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Printing Without the Printer

Stablecoins, Regulatory Relief, and the Re-Architecture of U.S. Monetary Expansion

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Abstract

The most-watched chart in finance — the Federal Reserve's balance sheet — is becoming a decoy. This paper assembles public evidence that the mechanism of U.S. monetary expansion has been deliberately re-architected: deficit monetization now runs through statutorily mandated stablecoin demand for Treasury bills (the GENIUS Act), regulatory relief that expands private bank absorption of government debt, and a pre-positioned, uncapped Federal Reserve repo backstop for the moment the private architecture fails. We formalize the reserve-conservation constraint that this architecture cannot escape, present a case study of the private credit redemption cycle (Blue Owl) as the disinflation engine that will ultimately license overt easing, and derive the resulting expected path of the Fed's balance sheet: flat, then vertical. We close with falsifiable markers. The argument uses only public data and public law; its novelty is the assembly.

Keywords: stablecoins; monetary plumbing; bank reserves; quantitative tightening; private credit; financial repression; Treasury bills.

JEL codes: E42, E51, E58, G21, G23, H63.

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Watch the dove.

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1. Introduction: The Malformed Question

Ask when the Federal Reserve will "start printing money" and you have already accepted a framing that expired in December 2025. In the fourth quarter of 2025, secured overnight funding rates rose to their widest spreads above the Fed's administered rate since 2020 — the classic symptom of reserve scarcity. The Fed's response was swift and instructive: the end of quantitative tightening was announced at the October FOMC (effective 1 December), and in December the Fed announced purchases of $40 billion per month of Treasury bills through mid-April 2026, labeled "reserve management purchases." Its balance sheet, per the weekly H.4.1 release, is up roughly $74 billion year-over-year, with Treasury holdings up $275 billion.[1] By any functional definition, the printing already resumed. It was simply renamed.

The interesting question is therefore not *when* but *through what plumbing* the next trillions of monetary expansion will run — and whether they will appear on the chart everyone watches. This paper argues they largely will not. Three legislative and regulatory developments of 2025–2026, taken together, constitute a coherent architecture for expanding the supply of dollar claims and financing the federal deficit *off* the central bank's books: (i) the GENIUS Act's requirement that payment stablecoins be backed one-for-one by cash and short-dated Treasuries; (ii) capital and leverage-ratio relief that expands private bank capacity to absorb Treasury securities, including a capital carve-out written directly into the GENIUS Act itself; and (iii) the December 2025 removal of the aggregate cap on the Fed's standing repo operations — the pre-built fire hose behind the private architecture. We will call this ensemble the *stealth architecture*.

[1] StreetStats Fed balance sheet dashboard, data as of 24 June 2026; Goldman Sachs Asset Management, "The Fed's Balance Sheet: What Does it Mean for Money Markets?" (March 2026).

The thesis is not conspiratorial; every component is public law, a public speech, or a public working paper. What has been missing is assembly, and an honest accounting of the architecture's limits — because it has two, both mechanical, and both are where the investable information lives.

At the Dinner Table

Imagine the government has a giant credit card bill and, historically, one very visible way of covering it: the central bank buys the debt, and everyone can watch its balance sheet grow on a famous chart. Now imagine the government instead passes a law saying every issuer of "digital dollars" must park the money people give them in short-term government IOUs, and simultaneously relaxes the rules so ordinary banks can hold far more government debt than before. The bill still gets paid. New spendable money still comes into existence. But the famous chart stays flat — because the buying is being done by deputized private hands. That is the re-architecture this paper describes.

2. A Plain-Language Toolkit

Sophisticated readers from outside monetary plumbing should have these eight terms in hand; everything else is defined where it appears.

Plain-Language Toolkit

Bank reserves. Deposits that commercial banks hold *at the Fed*. The settlement money of the banking system. Only the Fed can create them.

QE / QT. Quantitative easing: the Fed buys securities, creating reserves. Quantitative tightening: the Fed lets securities mature without replacement, destroying reserves.

TGA. The Treasury General Account — the government's checking account at the Fed. Every dollar Treasury holds there is a dollar drained out of bank reserves.

ON RRP. The overnight reverse repo facility, where money-market funds park cash at the Fed. It acted as a buffer absorbing the first $2 trillion of QT. It now holds roughly $2 billion: the buffer is gone.

