

**SANTIAGO
CAPITAL**



MACROVoices

October 2024

The U.S. Dollar

All financial roads go through the USD.

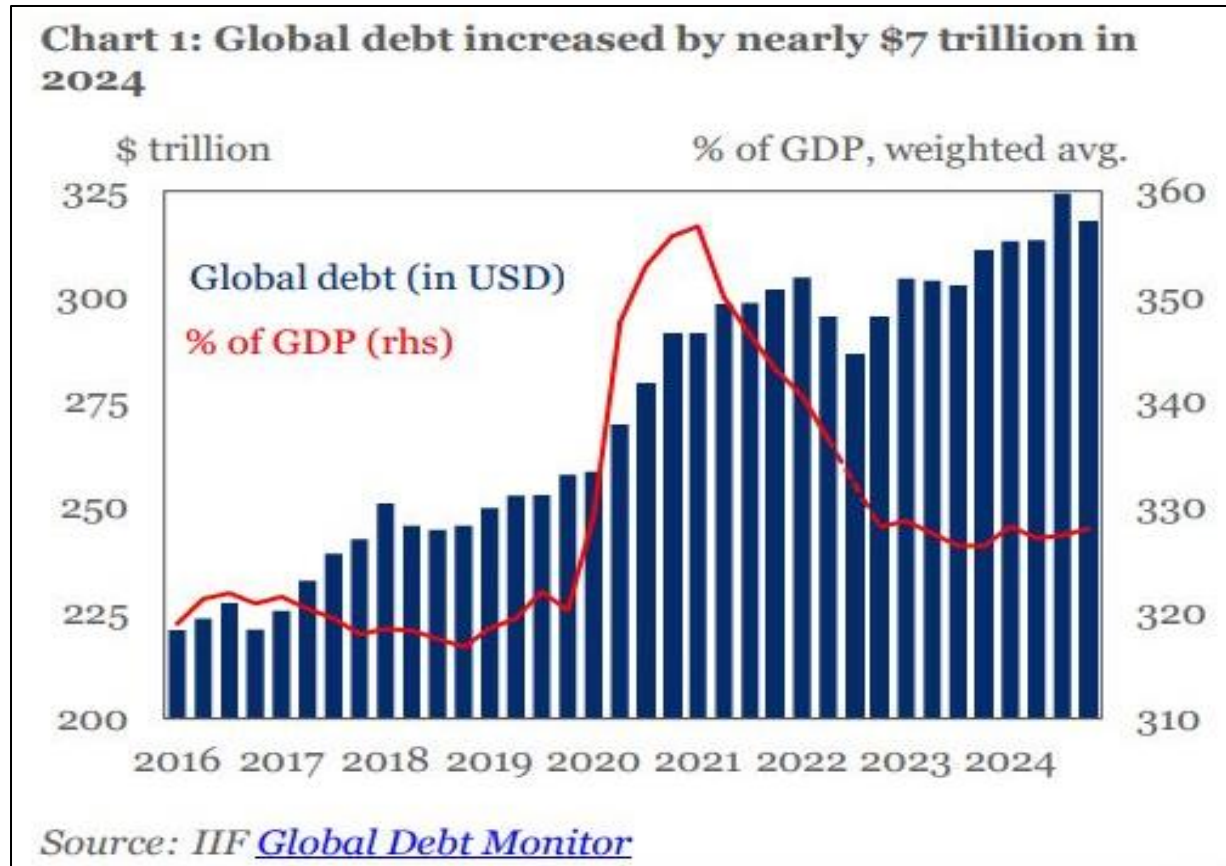
I focus on the USD because it is the single most important factor in getting the Macro picture right.



If you get the USD wrong...the odds of your portfolio doing well...are greatly diminished.

The Dollar Milkshake Theory

The DMT is an event driven thesis based on the consequences of too much Global Debt.



I think everyone sees the problem. In my opinion many get the knock-on effects wrong.

