



Daniel Lacalle: The End of American Exceptionalism? August 7th, 2025

Erik

Joining me now is [Tresses](#), Chief Economist and fund manager, Daniel Lacalle, Daniel, it's great to get you back on the show now, the standard introduction pattern for the first August interview on any financial podcast goes something like, well, Daniel, you know, it's the dog days of summer. There's nothing going on in markets. There's nothing going on in geopolitics. There's nothing going on any place to talk about. What are we going to do? I don't think we're going to have that problem this week. Are we?

Daniel

I don't think that that will be the case. There's plenty to talk about.

Erik

So why don't we start with the big picture of where we are, and one of the things I really like to pull you in for specifically, is we have so many of our American guests, we kind of get an American centric perspective, sometimes from a European perspective, how this is being viewed by the rest of the world. How far along do you guys think we are in this story? Obviously, President Trump and Secretary Bessent intended to go and kind of renegotiate the tariff relationship with the rest of the world. Are they just getting started on policy adjustments, or are they finally wrapping this up?

Daniel

I think that we are 75% into wrapping it up. Why? Because the main frameworks of agreement have been set up. And I think that by now, once the European Union, Japan, South Korea, Australia, in agriculture, or the United Kingdom, etc, all have agreed upon very significant changes for the trade relationships. I think that what is basically left is small details, like which sectors are going to be slightly more delayed in terms of zero tariffs in the case of the European Union, or when and where is Japan going to dedicate its 500 billion investment, All these things. So I think that it's basically very, very close to the end of what would be, I would say, a very successful and quick trade negotiation spree. Think about it. It's very, very difficult to achieve so many trade deals in so little time. And obviously many of them start, like all trade deals, from ballpark and general terms perspective, and then it goes to the finer details, but it's close to 75% I would say.

Erik

Daniel, let's talk about the market cycle as well. We recorded this interview on Monday morning, so we're a few days before the audience. We may not know what the market has done, but last week we had a couple of down days. A few people were saying, Okay, finally, this is it. The market is topped. It's

all downhill from here. Monday morning, we're actually bouncing a bit. So that hasn't played out yet. Where do we stand in this cycle? Are we nearing a market top, or is it just the beginning from here?

Daniel

No, I think that we are in an upward trend for global markets, driven by the increase in money supply and driven by an absolutely brutal pace of rate cuts all over the world, by central banks, more than 20 central banks cutting rates and money supply growth at a global level that is rising at around a 12% per annum rate, which is insane. So obviously those two things added to an earning season that may not have been the best earnings season ever, but was significantly better in terms of earnings surprise and earnings growth than what many expected, and the fact that a lot of the concerns on the macro environment with these trade deals are sort of left at least as something that the worst case scenario is way, way, way out of investors mind is going to likely generate a lot of money going back to equities, fundamentally, because, as you saw, the record level of money market capital in money market funds was absolutely brutal, so money supply growth, cutting interest rates and the earning season added to a more at least, I would say, transparent or easy to predict macroeconomic and trading environment. All those things indicate that we are in a bull trend.

Erik

It's interesting that you focus on how many different central banks are all cutting rates. Of course, on the other side of the pond, we're so focused on the fact that the Fed is not how is that perceived? Obviously, it's been politicized between President Trump and Jay Powell from the European perspective. How are they viewing this? And how do you think it's going to be resolved?

Daniel

Oh, for the Europeans and the Japanese in particular, but also for most emerging economies, it is an absolute present. It's a beautiful, beautiful present, because when the Fed keeps elevated rates at the same time as other central banks are lowering them, what it basically means is that for international investors, investing in treasuries is very expensive and the hedging cost is too high, and it completely eats away the yield of the Treasury. Therefore, what the Fed is basically doing is almost an early Christmas gift to emerging economies, the Euro and the yen. Remember that the Euro and the yen were at all time lows, the 40 year low of the yen and the euro almost close to parity, and the decision of the Fed to maintain rates predicated on a view of tariffs and inflation. That is obviously not happening, and certainly, in my opinion, is quite misguided. It's generating a very, very significant reverse carry trade that is basically allowing a lot of investors to benefit from those elevated rates in the United States in order to look at other options that are not so expensive.

