Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dr. Robert McHugh
TechnicalIndicatorIndex.com

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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, Dr. Robert McHugh. Bob is undoubtedly the hardest working technical analyst in the business. The voluminous amount of information and research he puts out on a daily basis really amazes me. And Bob, it's always a pleasure to have you on the program. I get great feedback and I'm very excited to hear about your most recent research. So welcome.

Dr. Robert McHugh:

Thanks, Dennis. I always like being here with you and look forward to our conversation today.

Dennis Tubbergen:

Great. Well, if you want to learn more about Bob's work, I encourage you to check out his website at technicalindicatorindex.com. He has some trading programs we'll chat about. Also, his newsletter is must-read. So again, I'd encourage you to check that out at technicalindicatorindex.com.

So, Bob, let's start maybe with the big picture here. The economic news that is being released is not great. I'm reminded of the Chicago Purchasing Manager's Index where everything seems to be contracting except prices. So, it appears that we may be headed for this stagflationary outcome where we have inflation as far as consumer prices go, but a contracting economy, what's your opinion big picture?

Dr. Robert McHugh:

Well, right now, you're right. That is exactly what it looks like. We're headed for a price inflation on products, services, housing, especially, at the same time that there could be a depreciation in the value of some investments like our stock market and bonds possibly if they don't go down and interest rates don't go down, then that's going to be a problem. So, I would say stagflation is definitely the possibility right now. Now at some point I think that once the economy declines sharply, at that point then we'll see inflation start to cut down and interest rates will fall. But for a period of time here, call it a transitionary period, stagflation is definitely in my mind, what I'm seeing is going to be the case for a while here.

Dennis Tubbergen:

So Bob, your work, you're a brilliant technical analyst. Let's just preface this next part of our conversation if we could by having you just briefly explain a bit about how you approach your analysis.

Dr. Robert McHugh:

Sure. What we do is technical analysis of markets. Well, we consider the fundamental aspects of the economy and so on. We really do take a good hard look at it. We feel that that is kind of a fulfillment of the forecast of technical analysis. The news comes after what's forecast by technical analysis. And what is technical analysis? It's a measure of the psychology of all market participants everywhere that know everything about the markets. And we've found that over hundreds of years here through the work of Dow and Charles Dow and many others over the course of the last century, that you can predict the stock market's next move and other markets, gold and bonds and everything based upon patterns that the pricing of these markets produce. And we track the patterns, there's waves, and we're able to take what we look at and say, oh, okay, this market's about to top, or this market's about to decline and it's going to be a mild one, or it's going to be a severe one. It's going to be a great boom coming, or it could be a disaster coming.

And so, we measure this. There's a lot of work involved, and we label it and we present it in charts. And basically, what we're saying is that the market predicts itself. It communicates where it's headed next, and we take advantage of that information. It's been very accurate for a long time, for decades, and projecting where the next move is. And then the next move you'll see it fulfilled with the news, the news will be the fulfillment of it.

Dennis Tubbergen:

So, Bob, I interview just some market analysts that don't necessarily look at things from a technical perspective, and some of them have the opinion that the Fed will not allow a stock market correction in an election year. What are your charts saying and would you agree with that statement, or would you disagree with that statement?

Dr. Robert McHugh:

Oh, I definitely disagree with that because we've seen that before where the markets has gone down severely a few months before the presidential election. And that has been the reason for a change in power in the White House. It's happened many times in the past, so I don't go by that at all. As far as the charts, the technical charts, we are looking for a top in the stock market of significance as soon as these patterns complete. Now, whether they complete now or in a couple months, it's hard to say, but there's definitely a major pattern in the major stock indices, all of them that are saying we're headed for a top and it's going to be a pretty significant drop afterwards. We've been watching, it's a big pattern. It's been around for almost 30 years and it's concluding. It's a rising bearish wedge. They're very reliable. And so, I'm not so sure that we can say definitively, this Fed's going to keep the market up through the election. I don't think so at all.

Dennis Tubbergen:

So, Bob, when you say these patterns are almost complete and this rising bearish wedge is very reliable, since these patterns tend to repeat, is there an historical time that this rising bearish wedge has appeared? And if so, what was the timeframe and what did the subsequent drop look like?

