CAPITAL CYCLE

INTELLIGENCE

THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



CAPITAL CYCLE INTELLIGENCE

THE CAPITAL CYCLE LETTER

July 2026 Edition

Mature Expansion

Liquidity Still Leads. Confidence Is Being Tested.

Core Thesis

The expansion remains alive.
Liquidity remains supportive. Growth continues expanding, although momentum is moderating.
But confidence is being tested by war, oil, policy uncertainty and
increasingly selective capital allocation.

Capital Cycle Intelligence

Price Is the output

Liquidity, growth and credit are the inputs

WELCOME TO THE CAPITAL CYCLE LETTER

Welcome

The Capital Cycle Letter is more than a monthly market update.

It exists to teach you how to think in Capital Cycles.

Each month, we'll walk through the same evidence-based framework, examining liquidity, growth, credit, confidence and the movement of capital to explain not only what is happening in markets, but why.

Our objective isn't to predict the future.

It's to help you recognise change through the evolving weight of evidence, so that over time you develop the confidence to read the Capital Cycle for yourself.

The world will continue producing new headlines every day. Markets will continue reacting to wars, elections, inflation reports and central bank decisions. Yet beneath those headlines, the Capital Cycle continues following the same timeless principles that have shaped financial markets for generations.

This Letter exists to help you see beyond the daily noise.

Together, we'll examine the evidence, challenge our assumptions and build a clearer understanding of where we are within the Capital Cycle and what deserves your attention next.

Welcome.

Let's begin.

CAPITAL CYCLE DASHBOARD

Where are we?

CURRENT REGIME

🟢 **Mature Expansion**

OVERALL SCORE

7.3 / 10

CONFIDENCE

Moderate

CAPITAL CYCLE SCORECARD

Liquidity	🟢 **8.5**
Growth	🟢 **7.5**
Credit	🟢 **7.5**
Confidence	🟡 **5.5**

Expansion remains intact, although participation
has become increasingly selective.

Capital Cycle Position

Where are we in the Capital Cycle?

Expansion

|

⭐ **Mature Expansion**

|

Slowdown

|

Contraction

|

Recovery

|

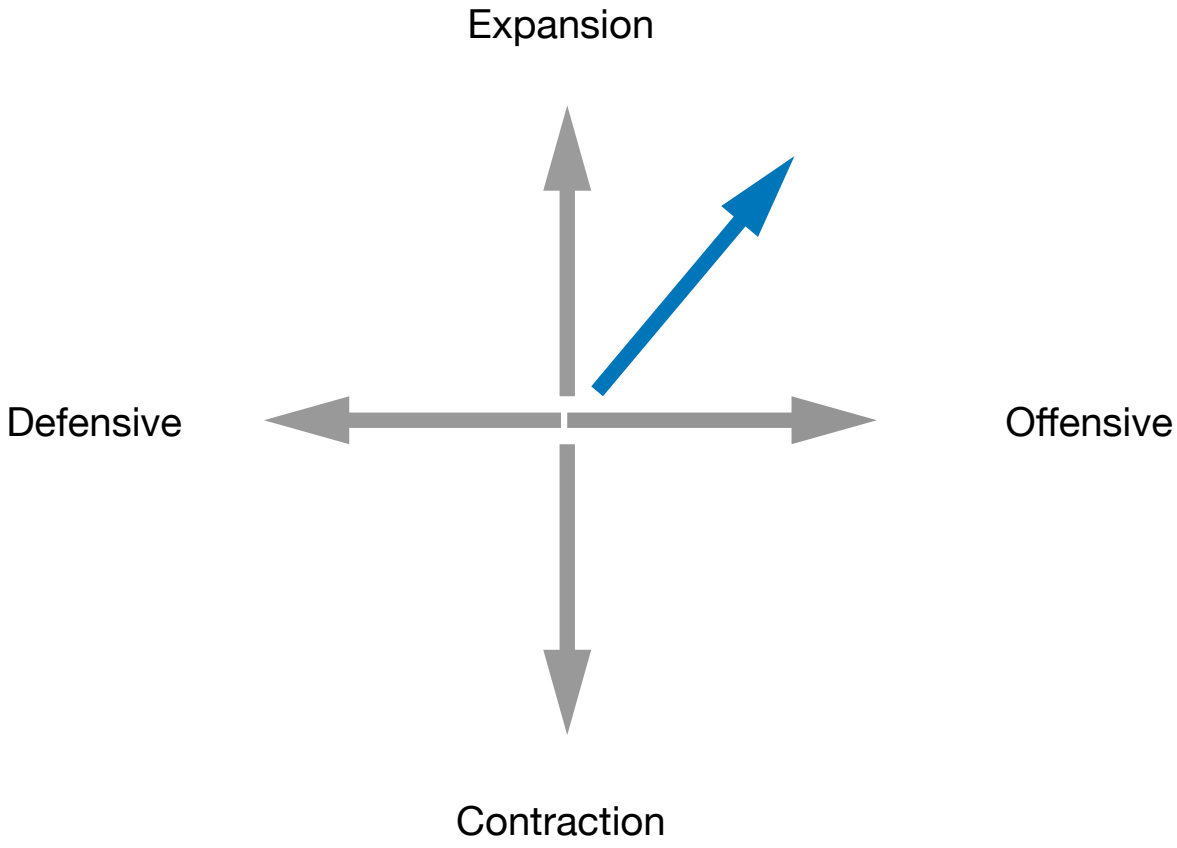
Expansion

⭐ Current Position

Macro Compass

How should capital be positioned?

↗ Expansion with a selective offensive bias.



Macro Regime Guide

Why does this regime behave this way?

Regime	Liquidity	Growth	Credit	Confidence
Expansion	🟢	🟢	🟢	🟢
Mature Expansion	🟢	🟢	🟢	🟡
Slowdown	🟡	🟡	🟡	🟡
Contraction	🔴	🔴	🔴	🔴
Recovery	🟢	🟡	🟡	🟡

EXECUTIVE SUMMARY

The Machine Continues to Turn

The Capital Cycle continues to support an expansionary environment, although the character of that expansion is becoming increasingly selective. Liquidity remains supportive, economic growth continues to expand, credit markets remain resilient and the broader financial system continues functioning normally. Together, these pillars suggest the expansion remains intact rather than approaching immediate contraction.

At the same time, the environment has become more complex. Renewed military escalation between the United States and Iran, continued disruption through the Strait of Hormuz and a more hawkish Federal Reserve under Chairman Kevin Warsh have introduced new sources of uncertainty without fundamentally altering the underlying macro regime. Rather than triggering widespread risk aversion, these developments have encouraged investors to allocate capital with greater discipline.

That distinction is important.

Throughout this month's Letter, you'll see that confidence is not measured by headlines or investor surveys. It is measured by the movement of capital. Current market leadership remains concentrated in technology, artificial intelligence and other high-quality businesses, while gold continues attracting defensive allocations. Capital continues rotating with discipline rather than fear, reinforcing the view that investors are refining portfolios rather than preparing for recession.

The balance of evidence therefore continues supporting a Mature Expansion. This does not imply risks are absent. Equity valuations remain elevated, geopolitical uncertainty continues weighing on sentiment and monetary policy remains an important variable to monitor. Yet these risks should be viewed within the context of an expansion that continues receiving support from liquidity, resilient growth and healthy credit conditions.

Importantly, not every market occupies the same position within the Capital Cycle. While the S&P 500 and Nasdaq continue reflecting elevated expectations, Bitcoin presents a markedly different picture. Our long-term valuation frameworks continue suggesting Bitcoin trades below historical fair value despite supportive macro conditions. This divergence reinforces one of the central themes of this month's Letter: opportunities and risks are no longer distributed evenly across markets.

For you, the message remains straightforward.

Your objective is not to predict the exact timing of the next turning point.

Your objective is to recognise when the weight of evidence begins changing.

Today, that evidence continues supporting disciplined participation while encouraging you to monitor liquidity, confidence and capital rotation for the earliest signs that the next phase of the Capital Cycle is beginning to emerge.

⭐ CCI Perspective

Markets Price Expectations. Capital Reveals Reality.

Every month brings new headlines.

Some inspire optimism.

Others create uncertainty.

Markets react to both.

But beneath those daily movements, something far more important is taking place.

Capital is making decisions.

Throughout this Letter, we've examined the Capital Cycle one layer at a time.

- Liquidity creates opportunity.
- Growth confirms opportunity.
- Credit funds opportunity.
- Confidence allocates opportunity.
- Leadership reveals conviction.
- Rotation signals when conviction begins to evolve.

Each layer answers a different question.

Together, they explain not simply what markets are doing, but why.

The greatest edge you can develop as an investor is therefore not the ability to predict tomorrow's headlines.

It is the ability to recognise when the underlying evidence begins to change.

Markets will always price expectations.

Capital will always reveal reality.

Learn to follow the movement of capital, and you'll begin seeing the Capital Cycle through an entirely different lens.

SECTION 1 - Current Macro Regime

Question

What environment are we operating in?

