MacroVoices Episode 557

Feature Interview with Michael Every

Recorded November 5th, 2026 Hosts: Erik Townsend & Patrick Ceresa Feature guest: *Michael Every*

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Michael: Tariffs are historically, as neo-mercantilist history shows, pretty much the only way that you are going to re-industrialize. And if the US isn't going to do that, how is it going to maintain an economy capable of supporting the vast military industrial complex that it needs to be global policemen?

Erik: That was Rabobank geostrategist Michael Every. I'm Erik Townsend, and this is Macro Voices, the free weekly podcast targeting professional finance and sophisticated private investors. Episode 557 was produced on November 5th, 2026. This week's topic has to be the US midterm elections and their impacts on markets.

And who better to cover that topic than Rabobank's Michael Every? We'll discuss the blue tsunami in the midterms, market implications of the data center moratoria, and how President Trump's likely growing conflicts with Congress will affect both the Iran and the Ukraine conflicts.

Patrick: And I'm Patrick Ceresna.

Let's dive straight into this interview

Erik: Joining me now is Rabobank's global strategist, Michael Every. Michael, it's great to have you back. Obviously, US elections and their consequences for financial markets are the only plausible topic for this week's show. Why don't we just dive in from, uh, the top?

What's your take in terms of, uh, I think it's pretty darn clear that the Democrats took both, uh, houses of Congress, but let's go to the next level. What should we see that maybe not everyone is seeing?

Michael: Everyone is rightly talking about what a political shock this is within the US system. What perhaps not everyone fully grasps in all of its complexities is what a shock it is for the world in a geopolitical context, because what happens in

America doesn't stay in America, and if things are going to be changing in America, they're gonna change for everyone else too.

Erik: Okay. Let's talk about the things that are going to change for everyone else. Obviously, the the big question, I think, what seems to me like the biggest question is the Democrats have already vowed to stop the Iran war. Uh, of course, congressional approval is theoretically required for wars, but doesn't seem to always in practice be required.

Is that going to change? Are the Democrats gonna push that? And particularly, what levers do they have? Is, is there a funding cutoff? You know, if Democrats say, "You can't have a war without our approval because we've got the Congress," and the president says, "Well, I'm the president, I'm gonna do what I want," what can they do to stop him?

Michael: On that long constitutional grass remains to be seen. The power of the purse is significant, but I think the perhaps more pertinent point is it's difficult enough to win a war anyway, particularly in the Middle East, and w- we can see that very clearly at the moment. It's enormously harder when you're fighting a political war at home, and you don't even have the backing of Congress, let alone of the public.

So that's only gonna make it harder for the US to continue to act longer term, at least after January when we get the new Congress sitting, and that's an important caveat there But that itself has enormous ramifications because if this is something that's going to be the norm, just not for this war, but more generally that the US is now constrained on foreign policy by a Congress that doesn't want the kind of adventures that have been, quite normal up until recently, it means that the US is a greatly constrained geopolitical actor, were that to be true.

Erik: If the US becomes greatly constrained, it seems that Israel no longer has a partner in this war. Does that end the war? Does it leave Israel and Iran fighting a different war that the US steps out of? Uh, how does that evolve?

Michael: Well, again, remains to be seen. It's a very fluid situation, but it can, on one level, if you look at a, a rough spectrum of outcomes, it can see the ultimate taco, which, you know, I've always threatened could be the whole enchilada, of the US saying, "Well, we're done with the Middle East."

Because i- if they're done here, they're done in the Middle East, full stop. Which obviously changes the global energy complex, obviously changes the great game that's being played between the US, China, and others in, in terms of, you know, control of regions and, and resources and supply chains. And really tells the region that you're on your own now and power abhors a vacuum.

So either Iran could fill that vacuum, and of course they would be holding hands with Russia and China and North Korea, and that changes the world quite dramatically. Or you could see them attempt to assert themselves and as you said, Israel say, "Well, we're having none of that," and step up again without the US helping them.

And the question is, would the US not just not help them, would the US potentially even hinder them with the Democratic Congress? Is that possible? And/or Turkey stepping up and saying, "Well, actually, here's our opportunity to expand our Middle Eastern footprint." And where do those clashes occur were all of those or some of those scenarios to transpire?

So in other words, you either end up with a region which is pretty much being bossed by America's geostrategic opponents, which obviously comes at a cost for America Inc. and Americans back home, whether they recognize the reality of America Inc. or not. Or it's a region which is being destabilized by rival powers trying to fill that power vacuum that used to be held by the US.

In neither case, at least short term, does that make an argument for lower energy prices.

Erik: It seems to me, at the risk of bringing up the awkward topic, that Israel is a nuclear state. If they no longer have the support of the United States in a conventional war it sounds to me like there is a risk of a a nuclear escalation because without the assistance of the United States, they can't win the war any other way.

Is that a risk?

Michael: One doesn't rule anything in or out, but I have to say I still think that's an extremely fat tail risk and nothing more than that. And, you know, there's a, there's a good reason for that. First of all, to cross that red line particularly as a small

country rather than a great power, would have enormous, enormous implications for Israel.

So that would really be a last moment life or death option. And secondly, the heuristic is such that back in the Yom Kippur War of 1973, which in the early stages saw genuine fears within Israel that it was going to lose and be wiped off the map, even at that stage, Prime Minister Golda Meir didn't reach for the red button.