Dr. Robert McHugh:

Well, I have in my newsletter, actually it's in the current newsletter that I'm putting out this weekend, and I did last weekend too, from 1997 to 2000, the stock market formed a very similar rising bearish wedge pattern to what we're seeing right now. We're seeing what we're seeing now is even on a larger scale than this one. But from 97 to 2000, there was a concluding rising bearish wedge and it topped in early 2000 and then with the Y2K, and then we had a three-year recession from 2000 to 2003, and the stock market plunged. It absolutely was a horrendous bear market. 38% crash in the stock market from 2000, and that's when it peaked. That's when the rising wedge ended. And that's what we're seeing now, is this rising bearish wedge, a different one, a bigger one is finishing now. Whether it's going to finish this month or next month or the month after, I'm not sure, but it's a big one. And so, we can expect a similar type of result.

And that's just one example. I mean, I've been doing this for years and this is one of my favorite patterns because it's so reliable and you see it so often. You'll see it on a short-term scale. You can see it in a long-term scale or an intermediate-term scale. But what I'm worried about is it's a long-term scale. And that's wrapping up now. The one I just mentioned in 97 to 2000 was, I would call it an intermediate-size wedge. So yes, it's got definite historical precedence.

Dennis Tubbergen:

So, Bob, based on what you just said, is it fair to say that you're expecting that we can see a decline of 50, 60% in stocks? Am I reading between the lines correctly?

Dr. Robert McHugh:

Yes, I do see that. I definitely see that, yes. Now, not maybe in one month, but over a period of time, yes, before it's all over. Yeah.

Dennis Tubbergen:

So, Bob, when you take a look at, in the case of a stock market correction, US treasury bonds have often been a safe haven. You see stock investors that panic, they go to put money in US government bonds. But if you look at what long-term US government bonds have done over the past few years as the Fed has been increasing interest rates, really maybe the last two and a half years or so, the performance has been dismal. Do you see US treasuries being a safe haven if we get this type of a stock market correction? Or do you think that maybe we're going to turn the page and see some other asset class, maybe outshine US treasuries in the event we get this big stock market correction?

Dr. Robert McHugh:

I would like US treasuries in an event like that. I would like that a little bit because it's got great historical precedence of being a safe haven. There's a good chance that bond prices will rise, which means interest rates will fall in the event that there's a stock market event crash. That's been the historical precedent, that's the reaction. That's what happens. People look at it as a safe haven and they look at the military might and the economic strength of the US economy. So, they say, okay, that's where I'm going to put my money.

So, I think that's a good option. There are other options like gold, but that's a good one because it's a transaction available, a medium of exchange. So yes, I would say bonds should rally, and that's what the charts are telling me too. As a matter of fact, if you want to look at the technical analysis side of this thing, my charts say that we're going to be seeing a bond rally of some significance and starting probably contemporaneous or right after we see a stock market drop. And it could be a big one, could be a big rally. So I show those charts in the newsletter this weekend too. That's where I think they're headed.

Dennis Tubbergen:

So, Bob, in the couple of minutes we have left in this segment, can you talk a little bit about your trading service, your newsletters, and maybe let the listeners know how they could learn more?

Dr. Robert McHugh:

Sure. Well, technicalindicatorindex.com is our website and what we do is we have three services. We have a basic newsletter service that does the technical analysis charts with explanations, analysis, forecasts, says, here's where we're headed next in the different markets, gold, silver, bonds, the currencies, and so on, and stocks, of course. And we print that every night, it's five days a week. And that's our lowest-priced offering.

And then we have a silver trading membership. It's called Silver. It's not that we're trading silver. It's the name of the product. And it's an ETF trading program, and that includes, the prices a little higher, and that includes all our newsletter services, the standard services, plus you can do ETF, get trade ideas from us for that.

And then we have our platinum premium program, which gives options trades ideas, where you can leverage and make significant gains, a little riskier trading options than ETFs, but it gives you another chance to make more money and create an additional income stream. And that includes all the other services we offer and that's a little bit more expensive. But those are our three products and they're all available at the website and at the subscribe today button.

Dennis Tubbergen:

Well, the website again is technicalindicatorindex.com. I'm chatting today with Dr. Bob McHugh, and I'll continue my conversation with him when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. I'm chatting today with Dr. Bob McHugh. He is a technical analyst, and he works harder than any other analyst that I interview. You can learn more about his work at technicalindicatorindex.com. And Bob, prior to the break, you were talking that your analysis is telling you that at the same time we see this stock market correction that you believe we could see a pretty big rally in US government bonds. And I'm reminded of what's going on geopolitically. You have the BRICS countries that seem to be aggressively pursuing alternatives to US dollars and consequently US treasuries and international trade. To what effect do you think that that development might hamper this bond rally, if at all?

Dr. Robert McHugh:

Well, there have been other attempts, excuse me, there have been other attempts to do this with the US dollar, use other currencies and so on. But ultimately it always boils down to as things get worse, the migration goes to the US Treasury, it goes to the US dollar. It's the military might, it's the history, it's a historical safe haven. And I just don't see where that could change a whole lot during the next international crisis. I would expect just the opposite.

