



## **Michael Every: Markets, Policy, Russia & More**

**Erik:** Joining me now is Michael Every, global strategist in Economics and markets for [Rabobank](#). Michael, it's been a while since we had you on, obviously the really big topic this week is going to be the Trump Summit with Putin. Now we should let our listeners know we're actually recording on Sunday evening US time.

So it's just after the wrap up of that session our listeners are gonna have three or four days of news flow that we don't have yet in terms of what's happened afterwards. I hate to put you on the spot, but based on what we know now, immediately after the the wrap up of these sessions, we don't even have all the news flow out.

What's your take on the big picture of where this is I is headed? Are we about to wrap up and maybe wind down this Ukraine war, or is this just President Trump as he puts it, weaving his deals and maybe not really expecting anything to happen quite yet?

**Michael:** In this job you and I are both paid to try and look well beyond three, four or five days.

So yes, there is gonna be news flow between what we're recording now and when people will hear it but hopefully what we have to say still has value over that particular, time gap. The view that I have is that it's likely to be not the end of the war per se, but the end of a phase of the war, and we could.

We could address it as a pause to refresh. And then the issue is who is it refreshing? Because obviously we all want a cessation of the terrible violence, President Trump does. Russia certainly does in terms of the fact that its economy is struggling at the moment and it needs that breather.

Ukraine is being ground down. Everybody benefits from the fighting, pausing. But where we go afterwards is a very different question. And I think there are multiple scenarios. But the most likely ones, which, we

can unpack are that I think it's probably good for the US on balance. It may be a disaster for Ukraine or it could be very good for Ukraine.

And it could be very bad for Europe or extremely difficult for Europe, but something that it emerges stronger from in the end.

**Erik:** That's a lot to unpack, isn't it? There's a whole bunch of things that could go one way or the other way, depending. So we better dive into the, depending on what.

**Michael:** Basically I've been saying for a long time, that Trump would attempt to introduce what I've been calling a Noxin strategy, which is a reverse Nixon, because in foreign policy circles, they've been talking about a reverse Nixon.

I said NOXIN, that's an Noxin where you try and. Make nice with Moscow in order to peel them away from Beijing, which is of course what Nixon managed to do with Beijing vis-a-vis Moscow, albeit after they had already had a spat. And here the two haven't had a spat yet. So that makes geostrategic sense. Except of course at Moscow and Beijing are currently very tight.

And so I've also been making the quip for many months. That Noxin wouldn't work because it starts with no, and it's got Xi in the middle of it X I. So that still remains the underlying assumption, but that doesn't mean that Trump can't manage to patch things up with Russia to a certain extent by taking themselves out of the Ukraine loop and giving them some breathing space on that, both Russia and Ukraine.

So I think what we'll see at the summit between the UK EU leaders, president Zelensky of Ukraine and Trump on Monday. DC and it's Monday here in Asia as I'm speaking to you is Trump basically saying, look, the deal is going to be this, the land that Russia has already taken is going to remain in Russia.

Ukraine cannot get that back. Realistically, certainly not Crimea. And realistically, most of the other territory too is now effectively Russia. So the greater likelihood is that the border is drawn a along the river, Dnieper. And then there are questions over certain pockets like Donetsk, Oblast, for example, which Russia doesn't control all of, and Ukraine would say why do we have to give up all of that particular province when Russia Army controls half of it, Etc Etc.

So there are a few questions of where the line draws, but pretty much it's gonna be around 20% of Ukraine is going to become Russian at this point, which is a victory for Russia. But for those expecting the US to say we're gonna fight Russia, absolutely. To get that back, which Europe has been very vocal about too.

Clearly, that isn't in the US grand macro strategy interest. They want to pivot to Asia rather than fighting Russia over Ukraine, which is of marginal concern for them strategically. So that's not gonna happen. And for those who say the US and Europe together should be sanctioning the hell out of Russia.

And putting secondary sanctions on everybody else who deals with Russia such that Russia has to surrender well, they have to understand. That means putting secondary sanctions on China, which means if you think you have an issue with tariff inflation coming ahead in the US it'll be enormous because you would have to basically lock China out of the global economy straight away to punish them for dealing with Russia.