So I'm not saying it's impossible. I'm not saying that the increasingly common possibility of ban-brandishing it about as a threat couldn't happen, but it's certainly not something that I think we need to lose too much sleep over, uh, at least not for the moment.

Erik: Is Israel believed to have tactical nuclear weapons, the equivalent of dial-a-yield, where they can use a limited nuclear strike, or is it kind of an all or nothing thing for them?

Michael: I don't believe they have tactical nuclear weapons, and I still think that would open the same can of worms for them as a smaller economy. Particularly because just to show how muddy these waters get, if we are going to see an aggressive decoupling of the Israeli and American military going forward, which by the way, is not the face of legislation currently still working its way through the old Congress, which would actually link them up at the R&D level.

But if we are going to see a geopolitical parting of the ways, which is hypothetical, but it's certainly what, you know, recent tweets have been pointing towards, were that to occur, Israel is going to look for other allies, and one of them I would imagine, would be India, which offers obviously far less technology, but a very large population and, uh, you know, the ability to produce at scale and a desire for Israeli tech.

And India would not be too thrilled with Israel starting to brandish nuclear weapons. So I can think it'd be easily boxed in before it even began to think about doing something like that.

Erik: Let's come back to much more realistic and likely outcomes, including one that I think is pretty darn certain at this point, which is data centers are going to be paused in a bunch of states.

Some people are actually using the phrase regime change in Texas to describe the, uh, what's just happened there. So why don't we do a quick summary of that and what are the implications of these data center pauses that, uh, have been announced already by Democrats as o-obviously a, a remedy or a mitigation for high electric bills?

Michael: Sure. So there are a lot of kind of conflated points that come into this, which is, first of all, there's still a wall of money being thrown at that sector And at the same time, the US at the highest level for now, and I would imagine after they've been, after they've been briefed, even the new Democratic Congress are going to be told that, certain individuals still see this as a national security issue rather than just an economic issue.

And as such, you know, China can't be allowed to get ahead in this Sputnik-style or Manhattan Project-style race. So that dynamic may still play out in the background. If it doesn't, you also still have the issue that were the goods needed to build all those data centers, from the ground up, we're talking water, we're talking copper, we're talking chips, or everything you need and the electricity.

Was it actually there or were they fantasy to an extent? So there are lots of reasons to suspect that maybe some of this was gonna be washed out anyway. But if that's not the case, if everything was locked and loaded and ready to go, and if it really was and is crucial for national security, and nonetheless a more understandable Luddite stance kicks in saying, "Well, we don't want this Then you have to ask yourself the question, is it genuinely national security?

And if it is, then the US is throwing that lead away to China, and we don't know what the long run implications are. But if it is what it purports to be, it would not be good for USA Inc. And China may pick up that ball and run with it, and then the world looks very different.

Erik: Something I've been fascinated with just in the short time since this outcome is despite the fact that the stock market broadly is up pretty darn hard back up to the 50-day moving average as we're speaking here, it seems to me like you would think if the problem that Democrats are concerned with is electric bills and we need more energy, that the part of President Trump's strategy, which is dominance in energy and therefore the nuclear build-out, would still be viable.

But actually, nuclear and uranium stocks took a much bigger hit. They're still down even as the rest of the stock market is recovering, and it seems that they're getting pulled down with the AI trade and the data centers, despite the fact that they're the solution to the problem that is causing this whole pause on data centers.

What do you make of that?

Michael: Well, I know this is an area that, you know, you're particularly specialist in. I would say that as someone who's not, your logic is sound, uh, and that whoever has power, electricity has power, and obviously China has lots of power in that respect, and there's widespread recognition that this needs to be done.

And there are lots of issues to do with AI anyway in terms of, rising income and wealth inequality, what it means for the political economy, et cetera, et cetera. Those need to be separately addressed, not just in the US, but everywhere, and no one has a good answer for them yet. But if you do have the ability to at least provide abundant cheap power, which as you said, would logically have to come from some new nuclear kind of mechanism That speaks to me for a necessity which isn't going to go away.

So yeah, I can see what you're saying.

Erik: Now, gold has performed extremely well. A lot of people are saying that's because of market expectations that there will be a lot more spending and probably a, a weaker dollar going forward. Is that your take? How, how do you interpret the reaction of gold?

Michael: Well, we've already got the weaker dollar slightly just on the back of the uncertainty, which is real because previously, for all the volatility that we saw, you could narrow down to a certain range what the most likely outcomes were from a Trumpian policy going forward.

Now we have no idea because, you know, it could be pulled in wildly different directions. Gold obviously is volatile like everything else. I'm not sure what will transpire specifically on the fiscal front because you can make a very credible argument that it's going to be a complete gridlock for two years.

Absolutely. Obviously, that cannot continue indefinitely. You have debt ceilings that get hit, et cetera, et cetera, and at some point, spending bills are going to be put

forward by Congress, and I think they're going to be quite generous given that, you know, the Democrats will be putting them forward.

And it remains to be seen if Trump is finally going to be a fiscal hawk when it's the Democrats asking or if he'll actually indulge some of them. So we really don't know, and the outcomes will be determinative of whether those particular trades are correct or not. It's very difficult to project all the futures that could now transpire from the very limited information set that we have so far.

