



Harry's Take

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The Last Bubble To Burst: Treasury Bonds... After Historic 40-Year Bull Market

I always have to remind people that outside of the interest yield, longer-term bonds appreciate when interest rates go down, as you are locking in higher rates for a long period, to their advantage....

What better than falling from the highest inflation and interest rates in modern history in 1980–1981 down to near zero today? And the great reset and depressions ahead will take the highest-quality yields even nearer to zero and make them more negative, adjusted for inflation.

Why? Low inflation will turn to deflation, and these highest-quality bonds will be the safe haven, as they were in 2008 and in the flash crash of February to March of this year.

10-Year Treasury Yields: 40 Years Up, 40 Years Down; Last to Burst



Source: <https://www.multipi.com/10-year-treasury-rate/table/by-month>

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Stocks, real estate, all lower-quality bonds, and even gold will fall, due to the reset in financial asset prices and the worst economy of our lifetimes—yes, it will be a real depression, not the short-term depression caused by the COVID-19 virus.

What caused this unprecedented inflation? The massive Baby Boom entered the workforce at great expense into the late 1970s. Then, their work productivity rose and their technological innovations moved mainstream, which eventually led to the greatest disinflation in modern history.

The great reset and deflationary cycle to come, into 2022–2023, will extend this nearly 40-year boom a bit further. The long inflation from the early 1940s into 1980 caused a 40-year bear market for bonds of unprecedented degree, as a result of ever-rising rates.

Treasury bonds finally will collapse from around late 2022 forward, just as stocks and most other risk assets are bottoming. Real estate will take a few years longer to bottom.

This will be followed by a nearly 20-year bear market, until the next 30-year commodity and 60-year inflationary peaks occur, around 2038–2040.

Long-term bonds will not be the place to be in the next global boom, into around 2036–2037!

Harry

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