CAPITAL CYCLE

INTELLIGENCE

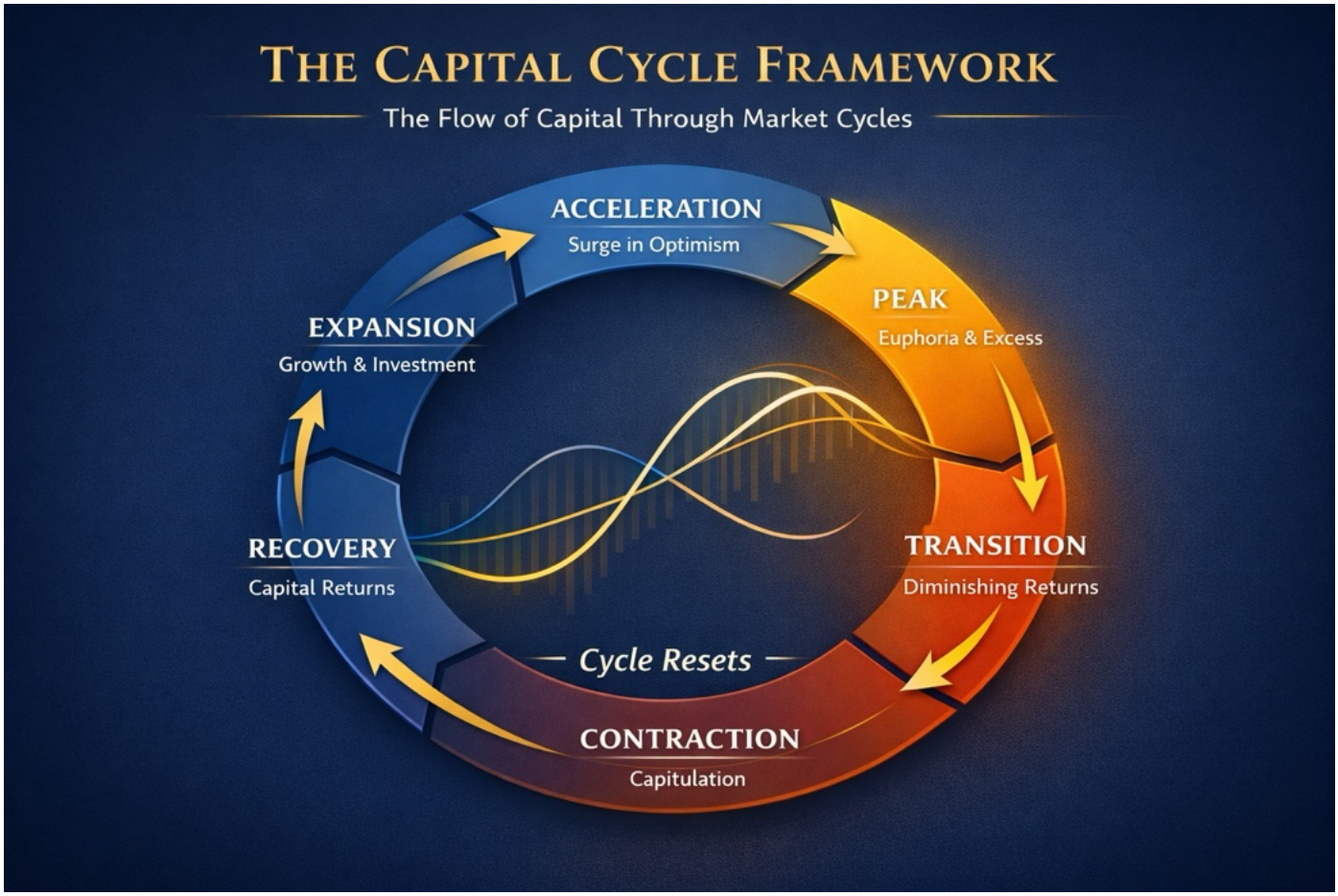
# THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



# The Capital Cycle Framework

## “A framework for navigating liquidity-driven market cycles”




Capital Cycle Framework illustrates how capital flows through market cycles.
Understanding where we are within this cycle provides the foundation for all investment decisions.

### Current Cycle Position

The current environment is best characterised as Late Cycle Expansion transitioning toward a Fragile Expansion phase, where liquidity is improving but confirmation from credit and market structure remains incomplete.

# Macro Regime Compass

## Current Regime: Late Expansion (Fragile)




Growth remains in expansion, but rising macro pressures and incomplete confirmation suggest the cycle is entering a more fragile phase.

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# The Capital Cycle Letter - 1st Edition
## March 2026

## 1. Executive Regime Summary

Financial markets are currently operating within a macro environment defined by improving liquidity conditions, resilient but vulnerable growth, and incomplete confirmation from credit and market structure.

Liquidity has turned higher. Global liquidity continues to expand, U.S. system liquidity has improved, and the broader monetary backdrop is more supportive than it was in prior months. Under normal circumstances, such an improvement would provide a constructive tailwind for risk assets.

However, markets have not yet responded in a manner consistent with a fully confirmed expansion.

Equities remain in an established uptrend but have cooled this calendar year. Digital assets have undergone a significant reset, with Bitcoin correcting sharply from its highs and altcoins experiencing materially deeper drawdowns. While both have shown signs of stabilisation, neither has yet delivered the kind of broad confirmation that would normally accompany a clean liquidity-led expansion.

At the same time, the macro environment has been complicated by an external shock.

The escalation of conflict involving the United States, Israel, and Iran has produced a sharp rise in oil prices, briefly driving crude to levels not seen since prior major energy shocks before partially retracing. Even after this retracement, oil remains elevated enough to matter. Higher energy prices act as a tax on growth, a pressure point for inflation, and a constraint on policy flexibility.

This creates an important divergence.

Liquidity is improving, and the business cycle — as measured through ISM and broader PMI indicators — remains in expansion. Yet credit has only recently begun to stabilise from a weaker position, the dollar has shifted from a clear downtrend into a more uncertain and reactive phase, and markets remain selective rather than broadly risk-seeking.

The current regime is therefore best understood as:

Fragile Expansion — Liquidity Improving, Confirmation Incomplete

This is not a contractionary regime. Nor is it a fully aligned risk-on expansion.

Instead, it is a regime in which the foundations for further upside are present, but where confirmation from credit, the dollar, and cross-asset market behaviour is still required.

