CAPITAL CYCLE

INTELLIGENCE

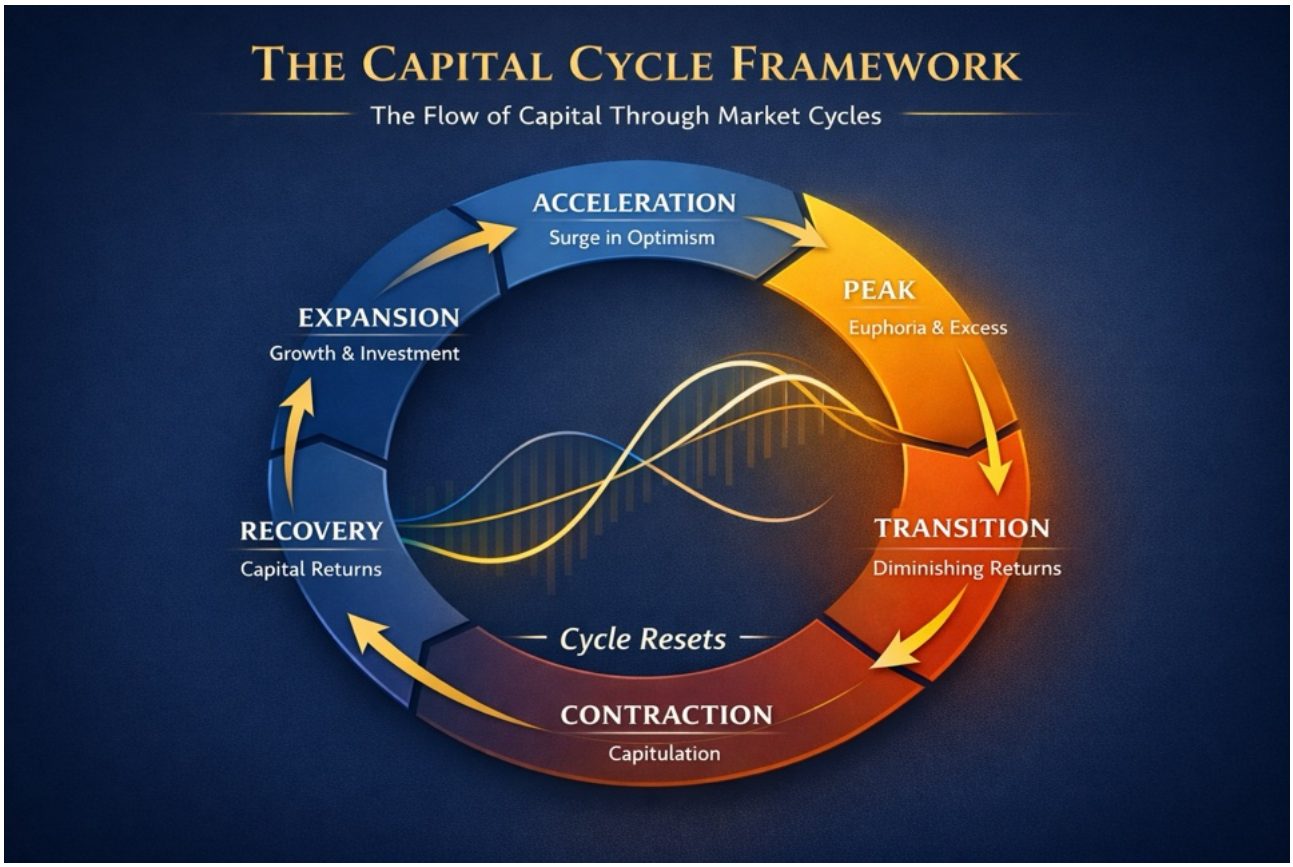
THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



The Capital Cycle Framework

“A framework for navigating liquidity-driven market cycles”



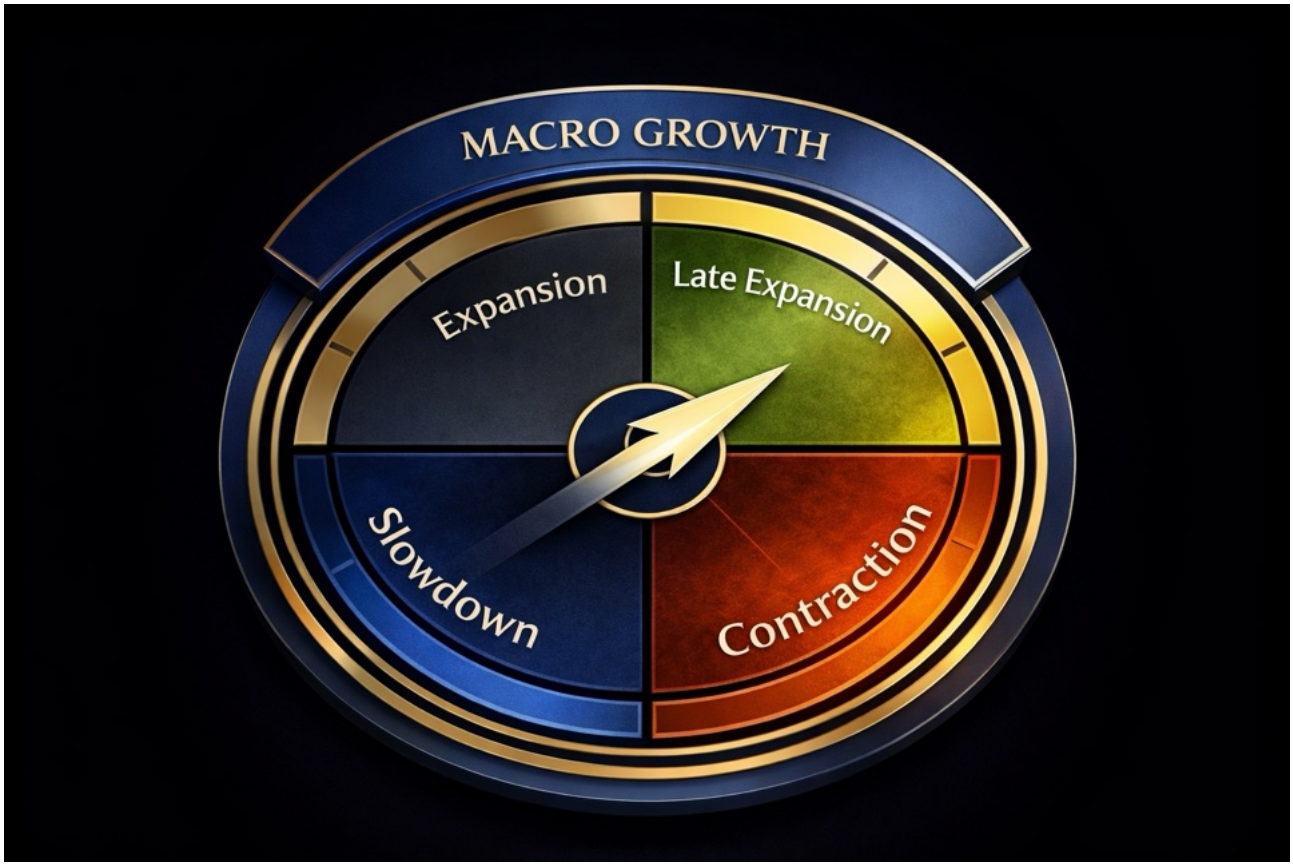
Capital Cycle Framework illustrates how capital flows through market cycles.
Understanding where we are within this cycle provides the foundation for all investment decisions.

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.

Table of Contents

1. Executive Regime Summary
2. Golden Nugget
3. Global Liquidity Engine
4. Growth & Business Cycle
5. Dollar & Liquidity Plumbing
6. Credit & Financial Stress
7. Commodities & Real Assets
8. Equities Regime
9. Digital Asset Regime
10. Cross-Asset Positioning & Volatility
11. Scenario Weighting
12. If / Then Decision Matrix
13. Disclaimer

The Capital Cycle Letter
April 2026

Executive Regime Summary

Financial markets continue to operate within a macro environment defined by improving liquidity and stabilising conditions, though confirmation across key transmission channels remains incomplete.

