



The Perch Pod Episode 36

The Race to Zero, Russia, Latin America, the Bond Market and some Basketball with Marko Papic

Marko:

It's 3:00 AM and your phone rings. You're a C-suite executive and the US administration has just imposed export controls under section 301 that will significantly impact your business. You're a currency trader and a decision by a populous president of an emerging market economy to sack the pro-market finance minister has just hit your stop losses like a ton of bricks. You're the head of an NGO and your team in an autocratic country was just being detained fights a ruthless interior minister, who do you call? Well, obviously it's Past Expiration Date Consulting Inc. At PED consulting, we employ past their expiration date former technocrats and bureaucrats to help sooth your nerves with monotonous consistent droning largely recollecting, irrelevant yet somehow variant efforts to negotiate ethic disputes in former Yugoslav Republic of Macedonia now known as North Macedonia that was stressed.

Marko:

While you actually hate government bureaucrats and normally would not entrust them with the lives of ants in your driveway. For some reason, the fact that they're retired and now members of the private sector is encouraging and perhaps slightly arousing. You will therefore gladly pay us hundreds of thousands of dollars in consulting for their completely detached overtaken by events and past expiration date views. Our consultants come with decades of experience, impeccable Ivy League decrees, and a superhuman ability to name-drop three mildly exciting op-ed writers before drawing in their next breath. Sign it up, sign him up for your next board of governors briefing where our consultants will speak in such broad generalities that you will be able to park a Gerald R. Ford class aircraft carrier between their assumptions.

Marko:

Are you sick of two-handed economists? You haven't seen anything yet. And our consultants lull you into a false sense of complete confusion by stating the obvious in the most fond way you've ever occurred. So why spend time doing your own geopolitical analysis? They may actually be market relevant. Well, paying someone who understands how the interest rate on your



mortgage works or even what an interest rate is. To do actual research when you can simply give us money so that our former government bureaucrats can afford another condo in Myrtle Beach. Past Expiration Date Consultant Inc, your choice when you have no idea what the fuck you are doing. Not SEC registered. If we were, we would all likely go directly to jail. Available in all countries and territories, our retired bureaucrats just want their bread buttered.

Jacob:

You totally outdid me, that was amazing. Thank you, thank you. Past Expiration Date Analysis, we're happy to have you on the show. It's really nice that you decided to sponsor this podcast. Hello listeners and welcome to another episode of the Perch Pod. As usual, I'm your host, I'm Jacob Shapiro. I'm also the founder and chief strategist of Perch Perspectives, which is a human centric business and political consulting firm. Joining us on the podcast today is Marko Papis, Marko is partner and chief strategist at the Clocktower Group. Regular listeners of this podcast will recognize Marko as Cousin Marko from previous episodes. We are super excited to welcome Marko back to the show. I should note that we recorded this podcast on July 6th, and it will be coming out, let's see here, probably on July 26th. Most of this will still be relevant by then obviously, but we did talk a little bit about the NBA playoffs and the NBA finals, and those will probably be wrapped up by then. So you will get to see how smart or stupid we were about our NBA predictions.

Jacob:

Don't worry, most of this podcast is about some of Marko's new interesting ideas about investing in green technologies and the geopolitical connection to that, but we do a little bit of basketball at the end. As always, you can look at the timestamps if you'd rather skip through it, but I think it's pretty entertaining. Otherwise folks, check us out at perchperspectives.com, email us at info@perchperspectives.com if you have comments or questions about the podcast or want to talk about the geopolitical services that Perch provides or check us out at latinpolitik.com where you can get three updates on Latin American geopolitics a week in your inbox for five bucks a month roughly the price of a fancy cup of coffee. So if that's something that interests you, check that out. Other than that, and without further ado, let's get to Marko. Well, good. I'm glad you like coming on this podcast because it's always a pleasure to have you. Cousin Marko, say hello to the audience.

Marko:

Hello everyone, Cousin Marko is here.

Jacob:



I'm not just blowing smoke up your ass, you sent me this piece that you wrote about the race to zero. And it's really, really, really good. I'm sorry that most of the readers probably can't read it, but they'll get a taste of it at least here. Why don't we just start off there? What is the race to zero?

Marko:

All right, cool. I guess we should start off with you and I had talked about a couple of topics that we could talk about, and we wanted something that we kind of disagree on. We had a recent interaction on RealVision where we basically talked about ESG and all this stuff that's happening in the financial markets. We actually don't I think disagree on this.

Jacob:

Yeah, no, I don't think.

Marko:

My point is that's how it started. I mean, look at the race to zero is my attempt to explain to investors why they really, really should care about what's happening in terms of green technology and sustainability. And it has nothing to do with ESG. ESG in public markets is probably snake oil. And that's fine, I'm not really interested in that. What I'm focusing on is the fact that we have sufficient technological innovation in a number of different spheres of technology that really matter. So there's been sufficient technological innovation coupled with a number of other paradigms that are creating this force that it's really a epocal endeavor to embrace efficiency over scale.

Marko:

So let me back off and give you a sense of how do we put all of this? For the last 200 years since the industrial revolution, we have had a race to scale. So since the industrial revolution, we've adopted means of production, which is really just a fancy way of saying tools of innovation technology but also things like management systems. They have allowed us to scale up, scale what? Scale everything. Scale how much coal we extract, how many railroads we put into ground.

Jacob:

How much food we produce, maybe the most important.

Marko:



Food, exactly. Soldiers, how many soldiers we produce, how many illiterate human beings we produce, how many cars we produce and so on, and so on. That's what industrial revolution has been about. And so the last 200 years, nation states have oriented themselves towards the endeavor of competing in this scaling up process. That's been very, very important over the last 200 years. We are now at a threshold of a real shift in terms of our means of production where we can have technologies emerging that will allow us to race to zero. So instead of racing to scale, we're going to race towards efficiency. Now, does that actually also have implications for climate change or sustainability? Yes. But leave that aside for a second lest you be thrown off course by the ideological debates behind that issue. What's more important is that the technological innovation. And what I'm really talking about are things like everything from synthetic biology to agricultural technology, obviously alternative energy, obviously electricity storage, and obviously AI and machine learning which actually underpins a lot of the innovation that we have that's accelerating the technological innovation in battery storage or alternative energy.

Marko:

In other words, the fact that we can have super computers, better math, faster math is helping us adopt some of these technologies even faster than we thought. This is creating a race to zero where countries are no longer going to race to scale and produce more, but actually produce better and use less resources. And there's a lot of geopolitical implications, obviously political implications. But the first story here, Jacob, is the technology. We have the available technology. Now, the second story is we have the available 0% yielding capital. Interest rates are very low, so you can blow money on innovation. And if you don't think that matters, talk to folks who started shale revolution.

Marko:

Shale as a technological innovation really started late 40s, early 50s. Obviously, there was some innovation in 2010, I'm not saying it was all just a 40-year-old technology. But it was low interest rates that allowed, it was low interest rates combined with high oil prices that allowed wildcatters to get access to capital to start drilling holes all over the United States, which would have been a wasteful endeavor at any other time in history. So you have technological innovation marrying with low interest rates, and then two other macro pillars that underpin this race to zero, which is one, populism. Policymakers need a project with which to generate normal GDP growth, might as well blow all the money you're printing on re-electrifying the entire grid of the United States to allow for solar and wind power. Why not? It's a good endeavor, let's just do it. It puts people to work, people with jackhammers and stuff like that, which is awesome, populism.



Marko:

And the second is the geopolitical story here as well. And here, we get into national security. So US and China are competing, China's trying to eliminate its addiction to seaborne sources of energy in particular. You can look at a chart of Chinese imports of oil out of the Middle East, and they're skyrocketing. As America deleverages from the Middle East, China re-leverages. And so hurdling towards an EV future, battery power cars is for China not just about pollution or making their people happy, it's also about ensuring that one day if they ever do engage in a military conflict in East Asia, America doesn't win that conflict by merely parking an aircraft carrier outside of the Strait of Hormuz.

