MacroVoices Episode 550

Feature Interview with Matt Barrie

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Harley: What's going on in my view is we have a lack of trust in the government, in a lot of our institutions, and maybe about the Fed. What's really important here is the Fed needs to go and regain the trust of the market

Erik: That was Harley Bassman, the fixed income guru who invented the MOVE Index and who's best known on the street as the Convexity Maven.

I'm Erik Townsend, and this is Macro Voices, the free weekly podcast targeting professional finance and sophisticated private investors. Episode 550 was produced September 17th, 2026. Just hours before this week's feature interview was recorded, the Federal Reserve surprised hawkishly by not just hiking rates like everyone knew they were going to, but also signaling that another rate hike is likely to occur before Christmas.

So Harley and I will start with the news and what it means, then move into a slide deck Harley prepared, giving us his take on markets and where they're headed. You'll find the slide deck linked in your research roundup email or at macrovoices.com.

Patrick: And I'm Patrick Ceresna. Let's dive straight into this interview.

Erik: Harley, I'm gonna have to hit you up here, and sorry to do this to you, but, you sent us a slide deck a couple of days ago, and the title of it is In Fed We Trust. Now, we're recording this on Wednesday afternoon after the hawkish surprise. We had an expected rate hike, but then it went unexpectedly hawkish with a dot plot saying that's not the last hike in 2026.

And that really shocked markets. So do you still trust the Fed this afternoon, Harley?

Harley: Thank you for having me back on. I appreciate it. You have the best financial podcast on the planet, and it's an honor to be here. I've... My last two commentaries have been advocating strongly for the Fed to hike fifty.

One and done, get it done. What's going on here, I think people are a little confused. Actually, that's not... They're not confused at all. We know that the economy or inflation, it's not gonna matter if they go twenty-five, fifty or even a hundred, for God's sakes. That really is not gonna change a whole lot right now.

What's going on, in my view, is we have a lack of trust in the government, in a lot of our institutions, and maybe about the Fed. And I think what's really important here is the Fed needs to go and regain the trust of the market. There's an adult in the room, this hand on the steering wheel that's gonna guide, world's largest economy, or not economy, currency, and that's where it's at.

And I think what he's trying to do is slowly get us off of forward guidance and other dot plots. He's trying to get off of that and get us back to the good old days where the market actually assessed risk and managed its risk accordingly, as opposed to being dependent upon the Fed and everything else.

And I think what you've seen in the past is that markets have gotten over their skis when the Fed gives too much guidance and changes their mind I think what's happening right now is getting off forward guidance is like coming off smoking, or I'd say heroin actually, but there's a family broadcast here.

It's just hard to get off of it, and the market is becoming more volatile as we slowly back away. And I kinda think right now, cold turkey would've been the better idea. Up 50 would've been fine. The market was already priced for it. What are you waiting for? You gonna torture us for another 12 weeks?

'Cause they're not going in October, clearly. It's before the election. So we're gonna wait 12 weeks to go and do 25 more, and then think about it. So that wasn't... That, that... This was not a good result today. It should've been zero or 50 in my view.

Erik: Okay. Let's talk about what comes next now because as you just said, you're describing a Federal Reserve that's taken the steering wheel, wanting to show the market there's a- an adult at the wheel, were your words.

Okay. Something else we saw in very recent history was some people in the AI community spoke up and called for a slowdown in the progress of their own organization. That resulted in a pretty darn emotional reaction from some senior officials in the US government, including the very top, and I'm not sure if we're necessarily feeling in that debate like it's the adults that are feuding with one another.

Is there a risk that the Fed is about to get into a fight with the Trump administration? And if so, how do you see that playing out?

Harley: Geez, Mom always said "Don't discuss politics or religion in polite company." So I'm kinda like nervous about going where you're kinda taking me into because that is where the lack of trust...

Not, it's not good guy, bad guy. It's if you say something, do you follow through? That sort of trust. And we know that the Fed is a special entity The Supreme Court a few weeks ago ruled that basically the executive branch, the president, can basically do what he wants to do. He can fire or hire anybody at will.

They carved out the Fed. Now, the Fed really is an arm of the government, so logically, I guess if you could deal with the FCC or something else, then why not be able to deal with the Fed? They said, "No, the Fed is too special. It's too important." Basically, it's the governor on the world's reserve currency and the president can't touch...

the executive branch can't touch them. And I think that underlines the idea of the importance of gaining credibility and trust in the Fed, notwithstanding a lack of trust in other parts of the government.

Erik: Harley, we talked about the presidential administration overall, but let's narrow it a little bit more to specifically the Treasury Department.

What do you think? If the Fed and Treasury get along, does that solve everything, or do we need the Fed and the entire administration to agree on rates? Where does this go? And more importantly, do you see Secretary Bessent and the Fed FOMC, do you think they're gonna get along?

Harley: Look, clearly we have various activities going on between the executive branch the congressional branch, and between various political parties which are bothersome for everybody.

I think that if the Fed, Warsh, and Treasury, Bessent, if they can, I don't wanna say hold hands, but if they can go and work in a in, in a symbiotic manner, not a 1951 Fed accord, in public, but if they can work in a symbiotic manner, I think that's good enough. If the people think if the investors think, if foreign governments think that the financial policy of the United States Printer of the world's reserve currency is the adult in the room managing things with squabbles everywhere else, but the two dad and mom or dad and dad in this case, they're in a coordinated fashion where they got things under control and there's a path to a good result. That doesn't mean a good result today. A path to a good result. I think that's good enough. And I think that's happening right now, and Warsh is just having a-- he's going slowly, and I think he-- to get his twelve-zero vote today, he had to basically, swallow hard and do twenty-five.

He probably wanted to do fifty, he should have wanted to do fifty and get done with, but having u-unanimity was a good result. And so yeah, it's gonna hurt, un-un-until December. But yeah, this... It... We're going there, I think. I think we're going there.

Erik: Listeners, Harley prepared a slide deck to accompany this week's interview.

You'll definitely wanna down that. You can find it linked in your Research Roundup email. We've also tried to make this a little easier for you. It's no longer necessary to pass a registration wall. If you just want the download, click the button above Harley's picture on our homepage, macrovoices.com.

It says Looking for the Downloads. That's been reprogrammed, hopefully it's working now, to take you to a page where you can download directly or you can subscribe to the Research Roundup email or both, whatever suits your fancy. Harley, let's dive into the slide deck. Which page number do you wanna start on?

Harley: Page four is fine. Let's dial back here. I'm really not gonna talk about numbers. Do I think I can make an economic case for the Fed to hike rates? No, I don't. As a matter of fact, I can do a lot of cases that they can, they could hold rates flat. But that's not the deal here. It's a matter of building trust, and trust has been damaged.