And if anybody wanted to do that, they could have done that for the past couple of years. Nobody wants to, they're too integrated. The pain would be too great. So those sanctions are simply not gonna happen. I'm not saying whether this is a good thing or a bad thing, I'm just describing it. And the US isn't gonna step up militarily.

So then Ukraine is gonna turn around and say we need a security guarantee. We can't just sit here and give up 20% of our land for peace with Russia, because Russia can then use that pause to re-arm, which certainly will, and we'll come back and nibble again and again, and start taking more and gradually eat us whole.

So then what's the security guarantee? What's that gonna look like? And here, I think the US is going to say, Europe, over to you. We will sell you as many weapons as you need to defend Ukraine. So that's good for the US military industrial complex. That helps Europe also build up its own factories, again, which are really struggling at the moment, but very much as part of US focused Pentagon focused.

Supply chains supply. So that kills any hope of European strategic autonomy. Europe becomes a subset of the US from an industrial perspective. And at the same time, the US is already leaning on Europe and others as part of trade deals and saying, we expect you to invest

hundreds of billions of dollars in factories in the US which surprise, surprise will be making inputs or directly those weapons, which it sells to Europe.

So it's what some, including myself are calling reverse Marshall Plan. Europe is helping to rebuild the US rather than the US rebuilding Europe after World War II. Now the the roles are reversed. So if that happens, then effectively the US can pivot to Asia.

It's selling lots of weapons to Europe. Europe is really subsumed into the US economy. It has to invest in the US and it has to buy from the us. The US is in a better position, and I think we'll discuss this shortly to roll out stable coins and Europe won't be able to say no because its economy and its security framework is based on the US so we can't reject them.

Hopefully Europe then says with that backing we are prepared to put troops on the ground in Ukraine and ensure that the 80% of Ukraine remains, a buffer state between Europe and Russia, but it remains perfectly safe and viable as an entity. And if it does that Ukraine may not, have a future in Europe in the immediate future or in nato, but it could certainly, exist If Europe doesn't do that.

If they can't agree, who's going to decide who's going to pay, how they're going to pay and who's going to fight? Because that's very much on the cards now, or at least in principle. Who would fight then? Who is gonna defend Ukraine? And then really you see that 20%. 20% of Ukraine becomes 20%, a 20% peace in our time.

If you think back to Neville Chamberlain, and it may mean only 20% peace, P-E-A-C-E in our time, which is an extremely worrying backdrop. So I've tried to give a very brief summary there. Lots to unpack, but there are huge implications for lots of different markets and for geopolitics as part of that.

**Erik:** What I found most fascinating was you used the phrase, pivot to Asia talking about where the US may redirect.

Some of its military might. It seems to me like really the Iran and Gaza conflict is going to acquire more US attention than China will, at least initially. Am I reading that differently than you are? Or how do you see

Gaza and Iran fitting into the chronology of all of this as the US. Pivots toward Asia.

**Michael:** Remember the Middle East is part of Asia. Technically it's Western Asia. We often tend to overlook that what we've already seen play out in the Middle East vis-a-vis Iran. And what continues to play out in Gaza is the US attempting to put down a very strong footprint as minimally as possible from its own side.

And, but it doesn't want boots on the ground. It doesn't want any repeat the two Gulf Wars, but nonetheless, ensuring that oil rich, energy rich region stays very much in its pocket, not in Russia's and not in China's. And that is critical in order to gradually advancing towards China. And I would say again, just as what the US may be about to do today, my time tomorrow your time as we're recording.

Vis-a-vis Ukraine, which is gonna up upset a lot of people, particularly in Europe. But what I think is geo strategically advantageous for the US overall, and I'm not saying that as a moral judgment, I'm just saying that, objectively looking down helicopter view from above, they've achieved the same thing in the Middle East.

Because while again they may be very unpopular in terms of what's transpired recently, the actions vis-a-vis Iran demonstrated to Beijing. And to Moscow. When push comes to shove, even if the US doesn't want a major war, as Russia is currently carrying out in Ukraine, it's prepared to use enormous targeted force to get what it wants.

Iran was strutting around, a few months ago as part of an alliance with China, with with Russia, with North Korea, and trying to expand regionally by its proxies. It's really been put back in its box. It's rocking on its heels. And in fact, if you read them at least news, you'll see that at the moment, Iran is close to running out of drinking water completely.

