



## **Marko Papic: Geo-macro Outlook for 2026**

### **Erik Townsend**

Joining me now is Marco papich, geo macro, chief strategist for [BCA research](#), very well known for his geopolitical and political commentary regarding markets, Marco, let's dive right in, because there's so much to talk about this week. I think Venezuela is probably the first thing on everybody's mind. You know, normally, if you're going to start an air war, the first thing you do is declare a no fly zone through a very well defined military and political protocol. President Trump did it a little bit differently. He did it on truth social instead. What should we make of that? Is that an official no fly zone, or is that just the president kind of expressing himself? What was that?

### **Marko**

I have no idea, to be honest with you, but we have to take President Trump's tweets, socials, whatever we're supposed to call them nowadays. We do have to take them very seriously. You know, I mean, he's he's declared trade wars, he is declared peace treaties. He has declared new geographical names. So I think that we have to take his warning that you shouldn't fly any airplanes over Venezuelan airspace very, very carefully.

### **Erik Townsend**

Well, certainly that is being respected. If you look at flight aware, you can see that all the airplanes stopped going into Venezuelan airspace because they don't want to get shot down. What's coming next? Because if this had been through the the normal Pentagon channels, I would say, Okay, if they're declaring a no fly zone, it means they're about to start in an air war. But you know, if I look at President Trump's track record, he tends to like to go into negotiations with big, tough talk, and then negotiate some different settlement. So how should we interpret this? Is it a prelude to an air war, or is it maybe just President Trump setting the stage for a negotiation?

### **Marko**

I mean, I think you've nailed it. I agree 100% with you. I think that President Trump has very defined Seven Steps to maximum pressure, as I've articulated it and called it for my clients, my frameworks worked really, really well. For example, I never really got bearish this year, not on April 2, not on April 10. He was talking very tough about tariffs. He likes to punch people in the mouth, in the face. He triples down on it just when you think he's about to start negotiating, and then he starts negotiating when you least expect it. So I do think this is a prelude to negotiations. Maduro, according to just press reports. I mean, I'm not sharing with you anything that is not public knowledge, but Maduro is very clearly offering quite a bit to President Trump, and I think that President Trump being the negotiator he is. He understands that he has a lot of leverage in this particular situation, and so he's just, you know, asking for more, as I think, is the objectively correct thing to do. Now, I can't tell you what happens over the next, let's say, 30 days, but I can tell you what does not happen beyond that, there will not be a ground incursion into Venezuela. You can be assured of that there will not be a war between the United States of America and Venezuela. And the reason for that is that President Trump is very clear that Afghanistan and Iraq were tragedies, a waste of resources, and probably the dumbest foreign policy move in American history. And so I don't see him repeating something that he clearly abhors in Venezuela. But will he turn Venezuela into a parking lot if he doesn't get what he wants from Maduro? I think, you know, I think it's 5050, I could happen, and that's something that the United States of

America can easily do, particularly in this part of the world. Venezuela has no ability to defend itself. The US will basically conduct the suppression of enemy air defense operations within a week, and then after that, it will be able to bomb whatever it wants in Venezuela for as many months as it wants. So, yeah, I mean, Maduro is definitely on the clock here and has to offer a better a better deal to President Trump.

### **Erik Townsend**

Now, Venezuela has more oil reserves than anyone. So, you know, I could see this going one way, which is, if there's going to be this military conflict like you've described, it could potentially put, you know, a real upward pressure on oil prices is people get afraid about supply, but boy, if President Trump made some kind of deal for us oil companies to really develop Venezuela because a lot of its resources have not been efficiently utilized, that could be a long term very bearish signal for oil prices, because it could mean that we're about to, you know, go and redevelop a bunch of untapped resources. What do you do in a case like this? You know, which way do you bet, if at all, in markets?

