Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Harry Dent
HarryDent.com

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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 prolific bestselling author and economist, Mr. Harry Dent. If you're not familiar with Harry's work, you should certainly get familiar with it. He's offering our listeners a free newsletter. You can go to harrydent.com to claim it. The website again is harrydent.com. Harry, welcome back to the program.

Harry Dent:

Yeah, nice to be back Dennis.

Dennis Tubbergen:

Harry, you were on last, and you said a crash is imminent, seems like the highs in stocks probably were in at the end of last year. What's your assessment of stocks at this point?

Harry Dent:

Well, it is going as forecast here. They have been fighting this, fighting this, keep pumping the market up one more time. And what I've been saying, we will know we have a top. It is imminent. It's got to come, but we will know it's a top when we're down 30% to 40% in the first several months. At first, we didn't quite get there in the first whack in March, but that was more than your normal 10 to 20% correction, and now the markets are weakening again. And yes, this definitely looks like a top to me. The treasury bonds look like they just hit their peak yields at the 10-year Treasury bond at 3.2%. I was looking for that to happen. You usually get the Treasury bonds rising into a stock peak. They help puncture the bubble. And then though just the downturn of the stock market alone and everything else keeps us heading down. And consumers lose confidence, next thing you know, we're in a recession.

Harry Dent:

I've had a lot of leading indicators recently saying... Everybody's saying, "Oh, we might be in a recession in six to 12 months." These leading indicators are saying, we're right at the edge of the recession now, not at six to 12 months. So, I think we're going to be in a recession, clearly, in the second half of this year, increasingly. And stocks are going to keep going down. Now, here's the thing, the first target I look for, I have a cycle low around mid-July, where I'd expect this first crash to end. And I'm expecting, we'll see that the NASDAQ will be down something like 40% by then, that's a little under 10,000 on the NASDAQ. And that will really confirm a top, and really confirm that there's more to follow. Dennis, here's the key thing. When I hear all these commentators saying, "Market is down, well just a little more than we expected, but Hey, we're definitely getting ready to a low here and a rebound." No, we have gone past the point that it's a normal correction. The farther it goes down, the farther it's going to go down.

Harry Dent:

And my target, and I know this sounds crazy, but we've been saying this for a long time, and this has happened before, that we're going to see the NASDAQ down to 3,000; 7,000 at best. And we're going to see the S&P down to 670 to 1000, so this is going to be an 86% crash at worst for the S&P, and up to 93% for the NASDAQ. This is not something to listen to your stockbroker and say, "Oh, just sit through this and we'll be at new highs." We will not see new highs for many years. And we may only retest these highs at the top of the next boom, the millennial boom in 2037, many years from now. So, this is definitely time to get out. Be patient. By the end of next year, should be the ideal time to get back in, unless I see signs sooner. But a crash down 40% by July or somewhere in that thing will fully confirm that this is the big crash happening.

Dennis Tubbergen:

So, Harry, there was a lot there so let me go back to your forecast for the S&P 500. At the prior bottom at the time of the financial crisis, we had the S&P around that at 670 mark. Are you forecasting we could go as low as we did at the time of the financial crisis from these levels?

Harry Dent:

Yeah, exactly. If you just landed from Mars, but you understood chart patterns and you were just looking at a chart, you didn't know it was the S&P 500 that's exactly. We had a big three wave rise in the 2000s. Big crash in 2007, and then big crash into early 2009, and now a fifth wave, a final wave up, very steep classic fifth wave bubble. And the chart would tell you expect to go retest that March 2009 low. And yes, that's exactly why 670 is my target. Hey, it might be a little higher than that. It might be lower, but that is the best target to have from a technical basis, if this is... And when you look at this pop... The other thing then, it just kills me. I do all these interviews or get on these panels and I'm getting ready to go to a conference in Vancouver and be on a big panel and stuff.

Harry Dent:

The same thing. Oh, this is not a bubble because what? I drove this chart, the rally from the COVID crash in late March of 2020 up until recently there's no... I can't even find a bubble that big anywhere. You didn't see a run like that even in the roaring twenties bubble, anything. That was a bubble, and that was the final bubble counts. Fifth waves everywhere you want to count it, if you don't take this seriously, you're blind. Now there can always be something okay. First time ever, but I'm telling you that there's been no clearer bubble in history. And most experts are still thinking, we're just for correction. Bubbles only do one thing. They burst. And they go back to where they started, which is March of 2009. And you can look at your real estate, the same. The real estate crash, didn't bottom until 2010 to 12, depending on where you are. You need to look at that bottom in your area, because I think real, estate's going to go down 40%, maybe 50, but it's very different. So, the bigger the bubble, the bigger the burst there.