Recent geopolitical developments have reduced immediate escalation risk, with a temporary ceasefire allowing negotiations to proceed. While this has eased short-term pressure on energy markets, the situation remains fluid and continues to influence global financial conditions.

Liquidity remains the dominant driver. Both global and U.S. liquidity trends are expanding, providing a clear and persistent tailwind for risk assets.

Growth continues to hold in expansion, with modest improvement in recent data. However, forward visibility remains constrained by elevated energy prices and still-restrictive financial conditions.

The U.S. dollar has begun to ease from recent highs, suggesting that a key macro constraint may be softening. However, the move remains early-stage and not yet decisive.

Credit conditions have stabilised, but have not yet transitioned into a fully supportive phase. This remains the critical missing link in confirming a sustained expansion.

Markets have responded accordingly. Equities and digital assets have rebounded from recent lows, but neither has yet delivered the broad-based confirmation required to validate a fully aligned expansion.

Regime Classification

The current regime is best understood as:

👉 Fragile Expansion — Testing for Confirmation

Core Message

- Liquidity is supportive.
- Markets are responding.
- But confirmation remains incomplete.

APRIL GOLDEN NUGGET

🥇 Golden Nugget #2

“Recovery is not confirmation.”

The Principle

Markets can recover before the macro system confirms.

Why It Matters

Following a reset, improving liquidity often leads to early price stabilisation.

But without confirmation from:

- credit
- the dollar
- and broad participation

that recovery remains fragile.

Capital Implication

Do not confuse:

👉 price recovery

with

👉 regime confirmation

👉 Participation is warranted.
Aggression is premature.

Global Liquidity Engine — The Primary Driver

Liquidity conditions continue to strengthen and remain the dominant supportive force within the macro environment.

What the Data Is Showing

Global Liquidity (GLI)



Global liquidity continues to expand, extending the trend observed in March and reinforcing the broader shift toward a more supportive monetary backdrop.

The trajectory remains firmly positive, with liquidity now pushing into new highs following a sustained period of recovery and re-acceleration.

Importantly, there is no evidence of structural deterioration in the trend. Instead, the data suggests that capital availability is not only improving, but doing so with increasing momentum.

Net Liquidity (US)

U.S. net liquidity has stabilised following a period of tightening and is now beginning to turn higher.

Recent data suggests that the pressure within the liquidity plumbing — driven by the interaction between the Federal Reserve balance sheet, the Treasury General Account, and the reverse repo facility — is starting to ease.

Momentum has improved modestly, indicating that liquidity conditions are no longer deteriorating and may be transitioning toward a more supportive phase



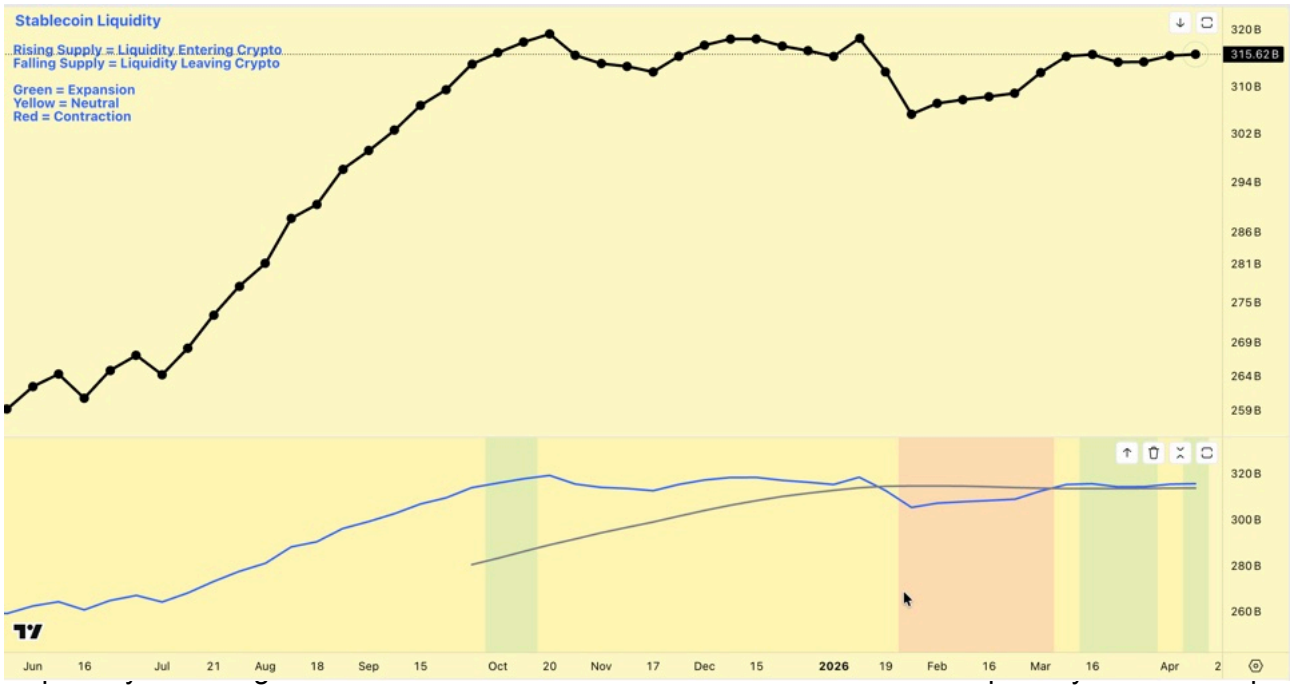
Liquidity Impulse (ROC)

Momentum in global liquidity has improved, with the rate of change now firmly back in positive territory.

This marks a clear shift from the contractionary conditions observed in prior periods, indicating that liquidity is no longer a headwind to markets.

The upward trend in momentum suggests that liquidity conditions are strengthening, although current levels remain below the peaks associated with prior expansionary phases.

Stablecoin Liquidity



Crypto-native liquidity has stabilised following a period of rapid expansion and subsequent consolidation.

Stablecoin supply remains near cycle highs, with recent data suggesting a modest resumption in growth after a period of sideways movement.

This indicates that capital has remained within the digital asset ecosystem rather than exiting entirely, and is now beginning to re-engage at the margin.

BTC vs Liquidity (Lead Model)

(Core — What is happening)



The relationship between Bitcoin and global liquidity remains intact, with liquidity continuing to act as the primary driver of price over time.

Following a period in which Bitcoin lagged the improving liquidity backdrop, recent price action suggests that this gap is now beginning to close.

Bitcoin has started to respond more meaningfully, indicating a transition from a lag phase toward a phase of convergence with underlying liquidity conditions.

Liquidity Classification

- Global Liquidity (L_01): Expanding
- U.S. Liquidity (L_02): Stabilising → Improving
- Liquidity Momentum (L_07): Positive → Strengthening
- Crypto Liquidity (L_04): Stabilising → Re-engaging

Educational Context — Liquidity vs Timing

Liquidity determines the direction of markets, but it does not operate in isolation — nor does it dictate immediate timing.

There are periods where liquidity improves before markets fully respond. These gaps typically reflect frictions within the system, most commonly:

- positioning imbalances
- incomplete credit transmission
- macro constraints such as the dollar or elevated commodity prices

The current environment reflects a transition through such a phase.

While liquidity has been improving for some time, market response is only now beginning to align more closely with underlying conditions.

April Update — What Changed

Relative to March:

- liquidity conditions have continued to strengthen
- momentum has moved firmly into positive territory
- early signs of transmission into markets are emerging

Importantly, there is still no evidence of deterioration in the underlying liquidity trend.

This reinforces the view that liquidity is acting as a persistent and cumulative tailwind, rather than a temporary shift.

Capital Implication

Liquidity is now firmly supportive of risk assets.

However, the focus has shifted.

The key question is no longer whether liquidity is improving —
but whether it is being effectively transmitted across the system.

For a fully confirmed expansion, we would expect to see:

- credit conditions move from stabilising to supportive
- the dollar enter a sustained weakening trend
- broader market participation and follow-through

Until these conditions are met, liquidity should be viewed as:

👉 Necessary, but not yet sufficient

Growth & Business Cycle — The Sustainability Engine

Growth remains in expansion, with marginal improvement, though forward risks continue to shape the outlook.

