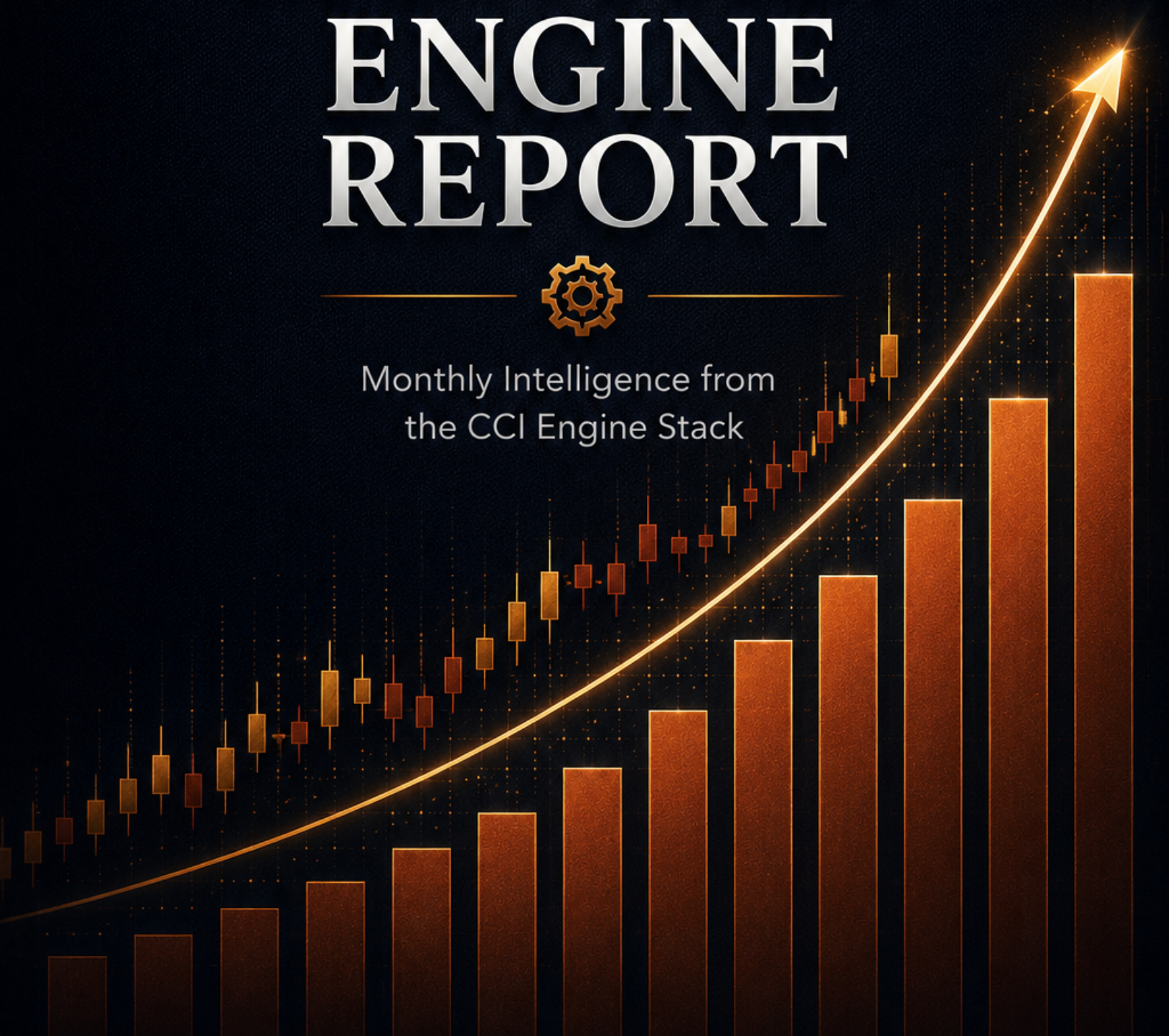
CAPITAL CYCLE

INTELLIGENCE

CCI MONTHLY ENGINE REPORT

Monthly Intelligence from the CCI Engine Stack



MONTHLY ENGINE REPORT

For Top Tier Members Only

August 2026

Institutional Evidence. Disciplined Decisions.

A Capital Cycle Perspective

Price is the Output

Liquidity, Growth and Credit are the Inputs

PURPOSE

To provide Top Tier members with a complete monthly assessment of the Capital Cycle Intelligence framework by combining all seven engines, the month-end Weekly Read and active Canary intelligence into one institutional investment briefing.

