

Erik: Joining me now is [Tressis](#) Chief Economist and fund manager Daniel Lacalle. Daniel, it's great to get you back on the show. It's been way too long. Maybe you can set me straight or maybe I'm just missing something. But we are speaking on Monday morning before the open in Europe. So right at the very beginning of the week, the news over the weekend, the Iran negotiations basically completely collapsed to the point.

There was no meeting and no negotiation. S&P500 futures rallied. New all time highs on the news. I don't get it. What's going on here? Am I missing something? Because I think this is a pretty darn big deal and I think that we're about to see delayed impact, effective of six weeks of supply disruption to energy markets.

Seems like markets are just not worried about it.

Daniel: I think it's staggering to be fairly honest. But I think that there is a fundamental reason is that money supply growth is soaring. We have the fastest money supply growth since 2021, globally now led by China. It's true, but also in the United States, Europe, a little bit more subdued.

But in the UK it's also soaring and that obviously. Considering that the war is generating a significant impact in investment decisions, consumption decisions, credit demand, Etc., all those things are reducing money velocity. But if money supply is growing, but money velocity is stable or declining, as in some economies, what ends up happening is that.

Asset prices in financial markets saw or at least discount that destruction of the purchase and power of the currency.

Erik: Let me just probe a little bit on why that's having the effect that it's having. 'cause I completely understand. If we go back to say, a 2021 analogy, you had, COVID crisis. It was a really big deal.

Daniel: Yeah.

Erik: So we print money like it's going out of style and that kind of recovers the global markets and economy. Okay. You. Print energy and

Daniel: yeah,

Erik: as much as it was a really difficult time in 2021, even though there weren't a lot of people flying on the flights because of COVID and the

restrictions and so forth, we had the jet fuel, we had the diesel fuel, we had everything we needed to run the economy.

We were just choosing to shut it down.

Daniel: Yeah,

Erik: I think we're headed into a situation where in some parts of the world it won't be everywhere, but especially in places like Australia there. Just really gonna be hurting for diesel fuel and a lot of other finished products, and it'll all get worked out.

There's no doubt in my mind. It's gonna be worked out in a few months. A few months is a long time.

Daniel: It's a long time. I completely agree. I think that there's going to be very severe disruptions so that there are big winners and big losers. I don't think that anybody wins in a war. Let's start with there is nothing, no one that gets a benefit.

No. Consumers all over the world are feeling the damage created by the elevated oil and gas prices. But obviously, what's interesting about this crisis is that it's showing the resilience and the ability of the United States and China to endure this kind of situation. And actually in, in, in the case of the United States, it's exporting record levels of jet fuel.

All these things are certainly. The elements that are important to take into account relative to other crisis. China is also maintaining the security of supply banned exports of refined products. And continues to have a very strong level of competitive advantage coming from its supplier agreement with Russia.

But the problem is in Europe, the big problem is in Europe, it's also a problem in Australia. You just mentioned it quite is that many economies have not prepared themselves for this type of disruption. In 2022, we had a very, let's say, benign outcome of the beginning of the Ukraine war.

You had an immediate spike of natural gas prices, of oil prices, coal, grain, you name it, everything. There were huge. Concerns about security of supply in cereals, in energy, of course, Etc.. But because of the flexibility of supply chains and all the things that you just mentioned, no.

What ended up happening was that added to a very mild winter, Oil, natural gas prices, Etc.. All of them ended the year well below the levels at which they started throughout the Ukraine War and a lot of countries. Instead of taking that as a warning signal, particularly in the European Union War and Signal, we have to make an extra effort to guarantee our security of supply, the flexibility of our sources.

Etc.. Instead of that, what they did was to think it was a policy success. And obviously now we read that Europe has basically a few weeks left of jet fuel. It's not going to run out of jet fuel is going to pay five times. What it usually pays. And that is obviously. Eroding consumer sentiment.

Consumer sentiment in the European Union is at the lowest level since since the pandemic. It's also having a very substantial impact on companies investment decisions, on the ability to manage. Working capital, all these elements are going to come later on in the process. Right now we have the effect of oil prices, which is very evident on gasoline prices, things like this.

