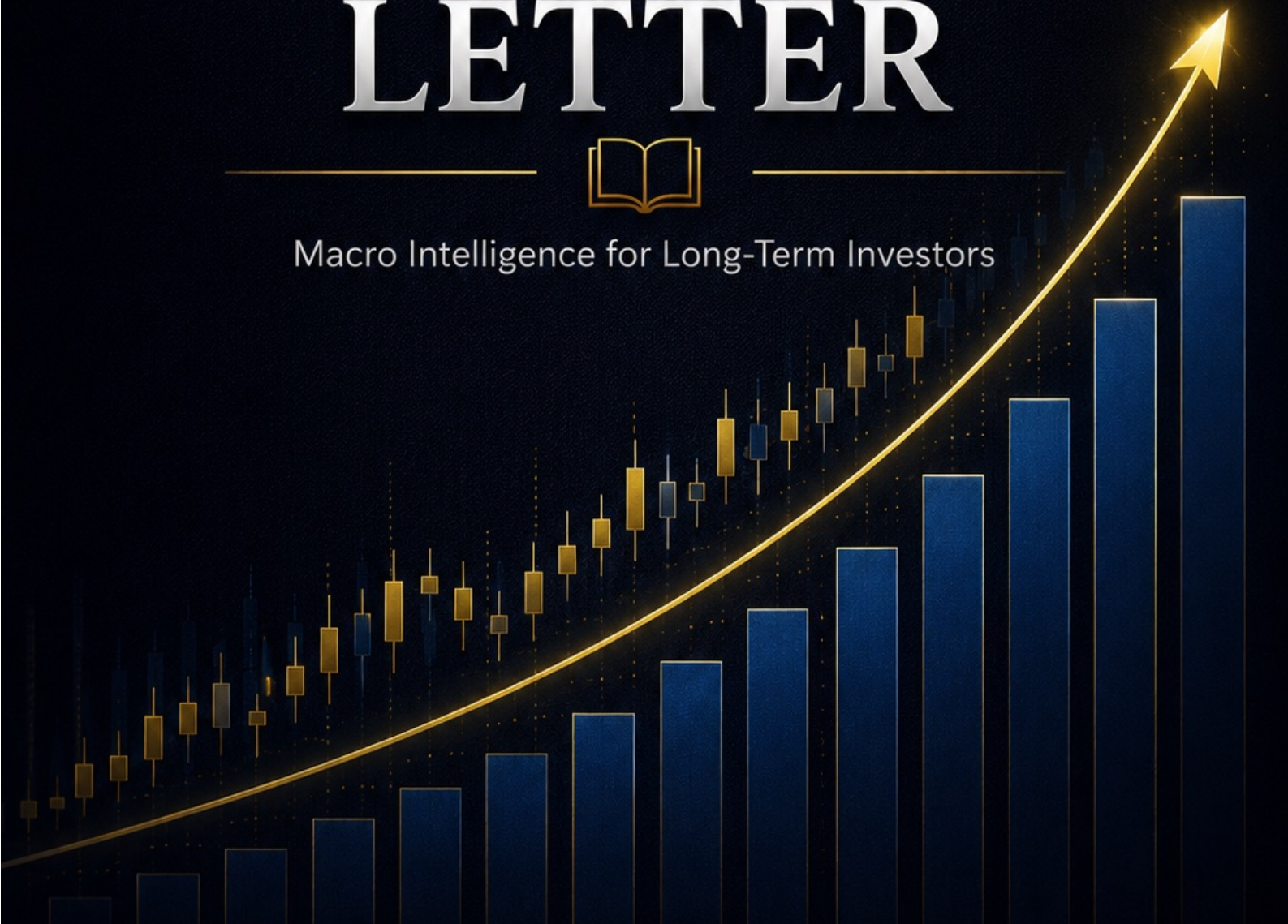
CAPITAL CYCLE

INTELLIGENCE

THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



CAPITAL CYCLE INTELLIGENCE

THE CAPITAL CYCLE LETTER

August 2026 Edition

MATURE EXPANSION

Liquidity Is Available. Transmission Is Being Tested.

Core Thesis

The expansion remains alive, but its internal structure has become unusually uneven. Global liquidity is expanding, growth and credit remain constructive, and market leadership is intact. Yet crypto-native liquidity is contracting, Bitcoin transmission remains impaired, long-duration yields are restrictive and the yen has required coordinated intervention. The evidence supports participation—but only with discipline, selectivity and close attention to the Canaries.

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.

AT A GLANCE

Growth — Strengthened

US manufacturing has reaccelerated into clear expansion territory while services remain resilient. The economy is not signalling imminent contraction. The complication is that stronger activity is arriving alongside elevated input costs and a labour market that is moderating rather than breaking.

Liquidity — Supportive, but uneven

Global liquidity continues making new highs and its impulse has recovered into supportive territory. US net liquidity is less dynamic, however, and stablecoin liquidity has contracted. The world has liquidity; the question is whether it is reaching the assets and channels that previously responded most strongly.

Credit and confidence — Constructive, but selective

Investment-grade and high-yield spreads remain contained, bank credit continues expanding and financial stress remains subdued. Capital has not abandoned risk, but it is concentrating around quality, earnings durability, artificial intelligence and selected defensive assets—particularly Gold.

The new constraint — the price of duration

The long end of the Treasury market is imposing a high cost of capital even while conventional credit remains healthy. That tension, together with renewed yen weakness after rare coordinated intervention, is the defining cross-market question of this Letter. It is also where this month's news begins connecting to the cycle: war affects energy, energy affects inflation, inflation affects policy, and policy affects the price of duration.

EXECUTIVE SUMMARY

The Expansion Is Intact. The Transmission Is Not Uniform.

The Capital Cycle remains within a Mature Expansion, but August has exposed a more complicated internal structure than the headline regime alone suggests. Liquidity remains abundant, economic activity is expanding, credit markets are functioning normally and equity leadership remains strong. None of those pillars currently supports a contraction call.

The tension lies in transmission. Global liquidity is expanding and the liquidity impulse has recovered, yet Bitcoin has failed to respond as it did in earlier cycles. Stablecoin liquidity provides part of the explanation: capital available inside the crypto ecosystem has contracted even while global monetary conditions have improved. This is not evidence that liquidity has stopped mattering. It is evidence that the route through which liquidity reaches markets has become more selective.

Credit adds a second tension. Investment-grade and high-yield spreads remain contained, bank lending continues and HYG is outperforming long-duration Treasuries. Credit is not behaving as though recession or systemic stress is imminent. At the same time, the US 30-year yield is near the highest level seen in decades. Risk-bearing credit remains constructive while duration is being repriced aggressively.

Beyond the charts, the geopolitical map has become more dangerous. The US-Iran ceasefire framework has broken down, attacks around the Strait of Hormuz have resumed and the Houthi campaign now threatens Saudi shipping through the Red Sea and Bab el-Mandeb. Two critical trade arteries are therefore exposed at the same time. The immediate effect runs through energy, freight and insurance; the slower effect may arrive through margins, inflation, policy and confidence.

The yen brings those forces into the financial system. Its fall toward multi-decade lows prompted rare coordinated intervention by Japan and the United States. The action stabilised the currency temporarily, but the subsequent retracement suggests the underlying pressure has not disappeared. Because the yen is a major global funding currency and Japan is a major holder of US Treasuries, renewed weakness could transmit through Asian currencies, bond markets and leveraged carry positions.

The Federal Reserve has added uncertainty of a different kind. It held the policy range at 3.50-3.75 per cent for a fifth consecutive meeting, but three officials preferred a hike. Chairman Kevin Warsh offered little forward guidance, forcing markets to price each inflation, employment and earnings release with less help from the central bank. That is not automatically bearish. It simply raises the value of evidence-and the cost of assuming the Fed will rescue every wobble.

For now, earnings are doing important stabilising work. With most of the S&P 500 having

reported, positive earnings and revenue surprises are unusually broad. AI-linked leaders are making an outsized contribution, but the results still help explain why markets have absorbed so much macro uncertainty without abandoning risk.

The conclusion is neither complacency nor retreat. The weight of evidence continues to support disciplined participation. But this is no longer an environment in which every asset receives liquidity equally or every form of duration is rewarded. Capital is distinguishing between quality and speculation, resilience and leverage, cash flow and distant promises.

Capital Cycle Takeaway

Macro says the expansion continues. Credit says the system remains functional. Liquidity says fuel is available. But crypto-native liquidity, long-bond yields and the yen say the transmission mechanism deserves much closer attention.

SECTION 1 — CURRENT MACRO REGIME

Question: What environment are we operating in?

Factor	Score	Direction
Liquidity	🟢 8.0 / 10	Supportive
Growth	🟢 7.8 / 10	Reaccelerating
Credit	🟢 7.6 / 10	Stable
Confidence	🟡 6.2 / 10	Selective
Overall Regime	🟢 7.4 / 10	Mature Expansion

The current environment remains best described as a Mature Expansion Under Pressure. The word expansion matters: global liquidity is rising, manufacturing and services are above their contraction thresholds, credit spreads remain contained and leadership persists. The word pressure matters equally: long-term yields are restrictive, inflation risk remains present, crypto-native liquidity is contracting and intervention in the yen signals that policymakers are responding to stress beneath otherwise orderly markets.