Erik

Daniel, I think the criticism that could be leveled there from what you said is, well, wait a minute, what's going on really is there's a political conflict between President Trump and Jay Powell, and at least from President Trump and his camp side, the argument would be, therefore Jay Powell is risking a US recession through this politicizing of monetary policy, and we have an elevated recession risk As a result, is that a valid argument? It certainly is a political argument. But does it have any economic merit?

Daniel

Obviously elevated interest rates slow down the US economy, because we have to remember that the Fed was exceedingly wrong about inflation on the way in and on the way out. And there is something to be said about a monetary authority that is supposed to be using the most advanced technology and predicting applications and methodologies and got so wrong inflation on the way in, and is getting inflation wrong again. So the big problem of that is far more dangerous than just the current debate about whether there should be a rate cut now or not, is that the Federal Reserve hurt families and small businesses in the 2021-2023 period, by keeping very, very low rates and maintaining until 2022 the purchases of treasuries and of assets, and therefore being exceedingly dovish in terms of policy that generated a very elevated inflation. And basically what is going on is that on the way in, families and businesses have been hurt by elevated inflation, and now on top of that, they're suffering from high rates. My perspective is different from the current debate. It's not whether the Fed should do this, or should do that, is that the Fed should not dictate interest rates, is that the Fed does not have the tools, and certainly is ignoring all monetary aggregates and does not have the tools to set rates appropriately, and by doing what they're doing right now, they create boom and bust cycles. So is there a risk of keeping rates high for too long? A problem? Absolutely, it is. We are seeing it in employment. We are seeing it in investment. Those are areas that are certainly suffering from higher rates. But it's also very important to open the debate about whether the Federal Reserve is doing things appropriately. Because for months, for years, we heard the Fed saying that there was no risk of inflation, and then inflation went through the roof. They said that printing trillions of dollars would not generate any type of inflationary pressure, and that it would be transitory. And it wasn't transitory, and certainly created very big problems for US citizens. So for me, the debate should start to be that the Federal Reserve, like the European Central Bank, etc., in. They should not be fiddling about with interest rates, because they create aggressive boom and bust cycles. And the booms, they don't pay attention to them, and the busts become very, very aggressive, and both of them, both cycles hurt the backbone of the US economy, small and medium enterprises and families suffer from the inflationary pressures and then suffer from the decision to hike rates aggressively when the damage has already been done.

Erik

Let's talk about the relationship between the United States and the European Union in the wake of this tariff negotiation from this side of the pond, Ms Von Der Leyen did not really look happy to be caving to a tariff agreement with President Trump and the United States. It appeared that that was kind of a we're stuck. We have no choice. We have to make a choice that's unpleasant for us, but let's get it over with. Where does that leave us with respect to the EU attitude toward US, diplomacy, specifically with respect to looking forward to the future? A lot of people have said that this Russia conflict, Russia, potentially allying with China, is eventually going to force Europe to sort of choose between the United States as its ally and other allies. How is this being perceived in Europe?

Daniel

Yeah, I think it's. It's a bittersweet perception of an agreement. On the one hand, it gives certainty and it reduces the risk of complete debacle, reduces or eliminates the risk of a debacle in terms of trade and in economic terms. And on the other hand, a lot of people are saying, well, we're still getting 15% tariffs, and that is obviously not ideal. Let's start by the last point that you made, which is very, very important within this agreement, in the EU-United States agreement, there are two exceedingly important points.

