



Guest Expert: Karl Denninger
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Dennis Tubbergen:

This is RLA Radio. I'm your host, Dennis Tubbergen. Glad you're listening in again this week. Hey, if you've not already done so, I would encourage you to go to requestyourreport.com and get a copy of my 2026 forecast issue. It gives you all my forecast for 2026, all the markets. Will inflation go up? Will it go down? Will interest rates go up? Will interest rates go down? It's all in my forecast issue. Just go to requestyourreport.com. I'd be glad to send you a complimentary copy. Also, coming up in the second segment of today's program, I'll be interviewing Mr. Karl Denninger about his 2026 forecast. He expanded his forecast to what's going to happen with healthcare, what's going to happen in the 2026 midterm elections. We'll get his take on that coming up in segment two of today's program. However, in this segment, I want to talk about the elephant in the room.

What is the elephant in the room? Well, it is silver. What is behind silver's huge upward move? Well, we had a bit of a pullback this week, and as I'm recording this, silver is around \$78 per ounce spot. It began the year at about \$50 per ounce less. Silver has had a huge run up. So if you've been investing in silver, should you take profits? If you have not yet started investing in silver, is the price too high? I'm going to attempt to answer those questions for you in today's segment. Now let me begin by saying right at the outset that my crystal ball doesn't work. I have practiced technical analysis for many years. I'll just say decades so I don't give away my age. And I absorb as much research as my waking hours and attention span permit, but my research and forecasts, although I believe as accurate as most anyone's, are not perfect.

At the beginning of the year, I advised many clients to take their gold profits and move them into silver. That has been a recommendation that has worked out extremely well. So let's start by looking at the technical side of the silver market. Now, if I'm using the term technical analysis and it doesn't mean anything to you, let me give you a very simple, straightforward definition. Technical analysis is the study of market data, like price movement, trading volume, and price levels relative to long-term average prices. And often this technical data forms a pattern that's very predictable, although it's not 100% predictable. This predictability of market patterns exists because human behavior is predictable. In fact, there have been volumes written on the topic of technical analysis and repeated patterns in the market, predictable patterns in the market, and there have been trading systems built on these patterns.

Now, in the interest of brevity in today's segment, let me just talk about one chart pattern that has been an historically reliable bullish pattern. This

pattern is called a cup and handle pattern. Now, if you think about a teacup with a handle, that's really the pattern that we're looking at on a chart. So if you can envision silver prices hitting \$50 an ounce or just shy of 50, \$49 and some change back in 1980, that makes the left-hand side of the teacup. And as prices fell after 1980, by 1982, prices had fallen below \$10 an ounce, and they stayed below \$10 an ounce all the way through the time of the financial crisis. At that time, they broke above \$10 an ounce to almost 20 before falling back to 10 and ultimately running all the way back up to near 50, 49 and some change again per ounce in 2011.

That's the right-hand side of the cup. So from 1980 to 2011, roughly 30 years, we have a span of two peaks in price in the silver market, about \$50 a share in 1980 and again in about 2011. Then the silver price declined, fell to between 10 and \$20 a share. It never hit 10, but it stayed below 20 basically from about 2013 all the way through 2020. Then it started to bounce around a bit. It teased \$30 a share, never getting there, and bounced back up. So in 2024, silver was again at about \$30 a share. That made the cup, the handle part of the cup, I should say. So this pattern, this cup and handle pattern took more than 45 years to develop. Now, in technical analysis, generally speaking, the longer the time it takes a pattern to develop, the more reliable it is and the more the signal is likely to be powerful.

So in this case, we have a setup to a bull market that took 45 years. Then we saw silver go from \$30 an ounce at the beginning of this year, a little bit less than that actually now, all the way up and it's touched 80. So while I expect that we will see a pullback like the one we saw this past week, and I'm not convinced the pullback has actually stopped, I do believe there is a lot more upside in this market simply because of this technical formation. Then there are the fundamentals of the silver market. Now there's a lot more to this story than I have the ability to discuss here because the radio show has to be limited in length. But let me give you just two fundamental factors that I deem to be extremely important. One is that presently there is a notable price arbitrage or price difference between Eastern silver markets and US silver markets.

