MACRO Voices
with hosts Erik Townsend and Patrick Ceresna

David Rosenberg: Lament of a Bear

December 12th, 2024

Erik: Joining me now is Rosenberg Research founder, David Rosenberg, David, the last time I had you on the show, you and I were both very skeptical of this seemingly endless stock market rally. You just penned a piece called *Lament of a Bear*. Give us a summary of what that piece is about and what your current perspective is on this market.

David: Well, thanks for having me on the call. *Lament of a Bear* was just doing, I think, what any analyst or strategist or economist should do at the end of a year where, for the second year in a row, the stock market just pulled a major upside surprise. I'm really not alone, when you think about it, that the consensus on the S&P500 this time last year, for the end of this year, was 4800, and here we are, well north of 6000. And the point that I was making in my piece, and it was really an exercise of putting myself in the shoes of a bull and understanding and trying to appreciate what the other side of the debate is, and what the stock market is really telling us, because the stock market, we could say, well, it's crazy, it's stupid. The valuations are insane. But I'm not going to say the stock market always gets the story right, but it is a broad and liquid market and collective positioning by 1000s, if not hundreds of 1000s of participants, and they're not stupid. So, it was an exercise in really trying to more deeply understand what the message is, and maybe tipping the hat to the bulls instead of arguing and calling it a bubble every single day in my missives, and it may still be a bubble, but I think at the margin, what changed for me was, well, maybe it's not a bubble. And by that, I mean we're spending so much time looking at valuation metrics in the classical sense of 12-month trailing P multiples, 12-month forward multiples. And of course, when you look at the multiples on a one-year forward basis of ‘22 to ’23, you're in the top 5% valuations of all time. But we have to consider that the stock market is a long duration animal, and there are times when perhaps the one-year trailing or forward multiples are not the most appropriate way to assess or value the market, and we have to come to the conclusion that the market is telling us that the generative AI craze is something that's very close to what the internet did back in the 1990s. And of course, you date the start of the internet mania in 1995 when Netscape went public, and it went from a bull market to a raging bull market to a mania, and then to a bubble that inevitably burst, as all bubbles do. It did take five years for that to happen, and if you were there in 1997 and ‘98 and even in a ‘99 yelling bubble, bubble, bubble doesn't matter, the market still ripped in your face, inevitably, there was a day of reckoning that came down the road. I think that what's happening this time around, is very similar in the sense that the market is taking a longer time horizon. If you build an assumption that AI is a major inflection point in the technology curve, that we've had a real model shift in this sense. And I think that you can say that, yeah, it's going to have a major impact. We don't know how it's going to be regulated in the future. Nobody knows really what

the total available market is going to be, and so a lot of assumptions are being made, but I think we can say that AI is a game changer. Call it “internet-light,” and that was a game changer, as we all know, and has future positive implications for productivity in particular, and that's important for any investor. Because a fundamental or a secular shift in productivity is going to have a major impact on unit costs in the business sector, and then what that means for corporate profitability in the future.

