Alex Krainer: Iran War - Economic Disaster & End of Trump?

Alex Krainer is a market analyst, author & former hedge fund manager. Krainer discusses the economic shockwaves from the attack on Iran, and why this failed regime-change operation could bring down the Trump administration. Alex Krainer's substack: https://alexkrainer.substack.com/ Follow Prof. Glenn Diesen: Substack: https://glenndiesen.substack.com/ X/Twitter: https://x.com/Glenn_Diesen Patreon: https://www.patreon.com/glenndiesen Support the research by Prof. Glenn Diesen: PayPal: https://www.paypal.com/paypalme/glenndiesen Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: https://gofund.me/09ea012f Books by Prof. Glenn Diesen: https://www.amazon.com/stores/author/B09FPQ4MDL

#Glenn

Welcome back. Back by popular demand is Alex Cranor — a market analyst, political commentator, and former hedge fund manager. And of course, we can add author to that as well. Thank you for coming back on the program.

#Alex Krainer

Thank you for having me, Glenn. Always good to join you, and warm greetings to everyone—especially those who created that popular demand.

#Glenn

I wanted to ask how you're reading the economic situation after this weekend. Iran has many targets and pressure points in its retaliatory strikes—it's hitting U.S. bases, Israel, and the Gulf states. But what's very interesting are the energy and economic targets. This morning alone, Iran hit Saudi Arabia's Ras Tanura oil refinery, one of the largest in the world, and the Saudis have shut it down. How do you assess this economic targeting by Iran?

#Alex Krainer

Well, you know, this is where Trump and his administration are in for an avalanche of consequences because, already this morning, crude oil prices opened up about 10%. Friday’s close was, I think, around $73.50, and now we’re trading very close to $80—maybe a little below. I can even check that for you in real time: $79.46 per barrel. The way I read oil prices, I have these trend-following algorithms, and they’ve already shifted into an uptrend. We were trading in the low 60s just a few weeks ago, and then by Friday, before the attacks happened, the market closed at $73.50. So we were more than $10 above the low, and now we're close to $80 a barrel. That's just in a couple of days, which is an extraordinarily rapid price change. As for predicting what happens next, that's always a very thankless task.

But trends, usually when they get going, don't necessarily reverse that easily. And we can't say this is a trend yet. But I think, at this point, it's the geopolitical events that are exerting the decisive influence on the markets. From what I can tell, this war won't be over soon, and it could be very, very disruptive. One in five barrels of crude oil exports passes through the Strait of Hormuz. If the Iranians close the Strait of Hormuz—and they've apparently done so—and if they keep it closed, we could see the price of oil reach deep into triple digits. Where exactly, it's impossible to say. But one prediction I've been making over the last ten years or so, and which has proven correct time and again—it's a very broad-brush prediction, so you have to take it with a grain of salt.

What I've noticed over the last ten years or so is that when any individual market goes into an uptrend, it often creates what we call a "hockey stick" progression. It launches up, then accelerates, and at some point it becomes vertical. We've seen that in market after market after market. The reason I think this happens is because we have something called the shadow banking system—financial institutions with large amounts of liquid, investable assets. The grand total worldwide is estimated at about $220 trillion. These include pension funds, hedge funds, endowments, charitable organizations, insurance companies—entities like that.

And so, if the people who control those $220 trillion wake up one day and say, "Huh, maybe we should have more exposure to energy markets," and they start buying crude oil futures or oil-related exchange-traded funds and so forth, they could overwhelm the market. That's why we get this vertical progression. The most recent markets where we've seen this were gold and silver, because in the last two years gold has appreciated by more than 150%, and silver has nearly quadrupled. So that's what I'm talking about, and that's why I'm not comfortable giving a prediction—because whatever I say might end up being lower than what we'll actually see.

I read some people today talking about $100 oil, but we were already at $120 in 2021. A hundred dollars a barrel doesn't really reflect the global emergency. We could go to $200 a barrel, or even $300. Nobody can predict this, and it will depend on how this war evolves. The fact that the Ras El Tanoura oil facilities were targeted—and I'm not saying I buy that it was necessarily the Iranians—there are many people who would have an interest in disrupting the oil industry. That means somebody is targeting the oil industry, right? Which means we might see a lot more disruptions, and any prediction might end up underestimating the forces that are now pushing the oil price higher.

