



Harry's Take

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Lowest Dividend Yield Since 2000 Screams Stock Bubble Peak

I've covered many times over the past years how stock valuations like the Shiller CAPE (Cyclically Adjusted P/E Ratio) are just below the highest valuations in all of stock market history. The highest peak was in 2000 just before the first tech wreck with a 78% crash on the Nasdaq. Yes, and it's well higher than even the infamous late 1929 peak and 89% crash that triggered The Great Depression which had its largest impact into early 1933, but essentially lasted more than a decade into early 1942. Most say World War II finally pulled us out of it, but I say the Bob Hope Generation's Spending Wave from 1942 into 1968 would have, even without the greatest war in modern history. The next great depression should have come between 2008 and 2022 after the Baby Boom Spending Wave peaked and before the primary surge of the Millennials stepped up into their peak spending from 2023 into 2037. But the \$30 trillion, and still rising, massive stimulus program in the U.S. alone, covered over that natural downturn and shake-out of our economy, as actually occurred naturally in the 1930s. And after World War II, that was followed by the greatest and happiest boom in American history back then: 1950-1968.

You know my position by now. Preventing recessions or depressions should NOT be government and Federal Reserve/central bank policy. Booms and busts, inflation and deflation, innovation, growth and the shaking-out or elimination of losing companies are all a natural part of the ebb and flow that makes capitalism so great. "Free" is the key word. Free to allow many companies the opportunity to start and grow, but equally, free to eliminate the ones that are weakest. All of "Evolution" is after all called "Survival of the

Fittest.” That’s the wonderful and cold reality of how progress and reality really works. That’s why free market capitalism is so great! It’s in synch with reality, not ideology.

The Breakthrough Marriage of Free Market Capitalism and Democracy in the late 1700s, led by the U.S., has created an unprecedented “Explosion of Wealth” in the rising tide of the most powerful of cycles: the 500-year Mega Inflation/Innovation Cycle.

This is not the time to get complacent and discard this powerful, natural system so casually and cowardly... to merely avoid a damn recession! And that is exactly what the developed world has done, led by the U.S., since 2008 when the Baby Boom grand expansion from 1983 into 2007 turned into the Baby Bust Slowdown on my simple 46-year lag Spending Wave. So, no one could say we couldn’t have seen this coming. But since it finally and inevitably hit, we have chosen the easier, cowardly way: print and deficit your way over it! The real crime will never be understood by most... And that is:

Governments and economists not understanding that recessions are NOT “The Problem” - but instead, an essential facet of free market capitalism. Let everyone and business have a fair shot at success, then let the rug be pulled out (via recession) and see who earned their place longer-term.

Recessions follow the old adage: “What doesn’t kill you makes you stronger.”

This chart is another of many signs that we are about to see a crash that few expect now given our delusional, artificial boom; despite the best intentions to the contrary. Dividend yields are the lowest they’ve been ever, and similar to the last tech bubble peak in 2000. Dividends are like the interest paid on bonds. And there is a limit to how much even a fool would pay for such actual expected payouts... which are less than earnings most of the time.

S&P 500 Dividend Yield the Lowest Since Last Tech Bubble Peak 2000



Data source: Historical U.S. equity data (1871–present), based on Robert J. Shiller's reconstructed series (Yale University). Curated by Finanzapedia.

FINANZAPEDIA

Source: <https://finanzapedia.com/en/sp500/sp-500-dividend-yield-historical-data-analysis>

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In my view: the economy is about to get the slowdown it would have chosen if it were “free,” if it hadn’t been prevented from doing so since 2008. Just the fact that we have been stimulating up to \$30T+ since 2008 and still have to, strongly suggests that this isn’t working!!! But the real truth...

It's the not getting that this long-term nonstop stimulus is the opposite of free market capitalism... That's the unforgiveable sin! Why? My view is: It's the greatest innovation in modern history, even greater than electricity!

Harry

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