



David Rosenberg: Will The 2025's K become 2026's

Erik: Joining me now is [Rosenberg research](#) founder David Rosenberg. Rosie, great to have you back on the show. It's been way too long. Let's start with the Fed, Boy who is it? What's gonna happen? And it seems to me like, this is maybe a setup for a policy error because I don't remember politics ever being quite this influential in Fed policy in my memory anyway.

David: I would tend to agree with you and I guess we'll have to reserve judgment going forward as to who, the choice is gonna be to replace J Powell. It looked as though just a week or two ago that Kevin Hassett was going to be the choice. Donald Trump said that he was down to one.

But it looks like there has been quite a bit of pushback on that. So now he's tied with Kevin Warsh. I think Warsh probably is, the more desirable pick. He actually has central bank experience and I think the view is that outta the two Hasset would be actually just the the voice piece for the administration.

So we'll probably find out about that I reckon early in the new year. Then it comes down to, does it even matter? We're gonna have a shift in, the Fed Bank presidents as to who's gonna be coming in to vote on the voting committee and who is not gonna be voting. It looks as though the take is that it could be a more moderately hawkish makeup.

But, the bottom line is that although there's a wide divide on the Fed, they are, as they said, data dependent. It's really gonna be the incoming economic data and how the data shapes the views and projections of the Fed. That'll dictate whether they just do one more rate cut next year, which was in the latest set of do plots.

Whether they do none there are several that don't wanna do anymore. Or do they do more than one? I'm in the camp that believes that the data will dictate that the Fed probably ends up cutting rates more aggressively than what's priced in right now.

Erik: More aggressively than what's priced in. So you expect 'cause it seems to me like everybody's expecting that as soon as the fed share changes policy is gonna get much more dovish.

You think it's even more than consensus Dovish.

David: You have the perception that you get a new chairman that will be more dovish. I think you could argue that Kevin Hassett certainly is extremely dovish, but again, he's viewed as being a spokesperson for Donald Trump and we know where he wants rates to go.

But it is a committee after all. And I don't think a new chairman really wants to have a mutiny or revolt in in his or her first year at the helm. So we have to recognize that the Fed is an institution, it's not one person. It probably is way overblown to some extent as to who is going to be the next Fed chairman.

If you remember when, I think it was President Obama appointed Janet Yellen and everybody thought she was gonna be some sort of patsy. She was the one that started engineering, quantitative tightening. You go back to all the way back to when Volcker resigned early and you had Greenspan in 1987, which was a surprise choice.

And people were baffled that Alan Greenspan. Who's handing out whip inflation out buttons for Gerald Ford was ever gonna become Fed Chairman. I remember I was starting out in the business back in 1987 that raised a lot of eyebrows and you couldn't have predicted that within two decades you'd be calling 'em the maestro.

So what isn't always what you get. I think when push comes to shove, it will be like it always is how the data unfold. You have a wide divide on the Fed. The hawks are uncomfortable with the fact that underlying inflation has been above target now for four years. There's still this collective shame over blowing the call on transitory.

A lot of committee members still live with that memory and simply put, they are still not comfortable with the fact that inflation is still. Above target, from my lens, inflation's a lagging indicator. And what they should be doing is the analogy with Wayne Gretzky and Mark Messier back at the Edmonton Oilers in the 1980s.

So Mark Messier said you don't pass the puck to where Wayne Gretzky is, you pass the puck to where he's gonna be. I agree actually on this with Stephen

Miran that. The Fed should be more forecast dependent than data dependent. 'cause the data inherently that they look at are backward looking and lagged in nature.

And the Fed's actions have their peak impact at least a year down the road. You mentioned before about a policy error. Yeah. I would tend to agree with you. I think the more the Fed talks about de dependency, the more they're paying themselves under the corner of we're just gonna be focused policy on coincident to lagging indicators, which I do think is actually a mistake.

So the hawks don't like the fact inflation today is above target without referencing where inflation's gonna be a year from now, they're just looking at the here and now. The same group of hawks tend to believe that the weakness in the labor market is not demand related. It's supply related because of the immigration curbs and the impact it's having on the labor force.