Marko:

So there's this whole debate right now, could China militarily invade Taiwan or not? Who cares? I'll tell you what China can't do. China cannot fight a war in the Straits of Hormuz. So to them, moving into batteries and EV is a national security issue. And if it's a national security issue for China, it will become a national security issue for America. So what is the race to zero? Race to zero is an epochal endeavor, and it's changing our means of production. And it's going to drive all of our geopolitical investment analysis over the next 10 to 20 years. So in this piece that I wrote that basically arguing in 20 years, hell, there may not be NASDAQ anymore, there'll be a green stack.

Jacob:

You had this great chart, which goes to show you that you can also manipulate data however you want, but you compared what you're expecting the fiscal stimulus for green tech to be versus every other human endeavor in history. And the way you've scaled, many times where it was well-played.

Marko:

That's the favorite chart of everyone who reads that piece. Obviously, it's 80% bullshit. I'll tell you this, the analysts on my team didn't think it was bullshit when they added though inflation adjust the Great Wall of China. But yes, look, there's going to be trillions of dollars spent on all of these technologies and the initiatives. Now, a lot of people listening to the podcast, they're going to get a brain aneurism depending on their politics. Here I am talking about how we're going to set on fire trillions of dollars so we can basically re-electrify the whole United States' electric grid. Isn't that stupid? Don't we have an advantage in oil production, in natural gas production? Aren't we shooting ourselves in the foot?

Marko:



And I would just say a couple of things about that. First of all, maybe, maybe we are, but it's going to happen. And it's going to happen because at some point this ceases to be about what Al Gore and Gretta Thornburg want, and it becomes about national security. If China shows up and says, "We're going to dominate batteries," is America just going to be like, "well, you know what, we don't want to play. We're going to take our toys, we're going to go home and we're going to keep using internal combustion engine." Okay, cool story. We could have done that in the 19th century with horse and buggy. We've got a lot of horses, we're really good at making carriages. So we're just not going to play this German game of internal combustion. Well, how would that have turned out? Not very well.

Marko:

GM announced at the Super Bowl, the most American of events, GM announced with a hilarious Will Farrell ad, which had like a touch of soft core liberal nationalism, which was really interesting like America is not going to be behind EVs, is it? So GM comes on and says, "We're going to have EVs, this is going to be a thrust." Once that becomes affair complete, there's no going back. And the Mike Pompeo or Donald Trump or Ted Cruz administration of 2024, I'm sure they're going to talk a lot about how climate change is stupid, and then they're going to do what Biden is doing, which is support American industry to ensure that the GMs that are going to be EVs are not using Chinese batteries in them. They're going to ensure that the cobalt that is required out of Congo, some of those mines are carved out for US use. And Latin America, which is going to produce a lot of lithium has American influence in it. So this race to zero is going to reorient everything.

Jacob:

Well, yes. Your point on China is very well taken, I wrote an article years ago now, I think it was 2017. Everybody is freaking out now about Xi Jinping's big speech for the a hundred year anniversary of the communist party. And oh my God, he said that they were going to ... All nations make big speeches like that. But in 2017, he made a speech that I noticed because he declared war on financial risk, poverty, and pollution in 2017. So when people talk to me about the Taiwan Strait, yeah, maybe in 15 years. But China is already fighting a war inside of the country against financial risk, against poverty, and against pollution. So everything you're seeing coming out of China right now is attacking one of those vectors. And to your point, the pollution fight in China is really real. They definitely want to be on the front end of that.

Jacob:

And you can feel the collective brains of the US political establishment blowing up as they try to deal with it. Because those in the left don't really like the anti-China rhetoric and they feel nervous about having to lean into all that kind of thing. And then the folks in the right, they like



the anti-China rhetoric, but they don't like the pro environmentalist rhetoric. And they're all trying to figure out exactly where they're going to fit. And I think to your point, none of them have figured it out yet. This is probably all going to shake out in the course of the next decade.

Marko:

No, there was a great foreign affairs article that recently really detailed. I forgot the authors I apologize, you can edit it later. They detailed what China is not playing nice. A lot of this EV that they are going to build, electric vehicles, they're going to be powered by coal. It's like it doesn't matter. Sure, fine, whatever. They're still going to build EVs, and they're going to get good at it, and they're going to dominate ... They already dominate battery production. And the rest of the world is not just going to let it happen and not compete. And so suddenly this potentially idiotic endeavor that I just Again, depending on your politics. Some of our listeners here today may not think climate change is real, that's cool, that's cool.

Marko:

Depending on your politics, you may think this is idiotic my point is it's going to happen. And it's going to happen because of hard power, it's going to happen because of Machiavellianism, it's going to happen because of domestic populism. It's not going to happen because Al Gore got on a crane and told us temperatures are going to rise. Now, there's a couple of ancillary benefits of this. You can sit here and shake your little fist against this race to zero or we can look at the bright side. One, we're probably going to solve climate change thanks to geopolitical conflict between China and the US, who knew? One, okay, so that's cool. The second thing is, listen, the innovation that's going to flow out of this. Over the next 10 years, we're about to witness the true innovation age.

Marko:

First and foremost, last 10 years, we haven't innovated anything, I'm sorry. Getting me a pizza delivered to my door in 30 minutes with my iPhone, that's stupid. Most of the innovation we've had over the last 10 years whatever, it's blah. Software ceased to be relevant for macro productivity in the 90s. When was the last time you looked at the Excel, a new version and be like, "Wow, Microsoft really outdid themselves with this new version"? Like never. Maybe since the paper click showed up in the corner, you're like, "Well, that's cool," and now it's gone. I liked the paper click. Yeah, I liked it.

Jacob:

It's gone, I think we lost the best part.

Marko:



We lost the best part. My point is, listen, the true innovation that's about to flow out of this endeavor is extraordinary. We're going to, and by we, I mean, everybody on the planet is going to burn through trillions of dollars to scale up on this race to zero. And it's really important. I compare it to the space race, Jacob. So you could make a very good argument that a space race was just a pissing contest between superpowers. It was the dumbest thing we've ever done. We put a man on the moon, we never went back because it was totally useless putting a man on the moon. There was nothing there, just us and rocks, and we never went back. But the technological innovation that flowed out of that endeavor obviously we're still coasting on it, we're probably talking right now because of it. My point is we're going to spend multiples of that over the next decade.

Jacob:

Yeah, I would even double down on that point that you made because you were talking about cheap capital and fracking. And while you were doing that, I was Googling because I wanted to see what interest rates were like. Not in the space race because by that point, things had already taken off at the late 1950s because that's when the microchip becomes a thing. And the microchip only becomes a thing because the US government wants to put chips on missiles so that it can make them precision guided and hit exactly what they want to hit in the Soviet Union. Until the United States government funds all that and until you have money sloshing around the system post World War II, nobody wants to buy a microchip because nobody knows what to do with it, it's way too expensive. To miniaturize it is a fool's errand, all these other things.

Jacob:

And to your point, you don't get the space race if you don't have the microchip. And nothing that has happened in the last 60 years happens if you don't have that kind of framework. So to your point. You mentioned the fracking thing, but in some ways the semiconductor microchip thing is an even better example of what you're talking about.

Marko:

I'm nodding violently.

Jacob:

He's nodding violently. It's funny also. I don't know if you listened to a few episodes that ago, but I had one of my favorite Russian analysts on the show a couple of weeks ago, Andrey Shushentsov. And I usually have him on because he gives you that Tolstoyesque vision of the world. Everything is depressing, everything is horrible. And even he, listeners, you might remember was talking about how climate change was the one thing Russia and the United



States might be able to cooperate on and build world peace because everybody wants to do it, and everybody wants to work together on it. So I don't know if it's a good thing that everybody's agreeing on the same thing. But to your point, there's a lot of that out there.

