

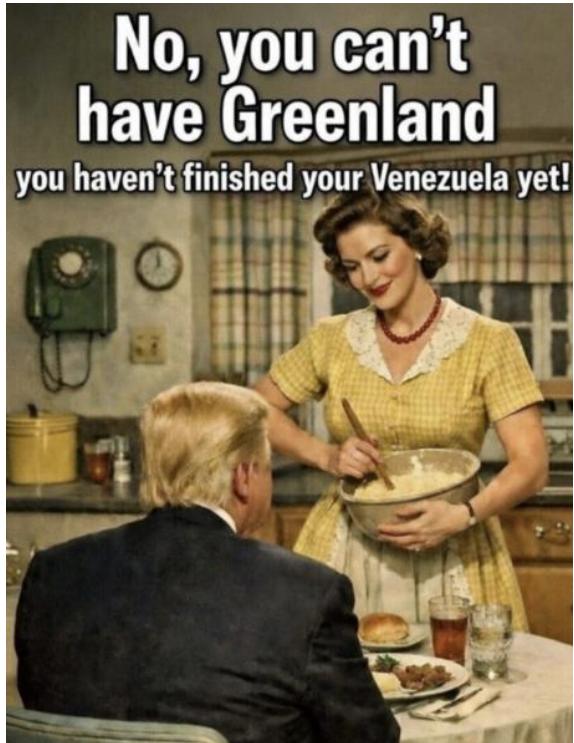
MACROCOSM

If These Risks Were Real, We'd Be Worried. Happily, They Are Not.

Monday, January 26, 2026

Donald Luskin

The best strategy for investing in 2026 may be to avert your eyes. Let us do the watching.



to be relying on [Carpenter's Law: the consequence of the images is the image of the consequences.](#)

- If you prefer a less Zen explanation, treat yourself to the very amusing [Netflix documentary series "Mr. McMahon,"](#) which explicates the structure of the phony dramas underlying World Wrestling Entertainment – the [face](#) (hero) and the [heel](#) (villain), [keyfabe](#) (fake) and [shoot](#) (real). We thank the client who turned us on to it.
- This is the structure of [today's performative politics and its amplification by mainstream and social media – all of which is aimed at getting your attention so that your attention can be resold to the highest bidder](#) (see ["Video: What you're not hearing about the narrowest equity risk premium in 23 years"](#) May 23, 2025).
- Mostly, [fake things are more attention-getting than real things](#), and investors have to take that into account at all times, while still [staying alert to the tiny minority of things that do become real.](#)

January isn't over yet, and it's already an astonishing and risky year – at least if you go by the headlines so masterfully generated by our showman/president Donald J. Trump. Venezuela. Iran. Greenland. Tariffs. Now, Canada again. As we talk to clients every day, we sense real alarm about all this. Yet so far it seems that [global markets are staying in last year's quiescent and positive posture](#), as we expected they would (see ["Predictions for 2026 \(And a Very Hot Take on Venezuela\)"](#) January 5, 2026).

It seems that [markets are seeing all these seemingly risky developments as fake-outs](#), just phantom images. Markets seem

Update to strategic view

US MACRO, EUROPE MACRO, ASIA MACRO: 2026 is already a barrage of Trump-fueled geopolitical crises and tariff threats. Markets have barely noticed. Markets are learning that seeming crises are manufactured by Trump and the media in a partnership designed to get your attention and exploit it. The threatened tariffs have been entirely fake – merely Truth Social posts – and the Greenland tariff threat was withdrawn for a “framework of a future deal” that is also fake. If a real deal happens it will involve massive debt-financing, and the alarmist reaction to it will be fake. Trump's Greenland initiative is not as bizarre as it sounds. Denmark tried to sell it to us once, long ago. The US has a myriad of “possessions,” “territories” and “protectorates” that are part of a time-tested system of global security, acquired in some cases by payment (such as the US Virgin Islands – bought from Denmark!) and in others (such as Hawaii) by outright conquest. It is not clear that Trump's moves in Venezuela and Greenland raise the risk of similar moves by Russia and China – more likely, they deter them.



