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THE "YOU MAY NOT KNOW REPORT"™

A PUBLICATION OF RETIREMENT LIFESTYLE ADVOCATES

Is Deflation Beginning?

By Dennis Tubbergen

As noted in last month's "You May Not Know Report", I have long been forecasting that the prosperity illusion that emerged as a result of excessive and accelerating currency creation after the financial crisis would eventually give way to a severe deflationary environment. Perhaps similar to the one the country experienced in the 1930's.

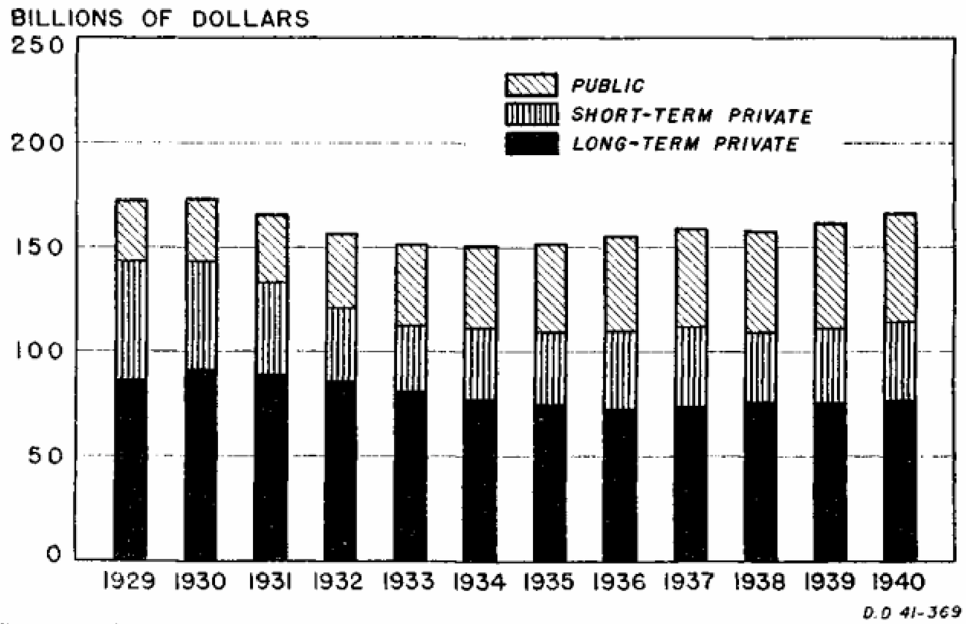
I don't make that forecast to be an alarmist, it's an objective conclusion based on the numbers.

At the onset of The Great Depression, in 1929, US Gross Domestic Product (economic output) was $105 billion annually[1].

Total private sector debt levels, as noted on the illustration on the top of the next page, were about $150 billion[2].

That is a debt to GDP ratio of about 143%. In other words, private sector debt was about 1.4 times economic output.

Figure 11.—Net Public and Private Debt



Source: U. S. Department of Commerce.

Because debt is a drag on economic growth, by 1933, US Gross Domestic Product fell to $57 billion while private sector debt was still at about $120 billion.

That is a ratio of more than 2 to 1!

Today, private sector debt levels stand at about 154% of economic output.[3]

That is slightly higher than the ratio at the beginning of The Great Depression but a very similar level.

The difference is the level of US Government debt that existed in 1929 as compared to the present time.

As noted on the chart above, US Government debt in 1929 was about $17 billion or about 16% of economic output.

Today, the official national debt stands at about $32 trillion and Gross Domestic Product is approximately $25 trillion. That's a government debt to GDP ratio of just under 130%. It's also important to note that the current national debt number does not include the unfunded obligations of the Social Security and Medicare programs.

To use an analogy with which many readers will be familiar, in 1929, the US Government had room on the credit card to fund many of the social and economic relief programs of the 1930's. That is not true today.

The fed has funded recent relief programs via currency creation which has led to a level of inflation not seen in more than 40 years.

Moving ahead, given the apparent commitment to make bank depositors whole and provide relief and stimulus programs to those the government deems worthy, it's important to remember that we will likely see more currency creation or quantitative easing in my view despite the Fed's (and other analyst's) insistence to the contrary.

I believe that will result in more inflation in things that we buy and falling asset prices in the things we own.

There may already be signs that this is the case.

