



MACRO Voices

Market commentary and
weekly interviews with the
brightest minds in the
world of finance
and macroeconomics

Hosted by hedge fund manager
Erik Townsend

macrovoices.com

October 2026

SANTIAGO CAPITAL

RESEARCH

Disparate Housewives

The Quiet Merger of the Fed & the Treasury

October 7, 2026

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Two Houses - Two Jobs

	Claim	In brief
1	Fed independence is a myth	The Fed has autonomy granted by the sovereign, not the power to win a fight with it. The Fed runs monetary policy; the Treasury runs the dollar.
2	The Fed and the Treasury are functionally merging	No legislation required. Treasury dominance operates whenever dollar policy outranks interest rate policy.
3	The driver is structural, not personal	Great power competition demands one instrument under one command. The trend survives elections.
4	The consensus has the consequences backwards	Consolidation extends the dollar system's runway. The bears are right about everything except timing.
5	The missing chapter is empire	Republic to empire: the mint and the treasury under one command while every republican form stays standing.
6	Positioning follows	Own the household's assets, respect its cycles, join the voluntary dollarization, and keep the tail hedge on.

Source: Santiago Capital, *Disparate Housewives*, October 2026.

Six Claims

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Brave New World

The Thermostat Era vs the War Room Era

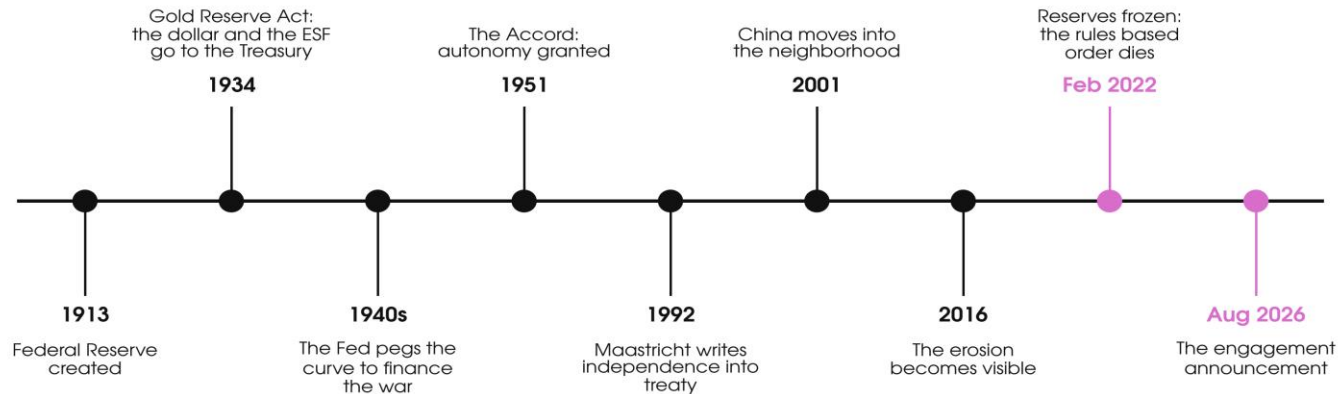
	The thermostat era (to 2022)	The war room era
The neighborhood	Assumed fundamentally at peace	Great power competition
The Fed	Data dependent, meeting by meeting	Accommodates the household's program
The Treasury	Regular and predictable issuance	A managed curve: buybacks, maturity mix, guidance
The houses	Separate, feuding, cross purposes tolerated	One household, one table
The posture	Reactive: absorb the system's shocks	Proactive: aim the instruments
What it sold the world	Credibility, proven by visible division	Capability, delivered by unity of command
What it cost	Speed: slower and messier by design	Resilience: force gained, shock absorption shed

Source: Santiago Capital, *Disparate Housewives*, October 2026.

“Independence” as useful Marketing

A Street Built Divided, on Purpose

From the first house on the lane to the engagement announcement



Source: Santiago Capital, Disparate Housewives, October 2026.

Not to scale.