### **Marko**

So you never really asked me, Why is President Trump doing this? But you're answering it right, and I agree with you. This is the answer. But why? Me. Why now? Why on December 2, 2025 why? Why the urgency? You know, is it ahead of the midterms? I don't know. I mean, it seems to me like it will be politically more convenient to do something like this after the midterms, when all the risk of getting flack in Congress is President Trump is getting right now for some of the you know, dubiously legal military operations, like who authorized this? For what reason? How is Venezuela threatening the United States of America? These are all risks. So why is he taking these risks right now? And I think the answer to this is quite oil bullish. So there is no world in which America replaces Maduro and oil starts flowing within the next 12 months. That is a fantasy. And if somebody sold that fantasy to President Trump, who is not exactly, you know, knowledgeable of how energy works, well that that somebody is obviously trying to get something accomplished here. But there's no world in which America like defeats Maduro, whatever that means, and suddenly oil starts flowing. So I don't really see a bearish outcome for oil prices, at least not in the next 18 months. You're right. Venezuela has a lot of reserves, but you got to understand, this has been a country run by communists. For the last 25 years, they've destroyed the productive capacity of pdvesa and of their engineering and servicing. No amount of American service companies are just going to show up and turn on some magical pipeline that's that's not just not how the world works. So then again, what's the urgency? And I think that the answer to that question may be the meeting between the Crown Prince of Saudi Arabia and Mohammed bin Salman two weeks ago in Washington, DC, with President Trump. Saudi Arabia has been a very good partner for President Trump and the US administration. They've kept OPEC production very high. Oil prices have been very low throughout this year, even with all the geopolitical stuff going on in the Middle East. And it's clear that Mohammed bin Salman has said to President Trump, look, I know what's your number one political issue? It's CPI. It's inflation. I'll help you with that. But Saudi Arabia has its own domestic political logic. I mean, it's trying to nationalize nation. Build, rebuild the whole country. Move it away from oil revenues. Build industry. Build new parts of the country. And for that, you need oil revenues. Saudi Arabia cannot just do America's bidding forever. At some point they're going to need Brent crude prices to be higher than \$60 not like in 100 but let's say 7075, I suspect that Mohammed bin Salman came to the United States of America two weeks ago and very politely told President Trump, like, look, I gave you 12 months. You told me CPI is important to you. Inflation is a big deal. I gave you that. I can't keep doing this forever. I know midterms are coming up in November, but I need some of that oil revenue too, and I suspect that that's where the urgency comes from. The US needs to find another source of crude, because they know that the OPEC production policy is going to change in 26 there's going to be less supply on the market in 26 and so that's where I think the urgency of this comes from. And I think that there's nothing but upside to oil prices in that case, because it means OPEC production is going to have to be cut. Saudi Arabia probably told the US that. And on the other hand, this notion

that the US can replace Maduro, and voila, there's like, 17 million barrels of day production. I think that's going to be very disappointing, because that country is a mess. It's been driven into a Third World status, and it's gonna take years to get production up.

**Erik Townsend**

Okay, I feel like I'm missing something, because I agree very strongly with you that if President Trump made some incredible deal with Venezuela, and it's gonna be really, really bearish for oil prices, it's bearish royal prices five to 10 years out after they develop a bunch of new productive resources that do not exist anymore in Venezuela, there is no switch to turn back on. So if the issue here is MBS came to the White House and said, Look, Mr. President, I've given you as much room as I can give you. I can't extend it all the way to the November midterms. Expect oil prices to come back up. It seems to me it would be foolish to think that Venezuela has any part to play in solving that problem. Are you saying that President Trump just doesn't get it?

**Marko**

No, I think he gets it, you know. But what are you going to do? You can't just sit on your hands. You got to at least show that you have a plan, right? And I mean, part of the plan is drill, baby drill, deregulation of American resources. Hopefully that picks up. The problem, of course, is that Saudi, Saudi price control has been so successful that nobody wants to drill. Baby, drill, President Trump can deregulate a. As much as he can. You know, he can encourage me and you to put an oil rig in our backyard, but we're not going to do it with oil at 60. So there is like a paradox for President Trump, he's almost too successful. Over the last 12 months, Saudi Arabia brought oil prices down significantly. That's been great, but that has also discouraged production, both in the US and everywhere else. That's the paradox of this, you know. And so he can't, he can't look like he's not doing anything. And at least, you know, the, let's say the three to five year plan. Let's give a little bit more benefit to maybe the White House in five to 10 years. But at least he can say, hey, look, yeah, all prices are back at 7075, maybe even \$80 but we got a new guy in Venezuela, and don't worry about it. In three years, we'll fix it.

**Erik Townsend**

It seems to me, just thinking about the way politics work, President Trump really needs to get gasoline prices in the United States as low as he can get them through the November midterms, because that's his best strategy to lock in a, you know, the Republicans continuing to control the Congress and so forth. Is there a conversation he can have with MBs to say, Look, you guys want to get away from oil revenue, you know, let's make a nuclear deal, which it seems like they are going to sign a section 123, agreement. Is there some deal that he can offer to Saudi Arabia to entice MBs to keep oil prices low and make them even lower through November.

**Marko**

Yeah, I think so. So I don't think all is lost. I think you know, Crown Prince Mohammed bin Salman either told President Trump that the production quotas are going to go down, or he made a deal, such as, what you were in for. I don't think you know it's a foregone conclusion that Saudi Arabia is going to demand 70 to \$80 prices tomorrow. But, I mean, I just wrapped up an analysis in Saudi Arabia, literally, today. And I can tell you from just looking at the charts, the Saudis are starting to really run out of fiscal room, and they need to start issuing debt quite aggressively in order to finance a lot of their very ambitious and impressive priorities. And so I don't know the timing exactly. I think that Saudi Arabia can easily hold out until the midterms. Give President Trump what he needs until then, but I don't think they're going to be happy that it's going to take another 11 months, you know, and if that was the conclusion of the meeting, then for sure, Saudi Arabia got something else in return. Marco.