Donald J. Trump  

@realDonaldTrump

Effective immediately, any Country doing business with the Islamic Republic of Iran will pay a Tariff of 25% on any and all business being done with the United States of America. This Order is final and conclusive. Thank you for your attention to this matter!

PRESIDENT DONALD J. TRUMP

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Jan 12, 2026, 3:46 PM

actual executive order, executive proclamation or anything, “final and conclusive” or otherwise. No legal authority cited – presumably the International Economic Emergency Powers Act, but that’s likely to be struck down by the Supreme Court at any moment (see., among many, [“The SCOTUS Tariff Decision that Didn’t Bark in the Night”](#) January 14, 2026). There were no tariffs, and no result obtained for having pretended to “order” them, and then following the absence of a result, no “order” pretending to remove the tariffs or any other comment about them from the White House. [This whole thing was 100% *keyfabe* – that is, fake.](#)

- Did markets care? Well... that very day, January 12, was the all-time high for the S&P 500 and it's traded lower ever since. But that feels mostly like noise...

...with the exception of last Tuesday's one-day 2.2% drop in the S&P 500 in response to [another Trump post](#) (at right), this one threatening 25% tariffs on eight European countries unless they cooperate in Trump's intention to control Greenland.

- But that was more than reversed the next day when [a Trump post](#) (at right on the following page) announced a “framework of a future deal,” and cancelled “the Tariffs that were scheduled.”

And now, over the weekend, comes [another Trump tariff tweet](#) (at lower left on the following page) – a threatened 100% tariff on imports from Canada if it proceeds with its [announced “strategic partnership”](#) with China, which includes importing inexpensive Chinese electric vehicles.

Consider Trump's [Truth Social tweet on January 12](#) (at left), an “Order” imposing tariffs on Iran’s trading partners “Effective immediately” and “final and conclusive.” He all but pleaded, “I really mean it this time.” But a tweet is not an “order.” There was never any

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Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.



Donald J. Trump  

@realDonaldTrump

We have subsidized Denmark, and all of the Countries of the European Union, and others, for many years by not charging them Tariffs, or any other forms of remuneration. Now, after Centuries, it is time for Denmark to give back — World Peace is at stake! China and Russia want Greenland, and there is not a thing that Denmark can do about it. They currently have two dogsleds as protection, one added recently. Only the United States of America, under PRESIDENT DONALD J. TRUMP, can play in this game, and very successfully, at that! Nobody will touch this sacred piece of Land, especially since the National Security of the United States, and the World at large, is at stake. On top of everything else, Denmark, Norway, Sweden, France, Germany, The United Kingdom, The Netherlands, and Finland have journeyed to Greenland, for purposes unknown. This is a very dangerous situation for the Safety, Security, and Survival of our Planet. These Countries, who are playing this very dangerous game, have put a level of risk in play that is not tenable or sustainable. Therefore, it is imperative that, in order to protect Global Peace and Security, strong measures be taken so that this potentially perilous situation end quickly, and without question. Starting on February 1st, 2026, all of the above mentioned Countries (Denmark, Norway, Sweden, France, Germany, The United Kingdom, The Netherlands, and Finland), will be charged a 10% Tariff on any and all goods sent to the United States of America. On June 1st, 2026, the Tariff will be increased to 25%. This Tariff will be due and payable until such time as a Deal is reached for the Complete and Total purchase of Greenland. The United States has been trying to do this transaction for over 150 years. Many Presidents have tried, and for good reason, but

- We have always thought a key aim of Trump's tariff threats against allies was to pressure them to decouple, to some extent, from China (see "[What is the Tariff Endgame?](#)" July 21, 2025). Canada's new prime minister [isn't playing along](#).
- Trump has a better point of leverage in negotiations with Canada, too: the threat of replacing US imports of heavy crude oil with similar-grade oil from Venezuela (again, see "[Predictions for 2026 \(And a Very Hot Take on Venezuela\)](#)"). Canada has no immediate capability to sell that oil anywhere else – it's a very credible threat, and we think it will end up working.
- As of this writing, markets would seem to agree with us.

