A Review Of Javier Gonzalez’s “How to Make Money with Global Macro”

The following review is straight from Operator Kean, a member of the Macro Ops Hub. To contact Kean, visit his website here.


First off, the title can be a bit misleading. One would get the impression that the book provides a set of money-making investment techniques, but in reality it does nothing of the sort. Instead, the author aims to provide conceptual frameworks for the global macro practitioner.

The book is structured into 2 main portions: ‘Global Macro Introduction’ and ‘Topics on Global Macro’.

The author begins by breaking down the philosophy of global macro, dealing with epistemic issues surrounding its understanding and application. He points out that global macro practitioners have to rely on empirical observation and analysis (the art is highly reliant on inductive reasoning) rather than what has been handed down by traditional academia (riddled by ideological difficulties and unrealistic assumptions and models). I have to agree with the author on this as I personally find it difficult to reconcile what I know of the real world with the many premises taught in academia…

In the first part – ‘Global Macro Introduction’ – the author runs the reader through various decades (1970’s, 1980’s,
1990’s, 2000’s) observing broader market themes and the performance of various asset classes/market segments (USD, equities, bonds, commodities, real estate). Charts are provided with various important events marked to display historical timelines.

The second part — ‘Topics on Global Macro’ — sees the author cover various broad topics that are of key interest to the macro practitioner. These include: wars arising from geopolitical conflict, commodity cycles, bear markets, the US Dollar, and gray swan events.

I found this section to be interesting as certain concepts like the Core-Periphery framework are explored, and the all-important implications of the US Dollar are discussed. Issues like inflation and interest rate cycles from the Fed are also reviewed. This section reminded me that alpha generation in macro investing requires a workable understanding of the intricate relationships between various market drivers and broad global developments (structural changes, economic trends, political events, cultural norms). The challenge also lies in turning this understanding into a viable mode of implementation and execution that can be replicated.

Gray swans like climate change effects and pandemics arising from biological diseases are covered in brief, but it got me thinking about how many institutions and professional investors are really considering such developments (and preparing for them). Potential alpha lies in distilling some of these gray swans, particularly if fewer people think about them...

*How to Make Money with Global Macro* is an easy book to work through as long as the reader knows a thing or two about the financial markets and has a rough understanding of theoretical economics. However, due to its empirical observations of various market developments over the past 4 decades, it probably would be helpful to have prior knowledge of such
events to understand the context of the passages under study (but it is by no means necessary).

Additionally, it would have been enlightening if the author created a hypothetical portfolio of assets based on his book’s conclusions that could be simulated through different market conditions over the decades.

Overall, the book’s study of the various overarching and broad relationships of the world and markets intrigued me and served as an add-on framework for application in global macro investing.

Rating: 3.5/5
To find out more about the author and his work: http://macroecon.org/

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