



Harry's Take

July 21, 2020

The Global Bubble Started with Japan, Ends with China... U.S. Peaking Now?

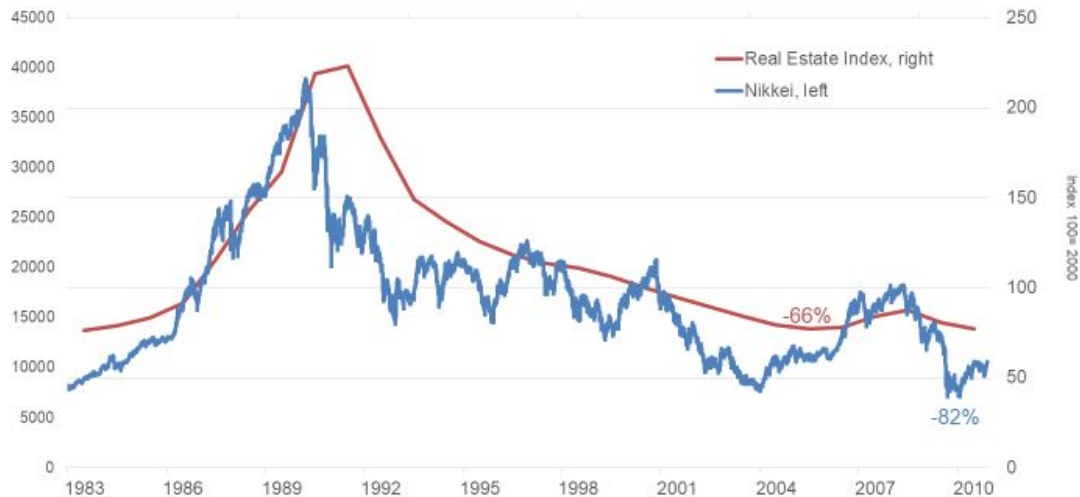
I always ask why more economists don't study Japan. The answer? Because they are clueless. Japan had their Baby Boom before us, with births peaking in 1949—that's 12 years before our 1961 peak and 15 years before Europe's 1964 peak. The nation had a stock bubble from late 1982 to late 1989 and an even bigger real estate bubble that lingered into 1991 before peaking....

China's stock bubble peaked way back in late 2007, but their real estate bubble is the largest in the world and due to peak in the next year. Meanwhile, the last of four U.S. stock bubbles looks like it may just be peaking here in late July. Note, I am publishing my August issue of *The HS Dent Forecast* later today, earlier than usual—so look for this very urgent and timely edition.

Japan's bubble came from the same primal source, the massive Baby Boom generation moving up its predictable spending cycle—it just peaked at age 47 in Japan rather than at age 46 as we did in the U.S. Their bubbles burst while the world was booming greater than ever in the 1990s. I was about the only one I knew of forecasting that just before the peak in 1988–1989. I simply saw the demographic downtrends and the bubbles,

ripe to burst, coming, especially the real estate bubble, which was almost as crazy as China's today.

Japan's Boomer Bubble Bursts: Stocks Late 1989, Real Estate in 1991



Source: Yahoo! Finance, Land Institute of Japan, 6-City Real Estate Index

www.HSDent.com

The birth cycle in Japan first peaked in 1942 due to World War II, followed by a pause and then a final strong surge from 1946 to 1949 after the soldiers came home. That World War II pause, which hit after 1989 on a 47-year lag, was enough to prick the stock bubble at the very end of 1989. Their first stock crash was 63% into late 1992. The Spending Wave bottomed in 2003 and stocks were 80% down, but in 2009 in the GFC, they hit slightly lower, bottoming down 82%. The real demographic peak from that post-war surge hit in 1996. That's when their economy got a lot weaker. Japan was the first to resort to QE policies in 1997—and it has dwarfed the U.S. and Europe in QE ever since, now at 108% of GDP and still climbing.

Japan went through everything we have over a decade in advance, yet we learned nothing from them and tried (and failed with) the same

policies that resulted in a “coma economy” in Japan for the last 30 years!

Real estate peaked in 1991 and then fell more slowly, not bottoming until 2004–2005, down 66%, a larger-than-typical bubble burst for real estate, as it tends to be 30% to 50% at the extremes. The U.S. saw a 34% crash in the GFC, and I am forecasting a crash closer to 50% in the greater downturn and depression ahead. Most importantly, note that real estate barely bounced afterward and has been pretty flat ever since.

The Millennial housing boom on a 42-year lag did peak in 1991 right at the actual real estate peak. But real estate should have bounced with the smaller Millennial wave of home buying from 1999 forward. The lack of such a bounce moved me to dig deeper and find the breakthrough “Net Demand” model to subtract those whose real estate sold after they died (the “diers”) from peak buyers. That’s why Japan’s real estate has never bounced like stocks and why it will not until their Boomers finish dying and offsetting Millennial demand, which will be around 2033.

Japan not only had its Baby Boom first, it industrialized rapidly, moving into higher-value-added industries. It was followed by Taiwan, South Korea and now on a larger scale, China...

Guess who now has the biggest real estate bubble in the world, even though its Boomer generation and Spending Wave are already declining? China will have the last and biggest bubble to burst. Its stock bubble already peaked in late 2007. Its real estate bubble will peak next year and see as much as 80% declines in leading cities like Hong Kong, Beijing and Shanghai.

I will talk about this East Asian economic revolution and demographic boom in the September issue of the *HS Dent Forecast*, as it was the epicenter of this entire global bubble, much like the U.S. was in the early 1900s to Roaring '20s. Monthly subscribers will also get a free special report on the "Top 12 Global Cities" in the next week and see firsthand how massively overvalued Hong Kong is now.

Harry

Got a question or comment? You can reach us at info@hsdent.com.