So, I think that the reason why the stock market, through thick and thin and through good news and bad news in the past couple of years, has continued to march higher is that the stock market has taken on a much longer time horizon than has normally been the case. I know that's going to sound a lot like, well, it's different this time or new era thinking. And I'm saying, well, no, not really. We’ve seen a handful of these technological innovations that really causes a big shift in the technology curve, that then leads to a whole bunch of assumptions on what the future is going to look like in terms of what I just mentioned, productivity growth that leads into profitability. And what is the stock market? After all, the stock market is always operating, not on the here and now, and it's not operating on lagging statistics. The stock market, by definition, is filled with assumptions and expectations about the future, and only in the future do we find out the extent to which the market overpriced, what was going to happen, and that's ultimately how bubbles burst. So, I tip my hat to the view that the market is giving us a very important message about what it believes. And what it believes is that the long term, not 1 year, not 2 years, not 3 years, but 5 years, or 10 years, that AI is going to be a fundamental game changer as far as what it means for the economy. And it's all very positive. Of course, there'll be winners and losers as far as our personal lives are concerned, but in general, the belief that it's going to lead to a lower corporate cost curve is bullish for profits, and not just for the here and now, but for the future. So, I think that what's happened here is that the stock market investor at the margin has lengthened his or her investment time horizon more than it's been the case in the past. And what I missed in this rally, this huge rally, is not appreciating the extent to which AI was going to compel investors to lengthen their investment time horizons as much as it has now. On top of that, we have the Trump victory and major thin majority in the House, majority in the Senate, clean sweep. I don't really believe that Trump is going to get his corporate tax cuts through, because the House is just filled with fiscal conservatives who want to bring the deficit down, but I do think that, and really, this is coming from the *Lament of a Bear*, we have to make the assertion that Donald Trump, as a standalone event, is bullish for the stock market, because his administration is clearly going to be very business friendly. So, you're taking a look at what my biggest concern was in the lead up to the election the shortly thereafter was, would he boost tariffs, 20% on everybody but China, and 60% on China and engage everybody into a global trade and tariff war. What would the Fed's reaction function to that be? And that had me very concerned for maybe a couple of weeks. And then he put together his economics team, which I would have to say he gets full grades on, and I think especially Scott Bessent, his Treasury Secretary, I'm pretty confident, is going to restrain some of Trump's most damaging impulses, especially when it comes to trade policy. So, I don't think we're going to be getting into a big tariff war. I think that even, as we saw already with the threat for Canada and Mexico, that he was using tariffs as a weapon for border security concerns, it's really being used more as a tactic. So, I'm relieved about that, less concerned about there being a tariff war, and of course,

whatever inflationary effects there would be. And we have a president who is going to, even if he doesn't get his tax cuts through, he is going to be deregulating substantially, obviously, very big, important implications for the financial sector and for small business and deregulation, ipso facto, like AI, leads to a lower corporate cost curve. So that's bullish for the stock market, and there's no doubt about that. And on top of that, drill, baby drill, we're going to get a lot more energy production that will lead to lower oil prices, and that will be beneficial for, pretty well every aspect of the economy, especially industries that are heavy users of energy, because it means that their profit margins are going to improve.

I still have not acted on what I'm talking about, because I still think there's a lot of question marks, and I'm concerned about putting the valuations aside, which I had mentioned, we could argue that maybe this is not a bubble, after all, if you're taking a look at the stock market valued on a long term basis, so long as those assumptions that are being embedded, as far as AI is concerned, prove to be appropriate. But we're not going to know that for some time yet, and this stock market clearly is going to be forgiving, but certainly from a public policy standpoint, the Trump victory is clearly positive for the stock market. My concerns, really is, that sentiment is wildly positive, and market positioning is showing that this is a very crowded trade right now to be all in on the S&P 500. So, I have other issues, when I take a look and I see that portfolio managers in the industry, on the equity side, have barely more than 1% cash ratios, I get a little unnerved. You know that? What if something happens that upsets the apple cart? Portfolio managers, institutional portfolio managers, do not have the liquidity, so there could be forced selling. So from a fund flow standpoint, market positioning standpoint and sentiment standpoint, sentiment, every sentiment measure is just off the charts, and I tend to be a contrarian. So even though I was willing to acquiesce and talk about how perhaps the structure of the market's thinking has changed because of AI and the reasons why you could be more bullish because of the Trump victory, there's other things, nagging concerns I have right now, which is why I've written about these things. And I've also said, by the way, you do what you want to do, I haven't really adjusted my portfolio just yet.

Erik: Let's talk a little bit more about President Trump being re-elected. It seems to me that, although there's lots of reasons to think that his stated intentions might be bullish for the economy and the stock market, there's going to be immense opposition to some of his bolder things, particularly Elon Musk and Vivek Ramaswamy, DOGE effort, they want to fire half of the government. Is that something that potentially has the risk of derailing other policies of the administration and maybe taking some of the shine off of the bullish interpretation of his election?

