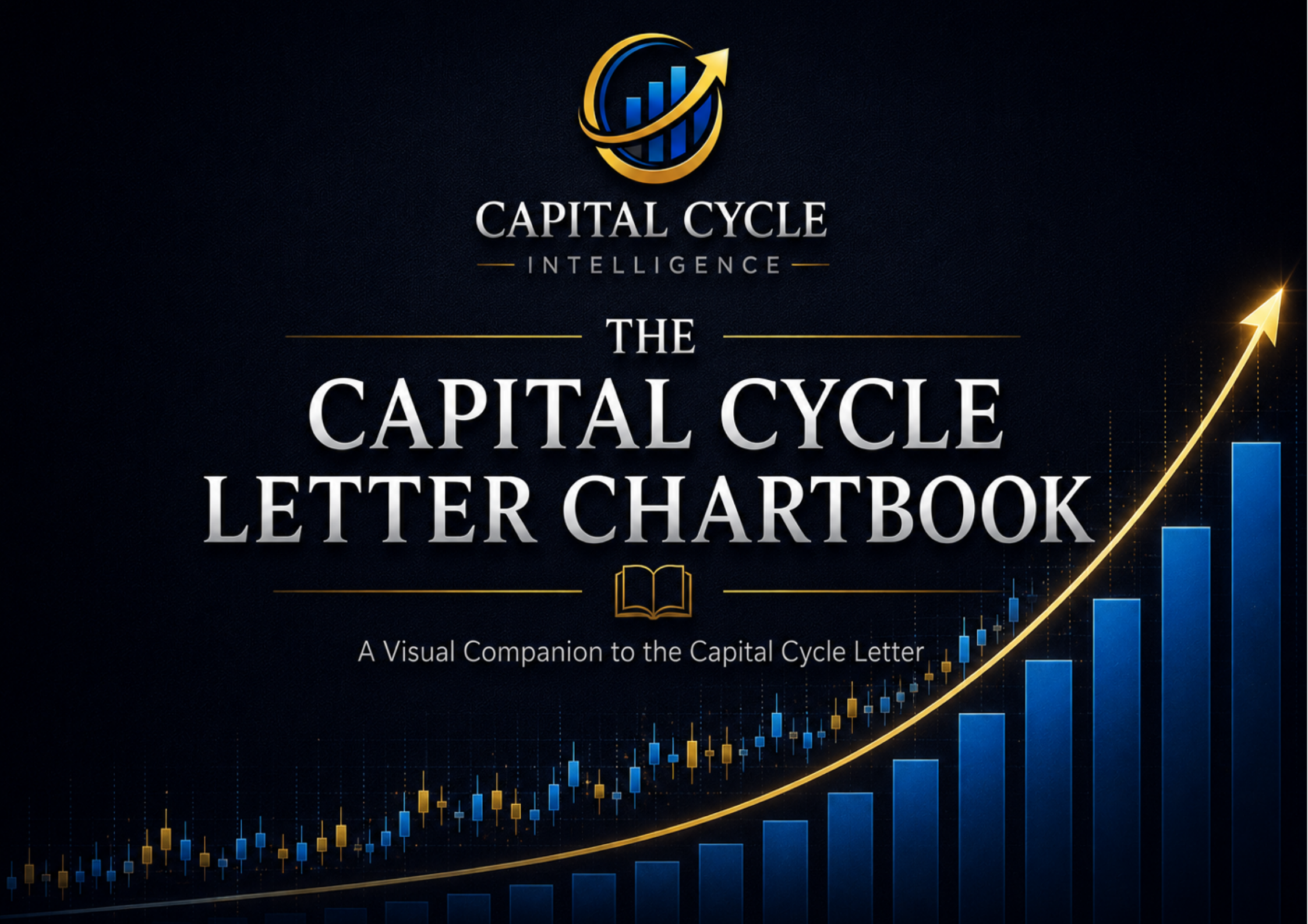
CAPITAL CYCLE

INTELLIGENCE

THE CAPITAL CYCLE LETTER CHARTBOOK

A Visual Companion to the Capital Cycle Letter



The Capital Cycle Letter Chartbook - May 2026

A Capital Cycle Perspective

Price is the output.
Liquidity, growth and credit are the inputs.

Capital Cycle Intelligence

How to Read This Chartbook

This chartbook presents the May macro environment through the Capital Cycle lens.

Charts are the primary signal. Text provides the educational context.

We move from macro inputs to market outputs: energy, liquidity, growth, credit, participation, rotation, transmission and risk.

Each chart isolates one core idea. Together they form a complete view of the current capital cycle.

Price is the output.
Liquidity, growth and credit are the inputs.

Energy & Geopolitical Stress

Energy pressure has shifted from a background input to an active constraint on liquidity transmission and macro confidence

WTI Crude Oil - Energy Shock Layer



Oil has broken out of its prior downtrend and returned to the stress zone, driven by geopolitical disruption. Energy has shifted from a passive input to an active constraint on the macro system.

Brent Crude - Global Energy Shock Confirmation



Brent confirms that the energy shock is global, not regional. Rising alongside WTI, it reflects geopolitical risk premium and systemic supply disruption across global markets.

Gold - Crisis Hedge & Safety Bid



Gold confirms whether the energy shock is being treated as a broader macro stress event. A strong gold trend alongside rising oil signals demand for safety, liquidity protection, and debasement hedging.

DXY - Liquidity Transmission Constraint



The dollar remains stable rather than weakening, limiting the effectiveness of liquidity transmission. This keeps financial conditions tighter than they would otherwise be, reinforcing the constrained nature of the current expansion.

DXY vs Risk Assets



A weaker dollar supports liquidity transmission and usually helps risk assets expand. While DXY has stabilized rather than strengthened materially, it has not weakened enough to provide full risk-on confirmation. Liquidity is supportive, but transmission remains incomplete.

Liquidity & Monetary Conditions

Liquidity remains supportive, but the quality and speed of transmission are no longer uniform across the system.

