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 on today's program once again is Mr. Harry Dent. Many of you recognize Harry as a prolific best-selling author, and for our listeners today he is offering a free newsletter, which you can claim by visiting harrydent.com. The website again is harrydent.com. And Harry, welcome back to the program.

Harry Dent:

Yeah. Nice to be back, Dennis.

Dennis Tubbergen:

So Harry, last time you were on the program, which would have been springtime, you were pretty convicted that we would see a major correction in financial markets, particularly stock markets before the year is out. Have you changed your position on that?

Harry Dent:

Well, yes and no. Yes. I do feel like we're going to see a peak between now and probably November, and a good chance we'll see that first crash. One of the things I've found in my research, in every major bubble in the last hundred years, Japan, US, others, it's that the first crash after a bubble, especially of this magnitude, is like about 50% in just two to three months.

Harry Dent:

So I think that's the next move. I would have expected that to happen by now, but the market does look very toppy here. My best guess is that we still go up into September, maybe November, but I'd say late September. And then we start to crash end of year and early next year. And if you see that first whack and it's 40 to 50% in two to three months, that's telling you the bubble's finally over.

Harry Dent:

But you know, in past times I've been watching this bubble and we get a 10% or 20% correction. Nope, that's not over for a bubble. It needs a clear, strong crash that says it's finally over. And if we don't see that then the bubble continues. So I think we're going to see that in the next several months. And I think it could be starting now. My best guess would be by late September, but it could be a little later.

Harry Dent:

But this does look like it's in its late stages. And my strongest cycle confluence, and Dennis, this goes all the way back to the late '80s. I've always said that late 2022 will probably be the worst time for the markets in our lifetime. You know, not as bad as '32, but worse than '82 and '74 and other crashes we've seen. So I'm still expecting, we're going to see a lot of damage by then.

Harry Dent:

Now that we're starting later than normal on the cycles, and it is, the Fed has been successful and Central Banks in pushing this back a year, year and a half from where it really would have naturally peaked. Then I think we're going to continue to see weak markets throughout 2023. But I do think most of the damage comes from somewhere late 2021 into the end of 2022. That is the danger period. If you can just avoid that, get out of the markets and be safe and miss whatever last five or 10% we might get here, I think you'll be well rewarded.

Dennis Tubbergen:

So Harry, when you listen to what at least some Fed members are saying that it's time to taper, that these easy money policies are creating consumer price inflation. Is that taper talk just talk, or do you think they're actually going to do something?

Harry Dent:

You know, I think they have to start. You've got Jackson Hole coming up. Now Powell has got to get in front of the world as well. I mean, you just can't look like a maniac and say, "Well, we're just going to endlessly print money." If you're going to print money so aggressively, you have to at least show that when the economy's recovered enough, you are going to taper. You can't just act like, well, we're just going to do this forever.

Harry Dent:

Now the truth is they have had to do it forever. Now, 13 years. This started out as a one-year strong stimulus program in late 2008, early 2009, into 2009. And frankly, Dennis, that part of the stimulus, I would have said, yes. The first trillion, yes. Don't let the economy just break down more than it should just because it's breaking down.

Harry Dent:

But to constantly have to print money every year and exponentially more. We've put it more since COVID than we did in the entire 12 year cycle before this. To have to print exponentially more tells you something very simple. The economy is dead and you need it to wash out, get rid of the bad debts, zombie companies, all this money going into speculate.

Harry Dent:

You know, money velocity is the best indicator. Money velocity has been dropping since 1998 like a rock. It's at early 30 levels already and it's going to go lower. Money velocity is saying this money is going into speculative investment and not productive investment, and that means you're going to have to have a major financial crisis. And again, I think it's right around the corner.

Harry Dent:

So money velocity is telling us all this stuff is propping us up temporary as it has for 13 years, but none of it's leading to a sustainable long-term recovery.

Dennis Tubbergen:

So Harry, what does this financial crisis look like? Are we going to see banking failures like we did back in 2007, 2008? Is this crisis going to look worse than that one? How do you see this playing out, and what does it look like?

