

SANTIAGO CAPITAL

RESEARCH

Disparate Housewives

The Quiet Merger of the Fed & the Treasury

October 7, 2026

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Table of Contents

Letter to Readers	page 2
Executive Summary	page 4
Background: The Nicest Street in the Neighborhood	page 9
Part One: The Wedding	page 13
Interlude: How the Merged Household Actually Runs	page 23
Part Two: The Neighbors	page 28
Part Three: The New Season	page 34
Scenario Analysis	page 45
Investment Implications	page 51
Conclusion	page 56



LETTER TO READERS

Every report in this catalog has borrowed a voice. Tommy Norris explained the band. The Rolling Stones scored the dollar's arc. This one borrows a narrator.

Desperate Housewives was a television series that ran for eight seasons on a simple device: the story of a picture-perfect street was told by Mary Alice Young, a neighbor who dies in the opening scene and narrates everything after, seeing every secret the residents keep from each other. The show worked because the street's harmony was a performance, and only the dead woman could say so.

We have given her role to the Rules Based International Order. It died in February 2022, on the weekend a sovereign nation's reserves were frozen by press release. Most of the world has carried on as if nothing happened, attending the same meetings, speaking the same language of partnership, pretending the woman who kept the neighborhood in order is still alive.

But she is not. And in this report, she talks.

You will hear her first in the Executive Summary, where she tells the story of the neighborhood's nicest street. Wisteria Lane is America: the shining city on a hill, the street everyone else envies. The houses on the lane are the American institutions, the Federal Reserve in one, the Treasury in another, Congress, State, and the Pentagon down the block, picture-perfect from the curb and full of bitterness and betrayal behind the doors.

The Cast of Wisteria Lane	
In the show	In this report
Mary Alice Young, the neighbor who dies in the first scene and narrates everything after	The rules based international order, dead since February 2022, when a sovereign nation's reserves were frozen by press release
Wisteria Lane, the picture-perfect street	America, the shining city on a hill
The houses on the lane	American institutions: the Federal Reserve, the Treasury, Congress, State, and the Pentagon
Bitterness and betrayal behind the doors	A century of houses guarding their lanes and working at cross purposes
The surrounding neighborhood	The rest of the world, smiling at the lane over the fence while hedging against it in private
The wedding	The Fed and the Treasury becoming one household, willingly or via shotgun

Source: Santiago Capital, Disparate Housewives, October 2026.

The rest of the world lives in the surrounding neighborhood, smiling at the lane over the fence while hedging against it in private. And the story she tells is simple: for Wisteria Lane to remain the nicest street in a neighborhood turning dangerous, things must change. The houses must unite. The two

proudest of them, the Fed and the Treasury, are headed for a wedding, willingly or via shotgun. She will reappear briefly at the threshold of each section, set apart in italics. The body of the report, the history, the mechanics, and the portfolio implications, is written in our own voice, as always, and stands on its own for readers who never saw the show.

One thing should be said plainly before she begins, in our voice, because it belongs to us: this report is a forecast, not a recommendation. We take no pleasure in much of what it describes, and we are not advocating for any of it. The great power competition is demanding the consolidation these pages document, and it will proceed whether we like it or not, under this administration and the ones that follow. We are describing the storm, not endorsing it. We would simply rather you owned a roof.

The street is hers now...