The Treasury vs The Fed

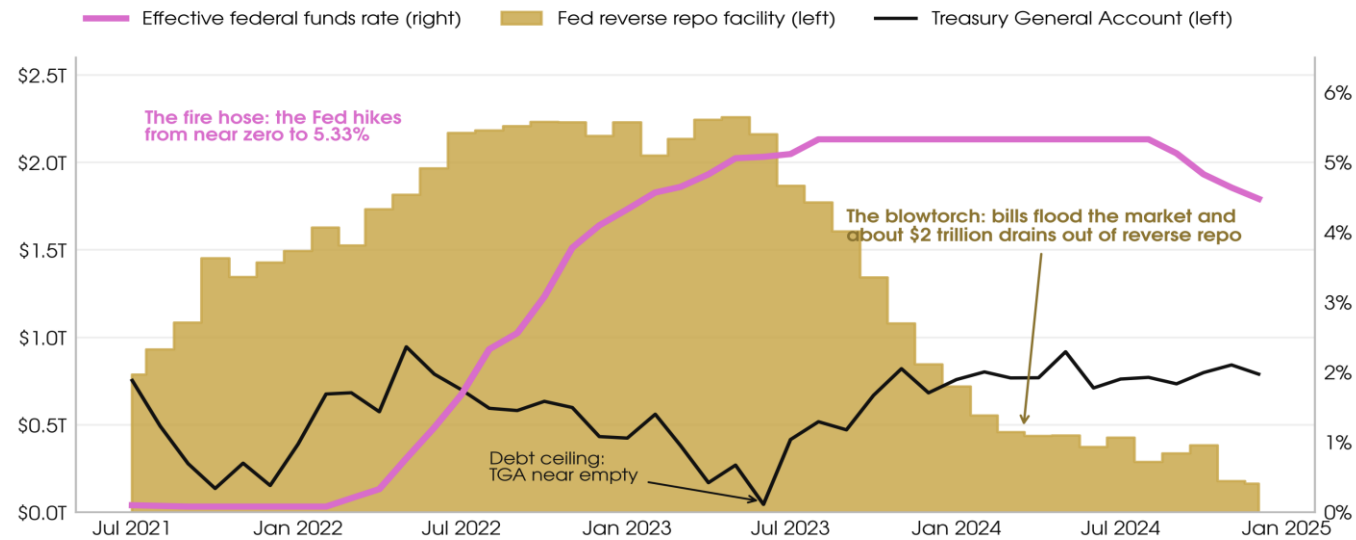
The Scorecard the Myth of Independence Is Made Of

Episode	The pressure	The Fed's response	The outcome	Point to
1951: Truman	Summoned the full FOMC to the White House, then announced an agreement the Fed never made	Publicly corrected the President	The Accord: autonomy granted by the sovereign, not won from it	Fed
1965: Johnson	Shoved the Chairman against a wall at the Texas ranch	Martin held the rate	The rate survived because Johnson chose not to escalate	Fed
1971: Nixon	Pressure for easy money into the 1972 election	Burns delivered	A decade of inflation, collected later by Volcker	Sovereign
Early 1980s: Volcker	Replacement rumors from Reagan's Treasury; two-by-fours in the mail	Held the funds rate near 20% until inflation broke	Reappointed, then replaced when priorities shifted	Fed
2018 to 2019: Powell	Public attacks; the President asked who was the bigger enemy, Powell or Xi	Powell held	The sovereign railed and chose not to press	Fed
Final score	Every confrontation ended with the sovereign's arsenal intact and holstered		Episodic resistance, structural subordination	Fed 4, Sovereign 1

Source: Santiago Capital, *Disparate Housewives*, October 2026.

