GeoMacro Report
The *Alpha* Report

In this Issue

September 2025, Volume I

GeoMacro *Alpha* Report: What's The Magic Number?

Top Takeaway: Want to stay long stocks? Watch the 10-year yield. If we are not under 4% by the end of the year, stocks will suffer.

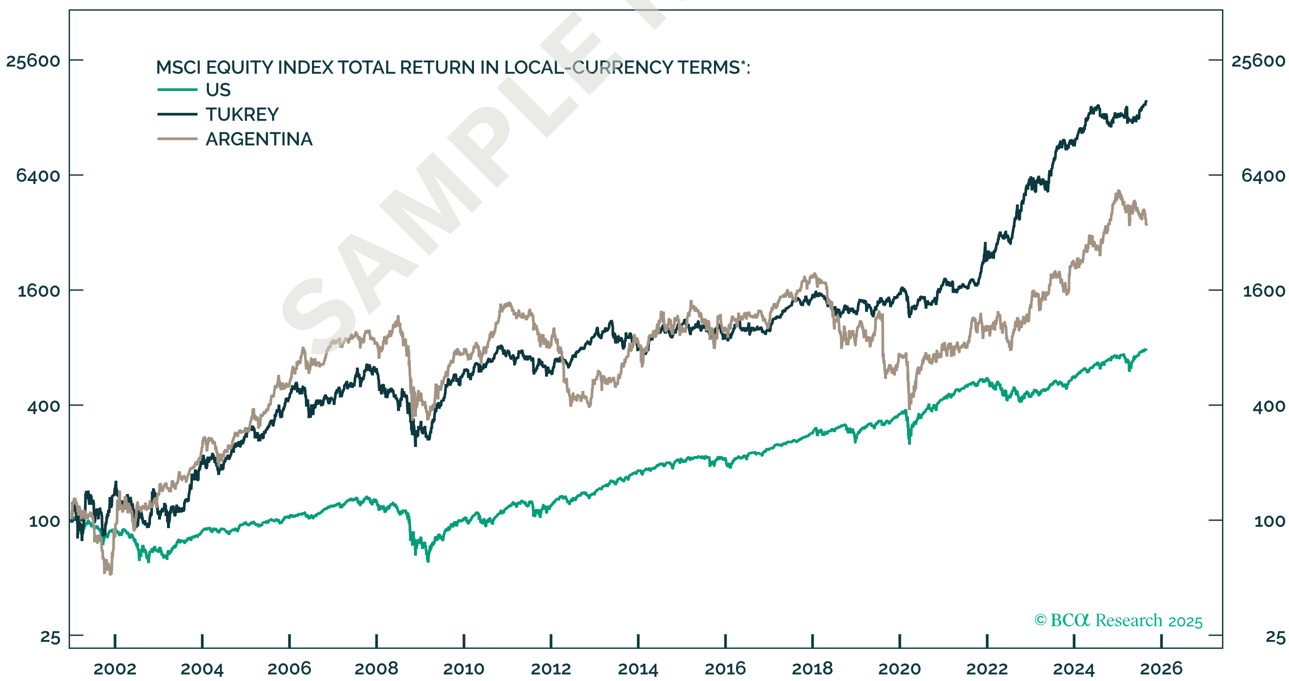
- Transition from cash-driven cycle to a leverage-driven one passes through lower bond yields.
- President Trump's unorthodoxy is not bad for stocks, it is bad for the USD.
- Central bank independence is not a requirement for an equity bull market. In fact, it's kind of a buzzkill.
- The White House is now laser-focused on reviving the housing market, gone is the "detox" narrative from Q1.
- **Go long palladium** (as a real asset play on unorthodoxy) and **homebuilders** (as a way to play the political focus on the housing market).
- Court case against tariffs is a big risk against our bullishness. Bonds need tariff revenue to not riot. Stocks need bonds not to riot. That simple.
- Finally, go long Canada. What in Canada? Everything. It won the trade war. And is... awesome.

