Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Harry Dent
HarryDent.com

Date Aired: September 4, 2022

Produced by:

Retirement Lifestyle Advocates
961 Four Mile Road, NW
Grand Rapids, MI 49544

Phone: (866) 921-3613
Email: info@plplanners.com
Website: www.RetirementLifestyleAdvocates.com

Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me once again on today's program is returning guest Mr. Harry Dent. If you're a long-time listener or a reader, you undoubtedly know who Harry is. He is a prolific author, an economist, and he's offering a free weekly newsletter, to our listeners today by visiting harrydent.com. And Harry, welcome back to the program.

Harry Dent:

Yeah, nice to be back, Dennis.

Dennis Tubbergen:

So, Harry, the Federal Reserve just met in Jackson Hole, Wyoming, give me your take as to what the Fed said and where you think they go from here?

Harry Dent:

Well, it's just kind of like, clueless as normal. Jerome Powell comes out and says, "We fundamentally believe the economy is strong." And I'm like, "Really? You've been stimulating nonstop since early 2009 after the last recession, and then when COVID hit you printed five trillion, and then the government added another five trillion in fiscal stimulus, the biggest stimulus program by far in history, 10 trillion in two years, and we're already back in a recession, and you think the economy's fundamentally strong?"

My indicators, as you know, Dennis, have said from the beginning, 2008 through 2023 will be one of the weakest periods demographically in history, very similar to the 1930s, a big generation peaks, until you have a lull until the next generation, in this case the millennials, come along. They don’t come along until 2024, so we are in a weak period, and that's why we've been living on stimulus now for 13 years, which is stupid. You should let an economy work out its bad debts and bubbles and stuff and not keep pumping it up. This is like putting your kids on drugs, like telling your kids to go take cocaine to be happy. That's what they're doing.

So, it's really, I think this is not going to go down well in history, I'm surprised they've gotten away with it this long. But I think what I've been saying, we're going to have to have a downturn before we come out of this, and I think that downturn now has happened, because guess what, they finally slipped up. They overreacted to COVID, a short-term crisis by definition, only, like the Spanish flu in the 1900s, only likely to last a couple years and then go away, like every one in history.

They pump up the economy, 10 trillion, like I said, in two years, and now they have to tighten after that. So, this tightening, here's my forecast. By the end of the year this year, we'll realize how weak the economy is. This tightening is going to hit hard because the economy is so weak. All we need to do is stop stimulating it and we would go into recession, whereas, more than that, actually tighten and slow it down. So, this will not work out well.

Dennis Tubbergen:

So, Harry, the powers that be have said that two consecutive quarters of economic contraction, that doesn't necessarily mean that we're in a recession-

Harry Dent:

Yeah, yeah, "We said that was a recession before, but now that it's happening, we're saying, no, it's not really."

Dennis Tubbergen:

Yeah. So, what does this tightening look like? I guess, where do you see stocks going from here?

Harry Dent:

Well, again, stocks have already ... What I've been looking for, Dennis, knowing that this crash is going to come, knowing it's overdue, knowing they can only keep this thing going so long, and now knowing that they're being forced to tighten, the stock market's already gone down 35% first hit, and that's what I look for. I look for typically 40% first crash, but you can only confirm that a bubble is over when you see something like a 30 to 40% first crash. 20% crash is nothing for a bubble, they can have those all day. So that one's a sign to me that yes, this bubble's over, we are not going to make a new high. The markets are marching up like they're going to make a new high. I think they've already gone about as far as they're going to go. I think we're actually heading into the next way down.

And, by the way, any major crash or any major movement up or down in stock markets or markets has a five-wave sequence. In this case, a first wave down, which we just saw into June, a second wave retracement, right at 50%, that is a perfect retracement, okay? And then a third wave down, which is usually the longest and steepest wave, that's what we're starting now. And I think by January of next year we're going to be down 60% in the stock market instead of 35 in the last one, or more, and that's what people are going to know, yes, this is not a recession, I mean, this is not a mild recession, it's not another correction in a bull market. The bull market's over and we're going into something deeper. And then we'll have a bounce after that, in the next year, and then we'll bottom probably around late 2023, early 2024.

