Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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TheBitcoinCapitalist.com

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me on today's program is returning guest Mr. Mark Jeftovic. If you're a longtime listener to RLA Radio, you'll recognize Mark as the writer and publisher of The Bitcoin Capitalist. I'd encourage you to go check out his website at thebitcoincapitalist.com. That's thebitcoincapitalist.com, and I'll give that website again in this segment. Mark, welcome back to the program.

Mark Jeftovic:

Hey, Dennis. It's great to be back. Always is.

Dennis Tubbergen:

So, Mark, let's just jump in here. A lot going on in the economy. First quarter GDP here in the US now revised to slightly negative, a lot of pressure on the Fed to reduce interest rates. At the same time, debt in both the private sector and on the balance sheets of government is really at nose bleed levels. Raising interest rates is not going to help that. Give me your assessment on the health of the economy and what options does the Fed have here?

Mark Jeftovic:

Yeah, they are really in a pickle financial commentators like yourself, like myself and others, we've been remarking for years that the Fed has effectively painted themselves into a corner. They kept interest rates too low for too long after the Global Financial Crisis, and they got themselves into a position where inflation got out of the jar.

And they tried to raise interest rates to put them back in the jar, and by then, such a huge global debt bubble had been blown up, that by raising interest rates, they're going to blow up the debt. So right now, they're kind of in this stasis. They're neither raising nor lowering.

But the thing that I pay attention to is that half point cut back in September, I think it was September, it was the first half point cut outside of an emergency meeting since the Global Financial Crisis, and interest rates like yields didn't go down. Yields actually went the other direction.

The 30 years started flirting with 5%. It's a little below there now. The 10 years elevated. The Fed cut a big one, and then interest rates went the other direction. To me, that signaled all kinds of trouble beneath the surface of the global financial system.

And then, as to your point, the economy is terrible. We're not officially calling it a recession either in your country or mine, which is Canada, but everybody knows that everything is getting more expensive. There's all kinds of shrinkflation happening. The quality of service is going down. We've got all these trade uncertainties with the tariffs that are on again, off again, who knows?

So, it's not really humming along. And here we have a Fed that's sort of being browbeaten into lowering rates. And against all this, the S&P 500's at all time highs, real estate is, I don't know what it's doing in the States, but cryptos are at all time highs, gold is near all time highs, silver's breaking out.

So, assets are still plugging away unperturbed. The debt is increasing at the same clip and accelerating. So here we are, stuck in this nether world where the Fed should be raising, but they can't and they shouldn't be cutting, but they probably will. And everything's getting more expensive and everything is cracking up. It's really almost the eye in a perfect storm.

Dennis Tubbergen:

So, Mark, I appreciate that assessment ,and setting the official Fed narrative and some of the political commentary aside, it seems that we have reached a point of no return. Really, you've got the US government borrowing in dollars and devaluing currency so they can pay back in dimes. And this is really not a new narrative when you study history, is it?

Mark Jeftovic:

No. Whenever you have a paperback currency, this is inevitably what happens. And it's not just happening in the US. It's happening in Canada, it's happening in Europe, it's happening in the UK. Every single government that isn't constrained by some kind of inelastic currency or hardback currency is succumbing to the temptation. And this isn't something that happened yesterday. It's been going on for decades. They're succumbing to the temptation to borrow from the future to buy perks for themselves now. And kick the can down the road every single time it comes to a head, to just sort of put off any sort of mounting crisis, to just get it out of their line of sight.

And I think what's happening now, and I know people like us have been saying this for a long, long time, we're getting to the point where they can't kick the can anymore. And I think we're seeing signs that this is really the case this time, that this is the last hurrah of the current monetary system. And there's either going to be a disorderly or some kind of orderly transition to what comes next. And we don't know what to call that yet cause we don't know what it's going to look like, but there's something shifting. There's something happening. It involves stablecoins, it involves gold, it involves Bitcoin, it involves more currencies than the USD, but there's definitely something happening, and bonds. And it remains to be seen what the crisis is going to look like that will catalyze all this, and then what system is going to take shape on the other side of it.

Dennis Tubbergen:

Well, if you're just tuning in, I'm chatting today with Mr. Mark Jeftovic. He is the writer and publisher of The Bitcoin Capitalist. You can learn more at thebitcoincapitalist.com. The website again is the bitcoin capitalist.com.