But what we are going to see later is the challenges coming from big erosion of margins, reduction in the ability of to manage working capital and the challenges of supply chain disruptions that are. Going to be solved with very high prices because if there's one thing that we see every day on our screens is that China Asia is certainly bidding up any flexible cargo of anything. And in the European Union, we don't seem to see that urgency. It looks like it's they're continuing to bet on a, on obviously what is going to be a hot summer to mitigate all these impacts.

Erik: Let's talk about staying power and who really has how much of it, because it feels to me like this has turned into a contest of who can tough it out for the longest.

It seems like the United States is saying to Iran, look, we can blockade you. We can stop you. You eventually, you're gonna be to the point where you can't export your oil. You're gonna run out of places to store it. You're gonna be forced to shut in your production. That's gonna cripple your economy. We can wait you out.

Daniel: Yeah.

Erik: And Iran is saying no, we can keep the strait closed and we can wait you out. And I think there's a dimension of this where China comes into it and the US is almost as a proxy, economic war.

Daniel: Yeah.

Erik: Signaling to China. Look, we can control all of this stuff. And China's saying, oh yeah, we can wait you out because we've got bigger stockpiles of everything.

Than anyone else. So first of all, Daniel, who really can wait? Who out the longest? How long could this go on? If people are in a contest of staying power or wait, you out power, first of all, do you agree that's what's happening? If so, how long can they wait it out?

But then the next question is, what about. Not those principle actors, but what about the rest of the world? How long can they afford? Yeah. Including Europe, to wait out this pissing contest between Iran and the United States and China.

Daniel: I think that both the United States and China can wait for quite a bit of time.

China, as you have rightly mentioned, has the largest stockpiles of a, of any essential commodity that they need. And on top of that, they have banned the export of petroleum products and other critical elements in this, in the supply chain right now. Also. We have to mention the very substantial competitive advantage that China has by continuing to be the main partner of Russia in this aspect.

So China in that aspect can hold on. And can wait it out for quite a bit of time. And I think that it's certainly going to be, at least until the summit with President Trump, there's certainly going to be no move from China trying to force Iran to take action on allowing a full flow in the strait of Hormuz in the case of the the United States is now the largest oil and gas producer in the world.

It is. Exporting export record levels of petroleum products. It's at net exporting of 2.8 million barrels a day. So net exports very significant. Same with jet fuel, same with other elements. The problem is in the European Union and it's certainly also in emerging economies. Emerging economies, some of them are going to see some benefits from the rise in commodity prices.

Brazil, Argentina, Etc., are going to see that benefit because obviously they're big soya and oil producers and exporters. All those things may be positive, but in. An overall negative impact on countries like India, countries like Colombia,

countries like Mexico, because Mexico, for example, has demolished its domestic production.

PMEX is in, in an absolute shambles, no. So if you look at what we told discussed prior, no, Europe does not have the possibility of waiting it out until. The end of May or whenever the summit between president Trump and President Xi Ying Ping happens, that's a problem. So I think that is this is the situation that certainly leads many of the expectations and estimates that I see out there to be, in my opinion, way too biased to try to make everything equally damaging for everybody.

I think that is. Incredibly evident for anybody that the United States and China have a huge competitive advantage, be it on their own or be it because of the strong relationship with the second largest oil producer in the world. But. Many emerging economies are going to suffer quite significantly.

Some of them already started the year at much higher levels of inflation than the, than their central banks, and certainly markets would feel comfortable. So that is already a big situation. There is something that is debatable, which is. Is the Iran regime going to change its position in an environment in which the Iranian economy is completely demolished because it was already obliterated in 2025 and 2024?