Commercial real estate is facing some real headwinds. This[4] from "Zero Hedge":

Over the past several months we've seen a series of progressively negative headlines over ***commercial real estate*** *- predictions becoming more and more dire.*

- *Hartnett: Commercial Real Estate Is the Next Shoe to Drop (subscribers only, really all you need to know...)*
- *Echoes Of New Century›s Collapse Amid Sudden Firesale of Real Estate Loans as Morgan Stanley Sees 40% Downside (subscribers only)*
- *Commercial Real Estate Faces Perfect Storm: The Demise of Downtown Office Buildings*
- *A Record 30% Of San Francisco Office Space Is Vacant*

Blackstone, of course, is waiting with dry powder for the "largest ever" real estate drawdown.

Now, according to one CEO of a real estate investment firm, ***things could get as bad as what was seen during the 2008 financial crisis****.*

"Unfortunately in the situation we're in, things need to bottom out, and they haven't bottomed out yet," said Patrick Carroll, the CEO of the real estate investing firm Carroll, in a Thursday interview with CNBC, adding that ***while some areas of CRE could remain intact****, such as multifamily housing,* ***areas such as offices and hotels could be "destroyed,"*** *as the sector grapples with tighter credit conditions and a cascade of debt maturities.*

"It's going to be ugly. It's going to be at least as bad as '08, '09," he warned.

One of the core issues is that commercial mortgage debt held by banks will need to be refinanced in ***much tougher conditions*** *in the coming years - as around 80% of outstanding commercial property debt is held by small and medium-sized banks.*

"Sellers are not realizing how much their properties have lost value, and they're not willing to dump their properties yet because they haven't felt enough pain. They're about to start feeling pain. These lenders are screwed," said Carroll, who noted that $1.5 trillion in commercial real estate debt will come due in the next three years - which will either need to be refinanced or renegotiated.

And with the collapse of SVB and other small banks feeling the pressure, ***many will be less inclined to lend*** *without doing so at much higher interest rates than the commercial real estate market is used to.*

Peter Schiff, past guest on RLA Radio, recently commented on the economy and the likelihood of a deep recession[5]:

Peter Schiff recently appeared on Real America with Dan Ball to talk about the weakening US dollar, the less-than-stellar jobs report, and the trajectory of the economy.

Peter kicked off the interview with a startling statement when Dan said whether it's oil, *de-dollarization, or President Biden's horrible economic policies, everything is pointing toward a recession this year.*

> *We'd be very lucky to escape with just a recession. I think this is a depression. We're probably already in it. It's just going to get worse."*

As far as the March jobs report, Peter pointed out that one of the reasons the numbers weren't worse is governments created around 50,000 jobs, while private sector job creation was well below estimates. And the problem with government jobs is the taxpayers get the bill.

> *Most of these bureaucrats aren't producing anything. In fact, they're making the rest of us less productive. We need private sector jobs to pay for themselves and that add to our productivity, not more government jobs that require taxpayer funding and diminish our collective productivity."*

Peter said the real threat is foreigners pulling the rug out from under the US economy. By abandoning the dollar.

> *That's what makes this dysfunctional economy that we have possible. We have a trillion-dollar-a-year trade deficit. That means we import a trillion dollars-a-year worth of stuff that we didn't make. And the only reason we can do it is because foreigners will take the paper that we print for all the stuff that they produce. But if they don't want to do that anymore, then how is our economy going to function without all this stuff? Because we certainly don't have the factories to produce it."*

Dan brought up the fact that mainstream journalists keep talking about the strong job market despite all of the layoffs, especially in the tech sector. Peter said it's the good jobs that are being eliminated.

> *Look at the jobs that weren't created by government. The number one is 'leisure and hospitality.' These are restaurants and hotels. And of course, a lot of these are people returning from their COVID absences. But these are low-paying jobs. In fact, many of the jobs that are being created are part-time jobs for the people who lost their good full-time jobs. The people who are getting laid off from these tech companies are getting two or three jobs waiting tables or working in hotels, and somehow the economy is stronger because, on a number basis, we have more jobs. But the quality of those jobs has gone down. And most people who have two or three lousy jobs — they would rather have one good-paying job. But unfortunately, they no longer have that option."*

Peter reiterated that we are in the early stages of another financial crisis that will ultimately be worse than 2008.