Harry Dent:

So, look at your real estate. What was it worth at the last bottom by 2012? And that is your downside. And a lot of people are going to be very uncomfortable when they look at that, because we had a second real estate bubble just as big, slightly bigger than the first one. And everybody's saying, even though it looks exactly like that first real estate bubble, 20 years later, it's not a bubble either. I'm telling you; experts are just blind on this stuff. Nobody likes to see a bubble. Everybody's getting rich on it, something for nothing, and nobody wants to see it end. So, everybody believes the experts when they say, well, this is not a bubble. This is only the second great real estate, the only great real estate bubble in modern history. Because we never had the easy financing back in the roaring twenties and other periods to let a bubble like that happen. But it is one of many bubbles in stocks and it is, it is the greatest bubble in history.

Dennis Tubbergen:

Well, if you're just joining us, my guest today is Mr. Harry Dent. If you're not a subscriber to Harry's free daily newsletter, you can sign up at harrydent.com. And Harry, you had mentioned that it's your view that we're on the verge of a recession. And certainly, from my perspective, I believe that we could be there already. How deep do you think this recession actually goes? Just comparing it with maybe past recessions.

Harry Dent:

Yeah, I think this should go in between 2008-9 and 1930 to 32. 2008 to nine was and should have been the beginning of a 1930s like decade period of slow spending after the baby boom peaked, until the millennials come along. And the millennials still don't start to drive our economy back up in a healthy, normal way until 2024. So, we're still in that down period. So, we had our first crash in 2008, nine. It was cut short that should have gone deeper, but with all the government support, I don't expect a crash quite as big as 1930 to 32. I think, again, that the S&P's going to end up down 70%

at least, and more like 86%. I favor the down the lower level and the NASDAQ down 93%, and it may be at least 85.

Harry Dent:

This is mad. This is once in a lifetime. We'll never see a crash like this again, our kids may not even, and we have not seen a crash like this. Except for briefly, the tech stocks went down 78% in 2000, 2002. And that was during a boom with only a very minor recession. But for the economy, if we saw 11% unemployment in 2009, we're going to see at least 15, somewhere between 15 and 20. This will be the highest unemployment we see since the Great Depression, not quite as bad. And that we'll probably see for decades ahead. So, this is again the crash, and it's not a recession at this level. It's a depression. The difference is this depression's not going to last off and on 12 years, we've already been through the worst of the demographics. But it's probably going to last two years plus, and it will be a depression. So much higher unemployment and devastating losses in financial assets that don't, and here's the key thing that don't go back to their highs for decades, in some cases.

Harry Dent:

Real estate I don't think we'll ever see this level, especially adjusted for inflation because real estate, the millennials only take us back to the same level of demand we had at the peak of the baby boom. Except next, when they're doing, having their real estate boom, we will not be in a bubble. Once a bubble like this bursts people get it. They feel ashamed, stupid, how could we've been so crazy, and they don't go to those levels again. So, I think real estate's the highest we'll ever see it and by a good bit. And stocks may at best get back to these levels in 2037, I don't think stocks will make a new high adjusted for inflation. And I don't even think they'll get to them in nominal terms, because again, we won't be in a bubble mania in the next boom after this thing, wipes out, any vestige of bubble.

Dennis Tubbergen:

So, Harry, we've got just a couple minutes left in this segment, and you've mentioned several times in this segment, the millennial boom, the millennials will drive the economy up. For our listeners maybe that aren't familiar with your demographic research. Could you enlighten them?

Harry Dent:

Yeah, I mean the most important number in our economy and economists miss it, just like a strike out of all times. Age 46, predictable average peak in spending of the average person in this country. And you take a 46-year lag on the baby boom birth index, and you get a boom from 1983 to 2007 and the greatest boom in history, because the size of that generation. Why have we been required nonstop money printing since the 2008 recession? We went into that recession because the baby boomers peaked, the economy slowed down with bubbly markets, and they've had to print money ever since just to keep us barely growing. Okay. So, the millennial they're spending weight is shorter, not as dramatic, but it starts from like late 2023, early 2024 into about 2037. So that'll be the next boom. But again, compared to 83 to 2007, it was much longer 24 years. And compared to the magnitude of the baby boom, that we will not see a stock boom, like we saw in our recent past for a long, long time if ever.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent, you can sign up for his free newsletter at harrydent.com. I'd encourage you to do that. I will continue my conversation with Harry, when RLA radio returns. Stay with us.

Dennis Tubbergen:

You are listening to RLA radio. I'm your host, Dennis Tubbergen. I have the pleasure of chatting today with Mr. Harry Dent. Harry is a prolific bestselling author. He's an economist, and his demographic research relating to economic expansion and contraction is just unparalleled. We talked about that a bit in the last segment. So, Harry, I just want to jump in where we left off. You had mentioned in the last segment that you expect real estate to decline 40 to 50%. So, when you take a look at a stock decline of up to mid-80%, a real estate decline of 40 to 50%, this is like just a complete repeat of what we saw 15 years ago or so isn't it?