This Month's Headline

The August evidence became more constructive without becoming fully confirmed. Expansion remains dominant, probability stability improved materially and Bitcoin recovered from deep value. Gold nevertheless retains provisional leadership, while market structure and execution permissions continue to lag the improving backdrop.

KEY MESSAGE

Opportunity is improving faster than permission. The portfolio already reflects the strongest confirmed expression of the framework, so Gold and cash remain appropriate and no change is required.

Delivery Note

This edition reviews August using the complete engine reports and Weekly Read dated 7 September 2026. The MSI incorporates the month-end US ISM and global manufacturing PMI releases published after the August close.

HOW TO READ THE STACK

Seven specialist committees reporting to one investment committee.

Each engine answers a different question. Together they answer one: What should an informed investor actually do?

Step 1 - Understand the Environment

The Macro Regime Engine establishes whether liquidity, growth and credit are providing fuel or removing it. The Probability Engine measures which macro path is most likely and whether that conclusion is stable.

Step 2 - Identify Leadership and Context

The Capital Intelligence System identifies the asset attracting capital. The BTC Log Regression Channel establishes valuation context without overriding leadership.

Step 3 - Assess Restraint and Permission

The Conviction Engine judges the quality of agreement across the evidence. The Masterplay Engine determines what the framework is actually permitting now.

Step 4 - Execute

The Portfolio Manager integrates the complete stack into holdings, allocation ranges and action. It is the only section authorised to publish portfolio allocations and it remains the final authority where upstream signals differ.

MEMBER TAKEAWAY

A supportive backdrop, improving valuation and strong raw evidence can coexist with restricted execution. Confirmation, not enthusiasm, determines when capital moves.

EXECUTIVE SUMMARY

August strengthened the case for macro persistence. The MSI remains in Expansion at 69, liquidity and credit remain supportive, and the Probability Engine cleared July's WATCH condition as confidence spread widened to 47.54%, three-month drift turned positive and composite regime risk fell to 3 out of 100.

Market opportunity also improved. Bitcoin recovered to approximately US$80,363, reclaimed the negative-one-standard-deviation boundary and strengthened momentum to an RSI near 59 while remaining about 21% below long-term fair value. Gold nevertheless re-emerged as the current leadership asset, and the Capital Intelligence System continues to classify the hand-off as Transition rather than confirmed leadership.

That distinction keeps execution restrained. The Conviction Engine records an Extreme Risk-On raw score of 19 out of 25, but confidence remains Weak and the structural gate remains Transitional. The Masterplay therefore continues to block Bitcoin and alternative assets, recognise Gold as an opportunity only and preserve cash as strategic reserve.

BOTTOM LINE

The framework is constructive but controlled. Gold remains the preferred asset, Bitcoin remains an improving valuation opportunity, and the portfolio requires no change while structural confirmation remains incomplete.

CCI CANARY WATCH

Yen Carry Trade and Global Duration Risk

CURRENT STATUS

Yen Carry Trade Canary: WATCHFUL. Direction: FX stabilised, while positioning and duration risk remain. Actionability: monitor. Portfolio implication: no change currently warranted.

What Changed During August

The immediate currency dislocation moderated after policy intervention. USD/JPY retreated from approximately 164 before intervention toward the 155-156 region. Japan confirmed a record ¥15.4 trillion of support between 30 July and 26 August, while foreign reserves fell by a record US$79.6 billion during August to approximately US$1.208 trillion.

The operation interrupted the depreciation spiral, but it did not remove the underlying vulnerability. The intervention changed the speed of the move; it did not close the structural channel through which yen-funded leverage can transmit into global markets.

Carry Positioning Is Rebuilding

The initial intervention forced a material reduction in yen shorts. Available estimates indicate that approximately 85,000 contracts were removed from a combined leveraged-fund and asset-manager short position of roughly 185,000 contracts. Positioning nevertheless remains substantial, Japanese retail margin accounts shifted heavily toward short-yen exposure during July, and cross-border yen funding has continued to expand.

WHY IT MATTERS

The intervention reduced the combustible material but did not remove it. Rebuilt shorts would make markets more sensitive to unexpectedly rapid yen appreciation, accelerated Bank of Japan tightening or renewed intervention.

Bank of Japan Normalisation Is Now the Primary Trigger

The policy question has shifted from whether authorities will act to how the market absorbs further Bank of Japan normalisation. An orderly tightening cycle accompanied by gradual yen appreciation would be constructive. The risk is a rapid compression in the US-Japan rate differential that forces leveraged yen-funded positions to unwind together.