SOFR / IORB. SOFR is the market rate for overnight borrowing secured by Treasuries; IORB is the rate the Fed pays banks on reserves. When SOFR trades persistently *above* IORB, cash has become scarce — the plumbing's warning light.

Stablecoin. A digital token redeemable one-for-one for dollars, backed (under the GENIUS Act) by cash and Treasury bills of $\leq$93 days' maturity.

SLR. The supplementary leverage ratio: a capital requirement proportional to a bank's *total* size, regardless of asset risk. It caps how many Treasuries a dealer bank can warehouse; relaxing it expands that capacity.

Private credit / BDC / gate. Loans made by funds rather than banks; a BDC is a fund vehicle for such loans. A "gate" caps how much investors may withdraw per quarter (commonly 5%), converting a run into a queue.

3. The State of the Plumbing

The Fed's balance sheet obeys an accounting identity. Assets (A: securities plus lending) must equal liabilities: reserves (R), currency in circulation (C), the Treasury's account (TGA), reverse repo balances (RRP), and other items (O):

$$A = R + C + TGA + RRP + O \qquad \Longrightarrow \qquad \Delta R = \Delta A - \Delta C - \Delta TGA - \Delta RRP - \Delta O. \tag{1}$$

Equation (1) is the master equation of this paper. It says that bank reserves — the system's settlement liquidity — can only rise if the Fed's assets grow faster than the drains. Nothing in private law or private finance appears on its right-hand side. A useful summary statistic is *net liquidity*,

$$NL = A - TGA - RRP, \tag{2}$$

which proxies the cash actually available to the private financial system.

The current readings (24 June 2026): $A = \$6{,}736$B; $R = \$2{,}951$B, down from \$3,369B a year earlier; $TGA = \$919$B, historically swollen; $RRP = \$2$B, i.e., exhausted.[2] Three facts follow. First, with $RRP \approx 0$, every future drain — QT, TGA rebuilds, quarter-end window dressing — comes *directly* out of reserves; the shock absorber is gone. Second, reserves near \$3.0T sit at the level associated with the March 2023 regional-bank failures, the system's empirically revealed scar line. Third, demand for reserves is not observable directly; it is revealed by the spread

$$s = \text{SOFR} - \text{IORB}, \qquad s = f\left(\frac{R}{\text{bank assets}}\right),\ f' < 0,\ f'' > 0, \tag{3}$$

a convex demand curve: the spread is flat and near zero while reserves are ample, then rises *non-linearly* as reserves approach the "lowest comfortable level" (LCLoR). In plain terms: the warning light stays dark until very shortly before the engine seizes. That is what Q4 2025 demonstrated — s reached its widest since 2020, and within weeks the Fed ended QT and began buying bills. The convexity of (3) is why plumbing crises appear "sudden": September 2019's repo spike is the canonical case. Figure 1 shows the drains converging: the RRP buffer exhausted, the TGA swollen, and net liquidity pinned even as headline assets flatten.

So What?

The Fed's stated preference (Chair Warsh) is a smaller balance sheet. The arithmetic of (1) with $RRP = 0$, a \$919B TGA, and reserves on the scar line says the opposite is structurally loaded: the next drain event pushes s up the convex curve, and the demonstrated reaction function (Q4 2025: capitulation in weeks) answers with asset purchases. Quarter-ends — 15/30 September and the December turn — are the scheduled stress tests.

4. Balance-Sheet Dominance: Why the Deficit Sets the Floor

A structural force operates beneath the cyclical one. Federal deficits near \$2 trillion per year are increasingly financed by leveraged investors — notably relative-value funds running the cash–futures basis trade — who hold Treasuries financed in the repo market. Their demand for repo

[2] StreetStats, op. cit. Reserve balances and net liquidity as of 24 June 2026.

