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 again on today's program is returning guest Mr. Simon Popple. Simon is the publisher of the Brookville Capital Intelligence Report. You can learn more about his work at Brookvillecapital.com. The website again is Brookvillecapital.com. Simon, welcome back to the program.

Simon Popple:

Great to be here.

Dennis Tubbergen:

So Simon, let's start by talking a little bit about... You were on about four to five months ago, and at that time, we talked about central bank policies. It seems like in light of, or in the face of, what seems to be emerging inflation, central banks still have their pedal to the metal. They're still creating money. They've got interest rates near zero. What's your take?

Simon Popple:

Well, with all the money being printed, I like to invest in tangible things that you can't print, which is very much pointing me in the direction of commodities at the moment, because you can't print them. I think that if we do get inflation, and a lot of people seem to see that that is going to happen, then, you already seen commodity prices head north.

Simon Popple:

Lumber's quite a good example, but if we really get inflation, then I think commodity prices could go up. I see them both as a potentially good investment, and also, they may provide some sort of hedge against inflation.

Dennis Tubbergen:

When we talk about commodities, Simon, let's drill down to a very basic level here, because certainly I think most people, at least here in the United States, when they invest or they save money, they put money in an IRA or 401k. The traditional investments are stocks or stock funds and bonds and bond funds. Many people don't invest in commodities, as we discussed before we started recording our interview here.

Dennis Tubbergen:

For those maybe who are uninitiated to the whole idea of investing in commodities, just explain, first, what are commodities? Give us some examples maybe, and then we'll get into some different ways to do this.

Simon Popple:

Yeah, no, absolutely. Well, examples are anything like gold, silver, uranium, cobalt, nickel, lithium, water. Basically, anything that's tangible. Quite often, more often than not, they're used in actually making things as well. They are very important for our society. Rare earth is quite a good example, where I think 97% of rare earth come from China. I like the idea of having some exposure to rare earth that are outside China.

Simon Popple:

A lot of uranium comes from the East, so I like having exposure uranium in the West, in the US and Canada or places like that. Commodities are really physical items that are used to make things.

Dennis Tubbergen:

If you look at commodities, Simon, I guess you could go out, in the case of gold and silver, certainly, I've been talking about for a very long time, that it's good to have some of your portfolio in physical gold and silver. Take some of maybe the lesser known or lesser invested in commodities. How can someone go about investing in those? Do they buy the physical silver, like copper's been going crazy lately, or are there other ways that you like to make that investment?

Simon Popple:

Well, with gold and silver, I do like to have some physical gold and silver, but what I really like about the sector is you can actually invest in the equities of companies that mine gold, silver, and for that matter, other commodities as well.

Simon Popple:

By investing in those companies, it gives you great exposure to whatever they're mining. If the price of, let's say, nickel goes through the roof, then you tend to find that nickel companies do very well, because the nickel that they're mining is worth a lot more than it used to be. That's a great way you can get exposure to a broad range of commodities, and as these are listed companies as well, they tend to be very liquid.

Simon Popple:

If you want to get your money out quickly, you can, and by having a broad range of exposures to different commodities, it means that, invariably, if one's gone up, and let's say the other one's gone down, then you can sell the one that's gone up. You're not forced to sell everything just because you need the money. I like this diversification that it provides investors.

Dennis Tubbergen:

Simon, when you look at the overall stock market, certainly there was a lot of attention paid to the comments that Warren Buffet made a couple of weeks ago when he addressed the Berkshire Hathaway conference, stating that we're seeing inflation, and he also stated that stocks are overvalued.

Dennis Tubbergen:

When you look at the Buffet indicator, which is an often-used measure of the value of stocks, the overall broad stock market is certainly more overvalued, arguably, than at any point in history. If we see a market decline, and I guess I'd like your opinion on the probability of that, to what extent will commodity-related stocks maybe buck that declining trend, in your view?

Simon Popple:

Well, an index I would suggest your listeners look at is the Goldman Sachs Commodity Index, and now, that obviously looks at a basket of commodities, but you'll see that's actually pretty low, and historically, much lower than it has been.

