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 chatting once again today with returning guest, Mr. Harry Dent. If you are a longtime listener, you'll recognize Harry as a prolific bestselling author. He is an economist and certainly a leader in the field of demographic research and how it relates to investment performance. Always appreciate his perspective, and Harry, thanks for joining us today, and welcome back to the program.

Harry Dent:

Yeah, nice to be back, Dennis.

Dennis Tubbergen:

So, Harry, a lot going on geopolitically. That's an understatement. A lot going on in the economy. Consumer debt levels are up. We're still seeing consumer price inflation. In your view, are we headed for a recession?

Harry Dent:

Yeah, it is, and this is not normal, consumers just running out of spending power and stuff. It is two things. It is a second major bubble in both real estate and stocks, and stocks started to crash in 2021, but it certainly has not done what a normal bubble would do when it crashes. And real estate looks like it's just peaking and cresting now. We've seen this before. Stocks had a first tech bubble into 2000, crashed 78%, even in good times with no significant recession, okay? And then real estate followed, creating a second bubble. People ran from the tech bubble and said, "Okay, well, let's drive up real estate and speculate on that." Well, that peaked in early 2006 and had a six-year downturn, the largest in history, 34% for average house in the US. That didn't even happen in the Great Depression.

Now we've got a repeat. That was two natural bubbles in good times with a lot of growth, demographics, falling inflation, productivity, just like the Roaring Twenties. Well, since then, it's been an artificial bubble created entirely by the biggest stimulus run in history, like over $8 trillion of money printed by the Fed, and 5.2 of that just since COVID, and so this is an artificial bubble, which is worse. This bubble's been longer and gone higher, and now it is starting to crack. I do believe that stocks peaked, long-term, and naturally they would've peaked in late 2019 and crashed into late 2022. By the way, Dennis, on my cycle work, which I think is the best in the world, biggest confluence of long-term cycles, a 90-year what I call super bubble cycle, 39 to 40-year generation cycle, and a normal decennial cycle, all bottoming in late 2022.

And we did have a significant downturn in stocks in '22, but that is not it. I mean, this is a major bubble, and bubbles in stocks take 70% to 90% to deflate, and the real estate bubble, as I said earlier, is just cresting now. So, this second bubble is clear. It's even worse in general, especially in real estate, than the first bubble, and it is just starting to burst in stocks and is about to burst, I think, in real estate. So, this is going to be, I think, the last major crash, but also, I've been calling this the crash of our lifetime, or the crash of a lifetime, kind of like '29 to '32, two generations back. I think we're going to see it into late 2024, maybe longer.

But if there's a time in your life, you're going to be cautious in investments, and that's everything, stocks, normal corporate and high-yield bonds, everything but the Treasury bonds, which are the safest in the world, the 10 and 30-year, it's now. I mean, this looks like it's happening, and I think the big sign will be ... If we can break the Nasdaq 13,000 will be the first sign that we're starting this next wave down. See, I got to remember, I do think we peaked long-term in late 2021 November for the Nasdaq, and January 4th for the S&P 500, just to follow that. And then we had that first crash and then we rallied back close to the highs, which to me, the markets are really being bubble-like to do that when after a bubble like this, this big, that starts to crash.

Now I think we're about to head back down. So, this is the last chance, and I think we should see this, it should be more clear, especially a bad January would be confirmation. If we continue down here and go down into January, then I think we're just going to keep going straight down in 2024 and we'll see where it bottoms.

But I know this sounds, and nobody else is saying this, even other bearish economists like me are saying, "Well, we might see 30% to 50% crash." I'm saying this is going to be the closest thing to '29 to '32, just not quite that bad. But I think stocks could end up down, S&P down as much as 86%, the Nasdaq as much as 92%. In other words, Dennis, this is something to sit through and see if it's just a normal correction. We already had an abnormal correction in 2022, and I'm saying that was just the first wave down. We have got two more coming, and the next one should take us. People can look back at your stocks, or any index like the Nasdaq or any index you're in, the S&P 500, where was it at the COVID lows in early 2020? That's where the next wave should take us, and that's going to be a lot farther down than people think.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Harry Dent. He is a bestselling author. He is also making available to all the listeners today a free subscription to his weekly newsletter. Go to harrydent.com and sign up. That's harrydent.com.

Harry, you mentioned this artificial environment in which we've been operating due to over $5 trillion in currency creation since COVID, which is not that long ago. And one of the things that I noticed, I read a piece that corporate profits historically are between 5% and 6% of GDP. They're now up to 12% of GDP, and I think a lot of people don't realize how artificial this is, and all the different areas that are impacted. Don't you see that those rising corporate profits are really just taking advantage of free money, and that's artificial also?