Remember that we closed 2025 with protests all over Iran. 60% inflation lo capital flight, everything. So yes the Iranian economy is doing really badly and the most impacted by the shutdown of the strait of hormuz is Iran itself. 'cause 25% of its GDP and 60% of its government revenues flow through the strait of hormuz, but the regime can stay

In the way that they are for longer than what Europe many emerging economies can actually sustain. No. So I think that all of that creates a quite a significant level of tension because coming back to the example of 2022, when the three sides in this equation that you just mentioned, China, the United States and Iran feel relatively comfortable about

Keeping the stalemate, then it may stay that way for longer than what other economies can endure.

Erik: Daniel, the messaging from the Trump administration about this has been look, I asked for the European countries to help in this conflict. They didn't send their navies. They've brought this upon themselves.

They're on their own to bail themselves out. We tried to work with them. They didn't wanna work with us. That's the way President Trump has presented. The participation of Europe and the conflict to the American people. What we don't hear in the United States is the European side of that. So what's the perspective in terms of how it's reported in Europe, where you live, of both the European Union government, but also just the sentiment of the people of Europe?

Is it, boy, we screwed up and forgot to send our Navy? Or is it more of, okay, maybe we need to revisit our relationship with the United States?

Daniel: Yeah, it's very polarized. On the one hand you have quite a significant part of the population, certainly the media and the political landscape in that follow the following argument, which is we did not feel any threat from Iran.

We don't think that the nuclear program of the Iran regime was a threat to Europe. We were not informed of the decisions made by the United States and Israel, and therefore we do not need to participate in any of this because this has not been let's say, discussed with us. On the other side, you have a part of the political spectrum that feel that the European Union and NATO should be supporting the United States, but not participating actively. In the conflict because in both sides of the political spectrum, there is a certain fear about taking sides with Israel and the United States because a lot of governments from different ideological positions lost a tremendous level of support by participating in the Iraq war. So if you put together the complacent view that Iran is not a threat, while at the same time you add the concerns that it is something that Europe would be dragged into this war, not participating willingly, that creates a, what I would say, a majority view.

That this is something that has been decided by the United States and Israel, and that has absolutely nothing to do. With European countries. And within that perspective there are different shades of gray. The German the French, they continue to support the United States in terms of military support, Etc., but they're not participating actively.

And on the other side, you have Spain that has. The government of Spain very intelligently which is surrounded by corruption scandals, decided, wow, I am going to take the anti-Trump card and I'm going to go Gonzo. On the opposite message, no. So all those things are certainly creating.

Very different perspectives, but if I put them all together within what I would say is a majority position in Europe is that at best what the European Union should do would be to support logistically or diplomatically any efforts to end

the nuclear program in Iran and to end this war, but not to participate actively on the military side.

Erik: Daniel, let's talk about the fallout and consequences of this in Europe. Sometimes politicians who don't understand economics are in the habit of imposing price controls right at the moment when they're most damaging and they undermine the price transmission mechanism that's needed to correct supply imbalances.

That usually leads to outright. You can't get something and you have shortages and all kinds of other problems. What's the mood? Is there a reassurance of, don't worry, we're gonna put price controls on this, or is there an understanding that would be detrimental

Daniel: overall? The majority of countries in the European Union don't think that price controls.

Are a good decision, but there are some. You have to remember that there's a huge populist left and populist right in the political spectrum in Europe. The populist left is obviously. Coming very hard. The extreme left is saying we have to start expropriations. We have to start price controls, Etc., Etc..

Always they do this, they did this in the Ukraine war at the beginning of the Ukraine war. They did this in 20 18, Etc., and they've done it all the time. But in general, I would say that policy makers are very, I would say reluctant to impose price controls and certainly very reluctant to justify big subsidies.

Those two elements. Now, as always, in Europe, we always have politicians that will find any excuse to go out and say, Hey, let's put windfall profit taxes on precisely the companies that could. Actually support the improvement of security, of supply and invest in the, flexibility of the system in order to avoid.

Challenges like this. So that unfortunately is less I would say consensus. There's more of a consensus of putting more taxes rather than than price controls. And certainly there are some countries putting subsidies on energy but quite limited.

Erik: Let's talk about the economic consequences and also the market impacts and where the trades are here.