So, we're going to see at least a two year downturn, it's going to be the crash of our lifetime, which I've been projecting now for many years. This is not going to be another correction, it's going to be a major crash that's going to be more like 1929 to '32 than 2000 to 2002, or '73 to '74, or other major crashes we've had since.

So, this is going to be the crash of our lifetime. And the good news is, we won't need one after this. This will be the final crash to bring markets, and real estate, and all the things that have bubbled up back down to reality, and then we can grow normally again with the next generation. It won't be as big as the baby boom and the boom will not last as long. 2024 to '37 is the next boom in the economy, naturally, without stimulus. And that'll take us back to where the economy was at the peak of the baby boomers, the stock markets will go back, maybe near these highs, but I don't think the stock market will ever make substantial new highs again in our lifetime. We've seen the demographic peak of our lifetime, and a bubble on top of that, which overexaggerates and overreacts.

So, we're going to go down hard, and it's going to be, I don't think the markets quite make a new high even in the next boom end in 2037.

Dennis Tubbergen:

So, Harry, that's quite a prediction. Let me ask you this, do you want to give us some ideas where you think the markets go from here by the time they bottom? How low do they go?

Harry Dent:

Yeah, yeah. My projection, basically we go back, the best way to think of it, go back to the 2008 crisis lows, which really the stock market didn't bottom until between 2011 and 2012, depending on the sectors and stuff. So we're just going to go back to there, we're just going to retrace just the giant bubble, the second big bubble that followed the first one that peaked in 2000, the second tech bubble, we're just going to knock out that bubble, and that brings us back down to the long-term trend, and the stock market will not grow as fast as much in the future, but we won't be overvalued anymore.

So that means 86% down on the S&P from the top, and 92% down from the 16,212 tops. I think my target for the NASDAQ is right around 1300, so that is 92% down. That's going to be the worst, probably, the NASDAQ is the lead bubble here, the Dow was the lead bubble back in the roaring '20s, when it was the only ... It was like the NASDAQ back then, all the leading edge ... General Motors was a leading-edge company back then, and RCA, and companies like that.

So, this is going to be almost as bad as the '29 to '32 crash, not quite as bad, not last maybe quite as long. But that's, I mean, that's something nobody alive today has seen in their lifetimes. And nobody, and any economist say, "Oh, that won't happen, the government won't let that happen." Look, governments were the ones that kept pumping this bubble up, never let it resets, the debts, and the excessive stock, and flush out the bubble companies and the zombie companies, we have more zombie companies as a percentage of Fortune 500 than any time in history. So, you got to get rid of the bad debts and the zombie companies, and until you do that, the broader economy cannot grow healthily again.

And if we don't go through this crisis in the next few years, the poor millennial generation, our kids following us, are going to have a compromised boom. You just cannot grow as well unless you flesh out the bad stuff. That's why, my biggest argument with economists is, you do not understand the economy if you think recessions are bad and they're the enemy. Recessions are just as necessary as us going to sleep every night and restoring our body and our brains and everything, and that sort of thing, and resetting. It is totally necessary. You can't just grow all the time; you have to get rid of bad debts and weak companies and flush out the bad stuff so you can continue to grow. You have to, you have to. You have to eat, and you have to eliminate, I'm going to make it that simple, okay?

And they're not allowing that, they haven't allowed that. This is the longest time in all of stock history without us having a recession or substantial stock correction. So, we're going to get one late, but it's not going to be a small one.

Dennis Tubbergen:

Well, if you're just joining me, I'm chatting today with Mr. Harry Dent. Harry's offering a free weekly newsletter to our listeners. Visit harrydent.com and you can sign up for that. And Harry, we've got just a few minutes left in this segment, you mentioned real estate. Do you see real estate doing what it did back at the time of the Great Financial Crisis, or do you think we'll be a little bit, it'll be a little bit more mild as far as a correction goes this time around?

