MacroVoices Episode 551

Feature Interview with Michael Every

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Michael: The joke at the moment is if you're an interest rate trader or an FX trader at the moment, you have to be an oil trader. You've got to look at that to understand what bond yields are gonna do.

Erik: That was Michael Every. I'm Erik Townsend. This is Macro Voices, and boy, this episode's gonna be a doozy. We're gonna talk about the entire world of geopolitics all the way from what's going on with Iran to what just happened with this escalation in the Ukraine conflict and the strikes on the Russian diesel refineries, and what happens if we have a diesel crisis, diesel exports from the United States, China, Greenland, Denmark, stable coins, and much more.

So put your seatbelt on and stay tuned at the end of this interview for a special announcement that you're really gonna love, 'cause we've been listening to listener feedback, and we're gonna do a format change to make sure you get a double dose of Michael Every this week on Macro Voices.

Patrick: And I'm Patrick Ceresna.

Let's dive straight into this interview

Erik: Joining me now is Michael Every, global strategist in economics and markets for Rabobank or Rabobank, or something like that, depends on which language you're speaking. Michael, it's great to get you back. Boy, geopolitics is your specialty. There's no shortage of that.

So let's dive in. The Iran conflict is probably first on people's minds. Something that is surprising to me in the news flow and just other people I talk to seems so clear to me that a major escalation campaign, you started with Trump saying that he was making threats. Then Iran says we're not going to escalate symmetrically anymore.

And then you see East-West Pipeline, then you see Yanbu, then you see Bab el-Mandeb. Wait a minute. When the first airplane hit the World Trade Center, you weren't sure what happened. When the second one hit, the question was, how many more planes are coming? So it seems to me like we're beginning a big escalation, but oil's straight down because of why again?

'Cause it's like the thirty-eighth time that we're declaring victory. I'm not buying it. What do you think?

Michael: The movement in oil in the last day and a bit has a couple of different drivers, but I think, hope, which is not justified by the reality around us, is one of them yet again. To add my two cents worth to what you just said, I'd argued that when you looked at the economic blockade that the US was imposing on Iran, finally, after having, experimented with other formats, if it worked, Iran's incentive would be to escalate militarily elsewhere.

And that's exactly what you're seeing on whether it's either direct or whether it's via proxies, with an element of deniability, but we all know who is really behind it. And boy, has it worked. If you see the kerfuffle around the Red Sea, the Houthis in Yemen that East-West pipeline, Yanbu, Etc., Etc..

Oil was up to a hundred and ten bucks Brent for a while on, on the back of that. But I think the really important point is what you just made clear, that we now have a situation where Yanbu can be attacked all the time, Riyadh can be attacked all the time, Aramco can be attacked all the time, and that East-West pipeline, having already been hit, is imminently hittable.

What makes anyone think that can't be repeated again and again? So unless we are now pricing for peace in our time, which is as true in the Middle East as it is in Russia with Ukraine, unless you have discrete and distinct knowledge of when these wars will end You are just hoping if you're gonna try and to start to price in the fact that everything is gonna get better.

Erik: Now, we recorded this interview before markets open on Wednesday, so day and a half or so before our listeners will hear it. The latest thing from the Trump administration was, look, it's pretty darn clear after meeting with Iran that they're going to agree to a peace agreement right after the U.S.

election because it would be foolish of them not to and it only makes sense. I'm missing the logic, Michael. It apparently makes sense after the U.S. election but not before it. Help me with the math here.

Michael: I think what we are seeing there is that the American administration is finally starting to understand how to mirror the Iranians in the absolute BS that they come out with internationally.

Because that doesn't make any sense whatsoever. Our view or, my view specifically has been the complete opposite, that once the election is out of the way, if Trump's won, fantastic. If Trump's lost, then he still has to escalate anyway, whether it's via executive orders at home or, military action abroad.

That is our base case, that you will see escalation once the election's out of the way. Of course, if Iran escalates more In the interim, you can see the US have to strike back even before then. And if diesel prices are going to be where they are right now, you could even argue that the distraction of saying at least we're bombing them," might play better with some voters than saying, "We're doing nothing, but we promise you there'll be a peace deal," five weeks from now when you've just been suffering at the bowser for the past five weeks.

So it doesn't make any sense. It isn't what we expect. That doesn't mean that there's zero possibility of suddenly some miraculous deal being struck. But if you look what the starting position and what the finishing position of both the US and Iran are, we are still where we were in the very early days of this, which is saying that they are two irreconcilable positions, and that blockade is working well for the US, and I'm sure you are as cognizant as I am that in the background we have lots and lots of wheels turning to make sure that if and when we get a US escalation, it's going to have a lot more people attacking alongside it.

It won't just be the US. It's more likely to be the US and Israel and a coalition from the GCC to try and really finish the job. So that's what I expect instead.

Erik: It seems to me, Michael, that if you are any of President Trump's enemies around the world, whether that's Iran, whether that's Putin in Russia, anyone who is not wanting President Trump to stay in power, you have an incredibly strong incentive to do everything possible to keep oil prices elevated through the US election.

Because if you can somehow cause the US election to not go in Trump's favor to the point that the Republicans lose both houses of Congress, then it's very likely that most of what Trump wants to do next is probably going to be interrupted by yet another impeachment trial and so forth. So am I right to think that there's a lot of people obviously people who are Trump's allies would have the opposite, but it seems to me like there's a lot of motivation around the world to escalate and make this worse through the US election.

Michael: Yeah, I agree completely. And that's something one needs to be cognizant of at all times. All I will throw in on top of that is something which is an adjunct to it, but it's very important to consider, that we have in the past spoken on this issue, and I've said that obviously Trump went into Iran hoping it would be like Venezuela, which it wasn't, which has been, in geopolitical terms and oil terms, a fantastic success.

Let's be clear. So he was hoping to replicate that. But I said to you that if that were not possible, it isn't necessarily the disaster that it looks for him. And I'm including that even within the context of what you just said, which is correct, that it's painful for the US, it's painful for him politically Because if you look at the US Inc.,

rather than just the current occupant of the White House, and if you look at global energy as a strategic asset rather than, a market where you buy and sell and trade, whose energy production and refineries in their totality would you want to hold if you were an alien looking down from outer space about to invade the Earth?

It would be the Americas, plural, and it would be the Middle East. And I'm sure you have those numbers or those data, immediately to mind when you're thinking about that. It's nobody else. Everyone else is important in different areas, but they're not the whole story. So if Trump goes into the Middle East and can manage to defeat Iran, as we've spoken about before, which is why I think he will escalate with others, then he's got both of those in hand, and that gives him a fantastic amount of leverage over everybody else, China and others.

But, and here's the real takeaway, I know Anas El-Haji has said similar things from very early on, and I was always open to the idea. If he goes in and he can't manage to topple Iran, rather than retreating and saying, "Oh dear, energy prices are high," "Okay, here are the keys to the Middle East," all that energy block now shifts towards China, towards Russia, towards North Korea, towards Iran, Etc., Etc..

You just keep at it one way or another. You ensure that one way or another the Middle East remains destabilized, which isn't hard to do because there are a lot of people who are very keen on destabilizing it. And at that point, the collective energy in the Americas still look really good from outer space, and you still have, in relative terms, a very strong hand and leverage against others, even if in nominal terms and in ele-electoral terms coming up to the midterms, you suffer.

