How did you go bankrupt? Gradually… And then gradually.

Brent August 28, 2026

friday speedrun

Nothing is certain but Debt and Taxes.

Here’s what you need to know about markets and macro this week

Global Macro

The country is living through a uniquely strange moment. At the top, money compounds faster than the rich can spend it. Fortunes swell. Extravagant celebrations, vanity projects, and gilded ballrooms.

At the bottom, nothing adds up. Food, rent, and everything else costs more than ever as inflation runs faster than wages. An unpopular trade war and fiat currency debasement push prices inexorably higher. The workers fall behind, and the official account of the economy does not match what households see and feel. More and more individuals work without working for anyone. Paid by the piece, by the job, by the delivery, with no guarantees for tomorrow.

Gambling is everywhere. Hope for the hopeless.

Is the man at the top in his right mind? Your answer better toe the party line. Political and economic violence has become less shocking. More ominously, some of it is greeted not with horror, but with quiet approval from people who have decided the system no longer serves them.

Technology drives the anxiety. A new generation of machinery promises enormous gains in productivity but threatens the livelihood of skilled workers who assumed their expertise offered some form of protection from obsolescence. The equipment sellers tell us automation is inevitable. Investors reward companies that replace expensive workers with more efficient machines. Automation is inevitable because everyone is automating; everyone is automating because automation is inevitable.

The prophecy fulfills itself.

If you resist the change, you are an enemy of progress. You're a Luddite. Don't ask questions, lest you be branded a radical: Why do owners of capital reap the profits while labor bears the pain? Who deserves the gains from skyrocketing productivity? What happens to decades of accumulated skill when a machine makes the skill less valuable? The state's answer is clear. The machines must be built and they must be protected. It is a matter of national security.

Abroad, economic policy and national security have merged. Trade restrictions meant to punish foreign rivals hobble domestic manufacturers, but to back away is impossible. Retreat means weakness. The country juggles conflicts on multiple fronts as it tries to control a changing world order. The cost is enormous.

Public debt rises. Gold surges.

Men in the street and academics wonder: Can paper money be trusted? Has government borrowing gone too far? How long can the financial system absorb the rising debt obligations created by war and relentless government borrowing?

Welcome to Britain in 1811.

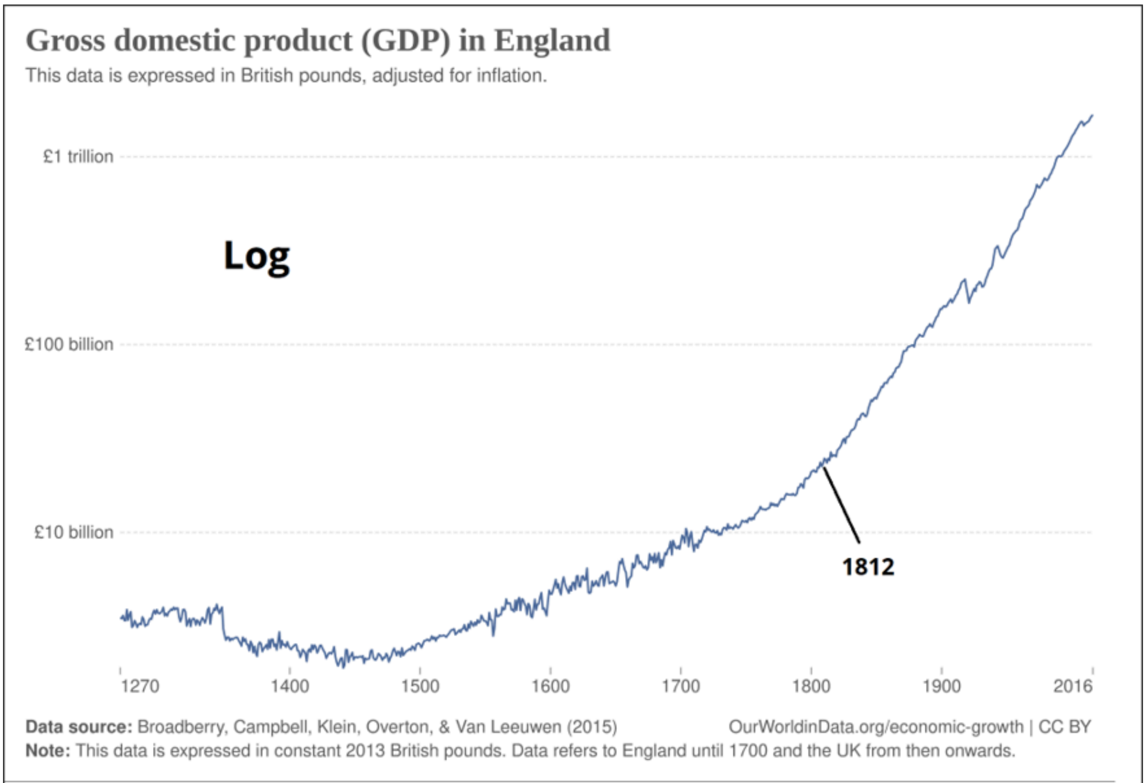
The fancy ballrooms, lavish parties, and vanity projects belong to the Prince Regent. The skilled workers are the first Luddites. The miracle technology is automated textile machinery. The equipment vendors are machine makers and mill owners selling automation as destiny. The trade war is the Orders in Council. The arguments over the leader's sanity were about George III and the Regency.

The soaring price of gold feeds the bullion controversy, a ferocious argument over paper money. Machine-breaking spreads across the Midlands as workers attack the technology they believe is destroying their livelihoods. Within months, Parliament will make frame-breaking a capital crime. A year later, Prime Minister Spencer Perceval will be shot dead in the lobby of the House of Commons, and in parts of industrial Britain, people will celebrate. The government will send more troops into its own northern counties to put down the machine-breakers than Wellington took to the Peninsula.

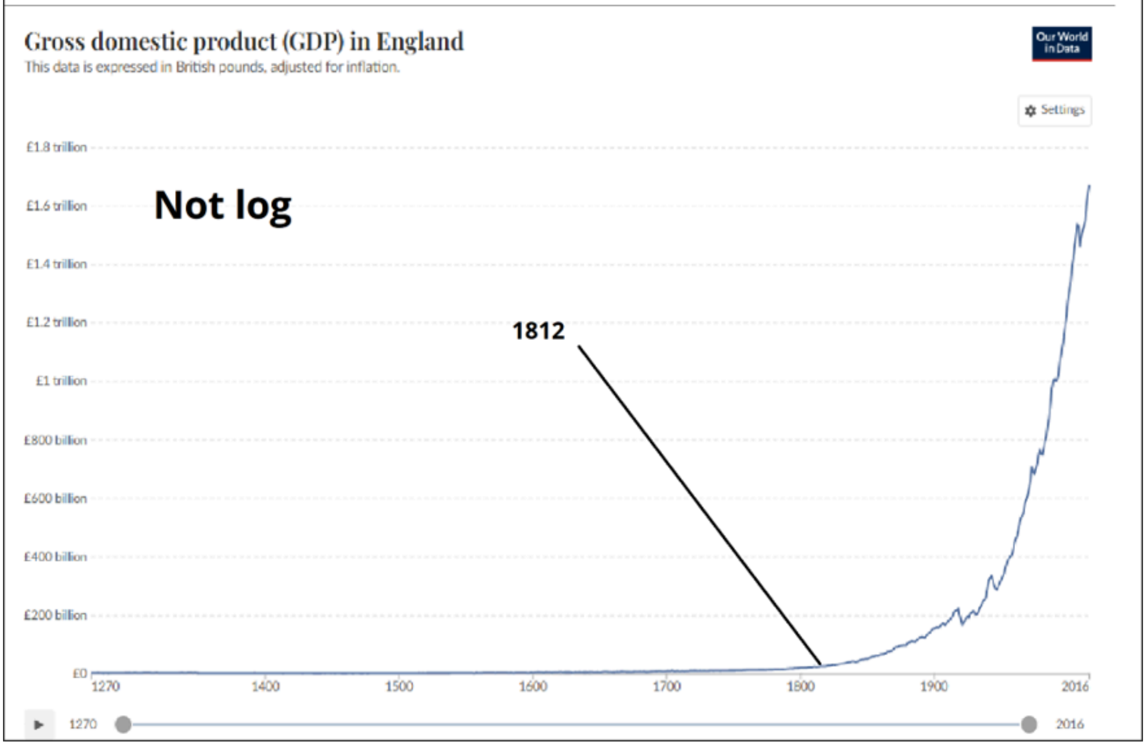
The most interesting part of the 1811 vs. 2026 comparison is that those who predicted catastrophe in 1811, and those who predicted abundance were both right.

After 1811, Britain entered a period of extraordinary industrial expansion and global power. The machines really were the future. Productivity surged. Wealth grew. Britain became more powerful than anyone in 1811 could have possibly imagined. But a generation of workers absorbed the cost of getting there.

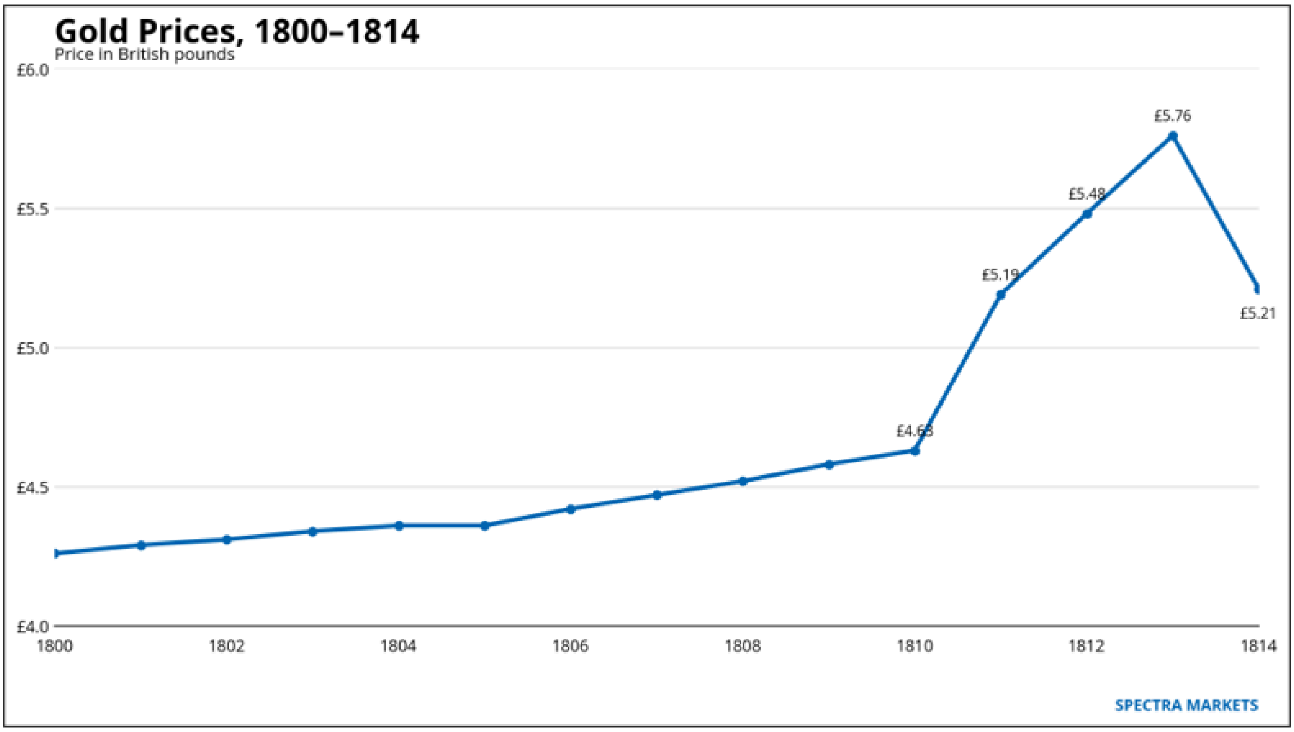
The tech optimists were right about aggregate wealth, and the workers were right about distributional pain.



Gross domestic product (GDP) in England
This data is expressed in British pounds, adjusted for inflation.
£1 trillion
£100 billion
£10 billion
Log
1812
1270
1400
1500
1600
1700
1800
1900
2016
Data source: Broadberry, Campbell, Klein, Overton, & Van Leeuwen (2015)
OurWorldinData.org/economic-growth | CC BY
Note: This data is expressed in constant 2013 British pounds. Data refers to England until 1700 and the UK from then onwards.



Gross domestic product (GDP) in England
This data is expressed in British pounds, adjusted for inflation.
Our World in Data
Settings
£1.8 trillion
£1.6 trillion
£1.4 trillion
£1.2 trillion
£1 trillion
£800 billion
£600 billion
£400 billion
£200 billion
£0
Not log
1812
1270
1400
1500
1600
1700
1800
1900
2016
1270
2016



"Money, of whatever sort, is, like everything else, lowered in its value in proportion as it becomes abundant or plenty."

Read much more here: [Knowledge Against Paper: Forgery, State Violence, and Radical Cultural Resistance in the Romantic Period](#).

