's up till quarter to three, and the price target, let's say on the S&P or the Bitcoin, is so-and-so, and so. And even during the day, when something happens at a quarter to three and the people says, "Oh, that's why the market turned." And it's a philosophical question. If that's really the reason or not, I'm still not final, I'm still not sure about it.

Dr. Charles Nenner:

The only thing is, it's very interesting that these hourly cycles during the day work very well. And then of course there has to be a trigger. So something, or Trump said something, or the fact that something, there's always a reason why. And actually, I think the easiest thing to deal with is to say, there's nothing to do with it.

Dr. Charles Nenner:

So you don't have to go into it. You don't have to listen. You don't have to understand it. I think nobody really understands what's going on. This is not going to end well, because if it will be so simple that the FED just keeps the interest rates very low, then we would create riches for the next thousand years, right? If it's that simple, just keep it low. And everybody becomes rich in the end. So obviously, if that would have been so simple, they would have tried it already a long time ago. So this is not going to continue well. And I warn people that everybody's going to get hurt very, very deeply, as happened in the bond market, because at the top of the bond market, the cycle top, it was a long-term cycle, and I said, listen, there has been a boom market since the eighties and for 40, 50 years, and people don't realize bonds can go down. And once they go down, and the economy picks up, they will never get back up where they are.

Dr. Charles Nenner:

I mean, a stock in cycles can get up, but the bond only stays, let's say for 10 years. And if interest rates continue to rise, you never get your money back. Especially if you invested in a bond fund, because if you buy a bond for a thousand dollars, at least you can take your thousand dollars. But if you're in a bond fund, then you lose a lot of money, you want to get out. You never get your capital back. So since, as I wrote this morning, also, since there's much more money in bonds for people who keep their pensions than in stocks, I find it very strange, there must have been a big destruction of capital, but until now I don't hear anybody about it.

Dennis Tubbergen:

Well, we are chatting today with Dr. Charles Nenner. His website is www.charlesnenner.com. You can go there and check out his work. He's offering a four week free trial. And again, the website is charlesnenner.com. I'll continue my conversation with Dr. Nenner When RLA radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen, you're listening to RLA radio. I have the pleasure of chatting, once again today with returning guest, Dr. Charles Nenner. Dr. Nenner is a market analyst and a cycles expert. You have potentially seen Dr. Nenner on any number of news channels or financial or media publications. He is a prolific commentator. You can check out his work at charlesnenner.com and he's offering a free trial to check out his work for four weeks as well. And Dr. Nenner, before we jump back in and talk about how you see certain markets, talk to the listeners a bit about who you work with. Do you work largely with individuals, largely with institutions? Can you just... Who do you work with primarily?

Dr. Charles Nenner:

Well, when I left Meryll Lynch, and actually we left because Obama didn't allow the company to do its own investing, and my system was used for the prop traders. That means it's the only investments offer of Goldman Sachs, so a lot of quadrants left, I also left. And they started the hedge fund. And then, because we continued to be in contact, so they were clients and then other hedge funds are clients, and the people that you really see on television, but I can't mention the name, but if you talk about individuals, individuals are so rich these days. I mean a normal individual... not a normal individual, but you find individuals, that has 100, 200, $300 million. Interesting is that, how did we get there? Because if you talk of financial markets they have no clue, but they must have some other aspects that they're good at so they made a lot of money.

Dr. Charles Nenner:

And then we got the big inflow, like I said, especially when the markets took off of smaller investors and even more inflow when this Bitcoin took off, because there's a lot of talk about Bitcoin, but the very few people can tell you where the Bitcoin is going to go next week and where the top is or where the low is. So for now we have little competition. So we've got all kinds of plans. We've got institutional plans and we got the educational plans, and for small investors, so actually all across.

Dennis Tubbergen:

Well, let's talk a bit about where you see stocks heading. We talked a lot with a number of different guests and everybody has their own way of analyzing things. But recently we chatted a bit about the buffet indicator being over valued, and at this point from a market cap to GDP perspective, that we're using that measurement, stocks are more overvalued now then at any point in history. Where do you see stocks going both short-term and long-term?

Dr. Charles Nenner:

Well, I also wrote the Warren Buffet indicator, that is out of control. There's something out except my not looking at my research, there's an interesting thing, which I published. I made an exponential chart, now that's too difficult to explain, but if people want to know what an exponential chart is, they can

Google it. So I made an exponential chart of the Dow Jones, and I went back to 1880 and I draw a line through all the tops, and every top 1929, 1967, 1987, 2000, 2007, they all ended at the line. And for this year, I said, the line is around 3980. And I says the chances that we will break above a trendline that is more than 140 years long is very small. So let's for the moment assume it will not get over 4,000.

Dr. Charles Nenner:

So that means last time we got at 3980, 3975. We got out because of the situation, but also because you mentioned a Buffet Indicator the case, but my cycles are topping later in March. Now, of course not all fundamentals, but the bond market was supposed to crash, which it did. It means now stuff's even more expensive, because if you compare where interest rates are, they're even more overvalued than before interest rates went up.

