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Wall Street's Biggest Bears

Nathan Vardi, 06.08.10, 6:00 PM ET

They are the pessimists, worrywarts and naysayers of today's turbulent markets. These are the guys who appear on CNBC peddling gloom and worry. They represent fear.

The U.S. stock market is already down more than 5% this year and more than 10% since its April peak, as measured by the S&P 500. The biggest bears of the financial markets are concerned about different things: inflation, deflation, government debt, tax hikes, insufficient government stimulus, government intervention or lack of regulation. What they all have in common is they think we are in for some tough sledding.

David Rosenberg is a big bear. He is the chief economist and strategist at investment firm Gluskin Sheff and used to be chief North American economist at Merrill Lynch. He thinks the U.S. stock market is headed much lower. For some time Rosenberg has been saying that the global economy is stuck in deflation. He is chiefly concerned about global government debt problems and believes it will take years for the world to cleanse itself through what will be a long period of deleveraging filled with unexpected events.

In Pictures: Wall Street's Biggest Bears

The global economy and stock market returns are, according to Mohamed El-Erian, simply mired in a "new normal." The chief executive of bond giant Pacific Investment Management Co. says stocks will achieve below-average returns and the U.S. economy will be characterized by slow growth, high unemployment and incessant government meddling.

"Our problems aren't over. Our bear market is not over. These problems are going to come back to haunt us and to hurt us, either this year, next year, the year after--sometime in the foreseeable future," said Jim Rogers recently. The American investor and cofounder of the Quantum Fund has been critical of government spending and intervention in the markets and predicts it will lead to serious inflationary problems. He advocates that people put their money in real assets ranging from cotton to natural gas, because currencies backed by government are being debased.

"I am very bearish on everything," Marc Faber recently told Bloomberg News. The investment analyst and newsletter writer thinks disaster is here because of government intervention in the markets and looming inflation. Faber is convinced governments will tax and regulate the private sector to death.

Economist Arthur Laffer says the Bush tax cuts' expiriation in 2011 will result in "our worst nightmare of a severe 'double dip' recession." His call: When federal tax rates on income, dividend and capital gains rise in January "the train goes off the tracks." Tax receipts will crash because people have been timing the recognition of their income in 2010. "The economy will collapse in 2011," says Laffer.

Money manager John Hussman says another financial crisis is being caused by bad fiscal and monetary policy. "It is a delusion to interpret economic statistics suggesting an economic turnaround over the past year without factoring out the extent to which that has been driven by unsustainable levels of deficit spending," says Hussman. Newsletter writer Richard Russell says things like, "Do your friends a favor. Tell them to 'batten down the hatches', because there's a HARD RAIN coming."

The bears are growling, and sometimes their predictions can be very specific. David Hefty, chief of Cornerstone Wealth Management, says the benchmark Dow Jones industrial average could tumble below 5,000. Economic forecaster David Levy pegs the chances of a new global recession starting within a year or so at around 60%.

Then there is Dr. Doom himself. Nouriel Roubini, an economist and Forbes contributor, predicted the global financial crisis. Now he thinks there is an increasing risk the stock market will fall sharply, and that industrialized economies will continue to face serious constraints, like high unemployment and over-indebtedness.

"History would suggest that maybe this crisis is not really over," Roubini told Bloomberg News in May. "We just finished the first stage, and there's a risk of ending up in the second stage of this financial crisis."

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