Erik: Now, a lot of people had predicted that if we had this outcome, there would be essentially a gridlock in Washington. You know, president can veto anything, so nothing gets passed, and it's good for markets. Uh, it's, I think, something you've been pretty outspoken on before is, well, wait a minute, there's another side of that, which is what if this is the beginning of just a massive confrontation where everything in Washington is not gridlocked but is totally focused on, you know, impeachment, uh, hearings and, and the next round of Democrats versus President Trump?

How do you think that plays out? And also, let's tie that into this lame duck question, which I know you were just quoted on the radio today a- as commenting on. Is there such a thing as a, as a lame duck Congress, and what can they do between now and when the new Democrat-controlled Congress takes over?

Michael: There is a lame duck presidency and a lame duck Congress, and Obviously, that tends to kick in just for the last few months. So for all-- we're already in a lame duck Congress phase. A lame duck presidency, we're a long way away from that. Trump still has two years. He's got veto power. He can still issue executive orders left, right, and center, and for now, and, you know, for as long as the court composition doesn't change, the Supreme Court may actually continue to support him on quite a lot of that.

So one's a lame duck, the other isn't. Congress can still pass legislation, although, of course, it would have to decide whether it will overcome, uh, the self-imposed filibuster, uh, which may or may not last under a Democrat Senate. to whe- to whether it will or won't you know, act on that in the near term.

In terms of what legislation it will pass, it still then comes down to how it's actually implemented you know, by the executive, and that's always open to question whether people will vigorously en- en- enforce a statute or, or, or look the other

way on it. But I do think that there's broad agreement from both DC insiders, um, and those who are looking at it in terms of like, you know, the global implications that if Washington gets caught in a navel-gazing kind of finger-jabbing, self-destructive cycle of both sides trying to out-lawyer and crush the other one rather than finding any way to collaborate, it's obviously bad for a great many people, and it's particularly bad, if I may, to pivot back to the geopolitical argument, for a world which may not have liked much of what Trump represented, but which now faces the prospect of an even more isolationist US, as we've said about the Middle East.

But that can apply on other fronts, too. For example, Russia-Ukraine. You know, we've got Russia-Ukraine negotiations supposed to start in the next few days, led and brokered by the US Is Putin seriously gonna try and take a deal now if he thinks Washington DC is going to be in complete turmoil and Trump can't get anything through and he can't get an armaments package through Congress to fund the Pentagon going forward?

Is he really going to back down or is he going to escalate? And if he escalates, is Ukraine going to escalate in turn? And if it does, does that mean that more oil refineries get hit in Russia? And does that mean that diesel prices, even though crude prices have come down hugely in the last two days, believing that Middle East peace is imminent, and I've just said it may well not be, what if Russia-Ukraine peace isn't imminent either and you actually get an escalation on both fronts and the market's pricing this completely wrong because of potential gridlock and weakness in Washington?

Erik: Well, let's imagine that scenario of an escalation on both fronts, and I think President Trump's personality is such that he would likely respond fairly, uh, aggressively in, in that situation. If Congress is trying to stop him, it seems like there's a potential shock in markets if we suddenly realize that not only was the expectation of gridlock wrong, but the conflict is going to be of historic proportion and there's never been a, a greater conflict where a Congress is trying to stop a president from prosecuting a war and, and we finally get to a resolution of this question of congressional approval for wars.

Uh, it seems like that could be a huge, huge upset.

Michael: It could. Again, not a base case, but it would certainly go to the Supreme Court and we don't know how, how they would rule because it's difficult to predict

exactly what their interpretation of, uh, you know, precedent and statute would be. Uh, and would be...

And but just imagine, and again, that's one way of looking at it. Just imagine the potential outcomes on either side. On one hand they say executive has complete power, carry on. Okay, well that, that certainly clarifies the question, but it raises a lot of issues. And on the other hand, if they say no, Congress absolutely can stop this happening.

As I said, just imagine a US world policeman, as it's often, dubbed Where you have a domestic polity clearly expressing the fact that they don't want any more wars, regardless of the fact that this war in Iran is a, you know, a fraction of the length and a fraction of the sacrifice that we saw in previous never-ending wars, uh, in, in the Middle East.

Sending the signal to Washington, D.C., we don't want any more of them, and as a result, the world realizing this is now a, you know, 100 years ago very isolationist 1920s US rather than 2020s. And that means that, power abhorring a vacuum, you can expect other people who don't have congresses that can slow them down like that to say, "What gaps can we fill with our power and where?"

And the US not being able to do anything about it. So yeah, the potential geopolitical shock here is enormous, and that's above and beyond the, you know, the genuinely quite serious risks of Middle East escalation with Trump saying, "I'm gonna do something in this lame duck congressional period to try and, you know, shift, move the needle before everything changes in January," and Russia and Ukraine doing exactly the same thing.

So that could be the short-term shock, then you potentially get a congressional showdown, and then we see where we go on the other side of it. It's, it's very hard to price these things in, but the potential volatility I'm describing should be, pretty clear.

Erik: Michael, as we're speaking on Wednesday evening, the dollar index is, uh, just about 101.18, almost at the lowest point it's been in at least a couple of months.

Is this the beginning of a new downtrend, or would that escalation that you described, you know, normally if you see a geopolitical escalation, it's dollar up,

but there's so many other reasons with, uh, with what's just happened to think dollar down. How would you see that one playing out?

Michael: Purely hypothetically, because I'm not giving any kind of FX forecast here, you're absolutely right.

