Demetri Kofinas:	00:00	Today's episode of Hidden Forces is made possible by listeners like you. For more information about this week's episode or for easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you want access to Overtime segments, episode transcripts, and show rundowns full of links and detailed information related to each and every episode, check out our premium subscription available through the Hidden Forces website or through our Patreon page. Remember, if you listen to the show on your Apple Podcast app, you can give us a review. Each review helps more people find the show and join our amazing community. With that, please enjoy this week's episode.
Demetri Kofinas:	00:50	What's up, everybody? I'm Demetri Kofinas and you're listening to Hidden Forces, where each week I speak with experts in the fields of technology, science, finance, and culture to help you gain the tools to better navigate an increasingly complex world so that you're less surprised by tomorrow and better able to predict what happens next.
Demetri Kofinas:	01:13	My guest this week is David Rosenberg, Chief Economist and Strategist for Gluskin Sheff, a wealth management firm based out of Toronto, Canada. David and I recorded this episode only hours after the FOMC concluded its two-day meeting this past Wednesday, where the committee decided to keep the fed funds rate unchanged, but strongly signaled a willingness to begin easing, possibly as soon as next month. It is David's conviction that the Federal Reserve has overtightened monetary policy during this cycle, possibly by as much as 100 basis points -- four rate hikes -- and that Jay Powell and the Board of Governors at the Fed are worried that they may have precipitated the bursting of another bubble. Only this time it isn't in housing or consumer credit, but rather in the corporate bond market where multinational corporations have feasted on the issuance of trillions of dollars of new debt used to finance mergers, acquisitions, and share buybacks, all while simultaneously cutting back on the type of capital investment needed to service their debts and grow their businesses.
Demetri Kofinas:	02:27	The last 10 years have been a great time for stocks, fueled by a bonanza of free money coupled with an implicit guarantee by the Fed that it would support asset prices at all costs, but the question has always lingered. What will happen as the Fed continues to raise interest rates, normalize its balance sheet, and tighten monetary policy? Is this a new paradigm of financialization where fundamentals no longer matter and perpetual liquidity is the name of the game? Or, is the global economy's increased reliance on debt financing in order to drive

earnings and levitate asset prices no more sustainable today than it has been at any prior point in history? Is this time truly different?

Demetri Kofinas: 03:16 As always, subscribers to our Hidden Forces Patreon page can access the Overtime to this week's episode, which includes a discussion about how David is positioning himself and his clients for the likelihood of a recession and return to bear market territory for stocks and commodities. We discuss the U.S. Dollar, precious metals, currencies, defensive stocks, as well as why David believes that we're going to see yields for 10-year Treasuries drop below 1% during the coming downturn. With that, let's get right into this week's episode.

Demetri Kofinas: 03:57 David Rosenberg, welcome to Hidden Forces.

David Rosenberg: 03:59 Thanks for inviting me on.

Demetri Kofinas: 04:01 It's great having you here. How many days are you in New York this time?

David Rosenberg: 04:04 Well, this particular time I'm here for a couple of days, but we have quite a few clients at Gluskin Sheff in the New York area, and invariably I'm asked to give speeches at different events, so I'm probably in New York every four to six weeks. When people ask me, because I lived here from '02 to '09 when I was Merrill's Chief Economist, so people ask me to this day, "Do I miss New York?" I'm here so often, I don't get a chance to.

Demetri Kofinas: 04:30 That's interesting. You're from Toronto, right?

David Rosenberg: 04:32 From Toronto and been back there for the past 10 years.

Demetri Kofinas: 04:36 Are you a Raptor fan? Or are you a happy Raptor fan?

David Rosenberg: 04:39 Well, I'm actually a Dallas Mavericks fan. I can explain that, but --

Demetri Kofinas: 04:44 Interesting.

David Rosenberg: 04:44 I hopped on the Raptor bandwagon with full force I might add during the series against the 76ers.

Demetri Kofinas: 04:52 How interesting.

David Rosenberg: 04:54 You think about it as Toronto's team, but it was really Canada's team. What was incredible were all these Jurassic Parks in all

these different cities. Some of them with 20,000 people going crazy at these basketball games. You think of Toronto or Canada as hockey, but basketball is very popular.

Demetri Kofinas: 05:15 David, you're here for the FMOC meeting for quarterbacking, not Monday morning, Wednesday afternoon quarterbacking. Just for those listeners who aren't familiar with you, you're the Chief Economist and Strategist at Gluskin Sheff, and you've been doing that since how long? When did you start at the firm?

David Rosenberg: 05:32 I actually... it's been 10 years and a month --

Demetri Kofinas: 05:36 After you left Merrill?

David Rosenberg: 05:37 After I left Merrill. I left Merrill in May of '09. I was at Merrill combined almost 10 years as well, the first three years in Toronto and the last seven in New York, but been doing this gig at Gluskin now for the better part of the last decade.

Demetri Kofinas: 05:55 So, what do you think? Today I watched, I assume you did, maybe you didn't, I watched the post press conference, the Jay Powell press conference, and we got the right decision. No change in the rate, but the word "patience" was taken out of the statement for forward guidance. There seems to be some sense that they're taking a more accommodative stance, but that's pretty much it. What did you get out of this?

David Rosenberg: 06:22 Well, look, the first pivot at the beginning of the year was Powell basically walking back the rate hikes that the Fed was pledging in December when they actually hiked interest rates. Hard to believe that they did it when you looked at what's happened ever since. Today was just going a step further. The Fed historically is a very incremental institution, and so today was basically... in the old days we would have called this shifting to an easing bias. They shifted to basically a directive that's saying that, "Our next move is likely to cut interest rates." I would refer to this basically as just extra guidance in that direction.

David Rosenberg: 07:03 The bottom line, as you mentioned, no big reaction one way or the other. Well, I guess if anything, the equity market liked it and so did the bond market, but a lot of this was already priced in. I think you can almost argue that whether you're a policy hawk or a policy dove or you see the Fed on hold indefinitely or you see the Fed cutting interest rates in July, there's really something in the statement and something in the dot plots for everybody today to hang their hat on.