Capital Cycles rarely change because one indicator crosses one line. They change when several independent pillars begin weakening together. That confirmation has not occurred. Growth and credit remain too constructive for a contraction assessment, while leadership and market breadth show selectivity rather than wholesale withdrawal.

The correct stance is therefore participation with discipline. The expansion still offers opportunity, but the cost of being indiscriminate is rising.

CAPITAL CYCLE DASHBOARD

Where are we?

CURRENT REGIME

🟢 **Mature Expansion**

OVERALL SCORE

7.4 / 10

CONFIDENCE

Moderate

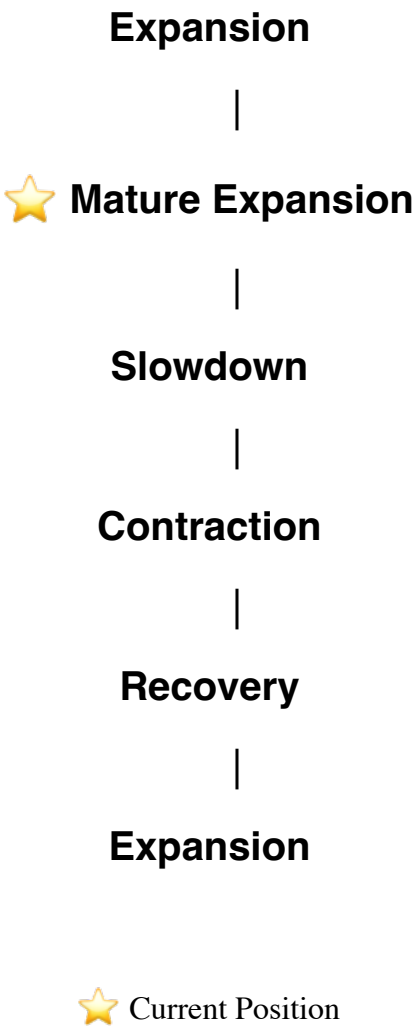
CAPITAL CYCLE SCORECARD

Liquidity	🟢 **8.0**
Growth	🟢 **7.8**
Credit	🟢 **7.6**
Confidence	🟡 **6.2**

Expansion remains intact, although participation has become increasingly selective.

Capital Cycle Position

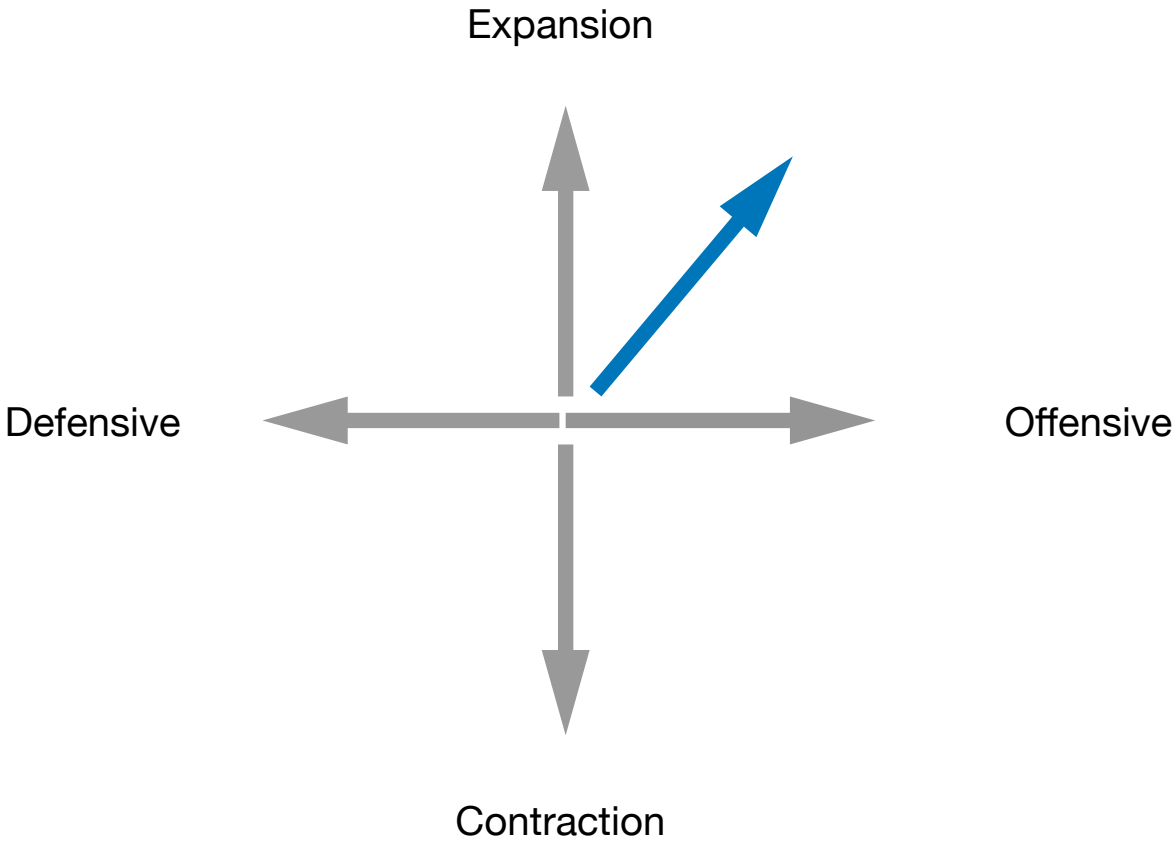
Where are we in the Capital Cycle?



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	🟢	🟡	🟡	🟡

Capital Cycle Takeaway

The regime has not changed, but its character has. We remain in a Mature Expansion with supportive macro foundations and increasingly uneven transmission.

CCI LEARNING MOMENT

A regime is not a headline

War, intervention and central-bank uncertainty can matter without immediately changing the Capital Cycle. A regime changes when those events alter liquidity, growth, credit and confidence together. Our task is to follow that transmission-n\ot react to the volume of the news

SECTION 2 — LIQUIDITY

Question: Is there enough liquidity to continue supporting the Capital Cycle?

Factor	Score	Direction
Global Liquidity	🟢 8.7 / 10	Expanding
US Net Liquidity	🟡 6.8 / 10	Supportive but slower
Liquidity Impulse	🟡 7.1 / 10	Recovering
Stablecoin Liquidity	🔴 5.0 / 10	Contracting
Liquidity Outlook	🟡 7.2 / 10	Supportive, uneven

Global liquidity continues making new highs. The reservoir is full and still rising, providing a constructive monetary foundation for financial markets. But the level of liquidity and the acceleration of liquidity are not the same thing. Earlier in the cycle, both rose together.

Today, the level remains exceptionally supportive while the impulse has only recently recovered from contraction and remains less powerful than earlier expansionary surges.

GLOBAL LIQUIDITY — THE PRIMARY DRIVER



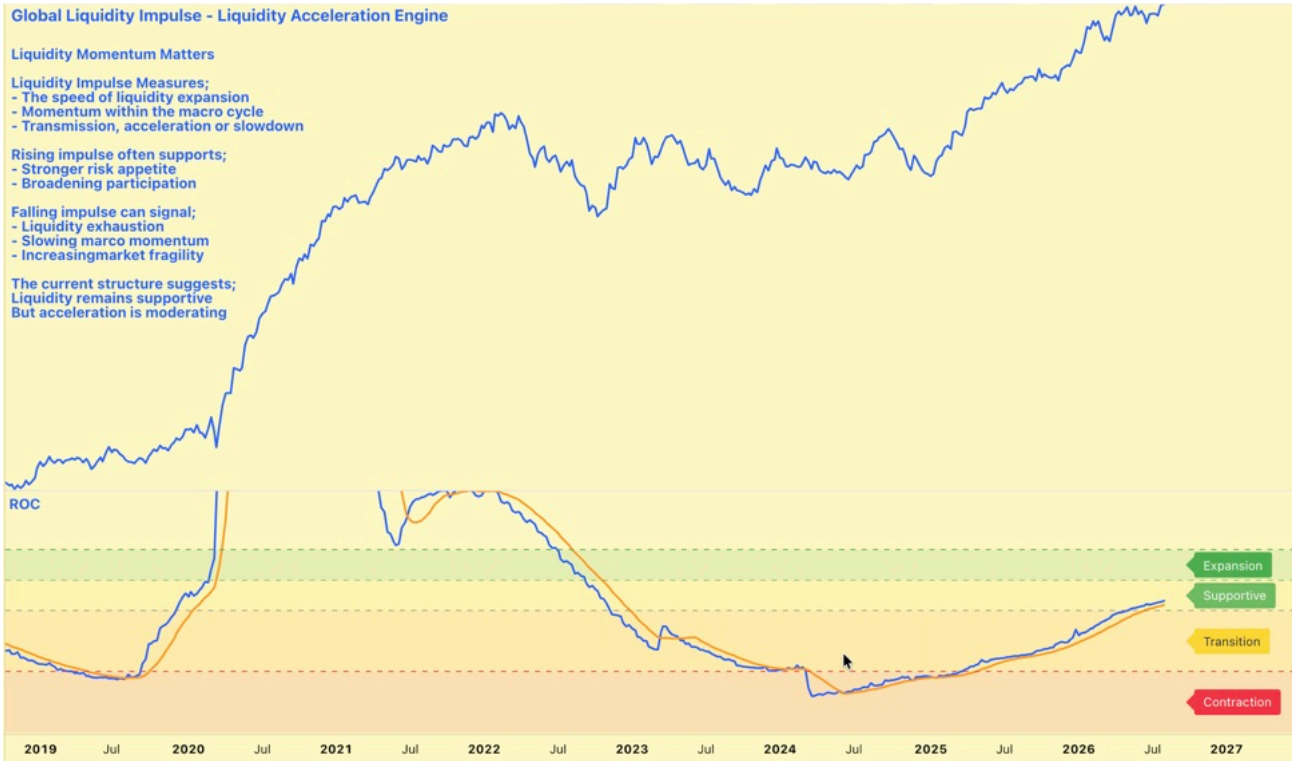
The global measure confirms that the monetary backdrop has not turned restrictive. Liquidity remains available to support risk assets, economic activity and credit creation.