And why has it been damaged? Slide four, corporate profits as a part of GDP basically have doubled. Gone from six percent to twelve percent. We could, wave our hands about why it's happened. Has it been because of the big tech firms? Is it 'cause of government policy or who knows what? But clearly, this feeling is going through the economy and people are basically being unhappy about it.

The next S&P versus Michigan sentiment. This is a really hard slide to read. I'll just sum it up that in general what we had was these two things went in line. When people felt better, stocks went higher. When they felt worse, stocks went the other way. And what you've seen in the last X number of months is this alligator jaw opening of stocks going up and sentiment going down, which is basically just a measure of this distrust.

Next, housing affordability It's terrible. It's bad as it's been in thirty years. And affordability is simply, median income versus median house price versus the interest rate. And basically, if house prices go up, incomes not rise that much, and rates go up. A-and nobody is happy when they can't buy a house.

It should be sixty-one, two, three, four percent of of the population and people... And it's well known that the best family results occur in an intact family, in a house. They all kinda all go together. And that's not happening right now. Where you really see the break apart is the next slide in the age of the first home being bought.

It's basically gone from thirty-two, thirty-three age to thirty-eight in five, six years. This is terrible. Now, is it a public policy result? Is it more random? Hard to say, but it's a reality that's happened, and no one can be happy with this kind of result.

Erik: Harley, let's continue the slide deck on page eight, bank versus non-bank lending.

Harley: So this is not news over here. We all know that the the big non-bankers are coming in, private credit. Is that gonna be a problem someday? Yeah, probably. But it doesn't matter. What's happening here is the non-bank entities are disintermediating the banking system. This is important because it just reduces the ability of the Fed to transmit their policy to the overall economy.

'Cause banks basically work with the Fed, they borrow from the Fed, they price off the Fed. These non-bank entities they're a little lower down in the capital structure, and they lend as they want to. They're not as impacted by the the Fed's rate. So once again, trust becomes more important than the policy rate itself.

Slide nine, I think this is where the rubber meets the road about w-w-why, why rates are going up so much over here, aside from the lack of trust, is that there's just massive price-insensitive demand. The hyperscalers here on page nine, this is a projection. Is it gonna happen? Who knows? But these numbers are out of control.

You're talking about seven hundred and fifty million projected borrowing. The, the Treasury has issued two billion. We're getting close to what? Thirty, thirty-five percent competition for money. The, the Fed can't stop this. There's nothing they could do per se because these guys are gonna borrow money at any rate, six, eight, ten, twelve.

It doesn't matter. They're in an existential race to figure out what's gonna happen. If you remember back to the, the original dot-com boom- All those companies there, you might have 10 companies all working in one small area. One of them won. Now, did you know which one it was gonna be? No. Did Pets got-- Pets.com win?

No, they didn't. But some other pet company might have won. And so these people here are fighting it out, and I don't think there's a price where they will stop borrowing to go build out their systems.

Erik: Harley, I'm gonna ask you to take a tangent with me here because- Yep ... obviously everybody knows you, you are Mr.

Fixed Income, inventor of the Move Index and so forth. But I think this is so timely this week. You're a smart guy, so I just wanna go in a totally different direction, a little bit outside your wheelhouse, which is, hey, this feud that started this week where Dario Amodei and other people said we have to slow down AI.

At first, everybody thought, "Oh my God, this is the catalyst that's going to crash the bubble in the AI," and all the hyperscaler debt, it's all gonna crash. It's, this is the end. And then President Trump came out incredibly strongly, actually phoning in to the All-In podcast's live event, saying, "Full steam ahead.

Don't listen." I think he actually had some strong personally critical language about some of the people that were raising other concerns, and it's very strong between President Trump and his economic advisor, David Sachs, that it's full steam ahead on AI. We're not gonna regulate anything, and we're not gonna let these, left-wing nutcase pansies in San Francisco tell us what to do, is at least the way I interpreted it.

Is this the beginning of something that could really unwind the AI trade, or is this just another political spectacle that's gonna pass?

Harley: I think the latter. I... Look, just because there's no specific law about something doesn't mean you can't do the right thing anyways. And I do think that the AI people have recognized there's a there, there could be a problem here.

I'm not a believer that we're gonna have the end of civilization i-in 10 years. I did see the movie in the '70s. It did not end well, but I don't think it's gonna happen. But I do think it's possible that these are smart people who I assume some of them have a, an interest in the country overall, a little bit of patriotism and a little bit of concern for the world overall.

Yeah, there's a problem of what if China does it first or Russia or North Korea. I guess that exists, but I think it's possible to find a middle ground here where you don't have to go full steam ahead. And I suspect that there will be some internal controls even despite various political wailings.

Erik: And as a fixed income guy, how do you feel about this unprecedented-- I think it might have, if... I don't remember if it was in your slide deck or somewhere else I saw this recently. I think the size of the AI and hyperscaler related debt is now bigger than the municipal bond market or something like that.

I don't remember the statistic, but it was staggering. Is there something could go wrong here?

Harley: I don't think so. I think can we get higher rates because of their borrowing? Yes. But these guys have-- most of them have underlying cash machines that could certainly cover the cost of the debt, and I'm pretty sure unless there's a major Standard Oil kind of breakup of these companies, that they have the ability to go and pay off these debts eventually.

Now, that doesn't mean the equity holders are gonna do well. Profits might go down because of the spending. So the equity I can't comment on, but I think the bonds are probably money good, and if you tack on another 50, 100, 200 basis points, I think it's fine. I just don't see a bankruptcy with the hyperscalers.

They all have underlying core businesses that are very profitable.

Erik: Wait a minute. I don't think of the A-AI companies like Anthropic as being very profitable from the standpoint that really they're subsidizing a lot of their operations. Matt Barry told us last week that the risk in this whole AI market is China giving it away for free, which was Google's tactic back in the '90s that really eliminated a lot of competition.

And the way that plays out is Chinese AI models that are almost as good as Anthropic's best models get open sourced, and if you buy your own hardware, which also gives you the advantage of protecting the privacy of your data, you suddenly don't need Anthropic anymore because the free stuff from China is just as good.

Now, that hasn't happened quite yet, but if it did, doesn't that put a lot of this industry at risk in terms of its ability to service that debt?

Harley: Look, Anthropic is not borrowing the money. The other guys are borrowing the money to use Anthropic's products. So can Anthropic go bust? Sure. But that's an equity problem, not a bond problem.

And I think the hyperscalers I think Meta, Google, Amazon, Microsoft, Oracle, they have plenty of cash flow coming on through to fund-- to, to make the coupon payments and pay these things back over time. It doesn't mean their stock's not gonna go down But I think the bonds are solid

Erik: Okay, and it certainly makes sense that, as you say, they're running anthropic stuff.

So if we get to a point wh- as Matt Barry is predicting, where Chinese open source AI models are really just as good and you can get it almost for free, that just reduces the cost of those hyperscalers. They're not paying nearly as much as they used to pay Anthropic. They're getting it lower.

