



Robert Kahn: Geopolitical Outlook For 2026

Erik: Joining me now is Robert Kahn, managing director of Global Macro for [Eurasia Group](#). Robert, last time that I had you on, we talked quite a bit about tariffs because that was the big news item of the day. Let's do a review since that last interview of how the news flow in geopolitics has evolved.

It seems like we don't hear quite as much about tariffs as we used to. Is it still as important as it used to be? And if not, what is?

Robert: Thanks for having me back on again. And you're right to say that tariffs were the central story of 2025, but maybe not fully in the way we had anticipated and talked about it several months ago.

It's still a source of important volatility. I always warn people when I talk to them tariffs will never be done with this administration. They will return they will reopen negotiations. Tariffs are a central element of their vision of rewiring global trade and investment in putting up a material wall around the US.

I think the average tariff rate now is right around 17% stated on the tariffs. It's a little lower when you take some exemptions into account in terms of what they actually collect, but, and that is a lot less than we thought it might be, say six months ago, but it is still the largest tariff shock.

This economy this country's had to deal with since the 1930s. And I would argue that it is still playing out in significant fashions. The US economy's been very resilient to these tariffs rates. But I think it's, there's disruption coming from them. And so to that extent, I would say tariffs are disruption deferred, not disruption avoided as firms now will be trying in the coming months to maybe more fully than before, pass through those tariffs to higher prices, to consumers.

Erik: Let's move on to the current geopolitical situation. It seems to me as we come into a midterm election year that the midterm elections probably are the big thing. Would you agree that's what market

participants should be focusing on geopolitically? If not, what instead? And assuming that you do agree, what do you think the big items are in terms of midterm election outlook?

Robert: I think you're right to highlight the midterms, but if you ask me from my list of the, from the economic perspective, what should investors be worrying about? Let me give you a couple of things that I wanna highlight. And the first one really comes from the tariff conversation.

And so let me take, one step back on that, because to the extent tariffs were the story of 2025, I would argue that Clay is beginning to harden a bit around that tariff hole. Let me explain how that. We are seeing what's the formation of a three tier tariff structure, China with high tariffs around 30%, much lower than they were, but still at around 30%.

Most countries in the 10 to 15% range, and Mexico and Canada lower below 10% because of the legacy. But I do think that those rates are starting to settle and while, as I said before, I think that we will see tariffs continue to fluctuate. Exemptions continue to be negotiated. It'll still be a factor.

There's less room, to vary that there's less, gonna be less volatility in that space. And of course, we have a Supreme Court ruling pending, which could overturn the basis in which many of these tariffs were. Put in place necessitating a plan B. And so what I think we're starting to see it going into 2026 is an administration that while they will still use tariffs are moving, are pivoting towards a greater reliance on what economists call industrial policy.

It's deal making with companies and countries where the government is getting directly involved. In the investments the deals the strategies that companies. Take on whether that's taking a share of profits that Nvidia will generate from its China chip sales, or taking an equity stake in a company for permission to to invest or giving a tariff relief to a pharmaceutical company that agrees to sell drugs through a portal named after the president. All these are examples of direct intervention in markets in ways that we really haven't seen in the US economy before. And I think that's gonna be a big story in 2026. So that would be the first thing on my list. The rise of a greater industrial policy, greater market intervention.

By this government, which is interesting because you have a government that on terms of its commitment, wants to deregulate, wants to free up industry, but at the same time much more actively weighing in on the terms and conditions of deals. That ties into the midterms in the following sense.

As I look at the upcoming midterm elections, I think that you're gonna see the center of the debate focus on what political analyst call the affordability debate. I think what we're seeing from voters, and we saw this very much in recent off cycle elections in New York City, in Virginia and New Jersey and elsewhere, is that voters are very frustrated.

With the rising cost of living with the uncertainty around their economic prospects, jobs, wages, and the like. And to some extent, the president is being blamed for that. Presidents often are blamed when people feel insecure about their future economic. Prospects, and certainly that is the case here.

And the Democrats, I think, have probably been the first off the mark to highlight affordability as an issue they believe should serve them well in the midterm well, the President is fighting back and that means that these issues of affordability are going to be front and center heading to the midterm.

