

There is a stock market crash coming

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We've seen it before — 1929, 1987, 2000, 2008, 2020. Markets rise, then fall off a cliff. But this time, the economic damage could be worse. Trump's tariffs, political incompetence, poverty, and debt are all tightening the screws. In this video, I explain why current policies are setting us up for collapse — and how we must rethink economics before it's too late.

<https://www.youtube.com/watch?v=kg8RU3GDpsw&si=0rCmPPfLIMFtm80w>

This is the audio version:

https://www.podbean.com/player-v2/?i=gvv8j-191c7f4-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

There is a stock market crash coming.

I don't think there's any doubt about that now, and I'm not alone.

Even the Financial Times is now talking about the fact that it thinks US stock markets are definitely overvalued, and in my opinion, that's true of the UK as well.

Let's be clear, markets are built upon hype and hope, but they're never built on

economic fundamentals.

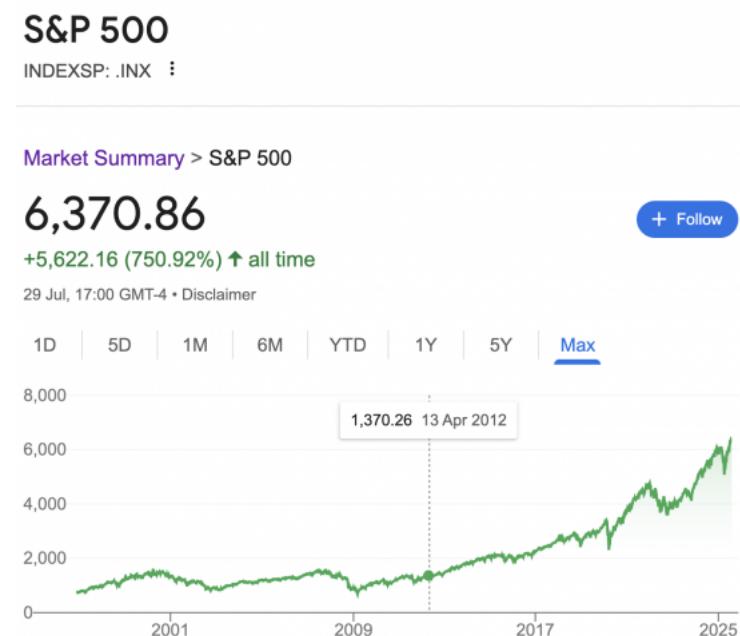
If they were, then they would not be valued as they are at present.

History shows that markets rise steadily; that is, until they don't. And financial hype perpetuates the myth of this endless growth, and that carries on until something happens.

And that something happened in 1929, 1987, 2000, 2008, and 2020, and of course, that something is a crash. The stock market falls very quickly and radically, and the warning signs are already visible in the current case.

Quite clearly, markets are rising at a time when the fundamentals are acting to the contrary.

Let's look at some data. This is the S&P 500, and you can see that the chart goes back for a considerable period of time, and the market is now at record highs.



And that's replicated in the FTSE 100.



Here we are again, looking at movements over decades, with the market currently being at record highs of above 9,000 for the first time in its history.

But the fundamentals are saying that these valuations are irrational.

Trump's tariffs are helping fuel a coming economic crisis. Let's not pretend that isn't going to happen anymore. We know it is.

Japan and the EU have signed trade deals with the USA, which have 15% tariffs built into them, which is vastly higher than previous rates, and we know that tariffs will reduce the level of world trade. That's what they always achieve.

More than that, they will most definitely increase the cost of living in the USA, because again, that's what they're designed to do.

A tariff is a sales tax on imports into the US economy.

Prices will rise.

People who have fixed incomes will see their ability to spend fall.

There will be a reduction in consumption in that economy, and that, combined with the ripple effects around the world, could very easily result in a global crisis and not just a US one.

There will be an increase in inflation in the USA.

There will be a decline in trade, and a failed energy policy can only exacerbate that.

And all of these things will spill over, in particular, if there is an interest rate reaction from central banks.

Again, the UK's FTSE 100 is indicating a level of confidence that is wholly misplaced.

The UK Confederation of British Industry, the CBI, has just at the time that we're recording this, issued its most recent confidence survey of British business, and British business now has a level of confidence equivalent to that which it had at the time of the second COVID lockdown in 2020.

In other words, they're not feeling too good about the prospects for the UK economy.

Rachel Reeves' economic policies haven't helped.

Trump hasn't helped.