And I'm not exaggerating that they really are running outta water. So on that basis what Trump did in striking Iran's nuclear program helps the lay footprint, which says to them at least, look, we are still here to stay and we expect you to be in our camp fully. Except Iran, of course, but Iran's gonna be in that box when push comes to shove.

If push comes to shove, oil is going to remain priced in US dollars, and we're not going to let China make any further inroads there. So I think

people have failed to join the dots on what's already been achieved there, and Gaza still grinds on. It's a horrible process. Process. Once that eventually is resolved and hopefully very soon, then I do think you'll see a regional. Realignment politically, which will further back that US footprint.

**Erik:** Now, meanwhile, as all of this geopolitical stuff is going on in parallel with that, we've got essentially musical fed chairs where we're having a very, public and visible process talking about who might be the replacement for Jay Powell.

At the same time, Steve Bessent seems to want 150 to 175 basis points of cuts on Fed funds, and I get the impression that somebody has an idea to essentially re-architect the Petrodollar Recycling system as a stable coin recycling system. How do we integrate those things? It seems like there's this economic agenda that the President and Secretary Bessent are working at the same time as this big geopolitical agenda.

How do we reconcile those two things and figure out what the market does in between?

**Michael:** Great question. Let me try and unpack that like this. First of all, I have to rewind back to something we spoke about last time I was on your show, which is we can't look at any one policy area in markets or geopolitics.

Separately, we have to see all of them now as interlinked because we have left the previous world of economic policy where you talk about monetary policy, fiscal policy, foreign policy, and we've entered the world of economic, military, and political state craft where the economy, the military, and of course politics are all integrated together and every element of the economy is integrated together to try and achieve key strategic national security and foreign policy goals. So what I was just describing in terms of how the Middle East fits in with what's going on in Ukraine, vis-a-vis targeting China, and I think many people can probably join those dots once I've, put them on the page the way I just did. You have to understand too that the larger question that's always asked there is what is GDP for and clearly in the US cases to make sure that we stay number one and China is a long way behind relative to us and we stay global hegemon, that's what GDP is for. So if we accept that, what's the fed for? I can assure you it's not about 2% CPI. And it's not about purely

maintaining financial market stability. It's not about maintaining a certain level of unemployment. And it's not even about maintaining, moderate borrowing costs longer term, which actually is part of its remit and people tend to overlook.

It's far more concretely about helping the US achieve that particular goal. Now, if you're a market purist, you can say the best way to do that is to keep CPI at 2% and low unemployment, and I would say rubbish, absolute rubbish. It may be a subset in certain fair weather, but your central bank with the enormous power that it provides has to be cognizant of what the US grand macro strategy is.

And has to work alongside the Treasury and the White House. It's quite insane to imagine that you're implementing a grand macro strategy similar to a wartime footing and the Central bank saying we're not part of this. We're just gonna look at 2% inflation. It's quite frankly, ludicrous when you describe it like that.

So very clearly, we have pressure being put on the Fed in terms of the floated appointments of the next FED chair. Many months before Powell is due to, to step down. And even some of the names being floated as current FOMC members, which would be incredibly awkward. Imagine you're sitting alongside in a meeting knowing you are gonna replace him in nine or 10 months.

What's that gonna do for dynamic? But this is all being done not just to pressure interest rates lower, which is clearly something that the US needs to do to keep paying its bills easily. That is a subset of it. I think most people in markets can understand that. But more broadly, to get someone sitting there who understands all the tools they have available to them, such as Fed swap lines, for example, and realizing that they can be used very effectively as a weapon.

And at the moment, the Fed doesn't do that. And I'm strongly of the view that at some point soon it'll start to do that. Now, let's go to the second part. I apologize, I'm going on a long time here. The stable coins issue, you mentioned the petro dollar. Now of course, that doesn't really exist anymore. It's been replaced by the Euro dollar, which is just the broader international usage of fiat dollars everywhere.

And the key point there is that offshore parties lend dollars to each other. They lend them into existence and you create a huge pile of offshore

liabilities for the dollar, where only the actual US has the ability to create those real dollars. So you have anywhere, like no one knows exactly, but it could be 120 trillion of offshore liabilities in dollars.