Of course, tariffs raise prices. That cuts the other way. It creates attention, I think, very much for the White House. In terms of that affordability. And so you're gonna see them cutting deals on tariffs lowering them, for example, on bananas and coffee. As I say, giving exemptions to firms if to, if they lower prices.

So affordability will affect and constrain that tariff structure but it will not fully offset it. Tariffs will still remain an important part of policy. So we're gonna see this tension playing out between the president trying to both accelerate his. Vision for the US economy, but at the same time trying to respond to these affordability concerns in going forward and trying to reclaim that narrative.

I think it's gonna be very hard for him. I think people's views are starting to get set in that regard. And so if you ask me how, I think right now the midterms are likely to play out I would put a very high probability. In fact, this Eurasia call is an 80% probability at the House of Representatives.

We'll move to the Democratic side of the ledger. In the midterms we put 30%, probably the Democrats could take the Senate. The path for that is much tougher given the seats that are up than the candidates in play there. But it's still possible in a wave election. But getting back to the house.

What we often see when a president's in his first two years has a both houses of Congress. There is a backlash. There isn't no usually a big swing in parties, and of course. We're starting with a very narrow Republican majority, even though I think we're our debate, our political debate is more polarized now.

Even though redistricting for a while we thought might tip the battleground a little bit in the Republican side, it now looks like that will be a minor factor. So as we look at it, it looks very likely that the Democrats will actually retake the house and that will of course, change very dramatically the political balance going into the last two years of the Trump term, it means even more so than now. The president would've to rely on executive orders and administration action rather than looking to Congress to support him with legislation.

Erik: I wanna focus on the first thing you said about midterms, which was the government policy intervention directly in deals and so forth.

I have a speculation, I can't prove this, but frankly, I think that President Trump is very focused for all of the reasons you just described on getting lower gasoline prices in the United States. So he can take credit for it and say, look I'm the president who's looking out for the little guy, and keeping those affordability issues under control.

I think he's probably already made some kind of secret deal with Saudi Arabia that we don't know about that has resulted in the Saudi increase in production. And I suspect that deal has an expiration date that comes before the midterm elections. And I think probably the reason that President Trump is so obsessed with.

Bringing peace to Ukraine. I'm sure part of that is, is legitimately what it is supposed to be on the surface, which is wanting to stop the killing and bringing peace to a wartorn region for the sake of humanitarian reasons and so forth. But frankly, I think to an equal, if not greater extent, he wants to solve that conflict so that he'll have justification to remove sanctions on Russia in order to get more Russian oil flowing in order to,

again, keep consumer prices down and address that affordability crisis. What do you think of those ideas?

Robert: I think that you're that're spot on, and I'm almost entirely agree with you on that. I think there's a lot of good historical analysis that reminds us that gas pump prices are perhaps the most important single variable for how people feel about affordability, and particularly for those Americans.

And there's more of them than ever living paycheck to paycheck. What you pay at the pump. Matters tremendously, right? For how you feel. And I think the president has, as you say, put gas prices high on his list of how he has measured his success. At the same time, there are other factors some of which are being driven by his policies.

That also factor into what you pay for that gasoline and what you pay for. Energy more broadly, right? Gas prices can move differently than price of a barrel of oil. We know that electricity prices are facing a lot of upward pressure from this boom in data centers and related investment spending.

So it's a, it is a complicated story in that regard. I think you're right to say that this is a factor that has been animating the president and probably does come up in every conversation he has with Middle East leaders.

Erik: Now, another area that I think relates to affordability that the president has not been shy about intervening in, is determining the next Federal Reserve Chairman.

So we've had at first it, it seemed really clear that Kevin Hassett was the pick, and now maybe it's not so clear. What do you guys think about who the pick is, but maybe more importantly, how much does it matter? Because I think everybody's focused on who the next chair is gonna be to replace Jay Powell.

The chair is only one of a whole bunch of voting members. I don't think that there are a whole lot of other changes under consideration to who the other members are, although I think there, there would be a rotation. So what's the outlook in terms of the Fed? People who are likely to be in charge, and what is it gonna mean in terms of fed monetary policy going forward in this election year?

