Chase: What it do y'all? Chase Taylor here with the second interview episode of Taylor Made Macro, where we let others stay on top of markets while we try and get to the bottom of them. My guest today is Kevin Muir, and we go deep on how to think and not what to think. And we explore finding ideas while trying to prove them wrong and much more.

As always go to pineconemacro.com and click on the ‘Taylor Made Macro’ tab for detailed show notes that includes a transcript, links to the books, and other things mentioned on the show. And of course, Kevin's charity of choice and his website and podcasts, et cetera. Also just remember nothing my guest or I discuss is investment advice or a recommendation of any sort, we're just exchanging ideas.

Before we start: if you invest your own money and enjoy thoughtful, independent research, please check out our work at Pinecone Macro Research at pineconemacro.com. We're happy to provide samples if interested. I founded PMR six years ago, and we do not just sell research to institutions; we sell accessible research to anyone looking to navigate the grand puzzle of the markets.

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We do things differently at bulwark with a strong focus on risk management. We're headquartered in an old armory building in Grit City, better known as Tacoma, Washington, and that represents the blue collar approach we take to markets. It turns out you can grow wealth without being fancy. All right, onto the show.

My second guest is Kevin Muir, better known by some as the Macro Tourist. Like my first guest, Kevin is both a friend and a mentor, and Kevin has done more for me than he knows. I first met Kevin in Toronto at a Macro Voices Live event, and we hit it off there, and have been friends since. Kevin has highlighted my work in his writing, and has had me on the Market Huddle a few times, and both elevated my work, and thus my livelihood, and I have immense gratitude for that.

That is why I care about Kevin, but I think you will care because he's made his living trading his own account for years. And if you know anything about trading, that means Kev is very good at what he does. If you know anything about investment writing, his substack is indispensable, not just in the back alleys of fin twit, but on wall street and Bay street.

Kev is the perfect fit for this podcast because he's elite at keeping his ego and his cognitive biases in check in order to make money in the markets. Kevin, welcome to the show, brother.

Kevin: Thanks for having me Chase. You're going to make me choke up, buddy. That was the kindest thing I think I've ever heard on a podcast. Thank you so much.

Chase: You Bet.

Kevin: It means a lot.

Chase: Well what I just said means a lot to me. You.. I had Brent Johnson on the first one, then you, and next I'll just blow it here and it's going to be Kuppy because you, three, I think, of all the people I've come in contact with over the years have done the most for me, whether you guys all realized it or not. So yeah, I greatly appreciate it. Yeah.

Kevin: I'm looking forward to this.

Chase: So that was the nice stuff. Don't worry. We'll, I'll be very mean later in between two pines and along those, lines, before we get going guests are not allowed to say anything that even resembles "good question" because they're all good. So if you do, you're gonna, *buzzing sound*, get the buzzer and we'll donate some money to a charity. So what charity do you bring to the table today?

Kevin: Okay. So I thought about this and originally I was thinking about doing my hospital for sick kids here in Toronto. My daughter was actually born with a heart defect and for a long time they were my charity of choice, but I've decided on someone different.

I've decided on Covenant House. And Covenant House, what they do is they take care of young kids that are on the street that are having troubles and they have this great commercial that I think is just so touching. It shows like a a teenager in a bus shelter sleeping in the, you know, bus shelter.

And then they say the, caption is "how young do they have to be until we give a damn?" And then it shows the next, like they, it rewinds and it makes the two year old there. And too often, I think that we treat teenagers like they're adults and that they, should be able to do these things. And they're not, they're just kids and they could use our help.

So it'll be Covenant House. And the only thing I'd like to do, Brent…I'm calling you Brent cause you've got him in my mind. Chase is that I'm not going to make you, you said you very generous, generously said that you would pay if you would donate, if I said anything, these are my errors that when they occur, so I will be doing both of the payments to the to the charity when I do say, “Interesting question.”

Chase: Well, you can't tell me what I can do with my money, but I appreciate that. This is my show, Kevin. *laughs*

Kevin: *laughs* Okay, sorry. *laughs*

Chase: No, you're good. So I want to start real simple. I just want to ask you, why do you love markets? that's an interesting question.

Kevin: Well, that's an interesting question…[LONG PAUSE] Am I not getting buzzed?

Chase: Wow. *Buzzing Sound* Slow to the trigger there. Yeah. You had me captivated.

Kevin: So in terms of the markets, I actually grew up with a father that was the research director of of a brokerage house here in Canada. And so I, and he always tells the stories about, from the moment I was young, I always loved games. And he said, I used to go show up and be like, I want to play Monopoly.

I want to play this game. And, it's always been something that's been something that's just near and dear to my heart. And then obviously as I got older and started learning about markets, I realized it's really, truly the best game out there and I view it as a complete privilege to be able to do this for a living.

And cause I think it's, it is just something that let's just put it this way, I would do it for free. That's how much I enjoy it. That's how much I love playing the game.

Chase: Yeah, I completely understand that. And, I agree. So I want to set up my next question by reading first, starting with a quote from James Aitken.

And it really gets at the whole point of this podcast for me, which I'll elaborate on. So sorry for this super long question, but here it goes anyway.

He wrote is not, or well, let me start here. *"The relentless overload that too often wears us down is generated by a belief that good work requires increasing busyness, faster responses to emails and chats, more meetings, more tasks, more hours. Wrong. We should rescue knowledge work such as investing from its increasingly untenable freneticism. All these long walks I do, long drives in the Australian Outback, all the reading, all of it serves a common purpose. Meaningful and valuable work doesn't require a frenetic busyness. It's magic, I think, instead becomes apparent at longer timescales, emanating from a pace that seems, in comparison with the relentless demands of high tech pseudo productivity, To be almost slow."*

So that quote from James Aitken it illuminates the inspiration for this show. I say on the show that **we let others stay on top of markets while we try to get to the bottom of them, mostly as a way to try to inspire myself to be better at doing that day to day. And to learn from others, to tame the busyness problem.**

Every time I edit my daily reading down or to try to allow for more deep work a couple months later, I have five new Bloomberg notifications, five more Substacks. So the question to you is, how do you address the tension between knowing enough about what's going on right now, but also allowing to have that that void on your calendar to read, to think, to write, and to create?

Kevin: Well Chase you did it again. Another interesting question.

Chase: *buzzing sound*

Kevin: And I think it is actually true that is the thing that too many people suffer from. And it's gotten even worse in terms of technology has made us much more susceptible to having those sorts of information at our fingertips. So I always say that this, the world that we're living in is a much, there's more opportunities, but also more kind of rabbit holes to go down that you can waste your time on.

So when I started, I was in, it was in the mid or like early 1990s. And it was very difficult to find out what was going on in the markets. You would go, maybe you would watch CNBC or maybe you would be lucky enough to have a Bloomberg terminal, but those were very kind of unique niche things that people would do.

