MACRO Voices
with hedge fund manager Erik Townsend

Larry McDonald: Fed Will Be Forced To Cut By The End Of The Year

April 13th, 2023

Erik: Joining me now is New York Times best selling author and Bear Traps Report founder, Larry McDonald. Larry, it's great to get you back on macro voices, it's been too long. I want to dive right into Fed policy but with a twist. I've been talking to a lot of guests recently about this balancing act the Fed has gotten itself into. Where they're kind of backed into a corner now to where, you know, they need to hike in order to fight inflation, yet they need to cut in order to prevent markets from having a meltdown here. It seems to me there's a whole other dimension to this conundrum that very few people are even talking about, which is we've got a debt ceiling showdown coming up this year. And it's going to be I think, more interesting. I think the fireworks will be more interesting in an environment where Fed policy is already constrained. So how does the debt ceiling factor into monetary policy?

Larry: Well, what's amazing about it is you have a dynamic toward the middle of the year of 2023, where you're going to have about $1.2 trillion of treasury issuance in arrears that are going to have to get cut and because right now, Janet Yellen and her team are really suppressing issuance because of the debt ceiling. And all of that issuance is going to have a colossal catch up from late July, early August, all the way through the end of the year. And then there's the normal financing period. And so this is a dynamic that is so powerful. I think that if the economy turns which we think it's going to, we could see the Federal Reserve in the yield curve control, QE by the fourth quarter, because there's just so many bonds that have to be sold to the public.

Erik: What would that mean if we're trying to fight inflation, and we're forced into a situation like that?

Larry: Well, that's the thing is that if you're trying to find inflation, the way I look at the dollar is that if the Fed is cutting rates, right? Or doing QE and the rest of the world is improving, that sets up for a much weaker dynamic. So the way you look at the dollar is what the Fed is doing relative to all the other central banks in the world. And then it's, then you have to think of, okay, what's the US economy doing relative to the rest of the world. And so, if the rest of the world is coming out of COVID, coming out of the war, if we get some type of deterrence in the war, and we clearly have a global reopening, then you have a dynamic where if the Fed is doing QE, or yield curve control, the fourth quarter of 2023, or the first quarter of 2024, it does set up for, you

know, a much weaker dollar, which will, you know, kind of gets into our core thesis. Is that in all the previous regimes, the Feds been able to get inflation back down to 2% or below, right? This time, the probability that we get stuck in a 3 to 5% inflation range for a long time is extremely high and what that means for people listening to us right now, you need a whole new portfolio construction than the previous decades, darlings right? The previous decade was really a deflation setup, where deflation and disinflation empowered financial assets like bonds and tech stocks and growth stocks. Now, if you're stuck in that kind of more sustained inflation regime, you need to be a whole new basket of investments. Value stocks, maybe European equities, emerging markets, but more value in hard assets than financial assets.

Erik: Now you're talking about yield control and QE by the end of 2023. That sounds like it means a mountain of new Treasury issuance. Is that right and what are the implications?

Larry: Yeah, so it comes out to about 1.2 trillion of issuance, that they're going to have to do a massive catch up. Because right now, we've already done in the first six months, the CDL said today or that we're going to have right now a $1.1 trillion deficit in just six months. So that means we're on a pace for potentially $2 trillion deficits in a year. And that's on the heels of of last year in previous years of $2 trillion deficits. So it's just the people are forgetting how much you know we need China. We need the rest of the world to buy our treasuries. But we also now have Europe trying to sell more bonds than ever. Asian countries, emerging markets are all selling more bonds than ever. And so there's no question that the Fed is going to get forced into some type of yield curve control, because the social promises... Just look at the Inflation Reduction Act, as well as the infrastructure bill that the Biden team... those are Biden's two primary, you know, pieces of legislation, and you have a Republican kind of Freedom Caucus, that is going to try to put on a big show here toward the middle of the year. And you've got speaker McCarthy that's going to try to do a deal. But this you know, I sympathize with Speaker McCarthy. This is a guy that had a tough time, you know getting in the seat, right where he actually has some enemies inside the Freedom Caucus. So the probability that we run into some, you know, some of this fiscal tension, because if the GOP tries to stop the Democrats and their spending plans, and you've got some of these Freedom Caucus, people that are, you know, very altruistic and want to make a political stand, it really sets up much worse, a much more violent transaction than even 2011. Which, if you remember, President Obama got forced into the sequester, finally, but that was when Moody's or I think it was the S&P threatened to downgrade the United States.

