Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Mr. Michael Oliver

Date: December 6, 2020

Produced by:

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I have the great pleasure today of having first time guest, Jay Michael Oliver on the program. Mr. Oliver entered the financial services industry in 1975. In the 1980s, he began to develop his own momentum-based method of technical analysis. I'll chat with him a bit about what that is. And Mike, in 1987, he anticipated, technically, the crash, the flash crash, that many of us, people that have been on the planet for a bit and in the markets for a while are aware of. And Mike is now the founder and president of MSA. We'll talk to him about that. And he is the author of the New Libertarianism: Anarcho-Capitalism. You can learn more about Mike's work at olivermsa.com. That's O-L-I-V-E-R-M-S-A.com. And Michael, welcome to the program.

Michael Oliver:

It's good to be on the program. Thanks for inviting me.

Dennis Tubbergen:

Well, you're very welcome. I'm excited to talk to you. Let me ask, first of all, just for our listeners that maybe aren't familiar with this at all, describe technical analysis in general, and then, if you could, just maybe refine that down to your approach.

Michael Oliver:

Okay. Well, most people are familiar with technical analysis because you can look in the Wall Street Journal and you'll see charts. In the financial section, there's a DOW chart, S&P chart, and they overlay a moving average. So, technical analysis is usually price chart analysis with a few little tools attached. That's the orthodoxy. It's been around for decades, that mode of analysis. And so, what you're looking at is the face of a market via its price action. There are some problems with that on a broad basis.

Michael Oliver:

One, when you're measuring... Human beings, when they form concepts about anything, usually involve measurement. And if you take your temperature, you have a thermometer. If you build a house, you have a yard stick and a level. If you measure light, you have some measurement of intensity of light and so forth. But they're all objective yardsticks. They don't change. You can trust that your yardstick that says 36 inches doesn't grow an inch a month and yet still tell you it's 36 inches long, because if it did, it would be useless. Right?

Michael Oliver:

Well, the problem with measuring prices, you're measuring via a money unit, whether it's a Euro, a Yen, or whatever, or a dollar. The problem with that is the money units aren't stable at all. Even prior to the recent massive monetary inflation that we've seen over the last six months, which is off the page upside in growth of money supply. The dollar quantities doubled, basically, every decade since 1959, regardless of rationale or justification for monetary excess. Almost every year, it almost doubled. Every decade, excuse me.

Michael Oliver:

So, that's an extreme distortion in itself, meaning let's say you bought a stock at $300 five years ago and it's at $350 right now, even with that rate of growth in money supply, you're not making money. Your stock is up 50 bucks, but in real dollar terms, the quantity of the money units, you're down. And so, to that extent price charts, especially if you're looking back over a period of time, not just past three weeks but the past three or four or five years, and making measurements based on what you see on the price chart, those are distorted measurements, because the yard stick is distorted. Therefore, how do you get around that? Well, it's hard to get around it totally.

Michael Oliver:

Well, what we do is try to take a step away from it. We measure price in its relationship to certain moving averages. Now, I don't mean by that what we popularly see in the financial press, which is the price chart with the moving average printed on the price chart. What we do instead is we oscillate the action of price in relationship, above or below, that moving average. So, we have an oscillator with a zero line, which is the moving average. And let's say today's action in gold is $20 over the three-day average, today's low is $5 over, so we plot it that way. We get a different view of that market's actions, especially on long-term charts, than you get when you look at a price chart. And often, we will anticipate, via momentum analysis, especially if we go back and use annual momentum and go back quite a few years and look at the market, we get a different picture than the price chart guys do.

Michael Oliver:

And we argue it's a more accurate and more anticipatory picture. That when an event's about to occur, usually you'll see it coming on a momentum chart well before price charts smacks you in the face. And so, that's our basic methodology and the rationale for it. You can find more about it on the website, olivermsa.com. We have a category called method, and you can read about the basics of the methodology there.

Michael Oliver:

So, what we do is we analyze for our subscribers, who are largely institutional, they're financial planners, hedge fund managers, we also have a lot of high net worth subscribers who invest their own accounts, and we cover all four major asset categories. That means debt markets, stock markets, commodity markets, and foreign exchange. Because you can't just look, especially this day and age, if you're just looking at one market, let's say the S&P 500, you're fooling yourself. The interrelationship between these major asset categories, the interrelationships are great. And instead of looking out the windshield of your car, you need to be looking out the left and the right side mirrors to see what these other asset categories are doing, because they do impact each other.