Marko:

Everyone's agreeing on it, but what I find super exciting because everyone kind of agreed with it since Kyoto and nothing happened. The reason I think something will happen now is because we're competing in these technologies. For example, think about this, who gets to fusion power? Whichever country gets to fusion first, we're teaching our kids that language. France gets to fusion first, you better get your kids learning French because it's over at that point. And what we're seeing now because of the advancement in AI, machine learning, quantum computing, that can now be applied to some of the physics we need for fusion. And the endeavors and the And by the way, the financing and the capital in the private markets is flowing. So you're starting to see more and more private funds. Not public SPACS, forget about Again, that's snake oil.

Marko:

Bt in private markets, there is more and more institutional capital seeking these sources of technological innovation. And that's important because softwares in Silicon Valley's grip on the imaginations of investors is loosening. People are starting to see, you know what, I don't want to put my hard earned dollars into another app or another enterprise software that will automate TPS reports and change the world in doing so. I'm being ironic and sarcastic. I want to actually build a new airplane or I want to do green hydrogen or I want to do carbon sequestration or fusion. That's something that makes me excited as well because this isn't just public, it's also private financing as well.

Jacob:

Have you read Three Body Problem? It's the famous Chinese science fiction. I'm in the middle of it, and it's actually been giving me nightmares. And it came to mind because I'm in the second book of the trilogy. So listeners don't spoil it for me by writing in what happens in the third book. And I think Netflix is making a show out of this. But right now in the second book, the human species basically has to come up with fusion or we're all going to die sort of thing. So it's funny that you're talking to me about fusion because that's apparently in the zeitgeist-

Marko:

I think someone's quoted this to me.

Jacob:



You should read it, you'll pound through it on your flight to Europe. It's an easy breezy. You know what, it's the best science fiction novel I've read since June, and it's in that.

Marko:

Oh, that's high praise, I'm a big Dune fan.

Jacob:

I also wanted to ask, well, I want to pick a little bit because I do agree with most of what you had to say, but it's the part about producing better versus producing more I'm a little bit skeptical. And I'm skeptical for two reasons. Number one, there was this great article in The Atlantic that was reviewing this new book by James, I think it's Suzman. I don't know if that's how to pronounce that name, I'm sorry if I got it wrong, James. It's S-U-Z-M-A-N. AN he wrote this great book looking at John Keen's prediction in the 30s that we were all going to surge productivity and we weren't going to know what to do with our time because we were going to be content and everybody was going to have enough of what they needed in the 2020s.

Jacob:

And it hasn't worked that way, we all work harder than ever for less even though we probably do have enough to spread it around if we wanted to. So the point being that Keen was wrong. And I wonder if it's not that people are going to produce better, they're just going to produce different because, to your point, even if you're racing to zero on emissions, you're still racing to the Congo to get the cobalt, and you're still racing to Chile to get the lithium, and you're still racing the Peru to get the copper. The fact that cobalt is so important puts the DRC back in geopolitical play, also gives me weird feelings because, I mean, the DRC was probably going to become the Vietnam War before the Vietnam War became it.

Jacob:

I mean, the Soviets and the Americans were facing up in the DRC right before Vietnam took all the headlines. And it seems like we're just headed right back there. I don't see how we get to the race to zero when you still need at the end of the day to produce more and more of these commodities to get to the race to zero. Help me unscramble that nut.

Marko:

No, I don't disagree with that. Well, my job is I try to predict market moves off of geopolitics and all these things. Yeah, one of the obvious long-term implications in the markets, and you've already seen it like copper prices I think were motivated a lot more by the story of sustainability and EVs than they were really motivated by Chinese demand or recovery in the economy. So yes, I think you are right. And I think Congo is a great example of this. Congo, you're totally



right. Right before Vietnam, this was the place where everything came together. The Katanga province obviously produced majority of copper at the time, and there was a scramble for it. There's actually a great movie that I would recommend, Siege of Jodotville. It's on Netflix I think. And by the way, we're not sponsored by Netflix, I don't know why I'm just giving them shout outs for free, I'm not.

Jacob:

If Netflix would like to sponsor us, you can give me a call, and-

Marko:

Yeah, I'd die. But it's a great movie, and it's actually about a contingent of Irish troops under the UN flag that were trying to keep this key railway junction free. And they're attacked by a combination of Katangese rebels and French mercenaries. So you have French troops fighting Irish in Congo in 1961. It's an incredible true story. And I think that we're going to revisit that world. You're right, there's no disagreement between us. I think there's going to be all sorts of new inefficiencies, and we're going to have to search CapEx. But what's interesting to me, Jacob, is that, and this is why I'm bullish on commodities so much. Over the last decade, if you were a CapEx spending CEO, you got taken to the woodshed.

Marko:

So if you look at C-suite executives in mining corporates across the planet, they're all being led by just frugal, austere sabers because like last decade was terrible for commodity prices. There actually hasn't been a response on the CapEx side at all either in oil or minerals, metals. Even though there's this very compelling case and IAA writes these huge research reports on how much copper we're going to need all this. There's a lot of hesitancy because I think corporate culture got scarred from CapEx in the last cycle. And so that is just stretching this rubber band even further. And the only way it's going to get resolved is if prices really skyrocket incentivizing even these austere, frugal C-suite executives from actually laying down some CapEx for the new mines.

Jacob:

That's interesting. And this isn't even really a disagreement, but one thing I wanted to ask you or pick your brain about was you talked about how the US is a net oil producer. And if we go back to the semiconductor microchip revolution in the 60s, that's also when the US was starting to run out of oil, or rather I should say was not producing enough oil to satisfy its needs and needed to move to the Middle East and start looking at it. And I've been thinking about this in particular because I was doing a project on Mexico and also we had the Eye of Sauron in the Gulf of Mexico recently from the Pemex pipeline. I don't know how much more incompetent



they can get down there. But the point being I was thinking about Mexico, and Mexico went off the rails when it discovered oil.

Jacob:

It's this classic thing where you get a bunch of oil, you make a bunch of bad decisions. You don't actually innovate because you just have the easy money. You borrow a bunch of money expecting the price of oil to continue ... Country after country, after country has done this. Is the United States in danger of doing that? Because it seems to me that China has scarcity, so China has to be creative. They'd die if they're not creative. The United States doesn't have to be creative. To your point, the political establishment can say, "Hey, we have cheap oil here, we don't have to do any of this stuff. Our power can just be in the fact that we are blessed with resources." Is that going to arrest it at all? Does that maybe make it so that the US isn't going to be the leader because it doesn't have that same need to do it? How do you respond to that question?

Marko:

That's a very complicated question, Jacob, which is what you're famous for.

Jacob:

Par for the course.

Marko:

Yeah, par for the course here. Here's what I would say. I don't think that the fact that the US is going to be a net exporter of oil is really an issue. It's a 17, \$20 trillion economy. So the windfall from energy is really just a drop in the bucket for US. Over the next couple of years, it's going to be meaningful because oil prices are higher. It's not enough to make us do stupid things. But that said, I think the US has been doing stupid things in a number of different policy realms. And in terms of a lot of these technologies, the US does find itself as a laggard. One thing I will say, for example, this new bill that we're passing, the USAIC, which is basically the Endless Frontier of ... USICA, sorry, USICA, the formerly known as Endless Frontier, which is part of it.