Dennis Tubbergen:

Bob, if we could, let's shift gears a minute because you in passing in the last segment mentioned gold. Certainly, when you look at how precious metals have performed in 2024, as we're talking now about halfway through the year, gold and silver have both had pretty big breakouts and as one might expect, they're pulling back a little bit now. But where do you see metals going from here? What are your charts telling you about both gold and silver?

Dr. Robert McHugh:

I have them going way up. Very powerful. Bullish market is starting. It's not anywhere near finished, it's just getting started. It's breaking out, the gold is breaking out of a massive twelve-year cup and handle pattern that's very reliable, just broke out of it finally, it's been driving everybody crazy, when's it going to break out. And it just did a couple months ago. And this upside target is big. It's way up there. So, way up there. What is that? Well, I could see it eventually hit 5,000, to be honest with you, but doing stages and wave patterns up, down, up, down, stair stepping up. Same thing with silver. It's headed up, way up. Maybe it hits 50, it's getting stair up, stair down, steps, steps and so on. But these are going to be safe havens. I mean this almost screaming, it's almost telling us, these charts, why would metals go up so much?

Well, yeah, inflation maybe, but I think maybe it may be suggesting an international crisis of some kind, maybe war. My book that I wrote many years ago, 10 years ago pointed out that when you have economic crises, depressions, economic recessions, you have wars, they're contemporaneous. There's almost always a major war when you have a economic crisis, an international crisis of economics. So it may be that the silver, gold charts are telling us, yes, inflation's here, but it also could be telling us that we're going to see some type of an international crisis, perhaps war that will make it a safe haven like US Treasury bonds, they're going to head up higher. That looks like a safe haven. Something's coming, something that's not great, something that people are going to want to get some security. The stock market's not going to be the answer based on the charts I'm seeing. So there's kind of a picture being drawn by all these charts on these different markets.

It's going to be a rotation from stocks and the metals and treasuries away... And that kind of ties in with trouble. So that's what I'm seeing.

Dennis Tubbergen:

So, Bob, in the first segment, you mentioned real estate as well, and many times historically when we've seen a stock market correction, we've also seen real estate decline almost lockstep with stocks. Do you see it playing out the same way this time?

Dr. Robert McHugh:

No, not yet anyway. And I'll tell you why. And you just hit a nerve here. There's an event happening. I just wrote an article, it's at my guest article is free button, anybody can read it for free, on an event that's happening. That's a creeping risk to our economy that very little are talking about. And that is the institutional buying of home residences, cash buying. It has gone out of control. It's something like, I don't know what the number is, 35%, 50% of all homes that were sold a year ago were bought by institutions. And these institutions they're private equity firms. They're institutional investors from large corporations and so on are buying up residential homes and then they're renting them out and we're becoming a tenant society. And they're a giant buyer. They're outbidding mortgage buyers. They've got cash, they've got tons of it, tons of it, and they're buying with cash.

They're waiving inspections, they're settling on deals in 10 days. And it's an epidemic and it's wrong. It's an attempt at monopolizing the real estate markets, driving prices higher. Realtors are helping feed this because they're bird-dogging, a lot of, not all of them, but a lot of them are bird-dogging for these big mega corporations. One name is Blackstone and it's a whole thing happening, and it's not being attended to. It needs legislation, it needs regulation. And it's actually a violation of the Sherman Antitrust Act for monopoly and restraint of trade. And that is keeping prices higher, in fact driving real estate prices higher. And yet you see that seven, 8% mortgage rates, how can housing prices be going up? Because of this big buyer. And it's not right. It's anti-American, it's a robber baron event. It's not like capitalism. It's not capitalism. And that's what the politicians that are conservative have to understand. This is robber baron action. This has gone beyond capitalism and it's wrong. It's manipulation and it has to be stopped. So, to answer your question, sorry for the passion, but this is why I don't see real estate going down.

Dennis Tubbergen:

I'm chatting today with Dr. Bob McHugh. His website is technicalindicatorindex.com and the topic he just spoke about, there's an article available for free under the guest article section at technicalindicatorindex.com. So Bob, let me play devil's advocate here if I could. We're seeing huge commercial real estate exposure by banks. We're seeing a lot of vacant office space. Do you see then a disparity between the way residential real estate performs, and commercial real estate performs? Or do you think all real estate looks bullish here?