Nowadays, when you look at it, you can get onto Twitter. And you can get an up to date information about stuff that we would have just hoped to had on a big trading desk, you know, 25 years ago. And so the problem then occurs is that you're faced with all this information. It's kinda like a funnel hose. And I still remember turning on Twitter the first time I did it and I was like, holy shit, it's just coming at me so fast.

Like, how do I decide? And I feel like that, is just a metaphor for all of research, all of financial kind of media, is that it's a fire hose coming at you. And so the challenge increasingly has become like, how do sift through that and figure out what's important and figure out what, you should actually be paying attention to?

And so over the years, I've just kind of, I've just gone through this process where I've started whittling down people, kind of groups, chats, all the things that if I find that's just, fluff, that's not really helping me with my process, I get rid of it. And I think that's what you need to do.

And I think it's, you just need to be a little harsh about it. And so if you go and you find yourself in some hard money chat with a bunch of people that are talking about how the debt's going to kill the economy and it ends up being like, this is the end of the world, you just need to ask yourself, okay.

Maybe that's true, but the reality is that inevitability is, 10, 20 years away. And is it really helping your process? Is it really helping your trading? And too often I find a lot of the stuff that we think is us learning about markets, is really us just going down these rabbit holes, go scratching an itch of something that we want to believe in instead of something that is actually helping our investment process.

So I, you just have to be ruthless and you just have to ask yourself, is this really something that's helping me? And if it's not, you got to get rid of it.

Chase: Okay. Yeah. Great stuff. My, my problem is I've done this like editing and I've been ruthless with it. And then I'm telling you like, give it six months and it feels like I'm drowning again.

And I think it might just be the pace of all the new things that come online. I'm like, “yeah, I need that”, along the way it is an ongoing struggle. That’s why I wanted to ask you about it.

Kevin: Yeah, no, and I agree because also one of the things is you can't not be open to new ideas.

So it is a little bit of a balancing act. You need to be on the lookout always for new ideas, new ways of thinking. And so therefore open to new ideas, but at the same time, you can't allow all of these ideas to just take over it and end up being that you're not accomplishing anything. So for example, an idea of a new idea that I did was, and, my, podcast partner, Patrick's going to like laugh at me when I bring this up, because he's going to say, “why do you bring up MMT all the time? You know everyone's going to hate it.”

And I bring it up because I, when I first heard about it, I was like, that's “the stupidest thing I've ever heard.” Like I literally, I listened to it and I was like, “that's ridiculous.” And I'm not talking about the prescription part of it, where they go and they tell you what you should do with your money.

I'm talking about the fundamental beliefs about how money works. I thought it was wrong. And I had heard about MMT and I'd gone and so I went and I spent some time researching and I was like, okay, if it's wrong, I should be able to prove it's wrong. So I went about proving it's wrong and I was like, holy shit, I'm having trouble proving this is wrong.

And the more I went down the road, the more I realized that all of the fundamental parts of MMT about how an economy works were actually correct and very helpful in my trading. Now, a lot of people, I immediately know that I'm going to get all sorts of people saying that the worst thing in the world, it actually creates all these problems.

And when you're saying those things, you're focusing on the prescriptive part of MMT. Basically, the part that this is what people who believe in MMT should do with it. And I have no interest in debating that. I don't really care. But in terms of understanding how the economy works. It's actually very helpful.

So for example, in 2020, when we had the COVID problem and we shut down the economy, a lot of people believed that the economy was going to fall into kind of a self-reinforcing doom loop, and we were going to have a 1929, ‘29 style depression. And I pushed back and said, no, the government can step in here and fill this hole.

And they can fill this hole with spending and with printing and quote unquote, buying the bonds, but they can fill the hole and it helped me in terms of my trading because the, whereas a lot of people were very bearish in March of 2020, I was actually quite bullish. And I said, no, you've got to be careful.

The risk here is that the fed comes or sorry, that the government comes and does too much. And we actually find ourselves going the other way, which is exactly what's happened. So I don't sit there and say, okay, I need to I'm going to go in and I'm going to get stuck on the political part of MMT. I go, this is actually what's helping in terms of understanding how the economy works.

And if I wasn't open to new ideas and I wasn't open to kind of, understanding that the world has changed and that how we think about the economy has changed, I would have never understood that and it would have really hurt my trading. So back to your question about like the fire hose coming at you, you need to be careful.

You need to prune and you need to make sure you don't get stuck, but at the same time, you can't be so closed minded that you're just reinforcing your, your, current beliefs and not staying open to new ideas.

Chase: Yeah, you, hit on so much there that I want to talk about. First and foremost, like, I've had the same experience of adopting a powerful belief or model of some sort that was, born from trying to disprove it. I've had some life changing stuff where I was going out of my way to prove something wrong and after a ton of work, you're like, “Oh no, this is right.”

Kevin: What was it? I'd love to know.

Chase: Oh, so some of it was actually some, political stuff that I, or in, like economic stuff in general.

Kevin: Okay.

Chase: So it's funny you say MMT because I was hardcore Austrian. You talk about the, like hard money, like chat group. Like I would have been the ringleader of that bad boy a decade ago.

Kevin: *Laughs*

Chase: So, in, as you, I'm sure are aware like I came up the phrase “financial justice warriors” to describe that kind of way of thinking and to me what's not what's important there isn't **what** those people believe, but it's **how** they think having that like very rigid mindset.

I don't know if you're familiar with Tim Urban, but he just wrote a book and it's literally about, and we don't, worry, we're not going to go some down some political rabbit hole, but it's essentially about the world, the country, like humanity and like all of our failings as we essentially go back to like very basic human operating system caveman brain, what he refers to as low rung thinking.

Kevin: Is this, "*What's Our Problem? A Self-help Book for Societies*"?

Chase: It is. Yes.

Kevin: Oh, and he's a wait. But what, why guy? Oh, that's terrific. I'm going to buy this.

Chase: Oh, so one annoying thing is you can't get a physical book. So you have to do it all online. I, got it like on the Google play store or whatever, but it's great once you get it, but it's still just, if you don't like reading on your desktop, it can be a little annoying.

Kevin: OK.

Chase: But fantastic book. And for all the listeners out there, yeah, that sounds nothing like an investing book, obviously, but it is an incredible book for thinking, and for like, how to think differently. And he outlines differences in, in not just in individuals, but in groups between what, he explains very well, what low rung thinking is, and high rung thinking is it's approaching everything like a scientist essentially, there's no, you have no dog in the fight. You're just there to figure out the truth.

Kevin: Right.

Chase: So, the approach you took to that of one of, I'm going to prove to, I'm going to prove that this is wrong, and if you did prove it was wrong, that would have been useful to you in your process, but instead you did the opposite. And it was useful to you in your process.