Marko:

A lot of good stuff in there, but there's a whole section on semiconductors and 5G. Really we're going to spend billions of dollars of 5G which is going to be relevant for six more months? Now, there is some on some of these new technologies as well. They identify 10 critical technologies. And yes batteries, quantum, nuclear, they're all in there as well. It's just that there's a whole component just dedicated. I believe most, correct me if I'm wrong, but most of the actual spending that's appropriated in that bill is going to basically domestic semiconductor



manufacturing, cool story, thanks, and 5G. And I think that that's a mistake. So our focus has been on the raw technologies. Nonetheless, the US is a very large economy. The greatness of the US is the private sector funding, it's a really sophisticated chain.

Marko:

I don't think people understand just how the sophistication of Silicon Valley is not just into software engineers, it's also into private private ecosystem. And I think that that ... Well, I've personally seen this. That ecosystem is starting to sniff out that the next killer app is not going to make them billionaires. It's going to be the next agricultural technology innovation or the next enzyme or the next industrial battery storage or hydrogen or sequestration. And the other thing that I would also say, the other thing I would say is that a lot of people in Texas and Louisiana, when I like travel America, a lot of people who you wouldn't think are on board with this are actually on board. So carbon sequestration is going to require a lot of pipeline infrastructure and know-how into how to lay pipes, how to plant pipes, how to clean pipes, how to maintain them.

Marko:

And so a lot of people who have made their money in the fossil fuel industry are actually also on board with some of these technologies. Not necessarily all of them, certainly hydrogen, fuel cell, sequestration. You do have the fossil fuel industry of the US starting to open up to this as well. I would say that the US is clearly not first in this race, but it's not 100 meter dash, it's more of a marathon. So I would still be hopeful that the US can emerge the winner of the race to zero.

Jacob:

And to your point about private money, the fact that we have a COVID vaccine is due to the ingenuity of the United States. You alluded to this, you mentioned AI and alternative energy. But the biotech revolution that we're on the cusp of right now feels absolutely massive. I said this in a report two years ago when we launched Perch and this COVID vaccine, which is why it's mind blowing to me that people are afraid of the COVID vaccine because it's an expression of the best parts of America on every single level. It's absolutely incredible that we've managed to produce something so effective in such a short amount of time. I worry that we're step on our own feet in that sense.

Marko:

But you know what, I will also say, Jacob, it's important because it did something else. Correct me if I'm wrong, maybe some listener can correct me. But I think that that was really the first time since the Apollo program that the government threw something together in a short period



of time, threw a bunch of money at it and good things happened. We've had a lot of false starts, how many presidents tried to defeat cancer or AIDS or this or that or the other, or poverty or gun violence. And this is something that a lot of liberals are probably not going to want to give Trump credit for. But you just showed up and he was like, "Operation Warp Speed, let's go. Here's a bunch of money, go do it." And it happened.

Marko:

And what's important about this is that I think cognitively it got us out of this malaise produced by obsession, ideological commitment to laissez-faire. The government should just really not lead anything, we shouldn't have these big projects where a lot of money is put into it and then something happens. And Trump did two things that he got laughed at. Well, okay, nobody laughed I think at Operation Warp Speed, but people laughed at the Space Force. I mean, there's even a comedy about it. But these are big-picture holy crap, let's do something different. And government actually leads it and at least throws money at it, and then we have a successful outcome. I think that's relevant for the race to zero because it will open up the minds of Americans who have I think been the most hesitant to US industrial endeavors led by the government. And now suddenly we have a use case where it actually worked out.

Jacob:

Yeah. So that's definitely going to give people a brain aneurysm, and it's exactly right. Isn't it so ironic that maybe the Trump administration's greatest legacy will be to prove that big government actually can do good things? Being the head of the Republican Party, which is always for small government. But to your point as well, and you said this at the very beginning of the podcast, and I think this applies to the other examples whether the fracking example or the semiconductor example, the technology was there. So in the 1950s, somebody had the microchip at Texas Instruments. The government then came and took advantage of it and put a bunch of money into it, et cetera. We had fracking technology and hydraulic fracturing. You had cheap capital and you had all those things line up.

Jacob:

The amazing thing about Operation Warp Speed was the technology was there. People were using this mRNA technology to try and create cancer vaccines. And so when the Trump administration got all of these titans in a room and said, "Hey, the best thing for business for everyone right now is we got to get a vaccine as quickly as possible." And they were able to put all those pieces together, and it worked, to your point. It's an amazing legacy, but it only happens because the technology is there in the first place. If the system is not creating that technology on the backend, you could do Operation Warp Speed all you want, it's not going to work. So I do think that's an important addendum to what you're saying.



Jacob:

Marko, I had one more thing to ask you before we move on to some other fun stuff, which was I was surprised to see you or hear you throwing shade at 5G. I'm a little confused by that actually. I think it's one of the things that actually make sense in all of this. You alluded to AI and super computers. None of that stuff automation happens if you don't have 5G undergirding it. I get your point that it's probably going to be obsolete in a couple of years because we're going to be talking about 6G. But a lot of these advanced AI applications that we're talking about, you just are going to need the speeds that 5G is promising.

Jacob:

It's not that 5G is the transformative technology, which I think is the mistake some people make. But the idea is if you're on a 5G network, there is so much more you can do than what you could do before. And China really is ahead of that and is going to get to play on all those AI supercomputer arenas that the United States isn't because it's been behind. So tell me why you're a 5G skeptic.

Marko:

No, I think everything you said is right, I don't disagree with any of that. But if you look at what SpaceX is for example doing by putting satellites into space, putting intranet in space. I think even before we get to 6G, there is going to be a mosaic of ways we're going to be able to access the internet over the next five years that is going to I think dilute the critical nature of 5G. When I was throwing shade at, I'm throwing shade on the obsession of American policymakers. And basically the American policymakers right now if China was leading in Teletubby production, we would have a bill about it. And it's like, cool, they beat us in 5G, good job. What's next?

Marko:

And I think that there's a little bit of that going on. That's my only source of consternation at hand wringing and obsession there is about 5G as this critical battlefield between US and China. I think the critical battlefields between US and China are going to be in alternative energy, 100%. And I specifically think battery storage is going to be huge. There are advances in battery storage that are happening right now that a lot of critics of EVs are ignoring. Critics of alternative energy, solar, and wind I think have to read up about some of the innovation that's happening on industrial scale electricity storage. And that's going to make those alternative energy sources much more reliable even without building out new nuclear powers and other things.

Marko:



And I think that's really a huge, huge battlefield between China and the US and also the batteries for EVs themselves are going to be critical. Right now if GM did want to produce all EV fleet, it would probably have to rely on Chinese produced batteries. So these are the issues of the future that I think really matter. And I think that we've been overly obsessed with what's right here and right now.

Jacob:

And some of that is as simple as the telecoms lobby has a lot of power because they have a lot of money going back for a long time. Was there anything else we needed to touch on on the race to zero, Marko, or do you feel we did it justice?

Marko:

I think we've done it justice. All I would say about this is this, do you go out and buy solar stocks right now? No. And this is the last thing I want to say. Although I do think solar stocks literally will perform well in the next couple of weeks, let's leave that aside. There's this little committee momentum for growth stocks, blah, blah, blah, whatever. Look, everything in public markets right now, it is probably over valued. And that's because ... Marko Papic is not that smart. A lot of people are already thinking the way that I've articulated that there is this epochal change in technology. The problem is that we don't have enough supply of publicly traded stocks to satisfy all that demand. We're going to have the bubbles, we're going to have those bubbles pop and so on.

Marko:

And you also don't know whether you're investing in Myspace or Facebook when you do buy something in public markets. And so that's why I think that the real growth and the real returns are going to be in privates. These companies that are really going to change our lives, they're not listed right now in public markets, they're private. The second though is if you are a public market investor and you're like, "Gee, thanks, Marko, what do I do?" Well, I think the story on commodities is clear. And not just on minerals and metals that you and I talked about, I think oil has a chance to really go through the roof. And that's maybe to some people ironic, it's like, but aren't you super bullish on EVs?

