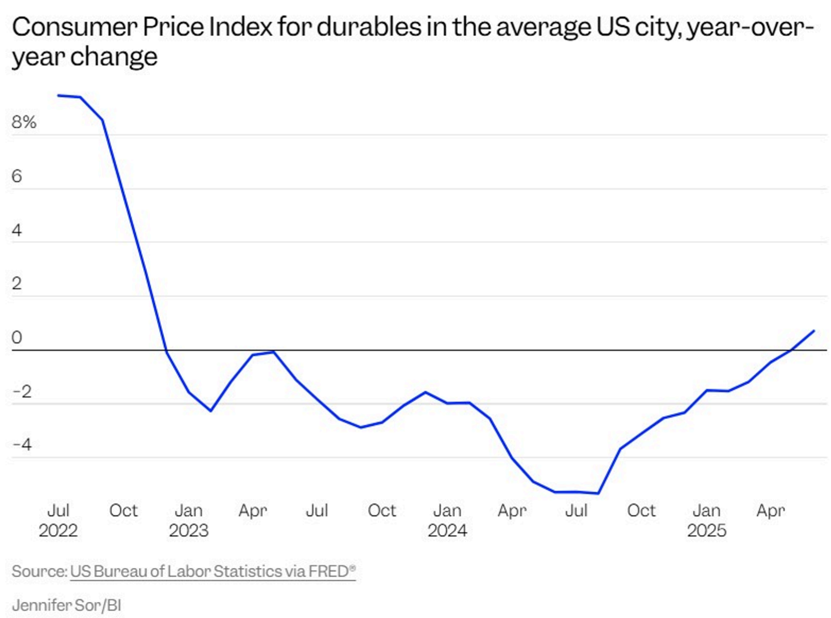
Harry's Take

July 22, 2025

The Trigger for a Crash: Durable Goods Inflation?

The top economist for Apollo, Torsten Slok, was making a warning on Monday that I feel is valid. This trend could well be the trigger for that first stock crash of 40% to 50% that marks a bubble burst in progress. And this bubble since March 2009 is now over 16 years long. There is no bubble in history to compare to this. Most are over in 5 years. Welcome to the era of artificial bubbles driven purely by fiscal and monetary stimulus. His point is that the most important trend is rising durable goods inflation shown in this chart.

Durable Goods Prices Are Rising Again After Falling for 2.5 Years



Source: Inflation Outlook: When Economist Sees the Most Damage From Trump's Tariffs Business Insider

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Durable goods are both the big-ticket items and the most discretionary vs. regular, recurring food, rent/mortgage and more fixed monthly bills. The CPI for durable goods is hence, more volatile than the overall CPI. Note that it peaked at just over 9% in July of 2022…. and actually went negative between

December 2022 and May 2025. It would not be hard for this volatile sector to run back up towards 9% again while the CPI climbs well above 3% again from 2.7% recently and 2.9% for core!

So far, there has been no noticeable effect of Trump's tariffs on the economy and inflation. But Slok comments that we won't feel the real effects of Trump's tariffs until around November to December… another of those predictable lags that I am always referring to.

If durable goods inflation continues to rise more dramatically, and that causes the overall CPI to trend back up towards 3%+, then obviously the Fed is not going to continue to back off of its still tight 425bps Fed Funds rate, and the stock markets have been anxiously anticipating Powell will reduce the Fed Funds rate by September.

Trump has likely made this situation worse by bullying Powell to lower rates which will likely make him even more hesitant to appear to be catering to Trump until there is clear evidence of rising inflation or falling growth. By the time these signs finally hit a few months from now, it could be too late, and the economy could reverse faster than expected if Treasury bonds cross strongly back above that 4.5% rate that makes stock investors more uncomfortable. And they are already at 4.43% on Monday.

More in the August newsletter.

Harry

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