**Erik Townsend**

How much value do you think the section 123 agreement, which means the US basically opening up its intellectual property, sharing around nuclear energy technology with Saudi Arabia, and allowing Saudi Arabia to leverage US nuclear engineering capabilities. How valuable is that to the kingdom? How much you know, would they be willing to do in order to get that? Because it seems like that's the thing that's on the table.

### **Marko**

Yeah, for sure. I mean, I think it's extremely, extremely valuable, but that's not going to solve Saudi Arabia's, you know, not problems, but it's not going to solve for their ambition. At the end of the day, Saudi Arabia doesn't need, like, an alternative source of energy. What Saudi Arabia really needs is revenues from oil. It needs them in order to do fixed asset investment inside of Saudi Arabia. And while President Trump did allow them to share intellectual property on nuclear he did also ask Saudi Arabia to invest money in the United States of America as well. And so that's just a lot of outlays that Saudi Arabia is on the hook for they have to rebuild their entire economy. And by the way, I think a lot of the commentary about Saudi vision 2030, is very, very critical. I actually think that 85% of it is pretty good, yeah. 15% of it is kind of like, you know, big hero projects like Ronaldo playing soccer in the desert, you know, things like that, there's there's some of that, but I would say the vast majority of Saudi industrialization and modernization plan is very smart, is just extremely expensive and on top of their own domestic agenda, you've got President Trump saying, Hey, I also need you to invest hundreds of billions of dollars back in the Us so that I don't impose tariffs on you. So nuclear program, nuclear, IP, nuclear, cool technology is not going to solve those problems. Saudis need money, and they sell oil for a living, and so I think the time is running out. At some point they're going to have to tell the US, look, we gave you 12 months, we gave you 18 months. We gave you 24 months. Whatever you know that ends up being but now we need higher oil prices. And look, at the end of the day, that's not that bad. It's not that negative for the US economy. I think actually, current level of oil prices are negative for the US in the long term. And I think they're negative because what the Saudis are doing on. One hand, they're complying with President Trump's directive and demand. On the other hand, they're also doing something that's good for them. They're keeping oil prices low, which destroys production outside of the Middle East, in the US, in the Canadian tar sands, you know, off the coast of Nigeria, off the coast of Latin America, these prices are just too low for that production to come back up. And so that will benefit the Saudis, because a lot of companies are going to go out of business. People are going to go bankrupt. Wildcatters in Texas, you're going to have to find a new job, you know, maybe not go back to wildcatting like the longer these prices at these levels sustain themselves, the more we're going to destroy permanent productive capacity. So I think the I think what President Trump needs to focus on, if he has to focus on, if he wants to focus on affordability and inflation, he needs to prepare himself for a world where oil prices are at 80 and reduce costs of other parts of the US economy through supply side reforms. That's the only way, because it can't just be energy that keeps inflation in check. There's got to be other things as well.

### **Erik Townsend**

Let's bring the Russia Ukraine conflict and the potential of a peace agreement. Seems like President Trump is pushing really, hard for some kind of peace agreement in the Russia, Ukraine conflict. Could it be that the strategy there is to, you know, resolve that to both take a victory lap on on having accomplished peace, but then also to relax sanctions on Russia in order to bring more of that oil back into the market.

### **Marko**

So, yeah, I think that it's all of that again, I we're in violent agreement today with each other, you know. So there's really, I think you've articulated very well. There's really two components of this. First and foremost, this is the largest land war in Europe, actually, on the Eurasian continent, really, since the

Second World War. So absolutely, there's just a sort of a notch in your belt foreign policy accomplishment, if President Trump can get Russia and Ukraine to sign some sort of a peace, even a ceasefire, quite frankly, will be extraordinary. There didn't seem to be at all, absolutely, any attempt by the Biden administration to wind down this conflict. And so I do think that there's a element here where President Trump just wants to get it done. Because, you know, for the gram, as Drake would say. The other reason, though, is that I think that he, he does genuinely think that there can be an oil price, an energy cost, sort of benefit. I think that there will be, at least in the short term. You know, when you think about Russia, Russia is actually exporting pretty much as much oil as it was before the war, but it's the diesel part that's the big issue. There's a there's sanctions on diesel and and Russian diesel could flood the market, which should move all the other products down as well. So I do think there's potentially, let's say, 5% decline in oil prices if the deal just ends tomorrow. I just think that it's difficult to drive them further down. I think we're as low as we're going to get. Maybe Brent gets down to 55 maybe WTI is at 50. I don't think we get lower than that. And in fact, I think the third reason that President Trump may be thinking that he can end this deal, and why it's a good reason, and you can see this from some of the verbiage that's coming out. For example, the 28 point plan that was proposed by by the American administration with Russian input. There were, there were points in that 28 point plan that seemed to suggest that the US and Russia will collaborate. And I think that there might be thinking in the White House that Russia can be flipped so that it's not as allied to China. You know what some people call the reverse Nixon. You know, Nixon, of course, flipped China away from the Soviet Union and allied US and China together. I think that there might be some attempt to potentially start that process as well.