Demetri Kofinas:	07:28	The market has fully priced in a 25 basis point cut in July, right?
David Rosenberg:	07:33	We're almost there. Yeah, absolutely, and basically at least two cuts by the end of the year. July seems to be baked in the cake and, frankly, I don't have a problem with that. I think the economy is weaker than is generally accepted, and I think that there is a lot of folks in the Fed getting increasingly frustrated over this constant undershoot of the inflation target. That's their cover to cut interest rates. I would actually just say that based on my analysis, the Fed has overtightened the cycle by three to four hikes. So, I would actually say they got to walk back three or four of these moves just to get back to neutral. I think the Fed is actually on the restrictive side. One of the areas that I would have to admit I agree with President Trump on, I might handle how --
Demetri Kofinas:	08:17	The communication.
David Rosenberg:	08:18	The communication a little differently, but on the Fed's restrictiveness, you see, I don't think the Fed is at neutral. I think the Fed is actually quite tight.
Demetri Kofinas:	08:26	You're thinking 75 to 100 basis points at least and that they should have already been cutting by now?
David Rosenberg:	08:32	Well, a hundred percent. I would say actually there's two scenarios here, and if you look historically, here's what happens. Even in a soft landing, when the economy slows the Fed cuts rates as an insurance move and it's successful in forestalling a recession. The Fed never goes once or twice. The Fed goes three times in a soft landing scenario. If this becomes a recession, which is my forecast, historically the Fed cuts the funds rate almost 500 basis points, so you could see that, if this is something more than just a soft landing. If this is something more than just, "Oh well --
Demetri Kofinas:	09:06	[crosstalk 00:09:07]-
David Rosenberg:	09:06	-- trade concerns or tariffs", but something that's classically late cycle. An inverted curve following a Fed tightening cycle. There's something more to this than just trade and we morph into a recession, then the funds rate is going back to zero and I would hazard to say back to zero in a pretty big hurry.
Demetri Kofinas:	09:22	Do you think that we're already in recession?

David Rosenberg:	09:24	I think it's a pretty close call. I know that people will say, "Well, how can that be? We had real GDP of 3% in the first quarter. Atlanta Fed has taken their number to 2% in the second quarter." Of course, we just had those decent retail sales numbers. People would be surprised to know that the recession call does not come down to GDP. GDP, more often than not, tends to decline during a recession, but the final arbiters of the recession call or the expansion call is the National Bureau of Economic Research, and I say this with a tip of the hat to Martin Feldstein, who headed that organization for many years who passed away last week.
David Rosenberg:	10:03	There's four basic tenets to the cycle, and guess what? GDP is not one of them. People seem to think that back-to-back quarters of GDP defines a recession, actually not true. That's a Wall Street colloquial. You'll find plenty of recessions were there were not back-to-back quarters of negative GDP. It just so happens that GDP is soft, but it doesn't even have to decline. If you go back to 2001 where we actually had a recession from March to November of that year, you'd say, "Where was the recession looking at GDP?" Four basic tenets: Real business sales that's manufacturing and trade; industrial production; employment; and real personal income, excluding government transfers.
David Rosenberg:	10:43	Three of those four, employment, I'm talking about the household survey which is more accurate than the payroll survey at turning points in the economy in both directions. Household unemployment peaked in December. Nobody seems to talk about the fact that it's down roughly 200,000 year to date, all in full-time jobs. That doesn't seem to get a lot of play, and in fact, I was surprised that in the press statement the Fed actually talked about the strong labor market. It's not all about a 3.6% unemployment rate. There's been almost 200,000 household jobs lost this year. Again, I don't see many economists talking about that particular metric.
David Rosenberg:	11:15	Industrial production peaked in December. That's down at over a 2% annual rate so far this year. We're on the precipice of probably seeing for the first time in three years a sub-50 ISM reading, but industrial production is already in a recession. Thirdly, we have real organic personal income. That peaked in December. It's actually down at a 1.5% annual rate so far this year. The only thing that's really hanging on is real sales, and of course, the retail sales number gave that boost last month.
David Rosenberg:	11:47	I would say that the sort of recession I'm defining here is a capital spending-led recession. It's not about the consumer this

time. That was the last war. It's not about housing, which has already been in a five-quarter recession. This is more like a 2001, 2002... what I would refer to as a mild Capex-led recession. I think that those are coming out in the capital intention surveys that we're seeing. It's certainly coming out in core Capex orders, which are negative 3.5% over the past six months, which is telling you that corporate spending in the real economy is going to be weak for the next several quarters.

David Rosenberg: 12:23 I go back to the first quarter of this year. People talk about the 3-handle and GDP growth, of course, you can manufacture that with surging soybean exports and lower imports and bloated inventories, but the point I'll make is that the numbers that stuck out to me in the first quarter was the -1.1 on capital spending.

Demetri Kofinas: 12:41 Are we seeing a lot of slack?

David Rosenberg: 12:43 Well --

Demetri Kofinas: 12:43 Excess capacity?

David Rosenberg: 12:44 Well, not in the labor market. We've hit the wall

Demetri Kofinas: 12:46 Industrial.

David Rosenberg: 12:47 Industrial, absolutely. You can see it in the declining CAPU rate. It might have ticked up last month with the industrial production number, but the CAPU rate has been declining and that is reinforcing a view of slack in the industrial sector. Of course, alongside that decelerating pricing power, which is coming through in the profit numbers which have been steadily revised this year, Q1, Q2, Q3.

Demetri Kofinas: 13:10 You mentioned Chairman Powell's point about their being a tight labor market. He said that in the context of consumer spending coming back in the second quarter and that was part of a larger point he made that he said it's a complicated picture. That some of these indicators like consumer spending and a tight labor market suggest that the economy is doing well, but then manufacturing, investment, and trade have been weaker. You're focusing more on the second half of that. Mainly, though, investment.

David Rosenberg: 13:35 Well, look-

Demetri Kofinas: 13:37 What role does the trade, whatever you want to call it, trade war, trade spat, trade whatever, play in all of this?

David Rosenberg: 13:43 It's an added complication, but I was calling for this long before the trade skirmish became a trade battle. Look, we've had 10 recessions in the post-World War II experience, and so the business cycle is the business cycle. They end and then they begin. The reality is that no two recessions are ever quite the same. In the last cycle, I frankly wasn't looking at capital goods spending surveys. I was not looking at core Capex orders numbers. I was not looking at business sentiment numbers, because that's not where the bubble was. That wasn't the root cause of the angst that was going to cause the economy to tip over. The stuff I would be looking at in the last cycle would have been more consumer oriented, housing oriented, the stresses in the mortgage market, house prices, so on and so forth. As I said before, this has more of a feel of 2001 - 2002.

Demetri Kofinas: 14:39 An investment-led boom.

David Rosenberg: 14:41 Right. Well, not everything goes down together in a recession, just as not everything goes up together in an expansion. You'd be telling me, "Well, the economy seems pretty strong", and yet housing has been in contraction for five straight quarters, so there's been other segments of the economy that have offset that, but not everything goes up together in an expansion. Not everything goes down together in a recession, but you see, once you shock one of these components of GDP with a lag that starts to affect other parts, there is a whole multiplier impact that goes on. It's just like the human body. You affect one part ultimately with a lag, it affects other parts of your body. GDP is a body called the economy.

