[00:00:00] **Chase:** What it do y'all chase Taylor here with the first episode of Taylor made macro, where we let others stay on top of markets while we try and get to the bottom of them. If you've not checked out the quick primer episode that may help you understand what makes the show a bit different. My least favorite thing on a podcast, listening to eight minutes of crap before the show starts.

[00:00:23] So how about we do a one minute intro and then get moving? Just remember that nothing, my guests or I discuss as investment advice or recommendation of any sort. We're just exchanging ideas. My guest today is Brent Johnson of San Diego capital, and we explore the way he thinks and forms ideas, and we ended up going deep on systems, thinking, liquidity, and much more.

[00:00:43] 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 did not just sell research to fancy institutions, although we do that too.

[00:01:00] We have everything from a free and 9 substack all the way to our Emerald subscription, which is over a thousand dollars a year. I'm just a working class kid that loves markets. So I want my research to be accessible to younger versions of myself. If you enjoy markets, but prefer having the pros invest for you, please check out Bulwark Capital, where I'm the head of research.

[00:01:19] Go to bulwarkcapitalmanagement. com. Com and that's board capital M G M T. com to learn more about the firm. We do things differently at bulwark with a strong risk management approach, and we have some unique strategies I think are worth checking out. All right. Onto the show.

[00:01:37] My guest today in the first podcast is my friend and a mentor to me for a decade. Brent Johnson of Santiago capital fame. You likely know him from his love for milkshakes and his lust for dollars, but I know him as the guy that was willing to help a young Air Force Intelligence Analyst try and break into the finance industry right after meeting me.

[00:01:56] I cold emailed Brent after watching him on Real Vision because he was a fancy finance guy in San Francisco and I lived a hundred miles away and I wanted to be a finance guy, a fancy one. Brent agreed to meet with me. We did a couple times. He gave me sage advice. We also spent time together at a conference in Bend, Oregon, which was also fruitful for me.

[00:02:17] Brent very intentionally helped me out when he didn't have to. He's one of the very first people to sign up for my research. He's been a friend and a great coach, and I wanted to honor what he's done for me by making him the first guest of my new show. So hopefully he doesn't screw this up and you all want to listen to the show at least one more time.

[00:02:34] Brent, welcome to the show, brother.

[00:02:36] **Brent:** Yeah. Thanks for having me. It's been quite a journey, huh? It's great to be here and I'm happy to see you doing so well.

[00:02:42] **Chase:** I appreciate it very much. So what we won't do today is, is rehash the dollar milkshake theory, but for people that don't know what that is.

[00:02:50] **Brent:** Before we get too far into this, I want to make sure you give me the opportunity to tell my version of how we met because it's pretty similar, but it's a little different and I'm going to tell this story in the hopes that there's some other young person, whether they're a student or someone who's trying to find a position in a field different than they're currently in.

[00:03:11] And because. If Chase says, I'm a mentor, you should make Chase your mentor. So Chase very humbly says that he sent me an email and we met, and that is true. But the truth is that Chase sent me several emails and my standard operating procedure, because this is not unusual people in my profession, we get emails, resumes, people looking for a job all the time.

[00:03:34] And whereas they're always saying, I'm just looking for advice. What they're actually looking for is a job. But Chase emailed me several times and I thought, and my standard operating procedure is just to ignore the first couple because you just can't answer them all. But he was persistent and he was polite.

[00:03:50] And then I finally responded and I said, thank you for the email and kind of just left it at that. And then he came back again. He said, I'd love to come down and meet you. And then I, so I threw out kind of some random dates at some random times, thinking It would be impossible for him to do it. And so he responded and said, Okay, I'll be there Tuesday at two o'clock.

[00:04:07] So, which, okay, now I got to meet this guy, right? And sure enough, he didn't show up at two o'clock. He showed up at 145. And in San Francisco, everybody dresses pretty casual. But Chase walked in with a suit and a tie on. And he didn't just have a suit and a tie on. He was carrying a briefcase. And I was absolutely convinced that he was just, it was a prop.

[00:04:27] It was absolutely just for show. And I kind of thought it was a little bit over the top, but Hey, he's, he's showing up to an office in San Francisco and he's looking the part. And so that's great. Nevermind the fact that I didn't even carry a briefcase, but he shows up with a briefcase again. And so, so we start talking and by asking him what he's up to.

[00:04:44] And he tells me he's really passionate about macro and investing. And that's what he spends all his time doing. And again, I. This is not unusual. I've heard this story a million times, but then he proceeds to open his briefcase and pulls out some reports and some charts and stuff he's looking at. And I was like, okay, this guy's actually for real.

[00:05:02] He's not just making stuff up. Right. And he's not just saying what I want to hear. And not only that, but like the ideas were pretty good and he knew what he was talking about. And so then he basically said, I'd love to work for you. I don't care if I have to water the plants. And the reality is I just didn't really need any, any help.

[00:05:18] I'd help and I didn't have that much work for him, but I gave him a couple ideas of what he should maybe do. And I told him he should start documenting all this research he's doing. And I told him he should timestamp it. So then he could look back and see whether it worked or not. And then he could also show this to potential employers down the road.

[00:05:36] So not only did he listen to me, but he actually did it. And then not only did he actually do it, he actually started posting it on a blog for everybody else to see. And it was good research. And then not only that, then he started, he turned that into a, a business where he was selling his research and people were subscribing to it and it was good research.

[00:05:56] So I guess the point is when, if you call somebody like me up and they give you the time. And they don't give you a job, but give you advice, actually take the advice because I can't tell you how many times I've gotten calls like this or had meetings like this, where I've given people similar advice, and then you just never hear from them again.

[00:06:12] So anyway, and that's only half the story, but I'll leave it at that. But long story short. Chase has earned everything that he has, and I'm really happy to be the first one on the podcast. I

[00:06:22] **Chase:** appreciate that a lot. And I should say too, like I work at Bullwark Capital now, and I run Pinecombe Mecca Research.

[00:06:28] And I met Zach through you because you guys were already friends on Twitter. So the amount of goodness has come out of that is all it's a lot. So, and it, it wasn't easy, but he did it. So anyway, be like Zach or be like Chase. And you got me to start my own, like a little thing on Twitter, which has wasted many hours of my life.