What's The Magic Number?

Stocks continue to melt up despite a slew of risks, which if one spends a few days on FinTwit now also includes the US mutating into mid-seventeenth century France. In our previous two monthly *Alpha* missives[1], we specifically hinged our bullish view on the Fed "losing its independence" (in quotes as we do not believe that any central bank can truly be independent). Why? Because if you're not going to "fight the Fed," you should also not "fight the Trump."

Ultimately, investors should remember that the S&P 500 is a nominal asset *priced in US dollars*. Central bank political dependence does *wonders* for equities *in local currency terms*, as the examples from Argentina and Turkey easily attest to (**Chart 1**). The careful readers of our *Beta* reports – focused on *strategic* asset allocation – know where we are headed here.[2] In non-USD terms, S&P 500 investors have gotten *pwned* today (**Chart 2**) and will continue to be *pwned* tomorrow (**Chart 3**). We have been – on and off for a year – long precious and industrial metals in an "invest in everything nailed to the ground (**Chart 4**)" strategy.

CHART 1
Who Needs Central Bank Independence When You Can Just Go Brrrrrrrrrrr



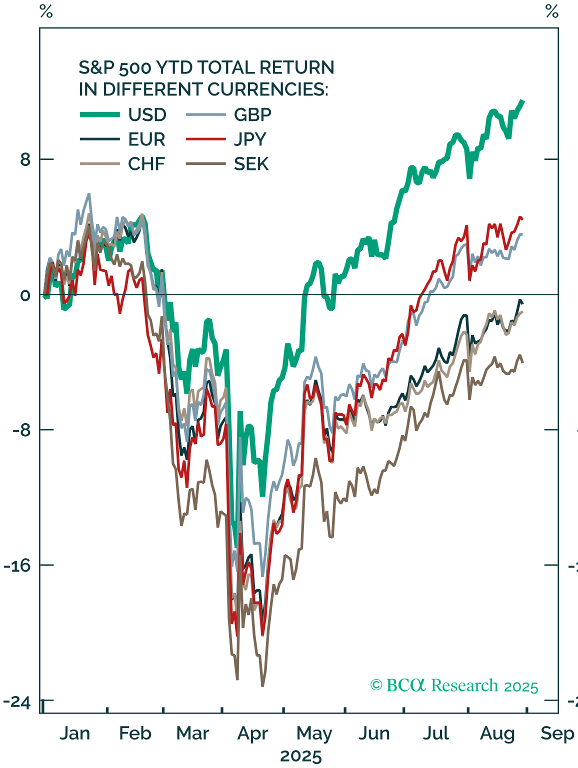
* REBASED TO DECEMBER 29, 2000 = 100.
SOURCE: MSCI INC (SEE COPYRIGHT DECLARATION).

1 Please see *BCA Research, GeoMacro Strategy, Alpha Report*, "False Gods: The Fed Will Bend, Don't Fight The Trump," dated August 2025, and "The Return Of The Fed," dated July 2025, available at bcaresearch.com.

2 Please see *BCA Research, GeoMacro Strategy, Alpha Report*, "Exodus," dated April 2025, "Annual Outlook 2025: Peak Everything," dated December 2024, and *Beta Report*, "New Geopolitical Hardware Detected – Restart Required To Install Strategic Asset Allocation Updates," dated June 2025, available at bcaresearch.com.

