Harry's Take

October 12, 2021

As Usual, Rising T-Bond Rates Likely the Trigger for 50%+ Sudden Stock Crash

I have been calling for as high as a 54% to 56% stock crash within 2–3 months, based on my analysis of all major stock bubble "first" crashes over the last 100 years. The average is 42% in 2.6 months, and the infamous 1929 crash more comparable to this one was 49% in 2.3 months. It's my megaphone pattern that projects the S&P 500 will fall a bit more this time, to 2,000–2,100 from its recent peak of 4,546.

The triggers are similar to those of past bubble crashes: rising inflation and risk-free 10-year Treasury bond rates, with other bonds rising even more, commensurate with their risk. The chart shows the infamous 1987 crash of

In 1987, Treasury Yields Spiked 7.0% to 10.2% and Broke Stocks 40%

Source: Investing.com

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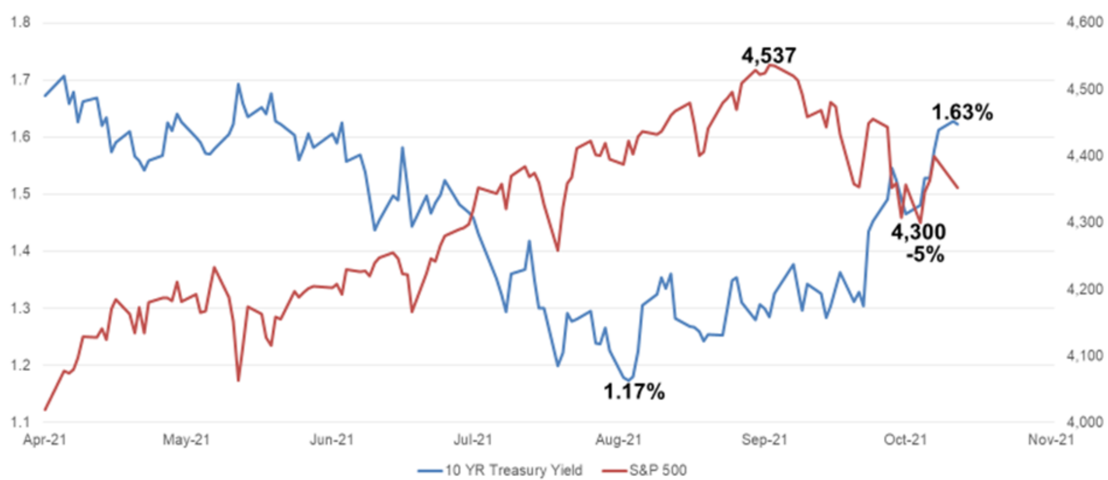
around 40% in just two months, which I think is the most similar to just the first crash now due that will be part of the larger 85% or so crash of our lifetime likely in the making.

In that case, the 10-year T-bond rose from a 7.0% to a 10.2% yield (45%) over 5.5 months before the sharpest and final part of the crash hit in a matter of just two weeks. That is what we could see just ahead, as T-bond rates have climbed from 1.17% to 1.63% (39%) in 2.5 months but are likely to continue to rise toward 1.9%–2.0%+ ahead as inflation pressures continue to persist until the economy slows.

Now, T-Bond Yields Rise from 1.17% to 1.63%; Stocks Have Fallen 5% Thus Far



Source: Investing.com

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Such a continued rise should be sufficient to trigger a more serious stock crash toward my first crash targets of as high as 54% to 56%... and end the greatest bull market in stocks ever, sending stocks down the most since the 89% crash of 1929–1932.

One of two scenarios is likely near term: 1) bond yields halt their rise temporarily and stocks rally into year-end before the great crash truly begins or 2) bond yields keep edging up toward 2% and stocks continue to correct, which leads to the first wave of the great crash into year-end. The

CPI report on Wednesday may help decide which of these two scenarios plays out.

Harry

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