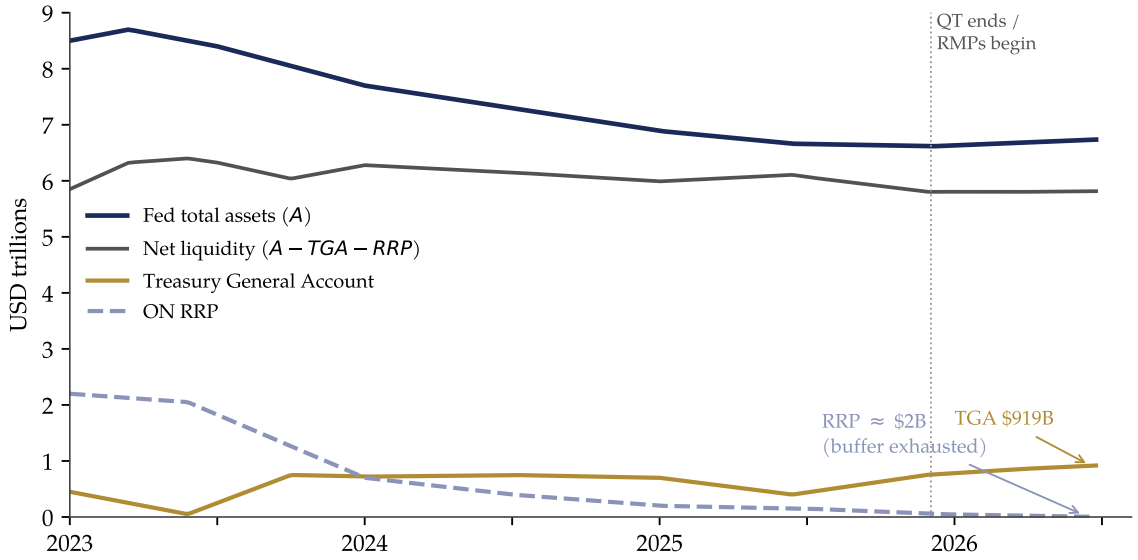

Figure 1: The plumbing state, 2023–2026: Fed total assets, the Treasury General Account, the ON RRP, and derived net liquidity (Eq. 2). Constructed from dated H.4.1/FRED and StreetStats observations cited in the text (latest: 24 June 2026); paths between dated observations are interpolated. The QT-end/RMP line marks December 2025.

financing grows with the debt stock:

$$\text{Repo demand}_t \;\approx\; \lambda \cdot \text{Debt}_t, \qquad \lambda \in (0,1) \text{ rising}, \tag{4}$$

while private repo supply (banks' spare cash) is bounded by reserves via (1). Stable repo rates therefore require the gap to be filled by the only elastic supplier — the central bank — either through standing repo operations or outright bill purchases. This is *balance-sheet dominance*: the fiscal authority's financing needs, not the monetary authority's preferences, determine the floor under the Fed's size.[3] A chair who wishes to shrink the balance sheet into this current is swimming against the deficit itself.

5. The Private Credit Squeeze: The Disinflation Engine

5.1 The Blue Owl case study

Private credit — roughly $1.7 trillion of loans made by funds rather than banks — was engineered to be run-proof: capital is locked or semi-liquid, and the retail-facing vehicles (non-traded BDCs) carry quarterly redemption gates. The 2026 experience of Blue Owl Capital, the sector's emblem, shows both the design working and its costs. In Q1 2026, investors requested redemption of **21.9%** of the flagship $33.8B fund (OCIC) and **40.7%** of the $4.9B technology fund (OTIC, 64% software exposure); requests eased only to 18.8% and 38.1% in Q2. Both funds enforced the **5% per quarter** gate.[4]

[3] J. Wang, "Balance Sheet Dominance," fedguy.com (October 2025).

[4] Reuters, 2 July 2026; CNBC, 2 April 2026. Q2 requests totaled $4.7B against $5.4B in Q1.

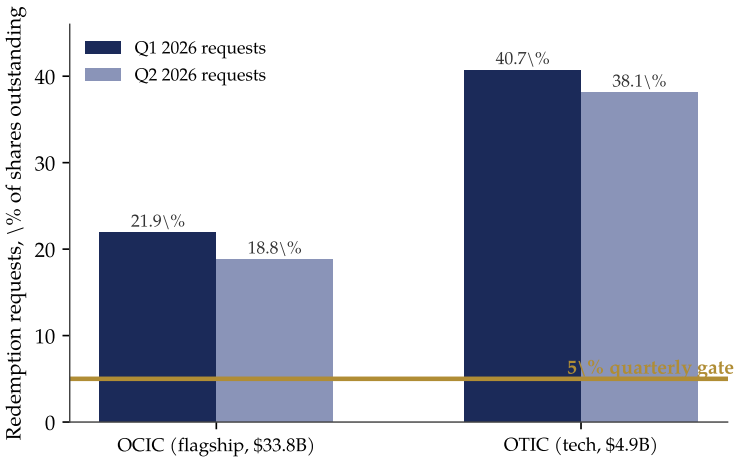

Figure 2: The gate as run-to-queue converter: quarterly redemption requests versus the 5% cap, Blue Owl OCIC and OTIC, Q1–Q2 2026. Sources: Reuters (2 July 2026); company filings.

