

SEPTEMBER 12, 2025



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FFTT “Tree Rings”: The 10 Most Interesting Things We’ve Read Recently

Here are this week’s “Tree Rings”. Have a great weekend! LG

1. ***“Sherwin-Williams suspends 401(k) matching amid weak sales”*** (Page 2)
2. ***“Pentagon plan prioritizes homeland over China threat”*** (Page 6)
3. ***“A defense climb-down is not the only one in the offing; the Trump Administration recently extended tariff negotiations with China by another 90 days...the third time Trump folded in negotiations with China.”*** (Page 7)
4. ***“Nations must rally to avoid a critical mineral supply crisis”*** (Page 10)
5. ***“The Fed’s ‘Gain of Function’ monetary policy” – Treasury Secretary Bessent*** (Page 15)
6. ***“Carlyle warns of blurred Treasury, Fed roles as rate cuts loom”*** (Page 16)
7. ***“Argentina’s Milei suffers crushing setback in Buenos Aires election”*** (Page 18)
8. ***“Peronism on the Potomac”*** (Page 19)
9. ***“Gold and the US mess”*** (Page 20)
10. ***“Treasury secretary says US and EU must partner to ‘collapse’ Russian economy”*** (Page 23)

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“Sherwin-Williams suspends 401(k) matching amid weak sales”

Sherwin-Williams suspends 401(k) matching amid weak sales – 9/4/25

[Sherwin-Williams suspends 401\(k\)-matching amid weak sales - cleveland.com](https://www.cleveland.com/business/2025/09/sherwin-williams-suspends-401k-matching-amid-weak-sales/)

Sherwin-Williams announced plans to temporarily suspend the company’s matching contributions to employee 401(k) plans, citing weak sales amid economic and tariff headwinds.

In an internal communication obtained by cleveland.com, CEO Heidi G. Petz attributed the decision to several factors, including high mortgage rates that have pushed housing demand to near-historic lows and inflation that has reduced DIY demand for three consecutive years.

Tariff policies have also decreased industrial demand and increased costs for the paint and coatings manufacturer, Petz’s letter stated.

“Sherwin-Williams is not immune from these conditions, which have lasted longer and been more impactful than anticipated...Unfortunately, customer demand remains soft, and in some areas, it’s getting worse,” Petz stated.

The suspension, which goes into effect Oct. 1, affects the company’s current policy of matching 100% of the first 6% of eligible employee 401(k) contributions. The company implemented similar suspensions during the 2009 financial crisis and 2020 COVID pandemic, eventually restoring full matching as conditions improved, Petz said.

The CEO said Sherwin-Williams intends to do the same in this case, but did not share a potential timeline for when full matching would be restored.

Sherwin-Williams has already undertaken what Petz described as “disciplined, responsible and aggressive” cost-saving measures, including reducing third-party spending, simplifying operations, delaying new hires and restructuring global assets, the letter stated.

Tree Ring: Allow us to offer a little “inside baseball” read on why this is a critical indicator on the rapid weakening of the US economy: I was a partner at two different equity research firms whose analysts covered Sherwin-Williams (SHW, Not Rated). Furthermore, SHW is a Cleveland company. 15-20 years ago I flew on SHW’s corporate jet with senior management to go visit institutional investors, all by way of saying I know the company well, and it and its management are tremendous.

Here's the point: For the past 20-25 years, SHW has been virtually unsinkable. They could ALWAYS raise price 3-4% per year, come hell or high water. They outcompeted Home Depot and Lowe’s with their own store base. They had a loyal pro painter clientele. Their robust repaint and remodel business sheltered them from the worst effects of the housing crash relative to consumer goods peers. China couldn’t undercut them because paint is too heavy relative to its price to source from China economically...and yet:

SHW just suspended its 401(k) matching, something it has only ever done 2x before in the last 25 years – during the 2009 financial crisis and during the 2020 COVID pandemic.

In addition, SHW said it only did this after having already “undertaken ‘disciplined, responsible and aggressive’ cost-saving measures, including reducing third-party spending, simplifying operations, delaying new hires and restructuring global assets.”

Yikes.



Furthermore, SHW is not the only historically fail-safe leading indicator portending trouble.

Temp help is almost always fired first when the economy slows, and the drawdown is now worse than the early 2000s recession:

With the middle class reporting feeling increasingly “squeezed”...

The middle-class vibe has shifted from secure to squeezed – 8/31/25
[The Middle-Class Vibe Has Shifted From Secure to Squeezed - WSJ](#)

For the American middle class, it has been a summer of cooling confidence.

Consumer sentiment dropped nearly 6% in August, after trending up in June and July, according to a closely watched index from the University of Michigan. Pessimism about the job market increased, with more people surveyed saying they expect their income to decline, according to polling done by think tank the Conference Board.

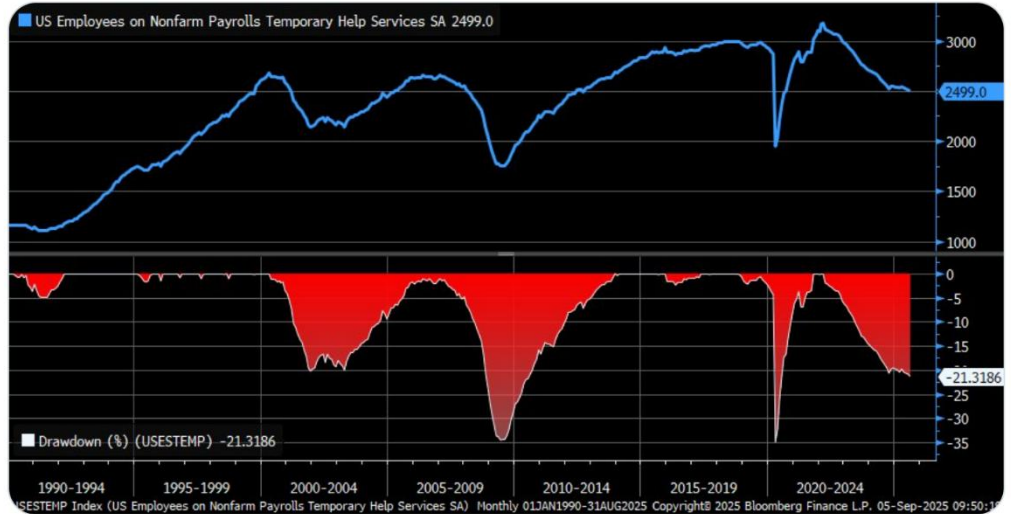
The middle class—generally considered to include households making roughly \$53,000 to \$161,000 a year—is playing an outsized role in that waning optimism. After months of tracking high-income earners’ increasing confidence about the economy, households making between \$50,000 and \$100,000 made an abrupt about-face in June. They now more closely resemble low-income earners’ gloomier views, according to surveys done by Morning Consult, a data-intelligence firm.

“There was a period of time, briefly, where the middle-income consumer looked like they were being dragged up by all that was going well in the world,” said John Leer, chief economist at Morning Consult. “Then things fell off a cliff.”

Evidence of a squeezed middle class is mounting. Several CEOs across the dining, retail, fashion and airline industries have said their middle-class customers are increasingly strapped, even as high earners keep on buying.

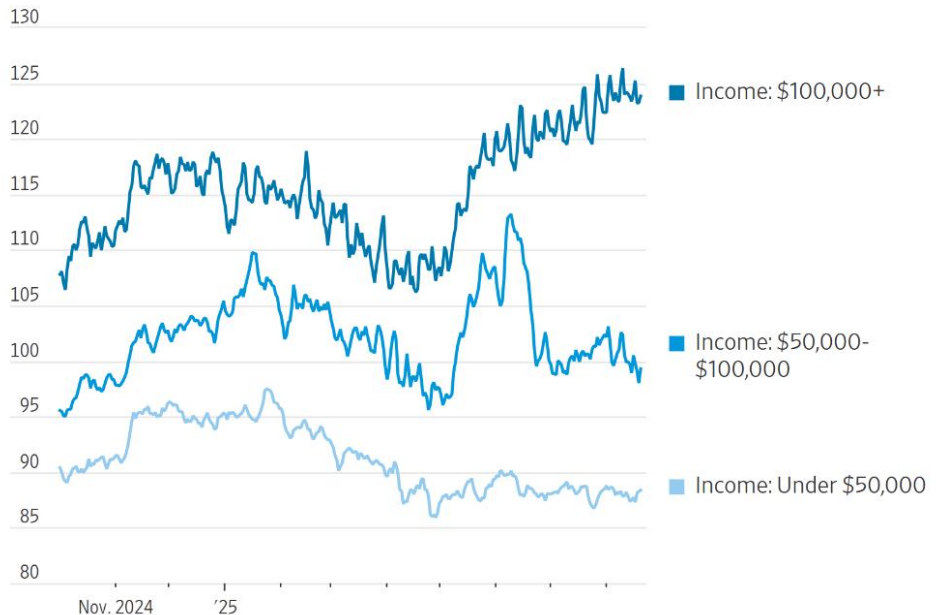


Temporary help services employment drawdown is worse than during tech bust recession (in early 2000s)



7:25 AM · Sep 8, 2025 · 19.1K Views

U.S. consumer sentiment across income levels



Note: The daily index of consumer sentiment polls people about five questions regarding personal finances, and business and buying conditions.

Source: Morning Consult



...with the squeeze likely about to get worse given this headline below:

Americans face biggest increase in health insurance costs in 15 years – 9/7/25
[Americans face biggest increase in health insurance costs in 15 years](#)

...which our friend Larry McDonald highlighted this morning has now driven US Preliminary Consumer Sentiment for September to levels that are below the 2008 Great Financial crisis:

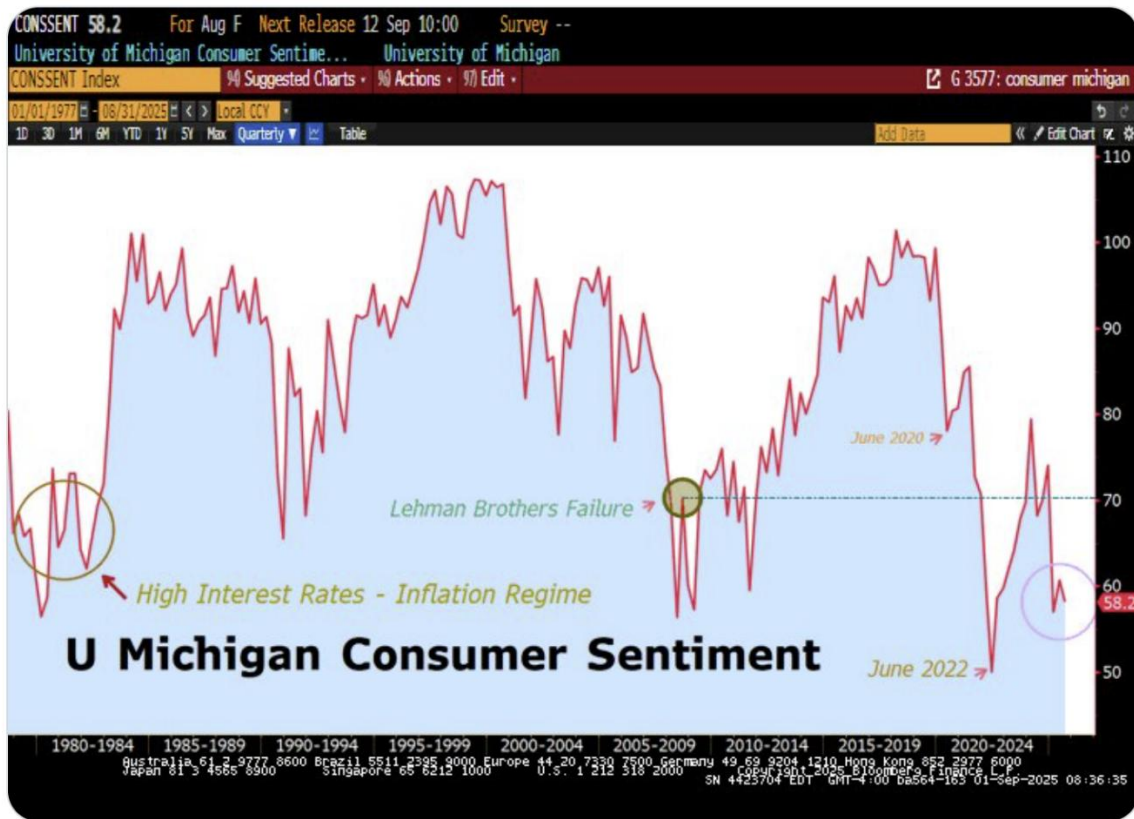


Lawrence McDonald ✓
@Convertbond



UMICH PRELIM SEPT. CONSUMER SENTIMENT FALLS TO 55.4; EST. 58 - Bloomberg.