I had the same thing that happened to me, literally with MMT. And maybe actually even before you, although I, don't think I implemented it in my investment process well enough, early enough, but Warren Mosler did a debate with Bob Murphy.

Kevin: Yeah, I've seen it! It's great.

Chase: Yeah, who was a well-known Austrian. And so at that time I was still just dyed in the wool Austrian. And don't get me wrong. I still find useful things in both camps, but

Kevin: And there, there is useful things in both camps.

Chase: Yeah.

Kevin: No, for sure. I'm not disagreeing.

Chase: That was my, the same thing that you, did there. I did it with that. Like he made so many points. Moser did in that. And I was just like yeah, that sounds right actually. And you dig into it a little bit and you're like, oh no, he's got Bob there and happened over and over. And in a side note, I met a guy that has worked with him a lot that works at Denali Capital for, I forget the guy's name. He's, like a, a market wizard though.

Kevin: Right

Chase: Denali Asset Management. They're, just like a family office more or less now. But the guy, had a great career. But he actually helped Warren prep for that debate and stuff. So it was, wonderful getting to know him. But anyways I want to know a little bit more about how you, how you, you know, go about intentionally staying open to new ideas like that?

And, do you have any other examples of anything where you've tried to prove to yourself that something was right or wrong and had something come out of that, that was useful?

Kevin: Let me think about that. Well, one of the things just on that same topic, I always tell people and remind them of is that you should trade the market that you, that's in front of you instead of the market you want.

And I try to just reinforce that, that you could sit there and you could talk about the fed and you could talk about how they're making a mistake. And you might believe it's a mistake, but then why are you positioning your portfolio assuming the fed's going to do something different? Right? And that's ultimately what, when you're trading, are you more interested in being right? Or are you more interested in, in, you know, in like making money? And I ultimately just look at it like I just want to make money, and make the best returns I can. And so therefore I need to stay open to different ideas. And here's a, here's one that I, that's much different, down a different road.

When I started interviewing people for my show, I got a lot of really smart, different people with lots of different styles. And just for background, I'm actually an institutional equity derivatives trader. And so I made markets in the ETF and the, I did index arbitrage and I did options trading. And not only that, I had a bank's balance sheet behind me.

And so in general, especially in the nineties implied volatilities would trade at a higher price than the realized volatility. So we were almost always short volatility, and it was just the way that I was brought up and it was made the most sense. If anyone's going to be short volatility. It's the dealer that's making markets in these things and is able to trade the cheapest Delta hedged and also has a balance sheet behind them.

So they're not getting stopped out in terms of when we do have those spikes of volatility. From way of background, I am a short volatility trader and it's where I felt most comfortable with. And so when I started going and interviewing folks, I would get these people that would be extremely, successful and, people like Jim Leitner and Nick, I can't remember Nick's last name, but these guys are like, many hundreds or maybe even billionaires like personally, and I was shocked at how often they used long-term options as a way to express their opinion.

And I kinda came to this realization that one of the things that's very difficult in markets is being able to decide when something's gonna matter. Like, there's lots of things that I think that this is cheap. I suspect that the surprises will be this way, but I don't know when that surprise will come.

So I need to get myself in a position where I'm able to stay long or short, depending on the position, while I wait for the eventual catalyst. And that ends up being tough. And that ends up being the most difficult part of trading for me is to be able to stick with something long enough to realize your eventual you know, fruition of your forecast.

So what I found with these guys was that they would use options and they would use long dated options. And one of the things that would really help with that is the fact that because they were long dated, there would be very little theta, meaning that the decay in time, it wouldn't cost them very much. Like if you own a one year option and a day goes by, there's not that much theta as compared to a 30 day option. That's all of a sudden going from 30 to 29. So what this enabled them to do was to hang on, have a position. And then not only that, it would allow them when it started to run.

Because of the convex nature of the option position, it would actually, their, position would increase as it went along. And so that's been a huge realization for me is that when I go look at really smart people, that are way more successful to me and they've been doing this a lot longer, a lot of times they use long dated options as a way to express their opinions.

Chase: Yeah, that's great. I what I want this show to be is a lot of like how to think, not what to think. I just want people to know like the, interviews you've done with, Jim Leitner in the past, like I could not endorse those more. Like they are fantastic because Jim is brilliant when it comes to trying to take little nuggets of how he thinks. Like what he thinks, th-, "who cares?," like but the way he thinks is incredible and his…talk about a scientist and a high rung thinker.

He like he's open to anything and everything. I feel like you could pitch Jim on the craziest sounding thing in the world, and he would not dismiss it out of hand. He would just be like, tell me more about that.

Kevin: Exactly.

Chase: Which is exactly, it's what we should all strive to be.

Kevin: A hundred percent.

For example, Bitcoin, I have been a little bit of a skeptic. It doesn't matter why I, I'm the idiot that actually, you know, started trading Bitcoin when it was five, 50 bucks. So I've been there forever, but that doesn't really matter. But the point about Jim was, Jim I think discovered it like $5,000, maybe $10,000.

Either way. No, it's $5,000. I think he thought to himself, okay, you know what? I, this thing could go back to zero. It could be worthless, or this thing might be worth a significant amount of money. And he viewed it as a call option, and he treated it as such. So he bought like 1 percent of his portfolio in this thing.

And he just held on. And he was open to it. He didn't have any preconceived notions about it, and it ended up being a great trade for him. But I completely concur about Jim, one of the greatest thinkers out there. And one of the nicest men that you'll ever meet.

Chase: Yeah. He, became a client of Pinecone Macro Research like last year.

And it was by far the, client that, that blew my mind and made me like the most happy to have.

Kevin: *laughs* Yeah.

Chase: So I understand that. I've noticed that you have a nose for basically anything that can move a market. And that really has taken you to a lot of systematic drivers in the last year or two.

You've, you had a great series on the, dispersion trade recently. You've written about vol control flows, you know, options, dealer positioning, CTAs, like all this kind of stuff over the last couple of years. I've been down the same rabbit holes. A lot of your work has helped me with a couple of, those different levers.

What do you, why do you think you've focused so much on that systematic investing flows in the last couple of years and how have they impacted your trading?

Kevin: Get ready with the buzzer.

Chase: *Laughs*

Kevin: That's super interesting question.

Chase: *Buzzing sound*

Kevin: Okay. I go down those roles, those down those rabbit holes, because I believe that those, that the positioning can often affect markets more than we understand.

And what I find is that it's super helpful to under, to be able to gauge where we are in the cycle, what's moving markets, what's, you know, where the potential surprises will be. And I just go back and I, realized that there was this market wizards guy, what was, I think it was Kovner, Bruce Kovner for Caxton, he said something about the fact that when everyone is when, sorry, when all of a sudden wheat's breaking out and I know that the CTAs or the trend followers are buying wheat, it's not that exciting.