Simon Popple:

I think that what you tend to find if there's a market crash, is that people panic. It's a crash, and therefore, quite often, what will happen is all stocks will go down, because people are basically liquidating and panic selling. But commodity stocks, because commodity prices are rising, invariably, it's a very short downtrend, and they can go up pretty quickly.

Simon Popple:

I know part of you is probably thinking, well, why don't I wait for a crash and I'll buy them then? But every time it's different, and it may be that people buy into them already and are prepared to live through any debt because they're confident the prices will rebound. There may not be an opportunity to get in at a later date, which is why I like to have at least some money on the table at the moment.

Dennis Tubbergen:

Simon, as far as the overall broad market, are you in agreement that we're overdue for a correction here?

Simon Popple:

Yeah. I think that we are. With all the money printing going into the market, it's no surprise to me that the market is doing pretty well, but at some stage, the punchbowl will have to get taken away. You can't just keep printing money forever.

Simon Popple:

I think when that happens, you're going to see a significant market correction and people really thinking about what stocks they're in and why they're in them. I think in many cases that will lead people towards buying commodities.

Dennis Tubbergen:

Just to expand on a statement you made there, Simon, I think we can all agree that you can't print money forever. In fact, the late economist, Herbert Stein, made a statement along those lines, saying if something cannot continue forever, it will stop, which is simple but profound.

Dennis Tubbergen:

How do you see this money creation coming to an end? It seems like the central banks around the world are just hell bent on printing money until confidence is lost in the currency. Is that the end game here, in your view?

Simon Popple:

Yeah, I think ultimately it's to do with confidence, but confidence can be wafer thin. One day people can be confident and other day, they may lose confidence. I think that what you'll probably find is that if the money printing does continue, then people... We're already having rushes of people into commodities and properties, because I think that they're hard assets and they're real assets.

Simon Popple:

I think that, at some point, prices could go a bit crazy, and people start to lose confidence in the money. Actually, you're already seeing prices of digital currencies, like Bitcoin, going through the roof. I think central banks will tolerate that for a while, but at some point they'll go, well, hang on. We want to control the money supply. Therefore, we want to be involved in digital currencies.

Simon Popple:

What that means to the existing ones, I really don't know. I think the central banks will want to join the digital party at some point and be interesting to see what happens to other currencies when that happens.

Dennis Tubbergen:

The Federal Reserve here, Jerome Powell, the chair of the Fed here in the United States, has said that a digital dollar is a high priority, and Janet Yellen, the treasury secretary, has made similar comments. Do you see the central banks being able to put together an implement, a digital currency, before confidence is ultimately lost in existing fiat currencies? I've heard different opinions on that.

Simon Popple:

Yeah. I think there will be. I think they'll be able to do that, but then the question is how does the digital currency differ from the other currency? I think that's the million dollar question, and debt is debt. It doesn't matter if it's digital or fiat, and I think that's what they've got to overcome.

Simon Popple:

I honestly don't know how they're going to do that, but I'm sure they'll find a way to do that. But I think when the proposal is put on the table for whatever they view the solution to be, I think a lot of people will want to have some physical assets as well.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Simon Popple. He is the publisher of the Brookville Capital Intelligence Report. You can learn more Brookvillecapital.com, and Simon, we've got just over a minute left in this segment. That's just enough time for you to explain to the listeners what the Brookville Capitol Intelligence Report is all about.

Simon Popple:

Thank you very much. What it is, it's a weekly report that provides my thoughts on the commodity market and where you could perhaps be investing some of your money. We've had some tremendous successes. Chalice is a one that I can mention, because I told people about it when the share price was 15 and a half cents, it's now over $7.50. We've got several others that have done very well as well.

Simon Popple:

It's really for people who want a diversified portfolio, want to make some money, and it's a lot of fun as well. Whether you do it through me or through any route, I'd strongly suggest it's a market you take a look at.

