

New World Order

The Old Way	The New Way	Implications
US Dollar (<i>given its reserve currency status</i>) and US Treasury are safe havens and store of value, especially in times of uncertainty	Holding up the Financial system via weaponizing the Dollar has worked in past with smaller countries like Iran; however, its coming to focus this time as giant reserve holders Russia & China become an opponent in question	A known threat – sanctions and SWIFT has materialized (<i>this time its RUSSIA</i>) and will be re-deployed again in future as need arises (CHINA...?). What are the options for countries holding USD treasuries as a part of their Forex reserves – (1) Be friend with U.S (<i>else Russia</i>) (2) Reconsider the pace of dedollarization (<i>Russia was constantly dumping US securities in favor of Gold & Renminbi for their Treasury holdings</i>)
Money stored in bank is safe and retains a store of value	Your money is not as safe as you think/want it to be & can get confiscated by these ways – (1) Persistent Negative Real rates: With Inflation running red hot at ~7% & savings banks offering ~zero yields on deposits, savers are the ones loosing money (<i>in real yield terms</i>). Governments' are secretly confiscating citizens' wealth by letting inflation overshoot yields earned. (2) Freedom to transact (Russia/Canada): With Canada imposing capital control on transactions permitted & Russia facing 'SWIFT' sanctions; de-globalization is the order of the day	We have entered an era wherein savings in bank deposits is illogical. Debt (<i>at below inflation rates</i>) & consumption will dominate behavioral pattern alongside gambling & speculation (<i>did we hear Bitcoin? You need fiat currencies to transact at a supermarket</i>) as a rational response to keep up with declining value of money. Governments' assurances on bank balances are no more assuring; but, well these can be seized/controlled anytime without a warrant.



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<p>War is obsolete. Peace is the new order in Europe</p>	<p>Russia attacks Ukraine to protect its borders from U.S, U.S lends (partly) defense equipment support to Ukraine, Germany increases its defense spending bill to counter act of terrorism. 2014 was just a sneak preview the story gets revealed now.</p>	<p>A common threat gets all ailing parties together. Hold true in the present environment (<i>NATO?</i>). Will the world see European integration to fight terror and well (<i>more</i>) Fiscal spending (<i>adieu Savers</i>).</p>
<p>Government (U.S.) spending is countercyclical and is a subset of revenue generated via taxes</p>	<p>Deficits are no more a function of treasury balance sheets. While, they do increase in periods of stress with 'whatever it takes' approach by government; in good times they move to 'whatever it wants' approach (<i>Ex – Deficits increased in 2017/18 despite strong economy & low employment</i>) Deficit concerns are all mythical; because, in essence there is no need to pay this down when you can just inflate it away.</p>	<p>Fiat currencies are systematically dying their natural death as MMT takes the center stage. News lows for now are – Trust in government and trust in money</p>
<p>Nations (<i>again reserve current dominator – U.S.</i>) have monopoly on currency issuance</p>	<p>Currency is getting created by anonymous shadowy coders by harnessing energy of a million ASIC miners</p>	<p>Hold your breath for this; but, if the trust in USD ever collapses, then the long term reserve status of USD possibly getting challenged by Bitcoin cannot be discounted to zero either.</p>
<p>Globalization is great as countries integrate their supply lines</p>	<p>Globalization is...not seemingly too great and well there is a dire requirement to protect the supply lines</p>	<p>Re-nationalization of supply chains is the new order with bearings on inflation (high), from 'just in time' to 'just in case' inventory and thereby lower profits.</p>



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Cash is King	Well no more! Cash will slowly be phased out and CBDCs (<i>Central bank digital currency</i>) will replace existing cash.	Deeper negative policy rate can be implemented as digital currencies replace cash as creating money out of thin air is just few clicks away. Expect more government surveillance of transactions, restricted purposes for which money can be used (say no alcohol or gambling), money expiring from the CBDC wallet, defining areas where you can spend and other fiscal experiments as programmable digital currency enter the bandwagon.
Cheap energy is the best	ESG is the best	What happens to global trade when participating countries do not agree on basic principles. You will see Europe depending on Russia for its oil and natural gas demands; similar to the problems U.S used to have with its dependance on Middle east.

Source: Brent Donnelly

