Investing amid lawlessness

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Disparate headlines conceal a common theme

Why does Elon Musk want to put AI data centers in space?

The Meaning of Anthropic vs the Pentagon

The future isn't what it used to be

America Is Depleting a More Powerful Weapon Than Its Missiles

March 29, 2026 at 8:00 AM GMT+1

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Opinion Intellectual property

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POLITICS

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We must not underestimate the peril for democracy

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St Kitts and Nevis + Add to myFT

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A descent towards lawlessness

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Agenda

It's not just the fog of war

The drivers of lawlessness are structural

Implications for investors

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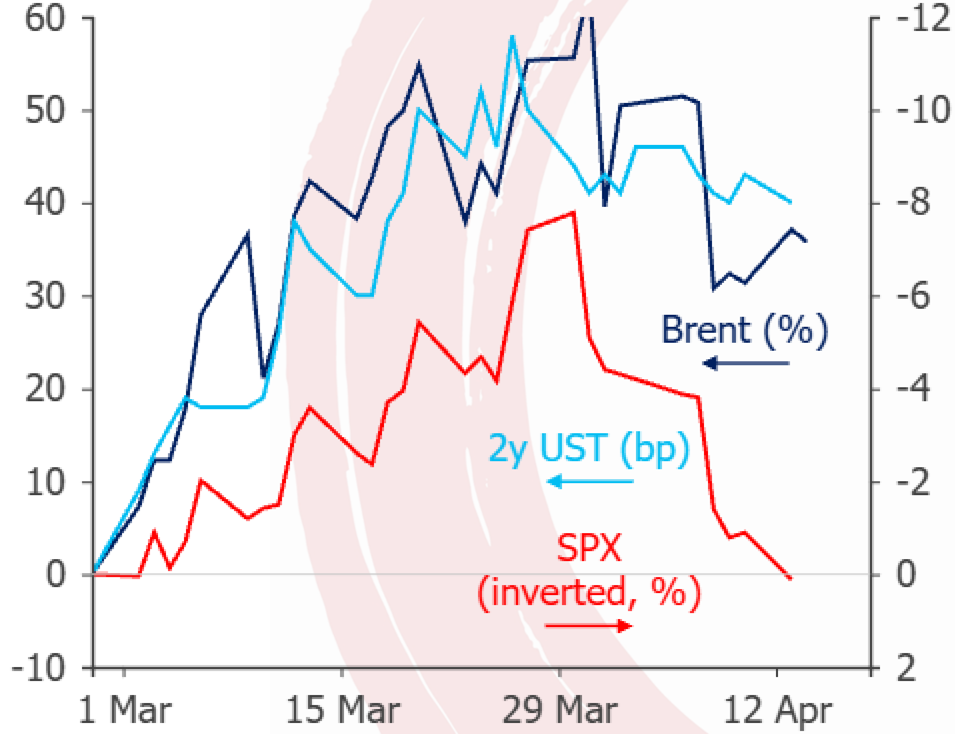
Short-term moves driven by war and whim

Oil driving everything

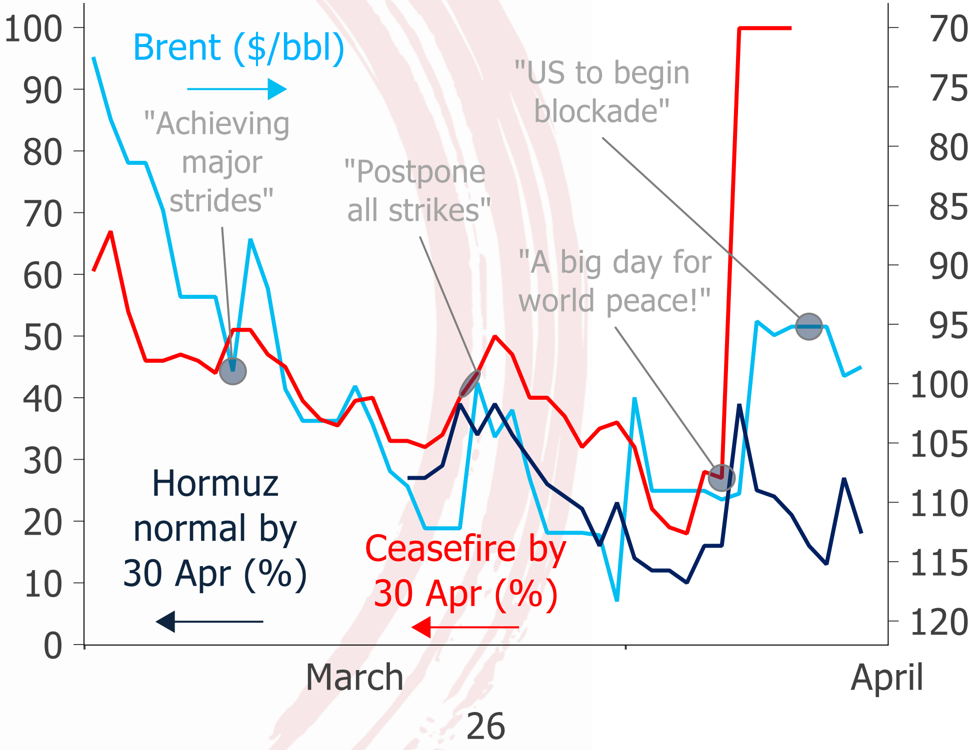
Chg since 28 Feb



Source: Macrobond, Satori Insights.

Trump tweets driving oil

Polymarket probabilities vs Brent (inverted)



Source: ICE, Polymarket, Bloomberg, Macrobond, Satori Insights.

Markets just wish it was all over

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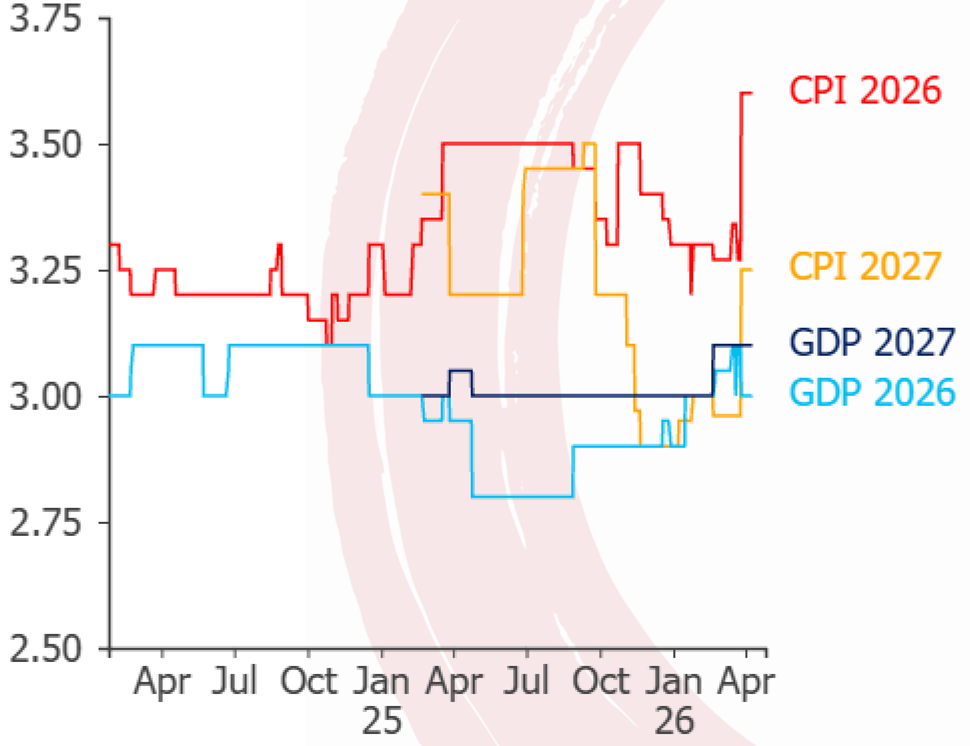
Amazing how well risk has stood up

CPI hit; GDP not yet

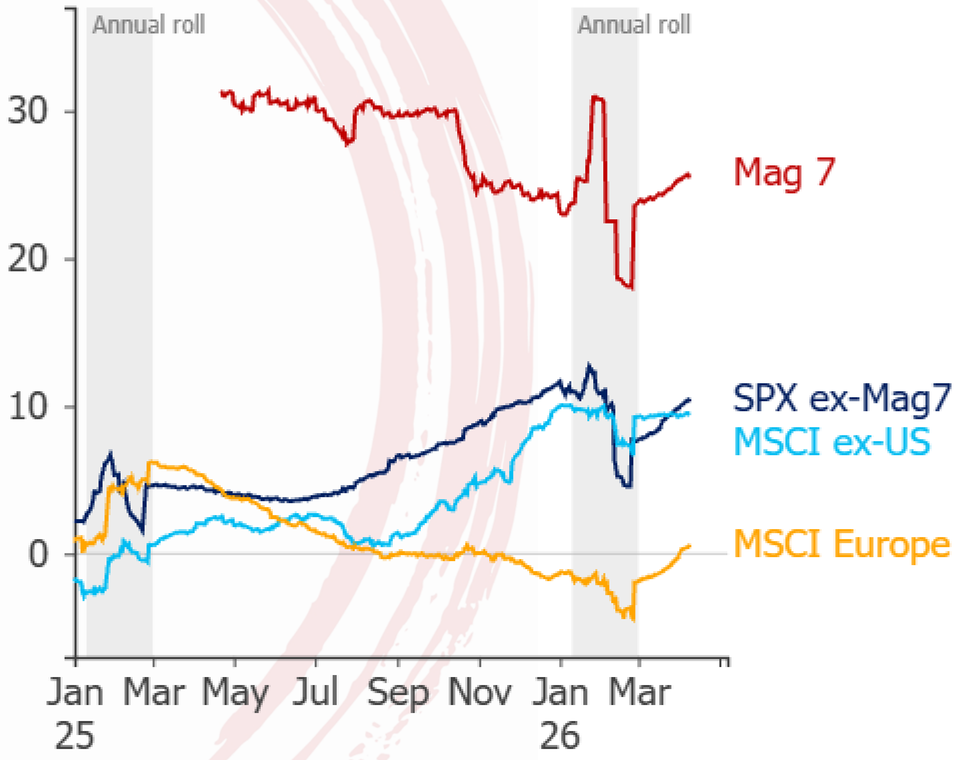
Global consensus forecasts, % yoy



Source: Bloomberg, Satori Insights.

Earnings estimates still growing

Consensus EPS growth, rolling 12mf blend, %



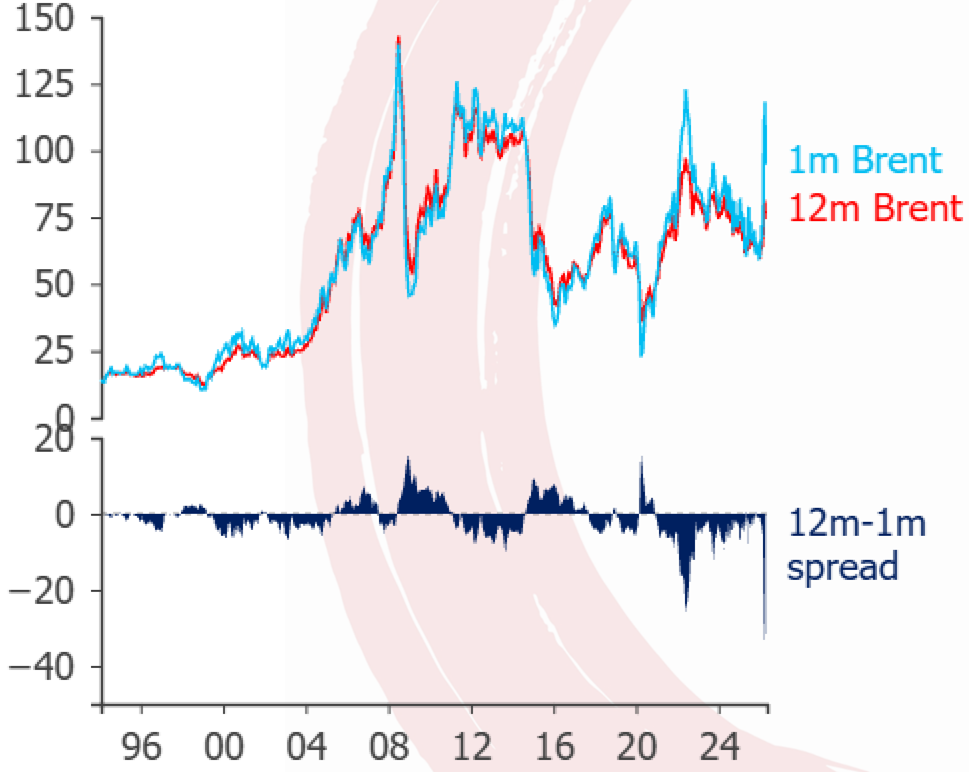
Source: Bloomberg, Macrobond, Satori Insights.

Consensus on growth and earnings has barely shifted

Three reasons for the resilient consensus (1)

Market thinks spike is temporary

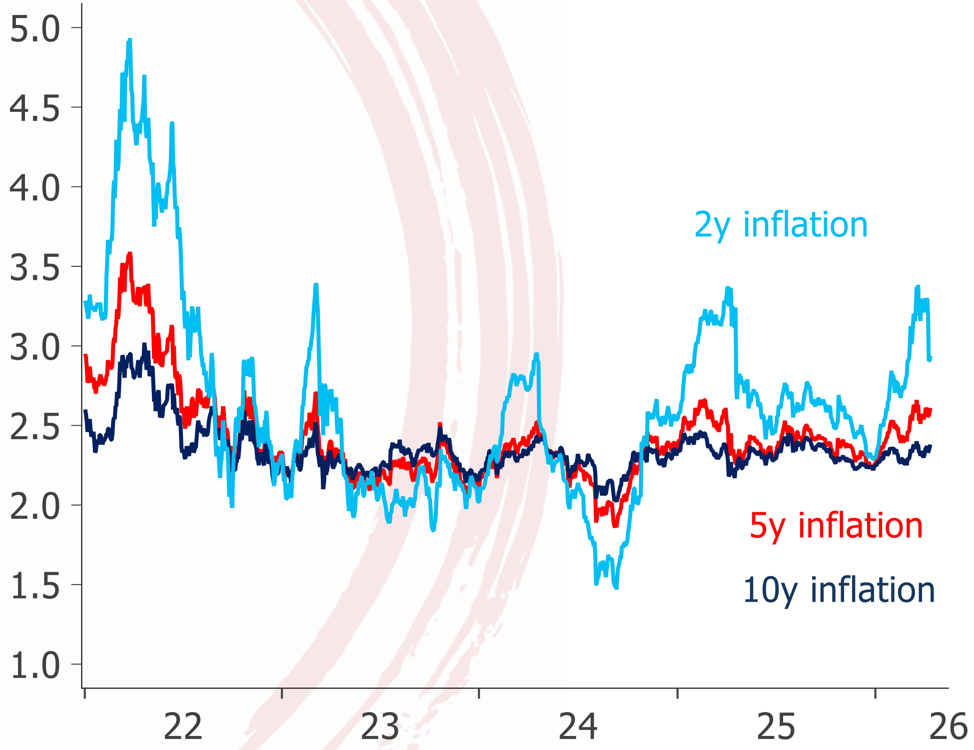
Brent oil futures prices and difference, $



Source: Bloomberg, Satori Insights.

Risks rise nonlinearly if not

UST-derived inflation breakevens, %



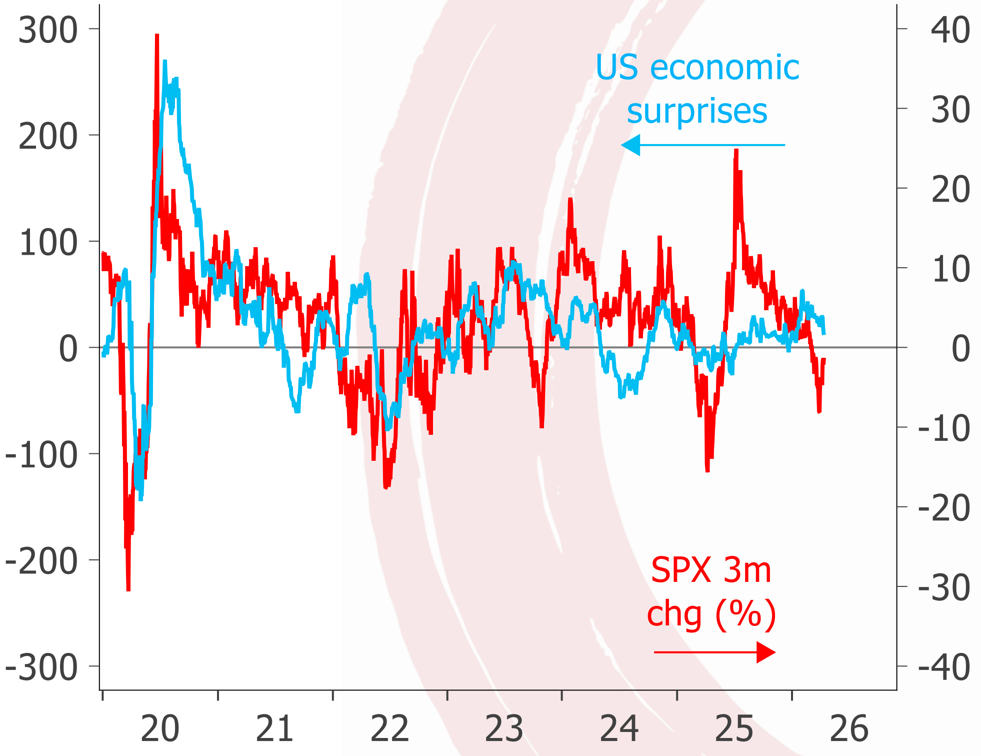
Source: Bloomberg, Macrobond, Satori Insights.

Markets still counting on rapid resolution

Three reasons for the resilient consensus (2)

Markets can overstate shocks

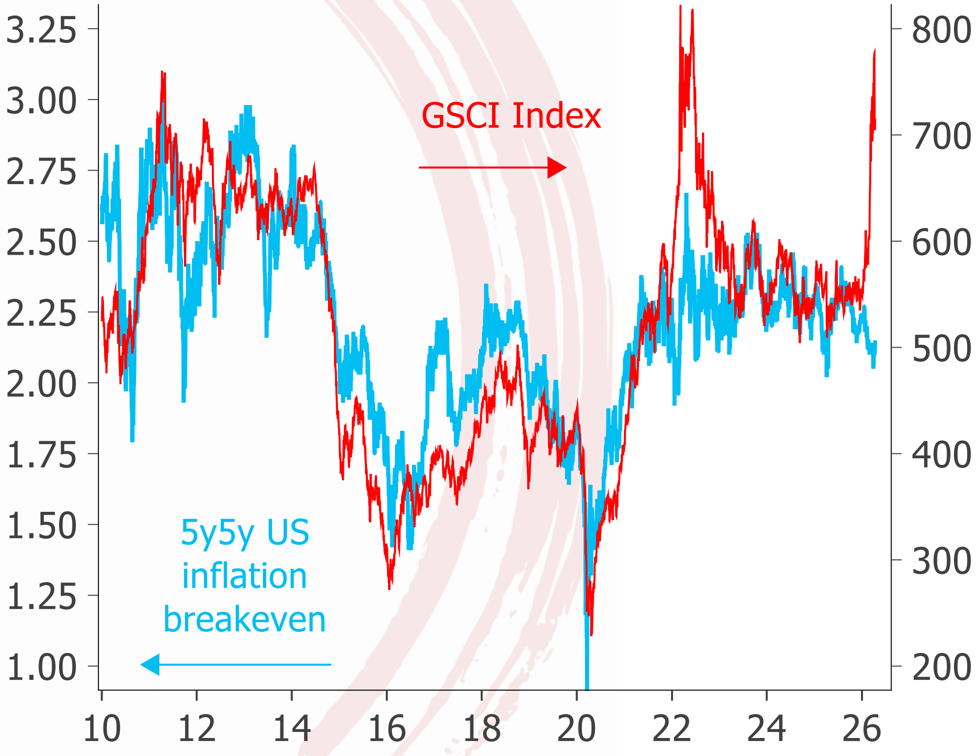
US economic surprise index vs equities



Source: Citi, S&P Global, Macrobond, Satori Insights.