Global Liquidity (GLI)



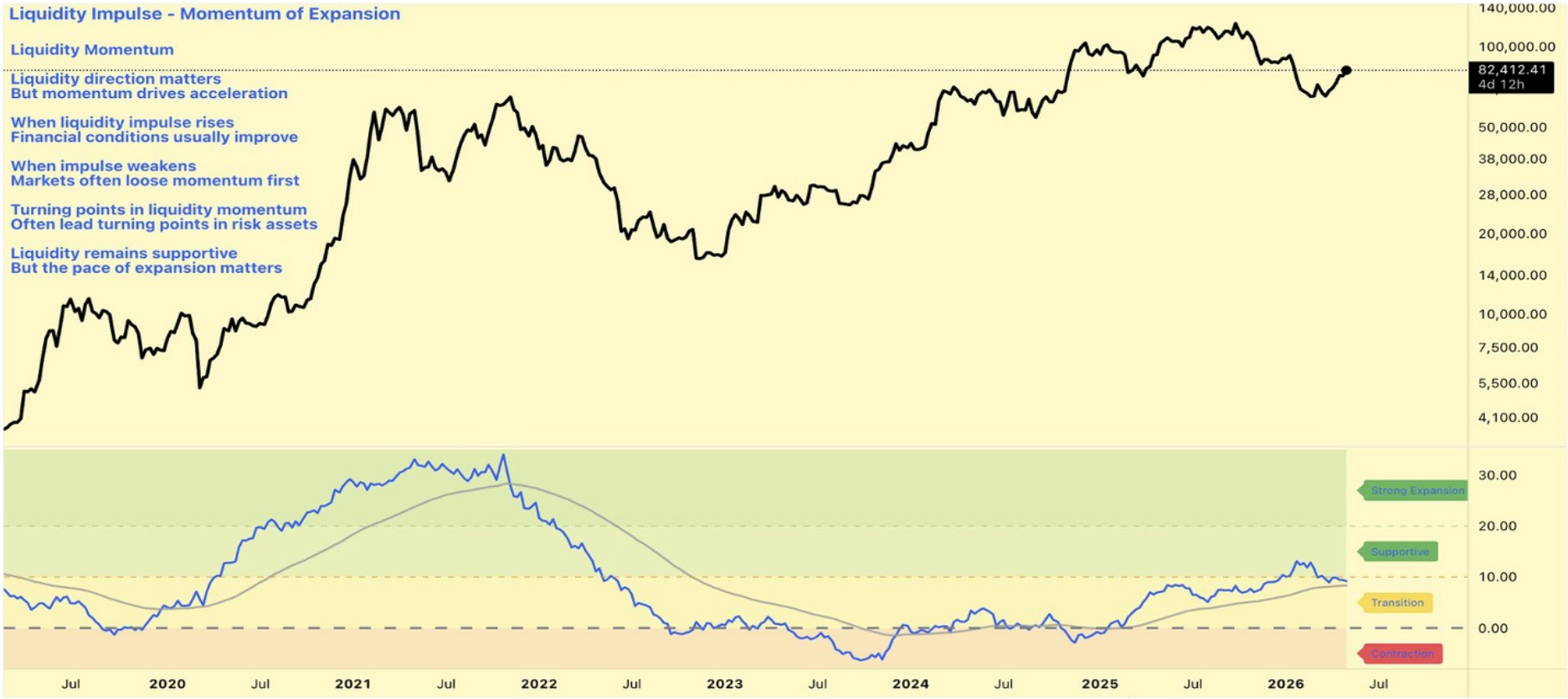
Global liquidity remains the primary supportive force within the system. The continued expansion keeps financial conditions constructive for risk assets, although transmission remains partially constrained by dollar stability, energy pressure, and uneven credit conditions.

Net Liquidity (US)



U.S. net liquidity remains supportive for financial markets despite increasing macro stress. While liquidity conditions are no longer accelerating aggressively, the system continues to receive enough support to stabilize risk assets and prevent broader financial tightening.

Liquidity Impulse - Momentum of Expansion



Liquidity momentum remains supportive, although the pace of acceleration has moderated from prior expansion phases. Markets continue to benefit from positive liquidity conditions, but slower liquidity impulse reduces the strength of confirmation across broader risk assets.

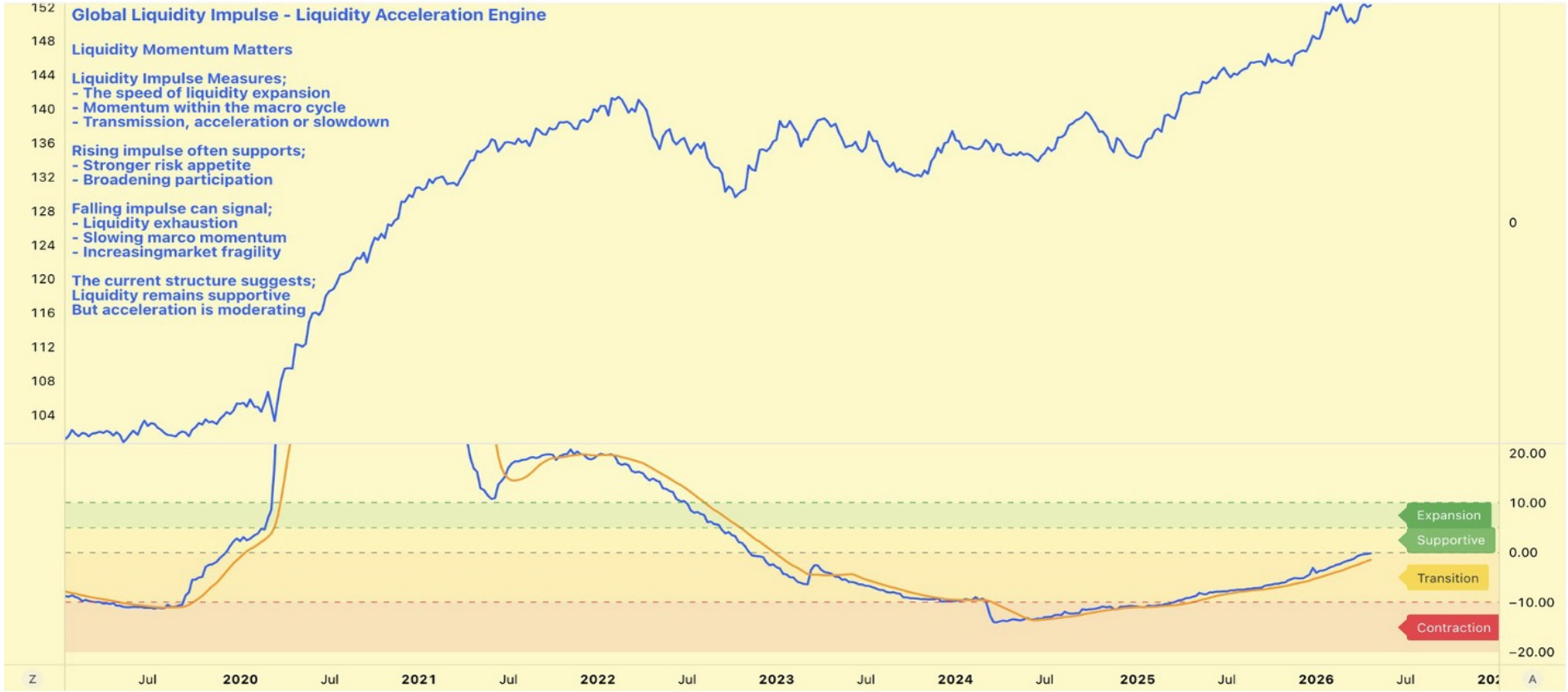
US Net Liquidity - Macro Liquidity Pulse



Net liquidity remains one of the dominant drivers of macro conditions and risk asset performance. Rising liquidity typically supports equities, Bitcoin and broader speculative activity, while falling liquidity tightens financial conditions and reduces market participation.