Capital Cycle Scorecard

Factor	Score	Direction
Liquidity	🟢 8.5 /10	Supportive
Growth	🟢 7.5 /10	Expanding
Credit	🟢 7.5 /10	Stable
Confidence	🟡 5.5 /10	Selective
Overall Regime	🟢 **Mature Expansion**	Stable

Current Macro Regime

Every investment decision begins with understanding the environment in which it is being made. Markets do not operate in isolation. They respond to the combined influence of liquidity, economic growth, credit conditions and investor behaviour, all interacting simultaneously throughout the Capital Cycle.

The evidence this month continues to support an expansionary regime, although the character of that expansion has become noticeably more selective than earlier in the year. Liquidity remains supportive, economic activity continues expanding and credit markets remain healthy, providing a solid foundation for financial markets despite an increasingly uncertain geopolitical backdrop.

That uncertainty has undoubtedly intensified over recent weeks. Military conflict between the United States and Iran has escalated once again, with attacks extending beyond direct military targets to commercial shipping throughout the Strait of Hormuz. The resulting disruption has renewed concerns surrounding global energy supply, inflation and broader market confidence. At the same time, Federal Reserve Chairman Kevin Warsh has continued signalling a more hawkish policy stance than markets initially anticipated, adding another layer of uncertainty to an already complex environment.

Yet perhaps the most important observation is not what has changed, but what has remained remarkably resilient.

Despite these developments, liquidity continues flowing through the global financial system. Economic activity continues expanding rather than contracting. Credit markets continue functioning normally. Equity markets continue demonstrating resilience. Collectively, these conditions remain inconsistent with the broad deterioration typically associated with the beginning of a recession.

This distinction matters.

Markets rarely transition from expansion to contraction because of a single event. They transition because the underlying foundations supporting the expansion gradually begin to weaken. At present, the evidence suggests those foundations remain intact. The cycle is evolving, but it has not yet fundamentally changed direction.

Viewed through the Capital Cycle framework, the current environment is best described as a Mature Expansion Under Pressure. The expansion continues. The risks have increased. Capital has become more selective. But the weight of evidence continues supporting participation rather than retreat.

Supporting Evidence

Capital Cycle Dashboard

Where are we?

CURRENT REGIME

🟢 **Mature Expansion**

OVERALL SCORE

7.3 / 10

CONFIDENCE

Moderate

CAPITAL CYCLE SCORECARD

Liquidity	🟢 **8.5**
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Credit	🟢 **7.5**

Confidence 🟡 **5.5**

Expansion remains intact, although participation
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Capital Cycle Dashboard

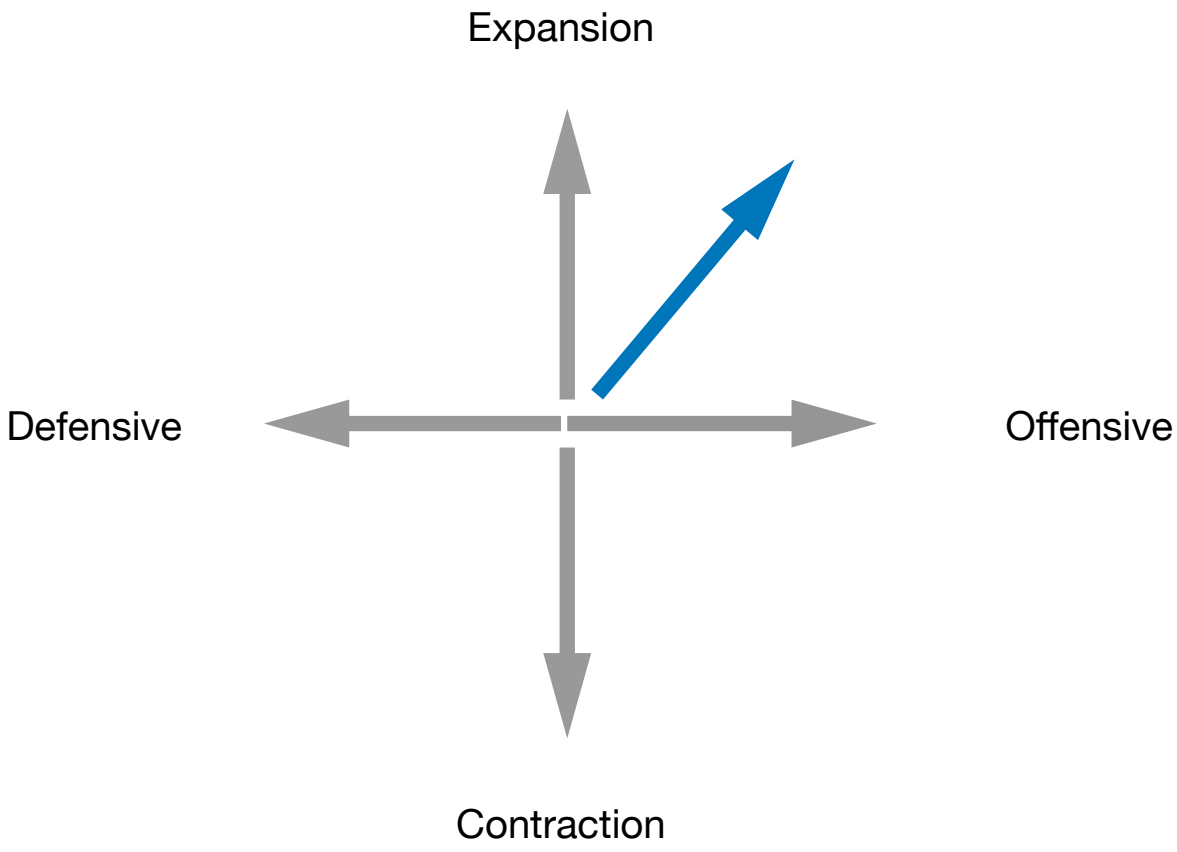
The Dashboard continues indicating that the broader Capital Cycle remains in an expansionary regime, supported by positive readings across the majority of core indicators.

No single indicator determines the regime. It is the combined weight of evidence that provides confidence in the overall assessment.

Macro Compass

How should capital be positioned?

↗ Expansion with a selective offensive bias.



Macro Compass

The Macro Compass continues pointing toward expansion despite increasing geopolitical and monetary policy crosswinds.

While momentum has moderated, the broader direction of the Capital Cycle remains constructive.

Macro Regime Guide

Why does this regime behave this way?

Regime	Liquidity	Growth	Credit	Confidence
Expansion	🟢	🟢	🟢	🟢
Mature Expansion	🟢	🟢	🟢	🟡
Slowdown	🟡	🟡	🟡	🟡
Contraction	🔴	🔴	🔴	🔴
Recovery	🟢	🟡	🟡	🟡

Macro Regime Guide

The current regime continues displaying the defining characteristics of a mature expansion.

Expansions rarely end because uncertainty increases. They end when the underlying pillars supporting growth begin to deteriorate. The evidence suggests we are not there yet.

⭐ CCI Learning Moment

The Environment Determines The Opportunity

Every investment operates within a broader economic environment.

Understanding that environment is often more important than analysing any individual asset.

Strong businesses can struggle during contracting regimes.

Average businesses can prosper during expanding regimes.

Your first question should therefore never be:

“What should I buy?”

It should always be:

“What environment am I investing in?”

The Capital Cycle provides that answer.

Capital Cycle Takeaway

The evidence continues supporting a mature expansion. While uncertainty has increased, the underlying foundations of the Capital Cycle remain sufficiently strong to support continued participation with growing discipline.

Understanding the environment provides the foundation for every investment decision. The next question is equally important. What continues providing the fuel supporting this expansion? To answer that, we begin where every Capital Cycle begins—with liquidity.

SECTION 2 - Liquidity

Question

Is there enough liquidity to continue supporting the Capital Cycle?

Capital Cycle Scorecard

Factor	Score	Direction
Global Liquidity	🟢 8.5 /10	Expanding
Net Liquidity	🟢 8.0 /10	Supportive
Liquidity Impulse	🟡 6.5 /10	Moderating
Financial Conditions	🟢 7.5 /10	Supportive
Liquidity Outlook	🟢 **Constructive**	Positive

Liquidity

Every Capital Cycle begins with liquidity.

Before economies expand…

Before earnings grow…

Before markets rise…

Capital must first be available.

Liquidity is the fuel that powers the entire financial system. Without it, even the strongest businesses struggle to grow and the healthiest economies eventually slow. Understanding liquidity is therefore the starting point for understanding every major market cycle.

The evidence this month continues suggesting that global liquidity remains supportive of financial markets. Central bank balance sheets continue expanding, global money supply remains constructive and financial conditions continue allowing capital to move efficiently throughout the system. Despite heightened geopolitical tensions and ongoing uncertainty surrounding monetary policy, the overall availability of liquidity remains firmly positive.

However, the character of liquidity is beginning to evolve.

While the absolute level of liquidity continues increasing, the rate at which conditions are improving has begun to moderate. This distinction is important. Markets are influenced not only by how much liquidity exists, but also by whether liquidity is accelerating or slowing. Throughout much of the current expansion, both levels and momentum improved together. Today, liquidity continues expanding, but momentum has become noticeably less powerful.

