CLIENT INFORMATION BULLETIN

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DECEMBER 2025 – The Investment Cycle Ahead

Your Investments are about to fall 50%

How would you react to that statement?

Of course anyone making that statement cannot guarantee your investments will fall 50%.

Neither can I.
All we can do is look at history and assess the chances of whether "History Repeats". And take appropriate precautions.

Where are we and what is ahead in 2026?

A copy of WD Gann's 1909 Financial Timetable has been provided for some years now to every new client of ours as part of the "Green" Folder, a Welcome Pack introducing the knowledge of the Investment Cycle. Knowledge I believe which sets us apart from nearly every other accounting firm, and financial planner in Australia.

It was emailed it to all our clients years ago. If you haven't got a copy, just let me know and I will send you one. In his 1909 Forecast, Gann forecast the 2008 GFC. 99 years ahead!!! Yes, it is that easy. Samuel Benner forecast the 2008 crash back in 1875.

So all you need to do is add 18.6 years to Gann's table, and you have a fair idea how the economy will be going at any particular time.

Gann wrote about the years including the crash as – "Major panic, Crash. 4 years of falling prices, business stagnated, breadlines, soup kitchens, despair, unemployment."
Once the crash commenced (and he correctly included 1973, 1990 and 2008 in the "crash" column) he then forecast – "Extreme low stock prices, strikes, repression, despair and beginning of new business generation for 18-3/5 years."

Can you name an Australian State where 69,000 people a day go to Foodbank?
Can you name a country where unemployment is on the rise?
Can you name a country where 50 million people are living in poverty and their President is cutting back on the Departments who provide them with aid?
Can you name a country where the advent of new technology is threatening middle class and lower class jobs and people are starting to wonder how they will survive as AI replaces them?

The smartest, greatest investor in the world, Warren Buffett now has 40% of Berkshire Hathaway in Cash. If a financial planner was to tell their clients to go 100% to cash I am sure the Licensed Dealer Group would have conniptions. Financial Planning companies want FUM, (Funds Under Management), so they can reap their immense fees.

If Licensed Dealers really cared about the ASIC financial planning rule of "Know Your Client", they would be interested in what risk clients are prepared to take. They would ask the questions whether

1 clients would prefer to miss out on a potential growth of 5-20% in their portfolio,
Or
2 miss out on a 50% or so fall in their investments?
3 If the similar signs from every previous 18 year crash, exist again, would they rather be in Cash and be able to sleep at night knowing their money can't lose 50% or so?

The clients may well go to cash too early. Maybe they go 25% into cash initially. Then if signs worsen, they go to 50% in cash. If a Prime Minister or a President says that things "have never been better and we now know how to avoid Booms and Busts", (As UK PM Gordon Brown said in 2006), then you almost have a cast iron guarantee that the crash is imminent. It is certainly inevitable.
My understanding is that around the time Gordon Brown made his infamous statement, Phillip J Anderson went 100% to cash. Warren Buffett was hugely in cash by then. Buffett has stated, he has "made so much money by getting out too early, and investing too late". What he means by that is he avoided the major falls, of 1973, 1987, 2001, 2008, and didn't reinvest until he was certain that the share market had definitely resumed a long term upward trend.

When?

Fred Harrison suspects the over exuberance of AI could see the share market crash as early as 2026.
Phil Anderson is feeling that it is still likely to not be until 2027.
Catherine Cashmore is very confident that the crash will have occurred before August 2028, which is the projected opening date for the Jeddah Tower, 130 floors and 3,281 feet high, again in Dubai.

Every single next "Worlds Tallest Tower" has opened during a recession.
Manhattan Life 1894,
Singer Building 1908,
40 Wall St and Chrysler1930,
Empire State Building 1931,
World Trade Towers 1972,
Sears Tower 1973,
Petronas 1999,
Burj Khalifa 2010.

This is not a coincidence. To say it is a coincidence is like turning on your washing machine 5 years after you bought it and finding out the medium length cycle still takes 42 minutes, the same as when you bought it. Cycles repeat and are predictable.

Phil Anderson reports that just last week, the Federal Reserve cut US interest rates. It is also expanding its balance sheet, that is, quantitative easing. This is bullish for financial conditions. The Great Big Beautiful Bill will add to the excesses and boost GDP. The various stimulus measures and the recent action in the share market point to optimism over the economy heading into next year.
Anxiety is building, but plenty of sectors are still going strongly. Daily new 52 week highs recently hit their highest levels of the year. Small caps are breaking into new highs. So the message from the stock market is there's still room to run in the real estate cycle's peak, which is expected to arrive sometime during 2026. So according to Phil, we aren't there yet.