Traditionally, any kind of geopolitical tensions would see everyone running back to the dollar, and we have still seen that. But earlier in the year, that didn't work in quite the same way because we had questions over, you know, the US political framework from excess Trumpism, if you will, against that geopolitical risk.

And now, ironically, you could have geopolitical risk coinciding with an absence of potential Trumpism, and the market's still saying we don't like that either. So remains to be seen. But again, the potential moves that we could be looking at are really quite notable.

Erik: Now, the 2027 debt ceiling is a potential lever that the Democrats could use to try to constrain the president.

What would the market implications be if they used the debt ceiling as a negotiating tactic, if you will?

Michael: I don't think on that front, if that's happening purely in isolation with, you know, without any other drama alongside it. We know pretty much how that plays out, so I don't think there'll be anything particularly new in the trading handbook there.

And it's always a question of how long until someone blinks and everything goes back to normal, and it can be days or weeks or, you know, at worst, months, and then we return to normal. So I don't think that's a playbook which is going to challenge people too much.

Erik: Michael, let's talk about what this means for energy prices.

Something that I'm fascinated by really is that so far, as of Wednesday evening, we've seen straight down on oil prices, presumably because President Trump said that he was not likely to strike Iran right away, although he was very clear in saying that he might. It sounds like the market is betting that this blue sweep is going to, in some way, constrain the president.

Is that your view? I had frankly thought that another escalation was likely after the midterms. I think you had said a- at one point it was not likely until after the midterms. So is it likely now? And if so, what's going on with oil prices?

Michael: I alluded to this, so to spell it out clearly, for months my base case has been that on the other side of the midterms, which I don't think anyone expected to be as much of a blue tsunami as they have been, Trump would escalate with Iran because he would have that window before a new Congress to try and get the job finished.

And, uh, and that would likely happen with far more forces in place on the ground in the region, in countries like Saudi Arabia. For example, the French and the British have both got jets there now to try and protect Yanbu and, and Riyadh, et cetera, et cetera t- to allow that action to transpire.

On the other hand, you have to say, while that dynamic is absolutely still in play because Trump is obviously licking his wounds, and while he's just been given a kicking for this war, he's already received the kicking. So if he can now manage to flip the s- the script, now whether, whether that's likely or not is a different question.

One has to put oneself in his mind rather than, discussing ev- every potential outcome o- of that scenario itself. But if he's thinking, "Let's roll the dice and see if I can, double down on this and win then yeah, you're gonna get that escalation. And you have to consider, as I've already mentioned, them saying the alternative is we just go home is very, very bad, and them saying we just continue the blockade, which is what they have been saying up until recently, is also bad 'cause you know that doesn't really provide you with an out.

You know, two years from now, eventually, you may get a new president as well as a new Congress. So that's not really gonna solve any problems, even if there's no guarantee that escalating does. But there is obviously now, I think, a higher chance than previously that Trump does this taco/the whole enchilada and says, "Okay, you know, here's a token action, and then I just retreat."

But I have to emphasize or re-emphasize, I don't think that is going to bring energy prices down sustainably the way that the US would like to see, and I don't think it's better for the US geostrategic position much unlike the position that many of the people who voted in the election would like to see.

So there is a common understanding, and if I were American, I would feel very much the same way, don't get me wrong, that if we just vote no, we don't want any more wars, we won't have any more wars. Well, unfortunately, being anti-war doesn't prevent war. You know, the old Latin phrase is, "Si vis pacem, para bellum," if you want peace, prepare for war.

And I say that as someone who's certainly no neocon before anyone tries to ascribe a, you know, a belief system to me, and who was passionately opposed to the, uh, to the second Gulf War, by the way, just over 20 years ago. So that's my track record on that. But the theoretical framework of just saying we don't want war, therefore you won't get it, isn't how the world works when you're a hegemon.

Erik: Well, let's imagine that the US did pull back or not escalate. It seems to me that that really probably means that Ukraine would continue to strike Russian oil refineries because it's the US that's been trying to restrain that. And although I feel like I've been misunderstood by a lot of our listeners sending angry emails, I'm not rooting for Russia in the conflict.

I'm just saying if you strike oil refineries anywhere in the world, you're reducing global refining capacity and crack spreads will stay elevated, dramatically elevated for years after the war is over. So let's imagine that there is kind of a pullback in terms of participation in this war. What does that mean in terms of the refinery strikes and crack spread l- outlook?

Michael: It can only be bullish for that particular crack spread, and therefore you have to ask yourself how likely is it? And again, we've already touched on this, but in order to get the de-escalation deal, even if it's just a frozen conflict, North Korea, South Korea style, which I think is the best you're going to get.

To get that done, you need obviously the US, standing behind it And you need Russia and Ukraine to both agree, otherwise the war goes on. So Ukraine seeing Trump is weaker may or may not think now is the time to make a deal, but Russia almost certainly will look around and say, "Well, why now? You know, Trump will be even weaker six months from now, so maybe he'll have to come back to us, you know, on far, far weaker terms, and we'll be able to strike a harder bargain."

So in that particular way, the logic suggests to me that while any outcome is still possible, the probability is more likely that we get more escalation on that particular front, and potentially, as I just said, at the same time as we get escalation

in the Middle East, at which point, yeah, crack spreads stay high, and frankly, so do energy prices until there's some kind of resolution.

