

Sebastian Dienst (00:02.207)

Roberto Rios, welcome back to the initiation.

Roberto Rios (00:06.808)

Thanks for having me, Sebastian. It's great to be back.

Sebastian Dienst (00:10.197)

Yeah, last time you were actually still under the pseudonym Peruvian Bold. And I think just shortly after our recording, you changed it to your real name, right?

Roberto Rios (00:21.294)

Yeah, yeah, I did. I made the decision to make the big leap to unanonymize myself just because I think it was hindering me from getting to know people, but I think it was the right choice. you can still call me by both. If you want to call me Peruvian Bull or PB, that's totally fine.

Sebastian Dienst (00:39.275)

Cool. Great. So we're recording this on 2nd of April, 2026 and we're a little over a month now into the war in Iran. And I was just curious to maybe start off to get your perspective on where we are and where this might be heading. What is your current thesis or sense making around this war?

Roberto Rios (01:06.838)

Yeah, I think, you know, this war was started in this, kind of ill, what I would say like an ill-advised first strike.

That has quickly ballooned into what is clearly going to have to be a much larger involvement, right? The initial 12 hours involved like 900 strikes on Iranian targets. We use our B2 Spirit stealth bombers, know F-22 Raptors We had two aircraft carriers one off the coast of Israel one in the Indian Ocean And both of them actually had to withdraw for different reasons but one of them was due to the worry about Iranian

Iranian missile strikes during the operation. But even though we were successful ostensibly in getting the Ayatollah and a lot of the major senior leadership killed,

We're quickly realizing the same thing that we realized in Vietnam and Afghanistan and basically all the other major conflicts that the US has ensnared itself in the last 50, 60 years, which is that simply beheading the head of state of a regime does not solve all the problems overnight.

Because you need, in order to institute actual change within a country, you need a new regime. And if you want that regime to be allied with you, that generally means you have boots on the ground and direct input into how they're leading, how they're running the country. And so even though the first strikes were successful, and we took out a lot of their air defenses, the Iranians are proving to be a much tougher foe and adversary than was previously imagined. And the regime change hasn't come.

Roberto Rios (02:55.312)

Right and unfortunately now I think the Pentagon has you know, obviously just two days ago They were authorizing another 3,200 Marines deployed to the Middle East before that there was another two or three thousand on the week before before that there was about five thousand so we're already

in the region, approaching, you know, in the immediate region, approaching 20 or 30,000 active duty service members who are being told that they need to be ready to deploy. And if we wanted to do a full scale occupation and invasion, it'll have to be more than that.

Sebastian Dienst (03:23.413)

Hmm.

Roberto Rios (03:29.902)

I mean, Iran is a country of 92 million people and it's also one of the most mountainous countries on earth. Around 52 % of its land mass is extremely mountainous, right? And the Iranian regime has known that this beheading strike or this, you know...

Sebastian Dienst (03:37.195)

Hmm.

Roberto Rios (03:49.294)

you could call surgical assault on them, was coming for years. And so since even like, I would say the 1980s, I've seen news broadcasts them describing their strategy. They've been preparing for this. They've been getting ready. And not only have they been decentralizing their command and control infrastructure, but they've been working on creating a system of bunkers and missile silos and launch facilities and production plants underground and inside mountains that is very hard to uproot.

Sebastian Dienst (04:05.45)

Hmm.

Roberto Rios (04:19.569)

So for example, I saw a study done by a former CIA analyst actually who said that there are across, you know, Iran from their estimations. There's over 14,000 fortified positions. So that's

underground bunkers, that's machine gun pill boxes, that's missile silos. They have underground missile production facilities, including gas, bomb, the actual fuselage missile production that they can ship underground via underground tunnels to other bunkers. Can these things be destroyed by the American munitions? Absolutely. We have bunker busters that can go that deep. The problem is the bunker busters

Sebastian Dienst (04:49.364)

Hmm.

Roberto Rios (05:04.302)

are extremely expensive. We're talking tens of millions of dollars per pop. And if we have to get rid of thousands of these sites, it's gonna cost tens of billions or hundreds of billions of dollars. And the economics of this situation are...

really where this all breaks apart because the Americans are going to have to spend an inordinate amount of money to uproot the Iranian regime and the Iranians have figured out how to do drone production, missile production, right, force projection extremely cheaply and so it's almost like a battle of attrition like who is willing to you know spite their nose to hurt the other ones face the most and unfortunately in a battle for survival I think the Iranians take the cake there.

Sebastian Dienst (05:36.522)

Hmm.

Sebastian Dienst (05:51.655)

Yeah, so with that said, where do you think this is going? We're hearing that puts are being ordered on the ground from there. mean, what is your scenario planning? What might unfold from here?

Roberto Rios (05:56.504)

Thanks

Roberto Rios (06:09.504)

I think the most likely plan, fortunately, is further escalation until, you know, potentially even the midterms. And the reason why I say that is because the...

The current Iranian regime has essentially been wiped out and Trump is trying to negotiate with a new cohort of Iranian leaders. The current Ayatollah, he's I believe the son or the cousin of the former Ayatollah Khomeini, he has essentially been unreachable by Washington. And so they're trying to negotiate with other people who you know, that say that they're in the regime and in the know and, you know, in a position of power.

Sebastian Dienst (06:38.474)

Hmm, the sound.

Roberto Rios (06:53.708)

But it's clear that the military, the IRGC has been in an extremely hardline stance and they do not want to concede a war or to concede stopping their blockage of the Strait of Hormuz until they get their concessions met. And a lot of their concessions seem to be maybe even exorbitant, excessive.

Sebastian Dienst (07:15.998)

Hmm.

Roberto Rios (07:17.516)

They demand a US obviously ceasing all hostilities. They demand that US pay reparations for all the bomb targets that they hit. They demand Israel withdraw completely from the region. They demand that US bases basically be vacated. And they demand basically unilateral control over the Shia Tafour Moos. And especially those later demands are very hard for the US to want to meet. But the problem is the longer this goes on, the longer the Shia Tafour Moos remains mostly closed.

Sebastian Dienst (07:33.162)

Hmm.

Sebastian Dienst (07:37.162)

Hmm.

Roberto Rios (07:47.393)

the more power and leverage that Iran has in this negotiation. Through that straight, 20 million barrels a day of oil used to pass, which is about 20 % of global oil supply.

Sebastian Dienst (07:48.17)

Hmm.

Sebastian Dienst (07:55.113)

Hmm

Roberto Rios (08:06.03)

And a large part of that is light sweet crude oil from the Gulf, as well as LNG, liquefied natural gas, which is essentially for cooking and heating homes. And many countries, especially in East Asia, like Japan or Korea, are basically completely dependent on Middle Eastern oil. So for Japan, for example, 90 % of

Sebastian Dienst (08:28.466)

Hmm. Europe also with LNG.

Roberto Rios (08:32.558)

Yes, Europe extremely vulnerable to LNG. Japan, for example, imports 97 % of its energy. Korea is somewhere close to that in the high 80%. Thailand, Cambodia, Laos, even Australia is a huge LNG and crude oil importer. And so we've seen gas lines and shortages start to form not only in Australia, but in New Zealand, in Thailand, in Cambodia.

in Laos.

Japan had to release 40 million barrels from their SPR, which is the biggest release in history the IEA it released 400 million barrels, you know to assuage the markets and make sure that the gas prices didn't spike too much but the problem is these are all temporary measures that are all papering over a systemic issue, which is all these countries do not have the domestic any domestic oil production and The US although we could supply we you know, we do produce quite

Sebastian Dienst (09:23.146)

Mm.

Sebastian Dienst (09:27.722)

Hmm.

Roberto Rios (09:34.145)

bit of LNG, we would have to supply it much higher prices, which means for especially low-income countries, that's essentially an energy shortage no matter what, right? Because especially lower-income people who live there can't afford that.

Yeah, I think we're looking at a broader as this work continues and as Trump starts to realize that There is no way to institute the regime change that he wants with just missile strikes and bombing people you actually need boots on the ground And as this, know, it escalates and they try to retake kargail and they try to retake the strait or they try to you know Launch assaults into the mainland. it's going to become in my opinion like another vietnam or afghanistan. It's just gonna become a quagmire

Sebastian Dienst (10:03.283)

Hmm.

Roberto Rios (10:21.322)

And it's especially dangerous because this time, unlike Afghanistan or Vietnam, we're going against a strong centralized government which actually has sophisticated military technology. The Iranian bomb drones, for example, that they've been mass producing, costs around 20 to \$35,000 a drone. And we have two missile systems that are what are called interceptor missiles that can shoot down, you know.

Sebastian Dienst (10:31.177)

Hmm.

Sebastian Dienst (10:39.689)

you

Roberto Rios (10:48.27)

Like incoming bombs incoming threats and these missile systems are mainly meant for large ICBMs, right? So we'd think like, you know large Soviet missile heads that are carrying a

nuclear weapon or carrying just a huge payload like You know the Moab the mother of all bombs
But

Sebastian Dienst (10:55.111)

Hmm.

