**Rob Spivey**

Rob Spivey - Director of Research at Altimetry says “I told you so” is the best four words in the English language. Spivey is referring to his recommendations from last year – which were on the money.

According to Spivey, the early 1940’s during World War II are the most analogous time period to today.

GIs were at war and everyone on the home front was subject to rationing. So no one could buy anything. This led to a buildup of excess savings in the economy.

After the war, everyone wanted to spend – which flooded the economy with currency – causing inflation.

The COVID-19 pandemic in 2020 resulted in a similar set-up. And that’s why Spivey says its best to compare the early 1940s to today. The government-imposed lockdowns and issued mass stimulus to make up for the slowdown.

This caused a similar situation to the early-1940s – where people couldn’t spend. So savings went up. And as the lockdowns ended, people had a ton of money to spend. The spending combined with supply chain restraints caused inflation.

In 2010, before COVID, services and experiences were big economic drivers. COVID changed consumer habits from services and experiences to buying stuff. Industry wasn’t prepared so it caused supply chain disruptions.

In the 1940’s the FED panicked and caused quantitative tightening across the economy. At one point, the FED owned 90% of treasury bonds. But the FED got inflation down as a result. In 1948, the markets expected a recession. But instead we saw strong economic demand. It wasn’t until 1949 that we got the recession – which was 2 years after the tightening began – retesting the prior lows.

Spivey says we’re now starting to see the same type of thing play out in 2022. Transitory inflation became systemic inflation. So the Fed raised rates – primarily to get consumer expectations of inflation under control.

Inflation is trending down now and credit is tightening. Spivey expects problems in the bottom half of the economy with both weak consumers and weak corporations. Bankruptcies are skyrocketing and will only get worse.

Debt maturities for corporations are creeping up. Many companies will have to refinance. But no one will want to lend to them. So they’re going to default. It’s going to cause problems especially in 2025. High yield “junk” borrowers will have to pay more to take on debt

Spivey says every crisis has an opportunity.

He sees opportunity in high-yield bonds – the kind of opportunities in Credit Cashflow Investor. He says they will outperform the equity market.

Next year, Spivey plans on saying once again “I told you so.”