They're more able to service their debt. Is that kind of the way you see it playing out?

Harley: All you're saying to me is Global Crossing from twenty-five years ago redux, right? They laid the cable out there, and they thought they'd get X dollars per megabyte, and they turned out to be, one, one-tenth of that, and that happened.

So yeah, these, these four guys, five, five hyperscalers, one of them's gonna go and win, and maybe two of them, but the rest of them are gonna have a problem because they're-- most markets tend towards a monopoly. It's just the natural course of things, which is why you have antitrust rules. It's why we used to have, a, a dozen stock exchanges, now we have one or two.

I think the same thing happens here. You're gonna have only a few winners, not everybody, and that's why they're so desperate to raise money and build themselves out, hoping they're the winner. I'm not sure they know they're the winner yet.

Erik: Thanks for taking that tangent out of your core expertise.

Let's return to that core expertise here on page ten. Oh my gosh, US debt as a percent of GDP is actually going up. How about that?

Harley: Look, you can look at page ten, page eleven. I, there's nothing new under the sun over here in terms of debt to GDP or the fiscal deficit. Let's really hit on what's important, is I've been building up this idea of, I don't care about the numbers, I care about trust.

Okay? Page twelve is where the rubber meets the road. We've had rates go up a hundred and fifty bips, which is a pretty big number considering where we started at. And the break-even inflation rate between tips and nominal treasuries is two thirty-five on average for the last four years. And by the way, I checked my Bloomberg before the, I started this show, and we closed at a two thirty-four spread for a ten-year inflation.

That's kinda crazy town, `cause it's... What it's telling you is inflation. No one cares about inflation, right? If they cared about inflation, they thought inflation was the problem. That's what's driving the whole market and the volatility and the insanity. That's Fed would widen. It's not. That tells you we're looking in the wrong place, and that's why I keep saying it's about building trust in the Fed and the Treasury that these...

N-now going back, to slides ten and eleven, we have a fiscal problem that's just out of control We're running a 6% deficit. We're not at war. We're not in a recession. We only have 4.1, 4.2 unemployment. Things are grand, and we're running a 6% deficit? This is just beyond... It is gross irresponsibility.

And this is and this is what we're seeing now, is that all these rates are rising because people are starting to be concerned about the US as a going concern. Not a bankruptcy, 'cause we can always print the money As a going concern of holding US dollars as a core asset and what it costs to own, what rate I'm willing to take to own dollars.

Erik: Okay. You've got me obsessed now with slide 12, 'cause I really wanna understand your intended meaning. I agree with you that 234 is telling us, the TIPS discount is not really concerned about inflation. But it seems to me that there's a huge amount of concern about inflation just in terms of the narratives that you hear.

You're Mr. Data, you invented the MOVE Index. When we see that disparity, I'm tempted to say, okay, this, this slide 12 is telling us inflation is not the concern that the market is worried about. I should stop worrying about inflation. It's not gonna be a problem. But then I think, wait a minute, aren't TIPS completely based on the CPI, and a lot of people have criticized the CPI doesn't really accurately reflect inflation?

Is there a possibility that this is not really an accurate signal that we're following here?

Harley: I think you have stumbled over the truth that maybe CPI is not the right answer for inflation, that CPI has been rigged for 30 years after they rejiggered it during Clinton, and when they put in hedonics and everything else.

It was a public policy goal to reduce stated CPI, so the expenditure of social security would be lower. And yes, I, I, that was a fine idea. And CPI is it cooked a little bit? But if they keep talking CPI in the Fed meetings, right? The core of everything else, they're kinda using that as, as, as a metric of risk and value.

So I, maybe they know better, may-maybe they don't. But I think there's, I think there's something else going on here. We need to go and recognize what that is. I propose the idea of trust, doesn't mean I'm right, but I just-- we're not seeing this idea that CPI is the driver of nominal rates going higher right here.

And maybe some of your other experts will come on in a week or two or three, explain why this chart is totally meaningless, and I'll accept them as being right. But it does not seem to be inflation is what's taking this higher or causing problems over here.

Erik: We have lots of experts who love to to bicker with Harley Bassman, just because of your reputation having invented the MOVE Index.

I just wanna close on slide 12 and make sure I've got it, though. You're saying that your interpretation of slide 12 is, look, what the market's most reliable indicator, even though it might be somewhat colored by the fact that CPI is not accurate, the indicator that we have is telling us that all these narratives that sound pretty darn plausible about why we should be very concerned about inflation getting worse and potentially runaway bond yields and all the things that come with it, the market is telling us that just plain ain't happening.

Is that the right way to interpret slide 12?

Harley: It does look that way, doesn't it? Y-yeah that, that's kinda it. We should be seeing nominals go up versus TIPS it all was fine and dandy, and it was inflation that was driving interest rates

Erik: Okay. One of the things that you've talked to us quite a bit about in your past interviews has been mortgage-backed securities and where the opportunities exist in those markets.

So let's move on to page 13.

Harley: I published a commentary about the mortgage convexity beast raising its head. It's a great story. I invented the convexity vortex, I don't know, 25 years ago. Remember, what is a mortgage? A mortgage bond is a, simply a covered call. You could model it up by saying, "I buy a cash 10-year at par.

I sell a s- a call, a, a three-year call struck at 105," and that's the package. There's no credit risk in mortgage bonds. Fannie, Freddie, Ginnie. If you think they're gonna go down, my humble advice is gold, guns, and cans of tuna, 'cause that's what you're gonna need if Fannie and Freddie go bankrupt. And how they're valued, the spread you get over treasuries, has to do with the probability, the possibility of these bonds being called, right?

And if you are in a covered call strategy, that means your downside's unlimited because nothing's gonna protect you from going south, and your upside is capped out at 105 in the example I've given you. When, what we had three years ago Looking at slide 13, is it 71% of the market at a three and a half percent coupon or lower?

It was a public policy good to force people or help people refinance their mortgages. There have, of course, been unintended consequences we could talk about later, but this was a public policy good to help people lock in these low rates. So the, the advantage of this QE, which is suspect, was spread around to ordinary people.

The mortgage market at the time was actually theoretically long optionality, believe it or not, because most of the market was trading at a dollar price of eighty-two and lower. As a matter of fact, you could look at the slide, the blue column, and the average price of the 30-year mortgage market, Ginnie, Fannie, Freddie, was $79.

Seventy-eight ninety-four to be precise. That's pretty far away from the price of one oh five as an exercise price. So the market did not have that much convexity to it and traded relatively tight to treasuries because the optionality was so small. What has happened in the last three years is what's called recouponing the stack.

Recouponing the stack. So the stack is all those coupons, and by recouponing, we basically see the low coupon bonds going away, either because the principal's being paid down or because there's a refinancing or because, I don't know, there's a divorce, grandma dies you move. Anything that could cause a mortgage bond to prepay and the new bonds that are being produced are higher coupon.