## Global Liquidity (GLI)



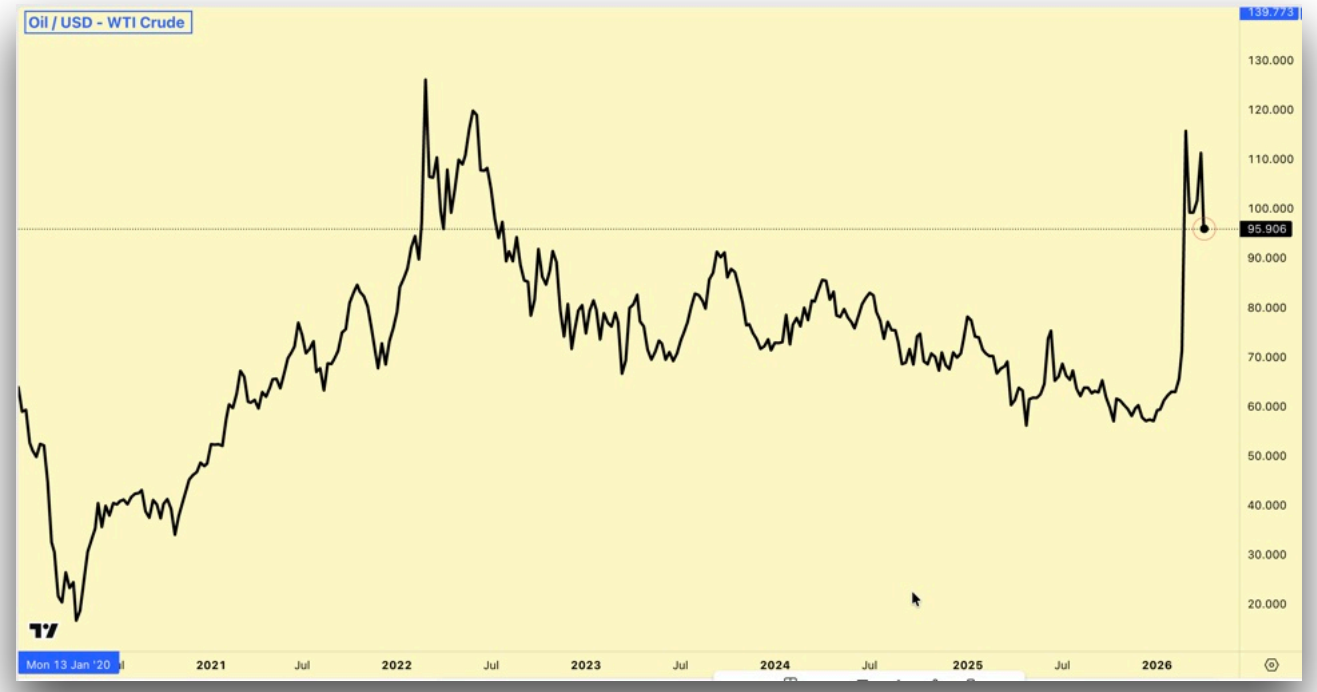

## Net Liquidity (US)



## US ISM Manufacturing




## Crude Oil



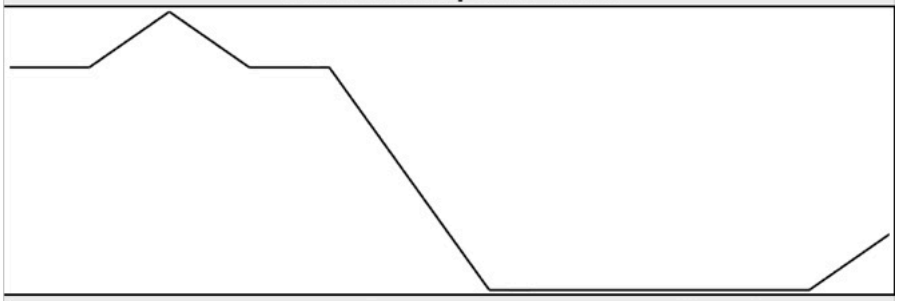
## Credit Intelligence Panel

| CREDIT INTELLIGENCE PANEL | |
|---|---|
| **Metric** | **Value** |
| **Composite Score** | 0.20 |
| **Current Regime** | 0.00 |
| **Weeks in Regime** | 6 |
| **Cycle Phase** | Late Cycle |
| **Drift** | Late Cycle |
| **Regime Momentum** | ↘ Deteriorating |
| **Previous Regime** | Supportive / Neutral |
| **Last Change** | 6 |

**12-Week Lookback Table**

| Date | Regime | Drift |
|---|---|---|
| 1/5/2026 | Easy Financial Conditions | ↗ Improving |
| 1/12/2026 | Easy Financial Conditions | → Flat |
| 1/19/2026 | Easy Financial Conditions | ↗ Improving |
| 1/26/2026 | Easy Financial Conditions | ↘ Deteriorating |
| 2/2/2026 | Easy Financial Conditions | → Flat |
| 2/9/2026 | Supportive / Neutral | ↘ Deteriorating |
| 2/16/2026 | Neutral | ↘ Deteriorating |
| 2/23/2026 | Neutral | → Flat |
| 3/2/2026 | Neutral | → Flat |
| 3/9/2026 | Neutral | → Flat |
| 3/16/2026 | Neutral | → Flat |
| 3/23/2026 | Neutral | ↗ Improving |

**12-Week Composite Trend**



Is the system actually improving… or just stabilising?

## Capital Bias

At present, the capital allocation environment is best characterised as:

- Constructive, but selective
- Favourable to liquidity-sensitive assets, but only where valuation remains attractive
- Less favourable to expensive assets requiring flawless macro confirmation
- Still vulnerable to further volatility if oil, inflation, or the dollar remain elevated

## Primary Risks

The principal risks to the current regime are clear:

- sustained elevation in oil prices

- renewed dollar strength
- failure of credit conditions to improve meaningfully
- deterioration in upcoming growth data as the effects of the geopolitical shock filter into the economy

## What Would Improve the Outlook

For the current setup to transition from fragile expansion to confirmed expansion, we would want to see:

- credit conditions move from neutral to supportive
- the dollar resume a broader weakening trend
- oil prices stabilise or continue to retrace
- growth data remain resilient despite the recent external shock
- risk assets begin to confirm the improving liquidity backdrop more broadly

## Capital Implication

The current environment supports participation, but not complacency.

Liquidity is improving and the broader cycle remains intact. However, until confirmation emerges from credit, the dollar, and market structure, the regime should be treated as supportive but incomplete.

# 🥇 2. March Golden Nugget

## Golden Nugget #1

Liquidity Drives. Credit Transmits. The Dollar Constrains.

## The Principle

Liquidity determines the direction of markets, but it does not operate in isolation.

For liquidity to translate into sustained asset price expansion, it must be transmitted through the credit system and supported by global financial conditions. The U.S. dollar, as the primary reserve currency, plays a central role in determining whether that transmission is amplified or constrained.

## Why It Matters

The current environment presents a clear example of this interaction.

Liquidity has turned higher. Global liquidity is expanding, U.S. system liquidity has improved, and the monetary backdrop is more supportive than it was in prior months.

However, this has not yet translated into broad market strength.

The reason lies in the transmission mechanism.

Credit conditions have only recently stabilised following a period of tightening and are still in the early stages of potential improvement. At the same time, the U.S. dollar has moved out of a clean downtrend and into a more uncertain, risk-sensitive phase.

Layered on top of this, elevated oil prices are acting as an additional constraint on economic activity and financial conditions.

The result is a divergence:

- liquidity is improving
- but transmission is incomplete
- and global conditions are partially restrictive

## Capital Implication

Liquidity alone is not sufficient to drive a sustained expansion.

For the current regime to evolve into a fully confirmed risk-on environment, we would expect:

- credit conditions to move from neutral to supportive
- the dollar to resume a broader weakening trend
- external pressures, particularly energy prices, to stabilise

Until these conditions are met, the macro backdrop should be viewed as supportive but fragile.