The Shanghai Gold Exchange on December 24 saw silver prices go to \$78 and some change per ounce. Well, silver prices on the very same day in the United States on the Comex closed at \$72 and some change per ounce. So here we have a \$6 per ounce price differential. In today's world, such a price arbitrage is literally never seen. There are robot trading systems that take advantage of price arbitrage in global markets. Robot trading systems are really AI or artificial intelligence 101. So what does this big price difference tell us? Well, in my view, it tells us that silver supplies in China are running

increasingly short, and that's a fact that I have reported on recently. Now, here's the second fundamental factor that you should be aware of. With this big run up in silver of about \$50 an ounce this year, one would expect there would be a lot of profit taking.

If there was a lot of profit taking, you would think that silver inventories would have to increase. That's just logical. However, when you look at silver inventories on Comex, you see that as prices have gone up, inventories have declined. In fact, if you go to retirementlifestyleadvocates.com and read my December 29 newsletter, I reprint that chart from the Comex in that newsletter. So as silver prices have rocketed higher, inventories are declining. What does that tell you? It tells you that there's not a lot of profit taking because silver inventories are not expanding. And when you review open interest in Silver Futures contracts on the Comex, there's more open interest as we close this year, enter the new year than at any time since December of 2012. Now, again, my crystal ball doesn't work all the time. However, this tells me that despite the recent monster gains in silver, we may see some more upside ahead.

I'll be back after these words with my special guest, Mr. Karl Denninger. Don't go away.

Dennis Tubbergen here, host of RLA Radio. Hey, I'd like to invite you to get my 2026 forecast for the economy and the investing environment. All you need to do to get your free copy of the report is visit requestyourreport.com. When you visit requestyourreport.com, all you'll need to do is enter your name and address, and I'll be glad to send you a complimentary copy of my 2026 Investing and Economic Outlook. What will happen to the US dollar? What's the forecast for gold and silver? Where will stocks go? What does 2026 hold for the real estate market? I cover all that in the 2026 forecast report. All you need to do again to get your free copy is visit requestyourreport.com. The website again, [request yourreport.com](http://requestyourreport.com). Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I am joined once again today by my returning guest, Mr. Karl Denninger.

Karl is the proprietor and commentator at market-ticker.org. Karl every year publishes his forecast for the new year. I did that as well here on the program last week, and Karl commented on many things that I did not, which is why I wanted to have him back on. And Karl, thank you for being so gracious with your time once again and joining us on today's program.

Karl Denninger:

Well, thank you very much. And yeah, these are always fun because there's usually quite a difference

Dennis Tubbergen:

Of opinion. Well, let's start with just briefly, because the clock is running. I had forecast that the AI bubble looks susceptible to popping this year, and I think housing's got a lot more downside just to put it in a nutshell. I think you see that the same way, but can you comment?

Karl Denninger:

Yeah. Well, the AI bubble is very clearly in the process of topping and will burst. And the essence of the problem is just mathematics. What has been put forward is the so-called committed build rate not only can't be done profitably. I mean, you think about it, you have to make money in order to continue to do something economically. I mean, at some point there has to be a profit at the end of the rainbow. And the amount of cash, I mean, if you look at an operating margin, if you put a trillion dollars worth of equipment on the ground, you need to be able to make a 10% operating margin off of that trillion dollars in order to be able to reasonably continue forward as a going concern. Well, that's a hundred billion. I don't see any way that with a trillion ... And by the way, a trillion's on the low end of what people are saying is going onto the sheet next year.

There's no hundred billion. That's nonsense. You're talking about single digit billions that have been made so far. So we are so wildly off what this can be sold at versus what it costs that I just don't see any possibility that works. And then the second problem is that you can put up a data center, but if you don't have power availability to operate it, you've got a very nice empty dark building.

