

THE **NEW** BAZAAR

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BUBBLY MARKETS AND THE TACO TRADE

*ROB ARMSTRONG ON COINING A VIRAL PHRASE AND THE STRANGE CURRENT
MOMENT FOR U.S. MARKETS*

CARDIFF GARCIA: Hey everyone, Cardiff here. We are recording on Wednesday, July 30th, and I'm in the studio with our guest Rob Armstrong of the Financial Times. Rob, excited to do this?

ROB ARMSTRONG: I am really glad to be here, and I'm really glad to be *here*. This particular place, specifically.

CARDIFF: This place and time? Right here, right now?

ROB: No, no. Ninth Avenue. Between 44th and 45th.

CARDIFF: Yes.

ROB: Because 25 years ago, when I was a younger man of simpler taste and less means, the bar across the street, Rudy's, was a major hangout for me.

CARDIFF: Oh, this is a neighborhood joint for you.

ROB: I don't know if this is still true, but then, their thing was free hot dogs. So I would go in there as a young graduate student, and drink boilermakers, and eat free hot dogs.

CARDIFF: What more could a young man want? What more could a young philosophy PhD candidate want?

ROB: Oh, those were good times. Those were the golden years as far as I'm concerned.

CARDIFF: (CHUCKLES) Let's introduce everybody to who you are. Because as of right now, all they know is that you drank beer and ate a lot of hot dogs a quarter century ago.

ROB: (LAUGHS)

CARDIFF: You are the Unhedged newsletter columnist at The Financial Times.

ROB: Yes.

CARDIFF: You are the co-host of the Unhedged podcast with Katie Martin, which is awesome.

ROB: This is all true. I wish Katie was here too, but she's in England—

CARDIFF: She is in England.

ROB: —so it's hard for her to be here.

CARDIFF: And you are, as some people may know, the guy who coined the term the TACO trade, which stands for 'Trump Always Chickens Out', and has had quite a reverberating effect on Wall Street, on, I don't know, on commentary about markets in the last few months too.

ROB: I don't know if it has had an effect, or it is an effect. As you know, the direction of causality and matters economic is always a little hard to tease out. But definitely, it's caught or labeled something about the zeitgeist right now.

CARDIFF: Yeah.

ROB: And that was — nothing like this has ever happened to me, where I literally invented this dumb series of letters, simply because I was referring so much to the phenomenon of Trump talking big and backing off, that I needed a quick label so I could just say it and then go on to say something new or more substantive.

CARDIFF: Yeah.

ROB: But then it started appearing in broker's notes, and then it appeared in the New York Times, and then, momentarily for me, a reporter brought it up in a press conference with the President, and he was not amused.

CARDIFF: Oh, we're gonna talk about that, believe me.

ROB: (LAUGHS)

CARDIFF: I can't wait to talk about that.

But we are also gonna talk about whether markets are in a bubble or how frothy they might be. It's something you've been writing about. I wanna point out to people also that you formally worked for a hedge fund before you made the financially catastrophic decision to become a journalist.

ROB: Yes. So actually, I'm thinking of writing a book about my career, which is gonna be called "Failing Your Way to Success."

CARDIFF: Okay.

ROB: And, so first thing I wanted to do is I wanted to be an academic, and we can talk about philosophy later, but I got a PhD up at Columbia in philosophy. By the end of that, I was 30ish and was married and realized I wasn't gonna be a wildly successful philosopher. We can talk about that, why that is.

CARDIFF: Yeah. It's like when I realized I wasn't gonna play in the NBA.

ROB: Yeah. It's the same thing, you know? I mean, I could have taught somewhere, but like Harvard wasn't exactly banging down my door, I'll put it that way.

So anyway, I say, what am I gonna do? And I kind of nepotism my way into a job in finance. And I worked for five years at a hedge fund called Seminole Capital Partners, long-short equity hedge fund, which was a tremendous education and very stressful, and reached its crescendo with a little event called the Great Financial Crisis.

CARDIFF: Yeah.

ROB: And, at which point I was called into the office by the partners who said, "Armstrong, we love you, but we're gonna get a lot smaller now, and that means it's time for you to go."

CARDIFF: Yeah, I imagine that was happening to quite a few people

ROB: Indeed. And I felt some relief. It had been a very stressful five years. You know, I got some money to walk away with, and it had been a hard year, but then I'm like, at some point, you need a job.

Right around this time, my wife is pregnant with twins, and I'm unemployed and things are happening to me, you know?

CARDIFF: Okay. No, we're gonna talk about the decision to do that at some point, and also just the difference between understanding and writing about financial markets versus having worked in them.

But what's clear is that you are a man who has worn many hats.

ROB: Yes.

CARDIFF: And that's not just figurative. That's also quite literal because you, at the Financial Times, also write a lot about style, which is a passion of yours.

ROB: True.

CARDIFF: Men's wear specifically. So at the end of this chat, we're gonna have a little men's wear fashion segment, and that's not because we wanna exclude the ladies, it's just because you and I have absolutely no good advice for the planet.

ROB: I have found — one thing I've learned in my career is when it comes to women's clothing, keep your mouth shut.

CARDIFF: Okay. Unless you know what you're talking about.

ROB: (LAUGHS)

CARDIFF: Absolutely. Okay. So let's go through these. I wanna start with TACO. We have to talk about this.

ROB: Okay.

CARDIFF: Because it's been such a — I feel like it's been such a big part of the conversation over the last few months, and to remind listeners again, Trump Always Chickens Out is the basis for the acronym.

But the idea was that Trump would announce a huge set of tariffs, the markets would collapse, and at that point, because the market collapsed, we think, Trump would then walk back the tariffs or announce an extension during which to negotiate with other countries, that kind of thing. And then markets would go back up.

So if you bought when markets were down, expecting Trump to walk it back, you could make a lot of money. That was the basis for TACO.

ROB: Yes, and it was, for quite a while, you could say even up until now, that's been a pretty good trade.

CARDIFF: Yeah.

ROB: But you might also argue that however many months later, three or four months later, TACO is no longer true. That you might argue, I would dissent from this, but people certainly email me to argue, he's slapped 15%, broadly speaking, on the world, on average, and he's not backed off.

So you have to be a bit precise by what you mean by TACO. And like any good slogan, TACO means whatever the person who says it wants it to mean. But to me, what TACO means is, when push comes to shove, the President actually doesn't care very much about any given economic policy.

CARDIFF: Mm-hmm.

ROB: So if he faces significant resistance, political, or most importantly, resistance from the market, he will back off because he just doesn't care that much.

That's my kind of — Trump is a complicated guy, and it's hard to know what he's gonna do. He is not a very predictable guy, but my black box model is pressure goes in one side, and him changing his mind goes out the other side, because he's not that concerned.

CARDIFF: When it was first shown to him, when that reporter first asked him about it, I found myself wondering, “God, I wonder what Rob is going through right now.”

I wonder if he's like, “Oh, come on, man. Like I was just writing a column.” Like it had kind of gotten away from you. As you said, people were using it to mean whatever they wanted it to mean.

