Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me once again on today's program is returning guest, economist Harry Dent. Harry is a prolific author who put many, many bestselling books on the charts over the years and I always appreciate his perspective. So, Harry, welcome back to the program.

Harry Dent:

Yeah, nice to be back, Dennis.

Dennis Tubbergen:

So, Harry, let's start by just talking about, I'll call it the elephant in the room. We have had a number of banking failures. There appear to be a few more banks on the ropes. What's your take? Is this going to continue?

Harry Dent:

Yeah, there's always going to be a few to start, and of course the government can always fix a few. But no, we've added more debt in this cycle since 2009 than we did in the last debt cycle back in 2000. It led to the 2008/9 banking crisis. So, we're only going to have more debt to unravel and restructure, and we're only going to have a bigger banking crisis this time. So, this is just the beginning and I think as soon as we see signs that now that the Fed has been forced to tighten after over-easing, and this was a huge mistake, Dennis. It's one thing to stimulate for 13 years, it's another thing to accelerate it over a short-term virus called COVID. So now they've been forced to tighten, and this economy cannot stand tightening because it's been living off of stimulus only since 2009.

So, I think we have a slowing of the economy that will cause debt to keep unraveling and that will keep losses in stock market going down, at least well into 2024. So, this is just the beginning and what I'm really looking for, Dennis, is we've seen the first crash that tells me the bubble's over. Until you get it, a bubble is not over until stocks crash 30 to 40% in a short period of time, 10 or 20% never stops a bubble. So, the bubble did end last year. We've had a long bounce since then. The 2029 first bounce after the first crash was five months. This is now seven months, so this has really been stretched too. So, I think we're very, very close to entering the new wave down which, and people should look at their stock charts when I say this, back to the COVID lows, just back to early 2020. That will take the stock market down about 50% from here, and that'll take the overall fall down to more like 60% from the top.

And that's going to cause consumers to say, "I don't care what the Fed does with stimulus now, we're in a downturn," and people are going to pull back on spending and businesses as well. So, I think they're about to lose control, and this whole never ending stimulus thing finally defeats itself because they overdid it, Dennis. Why would you overreact to COVID when everybody knows it's the short-term virus and it'll go away on its own, just like influenza did in the same two-year period back in 1918 to 20? It came, it wreaked havoc, and then it went away on its own two years later.

And so, I think that's where we're at. I think we're going to see another crash, pretty much for the end of at least October and November of this year, and then people are going to know, this is not a correction, this is a long-term top. And I am saying, I don't think I'll see the highs we saw in November in the Nasdaq, in the early January in the S&P in 2022. I don't think we'll see those highs for the rest of my lifetime, for another 15, 20 years or more, so this is a major change in a shift in events.

Same thing for housing. Housing's seen the second bubble, even higher, and it's never even been two bubbles in housing in a row and nothing of this magnitude. And I think housing prices will never, ever be as high as most developed countries have seen in this bubble for decades to come, unless you're in India or something.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Harry Dent. Harry is offering the listeners today a free newsletter. Go to harrydent.com to sign up. Again, the website is harrydent.com.

Harry, if you listen to what Chairman Powell said after the last Fed meeting, he made it a point to say that they're not going to make a statement, say they're anticipating future rate increases, but instead they're going to look at the data, and I'm paraphrasing, is the Fed getting ready to go back and really use the only tool they have left? And that is they're going to try to go back and ease again. Do you see them trying to go back to the well here?

Harry Dent:

Oh, yeah. There's no question they'll have to ease again, but the Fed will not go from tightening, which I think the forecast is and pretty much agreed on. They're going to pause next time. We've just seen the last rate hike for 14 months. And by way though, the highest increase in basis points we've seen back to the seventies and eighties, so this is going to have an impact, and people have to remember again that the impact comes 12 months later. So, we're going to see the impact from now into May of next year, is when this will be. It'll be felt the most a year from now. So, the economy's only going to get weaker, and that means stocks are going to have to get real and keep going down. And the more stocks go down, the more consumers and investors will get cautious and then that just speeds the down cycle.

