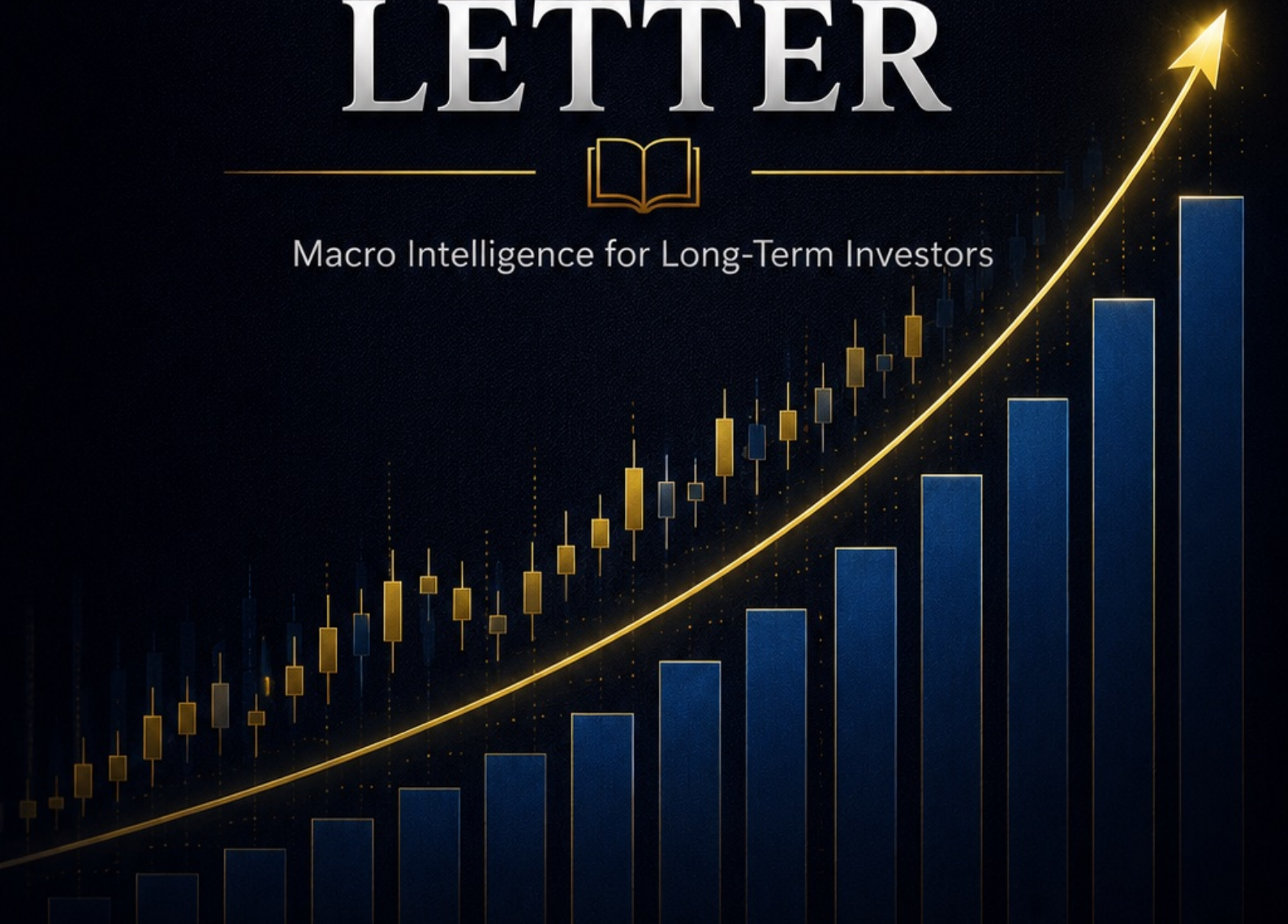
CAPITAL CYCLE

INTELLIGENCE

THE CAPITAL CYCLE LETTER

Macro Intelligence for Long-Term Investors



THE PRICE OF RESILIENCE

September 2026 Edition

MATURE EXPANSION

The Expansion Holds, But the Cost of Sustaining It Is Rising

Core Thesis

The Mature Expansion remains intact. Global liquidity is supportive, growth is reaccelerating, credit remains constructive and market leadership persists. But August revealed that resilience is becoming increasingly expensive.

Energy disruption has returned inflation pressure to the system. Long-duration yields are raising the cost of capital. Housing is beginning to feel that pressure. And changing Japanese monetary

conditions are challenging the economics of global leverage.

None of these pressures has yet transmitted into broad credit stress. **That distinction matters.**

The evidence continues to support participation—but with greater selectivity, discipline and attention to the Canaries.

The Expansion has absorbed another month of pressure. It has not absorbed it for free.

CAPITAL CYCLE INTELLIGENCE

Evidence Before Opinion, Process Before Prediction

WELCOME TO THE CAPITAL CYCLE LETTER

August was a month of contrasts.

War disrupted one of the world's most important energy corridors. Oil returned to the inflation conversation. Long-term interest rates remained stubbornly high. The Yen strengthened as Japan continued its journey away from decades of extraordinarily cheap money. Across parts of the world, record heat, drought and wildfire provided another reminder that economic cycles unfold within a much larger human story.

And yet the global economy kept moving.

Growth remained resilient. Credit markets remained calm. Liquidity remained available. Technology and artificial intelligence continued to lead global equity markets, while Gold attracted capital from investors and central banks seeking protection.

That combination is important.

Markets are often discussed as though they must choose between strength and weakness, optimism and fear, risk and safety. August reminded us that the real world is rarely so accommodating.

An economy can remain strong while becoming more expensive to finance. Investors can pursue opportunity while simultaneously buying protection. Liquidity can be abundant while capital becomes increasingly selective about where it chooses to go.

This is the environment we explore in this month's Capital Cycle Letter.

Our evidence continues to place the global economy within a **Mature Expansion**. Liquidity, Growth and Credit remain constructive. But around those foundations, several pressures are becoming more visible. Energy is feeding into inflation. The Long Bond is raising the price of capital. Housing is beginning to feel the consequences. And several of our Canaries are becoming more vocal.

None of this tells us that the Expansion must end.

It tells us something more useful:

the conditions required to sustain it are becoming increasingly demanding.

That is why this month's Letter is called **The Price of Resilience**.

As always, our objective is not to predict what happens next. It is to understand where we are, recognise when the evidence begins to change, and respond intelligently as the Capital Cycle unfolds.

Welcome to the September edition of **The Capital Cycle Letter**.

Let's follow the evidence.

AT A GLANCE

The Capital Cycle — September 2026

Regime

MATURE EXPANSION

Overall Score

7.4 / 10

Risk State

🟡 **Increasing but Controlled**

Portfolio Stance

Participate with Discipline

The Evidence

Liquidity — 7.2
Supportive, but transmission remains uneven.

Growth — 7.4
Reaccelerating, with renewed input-cost pressure.

Credit — 7.8
Constructive. The systemic referee remains calm.

Confidence — 6.8
Positive, but increasingly selective.

Leadership — 8.0
Strong and persistent, although concentrated.

Capital Rotation — 7.1
Orderly, with capital continuing to reinforce established leadership.

What Changed?

Energy returned to the inflation equation.
Middle East disruption has pushed oil and transport costs higher, adding renewed supply-side pressure to an economy that remains resilient.

The price of capital became more restrictive.
Long-term Treasury yields remain elevated, and the consequences are beginning to move beyond financial markets into mortgages and housing.

The Canaries became more vocal.
The Long Bond, Yen Carry Trade and Energy Canaries are now singing simultaneously, while Reserve Diversification has joined the watch as a slower-moving structural development.

Where Is Capital Going?

Capital continues to favour **AI and Technology, large-cap US equities and Gold**.

Broader equities continue to participate, but market breadth remains less convincing.

Bitcoin and Crypto remain the notable outlier: macro liquidity is supportive, but transmission and relative leadership remain impaired.

The marginal dollar is reinforcing existing leadership rather than searching aggressively for new leadership.

The CCI View

The Expansion remains intact.

The important change is not the regime itself, but the **environment surrounding it**.

Liquidity remains available. Growth remains expansionary. Credit remains healthy.

But inflation pressure is returning, long-duration capital is expensive, housing is beginning to feel the consequences, and several independent Canaries are becoming more vocal.

Pressure is rising. Transmission is occurring. The pillars have not yet broken.

EXECUTIVE SUMMARY

August tested the resilience of the Mature Expansion from several directions at once.

Conflict in the Middle East disrupted energy supply and pushed oil back into the inflation equation. Higher fuel and transport costs began appearing in measured inflation at a time when economic activity remained surprisingly resilient. Meanwhile, renewed tariff tensions introduced an additional source of potential input-cost pressure.

Ordinarily, weaker growth might provide central banks with room to respond.

August offered no such simplicity.

Manufacturing continued to strengthen. Services remained expansionary. Employment moderated without breaking. The result was an uncomfortable combination: **an economy strong enough to continue expanding, but increasingly strong enough to complicate the inflation and monetary-policy outlook.**

That tension became particularly visible in the bond market.

Long-term US Treasury yields remained historically elevated even as liquidity conditions stayed supportive. The quantity of capital available to the financial system was not the problem. **The price being demanded for long-duration capital was.**

That distinction is beginning to matter beyond financial markets.

Mortgage rates have risen alongside long-term Treasury yields, housing demand has weakened and inventory has increased. This is not yet a housing or Credit crisis. Distressed selling remains limited and broader Credit conditions remain constructive. But it provides early evidence that expensive duration is beginning to transmit into the real economy.