Harry Dent:

Okay, well, first of all, it does look worse. You're going to see higher unemployment, a deeper downturn and a bigger stock crash. The last stock crash was 56%, if I remember correctly, in 2008, early 2009. I think this is going to be in the 70 to 90% realm. And it just depends on how the fed plays that.

Harry Dent:

I frankly think that after they went so far after COVID. I mean, again literally, they printed like I think 4 trillion just since COVID, as much as they did in all the 12 years before. After this much, if the economy gets weak again, then people are going to finally say, "Oh, this really doesn't work." I think everybody in the back of mind thinks you can't live off of money printing forever. But it keeps working. So I think they lose credibility. And I think you get a deeper crash, but I don't know that the banks get in a lot worse trouble because the mortgage lending has not been as wild as it was going into 2006 before the 2007, '08 crash.

Harry Dent:

So I think the biggest impact, Dennis, the clearest impact without a question is going to be financial markets and guess who that hits? The top 20%, that own 88% of financial assets outside of their primary home. So I think it's really going to hit financial markets, real estate, stocks, bonds, anything but treasury bonds, the highest quality bonds. And of course that affects the wealthy people and they're going to be spending less. It has been the top 20% that's been carrying this boom, not Homer Simpson. So I think it hits the top 20%, hit's financial assets. But we will see a deeper downturn, and the real question will be how long does it take to come out of it after such excesses?

Dennis Tubbergen:

Well, if you're just joining me, I'm chatting today with Mr. Harry Dent. Harry is a multi-time bestselling author and he is graciously offered to give all of our listeners a free newsletter subscription. All you have to do to claim it is visit harrydent.com. And Harry, when you mentioned a 70 to 90% correction, I mean that's akin to 1929. Are we headed for round two of the 1930s here?

Harry Dent:

Yeah, it is. And that's what's hard to understand here. The whole '70s, that was a long 14 year downturn after the Bob Hope generation peaks in spending and all this sort of stuff. And it kept going down and then back, you know? Okay. But we never saw 70, 80, 90% stock correction. Okay? We did see that in 1929 to '32. The difference is, this is what I call we've been in the fall bubble boom season. Bubbles go much more extreme and therefore have much steeper crashes.

Harry Dent:

So if we were in a normal generational downturn like after the '60s boom ended up in the '70s, I would say yes, maybe 50%. But no, really, when you see bubbles of this magnitude, 70 to 90% is the norm. And frankly, Dennis, more like 80% to 90%. I think it might be a little less just because Central Banks are going to keep doing whatever they can to minimize.

Harry Dent:

And then the question, as I said earlier, how much credibility do they lose? It'd be best, frankly Dennis, that the system just washed out, and we did see a lot of banks and bad loans and zombie companies. I mean, we're carrrying zombie companies. So these are large public companies, okay, not small businesses, which would be way worse. 22% and growing, zombie companies that cannot meet their debt service in a boom. So what do you think happens in a bust?

Harry Dent:

So this is going to be the worst thing we see in our lifetime, but I don't think it's as bad as 1929 to '32 because they did almost nothing to shield from that crash. That was just a bubble gone wild and then a crash gone wild. So that's why I say 70 to as much as 90%. But 90% would put us at the '29 to '32 crash was 89% in the Dow back then, which would be like the S&P 500 or maybe more like the NASDAQ today.

Dennis Tubbergen:

You know, Harry in the past, I've talked to analysts who say that bubbles are symmetrical and they tend to take as long to unwind as they do to build. Where would you stand on that position?

Harry Dent:

They don't know what they're talking about. I've studied bubbled. They are wrong. I'll tell you the exact ratio. They crash twice as fast as they build. They build exponentially, especially in the last year or so, and then they crash twice as fast.

Harry Dent:

So a typical bubble takes five years to build, two, two and a half years to crack. They are wrong if they say they unwind at the same rate. Dead wrong. People quote all types of stuff because nobody wants to scare people. I don't want to scare people either, except the truth is the greatest bubble in your lifetime, like the closest comparison would be the '29 peak and the '32 crash.