The current structure remains supportive overall, though momentum has moderated from prior expansionary peaks. Liquidity conditions continue to favour a constructive macro backdrop, but the pace of transmission is no longer accelerating at the same intensity seen during earlier cycle phases.

Global Liquidity Impulse - Liquidity Acceleration Engine



Liquidity impulse measures the speed and momentum of liquidity expansion. Rising impulse supports stronger risk appetite and broader market participation, while falling impulse can signal liquidity exhaustion, slowing macro momentum, and rising fragility.

The current structure remains supportive, but acceleration has moderated from prior expansion phases. Liquidity is still helping the cycle, though the pace of improvement is no longer as powerful as earlier in the recovery.

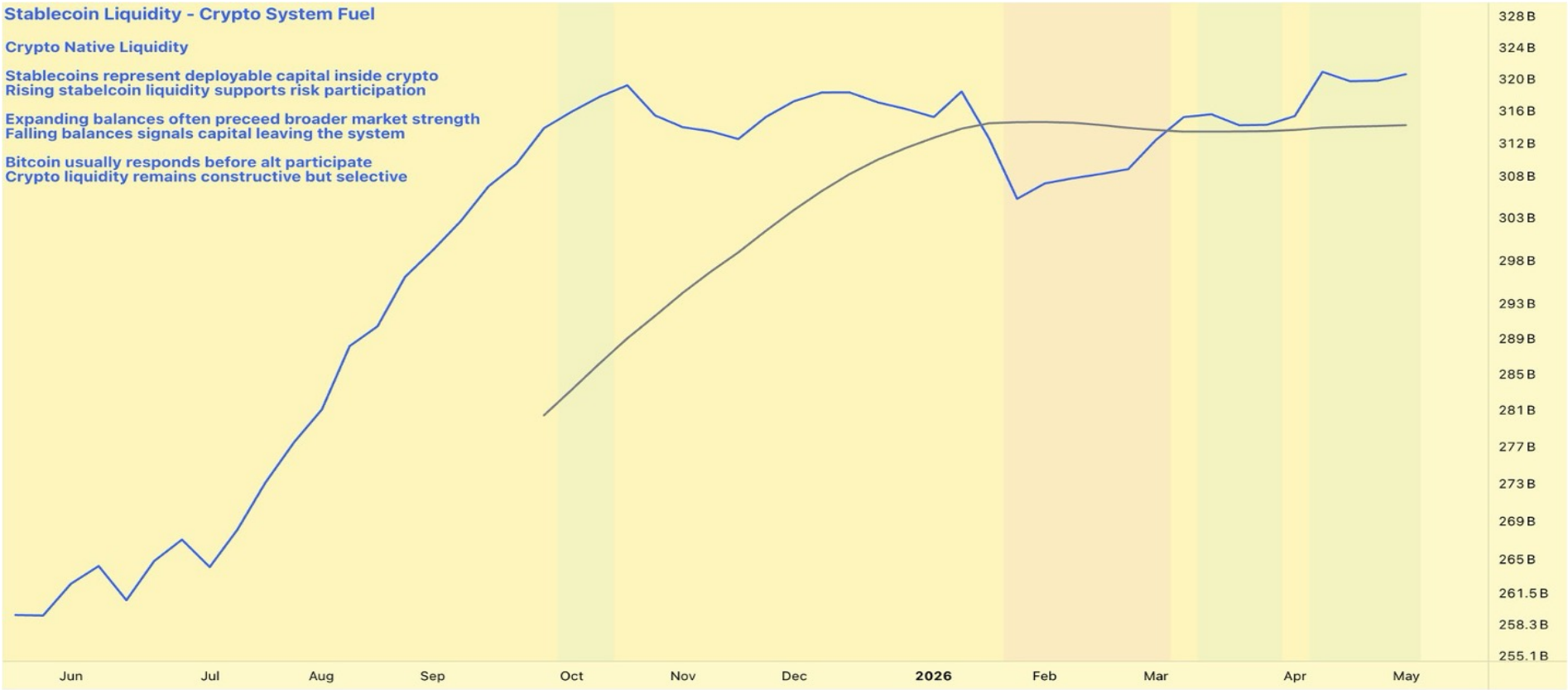
BTC vs Liquidity (Lead Model)



Global liquidity continues to trend higher, maintaining a supportive backdrop for Bitcoin despite periods of short-term divergence. Historically, liquidity has tended to lead Bitcoin with a lagged transmission effect, where capital gradually flows from the macro system into higher-beta digital assets.

The current structure suggests liquidity remains supportive while Bitcoin attempts to close the remaining transmission gap.

Stablecoin Liquidity



Crypto-Native Liquidity Supports Risk Participation.

Stablecoins represent deployable capital within the crypto system. Rising stablecoin balances typically support Bitcoin first before broader participation expands into higher-beta digital assets. Current liquidity conditions remain constructive, though participation continues to be selective rather than broad-based.

Growth & Economic Momentum

Growth remains in expansion territory, but the quality of that expansion is increasingly being tested

US ISM Manufacturing



Manufacturing Remains In Expansion Territory

ISM manufacturing remains above the critical 50 level, indicating the broader economy is still expanding.
However, rising energy costs and tighter financial conditions are beginning to pressure momentum beneath the surface.
The current environment reflects expansion under pressure rather than a clean cyclical acceleration.

Global PMI (Composite)



Global Growth Remains In Expansion Territory

The global growth cycle remains above contraction territory, suggesting the broader economy continues to expand.
However, momentum remains uneven as energy disruption and tighter financial conditions continue to pressure the manufacturing cycle.
Growth remains constructive, but resilience is increasingly being tested beneath the surface.

Growth Impulse (ROC)



Growth Impulse - Momentum Stabilising

Growth momentum has improved from prior slowdown conditions, supporting the broader expansion environment.
However, the recovery remains uneven as higher energy costs and tighter financial conditions continue to pressure acceleration across the system.

