MACRO Voices
with hedge fund manager Erik Townsend

Julian Brigden: The "Trump Gap", the Dollar and Bonds

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Erik: Joining me next on the program is Julian Brigden founder of Macro Intelligence 2 Partners. Julian of course has been one of our most favorite guests and you absolutely want the chart deck that accompanies this interview. We told you earlier in the program where you can find the download.

Julian why don't we go ahead and jump right into the book of charts that you sent us, this first one is talking about the U.S. dollar and the effect, the knock-on effect on the shale bubble. So, let's talk about that connection.

Julian: Right absolutely, so thanks very much for having me back on the show Erik first off and let's sort of do a little bit of background before we kick off. So, last time I was on in December we discussed how this sort of pause that we had in the dollar starting in 2016 unleashed this very powerful cyclical effect.

Obviously, we've all seen it in energy prices and how oil prices are percolating through into inflation. But I think what's also not quite as well understood is how that also manifest itself via that same sort of essentially base effect into the economic data, the growth data.

That is very simply because when we typically look – and this is something we talked about in December – when we typically look at growth data we very rarely look at the level of growth. What we typically discuss is the speed or the acceleration of growth and by that, I mean, month on month, quarter on quarter, year on year.

So, if you look at the first light in the pack and what we've done is we've taken wholesale sales for a whole bunch of various different components in the economy and you can see how the activity in the shale space influence some of these series.

Now we think that to a large extent you can explain some of the enormous growth divergences that we had between Europe and the United States in particular in sort of 2012, 13 and 14 via this build out of what was essentially a brand-new industry for the U.S.

So, then the dollar rally comes along starting in 2012 and accelerates obviously as we know in 2014 and the Fed busts their own bubble. The rig count absolutely collapses and implodes and you see it drags down the rate of change of a number of those key wholesale industries.

What's interesting though is that we've seen a bounce now. Now in absolute terms the rig count has risen reasonably substantial about 25, 26% but when you look at the rate of change of that rig count you can it’s up 80% and the same applies to petrochemicals and you're seeing some of the other stuff in some of these other metals and some of these other industries.

That's the point of this base effect and the same thing manifests itself if you look at the next chart to a large extent when you look at something like PMIs. PMIs are also a measurement at the end of the day of rate of change and not of the level.

Now I know a lot of people, I’m sure you're very familiar with Erik will say oh you know much below 48 and we’re moving into recession and generally that's sort of true but the rate of change element you can see here in stark contrast because you look at what happened in 2009, remember this is the depths of the GFC, the first half of the year growth was imploding, second half of the year recovered somewhat but essentially over the whole year we got zero growth and yet ISM went from the very low 30's up all the way to 60's why because essentially we were seeing the negative effect of 2008 dropout. We had this very powerful base effect.

So, to a large extent what we've seen is that in terms of some of these PMI data and that's what we were playing all of last year and what we said in December, we will come to a point where this thing will just naturally run its course. It just doesn't get any faster.

Erik: I don't think we've ever had ISM much over 60 in recent history and certainly not on this chart.

Julian: No, absolutely, you can take it back and you have to really take it back into the sort of really late 70's early 80's when the inventory cycle and the inventory control was far less polished than it is now.

Now firms are much more smarter and quicker to adjust inventory so you don't get these massive inventory swings. Inventory swings is one of the most vicious cycles along with capex that we get in the economy. But essentially, you're right Erik we don't get much higher.

The model suggesting that maybe we can punch out one further higher number which I think comes out next week in May, we can clip at 60 on ISM manufacturing. But if you look at that, what you'll find is there's only been eight occasions since 1985 where we've been at or above 60.

And you're already starting to get some signs of disappointment in some of these PMI. So, if you look at say the Dallas Fed survey which came out I think last week the previous number had been 24.5. It was supposed to come in at 22 and it came in at 16.9 and all of this makes us believe that we are approaching not only this sort of cyclical high in terms of the inflation story which we'll talk about in a second but also the cyclical high in terms of the speed of the growth story.

