Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Harry Dent
HarryDent.com

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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 Mr. Harry Dent. Harry is a best-selling author many times over, an economist known for his demographic research and uncanny ability to forecast what's going to happen in the financial markets. You can check out his free daily newsletter at Harrydent.com. And Harry, welcome back to the program.

Harry Dent:

Yeah, nice to be back Dennis.

Dennis Tubbergen:

Harry, the big headline, and I don't know who did the math, but the U.S. government is adding a trillion dollars in debt every 100 days. That's, obviously, an unsustainable trajectory. In your view, how does that affect the economy and what does the end game look like?

Harry Dent:

I mean, here's the real story. I had to add it all up because nobody wants to talk about it. Since 2008 when we went into a downturn that I predicted 20 some years before it happened, simply the peak of the baby boom, broader spending wave, a slowdown in the economy that was going to last for 12 to 13 years with the baby bust where we are now recently. They've been printing money ever since. $27 trillion, Dennis. And when you add up the consistent deficits there hasn't been one surplus, nothing but growing deficits. And, of course, the biggest two years were right after COVID. And the money printing which was 8 trillion alone. So, 19 in deficit trillion, eight trillion in money printing, the biggest stimulus program ever, over 14 years, okay? That's what they've been doing. So, another trillion, what is that?

First of all, this is ridiculous. What they did basically, and I think we're going to pay for this over many years to come, they covered over what would've been Great Depression two from 2008 to 2022, okay? That was the slowdown. And, of course, we came into that with the highest debt ratios in history. And usually, during such a downturn, we'd clear out all those bad debts like we did in the '30s, and other major downturns in history, and be meaner and leaner to come into the millennial boom which, by the way, starts right now, it starts in 2024. Their spending wave turns us back up.

The problem is we're coming into this with massive debt and overhangs which have not been resolved. I think we're still going to see that hit. And why are we going to see it hit? The government found by overreacting to

COVID, way overstimulated for a short-term crisis that was going to go away on its own. They had to then way over-tighten in the last year. That tightening is going to continue to hit harder into early next year and continue to be tight long after that until they actually start to cut rates again which they're only talking about June at the earliest.

That this is going to hit now, and we're going to have to see a downturn for the next year or two to deal with this debt. We should have done it a long time ago; we should have been over this. To think you can just let the economy boom and never have a recession is like saying, "Oh, well, why do we go to sleep? We can just stay awake and get more work done and play more." No. Recessions and booms are about the same ratio of sleep and waking and it's necessary. You can't skip sleep. Recessions clear out our economy, create new innovations. All the innovations happen in the downturns. All the cost-cutting and great stuff. And basically, governments are pretending their smarter than the economy.

Oh. Oh, my gosh, that means you don't really believe in free markets, do you? And they don't. They are basically going against the thing that's made us rich since the late 1700s. Democracy and free markets, which the United States created democracy, has led the move to free market. And here we are basically saying, "Nope, we don't trust the markets anymore. We can't have recession they're bad so we're going to fight recessions." And I think this is the stupidest policies in history. And I think we're going to pay the price in the next year or two when we should be booming again.

Dennis Tubbergen:

So, Harry when you look at just the levels of debt that exists, federal government debt, call it 35 trillion, social security, Medicare underfunding ... There was a report I saw, over $100 trillion. Private sector debts at record levels. Can we possibly deal with this in a short period of time? And you'd mentioned a “Great Depression II”. I mean, isn't that still coming? Haven't we just kicked the can down the road, in your view?

Harry Dent:

Yeah, exactly. That's what I think. We've kicked the can down the road about three years because of this. We should have seen Great Depression two between late 2019 and early 2023, okay? So, we saw the first part of it, 2008 and nine, but the stimulus put that off. So yes, I think we're going to have to deal with that now because that's exactly what downturns recession, and depressions are assigned.

Depressions follow major financial asset bubbles like the Roaring Twenties in what we saw into 2000, the tech bubble one, and now 2021, tech bubble two. That's when you get a depression instead of a recession because it takes a deeper downturn to restructure all those bad debts. And that's a good thing. It's like the company, instead of going into chapter seven which was, by the way, a U.S. invention in the world economy long term ... Instead of a company just going out of business and the creditors losing 80 to 100%, you end up going where maybe they just ... The creditors get 50%, and the company keeps going, and everybody's happier. That's what recessions do if they're loud. But I think we're going to go into something worse now because they put it off. That's what I think.

So, I'm telling people, yes, the demographics finally point up again but I think we're going to have to see this crisis ... And again, what's going to trigger it is that 525 basis point rate hike in the last year, which everybody said, "Oh, see the economy's handling that fine." No, you have to lag that a year and a half, and that means we won't know how hard it hits until early next year, almost a year from now. And I'm saying that means the economy goes down.