Feels to me like this is a strong enough inflation signal that we're thoroughly into self-reinforcing, vicious cycle, if you will, of secular inflation. I've held that

view for a long time actually before this conflict happened that we were in secular inflation. A lot of people. Thought that I was crazy.

Am I still crazy or are we in a secular inflation, and if so, what is it going to mean for markets, equities, and so forth.

Daniel: I think that we are in an environment of persistent inflation. You and I talked about it, it makes absolutely no sense for people to think that there's going to be a radical change in the inflationary trend.

When governments are spending, like there's no tomorrow, they're getting more and more debt, which means printing money. And at the same time when all of the policies are aimed at avoiding any type of. Reduction in aggregate demand. Therefore when all policies are based on increasing aggregate demand at any cost, you get persistent inflation because money supply growth is soaring money velocity does not come down as it should in an environment of crisis because governments spend what the private sector stops increasing their expenditure on. And at the same time, we are entering this energy crisis with already elevated levels of inflationary pressures because a lot of people say, oh, come on, inflation was coming down.

Inflation is annualized and inflation is accumulative and more importantly year after year, we have seen all over the world, and this has happened everywhere. The way in which CPI is calculated includes a smaller percentage of, for example, food and shelter. In the case of the European Union, in the case of the uk, those two elements have sawed by twice the amount that CPI Accumulatively has risen in the past seven years.

So the loss of purchasing power of citizens is phenomenal, absolutely monstrous, and I think that is is going to be exacerbated by what starts as an energy crisis, but then spreads out to other goods and services because of scarcity, because of lack of availability of a particular product, Etc..

Erik: How long do you think the elevated oil prices will last? Is the top end or are we still headed to higher prices still? And where's the trade there?

Daniel: In my opinion, oil prices have already reached the top from now on. I think the oil prices are now discounting that there's, and the future's curve is in huge backwardation also seems to be discounting that.

Even If the situation ends in no progress, that the global supply of oil it's going to be managed between the oversupply that existed in 2025 plus the exports of

the United States, plus the exports of Russia, plus the exports of Saudi Arabia, and basically those added to higher Venezuelan output are likely to be cushion elements on the marginal oil price. Can the price of oil go higher?

Absolutely. It can. Obviously, we know. But I think that, the risk is tilted to being stable or slightly down. Considering that every time, every day, every week, that passes. The system is start is adapting to both on the refinery level and also in the supply of oil level.

So I would say that if you look at the forward curve of the futures of oil prices, they're basically discounting. A huge level of disinflation into the end of the year, but still, and I think that this is where what we have just said. So important is that the level of disinflation that the forward curve is discounting is still leaving oil prices \$15 a barrel above the level at which they were at the beginning of the year.

So I think that is the problem.

The geopolitical risk premium that oil prices. Completely lost in the past three years, which was an abnormality to be fairly honest. It's not only back on that it, but it may probably last for a prolonged period of time.

And that's where we have to focus, in my view, and not necessarily where they can go because they can spike and they can go you can have a post on truth social from Trump and the, and oil prices plummet \$10. I think that what is really concerning for me is that the forward curve is.

Discounting that oil prices will still end up much higher than they were in January by December of 2026 and December of 2027.

Erik: If I look one year out on the forward curve on WTI, it's right around \$70. Is that the new floor that stays in place even after the Iran conflict? Really and truly is over and the strait of M is open again.

Or do we go back down to \$50 oil at that point?

Daniel: The other day I had this fascinating discussion with somebody that I knew from Aramco a few years ago, and he was saying. We need to be very aware that after every crisis in 2008, oil prices went to 140, then they dropped like a stone to 50. We need to be aware of the of that negative effect when you have, when you start to get a cumulative and domino type of demand destruction, I think this is not the case.

Why? Because in 2008 you had a huge crisis, but now all policy makers are focused on maintaining aggregate demand. Therefore, I would say we need to be used to the fact that energy is not going to be the disinflation factor that it has been between 2023 and 2025, unless obviously. We get the United States to go from 13.6 million barrels a day of production to 17.