The gate converts a run into a queue. Let S_t be shares outstanding, ρ_t the fraction tendered, and c the cap. The unfilled backlog evolves as

$$B_{t+1} \;=\; \max\!\big(0,\; B_t + \rho_t S_t - c\,S_t\big), \qquad T_{\text{clear}} \;\approx\; \frac{B_t}{c\,S_t} \text{ quarters (if new requests cease).} \tag{5}$$

At OCIC's Q2 request rate, the queue clears in roughly four quarters *only if no new requests arrive* — and gating classically *generates* requests, since rational holders join the queue once exit is rationed. The observable costs are already visible in the fine print: new investments "light" (a gated fund stops lending); $1.4B of assets sold "at book value" to institutions (when you must prove your marks by selling, the sale is the tell); and the exchange-traded sister vehicle repurchasing its own stock at 86% of book — the public market's 14% referendum on private marks. Figure 2 shows the core mechanism: demand to exit at four to eight times the rationed capacity.

5.2 Why the squeeze compounds under a hawkish Fed

Private credit borrowers pay floating rates. Define the interest coverage ratio $ICR = \text{EBITDA}/(r \cdot D)$ with $r = \text{SOFR} + \text{spread}$. As higher-for-longer holds r up while AI-driven disruption pressures software EBITDA (the very cohort OTIC lends to), $ICR \to 1$ and lenders permit *payment-in-kind* (PIK): interest is added to principal rather than paid in cash. The borrower's debt then compounds precisely when it cannot pay:

$$D_{t+1} \;=\; D_t\,(1 + r_{\text{PIK}}), \tag{6}$$

while the fund books non-cash "income" it cannot distribute — inviting the NAV skepticism that drives the redemptions that close the loop. The squeeze is thus an increasing function of how long the hawkish stance holds: *the current Fed's posture manufactures the future Fed's easing case*.

5.3 Two transmission channels to the monetary system

The Fed will never print for a gated fund; the gates privatize the run. Transmission is indirect and twofold. **(i) Through the banks:** lending to nonbank financial institutions — subscription

lines, NAV loans, fund leverage — has been the fastest-growing bank asset class. As fund marks compress, banks hoard liquidity against this exposure, which *raises* the LCLoR in (3): the comfort floor moves up to meet a Fed trying to shrink down toward it. Convergence from both directions is accident arithmetic. **(ii) Through the macro:** gated funds that stop lending deliver a silent credit contraction to the mid-market. The June 2026 employment report — +57K jobs against ∼115K expected, prior months revised down, participation at 2021 lows — is what that contraction looks like arriving in the labor data. Credit contraction is the disinflation engine that will eventually grind a 4.1% PCE print down to a level that *licenses* overt easing.

At the Dinner Table

Picture a popular neighborhood lender who took money from thousands of families and lent it to local businesses, promising families could take "some" money out each quarter. One year, many families ask for their money back at once. The lender doesn't collapse — the fine print lets it return only 5% per quarter — but it also stops making new loans, because every spare dollar goes to the exit line. The businesses that depended on it quietly can't refinance, hire, or grow. No dramatic bank run ever appears on television. The damage shows up somewhere else entirely: in the jobs report, months later.

So What?

Blue Owl is not the trigger of the next Fed intervention; it is the *fuse* (raising the banking system's liquidity floor through fund-finance exposure) and the *permission slip* (manufacturing the labor-market disinflation that unlocks easing) simultaneously. Watch the Q3 request rate against the 5% cap, the PIK share of BDC income, and the first bank to provision against NAV-line exposure.

6. The Stealth Architecture

6.1 Statutory bill demand: the GENIUS Act

The GENIUS Act (P.L. 119-27, July 2025) requires payment stablecoins to be backed one-for-one by cash, Treasury securities of remaining maturity $\leq$ 93 days, insured deposits, and short repo. Each stablecoin dollar is therefore a *statutory* bid for bills:

$$\Delta\text{Bill demand}_t^{SC} \;\approx\; \theta \cdot \Delta SC_t, \qquad \theta \approx 0.8\text{–}1.0, \tag{7}$$

where SC_t is aggregate stablecoin market capitalization (≈\$281–320B as of early 2026) and θ the bill-plus-repo share of reserves observed at the major issuers. Two amplifiers are written into the statute. First, reserves may include *reverse repo against Treasury collateral of any maturity*, so stablecoin cash can indirectly finance leveraged holders of long-dated Treasuries — the channel reaches further up the curve than the 93-day rule suggests. Second — the clause that proves architectural intent — GENIUS §4 exempts bank holding companies from holding consolidated regulatory capital against their stablecoin-issuer subsidiaries beyond the issuer's own requirement. Congress pre-cleared the banking system to scale this.