Michael Oliver:

So, that's basically our perspective. We put out about five or six reports a week, including a large weekend report, and we cover those major markets. And believe me, we are in probably the most interesting, dangerous, and potentially massively profitable time in modern history. We're in it right now. And I think 2021 is going to be a record year for many, many markets in terms of violence.

Dennis Tubbergen:

Well, let me just back up a minute, and I want to get to your forecast, because I know our listeners are very excited to hear your perspective. If you're just joining us, we are chatting today with Michael Oliver. Michael's work can be viewed and you can learn more about his work, I should say, at olivermsa.com. I'd encourage you to check it out. You mentioned about the fact that these monetary units are really not good metrics. I mean, you really can't measure something that use something for measurement that's changing in value. And I often go back, and on the program several times, I've talked about the fact that the average new home in 1971 when the link between the dollar and gold was officially broken, at that time it took 685 ounces to buy the average new home, and today, that same 685 ounces would buy four new homes. So, is that really what you're talking about here?

Michael Oliver:

Yeah, the degradation of the money units is ongoing and competitive, and I mean, between the central banks. And the Japanese, for example, were probably the leaders in monetary degradation over the last several decades. Their policies have been taken up by the ECB, I mean replicated by the ECB, to some extent, and the federal reserve. And now, Powell is probably at the forefront of aggressive monetary policy, even more so than the Japanese or the Europeans, in terms of expanding the money supply, helicopter money and so forth. And this is what will have an impact on a lot of markets, not just their price direction, but the social economic factors, human factors, will be affected by this.

Michael Oliver:

He thinks he's going to cure something by printing money, and there's various modes in which they do that, of course, but actually, I think he's going to disturb things very badly. Because once you destroy the money unit, or destroy its integrity, you're, in effect, impacting person to person contact, person to person relationships, ability to make plans that are viable, because your money unit is so distorted. So, when you plan on doing something family-wise or business-wise, you're planning on it based on how many dollars is it going to take? Well, that becomes a meaningless notion, particularly in the rapid growth and money that we now have today and that he is promised to maintain. He's even said that we're not going back to normal, and so that's his statement of intent, that he's going to continue this policy.

Michael Oliver:

You don't have to be a Austrian school economics adherent or a free market advocate or a gold bug to realize this. In fact, one good example today is about a month ago, Ray Dalio is probably the world's most famous hedge fund manager, who is not a gold bug, came out with statements warning investors that they better not trust the price that they see on their stock because the money degradation is now gone ridiculous. And so, even he has admitted we've now entered a new phase. And his view was that the next five years should be very bad, in many ways, because of this distortion, my only disagreement with him is I think it's going to be largely seen in 2021.

Michael Oliver:

I think that incrementalism, which we see trends in the market that are incremental, you go up for 10 years at a certain rate and so forth, I think you'll have a more sudden chaos theory-type resolution to a lot of things that are wrong. Mispriced assets that have been mispriced by prior monetary policies like, let's say, an elevated stock market that shouldn't be as elevated as it is. Certain corporate bonds that are high risk corporate bonds are now being bought by the fed just to support them, which means that the pricing of those bonds is not a free market anymore. You now have a bully buyer, in effect, federal reserve, buying cheap corporate debt just to keep it afloat. So, you don't know what that debt's really worth. It's not our normal bid-ask relationship. So, these kinds of distortions will have human consequences and market consequences. So, it means there's both risk out there for people who have assets that need to be protected, and there's potential great reward. If you exploit some of these moves.

Dennis Tubbergen:

Well, and we're going to get to how we might exploit some of these moves that you see coming in the next segment. My guest today is Mr. Michael Oliver. His company's Momentum Structural Analysis, MSA. You can learn more about Michael's work at olivermsa.com. He also has some sample reports there and some information about his method. I would encourage you to check it out. I will continue my conversation with Mr. Michael Oliver when RLA Radio returns. Stay with us.

Dennis Tubbergen:

I am Dennis Tubbergen. You are listening to RLA Radio. My guest today is Mr. Michael Oliver. Michael's company is Momentum Structural Analysis. You can learn more about his work at olivermsa.com. And Michael, I know after the last segment, the listeners are very excited to get your forecast. So, given all the money creation that we're seeing or, to use your term, the money degradation that we're seeing, how do you see the precious metals markets, specifically gold and silver, performing moving ahead? What are you telling your subscribers?

Michael Oliver:

We flip flop on gold and silver over the lifetime of MSA. We've gone from bull to bear. We turned bearish in 2012. And not far off, the highs, gold was up at 1,900, 1,800. And we didn't turn bullish again until February of 2016, right after it made us low in the 1,054 level. It came up to 1,140 in price in February of 2016. We turned long-term bullish and have not changed our view since. There've been many pullbacks in gold over the last several years, 100, $200 drops, but they're all in the context of an uptrend, as we define it. Many price chart folks who're watching gold gets scared every time it drops, but it's all part of a breathing process in our assessment. And we're quite bullish on gold.

