Mike: **00:01:00** Good day.

Adam: **00:01:00** Hello.

Richard: **00:01:02** Happy Friday.

Mike: **00:01:04** Friday May 14th, an infamous day, my eldest daughter was born on this day, 1998. So, wish her a happy birthday, yeah.

Richard: **00:01:12** Happy birthday.

Juliette: **00:01:12** Happy birthday.

Mike: **00:01:14** And we get a, we have a non-alcoholic day I guess, unfortunately for us here on the Eastern Seaboard. I'm having a cold brew coffee. I hope Juliette that you have a glass of wine or something in your time zone. It's perfectly legitimate.

Juliette: **00:01:32** I'm on call people, now but I watched them, but it's sort of like five o'clock you know four to five, it's sort of getting to a favorite time.

Mike: **00:01:40** It's in that sweet spot on a Friday, I think.

Juliette: **00:01:42** Yeah.

Mike: **00:01:42** But before we get started, I just want to remind everyone that everything here is for educational purposes and entertainment purposes. This is not investment advice. We want to have a wide-ranging conversation and explore really interesting ideas. So, we're going to be boundless in our discussions and thus it is not investment advice. Get that from people other than the four scallywags on this call. And yeah, please if you have an opportunity to like, share, comment, write comments on the ReSolve Riffs show. That helps us a lot helps us get great guests like Juliette to come and join us and share her thoughts and ideas and expertise. And with that, why don't I turn it over to you gentlemen to ask Juliette to introduce herself or make your opening comments?

Adam: **00:02:31** Yeah, Juliette maybe just for the benefit of watchers and listeners who are not familiar with your work. Maybe just go through your career trajectory and what led you to write the *Macro Newsletter* and the business that you're currently running?

Backgrounder

Juliette: **00:02:48** Yeah, so I started in banking, in strategy about 22 years ago at JPMorgan. At JPMorgan, I did pretty much everything, strategy to investments and also like client advisory. Focused mainly on hedge funds which was really the hot thing at the moment. After I had two children you know in 2011/12, I decided that you know there's no way I was going to go back to the corporate world. I was way too unruly to fit in the Anglosphere anyway. So, I would have never made it to like the where I really belonged and where I deserved to be. So, I decided to set up my own company. Doing exactly what I had done for most of my professional life, which was basically advising traders, portfolio managers, investors in macro in general. I started *JDI Research* at the end of 2015 and I've now been running for the past six years actually.

Adam: **00:04:02**

How do you perceive the difference in objectives and just the character of your research when you're doing on your own as part of like an independent consulting effort relative to how your role was perceived in the bank?

Banks vs Private Consulting

Juliette: **00:04:20**

So, I mean definitely it's day and night. I mean it started, in a bank it started to be initially like you were basically able to like talk to clients directly, and so you could actually be like the same way I am today. But after the 2008/2009 crises, you know research started to be very much segregated. And there was like much more regulations, which meant that you know either you were in research like completely split from the floor, and literally you couldn't even speak to clients directly, or you were in sales. And there wasn't really not a way for someone like me to actually add value to clients anymore. Because you know I would have to be sitting on a sales desk and you know sell, rather than really spend as much time as I wanted to actually dig into the *sims* that I want to show to clients.

So, I think you know what I'm doing right now is really you know independently. I write all my research by the way, so there is absolutely no one like calling me. Like sometimes at JPMorgan you would have like a government calling you to say like, sorry guys you can't say that, sorry you can't short my currency. Otherwise, I'm gonna pull out all the business from like, or the area of the banks, or you could just have like someone you know the head of research at JPMorgan whether Joyce Chang or … is just completely disagreeing with your stem. Which means like basically you couldn't you know think the way you wanted.

I mean I did the research. It is just completely me, it's my research I spend the hours like digging into everything I want to do. The way I work is basically, I think like a trader and I think you know a lot of my clients; they don't really have the time to leverage what they would want to research in terms of like market themes. And so, the way I see myself is really like leveraging a part of their brain and doing the work that they would like to do, if that time basically. I think because I've got this background in trading and investment, I know exactly what clients are looking at. I know exactly what investors are looking at. I know how my markets work and I can basically connect the dots from macro to markets, which I think very few are able to do these days. It takes a lot of experience and a lot of work really.

Richard: **00:06:56**

Yeah, I think it distinguishes you from a lot of the macro strategists and thinkers out there. Because you're actually thinking through this prism of trading and how things are going to be as opposed to how you think they should be, which is kind of this tussle that you often find in the macro commentary. So, I wonder if you could kind of give us a little bit of detail into your framework, you know you look at flows, you look at some technical, some narrative involved. How would you describe your macro framework?

The Macro Framework

Juliette: **00:07:28**

So, my macro framework really is putting in a massive amount of work into describing the current situation. Whether it's from the macro side of things or whether it's from the market side of things. There is an enormous amount of knowledge that you can get as to you know what's going on right now. And you can actually get it crystal right, if you're actually putting in the hours. So, when I write a new report, I basically spend five, six days just looking at like all my charts, all my indicators. I basically look, you know I write nothing; I've got no idea what I'm going to write about and I'm starting to like get a picture about what's going on, what markets believe will happen. And my framework is really to find where markets are wrong, and that's my opportunities.

So, it takes me about like five, six days to basically have the perfect crystal-clear picture of what's happening. Use my judgment to actually you know, give my crystal-clear picture of what's going on right now. Use my judgment to make sense of what will happen in the future, and where markets, where I disagree with markets. And that's how I find really high risk/reward trade ideas basically. So, it's not a contrarian view, it's just a way to you know just find where markets are wrong. And it's just been working every single year for the last six-years at JDI Research and a framework that you know really works well for me and for my clients.

Adam: **00:09:18**

So, Juliette just in your April note, you have this statement, *'As the world heals from the pandemic, financial repression remains the most urgent macro challenge of our times.'* And this is a theme that we've been orbiting internally for quite a while and several of the guests that that we've had on have echoed this sentiment. I'd be very curious of how you frame this or maybe frame this for the people on this call. How you think about financial repression? What are the causes, what are the impacts and what are some of the externalities that you're observing both politically and economically?

Financial Repression

Juliette: **00:10:00**

And for me, financial repression is what makes those that have no access to leverage, and no access to escape financial repression. For example, you know buying equities or jumping in the crypto space. You know the ones that have other things to do in life than actually looking up markets and preserving their wealth. It's basically debasement, you know if for the last 20 years your salary has gone up you know 10 percent and house prices have gone up like 200 percent, you've basically lost a lot of purchasing power in the process. And unfortunately, whilst central banks you know feel very comfortable, like digging a hole of like real yields, you know with like in the US in Germany, it's just unbelievable. I mean you've got like inflation now at like four percent and yields at like zero. Which means like we've got basically real yields at the lowest place ever.

It's basically about debasing the middle class and debasing anyone who doesn't have the risk appetite. The access to leverage or basically the knowledge to basically escape the basement and you know basically try and like basically always chase your tail. And you know that applies to people that are pretty clued up as well. Because you know I've been clearly debased in in the past 15 years. I mean I advise clients, but I don't actually do much for with my own wells. I mean I've stayed for a very long time in bonds and etc. not only for the last two years, I realized that actually just running a business is just not sufficient anymore. I mean I actually have to like start investing my own money as well to avoid and you know like buy properties and etc.