Growth Composite Regime Map



Growth Regime Remains Supportive

The growth composite regime has improved from prior slowdown conditions and now points back toward expansion. However, confirmation remains uneven as energy pressure and tighter financial conditions limit the quality of growth transmission.

Credit & Financial Conditions

Credit stress remains contained, but higher funding costs and tighter real conditions keep the expansion vulnerable.

Financial Conditions - System Stress Engine



Financial conditions measure how effectively liquidity flows through the financial system. Supportive conditions encourage credit creation, investment, and risk appetite, while deteriorating conditions tighten liquidity transmission and increase market fragility.

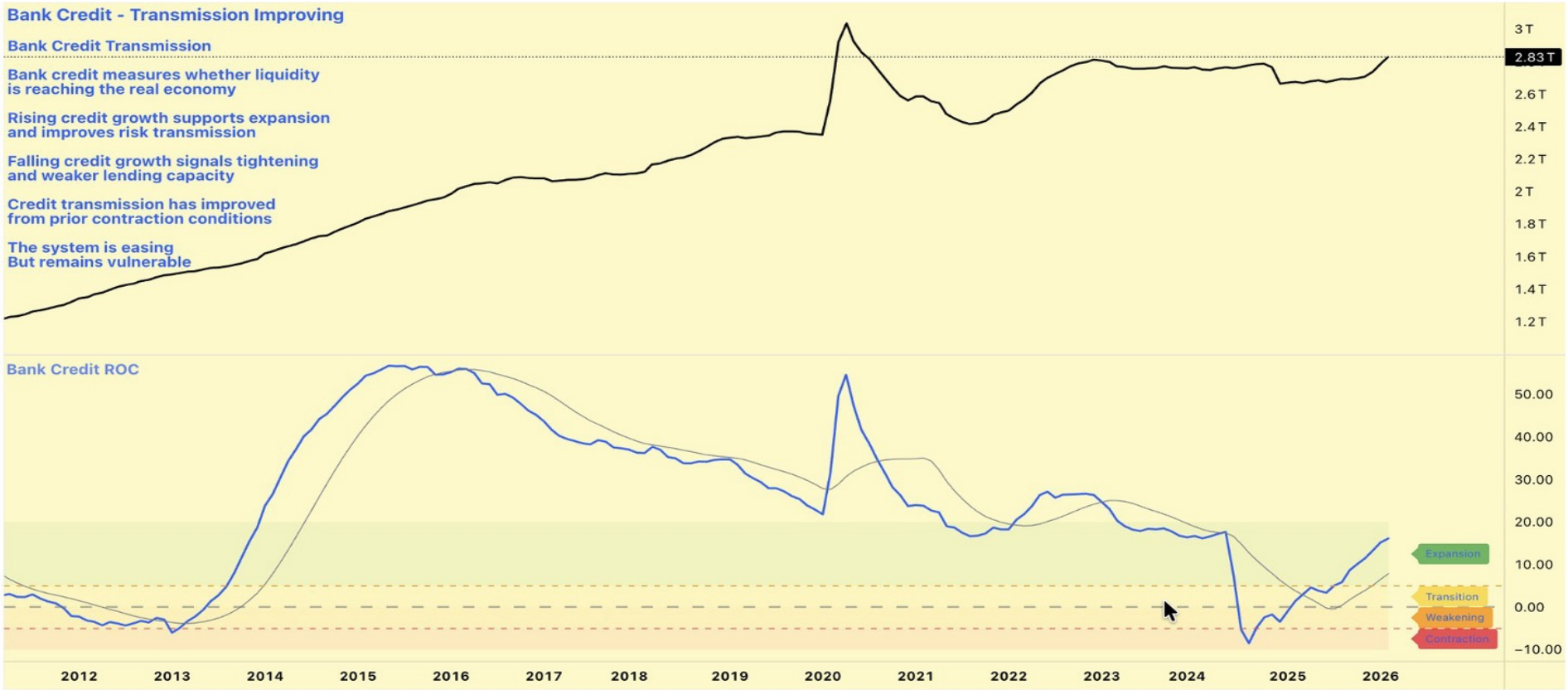
The current structure remains broadly supportive, but underlying stress is gradually building. Liquidity conditions still support markets, though transmission efficiency has weakened as macro pressures, credit sensitivity, and funding costs continue to rise.

High Yield Credit Spreads



Credit spreads remain contained despite tighter financial conditions and rising macro stress. Historically, widening spreads have signaled deteriorating liquidity transmission and increasing fragility inside risk assets. While pressure has increased beneath the surface, credit markets continue to confirm that systemic stress remains limited for now.

Regional Liquidity / Bank Credit



Bank credit growth has improved from prior contraction conditions, suggesting liquidity transmission is beginning to recover. This supports the broader expansion backdrop, although lending capacity remains vulnerable to renewed pressure from energy shocks, real rates, and credit sensitivity.

Real Rates



Real rates remain elevated, keeping valuation pressure embedded in the system despite improving liquidity. This helps explain why risk assets can recover while the broader expansion remains constrained and vulnerable to renewed tightening pressure.