CHART 2

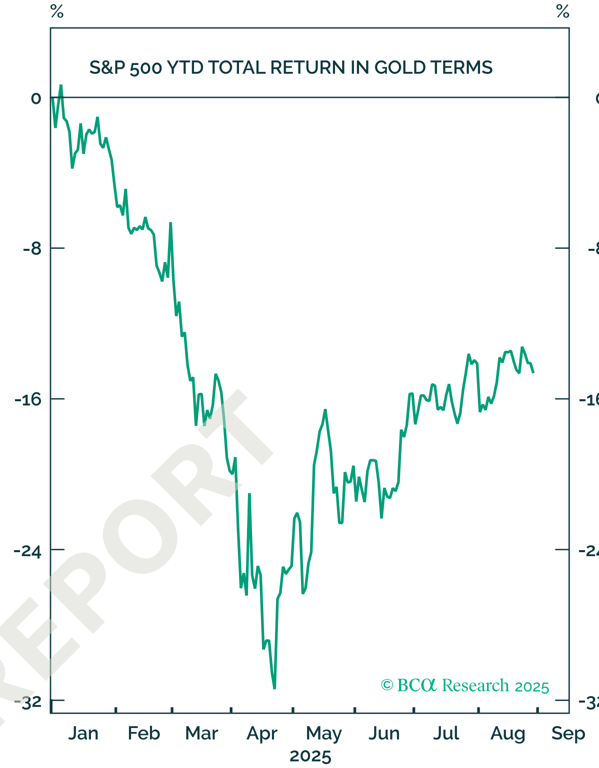
SPX Is In A Bear Market...



SOURCE: S&P GLOBAL.

CHART 3

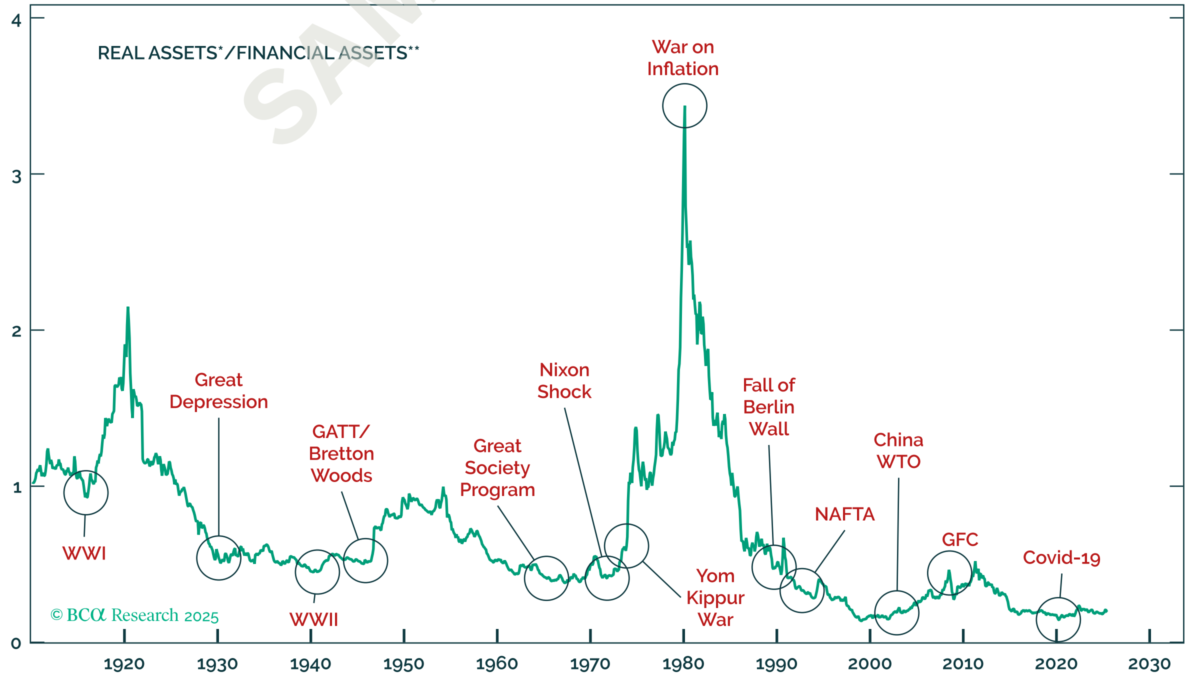
...If You're Not USD Based



SOURCE: S&P GLOBAL.