The economic backdrop is still supportive, but no longer operating with the same clarity or momentum seen earlier in the cycle

What the Data Is Showing

US ISM Manufacturing

(Core — What is happening)



U.S. manufacturing activity has moved back above the critical 50 level, signalling a return to expansionary conditions.

Recent data shows a modest improvement in momentum, suggesting that the manufacturing cycle may be stabilising after a period of softness.

However, the recovery remains early-stage and not yet strong enough to indicate a broad-based acceleration in growth.
Momentum has improved slightly relative to March, suggesting that growth conditions remain resilient despite recent macro pressures.

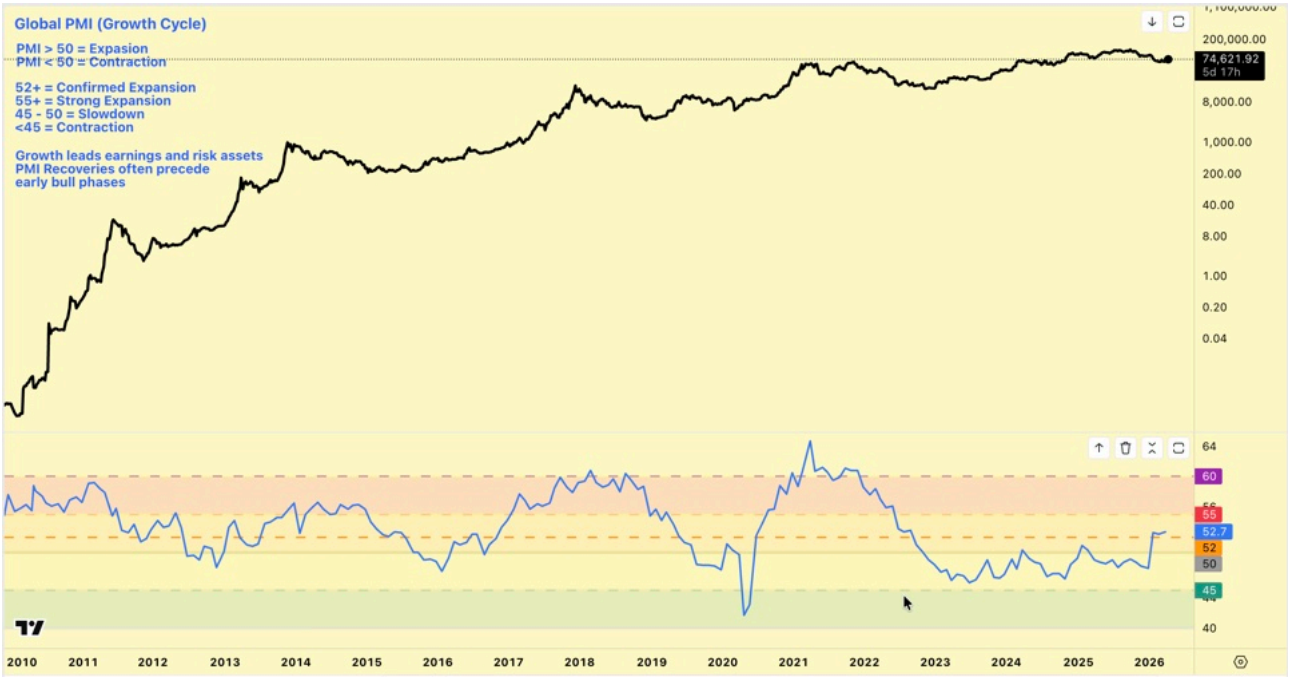
Global PMI (Composite)

(Core — What is happening)

Global growth has stabilised and remains in expansionary territory.

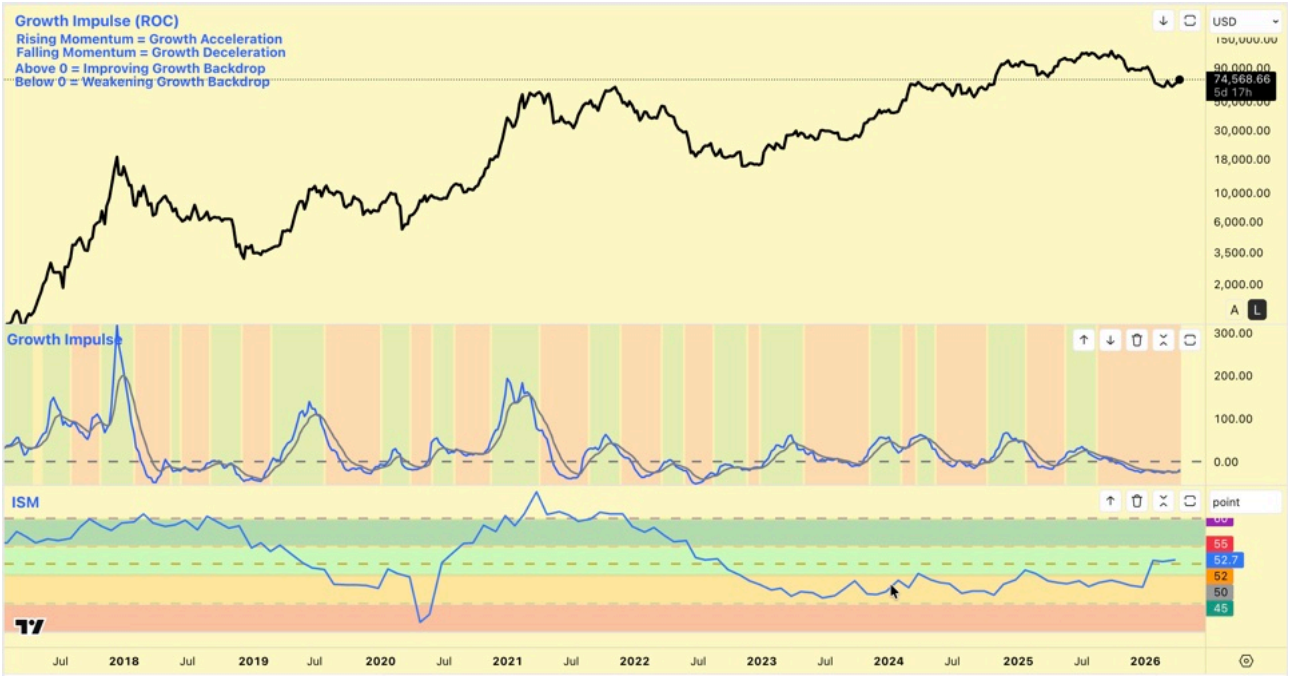
Recent data shows a modest improvement from prior lows, suggesting that global activity is recovering rather than accelerating.

Importantly, there is no evidence of renewed deterioration, indicating that the broader global economy is holding within a late-cycle expansion phase.



Growth Impulse (ROC)

(Signal — How conditions are changing)