And you know what? If the economy keeps getting worse, guess who? Biden has almost no chance of getting reelected. The poll I saw this morning said Trump 47, Biden 44 already. Imagine if the economy keeps getting worse because of this tightening which it should. Everybody's expecting a soft landing here and I'm like "Okay." My question is, have we ever seen a soft landing? The bigger the bubble the bigger the burst. If you want a soft landing don't have an over-indebted crazy bubble in the first place. And, of course, we didn't do that so there's no soft landing for this period.

Dennis Tubbergen:

I'm chatting today with Mr. Harry Dent, multiple-time bestselling author and economist. You can get his free newsletter at HarryDent.com. Harry, I read a statistic ... And I thought about an interview that I did with you several years ago and that was that I think government deficit spending in the fourth quarter of the year was $834 billion, and the economy grew by 334 billion. Doesn't that mean that the government was operating with a balanced budget? We're already in a recession.

Harry Dent:

Exactly. People see the money printing, but the biggest tool is these deficits. So, $19 trillion in deficits over the last 14 years have basically turned what would've been a persistent ongoing recession which means depression.

When you have that long a recession off and on it turns into depression like the 1930s, that whole decade. So that is what we would've seen. So the question is, well, did they do something genius and avoid a Great Depression? Which to me is questionable in the first place because people don't appreciate the hard good work that depressions and recessions do, number one.

But regardless of that, did they avoid this or is now it just going to hit us harder later? And I'm saying, if there is a God, if there is a God of consequences, let's call it, then we are going to pay for this. You don't just push this sort of thing, all these debts. You don't keep increasing debts and printing when you get over in debt, you restructure debt. That's the way you get out of a debt bubble and a financial asset bubble which are never sustainable.

And I've measured this all throughout free market history, okay? Stocks are two to three times higher than they should be relative to the growth of the economy and every other ... GDP and all these other major matters. We are way overvalued. And that means young investors, these poor millennials, not only going to inherit less of a boom, since we stole from it in passing all this debt, they're not going to be able to invest for retirement because stocks are so overvalued that John Hussman who's got the best neutral model regardless of economic ups and downs ... He just says with valuations today, an investor is going to lose 3% a year for the next 12 to 15 years in stocks and equities. How does anybody plan for retirement in a losing stock market created by this excess stimulation?

So, this is taking the future today. Again, taking another drink to keep the hangover from hitting, that's exactly what it's like. I think this is the worst policies in history. And most economists are just saying, "Oh, they're doing the right thing. And yes, we avoided a recession and that's good for everybody." No. Everybody needs a kick in the ass now and then, and recessions are good. Anybody that thinks recessions are bad and evil does not understand how free market capitalism actually works. It's not just about the freedom to innovate, it's about the freedom to take out the losers. So, eliminating the losers after expansion is just as important as creating new winners, which free market capitalism does well. You have to do both. This is a crime.

Dennis Tubbergen:

Harry, I've got about a minute left in this segment. Tell the listeners about your free newsletter they can pick up at harrydent.com.

Harry Dent:

I mean, I have a paid newsletter, like everybody in my profession, but we say, "Hey, look, get to know us." I mean, you're going to get an article from me every week, okay, for free. Every article's got a chart. So, this is a lot of good information so you can keep up with ... You hear me on something like your show here, okay, you think maybe it's interesting. Well, let's see. Okay, you can keep up with what I'm thinking, how this is progressing. And then if you want more information you can get on a paid newsletter. But this is free. And it's not a compromised newsletter, this is good current stuff. All you do is go to Harrydent.com and put in your email and phone number and you're done. That's all you have to do.

Dennis Tubbergen:

All right. Well, I'd encourage the listeners to do that. And the good news is I'm going to continue my conversation with bestselling author and economist Harry Dent when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen, you are listening to RLA Radio. I have the pleasure of chatting today again with returning guest Mr. Harry Dent. Harry is a bestselling author many times over, he is an economist known for his demographic research. You can check out his newsletter at Harrydent.com, that's a free weekly newsletter. So, Harry, there has been a term tossed around describing current asset prices and that term is everything bubble. Would you agree with that term?

Harry Dent:

Absolutely. And you know what? I mean, I've studied every bubble in history in the last 20 years since we ended this bubble economy in the 1990s for the first time since the Roaring Twenties. I mean, the Roaring Twenties was not a real estate bubble, why? Mortgage lending was very tight, 50% down, five-year terms, okay, so you're not going to get a big real estate bubble out of that, and we didn't. So, when stocks crashed 89%, the worst in history, real estate only went down 26%. That is less than we saw in the 2008, nine downturn, 34% on average in the United States. So yes, this is a real estate bubble... And this is real estate bubble number two. But the first time the stock bubble came first, the tech bubble into 2000 crashed. You know what that did? All the speculation went "Oh, well, real estate's the next place to bubble up." And then real estate bubble went into 2006 and then crashed in 2012.