[00:06:48] So thank you for that. So before we start, before we really get going, I want to lay out the ground rules, which I covered in the, in, in the first episode of the podcast, which is just a quick primer. But for anyone that didn't listen to that, I'll lay it out here. If at any point, Brent says. Great question or anything that resembles great question to any of my questions.

[00:07:08] You're going to, you're going to get that. And at that point, Brent's going to have to donate 10 to his favorite charity, which I'll match unless he does this a lot. Cause I don't have that much money y'all. But so with that, what charity do you have for us today, Brent?

[00:07:21] **Brent:** Well, it's a charity. So I, I, I moved to Puerto Rico a couple of years ago and my wife recently got involved in this charity that I've come to love myself and it's called love for Sato's and Sato's basically means it's stray, like a stray dog.

[00:07:36] And so unfortunately there's a lot of stray dogs in Puerto Rico. And so my wife volunteers a lot of time and energy and money to this organization, but that basically helps save abandoned puppies and get them healthcare and get them a foster home for a while and then permanent homes. And it's, it's, it's been fantastic.

[00:07:52] So that will be. The, uh, the charity of choice.

[00:07:56] **Chase:** That's awesome. And, and usually I think what I'm gonna do is match with the charity that I like, but that one sounds awesome to me. So I'll match that one. If you, if you have any slips here and we'll also put a link to that in the show notes so that people can, can donate as well if they want.

[00:08:10] So I want to start with something really open ended for you. And again, if people don't know the dollar milkshake theory, we're not going to rehash that. And I'll put a link or two in the show notes that we're, you know, Brent offers like a really good explanation on that. And you'll find that on the podcast tab at pinecomacro.

[00:08:24] com. But instead of the question of what did, what the milkshake is, can you give us, explain to us as deeply as you can, how you came up with the thesis?

[00:08:35] **Brent:** Yeah, so the way I came up with the thesis was that I had been wrong for a long time and I was tired of being wrong. And so, and I think I'm going to use a term that originated with you, or it's, or I think you said it at one point.

[00:08:51] And that is that post global financial crisis, I was very disillusioned with Wall Street. I was very disillusioned with the world. And in many ways, I became a financial justice warrior. I didn't think what had happened was fair. I didn't think it was right. And I thought it needed to change. And I invested as if it was actually going to change.

[00:09:14] And it's, that's not necessarily a bad, if you want to change the world, that's a very noble endeavor. But if you're trying to make money, I think you need to try to do and place your money based on what you think is actually going to happen, as opposed to what you would like to see happen. But for four or five years after the global financial crisis, I was largely investing based on what I wanted to see happen or what I thought was fair.

[00:09:38] And after four or five years of hitting my head on the table and trying to figure out why the market wasn't reacting the way I thought it should. I finally went back and just kind of said, you know what, not only am I wrong, but I've been emotional about being wrong and I've got to remove all my biases and I've got to just look at everything as it is and figure out what am I missing.

[00:10:02] And when I did that, I still came to the same conclusion on one part of the market, but I realized I had been ignoring an even bigger part of the market. And once I started factoring in the part. Once I started factoring in the part that I had missed initially, and once I took out my emotion based on what I wanted to see happen, and started figuring out what was the likelihood of these different scenarios playing out, it changed everything.

[00:10:33] It, it reduced my stress level and it improved my performance. I was able to communicate better, like everything, literally everything changed once I admitted I was wrong. And so, and that really led to the dollar milkshake theory. The dollar milkshake theory is really nothing more than a framework for how I see markets playing out in the years ahead.

[00:10:55] I think that we're going to have a global sovereign debt and a sovereign currency crisis. And when that happens, I think my milkshake theory will largely help me navigate that event. Now, the reality though, is that event hasn't happened. I thought it would have happened by now, but it hasn't, but the framework.

[00:11:16] Except I guess I would say it's still trending in that direction. And the framework that I laid out has helped me understand why things have played out the way they have played out. Now, it doesn't mean that I've gotten everything right since then. And it doesn't mean I haven't gotten things wrong along the way.

[00:11:31] And it doesn't mean I've traded things perfectly, but what it has allowed me to do is I haven't gotten hurt. I haven't blown up, so to speak, clients have been able to remain invested and participate. There's been times we've been doing better than the market and there's been times we've been trailing, but overall we had having a less emotional view of the market and a kind of a hardcore, what's the right way to say it?

[00:11:54] Mercenary type attitude with what's going to happen has allowed me to see things very much clearer than I think I would have otherwise. So I don't know if that answers your question or not, but that's how I feel about

[00:12:06] **Chase:** it. It absolutely does. And I did coin financial justice warrior, which is probably my crowning achievement in my career.

[00:12:11] But, but it's so true that like, there's just zero room for righteousness in the markets. And you see it a lot. Like the first thing that turns me off of listening to reading anyone is if they start talking like anything political and not from just like analyzing it. Point of view, but like a, they're carrying one side of the point of view and it's impacting their investing.

[00:12:31] I just stopped. Like I have no time for those kinds of people. It. All it does is ruin your investing. I love the part two, like the genesis of this coming from being tired of being wrong. As soon as you said that it made me reflect, like so many of my frameworks were born from the ashes of getting something terribly wrong.

[00:12:49] And I think most good ideas should come from that, but. The only way that happens is if you're really introspective and you're always going back and tearing down your, your prior framework to see what was wrong with it. And sometimes you build a brand new in that way. So no, I think that was the perfect answer.

[00:13:05] And you also, you talked about the framework and how it's allowed you to adapt along the way and like keep updating. It's almost like, yeah, like here's my thesis, but you're going to take a Bayesian approach to it where you're taking pieces out and putting new pieces in and like always evolving. Regular basis, what you're getting right, what you're getting wrong, like the flaws in it.