Harry Dent:

You have to get out of the way of it. You need somebody to shock you out of this, because everybody's going to say, "Oh, that's all right. Stocks, even though they crash and we're a little bubbly, they'll go back to new heights." You will not see a new high in US markets for the rest of your lifetime if you're over 50 years old. That's my forecast. The rest of your lifetime, you'll never see these levels in real estate or stock. So you better wake up.

Dennis Tubbergen:

So Harry then when you look at this bubble unwinding, when it bottoms out, it seems that if you're safe with your money, if you keep your powder dry, so to speak, you're going to have a really terrific opportunity.

Harry Dent:

Absolutely. Number one, the way to make money in bubbles, if you be in cash, you preserve your money. That's a good thing to do. A great thing to do is put it in the highest quality long-term bonds like 30 year Treasury Bonds and 20 year triple A corporates. That's the safe haven.

Harry Dent:

People say it's going to be gold. No. And it wasn't gold in 2008. And then they say, it's going to be crypto. Crypto is the biggest bubble so it's going to have the biggest burst, even though it's going to be the next big thing down the road like the internet stock did 20 years ago and now are the top of the game. Okay? So if you put it in high quality, like 30 year, 10 year, 30 year Treasury Bonds, TLT ETF, you're going to make 30, 40, 50% while stocks are going down 70, 80, 90. You're going to increase your cash position.

Harry Dent:

And then you're going to have real estate and stocks, and around the world all types of financial assets at their lowest levels you'll ever, ever, ever see again. And you can invest in those. And the advice we give on that side, Dennis, is also contrary. The best places to put your money in the developed world, Australia, New Zealand and in India and Southeast Asia. Those are the next strong growth areas in emerging world. China's already peaking out and slowing down. So it will be Southeast Asia and India. Australia is the strongest developed country, and places like Sweden. And the US will come back much stronger than Europe.

Harry Dent:

So yes. But you also want to be in an aging sector. If I'm going to buy stocks in the US, my number one pick would be anybody associated with nursing homes and assisted living centers. That'll be the number one demographic growth segment in aging countries. So yes, huge opportunity.

Harry Dent:

That's what I stress, if you just get out of the way. Maybe I'm wrong and the market goes up another 10 or 20% instead of two or five. Whatever, if you just give this up, get safe now and let this crash happen the world will be your oyster and it will only take two, three years max to get to that buy opportunity of a lifetime. Real estate tends to take longer, but for stocks and normal financial assets, oh my God, it's just going to be the people who preserve their money. First of all, they're the only people who have money to invest then. But you're going to see the buy opportunity of a lifetime, guaranteed damn near from my point of view, if this crash happens.

Harry Dent:

So just get out of the way. Don't look a gift horse in the mouth. Yes, this bubble keeps going up. No bubble and history has gone up forever and every bubble ends badly and crashes at least twice as fast as it built. So don't listen to this stuff saying, oh, the Fed can taper this gently. No. There is no soft landing to bubbles ever. And if it is the first time, then I'll just say I'm wrong. I don't plan on being wrong.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. You can claim a free newsletter from Harry at harrydent.com, and I'll continue my conversation with him when RLA radio returns. Stay with us.

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. You can get a free newsletter from Harry by visiting the website harrydent.com. The website again is harrydent.com.

Dennis Tubbergen:

And Harry, you had mentioned that you expect real estate is likely going to be a casualty when this bubble bursts, is it going to be as bad as it was during the financial crisis? Or how do you see real estate playing out?

Harry Dent:

Yes, yes. This is the second real estate bubble. The first one, the crash actually, and from early 2006, it peaked ahead of the stocks that time. And the crash that lasted into 2011, '12 was about 33, 34% in the US. That was actually worse than real estate went down in the Great Depression only because back then it was much harder to get mortgage loans. And that, it was a minor real estate bubble and a major stock and financial bubble. So 33, 34%. This time I'm predicting 40 to 50% because this'll be the final bubble.

Harry Dent:

Now real estate, a lot of people say, "Well, real estate adjusted for inflation has only gone about as high or a little higher than it was before, Harry. So what's the big deal? And GDP is higher." No. Compared to fundamental demand, which I have always been able to project with my demographics. Fundamental demand is way lower than it was at the last peak and prices are much higher. So relatively, real estate is more overvalued and it's going to take about a 50% correction.

