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Warsh, De-Dollarization, and a Booming Economy

February 4, 2026

Welcome to the conference call. Let's see the typical housekeeping up front. I updated the handout about 10 minutes ago. Thank you for reading the audio. I always worry I'm talking to myself. And we uploaded it to the website.

If you've got any questions, there is a question window. Go ahead and put them in there. If I see them while I'm talking about that subject, I will address them then. Otherwise, I'll pick them up at the end. And if you have any questions or any technical issues, just hit reply to any email or send Alex Malitas an email at amalitas@biancoresearch.com. Okay, thank you.

Warsh de-dollarization in the booming economy. I should have put software in there, but I did not think – well, nobody knew until basically yesterday that the software companies were going to explode. I'll try and talk about that in just a little bit too. But these were the topics that I thought were in front of us. I wanted to talk a little bit about Warsh. I think he's a good pick.

I think he could do the right job. I think he's got the right ideas when it comes to basically fixing the Federal Reserve. The question everybody has is, is he going to cut rates as much as Trump wants to cut rates? They're looking at a bunch of documents from 20 years ago and saying the guys are really hawkish. I do not think it is about whether or not he's hawkish. I think it is whether or not he's got six other voters on that committee that are going to agree with him.

When it comes to cutting rates, when it comes to the balance sheet, the revamping of the

Federal Reserve, I think he's going to be a bull in the China shop on that, and he should be because the Federal Reserve does need to be revamped to some degree as well there. About the dollar debasement, I'm always bristled at these terms like loss of American exceptionalism, the dollar being debased. I'll be blunt, and I know that some of you out there fit this demographic, but it is a bunch of pissed-off Europeans that want to see a comeuppance of the U.S. that say it is the end of American exceptionalism or dollar debasement because what you're really saying is the country's going to cease to exist. Yes, the dollar's going down, and the dollar might go down some more. As a matter of fact, in our index, the ETF that we have that tracks it, we're positioned for a lower dollar, but that does not mean we think the country's going to end, that the dollar's going to be debased, or that it is the end of American exceptionalism. It goes up.

It goes down. And what is driving it now is interest rates. Interest rates around the rest of the world are going up, and we are not for the moment, and that makes their currencies more attractive, and the dollar goes down. And the 10-year yield in Germany hit the highest level since 2011 this week, and the Reserve Bank of Australia, their central bank, raised rates this week. So why would you not be running into other currencies? Because they're giving you more yield, and we're not.

And that is what I think is going on, not that it is the debasement of the dollar or the end of American exceptionalism or any of that other stuff. That is just a little bit over-the-top type

of language. Why is the public so down on the economy, even though it is, okay? That is a good question. I'll show you some recent polling data. Oh, my God.

If you look at the economy, according to the public, it is the Great Depression right now is the way that they think of this economy. Now part of it is at the bottom of the K. The bottom of the K thinks it is an absolute disaster, and I will argue with you that it is about prices. It is about inflation. It is, to use a Fed term, as about as unanchored as you could possibly get it right now. I know the Fed wants to say that it is under control. The public is losing their mind over prices, and the Fed is saying that it is under control.

That is why we need a guy like Warsh to kind of shake up everything there. Did labor supply halt? Basically, this is a term that Powell used, and I'll show you the quote, in his press conference last week. I thought his press conference last week, if you follow me on social media, I thought his press conference last week was a disaster, and it was not, and it was a disaster because he did not address the elephant in the room, which is Powell's accusation that the president is trying to, I mean, to be blunt, the president is trying to throw him in jail because he's not cutting rates fast enough with this investigation in the Fed building, and Powell put out a video, Powell put out a video saying that he's just pressuring me, and he's threatening me with indictments and lawsuits and jail time, basically because I have not cut rates fast enough. Holy shit, what an accusation. So, at the beginning of the press conference, he said, "I'm not going to talk about this.

This is not the time or the place. That is what Powell said. Are you kidding me? It is a press conference. This is exactly the time or place. In fact, you just said the president is going to throw you in jail if you do not cut rates.

I'd like to hear about that instead of talking about some third-level nuance in the unemployment report. That is really not

important, whether or not you're going to get thrown in jail because you're not cutting rates fast enough, and you do not want to address that. So, everybody gave up on asking him that question. I mean, if it were Trump, they would ask him the same question the whole press conference. Do you think this is kind of important? Why would you not address this is what they would be asking him, but they gave up on it.

And one of the more interesting things is that he said labor supply has come to a halt. I'll show you the quote. And basically, what he means there is that if I understand him correctly, because I'll be critical of the press corps, they did not get it. He said the most important thing he said, in my opinion. No one followed up on it. They did not know what to ask him at the end.

He basically said the break-even rate for jobs in the United States is zero. Any payroll report above zero, and he said it, means we're at full employment. We produce 1,000 jobs, full employment, we're fine. Wow, that is the Fed chairman saying that. And no press in the room thought that that was important enough to follow up on as well, because I do not think they understood what he was saying is why they did not follow up on it. And then the average Bitcoin purchases, Bitcoin is right now it is at \$74,300.

Traditional finance or trade-fi accounts are all at a loss right now, and I think that that is significant for Bitcoin, and I'll try and talk about that a little bit in the future. All right, let me start with Warsh on slide three. This is a graphic we got from Bloomberg Intelligence where they looked at core PCE rates from 2000. that is gray, and that is gray on this scale. And then they looked at, on the right scale here, the unemployment rate, and listed all over this chart are quotes from Kevin Warsh, because remember, from 2006 to 2011, he was a Fed governor, and he was very skeptical about cutting rates during the financial crisis. He was worried about inflation, and therefore, everybody's kind of

glomming on to this and saying that Trump just appointed a hawk when he wanted an Uber Dove. This was 20 years ago that he said this.

Now, he's been saying other things. Now, I would argue, do not you think that Trump and Besant know this? And they have asked Warsh about this probably for a couple of years. Remember, Warsh worked with Stan Drunkenmiller. Besant worked with Stan Drunkenmiller. I'm sure they have known each other for many, many years.

Trump, if you did not know this, I'll say it again. Trump's best friend who he's known for most of his life, since he was 10 years old, is Ron Lauder, Estee Lauder, the cosmetic magnate's son. Ron Lauder, Jane Lauder. Jane Lauder is Ron Lauder's daughter, and she runs the Estee Lauder cosmetics empire. Jane Lauder, 25 years ago, married Kevin Warsh. Trump attended their wedding 25 years ago.

Trump met Jane Lauder when she was an infant. He has been a family friend for 25 years to Trump. And so, the point I'm trying to bring up is they've asked him about these quotes. He has given a satisfactory answer. Now, he has not talked much about this. Well, I assume that when he gets to his confirmation hearings or some other public statement, he'll explain himself and that he will not come off nearly as hawkish as we think he is.

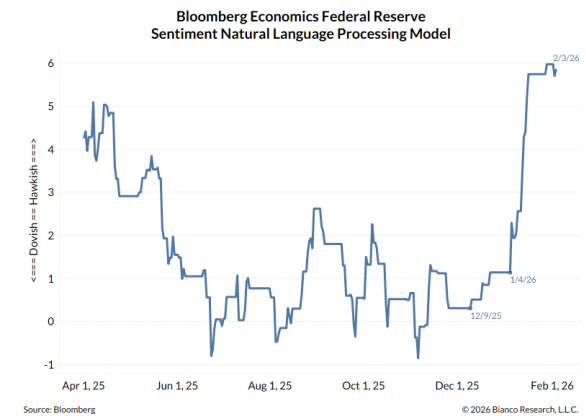
Now, will he come off as dovish as Trump is that we immediately need to cut the funds rate to 1 percent? I do not know about that. So, we'll have to see. But I think we're missing the boat. You're taking 20-year-old quotes and saying this. So, here is some quotes that Trump said on Saturday when he went to this Alfalfa Club dinner, and he spoke at it, and it was a roast, and Warsh was there, too.

I think I've cast the perfect person for the role of the Fed chair, but if he does not lower rates, I'm going to file a lawsuit against him, Trump said. Remember, it is a roast, which is why he said that. Then afterwards on Air Force One,

he was asked if he extracted a commitment from Kevin Warsh to lower interest rates before nominating him. He said, no, because I do not want to do that. I could do that, I guess, if I wanted to, but I did not want to do it. I'm going to interpret that as if he got a satisfactory answer about all this hawkishness that everybody's worried about Warsh.



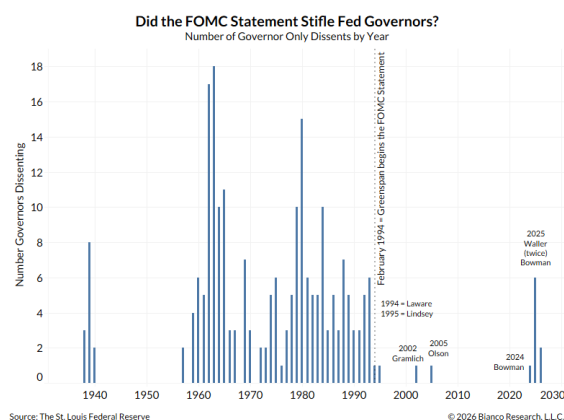
But two things. I'll talk about the Fed first, and then I'll talk about what Warsh is trying to do. Bloomberg has a natural language processing model, which basically is a forerunner to what we call AI, is that you stick all of the words or the transcripts into a big database called a corpus, and it looks for words that would be defined as hawkish or dovish, and usually the way they work is you give it a list.



All these words are hawkish words. All these words are dovish words. Look through this transcript and tell me what the ratio of hawkish words or dovish words or something like that is, and that is what effectively it does, and it is looking at all of the 19 members of the FOMC.

Volcker voted no. The committee voted yes. A majority of the committee voted yes. Volcker walked out of the boardroom of the FOMC meeting and resigned. They convinced him to come back into the meeting 10 minutes later. They voted 10 minutes later to not cut rates, and he unresigned, and then he stayed on the board.

He stayed on the Fed for another 18 months before he eventually did step down, but the point is from that moment forward, the way the Fed has worked, and everybody's analysis thinks this is still the same thing. For five weeks, you get to whisper into the Fed chairman's ear, I think we should do this. This would be the appropriate monetary policy, and the Fed chairman says, yes, thank you very much. I really value your opinion. I'm so glad you voted it out. You brought up some excellent points, and a week before the meeting, the emperor says, I bequeath we are going to do this.



We are going to cut rates, hold, hike, and everybody falls in line and votes with it, and everybody falls in line and defends it, whether they believe it or not. I've argued this is a giant mistake. This is why you get huge errors like transitory inflation. I've argued before. I do not know Powell, but I know enough people at the Fed to basically say that there was a number of people in 21 and 22 within the walls of the Federal Reserve that were seriously worried about inflation and were seriously worried that this was a major problem, but the word came on down that it is

transitory, and you keep it to yourself unless you want to defend transitory. That is why they make mistakes.

We are dependent on one guy getting it right. I think it should be more like the Supreme Court where there is conflict, and there is minority opinions and majority opinions, and they come to a consensus together instead of one person doing it. If that is what happens, people ask me, what about Fed independence? This will fix it. These dissents is what will fix Fed independence, and also you could get rid of the dot chart because I've argued what is the forward guidance. Of course, forward guidance is a fancy word for saying give me a clear idea of what is going to happen next, and the answer is the dissents.

If it is a 7-5 vote, I know it is a close vote. It could switch the other way. If you vote 7-5 to cut rates, that would be the last rate cut, or you could argue it is a signal as opposed to a 12-0 vote, or a 9-3 vote would be somewhere in the middle. That is your forward guidance. I hope they go that way. I think they are because of the amount of hawkishness and the amount of willingness to dissent, and we'll have to see where they go from there.

Craig asks a question. Thoughts on Warshaw's view on reducing the balance sheet and how it could impact funding markets? Also, thoughts on Marin's decision to leave his post as chair of the CEA? Okay, so in the second part, Stephen Marin said that he said, this is what he said. He stepped down. Remember, he was on a leave of absence as the Council of Economic Advisors role.