> *We have a much bigger problem today than we had then, and the consequence is a much larger financial crisis now than the one we had then. It's going to end, I believe, with an all-out US dollar currency and sovereign debt crisis. And then, inflation is going to explode through the roof."*

Peter noted that many more banks would *have failed if the government hadn't bailed them out. In fact, the collapse of Silicon Valley Bank and Signature Bank was just the tip of the iceberg.*

> *Unfortunately, they're not going to let them fail. They're going to print a bunch of money and create inflation instead. So, instead of losing your money at the bank because your bank fails, your bank won't fail. It's going to get bailed out. But your money that's at the bank is going to lose its value. So, yeah, you can go to your bank and take out your money, but then take it to the grocery store or gas station — you're not going to buy very much."*

So, can this ship be righted to avoid some of the worst pain?

Peter said there is nothing we can do to avert this. We're going to have to suffer the consequences of decades of bad policy.

> *The only way that we can minimize the pain, accelerate the healing of the economy and rebuild something viable is if the government gets completely out of the way. We need a massive reduction in the size of government. Government needs to cut spending across the board and repeal all sorts of rules and regulations to liberate the economy – unshackle it from government taxation and regulation so we can dig ourselves out of this ditch that decades of central planning and central banking have placed us in."*

Egon von Greyerz, recent guest on RLA Radio, published this on debt and deflation[6]:

The inevitable consequence of the current Global Debt Bubble will be the Bankruptcy of the financial system and many of its participants.

The one Swiss and three US banks that just went under is just a foretaste of what is to come.

As the US and European banking systems come under pressure, The Everything Collapse will cause a collapse in financial markets of a magnitude that has never before been seen in history. Since the global financial system is a mesh which reaches every financial player in the world, from sovereigns to private individuals, no-one will be able to escape the The Everything Collapse.

So how will the The Everything Collapse or Bankruptcy start. Well, it has already started but the world hasn't noticed it yet. Four collapsed banks have already been shaken off by investors as a light headache which was cured by a few hundred billion dollars of central bank aspirin.

As Hemingway said, you go bankrupt first Gradually and then Suddenly. But no one should be deceived by the gradual phase of bankruptcy or collapse we are in currently. We have just had the final warning. This gradual phase might last a few months or longer, but it is the last chance investors have to put their house in order. If you wait until the sudden phase, the panic will paralyse you as you wait for a recovery which will not happen. Instead, the horrid losses will just get worse.

So, what will actually collapse? Well, that's obvious! The Everything Collapse is primar-

ily a debt crisis. Global debt has trebled in this century and if we include derivatives (a major part of which will become debt), we are looking at up to $3 quadrillion. This is 20X global GDP and obviously of a magnitude that will cause major harm to the world. As interest rates rise both in the US and EU, outstanding credit is contracting. In the US, the balance sheets for all banks to Tier 1 capital is at a 30 year high. This is a precarious level which puts the US banking system in a very fragile position. US banks must now shrink their balance sheets substantially by demanding loan repayments.

The situation in Europe is just as dire. Eurozone banks have tightened company credit the most since 2011 and expect to continue to do so.The high interest rates combined with a forced credit contraction will not only put pressure on the borrowers but also on the US and EU banking systems. As bank defaults accelerate, the carousel of central bank money printing will resume at an ever-increasing pace.

Coming back to what will collapse, it is obvious that it will be primarily bank debt. So not only will credit be expensive but it will also be scarce. This will lead to major defaults by borrowers and solvency pressures for the banks.

Central bankers are opportunists who can never tell the truth. Their main purpose is to control the financial system in their and their banker friends' favour. They are not stupid and most certainly understand the consequences of their constant manipulation of markets and their manufacturing of fake money. Their actions are totally in line with what Mayer Amschel Rothschild, a German banker stated in the late 1700s: "Let me issue and control a nation's money and I care not who writes the laws."

As I just mentioned, the other side of contracting bank balance sheets will be the banks' infinite liquidity requirements.

So, the next stage of the The Everything Collapse will be a constant pressure on Western banks' liquidity and solvency. And the consequence of that is obvious – UNLIMITED MONEY PRINTING of a magnitude never seen before in history…

I believe von Greyerz is on target here which is why my forecast is higher prices for items we have to buy and lower prices for assets that we own.

Layoffs Continue

The technology sector has already had extensive layoffs. Now, it seems, there are more layoffs looming both in the technology sector and outside tech. This[7] from a piece reporting on anticipated layoffs by both Disney and Meta:

This year, 596 tech firms have laid off 171,308 workers. The list is anticipated to expand, with Meta Platforms Inc. initiating job cuts today and Walt Disney Co. preparing to reduce its workforce by thousands in the coming week.