US NET LIQUIDITY — SYSTEM FUEL



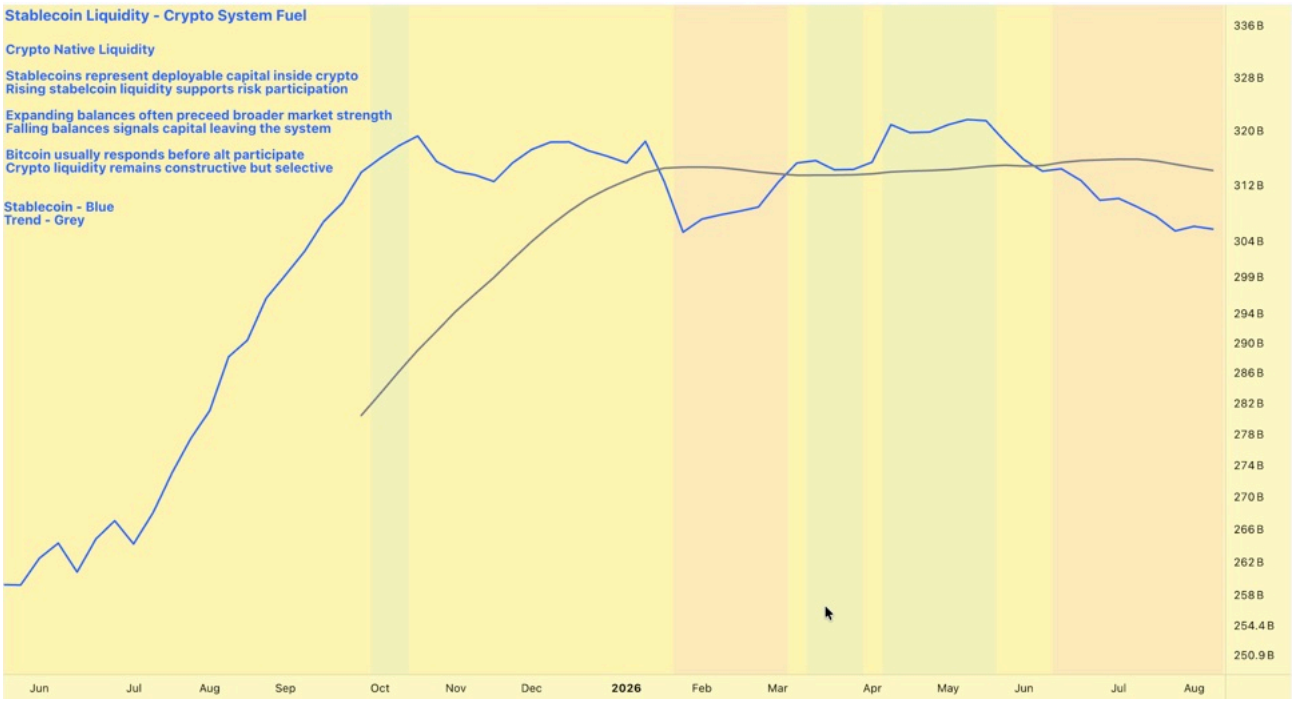
US net liquidity is more subdued. The pipeline remains open, but the flow is less forceful than the global headline implies. That difference helps explain why asset performance has become increasingly selective.

GLOBAL LIQUIDITY IMPULSE — LIQUIDITY ACCELERATION ENGINE



The impulse has recovered from contraction into supportive territory. That is constructive, but it does not yet resemble the powerful acceleration phases associated with the strongest risk-asset advances. Liquidity is improving; acceleration is not yet overwhelming.

STABLECOIN LIQUIDITY — CRYPTO SYSTEM FUEL



Stablecoin liquidity supplies the missing crypto-native evidence. The stock of deployable capital inside the digital-asset system peaked, rolled over and remains below trend. Global liquidity may be supportive while the capital immediately available to crypto markets contracts. That is a plausible reason Bitcoin transmission remains impaired.

BITCOIN AND FINANCIAL CONDITIONS — TRANSMISSION TEST

Financial conditions remain broadly supportive, yet Bitcoin has not responded proportionately. The divergence does not invalidate the liquidity framework; it identifies a break in the transmission chain. The next task is to watch whether stablecoin liquidity stabilises and whether Bitcoin begins responding to the improving impulse.



Capital Cycle Takeaway

The fuel exists, but it is not reaching every engine equally. Global liquidity supports the expansion; weak crypto-native liquidity explains why Bitcoin has not received the same benefit.

CCI LEARNING MOMENT

Liquidity is a journey, not a number

Capital must first exist, then reach the financial system, then enter the specific market we are studying. Global liquidity can rise while stablecoin liquidity falls. Both statements can be true-and together they explain more than either chart alone. Insert learning moment if there isn't one delete this

SECTION 3 — GROWTH

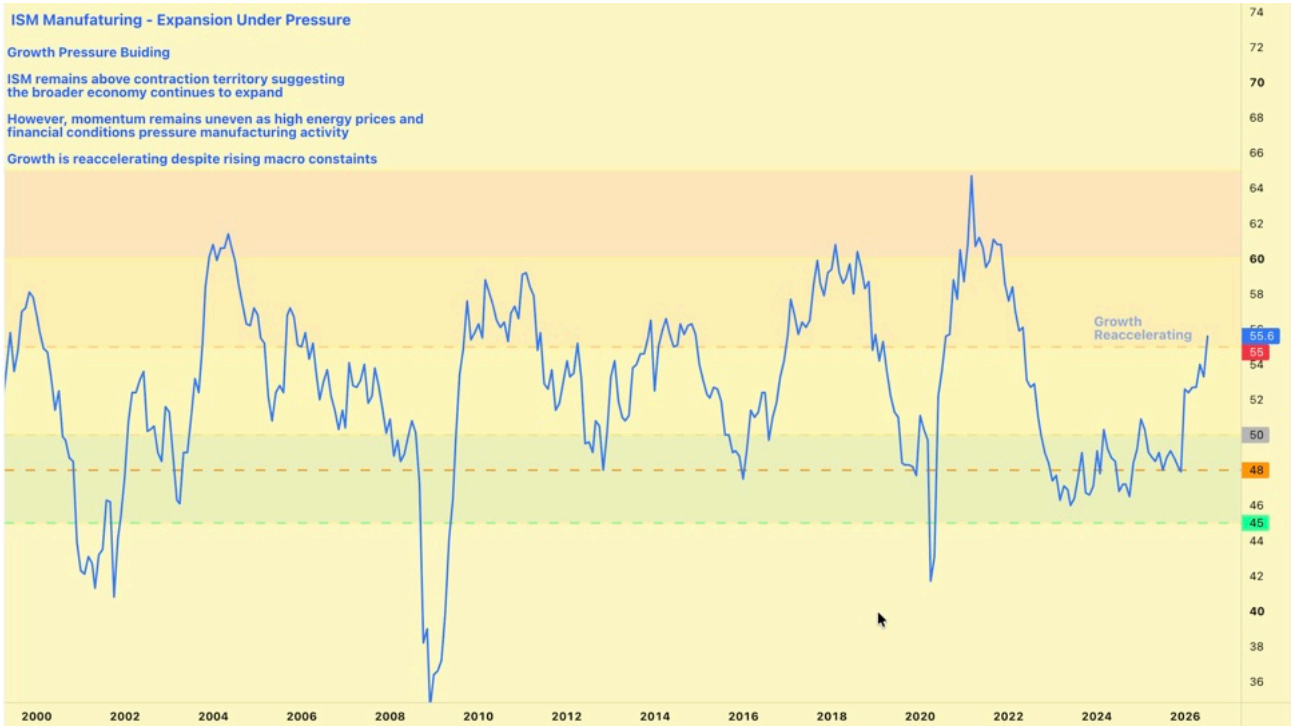
Question: Is liquidity continuing to translate into economic activity?

Factor	Score	Direction
Manufacturing	🟢 8.0 / 10	Reaccelerating
Services	🟢 7.7 / 10	Strong
Employment	🟡 6.4 / 10	Moderating
Input Costs	🔴 5.2 / 10	Elevated
Growth Outlook	🟢 7.4 / 10	Expansion

Growth remains one of the clearest reasons not to mistake market discomfort for economic contraction. Manufacturing has reaccelerated above the expansion threshold and services remain resilient. The real economy is still absorbing liquidity and converting it into production, orders and activity.