Erik: Is there a risk that if this does not go the president's way and we get to the point where the election is rapidly approaching and it seems like there's just no way to get the, the cost of energy prices back down, is that then the opening where the Trump administration throws the Hail Mary pass to say, "Okay, we're gonna massively escalate and send the message to the voters that, okay, he really did end it this time.

He did the big thing, and we had the gigantic escalation militarily that both reignited some patriotism among the American people to support the president and also created maybe a, a better claim he could make that he finished it."

Michael: I would not rule that out. You are very judicious in your choice of vocabulary in terms of what you are implying.

I think I get your drift, and all I would say that serious people who take this matter seriously are having serious discussions about the serious likelihood of that happening.

Erik: Let's move on to that other war that is going on. It's particularly interesting to me that it almost seemed scripted for Hollywood that President Trump was unusually vocal and publicly vocal in issuing a warning almost to President Zelensky saying, "Look, the world needs diesel right now.

Go ahead and have your war with Russia, but do not hit their refineries because it's going to shock the global market. Don't do that." It was days later that Ukraine did exactly that, almost seemingly in an intentional, the way I read it was an intentional act of defiance. "No, Mr. Trump, you're not gonna tell us what to do."

Maybe I'm reading that wrong. How did you see it?

Michael: No, I think that's a very valid way of reading it. All I can say is that there are different ways to interpret it depending on whether you look at this first order, second order, third order, Etc.. And I'm not implying that the other views are correct.

I'm just saying that you have to look at a matrix of potential outcomes and possibilities. So one of them is that, yes, Trump says things and people just defy him now. That's not particularly good for the global security order. It's good if you don't like Trump, which puts a smile on some people's face and a scowl on others.

But it, yeah it's not good in terms of global security and it's certainly not good in terms of diesel prices for the global economy. That's one. The other one is if you think second, third order That if that's going to happen, you are starting to see record diesel prices, not just in the US, which is of course where American voters are looking at it, but right the way around the world.

You are seeing serious signs of political stress, economic stress, and even social unrest in some countries on the back of that now. And the longer this goes on, the worse it's going to get. Now, as an adjunct to that and maybe we'll open that discussion in a second, you have had Republican politicians and now even Trump himself and Bessent investigating the idea of ceasing US diesel exports.

And before we unpack that and how that may or may not play out, were that to happen, and again, this is purely hypothetical, were that to happen, what do you think the impact would be Russia, Ukraine, and Europe? There are different ways to look at it, but one of them is that Europe, which is potentially in the firing line to not get as much diesel in that particular environment, would have to be the ones who clip Zelenskyy's ear and say, "We've told you not to hit Russian oil refineries.

Didn't you listen to the man?" Talking about Trump. Because they would be the ones who suffer more. So then that would actually force them to be tougher with Ukraine and actually get them to try and force some kind of settlement rather than an escalation, which seems more likely at the moment between Russia, Ukraine and Europe behind Ukraine.

So that's one very cynical second order way of looking at it. Equally, and the data on this are not conclusive, but, some of the whispers that you hear and the, the, the stories that you hear from oil traders don't rule out the fact that there's actually arbitrage happening and, some refined products are still flowing from Europe to Russia itself.

And by that happening, you would then put pressure on them to stop doing that. So there are different ways to interpret it. But as is often the case when we're looking at geopolitics and the intersection of geopolitics and geoeconomics, don't always fall for the first order Trump related headline. And just as an adjunct, one last point before we go back to the diesel thing.

Just a few months ago, for example, we had panic after panic in Europe that Trump was gonna invade Greenland. Serious people were saying there's a risk there will actually be a war with America." And I think nine or 13 soldiers from Europe actually went to Greenland. He's just signed that security agreement with Greenland and Denmark, which is pretty much everything that he wanted from the beginning.

And so there's been an enormous climb down from the European side on that despite the fact that all the first order headlines were doom, gloom, catastrophe, and very much a simplistic way of looking at it

Erik: I promise to come back to the diesel export policy in a minute, but before we talk about diesel, let's talk about diesel because I wanna talk about just the global shortage aspect before we even get into US policy.

In the escalation of all this, a lot of us were really talking about blowout $200 crude oil prices. Our friend Dr. Anas Alhajji, who you mentioned earlier, was the voice of reason saying, "Guys, you're misreading it. Yes, there is a spike. It won't be in the benchmark products. There will be $200 oil prices.

There have already been $200 oil prices in local markets, but it's not gonna come to the benchmarks." The same guy who was Mr. Voice of Reason is in the last couple of days post the Russian strike that I think took out something like 40% of Russian diesel refining capacity. Anas, who is the never escalate man, is saying, "Diesel is the crisis."

He's tweeting all over the place. It seems like we really do have a very serious risk of this thing mushrooming. So to what extent Is that risk, and I wanna make sure we put it in perspective for people that when you run out of diesel fuel in a country, it means your farmers can't deliver food to people.

It means that the rest of things, whether it's groceries or necessities, if the trucks can't drive down the road because they can't refuel, nothing gets anywhere. So a diesel crisis could be a really big deal. It could lead to rationing and so forth. Are we headed to that extent of potentially a global diesel crisis, or is this just a bunch of propaganda that's been exaggerated on X?

Michael: First of all, I have to reiterate again, as a global strategist, I have to look at cross-asset, cross-geography, and frankly, cross-disciplinary, but that doesn't make me an energy expert. I speak to many of them, and our own energy expert at Rabobank, Joe Delara, who does a fantastic job on oil, he's deeply concerned.

If you look at the supply-demand, if you look at where inventories are, if you look at the fact that in most parts of the West in particular, we haven't built a refinery for a very long time and have been busily closing them down, and if you look at the disruption happening in the Middle East, which is easing for the moment, but as I said, could come roaring back in again alongside what's happening to Russia, you can make a realistic prognosis that a genuine, really serious diesel crisis is possible.

But at that point, I have to steer it back to something I said early on and which I've said repeatedly in the past couple of weeks and even the past couple of days to people, which is when we are looking at these things, the joke at the moment is if you're an interest rate trader or an FX trader at the moment, you have to be an oil trader.

You've got to look at that to understand what bond yields are gonna do, for example. Fair enough. I think that's a valid comment. But the oil traders, okay, they tend to be much more realpolitik because of the way the, the market is and the industry is. You've got to understand global strategy. You've really got to understand who's more likely to win the war, who's more likely to escalate or deescalate, who's bluffing, who isn't.

That's a very different set of skills that you're having to bring and a very different set of lenses you're having to look through to determine this. And by the way, that goes all the way to central banks. If you want to talk about what the Fed's going to do, what's the ECB going to do? What's the Bank of England going to do?

We can understand or try and guess what the reaction function is, but it's all a reaction to the geopolitics. So steering back to that, you look at Russia, Ukraine, are we close to escalation or peace in our time? Between the two, if you're going to make it binary like that on a buy/sell basis, we're far closer to escalation than we are to peace in our time.

In the Middle East, are we closer to another escalation to try to get through to the other side of it than we are to we're all friends and we're gonna toast marshmallows around the fire singing Kumbaya. We're far closer to an escalation, and in fact, both of those wars are closer to a conflation and a conflagration where we see that actually they are the same war, albeit being fought by slightly different people.