So, I think that we're clearly going down into recession over the next year, and the stock market's going to have its middle wave. It's always three crashes that takes to finish a major downturn. We're going to go into that middle wave, which usually is the worst, from now into around the end of this year, and then we'll finish the last wave into mid to late 2024 before we come out of this. So, nobody should think this is over. Nobody should think this is a correction. They have put this off, Dennis, for 13 years now. We should have bottomed in 2010 instead of 2009. That correction should have gone farther. We should have dealt with debt back then, which we didn't at all because they stimulate us out. And we should have been in a sideways market in stocks until about now and just be coming out of this. But now we have to pay the piper and flush out these debts and these high stock and real estate prices, which will only hinder the future.

It's hard for the next young people, the millennials, to invest for the future or to afford a house when the baby boomers have bubbled them up so much and never let the bubble be corrected. So, we have to get rid of this bubble, and nobody wants the pain of it, but there's no painless way for stock and real estate prices to come back down to normal because the people who own those, which are aging baby boomers, not the young millennials, that's good for the economy because they're the spenders in the future. But there's no way without us baby boomers taking pain.

So, I tell baby boomers, it's really simple, you just got to get out of the way. You got to get out of stocks in real estate to the extent you can, and wait for this natural reset back to down, and it's going to be down a lot. 50% in real estate, 70, 80, 90% in stocks from the top. You're going to have to wait for this to happen and then reinvest. You cannot sit through a crash of this magnitude. It's not a correction. You can sit through a 10, 20% correction. Do not sit through this. And if I'm wrong, you'll know by the end of the year. So, you're not going to have to be out long if I'm wrong and the market's just going to keep going up. But I'm telling you, the odds of that are very slim. I do not see a new high ahead, and I do see a substantial new low by the end of the year. That's the case, that just shows this is major, and it shows you're going to have even more to come in 2024.

Dennis Tubbergen:

Well, I'm chatting today with Harry Dent. He's offering the listeners a complimentary newsletter. It's a daily newsletter. You can sign up at harryden.com.

So Harry, I ran across an article that was written in 1941 by a professor from a university, both names escape me now, but I was really, really, really astounded by the fact that when you look at the level of private sector debt that exists today as compared to 1929 at the beginning of the Great Depression, we've now exceeded that, and you led this segment by talking about debt. So, when you talk about that we're headed for recession, do you see the severity of this recession maybe equaling what we saw in the 1930s, given that debt levels are very comparable?

Harry Dent:

It should, except they're probably going to still try to be a common. I think they're going to lose credibility on constantly just printing more money since we failed so quickly after they printed 10 trillion between fiscal and monetary two years after COVID. So, I think, yes, we're going to see a similar downturn. I don't think it'll be 25% unemployment; it might be 15 to 16%, but stocks will end up down. My projection from the top, and this has not been recently, this has been before we even had the crash, that we would crash from the top 92% in the Nasdaq and 86% in the S&P 500. And Dennis, all that is, the simplicity of that, we just go back and retest the 2009 lows not that long ago. And in real estate, it's the same thing, except the last major low was mid-2012.

And that, just going back to mid-2012 in real estate, would take down the average house 50% more than the 34% we saw in the 2008, 9. So again, this is what I call the crash of a lifetime. This is what the Henry Ford generation saw from 1929 to 32. This is what we will see now. And then we won't see bubbles for decades and decades to come, and we will not see a crash of this magnitude, nor will our kids even have to worry about it. But it's going to happen now or not, and I say it's going to happen now. So just be safe for this year, and then if I'm right, you have to be safe for another year. But just take the chance of being out of overvalued real estate and stocks just for the rest of this year, just six or seven months. By October, you'll know whether we're in a serious downturn or not.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. He is offering the listeners a free newsletter. It's a daily newsletter. You can go to harrydent.com to sign up. Again, the website is harrydent.com. I'll continue my conversation with Harry Dent when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. My guest on today's program is bestselling author and economist, Mr. Harry Dent. I'm chatting with Harry about what's going on in the economy and getting his forecast moving ahead for stocks and real estate. If you're just joining us, you can get Harry's free newsletter by visiting the website, harrydent.com. And Harry, one of the things I think that stood out to me, if you're a 401K or IRA investor in 2022, you could lose money in both stocks and bonds, which are typically the funds that most people have as options in the 401k with some derivations on those themes. What's your forecast moving ahead for bonds?

