Harry's Take

January 3, 2023

The Economy and Inflation Are Slowing: It's Just the Beginning

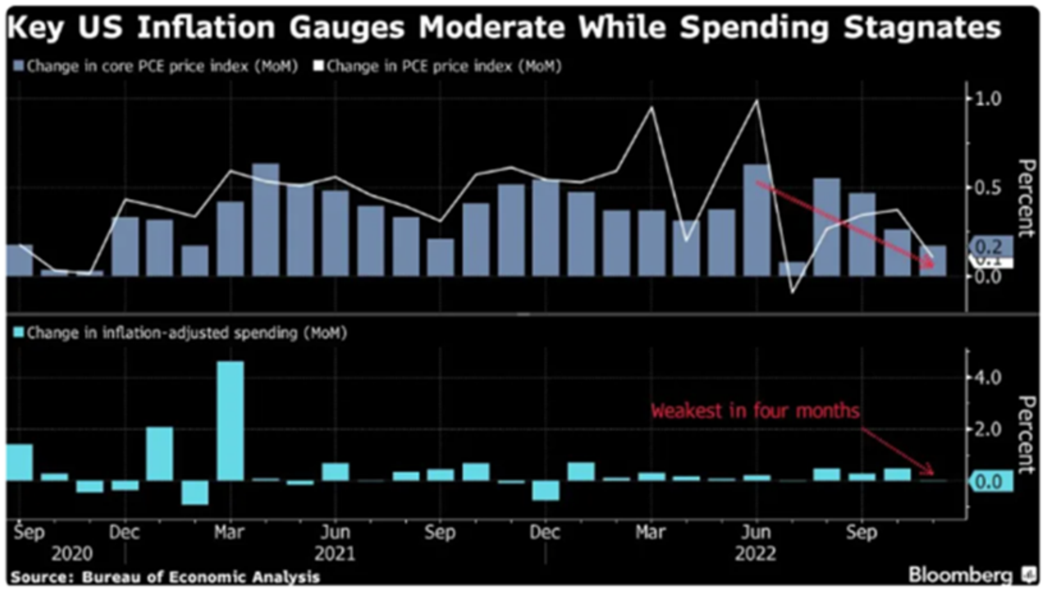
The great illusion of the Fed (and central banks globally) after 13 years of an unprecedented and escalating stimulus program is that the economy is strong enough now to handle the tightening necessary to bring the recent peak of inflation of 9.1% back down toward their 2% target.

I have the best single measure for the underlying strength of the economy: the Spending Wave. It predicted the stock peak in late 2007 and slowdown into 2008+ back in the mid-1980s, when I first came up with that long-term indicator. I was predicting all the way back then that economic momentum would peak around late 2007, exactly when it did, in retrospect.

But when the economy crashed the worst since 1930, central banks panicked and went on a 13-year money-printing spree. Of course, they thought that a year or two of $1 trillion injections would do the trick, as they don't understand the demographic spending trends and how weak they would become.

The truth is that our economy is now reaching its weakest point, with a longer 2008–2023 slowdown baked into the cake from highly projectable generational spending trends. This slowdown naturally would turn up sometime in 2024, but now we'll have to work off the greater excesses from 13 years of escalating stimulus. The quicker the economy decelerates and inflation turns to deflation—which will mean that the financial asset bubble is deflating more seriously and the economy is slowing—the more we can get back on track with the Millennial spending boom slated for 2024–2037, like the greater Baby Boom bull market from 1983 to 2007.

Recession Looms: Core Inflation Slowing Since June, Spending Down



Source: https://www.yahoo.com/now/us-personal-consumption-inflation-cools-141113104.html

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The clueless economists are finally admitting that it does look like we are entering a recession… but of course, like always, they see it as being mild.

Bubbles always burst, and the bigger the bubble, the bigger the burst, period. There have been NO exceptions in history. There is no way to achieve a soft landing here, after the second real estate bubble and stock bubble first pumped up and now have peaked nearly simultaneously. The previous real estate bubble peaked in early 2006; the last stock bubble peaked in mid-2000.

We’ve seen the first wave down for stocks into June 2022 and a second-wave bounce into mid-August. We are now very likely into the third wave, which will be at least as strong as the first wave and likely stronger, retesting the early 2020 COVID lows within months…

That’s when most people will start to realize that the central banks have lost control and that we are heading into a depression, not a recession. And it will be too late! This is your last chance to sell what you haven't in stocks and real estate… and even gold.

The Nasdaq is just 4.5% away from breaking its 10,088 low, and when that happens, it will be the sign that this next wave down is accelerating… and a final and fifth wave down will follow this one.

My sincere wish is that we'll wake up and never let central banks take total control of the economy ever again. Yes, you can't grow by merely printing money; you don't get something for nothing!

Harry

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