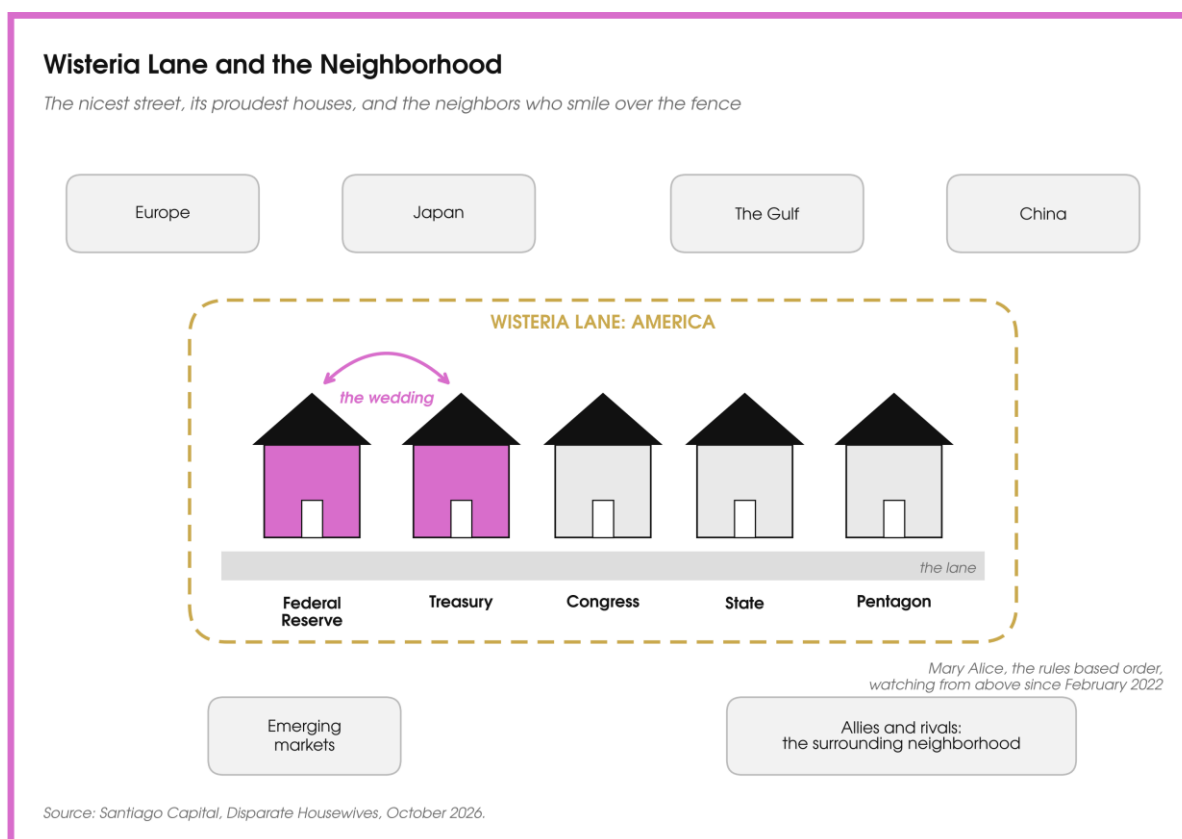


EXECUTIVE SUMMARY

You may know me by my formal name, the rules based international order. My friends, back when I had them, called me other things. The liberal order. The postwar consensus. The system. I presided over this neighborhood for nearly eighty years, until I died on a weekend in February of 2022, when three hundred billion dollars of a sovereign nation's reserves were frozen by press release between a Friday close and a Monday open. There was no funeral. Most of the neighbors still behave as if I am alive.

But I am not, and the dead see everything. So let me tell you about the nicest street in my neighborhood, and the secret every neighborhood keeps: the nicest street is never what it looks like from the curb.

The nicest street was Wisteria Lane. Like a shining city on a hill. The lawns were perfect, the porch lights always on, and every house on it flew the same flag: the central bank in one house, the finance ministry next door, the legislature, the diplomats, and the generals down the block. From the curb, one gleaming American street. Behind the doors, bitterness and betrayal. The houses guarded their lanes, undermined each other's projects, and worked at cross purposes for the better part of a century, while the surrounding neighborhood, the allies and the rivals who envied that street, smiled at its barbecues even if they hedged against it in private.