Robert: So those are great questions and pretty hard ones too. And I'll start with the one, the hardest one, which is who will the president pick to be the next chair? And the honest answer is, I don't know. That I don't know. And I don't think many people do know the president's mind. The sense is that he hasn't made a final decision yet.

Certainly we know that he can, kind of mull over these big decisions to the last possible minute, sometimes be influenced by the last person he talks to and not and probably keep counsel with a relatively small set of people. We do know, as you said that early on, he was making comments that suggested he was leaning towards Kevin Hassett.

Who he is known for a long time has a great deal of trust in and values as an advisor. Kevin is also very good at communicating the president's views. Which is something the president values, that sense of loyalty commitment to the president's vision. All of that made him, I think, probably an attractive candidate early on.

His background isn't in monetary policy. He's well known from his earlier days as a person focusing on tax policy. And he has played more of an advisory role in the administration than a driving of decision making. And but still all the signals were that the president might be leaning that way.

It does seem like as we get close to the finish line that those who support other candidates are making their case. And I think you've had this broad public debate now going on, and I do think there are legitimate arguments made that Kevin Hassett will struggle as chair.

To command a majority in favor of Trump's policies. In other words, he could advocate them, but as you said, when you go to that Federal Reserve open Market committee meeting, there are 12 voting members around. You need a majority of them. And you can't just as chair come in and say, I want this and expect to get it.

And indeed, the center of that committee right now really is not. In alignment with what the administration wants. And so I think Kevin Hassett might struggle quite a bit. I think one of the arguments made against him is that some of the other candidates in particular Kevin Wars, who is formerly on the board or even Chris Waller, who is currently on the board and is really a very strong macro economist.

Might be able to do better at coming in and building a consensus for different policies. Although those policies may not be entirely what the president would want. So the president seems to be trading off that sense of loyalty versus low rates versus maybe an effective and efficient chair.

In that sense. I think the leading candidates, and I might throw a reader into the mix as well. They are very different characters and might have different outcomes. And so I'm gonna say, I'm gonna give you my bottom line answer here and it's gonna be a bit the two handed answer on the one hand because these are different candidates and because the president himself has been forceful in pressing the Fed for policies and has the has by doing so. Raised concerns about Fed independence, that this will be a consequential choice, who he chooses may matter a lot. On the other hand, I'm gonna also argue to you that the person chosen might be quite weak in the early days. 'cause of that lack of consensus, we may see more descents than we have seen for some time.

We may see a board that is more sharply divided, and so from that perspective, it may take time before we really get that imprint. I do think we should be watching this very carefully and I am hoping that whoever is chosen does recognize the huge value. To the US economy of having a credible federal reserve that is independent from the administration, whichever, Democrat or Republican, and pursues a mandate of price stability with full employment.

Erik: I wanna go a little deeper on that last point because it seems to me that what we're seeing really is almost a certainty of the opposite outcome. In theory, the Fed has been independent from the federal government and makes its own decisions. I don't think anybody, who's intelligent really believes that completely. But at least there was an appearance of Fed independence. It seems to me that President Trump is pressing pretty darn hard for dictating what he feels fed policy should be, and really looking for a new Fed chair that will carry out the President's vision for lower policy rates.

And Jim Bianco told our listeners last week, be careful because real estate guys like President Trump. Always think lower policy rates are a good idea. Sometimes not. Realizing that lower policy rates don't always translate to lower borrowing rates further out at the end of the curve. If you create an inflation risk with by making a policy error with.

Too low of a policy rate, you're creating a risk that inflation fears will spark higher rates at the back end of the curve. I'm not sure if the Fed's independence is really going to be possible with so much political influence. Am I reading too much into that?

Robert: You are not reading too much in it.

And Jim is spot on to use a spinal tap reference. I think you turn, on a scale of one to 10, let's turn it up to 11 and agreeing with that. I do think that the president's pressure campaign over the medium terms gonna, is counterproductive. It may generate slightly lower policy rates, but as you said it, the risk is a steepening of the curve.

Because of higher uncertainty, higher inflation risk and the like. And so there be, that idea that a lower federal funds rate means lower mortgage rates really is off the mark. There's a political aspect to this as well, because I think the president, hoping to spur the economy and making this kind of, I, I think mistaken analogy between the policy rates and growth per se, in the near term just wanted lower interest rates for a long time.

