Retirement Lifestyle Advocates

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Expert Interview Series

Guest Expert: Harry Dent

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Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. I am pleased to have on the program once again today, returning guest, Mr. Harry Dent. Harry has been a prolific author over the years with too many best-selling books to probably mention. You can get his free daily newsletter, I believe, at harrydent.com and coming up on January 27th, he will be participating in the Great Bitcoin Debate, that is a free online event. If you'd like to get more information or register to attend, the website is harrydentonline.com. And Harry, welcome back to the program.

Harry Dent:

Yeah, nice to be back, Dennis.

Dennis Tubbergen:

So Harry, tell us about this Great Bitcoin Debate. Bitcoin hit 40,000 here recently before it pulled back a bit. What's that all about?

Harry Dent:

Yeah, it's funny, I was forecasting... I'm always saying that Bitcoin has one more run in its first bubble, which I compare to the dot-com bubble in '98 to early 2000, as why I was saying last year it was going to run up to 32,000 in early to mid-2019 and then have one more big crash before it goes a long-term boom. But of course, that got put off a little bit and that's what's happening now. So, in December I said, "Well, guess what? The target now on that same kind of trend line through all the crazy tops in Bitcoin so far, is 34,500." I can see people saying, "Well, that's not going to happen any time soon." Well, it hits that right in early January or something or December, but backs off about 15% and then runs through it. And that's significant because, I said, "Boy, if it can break above there, then it's got more potential."

Harry Dent:

So, I'm going to be debating a guy from down here in Puerto Rico. He's like a super insider in the Bitcoin industry. So on the outside, you're looking at it saying, "Look, I don't understand everything about Bitcoin, but I know how new technologies emerge and when they have shakeouts and when they bubble and all this sort of stuff." And so, I'm going to compare it to the dot-com bubble emerging 20 years before it. And he's going to be doing all this stuff. While here's what it is, he does not think it can have another big crash like they've seen in the past. I think there's one more, the biggest crash yet. And then, it's going to boom into well into the 2030s or 2040. And literally I call it the internet on a 17 to 20 year lag. It's like internet 2.0.

Harry Dent:

What people don't understand, and this will not be obvious for a while because you can't see it from here, but crypto and blockchain and Bitcoin stuff will allow the digitization of all financial assets and money. So, it's the internet of things of value. The internet's been excellent at communication and email and Google. I mean, it's transformed my business beyond recognition and research and stuff, but this is about how you deal with and transfer things of value, where you need security and transparency and privacy and much more efficiency. So, this is a big deal.

Harry Dent:

A lot of people are saying, "Oh, this is just a stupid bubble." It is a stupid bubble right now, but so was the dot-coms and they still became the greatest thing in history on a lag. So, that's the way I'm looking at it. And Michael will be arguing no. He doesn't even think that we'll see a crash of that magnitude again, and I think it's almost guaranteed. So, that's what the debate is about, but we both agree this is the next big thing.

Dennis Tubbergen:

You know, Harry, when you look at a price chart of Bitcoin, it goes almost vertical. It's very parabolic. And it looks a lot like the tulip mania bubble, the South Sea bubble and the bubble you mentioned, the technology stock bubbles. So, certainly when something goes almost straight up, it seems that it would have to at least correct at some point. Talk a little bit, Harry, about this technology, emerging technologies and how they behave. And I know you've written about that extensively in the past.

Harry Dent:

Yeah. Well, I have a 45 year technology cycle with steamships, railroads, automobiles, jet engine, just for that sort of thing. I mean, it's almost so precisely 45 years it's uncanny, but what happens, there will be two S curve accelerations. Like in this one, in the whole personal computer and internet thing, there was personal computing with cell phones and personal computers, portable smaller and smaller, and then there was the internet to connect them to everything. So, it took two S curve surges, and of course the internet has been peaking in recent times. I mean, it's done what it can do. Everybody's got it. It's ubiquitous even in third world countries almost. So, that's a maturing cycle. What happens in this, when the last cycle is maturing, like the internet in this case, people see, oh my gosh, these things have changed the world and then the new ones come along like this Bitcoin and blockchain crypto, and investors immediately surge, "Well, these things are going to do the same thing."