And actually you only have around 7 trillion in FX reserves abroad. It's a terrifying ratio. And of course, the US via the FED And the treasury can, step up and pump liquidity in whenever they need to. But they're the only ones who can do that. Everyone else can rehypothecate, but the only actual dollars they've got are those 7 trillion and half of them are in China and can't be touched.

So that's already a powerful weapon. But the quid pro quo for that is that the rest of the world gets to create those dollars and in creating them part and parcel of that process very often is earning them from the US via trade and that has absolutely, even though you'll have a long list of other people on this podcast saying it isn't true, it's that has helped to deindustrialize the US because when the US runs large trade deficits, which are a quid pro quo for the fact that everyone internationally needs and demands these dollars, that sucks jobs and industry out of the US.

It's not the first country to experience it. It won't be the last. But it's an exorbitant privilege, which comes at a cost. And right now that cost means it can't actually produce enough military hardware on scale to maintain the top dog military position that it's used to having. For example, you've got a magnificent navy, but you are gonna be retiring ships far faster than you can build them at the moment.

So the long run horizon for us military power doesn't look good vis-a-vis others. If we carry on the path we're on now. Okay, so now we get to stable coins. What are stable coins? I was a skeptic of them for the longest time as I was most things crypto, because I couldn't see what the point of them was.

I understood what they were doing, but I couldn't understand why they were doing it. If you're now gonna create a legal framework, which you have with a genius act whereby US dollar stable coins must be backed one-to-one by T-bills, you are creating. A demand for both T-bills at a time when the US is funding itself more and more at the short end of the curve, and a demand for stable coins one-to-one.

So they both feed each other. Now it's good for the US front end of the curve, as I said, and that's good for, its for its fiscal framework, even if it

would look very dodgy anywhere else. But it also means that stable coins can start to be used in international trade. The US could. Quite literally at some point soon turn around and say, right when you sell to the US we are only going to transfer to you a stable coin rather than the US dollar.

And the US could lean on Saudi Arabia and the UAE, who are now much more in its pocket again, after having bombed Iran and say, we want you to tell everyone who buys oil globally, they have to pay you in stable coins. Bingo. You've just managed to recreate demand for stable coins internationally, the way there's demand for the dollar now, and how does that benefit the US?

One for one, you have to start getting demand for T-bills while you do it. And alongside the tariffs that the US has got and the promises of innovative, inward investment from all the countries who are in the new trade deals, it's put together. You gradually start to build those countries and those economies into a US dollar or a US stable coin block.

Because people at home or even private businesses in Europe around the world will start having stable coins on their phone in an app outside the banking system. So you can absolutely not dedollarize as people are talking about, you can ize and the great joy of stable coins above and beyond. The fact said that they're one to one with T-bills is you can turn them on and turn them off.

You get to control the on off-ramp for them. So effectively you have created a walled compound within which your allies are forced to effectively dollarize and become part of your supply chain and value chain, which helps reindustrialize you to help keep you top dog militarily. So it's a pretty clever package if you see all of it together, but you are going to need a fed chair who understands how to play that game.

**Erik:** I'm gonna push back a little bit on this because I see it a little differently, which is, I agree with you that in the short run, stable coins, clearly the, especially with the Genius Act legislation are one-to-one, creating that demand for US dollars. Replacing the Petrodollar system, if you want to think of it that way, we've got the US dollar demand, but longer term, it seems to me what you're also doing.

Is you're training all the central bankers and other holders of reserve assets around the world about stable coins and how to use them. Once

you've done that, it's so easy to just switch out of your US dollar backed stable coin into a bricks, backed stable coin or some other stable coin that's tied to some other currency.

So I see it as creating an off ramp further down the road to make it very easy to get. Out of the one stable coin into a different one if there's a competitor. I look at this as why is there no replacement for the US dollar? 'cause there's no viable alternative and I think we're creating one.

**Michael:** It's a good point, but let me push back on your pushing backing, If I may, in the part and parcel of what I think the US will be doing via this, is trying to create the largest network effect as quickly as possible. And as we know from anything tech related as well as finance, once you've got that network effect, it really matters.

It will be very hard, without Chinese style fi, Chinese style firewalls for countries all around the world to prevent people just having. US dollar stable coins on an app in their pocket. So countries that previously would never allow the dollar to circulate would, could effectively dollarize.