I think as we head towards the midterm, and if I'm right, that affordability is gonna become a focal point. And if it is also true, as I suspect will be that firms will start passing through more of the tariffs to prices and the immigration crack down will create some labor market shortages, putting upward pressure on wages, and you add that all in, we're gonna be looking at an environment in a few months where inflationary concerns are the bigger concern for voters.

And I think the president may in that moment. See a trade off where actually having a fed that is more credible and diligent in fighting inflation actually serves him better. A fed that is seen as bowing to political pressure, cutting rates too much resulting in a much deeper yield curve and tighter financial conditions.

That's a real risk for him. And I think actually he may rule the day that he highlighted the interest rates. If we end up in that world.

Erik: Do you think there's a realistic chance that. He sees that and comes around to the point where it's President Trump, who's saying, wait a minute, let's not risk a dovish policy error.

We've got to focus on inflation, guys. Maybe we should be raising policy rates. I can't imagine those words coming off of,

Robert: I don't, I certainly don't expect that last sentence, that he would advocate higher rates. But I do think the first sentence saying, Hey, prices are too high.

We understand that it's not our fault, it's the Fed's fault. Could become an a more, a narrative we hear more of in 2026.

Erik: So in other words, president Trump might be publicly saying it's the Fed's fault, and those suckers at the Fed, they need to get policy rates down and they need to fight inflation harder at the same time.

Get to it boys.

Robert: Get to it, boys. Now, I do think that the, some the president's economic advisors do under, I think do understand the inconsistency, if I can say it that way. The tension in that argument. And they do understand that ultimately this administration is well served by a credible and strong fed that is balancing it.

Look, the Feds cut rates the last three meetings, right? Not as much clearly as the president would want, but they have bought some important insurance against the softening labor market. There are some measures, say they may have cut too much, but I think from their perspective and as an insurance policy in a period of high uncertainty and also some missing data it probably made a lot of sense and they can always, of course, pull some of that back if they overdo it.

So I, I do think we've seen a fed with the willingness to act. A fed that is attuned to labor market weakness, as well as inflationary risks, and frankly speaking in a lot of ways have gotten it right over the last year and a half in trying to thread this needle between, bringing down inflation and also, putting a floor under the labor market.

Now, I'm not giving them full credit for bringing down inflation. We've still running above the 2% mandate that Congress has given them. But I think they've acted pragmatically in that regard. And by and large, Powell, Chris Waller, importantly, who's given some very, insightful speeches and all of this, they have basically not been far off in their assessment of the economy.

Really in the last, say is a year and a half, two years, I do think in the pandemic, they misunderstood the inflation spike and were slow to react to it. But I think more recently they have shown a willingness to act.

Erik: Let's move on to the Russia, Ukraine conflict. I think the curve ball that's surprised me a little bit is it seems that as President Trump is pushing really hard to try to get a peace deal together, which I think is partly because he wants to take credit for the peace deal and also take credit for the resulting lower energy prices.

It seems like that's actually causing pretty significant tension between US and European Union policymakers and I'm questioning whether that's going to lead to a breakdown in the US relationship with the EU.

Robert: I think the US and European relationship has as strained it has been since World War II. I think it's unfortunate, but I very much, I think, consistent with. The President's vision of the world, his distrust of Europe, and his desire ultimately to get a peace agreement between Russia and Ukraine.

That would also come with a normalization of relations with Russia. All of that is, of great concern to European leaders, and as you say, the European, the Russia, Ukraine conflict has exacerbated those tensions. I think, the Europeans have been very focused on keeping the US involved with in in, in creating a path for peace.

Providing continuing support to Ukraine. And I think by and large, Europeans have been pretty constructive in that regard. But stepping back, where are we going is really the big question. Despite the flurry of talks over the last few weeks, it's hard to be optimistic that these current round of negotiations will lead to a, any kind of peace deal.

Putin has held Maximalist demands. Two sides are still very far apart, and it's hard to see the current deal being the basis for a peace agreement. Now that said could this be the start of a conversation that could. Over the next year or so, set the basis ultimately for a peace deal. One could be hopeful for that, but I think I would take as long as very significant differences remain on territory, on security guarantees.