Erik: Let's talk a little bit more about that scenario, because it seems to me that if ever there's been a political environment that was ripe for somebody to cause trouble, we've got it with everything going on politically, we've got the charging or the indictment of former President Trump, which has infuriated the GOP, and of course, the Democrats have, you know, are ready for having their lynch mob or whatever is coming next. It seems to me like every time in the past, we've built up this complacency where people said, Wait a minute, if we get to that debt ceiling, and we don't pass up an extension, and we default on just one Treasury payment, it's going to affect the United States credit rating forever, we can't let that happen. So far, we've never let that happen. It's gotten to the 11th hour and then finally, somebody, you know, makes

a deal in just before there would have been a default, they end up not defaulting. What if we end up defaulting this time? Seems to me like the mood is ripe for that to happen.

Larry: Yeah, what they will probably do is when you come down to the end of Janet Yellen is what we call extraordinary measures. And we're going to come down to a June 30. That's the key date of when those extraordinary measures may run out, what they'll start to do is they'll start to say, okay, they'll look through the fiscal responsibilities, and they'll start to pick and choose things that can be postponed or things that can be kind of pushed out. And that will happen is it during the Obama years, the Obama team, I think work behind the scenes with the rating agencies. And the radio agency is really pushed hard on the Republicans so the whole thing was politicized, where the administration will want to make the Republicans look bad, right? I wouldn't blame them, right. So you're going to, they're going to be working with the rating agencies behind the scenes. And as they start to have to pick and choose where they're going to have to default. That's where the rating agencies are probably going to have to step up, and then try to enforce some muscle on the Republicans and that probably happened sometime in July, as it did in 2011.

Erik: Larry, let's talk about magnitude and scope of where we are in the story. Because for years and years and years, we were just all in this mood of wow, we can't believe how long the bond bull market has lasted. We've got super low interest rates. But boy, if we got every cut back to normal interest rates, a lot of people predicted that would be the point where the borrowing cost would cripple the federal government and it would be all over, you know, the doomsday blogger said that would be at the you know, everything goes up in smoke at that point. Well, everything hasn't gone up in smoke. But we have gotten to the point where we're back to normal interest rates, what has happened to the federal government's balance of payments? How much are we spending on interest and how does that relate to how much we can afford to spend on interest?

Larry: Well, that's the big bombshell for the fourth quarter of 2023. Is that you're going to have this big awakening around, first of all, as the economy softens and right now, most of the street is starting to take down gross domestic product estimates because of the banking crisis and because of the commercial real estate stresses, right? So, that's potentially a threat to tax receipts which have been strong over the last couple years. So, if you get tax receipts a touch lower, and then you've got interest rates because the Fed forced that front end of the curve up near 5%. Your interest expense is going to go up near $1 trillion on a run rate of interest expense, and then your interest on excess reserves have to be paid. So those two things combined, we're going to force tremendous amount of issuance from the treasury. That as Greenspan said years ago, at some point you get a crowd out where treasury issuance of bills and notes starts to crowd out the corporate issuance. And so you've got so much borrowing that comes from the federal level that this huge wall of maturities that are going to start coming in 2024-2025. One of the blessings of the Covid period was that because the Fed was so accommodative, a lot of these companies were able to extend out maturities and issue lots of paper in 2020 and 21. And so that maturity wall, that colossal beast of a maturity wall that is in, you know, the corporate bond market, especially at high yield, that got pushed out to 2024-25,

and now that's coming right into the jaws of this massive amount of issuance of treasuries in the fourth quarter, and once again, that's another thing that probably forces the Fed into some type of advanced QE or yield curve control because they're just going to really cut off the corporate bond market and there's a lot of zombie companies that really had access to capital for so long. You know, Erik, when you suppress the cost of capital for longer and longer, longer periods of time, you enable companies to be profitable with an unrealistic financing level. So this starts to really hit corporate earnings in the first, second quarter, third quarter of next year, as those interest costs on the corporate level go up dramatically.

Erik: I want to focus on this idea of Alan Greenspan crowding out, particularly as it respects to high yield bond issuance, because so many of us have been waiting for so many years for junk bonds to crash, and we've made all these arguments saying, you know, look, this is crazy at one point you actually had negative yielding junk bonds in Europe. I don't think those exist anymore, but needless to say, we went through some crazy periods there. Seems to me like if you're going to hit the market with a wall of new treasury issuance at a time when Russia and China are definitely not buyers. Why would anybody be bidding anything for junk bonds at that point if you got nice attractive yields on treasuries and they've got more than they can sell.