Adam: **00:12:02**

Interesting yeah. even a bit of a sidebar, but I've been thinking a lot more about sort of goals-based investing and how such a large portion and increasing and accelerating portion of investors right now, cannot hope to achieve their required returns. Holding safer assets or more conventional assets, and when you can't achieve your required returns on a traditional sort of efficient frontier, then it drives you into high variance assets, right. You begin to have a preference for high variance, because you need a lottery payoff in order to be able to achieve your financial objectives, right. So, I'm just wondering to what extent this perception by a broader proportion of investors that they need lottery payoffs to be successful, is driving some of this multiple expansion and equities.

And so, you know we've certainly perceived that equities are expensive and have spoken on different occasions about how equities can be both expensive and therefore the expected returns are lower than average. At the same time, they're attractive, because you know they're attractive relative to the other investments that are available to you. Where do you sort of lie on that spectrum with regards to traditional assets?

Juliette: **00:13:39**

Well firstly, I mean I don't think equities are our lottery ticket at all. I think maybe you're looking with your sort of like an American angle. But if you actually look in Europe, you know a large majority of savings are still basically in life insurance. Which are basically yielding zero and people have not quite realized yet that you know, the way they're going to achieve retirement is basically gone. So, even in countries like UK, France, Germany, I think that the average saver basically is like as only like 20 percent equities. I think in the US, it's now like 40%. I mean it's very far away still from where I think people should be right now given, you know financial, very high like financial repression. And the fact that in the end the bondholders are going to be the ones that are paying for the crisis.

So, I think it makes absolutely no sense to have like 20% equities and I've actually tried to push myself. You know I've been basically like guilty of just you know thinking, I'm already working so hard, my returns are already kind of like driven by markets. Because you know when you have like massive crashes, you'll be losing clients, hedge funds are going to close and etc. So, I've always been super reluctant to actually put any of my earnings, any of my retirement future funds into equities. But for the first two years for the for the last two years, I've actually really pushed myself to basically save through equities. Which I don't think are expensive by the way. I think if you look at where we are in terms of financial repression. We're just nowhere close to the levels that we reached in 1999, 2000 which were like proper bubbles.

Also, I think we headed to like a completely different world as well with a step up in real growth. Which means that actually I think that real rates can move up without equities crashing. So, I've been bullish equities basically since like March last year. Bullish inflation since March last year. Every month I reviewed the view and I've just reviewed it in the last report and I still very much believe that it's very difficult to depart from equities at this point.

Mike: **00:16:08** As a means from a personal perspective of hedging your human capital risk, you can also consider owning some tail hedged type protection products in your personal portfolio as an individual who garners some of their wealth and business returns from equity markets. So, that in fact your portfolio could do significantly positive returns during some sort of market crash. Just as an aside, this is an idea that dates back to Meb Faber talking about advisors and portfolio managers, and hedge fund managers actually having some of their personal wealth in things that do well when their business doesn't.

Juliette: **00:16:49** Yeah, I mean that's a very good point, of course. Yeah, and in the next couple weeks yeah but we're talking retirement. That actually my business won't matter.

Mike: **00:16:58** Yeah totally, but in the intermediate period if you're going to suffer cash flow reduction, then you would have investments kick in that would help buoy that, anyway.

Juliette: **00:17:09** Then I should be short vol then, because if vol completely collapses then everybody thinks they're like geniuses, they buy everything, and it just rallies all the time.

Mike: **00:17:22** Getting back to your point about you know sort of the move to more equity like investments and dovetailing on what Adam was saying earlier. Do you think some of these things are also the reason why we're seeing such robust interest in the crypto space, everything from Bitcoin to Ethereum to the various Altcoins? What are your thoughts in that space as you see that the sort of framework that you're laying out play out?

Crypto

Juliette: **00:17:50** So, I dived in them down the rabbit hole, like in the last report in March. I really wanted to understand like deeply whether there was a way, you know this was going somewhere, or whether it was just like basically a pure pyramid scheme and I should just like completely ignore it. What I found was definitely like really mind-blowing and I'll tell you why. What I found is basically that, the crypto ecosystem basically revolutionized finance in a way that completely makes sense to like people like me. So, what do I need today? I need access to leverage. I think the problem today is like everybody is talking about the leverage. But the truth is that unless you're really rich or you're basically like a hedge fund, you basically don't have access to leverage. I mean you know, you could even against your house, it's very difficult to remortgage.

So, you can never really extract any of the value that you would want to actually escape like debasement and financial repression. So, that's one of my main issues, like a middle class you know lambda, you basically don't have access to leverage. Unless you basically have like a really good private banker. And the second thing is obviously the really low money velocity in the traditional system. Which is the reason why basically rates have collapsed, and you're basically getting zero return on your equity on your money. So, basically the crypto world even if it's like at the moment purely speculative, basically answers both questions. And I found that really like fascinating.

So, you've got much higher velocity, much higher vol, much higher, very high number of opportunities. And I can basically see a world where you can democratize finance. For example, anyone with any assets would be able to like borrow against them. So, you know it would obviously start with your house, which suddenly becomes, goes away from being like a pure consumption to something that you can actually leverage against. But then you're obviously going to go into your retirement portfolio as well. At the moment for any lambda, it's really difficult to be able to like monetize you know a financial portfolio. I mean you might have a private banker, and they will give you the leverage. But anyone who is just like, doesn't have access to a private banker, cannot do that.

So, I find really a world of opportunity that makes sense and basically will open up a whole world of like a much wider money growth in a completely different system. And what's amazing as well, it's basically this money growth is the rubber band for banks to basically become much more dynamic, stop looking at just private clients in terms of like leverage and in terms of where they're going to be making profits from. It's also a rubber band for central banks to realize that at some point debasement and money growth is going to hit a wall, where basically money is going to be leaking into a different system. So, for a macro person like me, it actually makes complete sense at many levels and that's why I basically like you know started to recommend clients actually take it seriously. You know taking it seriously for me is like actually consider that the sort of like eight, ten percent return that you can get in that crypto world, is actually something that should be considered.

I'm not saying like you know put all your savings into that, but I think it's worth putting some savings into it. And the way I understand it as well, Ethereum is the place where everything will happen and you know, whether Elon Musk like it or not, I don't think Dogecoin blockchain is actually going to allow all those smart contracts to actually operate. So, I basically you know started to look at Ethereum about two months ago and you know, almost thinking about retiring now. Because I like doubled my savings and no joke apart, I didn't put everything into Ethereum but I really like I really like the concept. I completely agree that at this point it's purely speculative, but you know so was Amazon when they were just selling books in you know at the end of the 90s. I see a new system that democratizes finance and that makes sense you know at so many levels.

Mike: **00:23:07** Do you see the interest rates? So, let's call it a risk-free rate. Do you see the risk-free rate being pulled down in crypto land to traditional land, or do you see the traditional land being pulled up to match some of the risk premium and fees available or rates of return available? Where do you see that settling out, in the middle in any one extreme or the other?

