MacroVoices Episode 551 (part 2)

Feature Interview with Michael Every

Recorded September 25th, 2026 · Hosts: Erik Townsend & Patrick Ceresna · Feature guest: *Michael Every*

Sponsored by Big Picture Trading. Full episode and downloads at Macrovoices.com

Erik: That was Rabobank's global strategist Michael Every. I'm Erik Townsend, and this is a special bonus overtime episode of Macro Voices, the free weekly podcast targeting professional finance and sophisticated private investors. If you were expecting to hear our regularly scheduled weekly podcast, it's probably second on the list in your podcast player because Michael had so much insight to offer this week that we literally had to schedule a second podcast episode to capture it all.

So this is part two of Michael Every's September twenty-fourth Macro Voices interview. Part two was recorded a day later which is actually a day earlier, so it's really September twenty-fourth still. But boy, we've got a whole bunch of new news to tell you about in part two. You're gonna wanna listen to part one first.

So if you accidentally found your way here because it was on the top of your player list, go listen to part one first. You'll find that in Macro Voices episode five five one, released on September twenty-fourth. Now before diving back in with Michael, I'm gonna take this opportunity to tell you that in response to your feedback on X and elsewhere, we're going to begin experimenting with this new format.

So when we have a guest whose views don't quite fit into our usual time budget, we know our audience are very busy people who don't have time for a three-hour podcast, so we're gonna structure this. We're firmly committed to keeping our feature interviews in the flagship podcast to our target length of forty-five to fifty minutes.

That won't change But it's-- And that's out of respect for your time. What will change going forward is that when we have a guest like Michael, who's obviously got more to say than fit in the time allotted, we're going to just record a bonus episode after the fact, and that's what we're doing now one day later.

So I'm gonna ask for your patience, especially on this inaugural overtime episode, because we hit our production team up with this at the eleventh hour. We don't have a budget for this. We didn't have a plan for this, and so we're going to relax our editing standards. Please bear with us. You'll probably hear a few editing glitches on this one because we asked our team to put it out really quickly in order to get the content to you.

Don't expect this every week. We're gonna experiment it for special guests like Michael Anas Al-Haj, people who have so much to say that it doesn't fit in an hour. Michael, let's dive in. Wait a minute, I was gonna say where we left off in part one, but so much news has happened in the last twenty-four hours since we recorded part one that I wanna just dive into what's happened since then.

I wanna reset our ground rules a little bit. Let's call this Macro Voices unplugged, that we're doing this extra session here. And I'm gonna say, let's just say normally we try to avoid unconfirmed rumors and speculative theories. Let's say they're fair game because frankly, last time we avoided those, neither one o- of us could figure out what the heck is going on in the world because it's a com-complicated picture.

So let's just say it's okay to go into speculative theories not quite conspiracy theories, but let's not apologize for questioning the mainstream narrative and trying to figure out what the hell's really going on here, as we might do in private conversation. And as I alluded at the end of part one, boy, unverified rumors are a target-rich environment right now between the South China Sea incidents, North Korea reportedly testing hypersonic weapons, Xi Jinping's possible designs on invading Taiwan as part of a campaign to repatriate Taiwan as part of the People's Republic of China.

There's no shortage of topics to fill this bonus session. Before we just got hit this morning with three more news items, so I'll come back to those things. And I really wanna connect the dots 'cause I think they all connect back to China somehow. I just fig-- haven't quite figured it out. Let's start with the three stories that have happened.

The first one according to Ole Hansen, our good friend over at Saxo Bank, Axios reporting this morning that Iran has essentially given the United States a one-week ultimatum to either lift the military blockade or they will resume asymmetric escalations. And that spiked crude oil this morning, oh, off...

I'm only looking at WTI. I'm, don't have a Brent chart in front of me. But that first spike was a good three, three and a half dollars just on that news. It seems to me like this was kinda predictable. What do you think, Michael?

Michael: It was predictable because you are also seeing stories at the same time that actually the Saudis are starting to follow the UAE's lead, and have been successfully shuttling more and more oil through Hormuz, which of course is still seeing, live firing.

It's still seeing the odd ship being hit And yet with the, the pressing importance of trying to get that crude flow going, the Saudis have been prepared to go ahead with it anyway, which just means that oil is that much more expensive from a security perspective. The cost involved in getting it out and insurance, et cetera, et cetera.

But it can still flow. But Iran was never just going to sit there, this is a, this is an economic war and a physical war at the same time, and say, "Oh you've foxed me there. There's nothing I can do." So now they are saying, "Yeah, okay, whether there is a fixed deadline or not, we don't know." But the implication is that not only will they keep striking in Hormuz, not only can they escalate the way they already have via the Houthis in Bab el Mandeb and the Red Sea, but they're now talking about the Indian Ocean too.

Now, whether they can or can't strike that far remains to be seen, but you wouldn't want to rule it out given that one of their missiles got as far as Cyprus at one point earlier on in the year. Which would mean that you could potentially disrupt energy flows much further afield, and it more likely also hit those ship-to-ship transfers which are happening off the coast of Oman.

At which point, yes, not only do you have all the other problems we have, you then have potentially lower crude flows too.

Erik: We could probably do an interview on that alone, but let's go to the second of our three stories before we get into the full interview that we had planned. The number two story, Politico reporting that President Trump is apparently committed to at least a 90-day ban on export of diesel.

And something I find really interesting is s- Energy Secretary Chris Wright has in the past just been almost, the first word out of that guy's mouth is always, "Under the leadership of President Trump." He's the most loyal and obedient subordinate in the president's entire world, and he's coming out on the public stage saying, "No, that's a dumb idea.

The, the markets don't work that way. Let's not do that." So he's directly disagreeing with the president, and it seems he's losing that fight. The president says, "No, we're moving forward anyway with a 90-day ban on export of diesel fuel from the United States." I think most of our listeners already understand this, but very quickly, why don't you start with why that's probably not going to have the effect that President Trump is hoping for, and then let's get into the background of why this is happening and why we're seeing, I think, a breakdown of trust between Secretary Wright and President Trump.

Michael: We discussed that in the first part, but just to reiterate, obviously in a complex, integrated global energy system in which different parts of the US interface with other countries and the whole world relies on counterparties, if you suddenly stop the US exporting diesel, it doesn't just solve one problem, it creates lots of others in equal measure And the blowback can be more expensive crude, which of course then ends up with more expensive fuel prices anyway.

And it can be shortages, obviously internationally and major geopolitical problems, but it can even be shortages and problems in the US. But what I did say, and I would like to just reiterate again here for those who maybe didn't hear me say it the first time, is when you look at that particular nexus of problems and that network, it is operating on the basis that we do have that integrated one world global economy energy system.