But every anchor has limits

GS Commodities Index vs TIPS breakevens

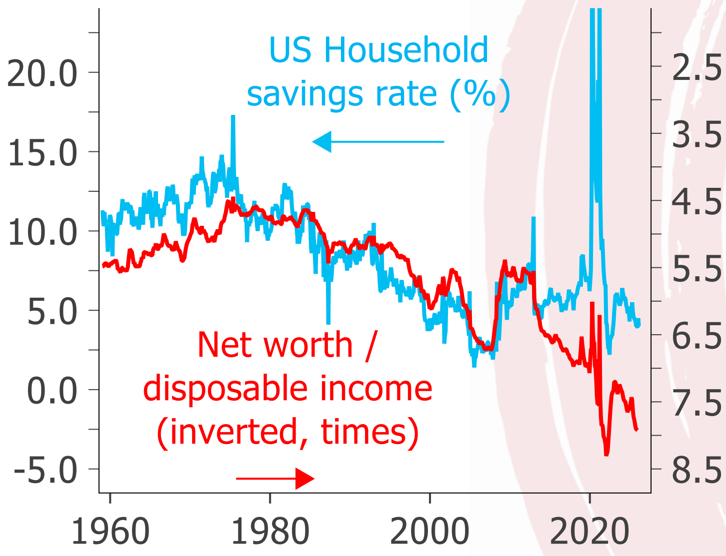


Source: Bloomberg, Macrobond, Satori Insights.

Economy has proved resilient to multiple prior shocks

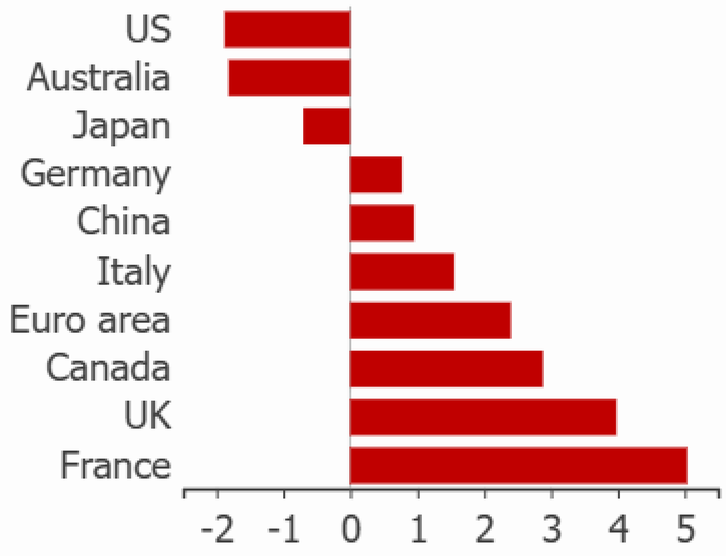
Three reasons for the resilient consensus (3)

Have wealth, will spend
US savings rates vs household net worth



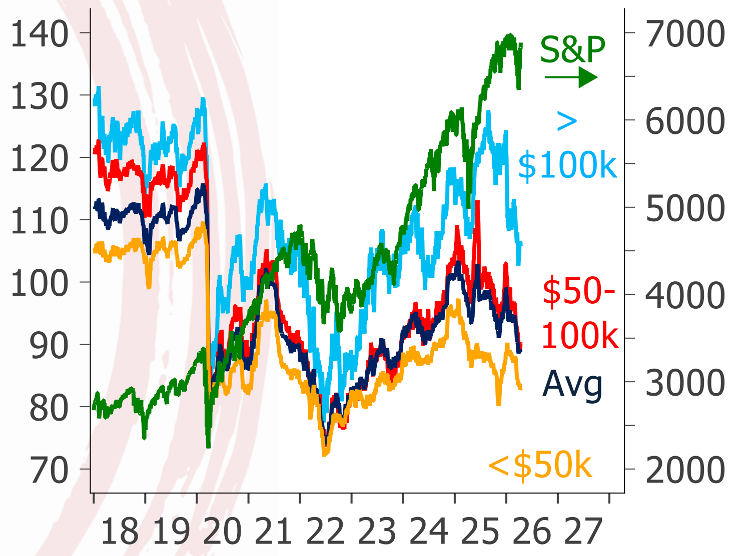
Source: Federal Reserve, BEA, Satori Insights.

Dissaving exceptionally
Hhold savings rate chg since 2019, %



Source: BEA, StatCan, INSEE, CAO, DESTATIS, ONS, ABS, DG ECFIN, OECD, Macrobond, Satori Insights.

But if markets should fall…
US consumer sentiment by income, index



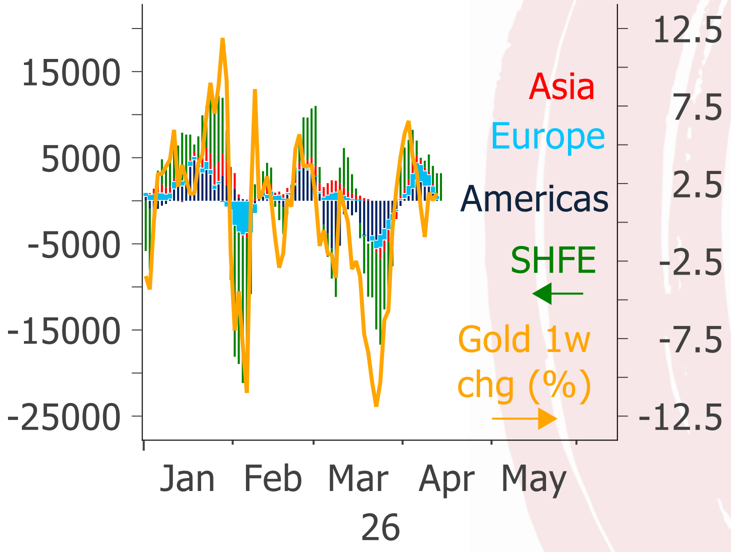
Source: Bloomberg, Macrobond, Satori Insights.

Economy resilient in part *because* markets are resilient

Are investors becoming war-weary?

Hotter positions flushed out

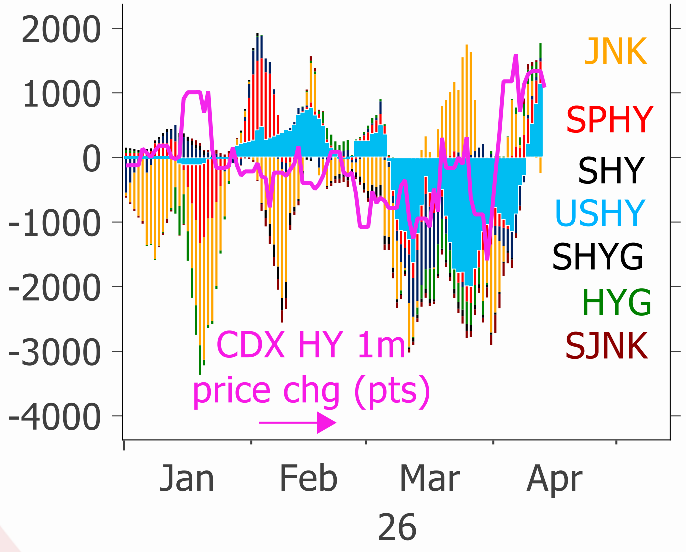
Gold ETF+Shanghai Futures flows, 1w, $m



Source: Macrobond, SHFE, Satori Insights.

Finding a bottom?

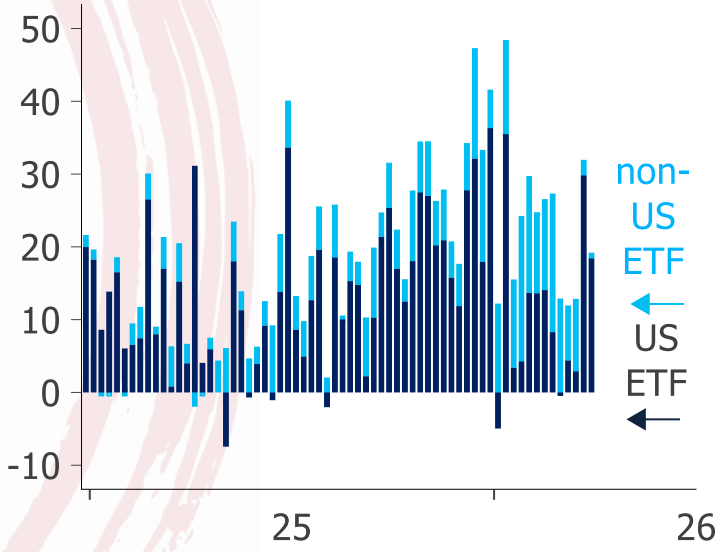
Largest HY ETF inflows, rolling 1m, $m



Source: Bloomberg, Satori Insights.

US dip-buying in force

Equity ETF inflows, weekly, $bn



Source: ICI, S&P Global, Macrobond, Satori Insights.

Dip-buying is back – precisely the behaviour lawlessness will eventually punish

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The short term remains highly unpredictable

Political

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Structural

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But the medium-term forces pushing towards lawlessness seem long-lasting

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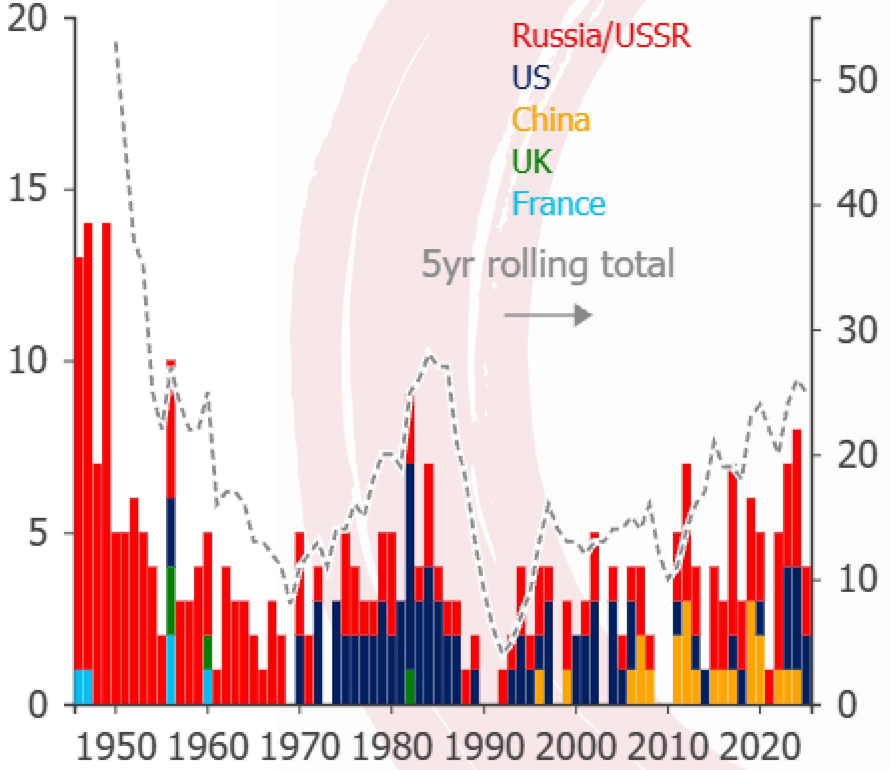
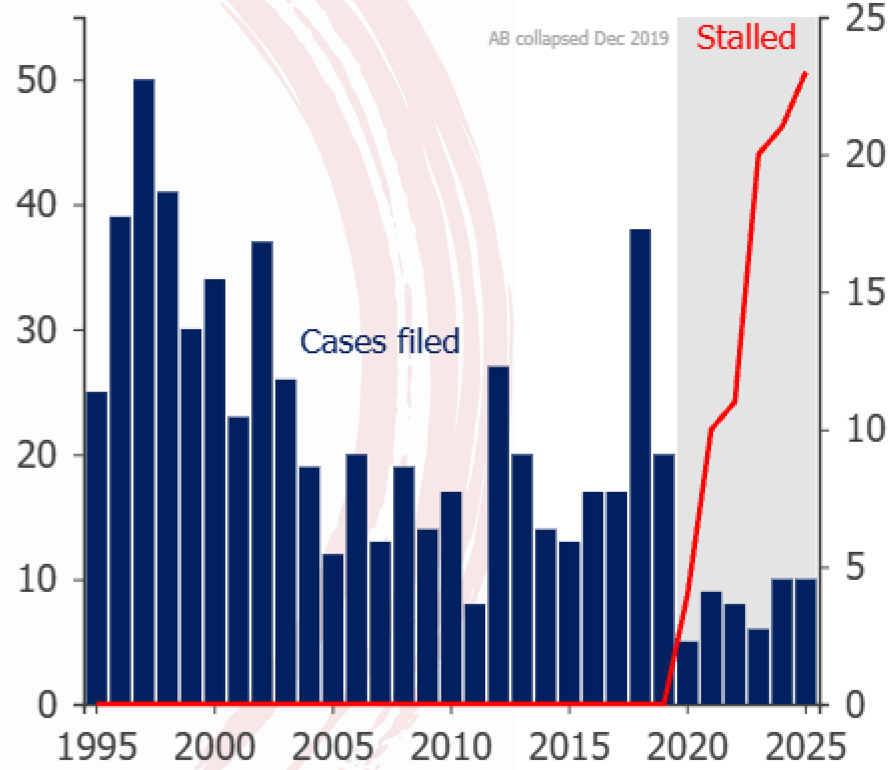
The temptation is to see lawlessness as a purely political problem

UN becoming dysfunctional
UN Security Council vetoes by country



Source: UN DPPA Security Council Vetoes dataset, updated 2026-03-30. Satori Insights.
Stacked bars: annual veto uses by country (left axis). Dashed line: 5yr rolling sum (right).
Peak 1950=53 (USSR Cold War domination); US secondary peak 1984=28 (Middle East vetoes).
2024=26, approaching 1980s levels. Russia AND US now blocking simultaneously.

WTO: cases fall, 23 appeals frozen
Disputes filed (bars); stalled appeals (line, right)



Source: WTO Dispute Settlement Statistics, Satori Insights.
Appellate Body non-functional since Dec 2019 (US blocked appointments); 23+ appeals stalled with no quorum. 64% of 2020-2023 panel rulings appealed into the void. Fewer cases filed because major powers now bypass WTO with unilateral tariffs and security exceptions.

The demise of the international rules-based order

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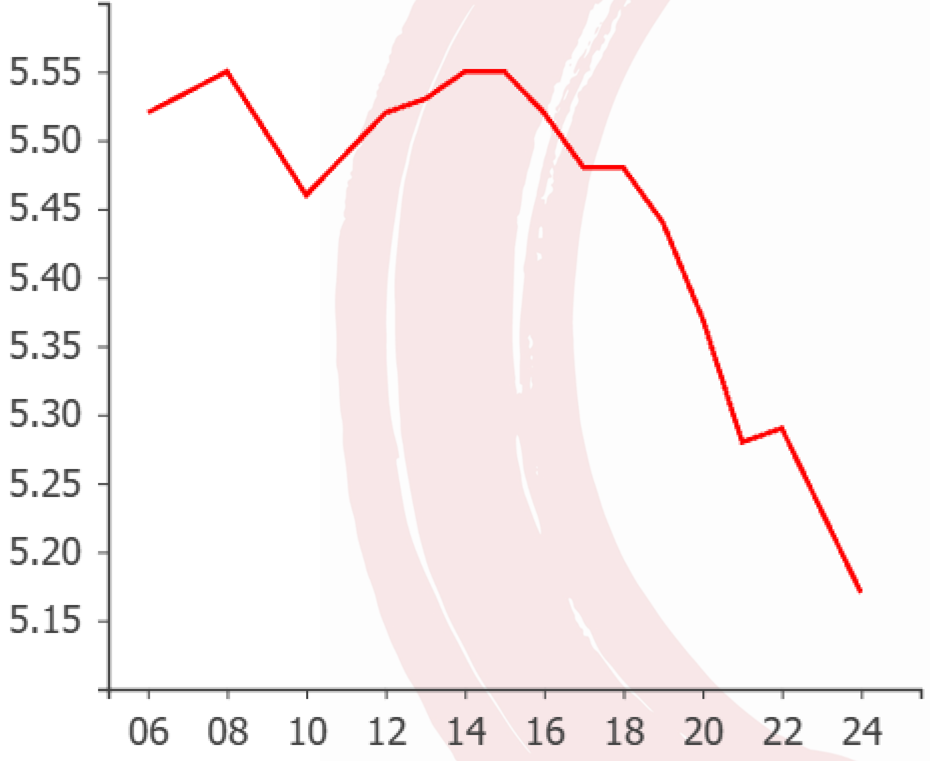
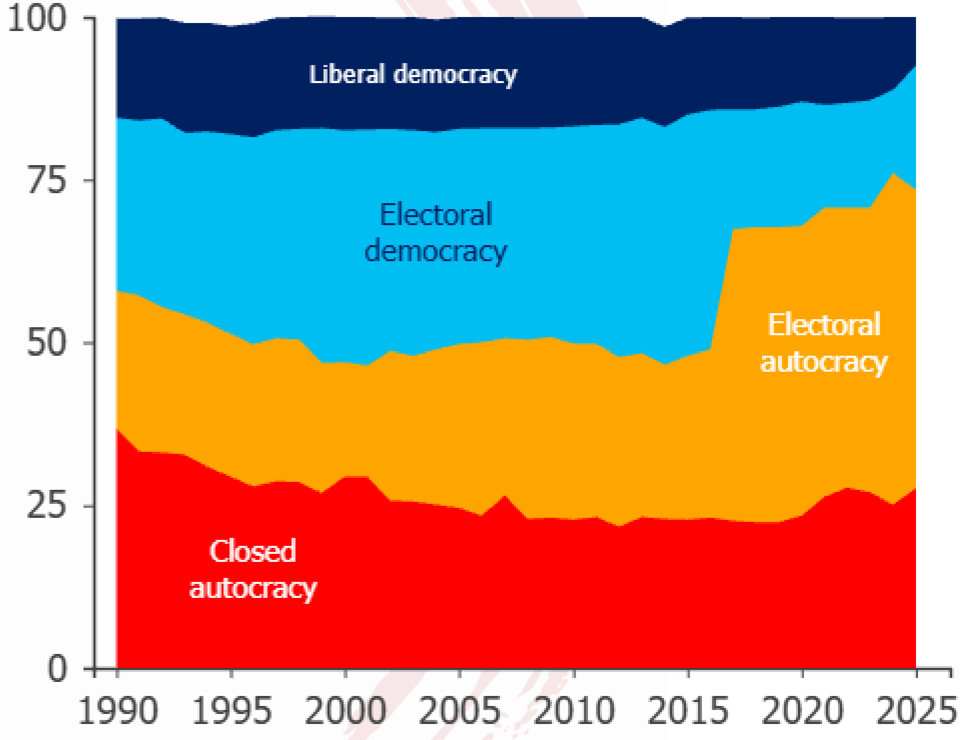
With similarly political domestic drivers

Democracy in decline
EIU Democracy Index, 167-country average



Source: EIU, Satori Insights.

The world's democratic depression
Share of world population by regime type, %



Source: V-Dem Institute, Democracy Report 2026; Our World in Data. Satori Insights.
Note: 2017 break — India (1.4bn) reclassified from Electoral Democracy to Electoral Autocracy.