Harry Dent:

Okay, so it's the corporate bonds that go down because they have default risk, even high-quality A to AAA bonds will have a little bit of risk. And of course, you go B and down to C, and then they will start trading not quite as bad as stock, but you can have corporate bonds go down as much as 50%. The exception is the highest quality US government treasury bonds. I know the government is in debt and all that sort of stuff. People say, "Oh, our government's going to go bankrupt." No, they can print money to stimulate the economy, they can print money to pay their bonds. They are not, and I mean not, defaulting on their bonds no matter what, even if they have to argue over these limits here and debt limits and stuff, temporary and stuff, that won't last. So that is the safe haven.

Now, other people like me say we're in the biggest debt bubble in history, and there's going to be a big crash. People like Peter Schiff and the gold bug, they say, "Oh, the safe haven's gold." And I'm like, "Well, wait a minute, Peter. Guess what went down 40 to 50% literally in a matter of months?" The last thing to go down in the 2008 crash was gold, but it went down hard. Gold was not the safe haven, not the worst place to be compared to stocks and other risk assets, but it did go down seriously as well. The safe haven was back then, the US long-term treasury bonds, a 30-year treasury bond. The longest duration is your best friend in this crash. And there are a number of easy to buy ETFs like TLT, and TMF if you want to be 3X Leveraged, that you can buy, that will go up substantially.

TLT could almost double in value in the next year and a half or so. Actually, not quite that, but it's I think at 103 or something. My target is 186 on TLT, so that's going to be a 75, 80% return on the safest asset in the world treasury bonds, and that only happens as a safe haven play in a major crash. So that's the only place to go. People say, "Well, where else? What else can I do?" Nothing. If you're in real estate and you're in affordable rental buildings, those will hold up, but nothing else will hold up. Real estate's going to go down largely across the board. Stocks are going to go down across the board. This is a great reset. So you just get out of the way for, like I said, for about a year and a half. That's all it's going to take. So just get out of the way. And if I'm wrong, you might miss five or 10% on the upside at this overvaluation level. But if I'm right, you're going to save your assets. Okay?

Dennis Tubbergen:

Well, I'm chatting to you with Harry Dent. He's offering a free daily newsletter to the listeners. It's available at harrydent.com.

Harry, another big issue is going to be the level of commercial real estate mortgages that are going to refinance here over the next 18 to 24 months. There are already massive levels of vacancies in office buildings, in large cities, New York, San Francisco, Chicago. That trend seems to be accelerating. How much of a headwind will this commercial real estate be on this reset?

Harry Dent:

Well, Dennis, this is the worst sector because all real estate's overvalued in this bubble. But commercial real estate has a second factor in that it's being devalued because more and more COVID forced this move back to home work. Companies hate it. I don't blame them. Some people are more productive at home. I've worked at home since 1989. But that is going to reduce the need for commercial real estate. Commercial is the worst sector, so they are going to get hit the hardest here, and nobody's going to need to build commercial real estate substantially for decades to come. So, if you've got investments in commercial real estate, that's the best place to get out of.

Dennis Tubbergen:

So, Harry, what advice would you have for someone today that maybe is thinking about selling their home and buying a vacation home somewhere when they retire or relocating when they retire? Is this the kind of environment where you'd say, "Hey, sell what you have while you can and then just rent for a while and see what happens?" What kind of advice would you give?

Harry Dent:

Yeah, the degree, and this is so severe, this is a once in a lifetime event, and actually twice in a lifetime, which is rare, but bigger than the one we saw from 2006 to 12. So, I say sell any real estate you can, even your primary home. And a lot of aging baby boomers are at the point where their kids have left the nest and they got a bunch of empty bedrooms anyway, and they're thinking about buying a vacation home. So, the best strategy is to sell your main home now, I mean quick, because this is going to happen soon, and you wait about a year or two and then start looking to rebuy a vacation home. Vacation homes will get hit harder. Now, if you do have a vacation home already, well then you need that less. That's the one to sell the most, if you have one, because it will go down the most and it will be the slowest to come back at first.

So, get out of all real estate. But yes, the ideal with the average person just in a house and looking to get a vacation or a retirement home, sell your main home now and wait about two years, give or take, to rebuy when the markets are down. And then, real estate also stays down longer than stocks, so you're going to have plenty of time to shop for that perfect retirement home or vacation home once this is over. For stocks, if you don't buy near the bottom, it'll run around and leave you. But real estate stocks, in the 2009 bottom in stocks, that was March of 2009, real estate didn't bottom until mid-2012, roughly. So, you had three extra years to shop for real estate bargains.