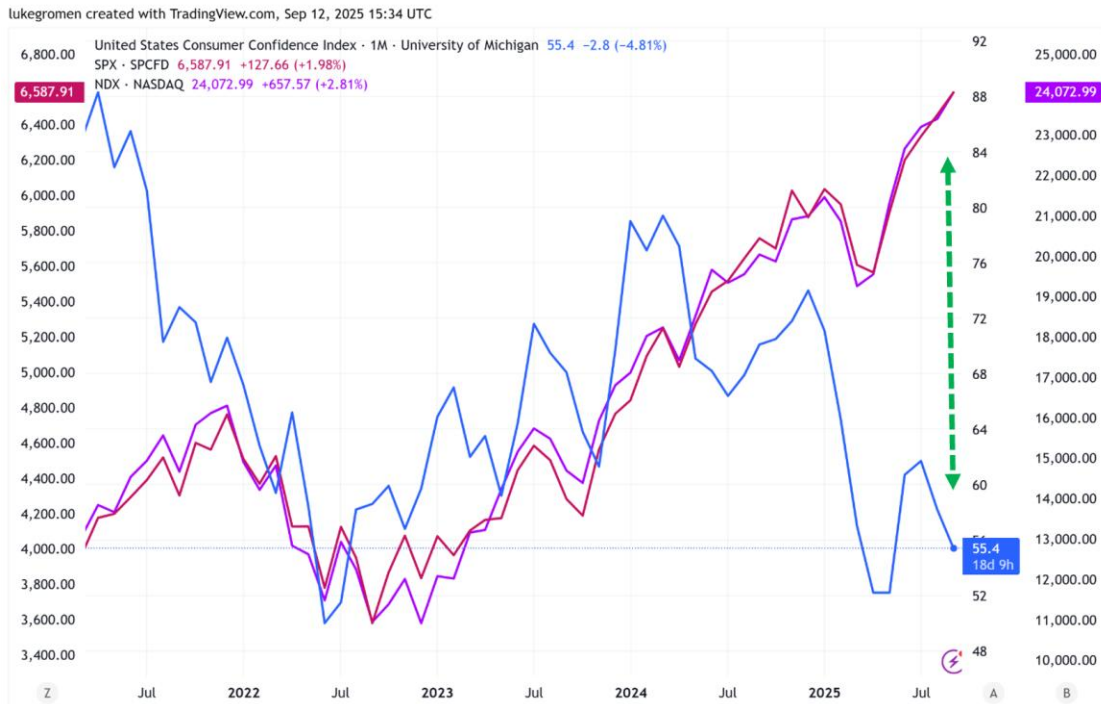
*Stagflation is hammering the middle class; this reading is sub-2008.



Last edited 10:38 AM · Sep 12, 2025 · 28.9K Views



That consumer sentiment is below GFC 2008 levels is troubling in its own right, but what makes it particularly troubling is that **historically, US consumer sentiment has tracked quite closely over time with US equity indices (SPX, NDX)...** **And yet, as the 5-year chart below shows, US consumer sentiment has completely diverged from SPX and NDX (green dotted arrow below):**



TradingView

This divergence has two critical, CRITICAL implications:

1. A key way US policymakers have been able to convince the public that both “all is well with the economy” (even as US wealth inequality has soared to record levels) and that “the US is winning v. China” is by pointing to US stocks – **this divergence above suggests the public is beginning to doubt US policymaker’s “confidence game”.**
2. As we have showed ad nauseum, the US equity market has been a/the key marginal driver of US consumer spending and therefore US GDP and Federal tax receipts... **if anything happens to US stocks via this divergence closing, it will quickly manifest in a US recession with rapidly rising UST yields (like after “Liberation Day”), which will then have to be met with more USD liquidity or some form of Yield Curve Control (YCC.)**

The confidence game above was always going to fail because it was not reality; stocks can only be pretended to be the economy for so long, it was only a question of when the resultant inflation, wealth inequality, and domestic political instability got so bad that the public stopped believing the policymakers’ confidence game.

The divergence between stocks and US consumer confidence suggests we have reached that point. If it persists, it may become not merely advisable, but critical that all investors follow Ray Dalio’s advice from this week:

RAY DALIO: HOLD 10–15% OF PORTFOLIO IN GOLD – Bloomberg, 9/11/25

Let’s watch.



“Pentagon plan prioritizes homeland over China threat”

Pentagon plan prioritizes homeland over China threat – 9/5/25

[Pentagon plan prioritizes homeland over China threat - POLITICO](#)

Pentagon officials are proposing the department prioritize protecting the homeland and Western Hemisphere, a striking reversal from the military’s yearslong mandate to focus on the threat from China. A draft of the newest National Defense Strategy, which landed on Defense Secretary Pete Hegseth’s desk last week, places domestic and regional missions above countering adversaries such as Beijing and Moscow, according to three people briefed on early versions of the report.

The move would mark a major shift from recent Democrat and Republican administrations, including President Donald Trump’s first term in office, when he referred to Beijing as America’s greatest rival. And it would likely inflame China hawks in both parties who view the country’s leadership as a danger to U.S. security.

“This is going to be a major shift for the U.S. and its allies on multiple continents,” said one of the people briefed on the draft document. “The old, trusted U.S. promises are being questioned.”

The report usually comes out at the start of each administration, and Hegseth could still make changes to the plan. But in many ways, the shift is already occurring. The Pentagon has activated thousands of National Guard troops to support law enforcement in Los Angeles and Washington, and dispatched multiple warships and F-35 fighter planes to the Caribbean to interdict the flow of drugs to the U.S.

Tree Ring: In response to the above, “Collingwood”, the co-host of the “Multipolarity” podcast, said the following:

Looks like Elbridge Colby, the arch Realist who literally wrote the book on containing China, and whom I believe wrote this, has made his assessment of US capabilities and the geostrategic balance of power, and decided that the US cannot realistically hold the line in the Western Pacific to contain China. Instead, it must focus on controlling the Western Hemisphere in a neo-Monroe Doctrine. If this is accurate, then it is difficult to overstate just how far behind the curve the mainstream commentariat—and the UK foreign policy establishment—is. They are still arguing about how the US could best split its resources to take on Russia in Ukraine and Iran in the Middle East AS WELL AS containing China in the Western Pacific.

–“Collingwood”, co-host of “Multipolarity” podcast, via X, 9/5/25

Collingwood’s comments and the article above from Friday were then followed on Wednesday of this week by this headline:

US not seeking conflict with China, Pentagon chief Hegseth tells Chinese counterpart – 9/10/25

[US not seeking conflict with China, Pentagon chief Hegseth tells Chinese counterpart | Reuters](#)

Last week, we wrote that Trump’s “concession post to the BRICS” (“Looks like we lost India and Russia to China”) meant we will have global peace, a secularly lower USD, higher global nominal growth, higher global inflation, much higher gold prices over time, higher BTC, higher stocks and in time, rebalanced trade:

In the context of the preceding points, Trump’s “concession post” to the BRICS suggests we will have global peace, a secularly lower USD, higher global nominal growth, higher global inflation, MUCH higher gold prices over time, higher BTC, higher stocks, and, in time, rebalanced trade. Trump’s “concession post” is great news for the US and the world.

The articles above serve to confirm and reinforce our views. Peace is bullish for gold, BTC, and stocks, and bearish for the USD. We would remove any short-term hedges on SPX, NDX, TLT, and BTC. Let’s watch.



“A defense climb-down is not the only one in the offing; the Trump Administration recently extended tariff negotiations with China by another 90 days...the third time Trump folded in negotiations with China.”

Tree Ring: Why is the the US stepping back from China to refocus its attention on the homeland? As noted in the prior point, “realism”...and the realism discussed in this article made our jaws drop:

“Skull Chart” math behind Trump’s climbdown on all things China – 9/8/25

[‘Skull Chart’ math behind Trump’s climbdown on all things China - Asia Times](#)

The newest National Defense Strategy just delivered to Secretary of War Pete Hegseth calls for refocusing the Department of War on domestic and regional missions instead of global adversaries like China and Russia. The document – supposedly the work of Under Secretary of War for Policy Elbridge Colby – overturns decades of received interventionist wisdom.

China appears to have replicated the speed of its EV industry in its weapons programs, launching new military hardware across a range of applications – missiles, drones, fighter planes, helicopters, submarines, warships etc. – at an unfathomable pace.

Of course, it is not unfathomable at all. Like China’s auto industry swamping the world with new models, the country’s defense industry is able to develop weapons at a blistering pace because China’s universities pump out 6.7 times the number of engineers as US universities every year.

A defense climb-down is not the only one in the offing. The Trump administration recently extended tariff negotiations with China by another 90 days (which, given the appellate court ruling against the president’s use of the “emergency” clause, may prove moot).

This comes on the heels of announced trade deals with Vietnam, Japan, the EU and Indonesia among others, as well as punitive actions against India, Switzerland and Brazil – for whatever reasons... What is fairly obvious is that Trump only clubs baby seals. And China is not a baby seal.

The 90-day extension is the third time Trump folded in negotiations with China. The first time was 90 days prior in Geneva, after multiple rounds of escalating tariffs threatened to empty US store shelves and freeze US industries for lack of intermediary industrial inputs.

The second time was the US walking back sanctions on Chinese international students, jet engine exports and access to semiconductor design software when China cut off rare earth exports. Rare earth exports have been partially restored and now hang over trade negotiations like a Sword of Damocles...


In all of these gambits, the US showed more of its hand. The question is whether the Trump administration has developed a better understanding of the hand that China holds.

Readers of this column will be familiar with the contention that China’s GDP – both nominal and purchasing power parity (PPP) – are significantly underreported compared to developed economies, especially the US...

The discretion allowed under the United Nations’ System of National Accounts (UN SNA) has come to a head. We have reached a point in transnational GDP incoherence where tragic policy mistakes have already been made.

American presidents have deemed the Russian economy smaller than Italy’s, derided it as “an army with a gas station,” and believed it could be easily sanctioned out of existence. All of this turned out easier said than done.