Now, that doesn't mean, of course, the Middle East war rages forever. It could be that the US manages to succeed in what it's doing, at which point, you know, they would come down sharply on that front or things are, destabilized to the point where other players are getting sucked in and you have a, you know, a long-running, destabilizing, rolling conflict there, similar to what we have now to an extent, but, slightly different partners or slightly different players playing in different ways.

And again, that supports energy prices. So I'm not poo-pooing any of the trading-based fundamentals that we've seen recently. They make a lot of sense, and we are seeing, you know, really historic headlines which deserve historic price swings. But I don't see the dove of peace, you know, flying through the air with an olive branch in its beak at the moment, unfortunately.

Erik: A lot of your framing of everything has been around economic statecraft changing everything and the old playbook being dead. It seems like the new playbook is probably dying as well. So is there a new, new playbook?

Michael: Well, there's going to have to be, and the fir- first thing I want to say on that front is that, you know, what I dub grand macro strategy, which is grand strategy, the old international relations concept, and macro strategy, which is obviously market-facing stuff.

So that's where the, you know, the portmanteau of grand macro strategy comes from. That was something that I certainly believed and continue to believe was something that the U- the White House was utilizing. But that doesn't mean for a moment that every grand macro strategy is guaranteed success in every aspect of what it's doing.

And that doesn't mean there can't be inherent contradictions, just as there are in any political platform whether it's international or domestic. And you can certainly see that the, you know, the lack of the focus on affordability, uh, the lack of the ability to get this war done and dusted very quickly like Venezuela, because as an aside, the message is, yes, the US doesn't like war.

The US didn't have quite such a problem with, uh, Venezuela, the special military operation, 'cause that was over in two or three days with absolutely minimal bloodshed. So it's not the interjection into other countries perhaps that's the problem. It's doing it and not winning or not winning quickly.

But, uh, if you're not going to win quickly, then you need to pivot. And clearly, over the past couple of months, there hasn't been a good plan B for what to do next to make sure you don't get a shellacking in the midterms. And from these midterms onwards, that grand macro strategy will have to change again.

Energy is going to have to be looked at, but again, you won't get lower energy prices just by saying, "Guess what? I don't want war, and I'm sorry." Uh, if, if that were the case, it would be wonderful and we really could deescalate everything very quickly. But to do it, you have to give up so much geostrategic advantage in other areas that there is a very serious cost across the entire economic, you know, and military industrial complex going forward that's pretty hard to recover from.

That's why I argued all year up until recently that Trump wouldn't do a TACO. That, that still holds. So we have to consider that very strongly.

Erik: Let's touch not just on energy, but also on food and fertilizer flows through Hormuz. This is something we've talked about before, and I've been quite surprised.

Uh, you know, it's, at least so far, the food price, you know, the looking at grain prices and so forth, we haven't seen that transmission of fertilizer affecting grain prices or even, you know, the, the term structure of grain prices. That expectation I, I was thinking would get built into the market of much higher grain prices doesn't seem to be materializing.

What do you think is going on there?

Michael: Well, it's a complex picture. Um, Rabobank is fortunate to have some of the world's leading experts on that particular field working for them, and I'll profess I'm not one, so therefore I don't want to take too much of their work in vain. All I will say is that it's been a, in, it's been complex and to do with, you know, the timing of agricultural seasons and expectations about how long this will or won't last, you know, stock depletion and demand destruction in, in, in some cases.

So it's, it's an interaction of all of them. But if we do continue to see sulfur prices where they are and were we to get, you know, further sustained disruption of the energy complex globally, obviously with a lag, things could still change on that front. W- what I would like to do actually, if I may, i- is pivot to something that I think is a, a good kind of middle ground between what you've just asked there and what I was just alluding to in, in terms of grand macro strategy and possible shifts in it, and one of them is something else that's come up in the post-election appraisals, which is tariffs.

Now, they were controversial in 2025, if you remember, um, and at the time I said, "Wait for 2026, things are gonna be a lot wilder," and, and they are. I think this could, and I stress could, be a potential window for a change in the tariff regime, but not a removal of the concept of the tariff regime.

Because if we do what I just did on the geopolitical front, which is to say, what happens if I put up my hand and say, "Let's reverse this. No more of this. I want the easy out." Do I get the answer that I want? And the answer is no, you don't. You don't get the solution or the resolution that you want. Does it work on the geoeconomic front?

If America were to say, you know, we, you know, Trump's tariffs are a disaster, let's say Congress passes anti-tariff legislation or new tariff legislation that changes the powers that Trump currently has. Some Republicans help, and he has to decide whether to veto it or not, and they manage to even overturn the veto.

Let's just imagine that, which is not, totally impossible, but it's unlikely. What does that do? Well, okay, let's say you remove the tariff regime. First of all, obviously, you remove some income from a government that's already struggling to raise it And you reduce the cost of things short term, absolutely you do.

Undeniably, removing tariffs will lower costs. You also remove any leverage you have to try and re-industrialize because frankly, unless you're gonna throw subsidies at industries, which is just as expensive but in a different way, tariffs are historically, as neo-mercantilist history shows, pretty much the only way, alongside other aspects of industrial policy, that you are going to re-industrialize.

And if the US isn't going to do that, you know, with or without AI helping to keep labor costs down, how is it going to maintain a, a resilient an economy and an

economy capable of supporting the vast military industrial complex that it needs to be global policeman, global hegemon? And the answer is, over time, it isn't.