But I do think very specifically, number one, the US is aiming to use this for allies only. I actually don't think they want geopolitical rivals using this. They don't mind trying to maybe undermine them and have it in private sector pockets, but they don't want the governments having anything to do with it or having any kind of official role.

So I do think it's deliberately. Leaning towards a bifurcation. That's part of the strategy to make sure that there are US centric, US stable coins, supply chains and value chains and the other, and we don't go near the other. And secondly, while the BRICS can talk about it and the technology isn't that hard, I mean there are very technologically capable block.

If you look at India and China in particular, putting it together. So it works on the ground, so that you actually have. Economic block where supply matches demand, where you have upstream and downstream demand and where you don't have some countries running vast surpluses and everyone else running vast deficits because the US will be attempting to narrow its trade deficit by doing this so that its allies run more balanced trade with it.

So it's a more balanced US-centric block. The power is with the US, but not via running deficits the way it is now. I don't see how the bricks can replicate that. I've made that argument in detail for many years. If you do a very boring trade breakdown of who exports and imports what to whom within the BRICS, it's a very simple story.

Nearly all of them are major commodity producers. China buys the commodities, makes everything else, and sells them to everyone else. Now, on one level, you can call that hub and spokes, but it isn't good for India, and within the bricks it doesn't help anybody else industrialize, and it means everyone else runs balance of payments deficits over time.

So it's one thing to say the bricks can adopt it. Sure. It's another thing to actually do that on the ground. And even if it did, as I started my argument here by saying the US wouldn't be unhappy with that, provided they get the lion's share of all the countries that they want, by hook or by crook. That's the kind of bifurcation, I think they're perfectly willing to live with.

**Erik:** Now, Michael, you've described this concept of a grand macro plan that sits behind the various day-to-day events in the macro economy is Steve Bessent architecting a grand digital asset plan, which incorporates stable coins and of strategic Bitcoin reserve and a Fed chair who understands this stuff and a bunch of other things.

All is part of some concerted strategy that comes together towards some unified goal. I'm starting to get a feeling there's more to this than just president Trump's son is interested in Bitcoin. It seems like it's getting bigger than that pretty quickly.

**Michael:** I've given you two very long answers, so now I'll give you a short one.

Yes.

**Erik:** Okay, Michael, that's fair enough. Let's move on to another topic that I think you'll have a little bit longer answer for, which is, okay, look, European Union and United States really since the end of World War II, that relationship has been pretty darn tight through thick and thin. Is it winding down and ending?

Is it changing in a permanent way? It feels at least in my lifetime, relations between US and Europe are, not looking really comfortable.

**Michael:** There's certainly not, if we actually go through the history of it, we've had repeated episodes like this. I vividly remember the whole episode with with Freedom fries rather than french fries and silly things like that.

So we've been here before, but maybe not to this extreme. And the ironic thing is everything that Trump has told Europe to do, stand up, spend 5% of GDP on defense. Stop only exporting to us buy things more, more from us. Narrow that trade imbalance are things that every previous US president all the way back to Kennedy had been saying too.

And yet they didn't happen for decades and decades. Now, I'm not trying to praise Trump, I'm just saying that's subjectively true. And Europe is now reacting to it. Now they're bitterly resentful and very unhappy. But they are. Finally pivoting under pressure. Now from the European side, there is much talk, and frankly, Europe does specialize in rhetoric.

Much talk about the fact that they're gonna try and strike out and achieve strategic autonomy. Now, the shopping list for that is very long. The bill is absolutely exorbitant, and I've always said the possibility of achieving it was like walking a razor's edge. You could do it. But incredibly hard to do and it's a very dangerous fall.

I decide. And if we look at what's likely to transpire in Ukraine today, or vis-a-vis Ukraine, I'm sorry. And if we look at the backdrop vis-a-vis stable coins, which is really accelerating quickly. I think the shopping list and the shopping bill for Europe to achieve strategic autonomy is now ridiculous.

I I don't see it as realistic anymore. So while Europe may be sullen and angry and resentful, I think that ironically the relations between the US and Europe will grow tighter, but not as equals. Europe will absolutely be, subsumed into a greater US production system. And as effectively the lieutenant responsible for guarding Europe within a, within a US security umbrella.