[00:13:26] This brings me something I really wanted to talk to you about that systems thinking. And that I, what I, the way I view you and the work that you do is it's very much a systems thinking framework. You think of the global financial system as like, And all of its parts and the way they work together, and you kind of go down from there, most people do a lot of bottom up stuff, or they do macro, which macro is not even systems thinking centric, at least for most people, not as much as it should be, is that systems thinking, is that something that, that just kind of happens for you?

[00:13:57] Or is that something you have actually thought about like consciously and studied?

[00:14:02] **Brent:** It's a little bit of both. I probably initially just bumped into it. And then once I bumped into it and I've, and I realized how important it was, then I started studying it. And then once I started studying, I started making my own kind of predictions about it to see whether those, it's basically my own experiments, right?

[00:14:19] I'm testing things to see whether my understanding of how the system works plays out in the real world. And it largely has, and not, and that's the thing is at heart. Yeah. I'm very idealistic, but I have forced myself to be a rationalist. Or that's the right way to say it. Like I have pretty strong feelings about what's right or wrong, but I forced myself to understand that what I think is right or wrong has absolutely zero bearing on what the market's going to do.

[00:14:52] Not only that, but what I think is right or wrong. Might be polar opposite of what my clients think is right or wrong. And my clients did not hire me to be, in your words, a social justice warrior. My clients hired me to look at the world as it actually is, navigate the craziness of it and get 'em through it.

[00:15:09] So if I were to start putting my personal biases. Into their portfolio. In my opinion, I've breached my fiduciary duty. And so, so I, again, I, that that's the way I've approached it. And I think your characterization of a system analysis is correct. Like, I do not understand how the system works perfectly.

[00:15:31] But I have spent the better part of every day for 15 years thinking about it. And so it's not that there's not anybody else out there that knows it better than me. I'm sure there are people out there that know it better than me, but I know for a fact that I know it better than 99 percent of the people.

[00:15:48] It's, I don't know if you've ever watched these videos of Kobe Bryant talking, but he explained his workout regimen one time and how he would go to the gym three times a day. But he didn't just go to the gym three times a day. He's been going to the gym three, three times a day for 20 years. And so he's already so far ahead of everybody else.

[00:16:07] And he continues to outwork everybody else. And so they are just never going to catch him. Now I'm not going to sit here and say that I'm Kobe Bryant and I don't have the same work ethic as Kobe Bryant. But my point is that I didn't just come up with this idea off the top of my head and start Pounding the table on it.

[00:16:24] Like it was years of making, before I even uttered the word milkshake. Right. And, and since the first time I have said it, that's five or six years ago now. And it's had to get fine tuned along the way there. So, and so, so I still don't know it very well, but. I do kind of, I feel very confident in talking about it because I know how much work I've put into it.

[00:16:46] **Chase:** Yeah. I mean, the map is not the terrain, but maps are really useful. And I feel like what you did was you, you built a map. What's not the terrain, but you also know how useful it is, man. Speaking, speaking to Kobe, I don't know if you listened to the founder's podcast or not with David Center, but he just did an episode on Jay Z's autobiography.

[00:17:02] And he, he has a section where he compares the way Jay Z talked about. His mentor and the way he studied him and then the way Kobe talked about Michael Jordan and the way he studied him, it was amazing. He talked about how other people, all the other kids would see. Michael Jordan, they would see the highlights and like some of the sexy stuff he did.

[00:17:20] He's like, I see like his footwork. I see his spacing. I see like, he was like studying the details of his mechanics and I, and then putting them to practice. I just, it's a, it was a great episode. So speaking of systems thinking, I think George Soros was, A truly great systems thinker, I think visualizing feedback loops and how the gears of the markets interacted with each other, like really came natural to him.

[00:17:44] He had a concept he referred to as the Imperial Circle, which is something he wrote about back in the eighties during the Reagan administration. I noticed you see the Imperial Circle as an important framework today. So why don't you tell us about that?

[00:17:56] **Brent:** Yeah, I will. And I'll say, if anybody says, Oh, Brent's thesis is really just Soros Imperial Circle, or they say it's just Mike Green's passive theory.

[00:18:06] And I'll, and I'm the first to hold up my hand and say, I steal from everybody.

[00:18:12] **Chase:** Same. I

[00:18:12] **Brent:** mean, I by no means think I'm the smartest person out there and I'm lucky enough to have extremely smart friends that I can call and talk to. And I also have the ability to, and the luxury of having, you know, Connections to, to, to people who I don't even know, but I can read their thoughts.

[00:18:27] And I re I, so I, bottom line is I don't ignore anybody and I read as much as I can and I try to steal different pieces of thinking as much as I can from different people. So people like Alex Gurevich have influenced me. Raul Powell has influenced me. Mike Green has influenced me. George Soros has influenced me.

[00:18:44] Druckenmiller has influenced, you know, I, I even scratched the surface. So, and I kind of used a number of their different points that they have made in their. Analysis and incorporated it into my thinking, but you referenced sorrows. And I think that's probably the best one and explaining in a very simple concept why I think the milkshake could play out, because I think it is somewhat similar in that I think in the years ahead, and this is why I say, even though I haven't gotten it totally right, I've been on the right path because over the last four or five years, the U S has for the most part.

[00:19:22] With the exception of the immediate aftereffect of COVID had tighter monetary policy than the rest of the world. And that has allowed for there to be currency strength in the U S dollar versus other currencies. And a lot of times people automatically assume that strong currency means a headwind to equities.

[00:19:42] And in general, that kind of makes sense or a headwind for risk assets. And if you think about it, it makes sense, but where Soros thinking influenced me was that. I also felt that we would have bailouts, stimulus programs, QE, right? Just because the system demands it going back to systems thinking this is a system that we have has to grow and it has to expand.

[00:20:09] And when the system has to expand assets tend to go up into the right, but because it's a debt based monetary system, you're going to have these. Shocks to the downside from time to time. That's the deflationary aspect of a debt based monetary system. But what Soros said was that you can have tight monetary policy, which all things else equal is probably deflationary.

[00:20:31] But if you have a government who has loose fiscal and they're stimulating the market. What happens is other people around the world who don't have that tight of monetary policy and don't have the interest rates as high as you do will put money into your securities because you get paid a higher level of interest.