And that's about half the FOMC. The other half see it the other way. Less about inflation. They're concerned about inflation, but they're more concerned about the labor market and see the cooling that we've been witnessing as being more demand related. Than supply related. And they're respecting the fact that they have a dual mandate which is full employment and price stability.

Price stability defined as 2% core inflation. Even within the doves there's tension. Because they're not comfortable with inflation anymore than the Hawks are. The big difference is their view on the labor market. From my perspective, by the way, as we're talking about the Fed and they talk about the dual mandate, they call it the dual mandate, but it's not really a dual mandate.

It still is a single mandate because you're not gonna be getting inflation if the labor market doesn't play ball. So they call it the dual mandate if the labor market is cooling off. And what I say to the hawks is that you can see it in the rise in the unemployment rate. And you could see it in the fact that despite what they say on labor market constraints, as we saw in the non-Farm Bureau report the participation rate is actually going up not down, and wage growth is cooling off.

You got wage growth cooling off. You got the participation rate going up. You got all the different measures of unemployment going up. That's not telling me that we have a fundamental supply problem in the labor market. It looks to me as though the cooling is demand related. And so what happens is that in so far as we have any inflation, it's just gonna get snuffed out in the labor market,

which means that real wages contract, real wages contracting, leads to a decline in real consumer spending, which is 70% of the economy.

And that demand destruction, which nobody's talking about, is what ultimately is gonna trigger. The disinflation that the hawks don't see right now 'cause they're looking in the backward, looking in the rear view mirror. So that's where I come out of it. I think that people are gonna be surprised that probably as soon as the second quarter the inflation that's above target is gonna be back to target and heading below target.

And the Fed will be scrambling to cut interest rates. I know that's not in the market right now. That is far from the consensus view. But I've never been shy in my career from betting against the consensus rightly or wrongly. But my sense is that when I'm taking a look, for example, at the information that J Powell gave us at the last meeting, powerful information.

I don't know why people in the bond market and people in the swaps market have ignored it. Powell came out and said that core inflation. After adjusting for the tariffs, which by the way haven't had a monumental impact on inflation, not nearly to degree that we thought it would by now, but he says, we're already in the low twos on core inflation Ex tariffs, which means we're almost that price stability Ex tariffs.

And you'll say why you exiting out the tariffs? And I'm saying because he also told us that the tariff effect should start to subside in the first quarter of next year. So if the tariff effect, which is really a cost exogenous cost shock, it's not a demand led shock with any multiplier impact, it starts to fade.

But what's gonna be ongoing is this dominant component of the CPI and Core CPI, which is shelter. And now you're seeing home prices declining but you're also seeing rental rates continue to decline. And that hasn't shown up yet with its full force. In the CPI data, but once we get past the tariff effect and a Powell's right, it's the first quarter peak in tariff related inflation, and we get the cascading impact where the negative rental rates start to seep in with a lag into the CPI data.

People be surprised, they'll be surprised at where inflation's gonna be going. This reminds me of all the inflation be talked about in 2008 of all years. Now I wanna make the point that up until Lehman and AIG and Merrill collapsed in September of 2008, nobody had a recession in their calls except for me and a, maybe a couple of others.

The recession started in December of 2007. Once we got all the revisions and we were told that the recession started in December of 2008. By the NBER and they had the temerity to tell everybody, by the way, it's been with us for a year. It didn't start with Merrill and Lehman, and it didn't start with Bear Stearns in March of that year, starting December of oh seven.

And if you remember in that same year, people were not talking about the economy. They were talking about what? They were talking about inflation, because oil hit \$150 a barrel. You had tremendous consumption coming outta China, driving commodity prices sharply higher. All anybody talked about was inflation.

In fact, if you go back to the summer of 2008, the Fed switched to a tightening bias two months before Lehman collapsed. Richard Fisher, who was president of the Dallas Fed back then was a voting member on the FOMC, and he voted for a rate hike. In July of 2008, and the ECB actually raised rates. And if you told anybody, as oil was heading to \$150 a barrel in the summer of 2008, that in the coming year inflation was gonna swing from say, plus five to minus one, you would've been a laughing stock.

You would've been a laughing stock. I'm not saying that inflation's going negative, but I think the surprise in 2026 will be. How pronounced this disinflation is gonna be that nobody seems to see right now.

Erik: Okay. So softening inflation in 2026, let's broaden the conversation not just to fed policy and inflation, but just the US economy generally.