So and on that basis, yes, the risk is there if we don't get the right geopolitical outcomes and the right reactions from policymakers of a diesel crisis, the risk

Erik: Michael, I think you're really onto something about it being all the same conflict, and the question that comes back to my mind that I just can't shake is what possible motive could anyone who was influencing Zelensky have had in order to want to bring on a global diesel crisis?

Or why would Zelensky-- Maybe Zelensky felt that his war wasn't getting enough attention and he needed to do something to draw attention to it. But it seems to me that if Zelensky is the guy who just very flagrantly disobeyed Trump's direct order not to hit the diesel refineries, he took out something like 40% of their refining capacity.

I may have that number wrong, folks. I got that off of X and I haven't verified it. But if he did that and the-- it seems like he would've pissed the whole world off and they're all gonna blame him for escalating at the wrong time in a way that caused a diesel crisis that's affecting the safety of countries around the world.

Zelensky's not that stupid unless there's a bigger picture that I'm not seeing.

Michael: I don't want to get into conspiracy theories because X social media is full of them, and there are some fantastic ones and some fantastically awful ones out there. And I think we can all admit it's fun to dabble in that from time to time just out of interest to hear what people are saying.

That's not the world that I live in. I live in the real world. But what I will tell you is in the real world, as I already said, the mainstream view that you're seeing from the mainstream press, and the mainstream financial press as well about what's going on with a given story, Trump's going to invade Greenland, Etc., Etc., are very wrong most of the time.

And they don't see that there is often, as I said, a second or a third order or a second or a third layer that's taking place. And historically, you only find out afterwards. Let's go all the way back, for example, this is one that's well-recognized now, the Gulf of Tonkin incident with the Vie- Vietnam War, the, the nominal trigger that the US used to really escalate and get involved in the war.

Completely fake. It's a thunderstorm as far as I'm aware, unless unless that's a conspiracy theory that I've fallen for, at which point I apologize to everybody. But you have false flags, you have multi-layered reasons for these things to be happening. And I do think there is some logic to Zelensky trying to keep the world's focus on this war because frankly, the West gets bored really quickly and loses its focus really quickly.

But that doesn't mean that there can't be other motives out there and I very rarely avoid a topic, but I don't want to go too deep into all of them because they lead us to some places that we'd need another hour to discuss just in terms of unpacking all of it. But I suspect that there is Far more to this than we see above and beyond just trying to get attention.

And one tell, just one tell on that is apart from Trump, nobody else is angry with Zelensky. So we have a global or a glo-global diesel crisis. We have Europe suffering terribly, even though Europe is pro-Ukrainian, and yet all of this gets pinned again on Trump. Now, I'm not saying he's blameless in any way, shape, or form.

Clearly, this war in the Middle East is a large part of it. But it's not as if the blame is being apportioned seventy thirty or eighty twenty or fifty-fifty. It's very clear where the mainstream narrative is going, and it's unidirectional.

Erik: I think you said it best, Michael. On one hand, it would be irresponsible of us to try to venture into conspiracy theories and speculation about what is going on.

But boy, I have an overwhelmingly strong feeling that we're not seeing the whole picture yet and that there's more to this than meets the eye. And I guess we'll just leave it there because I can't offer a credible explanation. I don't have any evidence. But this whole business of Trump makes a threat, then the very next thing that Zelensky does is defy it, and then all the people around the world that ought to be pissed off at Zelensky aren't.

Something doesn't add up. But let's move on. We already talked about the diesel crisis. Now, the Trump administration policy response proposal is let's just put America first. And I shouldn't say it, it is Trump personally. I think it was someone else in the administration who actually escalated this idea of let's put America first and outlaw diesel exports from the United States.

And what they apparently believe is that will cause diesel prices to stay low in the United States, even if they're high elsewhere. I don't know many people in the oil business who think that's how the global market works, but what do you think?

Michael: I don't know anybody in the global oil business who thinks that's how the market works either, but I have one really important caveat to add to that.

And again, it's something that we've discussed in the past, which is this: I think you can agree, besides the fact that we have two major wars happening in the background, both of which look more likely to escalate than de-escalate. I think we're in agreement there. And we have a generalized trend, even though we have a Trump-Xi summit coming up imminently, we are still on a generalized trend towards tariffs, protectionism, decoupling, and fragmentation of portions of the global economy across various different sectors, particularly the US, China.

Europe now increasingly talking about a trade war with China as well to try and protect its industry. We have those together, and yet because of the legacy structures that we have for the global energy market, it's still a one world market. It's fabulously integrated across geography and across countries regardless of politics, and it operates as a relatively efficient global system.

Now, my hypothesis is this Given how important energy is to everything, you were talking about diesel and how important that is in agriculture and industry. It's the lifeblood of both and of logistics, right? So it's vital. What makes you think or anyone think we're going to have a polite Queensbury rules boxing style agreement where the rest of the world is killing itself in different places?

We have mixed martial art, eye gouging, ear biting, scratching kind of wars being fought in different places, and yet when it comes to energy, we're going to have this polite gentleman's agreement that everything is going to operate as it did before Despite the fact that some countries have energy and therefore have the advantage and other countries don't and are therefore strategically disadvantaged.

And to me as a cynic, that just isn't viable. And so whether the Trump administration does or doesn't do something imminently on this, it seems inte- completely logical to me and consistent with what we've seen so far for the US in particular to move towards, and we've discussed this in the past, my joke about NAPTHA rather than NAFTA, the North American Petroleum and Hydrocarbons Trading Hub Association, forming some kind of closed loop block with a like-minded group of countries who have the same tariff on China that the US does, that are in the same defense block that the US is providing, saying, "We have enough energy to trade together across all the different grades of crude and refining capability, and the rest of the world can come and knock at the door and beg."

And that more or less, I'm putting it very rudely and crudely, is where I think we are heading. And if so, all the energy experts who know a thousand times more than I do about how the system operates now are wrong to the extent that they're basing all those views on the fact that it's an integrated global system and will remain so when actually the US can use economic statecraft like the Defense Production Act to tell refineries what to do.

It can build or use a Defense Production Act to order more storage to be built for diesel. It can order that to be stored floating on ships. It can store it regionally. It can get far more involved in energy as a national security area than it has done so far. So if we're talking about it as a business sector where every discrete segment wants to make its own return as its own independent business in capitalism within a global market where many people are not actually capitalist or fr- or free market capitalist, then those critics are absolutely correct.

And if we are not, and if realpolitik and statecraft and coercion through energy is where we are heading, and what do you call blowing up oil refineries in Russia? I think it's exactly what we're just talking about. What do you call blowing up the East West pipeline? It's exactly what we're talking about, then I think we shouldn't rule it out.

Erik: Michael, let's imagine that what happens next is somebody decides that for right or for wrong, what's gonna play best in this election season is to outlaw export of diesel from the United States for the purpose of assuring the American public that the president's doing everything possible to put America first.

What are the potential unobvious knock-on effects of that? Who doesn't get the diesel? How pissed off do they get that they didn't get the diesel? And what are the consequences of their not getting the diesel in terms of future foreign relations?

