Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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HarryDent.com

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure of being joined once again on today's program by returning guest and multi-time bestselling author, Mr. Harry Dent. Harry has graciously offered to give our listeners a free subscription to his newsletter. All you need to do to claim it is go to harrydent.com. That's harrydent.com. Harry, welcome back to the program.

Harry Dent:

Yeah. Nice to be back, Dennis.

Dennis Tubbergen:

So, Harry, the fed has recently changed their narrative about inflation, saying it's going from transitory to persistent. They have said that they are going to now begin to taper. Do you believe them? What's your forecast for fed policy moving ahead?

Harry Dent:

Well, it's crazy in a way because they're 100% creating this. I've got a great inflation indicator. It's worked for decades. It says inflation should be 1.5 to 2%, heading down towards zero to 1% over time. Yet, here we are at 6.8%. January 12th, we'll get an update that's likely to be higher. How could they expect anything else when they printed $5 trillion since COVID? Talk about an overreaction. The inflation in the '70s, we were not printing money back then. We were running deficits, which governments will run in difficult times of recession and inflation and stuff like the '70s. But this inflation is about five points higher than it should be, 5% points. It's temporary in the sense that it's not going to last, but it's going to last as long as the economy keeps going with all of this monetary stimulus behind it.

Harry Dent:

The only thing that's going to knock out inflation is for us to have a stock crash and a downturn in the economy, which I'm predicting is likely to happen in the first half of this year, actually. I think in the next three months. Somewhere between early January here and April, we're going to see a top. This has been building, building. The cycles get more difficult as we get into late 2022 to '23, the worst since '80 to '82 in my analysis. I think this is a showdown between central banks that say, "We won't have a recession no matter what. We'll print unlimited amounts of money." That unlimited money printing is causing now inflation pressures that now force them to taper to some degree. I'm telling you, this economy has been stretched since 2009. This boom should have been over in 2007. We had the big crash. They've been printing money exponentially ever since. Then

COVID, they just went off the charts. $5 trillion just in the last year and a half, two years, that just is crazy. So this is going to happen.

Harry Dent:

We're going to have to wash out these government policies. They're just going to keep printing exponentially more until it fails. So I think the next crash, and my results are very similar in this because I've analyzed every bubble in the last 100, 150 years. Every major stock bubble, the first crash comes twice as hard as the bubble built, and it is 46% on average in 2.3 months. My indicators are showing this crash, since we've stretched it farther and higher, is going to be about 55%. Just the first two to three months, we could see the S&P go from 4,800 to 2,000 to 2,200, just in the first couple months. So I'm telling people, "You're better to get out a teeny early here and not hold on too long here." I do think that we have the topping here in early January or by early April at the latest.

Harry Dent:

Then this crash is going to come faster than any in history because the real weakness, again in my analysis over time with demographic and technology cycles, which are really clear, by the way, it's very projectable. The weak periods were '80 to '82, just after the peak of baby boom spending, 2008 to '10. So we cut off that downturn. It should have gone longer, deeper. Since we cut that off, we're going to have to have a deeper downturn now into 2022, '23. So those are the weak periods. By the time we get to early 2024, if we have this write down in debts and left economy, this financial asset bubble basically devalue, deflate, then we'll be ready to boom again with the millennials boom period, which will be 2024 to 2037. It will not be as big. It will not be as long as the baby boom, boom, the greatest in history from '83 to 2007, but that's when the demographics will turn in our favor. Until then, all the fundamental trends are down and it's just about this money printing defeating itself. I think this is getting ready to happen.

Dennis Tubbergen:

So Harry I've asked many of my guests this who also say, I mean, we all know that currency creation can't continue you forever. So when you say that this money printing will fail, can you share with the listeners what you think that looks like?