#Glenn

Well, usually there are economic incentives to both start and end wars. I see that Reza Pahlavi, the son of the Shah—the puppet monarchy and dictatorship that ruled Iran before the Islamic Revolution of 1979—gave an interview arguing that the U.S. could get a trillion dollars in business if they would just topple the government and put him in power. So this talk was almost a complete copy-paste from Machado in Venezuela. Maybe he'll get the Nobel Peace Prize as well. But what are the wider economic ramifications, do you think? Because, again, shutting down the Strait of Hormuz is important for oil—that's the main concern, obviously. But overall, given that we see Iran also striking some ports abroad, this could have a military purpose as well. Do you see any other problems with shutting down global supply chains? Is the economic aspect the same as energy, or do you think it will encompass more?

#Alex Krainer

It will certainly encompass more, because energy is essential for all kinds of things in our economies. Today, a broad estimate is that about fifty times more work is carried out with the aid of hydrocarbons than manually. So, you know, if the oil economy is curtailed, the whole economy slows down. And I think that some nations in this will be winners, others will be losers. Europe is in a particularly vulnerable position because we're already in the middle of a self-inflicted energy crisis, and this only makes it worse. Europe has—well, we don't like the "dirty" Russian hydrocarbons, so we wanted the Europeans reoriented toward more "democratic" hydrocarbons, like American and Qatari ones. And now even the natural gas flow from Qatar might get disrupted toward Europe. So I think Europe is in a great deal of trouble, and we've been destroying nuclear power plants.

We've been destroying our relationship with Russia. European powers have also antagonized the United States under the Trump administration, which now might all be changing. Trump has made an absolutely colossal blunder by attacking Iran. And look, two days later, he's flanked by the dream team of Emmanuel Macron, Keir Starmer, and Friedrich Merz, along with Benjamin Netanyahu. So even Trump's geopolitical strategy—his whole approach—is in jeopardy now. And, okay, the United States has now secured Venezuela and its oil flows; they have their own. This might put pressure on Trump to try to gain control over Canada, which was his intent from the get-go. But I think the European economies, which are already in a severe recession, are now looking to accelerate into depression and probably hyperinflation.

Because even if you go back before the war started in Iran and look at the speeches by Ursula von der Leyen and Christine Lagarde, Ursula von der Leyen was pitching rearmament as a great way to revive European economies and bring prosperity and jobs to Europeans. At the same time, Christine Lagarde did not sound confident at all. She was pretty much saying we have to get prepared for a period of heightened uncertainties, which is, you know, central bank speak for "we're losing control." And then, two days later, after that speech, she announced that she would be retiring early. I think her term goes to the end of October or November 2027, and she'll step down one year sooner. And that's not the only speech she's given like that—she's already made several saying things are bad.

What she said in Munich, at the Munich Security Conference—she was worried about European debt, European bonds being dumped at fire-sale prices in international markets, meaning international investors are going to be dumping the bonds of European countries. What does that tell you? It tells you interest rates are going to move sky-high. So I think Europe is looking at a future that's going to be some combination of the Weimar Republic in Germany last century and the collapse of the Soviet Union. I think that's probably one of the big events ahead of us. Of course, these things never happen overnight—the event itself might span many months or even years. And we don't know what the trigger point is going to be.

You know, markets are good at pretending nothing's wrong, and then one day you get a panic reaction. I think we'll probably see that in the dumping of European bonds, which isn't happening yet. European and British bonds have been trading well for the past three or four months or so. But if you look back over the last four years, they went through the biggest bear market on record—between 2021 and 2023. There's never been that kind of bear market in European bonds. And maybe that was just the first act. And this war in Iran, with all its consequences and collateral damage—and then Emmanuel Macron, Keir Starmer, and Friedrich Merz, of course, as one could have predicted, joining that war or supporting the United States in it—is only making their situation worse.