Investors should avoid assuming that improving liquidity guarantees immediate upside and instead focus on whether the transmission mechanisms are beginning to confirm.

# 3. Global Liquidity Engine — The Primary Driver

Liquidity conditions have improved meaningfully and are now acting as the primary supportive force within the macro environment.

## What the Data Is Showing

Global liquidity has turned higher.

### Global Liquidity (GLI)

The expansion in global liquidity reflects a combination of stabilising central bank balance sheets and improving monetary conditions across major economies.

This shift represents a transition away from the more restrictive environment observed in prior periods and suggests that capital is increasingly available within the system.




## U.S. Liquidity — The Plumbing Layer

### Net Liquidity (FED − TGA − RRP)

U.S. system liquidity has also improved.

The interaction between the Federal Reserve balance sheet, the Treasury General Account, and the reverse repo facility suggests that the blockage within the liquidity plumbing may have recently eased.

This is an important development.



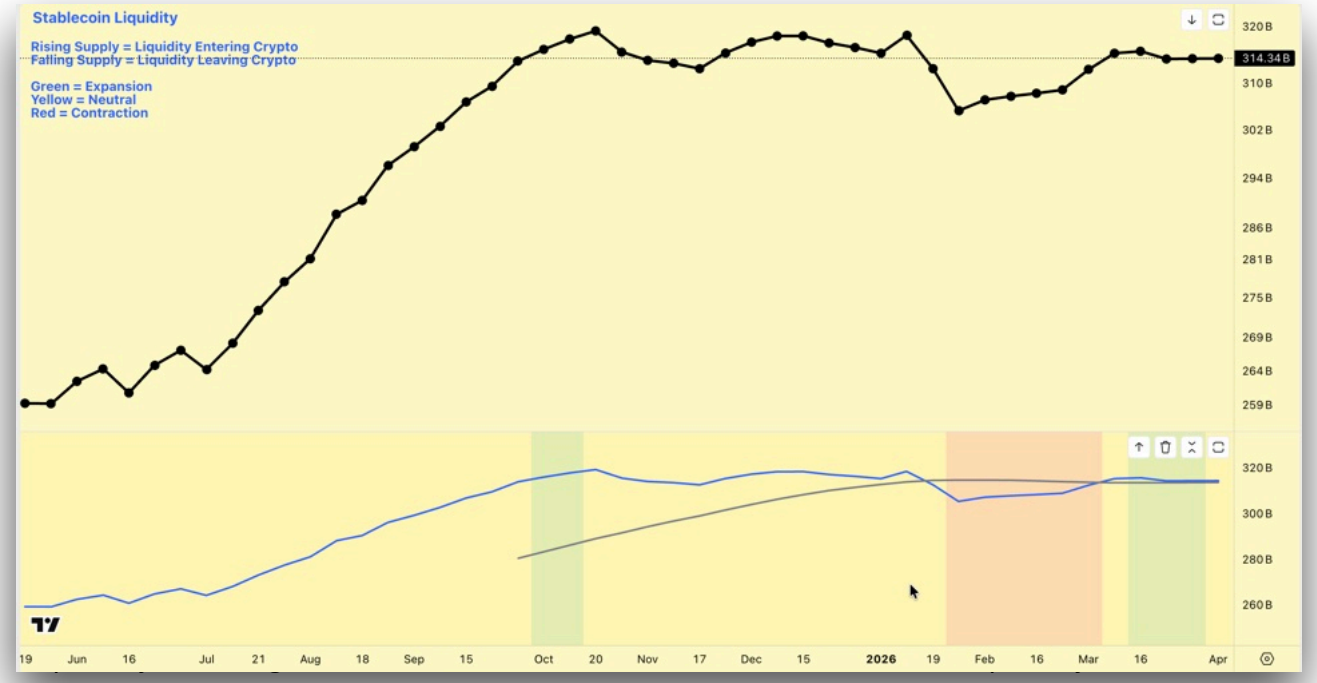

Liquidity is not just a function of central bank balance sheets, but of how that liquidity is transmitted into the financial system. The recent improvement indicates that capital is becoming more accessible to markets.

## Crypto-Native Liquidity

## Stablecoin Supply

Stablecoin supply continues to expand, reinforcing the broader liquidity backdrop within digital asset markets.

This suggests that capital is re-entering the crypto ecosystem, providing a supportive foundation for digital assets, even if price action has not yet fully reflected this shift
Liquidity vs Market Behaviour



## BTC vs Liquidity (Lead Relationship)




## Historically, Bitcoin has demonstrated a strong relationship with global liquidity conditions.

The current divergence — improving liquidity without immediate price confirmation — suggests that markets may still be in a lag phase or that other macro constraints are temporarily offsetting the liquidity impulse.

## Liquidity Classification

- Global Liquidity: Expanding
- U.S. Liquidity: Expanding
- Liquidity Momentum: Improving

## Educational Context — Why Liquidity Leads

Liquidity represents the availability of capital within the financial system.

When liquidity expands, capital becomes easier to access, risk appetite tends to increase, and asset prices are supported. When liquidity contracts, the opposite occurs.

However, liquidity does not operate in isolation.

It must be transmitted through credit and supported by broader financial conditions. Without this transmission, the impact of liquidity on markets can be delayed or muted.

## Capital Implication

Liquidity is currently acting as a clear tailwind within the macro environment.

However, the lack of immediate confirmation from risk assets suggests that liquidity is being offset by other factors, including:

- incomplete credit transmission
- dollar strength
- elevated energy prices

As a result, while the direction of liquidity is supportive, its impact is not yet fully expressed across markets.

# 4. Growth & Business Cycle — The Sustainability Engine

Economic growth remains in expansion, but forward risks have increased.

## What the Data Is Showing

Growth indicators continue to reflect expansion.