And they won't like that. They'll continually to be chiding about it, and that's completely natural. But I don't really think they have many realistic alternatives at this point. To put a specifically. I sat through many angry

conversations with Europeans telling me that they absolutely would not spend 5% of GDP on defense on nato.

They all are, except for Spain and I think maybe Luxembourg, maybe Belgium too. Mostly they are and then Europe. Absolutely. Telling me again and again, we will not sign an unfair trade deal. We're just not going to do it. They did. We can be given the next set of, we are not gonna do X, Y, Z, in instructions and, and the real politik tells me that. Yes, they will.

**Erik:** Now, meanwhile, the [Financial Times](#), I think used the phrase inflation nutter to explain who they feared might be put into the Fed position next, at the, US Federal Reserve. When. The FT is talking about the perspective next. Fed share as an inflation nutter tells me that their editorial perspective may have become a little bit I don't know, reserved about the, their perspective on US monetary policy.

What feels to me li like we're in this Europe is stuck. They have no choice but to cave. So they're gonna cave, but they're not gonna forget this. Is the feeling I'm getting. What could they do if they're gonna not forget this to eventually act on it?

**Michael:** Nothing. Now I'm being flippant, but let's, we have to be realistic. And i,

**Erik:** But I just wanna clarify. Are you disagreeing that they're really not gonna like it? Or are you just saying there's nothing they can do about it?

**Michael:** There's nothing they can do about it? No they really don't like it. But listen. I am absolutely on board. I want all listeners to understand this.

So I'm on board with very valid criticisms that appointed many of the things that the Trump White House is doing offending recent norms. Okay? I completely get that. I've worked in markets in nearly three decades. I fully get it. What I don't get, and I always try and point out in equal measure, is the absolute hypocrisy of the people saying that about not pointing out how equally ludicrous things have been done by many others that they didn't criticize at the time, and are still being done by many others that don't criticize too.

We have a slew of central banks that are cutting interest rates right now when there's no sign whatsoever. The core inflation is fully under control when there's absolutely every sign that the macro environment that they're living in, particularly in terms of the need for rapid re armament, is going to be inflationary, highly inflationary in some sectors, and yet interest rates come down.

Now you could say they dunno what they're doing. Fair enough. That's very valid criticism, but I don't see that as headlines. I don't see the financial time saying this Central Bank doesn't know what it's doing. Or you could say that they're just preferring to look the other way and hoping somehow that by lowering interest rates, they can paper over all the cracks and that everything I'm describing in terms of a grand macro strategy won't be necessary and we can just carry on doing things the way we always have, which I rather flippantly refer to as because markets.

Which, even as someone who's worked in markets, as I said most of my life, and having, a markets discussion here I still think is idiotic. The world is not about because markets, there are far larger battles at play, literally at the moment. And markets come secondary to that.

They don't determine the outcomes. So yeah that commentary, I just wanted to make that feedback on it. But there's nothing really that the rest of the west. Because if they were going to do something about it, it would revolve around a massive structural change in their political economy, but then they're exporters and they net export to the us.

Fair enough. If they want to massively expand domestic demand so that they don't need to rely on exporting to America anymore. There you go. Now you can suddenly be more in control of your own destiny if they decided to spend. Three or four percentage points of GDP on their military for the last 20 years rather than on social spending.

And I'm not making a value judgment. That's just what they did. They wouldn't be in a position to be begging America for help with nato. They'd be standing on their own two feet. If they'd acted more strategically in terms of energy resources, a long time back like China did, they wouldn't have be any kind of domestic energy shortages or energy price issues.

So all those choices were available to them decades ago. They didn't make them. And now when you put that conflation of different issues and problems together on the plate, and you say you've gotta digest all of this in order to really do something against America, it's almost impossible to conceive they're gonna do it because in order to win, they would've to get involved in a multidimensional spat with America, which would hurt them far more than just having their wings clipped, which is what's happening at the moment.

**Erik:** How should we interpret President Trump firing the head of the BLS? Obviously, his critics are saying, look, he didn't like the data, so he is, don't like the message. Shoot the messenger or castrate the messenger in public ceremony to make sure the next messenger knows better than to, to make that mistake.