The Dollar Milkshake Theory

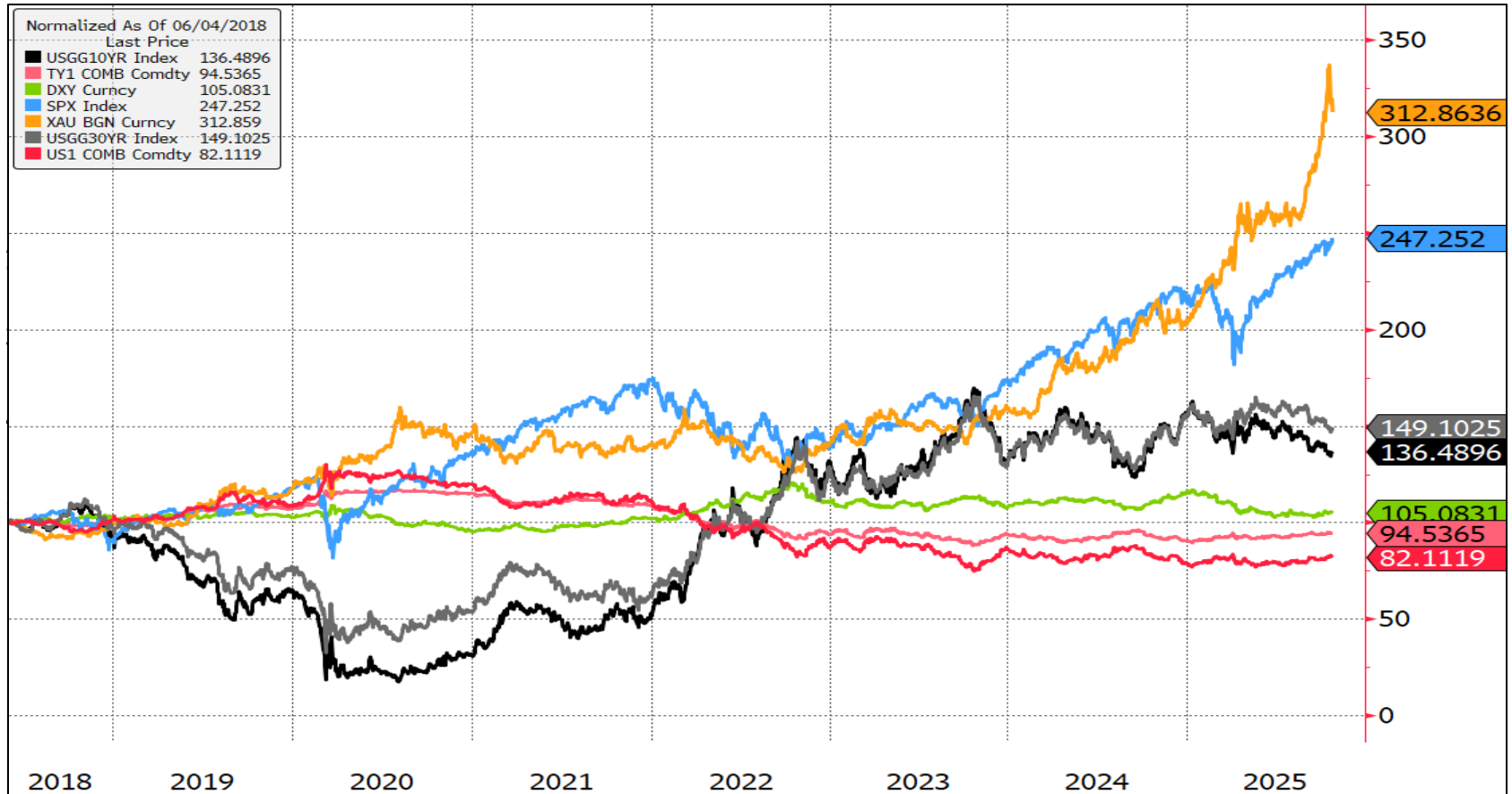
From the very beginning, there were 6 main points I wanted to get across.

1. **Interest Rates headed higher**
2. **Bonds Break**
3. **Dollar Rises**
4. **US Equities Rise**
5. **Gold Rises**
6. **The US outperforms the Rest of the World**

We did not (yet) get a Sovereign crisis (we came close in 2022) but assets responded as expected.