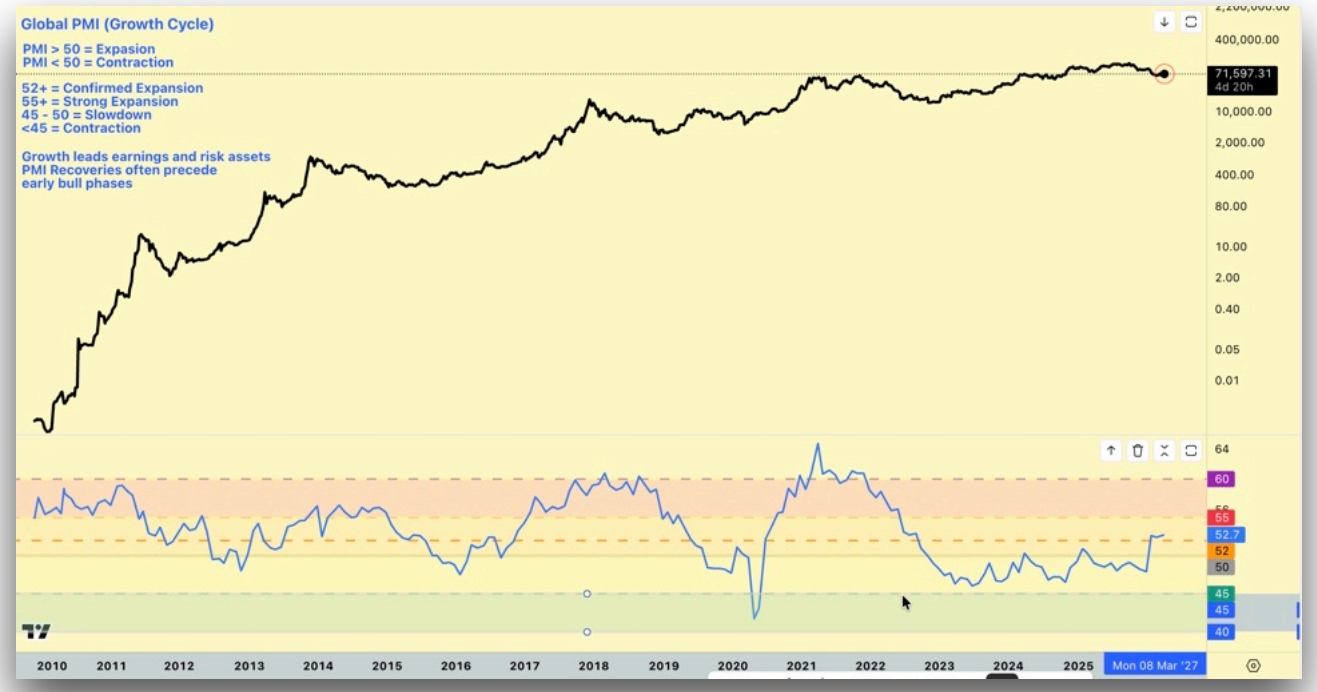
### US ISM Manufacturing




The ISM Manufacturing Index remains above the critical 50 threshold and has been trending higher in recent months.

This confirms that the U.S. economy is currently expanding.

### Global PMI (Composite)



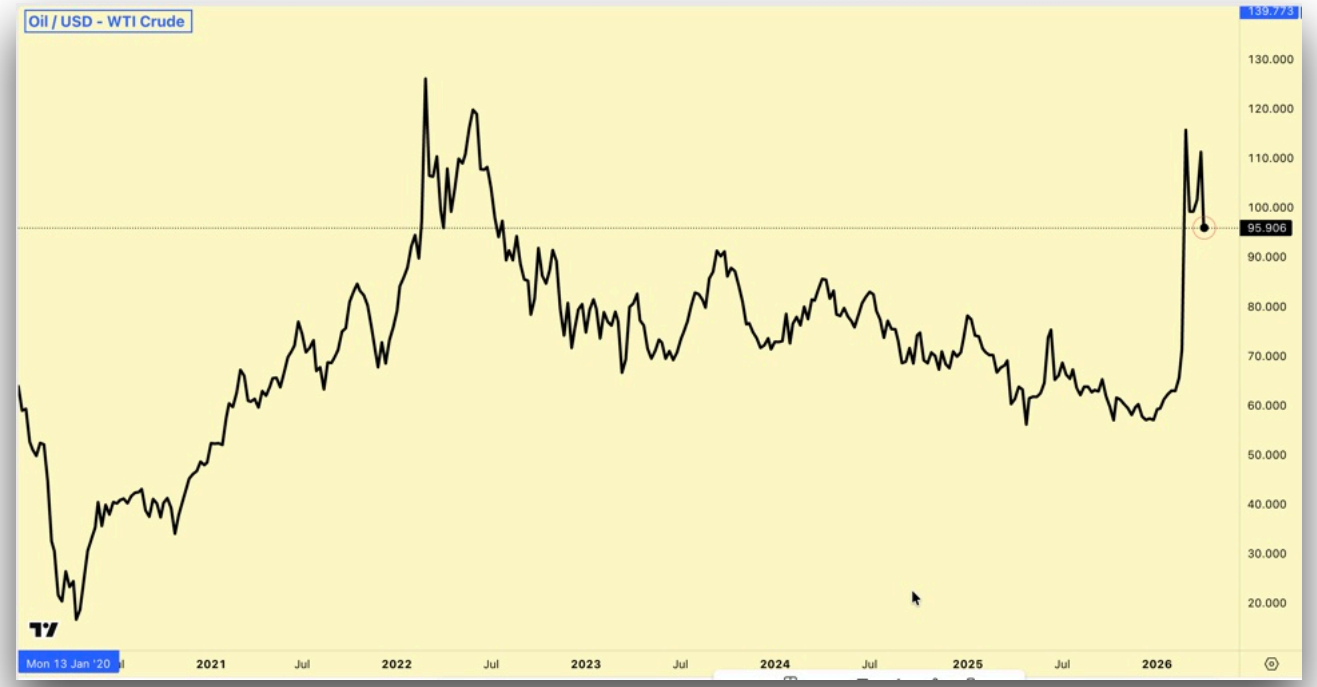
Global PMI has stabilised and moved back into expansion territory, indicating that global economic activity is improving alongside U.S. growth.

## Growth Classification

- U.S. Growth (ISM): Expansion (>50)
- Global Growth (PMI): Expansion
- Growth Momentum: Improving

## The Emerging Constraint — Energy Shock

### Crude Oil




The recent surge in oil prices represents a material shift in the macro environment.

Although prices have retraced from their peak, they remain elevated enough to impact economic conditions.

## Educational Context — Why Oil Matters

Oil is not just a commodity — it is a macro transmission mechanism.

Higher oil prices:

- increase input costs across the economy
- reduce consumer discretionary spending
- compress corporate margins
- sustain inflationary pressure

This effectively acts as a tax on growth.

## The Timing Mismatch

There is currently a divergence between:

- Current data (strong)
- Forward conditions (uncertain)

Growth indicators such as ISM and PMI are lagging relative to sudden external shocks.

This means the impact of the recent geopolitical escalation is not yet fully reflected in the data.

## Growth Within the Cycle

Growth is currently not the limiting factor in the system.

However, it is no longer a clean tailwind.

The cycle is transitioning from:

👉 clean expansion
to
👉 expansion under pressure

## Capital Implication

Growth remains supportive of the broader macro environment.

However, the sustainability of this support now depends on:

- whether oil prices stabilise
- whether inflation remains contained
- whether growth data holds up in the coming months

If growth continues to expand despite these pressures, it will reinforce the liquidity backdrop.

If it weakens, it will validate the fragility currently observed across markets.

# 5. Dollar & Liquidity Plumbing — The Transmission Layer

The U.S. dollar has shifted from a clear tailwind to a more uncertain and potentially restrictive force within the macro system.

## What the Data Is Showing

### U.S. Dollar Index (DXY)




The dollar has recently broken its prior downtrend, rising above the 100 level as geopolitical tensions increased.

This move reflects a flight to safety, with capital flowing into the dollar during periods of uncertainty.

More recently, the dollar has eased back below 100, leaving its direction unresolved.

## Dollar Classification

- Dollar Level: Elevated
- Trend: Broken downtrend
- Behaviour: Risk-sensitive / volatile

## Educational Context — The Dollar as a Global Constraint

The U.S. dollar is the primary transmission mechanism of global liquidity.