That has important ramifications I think for markets it's not super bearish. We're not trying to say that we think the U.S. is going back into recession. We just think that the data is going to start to essentially disappoint.

Erik: So, essentially the way to interpret this is not, oh boy 60 that's great, this is as good as it gets and mean reversion has to start soon?

Julian: Correct sir, absolutely, absolutely and we would see it drop probably into the mid to late 50's which would still be commensurate with sort of two, two and a half percent GDP growth. It's just going to take some of this froth and this exuberance out of the market and you're going to see the same effect in inflation.

Now I do think there's a bigger story going on inflation, I do think that a lot of the central bankers have discussed and particularly the Europeans have been laying a lot of weight on the fact that don't worry this is simply, this pickup in inflation, is simply a base effect.

Well my argument would be the whole drop in inflation – we've highlighted in this chart in 2014 to 2015 – was also just an oil effect so you can't suddenly try and dismiss it when it's pushing pressure on to the top side and embrace it and ease like crazy or don't tighten in the case of the Fed when you're looking at the drop-in inflation.

But once again you can see from this chart here that we've got PCA following our model, following what firms are doing, raising prices, we think the PCA will probably punch up above two and a half percent at its next print. But then it does settle down. What's interesting though, is it doesn't drop back down anywhere close to all the models suggesting anywhere close to the sort of lows of 2014, 2015.

So, we're going to settle on I think into a much more normal level of inflation. Essentially the same sort of level of inflation that we saw prior to oil's drop and now for central banks that's going to create bigger problems but that comes. Initially we're going to get peak, initially we're definitively going to get that peak.

Erik: So, is your view then that we are at the beginning of a secular return of inflation and that this is not just a passing thing but maybe we've seen the first whiff and we're on a break? Help me understand the big picture of where we're headed.

Julian: Absolutely that is-- I mean a lot I think depends on the Trump administration's ability to push through some sort of stimulus tax infrastructure spending which on balance talking to contacts in D.C. we still believe is the most likely case but that really becomes a 2018 kind of scenario Erik.

I don't think anything that we've seen thus far has really got that much to do with Trump. I think maybe the final up leg in the equity market is Trump and I think he certainly acted as an accelerant but certainly in terms of the macro picture, the pickup in inflation, the pickup in the data is very simply the base effect which started to manifest itself all the way back in 2016 as soon as the dollar went on hold. You got the reflation in financial markets, so essentially what we're seeing is essentially that wave flow through from financial crises into real economic data and that was going to happen whether Trump was in place or not.

What Trump could do though is that now that we're sort of essentially normalizing inflation, despite the central banks in 2014, 2015 running around like Chicken Little screaming that the sky was falling, I think what Trump will do – and we'll look at some of the sensitivities of this in a second – is he potentially with fiscal spending in an economy which really on balance doesn't really need it, I mean if you go back and look at history, big tax cuts by governments, you look at say Reagan's tax cuts in the 80's. Well those came about at the time when Paul Volcker had crushed the U.S. economy really put the screws to the U.S. consumer and so we were almost on the edge of recession when we got those tax cuts.

If you look at Bush's tax cuts those were passed the dot-com bust so we were arguably in recession again we're not in recession, we do not have rising unemployment, we have falling unemployment and the risk is that you get out a bout of big fiscal, big tax cuts that come through and push down that unemployment rate to levels which I think really could start to kick up inflation but it’s a cycle and I think that's really a late 2017 early 2018 thing and in the interim we have this peaking of the cyclical forces and we talked about how we would eventually get to this point in December when we were on your program and now we're essentially right at that tipping point and I think you’ve already seen the bond market, the bond market is already I think beginning to interpret that.

One of the other things if you look at the next slide is I think we also have to be cognizant that since Trump came to power and since last summer there has been a material tightening of financial conditions. So, for example if you look at this slide here you can see more--

Erik: We’re talking about slide five now is that correct?