Juliette: **00:23:37** I think we're going to be settling down in the middle. And I definitely see an element of convergence between rates that are available in the crypto world and rates that are available in traditional finance. I think in the end; they're going to be ending up competing against each other. Once we basically see evolution from like you know shadow banks that are actually able to provide leverage and that actually growing the monetary base globally. Naturally, you know a higher monetary base will mean higher interest rates as well. And that's definitely part of my thesis that you know I really think that in terms of rates this time, we're going to normalize, and much higher than is currently priced by market.

Richard: **00:24:22** You've just drawn kind of a really interesting narrative arc for macro thinking and there's so many threads to pull on. I'm also cognizant that, once we really go down the crypto rabbit hole in terms of this discussion there's kind of no turning back. I just wanted to really take a step back and go back to some of the reasons why you're bullish on equities and your bullish. I guess the inflationary part is somewhat obvious at least in the short term, but you seem to be sanguine also in the medium term. So, I wonder if you could explain a little bit more on the features and the indicators that you were looking at, that underpin your bullish case for equities and then we can build on that.

Mike: **00:25:06** I wonder if in that as well you could differentiate on equities as well.

Richard: **00:25:10** US versus global. for sure.

Mike: **00:25:13** Yeah or all that, yeah.

Bullish on Equities

Juliette: **00:25:15** So, the way I think about inflation is basically the place where you're going to basically equate demand, supply and demand. So, I look at demand at the moment and I see only positive. Firstly, obviously we've got like a monetary policy which is super loose. But of course, you will all agree that it didn't work for the past like 30 years to have like loose monetary policy. So, why would it work in the future? And really the answer is crystal clear to me, is that monetary policy is only basically supposed to facilitate and to cheapen fiscal policy. So, if you've got just like really loose monetary policy and basically nothing at the back, it's basically like just like pushing on the string. You're basically leading to, you're creating money base, but there's basically no money velocity. And there's like no animal spirits and basically money base is just going to stay where it is.

What we've got this time is both sides of the equation and basically an economy that is both working on monetary and fiscal legs. And for the first time in 30 years, we're actually working on both legs. We're not only having like a bit of a fiscal push; we're having like five trillion in the US. Which by the end of the year could easily turn into 10 trillion? And of course, it's not going to be 10 trillion in the next year it's 10 trillion over the next 10 years. But it's sustainable like fiscal loosening. So suddenly you just have like a macro policy that makes sense. On one side, very loose monetary policy and that's facilitating fiscal policy. The reason monetary didn't work before is because it wasn't putting money where it was going to be spent. And this time, that's exactly what fiscal is doing. Putting money into the right pockets and basically going direct, instead of you know relying on like trickle-down economy, which the FED has been doing in the past.

So, in my opinion that's really a complete revolution of the macro framework, and a revolution takes a long time to reprice. So, in terms of what where we are today, we basically have like very strong inflationary pressure. Clearly driven by like you know obviously like the demand, pent up demand but also, it's not only pent up demand. If you look at all senior loan officer service you actually find that, everywhere across the world whether it's corporates whether it's consumers and whether it's for mortgages or whether it's for consumptions, banks really believe that the will to borrow is actually going up quite dramatically.

So, you've got cheap money and consumers actually realize that it will not be cheap forever. Which is really the difference for the animal spirit. If I tell you that rates are zero and they're going to be at zero forever you're not really going to want to borrow because you know it's still going to be there next year. So, it's really about all about greed and fear, and I can see the greed and fear at the moment in the data. You can say money is cheap and people want to borrow it. So, that's one thing on the demand side and obviously you've got all fiscal. So, you've got fiscal demand, monetary policy that is lose, and the willingness to basically chase prices higher. And on the supply side, it's really interesting but you know, people have been locked in at home for the last basically 12 like you know 12,18 months. And suddenly you know everything reopens and we're going to have fun again, and you're asking people to go back to work.

You know a lot of like people I'm talking to, they're like actually they've got high savings and they'd rather just you know take advantage of the next three months. And you go back to a bit of fun rather than going to like wait in restaurants. So, it's very hard everywhere you look it's actually really hard to find employees. So, I think that's going to be like a short-term story, and eventually employment will recover fully and I would say probably into the start of 2022. So, you've got some inflation pressures that will dissipate by the end of the year. But I don't think demand is going to go away. So, that basically, and to feed that demand you can see as well that CapEx is really picking up as well.

And that's a really interesting story because the macro story of the last 20 years is that corporates were basically egging on each other trying to buy back stocks rather than invest into anything. So, you had the chronic deficiency in capital investment. Which is you know suddenly being solved, and you can see it in the data like capital investment intentions are like picking up two levels like we haven't seen in many years. So, I think on the back of higher demand and higher CapEx, we're actually going to step up in growth. I'm not worried about unemployment. I think unemployment will be sorted, but it will take time. Which basically pushes up inflation higher on the supply side until the end of the year. But basically, we emerge into 2022 thanks to pricing power, higher demand and basically CapEx into like a macro equilibrium. Which is actually superior to what we had in the past 20 years.

And in my opinion, that means a higher equilibrium rate and that means that actually the Fed while staying at zero, is actually going to get more and more accommodative this year, with basically like a real rates staying where it is. Because you know they're waiting for real progress on the economy. And at the same time the higher rising …, means that you're going to get more and more accommodative. And in the end, it's almost the markets that are going to be forcing the Fed to basically hike rates and that's going to be something that is like a positive for equities rather than a negative. And for me, that's really the trade this year, is to realize that higher interest rates is not a negative on aggregate for equities anymore.

I know it was in the past, but what I'm saying is it's not going to be the case this year. And that's really going to be the interesting theme that's going to be taking many investors off guard. Now looking at sectors obviously I'm recommending sectors that are much more positively correlated with higher interest rates. But you know that doesn't mean that I think you should be a selling tech. I mean I was having a discussion with a client yesterday about Apple and Amazon. I think the real story there is that are those companies really like growth? I mean you know the definition of growth sectors is basically sectors that have like exponential earnings basically priced so far along the curve that they're basically becoming like long-duration assets, but I don't think anyone can say that. You know, Apple or Amazon are like the hot and emerging like sectors. I mean I think they're going to trade much more like mature sectors. So, I find it in ,still in cyclicals but I'm really recommending like cyclicals much more than growth sectors with the caveat that some of the growth is not really that much you know, growth sector anymore.

Richard: __00:33:38__ Yeah, a lot of the FANG stocks are definitely more on the mature side because although they do have the promise of delivering a lot of cash flow into the future, right now they're generating a massive amount of cash flow. So, they are reality with an optionality into the future. But from what I was reading in your last report you were also somewhat or maybe not somewhat outright bullish in banks and financials in general, because they would benefit from this unflattening of the curve and the curve, yeah.

Juliette: **00:34:10** Deepening of the curve.

Richard: **00:34:12** Deepening. But how would you square that with the decentralized finance, the DeFi revolution that we may be witnessing right now as well as the CBDC's …, the central bank digital currencies that could provide sort of this alternative, where people are going to be banking maybe directly with the central bank. Obviously, this is the nightmare scenario for banks. It's not necessarily how it's going to be playing out, but just the prospect of that and the disruption that all the crypto revolution brings to the table. How do you square that?

