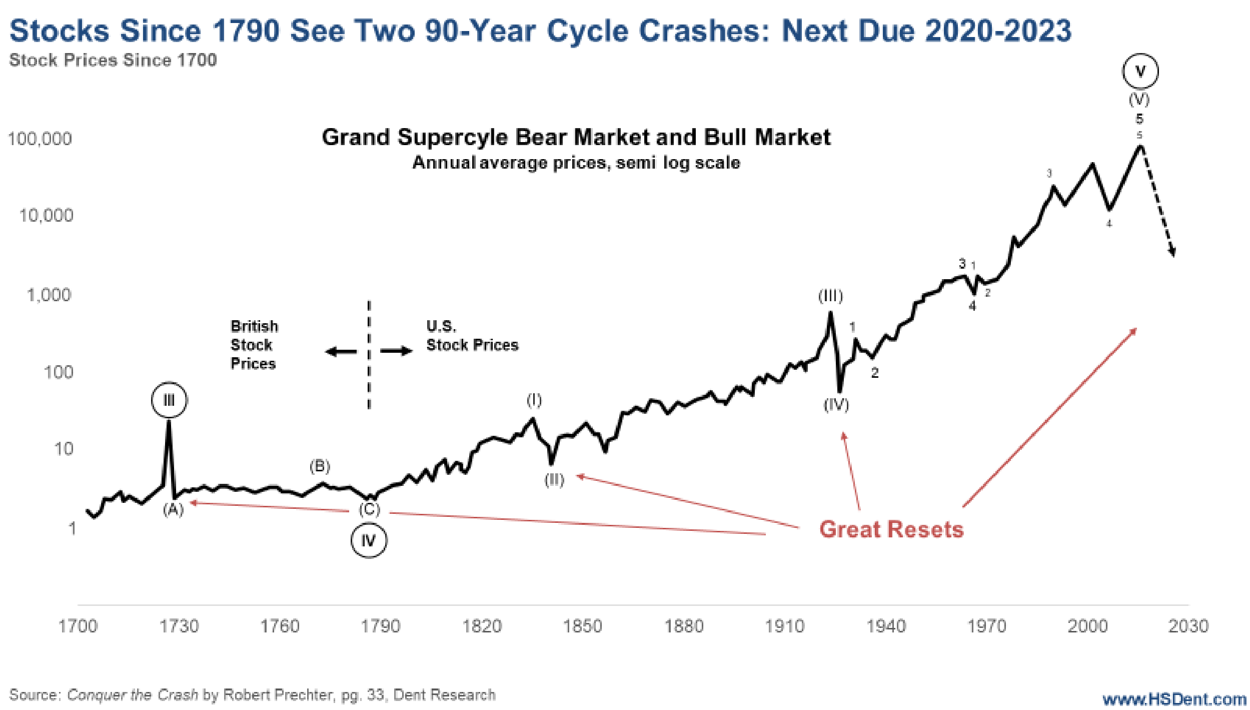
Harry's Take

August 3, 2021

As 90-Year Cycle Falls Into 2023, Sunspot Cycle Turns Up… But the 90-Year Trumps

A look at stock cycles since the stock exchanges began in the late 1770s reveals that it is the 90-year Super Bubble cycle that most stands out, with major crashes and depressions in 1836–1842 and 1929–1932. That cycle is simply a double of the 45-year Innovation cycle, which has been more powerful every two cycles. The 39-year Baby Boom Generation cycle has been more powerful than the Bob Hope Generation cycle before it. Also, the 2007 peak came 78 years (2 X 39) after the infamous 1929 stock peak.