On a PPP basis, Russia’s economy was, in fact, twice that of Italy’s and larger than both Japan’s and Germany’s. The Russian economy, dominated by arms manufacturers and oil and gas producers, has proven to be both highly flexible and far better suited for waging war than economies that make expensive ladies’ handbags and trade Mag 7 shares on 24-hour exchanges.



GDP incoherence now has blood on its hands, contributing to the slaughter of hundreds of thousands on the Ukrainian battlefield. Fortunately, the most damage GDP incoherence can do in a trade war is economic humiliation.

China is NOT the world's second-largest economy. Back-of-the-envelope calculations suggest that China's PPP GDP is two to three times that of the US (with nominal GDP approximately 1 to 1.5 times that of the US). The entire premise that an American Goliath was going to push around a Chinese David had it completely backwards.

The International Comparison Program (ICP) is the periodic price survey conducted by the World Bank to "officially" determine PPP GDP. The data is publicly accessible through the World Bank ICP website.

In 2023, the year of the most recent ICP update, the World Bank determined that China and Mexico had roughly equivalent per capita PPP GDPs, with China at \$22,687 and Mexico's at \$21,905. Lazy analysts like yours truly can only engage in vocal fits of hand-waving, declaring the results prima facie ridiculous. "Doggonit, just look at the skylines of the top 100 cities in China versus Mexico City!"

A more rigorous analyst would sift through a representative basket of goods and services, compare the per capita PPP dollar amount assigned by ICP and reconcile that with physical quantities consumed gleaned from other data sources.

Performing this exercise for China and Mexico results in the assigned dollar value of goods in China coming in at less than half the same good in Mexico. This is not supposed to happen when the ICP data is specifically PPP values.

While quality differences can certainly account for differences in PPP-derived prices, it is highly unlikely that Mexican food, cars, housing, electricity and education are two to four times superior to their Chinese versions. ...

It is also unclear how one kilowatt-hour of Mexican electricity can be twice as good as one kilowatt-hour of Chinese electricity. Ditto for a square meter of Mexican housing. And Mexican universities are four times the quality of Chinese universities? Really?

According to ICP data, the derived average price of cars sold in China in 2023 was \$12,131, less than half that of Mexico. This is also less than half the price reported by third-party data providers like Autohome and derived from China's National Bureau of Statistics' retail sales data.

Somebody has been lowballing the value of cars sold in China by a factor of more than two. That same somebody has possibly perhaps probably very likely almost for certain also been lowballing the value of Chinese food, housing, electricity and education by similar factors.

Professor Guthmann, tracking a basket of 50 PPP line items reported by the ICP, estimates that adjusting for data incoherence based on China/Mexico statistics more than doubles China's PPP consumption. According to ICP data, China has lowballed not only services (university education by a factor of four) but also material goods (cars, housing and electricity by a factor of more than two).

...

A rough approximation of Professor Guthmann's methodology, tracking the volume of 23 items consumed and produced, arrives at a similar conclusion. By volume, China's consumption and production of most products are multiples of the US:



Consumption	China	US	China/US
Pork (2022)	57 million tonnes	9.9 million tonnes	5.76
Poultry (2022)	25 million tonnes	17.9 million tonnes	1.40
Beef (2022)	12 million tonnes	12.8 million tonnes	0.94
Mutton (2022)	5 million tonnes	0.2 million tonnes	25.0
Seafood (2020)	57 million tonnes	7.6 million Tonnes	7.50
Vegetables (2022)	581.5 million tonnes	42.99 million tonnes	13.5
Cars (2024)	25.54 million	16.1 million	1.71
EVs (2024)	11 milio	1.3 million	8.46
Motorcycles (2022)	16 million	0.429 million	37.3
EV Charging Stations (2024)	12.82 million	0.23 million	55.7
Electricity (2023)	9,850 TWh	4,101 TWh	2.40
Smartphoness (2023)	433.7 million	143.6 million	3.02
Train passengers (2024)	4,080 million	32.8 million	124
Domestic Commercial Flights (2022)	5.19 million	6.9 million	0.75
Domestic Flight passengers (2022)	251.7 million	751 million	0.34
Internet users (2024)	1,100 million	331.1 million	3.32
Production			
Steel (2023)	1.019 million tonnes	74 million tonnes	12.1
Refined Lead (2023)	5.23 milion tonnes	0.27 million tonnes	19.4
Rare Earths (2023)	240 thousand tonnes	43 thousand tonnes	5.58
Shipbuilding Capacity (2024)	48.18 million Dwt	0.13 million DWT	371
Others			
5G base stations (2024)	4.19 million	0.27 million	15.5
Port Cargo (2024)	160 million TEUs	28.2 million	5.67
Engineering & CS Graduates (2024)	1.7 million	0.25 million	6.80

Source: World Bank, CAAM, China NBS, Energy Institute, NSF, sundry internet searches

Just as the Pentagon ruefully reckons with the limits of its capability, Trump's economics team is wrestling with its inability to counter [the math above] in trade negotiations. Any journalist, analyst or politician who still leads with the fallacy that China is the second largest economy beholden to American consumers will thus continue to err – and err spectacularly.

Three thoughts:

- 1. US policymakers and many investors have gotten China's resilience to the trade war, and Russia's resilience in Ukraine (aided by Chinese support), wildly wrong due to China's massive advantage in the consumption and production of real goods noted above.**
- 2. As we noted in these pages two weeks ago, in wartime, PPP GDP is all that matters...and the above (especially when combined with Russia and India) means the US would get crushed in a conventional war v. China and Russia...so US tensions are either going to go nuclear, or they must by definition, de-escalate. Realists in the US military appear to have begun de-escalating, suggesting there will be peace.**
- 3. Peace forced by economic reality means other economic reality will be forced on US markets, and specifically: Another way of saying "Chinese PPP GDP is way higher than the US" is "the USD is significantly overvalued relative to the CNY."**

Peace means the "Rules Based Global Order" will likely continue shifting toward the BRICS-implemented system of multi-currency commodity pricing with net gold settlement. This suggests gold, BTC, US stocks, and CNY should all continue rising v. USD, while the gold/oil ratio rises and gold rises v. SPX over time. Let's watch



“Nations must rally to avoid a critical mineral supply crisis”

Nations must rally to avoid a critical mineral supply crisis: IEA’s Fatih Birol – 9/10/25

[Nations Must Rally to Avoid a Critical Mineral Supply Crisis | TIME](#)

Diversification is the first golden rule of energy security. And on that front, the global picture for critical minerals is not a comforting one.

From key battery metals to high-tech materials, supplies of critical minerals are concentrated in a small handful of countries. For a remarkable 19 out of the 20 most important strategic minerals the IEA tracks closely—including gallium, graphite and rare earths—China is the leading refiner, with an average market share of 70%. And the IEA’s analysis shows that this concentration has only intensified in recent years.

As of today, more than half of these strategic minerals face some sort of export restriction or control, whether on the minerals themselves or the know-how that allows them to be incorporated into finished products.

Governments around the world are waking up to the risks of such high levels of concentration and they are searching for ways to respond. Action is needed both in the near term—to strengthen preparedness against potential disruptions—and over the longer term to diversify supply chains and reduce structural risks.

As with the oil market back in the 1970s, no single government has all the answers. But, as then, international cooperation can provide the way forward.

The IEA is the natural place for this. Over the past five years, we have invested heavily in building up our global data and analytical capabilities in critical minerals, mirroring the world-leading capacities that we have across other parts of the energy sector.

As with oil markets in the 1970s, the challenges are significant. Markets alone won’t deliver greater diversity. We need new policies and new international partnerships between resource-rich countries, refiners, capital providers, and consumers.

New tools to provide a degree of price or volume certainty will be needed to lower investment barriers and unlock financing. In July 2025, for example, the U.S. Department of Defense launched a landmark public-private partnership with MP Materials, involving equity investment, and commitments on a price floor and future purchasing to establish a fully domestic rare earths supply chain. The European Union, meanwhile, has designated 60 strategic projects, making them eligible for streamlined permitting and enhanced access to financing.

Tree Ring: Translation – a global energy policymaking agency (IEA) is advocating the west essentially print money to build and buy rare earth (REE) and other critical mineral supplies...

...and here is WHY they are panicking now, a full 15 years after China weaponized REE’s against Japan in 2010:

China has implemented a de facto embargo on gallium, production of which is 98% controlled by China, and which is critical for military radar systems and over 11,000 other US military components, and this is leading to a widening technological gap in military radar systems:

China’s gallium grip squeezing and eroding US military’s edge – 9/10/25 (via RC)

[*China’s gallium grip squeezing and eroding US military’s edge - Asia Times*](#)

This month, the South China Morning Post (SCMP) reported that China has quietly imposed de facto sanctions on the US semiconductor industry by restricting exports of critical minerals such as gallium and germanium. This move has widened the technological gap in military radar systems.

The shift was underscored during a military parade in Tiananmen Square, where China unveiled advanced weapons powered by gallium nitride (GaN) semiconductors. According to a report by the Chinese Academy of Sciences’

Institute of Physics, China's dominance in GaN technology—used in phased array radar—has enabled rapid deployment of compact, high-performance systems across its armed forces.

While the US pioneered active electronically scanned array (AESA) radar, its naval fleet still relies heavily on older systems, with only recent upgrades to SPY-6 AESA on select destroyers. China's strategic control over GaN production, bolstered by its near-monopoly on refined gallium and a mature industrial chain, has allowed it to integrate military and civilian applications, accelerating innovation and reducing costs.

...

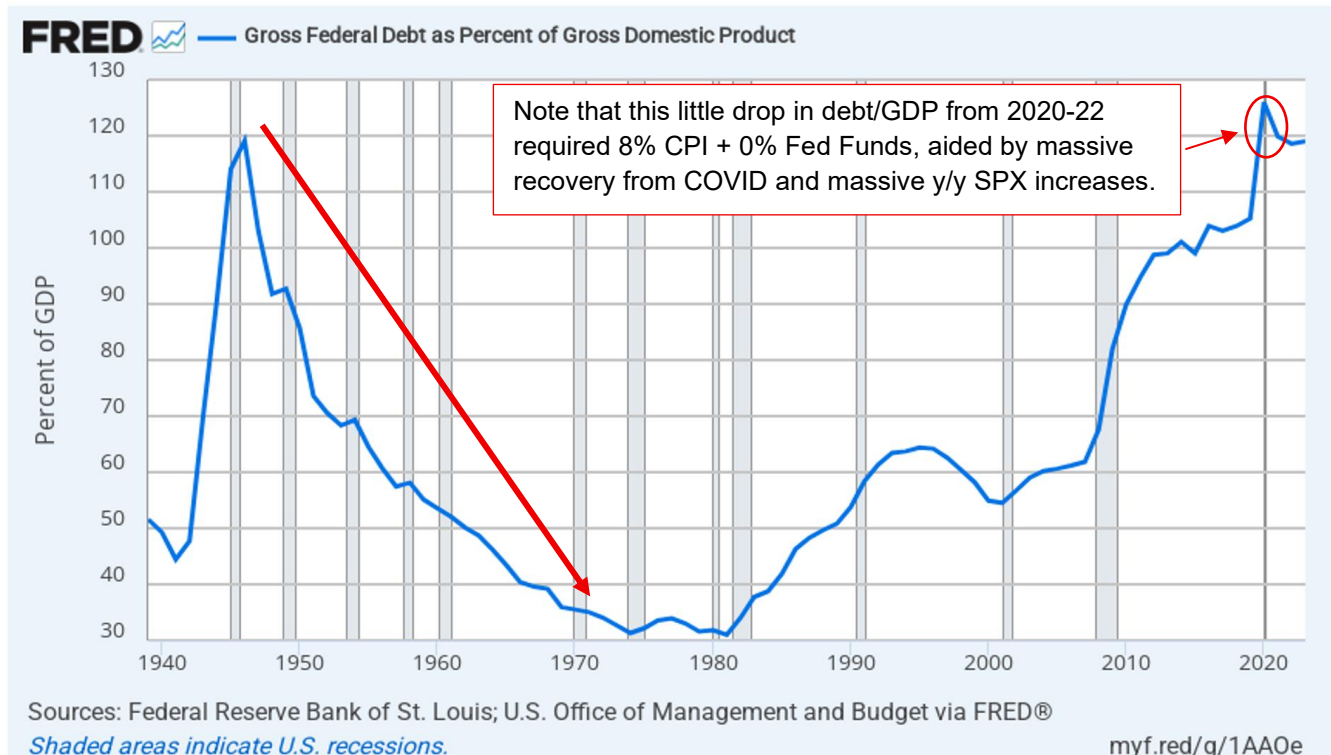
Aidan Power-Riggs and others, in a July 2025 report for the Center for Strategic and International Studies (CSIS), note that China controls 98% of global gallium production, leveraging its dominance in aluminum refining and proprietary extraction technologies to weaponize supply chains amid escalating trade tensions.