Roberto Rios (11:07.246)

These two missile systems are extremely expensive right the THAAD which is the terminal high altitude area defense is around 12 to 15 million dollars per missile Which means it's 1.5 to 2 billion dollars of battery the Patriot which is a little cheaper is 3.7 million to 5 million dollars per missile and Both of these missiles have between a 20 and like a 40 % hit rate

Sebastian Dienst (11:17.929)

Hmm.

Sebastian Dienst (11:30.985)

That's right.

Roberto Rios (11:31.137)

So, Iran can launch drones for 20 or \$30,000 and cost us millions, right? Even the low end, \$3.5 million to shoot it down. So, that's something on the order to, that's like two orders of magnitude more expensive to intercept the drones. And they've also been using them, their strategy has been obviously in conjunction with their high altitude missile cluster bombs. And so, they'll launch a high altitude missile that goes up into the stratosphere

breaks into 15 different pieces, which each have an explosive warhead, which are, you know, GPS guided to their target. And then at the same time, they'll launch a bomb drone strike of like 50 drones and they'll all swarm towards the location. And so to knock out not only the stuff coming from above, from the upper stratosphere and stuff coming from, let's say only like a few thousand feet above the ground, which is the drone attack, you need a whole battery of missiles. And so that's hundreds of millions of dollars.

Sebastian Dienst (12:15.528)

Wow.

Sebastian Dienst (12:27.656)

Hmm.

Roberto Rios (12:31.374)

Clearly it's ragging on the US and it's causing what I think is going to be a more pronounced fiscal crisis here because this war is unsustainable by any stretch of the financial imagination.

Sebastian Dienst (12:41.95)

Hmm.

Sebastian Dienst (12:48.335)

Wow. Fascinating. I mean, just to sort of chart out, you mentioned at the beginning, from your perspective, this is going to drag on for many more months, potentially even years, who knows. But let's just say up until the midterms, the straight up foremost gets blocked more and more or continues to get blocked. What do you think are the network effects for

consumers, not just in the US, but worldwide. know, prior to recording the call, we talked about the months or weeks before COVID really like hit and was known. Like, how do you see this unfold for the regular household over the next months?

Roberto Rios (13:40.331)

I think, I mean, the consequences are obviously multi-fold. First...

One of the main things is that, like we said, a lot of this crude being cut off is light, crude and LNG, which means energy prices, obviously gasoline and heating, prices are gonna spike globally, but especially pronounced in countries that have extreme imbalances in terms of their energy production. So if they have basically no refining or no domestic oil wells, those countries are gonna see the biggest hit.

order consequence. The next order consequence is what happens to everything that exists downstream of those energy products. for example, like crude oil is a key input in creating most sulfate products. It's a key input in most factory production. And so when you think about things like fertilizer or pot ash or, you know, plasium, ammonia, all these things used to basically boost

Sebastian Dienst (14:36.681)

Hmm.

Sebastian Dienst (14:41.33)

you

Roberto Rios (14:48.528)

crop production globally need huge amounts of energy for these factories to run. And if rationing starts to happen, which has already begun in several countries, then these factories are going to have produce output at a lower rate, which means there's less fertilizer, which means, you know, if this war continues, is my base case, then we're going to start to see food inflation come back in a way that we haven't seen since early 2022. And it won't only be

Sebastian Dienst (14:52.649)

Hmm.

Roberto Rios (15:18.478)

Obviously, you know just isolate to those countries. It'll be global because many countries do not have domestic potash production many countries do not have domestic potassium or you know sulfate or

Phosphorus production, which are all three of those are needed for for industrial agriculture at scale So I think food is really the next thing to spike and then after that you see, know Maybe the less essentials but still necessary consumer goods Plastics most people don't know this but plastics are essentially a hydrocarbon derivative, right?

Sebastian Dienst (15:53.993)

Hmm.

Roberto Rios (15:54.989)

The crude oil is very highly processed in order to make most industrial plastics, including plastic bags, plastic straws, the case for your iPhone, the...

You know the bags that you buy at at cosco or wherever even a lot of your clothes use polyester, right? Which is a form of plastic so the price of all of those will start to grow as the input costs go in and as the obviously the supply of them goes down because with less energy you can create less less consumer goods and so the price of your clothing the price of You know any plastic consumer electronics you buy is going to start rising as well And then obviously the last thing is just basically everything's gonna

Going to go up because energy is basically an input cost into almost every single good on planet Earth even services You know you have to pay people to be your lawyer or be your surgeon or be your And if those people have to pay more in gas to get to work and have to pay more for their food then they need to charge you more so there isn't a sector of the economy that I can think of That doesn't go up eventually in this scenario, but I think

Sebastian Dienst (16:40.553)

Hmm.

Roberto Rios (17:06.466)

the line of gas prices and then food and then plastics and consumer goods is the clear progression as this starts to ripple out into the world.

Sebastian Dienst (17:17.991)

Right. And you mentioned then further down the line, the consequence of the fiscal crisis for especially the U S how do you see that playing, playing out? Obviously money needs to be raised for the war itself, but the yields might spike as well, which we've probably already seen. haven't followed in the last days, but where do you see this going from a fiscal perspective?

Roberto Rios (17:49.003)

I think it's, I mean, it's already looking very grim, right? The Pentagon released their spending from the first few days of the war and was averaging \$1.6 billion a day, which equates to over half a trillion dollars a year, right? The U.S. defense budget is currently a little bit north of one trillion, so that's adding 50 % to the defense budget. And...

Sebastian Dienst (18:12.541)

And that's without puts on the ground, right? Like if we have puts on the ground, that number is going to spike even more.

Roberto Rios (18:20.766)

Exactly, exactly. That's just with like 20 or 30,000 soldiers in the region that aren't actively fighting. They're just like deployed at a base at a forward operating base and ready to deploy. So yes, if we go in, I would expect that number to probably double, you know, conservatively, because a large occupying force, you need to have

Sebastian Dienst (18:35.689)

Hmm.

Roberto Rios (18:41.57)

You know food medicine bullets bombs logistics administrative officers supply lines cyber and and you know and electronic warfare components like there just is so much that goes on to that goes into a modern, you know military conflict in the 21st century that makes it extremely hard to be To be to do this cheaply right unless you're

Sebastian Dienst (18:43.955)

Yeah.

Roberto Rios (19:10.998)

Someone like Iran who has been dealing with constraints for the last 40 years, a much weaker economy, facing global sanctions for decades. They had to learn how to mass produce drones super cheaply or mass produce missiles super cheaply. We've never had to do that. We've been living in opulence and success for decades. And so that means that we haven't developed any of this fiscal discipline, especially when it comes to the military industrial complex, which means all of our bombs and missiles just cost

You know an order of magnitude 10 times 20 times more than the eminence do But the fiscal the fiscal consequences are obviously severe. I mean

If we go through with a full-scale invasion, that's easily, like we said, \$500-700 billion in total expense. Secretary Hegseth already requested in mid-March an additional \$200 billion for the war, which again was before any major deployments.

And this is coming at a time when we've already crossed, I mean, just last month, we crossed \$39 trillion in total gross national debt. Interest expense is now the fastest growing line item on

the defense budget. Now about 19 % of every tax dollar that you pay into the federal government via the IRS, income taxes, capital gains, whatever, goes towards just the interest alone. And it's the fastest growing single component of the

Sebastian Dienst (20:31.369)

Wow.

Sebastian Dienst (20:36.169)

19%.

Roberto Rios (20:41.008)

of the the budget for the last 20 years, so we're clearly seeing you know a growing financial crisis in the US and bond yields are obviously reflecting that staying elevated and the bigger problem that I see is the The states that are most vulnerable that are our allies like Japan or even Korea Hold the most amount of treasuries

Sebastian Dienst (21:03.795)

hold the most amount of treasuries.

Roberto Rios (21:08.27)

And so when you, like the dollar yen weakened to 160 in the first two weeks of the war.

The MOF, neither the MOF or the BOJ intervened, but they were making panic calls to Washington because they knew that as this energy crisis gets worse, their currency by default weakens because they are a nation with 263 % debt to GDP, 120 % private debt to GDP, massive fiscal deficits in excess of 5 % GDP per year.

Roberto Rios (21:47.231)

having a currency crisis and throwing an energy crisis on top of that just makes things worse. And so for them to try to deal with their own currency problem, by default means they have to sell dollars to buy yen, right? And by doing so, the only way they hold dollars really in size, they do hold like,

Sebastian Dienst (22:01.288)

Hmm.

Roberto Rios (22:09.902)

Last I checked, the MOF held like \$80 billion in a reserve account with the Fed in cash, but the rest of their \$1 trillion in US dollars is in treasuries. So they would have to sell treasury bonds. And a lot of it is long end bonds. So we're talking 10, 20 and 30 year maturities. And as they sell, US yields spike, causes economic tightening here and...

Sebastian Dienst (22:28.104)

Hmm.

Roberto Rios (22:37.09)

The Japanese will be using that to fund repurchases of their own currencies that they can drive down the price of their exchange rate so that they can more manageably import energy and goods and stuff like that. So it's dangerous because right now the Japanese are dealing with this feedback loop of the more energy bills rise, the more inflation happens, the more the fiscal deficit expands, the more their central bank has to print, which just means that the currency devalues even more, which means the energy cost will rise even more, which means inflation

Sebastian Dienst (22:49.064)

Hmm.