Bitcoin vs Financial Conditions



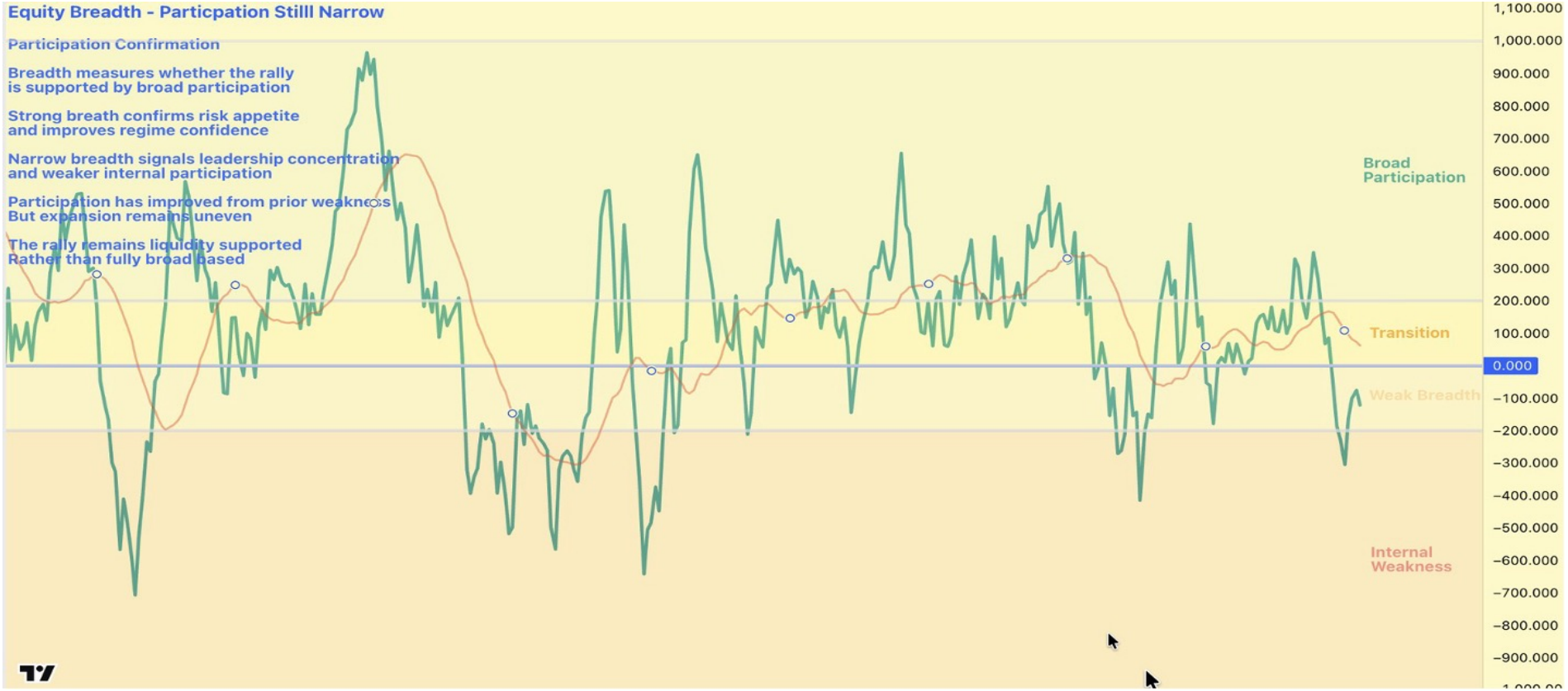
Bitcoin remains highly sensitive to changes in financial conditions and liquidity transmission.

When conditions ease, speculative assets typically respond strongly as liquidity flows through the system more efficiently.
The current structure suggests financial conditions remain broadly supportive, but transmission strength is weaker than earlier expansion phases.
This divergence may indicate rising fragility beneath the surface despite resilient asset prices.

Market Structure & Participation

Participation has improved, but leadership remains narrow and confirmation is incomplete

Equity Breadth - Participation Still Narrow



Participation Has Improved, But Remains Narrow

Equity breadth measures whether market strength is being confirmed by broad participation beneath the surface.
Breadth has improved from prior weakness, but participation remains uneven and has not yet confirmed a fully broad-based risk-on regime.
The rally remains liquidity-supported, but still vulnerable while leadership remains narrow.

Earnings Growth vs Equities



Earnings growth confirms whether equity strength is supported by improving fundamentals or driven primarily by liquidity and valuation expansion. While equities remain supported, durable confirmation requires earnings momentum to broaden alongside price strength.

Nasdaq vs Liquidity - Equity Transmission



Liquidity conditions continue to support equities, but transmission quality has become increasingly leadership-driven. Nasdaq performance remains strong relative to broader participation, suggesting liquidity is still flowing into markets, though confirmation beneath the surface remains uneven.

Defensive Rotation Signals

Defensive assets are confirming that the system is supported, but not free of stress

BTC vs Gold - Capital Rotation Regime



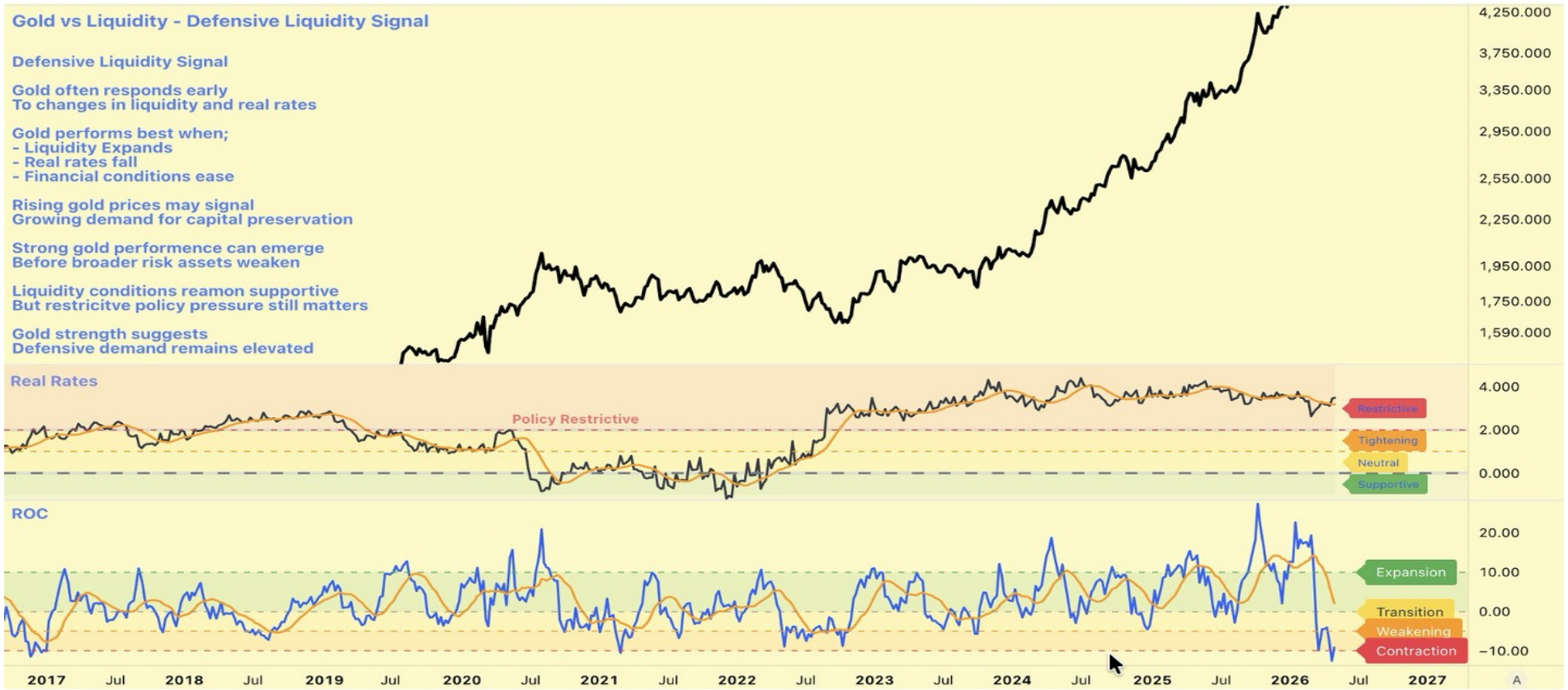
The BTC vs Gold ratio tracks the market's preference between speculative liquidity and defensive capital preservation. BTC leadership typically confirms risk-on conditions and strong liquidity transmission, while Gold leadership reflects weakening confidence, tighter financial conditions, and a shift toward capital protection. The current structure suggests defensive rotation has improved, although the ratio is attempting to stabilize after a deeply defensive phase.