Harry Dent:

Well, it's just diminishing returns. Number one, it takes more and more. This is the true of any addiction of any type. It doesn't matter whether it's heroin or coffee or alcohol or anything else, it's the same thing. There's natural forces with people. Generations enter the economy predictably like the baby booms . Earn and spend more money as they raise their kids and advance in their careers. You get a boom. That's natural. Then you get a slow down. The problem is we did start to crash and slow down in 2008 as I forecasted decades before it happened, not a year, decade. Then central banks just said, "Well, we can't have recessions." So they just pumped up the economy. We've never deleveraged all the bad debt. There's 23% and growing of large public companies. These are not small businesses. The large public companies cannot pay their debt service. They're zombie companies. We need to flush all this out, quit pumping up this economy, let it go to sleep. Okay. What do we do? We're awake for 16 hours and we sleep for eight hours. I sleep a little less, but that's the cycle.

Harry Dent:

We now have had the longest bull market without a recession or a rest and recuperation period in all of history. It's going on 11 and a half, 12 years now. So this is unhealthy. Second point, more important, the major boom ended in 2007 as I predicted years, decades before. In other words, they've been keeping an economy going that would naturally have been slowing as it did in the '70s and in the 1930s. Every generation spins and then slows. So they're fighting a down trend with totally artificial stimulus. The result is we get these unbelievably inflated asset prices in real estate stocks, commodity, even gold. Gold is in the biggest bubble it's ever had in history. Gold is going to crash with all those. So you get inflated financial assets that have to crash.

Harry Dent:

The recession they've been putting off will only hit harder when it hits. I'm saying the only way the government gets defeated is what my analysis shows historically. When a bubble crashes, it's hard and fast and they will not be able to react fast enough. I think when investors see, and this is what I'm predicting, in the first half of this year, whether it's the first quarter or the second quarter, you see stocks crash 50 to 55% in two to three months. That's when investors will finally say, "There's something for nothing money printing, which we kind of really suspected, but it seemed to be working. So it doesn't work." Then people lose pay, and then they can't come and say, "Well, we're going to print more this time." They're going to look like idiots if they do that.

Harry Dent:

So, I think the government defeats itself here. Common sense would tell you, if you think you can grow an economy now going on 11, 12 years with fundamental trends weak, just by printing money, then you need to look at your thinking. That's magical thinking. It just doesn't happen, and this is going to prove itself.

Dennis Tubbergen:

Harry, you brought something up that I think a lot of analysts miss. That is that we've got to go through this deleveraging period. You mentioned that 23% of public companies can't pay their debt. I read an article recently that worldwide debt is a mind boggling $300 trillion. So when you start to look at debt levels today compared to debt levels versus economic output during the great depression, it seems to me that debt levels are much higher today. Eventually you've got to pay the proverbial Piper. So how do you see that playing out and maybe talk a little bit of timing if you dare.

Harry Dent:

Yeah. That is exactly the point. I'll give you another number. It's 540 trillion if you add up financial assets. So debt bubbles, which you just mentioned about 300 trillion globally, that's like five times GDP or something like that. But debt bubbles also inflate financial asset bubbles. More debt just causes more money, and more money printing by governments to sustain the debt causes financial assets to go even more, everything, real estate, gold, stocks, everything. Then those bubbles have to collapse. I mean, if a young person, let's say somebody in their thirties are saying, "Okay, my career's going along and my kids are getting a little older. I got to start saving for retirement." They have no chance of making a decent return with stocks overvalued like the baby boomers did and stuff.

Harry Dent:

So if we're going to get back in balance and people are going to be able to invest for the future long term again, and we not have escalating inflation which is happening now. This inflation's not going to go away as the federal reserve was saying, "This is transitory." It's not transitory as long as you keep printing money and pushing economy that's already stressed. The inflation will go up and it will burst. It's already going to burst this bubble against the feds thing. So the fed has basically created their own trap. They keep printing money exponentially even in the face of the COVID crisis, which they way overreacted to. Now they're getting inflation, which means, oh my gosh, they can't justify keeping printing money when inflation's going straight up. So if they don't keep printing money, the bubble burst because it needs exponentially more. That's the nature of all bubbles and addictions. It's just something for nothing. You want to feel good, drink a quart of vodka. Okay. Anybody will feel good for a few hours after that, or shoot some heroin or drink enough coke.