They emphasize that China's export restrictions, tightened since 2023, have evolved into a comprehensive embargo targeting the US, disrupting access to gallium, a critical component for defense systems.

With over 11,000 US military components dependent on gallium and 85% involving Chinese suppliers, they caution that a chokehold poses a strategic threat to US national security and allied defense readiness.

China's control over gallium, germanium, and other rare-earth exports is unlikely to cripple the US military outright. Still, it could significantly affect US arms exports by increasing the already high cost of its military equipment and stretching production times. This would likely result in smaller arms purchases and longer delivery times in arming partners such as Ukraine, Israel, and Taiwan, possibly undermining their military capabilities.

Here's our take on the IEA's call above: **Global nations had the option to “rally” to fight the 1970s oil crisis because they had already devalued their post-WW2 debts via severe financial repression between 1946 and 1970 via YCC & massively negative real rates (from 120% of GDP to 30% of GDP in the US' case, for example, red arrow below):**





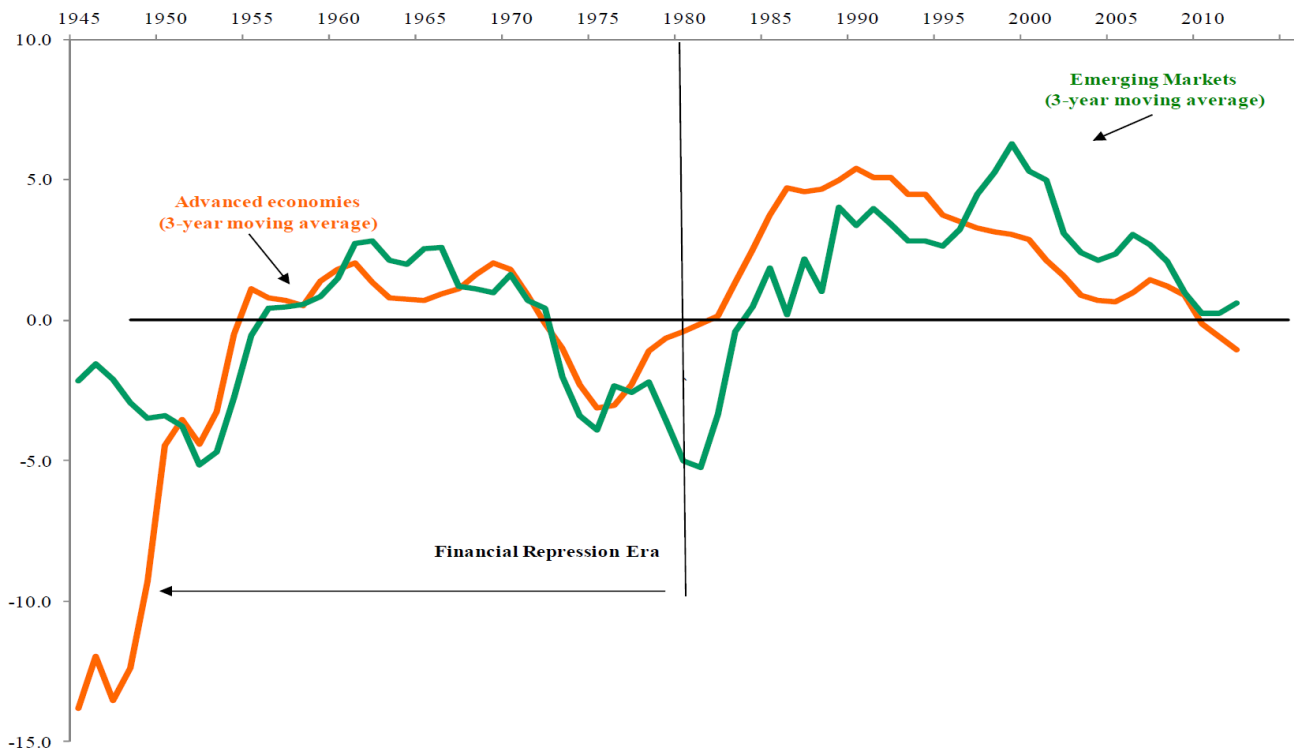
The US and world having already “taken its medicine” to de facto “write off the debt on a real basis” from WW2 from 1946-70 meant that the US and world was in a position where it could raise rates dramatically to stem an incipient inflation spiral caused by both rising oil prices AND the aggressive investments to stem the rise in oil prices, without risking the solvency of western governments.

The lesson for today’s IEA call to “do what we did in the 1970s oil crisis” is stark: Unless we YCC first, investments to “stop the critical minerals crisis” will trigger a western debt death spiral. In our view, gold, BTC, and global equities are sniffing this out. See GLD/TLT, BTC/TLT, SPX/TLT, NDX/TLT (charts later.)

The charts below show the level of negative real interest rates that were needed to first initially devalue debt immediately post-WW2, and then again in the 1970s to “fight the oil crisis” as the IEA is advocating. Both charts that follow are from the IMF white paper [“The Liquidation of Government Debt”](#).

Here are real T-Bill rates – note the massively negative real rates from 1946-53, and then that negative real rates were again imposed in the 1970s to “fight the oil crisis” as the IEA is advocating:

Figure 3: Average Ex-post Real Rate on Treasury Bills: Advanced Economies and Emerging Markets, 1945–2012 (3-year moving averages, in percent)



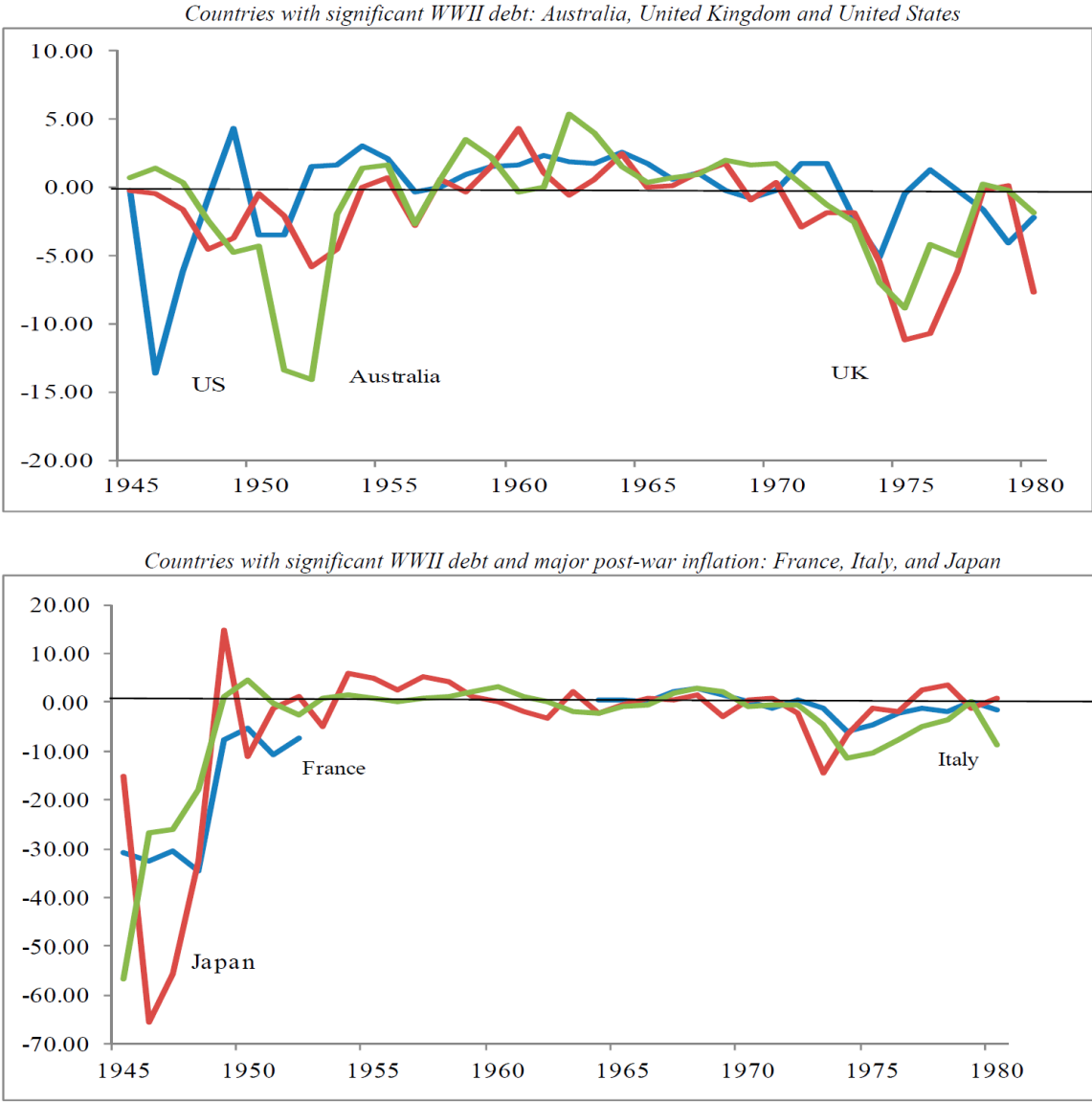
Sources: *International Financial Statistics*, International Monetary Fund, various sources listed in the Data Appendix, and authors’ calculations. Notes: The advanced economy aggregate comprises: Australia, Belgium, Canada, France, Germany, Greece, Ireland, Italy, Japan, New Zealand, Sweden, the United States, and the United Kingdom. The emerging market group consists of: Brazil, Egypt, India, Korea, Malaysia, Mexico, Philippines, South Africa, Turkey and Venezuela. The average is unweighted and the country coverage is somewhat spotty prior for emerging markets to 1960.



Same story in this chart on longer-term government debt...massively negative reals 1946-53, and then negative reals again 1970-80...with the losers of WWII (in either the war or in their industrial base) suffering FAR more negative real rates post-WW2 than the “winners” and/or those that didn’t lose their industrial base.

In our view, this is instructive for how much more negative real rates will have to be for the losers of the trade war (US, EU) than the winners (China, Japan, Korea.)