Now, the reason that he went on a leave of absence is it needs to be confirmed by the Senate, and they were trying to play this game where you could go over to the Fed, and you could stay at the Fed for a little while, and then you could come back to the CEA, and you do not have to go through the confirmation process all over again. Marin said that if he ever stayed past January 31st, he would step down as CEA, and he got a letter from the 11

senators in the Senate Finance Banking Committee going, why are you still there, CEA? Why are you still in the CEA position after February 1st? And he said, "Do you know what? I said that, so he stepped down as CEA. So apparently, Marin will be out of the administration as of whenever Warsh is nominated, unless, of course, there is another plan that if Powell indeed steps down from his role somewhere around May, and they like what Marin's been doing, they could put him into that seat, but that would require a whole nother confirmation anyway.

So maybe that is the plan, is that he's going to be Powell's replacement. But he said he would step down if he stayed after February 1st, which he did, and he followed through on his word. So, I'll take him at his word on that. As far as the balance sheet goes, this is where I think - and I'll draw this as a broader comment about Trump himself, too. I think in a lot of ways, because of the balance sheet, because of quantitative easing, because of the way that the Fed operates with this - everybody falls in line with the Fed chairman. You've seen a number of people asking, how is the Fed going to conduct monetary policy?

Because right now, they're so wedded to this idea that the staff has a model. They meet with the chairman in secret. They produce their results. The chairman endorses the results. Everybody votes for it. All right, that is the way you've done it for 40 years.

That does not mean it is right, and I think it needs to change. And I would also kind of parallel Trump. The problem or the issue with Trump is - I've often said, if I were to write down dispassionately on a sheet of paper what he's trying to do, I think most of us would agree with it. I think it is just the histrionics and the methods that he goes about doing it that, you know, can drive everybody crazy. But here is the bigger issue with Warsh and Trump. The old guard is dead.

The old guard, whether it is NATO, whether it is our relationship with our trading partners,

is that that does not mean they're not our trading partners. That does not mean we're not in favor of NATO. What it means is that the relationship has to evolve. Whether it is Europe paying more in defense and not having the US carry the freight on defense, or it is the bloated size of the balance sheet that the Fed has that needs to be fixed. The problem is to go about it in a status quo way will never fix it. The status quo will just say, yes, we need to revise it, and we'll put together a working committee to discuss it and never, ever change.

It is kind of like trying to break up in a relationship when the other half does not want to break up with you. There is no not messy way to do it. And so, in some respects, I understand that with Trump, although I still think he does it in too much of a histrionic way. But I understand that to get Europe to agree to do certain things, they're not going to do it. They'll just say you're very thoughtful. If you do not, if you do it in a very diplomatic way, you're very thoughtful, very insightful.

We'll put together a working committee, and we'll talk about it till the end of time and nothing will change. And he's trying to shake the trees to say, no, it has got to change. Maybe he shakes him a little bit too much, but there is no nice way to do this. And I think it is the same with the Fed. There is no nice way to do this. You're going to need Warsh to come in there and force a change in the way that the Fed thinks in the balance sheet.

This morning, there was an op ed on Bloomberg about, you know, Warsh is going to have to win over the committee. Warsh is going to have to win over the Fed. I think they got it backwards. I think Fed and the committee are going to have to win over Warsh is what they're going to have to do because he's going to go in there and he's going to completely upend a lot of what they do, and they need it. And he's going to have Scott Besant as his partner in crime in trying to upend the Fed. And I would argue they

need it when it comes to reducing the balance sheet.

The problem that they have with reducing the balance sheet is they've gone about as far as they can. And that is why they stopped QT, because if they go any further, we're going to see more funding market problems like we saw with SOFR. Remember in the fall, we were talking about the charts with SOFR jumping up and down. And we say, you know, that the funding markets were going and that is why they stopped. And they're actually now, you know, doing, you know, reserve management purchases. do not call it QE as well.

Well, the argument to be made is he would come in on the regulatory side and say, here is the problem. Since 2008, dealer balance sheets have been smaller than they were in 2008. And the bond market's four times the size. You're going to have to allow the private sector to kind of, you know, be a bigger purchaser of Treasury securities. And a lot of things like the supplemental leverage ratio and a lot of other, you know, high-quality liquid asset requirements and a lot of other things like that have reduced their ability to own these securities. They're going to have to start changing on the regulatory front.

And it is not going to be working group and let's discuss it. It is going to be you're going to change it or I'm going to fire you. And then I'm going to put somebody else in. And if they do not change it, I'm going to fire them. And we're just going to have to really push hard and forward. Remember that the vice chairman and head of regulation is a Trump appointee in Bowman.

And she's very much in favor of a lot of this. So, I think you're going to see a lot of changes at the Fed. I think you're going to see a lot of Fed traditionalists bristle at those changes. I think they're needed. Just like I think that the relationship between Europe and NATO and the U.S. needs to change. Not that they're an adversary.

Not that they need to go do like Canada did and say, well, you know, we do not like the way you're treating us. So, we're going to go be nice to China. Look, you do not want to change this relationship. And so, therefore, it is going to be pushing me. Now, again, I could argue that Trump pushes too much, but it is not going to be a nice way to do it. You're not going to voluntarily spend 5% or 7% of your GDP if you're Europe on defense unless Trump bullies you into doing it.

You'll say you're going to do it. And then you'll do like the king of Spain, or the prime minister of Spain has said, yes, we'll spend 7% of GDP on defense. And that is cybersecurity. And that is making sure that, you know, social media, you know, is properly, you know, is that speech on social media is properly regulated. And we're going to call that defense. And it is going to be green initiatives.

And we're going to call that defense is what they're going to do. And Trump is going to say, no, defense means you're going to raise an army and you're going to buy tanks and you're going to buy airplanes. And you're going to defend yourself against attacks. And if you want to fix the problem in Ukraine, you're going to send your tanks and your soldiers and your airplanes over there. And, you know, do not rely on the U.S. to fix all these problems. Again, it got off on this tangent.

I'll say one more thing. Remember, a year ago, the U.S. basically took on the Houthis to reopen the Red Sea. Eventually, it worked. And at the time, I said, I actually said on this call, it was, you know, was talking about opening shipping lanes. And they've largely done that. And what was good about that was or what was eye opening about that was the Europeans could not do it.

They just could not do it. The Houthis had defeated the might of the European armies. And it took the U.S. basically the will to do that and the Gaza deal. And so, they have got to step up and be able to do these kinds of things. So, I understand that. I agree with that.

If you wrote that down in a piece of paper, I think there'd either be a fair number of Europeans that agree with it. It is just the way Trump goes about doing it. I agree the balance sheet needs to go smaller. I agree that there is going to be changes with the way that the private sector and the dealer's work. So, they could stop that excess liquidity as you pull it out of the balance sheet. You need to reduce the Fed's footprint in the economy in financial markets.

I agree with that. That needs to be done. The problem is that the Fed is such a sclerotic institution. They do not want to push back any further. In fact, they're now doing reversed management purchases to try and reincrease the size of their balance sheet. And it is going to take a bit of a bully to do this because it is not going to be done nicely behind the scenes.

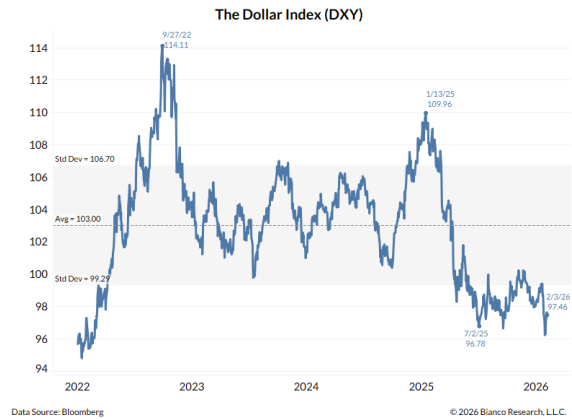
Because it will not ever get done nicely behind the scenes. Like I said, it is like if you want to break up with a partner who does not want to break up with you, there is no nice way to do it. So that is kind of my take on Warsh. I want to wait and see. I do not think he's going to be nearly as hawkish as everybody thinks. I think the bigger issue with him is not what he thinks about interest rates.

Is there seven votes for it? I do think, though, that as he pushes forward with the changes with regulation and reducing the balance sheet, I think that everybody's got it backwards. That Warsh has to win over the Fed. The Fed has to win over Warsh. I think he's going to go in there with Bessett. And they're going to be kind of brutal.

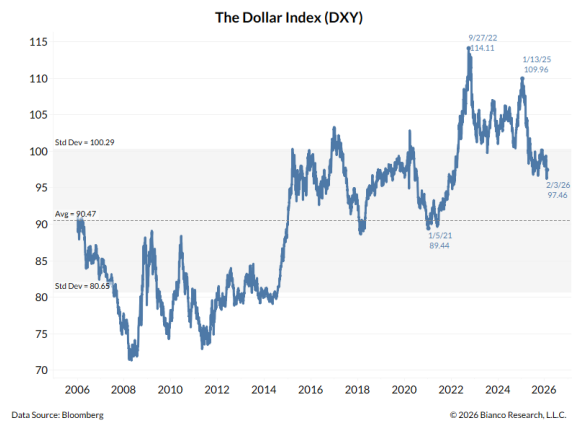
And maybe they should. You guys are pushing back about this rule? Okay, you're all fired. You're all fired. I'm trying to say this to get my point across. And I'll put other people in place that are going to do this or something along those lines.

So that is my take. To be updated when he starts speaking publicly, which will probably be whenever his confirmation hearings are. I expect probably somewhere in March or April

or something like that is where his confirmation hearings will be. Let me talk about de-dollarization a little bit here. Here is a chart of the dollar index over the last couple of years. And I put the average on the chart.



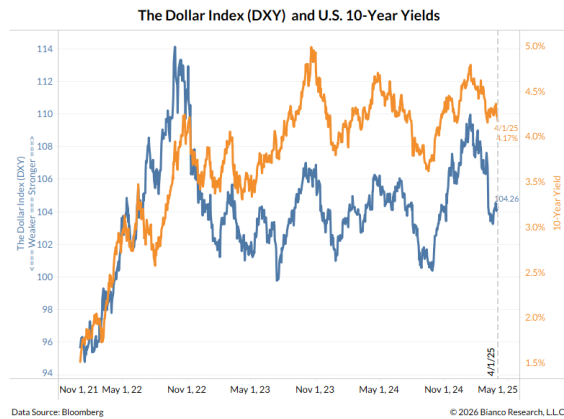
Plus, minus one standard deviation, 66% of the readings are inside that shaded area. Dollar index is flirting with the lowest level since 2022. Last week it was. Oops, last week it was at the lowest level since 2022. Dollar has been going down. And that has brought up a lot of histrionics about it.



But let's put this into perspective. Same chart goes back 20 years. So, here is where we are right now. It has been the lowest there since 2022. That is what the dollar has done for the last 20 years. The average dollar index level over the last 20 years is 90.47. We're still above that average.

Is the dollar terminal at this point? Is the dollar falling apart at this point? It depends on

the way that you want to look at it. Now if you go back to the previous chart, yes, it is going down. Yes, I would argue with you, you can make the case that it will continue to go down. What has been the driver of that?

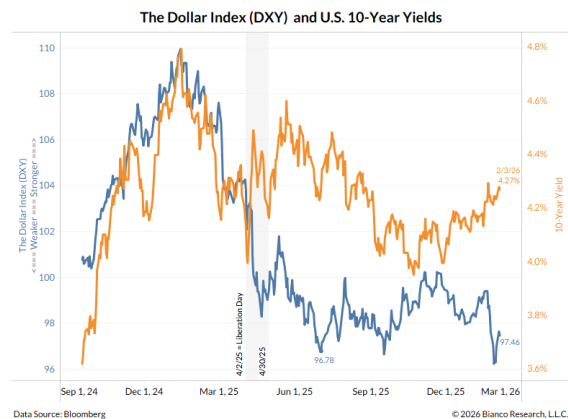


Now what is interesting about interest rates is here is a chart, again, of the dollar index in blue and the 10-year yield in orange. And note that it ends the day before Liberation Day. And you see the relationship that the dollar moved up and down with interest rates. U.S. interest rates is what it moved up and down with. Now I ended that chart almost a year ago, the day before Liberation Day, because here is Liberation Day, same chart. here is Liberation Day.