War in Ukraine and war in Gaza, and other stresses around the world, are doing nothing to increase their confidence and underpinning it all, of course, is the fact that Trump is

in the White House, and it's going to be so for more than another three years.

So the reality is that the markets are out of touch with what is really going on in the world, and at some point, there has to be a reconnect, and that reconnect is always achieved through a crash.

And that's going to happen for another reason as well. And that is because in the real world, people are getting to the point where they can't afford to buy essential items, let alone luxuries.

We know that dissaving is taking place. In other words, people are reducing the money that they are putting into their savings accounts, unless they're very wealthy.

They're putting off spending on consumer durables now, and they're also putting off repair bills, and they're doing all of that simply to make sure that they can pay for the essentials.

But that fact means that at some point, consumption will fall, and that's also true because debt can never eventually fill the gap.

Poverty is rising. Already, 20% of children in the UK are living in poverty, and so, of course, are their parents, and consumption is falling. We're seeing that in the returns from retailers. Nothing they can do will persuade people to spend more, particularly when the price of essentials, like food, is growing faster than the rate of inflation.

Recession will follow.

Neoliberalism has no answers to this either, and that's what worries me most of all. Shareholder capitalism has failed. It has focused upon those returns that are being indicated by enormously high share price valuations in stock markets, and it's put political elites into a situation where they're out of touch with reality. But the public, as we know, no longer believe in politicians or their ability to handle crises, including the economy, including wars, and including the failure of public services. And that's not just true in the UK, that's true in the USA as well, where, for example, there is considerable disquiet about almost everything that Trump is doing on a level that makes Biden's satisfaction ratings look positively stratospheric. That's how bad he is.

So, squeezed living standards, coupled with this loss of confidence, will mean a fall in demand. That's not only because people will try to save, as they always do in the face of recession, and I think that is going to happen, but high interest rates, continuing excess pricing from monopolies and rents, which are going through the roof in comparison to inflation, mean that people are being exploited.

And there's only so far that people can be squeezed in this respect. Eventually, there is nothing left to give, except consumption expenditure.

And when people have to eat, it is the frivolities in life that will go, but that's enough to tip us into recession, and even, if things get worse, into depression.

Economic models relying on consumerism are now unsustainable, and that's what the neoliberal model is.

By itself, consumerism is not meeting need. Failing public services are what are required to be corrected to ensure that is the case, and again, the government not doing that means that we are in a desperately difficult position.

What is more, it's very obvious that we have governments that are not remembering the lessons of the 1930s. The 1930s involved recession and then depression, and it was only war against fascism that eventually broke that cycle. We have to remember that. That was the terrible history of that era, and it was entirely avoidable.

We discovered too late that John Maynard Keynes knew the answer to the problem, and that was, governments must spend to provide the incentive for the markets to react and so begin to invest again themselves, which without additional government spending, they never will.

But we now have governments that don't believe in that. They believe in increasing interest rates when inflation rises, which it is probably going to do as a consequence of what Trump is doing, and they believe in austerity, and that's going to prevent them spending to avert the crisis coming our way.

The simple fact is that having a crisis with regard to stock market overvaluation is one thing, and we can get through that. It happened, for example, in 2000 when, quite remarkably, the dot.com crash in the stock markets, which was really quite significant, did not spill over into the real economy because we had a government that managed to avoid that by actually providing an economic boost to the economy because it realised what was going on. Full credit to Gordon Brown in the UK, in particular, for doing that because he got that call right, by and large, but we haven't got such a chancellor now. We've got Rachel Reeves.

She is dedicated to GDP growth.

She's dedicated to stock price increases and forcing more and more money into the City to make that happen. This is the focus of her economic policy. She calls the City of London 'the jewel in the crown of the UK economy', and she's ignoring the well-being of the bottom 80% to 90% of people in this country as a whole.

We have to change that. We must have an economy built on the well-being of those people and not on GDP growth, and instead, on the growth in their incomes, because that must become the focus. We must have an economy that is focused on meeting the needs of those people, and not just the wants of the wealthy, and the economy that

we've got, which meets the wants of the wealthy, but does not meet the needs of the majority, is the one that is actually going to crash us.

So this crash will require governments to rethink everything.

That's the crisis that I really think we face.

Have we got politicians who can do that? I wish I knew.

I don't know that we have, but let's stop pretending that our stock markets are safe anymore, because when even the FT says it's time to fasten the seatbelt and accept that we're about to hit a wall, it's time to demand real change.

So what do you think? Are we heading for a crash? We've got a poll down below. Let us know.

Poll

[poll id="163"]

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.