Harry Dent:

It is. First of all, the economy, they would've been in a long-term ... I predicted all the way back to the mid-'80s when I started using my forecasting tools that we would see a major long-term slowdown from 2008 through about 2022, maybe '23. And that's simply the big Baby Boom peaks in their spending, and it takes till 2023 till the next generation, the Millennials, pick it back up again. So, this is the natural downturn.

And what happened, for the first time in history, unlike the last big one that was from 1929 to '42, the governments decided, oh, well, we can print money now. They didn't use to do that, Dennis, except in extreme emergencies, short-term emergencies. They just decided, okay, we're going to print ... They printed a trillion dollars in late 2008, early 2009, bam. I mean, that's big. That's 5% of GDP right there just thrown in the economy. Well, that should have given you 5% growth per year right there. Well, that didn't work enough, so they had to keep going more and more, and they ended up printing over $8 trillion, unprecedented, 40% of GDP, over the last year. Then most of that did come when COVID hit, so that was an extreme overreaction.

And that caused inflation, which has been again, another one of my forecasts, all the way back to the early '80s. Inflation is just going to fall, fall, fall, fall, fall, again, slowing workforce growth, which is the prime cause of inflation, which economists have no clue about. It's just going to fall towards zero for decades. And it started, well, it jumped, and that caused inflation to jump to 9.1%, and then the Fed had to turn around and do the biggest flip-flop in history after the biggest short-term, 5.2 trillion in two years stimulus program, 25% of GDP, they turn around and they raise interest rates up to ... they're approaching 5-1/2 now, and I think it may go a little higher than that. That's the biggest rate rise in 40 years.

And the balance sheet, which they built up with all this stimulus, pouring money in the economy, dropped $1 trillion in the last year. That's another ... So, you got sharply rising rates, a trillion dollars has left the economy. This tells me, on a year-and-a-half lag, which is typical; year, year-and-a-half lag, 2024 is going to be the worst year we've seen in a long time. And everybody's hearing, "Oh, we're going to have a soft landing."

I'm like, first of all, have we ever, ever, ever had a soft landing, especially out of a bubble? And the answer is "No." Never, never, never. Even in 2000, 2002, when the economy was still strong with demographics and everything else and technology innovation, we had a 78% drop in the stock market, and it was a long time before it went back to new highs. I mean, eventually it went to new highs, which we will not see for a long time now. But this time, the economy is at the low end of its generational cycle. It is about to turn up.

My problem, Dennis, is the Millennial generation, the younger generation coming along today, is not going to have their fair, productive boom if we don't get rid of all these Baby Boom bubbles and debt. We have, like you said earlier, record debt levels. The economy has to flush out bad debts, and it usually does that once a decade, and then even more so once every 30, 40 years in a generational. We have to flush out these bad debts, because otherwise, they just weigh on the economy and slow it down in the future. So, this crash is not just way overdue now by over two years. It's also necessary for our economy to ever have a healthy boom again, because our demographics, our last surge is into 2037 when Millennials, and it's nowhere near the surge we saw from 1983 to 2007 with the Baby Boomers. So, this is our last ...

My next book's going to be called The Last Great Boom, and that's going to be for America, not Asia. But for America and Europe, this is it, particularly for America. We have one more good wave of demographics before we basically slow forever, like China and East Asia have already begun. Japan will never, and I said this in the late '80s, that people thought I was crazy that Japan was never going to see new highs in their stock market again, never, ever. And they haven't and they won't, and we won't either.

We're just having the same generational demographic long-term peak from people having fewer kids, which comes from becoming affluent. Affluent people always in long-term booms, because the more affluent we get, the less kids we have, and that means the next boom's not going to be as robust, because it's going to be the kids going to drive the next boom, and we're going to be dying, the parent's going to be dying. So, this is really an important moment, and we actually need this shakeout in our economy so that the next boom into 2037 can actually be a healthy, productive one for the young people coming along. Otherwise, we're basically stealing their future.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent, multi-time bestselling author. You can get his free weekly newsletter at harrydent.com. I'd encourage you to do that and I'll continue my conversation with Mr. Harry Dent when RLA Radio returns. Stay with us.

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure of chatting once again today with Mr. Harry Dent, a multi-time bestselling author, economist, and a demographic expert, and we are chatting about where is the US economy and where stocks are. And you know, Harry, in the last segment, you talked about some numbers that were absolutely eye-popping, to use that term. You said it wouldn't surprise you to see the S&P 500 decline 80%, the Nasdaq over 90%. Those are 1929-type numbers, and when you look at 1929 and look at the market peak, you were 1954 before you got back to even. I mean, that is a long retirement for a healthy person. Are we looking at something similar? Well, what are the parallels and where are we in that cycle in your view?