Central Banks and Crypto

Richard: **00:34:47** Well firstly, I don't believe in and not having the service that fits. And I think you know the reason Amazon did so well is because they have this amazing client service, and where basically you're not happy with anything, they send you something else. You don't even have to send back anything. I mean I was mind blown and by Amazon basically delivering me, no Apple delivering me like a new iPhone in the mountain. There was like two meters of snow in February and they basically delivered me the new Apple phone at the new iPhone that I'd broken mine in like four hours. And that's exactly what this company is all about.

I very much believe that if you want the crypto world to really evolve, you have to make it extremely consumer friendly. And that means having someone to speak to. So, I do find a huge opportunity in the crypto world, I don't really see pure DeFi as the way we will end up in the end. So, I think what will happen is much more like a sort of like convergence from banks. Like sort of like dipping into the crypto world, rather than basically banks being completely disrupted. So, I put a lot of value into customer service. I think you know that's something that you can see in the past as well. Companies that have tried to basically cut out completely the consumer service are going to be failing. And the ones that are really doing well are the ones that are embracing both the sort of like app world and the digital world but with an excellent consumer service. I mean, I'm just -. Sorry?

Richard: **00:36:44** Well, the hybrid model.

Juliette: **00:36:45** Yeah, exactly. Well, so that means I don't think the financial, I think the financial world will have to evolve and I think be democratized, and they're going to have to move towards crypto rather than being disrupted.

Mike: **00:37:03** If you think about the idea of one single bank walking it through to its conclusion, there's several problems with that. The Fed is going to be the renderer of service so a private or a government institution, and then they're going to do all the AML. So, they're going to house every smidgen of AML in KYC in order for you to access the banking system and then you're going to have the centralization of all that data. That's to my mind, something is simply that's not going to happen. So, that model is you know, unlikely to occur, but I do think you know that the way that the banking system converges. You're already seeing it. You're seeing the crypto banks set up. Companies like Voyager that are setting up interfaces and then going to be offering bank cards and credit cards and easy pathways to fiat.

So, it's going to be a really interesting transition, but that, the CBDC thing I think might be a layer that operates internationally. I know that Canada and Singapore for example are doing some tests on how they clear transactions between governments and maybe it works down from there.

Adam: __00:38:10__ Crypto is the black hole that swallows all other conversations. So, before we go down across the event horizon into all crypto all the time, I just want to stay on the equity theme for a minute. Because one of the things that I find interesting in the context of trying to price equities is the fact that we haven't seen any labor cost inflation in the last 20 to 30 years. And so, companies have seen, have had an opportunity to increase profit margins. So, the profit margins today are way beyond profit margins in any other historical period now. Part of that is certainly the networked economy right obviously the companies like Facebook and Netflix and increasingly anything in the cloud etc. Or anything that relies on networks has very low CapEx to profitability ratios. You don't need a lot of labor in order to deliver a huge amount of productivity. But there's still a labor input cost, especially as the economy of goods begins to take shape again, right.

So, as part of your thesis we're now creating real demand in the economy. So, there's going to be a revamp or an acceleration in the development of real industrial production around the world. So, you're going to need labor for that. Sure you're also going to need CapEx and robotics and automation and that sort of stuff. But it's inevitable that you're also going to need labor, right. We're already seeing labor cost push. So, I'm just wondering what's your thesis on how the corporate sector is going to be able to absorb cost plus inflation in terms of labor supply/demand dynamics? What that means for profit margins? And if you, I think central banks are going to be able to be on hold in terms of their interest rate policy, so, long as the cost of labor is under control. If we do see a major structural shift higher in labor costs, do you see that as a catalyst for a more urgent move by central banks to get to more normalized interest rates?

So, I see those two dynamics may be interacting. Maybe urgent and faster rises in interest rates at the same time you're getting margin compression in the corporate sector from rising labor costs. How do you factor that into equity prices and the equity risk premium?

__Fed Rates and Labor__

Juliette: **00:40:50**

So, firstly I think you're referring to one of the chats that you know I really cherished that was in my report this week. The divergence between profits and basically wages. And what it's showing is basically for the past 30 years workers have not been paid their value. I think it's really a disease in the economy to see basically no mean reversion in profits. And it's really a problem for the economy. In fact, you know in the last century, one of the main wins was like when Ford decided that you know producing cars was like, great. But if the workers couldn't actually afford the cars, then there was like a way where basically capitalism would not work. Because you can't, the reason for me for the lack of investment in the past 20 years is basically due to the constant need to basically squeeze, increase profit margins. Because you're not actually increasing sales. So, it's a lack of demand that was really the issue.

So, I find it really interesting that everybody is certainly worrying about higher wages and how it's going to be squeezing margins. Of course, it's going to be squeezing margins but the bottom line is much more important, is that there's going to be more sales. So, like you know squeezed margins on better sales. I mean you know if we were like 30 years ago, it was like the obvious answer to where we are right now. So, it really makes me laugh, and people really worried about wages going up. I mean for me I find that extremely healthy and I really hope that the sort of period of socialism in the US is actually going to drive increased bargaining power.

As you were saying exactly right, there was like a sort of like a monopoly in the Amazon in the Apple, where it was really difficult to move from one job to the other. And they were also even like putting in legal reasons like you couldn't move from one drop to the other, which really killed bargaining power. So, I really hope that bargaining power will increase and that you know that there will be this pull for higher wages. And that's really part of for me, it's really part of the economy stepping up for a broader and more inclusive growth. I think really the key thing is like more inclusive growth, and more money going in the pockets of those that are likely to spend it. You know there's not much point in making profits, if they're never going to be reinvested in the economy, which has been the case for the last 20 years. If like with profits all you're doing is basically buying back shares, that's not an economy. It's a pyramid scheme.

Adam: **00:43:59**

So, we're in violent agreement on the positive externalities of increasing power to labor. I'm just curious, because I see this as a headwind. Because I think the thesis is, we're entering a period of accelerating and sustained growth in the real economy which is extremely exciting. So, we're on the same page there. Where I'm trying to square the circle is, if there's going to be rising input costs, if we have a collapse in corporate profit margins. I mean the entire growth in the market cap of the corporate sector has been a function of declining rates leading to higher valuations, and increasing margins leading to high, like higher profits, right.

So, if we're going to have structural rising rates over the next little while, anticipating rising labor costs, and rising labor costs are the single greatest factor in CPI and the FED's impression of inflation. So, you may have an urgent or accelerated trajectory of rising rates. At the same time, you've got a profound upward shock in input costs to the corporate sector in both labor and goods just looking at the cost of commodities and unfinished goods etc. Then you're going to have collapsing profit margins, a rising discount rate and you may, even though in the face of a much stronger and healthy economy, you've got lower equity returns.

Juliette: **00:45:40** But you don't really have collapsing profit margins if you actually have pricing power, right. That's also the case that you know if wages are going up on their own and you actually don't have pricing power, then your margins collapse. But what I'm saying at the moment is there is massive pricing power and companies see pricing power. And because there is inflation everywhere in the world, it's actually going to be quite easy to just get into a more virtuous cycle of inflation, where you don't actually need to have like much tighter profit margins. You might get you know bit smaller profit margins, but I don't see a collapse.