The Treasury vs The Fed

The Fire Hose and the Blowtorch, 2021 to 2024

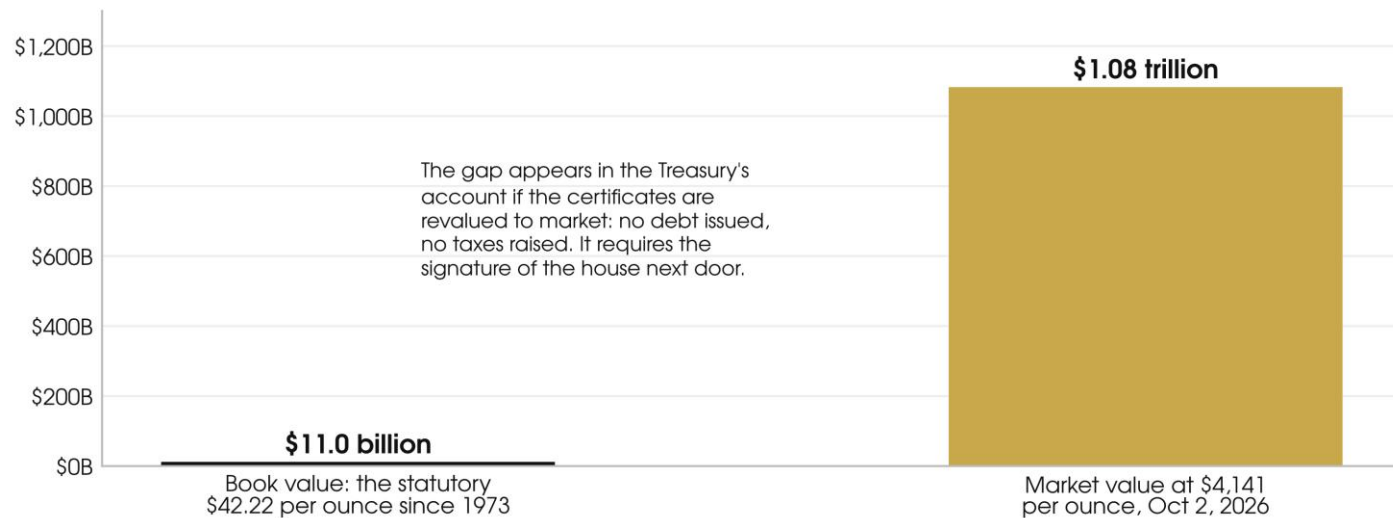


Sources: Federal Reserve Board, H.4.1 (reverse repurchase agreements: others; Treasury General Account), Wednesday level in the first week of each month; effective federal funds rate, monthly average; via FRED.

The Gold

The Gold the Treasury Cannot Spend

US Treasury gold: 261.5 million troy ounces, about 8,100 metric tons



Sources: US Treasury, Status Report of US Government Gold Reserve, August 31, 2026 (261.5 million fine troy ounces); gold price: Bloomberg, October 2, 2026.

The Neighbors

Every Neighbor Hedges. None Can Leave.

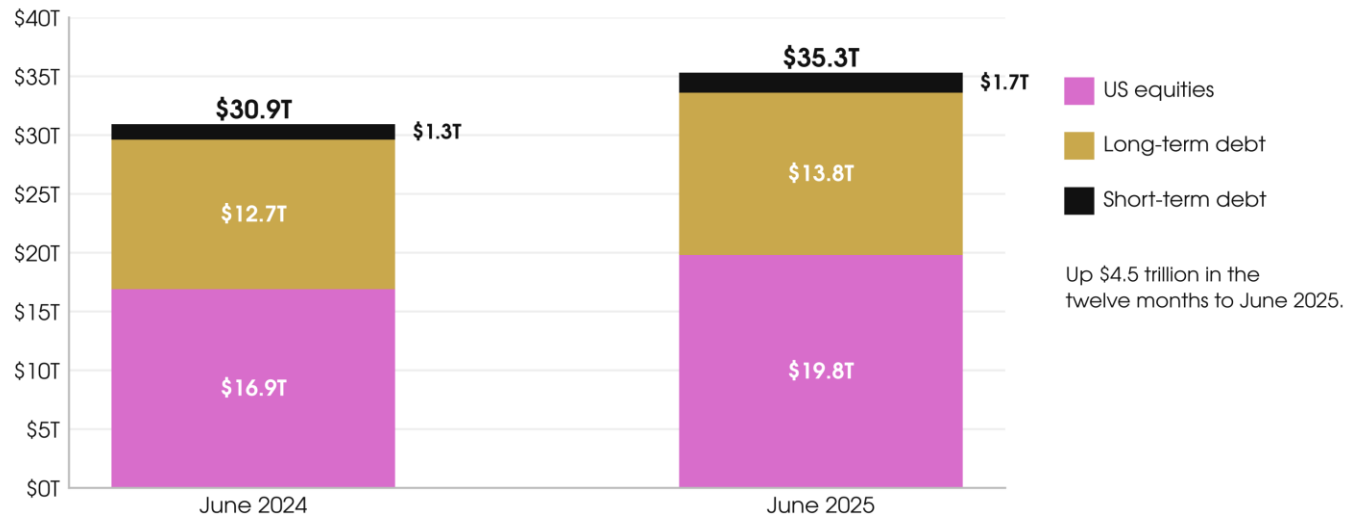
Neighbor	The hedge	The ceiling	The tell
Europe	Architecture: the euro, INSTEX, strategic autonomy	No unified treasury: more than twenty fiscal policies in one monetary coat	March 2020: Fed swap lines, not European solidarity, steadied funding markets
Japan	Duration: reserve diversification, gold, regional swap lines	A creditor this size cannot exit without marking down its own savings	July 2026: the US joined the yen defense so Tokyo would not have to sell Treasuries
The Gulf	Customers: crude sold for yuan, the petroyuan contract, non-Western clubs	Its wealth, reserves, security and oil pricing all live on the lane	Single-digit percentages: an option premium, not an exit
China	An almost-street: CIPS, swap lines, mBridge, and gold	Closed capital account; the yuan is mid-single digits of global payments	Still holds a large share of \$3 trillion in reserves in US assets, because it must