At the same time, another important shift is taking place in Japan.

The Yen has strengthened materially, Japanese government bond yields have risen and the Bank of Japan continues moving away from the extraordinarily cheap monetary conditions that supported global Yen-funded leverage for decades. Positioning has adjusted sharply. Yet there is still no evidence of the disorderly global deleveraging that would justify treating the Yen Carry Trade as a systemic event.

Once again, the distinction is important:

the conditions have changed; the system has not broken.

Capital markets themselves reinforce that conclusion.

Technology and artificial intelligence remain dominant sources of equity leadership. Large-cap US equities continue attracting capital. Gold remains exceptionally strong as investors and central

banks seek protection. Broader equities are participating, although less convincingly, while Bitcoin and Crypto remain notable exceptions to otherwise supportive global liquidity conditions.

The message is not broad Risk-On or broad Risk-Off.

It is **selectivity**.

Investors appear willing to own opportunity and insurance simultaneously.

Beneath these immediate developments, slower structural questions are also emerging. Central banks continue accumulating Gold, some major sovereign holders have reduced Treasury exposure, and reserve managers are becoming increasingly deliberate about where reserves are held and under whose jurisdiction. The evidence does **not** support claims of wholesale abandonment of the US Dollar. It does, however, raise a longer-term question that deserves watching:

Who will provide the marginal capital required to finance increasingly large sovereign borrowing requirements—and at what price?

None of these developments, individually, is sufficient to end an economic expansion.

Together, however, they explain why the CCI Canaries have become more vocal.

Energy is pressuring inflation. The Long Bond is raising the price of capital. Housing is beginning to feel the consequences. The Yen is changing the economics of global leverage. Reserve diversification is quietly changing the behaviour of some sovereign capital.

Yet the most important Canary remains calm.

Credit has not broken.

Investment-grade and high-yield markets remain constructive. Bank lending continues. Financial stress remains contained. Liquidity remains available.

That agreement between **Liquidity, Growth and Credit** is why the CCI Regime remains a **Mature Expansion**, scoring **7.4 / 10**.

The regime has not changed.

Its margin for error has.

The CCI Position

The evidence continues to support **Participate with Discipline**.

This is not an environment that presently justifies retreating from risk simply because pressures exist. Nor is it one that rewards ignoring those pressures because markets continue rising.

Capital remains available, but increasingly selective.

Leadership remains strong, but concentrated.

Growth remains constructive, but inflation is complicating the policy environment.

Credit remains healthy, but expensive duration is beginning to transmit into the real economy.

The appropriate response is therefore neither complacency nor fear.

It is disciplined participation while continuing to watch for evidence that today's individual pressures are beginning to reinforce one another.

Pressure is rising. Transmission is occurring. The pillars have not yet broken.

That is **The Price of Resilience**.

🐤 CCI Canary Watch — Current Status

Several Canaries Are Becoming More Vocal

The CCI Canaries are designed to detect changes in conditions **before those changes become obvious in the broader Capital Cycle**.

August did not produce a systemic warning. But several independent Canaries moved sufficiently to deserve greater attention.

Canary	Status	Current Signal
Global Liquidity	🟢 Stable	Liquidity remains abundant and supportive of the Expansion.
Credit Stress	🟢 Stable	Investment-grade and high-yield Credit remain constructive.
Financial Stress	🟢 Stable	No evidence of broad financial-system disorder.
Long Bond	🟡 Watchful	Long-duration capital remains expensive, with transmission now visible in housing.
Yen Carry Trade	🟡 Watchful	Yen strength, rising Japanese yields and changing BOJ policy are reducing the attractiveness of Yen-funded leverage.
Oil & Energy	🟡 Watchful	Energy disruption is transmitting into inflation and reducing monetary-policy flexibility.
Reserve Diversification	🟡 Emerging Watch	Gold accumulation and changing sovereign reserve behaviour warrant longer-term observation.

What Are the Canaries Saying?

The message is not that a crisis is approaching.

It is that **the environment surrounding the Expansion has become less forgiving**.

Energy is raising the cost of living and doing business. The Long Bond is raising the cost of capital. Housing is beginning to feel that pressure. The Yen is changing the economics of global leverage. And sovereign reserve managers are becoming more deliberate about how and where national savings are held.

Individually, none is sufficient to challenge the current regime.

More importantly, the Canaries that would tell us these pressures are becoming systemic remain quiet.

Credit remains healthy. Financial stress remains contained. Global liquidity remains available.

That distinction keeps the Canary Watch firmly at **watchful**, rather than alarmed.

CCI Canary Assessment

No single Canary is presently signalling that the Mature Expansion is ending. Several are, however, beginning to sing at the same time.

For now, the evidence supports continued observation rather than escalation.

The Expansion remains intact.

The air has changed. We are listening.

SECTION 1

THE CURRENT MACRO REGIME

Question: What environment are we operating in?

Mature Expansion — Pressure Without Regime Change

August presented the global economy with no shortage of reasons to weaken.

Energy costs rose. Inflation pressure returned. Long-term interest rates remained restrictive. Geopolitical uncertainty increased. Global funding conditions began shifting as Japan continued moving away from decades of extraordinarily cheap money.

Yet when we step away from those individual pressures and examine the underlying Capital Cycle, the evidence remains remarkably resilient.

The regime has not changed.

Liquidity remains supportive. Growth is reaccelerating. Credit conditions remain constructive. Confidence is positive, although increasingly selective. Market leadership remains strong, and capital continues to rotate toward established winners rather than retreating broadly from risk.

The CCI Regime Score therefore remains:

7.4 / 10 — MATURE EXPANSION

Factor	Score	Direction
Liquidity	🟢 7.2 / 10	Supportive
Growth	🟢 7.4 / 10	Reaccelerating
Credit	🟢 7.8 / 10	Stable
Confidence	🟡 6.8 / 10	Selective
Overall Regime	🟢 8 / 10	Mature Expansion
Capital Rotation	🟢 7.1 / 10	Stable

The significance of these scores lies less in any individual reading than in their **agreement**.

The three foundations of the Capital Cycle — **Liquidity, Growth and Credit** — remain constructive simultaneously.

That agreement matters.

A genuine transition toward Slowdown would normally begin to reveal deterioration across several of these pillars. Liquidity might weaken. Growth momentum might roll over. Credit spreads might widen. Lending conditions might tighten. Leadership might deteriorate as capital sought increasingly defensive shelter.

August provides little evidence of that sequence.

Instead, the economy remains firmly within Expansion.

But it is becoming a more demanding Expansion.

Why Mature Expansion?

A Mature Expansion is not defined simply by age.

It describes an environment in which the primary foundations of the cycle remain constructive, while the conditions required to sustain them become increasingly demanding.

That is precisely what we see today.

Liquidity is abundant — but transmission is uneven.

Growth is resilient — but input costs are rising.

Credit is healthy — but long-duration capital is expensive.

Confidence is constructive — but investors are buying protection alongside opportunity.

Leadership is strong — but increasingly concentrated.

Capital rotation remains orderly — but the marginal dollar is becoming more selective.

None of those qualifications overturns the Expansion.

Together, however, they tell us something important about its character.

The system is not weak. It is selective.

And selectivity often becomes increasingly important as an Expansion matures.

The Macro Compass

🧭 Where Are We?

Regime: Mature Expansion
Regime Score: 7.4 / 10
Regime Confidence: High
Persistence Confidence: Moderate
Risk State: 🟡 Increasing but Controlled
Portfolio Stance: Participate with Discipline

The distinction between **Regime Confidence** and **Persistence Confidence** is particularly important this month.

We have high confidence about **where we are**.

We have less confidence about **how long the current conditions can persist unchanged**.

Energy pressure, restrictive long-term yields, changing global funding conditions and increasingly concentrated leadership all reduce the margin for error. But those are potential transmission mechanisms—not evidence that the regime has already changed.

We can be confident about where we are while remaining less confident about how long those conditions will persist.

That is the appropriate posture for a Mature Expansion.

What Would Change Our View?

CCI does not become more cautious because a narrative becomes uncomfortable. Nor do we remain constructive simply because markets continue rising.

The evidence must change first.

A genuine deterioration in the current regime would require increasing agreement among indicators such as:

Growth momentum weakening materially; Credit spreads widening; lending standards tightening; liquidity impulse deteriorating; financial stress increasing; and established market leadership beginning to break.

Conversely, the Expansion would become more secure if market participation broadened, input-price pressure eased, long-term yields stabilised, Credit remained healthy and currently impaired areas of liquidity transmission began responding again.

Neither outcome needs to be predicted.

They simply need to be observed.

Capital Cycle Takeaway

August tested the Expansion without overturning it.

The primary pillars remain constructive and continue to agree. What has changed is the environment surrounding them.

The Expansion now requires greater resilience against expensive capital, renewed inflation pressure and increasingly selective capital allocation.

The regime remains Mature Expansion. The cost of sustaining it is rising.



CCI LEARNING MOMENT

A regime is not a headline

A regime does not change because risks appear. It changes when those risks begin changing the evidence.

Markets are surrounded by potential threats in every cycle.

The discipline lies in distinguishing between a risk that **could** change the regime and evidence showing that it **has**.

That distinction prevents investors from becoming complacent when conditions deteriorate—and equally prevents them from abandoning a constructive regime simply because the world feels uncomfortable.

Follow the evidence until the evidence gives you a reason to change.

CAPITAL CYCLE DASHBOARD

Where are we?