And I am still deeply cynical that is something that actually strengthens the US relative position vis-a-vis China, vis-a-vis others over the longer term. It would not surprise me at all that i-if this 90-day ban does go through, which isn't confirmed yet, it's a Politico rumor, and it wouldn't surprise me at all if once it goes in, you get complete chaos and, market meltdown in different locations.

And then you see the thing refined and they decide okay, we're not going to do it against everybody. We're only going to do it against A, B, C or X, Y, Z." And then gradually you get other supporting policies brought in as well. For example, as I said in refineries, to say you don't get to make a choice over what your refinery runs look like, or the government starts saying we're going to pay for extra storage so you can keep refining it, and we'll provide you with subsidized storage somewhere so that we can at least have an SPR for diesel," et cetera, et cetera, et cetera.

So I think we're opening the door to all those sorts of things, all those kind of things if we go ahead with them. But obviously if you are a product of the private sector in the energy sector in the US and you understand how it works, you would be opposed to that measure as a headline act.

Erik: It sounds like the setup from what you're saying is that we pass this 90-day rule.

You end up cutting off nations whose ability to deliver food to their people literally depends on having diesel fuel. And then it sets the stage, for the administration to say, "Oh, you don't like that, huh? Which world leader wants to kneel and beg first? And I'll consider on a individual basis issuing exemptions to this blanket ban."

Is that what you're suggesting we could be heading toward?

Michael: I don't think it will necessarily be done in quite such, if you'll excuse the pun, crude terms, but I do think that's exactly the underlying dynamic because if you have something that is vitally important to others and they're not doing what you want them to do, economic coercion is a tool, as old as time.

It's certainly been used by lots of others. It's currently being used by lots of others at the moment, and most other countries that aren't doing it would do it if they had the ability to do it. When you are in a Cold War, a geopolitical clash with other countries the very last thing you want to do is to turn around and say, you know what I always say flippantly because markets.

This is best for markets." Markets are not necessarily best for national security. Now, neither is irritating everybody, neither is driving away your allies, neither is seeing people being plunged into poverty. There is a fine line between the two, and what I'm saying is, again, it wouldn't surprise me if this does happen.

It wouldn't surprise me if we then have exactly that kind of negotiating process that you're talking about. But towards other goals, and one of them, I think, would be to make sure that those who the US works most closely with and trusts the most are at the top of the priority list for fuel, and those who aren't and who refuse to kiss the ring are at the bottom of that list.

And, welcome to 2026 and '27 and '28, et cetera, et cetera. That's the way the world now works.

Erik: Surely we can't really think that all of the news is going to go that badly. So let's move on to number three. Oh, wait a minute, maybe it can. Canadian Prime Minister Mark Carney apparently has directed the Canadian military to do war game simulations and so forth, and to assess how Canada should respond if the US were to mount a full-scale military invasion on Canada.

Did that really happen? I feel awkward even having set the rules for this Macro Voices unplugged to say we're going to go ahead and do unconfirmed rumor. Are you sure that really happened and I wasn't dreaming it?

Michael: It's in the Canadian press, it's in the New York Times, and it's Mark Carney saying it, so I take it as read.

All I can say is, first of all, a little bit of history, when Canada was still under British Empire rule, they had a plan to invade the US. Of course, they did. It's very well known. You can Google it. During that particular era, like 100 years ago, the US had a plan to invade Canada as well. This is well known, so this is not new, it's just new in recent history, and most militaries around the world do have what if scenarios in dusty desk drawers that they can pull out, in wild situations.

So that's not a complete surprise, and that was also happening at the time when you had all those histrionic, and I stress histrionic headlines about the US getting ready to invade Greenland and Europe pretending it was going to send armed forces there, which of course we again discussed in, in the first segment here.

So it's not a complete surprise it's happened. What I think is important to me in that is, A, it's being revealed because he didn't have to reveal that. But B, when you have the regular discussion about what Canada is or isn't doing with its elbows up, campaign, which is very popular under Mark Carney within Canada, and I get why.

I'm not trying to make any value judgment or be normative. You obviously have an economic trade-off saying we are incredibly deeply integrated with the US in a way which many people fail to understand, but we're going to try and distance ourselves from the US and try and, basically join the European Union or come as close to doing that as possible."

If you look at just the economic side of that argument, it doesn't make any sense to anyone except the most starry-eyed Canadian and European optimist, because Canada produces high-end value-added industrial goods in a few key sectors which are completely integrated with, to the US and are often sold to the US, and it produces raw materials.

That's what its tradable goods are. Now, Europe would like to get its hand on the raw materials. Europe can buy those raw materials from Canada right now. There's no need to have any kind of new trading relationship to deal with those. Europe does not want to buy Canadian cars. Europe does not want to buy Canadian trains.

Europe does not want to buy Canadian jets. It has enough of its own. So Canada would be facing an economic future in which it disentangles itself with an economy which is just about two hours drive for most of Canadians going south, where 90% of its population lives, to trade more with a block on the other side of the Atlantic, which doesn't want to buy its high value-added goods and only wants to buy its raw materials.

Great. I don't think that's much of a, sensible strategy, no matter how much one dislikes what Trump is doing and saying. But you can model that as an economist and it's not it's not pretty what comes up. What Carney has just shown you is exactly what geo strategists like myself and others when we've been having conversations about this, let's walk away from the US national strategy or grand strategy.

I've been saying sotto voce, which is this has staggeringly bad fat tail risks on the downside, and where's the upside? Because if you're saying, okay maybe things can work out with Europe in the long run maybe it it's worth five, 10 years of pain to get there, but we know it's gonna be very painful.

Again, I don't think the math's maths there, but let's say that's possible. If you then say as a national strategy, we move from having complete peace and security on our southern border, like absolute complete peace and security, and of course we've got problems potentially with Russia in the Arctic, maybe in the future, and again, how are we gonna fight Russia when you've got no real military?

And of course, China might start coming through that space with Russia at some point in the future, and again, that's gonna cost a lot of money to confront. It'll cost a lot more to do it without the Americans. But if you then say maybe we've got the Americans as an actual enemy south of our border and/or they may in- they might invade.

And I stress the Canadian army, when they did that exercise, came to the conclusion the best response was to run to the hills and fight like the Afghanistan Mujahideen, as in running into town and shooting things and then running back up to the hills again. Is that really an upside downside?

Here's where we could be in the best of scenarios, here we could be in the worst of scenarios. Does that make any real geostrategic sense? And I- I've been saying the same thing over and over again, and it's very unpopular in some circles, and it's not trying to be normative, and it's not trying to offend anybody, but it seems to me really bizarre in the same way that if Brexit for the UK had the downside that maybe we end up with a war with Europe, I think, the rationale for having done it one way or the other would shift dramatically from just the economic argument.

