



# ***Harry's Take***

August 23, 2022

## **Investors Seeing Recession Earlier This Time: This One Will Be Worse!**

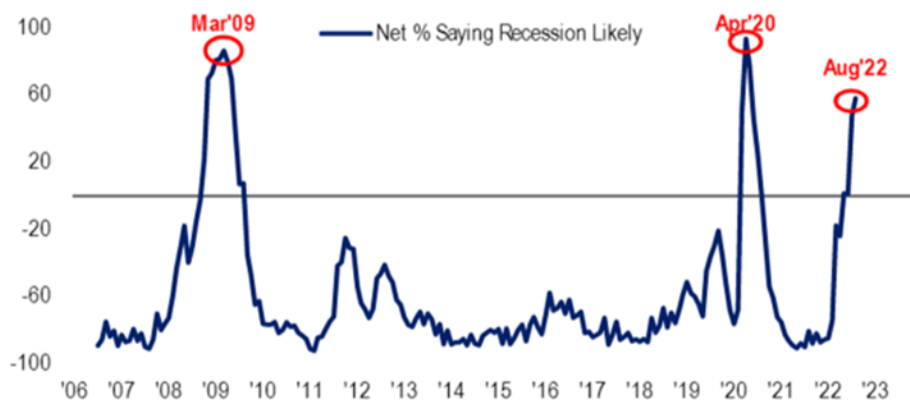
A recent survey of investors confirms what my research has been saying. This recession will be worse than the 2008–2009 downturn, which was the worst since 1980–1983 and since 1930–1933 before that. The 2008 financial crisis was cut short by unprecedented stimulus. That downturn should have lasted well into 2010 and we should have seen major restructuring of debts and more bank and business failures, like in the early 1930s...

As a result, a deeper downturn now is necessary to finally deleverage our economy so that it can grow again productively with the Millennial generation's demographic spending boom from 2024 into 2037. This deleveraging has been put off since 2009 and, hence, this downturn is likely to last well into 2024 now, instead of late 2023 as it would have on a more normal cycle.

## 55% of Investors See Recession: More Aggressive Than Last Spikes

**Chart 4: Recession remains consensus**

Net % Saying Recession Likely Over Next 12 Months



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Source: <https://www.bloomberg.com/news/articles/2022-08-16/bofa-survey-shows-investors-no-longer-apocalyptically-bearish>

[www.hsdent.com](http://www.hsdent.com)

In the 2008–2009 financial crisis, recession fears did not peak among investors until March 2009 when the stock market was finally bottoming, and the recession bottomed several months later. In the brief COVID crisis in March 2020, recession fears peaked in April and fell quickly back to zero, as the crisis proved to be less ominous than we anticipated.

This time, recession fears are rising rapidly and already are at about 55%, and the recession is just starting! Estimates of the start of the recession range from June to now or even to just ahead. Thus, consumers will react even more so and faster this time, and this recession is almost certain to be worse than the last one. Twenty percent of economists think that we are already in a recession, with 47% more expecting one to start by year-end.

That has been my forecast from the beginning: If you don't let the economy clear out its bad debts and zombie companies, a recession will have to happen down the road and the next downturn will be worse, not smaller.

**I am using the basic assumption that this downturn will be about 1.5 times as bad as the last one.**

I have been estimating that the broad S&P 500 Stock Index will be down 86% this time vs. 57% from late 2007 into early 2009; that's 1.51x. If that also translates into that much longer of a downturn, this recession may not be over until late 2024 instead of late 2023, as would have been expected on a natural cycle, wherein the recession would have begun by early 2020.

As I said recently, this is your last chance on this bounce since June to get out of stocks since my clear top warning in December 2021. The first wave of the crash bottomed in June, and the next wave likely is starting now or soon.

Harry

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*