CAPITAL CYCLE

INTELLIGENCE

THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



The Capital Cycle Framework

The Capital Cycle Framework illustrates how liquidity, growth, credit, financial conditions and market behaviour interact across macro cycles.

Capital does not move randomly through financial markets.
It responds to changes in liquidity, economic momentum, credit availability, financial conditions and investor behaviour.

Understanding where the system sits within the broader cycle provides the foundation for interpreting risk, positioning and capital allocation.

Each phase of the cycle creates different opportunities, risks and leadership structures across asset classes.

The goal of Capital Cycle Intelligence is not to predict short-term market movements.

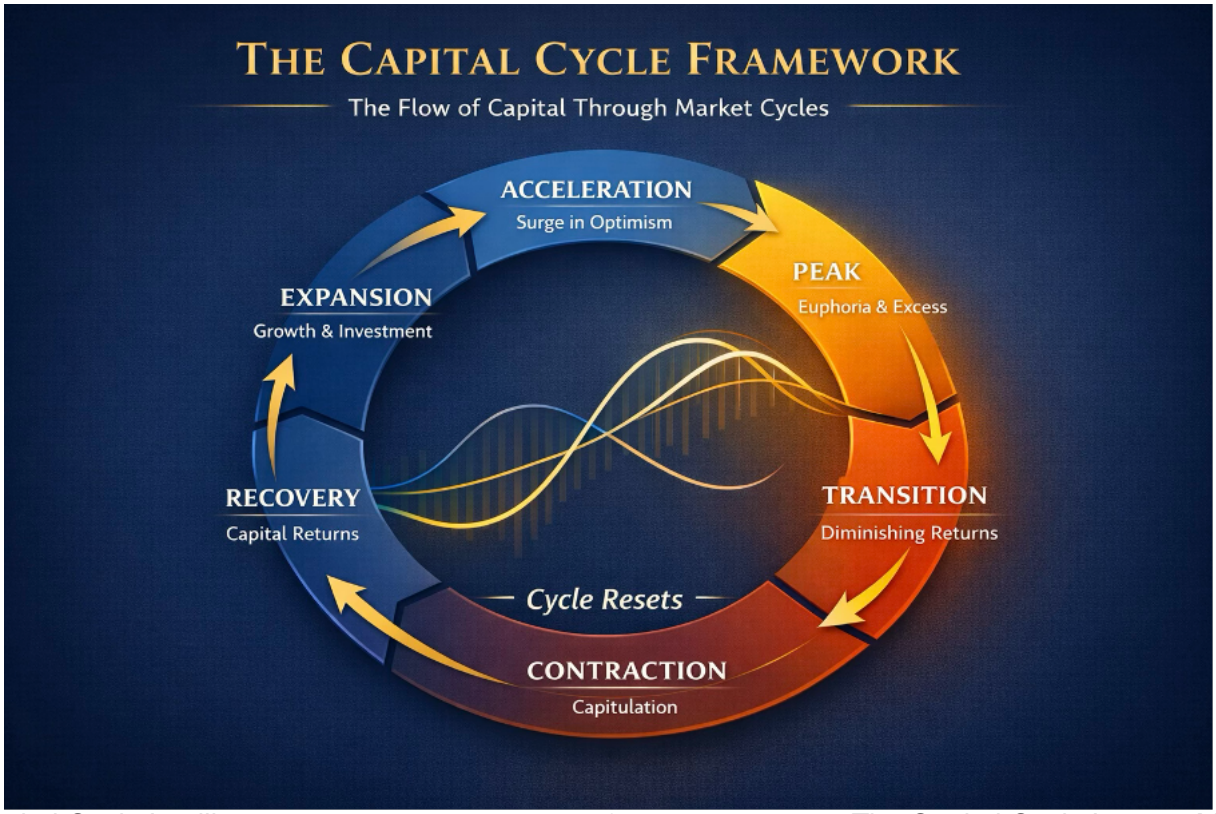
The goal is to identify:
• where liquidity is flowing
• how effectively it is transmitting
• where fragility is building
• and how capital is responding beneath the surface.

Current Cycle Position

The current environment is best characterised as:

Late Cycle Expansion transitioning toward Fragile Expansion

Liquidity remains supportive, but transmission quality has weakened as energy pressure, restrictive real rates and uneven participation increasingly constrain the broader expansion.



Macro Regime Gauge

The Macro Regime Gauge measures the current balance between liquidity support, growth momentum, credit stability, defensive positioning and macro stress.

Rather than focusing on individual economic data points in isolation, the gauge helps identify the dominant macro environment currently shaping markets and capital flows.

The current structure suggests the system remains in expansion, though the quality of that expansion is becoming increasingly constrained beneath resilient headline markets.

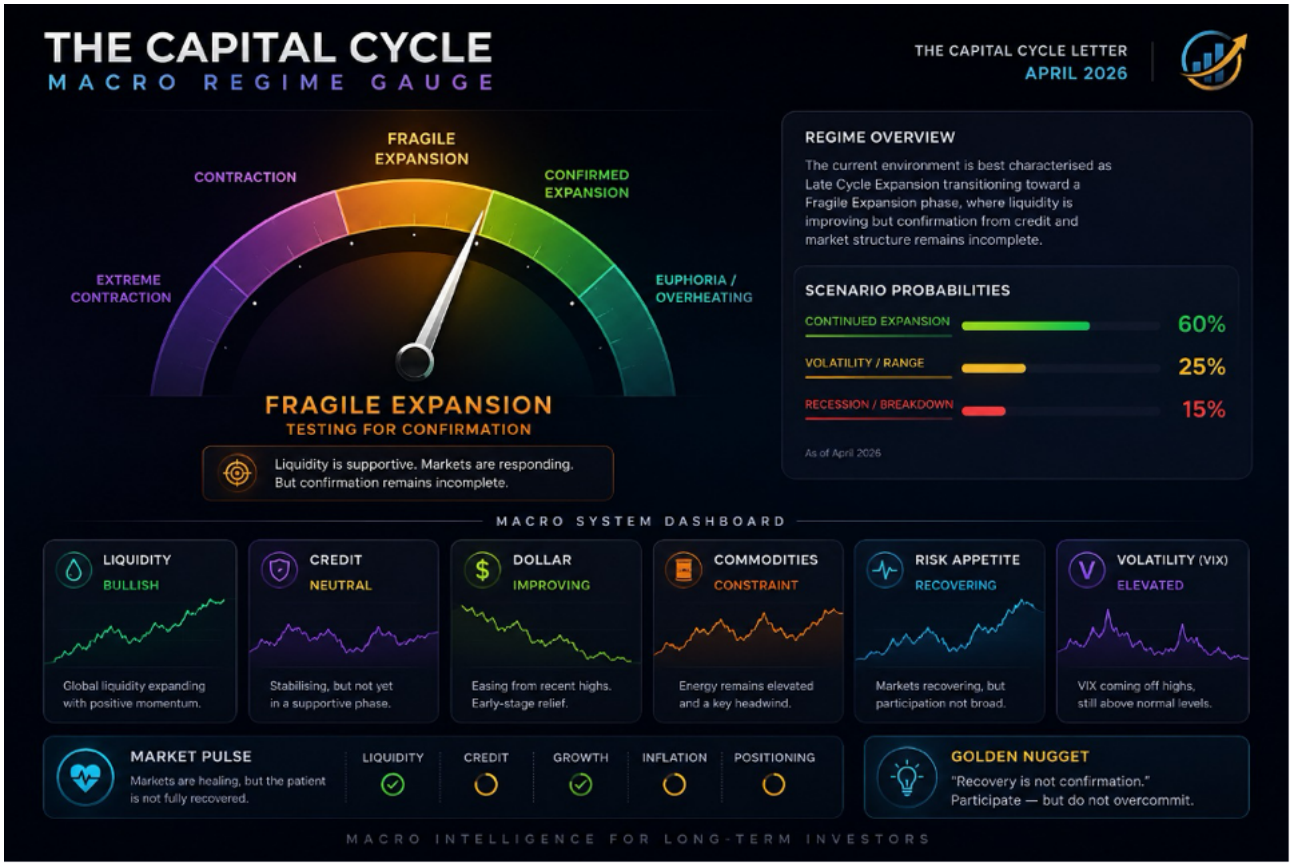
Current Regime

Constrained Expansion

Liquidity conditions remain supportive enough to stabilise risk assets and sustain growth above contraction territory.

