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Q&A-U.S. debt, Fed easy money biggest risks in 2021; Next decade to be "worst" for markets due to skyrocketing global debt: Jim Rogers



The debt taken on by the U.S. government and the unprecedented money being printed by the Federal Reserve are the biggest risks for 2021, **Jim Rogers, Chairman at Roger Holdings and Beeland Interests** in Singapore, told the Reuters Global Markets Forum on Monday, November 30.

Rogers, the investor who had co-founded the Quantum Fund with George Soros, said he expected the next decade to be the worst for markets in his lifetime, driven by skyrocketing levels of global debt.

Speaking at the Reuters Global Investment Outlook Summit 2020, Rogers said that he was optimistic on Vietnam and Russia due to their low debt levels. "I'm putting money into China, Japan, Russia," he said.

Following are edited excerpts from the conversation:

Q: What do you see as the post-pandemic fallout for markets and the investment world, assuming a vaccine is rolled out at some point in 2021?

A: It'll take a long time for a vaccine to get to, but it will be cause for optimism. In the meantime, governments and central banks are printing and spending staggering amounts of money, so, of course we're all having a very good time. The problem is someday we're going to wake up and say, wait a minute, where did all this debt come from, what do we now. But in the meantime, it's a lot of fun.

We're showing many signs of bubble, we're showing many signs of overheating, we're showing many signs of very expensive financial markets around the world. This (rally) will probably last a while longer, but then there will be a correction, at which point I suspect governments will try to come to the rescue again. Print more, spend more. But then we'll be getting towards the end of a bubble. There is already a bubble developing in the U.S. Other parts of the world are starting to have a bubble. I will be very worried about it later next year; or the beginning of 2022.

You can see signs of bubbles developing. There are many stocks in America that are very, very expensive on a historical basis. The American markets near an all-time high. China, Japan, there's some markets that are not overpriced yet, but problems are developing there too.

Q: Would you still go long on the actual vaccine trade or is that pretty much done?

A: If you know which one is going to be the winner, then by all means go for it. There are several vaccines and more coming. I have read and seen presentations about which ones work and which don't. But I just don't know which two or three are going to be the winners.

Q: The inequality between developed and swathes of the developing world looks set to worsen post-pandemic. How will that impact investment allocations?

A: We're certainly seeing dramatic change. America was the largest debtor nation of the world, and now they've gone up by trillions more. There will be shifts to other parts of the world, as there has been during crises in the past, over the next decade. I know America has peaked and will have serious problems. I am looking for where the shifts go. I own Chinese and Japanese shares, even though I know Japan has serious problems. I'm looking for where the young money and new people go now.

I'm putting money into China, Japan, Russia. I have money in Korea, but Korea is not an easy place to invest. They don't make it that easy. I would love to invest in Zimbabwe, but gosh, what a bureaucratic nightmare. May be Vietnam will emerge from all of this; they don't have staggering debts like other people; Russia doesn't have staggering debts, they have a lot of assets. May be India, but

problem with India is it has a lot of debt too. Columbia is on the list, but these are just names. Venezuela is also on my list, but I'm an American and there are sanctions against Venezuela, so I can't invest there. I want to invest in North Korea, but I'm not allowed to.

Q: What are the implications for markets and investment from the U.S. election result?

A: They're going to continue to print and spend a lot of money. If Janet Yellen is the next Secretary of the Treasury, she loves to print and spend money. It would be good for the markets. But the Trump guys love to print and spend money. So, I don't know which one's going to be on the top. The implications are that there is going to be a lot more easy money not just in the U.S. but everywhere.

The market will continue the way it is going for a while, but we're getting very overpriced and bubbly. That usually leads to a correction. Things get too expensive, too much exuberance, then it dies.

Q: What is your view on gold and silver?

A: I own both gold and silver, but not buying either right now. When this correction continues, I will buy more gold and silver; but more silver than gold. Silver is down 60% from its all-time high. Silver is much cheaper than gold on a historical basis. I will buy both, but I will buy more silver.