And you can see you now have o-over a trillion Fannie five and a halves that exist on the bottom section of page 13. Now So we've re-couponed, so now we only have fifty-one, fifty-two percent of low coupon mortgages in the overall mortgage index, and thirty-seven percent for the five coupon or higher. These bonds are all very negatively convex.

An option is most convex when it's at strike. An option is most convex when it's at strike. And remember, let me define convexity again. Convexity means unbalanced return. So if I have a, a, a bet and I can make a dollar or lose a dollar on a coin flip, that's zero convexity. If I can make two, lose one, positive convexity.

If I could lose three, make two, negative convexity. That's all convexity means is just looking at the relative balance going up and down on something. And then what the market does is it prices it out. So if I have an ordinary bond yields five percent with zero convexity, so up a point, down a point.

Please don't... Geniuses out there, yes, I know bonds all have positive convexity. Ignore that for now. Regular tenure. If I have a bond next to it that goes up, up two, down one, that's a better bond, and therefore I'll take a lower yield. Four and a half, four, three and a half, I don't know, something like that.

But it's a better bond, so it can't be the same yield. And what all these geniuses do is they figure out how much should the yield be above or below five percent to compensate for the embedded option. If I have another bond that is down three, up two, that's a lesser bond. I'll need to get a higher yield versus the five percent treasury to make me want to buy it.

In this case over here, that extra spread is what a mortgage bond looks like. And right now, it's about a hundred and ten basis points over treasuries. Now, what drives that a hundred and ten? You can go to page fourteen and that shows you the mortgage bond spread, par mortgage bond, a mortgage bond trading at a hundred versus the cash tenure.

And you can see it goes up and down. Right now it's... This slide's a, it's a few days old. It's now a hundred and ten. It's widening out. It's widening out for two reasons. One, everyone knows. Volatility has gone up. Since you're short an option, if volatility goes up, the, the option goes up and you're short the option here, so the spread widens.

Let me tell you the trick, what's more important than that right now The yield curve. This is very technical. I'm just gonna make the statement to you. When the yield curve flattens or inverts, mortgage bonds widen. The option becomes worth more, and mortgage bonds become more negatively convex. And what you've seen happening right in the last month over here, two months, three months, is the yield curve flattening.

And so mortgage bonds are becoming more negatively convex, and that's why you have this wider spread from basically mid-95 to 110. And if the curve keeps inverting, it's gonna get worse And so the mortgage market is gonna start to have an impact on the overall fixed income market, 'cause the mortgage market makes up, I don't know, a quarter of the of all issuance out there.

It'll become important. It's not as important as it was 20 years ago when Fannie and Freddie, basically government-sponsored hedge funds were running the deck, but it will be important. Something to watch out for, and if you're involved in the mortgage market,

Announcer: yeah,

Harley: be careful. If you're looking at the big index ETFs, the good news is this, is that they're gonna go down quickly, but soon enough they're just gonna follow Treasuries.

The convexity will go away because as the price goes down, the option becomes worth less. You're further from strike, less convexity, so the mortgage market will act more consistently. So that's I guess a good news. Of course, your price will be-- bonds will be lower by a lot, but the speed will slow down.

Erik: Harley, I'm gonna ask you to entertain another tangent 'cause I'm absolutely fascinated by where this AI stuff is headed. Look what you've just said i-in, in the insight. We're just scratching at the surface of your knowledge here. The reason you've earned this industry-wide moniker of The Convexity Maven is you've got really strong expertise and you've generated a lot of alpha during your career.

You've made a lot of money for you and your clients. You've got a lot to be proud of. But hang on a second. Every word that we're saying in this podcast is being transcripted at macrovoices.com, and it will be two days before it's been sucked into every AI training model in the world. They've also already consumed every other word you've ever said publicly, every page you've ever written during the whole course of your career, and every colleague that's ever had an opinion on anything.

It's all in AI. Already we've had lesser guys than you in terms of intellect really beginning to be able to compete with you because AI is helping them. That's only the AI assist of humans level, and what's really happening right now in the AI market is this transition towards agentic AI, where you wouldn't have so-called algorithmic trading just doing simplistic stuff like, mean reversion to scalp a trade that happened in the last 10 seconds in high-frequency trading.

But you'd have AI models that are just as smart as you because they've read every word you ever said and every word that your colleagues ever said, and they've compared it against every bit of market data that's ever existed. Do we get to a point where all of the alpha generation capacity that markets have is completely consumed by AI and it's possible-- it becomes impossible for human traders to e-ever compete with them?

Harley: I suppose if you told me that you went to China, used their best model, and typed in, "What is Warsh gonna do at two o'clock New York time?" I suppose you'd be right, but I don't buy that quite yet. The-these models still can't predict the future. What they can do is- Create the best portfolio given a set of parameters, and then react as the news comes out.

And we-- and there are plenty of systems out there that look at keywords from the Fed or from the news and then, and they trade on that. Which is fine, but they're not predicting the number, they're reacting to the number. And so until we go and we could know in advance what's gonna happen, I think humans are gonna do just fine with all this.

Now, will they be able to perform better? That's interesting actually, if you think about it. I guess you're turning over the rock of what happens if it, we eventually have all portfolio management go to AI systems. In theory, there'd be no money to be made at all because everyone would have the most efficient result, right?

Erik: And the, the way I'm looking at this is everybody knows we haven't quite arrived at this moment called artificial general intelligence, where AI becomes better than humans at most things. But almost everybody agrees that's coming and coming really soon, and furthermore, the acceleration actually increases through that point to where AI becomes smarter than any human pretty darn quickly, maybe within the next year.

So at that point, how do you sell your two-and-20 fee structure as a service if there's AI that can beat you consistently? And as you said, if the AI gets really good, which seems to me could be coming in the next five years, all the AI outcompetes itself and all of a sudden there is no alpha in the market, but everybody has to rely on AI in order to not lose badly.

Seems like there's a lot of crazy stuff that could happen.

Harley: Seems to me you're slowly digging into the whole idea of passive investing and why one does it, because they can't beat the market anymore, or the active guys can't beat the market in equities, so they're going into passive. Which is another whole, can of worms out there about my friend, your friend Michael Green with h-his whole gig on passive and how that's working in the market and driving everything.

Which by the way, I think Mike's right. And as a free plug I'll tell you, he's coming out with a new product that I think might be interesting, but it's in registration now, so I can't talk about it.

Erik: Wheels are already turning in my mind. I wanna ask this same question to Mike and we'll get him booked as soon as we can because he's definitely got a lot of perspective on this.

And I've been very much in agreement with his statements about why passive is the risk and why going that passive strategy is not the right move. But boy, I think AI is going to change. I don't wanna say necessarily change the outcome or make Mike wrong, but I gotta believe Mike's already thinking a lot about this, so we'll get that lined up.