Roberto Rios (23:07.224)

even more. So it's a positive feedback loop in a negative direction, right? We don't want this to happen. And it means that our key allies are getting really skittish about this war, and even though they won't obviously...

Sebastian Dienst (23:08.136)

Mmm.

Roberto Rios (23:23.104)

least some of them won't come out and outright tell us to stop. There's been pleas from multiple East Asian countries for the war, the cessation of hostilities and the resumption of trade through the trade form moves because this is very dangerous for that entire region.

Sebastian Dienst (23:29.704)

Hmm

Sebastian Dienst (23:39.069)

Yeah. And on Japan, there's also the carry trade that's probably still very much alive or holds a lot of capital, which with, correct me if I'm wrong, with rising inflation rates, they will be forced to increase their interest rates, which then breaks down the carry trade further.

Roberto Rios (24:02.614)

Yeah, yeah, exactly.

Sebastian Dienst (24:03.984)

Or how does that, which then, you know, obviously has a knock-on effect on US equities and US markets and, you know, global knock-on effects.

Roberto Rios (24:16.63)

Yeah, the Japanese are the largest global sovereign creditor in the world. They are the largest holder of US treasuries. They are the largest external holder of US equities. Largest external holder.

Sebastian Dienst (24:27.548)

Maybe just a quick detour for our listeners. Maybe not everyone knows the mechanics of the yen carry trade. If you could just briefly expand on this.

Roberto Rios (24:37.272)

Sure, there's multiple ways to do it, but essentially the concept is you borrow in a cheap currency that's easy to borrow, low interest rate, and then you lend in a more expensive currency. And so the example right now would be the US dollar and the Japanese yen. So you can borrow in yen. Right now the BOJs, their version of their Fed funds rate is essentially at 0.75 % and the US is still at three and a half. So you can borrow at 0.75.

lock it in, you get a loan basically in yen, you go to the foreign exchange market, you sell that yen and you swap it into dollars and then you use those dollars to buy US Treasury bonds or even buy US equities or buy US corporate debt or mortgage backed securities or whatever.

Sebastian Dienst (25:26.034)

and you pocket the difference. Yeah.

Roberto Rios (25:26.408)

and that will give you like a five or six percent, yeah, five or six percent spread and then you profit from the difference. And for years that has been essentially a free money trade for most of Wall Street as well as a lot of retail investors who figured out how to do this. And I actually released a mini booklet PDF about this earlier in March about actually how to do the gain carry trade because it can be done in most, basically in most Western countries. It's not too hard to pull off.

What you're trying to do is capture the spread between interest rates between countries, especially ones that are structurally stuck at their interest rate levels because you want to capture not only the biggest spread, but the biggest spread for the longest amount of time because as debt, you know, is structured, it's basically money that is paying out over time, right? It's money that you're pulling from the future to the present and then you're paying a discount rate on top of that to pay someone back for that privilege, right?

Japan has been the main funder of the global carry trade just because not only it had ultra low interest rates for decades I mean they lowered to 0 % in 1999 and then they started QE in March of 2001 seven years before anyone else had even ever heard of QE But because they had basically not raised rates up until June of 2024 so or actually no is March of 2324 they hiked out of the zero bound and then June of

They hiked up to 50 basis points. So they had not only been a super low interest rate funder, but they had had no volatility in their interest rate, which is unique, right? Because most other countries as time has gone on, especially central bank policy was to raise rates for a few years,

then lower rates for a few years, then raise rates for a few years. I mean, in that time since 1999, the Fed has had three different hiking and cutting cycles, right? Prior to 2000.

Sebastian Dienst (27:10.009)

Mm, mm.

Sebastian Dienst (27:27.08)

Hmm.

Roberto Rios (27:28.144)

2008, we had a cutting cycle or a hiking cycle that we cut in 2008. Then we had a hiking cycle in the late 2010s from around 2017 up until late 2018, where the S & P 500 fell by about 20%. We entered a bear market, the Fed panicked. We reversed course in 2019. And then obviously COVID, we completely reversed course and just printed a crap ton of money. And then we're now we started a hiking cycle again to manage the inflation that we created from COVID. And now we're cutting again. So we're actually entering our

our fourth cycle and Japan is now just starting their first one in 30 years. So because of that lack of volatility has been the perfect trade to borrow in yen and buy US assets and park your money there. The problem is if Japan decides to try to normalize rates or if the US cuts really quickly,

Sebastian Dienst (28:00.754)

Yeah.

Roberto Rios (28:19.842)

the delta between those two interest rates will collapse, which means there's no longer any profit to be held by owning US assets and borrowing in yen. And if traders are worried about the yen strengthening or just worried about being able to pay back their loans, they'll have to liquidate their foreign stock positions and use that money to pay back their yen loans. And if they...

If that happens in mass, could cause a mass, a huge, you know, devaluation of the US stock market. I mean, I mean.

Sebastian Dienst (28:51.496)

Is it known how much is sort of wrapped up in the in-carry trade? I read somewhere between 10 and 20 trillion. Is that too much?

Roberto Rios (29:00.396)

So yeah, so it depends on how you categorize it, right? Because is.

Would a retail investor borrowing money from his retirement fund in Japan to buy US equities? Is that a carry trade deal? Yeah, maybe. What if he borrows against equities? if he buys a treasury bond, posts that as collateral, use that to borrow more yen, and then buys another

treasury bond with it? But yeah, by and large, the numbers I've seen is on the institutional side, it's around four, meaning hedge funds, family offices, it's around \$4 trillion.

But once you factor in especially the government of Japan, which is one of the largest carry traders because they can take advantage of their own ultra low interest rates borrow in their own currency and then lend to other countries

Sebastian Dienst (29:47.912)

Wow.

Roberto Rios (29:51.023)

They yeah, the numbers around 18 to 20 trillion dollars. So it's massive and um, luckily the biggest holders like the government entities aren't going to be massive sellers immediately But the smaller holders for sure will sell and they actually, you know make up a large percentage basically half of that so Yeah, six to ten trillion dollars And if they start selling we're going to see a huge correction in the u.s stock market And we've already seen previews of this by the way, like august 4th 2024

Sebastian Dienst (30:08.519)

Hmm.

Roberto Rios (30:20.976)

We saw the yen carry trade unwound in spectacular fashion. The Nikkei fell 12 % in a day, which was which was its worst day since 1989. The S &P fell like five or six percent. Bitcoin fell like 10 % in a day and it continued lower for the rest of that month. And that was just like a shock because that was just an exogenous shock that happened because the Bank of Japan had basically forecast that it was planning on hiking rates again at the next meeting and it had just hiked in late July of 2024.

Sebastian Dienst (30:36.221)

Mm.

Sebastian Dienst (30:50.469)

Hmm

Roberto Rios (30:50.896)

So that had spooked markets and it was a 25 basis point hike. That's what scared everybody. If they really normalize and raise rates by 300 basis points to get to where the US is right now, yeah, we would see massive selling. think within a few months we'd be down 20 % easily, maybe 30%. And the Fed, given that its main mandate is actually financial stability and not inflation or unemployment, would have to be extremely cognizant of...

you know, of the situation and they would probably have to print money. Yeah, probably have to restart QE and lower rates. And so doing so would just mean more inflation, you know, pushing us further towards the big print.

Sebastian Dienst (31:31.761)

Yeah. Wow. Okay. So we got the situation in Iran interlocking with the yen carry trade, interlocking with probably also stack inflation in the U S and probably most major economies. Or how, do you see sort of the spectacle of high inflation, low economic growth unfolding?

plus high inflation rate. are we gonna see like on Twitter you see lots of graphs, mimicking or overlaying what happened in 70s, where we are now potentially approaching that second hump of rising inflation.

Roberto Rios (32:18.114)

Yeah, no, I know what you're talking about. That's the Tavikosa chart, Yeah, no, I think that that's actually probably a pretty apt metaphor for where we're heading. Inflation, unlike what most people believe, is not...

is not one-off pulse, it's generally cyclical because the sovereign or the multiple sovereigns have to find a way to de-lever their balance sheet after a period of, you know, fiscal expansion for decades. And right now we're right at that red line, right? The U.S. is at 132 % debt to GDP. Most of the eurozone is north of 120%. Japan is obviously 260 % debt to GDP. And so in order to deal with that, you need subsequent waves of inflation and you also need to maintain

the narrative that you are actually trying to do something about it. You need the Federal Reserve and the Treasury and the government to make the case that they're trying to mitigate the problem, right? A facade.

Sebastian Dienst (33:19.623)

Hmm.

Roberto Rios (33:20.718)

And the best way to do that is to create waves of inflation and then fight the inflation and then create another wave of inflation that you say that you couldn't have stopped. So that's hiking rates, lowering rates, doing QE, then hiking rates again. Continual crises always give you a reason to print. One of the White House senior advisors to Obama had that famous quote, I think his name was Rahm Emanuel. He said, never let a good crisis go to waste.

Sebastian Dienst (33:29.126)

Mmm.