Dennis Tubbergen:

Well, I'm chatting today again with Mr. Simon Popple, his publication is the Brookville Capital Intelligence Report. I'll continue my conversation with Simon when RLA Radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen, and this is RLA Radio. I am chatting today with Mr. Simon Popple. Simon is the publisher of the Brookville Capital Intelligence Report. I would encourage you to check out his work at Brookvillecapital.com.

Dennis Tubbergen:

Simon, in the last segment, we talked about the fact that central bankers around the world are on this money creation binge, and it's driven, certainly, the broad stock market much higher, but the same thing has happened in real estate. This looks a lot like 2006 to me, as far as real estate goes with maybe even a more extreme price valuation here. What's your opinion?

Simon Popple:

Well, I used to be a director of one of the world's largest private property companies, so I do know a little bit about property. One of the things that scares me about property as an asset class, well, actually, there's two things. The main thing is I think it's driven more by affordability than anything else.

Simon Popple:

What I mean by that is every time you get a cut in interest rates, it means that people can afford to spend more on a property or real estate. If you're living with your parents or wherever you're living, if there's a cut in interest rates, your purchasing power automatically goes up. Because we've seen rates decline significantly over the last 10, 20 years, it's meant that affordability has gone up dramatically.

Simon Popple:

Now, when someone uses the affordability, i.e. they've got more money to buy a house, then what tends to happen is the value of that property will go up because all properties in the neighborhood, because they can say the property next door went for this price. Therefore, us paying a similar price is not unreasonable. Is, you end up with house prices going up.

Simon Popple:

I think that works while affordability is going up, but if affordability starts going into reverse, then quite often, what you'll find is house prices start going into reverse and mortgage companies tend to be quite conservative. What they'll do is, they'll look at not only the market as it is today, but they'll probably look at the market as it could be tomorrow.

Simon Popple:

Therefore, what you could find is that it becomes more difficult to get a loan for properties. What we found in the crash of 2008, it was largely people trying to refinance during that period that were particularly hard hit. Because if you're trying to refinance and you can't get the debt that you need, especially if you've got loan-to-value covenants or you need to put a certain amount of equity into a property in order to get the kind of loan you need, then it can really hurt you. It could have a dramatic impact on prices.

Dennis Tubbergen:

Simon, when you draw the comparison of the crash of 2008, and then let's just say, just prior to the crash of 2008, and where we are today, how similar are those situations in your view?

Simon Popple:

I think there's quite a lot of similarity, to be honest. There's certainly nervousness in the market, and I think the pandemic is... No one was expecting the pandemic to happen, and it really has hit the market quite hard.

Simon Popple:

I think one of the things that is particularly uncomfortable for investors is that commercial real estate, personally, I viewed it as pretty bomb proof to be honest, but because of the pandemic, we're not sure what the demand is going to be for offices and industrial and retail in the future. You've got to remember that property is worth what the cashflow is, that that's really what it's based on, what the rental payments are.

Simon Popple:

If people can't afford to pay the rent, or they don't want to pay the rent, then that has a direct impact on the value of property. I think you could do well out of this if you've got properties located in the right areas, where there's still massive demand. But if you've got a portfolio of properties in areas where there isn't demand, then I think it's going to be a lot more challenging than we'd like it to be.

Dennis Tubbergen:

Well, I read a piece this past week and talked to some clients about it this past week that two of the largest property management companies in the United States have raised rents here in the month of April by about 11%. They seem to be able to raise rents, and they seem to be getting away with it. But the other piece of this is that we've got expanded unemployment benefits.

Dennis Tubbergen:

We've got a lot of stimulus money floating around out there, and we're going to get through the summer with the extended or expanded unemployment benefits. But then, at this point anyway, it seems that all that will be scaled back. To what extent do you think that scale back in government stimulus money will negatively impact the real estate market?

Simon Popple:

Well, I think a lot of the impact will depend on where that money's coming from, because if the rent is being paid by stimulus checks, which are going to be stopped, then landlords won't be aware there's an issue. They don't really care where the money comes from. All they care is that the rent is paid.