Harley: If you wanna go into drug land, are you talking about the idea that maybe AIs can go out there and scoop up all the raw data that the BLS gets- Crank it out and know the CPI number before the CPI is released? Is that what you're talking about now?

Erik: No, I'm not necessarily talking about that.

What I'm talking about is take the skill of yourself and every other trader who's ever been, who's ever been analyzed, take every word that Jack Schwager ever wrote in the Market Wizards series, and start as a, a search the internet for everything more you can find out about the track record of all of those famous humans.

And basically tell AI your job is to generate alpha and beat the humans at it. And let AI figure out what it needs to do that by assimilating every skill you ever knew from your world of fixed income, and every skill that St-Stan Druckenmiller ever knew from his world, and every skill that every other famous trader ever knew, and just be better at it than we humans are.

At that point, already you have to be way better if you wanna justify a hedge fund's, sized two and 20 fee structure. You've gotta be better than the average human trader by a lot, and you've gotta be able to prove your history at generating alpha. Seems to me it's only a matter of time before one of the things that AI becomes better at than any human is generating alpha.

Harley: My, my response to this near panic you're describing is a few of my comments. Number one, it's always about character. And number two, it's never different this time. And they invented the car 100 years ago, and all the guys making saddles and buggy whips all managed to go and somehow survive. Maybe it took a while to do it.

I would say that letting China in the WTO basically caused a disruption that the US government did not help by retraining people. But nonetheless, I think we've survived that mostly. I tend to think that we're gonna find a way to go and survive AI and use it as a tool to help civilization.

When we do have the ability to think creatively, and we do have opposable thumbs, which AIs do not. And I think that's kinda helpful.

Erik: Let's move on to page 15, where you've got some projections about policy and other things. What's on your mind?

Harley: Circling back to the idea it's not CPI, it's trust And why is this trust being damaged?

Because we have gross fiscal negligence, running a 6% fiscal deficit in a world we're not at war, a police action, and not a recession. So somehow we gotta pull this, we have to-- we need to pull the spread down. What you're really seeing over here, just to take a, like a little victory lap, is I was on this podcast a year or two or three or four ago when the MMT guys were all screaming and yelling how debt doesn't matter.

Krugman's saying debt doesn't matter. And they're all... We-- and we-- I told them I was a bunch of horse you know what. T rested on the idea that you could issue all the money you want, but when inflation started to actually happen, the government would go and raise taxes or lower spending as a way to go and put the brakes on.

And my comment was, "Good luck in prison with that." You're not gonna have a politician. They don't have the ability to go get reelected and bring this together when it counts. That was the problem with MMT in a nutshell, is it relied upon working against human nature of getting reelected to office. Okay.

Let's pretend we do have a few civilized people that wanna go and slowly bring this together. We don't have to solve the deficit tomorrow. What we have to do is say, "We have a path we're committed to, to get there." And so what I think is gonna happen, these are my predictions. We're gonna uncap Social Sec-- This is on page 15.

Uncap Social Security. So right now it's capped at a hundred and eighty-four thousand. They're gonna uncap that. They're gonna raise the retirement age slowly. Remember, 65 retirement was from 1936. The equivalent lifespan to what it was in 1936 would be 84 years old now. Can you imagine working till you're 84 before your Social Security?

That's what it was like back then. They're gonna raise the retirement age. They're gonna means test Social Security and Medicare. Yes, it was advertised as a, a, a trust fund, a lockbox. You're paying for the future. No, it's never been that. It was advertised as that. It's always been a straight up tax, pays you go, and the money's used Everything else is just accounting to make people feel good about it.

We're just gonna say Social Security and Medicare is just another tax you're paying, and if you have too high an income or too high an asset, you don't get it. That's fine. Step up basis, get rid of that for the estate tax. There's no reason to be h- be allowing people to go and hide gains.

They could defer the gains, I'm good with that, but the gains should be taxed like everything else. So step up basis solves that problem. Some version of Simpson-Bowles has got to be brought back. I'm not sure what. I think the bigger thing is if we can get the government to start passing the 70/30 issues.

So an issue where the general public is 70% in favor of it. If we could start solving those problems, it'll give people the confidence that, yes, we've come back from insanity and we're gonna start to work towards big ideas and implementing policies where most of the country are in favor. I think that's a signal that, yes, we can work together and do things despite the fact that our politics are a little harsh right now.

Erik: Harley, let's hit page 16, ETFs.

Harley: So I've been involved in ETFs for a while now. I just want to highlight quickly just things to watch out for. There's now more ETFs than there are stocks, and it's gonna keep on going for plenty of reasons I'm not gonna talk about now. Just things to be careful of when you're investing in these things.

Number one, leverage. Leverage is not bad. It's a useful tool if used properly. The thing to be careful about, is it linear or is it the daily percentage? Linear is fine. You go and you buy futures i- inside an ETF and it levers you up two to one. That's okay. You make 10% up, you make money going down. It's a linear process.

It's a buy and hold strategy. That's good. These daily percentage change ETFs, I wouldn't say they're bad, but they're not good. If you use them for a day or a week, that's fine, man. After that, they're really problematic, and the math is very simple. You buy an asset at 100, it goes up by 20%, it goes to 120.

It goes down by 20%, that's now $24, you're at 96. You go and run the market up and down. That's called volatility drag. It will eventually burn that ETF to zero. Next, return of capital. Offering a high yield is eye candy. People just can't help themselves. They want that high coupon. They feel good about it.

What you need to look at is, am I getting... Is the underlying assets in the ETF generating the income, enough income to cover the distribution, or are they overdistributing? If they overdistribute, that means you're getting some of your money back. And how you'll notice that is when the ETF keeps going down in price month after month without a whole lot changing, 'cause they're giving you your money back.

It's a self-liquidating trade, and I would say that probably, I won't say most, but many ETFs that are giving you 10% or more are probably having some return of capital involved. Because to earn more than 10% when junk bonds yield six, seven, eight, it's kinda tough. Finally, we are creating ETFs with more interesting assets in them, derivatives, total return swaps, things like that.

These aren't bad. They're okay. But you need to look at the underlying liquidity of the ETF. Because what happens is this. These aren't an open-end fund where you get out whenever you want at NAV. They're not a closed-end fund where the assets are totally fixed. They're a hybrid in between. And what happens is the m-market makers have the ability to buy or sell the ETF at the closing NAV.

What happens is if someone comes in and wants to sell and the, they s- a-a-and they have to liquidate some of the ETF, if they, if that asset is sold under the NAV then the ETF manager will give this person NAV back and not where the, the manager sold it at, and that will harm the fund. We've had a very low volatility, slow rise in equities, relatively slow rise, slow increase in, in, in rates.

Vols... The, the VIX is what? Seventeen. The realized VIX is actually 10 or 11. The move realized is about 68, so it's not that much. But if we ever get a really volatile market and people wanna get in or out of these ETFs, that could be a real problem. This is all discussed in my in a commentary I wrote on my website called Looking Under the Hood of ETFs.