The Dollar Milkshake Theory

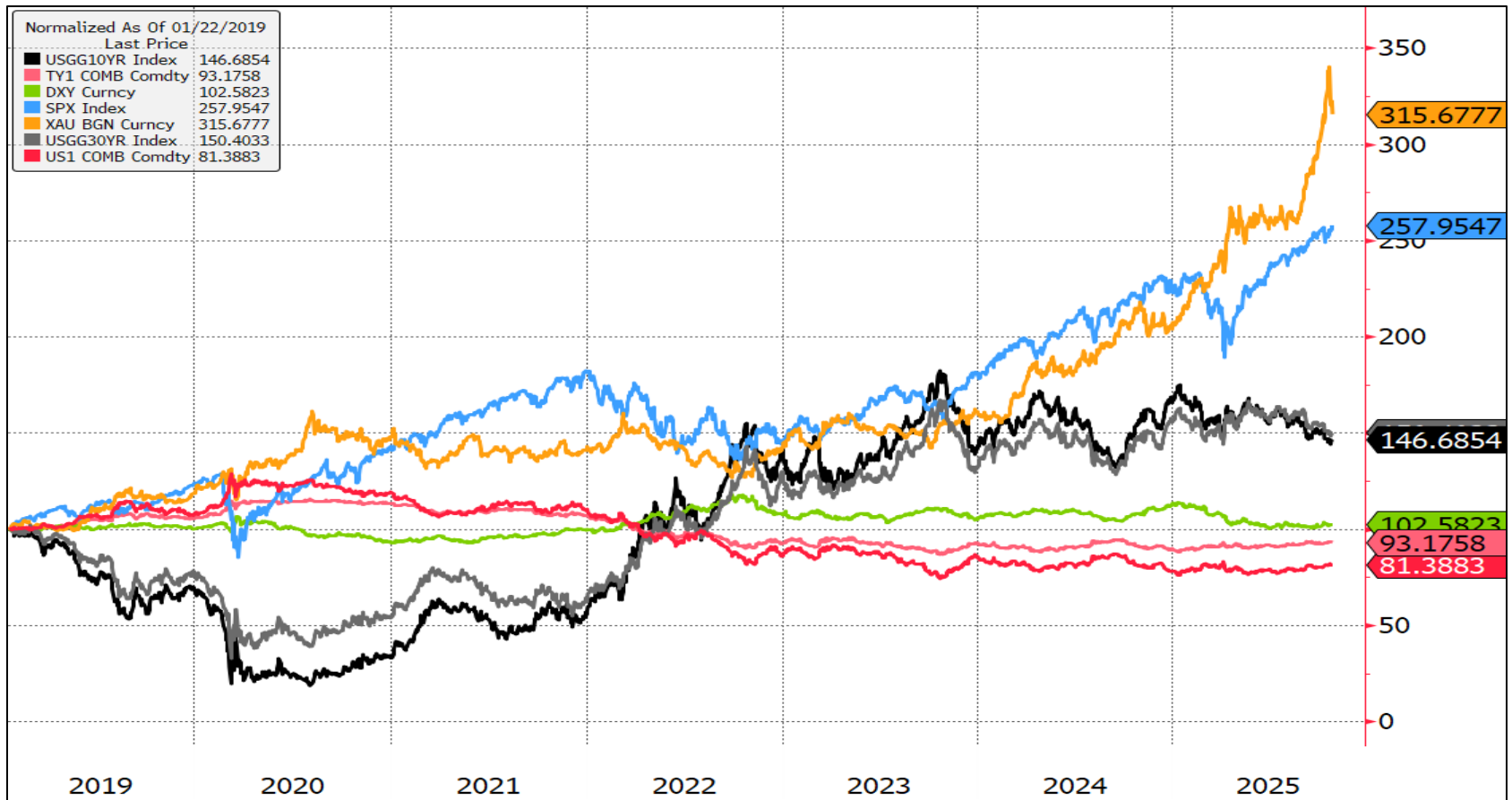
Since I first discussed this in summer of 2018...



...rates higher, bonds lower, dollar higher, US equities higher & Gold higher.