Financial conditions continue reinforcing this constructive backdrop. Although Kevin Warsh has adopted a more hawkish tone since assuming the role of Federal Reserve Chairman, credit markets remain orderly, financing conditions remain broadly accommodative and stress indicators continue sitting well below levels typically associated with financial instability.

Taken together, the evidence suggests liquidity continues supporting the current expansion.

The fuel remains available.

The engine continues running.

It is simply no longer accelerating at the same pace witnessed earlier in the cycle.

Supporting Evidence

Global Liquidity Index



Global liquidity continues trending higher, providing the broad monetary foundation supporting the current expansion.

Liquidity remains abundant. The reservoir continues filling.

US Net Liquidity



Net liquidity continues flowing into financial markets despite ongoing geopolitical uncertainty.

The pipeline remains open, allowing monetary support to reach the broader financial system.

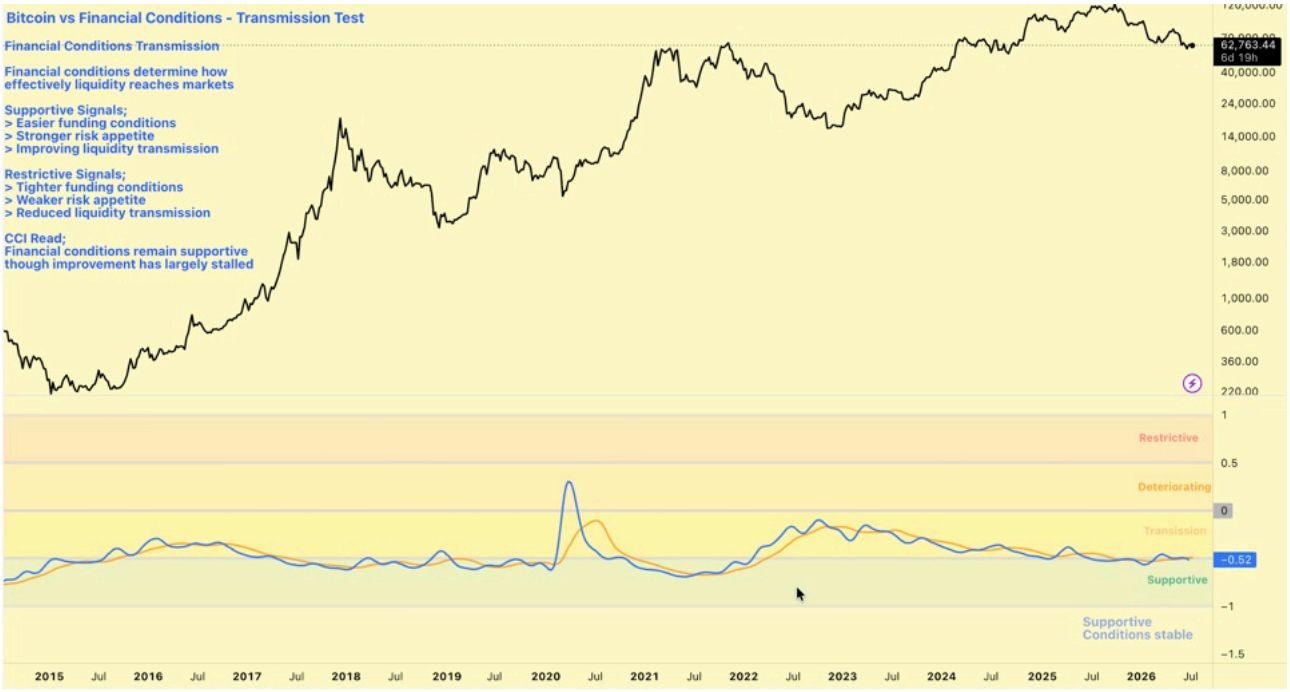
Liquidity Impulse



Liquidity momentum continues easing from earlier highs while remaining firmly positive.

Markets respond to changes in momentum as much as changes in levels. Expansion can continue even as the pace of improvement moderates.

Financial Conditions Index



Financial conditions remain broadly supportive despite a more hawkish Federal Reserve.

Liquidity can only influence markets when financial conditions allow it to flow. That transmission mechanism remains healthy.

⭐ CCI Learning Moment

Liquidity Is More Than One Number

One of the biggest misconceptions in macro investing is thinking of liquidity as a single indicator.

It isn't.

Liquidity is a process.

First, liquidity must exist.

Then it must reach financial markets.

Its momentum must remain supportive.

Finally, financial conditions must allow that liquidity to be transmitted throughout the economy.

Think of it this way:

- Liquidity is the reservoir.
- Net Liquidity is the pipeline.
- Liquidity Impulse is the throttle.
- Financial Conditions are the gearbox.

When all four are working together, liquidity becomes a powerful driver of financial markets.

This month, all four remain supportive.

The expansion continues.

The pace of improvement has simply begun to moderate.

Capital Cycle Takeaway

Liquidity remains the strongest pillar supporting the current Capital Cycle. While momentum has eased, the availability and transmission of capital continue providing a constructive foundation for financial markets.

Liquidity provides the fuel for the Capital Cycle. The next question is whether that fuel is translating into real economic activity. To answer that, we turn our attention to growth.

SECTION 3 - Growth

Question

Is liquidity continuing to translate into economic growth?

Capital Cycle Scorecard

Factor	Score	Direction
Manufacturing	🟢 7.5 /10	Expanding
Services	🟢 8.0 /10	Strong
Employment	🟡 6.5 /10	Moderating
Inflation Pressure	🟢 7.0 /10	Improving
Growth Outlook	🟢 **Constructive**	Moderating Expansion

Growth

Liquidity creates opportunity.

Growth confirms whether that opportunity is being realised.

While liquidity provides the fuel supporting the financial system, economic growth tells us whether that fuel is reaching businesses, consumers and the broader economy. A healthy Capital Cycle requires both. Liquidity without growth eventually becomes speculation. Growth without liquidity is rarely sustainable. The strongest expansions occur when both move together.

The evidence this month continues suggesting that economic activity remains firmly expansionary, although the pace of growth is beginning to moderate from earlier highs. Manufacturing surveys remain comfortably above expansionary levels, services activity continues demonstrating resilience and employment conditions, while softening at the margin, remain broadly consistent with an economy continuing to grow rather than contract.

This moderation should not be mistaken for deterioration.

Throughout every Capital Cycle, growth naturally accelerates and decelerates as economies absorb previous liquidity injections and businesses adjust investment decisions. A slowing rate of improvement is entirely consistent with a mature expansion and should not automatically be interpreted as the beginning of recession. What matters is whether growth remains positive.

At present, it does.

Recent manufacturing data continues pointing toward expanding production, improving new orders and resilient business activity despite ongoing geopolitical uncertainty. Services remain one of the strongest areas of the economy, while easing inflation pressures have begun reducing some of the cost pressures experienced earlier in the year. Together, these developments suggest businesses continue adapting successfully to a more complex operating environment.

Employment data deserves closer attention.

Recent payroll numbers have softened relative to expectations, reflecting an economy becoming more measured rather than one experiencing widespread weakness. Labour markets often respond later in the cycle than manufacturing or financial markets, making employment an important indicator to monitor over coming months rather than one signalling immediate concern today.

Viewed collectively, the evidence continues supporting a constructive growth environment.

The economy is no longer accelerating.

But neither is it contracting.

Growth continues confirming that the liquidity supporting this expansion is still reaching the real economy.

Supporting Evidence

ISM Manufacturing PMI



Manufacturing activity continues remaining above the expansion threshold despite easing slightly from recent highs.

Expansion is measured by direction, not speed. Growth can moderate while remaining fundamentally healthy.

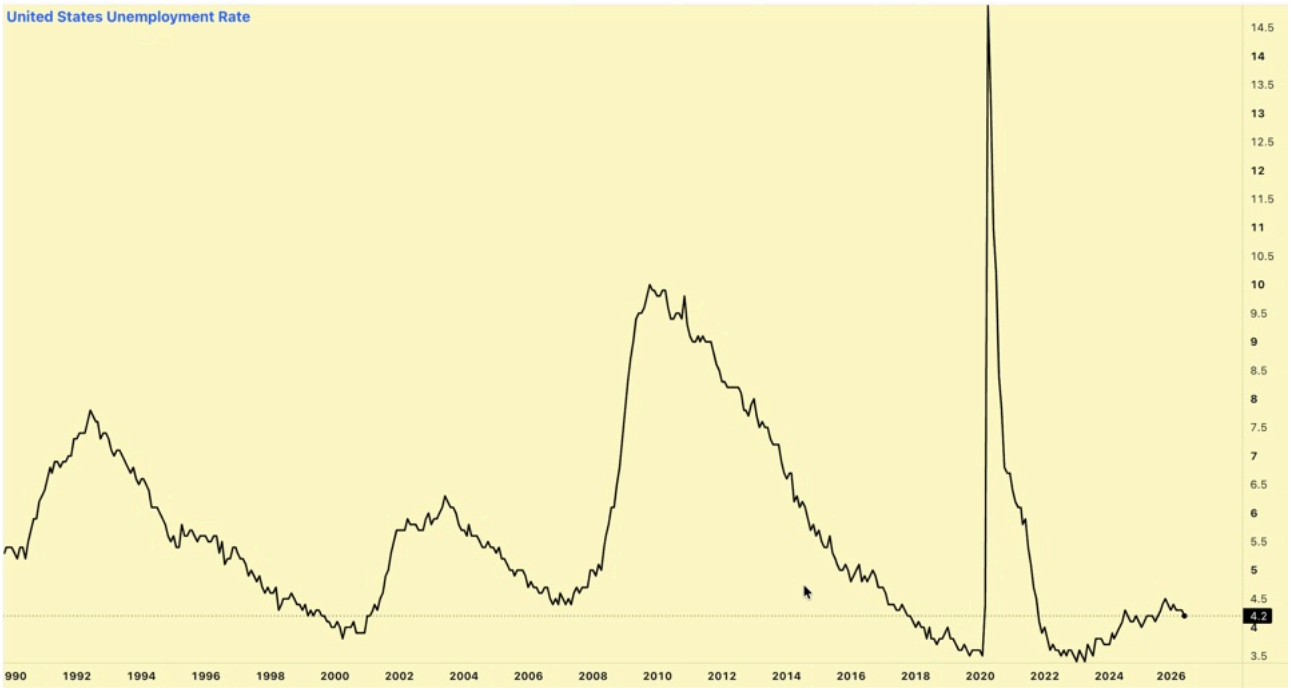
Services PMI (GLOBAL PMI PROXY)