Seems like most market participants are just obsessed with artificial intelligence as if it's everything. What are the major drivers gonna be in the US economy? How important is the AI trend really, and what do you see in terms of the big picture for the economy?

David: It was all AI this year, and most likely will probably be all AI next year.

Unless you start seeing a pullback in these dramatic spending commitments that have already been announced. Maybe that'll happen. But right now that's just a guess. It's a very lopsided economy we have in our hands. And even though there's been some broadening out in the stock market lately, it's still basically a bifurcated market as well.

I was astounded to see that almost 40% of the S&P 500 membership is actually hasn't risen this year. In a year where we were up until the other day, up 17% of

the S&P almost 40% of the market didn't participate. That's rather astounding. When we hit the highs in the stock market back on, when was it?

December 11th, just a few days ago. On that particular day only 17%. The members of the S&P actually hit a new all time high on the same day that the S&P hit an all time high. So I'm starting to see all sorts of divergences in the stock market ongoingly that is also reflected in the economy.

So 2025 was the letter K, K shaped economy all around we always talk about. The K shape for the consumer. But we also have a K shape to business capital spending because that's where the boom has been. AI and related CapEx in volume terms is up at a 17% annual rate so far this year. That's a boom.

The rest of CapEx and what we used to call the old economy is negative 3%. You look at the industrial production numbers, it's incredible. You look at the 12 month trend, 12% in technology, and it's almost flat in Ex technology. We haven't seen a bifurcation like this really since the late 1990s.

It might not be a hundred percent the same, but there's a lot of similarities. So CapEx is actually in a downturn X AI the AI boom. Is basically diverting resources out of other parts of the capital spending picture. This is not a broadly based CapEx story. And then we all know the consumer story, right?

Where basically the top 10% are carrying the load. The low end consumer is in a whole lot of pain, and that stress is now morphing into the, middle income people. And of course they've been hit by these stubbornly high prices and the fact that wage growth is rolling over so their real incomes are being constrained.

The high end is carrying the ball and the high end's carrying the ball because their spending is less sensitive to the labor market and more sensitive to the equity wealth effect on spending. As Ben Bernanke should talk about out Asia when he was fed chairman, we have the mother of all equity wealth effects on spending, which is allowing the top 10% to carry the load as the other 90% are dragging their dairy, as they say on the Quebec side of the border.

So it's a bifurcated CapEx picture, a bifurcated consumer spending picture. It's astounding that people talk about the vibrancy in the economy because if you're taking a look at the economy from an income standpoint, now of course, equity investors pay for profits. But most of the country's income comes from the labor market.

And in real terms real disposable personal income. Is actually running almost negative 1% in annual rate since April, but consumer spending is up almost 2%, about a three percentage point gap between what incomes are doing and what consumer spending is doing. And so if the consumer writ large, we're compelled to.

Keep their spending and learn with their incomes. We would actually be talking about a mild consumer recession right now. But you see that hasn't happened because the stock market gains have triggered a significant decline in the personal savings rate that's allowed consumer spending to rise even with negative real incomes.

And that's principally because of the high end. What happens for 2026 is basically it all comes down to the stock market. You're gonna tell me the stock market swelling up another 10, 15, 20%. The high end's gonna continue to keep the whole thing together. That'll be the energizer bunny. And if the stock market doesn't continue to go up, we got some major problems.

Everything really rests on the stock market for 2026. Not fiscal stimulus, but the stock market. 'cause the glue is being held together right now by the high end consumer and that's it. And the glue and CapEx is being held together by AI. So they're all joined at the hip, basically. And what if we start to see a pullback in some of these spending commitments?

So these are some of the downside risks. The labor market to me is really key. The labor market is really cooling off significantly. In fact, when you're taking a look at the data. We're either at a point of just utter stagnation depending on the measure you look at, or jobs are actually contracting.

But the one thing we do know with certainty is that labor market slack is coming into the system. Look at it that we got, what did the unemployment go to? 4.6%. We're already above the high end of the fed's forecast. For the cycle. We're already above that. And if that continues, it puts downward pressure on wage growth and wages, lead consumer spending.