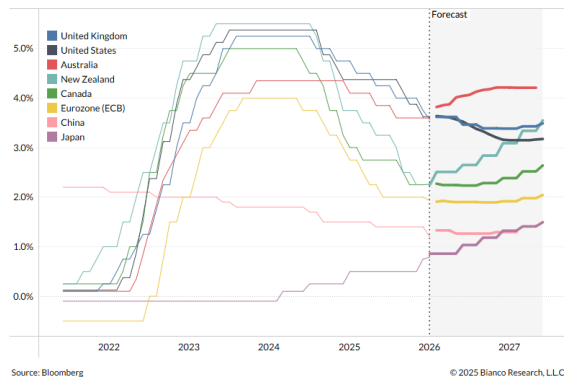
Here is the dollar 10-year yield. And here is the dollar index. All of a sudden, that relationship broke. It is broken and the dollar is falling despite what our interest rates do. It does not really follow our interest rates. So, what is driving it?

I think what is driving it is interest rates. So, here is a chart of the major central banks in the world. Remember, ECB takes up about 17 countries. The thin part of the chart here is what they've done. They've all been cutting rates largely, you know, with a couple of exceptions, mainly Japan being the big exception, up to the end of January. And what this chart shows you here in bold forward is what the forward markets, the futures markets or overnight index swaps, are projecting.

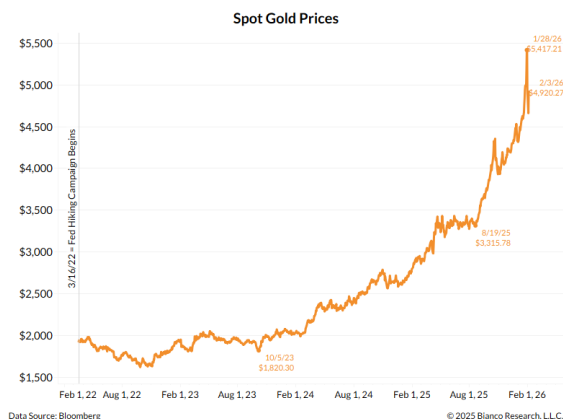
Higher, higher, higher. With one major exception, the U.K. minor exception, 25 basis point cut this year, and the U.S. The U.S. is going to go down. The Reserve Bank of Australia already cut rates yesterday, which actually would have been Monday night U.S. time. They've already cut rates. So why is the dollar declining?



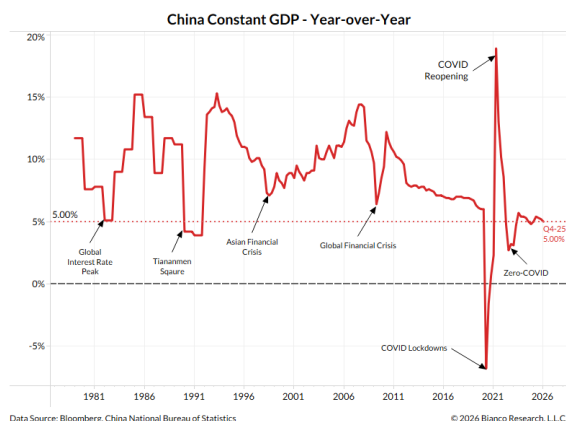
Most Central Banks Look to Hike Rates in 2026
Official Central Bank Rates



Because interest rates around the rest of the world is rising right now. What about this idea that there is a dollar debasement going on? Well, here is the price of gold. You know, it has gone from \$1,800 to \$5,400 before we've had this massive bout of volatility in gold recently. And so, this is a sign of dollar debasement. Now, I would accept the idea if you wanted to say that the gold rally is a sign of fiat debasement.



That I agree with. But this tells me that everybody is saying you've got to buy the euro over the dollar, or you've got to buy the yen over the dollar, or the renminbi over the dollar, or the Swiss franc over the dollar. You've got to get out of all of them and into gold. Now, you could make that argument. But I think that that argument is largely missing a larger point. Who is buying gold?



Gold buying is coming out of Asia. So, here is China GDP year over year at 5%. Now, if you take out COVID and the zero COVID number, because you had that volatility between the COVID lockdown, the rebound, the reopening, and then the zero COVID during 2022, this is a terrible number for China. China's growth rates are awful at 5% relative to themselves. do not think of it in terms of, well, 5% would be great in the U.S. Think of it relative to themselves.

Before COVID, they went 30 years without even sniffing a 5% growth rate, and now they

got 5%. And the other thing I'll point out, too, that makes these numbers particularly worrisome is, okay, you had the COVID lockdown, and then you had the rebound. I get that. You had the zero COVID lockdown, and you had no rebound. So you've got the Chinese economy, actually, if you look at the quarterly numbers, that are pretty much in line with where they were when everybody was welded, literally welded into their office, into their apartments because they were not allowed out because they were trying to break the back of COVID with their zero COVID policy. Who is buying gold?

Who is under stress? Who thinks that there is not a problem with their economy? They're buying gold. Their stock market. This guy has made new heights. The next question becomes, what is the next big struggling world stock market?



It is China. China's all-time high still was 17 years ago, 2007 at 5,800 on their Sinjin Index. They got close in 2021, double top. They're nowhere nearby. They are now 17 years of sideways, actually, despite all of the talk about the Chinese being an economic juggernaut. The stock market has not been an economic juggernaut for the last 17 years or so.

The Chinese market has been going sideways for a decade plus, almost two decades at this point. Their economy is slowing. I think it is the Chinese that are buying gold. I think it is the Japanese. There is an old line that interest rates rise until something breaks. there is a

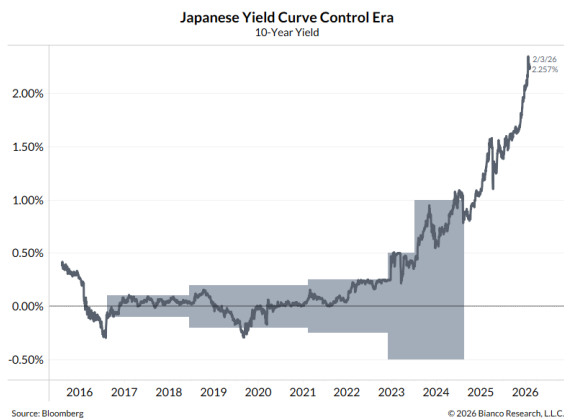
real concern that what is happening in Japan is that interest rates are at the verge of potentially— Did I say that they cut rates?

I'm reading it. Yes, I mean that the RBA hiked rates. If I said that they would cut rates, I just misspoke, so I apologize for that. The Reserve Bank of Australia hiked rates this week. Rates around the world are going up, including Japan. Their rates are at the highest levels this century.



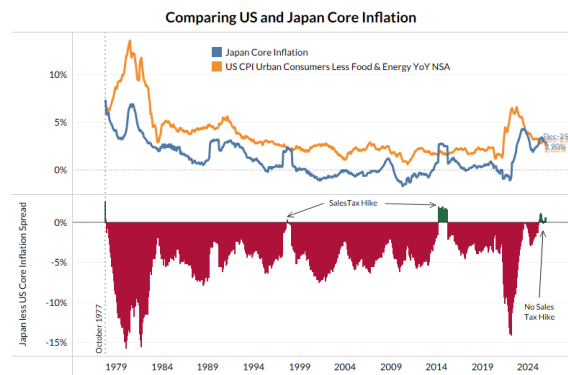
You got to go back to 1999 to find the last time that the 10-year yield in Japan has been this high as well. There is a fear that rates are going up until something breaks. One quick tangent. here is the same chart. there is their rates. What is this shaded area on the chart?

That is when they were doing QE. I'm sorry, yield curve control. That is when they were doing yield curve control. Yield curve control in Japan was the target was always zero, plus or minus some band. First, it was 10 basis points. Then it was 25.



Then it was 50. Eventually, it became plus and minus 100, and then they abandoned it. Just like we saw in 2021 when Australia abandoned yield curve control, we're seeing it when Japan abandoned yield curve control. The problem with yield curve control is, one, when you engage in it, it works for a while. Then when you get out of it, it completely blows up and undoes whatever works means. You can never get out of yield curve control nicely, whether it was Operation Twist in the 60s with the Fed in the United States, or Australia, or Japan.

Anybody else who is trying to yield curve control, it ends poorly every single time. I use the analogy of it is kind of like somebody walking into the room, pulling the pin on a grenade, and putting it on the table. We're all sitting here in the room going, when do you think that thing's going to blow up? The answer is it will at some point, but the answer is it is not going to blow up. that is what you effectively do with yield curve control is you say, we're going to fix this for a while, but holy crap, wait till you see the cost you're going to pay for it when we get out of this thing. that is what is happening with Japan.



Note that Japan includes Valued-Added Taxes (VAT), or national sales taxes in its inflation calculations. The US does not.
Source: Bloomberg, Statistics Korea © 2026 Bianco Research, L.L.C.

I think that you're seeing a lot of Japanese starting to worry too that something's going to break in Japan and they're buying gold. The other thing about Japan is why are rates going up in Japan? here is their core inflation rate. In their core inflation rate, here the US is in orange and Japanese core inflation is in blue. Japan has a VAT, a value-added tax. that is a

national sales tax for those of you in the United States.

They incorporate their value-added tax into their inflation rate. We do not. If you ever notice when you go to the cash register, you pay for something, it is \$19.99 is what the sticker says on the shelf when you buy it, or the label on the shelf says when you buy it, and then they say, yes, that'll be \$20.90 or whatever the sales tax is. We separate sales tax out of the item's price, so we do not include it in the price. They include VAT. If you exclude the two times that their inflation rate went above the US because they raised their VAT tax, this is the first time since 1977, the first time in 49 years, Japan has a higher inflation rate than the United States.

That is why their rates are going vertically. That is why everybody's worried that something's going to break. that is why between that and the weak economy in China, there is your buying of gold and your buying of silver right now. What it is not is this. Alex de Tocqueville wrote the book Democracy in America in 1835. Now, he did not coin the term, but it is believed to be the genesis of the term.

In 1835, when it was first published, he wrote, the situation of the Americas is therefore entirely exceptional, and it may be believed that no one democratic person will ever be placed in a similar one. In 1835, the word exceptionalism or exceptional was rooted in the word uniqueness. It meant that what the US was doing with its form of democracy 200 years ago, de Tocqueville wrote, was unique. Today, that term is used to imply superiority or an exemption, that we are morally superior. So, when I hear people talk about the end of American exceptionalism, the book was about that we were a unique experiment in democracy. Exceptionally meant unique.

Today, people think it means morally superior. So, when they were saying the end of American exceptionalism or dollar debasement, as I said, it is a bunch of people

that were basically calling for the end of the country. And I thought it was emblematic of what they wanted or that they were jealous or something like that, that this is a ridiculous argument. And yes, I do think the dollar will continue to go down. And yes, we are positioned for it in our index with WTBN. We own some local currency debt because those currencies will rise and they have a high yield in it.

You can go to Bianco Advisors. If you want to see the whole thing, go to my website, Bill Ryan's, or Bill's dot com, to find out more about it. It is in our January 31st update as well. Not much else changed in our positioning from the end of the year. I did two conference calls and one over that as well. But that is why I bristle at this idea that we call it dollar debasement.

If you want to call it fiat debasement, dollar debasement means everybody hates the dollar, so let's all go run into the South African Rand or the Euro or something. If you want to say we hate all the fiats and we're going to run into hard assets like that, okay, I'm with you there. I'm with you there. But as far as some of the other questions go, yes. The question has come in, Chinese retail, gold, Chinese retail also cannot buy Bitcoin. Chinese retail cannot buy Bitcoin.

There is limitations on gold, but there is also ways around it. Like I said, in the Bitcoin community, the joke is the Chinese just banned the purchase of Bitcoin by the Chinese population again. And it never seems to really matter that the Chinese have ways around that system that they do. But also, I think it is also institutions, it is also their offshore money, but I think that that is what it is. Let me bottom line this for you. If you go back six months ago and you look at the total value of stocks, bonds and real estate, gold was about 3% the size.