### **Erik Townsend**

Let's bring us China relations into the conversation. Then, what should we make of the growing tension there. There's also this potential conflict that, just in the last few days, happening around Taiwan, in the South China Sea, between various different naval vessels from different countries. Give us the rundown on what's happening and how we should interpret it, how it relates to markets.

### **Marko**

Well, I think that Japan, China tensions could get ugly in 2026 you have the new prime minister, takaishi in Japan. She is a populist and sort of like more nationalist leaning. But you know, her mentor was Shinzo Abe who, of course, in 2012 kind of had this big, big reawakening of Japan. And towards national security concerns. But the other issue also is that unlike Abe, and unlike previous prime ministers, her ruling party, the LDP, is no longer aligned with the pacifists who used to form a majority on behalf of the LDP, she's actually allied with this with this other party, the innovation party, which is a lot more aggressive on foreign policy. Now, they still don't have a majority, but you know, the bottom line here is that this is as aggressive and nationalist, and, you know, foreign policy focused of a Japanese premier as maybe ever, even more so than Shinzo based. So I think that, you know, she's not going to fall to Chinese pressure very quickly. On the other hand, I have to tell you, as someone who's observed China, Japan foreign policy and China US foreign policy for as long as I've had a career, Chinese response so far is pretty muted. It's interesting to me that it's muted. China has a detente with the US. President Trump keeps calling President Xi his dear friend. He's about to go to China in first or second quarter of next year. And so, you know, if I was running China, I would be a lot more aggressive right now towards Japan, just to test the Alliance, you know, can I, can I peel the US off of East Asia? Can I get them to back off? Can I isolate Japan and and China's not really doing that. Um, quite frankly, like the economic, you know, pressure on Japan thus far has been laughable. Um, now that could very well change, and so I would watch that very carefully over the next 30 days, but China seems to actually be more willing to put this to bed than Japan does, and that reflects that Japanese domestic political dynamic. But I think that the biggest story here, aside from the Japan, Japan China tensions, is really US China detente, you know, one of the views I had, you know, even 2418 months ago, was that President Trump is really the only person on the planet that can make a

trade deal with China. He's the guy that flew off in the plane. He's the only one that can land that plane. He is just like Richard Nixon, you know, the famous statement, only Nixon can go to China. Similarly, really only Trump can make a deal. And I think that with his focus on inflation, affordability the midterm elections, I think the big surprise in 2026 may actually be further unilateral, one sided reduction in Chinese tariffs, President Trump may really be left in 2026 with no way to stimulate the US economy other than to reduce the tariffs that he's imposed himself, provided that the Supreme Court, of course, keeps them in place. So I think that could be a big surprise for investors, that the relationship between China and the US actually progressively keeps getting better for the rest of President Trump's

### **Erik Townsend**

term Marco, before we move on to US politics, let's just assimilate all of these different geopolitical situations, because there's so many of them going on. When you net this all together, what does it mean for markets and investors?

### **Marko**

Well, I think that what it means is that geopolitics is not necessarily going to be a major driver. I mean, first and foremost, I think that oil, oil had a terrible year in 2025 I think that it could have a better year next year. So that's, you know, we already discussed the dynamic here. Saudi Arabian domestic priorities, I think are going to take preference in 26 over American domestic priorities. Saudi Arabia can't keep doing America's bidding forever. The second issue is that right now, if you look at European defense companies, they're sniffing out effectively, the end of the war in Ukraine. In fact, aerospace and defense equities, German Aerospace and Defense equities, have broken through their 200 day moving average, they're just falling off a cliff. I think this is an overstated reaction, just because the war ends in Russia and and Ukraine between those two doesn't mean that Europe is going to stop rearming. In fact, Europe has many reasons to rearm. First and foremost, President Putin said today that if if Europeans won a war, he'll give it to them. So it's not like Putin is going anywhere. But the other issue is that for Europeans, a lot of this rearmament is just a fiscal stimulus, you know, and they're not going to abandon that. It's a it's a sweet reason to keep stimulating domestic economy. So I would be looking for an opportunity next year to buy back into those sold off aerospace and defense equities. And then the final issue is, your China, Chinese equities are the best performing equities in 2025 equities in 2025 it's not s p5 100, it's not Europe, it's not Japan, it's not emerging markets, it is China. And so what I would say is that if there is a genuine detente between China and the US, I think that Chinese equities could have even more upside. Remember, even though they went up 40% this year. It's from a very low base. Pretty much none of my clients in the institutional space, like sovereign wealth funds, pension funds, own any Chinese assets. And if they do, it's like 2% of their portfolio. You know, you have many American pension funds that, for various state legislative reasons, are not allowed, like legally, to own public market equities in China. So what I would say is that there is a potential significant flow return to China as many of those institutional allocators, you know, go from two to 4% allocation. And by the way, even 4% is pretty low. This is the second largest economy in the world, 20% of global GDP, and most institutional investors are only 2% invested. So what does all of this mean? If oil goes up, if European defense and industry does well, and if Chinese equities do well, we're really setting up for yet another year where the rest of the world outperforms US equities and US assets, which is what the story of 2025 really was. So that's where I think a lot of these things are headed