Larry: Yeah, that's the thing when treasury yields get this high, your risk free rate is so attractive relative to equities, relative to junk bonds. And that's exactly why the Fed will be forced to cut rates dramatically by the end of the year because the rates are so high and like I said, your interest costs are going to go up to, you know, during the Obama years, we had interest costs of less than 200 billion a year and now we're going to be at over a trillion a year plus interest on excess reserves. So one of the fallacies kind of over the last couple of years, especially in the last 12 months, is when the Fed and, you know, Bill Dudley and the Feds kind of pawns in the market, talk about, you know, 6% Fed funds or 5% Fed funds forever. It's so disingenuous because if you do the math, the Greenspan crowd out that you're talking about... If you keep interest rates here for longer periods of time, not only is your interest cost a trillion dollars a year just for interest, and that's starting to crowd out corporate borrowing also Medicare and Defense. You know that trillion dollars is bigger than the defense budget. So it's really a fallacy that the Fed can just, you say the Fed's trying to fight inflation.... Everybody knows that, right? But if you're going to try to keep that front end of the curve here for that long, you're going to crowd out, you're going to crowd out the corporate sector, you're going to crowd out defense spending, and you're going to get a tremendous political pushback on Capitol Hill. So that's where the Fed gets forced into at least a hundred basis points of rate cuts, probably by the fourth quarter of this year or first/second quarter of next year.

Erik: I certainly hear you on how they could be forced into cuts but hang on the they need to fight inflation and those cuts are going to result I would think and inflation really starting to run away at that point. At what point do you get to and how can we as investors know how that fight is going to go down between we've got to fight inflation no matter what, versus we've got to cut rates in order to accommodate the market? What going to happen or how will we know who's going to win the political battle?

Larry: Well, the good news is that inflation, the Feds going to be able to pull up the sales pitch because inflation is coming down at a rate that looks like wow, this is like you can make the case. I mean, I think the Feds going to look like Michael Jackson doing the moonwalk. As we saw this in the last couple of Fed meetings, he mentioned disinflation, I think something like 50 times or something like that. So the moment you get some disinflation, which we are already getting because of the banking crisis, and because of the commercial real estate crisis, and the contraction of lending, the Fed will embellish or exaggerate the propensity of inflation to keep on that downtrend, you know, that downplaying. But, like you said, where you're bringing up the most important point of this conversation, the problem is, when you're doing this from a higher level, and the rest of the world is normalizing, and that's where the dollar comes into play. If China is in a better spot, and Europe's in a better spot, and the Fed or the US is weakening, that change in monetary policy toward cutting rates or QE, that dramatically weakens the dollar. And that puts you into like a 1968 to 1981 inflation regime where, instead of normalizing down at 2% or below. Now we're going to normalize at this higher plane because of the political, all the political ramifications that have come out of all this spending, since the COVID Dynamic, whether it be the inflation Reduction Act, or the infrastructure plan, we're talking about trillions and trillions of dollars in new spending and that is what creates a whole new need for a new portfolio for the next decade. So the portfolio that worked from 2010 to 2020 doesn't work anymore, the portfolio from 2022 to 2028 is much more of a hard asset, emerging markets, and value equity portfolio that's probably going to work much better.

Erik: Larry, I want to move on to energy markets, which are near and dear to my heart. And I know to yours as well, you tend to look at the energy markets more from the perspective of the equities, the actual oil and gas companies, as opposed to trading the commodity itself as I do. Give me some perspective on what you see going on for the oil and gas sector. Because you know, even if I think the commodity price is going up, which I do, I can also see that the industry is still facing a very unfavorable government attitude problem, at least in the United States. And in general, my observation is that the people in the world that are obsessed with climate have their heart in exactly the right place. But they're trying to phase out fossil fuels before phasing in the viable replacements that will provide us with clean energy. And it seems to me like it's a pretty hostile environment for making a buck in the energy business. Given all the government pressure and environmental pressure that exists. What do you see on the horizon for oil and gas?