CURRENT REGIME

🟢 **Mature Expansion**

OVERALL SCORE

7.4 / 10

CONFIDENCE

Moderate

CAPITAL CYCLE SCORECARD

Liquidity	🟢 **7.2**
Growth	🟢 **7.4**
Credit	🟢 **7.8**
Confidence	🟡 **6.8**
Leadership	🟢 **8**
Capital Rotation	🟢 **7.1**

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

|

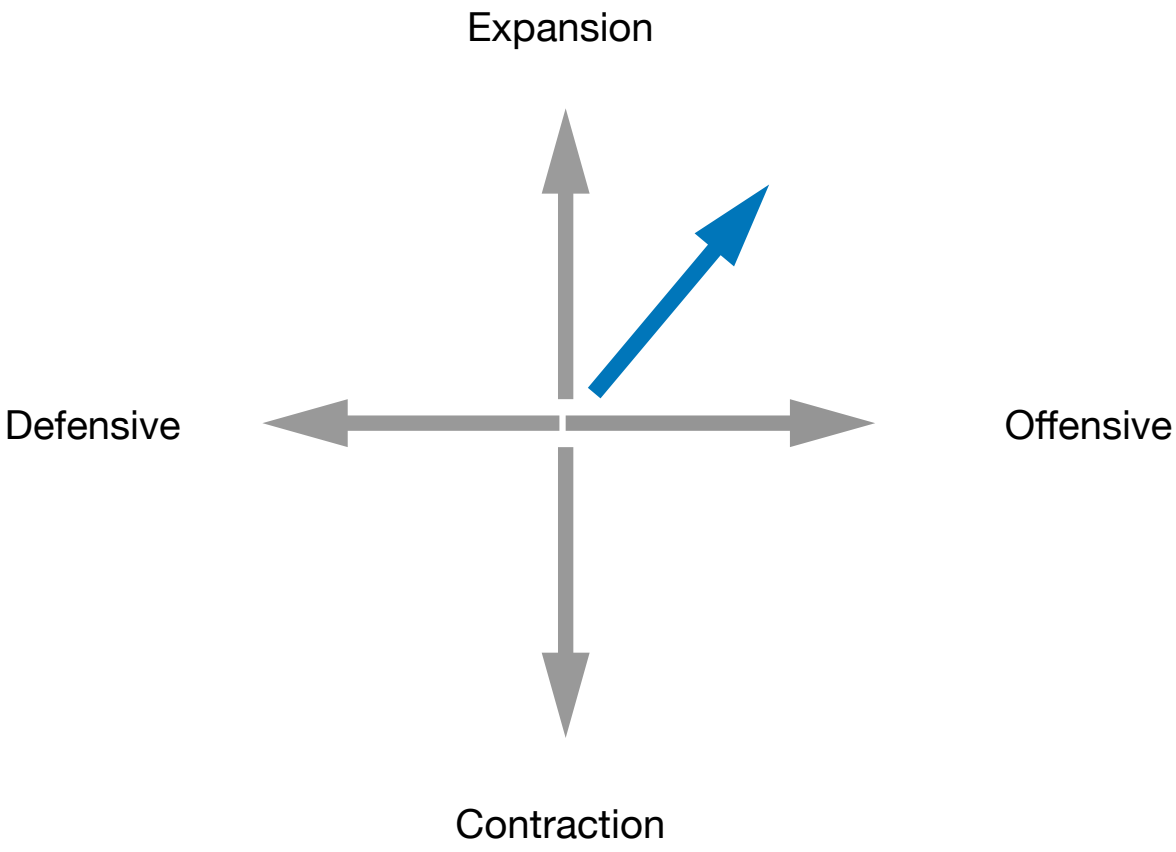
Expansion

⭐ 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	🟢	🟡	🟡	🟡

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.

SECTION 2 - LIQUIDITY

Liquidity Is Available. Transmission Is Selective.

Liquidity remains one of the strongest foundations supporting the Mature Expansion.

Global liquidity is expanding near historically elevated levels. The liquidity impulse is recovering. US net liquidity remains supportive, even if its rate of improvement has moderated.

On the surface, that should provide a favourable environment for financial assets.

And broadly, it does.

But August also delivered an important reminder:

Abundant liquidity does not mean abundant liquidity everywhere.

Capital must still travel through financial markets before it reaches individual assets. And increasingly, that transmission is becoming selective.

The Liquidity Dashboard

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

Liquidity State: 🟢 Supportive

Direction: ↗ Improving, but Uneven

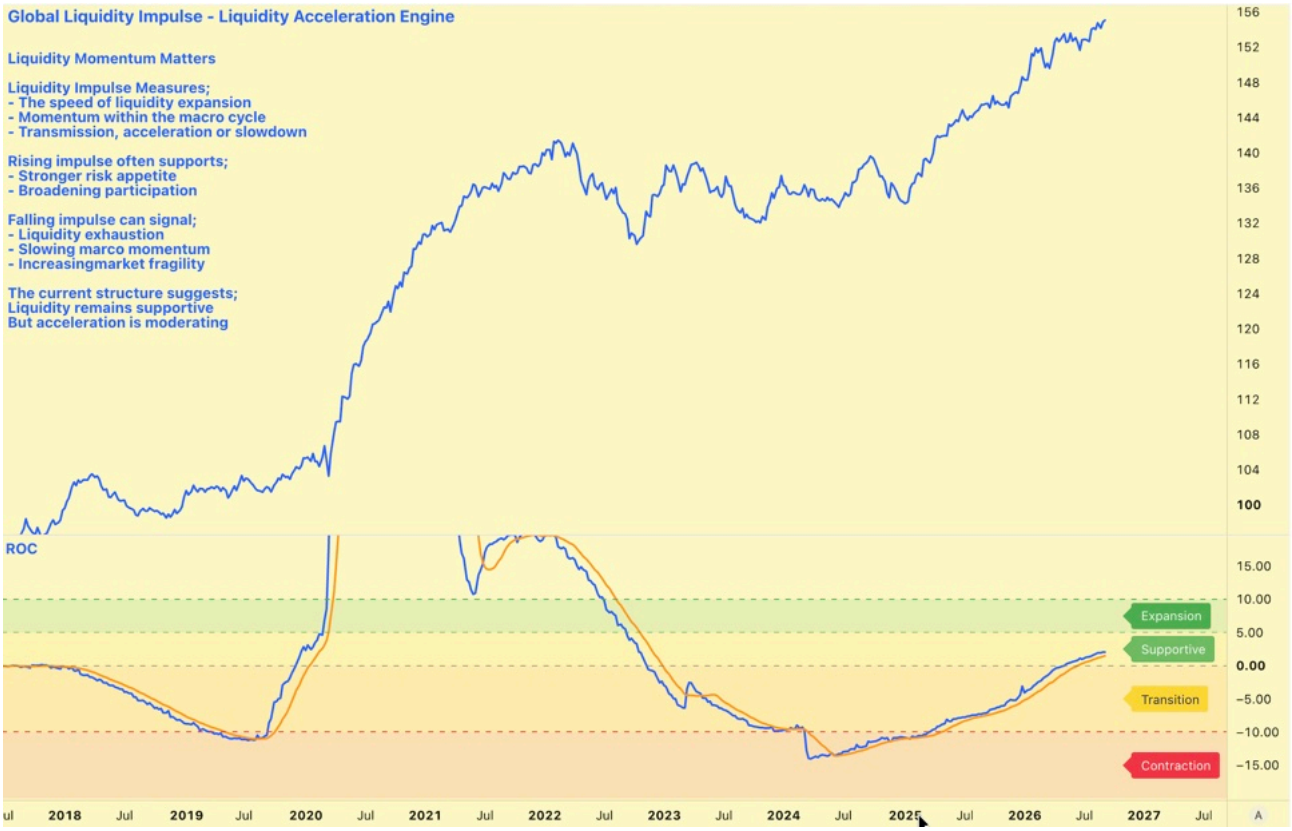
The hierarchy matters.

GLOBAL LIQUIDITY — THE PRIMARY DRIVER



CCI TAKEAWAY — Global liquidity remains firmly supportive, providing a constructive monetary backdrop for risk assets. The important question is no longer whether liquidity is available, but how effectively that liquidity is transmitting through markets.

GLOBAL LIQUIDITY IMPULSE — LIQUIDITY ACCELERATION ENGINE



CCI TAKEAWAY — The Liquidity Impulse is improving, indicating that the rate of change in liquidity conditions is becoming more constructive. Liquidity is therefore not only available at the global level; its underlying momentum is beginning to improve.

At the highest level, **capital is available**.

Global liquidity remains strong enough to provide the financial system with permission to expand. There is no broad withdrawal of liquidity consistent with an approaching contraction.

The liquidity impulse adds another constructive signal. Rather than continuing to deteriorate, the rate of change has begun recovering.

US liquidity tells a slightly more measured story. Conditions remain supportive, but the domestic impulse is less dynamic than the global picture.

None of this is particularly concerning.

The more interesting development appears when we examine **where that liquidity is actually going**.

US NET LIQUIDITY — SYSTEM FUEL



CCI TAKEAWAY — US Net Liquidity remains constructive, but its rate of improvement is more restrained than the broader global liquidity picture. This helps explain why abundant global liquidity does not necessarily translate into uniform asset performance.

The Transmission Test

One of the most useful comparisons this month comes from observing how different assets are responding to the same global liquidity environment.

Technology and the Nasdaq continue responding constructively.

Bitcoin does not.

That distinction matters.

If global liquidity were genuinely disappearing, we would expect weakness across a much broader range of liquidity-sensitive assets.

Instead, capital continues flowing into established equity leadership while Bitcoin remains comparatively unresponsive.

This suggests that the problem is not primarily:

“There isn't enough liquidity.”

It is:

“Liquidity is not transmitting equally.”