Gold vs DXY



Gold has continued to strengthen even though the dollar has not collapsed. This suggests gold's advance is not simply a weak-dollar trade, but also reflects defensive capital demand, real-rate sensitivity, and declining confidence in policy durability.

Gold vs Liquidity - Defensive Liquidity Signal



Gold often responds early to shifts in liquidity and financial conditions. Its strongest advances typically occur when liquidity improves while real rates ease or financial stress rises beneath the surface. The current backdrop remains broadly supportive, but real rates and policy pressure continue to restrict broader market transmission. This can support defensive assets even while risk assets remain elevated.

Gold strength in restrictive real-rate environments often reflects demand for capital preservation, policy hedging and defensive positioning. Liquidity remains constructive, but underlying fragility has not fully disappeared.

Bitcoin & Liquidity Transmission

Bitcoin is attempting to close the liquidity transmission gap, but confirmation still depends on durability

Bitcoin vs Global Liquidity - Primary Driver



Bitcoin remains one of the most liquidity-sensitive assets in global markets. Major advances have historically aligned with expanding global liquidity, while contractions have coincided with weaker performance and higher volatility. Although short-term divergences can emerge, liquidity remains the dominant macro driver of Bitcoin's broader cycle structure.

The current backdrop shows liquidity improving from prior contractionary pressure, helping stabilize Bitcoin despite macro uncertainty and restrictive policy conditions. Liquidity remains supportive. However, sustained upside still depends on durable transmission and broader macro confirmation.

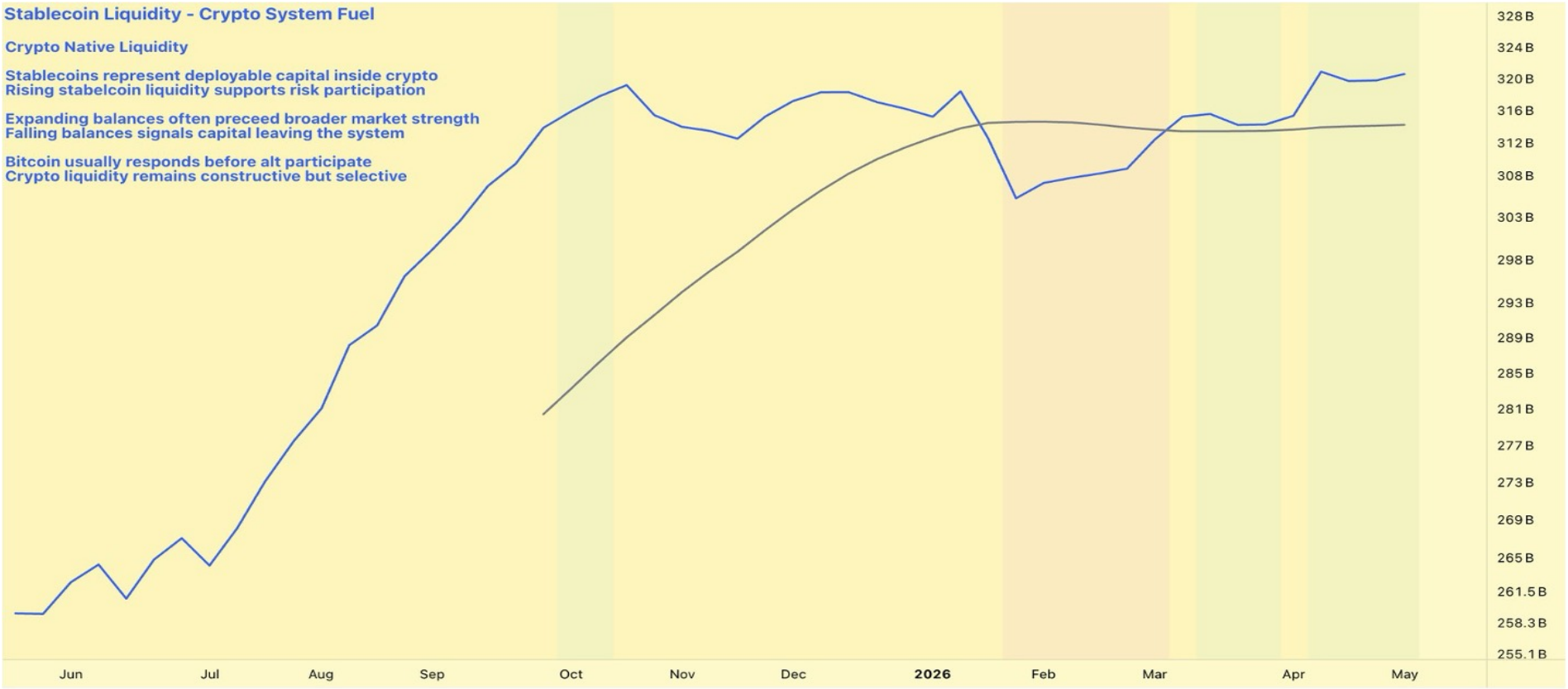
Global Liquidity vs Bitcoin - Transmission Model



Global liquidity continues to trend higher, maintaining a supportive backdrop for Bitcoin despite periods of short-term divergence.