But that's potentially, given that Carney's carried out this exercise, what in the long run Could be on the cards because in the same way that the US is going to insist Canada has to have the same external tariff as it versus China, and that's what this is about really, and why maybe we'll come to that in a moment.

Do you really think the US is going to accept a Canada which drifts away from it geopolitically, starts doing deals with China maybe, or with Europe, and then who knows where Europe goes in the future, and have a long open undefended border with it? It-- That doesn't make any sense geostrategically. And so the games that are being played here are for the very, very highest stakes possible, but I think there's a lot more to be lost than won.

Erik: And you are a geostrategist. I'm just a simpleton. I would just dumb that down further to, I know lots and lots of American civilians and lots of Canadian civilians, and none of them hate each other. They're all fine. It's only the governments that seem to think that we should be at odds with each other.

And it's amazing to me that this is happening in my lifetime. Growing up, I really didn't expect it. We should probably move on now. We're 15 minutes in and we haven't even got to the beginning of what we said we would cover today, which is all of these things that are happening in, I'll call it the eastern half of the world, whether it be the South China Sea incidents that have happened, North Korea testing hypersonic weapons, a lot of speculation that Xi Jinping has designs on invading Taiwan for the purpose of repatriating Taiwan as part of China, which of course China has said that they think Taiwan has always been part of China.

The Taiwanese have a different opinion on that one. It seems to me these things are all important topics, but if I step back from it, I think the modern-day equivalent of the Soviet-US Cold War is the US-China Cold War. And just like Vietnam, if you were smart enough to understand, it all played into a much bigger picture.

I think all these things play into US-China Cold War somehow. I just am not smart enough to figure it out. Am I on the right track?

Michael: You are bang on the right track. That's exactly what almost everything is about in one way or another. And having grasped that, you're already halfway to the answers, and then one just has to join dots between different things.

So let me just do a little bit of that jot- dot joining for you. So it leads back to everything, including Russia-Ukraine, a- and including the war we have in the Middle East, because it's not just the US versus China. It's not. It's the US with a constellation of countries around it who are themselves involved in various different open and closed negotiations with the US over where they will sit within that block or whether they want to sit within it at all.

So literally, the Canadian example I just gave you, obviously the US needs Canada by its side, but it needs a Canada that's re-industrialized, re-militarized, spending a lot more on defense and prepared to actually join it in terms of whatever adventures the US is going to get involved in and will necessarily have to get involved in.

That cannot be a Canada which runs its own independent trade policy because it might say, "Great, we wanna do a deal with China when the US doesn't." then you can't do a deal with the US. It's as simple as that. The logic has been crystal clear for years to me and I've expressly put that in print.

So that's part of it, but then that of course means Canada loses sovereignty 'cause effectively it's within an EU-style structure within North America where the US gets to set the external tariff and then everyone benefits underneath that umbrella, and it's underneath the US security directive, which it is within NATO anyway.

So that's just one example. Europe also sits within that. Europe's flirting with Canada, and there's a lot of tension between Europe and the US as there was over Greenland. And then of course we get that Greenland deal which we spoke about in the first part, which by the way removes sovereignty from Denmark, as I said, and Canada approves of.

So Canada, this country that's saying it has to keep its sovereignty, doesn't have a problem with Denmark losing military sovereignty over Greenland, which belongs to Denmark, provided that there's now security in North America. So all the Western allies are themselves jostling to get into the US camp.

But on the other camp, it's not just China. China has made abundantly clear that it works very closely with Russia, and Russia cannot lose the war with Ukraine That's an open statement from China in various different circles, and everyone can see that in terms of the support that it's providing to Russia in various different ways.

But it's not just the two of them. Iran has a very close relationship with Russia. The drones which are currently striking Ukraine are originally an Iranian design. The Russians have improved them and put jet engines on them, and they are much faster than Ukrainian drone interceptors, and Russia is really hitting Ukraine hard, and it's not seeing a response that Ukraine can match at the moment.

Those drones with Russian engines may soon find their way back to Iran to be fired at the US, Israel, and other forces in the region. So there's already deep collaboration going on there. Then we can bring in North Korea, which, has had periods of frosty relations with some of those other powers, but at the moment is again being at least supported by them in the same way that, you might have a really angry dog in the neighborhood that you throw red meat to so that it doesn't bite you.

And we are seeing North Korea developing hypersonic missiles. We are seeing North Korea looking around and thinking how it can help the others. And in particular, it's rumored that it will send 50,000 men on top of any others that it may have already sent to fight against Ukraine with Russia and lots of munitions, which it's also selling to Russia.

So it's not just one country, the US, against one country, China. It's a constellation, with rough and smooth edges and variable margins, if you will, on both sides. And so when you look at North Korea firing hypersonic missiles, they are attempting to put pressure on South Korea alongside China, which is saying look, South Korea, we have a great economic relationship.

Do you really want to ruin that by being with the US?" And every country is being pushed and pulled between the two different blocks. On the other hand, by the way, just very quickly and then I'll shut up for a second. We've just seen in the last 24 hours too, almost every country, bar a few, in Central and South America join a Dunrohe Doctrine declaration saying that they all want to basically move towards economic security together and fight narco-terrorism together, and I would imagine in brackets, fight Chinese, Russian, and Iranian influence together.

So the US really is doing a grand job of rallying the troops, Canada aside, Nicaragua aside, Brazilian election aside, in the Western Hemisphere. And in Asia, it's much more contested territory. So e- everyone in the region is being squeezed in different ways. The South China Sea is a potential flashpoint, too.

And there the Philippines is working very closely with Japan and with the US, and of course the US has a mutual defense treaty with the Philippines, but you are seeing China gradually try and squeeze Philippine possessions in the South China Sea, mainly through Coast Guard vessels, ramming up against each other.

And there Taiwan has just sent a Coast Guard vessel to the Philippines, so you can see which side they take. Now, were we to get a flashpoint there, the US would have a choice. Do we stand by a treaty ally And have to move forces against China in the South China Sea? Or do we salami style say, "Okay we'll let that ride."

At which point we understand completely that defense guarantee doesn't stand up for very much. You can salami slice away in exactly the same way the Russians are talking about doing against Eastern Europe. We've just had today also, by the way a Russian suicide drone has crashed in Romania, not near Romania, in Romania.