Marko:

I mean, I'm moderately bullish on EVs, I think adoption is still going to take some time. But here's the thing, adoption of EVs, there is some probability on what that base is. But we know what the pace of CapEx and energy is going to be. It's going to be low because no one's going to sink \$20 billion into some super complicated deep water project off the coast of Nigeria if they have no guarantee that the demand is going to be the same 5, 10 years from now. And that



those CapEx decisions today are going to impact prices today as well. And that's why I would actually be pretty bullish on oil prices and all sorts of derivatives of that that you can think of in the markets. That's probably been my best rate since last year was just oil producers, oil servicing companies, and oil prices themselves.

Jacob:

Good. Well, we'll have some fun with that at the over-under segment coming a little bit later. Okay, cool. The next segment we wanted to do listeners, we wanted to do a little bit of geopolitical alpha opportunities. So I'll tee the first two up, Marko, and then we can do a little Latin America for the third one. So just a few minutes on each. I know Russia is still on the top of your mind, do you want to talk about Russia and geopolitical alpha?

Marko:

Yes, yes. So ruble has been very weak. Now, there's good reasons for this. Russia has up to 2014 actually done some really, really painful and Orthodoxed fiscal and monetary structural reforms. They basically balanced their government books at 40 bucks a barrel, which is extraordinary. But that means that on the upside they stow away a lot of the proceeds and buy foreign assets with it. So it makes sense that the ruble is less correlated with oil prices. However, you have to understand that while prices have recovered, volumes in terms of exports have not. So volumes of exports remain low because obviously the pandemic is still impacting travel and so on. So over time I think that that divergence between oil prices and the ruble is incompatible with the macro context.

Marko:

Now, where's the geopolitical offer here? Well, right now Russian assets are cheap, they're priced for basically another invasion of Ukraine. I don't think that a lot is required for them to be catalyzed into a pretty significant appreciation. I thought that the meeting with Biden was really interesting. I think not enough has been spent talking about it. Why did Joe Biden meet with Putin? And I think what was interesting to write after that meeting, there was the German proposal to have an EU summit. Now, it was eventually shot down by the Baltic states of Poland, no one's going to care what they think. Eventually, there will be some sort of a summit on the sideline of something with Putin.

Marko:

I have no evidence of this, but I'm just going to throw it out there, is US trying to flip Russia? Is there a concerted effort to do detente with Russia? And I know a lot of listeners who might be liberals or Democrats will say, "No way, over my dead body." But hey, listen, there's a reason why only Nixon could go to China. And for that same reason, I think only Biden can do detente



with Russia. Republican presidents for the next 40 years are going to be tainted by the fact that Russia stole the election, blah, blah, blah. So my point is there is I think something interesting happening.

Marko:

I thought that Black Sea naval dispute with UK destroyer seemed really orchestrated, really Hollywood-esque. Putin could have kept that under wraps, why did he make a big deal out of it right after meeting with Biden? Is he trying to bid up the price for a detente, is he trying to cover his ass domestically? If he is making a detente so that he doesn't look that bad so he picked on the UK which is always who the Russians pick on whenever they want to rattle the US. Long story short here is the macro context is poised, the macroeconomic context is there for Russian analysis to perform. They just need a catalyst to get them out of this decade long torpor. And I think that there's some interesting stuff brewing.

Jacob:

The only thing I would add to that, and I wrote this I think a year ago when the election was just kicking off. Basically every president since the Soviet Union fell in the United States has come to power promising better relations with Russia, Democrat and Republican across the board. Clinton was going to be friends with them, Bush looked into Putin's soul, Obama had the reset, Trump had the golden showers. All of them have been saying nice things about Russia.

Jacob:

Biden is the first one to come in saying, "I hate these guys, I don't like them at all. They are a threat." So maybe he can set it up. The flip side too though is I've always thought of Biden as a neo-con. I always thought that he was going to let his ideals direct his foreign policy to a certain extent. So if you're right about this, if he is thinking about flipping Russia, I'm wrong about that, and he's a much more pragmatic president than he even threatened to be a year ago around this time. So that's really interesting. Okay, second one, the bond market, do you want to talk about the bond market?

Marko:

I think the bond market is absolutely insane.

Jacob:

Okay, tell us more.

Marko:



So we touched 1.35 in the tender right now. And generally speaking, I think there's three broad reasons for that. One, people are looking at the fiscal cliff in 2022, and it's going to be between 4 and 6% of GDP. And that's not going to be addressed by infrastructure spending. So there's no way to avoid a fiscal cliff next year. It's a rate of change fiscal cliff because this year we spent so much money. So that's the one thing that's freaking people out. Two, total social financing China coming down, which is also interesting. That's a headwind to global growth. And there's just concerns about whether US consumers are going to spend their money. And I just think all of those are insane, and here's why.

Marko:

I think too many investors basically broke their careers, they broke their teeth on last cycle. And the last cycle was a cycle of secular stagnation. Why? Because in 2008, 2009 households were completely leveraged, they had to deleverage for the next decade. You had a slew of geopolitical crises from the Arab Spring to the [inaudible 00:47:45] crisis, balance of payment crisis in Europe and emerging markets. There was no domestic source of growth in the US, so we had to wind or watch on Chinese TSF. I think that this time around it's just such a different situation. And what's really important is that the fiscal cliff next year is overstated. In 1953, we had a fiscal cliff recession. We had a recession because of fiscal cliff after the Korean War.

Marko:

But the reason for that is, Jacob, we spent a bunch of money on bullets and tanks on the Korean Peninsula. Those empty shell casings stayed in the Korean Peninsula. When we spent 1.9 trillion on helicopter money earlier this year, that is still on household balance sheets. And so you have to think about it, there's about three trillion of unspent stimulus sloshing around the economy. And I'm supposed to believe that American consumers are not going to spend it, but why? They have deleveraged over the last decade. Their housing prices haven't collapsed, and they're not about to be marred in six years of trying to get above their equity. They've appreciated massively. So why are American households not going to spend, why are they going to keep saving for precautionary reasons?

Marko:

Now, of course, there can be some external shock that oil price is 150 bucks. We can have another Delta or whatever variant. But the issue to me is that the global context and the US economic context is vastly different from the last cycle. And yet the bond market is not just telling you that it's figured it all out, that it's exactly the same. But the move index, which measures the investor perception of how much variability there's going to be in borrowing costs, in the yields is at one of the lowest points ever. So not only are bond yields low, but the conviction in that figure is extremely high because the move index is low. And to me, that's



insane. Now, there's two ways to explain this. One, we're all stuck in the paradigm of the last cycle, and it truly is different this time. Two, there's this technical issue. And this is interesting, geeky politics stuff.

Marko:

Last year, treasury secretary Mnuchin basically did something genius. He used lower interest rates, and he went out and borrowed a crap ton of money. And that was financed by QE. In a way, this was a genius move. Why not use the QE in the crisis to just pre-fund massive amounts of fiscal stimulus? And so we had this moment when the TGA, the Treasury Government Account, which is kind of a general account, which is kind of like the treasury's checking account at fed swelled. You might remember this right before the election there was rumors, what are you going to do with it? What's Trump going to do with the Nothing, nothing. It's United States of America, you need appropriations bills to spend money, Jesus. But anyways, a bunch of those rumors were flying around. And it was Yellen who has said she's going to basically draw down the TGA instead of issuing new treasuries. And she's been doing that, and it's been drawing down. It's drawn down by over a trillion bucks in a couple of months.