Harry Dent:

And they forget, oops, but it took 20 years for the internet to get to here. And then, they really forget the dot-com had a monster bubble just like this. There was a crash in late '98, there was a big surge in the dot... the last surge in the NASDAQ from late '98 into early 2000 was totally dominated by the dot-coms. AOL was 400 times earnings. Amazon had gone public at six and it went up to 136 or something, just literally in months. And that was a bubble just like this. And bubbles are bubbles. They look just like the male orgasm. I can see a bubble by aligning, by putting the Masters and Johnson male orgasm pattern over it and tell you if it's a normal bull market or bubble. You're right, when it goes exponentially up like this, it's going to go exponentially down. My forecast, and the same thing for the dot-coms, dot-com's bubble, just like this, just as extreme, and then they crashed 95% when the tech last tech bubble burst 2000 to 2002.

Harry Dent:

Well, we've got a tech bubble now getting ready to burst even more extreme than that one, and I'm forecasting late 2022 or so. So, I see this last bubble in cryptos and blockchain, and you have to remember that the dot-coms were part of the NASDAQ because they entered through IPOs. These cryptos and Bitcoin and blockchain are not part of the NASDAQ because they do ICOs, coin offerings to get away from the high cost and regulations of IPOs, which is very slick by the way and they will never call it a security. They call it a coin. You're supposed to spend it. No, no, it's a security, okay? So, I also add that to the IPOs and stuff and this is accelerating this. So this, to me, is happening exactly like the dot-coms. And the other thing I point out to people, Dennis, I mean, even biotech is a big deal.

Harry Dent:

Biotech has never, in the early stages, bubbled like the internet did or the cryptos are here. The fact that they're bubbling in this early stage, as ridiculous as... this is a ridiculous bubble. Bitcoin's an invisible coin that will have value if it can become a large scale digital gold standard for this new digital monetary system, which I think it can, but it's nowhere near that now. It is a crazy bubble. You're buying an invisible coin for $42,000 recently. And I've got one chart that said it could go to 300,000 by the end of this year, and then crash 95%. That's the most bullish. But the point is, that important new technologies do bubble like this early on and they do crash. Just like you said, you can't go up like this. And every bubble like this in history that's gone up this steep, has gone down. They don't go down 30 or 40 or 50%. They go down 90 to 95%. And that's what I'm going to be arguing with there.

Harry Dent:

That's what I have to argue with the crypto experts. They don't see that as possible because they see all the potential. I'm like, "No, but you don't understand. You guys and investors are valuing this extremely early stage. Bitcoin is at 1% global adoption, 2% or a little more in the US. It's extremely early stage. And so you're valuing it like it's already the internet of the future. It's not, it's nowhere near there." So, this is important to understand. I'm telling people I am waiting to buy Bitcoin and Ethereum, whatever survives the next crash. And then another thing, half the dot-coms went under after that crash, half. I mean, there was hundreds of them. Half of them did not survive that crash by 2003 or four.

Harry Dent:

So, a lot of these are going to go under, so you want to buy the surviving leaders, like you could have bought Amazon in 2001 or 2002 at six bucks again, and then now what is it, 3,600, 17 years later. So, that's the opportunity. It's too volatile for most people, but if we do see what I'm saying, a big bubble and a big crash, most people are going to think, "Oh, well that was stupid. That's over forever." That's when you buy the survivors. And then you can hold that for 15 years and make a fortune.

Dennis Tubbergen:

So, Harry, the talk about bubbles here, this is a good segue to your most recent book, which I believe was released in April, What To Do When the Bubble Pops: Personal and Business Strategies for the Coming Economic Winter. Can you talk a little bit about the book, and from the title it appears that it's your view that the economy is in a bubble.

Harry Dent:

Yeah. I mean, this is the bubble of all time. You've got to remember, we've had bubble... I call it the fall bubble boom season over a two generation cycle, about eighty years. I got the whole economy mapped out. Things are way more predictable than people think at the macro level. Not at stock corrections, not at political scandals and all the crazy stuff, not Trump going wild or whatever, but the fundamental cycles, generational spending booms and busts, and then other cycles around it, are a lot more predictable. The fall bubble boom season started with the baby booms, a dramatic rising cycle, '83 to 2007. And you saw the '87 bubble and burst. We didn't see even little bubbles like that in the '42 to '68 boom of the last generation, because it's the spring boom. It's not bubbly.