### **Erik Townsend**

now, you told me off the air before we got started, that you think US politics are actually going to play a much bigger role than geopolitics in 2026 markets. Let's start with why you think that, and then dive in and give us the overview of what's going on and what your outlook is for US politics.

**Marko**

Well, I think that the midterm election is, of course, important. Now, if I was President Trump's advisor, if you know, if I was in the White House, I would tell him, Look, President Trump, you're going to lose the midterms. You know, like, I don't need any polling to tell you that. That's just as close to science that political science gets presidents lose midterm elections. You know, that's unless there's a major terrorist attack in the US, you're going to lose the midterm election. Now, while I will be absolutely objectively correct with that statement, I don't get a sense that President Trump is not the kind of guy that likes advisors that tell him the reality, you know. So I think he's going to try not to lose the midterm elections. So how do you do that? Well, you cannot have a slowdown in the US economy. And I see a lot of forecasts out there by economists saying, like, look, the labor market is slowing down. The consumers are unhappy. The consumer sentiment is terrible. And so we're going to start seeing a retrenchment in consumption, which is 70% of GDP. And you cannot just have the AI capex boom hold the whole economy together. That's just, you know, they can't keep happening. There has to be participation by the largest component of the US GDP, which is the consumer. So how do you stimulate in 2026 Well, the gut reaction by most analysts is, well, okay, President Trump will do more fiscal stimulus. I don't think he can do that. The bond market already rioted. From September of 24 to February of 25 bond yields went up 100 basis points as the Fed was cutting rates. Why? Because President Trump won the election and he campaigned on very, very profligate fiscal spending. The bond market reacted poorly. The Republicans in the House revolted, and what we got was one big beautiful bill, which, in my reading, is not stimulative at all, especially if you combine the one big beautiful bill with the tariffs, which are really just a consumption tax. When you look at all of that together, the US is not really running stimulative fiscal policy. And I don't think that President Trump will have any leeway to get anything through Congress either, because the bond market will prevent him from doing that. Yields will go higher. And the second reason is, you're already here. You know, Senator Thune, the Majority Leader in the Senate, already saying, kind of like, no, no, we should be paying down debt. We shouldn't be just giving \$2,000 checks to American consumers. So I think that fiscal policy is done.

So how do you stimulate that? What do you do? Monetary policy,

**Marko**

that's the only path for the US to reflate the economy 26 and in particular, to incentivize the consumers which spent the last 15 years de-leveraging. So if you look at, for example, household debt to disposable income, we're back in 1990s levels. If you look at household net worth calculations, if you look at home equity, a lot of this is higher if mortgage rates and borrowing rates so long term rates come down over the next 12 months, I think that you can reflate this cycle, and I think you can extend it significantly, particularly the housing market. Now this was just an idea I had six months ago. We know since September, the administration has been talking about this. You've had Secretary Pulte talk about assumable and portable mortgages. You've heard talk of 50 100 year mortgages. They're clearly focused on this. And you've heard both Treasury Secretary Scott best and President Trump both note that they want to declare a housing emergency. You've got President Trump being criticized for affordability. Well, that's not. Because toaster ovens have gone up in prices. You know, it's not really because of tariffs. The reason affordability is poor is because the kind of goods and services that make you member of a middle class are extremely expensive. And that's not an iPhone, it's not a TV, it's not a tradable good that you import from China and slap a tariff on it. It's actually tertiary education for your kids. It's the roof over your head, it's a health care and it's daycare. Those are the things that are very expensive. Those are the things that mom Donnie and Trump agreed together in the White House. And so what I expect President Trump to do is focus on the affordability of homes and bring down borrowing rates and basically reflect a housing cycle. I think that's the biggest story in 2026 and I think that the

reason he's going to have to do that is just he doesn't have any other options, fiscal policy, fiscal lever. We've used them up. Joe Biden used them up the Trump Pelosi administration, as I like to call the 2020 post pandemic stimulus. They used them up. And President Trump, in 2017 with that pro cyclical fiscal stimulus, he used it up as well. So it's now up to the Fed and monetary policy.