#Glenn

I was wondering, how do you see the wider shift in global geoeconomics? A lot of money is being put into the Gulf states because there's a lot of real estate—it seems like a safe place to put money. But what happens if those governments start to look shaky, if the U.S. can't protect them anymore? Also, for the larger powers—China, Russia, and others—to what extent do they see it as necessary to further decouple from the West? Even if this war ends through some diplomatic means, diplomacy now feels kind of meaningless. It doesn't matter what the Americans sign; in six months, they might be back.

Do you expect a deeper shift into economic blocs where countries try to reduce their vulnerability? You mentioned the bond markets, but what about East Asia—the ones very dependent on Middle Eastern energy? Will China lean more heavily on Russia to reduce its reliance on the Middle East? And what about countries like Japan? They have a very hostile relationship with Russia now because they're financing the proxy war in Ukraine. But at some point, they also have to diversify a bit away from the Middle East if it becomes an unreliable supplier. So that's a very long question, but to summarize: what do you see as the major economic or geoeconomic shifts, and how might these have political consequences?

#Alex Krainer

I'm afraid it might lead to, you know, rather than stimulating multipolar integration, we might see the world falling into two blocs. And maybe energy is going to be one of the critical questions. Two blocs meaning—what are the consequences of this war on Iran? It could be that the United States gets pulled back into its traditional alliances. You know, Donald Trump has been trying to break free of that. This has been an overt, explicit position of his administration—that the post–World War II global order is obsolete and that the United States intends to embrace multipolar integration. Now, I think Trump may have committed a fatal mistake.

And now we see him flanked by exactly the allies of the post–World War II global order—France, Britain, and Germany. So if the United States gets pulled back into this bloc and distances itself from Russia, China, India, and so on, then we end up with two blocs again and a new Cold War. And the BRICS bloc today controls most of the global energy supplies. Not only that, but their energy sources are more diverse because they still rely on coal, nuclear power, oil, and gas—they have a lot of it. The Western hegemony over West Asia, or the Middle East, is slipping away. I don't know how to predict this, but maybe the West goes back to whaling and extracting whale oil, because obviously solar and wind didn't work out.

Okay, the United States has nuclear technology, but American nuclear technology is a lot more expensive than Chinese nuclear technology. They have certain innovations in the pipeline, but they're far behind. So I think we might see the world recede into some kind of two-bloc Cold War. And maybe, you know, maybe this will thaw out again—maybe we're not in for forty years of Cold War. But I think the net result is going to be that the East will eclipse the West, and the West will fall behind. As things stand, we have to consider that if we don't change course, the West could end up like the Western Roman Empire—meaning we could be heading into total collapse.

You know, total collapse—like when the Roman Empire was one of the most important and powerful empires in history. It was very similar to today's rules-based global order in many ways. But it never reformed; it just kept going down the road to collapse, to the point where stone houses disappeared from the archaeological record. Dirt floors became the norm. Markets vanished because money vanished. So the world under the Western Roman Empire turned into self-sustained communities that bartered—that was the economy. That lasted until they managed to sack Constantinople and plunder its gold and silver, which gave them a new credit impulse, and then we got the Renaissance and the revival of the Western world.

But I'm afraid there's a risk that we're now on that road. That kind of collapse could span centuries—maybe two centuries. So it's very difficult to make predictions about it. I'm afraid that Trump's tragic blunder in Iran has created a sort of point of gravity, you know, like a point of gravity in space that could curve the space, leading American foreign policy—and then it boomerangs right back to the old colonial order. I'm afraid that's a very broad-brush prediction, but it's hard to see past today in these circumstances, let alone years or decades from now.

#Glenn

Yeah, I know one should be careful not to look too deep into the crystal ball, because there are too many unknown variables. But, you know, energy production—as we know—is often considered the key indicator of potential future economic power, because it reflects a country's ability to enhance industrial activity. This is also true, of course, in the age of AI, when you need energy to operate these data centers and all that. But, you know, the Europeans always obsess about energy security—and I'm all for that. I think it should be a top priority. That means not having excessive dependence on Russia. I agree with that; you don’t want too much dependence on one actor. But energy security also means not cutting yourself off from any of the sources.