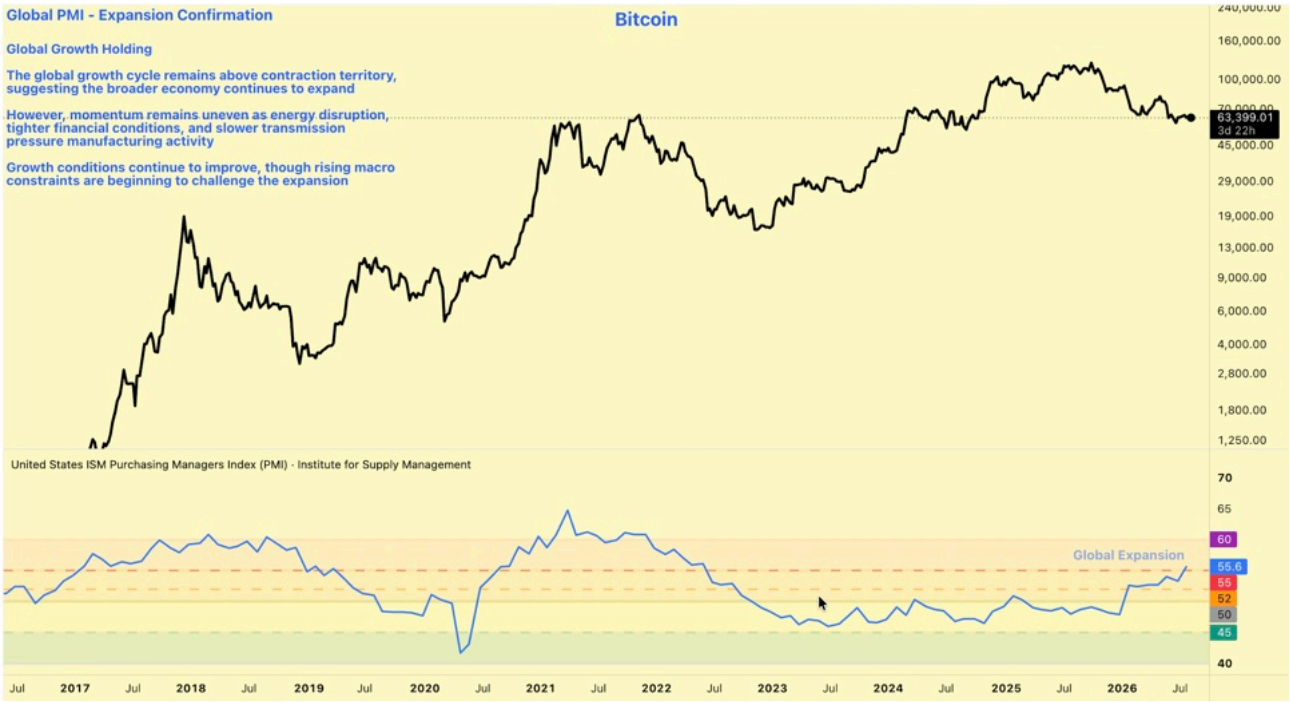
The composition deserves care. Employment has softened relative to earlier strength, while manufacturing input costs remain elevated. Add disruption in Hormuz and renewed threats in the Red Sea and the risk becomes clearer: stronger activity can support earnings, but higher transport and energy costs can also keep inflation uncomfortable and limit the central bank's freedom to ease.

ISM MANUFACTURING — EXPANSION REACCELERATING



Manufacturing has moved decisively above 50. The correct August interpretation is reacceleration, not merely continued expansion. The signal supports the cycle while raising the probability that policy remains restrictive for longer.

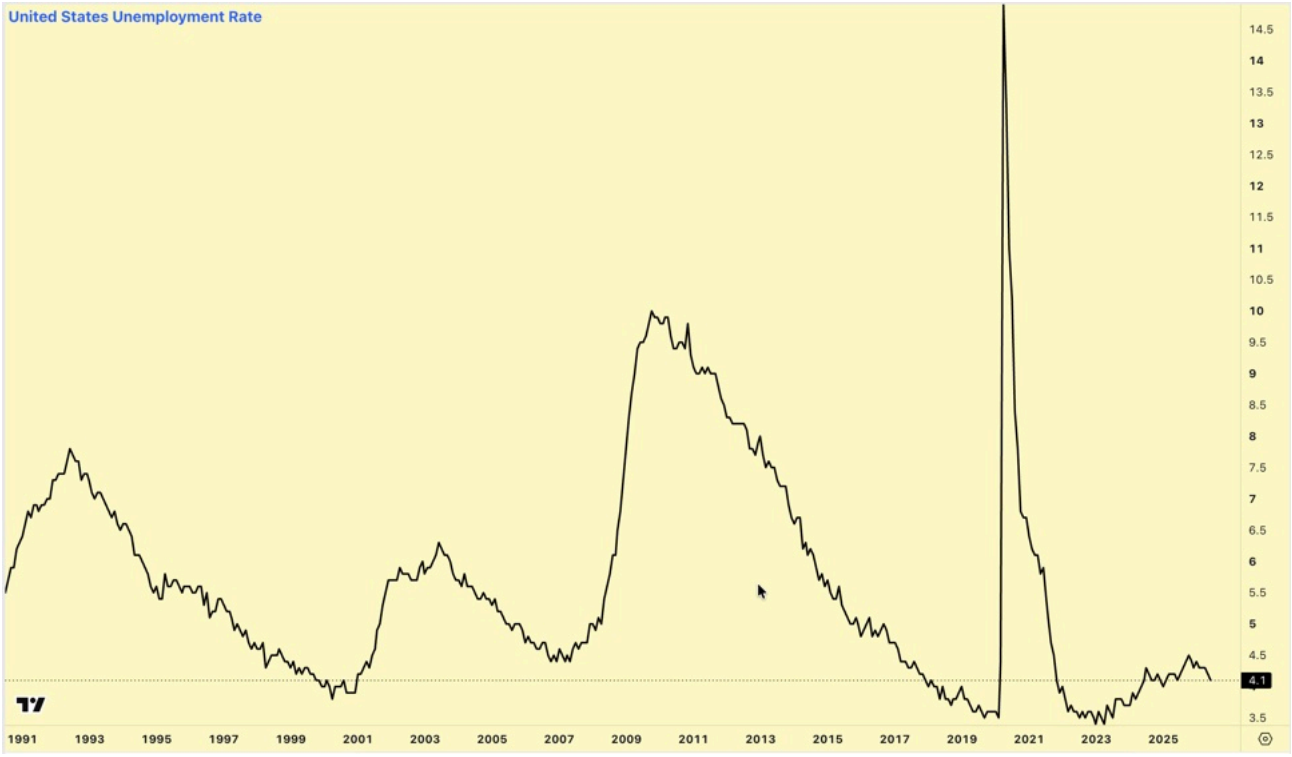
SERVICES PMI — US PROXY FOR SERVICES MOMENTUM



Services continue providing a stabilising foundation for domestic demand. Strength across both manufacturing and services argues against an imminent economy-wide downturn.

US UNEMPLOYMENT RATE

Unemployment remains historically low, although it has edged above its cycle trough. The labour market is moderating, not collapsing. Direction matters, but the present level remains consistent with expansion.



ISM MANUFACTURING PRICES PAID



Input-cost pressure has eased from its recent peak but remains elevated. Energy disruption and resilient demand could keep inflation risk alive even if employment cools.

Capital Cycle Takeaway

Growth is strengthening enough to sustain the expansion, but perhaps too strongly—and with too much price pressure—to produce an easy monetary-policy response.



CCI LEARNING MOMENT

Good growth is not always easy policy

Stronger growth can support profits while elevated input costs keep rates higher. The economy and the market can therefore experience the same data differently.

SECTION 4 — CREDIT

Question: Is the financial system continuing to support economic growth?

Factor	Score	Direction
Investment Grade	🟢 8.2 / 10	Healthy
High Yield	🟢 8.0 / 10	Contained
Bank Credit	🟢 7.4 / 10	Expanding
Lending Standards	🟡 6.6 / 10	Selective
Credit Outlook	🟢 7.8 / 10	Constructive

Credit remains the strongest counterargument to a systemic-risk interpretation. Investment-grade and high-yield spreads remain close to historically contained levels, bank credit continues expanding and lending standards are selective rather than prohibitive. Capital is still being supplied.