David: Well, I don't really think that Elon Musk is going to be able to find $2 trillion of savings unless he fires the entire civil service, and there's just not enough discretionary spending after you account for Medicare, veterans benefits, Social Security, Defense, the cupboards almost bare after that. So personally, I think a lot of that is show and I don't think that we're going to be seeing broad spending cutbacks at the same time. I don't think that Trump is going to get his corporate tax cuts through. So I think that the deficit is going to remain elevated. I don't think it's going to be going up, and I think that it probably will only go down if the supply side measures

that he's going to adopt, and especially on the deregulation side, produces enough economic growth that we can get the revenue base up and at least get the deficit GDP ratio down on a more sustainable basis. That would be my broad expectation, but I don't think that we're going to be getting broad spending cuts, and there's just not enough there. I didn't even talk about the fact they have a trillion dollars annually of interest expense. Now, how are you going to get out of that? So, I think a lot of that was for show. I think that, like the tariffs, although he imposed tariffs in his first term, not nearly as much as he said he was going to when he was running the campaign against Hillary Clinton. So, I think, sometimes with Donald Trump, we have to try and separate out what is for show and what is actually likely to happen, and it's going to be very difficult, certainly, to get anything through the House. The House is very fractious. It's a razor thin majority, just a couple of seats, and so I think the legislative agenda is going to be questionable in terms of what he can get done, and there's not the same appetite for corporate tax cuts this time around as there were last time. I think that most Republicans are quite happy at 21% from 35%. But back to your question about that Donald Trump would implement fiscal drag to the point that it would generate a recession, I don't think I'm there. I don't think that he would be doing that. I think that the big thrust will actually be, and of course, we can also talk about his immigration policy, but I don't think we're going to have 20 million people exported out of the country. I mean, a lot of this is just talk. It's probably not going to happen. People tend to forget that the President that oversaw the biggest immigration outflow deportation was Barack Obama. I don't think that Trump is going to be going overboard on that. But of course, immigrants that are criminals, they'll be the first to go. But I think that the view that he's going to constrict the economy and restrict the labor supply, people talked about that when he got elected in 2016 and he did tighten up immigration, and the unemployment rate did get down to 3.5%, but we never did get the big wage and price inflation out of that. To me, the really big thing is going to be is energy policy and his deregulation policy, and what he can achieve politically from his tariff policy without engaging in a global trade war. So, I think those are the major things, and I think his tariffs are really aimed at trying to entice companies in foreign countries to set up shop in the US. So, you know, you'd say to me, well, okay, what if Elon Musk does actually take the knife out and is able to slice government spending? And of course, that would have, a lot of people in our industry would applaud that, but it would have a negative impact on aggregate demand, because government is part of aggregate demand, which is GDP. But then there's a huge offset. If it's tariff policy, which he refers to as an industrial policy, which is an enticement for direct investment to come in the United States, that would be a very big offset to anything that Elon Musk would do on the spending front, in terms of government spending cutbacks.

Erik: Let's go back to your comments about AI. I definitely agree that AI is going to be really big, but at the same time, I really feel there's a strong parallel here to the late 90s and the dotcom boom, before it turned into a bust. And I was a software entrepreneur at the time. I sold my software company in ‘98 and I know that the way I felt was very much the way that most software entrepreneurs felt at the time, which is the Wall Street guys are exactly right, that the internet is going to be a really, really big deal, and they also have absolutely no clue what they're buying. It was crazy just to see the Wall Street guys show up in Silicon Valley. Anything that has .com in its name, they want to buy it, buy first, ask diligence questions later was the

attitude. Worked out very well for a lot of people that were pushing companies that really didn't have any substance behind them, but it didn't work out so well in the end, once we got to 2000 for investors. Do you think there's a parallel there? Is there an AI bubble that will burst at some point? And I'm not suggesting that AI isn't a big deal. I'm just suggesting maybe there's malinvestment in the wrong things, because the people doing the investing don't fully understand AI yet.

David: I think there's a lot of truth to that. You know, my point in *Lament of a Bear* was to explain what the market has been doing, and the market has been lengthening its investment horizon, and it always does that after a major shift in the technology curve. This is nothing that is really new. I really wish I was more on top of this a year ago, but two years in a row of this sort of stock market is a splash of cold water in the face. And you can sit there and say, 'bubble, bubble, toil and trouble,' which I've been doing, and there's still part of me that's doing that. And then at some point you got to say, okay, like you owe it to your clients and people listen to you to explain what is going on, and that let them make the decision as to what it is they want to do. I provided the explanation. I haven't really done anything, although I'm more sensitive to the bullish case than it was before. Let's just say I'm more bull, more sensitive to that case and less resistant than I was before. It doesn't mean that I'm jumping into the market. I haven't done that, at least not yet. I think that we will get a correction, and then I got to decide whether this will be another one of those dips that you want to buy in terms of the bubble bursting. So these things are very difficult to time. I was saying this was a bubble back in '98 and '99 and then it wasn't until the winter of 2000 that things rolled over. So, you had to play a bit of a waiting game and be extremely patient.