Sebastian Dienst (33:46.268)

Yeah.

Roberto Rios (33:47.115)

So that's their playbook, that's their goal, that's their thesis. And as this energy situation develops, think, especially in the US, we're going to see much higher stagflation, especially inflation at the same time we're seeing the AI layoffs. So the economy is going to continue to weaken while consumer goods and gas prices and food prices all rise in tandem. And the reason why that's dangerous is even though

Sebastian Dienst (34:06.172)

Hmm.

Roberto Rios (34:17.008)

So even though the US is a net energy exporter, which we are, we only export certain types of oil and gas. And we need other types.

Sebastian Dienst (34:27.324)

Yeah, and actual crude oil, I think you're still an importer, right?

Roberto Rios (34:33.472)

I think so, because we import a lot of heavy sour, which is the stuff that's needed for asphalt and cement and construction and, you know, heavy machinery, factories, a lot of them, like they're all made to run on heavy sour.

And we actually did secure a decent source of heavy sour with Venezuela, but obviously still there's a lot of I mean their energy infrastructure needs a Ton of updating to work properly and that's gonna take years So it's not even though there's whatever 200 million barrels or whatever it is Actually, no, I think it might be a billion barrels of oil underneath, you know, Venezuelan reserves

is basically inaccessible to us right now. And Venezuela is only producing around 2 million barrels a day, which is something like a tenth of what they used to make. And to remodernize their entire fleet of...

oil refineries and oil wells and production facilities, it's gonna take a decade. So even though we have a closed oil source, we're not going to be able to use it anytime soon. But the bigger problem is that, like I said, our large part of our energy mix, the heavy sour, is stuff we have to import. And the LNG and like the light sweet that we can export,

Sebastian Dienst (35:52.584)

Hmm.

Roberto Rios (35:58.113)

we need for ourselves. And so if we sell some of it to the rest of the world to make sure that they don't blow up, well then there's less to use for us. And so energy prices de facto have to rise no matter what the Americans do. Which again means higher...

higher food prices, higher gas prices, higher fiscal deficits, right? You think about the prices of everything the government pays for, all of that is energy dependent as well. So that pushes us further down the monetary event horizon and further closer to what I call the singularity.

But yeah, I think it's a dangerous time because that combined with the AI layoffs, mean, Oracle just announced what like, was it 3000 or maybe 30,000 people laid off via email because they can automate their jobs. A few weeks before that we saw Stripe, Jack Dorsey's company lay off 40 % of the workforce and their stock jumps 22 % in aftermarket trading. Major companies are starting to just gut thousands and thousands of people and these are really

Sebastian Dienst (36:55.908)

Yeah.

Roberto Rios (37:03.396)

high paying, know, software engineering, product manager roles. And that means that, you know, overall consumer spending powers are just going to keep falling, which is a negative feedback loop, which affects the economy because obviously as consumer spending falls, the incomes of a lot of other businesses that are related to that, like bars, restaurants, know, service businesses, all start falling as well.

Sebastian Dienst (37:27.016)

Yeah, I mean, this all sort of describes from my point of view, this interlocking convergence of crises that this podcast is exploring under the umbrella of a huge civilizational rite of passage moment or initiatory moment. And we can get to that more sort of philosophical piece maybe later, but just to set the ground even further and

sense make a bit more about the different components that are being affected. I'm really interested on your perspective on the petrodollar, which is, as far as I understand, the real basis for the US dollar being global reserve currency. How do you see this system being affected by the Iran?

Roberto Rios (38:20.398)

That's a great question. And actually I made a video about that. I'm not sure if you saw that video and that's why you wrote this. Okay. But this is a really interesting, you know, period of time for the petrodollar and for all the incumbent systems of the last, you know, let's say 60, 70 years. And this is where I think the fourth turning rubber meets, finally starts to the road, right? This, this.

Sebastian Dienst (38:25.051)

I did not yet, no.

Roberto Rios (38:47.562)

phase change that we've talked about for decades like You know the west is going to enter a crisis It's going to enter a restructuring on the size and the scale of world war two Maybe obviously it will not be another world war but it'll be something either economically or via cyber attack or via Some other vector social media is going to be something on that scale And I think finally the iran war is starting to kick all this into high gear

In that video I described, you know, the formation of the petrodollar really came shortly after the unlinking of gold to the US dollar during the gold window.

shutting of 1971 in order to create a new link between the dollar and some hard commodity. Right. And by getting Saudi Arabia and UAE and Bahrain and some of the Gulf states to tie their oil contracts to dollars and then receive military guarantees from the U.S. they essentially guaranteed that there would be external demand for U.S. dollars and therefore external demand for U.S. treasuries for U.S. debt for U.S. equities which means that our markets saw a massive artificial boost.

Because the rest of the world has to use our currency and because they use our currency They want to park the currency somewhere. They have to use US treasuries US stocks US bonds The problem is that

that system is now starting to fray at the edges. So you look at basically what's happened in the last 30 days in the Middle East, and you see that a lot of the Gulf states are really starting to have second thoughts on.

Roberto Rios (40:25.614)

the cost of this war, right? Qatar, for example, on, I think it was March 26th, had around 17 % of its LNG production facility wiped out in a single day via Iranian drone attacks. Saudi Arabia has seen like 10 or 20 % of its oil offline. Most of the Qatari LNG cannot transit the Gulf at this moment because of the Iranian missiles.

blocking any access and same with Bahrain and Saudi light sweet crude. So given all that, all of these countries are now starting to finally feel the financial impact and the human impact and the infrastructure impact of seeing large portions of their production facilities wiped out and those facilities will require years to repair.

They're starting to see the impacts of it and the US, which was supposed to be the guarantor and the security umbrella over the entire Middle East is failing at the very job, right?

Sebastian Dienst (41:26.565)

Hmm.

Roberto Rios (41:32.235)

There were, I've seen, you know, accounts saying that they moved basically all of the Patriot and THAAD missile defense systems from Japan and Korea over to the Middle East to stop

drone attacks. And even with redeploying assets from East Asia to the Middle East and from Europe to the Middle East, they weren't able to stop these drone swarms.

Sebastian Dienst (41:43.985)

Yeah.

Sebastian Dienst (41:52.199)

Hmm.

Roberto Rios (41:53.579)

In mid-March, there were two Iranian fighter jets that got within two minutes of a major American air base before being shot down. And so the idea that we are like, we have total air superiority and that we are completely winning this war and that we have complete dominance is a lie, it's a farce. We don't. And that's very concerning because those Gulf States all signed the Petrodollar agreements.

Sebastian Dienst (42:13.159)

Hmm.

Roberto Rios (42:21.718)

with the understanding that the US was essentially the global hegemon and nobody could ever challenge us. And now we're losing against what we thought was a third rate power that is a bunch of people that live in the mountains making bombs underground. It doesn't make much sense, right? So you've seen some of these countries, obviously they're still pledging allegiance to the US, they're still on the face trying to make, you know...

Sebastian Dienst (42:26.983)

Hmm.

Sebastian Dienst (42:36.304)

Hmm.

Roberto Rios (42:47.434)

inroads with US foreign policy and be supportive of the war. But you see them start to make some private statements and some, ostensibly even private deals to distance themselves from the Americans. So, for example, I've seen that a lot of Qatari and Bahrain,

Sebastian Dienst (43:01.095)

Hmm.

Roberto Rios (43:09.058)

tankers have tried to start negotiating with the Iranians and the Chinese and asking if they could pay transit fees across the strait in Yuan. Because if they could pay in Yuan, they could allow the tanker to pass, could sell it to China, who China is another net energy importer that

desperately needs LNG and light sweet crude. And the Gulf states could get their income again and the Chinese can get their energy.

Sebastian Dienst (43:13.435)

Hmm.

Sebastian Dienst (43:17.915)

Yeah.

Roberto Rios (43:34.163)

And again, I don't know there's there's no official stats on how many tankers are actually using this bypass of you yuan denominated settlement to bypass the straight but it's It's growing. It's growing for sure and the chinese Not only have been doing that but they've been doing essentially a financial version of their one belt one road initiative with the cips International banking system. They've created like 40 or 50 international banks that settle in chinese yuan outside

the domestic Chinese homeland and they've put these banks in places like Kenya or you know Bahrain or Egypt so that they can try to foster economic links between Africa and the Middle East and Asia.

Sebastian Dienst (44:17.627)

Mm.

Roberto Rios (44:19.328)

And so that allows them to have now a completely separate system outside of Swift, outside of the US dollar-based global banking system, to settle contracts, to settle disagreements, to pay and be paid, to take out loans, you know, I think it around...

Sebastian Dienst (44:24.519)

Hmm.

Roberto Rios (44:36.942)

13 billion dollars last year of mining linked loans were taken out in Africa by both African companies and Chinese companies in Yuan. So China's slowly and steadily pushing their fingers into the pie, They're slithering in and trying to steal that market share that we used to have and make sure that it routes to them. So this is one of those things where...

Sebastian Dienst (44:58.727)

Hmm.