Harry Dent:

Well, it is the same parallel on both a 40-year generation cycle and a 90-year super bubble cycle, which both peaked back in ... 1929 was a similar time for that, especially the 90-year cycle, which is the most powerful. So, this is a major bubble, and bubbles go to extremes, which means when they finally burst, you don't see a 40% to 50% long-term downturn in stocks like we saw after the '72 peak of the Bob Hope generation. We went down about 50% there. Well, no, they go down. I mean, you should expect 80-plus percent in stocks. You should expect real estate to be down 50% instead of 34% last time, that sort of stuff, because it's a major bubble peak and it's a major long-term trend turning down, and this is the biggest confluence of trends.

I'm going to put this out in my next newsletter in November that I took all this 90-year super bubble cycle, the 40-year generation cycle, and the natural decennial cycle. If you look back, ever since I've been alive, we've had a recession or slowdown in the early part of every decade starting in the early '60s. And so, all of these come together here, except that the Fed has kind of pushed this out. We should have already seen this crash between 2020 and '22, so now I think we're just about to head into it, and we're going to see a bottom more like in late 2024 or a little later.

But this has to happen. I mean, bubbles have to burst. They create a lot of investment in new things, the next big thing, like crypto and all this stuff now, but most of those investments always fail. Automobile companies went from 40 down to three in that Roaring Twenties boom in the crash after. It is a natural cycle, and so we have to go through this. And the sooner the better, because it's just going to get worse if we don't, and it's going to compromise the next boom, as I've been saying.

But I see right now that the markets look like we did have that first crash finally in 2022. Stocks peaked in November, when Nasdaq peaked is when I'm tracking the most, in late November 2021, and then had a 38% crash into late 2022. That was the sign. I was telling my subscribers, "You don't know a bubble is finally burst until you see at least a 30% to 40% sharp first crash, because bubbles have so much momentum." That's what it takes to break the bubbles. I'm saying, "Okay, that was the peak." Now we had this big rebound like, oh, it's okay, and the stocks are still, oh, we'll go to new highs. No. I say we don't go to new highs here, and I'm getting signs the markets are just getting ready to roll back over.

We just broke out of a very important channel in the small-cap Russell 2000 to the downside. Now, I'm showing that if the Nasdaq turns around and breaks below 1300 here near-term, and that's not too far from here, that's going to be something that could increase the downside. I think we've had this big bounce that's gone even farther than it should have, and I think that bounce has peaked, and we're getting ready to head into the next wave down.

And Dennis, the very bad news, there's no support in the stock market for that next wave until we get all the way back to the COVID lows in early 2020. And that's going to mean the Nasdaq's going to be down like 60% by then, and that's when I'm telling my subscribers, okay, folks, that's when people can get out of the bubble head and say, "Oh, this thing's finally over." Because people, even with this big crash and even the big crash, 2002, even the crash in 2022, people expect the market just to keep going up and go to new highs.

I say, "We're not going to go to new highs, and this is your last chance to get out, and we should see proof of this." The biggest proof would be not only we go down from here, but we continue down into January, which is the golden month, because the markets are almost always up in January, and when they're down, it's almost always a sign that they're going to go down a lot more. And I expect us to go down, and I expect January to be the first down January in a while, and then we have the worst year in a long time in 2024.

Now, we'll see. I mean, my forecasting is a little less definitive than it used to be once they took over the economy in 2009 and started running it purely off printed money. But printed money is much more dangerous, because like we've been saying, it's artificial. I mean, the boom and the bubble into 2000 was real. It's just stocks got overexcited like they did in the Roaring Twenties, okay? Well, this whole boom has not been real. We've paved over the next Great Depression, and I think we're going to get a short Great Depression in the couple of years to follow here to get back to even. And that will seem harsh and bad, but it will be the best thing that can happen to the young people coming along today. Otherwise, they're not going to have much of a boom to enter.

Dennis Tubbergen:

I'm talking today to Mr. Harry Dent. His free weekly newsletter is available at harrydent.com. Again, harrydent.com. Harry, as you were talking, it occurred to me that someone who is following the traditional advice of, have a 60/40 portfolio, 60% in stocks, 40% in bonds, and buy and hold, and just ride out the ups and downs, the market will come back, strikes to me that based upon your forecast, that's going to be really bad advice moving ahead.