Michael: Geopolitically, you would burn an incredible number of bridges were America to turn around and say nobody gets any Because even though, of course, America wasn't even exporting crude between 1975 and 2015, which people forget because, who remembers something as far back as 2015?

It would leave a lot of people in the lurch, and America then attempting to try and use energy dominance in terms of exporting to them would fall through. People would look for other options where they are available, and I stress where they are available. But that doesn't mean it has to be a binary of we keep it all for ourselves or we export as normal and say, "What are you gonna do?

Markets." Which is not the Trump style, and I don't think it's anyone's style going forward in this environment. So there's got to be some kind of halfway. You could say we're not going to give it to X, Y, or Z." Let me just give you two examples, okay? Two examples, and I already mentioned one of them, but I'll repeat it.

So the first one is Brazil. We've got the Brazilian presidential election coming up, and that's hugely significant for Brazil And it's incredibly significant for the world, 'cause Brazil is a vast economy with enormous resources in both energy and particularly in agriculture. And were it to go the Bolsonaro direct- direction and operate more friendly with the US, that only leaves Canada and Nicaragua to be basically brought in line, and Trump has the Dunroan doctrine, which again, people were mocking a couple of years ago, and it's pretty close to being achieved potentially.

So if Brazil goes the other way and it's Lula, and Lula's like, "Okay, China, Russia, here we come," maybe Brazil would be the country who doesn't get diesel, just as one example, and that would be quite a lot that gets cut off. And maybe that can be used as a signal ahead of the election. Equally, on the other hand, the other really big export market is the Netherlands, which of course then sends it on to the rest of Europe.

And Europe and the US are clashing over lots of things, including the, the potential for Canada to try and be- pretend it's in Europe rather than the Eurovision Song Contest. And suddenly showing that, whoa, okay, we're not gonna export to you anymore, would leave them in the lurch. And as I said, that would then leave them maybe saying to Ukraine you've got to stop blowing up Russian oil refineries.

We can't get by without that Russian output one way or another, even if Russia sells it to somebody else and it comes back to us via the back door." So there are lots and lots of potential carrots and sticks that can be used here if you think of it as being a analog process rather than binary, and I just very hurriedly rolled out some of the processes that you can use domestically in terms of economic statecraft to again, take markets and say, "No, you think you operate in an environment that looks like this.

I'm shaking the box. The box now looks completely different. Do what you do within that framework or don't do it at all." And I don't think we can rule either of those out, even if they're not something you can definitely say is going to happen in the short term.

Erik: So as we come back to this picture, seems like it's more complicated than we've managed to understand so far.

The things that are open in my mind is, I don't get what happened here, is the Greenland-Denmark deal. As you said, they were sending soldiers to defend Greenland and then all of a sudden, maybe I missed a negotiation that was publicly announced, but it came across to me as just all of a sudden there was an announcement of, "Oh, by the way, we did a deal and that whole Greenland thing's wrapped up.

We made a-" deal with Denmark and it's a security agreement and it's all set. That came seemingly out of nowhere and at the same time, the big question mark in my mind is how does China's ongoing much higher level strategic competition, Cold War, whatever you wanna call it, with the United States potentially explain some of these things?

So let's cover the China angle, but also is there a tieback to all these other things that are going on?

Michael: Of course there is a tieback to it. And let me just very quickly unpack something to do with that Greenland thing, because as I said, the headlines were really histrionic and hysterical a couple of months ago.

They've all gone quiet now. They're not really covering the deal except some of the ones that are saying people are mocking the fact that Trump signed a deal to give himself what he already had That's just not true. It's not true. If you look at this deal, the previous one that was signed was tied to Greenland being part of Denmark, when actually now the new deal is even if Greenland votes for independence, the US gets to keep what's going on there, regardless of Greenland's status.

It's also now permanent. It's forever. There's no time limit on it whatsoever. The US gets to expand military bases, and from now on, Denmark gets informed about kind of movements between military bases and their expansion, but it doesn't get to veto them. So the US basically has freedom to do whatever it wants pretty much militarily, and it gets to veto on anybody else doing anything apart from NATO, which of course is going to guide.

And at the same time, if anybody else wants to invest in Greenland, in the minerals, in the oil, which may well be there, Etc., Etc., US gets veto rights. So it gets the first dibs on all the economic goodies there, and it gets to refuse anybody else, whether it's China or Russia or you name it. So that's a significant deterioration in Danish and Greenland sovereignty.

The military angle is now with the US. Now, the Denmark can operate under that, and I think Denmark does much better. And again, we don't know if this was deliberately achieved via the US spelling out the fact that there was a very bad outcome for Denmark and for Greenland and for Europe if this didn't happen, or it pointed to other vectors for example, no, we may not do something here, we may do something there or there, which matters to you because the US has multiple pressure points or coercion points, if you will.

But the long and the short of it is that it's got this fantastic, and it really is strategically fantastic defense deal now where it can put anti-missile defenses across Greenland, which are critically important. If you look at the world as a two-dimensional map, which if you do, to be honest, you really shouldn't be a geo-strategist.

It's sitting there in the middle between Europe, the US and right next to Canada too, of course, which is currently elbows up against the US. But if you get any missiles, ICBMs fired at the US, they're going to come over the North Pole, and Greenland is in the way of where they will be fired from a lot of countries that the US would worry about.

So it's an extremely important territory for the US to hold. It's also a bottle stopper in the neck of a, a bottle which runs along the, the northern passage. So in other words, if Russia or China or anybody else want to send ships via the Arctic waters as, as the weather gets warmer, and that's possible more and more of the year, it's Greenland and Iceland which just voted not to join the EU, which are really important to blocking anything coming through.

Then, of course, you have all the minerals which may or may not be there, and potentially even oil. So it is geostrategically important, and that leaves the US with pretty much everything it wanted, short of Denmark paying for the US military base. Short of that, it gets to control strategically Greenland, while Denmark pays for the schools, the roads, the electricity, the healthcare, Etc., Etc..

So that really does change things.

Erik: Michael, hang on a second, because as you said yourself, just three months ago, there was this massive call for solidarity among European leaders, whether it's Macron or whoever else, they're all up on a stage saying, "Hell no, we are not going to allow the United States to bully Denmark around.

Greenland belongs to Denmark. Europe is going to come together. We're standing against this. We'll never tolerate it." It was a big public thing. It was in public debate. It was in public discussion, and then it went quiet, and we started instead threatening Zelensky to not do something that he did the exact opposite with no explanation.

We couldn't... That became the public discussion. And then, oh, by the way, there's a press release that the US got a much better deal that's permanent forever that it never even bargained for before. It's been escalated in the US favor while at the same time dropping out of public debate. The European leaders stopped talking about it as if someone told them to stop talking about it.

I don't get it.

Michael: Again, welcome to the world of geo strategy, because between you, me, and the listeners, I heard that rumor about five weeks ago or six weeks ago that was gonna be the outcome. And I mentioned it to people that, okay, that's what I'm hearing. And of course, that seemed ridiculous 'cause they were still listening to the echoes of those previous headlines.

But all I can say is, and I'm not attempting to insult anybody or tweak anyone's nose here, and certainly not to you, but I'm just saying if one now recognizes what I said a couple of times already in, in, in this chat, which is you have to understand what's really going on geopolitically and geoeconomically to understand what market paradigm is going to look like.