### **Erik Townsend**

I'd like to ask you to comment on the I guess I'll call it a war of two narratives. Our friend Eric Peters, over at one river asset management, has expressed a view very similar to some of what you just described, which is, look, President Trump is going to try, whether it's possible or not. He's going to do everything he possibly can to win the midterm elections. Therefore, he's going to goose the markets. He's going to do everything he can to stimulate the economy. This has to be good for Wall Street. But if you listen to Scott Besson's actual statements, he's been very outspoken in saying Wall Street's gotten too much of a free ride. It's Main Street's term. Our policies are going to focus on Main Street now, obviously that's what voters want to hear. So that's what he's going to say. Does it mean that the things they're going to do are not really going to help Wall Street and that markets are going to be disappointed, or is it really the case that in order to satisfy Main Street, it's still going to be very bullish for financial markets?

### **Marko**

Well, we finally have something we disagree with, which I'm happy. It's a great question. It's a great question, and I concede that you're correct, that that is what Scott Besson was saying in January of 25 in February of 25 in March of 25 and April of 25 but since April of 2025 I haven't heard Scott actually say that. You know, he used the term detox. We're going to detox the economy from Joe Biden's socialist policies. That was, like, one of the verbatim quotes. There was a lot of that, you know, your point, Main Street, over Wall Street and so on. But they've actually stopped using that terminology, and I suspect they stopped using that terminology because they are starting to realize a very important truth, the stock market is the real economy. You know, it's the top two deciles of American income distribution that are doing all the consumption. If the stock market slows down, they're going to stop consuming. And so, you know, President Trump and Scott Besson, not really for any fault of their own. I mean, I think this is just where we are as a country. They just happen to be in charge right now. But you know, the reality is that if the stock market slows down, they're going to have to eat a recession. They don't seem to be willing to do that. Now, I do think that Scott Besson may have been willing to do that in January, February, March and April of 2025. The problem was that at the time, the bond market didn't react the way I think he thought it would yield stayed stubbornly high. You know, we hit 4.8 I think it was in January, and then 4.6 after those April tariffs. And so if you had a recession with yields that high, like it's game over, right? Like it's like emerging market, like, you know, balance of payment crisis, it's, it's game over. And so I think they correctly focused on, you know, rationalizing the tariff policy, you know, and and, and guiding the Paul the economy to where we are now. But, yeah, I don't, I don't see any more chest beating from them. And I think that they are going to focus on mainstream, as you say, but in doing so, because they no longer have fiscal room to maneuver, they're going to have to use monetary policy. And if you cut rates for consumers, you're going to be cutting them for everyone else, including the AI capex, tech bros, including Wall Street, including hedge funds, you're effectively going to steepen the yield curve. The Fed is going to cut rates aggressively after May, in particular, and I don't see how that's also not very good for Wall Street. So they're going to end up creating, I think, an even bigger bubble. And at the end of the day, it's probably going to be somebody else's problem to clean up after this administration is gone, which is convenient, you know, politically.

### **Erik Townsend**

Well, I'm sorry to this. Point you Marco, but we're actually still in violent agreement. I tried to express both sides of that argument, but I agree with you that I think what's going to happen is President Trump

is going to do absolutely anything that he can to win the midterm elections. No policy action is too reckless, and no longer term consequence, such as inflating a bubble, is going to slow that down. He has to win the midterm elections. And I think in his own mental model, that's something he has to do no matter what. And the fact that guys like you say it's impossible is not even going to hit his radar. I think we do agree very much on that. Let's talk about which you know, if that's your view, and I think we share that view. Which markets benefit the most, which markets don't benefit? Where's the longs and the shorts on this story?