Now, I don't believe anyone was killed. Technically, that's a NATO Article 5 violation. Russia has, used military force against a NATO member. Are NATO immediately going to attack Russia? No, they're not. So we're already seeing this chipping away. So that's happening. But I think a far larger argument which you alluded to, which is really important, is this There are serious discussions taking place in national security circles, and you can see some of them from time to time in the national media, and they appear briefly, then they disappear that Xi Jinping is deadly serious about past statements he's made and that he would consider moving on Taiwan next year.

Now, the concept of China moving on Taiwan is something that's not new. You brought it up, and it's hardly a topic that is so left field that no one could imagine it. No one knows if that's true or not, and what we can say is if it were to happen, no one knows what the outcome would be.

But the worst-case scenario would be that you then have the US and China involved in a shooting match in Asia on top of the fact that Ukraine and Russia would still be on one, and you'd still have the Middle East in flames, and that's really starting to look like at least a small-scale world war in the worst-case scenario.

But here's where it links back to some of the other things that we're seeing. If you suspect that's going to happen and you're the US, and this is where you have to hypothesize after having structurally put forward the framework they already have, but there is a reason why these things are happening.

If you're the US and you think, "You know what? This is not beyond the realms of possibility. We can see the risk that could happen. Maybe it's seventy-thirty, maybe it's fifty-fifty, maybe it's thirty-seventy the other way. We don't want to run that risk because the war against Iran has already exposed that we actually don't have enough interceptors.

We don't have enough bunker fuel in Hawaii anymore for the Pacific fleet. There are lots and lots of areas that we're short of what we would need to fight that sustained war on the other side of the Pacific, and China is gonna have home advantage. What can we do between now and then to try very hard to persuade China not to do that?"

And you've got two options, haven't you, if you think logically. One of them is you do some kind of deal. Now, we have a Trump-Xi summit taking place at the moment, and all kinds of things are on the table and being discussed there. No one knows exactly what, but it has very much a Tehran, Potsdam, Yalta, end of World War II feel to it to an extent.

Let's wait and see the news headlines that come out. But if you don't do a deal Then the only other option is you have to make that unviable in terms of being a strategic option for China to consider. Now, how do you do that? On one end of the spectrum, you can say okay, these are nuclear weapons, and this is what they do."

Nobody wants to think about that because that immediately takes us to the 10 seconds to midnight scenario, where if the other side says, "Okay I think you're going to blink," we really are in an incredibly dangerous world, and I don't want to even think about that, but I'm putting it forward as a logical possibility.

But if you're not going to do that, at the other end of the spectrum, how about if the Russia-Ukraine war continues to drain global energy resources and keep Russia very occupied? How about bringing peace to that particular war? Were that to happen as a US strategy might be some kind of lever to try and bring Russia on side with the US against China to do a reverse Nixon, which is, I think, very unlikely, but I think the White House is still open to that suggestion.

And how about if the Middle East is so destabilized in all kinds of ways that anybody contemplating sustained military action in Asia without having any oil. Now, of course, you can have your reserves of oil, but you might not be getting any flows of oil. How about that as the backdrop for then saying, how confident are you that you can manage to make that work with markets in total chaos and oil prices through the roof?

So that is the larger picture that I'm describing

Erik: I'm just in a bit of a state of shock. If I really step back from all of this, Michael, I see a picture that scares the hell out of me, which is, look, go way back to, the, the idea of don't listen to what they say, just watch what they do and figure out their intentions from that.

And I look at, okay, we had to have this conflict with Ukraine and Russia, which as Barack Obama said, Ukraine is a vital interest to Russia and will never be a vital interest to the United States. A lot of people, myself included, just could not understand why we had to do this. The unprovoked invasion was one of the p- most provoked events in world history.

It started in February, not of 2022, but in February of 2014, and the people doing the provoking were not Russian, they were American. They were Hillary Clinton, they were Victoria Nuland, they were Jake Sullivan, and they were Joe Biden. And that's where this all started in 2014. It eventually escalated.

We had the CIA on, doing things, but we had to somehow give this assistance to Ukraine, and we had to ship all of these weapons to Ukraine. Then for a separate set of reasons, supposedly we just had to come to Israel's assistance because supposedly Iran was just two weeks away from having a nuclear weapon, which is nonsense.

But they were, and so we had to do this. It seems to me if you step back and apply the what are they doing as opposed to what they're saying, it seems like somebody's trying to disarm the United States of America by tricking them into using up all their weapons and resources and giving them to other people.

Michael: Okay. That's a viewpoint. There's some logic to it I agree with you about the background to the Russia-Ukraine being far murkier than it's presented because people like simple narratives, particularly in geopolitics, and particularly, when you want one side to win. It is complex.

It is muddy. No one has clean hands. That's far from absolving Russia for what they're doing, to be abundantly clear, okay?

Erik: Oh, I did not mean to absolve Russia- Yeah ... from anything, but to say it was completely unprovoked and Putin just woke up one morning and was in a mood to invade somebody, and there was no explanation, there was no encroachment of NATO, there were no broken promises from the West, that's not telling the whole story.

Michael: No, and it's a more nuanced story at the very least. And within the Middle East look, I can't think of a region that's more volatile than the Middle East. And the specifics of that, as we've discussed before, was that you don't want Iran to get a nuclear weapon. Now, whether that was or wasn't true, none of us will ever know.

But if that was even a 10% chance of that happening and the Middle East with all of its oil reserves then moving out of the US camp into another, that's not a chance you can take. Now, you can, as I said, then put those together and make the argument that you are, that somebody wants to try and disarm the US and have it use up all its forces ahead of time.

And, that's up to people to listen to to accept or not. But my viewpoint is somewhat different, which is the US already had far fewer resources than it liked to think it did. It didn't realize how out of shape it was. It was like a so this is painfully realistic for me, like a guy in his mid-50s suddenly waking up and realizing, "You know what?

I'm not 30 anymore," even though mentally you still think you are, and actually trying to get fit and realizing, "My God, this hurts, and I can't keep up with everybody," when mentally, because you look reasonably good in the mirror, you hadn't realized how far you'd slipped. And that's pretty much where the US is.

And against that backdrop, could the US take on a China with an industrial complex as strong as it is that can build a new ship in five minutes rather than five years, et cetera, et cetera? And if not, how do you then slow that down? Now, on one level, as we've already discussed in the past, you flip Venezuela effortlessly, relatively, right?

Venezuela's mine. Venezuela's oil is mine. That's not always going to work out well, but if you can at least make sure that other regions which provide key inputs into the Chinese industrial machine are destabilized whilst ring-fencing everything you have at home, from Canada all the way down to Argentina, which, again, with one or two U-turns left to go is on the cards and, one key election left to go as well, that puts you in a far stronger position to then sit down and talk with China.