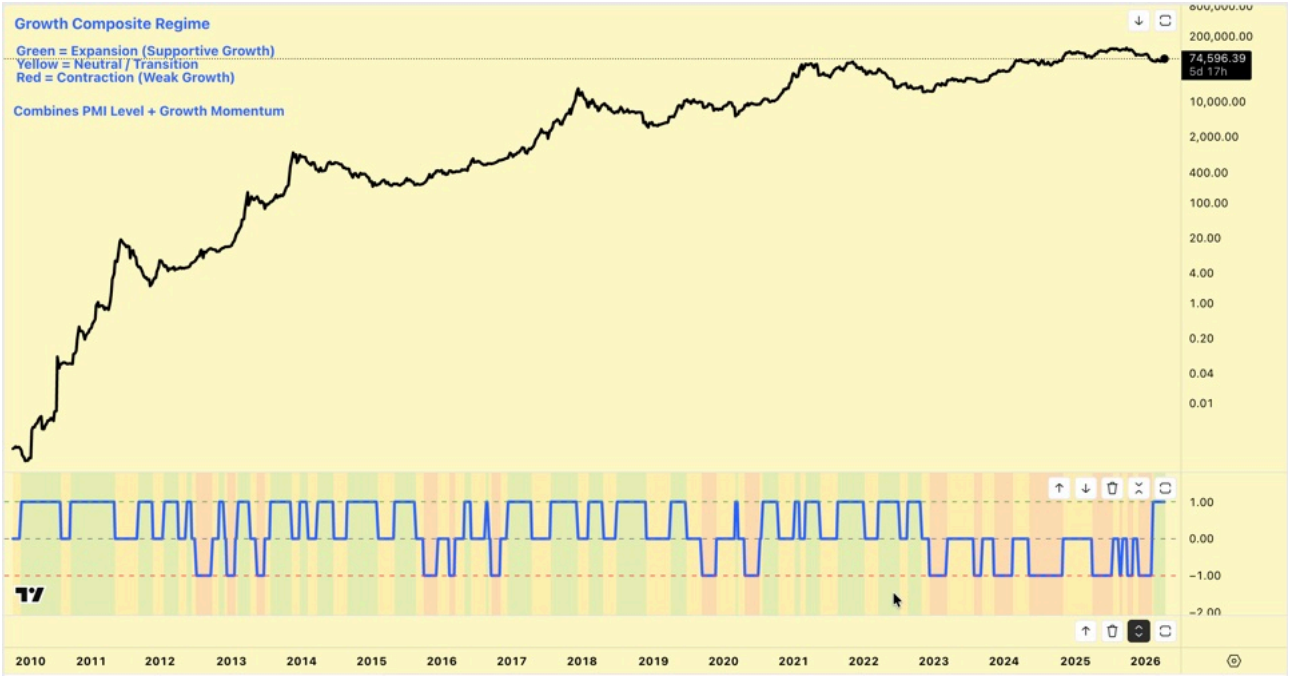


Growth momentum is improving, but only marginally.

The rate of change has turned positive, signalling a shift from contraction toward stabilisation. However, the magnitude of the move remains limited, indicating that growth is recovering rather than accelerating.

Growth Composite Regime Map

(Regime Engine — What to do about it)



The system continues to classify growth within an Expansion regime.

However, the underlying characteristics are more consistent with a late-cycle environment than an early-cycle acceleration.

Growth remains supportive, but lacks the strength and persistence typically associated with the early phases of a new expansion.

Growth Classification

- U.S. Growth (G_02): Expansion (>50)
- Global Growth (G_01): Expansion
- Growth Momentum (G_05): Stabilising → Improving modestly
- Regime (G_06): Late-Cycle Expansion

Educational Context — Growth vs Sustainability

Growth is not currently the limiting factor within the macro system.

However, the quality of growth is more important than the level.

Late-cycle growth is typically characterised by:

- continued expansion
- reduced acceleration
- increased sensitivity to external shocks
- greater reliance on liquidity support

This differs materially from early-cycle environments, where growth momentum itself acts as a primary tailwind.

April Update — What Changed

Relative to March:

- growth remains in expansion
- momentum has improved modestly
- no material deterioration is evident

This confirms that growth continues to support the macro backdrop, but is not contributing incremental acceleration.

Interaction with Macro Constraints

Growth remains exposed to several key constraints:

- elevated oil prices
- lingering inflation pressure
- uncertainty in financial conditions

These factors introduce forward risk, even as current data remains stable.

Capital Implication

Growth remains supportive of the macro environment, but is not acting as a strong incremental driver.

The system is therefore increasingly reliant on:

- continued liquidity expansion
- improvement in credit conditions
- easing of macro constraints

to sustain further upside.

👉 Stable, but not accelerating

System Checkpoint

Liquidity is expanding, providing a strong macro tailwind.

Growth remains in expansion, but is stabilising rather than accelerating.

This tells us:

- the underlying foundation of the cycle remains intact
- the macro environment continues to support risk assets

However:

- the system is not yet transitioning into a phase of renewed acceleration
- confirmation across key transmission channels is still required

Closing Line

👉 The foundation is intact, but momentum has not yet re-accelerated

Dollar & Liquidity Transmission — The Constraint Layer

The U.S. dollar has begun to ease, suggesting that a key macro constraint may be starting to soften.

However, the move remains tentative, and confirmation of a sustained weakening trend is not yet in place.

What the Data Is Showing

U.S. Dollar Index (DXY)

(Core — What is happening)



The dollar has eased from recent highs, now trading around the 98–99 range after briefly moving above 100.

This marks a shift away from the sharp, risk-driven strength observed during the recent geopolitical shock.

However, the broader trend remains unresolved.

While the dollar has softened, it has not yet transitioned into a sustained downtrend, instead stabilising within a range.

This leaves its role within the macro system in a transitional state, acting as a partial constraint rather than a clear directional force.

Dollar Classification

- Level (D_01): Moderating (~98–99)
- Trend: Uncertain / Range-bound
- Role: Partial Constraint → Potential Easing

April Update — What Changed

Relative to March:

- the dollar has eased modestly
- safe-haven demand has begun to fade
- the constraint on liquidity has reduced slightly

This represents a meaningful, but not yet decisive, shift.

Geopolitical Overlay — Ceasefire and Market Impact

Recent developments in the conflict have introduced a temporary stabilisation point within the macro environment.

A two-week ceasefire has been established to allow negotiations to proceed, with initial talks currently underway in Islamabad.

This has had two immediate effects:

- reduced short-term demand for safe-haven assets, including the U.S. dollar
- contributed to the stabilisation of oil prices following the initial spike

However, the situation remains unresolved.

Markets are now transitioning from:

👉 reaction (shock phase)
to
👉 assessment (negotiation phase)

Educational Context — The Dollar as a Transmission Mechanism

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

Its impact is not direct — it flows through:

- funding costs
- capital availability
- global trade conditions
- emerging market stability

A stronger dollar tightens financial conditions globally.
A weaker dollar eases them.

Geopolitics Through the System Lens

Geopolitical events influence markets primarily through second-order effects, rather than headlines.

These include:

- energy price volatility
- inflation expectations

- central bank constraints
- capital flow dynamics

The recent ceasefire has reduced immediate stress, but the broader system impact remains dependent on whether stability holds.

Interaction with Liquidity

The current environment is beginning to show early alignment:

- liquidity is expanding
- the dollar is easing (modestly)

This represents the first indication that liquidity may begin to transmit more effectively into markets.

However, the move remains incomplete and not yet decisive.

Capital Implication

The dollar is no longer strengthening aggressively, reducing one of the key constraints identified in March.

This creates a more constructive backdrop for risk assets.

However, until a sustained weakening trend is established, the dollar remains a variable capable of reintroducing pressure.

The system is therefore transitioning from:

👉 constraint
to
👉 potential support

System Checkpoint

Now consider the system:

- Liquidity → Expanding
- Growth → Expanding (stable)
- Dollar → Easing (early-stage shift)

Closing Line

👉 Transmission is beginning to improve, but is not yet fully confirmed

Credit & Financial Stress — The Final Gate

Credit conditions remain stable and are beginning to show early signs of improvement.

However, a sustained expansion in credit has not yet been confirmed.

What the Data Is Showing

High Yield Credit Spreads

(Core — What is happening)



High yield credit spreads have stabilised following prior widening and remain contained near the lower end of their historical range.

There is no evidence of systemic stress within credit markets, indicating that financial conditions have stabilised.