One is the energy agreement, and the other is the microchip and technology agreement. Those two are certainly deals that are going to reduce the possibility of the European Union, let's say, as you said, falling into the arms of China and Russia, the European Union in 2024, imported record levels of Russian liquefied natural gas, and this deal, what it basically shows is that the European Union needs to choose between the United States or Russia plus China, and that obviously, if it chooses the second, that would certainly lead to more aggressive negative position for the European Union exporters in terms of the deal, I think that it reduces the dependency of the European Union in terms of Russian liquefied natural gas. It also reduces the risk of being dependent on Chinese microchips and technology. And it certainly is hugely beneficial for the United States, but ultimately, what it shows is that the European Union needs to choose between one and the other, because the European Union does not have energy or military or technology leadership. Therefore, unfortunately, the reason why so many commentators are negative about this agreement is not because the agreement is bad in itself. I think that it's a positive agreement. The reason why they're angry is because it shows that the European Union did not have any aces in this game of cards in order to try to squeeze better trading terms from the United States, it did not have, obviously, the possibility of moving its exports to other markets. It is obvious that the EU negotiators at least analyzed that option. It is obvious that they that the European Union does not have the technology and energy leadership that would give them the advantage to negotiate in different terms, and it's certain that the United States is a much more important market than what we were led to believe in Europe. Therefore, I think that the reason why the European Union, commentators and economists are mostly mentioning this agreement as a negative, is not because it is a negative, but because it basically simply reveals the truth about the weaknesses of the European Union, and at least, from my perspective, this gives certainty and gives a good framework for improving in terms of security of supply, in terms of management of the number of suppliers, and also in terms of reducing dependencies.

Erik

You mentioned energy prices a couple of times in there, so let's stay on that theme for a few more minutes. We're in kind of a funny spot here. I think 66 handle on WTI, as we're recording on Monday morning, really low oil prices considering President Trump has issued a 10 day ultimatum, basically saying, you know, there will be hell to pay if there's not a resolution to a war that's been pending for years now doesn't get resolved in 10 days. You'd think there'd be more going on, but there isn't. What do you what do you make of energy prices? Where do you think they're headed?

Daniel

I think that it's clear that OPEC+ are happy with lower oil prices, if we think about what they have been doing in terms of strategy, it seems counterintuitive, but it actually makes quite a bit of sense. If you think of what they've been doing, is that once there was an evidence that there was a significant geopolitical risk building up between Iran and Israel, and if you go back a little bit more than what people believe this basically came when the organization of atomic energy issued a very aggressive statement resolution against Iran. Immediately, OPEC announced the largest increase in production that would that would ultimately absorb any type of geopolitical risk simply by putting in the market 1.5 million barrels a day more than was initially expected. So I think that the strategy from OPEC+, and from Saudi Arabia in particular, but also from the countries that I would say share the same strategy with Saudi Arabia is to remain the global central bank of oil and to maintain their position as the As the

supplier of first resort, and also as the most reliable and affordable supplier. So the strategy is both to show to consumers that it's that oil suppliers are not going to hurt consumers, that they're not looking to increase prices for no reason, and at the same time to try to show that the alternatives in the energy world are not as affordable and as competitive as some would have expected, particularly in the renewable sector, etc. So the position of OPEC+, and I think it's very important to remember that Russia is included in this decision. And I think that what you mentioned prior, which is the relationship, strategic relationship, strong strategic relationship between Russia and China, is also a way for OPEC+ to show to China as one of the main importers of oil that they're not looking to hurt them in a situation in which there are these trade negotiations and in which exporters would not be welcoming another abrupt increase in prices. So it's a very interesting strategy that we have seen in the past, that in which OPEC+ is basically trying to prove that they can live with low oil prices and at the same time, show to their customers that they're the most reliable and affordable option compared to what obviously, from the perspective of OPEC+ members, is less reliable, shale oil, or alternative energies, renewable energies.

Erik

Now President Trump has introduced the notion of secondary sanctions. So the direct sanction would be, you know, if we're sanctioning Russia, that means we do something against Russia. The secondary sanction is, if we're sanctioning Russia, saying they can't sell their oil, then whoever buys their oil against sanctions, we're going to sanction them in order to get even with them. What are the potential economic knock on effects? I mean, is that just a threat that President Trump is using, or is there a potential here for you know, India continues to buy a whole bunch of oil from Russia, and then the US actually does something significant in terms of sanction action against India. That changes, that is that is that coming?