Source: Santiago Capital, *Disparate Housewives*, October 2026.

The Neighbors

The Piggy Bank: Foreign Holdings of US Securities

The neighborhood's savings, parked on the nicest street



Source: US Treasury, Preliminary Report on Foreign Portfolio Holdings of US Securities at End-June 2025, released February 27, 2026. Long-term debt includes Treasury, agency and corporate.

The Analog

Republic to Empire: The Treasury Changes Hands

No coronation. A calendar.

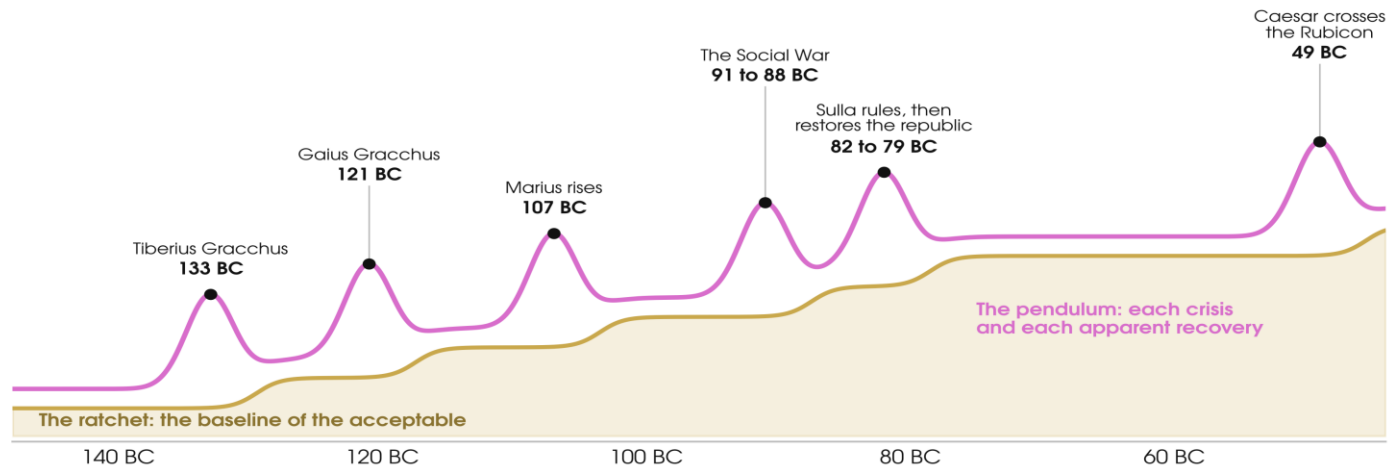
	Rome	America
The old treasury	The aerarium, under senatorial control	The house of the Federal Reserve on Constitution Avenue, with its marble, its website, and its proclamation of independence
The new treasury	The fiscus: the emperor's own account, fed by the richest provinces, funding the armies directly	The merged console, assembled next door one August announcement at a time
The fence	The purse kept apart from the men who commanded the legions	The printing press kept apart from the spending decision
The forms	Consuls elected, courts sitting, the Senate's dignity restored	Every republican form stays standing
The law	No law abolished the old treasury	No law will mark the wedding
The title	Princeps, first citizen; never king	The name on the mailbox never changes
The pace	Gradually, then retroactively	Gradually, then retroactively

Source: Santiago Capital, Disparate Housewives, October 2026.

The Trend

The Pendulum and the Ratchet

The swing is real. The direction is set. Mistaking one for the other is the era's characteristic error.



Illustrative, not data. Roman dates are conventional. Framework after Mike Duncan, The Storm Before the Storm. Source: Santiago Capital.