Harry Dent:

Now people have got to listen to this. 50% in stocks is bad. 50% in real estate is death, because people have mortgages against it and these loans fail. That's what hits the banks and that's what hits people. I actually tell a lot of people. I had people come say, "Oh, I got this one property that I own. I paid down the mortgage. I got this other one with a big mortgage. I should get rid of the one with the big mortgage." I'm like, "No, keep the one with all the equity in it. You're going to make hay on that." The mortgage is likely to be forced next time to be written down to some degree by the banks when they realize they can't just bail their way out of this like the last one. I'd say sell both the properties. But if you're going to keep one, keep the one with the high mortgage because the bank may have to share in your risk in downturn. In fact, very, very likely will have to.

Dennis Tubbergen:

Harry, when you look at the health of the economy and you alluded to this in the last segment, and then you take a look at the fact that we've got rent moratoriums that are still in effect in much of the country. We've got student loan moratoriums. We have enhanced unemployment benefits that are going to be running out here in the next couple of weeks. That's a lot of headwinds for the economy. Do you see that maybe it's these government policies changing or being pulled back that could be the catalyst for the next downturn?

Harry Dent:

Yeah, yeah, no. Actually I just wrote this in my newsletter recently, these forbearances of mortgages. People have been "Okay, you can't foreclose on mortgages." Well, that's starting to lift. There's going to be like 1,000,000,000 in mortgages over the next 12 months that this forbearance is lifted, and the minimum estimates by Zillow, 25% of those people are still in trouble and going to have to put on the market. 50% maximum.

Harry Dent:

My estimate is going to start at 25%. That's going to help trigger the recession. Once the recession hits, it's going to be 50%, maybe 100%. So yes, all of these things that have been pushed off. You see, this is the typical delusion we've had all the way back to 2008. Back then it was like, "Oh, this is a short-term financial crisis. If we can just print a bunch of money and get over it the economy will go back to normal."

Harry Dent:

My research was saying from day one, no. 2007 was the top of the biggest generational boom in history and the biggest bubble in history, and you're going to see 14 years of a slow economy. So it's a long-term problem. Same thing here. They're thinking, "Oh yes, if we can just get the economy goosing then we can lift all these moratoriums and we'll get back to normal." We do not. Mark my words. We do not go back to normal when this thing crashes. We only get back to normal when we wash out all these debts and barely surviving zombie companies.

Harry Dent:

And in addition, starting about late 2023, early 2024, when the millennial generation actually puts us in a favorable uptrend for the first time since 1961 towards spending again because of their generational trends. So we are a couple of years away from even having a chance at a sustainable boom. And we won't even have that if we don't wash out all this terrible debt and excessive financial speculation out of the economy, which money velocity is telling us is giving us almost nothing long-term in return.

Harry Dent:

The best thing, this is horrible to say, Dennis. The best thing is for these policies to fail so bad that the governments and Central Banks never try to mastermind and keep an economy going and not let the economy rebalance itself, which free market capitalism does so very, very well, and why it's so successful long-term. They have basically killed the golden goose here. So we have to now kill the killers or the golden goose. Central Banks have to fail and be so destitute that nobody even lets them print money again as a band-aid solution that only makes it worse longterm.

Harry Dent:

So I think the chickens come home to roost here. Central Banks lose credibility, and we no longer try to print our way out of a recession forever. We just let the damn thing happen and get rid of this giant load of debt and zombie companies that are standing in the way of any longterm prosperity in the future.

Dennis Tubbergen:

Harry, you mentioned that maybe in 2024 or so that the generational spending of the millennials could potentially lead to the next boom cycle. For our listeners that maybe aren't familiar with some of your demographic research, could you drill down on that comment a bit?

Harry Dent:

Yeah, yeah. Basically. I mean the breakthrough insight, many, but the biggest one back in the late '80s when I was just doing non-stop research was that we actually knew spending for the first time in history, starting in '81 with the expenditure surveys the US government was doing and some other countries in the world. And what it showed us was people enter the workforce on average at age 20, and spend the most money in their entire life at age 46.