David Rosenberg: 15:24 I think that what happened this cycle was the bubble is not on household balance sheets, the bubble is not in the banks. The bubble is on corporate balance sheets. What people will say is... they'll say, "Well, but there's been no excess capital investment", and that's true, like in the dot com era. Massive excess capacity.

Demetri Kofinas: 15:42 Mm-hmm (affirmative). Dark bandwidth.

David Rosenberg: 15:43 And so we wrapped the world many times over with fiber optics. When people say, "Oh well, there's no excesses because there was not a major excessive capital investment cycle that created all this excess capacity", totally misses the point. The bubble is on corporate balance sheets and the money didn't go into the real economy, it went into share buybacks. You see,

this is the perfect symmetry. The symmetry is this. The symmetry is called $4 trillion. $4 trillion of QE equaled $4 trillion of corporate bond issuance equaled $4 trillion of share buybacks. This is one of the weakest capital spending cycles on record. In fact, you have to think to yourself, "How is it with interest rates this low for this long that when you're a typical CEO of a company, what could possibly have been your ex-ante expected rate-of-return or invest capital in your company boring with such low rates.

David Rosenberg: 16:43 No, instead, I'm not going to invest organically in my company. I'm actually going to go buy back my stock, and this really comes down to how perverse the incentive system is because CEOs get paid on what? They get paid on earnings per share. This was the mother of all share buyback cycles. That's where the bubble is and I would say that you can argue that at least 600 or 700 points on the S&P 500 have come just from the buybacks this cycle. This certainly hasn't come strictly from dollar billions of earnings, but the fact that this share count and the S&P 500 has been taken down to a two-decade low.

Demetri Kofinas: 17:21 What about corporate debt, too, which has been used in support of that as well?

David Rosenberg: 17:24 Well, that's what I'm talking about. The $4 trillion of debt issued to buy back $4 trillion of stock, and you see what the Fed did this cycle was they took out of from Quantitative Easing... they took $4 trillion of safe assets out of the system and they left a vacuum --

Demetri Kofinas: 17:40 Treasuries.

David Rosenberg: 17:42 For the corporate sector to issue this debt, and this is why it's not about the banks. The banks became regulated utilities and were constrained this cycle.

Demetri Kofinas: 17:50 Right, exactly.

David Rosenberg: 17:52 And so --

Demetri Kofinas: 17:52 They were relying on the bond market to fund the corporates.

David Rosenberg: 17:55 Right now, we have the most stretched corporate balance sheets on record. The corporate debt-to-GDP ratio is over 50%. You look at corporate debt to sales, to corporate to... you could normalize corporate debt by any measure you want, you could even strip out the cash, which of course is concentrated among

a few companies, the story doesn't change. We have the most overleveraged corporate sector in recorded history, and so the point I was making is that because of that, we also have the junkiest investment grade bond market. The investment grade market say is a $6 trillion market, half of that is in BBBs. BBBs right now comprise half of the investment grade market and they're on the precipice if they get downgraded to be pushed into junk bonds.

David Rosenberg: 18:42 What's very interesting is that a third of this BBB slice already has a debt-to-EBITA ratio that is higher than it is in the entire high-yield universe. They already have a junk balance sheet but they're not rated as junk yet. So, you come out of a Fed tightening cycle--

Demetri Kofinas: 19:01 And that a direct consequence of the search for yield.

David Rosenberg: 19:04 Yeah, it's a direct consequence from the search for yield on the part of investors because they soaked up this debt, but then again, this is a liability on corporate balance sheets. This is going to be the year where they're going to have to meet their debt servicing schedule. This is the first year in five years where we have a tsunami of --

Demetri Kofinas: 19:22 -- coming due --

David Rosenberg: 19:22 -- maturities. Three quarters of the corporate market rolls over in the next five years starting this year. This is where the rubber meets the road. You're either going to stay current on your interest payments or you're going to default or get downgraded coming out of a Fed tightening cycle, and this is a very pernicious one, by the way. The Fed hasn't even done anything yet except just talk, but when you count in Quantitative Tightening and you count in the nine rate hikes, it's as if the Fed tightened policy by about 375 basis points this cycle. That's very significant.

Demetri Kofinas: 19:55 Taking into account the Quantitative Tightening.

David Rosenberg: 19:57 Taking into account the balance sheet, that's the [crosstalk 00:19:59]-

Demetri Kofinas: 19:59 The balance sheet [crosstalk 00:19:59]-

David Rosenberg: 19:59 -- De facto equivalent tightening and more often than not with a lag. Those lags can be anywhere from 12 to 36 months. I tend to find... I speak to people that... everybody lives in the here and

now. They can't see the tip of their nose and if the recession is not staring you in the face, then it's not going to happen. I remember that back in 1989, '88 - '89, the Fed tightened. People thought we were going to extend the cycle. Recession [crosstalk 00:20:24]-

Demetri Kofinas:	20:24	Because of the lag, because it [crosstalk 00:20:25]-
David Rosenberg:	20:26	Because of the lag, the lag is between 12 and 36 months. People tend to forget about that. People thought we were going to be just fine. The Fed tightened in '99 and 2000. Next thing you know, March of '01 we're in a recession. The Fed tightened '04, '05 into '06, and no one sees a recession that starts at the end of '07. The thing is, too, when you come off these dramatic easing cycles, and remember, we had seven years of free money in this country. You're invariably going to get the bubble, and as Woodward and Bernstein were told by Deep Throat to follow the money, after these prolonged easing cycles, we have to follow the bubble. The bubble this time is not in the mortgage market. The bubble this time is not in the housing market. The bubble this time is not in the banks. It's in the non-banks. It's on non-financial corporate balance sheets and that's where the bubble is.
David Rosenberg:	21:11	The fact that it didn't go into capital investment to me is immaterial. It went into stock buybacks-
Demetri Kofinas:	21:16	It's very interesting.
David Rosenberg:	21:16	And you can only imagine what happens if that train starts to move the other direction. Now, I said before there's no get out of jail free card after an extended Fed tightening cycle, especially one that was as pernicious as what we came off of and now it's finished, but now we're in this no man's land where the Fed is on hold and the Fed will eventually probably by the end of next month start to cut interest rates.
David Rosenberg:	21:40	Just remember that the Fed started cutting interest rates in September of 2007 and the recession started two months later. The Fed started cutting interest rates and the Fed went 50 basis points on January 3rd of 2001. People have to remember this. History matters. They cut rates 50 basis points on the first business day of the year on January of 2001 and the recession started two months later, so it's a case of be careful of what you wish for. When the Fed is forced to cut interest rates, it's almost like a mea culpa, an admission that we went too far.

