GlobalData. TS Lombard

23 December 2024

Global Watch

THINGS THAT WON'T HAPPEN IN 2025

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- A light-hearted, satirical look at what the New Year might bring
- A new NATO "system", Muskonomics, Trumps vs Powell 2.0 and EMU bailouts
- The big problem this time is that some of these things might actually happen

Each December, we publish bold "non-consensus" forecasts for the year ahead. Rather disturbingly, some of those predictions come true. Worse still, since we first started this exercise a decade ago, it has become increasing difficult for our readers to discern whether or not we are joking – such is the increasingly bizarre nature of today's world. This year, the distinction between reality and satire is arguably fuzzier than ever before, and there is a very strong possibility that some (maybe even several) of our predictions for 2025 are realized. **But which ones?**

Protection money

The North Atlantic Treaty Organization (NATO) decides on a "more transactional" approach to global security, with the US – now calling itself *capo di tutti i capi* – charging a small fee to deploy its vast military muscle. At first, the new system seems to be rather effective. US war ships continue to patrol international waters, Europe remains under the "protection" of US nukes, and it costs America's allies only a small "kick-up" to remain "a friend of ours". But, over time, doubts emerge about the long-term viability of "our thing", especially with the US repeatedly "shaking down" lower ranking members of the "family" by jacking up its "tributes". Although the administration initially denies rumours that it has been paying an "outside crew" from Moscow to intrude on NATO "turf" (justifying even larger "commissions"), it eventually drops all pretence and starts to lean on its members in more overt ways. Things get out of hand in October, when Keir

Starmer “hits the mattresses” (after finding a horse’s head on the steps of 10 Downing Street) and Justin Trudeau completely disappears (he is thought to have entered a witness protection programme, having violated NATO Resolution 470, affectionately known as *Omertà*).

The economy drive

With a $750bn taxpayer-funded launch party (the flying Teslas and chain-saw-welding droids are a particularly nice touch), the Department of Government Efficiency (DOGE) is finally unveiled – nine months behind schedule, and $5 trillion over budget. Its ambitions are even more radical than expected, with Musk announcing a target to cut the number of “bureaucrats” by 300% (sic) and trim $20 trillion (sic) from public spending. (Sure, they will hire several million consultants to carry out the plan, but Elon expects the scheme to make genuine cost savings by 2045 and to fully justify his $12 trillion compensation package.) Unfortunately, the Tesla-sponsored “efficiency drive” ™ soon runs into problems, particularly when its state-of-the-art AI Efficiency Bots shift their focus to 1600 Pennsylvania Avenue. President Trump reacts badly to the DOGE’s decision to ground Air Force One; and when the algorithm forces the White House canteen to substitute authentic McDonalds takeout for microwave burgers and own-brand supermarket fries, the President finally loses his ****, dismissing Mr. Musk (apparently, the first time a high-ranking US official has been fired via Truth Social from the back of a heavily delayed American Airlines flight.)

Special Relationships

After months of flirting with both the EU and the US (and unsuccessfully trying to play one superpower off against the other, because neither is really “that bothered”), the UK is forced to choose its one, true, genuinely forever “special relationship”. The union takes the form of a free-trade deal between the UK and the US, with the latter sending its finest exports (basically just independent macro research and Premier league “soccer”) in return for unlimited access to US tech, clunky American cars, chlorinated chicken, and overpriced prescription drugs. Naturally, the announcement irritates the EU, which “isn’t jealous” but immediately kicks all British soccer clubs out of UEFA and bans UK-based research providers from attending ECB press conferences. While the British economists somehow manage to struggle on without access to Lagarde’s meandering "insights", the EU sanctions deal a huge blow to the Premier League On Tour™. Many foreign players decide to quit English football; and, with the likes of Man City, Liverpool, Chelsea and Arsenal relocating to Ireland, US soccer attendances start to decline (because "it's nothing like Ted Lasso"). The free-trade agreement is scrapped in December, when just 15 Americans turn up to watch a top-of-the-table clash between Tranmere Rovers and Fleetwood Town in Miami.