Harry Dent:

It is only more; we didn't finish that. The 2008 downturn was the first serious one with 11% unemployment. That was the worst since 1982, which was the end of the long downturn from the Seventies. And inflation and the downturn of baby boom spending and stuff. So, it was the low point. So, economists were like, oh my gosh, and it's starting to look like the great depression in 1930. And it was, I was predicting 2008 would be like 1930, big stock crash. The beginning of a much deeper downturn. There was no longer a recession, but a depression. So that's why they stepped in. Ben Bernanke was the Fed chairman, and his whole thesis PhD was the Great Depression. And he was not going to let that happen on his watch.

Harry Dent:

So, they put a trillion dollars out stimulus more than any time in a short period of time in history. And that I would've approved of frankly Dennis because you don't want to crash to get more than it needs to be. But you also don't want to stop the economy from routing out bad debts and bubbles, because you can't really move forward without it. But what they did was they thought that would be enough. And since they didn't understand the demographics and how weak it was going to continue to be for over a decade, they've just been printing money ever since to fill in the gap from baby boom peak spending, with the generation X coming along and lower numbers. So, so that's the dilemma. The problem to me is why don't these economists understand demographics? I've been talking about this for 34 years. Sold millions of books, it's not like it's a hidden secret. They just stick to old economic theories. They don't think the consumer matters that much. They think your lower interest rates and we spend you raise them, and we don't spend it. We're just a bunch of dumb sheep.

Harry Dent:

And so, the economy has required evermore stimulus, and then COVID hits and they had to print five trillion in addition to five trillion in fiscal stimulus to get over COVID. And surprise, surprise with $10 trillion of stimulus in a $20 trillion economy, so 50% of GDP in two years, oh we got runaway inflation again. There is no fundamental inflation. I've been predicting inflation would fall forever, with demographic indicators. Slower labor force growth in incorporating new people in at great expense. So, we have now eight and a half percent inflation when it should be 1%. And now they're panicking and they're going to have to raise rates to fight inflation, and they think the economy's strong underneath. It is weak, we are going to go into recession so fast if they keep raising rates that they're going to have to stop. I don't even think they're going to get to four, half a percent rate hikes before the economy starts slowing down.

Dennis Tubbergen:

Well, and Harry, if you see real estate prices fall per your forecast, stock prices fall per your forecast. We're seeing used car prices now pull back pretty significantly. Aren't we seeing the beginnings of this thing unwinding at this point?

Harry Dent:

Yeah, this is something going on that we don't understand, because we haven't seen it since the thirties. Deflation, first of all, I mean consumer people say, oh, the thirties, oh, consumer prices went down. When have you seen consumer prices go down in our lifetime? Never, except for very temporarily. That was one thing. That's not the real deflation. The big deflation is financial assets. In my recent newsletters, I've been showing we have $550 trillion. No, it's up to 585 now I'm sorry in global and financial assets that are 6.7 times GDP, global GDP. They're normally two times three at most. So, these assets are more than double what they should be. These financial assets have to fall back down. Even if the economy doesn't go in a recession just to normal price earnings ratio stuff, that would take $250 to $300 trillion of wealth, real stuff in people's bank accounts and brokerage accounts out of the economy, everybody's going to feel poor.

Harry Dent:

And everybody's going to also slow down in spending when they see their balance sheet go down that much. Because everybody feels rich now, people have been made rich something for nothing, for no reason, because of all this money printing. And when it finally goes back to normal, they're going to get poor very quickly, and people are not going to feel good about that. And they're going to say, oh, well that was a bunch of baloney, all this printing money. Right now, nobody's complaining about it, but they will when their financial assets go down. And we're just seeing the beginning for stocks, but the first sign stocks can make it to 40% down in the next few months, particularly the NASDAQ, the lead index. That's the sign that we are clearly in this, not a correction, but a deflation of financial assets. Including home prices, commodity prices, gold price.

Harry Dent:

Gold, yes, gold. And all the gold bugs I debate say, oh, if Harry's right, they agree that a crash is coming too much debt and must stop unsustainable. They think gold's going to be the savior, 2008 already proved gold wasn't the savior. 2008 is a preview of 2022 to 23 ahead. It just it'll be a bigger downturn, more unemployment and real deflation this time. So, nobody's going to expect this because they haven't seen deflation, but it's your assets you need to worry about more than unemployment. Unemployment won't last long. Your assets will go down and will not come back for decades, if they ever come back even to where we are today. Which I don't think they will.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. If you'd like to get his newsletter, you can go to Harrydent.com. Harry let's talk about the labor market because at this point there's lots of employers out there that would love to hire people but can't fill the positions they have open. To what do you attribute that particular condition in the labor market and how do you see it transitioning to high unemployment?