Gold and silver were about 3% the size of all stocks, bonds, and real estate. Now it is about 7% because of the big rally. It does not cost a

lot of money. It does not cost them a lot of money, relatively speaking. If you had a major rally in stocks or a major rally in bonds, you'd be able to see who the buyer was because it would take so many, many, many trillions of dollars to buy. You could not hide that.

It is not that they're hiding it. It is just that it is coming from one corner of the world. It is not Americans walking around saying, sell my NVIDIA and get me into gold. Now there is some DJs that are doing that. But I think it is mainly coming out of Asia is where it is coming out of. Let me talk about the economy.

And there was a great story. I'll take a victory lap here. I've been arguing for years on this call and everywhere else that every time we have a recession or a financial crisis, the economy changes. Change is not dystopian. do not think I said it is worse. It is different.

And that COVID had both a financial crisis and a recession, and that that was the biggest economic event of our lifetime. I've also gone off and made a cultural reference, and I said I have seen when we had the stock market crash in 87, when we had Saddam invade Kuwait in 91, or 90, 91, when we had the financial crisis in 2008, when we had the tech bubble peak in 2000, all of those would produce movies, book, bestseller books, songs. I mean, famously, the top grossing movie of 91 was the movie Three Kings with George Clooney and Mark Wahlberg, which was about Saddam invading Kuwait. I mean, that kind of thing would happen with all these major economic events. We're six years past COVID. where is the movie about the Wuhan wet market?

Where is the bestseller book, bestseller book? I know people write books about it, about it. Where are the songs that have been written about it? In other words, what I'm trying to argue is, collectively, we are trying to memory hole that thing. We collectively know we handled it wrong and poorly. We made a giant mistake with the giant lockdowns.

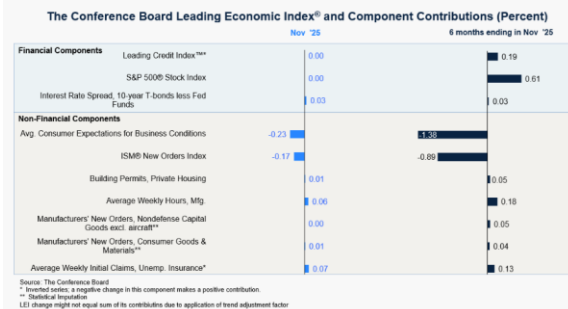
There was a better way to handle it. And we're going to try and pretend that it did not happen. But it did. And we cannot undo it. And it is a major economic event. And that is why we constantly get frustrated by what the economy is doing, because we do not want to admit we, excuse my salty language, we fucked up in 2020.

And we're still paying the price for it. We want to pretend it did not matter. So yesterday, the New York Times, the global economy warning signs, the global economy warning signs are broken. And yes, and so is my slide deck here. Here we go. That they're broken.

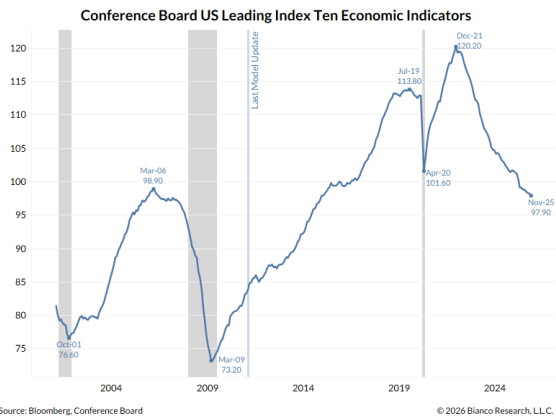
From markets to spending to debt, usually reliable indicators is headed, where the economy is headed is proving deeply fallible. And then they go on to say general worldwide bemilderment, the devil's economic mandarins these days. This was yesterday's New York Times. We also highlighted this in our news clips articles yesterday with a comment. We're captured by a recent World Bank note, global growth defies expectations, forecasts turn out to be wrong or defy expectations as a routine as a heartbeat. COVID-19 pandemic delivered a major shock to the global economic system.

Yes, thank you very much. Every economist, I want you to get a lobotomy and forget everything you understood about the economy prior to 2020. And I want you to start to understand how it has been working since 2020. Because it does not work that way anymore. I did not say it is worse. I said it is different.

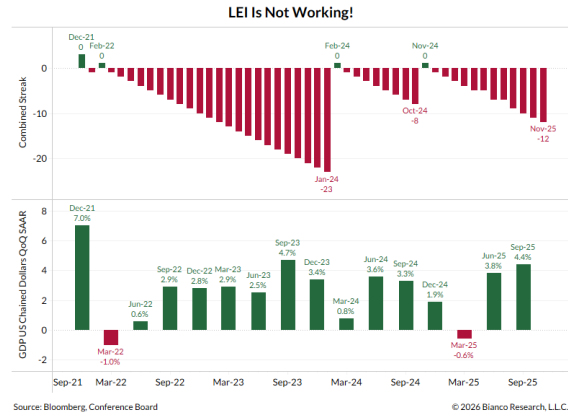
Consumer expectations and new orders continued to weigh heavily on the LEI



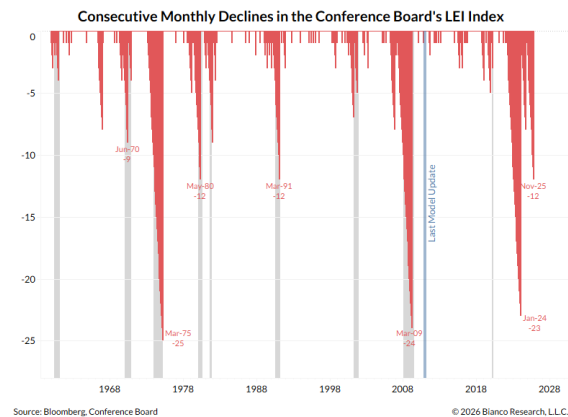
And part of that is quite telling me that inflation is funded under the same auspice that we saw prior to 2020. I'll get to that one in a second. As I pointed out, the consumer, my statistical measure of that, the LEI, the conference board's leading economic indicator, 10 indicators, three financial credit spreads, the stock market, and the yield curve, and seven non-financial components are put together as an index that peaked in 21 and has been going straight down. The last time they updated the model was January of 2011. By the way, why did they update the model in January 2011? Because they understood the financial crisis changed things, and they needed to update the model.



We're six years past COVID. They still do not think like this just pretended did not happen. And the way the economy worked from 2010 to 2019, it works exactly the same way. We do not need to change the model. The problem is, the model fell for 23 consecutive months, then in one up month, fell for eight, had one up month, and now we're on another streak of 12. In the last four years, February 22 to February 26, the LEI has only had two months, two different months, February 24 and November 24, that it actually rose.



This is not in conjunction with what the economy's doing because there is all those green bars for GDP growth. In other words, if you look at this chart here, here is when they last updated the model.



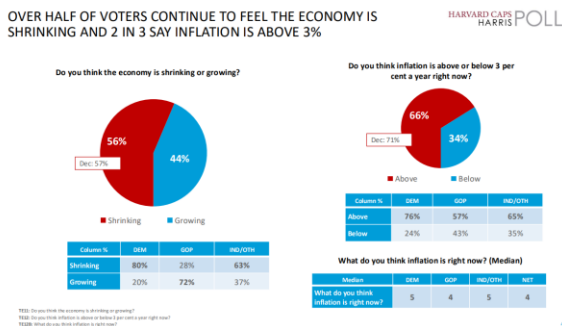
Prior to that, if you had like minus six to minus eight, somewhere in this range right here, of a consecutive decline, you were in recession. You were in recession, in recession, recession, recession, recession, recession. We just did 23 in a row, no recession. We're on 12 in a row.

Atlanta Fed GDP is now telling us we had 4% growth in the fourth quarter. This economy is fundamentally different. I did not say worse. At least we've got them six years after the fact going, do you know what, maybe that COVID thing was a big deal. Yes, it was a big deal. This is the starting point of everybody's mistake.

Now, we are in a K-shaped economy. Today's Wednesday, actually. Monday, Harvard-Harris put out their monthly poll. On page 43

of their monthly poll, this is my page 25, they asked two questions in the poll. Do you think the economy is growing or shrinking? 56% said it is shrinking.

57% in December said it was shrinking. And then there is the breakdown between Democrats, Republicans, and Independents. Restated, shrinking is a recession. A majority of the country thinks we are in recession right now. I also asked, do you think inflation is above or below 3%? 66% said yes, down from 71% the month before.



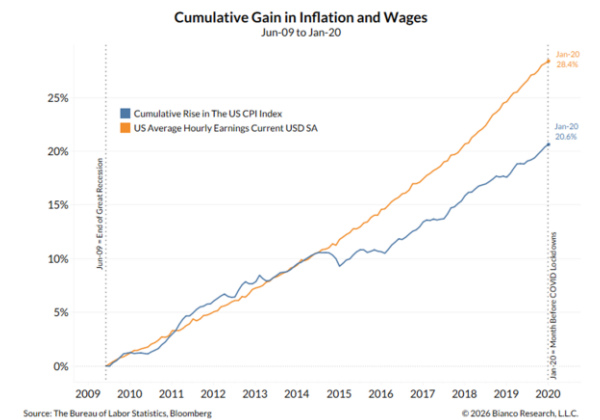
And there is the breakdown by political affiliation. Majority of them think it is. The Democrats think the inflation rate is five. The Republicans think it is four. Independents think it is five. It nets out to four.

So, everybody thinks we have a 4% inflation rate. It is actually, if you go with headline inflation, it is 2.7 or something along those lines. Now, why is it that they think that we are in recession right now and we have 4% inflation? It is the bottom of the K that is basically stinking as well, too. So, this is a poll that came out in December from Politico. Americans said cost of living is the worst that they have ever seen.

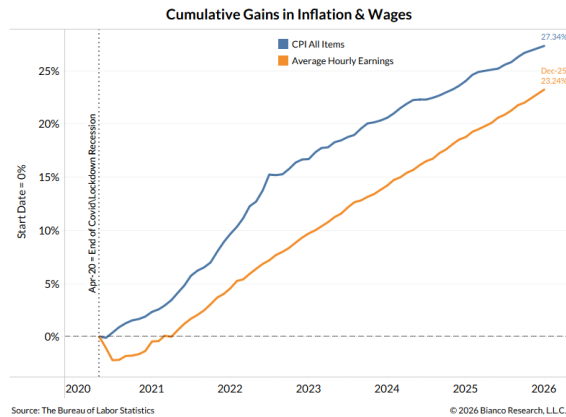
And that basically even 37% of Trump voters, 53% of Harris voters said the cost of living is the worst I can ever remember it being. That is 46% of Americans, almost half, think this is the worst inflation they've seen of their lifetime. They might be right. Now, maybe you're older like me. I remember 1980. It is not 1980.

But do you know what? The median age in the United States is 38. So, for the median person, for 46% of the American public, this, if I was to go to the next chart, in the last five years, since April of 2020, the price, according to CPI, is up 27%. Goods are 27% more expensive over the last five years, almost six years, almost six years. For the majority of the country, that is the worst that they've ever seen. And that is the way that they look at it.

And why do they think the economy is in recession? Because for a majority of the country, wages on average are up 23%. Prices are up 27%. They're falling behind. That is why they think that it is bad, that they that they're upset about affordability, and they think that the economy is contracting. And by the way, here is the same measure from 2009 to 2020.



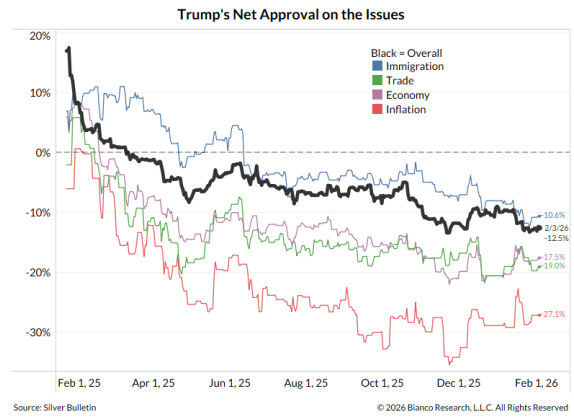
It was the opposite. For those 10 years, prices rose 20%. For 10 or 11 years, 2009 to 2020. In 11 years, prices rose 20%. In less than six, they're up 28 right now. For those 11 years, wages rose 28.