We, we already see that now. Uh, that wouldn't happen in five minutes, but if you project the dots forward, you know, you are accelerating the decline of America as global hegemon, which I can tell you again, is not a painless exit through the gift shop where you get to basically be an isolationist, uh, you know, peacenik just making, you know, the peace sign at everybody and enjoying a, a, a nice, a, a nice way of life, you know, with far more affordability.

Quite the opposite. Again, the zero-sum nature of access to some resources would mean that America could likely be much, much worse off, even if there are high economic costs to support the military industrial complex the way that it has been done over the past 40 years. The, the two are not directly opposite to each other.

You know, there are other ways of doing things. So I don't necessarily see how that's going to work either. Therefore, what I think could be logical, and I'm hypothesizing, is you could see some kind of bargain being struck where Trump says, "Look, I don't mind removing some tariffs, but I want to keep the ones on China."

And I want to keep the ones for transshipment on China, and I want to therefore offer the same deal to other parties. For example, Europe, which is very close to introducing aggressive new tariff legislation against China. Why don't we have the same external tariff and we'll tariff each other less? So in other words, what I thought Trump was trying to do with the USMCA, where Canada is the holdout, and with the Americas, where now Brazil obviously is the big holdout, but extending that potentially, you know, to a far broader bloc, which not only myself but others have been postulating would be a logical endpoint for where we were going under Trump grand macro strategy anyway, but we try and cut to the chase.

And if we get that, hey, we've cut to the chase. We were in two blocs fairly quickly. And if we don't, well, then things get really interesting and really messy.

Erik: Michael, extending that, uh, analogy of the US acting as the global cop or the police force of the world, when the cops go on strike, the criminals come out and start doing more crimes.

What can we project, if anything, in terms of economic consequences of that US pullback from the cop role? What markets would be affected? What scenarios would play out?

Michael: The geopolitical flashpoints are pretty well known But you'd be surprised how many new ones may emerge because you would pretty rapidly find out if there is no cop on the beat, you know, which households in the international sense are, believers in the Second Amendment and which ones aren't.

And the ones that aren't, that don't also have like aggressive guard dogs or very high fences and/or CCTV are the ones that are not gonna sleep well at night. And it's, it's deeply unpleasant to consider that. I don't say it with any kind of glee whatsoever, but, a core argument of mine that I've making for years and I'm making on the road now again, is that the world system is crumbling and, you know, the backlash to which has itself just sustained a big crack.

But nonetheless, the world system which is crumbling was built by US military power in World War II and US military power and financial power in the Cold War. And once that goes away, and ultimately it will go away if the US is de-industrialized and therefore can't maintain its military industrial complex to maintain that role going forward, and that's exactly where we are now, that system will crumble away.

And when it does, there's a power vacuum. And yeah, international crime rates soar.

Erik: Meanwhile, the chief of police, the president of the United States, as you say, is being constrained a lot in some of his power, and presumably that means he's going to gravitate toward the things that are still completely within his control, executive orders, tariffs, and so forth.

What are the other things that we could expect President Trump to turn to if he's losing some of his power because of conflicts with the Congress?

Michael: It depends how ambitious he wants to be and what kind of you know, markers he's putting down for whoever succeeds him as the 2028 Republican candidate because, you know, I think we can clearly say now he's, he's not gonna try and wangle a third term constitutionally somehow.

That's simply not gonna happen. So therefore it depends, and that will say much about, you know, what the philosophy is. You can make a convincing argument, and many people already are, that, you know, MAGA has had its day. Okay, fair enough. Does traditional, you know, what MAGA call RINO traditional republicanism, does that really have any solutions to where we are now?

I would argue no. But then equally, without being party political, does any traditional party framework that doesn't take like the three-dimensional top-down geopolitics down to local politics approach, does that have all the answers? No. So something's going to have to be reinvented. But if Trump wants to be really ambitious, and again, this is purely hypothetical, I'm just throwing darts at a board, but I'm throwing darts that were handed to me by the Trump administration over the past couple of years.

Was there not a plan a few years ago when he first came into office or a promise of it to allow free land via lottery on federally owned land for young families to move to, to start town steading again and just create entire new communities? I distinctly remember that idea being floated in, in the MAGA verse.

And potentially, if you wanna talk about affordability, how about instead of squeezing yourself into these overpriced cities here, and here, we're just gonna start 10 new cities on federally owned land and, lottery style, you get a plot of land and, you know, let's go build your house. Now, of course, there are still issues with labor, there are still issues with, you know, with inputs, et cetera, et cetera.

That's where you've gotta link up all your tariff network. That's where you've gotta link up all your, you know, potential block that you wanna be working with, you know, with the carrot of something juicy to grow from But that's how you can square the top-down geopolitical circle down to the affordability agenda to try and actually get people to vote for you again, and it's just one dart of many that I'm throwing at a board there.

Erik: Now, based on what we've just seen, it, if the current sentiment holds for the next two years, it would be very difficult for, let's call it the, the old school President Trump's version of the Republican Party to win the presidential election in 2028. Some people have suggested that actually is an opening for a third party to be established, perhaps by the many people who were President Trump's allies that he had alienated that stepped away from him, you know, the Marjorie Taylor

Greenes and the Tucker Carlsons and the people who were behind President Trump that are now very outspokenly against President Trump.

