



Written by [Bob Adelman](#) on June 6, 2019

## Top Forecaster Predicts Dow at 40,000 in Two Years

In January 2016, when the Dow was trading around 16,000, market forecaster Yves Lamoureux predicted that the index would top 25,000 within three or four years. He missed it: The Dow hit that mark on December 31, 2017, two years ahead of schedule.



Last October, with the Dow trading at 24,700, he saw “a large panic event taking shape” as the Fed appeared determined to stall the economy by continuing to raise interest rates. That “event” occurred, dropping the Dow to 22,445 on December 16, a loss of 2,255 points, or nine percent.

Now [Lamoureux is forecasting](#) that the Dow will hit 40,000 within the next two years, but with a caveat: There’s another “event” that will occur first. In an interview with MarketWatch on Wednesday, Lamoureux elaborated: “What I’m expecting ... is another big move [up] in which people [investors] really go nuts [buying stocks]. That’s what’s kind of missing here. What separates me from everybody else is [that] we study psychology, and what I find particularly odd now is [that] there has been a very big flight of money out of stocks [and into] bonds.”

That “flight” has driven interest rates on bonds so low that a recession indicator — the yield curve inversion — has been triggered. This occurs when long-term bond yields fall below short-term yields, and often (but not always) triggers a recession in the next six months or so.

This fits with Lamoureux’s expectation that a “panic event” will occur in the next six months, dropping the Dow to perhaps as low as 21,000. But then, he said, “You get ridiculous prices ... reductions from the top. That’s what creates the next buying opportunity.”

And from there, extrapolating Lamoureux’s forecast, it’s straight up to levels never seen before.

The economy does appear to be fraying a little around the edges. New vehicle sales are slowing slightly, resulting in inventories on dealers’ lots reaching levels not seen since 2000. Incentives are increasing as a result, as dealers scramble to reduce the more than four million vehicles clogging their lots.

Auto-loan delinquencies have been steadily rising since the summer of 2014 and now are approaching levels not seen since 2010. Ninety-day delinquencies are at \$60 billion, far above the level of \$40 billion seen back in 2010.

Banks are charging off uncollectible credit-card debt at a rate not seen in seven years. And loans that are 30 days or more past due increased at all seven of the largest U.S. card issuers.

Charles Schwab surveyed 1,000 Americans and learned that 590 of them admitted that they are living “paycheck to paycheck.” Forecasters are expecting GDP growth in the second quarter to come in at just two percent, down from the more than three percent growth clocked in January through March this year.



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And ADP, the payroll processor, just reported that job growth in April was 27,000, way below the 185,000 new jobs predicted by forecasters.

Lamoureux's "bump" hasn't shown up yet in the Dow, which, since Monday, has been on a tear, adding 710 points to the equity index and bringing it to within a few percentage points of its all-time high notched back in October. And the Dow is traditionally perceived as a forward-looking tool, peering perhaps six months or more into the future.

Having said all of that, if Lamoureux is right (about both his target of 40,000 on the Dow and his timing of two years out) that would translate into one of most heroic sprints seen in the history of the Dow: a double from Trump's inauguration day in four years.

On the other hand, as Yogi Berra said, "It's tough to make predictions, especially about the future."

*Image: honglouwawa via iStock / Getty Images Plus*

*An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American, writing primarily on economics and politics. He can be reached at [badelman@thenewamerican.com](mailto:badelman@thenewamerican.com).*



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