However, elevated energy prices, restrictive real rates, uneven participation and persistent defensive demand continue weakening transmission quality across the broader system.

The expansion remains alive.
But confirmation remains incomplete.



Macro Regime Compass

The Macro Regime Compass translates the broader macro environment into an interpretable positioning framework.

While the Macro Regime Gauge identifies the dominant cycle condition, the Compass helps determine how capital is behaving inside that regime.

This includes:
• liquidity transmission
• participation quality
• defensive positioning
• credit sensitivity
• speculative behaviour
• and cross-asset leadership.

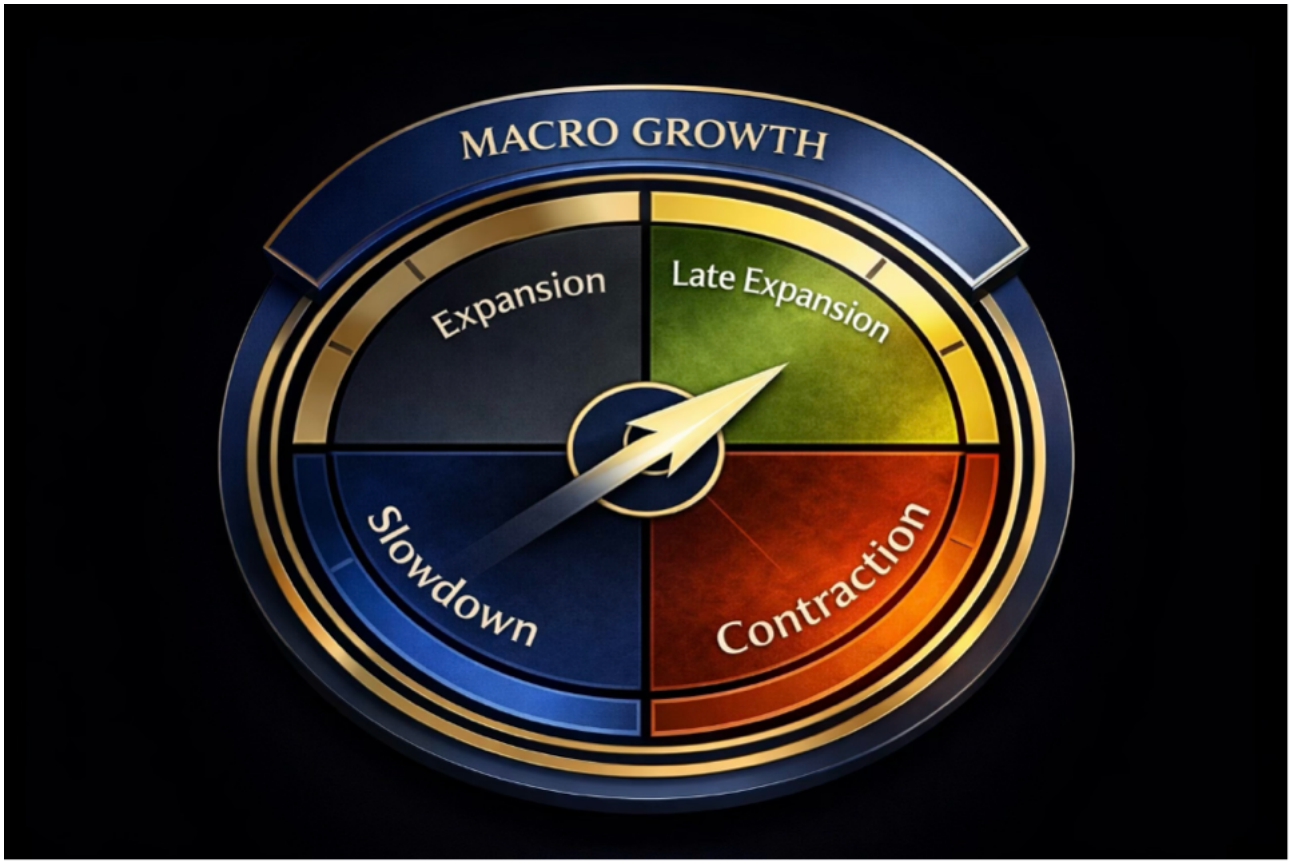
Current Compass Reading

Late Expansion (Fragile)

Markets remain supported by liquidity, but the quality of participation and transmission continues weakening beneath the surface.

Risk appetite remains functional, though increasingly selective.

Defensive positioning remains elevated, while credit and energy conditions continue acting as the primary constraints on broader expansion confirmation.



CAPITAL CYCLE INTELLIGENCE

THE CAPITAL CYCLE LETTER

May 2026 Edition

Constrained Expansion

Liquidity Holds. Energy Pushes Back.

Know What You Own

&

Know Why You Own It

Table of Contents

1. How To Read The Capital Cycle Letter

2. Understanding The Language Of The Cycle

3. Opening Synthesis - The System Under Pressure

4. Executive Summary

5. Energy & Geopolitical Stress - The Strait That Changed The Cycle

6. Liquidity & Monetary Conditions - Liquidity Refuses To Break

7. Growth & Economic Momentum - Holding, But Bending

8. Credit & Financial Conditions - The Transmission Gate

9. Market Structure & Participation - Rising, But Narrow

10. Defensive Rotation Signals - Gold Never Fully Trusted The Recovery

11. Bitcoin & Liquidity Transmission - Speculative Liquidity Returns Selectively

12. Positioning & Macro Risk - The Reset Held

13. Probability & Regime Outlook - Constrained Expansion

14. If Not This, Then That

15. Final System Read

16. Disclaimer

How To Read The Capital Cycle Letter

The Capital Cycle Letter is designed as a macro operating framework rather than a traditional market newsletter.

Each section builds on the previous one to explain how liquidity, growth, credit, financial conditions, market participation and cross-asset behaviour interact across the macro cycle.

The goal is not to predict short-term market moves.

The goal is to:

- identify regime conditions
- monitor transmission quality
- understand fragility
- interpret how capital flows through the global financial system

The framework should therefore be read sequentially, as each section answers the key question raised by the section before it.

Understanding The Language Of The Cycle

The Capital Cycle Letter uses recurring macro and market terminology throughout each edition.

This section is designed to help readers understand the language of the cycle and how different parts of the macro system interact with one another.

The goal is not to use complex terminology for the sake of sophistication.

The goal is to simplify macro interpretation, improve financial understanding, explain how capital flows through the system and help readers think more structurally about markets and risk.

Over time, these concepts form the foundation of the broader CCI framework.

Liquidity

Liquidity refers to the amount of money and capital available within the financial system. When liquidity expands, financial conditions generally improve, risk assets tend to perform better, credit becomes easier to access and speculative activity often increases. When liquidity contracts, financial conditions tighten, markets become more fragile, volatility often increases and risk appetite typically declines.

Financial Conditions

Financial conditions describe how easy or difficult it is for capital to move through the economy and financial system. Supportive financial conditions generally encourage lending, investment, spending, speculation and economic growth. Restrictive financial conditions reduce credit creation, market participation, economic momentum and liquidity transmission.

Credit Spreads

Credit spreads measure the additional yield investors demand to hold riskier debt relative to safer government bonds. When spreads remain contained, financial stress is usually limited. When spreads widen materially, financial stress is increasing and broader market fragility often rises.

Real Rates

Real rates are interest rates adjusted for inflation. They represent the true cost of capital within the economy. Elevated real rates can pressure valuations, slow credit expansion, reduce speculative activity, weaken liquidity transmission and constrain economic growth.

Breadth

Breadth measures how broadly market participation is distributed beneath headline indices. Strong breadth suggests healthier market participation. Weak breadth means gains are concentrated in fewer assets and the market may be more fragile beneath the surface.

Transmission

Transmission refers to how effectively liquidity moves through the financial system into lending, investment, economic activity, market participation and asset prices. Liquidity alone is not enough to sustain expansion. The system also requires healthy transmission.