The services sector continues demonstrating resilience and remains one of the strongest contributors to overall economic activity.

Healthy services activity reinforces the view that domestic demand remains supportive of the current expansion.

US Unemployment Rate



The unemployment rate remains historically low, although it has edged higher from its cycle trough.

The labour market is moderating rather than deteriorating, but the direction deserves continued attention.

ISM Manufacturing Prices Paid



Manufacturing cost pressures have eased from their recent peak but remain elevated relative to normal conditions.

The moderation is encouraging, although renewed energy disruption could keep inflation risk alive.

⭐ CCI Learning Moment

Growth Doesn't Need To Accelerate To Be Healthy

One of the most common mistakes investors make is assuming that slower growth automatically means weaker markets.

It doesn't.

Healthy economies rarely grow in a straight line.

Growth naturally accelerates, slows, stabilises and accelerates again throughout every Capital Cycle.

The important question is not:

"Is growth slowing?"

The important question is:

"Is growth still expanding?"

This month, the answer remains yes.

Growth has become more measured.

It has not become negative.

Understanding that distinction helps you avoid confusing normal economic moderation with genuine economic deterioration.

Capital Cycle Takeaway

Growth continues confirming the expansion. While momentum has moderated from earlier highs, the evidence remains consistent with an economy continuing to expand rather than entering contraction.

Growth confirms that liquidity continues reaching the real economy. The next question is whether the financial system remains capable of supporting that growth. To answer that, we now examine credit—the transmission mechanism connecting liquidity to economic activity.

SECTION 4 - Credit

Question

Is the financial system continuing to support economic growth?

Capital Cycle Scorecard

Factor	Score	Direction
Credit Spreads	🟢 8.0 /10	Stable
Corporate Credit	🟢 7.5 /10	Healthy
Financial Stress	🟢 8.0 /10	Low
Lending Conditions	🟡 6.5 /10	Selective
Credit Outlook	🟢 **Supportive**	Stable

Credit

If liquidity is the fuel and growth confirms that fuel is reaching the economy, credit determines whether the financial system can continue supporting that expansion.

Every business investment, mortgage, infrastructure project and corporate acquisition ultimately depends on the willingness of lenders to extend capital. When credit flows freely, economic expansion becomes self-reinforcing. When credit contracts, even healthy economies eventually begin slowing.

This month, credit markets continue providing reassuring evidence that the financial system remains fundamentally healthy.

Investment-grade and high-yield credit spreads remain well contained despite escalating geopolitical tensions, suggesting lenders continue pricing risk with confidence rather than concern. Access to capital remains broadly available, default expectations remain subdued and systemic financial stress continues sitting well below levels historically associated with recessionary environments.

Not all areas of the credit market, however, are behaving identically.

One of the more interesting developments this month continues to emerge within AI-related infrastructure financing. As hyperscale technology companies dramatically increase investment in artificial intelligence, portions of that expansion are increasingly being financed through debt issuance rather than internally generated cash flow. Oracle's widening credit default swap spreads are one example of investors becoming more discerning about how rapidly growing businesses finance future expansion.

This is an important distinction.

The market is not questioning artificial intelligence.

It is beginning to question how that growth is being funded.

That represents normal credit discipline rather than systemic financial stress.

Credit markets are doing exactly what healthy credit markets should do.

They continue providing capital while becoming increasingly selective about where that capital is allocated.

Viewed collectively, the evidence continues supporting a stable credit environment. Lending conditions remain constructive, financial stress remains low and credit continues acting as a transmission mechanism supporting the broader Capital Cycle rather than restricting it.

Supporting Evidence

Investment Grade Credit Spreads



Investment-grade credit spreads remain near historically stable levels despite increasing geopolitical uncertainty.

Lenders continue extending capital with confidence, reflecting a financial system that remains fundamentally healthy.

High Yield Credit Spreads



High-yield spreads remain well contained and show little evidence of widespread financial stress.

Credit markets are demanding discipline, not retreating from risk altogether.

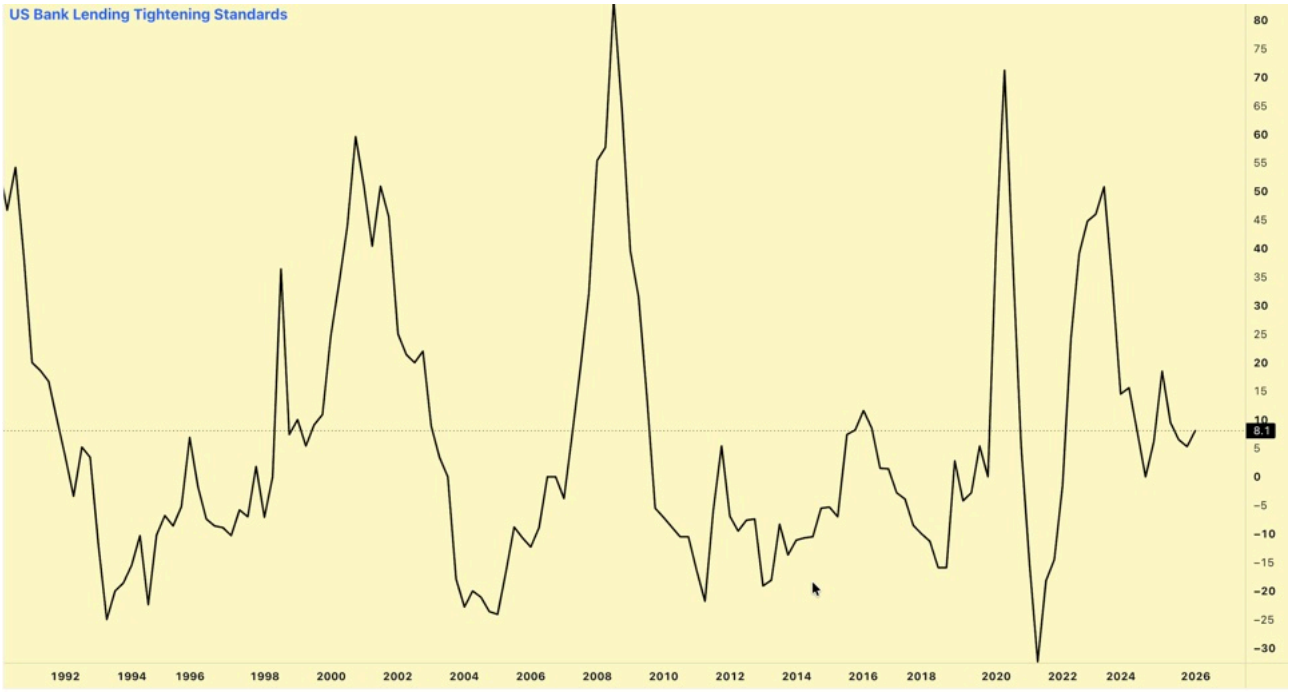
Financial Stress Index



Systemic financial stress remains subdued across the broader financial system.

Healthy credit markets rarely signal recession before stress indicators begin deteriorating. That evidence has yet to emerge.

Lending Conditions



Bank lending standards remain tighter than neutral, but conditions are well below the severe stress levels reached during previous downturns.

Lenders remain selective rather than closed, supporting the view that credit discipline has increased without credit availability disappearing.

⭐ CCI Learning Moment

Healthy Credit Is Selective Credit

One of the biggest misconceptions in investing is believing that easier credit is always better.

It isn't.

Healthy credit markets don't lend indiscriminately.

They allocate capital selectively.

When lenders carefully distinguish between strong opportunities and weaker ones, capital is directed toward its most productive uses, strengthening the broader economy over time.

The real warning sign isn't selective lending.

It's when credit stops flowing altogether.

This month, the evidence continues suggesting lenders are becoming more disciplined, not more fearful.

That's an important difference.

Capital Cycle Takeaway

Credit continues supporting the current expansion. While lenders have become more selective in certain areas, the broader financial system remains healthy, stable and fully capable of funding continued economic growth.