The History & The Method

Who Bought America's Debt, and Why

Era	How the debt was absorbed	The buyer's choice
The 1940s	Organized: the Fed pegged the curve, banks were guided into governments, war bond drives made holding the paper a civic performance	Duty
Bretton Woods decades	Foreign central banks accumulated Treasuries as the mechanical consequence of the system's design	Mechanical
Repression, to about 1980	Regulation capped what savers could earn elsewhere, herding deposits toward the sovereign at negative real returns	Herded
The voluntary era, 1980s to 2020s	Independent central bank, deregulated market, price discovery at auction, and a global buyer base by choice	Voluntary: the exception, one career long
What comes next	A stack of rules: index funds, stablecoin floats by statute, reserve mandates by design, money funds by charter	Structure, suasion, instruction

Source: Santiago Capital, *Disparate Housewives*, October 2026.

Future Scenarios

The Seasons Ahead

Scenario	Weight	What it looks like	Its signature
A long Black Hat (base case)	The heavy majority	The quiet wedding completes, coordination normalizes, and repression arrives as weather, not as an event	Auctions clear, buybacks turn boring, inflation runs a point above the old tolerance
Confrontation	Modest	A chairman rediscovers 1951 and the feud reignites in public	Two managers, two prices at the long end; neighbors' flows hesitate
Overreach	Lower, rising with time	Proactive management breaks something it cannot fix	A policy success that curdles within weeks
Coordination works	Real but thin	The competition resolves and a future sovereign grants a second Accord	The pendulum genuinely swings back
The far horizon	Not a probability: a boundary condition	The instrument stops taking direction; the dollar dies the death of strength	Hedged, not forecast

Source: Santiago Capital, *Disparate Housewives*, October 2026.

The Bears Ledger

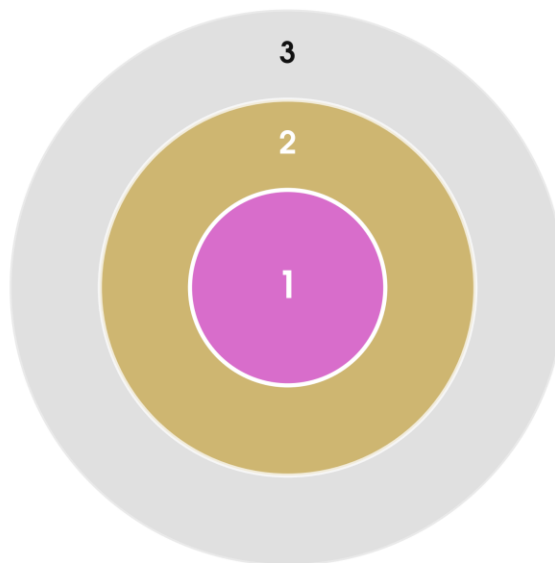
The bears' charge	Our verdict
The debt	Accurate
The manipulation	Accurate
The subordinated central bank	Accurate
The bullying	Accurate
The cult of personality	Accurate
Their timing	Wrong, for one omitted variable: their collapse arithmetic assumes a house divided, and the house is unifying

Source: Santiago Capital, Disparate Housewives, October 2026.

The Portfolio

Own the Consolidated Household: Three Rings

From the center of the household's project outward



1 The dollar-distribution stack

Stablecoin issuers and their banking partners, custody and payments rails, tokenized bill vehicles. Promoted from fintech trade to instrument of state.

2 The America First complex

Defense primes and their supplier chains, chokepoint assets in energy, shipping and semiconductors, export-control winners, reshored logistics.

3 The franchise economy

Platforms, payments networks and software estates that compound inside the dollar system and benefit from the era passively.

Alignment trades, not momentum trades.

Source: Santiago Capital, Disparate Housewives, October 2026.