Wages rose faster than prices. That is why we did not talk about K. Because to use a tennis term, the public was able to hold serve. I went to the store. I remember what I was able to buy on my paycheck two years ago, three years ago. I could buy the same stuff at minimum now, maybe one or two extra items, but at minimum, I could buy the same stuff now. Currently, the public is saying, I remember what I could buy two years ago, three years ago, five years ago, and I cannot afford it anymore on my paycheck.

The top of the K, because of asset prices, can, but they cannot. So, this is why I've argued, this is why you see, this permeates the public in lots of ways. here is a chart from the Financial Times that was in the paper earlier this week. The red line on the chart is the change in the unemployment rate in the United States. It has hardly changed. The blue line in the chart is unemployment expectations for the next 12 months, forward six months.

In other words, what does the public think unemployment is going to look like? Basically, the public thinks everybody's going to lose their job, and no one is losing their job. The pessimism that they have, they cannot afford stuff. I think it is driven largely by affordability. They think the economy, therefore, is shrinking, because what they're arguing is their purchase basket is shrinking, because they cannot buy as many things. So, for them, that is the economy shrinking.



And if the economy shrinks, everybody's going to lose their job. And this is why what you're seeing here is on the following chart, Trump's approval rating is falling. This is his net approval rating. So, he's 12% underwater. So, he's got 12%, 12.5% more. This, by the way, comes from Silver Bulletin.

This is Nate Silver's substack. He aggregates every poll. So, it is like a rolling average of every single poll. It is not his poll. I think that is probably the better way to do it. Take them all and just do a rolling average.

And that is effectively what he does. And basically, Trump is net 12% underwater, and you can see he keeps going down. But notice what is worst of all is red. This is also some of the issues. He's minus 27% in inflation. It is about the level.

And you could tell me all day long that it is 2.7% or so, but the public thinks it is not zero. It should be zero, the inflation rate. And so, it is unanchored. The inflation levels are unanchored, that it is permeating the public, thinking that we're in recession and everybody's going to lose their job, because their basket is shrinking. And that means the economy, their basket of purchases is shrinking. And that means the economy is shrinking.

And that means everybody's going to lose their job. And for us to just, oh, but there is no inflation, and it was nine, and it is now two and a half, and the Fed should keep cutting rates to

1%. Man, if there is an inflation spout, there is going to be a revolution in this country. So, we have to be very, very careful about that. By the way, as far as the public being wrong about the economy, here is the Atlanta Fed GDP. It is at 4.2% right now.

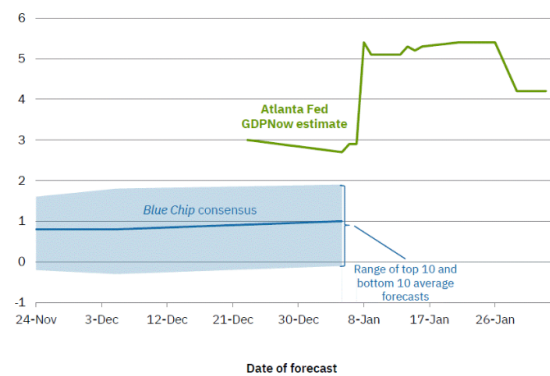
That is what they estimate. Remember, this is a tracker report. We're already a month past the end of the fourth quarter. So, I've used the analogy that GDP is a summation statistic of all the other statistics, and that what they basically do with a GDP tracker is it is like you're at the 21st mile of the marathon at this point. I know what your average mile pace was. I'll assume you'll run that for the next five miles.

Latest estimate: 4.2 percent — February 02, 2026

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2025 is 4.2 percent on February 2, unchanged from January 29 after rounding. After recent releases from the US Bureau of Labor Statistics and the Institute for Supply Management, the nowcast of fourth-quarter real nonresidential equipment investment growth decreased from 3.7 percent to 3.6 percent.

The next GDPNow update is Tuesday, February 10. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4
Quarterly percent change (SAAR)

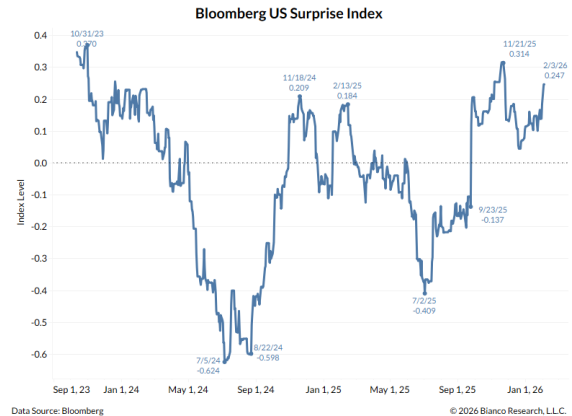


Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

And that is your finishing time, and your finishing time is 4.2%. And where is Wall Street on this? This is the blue-chip economic forecast. They stop it here because blue chip wants you to buy their service to get that missing data. So that is why it is delayed. But Wall Street was at, as of early January, was at 1%.

And now it is at 4.2%. So, Wall Street has really been missing. I know the latest figure is around 2.5% right now. So, Wall Street was

largely missing that the fourth quarter was much stronger than we think. Okay, but we're a month past that quarter. here is the Bloomberg Surprise Index.



Data Source: Bloomberg © 2026 Bianco Research, L.L.C.

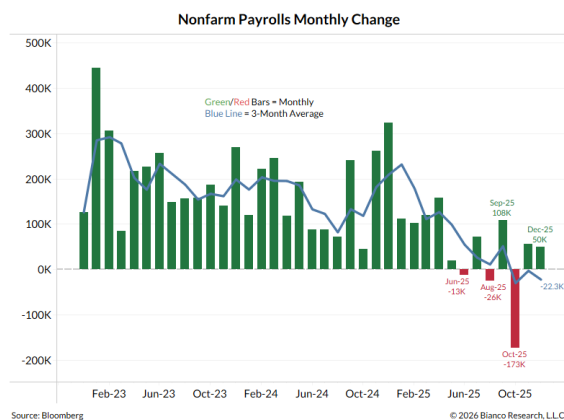
Remember, the way the Surprise Index works is zero matters and the trend matters. It is a six-month exponential average, so the newer data weights more than the older data. A number above zero means basically the Surprise Index, they look at an economic release relative to its median estimate as measured by Bloomberg on the ECO page. If it beats, it gets a positive number. If it misses, it gets a negative number. So, if it is above zero, it means, which is where we've been now for a couple months, the data is largely beating at a faster rate than it has over the last six months.

And if it is uptrend, it means that the data is beating by ever-increasing amounts. If it is below zero, it means the data's coming in missing faster than the last six months, and the misses are getting worse if it goes down. So, we've been in an uptrend, and we're above zero. There is nothing wrong with the economy by the headline numbers, but do not tell the public that. The public really thinks that there is a major problem with the economy. The last thing I want to talk about is really quick, and then I'll jump on Bitcoin and take some questions as well, too.

Paul said this at his press conference last week. He was asked by an economist, a reporter at The Economist, on the sort of

stabilization of the labor market question, how much do you see weakening, we saw in the past six months, as a kind of data mirage around immigration, a data mirage around immigration? So, The Economist magazine, I grew up, and probably the most influential thing I ever read every week when I was in college, recently out of college, was The Economist. I religiously read that thing for decades, end to end. And that was when it was hard to copy before the internet. It is now just a mess of Trump derangement syndrome, defending old Europe status, and it is really a disappointment, data mirage around immigration.

And I really hope that they kind of pull out of this, circling the drain that they're in. That is my only comment about The Economist. Occasionally, there is a good article in there, but the rest of it is just, it is just terrible. But here is what Paul said. Well, part of it is, to your point, it is just that labor supply, the growth of labor supply has essentially a halt from a fairly fast clip of growth over the last couple of years, driven by immigration, has essentially a halt from a fairly fast grip. What does a halt mean?



When he talks about labor supply, remember, when we look at the payroll report, the government shutdown ended yesterday. They're not going to release the payroll report on Friday. I suspect they'll release it early next week at some point. We'll have to see. But at this point, I would argue with you that when we look at the payroll report, we're looking at

labor demand. We're looking at who is hiring, where and by what rate.

But what we're not looking at is the bigger question of how many jobs the US economy need? And Paul said that it is essentially a halt from a fairly fast clip. I'll interpret that as he just said, the labor breakeven rate is zero, that any positive payroll report number is enough. He says it here. This is Paul last week. It turns out demand for labor also came down by a very similar amount, maybe just a little bit more, which is why the unemployment rate has gone up.

I'll show that in a second. In a sense, if demand and supply are in balance, you could say that is full employment. He has just said, if I'm interpreting this correctly, like I said, I'll say this to defend myself, I saw this in real time. We're going to print 1,000 jobs on the payroll report here and he's going to say, good, the economy's fine. We do not need to do anything. That is all we need.

Thank you very much. Let's go on to the next report. You are all ready to accept that 1,000 jobs is enough, that is all we need to print every month, and we're all good with that. I think that is what he just said. No one followed up on it. By the way, Brookings Institute put out their estimates for under a low immigration projection.

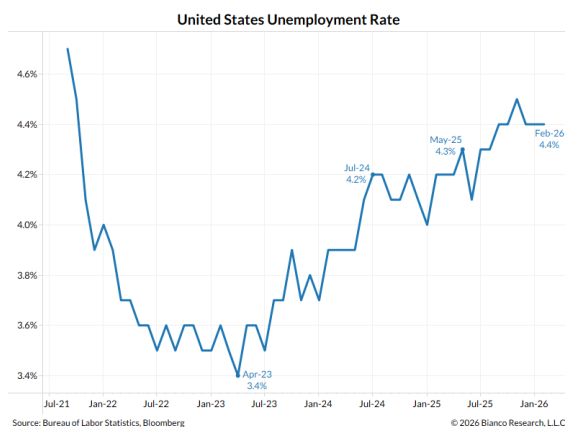
They put out their estimates for what they think labor supply is, and they said it is minus 20 to 20, which averages zero, which sounds like a halt. I do not know if Paul is getting his halt number from Brookings, or they coincidentally have arrived at the same conclusion, but they both have the same conclusion. So, when you look at the non-farm payrolls number, we're fine. This is the non-farm payrolls number. This is the three-month average, minus 22. Remember that that number right there is because Doge had that big buyout, and that is why we had minus 173,000.

All of that was government workers that took a buyout through September 30th and

October 1st, they became unemployed. That is what we say, that minus 50,000 jobs in December was a good number. Whenever they release the numbers for January, we'll have the numbers for January. Chris Waller highlights what a lot of people think on Wall Street. Not everybody, but Waller dissented for a cut. He put out a statement.

I dissented from the most recent FOMC meeting after concluding that cutting the policy rate by 25 basis point was the wrong stance of policy. First, in contrast to the solid growth economic activity, labor markets remain weak. Despite ticking down in its most recent reading, the unemployment rate has risen since the middle of last year. I'll get to that in a second. Then he goes on to talk about here. Look at the way he writes this.

Compared to the prior 10 years of 1.9% job creation, increase to just under 600,000 for 2025, and last year's data revised downward soon, will show that there was virtually no growth in employment in 2025. Zero, zip, nada. Let that sink in for a moment. Okay, Chris, you're making an emotional argument here. You're not making an economic argument. Zero job growth versus an average of almost 2 million for the last 10 years prior to 2029.



This does not remotely look like a healthy labor market. While labor supply was surely a factor, surely a factor. Okay, brush it aside by noting that it is there. It also indicates considerable weakness in labor demand.

Okay, you're worried that since the middle of last year, the unemployment rate has gone up. In the middle of last year, it was 4.2%.