Liquidity provides the fuel. Growth confirms that fuel is reaching the economy. Credit ensures the financial system can continue supporting that process. The next question is equally important. How are investors responding? To answer that, we turn our attention to confidence—the visible expression of capital allocation.

SECTION 5 - Confidence

Question

How is capital responding to the current Capital Cycle?

Capital Cycle Scorecard

Factor	Score	Direction
Equity Participation	🟢 7.5 /10	Strong
Defensive Demand	🟡 6.5 /10	Elevated
Risk Appetite	🟡 6.0 /10	Selective
Capital Allocation	🟢 7.0 /10	Disciplined
Confidence Outlook	🟡 **Constructive but Selective**	Stable

Confidence

Confidence is often described as an emotion.

Within the Capital Cycle, it is something far more useful.

It is the visible expression of capital allocation.

Rather than asking investors how they feel, we observe what they are actually doing with their capital. Every investment decision represents a choice. Every portfolio adjustment reveals a change in conviction. The movement of capital therefore provides one of the clearest windows into investor confidence.

This month, that movement continues telling a remarkably consistent story.

Despite renewed military escalation in the Middle East, uncertainty surrounding the Strait of Hormuz and a more hawkish Federal Reserve under Chairman Kevin Warsh, capital has not retreated from financial markets. Instead, investors continue allocating with discipline, rewarding businesses demonstrating resilient earnings, structural growth and durable competitive advantages while simultaneously increasing exposure to selected defensive assets.

This is not contradictory.

It is exactly how mature expansions often behave.

As uncertainty increases, confidence does not necessarily disappear.

It becomes more selective.

Rather than withdrawing from markets altogether, investors become increasingly deliberate about where capital is deployed. Quality becomes more valuable. Strong balance sheets attract greater attention. Long-term structural themes continue receiving support while weaker opportunities struggle to attract new investment.

Gold's resilience throughout recent geopolitical tensions illustrates this behaviour particularly well. At the same time, continued leadership from artificial intelligence and large-cap technology demonstrates that investors remain willing to embrace opportunity where conviction remains strongest.

The historic SpaceX public offering provided another powerful expression of that confidence. The largest IPO ever completed attracted sufficient demand to raise approximately $85.7 billion, demonstrating that deep pools of capital remain available for business capable of presenting a compelling long-term structural opportunity. The significance lies not simply in the size of the transaction, but in what it reveals: capital remains willing to move decisively when conviction is strong enough.

Viewed collectively, confidence remains constructive.

Capital continues participating in the expansion.

It is simply demanding higher-quality opportunities before doing so.

Supporting Evidence

Gold Performance



Gold continues attracting disciplined defensive allocations despite remaining below its January highs.

Confidence is becoming more selective rather than more fearful, encouraging diversification instead of wholesale retreat.

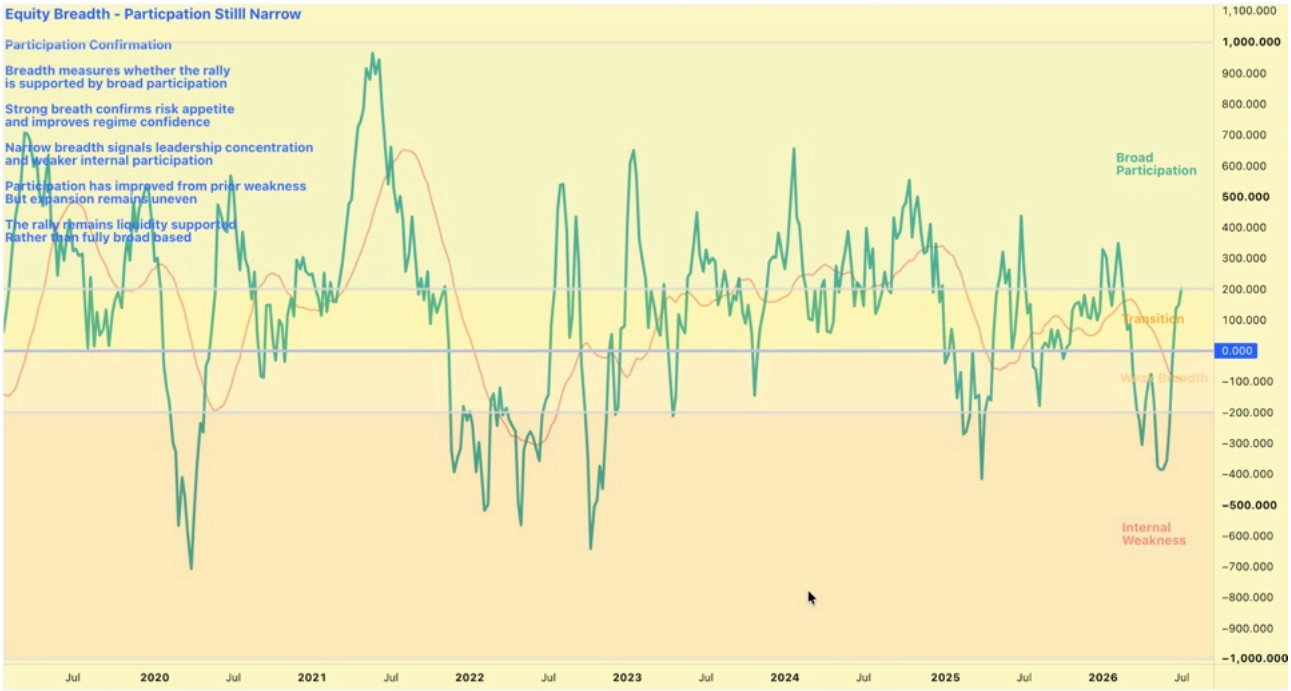
AI Leadership



Artificial intelligence continues attracting significant institutional capital despite growing valuation scrutiny.

Investors remain willing to reward long-term structural growth where conviction remains strongest.

Equity Participation



Broad equity participation remains constructive despite increasing geopolitical uncertainty.

Capital continues participating in the expansion while becoming progressively more selective.

Risk Appetite (VIX)



Risk appetite has moderated without materially deteriorating.

Selective participation reflects disciplined portfolio construction rather than weakening confidence.

⭐ CCI Learning Moment

Confidence Is Measured By Actions, Not Opinions

One of the easiest ways to misunderstand markets is to confuse headlines with confidence.

News reports measure sentiment.

Markets measure behaviour.

Professional investors rarely reveal their confidence through interviews or surveys.

They reveal it through the movement of capital.

Every dollar invested…

Every dollar withdrawn…

Every portfolio rebalanced…

Tells you far more than any opinion ever could.

When you learn to observe capital allocation rather than market commentary, you'll begin understanding confidence through evidence rather than emotion.

Capital Cycle Takeaway

Confidence remains constructive, but increasingly selective. Rather than retreating from markets, capital continues rewarding quality, resilience and long-term conviction while demanding progressively stronger evidence before allocating elsewhere.

Confidence explains how capital is being allocated. The next question is where that conviction is becoming most concentrated. To answer that, we now examine market leadership.

SECTION 6 - Leadership

Question

Where is investor conviction becoming most concentrated?

Capital Cycle Scorecard

Factor	Score	Direction
Technology Leadership	🟢 9.0 /10	Strong
AI Leadership	🟢 9.0 /10	Dominant
Defensive Leadership	🟡 7.0 /10	Improving
Breadth	🟡 6.0 /10	Narrowing
Leadership Outlook	🟢 **Strong but Concentrated**	Positive

Leadership

Every Capital Cycle produces leaders.

Capital never flows evenly across markets. Instead, it concentrates in the assets, sectors and themes where conviction is strongest. Understanding where leadership is emerging provides valuable insight into how markets are interpreting the broader macro environment and where capital believes the greatest long-term opportunities exist.

This month, leadership continues remaining remarkably resilient.

Despite heightened geopolitical uncertainty and a more hawkish Federal Reserve, institutional capital continues concentrating around businesses demonstrating resilient earnings, structural growth and durable competitive advantages. Large-cap technology companies remain at the centre of that leadership, supported by continued investment into artificial intelligence and digital infrastructure.

Leadership, however, is becoming increasingly concentrated.

Rather than broad participation across every sector, investors continue directing capital toward fewer, higher-quality opportunities. This narrowing of leadership should not immediately be interpreted as weakness. Mature expansions frequently reward quality over quantity as investors become increasingly selective about where future returns are likely to be generated.

Gold continues reinforcing this message.

Rather than signalling widespread fear, gold's resilience reflects disciplined portfolio construction within an increasingly uncertain geopolitical environment. Investors continue adding defensive exposure without abandoning participation in broader equity markets, illustrating that confidence and caution can comfortably coexist within the same portfolio.

Bitcoin continues telling a different story.

Although the broader macro environment remains supportive and long-term valuation models continue suggesting attractive value, institutional leadership has yet to fully rotate toward digital assets. This divergence reinforces one of the defining characteristics of the current Capital Cycle: investors continue rewarding conviction rather than simply pursuing higher returns.

Viewed collectively, market leadership continues supporting the broader expansion.

Leadership remains strong.

