First to Market

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THE HOUSE OF BESSENT

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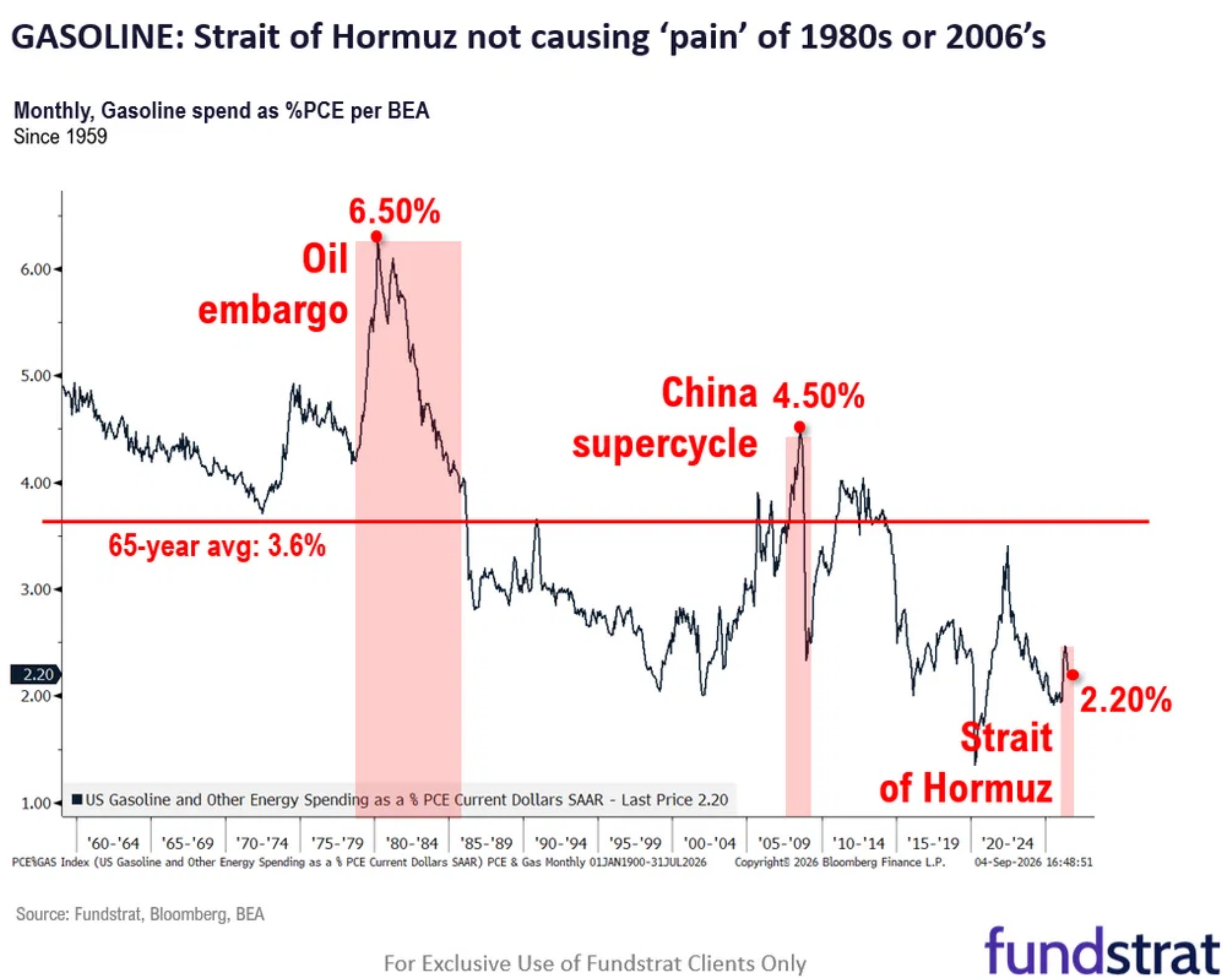
Chart of the Day



Good morning!

It might just be the soundbyte of the week: Treasury Secretary Scott Bessent telling his listeners that "I am the house now," as he dared traders to bet against the policy he was trying to impose. It's a somewhat bold statement, because as anyone who's ever been initiated into the ways of Las Vegas has been told, the house always wins.

Bessent was discussing the U.S. government's attempt to help strengthen the Japanese yen, but he displayed a similar sort of confidence yesterday in announcing a planned $6 billion Treasury buyback on the long end at the auction scheduled for later this morning. That's triple the usual amount.