Harry Dent:

Okay. First of all, labor force growth is my primary indicator for inflation and why it's falling. The baby boomers are entering the labor force, but baby boomers are exiting a little faster because there's more of them. And add to this, what did they do with COVID? They stimulated so hard, but at the same time they made it so easy that a lot of people just never came back. A lot of baby boomers that were about to retire in the next few years, left the workforce because of the unemployment and the recession, all that stuff. And they just didn't come back, because the government gave them so much stimulus and so many benefits. We don't need to come back. And so now employers, even in this limited boom, which is not going to last long by my estimate, but employers can't find enough workers coming out of recession.

Harry Dent:

The government should quit monkeying with the economy like they're God, they don't understand it. They don't even understand the demographics behind it, and the productivity behind it and what causes it to go up and down. They just think interest rates are the biggest driver, which shows how clueless they are. So, they're not going to have the right solution for this. So, the solution is the economy takes over, routes everything out. And the people that get out of the way of this will not lose all their financial assets and will be in a really good position to benefit when it turns around. And if you're really smart, you fight to keep your job right now if you're still in the workforce. Don't be one of the people laid off, because you'll keep your income and your assets.

Dennis Tubbergen:

So, Harry, when you take a look at the idea that people are going to be losing assets and somebody's like in a 401k, it seems to me that you're going to have two groups of people. You're going to have a group of people that really get hurt, maybe have to delay their retirement thoughts or aspirations for a long time. You're going to have other people that are going to be really able to take advantage of an opportunity to buy real estate and stocks at low prices. So, what kind of advice are you giving your subscribers at this point?

Harry Dent:

Yeah. Again, it's real simple. You keep, this is not the time to say, well, they're offering layoffs and stuff. I'll just take that. Now, if you're about to retire fine. But if you're not that close, I would keep that job. And I would listen to people like me and cash out. I mean, you can only get into the highest quality, like the 10- and 30-year treasury bonds, and ETFs like TLT and ZROZ that are only in Treasury bonds. Corporate bonds, even the better ones will still be deflated by a recession, which means more default. The only bonds that won't default for sure are the Treasury bonds and they become the safe haven. And if you're in some sort of fund in your company or something, if they don't have treasury bonds, you pick the triple A, the highest rated corporate bonds.

Harry Dent:

But those are the only things that hold up or appreciate, got to remember what is different about this downturn? It is a deflation of the great financial asset bubble in all financial asset. There's not a financial asset on earth hardly, that has not been inflated beyond its normal value. Everything, key commodities, gold, stocks, bonds, everything comes down to reality. So, people are going to lose that bonus and wealth they got. Now the first thing you didn't deserve it, but if you got it and you're smart, you can keep it by cashing out. But you cannot keep it by saying, well, I'll just ride out this downturn and wait for it to go back up again like it's done for decades, will not happen. That's my message. It will come back slowly, and most financial assets will not see these levels again. And if they do, you'll be dead by the time it happens.

Dennis Tubbergen:

So, Harry, last question. Assuming this down trend in stocks continues, which we believe it will. The Fed will likely try to reverse maybe and add more support to the economy, continue currency creation of some type. Do you think they have any more bullets left in the gun? I mean, do you think it can work?

Harry Dent:

It gets hard after you put out 10 trillion in stimulus. I mean, way many more times at any part time in history, and you still go into recession literally just a year or so later. So, their credibility will be way lower. The economy will already be weakened. People have already lost a lot of money in financial assets. So that's precisely why I am projecting that this first crash will probably continue into mid-July and then we'll get a bounce in the summer. Okay. We'll get a bounce. Of course, they're going to come up with some counter plan, some stimulus plan. It's not going to have the same force. People have already been stimulated, people have refinanced their houses so many times and spent and bought a new car and everything else. They're over stimulated. And now they say, oh gosh, but the last one didn't work.

Harry Dent:

So, I don't think they can pull us out of this one. They can give us a bounce for a few months. And then if the stocks bounce, you short them again, or if you're in them you get out of them again. I think if this first crash goes down about 40%, and in July and that's my projections until I see otherwise, I don't see that they can pull us to a new high. I don't think they can put Humpty Dumpty back together again.

Dennis Tubbergen:

Well, my guest today has been Mr. Harry Dent. I would encourage you to go check out his free daily newsletter at harryden.com. Harry, always a pleasure to have you on the program. I know listeners appreciate your forecast and your perspective and would love to have you back down the road. Thanks for joining us today.

Harry Dent:

Thanks Dennis.

Dennis Tubbergen:

We will return after these words.