It has simply become increasingly concentrated around quality, resilience and structural growth.

Supporting Evidence

S&P 500 Leadership



The S&P 500 continues trading near record highs despite ongoing geopolitical uncertainty.

Investors continue rewarding businesses demonstrating resilient earnings, durable competitive advantages and long-term growth potential.

Nasdaq Leadership



Technology continues leading global equity markets.

Artificial intelligence remains the dominant destination for institutional conviction.

Gold



Gold continues displaying resilience despite changing interest-rate expectations.

Persistent demand reflects disciplined diversification rather than widespread fear.

Bitcoin



Bitcoin continues lagging broader market leadership despite attractive long-term valuation.

Current positioning reinforces the distinction between conviction and speculation.

⭐ CCI Learning Moment

Leadership Is The Market's Vote

Markets express conviction through capital allocation.

Every dollar invested represents a vote for one opportunity over another.

The strongest leaders are therefore not simply the assets producing the highest returns.

They are the assets attracting the greatest concentration of conviction.

Leadership reveals where the market believes the future is being created.

Capital Cycle Takeaway

Leadership remains concentrated in assets displaying resilience, structural growth and durable conviction. The strength of leadership continues supporting the expansion, even as participation becomes increasingly selective.

Leadership tells you where capital is currently concentrated. The next question is whether that conviction is beginning to evolve. Understanding that transition provides some of the earliest clues about the next phase of the Capital Cycle.

SECTION 7 - Capital Rotation

Question

Is investor conviction beginning to evolve?

Capital Cycle Scorecard

Factor	Score	Direction
Rotation Strength	🟢 7.5 /10	Constructive
Leadership Persistence	🟢 8.0 /10	Strong
Defensive Rotation	🟡 6.5 /10	Increasing
Risk Rotation	🟡 6.0 /10	Selective
Rotation Outlook	🟢 **Orderly**	Positive

Capital Rotation

If market leadership reveals where investor conviction currently resides, capital rotation reveals whether that conviction is beginning to evolve.

Markets rarely transition from one leadership group to another overnight. Instead, capital is continually reallocated as economic conditions change, valuations evolve and new opportunities emerge throughout the Capital Cycle.

This month, capital continues rotating in a remarkably orderly manner.

Rather than abandoning existing market leaders, investors continue refining portfolio allocations while maintaining exposure to the strongest structural themes. Technology and artificial intelligence remain the dominant destinations for institutional capital, while gold continues attracting disciplined defensive allocations. This combination suggests investors are not preparing for recession. They are preparing for greater uncertainty within an expansion that remains fundamentally intact.

Despite renewed military conflict in the Middle East, disruption throughout the Strait of Hormuz and continuing uncertainty surrounding monetary policy, investors have not undertaken the broad-based reallocation typically associated with the end of an expansion.

Instead, capital continues becoming more selective.

This distinction is important.

Markets respond very differently to uncertainty than they do to deterioration.

Uncertainty encourages investors to become more selective.

Deterioration forces them to become defensive.

The evidence continues suggesting the current environment reflects the former rather than the latter.

Capital continues moving.

It simply isn't moving away from markets.

It is moving toward quality.

Viewed collectively, current capital rotation remains orderly, disciplined and entirely consistent with a mature expansion. Investors continue refining portfolios as conditions evolve, but the broader direction of capital flows remains supportive of the prevailing Capital Cycle.

Supporting Evidence

Gold vs Equities



Gold continues attracting disciplined defensive allocations while equities maintain broader market leadership.

Capital is diversifying rather than retreating, reinforcing confidence in the broader expansion.

Bitcoin vs Gold



Traditional defensive assets continue attracting stronger institutional participation than speculative alternatives.

Investors remain selective in how they express risk rather than abandoning risk altogether.

Leadership Rotation (BTC vs QQQ)



Technology continues attracting the greatest concentration of institutional capital.

Existing leadership remains intact, suggesting conviction has weakened only at the margins

Market Breadth — S&P 500 Cap-Weighted vs Equal-Weighted



The cap-weighted S&P 500 continues outperforming its equal-weighted counterpart, confirming that leadership remains concentrated in the largest companies.

Rotation remains orderly but has not yet broadened decisively across the wider equity market.

⭐ CCI Learning Moment

Capital Rarely Panics First

Markets often appear to move suddenly.

Capital rarely does.

Professional investors usually begin adjusting portfolios gradually, increasing exposure in some areas while quietly reducing it in others.

These subtle reallocations often begin weeks or months before they become obvious in headline market performance.

Capital rotation is the earliest visible expression of changing conviction.

Capital Cycle Takeaway

Current capital rotation reflects refinement rather than retreat. Investors continue adjusting portfolios with discipline, reinforcing the current expansion while preparing for a more mature phase of the Capital Cycle.

Understanding capital rotation tells you how investors are repositioning today. The next question is whether current market prices already reflect those changing expectations. To answer that, we step back and assess valuation, asking one of the most important questions in investing: Where are we now?

SECTION 8 - Where Are We Now?

Question

Where does the weight of evidence place us within the Capital Cycle?

Current Capital Cycle Assessment

Regime: Mature Expansion
Confidence: Moderate
Risk: Increasing but Controlled
Stance: Participate with Discipline

Capital Cycle Position

Where are we in the Capital Cycle?

Expansion

|

⭐ **Mature Expansion**

|

Slowdown

|

Contraction

|

Recovery

|

Expansion

⭐ Current Position

Where Are We Now?

Every section of this month's Capital Cycle Letter has examined a different part of the Capital Cycle.

Liquidity has explained the availability of capital.

Growth has measured whether that liquidity is translating into economic activity.

Credit has assessed the health of the financial system.

Confidence, leadership and capital rotation have revealed how investors are responding.

Taken individually, each section tells only part of the story.

Taken together, they allow us to answer one of the most important questions in investing:

Where are we within the Capital Cycle?

The combined evidence continues supporting a Mature Expansion.

Liquidity remains supportive.

Growth continues expanding despite moderating from earlier highs.

Credit markets remain healthy.

Confidence remains constructive, although increasingly selective.

Leadership continues concentrating around quality and structural growth.

Capital continues rotating with discipline rather than fear.

Collectively, these characteristics remain consistent with an expansion that is evolving, not ending.

Our long-term valuation frameworks provide important additional perspective.

The S&P 500 and Nasdaq continue trading within historically elevated valuation regions, reflecting strong earnings expectations and sustained investor conviction. These markets are no longer inexpensive, but history demonstrates that mature expansions can support elevated valuations for extended periods when liquidity remains abundant and corporate earnings continue delivering.

Bitcoin, however, presents a markedly different picture.

Unlike traditional equity markets, Bitcoin continues trading below historical fair value across both its Log Regression Channel and 200 Week Valuation Bands. While institutional participation has remained comparatively restrained throughout much of this expansion, long-term valuation continues suggesting that digital assets occupy a different position within their own Capital Cycle.

This divergence is one of the most important observations in this month's Letter.

Not every asset class progresses through the Capital Cycle at the same pace.

Traditional equities currently reflect elevated expectations.

Bitcoin continues reflecting restrained expectations.

Rather than contradicting one another, these differences reinforce the importance of understanding where capital is choosing to concentrate and where opportunity may still be developing.

Viewed collectively, the evidence continues supporting our assessment that the broader Capital Cycle remains within a Mature Expansion.

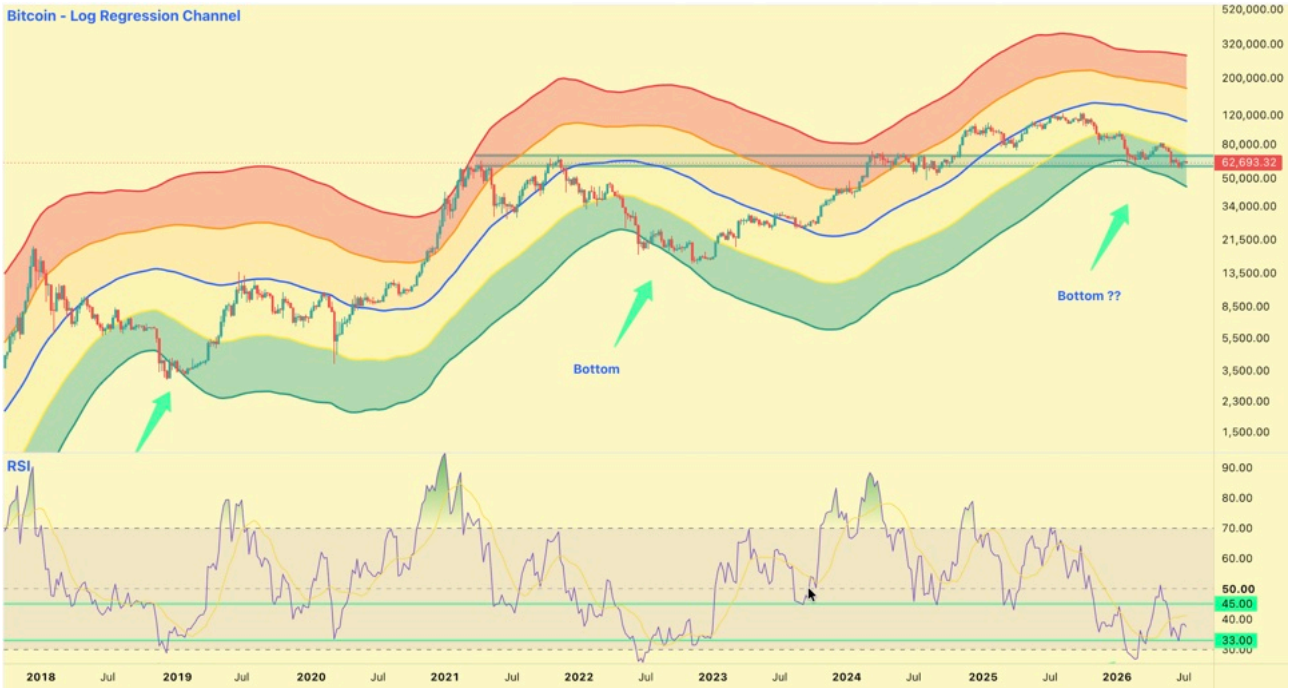
The opportunity is no longer simply participating in rising markets.