David Rosenberg:	22:16	Now, look, maybe we'll luck into a soft landing where the economy just meanders and slows and doesn't ultimately contract. I give that 15% odds. There's no such thing as a sure thing, but I think a recession has 85% odds. I think it's the overwhelming base case, but I'm not going to say that it's the only case. The point I'm making is that companies are going to have a decision to make and the decision is going to be to cut back on Capex to stay current in terms of their debt obligations, and you're seeing that across all the surveys. You're seeing that across the data and you're seeing that across leading indicators.
Demetri Kofinas:	22:50	Are we seeing companies rush to refinance now? Have you seen anything like that?
David Rosenberg:	22:55	I haven't seen anything towards a major refinancing boom, but what I am seeing that's very interesting is not that big of a movement, considering that the economy has cooled off, the yield curve has inverted. The default cycle and rating cycle has been very muted, and I think that that's what's interesting actually [crosstalk 00:23:14]-
Demetri Kofinas:	23:13	Very muted.
David Rosenberg:	23:14	Very, and I think that I mentioned that say a third of this BBB debt, which is that slice that has me most concerned, that even though a third say has a debt ratio that's what you'd normally see in a high-yield market, only 5% of this debt is rated or has a negative credit outlook attached to them by one of the three agencies. Your knee-jerk reaction would be, "Well, the ratings agencies having the back of the issuer again at the expense of the investor", but I don't think that's what's going on.
David Rosenberg:	23:44	I think what's going on is that the CEOs and CFOs have gone to the agencies and they're showing them their capital spending plan for the year, and so the focus is on debt retirement. The focus is on debt repayment, staying current at a time when we know that we're in a mild profits recession. What comes out of that? Well, either you got to cut back on your share buybacks. Well, that hasn't happened yet. The first thing that's happened is they cut back on their capital spending plans and that's what comes out of accurate demand, otherwise known as GDP, and that is what gets the ball rolling in terms of the economic recession.
Demetri Kofinas:	24:17	Fascinating point. It's important to just meditate on that for a moment because it's part of this larger arch towards the financialization of the economy. Moving away from the real economy towards the financial economy. This move in terms of

share buybacks, focusing on keeping the stock price high at the expense of capital investment.

David Rosenberg: 24:36 Well, this all started, if you remember, back in October 1987, which by the way was my first day on Bay Street in Toronto as a financial economist at The Bank of Nova Scotia. When you go back and read the transcripts of the FOMC meetings, not the minutes, the transcripts, you'll see how October 1987 the stock market collapse-

Demetri Kofinas: 24:56 Right when Greenspan had taken over.

David Rosenberg: 24:58 He had just taken over a few months earlier and shook him to the core, and that's when the term "Greenspan Put" was first used in the financial market vernacular. Usually you had central banks moving rates around more premised on economic data than on the markets, and remember, Alan Greenspan, although he was a speechwriter for Gerald Ford and handed out Whip Inflation Now buttons back in the early '70s, he was a markets economist. He was plucked out of the private sector [crosstalk 00:25:30]-

Demetri Kofinas: 25:29 No, he was very successful as well.

David Rosenberg: 25:33 He started the ball rolling on really having the third mandate of the Fed, full employment, price stability, but he added the third one, de facto, which was financial [crosstalk 00:25:44]-

Demetri Kofinas: 25:44 Financial [crosstalk 00:25:44] market stability-

David Rosenberg: 25:47 I have your back. What happened was that the market plunges and Greenspan doesn't cut rates just once or twice, he cuts rates well into 1988 until it's evident that the stock market collapse didn't do anything to the economy. It was a great holiday shopping season at Christmas time. The economy just kept on ripping. The Fed found itself behind the curve and had to hike rates '88, '89, and then ultimately, we had a recession in 1990.

David Rosenberg: 26:08 Now, we had a similar situation in the next cycle, and that cycle in the late '80s, of course, the financial or shall we say the asset cycle that took place, the asset and debt cycle was in commercial real estate. We had the LBO craze in the late 1980s. LBO's [crosstalk 00:26:25]-

Demetri Kofinas: 26:24 S&L [crosstalk 00:26:25]-

David Rosenberg:	26:25	The proliferation of high-yield bonds, and of course, it was the commercial real estate bubble. That was the bubble... that was the asset and debt cycle. So, you're right, we moved away three decades ago from the classic business inventory cycle towards cycles that were based on asset prices, and then we moved to 10 years later to the dot coms and we had that asset cycle. And these asset cycles when they pop create a recession and then what we know is that you don't get a V-shaped recovery. You get an elongated L-shaped recovery.
David Rosenberg:	26:59	It takes years to actually get into a sustainable expansion long after the official recession actually ends. It used to be, if you go back to the '50s, '60s, '70s, '80s, you had V-shaped recoveries. Low interest rates worked right away. That doesn't happen that way anymore because these are asset cycles, so we had the savings and loan and commercial real estate back in the late '80s. We had the dot coms in the early 2000s, and then of course, we saw what happened in the last cycle. This is the fourth-
Demetri Kofinas:	27:28	There's diminishing returns [crosstalk 00:27:29]-
David Rosenberg:	27:29	This is the fourth super debt-induced asset cycle. This, of course, was back to the equity market and all the debt that was issued to buy back stock. Clearly unsustainable in my opinion, but we know how these asset and debt cycles end. This is just a different one. This is not... we're not fighting the last war. This is not about savings and loans. It's not about commercial banks. It's not even about investment banks, but it could be about mutual funds. It could be ETFs. It could be insurance companies, pension funds, whoever basically is owning a lot of these corporate bonds with very low covenant quality at very tight interest rates spreads not reflecting the underlying default and ratings risk in these securities.
Demetri Kofinas:	28:17	What are we talking about here in terms of contagion do you think? We had a ton of contagion in 2008 and that was a very different, as you said, that was a consumer-led credit bubble.
David Rosenberg:	28:28	Well, I would say this much. My big concern is this BBB tranche. If it was just we had a cycle where a whole bunch of credit got downgraded from AA to A or AAA to AA, I wouldn't be nearly as concerned, but what it means when you have the investment grade market BBB, there's no maneuvering room. Your next downgrade is into a different asset class, which is called non-investment grade, and institutions that have quality mandates can't own this paper anymore. It's the law of large numbers

because you're not talking about even a couple of hundred billion dollars.