Daniel

I think that it's very difficult to enforce. I think that it's very, very difficult to enforce because India does not buy Russian oil because of a geopolitical position or because any, let's say, strategic advantage provided by their relationship with Russia. It's basically because they buy any and every amount of commodities that they can from where they can it's a fast growing economy with a tremendous thirst for commodities, so I think it's very difficult to enforce. And I think that when I look at it from the way that it has been presented, or at least the way that I've read it, it looks to me like it's a way for President Trump to Force India to get a trade agreement as quickly as possible, rather than a fully enforceable sanction package. Because we must also remember, from what I said before about the European Union and its imports of fossil fuels from Russia that in 2024 exceeded the aid to Ukraine now is that it's very difficult to put barriers to such a liquid and global commodity as oil. And obviously a lot of a lot of oil moves from through different countries, origin, washing refined products, all of that. So I think it's I think it's difficult, but I think it's a tactic to do two things. One is to force Russia to reach an agreement with Ukraine, to stop, or at least reach a ceasefire in the Ukraine war. And two, to Force India to speed up its position in terms of reaching an agreement with the United States.

Erik

Daniel, I want to get your take on this just huge whipsaw that we've seen in copper. And I want to say specifically, I'm talking about American copper, the HG be futures contract, which is for delivery in the

US. I think that's way out of sync with LME copper, and the reason is President Trump's tariffs. Where do we go from here? It almost feels like so much damage has been done technically to this market, and you can see that it's all as a result of just Trump and ent. You know, obviously don't care too much about collateral damage, so I don't think the fundamentals have changed, but, boy, on a technical basis, this chart is really, really ugly. What do we do about this?

Daniel

I think it's very, very dangerous, because it's proven that, unlike other prices, this was, this was a level of a bullish trend that was very much predicated on expectations of a very, very strong and robust demand in the future. We think about oil prices, natural gas prices, even aluminum, for example, they tend to move more with the changes in supply and demand that are very short term more than the long term perspective. In the case of copper, what we have seen is that the front end of the curve actually was moving very aggressively on expectations of electric vehicles, of expectations of renewable rollout, etc, all these tremendous demand driven bullish messages. So it seems that it was easy for Trump and Bessent to prick that. Let's say that trend with a couple of messages, because they were not predicated on, let's say, step by step, views about supply and demand. So I would be very, very cautious about thinking that this is a bottom and it's going to be as going to assume the same bullish trend as we have seen in the past. It may maintain a certain level of strength from the past five years, but it's very unlikely to catch up to the levels at where it was only a couple of months ago. Because that level even being on the on a contract that was supposed to be discounting the supply and demand of 2025 there was a lot of bullishness about about very long term and probably unchanged trends, but I would be cautious to take a bet against something that was so easy to unwind from few important and relevant messages that need to be included in those assumptions. So I would be cautious about that, without ignoring that the long term aspect of supply and demand for copper remain relatively bullish, because there is simply not enough copper at all, and we need to mine a lot more if the expectations of electrical vehicle rollout and renewables rollout are going to be achieved, a lot of people also are starting to question those trends and whether the implementation and of electric vehicles on a massive scale was going to be something that we are going to see in 2028 2029 and maybe moved it to 2035 2040 which is obviously huge in terms of net present value on the price of a commodity.

Erik

Let's talk about how all these policies are affecting the dollar index. It seemed like we were coming out of the Trump and Bessent EU tariff negotiation. Maybe we were about to start the long overdue counter trend rally in the dollar. I thought it was maybe going to have legs. We got a perfect test of 100 on the DXY last week. Looks like it failed there. We're back down to 98 and a half, as we're recording on on Monday. What's happening here is the dollar just in a new secular downtrend that's not going to break. Or should we expect some counter trend rallies? Or what should we look for?