But wait a minute. I think you've pointed out in some of your writing, the BLS was pretty darn screwed up. Maybe firing the BLS head wasn't such a bad idea after all.

**Michael:** Yeah, look again, in terms of commentary, I absolutely understand why the market is freaking out about the fact that the head of the BLS was fired and that we've got a new guy in who, is not exactly a fan favorite, shall we say, within the statistics industry.

Fair enough. And that certainly fits a certain profile of, banana Republic style economy, but equally, as you were just alluding to. From to my mind when I'm talking to people who, work in markets, those who understand the BLS have been a banana, a public style joke for a long time anyway, even with the best of intentions sit in one camp, and another ones I prefer talking to and everyone else who thinks that every piece of data you're getting from America is absolutely kosher, transparent, completely trustworthy, and absolutely captures what's really going on.

I really don't have any time for them because they dunno what they're talking about. It's not been like that for the longest time. One very simple fact, and again, I'm not trying to be political here, but let's look at the payrolls report. We all know how important that is. Markets still revolve around it.

I presume they probably always will, unless they stop publishing it, which is what the new guy is threatening to do. But it's a joke. Payrolls is a joke

as a number. You've got like a nine digit. Say 50, 60 million, something in that particular range. That's the official number anyway. You're talking about a monthly three digit change, and the market trades off of the derivative of that, which is normally a two digit differential from a three digit number based on a nine digit number.

This doesn't mean anything. It's a rounding error, and we're taking it as some kind of signal. They're constantly revising it. It's based on a birth's deaths model where they assume jobs into creation. It's got a very low survey feedback right now. So they're having to impute or guess more and more it doesn't capture structural changes in the economy.

And most incredibly, of course, and again, I'm not trying to be political, but it's a, it's a widely accepted fact. Anywhere between 10 and 20 million people arrived in the US in the past four years who aren't officially in the statistics, but are somehow being captured. Or maybe they're not.

In which case we're not even capturing 10 to 20 million people. Either way, it's a joke. But no one seemed to be prepared to say, this month after month, traders all sit down, wait for that number to come out and trade off the back of it because it's what we do. It's just what we do because markets, it doesn't fit into a grand macro strategy.

So I certainly hope we don't go the Banana Republic route, where every single month we get a great jobs figure and everything's wonderful. That would be a joke. I certainly think what we have now is also a joke, and it would really behoove both America and the rest of the world and everyone to have really good real time economic information that we could use to try and understand where our strong points are and where our weak points are.

**Erik:** Let's try to assimilate everything that we've talked about into outlooks for markets. It seems like a lot of the things that we're discussing are related to geopolitical risk, hedges, things like gold, Bitcoin, Ethereum silver and so forth. I've been trying to decide where some of those risk hedges are headed anyway.

'cause on the one hand, you can make the argument if we're really maybe about to wind down the Ukraine war, that should be risk off for gold you know, it's a risk hedge, we should be unwinding it. But wait a minute, if what we're doing is winding down Ukraine so we can pivot to the next war in a bigger theater, that's not time to, to sell your hedges.

So is this, a bullish or bearish moment for precious metals and other hedges?

**Michael:** First of all, as I don't give investment advice. So full caveat on that, we're just having a hypothetical discussion. I think you frame it very well. In the, when you see the word peace coming through, one's initial market reaction might be in one direction.

But if you take a bigger picture view and understand that's only part of resolving one issue, and actually by the way, passing the buck to Europe and saying yours so that you can then focus further east and that the underlying pressures for a bifurcation of the global system. Which is what I keep emphasizing here arising then, yeah, it still makes a lot of sense to be looking at all kinds of hedges for all kinds of products in all kinds of ways.

The very simplest kind of market call that you can see ahead is the fed's gonna be forced to cut rates, ergo everything goes up. Yeah. Obviously there's some very simplistic validity to that as if things haven't already gone up enormously anyway, which they have. But we are entering uncharted territory.

Because nearly everyone who's working in markets now, and I think I made this point to you last time we spoke, it just by dint of their age, has spent all of their working career in an environment in which it was a one world economy, one market. And sure, there were certain areas where you had to get in or get out of tactically, but the assumption was everything was fully integrated.