The decline in democracy and shift towards autocracy

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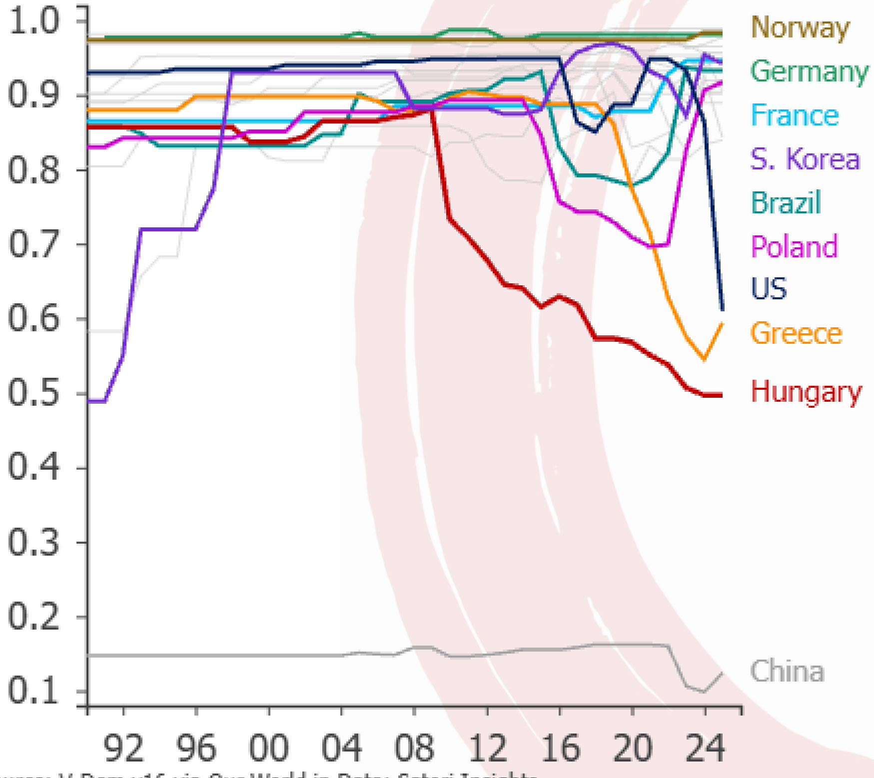
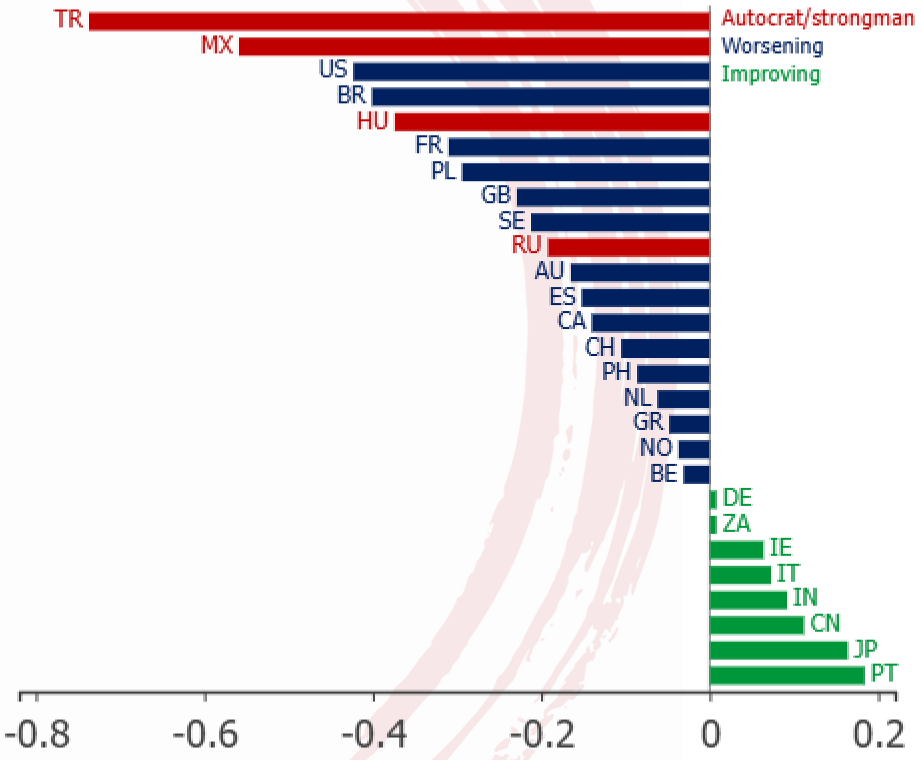
Some of this is indeed autocrats' willingness to break laws

Legislative checks eroding
Legislative checks on government index, 1990–2025



Source: V-Dem v16 via Our World in Data; Satori Insights.

Especially where strongmen hold sway
Change in rule of law score, 2012–2024



Source: World Bank Worldwide Governance Indicators; Satori Insights.

But even non-populist democracies often show declines

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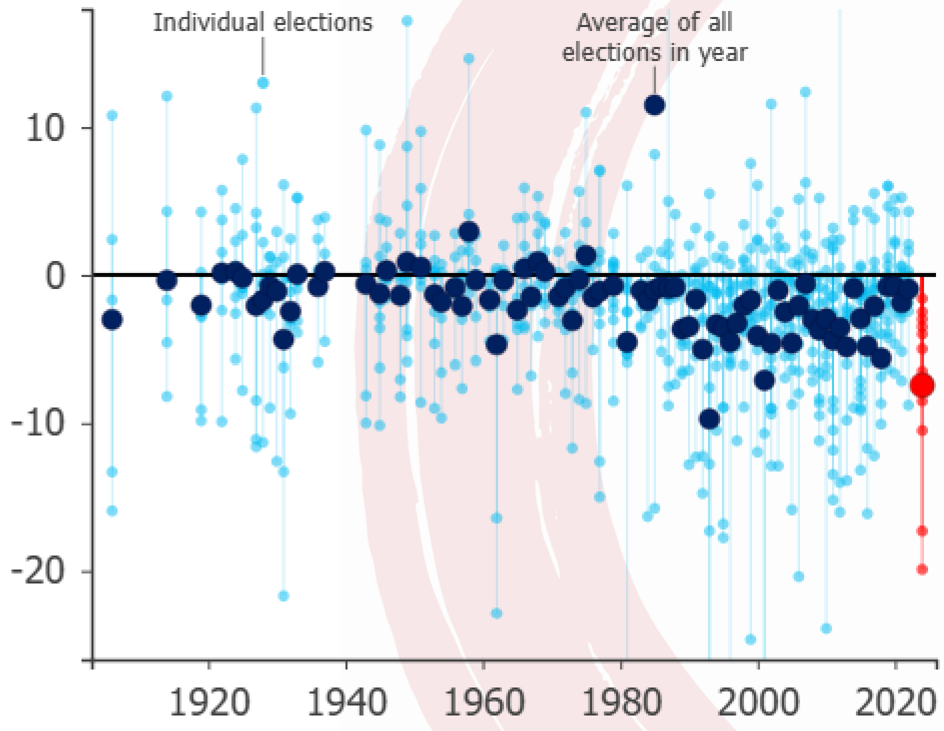
It seems likely the drivers go deeper

Incumbents increasingly thrown out

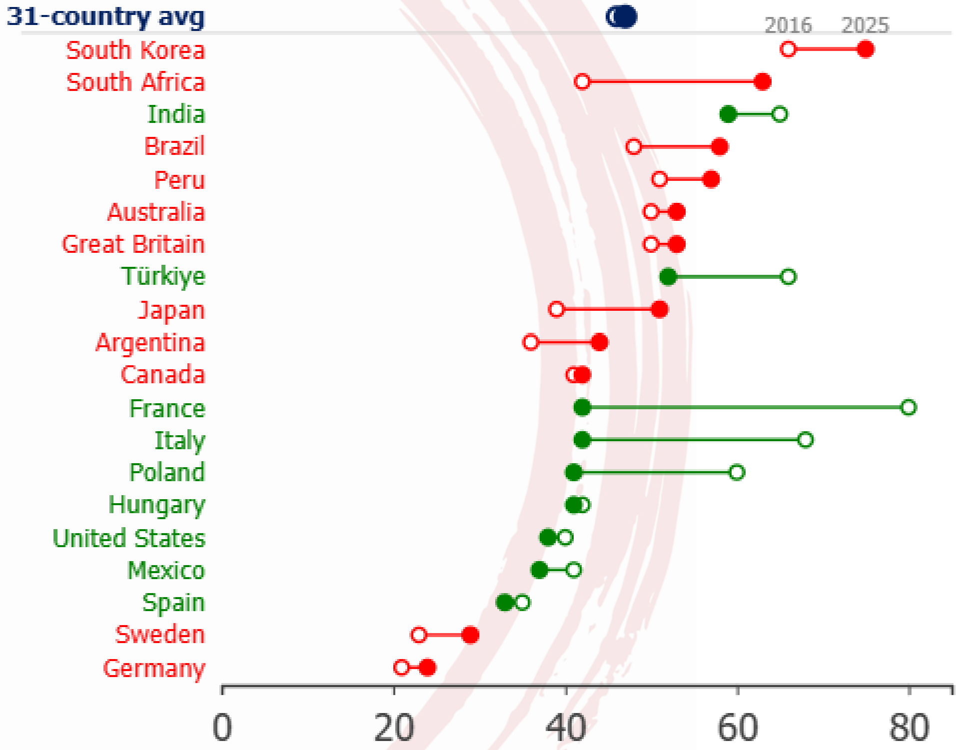
Vote share chg for governing parties, %



Excludes years where fewer than five countries had elections. 2024 individual data from FT research.
Sources: ParlGov; original chart: John Burn-Murdoch / FT, Satori Insights.

Rise (and fall) of the strongmen

"Need a strong leader willing to break the rules": % agree



Source: Ipsos Populism Reports 2016, 2025, Satori Insights. Red = higher than 2016; green = lower.

Voter disillusionment applies more broadly

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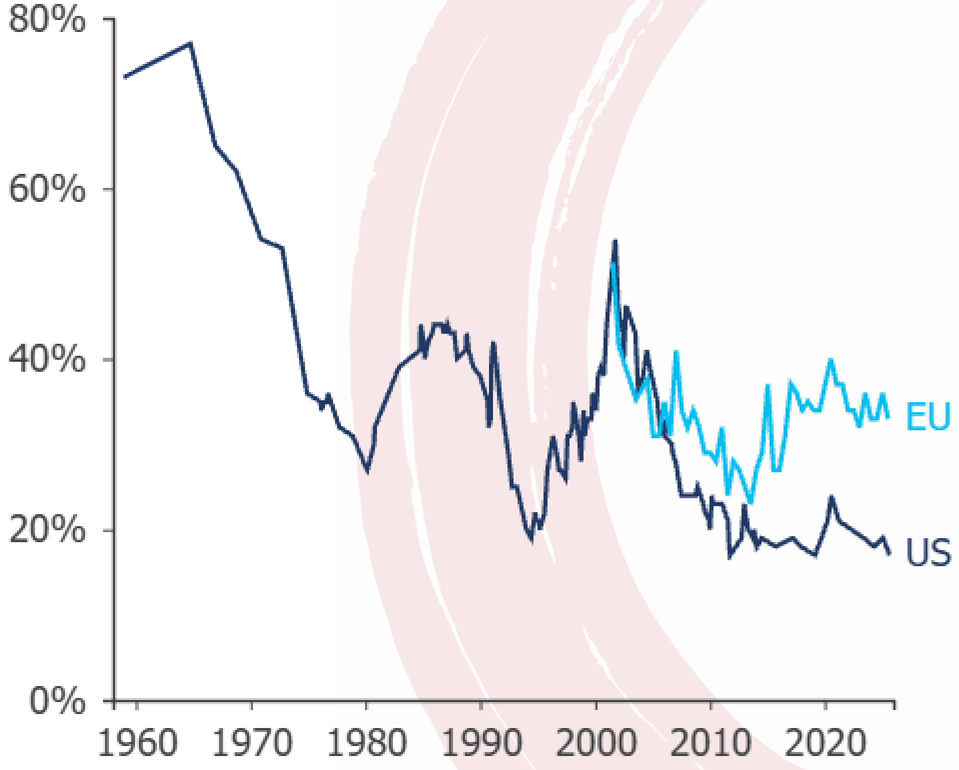
The obvious cause is diminishing trust, in governments especially

Trust in government has fallen sharply

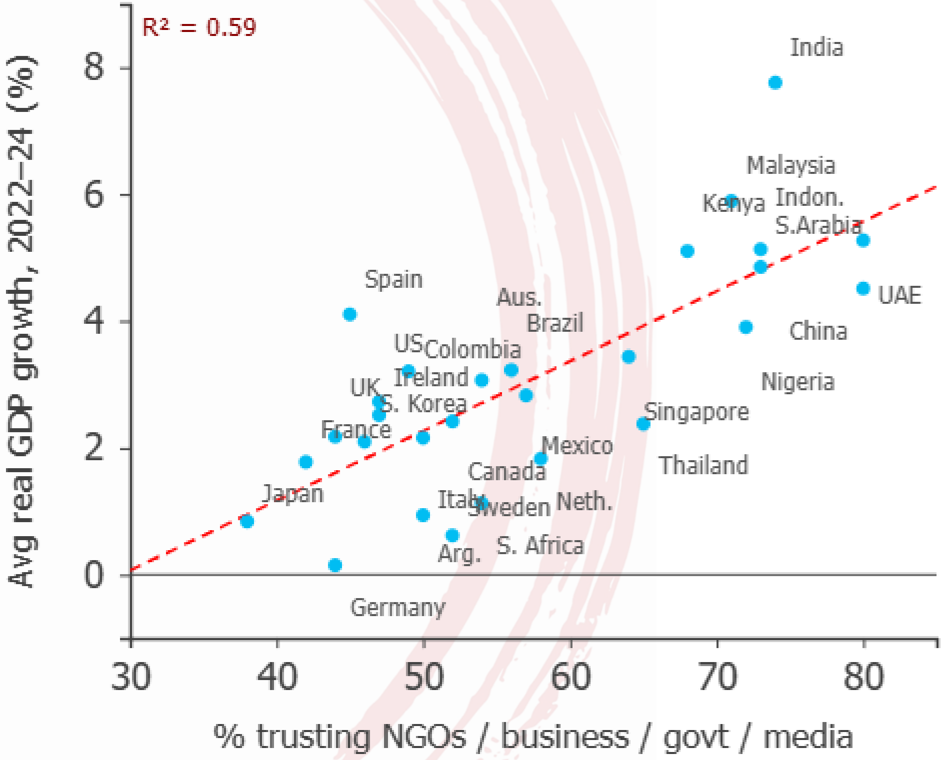
% trusting national government, US and EU



Source: Pew Research Center, Standard Eurobarometer, Satori Insights.
US: Pew Research, 'always or most of the time'.
EU: Eurobarometer, 'tend to trust' national government; EU avg, 2001–2025.

Growth and trust go hand in hand

Edelman Trust Index 2026 vs avg GDP growth, 2022–24



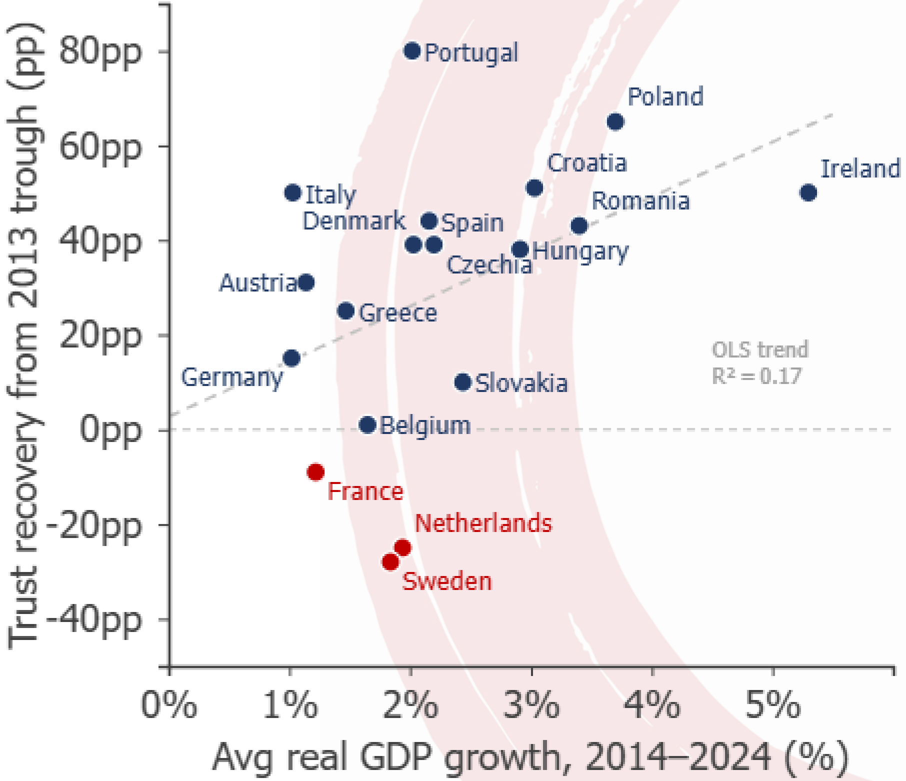
Source: Satori Insights, Edelman Trust Barometer 2026, World Bank.

Some of the frustration is declining growth

But it's not just about growth

Growth helps — but is not enough

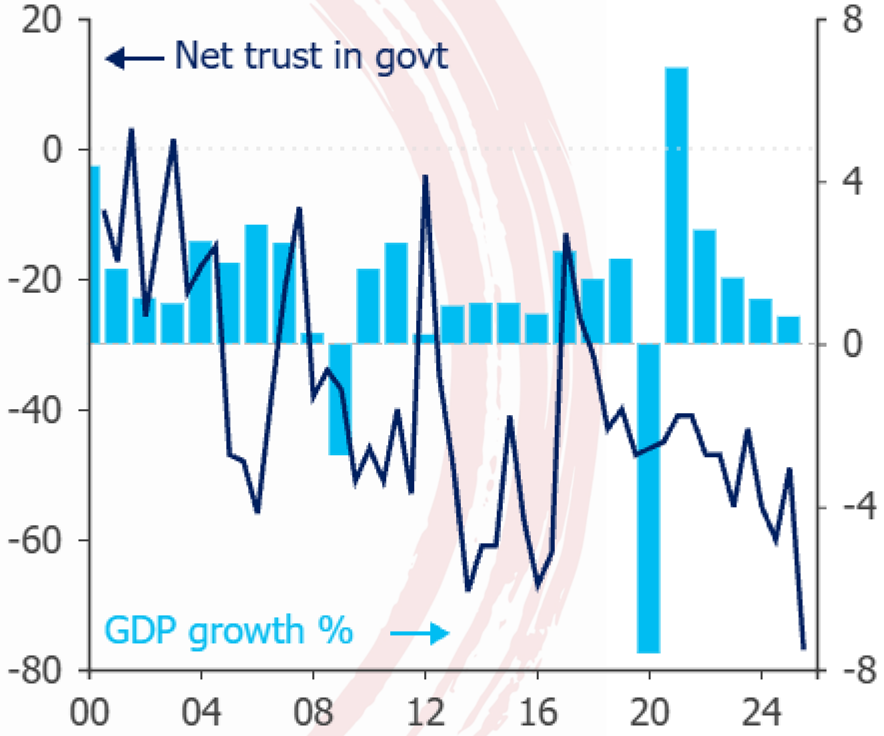
Trust recovery since 2013 trough vs GDP, 18 EU



Source: Standard Eurobarometer; IMF WEO via Macrobond; Satori Insights.
Trust recovery = 2024/25 net trust minus min net trust in 2011–2015.
Net trust = % 'tend to trust' minus % 'tend not to trust'. Ireland GDP excl. 2015 & 2021.

Take France: trust fell regardless

Net trust in government vs GDP growth, %



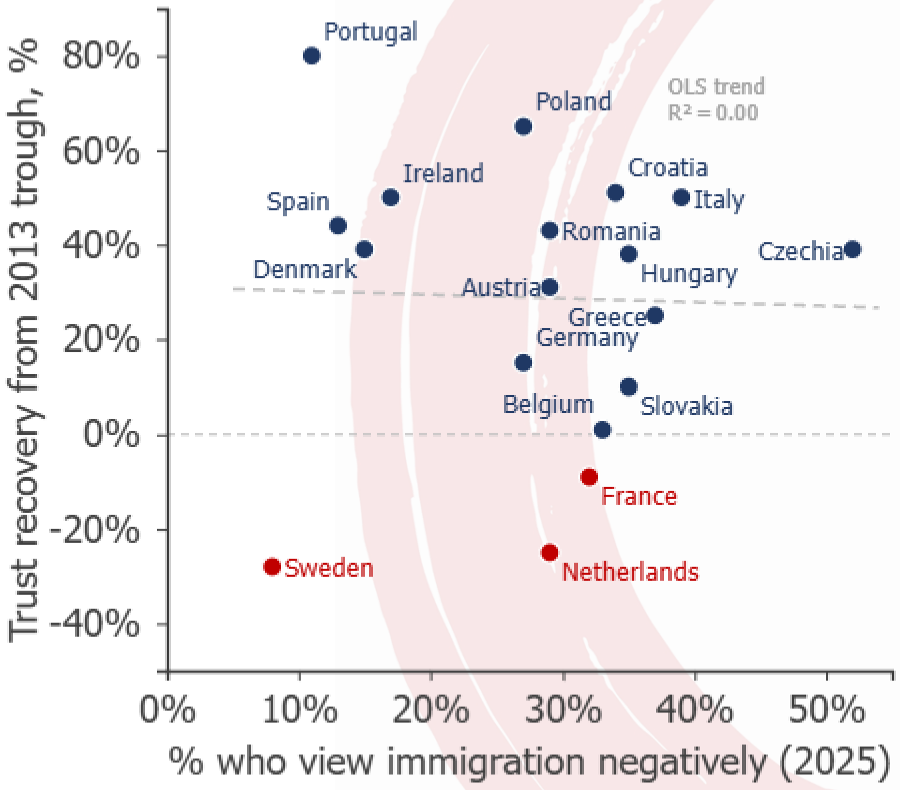
Source: Standard Eurobarometer; IMF WEO via Macrobond; Satori Insights.
Net trust = % 'tend to trust' minus % 'tend not to trust' national government.