And so everything boils down to the stock market to keep that high end. High ends gotta keep on spending. 'Cause they don't expect at the low end and the middle end are gonna participate. Now, maybe they will in the opening months of next year because of the tax refunds, but there's no multiply impact on that.

That is the tax refund that everybody talks about is not a repeated source of income growth. That's a one-off. And basically from my back of the envelope

calculations 50% of that windfall is going to go into Healthcare premiums, auto insurance, property insurance, and electricity costs, that's gonna eat up. All those refunds that people are talking about are gonna precipitate a consumer spending boom.

Yeah, there'll be a spending boom in the basic necessities of life, but that money is not gonna flow through into airlines autos, furniture, appliances. Hotels, casinos, that's not gonna be happening. That money's gonna be diverted into into sustenance. And so I think next year is gonna be a pretty difficult year for the economy.

This year was a difficult year for the economy, but the market saw right through it because of the AI craze. But we'll see if that's gonna be repeated in 2026. So I think that there are a lot of challenges for the economy.

The big difference now compared to a year ago is the shape of the labor market is deteriorating. And this is why we never got the recession in 2022. 2023, we had the invert yield curve. We had the fed aggressively tightening to get ahead of the inflation. We see. Back then we had two things going on. We had the \$2 trillion of Biden stimulus checks still being spent in the system which managed to dwarf the impact of rising interest rates.

But we didn't have any job loss. The labor market in 20 22, 20 23 was just fine. Late market was tightening and that was giving workers more wage growth. That's why what the Fed missed that for a period of 18 months. We had a wage price spiral, but that's something we have on our hands right today.

I think that's probably when I mentioned that there's a lot at risk if the equity bull market doesn't continue a lot at risk because the spending growth in the economy is confined to the high end and they're spending their equity wealth. So a lot rides on what the stock market does. But at the same time what's really changed?

What's really changed? The bond market hasn't changed that much. The stock market hasn't really changed that much. What's changed the most is maybe the most important market that's out there, which is the US labor market. It's basically responsible for over 70% of the economy. So that to me is gonna tell the tale.

And frankly, when I hear about the refunds are not gonna cause employers to go out and hire people. It's a transitory effect. So that to me is my principle concern for the US economy. Two of them really will the bull market continue? And

we've never had a situation before where S&P 500 and GDP were this tightly linked to the high end consumer and at the same time is this just a blip in the labor market. It doesn't look like a blip it looks like a pattern and will it continue? Because that of course is going to have a big impact on the lower middle income households at the same time.

Erik: Okay. You've made a really good argument that basically everything is riding on the stock market more so than ever before. Seems to me like a lot of people have made a very good argument that what's holding the stock market up is the AI trade. That's really what is all been about.

It sounds like that you agree with a lot of that. I can't help but notice the AI Boom, cannot continue without a whole lot more electricity supply that we don't really have. And as much as that makes me, bullish about nuclear energy in the long haul, it takes 10 years plus to build a nuclear power plant.

It's not gonna solve any problem this year. Are we at risk of the AI boom basically being stopped in its tracks by a lack of energy and also complaints from consumers about higher electricity prices? Is that potentially, the Black Swan event that could screw everything up?

David: Absolutely. That is a critical constraint is the strains that AI is putting on on power infrastructure.

You're already seeing the impact it's having on electricity costs. For people that talk about the deflationary impact of AI which is probably valid in the future. The currently, the energy related strains and constraints are pervasive. But the other part of this story is what about the financing?

And this is where the AI story is shifted because it's no longer the case that. The boom is being financed from internally generated cash flows and strong balance sheets. We're seeing tremendous debt issuance. And now in a lot of cases those credit spreads are widening out pretty dramatically. So there's two constraints.

One is the capital markets and one as you say is energy. And when you consider that you know The, the AI craze has been such a monumental shift in expectations. Historically, at any given year, corporate profits are up around a, at a 7% annual rate, seven and a half. That's the normalized historical earnings trend.

The market now has priced in for the next half decade, 15% average annual earnings growth. So there's been this shift in the innovation curve. Has caused

the investor outlook for corporate profits because of all the alleged productivity gains we're gonna be getting and cost reductions. That's a double.

So you have a lot priced in look, the the reality is that comparing this late 1990s, it's true that the valuations were in the stratosphere back then. But this is basically, I would argue the second biggest bubble after that one in the past century. And when you're in a bubble phase, the news has to continue to come in stellar.