Roberto Rios (45:04.468)

Yes, watch the headlines, but understand that it won't happen overnight It's not one these things that you know in three days boom all the gold states switch to to the yuan and the dollar

collapses tomorrow and You know you walk around with a wheelbarrow full of cash by Sunday. No, it's not that fast. It happens in slow stages, but the first stages are trying to you know mitigate some of this financial loss by having just a few tankers and you want you know transit that straighten you out then a few more and then we sell some treasury bonds, especially the long end ones because those ones are

expensive and also have lost a lot of value since the Fed had started their hiking cycle. and then we're going to get rid of our shorter end bonds. And while we're doing that, why not get rid of the US equities? Why not invest in our own country? Why are we holding so much US dollar denominated assets?

It's a slow burn, right? And it's been happening, I think, really since 2015, but it really accelerated in 2022 with the Russian and Ukraine crisis. And it culminated, obviously, in August of last year with the huge, huge observation that the value of central bank gold holdings for the first time in 35 years surpassed the value of their treasury holdings. So global central banks, even before this conflict, were starting to divest.

Sebastian Dienst (45:58.685)
Yeah.

Sebastian Dienst (46:15.174)
Wow, yeah.

Sebastian Dienst (46:19.225)
Yeah. So I mean, I find this ironic because you could make the case that both, military operations, the one in Venezuela and the one in Iran were probably meant to really actually, fortify and strengthen the petrodollar system. And I don't know if you saw that article. That was an interesting article making the argument that there were all these, preparations before the Iraq, Iran war around, us LNG producers, preparing for new contracts with Europe and other countries and now, really pressuring other countries to be more dependent on us energy exports. And, you know, what we're actually seeing is, this probably miscalculation, by the Trump administration that

is leading to the erosion of the petrodollar system more than the strengthening? Could you equally make the case for the petrodollar system strengthening over the course of the next months and years? Or is it rather that this is contributing to the unwinding of it?

Roberto Rios (47:40.045)
I think you could, it's kind of like, you know, dollar milkshake. Like you could make the case that it could be a temporary strengthening because of the increase in oil prices and the need for the desperate need for global energy. And so people would be buying dollars, you know, holding those dollars in order to get their hands on the oil. But it's just like the same thing that happened with the Russian invasion of Ukraine.

Sebastian Dienst (48:00.409)

Mm.

Roberto Rios (48:06.986)

if you make these large geostrategic and geopolitical moves, even in the short run, if they benefit you, they can change how the global regime looks at everything in the long run. So for example, the...

The war in Ukraine was launched in February of 2022 and the US and other NATO allies subsequently froze around \$300 billion of Russian foreign exchange reserves. And those foreign exchange reserves were immediately lauded as like basically like the crown jewels of the Russian central bank and the elites. And Americans were saying at least ostensibly that we had essentially secured the funding for the war because now we could use their assets against them.

And true, we could. But what that started was a global panic race by central banks because they all realized, hey, wait, the assets I hold in the US are not really my assets. They're custodied by the...

Sebastian Dienst (49:07.962)

Not a neutral reserve asset, yeah.

Roberto Rios (49:11.054)

It's not neutral anymore. And so once you weaponize that, you saw Global Central Bank start a gold buying spree that is higher than anything that they've done in 40 years. So in 2022, 2023, and 2024, and 2025, which we just got the numbers for, the Global Central Bank bought over a thousand tons of gold every single year, which is around double the triple the rate of the previous years. And that's with the rising gold price, by the way. That's with the gold price doubling.

So, um, you know, you see look at banks like poland at like the central bank of india the pboc um pboc has been actually buying gold through hidden channels through uh, Chinese linked hedge funds and in zurek and in london They've been trying to obfuscate their their holdings, but it's clear they hold probably over 5 000 tons Which is more than the almost more than the the americans hold? um But the overall

trend was even though in the few months after it was beneficial to the U.S. and beneficial to our financial positioning and to our allies because now suddenly Russia had less reserves to use to bolster their military, it changed the global calculus everywhere.

And the same thing I think is true for this. if everyone sees how vulnerable the Strait of Hormuz is, how much actual power Iran has, how much actual power projection they have, and how weak the US is at defeating the Iranian regime without a huge bloody nose, without sending in

half a million or a million ground troops and instituting martial law and fighting insurgent groups all over again and clearing out every single bunker, every single of those 14,000 bunkers across the country.

Sebastian Dienst (50:25.51)

you

Sebastian Dienst (50:36.176)

Hmm.

Roberto Rios (50:55.408)

every single missile site and destroying the underground production facilities. Like unless they do all that, other countries are going to say, man, like.

The US dollar isn't as great as we thought it was. Like we can't use it to buy oil. The oil is not flowing through the strait. Holding these US treasuries is a pretty bad deal. They're losing value. US equities, you know, maybe they're good, but they're all overvalued. Like why are we holding all this when we could try to transact in Yuan or try to transact in rubles or something else? So I think, again, it's the early stages. It's too early to say, but I think that this will accelerate the death of the petrodollar over the long run.

Sebastian Dienst (51:35.589)

Hmm Yeah, interesting your analysis also it reminds me of your book the dollar endgame and the stages that you outline there You mentioned previously the singularity event that eventually is in the cards Probably in our generation for sure But I I'm curious how Let's say the overall thesis of your book and the the progression towards

the singularity event and you might want to specify that or define that for our listeners. How has that changed due to the Iran war and the situation that we find ourselves in now?

Roberto Rios (52:20.254)

I think, obviously, just like with the Russia-Ukraine war, that it's accelerated massively. Not only do you see the fiscal deficits ballooning and the debt ballooning and the interest ballooning even faster, but you see the breakdown in global trust that I just described, right? The breakdown in global belief in the neutral reserve currency and the full faith and credit of the US dollar and the US treasury.

you know, Basant and Lutnik and others, can do Stealth QE, can do treasury buybacks, can do modifying the SLR reserve requirements or the LCR reserve requirements or anything else to try to get domestic banks to load up on treasuries. They can actually manufacture demand domestically a lot more than people think, but there's always a limit to everything, right? There's only so much money that goes to go around.

And at the end of the day, they'll have to eventually print more, which means more inflation, more deficits, and more debt, which means, again, feeding back into the, you know, more money printing and more inflation. So it's a self-defeating cycle. And the singularity or like the monetary event horizon that I described, I actually would say has multiple parts. Obviously, the first part is...

when a country reaches around 120 % debt to GDP.

Heisenberg Research, which is an institutional research firm, found that in the last 160 years, 55 countries reached this level, and 54 of the 55 ended in either hyperinflation, currency devaluation, currency demodification, or a Great Depression. And the only country that's been able to sustain it without having, you know, the only, the 54, the one out of the 55 that hasn't been able to, or has been able to kind

Roberto Rios (54:14.064)

is Japan and Japan is currently raising their own energy and currency crisis. So they're already starting it just took them longer because of their demographics and their unique cultural and economic positioning. But the overall trend is towards more and more debt, more and more interest, and more and more you could say like monetary destruction. And the reason why this is so dangerous is because debt in my

Sebastian Dienst (54:15.545)

Mm.

Hmm.

Roberto Rios (54:41.772)

perception and in that famous piece I wrote, know, financial gravity, debt exists as a kind of financial gravity, as a kind of weight that lives on everything. And the more debt there is, the more weight there is.

And so if you're working, like imagine you're, you know, working a nine to five job, making \$20 an hour. If you're paying \$1 an hour of that towards interest expense or towards debt, service and costs, it's very reasonable. It's very manageable. And the other \$19 that you make an hour can be used for investing, can be used for stocks, can be used for consumer goods, can be used for buying a home, can be used for funding your family. It can be used for growing the economy. But the more that debt increases, the more that financial gravity increases,

the more the interest expense increases, the more of your paycheck it will eat up, and the more of every person's paycheck it eats up. And that means that all these people will be working and paying for unproductive debt, right? They'll be living multiple years of their life, really, working life, working just to pay off interest on debt loans, debt loads that...

otherwise wouldn't be there if it wasn't such a highly indebted society. And at a certain point, the interest expense exceeds your income.

which means you are past the monetary event horizon. There's nothing you can do now. Especially if you're in a nine to five job that's very stagnant, it's hard to earn more. And you can't get the debt forgiven without creating a contingent loss in an asset. Because given the accounting equation $A = L + E$, every liability in the system is either someone else's equity or someone else's asset.

Sebastian Dienst (56:22.146)

Hmm

Roberto Rios (56:22.272)

So the treasury bonds that I hold are my asset, but they're the federal government's liability. And so when everyone asks why they don't delete all the debt, well, they could, but if they deleted \$20 trillion worth of debt, they'd also be deleting \$20 trillion worth of assets. If they delete student loans, who made those student loans?

Sebastian Dienst (56:41.382)

Hmm.

Roberto Rios (56:44.982)

Right who get who disbursed the money all these loan servicing companies. They would lose a bunch of assets So there's no real real easy way out the Fiat system guarantees that you cannot fully back out of the system without some form of pain and the US government like I said is right now we're spending about 19 % of our federal tax revenue on on interest expense and when that number reaches a hundred percent which it will by the you know, let's say mid-23

Sebastian Dienst (56:45.04)

Yeah.