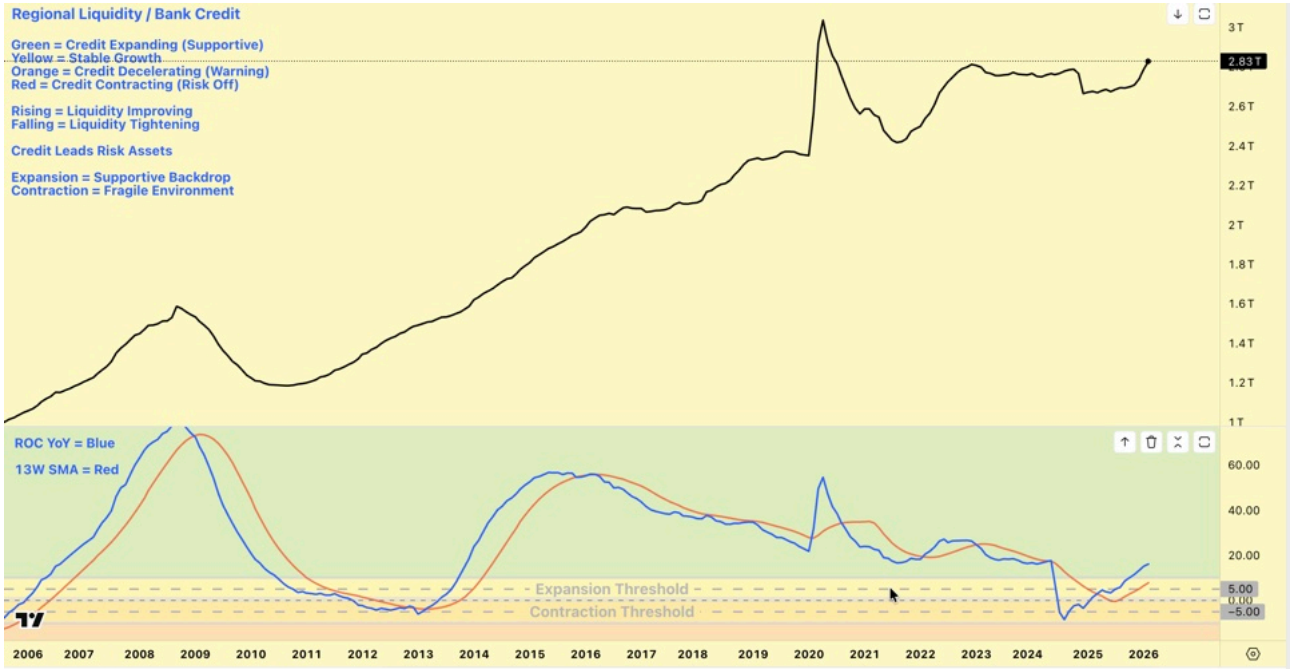
However, spreads have not yet compressed meaningfully, and therefore do not yet confirm a fully supportive credit environment.

Regional Liquidity / Bank Credit

(Structural — Why it is happening)

Bank lending conditions are beginning to improve, with credit growth stabilising and early signs of re-acceleration emerging.

Regulatory adjustments and the shift away from quantitative tightening have increased the capacity of banks to extend credit into the system.



This represents a structural improvement in the credit transmission mechanism, even if it is not yet fully reflected in traditional credit indicators such as spreads.

Real Rates

(Signal — How conditions are changing)



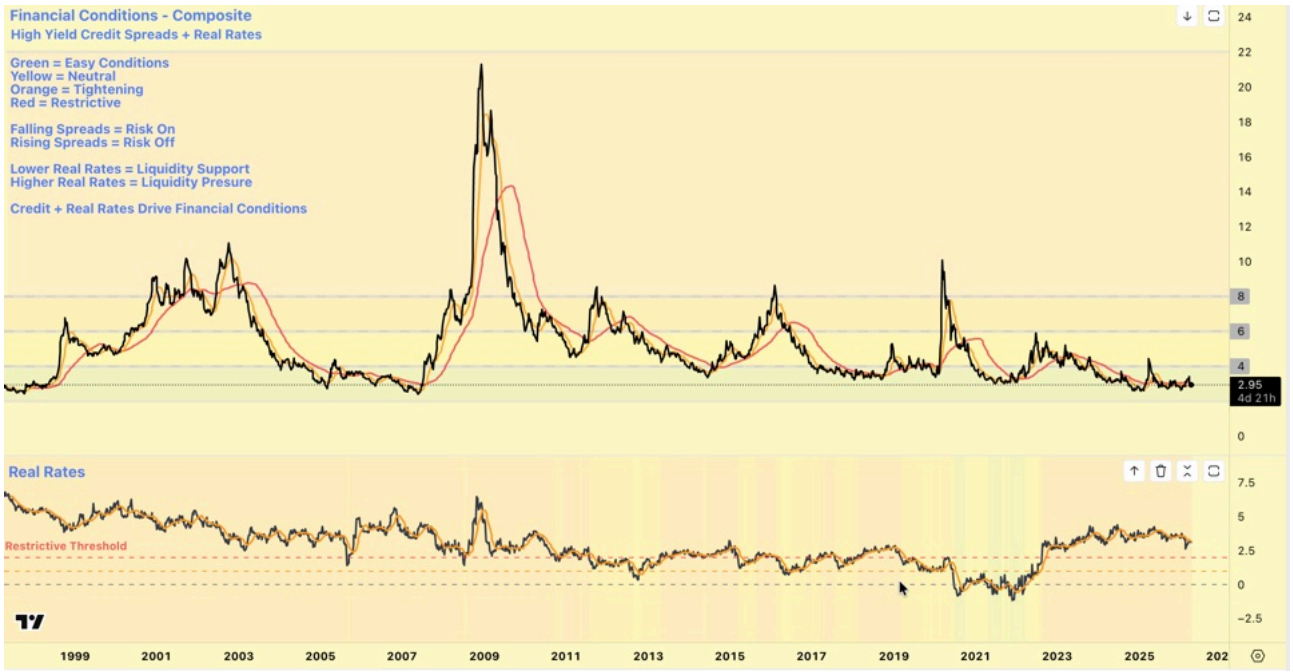
Real rates remain elevated relative to prior expansionary phases, continuing to exert a constraint on credit demand and investment activity.

However, momentum in real rates has begun to ease, indicating that the intensity of this constraint may be starting to diminish.

While not restrictive enough to trigger contraction, real rates remain a moderating force within the macro system rather than a supportive tailwind.

Financial Conditions (Composite View)

(Regime Interpretation)



Credit stress has eased materially, with spreads remaining contained and no evidence of systemic pressure.

However, real rates remain elevated, continuing to act as a constraint on capital formation and credit transmission.

As a result, financial conditions have stabilised, but have not yet transitioned into a fully supportive environment.

Credit Classification

- Spreads (E_MSI_04): Stable
- Lending Capacity (E_MSI_07): Improving
- Real Rates (E_MSI_05): Elevated
- Financial Conditions: Neutral → Early Easing

April Update — What Changed

Relative to March:

- credit conditions have stabilised further
- no new stress has emerged
- early signs of improvement remain intact

However:

- no clear transition into a supportive expansion phase has occurred

Educational Context — Credit as the Transmission Mechanism

Liquidity provides the potential for expansion.
Credit determines whether that potential becomes reality.

Without credit expansion:

- liquidity remains trapped
- economic activity slows
- asset price response is muted

With credit expansion:

- capital flows into the economy
- growth accelerates
- markets broaden and confirm

The Missing Link

The current macro system is defined by a single unresolved gap:

- liquidity → expanding
- growth → stable
- dollar → easing
- credit → not yet confirming

This is why the system remains fragile despite otherwise supportive conditions.

Interaction with Macro Conditions

Credit remains constrained by:

- elevated real rates
- residual inflation pressure
- geopolitical uncertainty

While conditions have improved, these factors continue to limit the pace of credit expansion.

Capital Implication

Credit is no longer a headwind.
But it is not yet a tailwind.

This places the system in a transitional phase where:

- the foundation for expansion exists
- confirmation remains incomplete

For the regime to transition from fragile to confirmed expansion, we would expect:

- meaningful compression in credit spreads
- acceleration in lending activity
- further easing in financial conditions

SYSTEM CHECKPOINT (CRITICAL)

🌊 Liquidity → Expanding
📈 Growth → Expanding
💵 Dollar → Easing
🏦 Credit → Not Confirming

👉 This is why the regime remains:

Fragile Expansion — Testing for Confirmation

Commodities & Real Assets — The Inflation Pulse

Commodity markets remain elevated, continuing to exert inflationary pressure on the macro environment, despite partial stabilisation following the initial geopolitical shock.

What the Data Is Showing

Oil Chart — WTI Crude

(Core — What is happening)



Oil prices remain elevated, currently trading around the high-$80 range following the initial spike toward $120+.

While the sharp upward move has moderated, prices remain well above pre-shock levels, indicating that the energy market continues to reflect underlying geopolitical risk and supply uncertainty.