[00:20:51] So, in other words, the higher interest rates or the tighter monetary policy attracts more money. Capital from around the world. And when you attract, when you combine capital inflows around the world with government sponsored stimulus, you can get economic growth. Now it won't last forever, but it can last longer than many people think.

[00:21:12] And that, and so you, what you can get is you can get a situation where the currency is appreciating, but asset values are appreciating as well. Especially, and if, even if they're not appreciating on an absolute basis, they can absolutely appreciate on a relative basis to the rest of the world. Because if you think about it, markets, in my opinion, if you really have to boil every markets down to just one thing, it's liquidity.

[00:21:39] If liquidity is there. And liquidity is plentiful assets go up into the right. If liquidity is constrained and liquidity disappears, assets go down into the left. And you, and so if you have a government who's providing liquidity and you have foreign capital, which is providing liquidity, that's a formula.

[00:21:57] It's not a guarantee, but it's a formula for assets to go up into the right. But if the rest of the world is sending their capital to the United States, they're depriving their own local currencies or their, and their local economies of liquidity. So that's the access or that's the absence of liquidity.

[00:22:12] And what we just explained from a systems basis, if you have the absence of liquidity, typically assets go down into the left. So if you think the milkshake theory basically says the U S dollar and U S assets are out going to perform the rest of the world on a relative basis, and perhaps even on an absolute basis.

[00:22:30] And Soros's imperial circle, I think, does a good job of explaining why, because it provides one area of liquidity and it deprives the rest of another area. It deprives another area of liquidity and all things equal. You want to be where the liquidity is. And so. That's how Soros is Imperial circle plays into my thinking.

[00:22:50] **Chase:** So speaking of liquidity, I still remember the step into liquid surfing piece back in, it was a while ago now, but I

[00:22:58] **Brent:** think that's about eight years. And now seven or eight years. Yeah.

[00:23:01] **Chase:** Speaking, speaking of stealing from people, if you think about, I think Michael Howlett at cross border capital, like he's one of the few people that was able to call the bottom.

[00:23:08] Back in October of 22. And it was straight up just because of all the deep work he does in liquidity. And I remember at the time being like, he's crazy. This is wrong. Like no way, because of X, Y, and Z. And then six months later, you're looking at it like, Oh, wow. It was just the liquidity. Wasn't

[00:23:22] **Brent:** it? So let me add on to that a little bit because my, again, my understanding of systems thinking allowed me in 2022 to kind of not get out of the market, but we did a very good job of protecting assets in the first nine months of 2022.

[00:23:40] And if you remember the NASDAQ was down like 40 percent and the S and P was down 25%. And even bonds had lost value. Gold was flat, I think. And so we did very well through that. And the last, again, because of my systems thinking, and because of my understanding of the, of the monetary system, we got bullish the last week of September of 2020, 2022 as well.

[00:24:04] Call it similar to Michael Howell. I it's one of my better calls where I made a mistake was six weeks later, I sold out of it. And so I didn't, I shouldn't say I sold out. Something I would do. Well, I should say we were still long assets, but we had the metal to the pedal to the metal for the first six weeks.

[00:24:23] And then we pulled back cause we thought, and if you remember then in December, it did pull back. So we rode the wave October into the middle of November. We kind of stepped back markets pulled back, but then starting January of 2023. I thought we might get a couple of week bounce into the early part of January before we came back down and tested those lows again, but we have just continued higher since then.

[00:24:45] And so, and Michael Howell, he has stayed steadfast the whole time. So I think our, I think both of our understanding allowed us to see that bottom because of liquidity. But this is a case where despite my framework overall being correct, I wasn't able to capitalize it on it perfectly. And, but he, I think he did largely capitalize on it too.

[00:25:04] So, so all kudos to him.

[00:25:05] So

[00:25:06] **Chase:** yeah, you said something there I want to highlight because it's important. And that was like the thesis captured it, but you didn't capture it all perfectly. Cause I have a kind of a mirror image question for you later. Okay. So right now, obviously the, the dollars has been doing pretty well and you just outlined a bunch of drivers.

[00:25:22] For why, and I would argue for why it continues because I'm bullish right now as well. Some of those capital flows, U S is growing above trend. We have huge deficit. We have the surging energy power that people still, I think, underestimate. Stocks only go up, which kind of reinforces back into the economy, which reinforces back into stocks.

[00:25:41] You get a feedback loop there. We're paying higher yields than most of the world right now. And not just like. Uh, like literally the world, not just like old crappy developed countries, but like, there's a lot of places around the world aren't paying what we are. The trade war could ratchet up, which last time was pretty strong for the dollar.

[00:25:57] People have been bearish really for the last few months. So it has a lot going for it. So with that, my, my question is if you, if we imagine a world where the dollar goes from about one Oh four now to say 99 before the years up, what do you think would be the most likely event or confluence of events to get us there?

[00:26:15] **Brent:** Well, I think in that, and listen, that, that could absolutely happen. I think a lot of times people think because I'm such a bull on the dollar long term, they think that I can't understand how it could possibly fall in the short term. Listen, the dollar can absolutely fall in the short term. Maybe it falls for six months, maybe even a year.

[00:26:31] Maybe they get it back down into the mid nineties or the high nineties, like you just referenced. I think that would largely be a result of the fed being the first to move from tighter policy to weaker policy. Right markets move on expectations and if the fed starts to cut and expectations are for them to cut further And expectations are for the rest of the world, not to cut as quickly and as soon, then you can absolutely get the dollar, you know, down five, 10%, but what that would do, in my opinion, based on my understanding of how the system works is it would just kick the can down the road.

[00:27:10] In other words, I do, there's a lot of people out there who talk about de dollarization and the weaponization of the dollar. And as such, the world is no longer going to just listen to what the United States has or says, and they're going to de dollarize and they're going to repudiate treasuries and the dollar is going to just whittle away over time.

[00:27:30] Based on my understanding of the system, that cannot happen. Right? I, no. It's not that cannot happen. That is a very low likelihood. That's a very low probability event. What's more likely is that if the dollar weakens, the rest of the world will take out even more dollar debt. They will do even more dollar based financing and because this is what has always happened.