Roberto Rios (57:14.896)

That means that all your federal tax dollars will just go only to pay interest on the debt will not even pay your health care your all these wars were funding All the infrastructure keep up that we need all the Social Security and Social Services that we pay for as Americans It won't pay any of that It'll just pay the interest on the debt and that's the true point where we're basically past the point of no return because the the the money printing

math will ensure constant and exponential devaluation of the currency. will be no other way out. And that's what I warn about is, you know, that's the key figure to watch for. Interest expense over tax receipts. Once it is over 100%, we're in a really bad spot. And right now we're already in a really not good spot because just a few years ago, we were at around 5 % of our our tax receipts going to pay interest and now we're already at almost 20. So it's quadrupled in just like six years. And if this continues, you know, by 2030,

five we'll be crossing it.

Sebastian Dienst (58:14.79)

I mean, isn't the event horizon already much earlier than this 100 % threshold that you mentioned? As in like the, the, the, the, the black hole of the dead spiral being almost inescapable already.

Roberto Rios (58:22.337)

Yeah.

Roberto Rios (58:31.072)

It is, it is driving us towards that, yes, absolutely. And it also, like I said, it depends on how you measure it because Luke Grohmann pointed this out in an October 2021 interview on macro voices that if you include...

you know, unfunded liabilities. So Social Security, Medicare, Medicaid, if you include defense as a interest expense, because essentially it's like, are we ever going to get rid of the defense budget to that size it is with all the entrenched players that make all this money? Probably not. If you include those two things, we're already above 100 % of tax receipts with just defense, Social Security and interest. So we are

Sebastian Dienst (59:11.846)

Hmm.

Roberto Rios (59:14.878)

Already in many ways past the event horizon but I think the the nominal figure of our nominal interest on just the debt passing our nominal income on just the revenue is like That's like the final gate like there's absolutely no turning back there right now Are there some some things we could do to mitigate this issue? Sure, but they're very painful Like I said, there's obviously you can try to delete the debt

Sebastian Dienst (59:31.558)

Hmm

Roberto Rios (59:43.587)

you maybe that could work. You'd probably start with trying to delete the Fed's holdings. So just say wipe out everything that the Treasury owes to the Fed, zero it out, just tell the Fed to take a loss. It's a central bank. It can print money so it can take any form of losses it wants. You could obviously try to do massive fiscal reform.

Sebastian Dienst (59:57.061)

Mmm.

Roberto Rios (01:00:01.051)

to balance the budget and so that would require cutting the defense budget by 50 percent, essentially cutting all of social security, medicare, medicaid, you know lowering interest rates to zero and maybe even doing yield curve control to keep the long end down.

and then doing that with high inflation for 10 years to burn off an extra 60 % of debt to GDP. So those are options right now, but the problem is they're so politically untenable, they're so painful that nobody wants to realistically do it. No politician will rubber stamp a 60 or 70 % reduction in the federal budget, which is what needs to happen if we want to reverse this.

Sebastian Dienst (01:00:24.678)

Hmm.

Sebastian Dienst (01:00:30.032)

Hmm.

Sebastian Dienst (01:00:43.97)

Hmm in that context did you notice that on the US debt clock? They got rid of the unfunded liabilities already quite a while ago I think it was with Trump's second presidency that like it used to be at the bottom and Now you can't see it. In fact Ironically, they're now showing like hidden wealth or something stupid Like exactly the opposite Have you been on it?

Roberto Rios (01:01:11.766)

No, I haven't seen that. I did check the deck clock a while ago, but I didn't notice that. I was just looking at the main number.

Sebastian Dienst (01:01:16.556)

So, so I still have a screenshot from way back when, I mean, it's like two years ago. So when the unfunded liabilities were bottom right and adding to the overall debt. now it says something to the effect of like hidden hidden wealth or something like that. Are you in there now?

Roberto Rios (01:01:26.797)

Hmm.

Roberto Rios (01:01:34.606)

Yeah, I'm in here now Yeah, I see USA hidden wealth real estate mineral reserves precious metal Yeah recaptured assets Yeah

Sebastian Dienst (01:01:46.646)

in this guy kind of golden Trump color. So I, yeah, it's just, you know, part of the, you know, gas lighting that's going on and delusion, delusional behavior. But, just last question on the singularity event or the dollar end game. If you had to sort of segment the progression into, let's say four or five parts.

Roberto Rios (01:01:51.329)

Yeah.

Sebastian Dienst (01:02:15.941)

or however many you think they are all the way up to the most likely event of hyperinflation.

Where do you think we are right now?

Roberto Rios (01:02:28.788)

If like if you're saying like innings like in a baseball game like which ending are we in? know, which phase out of five I would say we're entering stage three and the reason why I say that is because you know the very Stage one would just be basically like complete hegemonic dominance and almost no Almost no challenging of the central reserve currency almost no

Sebastian Dienst (01:02:31.907)

Yeah, yeah.

Roberto Rios (01:02:58.452)

know, divestment or misuse of the funds. Yeah, the 90s, the early 2000s for the British Empire, was the 1800s, right? Especially the late 1800s where, you know, British textile manufacturing hit a peak and British mercantilism hit a peak and it had dozens of colonies all over Asia and Africa. But...

Sebastian Dienst (01:02:59.983)

the 90s.

Yeah. Yeah.

Roberto Rios (01:03:24.654)

That first stage is basically what I would call like the boom, right? You call it the first turning. The second stage is where the cracks start to appear. And so that's where the US starts to get involved in foreign wars, where our marginal funders of debt start to pull away. That was already starting to happen as early as 2015, 2014. Because China and Japan funded 70 % of our net new debt from 2008 to 2015. And then they only funded around 14%.

of our net new debt from 2015 to 2022. So they dropped off as a major net new funder and the Fed and the Treasury had to find new ways to finance their borrowing.

Sebastian Dienst (01:03:57.093)

Hmm.

Roberto Rios (01:04:08.718)

One of those ways was by changing the SLR in 2020. They changed reserve requirements to zero in 2020. They changed SEC money market fund regulations in 2014 to make money market funds swallow US Treasuries. Now money markets own around \$7 trillion of US

Treasuries. So that added a bunch of demand. You know, they obviously have done the BTFP, they've done...

you know, they've done all these, now they're doing the RMP, the reserve management process, reserve management purchases, they've done all these things that will boost, you know, boost their holdings of bonds without actually calling it QE. And so that was the second stage.

And the third stage, I would say again, started in February of 2022 with the invasion of Ukraine and the subsequent pulling back of global central banks from treasury buying and into gold even more. we're now into this phase transition where again, we're obviously we're still dollar dominance is still strong, right? It's still over 52 % of global forex transactions. It's like 59 % of global forex reserves, but that's down from 72 % in 2000.

Sebastian Dienst (01:05:02.479)

Mm.

Roberto Rios (01:05:21.038)

So we're losing market share slowly but surely and as this third section progresses, which if you judge the other two ones, it should last, you know, five to 10 years. And if it started in 2022, then it's probably going to last until probably the end of the 2020s. We're going to see more and more, more and more divestment from U S treasuries, more and more divestment from U S stocks, more and more security agreements or energy, you know, economic agreements with other countries and a slow pulling back of American power from

Sebastian Dienst (01:05:22.873)

Mm. Mm.

Roberto Rios (01:05:51.105)

the global stage, right? And I think especially as our domestic financial situation worsens, we're not going to be able to afford all these military bases everywhere. We're not going to be able to afford all these external wars and conflicts that we continually ensnare ourselves in. We're going to have to meaningfully pull back. And that means our influence on the global stage is going to start to falter. And so that is sort of the end of stage three. And then stage four would see that trend accelerate up into the point that I think other powers

in stage four would get very aggressive with their geostrategic moves. So for example, China, if the US is in a debt crisis and an inflation crisis and wars are unpopular, China might try to take advantage of the situation by invading Taiwan. Right? Or Russia could try to make a gamble on...

Sebastian Dienst (01:06:37.594)

Mmm.

Roberto Rios (01:06:42.87)

taking more of Ukraine and you know these other rival powers could try to essentially attack larger sections of the world that they see as vulnerable especially because of the US pullback and then stage five would obviously be basically the US loses complete reserve currency status something else comes to replace the dollar as the global reserve currency which I think is this thing right here bitcoin

And that means that global trade will now be settled in a new currency and the US will no longer have this massive external demand for our dollars and our debt, which means extreme inflation in the US because suddenly all these dollars need to go somewhere. They all come home to roost and that's trillions of dollars flooding into the US buying up goods, buying up

Assets or or just you know being being divested from those other countries And driving up inflation domestically while rebalancing the rest of the world in the form of trade. So we would have to go back to essentially a new global monetary standard now People have asked me like what do I think that this is the end of the world? You know, obviously not like even though the book title is dollar endgame and it's very

scary it is scary if you're if you're not prepared, but if you hold Bitcoin and Even if you live in the US, you know, the US produces what like 50 % of the world's mind Bitcoin We're a huge Bitcoin miner. We have most of the large mining pools are located in the US you know foundry and

A couple of the others, the only big one that's outside of the US is Ant Pool. So if you take all that into account and we create a new global system that settles trade based on Bitcoin, using, let's say, Bitcoin to settle trade through the trade of Hormuz or through the Panama Canal, and Lightning becomes the default payment method everywhere you go, the US is not doing that bad, especially if you know, especially if...