So, Mark, interesting development. When you look at reserve assets around the globe, gold is now second only to the US dollar, recently overtaking the euro as a reserve asset. But the increase in gold is really not because of a decrease in euro holdings. It's really because of a decrease in US dollar holdings.

And when you look at the US dollar index, which measures the dollar against the trading partners of the US, largely the euro and the yen, down 10% year-to-date. That's a remarkable decline as far as currencies are concerned. So, are we on this slippery slope? Is this going to go straight down from here? You mentioned the last hurrah. How do you see this playing out?

Mark Jeftovic:

Well, obviously, it's hard to say, but that decline in the dollar has been noted by a lot of people. Morgan Stanley's head of Global Macro, oh God, I can't remember his name, but he put out a note last month about the decoupling of the dollar index from the tenure. And if you look at the chart, it's pretty vivid breakdown in that correlation.

And so, de-dollarization has been another theme to throw into this entire mix, because I think what is happening is international partners are looking at the uncertainty with both tariffs and the debt situation and the fiscal situation. And they've been trying to diversify out of the dollar for a long time. Now, it's sort of becoming incentivized to do it at an accelerated rate.

And even the US themselves are starting to pivot into, again, stablecoins themselves, which will enable them to use the dollar as a unit of accounting without actually printing more of them in an effort to try and slow this down.

Dennis Tubbergen:

So, Mark, for our listeners that are not familiar with stablecoin, somewhat familiar with the crypto world, could we start with this conversation with some one-on-one level definitions, please?

Mark Jeftovic:

Sure. Yeah. Stablecoin, a lot of times it gets lumped into the cryptocurrency bucket, but it's not really a cryptocurrency because most stablecoins are not implemented on a blockchain. They're really just kind of a ledger. And the main thing behind the stablecoin is that... I mean, yes, they do transact on blockchains like Ethereum and Polygon and Solana and things like that, but they're not minted with a hard cap or anything like that.

But what they are supposed to be is one-to-one backed by the underlying instrument. And most of the stablecoins are US dollar stablecoins. And the biggest one is Tether, and the second-biggest one is Circle, which just went public in June. One of the hugest IPOs in history. They went up 100% on IPO day, continue to go up.

And basically, all a stablecoin does is hold a pile of collateral, like US T bills, let's say they got a billion dollars in T bills from a high net worth client or institution that wants to get into the crypto ecosystem. So, they go to a stablecoin issuer, they say, "Here's a million dollars in collateral, US dollar collateral," and that gets parked in a bank account like a money market fund or some pile of collateral.

And then they mint one billion units of the stablecoin. And so at that point, it's now in the crypto system because that is traveling on blockchain rails. And now that large institutional client or a high net worth or family office takes that one billion stablecoin or a million, and then they start deploying that out into the crypto world.

Whether it's converting it into Bitcoin, buying Bitcoin with it, or going into DeFi systems and earning yield on it, 'cause you can actually earn more yield on stablecoins than you can on the same dollars in the banking system. It's kind of another curie trade setting up there. And so, it's really like a digital FinTech extension of your legacy dollar system.

Dennis Tubbergen:

Well, thank you for that explanation. My guest today is Mr. Mark Jeftovic. He is the writer and publisher of The Bitcoin Capitalist. You can learn more by visiting thebitcoincapitalist.com. The website again is the bitcoincapitalist.com. I'll continue my conversation with Mr. Mark Jeftovic when RLA Radio returns stay with us.

Mark Jeftovic:

I hope that was usable. I felt it was a little jumping around a bit on the stablecoin explanation. And I should have mentioned, this just had a major legislative milestone, 'cause The GENIUS Act passed in the Senate and it heads to the House, but even if it... It's not like it passes or fails in the House 'cause the House has their own stablecoin bill called the stable bill. So one way or another, this is happening. So, it kind of shows you which way the wind is blowing.

Dennis Tubbergen:

You are listening to RLA Radio. I'm your host, Dennis Tubbergen. I'm chatting today with the writer and publisher of The Bitcoin Capitalist Mr. Mark Jeftovic. You can learn more about Mark's work at thebitcoincapitalist.com. The website, again, thebitcoincapitalist.com. And Mark, we kind of ran out of time at the end of that last segment. You gave us a great explanation of stablecoin, and this is really now being embraced even at the level of legislative action. Can you maybe elaborate on that?