Julian: Yes

Erik: I just want to make sure we're on the same page.

Julian: Absolutely, if you look at this slide, this is some data on the housing market and you can see logically it make sense that generally mortgage applications for purchase – because most Americans need a mortgage to buy a home - tend to lead the housing data and what you can see is middle of last summer when rates were on the lows mortgage application for purchase was clipping along at a pretty brisk rate around 15% per annum it's now barely over 4.

That is a function of higher rates which is what we've had. We’ve had a tightening certainly in terms of rates in the dollar of those financial conditions and that's going to manifest itself in slower exports – those are already become a drag again, couple of quarters ago they were positive, now they're back to being a drag – overseas earnings, cars sales which we can all see are peaking out and in this case housing.

So, we think this peaking of the cyclical forces, this background tightening of financial conditions in an environment where if you look at the next slide, was super hyped up, expectations are incredibly hyped up having been caught completely off side in 2014 with the collapse in oil prices and what that did to the economy.

The economy basically since early 2015 has spent two years being behind the growth inflation curve now they're finally coming out with forecasts which are in line and yet they are right at the height and I think it's just sets you up for a classic disappointment. What we've called this sort of Trump gap, where you get this peaking of the cyclical forces some drag from a tightening financial conditions in a backdrop where expectations are very hyped and we have this gap between now and when hopefully the fiscal infrastructure tax cuts start to hit sometime in Q4.

Erik: So, if the Trump gap that you're describing is right now we've kind of run out of the cyclical forces, we've run out of cycles so to speak and you see a low until Donald Trump achieve his goals that just invites the question what if Donald Trump meets resistance from Congress and doesn't achieve his goals and the effort to pass tax reforms and a big fiscal span goes the way of this last bill that we thought was going to happen and didn't?

Julian: Absolutely, well I think A. I think it's going to take some time to see that. I think shouldn't we expect a package out of the house till just before the summer recess and then the Senate has Q3 to kind of deal with it.

But if that's the case Erik, I think we would expect to see obviously materially lower bond yields and given how far the equity market has run up I certainly wouldn't want to be long stocks but it's just not, at this case it's just not my base case. I still think we do get something.

Erik: Well let's go back to the treasury question then, because the last time we had you on you were definitely bearish treasuries and I think you were advising clients to be short treasuries. I'm a guessing that with your expectations as you just described them that changes the picture so why don't we go on to slide seven.

Julian: Yes, so essentially a few weeks ago, now, yields are just about 250, we sent a note to clients we said look now's the time to be out and just very simply the risk reward was no longer there. We've seen such dramatic sort of moves in treasuries if you go back and look at it historically the rate of the move, which is one of things we like to look at for a whole bunch of variables, just doesn't get much more extreme than we've seen and so very simply from a risk reward perspective it no longer paid to be short fixed income.

So, we've had a pretty good run as well because we pretty much called the low back in July so yeah we're just sort of out and you can trade this is if you're aggressive and I think the signal that we would be looking for is a rolling over all of the sort of ISM cycle as I said next week, I think it's next week, we get the next ISM, I think we could see a 60 but that to me would be a chance to sell treasuries if you want to trade and move because you can see here on this chart on slide seven pretty much every time that we've seen a big peak in ISM and then a dip, you've seen a rally in the treasury market.

I think people have to remember that there's a positive carry element to treasury so as soon as you're not short any more you really should be long and that's the way that that market tends to work.

Erik: OK, hang on though because your long-term view as I've understood it from a secular standpoint has been bearish treasuries so how do you know when it's time to put the short back on, what's the signal that tells you that?

Julian: Well as I said, I think we'd be been looking for some real progress on the fiscal spending, tax cut side from the administration because that to me is the thing that gives you that next leg up.

Don't get me wrong I'm not trying to turn into a treasury bull I said very specifically if you're in that trading mentality, I think this is the time that you could risk being long treasuries and maybe you know we could get a move down to sort of towards the low twos it's not a huge trading move given where we are now but I think you can.