Harry Dent:

No, this one, and I've said this from the beginning, Dennis, this one, we didn't let the other one, the last one, just like the stock market, we didn't let it go all the way and take out, get us all the way back to trend. So, this one's going to have to be more like a 50% correction, which is a lot. The last one was 34%. And by the way, Dennis, we did not, we only saw 26% housing correction in the great depression, and that's because back then, in the Roaring '20s, people couldn't borrow so easily. So real estate didn't bubble up anywhere near as much as stock. So even with 25% unemployment, we only saw a 26% correction.

I'm projecting, it was 34% from 2006 to 2012, the last crash. That's the biggest real estate crash we've had in history. This one will be a little bigger than that and a little longer. In fact, Dennis, my rule right here, is think 1.5 times, stock market's going to go down 86% instead of 57%, okay? Unemployment's going to be 16, 16% instead of 10 to 11. And housing's going to go down 50% instead of 34%. So, everything's going to be about 50% worse.

And it's going to last longer. Instead of, whatever it was, 1.7 years, it'll last 2.7 years, that sort of thing. So, think of this as the 2008 crisis number two, finishing what that one didn't. If they had let it go and not stimulated like crazy, it would've looked like '29 to '32 and we would never have to re-deal with bad debts again, and we'd never have to go back to those lows. But we will go back to those lows or lower, at least back to 2008 lows. And so that's a long way.

So is real estate harder than stocks. Real estate is so varied around the country, the simple rule is whatever you have, office, home, vacation home, what was it worth at the bottom of the last crisis in 2011 and '12, that's where we're most likely to go at a minimum. It's my most likely target, but it's also my minimum target, that's your downside potential. If that's okay, and maybe you're in southern Ohio and it's only 20%, yeah, I wouldn't sell a house over a 20% correction, especially if it's my main home.

But if it's a vacation house and you see it's going to be down 50 or 60% potentially, yeah, why would you sit through that? That does not make sense. So, people really need to take a look at real estate, because real estate's a lot harder to sell.

The other good news here is real estate takes longer to top and go down. Stocks do what I say, in the year end go down one more time and start making new lows. That's your signal that real estate is going to fall harder as well, so you get a little more time to sell real estate, but you better sell whatever you're going to sell before the end of the year, sell it into the nice fall season.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. You can get his free weekly newsletter by visitingharrdent.com. I'll continue my conversation with Harry when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen, you are listening to RLA Radio. My guest today is prolific author and economist Mr. Harry Dent. If you're just tuning in, Harry's offering his free weekly newsletter to our listeners today. To subscribe, go to harrydent.com. And Harry, we've been talking about, just a recap for maybe people that are just joining us, we've been talking about the fact that you're predicting a huge downturn from here in both stocks and real estate, and it seems like the signs of recession are really here. When you look at a number of companies, there's layoffs. Peloton, Wayfair, Ford, Remax, Best Buy, Walmart. I mean, across the board, we're seeing layoffs. Is this a preview of what we're going to see over the next couple years?

Harry Dent:

Yeah, it is. We've just seen the first wave down in stocks. We've got two more of that size or more coming. And one of them will be more. And so that's over the next year and a half. And the economy's going into recession, they're going to look back and say it started sometime in the summer, okay? Everybody's arguing if it's a recession or not, I don't care. We're moving into a recession and a deep downturn. Housing prices have to come back down to where the millennials and the young people can afford them again, otherwise they'll never have the lifestyles we did. Stocks have to come down to where people can invest for their retirement and hope to get a decent return.

I saw one study, it's a very good study, that compared the valuation today to the past and said if you buy stocks today, regardless of whether the economy's going to go up now, just on long-term averages, you will be lucky to make- you will lose 2% a year over the next decade. 2% a year you will lose. Why? Because they're overvalued. So how are these millennials going to invest for retirement like the baby boom? We're cashing out, retiring at a great time. We've seen the best, a bull market in stocks and housing and vacation homes and all this stuff we own. The next generation is going to be in deep trouble if we do not deflate this greatest financial asset bubble in history.