The Takeaway

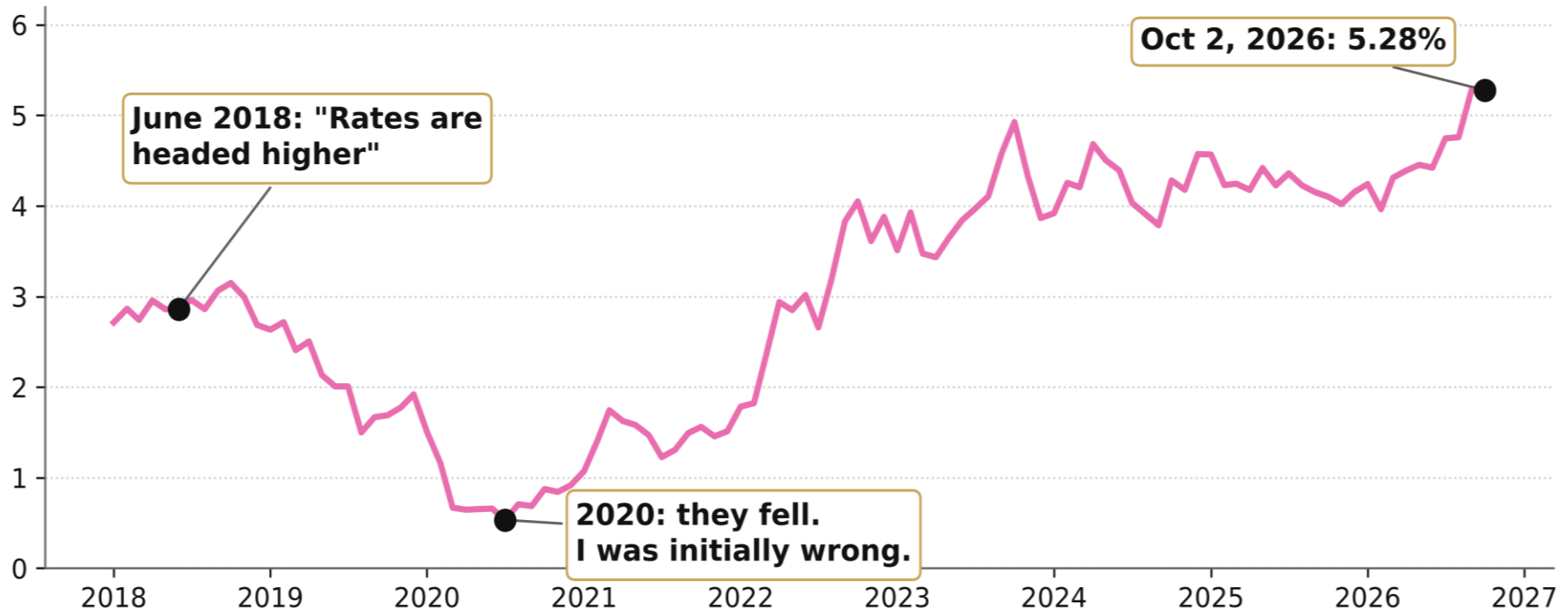
Own the Street. Respect the Seasons. Keep the Roof.

Discipline	What it means
Own	The consolidated household's assets: the dollar-distribution stack, the America First complex, the franchise economy. Gold as a structural allocation.
Respect	The cycles: the band, the dual carry, the milkshake. Take profits earlier and in smaller pieces. Own long duration only when the household is defending the price.
Hedge	The tail: dollar upside convexity, equity downside optionality, short-duration ballast. Built now, held through the first scares.
Refuse	Positioning exclusively for collapse. And lending the household unlimited real money at nominal prices.

Source: Santiago Capital, Disparate Housewives, October 2026.