I just wanted to touch on it right now to whet your appetite. I go into much more detail there. I urge you to go and look at this thing so you can really understand how ETFs work. They're great products. I'm a big fan of them. As, as just full disclosure, just know what you're getting into. You understand the risk you're taking.

So that's that.

Erik: Harley, final question. We've had several guests, particularly Michael Every on this program, tell us that stablecoin statecraft is going to be a really big thing, and specifically what Michael is saying is that we're going to see Secretary Bessent continue to push this idea of taking US dollar-linked stablecoins and really promoting them as a way of reinforcing the world's commitment to the US dollar as the world's reserve currency.

Seems like a good idea on the surface, but I also note that it's a setup because once you're on stablecoins, if the world wants to transition away from the US dollar, it becomes a much easier trade a- and you could abandon US dollars much more quickly in favor of some other stablecoin that's in some other currency.

So what do you think about this idea of stablecoin statecraft as policy? Is it something that we should care about?

Harley: Just to make the big comment here, I do think that Bitcoin at some point is going to zero. It's an act of war against a, a sovereign state, and by the way, Bitcoin can do what? Seven hundred and fifty thousand trades a day.

Visa does that much every minute. So Bitcoin as a transactional tool is kinda worthless. Now, what you're describing is using a USD stablecoin. I think it's a grand idea because it's a... It will be a demand for Treasury securities, which is a good thing considering that the Japanese have been selling recently.

So I'm in favor of that. This notion that it's gonna create a path to somebody else, I don't buy that. I don't buy it because the underlying asset, the the Russian ruble the North Korean, whatever they use there, is just not liquid enough to handle The flow of money. You have to be able to have a liquid instrument.

The underlying asset needs to be as liquid as the stablecoin. So I just don't see how they're gonna go and create something else to go beat it. So I think it's a good idea. And by the way, we already have a stablecoin kinda sorta. It's called Denmo. So we're not splitting the atom here to go to a, a government-backed stablecoin.

I think it's a fine idea, and I'm not worried at all.

Erik: Harley, I can't thank you enough, as always, for a fantastic interview. But before I let you go, tell our listeners what they can expect to find at convexitymaven.com, your website, and how to follow your work.

Harley: Thank you, Erik. I publish episodically, i.e.,

when I have something to say that I think is interesting. It's free. You can find my entire inventory of my commentary. It's been about 20 years at convexitymaven.com. I have my podcast there and my other clever ideas. It's free. Just send me an email, it's on the website, and I'll add you to it. These are trying times, Erik, but I will tell you I'm not gonna quite give up yet.

We may have problems here, but the US is still the best place out there compared to everything else. So I'll steal Bill Gross' cleanest dirty shirt

Erik: Harley, you've obviously given us a tremendous amount to think about, and of course, that means it's time now to switch to our Market Desk segment.

Patrick, where's the trade?

Patrick: Thanks, Erik. Now, coming out of Harley Bassman's interview, the trade of the week doesn't have to be another bet on whether yields are going higher or lower. Harley has concerns about fiscal credibility, less Fed guidance, and mortgage convexity, which points towards potentially more volatile bond markets.

So this week, I want to own uncertainty through long volatility rather than pick the direction. So I'm looking at the iShares twenty-plus year U.S. Treasury bond ETF, ticker TLT, trading around eighty-one dollars and twenty-seven cents at the time of recording. Now, January implied volatility has rebounded from about the ten percent level to roughly twelve percent, but it's still at the bottom end of a one-year range.

My view is that the uncertainty Harley describes could justify further repricing. The structure is a January 15th, 2027 long strangle giving us about a hundred and twenty days. In plain English, you are buying a call above the market and a put below it, positioning for a substantial move in either direction, ideally accompanied by a meaningful rise in bond volatility.

I'm looking at the eighty-five dollar call for around eighty-two cents and the seventy-seven dollar put for around ninety-seven cents. Those strikes are roughly five percent away on either side and combined cost about a dollar seventy-nine or about a hundred and seventy-nine dollars per strangle before fees.

That's just over two percent of the equivalent underlying notional. So we are sacrificing some near spot gamma versus the at-the-money straddle to reduce the premium outlay while retaining the positive vega and two-sided convexity. Now, January gives the thesis time to develop with potential gains from a strong move either way or a rise in implied volatility before expiration.

The trade-off is that time decay works against us. If held to expiration, we would need roughly a seven percent move either way to break even, and if the TLT remains range bound, the entire premium is at risk of loss. So this is a defined premium risk, positive vega, and two-sided convexity without needing to call the next directional move in yields.

That's where's the trade.

Erik: Patrick analyzes and trades the markets every day over at Big Picture Trading. Macro Voices listeners can sign up for a free two-week trial at bigpicturetrading.com. Now back to Patrick and Massil.

Massil: Hey, I love the setup, Pat, especially with where yields are sitting right now. But you know what?

Let's just keep talking about that because just yesterday, the Federal Reserve delivered this week's defining event, raising rates for the first time since 2023, while also signaling that additional tightening may still be required. Now, when you put those two things together, oil staying above 100 and the 10-year Treasury yield breaking above 5%, how are you looking at the broader macro as we head into the September monthly option expiration tomorrow?

Patrick: All right let's break this down and let's just start focusing on what happened with the Fed. Now, we did get the rate hike that was being priced in and it was a hawkish hike as the tone was very clear that there were going to be potentially another rate hike. Now, this actually didn't surprise stir traders.

When you really look at Fed Funds futures and the SOFR futures, they were already pricing this in and the reaction to the press conference didn't really move the needle in any way. So this was really a lot of commentators talking about it. But really what would happen was Jackson Hole came, we got a, a very hawkish tilt to Warsh's comments and the market spent the last two weeks doing a substantial repricing in the rates markets and it's been pretty much bond carnage until then.

But really when we heard from Warsh, it really is to me showing that the market priced it right and we're not seeing at least any major reactions to this. So this really to me, like you were suggesting, is really now going to be a story about what happens from here on oil and subsequently the impact that will have on Treasury bonds.

Massil: All right, you know what? Let's take a moment to talk about how the Fed has tightened the front end of the curve because we're still seeing the 10-year Treasury yield hovering at that critical five percent level. In your opinion, does that tell us monetary policy is beginning to work, or is that telling us that the market does not believe that the Fed has inflation under control?

What do you think?

Patrick: Listen, that 10-year did test five percent and the credibility of the Fed is still a concern that is not resolved. What's interesting is about bond positioning. The interesting part is when we look at those commitment of trader reports on cotsignal.com, what we see here is that large spec traders continue to aggressively position themselves long the two and the five-year at the front of the curve and staying decisively short the long end of the curve, clearly positioning for what would potentially be a bull steepener.