Harry Dent:

Well, bam, that's important information. That's the family cycle. And when you have new generations run up that family cycle in increasing numbers, that's what creates a boom. My research back in the '80s told me the boom that started in early '83 would not peak until late 2007. And then we would go into a slowing period into 2022, '23. All the way back there it told me that. Why do we have to keep printing money to cover up this downturn which naturally should happen? And that's why we can't ever come out of it by just printing money.

Harry Dent:

But the same research shows, okay, Generation X, the downturn, the slow side of the Baby Boom generation and the ones that followed them, their slowdown in spending will be over by 2023, and the Millennials will drive us up. Now the Millennial generation, since it has so much impact from immigration, if the first half of it's stronger than the second half, most of that Millennial boom will come between 2024 in 2037. And then we will never really see higher generational trends again.

Harry Dent:

And the Millennial generation boom does not last as long nor is it as steep and strong as the Baby Boom. So we'll get a nice '50s like boom from say 2024 to '36 to '37. And then the US, frankly Dennis, will have seen its better days, the best back in 2007. And the Millennial generation does not take us to new heights over the peak in Baby Boom spending all the way back in 2007.

Harry Dent:

So this will be a turning point in North American history. We will never see an economy as strong or our leadership. And of course, where's it gone? It's all going to Asia. And I said it before, not even China. China is maturing and urbanization, and is already the first emerging country to have declining demographic trends since 2011. So it's all going to be Asia, Southeast Asia, India, and of course eventually Africa and the Middle East and stuff. But that's going to be the real focus.

Harry Dent:

So it's no mystery why we had a slow down after 2007. And when this slowdown finally levels out in the next couple of years where the next booms will be the strongest. This is not a mystery. The problem is, Dennis, economists aren't taught demographics. I had to find it myself and flush it out myself. I started as an econ major. After three courses I quit and switched to accounting and finance and learned something useful. And then I found demographics and invented my own economic theory, because economists are so, I hate to say it, lame.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent. You can get Harry's free newsletter by visiting harrydent.com. And Harry, just to finish up the segment and expand on that last comment you made. You're really forecasting that Asia, India, and that part of the world is really going to be the next area of prosperity. What type of industries do you believe that will be bullish for?

Harry Dent:

Well, it's just the same kind of, like capital goods always do better than everyday consumer stuff. But the next big generational boom in spending is going to be in that part of the world. It started with Japan. Then China. And then it goes to Southeast Asia. Then India. And then Asia is done. But Asia is not going to be done until 2065. I'm going to be and everybody listening to this is going to be dead by then. Okay? Almost.

Harry Dent:

So for our lifetimes now, people that have money and their kids have left the nest, most of the people listening. Hey, the next boom. This one's done. They tried to revive it and they're going to fail. And they need to fail to get out of the way so we can clear the deck. This next boom is going to be stellar in the right places, and fortunately in very big places. Southeast Asia and India have way more population than China and Japan put together. And they're going to do the same. They're just going to grow like China.

Harry Dent:

There'll be high tech and stuff always, but it's going to be basic stuff. They're going to be building homes, and they're going to be buying more cars. They're going to go from one car per family to two, and from crappy cars to great cars. It's just going to be that type of normal boom with many, many more people. You know, 1.4 billion in India. More than China. India is going to be a larger country. By the end of this century, China's going to go from 1.35 down to one billion, and India is going to go up to as high as 1.6 and then level off. So that's where the action is.

Harry Dent:

And again, this is no mystery. This is plain arithmetic, demographics. A 10-year-old could understand this if I could sit down and explain it to them, and economists can't get it because they think it's all about government policy. Governments need to get the hell out of the way mostly.

Dennis Tubbergen:

Well, my guest today has been Mr. Harry Dent. You can get his newsletter by visiting harrydent.com. Harry, always a pleasure to catch up with you. Thanks for your time today and I'd love to have you back down the road.

Harry Dent:

Sure. I enjoyed it, Dennis.

Dennis Tubbergen:

We will return after these words.