And on the financing of Ukraine's reconstruction that this. The current talks will, are unlikely to lead to a breakthrough in that regard. The war, unfortunately, is likely to continue. You are prob you are continuing to

see attacks including on energy structure from both sides, including from Ukraine.

And of course that's putting some upward pressure on oil prices leading into our earlier discussion.

Erik: It seems to me, if I just think about the tactics of politicians, which is usually to blame somebody else, when it doesn't go your way, it sets the stage for President Trump to say, okay, look, I negotiated the perfect deal.

Everybody loved it, except after the Europeans got to Zelensky, it got thrown out. I would've solved everything. We would've had peace, we would've had lower energy prices. And what if the punchline on that is? Okay. Europe, you're the ones who pushed Zelensky to not take the deal. This is your problem.

Now, the US is stepping out of this. We're not spending any more money on this. Europe. You want to insist that Ukraine has to keep up the fight for not losing its territory. You pay for it. We are out. Is that possible? And would it be a strategy for Trump to push the blame, at least in the perception of American voters onto, I solved the problem, it's their fault for not taking my deal,

Robert: it's their fault.

And so we'll break. We'll, we need to break relations. That's certainly the concern of Europe. That it leads to a fraying of the relationship between the US and Europe. First and foremost, the recently issued national security strategy was very critical of European leaders and European politics in ways that were shocking. I think

For those of us who grew up in the North Atlantic Treaty Alliance framework. And certainly that would be the concern. At the same time, the administration has hinted that there might be more sanctions on Russia if they reject a peace deal. So there's certainly gonna be a lot, continue to be a lot of jockeying by all sides to say, it's not our fault.

This didn't go through, we were being reasonable, they were being unreasonable. And that is certainly central to the politics of the moment. And you see this with President Zelensky offering a referendum on

elements of the peace deal. In the context of a ceasefire, but at the same time being very inflexible on seeding land ahead of any ceasefire.

You're right to highlight that as an issue if we do go down this road of the president washing his hands of Ukraine's future in, at least financially in the context of a failed deal. We will expect to see the full check moves to the Europeans in some sense, the cost of keeping Ukraine afloat of allowing them to continue to sustain the war effort pay salaries.

Make repairs to energy and the like. All of that will fall fully to the Europeans and we, that's our base case. That's why I think that by the end of the year you will see the Europeans strike a deal on using frozen Russian assets. To finance Ukraine. Obviously this will produce huge criticism and threats from the Russians.

They'll be very unhappy with it. The US itself doesn't want Europe to go ahead with that, but at the same time, absent US money, I think the pressures to draw on those frozen reserves will become, impossible to resist. So I actually expect to see a deal by the end of the year moving forward with that.

If it doesn't happen, probably some sort of borrowing arrangement with Europeans for Ukraine. But I think that what you're saying about the direction is Europe's gonna have to take more of the lead in terms of financing weaponry and the like. I think is very much should be the base case.

Erik: Now from time to time, president Trump has made threats and I perceive them as deal making threats as opposed to serious threats.

But he's actually threatened for the US to pull out of NATO completely. Representative Thomas Massie, who is not friendly with the president, has actually introduced a bill for that to have the United States withdraw from NATO. Is there any. Possible, actual outcome that could happen?

Or is this just politics?

Robert: I think it's probably always gonna be a tail risk there. The president is not inherently, instinctively a multilateralist. He doesn't have trust in these institutions, and he absolutely has a, seems a deeply held conviction that the US in a sense has gotten a raw deal from these type of large international security commitments, right? That we have paid

more than we got out of it. I strongly disagree with that assessment. I think it has served as an keystone for the peace since World War II that has produced huge. Benefits for the United States has allowed our rise as an economic and military and political power.

I feel like that's the right answer, is to say that we have benefited to an extraordinary degree from that, but that's not the president's view. So there's always a certain amount of risk for that. But I am hardened by the fact that the, that there is an element of that which maybe is simply leverage or.

Deal making that the president does listen to his advisors who do appreciate the value of the, as I would say, the value of having a fire department in play and that there is a deterrent effect from belonging to these institutions. Now, it does mean Ukraine, remember some time ago. Was pushing very hard to become a member of NATO.

