Harry's Take

June 22, 2021

How To Handle the Greatest Bubble of All Time

> *"People always ask me what is going on in the markets. It is simple. Greatest speculative bubble of all time in all things. By two orders of magnitude."*

You probably have heard this quote recently. It's a tweet from June 15, 2021, by investor and hedge fund manager Michael Burry of *The Big Short* book (and movie) fame. Burry famously warned about the 2008 housing market bubble crisis in advance. A lot of people tell me, "This guy sounds a lot like you."

Yes, I couldn't agree more with his recent tweet. We are in the greatest and most global bubble—in everything, including gold, bonds, and crypto—ever!

But if you look at Burry's other statements and tweets over the past few months, he is comparing this crisis to the 1913–1920 inflationary surge and financial collapse into 1922–1923. That was not the greatest bubble of that era, the 1929 peak and crash into late 1932 and 25% unemployment into 1933 was.

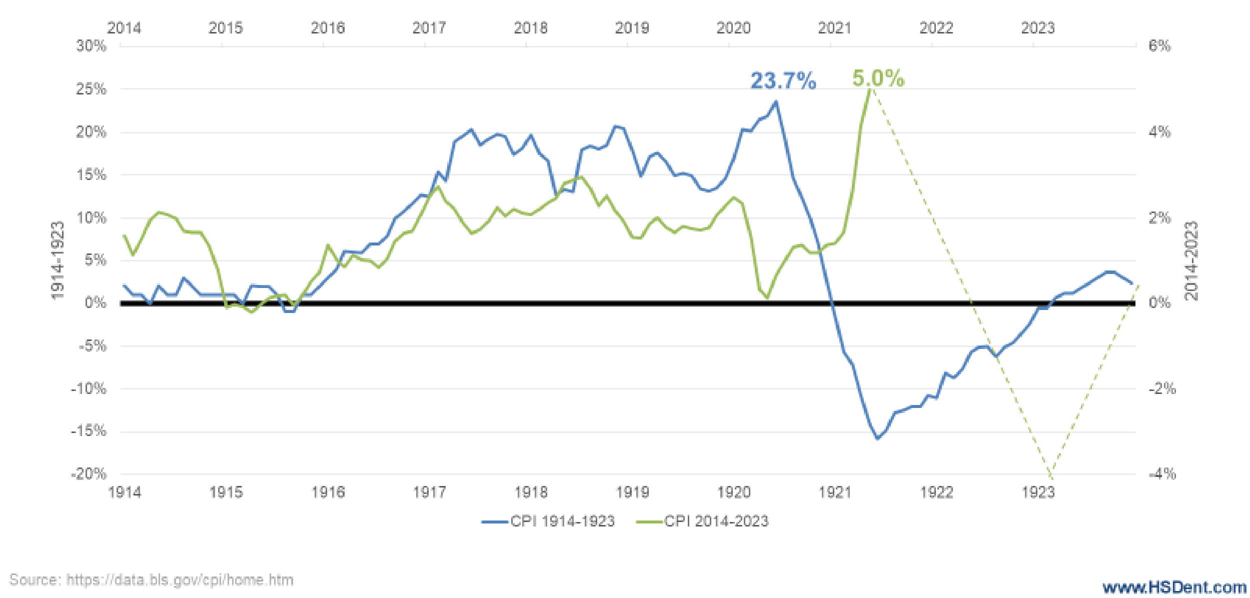
He is talking the classic money-printing-turns-into-hyperinflation scenario, more like the gold bugs! Even American billionaire hedge fund manager Paul Tudor Jones (who is on the Tony Robbins Platinum Partnership event with me every February) is saying, “buy commodities, buy crypto, buy gold” to protect yourself.

I am saying that the safe haven is long-term Treasury bonds and TLT—not gold, not Bitcoin, not commodities. Why? I know this period is more like the 1923–1929 bubble and crash into late 1932 and the worst of the Great Depression into 1933. That is a big difference!

Burry’s scenario is a hyperinflationary one, like Weimar Germany from 1913 into 1923. Mine is a broader bubble scenario and deflationary crash and depression into 2022–2023, and it is more like 1932–1933.

Look at this chart of the Consumer Price Index of inflation in the two periods Burry is describing, 1913–2023 and 2013–2020, with my rough projections into 2023.

Inflation Much Higher for 1914-1920 Summer Season Than 2014-2021 Winter



The main difference between these two scenarios is that the 1913–1920 event occurred in the inflationary or summer season of the Kondratieff Wave or long-term four-season cycle, unlike today. And the earlier event was not an “everything bubble,” as Burry describes today. Only commodities bubbled over the whole period. Bonds got killed by the inflation. Stocks got muted by World War I and inflation and only bubbled briefly from 1918 into early 1920, from the respite and pent-up demand after the war. That happened as the summer inflationary season turned into the fall season, and in that 7-year period, inflation averaged 11.0% and peaked at 23.7%.

In the present period, inflation has averaged a mere 1.6%, peaking briefly at 5.0%, normal for a healthy boom period. In this “everything” final stock bubble surge, everything has gone up, especially from early 2009 into 2021. And in the years ahead, everything will burst, along with inflation, including gold, commodities, real estate, and most of all the “bubble of all bubbles” here, Bitcoin and crypto. This is the fall bubble boom season turning deeper into winter after being revived temporarily by magical money printing.

So, much like I do the gold bugs, I respect Burry and Jones for seeing a major crisis coming, when most think the central banks have this bubble under control. But I disagree as to where we are in the big cycle and what the safe havens will be: They will NOT be gold, commodities, and crypto, they will be 10-year and 30-year Treasury bonds and AAA corporates. Those assets are what history clearly has shown to do the best in a deflationary winter season financial crisis, as opposed to an inflationary one. Deflation kills commodities, most bonds (from default risk), stocks, and real estate. That’s why the only safe havens are the long-term bonds that absolutely won’t default.

If this massive printing scheme, increasing again and again since late 2008, led to inflation of only 5% for a moment here near the end, then there is no way to create hyperinflation without getting so extreme that even the town drunk could figure out that we are going bust!

If you can’t decide between my scenario and that of the gold bugs and Burry and Jones, then do the one thing all of us agree on: **get out of and/or short stocks!**

Harry

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