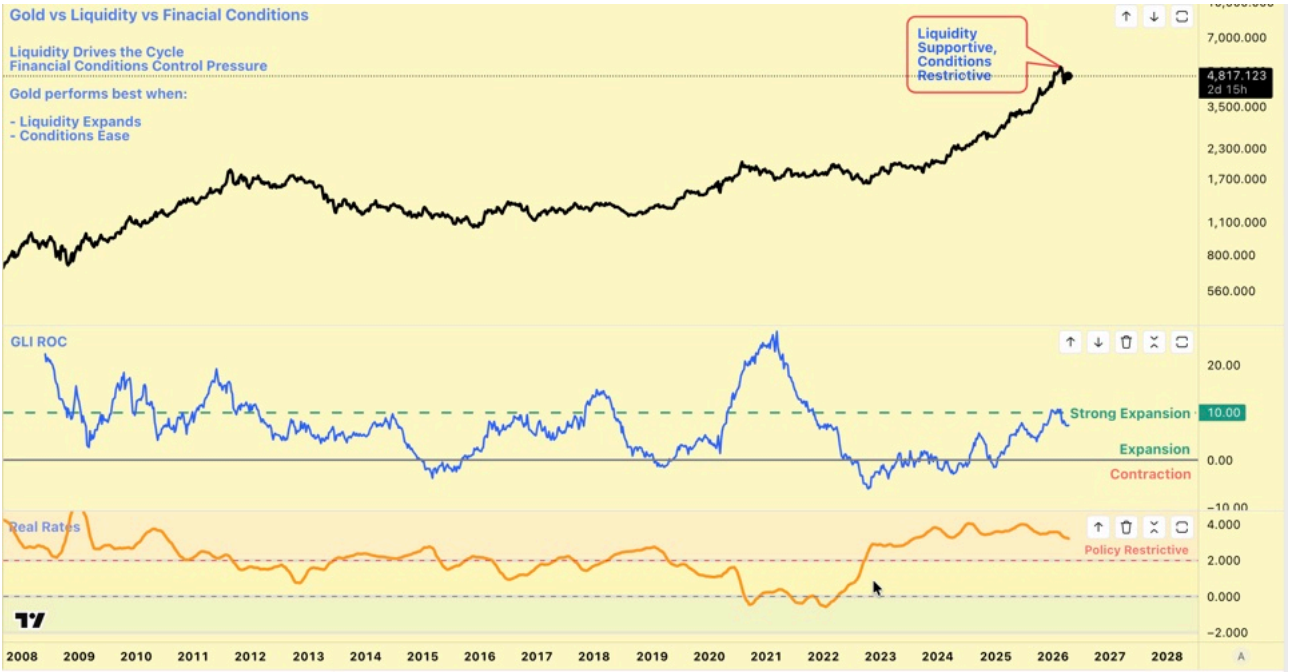
Gold Chart vs Liquidity vs Financial Conditions

(Core — What is happening)

Gold has stabilised following a sharp correction from recent highs, currently trading around the $4,800 level.

The prior rally, driven by safe-haven demand and inflation concerns, has partially unwound, with price now consolidating below peak levels.

This reflects a reset in positioning rather than a structural shift in gold's macro role.



Commodities Classification

- Oil: Elevated / Stabilising
- Gold: Reset / Consolidating
- Inflation Pulse: Elevated

April Update — What Changed

Relative to March:

- oil has stabilised, but remains elevated
- gold has absorbed prior excess positioning
- inflation pressure remains present

This confirms that the commodity complex is no longer accelerating higher, but continues to act as a constraint on the macro environment.

Educational Context — Commodities as System Pressure

Commodities sit at the intersection of:

- growth
- inflation
- geopolitics

Oil, in particular, functions as a direct transmission mechanism into the real economy.

When oil is elevated:

- costs rise across supply chains
- consumer purchasing power is reduced
- inflation remains persistent
- central banks face reduced policy flexibility

Oil as a Macro Constraint

The current oil environment continues to act as a drag on the system.

Even without further price increases, sustained elevated levels are sufficient to:

- limit growth acceleration
- slow credit expansion
- delay full macro confirmation

Gold — Signal vs Positioning

Gold's recent behaviour highlights an important distinction:

- the macro signal remains intact
- positioning has reset

The correction reflects an unwinding of crowded trades, rather than a breakdown in the underlying rationale for holding gold as a hedge against currency debasement and systemic uncertainty.

Interaction with the Dollar

The stabilisation in commodities has coincided with a modest easing in the dollar.

This is constructive.

However, until both:

- oil declines meaningfully
- and the dollar establishes a sustained weakening trend

the macro environment is likely to remain partially constrained.

Capital Implication

Commodities are no longer accelerating higher, but they remain elevated enough to influence the macro environment.

This places the system in a position where:

- downside pressure has stabilised
- but upside expansion remains constrained

For the macro regime to improve meaningfully, we would expect:

- further stabilisation or decline in oil
- easing inflation pressure
- reduced volatility across commodity markets

FINAL MACRO STACK (THIS IS THE MOMENT)

🌊 Liquidity → Expanding

📈 Growth → Expanding

💱 Dollar → Easing

🏦 Credit → Not Confirming

🛢️ Commodities → Elevated (Constraint)

SYSTEM READ

👉 The system is broadly aligned — except for two critical gaps:

- Credit → not yet confirming
- Commodities → still constraining

CLEANEST WAY TO SAY IT (REFINED)

Liquidity is pushing the system forward

Credit is not yet carrying it

Commodities are holding it back

Equities Regime — Testing Higher, Not Confirmed

Equity markets have stabilised and moved higher from recent lows, reflecting improving macro conditions.

However, confirmation of a sustained expansion remains incomplete.

What the Data Is Showing

Nasdaq vs Liquidity

(Structural — What is happening)



The relationship between equities and liquidity remains broadly intact, with liquidity continuing to trend higher.

However, price has not fully kept pace with the improvement in liquidity conditions.

This divergence suggests that while the macro backdrop is supportive, transmission into equity markets remains incomplete.

Earnings Growth vs Equities

(Structural — Why it is happening)

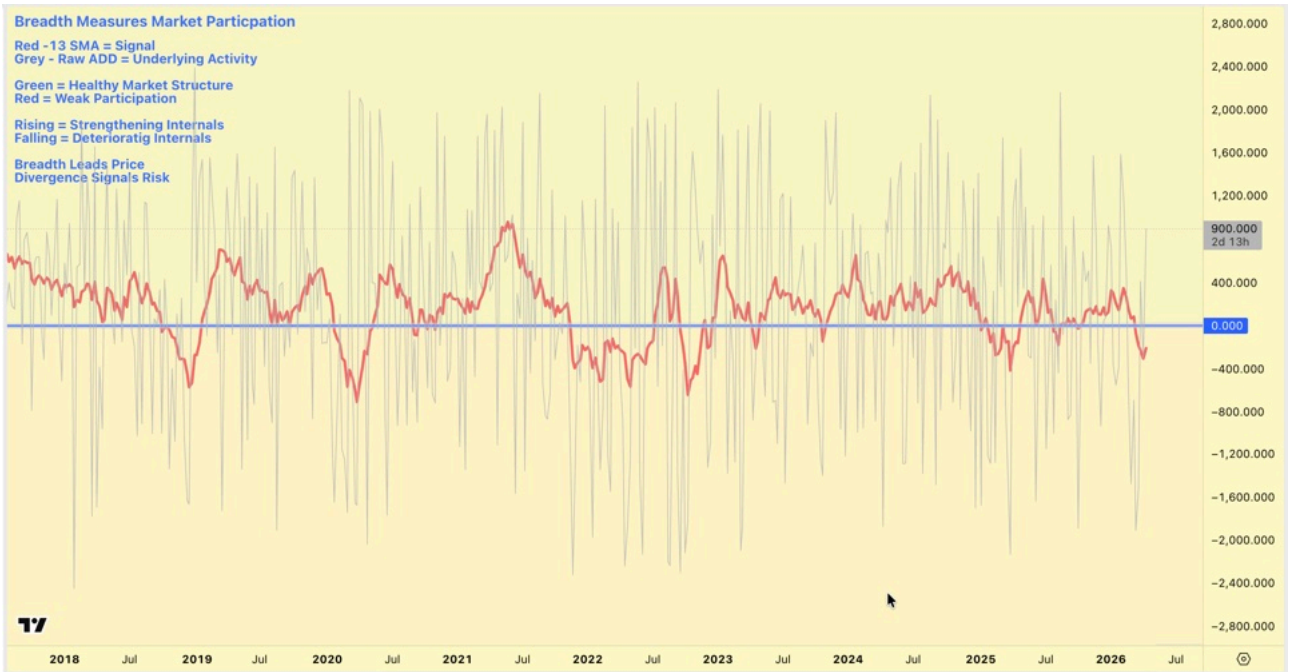
Earnings continue to support the broader equity trend, with no evidence of a material deterioration in the underlying growth backdrop.