And it's just, where do I pick up yield? We're going to be heading to a world where certain sectors can't be traded or where returns are fixed by the government, either at a higher or low level, usually low. And where certain environments are just completely, untouchable. For example, if you look at what's happened at Bridgewater recently reading that particular headline and suddenly, reversing position on China, very belatedly by the way.

We can probably expect to see a lot more of that happening if we are moving towards a world in which one has to make geopolitical choices, which will be part and parcel of currency systems and clearing systems. And payment systems. So if you're going to be within a US stablecoin system, maybe you don't get to be in other systems.

And if you're in other systems, maybe as I said, you don't get to be in stable coins. Or if you do, it's via a VPN being naughty in the background rather than with any kind of government permission. And, will markets find a way? Sure, markets will find a way, but it's not going to be the same, flat world structure where you've got a world map on your wall in most offices and you can put a pin in where whichever part you like.

It's gonna be complicated. And one very clear example of that, just to wrap that point up, is, previously few years ago, tariffs weren't an issue unless you were dealing with one particular complicated emerging market where you have a lot of paperwork to do. You didn't worry about what the tariff was.

It was gonna be so marginal, you could ship from A to B. Have you seen the table of US tariff rates now? But the exemptions and potential changes coming up and country by country, sector by sector, it's a telephone book. And that's absolutely deliberate. That's the strategy. Make it complex, therefore make people do things more locally.

And where you are doing things more locally. Money will eventually change hands more locally.

**Erik:** Michael, before we close, let's touch briefly on oil prices. We're on the low side at least compared to the last year or two. Are we headed higher as some people think? We got plenty of backwardation in the markets, so I'm not sure what to make of this.

**Michael:** We have a really interesting standoff in terms of the go-to research on it, like the IEA versus OPEC+ and what they're, what they're both printing. I think, again, no geologists whatsoever, so I'm not gonna get into that side of it. You need to look at the geopolitical backdrop. Now, obviously, we had that spike earlier in the year around Iran, and of course prices came way off once the US got in and got out and sent that message without getting sucked into a war.

And I think we need to recognize that low energy prices are a key plank of the Trump grand macro strategy. How that's going to work out within the US energy sector, because obviously low prices mean people don't wanna produce and Trump doesn't wanna be importing. He wants the America to be exporting or at least producing, even if prices are low.

That remains to be seen. There will have to be some jiggery-pokery to get that to work. I can assure you there will be, but the secular envelope. Is that Trump wants to see low energy prices because most upstream commodities to him energy, most and many others are seen as inputs to more value added production downstream.

So in other words, let's get cheap inputs so we can make more cheap outputs and more of those outputs. It's no longer every sector of the economy from upstream to downstream being equal. Because markets. some people now are just not as important as others. Some people are there basically to do the equivalent of serving you drinks for very low tips and that's unfair. It's not very nice. That's the way life is.

**Erik:** Michael, I can't thank you enough for another terrific interview, but before I let you go, tell us a little bit more about what you do at Rabobank, how people can follow your work, and what your Twitter handles and so forth are.

**Michael:** Sure. As global strategists in economics and markets, my job is to think cross asset, cross geography, and cross disciplinary, to be honest.

To try and draw out what are the big picture themes. So it's not just about whether you're, long this or short that, that's not specifically what I do. It's to try and draw all dots together to say what is actually happening. And if you assume that's what's happening logically, what would then flow on from it?

So your narrative building to an extent rather than telling people how to manage money. But it's been a very very successful strategy for the past couple of years in that, not. Seeing the bigger picture has really been problematic and I think it's gonna be more and more important going forward.

Even if I'm talking my own book a bit, doing that talking my own book there. In, in terms of where you can follow me, I am on [LinkedIn](#), for Rabobank clients [Rabobank knowledge](#) would be the place to go and check out, but you do need to be a client to get our good stuff there. And I enjoy conversations and interaction with people on these topics.

On X and my handle is [@themichaelevery](#), all one word. And yeah, please do just come and join that conversation 'cause I'm always keen to

interact with others and to see what you are thinking because when you've got a global role, the more input you have, the more voices you have, the better your view of that picture becomes.

**Erik:** Patrick Ceresna and I will be back as Macro Voices continues right here at [macrovoices.com](http://macrovoices.com).