Harry Dent:

And again, I have to stress, I mean, I like financial advisors. They're more objective. They usually keep people from over-panicking and jumping in and out too much, which is generally a good thing. This is just one of those times you have to not listen, okay, because nobody is seeing this is a bubble of 90-year magnitude that people just aren't going to understand unless you look back as far as I do. This is a generational downturn that started, and governments, for the first time in history, decided to play God. And I hate to say that, but that's what they did, "Oh, no, we're just not going to have this downturn."

The economy knows what the hell it's doing, okay? It booms and allows all the innovations and new generations to prosper and take it in. But in downturns is when the economy does its real work and sheds all the failed debts and all the failed companies, and clears the deck and ignites the ...

And the great innovations never come in the booms, they come in the downturns when we're challenged. So, we can't have an economy that grows at 3% and never has a recession. That's what the Fed and the central banks want. They want an economy that's a machine that grows at 3% to 4% a year and never has a recession. That's an economy that will run out of steam and never innovate and boom strongly again, because these cycles are natural, and we need the innovations and we need the shakeouts.

We have to let businesses succeed, but as George Gilder always said, and I hated to see him fade, he was my favorite economist, "Failure" ... Everybody says "success." The opportunity for success is the key to free market capital. He says, "Yes, but failure is the other important principle." We allow things to fail. Third-world dictators and centrally planned economies, which always ... don't allow things to fail. So, you have to allow success, but you have to quickly flush out the failure. That's the secret to free-market capitalism, and that's what's been prevented since 2009, to the detriment of our economy.

I'm looking forward to this damn crash. I hate to say it. It sounds weird, but this is what I can tell you. I've studied economy for 40 years, and not technical things and stuff, down to the people that drive it, the people and businesses and the consumer life cycle, which economists don't even understand, the most important driver, the economy needs this shakeout. We just need to have it and get over it.

And if you get safe and get into, say ... This is a time to not just go into corporate bonds. You got to go into the Treasury bonds, the safest bonds become the safe haven, and you're going to have nine people that sound like me, Dennis, say the same thing I do about this bubble and this crash and this over-stimulus and all this stuff, and then they're going to tell you to buy gold. Well, gold in the last crash in 2008 went down 50%. It held up for a long time. It looked like it was going to be a safe haven. It was not in the end. Gold has tried to get over 2,100 three times here and has fallen back. I see gold at a thousand. Then you can buy it long-term, because Indians are going to be the next driver of the economy, like China was the last 40 years, and they love gold more than any culture in history.

But until then, not gold, Treasury bonds. 30 years is the best. TLT is a 20-year average ETF fund you can buy. Very liquid, all that sort of stuff. That's the safe haven. You could make as much as double your money right now if we have this crash and stocks and real estate and everything goes down, the one thing that will go up like 2008, will be these Treasury bonds. And TLT went up 50% while everything else crashed in 2008. This time I'm calculating it could as much as double. You could be in the safest bonds in the world for the next year or so, and see your money go up 50% to 100%. So, I'm not telling people to run and get in cash. You can do that because that's preserving your gain. I'm telling people, get in the true safe haven already proven beyond a shadow of doubt in the 2008 crisis. It's not gold, it's long-term Treasury bonds. TLT is a great ETF to be in.

Dennis Tubbergen:

So, Harry, I've got about two minutes left in this segment. This may not be a fair question, but it seems to me in listening to you that we've demographics that are not in our favor, at least in the next year or two, based on what you said, and then we've got record levels of debt. Isn't this like a perfect economic storm that is just about to come to a head?

Harry Dent:

Well, yeah, it is that, and it's ... '29 was a perfect storm, but that was a natural bubble, okay? This is even worse, because the natural bubble peaked in 2000 and the demographic trends peaked in 2007, so it would've been more natural to have a deeper downturn 2008 to '10 into the decennial cycle. Now, we have pumped up the economy. Stocks have done better than ever in one of the weakest times, fundamentals. The overvaluation of stock can't even be measured here. This is the worst imbalance in history, and for all I know, I'm the worst forecaster as far as downside, but I may be understating this. This thing, this downturn may last longer because it does so much damage. We've seen major generational peaks and technology bubble peaks. We've seen this before. We have never seen a hundred percent artificial bubble, a hundred percent, again, created by the government, crash, and that has got to be the worst type of crash.

Dennis Tubbergen:

Well, we're going to have to leave it there. My guest today has been Mr. Harry Dent. You can subscribe to his free weekly newsletter at harrydent.com. Again, the website is harrydent.com. Harry, always a pleasure to catch up with you. Thank you for joining us today, and I'd love to have you back down the road.

Harry Dent:

Okay, thank you, Dennis.

Dennis Tubbergen:

We will return after these words.