However, the relationship between earnings and price has become less aligned.



Equities are increasingly reliant on macro support rather than earnings-driven expansion, indicating that the quality of the advance has weakened relative to earlier phases of the cycle.

Equities Breadth - Participation



Market breadth remains a key confirmation variable.

While equity prices have stabilised and moved higher, participation across the market remains uneven.

This suggests that the advance is being driven by a narrower set of stocks, rather than broad-based strength across the index.

Equities Classification

- Trend: Uptrend (re-established from recent lows)
- Momentum: Improving
- Confirmation: Not yet achieved
- Cycle Position: Mid → Late Cycle

April Update — What Changed

Relative to March:

- equities have stabilised and moved higher
- downside momentum has clearly eased
- the market is now testing higher levels

However:

- broad confirmation of expansion has not yet emerged

Educational Context — Recovery vs Confirmation

Markets often recover before they confirm.

Following a reset, improving liquidity can drive price higher even while:

- credit remains neutral
- macro risks persist
- participation is limited

True confirmation requires:

- sustained trend continuation
- improving breadth
- alignment with macro drivers

Interaction with the Macro Stack

Equities are now partially aligned with the macro system:

- liquidity → supportive ✅
- growth → stable ✅
- dollar → easing ✅

However, key constraints remain:

- credit → not confirming ❗
- commodities → elevated ❗

Capital Implication

Equities are no longer deteriorating and are beginning to respond to improving liquidity conditions.

However, the absence of confirmation suggests that:

👉 the move is constructive, but not yet decisive

For equities to transition into a stronger expansion phase, we would expect:

- improving breadth
- stronger follow-through
- confirmation from credit

Digital Asset Regime — Early Recovery Phase

Digital assets have moved higher from recent lows, transitioning from a reset phase into an early-stage recovery.

However, confirmation of a sustained expansion remains incomplete.

What the Data Is Showing

Total Market Cap (TOTAL / TOTAL3)

(Core — What is happening)



The broader crypto market has stabilised and moved higher following the sharp correction observed in March.

However, participation within the market remains uneven.

While total market capitalisation has recovered, the ex-Bitcoin segment (TOTAL3) continues to lag, indicating that the advance is being led by higher-quality assets rather than broad-based risk appetite.

BTC vs Liquidity (Lead Model)

(Core — What is happening)

The relationship between Bitcoin and liquidity remains clearly intact, with liquidity continuing to lead price.

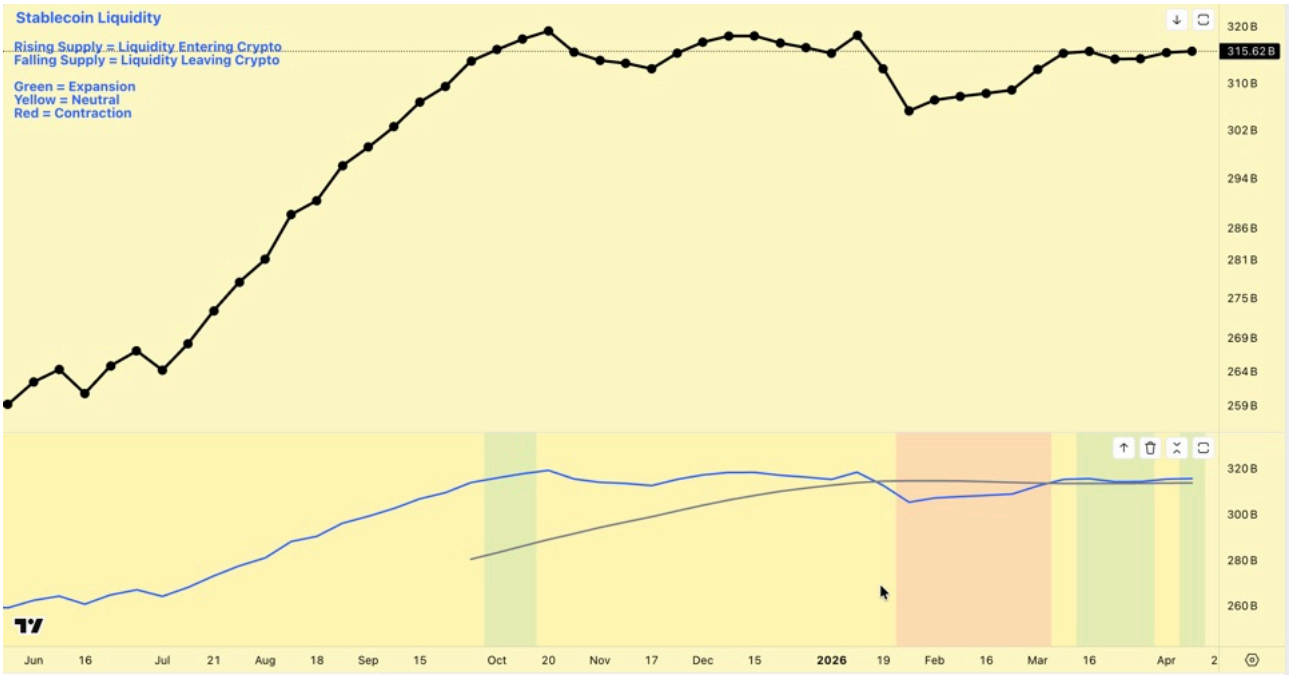
With both series indexed, the lagged response is more apparent — liquidity has already moved to new highs, while Bitcoin is still in the process of catching up.



This indicates that the current phase remains one of transmission rather than full expansion, with price yet to fully reflect the improving liquidity backdrop

Stablecoin Liquidity

(Core — What is happening)



Stablecoin supply remains elevated and is trending higher, confirming that crypto-native liquidity continues to expand.

Following the earlier contraction phase, supply has stabilised and resumed growth, indicating that capital has remained within the ecosystem rather than exiting.

This suggests that liquidity is available for redeployment, reinforcing the improving backdrop for digital assets, even if it has not yet fully translated into broad market participation.

Bitcoin Dominance

(Structural — Why it is happening)



Bitcoin dominance remains elevated, confirming that capital continues to concentrate in higher-quality assets during the recovery phase.

Following the prior market reset, dominance has trended higher, indicating that while liquidity is returning, it is not yet being deployed broadly across the asset class.

This is consistent with early-cycle behaviour, where capital first consolidates into Bitcoin before rotating into higher beta opportunities.

Digital Asset Classification

- Bitcoin: Recovery within an emerging expansion structure
- Altcoins: Stabilising, not yet expanding
- Liquidity: Supportive
- Volatility: Elevated

April Update — What Changed

Relative to March:

- Bitcoin has moved higher from recent lows
- The market has transitioned from reset → recovery
- Capital remains present within the system

However:

- Confirmation of a broader expansion has not yet occurred

Educational Context — The Rebuild Phase

Following a major reset, digital asset markets typically progress through a structured rebuild cycle:

1. Stabilisation
2. Early Recovery
3. Confirmation
4. Expansion

The current environment sits between:

👉 Stage 2 (Recovery)

👉 Stage 3 (Pre-Confirmation)

This is a transitional phase where conditions improve, but conviction remains incomplete.

Bitcoin vs Altcoins

Bitcoin continues to lead, reflecting its role as the primary liquidity vehicle within the ecosystem.

Capital is returning—but it remains selective rather than expansive.

Altcoins remain in a stabilisation phase, indicating that risk appetite has not yet broadened across the market.

This confirms:

👉 Improvement in conditions

👉 But not yet full participation

Capital Implication

Digital assets are transitioning from reset into recovery.

Liquidity is supportive, and the system has stabilised.

However, without confirmation from:

- Broader market participation
- Sustained trend continuation
- Alignment across the macro stack

The environment should still be viewed as:

👉 Constructive — but early

SYSTEM CHECKPOINT (CLEAN + COMPLETE)

🌊 Liquidity → Expanding
📈 Growth → Expanding
💵 Dollar → Easing
🏦 Credit → Not Confirming
🛢️ Commodities → Elevated
📊 Equities → Testing Higher
₿ Crypto → Recovering

SYSTEM STATE

👉 The system is now:

Actively Attempting Expansion

But…

❗ Still Missing Confirmation

Cross-Asset Positioning & Volatility — The Reset Holds

Positioning across asset classes remains materially cleaner following the reset observed in March, with volatility stabilising and no evidence of renewed excess.