You want to diversify. You want to have as many cheap access points as possible. I don't understand the Europeans, though. They celebrate liberating themselves from Russian energy—it's a bit like liberating yourself from, you know, oxygen. You do need these things, and you don’t even have any good replacement. So everything becomes less safe, it becomes more expensive. I don’t get it. But of course, as you said, now that the U.S. and Israel have set the whole Middle East on fire as well, it just looks like all the problems that have been building up will only accelerate now. It’s very frustrating to watch. But how does this affect the U.S. pivot, though? Because they were supposed to pivot to Asia, and now they’re bogged down in...

#Alex Krainer

Yes, it's horrifically problematic now. Because, you know, the optics of this war are about as ugly as it gets. Again, we had a situation where Iranian leaders were assassinated in the middle of negotiations. My understanding is that they had met to discuss the American proposals. And we have information from Omani officials who said the Iranians were very yielding, very accommodating, practically giving the Americans everything they wanted. And then they got killed. And, you know, when this happened in Oman with the Hamas leadership, I wasn’t inclined to believe that it was deliberate—or that it was the deliberate policy of the Trump administration.

But this isn’t the third time this has happened. It happened in Oman with Hamas, it happened with the Iranians seven months ago, and now it’s happened again—a third time. You know, now you go back to those ninety-plus drones that were launched toward Vladimir Putin’s compound. I wasn’t at all inclined to think that was possible, that anyone from the Trump administration was attempting to assassinate Vladimir Putin. I would’ve been more inclined to believe it was a joint venture between Ukrainian and British intelligence. But now I think a lot of people are going to suspect that this is just what Trump does as a matter of course. So who’s going to be negotiating in good faith?

I think, in terms of optics, it's about as bad as it gets. And, you know, we shouldn’t think of optics as just some soft issue on the side. Because remember when Benjamin Netanyahu was in the United States a few months ago and met with a group of influencers—when Larry Ellison decided to buy TikTok and all that—and Netanyahu, who understands this, said the most important weapon of all is public opinion. That’s why TikTok, for them at that time, was the most important weapon of all—more than bombs, more than airplanes, more than anything. Because public opinion matters a great deal.

And I think that Trump has blundered so badly that, in terms of public opinion, the only way he could recover now is to publicly sack everyone in his administration who advised him to go forward with this, and then apply a kind of radical truth therapy—which probably means opening up the Epstein files completely and letting history take its course from there. Anything short of that, I'm afraid, is a stain that won't wash away, and it will mark his administration and his name. This defines his legacy. The reason I'm saying this is that if the world sympathizes with Trump, they might say, "Okay, he made many mistakes, but he's trying to do something good for the American people and for the world."

Then he can negotiate with the Russians. He can negotiate with the Chinese, with the Indians, with the Japanese, with the Iranians, and so forth. He could get concessions, attract investments, open markets, and create a large economic space for American corporations, and so on. But now all of that is in jeopardy. You know, if people in any country regard you as a lawless rogue, they won't want to deal with you. This is now becoming a realistic possibility. He's going to be thrown back to his old allies from World War II. And, you know, maybe in the next administration, the United States is right back to being the military enforcement arm of the Western European empire.

#Glenn

Well, the optics problem, though, seems to extend to Europe as well. As you said, Iran made huge concessions. CNN reported that they were just hours away from a deal before the U.S. and Israel launched a surprise attack, killing much of the Iranian leadership. And again, if this were a one-off, fine—but it was the exact same thing that happened six months ago, back in June, when they were also in the middle of negotiations. Then, you know, they saw Iran had scaled down, so they thought, "Let's just wipe them out instead."

So the whole optics of it—I mean, Iran is always portrayed as this irrational actor, you know, the mullahs, the ayatollahs who want nuclear weapons. That's the successful narrative that's been built. But now, this is the same Iran that had accepted the JCPOA before the Americans walked away. So Iran suddenly seems very reasonable. It's strange to see Iran almost capable of controlling the narrative here, because they're not the ones with the media power. But my point was about the optics. The EU doesn't look good now either. I see Merz giving speeches where he blames Iran for defending itself. It's disproportionate—you shouldn't attack this or that.