ROB: Yes.

CARDIFF: Wall Street analysts were writing about it. Now it was in the media. It was sort of outta your hands at that point. It had gotten away from you. And when that happened, I'm just very curious to know what your reaction was.

ROB: I mean, I was watching the press conference, coincidentally, and I kind of went numb. I was like — who is Rob Armstrong?

Rob Armstrong is a middle-aged finance writer from Brooklyn, right? And suddenly this thing is happening involving the President and something I said, and it seemed like a pretty dramatic reversal of the natural order of things to me. You know what I mean? The world acts, and I react, and somehow something I said got—

CARDIFF: Was causing the world to react.

ROB: (CHUCKLES) So, and everything that's happened since then has just been an education for me. I have no context for any of this stuff. It's just kind of weird. What I would say though, I guess what I would reiterate though, is these things do get out of your hands, and they are used in different ways.

I think the reason it caught on. Is because it captures something about the President's personality generally, that he's a kind of puff-out-your-chest, wear a brightly-colored tie, talk-loud kind of guy. And I think we all sense that this is a bit of a facade we don't quite buy.

Even I think the people who like him will say that there's something performative and slightly — there's something fake about him, but not necessarily in a bad sense.

There's something theatrical, or something—

CARDIFF: Yeah, or it's an opening gambit as part of a negotiation, is what people like to say. And that you make the big splash so that later you're anchored on a very high tariff rate.

ROB: Yes.

CARDIFF: So you end up with a lower one, and it seems like it's fine, even though that lower tariff rate is still much higher than what you started.

ROB: Correct. So did that work? This is a crucial question. So the FT Editorial Board, in a moment of terrible personal disloyalty to me, had this editorial, I think today, that was like, Trump's strategy has broadly worked.

He anchors — he frightens the other side with this huge number, and then works his way down to a number that now looks better than it could have been, but is still actually pretty high.

I would put it slightly differently. What I'm surprised by is that there's no pressure on him to go any lower.

Like the UK, Japan, the EU. They really seem to have not put up much resistance. They didn't. Nobody escalated and the market has looked at 15% tariffs, and we can talk about whether this is a good judgment on behalf of the market or not.

And sort of said, "Meh, it's not really gonna make that much difference to the growth of the economy or the growth of corporate profits or whatever."

So I would say the TACO trade, in a somewhat diminished form, survives simply because there was nothing for Trump to chicken out from. Nobody pushed back. Right?

CARDIFF: Yeah. Well, so there's some things to separate there.

One is whether the strategy, quote unquote, worked in the sense of Trump getting higher tariffs versus the strategy working, as in it's a good thing for the US economy.

What's been interesting about all this is that people are framing it as, quote unquote, Trump won. Whereas I'm sort of looking at it as like, well, the US has higher tariffs now, like American businesses and consumers are paying higher taxes.

The EU, Japan, the UK, have essentially chosen not to escalate, which if you ask economists, they'd tell you that is the wise prudent strategy.

And I don't know if that's right or not, but like, it's strange to just leap to the conclusion then that they're the ones who screwed this up. Whereas, like, again, it is Americans who are gonna be paying more for these products.

But I am also interested in the other ramifications of labeling the TACO trade the TACO trade.

One that's very interesting was one that your co-host on the Unhedged podcast, Katie Martin, pointed out, which is that she said that the TACO trade was at risk of eating itself. Because what ends up happening is that if people expect the walk back, they expect Trump to eventually chicken out anyways—

ROB: The market doesn't go down.

CARDIFF: —you don't get the market response, which is the thing that caused him to walk it back in the first place. And so that can be a problem. So just psychologically, it's a very interesting phenomenon.

ROB: Yeah. That TACO Paradox, your friend and mine, Matt Klein, labeled it the stupidest form of reflexivity ever witnessed in the wild.

You know what I mean? But it really is true, and this is my point. The market didn't push back against Trump.

The market is accepted, and my view is that the stock and the bond markets are a bit myopic. They have this reputation for discounting everything that can be foreseen infinitely into the future.

But in fact, I think bond and stock markets are quite myopic, and most of the bad stuff this poorly designed tax is going to do is going to be very long-term bad stuff. Like it's a poor incentive that will do damage in a kind of accretive way over time.

CARDIFF: Yeah. To American productivity growth and things like that.

ROB: Competitiveness, which products we buy, which products we make. We'll be making bad decisions a little bit at a time for a long time.

CARDIFF: I was talking to a colleague of mine at EIG about a different kind of chickening out, like the chickening-out part sort of migrated elsewhere. And it goes something like this, which is that part of the aim of the tariffs was to get all these other countries throughout the world to open up their markets to us, to spend more money in the US, et cetera, et cetera.

And when the announcements are made with Japan, UK, most recently EU, it sounds like that's what's gonna happen. And then when people go looking for the fine print, either it doesn't say what Donald Trump said it says, or there is no fine print.

Like the promises of all these purchases of US goods abroad, that's just something that — it's air. These are words that were said in front of cameras. There is no binding rule that says that actually has to happen. And in some cases, they're not realistic.

ROB: We had an argument on the newsletter about when we write the phrase 'trade deal' to describe these things.

Should we put the word deal in quotation marks? Because real trade deals are extremely complicated, because trade is extremely complicated.

So what counts as a product from Japan? You have all these weird inputs to that and then it goes to different places. And so a real trade deal has an incredible amount of detail in it, all of which is agreed, and it's very product-specific, and it's signed, and et cetera, et cetera.

CARDIFF: And there are rules, and then there are very explicit punishments for those rules, how to mediate, et cetera.

ROB: Yeah, none of it. These are handshake deals written on the back of a bubble gum wrapper, and they say, you promised to buy all this stuff.

None of this appears to be legally binding. And indeed, as I'm sure you've noticed, may be just illegal under US law for the President to negotiate these kind of deals in the first place.

It may be, and the courts are trying to figure out now that he has stolen authority to do this from Congress in an important way. So none of this may matter.

CARDIFF: Yeah, I just, I love the psychological angle to all this, how the feedback loops actually work.

ROB: Yes.

CARDIFF: Another one of your colleagues, Tim Harford, sort of analogized this to like Greek tragedies, which is when you try to predict the future, in this case, the TACO trade. Make the TACO trade, markets go down, buy, then you make money when they go up after the chickening out and all that stuff.

When you try to predict the future, you end up altering it.

ROB: Mm.

CARDIFF: You know, which is of course the subject of so many Greek tragedies. And I just, I'm fascinated by how all this works. And I knew with your philosophy background in particular that you'd be thinking about this.

ROB: I think, these kind of feedback loops that you just described are the defining characteristic of markets. You've just described, in a way, the most important feature

of markets. This is why all efforts to have a system where you can predict what markets are gonna do, or use a valuation to determine what future returns all are.

All of these things trip over themselves. All of these things, they fall into these feedback — markets are dynamic. They're constantly changing. There are no eternal verities of markets, because if everybody knew that the eternal verity was there, it would disappear.