The Dollar Milkshake Theory

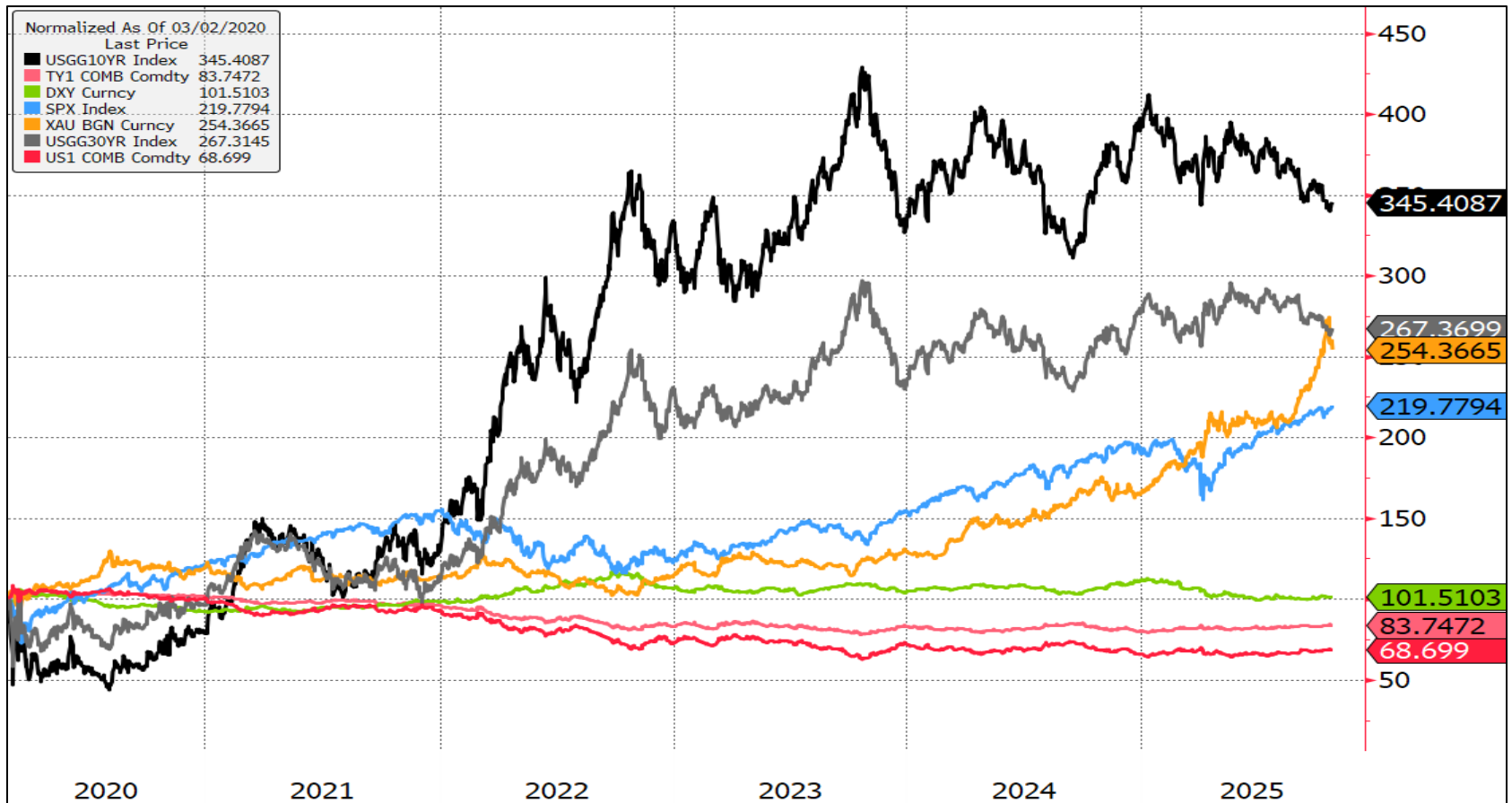
Since I said at Macro Voices conference in 2019...



...rates higher, bonds lower, dollar higher, US equities higher & Gold higher.