According to an internal memo seen by Bloomberg, the Facebook parent company told managers they should prepare for job cuts on Wednesday. The memo states jobs across Facebook, WhatsApp, Instagram, and Reality Labs will be affected.

The move to reduce headcount by at least 10,000 positions at the company was outlined by founder Mark Zuckerberg›s goal of greater efficiency earlier this year. Another round of job cuts is expected next month.

Meta already slashed its total workforce by 13%, or about 11,000 jobs, in November and has extended a hiring freeze through the first quarter.

Meanwhile, next week, Walt Disney is set to cut thousands of jobs, including 15% of its staff in the entertainment division, according to a separate Bloomberg report, citing people familiar with the plans.

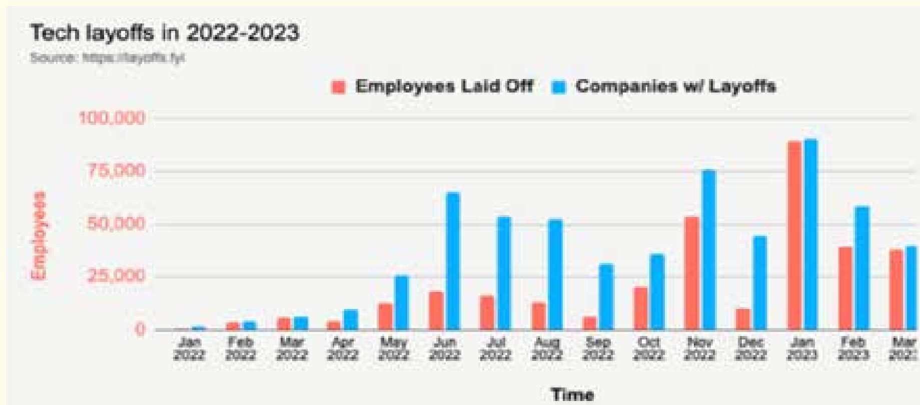
“The cuts will span TV, film, theme parks, and corporate teams, affecting every region where Disney operates,» said the people. They said affected workers would receive termination letters as early as next Monday.

Disney announced in February it planned to eliminate 7,000 positions from its 220,000 workforces, a move to save $5.5 billion per year. “Cuts are being carried out across the company,” the people said, adding cuts will even happen in the Disney Entertainment unit.

Disney’s old and then-new again CEO, Bob Iger, came out of retirement in November to lead the restructuring of Disney. He elevated key allies in the company, including Alan Bergman and Dana Walden, the co-chairmen of Disney Entertainment.

The pace of tech layoffs isn’t slowing down, according to job tracking website Layoffs.fyi

Simply put, tech firms overhired during the pandemic and are currently bracing for a downturn.



The Kobeissi Letter
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Largest Tech Layoffs Since November 2022:

1. Amazon: 27,000 employees
2. Meta: 21,000 employees
3. Google: 12,000 employees
4. Microsoft: 10,000 employees
5. Salesforce 8,000 employees
6. Dell: 6,700 employees
7. Twitter: 80% of employees
8. Uber: 30% of employees
9. Coinbase: 25% of employees
10. Robinhood 23% of employees
11. Snapchat: 20% of employees
12. Opendoor: 22% of employees
13. Intel: 20% of employees
14. Glassdoor: 15% of employees
15. Zoom: 15% of employees

In 2023, we have officially surpassed 170,000 tech layoffs so far.

Since January 2022, we are nearing 350,000 tech employees laid off.

This is the biggest wave of layoffs since 2001.

Retirement is a Fleeting Dream for Many Approaching Traditional Retirement Age

Sadly, many Americans who find themselves approaching retirement age find themselves in a position that retirement will be impossible. This[8] from "Bloomberg":

> *More than a quarter of Americans have no money saved for retirement.*
>
> *That's according to a new survey from personal finance site Credit Karma, which found older respondents are even less prepared by some measures than their younger counterparts. Nearly one in five people aged 59 and older said they didn't have a retirement account and 27% of respondents said they haven't set anything aside for their later years. That compared to a quarter of Gen X respondents.*
>
> *For those aging Americans who do have retirement accounts, persistent inflation has thwarted their plans, worsening the $7 trillion retirement-savings shortfall. Among baby boomers who are employed and saving for retirement, 17% said they've decreased their contributions to their retirement accounts as a result of inflation. Another 5% of respondents aged 59 and older said they can't afford to contribute to their retirement account at all.*
>
> *Gen Z is more optimistic, with more than half saying they dream of gaining financial independence and retiring early, better known as the FIRE movement. However, many Americans don't have the financial resources to make early retirement a reality.*
>
> *More than 30% of respondents said their net worth is $0 or less, meaning they have more debts than assets. That's especially true for younger generations, with 41% of Gen Z and 38% of millennials saying they have zero or negative net worth. For people aged 59 and over, that number was 21%.*