And so it's interesting because this AI trade and the financial markets has started to roll over. Maybe not everybody simultaneously, from their respective peaks. The average mega cap tech stock is actually down 20% and the market is down 10%. It's just not that noticeable because there's been this rotation towards the value trade and rotation towards the value trade because there's this view that the economy's gonna be doing just fine.

So going to the cyclicals, but I think that's gonna be put to the test as well. The thing we have to remember is that the major averages don't typically peak all at the same time. They certainly didn't back in in 2000. My sense is that if you're looking beneath the veneer, you're starting to see some cracks already emerging as far as the stock market's concerned in the AI trade.

The question you'd have to ask is that how much will this rotation into other segments of the market continue to play out? But, I'll just say that the valuation. Accesses really aren't just limited to what's happening with large cap tech. Most segments of the S and P 500 are actually have their price earnings multiples between one and two standard deviation events above their historical norms.

Nothing's really cheap. There's some areas that are cheap. Energy is cheap. Materials are cheap. The rates are cheap. Utilities actually, believe it or not, screened pretty well on their relative multiples, but that's basically it. And that's a small share of the market. They, that will not be able to hold up the financials and consumer discretionary aren't in bubbles.

But they're between one and two Sigma events. Tech is tech. Tech and telecom are well above too. So overall this is still a problematic market. If you're a purist and you believe that valuations matter only in the sense not being timing devices, but are you investing with a tailwind or a headwind, is the wind in your face or the wind in your back?

I'd say that for the stock market overall. Even with a lot of these value plays that recently have worked out well and prevented the stock market from going down

more than it has. 'cause this AI trade has started to more than, it's been, more than just a wobble over the course of the past four to eight weeks.

If that value trade doesn't hold, and remember that we had another shift into value after the tech wreck started in 2000, there was that shift into value with the same mindset ok we're gonna shift to value. That didn't work out so well. And that's what I mean. That was the last time really we saw the economy and the stock market joined at the hip to this extent.

When I started on the business in the mid 1980s, it was the economy that led the stock market. The economy led the stock market. Stock market participants wanted to know from people like me, what's the economy gonna be doing? Today, economists have to base their economic forecast off what the stock market's doing.

It's like the tail and the head of the dog of change places. So if you go back then, you know the stock market peaked basically depending on what measure you wanna look at. Certainly the tech sector peaked in March of 2000. The recession started in March of 2001, 12 months later. So there's a case where the stock market basically dictated where the economy was gonna be going, and nobody, not even the Greenspan fed up until January of 2001 when it started the cut rates thought a recession was probable in 2001.

Now, I'm not gonna go on a limb again and say we have a recession for next year, but I do think that recession risks are higher. Than what's commonly perceived. I find this to be just fascinating that in 2022 and 2023, and remember, 2022 was a pretty bad year for the stock market overall.

Cyclical stocks were down like almost 30%. We were all consumed with recession fear in 2022. In the 2023, we never got the recession, and now the recession risks are higher and nothing is priced for recession. Not one asset class. So that's the dichotomy, but that could also be the opportunity if you're a contrarian investor.

Erik: Speaking of contrarian investors, let's go back to your disinflationary call. The other side of that, the inflation is, are saying, look at commodity prices. Gold is just the first one. It's all a sign that massive inflation is coming. That's the reason we're seeing all the upside and gold and copper and all the commodities.

Hang on a second. The most important commodity is crude oil. We're certainly not seeing a huge inflationary signal there, but boy, golden copper have been

awfully strong. So what is driving commodities and why are we getting these kind of uncertain signals?

David: These commodities have different specific dynamics and, idiosyncratic features.

Copper is, obviously tight supply, silvers, tight supply. Gold has been in a bull market since 1999 when the Washington Agreement was signed and the central banks stopped dumping gold on the market. Gold is really a function of what central banks are doing in diversifying outta US dollars and into bullion.

So that's the story. Sun inflation story. It's a allocation shift, story amongst. Global central banks. I don't think that's an inflation story. And the bull market and gold that people have woken up to has been going on for the past quarter century. You have a lot of people recognizing it right now.