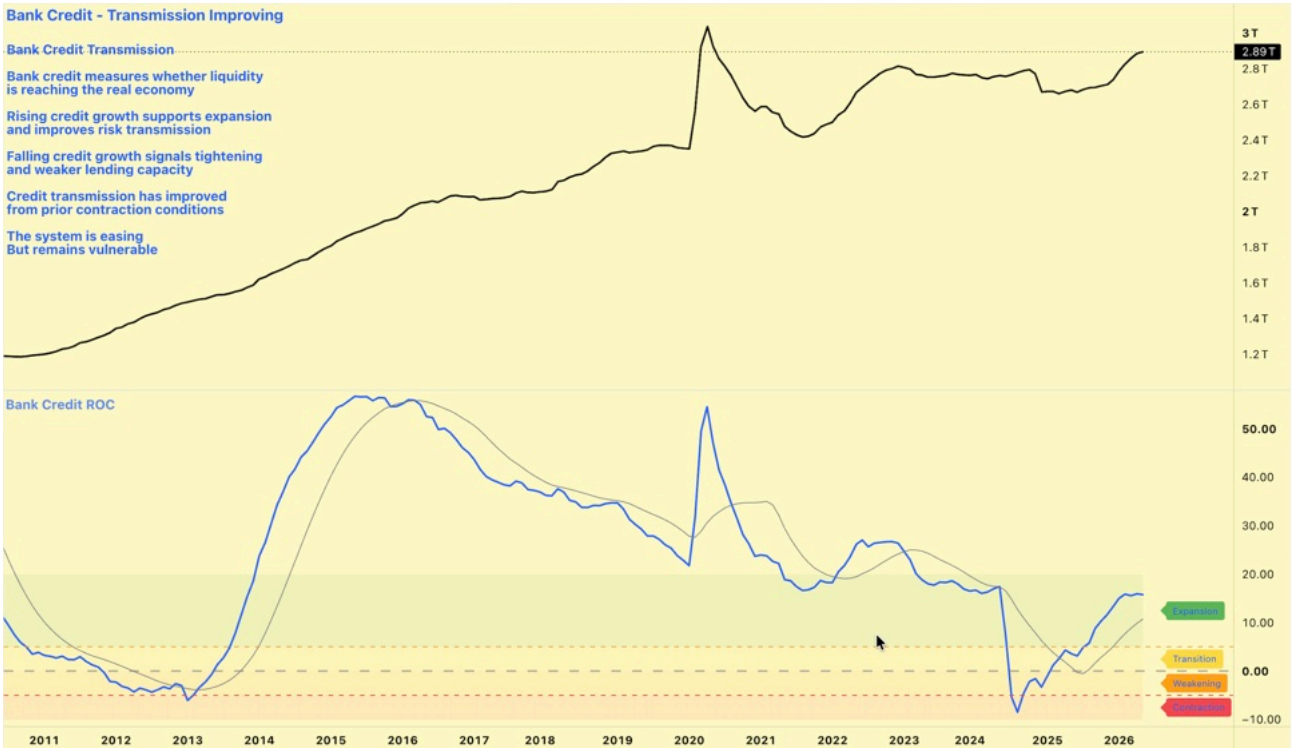
The important August distinction is between credit risk and duration risk. Corporate credit is not signalling widespread default stress, but long-duration government bonds are absorbing a severe repricing. HYG's strength relative to TLT shows that risk-bearing credit can remain healthy even while the long end imposes a higher cost of capital.

[CHART 13 — INVESTMENT GRADE CREDIT SPREADS — INSERT HERE]



Investment-grade spreads remain contained. The market is not demanding a meaningful systemic-risk premium from high-quality corporate borrowers.

BANK CREDIT — TRANSMISSION IMPROVING



Bank credit continues reaching the real economy. Momentum has improved from its contractionary phase, supporting the view that the financial transmission mechanism remains functional.

HIGH YIELD CREDIT SPREADS

High-yield spreads remain in an easy-credit region. This is not how credit normally behaves immediately before a broad financial contraction.

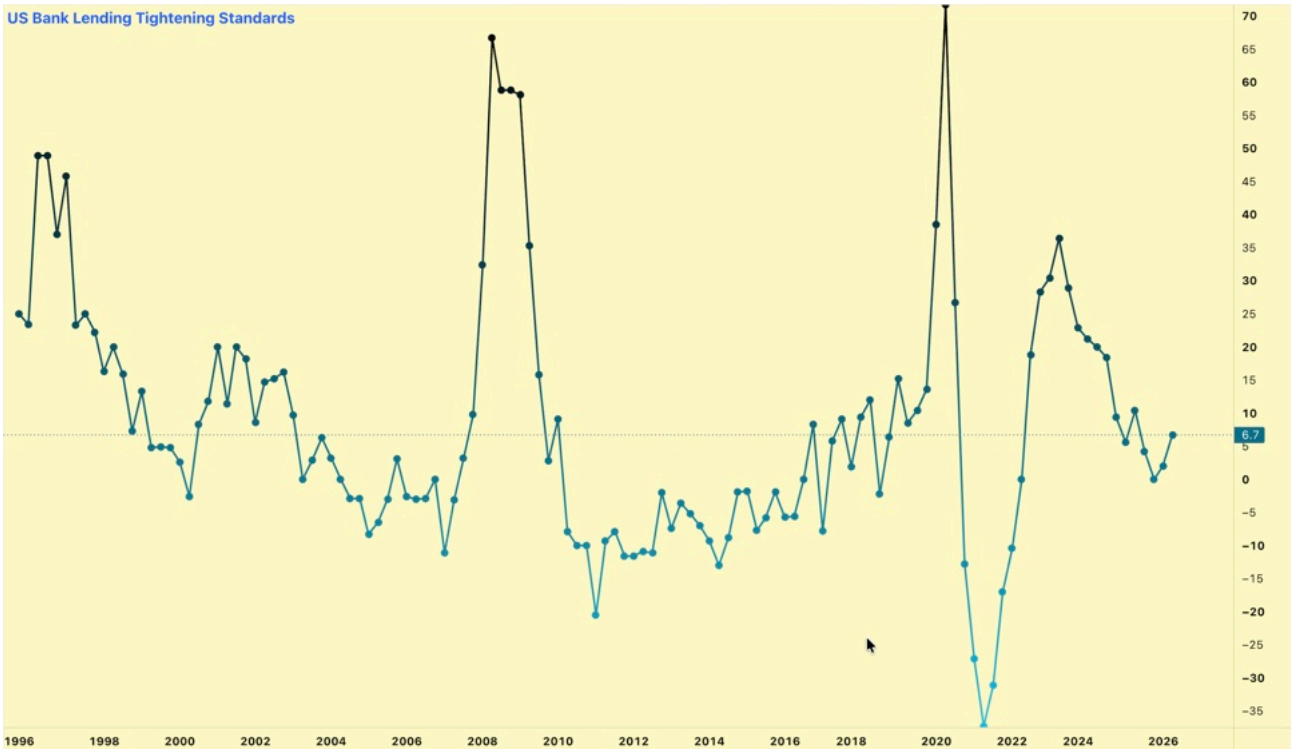


HYG/TLT — RISK APPETITE VERSUS TREASURIES



HYG/TLT is near the strongest level in the available history. Credit is outperforming duration, signalling resilient risk appetite alongside profound weakness in long bonds. This is one of August's most important cross-market divergences.

US BANK LENDING TIGHTENING STANDARDS



Standards remain somewhat tighter than neutral, but they are far removed from levels associated with major credit events. Lenders are discriminating—not shutting their doors.

Capital Cycle Takeaway

Credit permission remains intact. The risk is not a conventional credit seizure; it is that the rising price of long-duration capital eventually becomes restrictive enough to affect otherwise healthy borrowers and asset valuations.

CCI LEARNING MOMENT

Credit and duration are different risks

A narrow corporate spread says investors are comfortable with default risk. A high long-bond yield says they demand more compensation for time, inflation and fiscal uncertainty. August shows why those signals must be read together.

SECTION 5 — CONFIDENCE

Question: How is capital responding to the current Capital Cycle?

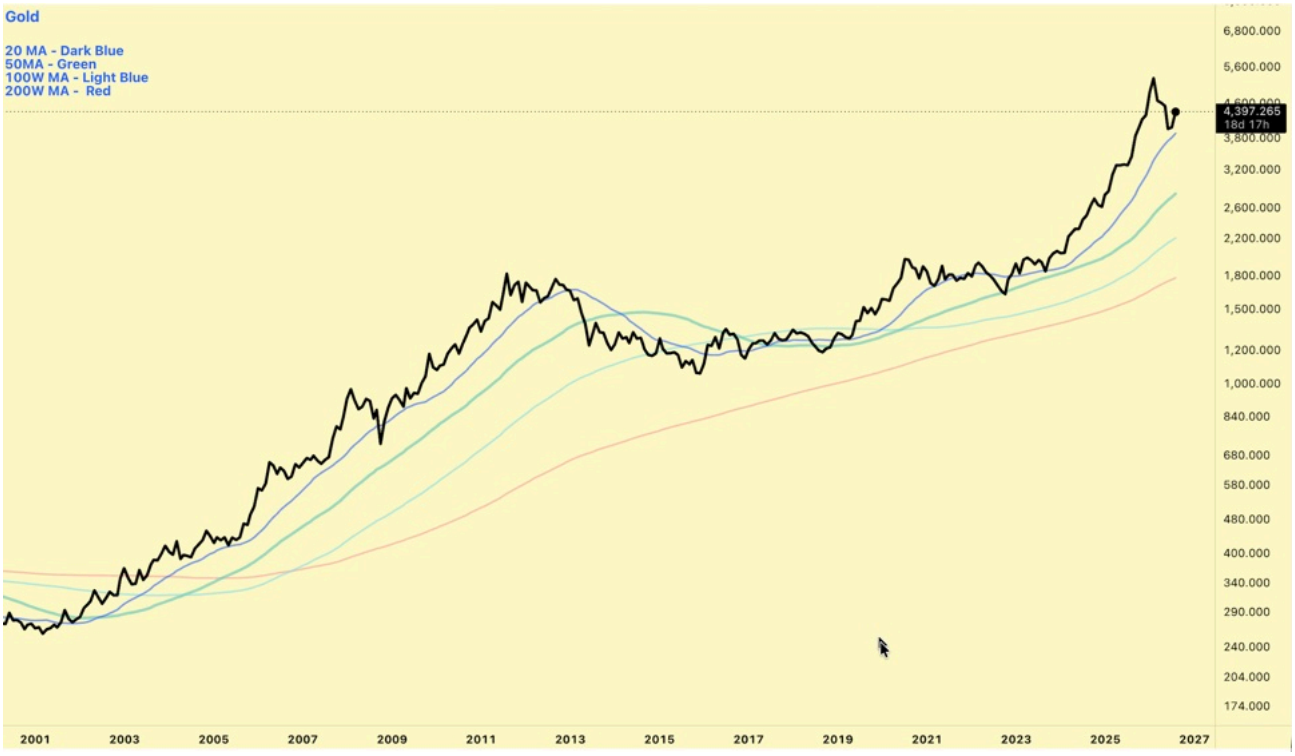
Factor	Score	Direction
Equity Participation	🟡 7.0 / 10	Constructive
Defensive Demand	🟡 7.2 / 10	Elevated
Risk Appetite	🟡 6.2 / 10	Selective
Capital Allocation	🟢 7.4 / 10	Disciplined
Confidence Outlook	🟡 6.8 / 10	Constructive