That changes the diagnosis completely.

NASDAQ vs GLOBAL LIQUIDITY — EQUITY TRANSMISSION



CCI TAKEAWAY — The relationship between Global Liquidity and the Nasdaq demonstrates that supportive liquidity is transmitting into risk assets. The divergence with Bitcoin therefore argues against a simple liquidity-shortage explanation. Capital has liquidity available to deploy — it is choosing where to deploy it.

The Crypto-Native Exception

Stablecoin liquidity provides another piece of the puzzle.

While global liquidity remains strong, crypto-native liquidity has weakened. Stablecoin conditions score only **5.0**, materially below the broader global liquidity environment.

That helps explain why Bitcoin has struggled to respond as strongly as traditional liquidity relationships might suggest.

The macro environment may provide permission.

But the internal transmission mechanism still matters.

This is an important distinction because investors can easily assume that rising global liquidity should automatically produce rising prices across every historically liquidity-sensitive asset.

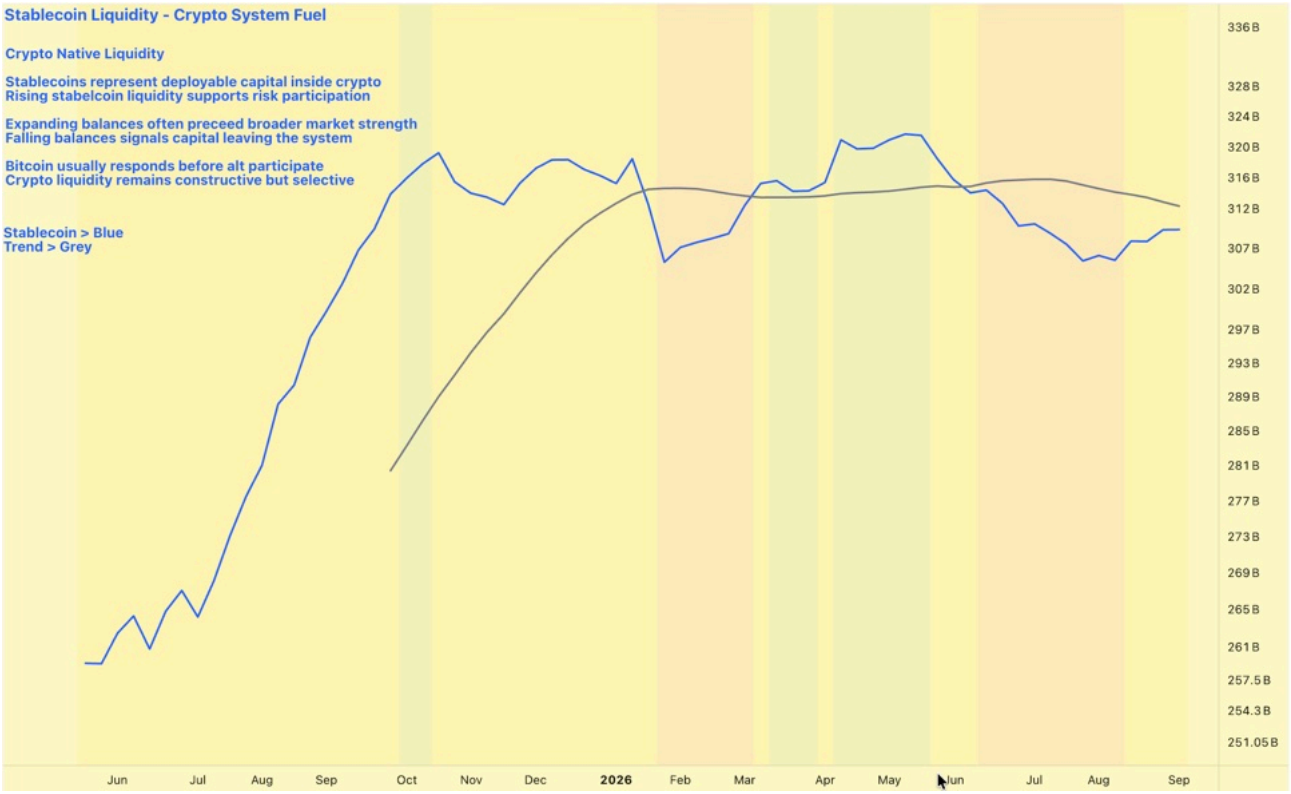
Markets rarely work that neatly.

Liquidity creates possibility. It does not determine destination.

Capital still chooses where to go.

And during August, that choice continued favouring AI, Technology, large-cap equities and Gold ahead of Crypto.

STABLECOIN LIQUIDITY — CRYPTO SYSTEM FUEL



CCI TAKEAWAY — Stablecoin liquidity remains comparatively weak, providing an important explanation for the divergence between supportive global liquidity and subdued Crypto performance. The liquidity available to markets is not being transmitted equally through every financial ecosystem.

The Quantity and the Price of Money

There is another contradiction developing beneath the surface.

The **quantity of liquidity** remains supportive.

But the **price of long-duration liquidity** has become increasingly restrictive.

Those two conditions can coexist.

Short-term liquidity can remain plentiful while investors simultaneously demand substantially greater compensation to lend money for ten, twenty or thirty years.

That is exactly what we are seeing in the Treasury market.

This distinction will become increasingly important later in the Letter when we examine Credit, housing and the Long Bond Canary.

For now, the message is straightforward:

Capital remains available. Long-duration capital has become expensive.

That is not liquidity contraction.

But it is an increasingly important constraint on how liquidity travels through the economy.

What Would Change the Liquidity View?

The current Liquidity assessment would weaken if several developments began occurring together:

Global liquidity rolled over materially; the liquidity impulse deteriorated; US net liquidity contracted; financial stress increased; and weakness broadened across liquidity-sensitive assets.

Conversely, the liquidity outlook would strengthen if the improving global impulse were accompanied by stronger domestic transmission, renewed stablecoin expansion and broader participation across risk assets.

Bitcoin and Crypto are particularly interesting in this respect.

A renewed response from Crypto alongside improving stablecoin liquidity would provide evidence that global liquidity was beginning to transmit more broadly.

Until then, the divergence remains information—not an inconvenience to be explained away.

Capital Cycle Takeaway

Liquidity continues to grant permission for the Expansion.

The evidence does not support a broad withdrawal of capital or a contractionary liquidity regime.

But August reinforces an increasingly important distinction between **liquidity availability and liquidity transmission**.

Global liquidity is strong. US liquidity remains supportive. The liquidity impulse is improving.

Yet capital is becoming increasingly selective about where it chooses to express that support.

Liquidity is available. Transmission is selective.



CCI LEARNING MOMENT

Liquidity Is Permission, Not a Promise

Liquidity is one of the most powerful forces in financial markets.

But liquidity alone does not determine asset prices.

It creates the conditions in which capital **can** move.

Investors still determine where that capital **does** move.

That distinction explains why two assets exposed to the same global liquidity environment can produce completely different outcomes.

Liquidity tells us whether capital can move. Leadership and Rotation tell us where it chose to go.

Understanding the difference prevents us from turning a powerful relationship into a mechanical rule.

SECTION 3 — GROWTH

Strong Enough to Expand. Strong Enough to Complicate.

Growth remains firmly on the constructive side of the Capital Cycle.

Manufacturing activity is reaccelerating. Services remain expansionary. Employment conditions have moderated without showing the deterioration normally associated with an approaching contraction.

On its own, that would be an encouraging combination.

But August introduced an important complication.

At the same time that economic activity remained resilient, input-cost pressure strengthened. Energy prices rose sharply as disruption in the Middle East affected global supply routes, while renewed tariff tensions introduced another potential source of higher business costs.

The Growth story therefore contains an unusual tension:

The economy remains strong enough to sustain the Expansion—but increasingly strong enough to complicate the inflation and monetary-policy outlook.

That distinction matters.

The Growth Dashboard

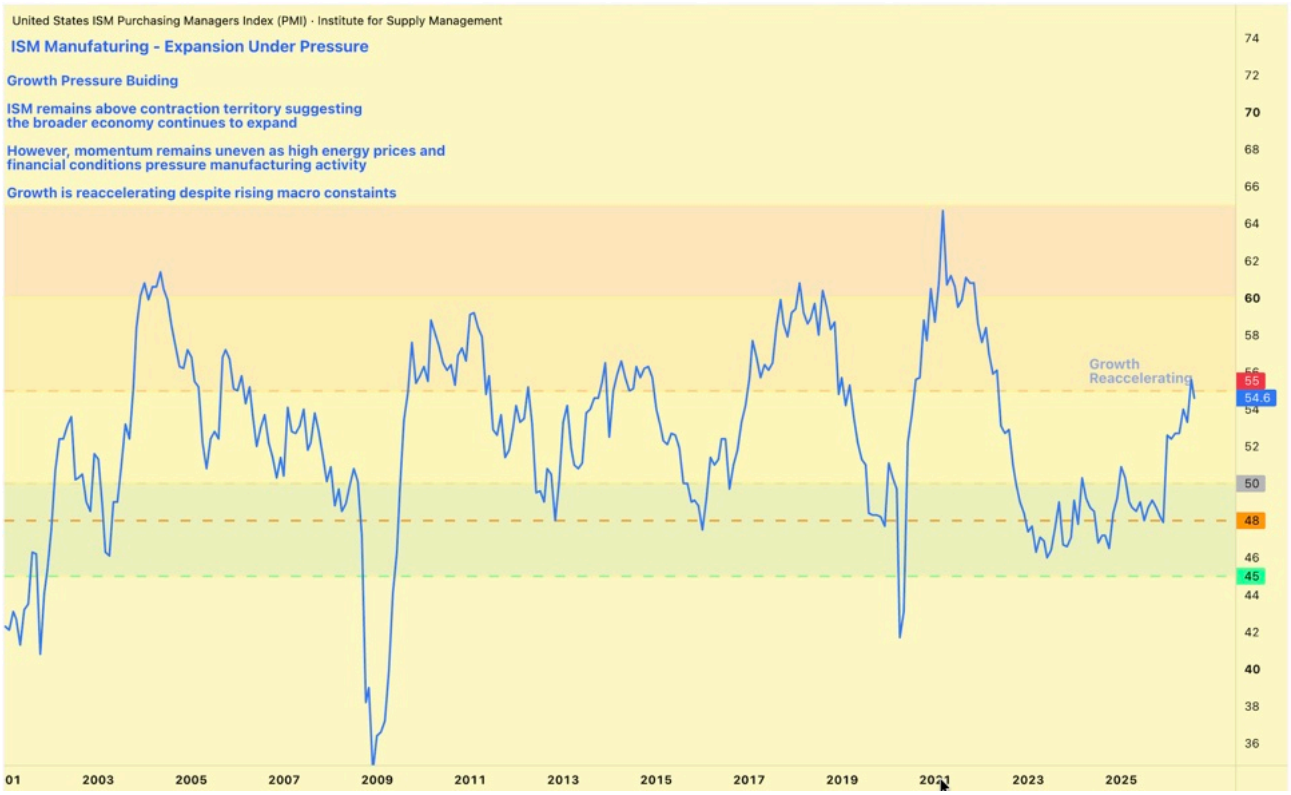
Question: Is liquidity continuing to translate into economic activity?