And then we can get into ... We've talked a little bit before about the turnover of equipment and the fact that the next generation comes out, it's more power efficient, it costs less money and produces more for the same inputs. That creates a huge problem too that becomes insurmountable in a high capex world. That's what I did my entire professional life. I know more than a little bit about how that cycle works. If you have the last generation's worth of stuff and your competitor buys the new one, you're dead because he's going to be able to operate at a 30% discount to your cost structure. You don't survive that. You just don't. You can't cut your price to match his because then you can't pay for your gear. So that's the basic problem with

putting anything on the ground. When you see it, and you can see this in any kind of technology, this comes up repeatedly.

This goes back to all this stuff in the 1990s. Anytime you see a firm that's putting stuff up and saying, "Well, we're going to spend this many billions of dollars. Right now, it doesn't make enough to cover its costs, but down the road it will." And it's an emerging area of technology. I don't care what it is. I don't care if it's solar power generation or windmills or AI, some other kind of computing, cloud compute, whatever. If you can't make back the capital expenditure within 12 to 24 months, you're going to take a loss. And that bubble game and piling in and circular financing and all other kinds of nonsense, which we're seeing a lot of in AI, that can go on for quite a long period of time and it will. But at the end of the day, you got to pay the check for the stuff that you put up.

Anytime that you get involved in some kind of circular financing deal or you do this kind of thing, all you're doing is adding more costs on top of what you started with. You're burying the expense somewhere where you hope someone doesn't find it, which works to pump up your stock price for a while, but eventually you have to make a profit. You have to make an operating profit and there's just no way it's going to happen. And I think this year is when it comes apart.

Dennis Tubbergen:

Housing briefly, Karl, can you comment?

Karl Denninger:

You have a locked market as a result of the stupidity that went on during the crazy years. And to some extent, the dislocation in cost goes all the way back to the 2008 crash in which rather than let the market correct to where it should have and force all of that insanity out of the market and the people who go bankrupt, well, that's too bad. Rather than do that, we papered it over there too. And so some of it was there, but then when virus shows up and all of a sudden we slammed the long end of the curve along with everything else because of all the money printing that was going on and handouts and everything else, you have a huge number of people that are sitting on 3% notes. That's never coming back. So those people are not going to leave without a very good reason.

But unfortunately, what always ends up happening in a market like this is that eventually someone has to sell because they lose their job, company goes out of business, whatever, and the other one, their replacement job is

two states over. They're not in financial distress, but they have to sell. And that's not a distress sale. But when those sales start, that resets the market price. So that is inevitable and you're starting to see some pieces of it in some metros and others you're not yet. I don't see any way to stabilize the housing market without having that dislocation rip its way through. And you're talking, I mean, a lot of areas, including around here, you saw just regular ordinary residences double in price during the crazy years. And this is from the COVID stuff, and that's a 50% loss. Can't have houses in a metro that the median income has to be able to buy the median house.

That means it needs to be about three times the median income. Prices are 50 to 100% over that.

Dennis Tubbergen:

So you're looking for maybe 50% downside in a lot of areas of the country.

Karl Denninger:

Yeah, and not in a lot of areas, in most areas.

Dennis Tubbergen:

So Karl, you commented on something that I did not, and you've got a great understanding of this. It was a very first bullet point in your 2026 forecast, a rather provocative title. Healthcare detonates for over 10 million. Can you comment?

Karl Denninger:

Yeah. Well, the Obamacare subsidies are dead. When I wrote the article, it wasn't officially dead. It is now because Congress is out of session. And the problem with that, again, this came out of the insanity and it goes back to Obamacare in the first place. Problem with the subsidy extensions expiring. The problem with the subsidies begin with is that once you reached four times the federal poverty level, which when Obamacare came in was about 40,000 for a single individual in AGI, now it's up to like 55. Once you reached that level, you had no subsidy at all. So as a result, and it was a sudden cutoff, you went from having several hundred dollars a month worth of subsidy having zero. So now what you've got is a situation where you have someone who makes \$50,000 ... Well, I guess it's like 55 for this year.

So let's say you have someone that makes 60 grand a year. A crappy insurance plan, so-called insurance plan from Obamacare is 1,000 a month.