Harry Dent:

This is something for nothing stuff that never pays off. We are addicted to money printing ever since the 2008, '09 crisis. Why? Because governments and central banks would not accept deleveraging debt. So what that 300 trillion needs to come down about in half. About half that debt needs to be written off for us to get healthy and be able to grow again. This financial asset bubble, 540 trillion, needs to come down half or more, stocks and bonds, so people can invest and get decent returns again, especially the young generation coming up now. Baby boomers are already mostly retired and investors.

Harry Dent:

So we have to get back and balance, and what we're doing now is the opposite. Just printing more money, stretching the economy and that means when it blows... I'm saying Dennis, my latest prediction is 2022, which we just entered, this year, from the highest point probably about now in the stock market or soon to the lowest point, will be the biggest one year downturn in all of history, including 1930 or '31 or 2008 or the worst years in history. This one, because we pushed it so hard, this crash will have to come harder and faster because we've stretched it. This is a time to be weary and at least get safer for the next few months because this is the most dangerous period I've seen in this whole process. This market is getting ready to blow. I give it three months at most and already have peaked at worst.

Dennis Tubbergen:

Harry, in the few minutes, a couple minutes we have left in this segment before we started to recording today's segment, you mentioned that you and past guest here on the program as well, Peter Schiff, are having a debate. Do you want to tell the listeners about what you're going to be doing?

Harry Dent:

Yeah, yeah. Yeah. We did that last year and it's very popular. So we're doing again. January 19th at 4:00 PM Eastern, you can register for that at debate2022.com. So yes, that's coming up in a few weeks and that's always fun. Peter Schiff and I, by the way, both have moved to Puerto Rico and live in Puerto Rico. He's in a different community than I am, but the temperature here is more moderate than Florida. People don't believe that, unitl they get here, better. They got mountains and waterfalls and the taxes down here, oh my gosh. I mean, the tax incentives they've gotten... Puerto Rico's always losing people to the US since they're US citizens they can move freely and they do for better jobs. So they're incentivizing gringos as they call them, people like me and Peter to move down here and establish their business and work from here. I mean, literally the lowest tax rates you're going to get anywhere legally. I mean, purely legally sanctioned by the IRS. So I'm very, very happy down here and I'm sure Peter is too.

Dennis Tubbergen:

Well, and just to add to that comment, as we are recording this today, I am sitting in west Michigan in the middle of a winter storm. So that said, we will return with Mr. Harry Dent after these words. Stay with us.

Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I am joined on today's program by Mr. Harry Dent. Many of you recognize Harry as a prolific author. He's had many, many books on the best seller list, really too many to mention. Harry has graciously offered to give our listeners a free subscription to his newsletter. All you need to do to claim that is go to harrydent.com. The website again is harrydent.com. Harry back in the first segment, you talked a bit about cycles. When you first mentioned cycles, when we first chatted with each other many years ago, it really made a lot of sense to me because human behavior tends to be predictable. So for those listeners maybe that aren't familiar with the whole concept of cycles, could you educate them briefly?

Harry Dent:

Yeah. What I did, I tripped on this. I came out of Harvard Business School and I started consulting the fortune 100 companies. That was a great job, but the companies were large and cumbersome and boring. So I ended up, after two years, going and doing the same thing with small new ventures and companies in California. That's when I really saw the future because new companies are innovating the new technologies and products of the future. And more important, back then in the early '80s, they had the young baby boomers, the new massive generation as their customers coming along instead of the older Bob-Hopers that the fortune 100 back then had. So I got to see.

Harry Dent:

For my clients back then, I had to start researching the baby boom generation. I'm like, "Oh my God, nobody sees it. This generation is huge. The largest in history is global and they're going to cause the greatest boom in history." Back then in the '80s, everybody's acting like, "Yeah, the '70s were terrible. The US is a sunset nation and we'll never see great growth again." I'm like, "Oh, no folks." But it was that insight I saw the baby boomers coming. Now they peaked in 2007. I said that from the beginning is a 46 year lag for peak spinning, something that's highly quantifiable. Now it's about 47 for the millennials moving towards 48, but I think we would peak in 2007.