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 State: 🟢 Expansionary

Direction: ↗ Reaccelerating

ISM MANUFACTURING — EXPANSION REACCELERATING



CCI TAKEAWAY — Manufacturing has moved decisively back into expansion, providing clear evidence that economic momentum is reaccelerating rather than deteriorating. The Growth pillar remains firmly supportive of the Mature Expansion.

The evidence continues to reject a conventional slowdown.

Manufacturing has moved further into expansion, providing one of the clearest indications that economic momentum is improving rather than deteriorating.

Services tell a similar story. Activity remains comfortably expansionary, reinforcing the view that resilience extends beyond a narrow part of the economy.

Employment deserves closer attention.

Labour conditions are no longer strengthening at the pace seen earlier in the cycle, but moderation is not the same as deterioration. At present, employment looks more consistent with a maturing Expansion than an economy rolling into contraction.

Together, these indicators tell us that **underlying demand remains sufficiently resilient to keep the Growth pillar constructive.**

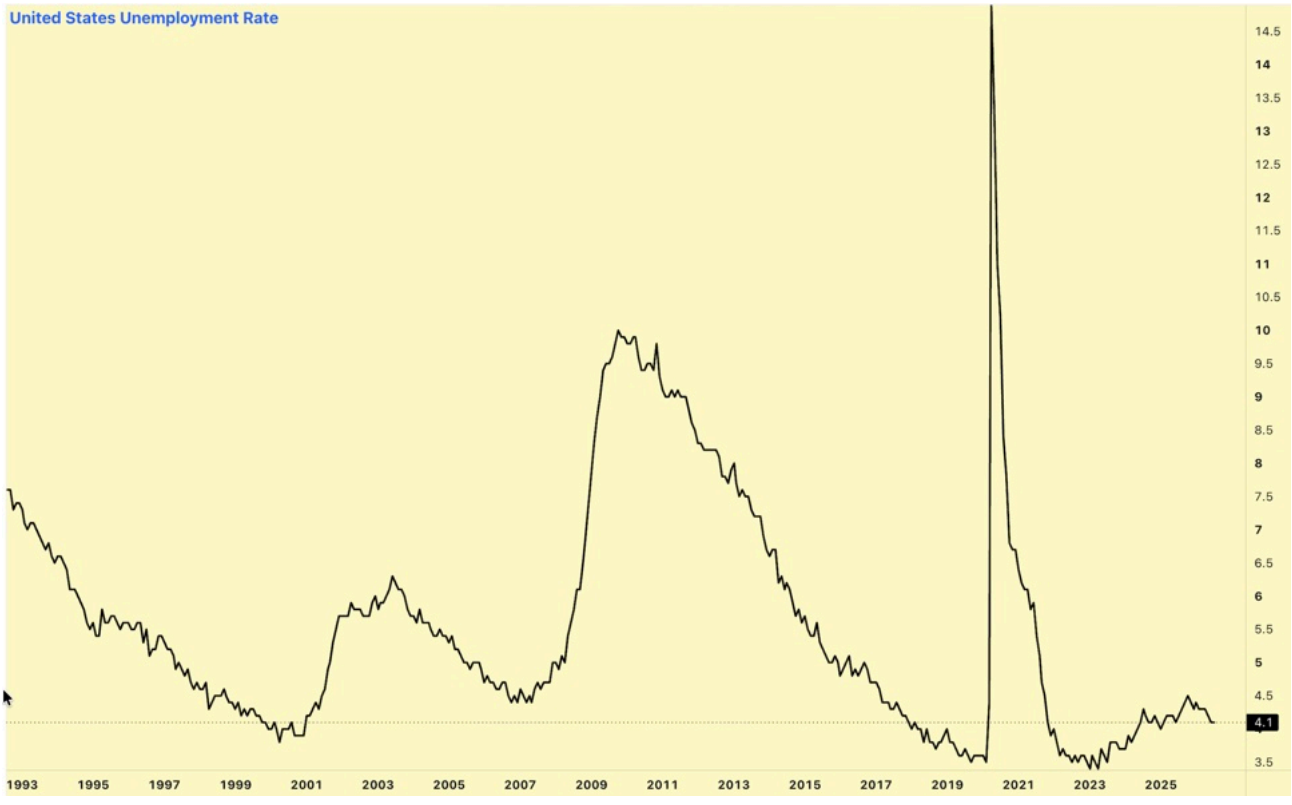
The complication lies elsewhere.

SERVICES PMI — US PROXY FOR SERVICES MOMENTUM



CCI TAKEAWAY — Services remain firmly expansionary, confirming that economic resilience extends beyond manufacturing. Strength across both major areas of activity argues against an imminent economy-wide slowdown.

US UNEMPLOYMENT RATE



CCI TAKEAWAY — Employment conditions are moderating, but the labour market has not deteriorated in a manner consistent with contraction. For now, the evidence remains more characteristic of a maturing Expansion than an economy beginning to break.

The Return of Input-Cost Pressure

August brought the supply side of the economy back into focus.

The Middle East conflict has moved beyond geopolitical uncertainty and into physical energy disruption. Higher oil, diesel and transportation costs are increasingly feeding through the economy.

At the same time, the breakdown in US–Canada trade negotiations and subsequent tariff escalation introduces an additional potential source of pressure through imported goods, industrial inputs and supply chains.

These forces should not be treated equally.

The energy transmission is already visible.

The latest tariff escalation remains more appropriately classified as an **emerging pressure** whose broader inflationary consequences have yet to be confirmed.

That gives us a useful distinction:

Energy is the inflationary pressure we can already see. Tariffs are an additional pressure that may still be coming through.

And both are arriving while economic activity remains resilient.

ISM MANUFACTURING PRICES PAID



CCI TAKEAWAY — Input-cost pressure has strengthened alongside improving economic activity. This is the complication within the Growth evidence: stronger demand is supporting the Expansion while renewed cost pressure threatens to keep inflation—and therefore the price of capital—higher for longer.

Why Strong Growth Can Become Complicated

Strong Growth is normally welcome.

It supports employment, corporate earnings, consumption and investment.

But the Capital Cycle does not evaluate Growth in isolation.

When strong activity is accompanied by rising input costs, the implications begin to change.

The transmission mechanism becomes:

Resilient Growth

→ Energy, transport and supply costs rise

→ Inflation remains elevated

→ Central banks have less room to ease

→ Interest rates remain restrictive

→ The price of capital stays high

That is precisely why August's Growth evidence cannot simply be described as “bullish.”

Growth is supporting the Expansion.

But its resilience is also allowing monetary authorities to remain focused on inflation without immediately threatening economic activity.

The stronger the economy remains, the less urgency there is to rescue it with cheaper money.

That matters enormously when long-term borrowing costs are already restrictive.

The Growth Impulse

The rate of change in Growth provides another important piece of evidence.

The Growth Impulse has turned constructive, reinforcing what we see across manufacturing and services.

This matters because Capital Cycles are driven not simply by economic **levels**, but by changes in economic **direction**.

An economy growing at a moderate rate but accelerating can produce very different market conditions from an economy growing rapidly but decelerating.

At present, the direction remains constructive.

That strengthens our confidence that the current regime remains Expansion rather than Slowdown.

But once again, the qualification matters:

Reaccelerating Growth is occurring alongside renewed cost pressure.

The Growth engine is still running.

The fuel has simply become more expensive.

The Policy Paradox

This creates one of August's most important macroeconomic paradoxes.

Investors often assume:

economic pressure → central-bank easing → lower rates.

But that sequence requires economic weakness to dominate inflation risk.

August has not provided that evidence.

Instead:

Growth remains resilient

while

inflation pressure is rebuilding.

That leaves monetary policy with considerably less flexibility.

The central bank does not need to support an economy that is still expanding strongly enough to support itself.

And if inflation remains elevated, easing prematurely risks reinforcing the very pressure policymakers are attempting to contain.

This is where Growth begins connecting directly to the Long Bond story we will encounter later.