## A stronger dollar:

- tightens global financial conditions
- increases the cost of dollar funding
- reduces capital availability internationally

## A weaker dollar:

- supports global liquidity
- encourages capital flows into risk assets
- eases financial conditions

### Dollar vs Liquidity




The current environment presents a key divergence:

- liquidity is improving
- but the dollar is not yet confirming

This creates a partial offset, reducing the effectiveness of liquidity expansion.

## The Interaction with Oil

The impact of the dollar is amplified by elevated energy prices.

The combination of:

- higher oil
- elevated dollar
- persistent inflation pressure

creates a more restrictive environment for global growth.

## Policy vs Market Behaviour

From a policy perspective, a weaker dollar is generally more supportive of global growth.

However, during periods of geopolitical stress, market behaviour overrides policy intent, driving the dollar higher as investors seek safety.

This creates tension within the system.

## Capital Implication

The dollar is currently acting as a partial constraint on the macro environment.

For liquidity to fully express itself across markets, we would expect:

- a sustained move lower in the dollar
- reduced geopolitical risk
- stabilisation in global financial conditions

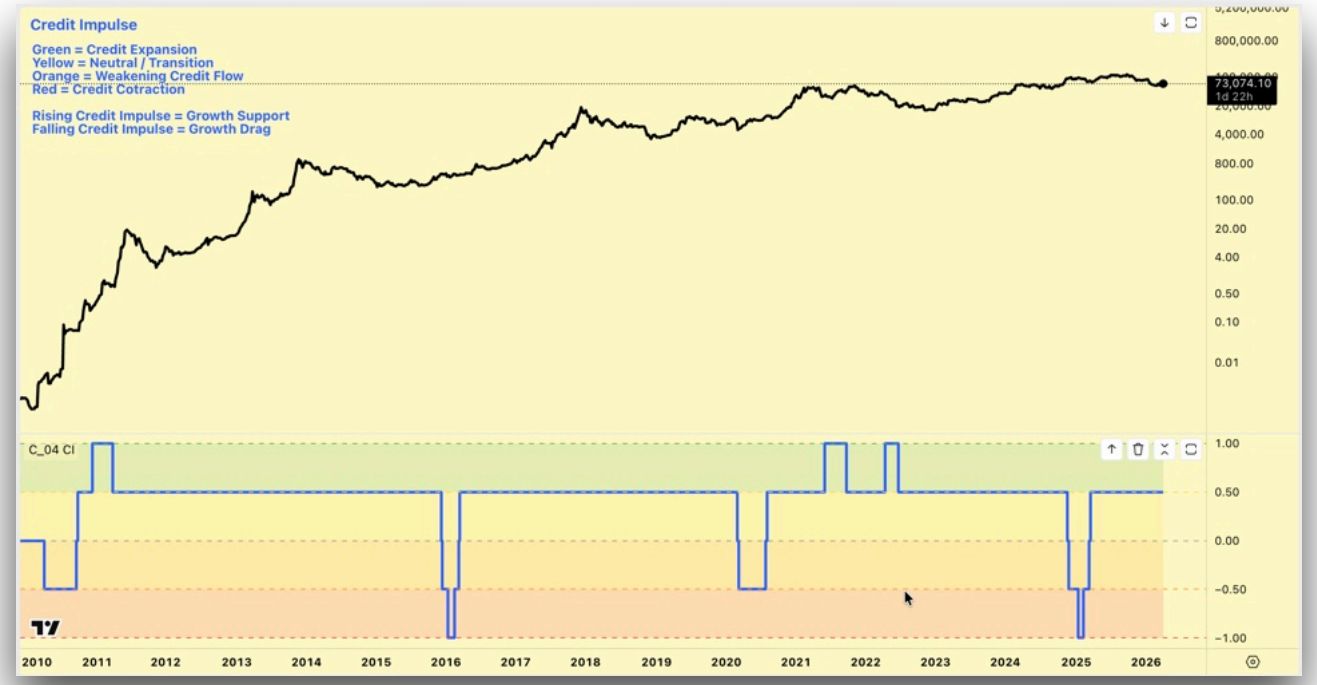
Until then, the dollar remains a key variable limiting the strength of the current expansion.

# 6. Credit & Financial Stress — The Transmission System

Credit conditions have stabilised and are beginning to show early signs of improvement, but have not yet returned to a fully supportive state.

## What the Data Is Showing

### Credit Impulse




Credit conditions have transitioned from easy financial conditions to neutral, reflecting a tightening in the availability of capital over recent months.

However, this deterioration appears to have stabilised, with recent data suggesting that the pace of tightening has slowed and may be beginning to reverse.

## Credit Classification

- Financial Conditions: Neutral
- Cycle Position: Late Cycle
- Momentum: Stabilising → Improving

## Beneath the Surface — Structural Shift

While headline credit conditions remain neutral, underlying structural changes suggest that the system may be transitioning.

Recent regulatory adjustments in the U.S. banking system have increased the capacity for banks to lend against their balance sheets. At the same time, the Federal Reserve has ended quantitative tightening and resumed balance sheet expansion.

Together, these developments indicate that a constraint within the financial system may have recently been removed, allowing credit to begin flowing more freely.

## Educational Context — Why Credit Matters

Liquidity sets the direction of markets, but credit determines whether that liquidity reaches the real economy.

When credit is expanding:

- capital is transmitted efficiently
- economic activity is supported
- asset prices tend to rise

When credit is constrained:

- liquidity remains trapped
- growth slows
- market response becomes muted

## The Timing Mismatch

There is currently a divergence between:

- Structural reality (improving)
- Observed data (still neutral)

Credit conditions often lag underlying policy and regulatory changes.

This suggests that the system may be in the early stages of a transition that has not yet fully appeared in traditional indicators.

## Interaction with External Risk

The potential re-expansion of credit is occurring alongside elevated energy prices and geopolitical uncertainty.

Higher oil prices can reduce the effectiveness of credit expansion by:

- increasing borrowing costs indirectly
- reducing demand for credit
- weakening economic confidence

## Capital Implication

Credit is no longer deteriorating and may be transitioning toward expansion.

However, until this improvement is clearly reflected in observable data, credit cannot yet be considered a full tailwind.