And that's not going to happen. I think that's very much the result of this political debate. But I do think that there's real value in having the US engaged in these structures, even if the commitments that are being made by the US are weakened. Relative to has historically been the case.

Erik: We've actually seen a couple of European countries, not the central ones, making public statements saying, look, if some of these EU values continue, we've had enough of EU. Is that a trend that could grow likes?

Robert: Certainly is. If you, and as I said, there's a, there's recently this national security strategy came out.

It is a a vision statement, if you will from the US and while look, it's importantly a messaging document. It's a signal rather than a specific strategy that will now be implemented. It was very harsh towards the Europeans and very much along those lines, and even hinted at getting involved in European elections in the next couple years.

And on the side of right wing anti European integration candidates. So it's very much an element in the wind if you'll say it that way, it's kind of in the air and I think there are certainly elements of the president's team, and I think a lot of people point to Vice President Vance as one of them

who strongly believe that the US should be less engaged internationally in that.

But, we saw his talk. It's a complicated story because. On the one hand, the president ran on an American first strategy that many people saw as saying, let's be less engaged internationally. Let's have less commitments, less wars, and the like. And we used to talk about this in the context of a G Zero world in which the US is stepping back from global leadership and there's no other country that steps forward.

And there's certainly an element bit of that. But at the same time, this is a president that can be very assertive, aggressive, even in, in getting involved in international conflicts in war, as we saw with Iran, la earlier this year in mediating conflicts all around the world. And now of course in Venezuela threatening that country in a way that could lead to significant conflict in.

The region. So we do see a president that, on the other hand is really, is still quite engaged. And the question of having in, in that environment, I would say even more than ever, having these international relationships like and engagements and having us having EU. That holds Europe together.

And having the US engaged with the EU constructively, I think serves the world and serves the US very well. As I say, that isn't the, there are many voices in the US administration don't feel that way and see a United, European Union as actually a threat, a challenge to the US, not a partner.

Erik: Let's move on to the other big potential challenge, which is China's relationship with the US.

Boy, we've got a country that we rely on for almost everything. All of our prescription medication, almost all of it gets manufactured in China. A lot of the midstream of manufacturing, we talk about we've got this big copper mine here. Copper smelting the aluminum smelting.

A lot of the process. A thing that needs to happen to make most commodities actually useful happens in China. So we've got this massive global dependency on China and a growing geopolitical tension. It seems to me that's a recipe for disaster.

Robert: I'm gonna be honest, this is one where I was a bit off.

I didn't get, I got it a little wrong in terms of the last time we talked, thinking back and because you're getting at this really interesting tension, as you say, between dependency and contesting contest, and I think through most of 2025 through most of 2025.

I was focused on the growing contest between the US and China and worried that we were in the process of seeing decoupling between the two countries that this, that the us that because both countries saw each other as chief rivals, we were gonna see growing trade frictions and a wall between the two countries.

We were gonna see growing competition on national security issues and like in ways that would be damaging, not just to the relationship between the two countries. But also would serve to fragment global trade and finance. Because the US China relationship is so central.

Now, all of that I think is still true. As a longer run driver, I do think these two countries will ultimately be in contests a across a wide range of issues. But your point about dependency has become more clear, I think, in coming months, and particularly on things like Rare Earth where the US has come to appreciate its dependence in the near term on China.

For the, not just the mining of it, but the refining of these materials. The Chinese, of course are, have faced a difficult economic situation themselves and probably feel this is the worst possible time for a major trade war. Both sides, I think, have come to appreciate the value of a period of stability and President Trump met with president Xi in Busan, South Korea now a little more than a month ago, and what came out of that was not a comprehensive deal, but certainly some sort of ceasefire, if you will, a putting down of arms.

On particularly trade and also on some security issues, and a framework was laid out in a sense for stepping back. The US in particular took down some of its tariffs. Ease some export controls, made commitments going forward. Chinese resumed shipments of soy, very important to US farmers, and also agreed on to provide easier export licenses for rare earth materials.

There were other elements as well. Now, implementation is gonna be a challenge. A lot can go wrong and there can always be a spy balloon somewhere that unsettles the relationship. But by and large, there was a commitment by both sides to step back. As I say, to put down their arms. I think this is pretty durable.