(LAUGHS)

CARDIFF: Yeah.

So, we should be more explicit about this for listeners who aren't familiar with this element of markets. But this is the idea that if you know that a stock is gonna be great, and make you all this money.

Okay, if you're the only one that knows that, amazing. Okay. You get to buy it.

If everybody knows it, then everybody's gonna buy it, pushing up the price, which means that that no longer holds. The advantage no longer holds.

ROB: Yeah, there was a quote, I forget the jazz musician, but this is in the forties or something. Somebody asked this famous jazz musician, like, “Where is jazz going?”

And he answered like, “If I knew that, I'd already be there.”

CARDIFF: (LAUGHS) The essence of markets right there.

Let's talk about American markets now. Yes, you've been writing a lot about the question of whether or not American stocks in particular, specifically right now, are overvalued.

Are they too high? A lot of people were wondering, well, if these tariffs are so bad, then why is it that markets are still so high?

And also, if the economy's slowing down — maybe, maybe not, hard to say — but if it is, then why is it that the stock market keeps hitting new highs? Just like this week, it hit another new high. Right?

ROB: It's been incredible.

CARDIFF: And you've been sort of, I wanna just quote you here 'cause I love this quote. You said that right now, you're talking about the American market, "it feels eccentric and unreliable like an aging relative who no longer cares what others think and who may or may not be taking his pills, but is not quite bonkers either."

So this is like, I don't know, this is like Uncle Ronnie who's like, "Hey, invite Uncle Ronnie to Thanksgiving. He's super fun. If he has an extra drink, who cares? But we're not gonna like, let him do the family taxes or whatever."

ROB: No, we are not letting him. He's not a good accountant.

CARDIFF: That's the markets.

ROB: I mean, I feel that's true. So things that make me jumpy about the markets. Okay.

Meme stocks are back. So, stocks like Krispy Kreme, which is a fundamentally quite weak business, is being chased up. There's kind of retail investors chasing short sellers out of stocks. Again, this is all stuff that is reminiscent of 2021, which was the last time markets got overvalued and we had the correction of 2022.

CARDIFF: To be clear, meme stocks are when a lot of retail traders, who are like individual traders like me and you, not like big institutions, but they start chasing stocks just to chase the stocks, even though those stocks represent companies that aren't necessarily killing it in terms of money they make.

ROB: Paradigmatically, GameStop.

Which was a bad business, and they chased it up. And it's still up, you know, not as up as much as it was. So that's something that makes me nervous.

The price of Bitcoin makes me nervous. Just as a symbol of people's risk appetite. Like, let's roll the dice on Bitcoin.

And again, that was something that we've seen fluctuate wildly in the past. The old-fashioned way of thinking about this, which I have very mixed feelings about, is in terms of how many dollars of profit for every dollar of stock price you pay. So the price earnings ratio or whatever, people will have a million different versions.

Just valuations are really peaky right now.

CARDIFF: Yeah.

ROB: Stock prices have grown a lot faster than profits, so you're paying a lot more for those profits than you used to. Now, this doesn't tell you anything in the short term, as I wrote in the column yesterday, but it does give you a sense of the kind of exuberance of people out there.

And there's just other weird stuff going on in markets. Weird price action that makes it feel like one of those moments where emotion is in control, positive emotion is in the driver's seat. And that can go on, by the way, for quite a long time.

CARDIFF: It doesn't mean the stock market's about to fall.

ROB: No. And indeed, usually you get a rip-your-face-off rally before the final crash. In other words, the last phase of overvaluation is really fast increases in prices, and I don't think we've gotten to that point yet. So we're not at the crescendo.

CARDIFF: Yeah. You've listed a few what might be referred to as minor manias and you had this other line you said, "Where there's one of those, they're like cockroaches. Where there's one of those, there's a bunch of others scurrying around even though you may not even see them."

ROB: Yeah.

CARDIFF: You've got this other metric that you follow, which I thought was really interesting, which has to do with how much money people are borrowing to buy stocks.

How levered they are to stocks. You refer to the Levkovich Index, which includes a measure of that. But you look at other measures too. Can you just say more about that, and why it matters?

ROB: So, I mean, one way you can buy stocks is by borrowing money from your broker, and your broker will give you a certain amount of money to do that.

And FINRA collects the balance of all those borrowings. And so you can look at it.

CARDIFF: FINRA, the organization that keeps track of these things.

ROB: Yeah. It's like the industry's own self-monitoring organization. So you can watch that, and people are buying a lot, borrowing a lot of money to buy stocks and, you know, there's all kinds of little things like this.

Like in the options market, there's more demand to bet on future increases in stocks than there is for downside protection or betting on future declines in stock prices.

All of these things kind of come together, and you can make a list as long as your arm of them, and they all have this bubbly, excited feeling.

But again, not wild.

CARDIFF: Not crazy. High, not crazy.

ROB: I don't know if you have this experience, but for me, the run-for-it sign is when I'm drinking beer — beer is becoming a theme here. I don't know why that is.

CARDIFF: Yeah.

ROB: It's a hot day in New York. (CHUCKLES)

CARDIFF: Shocking me and you, come on. That's fine.

ROB: When I'm drinking beer with a friend who is from a million miles away from finance, nothing to do with finance, and they start asking you what they should be buying.

CARDIFF: Oh yeah. This is like the proverbial like, I'm getting a haircut, and the barber's like, "Hey, so I just bought like, you know, I just put half my life savings into this new stock." And you're like, oh boy.

ROB: Yeah. When the general public is brought in by FOMO, or fear of missing out, that is almost always a terrible sign, and I have gotten none of that.

CARDIFF: You're not sensing that just yet?

ROB: I don't feel — I don't have these bonkers conversations with Joe or Jane Sixpack on the street.

CARDIFF: Yeah. You also make the point that — we've been talking a lot about retail investors, individual investors. You're saying that institutional investors are not quite as hyped up on stocks right now.

ROB: Yeah. The tone from things like analyst reports or the monthly comments from investors, there is a slightly cautious tone still, even as investors are increasing their exposure to risk, are coming back to dollar assets that they were scared out of back in

April. All that stuff is happening. But there is this underlying unease, for example, with the administration and how unpredictable it is, with the geopolitical situation, which keeps — which I think is keeping things from becoming completely frothy and insane.

CARDIFF: Yeah.

ROB: There's enough overhangs that we're at least moderately sober. We're only two or three drinks in.

CARDIFF: And also, it just really is a bad idea to try to time big market moves

ROB: Impossible. It's the worst possible idea.

CARDIFF: Yeah, that's right.

ROB: (LAUGHS) You know, I've done it. I mean, I feel like one of the worst — I'll tell you about the worst thing that ever happened to me in finance.

I actually, in my personal account, played the crash of the Great Financial Crisis pretty well. Like when the market was down like 10% or so. And I had a lot of good advice from the people I was working with. I just got out altogether, and so I missed that whole thing and saved myself a lot of money.