If you, e- even as a central bank, you under- need to understand what's going on with wars, Etc.. You can't get there by looking at your Bloomberg screen or looking at your chart of what Eurodollar is doing, Etc., Etc., Etc., and just reading The New York Times or The Washington Post headlines, or maybe even the Financial Times or The Wall Street Journal headlines.

That's not gonna do it. There's an enormous amount of research and work and connections and logic and dot joining and projecting and what if and what then, and second and third order thinking across disciplines and geography you have to do to try and actually predict these things. I'm not trying to big myself up.

Everyone else in the profession does it, too. But it's not just GDP and CPI plus headlines. So yeah you're perfectly summarizing there in your consternation how one can trade something one way or think it's gonna be one way, and then be completely blindsided by what happens next.

Erik: Let's imagine then that we are sitting with Xi Jinping and his senior staff in a secret Chinese strategy meeting, and Xi Jinping says to all of his lieutenants, "Okay, look What do we want?

What does China want out of this whole geopolitical conflict situation, and how do we get it? What should our tactics and strategy be? How does that conversation go?

Michael: First of all, those conversations are happening all the time, right? But from the Chinese perspective, it's really pretty clear they don't like this.

They win fantastically well from the status quo without war They can do okay during a war because they've really heavily armored their economy by preparing for exactly these kind of even-events so they can't be easily coerced but they can coerce others and they have multiple redundancies and stockpiles, Etc..

So absolute kudos to them. But they do on aggregate do better without war in the Middle East, of course, and they do on aggregate better without war between Russia and Ukraine but they don't want Russia to lose. So on the Russia-Ukraine war that's very clear that they want it to stop but they don't want Russia to lose.

And in the Middle East they would like it to stop again but they don't want Iran to lose. So that of course then is rather awkward because they don't want to too aggressively back either of them otherwise the geopolitical side taking is accelerated even if that's already happening. So the best you can then do is start developing again more multiple redundancies, more fallback options and I think that they are reassessing and we will see that reassessment both from the Chinese side and from the American side when Trump and Xi have the pageantry of their meeting together and we'll see what does or doesn't come out of it.

But one interesting tell on that is that from what we see from a Bloomberg headline, because yes you do still get news from Bloomberg and from ordinary sources, it's not all about secret messages being sent, that China proposed to Trump apparently ahead of this particular summit that the trade truce that they have now where tariffs are somewhat lower on Chinese goods and rare earths are supposed to be flowing be extended to the end of Trump's term and allegedly the US side said we're only prepared to consider three to six months."

Now why would the US say that? Why would they not sign immediately great we'll keep things stable for the next two and a bit years particularly when you've got all the instability in the Middle East? That suggests they believe they have some card that's gonna be in their hand in the next three to six months which again gets very complex and lots of dot joining and lots of hypothesizing looking at what's going on Russia, Ukraine, what's going on in the Middle East, Etc., Etc..

Lots of other t- charts and data points I could bring into that but it again feeds back to what you were saying which is what the hell is going on? And that really is the key question and it's not as simple as people see on many levels and in some more fundamental levels it actually is.

Erik: I think we can leave that on a point of agreement that you and I agree that there's more to this than meets the eye and we're not the ones who know all of the secret pieces of this but there's a lot going on here and I look forward to continuing to have you back on the show to keep talking this through and figuring it out.

We've got only a little bit of time left so I wanna come to a final topic which is your stablecoin statecraft theory that you've shared with our listeners in previous interviews. Anyone who doesn't know what I'm talking about definitely put Michael's name, Michael Every, into the search box at macrovoices.com.

You'll see our previous interviews where that was discussed in Quite a bit of detail, but I'd like to get an update because we had the CLARITY Act, and then our mutual friend Izzy Kaminska reported on some of the DFCs. G- give us the rundown on what's new on the stablecoin statecraft front.

Michael: Sure. So the CLARITY Act failed and is now stalled in Congress, and that means that the, the adrenaline shot that stablecoins, dollar stablecoins would have gotten from a very clear legal framework in c- particularly setting the law on what you can have in terms of interest, where you can't have interest, but you could have rewards, which would be very similar.

If that had gone through, I think that would've been a very key market development and a very key statecraft development because the US would've used them strategically to try and gain extra leverage within the global financial system. And I still believe it will, and when I say that, that's because while the CLARITY Act got quite a few headlines, our mutual friend Isabella, as you said, has brilliantly picked up that under USAID, which has of course been, s- significantly restructured under Rubio you had the DFC, which is a Development Finance Corporation, and that, traditionally used to do certain financing of certain things in, in, in different countries.

Always, trust me, with a geopolitical aim, even if it was hidden with a different, sticker on top. And they now have a new acronym operating within them, a new department called SWORD, S-W-O-R-D, and what they do is make strategic lending or money drops around the world to strengthen supply chains in US national security, and they are going to be doing it in stablecoins.

So effectively, suddenly lumps of millions or tens, maybe even hundreds of millions of stablecoins can be injected or inserted into different points which either need stress or lubrication in the global economy to make sure certain groups of people or corporations or countries suddenly wanna do things that need to be done.

And of course, as we know about stablecoins, they are untraceable to a degree, they're untaxable, they don't sit in your bank account, they sit on an app in your phone. And yet they are completely fungible within the US economy, or they will be in the near future. So that's a really interesting statecraft mechanism which tells me one really important thing, the US is deadly serious about this And just because Congress doesn't approve it doesn't mean it isn't going to happen.

It's just going to happen via another mechanism, and it's gonna be a more surreptitious cloak-and-dagger one or a smoke-filled room than it is the traditional banking system to begin with.

Erik: Michael, as always, I can't thank you enough for a terrific interview. We're definitely gonna get you back to talk more about this.

So your assignment between now and then is to figure it all out and know all the answers to what's really going on behind the scenes.

Michael: To be honest, I do have a few things I'd like to throw into the pot, but I don't think now's the right time, so we'll keep that one for next time.

Erik: Michael, it's funny that you mention that because Patrick Ceresna and I just got off a call before this recording where we agreed to announce a new format because we're getting a lot of feedback from people when I cut the guest off and say, "Look, we're out of time," we get barraged with emails saying, "Why did you cut him off?

It was great." Here's our decision. We're gonna keep Macro Voices feature interviews targeting 45 to 50 minutes. That's always been our production standard for the very busy people in our audience. But for those of you who wanna go deeper, let's just do it. Michael, if you're game, I say let's do another hour on this or however long you wanna go on because holy cow, we haven't talked about the South China Sea.

We haven't talked about North Korea. We haven't talked about Taiwan. We haven't talked about so many angles, and frankly, we haven't filled in all of these blanks.

So listeners, please bear with us. I did not know when we started taping tonight's interview, I should say the today's interview, it's evening where I am.

I didn't know we were gonna do this, so give us a couple days. We might be a day or two behind the Thursday podcast, but we're gonna give you more Michael Every, and we'd really appreciate your feedback on whether or not you like that format 'cause it does require more production cost and effort. We're only gonna do it if listeners tell us on X that they really like it.

So give us a day or two and expect us to give you another bonus session with Michael Every going deep on some of the topics that we didn't have time for tonight.

Michael: I'm out for it. Sounds great. Cometh the extra hour of recording, cometh the man.