David Rosenberg: 29:10 You're talking about trillions of dollars that could be... put it this way. You're talking about a trillion dollars in that BBB space. The whole high-yield market is a trillion dollars. The high-yield market itself could not possibly absorb what could happen if a large proportion of these BBBs end up rolling over into high-yields. The risk is at the high-yield market gets overpopulated and spreads widen out dramatically as a result.

David Rosenberg: 29:37 Keeping in mind that, on average historically, you get downgraded from BBB, BBB- into junk, within five weeks your paper is valued 10% less than the day before the downgrade. That leads to a widening in credit spreads, filters back into the equity market. The underlying cost to capital rises and creates a tightening of financial conditions that will then, of course, force the Fed to have to cut rates even more. That's ultimately how that plays out.

Demetri Kofinas: 30:09 What about exposure to foreign corporate debt or foreign companies, companies like Alibaba or Tencent? Is that a concern to you?

David Rosenberg: 30:17 Well, I'll put it this way. This corporate bomb bubble that we're talking about is, in fact, global. It's not just confined to the U.S. I'm from Canada. This is evident there. You go across Europe, and of course, Europe has had the backstop from the ECB, which can buy more low-quality credits than the Fed can.

Demetri Kofinas: 30:35 We haven't talked about Draghi's announcement yesterday.

David Rosenberg: 30:38 Right, but anyway, in answering your question, it's this corporate debt bubble is a global phenomenon. It's not just constrained to the United States.

Demetri Kofinas: 30:45 Do you think the corporate debt phenomenon is top on the mind of the FOMC? Do you believe that's where their focus is primarily?

David Rosenberg: 30:55 Yeah. Well, right now, if you listen to Jay Powell's commentary was just basically answering the questions, but everybody is just talking about trade right now. Trade, trade, trade. G20...What will Xi and Trump end up meeting about. What will they tweet? Will there be a kumbaya moment? Will there be a beautiful remark and a tweet? Who knows? I would say that if you read the speech [crosstalk 00:31:22]-

Demetri Kofinas:	31:22	It seems unlikely.
David Rosenberg:	31:23	But if you read the minutes and you read a lot of the speeches on the economy and then the markets, you'll see that hardly a speech goes by where these FOMC officials don't talk about the excesses in the corporate credit market. They've been rather vocal about it, too. It is on their mind. Is it top of mind? Maybe right now trade is more top of mind. Taking a look at the Fed, they had an opportunity today. They changed the dot plots for the most part, or at least half the membership changed the dot plots [crosstalk 00:31:56]-
Demetri Kofinas:	31:55	You want to tell for our audience, for those who don't know what that is? How significant is it really?
David Rosenberg:	32:00	It's not that significant, but it's-
Demetri Kofinas:	32:00	The media has been obsessing over it.
David Rosenberg:	32:03	It just-
Demetri Kofinas:	32:03	It's new.
David Rosenberg:	32:04	Well, it's been around for... since 2012 I think. It's just the Fed every two meetings gives you... you don't see which individual members provide in the forecast, but they give you an anonymous forecast of where they see interest rates going, where they see the funds rate going for this year and next year. What happened this time around was that I think for the first time since they started doing this in 2012, you actually have some FOMC members predicting that the funds rate is going to go down from here. That [crosstalk 00:32:34]-
Demetri Kofinas:	32:34	About half, right? I think [crosstalk 00:32:35]-
David Rosenberg:	32:35	About half [crosstalk 00:32:35]-
Demetri Kofinas:	32:35	Looking for a cut [crosstalk 00:32:36]-
David Rosenberg:	32:37	Looking for two-
Demetri Kofinas:	32:37	Two cuts.
David Rosenberg:	32:38	And then they still have one person looking for a hike this year.
Demetri Kofinas:	32:42	Hike. I wonder who that is?

David Rosenberg: 32:42 Probably Esther George, and then you have seven that are looking for no change. The way I read it, two things. It's a divided Fed, but the press release read very dovishly in my opinion. Now, look, the market was only priced 25%, they would cut rates today, so that's not [crosstalk 00:32:59]-

Demetri Kofinas: 32:59 And so did the press conference as well.

David Rosenberg: 33:01 Well, and the press conference as well, but the thing that... at the press conference, he's really speaking for the FOMC.

Demetri Kofinas: 33:09 But At the press conference, there were a few things, though, at the press conference that stuck out to me. One was he used the phrase, "An ounce of prevention is worth a pound of cure", which I thought was rather interesting. My larger takeaway from it was that the Fed is now focused on sustaining the expansion instead of normalizing policy. That's what it felt like. He had made another comment as well about how certain groups had been somewhat disadvantaged relative to others during the course of this expansion and that now they were beginning to see the fruits of monetary policy and he wanted to try to sustain the expansion. I think he actually used those words.

David Rosenberg: 33:42 Well, look, here's what I'll say to that and I know it's like motherhood. Sustain the expansion, but-

Demetri Kofinas: 33:48 What do you mean?

David Rosenberg: 33:49 Well, the Fed always wants to sustain the expansion. If you go back...

Demetri Kofinas: 33:53 But, Powell was supposed to be a little bit more even-keeled.

David Rosenberg: 33:56 Well, but we'll get back to that in second [crosstalk 00:33:58]-

Demetri Kofinas: 33:58 A little more of a cheerleader [crosstalk 00:33:58]-

David Rosenberg: 33:59 You see how much fun I have on the tarmac. If you go and look at the FOMC transcripts all the way back to the 1960s and you go to the month a recession starts and at the beginning of these FOMC meetings, the Fed staff, the economic staff, produces and gives a presentation to the Fed on the economic outlook. Do you know on the month the recession starts, these Fed staffers have never once called the recession? I'm not talking about six months or a year earlier, on the month that it starts. The view that they want to sustain the expansion, they always want to