There seems to be something more structural

Right-wing populists would love to blame immigration

Immigration is not the culprit

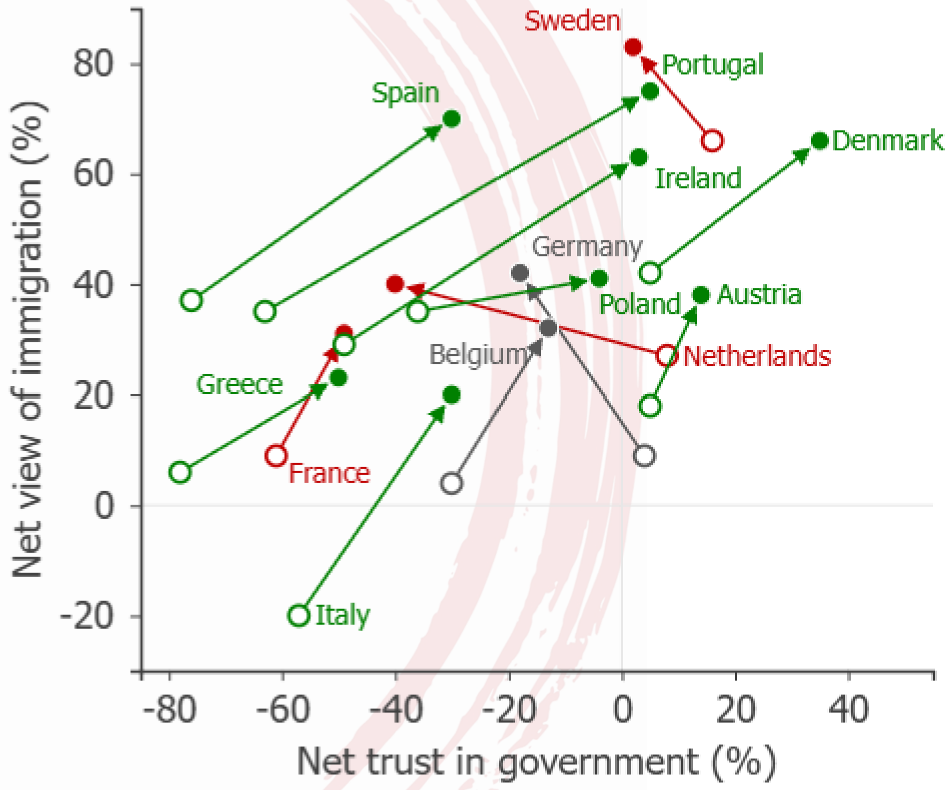
Trust vs share viewing immigration negatively



Source: Standard Eurobarometer; Satori Insights.
Trust recovery = 2024/25 net trust minus min net trust in 2011–2015.
Immigration negativity = % fairly/very negative (Eurobarometer Q59.278, 2025).

All arrows up — but red ones go left

Net trust vs net immigration sentiment, 2014→ 2025



Source: Eurobarometer (Q18.89, Q59.278); Satori Insights. Open circle = 2014; filled = 2025.
Red = trust declined; green = trust recovered; grey = flat.
France: arrow slightly right as 2013 was trough; longer-run decline is structural.

It's not immigration

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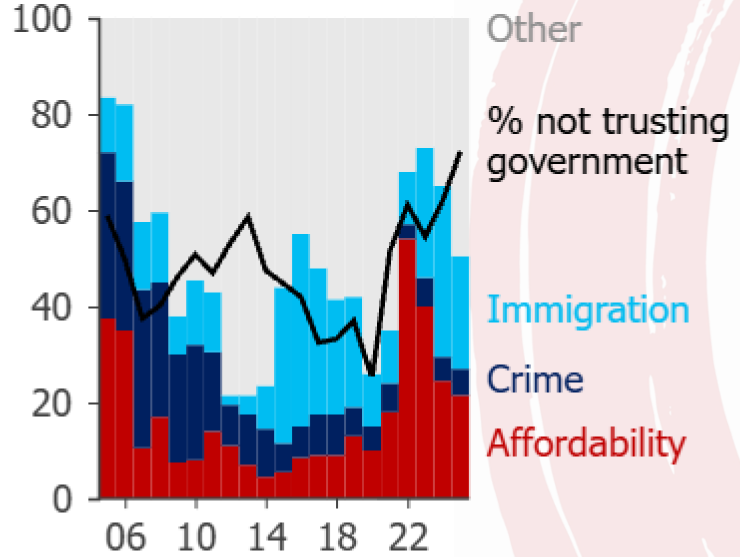
Left-wing populists would love to blame affordability

Crime fell, distrust soared

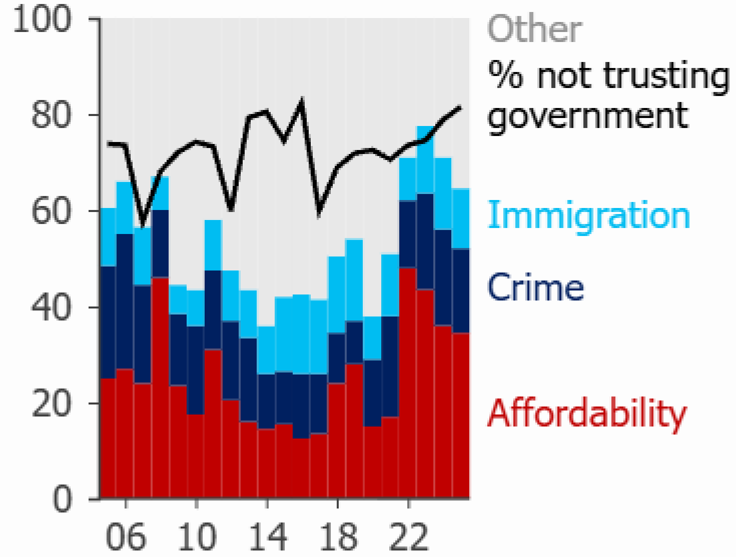
Netherlands: top concerns vs trust



Source: Standard Eurobarometer; Satori Insights.
Bars: % of two most important concerns. Line: approx % not trusting govt.

Concerns shift, distrust rises

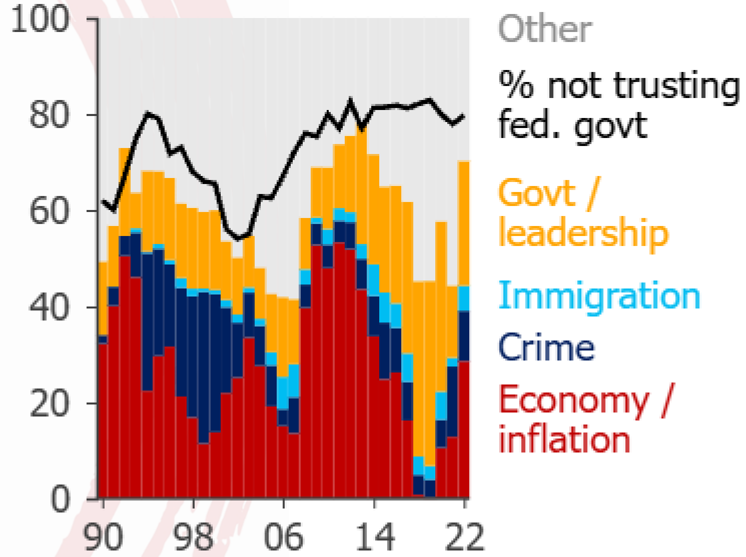
France: top concerns vs trust



Source: Standard Eurobarometer; Satori Insights.
Bars: % of two most important concerns. Line: approx % not trusting govt.

Not immigration — it's DC

United States: top concerns vs trust



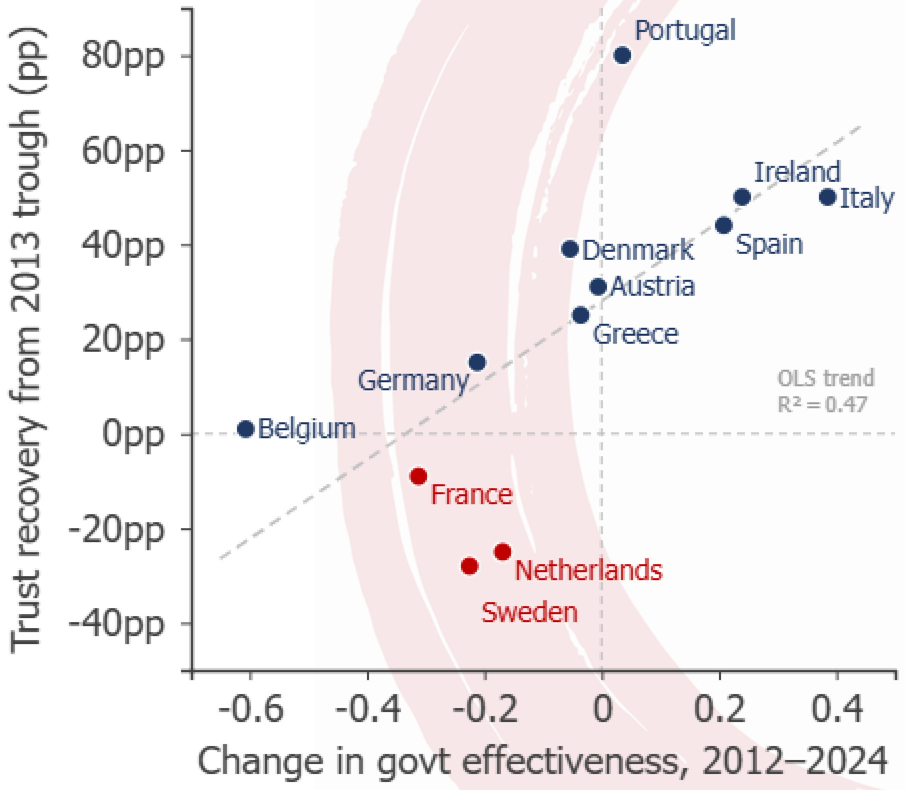
Source: Gallup MIP via Comparative Agendas Project; Pew Research; Satori
Bars: % citing as most important problem. Line: % NOT trusting federal gov

Closer, but it's not affordability either

What's really suffered is perceptions of effectiveness

Governance explains more than growth

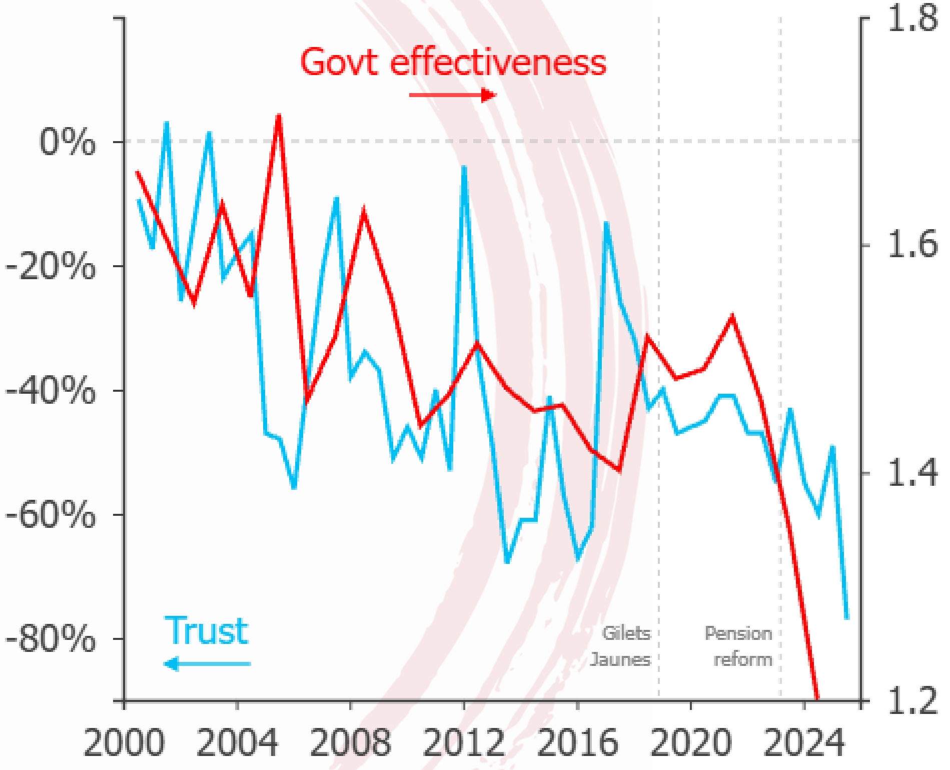
Trust recovery vs govt effectiveness chg



Source: Standard Eurobarometer; World Bank WGI via Macrobond; Satori Insights.
Trust recovery = 2024/25 net trust minus min net trust in 2011–2015.
Net trust = % 'tend to trust' minus % 'tend not to trust' national government.

France: trust follows governance down

Net trust vs WB govt effectiveness score



Source: Standard Eurobarometer; World Bank WGI; Satori Insights.
Net trust = % 'tend to trust' minus % 'tend not to trust' national government.
WGI GE score: biennial 1996–2002, annual 2002–2024 (published with 1–2y lag).

Electorates are desperate for effective government

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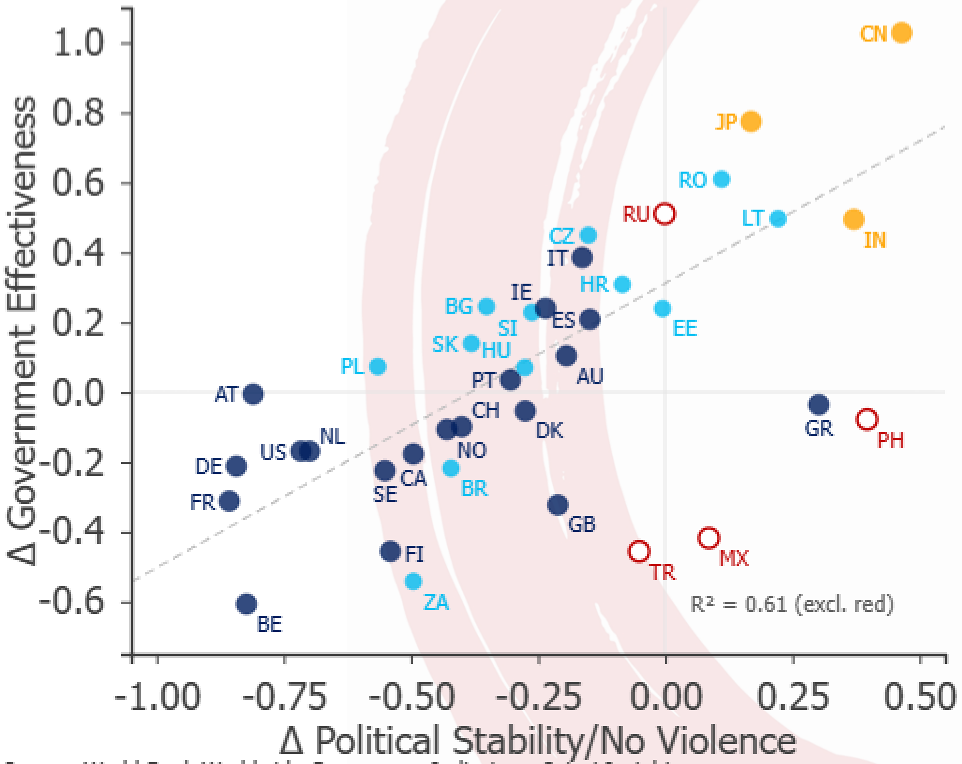
Ineffectiveness feeds instability – and vice versa

Ineffective = unstable

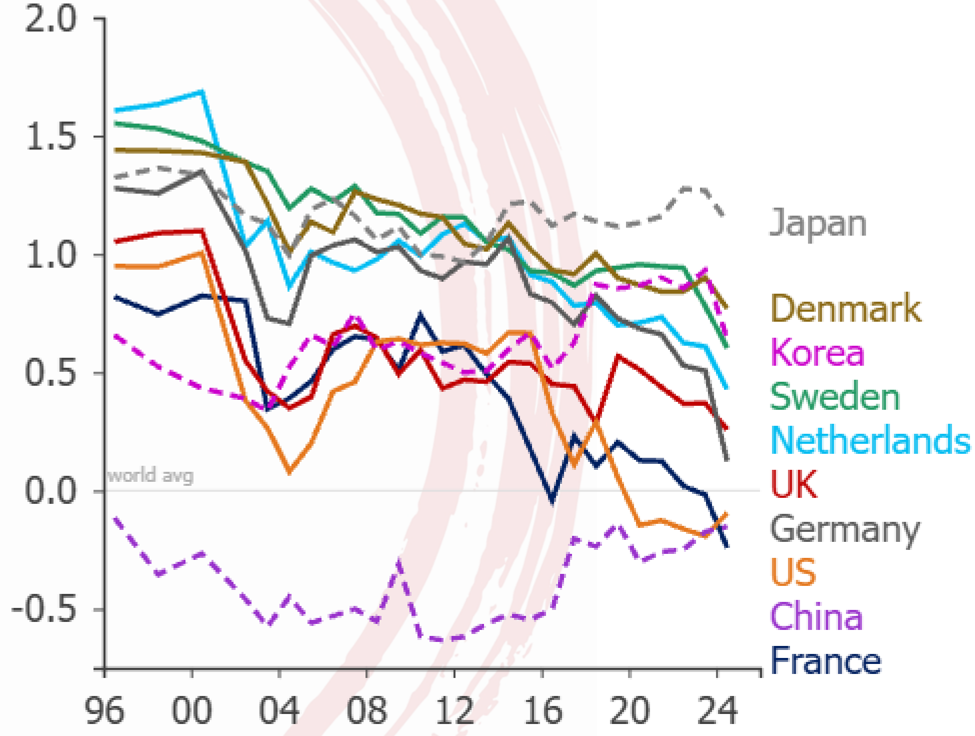
Change in political stability vs effectiveness, 2012–2024



Source: World Bank Worldwide Governance Indicators; Satori Insights.
Red (hollow) = MX/RU/PH/TR: WB PV reflects authoritarian suppression, not fragmentation.

The West fragments; China stabilises

World Bank Political Stability score, 1996–2024



Source: World Bank Worldwide Governance Indicators; Satori Insights.
Solid = Western democracies; dashed = CN (improving), JP (stable) and KR (Dec 2024 crisis).