The two proudest houses on the lane belonged to the Federal Reserve and the United States Treasury, and you were taught their separation was an arrangement of equals that had ended in an amicable agreement. They worked closely together at times but it was never a marriage at all. They were neighbors, kept deliberately apart by the street's original design, and the one called independent never was. The Fed has autonomy, not independence. Autonomy is discretion granted by the sovereign. Independence would mean the ability to win a genuine fight with the sovereign, and the Fed has never had it.

The record the schools call independence is really a handful of episodes, Truman in 1951, Johnson at the ranch, Volcker against Reagan's Treasury, Powell against Trump in 2018, in which the central bank resisted, and the sovereign chose not to press the matter. Every one of those episodes ended the same way beneath the surface: with the sovereign still holding the power to rewrite the charter, replace the chairman, or absorb the institution entirely. Episodic resistance. Structural subordination.

And there was a second secret, hiding in the org chart the whole time. The Fed only ever ran monetary policy. The Treasury has always run dollar policy: the exchange rate, the intervention account, the sanctions list, the strong dollar speeches. The dollar is the ultimate weapon in this neighborhood, and the weapon never belonged to the central bank. In an era when the weapon stays holstered, the agency that sets the interest rate looks like the senior partner. In an era when the weapon is drawn, the org chart reasserts itself.

Two Houses, Two Jobs: Monetary Policy vs Dollar Policy		
	Federal Reserve: monetary policy	Treasury: dollar policy
What it runs	The interest rate on the dollar: the price of money, the dual mandate, the meeting calendar	The dollar itself: the exchange rate and the international face of the currency
Its tools	Policy rate, balance sheet, standing facilities, swap lines	Exchange Stabilization Fund, intervention account, the OFAC sanctions list, debt issuance
Legal basis	Federal Reserve Act of 1913, rebuilt by the banking acts of the 1930s	Gold Reserve Act of 1934: exclusive control for the Secretary and the President
Currency intervention	The New York Fed executes the trade, as Treasury's agent	Treasury decides and instructs
Who speaks for the dollar	Chairmen defer to the Secretary in testimony	Secretaries, since Robert Rubin coined the strong dollar liturgy
Looks senior when	The weapon stays holstered	The weapon is drawn

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

That era has arrived.



My arrangement was built for peacetime, and it made both houses reactive by design. A data dependent Fed, a regular and predictable Treasury: thermostats, responding to conditions rather than shaping them. But a thermostat cannot fight a war. The neighborhood has turned dangerous, and for Wisteria Lane to remain its nicest street, things must change.

The competition demands proactive management, tariffs and sanctions and issuance and stablecoins and swap lines wielded as one instrument, and proactive management requires one household with one head. That is why the two proudest houses on the lane are headed for a wedding. Willingly or at gunpoint, and which one matters less than you think. No law will mark it. No invitations will go out. It is simply becoming true.

Let me tell you about the week the pretense slipped. In the third week of August 2026, the finance ministry of the anchor country doubled its purchases of its own long-dated debt, two weeks after its own published guidance said no such change was coming. The following morning its Secretary went on television and said the market had bad information, that he had asymmetric information, that his department would be making a market in its own bonds, and that he was willing to do what he called a Treasury twist. The newly seated chairman of the central bank next door had built his reputation on the opposite conviction, that markets should be allowed to speak for themselves, their price signals unfiltered. And when the Secretary was asked whether his intervention tied that chairman's hands, he did not say the two houses stay in their lanes.

He answered for both houses. He said they would work together.

Now, the neighbors who predict that street's ruin have a list, and the list is accurate. The debt. The manipulation. The subordinated central bank. The bullying. I watched every item accumulate, and I dispute none of them. But the doomsayers have written obituaries for Wisteria Lane for fifty years, and they keep burying the wrong resident. Their arithmetic of collapse assumes a street divided, houses leaking information against each other, a Fed fighting a Treasury, allies drifting free. That is the street they modeled, and that is the street being renovated. A family that stops feuding can carry a mortgage that would sink houses at war with themselves.