Economic resilience is helping sustain the Expansion—but it is also helping sustain the price of money.

That is another part of **The Price of Resilience**.

What Would Change the Growth View?

A genuine deterioration would require more than one weak economic release.

We would look for increasing agreement across the Growth evidence:

Manufacturing momentum rolling over; services activity weakening; employment deterioration accelerating; the Growth Impulse turning negative; and ultimately Credit beginning to reflect weaker economic conditions.

Conversely, the Expansion would become healthier if Growth remained constructive while input-cost pressure moderated.

That would be the more favourable combination:

Growth without renewed inflation.

At present, we have the Growth.

We do not yet have the price stability.

Capital Cycle Takeaway

Growth remains a source of resilience rather than weakness.

Manufacturing is reaccelerating. Services remain strong. Employment is moderating rather than breaking. The Growth Impulse remains constructive.

But rising energy costs and emerging tariff pressure have complicated that otherwise favourable picture.

The risk is not presently that Growth is too weak.

It is that resilient Growth allows inflation pressure to persist long enough to keep the price of capital restrictive.

Growth remains strong enough to sustain the Expansion—and increasingly strong enough to complicate the inflation outlook.



CCI LEARNING MOMENT

Strong Growth Is Not Always Easy Money

Investors naturally associate strong economic growth with favourable markets.

Often that relationship holds.

But markets do not experience Growth in isolation.

When Growth strengthens while inflation is falling, monetary conditions can remain supportive.

When Growth strengthens while inflation is rising, policymakers may be forced to keep money expensive.

The same Growth number can therefore produce very different Capital Cycle outcomes depending upon the environment surrounding it.

The Capital Cycle cares not only whether Growth is strong. It cares about the price required to sustain it.

SECTION 4 — CREDIT

Pressure Exists. Financial Contagion Does Not.

If the Mature Expansion were beginning to fracture beneath the surface, Credit would be one of the first places we would expect the damage to appear.

Long-term interest rates are restrictive. Corporate refinancing costs are higher. Mortgage rates are weighing on housing. Energy costs have risen. Inflation is limiting monetary-policy flexibility.

There is no shortage of pressure.

And yet Credit remains remarkably calm.

Investment-grade spreads remain contained. High-yield markets continue functioning normally. Bank credit is expanding. Lending standards remain selective rather than restrictive. Measures comparing Credit with long-duration government bonds continue to show resilience.

That creates one of August's most important conclusions:

The price of capital has risen. The availability of Credit has not materially deteriorated.

Those are very different conditions.

The Credit Dashboard

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 State: 🟢 Constructive

Direction: → Stable and Resilient

INVESTMENT GRADE CREDIT SPREADS



CCI TAKEAWAY — Investment-grade Credit spreads remain contained, indicating that investors are not demanding a materially larger risk premium to finance higher-quality borrowers. Despite higher long-term interest rates, there is little evidence of broad Credit deterioration.

Credit remains one of the strongest pillars supporting the current regime.

That matters because Credit occupies a special place within the Capital Cycle.

Liquidity tells us whether capital exists.

Growth tells us whether economic activity is expanding.

But Credit tells us something different:

Are lenders still willing to take risk?

At present, the answer remains **yes**.

Expensive Money Is Not the Same as Unavailable Money

This distinction sits at the heart of the August Credit story.

Borrowing money has become expensive.

That is evident throughout the system—from Treasury yields to mortgages and corporate financing.

But expensive financing does not automatically mean Credit stress.

A functioning Credit market can continue lending at higher rates so long as borrowers remain sufficiently healthy, lenders remain sufficiently confident and losses remain manageable.

That appears to describe the current environment.

Banks are still extending Credit.

Corporate spreads are not signalling broad fear.

High-yield borrowers continue accessing capital.

Lending standards suggest discrimination rather than withdrawal.

In other words:

The financial system is becoming more selective about whom it finances—not unwilling to finance altogether.

That distinction is consistent with almost everything else we have discovered this month.

Liquidity is selective.

Investors are selective.

Leadership is selective.

And lenders are selective.

The system is not retreating. It is discriminating.

The Long Bond Has Not Yet Become a Credit Event

This is where the Credit evidence becomes particularly valuable.

The Treasury market is clearly under pressure.

Investors are demanding greater compensation to lend long-term capital. Long-duration yields remain restrictive, and that higher cost of money is beginning to transmit into housing.

But the pressure has not yet spread into broad Credit aversion.

That gives us an important sequencing distinction:

The Treasury market is experiencing pressure without that pressure yet becoming broad Credit stress.

Housing illustrates the point perfectly.

Mortgage rates have risen. Affordability has deteriorated. Transaction volumes are weakening and inventory is increasing.

But we are not yet seeing the characteristics of a systemic housing Credit event.

There is no broad wave of forced selling.

There is no widespread foreclosure shock.

There is no evidence that housing losses are destabilising lenders.

Housing is slowing because money is expensive—not because Credit has disappeared.

For the moment, the Long Bond is changing behaviour rather than breaking balance sheets.

HIGH YIELD CREDIT SPREADS



CCI TAKEAWAY — High-yield spreads remain contained, showing that elevated interest rates have not yet translated into broad risk aversion toward lower-quality borrowers. Credit markets continue functioning normally rather than pricing systemic deterioration.

Why Credit Is the Systemic Referee

This is why we keep returning to Credit throughout our Canary analysis.

Individual markets can experience considerable pressure without producing systemic consequences.

Oil can rise.

Bond yields can rise.

The Yen can strengthen.

Housing can slow.

Equity leadership can narrow.

None of those developments necessarily ends an Expansion.

But if those pressures begin damaging borrower balance sheets, increasing defaults, widening Credit spreads and causing lenders to retreat, the character of the Capital Cycle changes materially.

The transmission would begin to look something like:

Expensive Capital

→ Borrower Stress

→ Higher Defaults

→ Lender Losses

→ Tighter Credit

→ Reduced Investment and Consumption

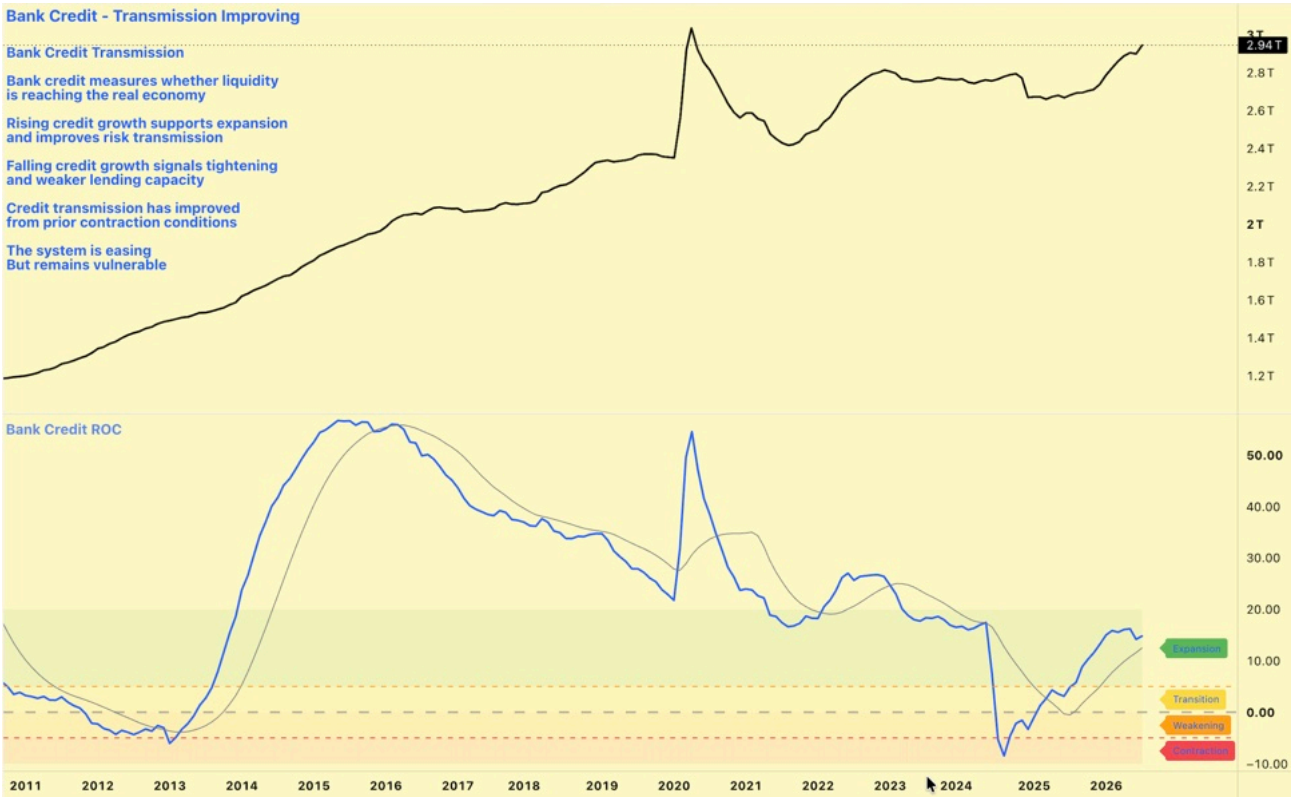
→ Weaker Growth

That sequence would deserve our attention immediately.

August does not show that sequence.

That is why Credit remains green.

BANK CREDIT — TRANSMISSION IMPROVING



CCI TAKEAWAY — Bank Credit continues expanding, confirming that higher borrowing costs have not caused the banking system to materially withdraw financing from the economy. Capital may be more expensive, but it remains available.