Daniel

I think that the problem with fiat currencies is that nobody, no central bank, and certainly no government, is defending the purchasing power of the currency. The Trump administration is not particularly comfortable with a weak dollar, but is not comfortable with a very strong dollar either. The European Central Bank and the European Union are perfectly happy if the Euro starts to weaken, because it's basically going to be a very significant counter effect to the tariff impact for exporters. And

certainly we don't have to even debate that the Japanese government needs to continue to destroy the purchasing power of the yen in order to maintain the illusion, the monetary illusion, of its absolutely nightmare, fiscal and debt situation be in a world of relatives, I think that the bottom of the DXY was achieved once the perception of markets about trade deals, was that there was either not going to be any, or that those trade deals would be negative for the United States, which is obviously something that I found quite amusing. But I don't think that we are going to see the DXY go to 110 so I think that the trend, if you look at the trend, it's moving basically a like a ladder, between 2008 2012. The DXY was much lower than where it is today, also at the beginning of the Biden administration. I think that it's likely to remain between the 98.5 to the 100 level. I don't think it's going to go up massively unless the Federal Reserve starts to massively cut rates and leads to a huge move in terms of financial flows into treasuries when hedging becomes much more attractive, and the combination of the hedging cost plus the yield makes global bond investors prefer to buy treasuries than buy Japanese or European bonds. That is something that happened, if you remember, in the in the pay, in the in the path, sorry, to the 50 basis points rate cut of September. And could actually happen as well if the Fed changes course. But obviously that is something that we need to pay attention to, because you would need the Fed changing course, and you would need the massive outflow of euros and yens and inflow of dollars from the trade agreements that to kick in. And that is more a 2026 story.

Erik

Well, you're lamenting some of the challenges of the relativity of the dollar index relative to other currencies. That, of course, begs the question of precious metals for the absolute comparison. Seems like the gold fundamentals really look pretty strong. Here are we about to see what looks like, maybe a breakout of the pattern we've been in the triangle pattern and new all time highs.

Daniel

I think we will see new all time highs of gold as the decision of central banks of purchasing more gold and less government debt from developed economies accelerates. We are seeing more. And more central banks all over the world balancing their asset base with more gold less Euro denominated reserves, ie less debt and less treasuries. So I think that that is one element that tends to coincide with the September to December period, which is when central banks try to readdress their challenges in their in their balance sheet, if they have them. And also, I think that is very evident, that the growth in money supply that I was mentioning before, plus the very loose policy of most central banks would be with the Fed changing course. So if you have all those central banks cutting rates and increasing money supply, and on top of that, you get the Federal Reserve cutting rates and significantly, then obviously that is going to generate a tremendous move into gold in order to generate more capacity for investors to have stable and de correlated reserve of value in their portfolios. Most, most investors remain very, very underweight gold, and at the same time, central banks are purchasing more gold. So I think that gold, silver, to a lesser extent, and even other precious metals I would look at with a benign view, but more I would certainly be very comfortable with the long gold position at these levels.

Erik

And how do you feel about the reserve currency status of the US dollar at this point?

Daniel

I think that the reserve currency of the status of the US dollar is unchallenged. The US Dollar is the world reserve currency in the Fiat world, because there is no alternative. If you think about what could be the alternative, the euro. It has redenomination risk. It has enormous fiscal problems, much larger fiscal problems than the than the United States, in countries like France, countries like Greece, countries like like Italy, like Spain, etc. And on top of that, it has issued debt, which is the, let's say, the top of the iceberg, but very few people look at the bottom of the iceberg, which is enormous, which is the unfinanced, committed liabilities of governments, which in some cases exceed 500% of GDP. Therefore, the Euro is is a great currency, and has been doing phenomenally well as a reserve currency despite all of its challenges. But it's not an alternative to the US dollar. To be an alternative to the US dollar, you need to have independent institutions, transparent, full transparency in capital markets. Obviously you cannot have currency controls and capital controls. You need, you need liquid and open capital markets. It's very difficult to be an alternative to the United States dollar in the Fiat world, and it's also very evident by now. I believe that China does not want the yuan to be an alternative to the US dollar. They may want the yuan to be used in more global transactions than currently, but not to be an alternative to the US dollar, because they don't want to eliminate the capital controls, the currency controls, the financial controls that they have in their economy. And the idea that Brazil, Russia, India, China, South Africa, are going to create a currency that will dethrone the US dollar is also very, very challenging simply by looking at the way in which their own state owned exporting companies behave, which is to continue to use the US dollar in everything that they do. And also from my personal perspective, which is an unpopular opinion, but that is obviously why I give my opinion. I don't think that China wants to have a currency with Brazil, Russia, India and South Africa. I think that China wants to increase the use of the Yuan with those countries, but not adopt their inflation and monetary policies within a similar framework. I don't think that the Chinese government sees itself as one that is going to relinquish their position to provide some escape to the inflationist policies of Brazil, for example.