[00:27:51] And I don't think it's different this time. And part of the reason that they would continue to use dollars rather than something else is because dollars are cheaper to use, dollars are more efficient to use, and your trading partners are going to accept it. Now, are there ways to get out of that? Sure.

[00:28:06] There are ways, there's always black markets, there's always alternatives. But those black markets and those alternatives, they're not as quick, they're not as efficient, they're not always legal. Right? And so there's a number of challenges. And so what I think would happen to, to, to get the dollar to 99 over the next six months and get this blow off top in equities, a a, a boom into the election.

[00:28:26] I can absolutely see that happening, but I think what all that it would do would be to delay the inevitable dollar strength that would come back. And if, if you look back over the last 20, 30 years, this is what's happened. The dollar's down and then it rallies and then it pulls back and then it rallies.

[00:28:41] And then for the last 25 years, we've been making a series of higher highs. And so I think that's likely to continue.

[00:28:47] Yeah,

[00:28:49] **Chase:** you mentioned something that triggered something in my mind. And that was, I think it's super like consensus to think the only thing holding down like EM and pick your favorite asset class that kind of needs the dollar down back.

[00:29:00] The only thing holding those things back is dollar. Like, Oh, if we could just get the dollar to go down, then the rest of the world can start outperforming and EM can do great. And I'll then I, but then I think about it and we're so going back to my green, like we're so dominated by, The heaviest stuff in the market, the mega cap tech, the mag seven.

[00:29:19] The funny thing is though, like mag seven and just the tech sector broadly, they get most of their money overseas. So you could make a case where their, their growth overseas could skyrocket all of a sudden. And you could have an earnings bonanza for the mag seven that keeps them afloat. And maybe I'm not, maybe the U S doesn't outperform the rest of the world.

[00:29:40] Cause that's a tall task after the last decade, but maybe it at least keeps up a lot more than people would expect in a dollar down environment.

[00:29:48] **Brent:** Yeah. And again, kind of from a big picture perspective, kind of the way I look at things. And when I look at the, When I combine my understanding of how the system works.

[00:30:00] And I combine my understanding of financial history and where we're at in like what I believe to be a super debt cycle. I believe that the debts are at a level now that it doesn't mean things can't continue, but that we can't go on forever without some kind of a consequence of the debt. Right. And so what I think is likely to happen is that we could get a period of dollar weakness, but to me, it would just lead to evil.

[00:30:26] It would lead to the, to, to the problem getting bigger. And then as we move forward in time, we get back to where we are now. But, and then once we, whether we hit this, what I'm going to talk about now, or whether we go, the dollar goes down and then comes back to this, we will eventually get to a point.

[00:30:41] Which is basically there's four things that can happen. Number one, as a consequence of all this debt, the whole world can go down together, right? We have a massive deflationary bust similar to 2008 or 1929 or whatever it is. In which case it doesn't really matter where you are. And I'm no worse off being in the United States than I am in being overseas.

[00:31:03] Uh, we could have a situation where the whole world grows together. Maybe some new technologies released. Maybe it's a I. Maybe we discover some new energy source that makes everything more efficient. And we're actually able to kind of start to our growth is able to out support outstrip the growth of debt.

[00:31:17] I think that's unlikely, but it's not impossible if that if something like that would happen, maybe. The whole world can grow together. And in that scenario, maybe the U S doesn't grow the most in the world, but I think the U S would still be growing. And so if I'm making money and I'm just not making as much as the rest of the world, that's okay.

[00:31:34] And so, again, I don't, I prefer to be in the U S as opposed to be overseas. The other thing that could happen is. We could have a continuation of what we've had for the last 10 years. And that is that the U S outperforms the rest of the world, right? In which case, most of the growth in the world comes in the United States.

[00:31:48] So in that scenario, I want to be invested in the United States versus the rest of the world. The fourth thing that could happen is that the United States could go into a severe recession and the rest of the world could grow now, based on my understanding of the system. I think that last possibility, while it is a possibility, it is an ex, so it is such a small probability that I don't feel like I need to bet on it now.

[00:32:13] I can't rule it out, so I can obviously be wrong. But to me, that is not only the least probable event, but it is an extremely small probability. Probable event just on an absolutely basis. So on the other three, I would rather be in the United States invested than elsewhere. And so until something changes that makes me rethink that, I don't really need to change my asset allocation.

[00:32:37] I don't really need to change my outlook in order to still participate. And so this gets to something else that I don't know if you wanted to talk about this or not, but the whole point in this business is to make money. It's not to be right or wrong. And so I would rather make money and be wrong than the, and be in this business.

[00:32:57] Then be right and not make any money. If you're just writing research, or if you're just a forecaster, if you're kind of a media personality, It doesn't really matter whether you make money, you just have to be entertaining and tell a good story and it helps to be right. But in this business, you're better off being wrong and making money than being right and not making money.

[00:33:15] And so what my framework has allowed me to do, it's allowed me to still make money. Even though I haven't gotten everything right. And that's the other thing is, I want to say this in case I forget to say it later is, I said this back in the very first time I ever even mentioned the milkshake framework.

[00:33:33] I think I either said in that interview or one very shortly thereafter, I said, there is no way that I'm going to get this a hundred percent right. That's the only thing I'm certain. That's just not. The only thing I'm certain about is that I am not going to get this 100 percent right. But if I get it even a little bit right, it's going to allow me to participate in the upside and not get killed on the downside.

[00:33:55] And that's exactly what's happened over the last five years. It's allowed me to participate in the upside. When the crises have come, we've been able to kind of step aside and sleep at night and not worry about 30 percent drawdowns, 40 percent drawdowns. And we're still in the game and the framework is still working.

[00:34:10] So I think that's kind of how I, that's kind of how I, that's kind of how I approach things. I know I can be wrong. I know I will be wrong. What do I need to do so that I don't get killed when I'm wrong? And how do I still make money if I'm wrong? And I've largely been able to do that.

[00:34:24] **Chase:** Yeah, that's awesome.