Gas Prices on the Rise

The fact that gas prices are moving higher is probably not news to many "You May Not Know Report" readers. This[9] from "OilPrice.com":

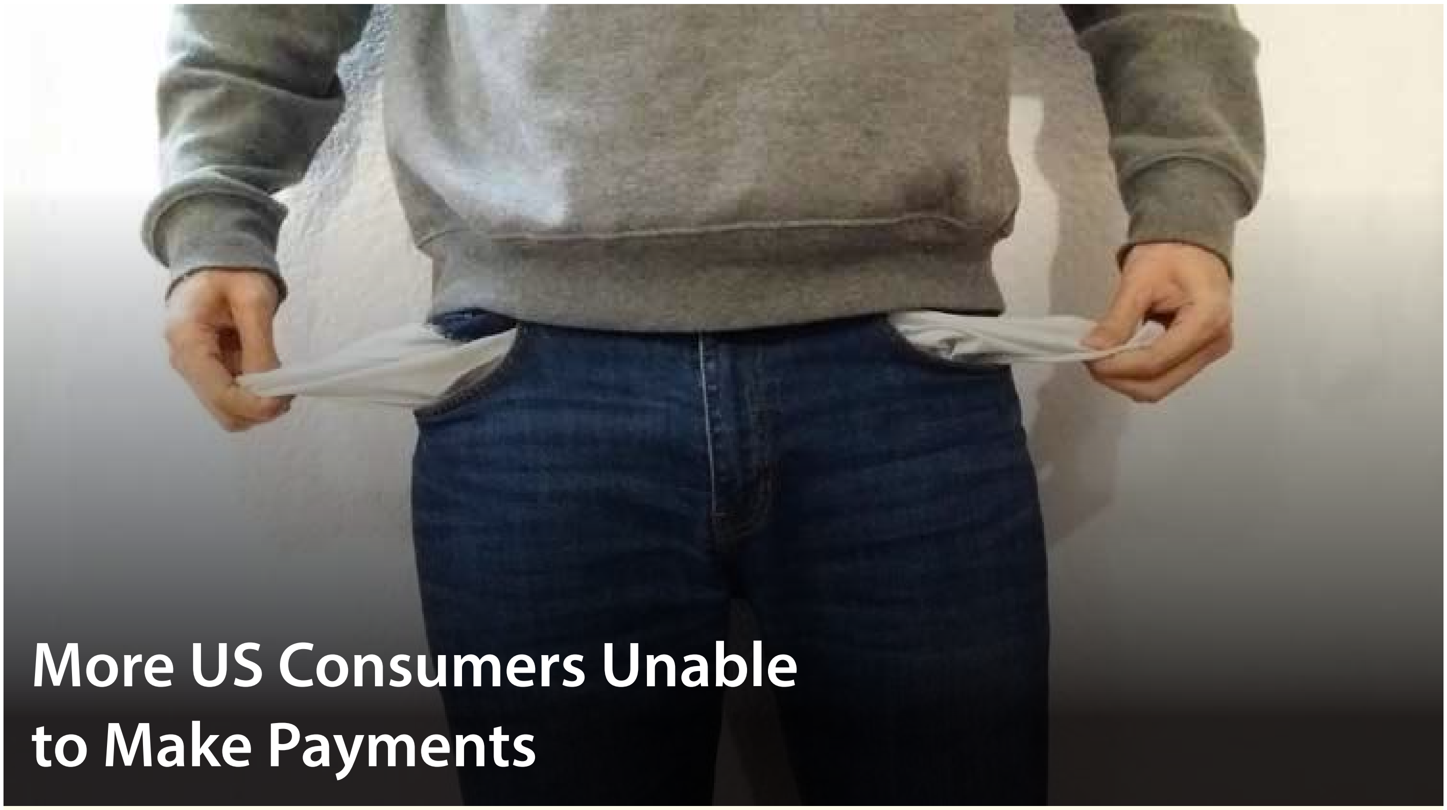
U.S. gasoline prices rose for the third week in a row, rising $.076 per gallon from a week ago to $3.65 per gallon yesterday, new GasBuddy data showed, reaching the highest level since November 2022.