It is now 4.4%. That should be January. Just actually just repeated the data. I forgot to move my scale back one month, but it is up two tenths of a percent. That is what you're freaking out about is two tenths of a percent from 4.2 to 4.4 in 18 months or 15 months or so. In other words, he is dismissive of the labor supply story, as is a lot of Wall Street.

They want to see 200,000 jobs a month being churned out. I do too. Where are these people that are going to take these jobs? There are, you know, to go back here, there are 212 million people between the ages of 16 and 60 between. Let me see here. I go too fast and I hit all these buttons.

Let me try that again. Get this thing that fits right there. There we go. There are 212 million people between the ages of 16 and 64. that is the working age population. 164 million of them have jobs, basically, right now. So that is like 48 million, roughly, is what we're talking about that are in that age group that do not have jobs.

Who are they? A lot, 16, a lot more students, disabled, housewives, do not want to work for whatever reason. The group of 16 to 64-year-olds is not growing. We have just as many 64-year-olds about to turn 65 as we have 15-year-olds turning 16. So, the growth in this pool was coming from immigration. And we've now slammed shut the door on immigration.

So where are we going to get 200,000 jobs a month to be cranked out? Of course, we could do it for a month or two. I'm talking about 2.4 million for a year, which would be, you know, 200,000 on average for the year. Well, you're going to have to get these 48 million people to say, I'm going to give up being a housewife, or I'm going to give up being a student, or I'm going to, you know, I'm going to take this charge from the military. Or employers will say, I'll hire somebody with a criminal record, because I'm so desperate for somebody,

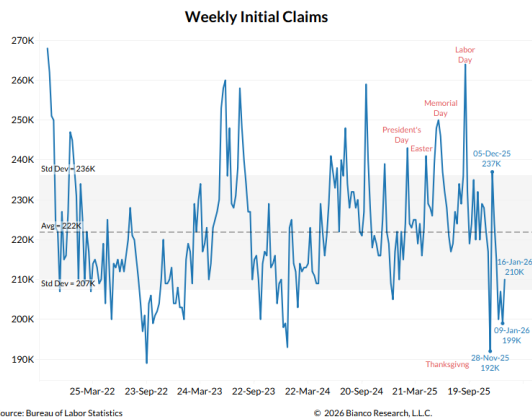
because that is who is left right now in that pool to get them. And how do you get them to do that?

You have got to pay them more money. We need a lot more wage inflation. So, this is the elephant in the room that no one wants to address. And Waller is making, as I said here, an emotional argument. Holy crap, this number's falling. I do not care what the labor supply is.

Yes, it is probably there down a little bit. But that number's falling. Cut, cut, cut. It is basically what his argument is. I'll be interested to see, now that he did not get the job for Fed Chairman, if he still holds that opinion at the next several meetings as well. But right now, what Paul said, to go back to Paul's statement here, any number above zero, you could argue, is full employment.

Now, maybe it is wrong. That is why I said, you know, it was real time on Twitter. Ask him the question, because this needs to be understood. Is 1,000 jobs a month okay for the US economy? Sounds like the Fed Chairman said it is. I know he's afraid to say it out loud, because he does not want to incur the wrath of Trump.

Trump's already trying to throw him in jail to begin with. And now tell him that all the Trump economy needs is 1,000 jobs a month, and we're good. You think Trump's pissed at him now. Wait till he hears that as well. So anyway, that is where I think we need to discuss what the state of the labor market is now. And also, this also is consistent with initial claims.



Initial claims are falling because we're not firing anybody. We're not hiring. We call it the low-fire, low-hire economy for that reason. That we might be at halt. We might be at zero. Brookings says zero.

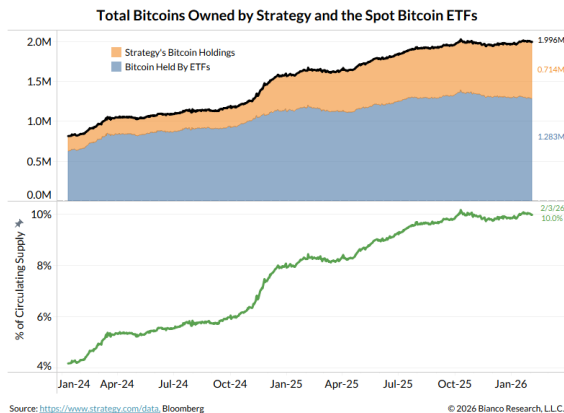
They say zero. By the way, Michael Faroli, JP Morgan, is 15,000, so he's not that far away from it. So, it is not what no one thinks it. The Dallas Federal Reserve put together a model in the middle of the summer and said it might be 33,000. I did this in the last conference call. We updated their model, and it is 12,000.

So, a lot of these numbers are very close to zero. Anything with a positive number in front of it in payrolls is all we need in this economy. But we're just not ready to accept it, because we're like Waller. We're just running down the hall going, oh, my God, look at what is happening with payrolls. Yes, but how many jobs do we need? Payrolls are falling.

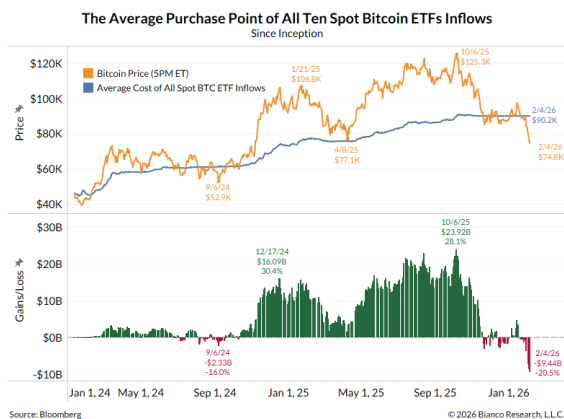
We have to cut rates. That is basically what the argument is right now. And so that is where the mistake comes in. Finally, I'll make a quick comment on Bitcoin. It is corrected from October 6, that was October 6, 2025, at 126,000. It is now corrected 42% through yesterday.

And right now, we are under 74,000. We are within a couple of tenths of the percentage, taking out yesterday's low. Bitcoin, every bull market in Bitcoin, or they call it summer. I'll use their terms. Every summer has a narrative. This narrative has been adopted,

has been trade-fi adoption, has been acceptance of Bitcoin.



And the two major ways to accept it were in January of 24, we got the Bitcoin ETFs, and then you've got the big treasury companies highlighted by MicroStrategy, which changed their name to Strategy. Collectively, MicroStrategy and Strategy own 10% of all of the outstanding Bitcoin. 1.2 million in all of the ETFs, 714,000 is held by MicroStrategy. BTF started trading on January 24, right there. They have an average purchase price of \$90,200. That was 74,800 when I updated it this morning, and it is now 73,500 right now.



They are 20% underwater. The average Bitcoin ETF purchaser average is 20% underwater, holding a \$9 billion loss. MicroStrategy has been buying Bitcoin since 2020, 713,000. Their average purchase price is 76,000, because they have been buying it for longer when it was at a lower price. They're now at a loss for the first time in over

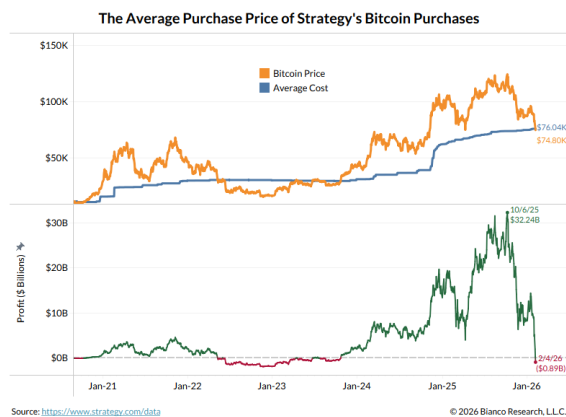
two years, and the price is \$1,500 lower than that. No one is holding a profit.

A lot of the institutional demand, get wealth managers, put 5% of your money or 2% of your money in Bitcoin, buy MicroStrategy. These are people that do not want to open up an electronic wallet. here is my cold storage unit here, my ledger that I own it in. it is hard. It is hard to own that stuff. I got it.

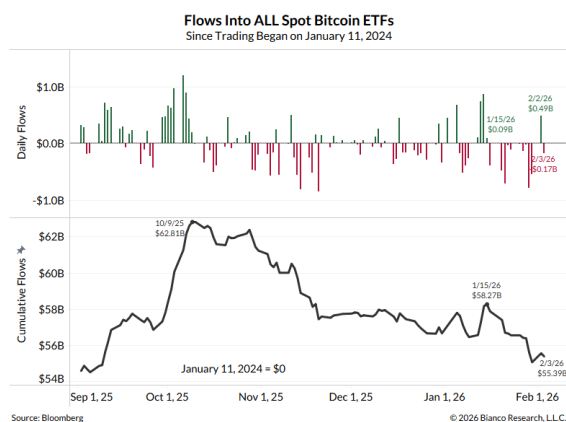
I agree with you all. We made it easy to adopt it by buying either MicroStrategy or Bitcoin, and now the average person is underwater. To make it worse, all the narratives are not working in Bitcoin. The narrative of adoption, here come the boomers, and the boomers are all going to buy it. Why are the boomers going to buy it? They do not understand it, but its numbers go up.

Therefore, they're just going to degenerate gambling into a thing that is rising. Well, it is not working as well. It is a bet against the basement of the currency. It is a bet against bad stuff. Well, gold and silver are the same thing, and they're up hundreds of percent, and Bitcoin has not done anything. It is a speculative play that is like a levered technology fund.

It is a levered NASDAQ 100. Those stocks are struggling a little bit, but they're not 40% off their highs like Bitcoin is. None of those narratives are working. So consequently, here is the daily flow into Bitcoin ETFs. here is the daily flows, and there has been a lot of outflows lately, but that peaked on October 9th, and the money has been leaving, so there is constant selling pressure on it right now. I am long-term bullish on Bitcoin with the following proviso.



I think that the financial system needs to be disrupted, and I think we need a new financial system revolving around payments, the security of owning an asset, around the risk of fiat being debased, and I think a cryptocurrency can be something like that. The problem over the last 15 years is occasionally Bitcoin will get back to its roots and try and develop an alternative currency and an alternative financial system, and when it is, I'm all in. And when it then loses that sight, becomes a gambling tool, and screams adoption, all you boomers buy it. Because it is going up. Why should I buy it? Because it is going up.



And we're going to create instruments, so you do not even have to leave your regulated brokerage account to buy this instrument that is going up. It runs into trouble, and it is running into trouble right now. How does it get out of it? Go back to your roots. Quit asking Larry Fink for permission that you are

allowed to be on a regulated brokerage account or Jay Powell permission that you are allowed to be part of the financial system and build a new one and take it away from them. As I've used it, Travis Keledic was offered an opportunity to sell Uber to the taxi companies, and he turned them down because he said they're not worth anything.

I'm taking it all away from them. That is the way that Bitcoin's got to start thinking. You could argue they cannot do it, and you might be right, but if you want me to believe, go in that direction, and then I'll make a judgment as to whether or not you are. But if you're just a gambling tool, and we need to have more ways that people can gamble with it, ETFs, digital asset treasuries like strategy and the like, so it is easy. They could just do it in the Robinhood account or the Schwab account, and they could just punt these things all day long. Then you're losing sight, and I get worried about it.

So hopefully every Bitcoin winter refocuses them on the quit asking for permission and start thinking about replacement. Now, we talk about this about tokenizing assets and having stable coins and the like. Let's go that route. Let's go that route all the way and forget what Larry Fink thinks or forget what Jay Powell thinks or Jamie Dimon thinks. You do not need to make tokenized assets via their, or even Donald Trump, even their permission. You have to do it and take it away from them, and that is the way.

So, either you are a disruptive force or you're not, and now maybe every winter they refocus themselves, and hopefully they're going to refocus themselves this winter on it.

Q&A

All right, let me stop there. Thank everybody for listening. Let me take a couple of the questions that are here in the chat that I missed, and if you got any others, kick them in there. First name only basis, I know who you are. **Steve asks, Warsh talks tough on the**

balance sheet, but what will he do when faced with a sharp sell-off in capital markets?