Q: Do you see ESG investing being forced to take a few steps back due to the pandemic?

A: ESG (environmental, social and corporate governance) is very popular; whether it's sound or not doesn't matter. Many people like it and are using it, and so, it's going to continue. Probably not with this exuberance. When the next bear market comes, which is going to be bad, then of course people will re-examine many questions and it will maybe have a cut back. It does not make people more efficient or competitive, and in bad times, that usually causes a reaction. But it's very popular right now, you cannot ignore it if you're an investor.

Q: How far do you think the U.S. dollar can go, considering almost everyone seems to be a dollar bear right now?

A: I am not a dollar bear at the moment. Dollar's been strong recently for many reasons. U.S. dollar is a very flawed currency. The U.S. is the biggest debtor nation in the history of the world, and it is getting worse every day. But it has had a correction, and when the crisis comes, many people look for a safe haven, and people for historical reasons will think the U.S. dollar is a safe haven. So, I am not a seller of the U.S. dollar. There are many bears right now, which usually leads to a rally; so, I'm not bearish on the U.S. dollar.

If it turns into a bubble, I'll have to sell. Bubbles do strange things -- they always go to levels that no one expects. When I see the reactions in the markets, it gives me insight, and even then, I'll get it wrong. If you know how to play a bubble, you'll get very rich. People end up staying in the bubble too long. The main thing is that I cannot judge how they will work because they are strange. They are wonderful if you get it right, but very few people get it right.

Q: Will inflation now be unleashed, as many suspect? Where does it show up, and if not, what happens next?

A: It always has, in times like this, eventually. Demand has collapsed for many things, especially for oil. So that has put down inflation numbers. People cannot afford to buy a lot of things. History shows this has always led to inflation in the past. But because of macro reasons right now, it (inflation) hasn't shown up much. But if you go and buy onions or food, you know there is inflation, but (all) governments lie about it. It is starting to show up now, but there are enough factors to keep the reported number down now. It will come back though; I just don't know when, probably later than I expect.

Q: Is China debt the investment of the future or a cascade of default waiting to happen?

A: There are certainly going to be problems in China, and more defaults. China has debt, they have over-exuberance, a lot of people borrowed money, that should not have, and now China is paying the price, and there will be more price. The good news is that Beijing has said that they will let people go bankrupt. It will be good for China; it'll be good for the world. You know in America, Europe and Japan, they don't let people go bankrupt anymore. That's not the way to do it. There has been big change in China over the past few decades. That does not mean that stocks cannot go up for a while. Japan is a disaster, but I own Japanese ETFs.

Q: Has Big-Tech topped out? Do you see a rotation to small tech after all the regulatory/tax/anti-trust pushback?

A: It's like periods we've seen before. People start reacting, it takes a while. I don't know if the stocks have topped out, but we are seeing all of the signs that take place in a bubble. People start reacting, governments start reacting, companies start getting sloppy. Remember the banks in 2008? So many brilliant new products, brilliant new companies, brilliant new ways to invest. That was a sign of a top. That's what's happening now. But remember, these things go on longer than anyone can expect. But I think I see all of the signs. I have not sold any of these stocks, but I am seeing the signs that it's not going to be good in a few years. I hope I eventually sell them short but not right now.

Q: What do you see as the biggest risks for 2021?

A: The U.S. government, the central bank and market exuberance. If a bubble develops, then that will be the risk. Something will pop it. All the printing is led by the U.S. That's the source of most of the money printing. and spending the most money. That's what the world cares about. America's the one that is most out of control, it is the biggest, and people follow America. The new people, the Democrats don't understand more than the old people did.

These are very difficult times we're facing; may be the worst decade of your life coming up. People should be worried, become knowledgeable and be prepared. It has been over 10 years since we've had a big bear market. We had a horrible time in 2008 because of too much debt. And since 2008, the debt everywhere has skyrocketed. We can't even count how much the debt is up. So, the next bear market is going to be the worst in my lifetime, and yours.

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