Because to give one more example of that, you've just seen just before the Trump-Xi summit that whereas last time China was coercing the US with rare earths, which it has, total domination over the refining of And the US agreed to this trade truce where tariffs on China are actually lower than they were before, and they're not being punished by the US in quite the same way one would expect.

And indeed, other countries, are also being hit too. So it doesn't look quite as narrowly against China as it might otherwise be seen as. They agreed that trade truce last time, the last summit, and this time China asked to have that trade truce extended all the way through to the end of Trump's term, and Trump turned around and said, "No, we only want to do it until early January."

So why are they not extending it? What do they know about what's going to happen over the next few months that tells them they don't have to have a trade truce with China, or they're prepared to at least signal to China that maybe they have a card to play whereby China won't have quite the same whip hand over them?

Is there something happening with AI and mineral processing and some new miracle technology? I don't know. It's well outside my wheelhouse, but AI certainly seems to be doing many remarkable things above and beyond making very convincing videos of people doing silly things. So all kinds of things are shifting and changing.

All kinds of stories can be, misleading or hidden away on page 17, but be of relevance to to varying degrees. And yet the underlying dynamic is the US plus or minus others versus China plus or minus others, and who's in the relatively stronger position to do what if both sides are afraid that they might be marching towards some kind of clash, and how you work to either prevent that or put yourself in the best position to benefit from it if it were to happen.

Erik: Michael The Economist just had a editorial about AI and how it has essentially become the new Cold War with China, and they said, if Trump really wants to have his Nobel Prize, what he ought to do is figure out how to have SALT talks. And for listeners who are not old enough to remember that, the Strategic Arms Limitation Treaties way back, I don't remember if that was '70s or '80s, but a very long time ago when I was a lot younger than I am now that was just all the news was US and Russia talking about limiting the number of nuclear warheads.

And what's being suggested now is Trump needs to have a big negotiation with Xi Jinping about how to stop an AI arms race, where we literally get into, using AI for military advantage, and it has the same effect as trying to, amass the largest number of nuclear weapons. We spend all of our resources trying to out AI each other.

What if we could come to some kind of truce and cooperate rather than work against each other? Does that make sense? Is that, is AI really going to be the next arms race? And if so does it make sense to try to have a limitation talk about it?

Michael: It does make sense. I believe that is happening.

And again, there are different ways to look at that as a lens through which to then read all the other headlines that we see about it. Because ostensibly, that argument has already been put forward by the US, but not by Trump. Trump has pushed back. Now, that can be good cop, bad cop. It might be that he genuinely disagrees with other people around him.

But there have been many key players in the AI industry in the US saying, "Hey, yes, we want to see that happen." China's response initially to that was, "Nobody tells us what to do." Because they believe that by the US saying that they want to move to want some kind of regulation, they're actually attempting to raise the drawbridge and say, "We already have the Manhattan Project moment.

We've already created AGI, artificial general intelligence," which is Skynet effectively, which will just get smarter and smarter. We already have it. You don't. So now we want regulation to make sure others can't get there. That's China's paranoia. They may or may not be right and I'm sure there again, there are people infinitely closer to this who would have a, a far more granular view of it.

But that appears to be one of the interpretations. Equally, it would be great if both parties could come together and say, "Yeah, we want to make sure that there's a level playing field, that neither of us will use it or weaponize it against each other." I think that's desperately naive because in exactly the same way that we talk about that and China is no fan of, for example, nuclear weapons, China is massively expanding its nuclear arsenal at the moment.

So rather than saying to the US, "We'll keep a small one and, let's talk about what else we can do to reduce yours and build bridges," they're throwing everything they've got at actually trying to build up their nuclear warhead count to keep up with with Russia a- and the US. So this isn't a backdrop, sadly Within which one can expect many of those kind of nineteen seventies detente area policies to stick.

But that doesn't mean people won't try, and that doesn't mean there aren't parties within the US that would like to see that, and there aren't parties within China that would like to see that. But that doesn't necessarily mean that they are the decision-makers because any polity, whether it's a, a, a red in tooth and claw democracy like the US or whether it's the Chinese system, does still have different viewpoints and different parties, if not political parties, who think a different strategy might be preferable at different times.

So it doesn't mean that they're always the one actually setting the agenda.

Erik: As you said, there are experts who know more than either of us about some of these topics, so I'd like to take a minute to summarize what Matt Berry told our audience a couple of weeks ago about a development that he predicts in AI that's very close to this issue in China.

What Matt is saying is, okay, everybody's focused on the frontier models, particularly Anthropic and Claude is, kind of the leader and now, of course, OpenAI says their ChatGPT-6 is better. They're neck and, we're in the lead. And we are in the lead in the sense that those American AI frontier labs are producing the very best models.

And guess what? They're very expensive, and they're underwritten by a huge amount of investment, and it's not clear where the payback is. Meanwhile, in China, what's happening is open source AI models that you don't get the server you can't just connect to it like, go to claude.ai and it works.

You have to actually buy your own hardware and, install the thing and run it on your own hardware. But when you do, you get a massive advantage that Matt Berry thinks is going to completely upset the market, and that advantage is you can air gap your enterprise from Anthropic's cloud so that they're not mining your proprietary information that you're getting Claude's help with in order to train their next model.

And what Matt is saying is there could be a revolt where, yeah, these, these frontier labs in the US are making the best AI, but guess what? The open source models that you can get from China if you're smart enough to know how to hook up your own hardware and do fancy stuff that's above my head, but Matt does it in his sleep.

If you can do that stuff, what you end up with open source for free out of China is a model that's about as good as the frontier labs in the US were delivering three or four months ago It's really catching up quickly. So Matt thinks we get to a point where people get sick of having their data mined and Anthropic is training on your-- the fine print says it's okay for them to keep all of your personal information that you shared with Claude in the middle of the night about your, your strategy for your business, and they're gonna train the next model on it.

Matt thinks eventually that blows up and everybody says, "I'd rather just get these Chinese models that are free and put them on my own hardware." What if that happens? What does that do to the US AI industry, and what does Trump say about that one? I don't think he's going to respond too positively to that.

Michael: Let's just consider this in its entirety. It's a clever argument, and there are far cleverer than pe-people than me in the AI industry. But let's just be very cynical, take a step back and look at this within the context of, what I call grand macro strategy, which is markets and grand strategy on a national perspective and national security perspective altogether a-as the backdrop just run that past the smell test for a second, right?

Your-- the argument is that China as in state capitalism, we know what you're doing, CCTV cameras everywhere, Chinese EVs record everything. The Norwegians reportedly recently put a Chinese EV bus in a quarry and found out that even when it wasn't plugged in with the engine on and nothing was running, it was trying to transmit data back to China, okay?