The Dollar Milkshake Theory

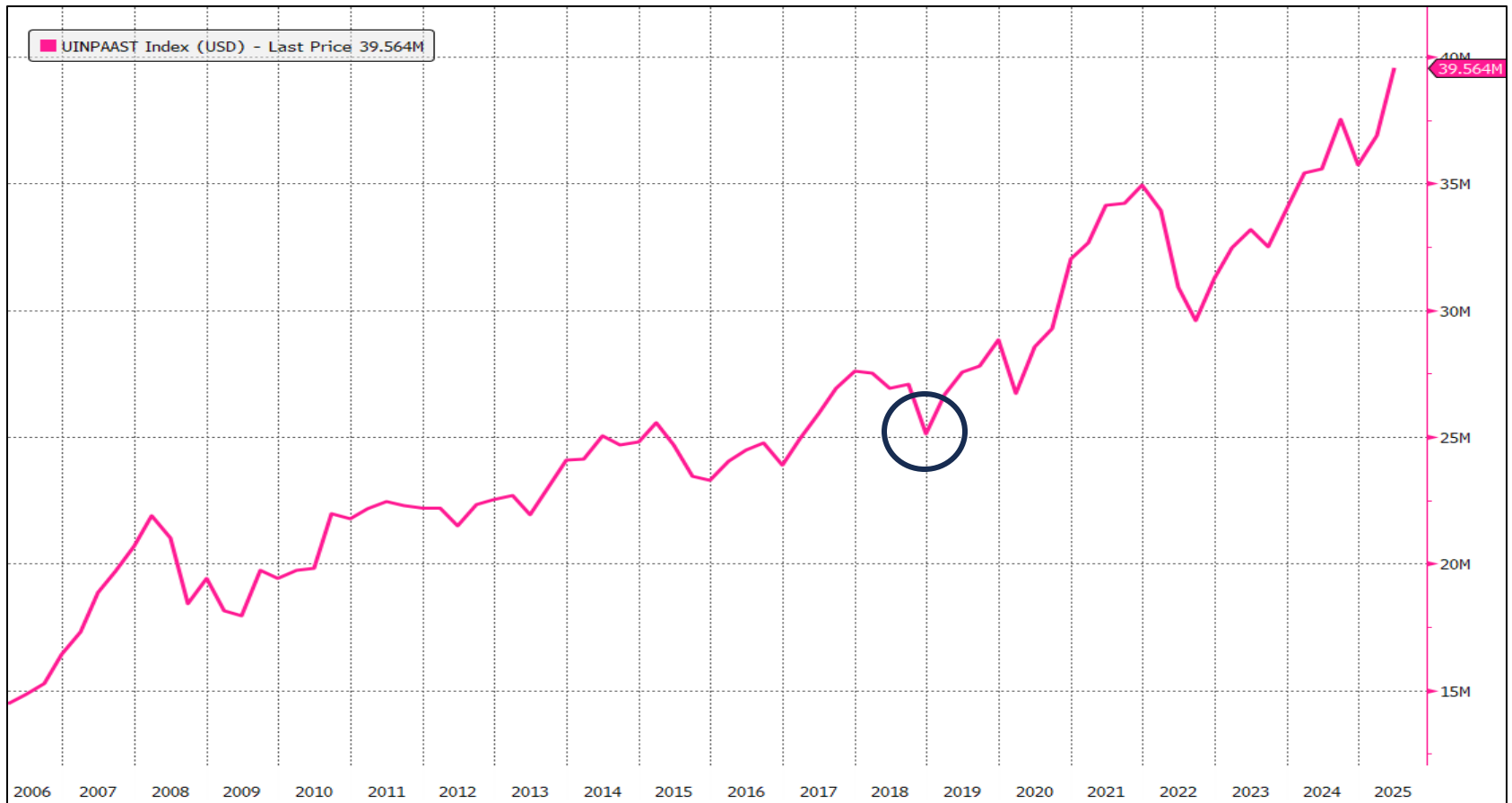
Since Covid in 2020...



...rates higher, bonds lower, dollar higher, US equities higher & Gold higher.

The Dollar Milkshake Theory

The U.S. Net International Investment Position since mid 2018



...has risen over 50%.

The Dollar Milkshake Theory

Since first mentioning it in 2018 the US has massively outperformed the Rest of the World



The Dollar Milkshake Theory

In my very first interview on this topic...

I said Dollars and Gold would rise together...

So as far as gold and the dollar rising together, I know that seems kind of contradictory. But at the end of the day, I really don't think it is. They're both currencies, and they're both measured against all other currencies in the world. And I think in the same way that the yen and euro could rise together, dollars and gold could rise together against a number of of different fiat currencies.

When markets start melting down, and when chaos starts to happen, and confidence starts to get lost, and you can feel the panic in the streets, that's typically great for gold. So, whether or not things panic and break down in the United States, if they panic in Europe, or if they panic in Africa, or they panic in Asia, that's a good opportunity to provide a chaos trade, so to speak, or a safe haven trade. And I think dollars will benefit from that, but gold will benefit too. And again, we don't need everybody to sell everything they own and go buy gold. The gold market's very small on a per capita basis. We just need the rest of the world to put 1% or 2% of their assets in gold, and gold doubles. So we don't need a mass exit out of fiat currency into gold for gold to do very well."

"The other reason that gold and the dollar can rise together is that we talked about gold being a small market. Well, if the dollar is rising a lot-- and I mentioned other currencies would be going down a lot-- if those investors do start seeking out gold, if Europeans start buying gold en masse, or the Asian continent starts buying gold en masse, that can have dramatic implications for supply of gold. And so again, we don't need it to be really big for it to impact. And that's another reason why, even though the dollar may be getting a safe haven trade, that gold can get a safe-haven trade as well."

...vs other fiat currencies.

The Dollar Milkshake Theory

Can the DMT be wrong...? YES!

If the world goes into a Sovereign Debt & Currency crisis, & the USD does not rise vs its fiat peers...



...the theory will be proven wrong. Until then...

The U.S. Dollar

When I was last on MacroVoices, the DXY was at 103.
It is now at 98.



The Fed is Cutting...but will they out-cut the rest of the world?