CCI CANARY ALERT CONTINUED

A Separate Global Duration Canary Is Emerging

Sovereign-bond pressure has become a distinct risk channel. US 10-year Treasury yields have approached 4.8%, while Japanese 10-year government-bond yields have approached 3%. The yen can stabilise while higher sovereign yields continue tightening the cost of capital, liquidity and credit conditions.

CANARY SEPARATION

Yen Carry Trade Canary: FX to carry positioning to forced deleveraging. Global Duration Canary: sovereign yields to cost of capital to liquidity to credit to financial stability. The channels can interact, but neither requires the other to become problematic.

Is Stress Reaching Credit

Not broadly. CCC-and-below option-adjusted spreads were approximately 10.51% on 3 September, but deterioration has not yet broadened into general high-yield, investment-grade or funding-market stress. The transmission chain from sovereign yields through corporate funding costs, lending conditions and forced deleveraging remains incomplete.

What Would Confirm the Risk Thesis

- Rapid renewed yen appreciation rather than orderly strengthening.
- Aggressive or unexpectedly accelerated Bank of Japan tightening.
- Further intervention alongside rebuilt leveraged yen-short positioning.
- Persistent deterioration in Japanese and US sovereign-bond market functioning.
- Synchronous weakness across Asian currencies, including KRW and IDR.
- Broadening from lower-quality credit into high yield, investment grade, funding or repo stress.
- Forced liquidation across otherwise unrelated risk assets.

What Would Permit an All Clear

- Orderly USD/JPY trading and gradual policy normalisation.
- Declining speculative yen shorts and resilient Asian currencies.
- Stabilising sovereign yields with contained credit spreads.
- Normal funding markets and no cross-asset deleveraging.

CCI CANARY VERDICT

The initial FX dislocation has been contained. The underlying transmission risk has not been resolved. Maintain WATCHFUL status and monitor without anticipating a crisis.

CAPITAL INTELLIGENCE SYSTEM

Question

Who is currently leading the market?

Executive Answer

Gold has re-emerged as the current leadership asset, but the hand-off remains developmental rather than confirmed. The system continues to reward durability over a single favourable observation.

Current State

Gold Leading | Transition | Stable direction | Regime unconfirmed

Prior State and Change

Gold leadership returned after the previous week's temporary move back into BTC-Gold choppiness. Trend persistence improved to 3, while Gold leadership persistence restarted at 1.

Current Signal

Gold leading | Trend persistence 3 | Gold leadership persistence 1

What We're Watching

- Uninterrupted Gold leadership readings.
- Further deterioration in the BTC/Gold ratio.
- Persistent USD weakness supporting Gold relative strength.
- Trend and leadership persistence accumulating together.

CCI Interpretation

Gold has produced its second leadership signal in three weeks, strengthening the defensive thesis without completing it. Repeated leadership attempts are not the same as sustained leadership. The system therefore recognises improving evidence while withholding confirmation.

ENGINE VERDICT

Gold leads, but leadership has not yet earned sufficient persistence for a confirmed regime transition.

MACRO REGIME ENGINE

Question

What macro environment are we operating in?

Executive Answer

Expansion remains firmly in place and macro pressure remains favourable. The level of support is strong, but the engine still classifies the trend as Deteriorating and regime confidence remains modest.

Current State

Expansion | MSI 69 out of 100 | Tailwinds Dominant | Trend Deteriorating | Regime confidence 27%

Prior State and Change

The MSI increased from 68 to 69. August US ISM moderated from 55.6 to 54.6 but remained comfortably expansionary, while the broader PMI backdrop improved slightly. Liquidity and credit continued to offset the loss of manufacturing momentum.

Current Signal

Positive contribution 69.24% | Negative contribution 0.00% | Supportive, but not accelerating

Manufacturing Interpretation

The month-end data show moderation rather than contraction. US manufacturing remains above the expansion threshold despite easing from July, while the global manufacturing backdrop remains constructive. The combination supports continued Expansion but does not justify calling the direction decisively stronger.

What We're Watching

- Whether ISM stabilises or continues moderating.
- Whether the wider PMI improvement broadens.
- Liquidity and Treasury liquidity impulse.
- Credit conditions, inflation pressure and confidence rebuilding from 27%.

CCI Interpretation

The macro environment is still providing fuel. Liquidity is supportive, growth remains expansionary and credit conditions are contained. The qualification is momentum: supportive conditions are not the same as accelerating conditions, and macro permission cannot substitute for leadership or structural confirmation.