Roberto Rios (01:08:44.974)

It's citizens owned Bitcoin. So I think overall it could be obviously in the long run beneficial for the US. It's just it's in the short term detrimental, especially for people who are debt holders of US government debt and especially for people who are highly exposed to inflation. So people who are middle class, lower class, they don't have any assets, they don't have any savings, they're just making it by day to day. Those people will be hurt the most.

Sebastian Dienst (01:08:46.594)

Hmm.

Roberto Rios (01:09:10.348)

But no monetary transition has ever happened easily and none of them have ever happened really that quickly either. So I would expect this to take a couple decades to play out.

Sebastian Dienst (01:09:21.134)

Couple of decades, wow. I was just going to say, mean, your progression doesn't necessarily have to be linear, right? Like there could be sort of phase shift events or thresholds after which,

you know, certain things get pulled from the future into the present very quickly, whether it is the invasion of Taiwan by China or, you know, whatever else of your account.

Roberto Rios (01:09:43.054)

Hmm.

Absolutely. I mean, if you look at, I've studied, you know, multiple hyperinflations, especially in preparation for writing my book.

the Zimbabwe hyperinflation or the Weimar hyperinflation. Both of those were obviously exponential events. There were key points in 1916, 1917 at the Reichsbank with Helmut Schmidt and the Board of Governors of the Reichsbank making key decisions to print more money to fund government programs. The German government in the early 1920s had lost essentially a third of their manufacturing power because they lost huge parts of

the Rhineland in their concessions to France and the allies in World War I. And they started printing money and the government starts getting snared and more debt and borrowing money to pay out unemployment doles and making sure that people don't starve. And it slowly built, built, built, built until it started to reach this critical threshold where the feedback loops just reached fever pitch. And everyone was just printing, you know, they were printing so much money by 1922, 23.

that they didn't have enough ink to use on the backside of the Reichsbank notes. So they were printing only on one side and then just sending it out. And the Reichsmarks became so worthless that people were using them as wallpaper and people were using them as fire starter because even the 100 million Reichsmark notes were essentially, they would be devalued within 50, you know, by 50 % within a week.

Sebastian Dienst (01:11:03.108)

my god.

Sebastian Dienst (01:11:07.652)

Mmm.

Hmm.

Roberto Rios (01:11:20.0)

So it was like, what was the even point of even holding it? People started demanding food or to be paid in gold or be paid in food or be paid in cigarettes or be paid in francs, right? So.

Obviously, you're right, it's an exponential process. So the last stages of it could happen much more quickly, right? Stage five, that transition from the US dollar as global reserve currency to Bitcoin could happen in two years. It does not necessarily have to take a decade. But obviously the lead up to it is what takes the long time. It's that gradually then suddenly meme playing out.

Sebastian Dienst (01:11:39.524)

Hmm.

Sebastian Dienst (01:11:53.294)

Hmm.

Yeah, it's so interesting to get that kind of longitudinal perspective because I find, you know, I'm part of the Bitcoin space now since 2020 or 2021. And I find the ecosystem has gone through multiple delusional cycles of thinking like it's just around the corner. You know, like it's just about to happen basically in the next few months.

It's like a sobering, humbling experience again and again to realize this is going to take much longer. The forces at work are just much bigger and much more entrenched than most people realize. So I don't know how you've experienced that in your own sort of Bitcoin journey, but it's certainly been the case for me.

Roberto Rios (01:12:47.938)

Yeah, I would definitely agree with that. I mean, back in 2016, when I started macro research, I thought that all this stuff with regards to the gold standard coming back and extreme inflation, the Fed having to capitulate and financial collapse, I thought it would all happen within two or three years. And here we are a decade later, right? Literally, and hasn't happened. The ability of this is what people have to realize. And what I've realized over time is the ability of the system

Sebastian Dienst (01:13:08.068)

Yeah.

Roberto Rios (01:13:17.872)

them to perpetuate itself and to do more and more emergency measures to ensure its own survival is much greater than most people think. And even though we give central bankers this hard time that they're evil or that they're stupid or that they're incompetent, which all of those are probably true,

Sebastian Dienst (01:13:23.778)

Yeah. Yep.

Roberto Rios (01:13:39.423)

It doesn't negate the fact that they are the ones trying to defend this system They are the ones trying to make sure it survives. They have a lot to lose actually They have the most to lose sensibly So that means that they're gonna do whatever they can to kick the can down the road and make sure it lasts a few more years So they get a few more years of the gravy train, right? Because they do not want this thing to collapse more than more than anyone else So again the stealth QE the reserve management, you know purchases the RMP that they started in December

Sebastian Dienst (01:13:53.518)

Yeah.

Roberto Rios (01:14:09.296)

the lowering of the SLR the lowering of the LCR the changing of SEC money market fund rules the changing of Basel 3 rules to get banks to buy more treasuries all these things which no one thought of ten years ago would even whatever happened have all happened and they've all helped to maintain the illusion of dollar strength and I'm sure they'll find new ways right but it no reserve currency lasts forever not the British pound, you know

Sebastian Dienst (01:14:29.431)

Yeah.

Roberto Rios (01:14:38.122)

not the Dutch Gilder, not the Spanish peso. So because of this, we know that there is eventually an end game where all the forces become too great on the other side of the scale and it overpowers even the strongest central bankers. But until then...

We're just waiting around and using our time and money to buy more Bitcoin. And I actually think it's a beneficial thing that this doesn't happen faster because then we can get more people on the right side of the trade. More people buying Bitcoin and you and I can buy more Bitcoin. If this happened within two years after Bitcoin was started, no one would have any and it'd be really hard to earn it. So it's much better that it happens slowly this way.

Sebastian Dienst (01:15:05.571)

Right.

Sebastian Dienst (01:15:14.571)

Hmm

What is your, you know, with everything that we've talked about, what is your positioning in terms of financial strategy? Is it just buying Bitcoin or do you have a more diversified perspective?

Roberto Rios (01:15:32.526)

I have a more diversified perspective. mean, I own gold. own a little bit of US Treasuries just to get interest on some extra cash I'm holding. I own...

Sebastian Dienst (01:15:43.613)

Just on the gold, physical or by ETF or... Yeah.

Roberto Rios (01:15:47.759)

I own gold, I own mainly physical. I own some gold, some physical gold. I have a little bit of ETFs, but it's not much. My father, I got to invest into gold ETFs five years ago, same with my mother, and both of them have done extremely well. And I've actually also been getting my father into Bitcoin ETFs. The problem with him is that he's a boomer. He's not tech savvy, doesn't know how to manage portfolios. And so when I think about strategy for him, like him...

Sebastian Dienst (01:16:00.164)

Hmm.

Sebastian Dienst (01:16:04.451)

Yeah.

Roberto Rios (01:16:17.716)

He's already so tech, you know, incompetent, I hate to say, but he's already so tech unfriendly, you know, unfriendly and unfamiliar that he can't really hold his own coins without me there.

Sebastian Dienst (01:16:32.355)

Yeah.

Roberto Rios (01:16:32.814)

I don't want to do that to him. So I'm just having him buy the ETFs and I also had him type a coin base account and he's you buying some and holding some in Coinbase and I'll soon try to have him set up a custodial Custodial wallet, but it's gonna take time to educate him. But for my strategies mainly Bitcoin and gold I do have some oil stocks. I do have some mining stocks I do have S &P 500 my own a bunch of spy ETF Stocks, but I own no

I own no no corporate debt And the little bit of churches I have is just for like a sweep account. That's basically like earning cash So have an extra couple grand I wanted to I want to have in savings and I just want to have it earned cash So I have it in one month T bills, but it's not really in it's like a few thousand dollars It's like a couple percent of my portfolio. It's not much But yeah, mostly just Bitcoin and gold

Sebastian Dienst (01:17:26.243)

Yeah, interesting. Cool. So just being conscious of time, we're one hour and 17.

Sebastian Dienst (01:17:37.909)

Yeah. Can you do a little bit longer or how do you feel?

Roberto Rios (01:17:44.162)

I can do another 10 minutes or so, but then I gotta go.

Sebastian Dienst (01:17:45.697)

Okay, cool. Yeah, yeah, okay, cool. I'm gonna cut this piece probably out, but...

Yeah, fascinating. So I think we've, we've covered a lot of ground in terms of just mapping out the different crises and sense making around the war in Iran and all the knock on effects. from a more sort of elevated philosophical perspective, what is your, like personal narrative of like what is happening in the world? you're aware of this channel's

thesis of, you know, this initiatory rite of passage moment on a civilizational scale. But what are your own heuristics in terms of what we're undergoing collectively?

Roberto Rios (01:18:38.732)

I mean, think obviously for one is, I think we're in the midst of a great awakening, right? I think the West was put under a spell in the wake of World War II. not only financially, but obviously also politically, militarily, right? We were all fed this, this diatribe that the U S was the, the unconditional good power that had essentially never done anything wrong.

in its history, right? And that even things like Vietnam were just a slight mistake, right? A miscalculation and not a humanitarian disaster and not a huge geostrategic blunder.