This has not yet been rewarding this positioning as we clearly are seeing the entire curve moving. At this stage, this is inflation coming in, oil pressing higher, driving that inflation and simply higher rates right across the curve coming in. What will be interesting to see is that with such a hawkish positioning being priced in on the short end does this start alleviating pressure on the long end of the curve, which obviously is looking at much longer inflation targets?

And when you have a, a Fed that is hawkish and tightening, inevitably it does alleviate pressure on the long end of this curve. Right now, there's a a lot of shorts out there betting on that against that 30-year Treasury and the trend... And they have been rewarded as the trend really has been decisively down.

But like we heard from Harley, there is room for bond volatility. The question is it gonna play out as everyone's been predicting here?

Massil: Interestingly, when we look at the equities, initially we saw the stock market welcome that Fed decision, but that reaction quickly reversed as the Fed chair there emphasized that inflation remained too high, right?

So we could see a lot more rate hikes going into the future. But with the S&P now approaching negative gamma territory and CT sell triggers sitting below the market, are we looking at the beginning of a more serious breakdown, or can the bulls actually stabilize things and potentially even turn things around?

What do you think?

Patrick: In the equity markets, it really is a two-sided coin. At this stage, you have the fundamentals still strong. You have resilient earnings, solid economic growth. But on the other side there are stress points coming from these yields. The, the hurdle rate continues to compress multiples, and it continues to be a drag on these markets.

Now, the fact is that the markets have obviously now been pulling back, and we're now battling along a fifty-day moving average at a stage where there are some substantial sell triggers sitting right below these markets. Now, we've already seen things like the Russell Small Cap indices have a CTA flip, but these trend following systematic trading strategies have sell triggers that are sitting right below these levels.

Now, the market has not fallen off the edge of the cliff. We haven't seen these triggers hit yet. And so it's one of these things that, while we could have a bullish reversal here in these markets and things can stay stable, but really the bulls have to hold the line right here and now. We are at this morning, at the time of recording, seeing a little bit of an elevated market on the S&P five hundred.

It'll be very interesting to see whether the market takes a relief from all the stress that it's been in under the last two weeks. Nonetheless, a lot of sell triggers come in at s- under seven thousand five hundred. But I think the base case still should be that the market may be far more range-bound going into the expiration and into the start of next week.

Massil: All right. Now let's turn to oil, the other thing moving markets these days because just so many things have been happening. But just in the past twenty-four hours, we actually saw crude pulling back after Saudi Arabia found additional capacity to move crude through Oman. But even with that news, Brent and WTI both remain above a hundred dollars, and the underlying supply situation still looks very fragile.

Now, when we look at the commitment of traders report, it shows that speculative positioning remains relatively light despite this enormous rally. So in your opinion, how much of this move is still a short squeeze versus how much does it reflect genuine physical market stress?

Patrick: To me, this is where all of the attention is.

We basically have the physical disruption being very real. The war continues and the Strait of Hormuz traffic continues to be constrained. And we are seeing different arguments that there are some relief coming in, but the fundamentals really continue to be tight. Now, the question is, was this now correctly priced in, or are we going to see that oil and a lot of these refined products will continue to actually head higher?

And this is the big story because right now higher crude and higher diesel and all these other prices are what is actually driving the inflation expectations, which has been the stress point in the credit markets. And so really the path of oil here is going to decide a lot as to whether or not things like CTA triggers on the S&P are vulnerable.

One thing we have here is oil's currently had a very overbought condition and absorbing and consolidating in a trade range. As we get into the weeks ahead, we'll really find out whether this is a stable level of oil or whether another leg higher gets started. At this moment, I want to respect the prevailing trend because this moment, a lot of the geopolitical macro drivers have not been resolved.

And so expecting somehow that there's going to be a deep reversion isn't supported by this. I am certainly... There could be a surprise resolution to the Middle Eastern conflict, but at least as of this moment, that doesn't seem to be an immediate reality.

Massil: Yeah, and Patrick, when we look at that dollar, it produced a decisive upside reversal following that Fed decision yesterday.

Now we reclaim the psychologically important level of a hundred dollars on the DXY. Now, does this mark the resumption of the dollar bull trend, or could it simply be a short-term reaction to that Fed's hawkish message?

Patrick: The most interesting thing that came from the Fed was that a lot of different assets within the inner market actually held firm.

In other words, they were let's call it right-priced for the expectation of what was gonna happen. The one area where we saw a material repricing was the dollar, and the dollar bullishly broke out on the Dixie, and it was very much driven by a breakdown in the euro, and that happened in that response.

To me, obviously the Fed is the catalyst for this sharp reversal, but now we're coming to some interesting technical observations, which is the U.S. dollar did not make a lower low at any point. The breakdown in the dollar was driven when Bessent inter inter-- started to intervene in the long bond.

But with the hawkishness of the Fed, clearly the narrative is shifting back. The question is this breakout for real? One day doesn't make a new trend, and certainly there isn't enough follow-through yet to confirm that somehow the U.S. dollar's in a new bull trend. But this is probably the single most interesting thing to watch in the post FOMC market reactions because there's all sorts of implications to another resumption of a U.S.

dollar bull advance. That's certainly not guaranteed at this moment. But if that became the unfolding reality, there's all sorts of implications on different asset prices that we're anticipating a weak dollar environment.

Massil: Yana, let's talk about gold because I feel like it's getting pulled in every direction and the price lately has been pretty quiet.

And what's interesting is that in the COP report, we're still seeing considerable long exposure being rebuilt. But this move in the dollar and the yields, could definitely provide more headwind for the precious metal. But how do you view this pullback?

Patrick: This is exactly what I was talking about with this dollar breakout and gold is the perfect example of that.

When you go back and look at what drove the correction in gold over the last six months, it was rising real rates and a US dollar that was generally strong. Now, we-- when we saw a month ago or more was the US dollar started to weaken and real rates were a little bit stable, and it really looked like this could be the point where we had the macro backdrop for a potential gold and Bitcoin breakout.

And they obviously did break out, but what we've seen since then is those perceived tailwinds were not really tailwinds and maybe now may actually be headwinds. And so the big puzzle to solve here on gold was that, was this a real breakout that we saw over the last month and is this consolidation going to be bought on dip, or have we just seen that the macro and intermarket relationships may have pushed the gold breakout out forward into the fourth quarter and that we're going to see a far more range-bound precious metal?

For me, that line in the sand is right here, right now. As gold is testing this forty-four hundred level, this is where we're gonna find out whether or not this retracement is bought. I wanna see a reclaim of this fifty-day moving average, a breakout of this declining wedge, and a resumption of the bull trend.

If we see any legitimate breakdowns to like forty-two hundred or four thousand, it really does mean that this was a false start and it doesn't make it bearish for gold. It just means that the gold bull market didn't start in this window and that it would be a story that would be starting later in the fourth quarter once we've finished this hiking cycle.