The point I would make is, two things, if we're going to build that premise that the market is taken on a longer time horizon, which then tells me that let's not waste our time right now looking at one-year multiples. But even if you look on a five-year basis, and you look at what the earnings growth is per annum, that's embedded in the S&P 500 right now. And we went back a century's worth of data that the market has laid down a bet that we're going to be seeing in the next half decade, corporate profits of roughly 17% growth per year, which I don't think anybody can say is impossible, but it would be double the norm. I mean, that would be double the historical norm over a five-year period. Or, five-year periods, historically, profits grow through the peaks and valleys an average of 8%, and now we're talking 17%. So if you're going to buy the market now, then you have to have that view that the AI wave, and it's permeating in every aspect of the economy, and you're seeing that in aspects of the data, which Jay Powell has talked about, R&D spending in the United States is surging, it's the strongest component of the economy. We always talk about the consumer. R&D spending is surging and has been a major contributor to the GDP numbers that we've seen. But you do have 17%, you don't have 30%, you don't have 25% but 17%, that's a big nut and a big threshold to cross. But if you have that belief that I think that the market will deliver earnings because of AI, and because of AI, maybe because of what Trump's going to be doing to lower business costs, if you think we're going to be growing 70% per year for the next half decade, then you'd be very comfortable buying the market. I'm not there. I'm not there yet. But, we've done the work to try and explain what is going on. There are people that actually do believe that, yes, I actually believe we're going to be

having perennial double-digit growth, as far as the eye can see. Well, that's the assumption. And let's face it, the stock market, like most markets that have discounted cash flows to underpin valuations, they're all built on assumptions and expectations and speculation. The stock market is a speculative asset class, and so that's where the bed is. The other point is, look at the equity risk premium. Look where the risk-free rate is, and look at any valuation metric, and you've got the equity risk premium, when it's at zero, it's sending a message. It's sending a message that investors are not going to be selling their stocks, there'll be no sellers when the ERP is zero, the implication is that you will never sell your stock. And again, I have a bit of a problem with that, because history suggests otherwise, because the markets are driven by the extreme, primal emotions of fear and greed, and through 1000s of years, that's never changed. Now, we have quite a bit of greed, and that at some point will revert to fear. I don't know when. That's my biggest concern. I can't time it, but you see, that could be next year, it could be two years down the road. I mean, people were screaming, bubble, bubble, bubble in ’98, ’99. Finally, they got right in 2000 if they were still in the business.

So it's very difficult to time. And I tend to agree with you that there is a timeline. There is an expiry date, as there is in every bull market and every bear market, this one seems to have been extended because of the two things. I think there's been two fundamental things. I could argue three fundamental things. Remember that we had another shock, which was COVID. And what's very interesting to me, and again, this was something that you'd have to say is bullish for assets and equities, which is productivity. I mean, really, when we think about it, what is more important than productivity growth? It's structural, and it leads to lower business costs, and it's at the root of what profit margins are going to be doing. And what COVID did is, COVID, ultimately was incredibly bullish for the stock market, because during the worst part of COVID and the lockdowns in 2020, if you weren't automated or digitized, you were out of business. You were out of business. And actually, what's interesting is that the two sectors that actually are seeing the best productivity growth, it's not technology and it's not financials. It's the retail sector and leisure hospitality, the old economy low value-add segments of the economy, because they have followed the Amazon model, either that or perish. So even in advance of all the benefits that AI are going to provide, we just don't know the extent. But the benefits will be immense. We don't know the extent of it. We're already in a period where productivity growth is expanding at over a 2% annual rate, which is significant, and that came out of the pandemic. So, we have that aspect of it too that we have to consider that we're getting, apparently, a productivity revolution, AI, that's layered on to an existing productivity cycle that came out of COVID, counter intuitively. All that said, as you had mentioned, in 2000 the gig was up. And it was really, all of a sudden, it wasn't really so much about the dotcoms. It was about the bellwethers. All of a sudden, the Intels and the Ciscos and the Microsofts, they stopped beating their numbers. And all of a sudden, you started seeing orders for telecom equipment being canceled, and those are the things we have to look for. So, I'm on guard. If I decide, say, to buy any debt, or, let's say, in the next couple of months, I decide, I'm going to take my thought process and maybe start allocating more to equities. I'm going to be laser focused on what does bring this to an end? What brings it to an end? If we get inflation, if we get inflation, the Fed's going to have to hike rates again. If you remember, when things broke in 2000, we came off a Fed tightening cycle because of Greenspan's inflation concerns. If anything causes inflation to go back up, bad