[00:34:25] And I, I'd still have a being right for the wrong reasons questions, but before we do that, we got to have a little bit of, we got to have a little bit of fun at your expense here with, uh, with our between two pines segment.

[00:34:40] So I recently read a post from Russell Clark and he talks about a guy with a bunch of followers that was on real vision. I think his name was Brett Johnson. Are you related to Brett Johnson?

[00:34:52] **Brent:** That might be my long lost brother, but my guess is that he's referring to me. I actually have a funny story about, I actually have a funny story about Russell.

[00:35:00] Go ahead and ask your, go ahead and ask your question and I'll tell you.

[00:35:02] **Chase:** All right. We'll get through here. Where'd you grow up?

[00:35:07] **Brent:** I grew up in Sutherland, Nebraska, a little town, about a thousand people, Western part of the state.

[00:35:13] **Chase:** Yeah. I think I flew over that once. You did. If you love the, if you love the dollar so much, why don't you marry it?

[00:35:21] **Brent:** Well, so this is nothing. I don't really love the dollar. I just think it's going higher. Right. I don't personally like the system, the way it's designed. If I, if it was up to me, I wouldn't design it the way it is. But going back to the financial justice warrior versus what I think is going to happen. My analysis tells me that the dollar is going higher.

[00:35:38] **Chase:** Who has more losses over the last decade, Nebraska football or your portfolio?

[00:35:44] **Brent:** Oh God, Nebraska football. If my law, if my portfolio had Nebraska football losses, I wouldn't still be in business.

[00:35:51] **Chase:** You moved from San Francisco to Puerto Rico. After a few years in both, which shithole is your favorite?

[00:35:57] **Brent:** That's a very good question.

[00:35:59] Ding,

[00:35:59] ding.

[00:36:02] **Chase:** Alright, we at least got, we at least got 20 bucks in there. Well done. Alright,

[00:36:06] **Brent:** I will say, San Francisco is still one of my favorite cities in the world. It has a lot of problems, but it's an incredible part of the world. And I have a multi million dollar ad campaign for Puerto Rico if they would just adopt it, and that is, their new slogan should be Puerto Rico, dirty in all the right ways.

[00:36:25] **Chase:** Yeah, that's a, that's a winner. If I've ever heard one, I don't think they're going to go for it, but I don't think so. Um, what is the biggest thing you've changed your mind about in the last year?

[00:36:35] **Brent:** You know, a couple of things, but I think the one that comes to mind the most is that when the fed started its hiking cycle, I think that they thought they would have to cause a correction to get it and to get inflation under control.

[00:36:50] And I don't think that they think that anymore. So I changed my mind on whether or not I thought Powell was going to purposefully cause a recession. I still think it could happen, but I'm not convinced that he is purposefully trying to cut to cause one anymore.

[00:37:08] **Chase:** Yeah, that's a good one. I think I probably am right there with you on that.

[00:37:12] So going back to a trade and your thesis, not lining up when you get a trade right for the wrong reasons, like what is your process for dealing with that?

[00:37:22] **Brent:** Well, it's again, that's pretty easy to deal with because the consequences are pretty low. Right. If your analysis is wrong and you still make money, you can kind of bank that and you can go back and figure out, okay, we didn't get the call, right.

[00:37:34] But we made money. So thank God we kind of got through it. And now what do we need to do different next time or what did we miss? It's more of a, what do we, we don't really necessarily need to do anything, but what did we miss? So it's more of a, it's, I don't want to say it's more of a learning experience, but it's easier to, it's easier to deal with because.

[00:37:54] You made money, right? Every again, it kind of goes back to clients are always happy when you make money. Everybody's everybody has a high tolerance for risk when assets are going up to the right. It's, it's when you have the 30 percent drawdown that everybody realizes their risk tolerance wasn't quite as high as they thought it was.

[00:38:10] **Chase:** Yeah. I always find like there are times you're dead wrong, but you go back and look at your process. You're like, okay, I did everything right. And I'll take that every time. And there are times when. You have a fancy thesis for something and then you make a bunch of money and you go back and you reread your thesis and you're like, Oh yeah, that, that great trade had really nothing to do with the reasons I thought it would go well.

[00:38:29] And I've, I've had that at times where I've got clients high fiving me for a trade and I'm like, I don't know, go back and read it. Like this, this is great, but that's, It's not doing it because of why I thought it would.

[00:38:38] **Brent:** Well, I think this, it is important. This is why it is important to have some kind of a process that over time works, because when you do what you should do and you lose money anyway, it's very easy to switch what you do and start doing things differently.

[00:38:54] And then that's typically when you make a mistake is when you change your process based on the unfortunate outcome of one trade, I think that's when you get in trouble, luckily. I've been doing this for 25 years now. So I ha I've had a lot of wins. I've had a lot of losses and I've been able to develop this framework in this process.

[00:39:11] It was much harder when I was young, because I would thought if I'd lost money, well, then I obviously did something wrong. Sometimes, sometimes the markets just are not nice to you. Sometimes you can do everything right and still lose money. And I think that's why it's so key to figure out either a process or size your positions appropriately, or come up with some kind, you should always have.

[00:39:31] Some kind of protection on the downside so that if you, if the market doesn't treat you right, if your process works, but the solution or the result is bad, it doesn't wipe you out. I talked to so many people. My, my guess is that you do too, that they'll have a thesis and they'll have an idea. And then they'll have 25 percent of their portfolio in it or 30 or 40 or 50.

[00:39:52] And I'm like, are you crazy? And then the reality is that for a profession, somebody who manages capital professionally, if they have a five or

10 percent position, that is typically a very big position. And then people always come back to me and say, yeah, but that's not what Druckenmiller does.

[00:40:09] Druckenmiller, he puts everything in one basket and then watches that basket very carefully. And my only comment to that is you are not Druckenmiller. So, yeah, and he tends to go into

[00:40:18] **Chase:** the teens on the biggest. So, yeah, don't get me

[00:40:21] **Brent:** wrong. And not only that, he doesn't get married to anything. He could go on CNBC and say, I love X, Y, Z.

[00:40:29] And at six o'clock that night, be sitting at dinner, read an article and sell it. And he ain't going back on CNBC the next day to tell you.