Dr. Robert McHugh:

That's a good question and I'm not sure what the answer is to that. I know the residential side; I don't see any major drop coming in prices for a while for the reasons I stated. Commercial (Real Estate) is interesting. That's different. There may be some decrease in pricing on the commercial side. I know they're in a lot of trouble. There's a lot of vacancies in a lot of the cities. Do they turn those things into homeless shelters? I don't know how that's going to be resolved. It's an unprocessed situation. It's a fascinating subject. What's going to happen with all these abandoned commercial properties that banks are stuck with? Will somebody figure out what to do with them? Will the local governments take them over and give them to the homeless, the migrants? Will they be bought out and turn into condos for residential homes? I don't know. It's a very interesting subject and Dennis, I really am not sure what that's going to do.

Dennis Tubbergen:

So Bob, let me go back to the precious metals topic if I could for just a moment. A couple of questions here. First of all, when you look at gold and silver, you stated that you're very bullish on both of those asset classes, more bullish on one than another?

Dr. Robert McHugh:

Probably not. Looking at the charts, they both look really strong. There may be occasions where one moves ahead of the other and then the other catches up kind of playing tag a little bit. But I do think they'll move pretty much in concert. They both have very bullish patterns. So, I'd say I think they both look pretty strong together.

Dennis Tubbergen:

And then we have time for maybe just a couple more questions here. I'm reminded of the Will Rogers quote that said, "I'm going to invest in inflation. It's the only thing going up," which was intended a bit tongue in cheek. However, when you look at food prices, would you be bullish then on if somebody's looking for an alternate asset class? Do you have a thought on other commodities and in particular maybe agricultural commodities?

Dr. Robert McHugh:

That's a great question and possibly yes, because just the fundamentals on agriculture are not strong because there's an awful lot of regulation right now, a lot of government intervention that's going against farming. It's putting pressure on the ability of farmers to produce their crops and then sell them. And it is creating food shortages. I mean, here in Lancaster County, Pennsylvania, they're going after the Amish real hard for no good reason because they're selling products that are raw, they're chemical free. And the Pennsylvania Department of Health and Agriculture is just beating them up. And so that's affecting supply. And in Idaho, I think it's Idaho, they're shutting down water to farmers that have been running farms for years. They're now telling them they can't have water, and so they're closing. So there's things happening that are kind of government-driven to harm the production of foods in this country at various farming areas. So, from that perspective, that's not helping lower inflation. And that's just a few examples that I'm aware of for firsthand. But so that might be an idea.

Dennis Tubbergen:

And maybe one more question, Bob. As far as asset classes, sectors, I should say, moving ahead, are there any sectors of the stock market that you think may perform better than others when this crash that you're forecasting hits? Are there any sectors that you're saying, “Hey, this might be the exception to the rule?”

Dr. Robert McHugh:

I don't do a lot of separate sector analysis in my work, so it's a little hard for me to identify anything. Let's just say whenever you have an economic plunge, and it usually results in war, I mean the defense sector usually does pretty well. There'll be military equipment built and that kind of thing. The Halliburtons and stuff like that might do well, but that may be something to look at once it happens. But I don't really have a lot of advice on sectors... As far as you want to look at technology versus staples, I have technology not looking good either. It's across the board. My rising bearish wedge is in the S&P 500, it's in technical or it's in the technology stocks NASDAQ 100, and it's showing up in the Dow industrials. And so I'm not necessarily saying that AI is going to be the answer at all because that's looking pretty pricey and pretty frothy.

And I just wrote another article that's in the guest articles button that people can read for free, pointing out a very interesting chart that says, whenever you have a few large companies dominating the stock market, and we do right now, just three tech companies or 20% of the market, and if you could expand that to say the top 10 tech companies in the top 20, we are at the 85th highest percentile of domination by a few corporations driving the stock market than in the history of the stock market. And whenever we've had ultimately high domination by a few stocks, there's ultimately almost always a stock market decline across the board for economic recession, plunge in the stock market shortly thereafter. That's a warning right now that we have to be careful and that's why I don't think the AI stocks are going to continue to be the answer if this whole thing goes down, the whole market goes down. I'm not thinking that's a sector that's going to necessarily be saved at this time.

Dennis Tubbergen:

Well, the clock says we're going to have to stop our conversation there. My guest today has been Dr. Bob McHugh. His website is technicalindicatorindex.com. There are some free guest articles there. You can also learn more about his newsletters and trading services. Bob, I always get great feedback when you're on the program. Thank you for joining us today and I'd love to have you back down the road.

Dr. Robert McHugh:

Thanks, Dennis. I always like chatting with you and I look forward to seeing you and talking to you again.

Dennis Tubbergen:

We'll return after these words.