Larry: Well, we've got this incredible dynamic Erik around, you know, a unipolar world versus a multipolar world. So if you think of like the last 20 years, the US always had either China or Russia. One of the two in their back pocket, and to some extent, even the Saudis as well. So think of the Saudis, the Russians, and China. One or two of those three have been really in the back pocket of whether the Clinton administration would be the Reagan years, whether it be the Obama years, there was a unipolar world where we always had one or two of those as a close ally. And now, you know, we kind of are coming into a period where multipolar world where those potential three or definitely two of the three are not cooperating with different parts of our government. And what that means if you think of what went on with COVID, the Russians and the Saudis have had actually a big fight, and they were actually increasing oil production. And

so that helped create a disinflationary force. So there's been these disinflationary forces the last 10 years and a lot of it came out of the natural progression of a unipolar world where the Saudis were playing ball, the Saudis and the Russians were not on the same team. Therefore, they actually did a lot of things in terms of increasing production at the wrong time where oil went negative, which is ridiculous. And that created disinflation and deflation. Now, you know, they've learned from those mistakes, it's much more of like the Saudis, and the Russians are on the same page, and they're coordinating. So they have much more power and control over oil prices than they ever had before. And so as you go in toward a recession now, in the old days, last 15-20 years, if you went toward a recession, oil prices would go way down. Now, because as you said, because of environmental restrict restraints, and because of capital discipline that now exists within the big oil companies, there's just not enough investments there. So the Saudis and the Russians who are working together, it's much more than they ever have. Even with the Chinese, they have a much better control over the oil price, so they can actually keep it at a higher plane. That's once again, that gets into your more sustained inflation regime, inflation that normalizes between three and five instead of one and two.

Erik: What does this mean for M&A in the energy business? Are we going to see more consolidation of companies?

Larry: Yes, so we run a model and at the Bear Trap Support, we have a live chat with about 650 institutional investors in 23 countries. So these are buy-side, these are hedge funds, mutual funds and pension funds. And we run a live conversation during the day in one of the things that clients are talking about is the reserves... Let's say, your Chesapeake's, your Range Resources, your Southwestern Energy. Your reserves are the smaller companies versus the market caps. The company's have much better value than they've ever had before on the smaller side.Think of the majors versus the minors, right? So the amount of natural gas and oil and gas that the smaller companies have in reserves relative to their market cap is much greater than previous cycles. And then you take on the fact that because of from the regulatory point of view, how difficult it is to explore and find new assets, new reserves. If you're the main, if you're Chevron and Exxon, five years ago together, you had maybe 6 billion of cash right? Now you've got 40 to 50 billion between Exxon and Chevron, you got a lot of cash. And you see all of these assets around the world, your Southwestern energy, your Chesapeake, your Range Resources, your Pioneers, all these Murphy Oils, all these companies have tremendous reserves relative to their equity market cap. And so what this is setting up for is one of the most impressive, most historic regime changes where the oil majors that are generating tons of free cash flow, because of all the legal constraints that you just described, that your program has been describing for years.... For the last two years, at least because I listen to the podcast on a regular basis. And what you've been driving home is that this is much more difficult to actually go out and hit the legal authority to go find these new reserves. So we're setting up for a massive consolidation in the energy space that that is setting up for an incredible opportunity for our listeners and our investors.

Erik: So your hypothesis is that what's going to happen is the majors are going to acquire the smaller companies because that's accretive to them, essentially, if the market is paying a share

price, which is effectively a multiple on reserves, and that's what the majors are getting. Then if they acquire miners that have a smaller share cost per unit of reserves, they're going to get paid the higher amount once they become part of a major. Is that the gist of it and does that mean that we get a consolidation to where there's just two or three oil companies that buy up everything? What happens next?

Larry: Well that's it but I want you to think about what a moment we just went through, you know, Pioneer, Exxon... Exxon is your Goldman Sachs of energy. Exxon is your Apple of energy, right? So if Exxon is looking at Pioneer, which just hit the tape over last week. You know, many news reports that talk about the two companies in discussions. This tells us, this is a marquee moment, where Exxon is you remember after the great financial crisis, Exxon did that EXCO transaction, right. And so with someone like Exxon Mobil comes in, and makes a transaction of this scale, which would be the largest potential transaction and merger and acquisition since that famous EXCO transaction just after the 2009 financial crisis. It's the big Domino. It's the big kahuna. It's Exxon coming in and once they come in which we think they're doing, it reprices the whole market. So now to your point that you just made brilliantly, Erik is that so when you're in a non-M&A regime, all of a sudden, year-by-year, month-by-month, a lot of those assets start to trade very, those incredible reserves start to trade over time, very, very cheap to the market capitalization of the equities. So Southwestern Energy, SWN, or Range Resources, these companies are trading extremely cheap to the reserves. And that's what happens when you go through a long period without a big transaction. But once you get someone like Exxon coming into the market, it's like a marquee name, game changer and it changes the way everybody looks at these companies.