That would be obviously goodbye oil prices. Or if Venezuela went to three and a half million barrels a day and it completely offsets Iran's exports. Do I think that is likely to happen in the short term? Very difficult, almost impossible. It is easy to bring the production of Venezuela from 500,000 barrels a day or a bit higher to 1.2M.

That is relatively easy, but is incredibly difficult, is to bring it back to 3.5 million. So all those elements. In my opinion, give me the idea that it's going to be very difficult to bring oil prices down to 50 the same way that it is very difficult to bring oil prices up to 212, which would be in real terms, the equivalent of the old time high.

So I think that basically, just to summarize it, geo, the geopolitical risk premium is likely to maintain prices at a higher level than we have been used to in the past two years. But the United States has gone from being a shock, a amplifier to a shock absorber.

Historically in in 1973, in 2008, the United States being the largest importer of oil in the world. When there was a geopolitical risk problem, it amplified the risk because it did what China is doing today, which is to increase prices at the margin. The United States now is a shock absorber, and the fact that China.

Has its strategic partnership with Russia, and Russia is producing 10 million barrels a day. Exporting around 4.5 is also a shock absorber. Even if China is setting prices at the margin for LNG and for other energy products, much higher than what people would be comfortable with. Again, summarize is I think that the bottom is higher and that the top is much lower.

Erik: Up until March 2nd, gold was operating as a geopolitical risk catch. Bombs fall. Gold goes up. Oil goes up, gold goes up together. Now we've got this inverse relationship where the bombs start dropping and gold goes down as oil goes up. The opposite of usual. What's causing that and how long does that last?

Daniel: One of the most fascinating elements about this change in the global landscape of energy that I just mentioned. The United States going from being

the largest importer of oil to the largest producer of oil is that the US dollar in this crisis has behaved like a petrol currency. It has basically risen when oil prices were rising.

And if you look at the correlation between the dollar and oil prices, it's been almost phenomenal. Huh? But so I think that what happened was the following, particularly in the past 18 months. A lot of us saw that there were a lot of positions being built in the market with very little equity, very leverage positions on gold using as a source of funds, the US dollar so long gold, short the US dollar, because it's been a phenomenal trade.

And because it's been a phenomenal trade, a lot of people were putting less equity and more debt. So what happened is that once the geopolitical risk scenario got worse and people starting to demand more dollars, the dollar stopped falling around relative to most currencies around July, 2025, and has been stable, then started to rise.

So margin calls started to appear. A lot of people had to sell their winning positions in gold in order to reduce their losses or their possible losses in this trade. No, and I think that what has happened is basically that at the same time. A lot of the central banks that had hoarded gold in the past three years aiming to rebalance their asset base, they have decided to sell some of that gold in order to reduce the impact on their local currency of the revaluation of the dollar, but also the depreciation of their local currency relative to their trade in basket. So those two things now very big leveraged bets on. Gold using the dollar, the treasuries as a source of funds and the central banks that have decided to reduce a little bit, take some profits on some gold and mitigate the impact on their local currency.

And that's why gold has not continued to rise, but it has also behaved pretty well. It's, it has not collapsed in, in any shape or form.

Erik: Let's come back to the US dollar index. The dollar was in a downtrend pretty darn clearly before this conflict started. Now we're back up to not quite a cycle high, but pretty close to it.

Is that a change in direction? Is this a new secular move, higher in the dollar, or is this just safety trade that only lasts for as long as the Iran conflict lasts?

Daniel: I think that the upward trend of the US dollar is clearly a sign of risk-off environment and also is clearly a sign that there was an uncomfortably high level of shorts on the US dollar in 2025 in particular.

I think that all of that has cleaned up a little bit, but I don't see the US dollar strengthening. In an environment in which the conflict ends, I see it stable. I see it, the DXY index there. As we speak at 96.5, it moves up. At a hundred, 101, it moves down. I think it's that's the trend that the US administration, that the Federal Reserve, that the market sees as the logical trend for the US dollar.