This time both bubbles have come more together, and both are going to crash together. The stock market's going to lead it as usual. But real estate and stocks are both going to go down, both are going to be bigger crashes than last time. I'm seeing 50% for real estate this time versus 34% last time. Last time was 58% for stocks, and this time it's going to be 80, maybe 90%. Here's my point, Dennis. Most of the time I agree with financial advisors, sit through corrections, rebalance your portfolio, they're too hard to time anyway. Well, this one is much bigger, and it clearly looks like it's getting ready to tank this year to me and next year. So, this is a time to make some real decisions.

And the safest way to play this, and it's a good investment anyway ... The best bonds in the world, 10 and 30-year Treasury bonds, will pay you 4.2 to 4.4% right now which is a good yield considering a thrift deal. But these are the only bonds that will appreciate and very substantially, they could as much as double in the next year or two in this crisis. They went up 50% in the 2008, 2009 crisis. They're going to go up double more this time, I see, because they are the safe haven. Money will flow into the safest bond. And if you have corporate bonds you want to be in the A or AAA. But the treasuries are still better. Like you said, everything bubbles. The only thing that will go up is the safest long-term bond so that's where you want to be. And I'm not telling people to get these four, five, or maybe even ... Five, 6% corporate bonds long-term, I'm telling you to get into them just for the crisis.

And then when stocks and real estate come back down to very affordable prices again, which is what's good about a crash, then you can get back in for the millennial boom from 2025 into 2037 and benefit from higher yields in a time where we're not going to have to be ... Worry about big stock crashes in recessions because we basically deleveraged them here. All I'm saying is I can't change this; you can't change this. We put off this deleveraging, it's very likely to hit anyway harder in the next couple of years. All you have got to do is get out of the way and be in a good safe investment anyway. Long-term treasury bonds or something that should be a part of your portfolio anyway.

Dennis Tubbergen:

So, Harry, as it relates to long-term treasuries ... As the Fed has been increasing interest rates over the past couple of years, those holding long-term treasuries, I'm thinking of the exchange-traded fund TLT just as a benchmark, have lost a fair amount as interest rates have gone up. Do you think that that down cycle for treasuries is over then?

Harry Dent:

I do. They're raising short-term rates. They don't affect the long-term on ... What the short-term rates do is slow the economy and then the bonds that are looking out 10 and 30 years like the treasuries and the 20-year corporate, they see ... When they start seeing the slowing instead of the rising inflation, and inflation's already come down from 9% to three, okay? So this should be obvious. As they see the slowing the long-term rates they see going down and that's what causes the 10 and 30-year treasury bonds to appreciate. And I'm telling you, people would never think ... And I'm telling you, it's never happened in history.

Like I said earlier, the 10-year treasury went up 45% in 2008 when the economy got bad, okay? I'm projecting it's going to go from 94 recently to 186-plus, the value of TLT, which is an average 20-year treasury bond, average 10 and 30. That's a double. And that would happen just during the crisis in the next, say, year and a half or two. That has never happened in history, that will never happen again. We will not see a crisis this extreme because of all the stimulus putting it off. So this is a once-in-a-lifetime opportunity to make bigger gains than you could ever make in the stock market in the safest bonds on Earth, 10 and 30-year treasury bonds. This is a one-time offer folks, and it's not going to last long.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Harry Dent. You can check out his free newsletter at Harrydent.com. I'd encourage that. Harry, you mentioned real estate, 50% decline. That is a devastating forecast.

Harry Dent:

Yes.

Dennis Tubbergen:

Do you see commercial-

Harry Dent:

You used the right word there, Dennis.

Dennis Tubbergen:

With all the commercial real estate loans that are maturing, that'll have to be refinanced at higher interest rates, do you see commercial real estate leading the way down? To what extent do you think residential real estate will be affected or maybe even lead the way? How do you see this playing out?

Harry Dent:

No question, commercial real estate does go down first, and it will spread to residential because it's as overvalued or more. And it's the high-end real estate. I mean, most of my audiences come to me after the speech and say, "Well, Harry, yeah, I hear what you're saying about real estate going down as much as 15% but I have this special house on the cliff in Laguna Beach and it's so beautiful. You know that's not going to go down, right Harry?" I'm like "No. That house is going to go down the most." The bigger the bubble the bigger the burst. The best real estate, of course, is going to go up in the bubble. Bubbles are driven more by the wealthy than the everyday person anyway, especially because they're the ones buying all the financial assets. So that's what goes down the most. So, you really have to look at your real estate.