But back to Greenland, where "the Tariffs that were scheduled" have been withdrawn.

- Those tariffs had never been "scheduled" – there was no executive order or proclamation. And now that those non-existent tariffs have been withdrawn, there is in fact no Greenland deal, only the

"framework of a future deal."

- **This is not** Trump using the threat of tariffs to get a deal. Trump's book was *not* called *The Art of the Framework of a Future Deal*. [This is Trump pretending to threaten tariffs to get a pretend deal](#). Kayfabe, just like most of the "trade deals" that have been falsely claimed to have been concluded this year (see "[Trade Deals Large and Small, Real and Unreal](#)" October 17, 2025).

- [See? The consequence of the images was the image of the consequences.](#)
- Maybe we are



Based upon a very productive meeting that I have had with the Secretary General of NATO, Mark Rutte, we have formed the framework of a future deal with respect to Greenland and, in fact, the entire Arctic Region. This solution, if consummated, will be a great one for the United States of America, and all NATO Nations. Based upon this understanding, I will not be imposing the Tariffs that were scheduled to go into effect on February 1st. Additional discussions are being held concerning The Golden Dome as it pertains to Greenland. Further information will be made available as discussions progress. Vice President JD Vance, Secretary of State Marco Rubio, Special Envoy Steve Witkoff, and various others, as needed, will be responsible for the negotiations — They will report directly to me. Thank you for your attention to this matter!

DONALD J. TRUMP
PRESIDENT OF THE UNITED STATES OF AMERICA

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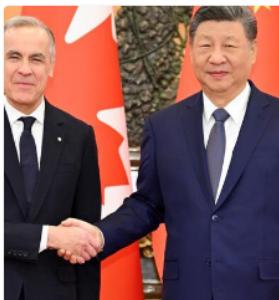
Jan 21, 2026, 1:27 PM



If Governor Carney thinks he is going to make Canada a "Drop Off Port" for China to send goods and products into the United States, he is sorely mistaken. China will eat Canada alive, completely devour it, including the destruction of their businesses, social fabric, and general way of life. If Canada makes a deal with China, it will immediately be hit with a 100% Tariff against all Canadian goods and products coming into the U.S.A. Thank you for your attention to this matter!

President DJT

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Deal with the Devil: How Canada's new partnership with China could backfire

Canadian Prime Minister Mark Carney's new partnership with Beijing betrays his calls to preserve the "international order" and could backfire economically by angering Canada's biggest trading partner,...

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Jan 24, 2026, 7:57 AM

being a little harsh here. Even Trump's few and small trade deals are *something*. And *something* in the direction of Trump's Greenland ambitions will come from this "framework." But compared to his grand stated ambitions for "the Complete and Total purchase of Greenland" – indeed, compared to [what the media spun up](#) as a veiled threat to take it by conquest, a threat that Trump never really made outright – it's a shrunken and pale remnant. Okay, perhaps this is simply his well-known tactic of the "big ask," in which one gets a small deal that was otherwise unattainable by blustering for a big deal. Fair enough – but the bluster isn't free. In the case of the few and small trade deals, they've been obtained at the cost of imposing tariffs on every trading partner. Those tariffs are smaller than originally threatened, but they are nevertheless the highest in almost 100 years.