Very good question. And that is a very good question. And I'll go you one step further. What would he do in the face of a sovereign wealth fund? So let me just remind everybody of the mechanics of this because it is important. The Fed is allowed to buy government-backed securities.

That is all they can buy. The Fed was buying ETFs and corporate bonds during the COVID lockdown. How could they do that? Technically, they were not. Technically, what happened was the Treasury put together a special purpose vehicle, an SPV. The Treasury turned to its banker, the Federal Reserve, said, fund this.

And the Fed funded it. And the Fed then said, we own an obligation from the United States Treasury through their special purpose vehicle. It fits our mandate that we could buy government-backed securities. And then that funding in it, they hired BlackRock. And they went out and bought ETFs. And they went out and bought bonds.

The problem was BlackRock was buying the BlackRock corporate bond ETF. And there was a bit of a conflict of interest. They did not do anything wrong. BlackRock is no, nobody's accusing them of it. It is just the appearance of it as well. So that is what they did.

So, in the next sale-off, Will Besant puts together an SPV and then tell Warsh, dump a bunch, print some money, dump it in here so we can buy securities to support the market. Warsh and Besant know this stuff better than I do. And they do not like it. I would say that what I've argued about it is that it is OK to do it with the minimum amount of time. We're going to make an SPV. We're going to buy securities starting in March of 2020.

And by June of 2020, when the market's gone from 35% off its low to 15% off its low, you've got to start getting out. It is not that you're going to keep buying them for the next, or like

what you did in 2008. I've often argued that in 2008, what Bernanke did during the financial crisis, I would legitimately give him the Nobel Prize in economics. And I would give him two Nobel Prizes in economics because in September of 2009, he started QT. And he started getting out in September of 2009. I give him a second one for that.

But then he chickened out and he did QE2 and then QE3 and kept doing it for another six more years. I take both of the Nobel Prizes away from him for that. If you want to put together an SPV and you want to buy securities to support a collapsing market, what are you going to do when the market sells off for days or weeks? We're not going to buy these things and own them for 15 years. That is where the distortion comes in. And it is going to be painful when we get out.

But what we're going to say is we're going to buy, we're going to support the market, we're going to get out, it is going to be painful. And guess what? Goldman Sachs is still solvent. And that is all we were trying to do. It is kind of like I said, when you try and teach your kids how to swim and they're in the water swimming really hard to breathe, you put one finger under their chin and just let them get a little gasp of air, so they do not drown. And they have to figure it out.

That is all you need to give the markets. You do not need to put them on water wings in a floating chair and say, here, now you do not have to worry about drowning. That is effectively what we go too far with it. If you want to just use it to just give it a little bit of a nudge on its chin so it can gasp some air in the middle of a crisis, I'm with you. That is all it needs. And I think that that is what they'll do in the next crisis.

Now, the bigger question is, what about the Sovereign Wealth Fund? What if they put together the Sovereign Wealth Fund? Remember, everybody that has a Sovereign Wealth Fund is a creditor nation. Norway, Kuwait, they have oil revenues and money is

coming in. What do we do with this money? We create a Sovereign Wealth Fund, and we buy assets and they go up in price.

Alaska has the Permanent Fund. That is effectively a Sovereign Wealth Fund. I know it technically is not, but it is effectively a Sovereign Wealth Fund as well too. But the U.S. wants to have a Sovereign Wealth Fund, but we're a debtor nation. We do not have assets. We do not have funds coming in, excess funds coming in we do not know what to do with, so we're going to make long-term investments.

So, is there a plan to put together an SPV called the Sovereign Wealth Fund? And hey, Warsh, will you print me up a trillion dollars or whatever the number is you want and dump it in here so I can go out and do more Intel-type deals and I can go buy positions in Rare Earth and electric vehicle companies and in silicon chip maker companies and everything else that we want to do with the Sovereign Wealth Fund? I'm not sure if he was talking about some kind of financial fund. Maybe, you know, there was some talk that they were going to buy Bitcoin too and stuff. Is that what they're planning on doing? I do not know.

These are the questions he should be asked in the press report. Warsh's name came up in the Epstein files in a completely innocuous way. There was two parties, not on Epstein Island. He was on the short list to be invited. It is unclear whether or not he actually went to those parties. There is absolutely zero evidence he was ever anywhere near the island or had any malfeasance.

His name was just on a list. That is, it. Are we going to wind up having to talk about that for half of his stupid nomination and not talking about the things I was talking about with the SPV and the balance sheet and everything else? I'm afraid with Congress the answer is yes. That is what they're going to get for it. Because they're going to want to sully him because he's a Trump appointee as well.

That is what I think they're going to do in the next sell-off in the capital markets. That little push in the chin, just take a gasp of air and keep swimming. You've got to not drown. Here, take another gasp of air. It is not going to be, I'm going to put you in a floating chair with water wings and a float on so that you never have to worry about drowning. That is what I mean by when Bernanke did 08, great.

When you get 09, it is great. Then you chickened out. You undid it and you kept doing it for six years and you made it worse. What they have to understand is that at the central bank and at the treasury, when you do something right, do not quit slapping yourself on the back and quit asking, when do we stop doing it? What is the fastest way we could stop and get out of this and not keep doing it for years on end, open-ended? They're still making reserve management purchases right now with the bloated balance sheet.

Now we're approaching 17 years after we've started doing this first QE and we're still doing it because they have not figured out a way to get out. That is what Warsh will hopefully explain to us. **Tom asks, does media bias plus our adversaries attempts to discourage us on X social media algorithms explain overly pessimistic consumer expectations?** No, I do not think so. I think that is definitely there. If it bleeds, it leads.

It has always been the true story forever. I think it really is the K-shaped economy. If I were to go back to this chart here, I think it is this. Prices are going up faster than wages for the majority of the country. As I pointed out, if you go with Mark Zandi to Moody's, I understand his methodology. He looks at residuals.

He looks at total amount of money times, less savings and what is left over. He comes up to 50%, 50% of all retail sales is made by the top 10% of income. Half of retail sales is made by the top 10% of income. The bottom 90% do the other 50%. The bottom 50% do very little of the overall pie, maybe 25%, maybe 20%.

What is happening is the majority of the public is very unhappy that their paycheck because they do not own assets and they rent, their paycheck is not meeting their needs.

It is not going up fast enough. that is where the pessimism is coming from, the bottom of the K. The top of the K is keeping all the economic data strong. The problem is you cannot say, well, we'll keep cutting for the bottom of the K to help stimulate them, because all you're going to do is you're just going to tell the top of the K to buy a third car and to buy another summer home or a bigger summer home or to spend more money on priceless watches or antique cars. I know I'm being sarcastic to get my point across and create more inflation. The Fed does not have a tool for K. In fact, they never thought there'd ever be a K. This is the problem. I do think that the numbers are explainable in that it is that the cumulative increase in inflation is so much that 2.7% is on its way to 2.5%, if you believe that.

I think it is back on its way to 3%, but that is a different question for a different day. If it is not 0.3%, it is too high, and it needs to be restrictive. People are fed up. They want the price of the store to go down. Now, obviously, we do not. That is deflation, and that would be very detrimental to the economy.

But at least they want it to start going up by less than 0.5% so they can eventually catch up. And 2.7% is not going to cut it. It is not close to cutting it. And even 2% might not be close to cutting it. And that is why I've argued we've got way too much inflation, and we need to be more worried about that. And that is what this data is showing.

Jim asks, "You're so right about the economists. I stopped subscription a couple of years ago. The FTE is only slightly better. I got it. I got it. Their viewpoint is with that, and I read it with that in mind.

And there is some good reporters, and there is some good stuff in there, but it used to be the Bible for me, and it really is not because all

they ever do is just hyperventilate about everything that Trump does. Look, I'll give you my viewpoint on Trump again. If you wrote down dispassionately, what is he trying to do with Greenland? He wants the Russians and the Chinese out. Okay, I agree with that. I think a lot of Europeans would agree with it.

How does he want to do it? He wants to invade the country. He wants to buy the country. He wants the country to become part of the United States. And implying that he'd almost take it forcibly, or he's going to twist the arms of the Europeans to give it to him, even if he has to pay for it. Maybe that is not the best way to go about doing it, but the goal is probably correct.

But I would argue in his defense, how else is he going to make it happen? Are you going to convince them to put together a working group in Greenland so we could talk about it five years and to conclude that we need another working group on Greenland? That is not going to cut it either. So, like I said, it is kind of like getting out of a relationship with the other side that does not want to get out of the relationship. Please tell me how you do that in an amicable way. It is not easy.

And so, I agree, he goes too far, but I understand what he's trying to do. That is all I'm trying to say about it. But Europe just wants to, European publications, I understand he's intensely unpopular in Europe, and I understand why. Look, the majority unpopular in this country too, but so is every president. But it is just over the top with the way that they do it. I'll just leave it at that.

General comment, re-Bitcoin. Be careful what you ask for. For a new financial system with blockchain it may be more about establishing a control grid, i.e., all your transactions, monitors. I agree with you. There is privacy coins and a bunch of other things.

It is not ready there. The blockchain as constructed is not ready to take over as an alternative financial system. But things like Solana and things like Ethereum and the Tron

blockchain are getting closer every month, every year to potentially being that. Bitcoin's been a bit stuck in the mud. It is just going to be the gold store value in that system. It is not going to be the blockchain that we do everything on.

But you got to get into that mode. And what happens is that everybody gets excited that they're all chasing the Bitcoin ETF and they're all chasing the digital asset treasury companies. And then the funding for people that want to improve the blockchain and make it more of a financial system or more ideas around DeFi, decentralized finance, and trying to develop that out. We do not have money for that. We just bought iBit. Just buy iBit, and the number go up.

And that is the problem that you face with it. So, I agree with you. It is not there, but it can be there. But I do think we need a new financial system. And we, meaning the planet, I've often argued, we, I've used the joke of the Greenwich Connecticut Country Club is going to be the last place to adopt Bitcoin because they do not need it. They've got the reserve currency.

They've got the assets. They've got the rule of law of the United States. They're the apex predator in the financial system. Good for them. And the system works for them. I'm not saying this works to the detriment of everybody else, that they designed it that way, but it does not work for people in Africa, Latin America, Southern Asia, the Middle East.

That is 2 billion people. They need a better financial system, that remittances are cheaper, store of value is easier on a wallet, that their countries, their governments, their central banks, their countries cannot devalue their currency to nothing, Venezuela, and then eventually confiscate it from the financial system, Cyprus. And so, if you look at it and know that it is who needs it. And that is why I said it will bubble up out of the Third World into the second world, just to keep the analogy, into the first world, and then

eventually to the Greenwich Connecticut Country Club. So, if that is your goal, man, I'm all with you on it. They need it.

2 billion people on the planet desperately need this. Or something like this. You know, by the way, I do not know if you know this, but the medium of exchange, the currency that is currently being used in Venezuela is tether right now, is that everybody's using electronic wallets with tether in it. It is the dollar stable coin. So, you could say that they've dollarized their economy, but how? They wear tethers.

Why do I say that? Because I am looking for the best black-market rate of what the Bolvar trades at, the best rate is Binance Tether Bolvar. They've got a digital version of it. That is the best rate, because that is the way that everybody uses it. They do not trust the banks. I'm not going to open up a Venezuelan bank with a dollar-based account and put all my US dollars in there.

So, they hold them in US stable coins in an electronic wallet. Why are they not worried about tether's treasury and that they own all these dodgy securities, and they might wake up one day and it might be worth 95 cents on the dollar? They do not care, because it is not zero. They're worried about it being zero. That is why tether is so popular on the Tron blockchain, too, as well. So, just another thought.

It can be that as well. We asked, dealer holdings of coupon treasuries with maturities over 11 years have surged 71% year-over-year to \$110 billion. Does this reflect the glowing supply, demand, and balance on the long end? Should we be concerned about investing? I have not looked at the data lately about the dealer's positioning, but keep in mind that the dealer's positioning also has a hedge on it as well, too. And what I was referring to is the gross positioning on the dealers lately.