ENGINE VERDICT

Expansion remains the correct macro regime, with substantial tailwinds but only moderate directional conviction.

PROBABILITY ENGINE

Question

How likely is the current regime to continue?

Executive Answer

Expansion remains the statistically dominant regime, and the quality of that conclusion improved materially during August.

Current State

Expansion | Strong persistence | Low composite risk | Regime alert OK

Prior State and Change

July's WATCH condition cleared. Confidence spread recovered to a healthy level, three-month drift turned positive and composite transition risk collapsed from 45 to 3.

Current Signal

Expansion 69.90% | Distribution 22.36% | Contraction 7.75% | Confidence spread 47.54% | Three-month drift +0.38% | Composite risk 3

What We're Watching

- Persistence of the restored confidence spread.
- Whether positive drift continues.
- Any renewed rise in Distribution or Contraction probability.
- Consistency between probability stability and the MSI trend.

CCI Interpretation

The probability hierarchy changed only modestly, but its internal stability improved substantially. Expansion now has wider separation from competing regimes, positive momentum and exceptionally low transition risk. This strengthens the backdrop without guaranteeing persistence.

ENGINE VERDICT

Expansion remains the highest-probability and most stable macro path. The burden of proof rests with any competing regime.

BTC LOG REGRESSION CHANNEL

Question

Is Bitcoin currently cheap, fairly valued or expensive?

Executive Answer

Bitcoin remains cheap relative to its long-term trend, but the quality of the opportunity improved as price reclaimed the deep-discount boundary and momentum repaired.

Current State

Discounted / Cheap | Constructive and recovering momentum | Above the negative-one-standard-deviation boundary

Prior State and Change

Bitcoin moved from deep-value bottoming toward discounted recovery. Price recovered materially from the June-July lows, while RSI advanced from the high-30s to approximately 59.

Current Signal

Bitcoin US$80,363 | Fair value US$101,689 | 21.0% below fair value | Negative-one-standard-deviation level US$63,807 | RSI 59.0

What We're Watching

- Price holding above the reclaimed deep-discount boundary.
- Momentum remaining constructive without becoming overheated.
- Progress toward fair value near US$101,700.
- Bitcoin improving relative leadership versus Gold.

CCI Interpretation

The message has changed from deeply discounted with weak structure to discounted with repairing momentum. That is a meaningful improvement in opportunity quality. It still does not override the Capital Intelligence and Masterplay requirements for leadership and execution permission.

ENGINE VERDICT

Bitcoin offers favourable long-term asymmetry and a strengthening recovery, but valuation remains context rather than an allocation instruction.

CONVICTION ENGINE

Question

Given all available evidence, how confident should we be?

Executive Answer

The raw evidence is exceptionally constructive, but weak structural agreement prevents it from becoming an aggressive portfolio instruction.

Current State

Extreme Risk-On raw signal | Selective Risk-On capped | Weak confidence | Transitional structural gate

Prior State and Change

The raw score improved to 19 out of 25, but the posture remains capped. Liquidity, macro, valuation and cycle behaviour strengthened faster than market structure and participation.

Current Signal

Raw score 19 out of 25 | Portfolio intensity 25% controlled | Review manually and await stronger confirmation

What We're Watching

- Market structure moving from opposing to supportive.
- Broader participation across equity and crypto markets.
- Bitcoin relative performance versus Gold and major equity benchmarks.
- The structural gate progressing beyond Transitional.

CCI Interpretation

Strong evidence without broad agreement does not justify high conviction. The direction of the evidence is favourable, but its quality remains uneven. Capital can remain selectively constructive, while urgency and aggressive sizing remain inappropriate.

ENGINE VERDICT

Opportunity is substantial, but conviction remains capped until structure and breadth confirm the macro case.

MASTERPLAY ENGINE

Question

What is the framework allowing us to do?

Executive Answer

The framework recognises Expansion, improving liquidity and Gold leadership, but it continues to withhold execution authority because leadership is not confirmed.

Current State

Expansion | Gold dominant | Defensive portfolio bias | Stand Down and await confirmation

Prior State and Change

The execution posture is unchanged. Improving macro and valuation evidence increased opportunity, but the final rotation gate remained closed.

Current Signal

Bitcoin blocked | Gold opportunity only | Cash strategic reserve | Alternatives disabled | Rotation not permitted

What We're Watching

- Gold leadership becoming persistent and confirmed.
- Bitcoin reclaiming relative leadership.
- Alignment between Conviction and Capital Intelligence.
- Any activation of the alternative-asset pathway.

