Is Dr. Doom Right about the Markets?

There are contrarians who continually predict a fall in stock prices. The old joke is that even hypochondriacs get sick once in a while. Thus by analogy we might say that even the perpetual naysayer will be right about the market from time to time. One of these naysayers is Marc Faber also known as Dr. Doom. According to *CNBC* he predicts that **stocks are set to plummet 40% or more**.

> *If the man often hailed as the original "Dr. Doom" is right, the stock market could see another "lurch" higher – at which point investors may want to cash out quickly and run for cover.*
>
> *Marc Faber, the editor of "The Gloom, Boom & Doom Report' and a perennial bear, isn't backing down from his latest dire prediction that would send stocks plummeting by 40 percent or more.*
>
> *A drop of that size could take the S&P 500 Index down from Friday's closing price of 2,438 to 1,463.*

Mr. Faber is basing his prediction on the narrowness of the rally with so much capital thrown at so few stocks, namely the FANG tech stocks. The bright side, he says, is that when market bottoms out there will be plenty of bargains to pick up. So, what do others think?

Up, Down, Up and Finally a Crash

Investing.com writes about **one possible scenario** for a stock market crash.

> *After 8+ years of phenomenal gains, it's pretty obvious the global stock market rally is overdue for a credit-cycle downturn, and many research services of Wall Street heavyweights are sounding the alarm about the auto industry's slump, the slowing of new credit and other fundamental indicators that a recession is becoming more likely.*
>
> *Few have taken the risk of projecting a date for the crash. Next February is a good guess, as recessions and market downturns tend to lag the credit market by about 9 months.*

Read the article and follow his somewhat complicated graph and reasoning. A salient point in that he makes as that while the naysayers get rolled over with each successive market advance their warnings are remembered. Unfortunately everyone remembers at once at the top of the advance and massive selling becomes a self-fulfilling prophecy driving the market into a crash.

Who Else is Worried?

The Guardian writes that a **steep rise in lending** has caused worry at central banks.

> *World leaders have been warned to guard against another financial crash after a steep rise in risky bank lending over the past year that could threaten the stability of the global financial system.*
>
> *The international body that represents central banks said a recovery in global trade this year and improving levels of GDP in most countries could create complacency and convince policymakers to ignore warning signs of excessive lending coming from the financial sector.*
>
> *With only two weeks until the G20 summit of world leaders in Hamburg, the Bank of International Settlements (BIS) said politicians and central banks needed to keep financial markets in check to prevent another crash.*

In the aftermath of the Great Recession it was China's bet on growth and borrowing for expansion that helped support the global economy. Now that China has cut back on raw material imports many emerging economies are hurting and as China continues to pile on debt they may assume a role opposite the previous and drag the world economy down with them!

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