- [Let's say a future Greenland deal is more than just something](#). Let's say the US buys Greenland outright, per Trump's stated intention. *It would probably take the better part of \$1 trillion. It would probably be debt-financed, most likely with the "century bonds" – 100 year zero-coupon Treasuries* – advocated in Stephen Miran's [User's Guide to Restructuring the Global Trading System](#) (see, among many, [On Miran's Senate Banking Hearing: Triumph of the Weasel](#) September 5, 2025).
- We couldn't call *that* kayfabe. But we can be pretty sure the reaction to it *will* be kayfabe. Imagine the hue and cry. *Imperialism! Destabilizing the global order! Trump's Folly! Debt and more debt!*
- We really doubt markets would care very much. Even a seemingly massive new debt issuance like that, given its zero-coupon long-dated structure, should be completely irrelevant to the creditworthiness of outstanding Treasuries.
- But will all be portrayed as terribly risky, terribly pointless, and terribly bizarre. And all of that will be enabled by failing to provide any context.
- But buried deep in bloviations of Trump's post threatening tariffs over Greenland (again, see the very end of the bottom post on the second page) is the contextualizing fact that the US has been "trying to do this transaction for over 150 years."
- That's actually true. Indeed, it started 158 years ago in 1867 right after the acquisition of Alaska. Other than informal discussions then, nothing happened.
- In 1910 Denmark re-started the discussions, but at that time the US was not interested.
- In 1946 President Harry Truman offered to buy Greenland for \$100 million in gold (worth \$14.2 billion at today's prices – a mere inflation adjustment would take it only to \$1.7 billion). Denmark demurred, and in 1951 (two years after Denmark had been a founding member of NATO), agreed to grant the US long-term access for military bases. It feels to us like Trump's "framework" isn't much different than in that spirit.
- Setting aside arguably intensifying great-power rivalries over trade routes and raw materials – which could intensify US interest in assuring or expanding its influence in Greenland – there is an intensifying separatist movement on the world's largest island. The

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[\[About us\]](#)

US can't be sure an independent Greenland would honor the commitments made generations ago by Denmark.

- *It's not an historical outlier, nor is it merely quixotic, for Trump to be focused on Greenland. He might be right or wrong to do so, and we may not like the way he pursues it, but it's far from insane.*
- Hey, for that matter, while we look with seeming horror upon the prospect of doing something aggressive to control Greenland, we tune out what it took for US to control its many "territories," "protectorates" and "possessions" that are, today, integral to our global reach and, indeed, our diversity.
- *A particularly amusing example is the US Virgin Islands which we acquired for \$25 million in 1917 from (wait for it... wait for it...) Denmark.*
- We also paid money for Alaska in 1867 and the Panama Canal Zone in 1903.
- We got Puerto Rico, Guam, Philippines and Cuba from Spain in the 1898 [Treaty of Paris](#) as spoils of the Spanish-American War. That war was justified by blaming Spain for the sinking of the *USS Maine* in Havana Harbor ("Remember the *Maine*!"). As early as 1911 and again in a modern investigation in 1976, [it was found to be the result of an accidental internal explosion](#), but it was amplified into a war hysteria by the kayfabe "yellow journalism" of the era, led by William Randolph Hearst and Joseph Pulitzer, the latter of whom has a prize named after him which today's journalists accept unquestioningly.
- Today Puerto Rico, Guam, Philippines and Cuba are in various states of dependence, independence and outright rivalry with the US, after many iterations spanning more than a century. But even the most rivalrous one – Cuba – nevertheless is the site of a US naval base at Guantanamo. Next time you think Trump is bizarre, stop and think how bizarre *that* is. Yet you accept it unquestioningly.
 - Historical note. That war – and the Treaty of Paris that ended it and ceded those territories to the US – and much else of US control of various territories around the world – was conducted by President William McKinley. Trump often cites him admiringly for his use of tariffs. Trump never says, though, that the tariffs during his presidency were imposed by Congress, not unilaterally by McKinley. And we certainly never hear Trump mention that McKinley eventually [called for relaxation of the tariffs and more free global trade](#). In fact, it was the last thing he said in public: he was assassinated the very next day.
- We annexed American Samoa in 1900 (McKinley again) by deeds of cession negotiated with local chiefs, and treaty with Germany and Britain.
- We just plain stole Hawaii in 1898 (McKinley again) by outright conquest of indigenous people just because it was so pretty. And we took the Palmyra Atoll at the same time.
- We simply claimed Baker Island, Howland Island, Jarvis Island, Johnston Atoll and Navassa Island in 1857 and 1858 under the Guano Islands Act, and annexed Midway Atoll in 1867, Wake

Island in 1899 and Kingman Reef in 1922 simply because they were uninhabited and no one else had seized them.