Marko:

The point is by the end of the summer we should get to a point where the treasury has to issue more bonds. When the supply, demand are in balance, it's currently favoring lower yields, it's going to go the other way. That's the only way, Jacob, I can explain why bond yields are where they are. But I think none of it makes sense. And by the way, notice that I just talked about bond yields without mentioning the word inflation. Yes, I also think inflation will surprise the upside, which will require higher yields. But I think that the current rally in bond yields is wrong, I would take the other bet of that.

Jacob:

Okay. And then number three, I don't know if we have a specific one here, but I was thinking about Latin American, and I know you're thinking about Latin America. So from a macro perspective, where are you bullish and where are you bearish in Latin America?

Marko:

I would be bullish on almost all of it. And the reason for that is that, I'm a macro investor, so I look at things top-down. And then I let someone who understands the bottom up refine my view. And so this'll be interesting because you can do that, you can refine my view. But I would see this, I'm a dollar bear over the next five years. I think that China is going to be okay. And I think that what Chinese commodity demand is not okay is going to be compensated for by this race to zero, which will create a huge tailwind for demand. Peru can elect a socialist who puts in



copper mining taxes, blah, blah, blah. The fundamental fact is that the dollar is expensive right now, I think it's going to go down. That's going to void commodity prices.

Marko:

And if you look at their current accounts, almost every one of these countries, even countries like Columbia which has political unrest and so on, they all have current account surpluses. Their currencies have poised for breakouts, and commodity prices are going to continue to do well. Now, is there going to be an off opportunity to choose this country over that? Yes. But you can take the argument over on that point.

Jacob:

So I'll fire back at you. I'm bullish in particular on three countries. I'm very bullish on Chile, I think there has been a complete and total overreaction to them rewriting their constitution and some of the political figures who have emerged out of that, they will be fine. They have all the copper, they have a lot of lithium. If you're pro commodities, all those other things, Chile is incredibly educated, an incredibly stable political system. This is good. You're going to have a year of craziness, and then Chile is going to rip I think. I'm also pretty bullish on Brazil and Mexico, Brazil because Brazil feels like it's hit bottom to me. Might've hit bottom a month or two ago. Both scenario I don't think it's going to get another term unless something really, really crazy happens, which is possible.

Jacob:

I mean, this is Brazil. There have been military coups in the past, we can't rule it out. But I just don't think we're going there, I think we're going to another Lula administration. And just look at what happened under the last Lula administration under Brazil. And all of the things that made that successful are multiplied times 10 in this new thing.

Marko:

Best thing that can happen.

Jacob:

Yeah, totally. And then Mexico, I think I'm bullish on Mexico. They have some issues, I mean the Pemex issue is there, there are debt issues. But when you just look at how much productivity they've left on the table, that 50% of the economy is still informal, they're tied to the US in a really unique way. I think they're good. The ones that I'm scared of, you mentioned Peru and Columbia, I'm scared of them both. I'm not scared of Castillo in Peru, I'm scared that nobody is going to be able to govern in Peru at all because no party is going to have more than 20% of the vote. They have a lot of internal squabbling and fighting to get through before we're in a place



where anyone in Peru can do anything resembling coherent policy, that scares me. Columbia is sort of a similar situation, and I am worried about some of the deficit issues there. And then let's just dunk on El Salvador right here right now. Making Bitcoin your national currency is really dumb and speaks to bad things happening in your economy probably.

Marko:

No, listen. I kind of agree with everything you said, Mexico is interesting, it's tied to the US less so commodities in China, and US is on fire. So I think it just makes a lot of sense. We believe in this thesis a lot in my firm. We've had, this is a shameless blog, but we've had FinTech venture fund for a long time. In private markets, we look at FinTech companies. And we actually decided to carve out a Latin America FinTech fund based on a lot of the thesis you mentioned. And you reminded me of this when you said that Mexico is under service, less productivity. When you look at the banking, sorry, there's a siren in the background, which I'm sure you can hear.

Jacob:

I'm sure it's fine, they're coming to get you to you.

Marko:

Coming to ... Welcome to LA, to live and die in LA. That's the place to be. So basically one of the things that's interesting is how under-banked a lot of these economies are and how you can have technology solutions resolve a lot of those things. So that's what we're banking on.

Jacob:

Agree there. All right, before we move to some basketball talk and from over-unders, this is a much more dystopian, depressing sponsored ad. But thanks to our new ... Thank you to the Tyrell Corporation for agreeing to sponsor this podcast. So Tyrell's cutting edge advances in biomechanical engineering and artificial intelligence are changing the nature of work. Tyrell's machines do the dirty work so you don't have to, and so you don't need immigrants. Whether harvesting the cobalt necessary to produce clean energy, filling in for low paying jobs that no one wants, defending national security interests abroad or even preparing Mars for eventual colonization, Tyrell Corporation is dedicated to Americans achieving their greatest potential. A new life awaits you, a chance to begin again in a golden land of opportunity and comfort. Tyrell Corporation, a future for all.

Marko:

I mean, just sitting here in LA and thinking about Blade Runner, that's awesome, that is awesome. By the way, I love the new Blade Runner.



Jacob:

So good, so good.

Marko:

It hit the right notes. I think it didn't do well or something, I don't know. There was a whiff of failure on it, but I thought it was amazing.

Jacob:

I thought it was amazing. And I think the new Dune is going to be amazing too. Everything I'm seeing out of the new Dune looks stop on.

Marko:

Oh God, I'm still waiting for that. That's a great geopolitical piece. I mean, I love it. You shamelessly copy paste the Middle East into the science fiction realm. You shamelessly, I don't know. If one's read the book, they know, you are literally reading Middle East history in space, but it's awesome.

Jacob:

I worked for George Friedman for what, 10 years, 5 years at Stratford, 3 years at GPF. The piece that I'm most proud of is an April Fools piece we did. It was a net assessment of the Dune universe, and it's by far the best thing I ever wrote for George ever.

Marko:

You know what, it's so interesting. One of the things I'm most proud off is my World Cup forecast that I did at BCA Research. It was 150 pages, and I think it had more math than any piece ever at BCA research. And that's because we had 18 young math whizzes get together and just model.

Jacob:

Well, on that note, let's chat a little basketball. Before we start chatting basketball, I have to apologize to the listeners and to Trae Young because I've been hard on Trae Young for a long time now. And he made me look like a big fat idiot and that I should stick to my geopolitical day job. You also though joined me Marko in a take about how the Brooklyn Nets were going to be absolutely terrible. And they were not terrible, they looked like they were going to be one of the greatest teams in the history of the league until some folks got hurt, and they're probably going to win the next four championships in a row. So I don't know where to start, but let's keep in mind that apparently we're not very smart when it comes to basketball.



Marko:

We're idiots. Apparently, we're idiots. Yeah, no, like the Brooklyn Nets, who knew? Even a fat Harden and KD alone were enough, almost enough to get to the Eastern Conference finals where they would have probably beaten the Hawks. I did have-

Jacob:

Probably beaten the Hawks, it would have been a sweep.

Marko:

Incredible, it's an incredible season. I can't remember the last time that injuries had this much effect on the playoffs.

Jacob:

Yeah, it's wild. And I don't know who to believe either because the league is saying that injuries are in line with previous injury rates. But it really does feel like all of the best players have gone down on some level or another.

Marko:

I mean, I think that's ridiculous. Every playoff, you can actually identify some injuries that matter like Toronto Raptors. Obviously I think they won because Golden State Warriors all were just decapitated. Now, this is very difficult for a lot of my fellow Canadians to accept. But I mean, come on, that's got to be clear. There were also a couple of Laker titles, and I'm a huge Laker fan that really hinged on Tim Duncan not being fully healthy in those early 2000s. Chris Webber, same thing, got injured a couple of times. So every playoff I think a team does suffer because of this, but this has been something really interesting. One theory I have, which is that I don't think that load management works.