That China is happy developing an AI where you can air gap it and have your own proprietary little, genius model doing its own thing without the state knowing what you're doing. But America, land of the brave, home of the free, is going to be all about Big Brother leaning over your shoulder and watching what you're doing and telling you what to do.

Now, I'm not ruling that out. I am saying it's highly unlikely given the prevailing political cultures and political economy in each country- Well- ... over the longer term. What I would say therefore is I have seen suggestions, and again, if someone's got a better argument, feel free to, just to immediately email or email Erik or dive in.

But actually a lot of the Chinese open source performance has been because they're effectively standing on the shoulders of the US models, that they're always three or four months behind 'cause they're effectively just cloning them or just a shell, where you effectively use one website to try and do something for you, and it just goes and asks the American AI to do it for it.

Now, I don't know whether that's true. It may not be true for all of them, and I'm not an expert in the field. But if it is, I don't think that China doing that is anything other than an attempt to try and undermine the model that American AI is working on because they're afraid that actually it might keep moving so far ahead that it leaves them behind.

And seeing the AI industry crumble before America gets its hands on Skynet or whatever genius intelligence it's going to need to run factories for it, to run the military for it, to do all kinds of things in different dimensions we can't imagine, to come up with technology to get around China's rare earth refining monopoly, et cetera.

You name it. They want to blow that up using financial markets by just saying you as a company, you don't make enough profit. You're going under before you get there." That would be absolutely how Beijing runs its strategic book and how I would do it in their position too. But on the US side, just to finish off, I have argued repeatedly, on podcasts and in print, that if you really genuinely think there is a Skynet at the end of this, this super intelligence within which you can then solve all problems because it can basically create a super intelligence better than itself, which will come up with new ways to do all kinds of things at the edge of the scientific frontier, get round all the kind of limits that we have Does it matter that the company blows up?

I would actually argue it's a genius strategic move by the Americans to say, "Look, we can't afford X number of trillion dollars borrowing on top of the deficit we've already got to develop this technology, which is a one and done thing if we had. But we'd be very to happy to have international capital, including Chinese capital, people all around the world buying shares in these companies, allowing them to do it, and when they get it, we swoop in, take it, say it's national security, and let the market do what it wants to do, which is bye-bye, good night."

That wouldn't surprise me. It's not a forecast, but it's a realpolitik acceptance of the fact that if the US had to outsource the Manhattan Project and nuclear weapons to private labs in Silicon Valley 'cause they couldn't afford to do it, they wouldn't have let them keep nuclear weapons at the end.

Erik: To be clear, I did not mean to suggest that China had altruistic intentions to deliver the world free AI because they just wanted to be nice guys. I think it's exactly what you said. I think that if you're China and you realize that you cannot realistically out-compete the frontier AI labs in the United States, which I do not think they could do then what you do is say, "Let them spend all the money."

And this is what the Soviets did in the Cold War, is they let the Americans spend more of the money and engineer all of the stuff. And in terms of designing their own spacecraft and so forth, there were documented cases where all they did was paid off and bribed Americans to, leak plans of American designs and copied it.

I think that if you're China and you're running an economic war, you let the US spend all the money on the research and as you said, you just try to copy their stuff and release it for free in a cycle that eventually does appeal. And yeah, I think it probably could be designed to send information back to China.

But if anthropic stuff all runs in a cloud and the stuff you can get in in open source models from China can be run on air-gapped hardware of your own, it gives you more flexibility and it potentially could be China's intentional strategy to upset and crash the US AI boom since Trump has, after all, said that, his big thing is gonna be leadership in AI and dominance in AI as a national strategy.

If you're trying to attack that, what better way to undermine it than what Microsoft learned in the '90s, which is give stuff away for free to put your smaller competitors out of business.

Michael: We're on the same page on that, but the important thing is to see it not just in the market terms which matter to the investors who are listening of course, but to understand the reasons why that might be happening, which is national security.

O- on which I've got a couple of little related anecdotes I want to throw your way, and they're all directly related to it, even if they're a little bit scattergun. First of all, talking about technology, I remember a fantastic anecdote about the Soviet space program where apparently a Soviet astronaut was up in space and he, And he met one of the American...

It was cosmonauts they were called, and he met one of the American astronauts, I think on the International Space Station at some point. And the American astronaut was writing with that brilliant pen, which can write in zero gravity, which infamously was on that Seinfeld episode, if you remember.

Take the pen. One of my favorite episodes. Anyway, so he he was showing it off and e-explaining, to the cosmonaut, our scientists spent ages getting the right nib and the ink flow that can work in zero gravity," et cetera, et cetera, et cetera. "What did you use or how did you do it?"

And the Soviet cosmonaut said, "We used pencil."

Erik: Exactly, and-

Michael: Which of course, yeah, exactly. So that's one. The second one is this. I lived in Moscow when I was much younger. Much younger. A different world, different time. And one of the areas of Moscow that I used to go and visit from time to time, 'cause there was a good Georgian restaurant there was called Zelenograd.

Zelenograd at that point was a closed science city. So it had like internal passports above and beyond the internal passports you needed within the Soviet Union. And the people within it couldn't meet foreigners at all. I think there were even restrictions on how many ordinary Soviet citizens they could meet because what they were doing and what they were thinking was so important that they weren't allowed to just suddenly meet other people.

We still, as we were alluding to earlier with energy, when I'm saying we have a one world because markets energy system in a world in which we are attempting to get the upper hand over each other and some countries have energy and some countries don't. So why does it make sense to share it one world with everybody if you have it and they don't?

If you have cutting-edge technology, why the hell are you allowing people to fly wherever they want internationally? I'm not being normative, I'm just thinking out loud, looking at past examples, projecting dots. That's my methodology. How long until people at Harvard or other leading universities where I can assure you from knowing people who work at top universities, a huge sway of these academics are either so apolitical they don't understand, China, America, what are these?

These are just concepts I don't mind. Or they're so naive they don't realize when someone rocks up from a, from another country with a very suspicious CV and they say, "Can I work with you on top secret project?" And you say, "Of course you can. Come and work next to me on the bench." and others openly politically are quite anti-American or anti-Western 'cause that's very fashionable now in cer- circles as and some of them frankly are not paid very much and can be bribed very easily. You put all that together and that's an absolute liability. How our national security thinking hasn't realized that you can't have because markets operating in science in the same way you can't have it operating in energy if you're in a zero-sum competition, which we are eludes me.