### **Marko**

Well, I'm going to tell you a funny anecdote to answer this question, because I had this hilarious interview a couple of months ago with a journalist. I want name from a newspaper. I want name, but basically I got a call very angry journalist on the other line, and the line of questioning was basically President Trump in 2026 will replace Jay Powell with a chocolate Labrador. The independence of the central bank will be eroded, and that's bad for the stock market, to which I answered, independent central banks are not good for the stock market, they're bad for the stock market. Independent central banks are not good for the bond market. They're bad for the bond market. Allow me to explain Turkish and Argentinian stocks. What have they done? Over the last 25 years? They've outperformed the S, p5, 100 in local currency terms. But let's leave that aside for a second. What causes a recession? What causes a bubble to pop? It's the independent central bank being that prudent adult in the room shaking their little finger at us, saying, You've been naughty. We need to raise rates. What causes bond yields to go up? It's the central bank shaking its finger at policymakers, saying, You've been fiscally irresponsible. Here come the bond vigilantes. Fix your fiscal house, or else we won't support the bond market, right? Well, anyone who wants to short stocks in 26 because President Trump is going to put his Fed chair like is basically going against history. Erosion of independent central banking is amazing for equities. It's YOLO time, baby, but there is always a price to pay. There's no free lunch. So what is the escape valve here? It's a US dollar. And so I don't, I don't want to give you a negative s p5 100 forecast for 2026, you know, what do I think the s p5 100 target is for next year? Who cares? It's up. But the question is, what should you do with your money? Should you put it in that asset that's priced in the dollar, or should you find some other asset that's maybe priced in the Euro or renminbi? Because if the US dollar has another year where it falls 10% as it did this year, Eight 10% it staged a little bit of a mini rally at the end. But my view is that I think that's unsustainable. I think that in 26 the obvious trade is not to short duration, expecting some sort of a bond carnage, because President Trump is responsible, or to, you know, short stocks because, you know, somehow independent central banking is important for equities. No, no. I think the way to play domestic politics in the US is to effectively try to play with dollar weakness, and I think that calls for more exposure to non US assets. That's, that's fundamentally what I would say. Now, this isn't a debasement of dollar thesis. You know, this isn't some sort of complete loss of independence of the central bank. I see a lot of slander being thrown at Kevin Hassett, which is unfair. This was a man who was chief economic advisor to Mitt Romney to Senator McCain. You know, it's it's not like he's completely clueless as to how monetary policy works. And I don't think that President Trump is really doing anything that extraordinary. That extraordinary. He's just going to allow American monetary policy to be more dovish than it should be, like, Oh no, that's literally what every President has done over the past, I don't know how long, and so I don't think that's that crazy. I just think it's going to happen, and it's going to happen for these political reasons. Political reasons. We articulate it together, and I think that's going to be negative for the dollar. And I think the best way to play it is to just find something that's not priced in the dollar. And you know, what's funny about this is we're in the middle of this AI super cycle. AI is apparently the greatest thing since, like. Is bread. But when I was in Zurich, in Munich, like, a month ago, two months ago, you know, everyone's super bearish on Europe. Everybody, every German I met, is like, we live in a museum. This is terrible. America is so much better. But with their second breath, they complained that they made no money in the s, p5, 100 in the midst of an AI bull market that's supposedly geographically domiciled in the US. And so what's the bigger, bigger macro story? Then? Is it AI, or is it the fact that if you're domiciled in

Europe and denominated in Swiss franc or the euro, you made no money in S p5 100. You actually lost money in 2025 because you owned America. That's how important these currency moves are. And so that would be my case for why 2026 is going to look a lot like 2025 at least in terms of relative global equity, you know, performance. And for anyone listening to this, you know, a lot of obviously listeners are probably based in the US all I would say to you is like, yeah, my I'm not bearish on S p5 100. Hell no. It's just that you might want to take some of the money you made in the S p5 100 over the last 15 years and just expose yourself, diversify to just things that are not priced in dollar and yes, many of your listeners probably already are in gold and Bitcoin as a form of diversification. I think that's a little bit too like World War Three ish, if there is no recession, there's no need to be in safe haven assets. Own some European equities, own some Chinese equities. Own some Japanese equities, just diversify, and I think you'll be okay.

### **Erik Townsend**

Let's come back to Kevin Hassett. Just in the few minutes that we've been recording on Tuesday afternoon, Bloomberg has been reporting that, apparently, President Trump has made an announcement that he's going to announce who the new Fed chair that he's already chosen is early next year, so it sounds like he's intentionally signaling that it's going to be a secret until after the first of the year. Do you think Kevin Hassett is the shoe in is that who he's picked, if not who else is on the table? And what will the consequences be when that is announced and we have a new Fed chair next? I think it's May that we that Jay Powell's term is over.

### **Marko**

So I've always thought that it's, has it, you know, he has the credentials. He has a long I mean, he's, he was, I think, a professor at Columbia of economics, and then he went into sort of Think Tank world, more of the center right American Enterprise Institute and so on. As I said. I mean, he's been the economic advisor to the political campaign of every Republican president before Donald Trump, since Bush Jr. So I've seen a lot of sort of Kevin Hassett slander out there, and I don't know the man. I mean, it's not like I'm pro Hassett. But my point is, the slander has been kind of ridiculous. You know that he is just a a Trump guy. That's just not true. The man has been in 25 years, an advisor to every single Republican president. So now you could argue that the monetary policy of every single Republican president was maybe bad, you know, like, we don't know. But my point is that he's very experienced, and I think that he's clearly President Trump's choice. I don't think that he is a chocolate Labrador. And I think this is very important. Will bond markets riot? Because it's Kevin Hassett, maybe initially, because too many people, too many bond investors, like read The New Yorker or New York Times. But the reality is that he's going to go in front of the Senate, he's going to answer the questions as a guy who has a PhD from UPenn, and you know, he's either going to get confirmed or not, but that's going to depend on those answers, and those answers in order to be confirmed are going to make the bond market realize, oh, oh yeah, right. He's just going to probably be more dovish than he should be, but not on some like emerging market level, just on the level that we've seen before. I mean, why do we have the housing crisis, for God's sakes in 2007 we're all pretending, by the way, as if somehow the Fed has been a paragon of central bank independence. I mean, there's a reason we had a housing bubble in the United States of America. The Fed kept interest rates too low after September 11, and after the tech bubble blew up for 2002 to 2005 similarly, we did a ton of QE after the GFC that didn't really do anything. And then after the 2020 pandemic, Jay Powell kept interest rates too low because he thought that inflation was transitory. Really, really, in 2021 you've got the Mexican central bank raising interest rates like crazy, but the Fed is not why. You know, maybe President Trump should authorize a bunch of H, 1b, visas for Mexican economists, because, apparently the ones. In the Fed don't realize that \$5 trillion worth of fiscal stimulus is going to cause inflation to not be transitory. My point is simply this, just in the last 25 years, I just articulated three examples of where yes, monetary policy in the US was way too dovish. If President Trump is the fourth iteration of this, it doesn't mean