Harry Dent:

And then of course, the tech bubble into 2000, and then the 2007, I call, minor bubble. And now, this is the bubble of all bubbles and it is global and it's everything. It's the second real estate bubble. It's the second big tech bubble. These two tech bubbles dwarf the other bubbles. So, this is the second tech bubble, and now investor sentiment is way higher than it was even in early 2000. This bubble has lasted longer and gone way higher percentage gains than even the first tech bubble. So, this is the bubble of all time. It is getting really close to bursting to me, because you just saw these extreme IPOs, Air B&B, those things are going to be worth nothing. You see Tesla at $900 when it should be 40 if it's lucky, and that's where it's going. That's another bubble that's going to burst. So, this bubble's going to burst. It'll be a big shake out and then the tech industries and these new blockchain and all this stuff, and then we'll be ready to grow with the millennial generation starting in 2023 or 24 and the next global boom.

Harry Dent:

And that's when blockchain and will become the next internet and on the financial arena and become the next big thing. And that's when you want to own these blockchain and Bitcoin-like stocks, not now. This is a crazy early stage bubble that should only be played by traders and I don't even think most traders will figure this out. So, that's where we're at in the cycle. So, these cycles technologies move in S-curves, generational cycles move on a 46/47 year lag for peak spending from the birth curves and stuff and immigration curve. I mean, it's really not complicated stuff on the macro level, but we have been in the winter season since 2008 when baby boomers stopped spending. Why do you think we've had to have nonstop quantitative easing and stimulus ever since? To replace that lack of spending, which was the greatest spending wave in history.

Harry Dent:

And now after the COVID, we've printed monumental amounts of money and added monumental fiscal stimulus, and they're going to do way more. We just added stimulus, Dennis, in the last year, counting Biden's plan of about 50% of GDP. It's insanity to have to do that just to avoid a short term COVID collapse or a recession. So, I think the bubble's going to burst between now and when the vaccine can become effective, which is at the earliest late summer, early fall. Anybody thinks this vaccine is going to be widespread enough to kind of relieve this, you can't go out anywhere and do anything and kiss or hug anybody or hold hands or whatever, that is not going to go away for a long time.

Harry Dent:

And the economic impacts keep hitting and this massive stimulus of the last year is already showing weakness in the economy again and I think you're going to see more. So, I think this bubble will burst. The challenge for investors, just get out of the way. Don't go for that last 10% in stocks or blockchain or whatever, get out around here, wait for this crash. It should be over by late 2022. I have, not only a big 90 year cycle in super bubbles, but a 20 and 40 and 10 year stock cycles come all together. I mean, I've never seen so many. So, I've got my four most important stock cycles all coming together around late 2022. In fact, Dennis, I was predicting in the late 80s when I came up with my first demographic and technology models and all that sort of stuff, that we would see the lowest point in our stock market of our lifetimes at the end of 2022, and I'm still forecasting that. And from here, that's a big drop.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. You can get his free daily newsletter by visiting harrydent.com and you can also attend the Great Bitcoin Debate on the 27th of January. That is free. You can register online at harrydentonline.com. I will be back after these words and continue my conversation with Harry Dent. Stay with me.

Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. I am chatting today with Mr. Harry Dent. Harry is a multi-time bestselling author. His most recent book released in April of 2020, What To Do When the Bubble Pops: Personal and Business Strategies for the Coming Economic Winter. And you can get his daily newsletter, which is free, at harrydent.com. So Harry, let's talk a little bit about maybe some strategies for people that are listening to your forecast of a stock market crash by the end of 2022, and they're aspiring to a comfortable stress-free retirement. What advice would you have for them?

