



EPISODE
401

HOW TRUMP'S ATTACKS ON THE FED AFFECT INFLATION AND LONG-TERM BONDS

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The Context – A "Private" Threat Goes Public:



The Incident: Reports confirm a private threat from the White House to the Fed Chair (Pretext: DOJ investigation into renovation costs).



The Counter-Move: The threat "leaked" immediately.

The "Checkmate":



Senate Response: Senators Tillis, Murkowski, and Cramer vowed to block all future nominees if independence is breached.



Market Reaction: Treated as a "circuit breaker." The institutional "immune system" kicked in.

Scenario A – The “Benign” Outcome (Political Theater)



Narrative: “It’s all for the ratings.”

The Strategy: Trump knows he can’t fire Powell without crashing the Treasury market.



The Goal: Create a “Deep State” scapegoat.



Outcome: Status Quo. The Fed ignores the noise; rates stay higher for longer.



If economy slows:
Blame Powell for keeping rates high.



If inflation rises:
Blame Powell for not managing supply.

Scenario B – The "Tin-Pot" Descent (The Turkey Scenario)

Narrative: "Descent into Fiscal Dominance."

The Mechanism:

- Bypassing the Senate (using "Acting" appointments).
- Weaponizing the DOJ against policymakers.

The Economic Logic:

- Force rates down artificially.
- Run the economy "hot" to inflate away debt.

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Risk:

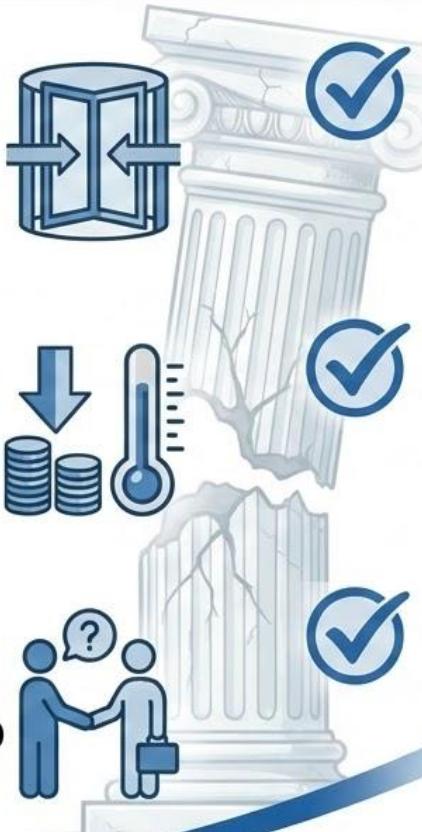
We lose the "anchor" on inflation expectations.

The “Turkey Checklist” – Signs of Decay



The Revolving Door:

Frequent firing of Central Bank chiefs (Turkey: 3 chiefs in 2 years).



Irrational Rate Cuts:

Cutting rates while inflation is rising (The “Erdogan Orthodoxy”).



“Acting” Officials:

Filling the board with non-confirmed loyalists to bypass Senate oversight.



Shadow Mandates:

Forcing the Fed to fund specific gov projects or buy debt directly.



The “Foreigner” Blame Game:

Blaming inflation on “saboteurs” rather than money supply.



Dollarization:

Locals stop trusting the currency (move to Gold/Crypto/USD).



The “Miran” Strategy (The Domestic Win / International Loss)

Concept: Based on arguments by Stephen Miran (Ex-Treasury). 

The Strategy: Strategic Devaluation of the USD. **Goal:** Re-shore manufacturing, boost exports. 

The “Nominal Illusion”

Domestic Voters Feel Rich:



Stock Market:
UP 10%
(Nominal)



International Investors Break Even or Lose:

Currency (USD):
DOWN 10% on 10%
(vs. Real Assets/Foreign FX)



Verdict: Fits the “America First” populist mandate but risks Reserve Currency status.



Investment Implications: IF Scenario B

1. Watch the Denominator:



Don't just look at S&P 500 price. Look at **S&P 500 priced in EUR/AUD/GBP/JPY.**

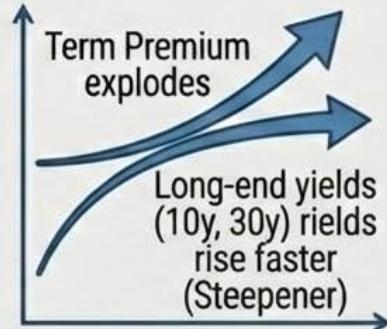
2. Long Hard Assets:



Hedge against "Fiscal Dominance"

Gold, Crypto, Real Estate (Fixed Debt).

3. The Bond Vigilantes:



Expect "Term Premium" to explode.
Long-end yields (10y, 30y) rise faster than short-end.

4. Winners vs. Losers:



Winners:
US Exporters, Debtors. Global companies (to an extent)



Losers:
Importers, Savers, Foreign Creditors.

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