Is there a realistic scenario for them to start a third party that would have a realistic chance of actually taking the, uh, 2028 presidential election?

Michael: I'm not an American political scientist, even though I studied American history and American politics decades ago, and, you know, obviously have to follow it closely in this profession.

But I think that the historical track record is abundantly clear that there's a, a very clear possibility of that kind of third party emerging, and there's a 0% probability of that getting anywhere near any power.

Erik: So you think that party, if it was created, would just be a distractor? It wouldn't go anywhere.

Well,

Michael: it, it, one could argue quite vociferously it already was without existing in the election that just happened.

Erik: Well, certainly in this election, it seems that there were a lot of former supporters of President Trump who were casting an objection vote, so I guess, uh, it remains to be seen what happens in the next two years.

Michael: It does, and I think that's, again, the key point, that we had what looked like a glide path, you know, with a certain range of most likely or most probable outcomes, and now we have a glide path with a vastly wider range of probable outcomes. And, you know, energy prices over the last two days have shown exactly what that can mean in just one very narrow, narrow aspect of it.

And yet, as I hope I have underlined, I think there is an enormous amount of optimism rather than realism in terms of what that short-term move has done. And no one right now, and no one will for a while, have a really clear view of what that new trajectory is until, until we start seeing what Trump does over the next day, hours, days, and weeks into this, uh, lame duck congressional period.

Erik: Well, Michael, as always, I can't thank you enough for another terrific interview. I always enjoy our conversations. Before I let you go, tell us a little bit more, as you already mentioned, Rabobank is, I think, the world's largest food and agricultural bank. What else, uh, is going on there, and particularly in your department?

What services are on offer, and how do people follow your work?

Michael: Sure. So food services and energy, I would add there, and we're obviously a, you know, the leading bank in the Netherlands too, so lots of good things there for Dutch consumers in particular. Where you can see my work is first of all, if you're a Rabobank client at the Rabobank Knowledge website, it's all available there if you're already with us as a client.

If not, have a look on LinkedIn, and I post a lot of stuff there frequently, as do many of my colleagues And lastly, just to maintain the conversation flow, because this is all about the conversation to me and that there are always interesting data points from interesting people all around the world. Uh, on X, look for me and my handle there is @themichaelevery, all one word.

And yeah, please come and have a chat.

Erik: I'll look forward to following up with you in a few months for another update. Now it's time for our Macro Voices Market Desk segment with Patrick and Massil. But Patrick, before we get into Where's the Trade, I heard that you're running some free options master classes, including one that digs into Nancy Pelosi's insider trading in Congress.

What's the story there, and where can people find more information?

Patrick: Yes, I'm doing a four-part live options master class featuring famous options trades. The first one digs into the Pelosi trades. It is scheduled for Tuesday, November 10th at 4:00 PM Eastern. Register for free at bigpicturetrading.com and bring your questions 'cause I'll be answering them live.

Erik: Okay, Patrick, where's the trade?

Patrick: Thanks, Eric. Michael's argument is that the markets may be too quick to translate political pressure to end these wars into lasting improvement in energy

supply. Continued attacks on refineries could keep refining capacity contained even if crude prices retreat. That creates a potential opportunity in Marathon Petroleum, symbol MPC, where refining profitability depends on the spread between crude costs and the selling price of gasoline, diesel, and other fuels.

What attracts me here is the magnitude of the recent correction. Over just 16 days, the stock has declined approximately $116 or 23% peak to trough, returning back to its September lows. The opportunity is to express the view that this sell-off represents an overshoot. Recovering even half that decline would create a substantial tactical rebound without requiring a return to the highs.

With MPC trading around $392.68, I'm looking at the December 18th, 2026, three 90 to four 50 bull call spread with approximately 43 days till its expiration. Now, by buying the three 90 call around $30 and selling the $450 call, for about $10, it produces a $20 net debit per share for a $60 wide spread.

That commits $20 a share for a maximum profit potential of $40 a share or a two to one profit to risk ratio. Expiration break even is at $410, approximately 4.4% above the reference price. Now, of course, selling that upper strike reduces the premium committed by one-third while capping participation near our recovery objective.

This is a tactical mean reversion trade supported by the refining margin thesis with a defined window for a rebound to develop. So to put this into context, we're pairing a potentially excessive correction with a business, uh, that could continue to benefit from constrained refining capacity, committing a defined amount of capital to participate in a partial recovery.

That's Where's the Trade?

Massil: All right, Patrick, what a week in markets with the Democratic sweep we got during midterm elections. Now equities went from an election night sell-off to a sharp rally during market hours yesterday. How are you assessing these two reactions together?

Patrick: Listen, the Democratic sweep was the most probable outcome, and it even started with some overnight selling like many actually expected if that was going to be, uh, the election results.

But there was a substantial recovery by the pre-market. But what's really interesting is the divergence beneath the index. What we saw was a huge breakout in a number of the hyperscaler and Mag Sevens, particularly Apple, Microsoft and Amazon. The three of them made substantial five to six percent gaps higher on all of this.

Now, with that kind of a move in hyperscalers, one would think that could have been a turnaround in the semiconductors and the AI story, but that was farthest from the truth. What we ended up seeing is that many of the AI infrastructure trades, including semiconductors, were all breaking down and selling on such a big up day.