Confidence is best measured through behaviour. Investors have absorbed a broken Middle East ceasefire, threats to two shipping corridors and a Federal Reserve unwilling to offer a map of the road ahead. Yet they continue participating in equities and rewarding structural growth while maintaining meaningful exposure to Gold. That is not the signature of panic. It is the signature of a mature expansion in which conviction remains positive but no longer indiscriminate.

Earnings help explain that resilience. The season has delivered a high rate of positive profit and revenue surprises. Markets are not ignoring geopolitics; they are weighing it against cash flows that, so far, remain stronger than feared. The caveat is concentration: a small group of AI-linked leaders accounts for an unusually large share of the growth.

GOLD PERFORMANCE

Gold remains structurally strong despite a recent pullback. Persistent demand reflects inflation sensitivity, geopolitical hedging and disciplined diversification rather than a complete flight from risk.

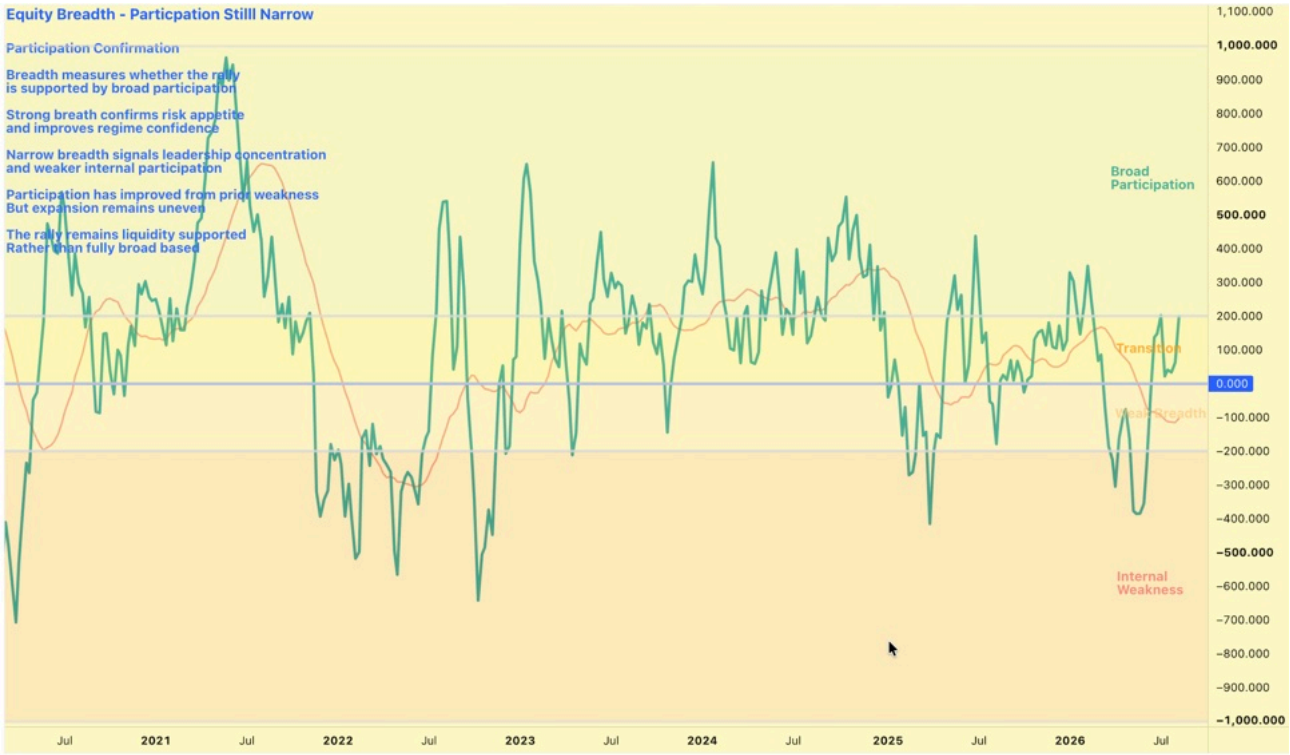


AI LEADERSHIP



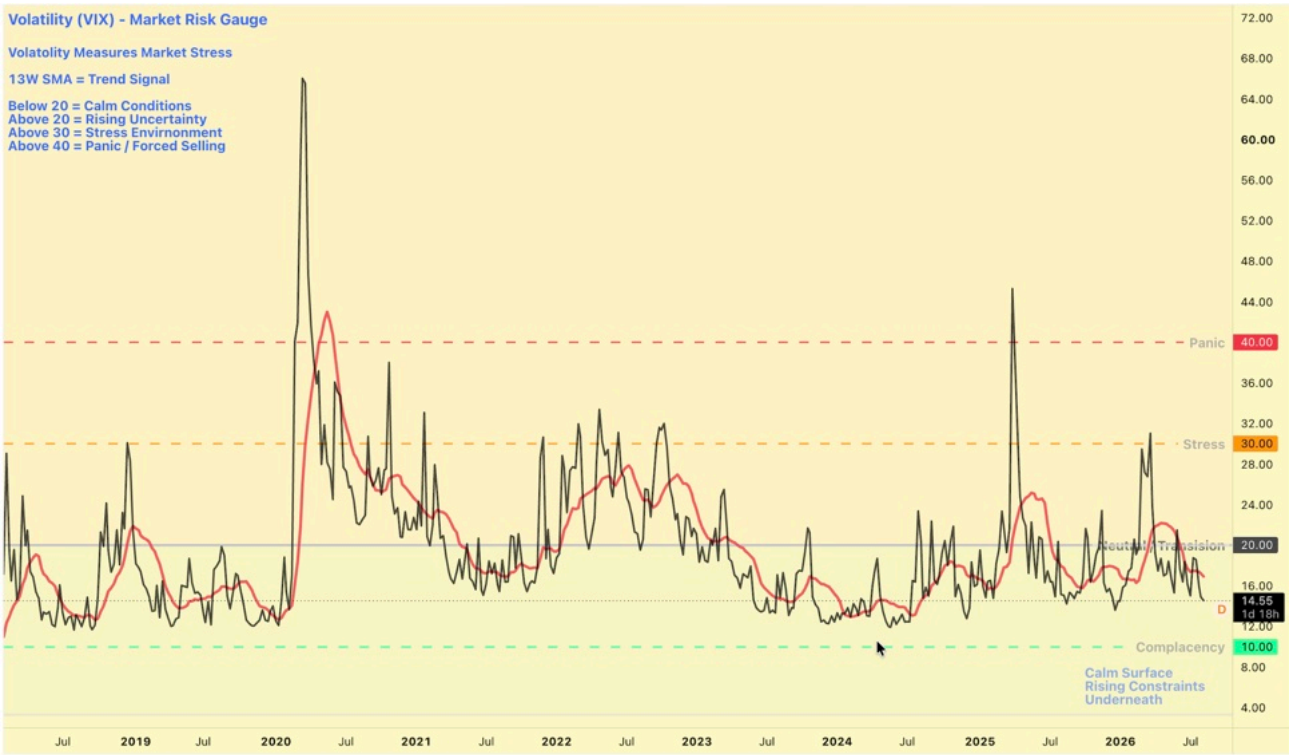
Artificial-intelligence leadership remains intact. Capital continues rewarding businesses associated with durable structural growth even as investors become more demanding about valuation and funding quality.

EQUITY PARTICIPATION



Participation remains constructive but uneven. Breadth has improved from weaker readings without producing a decisive broadening across the entire market.

RISK APPETITE — VIX



Volatility remains below stress thresholds. Risk appetite has moderated, but the behaviour of volatility does not suggest widespread forced deleveraging.

Capital Cycle Takeaway

Confidence has become selective rather than fearful. Investors are still taking risk, but they increasingly require quality, resilience and a credible source of future cash flow.



CCI LEARNING MOMENT

Markets weigh evidence; they do not vote on headlines

Price reflects the difference between what happened and what investors expected. Stronger-than-expected earnings can offset macro anxiety-until the macro shock begins changing those earnings.

SECTION 6 — LEADERSHIP

Question: Where is investor conviction becoming most concentrated?