Volatility

Volatility measures the speed and magnitude of market price movements. Elevated volatility often reflects uncertainty, fear, financial stress, fragile positioning or unstable liquidity conditions.

Defensive Positioning

Defensive positioning occurs when investors allocate capital toward assets perceived as safer during periods of uncertainty or instability, including gold, cash, government bonds, defensive equities or lower-volatility assets.

Risk-On / Risk-Off

Risk-on environments occur when investors are willing to allocate capital toward higher-risk assets. Risk-off environments occur when investors prioritise capital preservation, liquidity, lower volatility and defensive assets.

Macro Regime

A macro regime describes the dominant economic and financial environment currently shaping markets. Understanding the macro regime helps determine how capital is likely to behave, where risk may emerge and which assets are most likely to outperform or underperform.

The Core Principle

Markets do not move randomly.

They respond to liquidity, growth, credit, financial conditions, positioning and human behaviour.

Understanding how these forces interact is one of the core goals of Capital Cycle Intelligence.

Opening Synthesis - The System Under Pressure

The macro environment remains expansionary beneath the surface.

Liquidity continues supporting financial markets, while growth slows without breaking. Credit conditions remain functional. Equities continue rising. Bitcoin has recovered sharply from its recent lows.

Yet despite resilient headline markets, the character of the cycle is beginning to change.

The reason is simple:

The global system is now attempting to absorb one of the largest energy supply disruptions in modern macro history.

The Strait of Hormuz remains effectively impaired. Global shipping routes remain disrupted. Oil markets continue operating under severe supply stress. Insurance markets remain fractured. And despite ongoing negotiations, the geopolitical backdrop remains fragile and unstable.

This matters because energy now sits at the centre of the global transmission mechanism.

When energy flows smoothly, liquidity transmits efficiently, growth broadens, inflation moderates, credit expands and participation improves.

But when energy becomes constrained, transmission weakens, costs rise, fragility increases, liquidity efficiency deteriorates and markets become increasingly selective.

This is not yet a crisis regime.

Liquidity conditions remain broadly supportive. Markets continue responding positively overall. Credit markets have not broken. Growth remains in expansion territory.

But increasingly, the expansion appears less clean, less broad-based and more dependent on continued liquidity support than earlier phases of the cycle.

The key message from the current macro structure is becoming clearer:

Liquidity is still pushing the system forward.

Energy is pushing back harder.

Credit is caught in the middle.

Executive Summary

The macro environment remains expansionary, though the quality of transmission continues weakening beneath resilient headline markets.

Liquidity conditions remain supportive across both global and US financial systems, helping stabilise risk assets despite severe geopolitical and energy-related disruption.

However, the character of the cycle is evolving.

Elevated oil prices, impaired trade flows and persistent defensive positioning increasingly suggest the expansion is becoming narrower, more selective and more dependent on liquidity support than earlier phases of the cycle.

Credit conditions remain the critical stabilising force.

Markets continue recovering.

But confirmation remains incomplete.

Current Regime: Constrained Expansion

The defining macro development this month was the escalation of the global energy shock. Oil prices surged sharply higher as supply risk intensified, while gold continued attracting defensive demand beneath resilient equity markets.

At the same time, liquidity remained supportive, growth avoided outright deterioration, credit markets remained stable, equities recovered and Bitcoin rebounded strongly from recent lows.

This created an increasingly important divergence:

Markets continue rising.
But the quality of the expansion is weakening beneath the surface.

Energy & Geopolitical Stress - The Strait That Changed The Cycle

The defining macro event of this edition is not earnings. It is not inflation. It is not the Fed.

It is energy.

More specifically, the effective closure of the Strait of Hormuz.

While diplomatic negotiations between the United States and Iran continue evolving, the practical reality across global markets remains extremely fragile.

Despite temporary ceasefire agreements, shipping traffic remains impaired, insurance markets remain dysfunctional, freight costs remain elevated, energy exports remain constrained and geopolitical risk premiums remain embedded into commodity markets.

Energy has shifted from a cyclical input into an active constraint on global liquidity transmission.

The implications now extend far beyond energy markets themselves.

Energy disruptions influence inflation persistence, manufacturing margins, consumer spending, trade flows, credit conditions, central bank flexibility and liquidity transmission efficiency.

In other words, energy now sits directly inside the transmission mechanism of the global macro system.

And right now, the system is under pressure.

WTI Crude Oil - Energy Shock Layer



Source: TradingView; CCI Chart Library.

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



Source: TradingView; CCI Chart Library.

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



Source: TradingView; CCI Chart Library.

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



Source: TradingView; CCI Chart Library.

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 - Transmission Test



Source: TradingView; CCI Chart Library.

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

Section Synthesis

The macro system has not broken.

But the efficiency of the system is beginning to deteriorate.

Historically, major energy disruptions rarely damage markets immediately through price alone. Instead, they gradually weaken transmission quality, growth durability, credit sensitivity, participation breadth and liquidity efficiency.

The critical question therefore becomes:

Can liquidity continue absorbing the shock without broader transmission failure emerging elsewhere in the system?

To answer that, we now turn to the most important stabilising force in the entire cycle: liquidity.

Liquidity & Monetary Conditions - Liquidity Refuses To Break

Despite the largest energy disruption in decades, liquidity conditions continue expanding.

This remains the single most important stabilising force within the entire macro system.

While geopolitical stress intensified, central bank liquidity remained supportive, financial conditions remained functional, systemic stress remained contained and capital continued flowing into risk assets.

This explains why equities continue recovering, Bitcoin rebounded sharply from recent lows and broader macro conditions avoided immediate breakdown.

The cycle is not stabilising because conditions are clean.

It is stabilising because liquidity conditions remain sufficiently supportive to absorb rising macro stress.

However, the character of liquidity itself is beginning to evolve.

Acceleration has moderated. Transmission has weakened. Participation has narrowed. Defensive demand remains elevated.

This creates an increasingly important distinction:

Liquidity remains supportive.
But liquidity quality matters increasingly from here.

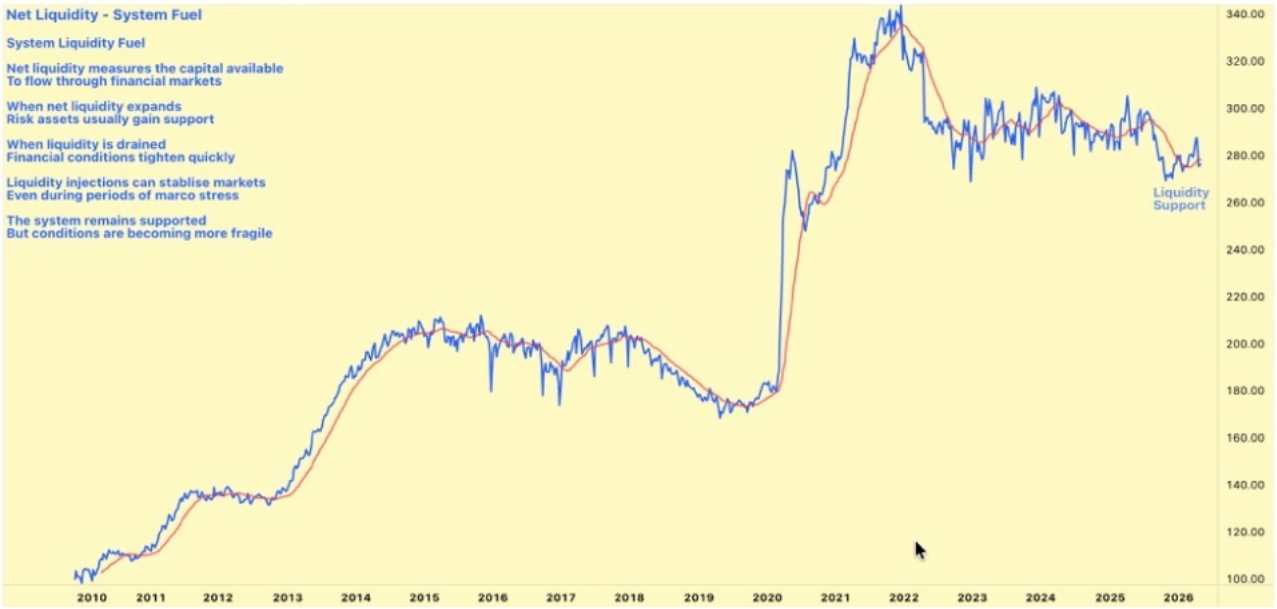
Global Liquidity (GLI)



Source: TradingView; CCI Chart Library.