For the current regime to strengthen meaningfully, we would expect:

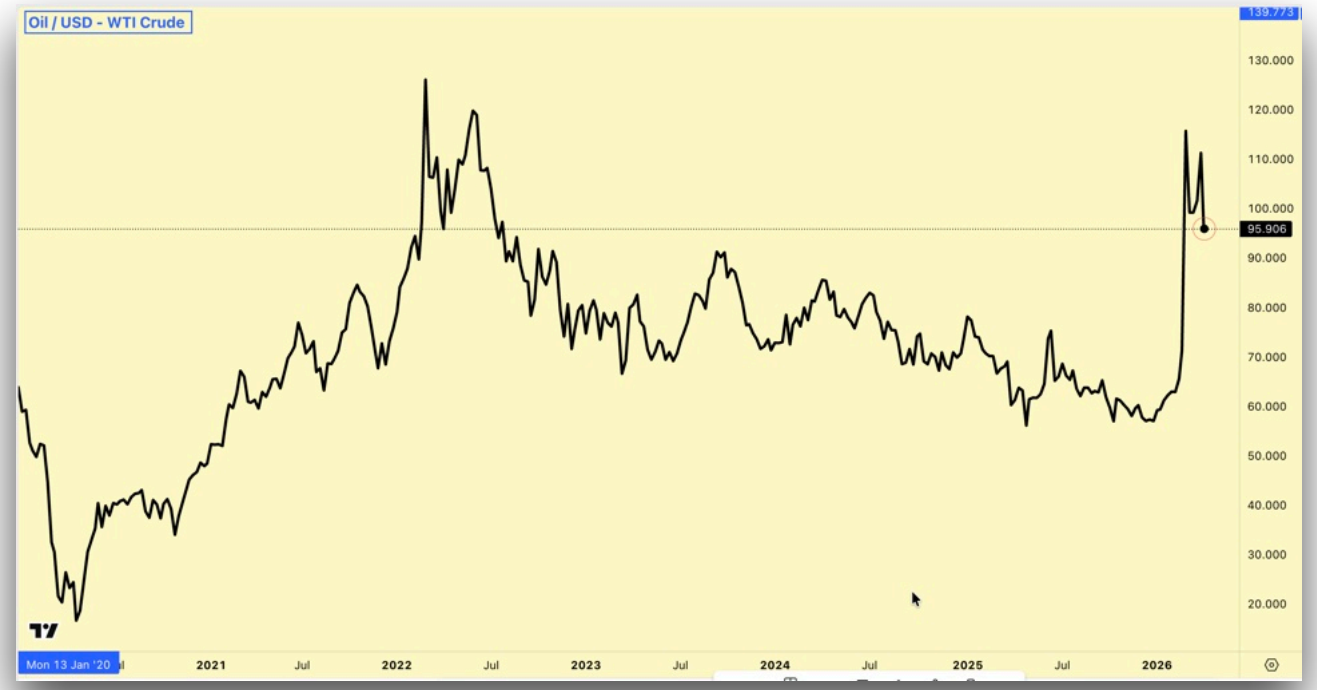
- credit conditions to move from neutral to supportive
- lending activity to accelerate
- financial conditions to ease further

# 7. Commodities & Real Assets — The Inflation Pulse

Commodity markets are currently acting as a key signal within the macro environment, reflecting both inflation pressure and geopolitical risk.

## What the Data Is Showing

### Crude Oil




Oil prices have experienced a sharp increase, briefly reaching levels not seen since prior major energy shocks before retracing.

Despite the pullback, prices remain elevated relative to recent history.

### Gold



Gold experienced a strong rally followed by a sharp correction, reflecting a crowded trade unwind.

The rapid increase in participation followed by a swift reversal suggests that positioning had become extended.

## Commodities Classification

- Oil: Elevated / Volatile
- Gold: Reset / Stabilising
- Inflation Pulse: Rising

## Educational Context — Commodities as Macro Signals

Commodities provide a real-time signal of:

- inflation dynamics
- supply shocks
- geopolitical stress
- economic demand

Oil reflects both growth and inflation pressure, while gold reflects liquidity conditions and currency debasement expectations.

## Oil as a Constraint

Elevated oil prices introduce a direct constraint on the macro system.

They:

- reduce real economic activity
- sustain inflation pressure
- limit central bank flexibility
- dampen risk appetite

This creates a headwind that can offset otherwise supportive liquidity conditions.

## Gold — Signal vs Positioning

Gold's recent behaviour highlights the difference between:

- macro signal
- market positioning

While gold remains a long-term hedge against currency debasement, the recent correction reflects a reset in positioning rather than a structural shift in its macro role.

## Capital Implication

Commodities are currently acting as a constraint on the macro environment.

Elevated oil prices represent a key risk to growth and inflation stability, while gold's correction suggests that positioning excesses have been cleared.

For the macro backdrop to improve, we would expect:

- oil prices to stabilise or decline
- inflation pressures to moderate
- commodity volatility to reduce

## Where We Are Now (This Is Tight)

We now have a fully aligned macro narrative:

- Liquidity → expanding
- Growth → expanding but vulnerable
- Credit → turning but not confirmed
- Dollar → constraining
- Commodities → inflation pressure
- Markets → stabilising, not confirming

# 8. Equities Regime — Trend Intact, Momentum Cooling

Equity markets remain in a broader uptrend, but the character of that trend has become less convincing.

## What the Data Is Showing

### S&P 500




The S&P 500 remains above its major trend structure and continues to hold the broader advance that has defined the current cycle.

However, price momentum has cooled materially this calendar year.

Rather than extending decisively higher, the market has shifted into a more selective and less dynamic phase, suggesting that the equity bull market remains intact but is no longer being driven by broad-based momentum.

### Nasdaq 100

The Nasdaq has followed a similar pattern.

The broader structure remains constructive, but leadership has become less forceful and upside follow-through has weakened relative to prior phases of the cycle.

This is important.

The Nasdaq typically behaves as a higher beta expression of growth and liquidity. When liquidity is improving but the Nasdaq is not responding decisively, it suggests that other forces — such as valuation, positioning, or macro uncertainty — are acting as offsets.




## Earnings Growth vs Equities

Equity markets continue to benefit from a supportive long-term structure, but the internal quality of the move appears less compelling than it did earlier in the cycle.

This is consistent with a market that is still advancing, but with reduced conviction.




## Equities Classification

- Trend: Uptrend
- Momentum: Cooling
- Cycle Position: Mid to Late Cycle

- Risk Regime: Constructive, but selective

## Educational Context — What Cooling Momentum Means

A cooling market is not the same as a broken market.

Late-cycle equity markets often continue to trend higher, but with:

- narrower leadership
- slower follow-through
- greater sensitivity to macro shocks
- higher reliance on supportive liquidity

This creates an environment in which the trend remains intact, but the quality of the trend begins to matter more.

A market can still be bullish in structure while becoming more fragile in character.

## Equities Within the Macro Regime

The current equity environment is best understood as an uptrend under pressure.

Liquidity is supportive and growth remains in expansion, but that support is being offset by:

- elevated valuations
- commodity-driven inflation pressure
- an uncertain dollar regime
- incomplete confirmation from credit

This explains why equities are holding their structure without delivering the kind of broad strength that would typically accompany a fully confirmed expansion.

## Capital Implication

Equities remain constructive from a structural perspective, but they are no longer offering a clean expression of the macro backdrop.

The trend is intact, but momentum is less convincing and the market is increasingly sensitive to macro headwinds.

For the equity regime to strengthen meaningfully, we would want to see:

- improving breadth
- stronger follow-through from growth-sensitive sectors
- further easing in credit conditions
- reduced pressure from oil and the dollar

Until then, equities should be viewed as supported, but not fully confirmed.

# 9. Digital Asset Regime — Reset Within Expansion

Digital assets have undergone a significant correction, but the broader structure of the cycle remains intact.