I would certainly advise any of your clients that if you've been contemplating fixing your mortgage the next couple of quarters are probably the ideal time to kind of do it and in particular as you move into the summer because I think we do get a slight dip in yields. But I would be looking for that fiscal spend, that accelerated move there in the U.S. to start to give us that next wave of the selloff.

Erik: OK, why don't we move on to the next slide you're talking about the risk that this presents to reflationary trades?

Julian: Yeah, I mean in line with our treasury sort of call up a couple of weeks ago we had highlighted a number of what we consider very reflationary trades so you could look at things like XME to mining shares and another one which has been a great trade which we flagged to clients back in August last year has been the banks and the relative outperformance of the banks and they're trying desperately as is the whole equity market to sort of hang in here.

But really they've been a function of the yield curve movement and I think if we were to see a rally in treasuries pushing he yields back down into the low twos this to me becomes quite a dangerous sort of trade and I think there is a whole bunch of things you could throw into that same pot as I said you know you could look at XME, you can look at breakeven, you can look at all these studio inflationary hedges if we end up with a peaking out of this cycle and it is just picking out of the cycle and a slight disappointment as I said I'm not trying to be overly bearish, I just think markets tend to trade momentum. They tend to like to trade speed and acceleration and if that now is now peaking for the moment one has to be a lot more cautionary on some of these inflationary plays.

Erik: I assume then that the same timeframe and the same events would be when you think those reflationary trades start to come back to life is when actually Trump passes something and it becomes policy as opposed to just promises.

Julian: Yes.

Erik: OK, so why don't you walk us through the next couple of slides at the end of the deck tell us what's going on here.

Julian: So as I said we we're not trying to be out Treasury bills by any such imagination and we just see this is a tradable move and one of the reasons why we're not becoming structurally bullish on the fixed income market and why we remain highly worried about it from a secular – we believe it's quite possible we put in a secular low in last summer is that we still see a very tight labor market in the United States.

So here you've got our model for unemployment which goes back 36 years actually it's got a .95 correlation to the unemployment rate it's worked way better than a lot of the Fed models and leads by about four months and you can see that it continues to push lower in green versus the actual unemployment rate in white and what's significant about this Erik is we are now below Nairu, the non-inflationary rate of unemployment and that's important because we believe that we're already in a wage inflationary environment and once again if then Trump comes through and starts to spend money and we push that unemployment rate significantly lower you are going to get I think a rapid increase in wage growth which isn't really rapid at this stage it's still relatively moderate. But you can already see what that potentially means for inflation because higher wages go straight into core inflation.

Now we can see from the model on slide 10, we do have a slight dip, pause call it what you will in that cycle but once again second half of the year when once again, we'll be looking for signals to try and get short treasuries and back into these reflationary trades, you can see the core inflation based upon wages starts to accelerate quite meaningfully.

Erik: And I see on slide 11 you're reading my mind here because and when you talk about treasuries, I understand your arguments for U.S. treasuries but it seems like Europe, the top is not blown off in Europe yet, so is it bonds, is it other sovereigns, where is the shorting opportunity for people who want to play the secular trend in increasing yields?

Julian: Well I think, yeah exactly, so we've had obviously big correction in in treasuries and we've had very very little correction in European fixed income and we have an ECB there was another story out today where they're pushing back against what they think is over interpretation of the last meeting.

I think you have an ECB which has got themselves into a true bind where in actual fact if you go through our models – and I was doing this against morning because I'm just about to go for a trip to Europe – you can see some absolute explosive domestic growth stories starting to pick up across a slew of countries and that is sort of neatly summarized by the chart you can say on slide 12 which shows solidly accelerating GDP growth.