Harry Dent:

We did have the biggest crash since the early '80s, the bottom of the last cycle in 2008, but that's when central banks around the world panicked and just started printing money crazy. I mean, they just went straight to the hell, "Okay. Well, we're not feeling good. So we're going to have to start shooting crack and heroin." That's pretty much what they did. I don't want to be too facetious, but that's exactly what they did. This is not good policy. You never win by something for nothing. The way you win, what I would do is the government, if I saw too much debt like the other day, I would give companies. I would say, we will take some percentage of your pain, we will give you some kickback if you reduce your debt and pay off your debt or renegotiate your debt. We have to get this debt down.

Harry Dent:

We built up the greatest debt bubble as we talked about earlier in the first segment in history and then the millennial generation, and they know this, they're dead if we don't deal with this. If they have to just inherit the baby boom's debt as the baby boomers retire and die, these people are in trouble. So I look forward to the downturn. People say, "What are you, a sadistic?" No, this is exactly what at the economy needs. It's called a detox. We need a detox of unproductive debt. Literally when I say zombie companies, it was 21% a year ago. It's about 23%. Now these are not small businesses. These are the large public companies. 23% cannot even pay their debt service, which means they're technically bankrupt and they're being kept alive and not being forced to reduce and renegotiate these debts because of this easy monetary policy.

Harry Dent:

So we're living in La La Land. I'm saying it ain't going to last much longer. Protect your assets while you can because I'm predicting an 87% crash roughly in stocks and 40, 50%, even in a lot of corporate bonds with higher yields and stuff, real estate down 40 to 50% because you can say, I can't go down that much. Last time in 2008 crisis real estate went down 34% more than the great depression when it went down 26%. We didn't have a real estate bubble and easy mortgages back in the roaring '20s. So real estate didn't bubble as much as stocks. Well, everything. This is what I call, Dennis, the everything bubble. Stocks, real estate, most bond, except for the safest highest quality, treasury bonds of the US government and AAA corporates, all financial assets are going to go down. You've got to get safe for the next two years, 2022 through 2023, or it's the danger period. After that, we should be able to recover with the millennial generation. But the between now and then the risk only goes straight up.

Harry Dent:

This is a once in a lifetime crash, and if you're late, remember what I said earlier, half of that crash or more will happen in the first two to three months in history. 100% proves that every major bubble birth in history, half or more of the entire 60 to 90% crash has happened in the first two to three months. So if you wait to see if I'm right, you get smacked so hard, you don't get off the floor.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. If you'd like to get his free newsletter, you can visit harrydent.com. Harry, as you were talking about stocks, I've been thinking about this and it reminds me a lot of what we saw really at the time of the tech stock bubble. You had a lot of dotcom companies that had never made a profit. They sold stock and initial public offerings. The stock went nuts and pets.com was bankrupt nine months later. Now you've got a lot of technology companies that are following the same pattern. It seems like we're repeating the mistakes of 20 years ago.

Harry Dent:

Well, it's mistakes and perception. We don't understand the process. Newcomers we had, a lot of the internet companies like Amazon that are giant today were little startups in '97, '98 in that first tech bubble. So they came on top of the larger tech stocks, new tech stocks emerging, but people overvalue them and guess what crash? Amazon went down 95% in that crash. The NASDAQ went down 78%, but the leading edge stocks like Amazon, but now we have the crypto stocks and Bitcoin and all these things and Ethereum coming up. That is the early stages of the next technology revolution, which I call the digitization of all financial assets and money. The internet made information and knowledge easily accessible and tradeable and manipulatable. This is going to do it for financial assets. This is in the early stages.

Harry Dent:

The internet stocks crashed in their baby bubble, 2000 feet down to 2002 crash. So the crypto stocks and the leading edge technology stocks are going to lead this. You're right. This is exactly what you just said, the second major technology bubble. I mean, you see this once in a lifetime. You'd have to go back to late two late 1918, 20 peak, and then the 29 peak, and then the great depression crash to see this sort of thing. So this is rare, but this is happening now. This is the second bubble and it is the last bubble. Whatever crashed in 2008 and '09, stocks, real estate, this crash will be deeper and harder. So it'll be worse. Stocks went down 58% last time, 87%. Real estate went down 34% last time, 40 to 50%. That's what I'm predicting. It is the second. This will be the last bubble. If we don't get this, if this bubble doesn't crash, we'll be like Japan limping along forever. Japan never really dealt with their debt bubble and it stopped and never really deleveraged debt. They've never ever grown again.