Michael Oliver:

We think gold is likely to see, this is a ballpark guesstimate, in the next year or two, 8,000 to $9,000 an ounce. Now, that sounds ludicrous, but we stand by that. Silver will outperform gold. By our measurements, silver has shifted from an under-performer, especially over the last four or five years it's definitely under-performed gold, to now it's an outperformer. And so, the poor man's gold, so to speak, I think is probably the better place to be. Those markets have various vehicles. There's ETFs, there's gold miners, silver miners, there's a bullion itself, there's coins. So, each investor has to pick what risk appetite he's got and, therefore, what medium of investment in that arena he wants to use, leveraged or non leveraged, et cetera. But we think that's going to be the outperforming asset category.

Michael Oliver:

Now, we think, also, that the commodity asset category in general, let's say grains, meats, copper, crude oil, so forth, they've been under a lot of pressure since 2011. Just like gold dropped in 2011 through 2015, '16, so did commodities, where during that time, the stock market was rising, so stocks were better than commodities. But commodities, we argued, have bottomed and are now an emergent bull market as a category. Oil has crossed levels that we need to see across, copper did months ago, the grains have all broken out. In unison, we're seeing the subsets of the commodity category turn up. Now, you can say, "Well that's because the fundamentals of each market turned up." No, it's largely because of the monetary degradation. Investors, ultimately, guide where that massive money flow goes. Sometimes they'll put it into the stock market if the stock market's cheap and has had a bear market, and then the fed provides the money, they'll buy stocks with it. They did that in 2009, so forth, and we generated an 11 year bull market so far.

Michael Oliver:

But as was the case back in the late 1970s, gold went from a reaction low of $103 in 1976, up to 850 in early 1980. So, in a matter of three and a half years, it rose that much. After it started its bull trend about a year and a half after it started it, the commodity category, measured by the Commodity Research Bureau Index at the time, turned up as well and coat tailed the gold market. And so, we had a situation from, let's say, about 1977 to 1980, where you could bought commodities and made a lot of money, or commodity-related assets, stocks that produce commodities, for example. Copper miners, silver miners, grain companies, et cetera. And yet, during that time, while they were printing money, and if you recall, it was a recession, global recession back in the mid to late '70s, so the central banks were very aggressive. But the money didn't go into the stock market. Stock market effectively went nowhere until 1982. It was a wasteland. But commodities provided a massive bull market.

Michael Oliver:

I think that's, effectively, where we are again now, where smart money is moving out of the stock market and moving into lower risk, higher reward potential markets such as commodity markets. You don't have to use futures to participate in this. There're ETFs on various commodities. Though, we still that gold and silver will outpace the commodity category in general. But there are also a lot of stocks that are vastly underpriced that are in these sectors. For instance, you look at some charts of ETFs on oil sector stocks, XLE is one example, XOP is another, OIH, these are ETF in the oil sector, they've been beat off the page for the last five or so years, while the stock market's been rising. So, though their stocks, they haven't behaved like the stock market, and we think it's about to flip now, where these undervalued oil sector stocks or copper miners and so forth are about to advance, and advance contrary to maybe a stock market decline. So, we think that's a place that investors need to look is the vastly beat up, deflated, commodity-related stocks, and think the percent opportunity there is enormous.

Dennis Tubbergen:

So, if you have, Michael, let's just take a retiree that's affluent, they've accumulated some money, they now want to have a comfortable, stress-free retirement, they want to be able to pull some income from their portfolio, what kind of advice would you be giving somebody like that, given the current circumstances?

Michael Oliver:

Well, we steer clear, because we're not financial advisors, we're not financial planners, we just put out research on markets, so we call markets, and each subscriber, investor needs to, on his own, maybe take that information to his financial planner or make his own decisions as to which vehicle is appropriate for him given his net worth, his risk appetite, and so forth. But there are ways, unleveraged, where you can participate, for instance, in these oil sector ETFs or copper mining ETFs, and so forth, or gold miners, where you're not using leverage at all, you're simply buying the ETF that owns the miners. You can also do these leverage because you can buy call options on them and go out a year and buy some call options, so you're using some leverage to that extent. You make more money than you would just own the ETF.