Factor	Score	Direction
Technology Leadership	🟢 9.0 / 10	Strong
AI Leadership	🟢 9.0 / 10	Dominant
Defensive Leadership	🟡 7.2 / 10	Improving
Breadth	🟡 6.3 / 10	Narrow
Leadership Outlook	🟢 8.0 / 10	Concentrated

Leadership remains concentrated in large-cap equities, artificial intelligence and Gold. The persistence of those trends supports the broader expansion, but concentration also tells us that liquidity is choosing its destinations carefully.

S&P 500 LEADERSHIP



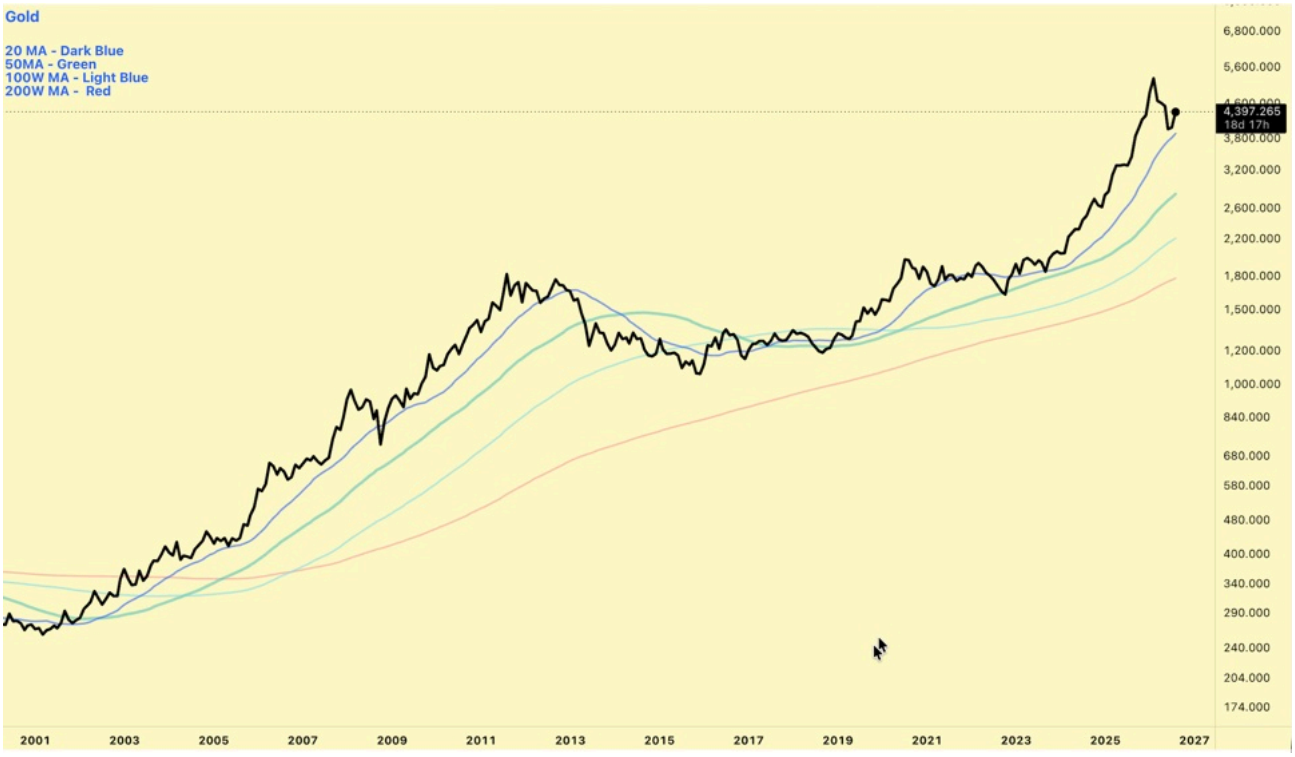
The S&P 500 remains near record highs and above its long-term trend measures. Broad-market leadership is intact.

NASDAQ LEADERSHIP



The Nasdaq continues leading global equity markets. Its strength confirms that long-duration growth can still attract capital when earnings and structural conviction are sufficiently strong.

GOLD LEADERSHIP



Gold remains an important parallel leader. Its coexistence with strong equities suggests diversification within an expansion—not a binary move from risk-on to risk-off.

GLOBAL LIQUIDITY VERSUS BITCOIN — TRANSMISSION MODEL



Bitcoin is the exception. It has failed to follow expanding global liquidity and remains far below its recent highs. The divergence identifies impaired transmission and weak crypto-native participation rather than a broad collapse in macro liquidity.

Capital Cycle Takeaway

The leaders remain strong, but Bitcoin is not among them. Opportunity and leadership are currently separate questions—and that distinction matters.

CCI LEARNING MOMENT

Leadership must be earned

An attractive story or valuation does not make an asset a leader. Leadership appears when capital repeatedly chooses an asset over its alternatives.

SECTION 7 — CAPITAL ROTATION

Question: Is investor conviction beginning to evolve?

Factor	Score	Direction
Rotation Strength	🟢 7.4 / 10	Orderly
Leadership Persistence	🟢 8.4 / 10	Strong
Defensive Rotation	🟡 7.0 / 10	Increasing
Risk Rotation	🟡 6.1 / 10	Selective
Rotation Outlook	🟡 7.1 / 10	Constructive

Capital is moving, but it is not abandoning markets. It is rotating toward quality, durability and selected defensive exposure. The difference between uncertainty and deterioration remains crucial: uncertainty makes investors selective; deterioration forces broad liquidation. August continues showing the former.

GOLD VERSUS EQUITIES



Gold and equities are both attracting capital, although their relative performance has become more volatile. Investors are diversifying risk rather than retreating from it.

BITCOIN VERSUS GOLD — CAPITAL ROTATION REGIME



Gold continues outperforming Bitcoin on a relative basis. Defensive liquidity is receiving stronger sponsorship than speculative liquidity.

BITCOIN VERSUS NASDAQ — LEADERSHIP ROTATION



Bitcoin also continues losing relative leadership to the Nasdaq. The market is rewarding proven earnings and AI exposure over digital scarcity alone.

S&P 500 CAP-WEIGHTED VERSUS EQUAL-WEIGHT



The cap-weighted index remains the stronger expression of the equity advance. Rotation has not yet produced decisive broadening, leaving the expansion increasingly dependent on its largest leaders.

Capital Cycle Takeaway

Capital rotation remains orderly, but narrow. The market is not rejecting risk; it is demanding a clearer reason to own it.

CCI LEARNING MOMENT

Rotation usually whispers before it shouts

Capital rarely leaves every asset at once. It first changes preference-toward quality, defence, cash flow or liquidity. Relative movements help us recognise changing conviction early.

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

The combined evidence remains consistent with a Mature Expansion. Liquidity is supportive, growth is expanding, credit remains healthy and market leadership persists. The regime has not crossed into slowdown or contraction.

The opportunity set is nevertheless uneven. US equities and technology reflect elevated expectations, while Bitcoin reflects restrained expectations but lacks structural confirmation. Valuation opportunity exists in Bitcoin; leadership and transmission do not yet provide permission to treat that opportunity as realised.

BITCOIN LOG REGRESSION CHANNEL



Bitcoin is trading in the lower region of its long-term channel. That improves prospective value, but the chart alone cannot identify the timing of renewed leadership.

BITCOIN 200-WEEK VALUATION BANDS



Bitcoin remains in a historically inexpensive region relative to its 200-week framework. The market is pricing restraint rather than euphoria.