Mark Jeftovic:

Yeah, I'll try and keep it brief. But the Biden administration, the prior administration, was very hostile to all things crypto and FinTech and Bitcoin, and that included stablecoins. They just didn't like it. The SEC was slow walking or just refusing approvals on all manner of ideas, and they were even opening investigations, and bringing charges and distributing Wells notices left, right and center.

All that changed, of course, with the election and the change of the guard. And so now, we have a very crypto FinTech-friendly administration all the way from Trump to Bessent, to who's the commerce guy? Lutnick, is that his name? Lutnick?

Dennis Tubbergen:

Lutnick. Lutnick.

Mark Jeftovic:

Yeah. Yeah. All very hip on the crypto and FinTech scene. So now, we just had a major milestone in The GENIUS Act, which is a stablecoin bill. I actually couldn't tell you what the acronym stands for, but it's a stablecoin bill that just passed the Senate and now heads to the House.

But the House even has their own stable bill called The STABLE Act. And they're very, they vary a little bit on degree of regulation, but the big bullet points are the same, which is stablecoins are coming in the US. And now, it's to the point where even large private companies have looked at this, like Walmart and Amazon, for example, they see the writing on the wall, they see that this is getting the legislative green light.

There's that fabled regulatory clarity, and they are now looking at issuing their own stablecoins. You'll have Amazon USD and Walmart USD, and so that that's the way the wind is going, and that's the bridge between the two systems in my mind, between the fiat world and the crypto world.

Dennis Tubbergen:

So, Mark, let me have you maybe just speak to someone who is managing a nest egg. They're accumulating money, they hope to have a comfortable stress-free retirement down the road. With these changes we're seeing in the currency system, and none of us know the timing exactly or how this is going to play out, speak to them and give them some advice. What would you have them do?

Mark Jeftovic:

Assuming you've got a decent game plan for how you're managing your retirement nest egg, the only thing, being The Bitcoin Capitalist, that I would add to that, is to say if you have no allocation to the space, then get off zero and add some Bitcoin to your allocation. And I'm not saying you liquidate what you already have and go all in on Bitcoin. I would never counsel that. I always say Bitcoin is part of a good strategy, is not the entire strategy.

The only place where I would deviate from that and say, "Get rid of all of it," are bonds, really. Government bonds, corporate bonds, I just think that that's all dead money walking, return free risk, and it's just basically these tokens denominated in a dying currency. So, I would be looking to pare down my bond exposure. If you're not comfortable moving to Bitcoin, I would put it into something else that you are comfortable with and then take maybe 10%, 5%, 20%, some percentage of your bond portfolio, and put that into Bitcoin.

I would do a dollar cost average, an amount that is so low you don't even notice or care, and just add it to it every week, every month, year in, year out, don't even look at it. And I would also finally recommend you get some of it off in exchange and into a proper custody regimen, which is either self-custody through your own wallet or with a good institutional custody partner, depending on the scale.

There's a report that I put out, a few people have circulated it, Marc Faber did and John Rubino did. It's the Bitcoin Crash Course. I can't remember where I have it posted, but if you sign up for the playbook or for the mailing list, it'll give out the URL and we'll put in a copy of that one as well. And it just sort of walks you through just like, here's a basic zero to one ballpark game plan to get off a zero without making yourself overly anxious about it.

Dennis Tubbergen:

Well Mark, since you mentioned it, I'd love to have you give the listeners a bit more detail about your Bitcoin Treasury Playbook.

Mark Jeftovic:

Yeah, that's the big theme on this cycle of the Bitcoin story. We've been in a bull market since, I'd say, November 2022. And every Bitcoin epoch, and epochs are defined by the time between the Bitcoin halvings, which we've talked about in the past, but we're in the fifth epoch. Each epoch has its own distinctive theme, and this one started with the MicroStrategy story. Michael Saylor going out there, going all in on Bitcoin with his company, MicroStrategy. Then going beyond all in and creating these derivative products, like preferred shares and convertible ventures, and perpetual preferred shares that are capturing this, what he calls Bitcoin yield, and just amping up the Bitcoin per share of the company on this ongoing basis.