Part of what you might be seeing with the dealer positioning greater than 11 on the surge is the basis trade. The basis trade is

huge. If you look at the lever traders and staff, you see in the futures market a gigantic, short position. Basically, you go long cash, you go short the basis, and you capture that profit. And so that might not be a directional bet. That might be on the basis is what we're seeing.

I'd have to look into it more deeply. But I do know we do highlight this with the commitment of traders, this massive, levered fund short position in 30-year bonds and 10-year bonds and 5-year bonds. And we said, this is not a directional bet. It is a basis bet. And that might be the same thing. What I was referring to is if you look at the gross position, the long plus the short, not the long minus the short, it is not much bigger than it was 18 years ago because of the restrictions on leverage and the restrictions on Dodd-Frank and the restrictions on the dealers.

But the bond market's 4X larger. And so that is why the Fed cannot reduce its balance sheet anymore because the dealer community, the banking community cannot take that big a loss of liquidity without it being shown up in SOFR and everything else. They need to expand that community. The Fed has been afraid too because they said they blew up almost once in 2008 and they would not have blown up again if we did not step in in 2020. We cannot let them get that big. And the problem is, OK, then that means you've got the bloated balance sheet.

Somebody's got to carry that balance sheet. It is better, I think, the private sector than the Fed. And that is where I think that Warsh is going to try and, with Besson's help, try, and reduce the size of the balance sheet by allowing the dealer community, the banking community to take on more of that as well. Could you say a few words on SOFR? I'll say a couple of quick words on SOFR. Agentic AI, AI agents.

If you're not familiar with that, that is basically, right now what we have, what you're probably familiar with is prompt and response

AI. You go to ChatGPT or Gemini or Claude or Perplexity or whatever you happen to use, Grok, Copilot, and you ask it a question, and it gives you an answer. You might ask it a question, and how do I do this with my computer? Oh, OK, open up File, go to Options, go to Preferences, go to Advanced Preferences, tick off this box, tick off that box, go to this dropdown, change this. And you go, wow, thank you. Now I have changed the settings on my computer to exactly what I want.

It tells you. But what it cannot do is you cannot say, go into my computer, and change it for me. That would be an agent, what it would be. Now, in the last couple of weeks, several days, AI agents have taken us by storm to a level that we have not seen since the invention of ChatGPT in late 2022, early 2023. And that is that you are now able to do, because that, OK, I want this setting on my computer changed, you go change it, requires writing a piece of code that will go into your computer and change it. These agents are now so easy that you and I that know nothing about coding can just explain in English what we want.

The computer will convert that to code that will execute that code on your computer, an agent. And that is what has been happening between Claude co-working and between OpenClaw and a lot of these other agents. People are starting to say, holy crap, this is going to be what AI is going to be talking about in 26. It is going to be agentic AI agents, having it take over and do the task for us. Yesterday, Claude released legal co-working. It is a special tool to create programs for the legal community and for the data community. And it is if you want to write a contract.

Tell them what you want with the contract. Tell it the specifics. It will search and it will understand all known contract law. It'll understand the parameters of the contract you want. And in five seconds, it will produce that contract. And some people, it has only been out for 24 hours.

I do not need a lawyer to write a legally valid contract. I could do it in five seconds for free on my computer. I needed to review a contract. Where are the weaknesses of this contract? I needed to do research. And all of a sudden, what everybody said was, that is an agent.

It is actually producing this stuff for you on your computer. What about SaaS? Software as a service. Now, the biggest one we all look at is Bloomberg. Software as a service. We pay a monthly fee to Bloomberg.

We all use 5 or 10% of Bloomberg, maybe 2% of Bloomberg, but it is important enough, those 5 or 10 or 2% that we pay the three grand a month for Bloomberg. What if I could take that 5% that I do, and I can have, and I can recreate it for free? Now, Bloomberg has a thing called Bloomberg Law, and it does a lot of that kind of data provided. It summarizes all that stuff for you in Bloomberg Law so that you can then use it in a legal community. And they sell a lot of terminals to legal community for Bloomberg Law. So yesterday, we saw the SaaS companies, not only the big one, Salesforce, but we saw Reuters, Thomson, S&P Global, FaxSet, all get crushed yesterday.

Intuit, which is TurboTax, got crushed because the market is starting to realize, wow, I do not need TurboTax anymore. Because there will be Claude Tax. It will be the best tax attorney, tax accountant ever, because it knows the sum of all tax law. Here, connect my bank account, connect my brokerage accounts, connect all of my investments, my 1099, my W-2s, everything. Claude, here it all is. What should I do to reduce my taxes and produce my tax return?

In five seconds, it is done. And I'll track it real time and keep it up to date. And if I need to change the structure of any of your investments to reduce your taxes, I will just do it. Now, you might not be ready. I might not be ready to do that right now. It is super dangerous for me to hand over my passwords to all of that stuff to an outside entity like that.

But that is where we're going with agent AI. And that is why the software companies have been killed. Now, two other things. I read in a great statistic late December in the New York Times, not the Wall Street Journal, the New York Times, that private equity owns 31,000 companies with a collective value of \$3.7 trillion. That is the average private equity, the vast majority of companies they own are between \$50 million and \$500 million. Private equity loves to buy companies that have predictable cash flows.

So, a lot of the companies that private equity own are SaaS companies. So, they make specialized software like for the accounting for a rental car company. I'm just making that up off the top of my head or something like that. And all the car rental companies around the world subscribe to this software and they use 10% of what it could do. They all use a different 10%. And they pay for so many seats per month.

And it is predictable cash flow. All of a sudden, people are looking at private equity and they're saying their portfolios are made up of three things. One, they over gave on the credit side or on the investment side, they're over their skis on data centers. Their valuations are too risky. They handed out too many loans at too high a valuation. And there is an overcapacity of data centers.

That is fear. Two, what are all these data centers doing? They're wrecking all of their SaaS companies. Investments because we do not need SaaS anymore. Look at Salesforce, the big CRM, the ticker. Holy crap, are they killing that stock right now?

Because we do not need the CRM from SaaS because we all use five percent of what Salesforce has and we could just recreate it and rip Salesforce out and save all that money. Now we're not going to do it tomorrow and maybe we're not ready. It is kind of like the Bitcoin argument. But what Wall Street has seen is we're going there and we're going to get there. And markets discount as well. And

there are the other things that they own, 31,000 companies, they still own a lot of HVAC companies and veterinary chains and everything else.

These are big cash flow companies from seven years ago they cannot sell. And so, all of a sudden everybody's looking at private equity means over levered over your skis and data centers, which is wrecking your SaaS revenues. And yet all you're left with is a bunch of pre-COVID companies like a HVAC chain or a bunch of veterinary vets that produce a lot of cash flow, but you cannot sell. And that is why these companies are getting crushed. Funny thing is Jonathan Gray, love Jonathan Gray, he's fantastic. He explains this stuff better than me.

The only problem is, Jonathan, you did not explain it to your portfolio. And that is why Blackstone is struggling with this. You get it. You've totally gotten it, but that is not you. You're basically arguing that you got the wrong portfolio. And that is why they're all starting to get killed.

So that is the argument with software is that who is going to get disrupted because of AI? It is going to be the other half of Silicon Valley. Silicon Valley is eating itself. It is disrupting its own software companies, which is what it is winding up doing. And the final thing is, we all thought, I thought, I even argued this too here, that 35 to half of the stock market is AI related. 35% of it is technically tech, but some of it like Apple is considered a communications company.

It is not considered a tech company. Amazon is considered a consumer company, although it is technically a tech company. That when those companies start down, the whole market will fall apart. But instead, what we're finding out is those companies are rolling over. Look at Microsoft. It is down 24%.

that is probably the center of the universe when it comes to AI. Those companies are rolling over. And why is not the stock market holding up here? Because the other half, the

normie companies, if you want to think of it that way, are going to be the winners. They're going to be able to tell five people in their AI department, their IT department, to create all these agents so that they could tear out all these SAS programs that they pay for and save millions of dollars a year on their bottom line by getting rid of SAS. So, their companies are going up.

That is why they're value stocks. that is why yesterday the stock market was killed, and the Russell 2000 was up because all the Russell 2000 companies are going to win because they could get rid of the SAS companies that they're paying per seat for because of AI. And so, I did not see that coming, but that seems to be where we're at now. Check in next week to see if we've got a new narrative. But that is essentially what is happening. Who is the loser?

Software companies on AI. Who is the winner? Everybody that subscribes to software. Now, if Bloomberg were a publicly traded company, it would have been wrecked yesterday. It might be down 50% in value because all of a sudden, we're starting to say, look, we pay three grand a month for Bloomberg. We use 10% of it.

Could we get together and write some agents to replace maybe not all the Bloomberg terminals that we use, but some of the Bloomberg terminals that we use and save a lot of money? But is it there now? Some of it is there, but it is getting better literally every week. Claude coworking was written by Claude Code with the help of a lot of input prompts in less than 10 days. So, this disruptive program that everybody's looking at was written by an AI in less than 10 days through the use of prompts. That is how fast this stuff is evolving.

So maybe in the next conference call in three weeks, we're in a whole different regime as well. We're looking at these agents. We're trying to incorporate agents into what we do as well too. A couple of other quick questions

here. **Darren asks, given the Bitcoin sell-off gold and silver selloffs many low underwater and levered with a need for liquidity, can this spill over into private equity who has industry who is now lobbying the government for regulatory relief, our PE and private credit now heading towards becoming a murder weapon of a recession?** Maybe a murder weapon for themselves, but I do not know if they're big enough to be a murder weapon for the recession.

But you're thinking about it in the right way. That is the way I think about it too, it is that they are now undergoing some sort of revaluation and restructuring. And most of them will get through it, but they'll be a little bit different with a little bit of a different outlook. But I think that that is the right way to look at it. But bear in mind, as the way I just explained it before, there is a winner. And the winner is the normie company, for lack of a better term, that is saying, wow, you mean I do not have to pay for a thousand licenses to Salesforce for my CRM.

I do not have to pay for all these data sources, for all these seats and data sources. We could go out and replicate this self with an agent and just rip all this soft application layer software out and save millions of dollars a year on our bottom line. Let's start looking at it. It is not let's do it. Let's start looking at the feasibility. And what their AI people are telling them is, this might be doable.

It might not be doable today, but this stuff is literally changing every week. And when you get Claude legal co-working, you'll get Claude tax co-working, you'll get Claude wealth manager co-working, and you'll get Claude financial co-working, and you'll get Claude trading bot co-working, and you'll get Claude social media co-working, and you'll get all this stuff. And everybody then can put together a program and be an expert programmer and design exactly what they want for free by just talking to their computer. I usually talk when I do my prompts because I'm a terrible typist. that is going to be a big game changer. Daniel

says, seeing signs of price cuts, rewards by companies, McDonald value meals are down.

Yesterday, Pepsi committed to reducing prices 10 to 15%. Stock prices are rewarded in these companies on the back of the news. Is this the start of a trend that will reduce inflation? It is McDonald's, Pepsi, Five Below, all those kinds of companies. It is recognizing the financial position of the bottom of the K and recognizing that they think we're in recession because they think their basket is shrinking because prices are too high and they are buying less stuff. So, they think we're in recession and they think the majority of the country thinks that the inflation rate is four, even though it is currently under two right now.

that is who is doing this right now. It is not Ferrari that is reducing their prices. It is not Cartier that is reducing their prices right now. And so it is that who is doing it. And that is part of the K trend. Is that enough to reduce inflation?

The majority of purchases is made by the top 10%. And what will reduce purchases from the top 10% is if the stock market sells off. And that gets them to rethink it as well. By the way, how would you like to have been a Silicon Valley executive of one of these software companies and borrowed against your stock to build a \$30 million house and now your stock's down 70% and you got a \$30 million house in an era where everybody's choking on their \$30 million houses because they're all a bunch of people because half the Silicon Valley is now choking on software companies. That is an example that I heard is real of at least more than one person right now in Silicon Valley. Now it is not happening to data center guys, but it is happening to the software guys.

Salesforce is what I heard as well. Anyway, so with that said, I'll end it here. Thank you for listening. And I should still be on the three-week schedule. My travel schedule was such

that I could not do this tomorrow. Talk to you again soon in this format.

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