The consolidation is not a symptom of the end. It is the mechanism of the postponement. So do not expect the finale the critics keep promising. This show renews for several more seasons.

The Black Hat season now beginning can run for years, plausibly decades, and it will survive elections, because the competition demanding it does not appear on any ballot. The degree will vary. The marketing will vary. The pendulum will swing back a season here and there. But the overall trend will not. There is a darker episode at the far end of this story, the one where the instrument stops taking direction, and the catalog has already described it. It is not in front of you. But the residents who sleep well on this street are the ones who know it exists.

For those of you holding portfolios rather than grudges: the writers of this report will give you the details in their own voice, in the pages ahead. I will only tell you what I can see from up here. The capital in this neighborhood keeps flowing toward its nicest street, in the calm and in the storms alike.

The family that owns the weapon, the printing press, and soon each other is not the family to bet against on any horizon you answer for. Own their assets, respect their cycles, keep a roof for the tail, and stop reading obituaries written by people who cannot see inside the houses.

I can. That is the one advantage of being dead.

But before I show you the lane, the people who wrote this report want the floor back for a moment. They are worried, and they are right to be, that a street famous for gossip is a dangerous place to tell a serious story. So here is their argument, stripped of me entirely.

What we are arguing:

First, Fed independence is a myth. The Fed has autonomy, meaning operational discretion granted by the sovereign and revocable by it, not independence, meaning the capacity to prevail in a genuine conflict with the sovereign. The historical record shows episodic resistance and structural subordination, and it shows something more specific: the Fed has always run monetary policy, but the Treasury has always run dollar policy, and the dollar is the weapon.

Second, the Fed and the Treasury are functionally merging. No legislation is required and none is likely to come. Treasury dominance is already operative whenever dollar policy takes precedence over interest rate policy, and the America First posture makes that precedence permanent. The evidence is no longer theoretical; it is on television.

Third, the driver is structural, not personal. Fed independence was the correct model for the world it served. A rules based, greater good, multilateral order needed reactive, divided, thermostat institutions, and for decades they delivered. But the model was fitted to the system, and the system is gone. Great power competition demands unified, proactive management of tariffs, sanctions, issuance, stablecoins, and swap lines as one instrument, and unity of command is incompatible with a genuinely independent central bank. Because the driver is the competition rather than any administration, the trend survives elections. The degree and the marketing will vary; the direction will not.

Fourth, the consensus has the consequences backwards. The pathologies the bears cite are real: the debt, the manipulation, the subordination, the bullying. But their collapse arithmetic assumes a divided house, and the house is unifying. Consolidation extends the dollar system's runway rather than ending it. The bears are right about everything except timing, and consolidation is why.

Fifth, what the critics' broken clock actually misses is a chapter. Between the republic they see decaying and the collapse they keep predicting lies the transition history usually delivers instead: republic to empire. A unified Fed and Treasury, the mint and the treasury passing under one command while every republican form stays standing, is the classic signature of that transition. We named this empire a year ago in *Empire by Code*, watching it expand outward through distribution; this report documents its consolidation at home, two halves of one story. The Black Hat era is the imperial



chapter, it can run for years, plausibly decades, and the tail scenario, the uncontrolled cascade [The Band](#) called Sympathy for the Devil, sits at the far end of the empire, not the end of the republic. It is real, it is the ultimate destination, and it is not imminent; positioning for it as though it were is the most expensive mistake available.

And finally, positioning follows from the above: own the consolidated household's assets, respect the cycles it produces, participate in the voluntary dollarization it is distributing, and keep the tail hedge on precisely because the household itself believes it has abolished the tail.

There. That is the whole case, in their voice.

The Case in Six Claims		
	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.

The rest of this report is the evidence.

Now let me show you the lane...

ABOUT

Santiago Capital Research is an amalgamation of ideas, experiences, and investing disciplines sourced over decades from the minds of Brent Johnson and Michael Peregrine.

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