Figure 5a. Real Ex-post Contractual Interest Rates on Central Government Debt, 1945–1980

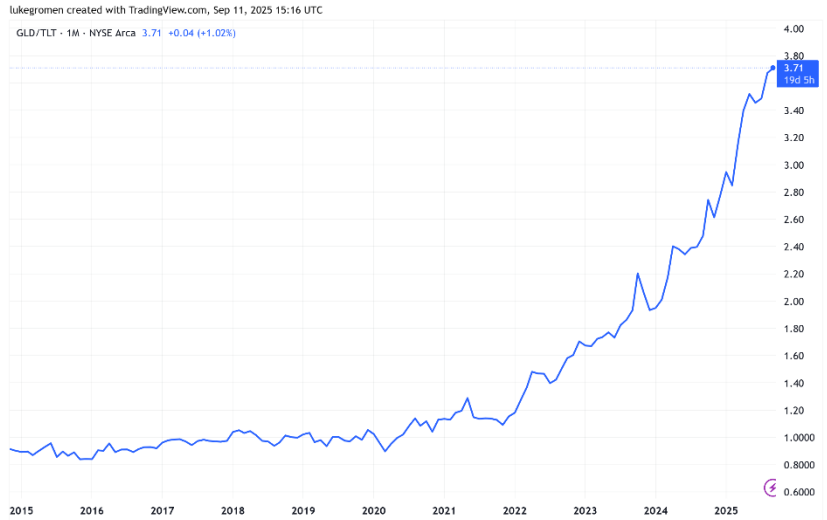


Sources: Individual country details are provided in the Data Appendix.

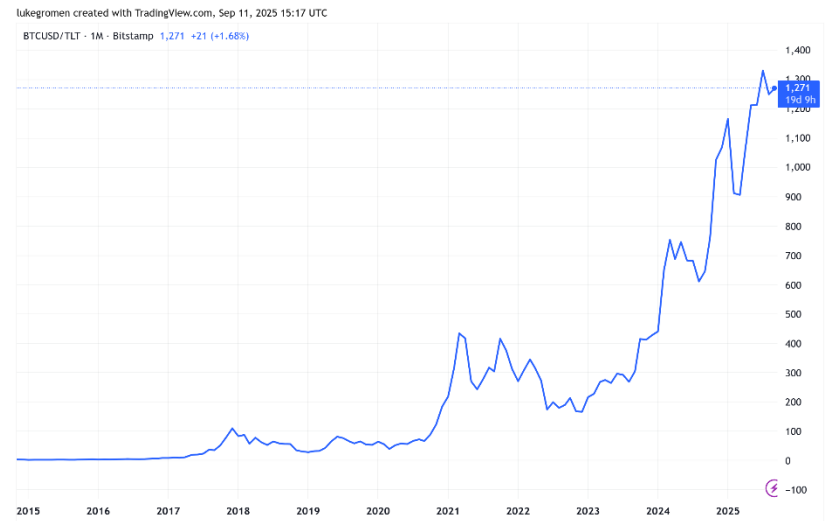


As much as GLD/TLT (top), BTC/TLT (middle), SPX/TLT (bottom) have already outperformed, we expect them to outperform far more as the above dynamics finish playing out in coming years.

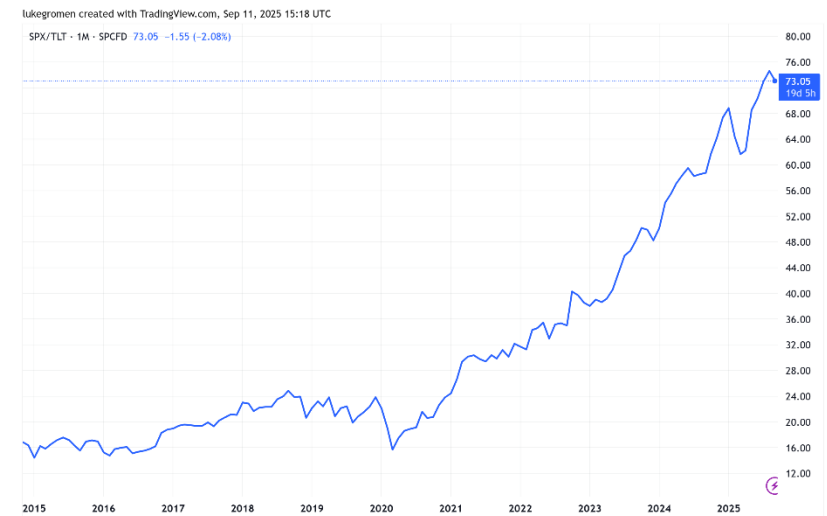
Let's watch.



TradingView



TradingView



TradingView



“The Fed’s ‘Gain of Function’ monetary policy” – Treasury Secretary Bessent

The Fed’s “Gain of Function” monetary policy – 9/5/25

[The Fed’s ‘Gain of Function’ Monetary Policy - WSJ](#)

The Fed’s growing footprint has profound implications for independence. By extending its remit into areas traditionally reserved for fiscal authorities, the Fed has blurred the lines between monetary and fiscal policy. The central bank’s balance-sheet policies directly influence which sectors receive capital, intervening in what should be the domain of markets and elected officials. Entanglement with Treasury debt management creates the perception that monetary policy is being used to accommodate fiscal needs.

To safeguard its future and the stability of the U.S. economy, the Fed must re-establish its credibility as an independent institution focused solely on its statutory mandate of maximum employment, stable prices and moderate long-term interest rates.

Tree Ring: Bessent’s “Gain of Function” Monetary Policy WSJ op-ed caught lots of people’s attention, but in our view, its message was misinterpreted. Here’s what caught our attention:

First, “...elected officials [should directly influence which sectors receive capital.]” Here it is as Bessent wrote it:

The central bank’s balance-sheet policies directly influence which sectors receive capital, intervening in what should be the domain of markets and elected officials.

This passage seemed to escape many investors’ reading of Bessent’s words, but to us, it is the piece de resistance of the entire op-ed.

Second: Investor discussion around Fed independence seems far too tactical, or if we may, too “focused on the trees, rather than the forest.” In our view, it is critical to see what to us is clearly the broader strategic goal, or if you will, the forest for the trees:

Bessent’s broader goal is to marry the Fed and Treasury, as in WW2, so as to get rates significantly negative, to devalue US debt/GDP and reshore the US industrial base. He knows he needs to do to the real value of USTs what happened to the real value of USTs 1946-53 and 1970-80, as shown in the charts on pages 8-9 above, and is preparing to do so.

We continue to be significantly overweight gold, BTC, gold miners, and US electrical infrastructure equities.

Let’s watch.



“Carlyle warns of blurred Treasury, Fed roles as rate cuts loom”

Carlyle warns of blurred Treasury, Fed roles as rate cuts loom – 9/10/25

[Carlyle Warns of Blurred Treasury, Fed Roles as Rate Cuts Loom - Bloomberg](#)

The Trump administration’s call for steep Federal Reserve interest-rate cuts, coupled with the prospect of higher short-term US debt issuance, risks disrupting the Treasury market and could end up driving longer-term borrowing costs higher, according to the Carlyle Group Inc.

“Bondholders want to be convinced that the Fed’s job is to preserve the real value of their principal. If instead they feel the Fed is more focused on government finance, you could see a bond selloff and higher term premiums,” Jason Thomas, the head of global research and investment strategy at Carlyle, said in an interview.

At issue is President Donald Trump’s steady drumbeat of attacks on Fed policymakers to lower benchmark rates in a bid to stimulate the US economy — a move that would also open a pathway for the Treasury to save on interest costs by shifting government borrowing to short-term bills rather than locking in the present environment’s high yields. It is a scenario that was raised by Treasury Secretary Scott Bessent in recent months.

Current market conditions are contingent upon long-term yields and a stable dollar, according to Carlyle.

“Any rise in yields at the back end of the curve, or fall in the dollar, could prove severe and discontinuous, more than offsetting any benefits from lower short-term rates,” Thomas wrote.

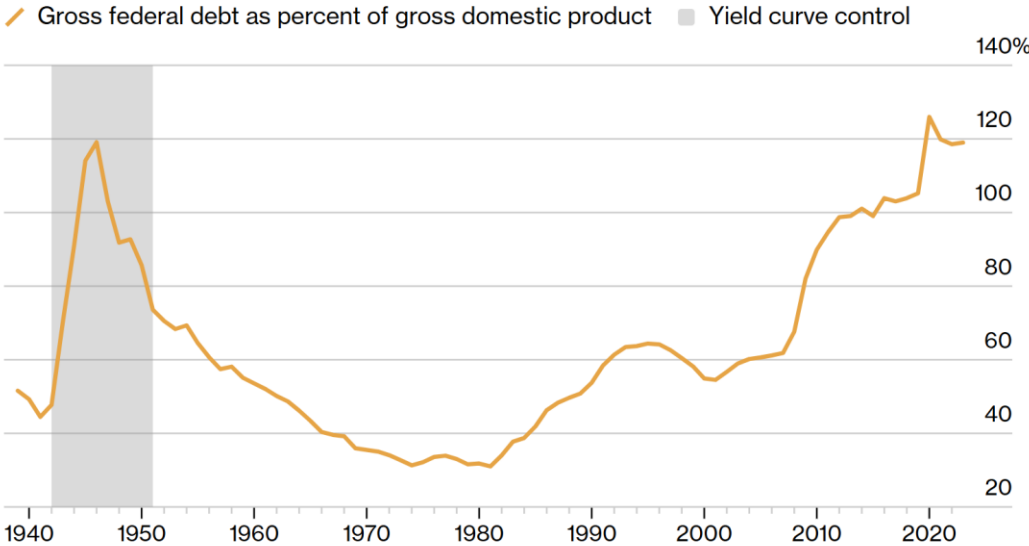
In Carlyle’s view, the prospect of so-called “fiscal dominance” — where monetary policy is subordinate to government spending concerns — is more relevant than ever.

Tree Ring: \$460 billion AUM asset manager Carlyle Group has historically had ties among both Wall Street and Washington elites, so to see them write the above and cite the EXACT same chart as we did earlier, and reach the same conclusion as we did earlier (right), suggests that Wall Street and Washington elites are beginning to catch on to what is likely about to happen.

That Carlyle is highlighting this suggests we may now be entering the “Bargaining” stage of grief around the US fiscal and debt crisis (i.e., Denial, Anger, Bargaining, Depression, Acceptance.)

Carlyle Flags Risk of Fiscal Dominance

Treasury may 'blur the lines' between fiscal, monetary: Carlyle



Source: Office of Management and Budget, Federal Reserve Bank of St. Louis



We say that because Carlyle's commentary suggests a quorum of Wall Street and Washington elites are no longer in "Denial", and are not openly expressing "Anger", but are still "Bargaining" about what (failing an unlikely productivity miracle) must mathematically occur.

US elites are bargaining as if the \$8T in unproductive war spending and trillions more in low-productivity Entitlement spending that got us to that debt/GDP number wasn't already spent. They are bargaining as if "True Interest Expense" is not already near 100% of All-Time High US Federal receipts, and as if All-Time High US receipts are not critically dependent on US stock prices rising 10-15% per year...forever.

Global War on Terror and retiree Entitlement spending is already done and is low if not negative productivity spend, so it must be written down v. GDP; that can only be done via austerity or financial repression (devaluing debt)...and austerity would cause a recession that drives debt/GDP up instead of down, and likely worsen an already increasingly destabilized US domestic political situation (more on this in a moment.)