The demand is empirically potent. Using granular token-level variation, BIS researchers estimate that a \$3.5B stablecoin inflow (a two-standard-deviation event) lowers 3-month bill yields by 0.71

basis points on impact and up to 4bp within ten days, with effects that *increase* with sector scale and market stress.[5] Standard Chartered projects the sector to $2T by 2028, implying $0.8–1.0T of fresh bill demand — and, combined with projected Fed buying of $1–1.2T, a potential $0.9T *shortfall* of bills against supply.[6] Note the composition of that projection: even the channel's bulls model it as *supplementing* Fed purchases, not replacing them.

6.2 Money creation without the central bank

The monetary accounting is the heart of the matter. When a commercial bank purchases a Treasury security, it pays by crediting a deposit — *the purchase creates money*:

$$\underbrace{\Delta \text{Securities}^{bank}}_{\text{asset}} = \underbrace{\Delta \text{Deposits}}_{\text{liability, counted in } M2}. \tag{8}$$

When a household converts a bank deposit into a stablecoin and the issuer buys a bill, a circulating money-like claim (the token) now exists alongside the financed deficit, while broad money is roughly unchanged in size but transformed in composition — away from insured, Fed-backstopped bank deposits toward uninsured private tokens. In both cases the deficit is monetized and spendable claims expand, *and the Fed's balance sheet never moves*. Seigniorage — the profit of money issuance, $\pi = r_{bill} \cdot SC -$ costs — migrates from the public to the private issuer. Functionally, this is what the Fed's own $40B/month bill purchases do; the state has deputized private hands to do it off the famous chart.

6.3 Regulatory relief: expanding the private balance sheet

The second wing is bank capacity. The supplementary leverage ratio requires capital against *total* exposure ($SLR = \text{Tier 1}/\text{Total Leverage Exposure} \geq \text{threshold}$), so it binds precisely on low-risk, balance-sheet-intensive activities: warehousing Treasuries and making markets in them. A Federal Reserve working paper co-authored by Governor Miran (March 2026) lays out the program explicitly: reform leverage-ratio and GSIB capital requirements so dealers can "absorb securities as the Fed reduces its holdings"; make Treasuries more attractive *as substitutes for reserves*; destigmatize standing repo and the discount window.[7] Exempting reserves and Treasuries from the leverage denominator raises absorption capacity mechanically:

$$\Delta \text{Capacity} = \frac{\text{Tier 1}}{SLR_{\min}} - \big(\text{TLE} - \text{Reserves} - \text{Treasuries}\big), \tag{9}$$

freeing an amount generally estimated in the hundreds of billions to low trillions of incremental Treasury demand. The composition of the ensemble should now be plain: *statutory bill demand (stablecoins) + expanded private absorption (SLR/GSIB relief) + bill-tilted issuance (Treasury) = deficit financing and money growth with a flat H.4.1.*

[5] BIS Working Paper No. 1270, "Stablecoins and safe asset prices" (2026).

[6] Standard Chartered, via CoinDesk (23 February 2026).

[7] Anderson, Barbarino, Diercks, and Miran, "A User's Guide to Reducing the Federal Reserve's Balance Sheet," FEDS (March 2026); Miran speech, Economic Club of Miami.

At the Dinner Table

Who prints money? Most people answer "the central bank," but that has never been the whole truth — when your bank makes you a mortgage, it creates the deposit it hands you out of thin air; that is Equation (8) at work. What is new is that the government has now organized this private printing around its own debt: digital-dollar companies are required by law to buy its short-term IOUs, and banks have been given relief so they can hold far more of the long-term ones. The dollars in your pocket multiply either way. The difference is purely *which chart* records it — and the chart everyone watches was chosen to be the one that stays flat.

7. The Two Hard Limits

The architecture is real, but it has two flaws that no statute can engineer away — and they define the tail.