And that was the theme of this cycle. And that has morphed beyond that, because now it's not just MicroStrategy. There are other companies that are saying, "Hey, wait a minute, we've got cash on our balance sheet. This cash is being debased to zero. The central banks are never going to stop printing money. The government is never going to stop running up debt. We can't just be sitting here on cash." So now you've got this capital allocation decision, right? Do you dividend it out to the shareholders? Do you buy back shares? Do you do an acquisition? Do you reinvest in the company?

And my thesis, with the whole Bitcoin Treasury Playbook is that Bitcoin is the new benchmark. The minimum four-year CAGR for Bitcoin is somewhere between 25 and 28%. So you look at that and you say, "Whatever we do with this cash on the balance sheet returns less than 24 or 28% over four years compounded, then the wisest move to deliver shareholder value is to just buy Bitcoin with the extra cash on the balance sheet. And companies have been doing that.

There's a Japanese hotel company called Metaplanet, which started doing that. There's a Canadian company up here called LQWD Technologies, that they're in the Bitcoin space. They run a network of lightning nodes, but they just have this Bitcoin treasury. GameStop even got in on the app saying, "We're taking 10% of our cash and we're putting it into Bitcoin."

And what we're finding with most of these companies, there are exceptions, and that's where a report goes into, GameStop was one of the exceptions, the share crisis actually increase when companies start doing this. Shareholders like it and they bid up the price of the stocks.

So, we're even finding this to the point where companies like MicroStrategy and LQWD, there's even an ETF now called OWNB. I think it's the Bitwise Bitcoin standard ETF, which just holds companies that hold Bitcoin on their balance sheet like Tesla, like Reddit. That ETF has outperformed Bitcoin and MicroStrategy here to date.

So, you've got this curious phenomena where Bitcoin is the most high performing asset in history since inception, and then you have these ways to garner extra torque to the Bitcoin price on top of that. Some of the Bitcoin miners are appreciating faster than the price of Bitcoin, and even some of the miners are now taking their borrowing power, issuing convertible debentures to even add more Bitcoin to their balance sheet over and above what they're mining.

And so, these companies are accelerating the return on Bitcoin. It's like the return squared, and that's sort of the Reader's Digest version of The Bitcoin Treasury Playbook. Now, I actually think some of these companies are being too aggressive with issuing debt or diluting their shareholders, so there's a fine line there. And I think there's a sweet spot, which is pretty overlooked of just companies with operating businesses that are just generating free cash flow.

I think it's just a better way to allocate that free cash flow, is to just store it on your balance sheet in Bitcoin until you can find a better use for it. And I'll just give you a really fast anecdote on this. By the time this hits the airwaves might be a done deal, but my main business over on the easy DNS side of things, we're like a web host domain registrar, we're in talks to acquire a competitor.

And we want to do this, and we actually will finance it, should it all come to pass, by taking out a loan against our own corporate balance sheet of Bitcoin, doing the acquisition with no bank financing. So it's basically buying it for cash, although we've taken a loan against our Bitcoin, and then using the free cash flow from the acquired business to pay down our Bitcoin loan.

And then after two and a half years, we've paid off that loan 'cause it's in Fiat, and we take all the Bitcoin collateral back. And we may even be able to accelerate it if over the next two and a half years the price of Bitcoin even appreciates more. So, it feels like this magic beam that just rose more collateral to buy more companies.

Dennis Tubbergen:

Mark, in the time we have left, remind the listeners again how they can get a copy of The Bitcoin Treasury Playbook.

Mark Jeftovic:

Sure. Just go to thebitcoincapitalist.com/playbook, and there's also a special deal in there. If they go to thebitcoincapitalist.com/tubbergen, they'll be a special deal for your listeners, and you'll also get the playbook there, and a few other reports that we put together for new subscribers as well.

Dennis Tubbergen:

Perfect. Well, unfortunately, the clock says, Mark, we're going to have to leave it there. My guest today has been the writer and publisher of The Bitcoin Capitalist, Mr. Mark Jeftovic. You can go to thebitcoincapitalist.com and learn more, as Mark just suggested. Mark, thanks for joining us today, and look very much forward to our next conversation down the road.

Mark Jeftovic:

Thanks, Dennis. It's always a pleasure.

Dennis Tubbergen:

We will return after these words.