That's 12 grand for you so much has seen a doctor. And then on top of that, there's anywhere between a \$7,500 and \$10,000 deductible. So if you actually need to have something done, you eat all of it up to 25 grand, roughly 20 to \$25,000. If I've got \$60,000 worth of income, I can't pay that. I can't pay out \$12,000 out of 60. I can't pay out 20% of my adjusted gross income in premiums and get nothing back for it. If I do that, I'm going to be in the street. I'm not going to be able to make my car payment or whatever. So these people are all going to have to drop the coverage. They have no choice.

It's not a choice. It's they've been forced out by the fact that they're forking up 12 grand for nothing. And if you're healthy, you're out of your mind not to do it. I mean, now there is a risk there. If it's something that you can get on a plane and go somewhere else and have treated, you're way ahead to go do that. The obvious risk is you get in a serious car accident or you get shot or some kind of trauma or you have a sudden heart attack, you're not exactly in a position to negotiate at that point. But short of that, this whole thing is dead. So if you're in that basket and it's over 10 million people who are in that basket, it's over. And that is a large enough group of people to have a monstrous political impact 11 months from now in the midterms.

Dennis Tubbergen:

Well, which brings me to another one of your predictions, Karl. Great segue. You say the GOP will lose the House. The Republicans lose the House in 2026 despite a lot of the redistricting or gerrymandering, to use that term. And you think there's a possibility they lose the Senate too. Given that there's been a lot of negativity around a lot of Democrats around the country, you still think that that's how this might play out.

Karl Denninger:

I think it is how it plays out. I think that's absent the Trump administration, frog marching people and mass in the medical system in particular out of their offices and straight into prison, which by the way, he can do using existing law that's been on the books for a hundred years, he loses. And it's simply that the affordability problem, the latest buzzword is affordability, right? Now it's much more simpler. It's a four letter word. It's called cost. You can't solve that problem with more subsidies and more financing. All that does is drive more inflation. But the only way you can solve these problems is to get the racketeering out of these systems. The kind of thing that we're seeing in places like what we've got in some of these other circumstances like with Minnesota and the child food stuff and all of this, it's not just there.

It's everywhere. The concept of you go into the doctor's office, he runs routine lab work. You get this statement back from the doctor's office and the insurance company that says that this was \$1,000 worth of stuff. You pay 250. "Gee, look, we saved you 750 bucks. It's great that you have health insurance." And the truth of the matter is, is that you could go over to LabCorp and that series of tests is 44 bucks. This stuff, it's a felony. It's been a felony for a hundred years to do this. And unless he takes it on head on right now, takes the crash that comes from it in that sector and we're recovering by the time November comes along, he loses. If he tries to do it in June, he loses because the recovery can't take place that fast.

Dennis Tubbergen:

Well, if you're just tuning in, I'm chatting with Karl Denninger at market-ticker.org. I'd encourage you to check out his work. And Karl, to pick up maybe on that comment, when you look at what's going on in Minnesota with a so-called Somali scandal, we talked a bit before we started to record today. You think that's not unique to Minnesota. And we chatted a bit that now New York is rolling out or the governor of New York endorsed the newly elected mayor's plan for universal childcare. Seems like more of the same.

Karl Denninger:

Well, it'd be one thing if there were actually children. Well, I mean, a lot of this stuff that's been uncovered in Minnesota, there's apparently one of these daycare managers that is saying, "Oh, you just caught us on a day that we were closed or at a time that we were closed. We didn't have kids there, but we're real." Okay. Yeah. And there's 66. In many of these cases, what they found is 66 of these daycare businesses or home healthcare businesses all registered to a PO box. Really? So you're running your business out of a PO box, huh? No physical address. Right, sure. And the thing is, it's not just there. It's a similar set of schemes has been found in Ohio. There's another set that appears to, same sort of thing, 50 places all in the same thing, all registered out of a UPS mail drop box in Washington state.

It's literally everywhere. And the basic problem here is the city, county, and state officials are not just looking the other way. They're actively involved. This is active racketeering by state governments and state officials are not exempt from federal law. There is this principle within state law and within federal law called qualified immunity. So if you're acting within your remit, within that regime of the law, you cannot either be sued or criminally prosecuted for acting within your remit. However, a state official has no protection against us at a federal level at all. Zero. And this is racketeering.