Adam: **00:46:20** So, passing on the cost of inputs in the form of commodities and unfinished goods for example. I see that being relatively easy right and you're starting to see the CEOs and CIOs on earnings calls, talk about the fact that they're raising the price of you know basic goods consumer goods etc. Like Tide and Procter & Gamble and J & J, you're seeing good cost pass-through of that inflation. I wonder if you'll see the same pass-through potential for labor costs. I think that is a bit of a wild card that we need to sort of see pass through. But even if we assume that we can pass that through an acceleration in the trajectory of… I mean I understand that the market is able to absorb higher rates up to a certain point. But there will be a threshold beyond sort of a 4% inflation rate for example, historically has led to a major contraction in market multiples.

So, you know there will be an inflection point I think where multiples will contract even if margins are preserved and sales are increasing at a rapid rate. But not to dwell on that much further, do you see and you I know you do see because having read your reports. But how are you viewing the relative opportunities in different segments of the equity market perhaps regionally, right? Europe versus the US or non-US versus foreign domestic emerging. What's your view on that?

Richard: **00:48:07** And how that might tie into the dollar? Because I think oftentimes that is one of the variables that everyone sort of hinges on with regards to relative bullishness on the USDM versus emerging market equity complex. So, I wonder if you might loop in the currency considerations there.

Regional Opportunities and Currencies

Juliette: **00:48:28** So, I mean in terms of sectors, you know I'm looking at like cyclicals. I think there's enormous value in Europe. I think everybody's been loving to hate Europe for the past 20 years. And as a result, you've got, I think there's amazing value there and also, because of what we were talking about earlier, which is the fact that like equities in

Europe are massively under owned. So, like you know if you think you know basically the average table is like 20% of equities which in my opinion makes absolutely no sense. At the minimum, you should be headed to like 30, 40 % which is more like what you're seeing in the US. I think that's part of the reason for value there.

Obviously, the other reason is that it's a sector that was heavily weighted towards financials, insurance, all those sectors that are like super sensitive to steeper curves. So, they're doing really badly with flat curves or inverted curves. I believe very strongly that curves should be much steeper than we are right now. In fact, you know like you don't need to look at crypto. I mean if you were just short bunds for the last five months like I've been recommending, you know that's like a really strong trend and trade that you can probably leverage up as much as you want to get so many similar returns as like Bitcoin. Just joke apart, that's a really very strong belief of mine that like European and US curves are just way too flat.

I mean it makes absolutely no sense for the US to be able to print like you know 5 trillion, 10 trillion and basically like financing that at like minus - we still, in the 10-year real rates are like minus 90 basis point and it makes absolutely no sense. So, one of my very strong beliefs is that today's super easy monetary conditions are basically the pass to much higher rates. And the fact that we have much very low rates today, very low real rates, should mean that we actually can get much higher rates later in the cycle. Which means that you know the curves are way too flat where we are. Which means that basically financials, insurance should be doing much better. Obviously, Europe is heavily weighted towards those sectors, and obviously like industrials I mean we're really like going into micro revolution which is basically favoring those sorts of sectors that that basically had been stagnating.

I mean if you actually take out tech in the US, and if you don't look at the US, Europe European stocks have basically been stagnating for the last 20 years. And it has only just broken out of like a 20 years triangle, just like I think it was last month's right. So, the upside is just enormous.

Mike: <u>00:51:31</u> Japan probably falls in that category too, having broken out maybe earlier in the year later last year, sorry.

Juliette: <u>00:51:36</u> So, it's just those trades that like everybody was were like calling the widowmakers. Like you know selling JGBs, buying European stocks, selling bunds. For me, it's like basically the trades that everybody still looks at you and they're like, what? You know I've lost so much money in doing those trades but I've never recommended them before. You know it's only like started last year. So, it's all down to like the ongoing macro revolution and again I want to repeat it. It's just what's really mind-blowing is it's just such a massive move, that it will not get priced in a few months. And that's why we're basically like keeping, chasing price action and you know like every month I'm basically like looking into all my *sims* and making sure that it still makes sense and that I should keep chasing.

Because it's really important at every level to really make sure like you know you still won't be long after that 80% move.

And you know every year is basically made out of not having the right trade, but actually having the conviction to actually push that trade and do not you know, look at 10% and be like you know, I'm okay with that. Sorry.

Mike: **00:52:50** How does gold fit into that frame?

Richard: **00:52:54** Or commodities more generally.

Mike: **00:52:56** Yeah well. I mean gold a little bit more specifically, but certainly commodities broader, yeah.

Juliette: **00:53:03** So, gold I think you know perfect, sorry.

Mike: **00:53:07** You're popular.

Gold and Commodities

Juliette: **00:53:10** Yes, it's just my French … ringing. It's probably like for the holiday that I'm planning this summer. So, gold has been like perfectly correlated with like real rates. So, it's not really a hedge against inflation, it's basically a trade to trade basically like financial repression. So, you know for me we headed out of financial repression, partly because the crypto world is like the rubber band that is going to be pushing central banks away from financial repression. In the end, if rates were +2%, are at least positive, you wouldn't have this issue with the crypto world that central banks are having right now. But also, the fiscal side is really the reason, the boost in the fiscal side is really the reason why we can finally get normalization on the monetary side.

So, I really strongly believe that the current period of like ultra-loose monetary policy and like massive financial repression will end up with less financial repression. Which means there isn't much value in buying gold in my opinion. In fact, I'm probably saying I think it's going down, but obviously completely different story for commodities, where basically pricing power, continuation the fact that I really think the demand boost from the fiscal stimulus is not going to be temporary. I mean you can see from like today's retail sales that the checks are clearly being spent. And I've just you know looking at my analysis, you can clearly see as well that we're going away from like basically zero money velocity to what I call like escape velocity.

So, escape velocity is basically when the economy can start moving on its own again, without needing to be like pushed constantly by like fiscal and monetary side. So, I think that's really going to be the theme in this year, and next year is basically moving away from financial repression. Which is again that's very positive move as well. And not one that we should be fearing that much for equities. I think you know when I see like on

Wednesday, equity is selling off on much higher rates. I'm like you know I think we should be worried when equities are selling off on lower rates. Because that would mean basically you know we are getting back to the old world of basically stagnation, apart from tech. But yes, triple with tech for the last 10 years we were in stagnation.

Richard: **00:55:57**

So, it sounds like you're thinking about the next few years as you describe it, lower financial depression. So, you're not even perhaps considering yield curve control, right. Because I think a lot of people see the mountain of debt that the US has had to accumulate and is probably going to continue to accumulate. And so has Europe, to finance all this relief and to bring fiscal policies in alignment with what central bankers have been calling for for the last few years, begging for some help. So, what is this going to be doing for deficits? Is this your way of perhaps introducing MMT into the zeitgeist? Do you do you think that's something that's going to be fully embraced by the US and perhaps by other countries in trying to fight the, I mean the constraints of the debt mountain that they're in?

Yield Curve Control

Juliette: **00:56:52**

Firstly, on yield curve control I think in the current environment it's complete nonsense. And that's part also but I do believe that that's part of the reason why the curves are so flat. They're this sort of like entrenched view and that yield curve control will come at some point. I think yield curve control would come when we are in like such an entrenched deflationary environment that you would have to basically peg the long end, to get like real yields down. That's not at all the markets we're in right now. So, I really do not believe that yield curve control comes in at any point in that expansion. I think you know the long end will price conditions, macro conditions where they are eventually, rather than where they should be. Again, you know coming back to your introduction.