I think your listeners have to bear in mind that real trend growth in Europe is probably only half a percent. it's incredibly incredibly low because productivity growth is so incredibly low and the population growth is so incredibly low and in that environment if you start going at two and a half and this model suggests sometimes in these regions the second half of the year we could be growing at almost three, that's ripping the wings off it in Europe.

Also, if you look on the next slide you've got very much rising inflation expectations and if you go back and you run say inflation expectations against the ECB depo rate what you'll find is you've just, in previous spurts of inflation expectations the ECB would have hiked but let's not forget they hiked twice in 2011 and they hiked in 2008 I mean appallingly timed hikes but nonetheless that was the ECB that was.

Now it's not run by the Teutonic North it's run by the flabby South who want to go easy on inflation most notably because they're very much concerned I think about and rightly so about Italy.

But the fact of the matter is, is that there's going to come a crunch point where it's going to be increasingly difficult for them to push back against this you know barring should we say Marie Le Pen coming through and blowing up the whole euro experiment it's going to be increasingly difficult for them to push back against this growth inflation story because they've had no tightening of financial conditions over there and balance in the euro is actually lower, rates haven't changed, the equity market is significantly higher, all of this is just adding more and more and more fuel to what I think is a bubble that essentially Draghi has created.

And what I think is quite interesting as well is for all this rhetoric that he would have us believe that it's simply base effect, if you start to look at some of these comments we're getting from something like, as you can see on slide 14, is market euro encompassing PMI you can see that this clear signs of secondary price effects coming through and if you look, I've highlighted two things in particular, so the average price change for goods and services rose at the steepest rates since 2011 this is what firms are actually charging their customers.

So, we've gone from rising input costs in terms of base effects and oil and commodities and now these firms are actually passing these prices on and what's more you're actually getting signs of rising wage growth and supply same pressures. These are not primary sources of inflation these are definitively second round effects and this becomes much, much more corrosive.

So, this is why we're really switching our focus to Europe and to the relative divergence between yields in the U.S. and in the Euro Zone and that's actually captured again if you look on slide fifteen.

Erik: Let me just ask a question there because we've had quite a few guests express a view that Europe is in really serious trouble of course the Brexit article 50 trigger occurred this week a lot of guests have said that they think it's the beginning of the end. That soon several other countries will exit Europe. The economy will fall apart. They're in big trouble.

Obviously, you're expecting European growth to accelerate. So, does that imply a different view about European exit risk contagion or how do you see this?

Julian: Structurally no. One of the things that I often disagree with friends and peers of mine is whenever you get weak data, you have a lot of people that sort of run around and say oh my goodness look ISM is going to drop below 46. The whole experiment has failed. The world is going to blow up. The equity market is going to implode.

My base case is always been that you don't get to the Armageddon scenario with weak data. You actually get to the Armageddon scenario when you actually get strong data. Because in weak data – the ISM dropping to 46, European growth failing to materialize, inflation sitting on the lows of 2014, 2015 – you can get vast swathes of accommodative central bank policy.

They can print, they can do all the other distortive measurements and steps that they've taken and they can essentially inflate the market. They can do what the Japanese are doing they can buy equities they can do whatever they want to Erik that's never the end game. You can get a wobble in that scenario but it's not the end game.

The end game for markets, the most dangerous toxic scenario for markets comes when actually when you've got vastly inflated prices and central banks actually need to hike.

So, imagine a scenario later this year where they say look, obviously the French election could be a heart attack, but let's say we have continued deterioration in Italian economy which is our base case but everywhere else in Europe is booming and inflation pressures are coming through and the ECB whether Draghi likes it or not, he's facing a full revolt with everyone in Northern Europe including the French because the French economy looks to us like it's absolutely barring as I said Marie Le Pen about to explode in terms of growth and Europe’s second largest economy growing will have a material, material impact.

But let's say for instance that that's what happens Draghi s actually forced to hike. In a bizarre way because he's created such a bubble in the bond market as that thing blows he's actually going to be responsible for sinking Italy because if the equity markets go south as that bond market blows he can't come in with more QA because he has ingrained inflation and they have a singular mandate. So, the end game doesn't occur by weakness it actually occurs by strength.