Erik

I want to run a thought experiment past you, because first I agree with you, the only reason, or the primary reason, that the US dollar is still the world's global reserve currency is because. Cause there is no viable alternative. What if I were to suggest to you, there is a viable alternative, it's stable coins that are tied to the US dollar. Well, you'd say, wait a minute, that's not an alternative, because it's still the US dollar. The stable coins are backed by US dollars. They still create demand for US Treasuries. Yeah, okay, I get all of that, but think about the reasons that we care about this reserve currency status in the first place. You think about triffins paradox and the issuance of currency and the demand and so forth, the creation of artificial demand for the reserve currency by the rest of the world. Hang on a minute, if what is actually being used as the reserve currency are stablecoins. It's not the reserve currency issuer, but rather the stablecoin issuer that's going to start to derive a lot of those benefits of being the reserve currency issuer, or a lot of the benefits that we've historically associated with being the reserve currency issuer, having essentially an unlimited amount of demand where, you know, economic fundamentals don't necessarily matter, just everybody has to have us dollars all of a sudden. What if it was everybody has to have your stable coins? I think that changes the game. What do you think?

Daniel

No, I think that it does. And I think that it's quite a long term option, obviously, but I think that decentralization is certainly the future in the monetary system. The reason why we find it difficult to believe that there's going to be an alternative to the US dollar or alternative to the euro, etc, is because we need to sort of think of this matrix type of construct, which is the fully centralized monetary system. But what you very well say is that if stable coins take the place of the US dollar, they would continue to support the US dollar, as I would say, the leading fiat currency, but they but the benefits of being the reserve currency would be in the country and the issuer of those stable coins, and obviously the underlying asset can also change. Can move to be gold or others. I agree that is a likely option, but it requires a number of steps, a number of significant steps, which include the fact that you could, for example, have multiple bank accounts in multiple currencies and trade with between them. That is obviously something that needs to be looked at from the perspective of, you know, what is the future going to look like? But it's obviously a long term future, because the commercial banking world as we know it, and the monetary system as we know it, all of them work in this fully centralized position. But certainly, what I would say is the following is that the rise of stablecoins is a very good idea that the US administration has in order to cement the position of the US dollar within the fiat currency world and to maintain and strengthen the demand for US Treasuries, no question about it. But obviously the future would be that those stable coins, and definitely the ones that reach enough level of liquidity to start to be viewed as pure currency, ie reserve of value, unit of measure and generalized mean of payment. All those are something that is going to come from the decentralization of the commercial banking system and the decentralization of the way that we look at money. I think it's inevitable. I think it's inevitable, but it's am I going to see it in my lifetime, maybe, but certainly not in the next five, seven years.

Erik

Well, Daniel, I can't thank you enough for another terrific interview, but before I let you go. Please tell our listeners a little bit more about what you do at Tressis, also your Twitter handle and so forth, how they can follow your work.

Daniel

Thank you very much. It's been a great, great conversation. My work is, I'm the Chief Economist at [Tressis](#). I'm also the CIO of alpha strategy consulting, providing strategic and macroeconomic advice to numerous companies. And what I am not just the chief economist, but I also supervise and advise in terms of the funds that we manage. The way to find me, it's very, very easy. You have two Twitter accounts, x Accounts, one in Spanish, one in English, [@dlacalle](#) in Spanish, [@Diacalle IA](#) in English. And you also have my [website](#), which is also in Spanish and in English, and my [YouTube channels](#) in Spanish and in English. So as I always say, it's easier to find me than to avoid me. Just key in Daniel Lacalle in Google, and you will find all the alternatives. But always remember that if you come across the Spanish language one, there is an English one as well Available.

Erik

Patrick Ceresna and I will be back as macro voices continues right at [macrovoices.com](#)