Anybody who's got a vacation home that they're not going to keep forever and use a lot, sell that for sure. I personally would consider selling my main home and buying something like it back in a couple years but that's different. And especially if you've already downsized from maybe a five-bedroom home to a three-bedroom to retire in and without your kids and stuff, okay. And especially if you're in Ohio and not in San Francisco or New York or Miami or somewhere bubbly, okay. Look at your real estate. Take this seriously. Here's the measure I tell, Dennis because real estate's so different. Look at what your house or your office building, whatever you're looking at, what was it worth in the middle of 2012? That's not that long ago, okay? That was the last low in real estate. That's where I'm projecting prices will go. That's going to be 50% for the average house. Most people think oh, that's probably 20%. So that's the reality.

And if you're comfortable with that number then fine. If you're not you better sell quickly because I think this is ... I think by the end of this year we're going to be in this recession even though economists are saying, "Oh, no recession now." Well, they were saying a year ago recession almost for sure, so their leading indicators aren't working well and they don't know what's going on so don't listen to them, okay? This thing is likely to hit by the end of this year when nobody suspects it, so it'll be too late to get a good price for any real estate you're selling, especially commercial. Commercial will lead, and high-end will go down the most and fastest for residential.

Dennis Tubbergen:

Well, Harry, I use the word devastating to describe the potential real estate crash here. I'm not sure what word to use to describe a forecast for stocks to decline 80 to 90%. Are there any sectors of the stock market that you see maybe bucking this trend moving ahead?

Harry Dent:

Well, you always get the staple sectors, the General Mills type everyday product. I mean, yes. But you have got to remember, when stocks go up it's the valuations that go up more than anything. When the economy looks good, and investors are positive, and things have gone up long enough that's a ... We get overvalued across the board. Of course, the high-tech and high-growth stocks are going to have the highest valuations and the highest price-to-earnings ratio. But the entire price-earnings ratio of the whole stock market's gone up from 10 to 12 in lower time up to 18 to 20 now, and they may be 30 to 40 and 50 in bigger stocks. So, they all go down and they all go down substantially.

I'd say an everyday good solid staple stock will just go down 50% instead of 80 to 90. Well, I don't want to lose 50%, that's too much to lose as well. So, it's just better to get out, be in these safe bonds. What you're doing here, Dennis, you're making a simple trade-off and it's at a good time. Things have gone up and are so high valuations, okay, that it's less risky to do this. You give up your gains for the next year and a half and hope the stock market goes up another 10 or 20% to avoid a potential 50 to 90% loss. That's a good trade-off.

All you're doing is giving this up ... in fact, I think you only have to give it up until the end of this year to see if I'm right. Because if I'm right it'll be more obvious, and it will get worse also. So, if I'm right then you stay out. But you only have to be out until, say, maybe around the end of this year to see if this is going to happen. And then if it doesn't, okay, then you can consider getting back in.

I'm just telling you, okay, if you look at long-term history, the odds are greatly favoring down for stock and not up. Nothing can go up forever, and valuations only get so high without coming down. And it happens every time. And when valuations are high there's always all this rationale. Well, it's different this time, and the Fed won't let it happen, and blah, blah, blah. The Fed's already created this bubble, this bubble is 100% artificial. We would've been in a downturn and stocks would've been down over the last 10 to 15 years if it hadn't been for this 27 trillion. So, there's no way the Fed's going to stop this bubble, when they created it. This is artificial, there's nothing to hold it up, okay? And so, once it cracks it's going to crack hard. Again, all you have to do is get out of the way and reinvest when it's crashed.

Dennis Tubbergen:

Harry, last question, a real quick one. The Fed I think will try to reflate the bubble. Do you think there's any chance they could do it? And do you think I'm right?

Harry Dent:

Yes, of course, they will. And they keep upping the ante. Okay, well, if last time it took 20 ... 10 trillion in combined stimulus in two years, what are they going to propose 20 trillion this time? They're already talking about cutting in June, but only then, okay? By the time we hit June stock could be down another 20%. And then that's gaining momentum, and investors are getting scared now, and we're back at the COVID lows and da, da, da, and then it's harder to turn around the sentiment. And then people start to get skeptical. I mean, the truth is, every time they've stimulated it's taken more stimulus and the stock market's gone higher. But every time the stock market's gone lower, then we've had a recession to follow. Every single time. How long does even the stupidest person on earth take to get that you don't get something for nothing? And simply printing trillions of dollars out of thin air is no solution to anything, it's just taking another drink.

Dennis Tubbergen:

Well, we're going to have to leave it there. My guest today has been bestselling author and economist, Harry Dent. You can get his free newsletter at Harrydent.com. Harry, always a pleasure to catch up with you, I get terrific feedback when you're on the program. Love to have you back down the road. Thank you for joining us.

Harry Dent:

Okay. Thanks, Dennis.

Dennis Tubbergen:

We will be back after these words.