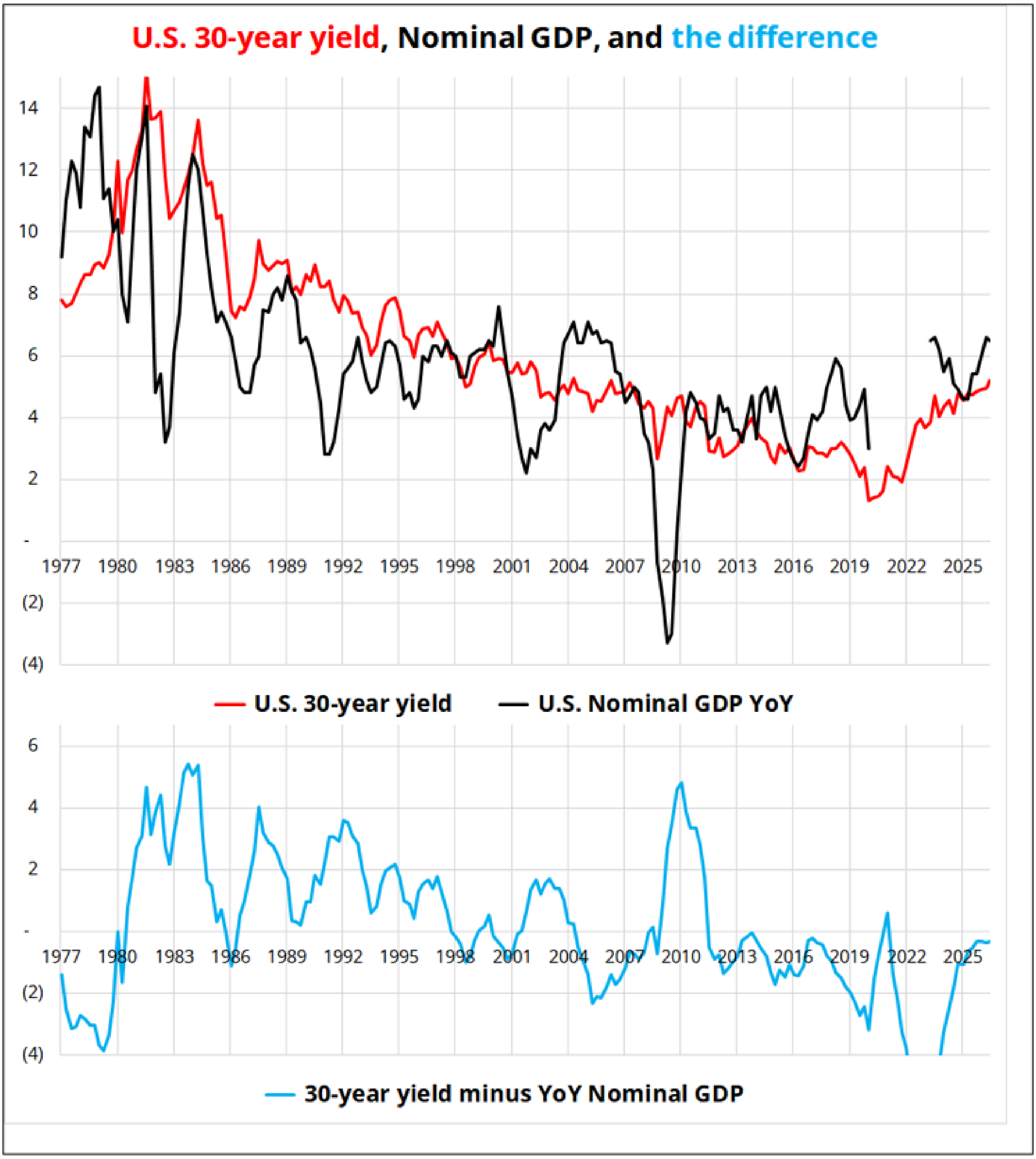
Global Macro

Ok, so for real this time…

I took Warsh's speech today as a rehash of the points he made at the June FOMC. The market disagreed and took it as hawkish. The NFP and CPI prints to come will determine how the 50/50 odds for September FOMC play out. He was hawkish in June, dovish in July, hawkish in August. I suppose pattern recognition tells you what September looks like?   :]

This week was a continuation of the structural theme that has dominated macro for the past three years. Deficits are huge, inflation is above target, there is no credible way out, and markets don't really care. While it is fashionable to cry out about debt and deficits whenever yields approach a cycle high, two things to consider here.

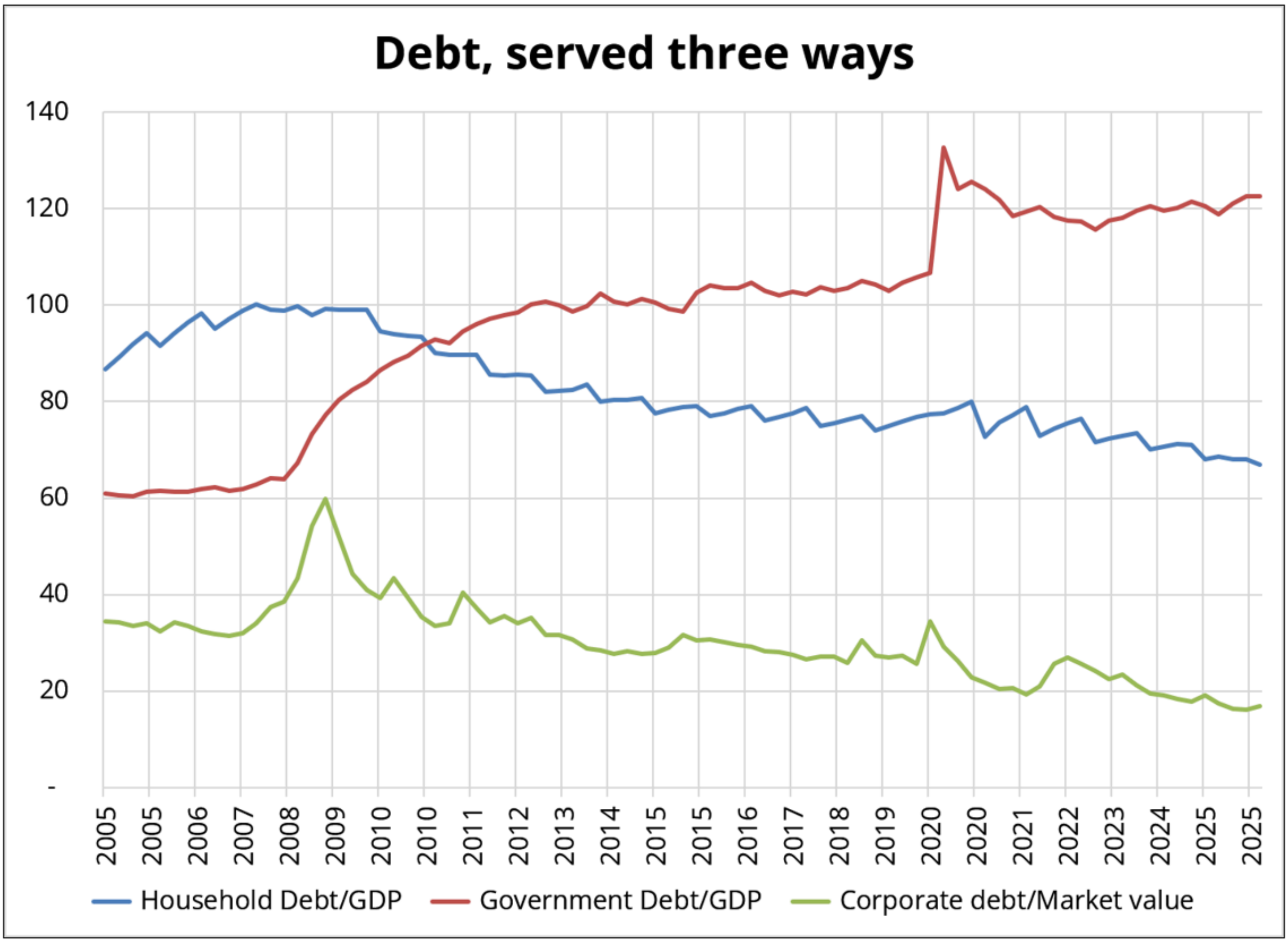
1. **Maybe this is just normalization?** Macro Alf and Ed Yardeni have both accurately pointed out that if you simply look at growth vs. 30-year yields (a simple, but not crazy framework), you get a historical series that shows yields and nominal growth tend to track. I understand there are about 25 other variables driving bonds, but if you want to zoom out to ask "Are we in a fiscal crisis?" the first thing you would look at is the relationship between nominal growth and bond yields. Like this:



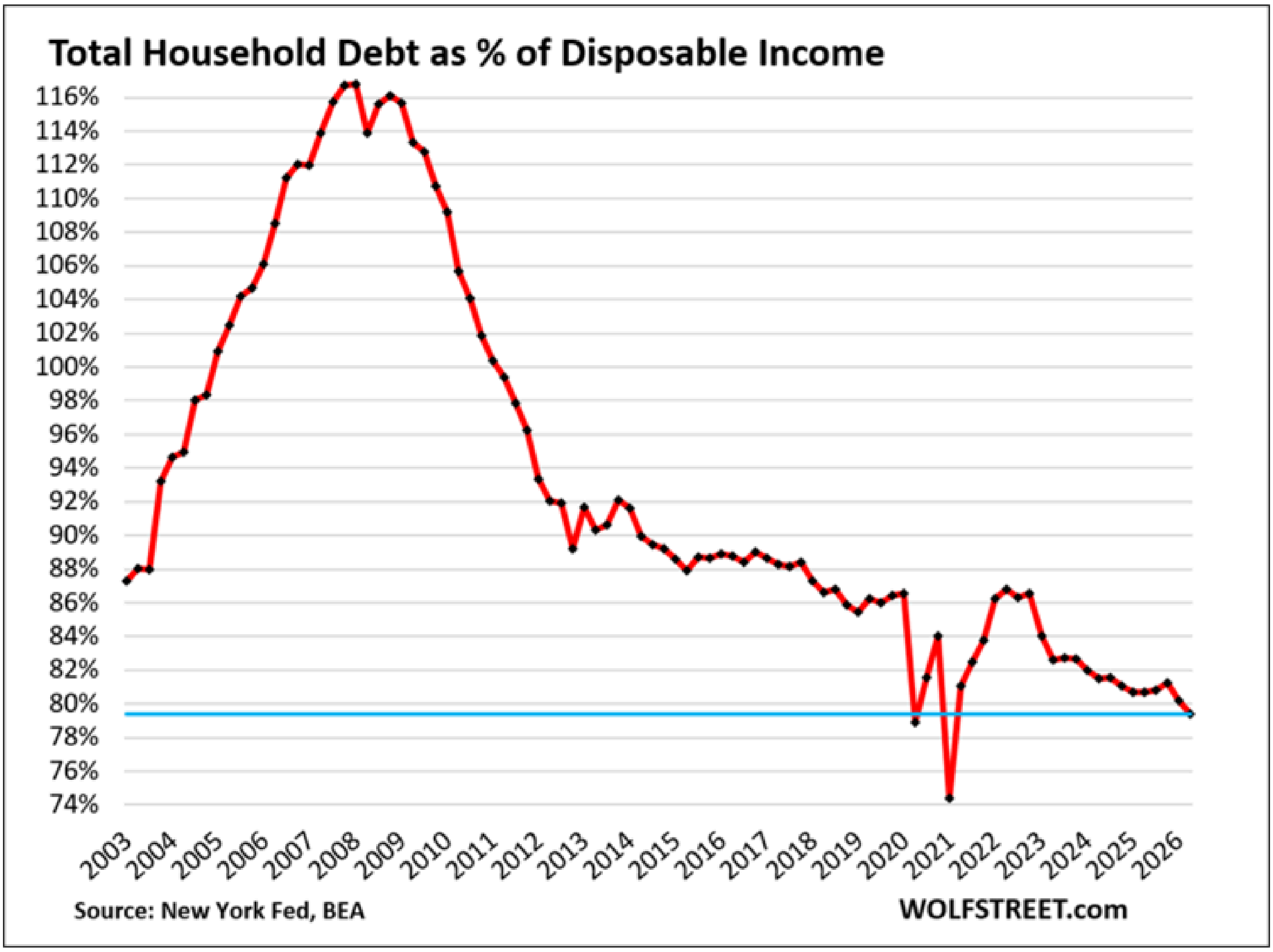
You could look at that chart and say that given central bank and U.S. Treasury credibility are now lower than they were pre-COVID, one might expect to see 30-year yields significantly above nominal growth. Instead, they're still below (6% growth, 5.3% yields, approx.)

Bessent's announcement of increased long end buys got people quite excited as it alerted everyone to the thing that everyone has known for the past 50 years: U.S. debt levels are unsustainable. Bessent is copying Yellen's *Do the Twist* strategy and again, I think you can make a pretty okay argument that it's growth driving yields in the U.S., not fiscal. While it's harder to make that argument in some other countries, overall I feel like the current level of debt panic narrative far exceeds the actual scariness of the current situation. Bond market volatility is moribund. U.S. 10-year yields are at the same level they were trading three years ago. That's not what a fiscal crisis smells like. Yes, it's a bad time to be long bonds. But everything in markets seems well under control to me—and that's saying something given how little credibility policymakers have right now.