Erik: So do I understand correctly Larry, that what you're doing now as a strategy is buying up companies for which the market is paying a relatively small premium per unit of reserves. And the arbitrage is essentially get reserves on the cheap because you know, those companies are going to be acquired.

Larry: Yes exactly! Get the reserves on the cheap. David Einhorn, Greenlight Capital, he's been very public. A number of hedge funds are looking at this kind of relationship between reserves and market cap. And we have are in the Bear Traps, we have trade alerts that we've been building a position in Antero (AR) and in Southwestern Energy. We're looking at Range, we're looking at Chesapeake. But we've positioned our wealth management clients and our family offices in these names in anticipation of a big move like this. And we also had another transaction in the last couple of weeks OVV equity, which is Ovintiv, that was a Permian property that was acquired for $4.3 billion. So we definitely have the first couple of dominoes and that's what creates a whole new game changer in the way in terms of the way the sell side or the banks start to look at these companies.

Erik: Larry, when you talk about the companies with cheaper reserves being acquired or becoming acquisition targets, is that just a US phenomenon or is it global? And specifically what I'm really asking is, will there be a preference on okay, in a friendly jurisdiction, you know, with inside the United States, we know what our laws are going to be. Whereas if you're buying oil

producing assets in Guyana or someplace, you never know what the rules are going to be. How does national geography and jurisdiction come into the the analysis of this common consolidation or acquisition trend that you see on the horizon?

Larry: Well, I did a speech in Brazil six months ago, and I get invited to the Office of André Esteves, who is CEO of BTG Pactual. Brilliant guy worth about, you know, billionaire worth about 18 billion. One of the best investors in all of Latin America and all over the world? And he had read my book, a colossal failure, common sense, the Lehman book and I didn't realize he was a fan. I was invited to a private meeting in his office. And I was really impressed with him. And, and for the first question, I asked him, I said, What is BTG stand for? And he sat back in his chair and laughed. He said, Better than Goldman. It's a very interesting guy but one of the points he made which struck with me to this day is that in this new multipolar world, the whole east-west Supply Chain dynamics that took place after think of the Vietnam War. So we had the Cold War in obviously, for the 50s, 1960s, 1970s. After the Vietnam War, the Cold War dissipated and it opened up this incredible period of global history and finance, where the East-West supply chains from the United States to China through much of Asia, in terms of, you know, in terms of the US, in terms of the planet, the US had a lot of allies, and there wasn't this multipolar adversarial backdrop that's developing. So you could have just-in-time trade in terms of your supply chains and what Andre still was talking to me about was, he thinks that the United States in this hemisphere between the US Mexico and Brazil and much of Latin America, you're going to have an East-North South supply chain that's going to back up the major East-West.

But he also talked about US companies in the energy space in investments. And we talked about what we're talking about now, where if you're a US company. Today, you're Chevron or Exxon, you want to have more U.S. or friendly what we call friend-shoring assets where you make investments in areas that gives you secure assets, you will have much more secure reserves, right? Whereas, in the peace dividend coming out of Vietnam, companies felt pretty comfortable, you know, in the 80s and 90s, even early 2000s, about making more global investments. So the tensions between the United States and Russia and China in this new multipolar world are setting up a much more friend-shoring dynamic, which I think and at the Bear Traps Report, and our clients and our institutional chat is where we're getting some of these ideas from hedge funds and asset managers around the world. There's going to be a much more premium that's going to come in to rare earth companies, oil companies, metals and mining companies that have the right assets in this hemisphere.

Erik: It seems to me that we've got to return to the de-dollarization topic that everybody seems to want to dismiss, at least that's been my experience. I started writing more than a decade ago about Sergey Glazyev have and his de-dollarization campaign and everybody used to just laugh at me. Well, now we've gotten to the point where there are a lot of countries around the world making agreements to settle their oil trades, not in US dollars but in their local currencies. And of course, the significance of that is if they're not using US dollars, then you no longer create the artificial demand, the international demand for the US Dollar as a global

reserve currency. And that has potentially staggering implications for the US economy. Are we finally at the point where de-dollarization matters?