Too often the West is marked by instability and paralysis

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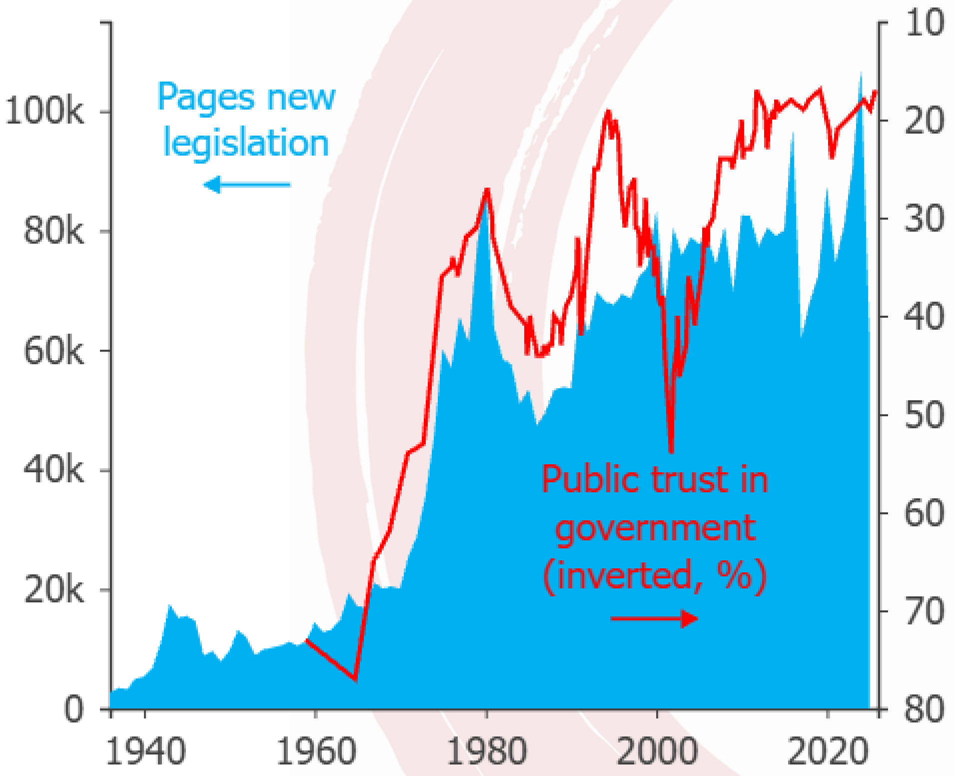
Why is this happening? (1)

More law, less trust

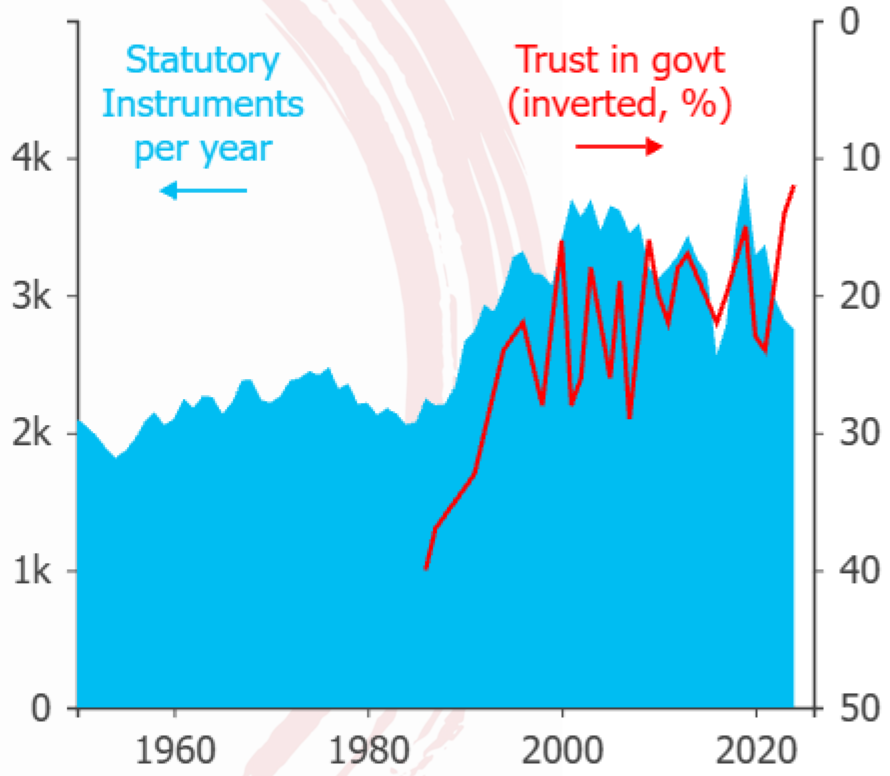
US federal legislation vs trust in govt poll



Source: Office of the Federal Register, Pew Research Center, Satori Insights.
For a more detailed description of US dynamics, see *Why nothing works*, M. Dunkelman (2024).

Easier to make laws than enforce them

UK secondary legislation (SIs) vs public trust in govt



Source: HoC Library (CBP-7438); NatCen British Social Attitudes 1986–2024; Satori Insights.

Governments are legislating more but achieving less

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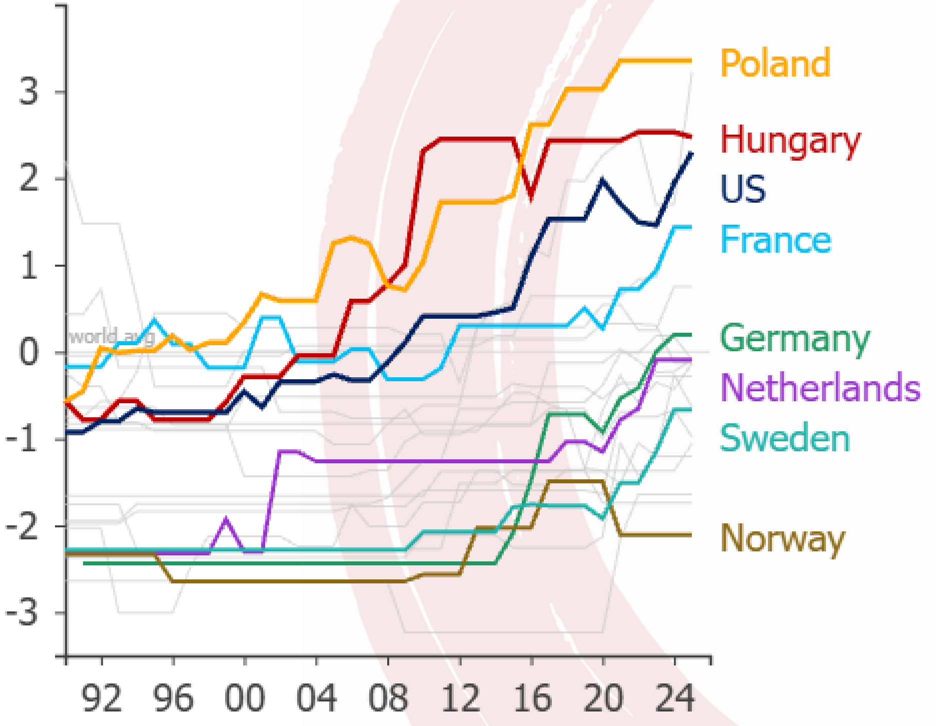
Why is this happening? (2)

Societies dividing into hostile camps

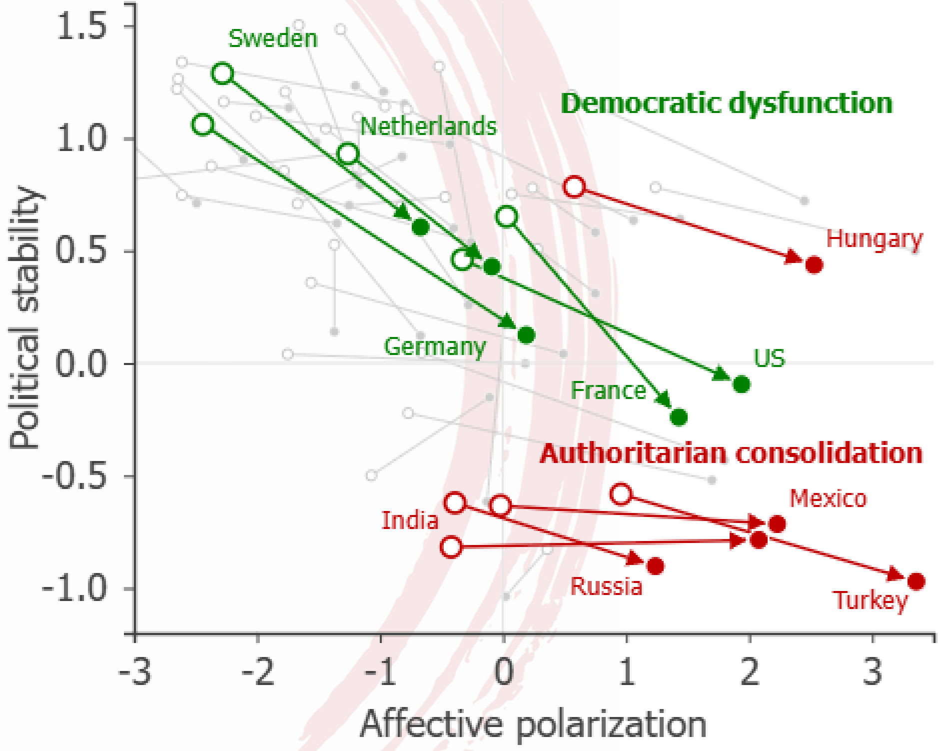
V-Dem political polarization score, 1990–2025



Source: V-Dem via Our World in Data; Satori Insights.
v2cacamps: "Is society polarized into antagonistic political camps?" (V-Dem expert survey).

Stability usually suffering

Polarization vs political stability indices, 2007-2024



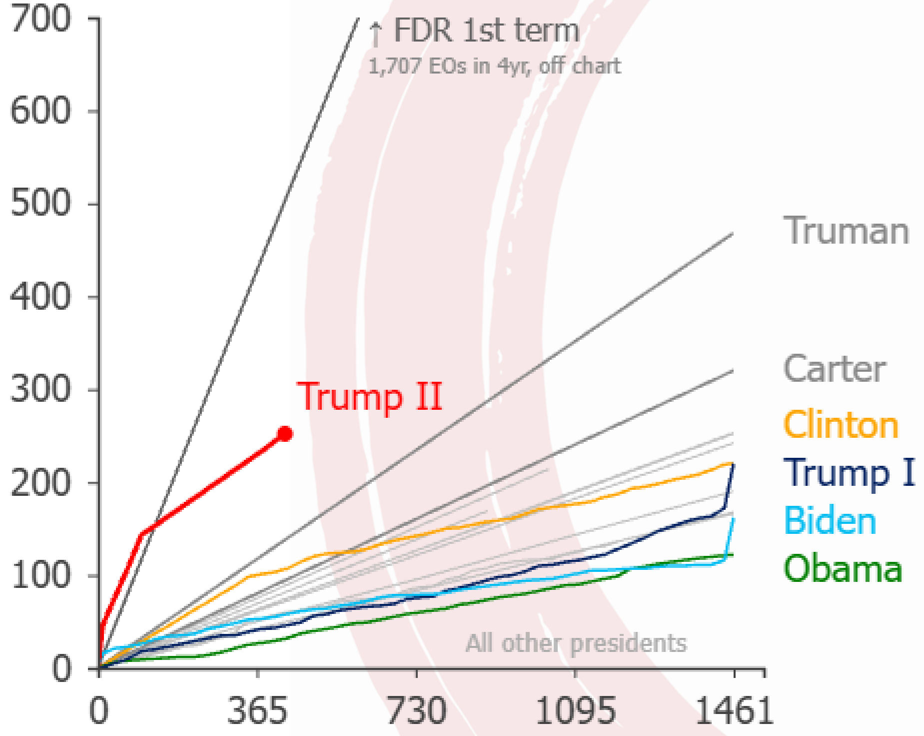
Source: V-Dem v16; World Bank WGI; Satori Insights.

Almost everywhere is becoming more polarized

This has led to executives trying to break the system

Government by executive order

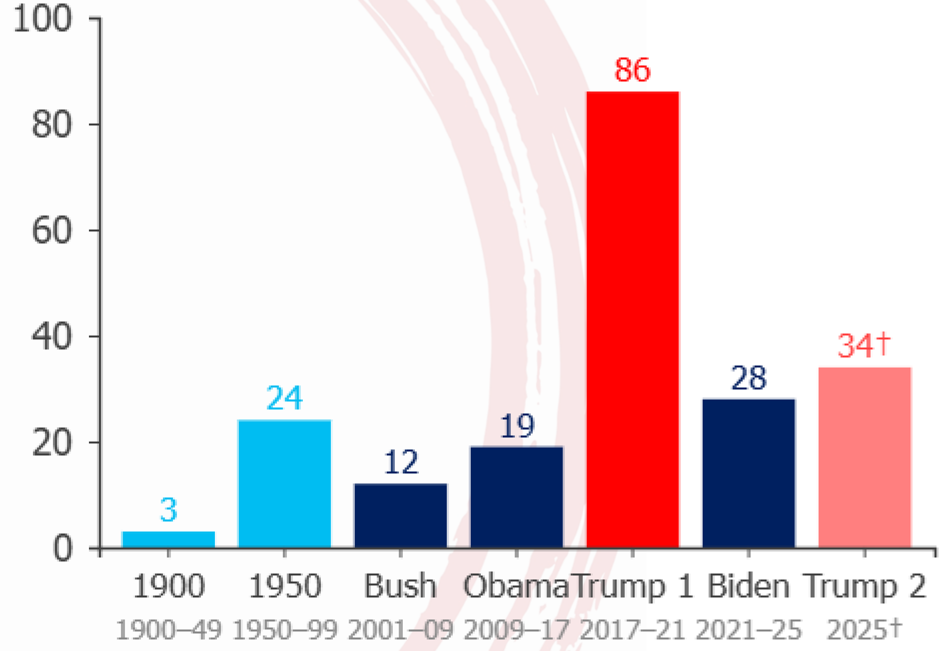
Exec orders vs days since inauguration, 1933–2026



Source: American Presidency Project, Federal Register, Satori Insights.
Pre-1993: annual APP totals, constant rate assumed. Clinton Fed Register from Dec 1993.

Courts fight back — spot the outlier

Nationwide injunctions blocking executive actions



† Trump 2: to Jun 27, 2025; SCOTUS (Trump v. CASA) then ended nationwide injunctions.
Cyan bars: 1st and 2nd halves of 20th century; combined = 27 (AG Barr, 2019).
Source: CRS (2025); DOJ (Bush, Obama). Red bars = Trump terms. Satori Insights.

But the system (and sometimes voters) fight back

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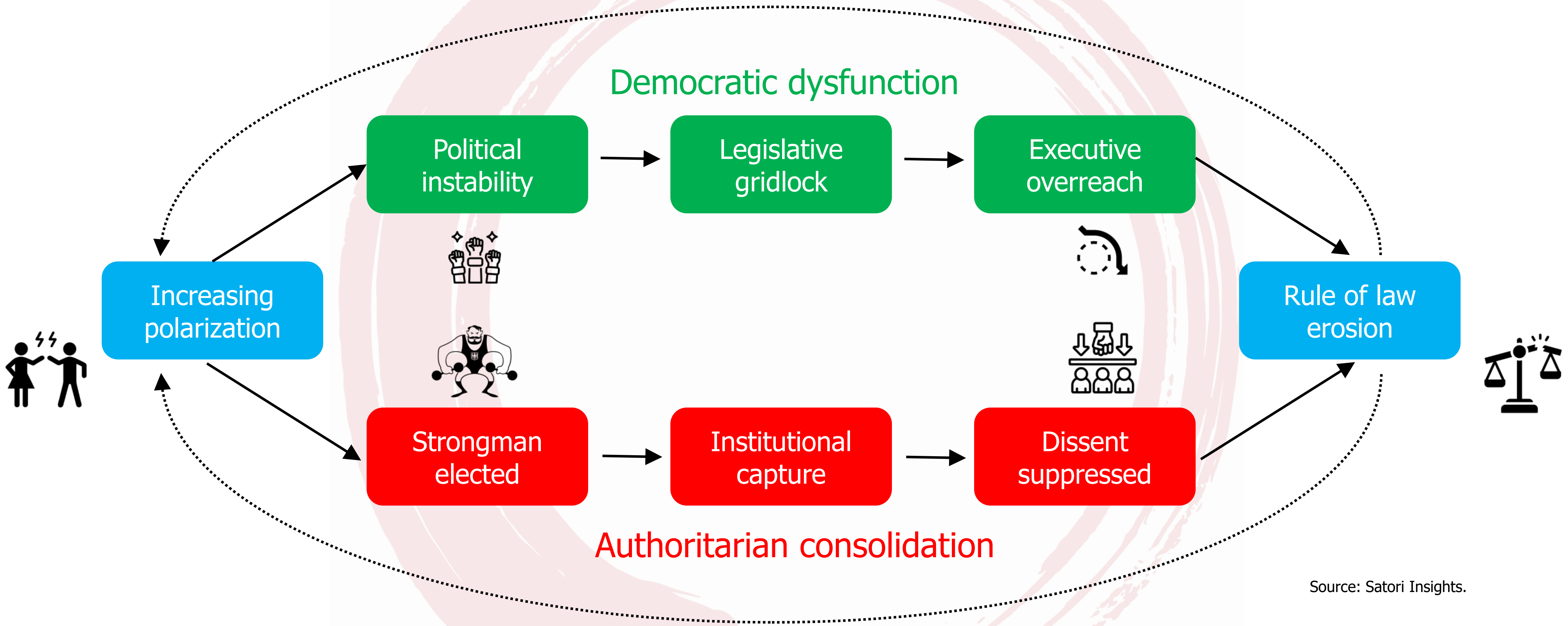
Two routes, same destination



Source: Satori Insights.

Polarization + dysfunction lead, rule of law erosion follows

Agenda

It’s not just the fog of war

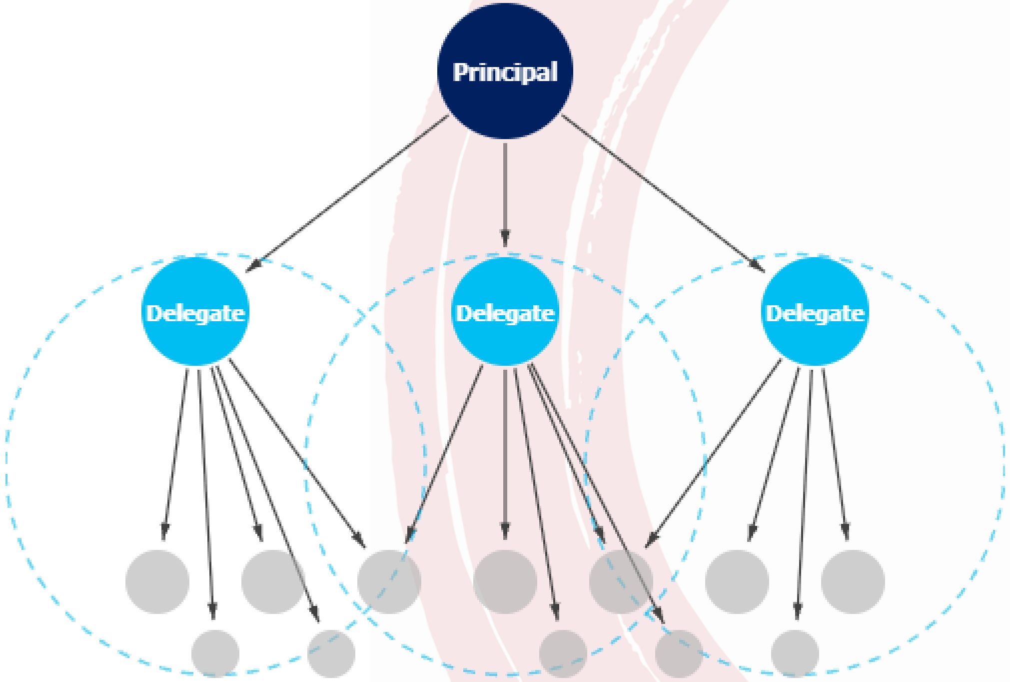
The drivers of lawlessness are structural

Implications for investors

Scale and deepening have required a different trust model

Delegated trust — effective but small

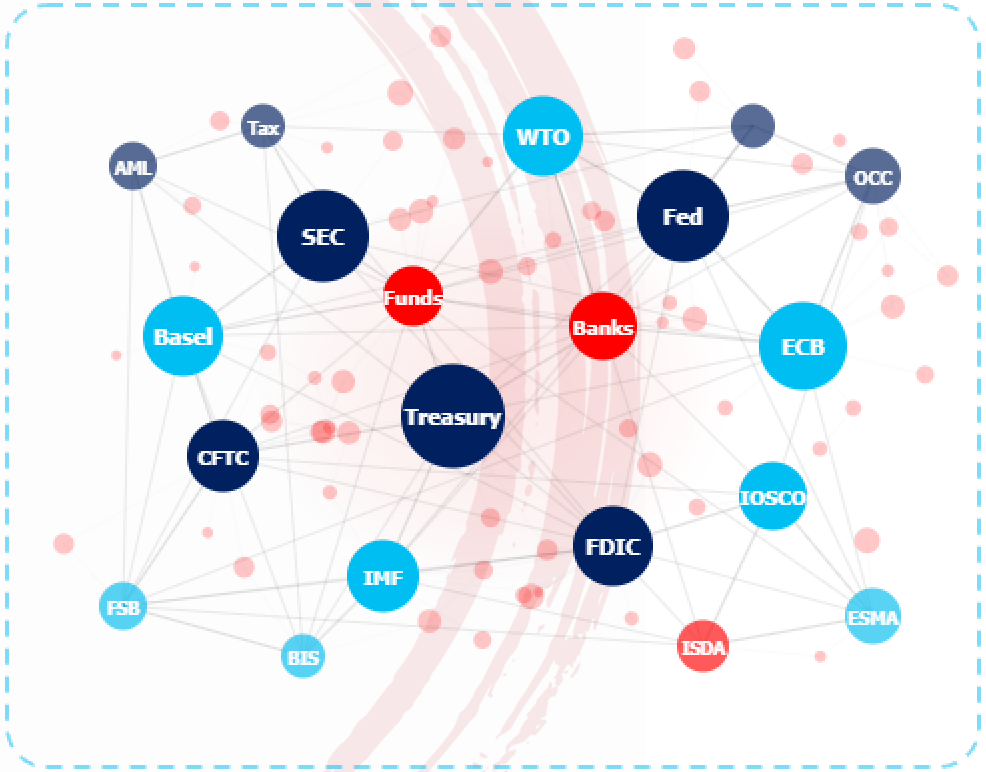
Hierarchical / personal / familial



Source: Satori Insights.