- We control the Northern Mariana Islands, initially as a UN trustee immediately after World War II, and now under a commonwealth covenant. Under the same trusteeship we once controlled Micronesia, the Marshall Islands and Palau.
- So are Trump's intentions for Greenland – where we already have long-term military properties anyway – so out of the mainstream that we need to worry they will upset every apple cart in the world?
- And please consider, even if you are one of our many clients who loathe Trump, that whatever else Trump's approach to geopolitics is, it's strong, and its unpredictable. It's not crazy to think that foreign adversaries are likely to move more cautiously when there's a loose cannon on deck in Washington.
- We hear often in client conversations that Trump's move against Venezuela and his campaign for Greenland establish a new moral norm permitting Russia to gobble up more eastern European countries, and China to gobble up Taiwan. No, Russia and China don't start wars because a US president models what is right and wrong geopolitical behavior.
- No, Russia and China do what they think they can get away with. Love Trump or loathe him, the observed fact is that Vladimir Putin only invades Ukraine when Trump isn't president.
- And Trump's move against Venezuela surely teaches China that military operations are not easy (just in case China hasn't taken note of Russia's quagmire in Ukraine). Why? Because Venezuela's former president Nicolás Maduro was snatched in a US airborne operation that simply blew through the Chinese made and operated JY-27A and JYL-1 radar systems and command-and control-systems.
- The People's Liberation Army has not been in a war since 1979. It lasted a month, and the Chinese lost.
- 46 years later, could a more modern – but literally untested – PLA take Taiwan when it couldn't even defend Venezuela? A PLA whose senior-most general is under investigation for corruption, including leaking nuclear secrets to the US, in what is being reported as "the total annihilation of the high command"?
- No question it could shake up the global economy pretty hard just by trying, win or lose. But why try and risk failure when all President Xi Jinping has had to do all along is talk about it – after all, talking about it (not doing it) is what got him where he is. Kayfabe would appear to work in China, too.
- ...and keeping it just kayfabe, there's that loose cannon in Washington.

Now comes the disclaimer that we used to put on the first page of reports like this, where some readers might think we are defending or apologizing for Donald J. Trump. We have no horse in the Trump race – we are only here to help you prosper by investing effectively in markets that have to deal with Trump as a reality.

- Even those opposed to Trump and his policies and the risks they entail need to come to grips with why global markets are, despite all that, universally performing well and valued generously – pretty much every asset you can think of: equities, fixed income, credit, commodities, even gold.
- Trump is playing the heel, in WWE lingo – the bad guy. He's misdirecting you and wasting your time, attention and energy by making you boo him. Forget all that kayfabe. Put it all in context and let's figure out how to make some money here.

Bottom line

2026 is already a barrage of Trump-fueled geopolitical crises and tariff threats. Markets have barely noticed. Markets are learning that seeming crises are manufactured by Trump and the media in a partnership designed to get your attention and exploit it. The threatened tariffs have been entirely fake – merely Truth Social posts – and the Greenland tariff threat was withdrawn for a “framework of a future deal” that is also fake. If a real deal happens it will involve massive debt-financing, and the alarmist reaction to it will be fake. Trump's Greenland initiative is not as bizarre as it sounds. Denmark tried to sell it to us once, long ago. The US has a myriad of “possessions,” “territories” and “protectorates” that are part of a time-tested system of global security, acquired in some cases by payment (such as the US Virgin Islands – bought from Denmark!) and in others (such as Hawaii) by outright conquest. It is not clear that Trump's moves in Venezuela and Greenland raise the risk of similar moves by Russia and China – more likely, they deter them.▶