I think you know if we get to like levels of real yields in the one year that I'll say like one percent with real growth which is potentially like double potential. Let's say at like three percent, then you've got absolutely no issue actually financing your debt. And in fact, your debt ratio will massively improve. So, it's all about where yields are, compared to where real growth is, and really the game is not to have like zero yield or negative real yields. The game really is to have like real yields lower than real growth, and that will actually get your debt ratio to come back down on its own. So, you know it's almost like a case of like printing as much as you can, so that you get to escape velocity, and then your economy is starting flying on its own. And you don't have to worry about where the curve is. You know I hope that answers your question.

Adam: **00:58:48**

So, who buys the extra debt issuance, right? If we got five and 10 trillion dollars of debt coming into the market over the next, you know probably over the next five or ten years. But who buys all that excess debt? I think that part of the yield curve control thesis is that there aren't enough natural buyers of the debt to facilitate the fiscal expansion that would catalyze this natural growth phenomenon. So, how do we get from here to there without a major spike in intermediate and long-term rates?

Juliette: **00:59:27**

So, don't get me wrong. What I'm saying doesn't mean that the Fed's not going to keep buying some of that debt. But what I mean is there's no reason why the curve shouldn't be priced more in tune. If the Fed is not buying everything then it's only just a marginal, it's not the marginal buyer. Which means that real yields can still go higher even, if the Fed is financing part of that debt. So, yeah, I mean and there's also like some that are going to, I mean most of the world right now still believes that we're headed back to deflation if you're looking at the curve. So, you know any levels that are basically like nominal positive nominal yields, are going to be attractive to anyone who thinks that you know we haven't reached escape velocity, that basically you know at some point rates are going to go higher, crash equities, crush the economy again and rates are going back to zero.

So, there's basically like a whole world of like different views that are still going to ensure that the US economy is being financed. And if it's not, then you know obviously you've got MMT and the Fed in as well and that I don't think the Fed will be away from this market anytime soon.

Richard: **01:00:46**

So, as we think about perhaps the rebalancing of the current mismatch in supply and demand that's going on in 2021 and perhaps spilling over into 2022. Do you see any risks of perhaps us going back to what Summers called *secular stagnation*, right? The aging populations in the developed world and the unfavorable demographics and that dynamic, and that spilling back into that tipping back into that deflationary environment. If the velocity, the escape velocity that you're describing doesn't follow through, so we do have some base effects that we're seeing in the numbers the recent CPI data and all that. So, we could see the next couple of years really providing a roaring 20s sort of feeling toward to towards a bullish environment. But what are some of the risks that that you see to your current base scenario?

Future Risks

Juliette: **01:01:49**

So, in terms of demographics we used to be growing the labor force for example in the US at like around 2% before 2010. I think the level is about 2%. We're basically headed to like 0.3%. I think the forecasts are for like mid 2025 for basically 2025, so the mid-20s. So, in terms of like demographics and secular stagnation driven by demographics, I think we've already hit the walls in terms of like you know pricing and in terms of expectations. After that, we basically have like all boomers retired, potentially you know starting to divest. So, to the equilibrium between investment and savings is basically sort of like much less clear from 2025.

And so, in terms of like circular stagnation and demographics, I think we've basically priced what needed to be priced. Which is basically like a labor force and trend growth that basically collapsed like 2%, just because of like a lower population and labor force and probably lack of immigration as well. But I think that should be like yeah, I don't think that's going to be driving markets as much. Because I think it's sort of like an old story, and we're going to be headed to like different narrative on the demographic and savings and like all those like imbalances are really changing from the middle of like 2020s. I think in terms of like where we were going from two to zero labor force growth, I think it's already priced. And it's sort of like you know a pre-COVID kind of micro narrative that we're not going back to.

Now of course, if I'm wrong on escape velocity, you know which you know could be possible from like 2023, you know you're starting to see like a little bit of a slowdown and then you know I'd be fast to like. But that's not where we're headed right now. I mean I'm trying to like think of like a you know next trade like six months a year. You know what happened from there is just going to depend on where we are from there. And I'm not trying to really, I hate forecasts, I think you know you need to look at where you are like month after month. I've got a very strong idea of where we are, unlike the Fed I think I've got a very strong view that inflation and the demand pull is not temporary. And when I mean not temporary, I mean definitely it's going to pull through into 2022. But you know don't ask me to tell you about 2023, I just don't know. I think it's already good to have really good idea about 2022.

Mike: **<u>01:05:03</u>** Yeah, very, very pragmatic approach.

Richard: **<u>01:05:05</u>** Yeah, especially in the current environment.

Adam: **<u>01:05:09</u>** No, I was going to say so yeah, there's definitely an interest in learning more about your crypto views in the comments. But specifically, some people are asking about.

Juliette: **<u>01:05:24</u>** Is the one thing where I'm really not an expert thought.

Adam: **<u>01:05:27</u>** Well, yeah but you've been climbing the curve really quickly and you've got I think stronger opinions about maybe the Ether ecosystem. So, if you wouldn't mind, maybe share some of your thoughts on crypto in general. And if you still feel like Ether may be the more attractive way to engage with crypto, then why you think that and how you're playing that out.

<u>Further Thoughts on Ether</u>

Juliette: **<u>01:05:56</u>** So, I mean in Ether, what I really love is the idea that as you grow the monetary growth like the monetary growth of Ether, basically the price is going up. So, higher adoption, exponential interest in the ecosystem basically brings the currency higher. So, it's almost as if in a way in my head it's almost as if you know the more you printed dollars, and the higher the dollar. Which means basically you can never really debase. So, I really like that view and that's the way I understand things. And I'm seeing like a lot of dynamism in this ecosystem in this new ecosystem with like smart contracts. Again, I'm not a massive believer in like pure DeFi, so I think you know I like the customer service.

But I really strongly believe that there is a need to democratize finance to move away from traditional. You know I can't get leverage, why is it that only like hedge fund managers can get leverage, why is it that you only hedge fund managers can actually protect themselves against like debasement of their savings. Why is it just the rich, just the wealthiest are basically able to fight the debasement?

So, I really see like the crypto space as something that I would just tell my mom that I could tell my best friend in Paris. And I'll be like look at that because that's a way to basically hedge yourself and I understand it. And because I can see where it's going eventually, I can actually tell you that you know it's probably like a sound, you know look I've only got like 10% of my savings in there. But you know I feel comfortable with that because I see where we are going, I see a need for it. And I see, as I say like democratization of finance and basically get banks out of their comfort zone, and also get central banks out of their comfort zone to solve issues that I have today as a you know, as a human being.

So, I love the sort of like rubber band that the crypto world is bringing. And again, totally aware that at the moment the main thing it facilitates is basically speculation. But obviously like traditional finance is all about speculation as well. So, it's you know I don't see that as a negative, it's just basically speculation towards something different where I really see a meaning. You know in Europe you're probably not aware, you guys probably not aware because there's such a developed capital markets in the US. I think in Canada as well, but in Europe there's basically like no capital markets. All it is basically is a banking system and all,.If you've got any ideas, basically you need a loan from a bank and banks with like flat curves. They've got no interest in lending your money.