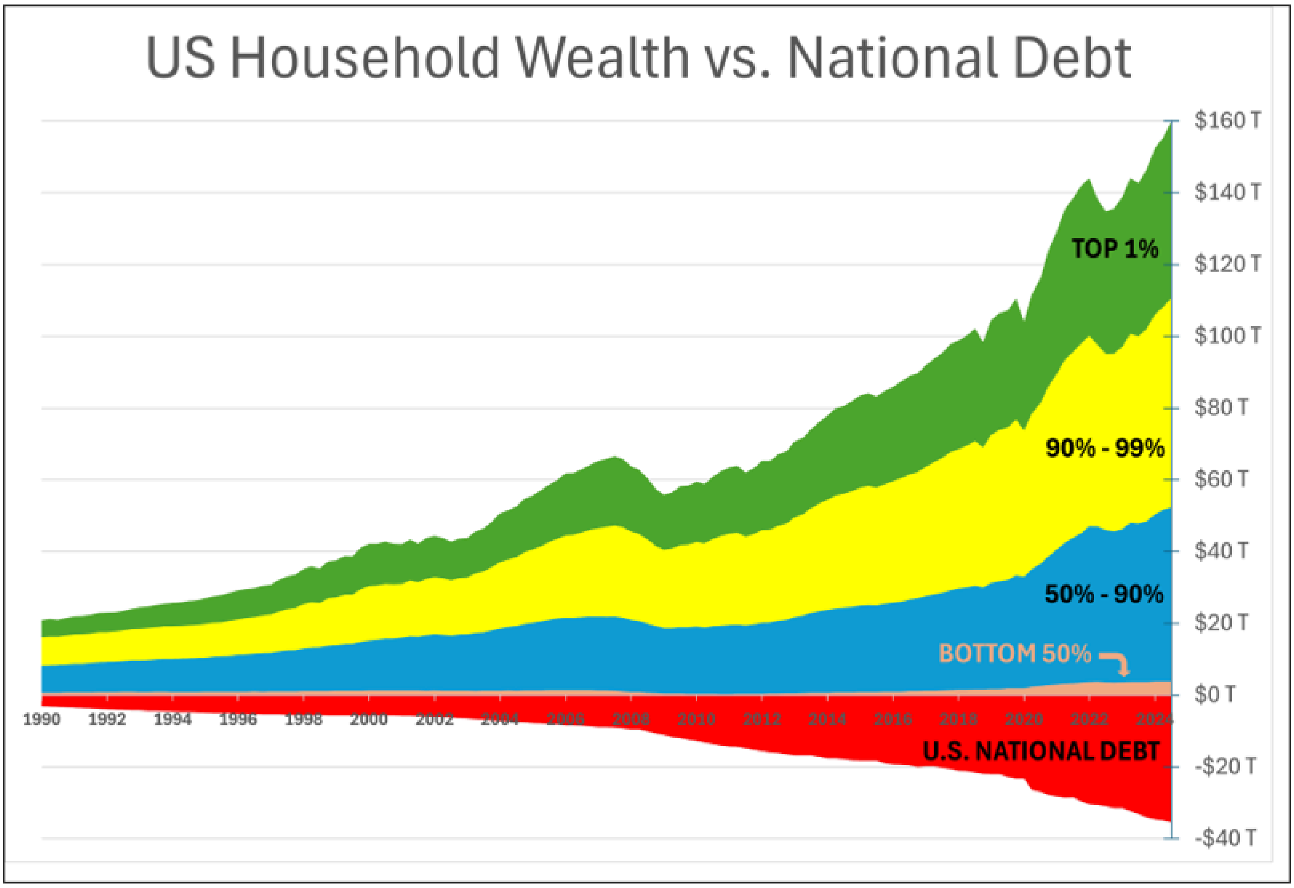
Part of the reason the debt story is a slow burner is that most of the new government debt is simply old private debt that has been socialized. See here, for example:



And that means debt servicing costs are low for households:



And a balance sheet has two sides. We don't worry that much about Apple's rising debt because their assets and revenues are rising much more quickly than their debt. Here's the U.S. balance sheet.

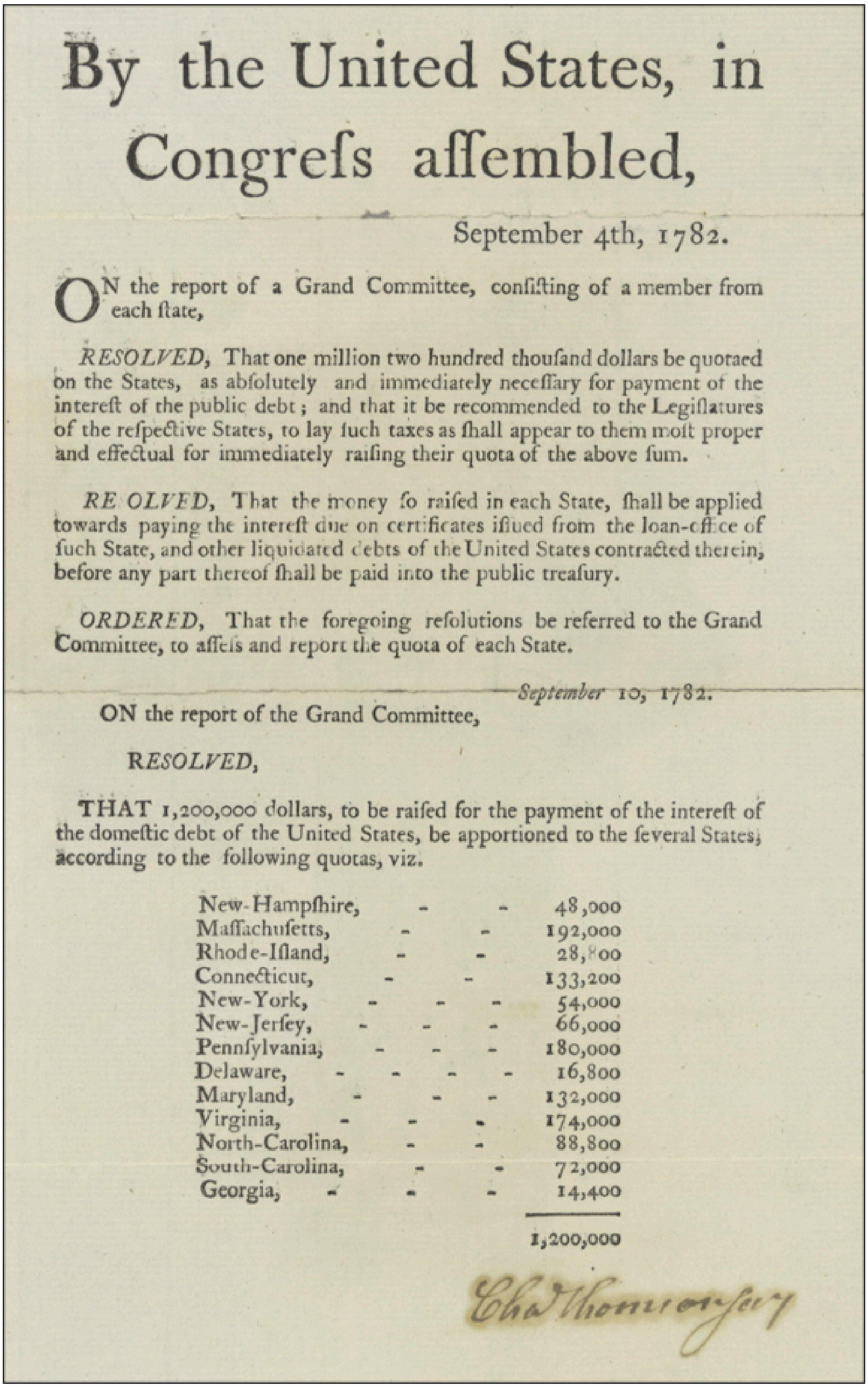


The debt numbers are huge. The asset numbers are huger. This perspective (and the lack of bond market vol) are why I find it very hard to get excited or scared about the latest debt and deficit angst. Unproductive and corrupt big government spending on unproductive baloney is morally reprehensible but the fuse on the debt bomb is miles long.

2. **Debt is always a big scary boogeyman.** I do not think deficits and debt are irrelevant. But I like to keep some perspective because screaming about them is a really fun way for people to get clicks and sell books, magazines, and conference tickets. I recently updated my scrapbook, so let me share it with you.

A not-so-brief history of angst about the U.S. National Debt as it crosses exponentially larger and larger round numbers.

1782: U.S. interest expense crosses $1 million



By the United States, in Congreſs aſſembled,

September 4th, 1782.

ON the report of a Grand Committee, conſiſting of a member from each ſtate,

RESOLVED, That one million two hundred thouſand dollars be quotaed on the States, as abſolutely and immediately neceſſary for payment of the intereſt of the public debt; and that it be recommended to the Legiſlatures of the reſpective States, to lay ſuch taxes as ſhall appear to them moſt proper and effectual for immediately raiſing their quota of the above ſum.

RESOLVED, That the money ſo raiſed in each State, ſhall be applied towards paying the intereſt due on certificates iſſued from the loan-office of ſuch State, and other liquidated debts of the United States contracted therein, before any part thereof ſhall be paid into the public treaſury.

ORDERED, That the foregoing reſolutions be referred to the Grand Committee, to aſſeſs and report the quota of each State.

September 10, 1782.

ON the report of the Grand Committee,

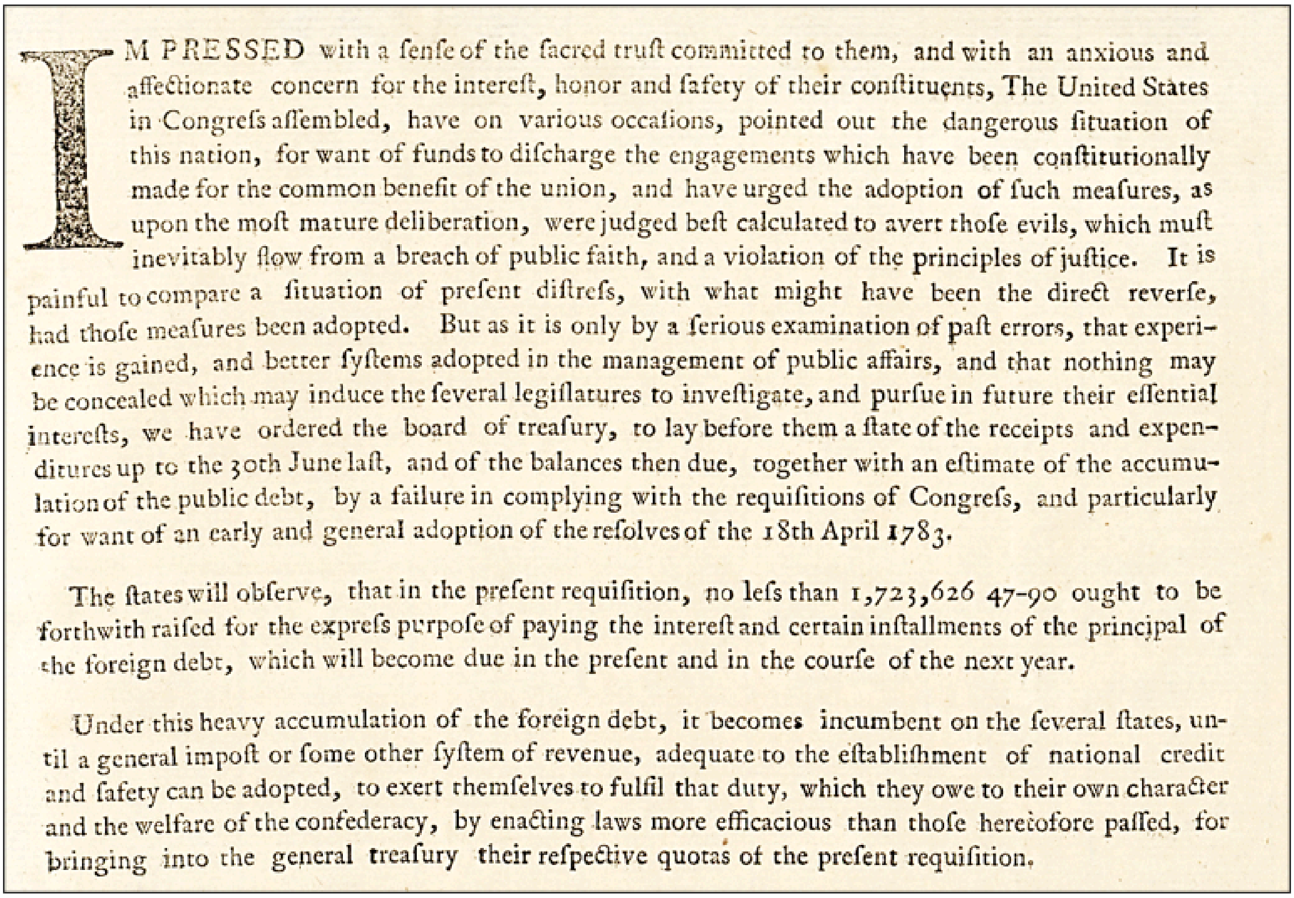
R*ESOLVED*,

THAT 1,200,000 dollars, to be raiſed for the payment of the intereſt of the domeſtic debt of the United States, be apportioned to the ſeveral States, according to the following quotas, viz.

New-Hampſhire, - -	48,000
Maſſachuſetts, - -	192,000
Rhode-Iſland, - -	28,800
Connecticut, - -	133,200
New-York, - - -	54,000
New-Jerſey, - - -	66,000
Pennſylvania, - - -	180,000
Delaware, - - - -	16,800
Maryland, - - -	132,000
Virginia, - - -	174,000
North-Carolina, - -	88,800
South-Carolina, - -	72,000
Georgia, - - -	14,400
	1,200,000

Chas Thomson secy

Statement in Congress, October 17, 1786 expressing concern about the debt (text below image, so you can actually read it):


IMPRESSED with a ſenſe of the ſacred truſt committed to them, and with an anxious and affectionate concern for the intereſt, honor and ſafety of their conſtituents, The United States in Congreſs aſſembled, have on various occaſions, pointed out the dangerous ſituation of this nation, for want of funds to diſcharge the engagements which have been conſtitutionally made for the common benefit of the union, and have urged the adoption of ſuch meaſures, as upon the moſt mature deliberation, were judged beſt calculated to avert thoſe evils, which muſt inevitably flow from a breach of public faith, and a violation of the principles of juſtice. It is painful to compare a ſituation of preſent diſtreſs, with what might have been the direct reverſe, had thoſe meaſures been adopted. But as it is only by a ſerious examination of paſt errors, that experience is gained, and better ſyſtems adopted in the management of public affairs, and that nothing may be concealed which may induce the ſeveral legiſlatures to inveſtigate, and purſue in future their eſſential intereſts, we have ordered the board of treaſury, to lay before them a ſtate of the receipts and expenditures up to the 30th June laſt, and of the balances then due, together with an eſtimate of the accumulation of the public debt, by a failure in complying with the requiſitions of Congreſs, and particularly for want of an early and general adoption of the reſolves of the 18th April 1783.