And I got a number on this. Nobody asked, just, I don't know why. Took a little work, but it's not hard to find. Total financial assets in the world today are almost seven times, GDP at 95 trillion, it's about $660 trillion in financial assets. You know what that number should be historically, at that level of GDP? Two to 250 trillion. We are overvalued by at least $300 trillion in financial assets. Which means, Dennis, real simply, because the economy will always get back to balance, we're going to have to lose. People are going to lose half their net worth if you just sit in these markets over the next few years. And listen to your stockbroker, who is good-intentioned and would be right 90% of the time in the past would say, "Oh, just sit through the correction."

This, mark my words, is not a correction, it is a Great Reset, is the best two words. We're going to reset the greatest bubble in history, just like in 1929 before that, and just like, on a 90-year cycle, 1835 before that, if you go way back. Major bubbles have to reset back down to normal, and that's what we're going through. This is a once in a lifetime event, nobody's going to warn you about it, nobody's going to understand it until after it happens. And I'm telling you, people are going to turn around and feel like they're the dumbest person on the Earth when this bubble crashes and they go, "Gosh, of course it was a bubble, look at that. Why would stocks go up four times in 10 years? This is crazy."

This is a bubble. And if you don't think it's a bubble, compared to every bubble in history, and you can't even compare it, this bubble is so much bigger, so much longer, and global, this is totally global. Everything's bubbled, all asset classes and almost everywhere in the world. There is no precedent for this, and anybody says this is not a bubble is blind, has not studied history. This is clearly a bubble, and I'll tell you the last thing, no questions about it, unless this is the first time in all of history, bubbles only burst and they only burst hard, there's never been a soft landing to any bubble in history, period.

Dennis Tubbergen:

Well, if you're just joining us, I'm chatting today with Harry Dent, who's offering his free newsletter to our listeners. You could go to harrydent.com to subscribe. And Harry, as you were talking, stating that financial assets are overvalued by $300 trillion, it occurred to me that banks have as assets financial assets. So, what does what you are forecasting do to the banking sector? I mean, we're going to have, we have to have banking failures, don't we?

Harry Dent:

Oh, absolutely. I mean, just the loans, most of the loans are against real estate. And if real estate goes down ... I mean, you saw what the 2008 crisis did to banks and real estate. Well, imagine real estate going down 50% instead of 34. That puts more and more loans underwater. Financial assets, people's financial assets go down, and of course they're going to feel less wealthy and spend less on margin. It's not like their income going down where it's a direct impact. This is an indirect impact. If I was worth $5 million and all of a sudden my accountant or stockbroker told me now, I'm worth $2 million, and I'm five years from retirement, you think I would spend a lot less and save more for retirement knowing that I don't have as much assets, it was a mirage? Of course, it is.

So, this is going to be a shock to investors, to consumers, but oh my gosh, banks and financial institutions? Your pension plans have all these stocks in them, and they're going to pay you your pension, and your 401(k) plan has it. Everybody's going to get a shock on this. Nobody is as wealthy as they thought they were, this is a mirage. Bubbles are always a mirage.

Dennis Tubbergen:

So, Harry, given where this is going, does the Fed stay the course? It just seems to me there's going to be a lot of political pressure for the Fed to reverse course, and assuming they do, what does that do to inflation?

Harry Dent:

Well, first of all, the markets are already assuming right now that the Fed are overreacting, they're over-tightening, which they are in a sense, because this boom, this is more the stimulus from COVID than the fundamental strength Jerome's talking about, Jerome Powell. So, they're already assuming they're going to have to pivot. But that's not what the Fed usually does. They don't go and stimulate and then suddenly switch to tightening. They would more back off the stimulus for a while and then maybe tighten. But they, I think that what's going to, my scenario is that the economy is going to go down faster and harder in the next several months than they think, it's not as strong as they think without all this stimulus, and that they are going to have to turn around and stimulate and lower interest rates again, because we're going to be in a mini-Depression for a few years.

So, they're going to have to, but it's too late. Okay? We've already seen that first stock crash, which already tells me we're not going to see new highs, investors are used to, "Oh, it goes up, it corrects 10 or 20%, then it goes new highs, new highs." Well, this is the first time that happened. So now investors now they're not in La La Land anymore. So, they're not going to jump back in as hard as they did in the past, and we're not going to see new highs, or very unlikely.