Marko:

And I don't just think this about sports, I also think Jacob about our own professional lives. You can't really take a month off, man, you can't. If you do, you don't come back fit, and it takes you so much time. You can't go in front of a client and just try to manipulate the entire world for them in a cogent way if you haven't had ... I'm tapping my veins here for those who don't know what I'm doing, but you got to be plugged in. You got to have this IV of global use flow in your veins to really be a cogent and value-add analyst. So that's what I found in my own life. And so to think that you can just sit out a bunch of games and take it easy during the regular season and then just go from 70% to 100% during the basketball playoffs I think is the same thing.



Marko:

No wonder you have all these hamstring pulls and weird injuries here and there, you're just not at a level. You haven't ramped up nice and easily, you ramped up from 70 to 100. And that's what happened, for example, to the Lakers, they just were not ready for that.

Jacob:

Yeah, I can't disagree with any of that. We're obviously not pro athletes, but I play pickup basketball all the time. I haven't played pickup basketball for the entire pandemic until this week I went and played ball for the first time this week, and I took it easy. And I've been working out, I've been swimming, I've been doing all this stuff. I was winded within like three points. I got one shot off, I looked really good, I was feeling good. And then I was doing nothing for the rest. It's going to take me at least six months to get back into like Jewish guy playing at the rec league kind of shape. I can't imagine what the pros have to do to get their bodies ready for that sort of thing.

Marko:

I had my ACL surgery last year due to a basketball injury. And I played my first five and five good competitive three weeks ago. I came home, I couldn't move. And I've been working on because of my PT and stuff. And it didn't matter because all those little muscles that control your actual non-intuitive movements of actual sports game rather than being on a bike or bench pressing, whatever, Those muscles were just like, "What the hell is going on?" By the way, both Jacob and I want to just caveat this, two middle-aged dudes talking about, being like their experience of load management. Let's just like put a pin on this. I just want to apologize to all professional athletes that may have wandered into this podcast by absolute accident. Just want to say we know where we are.

Marko:

But going back to this, I think philosophically speaking, I think a lot of people out there think that they can work really, really hard at something and then take some time off and that it equalizes. And it just doesn't, it doesn't. As I approach my 40s, you become cognizant of this, and you start thinking, well, actually you just can't keep ramping up and ramping down because in the ramp down, you'll lose your game. You're not in game shape, that's what it is. And they talk about this like when Chris Paul came back after being out the COVID. He was out like 10 days and he came back, and he wasn't that good because he wasn't in game shape. Even just 10 days off took the edge off of him.

Marko:



Where am I going with this? Is just I think a sign that whether you're a professional athlete or whether you're a professional analyst, whatever, it doesn't matter. The point is life work balance every day is much better than six months of working hard and then taking two months off and going to the Caribbean and being out of consciousness on the beach.

Jacob:

Yeah, it also gets to something which is wild to me, which the NBA I think has right. For analysts like you and me, we're in our prime now. We're never going to be smarter, more on top of things, more creative than we are right now because we have the perfect sweet spot of experience but also energy and the ability to ramp up and to have the stamina and to keep going. And the older you get, the worse you are. When I'm 60, I'm not going to be a good analyst. Some of these analysts out here who are raking in major contracts in their 60s or 70s, it's no disrespect to them. They're pioneers in the field, we're here because people like that have come before us.

Jacob:

But the compensation structure of the entire industry is warped. You should be getting more at the beginning when you are the one who is ... Your shoulder is the grindstone and you are doing all the really, really hard work. And as you phase out, you should probably take less responsibilities and have less compensation and let the underlings produce more income that can be shared around. And that's just not the way it works.

Marko:

I just think Past Expiration Date Consulting Inc will probably take care of you once you're there, Jacob.

Jacob:

Yeah. Unless the replicants come in and just do with all of us.

Marko:

This Tyrell Corporation.

Jacob:

This podcast will come out, it'll probably be into the finals already by the time the podcast comes out. So this is a great opportunity for us to make some predictions that don't come true. Who are you expecting to win in the Bucks, Suns face off?



Marko:

I think the Bucks are better. I almost think it doesn't matter whether Giannis plays or not, but I'm hoping the Suns win. And I say that as a CP3 hater who never understood the Point God. You can't call yourself Point God before you earn it. But I think obviously this playoff, he's earned it, and he is the Point God.

Jacob:

Yeah, I think it's Phoenix, I don't know. Devin Booker is a lot better than I thought he was, CP3 is really, really good. Ayton is a beast. I think it was Russillo and Simmons were comparing Ayton to David Robinson on a podcast a couple of weeks ago, and I thought they were nuts. I watched him a little more closely and I was like, "Yeah, he is kind of like David Robinson when he runs up and down the floor the way that he does." So I think it's Phoenix. But last question for you, Marko. Everyone here in New Orleans Pelicans wise is talking about how, is it possible to trade Ingram for Dame and get Dame and Zion on the same court? Do you think it's possible? Because if it is possible, I'm getting season tickets probably because I want to watch Dame and Zion.

Marko:

I think that'd be awesome. I think it's possible for the two of them to work together. Look, and the Pelicans have enough picks.

Jacob:

And Ingram. Ingram is a better piece than anybody else is going to offer out there, right?

Marko:

Yep.

Jacob:

And so much of the national media shits on New Orleans. New Orleans is a great city, Dame could rule the city if he wanted to. It feels like it would be really good for him.

Marko:

I think it would be a great combo. The two of them will be awesome together, that would be insane.

Jacob:

All right. Before we hit over-under is any other basketball thoughts on your head, Marko?



Marko:

Well, I want to say how embarrassed I am to be on your podcast today.

Jacob:

Why?

Marko:

Well, because the Serbian national team failed to qualify for the Olympics. Basically the way it works with me is this, juggling so many identities is difficult. But when it comes to basketball, I will always cheer for Serbia. When it comes to hockey, I will always cheer for Canada. And when it comes to soccer, I will always cheer for America. And I believe that if you're an American and you do not cheer for the US soccer team, you're a front runner. You don't deserve the glow of freedom that America bestows upon you. Because it's easy to cheer for the dream team, oh, that's easy, that's easy. It's easy to cheer for America in athletics, great. You cheer for American soccer team, damn we know who's a true patriot out there. That to me is the test of actual patriotism in this country. That's my little piece. But I want to say I'm incredibly angry about this, and it just comes down through the weird year. They had these qualifying tournaments, no excuses, good job Italy, bravo, beat us in middle of Belgrade.

Jacob:

Italy, I didn't know it was Italy.

Marko:

Yeah, Italy. There were four tournaments. I don't know if you know this, but in Victoria, British Columbia, they had one of the four, it was a layup for Canada. The team is made up of 10 NBA players, and they didn't qualify. Czech Republic got out of their group. Tomáš Satoranský shot out I think Chicago Bulls. I think so, maybe not, he might have traded. NBA player from Czech Republic, did really well. So international basketball, I'm super excited about it except now I'm going to have to cheer for Slovenia.

Jacob:

That's not such a bad second.

Marko:

No, it's awesome, Luka Dončić.

Jacob:



You don't have to root for Croatia or anything?

Marko:

I will now.

Jacob:

Well, there you go, a true Yugoslav Patriot. Okay. Some over-unders, and we'll get you out of here, Marko, I know you're busy. Our first over-under, and listeners, remember, you guys can figure this out. I'll give him some number, it'll be over, under market and Marko will have to explain why. So over, under, oil at \$90 a barrel by the end of this year?

Marko:

I think under, under. But I'll say this but over by February of next year. I'm always the hyperbolic guy who like goes crazy. I'm going to be a little bit more cautious here and say it's going to be under, but on its way over.