Congratulations, confetti fluttering down on my head.

But from that experience, I came to think that I knew how to do that, that I could actually predict that these happened, because I did it once.

It's like playing poker for the first time and winning and beating all the good poker players.

CARDIFF: Because you've got like an awesome hand.

ROB: Yeah, yeah. Or whatever. You just had what they call beginner's luck or whatever.

And that cost me so much money in the 10 years after that because I was like, the market's too expensive. I'm not getting in. And basically, I missed the whole climb back because I thought I understood more about the market than I really did, and I failed to be sufficiently invested.

So I got paid back for my intelligence, with proof of my own stupidity. And in spades, like from 2008 to 2018.

CARDIFF: So eventually you learn the lesson. It just took a while.

ROB: That you cannot time this.

CARDIFF: Yeah. I'm glad you brought up Bitcoin because that seems to be like the ultimate FOMO trade of the last, I don't know, 10 to 15 years or something, where a lot of people have been pointing out, correctly, by the way, that it is a purely speculative asset attached to nothing with fundamentals.

ROB: Mm-hmm.

CARDIFF: And yet, it has gone up so much and now it's at the point where, because of some recent regulatory changes, I think it seems to be gathering a new kind of legitimacy, respectability, which doesn't mean it's a great investment. That's not what I'm saying. I'm not talking about its merits as an investment.

I'm saying that societally it's becoming a little bit more accepted. You know, at least that's happened in the last few years. It's not considered this like fringy thing quite the way it used to be.

ROB: I think it's really informative to think about gold in the context of Bitcoin, because a lot of the things you just said about the lack of fundamentals for Bitcoin can be said about the shiny yellow rock.

And there was some weird human agreement early on that this shiny yellow rock was a really cool thing. But I mean, and there are industrial uses for gold, but they're pretty minor. The main reason to buy gold is because people like it. They like making jewelry out of it. They like having it.

It's been a means of exchange for a long — I'm sorry — a store of value for a long time. So, it's almost like the fundamental of gold is a kind of complex of human traditions and beliefs and feelings and so forth. And you could sort of construct a story about the future where Bitcoin is also the subject of those traditions and emotions and narratives and so forth.

I am a Bitcoin skeptic, I should say. What I'm saying is, when I'm at my most skeptical, I think to myself, well ultimately gold doesn't make all that much sense either, and that has been — although gold doesn't do a lot of the things people say it

does, like hedge against inflation. Weirdly, gold is a bad inflation hedge. But over the very long term, it does preserve value.

CARDIFF: Yeah.

ROB: And when things are awful everywhere else, gold does perform well. And could Bitcoin turn into that? I don't know why it would, but I don't know why gold did either. (LAUGHS)

CARDIFF: Yeah. What is gold priced at right now?

ROB: It's \$3,300 an ounce.

CARDIFF: Yeah. What's funny about this is we had William Bernstein on the show a while back, and he made the point in one of his books that back in the Roman days, an ounce of gold could fetch you a really nice, really fine luxury toga and now an ounce of gold fetches you a really nice, elegant, made-for-measure men's suit.

ROB: Yeah, it's about right. \$3,300 now.

It's funny though, two years ago or three years ago, people were talking about gold and the traditional number where demand is destroyed by the high price was like \$2,100.

It was like after \$2,100, the Asian buyers aren't interested. They're price sensitive, and we just blew through that and whatever. So maybe gold has become irrational now too. You might look at the price of gold and see it's lost track of itself too.

CARDIFF: Yeah,

ROB: Man, it's a lot to think about. But I remain a — I mean, I think Bitcoin on a practical level is worse than gold in some important ways.

Bitcoin's very easy to lose as it turns out. Like the computer breaks or you lose the key or whatever.

CARDIFF: Someone steals it.

ROB: Yeah. Right. And it's very, very cumbersome to transfer between people, which is a good, nice feature of gold is you can put a lump of it in your shoe, sneak across the border, and have something to spend on the other side.

And in theory, that's a virtue of Bitcoin too. It's transferable on this decentralized ledger that's accessible all over the world. In practice, it hasn't turned out to be so easy.

CARDIFF: Let me ask you about another market, which is the FX market, because one of the things that people have pointed to in the last few months is that even as American stocks have been doing fine, the US dollar weakened an awful lot in the months after the trade war started again, or accelerated again, I should say, and has not recovered.

And it seems like that represents two totally different investment theses about American assets. One is, hey, like these American companies, they're gonna be fine. Let's keep investing in them. But America itself, which includes American companies, is not worth as much as it used to be worth from that standpoint.

And I don't quite know how to reconcile those two things.

ROB: The currency market's really hard. I mean, it is by definition the most liquid market because it is the market for liquidity. Right. (CHUCKLES)

CARDIFF: Quite literally.

ROB: Which means it's hard to predict. And I guess I would preface this by saying everybody expected, when the tariffs went on, that the dollar would go up.

CARDIFF: That is traditionally what happens.

ROB: That is traditionally what happened. And just to prove how little we understand markets, the dollar did the opposite thing.

And I don't know why it happened. The initial theory, of course, was — and I think this remains compelling — is that people lost their appetite for US assets, especially in April and May.

They're like, the President's crazy, and because American assets have performed so well in the last 10 years, every investor in the world wakes up on the morning when they realize the president is crazy, which was the day of liberation day and the big ridiculous cardboard sign, and says, “Hmm, I have 70% of my portfolio in assets from a country that is run by a crazy person. Maybe I better—”

It's not to say you're gonna sell all your assets, but you're like, “Maybe I should hedge my dollar exposure now.” And if you buy a dollar hedge, that has the opposite

effect. Dollar hedges tend to drive the dollar down. So maybe some of that happened, maybe there was some buying. I think a lot of it's reversed, but there was some outright selling of US assets, some flows out the country.

But I agree with you. It's been strange and mysterious. And, I think what we can say with confidence is that it tells you the repercussions of the tariffs are not gonna be as simple as the administration thinks they're going to be. It's that dollar weakness tells you it's not gonna be a simple matter of the rest of the world opening its wallet and handing over money to the United States.

The currency market has spoken and it is going to be more complicated than that.

CARDIFF: Yeah. In fairness, also more complicated, maybe, than many of us had anticipated.

Right? Like, it's gonna be very complicated—

ROB: Yeah. This whole thing has been so surprising. Every day, things are not happening that are supposed to happen.

CARDIFF: One other thing was, a lot of people were saying, “Well, okay, if you're gonna take your money out of US stocks, specifically out of American companies, and you wanna put it somewhere else in the world.”

I've been trying to think, like, where does that mean? If you look across the world, a lot of the at least comparable advanced economy countries have even worse, for example, demographic problems than the US.

ROB: Correct.

CARDIFF: And, I think people keep looking back to the US and they see, well, they've got all these AI companies there now, and maybe the technologies of the future are still in the US.

And I wonder if that's what's keeping a lot of US equities high and preventing more people from saying, “Well, screw it, I'm just going to put my money in Europe” or whatever. I don't know. I can't quite make sense of it either. And that doesn't jive with what's happening with the dollar either. So who knows.

