25 August 2024

Statement from Harry Dent:

Tim,

I do not have newsletter subscribers disgruntled as I talk to them every week and month and have not been non-stop bearish. Just warning that the second real estate bubble since 2012 has been building much bigger than the first one from 2000-06. And it will burst as has every other bubble in history. If you or anyone can find a bubble near this magnitude in history that did not burst, and very badly. Then I'll listen.

The simple truth is that since the 2008 Great Recession globally, central banks and governments have embarked on an off-the-charts stimulus program for 16 years that has simply responded to the last major crash (real estate went down 34% in the US) with the greatest stimulus program by far in history. In the US for example, it has been $27T or 1.5 times average GDP, or 6.3% per year on average. That should have created massive growth, and yet it's averaged 2.3% real GDP growth, far less than the direct stimulus, and historical growth.

This is a global second stock and real estate bubble that is totally artificial and only due to this massive stimulus which is also global. Most bubbles in history have lasted 5-6 years. This one at 16 years and still going is at a new level. It's gone so long almost no one sees it as a bubble anymore. It started when Mario Draghi of the EU said, "I will print unlimited amounts of money to fight short sellers." And unlimited it has been since.

I have not and will not stop warning that this is a bubble as it has gone so high and so long that it can't even be compared to the Roaring 20s or 1990s bubbles now.

What did finally change to combat this massive trend is that governments, led by the US, over-reacted to COVID. $11T of the $27T stimulus since 2008, merely in the US, came in the 2 years after COVID and created a sudden 9.1% inflation surge in the US, and elsewhere. That has forced the strongest tightening since 1980/81 of 525bps in interest rates and a reduction of $1.9T in the monetary balance sheet in the US. This has happened globally as well. But the jet insight is that such stimulus and tightening policies take about 1.5 years to fully hit, and that only seems to be extending with the magnitude of stimulus and now tightening since 2008.

China still has 22% empty housing units from overstimulating the most. Its economy is leading the global slowdown now, the US will be next, then Australia which is second only to China in unprecedented home price to income ratios, i.e., overvaluation. Anyone has to admit that there has to be a breaking point when home prices outstrip incomes for so long.

This bubble has continued to grow and dwarf all in history. Look at the charts, this is crystal clear. It has been the massive stimulus since 2008 that has created a much larger and longer bubble than the first one that burst mostly in the US. Hence, it is less overvalued now than China and Australia, but still the biggest stock and estate bubble in history by far.

I have the most comprehensive analysis in the US. It shows that of the $27T in the US, $19T was government deficits, $8T was money printing injections - again, that's just in the US… but this second artificial bubble has occurred in almost all the developed world.

Now that there is strong tightening, especially in the US, this crash should start soon and last 2-3 years minimum as in 1929-33 and 2006-2012 for housing in the US last time.

If it doesn't start clearly by the end of 2025, I will stop warning and just retire perplexed. But for now, I stick to my guns. A bigger bubble does not prove it's not a bubble. It just makes it more potent and kicks the consequences down the road as we've been doing for 16 years now.

It is this forced and strong tightening after the COVID over-reaction that now finally makes a major reversal more likely sooner than later.

I will recant by end of 2025 if no signs of a crash by then. That would still not change the reality and magnitude of the greatest bubble in world history, but just make it impossible to resist any more.