I mean that's like the reason why the guy who basically like invented the Moderna vaccine. Actually, you know went to get funding in the US and he explained like in France, there was no chance I would have come out with this vaccine, because the funding is just not there. So, that's another thing that basically is sorted out ,would be sorting out the Europe, Europe as well is like the crypto world is basically a really easy way to basically like raise money for like towards a project. A project that can be really transparent, and so that's another part of the equation as well, which may be like Americans wouldn't be thinking is that important. But you know a project that can be you know music, that can be art, that can be you know it's just like basically so much dynamic.

I can see like so much increased money velocity in this world, where you know fundamentally everything becomes an asset, rather than consumption. So, you could you know basically buy art thinking you know what ,that's not consumption. Like that they're actually an asset that I can borrow against. You know I could borrow against my financial portfolio, which at the moment potentially I could do again with a very keen private banker, but everybody couldn't. Most people couldn't, right. So, there is basically a world of like potential assets that can basically like generate more money growth, and that I find is really fascinating the fact that money growth in the crypto world is going to be competing with the money growth in central bank world. And potentially you know putting against each other.

Mike: **01:10:45**

So, there's something that you said there in the space of Eth that I actually connected a few dots for me. Are you from, oh did we, is she frozen? Are you there? So, the idea that the ecosystem in which Eth operates actually triggers growth that has real rates of return attached to the underlying commodity. So, we spend a lot of time talking about the ecosystem of the normal world, where it's a bit uncertain. Yeah, we need this escape velocity and growth in order to overcome the aging population, the debt burden, the potential deflationary forces, the contractions in earnings, that the implications for the businesses. And it's sort of you've got participants which are central banks with varying objective functions. But here in the world of Ether you actually have almost at the moment a guaranteed, not guaranteed a sort of a high level of ecosystem growth which in fact guarantees that the underlying commodity outperforms. And so, you have this positive growth loop. Am I conveying that well or is that light just sort of lit up?

Juliette: **01:12:03**

That's exactly how I understand it, and how I basically got really excited about it. It is basically exponential growth in the ecosystem that basically fuels Ether upsides. Obviously, any transactions in Ethereum are basically like being fueled by Ether and basically, generate fees in that ecosystem, instead of going to shareholders, are actually going to you know, the users. And I find that really fascinating, I like the way, I think it's, I can't remember I think it's the CEO of Celsius saying, you know the way I generate like the 10% return on your dollars on your Stablecoins. Well, actually JPMorgan is generating 10, 15% as well. But the difference is like I'm actually giving it to the users.

I think there's going to be a lot more of that, and it doesn't only apply to like banking as well. I think it will apply to like many social media, where you know and right now, I put anything on Twitter and basically Twitter benefits from it. And I'm basically like creating content and YouTube and we're creating content right now. But we're not really getting any anything from it except for like you know marketing and etc. In the new world of like crypto, you could actually be getting direct benefits and basically cut out YouTube completely, which I find is really interesting. Again, all in the world of like smart contracts and of course there's other blockchains that are going to be competing against each other as well. But I think they're all going to work as well in the same sort of like ecosystem.

You know I like the world of Ether, that's you know starting to really get understand it and feel comfortable thinking there is a point where it's going to become inevitable. You know a bit like Amazon has become inevitable when like you know 20 years ago it was just like what, like you mean they're going to be like growing exponentially by like, selling books. I mean it makes no sense and of course not with amazing like customer service and you know they're now selling everything in the whole world.

Mike: **01:14:18**

Resistance is futile.

Juliette: **01:14:19** Yeah.

Adam: **01:14:24** So, on the DeFi, it's do you sort of perceive DeFi as being an answer to the, I mean really, it's giving the people the ability to create their own banking infrastructure and share in the spreads on their savings, right. So, you're sort of cutting out the middleman of the bank and you're allowing those with capital to lend that capital out in a structured way with lots of checks and balances, that so far despite several pretty incredible shocks, has proved amazingly resilient, right. But you're not confident that this DeFi revolution is going to overtake the banks. What are some of your reservations there?

Reservations With DeFi

Juliette: **01:15:23** No, I think banks are going to join in. I mean I know at the moment it's a massive hurdle to actually look at regulation, but it's probably like more difficult in the US as well. I mean in Europe you already have like banks like looking at ways to basically dip into this world, whether it's with subsidiaries. I don't think central banks and treasuries or governments are going to be able to resist it. Because it makes so much sense in terms of like basically democratic, get democratizing finance and if they're going to come out with CBDs with central bank currencies. You know it's sort of like a system where those currencies are going to be migrating as well. So, for me, I don't see how you can cut one side and I totally agree that of course at the moment, it's very difficult to have like both legs, and you know to be traditional finance and to migrate and to extend into crypto.

But I think in the end, you know banks will find the way that happens. And you know I think if one thing, banks are extremely smart in terms of looking at the new ways of doing business, and new ways of, you know making profits. I think again it's like all about you know potentially tightening your profit margin a bit. But if you actually have a world of much higher money velocity, much higher credits. You know if your dollar is used 10 times a day instead of using it once, then suddenly it doesn't really matter that your margin squeezed by like 10 times. So, I think banks will embrace one way or the other. And if they don't, you know I think it's the crypto world that is going to move towards banks of the world, like you know which I would call the shadow banking. And then I don't see how that's going to disappear anytime soon.

Adam: **01:17:30** Richard go ahead.

Richard: **01:17:34** No, I was just going to ask we've had a couple of questions on this theme. And I think I might have asked something tangentially about this earlier. But I'm wondering what are your thoughts on the currency space. I mean fiat currencies are under attack, at least by the narrative, if not outright by the crypto asset revolution. What are some of your thoughts in terms of the direction of maybe the US dollar for starters, because everything kind of trades against it? And where do you see the direction for the window of time that you're comfortable trying to see forward?

Juliette: **01:18:09** So, at the moment I don't think the dollar is the A trade. You know I think there's like two, so there's not like the front end of the curve. Which is basically pulling real rates like -2, -3, -4% as we talked about before. And obviously, this is a massive downside for the dollar. But on the back of that massive downside in front end real yields, are actually saying that long and real yields and basically like the US economy's growth potential, is going to be much higher in the end. Which I think is going to be priced on the curve as well, meaning like much higher long-end rates. So, I think the dollar is kind of pulled in between the two sides, and I just don't think it's the best expression of my macro landscape to basically trade the dollar at the moment.

So, I've got basically what I've what I've said is basically to trade extremes and in fact it's worked really well for the past two three months, to basically like take the other way when the narrative is getting a bit too excited about one way or the other. Yeah, so like you know I've got still an inclination to saying the dollar is going down. But I don't think it's the A trade.

Richard: **01:19:31** More of a range-bound outlook at least for the moment.

Juliette: **01:19:35** Yeah.

Adam: **01:19:38** So, before we came on live, you were mentioning that you had lots of walks in the woods and time to be contemplative. And I'm just wondering and you said lots of ideas are coalescing I'm wondering if you could give us a sneak peek of what you're currently focusing on and what's really exciting you and what you're focused on from a research perspective for the next issue.