CCI Interpretation

The Masterplay separates finding opportunity from receiving permission to act. It refuses to convert a supportive backdrop, cheap Bitcoin or provisional Gold leadership into premature rotation. Capital preservation remains preferable while confirmation is incomplete.

ENGINE VERDICT

Opportunity is increasing, but execution authority has not yet been granted.

POSITIONING IMPLICATIONS

What the integrated evidence permits across the active asset set.

Bitcoin

Current read: cheap, recovering and technically improved, but not the confirmed leader. Permitted stance: no new portfolio allocation. Continue preparation and monitoring rather than anticipate rotation.

Alternative Assets

Current read: the engine remains disabled. Permitted stance: no exposure. No active phase, eligibility set or rotation pathway exists.

Gold

Current read: provisional leader and fastest horse. Permitted stance: maintain the existing strategic position. Leadership is improving, but new execution remains confirmation-dependent.

Cash

Current read: strategic reserve and source of optionality. Permitted stance: maintain within the current portfolio structure while leadership and structural confirmation mature.

PRACTICAL IMPLICATION

Stay with the confirmed portfolio expression. Improving macro evidence and Bitcoin valuation do not yet justify changing the Gold-and-cash posture.

Where the Engines Agree

Expansion remains the dominant macro regime, liquidity is supportive, Gold currently leads and Bitcoin represents an improving long-term opportunity. Alternative assets remain unavailable and no engine requires immediate portfolio change.

Where the Engines Conflict

Probability stability and raw conviction improved strongly, while the MSI trend, market structure, leadership persistence and Masterplay permissions remain more cautious. The appropriate description is constructive, controlled and confirmation-dependent.

PORTFOLIO MANAGER

Question

What do I own, what should I own, and do I need to do anything?

Executive Answer

The portfolio remains fully aligned with the complete engine stack. Gold anchors the portfolio, cash preserves optionality and negligible drift requires no corrective action.

Fastest Horse

Gold

Regime

Expansion

Risk State

Risk-On, controlled

Rotation Status

Hold

Action Required

None

Current Position

Gold 84.41% | Cash 15.59% | Bitcoin 0% | Alternatives 0%

Target Position

Gold 85% | Cash 15% | Bitcoin 0% | Alternatives 0%

Portfolio Health

Healthy | Fully aligned | Minimal drift

Portfolio Value and P&L

Portfolio value US$286,941.05 | Unrealised P&L -US$11,350.02 (-3.81%)

What We're Watching

- Gold remaining within its approved allocation range.
- Leadership persistence and the potential Gold-to-Bitcoin hand-off.

- Any formal change in Masterplay permissions or portfolio targets.
- Portfolio drift and mark-to-market risk.

CCI HOUSE VIEW

CCI Interpretation

The portfolio accurately reflects the framework's current view. Gold remains the preferred holding, cash preserves flexibility and the absence of Bitcoin or alternative exposure reflects the requirement that confirmation precede allocation. Gold is only 0.59 percentage points below target, offset by cash 0.59 points above target, and no drift flag has been triggered.

August improved the macro and valuation evidence without resolving the final execution constraint. Expansion became statistically more stable, Bitcoin's recovery strengthened and Gold leadership reappeared. Yet confidence remains Weak, the structural gate remains Transitional and leadership persistence is still at an early stage.

Greatest Opportunity

Maintain exposure to the current leader while preparing for a possible future rotation if Bitcoin's recovery develops into confirmed relative leadership. Optionality has value while the evidence is improving but not unanimous.

Greatest Risk

The primary portfolio risk is acting before leadership and structure confirm. The separate Canary risk is a disorderly interaction between rebuilt yen-funded positioning, Bank of Japan normalisation and persistent sovereign-duration pressure that begins transmitting into credit and forced deleveraging.

What Needs to Change

- Gold leadership either accumulates durable confirmation or decisively fails.
- Market structure and breadth strengthen alongside the macro evidence.
- Bitcoin improves relative strength, not only absolute price and valuation.
- Conviction confidence advances from Weak toward Moderate or Strong.
- Masterplay formally opens a rotation pathway.
- Canary transmission remains contained or earns a defensible all clear.

CHAIRMAN'S VERDICT

Remain aligned. Hold existing allocations. Monitor the Canary and improving opportunity set, but allow confirmation rather than anticipation to determine the next portfolio change.

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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