ROB: I mean, look, I do agree with you that there is a kind of weird imbalance between the equity markets of the United States and the rest of the world.

Japan, Europe, wherever you want to, emerging markets — their valuations are quite a bit lower.

But if you look at the numbers in terms of growth, growth in profits, you start to realize that American corporate capitalism is kind of one of the wonders of the modern world

Like our companies, and not just the magnificent seven tech companies, but like our companies in general, are really good.

You know, they're efficient, they're productive, they're innovative, and they have consistently produced more growth in earnings than companies overall in Europe or Japan or whatever.

So some of the gap in valuation is justified, is what I'm saying. Maybe not all of it, but generalizing across the market, America has the strongest companies.

CARDIFF: It's interesting. So the idea that these companies in other parts of the world are actually undervalued on quantitative metrics relative to the American stock market, the American companies. But if what you're betting on is growth, then America is still the place where investors are more confident is gonna grow fast.

ROB: I mean, this is why Europe is such a fascinating story right now. One thing that we've become aware of because of the tariff stuff and everything else, is that Europe's political structure is a real economic problem for Europe and for corporate capitalism in Europe. We've written a lot about this and done shows about it on the podcast about this.

If you are an energy company or a bank or even a tech company in Europe, the fact that it's still, in many ways, 28 separate markets really inhibits the growth. Like there should be a European bank that's like JPMorgan in America. That's not just the biggest bank of Germany or Italy or France. There should be a European champion bank or banks.

And there is not. Similarly tech, similarly energy. There are some in maybe consumer goods or some areas where the market is more integrated, but that's a real problem for them. And you know, people like, God, how am I blanking on his name — the competitiveness report.

CARDIFF: Oh yeah, Draghi.

ROB: Draghi. People like Draghi and Enrico Letta are writing these reports that are making this point.

Like, come on, people. These guys writing these reports are like, “Come on, people.” We can do a lot better structurally as an economy, because collectively, in terms of GDP or output or however you wanna measure it, Europe is a lot like America.

But politically, it's weaker in important ways.

CARDIFF: I wanna go back to talking about the tariffs again. And what's going on with respect to markets versus tariffs. You write, “Markets weigh the near future heavily relative to the long-term future, and only discount things that can be quantified crisply, rather than speculating about the meaning of structural changes and trends.” That's your quote. Right?

ROB: Yes.

CARDIFF: This is interesting, and by the way, it's a powerful statement to make about what you might call a chink in the armor of the efficient market idea.

Because, by the nature of efficient markets, markets are supposed to discount—

ROB: Into the infinite future. All the information that's out there

CARDIFF: Yeah, as far as you can go. It seems like maybe what you're saying here, though, is that they're gonna overweight sometimes what's knowable in the near term. Maybe because it is more knowable in the first place than what happens later on. I don't know, but I'm just curious if you think maybe this also reflects something about the temporary nature of the tariffs and current policies, and their unwindability.

ROB: Yes. So that's one point. Maybe even if the market doesn't think Trump always chickens out, maybe they think America will chicken out eventually. In other words, they—

CARDIFF: In a good way! Chicken out's the wrong phrase.

ROB: Yeah. But chickening out from a bad idea is something to be celebrated.

Quit while you're behind, as they say. And maybe some of that is being priced in.

But let me put the harder point to you, which is this: you and I probably agree that if these tariffs stay in place for a long time, that is gonna cause some malinvestment.

Instead of investment dollars going into projects that are the most productive and have the highest returns, dollars are gonna be drawn into areas that have tariff protection.

And you know, the classic example everybody gives of this is: why is the only profitable product that American car companies can seem to make is pickup trucks? And it's because pickup trucks are treated differently in international trade than cars. Or at least this is how the story goes.

Anyway, let's just imagine that there is going to be a loss of productivity because tariffs are distortive. We can say that, in a very general way, writing a little diagram or taking a little diagram from an economics textbook.

But when it comes to figuring out what that is gonna cost us in dollar figures over 50 years, I wish you best of luck, Cardiff.

And so there's something that you know is bad, but you can't really count. And what does the stock market do? It counts things, right? And so the uncountable stuff that you know is real, the market's gonna look past it. Especially when the market is in a good mood, generally about life, as it is right now.

CARDIFF: Your point about the tariffs on pickup trucks reminded me of something, which is that those protections on pickup trucks have been there for many, many decades. And part of the issue is that analysts would look at that and be like, but we have less choice and way higher prices of our pickup trucks

ROB: Pickup trucks are expensive! The companies that make them, those are really profitable products for them. They're probably earning back a lot more than their cost of capital on those trucks.

CARDIFF: Yeah, but bad for the economy if you apply that across the board.

Yeah. It's just a fascinating question of the short versus the long-term nature of what it is that markets are actually doing at any given time, because that also fluctuates.

It's not like you were looking at this in static terms, and saying this is what markets do. We're saying this is what they might be doing at this very moment. You know what I mean?

ROB: Yeah, no, I think it's really important, and I mean, if there's a Rob Armstrong kind of view of markets, it's that they are very protean. They can change a lot what they do. It's not like the world changes and markets just measure those changes.

What the markets do, what they pay attention to, how they function, how they value things. Those things vary, and not in a nice, smooth, cyclical way either. The market changes, what it's for changes, and the only possible response to that fact is humbleness.

That you have a very partial picture. At the best of times, you have a very partial picture of what is going on. Which is why, by the way, even the best investors, they have a hot period and could last quite a few years, but very few investors have a hot streak that lasts a lifetime.

CARDIFF: That last for a long, long time. Yeah.

By the way, we've been talking mostly in terms of the riskier assets, right? The ones where you accept some risks, you know, to buy what you buy, you hope it goes up, but it could go down, right? That's what it means for it to be risky.

Treasuries are considered the closest thing that exists in the world to a risk-free asset.

But that doesn't mean that they can't fluctuate over time. And I was reading this post by a guy named Ben Carlson, of Ritholtz Wealth Management. He writes this great blog and he was pointing out that the 2020s have been the worst decade for treasury market returns. In like, 90 years or something like that.

I mean, just the worst. People seem not to make a big deal of it. He points out partly because if you buy a treasury, and yeah, it can fluctuate up and down, but if you just hold onto it eventually you're made whole, you get back your principal.

ROB: In nominal terms.

CARDIFF: In nominal terms, absolutely. And in real return, I mean, the real returns have also been horrific—

ROB: Horrific!

CARDIFF: —because of how high inflation—

ROB: We had 40 years of no inflation, and we started to think it was just a scary story our parents told us to make us go to bed, but it turns out to be a real monster, and it bit us.

CARDIFF: Yeah. So if you've held longer-term treasuries for the last few years, you got crushed.

ROB: Crushed.

CARDIFF: And I guess my question is, number one, what do you make of it? Number two, does that mean that there might be better times ahead for treasuries?