Even as the Carlyle report suggests a quorum of Wall St. and Washington elites have moved from the "Denial" to the "Bargaining" stage of grief about the US fiscal crisis, it appears that Treasury Secretary Bessent remains in the "Anger" stage of grief about the fiscal and debt crisis he has seemingly begun realizing he has gotten himself into:

"I'm gonna punch you in your f*cking face": Scott Bessent threatens an Administration rival – 9/8/25

[*'I'm Gonna Punch You in Your F--king Face': Scott Bessent Threatens an Administration Rival - POLITICO*](#)

*A private dinner attended by dozens of administration officials and close advisers to President Donald Trump was temporarily marred by a dramatic clash between two of Trump's top economic officials, with Treasury Secretary Scott Bessent at one point threatening to punch top housing finance official Bill Pulte "in the f*cking face."*

The Wednesday evening event was supposed to be one of celebration: It was both the much-anticipated inaugural dinner at Executive Branch, the ultra-exclusive Georgetown club created by and for Trump world's uber-rich, and a birthday party for MAGA-friendly podcaster Chamath Palihapitiya.

A long table for the 30-some guests was set with top-of-the-line crystal and china. The guest list included Transportation Secretary Sean Duffy, Commerce Secretary Howard Lutnick, Interior Secretary Doug Burgum, Agriculture Secretary Brooke Rollins, Director of National Intelligence Tulsi Gabbard, SBA Administrator Kelly Loeffler, Medicare and Medicaid chief Mehmet Oz, plus venture capitalist David Sacks, Palihapitiya's partner on the "All In" podcast.

But amid the cocktail-hour din, Bessent lashed out at Pulte in an expletive-laden diatribe. The Treasury secretary had heard from several people that the Federal Housing Finance Agency director had been badmouthing him to Trump, a person close to him said. He wasn't about to engage in chit-chat as if nothing was amiss.

*"Why the f*ck are you talking to the president about me? F*ck you," Bessent told Pulte. "I'm gonna punch you in your f*cking face."*

The scene was described to me by one eyewitness and four other people familiar with what happened. The only fact they disagreed on was whether it was Bessent or Pulte who initiated the conversation. They and others who described the conflict were granted anonymity due to the sensitivity of the situation.

Our read? We certainly could understand why Bessent would be under stress – he clearly understands what he needs to do in order to pursue his and Trump's economic agenda; perhaps he just does not know how to stay in Wall Street's good graces after he does it?

Let's watch.



“Argentina’s Milei suffers crushing setback in Buenos Aires election”

Argentina’s Milei suffers crushing setback in Buenos Aires election – 9/8/25
[Argentina’s Milei suffers crushing setback in Buenos Aires election | Elections News | Al Jazeera](#)

Milei’s party crushed in Argentine local elections – 9/8/25
[Milei’s party crushed in Argentine local elections | AP News](#)

Argentina’s opposition Peronist party wins election in Buenos Aires – 9/8/25
[Argentina’s opposition Peronist party wins election in Buenos Aires province | Reuters](#)

Argentina markets tumble after Milei’s defeat in Buenos Aires vote – 9/8/25
[Argentina markets tumble after Milei’s defeat in Buenos Aires vote | Reuters](#)

Tree Ring: For a couple months after Trump got elected and Elon Musk was talking incessantly about “DOGE”, we routinely were told that what Milei was doing could be done in the US.

We told investors repeatedly that even if US austerity would NOT send the USD to levels that created a global debt and economic crisis, which it WOULD (*because investors borrow globally in USD and hold USD assets against them, while global investors generally hold neither Argentine assets nor borrow in Argentine pesos*)...

...it was too soon to tell the political implications of the Milei austerity program...but last week, we seem to have gotten a political referendum on Milei’s “austerity”, and it said “thumbs down”...

...while Elon Musk himself confirmed on X this week that there is no chance the US can pursue austerity to get out of its fiscal crisis (right), suggesting either “productivity miracle” or “financial repression”.

Furthermore, if AI and robots actually arrive fast enough to stop a US fiscal/debt crisis, given “growing US demographics” that are almost always cited as a US asset v. China and Asia, AI and robots would likely only accelerate US structural unemployment and therefore US political instability...

...into a US domestic political situation that we were once again this week shown is becoming tragically unstable.

With US austerity likely to drive immediate economic and political catastrophe, a combination of rabid AI and robotics productivity investment and increasingly severe financial repression seems likely to continue. This is good for gold, BTC, stocks, and nominal GDP, but bad for the USD. Let’s watch.



 **Elon Musk**   @elonmusk · 7h Source: X, via EGM  
Toast

 **Autism Capital**  @AutismCapital · 10h

 ELON MUSK: "I haven't been to DC since May. The government is basically unfixable. I applaud David (Sacks') noble efforts...but at the end of the day if you look at our national debt...if AI and robots don't solve our national debt, we're toast."



ALL-IN SUMMIT 0:08 / 1:13    

“Peronism on the Potomac”

Tree Ring: Longtime readers of FTTT will know we have been writing and saying for a long time that the outcome we are heading toward resembled “Argentina with US characteristics.”

One of the “art” v. “science” parts of FTTT is a) knowing what indicators are lagging v. coincident v. leading, and b) paying attention to when each start catching on to an FTTT theme as a read on timing and sentiment.

With that context, we would say that academic think-tankers and economists tend to be lagging indicators because the hyperpolitical nature of their respective institutions makes them slow to respond to trends (*sorry to those of you that aren't.*) This is also why mainstream media (like “The Atlantic”) tends to be a lagging indicator for markets.

And so, in our view, it is a signpost that an academic economist/think-tanker just wrote an article in a mainstream media outlet titled “Peronism on the Potomac”, accusing the US of titling toward an Argentine-like economy, warning it will lead to an Argentine-like outcome.

Allow us to offer the first of two movie quotes we will use in this Tree Ring point, from “Die Hard”:

“Welcome to the party, pal.”

The academic think-tanker is blaming Trump... rather than Clinton, Bush, Obama, Trump 1, Biden, and Trump 2, which is what they would do if they were being intellectually honest about how we have gotten to this point.

And that brings us to our second movie quote we will use in this Tree Ring point, from Cormac McCarthy’s “No Country for Old Men”:

“You can’t stop what’s coming. It ain’t all waitin’ on you. That’s vanity.”

In our view, the reason gold seemingly goes up on every day ending in “-y” in recent months and why stocks are remarkably resilient to weakening economic trends is because Wall Street elites, Washington elites, Elon Musk, and academic economists and think-tankers have all come to the conclusion of the Cormac McCarthy quote above: Financial repression and “running it hot” are coming, and you can’t stop it, it ain’t all waitin’ on you. That’s vanity. Let’s watch.



Scott Lincicome ✓
@scottlincicome



My latest @TheAtlantic reviews how Trump's 2nd-term economic policies - import substitution, "emergency" declarations, personal dealmaking, fiscal/monetary recklessness, & govt control of private enterprise - increasingly resemble post-war Argentina.

That's *not* a good thing.



The Atlantic

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ECONOMY

Peronism on the Potomac

Decades of personalist rule turned Argentina into a global economic laughingstock. Donald Trump seems to have misunderstood the lesson.

By Scott Lincicome



Photo-illustration by The Atlantic*

SEPTEMBER 7, 2025, 7:30 AM ET

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“Gold and the US mess”

Gold and the US mess – 9/3/25 (via RC)

[Gold and the US mess](#)

After I wrote yesterday that markets were ignoring Trump’s attack on the Federal Reserve, several readers accused me of ignoring a key market. Here, for example, is a commenter going by Sirali: “So do we take it that gold and silver don’t count as being part of ‘the market’ anymore? Precious metals and mining stocks certainly didn’t ignore the attack on the Fed last week.”

Guilty, your honor. While I had mentioned gold’s sharp rally over the past week or so — it has now blasted through \$3,500 an ounce — Sirali is right that I did not take it seriously enough. This is a persistent bias of mine. By training, I’m a discounted-future-cash-flows guy. Left to my own devices, I’ll ignore the “inert”, yieldless assets — gold, art, bitcoin and so on.

But there is a good case to be made that at a moment when the biggest cash-flowing asset classes are hardly registering a wretched US fiscal situation, a slowing US economy and the Trump Administration’s attack on the Fed, gold is paying attention.

There are a few straightforward reasons for gold’s recent breakout. First and most simply, the dollar continues to slip (though it rose a bit yesterday) and gold is priced in dollars. To the extent the weaker dollar reflects concerns about US fiscal and institutional strength, the transmission mechanism to gold is simple as can be.

This alone cannot explain why gold has marched from \$2,000 to more than \$3,500 in a year and a half, however. I remember being told, sometime in 2023 or early 2024, that if gold rose much above \$2,200, the high price would start to destroy demand, especially among price-sensitive retail buyers in Asia. This turned out to be true, so far as it went. What it missed was that those price-sensitive buyers are no longer an important factor in setting gold prices.

Tree Ring: With our apologies to the financial editor of the FT that wrote the above, the article above is a perfect example of looking for “dogs that do not bark” as signposts:

Western financial editors (and many mainstream investors) are still largely ignoring the message of “inert, yieldless assets (gold, art, BTC, etc.)” because they have never lived through Emerging Market (EM) debt crises in developed markets.

As a result, they still see developed market debt and currencies as the “base layer” of money, rather than energy (which is the true “base layer” of money, and of which gold and BTC in particular are simply representations of “stored energy” or “stored base layer money.”)

Why are so many western financial writers and investors still getting this wrong? In the case of the above, the author is operating under two key misapprehensions:

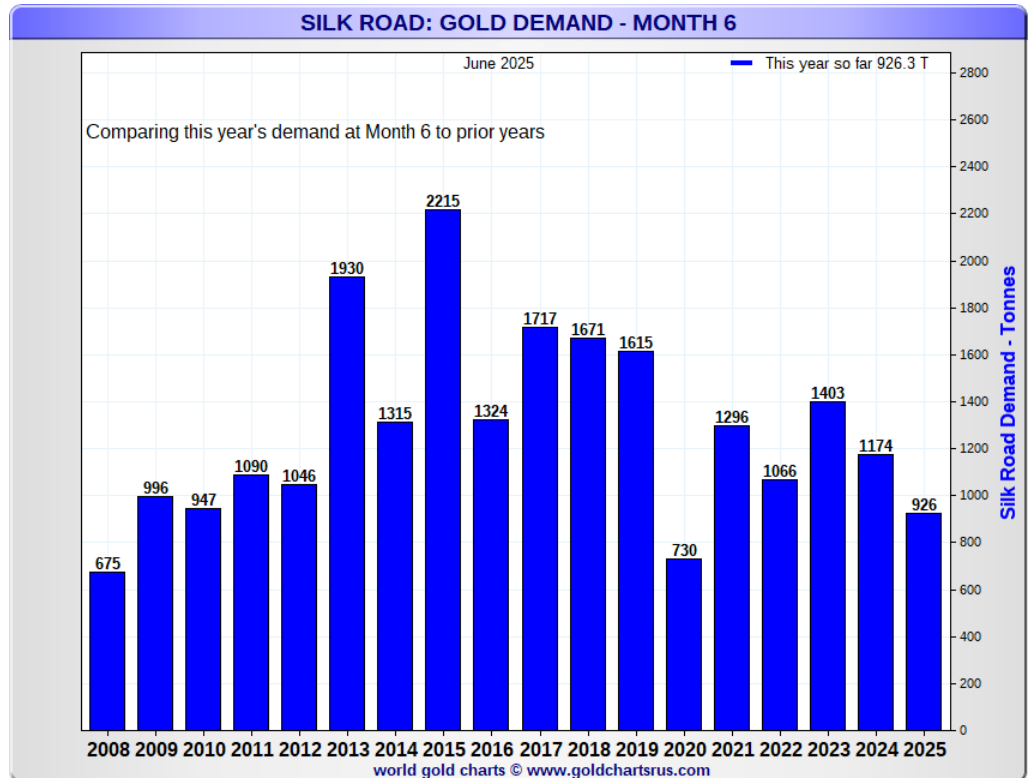
First, it is simply not true that Asian gold demand is being destroyed by higher prices.