And so in that regard I think my outlook going into 2026 is a bit somewhat more constructive. Than I it was before. Now, part of that is indeed, it's a kind of bad news, is good news because from a US perspective, the dependence on these rare materials and is really profound in ways that I don't think everyone fully appreciated from defense material to high end technologies to everyday consumer products and it's not going away soon. You can't just decide we're gonna stand up that industry and be competitive in a year. This could be from all our clients we talked to from the experts in the area. This is a five to seven year deal. And so I'm not sure to the extent the US has decided that a pause makes sense.

At this point. I'm not sure that changes in six or nine months. And so as I look down the road, I think certainly for the course of 2026. The conflict between the US and China is gonna be less of a geopolitical driver of volatility than in 2025, and that I thought it was gonna be,

Erik: I couldn't agree with you more on the point that the coming war with Russia, that so many people fear a.

I don't think is a serious risk, and I say that for the simple reason that although it may not be in the headlines yet, there are plenty of people in the US military that are smart enough to recognize that the US could not possibly win. Any kind of kinetic conflict with China because they hold all the cards.

And I think it's very sad that's true, but it is true. There's a Australian entrepreneur called Craig Tindale, who recently wrote an excellent piece about this which is really starting to go viral after Robert Friedland the CEO of Ivanhoe Mines had retweeted it, and it's it's getting a lot of circulation.

We'll put that in this week's research roundup for the benefit of our listeners, but, I want to take the remaining time that we have and really focus on the hardest question, which is, boy, so many different subjects we've talked about in this interview. How do we assimilate all of this to

your actual job title, which is not geopolitics, but your managing director of global macro.

What does this mean for markets and how do people position to consider all of these complex chess pieces that we're talking about?

Robert: I do think, I know this is gonna sound self-serving, but I'm pretty convinced that geopolitics is gonna remain a very important driver of market volatility. That was certainly a story in 2025, and I think that that continues to be the case. Some of that is the president. His ambitions of enacting major change, his own management style and some of the volatility and uncertainty.

And that word needs to be stressed, uncertainty that it creates, right? And that's a killer for making long-term irreversible investments. Whether in the US or elsewhere, and that will continue to play an important role. So I think geopolitics still matters, number one. I think that as I look at 2026, and we've touched a little bit about on some of this in terms of the affordability debate in the midterms, I think the, a critical question is one critical question is how this administration responds to disconnects.

I think the president does have a vision that he would be able to, restore a manufacturing future driven future for the us. I don't think his policies get us there, but what happens as that it disconnect between tariffs and the really, and industrial policies and all of this.

Don't generate the results he wants. What does he turn to? If affordability become re becomes an intensified concern for which the voters hold his administration return? What does he turn to? Does he adopt more unorthodox policies? Does he step back? These are gonna be critical questions, I think, in coming months, but as saying that, I don't wanna make it sound like this is just a question of this administration and this president.

I like to always say that President Trump is both symptom and cause of the current moment that we live in, right? That he he and ha came of political age. After a period in which, Americans I even, you can say this globally, but let's focus on America, where Americans were losing confidence in the market system and the free and the open market systems that we had produced and built up.

Since World War II. Some of that I think was the disruptions, the dislocations from globalization and the discontent from those who were losing out, who felt their futures were not as strong. Some of it was the challenges from shocks, the global financial crisis, the pandemic and the like. Some of that I think is social media.

In the way in which it's changed our dialogues, but that mix of policies and developments and big trends, I think has created a sense of insecurity and a sense of conflict, intention, and the president, in a sense understood that and in a sense, rode that wave. Now I think he's been an accelerant to that process.

But, I think it raises the question of how much of this is President Trump, and how much of this, if you will, is Trumpism? How much of this is likely to persist even after his time as president? I think those are really interesting questions. I like to think that we are in some sense in a geopolitical recession.

What do I mean by that? It's not quite an economic recession, but there's this analogy of a sense in time which our politics are not helping us solve big problems. Are not bringing us together in ways, we've gotta find better ways to do that. So if you're asking me what does the outlook hold? On the one hand I see in a US economy that remains pretty resilient.

