



Harry's Take

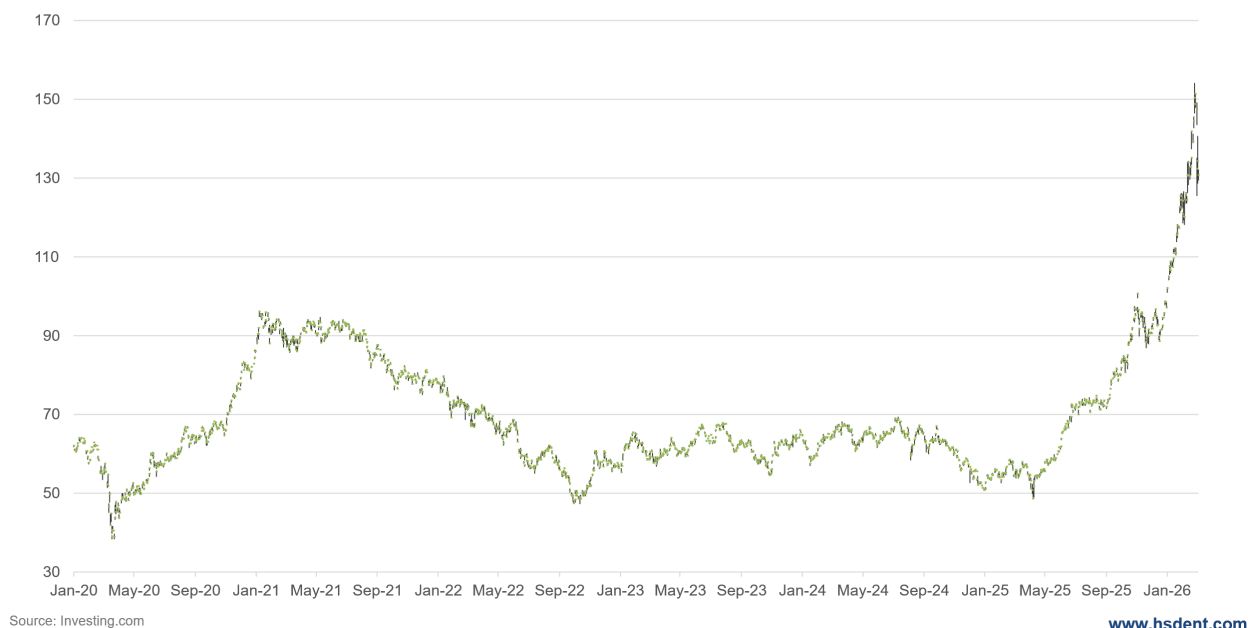
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South Korea Joins the Everything Bubble

I am absolutely sure of one thing. This is the longest, greatest and most inclusive bubble of all times. And why not? As the other certainty I have found in life is that there is only one type of growth... Exponential! It would therefore make sense that every bubble over time would be larger and more inclusive of more financial assets. I've recently shown that gold and silver joined this bubble in spades in the last 3 years with gold bubbling 3.2 times and silver 4.5 times in just over three years from late 2022 into now. How could these very tangible financial assets suddenly be worth so much more? That's not rational! The truth is the markets are pretty darn accurate over time, but not all the time.

Another sign that this Everything Bubble is finally about to burst after breaking all records in time, in almost all financial assets for the first time, is this chart showing the recent and dramatic bubble in South Korea stocks. This one has gone up over 3 times in just over one year! What a nice finale.

The Beautiful South Korea Stock Bubble: First Crash Could Be 37-70%



There is a logic to most bubbles. They occur when trends are most favorable to financial assets, and they first catch up to unseen value, but then greatly overshoot it. When we are steering a sailboat, we try to go in a straight line but never do. We veer back and forth a bit, over- and under-shooting on the way. Most stock bubbles have their bubbly surge in about 5 years: 1925 – 1929 and 1995 – early 2000 were the two most notable in stocks in the last 100 years. But then this one was different. It was not a “natural bubble”, i.e., investors getting over-enthusiastic and greedy when economic times were especially favorable. This bubble was what I have been calling “100% artificial.” Central banks and governments of the developed countries followed a new Keynesian logic that suggested we didn’t need to have recessions and stock crashes anymore. The government would just counter them by running deficits to offset the private sector slowing and injecting artificially printed money into the markets to keep them from going down too much. We could just die and go to heaven economically. We could better manage free market capitalism which has created more progress in income and wealth than all 300,000 years of human history prior! How arrogant.

Another great saying: If life was perfect, it would not be!

Why not??? Here’s why not. Everything in life has always occurred in cycles. Cycles come from the natural play of opposites, like dark and light, men and women, and so on. This play of opposites is how life creates energy and growth, through challenge and nurture. The problem is we start deciding we want the nurture, but not the challenge; the good and not the bad, the boom

and not the bust, and so on. I developed my view from objectively studying history in depth for the most prosperous 10,000 years in history since the Agricultural Revolution starting around 8,000 BC, documented in an astounding 10-volume set of books called *The Story of Civilization*, by William Durant... and I found that his wife, Ariel, was a major contributor.

Why is this not a text book in most economics courses? Why do even most seemingly competent economists not expect that anyone can predict the future past the next election as they think politics is the most important factor. History taught me quickly that politics don't matter much at all, except for the advent of the very auspicious breakthrough concept of free market capitalism by Adam Smith which just happened to coincide with the advent of democracy in America that most unleashed another very powerful play of opposites from the late 1700s forward. Capitalism encourages and rewards innovation and merit. Democracy gives everyone a vote and encourages inclusion.

The play of opposites is the secret, not the problem to be eliminated!

But now most economists and politicians feel like their role is to eliminate recessions... ah, like having all nurture and no challenge! I knew a few kids in high school that had that. Needless to say, they did not end up changing the world! To me this is the biggest crisis in the history of economics... Period! It only ends when the economy gets so spoiled and bubbly that it teaches its parents a big lesson!

I've been calling that the "Crash of Our Lifetimes." And it now looks the most imminent just when we've gone the longest in history without a natural recession... since 2009! You nor I can change this. We can only get out of the way of it, and profit by seeing the simple reality of it all. People don't see bubbles because they get high when bubbles happen. And high people don't tend to make good decisions. This is not the time to be high!

Harry

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