Because the flip side of what you said earlier, which is that if things are really highly valued, then in the long term, you're gonna get lower returns over time, would be, if something has gone down by a lot, then maybe you're looking at a better road ahead.

ROB: The most important and most persistent debate in finance since I started writing the newsletter four or five years ago is whether — maybe it was at the start of the pandemic, it wasn't just the pandemic, but we had a kind of regime change in interest rates.

CARDIFF: Mm-hmm.

ROB: Whether the long period of low interest rates was an anomalous moment, and that's over now, and we are into a new regime. And this brings very large and complex economic questions about what interest rates are and so forth. Almost philosophical questions.

To go back to what you said earlier, and there's people on both sides of the debate, I am a regime change kind of guy. I think in particular the kind of post-financial crisis, pre-pandemic, close-to-zero real interest rates regime was totally fake or anomalous.

CARDIFF: Anomalous, yeah. Lasted for a decade.

ROB: It was real. Yeah, you can't say it's fake. It happened, right? But it was an anomalous thing that's never coming back.

So where are treasuries now? So treasuries at kind of 4.5% now, in nominal terms. Inflation's about two and a half. You got about 2% real interest rate. And what does that real interest rate compensate you for? There's a huge philosophical debate. What are you getting paid for? But a big part of it is you're being paid for inflation risk.

As you said, you only get the money back in nominal terms, so you're gonna have a higher real interest rate when you buy a treasury. That is the interest rate minus inflation. If you think there's gonna be inflation volatility in the future, you need to get paid for taking the inflation risk.

And I feel like, and I want at least 2%, right? I'm not super comfortable with that much cushion in my treasuries right now. So, you know, whatever the President may

huff and puff about, I feel like treasuries are kind of rationally priced to perhaps need to be even cheaper for me to be that excited about them.

And I certainly think the old kind of 60-40, 70-30 portfolio, 60% equities, 30%, 40% treasury bonds. I don't think that's gonna work as well in the future. I think inflation is gonna be more volatile. And we can talk about the reasons. I think that there's a list that I'm sure you're familiar with.

And so, I think treasuries, they were never totally risk-free. They were free of everything but inflation risk. America prints these pieces of paper. The printing press is not gonna break. You will get the nominal sum back.

But I think inflation risk has changed. That means treasuries have to be cheaper relative to the dividend payment that you're getting on them or the interest payment you're getting on them.

CARDIFF: Reasons for more volatile inflation. What are some quick ones?

ROB: Governments have somehow found a way become to become more fiscally irresponsible than they even have been in the past. So I'm sure you've talked about the budget a lot on this show and so forth, and you know, you're playing with fire. You keep printing these deficits, and it's been okay so far, but if people start to think that your fiscal posture is long-term inflationary, the bond market will, like long-term, it's gonna be inflationary in 10 years. The bond market will discount that today.

And so you can imagine a world where people are like, this is really bad. And you get, one or 2% more yield.

You go from a 4.5% yield on a treasury to like a five and a half or a six, and it's gonna be cats and dogs living together, boy, because that means the budget is suddenly unsustainable because the interest rate on the — and so now the government has to do austerity so it can pay the interest price.

And so now you have high interest rates and a government that is doing forced austerity. That's a financial crisis.

CARDIFF: Yeah. I thought you were gonna go to the threats to independence of the Federal Reserve as a source of volatility. Because you didn't say inflation would just be way higher in the future. You said it would be more volatile.

ROB: Yes, and if you start to think, look, the government can in extremis, one way or the other, say, we can't pay these debts. We're gonna inflate our way out of them. Governments do this. Right? It's one of the several awful options you have to get outta these situations. And maybe the most likely one.

And the way to get that done would be to get a complacent Federal Reserve in place. But the reason I don't think that's gonna happen soon, the reason I believe that Trump will chicken out before he puts a total patsy in the Federal Reserve is because that's actually very unpleasant.

It's not like you put a wimp in the Federal Reserve who puts rates too low, and it's just like a happy clappy, good time, and we all live in bigger houses and have cheap mortgages. Inflation comes back, and everybody's pissed. Right?

Donald Trump just watched inflation destroy Joe Biden's reputation. Is he lining up for some of the same treatment?

Does that excite him? I wouldn't think so. I think he just likes complaining about the Fed.

CARDIFF: That all may be the case, unless you come up with another acronym for chickening out, and then he might put in place the patsy.

ROB: (LAUGHS)

CARDIFF: The difference between writing about finance and being in finance. What was the biggest shock when you made that change? In terms of just, how you did your work?

ROB: I mean, okay. It's very different talents.

People in the part of finance I'm in, it's very much about making calls. It's buy the stock, short this other stock, right? And it's one thing to be able to understand a business. I think that part of being an analyst I was quite good at. What are the fundamental economic drivers of this business? How does it really function? How do you read the financial statements and talk to the company and figure out how the machine works?

That's a real set of skills not everybody has. I can do that okay. But then somebody else has to make a call about the future, and that has a lot to do with not only understanding the business, but knowing your own risk tolerance.

Having a feel for what else is going on in the market. It's a much more pure talent, harder to explain, more intangible. I was terrible at that. I'm terrible at making calls. I'm good at understanding what's going on. But in that, making the hard calls in a timely way at the right time, I was just too much of a coward to do that well.

So I got to a context where I can be like, I'm just a noticer. I'm just the guy who looks at this big complicated machine and says, “Hey, look at this little part over there.”

How's it related to that little part? What are the things? How do you break down the numbers? Right? And how do you explain it all in a way that people can understand? That turns out to be my skill rather than — like we have a stock picking contest at the FT every year, and my results in that contest are horrific, right?

I never make the right calls, and that's just not what I'm good at. So that's what I was — when I mentioned failing my way to success before, this is what I'm talking about. Eventually, philosophy, finance, and I find myself into journalism, where I'm like, the job is just explain as clearly as you can what is going on right now. That I can do.

CARDIFF: You wrote a column, going back to your philosophy roots, about the philosopher René Girard.

And I loved the column. It included this line. “Choose your enemies carefully. You'll resemble them before very long.” What did you mean by that?

ROB: Do you read Girard? Have you read any Girard?

CARDIFF: I have not. I have just read your version of it, so I'm trusting you.

ROB: Okay. I'll give you some recommendations. Okay. So, René Girard was a kind of anthropologist, and he made this argument.

I would put it like this. The enlightenment picture of human beings is that we are economic agents who pursue our interest, and that our interests have to do with what gives us pleasure or pain or joy or sorrow. What Girard said is, actually, that's not the fundamental picture of what people do.

The most fundamental thing that people do is imitate one another. That we are not looking within to find out what we don't like and not like, we look to other people to figure out what's valuable or what is worth happening. We are imitating creatures and that's part of the reason that we are able to learn and be dynamic and innovate and all that as we can gather all this information, but, and this is Girard's key insight, that this puts us at one another's throats.

CARDIFF: Mm-hmm.

ROB: So, you want the apple. I want the apple. And even if, and all of us who have kids know this, even if there's two apples or two toys.