And then the final point on that is Chinese EVs. They're great, okay? I'm not anti-Chinese EVs. How many can you buy in America? None So if that model is already existing, which is this is a threat to us, we don't like it, it's better, can't have it why why isn't that gonna be expend- extended to open source stuff from China too imminently, and then potentially even to American universities, et cetera, et cetera?

If you come in to work with us, you can't go home, et cetera. It... None of that would surprise me. But then, some people are surprised we've got a potential 90-day diesel export ban being discussed who thought that wasn't possible, and that's always been on the cards for me too, for the same kind of reasons.

Erik: As you were talking, I couldn't help but think more about the AI thing. I-i... If you see this as a long game and you really think that where we're headed is a US versus China Cold War that eventually culminates in a, a major, World War III kind of conflict-

Michael: But by the way, I don't-- Sorry to interrupt.

I don't think that. I think they think that on some sides, and that's what, some players are... Some people may be in favor of that, some people may be opposed and trying to do whatever they can to prevent it. I'm not saying I see that. I wanna be abundantly clear, that's not my forecast.

I'm recognizing that other people, who wear epaulets might see that. Please carry on.

Erik: Okay. Let's suppose that some people in China are thinking that way. What could possibly be a more clever strategy than to say, "Let's let the US AI labs do all the hard work. We'll copy their models, we'll open source them.

We'll also have people that are actually working for us that obliterate these models, so they take the safeguards off, so you can do much more with them than you can do with the US models, so they're more capable." you trick people into thinking we'll run it on our own hardware and we'll air gap it, so it's not gonna send anything back to China.

But what you didn't know is that it has a zero-day hack in it where on some certain date that China has planned in 10 years in advance, because China's really good at planning things long term in advance, there's a day when everybody's AI that they got for free blows up and stops working and creates a crisis, and that just happens to be the day that they launch the m- the military offensive.

There's so many way... And I'm making up science fiction. I'm certainly not suggesting, "Oh, this is what's happening." I'm just saying there's so many possibilities here. We have no idea what's going on. And I think the idea of a, an arms limitation negotiation with China to say, "Let's not go to war over AI models.

Let's not make that the n- the next nuclear weapon," seems like kind of a good idea to me.

Michael: Again, in principle, yes. I'm just saying in reality, history suggests that isn't gonna happen. And what terrifies me just as much as the science fiction stories you're telling, is that large parts of the US, and I've already, mentioned cutting edge universities in science, et cetera and Wall Street, their attitude is, "Bruh, what about next quarter?

What about results?" and I, I, how you can square because markets as a philosophy versus the tail risk of that kind of national security threat eludes me above and beyond the fact that there's a dyed in the wool almost religious ideology at play, which is, somehow everything works out okay if I make money next quarter.

And, I work in financial markets. Financial markets are essential for pricing things and to avoiding long run expensive mistakes in the allocation of capital. So I completely understand why we have them. I do not understand why we think that they will continue to operate as untrammeled and freely as they do now when we see door after door being slammed in our faces and window after window being slammed shut.

I'm sure there are many more doors and windows to be shut yet.

Erik: When you talk about doors and windows to be shut, do you mean things like capital controls that suddenly lock, you got your investments all over the world, and guess what? Now you don't anymore because you can't repatriate them because they changed the rules.

Is that the kind of thing you foresee?

Michael: That's already happening.

Erik: It's happening in slow motion, and it's happening at a rate where you could anticipate it and get out of the way before it happens. It's not overrunning anyone and catching them off guard yet.

Michael: No, not yet. Not yet.

But then once it's caught you off guard, you're too late. But there are many jurisdictions where you already have ruinously high exit taxes. They're talking about a couple of them are bringing in unrealized capital gains taxes as well. So we're gonna tax you every year on what we think that's worth, even if you haven't actually sold it.

It's just you have to pay us every year, and if you leave, yeah, half of what you have to stay with us. There, there are more and more countries bringing that in, and I expect that to be extended and extended because governments are so cash strapped everywhere. Now, is that a capital control? No, that's just, pretty high taxation.

But for people who have significant capital to invest, it's something to consider. But I do think, again, we are not going to be able to live in a world where national security is to the fore, where key commodities like energy and diesel are being fought over in zero sum contests and where at the same time they say you can move your money wherever you want at the click of a button, and we don't care where you put it."

That does not make any sense at all when governments are cash strapped and looking for funds to fuel what will be necessary in terms of AI infrastructure, if you don't have any, and most countries don't, or defense infrastructure, which most countries don't have enough of, or energy and key commodity stockpiles, which most countries don't have enough of.

It's gonna cost a lot of money. How are you gonna get it? Make sure the money doesn't go wherever people want it to go, but goes towards the social or political good that you think takes priority. And I'm not saying this is a happy outcome, and I'm not saying this is something that's gonna have me, lying in bed peacefully at night rather than tossing and turning.

I'm just saying that history shows you that's the overwhelming likelihood and we are seeing more and more elements of that emerging already, and just those headlines that we have just discussed just in this part two, more than enough evidence to me to say that, I expect that process to accelerate going forward rather than slow down.

Erik: Michael, final topic. It was an awkward moment in part one. I started to allude and didn't say the word first strike nuclear offensive. It is possible, and we certainly have several US politicians, including Lindsey Graham, openly calling for the US to make a first nuclear strike against Iran. When I started to allude to that, you said I think I know what you're talking about."

Why are both of us afraid to say something that's in the news that elected officials in the United States are openly advocating as if it's taboo? Why are we both afraid to say this on a podcast?

Michael: I think to an extent, and excuse the black humor, because people don't like thinking about following Lindsey Graham, who of course is no longer with us.

But I would say that it is a very uncomfortable topic, but you are quite correct. It is mentioned even in mainstream press on the front pages. And what I will say is, going back to that now, and let's use the terminology I don't actually think we are heading for a nuclear war. I want to be abundantly clear, because people sometimes listen to what I'm saying.

They listen to me talking about economic statecraft and realpolitik, and they think, they see mushroom clouds. The complete opposite. That's the very last thing that I think anybody rationally wants, and everything else I'm talking about is a way to avoid that. But, and here's a big caveat, but there can be situations, and it's possible the Middle East is one emerging, whereby the foe that you are dealing with, and here it's the Iranians, are so entrenched, so capable of causing absolute chaos along supply chains, that the strategy that you would like to employ, which is let's keep the Middle East destabilized in order to make sure that something bad doesn't happen next year in East Asia, is too painful for you to carry In that case, you have to try and pivot back to your primary objective, let's flip Iran like Venezuela so I'm sitting pretty in terms of that key commodity complex.