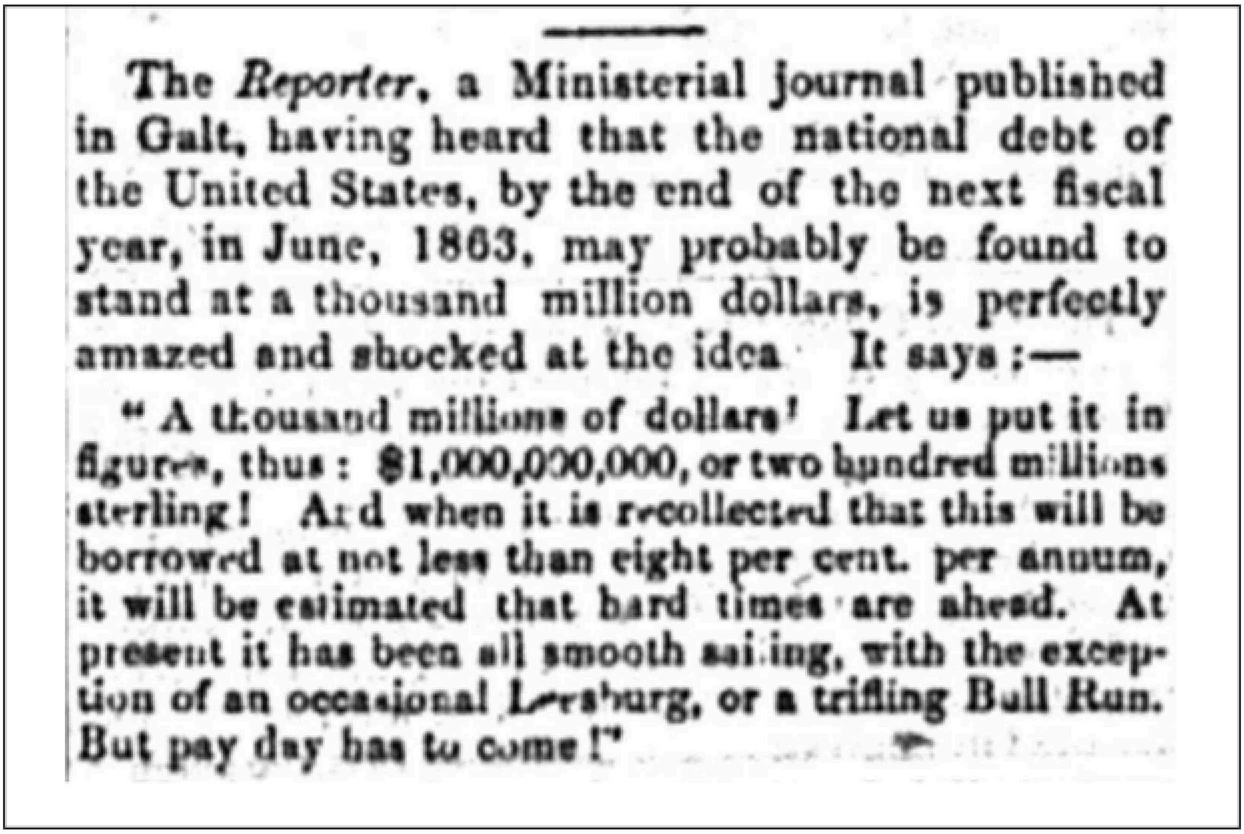
The ſtates will obſerve, that in the preſent requiſition, no leſs than 1,723,626 47-90 ought to be forthwith raiſed for the expreſs purpoſe of paying the intereſt and certain inſtallments of the principal of the foreign debt, which will become due in the preſent and in the courſe of the next year.

Under this heavy accumulation of the foreign debt, it becomes incumbent on the ſeveral ſtates, until a general impoſt or ſome other ſyſtem of revenue, adequate to the eſtabliſhment of national credit and ſafety can be adopted, to exert themſelves to fulfil that duty, which they owe to their own character and the welfare of the confederacy, by enacting laws more efficacious than thoſe heretofore paſſed, for bringing into the general treaſury their reſpective quotas of the preſent requiſition.

Library of Congress

“IMPRESSED with a sense of the sacred trust committed to them, and with an anxious and affectionate concern for the interest, honor and safety of their constituents, The United States in Congress assembled, have on various occasions, pointed out the **dangerous situation of this nation, for want of funds to discharge the engagements which have been constitutionally made for the common benefit of the union**, and have urged the adoption of such measures, as inevitably flow from a **breach of public faith**, and a violation of the principles of justice. It is painful to compare a situation of **present distress**, with what might have been the direct reverse, had those measures been adopted. But as it is only by a serious examination of **past errors**, that experience is gained, and better systems adopted in the management of public affairs, and that nothing may be concealed which may induce the several legislatures to investigate, and pursue in future their essential interests, we have ordered the board of treasury, to lay before them a state of the receipts and expenditures up to the 30th June last, and of the balances then due, together with an estimate of the accumulation of the public debt, by a failure in complying with the requisition of Congress, and particularly for want of an early and general adoption of the resolves of the 18th April 1783. The states will observe, that in the present requisition, no less than 1,723,626 ought to be forthwith raised for the express purpose of paying the interest and certain installments of the principal of the foreign debt.”

1862: U.S. debt crosses $1 billion



The *Reporter*, a Ministerial journal published in Galt, having heard that the national debt of the United States, by the end of the next fiscal year, in June, 1863, may probably be found to stand at a thousand million dollars, is perfectly amazed and shocked at the idea It says:—

"A thousand millions of dollars! Let us put it in figures, thus: $1,000,000,000, or two hundred millions sterling! And when it is recollected that this will be borrowed at not less than eight per cent. per annum, it will be estimated that hard times are ahead. At present it has been all smooth sailing, with the exception of an occasional Leesburg, or a trifling Bull Run. But pay day has to come!"

St. John's Courier, March 1, 1862

"Perfectly amazed and shocked by the idea … A thousand millions of dollars! Let us put it in figures, thus: $1,000,000,000, or two hundred millions sterling!"

It would seem that GBP/USD was 5.00 in 1862.

1942: U.S. debt crosses $100 billion

U. S. Public Debt Passes 100 Billion Dollar Mark

WASHINGTON, Dec. 2.—(U.P.)—Government expenses and receipts for the current fiscal year through Nov. 30. compared with a year ago:

This year: expenses $28,609,188,651.29; last year, $8,995.756,509.48; war spending $26,288,949,801.74, $6.457,837,324.64; receipts $5,068,609,345.99, $2,953,607,871.30; cash balance $3,982,204,647.25, $2,319,496,021.87; public debt $100,379,324,851.62. $61,363,867,932.26.

PRISONER HANGS SELF

SALEM, Dec. 2—(AP)—William Ede, 55, who entered the state prison last Feb. 5 to serve a sentence for stealing livestock in Curry county, hanged himself in his cell yesterday by using a small piece of sheet, Warden George Alexander said today.

BEND POPULATION JUMPS

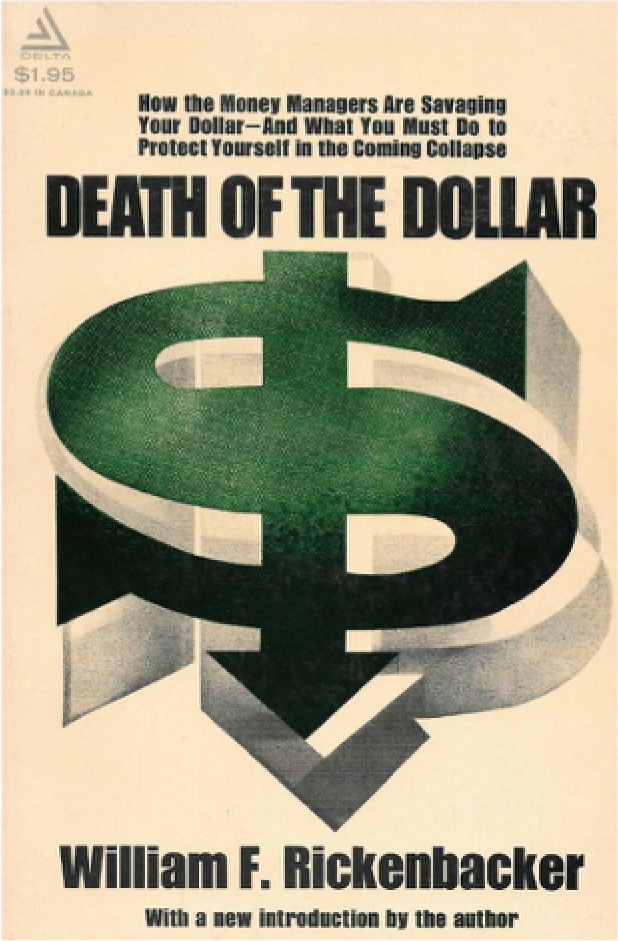
BEND, Dec. 2.(AP)—The chamber of commerce reported today that Bend's population has increased 1300 in recent weeks.

WORKER KILLED

VANCOUVER, Wash.. Dec. 2.—(AP)—George Gantovich, 54, shipyard worker, was fatally injured by an automobile here yesterday.

Oregon Register, December 2, 1942

1968

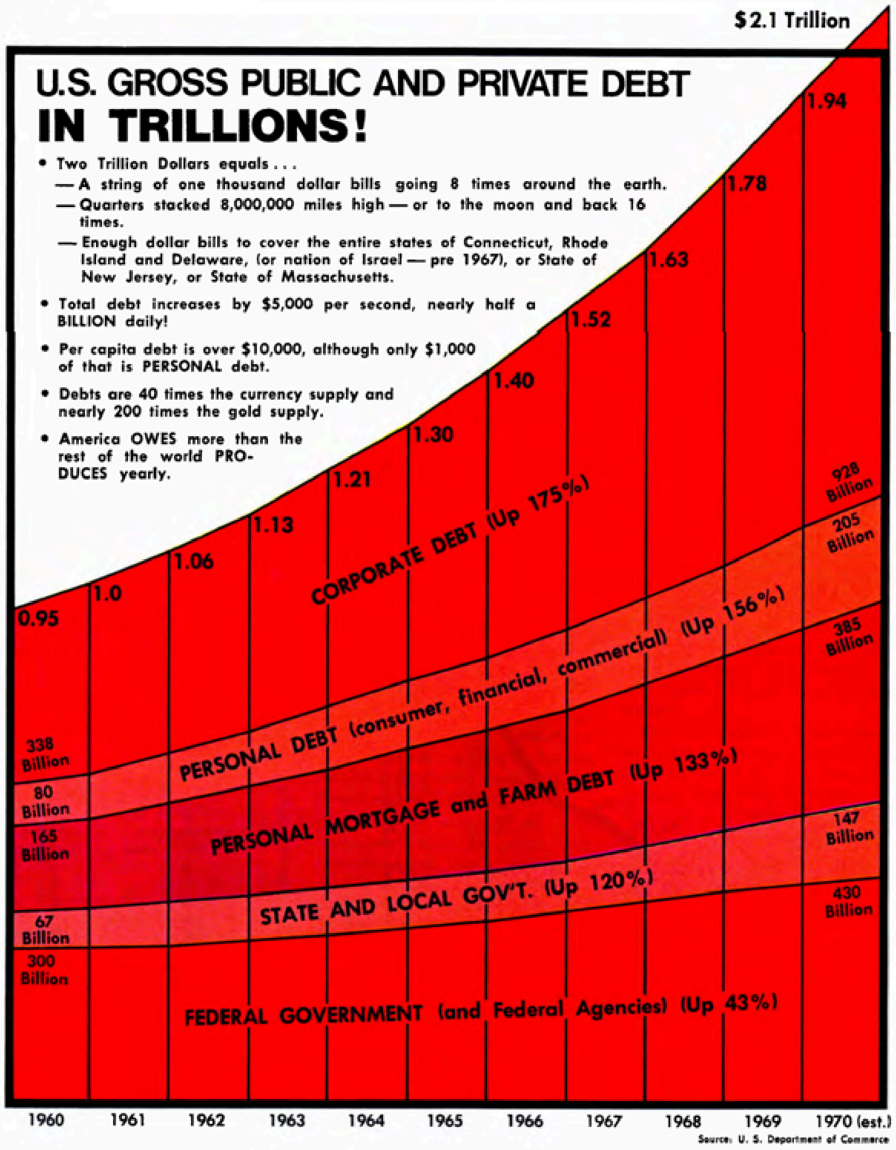

DELTA
$1.95
How the Money Managers Are Savaging Your Dollar—And What You Must Do to Protect Yourself in the Coming Collapse
DEATH OF THE DOLLAR
William F. Rickenbacker
With a new introduction by the author

1971

TWO TRILLION Dollars In Debt

BANKRUPT!

Why is the world's RICHEST nation also the world's chief DEBTOR nation? Why are the WELL-PAID Americans DEEPEST in debt? America is seemingly under an economic CURSE, resulting from broken economic LAWS. America, Britain, and other debtor nations need to learn these laws and obey them. This article reveals those basic laws, and shows how YOU can prosper in the midst of a debt-ridden society.