It is an organized extortion and theft racket. That is the definition of it. It's a predicate felony and the conspiracy to do it between different people. If you just think ... I used to run a company, all right? We had every year, the fire inspector comes through and makes sure that you have crash bars on your exit doors so people don't get trapped, that they open outward, not inward.

Same reason. If you rush the door, obviously if it opens inward, you all die because nobody can get out. These kinds of things that your fire extinguishers are inspected as required and a sprinkler system that the monitoring and everything is working. If you have a kitchen, the kitchen has to be inspected. If you've ever been into a restaurant and you look, the inspection report's on the wall. It has to be displayed where the public can see it. All these things had to be happening. Well, guess what? If there's no kids and there's no kitchen, there's no food being prepared, there's also no inspection. How does this guy get a business license without having these things done? I had to go renew my business license every year when I ran a company in Illinois and these reports are on file. Check everything before you get your business license.

Okay. So these guys, you have hundreds of employees within the state governmental and county governmental apparatus who are deliberately enabling this. And they're a part of it. They're a part of the conspiracy to do this. This is not just a bunch of a handful of people who decided to rob the government. This is the state government, the county government, the city government robbing every taxpayer in America. And they're all doing it in concert with each other. The only way this stuff stops is if those people, not just the Somalis, but all the people in the state government that are involved in this, if all of them go to prison.

Dennis Tubbergen:

So Karl, about four minutes left in this segment. I want to do an abrupt change of direction here. Forecast for the economy for 2026. Stagflation, does the economy keep growing? Or how do you see things playing out this next year?

Karl Denninger:

I think we got to fold back on this, and this is going to be a very serious problem. You're going to get a backlash here. One way or another, this so-called economic activity that is not real. And let's face it, it's always easier to steal than to make. I mean, that's just kind of the way it goes. But when that stealing stops and we're at the point where it just can't be covered up anymore, the outrage level is going to go up substantially. I think you're

going to see a recession declared. Now, this isn't in my predictions. However, market finishing flat to seriously down in 2026, that's a reflection of the underlying economic environment. I think you could see 2000 style or worse.

Dennis Tubbergen:

Well, my guest today has been Mr. Karl Denninger. His website is market-ticker.org. I check it out frequently, as do many of my listeners. I'd encourage you to do the same thing. Karl, thank you for joining us today to talk about your 2026 predictions. We definitely have to do this again in one year just to see how things played out. Thanks for joining us today.

Karl Denninger:

Yeah, that would be fantastic. We will return after these words.

Dennis Tubbergen:

Dennis Tubbergen here, host of RLA Radio. I'd like to invite you to get my 2026 forecast for the economy and the investing environment. All you need to do to get your free copy of the report is visit requestyourreport.com. When you visit requestyourreport.com, all you'll need to do is enter your name and address, and I'll be glad to send you a complimentary copy of my 2026 Investing and Economic Outlook. What will happen to the US dollar? What's the forecast for gold and silver? Where will stocks go? What does 2026 hold for the real estate market? I cover all that in the 2026 forecast report. All you need to do again to get your free copy is visit requestyourreport.com. The website again, requestyourreport.com.

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Hey, thanks to Mr. Karl Denninger for joining me on today's program and sharing his forecast or some of his forecasts for 2026. If you'd like to check out all of Karl's forecast, you can go to market-ticker.org. Hey, if you'd like to get my forecast for 2026, I'd like to invite you to go to requestyourreport.com. Enter your name and address. Let me know where to mail the 2026 forecast issue. I'll be very glad to do that. I'll also include some bonus information for you. So that's at requestyourreport.com. Happy new year. And hey, as I close this segment, don't forget that at retirementlifestyleadvocates.com, there are a lot of free resources available, including the Portfolio Watch Newsletter every week, my weekly headline Roundup newscast, as well as the podcast version of this radio program. That's all at retirementlifestyleadvocates.com.

You do need to have a login, but it is free to create. So again, retirementlifestyleadvocates.com. I'll be back again next week with another program. Happy New Year.