Simon Popple:

But if that money stops, here in the UK, we've got a furlough scheme. But if that stops and people start getting laid off, then they won't have the ability, again, I'm touching on this affordability, to pay that rent. So, yes, you can put rents up to a point, but if they're being paid essentially by the government through some sort of welfare scheme, and that scheme stops, then that rent will stop as well.

Dennis Tubbergen:

Simon, somebody listening to this that maybe he says, I'm in real estate. Real estate is probably overvalued, but real estate's also a tangible asset. Let's circle back to the commodity conversation we had in the last segment, because commodities are also tangible assets, which is really how we started this conversation. What are some of your favorite commodities at this point? Are there any that are undervalued at this point?

Simon Popple:

It's very difficult to know if something's undervalued or overvalued, but I like to have a diversity. I still like property, but I've got a huge amount of money tied up in my own house, and so for me, that's enough exposure to the market.

Simon Popple:

At the moment, commodity wise, I like gold and silver, but then, a bit of diversity, so a bit of uranium, lithium, if you think the electric vehicle market is going to take off. You've got nickel, cobalt. Having a broad range of commodities, I think, could be very useful for investors, because it means that they've got a more diverse portfolio.

Simon Popple:

I'm not advocating sell all your property. All I'm saying is you should have a more diverse portfolio. Then if one market does head north or south, then you don't have all your eggs in one basket, and you can sell something if you need the money. If you don't need the money, then you can look at your portfolio and decide what you want to do.

Simon Popple:

I think one of the main problems that people have is that they only think about their portfolio twice, once when they buy and once when they sell. They don't think about it in the intervening period, and I think that's quite a fundamental mistake, especially in these markets.

Simon Popple:

You do need to think about your portfolio on a regular basis. I think particularly selling, you need to be conscious of, are you selling because it's a wise investment decision or are you selling because you're going to need the money?

Dennis Tubbergen:

Terrific point. Simon, I guess you'd mentioned gold and silver as part of a portfolio, and I'd like your perspective. We mentioned cryptocurrencies, many of them have been going through the roof, even cryptos that were started as a joke seemed to be gaining in popularity. Yet, at the same time, we've got gold and silver, whose prices are rebounding here recently, but certainly not to the extent of cryptos. Why do you think that is?

Simon Popple:

Well, it's a very difficult question to answer, and to be honest, I don't know, and I don't think anyone else really knows. I think that if you got into cryptos at the start, you've done phenomenally well and well done you. But I think at these levels buying into Bitcoin, I think it's 50-something-thousand dollars for a Bitcoin. Then, for that to double, Bitcoin has to be over a hundred thousand dollars, and that's a digital currency.

Simon Popple:

Now, I don't understand that market. Now, if people do, and they feel confident in it, then great. But I think even Elon Musk said, "Look, digital currencies are speculative." I think people do need to be very careful, and I feel like they detracted from gold and silver because I think speculators have probably put that money into digital currencies rather than gold and silver.

Simon Popple:

At the end of the day, I like commodities because they're tangible. You can touch them, and if anything did ever happen to cryptocurrencies, then buying in at this level for me wouldn't make sense. If I was going to be in this market, I wish I'd got in five, 10 years ago.

Dennis Tubbergen:

Do you have, Simon, an ultimate price target for gold and silver? That's always a dicey question, because we don't know exactly what Fed policy's going to be moving ahead. But I mean, are you envisioning a big move here for the more traditional precious metals?

Simon Popple:

I think there could well be. As you say, it's a dicey area sort of trying to pick a price target because that depends. There's so many moving parts, but gold and silver have been around for thousands of years. They've got form. They've got a track record.

Simon Popple:

For me, in these uncertain times when no one really knows what's going to happen next, I think having at least some of your portfolio in an asset that's been around for thousands of years, rather than a few years, it seems to make sense to me.

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. The website again is Brookvillecapital.com, and Simon, always a pleasure to catch up with you. Appreciate you being on the program today and love to have you back down the road.

Simon Popple:

That's great. Many thanks for your time, really enjoyed it.

Dennis Tubbergen:

I did as well, and we will return after these words. Stay with us.