The chart at right shows “Silk Road” gold demand annually since 2008.

Note that 2025 gold demand is on pace to nearly equal 2013 gold demand...despite gold prices being nearly 3x higher today than in 2013!

This then leads to the second fundamental misapprehension among many western investors and writers: Gold is what is called a “Veblen Good” – the higher the price goes, the HIGHER demand goes.

This then brings us to the following fascinating headline from last weekend.



Stablecoin group Tether holds talks to invest in gold miners – 9/5/25 (via KS)

[Stablecoin group Tether holds talks to invest in gold miners](#)

Tether, the world’s biggest stablecoin company, has held talks about investing in gold mining, seeking to deploy its vast crypto profits into bullion. The company has held discussions with mining and investment groups about investing in the entire gold supply chain, from mining and refining to trading and royalty companies, according to four people familiar with the recent talks.

While gold has been a physical store of value for thousands of years and bitcoin has only existed as a digital instrument since 2009, there is a growing affinity between some industry executives. Tether chief executive Paolo Ardoino has likened gold to “natural bitcoin”. “I know people think that bitcoin is ‘digital gold,’” he said in a speech in May. “I prefer to think in bitcoin terms — I think gold is our source of nature.”

One of the world’s most profitable crypto companies, Tether runs the USDT token, which is pegged to the US dollar and has a market capitalisation of \$168bn, and generated profits of \$5.7bn in the first half of this year.

Tether is also one of the biggest holders of US Treasuries, making its money from the interest it earns on the bills it holds to back the token — the world’s most traded cryptocurrency. Ardoino is a big advocate of gold and has previously said the metal should be a safer asset than any sovereign currency, and can be a complement to bitcoin.

Tether has already amassed a significant position in bullion — with \$8.7bn of gold bars in a Zurich vault, according to financial statements, which it uses as collateral for its stablecoin. In June Tether Investments, which is in charge of investing the company’s profits, paid \$105mn for a minority stake in a gold royalty company, Toronto-listed Elemental Altus.

While global investors, the FT article itself, and gold mining sources it spoke to speculated about Tether's motives in buying gold and miners, Tether's CEO Paolo Ardoino seemingly removed all doubt as to Tether's intentions vis a vis gold with his X post at right on Monday...

...especially given Putin advisor comments over last weekend at a press conference following the Shanghai Cooperation Organization (SCO) meeting, in which he said the US planned to devalue its debt against gold and stablecoins (and presumably therefore, BTC):

Source: Press approach following the 24th Meeting of the Ministers of the SCO Member States in charge of Foreign Economic and Foreign Trade Activities, [Program of press events](#) – 9/6/25



Paolo Ardoino
@paoloardoino



Bitcoin, Gold and Land are the hedge against incoming darker times.

9:12 AM · Sep 9, 2025 · 2,424 Views



Russia Direct
@RussiaDirect_



Putin's advisor Kobayakov: The U.S. has devised a crypto scheme to erase its massive debt at the world's expense.

“The U.S. is now trying to rewrite the rules of the gold and cryptocurrency markets. Remember the size of their debt—35 trillion dollars. These two sectors (crypto and gold) are essentially alternatives to the traditional global currency system.

Washington's actions in this area clearly highlight one of its main goals: to urgently address the declining trust in the dollar.

As in the 1930s and the 1970s, the U.S. plans to solve its financial problems at the world's expense—this time by pushing everyone into the “crypto cloud.” Over time, once part of the U.S. national debt is placed into stablecoins, Washington will devalue that debt.

Put simply: they have a \$35 trillion currency debt, they'll move it into the crypto cloud, devalue it—and start from scratch.

That's the reality for those who are so enthusiastic about crypto.”

Source: forumvostok.ru/programme/pres...

Allow us some “creative license” to connect a few dots to wrap up this point:

1. The GENIUS Act specifically ties USD stablecoins to T-Bills, with a goal of financing US deficits.
2. Bessent wants to increase stablecoin volumes massively in the next few years to create significant T-Bill demand.
3. Tether and Ardoino are the biggest USD stablecoin issuer and one of the biggest T-Bill holders in the world; it stands to reason that Bessent has spoken with Ardoino at length during “GENIUS Act” discussions and writing.
4. Ardoino has been buying gold and is now buying gold miners, “as a hedge against darker times.”
5. Russia believes the US plans on using gold and stablecoins (BTC) to devalue its \$35T “currency debt.”

None of the above can happen, let alone all five, without MUCH higher prices of gold and BTC...an outcome that would likely also be negative for USD, and bullish for global growth, global equities, and inflation. Let's watch.

“Treasury secretary says US and EU must partner to ‘collapse’ Russian economy”

Treasury secretary says US and EU must partner to “collapse” Russian economy – 9/7/25

[Treasury secretary says U.S. and EU must partner to ‘collapse’ Russian economy](#)

Treasury Secretary Scott Bessent signaled on Sunday that the U.S. is open to partnering with European countries to impose more sanctions on countries that buy Russian oil in an attempt to “collapse” the Russian economy and brushed aside concerns that the U.S. was entering a recession.

“We are prepared to increase pressure on Russia, but we need our European partners to follow us,” Bessent told NBC News’ “Meet the Press.”

“We are in a race now between how long can the Ukrainian military hold up, versus how long can the Russian economy hold up?” Bessent added. “And if the U.S. and the [European Union] can come in, do more sanctions, secondary tariffs on the countries that buy Russian oil, the Russian economy will be in total collapse, and that will bring [Russian] President [Vladimir] Putin to the table.”

Last month, the Trump administration imposed 50% tariffs on India, some of the highest tariffs the U.S. has imposed on any foreign nation, citing the country’s continued purchases of Russian oil amid the war in Ukraine.



Treasury Secretary Scott Bessent  
@SecScottBessent



The United States and European Union are aligned on the importance of ending the war in Ukraine, and all options remain on the table as part of @POTUS’ strategy to support peace negotiations. Business as usual has not worked. We are willing to take strong measures against Russia, but our European partners must fully join us in this to be successful. I made this clear today when meeting with @EU_Commission Sanctions Envoy David O’Sullivan.



9:39 PM · Sep 8, 2025 · 124.1K Views

Tree Ring: Last weekend, Sec. Bessent said the US and EU “must partner to collapse the Russian economy”, a sentiment echoed by US Energy Secretary Wright (below):

US demands EU stops buying Russian gas if it wants new sanctions on Putin – 9/8/25

[US demands EU stops buying Russian gas if it wants new sanctions on Putin](#)

European countries should stop buying Russian oil and gas if they want Washington to tighten sanctions on Moscow, according to Donald Trump’s energy chief, who said the trade was funding Vladimir Putin’s “war machine”.

Chris Wright, US energy secretary, told the Financial Times that European countries should instead buy American liquefied natural gas, gasoline and other fossil fuel products to meet the terms of the US-EU trade deal, which calls on EU countries to buy \$750bn of US energy by the end of 2028.

“If the Europeans drew a line and said: ‘We’re not going to buy more Russian gas, we’re not going to buy Russian oil’. Would that have a positive influence on the US leaning in more aggressively [on sanctions] as well? Absolutely,” he said in an interview ahead of talks with his EU counterpart in Brussels this week.

“We think it’s good economically for Europe. You want to have secure energy suppliers that are your allies, not your foes . . . the other reason is a huge goal of the Trump administration, and I believe of the EU, is to end the Russia-Ukraine war. Russia funds its war machine off oil exports and natural gas exports and if you cut off European purchase of those, it shrinks their money.”

Brussels is pressing Washington to impose tougher economic sanctions on Russia to increase pressure on Putin as part of a diplomatic push to secure a peace deal in Ukraine. But despite becoming increasingly frustrated by Moscow’s refusal to agree a temporary cease fire, President Trump has not imposed additional sanctions on Russia.



The fact that both Bessent and Wright are singing from the same hymnal suggests that neither NATO's proxy war in Ukraine nor the peace negotiations with Russia are going very well. With that said, we prefer to try to evaluate policies based on taking a longer-term view.

Fortunately, Bessent and Wright are saying LITERALLY the EXACT same thing that then-Secretary of State Condi Rice was saying in early 2014, so we already have an 11-year track record on which to evaluate the likely success of Wright and Bessent's expressed policy of "Make the EU stop buying Russian energy and start buying US energy instead":

US Secretary of State Condi Rice on German TV on energy, Russia– 5/16/14

<https://youtu.be/aF0uYIjaTNE>

Rice: And I also understand that one of the complications is the Europeans, who are very dependent on the Russians for energy supply, business relationships, but they also need to recognize that if Putin is not stopped now, we could find ourselves with a real conflict with Russia down the road.

Reporter: Why don't you let me jump in right there. Germany, arguably the strongest power in Europe, at least economically, there's been criticism that Angela Merkel and others haven't been aggressive enough. What do you think of that – do you think Germany's been as aggressive as they should be?

Rice: I'm quite an admirer of Chancellor Merkel, and I heard her statement when she was in Washington with President Obama, and I thought it was a very good statement, but now we need to have tougher sanctions, and I'm afraid that at some point this is probably going to have to involve oil and gas.

The Russian economy is vulnerable. 80% of Russian exports are in oil, gas, and minerals. People say "well the Europeans will run out of energy." Well, the Russians will run out of cash before the Europeans run out of energy. And I understand that it is uncomfortable, to have an effect on business ties in this way, but this is one of the few instruments that we have.

Over the long run, you simply want to change the structure of energy dependence, you want to depend more on the North American energy platform, the tremendous bounty of oil and gas that we are finding in North America. You want to have pipelines that don't go through Ukraine and Russia.

For years, we've been trying to get the Europeans interested in different pipeline routes. It's time to do that. And so some of this is simply acting, and acting as quickly as possible.

And to be fair, it wasn't just the Obama Administration – here's Pres. Trump from July 2018 on a hot mic talking to German officials. Once again, as Trump X posts from recent weeks that we have highlighted, Trump gave us a hint about the true issue underlying the Russian gas issue:

It was NEVER about where the gas came from...it was about the CURRENCY in which the gas was being denominated. Trump wanted to make sure the EU was never able to buy gas from Russia in EUR instead of USD ("Trade is wonderful, but energy is a whole different story. I think energy is a much different story than normal trade.):

"So, we're protecting Germany & France from Russia, & they are paying of billions of USD to Russia for a gas pipeline...& I think that's very inappropriate; it doesn't make sense that they pay billions of USD's for gas to Russia, and we have to defend them against...Russia. I think trade is wonderful, but I think energy is a whole different story. I think energy is a much different story than normal trade."

