**Marko Papic**

“Macro is back” after 10 years of buy and hold in tech stocks and bonds.

Last year, Marko told subscribers to buy a barbel portfolio of oil AND buy clean energy. That worked out fairly well. Today, Marko tells listeners why the world is not ending, and why the world will be ok.

What is the case for running for the hills? The risk of geopolitical conflict. The world is multipolar – meaning that there isn’t one singular “bully” in the schoolyard. The U.S. used to be that bully after the fall of the Soviet Union (Cold War was a “bipolar” world). This unipolar world is fine – no matter who’s in charge (even aliens). Everyone knows what the rules are.

Multipolar world – there are fights all over the schoolyard. In a geopolitical sense, that’s brought the most wars and conflicts across the world since World War II. This is a constraint on globalization. For example, when Britain was in charge (1800s), we saw trade globalization increase. The same thing happened when the U.S. was the leader in the 1900s. But when there wasn’t a unipolar world, globalization stalled.

Not every conflict will culminate in World War III. Most conflicts won’t have any impact on U.S. investments, but it could provide opportunities (think commodities).

The war in Ukraine retained the same amount of supply, but forced Russians to sell at a discount – which lowered the price of a barrel of oil (against common sense). That’s why Saudis and OPEC are scrambling to cut production.

The Cold War is a lazy analogy for the U.S. and China. The world isn’t as simple as it was then. After World War II, it was obvious that the U.S. and Russia were the two superpowers.

U.S. and China are the two most powerful countries, but they’re not powerful enough for their allies to fall in line. European allies don’t see China as a serious enough threat to back the U.S. in ban against Huawei.

Countries want to hedge – keep their options open in terms of allies. It pays to play the field (geopolitical Tinder).

A Taiwan invasion would bring back the bipolar world. China can’t invade Taiwan without bringing on serious pain – households are heavily indebted (think U.S. in 2009) and China relies heavily on exports.

China has actually ratcheted down geopolitical tensions. China has toned down aggressiveness in South China Sea. The new focus may be the domestic economy.

China’s second problem is poor infrastructure with Russia. There are no infrastructure links that would help China power its economy. Russia’s main gas customers are European nations. A pipeline to China would be the most expensive infrastructure project on earth. Russia and China trade as much as China and the Netherlands.

U.S.’s focus on China is five years late – Mark says China has peaked as a power. U.S./China is a risk, but it’s not the end of the world.

Ukraine war is entering a stasis – not getting better and not going to get worse. Russia’s initial goal to conquer Ukraine was like a dog chasing a car, and now has three goals – get water supply for Crimea, get a land bridge for Crimea, and win Donbass.

The next four to six weeks are important, before winter gets here. Russia will retaliate the more successful the Ukrainian forces are. It could go really badly in this case, but in the winter things will begin to slow.

The war may not end, but there could be an equilibrium (like in Korea). The war is a problem for Putin and he needs to wrap it up.

The market does not care about Ukraine anymore – everything is already priced in. Stocks and commodities have stopped moving on Russia headlines. Fed chair Jerome Powell now has more power in the markets than Putin.

Be wary of people saying geopolitics should keep you out of the market.

European deindustrialization is false. Natural gas prices are already collapsing – down to pre-summer levels. Europe can print money to pay for gas longer than Russia can cut off natural gas. And there’s a wall of natural gas coming online through the U.S. and even Russia. Europe has always paid higher levels of electricity than the U.S.

There will be value in European industrial assets in the next 12 months – IF Powell does not force the global economy into a recession. Europe is overly cheap, and European industrials are trading at a historical discount to their U.S. counterparts. Mark says if there is no global recession, BUY European industrials.

The real dangers – an America that aggressively tries to establish itself as the unipolar power by trying to instigate big countries into conflict.

The second risk is the proxy war between Saudi Arabia and Iran in Iraq. An Iraqi civil war will hurt the oil market like we thought the Ukraine war would do.

The last risk is if Putin leaves and Russia descends into a “time of troubles” – a warlord-ization of Russia. That could cut off a lot of materials to the global economy. This is the biggest risk and it’s what to watch throughout the rest of the decade.