Of course it's not literally true that the house always wins against every single gambler, but many games of chance played in casinos are designed to give the house a long-term, aggregate mathematical edge. This underlies the gaming industry's business model (setting aside non-gaming revenues such as food and entertainment). Yet even casinos are compelled, both pragmatically and sometimes regulatorily, to maintain liquidity or cash reserves sufficient to pay obligations in case of a statistically anomalous event losing streak. It happens.

The same holds true for governments and their finances. Bessent should know, because he was there for one of the more infamous examples. In 1992, Bessent was working for Soros Fund Management when his bosses won against the "house," aka the Bank of England by making a massive short bet against the British pound on what has since come to be known as "Black Wednesday."

Bessent and his employer at the time won because the Bank of England lacked the financial firepower to sustainably defend the pound. Yet there are some who would argue that the power of markets is such that no amount of firepower would be sufficient. For example, Bessent's former boss, Stanley Druckenmiller, recently warned his former protege that "governments defending prices against fundamentals always lose." Druckenmiller asserted that this is largely because markets will repeatedly test the government's resolve, and each test will require greater resources to succeed. Yesterday's bond-market action suggests that there will, indeed, be tests.

Even if Druckenmiller's thesis were incorrect, Bessent might wish to temper his analogy to casinos. Typically, an actual casino maintains cash reserves and lines of credit equivalent to several days worth of wagers or payouts, to guard against hot winning streaks by multiple whales/high-rollers.

In both the bond-buyback case and the yen-intervention effort, Bessent does not have the equivalent resources at his disposal. For Treasury buybacks, the Treasury General Account holds a balance of roughly $1 trillion, which is very roughly equivalent to just a single average day's trading volume ($1.2 trillion) in the secondary market. Meanwhile, the Exchange Stabilization Fund that the Treasury department uses for currency intervention has total (not net) assets of $218 billion as of the most recent filings of early 2026. That's somewhat dwarfed by the daily trading volume in yen, which the Bank for International Settlements (BIS) estimated at $1.61 trillion.

Of course, implementing economic and foreign policy are not at all the same as running a casino. That's just as well, because the U.S. government is not supposed to act like a casino.

The Treasury Secretary has been rather confident in his ability to steer markets the way he wants them to go, but it doesn't seem to be working so far. Here's hoping his past experience gives him the ability to avoid repeating history.

Share your thoughts

Do you think Secretary Bessent can back up his confident talk? Click here to send us your response.

✍Here's what a reader commented ✍

Q: Do you think Apple shares are a buy here?

A: The future is uncertain for all things, and Apple is staying true to course. There will probably never be another John Scully moment. Apple’s potential capex is nothing to fear as the railroads of the 21st century are laid, with its strong history of innovation and development. Having a bullish bias and recognizing our counterproductive, inherent evolutionary negativity bias helps us see the positive contours of the surrounding world and predisposes us to be on the right side of the probabilities. This is from a still-young man who saw the Dow cross 2000 in 1987 and mistakenly listened to those who called for the coming great depression.

Catch up with Fundstrat

This Friday is the 25th anniversary of the 9/11 terror attacks. And this date is also the release of August Core CPI. This is the single most important data point this week.

Technical

Three straight days of weakness on poor breadth make it hard to argue for an imminent push back above 7,756.76, so this sideways consolidation from early August is ongoing.

Crypto

Yesterday’s tape gave us a couple of near-term warning signals without materially changing the intermediate-term setup. The next 48 hours should provide considerably more information on whether yesterday’s weakness represents the beginning of a larger consolidative move or simply a tactical reset within what I continue to view as an improving liquidity regime.

News We're Following

Breaking News

- Wholesale prices rose 0.4% in August, as expected CNBC

Markets and economy

- AI-driven IPO wave set to accompany Anthropic listing BBG
- Oil prices extend gains, Brent stays above $100 a barrel on Mideast worries CNBC
- ECB rate decision: central bank raises borrowing costs to 2.5% FT
- South Korea nears agreement on billions in U.S. investments, a win for Trump WSJ

Business

- Google picks Finland for its largest single investment in Europe BBC
- Musk's Boring Co. raises funds at valuation of $23 billion BBG
- OpenAI faces Senate probe into Hugging Face hack by rogue AI agents REU

Politics/U.S.