1977

Here Comes Hyperinflation!

JEROME SMITH | FROM THE JUNE 1977 ISSUE

We have today a monetary world without precedent.

Never before in the history of the modern world has runaway inflation occurred on a global basis. Importantly—prior to the present generation, monetary inflations have always been on a nation-by-nation basis, with runaway inflation occurring perhaps in one, two, three, or four nations simultaneously. And never before in history has it occurred on a coordinated basis where there was one kingpin fiat currency that tied it all together in an accelerating and irreversible trend toward a simultaneous, worldwide hyperinflation.

Two underlying and ongoing developments of the past decade require this terminal result within the next decade. The first is the rampant growth of statism, in the guise of welfarism, in the Western nation-states—especially in the United States. The second development is the transition of the U.S. dollar from a metallic-backed, redeemable currency to an irredeemable fiat paper nothing.

The last paragraph of that article sounds like it was written today.

1981: U.S. debt crosses $1 trillion

National Debt Goes Over $1 Trillion Mark

October 23, 1981 More than **44 years ago**

By T.R. Reid

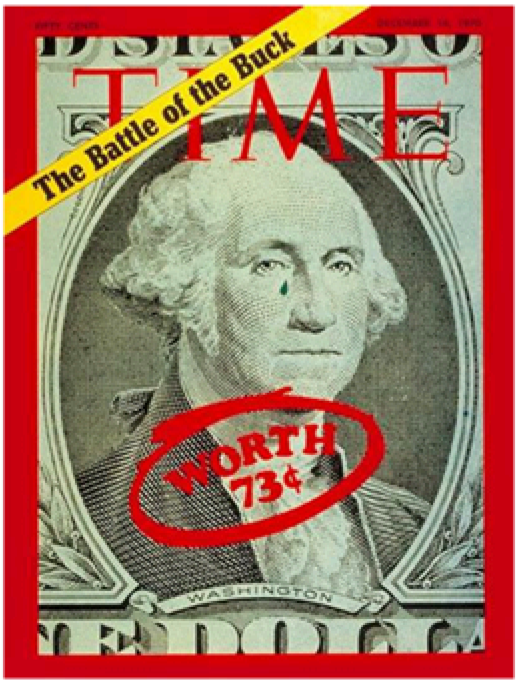
The national debt, the cumulative result of two centuries of deficit spending by the federal government, went over $1,000,000,000,000 yesterday.

RONALD REAGAN

Address to the Nation on the Program for Economic Recovery

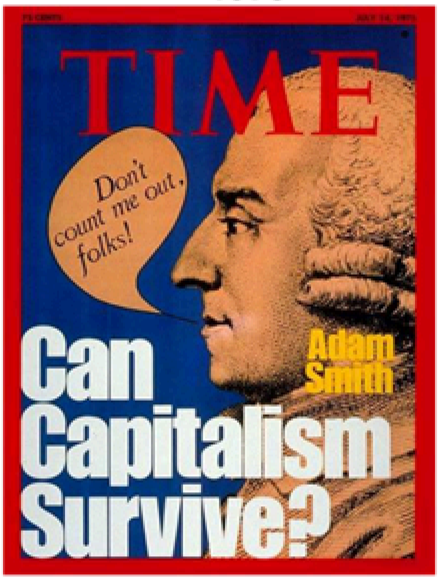
In just the past decade, our national debt has more than doubled. And in the next few days, it'll pass the trillion dollar mark. One trillion dollars of debt -- if we as a nation needed a warning, let that be it.

1970

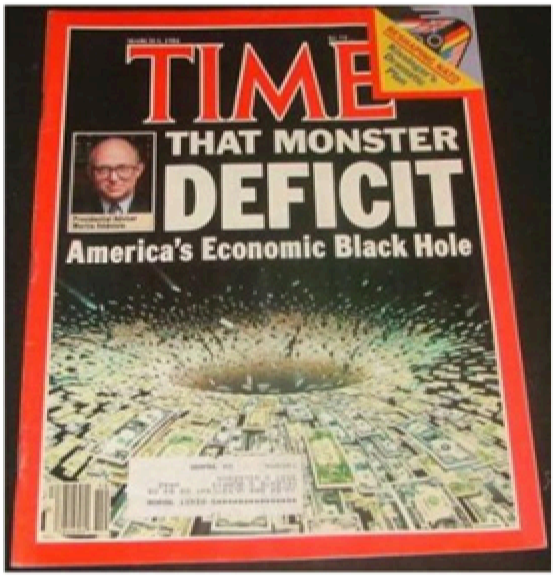


1972

1975



1984



1989: National Debt Clock installed in Times Square


OUR NATIONAL DEBT:
YOUR Family share $
THE NATIONAL DEBT CLOCK
GREAT SANDWICHES TOGO'S GREAT SANDWICHES
DUNKIN' DONUTS
DELI

1995


TIME
INSIDE ALGERIA
HOW LOW CAN IT GO?

2004

Dude, you might need more numbers on there soon. Tick tock.

2007

2008: U.S. debt crosses $10 trillion

Business blog
Economics

This article is more than **17 years old**

National Debt Clock runs out of zeroes - new larger clock ordered

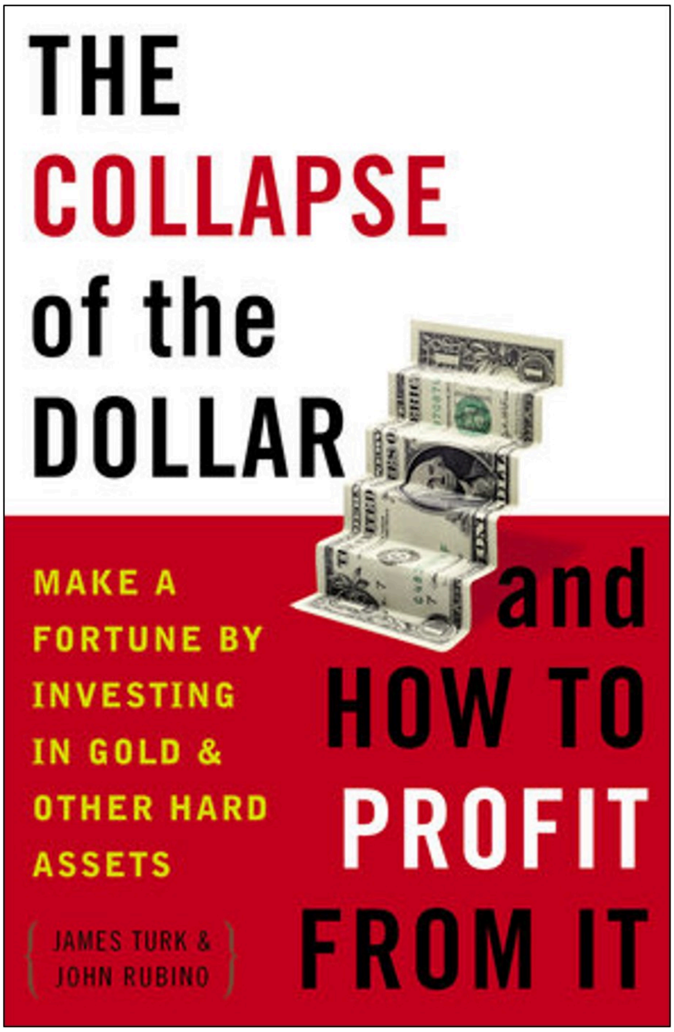
Graeme Wearden
Thu 9 Oct 2008 08.29 EDT

When real estate developer Seymour Durst installed an electronic screen in Time Square in 1989 to show the size of the US national debt, he hoped that the glare of public attention might force Washington to cut the deficit. So

LOLLLLLLLLLLLLLLLLLL

2008

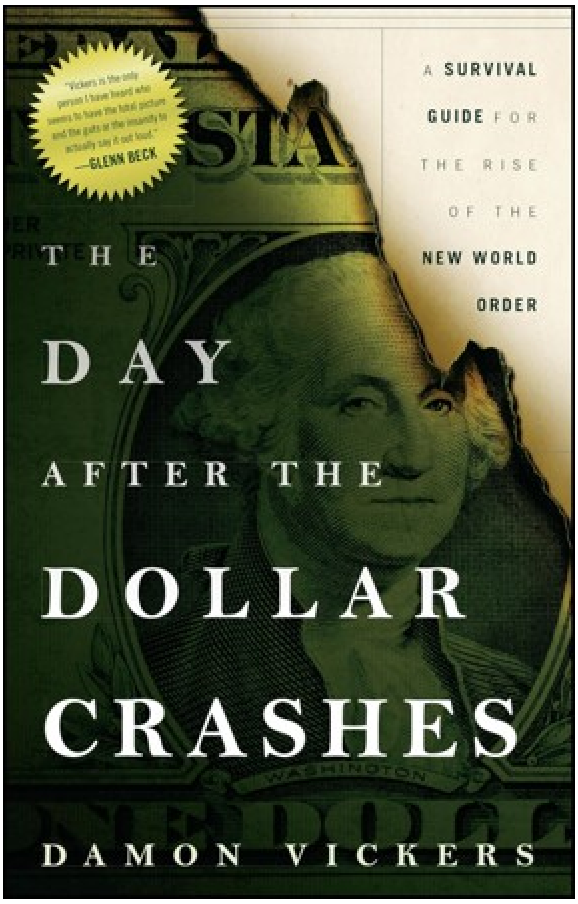
2011


THE
COLLAPSE
of the
DOLLAR
and
HOW TO
PROFIT
FROM IT
MAKE A
FORTUNE BY
INVESTING
IN GOLD &
OTHER HARD
ASSETS
JAMES TURK &
JOHN RUBINO

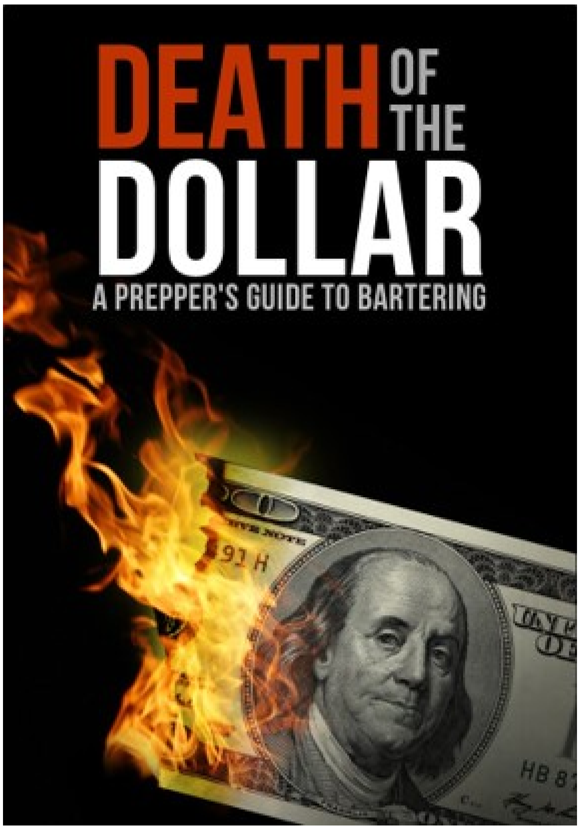

Joe Klein on Why Obama Is Ahead
Why Isn't U.S. Leadership What It Was? Because The World Has Changed
Oliver Stone's Biopic Takes on The Bush Legacy
TIME
A Sea Of Debt
The U.S. economy is sick. And don't expect it to recover anytime soon
BY BILL POWELL
Plus: How the financial shock waves are hitting China, Turkey and Dubai

2011


Special Report: Lessons from the Debt Debacle
TIME
HOW THE TEA PARTY HIJACKED AMERICA
THE GREAT AMERICAN DOWNGRADE
Why the debt crisis has hurt growth and the nation's position in the world


"Vickers is the only person I have heard who seems to have the total picture and the guts or the insanity to actually say it out loud."
—GLENN BECK
A SURVIVAL GUIDE FOR THE RISE OF THE NEW WORLD ORDER
THE DAY AFTER THE DOLLAR CRASHES
DAMON VICKERS

2014



Wut?

2017: U.S. debt crosses $20 trillion

ECONOMY

Yellen: $20 trillion national debt 'should keep people awake at night'

PUBLISHED WED, NOV 29 2017-11:27 AM EST | UPDATED WED, NOV 29 2017-1:36 PM EST

Jeff Cox
@JEFF.COX.7528
@JEFFCOXCNBCCOM

WATCH LI

2021

U.S. Dollar Will Crash in 2021, Senior Yale Economist Warns

Yale economist Stephen Roach has predicted a U.S. dollar crash by the end of 2021, joining a growing number of other analysts.