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)



Source: TradingView; CCI Chart Library.

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

Liquidity Impulse - Momentum of Expansion



Source: TradingView; CCI Chart Library.

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

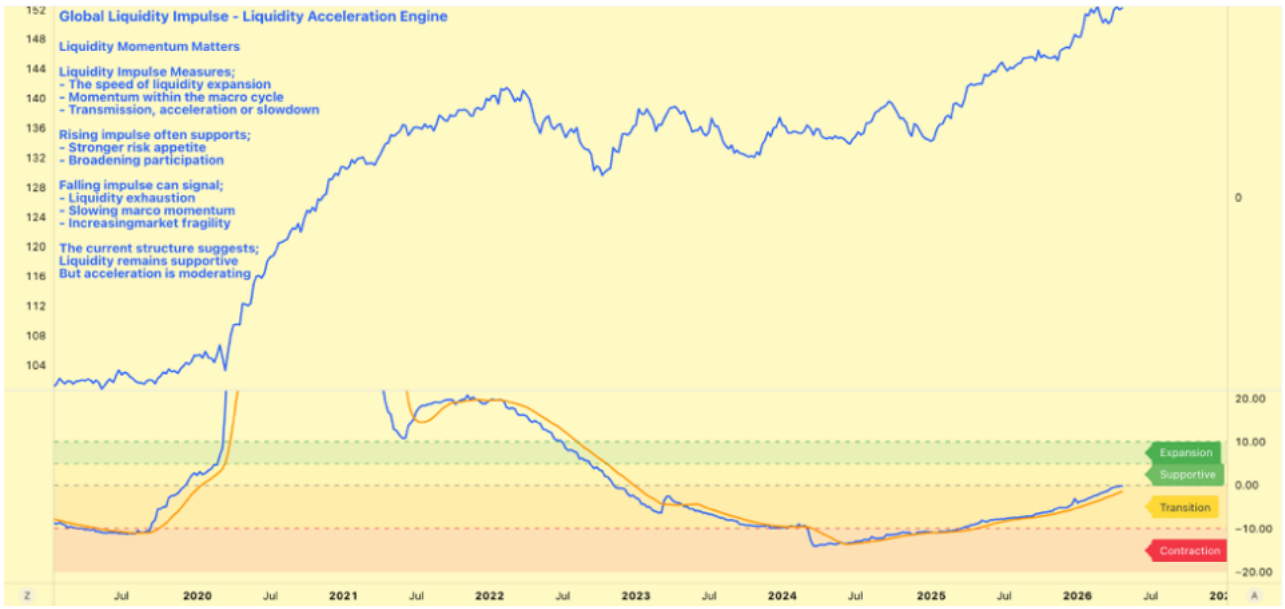
US Net Liquidity - Macro Liquidity Pulse



Source: TradingView; CCI Chart Library.

Net liquidity remains one of the dominant drivers of macro conditions and risk asset performance. The current structure remains supportive overall, though momentum has moderated from prior expansionary peaks.

Global Liquidity Impulse - Liquidity Acceleration Engine



Source: TradingView; CCI Chart Library.

Liquidity impulse measures the speed and momentum of liquidity expansion. The current structure remains supportive, but acceleration has moderated from prior expansion phases.

Section Synthesis

The macro system remains alive because liquidity continues flowing through it.

Without ongoing liquidity expansion, equities likely weaken materially, Bitcoin struggles to sustain recovery, credit sensitivity rises sharply, financial conditions tighten quickly and growth deterioration accelerates.

However, liquidity alone cannot sustain durable expansion indefinitely.

Eventually, growth must broaden, participation must improve, transmission must strengthen and credit must continue functioning.

Increasingly, those conditions appear less clean than earlier phases of the cycle.

Which raises the next critical question:

Is the real economy still absorbing liquidity efficiently?

To answer that, we now turn to growth.

Growth & Economic Momentum - Holding, But Bending

The broader economy remains in expansion territory.

Manufacturing conditions remain above contraction levels. PMI structures continue stabilising. Growth momentum has improved from prior slowdown conditions.

On the surface, that sounds constructive.

And relative to the severity of the current energy shock, it is.

But beneath resilient headline data, the quality of the expansion is beginning to change.

Late-cycle environments rarely deteriorate immediately through outright collapse. Instead, they typically weaken through slower transmission, rising costs, tighter financial conditions, uneven participation and declining efficiency beneath the surface.

The economy has not broken.

But increasingly, the system appears to be relying on liquidity support to offset weakening transmission quality elsewhere.

The issue is no longer whether growth exists.

The issue is whether the quality of growth can remain durable under rising transmission pressure.

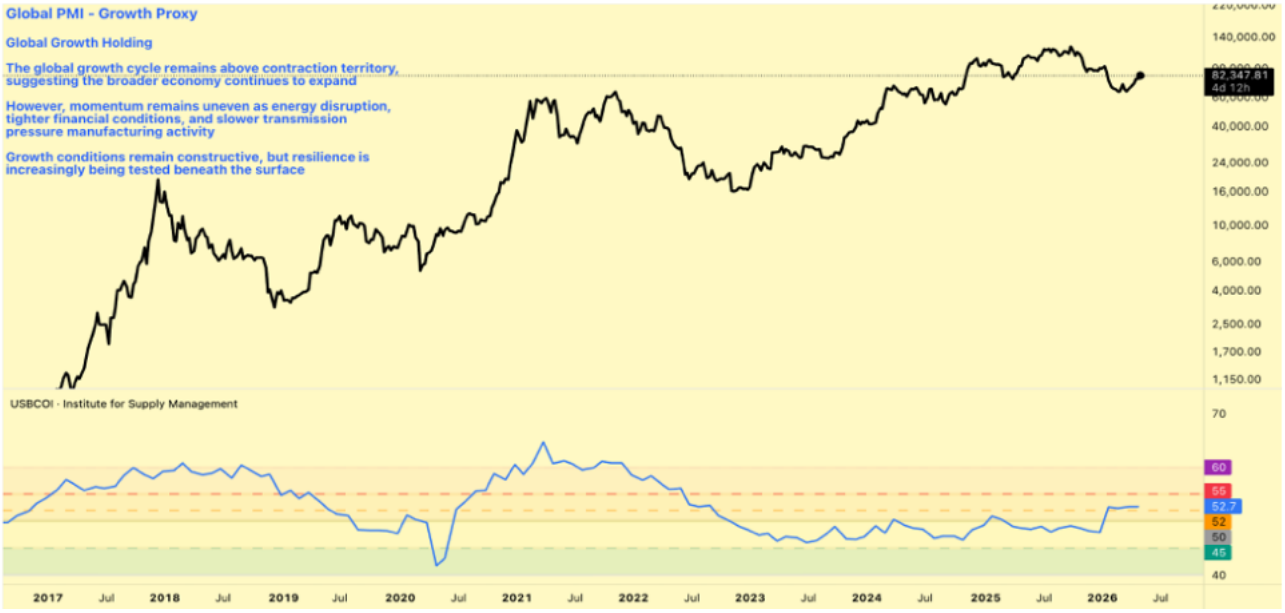
US ISM Manufacturing



Source: TradingView; CCI Chart Library.

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.