But when wheat is breaking out and nobody knows why, that's a much better signal. And so understanding those different flows and understanding maybe where they'll unwind, or maybe when they're not actually doing something in the market is moving on fundamentals is hugely important to me. And at the same time, as these strategies become more important, they're actually moving the market more and more.

So you mentioned vol control funds. For those who don't know what that is, it's a strategy that is based upon the idea that as an asset becomes less volatile, you should own more of it. It's a little bit of a risk parity. So what they do is they do a look back on volatility. And as the stock market becomes less volatile, they buy more.

And then the moment it becomes more volatile, they sell it down. Now, what that means is that the, as that strategy becomes larger and more, kind of higher percentage of the actual underlying holders of the market are holding are using a vol control strategy. Those buying and sellings have a greater impact on the stock market.

So back in the day, in my day in the nineties, the strategy of it existed, it was tiny and it wasn't moving anything. And so I think it's important to understand those things. And the other thing, another example would be the option markets. And like the tail wagging the dog. So a lot of the concepts of Vanna and, and charm, I understood in my day, meaning that I understood that for example, on Friday at in the morning, we would move our model towards Saturday because we knew that there would be a whole weekend of decay.

And when we did that actually changed our Deltas. It changed our whole book and we would have to do something. But the thing was, we were such a small portion of the market that it didn't really do anything. So yeah. So all of a sudden I had to buy a future or something. It didn't change anything, but as options, it become larger and larger portion of the market.

And in fact, like the S&P, you might even say that the option market is the tail that's wagging the dog now. And as that market has grown, those effects have had an increased effect actually on the underlying market. So for example, charm is the change based upon time. So when you see a long weekend happened, then a lot of times the way that the option market is set up, a lot of those market makers need to buy futures and those buying of futures on that kind of Friday afternoon before a long weekend, will often send it way more than anyone expects.

Or when you see a situation where it's the other one, which is Vanna, meaning that the change in your Delta based upon the volatility change, when that decreases, they will also have to buy more. So I think it's important to keep your again, keep your mind open to all these different market participants out there because they're changing and moving markets in ways that we've never imagined.

And just as a final thing about this, one of the kind of rabbit holes that I've gone down recently is the fact that as these pod shops. Meaning the Millenniums, the Exodus, the Citadels of the world have become bigger and bigger. The type of trading that is occurring is changing. And the thing to think about them is that they often just don't buy a security. They buy something and they sell something else. So we're increasingly seeing kind of one stock go up, meaning something else has to go down.

And I find those sorts of things fascinating, and there's opportunities there in understanding it.

Chase: Yeah, I feel like a lot of this is almost like a Russian doll where inside of some of these systematic flows, there are like, there's like another level. Of systematic flows, even within that. And that's the kind of way I've used the dispersion trade.

So to me, like, you don't, you don't trade on this stuff every day, but to not understand where all that's at for a situational awareness standpoint, like to me in 2024, it's like malpractice for an investor to not at least have an understanding of, where all those different players currently stand.

Kevin: Yeah, I completely agree. And that's, again, just back to the idea, keep your mind open.

Chase: Absolutely. Going back to, like, you know, changing your, mind after you, you read something that you disagree with. You, did that back in January. You wrote the piece about the yield curve, maybe being a false signal.

Now thanks to the fed shifting from the corridor to the floor, reserve system, I definitely foolishly got caught up in a lot of the tried and true indicators, including the yield curve in 2023. That got me, uh entirely too bearish on the economy. I thankfully got inflation, right, but that did not help on the economy side on the growth side. Over the last, I'll call it five years because we had the growth scare in 2018 and some yield curve action, or 2019, every, cycle that would come through, you would get a big cluster of people saying “the yield curve doesn't matter anymore.” And then sure enough, you'd get a recession anyway.

So I've, read it at least a dozen, if not dozens of different, and if you go back and read the Fed transcripts going into the GFC, it was just loaded with people talking about why it didn't matter anymore..

Kevin: *laughs* Yeah.

Chase: Which is, it's fascinating to read. So like I just read over and over these and I'm like, “no, that's just not good enough.” Like it still matters. And then I read your piece and it like instantly changed my mind. I was just like, “Oh, Yes, this ab-, this absolutely makes sense. This has explanatory power.” So if you don't mind, just kind of briefly let our listeners know, like what you outlined there, but more important to that, more important to me is, is how you came across that, and how that, like, how that actually worked.

Give us a little bit of an autopsy on, how you came across that and it changed your thinking.

Kevin: Okay. I think I fell a little bit for the yield curve too, because let's face it. It's the one thing that is worked consistently for a long, long time. So for those who don't know when usually when the three and the three month and the 10 year yield curve inverts it's generally what is it 12 months to 18 months later you have a recession and it's basically been foolproof.

And so I did fall for that a little bit and to your point as well I think that this whole cycle has been different, in that tt's not just the yield curve that hasn't worked. There's all been lots of other tried and true…

Chase: Yeah, I can name a bunch of them.

Kevin: Yeah. the, people at Piper, that Mike Cantrell guy, he's been stuck on this hope system where it's about real estate and it, worked for a long, long time.

And, there was. It's easy to listen to him and go, you know what, he's absolutely correct. It's going to work again. And, it is difficult to be the guy saying “this time is different” because you, we all know that's the most expensive words in this English language when it comes to the markets. But in terms of actually the yield curve, I guess I was thinking, I was sitting around and I was thinking about the soft data versus hard data argument.

And for those who don't know, the soft data stuff like: surveys and intentions. And usually, and I remember seeing the fellow from Morgan Stanley, Mike Wilson, say soft data always leads hard data. And I was thinking about that. I was like, “Oh, you know what? Is he right? Like it always has in the past, but maybe this time is different.”

And I shudder while I say that, but maybe this time is different. And if so, why might it be different? And I, so I started thinking about it and I started thinking about the yield curve and I started thinking about what had changed in this environment. And I realized that one of the things that has changed is the way that the federal reserve conducts monetary policy.

And if you go back to pre GFC, pre the great financial crisis, the federal reserve did what they, operated in an environment of what they call scarce reserves. So their balance sheet was always at a level that coincided with whatever interest rate they were trying to set. So if they went out and said, we're going to set interest rates at 4%, they would go and they would either buy or sell T bills, from their portfolio to achieve that level.

All right. And that, so that's actually the way it had been for many, many years. And it was, it, and it was all of a sudden though, what happened in the great financial crisis was we hit zero. And when they hit zero, they wanted to go and take, they couldn't take rates into negative, and they wanted to stimulate the economy.

So what they said was, we're going to go and we're going to expand the balance sheet. So they go out and they buy bonds from the open market. But when they do that, they increase bank reserves. And if they had left everything within the, in the, way that it was, if they increased bank reserves, then there'll be too many reserves and actually interest rates at the front end of the curve will fall.