The Refinancing Question

There is, however, an important reason not to become complacent.

Higher interest rates do not affect every borrower immediately.

Companies, households and governments frequently borrow at fixed rates for several years.

The pressure emerges progressively as existing debt matures and must be refinanced.

A borrower that comfortably serviced debt issued at 2%, 3% or 4% may face a very different calculation when that debt rolls into financing priced materially higher.

This creates a **lagged transmission mechanism**.

Today's healthy Credit conditions therefore tell us that the system is currently absorbing higher rates.

They do not guarantee that every borrower will continue doing so indefinitely.

That is why the persistence of high long-duration yields matters.

The longer capital remains expensive, the greater the proportion of the economy eventually forced to refinance at that price.

This is one of the most important pathways we will continue monitoring.

What Would Change the Credit View?

Credit would become materially more concerning if several independent signals began deteriorating together:

Investment-grade spreads widening; high-yield spreads accelerating higher; defaults increasing; bank lending contracting; lending standards tightening materially; financial stress rising; and evidence of forced deleveraging appearing across leveraged sectors.

Housing deserves particular attention because it is already showing the first stage of interest-rate transmission.

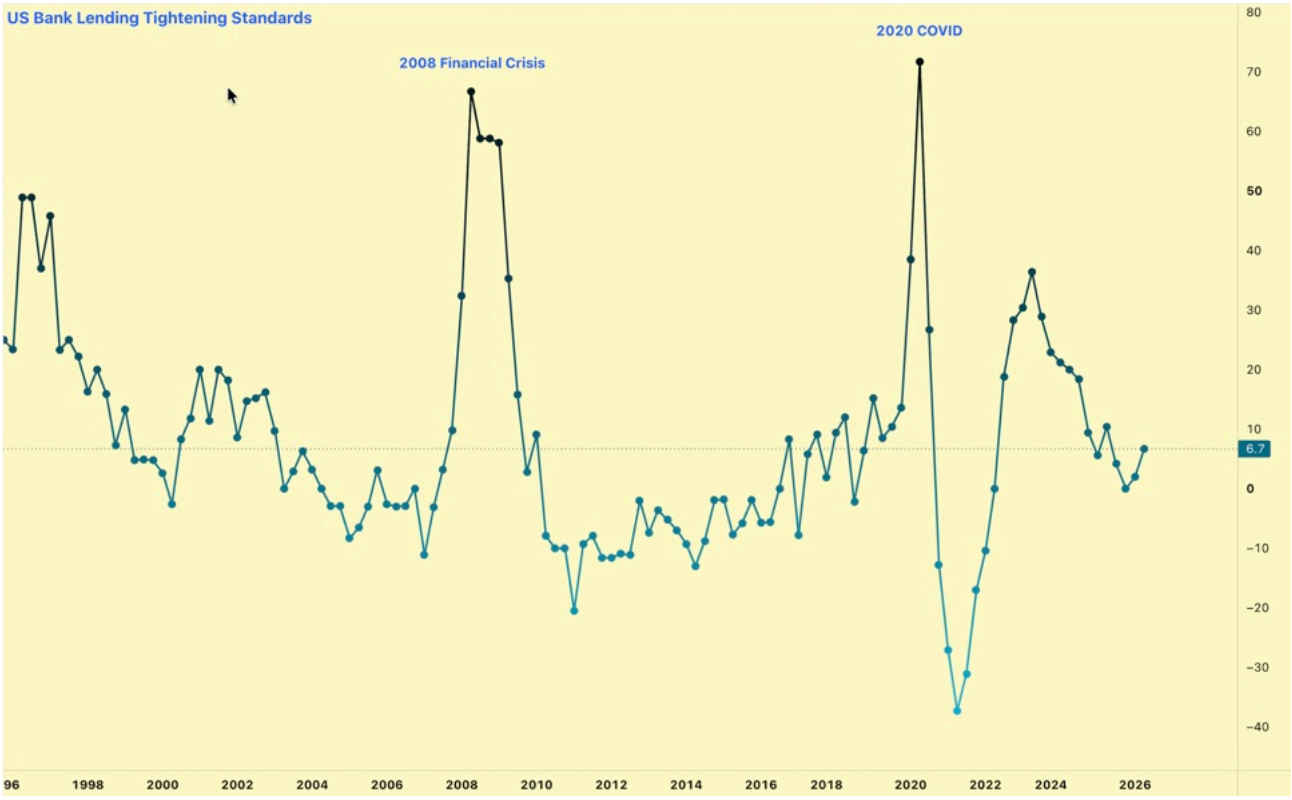
If weaker housing activity evolved into falling collateral values, rising delinquencies and lender losses, the signal would become substantially more important.

Similarly, persistent refinancing pressure across corporate borrowers could eventually transform expensive capital into genuine Credit stress.

We are watching those transmission points.

We are not assuming they will occur.

US BANK LENDING TIGHTENING STANDARDS



CCI TAKEAWAY — Lending standards remain selective rather than broadly restrictive. Banks are discriminating more carefully between borrowers, but the evidence does not indicate the kind of widespread tightening normally associated with systemic Credit stress.

Capital Cycle Takeaway

Credit continues to grant permission for the Mature Expansion.

Despite restrictive long-term rates, renewed inflation pressure and emerging weakness in interest-sensitive sectors, lenders have not broadly withdrawn capital.

Credit spreads remain contained.

Bank lending continues.

Financial stress remains limited.

The risk is therefore not a Credit seizure occurring today.

It is that the **persistent price of long-duration capital eventually becomes restrictive enough to damage otherwise healthy borrowers.**

Pressure exists. Financial contagion does not.

CCI LEARNING MOMENT

High Interest Rates and Credit Stress Are Not the Same Thing

Interest rates tell us the **price of borrowing**.

Credit conditions tell us the **willingness to lend and the ability to repay**.

Those concepts are related, but they are not interchangeable.

High rates can persist while borrowers remain healthy and Credit continues flowing.

The more important transition occurs when expensive money begins weakening balance sheets sufficiently that lenders retreat.

That is when a price problem can become a Credit problem.

The bond market can warn us about the price of capital long before the Credit market tells us that capital is no longer available.

SECTION 5 — CONFIDENCE

Opportunity and Insurance

Confidence remains constructive, but August revealed an increasingly nuanced investor psychology.

Equity markets continue to attract capital. Technology and artificial intelligence remain powerful sources of leadership. Volatility does not indicate widespread fear, and there is little evidence of investors abandoning risk assets altogether.

At the same time, Gold continues to attract significant capital.

Normally these signals are treated as contradictory.

Risk assets are associated with confidence.

Gold is associated with fear.

August suggests a more sophisticated interpretation.

Investors are simultaneously seeking upside and insurance.

They have not stopped believing in the Expansion.

But neither are they behaving as though the risks surrounding it have disappeared.

GOLD PERFORMANCE



CCI TAKEAWAY — Strong demand for Gold alongside continued equity participation shows that investors are not choosing simply between risk and safety. Capital is pursuing opportunity while simultaneously paying for protection against an increasingly uncertain environment.

The Confidence Dashboard

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 State: 🟡 Constructive / Selective

Direction: → Stable, but Increasingly Discriminating

Confidence is neither euphoric nor fearful.

That middle ground is important.

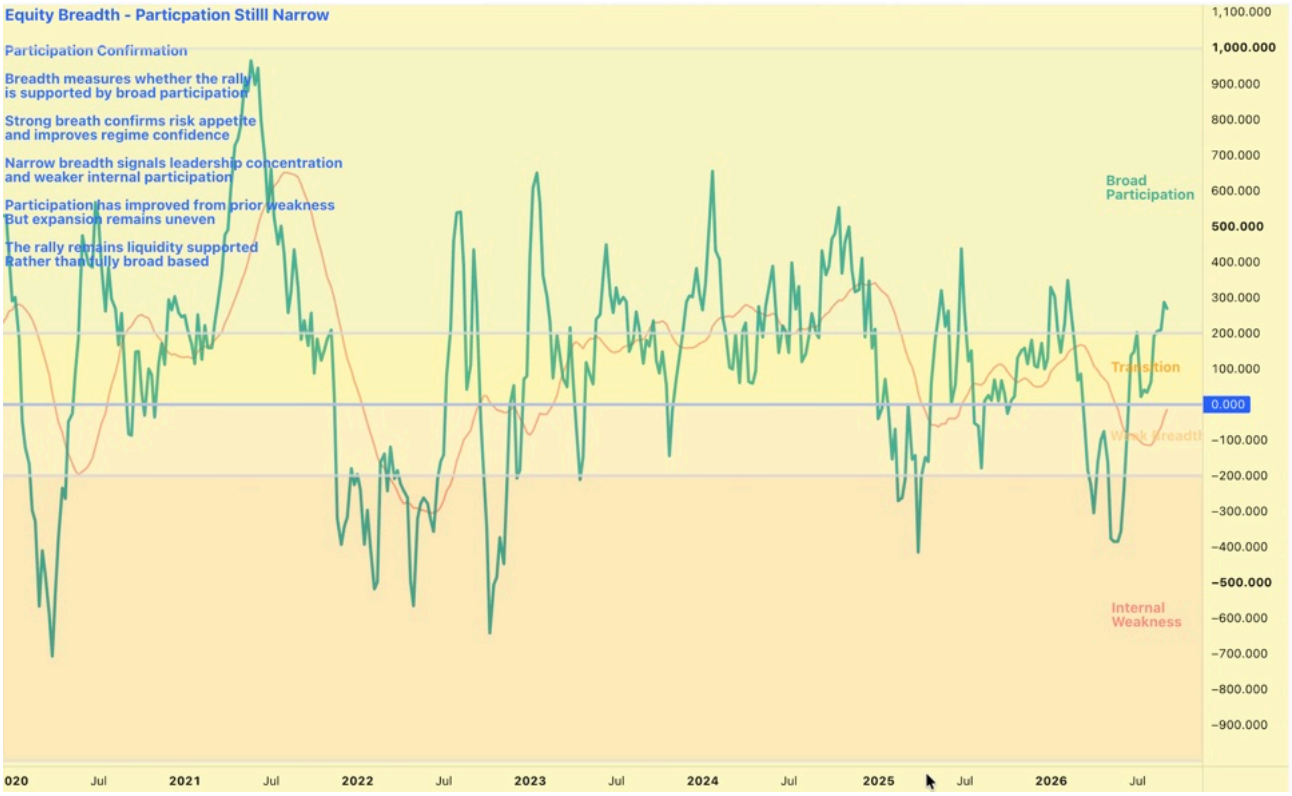
Capital remains willing to participate in growth assets, but investors are increasingly selective about the risks they are prepared to accept.