Larry: Well, if you think you think of like the transactions over the last couple of months, we've seen the first LNG transaction, I believe between France and China. Liquefied natural gas, where they're doing a transaction that's outside of the dollar regime. And so we're seeing more and more of these transactions. And in one of the themes in our next book, our first book was about the Lehman crisis. And our next book is about this global multipolar dynamic. But if you take sanctions, your sanctions, weapons aggressively should be used once every decade. But over the last 15 years, both Democrats and Republicans administrations have used the sanction weapon fairly violently across a lot of chunks of emerging markets. So we're incentivizing this behavior away from dollars for sure. And then when it comes to LNG in the war in Russia, you know another thing that gets us excited about the energy trade is you're talking about right now, in terms of global exports of LNG, you're going from 12 billion cubic feet to 30 billion cubic feet of exports to Europe and so that's a whole new demand engine. And so you're right, this de-dollarization trend is in its early innings, and that's a trend that's going to just keep driving and driving and driving. The US needs to use LNG and its strength in this area in terms of exports to protect the dollar the best they can because even in this regime, we are already seeing transactions done in LNG away from dollars.

Erik: Well Larry, I can't thank you enough for a terrific interview. But before I let you go, I want to come back to the book, your first book was a terrific success. It was of course, the colossal failure of common sense. It was about the Lehman crisis. You're working on another book, you just alluded a little bit to what it's about, give us the full story. Why a new book now? What's it about and who's it for?

Larry: Well, it's really a way to connect with younger investors that are looking at the previous decade, and versus the next 10 years. And so there's a lot of people that are really complacent around sustained inflation. There's really a universal belief that inflation is going to normalize back under 2% go back to 1%. And so one of the things we talked about in the book is that when you had the Lehman crisis Erik. The Lehman crisis, you had a sovereign solution. So the sovereign bailout of all the big banks, right? And then with the COVID crisis, the Lehman crisis ended up being a 2.5 trillion fiscal monetary response to the Lehman crisis. There was a 2.5 trillion fiscal and monetary response, the COVID crisis was a $10 trillion fiscal and monetary response, which bailed out the lockdowns of the United States, and the suppression of economic activity that the government wanted to put forth to protect society from the COVID variants and the like. But so you're talking about a much, you know, much bigger fiscal and monetary response. And now over the last year and a half, you've got a lot of these energy bills that have been piling up in Europe, and in the United States, and you've got a much you've got a big bailout once again, a sovereign bailout of energy bills around the world, which is supporting that the energy prices because you're not allowing the market to really take care of high oil prices around the world.

The Europeans, Mario Draghi took hundreds of billions of dollars and is basically providing that capital to voters, which are, in some respects, you know, paying the energy bills. So we've had these sovereign bailouts that have been rolling around the planet for the last 14-15 years. And it creates a whole new dynamic around where inflation is going to normalize. And, like you said, the dynamic around the dollar and the fact that more countries are moving away from the Dollar as the reserve currency and the fact that the Fed may get forced into some type of, of QE/QT. All this sets up for a weaker dollar regime, not a dollar crash, but a regime where you have a planet Earth that is rebalancing where as an investor listening to us right now, you're going to want to have a portfolio that's much more focused on value stocks, emerging markets, European equities, and hard assets. You know, your gold, your Silvers and your rare earth metals.

Erik: And Larry, I want to touch on the Bear Traps Report itself, which is spectacularly popular in the industry. You were kind enough to extend an offer, which subscribers will find in your research roundup email, you'll find a link for a free trial of the Bear Traps Report. Tell us a little bit more about it.

Larry: Well, I'm really proud Erik! You know, I started off on the retail side of the business as a financial advisor in the 90s. And over the years, I spent most of my career on the institutional side, working at Lehman and Stock Gen, and now part of the Bear Traps platform. So most of 80% of our revenue is from your hedge funds, pension funds, your mutual funds, your real asset managers that are on the buy side. They're professional investors. But what we what we've done is we want to give the retail investor or the family office or your listeners a lens on that buy-side conversation. So I think it's important that people listening to us right now understand, you know, forget about the bank sometimes because the banks. So your major banks, whether it be you know, Goldman Sachs or Morgan Stanley, or any one of the big banks, they're typically asked to have a view and there's biases that are involved there. What we try to do is we want to give clients a lens on okay, what are the professionals really thinking about... Where we are allocating capital, and we're, you know, where is our highest conviction trades, and that's what we're focused on. It's a very rewarding process.

Erik: And again listeners you'll find the link in your research roundup email for a free trial of the Bear Traps Report. Patrick Ceresna, Nick Galarnyk, and I will be back as MacroVoices continues right here at macrovoices.com