CHART 4

Invest In Things Nailed To The Ground



* INCLUDES COMMODITIES AND US REAL ESTATE. REBASED TO JANUARY 1910 = 100.
** INCLUDES S&P 500 AND US 10-YEAR TREASURY. REBASED TO JANUARY 1910 = 100.
SOURCE: S&P GLOBAL, US DEPARTMENT OF TREASURY, MACROBOND.

Today, we initiate a long palladium position given that it is both a precious and industrial metal. Investors should not short US bond or equity markets because of anything Trump does to data or the central bank. Instead, they should go long hard assets, of which — for the time being — we like palladium the best.

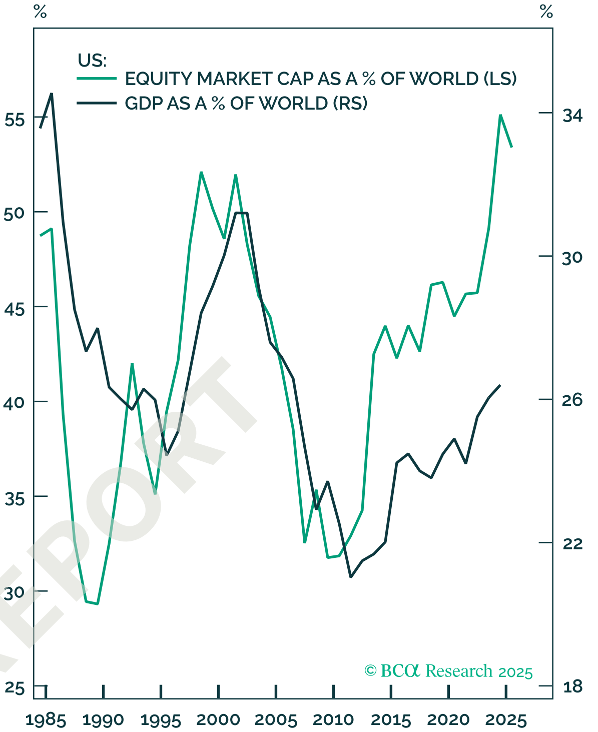
For investors who have gorged on US assets over the past 15 years (**Chart 5**), this is a difficult concept to accept. Is the fish aware that it is swimming in water? Are USD-based investors – or those simply up to their ears in dollar assets – aware of FX-induced asset underperformance, if it requires an extra step of FX calculation? Eventually yes, they will be.

That said, we are not overweight risk assets on a lark (the "Buenos Aires Consensus comes to the S&P 500!" trade anyone?). There is also a macroeconomic reason to be optimistic.

The US consumer is showing signs of exhaustion (**Chart 6**). The "cash-driven" cycle – supported by wanton fiscal outlays – is ending (**Chart 7**). The One Big Beautiful Bill Act (OBBBA) is not stimulative, particularly not when we add the massive new tax increase (read: tariffs) that it is complemented with (**Chart 8**).

At this point, the only way for this bull market to continue is to see borrowing rates decline enough to entice the cash-driven cycle to evolve into a leverage-driven one. US households have ample space with which to re-leverage (**Chart 9**), have experienced an extraordinary increase in home equity (**Chart 10**), and have a historically elevated ratio of household wealth relative to disposable income (**Chart 11**).

CHART 5
Exodus From USD Is Coming



SOURCE: WORLD FEDERATION OF EXCHANGES, WORLD BANK, IMF.

All the ingredients for a re-leveraging cycle are present. But will American households bite? And at what borrowing rate?

The recent lesson from Europe is instructive on this front. We asked our colleague, and BCA's Chief European Strategist, Jeremie Peloso whether the ECB rate cut spurred housing demand in Europe. Here is his answer (we hand the proverbial microphone here directly to Jeremie).

THIS IS A SAMPLE REPORT.

Our team will be in touch shortly with the full report.

If you do not receive a call, please contact our Client Success team clientsuccess@bcaresearch.com