So they needed to, have a way to make sure that they didn't fall below zero. So what they did was they created interest on excess reserves. So instead of no la-, of, having an environment of scarce reserves, they went to one of abundant reserves, meaning they, they flooded the system with money.

And the way that they stopped it from falling is they said, if you have extra money as a bank, just bring it to us and you can send it into us. And so this is the way that we've operated for a long time. And we tried to do QE, I mean, QT, bringing the balance sheet back down, but we've actually never gotten back to the idea about scarce reserves.

And I think when you're asking me, like, how did I come about this? I was sitting around, I was thinking like, wait, why have we never gone back to scarce reserves? And why are we in this environment where we've just accepted that this was the case? And I realized that the reason that we've never gone back to scarce reserves is, the Federal Reserve would have had to go and reduce their balance sheet before they went and raised interest rates.

So if they were to go to an environment where, with scarce reserves, then before they hiked rates, they would have had to sell down whatever trillion it was, 6 trillion or something like that, they would have had to get down to this level of scarce reserves.

And they didn't want to do that. So they said, instead of doing that, let's just go and we'll operate on this corridor system. But then I was thinking about it and I was like, Oh, do you know what? That actually changes the whole way that this operates because now we have the federal reserve raising rates.

And whereas before in, in the old environment of the scarce reserves, they wouldn't own any coupons. They would just have front end stuff. And instead what we're experiencing is the federal reserve owns all of these kind of long dated bonds. So those bonds would have usually been in the public sector and they're not.

And I guess when you're asking me, like, how did I come about that? One of the ways is I always listen to different people that I find interesting. David Zervos. from Jefferies had been arguing for a while that this is part of the reason the economy is so strong because the losses from that actually were held by the Fed instead of by the private economy.

And I just put two and two together and it was like, okay, but maybe also that fact that they own all those is another reason why the yield curve is inverted. And that's why we're experiencing this, in essence, there's not enough long dates and assets for what the markets want. Now I will go and say that the inverted yield curve, I think also has another thing going for it.

And that is the fact that there is an institutional memory about inflation versus disinflation. And I'll go back to 1982 when Paul Volcker cranked rates to 18 or whatever it was percent to break inflation. At the time, nobody believed that he could do it. There was a fellow, the original Dr. Doom, Henry Kaufman, was at Salomon brothers.

And he talked about how we're going to have inflation for the next decade. And it was just all, this worry about inflation. And there was no way that Paul Volcker was going to stop it. And as such the real interest rate on long-dated treasuries stayed high for longer than people might have guessed. Meaning that even when inflation came down to 2, 3, 4%, you could still go get, 10, 12, 11, whatever percent on 30 year paper, because in the back of everyone's mind was this worry and the scare that inflation was going to come back.

So therefore, the period upon which real yields were high was long and it was because of the memory. And so I contend that although I think we've flipped from a situation, from an environment of disinflation to one of inflation, part of the reason the yield curve continues to be inverted is that there's an institutional memory where people are more scared about the left tail. They're more scared about deflation than they are about inflation.

So I think between those two reasons, that's what my, my explanation for the yield curve.

Chase: Yeah. And like I said, I read that piece and I'm like, it was, I was fully converted, and I was really stubborn to change that view. You, mentioned Dr. Doom made me think of something I want to mention. And then it's going to bring me to one more question before we go to between two pines here, in the middle of the show.

But there's a book that Gary Schilling and Kirill Sokolov wrote. In 1983, which just happens to be the year I was born, called: "*Is Inflation Ending? Are You Ready?*"

One, one of my favorite things to do is to read old books, especially around inflection points. And especially from people who got it really right or really wrong

Kevin: Yep.

Chase: And Sokoloff at that time, happened to get really right on the turn. And as you know, in 82, 83, kind of when that started to like really shift. But even late 80s, people were still terrified of it rampaging back and that was still in the price of a lot of things, as you're talking about.

The question that brings me to is What are your favorite book or books and they don't have to be investing books, but they do have to be more than 30 years old.

Kevin: Okay. Ready with the buzzer?

Chase: *laughs*

Kevin: Super interesting question.

Chase: *buzzer sounds*

Kevin: Okay. I got a couple of books and we're going to start with in terms of I'm going to cheat a little, it's only 22 years old, but I feel like it's so important and it's underrated.

Chase: Well, you cheat on years 'cause you still say 25 years of mistakes…

Kevin: *Laughs* You got me, buddy.

Chase: *Laughs*

Kevin: Okay, so we're going to cheat on this one too. It's *"The Logical Trader: Applying a Method to the Madness".* And it's by a fellow by the name of Mark Fisher. And for those that probably, you know don't care about, day trading or, guys that are futures traders probably don't know Mark, but Mark is a local in the NYMEX pit, trades mostly crude oil and that gas and stuff like that. You'll see him on CNBC and he is probably far and away, one of the greatest pure traders I've ever seen. Just outstanding.

And this book, this Logical Trader book, it has some different systems in there, but one of the things that I just think is so important in terms of understanding shorter term trading methods, he just distills it down.

And I think it's so important. I just, I'm going to tell everyone about it right now. The, he manages a whole bunch of different traders that are work under him. And he has this system called the ACD system. And what it is that he allows the market to create an opening range. And then when the market goes above the opening range, you can only trade from the long side.

And when the market goes below the opening range, you can only trade from the short side. And that sounds like the stupidest, like most simplest system out there, but it's actually amazingly profound and it just keeps you out of trouble. If you think about all the times that you've ever gotten in trouble trading over the short run, it's when you're fading something.

It's when you're going against the market and it just keeps going against you and against you and you're like, "Oh, I'm going to give him a little more and I'm going to give him a little more." And what this does is it makes it so you could never, feed it that way. Another one on a longer term perspective is Paul Tudor Jones. Probably one of the greatest risk takers that's ever lived.

Chase: Never heard of him.

Kevin: *Laughs*. He had a line that he's he has this stupid system where he says, I only buy assets that 200-day moving average, and I only short assets below it. And that just sounds so simple and so dumb, what kind of fool does that?

But if you think about it, most of your problems are when you're breaking one of those rules. So I just, I love this book. I love that thinking. And I think that a lot of people, if you're interested in day trading of any sort, should go read Mark Fisher's book, go pay attention to him. Now, the real book that I want to bring up is more than 30 years old, and I just re-read it the other day, and it's the "*Alchemy of Finance" by George Soros*.

And we've all taken for granted, this idea of reflexivity. We all understand what it is. The idea that an asset can go up thereby changing the, demand for it. Meaning like most assets, when they go up in price, there's actually less demand at a higher price, but financial assets are one of the few assets that becomes more attractive as it goes up because people are buying it because it's going up.