news. If Trump surprises me, and all of a sudden, we're going pull hog on tariffs, once again, my biggest concern there is the Fed's reaction function to that won't be pretty. They will not be cutting rates, not with the unemployment rate in the low 4's. They will be concerned that that will lead to, that'll feed into wages. That'll be Powell's primary concern. So, policy, tariff policy, still have to be cognizant of that. I have a certain assumption. But you know, Trump, we know is unpredictable. Inflation, even without tariffs, have somehow, for whatever reason it comes back, the Fed will stop cutting rates and may have to raise rates. That's a risk, and we still have to consider that we haven't completed all the lags from everything the Fed did in 2022 and 2023, and we have a refinancing wall that's coming into next year and the year after that.

So, we have to be cognizant of, especially at a time when everybody thinks that the business cycle has been repealed and there's no recession. I could tell you that one of my concerns is that we are in a growth turn down, and people say to me, well, you know, but GDP growth is at 3%. Well, you know, I got the monthly data on GDP, and it goes right up until October. And I could tell you that indeed, on a year over year trailing basis, real GDP growth is running close to 3%. However, if you look at the six month annualized trend in GDP, it's 2.3% and then if we take a near term look, and we look at the three month pace to October, the three month trend is 0.7% and I tell that to my clients, and they don't believe me, I have to show them the data that we are into, already into a growth turndown. And you're seeing that in the employment numbers as well that, not a contraction, although we're seeing a contraction in the household survey, but most people don't pay attention to that. But even in the payroll survey, things are cooling off in the labor market side, which is principally why the Fed is going to continue to cut interest rates. So those are some of the concerns I still have. You got a recession, you get inflation, you get a policy mistake. Those are the sorts of things that would upset the apple cart. In terms of what really provides a fundamental end to this AI related bull market, are the conditions that brought the internet bull market to an end back in 2000, which is you start, you will see it in company announcements. You'll see it in order books. You'll see it in earnings missing their estimates. And that hasn't happened yet, but that will be the trigger point for the reversal of this. You know, this AI wave, that might not happen for a couple of years. The reality is that I don't know, and I don't think anybody knows, investors have laid down their bets. I guess one of my concerns is that just the hubris and the complacency that's out there after you've been in the market the past two years, you've been spectacularly right. And it's like you're at the blackjack table in Vegas, and you keep on increasing your bets. Everybody is all in. Everybody is all in. I mentioned before about institutional portfolio managers. We've never been in a situation before where portfolio managers in domestic equities were running cash ratios of just over 1%, everybody is all in. And you're taking a look at the household balance sheet. And the household balance sheet, 70% of the asset mix is in equities. And even amongst baby boomers over the age of 65, 60% of their mix is in equities, when it should be closer to 30% to 40%.

And that's my big concern, is that at the point in which the market peaks and rolls over, this is my biggest concern, it's just next to impossible to time it, and this is when things will start to get ugly is that I do not believe that the equity risk premium should be as razor thin as it is, but I know the message it's telling me that that will only be justified if nobody ever sells their stock again. But we know that they will. That is human behavior. At the top, people will think they can

get out at the top, but there's very few people like me or Warren Buffett. There's very few people out there. I am sitting on a ton of cash. I really don't mind, 4.5%, you know, looked at Ginnie Mae mortgages. What are they yielding you? Like over 5.5%, there is stuff out there that's giving you very nice income. And of course, 4.5% T bills and 5.5% mortgage bonds sound pretty boring, but right now I'm still in capital preservation mode. But you see, my big concern is that, looking at how everybody is so concentrated in the same trade, and everybody is all in on their asset mix, and portfolio managers have almost no cash on hand to deal with redemptions, that when that day happens, where are the buyers going to be? Where are the buyers going to be? They'll be me, and they'll be Warren Buffett, maybe, my liquidity position is quite a bit lower than his. But there will be very few liquidity providers to mop things up, because that's the big concern I have.