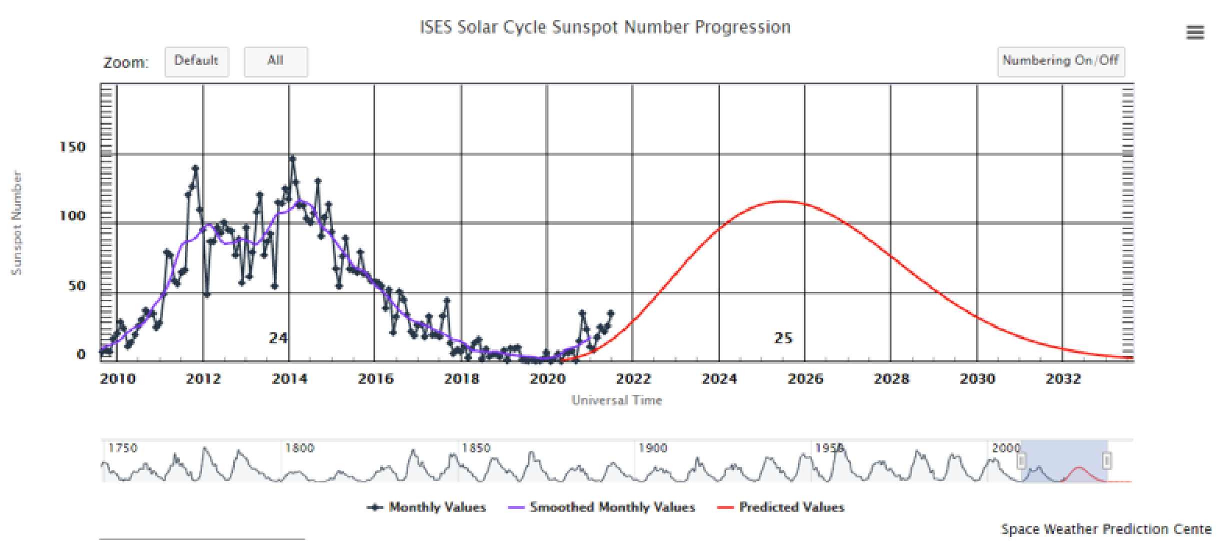


But since the major 2008 crash, which was followed by the worst downturn since 1980–1982 and 1930–1933 before it, central banks have outright taken over the economy in the quest to stave off the next Great Depression, due from 2008 forward by my natural cycles.

Time will soon tell, but I say that central banks will not be strong enough after stretching the economy so far with 13 years of nonstop, unprecedented stimulus to survive this 90-year cycle, which naturally would have ended in the crash of a lifetime and a depression between 2020 and 2023.

But there is one smaller bright spot. The Decennial cycle is actually driven by sunspot cycles, which have lasted 11 years on average historically but 10 years on average in the last century (varying from 8 to 13 years long). The last cycle bottomed between 2008 and 2009. The Great Recession occurred into that as expected, but central banks cut that recession short in early 2009 with stimulus, which they have added nonstop ever since.

Last Sunspot Cycle Bottom 2018-2020: Averted Natural Recession?



Source: https://www.swpc.noaa.gov/products/solar-cycle-progression

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But note that the bottom of the recent cycle hit between early 2018 and late 2020 and was longer than usual… yet we got neither a recession nor a major stock crash—and then the sunspots began turning up from late 2020 into now. Have central banks defeated natural cycles?

I strongly think NOT! The sunspot cycle is usually volatile after it bottoms and could still spike downward ahead, but it is not likely to make a new low at this point.

The dominant cycles are still the 45- and 90-year here. The also-powerful Generation cycle is still bottoming into late 2022–2023 as well. My combined cycles have always pointed to late 2022 as the most likely bottom for stocks and mid-2023 as the bottom for the economy.

The fact that central banks have so successfully pushed through much of the weakest 2020–2022 period shows the strength of applying so much stimulus. So, we have a “showdown” coming….

Does the economy turn quickly to an even steeper crash and downturn from late this year into late 2022–2023? Or do central banks finally tame the economy so that we never see serious recessions again?

I think you know my view by now.

The year 2022 is now likely to be the single most financially volatile in history. The crash may linger well into 2023, and it is not likely that the economy will start to recover for real until the beginning of 2024, precisely because central banks have been so successful at staving off this necessary debt and bubble purification process. I say we’ll get the crash even with the sunspot cycle turning up, as it is the least powerful of my four major cycles.

We can never recover fully again without getting rid of the zombie companies and debts that have caused the under-the-hood money velocity indicator to plunge the most since the early 1930s—just ask Japan! I’m betting that the indicator is right and the central bank policies are wrong. If we do get through early 2023 with no crash or financial crisis, then we are in a new economic game.

I say instead that this bubble will peak by November (and likely earlier) and we will have no Santa Claus rally, especially now that the Fed is finally hinting at tapering. And recall that the massive megaphone stock pattern suggests that the next short-term crash will be over 50% in less than 3 months! The larger crash will last into at least the end of 2022 and likely well into 2023 but will do the most damage in 2022.

The one thing I do know for sure is that this overstimulated economy "on crack" cannot keep going without escalating stimulus and will go through withdrawals rapidly as it did with tapering in 2018.

Harry

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