CARDIFF: Yeah, I want the one you want.

ROB: You want the one. That's a Girardian — and so soon we're at each other's throats, and he has a kind of Christian view of how we break that cycle.

But we get into rivalries. That is the key insight. And what we do to break out of the rivalry is we pick on a scapegoat. And once you see this, this kind of pattern, imitation, rivalry, scapegoating, it's one of those, it just appears to you everywhere.

And you know, we seem to be in one of those moments now I look at the political left and the political right, after reading Girard, and it's like they're imitating each other.

Right. It's not like the left invented cancel culture. And the right was like, “We'll never do that!” They were like, “Good idea!”

CARDIFF: Let's cancel the stuff we wanna cancel, right.

Well, you give the example of, and this is, I'm quoting you, anti-woke campaigners respond to left-wing censorship by removing in quotes “offensive books from libraries.”

So it's like anti-woke but on the other side.

ROB: Yeah, and I also think the Reagan revolution was an imitation of the liberal sixties. The liberal sixties was like, from a left-hand point of view, the man is pushing you down. And Reagan's insight is that you can say that on the right too.

CARDIFF: The government is pushing you down.

ROB: Yeah. (LAUGHS) But the left thought it was the government too! Right? Vietnam War, whatever, and they're just mirroring each other. Right. And I just think.

If you read Girard, and you think about Girard, you can break free. You can catch yourself getting into one of these idiotic rivalries, and if you work at it, you can take a step back or that's the dream.

CARDIFF: Yeah, you, well, you make the point that Girard's solution to getting out of the rivalry was a very kind of Christian idea of forgiving your enemies—

ROB: Yeah. Turn the other cheek.

CARDIFF: — or loving your enemies or whatever. And it's fascinating. The one thing that bothers me about all that is the idea that there's some inevitability to it.

That people can't apply their reason. Apply their scrutiny, apply their judgment. Because I think I try to think about the way I experience the world, and it feels like the push and pull between those two things. Between, yes, I feel myself starting to mimic other people. That mimetic pull or whatever.

ROB: Yeah.

CARDIFF: But sometimes I actually do stop myself and I'm like, actually, like this thing that I'm feeling, whatever, envy, jealousy, other things, this is stupid. I don't have to compare, I can just do my own thing and be happy. And it's fine. It feels like there's an anti-agency component to this theory.

ROB: Yeah. No, I think in a way, Girard's theory is quite dark, in that he does feel that barring an almost miraculous moment of renunciation and forgiveness, we are always sucked back into these rivalries. I mean, but part of his view, especially at the end of his life, was like, the world may end.

You get into a memetic rivalry where the two sides are armed with nuclear weapons and everyone dies.

CARDIFF: Wow.

ROB: You know what I mean? So his view at the end of his life, I think, was either make like Jesus or everyone is dead, and like you, I'm not ready to go quite that far.

CARDIFF: Yeah. God. All right.

Let's close with a little men's wear fashion segment. One of the topics that you also write about quite a bit, I'll share with the listener that one time I was at the Financial Times with you, 'cause we're former colleagues. I haven't mentioned that yet. You and I used to work in the same office.

And I was wearing like jeans and a blazer, and you'd been on like a year-long campaign against that.

ROB: (LAUGHS)

CARDIFF: And you came to me and you were like, listen, you don't do that. Okay. And you laid out the fashion reasons or whatever. And I was like, so I have two options. Either I need to upgrade the jeans to slacks or—

ROB: Take off the jacket.

CARDIFF: Take off the jacket.

I took off the jacket. Right. I felt like being a little caz. But it was interesting. And I, I think, if I'm not mistaken, you've largely won that battle.

ROB: Ah, I'm very surprised to hear you say it.

CARDIFF: I just haven't seen it.

ROB: I know, there's less of it. Around five years ago, there was so much.

CARDIFF: Yeah, it was the VC uniform, I think it was called. Right?

But I don't see it as much.

ROB: Well, part of it is we are in this long multi-decade post-war slide towards total informality, right?

Where nobody cares about anything. And so, maybe the jackets are just—

CARDIFF: Clothing nihilism.

ROB: Yeah (LAUGHS). Clothing nihilism. You know, my argument has always been that a little formality and dress goes a long way in terms of, you know, it makes social life easier and clearer and more fun and more decorative in a lot of different ways.

But, it's not always easy in the modern world to live up to the stuff that I write about. And that is particularly true when it is a hundred degrees and humid in New York

CARDIFF: Like it is today.

ROB: (LAUGHS) That to me, I think, that is the hardest men's wear challenge. For me, I think suits look great and in the fall and the winter and the spring, I put on a suit, or slacks and a jacket on, and there's a reason that outfit has been around for 150 years.

It's easy. It looks good. You can mix it up. It's loads of fun. But what are you supposed to do in the summertime? It's horrible.

CARDIFF: Yeah, it is.

ROB: I'm a sweaty guy. It becomes literally disgusting if I wear a second layer of clothing in the summertime. I don't know what to do about that.

CARDIFF: And, really uncomfortable and stupidly uncomfortable.

You don't have to. My question though—

ROB: Is it time to give up and wear shorts to work? That is my question for you. I mean, if you worked in an office proper, I dunno if you do, do you have an office life?

CARDIFF: In DC, I go to the office when I'm there. I work from home otherwise.

ROB: I'm ready.

CARDIFF: At home, I'm definitely gonna wear shorts.

ROB: I'm ready to think about—

CARDIFF: You might, you might go there?

ROB: It's so bad now! Climate change, it's terrible.

CARDIFF: Here's my question. You write so much about the evolution of — it's not supposed to be this one static thing where like, yeah, this is right and wrong, and that's the rule forever. No, it's supposed to change over time.

ROB: Historical context is everything.

CARDIFF: Yeah. And I was sort of fascinated by a point you made on a panel I saw you on a little while ago that the FT put on, which was that apparently the way that

elegant dress for men developed was that some Americans were trying to mimic, again, the way the British Royals dressed.

But the Americans did a really bad job of that imitation, and that bad imitation ended up being like re-exported to the rest of the world.

ROB: I know. (LAUGHS)

CARDIFF: And that's how everybody dresses.

ROB: Yes. It was weird. I mean, that's exactly right. And so what we think of as ivy or preppy style in America, which is one of the core stylings of America.

However you want to think of that, that is basically a weird imitation, or a weird American imagining, of what British aristocrats wear on the weekend. You know what I mean? Like traipsing around their country house or whatever, and all of this stuff.

But it's interesting that now, that stuff has been re-exported, those ideas, to the UK and beyond. So it is always, you know, it's a narrative art, clothing. And that's why, the story always changes.

CARDIFF: Yeah. That's what's fascinating about that is that when we think about like dressing well now, it probably shouldn't be the exact same as it was 20 years ago

ROB: Of course not. It would be boring if it was.

CARDIFF: Yeah, it would suck. And so, I think about how do you actually pin it down?

