US to Experience Stagflation Worse Than 1970s: Jim Rogers

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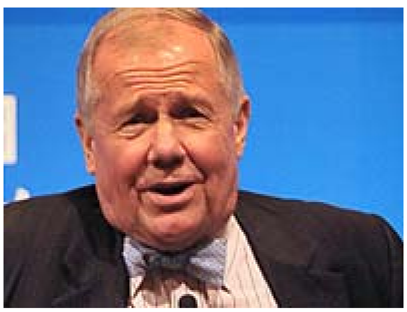
The U.S. economy is likely to experience a period of **stagflation** worse than the 1970s, which would cause bond yields to spike, commodity bull Jim Rogers told CNBC on Friday in Singapore. Rogers said governments were lying about the inflation problem and the recent rally in Treasury's was a bubble.



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"As the inflation numbers get worse and as governments print more money and as governments have to issue many, many more bonds - somewhere along the line we get to the point when (bond prices) go down."

Between 1974 and 1978 average inflation in the U.S. was at 8 percent, while unemployment hit a peak of 9 percent in May 1975. Currently, unemployment is at 9.1 percent while CPI is at 3.8 percent.

Rogers believes inflation will get much worse this time because, he said, in the 1970s only the Fed was printing money, whereas now many global central banks have been easing monetary policy.

Rogers' view is at odds with others such as economist Nouriel Roubini **who have been talking about a depression**. Other economists have said the U.S. is experiencing a "balance sheet recession", just as Japan did in the 1990s, and that means the U.S. **risks a long period of falling prices and asset values**.

In the case of Japan, despite massive monetary easing, government bond yields have continued to fall. On Friday, 10-year yields were close to just 1 percent. But Rogers is convinced that the U.S. experience will be different from Japan's.

"A difference is when Japan did that they were the largest creditor nation in the world, America is the largest debtor nation - not just in the world - but in the history of the world and the U.S. dollar has been - and is the world's reserve currency. So there are some factors that might not keep the interest rate down in the U.S."

Rogers, who told CNBC in July that he was **shorting Treasury's**, admitted that his view on U.S. bonds hadn't panned out. Since July, 30-year Treasury's have rallied and the **yields** have fallen from 4.36 percent to 3.15 percent. Bond prices and yields move inversely.

Rogers said when there is a bubble, such as the one being experienced in U.S. Treasury's, prices could go up for long periods of time. Bill Gross of Pimco, who also had a bearish view on Treasury's, **threw in the towel earlier this year**. But Rogers is sticking to his opinion that Treasury's will eventually fall.

"Bernanke is obviously backing the market again and the Federal Reserve has more money than most of us - so they can drive interest rates down again. As I say they are making the bubble worse."

For now though Rogers is playing it safe and avoiding bonds. Instead, he's betting on stagflation by being long commodities and currencies (such as the Chinese yuan) and shorting stocks.

"I wouldn't advise anybody to buy bonds, I would advise you to sell bonds," he said. "If I were a bond portfolio manager, I would get another job."

"In the 70s you didn't make much money in stocks, you made fortunes owning commodities," Rogers added.