<u>2022: U.S. debt crosses $30 trillion</u>

'Sound the alarm': National debt hits $30 trillion as economists warn of impact for Americans

Michael Collins
USA TODAY

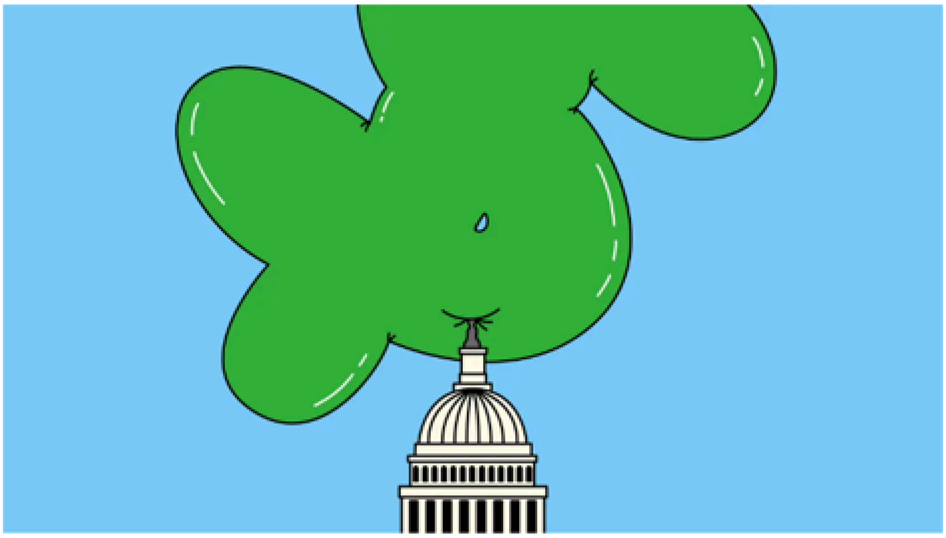
2023

Finance & economics | In God we bust

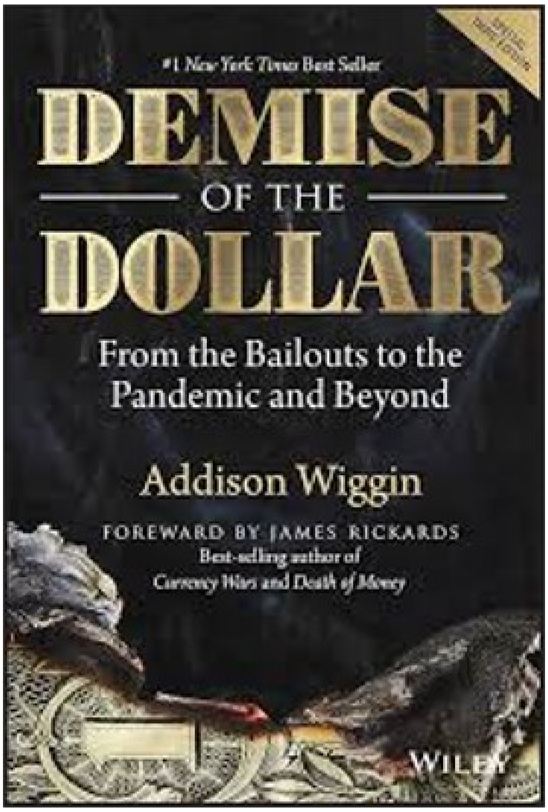
America faces a debt nightmare

It is not just about gridlock in Washington

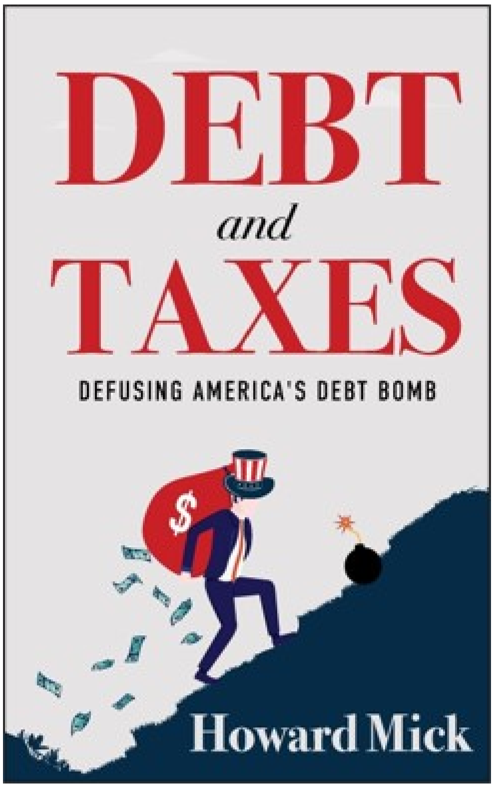
Save Share



May 3rd 2023 | WASHINGTON, DC | 9 min read



2024


DEBT
and
TAXES
DEFUSING AMERICA'S DEBT BOMB
Howard Mick

2025


The Economist
HOW A DOLLAR CRISIS WOULD UNFOLD

2026

2026: U.S. debt crosses $40 trillion

Sure, there could be a non-linear tipping point, but that has been a terrible bet for 150 years. People can only cleverly quote the same bit of Hemingway so many times before it starts to sound silly. Maybe, contrary to Papa’s words, in reality: **the U.S. is going bankrupt gradually… And then gradually.**

Policymakers have decided that it’s better to fade away than burn out. So, they will continually manage the kicking of the can and use financial repression and means necessary to keep the slow burn from going pyro. Voters will never elect an austerian, so as Lyn Alden says: Nothing stops this train. Just remember the train is going, like, four mph*.

**6.4 km/h*

I am not saying debt doesn't matter. I hate debt and wasteful spending and foreverwars and corruption and fraud and interest payments to foreign debt holders just as much as you do. But keep in mind that the U.S. debt story is a long-run, structural thing that flares up here and there but is almost always easily managed by the authorities. They have no choice. The only way this thing goes full Hindenburg is if we see persistent, out-of-control inflation. We have seen persistently *above target* inflation for the past 64 months, but inflation was really only out of control there for a year or so. It seems fairly under control right now.

There has been a structural debt problem in the United States since 1782 and there will be a structural debt problem in the United States when I die in 2076.

The debt is unsustainable. Fiscal reckoning is three, or less than five, or maybe ten years away.

Same as it ever was.

I'm going mad with the historical references today. I will try to focus better going forward.

Fun fact: I went to Hemingway's house in Key West. There are many cats there descended from the 6-toed cat he was given as a gift in 1930. The cat was named Snow White and about half of the current cats on the property have extra toes because they descend from Snow White. If you're into writing, the home is a super cool thing to visit. Key West is pretty weird, though!

https://www.hemingwayhome.com/our-cats

Anyhoo. Here is next week's calendar. Waller stands out because he was a megadove when the data was soft, then turned max hawkish after losing the Chair nomination (just as the data was about to roll over). Will he stick with his hawkish view in the face of rolling data? Or will he double down?

WEEK OF AUGUST 31–SEPTEMBER 4, 2026 | All times New York / ET

	MONDAY 31-Aug	TUESDAY 1-Sep	WEDNESDAY 2-Sep	THURSDAY 3-Sep	FRIDAY 4-Sep
Before NY open	**Germany CPI 4:00 - 8:00**	EU Flash CPI 5:00		**Switzerland CPI 2:30**	
NY AM	**UK Summer Bank Holiday and real money month-end**	**US Manufacturing ISM 10:00** US JOLTS 10:00	**US ADP 8:15** **Bank of Canada Interest Rate Decision 9:45** Bank of Canada Press Conference 10:30	US Initial Claims 8:30 **Fed Waller 8:30** US Services ISM 10:00	**US NFP 8:30** **Canada Jobs 8:30**
NY PM		PANW DELL	US Beige Book 14:00 AVGO SNOW	LULU PATH	
Asia		**Australia GDP 21:30** **RBNZ Interest Rate Decision and MPS 22:00** RBNZ Press Conference 23:00			**Fed blackout begins** **Labor Day on Monday**

Stocks

The Situational Awareness low remains in place and the SaaSpocalypse has been delayed or perhaps cancelled. The storm around SaaS has subsided as the market has logically concluded that no large organization is going to deploy a bunch of autonomous agents to replace their software. The whole premise was out of control and it’s a good example of how markets can be grossly inefficient due to fear and greed. Fear, in this case.

We remain in the high deficits, high nominal growth, okay inflation world, and nothing Warsh has said at Jackson Hole changes any of that. The biggest risk to equities is not liquidity, but positioning and seasonals as the market is fully bulled up right into the weakest seasonal period for stocks.

That said, it’s the back half of September that is bearish, so bulls have a couple more weeks to run.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1		0.80	0.38	0.07	-0.16	-0.29	0.46	-0.35	0.03	0.05	0.12	0.16
2	0.31	0.33	0.62	0.20	0.18	0.66	0.22	-0.49	0.07	-0.08	0.21	0.14
3	0.12	-0.21	-0.40	-0.61	0.19	-0.08	0.36	0.54	-0.45	-0.04	0.44	-0.16
4	0.19	0.04	0.20	-0.64	-0.17	-0.08		-0.08	-0.02	0.55	0.31	0.00
5	-0.12	-0.25	0.10	0.10	-0.23	0.08	0.11	-0.44	-0.03	0.78	0.47	-0.05
6	0.14	0.38	-0.64	0.62	-0.22	0.48	0.12	0.21	-0.12	0.07	0.36	0.18
7	-0.05	0.07	-0.32	-0.28	0.06	0.12	0.35	0.05	0.34	-0.41	0.31	0.15
8	0.37	-0.35	-0.05	0.47	0.35	0.21	-0.07	-0.08	-0.04	0.20	0.23	-0.09
9	0.09	0.35	-0.13	1.14	-0.25	-0.28	0.42	0.28	-0.10	-0.04	-0.69	-0.10
10	0.11	0.01	-0.17	-0.40	0.70	-0.12	0.33	-0.29	-0.01	-0.11	0.87	0.02
11	0.26	-0.01	-0.17	-0.02	-0.48	-0.49	-0.18	0.04	0.54	-0.13	0.25	-0.01
12	0.13	0.39	-0.68	0.03	0.08	0.23	0.24	0.26	0.27	0.27	-0.47	-0.14
13	-0.29	0.29	0.60	0.10	-0.16	-0.27	0.27	0.33	-0.04	0.11	-0.09	0.02
14	0.14	0.24	0.10	0.48	0.29	0.10	0.23	-0.02	0.27	0.05	-0.20	-0.51
15	-0.09	0.47	0.16	-0.21	0.04	0.47	0.25	0.09	0.26	0.15	0.20	0.16
16	0.14	0.33	-0.52	0.03	0.04	-0.06	-0.28	0.09	0.06	0.54	0.04	0.09
17	0.26	0.06	0.87	0.38	-0.06	-0.01	-0.13	-0.12	-0.19	0.30	-0.30	-0.23
18	0.05	-0.02	-0.36	-0.17	-0.14	0.30	0.11	-0.42	-0.02	0.21	0.19	0.17
19	0.12	0.06	-0.09	0.10	-0.19	-0.08	0.23	-0.31	0.15	-0.61	0.10	-0.19
20	-0.17	-0.13	-0.23	-0.02	-0.16	-0.17	0.21	-0.21	-0.25	0.23	-0.30	0.17
21	-0.05	-0.57	0.13	-0.56	0.32	0.13	0.17	-0.10	-0.60	0.53	0.18	0.22
22	0.20	0.05	-0.34	0.40	-0.04	0.01	0.34	-0.02	-0.33	0.08	0.21	0.22
23	0.09	-0.27	-0.43	0.44	-0.20	0.08	-0.05	0.21	-0.43	-0.04	-0.19	0.45
24	-0.15	0.08	0.95	0.38	0.03	-0.57	-0.32	-0.31	0.12	0.22	0.69	-0.12
25	0.14	-0.24	0.11	0.05	0.29	-0.06	-0.01	0.04	-0.13	0.08	0.16	
26	0.29	-0.02	0.79	0.05	0.41	-0.05	0.26	0.19	0.00	-0.42	0.01	0.67
27	-0.61	-0.46	-0.58	0.18	1.18	0.08	0.05	0.42	0.11	0.24	0.02	0.09
28	0.10	-0.04	-0.03	0.23	-0.18	0.17	0.17	0.17	-0.17	0.28	0.59	-0.33
29	-0.06		0.67	0.19	-0.12	0.17	0.02	0.50	-0.23	0.11	0.13	0.25
30	-0.16		0.51	-0.44	-0.01	0.42	-0.06	-0.14	-0.13	-0.01	0.52	-0.37
31	0.01		0.09		-0.32		-0.04	-0.07		-0.21		0.04

Still, the seasonality game is about averages and approximate windows, not pin the tail on the donkey. If you are not familiar with seasonality, or why it continues to work out of sample, year after year, this is a writeup:

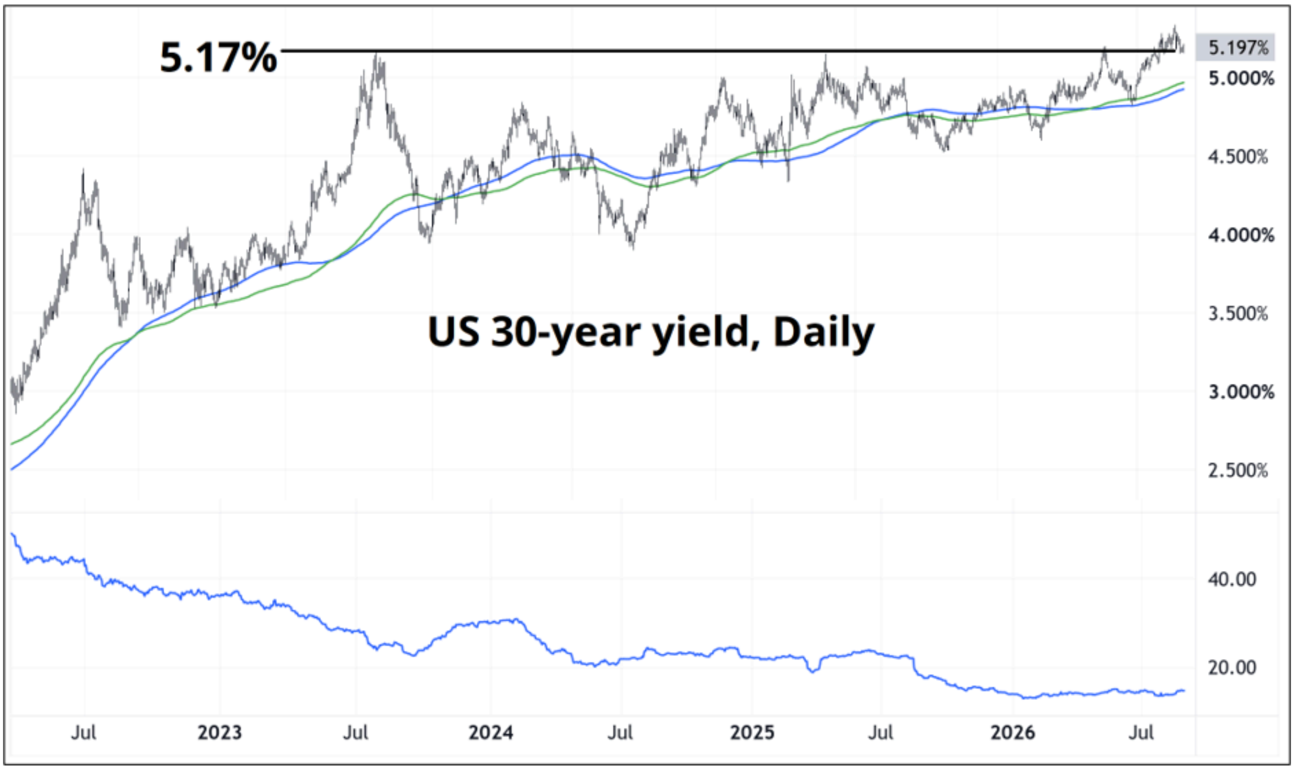
Here is this week's 14-word stock market summary:

Bulls are getting to the end of the road. Time to lock in profits.