What the Data Is Showing

Volatility (VIX)

(Signal — How conditions are changing)



Volatility has stabilised following the spike observed during the prior macro shock, with conditions normalising into a neutral range.

While still elevated relative to earlier expansionary phases, there is no evidence of renewed stress or disorderly market conditions.

The decline from peak levels indicates that the period of forced deleveraging has passed, and markets are transitioning back toward a more stable risk environment

Crypto Positioning — Funding

(Signal — How conditions are changing)

Leverage within digital assets remains contained, with funding rates holding near neutral levels.

The prior unwind in positioning has not reversed, indicating that speculative excess has not yet rebuilt within the system.

This suggests that the recent recovery has been driven by improving liquidity and structural demand, rather than leveraged positioning.



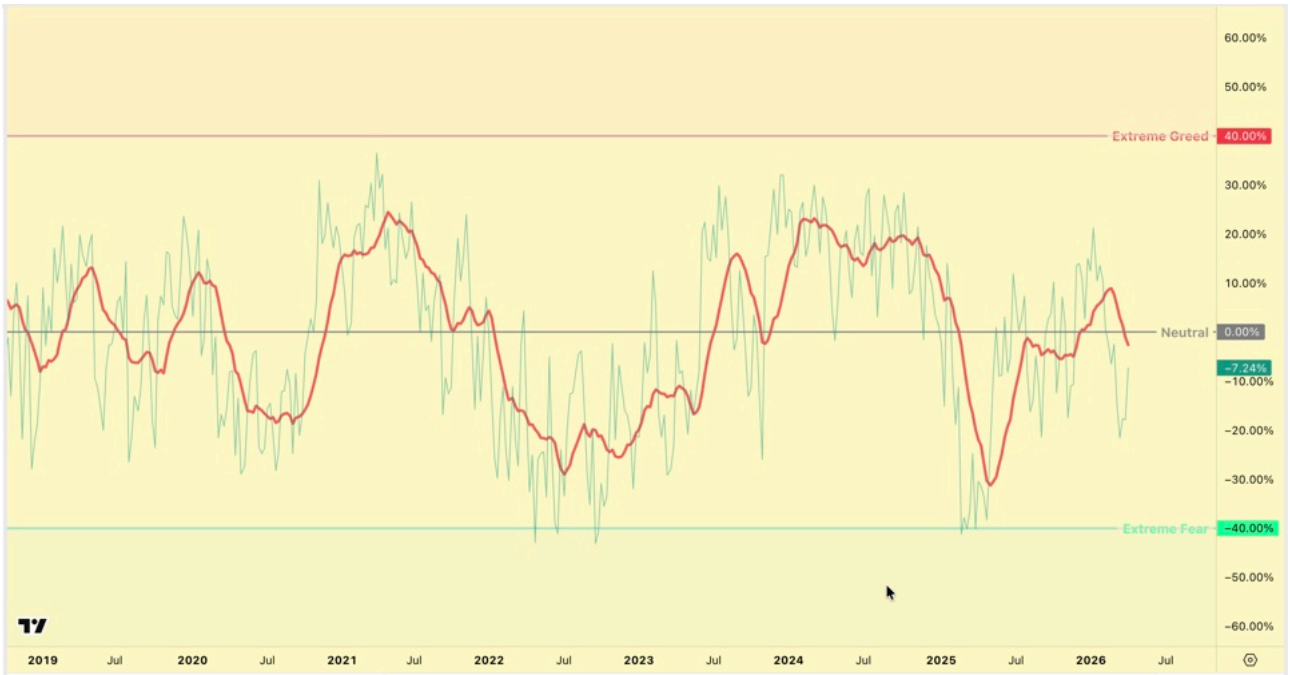
Cycle Extremes / Sentiment

(Core — What is happening)

Sentiment has normalised following the extremes observed during the recent market reset.

The system is no longer characterised by panic or excessive optimism, with positioning now centred around neutral levels.

This reflects a transition from emotional-driven conditions toward a more balanced and structurally stable environment.



Positioning Classification

- Leverage: Reduced
- Sentiment: Neutral
- Volatility (E_MSI_10): Elevated → Stabilising
- Positioning Regime: Reset (Holding)

April Update — What Changed

Relative to March:

- the positioning reset has held
- no meaningful re-leveraging has occurred
- volatility has continued to stabilise

This confirms that the system remains structurally clean, rather than reverting back toward excess.

Educational Context — Why This Matters

Positioning determines how markets respond to macro conditions.

In a crowded system:

- small shocks create large dislocations
- positioning unwinds amplify downside
- volatility becomes unstable

In a reset system:

- markets are more resilient
- capital can be deployed without friction
- trends are more sustainable

The current environment reflects the latter.

Cross-Asset Read

Across markets, the signal is consistent:

- equities are rising without excess
- crypto is recovering without leverage
- volatility is stabilising
- sentiment is balanced

This alignment suggests that the system is structurally healthy, even if macro confirmation remains incomplete.

Capital Implication

The positioning reset has materially improved the foundation of the system.

This increases the probability that improving macro conditions—particularly liquidity—will translate into:

- more durable trends

- reduced fragility
- smoother market behaviour

However, without confirmation from:

- credit expansion
- and full macro alignment

volatility risk has declined, but not disappeared.

Scenario Weighting — April Probability Distribution

The macro environment continues to support a constructive base case, with an elevated probability of continued expansion.

However, meaningful risk of volatility remains, reflecting incomplete confirmation across the system.

Scenario Distribution

Scenario	Probability	Description
Continued Expansion	**60%**	Liquidity transmits, credit improves, markets confirm
Volatility Reset / Range	**25%**	Constraints persist, markets remain uneven
Recession / Breakdown	**15%**	Growth weakens, credit deteriorates

April Update — What Changed

Relative to March:

- probability of expansion has increased
- volatility scenario has declined modestly
- recession risk remains broadly unchanged

This reflects incremental improvement, rather than a full regime shift.

Interpretation

The system has shifted further toward expansion, driven by:

- continued liquidity support
- stabilisation across markets
- early signs of dollar easing

However, full confirmation remains absent due to:

- incomplete credit transmission
- elevated commodity pressure

This leaves the system in a transitional phase, where the direction is improving, but conviction is not yet complete.

Capital Implication

The current probability distribution supports:

👉 measured participation
Not:
👉 aggressive positioning

The system is improving, but not yet fully aligned.

If / Then Decision Matrix — The Operating System

This framework defines how the system responds to change.

No interpretation.
No emotion.
Only rules.

Macro Triggers

- If liquidity momentum (L_07) rolls over → Reduce beta exposure
- If growth (G_02 / G_01) falls below expansion → Shift to defensive posture
- If credit spreads widen (E_MSI_04) → Reduce risk assets
- If dollar (D_01) strengthens materially → Expect pressure across risk assets
- If oil remains elevated or rises further → Monitor for growth deterioration

Equities

- If price confirms with improving breadth → Maintain / increase exposure
- If momentum weakens → Reduce exposure
- If volatility spikes without macro breakdown → Avoid forced selling

Digital Assets

- If liquidity is rising (L_01) + funding remains neutral (L_04) → Gradual accumulation
- If BTC breaks structural support → Reduce exposure
- If altcoins fail to confirm → Avoid lower-quality risk

Cross-Asset Alignment

- If dollar weakens + credit improves → Full risk-on confirmation
- If oil rises + dollar strengthens → Constraint environment (reduce risk)

FINAL SYSTEM READ — APRIL 2026

Liquidity → Expanding
Growth → Expanding
Dollar → Easing
Credit → Not Confirming
Commodities → Elevated
Equities → Testing Higher
Crypto → Recovering
Positioning → Clean

REGIME

Fragile Expansion — Testing for Confirmation

OPERATING POSTURE

👉 Participate — but do not overcommit

👉 Scale exposure — do not chase

👉 Let confirmation dictate aggression

FINAL LINE

The system is improving.
Markets are responding.
But confirmation remains incomplete.

Capital Cycle Intelligence

Know What You Own

&

Know Why You Own It

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