[00:40:36] **Chase:** And he owned NVIDIA when you were making fun of it. And now that you are buying it, he's starting to trim it. So like, yeah, exactly. So I find that good investment ideas come from connecting dots, which.

[00:40:46] Requires a lot of collecting of those dots, reading research. There's a million ways to kind of collect all the dots that would go into what turns into an investment thesis. What are your, some, what are some of your favorite ways to collect those dots?

[00:41:01] **Brent:** Well, I mean, obviously reading stuff is important and you kind of have to read stuff on a regular basis.

[00:41:08] And the nice thing about once you read stuff on a regular basis, unless something changes dramatically, you get to have a pretty good feel for what's going on. Right. So you have to be pretty consistent in your process. Again, whether that's reading, whether it's talking to people, whether it's charting or whatever it is, you have to be consistent.

[00:41:24] And it doesn't mean you need to do it every day, but you can't just pick it up every six weeks. You kind of need to know where everything's at. And then I think in general, let's use, I'll use the current market environment as an example. Right now, despite valuations and despite people's sentiment, we do have economic growth in the United States.

[00:41:47] And we've got the Fed who seems to want to cut rates. So if you have an economy that is, let's just call it, okay, if you don't want to say it's strong and you have a central bank that is not long, no longer raising, but cutting, that is a pretty good environment in which to be long assets. So that's a good place to start.

[00:42:07] Now, if you have the opposite. That, that's a good place to start as far as being long, if you have the opposite, if you have a slowing economy and you have a central bank that is still either raising rates or has tight monetary policy, or you have what you've Foresee to be ridiculous, governmental, political programs going on.

[00:42:30] Maybe that's a place to start looking for a short thesis, right? But the other place that I start to look is I always look at sentiment. Like I get excited when thing has a DSI, which is just a daily sentiment indicator. It's a very simple indicator, but it's very good. Anything above 90, that's extreme.

[00:42:48] Anything below 10, that's extreme. So I'll give you an example. Like right now. Okay. When the nineties, something like cocoa is in the nineties, something like the Nikkei is in the high eighties, but corn and wheat and soybeans, they're dulled down at like a 10 or 11 or 12. So just based on that alone, I would start looking at, well, maybe this is a time to short the Nikkei.

[00:43:06] Maybe this is a time to start buying corn or something like that. So that's, that is a very simple, but that's a typical place for me to start, start looking, because I would rather buy something when it's really beat up than buy something where it's all time high.

[00:43:19] Okay.

[00:43:20] **Chase:** Yeah, it makes two of us and corn has really got my interest right now.

[00:43:23] So it's a perfect one. Everyone's short. No one likes it. And there's actually some fundamentals that are supportive. What is your favorite book that is more than 30 years old?

[00:43:33] **Brent:** Well, my two favorite books, they're both over 30 years old, but one is the alchemist and the other one is the old man in the sea.

[00:43:40] And the lead character in both of those is named Santiago. So that, that might give you a little hint of why I like those books.

[00:43:48] **Chase:** I actually read the Alchemist because of you and loved it. So I can vouch for that one. So we just talked about your, some of your methods for collecting dots. When it comes to connecting them.

[00:43:57] Some people get all their ideas on a walk or in the shower or something. How do you go about connecting those? What are you, how do you, where do you find you get your best ideas?

[00:44:07] **Brent:** You know what? My best ideas typically come from doing, my best ideas are contrarian ideas. Okay. In other words, I've been long us equities forever, but I haven't necessarily had a great stock pick for a long time, right?

[00:44:20] Because that's kind of what everybody else is long us equities as well. But my best ideas come from contrarian and they might not come that often. And here's the thing I might lose on eight out of 10 contrarian trades, but you typically make enough on the other two to more than make up for the eight that you lost on.

[00:44:37] So you got the size inappropriately and you have to have some kind of an exit for when you do these. But those are my best. And again, I usually start there with sentiment. If sentiment is in the nineties and everybody's pounding the table on something, it's time for a pullback. And I'll give you a very good example.

[00:44:50] I am extremely bullish precious metals in the longterm, but again, my systems process or my, my, my understanding of the overall system and my process has led me to understand and believe that it's not just going to go up and in a straight line. And I've kind of, I kind of believe that while I have a physical gold position as kind of a core holding in the portfolio, I will trade.

[00:45:14] Do short term tactical trades in and out of precious metals. And as a result, when I'll do interviews and stuff, sometimes I will say, I don't, I think gold's going to pull back. And I've never said gold's going to go into zero. I've never said I don't own gold. I didn't never said any, nobody should own gold, but I will occasionally say, this is not a good time to buy gold, or this is not a good time to buy the miners.

[00:45:32] And of course, whenever I say that people absolutely hate it. And so if you were to go back to my Twitter feed, the first week of December. Silver had made a big move higher and people were absolutely losing their minds. I mean, just completely off the rails. Silver is going to a hundred dollars. You missed it.

[00:45:53] You don't know what you're talking about. How could you be so stupid? It was so obvious this was going to happen. And I think at the time silver was around 25 and that literally marked the high. And I think silver is like around, I think it went to 21 in the meantime, and now I think it's a 22 or something.

[00:46:08] So whenever people just start pounding me on Twitter, that's a pretty good sign that either the whole world's going to blow up or it's time to fade whatever trade they're killing me on.

[00:46:21] **Chase:** All right. So I got one last self serving question for you. I was going to ask you this one off the air, but. Maybe if people will find it interesting.

[00:46:27] So at some point I want to start having a small in person conference, probably once a year, something like that. And naturally I'm going to be inviting some thoughtful market participants like yourself. You've done a quite a few conference gigs. So I wanted to know, like, what do they tend to do to get you there?

[00:46:43] Cause I have no idea. And this is something I'm gonna have to do. Do they get you a hotel room down the street and a 50 Applebee's gift card? Or do they fly you out first class with an executive suite and a 10, 000 check? I figure it's Somewhere in between, but I want to do this someday. I don't want to know how much it's going to set me back.

[00:46:59] **Brent:** Yeah. Yeah. I mean, I promise you, if you send me a private jet and put me up on a yacht in the Harbor there, I'm there.