		sustain the expansion. They never intentionally... maybe Paul Volcker in the first recession in the early '80s.
Demetri Kofinas:	34:40	He was dealing with so much inflation.
David Rosenberg:	34:39	He wanted to kill inflation, but the Fed does not want to create recessions but they just happen to be part of the business cycle. They don't do it intentionally. You got to go back. Powell raised rates nine times, and even as we sit here today, we can talk about, "Oh, how dovish he sounded", and pivot number two and all the rest of it, but they're still draining their balance sheet. He was asked today actually [crosstalk 00:34:59]-
Demetri Kofinas:	34:59	That's a good point.
David Rosenberg:	34:59	--about that. He sold what, 35 billion a month?
Demetri Kofinas:	35:01	Mm-hmm (affirmative).
David Rosenberg:	35:02	In September, so it's funny they were talking about, "Oh, the Fed is so dovish", and yet they're still doing QT, although they're tapering the QT, they're still doing Quantitative Tightening. It's a little bit of what's called cognitive dissonance. If you're--
Demetri Kofinas:	35:13	What are they doing in terms of interest on excess reserves?
David Rosenberg:	35:15	Well, they didn't make any fresh announcement about that today as far as I saw.
Demetri Kofinas:	35:20	There's been no change in that since the crisis? Or minimal?
David Rosenberg:	35:24	Just minimal changes. I don't think that's a major part of policy.
Demetri Kofinas:	35:28	I just wonder if they might use that to try to offset some of the contraction of the balance sheet elsewhere?
David Rosenberg:	35:35	Well, there's something to be said I suppose towards making it more... incentivizing the banks [crosstalk 00:35:42]-
Demetri Kofinas:	35:42	Exactly, to pick up the slack [crosstalk 00:35:43]-
David Rosenberg:	35:43	--to free up the reserves, too, because the one thing we do know, and it's a fair point that you make because that could be a policy tool because we know from the latest Fed Senior Loan Officer Survey that the commercial banks have been tightening up on credit right across the board. That's going to incentivize them and you're seeing it actually in the data. Commercial bank

lending growth has really dried up, especially for commercial industrial loans.

David Rosenberg:	36:05	The one thing I will say, though, back to that for a second is this, that you can take the horse to water. It doesn't mean he's going to drink. If the--
Demetri Kofinas:	36:11	The horse is what in this case? The banks?
David Rosenberg:	36:13	The corporate sector. So, you can ease up. You can create conditions for the banks to want to lend more money, but if corporations are focused on balance sheet improvement and tightening their belts, at the margin it's not going to matter that much.
Demetri Kofinas:	36:25	That's absolutely true.
David Rosenberg:	36:26	Back to the point I was making before. "A," when we talked about that the Fed wants to sustain the expansion, of course, that was a very clear statement today in the press release, but that's always their goal. To me that was almost an admission that we've overtightened. Something else, you were right about Jay Powell, markets guy, credit markets guy, nonacademic. Fresh face and a real-world guy. He comes in a year and a half ago and all he starts talking about is Rstar and the neutral Fed funds rate and the need... Do you remember back in October, he was talking about we have to get to neutral, get there in a hurry?
David Rosenberg:	37:03	What's interesting to me is this. Back in 2012, and that was not a century ago, the Fed's estimate of the neutral Fed funds rate, the stable equilibrium Fed funds rate was 4.25%. Can you imagine if they try to get to 4.25 what sort of Presidential tweets we would have [crosstalk 00:37:20]-
Demetri Kofinas:	37:21	He'd be fired, if you can do it.
David Rosenberg:	37:23	Over time, you see what happened is that the Fed kept on reducing that and they got as low as 2.75 because they realized the constraints on inflation from what? From excessive indebtedness, from what the latte liberals in Davos called The Fifth Industrial Revolution, technology, aging demographics, all these things, inherently structural disinflationary. The Fed collectively takes their estimate of the long run equilibrium funds rate down to 2.75. What's the first thing Powell does at his first meeting last year? He not only raises the funds rate, but he actually starts to raise the neutral long-term rate, and he

goes in two steps and he goes to 3%. Oops, and now you saw what happened today I thought was very significant in my opinion was they took that rate down from 2.75 to 2.5.

Demetri Kofinas: 38:08 That's interesting.

David Rosenberg: 38:08 I've done my own work on where the neutral rate is. I'm not at the Fed, but I have a different call than the Fed does. I have a different call on the Fed than the Fed has on their own interest rates because I think that they've overtightened rather significantly. When you look at inflation for goods and services that are measurable and observable, because so many of these items are imputed by the statisticians of the government, my estimate of underlying inflation in the United States is well below 1%. We look at the scholarly research of where the real funds rate is in real terms, it's .5 to .6. I would actually posit that the neutral funds rate is closer to 1.5% than 2.5%, and so the [crosstalk 00:38:55]-

Demetri Kofinas: 38:55 A full 100 basis points.

David Rosenberg: 38:56 Well, this will come out in the wash. Like I said before, my job has always been and remains to look at the forest past the trees and to stay ahead of the curve. The Fed has made it almost their life's work to fall behind the curve because they're always looking just to current data. Look, how can [crosstalk 00:39:17]-

Demetri Kofinas: 39:17 They're using lagging indicators to [crosstalk 00:39:19]-

David Rosenberg: 39:18 Well, how can you totally dismiss the yield curve? How can you do that? There's an 85% historical track record. It's telling you right away what's going to be happening and if the stock market will do what it's going to do because of share buybacks, the stock market is trading more like a commodity on supply and demand than it is as a real economic barometer. The bond market, though, that is the economic barometer, and so the plunge in yields, the inverted curve along with the fact, what does a plunge in the real 5-year Treasury yield to .3% tell you? To .4% in a 10-year Treasury yield? What does that tell you about what the bond market is telling you about economic activity? It's not in the Fed's forecast and not in mainstream Wall Street's forecast.

Demetri Kofinas: 40:05 What percent of the curve is inverted now?

David Rosenberg: 40:07 Well, there's different segments that are inverted, of course, because you had this big rally, the big decline in the 2-year, so

		people will look at 5/30s and 2/10s and they'll say, "Oh well, those aren't inverted", but they're only not inverted because the 2 year has rallied so much on the expectation. The 2-year note is screaming at the Fed to cut. The 2-year note was telling the Fed, "You should be cutting today."
David Rosenberg:	40:28	If you're taking a look at say Fed funds to 10 year? Let's take a look at 3 months to 10 year. Most of the curve, at least of the 10-year part of the curve, is inverted. A lot of people I know like to look at the Fed funds, 2 years, 3 months to 2 years as a sign of economic stress. Everybody has got their own favorite part of the curve. I look at Fed funds to 10 years and it's got a great track record and that's telling you that if the recession isn't already here, it's coming in the second half of the year, notwithstanding some of the better tone to the recent economic data. To me, a lot of that is just noise, especially on the production side which is clearly in a downtrend.
Demetri Kofinas:	41:08	They also changed... didn't Powell change some of the language recently? I think he changed the Zero Lower Bound to Effective Lower Bound. I saw some other language changes as well and that got me thinking a little bit about negative interest rates.
David Rosenberg:	41:21	Right, okay. That's a great point. The Fed staff last year in the July 31st/August 1st meeting, and this rarely happens, the Fed staff gave a presentation to the FOMC and it's not unusual for that to happen. It's unusual for it to show up in the minutes and it was all about what you just talked about, basically, how will the Fed fight the next recession? They were already talking about that last year, about having to time it. The answer is that they're going back down to zero, and we're going to spend more time at or near zero for the next several years for people that want to talk about Japanification, with all deference to the stock market, which has been breathing fumes from stock buybacks, leave that aside.
Demetri Kofinas:	42:03	We're on the path to Japanese?
David Rosenberg:	42:04	Well, I think the world is really heading in that direction.
Demetri Kofinas:	42:07	Because of the structural inflationary forces that you talked about earlier?
David Rosenberg:	42:10	There's just too much debt. Look, there's no multiplier.
Demetri Kofinas:	42:13	And the structural demographics issue.