Interest Rates

You would think from the narrative machine out there that we are in a bond crisis. In real life, here is a chart of 10-year yields.

And yes, 30-year yields are going up. But they are exactly where they were when they peaked three years ago. And volatility is in a slow, grinding move lower and lower and lower. Again, not a crisis.



The bottom panel shows realized volatility in the 30-year.

Fiat Currencies

FX is the most fun when there is a clear dollar theme. Some people believe that Bessent's announcement on the long end is bearish USD because if yields are capped, the dollar becomes the release valve. But yields are not capped. The government has shown a willingness to intervene, yes. But to cap yields? No. The process of finding a ceiling in bond yields will be long and arduous, especially as Bessent's market credibility is low and falling.

So people spend a week or so selling USD, but the reality is that there is no strong reason to own or hate the U.S. currency. Rate differentials and global equity performance are see-sawing and the USD is positive carry against some currencies like CHF and JPY and CNH but negative carry vs. BRL, MXN, etc.

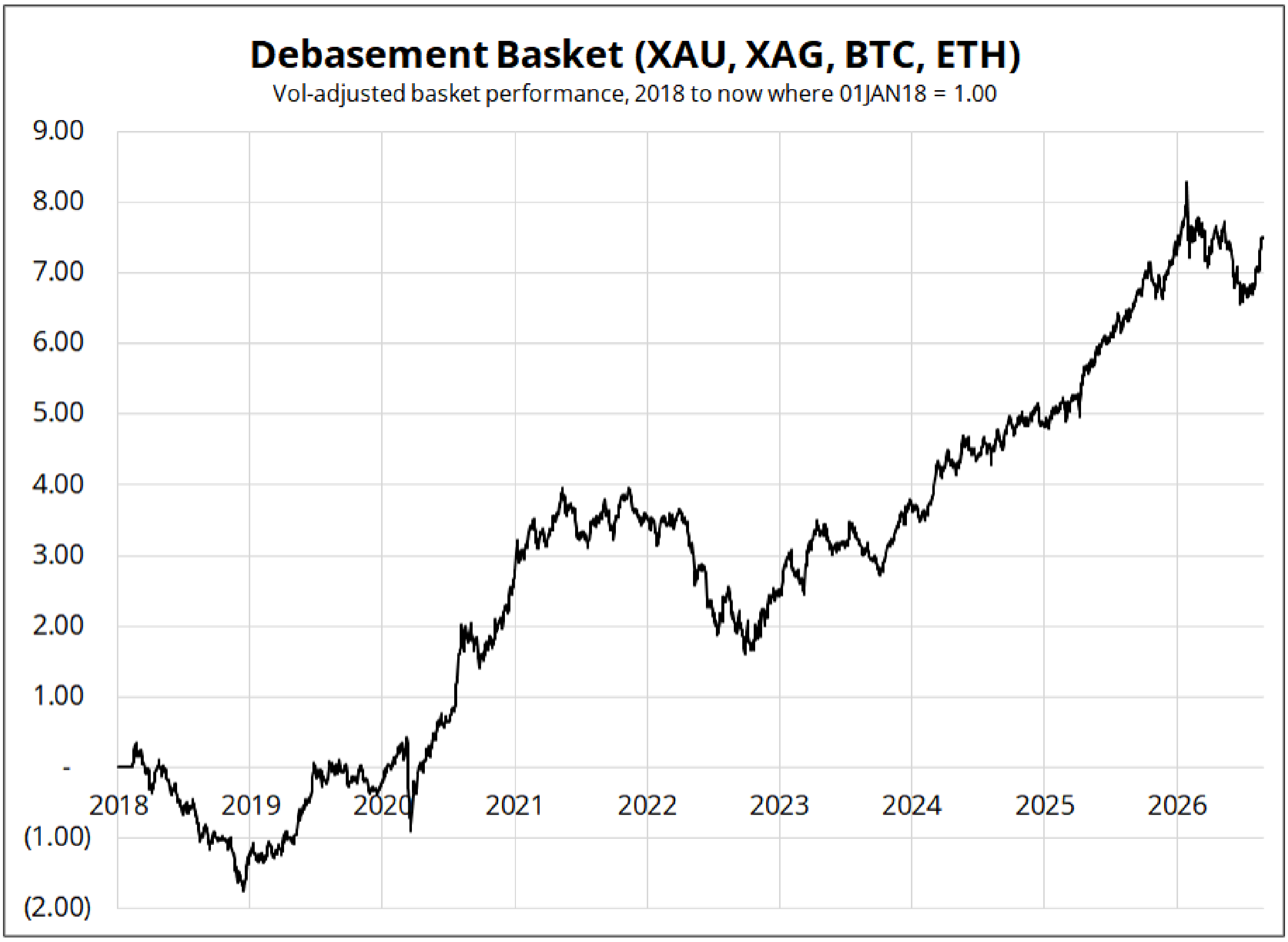
The most popular trade this week was long AUD as my inbox and chats exploded with bullish AUD recommendations after the domestic banks started to call for RBA hikes post-CPI. There is a flow story, too, as month-end and early September see a lot of AUD buying for real money hedging and Aussie dividends. AUD, like gold, is hot right now, but correcting a bit post-Warsh.

Crypto

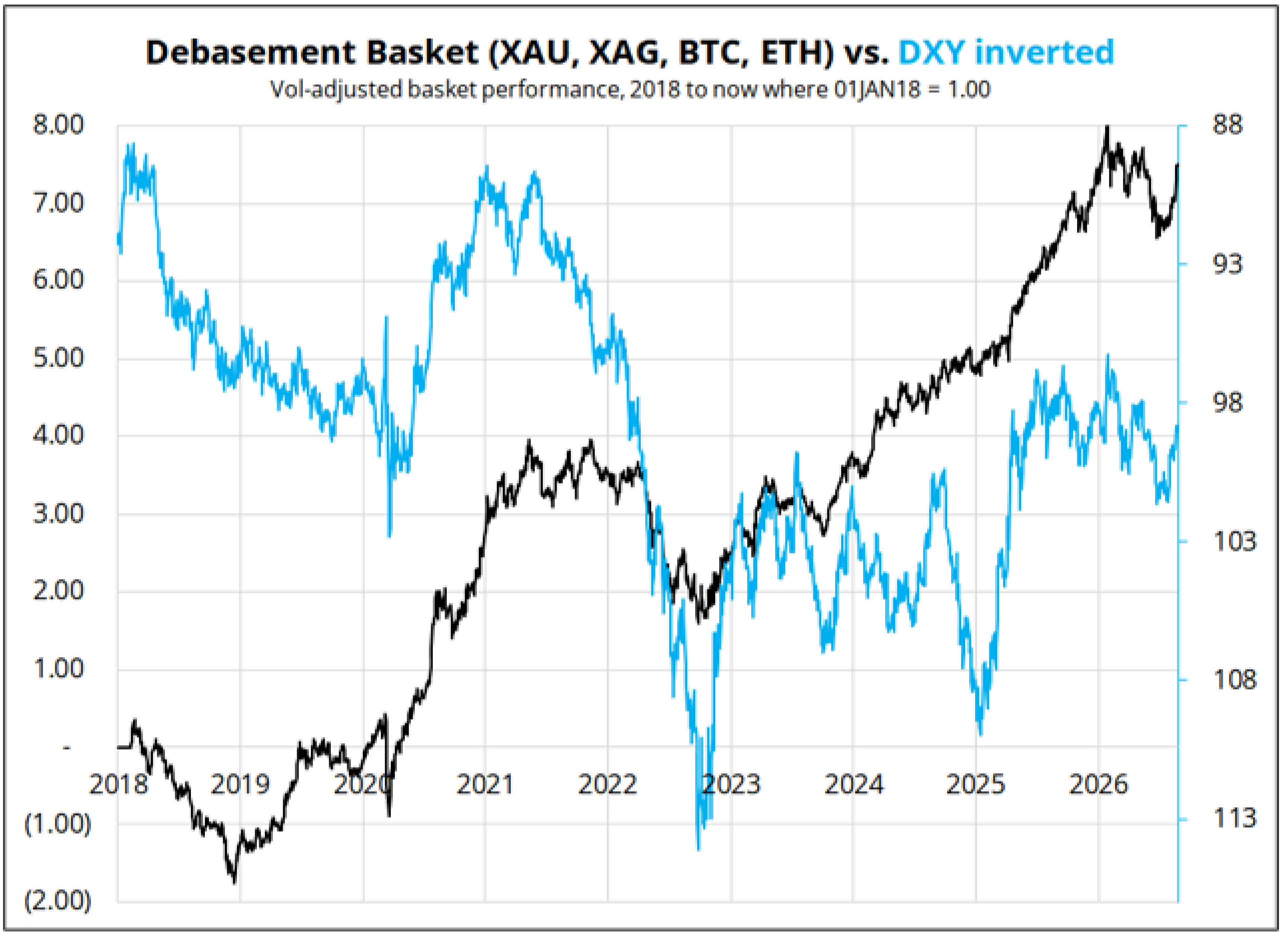
I finally got bullish bitcoin at 64,800 after months of waiting, and my goal target was to get out around 78k/80k by late September. Instead, it went in three days and so I am out already lol. Now, everything crypto (especially the DATs) are mega overbought and so my bet is we see a correction before the next leg higher. The idea that Bessent copying Yellen's old tricks is a watershed event for the debasement trade is questionable. It's more like that was a news item that happened and gold and bitcoin were ready to rally anyway. Now, the rallies have happened and I think caution is best for a bit.

The debasement trade has gone multi-SD bananas after the long bond buy announcement, but the starting conditions are probably more important than the news itself. Gold had been basing for months, gold puts were bid vs. calls, bitcoin shorts were large, crypto was left for dead, etc. Bulls were licking their lips but could not buy a bucket for months until Bessent's move.

Given that electric starting point, one might not be able to safely compare the current moves to past moves, but I am going to do it anyway, just to see. Creating a vol-adjusted basket of gold, silver, BTC, and ETH and indexing to January 1, 2018, here's the running P&L of the debasement trade. Note that I originally included DXY in this because that was my first thought, then I realized that the USD is 10% higher over this time frame, so it's not exactly a useful component of the debasement trade.