[00:47:08] **Chase:** Joke jokes aside, I really want to know, like, what do they typically do for people? Cause I have no clue.

[00:47:15] **Brent:** What's kind of ranges. It depends. It, it, it ranges. Sometimes they'll pay for your flight.

[00:47:20] And other times they'll pay for your flight and put you up. Sometimes they'll give you a little appearance fee. It really depends on who you are, what you're going to do. Are you giving us, are you giving a keynote? Are you, are you speaking on a panel? But it ranges, but you know, If you invite me, I'll come.

[00:47:34] So I recognize

[00:47:36] **Chase:** you will, but you're not going to be the only person. I got to figure out how to low ball all the other guests we're going to get.

[00:47:41] **Brent:** Well, I think what you got to do is you got to come up with a good mix of people. You got to get, you got any, and you have to have a good, if you just invite somebody to come and give a presentation, that's fine, but it's more fun.

[00:47:52] I think if you've got some kind of a debate or some kind of a thing to, to, to make it a little bit more interesting. And obviously. The, the reason that people would go do it is the visibility, right? And perhaps the opportunity to meet somebody they haven't met before, or the opportunity to do something that they wouldn't otherwise have the, I feel like people, especially people who go to a number of conferences, they can kind of get to be the same over and over again.

[00:48:16] So, but if there's something unique about it, or if there's some unique experience that they're going to have as a result, then that's a little bit more of a draw. Yeah, that

[00:48:24] **Chase:** makes perfect sense. And I will definitely make it a different.

[00:48:28] **Brent:** You host it at an Air Force base and you show us the new, the latest Skunk Works airplane that nobody else has seen, that'll be a good draw.

[00:48:36] **Chase:** There's a problem with that. And that's the, that happens down in the Mojave desert. I never want to go back down there. So we'll have to come up with a new idea. I'm scarred from living there. All right. That's all I got for you. But before I let you go, definitely let everyone know where they can find you and reach out to you.

[00:48:53] **Brent:** Got it. Yeah. Well, thanks again for having me. I appreciate it. My friend, John and I do our own show on a weekly basis. It's called Milkshakes, Markets and Madness. If you search that on YouTube, you'll find it. You can also find it on Twitter. It's at milkshakes pod. I'm pretty active on

Twitter myself. It's a Santiago capital, but you can find me, the logo is white seashell.

[00:49:13] Uh, and if, I think if you type Brent Johnson, Santiago capital, you'll find it as well. I do a number of different social media appearances. And if you, if you go to YouTube and you Google the milkshake theory, there's a way, which I kind of think is a bit ridiculous, but there's a million presentations at this point.

[00:49:29] So knock yourself out.

[00:49:30] **Chase:** You and Brett Johnson, both. So yeah. Yeah. All right. Oh, I forgot to tell you my Russell story with the Russell story.

[00:49:37] **Brent:** Okay. So

[00:49:39] **Chase:** by the way, did he actually say that? I missed that. If he said that. So that's funny. I just assumed someone had told you about this. Yeah. He like, I don't even, I don't even know what the piece was about on his sub stack, but he talked about Brett Johnson and I was like, okay, I gotta use this.

[00:49:52] Was this recently or like a year ago or something? Probably like six months ago, roughly. Okay. I'll take it up and I'll, I'm going to, I'll send you a little

[00:49:59] **Brent:** piece. Okay. I just wasn't familiar with it, but anyway, here's my Russell Clark story. And it's first. First thing I'm going to say is that he's really super smart, total respect for him.

[00:50:09] And this is in no way meant to be like a negative. I would tell the story if I was sitting here with him. So this is not me pulling punches or anything, but several years ago now, probably five, four or five years ago. I was in London and I was going to, a friend of mine who worked in London was hosting a dinner, like a finance dinner with a bunch of investors there.

[00:50:29] And I went to it. And then after dinner, and I didn't know everybody at the dinner. I knew some of them. And then after dinner, I went to the bar and was having a drink. And I started talking to this guy next to me and just super guy. And we're talking and we're laughing and I'm like, wow, this guy's really smart.

[00:50:44] And to the more we talked, he started saying, wow, this guy really knows a lot. And then at some point, somebody else comes up and starts talking with us. And it turns out it was him. It was Russell Clark. I was like, wait a minute, you're Russell Clark. And he's like, yeah, I'm like, okay, all right, well, that makes sense why you're so smart.

[00:51:00] And he started, he laughed a little bit. And so then we actually started talking about real vision. Cause I think I had just recently been on real vision or something like that. And I think he, maybe he referenced that at that time or something. And so I said something like, well, how come you've never been on there?

[00:51:13] Why don't you go on there? And he made the comment, well, he says, I don't need to raise money. Why would I go on there? So if he's been on real vision recently, maybe he's raising money.

[00:51:23] **Chase:** He, he is kicking the tires on the idea of going back into the game. So we'll see. Well, there you go. I would assume he's making plenty of money on his sub stack, which is really good and, and just for people listening, there's this thing with people that write research, they like to pretend they don't read anybody's research.

[00:51:38] And I'm sure a lot of them really don't, but I get a ton from reading other people and like Russell, Russell is not only super smart, but like he thinks so different than everyone else, like really creative stuff. Really outside the box, which just adds a ton of value. It's not the 50th person just debating mag seven or something.

[00:51:56] **Brent:** Well, I mean, that that's the only person that's really worth reading is the person that doesn't agree with you. Right. Find the weird stuff, man. What's, what's the

[00:52:03] **Chase:** point in reading what you already know? The, the, the, the guy's been going deep on like fertility issues and stuff lately and all the ramifications of that.

[00:52:10] Like, that's what I'm, that's what I'm here for. People that, you know, are thinking. Stuff that no one else is well, I won't keep you anymore. Brent. Thank you so much for joining and being the, the honored first guest on the show. I appreciate it. I appreciate you having me. Good luck. Cheers.

[00:52:28] 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 pinecone macro. 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 at Taylor made macro, and you can follow me at pinecone macro.

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[00:53:04] So stay tuned