David Rosenberg:	42:14	If we had that fiscal stimulus of last year back when Reagan did it in the mid-80s when the federal debt ratio was 30% of GDP --
Demetri Kofinas:	42:22	We would have had 10% growth
David Rosenberg:	42:22	-- and not 80. You know there's just no multiplier impact from fiscal stimulus from these gargantuan debt ratios. I think the world is still awash in debt and that is a fundamental constraint.
Demetri Kofinas:	42:36	That is just forcing rates down...
David Rosenberg:	42:37	Well, people who are involved in the economy look at that debt as a future tax liability, so it impedes economic growth. Look, the McKinsey people have written about this, Rogoff and Reinhart have written about this. It's not linear, but you do have... it's basically what economists call The Law of Diminishing Returns. Too much of a good thing becomes a bad thing.
Demetri Kofinas:	42:55	Where does Rogoff put it? Somewhere at 175%?
David Rosenberg:	42:59	Well, that's for total. I was looking at government, but for total, yeah. I don't know many governments as high as 175. Maybe Italy is getting up there, but I don't think even they are that high. Look, the reality is that you're taking look at the level of outstanding debt globally starting right now, vis-a-vis the peak of the last cycle and you're taking a look at the level of debt now, vis-a-vis, where was the peak of the last cycle? The level of debt, the increase in the debt in the past decade from the peak in '07 has outpaced the increase in nominal GDP globally by a factor of four. That act as a fundamental constraint on growth. That act as a fundamental constraint on inflation.
Demetri Kofinas:	43:38	You need more and more debt to generate a dollar of GDP?
David Rosenberg:	43:41	Yeah, it's The Law of Diminishing Returns. The marginal--
Demetri Kofinas:	43:42	That's a very dangerous trend.
David Rosenberg:	43:44	And look, my good friend Lacy Hunt has written a lot about this. It's fundamentally deflationary and that's one of the reasons why this neutral funds rates come down so much. Now, back to your point about the negative funds rate, if you actually go onto various Fed district bank websites, you'll find that some of them are beginning to talk about the potential for negative rates in the next cycle. That is, they're going to have to get more and more aggressive. We were talking about this before, about

these asset and death cycles and you could see that each time the Fed has to get more and more powerful.

David Rosenberg: 44:15 You go back to that period in the early '90s. The Fed takes the funds rate from a peak of 9 7/8 down to 3, and the next cycle to fight the dot com, they go from 6.5% down to 1. Then, in the last cycle, they went from 5.25 down to 0. Look at the symmetry here. 9 7/8 to 3, 6.5% to 1, and 5.25 to 0.

Demetri Kofinas: 44:33 Yea, I know, I've seen those.

David Rosenberg: 44:35 And actually with QT, with QE, sorry, the synthetic negative rate. It went to -5%. You see how more aggressive they have to get with these debt and asset cycles. The Fed normally cuts the funds rate 500 basis points to fight a recession. Their starting point is less than 2.5. They're going to have to get to negative rates somehow. Either they'll have to do even more powerful QE, or we will go to negative interest rates and people will say, "Well, it didn't exactly work in Europe, so why would you do it here in the States?" Well, the banking system is much stronger, and for all the warts and pimples and scars, the stress tests were more robust and the U.S. banks much better capitalized than the European counterparts. If you want to scare people into spending money, which is what you want to do, then you'll basically put a tax on money.

Demetri Kofinas: 45:28 We did an episode where either I or my guest, I can't remember who thought of it, but we compared the mechanics of interest rate cuts to the mechanics of classical versus quantum physics, because things change as you get below zero. It can have perverse effects. If you are a pensioner, if you're someone who needs to save, you can end up saving more money spending less because you're losing more because you're paying interest to have a bank hold your money. Or you could take the money out of the banking system entirely and start storing in in your own safe or in your own basement or under your mattress.

Demetri Kofinas: 46:05 What I really want to point to is there is a logic that seems to exist in terms of how things work that's very mechanical in a very classical way that Fed economists and media pundits rely on when they do the analysis. I just wonder if that really holds as we go lower and lower and as we go below zero?

David Rosenberg: 46:22 Well, everything is in theory, so...

Demetri Kofinas: 46:26 But you see what I'm saying?

David Rosenberg:	46:28	It might not. Look, it might backfire, but if negative rates were to backfire, they'll just try something else. Do you not see what happened in the last cycle? They started with new acronyms. They had TAFF and they had TALF. They went to zero, then they decided on QE. Now, they didn't do the big bomb, which was debt monetization, the so-called "money finance tax cut", which earned Ben Bernanke the moniker Helicopter Ben and that famous speech he gave in November of 2002. They were supposed to go to QE back then, but they got as low as 1% of the funds rate and then next know, we had a massive housing bubble on our hands.
David Rosenberg:	47:09	So, the QE started seven years later and then they did not just one round, two rounds of QE, three rounds of QE --
Demetri Kofinas:	47:17	Operation Twist.
David Rosenberg:	47:18	Operation Twist. They're going to try everything. They'll try negative rates. If it doesn't work, they'll try something else. They'll do more QE. Look, the Fed is increasingly becoming politicized, and maybe the charter will change to allow them to buy more assets than just AAA mortgages and Treasuries.
Demetri Kofinas:	47:33	Well that's the question because --
David Rosenberg:	47:34	Just like the ECB. Well, the Fed is going to be very aggressive. Just think... as I said before, think proportionately how more aggressive they've had to be. Think outside the box as to what they're going to be doing. Lael Brainard who is one of the Senior Governors on the Fed. Gave a speech a couple of months ago where she talked about targeting yields out the curve. Never mind just taking short-term rates down to zero. Short-term rates going to zero only matter in so far as its successful in taking interest rates down across the curve. The Fed did this back in the 1950s, just the threat and saying, "We're going to pin the 10-year note yield at 75 basis points", or something along those lines. Now, maybe will it work? Well, maybe it won't.
Demetri Kofinas:	48:15	What does that do to bank lending?
David Rosenberg:	48:17	Well, those sorts of rates are not exactly great news for the banks, as you've seen how the banks have been responding to these ultra-low rates in Europe. The key--
Demetri Kofinas:	48:27	You add to that also if they lower interest on excess reserves how that impacts that as well.