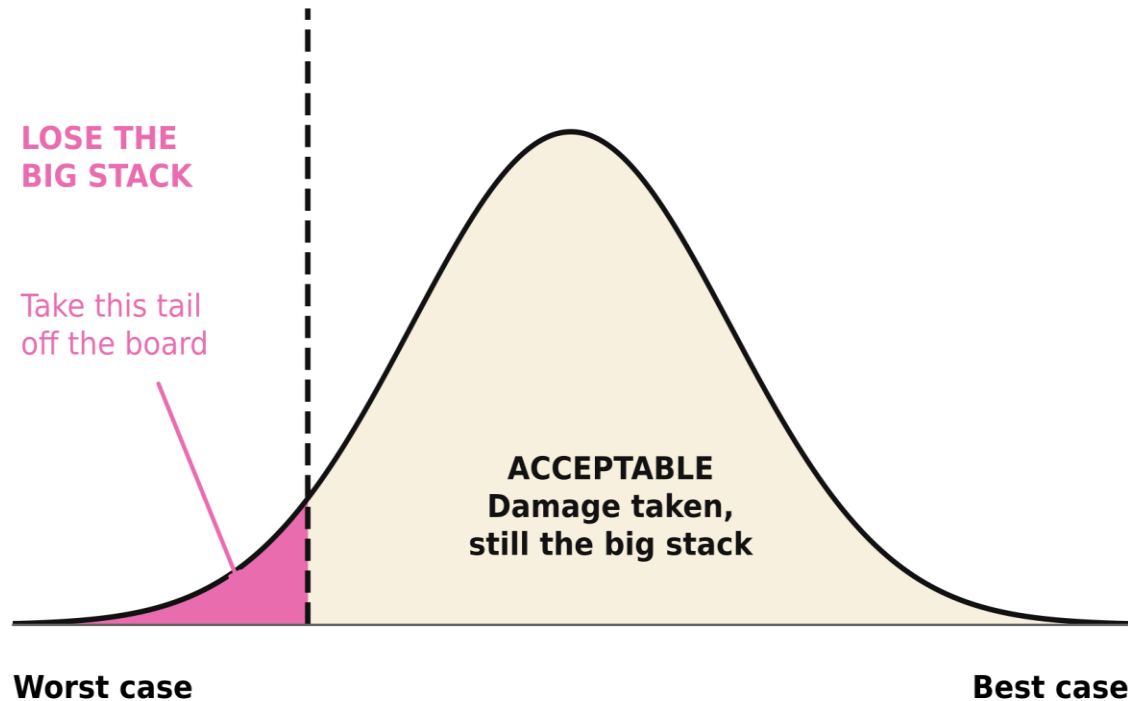
U.S. RATES

US 10-year Treasury yield, month-end, %, latest Oct 2, 2026



It's a Relative Game

Distribution of outcomes for the hegemon



WAR

Lives are lost and damage is taken, even by the winner.

POKER

You lose hands and still win the tournament.

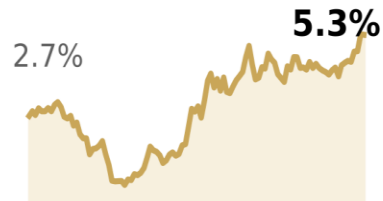
THE BIG STACK

Can absorb more hits than anyone else at the table.