## What the Data Is Showing

### Bitcoin




Bitcoin corrected sharply from its highs in the mid-$120,000 range, falling back toward the $60,000 level before stabilising and recovering toward $70,000.

This was a meaningful drawdown, but not an unusual one for the asset class.

Within the context of Bitcoin's historical volatility profile, the move is better understood as a major reset within an ongoing cycle rather than as definitive evidence of structural failure.

### Bitcoin vs Global Liquidity

## Bitcoin continues to behave as a high beta liquidity asset.

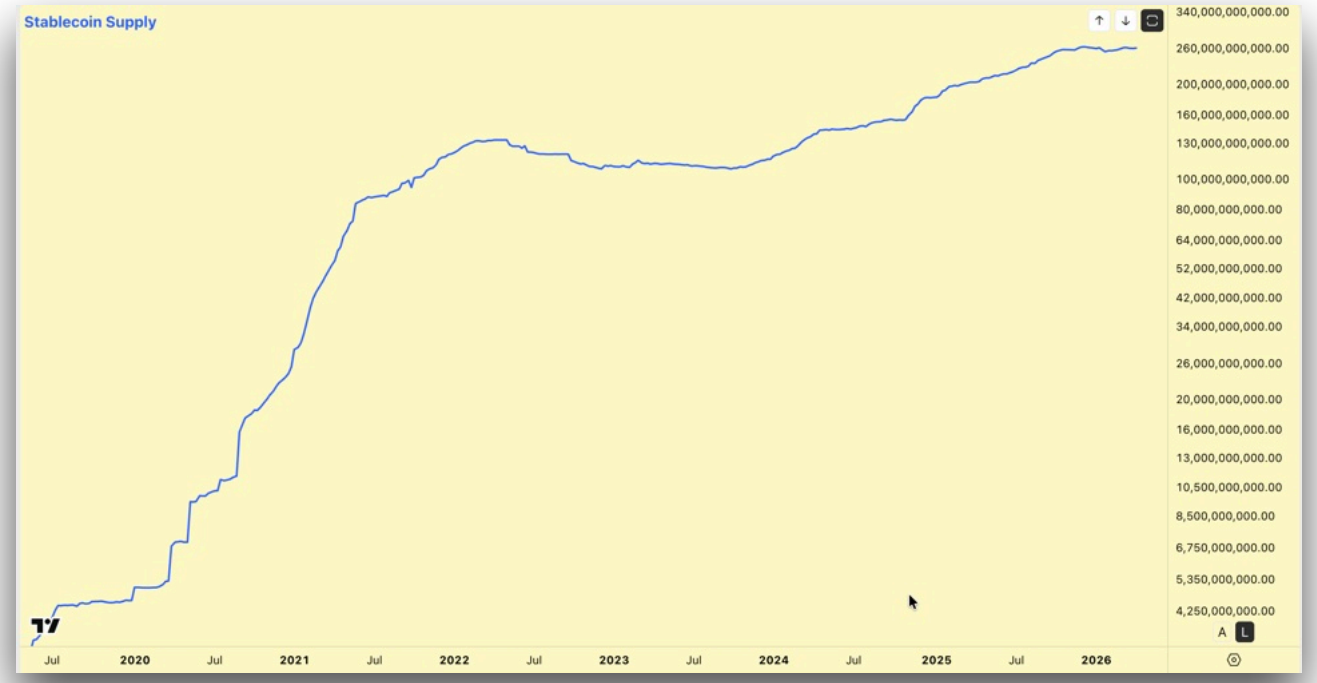
The recent correction occurred despite improving liquidity conditions, which suggests that positioning, macro stress, and incomplete transmission were temporarily overwhelming the liquidity impulse.

That divergence now appears to be narrowing.

As liquidity remains supportive and price stabilises, the digital asset market may be moving from a phase of deleveraging into one of rebuilding.




## Stablecoin Supply




Stablecoin growth remains constructive.

This is an important signal because it indicates that crypto-native liquidity has not collapsed. Instead, capital appears to be sitting within the ecosystem, waiting for clearer confirmation before being redeployed more aggressively.

In other words, the fuel remains present even if risk appetite has not yet fully returned.

## BTC DominanceTOTAL3




## TOTAL3




Altcoins have experienced much deeper drawdowns than Bitcoin, with many assets giving back as much as 80% of their prior gains.

This has understandably led some participants to describe the move as a bear market.

However, such drawdowns are not unusual within high volatility, high beta markets.

In digital assets, severe corrections can occur inside expansionary cycles without invalidating the broader macro thesis.

What matters now is not the size of the drawdown itself, but whether the market is stabilising and whether liquidity remains supportive.

At present, both appear to be true.

Digital Asset Classification

- Bitcoin: Expansionary structure, post-reset
- Altcoins: Reset / Stabilising
- Liquidity Sensitivity: High
- Volatility Regime: Elevated

## Educational Context — Why Crypto Feels Worse Than It Is

Digital assets sit at the far end of the risk curve.

That means they experience:

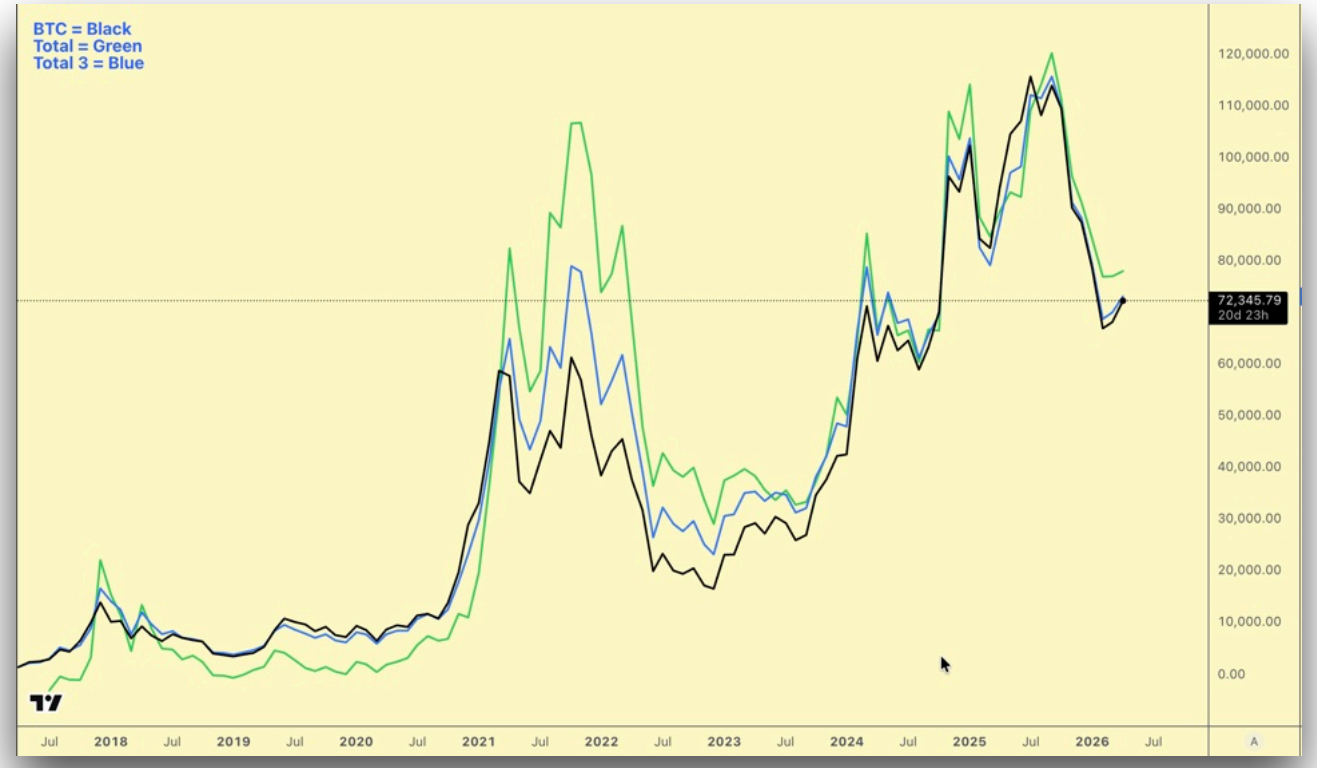
- deeper corrections
- faster rallies
- sharper leverage flushes
- more violent sentiment swings