Dr. Charles Nenner:

But especially the cycle is stopping. And my price target for this year was 3980, apart from the trendline. It's just nice to know that the trendline is there, but with my system, we also came to 3980. And we've been there already. So we really did lighten up. And apart of that, I don't know if everybody's familiar with that, we're looking always at the VIX. We don't go short markets. We buy the VIX very successfully. And later in March, the VIX makes a big low. That means it's the idea that the market will sell off is there. And again, we probably go low on the VIX because to risk is very small, you don't have to go short, even the call spreads we do, you can buy calls on the VIX and the upside is amazing.

Dennis Tubbergen:

So long-term, do you have a price target for say the S&P 500 or the Dow? Do you see an ultimate bottom here? Like so many analysts are saying that you're going to see the Dow go below 10,000 at some point, when you especially look at the Dow to gold ratio, what's your take?

Dr. Charles Nenner:

Well, I look at... I agree with it and I do it a different way. As probably every broker will tell your clients, not your clients or the people listen to you, that the average gain for stocks is about 7% a year. Now, what you do if you're from 1900 and they should challenge the broker. If from 1900, you draw a line with an angle that is 7% a year then I think you're right now, 67% above that line. So only to get back to that line, we have to come huge down order to be average, except 7%. So if somebody would take a look in 20, 30 years, and it was still 7%, this has to come down much below the line.

Dr. Charles Nenner:

So the nonsense is that it goes up 7% a year, but from which situation? So I don't think if you're a 67% above the line, that this thing now will continue up 7% a year. So the all kinds of more fundamental ideas, why this market doesn't look good. But again, the major thing is the cycle tops late in March, my price targets was 3980, and maybe hit it one more time. And I would urge people to... or look what we do. At four weeks, probably is going to happen in four weeks. So maybe you sign up for free and do the VIX trade in order to have some defense if they're not out of the market or lighten up on stocks.

Dennis Tubbergen:

So let me get your opinion, Dr. Nenner, on where gold ultimately goes. What are your cycles telling you?

Dr. Charles Nenner:

The cycle is telling me that in a couple of weeks with the cycles are going to turn up and we should make new highs in gold. We got out, I think just above 2000 or so when a cycle topped and we still didn't get in yet. And I'm very careful because it's very tricky. A lot of people can't wait to trade it. So they trade it anyway, and then it'd be a stepped out in a trade anyway. And I just wait and it lets people just then decide until all the cycles bottom. And then we should go up to two and a half thousand.

Dennis Tubbergen:

Do you see silver following gold from these levels up the same percentage?

Dr. Charles Nenner:

Yeah. Silver actually is behaving better than gold. Yes, silver should also make a new high.

Dennis Tubbergen:

So do you see a Fiat currencies? Do your cycles tell you that the Euro, the dollar, are you seeing, given all the money creation going on, there's a lot of talk about, that we'll have to see some type of a currency reset purely from a cycles perspective. Are you seeing anything in your cycles that would have you confirm that opinion or would you take a different position?

Dr. Charles Nenner:

Well, I'll tell you, honestly, I don't know really what they mean by a reset. I always hear the word reset and I ask people, what does it mean? And at the end I really get a good idea what I mean by reset. Again, I don't think I have all the knowledge that that has to be checked for giving answers. First of all, I don't know what the reset is. My work is very simple. I tell them if something goes up or down and tell them when it goes up and down and how much it goes up and down. And the difficult situations and philosophies I leave out to the pundits on television.

Dennis Tubbergen:

Well, let me ask you this. Think somebody who's listening to this today that has money in a retirement account. Here in the States, obviously, there's IRAs and 401ks, depending on where you are it's called something different. What advice would you have for someone who's following the traditional buy and hold stocks and bonds, investment strategies?

Dr. Charles Nenner:

Well, buy and hold for bonds is a catastrophe because I wrote that when bonds were like 1%, I says, you don't think inflation ever is going to be in your life than 2% to where you lose money. And you think the interest rates are never going to go up anymore. So I never understood why people will buy a bond set at those levels. The stocks is a problem. If you don't want to get out of the stocks, my idea is buy the VIX, if you watch the research, we explain it a little bit. It doesn't need a lot of investment to calculate how many you have to invest in the VIX, in order, if there's going to be a crash based on cycles to defend your position. And then you don't have to sell out, but you have to do something. This is not going to end well.

Dennis Tubbergen:

So moving ahead. Do you see any... What would be your favorite asset class going through 2021? Do you have a favorite as to what you think an asset class that will outperform every other?

Dr. Charles Nenner:

I still think the metals will outperform. For a long time I said that the bonds will outperform. That actually is, there is an ETF called TBT. And if bonds go down, TBT goes up and it did so amazing. But we're getting close to the end so it will not outperform from here. But the one that still has to start is all the metals, so silver and gold. Also, I still, not that I am a believer or anything, but I see Bitcoin still looks okay for awhile, but you have to be very careful. Like last week the S&P came down, the gold took a collapse, and the bond collapses, and you lost on every front. So it's difficult. And you really have to know what you're doing. The easy, easy money is over.

Dennis Tubbergen:

Well, we're going to have to leave it there. My guest today has been Dr. Charles Nenner. His website is www.charlesnenner.com. Nenner is spelled N E N N E R, and I encourage you to check it out. You can get a free four week trial to see what his work is. Always enjoy talking to you, Dr. Nenner, and love to have you back down the road. Thank you for joining us today.

Dr. Charles Nenner:

Okay. When something starts turning sour, then we'll talk again.

Dennis Tubbergen:

You definitely, we'll definitely have you back and we will return after these words.