7.1 Limit I: The reserve-conservation constraint

Return to Equation (1). Stablecoin issuance, SLR relief, and bill-heavy Treasury supply appear *nowhere* on its right-hand side. No component of the stealth architecture creates a single bank reserve. Worse, the stablecoin wing is substantially a *deposit drain*: Treasury's own advisory research flags $6.6T of transactional deposits "at risk," with Citigroup modeling $182–908B of displacement by 2030.[8] The channel finances the Treasury while tightening the very bank-funding pipe that cracked in Q4 2025. And SLR relief lets banks *hold* more Treasuries but not *fund* them — the funding comes from deposits or repo, consuming liquidity rather than minting it; a levered Treasury book also raises settlement and margin needs, pushing the LCLoR up. The architecture substitutes for the Fed on the asset-demand side and *cannot* substitute on the liquidity side. Only one institution on earth creates reserves. Limit I is why the quarter-end "technical" operations survive the stealth thesis fully intact — arguably accelerated.

7.2 Limit II: Pro-cyclicality and the run topology

The Fed expands counter-cyclically — most when markets are worst. The stablecoin channel does the opposite: sector growth stalled just above $300B precisely because crypto prices fell (Bitcoin -50% from its October 2025 peak dampened trading demand). Formally, $\Delta SC_t = g(\text{risk appetite}_t)$ with $g' > 0$: a fair-weather financier. In the stress state where the system needs balance-sheet expansion, the channel runs *backwards* — redemptions force bill *sales* into a falling market, with the BIS-documented price impact that grows in exactly those states. Structurally, GENIUS coins are the money-market funds of 2008 with better marketing: par claims, no deposit insurance, no Fed master account, no NAV buffer, and a run venue that is now the T-bill market itself.

This is why the December 2025 removal of the *aggregate cap* on the Standing Repo Program is the tell that completes the architecture: the state privatized the balance sheet for peacetime and pre-positioned an unlimited nationalization mechanism for the tail. The expected path of the Fed's

[8] CRS, "The Stablecoin Yield Debate" (March 2026).

balance sheet under this regime is not a trend but a jump process:

$$dA_t = \underbrace{\mu\, dt}_{\approx 0 \text{ by design}} + \underbrace{J\, dN_t}_{\text{run state}}, \qquad N_t \sim \text{Poisson}(\lambda_t),\ \ \lambda_t \uparrow \text{ in } SC_t,\ \text{NDFI exposure},\ -R_t, \quad (10)$$

flat drift, with all the variance loaded into a jump whose intensity λ_t *rises* with the very success of the stealth channel. Flat, then vertical.

So What?

Do not model the next monetary expansion as a trend on the H.4.1 chart; model it as Equation (10). The famous chart is the decoy. True monetization is continuous and lives in other series — aggregate stablecoin capitalization, bank Treasury holdings (H.8), the bill share of issuance — while the Fed's own chart is reserved for the airbag moment: invisible until the crash, then instantaneous and enormous. Assets that price the *function* of money creation rather than its *form* — gold above $4,100 through a geopolitical de-escalation is the standing example — are already trading this thesis.

8. Synthesis and Timing

Assembling the four sections: the plumbing is at its scar line with its buffer exhausted (§3); the deficit sets a floor under the Fed's size regardless of its chair's preference (§4); private credit is simultaneously raising the banking system's liquidity floor and manufacturing the disinflation that will license overt easing (§5); and the stealth architecture routes continuous monetization around the official chart while pre-positioning an uncapped backstop for its own failure mode (§6–7). Our probability-weighted estimates, registered in advance and gradeable:

Event	Estimate	Forcing mechanism
Technical balance-sheet expansion visibly underway or resumed	∼85% by YE2026	$RRP = 0$ + \$919B TGA + quarter-end drains vs. convex (3); template: Q4-2025 spike-to-capitulation in weeks
"Real printing" — sustained expansion the market trades as printing	central Q1–Q2 2027; ∼65% by mid-2027	Credit-contraction disinflation breaks the 4.1% PCE constraint; fat tail *early* (2026 quarter-end accident), not late
Label suppression — headline QE recognition delayed beyond function	base case under stealth success	Monetization runs through SC_t, H.8, bill issuance; H.4.1 flat until jump

9. What to Watch: Falsifiable Markers

The thesis stands or falls on observables. **Plumbing:** SOFR–IORB and Standing Repo Program usage into 15/30 September and the December turn; whether bill purchases actually ceased after