It is understanding that opportunity, valuation and conviction are no longer distributed evenly across them.

That distinction will become increasingly important as this Capital Cycle continues to evolve.

Supporting Evidence

Bitcoin Log Regression Channel



Bitcoin continues trading in the lower half of its long-term valuation channel despite improving macro conditions.

Long-term value continues appearing significantly more attractive than current market sentiment suggests.

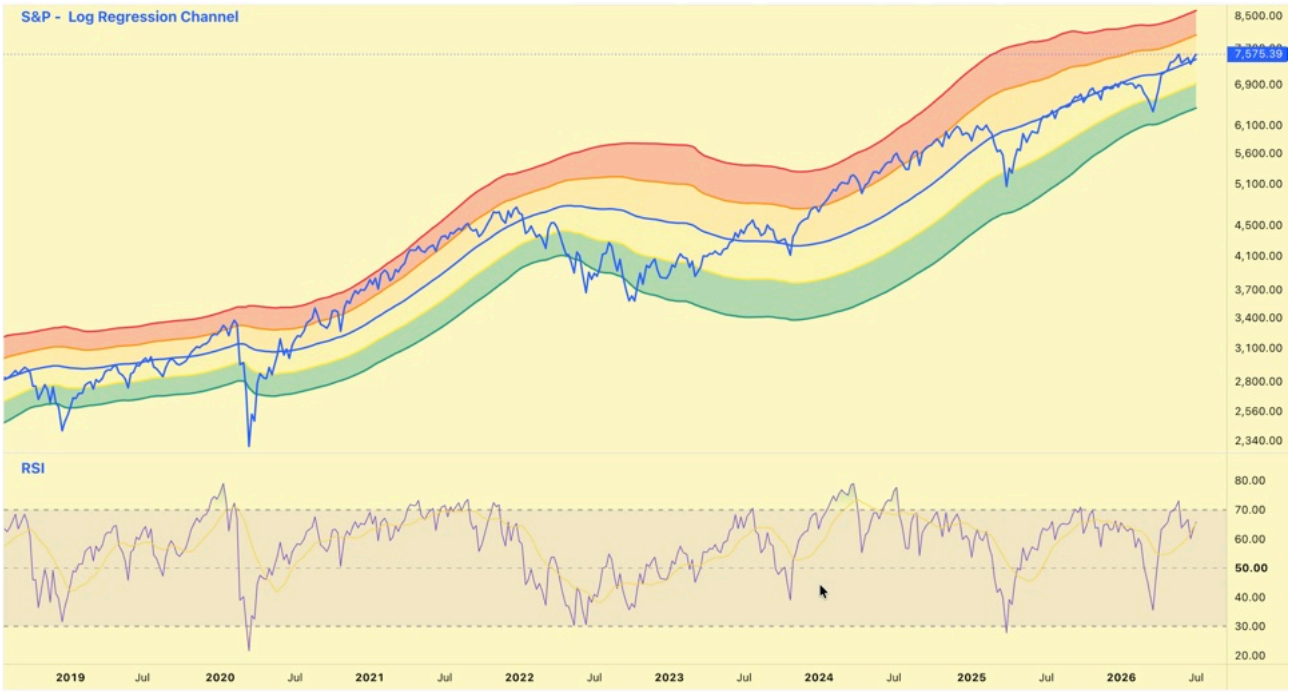
Bitcoin 200 Week Valuation Bands



Bitcoin remains within the lower valuation region of its historical 200-week framework.

Current pricing reflects restrained expectations rather than excessive optimism.

S&P 500 Log Regression Channel



The S&P 500 continues trading toward the upper end of its long-term structural trend.

Strong earnings and abundant liquidity continue supporting elevated market expectations.

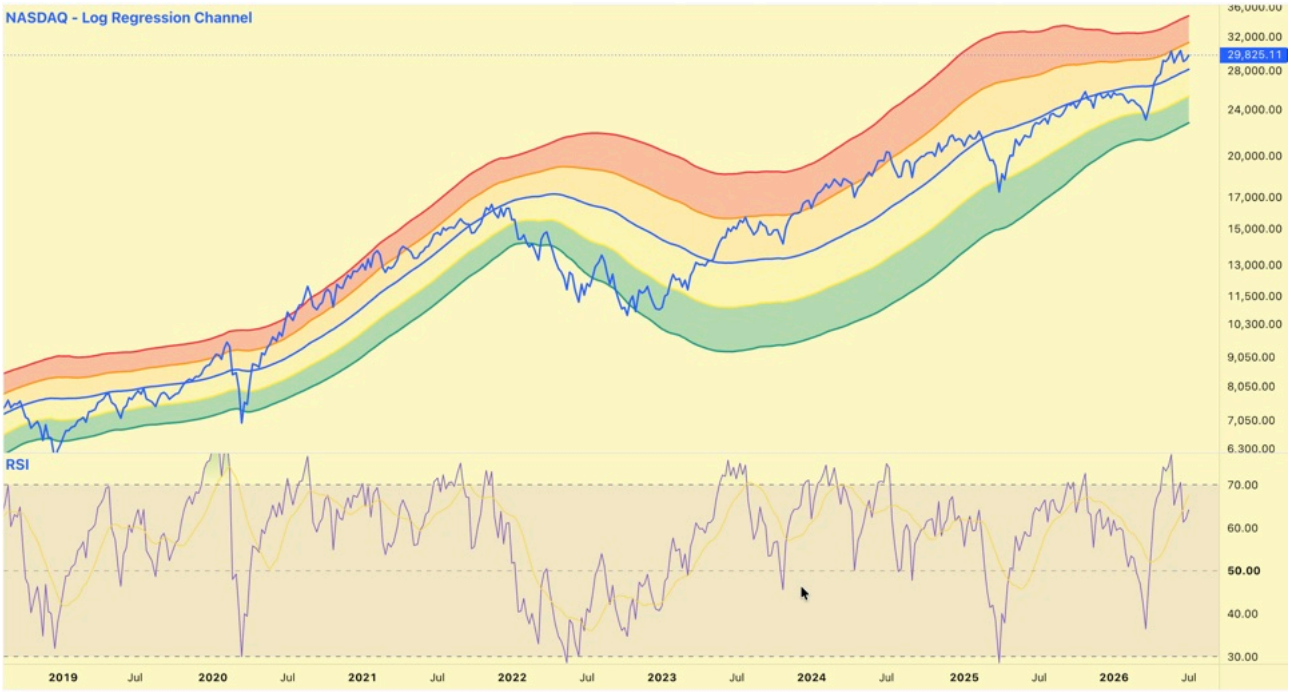
S&P 500 200 Week Valuation Bands



US equities remain well above historical fair value measures.

Higher valuations do not end expansions. They simply increase the importance of maintaining discipline.

Nasdaq Log Regression Channel



Technology leadership continues supporting the Nasdaq's long-term structural advance.

Artificial intelligence remains the defining structural driver of the current equity cycle.

Nasdaq 200 Week Valuation Band



Technology valuations continue reflecting elevated expectations relative to long-term history.

Future returns will increasingly depend upon earnings continuing to justify today's optimism.

⭐ CCI Learning Moment

Valuation Measures Expectations

One of the biggest misconceptions in investing is believing that expensive markets must immediately become cheaper.

History tells a different story.

Markets often remain expensive throughout strong expansions because expectations continue improving alongside fundamentals.

Likewise, markets can remain inexpensive while investors wait for conviction to return.

Valuation is therefore not a prediction.

It is a measure of what the market has already priced into today's expectations.

Price tells you where the market is.

Valuation tells you what the market already expects.

Understanding the difference is one of the most valuable skills you can develop as a long-term investor.

Capital Cycle Takeaway

The weight of evidence continues supporting a Mature Expansion. While traditional equity markets now reflect elevated expectations, opportunities remain unevenly distributed across asset classes, reinforcing the importance of disciplined capital allocation over broad market participation.

The evidence has now been presented. The verdict has been delivered. The final question naturally follows. Given where we are today, what deserves your closest attention before we meet again next month?

SECTION 9 - Investment Outlook

Question

What deserves your closest attention before next month's Capital Cycle Letter?