David Rosenberg:	48:32	Right.
Demetri Kofinas:	48:32	It's a double whammy in a way.
David Rosenberg:	48:33	Look, the reason why it's failed in Europe is that these policies have just failed to ignite a sustainable money and credit flow into the real economy. I think that this is why this modern monetary theory is so interesting. It's just a different form of what Bernanke was talking about
Demetri Kofinas:	48:50	It's fascinating that it's gotten so much traction as a credible solution.
David Rosenberg:	48:55	Well, I can see it happening. "A," I don't believe in fairy tales and I don't believe in the Tooth Fairy. I believe in the business cycle, and I think this one is coming to an end very quickly in my opinion. The Fed is already behind the curve, the bond markets told you that, and they're going to have to be very aggressive. People tend to forget that before QE, they did a lot of other stuff and they will do a lot more. They won't have a choice. They call it modern monetary theory because it's some Democrat's way to help fund infrastructure or green technology, but really, it's quite simple. It's called debt monetization. It's so old. It's written up in The Old Testament.
David Rosenberg:	49:37	Basically, the Treasury puts a $5 trillion perpetual coin or a century bond on the Fed's balance sheet. The Fed prints $5 trillion and gives it to the Treasury to do with it what they want. They will retire student debt. Well, maybe that will finally remove a major obstacle for the housing market, which never fully recovered this cycle outside of the initial years when we had this buy for rent cycle. The first-time buyer, which historically is driven the market. Never showed up. The first-time buyer went AWOL, well, because of this huge albatross of student debt.
David Rosenberg:	50:15	Now, I know people will have problems with that. How can you bail out the sinners, my Lord? We removed Immanuel Kant and Calvinist thought from that in the last cycle when we bailed out the mortgagors. There's different things you can do with that money. You can bypass Congress. You can actually give out vouchers with expiring dates on it and get people. The whole thing is to get a multiplier impact on spending. The one thing I think that has to happen is we have to reduce the size of the debt, and not just the public debt but also the private debt. How is that going to happen without their being a recession? As I was talking about before, belt tightening the private sector and

the corporate sector is going to trigger a reduction in capital spending-

Demetri Kofinas: 50:55 Coupled with inflation.

David Rosenberg: 50:57 And there's a lot at stake here. Look, there's a lot at stake globally. When you think about how fragile politically from a society standpoint... think how fragile the world is right now. Global trade flows are in retreat. Global direct investment flows have contracted now three years in a row. The world is --

Demetri Kofinas: 51:14 The impact of those things are non-linear as well.

David Rosenberg: 51:17 Look, you've got these populist, nationalist xenophobic... Donald Trump is really more of a symptom of what's happening globally. It's interesting that happened the same year as Brexit and the populist wave that you're seeing across Europe. The world is changing --

Demetri Kofinas: 51:31 Geopolitical tensions, too. Those are huge deal.

David Rosenberg: 51:33 Just the wide divide. I think that people have to dust off their history books because if this is what we see, if this level of societal tension... look within the United States itself. I don't remember a time when the country was this divided, and when you think about what's happening in terms of the hate and the racial situation, this is the peak of the economic cycle. This is at the 3.6% unemployment rate. This is the peak --

Demetri Kofinas: 51:59 And we just had a bunch of tax cuts.

David Rosenberg: 52:01 Well, imagine what happens. Imagine what happens. I'm talking about from a strictly... what this means for society in general since social stability... I'm talking globally, not just the United States. If all this happens at the peak of the cycle and the low unemployment, think what happens when we cross the other side of the mountain. A lot is at stake here, beyond just what does the stock market do, credit markets, bond deals, the dollar. A lot is at stake here and I think that the Fed... I wouldn't have had a problem with the Fed cutting rates today and the stock market --

Demetri Kofinas: 52:28 You would not have?

David Rosenberg: 52:29 If they would have cut rates today I would have said, "Good on you", but maybe that's just too much. It's too--

Demetri Kofinas:	52:34	You think it's much more serious than markets and pundits and even the Fed perhaps are appreciating at the moment?
David Rosenberg:	52:39	I think that the economy has a really soft underbelly. I mean you strip out the soybean exports and the inventories and the declining imports, real private final demand in the first quarter was barely better than the 1% annual rate. If the Atlanta Fed is right, maybe we're close to 2% because the consumer hung in really well, but housing is in a recession. Commercial construction is in a recession, and the recession in capital spending I think started in the first quarter of this year from an already fairly weak base. When you think about the one thing that should have propelled the economy to new heights would have been capital spending because the tax cuts really gear towards the business sector, well, guess what? They got diverted to stock buybacks.
Demetri Kofinas:	53:23	That's been a huge story. David, I want you to stick around. I want to do an Overtime with you. For our regular listeners, you know the drill. For new listeners, you head over to hiddenforces.io/subscribe or straight to patreon.com/hiddenforces and you can find out about our Overtime subscription as well as access to our transcripts and rundowns.
Demetri Kofinas:	53:46	David, for people who aren't familiar with your work, how can they follow you on Twitter? Also, how can they get your different newsletters? Your monthly newsletters, your Espressos, and your Breakfasts?
David Rosenberg:	53:58	Well, I've been writing a daily since 1998 and that's called Breakfast with Dave. I actually do two early in the morning. One's called Espresso with Dave, and that's a waker-upper, and then there's Breakfast with Dave. Feel free to Google it. It'll flash up right away. If you ever just Google "Breakfast with Dave", what you can do is you can email me and the email is drosenberg@gluskinsheff.com. I know that's a mouthful, or call me directly at 416-681-8919 and I'd be happy to at least start you off with a complimentary publication.
Demetri Kofinas:	54:43	I'll have a link to David's website in the summary of this podcast. Thank you so much, David, and let's switch over to the Overtime.
David Rosenberg:	54:50	Terrific.

Demetri Kofinas:	54:52	That was my episode with David Rosenberg. I want to thank David for being on my program. Today's episode of Hidden Forces was recorded at Creative Media Design Studio in New York City. For more information about this week's episode or if you want easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you want access to Overtime segments, episode transcripts, and show rundowns full of links and detailed information related to each and every episode, check out our premium subscription available through the Hidden Forces website, or through our Patreon page at patreon.com/hiddenforces.
Demetri Kofinas:	55:40	Today's episode was produced by me and edited by Stylianos Nicolaou. For more episodes, you can check out our website at hiddenforces.io. Join the conversation at Facebook, Twitter, and Instagram at Hidden Forces Pod, or send me an email. As always, thanks for listening. We'll see you next week.