Massil: All right, now I want to turn to copper because we have the most interesting positioning conflict in the asset. Now, when looking at the big picture, the long-term supply story remains extremely bullish. But large spec positioning has now reached a score of a hundred over all look-back periods. Now, typically, in general, how do you distinguish a fundamentally justified position in the long term from a dangerously crowded trade in the short to medium term?

Patrick: So Massil, this is the puzzle to solve, right? We do have mine supply constraints, grid le-- electrification, AI demand, all the structural bull cases are there to back this up. But this is consensus, and everyone is fully positioned in this, and we are now at literally five-year extremes in terms of long positioning, which is everyone's already in the story.

Now, what we saw was some volatility here on the short term driven by concerns about how the tariffs were going to progress. That spurred a eight percent correction in copper in just a few days. Now, what's interesting here is this morning we are getting the bounce, and it's reclaiming that fifty-day moving average.

But to me, this is a make it or break it moment. This correction stalled right at the fifty percent retracement of that summer rally, and if the bulls can brush this off, reclaim, six seventy-five on the upside, there is room for the bulls to still maintain this strong trend and and keep plugging on the upside.

But if we see that each rally starts getting distributed and then we start tripping up at the lows that we put in just earlier this week then that becomes problematic because the trade is incredibly crowded. Be interesting to see if any of those weak hand longs can get shaken out with some downside volatility.

At this moment, let's give the bulls the benefit of the doubt, but again, very crowded and and the volatility has really come back in. It'll be very interesting to see whether any traders get washed out

Massil: All right. Thank you for that, Patrick. Now let's turn to this week's positioning pulse, and that's where we talk about the clearest extreme outside the core markets we always cover.

And this week I want to talk about natural gas because when you look at the COT report and you look at that large speculator positioning, we've fallen to a score of zero across all look-back periods, the one year, the three year, the five year. Now speculators are showing a net short positioning totaling about two hundred and twenty thousand contracts.

Just to put that into simple terms, that's the lowest net positioning we've seen in the last five years. Now, do you think this extreme positioning creates that condition for a major market squeeze or traders simply positioned correctly considering the fundamental backdrop?

Patrick: I actually think both in a sense that traders are positioned correctly for the fundamentals.

There's strong production inventory builds, a weather-driven reduction in power demand, all of the things that would weaken the prices of nat gas, and traders clearly have been positioning for this, and this has now built a clear extreme. We're pretty much now at the zero percentile on every major look-back.

This is now extreme gross and net short positioning in here. This is a, a very crowded trade, but no trigger has yet emerged that would potentially play the catalyst in causing a short squeeze. But the fuel is there, and this is where I would be very careful. I think this is an perfect example that if you want to stay short natural gas, you need to put that on with some sort of convexity or overlay some sort of an options hedge, because in the past, when natural gas gets this kind of positioning, it can cause some very serious volatility when a, a squeeze occurs.

And so this is a perfect example of when carrying some sort of hedges on any short positioning makes the most sense.

Massil: And for any listeners that wanna dig into these positioning charts, you can find it all for free at cotsignal.com. That's C-O-T-S-I-G-N-A-L.com

Patrick: Just a quick note, Mass. I wanna remind listeners that COT reports are not a crystal ball.

It's a crowding map showing where traders are committed and potentially vulnerable. But that is not necessarily always a sign that this reversal is imminent. It's just a, an indication of a incredibly crowded positioning.

Massil: All right. Thank you, Patrick, and that's it for this week's episode. Thank you so much.

I'm Massil Beguenane.

Patrick: And I'm Patrick Ceresna. Thank you all for joining us.

Erik: And a reminder, as a Macro Voices listener, you're entitled to a two-week free trial of Big Picture Trading, where you can watch Patrick analyze and trade the markets live every single day at bigpicturetrading.com. No credit card is required to sign up, and there's nothing to cancel.

I'm Erik Townsend, and this is Macro Voices. We'll see you next week.

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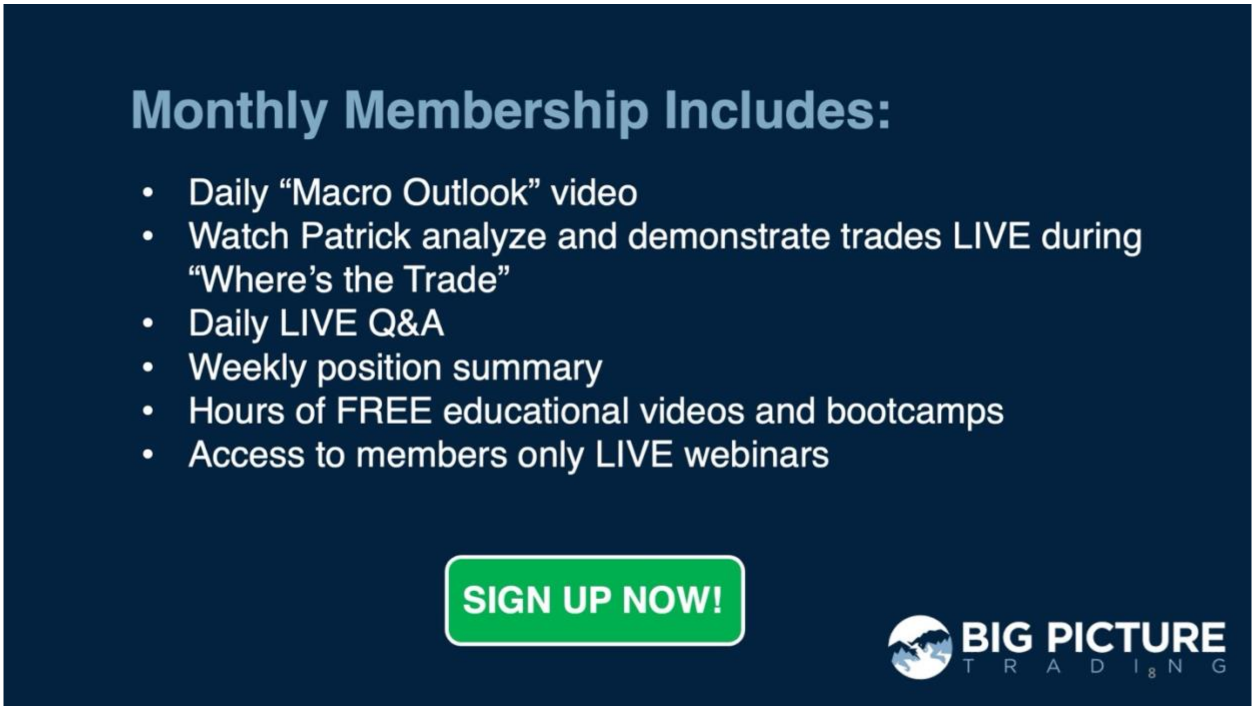
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