- Trump pledges $5,000 'dividend' to all US adults if the GOP wins the midterms POL
- Rhode Island's governor is trounced in Democratic primary WSJ

Overseas

- Houthis seize key Yemeni Red Sea port, sources say, threatening global energy flows REU
- Algeria cuts diplomatic ties with United Arab Emirates over 'provocative and hostile actions' F24
- NATO allies foil Russian subsea cable sabotage plot REU
- Prediction markets 'rife with insider trading', warns EU watchdog FT

Of Interest

- England welcomes the return of the Bayeux Tapestry BBG
- My first impressions of the new folding iPhone Duo WSJ

Overnight

S&P Futures	+1 ▲ point(s) (+0.0% ▲)
overnight range:	-1 ▼ to +23 ▲ point(s)

APAC

Nikkei	+0.20% ▲
Topix	+0.20% ▲
China SHCOMP	-0.43% ▼
Hang Seng	-1.27% ▼
Korea	-0.25% ▼
Singapore	-0.70% ▼
Australia	-1.03% ▼
India	+0.20% ▲
Taiwan	-0.51% ▼

Europe

Stoxx	50 -0.03% ▼
Stoxx	600 -0.07% ▼
FTSE	100 -0.22% ▼
DAX	+0.01% ▲
CAC	40 +0.23% ▲
Italy	+0.45% ▲
IBEX	+0.40% ▲

FX

Dollar Index (DXY)	+0.09% ▲ to 98.91
EUR/USD	-0.09% ▼ to 1.1622
GBP/USD	-0.12% ▼ to 1.3531
USD/JPY	-0.38% ▼ to 154.14
USD/CNY	+0.01% ▲ to 6.7077

USD/CNH	-0.03% ▼ to 6.7084
USD/CHF	-0.17% ▼ to 0.8116
USD/CAD	-0.08% ▼ to 1.3817
AUD/USD	-0.33% ▼ to 0.7193

UST Term Structure

2Y-3M Spread widened	1.8bps to 54.4bps
10Y-2Y Spread widened	1.7bps to 42.4bps
30Y-10Y Spread widened	0.2bps to 44.6bps

Yesterday's Recap

SPX	-0.48% ▼
SPX Eq Wt	-0.96% ▼
NASDAQ	100 -0.29% ▼
NASDAQ Comp	-0.64% ▼
Russell Midcap	-0.90% ▼
R2k	-1.32% ▼
R1k Value	-0.57% ▼
R1k Growth	-0.45% ▼
R2k Value	-1.02% ▼
R2k Growth	-1.61% ▼
FANG+	+0.11% ▲
Semis	+0.10% ▲
Software	-0.81% ▼
Biotech	-1.57% ▼

Regional Banks	-1.16% ▼
SPX GICS1 Sorted	-1.51% ▼
Cons Disc	-1.39% ▼
Utes	-1.17% ▼
REITs	-1.12% ▼
Cons Staples	-0.94% ▼
Materials	-0.85% ▼
SPX	-0.48% ▼
Fin	-0.43% ▼
Healthcare	-0.37% ▼
Comm Srvcs	-0.24% ▼
Tech	-0.16% ▼
Energy	+1.09% ▲

USD HY OaS

All Sectors	-2.0bps ▼ to 306bps
All Sectors ex-Energy	-1.8bps ▼ 284bps
Cons Disc	-2.3bps ▼ 304bps
Indu	+1.4bps ▲ 186bps
Tech	-5.9bps ▼ 445bps
Comm Srvcs	-7.8bps ▼ 491bps
Materials	+0.3bps ▲ 268bps
Energy	-0.0bps ▼ 189bps
Fin Snr	+2.4bps ▲ 288bps
Fin Sub	-1.0bps ▼ 252bps

[illegible]	[illegible]
Cons Staples	-9.0bps ▼ 236bps
Healthcare	+0.6bps ▲ 255bps
Utes	+1.3bps ▲ 209bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
9/10	8:30 AM	Aug PPI m/m	0.4	0
9/10	8:30 AM	Aug Core PPI m/m	0.3	0.2
9/10	10:00 AM	Aug Existing Home Sales	3.98	4.06
9/10	10:00 AM	Aug Existing Home Sales m/m	-1.7	-1.69
9/11	8:30 AM	Aug CPI m/m	0.4	0.1
9/11	8:30 AM	Aug Core CPI m/m	0.2	0.2
9/11	8:30 AM	Aug CPI y/y	3.4	3.4
9/11	8:30 AM	Aug Core CPI y/y	2.4	2.5
9/11	10:00 AM	Sep P UMich 1yr Inf Exp	4.2	4
9/11	10:00 AM	Sep P UMich Sentiment	51	51.7
9/16	8:30 AM	Aug Import Price m/m	n/a	-0.4
9/16	8:30 AM	Aug Retail Sales m/m	0.8	-0.6
9/16	10:00 AM	Sep Homebuilder Sentiment	34	35
9/16	2:00 PM	Sep 16 FOMC Decision	3.75	3.75
9/16	4:00 PM	Jul Net TIC Flows	n/a	133.452

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