Future Focus

Juliette: **01:20:03** I mean firstly, I'm not started thinking about the next issue, because I've just issued the the last one like two days ago. So, I like to give myself a bit of like a holy day time to like talk to my clients, really look at them as things and I'll I won't get ready for the next issue before the next two weeks. You know at the moment I'm surfing on the current one. But yeah, I still very much think that where them markets are wrong is basically to price the sort of like boom/bust. So, what markets clearly believe right now is that the current boom is going to lead to a bust and that's why the long end of the curve is not actually moving. I think that's wrong. Another thing which I think is wrong, but again that's like a theme that's been going on for a while.

I think there is massive value in in sticking to those, to your *sims* with conviction. If they're working and you know, not basically try to deviate like next month into something completely different just for the sake of like saying something new. So, you know it's never happened before, but basically my themes are like now like 15 months old. But you know I'm basically writing every month about new ways to look at things. I tell you what until last month's, my whole reason behind recommending reflation, reflationary trades you know, whether it's like with long inflation long equities and etc.

The whole reason was a framework that had completely changed, but I had no real evidence.

So, it was all like sort of like presumptions, like assumptions that look that's completely different, that should be a completely different macro world. So, we need to reprice the balance of risk on inflation and growth completely differently. The new thing this month is that I can actually show it to you, now I can actually now show you what's happening. But until two months ago all I knew is that it should make sense that we should price the balance of risk differently. Now I can actually tell you that you know the balance of risk should be priced differently and also, it's not temporary. So, every month you get new pieces of data, you get like an, and my job is basically to give clients the conviction to stay on the trades.

Again, you know like every year, you basically have like two, three trades that make you a year. If you basically like you know have a great idea and then take it out after months and never manage to re-enter, you basically will go bankrupt much faster than if you get the wrong trade. So, I think it's really important to just constantly like revise you know, what you're looking at, and taking new evidence. But I'm trying to not talk about something different just for the sake of talking about something different, because we are basically repricing a macroeconomic revolution. Something that I've never experienced in my whole career. You know I've started looking at macroeconomics in 1998, which was basically the beginning of like sort of the great moderation. What you know we basically low growth, low inflation you know, and low volatility as well in a way and we're completely exiting that, and it's extremely exciting.

I mean I think you know some of the portfolio managers that have missed completely the sell-off in rates and the massive like equity returns in the past 12 years are telling you that macro is boring, but you know it's not absolute and that you should only look into crypto. But it's absolutely not the case. I mean you know basically macro has been the most exciting I've ever seen it, and the opportunities have been enormous. And let's not forget one thing as well, like you know if I can put like 10% of my savings into crypto you know and I double my money in a month, it's great. But actually, equities have gone up like what 80% in in the past 12 months and I can actually put like confidently 50% of my savings in there. You get much greater return for something that you've got much greater conviction about and that you can put much more of your wealth in, than you know something where you really not quite sure and you're using as a lottery ticket. I can't put all my savings in a lottery ticket.

Richard: **01:24:52** Yeah, letting your winners run. Like spoken like a true trend follower even though we haven't said that term at all, but I like the way you frame that jives with our thinking.

Juliette: **01:25:03** Yeah, I mean I think it's really important to also like you know the basically, the size. I mean it's not about getting anything, right. it's about getting it right in the right size, and you know basically it takes a lot of conviction, a lot of work to keep the size that you should be having in the markets to actually make the year on the trade that you've been believing in.

Adam: **01:25:37**

We had a taste of interesting macro markets from sort of 2003 to 2008/9 and then the central bank put kind of took over, and US tech sucked all of the oxygen out of markets for 10 years. And it's really exciting to finally be coming back into a market where a diversity of views might pay off, variant perception might pay off, second/third order levels of thinking might pay off. And you know a much broader spectrum of humanity will be able to participate in the growth and excitement and innovation and productivity that may lie ahead if your thesis plays out. So, I agree, it's potentially a very exciting time to be in markets and just to be a member of society again. So, look for the next few years.

Well, listen Juliette this has been really fascinating and you've been incredibly generous with your time and your insights. Having read your most recent two report,. we'll definitely look forward to reading future reports from you and would look forward to having future conversations. But thank you so much for your time here today and have a great weekend.

Richard: **01:26:51**

Yeah, you've been very generous. we had high expectations and you've exceeded them. So, this was really great, thank you very much.

Mike: **01:26:57**

Before we go though, Juliette, where could everyone find you? Your Twitter handle, your website, your research offering? Maybe you can just let everybody know where you're at and where they can get access to more of your thoughts and insights.

Juliette: **01:27:13**

So, my research like, as opposed to you know people are always like a very, find it really weird when they contact me, that actually what I'm trying to have is as few readers as possible for my research. So, I'm really trying to create value by giving out as little as possible. So, that's why I very rarely give interviews and actually I price at the level where you know so not for retail, in other words. And the reason is not that I don't want retail. It's just really that I want few readers. I'm a very strong believer that if you put out research to like millions of people by the time you press send, it's lost its value completely. I think that there's much higher value in having as few clients as possible.

So, with that in mind, my clients are in majority, you know like institutionals, hedge funds, real money, family offices. I've got a few high net worth that I've been following before for a few years as well. And they can find me on "jdiresearch.com", which is my website. Any new subscriber is going to get access to everything I've ever written on the website so, for the past six years. So, that means you know there's also some students that are actually really excited about what I write. My Twitter handle is "@JulietteJDI". Again, you know I put out some like interesting sort, but always you have to bear in mind that you know it's really like pure marketing, because I need to keep the value for my clients.

Adam:	**01:29:11**	Amuse bouche.
Juliette:	**01:29:14**	Yeah, exactly. So, a lot of it is really amuse bouche and like kind of like throwing ideas here and there. But you know I'm not giving value, I'm like I strongly believe that as soon as you give anything for free nobody wants to pay for it anymore. So, you know that's why I also don't give any free trials. So, you know don't call me for free trials. You know I've realized with my experience that anyone who wants the free trial never ends up paying for it so. Sorry, if I sound a bit, you know.
Mike:	**01:29:58**	Skeptical.
Juliette:	**01:29:58**	Yeah, I make a living off my research and I don't get paid by like basically putting out stuff on Twitter. I mean those guys who do it all day long, I don't actually understand their point. I mean one day someone needs to tell me what they make of it. I mean do they get like an advertisement fees or something. I don't get it. No anyway, so I'm never going to be the kind of like 200,000 followers on Twitter, but I'm always very keen to give out a lot in a few interviews that I do per years. And that's how I give back to society.
Mike:	**01:30:36**	Love it. Well, we look forward to having you on at some point in the future and reconnecting. That would be an amazing opportunity, if you'd be kind enough to do that at some point in the future. And thank you all for joining us at to ReSolve Riffs. As I said early on, like and subscribe and share, write a review. That helps us and grow the following and allows us to get fantastic guests like Juliette on to come and share her thoughts. I think that's it for today.
Juliette:	**01:31:04**	Thank you very much.
Mike:	**01:31:06**	Yeah. Next week, we have our one-year anniversary of the Resolve Riffs show. So, we will be recounting the last year and talking about the guests we've had on and some of the insights we've garnered. So, that should be a bit of fun.
Richard:	**01:31:21**	Have a great weekend all.
Juliette:	**01:31:23**	Thank you very much.