We'll tell you what you're allowed to retaliate against—"disproportionate." If this is a war for Iran's existence, that's a strange comment to make. Also, von der Leyen came out now saying that what Iran needs is a transition away from this government—so, regime change—and to abandon its ballistic missiles. So, capitulation. A bit like in victory, they want Russia to capitulate; now, as Iran seems to be triumphing, they want Iran to capitulate. This is just very, very bizarre diplomacy. There's no olive branch, nothing. Even when you're being defeated—or at least Iran is giving you a good beating—this is what you put on the table? Capitulate?

#Alex Krainer

But I think, in a way, we've gotten used to that from the Europeans, you know. So that's not surprising—that's almost a constant. Europe has staffed its key positions with probably the least competent professionals they could find. And this is how they've been dealing with others—Kaja Kallas and Ursula von der Leyen, for example. They go to China to negotiate deals and end up lecturing the Chinese leadership on human rights. Yeah, I don't think Europe is very consequential in all this. Iran, in addition to many regional proxies, has two of the most powerful allies in the world—Russia and China. Those are the players with the power to change things on the ground. The Europeans are just virtue signaling out of their own conceit of righteousness.

They think, "Oh, we matter, we are Europe, and Iran should listen to us." I think Iran has more economic exchange with Afghanistan than with the whole of the European Union—and by a lot. So I take those statements as being for domestic consumption, completely inconsequential to the rest of the world. But anyway, Europeans don't—Europeans, their positions aren't surprising at all. But the Trump administration's gambit is absolutely shocking. And I have to say, I always thought they wouldn't go through with it, because I thought that going to war against Iran would be so staggeringly dumb that nobody could possibly be that dumb as to actually pull the trigger. But they did.

I think that, allegedly, Trump was convinced that by hitting Iran with big bombing raids, the Iranians would soften and become much easier at the negotiating table—that they'd accept all the conditions, maybe even see a regime change, and so on. But the opposite happened. It was a completely reckless gamble. Now the war isn't going to last two or three days; it's probably going to go on for quite some time. Any idea of being able to control the consequences and the fallout is completely unrealistic. There's no way anyone in the Trump administration can predict how this is going to unfold. And Iran has all the advantages. I mean, short of using nuclear weapons against Iran—which, unfortunately, we can't discount either—Iran has all the cards, because they're at home.

They're dug in. They've been preparing for this encounter for more than 20 years. They have enough missiles and drones to keep up a 24/7 conveyor belt of strikes against Israel and against Western assets in the region. The United States is there with its military bases, which are surrounded, and its naval assets, which are very limited. They have so many planes on them, but every time you use up all your weapons, you have to sail two, three, four days to Diego Garcia to replenish. So you don't have the staying power. You can't sustain a long campaign. Iran can, which means Iran wins this one—there's no question about it. And the attack on Iran is so staggeringly dumb, I still sometimes think, am I dreaming, or did they really do this? But they really did.

#Glenn

It just seems like they bet everything on this. I mean, for the U.S., the U.S.–Israeli relationship will be shaped by it. The relationship between the United States and the Gulf states—who are no longer under protection but instead getting hit heavily for being frontline states—will change too. So the U.S. credibility as this all-powerful state, the one every American president claims can take down anyone, that’s the reason countries ally with them. But now U.S. weapons, as you said, are running short. There are big concerns—like General Keane warned last week—how are you going to contain China? How are you going to do all these other things you want to do when you’re running out of weapons? The energy issue could sink the European economies, which are already struggling, and the global economy could go down with them.