Erik: All right. We'll save that for next time. And before I let you go, tell us a little bit more about what you do at Rabobank or Rabobank.

How do you pronounce Rabobank? And what what services are on offer? How can people find out more about your work?

Michael: So I say Rabo, the Dutch say Rabo. And we are a major bank in the Netherlands. We are the world's leading food and agri and major energy transition bank. And my role within them, as you said at the beginning, is global strategist And within that, I look cross-asset, cross-geography, cross-disciplinary to try and understand what are the bigger picture themes that are emerging and which are, as we've said, very often hidden by the common headline or the easy to look at data point, and that could have really serious impact for CEOs, CFOs and financial clients and agricultural clients, in terms of diesel prices, for example down the line.

And for those who are Rabobank or Rabobank clients already, please go to Rabobank Knowledge and everything that my team and myself does is there. If you're not, please, you can find some of my work on LinkedIn. You can also find my handle on X, where I discuss these things with like-minded people, which is @themichaelevery, all one word.

And of course look for me on excellent podcasts like this one where we discuss these things in depth in a way that I think very few do. So thank you for giving me the space.

Erik: It's my pleasure, and I look forward to our next conversation. And of course, now it's time to bring Patrick and Massil in for our Macro Voices market desk.

Patrick, where's the trade?

Patrick: Thanks, Erik. Coming out of Michael Every's interview, low oil prices don't necessarily mean the geopolitical risk has disappeared. His concern is that another disruption to pipelines or export routes could quickly reverse the latest relief move. So this week, I wanted to position for renewed crude oil strength, but with a defined premium budget.

The options backdrop makes this even more interesting. The oil volatility index has retreated down toward the low end of its recent range. Now, that doesn't mean there isn't a risk premium. It's just well below the panic levels earlier this year. Now, for this trade, I'm using the United States Oil Fund, ticker USO, which has a reference price of a hundred and forty-eight dollars and thirty cents.

I'm looking at the January fifteenth, two thousand and twenty-seven expiration, giving us about a hundred and thirteen days for this thesis to develop. The structure is a bull call spread between the hundred and fifty to a hundred and eighty dollar strikes. Think of it as buying upside participation capped at a hundred and eighty.

Now, the hundred and eighty dollar level is roughly equal to the spot price of crude heading to about a hundred and twenty dollars a barrel. This spread would involve buying a hundred and fifty dollar call for about fifteen dollars and fifty cents and selling the hundred and eighty dollar call for about seven dollars and twenty-five cents.

That's eight dollars and twenty-five cent net debit for a thirty dollar wide spread, giving you close to a three to one risk reward ratio. The trade-off is that the upside is capped and the timing still matters. If the USO finishes at or below a hundred and fifty dollars, the loss is limited to the premium outlaid.

Now we've defined the capital at risk and given the trade time beyond the next geopolitical headline. So the objective is straightforward. Capital efficient upside exposure to renewed oil rally with the downside limited to the premium committed. That squares 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: All right, let's turn to the big picture macro backdrop here, Patrick, 'cause oil has significantly pulled back from last week's high, yet the 10-year Treasury yield has ripped back above five percent, and now it's reached its highest level since two thousand and seven.

Now, if it's not oil that bonds are responding to, what does it mean for all the other asset classes?

Patrick: Yeah, this is super interesting because over the last few weeks, the narrative was oil's ripping higher, putting pressure on inflation expectations and causing the bond markets to reprice higher yields.

But yet in the last week, we've seen almost a ten dollar drop in crude oil off of its highs, and yet here we have yields continuing to rip. So let's focus on what's happening in the yields. The most interesting thing is how Fed funds futures are repricing odds of a hike in October. We're now at close to seventy percent probability of a rate hike occurring here in October.

But what's amazing is that we have as over a fifty percent chance that there's going to be two back-to-back rate hikes, both in the October and December meetings being currently priced in. Now, accompanied by this is this technical breakout in the 10-year yield, which has decisively beat the five percent level, and now we're trading around five hundred and ten basis points, the highest we've seen since two thousand and seven.

And the thirty-year yield is now north of five hundred and forty basis points, and the the ten-year real yield is around two point seven percent. So the, the bond markets are suddenly causing all sorts of stress as the hurdle rate in equities is actually rising. So what does this mean? From a transmission perspective, this is higher mortgage rates, tighter financial conditions, and a stronger dollar.

And all of these things are going to pressure the higher valuation hurdle for equities. The key thing here is not that the rates got up to these levels, but what is actually is the rate of change, the speed of which yields are rising. What we are literally seeing is bond markets are almost accelerating the crash to the downside as yields are rocketing, which is usually when we see some form of attempt to basically calm these markets down.

Will there be some attempt to stabilize this, or do bonds have another full level lower to go? This is probably the single most important thing to watch because it's gonna impact the pricing of almost every other asset we're gonna be talking about.

Massil: Yeah, that's definitely the key there because when we turn to equities, the picture looks very different depending on where you look.

The Nasdaq and the mega cap AI leaders just broke out while the rest of the market, looking at market breadth, looks increasingly weak, especially when you look at the financial names or the small caps. Now, do you think that concentration represents durable leadership, or is it just masking a much more fragile market than what it looks like on the surface?

Patrick: This is certainly a fascinating moment on the charts because technically, if you just look at the S&P 500 index, it looks so bullish. It was a flagging formation over the last month that held a fifty-day moving average. Previous highs acted as support. A, a beautiful breakout candle retesting the highs.

Even this pullback over the last few days is still above Fibonacci retracement zone. So on the surface, if you just judged the S&P 500 purely by technical analysis metrics, it's a beautiful bull trend. And if it breaks the fifty-two week highs here this could easily head to eight thousand to eighty-two hundred on the upside.

But that's not what under the surface, and this is the most fascinating part of these charts. When you're looking actually at the same S&P 500, but looking at it from an equal weight perspective, the equal weight index during this last week when the markets upticked actually never rallied.

And in fact, as we record this, is breaking to a lower low from last week. And so the equal weight index is actually selling. The Russell 2000 full sell signal's right across the board and is selling. Sectors like the financial index are breaking to lower lows. You... When we look at the breadth of the market, we are as-- looking at this moment where the number of stocks above their fifty-day moving average is sitting at twenty-eight percent.

That basically means seventy-two percent of stocks are actually trending downwards below their fifty-day moving average in this basket. And so when you look at it, there's five mega cap stocks that are literally carrying this index just because of their market cap weighting. And so this really creates a interesting moment because the question becomes do we see, let's say the pressure on yields be alleviated?

And suddenly a relief rally allows breadth to widen and suddenly that widening allows the S&P 500 to be bullish and push to eight thousand or eighty-two hundred. Or will we see that the broader part of the market continues to deteriorate and then when inevitably these mega cap names can't do the work anymore, they'll join the selling and we're in the midst of some sort of ten percent correction going into the midterms.

Now which one's my bias? I think a lot of it is back to what we just talked about on yields. If we have a scenario where these yields continue to press and let's say the ten-year is heading to five and a quarter or five fifty on the upside it may just be enough to break the the ability for the bulls to hold the line here and could be the ultimate catalyst for a correction.

