



Rosenberg  
Research

*Economic Research  
for Informed Investing*

**David A. Rosenberg**  
+1 416-583-5566  
information@rosenbergresearch.com  
rosenbergresearch.com

# Dave's Personal Notes: On Perseverance

**April 13, 2021**

Last Thursday, I was being interviewed on CNBC when I was told that my views were diametrically opposed to the consensus and how the markets are positioned. To which I exclaimed that it's been many years since I was this excited about going against the herd. I did have just enough airtime to work in Bob Farrell's Rule #9: "When all the experts and forecasts agree, something else is going to happen."

Of course, this was all about the debate over runaway growth and inflation and the call on the Fed and the Treasury market. I didn't take the bait on the stock market as the bubble just gets bigger and bigger, with the CAPE now pressing against 37x, only surpassed historically by the late 1990s tech frenzy.

So yes, I am not positioned the way the dominant "Roaring Twenties" crowd is, that much is for sure. But I have been here before. When I turned bearish on tech at the height of the bubble back in 2000, my partners at the time thought I was nuts. In the early months of 2002, when visions of post-9/11 reconstruction and rebuilding alongside massive monetary and fiscal stimulus had the bond vigilantes out in full force, the second half of that year saw a monster Treasury market rally instead as expectations of Fed tightening swung around to easing. The economy was far too fragile as it turned out to withstand the run-up in market rates, though it wasn't evident to the consensus during the winter and spring that year when it looked as though a classic inventory investment cycle appeared to be taking hold a tad prematurely. Alan Greenspan actually messaged to the market in early 2000 that it was in over its skis on the big economic recovery view — but as is the case now, investors guffawed. And then they gasped.

But it was during that mania in the mid-2000's when my resolve was truly tested. All I had to do was sift through the data and see the charts to know we had a housing bubble of epic proportions on our hands. Home price-to-income, home price-to-rent, and residential real estate/household asset ratios were in the stratosphere. When you're talking about one-to-two standard deviation events, you know you are in major excess.



Leverage, speculation, valuation, sentiment and public participation all fit the classic definition of a “bubble,” yet — believe it or not — it reached a stage where I had peeved off so many people by not being part of the bullish consensus that I was forbidden from using the “B” word in my published research (we settled for “mania” instead). I faced multiple internal reviews (including a 360) and internal disdain for years (the head of the bond desk once threw my chart presentation at me in anger in a boardroom); I was encouraged to change my Fed forecast to a tightening in the fall of 2007 (I had previously quietly slipped in an easing forecast in 2008 in order to send a message and came out under some pressure) though I pushed against the view that rates were going higher and I would say one of my prouder moments in my 35 years in this business — not ever succumbing to that pressure to have the Fed raise rates since I had this strong sense that the credit cycle was soon to collapse.

But go back to that period in the summer and fall of 2007, and it was daring on its own just to not join the crowd in calling for a tighter Fed and an extended bear market in Treasuries, which was the overwhelming consensus at the time. I recall being told by one of my superiors that the equity research analysts were complaining that if they were to input my economics department’s forecasts on retail sales, industrial production and housing starts into their own models, they would be forced to have “sell” recommendations on 75% of the companies they covered. To which I responded — “maybe they should.” That didn’t trigger a very warm reaction, to say the least.

It was around that time, I have to tell you, that I was marketing in Houston and visited a very large mutual fund. I was giving one of my usual “fire and brimstone” chats and I was loaded for bear and went through all my housing charts and why it would all end badly and the only investment worthy of consideration was the long bond. Well, halfway through my spiel, the CIO stood up, interrupted me, and shouted, “Rosenberg, I’ve heard enough, you don’t know what you’re talking about!” Ouch. I quickly said to myself, “Well, there’s an institutional investor vote out the window.” There are salespeople who were there who can vouch for this story; it happened, and all I left out were a couple of other comments not befitting to be in print. Those who were there know to this day exactly what I’m talking about.

In any event, it’s probably not as bad as having the Head of Bond Sales at your own firm do exactly the same thing except the difference being that he physically threw my chart package at me in front of about 30 others (I thought it was me who was supposed to be giving the “pitch”!). And I’ll never forget what he said — “Do you enjoy being wrong all the time?” Well, truth be told, when push came to shove, I proved to be spectacularly correct, and he didn’t last at the firm that much longer.