Erik: And that's actually the exact scenario that I've predicted for years is when we really get to the end game is when you have an inflationary backdrop and suddenly the central bankers hands are tied and they cannot solve everything just by conjuring more money out of thin air and so you think that scenario could be coming fairly soon in the next year or so?

Julian: Well I mean I think yeah, I mean I think certainly if you get the Trump stimulus come through and we get the ECB continuing to prevaricate over rates then yes, I fear that that's the end game.

Erik: Got it let's move on then to slide fifteen and relative pricing where I interrupted you before.

Julian: Absolutely, so if you look at, as we said if we enter this sort of period of all relative disappointment in the U.S. as sort of slowing of growth relative to expectations should we say not necessarily reality and discontinued acceleration of growth in Europe, the model is are already picking us up if you can look at this red chart here, it's based on relative output and it tells you that essentially that the rate spread between bonds and treasuries should be a lot closer to sort of 150 out base once and over 200 which is at the moment.

So, that's one of the reasons why we're sort of focusing on Europe because we think that's where the mispricing has occurred. But that has quite significant consequences for the dollar and while we remain structural--

Erik: Before we go on to the dollar let me just back up to that trade, where is the trade there, is it just short bonds or is it a pairs trade, short bonds, long treasuries?

Julian: I personally quite like it to be long treasuries and short bonds as a pair trade because you've got big positive carry in your favor. So, I quite like that as a trade and I think it's a much more manageable trade Erik spread because the other outcome of course is that spread can close in two ways we can get the positive way, U.S. growth kind of loses a little bit oomph, treasuries rally a little bit and European growth keeps going and then you get that positive outcome.

And of course, you could get the negative outcome where Trump just disintegrates, the market increasing moves to pricing, no fiscal stimulus and then treasury yields are just going to collapse, bond yields have got pretty much no way to go and that spread also ends up tightening. So, I quite like that as a relative trade.

Erik: Great let's go back to the dollar then.

Julian: So, all of this, having been big dollar bulls for a long time leads us into this much more choppy sort of dollar environment and I think one of the things that concerns us a little bit and I think is a definitive risk given on going market bearishness towards the euro, is the fact that essentially, we have been trading this rate differential. We've been trading this rate differential incredibly, incredibly closely between bonds and treasuries for quite some time now.

And if we're right and that right differentials narrows for whatever reason, the risk is that this thing pops significantly higher this euro, dollar and you know a rate differential of 150 basis points would get you sort of 118 and so I think that is a risk and it fits in with once again this sort of Trump gap idea that until we see-- now I think it looks very likely that BAT as a tax proposal is probably dead on arrival but my understanding is that still this corporate tax repatriation deal is very much part of a plan and that to me is just as it's fore-bearer HIA back in the mid-2000s was incredibly bullish for the dollar and it's incredibly bullish for all the reasons we discussed back in December Erik where you have a world that's already structurally starved of dollars because the U.S. current account deficit has shrunk.

So, if you repatriate dollars – which as I said still looks to be a part of the plan – I think the dollar goes ballistic in 2018 and that could be also occurring just at the same time the Fed is finally forced to get realistic and hike materially to combat rising wages and core inflation pressures and that makes 2018 to me look very very dangerous as an environment.

But for the moment if we get this relative slowdown, euro goes up, dollar comes off a little bit and once again we are is this sort of choppy transitional pause phase before dependent on the passage of the administration's plans a much more inflationary structurally dollar bullish backdrop in late 2017 and early 2018.

Erik: So, when we spoke back in December at that time you were very bullish on the U.S. dollar you were very bearish on U.S. treasuries and you said earlier in this interview that your kind of recommending that your clients sit out a couple of dancers on that short U.S. treasury trade. Is the same true of the long U.S. dollar trade, is it time to close that and wait a little bit before getting back into maybe better positioning?