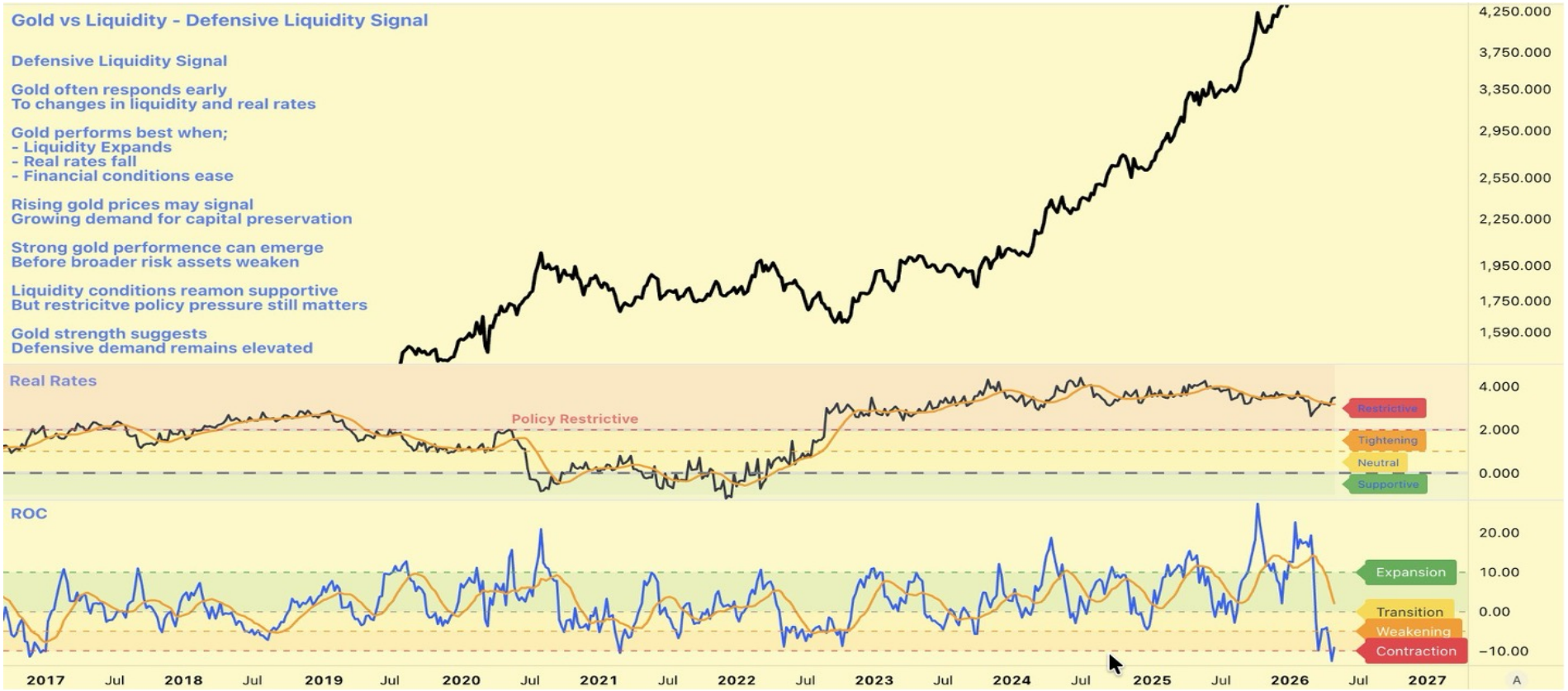
Historically, liquidity has tended to lead Bitcoin with a lagged transmission effect, where capital gradually flows from the macro system into higher-beta digital assets. The current structure suggests liquidity remains supportive while Bitcoin attempts to close the remaining transmission gap.

Stablecoin Liquidity - Crypto System Fuel



Stablecoins represent deployable capital within the crypto system. Rising stablecoin balances typically support Bitcoin first before broader participation expands into higher-beta digital assets. Current liquidity conditions remain constructive, though participation remains selective rather than fully broad-based.

Gold vs Liquidity - Defensive Liquidity Signal

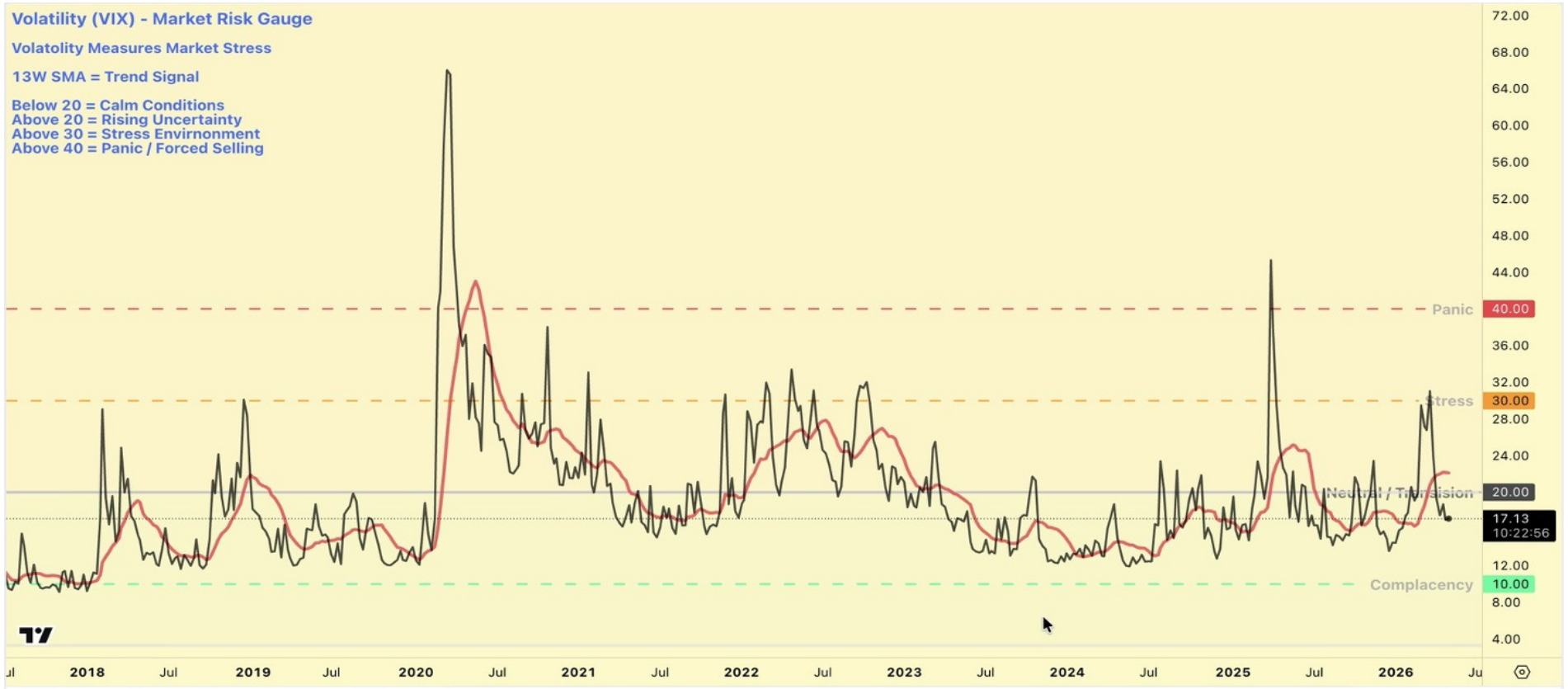


The current backdrop shows liquidity conditions remaining broadly supportive, however real rates and policy pressure continue to act as a restrictive force on broader market transmission. This combination can support defensive assets even while risk assets remain elevated.