Distributed trust — scalable but rigid

Rules-based / bureaucratic / institutional



Source: Satori Insights.

We seem to be approaching its limits

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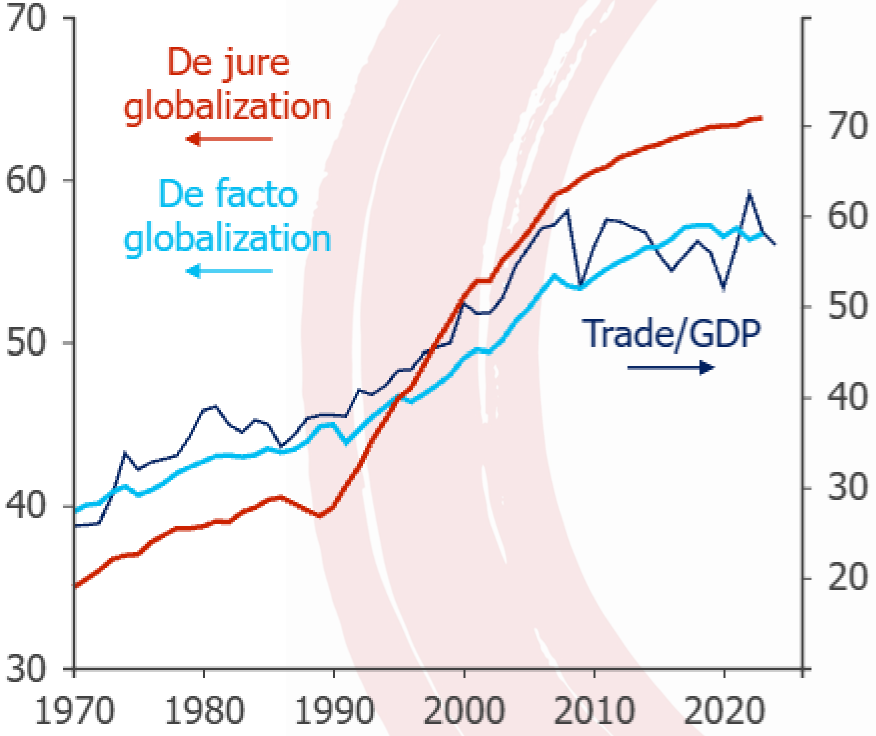
Trade usually follows trust – and trust is reversing

Globalization reaching limits

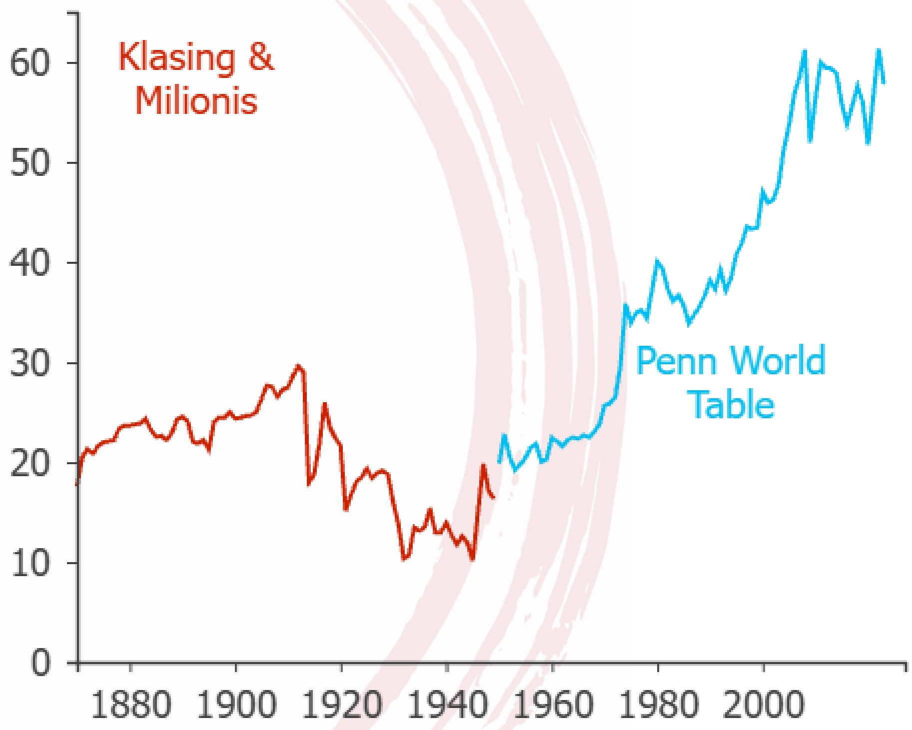
KOF globalization index vs world trade/GDP



Note: KOF index = world average; de facto = actual flows; de jure = policies/rules.
Source: KOF Swiss Economic Institute, World Bank, Satori Insights.

This happened once before...

World trade (exports + imports), % of GDP



Note: K&M use own non-PPP GDP estimates. PWT uses PPP-adjusted GDP.
Source: Klasing & Milionis (1870–1949), Penn World Table (1950–2023), Satori Insights.

Prosperity rises (and falls) with the radius of trust

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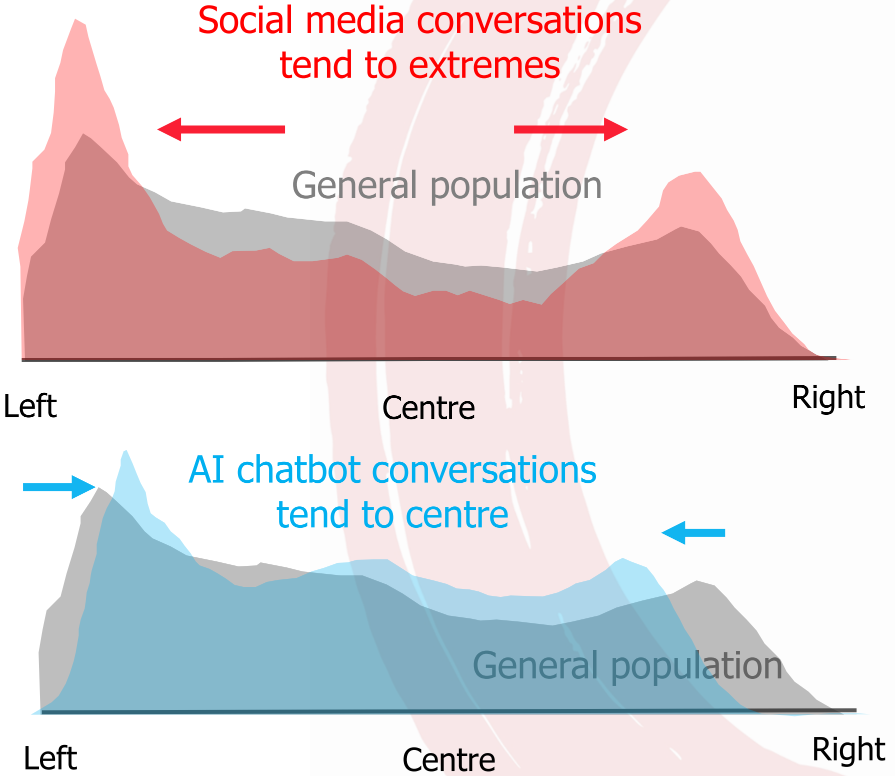
AI could in principle help us break out of this doom loop

AI is naturally depolarizing

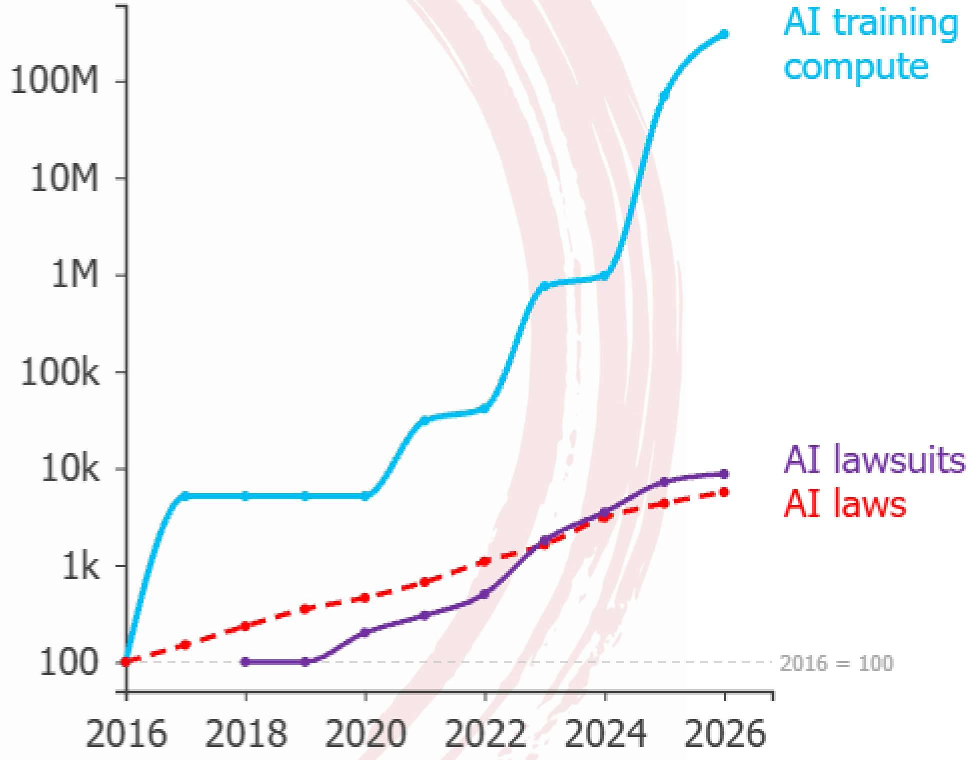
Political slant scoring of sampled conversations



Source: FT analysis of Co-operative Election Study, John Burn-Murdoch, Satori Insights.

Lawmakers are left trailing

Global laws, US lawsuits, 2016 = 100, log scale



Source: Epoch AI; OWID AI Bills; Copyright Alliance; McKool Smith.

But AI is itself pushing the boundaries of extra-legality

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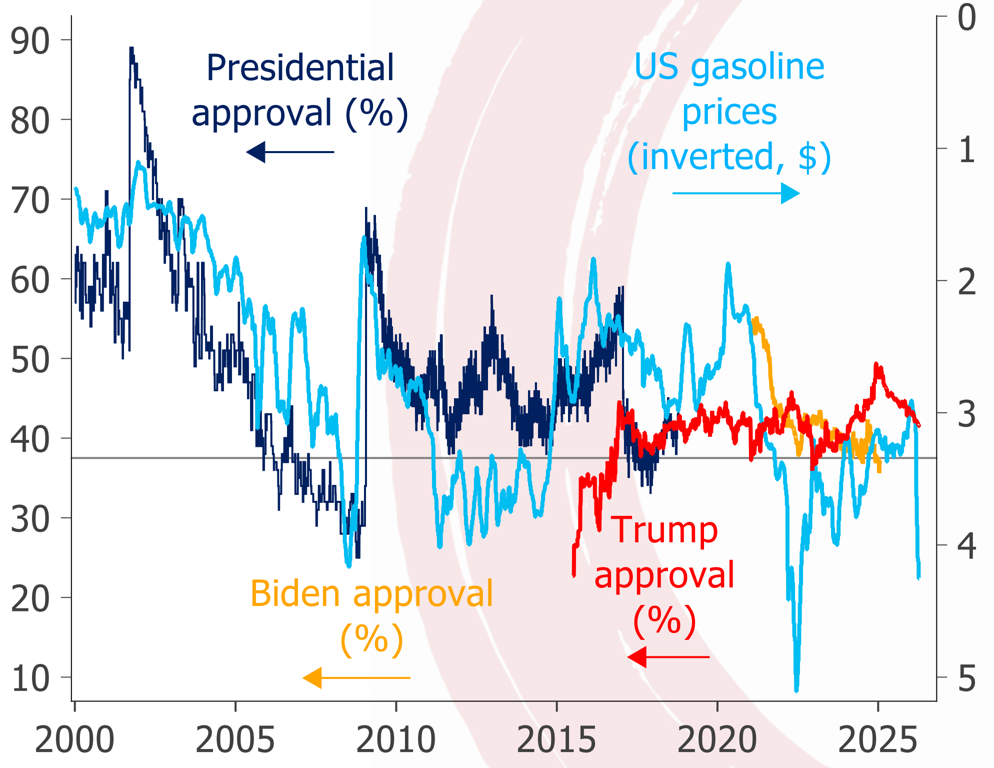
All these circular loops make markets the main regulator

Pain at pump = pain in polls

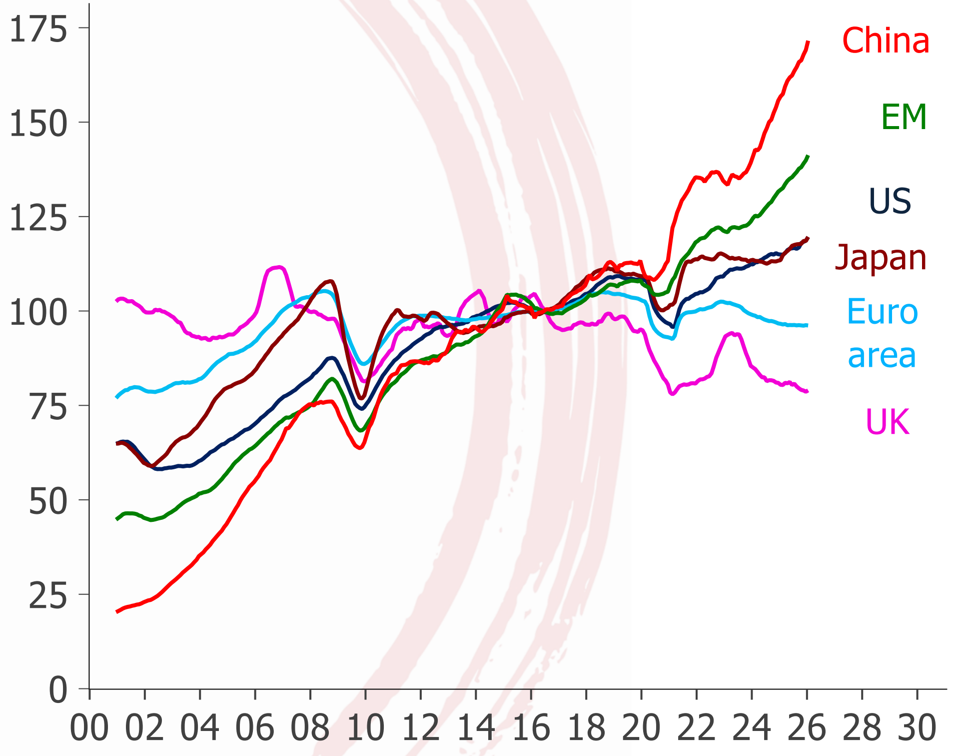
US presidential approval rating vs gasoline prices



Source: UC, RCP, University of Michigan, Macrobond, Satori Insights.

But some pain is self-inflicted

Export volumes, 2016=100



Source: CPB World Trade Monitor, Macrobond, Satori Insights.

But there are times when politics simply dominates

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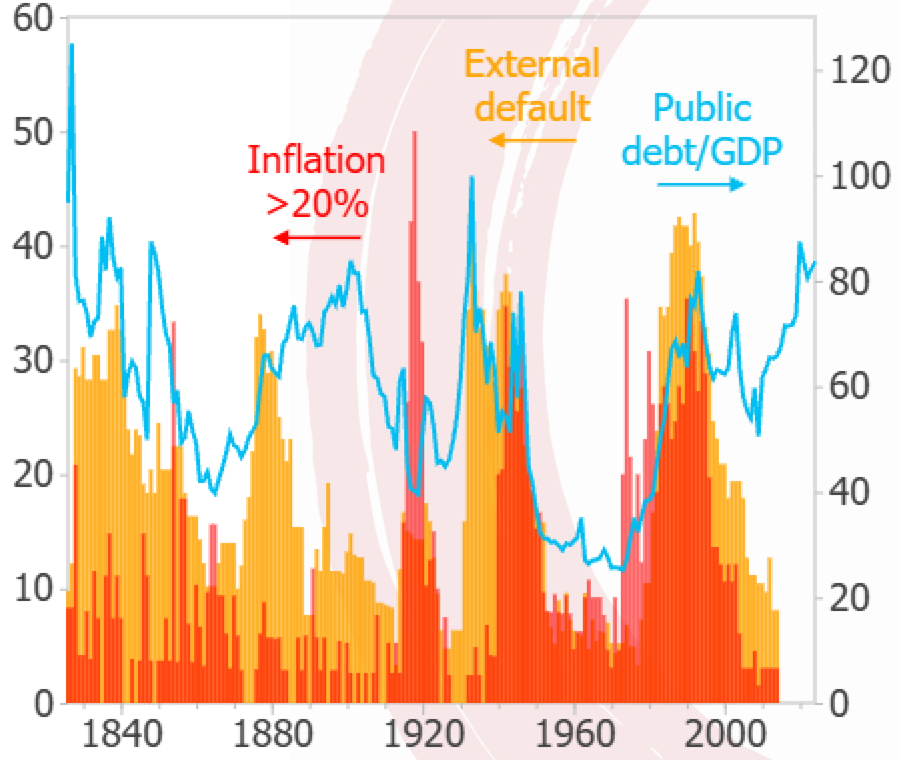
Dalio is again an excellent guide

More debt usually means more defaults

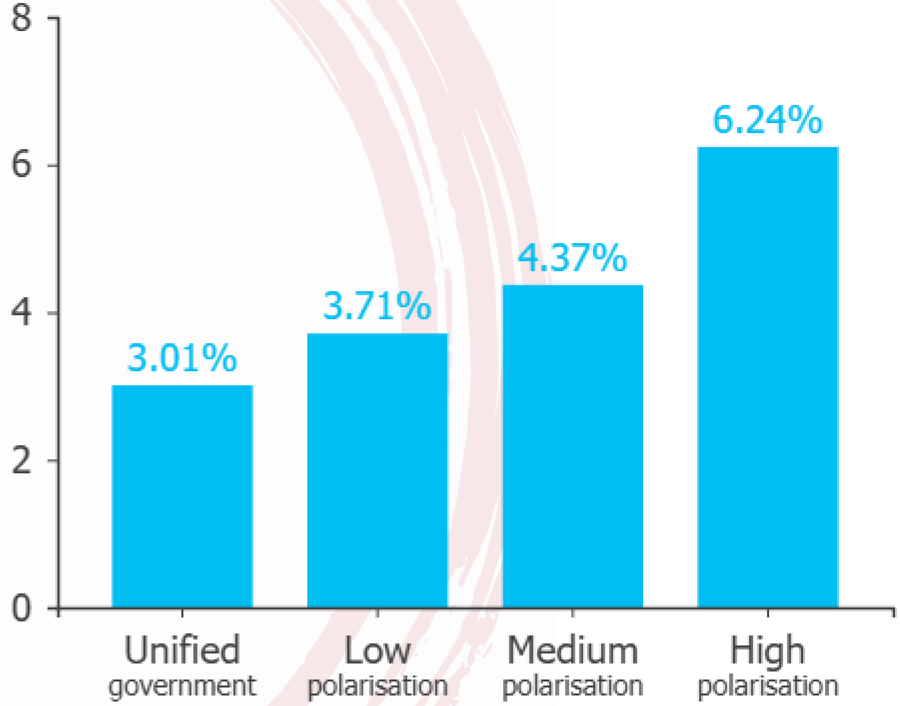
Default and inflation share; total debt/GDP



Sources: Reinhart & Rogoff (2010, 2011); IMF World Economic Outlook (2024).