So, when this next wave comes in and we're down 60% by January of next year, oh, and guess what? If January's a down month, that 90% of the time says that 2023's going to be another down year. And of course, my indicators say it'll take at least to late 2023 to have enough of a crash and downturn to clear out all these excesses.

So, people are just going to slowly wake up, and the more they do, everybody's going to go, "Oh my God, I can't believe we believe this bubble stuff and we went for it, and we bought that second house, that we ... right at the top of the market, that we bought stocks at the top," blah blah blah blah blah blah. That we put our pension plan mostly in stocks instead of having more bonds." People are going to go, "Oh my gosh, this is stupid."

That's what bubbles make you feel like. Because I've been through a few, okay? First bubble that I got caught in, when it crashed, I felt like the stupidest person on Earth. That's what it makes you feel like. Because it really is stupid, but when it's happening, and it keeps happening, and then the experts say ... And the experts always say, "Oh, it's okay, it's not a bubble because blah blah blah blah blah blah."

No. If it quacks like a bubble, walks like a bubble, it's a bubble. And again, I tell anybody, you look at any bubble, this bubble in real estate, if you can find me a bubble anywhere near, and this is two in a row now, which has never, ever happened, you look at stock bubble number one in tech stocks, and stock number two, and tell me this is not a bubble, and this one looks exactly like the first one, and you're telling me this one won't crash like the first one did? It’s just people are blind. People don't want it to crash, and they've been making easy money. Any idiot has made tons of money in the stock market. Any idiot can make money in a bubble until it bursts, and then they feel like the dumbest person in the world. That's the booby prize.

Dennis Tubbergen:

So, Harry, given that it's your forecast that stocks are going to decline significantly, they're going to crash, real estate's going to do the same thing, it would seem that you would be a fan of probably holding cash and keeping the proverbial powder dry for what sounds like it would be the stock or real estate buying opportunity of a lifetime.

Harry Dent:

Absolutely. And I call it, I say, "Look, forget thinking I'm bearish." I've been the most bullish guy in history from the '80s on. I'm the guy that saw the great boom and the baby boomers coming, because I study demographics. Not because I'm a genius, I just studied demographics for my business clients, projecting their markets when these baby boomers grow up and spend more money, and it's just an obvious sort of thing. So, it's just a matter of having a great boom and bubble, and we have to come back down to reality.

Because the millennials, we don't need, Dennis, to ever build another house, another office building anywhere in this country unless a new area is growing like in northern Idaho or something, they discovered gold up there, or crypto or something, in a new area of growth. We already have all the infrastructure we're ever going to need, because the millennial generation never takes us to higher need for those infrastructures, even with baby boomers dying at the fastest rates in history, and that's exactly why. Baby boomers are going to do nothing but die between now and 2042.

And so, the millennial boom will be offset. So, we don't need to build more houses. And if you don't need to build houses, that's the biggest thing that drives growth, is building infrastructures commercial and residential.

So, we're in a new era. The whole developed world is peaking demographically. We're in the middle. Europe is the weakest, we're in the middle, plateauing, and Australia and parts of East Asia, South Korea and Taiwan are still growing, okay? Developed countries. But this is the end. The developed world will never really grow that much again, and all the growth after this big crash is going to come from the emerging countries, and most of that's going to be in Asia, because Africa is going to take decades to wake up. But Asia is waking up, and we're just going to spread from East Asia, China, to Southeast Asia, to India. Okay, that's where we're going, and eventually the Middle East. The world's going to go in that direction, and that's where you're going to have the bigger booms in the future. Because there's just no way North America or Europe can boom that much in the future, we'll just grow with productivity. We're not going to grow from demographic expansion anymore. And that's been a huge, the biggest tailwind in history.

Dennis Tubbergen:

Well, we're going to have to leave it there. My guest today has been Mr. Harry Dent. You can get his free newsletter by visiting harrydent.com. And Harry, always a pleasure to catch up with you and get your perspective. Appreciate it very much, appreciate you taking time out. I'd love to have you back down the road.

Harry Dent:

Sure, yeah. And thank you, Dennis.

Dennis Tubbergen:

We will return after these words.