S&P 500 LOG REGRESSION CHANNEL

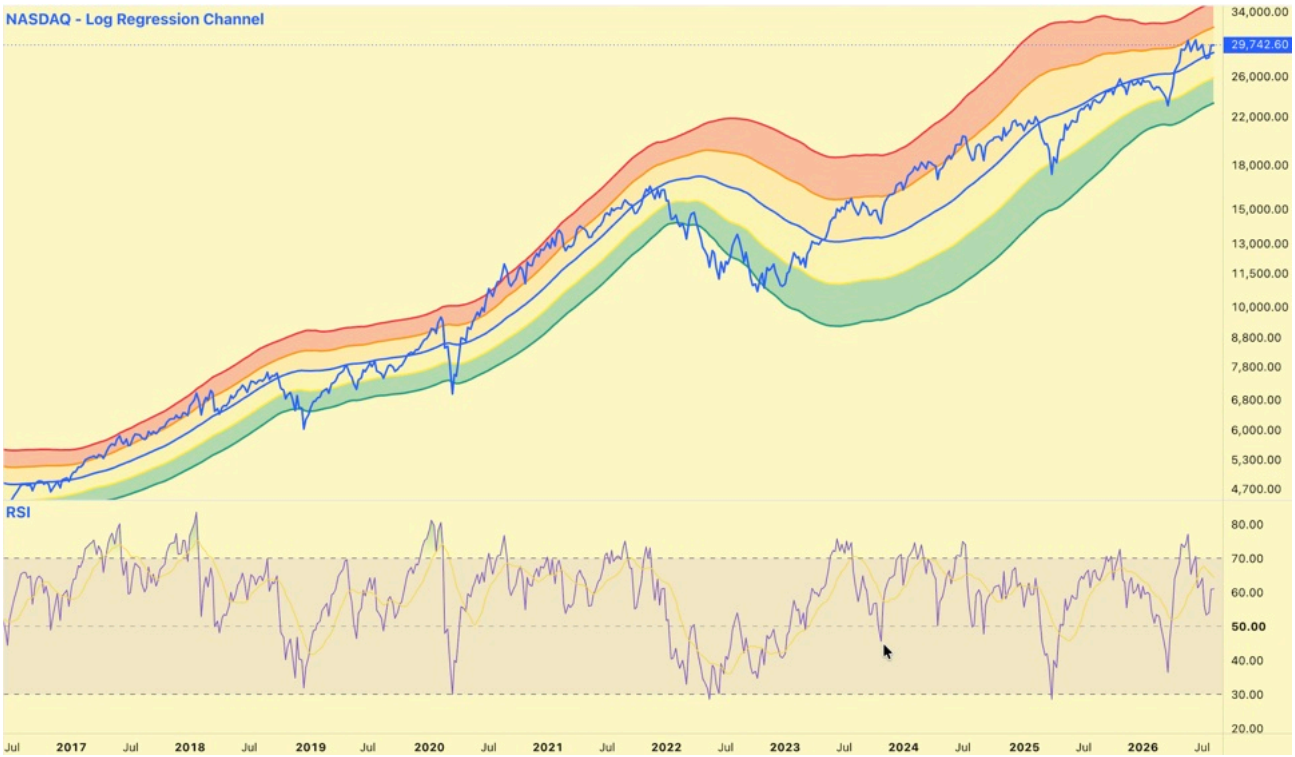


S&P 500 200-WEEK VALUATION BANDS



The S&P 500 remains near the upper region of its structural and valuation frameworks. Expensive markets can remain expensive during strong expansions, but future returns become more dependent on continued earnings delivery.

NASDAQ LOG REGRESSION CHANNEL



NASDAQ 200-WEEK VALUATION BANDS



The Nasdaq displays the same tension: durable leadership alongside elevated expectations. Its premium is justified only while earnings and structural adoption continue validating the narrative.

Capital Cycle Takeaway

Value, leadership and timing are different things. Equities possess leadership but offer less valuation support. Bitcoin offers valuation support but lacks leadership. Discipline means respecting both sides of that evidence.

CCI LEARNING MOMENT

Valuation measures expectations, not timing

An expensive asset can keep rising while expectations improve. A cheap asset can remain cheap while sponsorship is absent. Valuation tells us what is priced in; structure tells us whether the market is ready to change its mind.

SECTION 9 — INVESTMENT OUTLOOK

Question: What deserves closest attention before the next Capital Cycle Letter?

Factor	Score	Direction
Liquidity Outlook	🟢 7.5 / 10	Supportive
Growth Outlook	🟢 7.3 / 10	Expansion
Credit Outlook	🟢 7.7 / 10	Stable
Confidence Outlook	🟡 6.4 / 10	Selective
Overall Outlook	🟡 7.2 / 10	Mature Expansion

The balance of evidence continues supporting participation, but August has clarified where that conclusion could fail. The principal risk is not one weak economic release. It is a chain: renewed conflict disrupts Hormuz and the Red Sea; energy, freight and insurance costs rise; inflation remains sticky; a guidance-light Federal Reserve stays restrictive; long yields remain elevated; yen weakness forces further intervention or repatriation; and tighter market-based conditions eventually migrate into credit, margins and employment.

The constructive path is equally clear. Global liquidity remains expansive, the impulse continues improving, stablecoin liquidity stabilises, Bitcoin transmission begins repairing and long yields stop rising. Under that configuration, attractive digital-asset valuation could begin converting into renewed leadership without requiring the broader cycle to deteriorate first.

Between those paths sits the present reality: growth and credit remain healthy, but capital is becoming more selective. The appropriate portfolio stance is to participate in proven leadership, maintain diversification and wait for structural permission before treating valuation alone as a catalyst.

Capital Cycle Takeaway

The expansion still deserves respect. So do the constraints. Continue participating, but demand confirmation from liquidity transmission, the long end and the yen.



CCI LEARNING MOMENT

A watch list turns uncertainty into a process

We cannot know which risk will matter next. We can decide in advance what evidence would confirm or reject each concern. That replaces prediction with preparation.

THE CANARIES

Early Warning Indicators

Factor	Score	Direction
Global Liquidity	🟢 Stable	Supportive and expanding
Long Bond Yields	🟡 Watchful	Restrictive and near multi-decade highs
Yen Carry Trade	🟡 Watchful	Intervention has not removed underlying pressure
Oil and Energy	🟡 Watchful	Supply risk remains elevated
Private/Credit Stress	🟢 Stable	No broad deterioration visible
Financial Stress	🟢 Stable	Market functioning remains orderly

The Yen Canary Has Become More Vocal

The yen's decline toward multi-decade lows prompted rare coordinated intervention by Japan and the United States. The intervention itself is the signal: policymakers judged the speed and scale of the move sufficiently disorderly to act. The subsequent retracement shows that intervention changed the price temporarily without fully resolving the underlying rate, fiscal and energy pressures.

USD/JPY — YEN CARRY-TRADE CANARY

For now, this Canary remains Watchful rather than Elevated Risk. The danger is not yen weakness in isolation. It is the transmission chain: renewed depreciation, pressure across Asian currencies, official intervention, Japanese asset repatriation, higher Treasury yields and a disorderly unwind of leveraged carry positions.



The Long Bond Is Challenging the Expansion

US 30-YEAR YIELD VERSUS GOLD



The US 30-year yield is near the highest level visible in decades even as Gold remains structurally strong. The combination reflects a market demanding compensation for

inflation, fiscal supply and duration risk. Credit remains healthy today, but a persistently high long-end cost of capital could eventually narrow the expansion's margin for error.

Canary Agreement

Two additional Canaries now deserve a place beside the yen and the long bond. First, the breakdown of the US-Iran pause has returned danger to the Strait of Hormuz, while Houthi attacks and blockade threats have reopened risk around the Red Sea and Bab el-Mandeb. Markets can reroute ships, but rerouting costs time, fuel, insurance and working capital. The signal is whether those costs begin appearing together in oil, freight, input prices, margins and inflation expectations.

Second, the Fed has removed the handrail. The FOMC held rates at 3.50-3.75 per cent, but three dissents for a hike revealed a more divided committee. Chairman Warsh's reluctance to provide forward guidance means markets must navigate with less policy signalling. If strong earnings and growth keep risk assets firm while long yields rise, financial conditions may tighten without another formal rate increase.

No single Canary currently signals imminent crisis. The important test is whether several independent signals begin moving together. Yen weakness plus rising long yields plus widening credit spreads would represent a materially different environment from yen weakness alone. Until that agreement appears, the correct response is attention-not prediction.

Capital Cycle Takeaway

The Canary is not telling us that something bad must happen. It is telling us that the air has changed.

Monthly Watch List

🔵 Global Liquidity

Question: Is the global liquidity impulse continuing to improve-and is US net liquidity confirming it?

Evidence to Monitor: Global Liquidity Index, US Net Liquidity, Liquidity Impulse and financial-conditions transmission.

🟠 Crypto-Native Liquidity

Question: Is deployable capital returning to the digital-asset system?

Evidence to Monitor: Stablecoin supply, its trend line, Bitcoin versus global liquidity and Bitcoin response to improving financial conditions.

🟡 Growth & Employment

Question: Can the growth reacceleration continue without reigniting inflation or materially weakening employment?

Evidence to Monitor: ISM Manufacturing, Services PMI, unemployment, payroll momentum and ISM Prices Paid.

🟢 Credit & Duration

Question: Are healthy credit markets beginning to feel the pressure of expensive long-duration capital?

Evidence to Monitor: Investment-grade and high-yield spreads, bank-credit growth, HYG/TLT, lending standards and the US 30-year yield.

🎯 Confidence, Leadership & Rotation

Question: Is participation broadening-or is capital becoming even more concentrated?

Evidence to Monitor: VIX, equity participation, cap-weighted versus equal-weight performance, Nasdaq leadership, Gold, Bitcoin and relative-performance ratios.

🔴 Macro Risks & The Canaries

Question: Could an external shock begin changing the underlying Capital Cycle?

Evidence to Monitor: The US-Iran conflict, Hormuz shipping, the Houthi Red Sea blockade, oil and freight costs, USD/JPY, further intervention, Federal Reserve communication and long-bond yields.

Monthly Watch List

The Watch List identifies the evidence most likely to influence next month's Capital Cycle assessment. Its purpose is not to predict outcomes. It is to show us what would confirm that the expansion is strengthening, stabilising or beginning to change.

Capital Cycle Takeaway

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

Closing

The Capital Cycle rarely changes in one dramatic moment. More often, its internal relationships begin changing before the regime itself does.

That is what August has shown us.

Liquidity remains abundant, but its transmission is uneven. Growth is strengthening, but price pressure remains. Credit is healthy, but long-duration capital is expensive. Equity leadership is intact, but narrow. Bitcoin is attractively valued, but structurally unconfirmed. The yen has been stabilised, but not repaired.

None of those observations requires us to predict a crisis or abandon the expansion. They require us to pay closer attention to how the pieces interact.

We are not trying to be right. We are trying to follow the evidence.

Keep watching the evidence. Keep challenging your assumptions. Keep learning.

The Capital Cycle never asks you to predict the future.

It simply asks you to pay attention to the evidence.

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 is not 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 will spend less time reacting to markets and more time understanding them.

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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