Dennis Tubbergen:

So Harry, in the time we have left, let's talk a bit about the cycles that you follow. Talk about just maybe a couple of the cycles and what they're telling you and if they're confirming what you see in the markets fundamentally.

Harry Dent:

Yeah, yeah. Yeah, yeah. Perfect. The easiest to understand and primary cycle is the generation spending cycle. In other words, the workforce at age 20, spend the most money at 46. Now for the millennials, that's still entering at 20, but spend the most at 47 moving towards 48. So it's very simple. Okay. So the '83 to 2007 boom was that cycle and we would've been in the downturn ever since 2008 if they hadn't printed less money. That's why they had to print money, not just for a year. They just thought, this is emerging. We'll print for a year. They've had to continually print more money because the trends are still down through 2023. Okay. 2024, going forward that cycle turns positive again with the millennial.

Harry Dent:

The other important cycle is the technology cycle, and longer term that is even more powerful. Technologies make us smarter and more productive, just as aging does up to a point. The technology cycle peaked around late 2019, early 2020, so many years after the generational demographic cycle. Now both cycles, 2020 forward, are the most critical cycles in our economy long term are pointing down. That's why they're having to print exponentially even more money. It wasn't just COVID. It's the fact that now the technology cycle and these tech companies are now in a down cycle and there's really no fundamentals left to push the economy up. So that's why I say the crash is most likely to occur into late 2022. It'll probably be the worst crash year in history and we don't come out of that with a hangover until late 2023 through early 2024 early. So the next two years is the next great crash after the second bubble in everything. Remember the first bubble in 2000 was just stock. Real estate hadn't bubbled yet real estate first bubbled in 2006. Gold did not bubble yet.

Harry Dent:

Here's the difference with this final bubble, Dennis. Everything, gold, stocks, real estate, all financial assets have bubbled and are peaking almost simultaneously here. So, I'm just telling you, get out of the way of this. Be safe not sorry especially in the coming months. If I'm right, you're going to see this thing start very quickly and then you stay safe for the next few years. Then we'll be telling you when to get back in, but it's probably going to be around late 2023, early 2024.

Dennis Tubbergen:

So Harry, if I'm reading it correctly, and we have time for this one more question here, then you're saying you want to be in very conservative assets, cash or cash like assets, despite the fact that we've got it inflation because you believe when this bubble bursts that inflation will just be in the rear view mirror. Is that fair?

Harry Dent:

Yeah. Okay. Two things, and cash will at least preserve the money you have. You take it out of assets that will certainly fall in this crash. But the better thing, history shows, the 30 year treasury bond that is the safest bond, the largest government, the safest government. Yeah, we got problems. Yeah, we got too much debt, but we got less debt than Japan and China and Europe, our competitors. We're the best house in a bad neighborhood. Our treasury bonds, the safest bonds, will actually appreciate because we've locked in, let's say, a 2% interest rate in a downturn where those interest rates will go to zero or negative. That bond will appreciate, history shows, as it did in 2008 and in the early '30s, the worst crashes, those high quality treasury bonds.

Harry Dent:

I will add to that, Dennis, AAA, only AAA or AA corporate bonds will appreciate in this downturn. Any bonds with any risk will have default risk outweigh the deflation that helps them and stocks, of course, crash, some sectors more than others, but all stocks will crash. So the treasury bonds long term, 30 year is the best. TLT is an ETF that combines 10 and 30 year treasury bonds. So it's average 20. That's the second best and the easiest. Those are the safe havens and even better than cash. But the people just sitting in cash, especially if you listen to Peter Schiff and me in this debate we have coming, if you're not sure which of us is right, cash will do well in either of the scenario.

Dennis Tubbergen:

Well, we're going to have to leave it there. My guest today is Mr. Harry Dent. You can get his free newsletter by visiting harrydent.com. Harry, always a pleasure to catch up with you and get your perspective and I'd love to have you back down the road. Thank you for joining us today.

Harry Dent:

Thank you, Dennis.

Dennis Tubbergen:

We'll return after these words.