How do you define, oh, this is a good style versus this is a bad style? But maybe that's just the way style has evolved. Like how do you, at some point, grab onto some kind of timeless principle?

ROB: Oh. I don't know if there's a timeless principle, but I would say this, the only really dumb view about clothes is that they don't matter. Clothes are inherently communicative. They don't just keep us warm, protect us from the sun, whatever.

You're telling a story, and human beings are always gonna tell some kind of story with how they dress. And the principle is tell the story you want to tell. And when you say, clothes don't matter, I'll just wear whatever, the story you're telling is, I don't really care about the people I'm with. I think

CARDIFF: Mm-hmm.

ROB: You have to accept, there's a Girard point in here somewhere, I don't know exactly where it is, but you're telling a story. Tell your story, you know, and that's why history is so important. Communication is always bounded by what was said before and before and before.

CARDIFF: Yeah. It interesting, because you could imagine a world where, like shorts do make a comeback—

ROB: Maybe not comeback, but it becomes acceptable to wear at work.

CARDIFF: And I have to imagine that there are some super hot parts of the world where it is okay. And it is not considered inelgant or offensive or anything like that.

ROB: Bermuda.

CARDIFF: Right. And you could find a way to make it look good.

ROB: There is nothing inherently offensive about knees, I don't think.

CARDIFF: Because we all got them!

I was also thinking about something else that you pointed out on that panel, which was that vests seem to have taken over a lot of men's wear in the professional spaces in finance.

ROB: Mm-hmm. Yeah. The fuzzy vest.

CARDIFF: Yeah. And I'm wondering if that maybe also has been due for a backlash, because I was reading a writer named Emily Sundberg, who just did a quick newsletter where she texted some people in a group chat. And she asked, are you guys all still wearing the vests?

And apparently they're like, “No, nobody would be caught dead with those now.” And these were like young guys on Wall Street. And I saw that, and I was like, yes this is a sample size of exactly one and it's second-hand, but maybe it's time [for the backlash].

ROB: Yeah. I always thought that looked terrible.

And if the Midtown uniform is disappearing, I—

CARDIFF: The Midtown uniform, to be clear, what is that again?

ROB: Khaki pants. Like one of those awful hybrid, not formal shoe. Not a sneaker either, kind of, or maybe it's sneaker, but a collared shirt, an Oxford shirt, let's say, and a fuzzy Patagonia vest, hopefully with some kind of corporate logo on it. You know, BlackRock or Blackstone or Goldman Sachs or whatever.

And you know, what story are you telling with that uniform? You're telling, I am a young person who makes money. I am too busy being successful to really be decorative, but I'm sending a message about what my tribe is, which is the tribe of the people with MBAs who push numbers around on a screen.

CARDIFF: (CHUCKLES) So rude, so rude.

What other big mistakes do you think men should avoid in their professional wear?

ROB: I am constantly surprised by, first of all, I mean, and this, everybody has acknowledged this point, so this is not an original point on my part. That hybrid, sneakery, shoe kind of thing looks bad a hundred percent of the time.

If you are going to work, wear work shoes. And if you are gonna wear work shoes, polish them. Polishing shoes, not very hard, makes you look loads better. Like, you pay money for shoes, they're made of leather. Polish 'em up. You know, and it's actually kind of a fun activity, listening to the radio, listening to a podcast, polishing shoes.

CARDIFF: What about fit? Because there was the skinny jean thing, there was the tighter — I can tell you what you feel about that already — but like, there was the tighter fit, I think that seems to have been undone. I bought a suit recently, and I was asking the person who was fitting me for it. Like, what's going on with this?

And she made the point. She's like, actually, that tighter fit is sort of on the way out.

ROB: Yeah.

CARDIFF: And I can't tell with these things—

ROB: Look, I am a large, sweaty, middle-aged man. Even not taking into account how I look, I need some ease. I live an active life. I'm warm most of the time.

Not only do I need to feel comfortable, but I need to look like I feel comfortable, 'cause that puts the people around me at ease. And so I always thought the skinny look for men, which I think, by the way, was a lot about showing off physique.

CARDIFF: Sure.

ROB: Demonstrating you have big muscles in your thighs, in your biceps, actually looked bad because it looked like it wasn't that fun to wear that clothing.

So, good riddance to that. I mean—

CARDIFF: You could go too far the other way too, too baggy, whatever.

ROB: Yeah. You just, you know, you wanna be able to sit down without the seam of your thigh that runs along your thigh straining. Right. You want to — this stuff is not that complicated.

When you buy a suit, raise one of your hands. If the suit is wildly distorted, just by you holding your hand above your head, you know the suit doesn't fit that well. Yeah, right.

CARDIFF: So just give it a little thought.

ROB: Yeah, I think that's right.

CARDIFF: Last question is about hats, actually. You wrote a column about this recently. And it was interesting 'cause you are not what the ancients would call a hair suit fella, no?

ROB: Yes. I'm bald, very bald man.

CARDIFF: Also, the ancients didn't say hair suit fella.

ROB: (LAUGHS)

CARDIFF: It wasn't like, I got another question for you—

ROB: But historically, Socrates is depicted as bald, I think.

CARDIFF: Okay. Yeah. So you were talking about the different kind of hats to wear. 'cause hats have been sort of out as part of a formal outfit for a long time. Maybe they should come back in though, right?

ROB: Maybe. I mean, I'm a guy who needs head protection, right? And I'm sitting here across the table from you. We both wore baseball hats today. And a baseball hat is a very practical thing.

I just don't think it looks that great. I think it looks like you're a little kid like, "Hey Ma, can I go play ball with the boys?" You know? It's like I'm a grown man in his fifties.

CARDIFF: You said that baseball hats are for zillionaires trying to cosplay as normal people.

ROB: Yeah.

CARDIFF: I have a counter to that actually, about the baseball caps making you look like a kid. I feel more like I look like a kid if I wear shorts and a t-shirt without the baseball cap.

ROB: Yeah, interesting.

CARDIFF: And the reason why is that the cap signals that you're being deliberate in the casual dress you're wearing.

It kind of rounds things out that way.

ROB: I see what you're here.

CARDIFF: Whereas if I just wear shorts and a t-shirt, it's like I'm an 8-year-old boy on his way out to the park or something, you know what I mean?

ROB: And the other fear, you know, the other problem with hats is that other kinds of hats tend to look a little anachronistic.

Fedoras and panamas, they're kind of that like—

CARDIFF: Like try-hard.

ROB: Yeah. They're a bit try-hard. And they're a bit like I'm a gent from the 1950s. I don't like deliberate anachronism in dress. You know, the kind of waxed mustache hipster thing.

You wanna look like a man of your time, and it's hard to do that with a hat.

So I would say hats for me are an unsolved challenge.

CARDIFF: Rob Armstrong, it has been quite a ride.

ROB: It has. This is great fun!

CARDIFF: Philosophy. Markets. Hats. Tacos.

ROB: Hot dogs.

CARDIFF: Hot dogs. Everything. Everything. Thanks so much for being here, man.

ROB: Thanks for having me.