



# *Harry's Take*

March 18, 2025

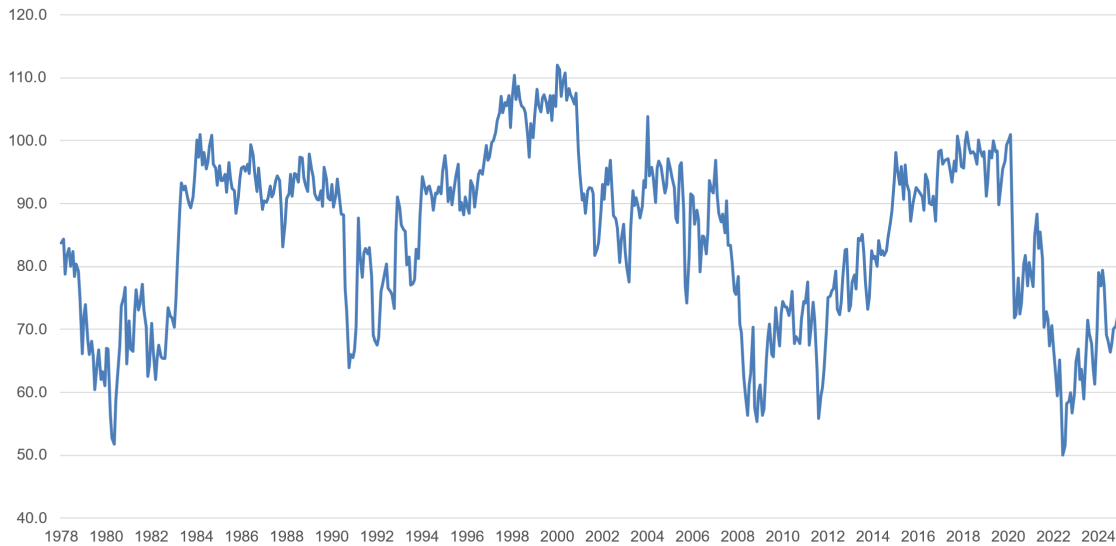
## **The Truth: Consumers Much More Bearish Than the Stock Market “On Crack”**

When our government runs huge deficits as they have nonstop since 2001, the economy feels that extra spending, and hence so do consumers through jobs and wages. But money printing is felt much more by stocks, real estate and financial assets as that adds permanent new levels of money to chase a limited supply of choices. That drives up stock and real estate valuations in even more. These deficits continue for now, but the money printing has started to be reversed by \$2T+.

Since the massive Baby Boom generation peaked in their long-term spending cycle in 2007, the economy has naturally slowed. It is plateauing demographically between 2007 and 2037 in North America, and the entire developed world more broadly. Consumers also run up against natural limits that they become more aware of faster than governments. How can you buy another trade-up home when you just bought one? Or continue furnishing after that is done following a new home purchase? And consumer sentiment currently is not looking good... and is likely to get much worse just ahead. If they don't feel good, investors shouldn't either.

**While the S&P 500 is a mere 10% off its all-time highs at recent lows on March 13, consumer sentiment is down 42% from its 2000 peak at the top of the first tech stock bubble. It was down even more at -55% in late 2022, below its 1980 lows when inflation was its highest near 16%, and we were in a brief recession which returned much stronger into 1981-82.**

## Consumer Sentiment Much More Bearish Than the Stock Market



Source: <http://www.sca.isr.umich.edu/tables.html>

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It's still down 35% from its highs after a bounce... but the bounce is weak, and the trend continues to look downward towards new lows on this chart. This is yet another sign that consumers have been stimulated beyond their limits and the biggest, longest and 100% artificial bubble in history is ending... and there is NO chance of a soft landing, especially after a bubble of this magnitude!

And the trigger: Governments' over-reaction in stimulus to COVID makes them too slow to combat the crash in time on the downside after such stimulus is now wearing off and reality comes back into play. The only reality to major bubbles is a rapid and painful burst! No exceptions in history.

Harry

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

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