You mentioned about the dot coms, and we can talk about all the comparisons. But I'll tell you right now that even back then, with all the euphoria, the concentration of equities and household balance sheets, and the cash position amongst portfolio managers was nowhere near where it is today, nowhere near. So really, the fund flow backdrop has me concerned, because, as Herb Stein famously said, anything that can't last forever by definition won't. And when this does not last forever, and there's a head to the exits, given the incredible concentration of money in the stock market, there'll be a stampede, but there'll be nobody on the other side of the trade. So that's what really, you know, people say to me, but you wrote this piece? Yeah, my piece was basically more of an attempt at intellectual honesty, in terms of trying to provide some thought, as opposed to yelling bubble, bubble, bubble, that maybe there's something to this. But however, let's say that the assumptions, let's say the assumptions behind the stock market, which have worked so far, stop working. What if anything I mentioned causes the apple cart to be upset? What's different this time, and I hate those words, what's different this time is the undue concentration of equities and household balance sheets, and what happens when sentiment turns the other way, and it's just the size of the situation in terms of what that selling pressure could look like with no buyer on the other side. So frankly, I think that I'm tempted to wait it out and then pick up the pieces, and hopefully I'll be there with Warren Buffett, because certainly, he's seeing something. But all I did on my piece was tip my hat to the bulls and provide an explanation as to what the market message is for all of us, and then you can decide whether or not you buy into those assumptions or not. I understand the assumptions. They don't seem crazy to me, but I'm still not comfortable in assuming that the earnings embedded in the stock market, even with AI, are going to live to fruition.

Erik: Let's move on to inflation. More and more pundits are turning to calls for secular inflation has already begun. Of course, the transitory team says the opposite, as some people are saying, that the Trump election is going to significantly influence this. What's your outlook for inflation, generally?

David: Well, I have a tough time believing, firstly, if we're going to have this AI inflection point in the technology curve, and what it means for productivity, how do you squeeze secular inflation out of that? You could say we had secular inflation in the 1970s and there are a bunch of reasons for that. Going off the gold standard, and oil prices going up tenfold in a decade, Fed

policy mistakes, but there's no productivity. What was, tell me, what was technology in 1970s, what was it like? A Nikon camera, a what, a transistor radio? What was productivity in the 1970s? We're in a totally different era right now. And like I said, R&D spending is through the roof. You know, 1970s, we had the boomers, that 80 million picking up Python, entering their formative household formation years, and they were buying everything in sight, from refrigerators to homes to carpets to automobiles. We also had very strong demographic demand bumping against everything I talked about. Tell me, are we going to have a ten-fold increase in oil prices? We have this AI craze that is going to influence productivity one way or the other. We just don't know how big it's going to be. Well, that's an inflation killer, right? How do you get inflation out of that? And then Trump, we know he's going to dramatically increase domestic energy production. How do you get inflation out of that? Where's secular inflation coming out of that? And we have a Fed that is not going to let inflation get out of control. You see, the problem, or not the problem, the situation is this. In the 1970s under Arthur Burns, Arthur Burns didn't have the 1970s as a template for what not to do. He was living it in real time. We know about the 1970s today and the Fed will not tolerate an inflation breakout. It just is. So, I give it as close to zero odds as there can possibly be. We're not going to get sustained inflation. And you can come back and say, well, what happened in 2022 and 2023? Yeah, yeah, okay, if you want to call 18 months of inflation secular, run with that story. Inflation went up for the reasons we know, and we had a big fiscal policy mistake. The economy reopened at a time when supply chains were broken. China was behind that to a large extent, and inflation went from 0% to 9% and then all the way back down to 3%, and probably going down, because when you strip out the ridiculous way that the BLS treats the dominant rental components, inflation is 1.7% in the United States. So, give me a break. Where's inflation going to come from? I guess you'd say, well, if we get a tariff war. Well, the way I look at tariffs is that inflation is a process. Inflation is a process. If OPEC had just raised prices once in 1973 would have been a price level shift, but they raised oil prices every year. So for you to get ongoing inflation from tariffs, they would have to go up every single year. And now Trump raised tariffs in his first presidency, but he didn't continue to raise them every single year. And in fact, inflation ended his term lower than it was when he began his term, every inflation measure.