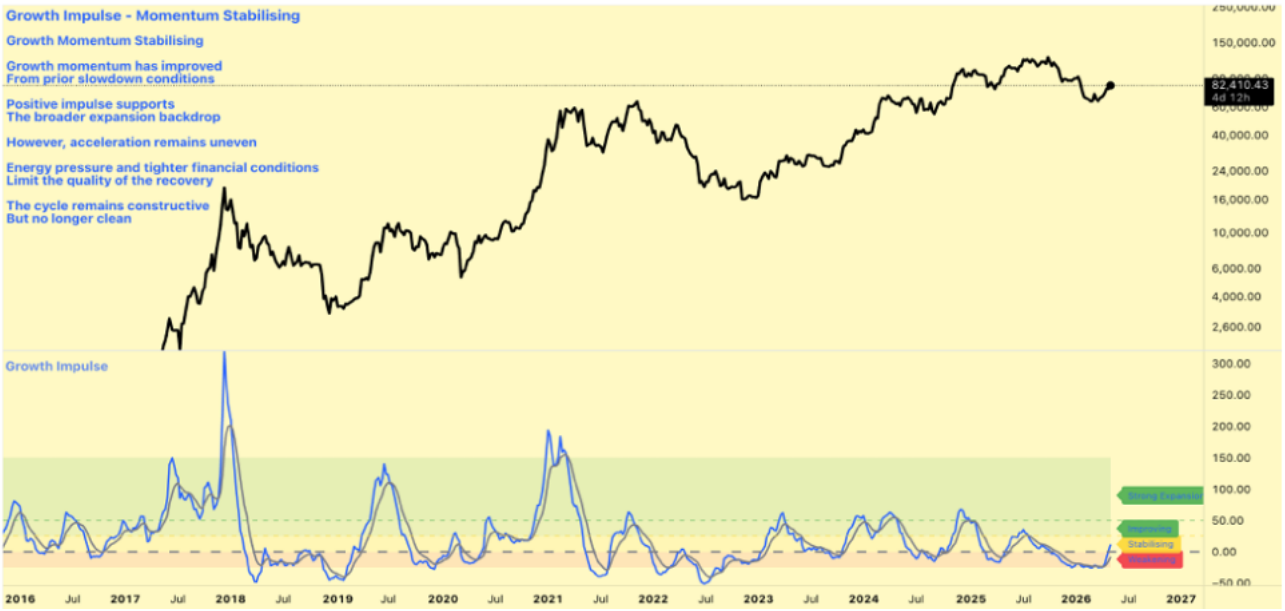
Global PMI (Composite)



Source: TradingView; CCI Chart Library.

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 pressuring the manufacturing cycle.

Growth Impulse (ROC)



Source: TradingView; CCI Chart Library.

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

Growth Composite Regime Map



Source: TradingView; CCI Chart Library.

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.

Section Synthesis

The economy continues proving more resilient than many expected.

Despite elevated oil prices, disrupted shipping flows, tighter transmission conditions and persistent geopolitical stress, the broader growth cycle continues holding above contraction territory.

That is an important stabilising signal for the macro regime.

However, the nature of the expansion is beginning to evolve.

The system increasingly resembles liquidity-supported growth rather than broad organic acceleration.

When growth becomes increasingly dependent on liquidity support, credit sensitivity rises, financial conditions matter more, transmission quality becomes critical and fragility can build quietly beneath resilient headline data.

Which raises the single most important question in the current macro environment:

Can credit continue carrying the expansion?

Because from here, credit is no longer just another variable inside the system. Credit is now the battlefield.

Credit & Financial Conditions - The Transmission Gate

Liquidity can support markets temporarily.

But credit determines whether expansion becomes durable.

That distinction is becoming critically important now.

The current macro environment remains stable largely because credit spreads remain contained, financial conditions remain functional and liquidity transmission has not broken.

If credit deteriorates meaningfully from here, the entire macro regime changes.

Credit has become the primary stabilising mechanism within the macro system.

Energy pressure continues raising funding sensitivity, inflation pressure, policy constraints, real rate stress and transmission fragility.

Yet despite this, credit markets continue holding together surprisingly well.

As long as credit markets remain functional, the expansion can continue absorbing stress.

If credit deteriorates meaningfully, the regime changes quickly.

Financial Conditions - System Stress Engine



Source: TradingView; CCI Chart Library.

Financial conditions measure how effectively liquidity flows through the financial system. 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 rising.

High Yield Credit Spreads



Source: TradingView; CCI Chart Library.

Credit spreads remain contained despite tighter financial conditions and rising macro stress. While pressure has increased beneath the surface, credit markets continue confirming that systemic stress remains limited for now. Liquidity can support markets. But credit determines fragility.

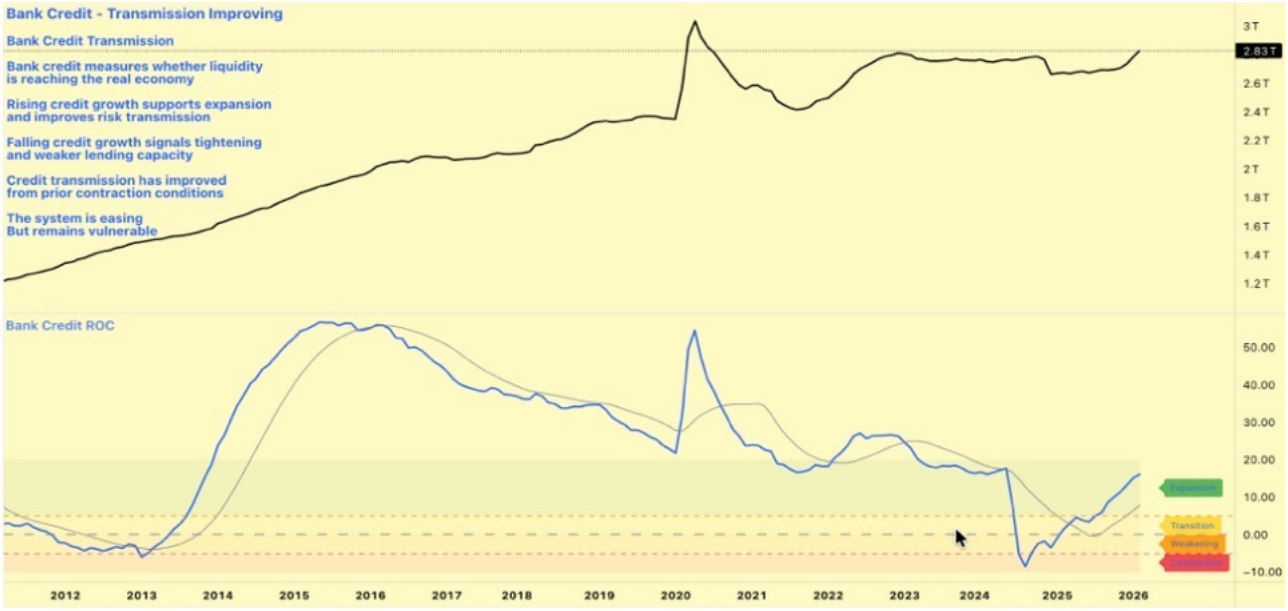
Real Rates



Source: TradingView; CCI Chart Library.

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.

Regional Liquidity / Bank Credit



Source: TradingView; CCI Chart Library.

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 financial conditions.

Bitcoin vs Financial Conditions - Transmission Test



Source: TradingView; CCI Chart Library.

Bitcoin remains highly sensitive to changes in financial conditions and liquidity transmission. The current structure suggests financial conditions remain broadly supportive, but transmission strength is weaker than earlier expansion phases.

Section Synthesis

This is now the most important section in the entire macro framework.

The cycle increasingly depends on whether credit can continue absorbing stress without broader transmission failure emerging elsewhere in the system.

So far, that process continues holding together.

Credit spreads remain contained. Funding markets remain functional. Bank lending conditions continue stabilising. Systemic stress remains limited.

That is why equities continue recovering, Bitcoin rebounded sharply, growth avoided contraction and liquidity continues transmitting through the system.

However, the environment is becoming increasingly fragile beneath the surface.

Energy pressure remains elevated. Real rates remain restrictive. Transmission quality continues weakening. Participation remains uneven.

From here, the system no longer simply requires liquidity.

It requires successful transmission.

Which raises the next major question:

Are markets actually confirming the expansion beneath the surface?

To answer that, we now turn to equities, participation and market structure.

Market Structure & Participation - Rising, But Narrow

On the surface, markets continue sending a constructive signal.