In fact, they were not just breaking down, but they were breaking to fresh new multi-month lows. And so we have an index that basically is heavily weighted into these Mag Sevens and breadth is improving as m- uh, a lot of the initial reactions were that the oil coming off means inflation expectations are coming off and all of these assets that were hurt through higher rates would suddenly get a huge new bullish tailwind.

That's a lot of what-ifs that are developing here. For me, what we can clearly conclude at this moment is, is that the AI trade continues to correct. And the question is, is do the hyperscalers have enough juice in the tank to keep the in- index elevated? I would turn everyone's attention to the Nasdaq, which did not participate in this reversal at all.

And I would view that it would be meaningfully bullish if the Nasdaq was able to reclaim its fifty-day moving average and resume its trend, which is simply not the evidence right now that we're seeing. So the thing to watch going into next week was that was this just a one-day kind of recalibration of the political outcome, or is this actually going to turn into new meaningful trends?

Massil: Well, if anything caught anyone by surprise, it would be oil with its sell-off yesterday. Has the underlying outlook changed that much to warrant this big move?

Patrick: Well, that's the question everyone is asking and a great conversation with Erik and Michael on that topic. Listen, from Friday's peak to that-- to this decline that happened on the day after the elections, we saw an $18 peak to trough correction in oil.

Now this is almost entirely risk premium as there really has not been any meaningful changes in where things were before the elections. What is clear is that the electoral defeat now puts stronger pressure to end the war. But like that conversation that Erik and Michael had, the concessions require a meaningful settlement and political desire for an agreement may not be equal on both sides.

And so we're gonna obviously be seeing how, uh, this develops. But in my mind, this is a big overshoot. The way I assess this is that this has a lot of similarities to what Liberation Day was for equities. When, uh, the tariffs were coming out, the market got shocked and assumed all the worst. And then after a few days, the market realized that the situation wasn't nearly as bad as what they were pricing and the...

Everything rebounded. The question here is, are we going to see something similar with oil as when the dust settles and everyone realizes that the situation in the Middle East hasn't changed that much, then will some of that risk premium return back to oil causing a bounce? It's certainly, uh, gonna be very interesting to see how this develops going into the weekend.

Massil: Now, the dollar also gave back some of its recent advance. Do you believe this could be the start to a meaningful change in trend?

Patrick: When you really step back and look at the dollar's response, I think that this is a big tell, and we'll talk about it when we're t- we're discussing yields in a moment as well.

Overall, one would believe that if this was a deep and meaningful change in the macro environment, then it should not have just impacted oil, but we should have seen responses in both the dollar and in the interest rate markets. And at least as of this moment, uh, that has not really come around.

Overall, we're seeing a dollar that's pretty much, still settling down in levels where it was trading even before the elections. And so we're not seeing a big meaningful reversal that would suggest that the dollar, uh, bull trend has a- has now been somehow reversed. Overall, this still has all the characteristics of a buy on dip, and the only meaningful reason why the dollar could actually break down here is if this oil breakdown was correct and a big peace deal was imminent

Massil: On that same note, bonds caught a bit in the last few weeks.

Is it confirming the macro shift that stocks and oil seem to be pricing in?

Patrick: Well, this is the interesting part is that when-- whether you're looking at the ten-year yield, the thirty-year yield, or you're even looking at two-year treasury yields and or shorter term SOFR, what we've basically seen is that the bond market did not move in any meaningful way.

In other words, bond traders are not convinced that something has dynamically changed, and this to me is, uh, is a big tell. Usually, if such a big event like what we saw with this election upset was actually changing the macro regime and were gonna change, uh, how things are gonna be playing out in the months to come, there should have been a response in the dollar and yields.

Now listen, we are twenty-four hours off of the elections, and so, uh, at this moment, things may still develop in the days to come that may start to move the bond markets. But at least as of this moment, uh, the fact that they remain within the ranges they were before the election, that to me is a big tell.

Massil: And gold finally got a pause from the midterms as it bounces back above $4,000. What would need to happen on the tape for it to convince you that a meaningful bottom is in?

Patrick: Gold traders clearly are optimistic that this is a inflection point. When talking about gold, what we have to really put into context is where gold was prior to the elections.

We were going through a two-month, close to $900 drop, close... uh, just under 20% decline, and gold was in an incredibly oversold state, and it... all it really needed was some sort of a trigger to create some sort of a retracement and bounce. Now we're getting that. The elections clearly were enough of a catalyst to begin some sort of a countertrend as we're now taking a stab at approaching the 50-day moving average.

Now, look, it was oversold, and we got a bounce, and the macro environment of a weak dollar and lower rates and central bank easing and all the things that typically are the backdrop from which, uh, robust gold bull markets run are not there. And so in my mind this is an oversold bounce, and I would still be suspect that, even if we get another one or $200 on the upside, which is a great short-term trade I would be skeptical of it not following through.

It may very well be a deja vu of the August move where we got from a very oversold state, that quick rip on, uh, Bessent's news of the operation twist. And after a few weeks of running, uh, the sellers came right back in. Uh, I'm not saying that the gold run is already over, but I don't think that there's any evidence here that a new bull market has started.

I'm gonna be a little bit skeptical even if there's a few more hundred dollars to go on the upside. So that does it for this week's Trading Desk. I'm Patrick Ceresna.

Massil: And I'm Massil Beguenai. See you next week, everyone.

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