There's nothing more powerful than oil and oil is going down maybe for its own specific features. It's not been OPEC plus over production, then now it's. This concern coming to the oil market over possible peace with Ukraine and Russia. We'll see where that goes. So remember, oil always has some sort of geopolitical element attached to it.

But the oil price can't get out of its own way. There's no impulse from oil. And oil is far more important. Oil, what does copper go into? Copper might go into a lot of things in terms of, industry input, and it's part and parcel of what's happening in the proliferation of data centers.

But oil goes into everything. There's nothing more endemic than oil and it also has powerful spillover impacts into core inflation. I'm not getting a big inflationary impulse from the commodity complex. And even if I did. Remember I was talking about what oil did with 'cause of China when it got to almost \$150 a barrel, back in the summer of 2008 and inflation got to between five and 6% and you had central banks around the world freaking out, and then a year later, inflation's negative.

So there's nothing more powerful really than the labor market. And the labor market is loosening. So we can talk about commodity inflation all we want, but how sustainable is it gonna be? If you have a loosening labor market in any cost push inflation from any source we'll hit the wall in the labor market ' cause it'll lead or lead to contraction and real work-based incomes.

Which leads to demand destruction in the economy from 70% of GDP called the consumer, or it gets absorbed margins. Pick your poison.

Erik: Do you think the loosening of the labor market is AI related? As many people are saying,

David: I think that there's a strong element to that. I think that we're still, look, we're still in this policy uncertainty environment.

Even though the in uncertainty levels 'cause of the tariffs have come down. From their peaks. They're still in many cases, two to three times higher than the historical norm. When you're taking a look, for example, at the Challenger Gray and Christmas survey data that come out, every month and they tell you the what's happening.

By reason. Why are we seeing these layoffs and layoff announcements have been picking up almost 40,000 pink slip announcements in the past two months, October, November, just from ai. That's new this time last year, October, November of 2024. Layoffs announcements due to AI were zero. And now we're up to just two months, almost 40,000.

I was rather surprised that g Powell downplayed that at his last press statement, but I think you're starting to see some of that come to the fore.

Erik: David, let's translate all of this discussion of the economy and so forth into where the trades are in the market. As you said, the Gold Bull market has been strongly in place since 1999, but boy, it's had a hell of a run.

Does that mean it's over? Does that mean it's overdone here? Likewise stock market. Boy, it's really been blown up by AI. It sounds like you're a little nervous about that. What do you see in terms of asset allocations and where the trades are?

David: Again, it's a situation where. Your assumptions will drive your conclusions.

If you're in the world or that believes that we're not in a asset price bubble, then you just wanna, whatever worked in 2025, you'll believe will work in 2026. You may have believed that the same story from 1999 to 2000 and I would reckon that was probably a pretty big mistake to have made.

I think we're in a a three standard deviation event just about when it comes to the most important multiple that I look at, which is the Schiller Cape, the sickly adjusted price earnings multiple, which is pressing against 40 right now. Jeremy Grantham famously said that a price bubble is when you cross a two standard deviation event.

And that actually happened in the US stock market back in June of 2024. So this is about a year and a half now of being in a bubble, which by the way, historically is the norm. Bubbles don't Last one day. We're just in a bubble phase. It's like basically we're playing extra innings. Bubbles go into extra innings.

And historically before the Ghost Runner rule in 2020 and baseball parlance extra inning games went to the 13th or 14th inning. And what I'm saying is that, we're in the 13th, 14th inning right now. And historically during the bubble phase, you can make money. You just have to understand that you're chasing nickels in front of the steamroll, in the bubble phase.

But normally you're up 25% in that period. This time around, up until the recent peak, we were up 27% in a year and a half, which actually mirrors both in terms of magnitude and duration, what a bubble period looks like. But as Bob Ferrell famously said, that bubbles last longer than you think, but they don't correct by going sideways.

So I think that if you have that mindset and keeping in mind by the way that, the sixth bubble of the past century in terms of crossing a two Sigma event in the Cape multiple. And when you cross a 35 and we're at 40 now. 35 is the cutoff point. 'cause it's the only point in the Cape multiple.

Where on a one year, three year, five year, tenure year basis, your total return in the S&P hundred is negative across the board. Why would you relegate yourself, your family, your friends, and your clients to that outlook? I wanna wait for the valuations to normalize. I'm actually amazed that people seem to think that the market cycle and the economic cycle have been repealed, that somehow Mother Nature's been shot in the head.