And so right now that certainly is in the driver's seat, but this divergence is certainly the, the focal point. The one last thing I wanted to touch on here, Mass, is I wanted to talk about the volatility index. And what I find fascinating is no matter how you paint the vulnerability of the market here, we have a volatility index that's right now sitting around-- in the fifteen handle on the thirty-day VIX.

But what's fascinating to me is about the three-month VIX, which is actually going out to the end of December. So when you're looking at three-month volatility, which encompass the elections, the next jobs numbers, the entire next earnings cycle in October, all of these things are captured in that volatility index.

It's trading at its year lows. In other words, right now the cost of insuring is about as cheap as it's been all year. And there is no rush or worry in these markets to pay a premium to buy that downside insurance. And I find that the most fascinating part is that, you can actually buy reasonable insurance on your portfolios.

You can stay long, but use this low and cheap volatility to dampen any potential downside risks.

Massil: Yeah, and when we say this bond move is showing everywhere, I mean it is showing everywhere. Look at the huge move we saw in the dollar index, the Dixie now breaking a hundred and one dollars. This was highlighted in every major p- currency pair too.

Whether you look at the euro, the s- sterling, all losing major supports. So really my question is this simply the rate differential trade reasserting itself, or are we seeing the start of a much broader dollar move that could reprice all currencies across the board?

Patrick: Yeah, I've heard a lot of people talk about this being the differentials of rates and the fact that rates in the US are rising.

But when you compare that to current repricing of interest rates in Europe or in Canada or anywhere else the short-term interest rates are rocketing everywhere in the world. And so the rate differentials are actually not really diverging in any big way. That doesn't seem to be the catalyst.

And so to me the the interesting thought is this starting to now show some sort of funding stresses, which is also obviously evident in these bond markets. US dollar is still the petrodollar and world reserve currency in settlement of almost all global trade. And so you have a scenario where this US dollar rally may be indicating something more.

One way or another the, the correction that we saw through the month of August that potentially was was like a wet blanket putting the US dollar back in its trade range that ended abruptly. And this breakout here has us now back towards fifty-two week highs and clearly breaking out of what was almost an eighteen month trade range in between the ninety-seven to hundred handles.

And if the US dollar here breaks to fifty-two week highs and that's accompanied by further stresses in the rates markets, this has to be an immediate disruptor on risk assets and continues to be the focal point here. What I want to really highlight here is that the cross currency that's most evident in terms of the weakness is the euro.

Obviously, the pound sterling and even Canadian dollar have all weakened. Actually, almost all the cross currencies have weakened here, but it is most evident in the euro, and the euro is the largest component in the dollar index crosses in the, the Dixie basket. And so the euro here trading back down to its recent lows is the most vulnerable to break.

And, if the euro is destined to head down to this, let's say one O eight to one ten level on the downside, that would certainly put the dollar at the forefront of of the conversation and certainly a player on the field for the way that risk assets are being priced

Massil: Okay, let's turn to crude oil 'cause the market right now is talking about a potential diesel export ban.

But whether that happens or not remains to be seen. But the two big news that hit the tape this week is, one, Saudi export capacity recovering, and two, the hopes for US-Iran diplomacy returning during this US General Assembly. Now, does this pullback in crude oil prices represent a genuine improvement in the physical supply picture, or you think it's just yet again another headline-driven pause in the market where disruption risk remains really high?

Patrick: It's the latter. And right now we had obviously crude oil had an, an extraordinary run from basically eighty dollars a barrel up to a hundred and five dollars a barrel in a span of two weeks. It was it it clearly overshot on the upside, and there was lots of room for it to do some reversion.

But here we are a- approaching a fifty percent retracement, a fifty-day moving average, which is a very typical ebb-and-flow correction, no different than what we saw in early August. And the, the bottom line is that the geopolitical situation is still highly suspect. We just heard it from Michael Every.

And and there's lots of room for this to continue to be a very tight oil market. And the only way to deal with the substantially depleted global inventories is to s- to allow some sort of demand destruction to happen. The question is that are we gonna see a spike higher in oil that is gonna clear the hundred hurdle with a velocity?

Can we see a hundred and ten or a hundred and twenty dollar barrel of oil? I think it's completely on the table in light of the current situation. And this I think, is probably the number one thing to watch because if oil did this, and that's an if, obviously, we don't know for sure but if oil was to make a move back to year highs it would certainly act further disruption to rate markets, making it very difficult to stabilize the bond markets.

And if all these come into the intermarkets all together then you create an environment that is gonna be very challenging for risk assets. And watching whether oil starts to break out off this ninety level is certainly one of the more important things going into next week.

Massil: Talk about gold because it's been comparatively quiet, and really the story there is that it's being squeezed between a stronger dollar from the sharp rise in yields on one side, but there's also persistent geopolitical and inflation hedging on the other.

Is this pullback still the same consolidation we've seen the last few months, or are these macro headwinds beginning to threaten the larger bull structure?

Patrick: All right let's just rewind here for a moment and talk about that breakout in gold that happened in early August. And it was all around that period where Bessent announced that Treasury was going to intervene in the long end of the curve, and many saw that as a signal that the Treasury secretary blinked and that this was inflection point in the rates markets.

That immediately signals the natural response mechanism, which that is that gold rallies. And that's an environment that could transition into an easing period where they stabilize the the bond markets and gold would have a clean bull market in there. But since then, especially in the post Jackson Hole period, and especially in this period of the last two weeks where the rates market did this, a huge repricing of interest rate expectations, this pushed real yields higher, pushed the US dollar higher.

And all of the things that gold bulls would've needed to see as confirmation that the next leg of the bull market has started never manifested. And and so the question now is, was this a false start on gold? And we're on a knife's edge, like we're slightly below the fifty-day moving average here, but still holding Fibonacci zones.

But if we have a scenario where the the Dixie breaks to fresh new highs, yields continue to press higher, and gold sustains below the fifty-day moving average, at some point, traders will admit that this was not the breakout that we were looking for, and that pushes forward when the next bull cycle will be maybe to late fourth quarter or maybe the first quarter of next year.

Now, I'm not already pivoting to that, but we are on a knife's edge here, and if we don't see an intermarket stabilization and dollar and rates markets, then

this could be a false start on the gold's rally, and that's gonna be certainly the thing to watch in the next week.

Massil: Now, Pat, I also want to go back to the beginning of this month where we saw copper's positioning when looking at the Commitment of Traders report being almost overcrowded on the bullish side.

And we, during that time, we also saw a sharp downside reversal that looked capable of fleshing out some of the market's heavy speculative positioning. But buyers returned almost immediately to save the price, driving it back towards fifty-two week highs where they are now. What do you make of this resilience early in the price?

Patrick: I absolutely love watching what's happening here in these copper markets. It's super interesting because exactly like you were saying, we've seen that the bulls are all in. It's not only a consensus view from sentiment, but positioning-wise, traders have gone all in on this bullish copper positioning.

Now, just because everyone is long to the hundredth percentile doesn't necessarily mean that that the contrarian trade is the right one. And when we had that little tariff announcement, it spurred a quick seven percent correction in copper prices, asking the question whether they were shaking out any copper bulls in that we were seeing some sort of reversal that could've ended this trend.

But the bulls came in right away and bought that dip And we've and traded right back to fifty-two week highs. And when you see that strong of a recovery that quickly, it really continues to show signs that there's ample bulls still on the sidelines ready to put money to work on dips. At this stage, even in spite of the crowding I wanna respect this prevailing bull trend for now.