Once the crash commences

Same as after 2008, for the next few years the banks restrict lending. Things recover, the blue chip land, e.g. Melbourne and Sydney are the first places the banks start to lend more money for. Around 11 years after the crash, remember 2020, businesses lead the world into recession by having too much debt. Virgin Airlines is a perfect example. $5 billion debt, it had to be sold to save it. Was the tip of the iceberg as far as business and Tax debt went in Australia. Government steps in and gets the economy going by printing money and spending on infrastructure. Regional land grows the most after the mid cycle recession. Around 7 years after the mid cycle recession, e.g. the 2001 tech stock crash, the big one hits.

Time to watch "The Big Short" again!

So, what to do?

Review your portfolio. Consider whether you can handle a significant fall in the value of your money. Do not place blind faith in anyone telling you to stay fully invested. The worlds greatest investor isn't fully invested. Are you smarter than Warren Buffett?

But of course, the Requirements require me to advise you to seek help from your Financial Planner before making any decisions. A Planner who may try and talk you out of the preservation steps you may want to take at some time. If you don't have a financial planner then you will at least be able to make up your own mind about how you look after your money, because "It's your money, Ralph!"

Consider, if the share market fell 50%, would you want some money sitting aside to buy some great companies at half their previous price? You may have missed 10% growth, but can now buy shares at a 50% discount.

While Property Trusts have had a great run, in fact one I use grew 16% per annum from 2012 to 2019 inclusive, review your allocation. Note that, in most major crashes in the last 40 years, when the share market crashes, when people need cash, Property Trusts freeze redemptions. They aren't able to sell a major building or shopping centre overnight to quickly get a few $mill in cash. Their investments are locked into long term property holdings. Look at the recent returns and consider whether you retain all, or move some or all to cash.

Are you prepared to forgo some growth in your money for the benefit of sleeping at night? That is the decision you need to make as we progress through the next 2 years. 2 years where a repeat crash of the likes of the GFC cannot be guaranteed.

You need to decide whether, as a student of the investment cycle that has been repeating since 1600 in the UK, and since 1800 in the USA, you wish to take steps during the next couple of years to protect your wealth.

If the current 18 year Investment Cycle continues to turn in the same manner as every other 18 year cycle in the USA since 1800, then we are heading towards a peak in land prices around 2026 and a crash during 2027/28. No guarantees, but the current cycle has followed the 1990-2008 cycle exactly. Given the horrendous people in Government around the world, there is no reason to think the cycle won't continue in the same manner.

Interest Rates

In every cycle, when interest rates start going up, those who were pushed to the limit suddenly find they can stretch no further. In Australia we are enabling youngsters to buy a home with a 5% deposit. How many interest rate rises before they cannot cope, especially if they have gone from 2 full time incomes, to starting a family?

Businesses who are already on the brink could be pushed over the edge. The building industry, during a housing crisis, has already been devastated. So many other businesses are just hanging on. If Michele Bullock inevitably raises rates next year, so will unemployment.

No guarantees, but that is how this Cycle is tracking and will probably continue. Government decisions and policies around the world are, yet again, replicating the decisions made in past cycles. So it is hard to imagine that, with the same policies being followed, how can anyone expect a different outcome?

Shares & Property

Time to become circumspect. The opportunities to make money easily are very reduced at this stage of the cycle. Those in the know, e.g. Nancy Pelosi may still have a better performing portfolio than Warren Buffett, gee she must be an absolute guru for picking good companies just before their share price goes through the roof. But for normal people, these are the years when the professionals downsize their holdings and sell them to the suckers who come in at the end, thinking they must buy now due to the fear of missing out, (FOMO).

The Future

We will continue to advise our clients using our knowledge of the Investment Cycle.

We look forward to assisting your friends and family in the years leading up to, and following the peak around 2026, and the crash into 2027 and 2028. Will anyone else be able to say, "We told you so!"

Thank you to all who placed a positive review on our Web Site. We have already picked up a a number of new clients. Thanks again to every single one of you who have referred your friends and family to us. That is the greatest appreciation you can show us.

Wishing you a very Merry Christmas and a Happy New Year in 2026.

Grant, Jeanette,
Emma, Rizwan & Suba