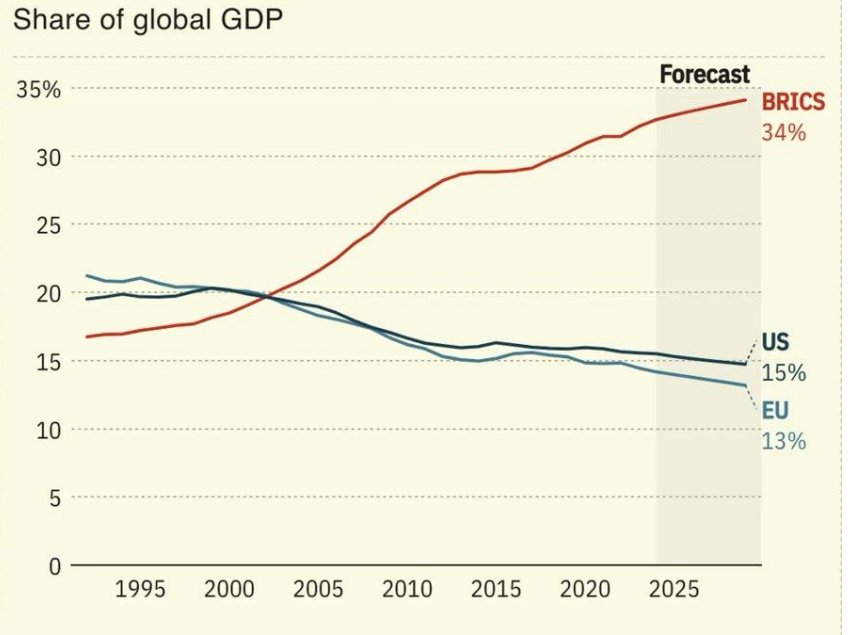
President Trump has launched a scathing tirade ahead of the NATO summit – 7/11/18

<https://twitter.com/CNBC/status/1016969295748837376>



So, with an 11+ year track record of both Democrat and Republican Administrations trying to “collapse” a “vulnerable” Russian economy by separating the EU from cheap Russian gas, **let’s check on the objective scoreboard to see how the policy has fared:**

The BRICS have massively outperformed the US and EU in real (PPP) GDP terms since 2014 (via Ian Bremmer)...

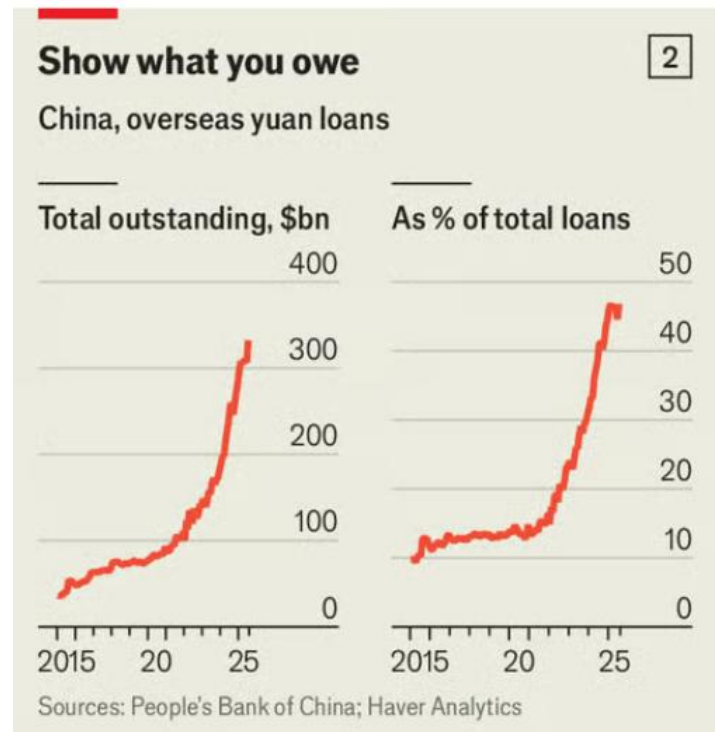


BRICS includes only Brazil, Russia, India, China, and South Africa. Figures adjusted for purchasing power parity.

Chart: Jeronimo Gonzalez/Semafor • Source: IMF



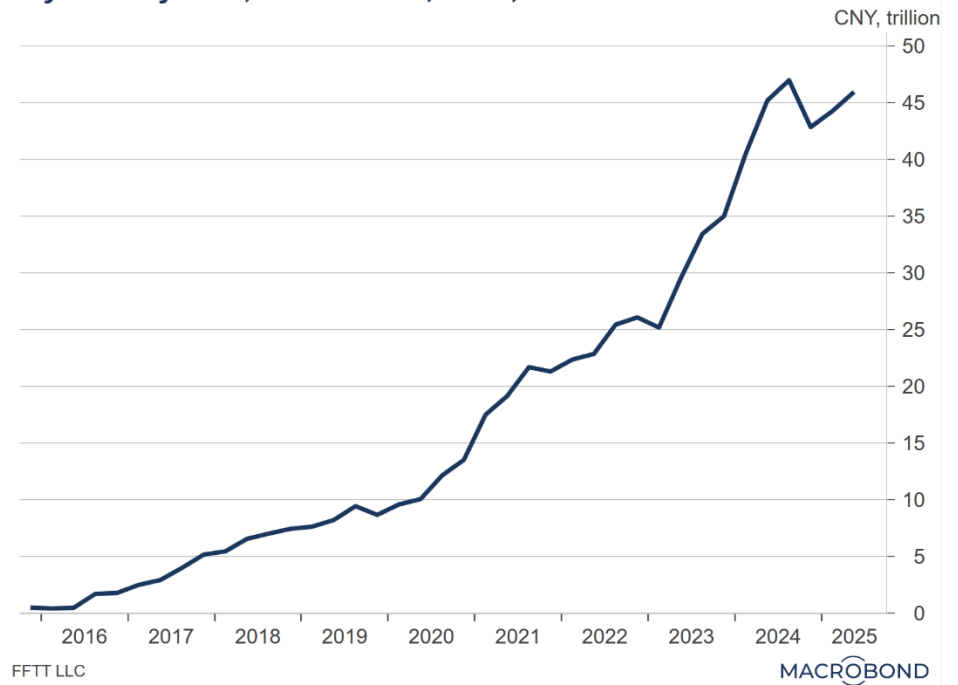
...and Chinese share of overseas loans denominated in CNY have risen 5x since 2015, with most of that change taking place since 2022 US and EU sanctions on Russian FX reserves:



Sources: People’s Bank of China; Haver Analytics

...and Chinese CNY cross-border payments in CNY have risen from near zero in 2015 to CNY 48 trillion, or nearly \$7T US today.

China, MFI Cross-Border Positions, Cross-border Interbank Payment System, Transaction, Total, CNY



The verdict? US attempts to separate the EU from Russian gas has turbocharged the de-dollarization of global energy markets and fueled the real economic rise of the BRICS. As Pres. Bush said in response to the suboptimal Federal Hurricane Katrina relief effort, *“Heckuva job, Brownie”*, or, if you prefer, more famously, from May 1, 2003: “Mission Accomplished.”



Source: CBS



Having seen that US attempts to separate EU from Russian gas has merely harmed the EU and US economies relative to the BRICS and accelerated the de-dollarization of global commodity markets and trade, we can see that the response of the BRICS to Bessent and Wright's attempts to pursue the same failed energy policy, just more aggressively, is to more aggressively de-dollarize global commodity markets and turn their back on the EU and US:

China is cranking up Liquefied Natural Gas (LNG) trade with Russia in test for Trump – 9/8/25

[China Is Cranking Up Liquefied Natural Gas Trade with Russia in Test For Trump - Bloomberg](#)

China appears to be setting up a system to import regular cargoes of liquefied natural gas from a Russian project sanctioned by the US, a move that will test the Trump administration's willingness to penalize Beijing in its efforts to curb Moscow's energy revenue.

Having taken the first-ever overseas export from the Arctic LNG 2 project in Russia in late August, China is now taking more blacklisted Russian LNG and has designated the Beihai terminal in southern China to accept shipments, according to people with knowledge of the matter. By choosing a single port with limited international exposure, Beijing should be able to insulate its wider gas sector from retaliation.

China paves way for renminbi fundraising by Russian energy giants – 9/7/25

[China paves way for renminbi fundraising by Russian energy giants](#)

China is preparing to reopen its domestic bond market to major Russian energy companies, in a shift of policy that reflects deepening diplomatic and economic ties between Beijing and Moscow. Two people familiar with the matter said senior Chinese financial regulators told top Russian energy executives at a late August meeting in China's southern city of Guangzhou that they would support their companies' plans to sell renminbi "panda bonds".

Such borrowing would be first Russian corporate fundraising in mainland China since Moscow's full-scale invasion of Ukraine in 2022 and the first Russian debt sold on China's public onshore market since state aluminium producer Rusal's panda bond issue raised a total Rmb1.5bn in 2017.

Russian President Vladimir Putin held talks with Chinese leader Xi Jinping in Beijing on Tuesday, saying strategic ties between the two countries were at an "unprecedentedly high level". After the talks, Moscow announced it had reached agreement with Beijing on construction of the long-discussed Power of Siberia 2 pipeline, a project led by Russian state monopoly Gazprom that analysts say could reshape global energy flows.

Extensive US and European sanctions have closed off Russian borrowers' access to global financial markets since 2022 and Chinese banks have shunned public financing deals involving Russian companies out of fear of being subjected to secondary sanctions. However the tightening ties between Beijing and Moscow are now making the banks less cautious.

At the same time, the renminbi is becoming an increasingly important foreign currency for the sanction-hit Russian economy. In 2022, Russian companies began selling renminbi-denominated bonds on their domestic market. Most such bonds are issued by a small group of companies that includes Rusal and Gazprom.

The revival of Russian panda bonds was likely to be limited to two or three companies at first, the people familiar with the plans said. Russia's state nuclear corporation Rosatom and its affiliates, which are not subject to broad sanctions by major western countries, were expected to be among the first borrowers to tap the world's second-largest bond market, they said.

Chinese ratings agency assigns AAA rating to Russian energy giant Gazprom – 9/8/25

[Chinese agency assigns AAA rating to Russian energy giant Gazprom | Reuters](#)



And so once again, the BRICS appear to be calling the Trump Administration's bluff. Either the Trump Administration is going to go to war (which would have to be nuclear because China won't sell the US the REE's it needs to be able to go to war for more than a few weeks), or the Trump Administration is going to have to back down again. The latter is our base case, and it is likely to be good for gold, BTC, stocks, global growth, and bad for the USD.

With that said, **it is not lost on us that the bigger loser than the US in its strategy to separate the EU from Russian gas is the EU, as this strategy has undermined European industry and made the EU a charity case dependent on the US, essentially pushing the EU's head underwater so we can stand on them to keep our own head above water. This might very well be the case, and could always lead to brief periods of USD strength...**

...but keep in mind, USD strength quickly leads to UST market weakness...which in our view would be another loss that the Trump Administration cannot afford to have added to the pile right now, so our view is that any USD strength driven by EUR weakness will quickly be met with more USD liquidity.

This is ultimately why we continue to prefer to express our view on western currency weakness with gold and BTC – owning both means we win regardless of whether USD or EUR is getting weaker faster first.

The above also further increases our conviction that the BRICS have the west in a position where the west's choices are:

1. **“Concede on portions of the Rules Based Global Order, allow the aforementioned gold-centric monetary system shift to proceed, and pullback to rebuild, reshore, and focus on our homeland”, driving higher GDP growth, higher equity and asset prices, while running the US and global economy “hot”, or;**
2. **Global nuclear war.**

We remain optimistic the US has already chosen option #1, and at any rate have absolute conviction that option #2 is totally uninvestable.

Let's watch.

Thank you for reading this edition of Tree Rings. Have a great weekend! LG



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