There's different measurements showing targets up to seven, seven and a quarter on the upside. And so long as dips continue to be bought the way we just saw a week ago then you have to respect that the, the bulls remain in control of the copper market. Now, I wanted to also pivot here for a moment to just have a quick comment on what's happening in the uranium markets.

So when looking at that uranium market the U308 actually remains relatively elevated and very close to the ninety level on the upside. And when you're looking at things like the Sprott Physical Uranium Trust, they're relatively stable and looks like the actual uranium prices are doing just fine.

But when you're looking actually at uranium equities they seem a little more tired and a little more heavy. We had a, a very decisive August bull bull breakout on the upside the same time as gold broke out but that dissipated quickly. Now, remember, we talked about how the breadth of the market is so narrow, very few markets are working, and this is an example of a market that just is not taking any flow.

All rallies are fading, generally distributed. And the question really is this really the window from which a uranium bull phase has begun? So when using something like the URA, which is the Global Uranium ETF, we're basically at a level that if we see any breakdown below forty that leaves a, a distribution cycle in play that obviously could be double bottom retesting its July low, or we could even see thirty-five dollars on the downside on the short term.

Overall, I'm trying to be optimistic about the the fact that we've already seen such a prolonged and extended correction and that some sort of bull cycle could begin. But at least from a price action perspective, the accumulation cycle clearly has not seen the starting gun get fired. And so let's see how it stabilizes here.

But what I'd love to just see is that uranium stocks don't make lower lows and create a solid basing formation that ends up being an accumulation cycle that leads to at least a bullish scenario somewhere in the fourth quarter.

Massil: All right, Patrick, now let's turn to this week's positioning polls because we want to talk the Japanese Yen, which was the standout asset in the Commitment of Traders report.

And I really encourage listeners to visit that cotsignal.com page and click on the Yen, and you'll see that in just two weeks, large speculators swung from roughly ninety-two thousand contracts net short to more than a hundred and twenty thousand contracts net long. Now, whether you look at any position in horizon, the one year, the three year, the five year look back, you'll see that we swung from almost an oversold level to an overbought level in a matter of weeks.

We're now sitting at the hundredth percentile if you looked at that one year, for example. Now, I do have to mention that this positioning we currently see in the report was calculated before the Bank of Japan's rate hike, where the Yen quickly reversed. Now, do you think traders are now crowded onto the wrong side of the move because of this?

Patrick: Now Massil, I feel like that we have to really emphasize how extraordinary this flip was by large speculators because we saw almost one hundred and ten thousand contracts swing in the net positioning in just one week. It was extraordinary event. And just to give it context, we've seen years like in two thousand and twenty-two and twenty-three where the entire year you didn't see a hundred and ten thousand contract repositioning.

So this to-- for this to happen in one week, some very big traders did a very strong repositioning. Now, like you were saying, this was a snapshot of positioning back on September fifteenth. And what's amazing is that after we've seen us hit one year hundredth percentile long positioning and approaching close to a five-year net positioning high, all of this happened along the highs of near the sixty-five handle on yen futures.

And since then, we've seen about a two hundred pip drop in the yen in the span of the last week, just driven by this huge US dollar rally. This to me is very interesting. Did all of these traders just get caught, and are they going to get squeezed out? The there's a lot of reasons why technically it looked like the yen was turning the corner.

It was above its fifty-week moving average in, in more than a year and a half. It was a legitimate pivot in tre-- in the trend and and yet now we see the US dollar broadly round against all cross currencies and what is maybe described as some sort of funding stresses that are emergent. The question is, did the is the US dollar rally going to now be a disruptor in this yen bull thesis?

A, a lot of cross currents here and a lot of positioning pivots. This is one of the more fascinating things that's going on, and w-- certainly the one thing to watch on the COT signals just to see how this plays out here and then over the next few weeks. Just a reminder, when we're looking at these commitment of trade reports, it's not a crystal ball or a forecast.

It's a crowding map that shows where traders are committed and where the price could make the crowd vulnerable. And this is what makes this chart so super interesting. That's where we're gonna give it a wrap. Thank you everyone for joining us. I'm Patrick Ceresna.

Massil: And I'm Massil Beguenane. See you next week

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 Eric Townsend, and this is Macro Voices. We'll see you next week.

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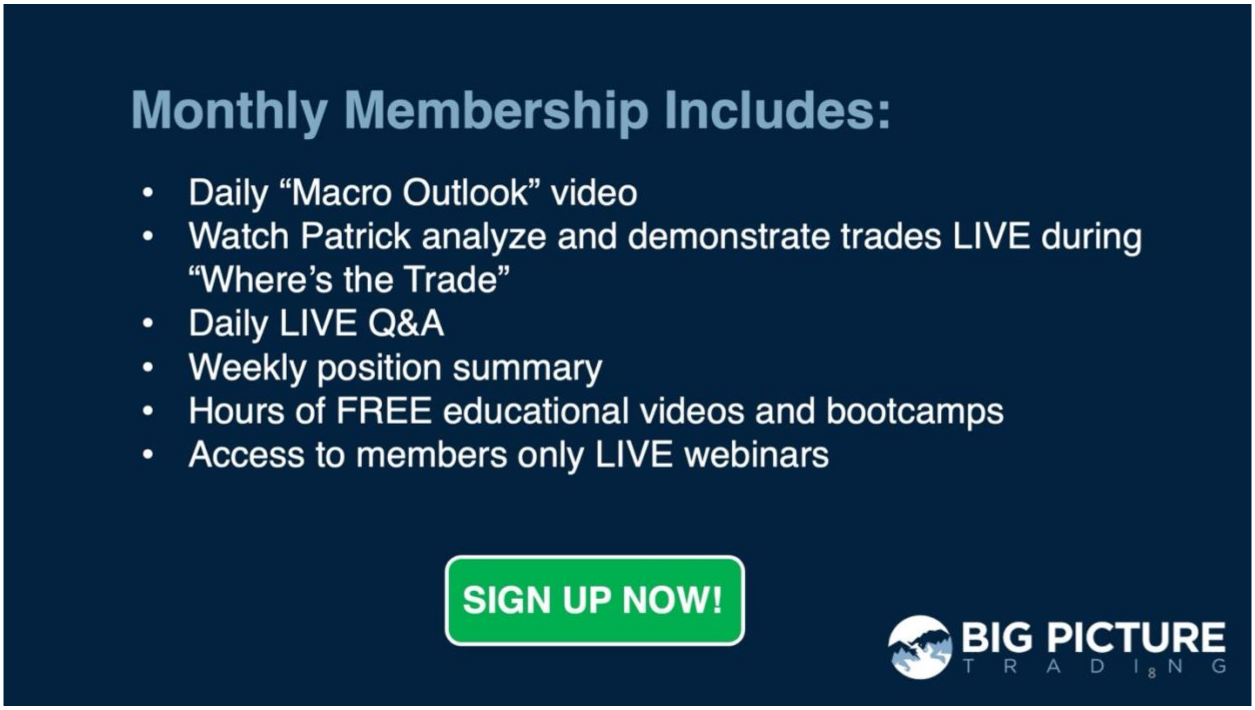
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