And I would argue we're seeing it right now with AI, like you, people really they're, they don't really know what they're buying. They're buying it because it's going up. So we've all taken for granted this reflexivity, but this is something that was actually very new, and not well understood and George wrote this terrific book about it.

There was the, I think the first time he started talking about it, but also in that book, is his diary. It's like a real time diary of him running his portfolio in '85 and '86. And it's just fascinating to see him do this in real time. And, you've been talking a few times about intellect, intellectual honesty.

I think George is one of the, pioneers of doing that on a trading perspective and, exposing it for everyone to see. And I think that this would be a great book for anyone who hasn't read it to go read it. And for those who have-, have read it, like before I suggest go read it again, because, I think it had been 10, 20 years since I'd read it. And I was shocked at the new kind of nuances, things that I understood.

Chase: Yeah, that's one I'm embarrassed to admit is in my anti library. I own, on the shelf, never read.

Kevin: *laughs* I like that.

Chase: I gotta get in there and do that. And, you're talking about the simplicity of both Fisher's kind of system there, and the simplicity of Paul Tudor Jones, just basic rule.

I'll go back to, I never, never apologize for simplicity. Leonardo de Cap Da Vinci DiCaprio, jeez, Leonardo Da Vinci captured it. he said, “simplicity is the ultimate sophistication”. and I think it, I think that is very true.

But it is time to break up this love, love fest. We're going to go to between two pines and then we're going to have a few more questions.

Okay. So the first. Question I have for you for between two pines: We Americans in our benevolent overlord wisdom went out of our way to gift you people with proper American football and you savages still insist on watching ice soccer. Why is that?

Kevin: *Laughs* Ice soccer? That's what you're going to call it?

Chase: I don't really see a difference…So yes. At least you guys don't fake all the injuries. Like a guy can get his head knocked off and hockey just keep going.

Kevin: *Laughs* Have you ever seen the, I can't remember, there was that one late night comedian that talks about that Ferguson, Craig Ferguson, and he talks about Canadians.

He says, those people are so nice but I actually don't think they're that nice. And if we're really want to solve the Iran, Iraq war, all we need to do is give the Canadians some sticks and tell them that they have the puck and they'll go take it away from us.

Chase: *Laughs* So I, served a little time over in Afghanistan and no kidding, like in Afghanistan where it gets rather warm in the summer, they had a hockey rink for the Canadian troops.

Kevin: Oh! *Laughs* There you go.

Chase: So they would no kidding play, ice hockey out in Afghanistan. So my best friend is, We grew up together in Texas and he lives in the upper peninsula in Michigan now. And so his son is a hockey player, not, a football player. So I get it.

Kevin: You get it.

Chase: Next question. This one's gonna be a little tougher.

Kevin: Ok.

Chase: Who's, who slurred their speech more you in the early episodes of the market huddle? Or David Hasselhoff, that time he ate a cheeseburger off his floor?

Kevin: *Cackling laughter* That's a great que- *laughter* That's a great question. For thos-

Chase: *Buzzer sound*

Kevin: Oh, I did it. I didn't even mean to do that one. That's okay. So for those who don't know the Market Huddle, when it first started, Patrick Ceresna, my partner, he was doing the Macro Voices. And he got me on his show and I'll give a little inside baseball here. He asked me to come on the show and I went on and Chase, I was so bad.

Like I, I can't tell you how bad I was. It was embarrassingly bad. I think I had done one radio slot before, and then I went on to the Macro Voices. And I did so bad. I came home. I was almost in tears. I told my wife, I go, I guess I'm going to be a writer. And long and short of it is that I, I said, I'm not going to give up though, if someone keeps asking, I'm going to keep going.

And so I just kept doing it and I don't know why Patrick asked me back and I did better the next time. And eventually he said to me, you want to do our own podcast. And I said, “Oh, great. the reality is the Americans have gotten so many great podcasts out there. We're never going to compete with them. Let's, make ours fun. And I said, what do you think about drinking?” And I didn't really know Patrick very much at the time, but I couldn't have picked a better guy to ask that question to.

Chase: *Laughs*

Kevin: And the long and short of it is that when we first started, there was a lot of drinking, way too much drinking. And I know at one point my Dad said to me, he says, “You got to stop drinking so much. Like by the end you were slurring your words”, and it's actually completely true. And the only guy that ever drank a lot who didn't slur his word was Tony Greer, who still owns the record for the most beers on a Market Huddle podcast.

I think he had nine or ten.

Chase: Dang, yeah. Okay. Wow. Yeah, like I would have had to do that in the bathroom.

Kevin: *Laughs* Yeah, he was just a machine.

Chase: Oh, *laughs*. Those I like to think of those as the good old days But I still remember cracking open the drink at 9 a.m. California time on one of the shows Oh,

Kevin: There you go. You were a real trooper. You did it.

Chase: I thought you were going to go to tell me that you had to have a couple of drinks to loosen up to not be bad on the podcast because that's what I have to do.

Kevin: Oh, no, I, just, I can't remember why we started drinking and I do specifically remember my Dad taking me aside saying, you know what, you really have to stop, slow down on the drinking.

By the end, you were just a wreck. So I don't know if those are still up, but don't listen to them if you, if they are.

Chase: Alright. Two more. Okay. I remember a story of yours about playing squash at Eton when you were in school. What is the second fanciest thing you've ever done?

Kevin: *Laughs* Oh, I'm not ready for this. So yes, that was very Eton. Did I tell you as well when I went there?

Chase: You're not supposed to be.

Kevin: When I went there, And for those who don't know, Eton is this fancy, fancy, school in England in in somewhere outside of London. And like the Kings go there. And when I went, I got, they asked me my name and I said, Kevin, don't tell anyone your name is Kevin.

You're like, whatever. And Charles or something, they go, why, can't I tell anyone my name? He goes, that's a working-class Irish name. *Laughs* That's how bad they were. The second most fancy thing…you really have got me stuck there…

Chase: No, you don't have to answer it. Let's just-

Kevin: Okay, fair enough.

Chase: But that, that made me think of something. We were watching the, the Winston Churchill movie last night. And it made me laugh because. he was cursing Hitler in a fit of rage. and naturally he referred to him as, a corporal because he was just a lowly enlisted guy when he was in the military.

Kevin: *Laughs*

Chase: I was like, that was a classic, like English upper class thing to say.

Kevin: *Laughs* Yeah, for sure.

Chase: Last one.

Kevin: Okay.

Chase: We have a shared friend who is going to be the next guest on the show, who is a contemporary political philosopher and theorist.

Kevin: *Laughs*

Chase: Goes by the name of H. Kupperman. Which of his conspiracy theories are you on board with?

Kevin: *Laughs* Oh, such a good question.