Gold vs USTs as Central Bank Reserves

Bond Prices have Fallen

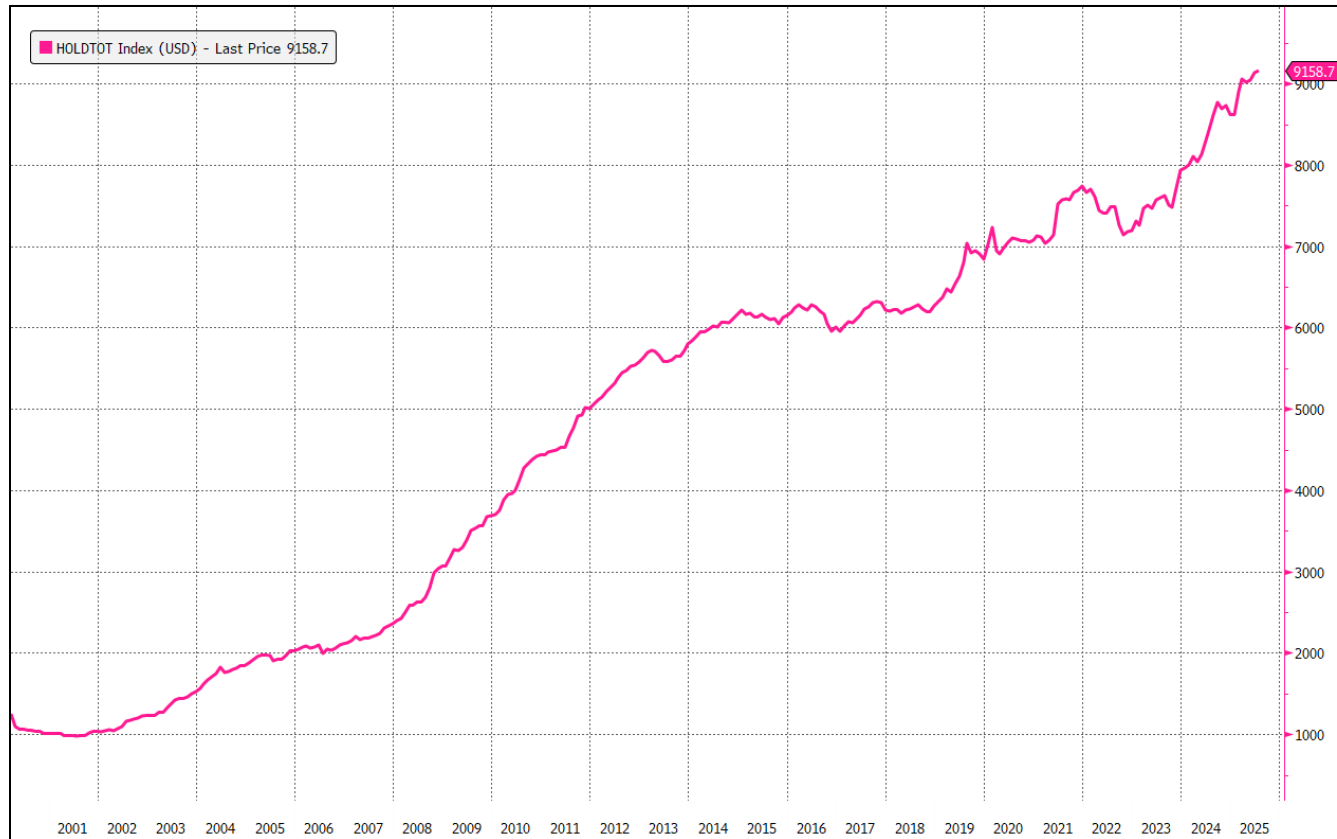
Gold Prices have Risen



Price explains much of this chart

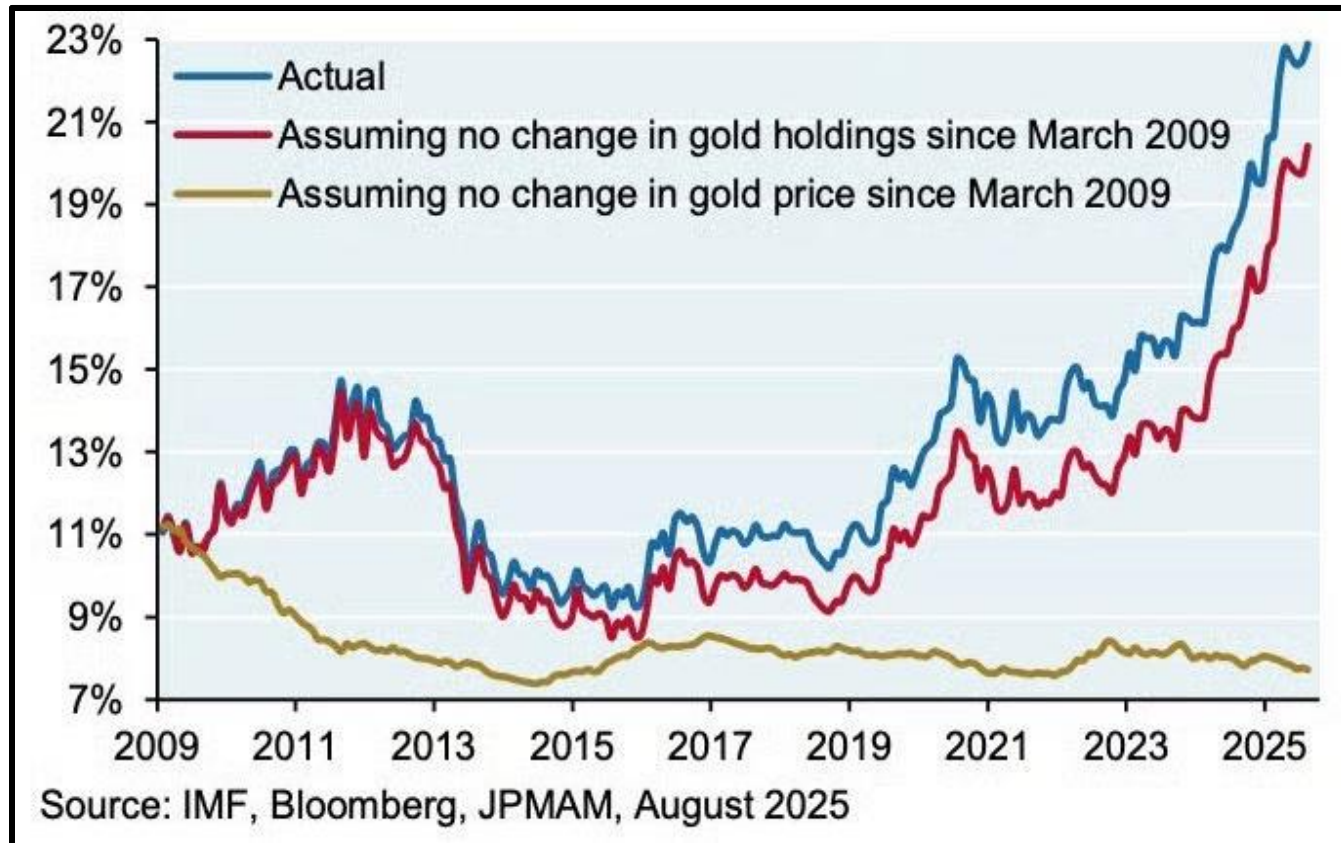
Gold vs USTs as Central Bank Reserves

Foreign Holdings of US Treasuries has never been Higher



Gold vs USTs as Central Bank Reserves

The Rise of Gold as CB Reserves is largely explained by Price



The Euro

The Euro broke its long-term support in 2022 and now sits at a retest level.



I expect the euro to go back to parity with the USD before ultimately falling to 80.

The Yen

The Yen also broke long term resistance in 2022 and again now at next critical level.



The BOJ is likely to defend it but I expect the Yen to go to 200...and then 250.