No. Everything in our personal life and in our professional life they move in cycles. And so I believe we're in a bubble. When you get to these multiple levels, the news has to continue to not just come in good, but come in great. And it didn't take much it didn't take much. Remember, the recession didn't start till March of 2001 and the NASDAQ peaked 12 months earlier, and that was the leading indicator and it just took small amounts of not so good news to cause

things to reverse. That's the danger of inflated multiples. When people say multiples only matter, valuations only matter when they matter, but then when they start to matter, they really matter because in a bear market, 80% of the drawdown is the compression of the multiple, and 20% is the actual decline in earnings.

That is the power of the multiple, the heartbeat of animal spirits in. The risk asset space. You know how. I can tell you how I'm situated. I am still involved in gold and silver and the gold and silver miners. I still like uranium as a long-term play. I've taken a long-term bullish position in the Japanese yen, which is maybe the most undervalued of anything on the planet today.

I also have treasuries, twos, and tens. I have the mid part of the UK gilt curve because the UK and the US are the high yielders in the G 10, and I think the central banks in both countries will be cutting rates more than expected. On top of that. I would say that other themes that we like we do have a derivative AI play, I guess you could say, but one that has a yield and a payout ratio which is utilities which has cheapened up a lot in the past couple of weeks.

And global aerospace defense that's a core holding and healthcare. When you take a look at my portfolio. It's diversified. Diversification to me is not a dirty 15 letter word. I'm not zero weighted inequities despite how bearish I am. I don't believe in zero or a hundred. I don't believe in black and white.

I believe there's just shades of gray. But there's different ways you can de-risk your portfolio without having to sell your equities. It's about managing your beta and managing your sharpe ratio. In other words. Risk management, that's the operative word for the coming year, much more so than this past year when you can just basically throw a dart against the wall and think that you're brilliant.

That's been the case for the past few years. That's why everybody thinks that the cycle's been broken. They can't basically separate luck from skill. But this is gonna take skill this year. You wanna be creative, you wanna be thematic you wanna drill down to the sub-sector level. If you're in ETFs.

But I would say that you wanna be mindful of risk management, which means maintaining a low beta. The beta in my portfolio is 0.4. I like that the sharp ratio is 2.5. I like that the running yield is almost 3%. I like that. I would say that if you're gonna be in equities, yeah, you wanna be defensive and you wanna be involved in areas that are not expensive.

And also have secular tailwinds tell me that global aerospace defense does not have long-term earning earnings visibility. Right now I'm taking a good hard look at what's really lagged this year. A lot of that was because of the tariff effect, but consumer staples. Now I buy the consumer staples.

On an equal weighted basis, not market cap, since Costco is such a big chunk of that. But I would say that the equal weighted consumer staples is something I'm looking at really closely. That probably is gonna be my next move. And we're also looking at I should mention also we have Canadian pipelines in our portfolio. But we're also starting to look at energy more broadly speaking since it's so far out to favor but investing in parts of the energy infrastructure that isn't correlated with the oil price. So you see, I'm not telling you to go out and buy baked beans, can tuna barb wire and saw off shotguns?

What I'm saying is that we have to focus on ideas. Thematics, I would not be investing in any of the major averages. I'd be drilling down into your thematic and what you believe has earnings visibility so you don't get hurt when things move in the other direction. Focus on blue chip dividend growth dividend yield.

So you have at least a running income flow. And I would say that having some cash on hand is not gonna be a bad idea. You won't have liquidity. You wanna have liquidity. This is the year coming up thematically, where you want to engage in much more diligent risk management than you've done any other time this cycle.

And you want to make sure that you have liquidity, you know what you wanna do. You wanna focus maybe on what Warren Buffett is doing now, that's pretty extreme. Pretty extreme to have over 30% of your portfolio in cash. David Rosenberg does not have 30% of his portfolio in cash, but I have a nice cash position.

But you should ask yourself the question, somebody who has that much experience, and lemme tell you something, I don't know Warren Buffett personally, but I know people that do and they tell me he has not lost a step. It's about \$380 billion in cash right now. Over 30% of his portfolio is in cash. So I think we should all ask ourselves what is it that he is seeing that the vast majority of retail investors without his experience or acumen, because it's not the institutions driving this market, it's the retail investor.