Chase: *Buzzer Sounds*

Kevin: Oh, I actually have done this, you know, it's actually funny. I tried to not do those ones. So I, am I, is that five? I'm, uh, anyways,

Chase: it's getting rich. I think it’s more than that.

Kevin: rich. I think it's more than that game. It's six then,

Chase: we'll go back to the board later.

Kevin: so when we, for Harris, I always use him as an example of the fact that people with different political opinions can be friends and we can get along.

And because I go, I lean, well, I lean left. I'm a Canadian in terms of, so we just naturally lean a little more left. But when Comes to Kuppy, I'm almost on the other direct opposite side of it. And yet we're friends and we can agree on to disagree on a lot of the decisions about how we arrange our society, but we still go, and we still can talk about markets and we can even talk about politics.

And both of us just understands that the other side is different. And one of the things I will say about Kuppy, and I, Anyone who says to me, “Oh, he's, he's got this crazy wacko theory”. And I always say to the people, “I judge Kuppy by how he treats other individuals. And he is only, I've only ever seen him be kind to, into people.”

I, don't care what you say, if you think that, whatever about the vax, or you think this about whatever, it doesn't matter to me, it's how you treat people, and I'm telling you that Kuppy is a super nice guy, and treats people with the kindness that, anybody of any political persuasion would be proud of.

Chase: That's great. Yeah, Kuppy's awesome.

Kevin: Yeah, that's just cause you lean that way too. *Laughs*

Chase: no, I think we're somewhere in the middle. Yeah, Kuppy's one of my favorite people in this game, which is one of the reasons he's going to come on next. But it is going to be a blast to have fun at his, expense on, between two pines next week.

let's just say that let's just say it that way. All right.

Kevin: It is a target rich environment.

Chase: Yeah, I got, one that I'm just, giddy to ask him. It's going to be, it's going to be a good time.

Kevin: *Laughs*

Chase: So a couple more questions for you. Another easy one, but when you turn your screens on in the morning, what's, the first thing you pull up to read?

Kevin: Oh, that is it? Nope. Alright what is the first thing I pull up to read? So I start with just checking the markets. And unfortunately, I don't know about you, Chase, but are you able to sleep through the night without checking on stuff?

Chase: I mean, no, if I wake up, I'm checking everything.

Kevin: Yeah. You're, going to go and check and see what the markets are doing.

So the first thing I always just check is the actual markets and where they are. And then in terms of the things that I read. I work hard to actually not go straight into the markets because it's going to be a full day. So I get a coffee and I watch Jimmy Kimmel. And then after, once I do that, I'll go and I'll just put on Bloomberg TV.

I like, Jonathan Ferro.

Chase: Oh yeah, he's the best.

Kevin: I think he's one of the smartest guys out there and I enjoy that. So I watch that. And then in terms of reading…there's nothing specific, like I don't have, I gotta read this person, or I gotta do this. I, really try to keep an open mind, and it'll depend on the environment that we're in.

So if we're in a boring environment where nothing's happening, or, I might go read some individual stock research, but if we're in a macro environment where there's lots happening in, let's say FX, I'll go read the FX people. So there's not, I don't have one particular kind of ritual that I do.

Chase: Yeah, that makes sense. I even find that useful for like research. Like in some environments, I want to go sub to some people and then, you know, and, it may not be their season anymore. And it's I don't need them anymore and move on.

Kevin: But so one of the things that I, like to do in terms of my chat, is every day I make a new kind of bit of wisdom.

And so throughout the years, I've had to go out and find different things that different hedge fund managers and other traders/investors have said. And I, stumbled upon this one the other day by David Tepper, who's just. Brilliant. And one of the best traders out there, he says, “We're consistently inconsistent. It's one of the cornerstones of our success.”

And although we didn't talk about it, people always say like, how do you go and have traded for yourself for the past 25, 30 years, how have you done it? And they say are you a specialist in this or this? And I always say, no, I actually, I go and I change my trading depending on where the opportunities lie.

So there's points where I'm trading a lot of currencies, or there's points when I trade convertible bonds or individual stocks. It's wherever I view the opportunity. So that's why I don't have a set schedule because to me, I'm going with the flow in terms of how the market and the opportunities that it is giving me.

Chase: Love that. So here's another question that is going to happen after I read a quote, but this is a quote from Kobe Bryant that will inform my question. He said, Greatness.

Kevin: Who is he?

Chase: *laughs* Kobe Bryant plays, a little game called basketball here in the United States. Real sports, buddy. Says the guy that would die if he played hockey. But he said,

“Greatness isn't easy to achieve. It requires a lot of time, a lot of sacrifices. It requires a lot of tough choices. It requires your loved ones to sacrifice too. So you have to have an understanding circle of friends and family. People don't always understand just how much effort from how many people goes into one person chasing a dream to be great. There's a fine balance between obsessing about your craft and being there for your family. It's akin to walking a tightrope. Your legs are shaky and you're trying to find your center. Whenever you lean too far in one direction, you correct your course and end up overly leaning in the other direction. So you correct by leaning the other way again. That's the dance. You can't achieve greatness by walking a straight line.”

The question is, how have you walked the tightrope Kobe talks about? How have you kept your work life harmony as a trader, especially when your kids were growing up? Being a great investor requires sacrifices and tough choices because it's not a 9-5, and you can never really turn it off as we just outlined really well with checking the markets in the middle of the night.

So how have you done that over the years? And what advice would you give to young investors? Especially if they have a young family that may be struggling with that.

Kevin: So I'm not sure I agree completely with Kobe in terms of that, you can have it both ways. And I'll just go back to my time at the bank.

And when I was there, I watched who was successful, who became the, the leaders, who were the directors of the different, divisions and ultimately who was the director of the firm. And I like to think about it as this was a room, I was in a big trading room and there's, I don't know, let's say a thousand people.

So you're in this room of a thousand people and they're already really, they're already like the majority of them are very smart. So you're already picking out the smartest of society and putting them in a room. Okay. So then let's imagine that you think you're one of the, smartest, of these smart people.

So let's say that you're in the top 1%. So there's a thousand people. And so let's, let's not use the thousand, let's, a thousand, let's, 2%. So you're down to 20 people that are like we'll use 2 percent that are the smartest of the smart. All right, so there's 20 people competing for these jobs, and it's not just good enough to be the smartest of the smart. It's not just good enough to be there.

You actually then also need to be willing to give up a lot of the other things that the other people are, prioritizing so that you're ahead. So anytime you get to somebody who is the pinnacle of any company or anything, they've ultimately probably put aside their family, and that's a choice.

And I'm not, I’m not kind of, judging that choice, but ultimately it ends up being whether you want to be the absolute best, or whether you want to go and do some more stuff with your family. And it is, it is something that I don't think you can be the pinnacle and still have a great family life. And so, for me I was doing really well at the bank.