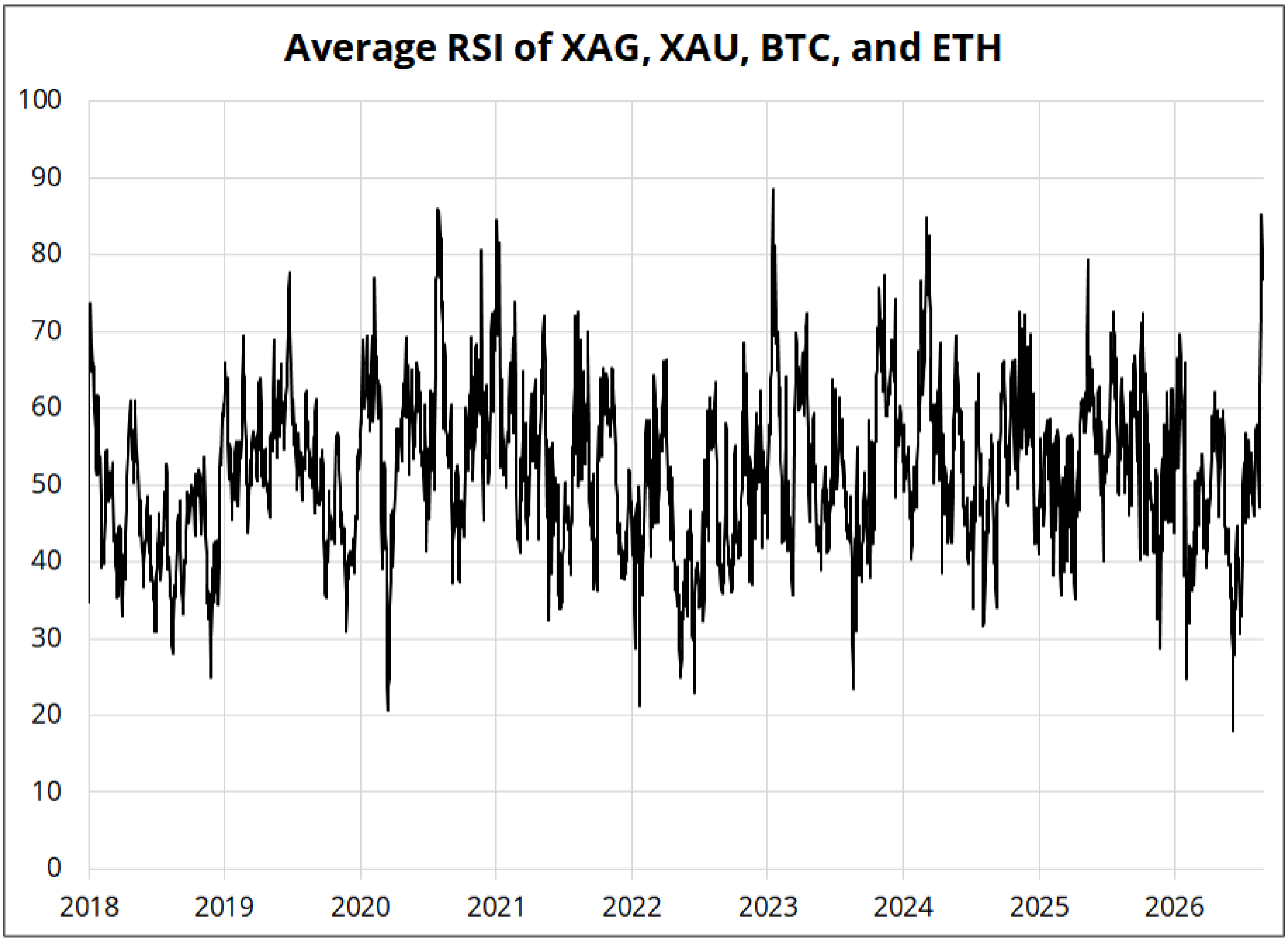
And here is a smaller version of that chart, where I added DXY inverted. This is so you can see how the dollar has not been nearly as good of a debasement trade. All fiat currencies are being debased by global monetary and fiscal policy, not just the USD.



Sometimes it's a USD story but sometimes it's a Japan or U.K. or another story. Anyway, let's look back at times when the debasement trade has been this overbought.

Was it bearish?

Yes. It was. The sample size of "average RSI over 80" is super small. There are just five instances, and this week was one of them; so there are four to look back upon.

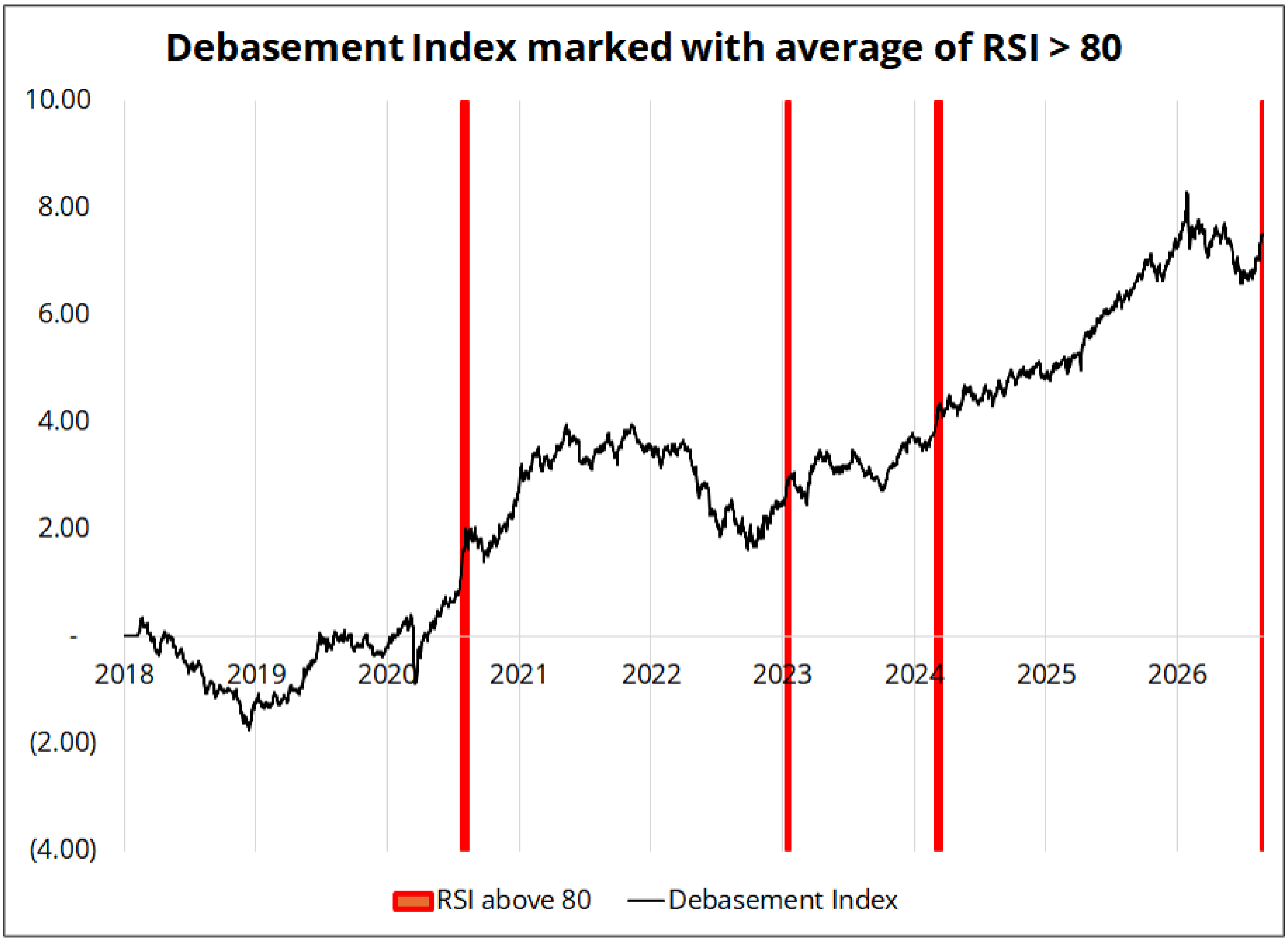


Here is the 20-day forward performance for the four assets when their average RSI is >80. Using only the first signal and ignoring all overlapping signals. That's why there are only four.

	BTC	ETH	XAU	XAG
7/27/2020	-7.7%	-23.8%	0.7%	-8.2%
11/23/2020	-25.6%	-2.1%	-2.1%	-10.9%
1/4/2021	-8.5%	-34.1%	4.2%	-6.7%
3/4/2024	-3.4%	2.4%	-6.5%	-5.0%

Again, I realize the sample size is small, but when I am filtering for mega extremes in overbought and oversold, the sample sizes are going to be small by definition. I am highlighting the most extreme past occurrences and pointing out that this one is similar. A useful takeaway from this is that you can see gold is not like the others. When crypto and silver are leading the charge, and they pull back, gold does okay.

Here is that same debasement index chart, with the times that the average RSI of the four inputs was above 80.



So my view is crypto corrects and you buy the dip in BTC, like: 72k area. I published this correction view earlier in the week and tried to short BMNR and PURR but got stopped out before they turned lower. I am wrong about 48% of the time, but my wins pay way more than my losses.

Commodities

Same view in gold and silver as I have in crypto. They are overbought, they will dip and you buy the dip. There is no rush here.

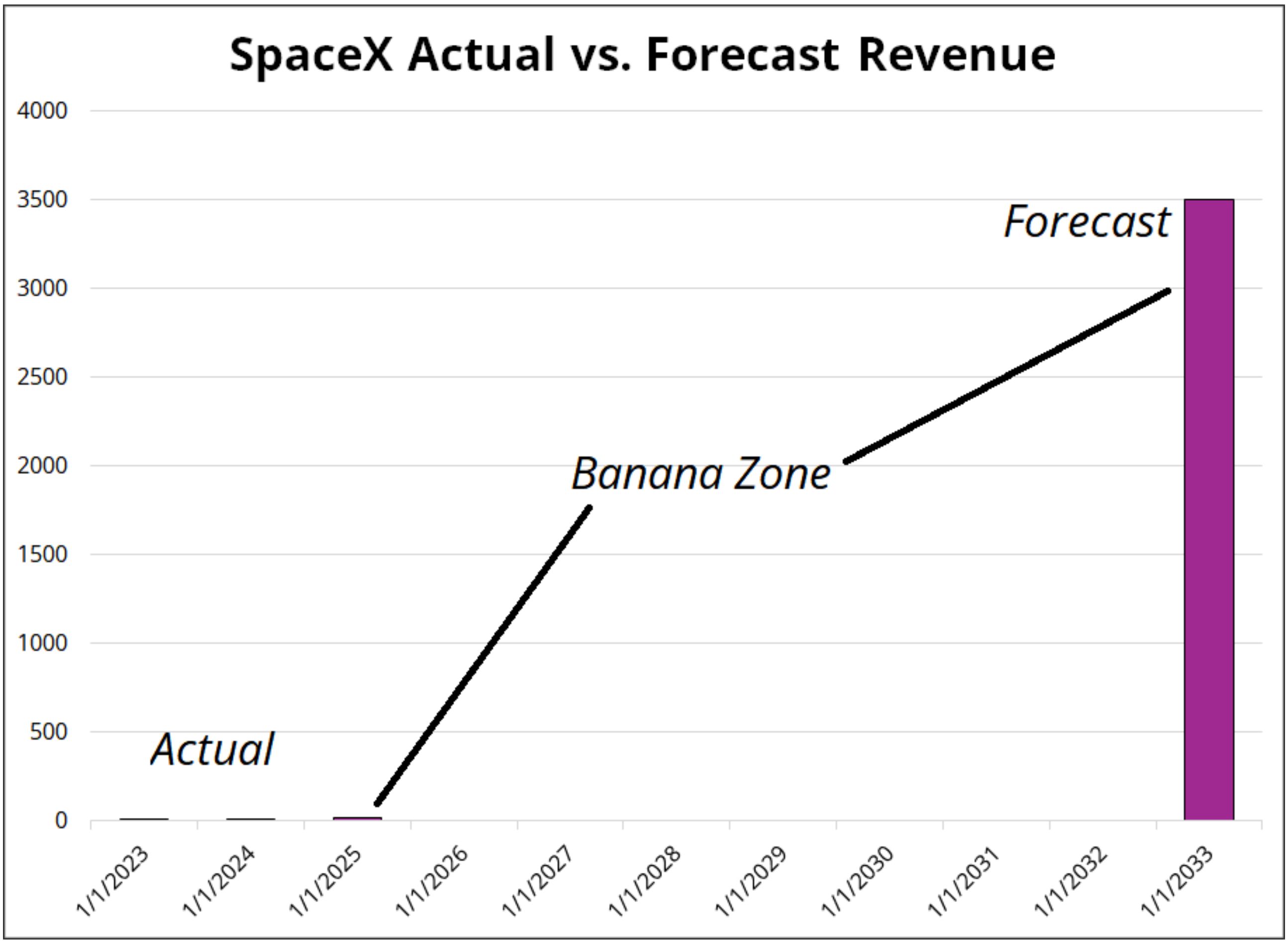
That's it for this week.

Get rich or have fun trying.

Elon Musk tried to outdo Anthropic's insane revenue forecast this week.

https://finance.yahoo.com/markets/stocks/articles/elon-musk-touts-3-5-053735345.html

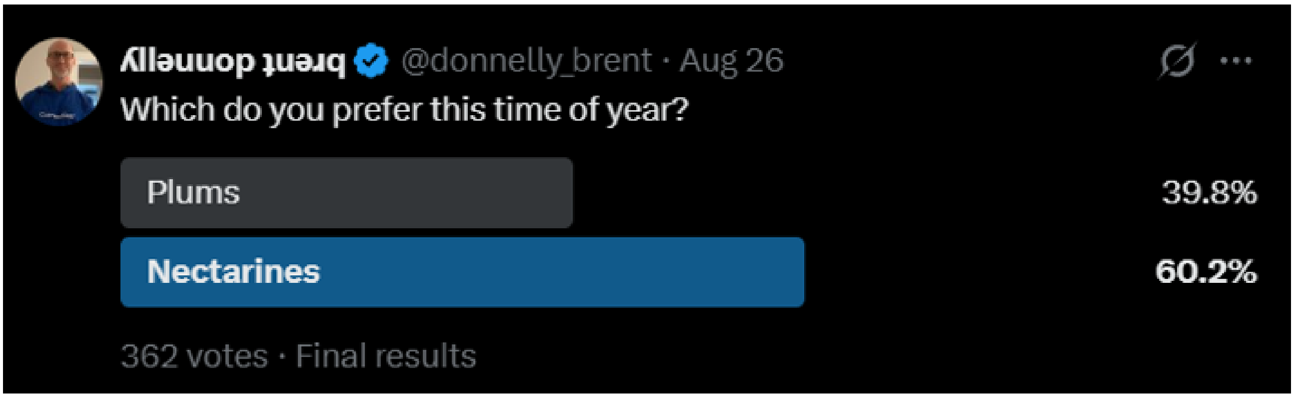
Here's my chart, for perspective.


SpaceX Actual vs. Forecast Revenue
4000
3500
3000
2500
2000
1500
1000
500
0
Forecast
Banana Zone
Actual
1/1/2023
1/1/2024
1/1/2025
1/1/2026
1/1/2027
1/1/2028
1/1/2029
1/1/2030
1/1/2031
1/1/2032
1/1/2033

****

****

[A good skit from SNL]



****


NYPD