Look, nobody is right all the time, and nobody is wrong all the time. And more often than not, it really comes down more to timing, and I am historically early to a fault. But experience goes a long way in this business and so it is important to identify bubbles – we have two now, in residential real estate and equities – and then understand that excesses will always go further than you think (where we are now) but that no bubble ever corrected by going sideways (no sense timing it; just know that it's out there).

To me, it is fanciful to believe that we come out of the first global pandemic in over a century into a world of new-found sustainable inflation. Or that a massive surge in public sector deficits and debts, producing little more than a short-term sugar high, have assured us an economic future replete with the “Roaring Twenties” and a “Goldilocks” economic scenario. The vaccination rollout is impressive, and the re-opening of the U.S. economy is both welcome and impressive. But once this so-called “pent up” demand is filled in the 4% of GDP known as the COVID-19-affected “consumer services” sector, and once these short-term stimulus checks run out, the economic emperor becomes disrobed as was the case in last year's fourth quarter. While the markets had a 1-2 year time horizon when I started in the business in the mid-1980s, today it is more like 1-2 months. By July-August, the markets, both stocks and bonds, will start to see what I already see around the bend.

As for inflation, remember that this is all people talked about, too, amidst the asset and commodity boom in 2006 and well into 2007 – there reached a point once the asset and commodity boom turned to bust where CPI and PPI inflation didn't really matter anymore (lagging indicators in any event). And keep in mind that the recession started nearly two years after the Fed had last touched rates – so sometimes, these bubbles just end up bursting under the weight of their own overvalued excess. As Bob Farrell would say, “the markets make the news; the news doesn't make the markets.”

So yes, the consensus on inflation, Treasury yields, equity markets (especially the value trade), “Goldilocks,” “Roaring Twenties,” the Fed not knowing what it's doing, is so overwhelmingly one-sided, that I don't find it difficult one bit to place the bet in the other direction. Why? Because “something else is going to happen.” We have until the summer months to find out what the “something else” will be.

So I'm having that same “gut check” I had in 2000, 2002 and 2007. The pushback is incredible, I have to say, but it is actually increasing the intensity of my resolve. All I ask everyone is this – please don't throw any chartbooks at me!

Dave



**INTERESTED IN TRYING DAVE'S RESEARCH?**

**FREE 30-DAY TRIAL:**

<https://bit.ly/3gTya7v>

**DAVE'S PERSONAL NOTES:**

- [Letter from the Non-Bearish Economist](#)
- [Secrets to Success](#)
- [Who Made Breakfast?](#)
- [The Chief Economist's Speech](#)



---

## OUR PRODUCTS

### Breakfast with Dave

Our flagship product, *Breakfast with Dave*, is an in-depth look into the global financial markets and the economy. You'll access Dave's deep data analysis and assessments of "big picture" trends, and his advice on how to invest around them.

[Sample Report](#)

### Strategizer

A monthly report designed to produce actionable investment ideas based on our proprietary models. The report covers a wide range of asset classes and sectors and will help investors identify shifts and opportunities in the investment landscape.

[Sample Report](#)

### Webcast with Dave

For these webcasts, David is joined by industry titans to share their views on the markets and the economy. Past and future speakers include Gary Shilling, Richard Bernstein, Niall Ferguson, Jeffrey Gundlach, and other legends.

[Check out our guest line up](#)

### Early Morning with Dave

Dave and our team of economists get up early to prepare this analysis of the overnight markets and global events. Dave's take on macroeconomic trends from his global perspective will give you the insight you need to understand the investment landscape for the day ahead.

[Sample Report](#)

### Technicals with Dave

Each week Dave and our technical analysts engage their charting expertise to identify both broad secular trends and near-term shifts across all markets, including equities, fixed income, currencies and commodities.

[Sample Report](#)

### Special or Thematic Reports

Dave and the team produce periodic, high-level studies on the secular and structural shifts in the global economic and financial landscape.

[Sample Report](#)

### Weekly Buffet with Dave

Cap off your investment week with Dave's digest of the key economic themes and investment ideas that moved the markets this week.

[Sample Report](#)

### Charts with Dave

Charts with Dave provides regular access to our latest slide deck. Dave's charts capture the current and future trends in economic and market activity.

[Sample Report](#)

### Deep Dives & Market Movers

This periodic, event-based report offers analysis of breaking news and/or data releases that are affecting the markets and your investments.

[Sample Report](#)

**For pricing information on any of our products contact us at:**

+1 (416) 583-5566

information@rosenbergresearch.com