Equities have recovered strongly from their recent lows. Major indices remain resilient. Bitcoin rebounded sharply. Risk appetite has improved meaningfully from the panic conditions seen earlier in the cycle.

That matters because markets ultimately reflect whether liquidity is successfully transmitting through the financial system.

Right now, liquidity is still reaching markets.

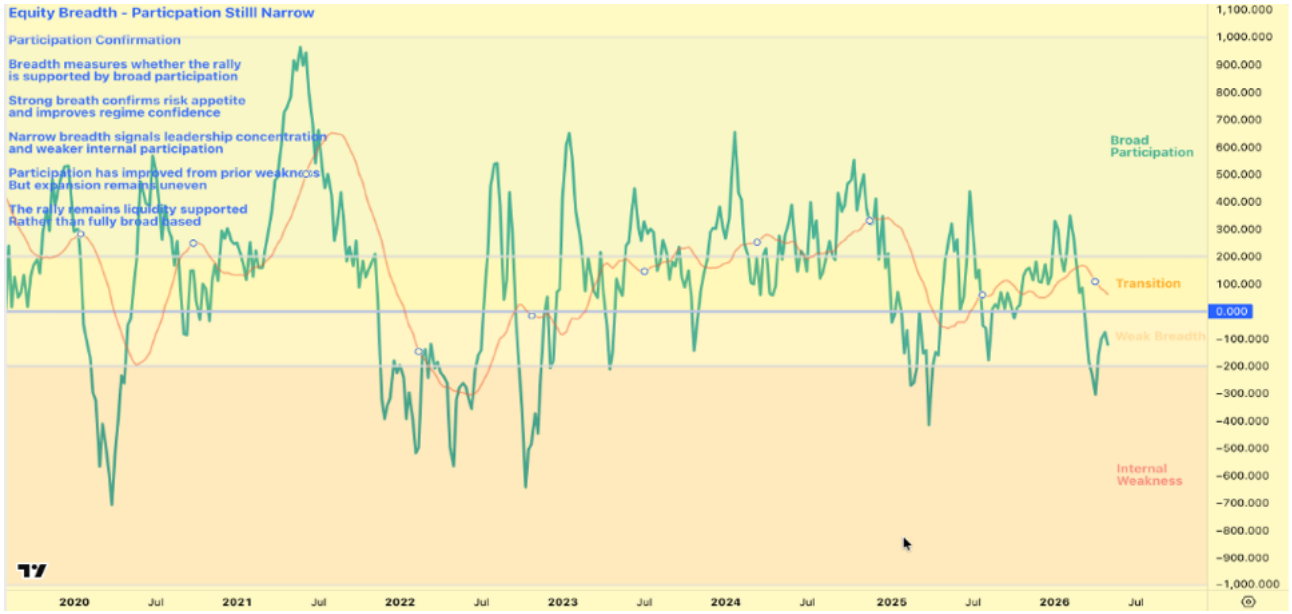
However, the quality of the recovery beneath the surface remains increasingly uneven.

Headline indices can continue rising while participation narrows, leadership concentrates, liquidity becomes selective and fragility quietly builds underneath.

The rally remains alive.

But increasingly, the expansion appears liquidity-supported rather than broadly confirmed.

Equities Breadth



Source: TradingView; CCI Chart Library.

Participation has improved from prior weakness, though broader confirmation remains uneven. The rally continues appearing increasingly leadership-driven rather than fully broad-based. Liquidity remains supportive, though participation quality remains an important variable moving forward.

Nasdaq vs Liquidity



Source: TradingView; CCI Chart Library.

Liquidity conditions continue supporting 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.

Earnings Growth vs Equities



Source: TradingView; CCI Chart Library.

Earnings continue supporting the broader trend, though the relationship between earnings and price has become less compelling. Valuations remain elevated, meaning equities increasingly require continued liquidity support to justify further upside. Liquidity can lift multiples. But earnings determine durability.

Section Synthesis

Markets are still responding positively to liquidity.

That remains an important signal.

The system has not entered a broad deterioration phase. Risk appetite has improved materially from earlier stress conditions. Equities continue holding elevated levels. Bitcoin recovered strongly from recent lows.

However, the recovery remains increasingly selective beneath the surface.

Participation remains uneven. Leadership remains concentrated. Valuations remain dependent on liquidity support. Transmission quality remains weaker than earlier expansion phases.

This creates a very important distinction:

Markets are recovering faster than the macro system beneath them.

That does not automatically end the cycle.

But it does suggest the margin for error is narrowing.

Increasingly, one asset continues signalling that underlying fragility may not have disappeared at all: gold.

Which raises the next critical question:

Has defensive demand ever truly left the system?

To answer that, we now turn to cross-asset rotation and defensive liquidity behaviour.

Defensive Rotation Signals - Gold Never Fully Trusted The Recovery

One of the most important signals inside the entire macro system continues coming from gold.

Despite recovering equity markets, improving liquidity, stabilising growth and easing panic conditions, gold never fully broke down.

That matters enormously.

Gold is not simply reacting to inflation, geopolitics or dollar weakness.

Increasingly, gold appears to be responding to something deeper: declining confidence in transmission quality itself.

During strong, broad-based expansionary regimes, liquidity flows aggressively into speculative assets, participation broadens, credit expands, defensive demand weakens and gold often underperforms relative to higher-beta risk assets.

The current environment looks different.

Bitcoin recovered. Equities rallied. Liquidity improved.

But simultaneously, gold remained structurally strong, defensive demand persisted, capital preservation behaviour remained elevated and real rates continued pressuring broader transmission.

Markets recovered.

Gold never fully trusted the recovery.

BTC vs Gold



Source: TradingView; CCI Chart Library.

The BTC vs Gold ratio tracks the market preference between speculative liquidity and defensive capital preservation. BTC leadership typically confirms strong risk appetite and effective liquidity transmission, while gold leadership reflects weakening confidence, tighter financial conditions and a shift toward capital protection.

Gold vs DXY



Source: TradingView; CCI Chart Library.

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

Gold vs Liquidity vs Financial Conditions



Source: TradingView; CCI Chart Library.

Gold often responds early to shifts in liquidity and financial conditions. The current backdrop shows liquidity conditions remaining broadly supportive, but restrictive real rates and tightening financial conditions continue acting as a drag on broader market transmission.

Section Synthesis

This may be one of the most important messages in the entire report.

Despite improving liquidity, recovering equities, stabilising growth and rebounding Bitcoin, the system still continues allocating toward protection.

Gold strength continues signalling defensive positioning, policy uncertainty, transmission fragility and capital preservation demand.

In other words:

Markets recovered.
But the system never fully trusted the recovery.

That does not mean collapse is imminent.

It means the expansion remains incomplete.

While liquidity continues supporting the cycle, energy continues constraining it, real rates continue pressuring it, credit continues carrying it and gold continues hedging it.

Which raises the next major question:

Is liquidity still successfully reaching the highest-beta assets in the system?

To answer that, we now turn to Bitcoin, speculative transmission and crypto liquidity.

Bitcoin & Liquidity Transmission - Speculative Liquidity Returns Selectively

Bitcoin continues reinforcing one of the most important relationships in modern macro markets:

Liquidity remains the dominant driver.

Despite geopolitical escalation, elevated oil prices, tighter financial conditions, weakening participation and rising macro fragility, Bitcoin recovered sharply from its recent lows.

That recovery matters.

Bitcoin sits at the far end of the liquidity transmission spectrum. It is highly speculative, highly reflexive, extremely sensitive to financial conditions and deeply dependent on liquidity availability.

When liquidity expands, Bitcoin typically responds aggressively. When liquidity contracts, Bitcoin often weakens rapidly.

However, the character of the current recovery remains important.

Bitcoin has recovered strongly. But broader speculative participation remains selective.

Altcoins continue lagging. Leverage remains relatively contained. Funding conditions remain healthier than earlier euphoric phases. Participation remains concentrated rather than broad-based.

Liquidity has returned to the system.

Full speculative confirmation has not.