And I think that we were taught, especially the boomers and the Gen Xers had this belief in the media, in the mainstream media, in the financial press, in the institutions of yesteryear, and that they were essentially unilaterally trustworthy and unilaterally honest. And as we go forward into the 21st century, I think people are starting to finally realize that that's not true, right?

CNN, Fox News, MSNBC, they're all bought and owned by billionaires who have specific goals and specific desires. And some of them are warmongers. Some of them have contracts with military defense companies or own military defense companies. And so they want to fight wars. They want to have U.S. military spending grow. They want to, you know, engage us in more conflict in the Middle East. And so I think that this this great awakening is happening

on almost every societal scale. And obviously it started, I would say, in the early 2010s, right after the collapse of the 2008 financial.

Roberto Rios (01:20:31.414)

crisis and the subsequent like what I would call little depression or you know great recession you could call it and the emergence of Occupy Wall Street right the realization that our money wasn't really ours that other people controlled the levers power and that they were unaccountable unelected unbiographically, you know chosen and That led a lot of people down the rabbit holes of conspiracy theories, right Alex Jones and

you know, Robert Temple or...

Sebastian Dienst (01:21:01.832)

which were called, formerly known as conspiracy theories.

Roberto Rios (01:21:07.018)

Exactly They've been proven right and now again would I say that every conspiracy theory is true? Absolutely not like I've been meaning to put out this tweet, but I have this tweet I want to put out that says You know if you if you don't believe in any conspiracy theories, you're an idiot if you believe in every conspiracy theory You're an idiot So you need to have some discernment, right? You need that

Okay, well are all the birds drones? Every bird in the world is a drone? That's pretty extreme. I don't think that's true. Would the US get lucky?

Sebastian Dienst (01:21:38.691)

Is that a current conspiracy theory by some?

Roberto Rios (01:21:43.061)

It is yeah that that the birds are fake. Yeah. Yeah. Yeah, that's a real theory Yeah, yeah that birds are fake. They're not real that they're all drones made by the government. Yeah, I Know I know But then you know, there's the other people who say the government's lying to us about the war in Iran the government's lying to us about the casualties and Some people say no that they would never do that really

Sebastian Dienst (01:21:43.917)

Seriously.

Birds are fake.

Sebastian Dienst (01:21:53.111)

I it.

Roberto Rios (01:22:09.08)

They lied to us about Vietnam. The Afghanistan papers came out in 2012. They lied to us about the troop numbers in Afghanistan, how many people were getting wounded. They lied to us about the friendly fire incidents. You there were thousands of soldiers in Afghanistan who were maimed or killed by friendly fire incidents that they all blamed on the enemy because they didn't want to admit that our own military had some incompetent officers and some incompetent safety protocols. And they knew that it would open them up to lawsuits. And the same thing happened in Vietnam. They lied about how many enemies we were killing, how many of ours were dying.

right? How many people were injured? They lied about the spending and all this stuff came out 20 years later in the Vietnam papers, you know, and exposed like how just how prolific and how coordinated the lying was and especially in the 60s and 70s, right? All the mainstream media went along with it. The government came in, the CIA, the DIA, the army, and they said you need to help us sell this war and the mainstream media said, okay, hand in hand, let's do it.

And so this great awakening, like I said, is not only happening in isolation, it's happening almost across the board with almost every single topic. So you look at GameStop, the rise in that stock

and the subsequent collapse of it, and then the rise again, and the meme traders that kind of rallied around it, and the belief that we lived in a free and fair system, especially when it regards to stock trading.

was shattered. You see that in the belief in the global monetary system, the buying of gold reserves for global central banks. You see that in the belief that Russia or Iran is a weak power and then we can't even defeat them on the ground with billions of dollars of...

state-of-the-art equipment. Right? You see that in the Epstein files release. You see that in people realizing how corrupt our government is, how depraved our government is, in, you know, CIA, the efficacy and the morality of CIA programs.

Sebastian Dienst (01:24:00.675)

Mm.

Roberto Rios (01:24:12.854)

People have now become extremely cognizant and wary of anything the government says, especially intelligence agencies and mistrusting of everything they say because they've lied so much at this point and we've found so many of their lies that it's hard to believe that anything they say is true at this point. Yeah, I think this Great Awakening is...

Sebastian Dienst (01:24:22.488)

Hmm.

Roberto Rios (01:24:35.69)

is expanding and blossoming and starting to go to obviously even things like food and nutrition, right? Yeah, the belief in seed oils and processed food and Skittles and &Ms and candy. It's like everyone's realizing, wait.

Sebastian Dienst (01:24:40.949)

All aspects of life, yeah.

Roberto Rios (01:24:51.566)

Why am I eating something with red 40 in it and red 40 was industrial dye using the 1910s to dye clothes and i'm eating it That's pretty crazy so it's ballooning and blossoming into 30 40 000 different topics and I think as we continue throughout the 20s this is just going to accelerate and I think it's a good thing because For people for us to transition away from a centralized control command and control Economy and political system. We need to have less trust in those entities and we need to trust

Sebastian Dienst (01:25:05.507)

Hmm.

Roberto Rios (01:25:21.53)

ourselves more and our own research more and our own due diligence more than we trust, you know, what some government bureaucrats said on TV.

Sebastian Dienst (01:25:30.487)

Yeah. Yeah. man. Wow. Beautiful. I mean, you mentioned discernment earlier. I find that such a important capability in this day and age, not just to sense make what is actually going on, but also from a collective point of view to, yeah, really become more agentic, more sovereign, you know, sovereign individual as a, as a theme, as a book. and

finally leave behind eventually over probably long periods of time, this quasi enslavement that we are experiencing through, you know, corporate, military governmental complexes that we are waking up to. You know, I think the, the, the, terminology of an awakening is, so appropriate. And

It's messy and it's confusing and it's scary at times because all these things are coming out. whether it is the Epstein files or, you know, all the other aspects, how we've been lied to that. think especially older generations find a very hard time really actually looking at and confronting. I noticed that, you know, whether it's with my parents or my mother and you know, other people, even younger age, you know, let's say

50 years plus, that seems to be sort of the threshold of like this slight glazing of the eyes when you you bring that up. And like, no, I actually don't want to know. don't want to look at this kind of shit. And yet I think we're all being forced into this. Yeah, again, for me, the word comes up initiation. Like it's a real initiatory moment for our species.

which is, as scary as it is also glorious and as it is holds so much potential for a completely different civilization, at least from my perspective. And that's where the excitement comes from for this moment and the impulse to also, you know, talk to people like yourself and many others to shine light.

Sebastian Dienst (01:27:52.995)

on this moment from both the very intellectual systemic angle, as well as the more nuanced civilizational spiritual philosophical perspective. Because I think both needs to be there in order for us to be clear eyed and capable of making it through the eye of the needle.

Because it you know to some extent from my point of view with the converging crises around, you know financial crisis geopolitical crisis crisis that will unfold through AI Climate crisis, etc. It is We're we're you know, we talked about this five-staged thing in the monetary realm I think there's equally a five-stage thing when you combine all the other crisis together and

My own thesis is that we have seen nothing yet in terms of upheaval, in terms of, to some extent, cataclysmic change. And it is, to some extent, just from my perspective, an eye of the needle that we need to navigate through over the coming years and decades, which is deeply scary, I think, for

many, if not all of us, but at the same time, I think we need to rise to the occasion to make it to the other side. And yeah, what that actually means is work in progress. But I think conversations like this are so valuable and helpful to me and I hopefully to many others to just get more bearings on where we are and where this might be headed so that

we are prepared and we're clear-eyed. So I thank you very much for your clear thoughts, the many stats that you just have available immediately and yeah, just drawing it all together from petrodollar system, yen trade, carry trade and all the other things that we discussed. So thank you so much.

Roberto Rios (01:30:14.156)

Of course, thank you for having me on. And you know, even though like you said, it's a scary moment in the world, I think it's also a moment of great opportunity and change. You know, we can create a better world.

by choosing to step away from the systems that were built to control and, like you said, enslave us and into a new freer world where people can freely transact and choose and use their agency to make decisions. I'm the Peruvian bull, not the Peruvian bear. I'm bullish on the future.

Sebastian Dienst (01:30:45.123)

I love it. Yeah, same here. Same here very much. Good. Thanks for the conversation. Anything else you want to just leave the audience with? Where can they find you? You just opened a YouTube channel.

Roberto Rios (01:30:59.084)

Yeah I did. You can find me on YouTube at Peruvian Bowl just like it sounds B-U-L-L. You can find me on Twitter at it's at Peruvian underscore bowl but the name is Roberto Rios and then on Substack you can look for dollar endgame dot Substack dot com and my all my writings will be there so you can check me out.

Sebastian Dienst (01:31:19.939)

Okay, Roberto, all the best. Thanks for joining us today.

Roberto Rios (01:31:22.126)

awesome.

Thank you so much, Sebastian.

Sebastian Dienst (01:31:26.052)

Cheers.