And then my first daughter was born with a heart defect. And it was corrected at birth, and I had this kind of point where it was like some people experience let's just say a near death experience and they decide what's important in their lives. And I said to myself, “you know what, actually what I thought was important isn't really that important.”

And I chose to actually quit the bank. And so I, no longer worked there. I left on my biggest paycheck ever. And I was like, I don't know what I want to do. It's just not this. And so I went off and did something else. And I was lucky because I was able to trade for myself, and spend time with my families in the summer, and do all sorts of really fun family things.

But there's no doubt in my mind that if I had stayed at the bank or if I had gone and raised money and, or tried to go work for some hedge fund, I would have been more successful financially. There's zero doubt in my mind. Like it wasn't like I made so much that I didn't have to work again. I just chose the, different priorities.

And I still consider myself blessed to have done that, and I don't regret it in the least. But I do think that it is ultimately you can't have it both, and you just need to decide what's important to you. Because you have to ask yourself when you're 80 years old and you're on your deathbed, whether, I'm happy because I ended up being the best hedge fund trader that's ever lived, or I'm happy because I had a great family that loved me.

I know that's kinda sappy.

Chase: Yeah, no, that was great. I'm just glad your daughter's okay. we had some health scares with ours kind of very, even earlier than that. So I. I know the way that feels and thank you. Thank you very much for sharing it. So no such thing as too sappy here, man.

We almost got you in the beginning. Now you almost got me you know? One last question and then I'll, and then I'll let you go. That is what's the biggest thing you've changed your mind about in the last year?

Kevin: Oh, okay. I got two things really wrong. And I'd love to just, I always say all I bring to the party is 25 years of mistakes, even though I'm lying. I really bring a lot more years of mistakes and I kind of go through those mistakes. I think they're important. They're important learning lessons. You can't pretend they didn't happen. Pretend like the market was wrong.

No, I got them wrong. One of them was: The mag seven, the rally that we've experienced. And I was lucky enough to actually have called the decline in the tech stocks from the 21 top. And I was bearish the whole way down. I actually got fairly neutral at the bottom. And then when we got the little bit of a rally back upwards, I don't know, let's just say the spring, I started to get bearish.

And my thinking was, we're never going to get another “bubble”, I call them mini rolling bubbles, but we're just not going to have it. We had this monster epic rally in 2021. It's not going to just go and reflate and go straight back up. And sure enough, it has. And I think about why I got that wrong and I've come to kind of, two conclusions.

One was I didn't understand how profitable these companies were in terms of, when they started laying off people, how much it didn't change their revenue side, but their cost side just collapsed. So they became instantly way more profitable. Take Meta, Meta went and laid off a ton of people and didn't change anything with the revenue side.

And so I got that wrong. And then the other thing I got wrong was I didn't understand…AI in terms of their ability to grab hold of another narrative and make another, what I call rolling mini bubble. And if we think back to 2021 There was a EV bubble, and it was like all the same things that people are saying today about AI, you could have said about how EVs were going to change the world in 2021 and how we're going to get driverless cars.

And I understand that AI is a bigger technology than EVs. So Don't send me something saying, Oh, no, this is a, this one is a bigger bubble, sorry, this one is a bigger technology because I do, I get it. I understand it is bigger. But at the same time, I didn't appreciate how much the market would grab hold of that pricing, or sorry, that story and run with it.

So I completely got that wrong. The other thing I got wrong was the regional banks. And. I've thought a lot about this and the reason I got the regional banks wrong was because I have been a huge bond bear forever, and it's been so clear to me and so obvious to me that these, this was a dumb thing to own and that nobody would buy bonds in size down to 2 percent when we were in in the beginning parts or the ending parts of COVID, in the parts of the recovery.

And yet. These stupid jackasses at the regional banks did just that.

Chase: *Laughs*

Kevin: And it's not like they don't have the ability to neutralize their duration bet. Everyone was like, Oh no, but they have to do that. And I go, no, they don't.

They can go there swaps. There's ways to go around it. And all you have to do is look at J.B.-, at Jamie Diamond and JP Morgan. He recognized the rates were going higher, that this was a risk. And he made sure he neutralized his bank's duration book. You didn't need to just own the long end like these guys did. And it's been just mind boggling to me that they would be so stupid. And I guess I should, the lesson from that is never underestimate the stupidity of some CEOs sometimes.

And I just didn't think that they would, that they would ever have lost so much on such a dumb bet. what were they going to make when they were buying long bonds at two?

Chase: or mortgages sub 3%?

Kevin: Yeah. It was like, what were they going to make? So why, do it? And yet, I guess they just, they back to our thing about this, institutional memory, everyone was remembering zero.

Chase: Yeah.

Kevin: And to their credit, like I remember when we went up to two and a half on the way up, Goldman Sachs says, this is it. This will be peak of the cycle. And here we doubled from there. So anyways, those were the two things I got wrong. I don't know if I've changed my mind about them. I certainly wish I could do them again.

And I'm going to, both of them, are going to be lessons for me to, in terms of 1) the market's ability to go and create these rolling mini bubbles that I call them. And I really do believe that AI is in a rolling mini bubble, and it very much is a technology that's going to change the world.

But that doesn't mean that this stock price, and this price action is correct and that it's a good investment and then 2) never underestimate the stupidity of regional bank CEOs.

Chase: *Laughs* That's a great spot to end on and I couldn't agree more, and I've gotten tripped up by some very similar things over the same time frame. Before I let you go, I want to let you let everyone know where they can find you.

And just so everyone knows, if you're not reading Kevin's writings, you're an idiot and you need to fix yourself. And also if you don't, if you don't listen to the Market Huddle, the same, lesson applies.

Kevin: Oh, that's very kind of you. So for those who are interested, you can go to my Substack. It's the macrotourist.com and you actually go to there. I have a chat. And the chat is free to everybody. You're welcome to join us. I only have one rule: It's to be kind to one another. I have lots of people in there that are sharing all sorts of information, and I, find it very helpful. If you are interested in, seeing some of my writing, just send me an email, kevin@themacrotourist.com and I'll fire off some things.

And listen Chase, congratulations on the new show and thank you for all the kind things you said and that it was a real honor being here.

Chase: Yeah, thank you for everything you've done for me, as I mentioned. And I look forward to doing this again sometime because I have a bunch of questions that I did not get to.

Kevin: Sounds great.

Chase: Alright, take it easy.

Thank you so much for listening to the show. If you like it, please tell a friend or give us a shout out. I urge you to go to: pineconemacro.com and go to the podcast tab for the show notes. We do not mail those in. I think they add a lot of value, so at least check it out. You can follow the show on Twitter @Taylormademacro, and you can follow me @pineconemacro.

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We'll be back soon with a new show. So stay tuned.