The retail investor who has been buying through low cost ETFs and they don't even know what it is they own, but they should ask those the question, what is

it? Because Warren Buffett has never, not once had a cash position this high as he has today.

Erik: Rosie, I can't thank you enough as usual for a terrific interview.

But before I let you go, I wanna ask you about a couple of rumors that are floating around. One is about a new Rosenberg research macro, ETF, that might be in the works, and also maybe a new book coming out. What's going on?

David: Word spreads quickly, but the thing is that I've been writing about this in my daily I unveiled a model portfolio.

I had to show the world that this radical perma bear. Known as David Rosenberg can actually make you money in a diligent and prudent manner. When I told people that I had not had a down year personally since 1987, people refuse to believe it. But why would you think otherwise? Because I'm a conservative investor.

I don't swing for the fences. I bumped for singles and hit the odd double. What I, what my philosophy has always been you win by not losing. So I don't head home runs. If want home runs, I'm not your guy because don't like strike downs that's the bottom line. Because people were asking me for so many years, if I had to grade my career, all my calls, how would I do that?

I thought, okay. At the end of 2022, I said, I'm gonna actually put my money where my mouth is and start a model portfolio, and I've highlighted it and it's there on my website all the time with all the holdings. People could see it, it's ETF based and it covers all four corners of the capital markets, equities, fixed income currencies, and commodities, and, it's actually up 50% since inception, three years ago, and up 25% this year. And through client demand now I got clients that are actually mirroring this portfolio in their own accounts. But I didn't start it to ever run my own ETF fund but... I'm gonna be starting that again, mostly on client advice and advice of from my advisors.

And it should be sometime in the first quarter, has to go through all the certification right now, all the regulatory situation. And it'll be, I don't know what we're gonna call it just yet. It'll be listed on the TSX, but US investors can invest. There'll be a US dollar, Canadian dollar version.

That'll be sometime in Q1, probably close, closer to March the way things are looking right now. Right now we call it the Rosie Macro Fund. And you can

check it out on our website. The book is something that, again, people were bugging me to write a book since I left mural back in 2009.

I finally got to it about a year ago, and I've been in that writing, adding more chapters. And that will probably be, again a first quarter story. I may end up, because I don't wanna wait a year to have a big publisher. I've been talking to some of the publishers. It seems to be a little just too bureaucratic for me.

I may just end up self-publishing so I can get it out earlier. And that'll be coming out. Probably sometime, I hope, in the first quarter as well. And it's basically just a book about my 40 years of experience on Wall Street and on Bay Street and how these 40 years of experience have continued to, to help shape my views and convictions to this very day.

Erik: Now, of course, all of our listeners are familiar with Breakfast with Dave, the newsletter that you've been writing since before the beginning of time. I think you've expanded quite a bit in your offerings at Rosenberg Research, and you've been a perfect gentleman about offering our Macrovoices listeners a free one month trial to all that cool stuff in your last few interviews.

Can we get that deal again?

David: Yes, except Jacob, my COO has told me that it's actually a two week trial. But it doesn't mean that if you like it a lot in another couple of weeks that it wouldn't extend it. But we do have a free two week trial for everything that we do, which includes the daily commentary and the weekly.

And we scan the world over, I have 2300 clients in 40 countries. And our investment analysis and economic analysis looks a lot like our client base. Geographically diversified, but also diversified across all the asset classes. The other thing I just wanna mention is that we also have an information hot box that 24/7.

People that wanna contact me through the information hotbox, I call it the information inbox. Clients have access to me 24/7 through email. And that has been a major home run that one service I spend 20% of my day just conversing with my clients and so far as they have questions, queries, criticisms, whatever.

That's a great way for me to stay engaged and keep myself sharp.

Erik: David, if people wanna sign up for the two week trial or if they wanna find out generally about that, give us both the contact for the two week trial and also the website.

David: Sure. You could always just Google Rosenberg research and it'll pop up.

If you wanna sign on to the free trial, it'll take you 20 seconds to register. Just go to information at Rosenbergresearch.com or if you run into any difficulties, just email me theRosenberg@RosenbergResearch.com

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