Jacob:

I've been feeling like the oil markets have not been pricing in the return of Iranian oil exports. Because it seems to be like it's going to ... And maybe it'll take six months, maybe it will take eight months, I don't know how long where you see in the new Iranian government has to be in until they feel like they can pull the trigger. But it feels to me like Iran is about to come back on oil markets. Am I off there? Am I seeing something wrong?

Marko:

I think you're a little off, here's why. I think there've been cheating, I think China has been helping them cheat. There was a really cool Goldman Sachs analysis in this that suggested that China was basically saying that they were getting this extra oil that magically appeared out of Malaysia, and I think Oman or something. I think the markets have kind of figured that out. In other words, the day after the deal is done, there'll be like 800,000 barrels of exports that will appear instantaneously. And it'll be like, okay, it's been there all this time. So you get that six months that you would have normally gotten over the course of six months again in a day, but it's been there. And then the hard work of boosting production and exports comes in.

Jacob:

I just feel like they have above the 800,000 they're sending to China via Malaysia. I feel like there's another million that's not going to be that hard-



Marko:

For sure, for sure. But that million is then going to take like 6 to 12 months.

Jacob:

Right, right. Okay, yeah, that makes sense. Over, under \$5 trillion in US infrastructure spending by the year 2030?

Marko:

2030?

Jacob:

Yeah, 2030.

Marko:

Of additional?

Jacob:

Mm-hmm (affirmative).

Marko:

Yeah. It's go.

Jacob:

What should I put that number to have made you think a little bit more about it, 15 trillion?

Marko:

No, I think it was fine. This is what I'm building my brand on, the Buenos Aires consensus, America's becoming's Argentina, all that good stuff. So I got to go over. So no, it was fine, it was well done. Because right now American jobs plan, American family's plan is like four trillion a little bit over.

Jacob:

Oh, yeah. I'm saying assume all that passes, I'm talking another five trillion of new stuff that hasn't even been-

Marko:



Oh, another five trillion on top of-

Jacob:

That hasn't even been proposed yet, like new five trillion.

Marko:

Damn, that's tough, that's tough even for me. You know what, let's say over And then in 2030 when there are millions of people listening to the podcast, you can call me out.

Jacob:

Okay. Sounds good. Over, under interest rates for the fed at 1.5% on January 1st 2024?

Marko:

2024. Yeah, under.

Jacob:

Under. When do you think they go over 1.5%? Any time in the predictable future?

Marko:

No. You said it well, man, you set the line well. I just think we would have to have a significant inflationary overshoot, really significant. And look, here's the truth. 18 months ahead of a general election, the fed doesn't raise rates, 12 months ahead of an election for sure. 18 months, they have. But since 1980, since 1980, since Paul Volcker, you just haven't had interest rates really go up dramatically ahead of the election. For that to happen, you would have had to have basically 150 basis points worth of hikes at some point ahead of mid 2023. You see what I mean? To get one point, that would have had to happen in 2023. I don't know, I just don't see that happening.

Jacob:

Okay, cool. Here's a two-parter. So over, under two new Russian presidents before 2030, and over, under two new German chancellors before 2030?

Marko:

Well on the two new German chancellors, I'll take over for sure. I think it will be interesting to put together a data set, Jacob, on what happens after for a long time prime minister or president of any country anywhere in the world goes. I'm pretty sure it goes like boom, boom, boom, boom, boom. We get a bunch of dudes who don't like Who remembers Gordon



Brown? Shout out to Gordon Brown, that went fast. So I would say over on the German. On the Russian, 2030, where are we? 2021. Yeah. You know what, let's be wild. I'd go over.

Jacob:

Okay. So we're going to have a Russian president before 2030 whose last name is not Putin?

Marko:

Well, two of them, you said two, right?

Jacob:

Yeah. So Putin would be one of them, so I-

Marko:

Oh yeah, I would say yes. What do you think? Where are you thoughts?

Jacob:

Oh, I think Putin is going to stick around for a while. I think he'll still-

Marko:

Until 2030?

Jacob:

Oh yeah, at least. Assuming he doesn't get sick or anything like that, but I think he's-

Marko:

Listen, what's his age right now? So he's 68 years old, [inaudible 01:16:34] life expectancy is 32.

Jacob:

But Putin's not out in the streets getting krokodil and-

Marko:

Yeah. But there was part of his life where he had to inhale the pollution with the other plebs, I don't know. I'm just assuming that I think you need him to stay in power for nine more years, that's 77, 78 years. I mean, that's a long time.

Jacob:



That's Bernie's age.

Marko:

Sorry?

Jacob:

That's Bernie's age, same age as Bernie.

Marko:

Yeah, but Bernie is healthy living Vermont.

Jacob:

It's like a year or two older than Biden, it's like a year or two older than Trump.

Marko:

Listen, listen, let me tell, as someone who grew up in Eastern Europe, there's a lot of environmental reasons why you're not going to live past 70 starting with just stress, dealing with your parents who don't send you to time-outs, then the bullying in school. Man, Vladimir Putin has had to deal with a lot of things in his life. God bless him, I hope he lives until he's 100. I don't mean ill will to anyone, also don't want to get poisoned. But my point here is nine more years, it's tough, it's tough.

Jacob:

It's tough. I think I know the answer to this one, but over, under 40% of China's energy consumption coming from solar by 2030?

Marko:

Man, 40% is way too much. Solar?

Jacob:

Yeah, solar.

Marko:

No, under.

Jacob:



Under, okay.

Marko:

That's just a lot.

Jacob:

The Chinese go big or go home.

Marko:

It's just too much, I think it's too much by 2030. But again, kind of like with my oil call, I would say on their way to 40% from alternative energy. And if you add nuclear obviously into that, then definitely I would say. If you said alternative plus nuclear, I'd be like, yeah, easy.

Jacob:

And last but not least, get you out of here on a basketball one. This one might hurt you a little bit, I apologize in advance, but it's thought provoking. Over, under one championship NBA championship in the career of Nikola Jokic?

Marko:

Let me think about this for a second. Again, a great dataset for us to construct, Jacob, is correlation between MVP and championships.

Marko:

Well, not just in terms of how he plays, but also the recognition for his game, he may be too soon, might've come to soon. Remember 2006, how did that work out for you? Baron Davis, B-Diddy has something to say.

Jacob:

That was a great series. I still remember that moment. That Baron Davis dunked on Kirilenko like it was yesterday.

Marko:

Oh God. When he [inaudible 01:19:34] of six feet under. Listen, my point is I think that's the arc of Jokic that I see. Recognition for him maybe unfairly came too soon. As a serve, I'll accept that. He's obviously one of my apostles in my religion. So I pray to the flabby god, demi god, the flabby ... Look, I look basically like him, I'm just like six foot one, I play exactly the same way, exactly the same way.



Jacob:

Do you ride through the streets of Santa Monica on a horse carriage that you-

Marko:

I try. Every chance I get, I do attempt to do that. But here's what I would just say, I think that he is good as a complimentary piece. Think about Marcus Saul on a Toronto Raptors. So Past Expiration Date Inc. Now, think of Jokic, he will be 80% more effective. Better three point shooter and always has been a three-pointer. Better passer. In other words, Jokic, here's why I would take over. Jokic has old man game, and he had it since he was 12 years old. And you know this cause you've played with me, and you know exactly what I'm talking about. You know I've always had all that.

Marko:

And means his career can be endless. Guys with zero athleticism, you're just going to age gracefully, and he can easily win two or three championship on a team with, I don't know when Anthony Edwards is the best player in the NBA, 10 years or something, not going to happen. But you know what I mean. Who knows 10 years from now he can be the third best player on a team easily.

Jacob:

Okay. Sounds good. Marko, thank you so much for coming on the podcast.

Marko:

It's always a real pleasure, man.

Jacob:

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Jacob:



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