A correction that would be catastrophic in equities can be relatively normal in digital assets.

This does not mean risk should be ignored. It means volatility must be interpreted in context.

The current drawdown has been severe, but it remains consistent with the behaviour of a high beta asset class operating within a broader liquidity-driven cycle.

### Bitcoin / Total / Total 3



## Bitcoin vs Altcoins

Bitcoin has stabilised first, which is typical.

Within the digital asset cycle, Bitcoin often regains footing before the broader altcoin complex.

This reflects its role as the highest quality and most liquid asset in the space.

If the current stabilisation develops into a broader recovery, Bitcoin is likely to remain the initial confirmation vehicle before risk rotates more aggressively into lower-quality and higher-beta assets.

## Capital Implication

Digital assets appear to be in a reset phase within a broader expansionary structure.

Bitcoin remains the clearest expression of improving liquidity, while altcoins are stabilising after a high beta unwind.

If the broader macro environment improves — particularly through easier dollar conditions, stabilising oil, and clearer credit improvement — digital assets may offer meaningful upside from current levels.

However, until confirmation broadens, the asset class should still be approached as high opportunity, high volatility.

# 10. Cross-Asset Positioning & Volatility — The Stress Layer

Positioning across asset classes has undergone a meaningful reset, reducing excess leverage and bringing sentiment back toward neutral.

## What the Data Is Showing

### Volatility & Positioning Composite




## Recent Market Behaviour

Recent price action reflects a clear shift in positioning rather than a breakdown in structure.

- leverage has been meaningfully reduced across digital assets
- speculative positioning has been compressed
- volatility spiked, then began to stabilise

This sequence is consistent with a reset phase, where excess risk is cleared from the system.

## Positioning Classification

- Leverage: Reduced
- Sentiment: Neutralising
- Volatility: Elevated → Stabilising
- Positioning Regime: Reset

## Educational Context — Why Positioning Matters

Markets do not move on fundamentals alone.

They are driven by:

- positioning
- leverage
- liquidity

When positioning becomes extended, markets become fragile.
When that positioning is unwound, volatility rises — but forward risk is reduced.

This distinction is critical.

A volatility spike during a reset is not inherently bearish.
It is often a necessary condition for a more durable continuation of the cycle.

## Cross-Asset Read

Across markets, a consistent pattern is emerging:

- equities have cooled without structural breakdown
- crypto has undergone aggressive deleveraging
- gold has unwound crowded positioning
- volatility has spiked and is now stabilising

This alignment suggests the system has undergone a broad-based positioning reset.

## Capital Implication

Positioning risk has now been materially reduced.

This improves the foundation for future upside,
provided macro conditions continue to support expansion.

However, volatility remains elevated, and external pressures — particularly from oil and the dollar — still present potential instability.

The environment is best understood as:

👉 Cleaner, but not yet fully stable

# 11. Scenario Weighting — Probability Engine Output

The macro environment is best understood through a probabilistic lens.

## Scenario Distribution

| Scenario | Probability | Description |
|---|---|---|
| **Continued Expansion** | **55%** | Liquidity drives further upside, credit improves, markets confirm |
| **Volatility Reset** | **30%** | Oil/dollar pressure persists, markets remain range-bound with drawdowns |
| **Recession / Breakdown** | **15%** | Growth deteriorates, credit weakens, risk assets roll over |

## Educational Context — Why Probabilities Matter

Markets are not deterministic.

They operate across a range of possible outcomes.

Assigning probabilities:

- reduces emotional bias
- improves decision-making
- allows flexibility as conditions evolve

This framework recognises that multiple outcomes are always possible, even if one is more likely than others.

## Interpretation of Current Distribution

The base case remains constructive.

Liquidity is improving, growth is still expanding, and positioning has reset. These factors support the continued expansion scenario.

However, the probability of a volatility-driven reset remains elevated due to:

- high oil prices
- an uncertain dollar regime
- incomplete confirmation from credit

The probability of recession remains low, but not negligible.

## Capital Implication

The current probability distribution supports:

- participation in the cycle
- but with awareness of volatility risk
- and flexibility to adjust if conditions change

This is not an environment for extreme positioning.

It is an environment for measured exposure with optionality.

# 12. If / Then Decision Matrix — The Governance Layer

This is where the framework becomes actionable.

No interpretation. No narrative. Just rules.

## Macro Triggers

- If liquidity (3M trend) rolls over → Reduce beta exposure
- If ISM falls below 50 → Shift to defensive posture
- If credit spreads widen materially → Reduce risk assets
- If dollar breaks higher sustainably → Expect pressure on risk assets
- If oil remains elevated or rises further → Monitor growth deterioration risk

## Equities

- If breadth improves + liquidity rising → Maintain / increase exposure
- If momentum weakens further + macro deteriorates → Reduce exposure
- If volatility spikes + no structural breakdown → Avoid forced selling

## Digital Assets

- If liquidity rising + funding deeply negative → Tactical accumulation
- If BTC loses structural support → Reduce exposure
- If altcoins fail to stabilise → Avoid lower-quality risk

## Cross-Asset

- If dollar weakens + credit improves → Broad risk-on confirmation
- If oil + dollar both rise → Elevated macro constraint environment

## Educational Context — Why Rules Matter

Rules remove emotion.

They allow decisions to be made based on:

- system state
- observable signals
- predefined responses

This is what separates:

👉 reacting to markets

from

👉 operating within a framework

## Capital Implication

The current environment does not require aggressive action.

It requires:

- discipline
- clarity
- and readiness to act when conditions change

## Final Reflection — The Capital Cycle State

The system is aligned in direction, but not yet in confirmation.

Liquidity is improving. Growth is holding. Credit is stabilising. Positioning has reset.

Yet the dollar remains uncertain, oil remains elevated, and markets have not yet fully confirmed the expansion.

This is a regime of:

**Fragile Expansion — Positioning Reset, Awaiting Confirmation**

Capital Cycle Intelligence

Know What You Own

&

Know Why You Own it

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