Polarization drives defaults

Avg sovereign default probability, % of years



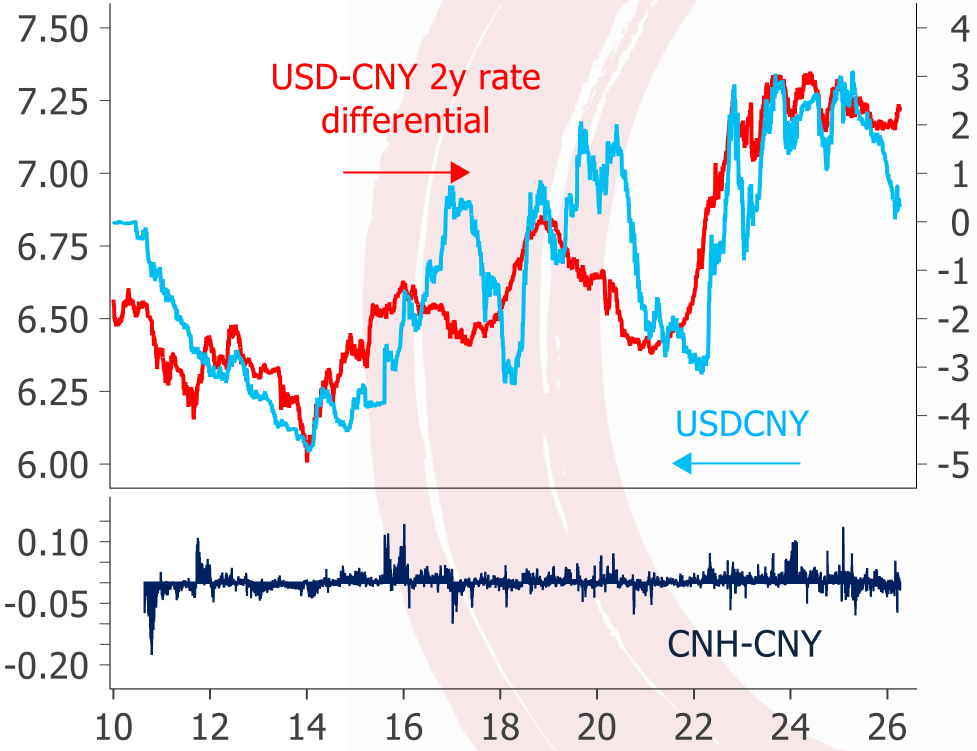
90 countries, 1960–2008. Unified = good institutions or zero polarisation.
Polarisation = weighted std dev of ruling party ideologies by legislative vote share.
Source: Qian & Roch (2024). Satori Insights.

Debt, polarization, inequality and declining great power: the four warning signs

China looking ever more like a bastion of stability

$, not CNY, now require a rate premium

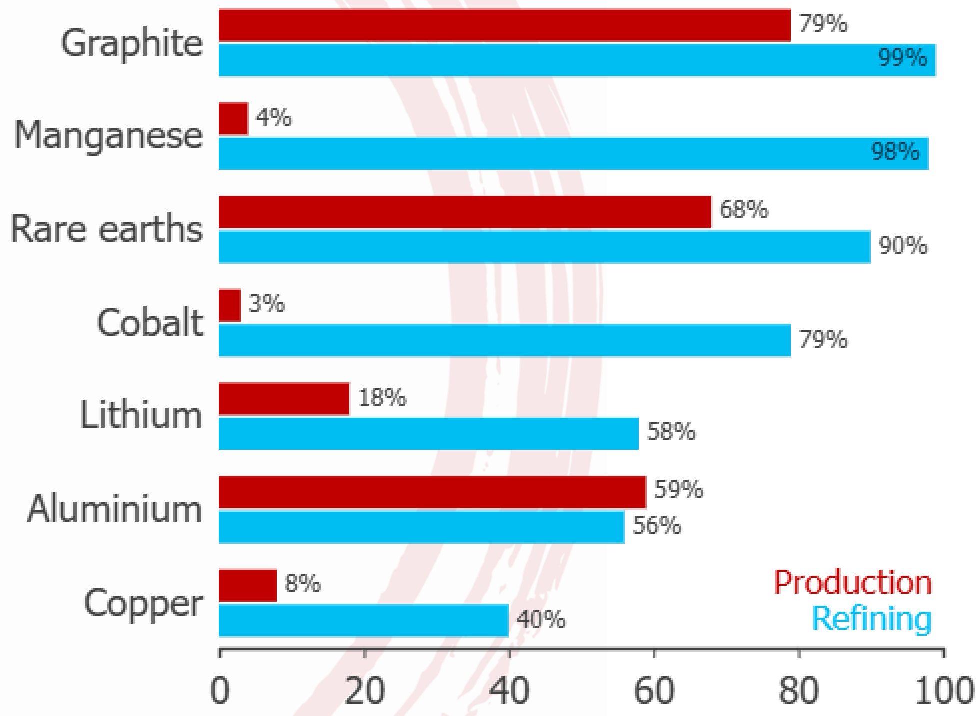
FX vs nominal rate differential and offshore yuan premium



Source: Macrobond, Satori Insights.

China controls the chokepoints

Share of global mineral supply chain, 2023, %



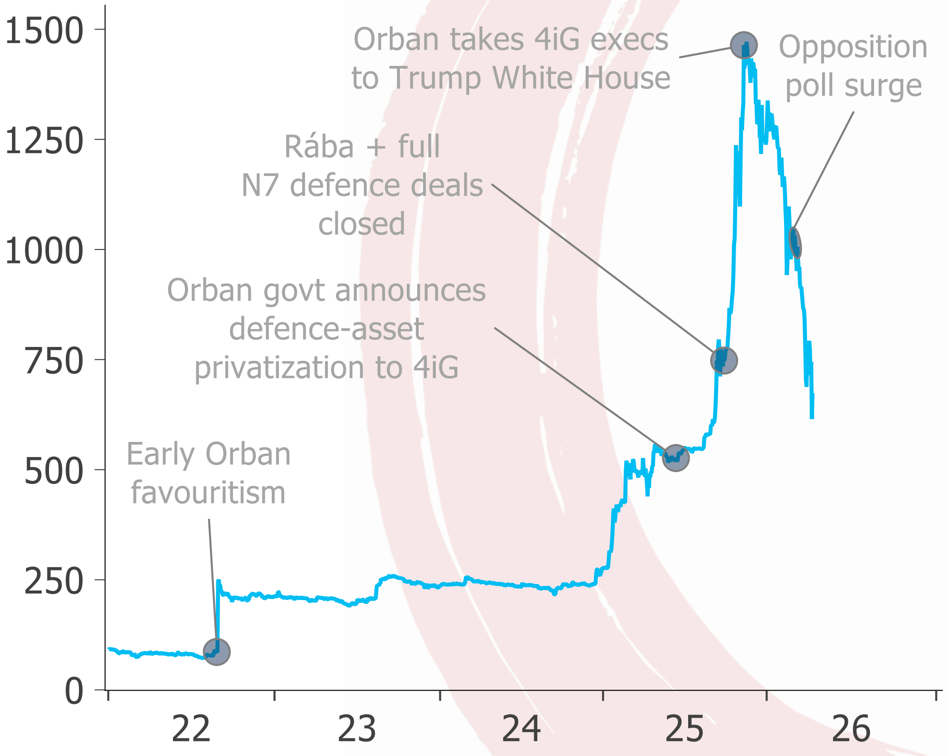
Source: USGS Critical Minerals Atlas; UNCTAD Digital Economy Report (2024); via MUFG *Generational Change*, Oct 2025. Manganese–Copper refining: approx.

(Not that you'd trust them either, mind!)

Lawlessness simply means more gap risk – in both directions

When personal connections count

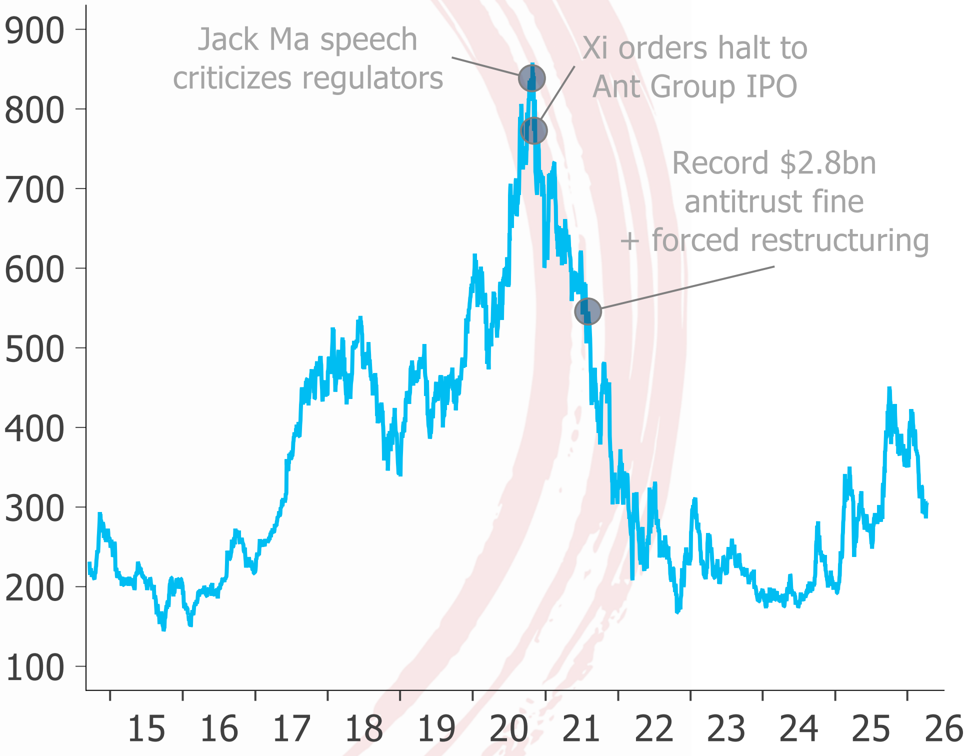
4iG Nyrt equity market capitalization, HUFbn



Source: Bloomberg, Macrobond, Satori Insights.

Words can prove expensive

Alibaba equity market capitalization, $bn



Source: Bloomberg, Macrobond, Satori Insights.

Amid lawlessness, connections deliver windfalls and wipeouts – overnight

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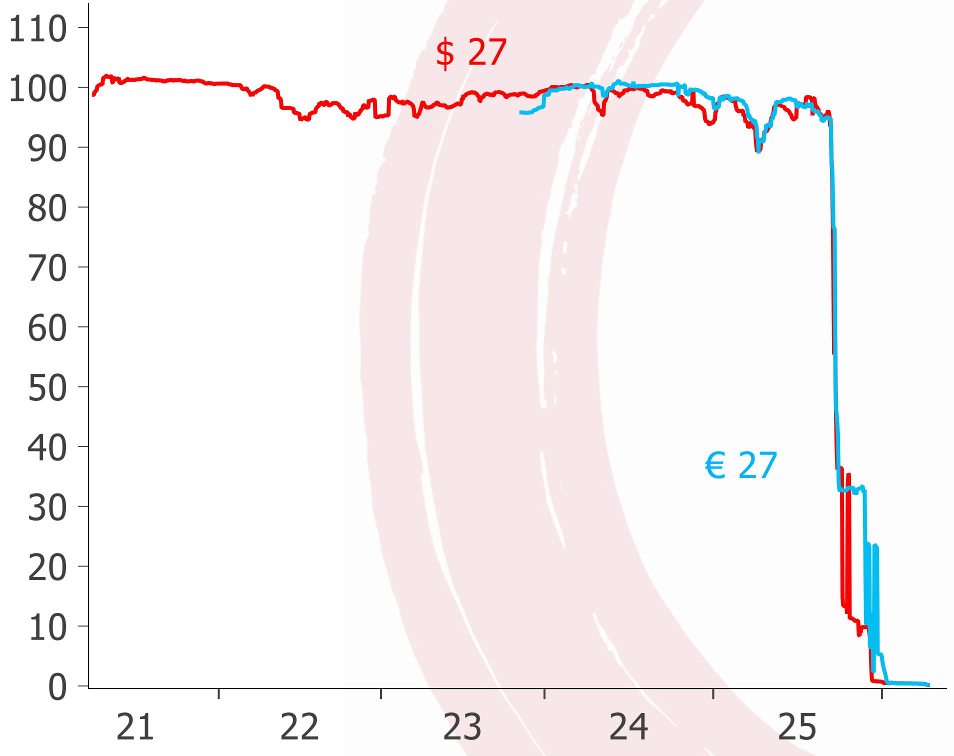
“Safer” investments are ironically often particularly at risk

First = little protection against fraud

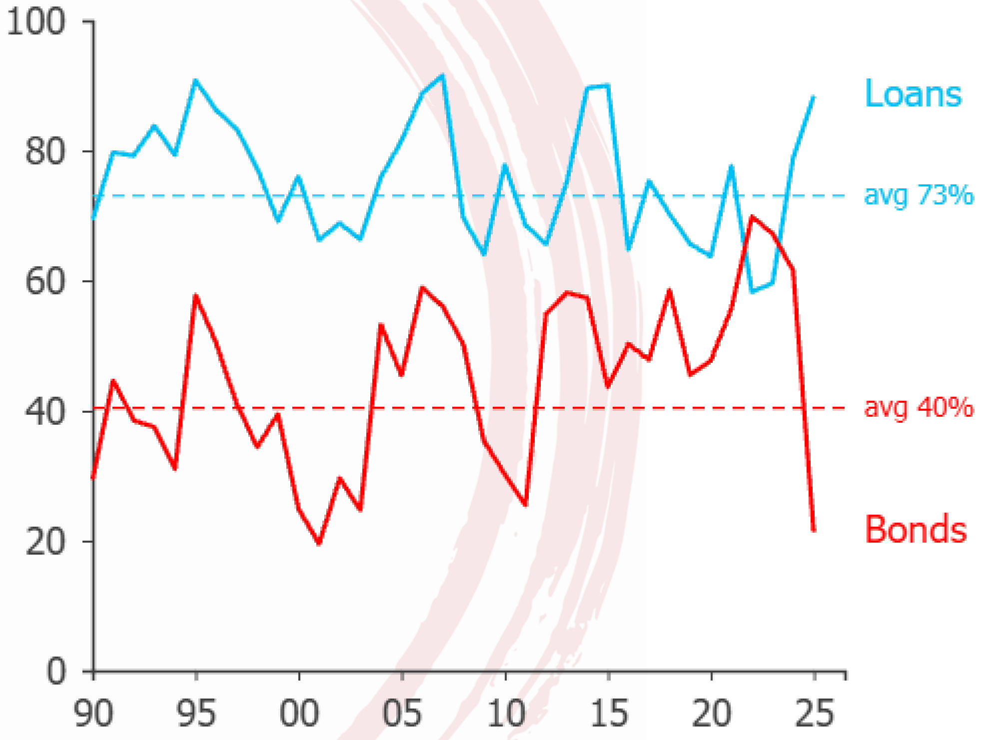
First Brands 1st Lien guaranteed senior secured loan price



Source: Bloomberg, Satori Insights.

Recoveries at risk

Recovery rates following default, % face value



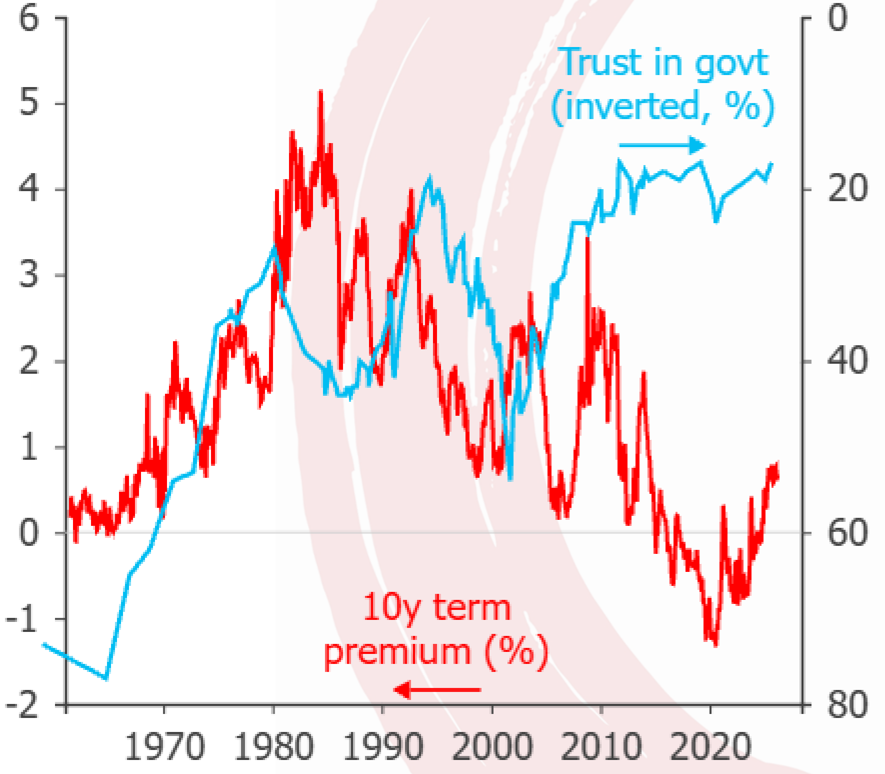
* 2025 data through September.
Source: S&P Global Ratings, Satori Insights.

The very contracts designed to provide investor protection are at greater risk of abuse

If bonds are most at risk, govies deserve a special mention

Term premium ought to be much higher

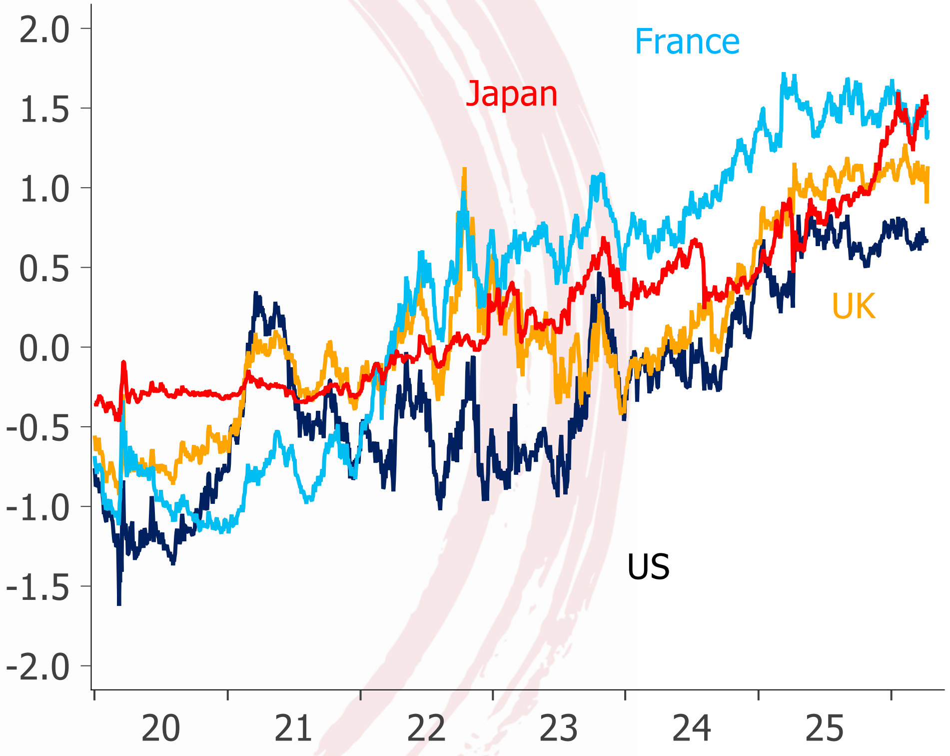
US term premium vs trust in federal govt (%, inverted)



Source: NY Fed (Adrian-Crump-Moench model), Pew Research Center, Satori Insights.

Increases can prove contagious

10y govt term premium metrics, %



Source: New York Fed, Daiwa, AOFM, Bloomberg, Satori Insights.