Julian: It's selective, so if you think the reflationary trade starts to lose a little bit of momentum then you start to play things like relative games. You want to be sure probably the Aussie in the Cad and the Kiwi as per this chart here you might want to be long in the euro.

So, then you switch from things like dollar Aussie trades to euro Aussie trades so it almost becomes as like a stock pickers environment to use as sort of a common euphemism as opposed to a straight clear dollar trade

Erik: OK, well, we will definitely look forward to getting you back on the program so that we can get an update as all of these various factors start to work out.

I have to tell you Julian you set records on this program in many ways but one of them that's just most impressive to me, the usual deal here is we give the guest a chance to promote whatever it is that they're selling at the end of the interview and of course that advertisement, the listeners don't come to hear the advertisement, they come to hear the content, they have to hear the advertisement.

We're getting angry emails Julian from people saying, "what's wrong with you when are you going to get Julian Brigden back on the program, he said something about maybe offering something to retail, when are you going to find out what it is"

I know there's one listener, this gentleman knows exactly who he is because he's been e-mailing me a lot who fast forwarded to the end of the interview because he wants to hear the advertisement for what you're going to do for retail investors and you're not ready to talk about it are you?

Julian: No I can't yet. Ladies and gents, it's in the pipeline give us another two to three months' things have got sort of delayed. It's a lot more complicated than we thought but there's absolutely something in the hot pot I promise you.

I will happily come back along with my coconspirator who you know Erik but we're going to mention for the moment in a couple of months.

In the interim we have finally moved into the twenty first century and we set up a Twitter account which I put on the last slide of the presentation pack. So, you can follow us @JulianMI2. So, we're on Twitter now so please feel free to do that and we will absolutely come back on the show Erik when we are ready and as I said it's probably two to three months. In an environment where we're focused on markets 24/7 trying, finding time to build this other product has just taken a lot of work but it's coming.

Erik: Well and I'll just add in because I do know a little bit more than we are at liberty to talk about as to what's going on. The reason it's been delayed folks is because it's such a good idea that it is being reevaluated in terms of how to market it to a much larger audience and I think it's going to be profoundly successful.

From our standpoint as the Macro Voices community we're just going to turn this into a positive. Now you have committed Julian we're going to get you back on the program probably in the next month or two a little bit sooner than we normally do and get another update both on how the Trump gap is evolving as well as when you're ready to launch this product that will make some of your research available to the retail component of our audience.

But for the institutional component I want to make sure they are aware it is institutionally priced but you do offer an excellent advisory service to institutional clients at MI2 partners. Give us just a quick rundown on what you do there.

Julian: So yes, we've built up a team very steadily now. We have myself who I sort of mostly work with the models and some of the market stuff and then we have two other colleagues, partners in the firm who are ex-fund managers, they've got between them 55 to 60 years of experience running portfolios both hedge funds and real money.

They are very much focused on market timing, how to express trades because we really and this will be the same MO that we try and bring to the retail product, I have little interest in pontificating for the sake of pontification and I don't have a lot of respect for it a number of peers of mine are guessing the market because that seems to be what they do.

The only thing at the end of the day that matters to all of us is making money and that is what we endeavor to do and that's why we've built the team that we have. We're not economists, we’re strategists we are ex-market people and that's the whole process at MI2 is to try and help people think structurally about the market.

The institution stuff is a little bit longer in terms of its outlook because it takes time, you’re influencing a thought process of an institutional investor where often his ability to move quickly is obviously constrained sometimes by the size of his portfolio.

So, there's much more of that sort of involved and you can play a wider range of different instruments than retail investors but we will bring that same MO the retail product.

Erik: Well we will get you and your partners in this venture back on the program to talk about it as soon as you're ready to launch it. In the meantime, the Twitter handle to follow is @JulianMI2 and Patrick Ceresna and I will be back as Macro Voices continues right here at macrovoices.com.

End of Interview