(poor Freya…)

Trump vs Powell – the finale

Relations between the White House and the Federal Reserve continue to deteriorate through the first half of 2025, with Trump routinely attacking Powell on X and the Fed Chair responding to every vicious personal insult by adding an extra 250bps to the cost of borrowing. The situation reaches a crisis point in August, when the President threatens to "call in the army" and Powell unleashes the only force more menacing than the US military – the bond market. With a speech entitled "I'll never do QE again, it didn't work anyway, you guys are actually suckers for thinking it

ever worked", Powell triggers an enormous sell-off in US fixed income markets, with the dreaded "term premium" surging to previously unimaginable levels (i.e., 2 per cent). Naturally, this renders the US government immediately insolvent and Trump has no option but to resign. Powell is now a hero in Democratic circles and is widely tipped to be offered their nomination for Presidential candidate in 2028 (a role he is expected to turn down, because he has more appealing offers from the music industry, including that of lead guitarist in a Grateful Dead tribute band).

Another eurozone bailout

Facing structural decline and suffering from increasingly unstable politics, Germany and France (plus some lesser "core" euro members) seek a humiliating bailout from the European Commission. Financial support is agreed, but – at the insistence of the countries formerly known as the PIIGS (Portugal, Italy, Ireland, Greece and Spain) – it comes with strict "conditionality". And the contrast between the two sets of economies couldn't be any starker in 2025. While the PIIGS enjoy an unprecedented boom, the GAFFs" (Germany, Austria, France and Finland) become a source of derision in financial markets, with Anglo-Saxon hedge funds routinely poking fun at their various policy blunders. There is even speculation that some of the GAFFs will be kicked out of EMU, not least because of the terms of their bailout, which include the abandonment of all fiscal rules (debt brakes are now illegal), the deregulation of "casino-banking", total Italo-Iberian control of the ECB (the Bundesbank must forfeit its vote on interest rates) and even the loss of some prestigious French and German assets. While the agreement is good news for fizzy wine producers across Europe (who can now rebrand their wares as "champagne"), many Germans are unhappy about their "austerity reparations" to Greece, especially when they have to surrender the ownership of several popular vacation spots in the Baltic Sea. Hopes for a fiscal union are also dashed over concerns about "moral hazard" and diluting the credit standing of periphery debts.

Strategic Bitcoin reserves

The new US administration's weird affinity for crypto confused many investors in 2024. Why would the US government undermine the dollar's global dominance by promoting potential alternatives? Such questions become all the more pressing in 2025, when the Federal Reserve starts printing trillions of USD and investing the proceeds in digital currencies. Within three months, Bitcoin is trading at $1,000,000, Jay Powell is giving his press conferences with fake laser eyes, central banks across the world are dumping their dollar reserves and replacing them with crypto, and it seems the worst fears of the tinfoil-capped, perma-dollar bears have been realized. Naturally, this is great news for the BRICS. They go "all-in", even holding a mock funeral for the dollar. Then, all of a sudden, things begin to change. The price of Bitcoin starts to drop and Fed watchers notice that the central bank has secretly been shrinking its asset holdings through a programme of stealth QT. Within three months, the Fed is back to being a "no-coiner", BTC is trading at $0.75, and every other central bank in the world is technically insolvent. (Fed staff unsubtly draw attention to this issue when they publish a working paper titled "Have Fun being Poor"). King Dollar retakes his throne, and now his supremacy is totally assured – at least for another century. They sure weren't kidding when they said those Bitcoin reserves were "strategic".

Trading karmanomics

Phillips curves, neutral interest rates, Taylor rules, DSGE models, MMT, Austrian economics – none of that stuff really "works". And you certainly can't make money trading macro theory for long because as soon as an idea becomes consensus, the very belief in that idea will deliver the exact conditions for a dramatic reversal. Instead, the best way to trade macro is to base your views on three core principles: irony, superstition and nihilism. Ask yourself what would be the most *ironic* outcome that would mess with the maximum number of economists? What would make the macro gurus on social media look particularly silly? How can we maximize "the lolz"? And look out for the classic markers. Central bank hubris? Top of the cycle. Governments determined not to make the same mistakes as last time? Sure, just wait for them to make the exact opposite mistakes (they always do). And when people say there's no alternative to an asset class, you can be damn sure we're in the last throws of FOMO. Maybe in 2025, somebody will set up a macro hedge fund to trade these important ideas. But it's not going to be me. The worst thing that can happen to any economist is that someone tries to implement their views.

Enjoy the holidays – our research will return on 6 January.

Important disclaimer: everything in this note is totally fake, especially the AI-generated graphics. Alex created those graphics and should be the recipient of any complaints/ lawsuits.

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