The national average for a gallon of gasoline is $.221 cents more than it was a month ago, according to GasBuddy data.

"With oil prices touching their highest level of 2023 at nearly $83 per barrel, the national average price of gasoline has continued to inch higher, with 45 of the nation's 50 states seeing prices rise over the last week. While the rising price of oil is likely the largest factor in rising gas prices, seasonal impacts continue to also exert pressure on prices," GasBuddy's head of petroleum analysis at GasBuddy said in a note on Monday.

"With the Northeast making the final step in the transition to summer gasoline this week, states in that region should expect a sharp rise in gasoline prices over the next week or two. Every other region has already seen the final step in the transition occur, so while other areas will see prices continue to slowly rise, the Northeast is likely to see a pretty hefty jump of 15-40 cents per gallon soon. Oil prices remain a wildcard, but we're likely a few weeks away from seeing the national average peak. Whether it hits $4 per gallon or not is still perhaps a 50/50 chance."

Crude oil prices hit their highest point all year last week—above the $80 threshold—in response to OPEC+'s agreement to cut an additional 1.66 million bpd off its production starting in May. On top of that catalyst, U.S. gasoline demand was up 1.4% last week.



More US Consumers Unable to Make Payments

“Reuters” reports[10] that a growing number of US Consumers are unable to make payments on their outstanding credit card balances and their installment loans:

> *Consumers are starting to fall behind on their credit card and loan payments as the economy softens, according to executives at the biggest U.S. banks, although they said delinquency levels were still modest.*
>
> *Profits at Bank of America Corp (BAC.N), JPMorgan Chase & Co (JPM.N), Wells Fargo & Co (WFC.N) and Citigroup Inc (C.N) beat analyst forecasts as lending giants earned a windfall from rising interest rates. But industry chiefs warned that the strength would tail off this year as a recession looms and customer delinquencies climb.*
>
> *“We’ve seen some consumer financial health trends gradually weakening from a year ago,” Wells Fargo Chief Financial Officer Mike Santomassimo said on a conference call Friday to discuss its first quarter results.*
>
> *While delinquencies and net charge-offs - debt owed to a bank that is unlikely to be recovered - have slowly risen as expected, consumers and businesses generally remain strong, the bank’s CEO Charlie Scharf said.*
>
> *The company set aside $1.2 billion in the first quarter to cover potential soured loans.*
>
> *Citigroup also made larger provisions for credit losses even as it brought in more revenue from clients’ interest payments on credit cards.*

Since banks have debt as assets, as consumers default on loans, banks lose assets. Expect more issues in the banking sector as the year progresses.

May 2023 Special Report

IRA and 401(k) Strategies

This month only, we are making available a free report titled, "IRA and 401(k) Strategies".

This month's report will discuss 401(k) and IRA strategies for those under the age of 59 ½ and those who are age 59 ½ and older.

Strategies discussed are both investment and tax strategies in light of recent tax law changes and current economic and investing conditions.

The report will give you investing strategies to consider depending on your objectives and tax strategies that may now make sense after the recent tax law changes. If you or someone you know invests in IRA's or 401(k)'s, be sure to use one or all of the postage-paid reply cards included with this month's newsletter to request this month's special report.

This report is available only during the month of May.

Time Deposit Rates

At the time of publication, these rates were valid:

1-Year	4.30%
2-Year	4.50%
5-Year	4.80%

Call the office for details at

1-866-921-3613

Resources to Help You Stay Informed

All these resources are available at the Retirement Lifestyle Advocates website: **www.RetirementLifestyleAdvocates.com**.

As previously mentioned in this month's "You May Not Know Report"™, the weekly "Portfolio Watch" newsletter is available on the Retirement Lifestyle Advocates website. Each week, I give you an update as to where we are economically speaking and in the financial markets and where we are going based on my analysis.

The weekly "Headline Roundup" webinar. Replays are available on the website. "Headline Roundup" happens every Monday live at Noon Eastern Time. To get an invite to the live event, give the office a call at **1-866-921-3613**.

The weekly "RLA Radio" show and podcast.

We also have the RLA app available. All these resources are also available on the app.

You can download the YOURRLA app for free by visiting the app store (either Google or Apple) and searching under YOURRLA.

If you have questions when downloading the app or would like assistance, feel free to call the office. Our office phone is answered 8 to 5 Monday through Thursday and 8 to Noon on Friday.

Sources

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