Capital Cycle Scorecard

Factor	Score	Direction
Liquidity Outlook	🟢 8.0 /10	Supportive
Growth Outlook	🟡 7.0 /10	Moderating
Credit Outlook	🟢 7.5 /10	Stable
Confidence Outlook	🟡 6.0 /10	Selective
Overall Outlook	🟢 **Constructive**	Mature Expansion

Investment Outlook

Having established where we currently sit within the Capital Cycle, attention naturally shifts from understanding today's environment to monitoring the developments most likely to shape tomorrow's.

Your objective is not to predict the future with certainty.

It is to recognise the evidence most likely to determine the next phase of the Capital Cycle.

The balance of evidence continues supporting an expansionary regime, although that expansion has clearly become more mature. Liquidity remains supportive, growth continues moderating rather than contracting, credit markets remain resilient and capital continues allocating with discipline. At the same time, leadership has become increasingly concentrated, confidence more selective and geopolitical uncertainty continues influencing investor behaviour.

For you, this environment argues for discipline rather than prediction.

Mature expansions rarely reward dramatic portfolio changes driven by individual headlines. Instead, they reward investors who continue allowing the weight of evidence to guide capital allocation while remaining alert to the gradual changes occurring beneath the surface.

Several developments deserve particularly close attention over the coming month.

The evolving conflict in the Middle East remains the most immediate geopolitical risk. Continued disruption throughout the Strait of Hormuz has the potential to influence energy prices, inflation expectations and ultimately investor confidence. While the broader macro regime has remained remarkably resilient to date, this remains the most significant variable capable of altering market sentiment over the near term.

Federal Reserve policy also warrants careful observation.

Kevin Warsh's first months as Chairman have challenged the market's initial expectations of a more accommodative central bank. Should inflation remain persistent or labour markets prove more resilient than expected, markets may be forced to reassess the path of future monetary policy.

Beyond the headlines, however, your greatest attention should remain focused on the foundations of the Capital Cycle itself.

Changes in liquidity.

Changes in credit conditions.

Changes in market leadership.

Changes in capital rotation.

History consistently demonstrates that major turning points emerge gradually through the evidence long before they become obvious in the news.

The Capital Cycle rarely changes direction without first leaving evidence.

Your objective is therefore not to predict turning points.

It is to recognise them as the evidence evolves.

Today, that evidence continues supporting disciplined participation while encouraging you to monitor the foundations of the expansion with increasing attention.

Supporting Evidence

Capital Cycle Dashboard

Where are we?

CURRENT REGIME

🟢 **Mature Expansion**

OVERALL SCORE

7.3 / 10

CONFIDENCE

Moderate

CAPITAL CYCLE SCORECARD

Liquidity	🟢 **8.5**
Growth	🟢 **7.5**
Credit	🟢 **7.5**
Confidence	🟡 **5.5**

Expansion remains intact, although participation
has become increasingly selective.

Capital Cycle Dashboard

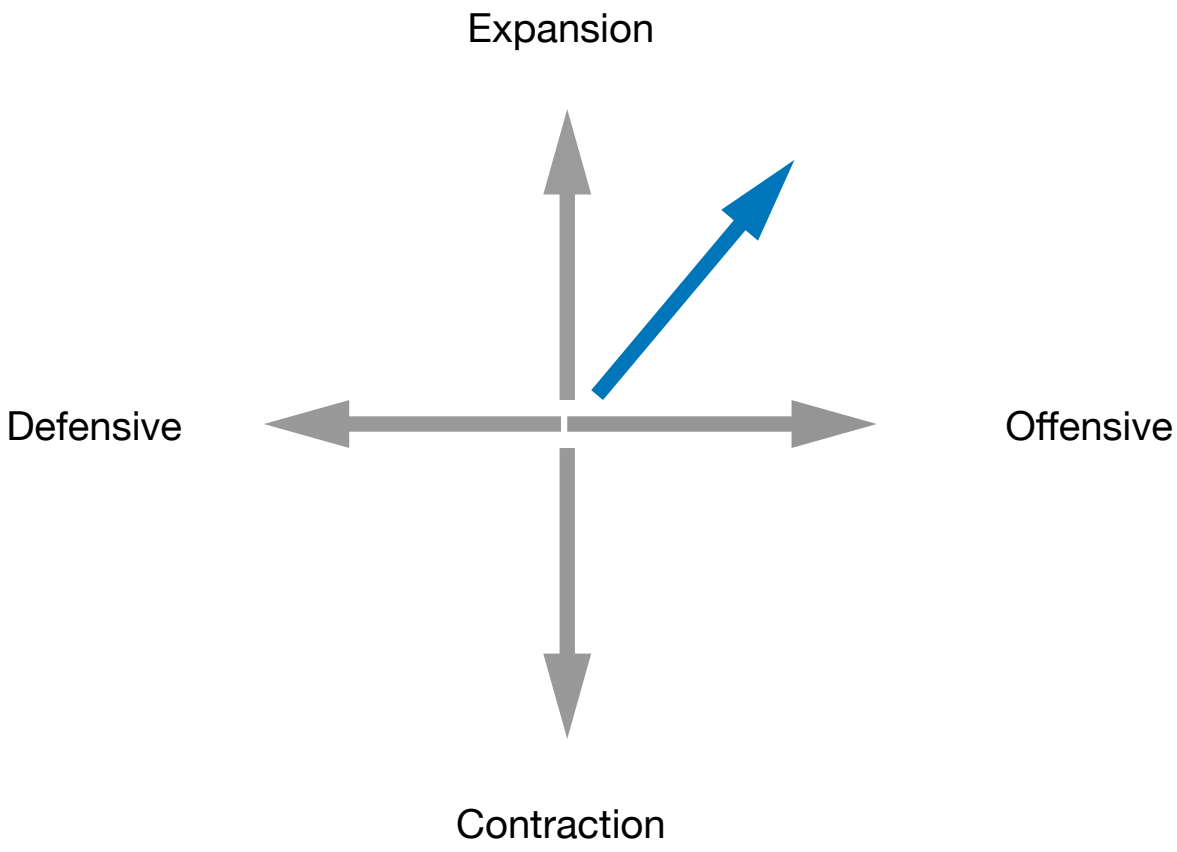
The Dashboard continues placing the current regime within a Mature Expansion.

The balance of evidence remains supportive, although opportunities and risks are becoming increasingly uneven across asset classes.

Macro Compass

How should capital be positioned?

↗ **Expansion with a selective offensive bias.**



Macro Compass

The Macro Compass continues pointing toward expansion despite increasing geopolitical crosswinds.

The broader direction remains constructive, although progress has become more measured than earlier in the cycle.

Monthly Watch List

🔵 Global Liquidity

Question: Is global liquidity continuing to expand?

Evidence to Monitor: Global Liquidity Index, Net Liquidity and Liquidity Impulse

🟡 Growth

Question: Is economic growth remaining in expansion territory?

Evidence to Monitor: Manufacturing PMI, Services PMI and Employment.

🟢 Credit

Question: Are credit markets remaining healthy?

Evidence to Monitor: Credit Spreads, Financial Stress and Lending Conditions.

🎯 Confidence

Question: Is capital becoming more selective?

Evidence to Monitor: VIX, Market Breadth and Equity Participation.

🟠 Leadership & Rotation

Question: Is leadership broadening or beginning to rotate?

Evidence to Monitor: Nasdaq Leadership, Gold, Bitcoin and Relative Performance.

🔴 Macro Risks

Question: Could any external event change the Capital Cycle?

Evidence to Monitor:

- Middle East Conflict
- Federal Reserve Policy
- UK Political Transition

- Inflation
- Oil
- China
- US dollar

Monthly Watch List

The watch list identifies the developments most likely to influence next month's Capital Cycle assessment.

The objective is not to predict outcomes. It is to monitor the evidence most likely to determine whether the Capital Cycle is strengthening, stabilising or beginning to change.

⭐ CCI Learning Moment

Great Investors Monitor. They Don’t Guess.

The future is unknowable.

The evidence is observable.

Successful investors rarely outperform because they predict every turning point.

They outperform because they recognise when the evidence begins changing and respond with discipline rather than emotion.

The goal isn’t certainty.

The goal is preparedness.

Every month the market will give you new headlines.

Every month the Capital Cycle will give you new evidence.

Learn to follow the evidence, and you’ll spend less time reacting to markets and more time understanding them.

Capital Cycle Takeaway

The evidence continues supporting disciplined participation within a Mature Expansion. Your opportunity now lies not in predicting change, but in recognising it as the evidence unfolds.

Closing

The Capital Cycle is constantly evolving.

Some months the changes are obvious.

Most months they are subtle.

Our role is not to predict every twist and turn.

It is to help you recognise the gradual shifts that ultimately shape every major market cycle.

Thank you for joining us again this month.

Keep watching the evidence.

Keep challenging your assumptions.

Keep learning.

We'll look forward to walking the next stage of the Capital Cycle with you next month.

The Capital Cycle never asks you to predict the future.

It simply asks you to pay attention to the evidence.

Capital Cycle Intelligence

Know What You Own
Know Why You Own It
Know When You Are Wrong
Know How to Behave

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