Harry's Take

July 27, 2021

Reader Mailbag: Questions and Harry's Answers, Big Bang Theory Edition

We receive many questions on various topics, including the direction of the markets, demographics, and interest rates. From time to time, we gather a series of questions on a topic or two and send them to all subscribers as part of our Reader Mailbag series. Reader questions may be edited for clarity.

Q: For years now, you have been counseling your readership to purchase 30-year Treasury bonds at the appropriate time. For those of us who have done that, could you educate us on the most appropriate time to sell them? Is there an internet index we should be watching or a rule of thumb that when face-value 30-year interest rates fall to .40% or less we should sell them? How about some other threshold indicator that would be a guide on the time to obtain the highest value for our past 30-year Treasury bond purchases? A lot of us are planners and would like to know when to unload Treasury bonds, even if it might be 2-5 years from now!

A: Look first for a deepening recession, in which yields would fall. I would like to see at least 0.4% on 10-year and 1.0% on 30-year Treasury bonds, *and probably lower*. I don't expect this until at least late 2022.

Q: What about the 9 million job openings? Do you think we will reach full employment, given that 5 million are unemployed?

A: I don't think we will reach full employment, as a lot of aging Boomers have left the workforce and have either retired early or started their own business. I also think we are within 6–7 months of a

recession setting in, and that will put a quick end to any hopes of full employment for years to come.

Q: On YouTube, I listened to a seminar you had in Korea from 2015. In that meeting, you stated that it is difficult for an emerging, commodities-based low-value country to morph into a high-value, technology-based country such as South Korea or the U.S. You said China would not be able to do this. Do you still feel the same way about China? Also, you predicted a market crash for April 2021 that didn't happen. Is the stimulus money creating this delay?

A: Yes, the endless and now escalating stimulus keeps pushing off a financial crisis. The odds of that grow as we move toward the end of 2022, where my cycles are down the most of our lifetimes. I expect a global recession/depression to set in by early 2022 that should last until well into 2023 at this point. China is an example of a very large, high-end emerging country. It is already just over 60% urban and is not projected to reach GDP per capita levels of $40,000–$60,000, as in developed countries. But with levels of $25,000–$30,000, China's projected GDP per capita is expected to be higher than those for the typical mature, fully urban, emerging country, which are more around $12,000–$15,000. If you just looked at China's coastal areas alone, GDP likely would be more like the tiger countries of Japan, Taiwan, and South Korea.

Q: It seems you are now pushing back the economic collapse until the end of 2022—or maybe never, in the case of Japan. This is a big departure from your recent messages about the collapse happening this year, so much that you've threatened to quit if it doesn't transpire by the end of this year. Okay, in the case of Japan, how and in what instruments do we then invest?

A: I have been studying economic history intensely for 40 years, and there is no more confusing time in all of modern history than now. There is no precedent in the developed world for governments and central banks deciding to play God and take over economies with endless monetary and fiscal manipulation. Smart people used to believe in [The Invisible Hand] and the wisdom of the markets... That's not been so since 2008 brought the worst downturn since the Great Depression, as I had forecasted… And it was and would have turned

into an even worse downturn if they had not thrown all caution and wisdom to the winds and went off the reservation! All I can do is measure this stimulus vs. where proven fundamental factors like the Spending Wave and Inflation Indicator say we should be and look for a return to normal, when the markets (that are bigger and wiser) take back over.

If you are not confused, then you are not awake. So, congratulations there.

Since the "stimulators" have proven they will only double down again and again, what I am most looking for is signs of stresses on the system from such escalating stimulus (they used COVID as an excuse to really go off the wagon) and signs of diminishing returns. As much as the economy is rebounding strongly short term, it should be exploding. I don't think that will be the case, as this is just some catch-up with unprecedented stimulus behind it. *And ahead, any weakness after that much stimulus will be a clear sign of the rapidly diminishing returns that I think will cause people to finally lose confidence in central banks and endless stimulus.*

The number one sign at present is that home sales have fallen 23% since January, because prices have been boosted to near $400,000 for the everyday, "wanna-be trailer" home (see my July *HS Dent Forecast* newsletter). Housing is the biggest sector of the economy by far. If housing prices continue to rise, this boom will not last long—and with the economy now so stretched, the repercussions will likely come very fast and hard. I just keep looking for times where peaks could occur, like late July just ahead, to then quickly judge whether the crash is likely to happen then or not. The next crash should be 50%+ and should happen in the next 2 months or so. So, even if we see tepid corrections in the first few weeks, I'd say it's not over yet. That's as good as I can do here.

There is no magic trick, but... the closer we get to that late 2022 date where my most-important long-term cycles (the 90-, 40-, and 10-year cycles) converge, the higher those odds go. I see late July and September as the most likely times for a top. I favor late July currently. I use late 2022 not as a delay on my cycles: Instead, it is when I have said since the late 1980s that the key cycles would be at

their worst. That is what makes it more likely that this something-for-nothing stimulus policy will fail in the next year and a half!

And now for some housekeeping: in the July 26 Harry's Subscriber Update, there was an error in paragraph three, sentence two: after it says “If that index rallies to the top of its channel as I showed in the July issue to around 4,600 this week,” the great day for a grand top actually should be July 29, not September 29.

Barring complications, look for the *HS Dent Forecast* a little early this month, on July 29; it will focus on demographics.

Harry

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