Short ends attractive; long ends not

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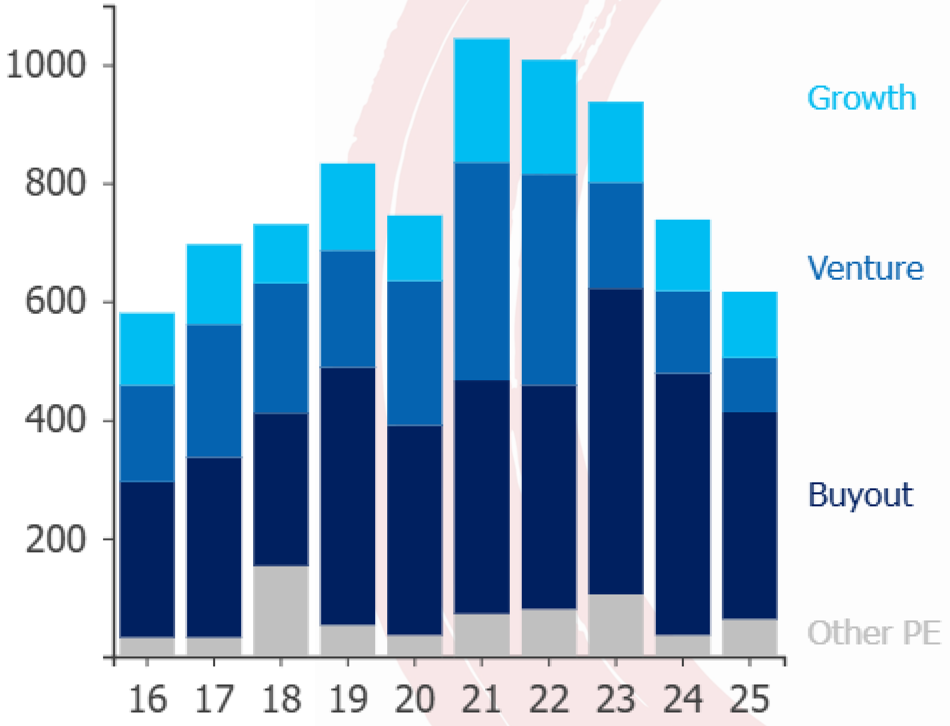
Investors' shift to alternatives mirrors voters' shift towards strongmen

PE enthusiasm waning

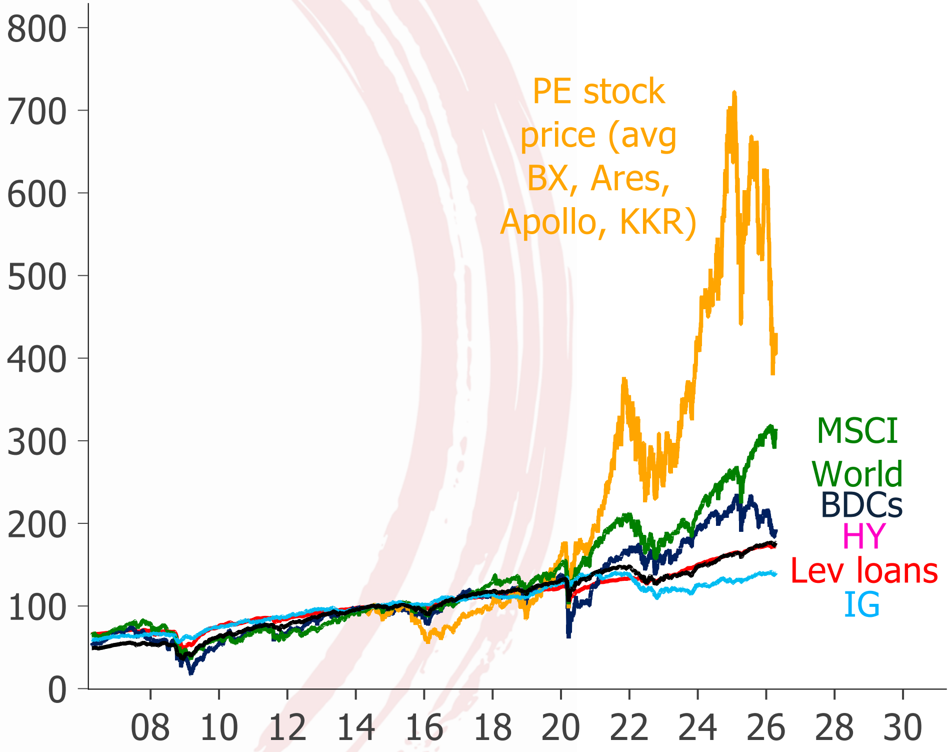
Global PE fundraising by subclass, $bn



Excl. secondaries, FOFs & co-investments; incl. PE turnaround & unspecified strategy funds.
Source: Preqin | McKinsey Global Private Markets Report 2025

Many previous run-ups reversing

Total return indices, Jul14=100



Source: Morningstar, Bloomberg, Cliffwater, Macrobond, Satori Insights.

Initial enthusiasm giving way to disappointment

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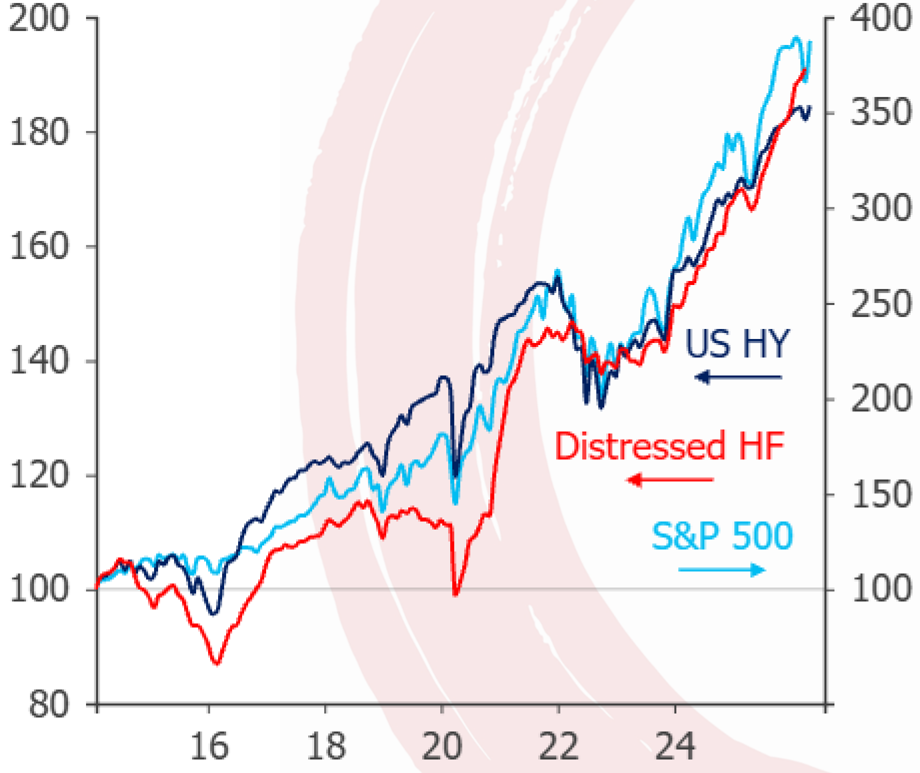
An uncertain world means investors ought to be craving convexity

Craving convexity? Distressed beats HY

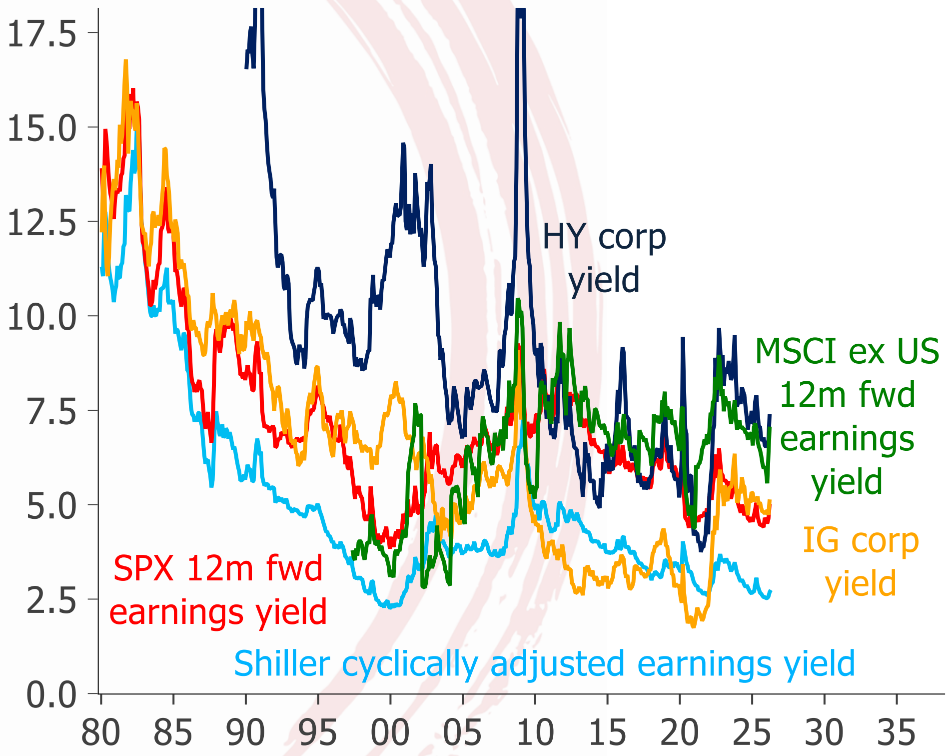
Jan 2014 = 100, total returns, monthly



Source: Bloomberg, HFR, Satori Insights.

Equities probably beat credit

Equity earnings yield (1/PE) vs $ corp yields, %



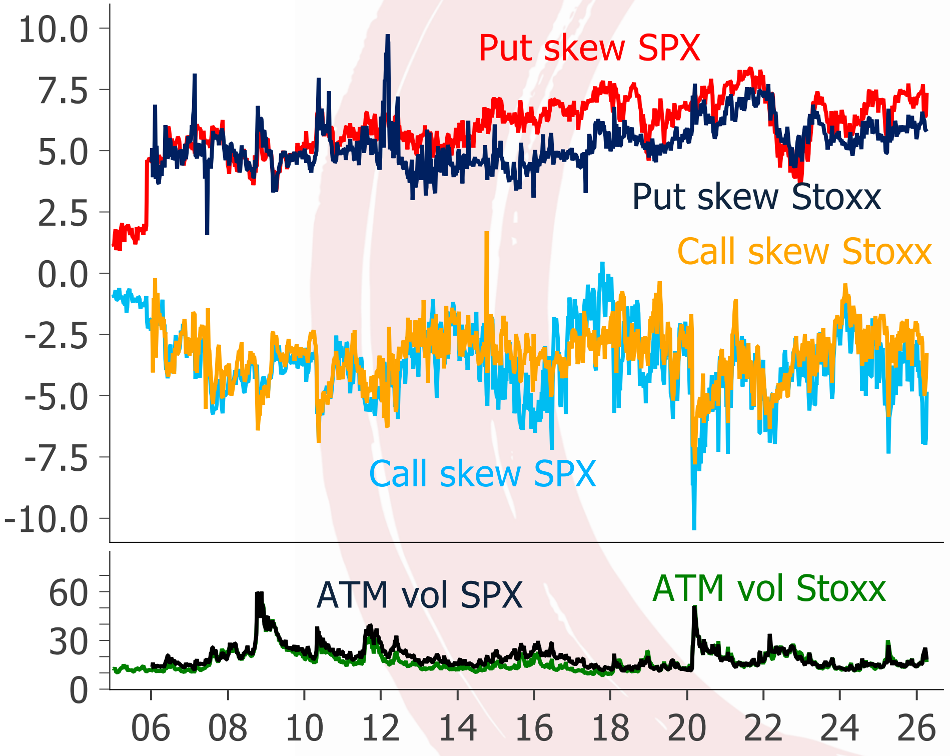
Source: Robert Shiller, MSCI, Bloomberg, Macrobond, Satori Insights.

Lawlessness erodes the fixed income floor faster than it collapses the equity ceiling

The obvious source of convexity remains options

OTM call skew cheap to history

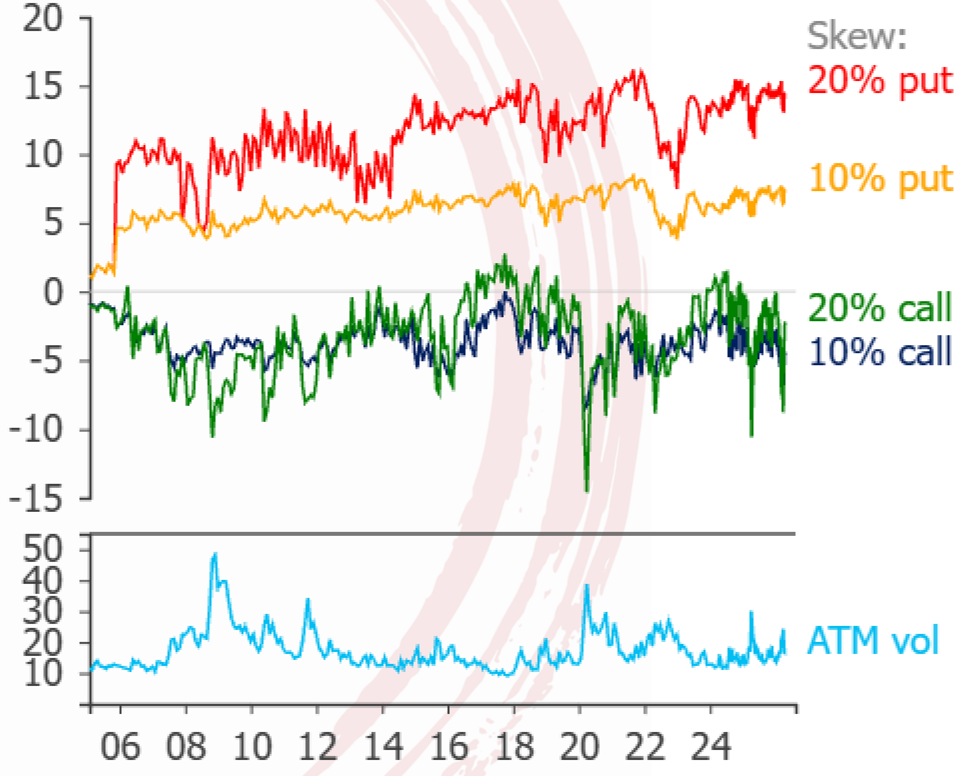
10% 3m equity option skew, %



Source: Bloomberg, Satori Insights.

It's upside pricing which has cratered

10% and 20% 3m S&P 500 skew, %



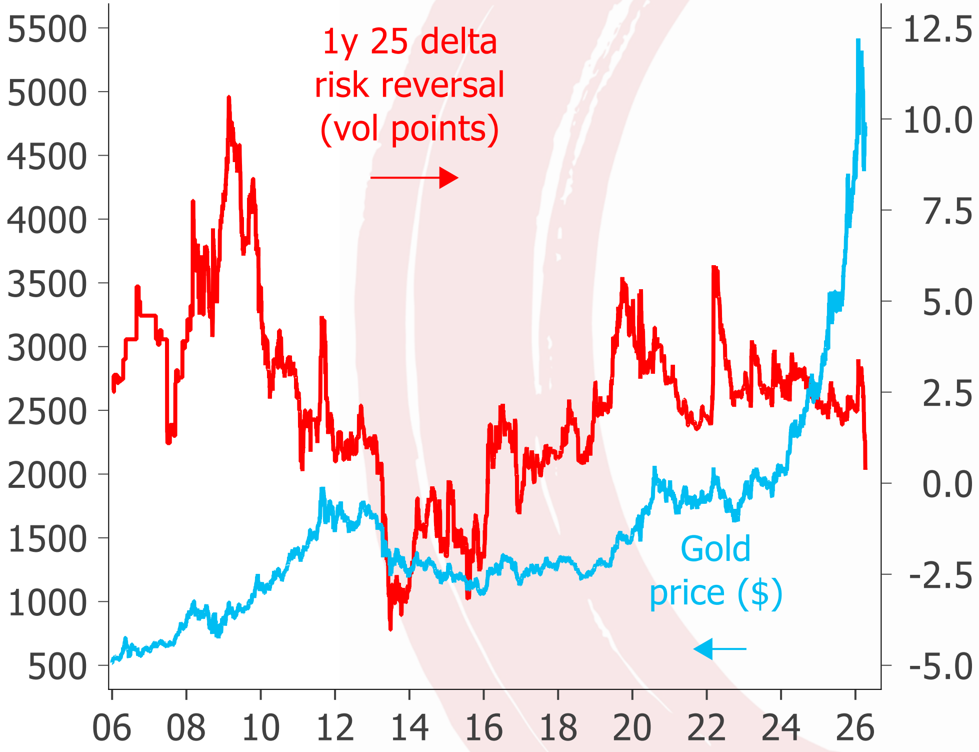
Source: Bloomberg, Satori Insights.

Equity upside is cheap but downside isn't

Given current options pricing, gold is a significant exception

Gold risk reversals have fallen sharply

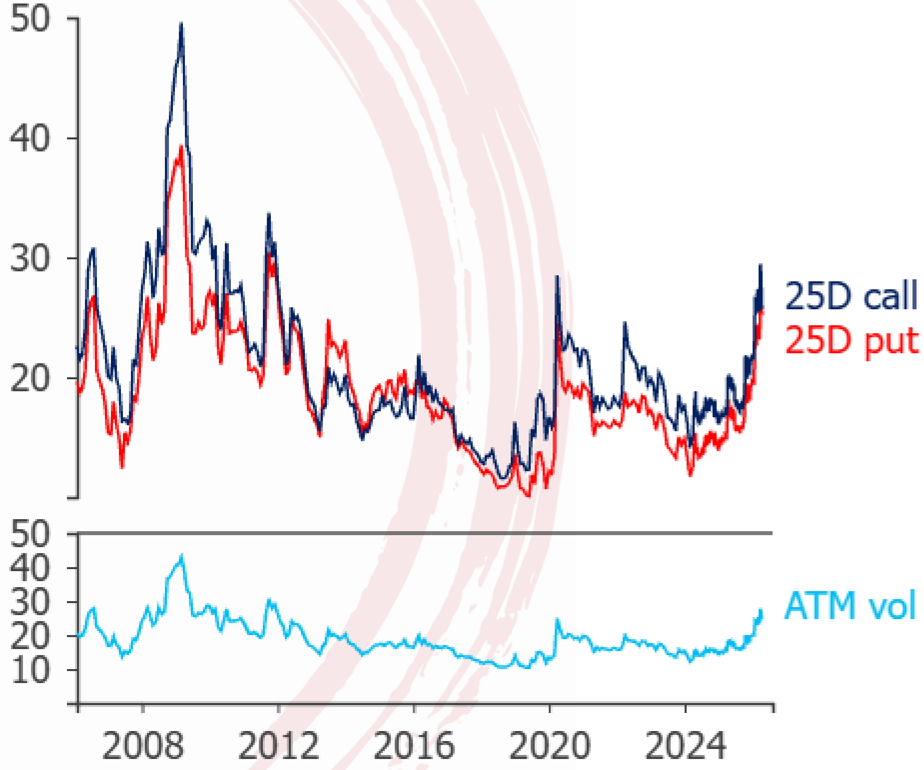
Gold options pricing vs spot



Source: LBMA, Bloomberg, Satori Insights.

It's puts getting expensive, not calls

Gold 1Y 25-delta call and put implied vol, %



Source: Bloomberg, Satori Insights.

Conversely in gold, better to hold the underlying

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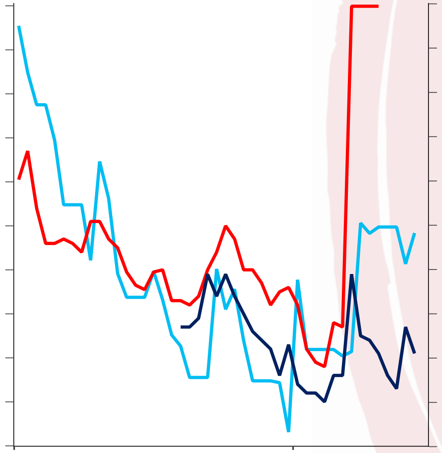
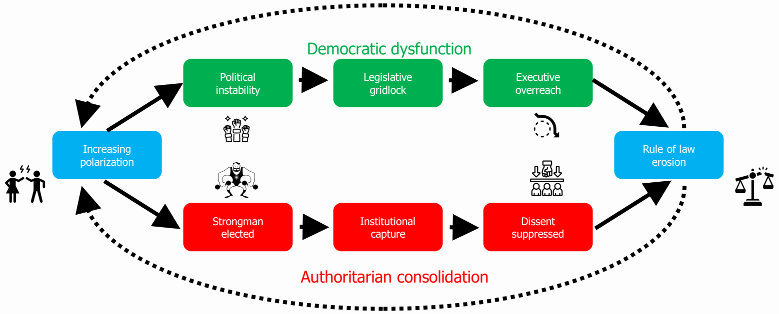
Conclusion

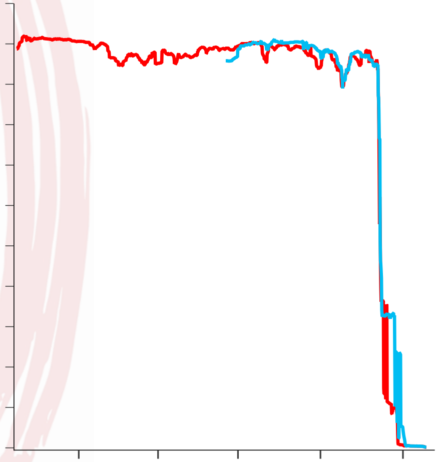
Short term driven by war and whim



But slide towards lawlessness is structural



Stop assuming continuity



The very lawlessness we want to forget is ultimately what will most affect prices

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