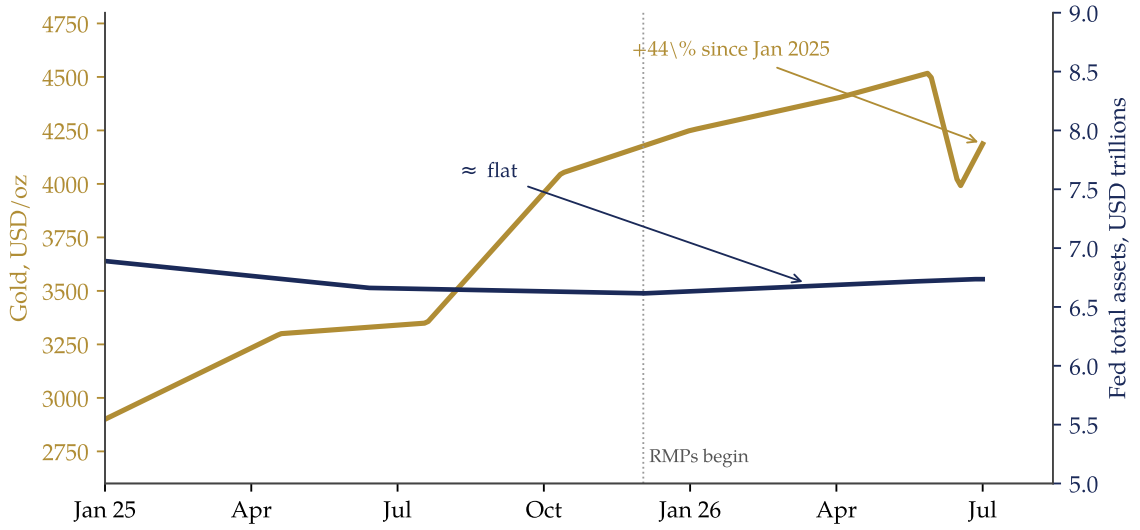

Figure 3: Pricing the function, not the form: gold versus Fed total assets, January 2025–July 2026. Gold path constructed from dated market observations cited in the text (crossing $4,000 in October 2025; June 2026 low below $4,000; $4,187 on 3 July 2026); intermediate path interpolated. Fed assets per H.4.1/StreetStats.

the April "significant reduction" (H.4.1, weekly). **Private credit:** Blue Owl Q3 request rates versus the 5% cap (falling toward the cap = queue clearing; rising = run-on-the-gate); PIK share of BDC income; non-accruals; the first bank provisioning against fund-finance lines (H.8 NDFI loan growth). **Stealth channel:** stablecoin aggregate capitalization re-accelerating through $320B; finalization of SLR/GSIB reform; resolution of the GENIUS yield-ban loophole (issuer-to-exchange "rewards," currently the sector's growth throttle); bills trading through comparable overnight rates (front-end scarcity — the channel succeeding *too* well). **Recognition:** gold's behavior on days the H.4.1 is flat but H.8 Treasury holdings jump — the market grading the decoy in real time. Figure 3 shows eighteen months of that grading: the monetary asset repricing +44% against an officially flat balance sheet.

10. Conclusion

The question "when will the Fed print?" now has a three-part answer. *Functionally*: it never stopped — December 2025 restarted bill purchases under a technical label, and the statutory-regulatory architecture now runs continuous monetization through private balance sheets. *Formally*: the headline chart will stay deceptively flat for as long as the stealth architecture performs, because suppressing that chart is the architecture's purpose. *Mechanically*: the architecture cannot create bank reserves and inverts in a panic, so the official balance sheet's path is a jump process — flat, then vertical — with the jump intensity rising as the private channel grows. The sophisticated observer should therefore stop watching the printer and start watching the plumbing: the deputized buyers, the redemption queues, the convex spread in Equation (3), and the one uncapped facility built for the day the whole elegant apparatus needs its lender of last resort. On that day the printing will be undeniable — and it will be described, correctly, as an emergency no one could have foreseen.

At the Dinner Table

The next time someone tells you "the Fed isn't printing — look at the chart," you can reply: the chart is real, and it is also the point. The money is being created by deputies — digital-dollar companies required by law to buy government IOUs, and banks newly freed to hold them — while the central bank stands behind the whole arrangement with a fire hose that Congress and the Fed quietly uncapped. Flat chart in fair weather; vertical chart in the storm. Gold figured this out months ago.

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