Michael Oliver:

But the decision is to which vehicle and how much of it and so forth. That's up to each investor. And we don't guide them in that regard. We simply analyze the markets and say, "Okay, the oil sector's turned up," and we define it with numbers. We don't just wave our hand. We share the charts, we update the charts periodically. So, once the trend emerges, the subscriber can monitor the status of that trend. But we think it's a great opportunity time, and frankly, there's a lot of asset managers who, again, who are not gold bug types, who are not necessarily antagonistic to central banks even, but suddenly are becoming aware that things are changing big time because of monetary policy.

Michael Oliver:

And therefore, they're not looking at inflated stock market indices like the NASDAQ 100 which, by the way, has advanced massively compared to any other index in the world, and it's done it with the front end holdings of the index, namely Microsoft, Amazon, Apple, Google, and so forth. So, it's a very narrow leadership there. To some extent, it's fake in the sense that you go out further in the index, in the other holdings of the index, which are less weighted, and they're not performing like the NASDAQ 100, so it's very narrow leadership creating these good-looking price charts. And we think that they're vulnerable, and we think that quite the opposite, again, on like energy sector or gold miners, and so forth.

Dennis Tubbergen:

So, my guest today is Jay Michael Oliver. Michael's company is Momentum Structural Analysis. You can learn more about his work at olivermsa.com. So, Michael, if I'm inferring what you're saying correctly, you're bullish on some of the commodity-related stocks, but if you look at somebody who's investing in an index fund, maybe based on the S&P 500, what's your forecast for investments like that?

Michael Oliver:

Well, I'll give you a fundamental comment, and we're not fundamentalists, we don't allow that to get into our work. We have our concepts, background concepts, but we don't allow it to guide our analysis. So, right now, we're faced with two possibilities on the S&P as far as I'm concerned, sideways, like happened to the stock markets back in mid to late '70s, while commodities went up. It didn't help the stock market. They didn't collapse, but they didn't go anywhere.

Michael Oliver:

Or the S&P and NASDAQ go down. And we're focused most on the NASDAQ 100 right now, because, frankly, it is the sole leadership index among the developed economy indices that is so far out front with beating its chest on the charts, that if it fails, if we can define a downturn in Microsoft, Amazon, Apple, Google, et cetera, if we can find a downturn in the front end of that index, that leadership index, we think the market will follow it. Whereas, the broad stock market will follow it down, probably to a lesser extent than it goes down, because it was more inflated than it was, let's say, the Dow Jones industrials. But we think they'll go in unison.

Michael Oliver:

Again, the choices are sideways, wasteland like the late '70s, or down. My bias is probably down. But despite that down in the broad stock market, we don't think that these other sectors that have already been beat up, like the oil and the copper and so forth, as well, will go down with it. We think they will trend contrary to it. So, there are parts of the stock market that we're looking at, but in terms of the broad market, I think it's highly risky, and the potential for downside is pretty good.

Dennis Tubbergen:

So, in the time we have left, Michael, we've got just maybe a minute and a half left or so, any forecast on US treasuries?

Michael Oliver:

Yes. That's a little confusing issue. We turned bullish on the treasury bond market. We monitor the 30 year futures, T-bond futures. Back in December of 2017, price then was 140 area. They shot up to a high in early this year, 195, on T-bonds, and as price goes up, yields go down. Okay. They since pulled back pretty sharply. We think there's a risk here of, one, higher interest rates are coming. We're pretty sure that. Meaning bonds are going down. Okay. But I think there's a dangerous situation tending here. If you do get a sharp drop in the stock market, again, at some point in the next several months, where you suddenly get a vacuum of 20, 30%, there will be a rush to buy T-bonds by investors who are panicked, just like they did early this year.

Michael Oliver:

And so, the risk of being bearish on T-bonds right now is that, yeah, maybe in the long run, you're going to be right, meaning rates are going up, prices are going down, but there's that distinct risk that if you get a mini vacuum, and let's say the NASDAQ 100, and you break these leadership stocks down, that it could be a decent dimension, and pretty quick as well. And the quicker it is and the deeper it is, the more frightened are the investors. And they rush to T-bonds to T-notes and so forth. So, there is that risk of one more rally, one more drop in yields, in the government debt markets, based solely on flight to safety.

Dennis Tubbergen:

Well, we're going to have to leave it there. The clock says we're out of time. My guest today has been Michael Oliver. Michael's company is Momentum Structural Analysis. You can learn more at olivermsa.com. I'd encourage you to check it out. Michael, amazingly fast that 25 minutes went. I'd love to have you back down the road. I thank you, and I know the listeners thank you for joining us today.

Michael Oliver:

And thank you, Dennis, very much.

Dennis Tubbergen:

We will return after these words.