It's very dynamic in important ways, but yet I think is also leaving a lot on the table, if you will, by its current policy mix, sacrificing in terms of innovation and dynamism in ways that I think are gonna have some lasting consequences. So I think it's, can we find ways of coming together better and finding bipartisan and.

And, solutions to the challenges we're gonna face, I think this is a big question that we'll probably get answered over the next several years. But even beyond that,

Erik: With respect to some of the trends that we're seeing, price of gold is going crazy. We're not seeing any big upside in crude oil prices.

I think that's probably because of the president's efforts to intervene in the opposite direction. Are there any significant trends that are not already obvious that our listeners should know? About or think about in terms of investments?

Robert: I'm gonna make one comment. It's an economist comment, but I think it speaks to an investment strategy, which is and we, taking it back to our Fed conversation, the, what the Fed does down the road in terms of interest rate, cuts, depends a lot on what they see is what they call the neutral rate or what some economists call R star, which is the real interest rate that is right for the economy.

We've just been through a 20 year period. Where the sort of medium term interest rate that was right for the economy to be at full employment was coming down and for some time was very low. We called it the great moderation. We got very used to having very low interest rates and a low cost of capital.

It was a big source of growth for the US I would argue now that. The things we've been talking about today that include fragmentation, that include maybe some reversal of views on the US as an investment environment, which makes capital more costly. We won't have the giant pool of global savings to the same extent we did, we have had in the past.

All of that is demographics. These are all consistent with a higher R star. In other words, that interest rates fundamentally will have to be higher. In the medium term now than they have been in the past. Now, that is a controversial statement. Even within the Fed, there are people like John Williams, the New York Fed, who thinks that rates can go back down to where they were before the pandemic.

Others like Lori Logan at the Dallas Fed says no. Our stars could quite possibly be higher. In other words, the cost of capital will have to be higher. It has profound implications for the cost of housing. It has profound implications for investment more broadly. The verdict is out on all of that.

But if I had to say that our conversation today gives you some important reasons to be cautious in assuming that rates can come, go back down to where they were over the last couple of decades.

Erik: I can't thank you enough for a terrific interview. But before I let you go, I want to ask you about your boss, Ian Bremmer.

I know he has two super high priorities going into the beginning of the year. Of course, the first one is accepting our longstanding invitation to

do a Macrovoices interview, but right behind that, he also publishes this annual top risks piece, which kind of tells people what to watch out for in the coming year, when does that come out, and who is it available to? And in general, for people who want to learn more about Eurasia Group or follow your work, how can they do so

Robert: Well thanks for bringing that up. I'll definitely tell Ian that he should follow up on this conversation we've had today. You're right, we put a tremendous amount of work into our top risks outlook. It's not really a risk, it's really our vision. So it's our base cases for how we think the world is going to go. But we do focus on developments that are not fully appreciated by investors by political leaders and the like, and that's why we call it top risks. It'll come out the beginning of the first week of January. So I think that's around the third. Last year was a weird one, to be honest. In some ways we maybe forget that, but, in the past many times, top risks would focus on far away wars or big geopolitical global trends.

Last year, most of the risks had to do with the US had to do with how the president, a new president's policies. Would change the world. So we talked about tariffs in immigration. We talked about norms and rule of law. We talked about deregulation and those kind of issues, and all of that remained front and center for investors.

We haven't decided yet, and I wouldn't wanna front run Ian on all of this, but I certainly think that as we look ahead and given, if you think about what we've just been talking about today. The US remains at the center there of these debates, good and bad. There will be some wins.

They won't all be problems. But I do think we're in a world where the US effort to, as I've said earlier to the us. Desire to rewire the rules for global trade and investment will continue and the implications of all that, what it means for us in terms of a country on our politics, on our constitutional rights and rule of law and the like. All of those issues will continue to be of central importance for all of us in 2026. And yeah, look, stay tuned for our top risk report at the beginning and I'm happy to talk about it. We put it on the website. We have a lot of public facing documents and even puppets.

Please tune in. It's EurasiaGroup.net

Erik: And again, folks, the website is eurasiagroup.net. Patrick Ceresna and I will be back as Macrovoices continues right here at Macrovoices.com