Harry Dent:

Well number one, and this only happens once every two generations at a minimum and even more so once every... that's about 80 years, and once every 90 years on this super bubble cycle, and we've got both hitting. The generational cycle hit in 2008, down for a decade and a half, and this cycle is hitting now at the end of this winter season. So, what it says to you as an investor, you can't think like normal. And I hate to say this, you can't talk to your everyday financial advisor who 90% of the time is going to tell you kind of the right thing to do, do not listen to them now. You cannot just go into some little more blander or broader asset allocation, because what happens in these super bubble crashes, all financial assets, all financial assets, particularly stocks, particularly high-end real estate, get decimated and come down.

Harry Dent:

They're just coming down to reality after a stupid bubble. So, you have to protect your assets. And there's two things that were proven to do well in the tech wreck but more so in the more comparable 1929 to '32 crash, that was the peak of a major 90 year cycle bubble and the beginning of a winter season generationally back then. So, those two hit at the same time bad. The two things that worked, you're in cash or better in the highest quality bonds. That means 10 and 30 year treasury bonds and only triple A corporate bonds, and they're not easy to find. There aren't many anymore, everybody's been leveraging up and getting more in debt and stuff. Those things become the safe haven. And the US dollar does globally as it did in 2008. Everybody thinks that the gold bugs say the dollar is going to crash, gold is going to go to 5,000. I say gold is going to go to 1000 and the dollar is going to rise 20, 30, 40%.

Harry Dent:

So, dollar denominated high-quality bonds will make money when everything else falls. It's the one safe haven that money flows into in addition to cash and T-bills, but you don't make money on those, you just preserve your money. And that's not a bad thing to do, just be sitting in cash. The other thing, to the degree you want to take some risk, and I think people should take some risk with stocks. You have some portion, it could be 10%, it could be 50% of your portfolio, just simply short, unleveraged short, like for the S&P 500, you buy the ETF-SH, okay? That sort of thing. Just simply short stocks. So then when they go down, you're making money instead of losing money. So, that's the portfolio, depending on your risk level, very high quality bonds is the primary thing to be in. Cash is fine up to a degree. And then, you choose if you want to be 10 to some percent or more, in short stocks. You just get short and hold them and let all this stuff happen. It's very volatile.

Harry Dent:

That way you make money. But frankly, if you just sat in cash during this thing, like Joseph Kennedy did in 1929 on, and everything crashes, now let me define crash. In 1929 to '32, the FAANG-like stocks of those days were General Motors, Ford, RCA, AT&T, companies like that. Those were leading edge tech, okay? They were FAANG-like, they were blue chips. They had bubbled the most into '29 and they crashed 89%. Nobody would have thought those quality companies... and those companies did continue to become the greatest companies in the world, particularly General Motors, the greatest company in the world into the 60s and 70s, but it crashed 90% first. So, you let that crash happen and then you just rebuy around late 2022 since this is being pushed back with all this central bank, endless money printing, they're just putting off the inevitable.

Harry Dent:

It might go into 2023, but you don't even look at buying stocks long-term again til at least late 2022, and perhaps into 2023. Then you just rebuy quality stocks, the ones that survived. The same with the new jazzy sectors, blockchain and crypto and Bitcoin, buy the companies that survived that crash, that'll be pretty evident by late 2022 or so because half of these companies are going to go under or are going to be crippled so badly they look like they're going under and will eventually. So, that's the strategy. It's very simple. Get out of the way, be in the highest quality bonds where the safe haven will flow, be in US dollars. These people that, "Oh, you've got to get out of US dollars and get in Swiss Franks and get in Singapore dollars and getting Canadian dollars." No, the US dollar is a damn good place to be and probably the best.

Harry Dent:

And it was in 2008 when Lehman brothers and the thing really blew up, gold suddenly crashed and the US dollar has been going up ever since then, but particularly in that crash. So, US dollar, highest quality. You want long-term value. If I have a choice, and my financial advisor says, "Well, Harry, you can buy a 10 year treasury or a 30 year. I recommend a 10 year because they're more widely traded." I'm like, "No, I want the 30 year." The 30 year locks in these high yields, they're going to go down to near zero. And they're only 1.8, 5% on the 30 year today. Okay? But that's going go to near zero. That bond will appreciate 40% or more if that happens, but if the 10 year, which will go from maybe 0.95 here or whatever it is recently, 0.88, down to near zero or a little lower, it's only going to go up 10 or 15%.

