



I just recently spent some time on the Lance Roberts Podcast discussing why the next recession and market downturn. Here is the full interview:

However, the short answer is nothing like the last.

If you search for "next recession" numerous ideas pop up. Many believe there will not be a recession soon.

Condition Comparison

Conditions are radically different than in 2007 and 2000.

The Fed re-blew a housing price bubble but the number of jobs tied to construction, sales, CDOs, agents and even the impact on banks is a shell of what happened then.

Technology is bubbly, but not like 2000. This is how I see things.

1. *We will not have bank failures in the US.*
2. *There will be major bank failures or bail-ins in Europe.*
3. *Housing will not have a major role but will strengthen the recession.*
4. *Millennials simply cannot afford houses so housing will not lead a Fed attempt at a recovery even if interest rates plunge.*
5. *Low interest rates will keep zombie companies alive for a while longer .*
6. *Proliferation of retail stores, Walmart, Target, everything requires minimum staffing levels no matter how poor sales become.*
7. *Unemployment will not rise much like last time. Instead, expect to see hours cut. Also expect for many of those currently working two jobs to lose one of them.*
8. *Retail sales will plunge with the reduction in work.*
9. *The impact of the above is very weak profits but not massive labor disruption*
10. *Stocks will get clobbered as earnings take a huge hit.*
11. *Junk bonds also get clobbered on fears of rolling over debt.*
12. *This malaise can potentially last for years.*

Zombified Economy

Japan is in a state of zombification and Europe is on the verge.

The US may not and likely will not go through Japanese-like extremes just yet. However, the demography setup is poor, the student debt problem is a huge overhang, boomers unprepared for retirement is a huge overhang, and pensions are a huge overhang.

Democrats may win the next election and massively hike taxes. That will not help either.

Finally, the Fed only has room to cut by 240 basis points or so. Negative interest rates don't help as proven by the ECB and the Bank of Japan.