So no, I don't buy into the big inflation view. And I don't know why people are so hung up on that, it just will not be tolerated. It will not be tolerated. And it's not just at the Federal Reserve level. Every single base book that I'm reading, base book after base book is showing consumer price, consumers are balking. There is a consumer revolt against, not just inflation, but prices, which is why, what is defining holiday shopping season right now is widespread promotional activity, discounts. Consumers are not just revolting against inflation, which is way to change your prices, they are revolting against the level of prices. So, my bigger concern is deflation, not inflation. And then you have to decide for yourself, what is inflation? Is it the prices that businesses want to charge their customer? Or is inflation the price that customers are willing to pay? And you're seeing that in the data. So no, I think this is a new secular trend of cost contest. You start seeing Lamborghinis being parked at the Walmart, something's changing. So no, I don't buy it. And if I got to say, if I'm comfortable with any view, and there's white arrow bands around any forecast, I am nowhere near being in the inflation camp. I am in the deflation camp,

Erik: David, I can't thank you enough for another terrific interview. Before I let you go, I want to talk a little bit more about what you do at Rosenberg Research, because your real rise to fame was based on the Breakfast with Dave newsletter, which frankly, spanned, I think, three or four different employers over its history. You've really expanded it quite a bit since you've started your own firm, there's more to the story now than just Breakfast with Dave. Tell us all about it,

David: Well, Breakfast with Dave, and Early Morning with Dave, that is every single day I get up at 4:15am and I spill my guts out for my clients and tell them what I think is going on, and do my best not to make it repetitive. But you know, things are changing every day, and I deal with the small picture and the big picture. It's really aimed at helping investors get through their day. But there will be some long term thematics in there. It's a very eclectic thought piece that I put out every single day, that's really aimed at connecting the dots between the macro and the markets. And you're right, when I started Rosenberg Research in early 2020, I had 6 employees. Now I'm up to 18, and I have 9 people on staff and the research side that are economists and strategists. So, I've increased the menu of products to cover as many things as I think makes sense for the investor base that we cater to, which is individual investors and institutional investors. So, we have different products that look at the equity market, we look at the corporate credit market, we look at the precious metals and the commodity market, currencies. I would say that, interestingly enough, and I'll just put, I guess this will force me to put my ego into the closet. Is that I would say at this point, looking at the readership, that Breakfast with Dave might still be the flagship, but it's very close now, with our monthly Strategizer, asset mix recommendation model that comes out every single month. In fact, the latest one is going to be released on Monday. And for investors that just want to cut to the chase. Where do I invest? Now there's a lot of people that want to read what I have to say, but if you want to know where to invest, globally, and we cover all the asset classes and all the regions, our monthly Strategizer has become the go to.

Erik: David, is there any chance of getting a free trial for our listeners?

David: 100%. We fully believe that we want people to come in and understand what it is that they're going to be buying from my research, before they jump in with both feet. And we don't mind doing it because we don't like surprising people. So, we have a policy where you have a free trial, and then we'll come and ask you, after a certain period, what do you like, what you don't like, and we can bundle packages of the material for you, where you can buy the whole kit and caboodle at a discount. And our trial conversion rate is really good. So, we just think it's good business. So everybody on this call, 100% come on the website. You can just Google Rosenberg Research, or go to information@rosenbergresearch.com, one of my client service people will contact you and we'll get you a promo code, get you on, and then, enjoy. And then hopefully you'll like it enough that you'll want to become an official subscriber. So yes, people on the call, feel free to contact us and we'll put you on au gratuity, as they say in French, for free for as long as it makes sense, and hopefully you see value in it that you'd want to subscribe. We have 2500 clients in 40 countries, so at least they see value in what we're doing. So for sure, come in and kick our tires and sign up for a free trial.

Erik: Patrick Ceresna and I will be back as MacroVoices continues right here at macrovoices.com.