And one of the only ways that might happen, particularly in terms of Iran's own nuclear program, which is deep underground, particularly underneath Pickaxe Mountain in particular, where they may or may not be doing, very nefarious things. The only way you might be able to do that is to drop a tactical nuclear weapon or a series of tactical nuclear weapons on them.

Now, that opens an absolute Pandora's box. You are gonna be public enemy number one if you do that, and nobody wants to start thinking that tactical nuclear weapons have been normalized. So once you've crossed that threshold, we really are doing it, as they say in Southeast Asia, you kill the chicken to scare the monkeys So it'd be very terrifying to see, but I wouldn't rule it out if, for example, Iran does now escalate, start hitting tankers off Oman, start hitting tankers in the Indian Ocean, start escalating more via the Houthis, and we get to the point where even the disruptive action that the US is talking about doing with the diesel export for 90 days isn't enough to normalize things within the US economy such that, yes, they do have to then, re- rely on that particular option.

And equally Russia, lots of rumors that if Ukraine were to keep damaging the Russian economy as much as it has been, at some point Russia could say, "Okay, we're gonna use a tactical nuclear weapon somewhere in Ukraine." Maybe hopefully not against a major city, maybe just in a field somewhere just to demonstrate that it can be done.

But just to show you that Rubicon has been passed or crossed. And I don't think we can rule this out, even if it's not something I've got flagged in my 2027 forecast table. But the risk of it and what it would do to global markets in terms of the panic, what it would do in terms of global insecurity, just how much people would have to spend on defense afterwards, just how quickly it would make people take sides and stick to them, it could be an accelerant that could be seen ahead.

Erik: I certainly will cross my fingers that does not happen, but I agree with you that it is plausible and it's really striking to I didn't think in my lifetime that would be plausible, but I think you're right. I, we've already spent an hour now, Michael, just filling in the extra stuff that didn't fit in the first hour and I th- I think every bit has been absolutely fascinating for me.

I do wanna tell our listeners, we didn't have a budget for this. We didn't have a plan for this. We just did it 11th hour. It's an experiment, and if you want more of this, you're gonna have to let us know, and you'll also have to let us know what you liked and what you didn't like. If there's no significant Twitter reaction, then you're not gonna get any more extra content like this.

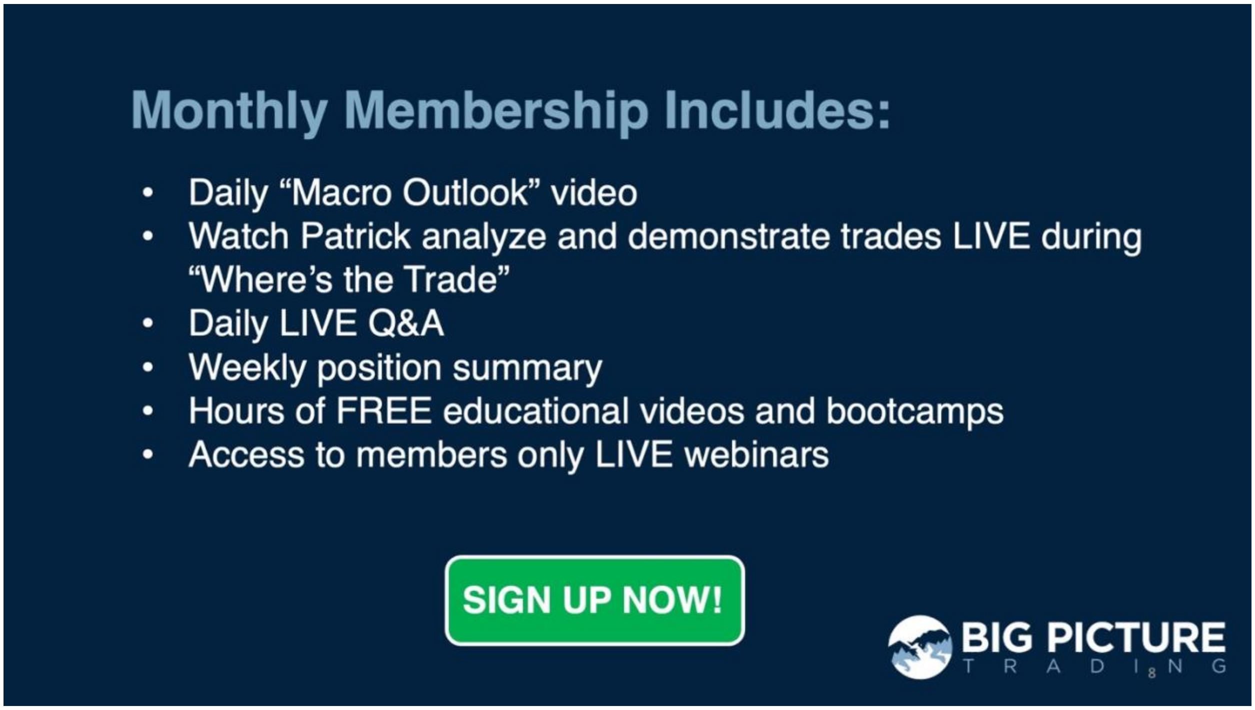
We- we're only gonna do it if it's something that you tell us you want and you make some noise about on X, because frankly we need the promotion. So tell everyone, retweet this episode when it comes out if you liked it, and tell us what we could improve if you wanna continue this format. Michael, before we wrap this up, let's just hit it, although we did it at the end of episode one, tell us about how to follow your work, what you do at Rabobank or Rabobank, depending on which language you're speaking, and how people can contact you to find out more.

Michael: Sure. So what I do is what you've heard on this program discussing the bigger picture themes and how they flow back down to financial markets for, financial clients, for CEOs, for CFOs and for anyone who's interested who's obviously thinking about their own finances appropriately. But I don't deal with retail audiences and I don't give financial advice, to be abundantly clear.

I'm just looking at this bigger picture backdrop and trying to project the dots forward. Where you can find my work, if you're a Rabobank client, you can look at Rabobank Knowledge and you'll find our research team works there alongside mine If not, you can look for me on LinkedIn and there's certainly some of my stuff there.

And if not, you can also look for me on X and it's one word handle @themichaelevery

Erik: And that's a wrap for our first Macro Voices Unplugged bonus session, and we'll be back, of course, next week with a regular episode. For Macro Voices and on behalf of Patrick Ceresna, we'll see you next week


Monthly Membership Includes:
• Daily "Macro Outlook" video
• Watch Patrick analyze and demonstrate trades LIVE during "Where's the Trade"
• Daily LIVE Q&A
• Weekly position summary
• Hours of FREE educational videos and bootcamps
• Access to members only LIVE webinars
SIGN UP NOW!
BIG PICTURE
TRADI8NG