America's become Turkey. It means America is in America, and we're going to have another bubble. So, you know, act accordingly.

### **Erik Townsend**

Marco, let's assume that Kevin Hassett is President Trump's pick for Fed chair. I definitely agree with you on that. But boy, if I try to connect the dots here, it seems like all the spin I'm hearing is Democrats are probably trying to pre position. Okay, let's tell everybody that Hassett is Trump's boy. He's not independent, he's not suitable. We got to keep him out of the Fed. Now, the Democrats don't have control of the Senate, so how much resistance can they present? Can they prevent has it from being appointed, or are they just going to make a bunch of noise about it before that ultimately, is the outcome?

### **Marko**

I think for sure, for some reason that I'm not quite that, I don't really understand, has it has attracted the ire of the Democratic Party and sort of just liberal intelligentsia. What's ironic about that is that that may succeed in the Senate. You know, a few conservative Republican senators could end up voting against him. They may be swayed by this sort of risk that he is going to do President Trump's bidding, but I just think that means the next guy or girl gets confirmed and is probably going to do the same thing, which is not really do President Trump's bidding, like verbatim, we're not going to go to 0% interest rates, but is American monetary policy? Is the Fed funds rate going to be, like, 50 basis points lower than it should be? Yeah, and that's gonna happen whether it's Hassett or anyone else as the Fed chair, you know. So I both think that, yes, you're right, the Democratic Party and you know, sort of liberal media will paint has it as some sort of, you know, Donald Trump, chocolate Labrador. But I think it's kind of silly, because whoever else replaces him is not going to be their favorite pick either. You're just going to have another Fed chair that will run monetary policy slightly more dovish. And again, I just want to reiterate this has happened three times just in the last 25 years that I can articulate just like this. You know, just kind of BS ing with you back and forth on a podcast without even showing any any charts. I don't think we're in a world where the US becomes turkey or Brazil. We're just in a world where we're going to have monetary policy that stimulates the economy because we're out of fiscal bullets. Man, it is what it is.

### **Erik Townsend**

Well, Marco, I can't thank you enough, as always, for a terrific interview. But for the benefit of some of our listeners who do want to see those charts, tell us a little bit about what you do at BCA research. What is the geo macro function that you have basically created there all about and how can they find out more about it and follow

### **Marko**

your work? Yeah, thank you. Thank you for double clicking on Geo macro. I'm trying to make it catch fire. Basically, my premise as a strategist is that in 2025 and beyond, you can't really be a macro investor unless you incorporate politics and geopolitics into your framework, you know. So it's not a nice to have. It's not the icing on the cake. It's in the batter, if you just focus on macroeconomics, or if you just focus on momentum or valuations or bottom up analysis, is just not enough, you know. And so that's what geo macro is. It's it's a blend of politics, geo politics and macro economics, where, basically I don't differentiate between these frameworks. I use all of them. And so at BCA research, I run that strategy. My job is really to call the five big asset classes, as I like to call them, the s, p5, 100, the dollar, the 10 year yield, gold and energy oil. I think if you get three out of those five right, you can get everything else right in your global asset allocation. So that's kind of what I do, and they let me do it. And I'm very, very grateful to BCI research for giving me the platform to put my voodoo to the test, you know? And it's worked really well for the last two years. I've been extremely bullish last two years,

particularly this year. My S, p5, 100. Target was 6950 we're not going to reach it, probably by the end of the year, but we're going to be close. And I think one of the reasons that I've been right is that sometimes, yes, macroeconomics looks bad, but policymakers are what we really need to forecast. It's that second order effect that we need to really think about. It's not just the first order. It's not just. What's linearly extrapolated mathematically from data. It's how do policymakers react to it? And without that, I don't know how you can really be a macro investor. Well, I look

**Erik Townsend**

forward to having you back in 2026 for an update. Patrick seresna and I will be back as macro voices continues right here@macrovoices.com.