



Harry's Take

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Consumer Sentiment Has Never Recovered Since COVID

Many people don't realize that we had a major flu, Influenza or the "Spanish Flu", hit back in 1918 to 1920. COVID had a similar impact a century later hitting in early 2020 and impacted the economy into 2022. There was a brief 2-month recession with the stock market having its only substantial correction since 2009 in its aftermath in 2022 with -37% on the Nasdaq and -28% on the S&P 500. Although the stock market has soared again to new highs... consumer sentiment hasn't followed as this chart shows. That's a danger sign!

Consumer Sentiment Has Never Recovered Since COVID in Early 2020



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

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Sentiment ranged from 90 to 100 from 2016 into COVID peaking at 101.4 in March 2018 and was still at 101.0 in February 2020. Then it collapsed to 62 when COVID hit and continued down to around 52 into May 2022. After getting back to as high as 61.7 in April of 2024, it has fallen again back as low as 52.2 in April of this year with a tepid bounce to 58.2 and already rolling over again.

My best reasoning for this is simple: \$10.5 trillion or 44% of the \$29T in total stimulus since 2008 hit just in 2020 and 2021 during the worst of the COVID crisis. That's what got the stock market's spirits back up. It loves nothing better than "Mo Crack!" Much of that stimulus went straight into the financial markets through bond buying by the Fed. That's more money chasing the same financial assets, and it keeps migrating towards the highest returns in stocks and real estate.

If the continued boom and rise in the markets hasn't gotten consumers feeling that great, what happens when the markets finally start to crash – as is inevitable after such a run, especially based for the first time in history 100% from artificial stimulus. They will feel really bad: "Darn, I should have known you don't just get something for nothing... like printing money out of thin air!"

This is another reason I caution investors not to have the confidence in the Fed and government to fight this bubble fast and strong enough when it finally bursts. When their spirits are this low in good times, imagine how fast they will drop when the economy starts falling again. That's when consumers will suddenly get it, listen to their intuition and know that winter is coming... and to store their nuts instead of spending them. Then you get a bubble crash that is really hard to fight. And as Donald says... the Fed is always too late!

Harry

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