And obviously if tomorrow we have a piece of news saying. The conflict has ended. There's an agreement it has and the strait of Hormuz is open. And Iran has stopped his nuclear program. If we get that piece of news, I can guarantee you that the dollar index goes to 96.

Erik: Another aspect of this conflict is the impact that it will have on fertilizer.

I've seen a few reports that least American farmers are having difficulty sourcing all the fertilizer they need to fertilize their crops as much as they would like to. Yeah, I would assume that's probably the same situation in Europe. Maybe it's worse there. I'm not sure.

How does that play into this?

Are we looking at a big food inflation coming?

Daniel: There is certainly a big problem of. Availability and price availability of fertilizer. So far, those producers, those farmers and those agricultural firms that are able to accept higher, much higher price of fertilizer are not having a problem of supply.

What is the problem? The problem is that, for example. The European Union, the margins of the farming and agricultural sector have been obliterated in the past five years through taxation and completely misguided environmental policies, Etc.. All these and regulations all over the place. So for the European Union is a much bigger problem, but obviously at the same time Ukraine.

Is likely to be there to mitigate a little bit that problem. And Russia for China is also likely to mitigate that problem. In the United States. The fertilizer problem is a problem of price. It's not a problem of availability. They can get fertilizers from its main. Sources outside of China and that's going to be more expensive.

That's why if you think about this, everything that we're discussing, today, everything that we're discussing today leads to a point in which Trump and Xi Jinping get together. And they reach an agreement that is beneficial for both or things get really nasty for everybody.

You see what I mean? So that's why I think that all these little elements that are creating tensions are likely to come together into some form of agreement that that sort of wraps the trade war. And the geo geopolitical challenge or the Iran War right now in a in some form.

And obviously that may take some time

Erik: For the traitors in our audience. Daniel, what can you think of beyond what we've already discussed that might be a consequence of this conflict that will play out in markets? Is there a shortage of X, Y, or Z that people need to be thinking about?

Daniel: I think people need to be thinking about the challenges for the financial sector of continuing to lend and not face significant provisions, particularly in the case of the European Union.

There're always a lag effect. I think that people need to be aware of the problems. In the aviation sector. I think that, obviously, I think people are already aware of that, but I don't think that they're aware of the, of how quickly the margins in the aviation sector go to negative. I think that's what people are still not paying enough attention to.

The automotive sector is going to have huge problems of spare parts, Etc.. This is the thing. Everybody's trying to find solutions right now in the world for. Essential raw materials and minerals and, and right now we're seeing the price to availability element playing out well.

But nobody seems to be or at least obviously that is a second or third derivative of the solutions. It seems that all of those ships that are currently stopped or unable to get. To the place where they're heading to, most of them are actually taking spare parts, elements that are essential for the production of cars, for the production of different parts of the economy.

I think we're going to have in The services sector, tourism is going to have a big problem into summer. Particularly in the European Union, it's already evident that you've seen the services sector in contraction for the first time in, I think three years, four years. I think you're going to have big problems in the automotive sector, and I think you're going to have big problems everything that has to do with air travel and apart from that.

You're going to continue to see equity markets doing pretty well.

Erik: Daniel, I can't thank you enough for another terrific interview before I let you go. You run to fund at Tressis. You're also a published author. You've got lots of different things going on. Tell people how they can follow your work.

And for our accredited and institutional investors, how can they reach out to you with respect to your fund?

Daniel: To invest in our fund, you just can contact [Tressis](#), T-R-E-S-S-I-S, and they'll be able to give you all the information. In terms of following me, you can go to my website [Delacalle.com](#) There's a part in Spanish and a part in English, so don't worry about it.

I also have an X account in english [delacalle_IA](#) and my official [YouTube channel](#) in English. I always say that it's easier to find me than to avoid me. So just put Daniel Lacalle and you start to get everything. But remember that for everybody that is listening that. You can find for every account that I that you see, you'll probably see the first one in Spanish.

I have one in English, so make sure that you look for the English or international account.

Erik: Patrick Ceresna and I will be back as Macro Voices continues right here at [macrovoices.com](#).