Harry's Take

March 26, 2024

Each Recession Since 1990 Has Been Deeper

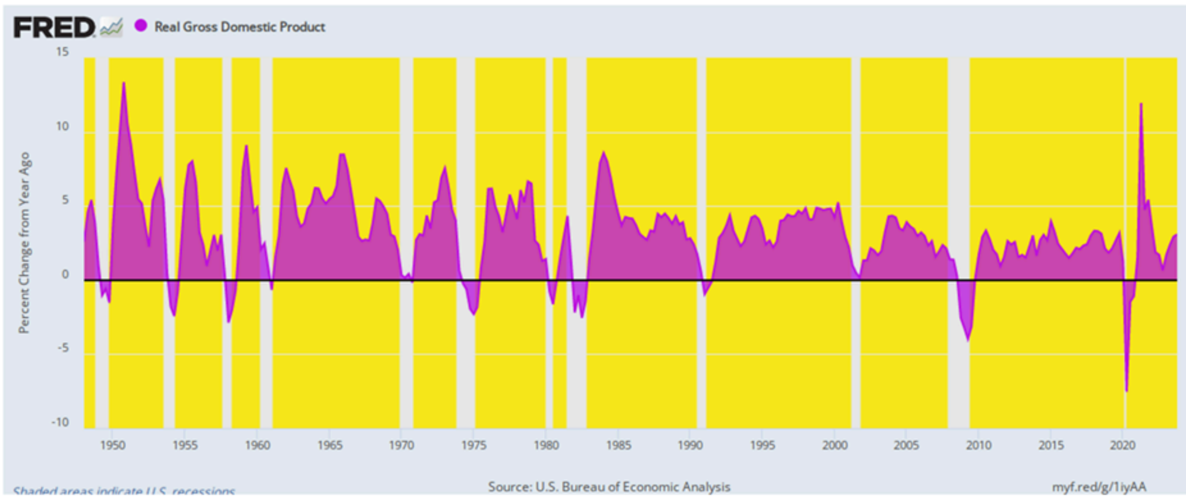
The 1990 recession was small and shallow. The great Baby Boom economic explosion began in 1983, anticipated by the 1982 long-term stock low. Most thought it was just a rebound after the long recession from 1970 through 1982 that followed the long-term, inflation-adjusted stock top in late 1968. Back then, all eyes were on the rise of Japan, China, and Asia… Nobody understood the power of the American Baby Boom Generation, the strongest and largest generational boom in the developed world.

Predicting this in my first two books, *Our Power to Predict* (1989) and *The Great Boom Ahead* (1993), was how I first became well known. I simply projected the greatest boom in history into late 2007 on a 46-year lag for peak spending. Most people back then thought I was crazy for being too bullish. The slogan that stockbrokers created from my books and speeches was "Dow 10,000 by 2000." People thought that was impossible in the late 1980s and early 1990s, but the Dow ended up going even higher, to over 12,000 by 2000.

But even in booms we have recessions. Businesses overexpand and it becomes necessary to clear out the excess capacity and bad debts to keep businesses and the economy lean and mean. What the chart below shows is natural. The longer a boom goes on, the more bullish consumers and businesses get and the more businesses thus overexpand. That's what recessions do best: they quickly clean out the excesses and inefficiencies.

This chart shows how recessions have gotten deeper since 1990, the most minor recession since 1980-1982.

Real GDP Has Crashed Much More in Each Recession Since 1990!



Source: https://davidstockman.substack.com/p/the-one-and-only-case-for-lower-ratesstill

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Note that the dips in GDP averaged 1% to 2% before 1990. The 2008-2009 GDP crash was by 4%. The brief and, hence, less-consequential 2020 COVID crash was by 8%. So, what do I expect this coming crash to be? Ten percent plus!

Businesses should be hunkering down now, in advance of the coming recession, to get lean and mean, not only to survive but to easily take market share from the failing competitors who did not expect a downturn. Investors will be greatly rewarded by getting into Treasury bonds with 4%+ yields; along with A+ corporates, this is likely to be one of the only substantial, appreciating sectors. Businesses then can reinvest during the sale of a lifetime on stocks and real estate from 2025 forward.

It’s hard to tell how long this next crash will last, as it will depend on how much credibility the Fed and central banks will have to come in with a new, bigger stimulus once the $10-trillion fiscal/monetary cocktail that we've gotten since 2008 blows up!

You can bet I'll be tracking this next crash like a hawk.

Harry

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