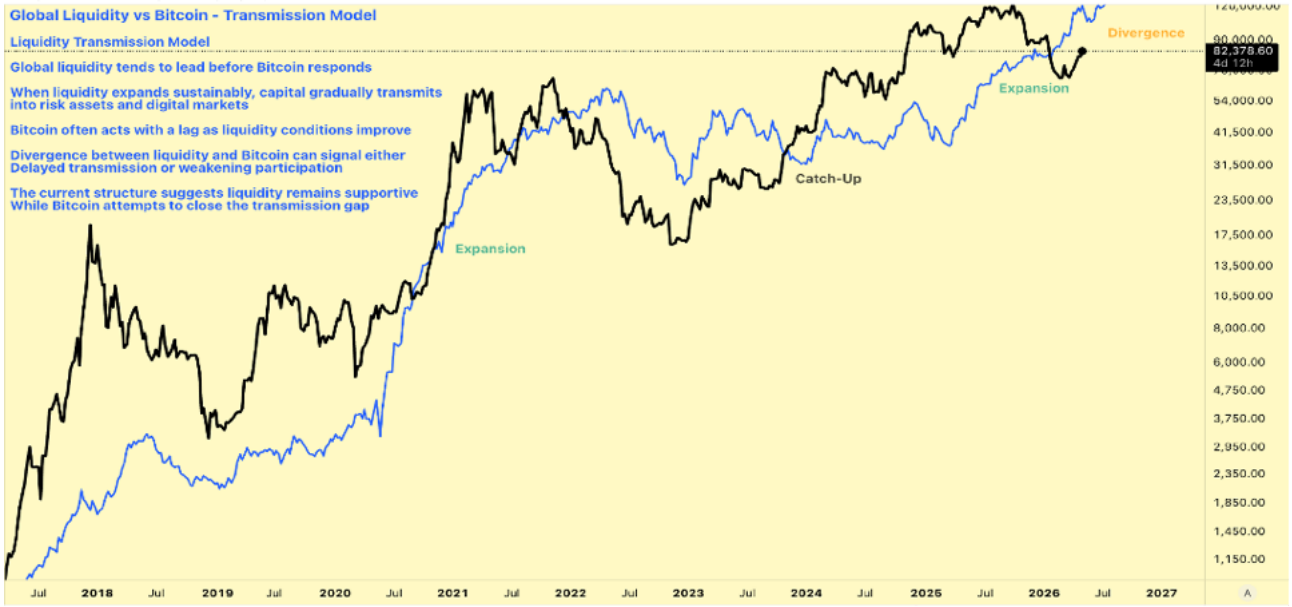
Bitcoin vs Global Liquidity (Primary Driver)



Source: TradingView; CCI Chart Library.

Bitcoin remains one of the most liquidity-sensitive assets in global markets. The current backdrop shows liquidity conditions improving from prior contractionary pressure, helping stabilise Bitcoin despite continued macro uncertainty and restrictive policy conditions.

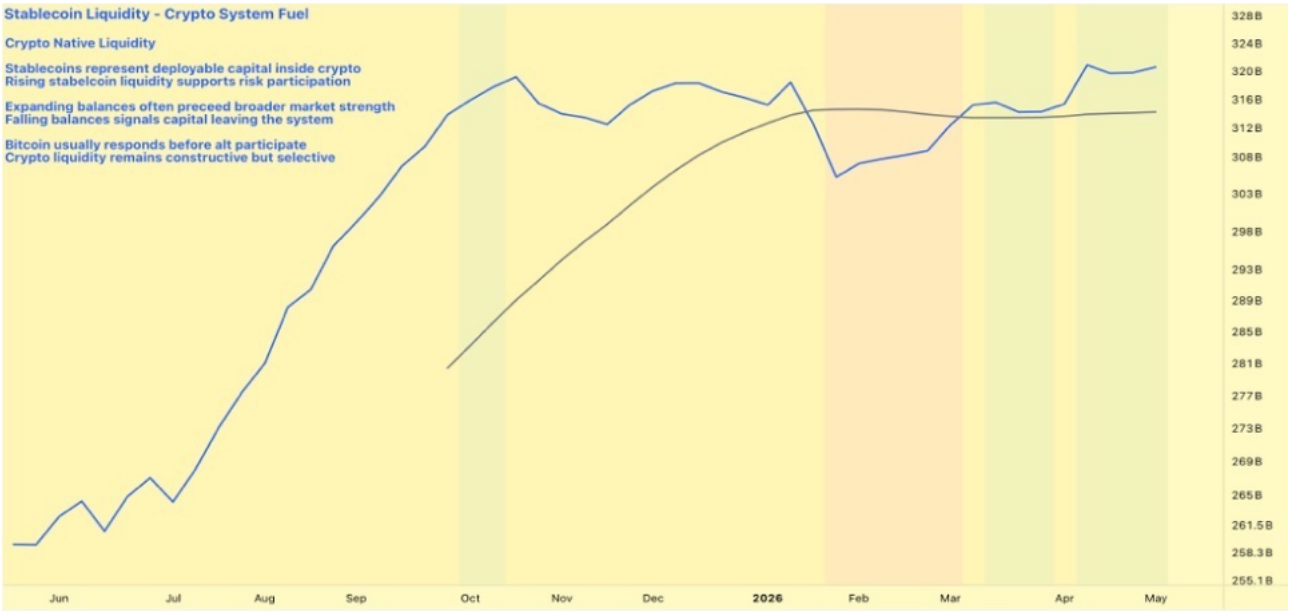
BTC vs Liquidity (Lead Model)



Source: TradingView; CCI Chart Library.

Global liquidity continues trending higher, maintaining a supportive backdrop for Bitcoin despite periods of short-term divergence. The current structure suggests liquidity remains supportive while Bitcoin attempts to close the remaining transmission gap.

Stablecoin Liquidity



Source: TradingView; CCI Chart Library.

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.

Bitcoin Dominance



Source: TradingView; CCI Chart Library.

Bitcoin continues leading the recovery. This is consistent with early-cycle behaviour inside digital asset markets, where capital first consolidates into higher-quality assets before rotating into higher-beta opportunities.

DXY vs Global Liquidity - Transmission Pressure



Source: TradingView; CCI Chart Library.

The US dollar acts as a global liquidity transmission mechanism. The current structure suggests liquidity transmission remains supportive, though conditions have not yet reached a full expansion impulse regime.

Section Synthesis

The crypto system is clearly healing

Liquidity conditions improved materially. Bitcoin recovered sharply. Stablecoin liquidity remains supportive. Panic conditions eased significantly from prior stress phases.

That is constructive.

However, the recovery remains highly selective beneath the surface.

Bitcoin continues leading. Alt participation remains incomplete. Speculative leverage remains contained. Broader euphoric behaviour has not yet returned.

This suggests the system remains in a rebuilding phase rather than a fully confirmed speculative expansion.

Bitcoin is recovering.

But the macro system beneath it remains fragile.

Which raises the next critical question:

If speculative assets are recovering, what does broader cross-asset behaviour say about overall risk appetite inside the system?

To answer that, we now turn to positioning, volatility and macro risk behaviour.

Positioning & Macro Risk - The Reset Held

One of the most constructive developments in the current cycle is not the rally itself.

It is the fact that the system successfully absorbed the reset without breaking structurally underneath.

During unstable late-cycle environments, leverage unwinds violently, volatility spikes aggressively, positioning collapses, liquidity evaporates and systemic stress can spread rapidly across markets.

That process partially emerged earlier in the cycle.

But importantly, the system stabilised.

Since stabilising, volatility moderated, leverage remained contained, sentiment normalised, positioning became cleaner and markets rebuilt from stronger foundations.

Cleaner positioning environments often create more sustainable recoveries.

Not because risk disappears.

But because fragility becomes less extreme when leverage and positioning excess are removed from the system.

The cycle remains fragile.

But it is no longer structurally overcrowded.

Volatility (VIX)



Source: TradingView; CCI Chart Library.

Volatility has stabilised following the spike observed during the prior macro shock. While still elevated relative to earlier phases of the cycle, there is no evidence of renewed systemic stress.