Positioning / Volatility / Risk

Risk appetite is stablising, leverage and sentiment still need confirmation

Volatility (VIX) - Market Risk Gauge



Volatility measures market stress and positioning uncertainty. Current conditions have moved above complacency but remain below panic, suggesting risk appetite is no longer clean, though forced selling pressure has not yet dominated the system.

Crypto Positioning Funding Leverage



Funding rates measure positioning and leverage inside digital asset markets. Elevated funding can signal crowded longs and rising pullback risk, while deeply negative funding can signal forced selling and potential opportunity. Positioning does not drive the cycle, but it can amplify moves.

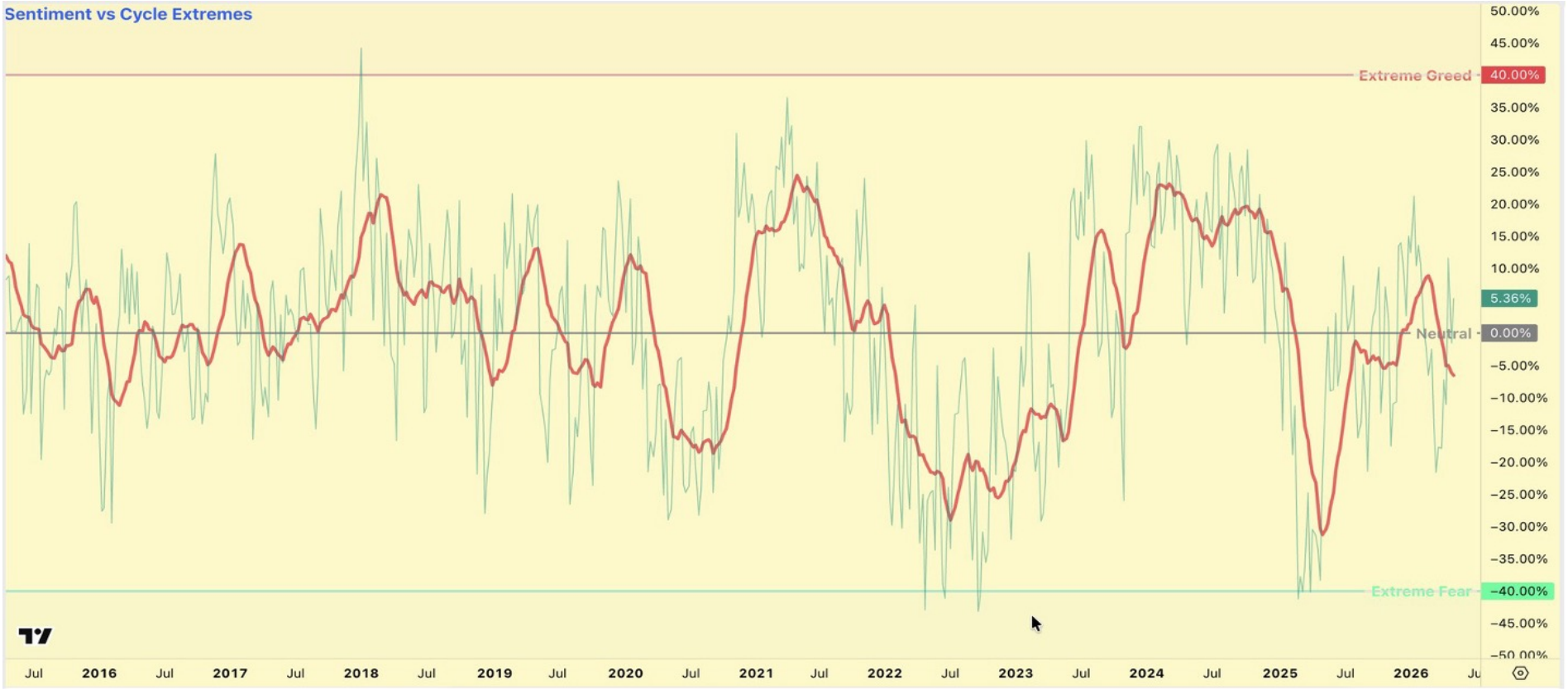
Macro Risk Meter - Cross-Asset Liquidity Proxy



The Macro Risk Meter blends Nasdaq, Bitcoin and Gold into a single cross-asset liquidity proxy designed to measure broader risk appetite across the financial system. Nasdaq reflects equity liquidity transmission, Bitcoin captures speculative liquidity beta, while Gold represents defensive monetary demand and capital preservation behaviour.

When the composite rises alongside supportive liquidity conditions, risk appetite and market participation typically strengthen. When the proxy weakens while macro stress rises, underlying fragility often begins to build beneath the surface. The current structure suggests macro risk appetite is stabilising, though trend confirmation remains important as liquidity conditions continue to evolve.

Sentiment vs Cycle Extremes



Sentiment helps identify when positioning becomes stretched relative to the broader cycle. Current conditions suggest sentiment has recovered from prior fear, but has not yet moved into extreme greed, leaving the market in a more balanced but still fragile transition zone.

Key Takeaways

- Liquidity remains the primary supportive force in the system, but transmission remains constrained by dollar stability, energy pressure and uneven credit conditions.
- Energy has shifted from a passive input to an active macro constraint, creating pressure across inflation, margins and financial conditions.
- Growth remains in expansion territory, but momentum is uneven and increasingly vulnerable to higher energy costs and tighter real rates.
- Credit markets have not confirmed systemic stress, although underlying fragility is building beneath otherwise supportive conditions.
- Market participation has improved but remains narrow, leaving the rally more leadership-driven than fully broad-based.
- Defensive rotation signals, especially Gold strength, confirm that capital preservation demand remains elevated despite resilient risk assets.
- • Bitcoin remains supported by liquidity, but sustained upside still requires durable transmission and broader macro confirmation.

Disclaimer

This publication is provided for informational and educational purposes only and does not constitute financial advice, investment advice, or a recommendation to buy or sell any financial instrument.

The views expressed are based on current market conditions and are subject to change without notice. While every effort has been made to ensure the accuracy of the information presented, no representation or warranty is made as to its completeness or reliability.

Investing involves risk, including the potential loss of capital. Readers should conduct their own research and consider their financial situation, risk tolerance, and investment objectives before making any investment decisions.

Past performance is not indicative of future results.

The authors and publishers accept no liability for any financial decisions made based on the information contained in this report.

Capital Cycle Intelligence

Know What You Own
&

Know Why You Own It