Dennis Tubbergen:

So, Harry, a lot of the time when you're on the program, we talked about your demographic research, which I think is fascinating and once you explain it, it is so logical, and I'll let you explain that briefly. But is there some good news out here for the US based on your demographic research?

Harry Dent:

Yeah, it's so simple. It's stupid. I hate to... Economists just missed because we never had good information on demographics until the last couple of decades. But people, another word for it. Here's something, the average person, just by dying, enters the workforce at 20 and spends the most money at 46. So, you know when people are going to enter, and that's when inflation peaks, the cost of raising them and incorporating them, and that's when the productivity curve starts for better earnings and when the growth in sales and earnings and economy grows, and so you get a boom as people are moving, increasing numbers from 20 to 46. Well, and I was saying this way back in the eighties, that the baby boomers were going to cause the greatest boom in history from 1983 and it's going to peak in late 2007, and then we're going to have a slow period into 2022, 23.

Well, we did have that peak. We did have a Great Depression-like downturn in 2008 that looked exactly like 1930. It’s why Ben Bernanke turned on the printing presses? His whole thesis was on the Great Depression. He knew 2008 was 1930, and so they just tried to stop a depression. Well, it's not good business to stop a depression. A depression has to deflate a bubble in excess debt and excess financial asset prices for you to be able to go into the next boom profitably. So, they put this off, we're going to have to pay the piper, I say, in the next few years, and then the millennials will drive us up from 2025 to 37 in the next boom, and then inflation will go back. We will never, Dennis, see serious inflation for the rest of our lives, any of us, including our kids. Inflation is done. Okay? They blew it up just for this bubble, just to stimulate. This is temporary inflation. So, we're going to have another boom with near zero inflation from 2025 to 37, but we've got to clear out the wreckage here first, and it will be painful.

And again, I'm predicting the S&P 500 will be down 86% from the top, top in early January 2022, for this over and the Nasdaq 92%. Do not sit through this downturn. You never recover from it, and stocks will never get to these bubble highs. The millennials only bring us back to the same level of economic activity because they're not as strong or big a generation and we will not see bubbles after this. So, stocks will never get as high as they've gotten in this bubble. The rest of any of our lifetimes in real estate certainly will not get as high. So, the only way to profit is to let these things go down and buy at much lower prices, then it's okay. But don't expect that you hold your stocks and they'll be higher 20 years from now, they will not be, and you will suffer huge losses.

Dennis Tubbergen:

So, Harry, when you say 86% on the S&P 500 down from the peak, that's a number that is just almost unfathomable. Well, about what number does that give you on the S&P 500 that's now a little over 4,000?

Harry Dent:

I think it's a 670, but what's the best way to do it, go back and look at the lows in March of 2009, and that's where it'll be. It is an astounding number. Actually, I think it's 670 on the Nasdaq, and I think it's 400ish on the S&P, but I don't have the number on the top of the head. But I'm telling you, that is devastating. It takes forever. Well, again, you'll never get back to highs. But even in a normal bull market, it would... If you'd have gotten out after the 29 crash, it would've taken 24 years just to get back to that top. And the same thing after the 1968 highs and the next boom in stocks, it would've taken 25 years to get back just to, even if you help. So, I'm telling people, trust me for one year, if I'm wrong, you'll lose a little in gains. If I'm right, you will save a fortune. It will make all the difference in your life.

And again, if this is going to happen, we'll know by the end of the year because this has already been stretched about as far as it can be stretched. The Fed was forced to tighten by their over stimulus in COVID, which they didn't need to do, it was a temporary crisis. And so, this is the time period where we're going to lose control and the bubble's going to continue to burst before they can really stimulate enough again to turn it around. And they'll be slow to react, they're always late. So, this is the time it'll happen. So, this is the year to be out. And again, remember, if we're down to new lows by the end of this year, which I expect this to be, then they will keep going down in 2024. And then the time to reinvest will probably be in the second half of 2024, not before then.

Dennis Tubbergen:

Well, my guest today has been Mr. Harry Dent. If you'd like to sign up for his free daily newsletter, go to harrydent.com, the website again, harrydent.com.

Harry, always a pleasure to catch up with you. I appreciate your perspective. Love to have you back down the road and thank you for joining us today.

Harry Dent:

Okay, thank you, Dennis.

Dennis Tubbergen:

We'll return after these words.