Harry Dent:

So, I want those 30 year treasury bonds. And I want 20 year, the longest dated corporate AAA bonds, which tend to be 20 years. So, that's the best place to be overall, highest quality bonds in the US dollar, which is still the reserve currency. And people say, "Yeah, but we got all these problems." Yes, but Europe has worst demographics, more money printing than us. Japan has way worse demographics and way more money printing than us, a much worse house in a bad neighborhood. And China is the kingpin of this entire global bubble and it's going to burst so badly they're not going to get off their ass for years. Everybody, "Well, China's the place to go because they're going to grow forever." China's demographics peaked in 2011 for crying out loud. Japan was the first developed country to peak in 1996 in their spending demographics. China has already peaked and they're living off aimless stimulus building. They don't print money, Dennis, they print condos. That's even more dangerous.

Harry Dent:

They have 22% empty condos in cities across China. That is a deflationary crash getting ready to happen on its own. And Chinese have 75% of their investments net worth in real estate versus 25 to 30% here, and they have two or three houses and then the one they're not living in are empty and they think they're going to go up forever. They are going to get hit so hard. If your business is dependent on Chinese coming over here spending money or transferring money over, that's going to come to a rapid end. So, this is a dramatic scenario, Dennis, but I'm telling you I've done my homework. And if it doesn't start by the end of this year then maybe the central banks have just put us into mediocrity land and we never have a big crash. It also means we'll never have a big boom again, like Japan.

Harry Dent:

But history says this is almost inevitable here and nobody's going to see this coming, and it is dramatic. I tell people, "I'm sorry, this is the guy that predicted the great boom ahead in the 80s." Okay? And everybody thought I was crazy for that. And I predicted Japan would collapse in the 90s when we were booming and everybody thought I was double nuts for that. This is a dramatic period. The baby boom made it dramatic. Central banks trying to inflate their way out of a bubble printing $25 trillion in a decade has never happened before. And now this stimulus now, this is unique and it's creating an extreme bubble and extreme bubbles, as you said earlier, can only do one thing... crash and crash major. There is no soft landing ever in history for a bubble. If there is this time, it'll be the first time, and I am not betting on that.

Dennis Tubbergen:

So, Harry, we've got about three minutes left. Compare what you're forecasting, real estate declining, stocks declining, maybe crashing is a better word, compare that to what we experienced back in 2007, 2008. Is this on the same magnitude, much greater magnitude, what's your view?

Harry Dent:

Yeah, yeah, it's greater. Real estate went down around 34% in the 2008/09 crash and it took longer to bottom, but most of it happened by early 2009, like stock. It will be more like 50% this time. So, it's going to be greater.

Stocks went down, I think, it was 54%. It'll be more like 80 to 90% this time. So basically, what happened Dennis, is we started to go into a Great Depression. You know, 2008 started to look just like 1930. That's when central banks woke up and said, "Whoa," and of course, Ben Bernanke had studied this and said, "We do not want a great depression." That's when they just put the fire hoses. We never got to de-leverage the debt and financial asset bubbles. That Great Depression crash lasted 34 months to do all that de-leveraging, this one they cut off right in the middle at 17 and we never really did do much de-leveraging. So, we're going to have to do all that heavy de-leveraging in this final crash.

Harry Dent:

The good news, Dennis, if what I'm saying happens in the next few years, the economists are going to say, "Oh my gosh, we missed that, but it was a great big bubble and now we're going to be in a decade of depression." No, this is going to be the final crash and we're going to be coming out of this booming when we finally deleverage and get rid of a lot of zombie companies in debt. So, this is a worst scenario, longer to hit bottom and deeper for real estate stocks and even better for the high quality bonds and the US dollar.

Dennis Tubbergen:

Well, the clock says we need to leave it there. My guest today has been Mr. Harry Dent. You can get his free daily newsletter by visiting the website, harrydent.com. And if you would like to participate in the Great Bitcoin Debate, it is a free online event. You can register to watch that debate at harrydentonline.com, that's harrydentonline.com. Harry, always a pleasure to get you on the program and love to have you back down the road.

Harry Dent:

Sure, I enjoyed it, Dennis.

Dennis Tubbergen:

We will return after these words.