Harry's Take

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The Current AI Hype Is Likely Well Ahead of Its Time!

I have already been mentioning this topic in my newsletter. There's something off and premature in the whole AI hype we've been getting in the last few years. New technologies have historically hit and ultimately peaked on 45- and 90-year cycles, much like the generational/demographic booms that have been peaking about every 39 years like 1929, 1968 and 2007.

What's wrong? The massive stimulus since 2008 has prevented the 90-year bubble cycle from bursting and deleveraging. We're still in "bubble thinking and logic!" We're turning an early-stage AI cycle into a later-stage one before its time.

For the technology/innovation cycles we tend to get major bubbles only every other 45-year cycle, i.e., like 1839, 1929 and 2021. The 1839 Super-bubble cycle peaked a bit early in 1836, but hit its bottom in 1842, exactly 90-years before the 1929 crash into 1932. This current bubble is peaking late, likely on October 6 with peaks in both the Nasdaq and S&P 500 thus far. This one is very easy to explain: 17 years of unprecedented fiscal and monetary stimulus… $31T since 2008 thus far, and still $2T a year in fiscal, has not allowed this 90-year bubble cycle to burst as it should.

The technology cycle became elevated since the steam engine and Industrial Revolution of the 1760s forward. The newer generational cycles became elevated after Henry Ford innovated the ultimate breakthrough of modern times: The Assembly Line in 1914! That made the everyday worker far more productive without higher education, and hence created the first mass

middle class in history. That cycle is now the most prominent and easiest to notice.

But the longer-essential technology and innovation cycles have a pattern also. Every 45 years we see two surges in innovation. The first a more radical one and the second more incremental and mass market. In the last bubbly 90-year version there were two clear peaks in late 1907 and late 1929, 22 years apart, about half of the 45-year cycle. 1950 and 1972 saw similar peaks in the last 45-year cycle.

In the current 90-year Super-Bubble version I see those two peaks as early 2000, the first very clear tech bubble peak with a dramatic 78% crash into late 2002; and now the second bubble would have been expected to peak around late 2019 to early 2020 and then crash into late 2022.

This is what did not happen this time in the most dramatic 90-year variant of the 45-year Technology/Innovation Cycle. Adding the Decennial Cycle, the ideal time for a peak would have been late 2019 or early 2020 with the "Crash of Our Lifetime", like late 1929 into 1932, into late 2022!!! The $31T in stimulus has stretched this cycle into a likely peak in late 2026, seven years later than normal. This just strongly suggests that we get this major crash between late 2026 and mid-to-late 2029… NOW!

It shouldn't take long for this to become more obvious if this is indeed the case. On this technology-driven cycle, the next boom and strong bull run should occur more between 2032 and 2043. But that would end up being at odds a bit with the minor 6-year demographic downtrend for the Millennials between late 2037 and late 2042/43.

The one thing that is most clear: We will not see another bubble era like this one since 1995 until around 2085 to 2110… next century!!!

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