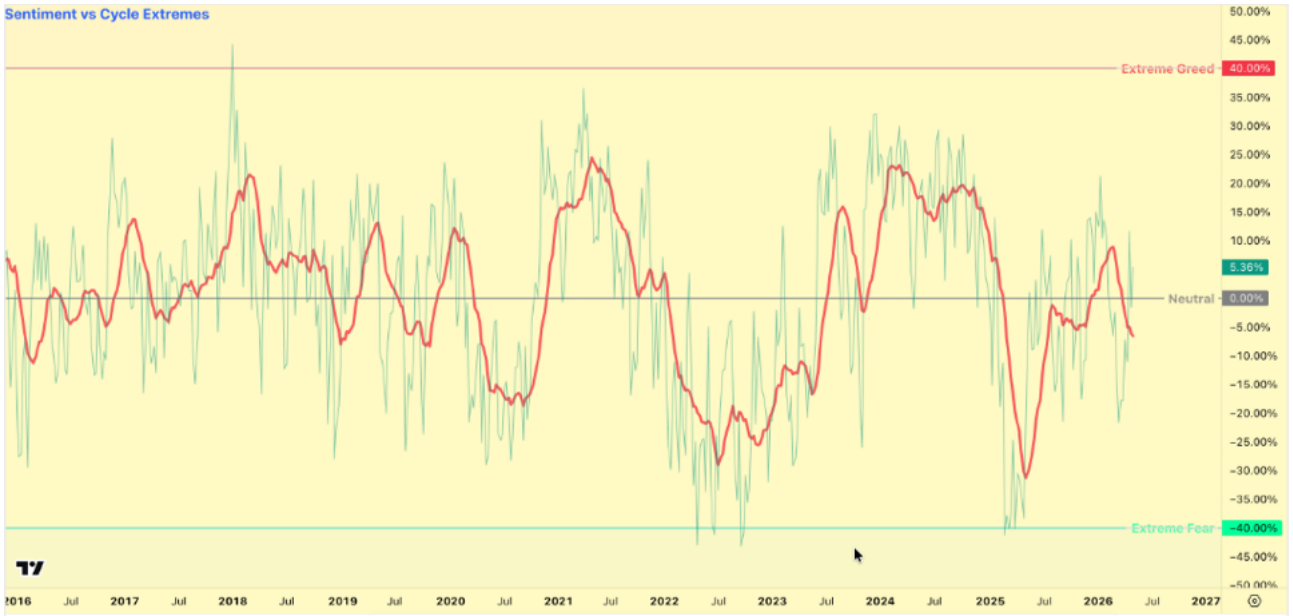
Crypto Positioning - Funding



Source: TradingView; CCI Chart Library.

Leverage within digital assets remains relatively contained. The prior unwind has not fully reversed, indicating speculative excess has not yet rebuilt aggressively inside the system.

Cycle Extremes / Sentiment



Source: TradingView; CCI Chart Library.

Sentiment has normalised significantly from prior extremes. The market is no longer characterised by panic conditions or excessive optimism, but rather a more balanced positioning environment.

Macro Risk Meter (Cross-Asset Liquidity Proxy)



Source: TradingView; CCI Chart Library.

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. The current structure suggests macro risk appetite is stabilising, though trend confirmation remains important as liquidity conditions continue evolving.

Shipping Equities - Global Trade Stress



Source: TradingView; CCI Chart Library.

Shipping equities continue to show strength despite broader macro uncertainty. Persistent upside in shipping markets suggests commodity and energy flows remain structurally important even as growth expectations moderate.

Section Synthesis

This is one of the most important underappreciated developments in the current macro cycle.

The system is no longer operating from euphoric positioning, excessive leverage, crowded speculative conditions or disorderly volatility extremes.

Instead, the reset largely held.

That matters because cleaner positioning structures generally create more resilient recoveries, healthier liquidity transmission, lower systemic fragility and improved capital durability.

At the same time, the system remains far from fully confirmed.

Volatility remains elevated relative to earlier expansion phases. Defensive demand remains active. Participation remains selective. Transmission quality remains uneven.

This leaves the macro regime in a very important position:

The foundation improved.
But confirmation remains incomplete.

Which brings us to the final question:

What is the most probable path forward from here?

Probability & Regime Outlook - Constrained Expansion

The macro system remains in expansion.

That is the most important conclusion from this edition.

Despite the largest energy disruption in decades, elevated oil prices, impaired shipping flows, tighter financial conditions, weakening transmission quality and rising macro fragility, the system continues holding together.

Liquidity remains supportive. Growth remains above contraction. Credit remains functional. Equities remain resilient. Bitcoin continues recovering. Systemic stress remains contained.

Macro regimes rarely collapse immediately when liquidity remains alive and credit continues functioning.

However, the character of the expansion is clearly evolving.

Increasingly, the system appears to be transitioning from broad recovery toward constrained late-cycle expansion.

Constrained expansions tend to produce narrower leadership, more selective participation, higher volatility, elevated defensive demand, greater sensitivity to shocks and increasingly fragile transmission quality beneath resilient headline markets.

The key takeaway from the current environment is not collapse.

It is fragility.

The system continues functioning remarkably well considering the severity of the macro shock currently being absorbed.

But increasingly, the expansion appears dependent on continued liquidity support, contained credit stress, stable transmission and the absence of broader systemic deterioration.

That is a much narrower path than earlier phases of the cycle.

The cycle remains alive.

But confidence in the quality of the expansion is weakening.

If Not This, Then That

The current base case is Constrained Expansion.

This means liquidity remains supportive and the cycle continues, but transmission quality remains impaired by energy pressure, uneven participation, elevated defensive demand and incomplete credit confirmation.

However, this is not a fixed prediction.

It is a conditional regime assessment.

If the system changes, the regime changes.

If not Constrained Expansion, then Renewed Expansion.

This would require the current constraints to ease.

We would expect to see:

- oil prices decline meaningfully
- shipping and energy flows normalise
- the dollar weaken further
- credit spreads remain contained or compress
- equity breadth broaden
- Bitcoin leadership expand into broader digital asset participation
- gold lose relative strength versus risk assets

If these conditions develop, the system would likely transition from Constrained Expansion to Renewed Expansion / Broad Confirmation.

In that environment, liquidity would no longer be merely holding the system together. It would begin transmitting more cleanly through credit, growth and broader market participation.

If not Constrained Expansion, then Breakdown.

The downside alternative is deterioration in transmission.

We would expect to see:

- oil remain elevated or spike further
- shipping disruption persist or worsen
- the dollar strengthen materially
- credit spreads widen
- real rates remain restrictive
- equity breadth deteriorate

• Bitcoin fail to hold structure

• gold continue outperforming risk assets

If these conditions develop, the system would likely transition from Constrained Expansion to Breakdown / Credit Deterioration.

In that environment, liquidity would no longer be sufficient to offset the pressure from energy, credit and financial conditions.

The key point is simple:

- **If energy pressure eases and credit holds, expansion broadens.**
- **If energy pressure persists and credit weakens, fragility becomes the regime.**

Final System Read

The current macro regime is best understood as Constrained Expansion.

Liquidity continues supporting the system.

But energy is constraining transmission, real rates remain restrictive, participation remains uneven, defensive demand remains elevated and credit has become the critical stabilising force holding the expansion together.

This explains why markets continue recovering while fragility continues building beneath the surface at the same time.

The cycle remains expansionary overall.

But it no longer resembles the clean liquidity-driven environment that characterised earlier phases of the recovery.

Increasingly, the expansion appears narrower, slower, more selective and more dependent on liquidity support than broad organic strength.

Final System Dashboard:

- Liquidity -> Supportive
- Growth -> Holding
- Credit -> Functional
- Dollar -> Stable / Restrictive
- Energy -> Active Constraint
- Equities -> Resilient but Narrow
- Bitcoin -> Recovering with Liquidity
- Gold -> Defensive Demand Elevated
- Transmission -> Fragile but Intact

The market continues focusing on ceasefires, headlines, negotiations, policy expectations and short-term volatility.

But beneath the noise, the macro system is telling a much clearer story.

- **Liquidity continues pushing the cycle forward.**
- **Energy continues pushing back harder.**
- **Credit remains caught in the middle.**
- **For now, the expansion survives.**
- **But confirmation remains incomplete.**

Capital Cycle Intelligence

Know What You Own

&

Know Why You Own It

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