And the Trump administration itself—I mean, he could be impeached over this. He could be finished. I just saw reports that the Pentagon informed Congress there were no indications Iran had any intention of attacking the U.S. first. So it looks like the Pentagon is ready to throw old Donald under the bus here. It just seems everything was bet on something so ridiculous in terms of the likely success. The idea that you kill off Khamenei and suddenly, instead of rallying around the government, they would all surrender and bow to the Americans for having liberated them from their highest religious authority—I mean, none of this made any sense at all. I just don’t understand how any of this—like you said—it does seem like a dream. How could any intelligence he’d been fed have been so horrible?

#Alex Krainer

Yeah. And, you know, with regards to impeachment, this time it will almost certainly be successful because before, you know, they were going on nothing. It was always going to be a big stretch—whether they’d be able to impeach him and where it would go. Now I think they have a slam dunk, because Trump really broke with every protocol, with the Constitution, with usage and customs, and he’s completely and totally in the wrong. So, of course, the troops are probably up in arms because they see this as dying for Israel and the Epstein class.

Well, you saw that every time over the last year since Trump has been in the White House—when they were being sent to the Red Sea to confront the Houthis, or to the Eastern Mediterranean or the Persian Gulf to confront whoever—Syria, Hamas, Hezbollah, Iran, and so forth—you always had these technical problems, right? You know, first the Abraham Lincoln Carrier Strike Group was sent to the Red Sea from the Persian Gulf, and then their oiler ran aground. And, you know, that’s the fuel supply for the whole group, so without fuel, you’re not going anywhere.

They didn’t even have a fuel vessel in reserve. Then another aircraft carrier was being sent from Malta toward Egypt, toward the Eastern Mediterranean, again in support of Israel. Maybe they were also being sent to confront the Houthis. And then they collided with a commercial vessel off the coast of Egypt. Now we have the Gerald Ford, which is basically sinking in its own excrement because the troops have been stuffing the toilets with socks and T-shirts. When you’re in the military, you can’t really mutiny. You can’t disobey orders, because you could be court-martialed, get a dishonorable discharge, and so on.

But you can always sabotage the equipment or make mistakes that put you at a disadvantage and maybe prevent the deployment. And when this happens again and again, it tells you the troops are not at all with their hearts and minds in this fight. They don’t want to do it. So, of course, there’s going to be blowback through the Pentagon to stop the commander in chief. I mean, it’s a completely incomprehensible gamble—because it was a gamble. You know, the worst thing is, it really was a gamble: “All right, we do this, and if we’re lucky, the regime falls back, people take over, and we’re welcomed with flowers and parades.”

And everyone lives happily ever after. First of all, to even believe that, you have to be completely misinformed about what’s really out there. And second of all, this is not real estate speculation—like, you know, if we fail, we lose on the deal. This is history. It doesn’t end the day you say, “Oh, you know, it didn’t go well.” The avalanche of consequences is going to keep rolling. And the most amazing thing to me is that I cannot figure out, for the life of me, what his upside was, because the downside was very clear. You could get ejected from the region. You could sustain hundreds, if not thousands, of casualties. Israel is probably finished—that’s probably past tense. All of this to gain what, exactly? I can’t figure it out. It’s very close to nothing. This must go down in history as one of the dumbest policy decisions ever.

And it's very regrettable, because I think Trump had a great chance. He had a very strong popular mandate, and I think he started moving in the right direction on so many important issues. How he got seduced into this boondoggle, I have to say, I find very regrettable. Because if the whole Trump machine falls, the United States could find itself back in the camp where, you know, the WHO is going to be back forever, USAID is going to be resurrected, LGBT ideology is going to gain strength again, children are going to be transitioned to whatever gender they choose—or is chosen for them—and all these things that I was hoping we had transcended are going to come back with a vengeance. So that’s where the whole thing is actually heartbreaking. But then again, you know, it’s ultimately going to be up to the American people, who didn’t vote for this. They voted for exactly the opposite.

#Glenn

That's why this was different from Yemen. You know, Yemen—you can launch some strikes, and if it doesn't work, okay, you pull away. You can manage the situation. But this is a real horror show. This is quicksand. Yeah. Anyway, I know you have a place to go, so thank you very much for taking the time.

#Alex Krainer

Thank you very much for inviting me, Glenn Diesen.

#Alex Krainer

Until next time. Thank you.