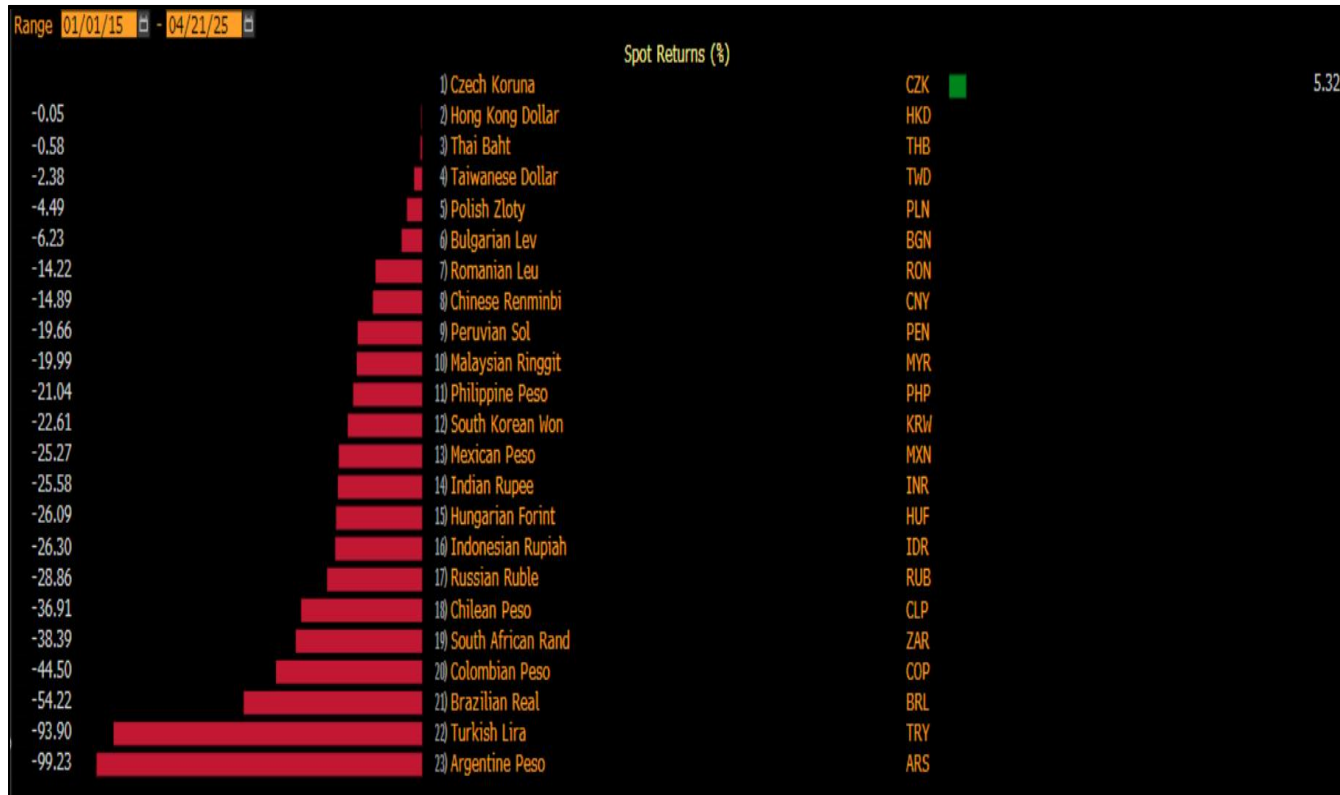
Major Currencies

Most Major Currencies are down significantly vs the USD over last 10 years



Emerging Market Currencies

Most Emerging Market Currencies are down significantly vs the USD over last 10 years



USD Stablecoins

We just released a Special Report on this topic.



USD Stablecoins

We just released a Special Report on this topic.

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USD Stablecoins

We just released a Special Report on this topic.

Executive Summary

"I shall proceed from the simple to the complex. But in war more than in any other subject we must begin by looking at the nature of the whole; for here more than elsewhere the part and the whole must always be thought of together."

— Carl von Clausewitz, *On War*

Clausewitz's warning applies not only to war, but also to money. To understand either, one must study the whole, not just its fragments.

Money, like strategy, is an ecosystem of power. Every instrument, market, and institution serves a purpose within a larger design, and none can be truly understood in isolation. This is why money and power are inseparable. Each reinforces the other, and together they shape the hierarchy of nations.

In the pages that follow, we will examine several parts. The Eurodollar market, SWIFT, the Genius Act, and the rise of stablecoins. But they must always be considered as expressions of a single whole. Each component represents one mechanism through which the United States projects, maintains, or adapts its influence.

The details matter, but the structure matters more. Because what is emerging is not just a new currency system, but a new form of control.

Make no mistake, something profound is shifting in the geometry of global money. Quiet code and public ledgers are no longer just symbols of rebellion against the state; they are becoming extensions of it. And the very tools once imagined to escape central authority are now being absorbed by the most powerful monetary authority the world has ever known.

Through digital tokens that settle in real time and travel across borders without friction, the United States may be transforming the architecture of control itself.

The story of the past century has been one of tension between state power and free market choice. The Eurodollar system demonstrated that private markets could create money beyond the reach of national regulators. Bitcoin showed that software alone could issue and verify value without a sovereign.

Stablecoins fuse these two forces into something new. They combine the borderless utility of private innovation with the institutional weight of a global hegemon that can defend and enforce its currency anywhere on earth.

For decades, the world's financial bloodstream has flowed through SWIFT, a European system that the United States has learned to influence but never fully control. Stablecoins represent the next stage of that evolution, a new set of rails through which the dollar can move not just by encouragement or partnership, but by systematic design.

This evolution has the potential to fundamentally alter the architecture of the entire global monetary system.

It means the United States will not only be the disrupted actor in this revolution; it will also be its own disruptor.

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