GLOBAL RATES

10-year government bond yields, Jan 2018 to Oct 2, 2026

United States



Highest since 2002

Japan



Highest since 1996

United Kingdom



Highest since 2007

Germany



Highest since 2009

France



Highest since 2002

Italy

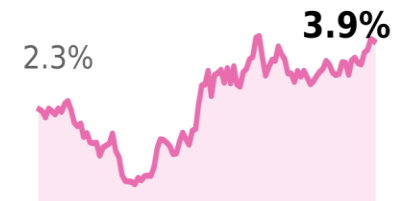


Spain



Highest since 2013

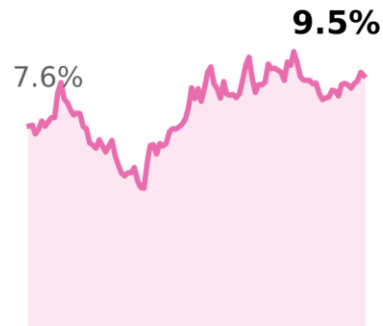
Canada



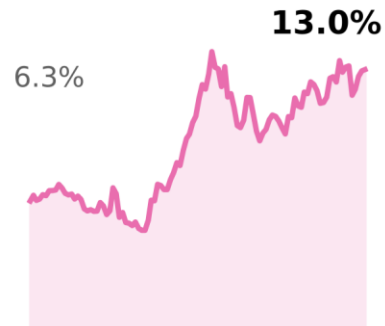
LATAM RATES

10-year government bond yields, Jan 2018 to Oct 2, 2026

Mexico

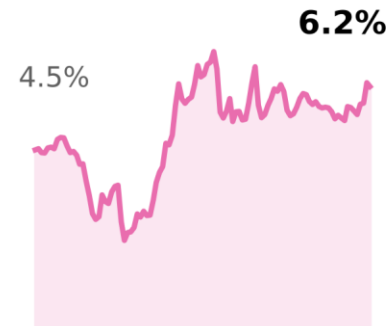


Colombia

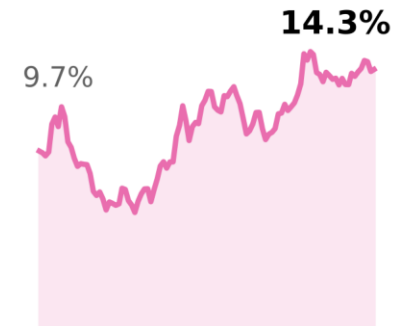


Up 6.7 points

Chile



Brazil



Up 4.6 points

CHINESE RATES

China 10-year government bond yield, %, month-end to Sep 30, 2026



RATES

Falling

BOND MARKET

Mostly domestic

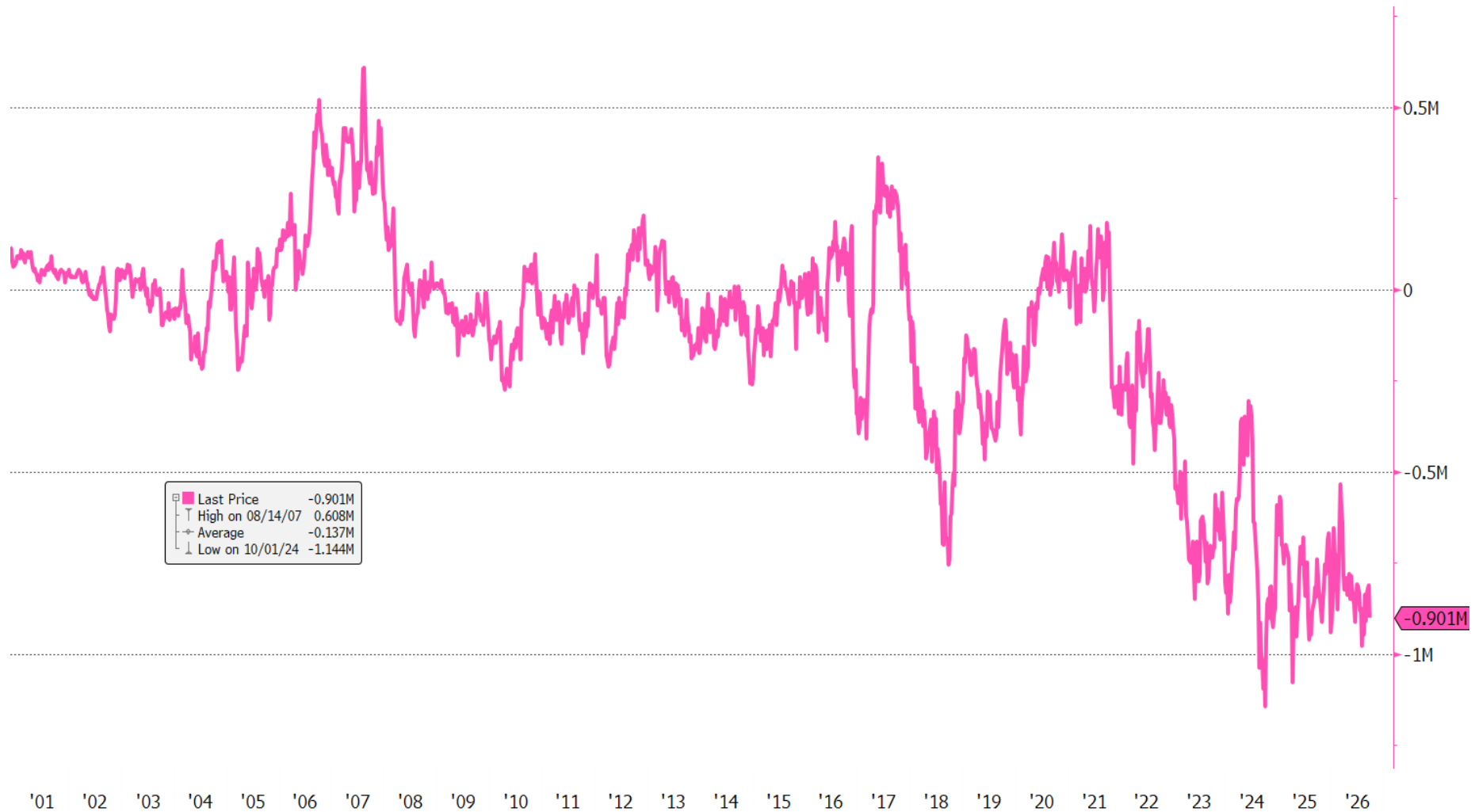
CAPITAL

Controlled

TLT



Spec Short Position – 10Yr UST Futures



Dollar Index



Euro



Gold



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