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Dimon: 'There Will Be Another Crisis'

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While financial conditions have improved vastly since the 2008 credit meltdown, another financial crisis will eventually arise, says **JPMorgan Chase CEO Jamie Dimon**.

"The trigger to the next crisis will not be the same as the trigger to the last one, but there will be another crisis," he writes in his annual letter to shareholders.

"Triggering events could be geopolitical, a recession where the Fed rapidly increases interest rates, a commodities price collapse, a commercial real estate crisis, bubbles, etc."

And what about the impact on financial markets? "The markets in general could be more volatile" than in the typical financial crisis, Dimon explains.

The S&P 500 index suffered a negative total return of 37 percent in 2008.

Problems such as banks' low inventory of securities and reluctance to extend credit, thanks largely to increased regulation, "make it more likely that a crisis will cause more volatile market movements with a rapid decline in valuations even in what are very liquid markets," Dimon explains.

"It will be harder for banks either as lenders or market-makers to 'stand against the tide.'"

David Stockman, White House budget director under President Reagan, sees a crisis looming close on the horizon.

"The worldwide central bank money printing spree of the last two decades has generated massive excess capacity and mal-investment all around the planet," he writes on his blog.

The Federal Reserve has kept its federal funds rate target at a record low of zero to 0.25 percent since December 2008 and inflated its balance sheet to \$4.5 trillion through quantitative easing.

"What is coming, therefore, is not their father's inflationary spiral, but an unprecedented and epochal global deflation," Stockman states. In the United States, consumer prices were unchanged in the 12 months through February.

"So the central banks just keep printing, thereby inflating the asset bubbles worldwide. What ultimately stops today's new style central bank credit cycle, therefore, is bursting financial bubbles," he says.

"That has already happened twice this century. A third proof of the case looks to be just around the corner."

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