That behaviour is entirely consistent with a Mature Expansion.

The opportunity remains visible.

So do the risks.

EQUITY PARTICIPATION



CCI TAKEAWAY — Equity participation remains constructive, confirming that investors have not broadly retreated from risk. Confidence remains sufficient to support participation, although capital is becoming increasingly selective about where that risk is expressed.

Concern Without Capitulation

One of the easiest mistakes in market analysis is to assume that investors must be either bullish or bearish.

Real capital allocation is rarely that simple.

An investor can believe that economic conditions remain constructive while simultaneously recognising that geopolitical risk has increased.

A pension fund can maintain equity exposure while increasing its allocation to Gold.

A portfolio manager can own Technology because earnings and leadership remain strong while holding defensive assets because inflation, interest rates and geopolitical uncertainty have become more difficult to ignore.

Those positions are not necessarily contradictory.

They may simply reflect rational portfolio construction.

August increasingly looks like:

Concern without capitulation.

Investors recognise the pressure.

They have not abandoned the Expansion because of it.

Gold Is Saying Something

Gold deserves particular attention within the Confidence evidence.

Its strength is not occurring alongside collapsing equities, widespread Credit stress or financial panic.

Instead, Gold and leading equities are rising within the same broad environment.

That changes the interpretation.

If Gold were rising while equities collapsed, Credit spreads widened and volatility surged, we might reasonably interpret its strength as evidence of fear and capital preservation.

That is not what the broader evidence shows.

Instead, investors appear willing to own both:

assets capable of compounding through continued Expansion

and

assets capable of providing protection if conditions deteriorate.

That suggests something more subtle than Risk-Off.

Capital is not abandoning opportunity. It is paying for resilience.

And the behaviour is not limited to private investors.

Our investigation into sovereign reserve management found continued central-bank Gold accumulation alongside increasing interest in reserve diversification and custody.

That does not mean the world is abandoning the US Dollar.

But it reinforces the idea that Gold is increasingly being treated as **monetary insurance**, rather than merely a speculative trade.

Confidence Is Becoming More Selective

The same selectivity appears elsewhere.

Technology continues attracting capital.

Large-cap equities remain preferred.

Gold remains strong.

But participation across broader equities is less convincing.

Bitcoin and Crypto remain comparatively weak despite supportive global liquidity.

That tells us Confidence exists—but it is not being distributed indiscriminately.

Investors are asking:

Where is earnings visibility strongest?

Where is structural Growth most convincing?

Where can capital obtain protection?

Where is the risk adequately compensated?

Those questions are characteristics of a market that is **discriminating**, not one that has stopped functioning.

This reinforces a theme now appearing repeatedly throughout the Letter:

The system is not retreating. It is becoming more selective.

Awareness Without Disorder

Our Canary evidence strengthens that interpretation.

Investors have legitimate reasons to remain alert.

Energy markets are disrupted.

Inflation pressure has returned.

Long-duration yields remain restrictive.

Housing is beginning to feel those rates.

The Yen Carry Trade deserves attention.

Geopolitical uncertainty remains elevated.

Yet volatility has not moved into persistent crisis conditions.

Credit remains constructive.

Liquidity remains available.

Market leadership remains intact.

This is not complacency.

But it is not disorder either.

A useful description of the current Confidence environment is therefore:

Awareness without disorder.

Capital appears increasingly conscious of what could go wrong without behaving as though those outcomes have already occurred.

That distinction matters.

Confidence and the Mature Expansion

Confidence often changes before the economic data.

When investors collectively become unwilling to accept risk, capital can retreat before deterioration becomes obvious in Growth or Credit.

We are not seeing that behaviour today.

Instead, Confidence remains sufficient to support participation while simultaneously recognising that the Expansion has become more demanding.

That aligns closely with our broader regime conclusion.

Liquidity remains available.

Growth remains constructive.

Credit remains healthy.

And investors continue deploying capital.

They are simply becoming more particular about where they put it.

What Would Change the Confidence View?

Confidence would deteriorate materially if selectivity became broad retreat.

We would look for increasing agreement among signals such as:

equity participation weakening materially; established leadership breaking; volatility remaining persistently elevated; defensive demand becoming dominant rather than complementary; Credit spreads widening; and capital rotating broadly away from risk.

Conversely, Confidence would strengthen if market breadth improved, volatility remained contained, leadership broadened and currently lagging areas began participating alongside existing winners.

The distinction to watch is therefore not whether investors own defensive assets.

It is whether they begin owning **only** defensive assets.

That would tell us something very different.

Capital Cycle Takeaway

Confidence remains constructive.

Investors continue participating in the Expansion, but they are doing so with greater discrimination.

Technology and leading equities continue attracting capital.

Gold continues attracting protection-seeking capital.

Volatility remains contained.

There is no evidence of broad capitulation.

The market is therefore not communicating fear.

It is communicating **awareness**.

Investors are simultaneously seeking upside and insurance.

That behaviour is consistent with a Mature Expansion whose opportunities remain attractive but whose margin for error is becoming smaller.



CCI LEARNING MOMENT

Fear and Confidence Can Coexist

Markets are not binary.

Investors do not need to choose between believing everything will go right and believing everything will go wrong.

Sophisticated capital can participate in opportunity while preparing for uncertainty.

That is why Gold and equities can rise together.

It is why defensive positioning does not automatically mean Risk-Off.

And it is why the more useful question is often not:

"Are investors bullish or bearish?"

but:

"Where are investors willing—and unwilling—to place their capital?"

Confidence tells us that capital is willing to move. Selectivity tells us what investors currently trust.

SECTION 6 — LEADERSHIP

Where Conviction Lives

Capital is not struggling to find leadership.

It is becoming increasingly selective about which forms of leadership it trusts.

That distinction became even clearer during August.

Technology remains dominant. Artificial Intelligence continues attracting capital. Large-cap US equities remain preferred destinations. Gold continues demonstrating unusual strength alongside risk assets.

Yet participation beneath those leaders remains considerably less convincing.

Bitcoin and Crypto remain notable exceptions.

The result is not an absence of market leadership.

It is **strong but concentrated leadership**.

And that tells us something important about the character of the current Expansion.

Investors still possess conviction. They are simply concentrating it where the evidence appears strongest.

The Leadership Dashboard

Question: Where is investor conviction becoming most concentrated?

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

Leadership State: 🟢 Strong

Direction: → Persistent, but Concentrated

The strength of the headline score matters.

An **8.0 Leadership reading** is not consistent with a market unable to identify opportunity.

Capital has found areas in which it remains willing to express substantial conviction.

The qualification comes from breadth.

Leadership is not being shared equally across markets.

Instead, existing winners continue receiving a disproportionate share of incremental capital.

That is the pattern we would expect from investors who remain constructive—but increasingly demanding.

S&P 500 LEADERSHIP



CCI TAKEAWAY — Leadership remains firmly concentrated in Technology and other established large-cap winners. Investor conviction has not disappeared; it remains powerful where earnings, structural Growth and capital investment continue attracting the marginal dollar.

Technology and the AI Capital Cycle

Technology remains at the centre of market leadership.

But describing this simply as “Technology outperforming” misses something more important.

Artificial Intelligence is increasingly functioning as its own capital cycle.

The build-out requires enormous investment in semiconductors, data centres, power generation, networks, software and supporting infrastructure.

Capital is following that investment.

Companies positioned closest to the AI build-out continue attracting investor attention because the market can see both a structural narrative and an identifiable pathway through which capital is being deployed.

That does not guarantee that every AI-related investment will succeed.

Nor does strong performance eliminate valuation risk.

It tells us something simpler:

This is where a substantial portion of market conviction currently lives.

And until the evidence changes, Leadership requires us to respect that message.

NASDAQ LEADERSHIP



CCI TAKEAWAY — Artificial Intelligence continues attracting extraordinary levels of capital, reinforcing its position as a structural investment cycle rather than simply a short-term market theme. That strength supports current leadership, while offering no guarantee that every company participating in the AI narrative will ultimately justify its valuation.

Strong Leadership Is Not Necessarily Broad Leadership

Healthy markets do not require every asset to rise simultaneously.

Leadership naturally emerges because capital continuously ranks opportunities.

But concentration still matters.

The narrower leadership becomes, the more dependent the market becomes on a smaller group of assets continuing to deliver.

That does not make concentrated leadership inherently bearish.

It makes it **less forgiving**.

If leadership broadens while the existing leaders remain healthy, the Expansion gains another source of resilience.

If existing leaders begin deteriorating without new leadership emerging, the market loses one.

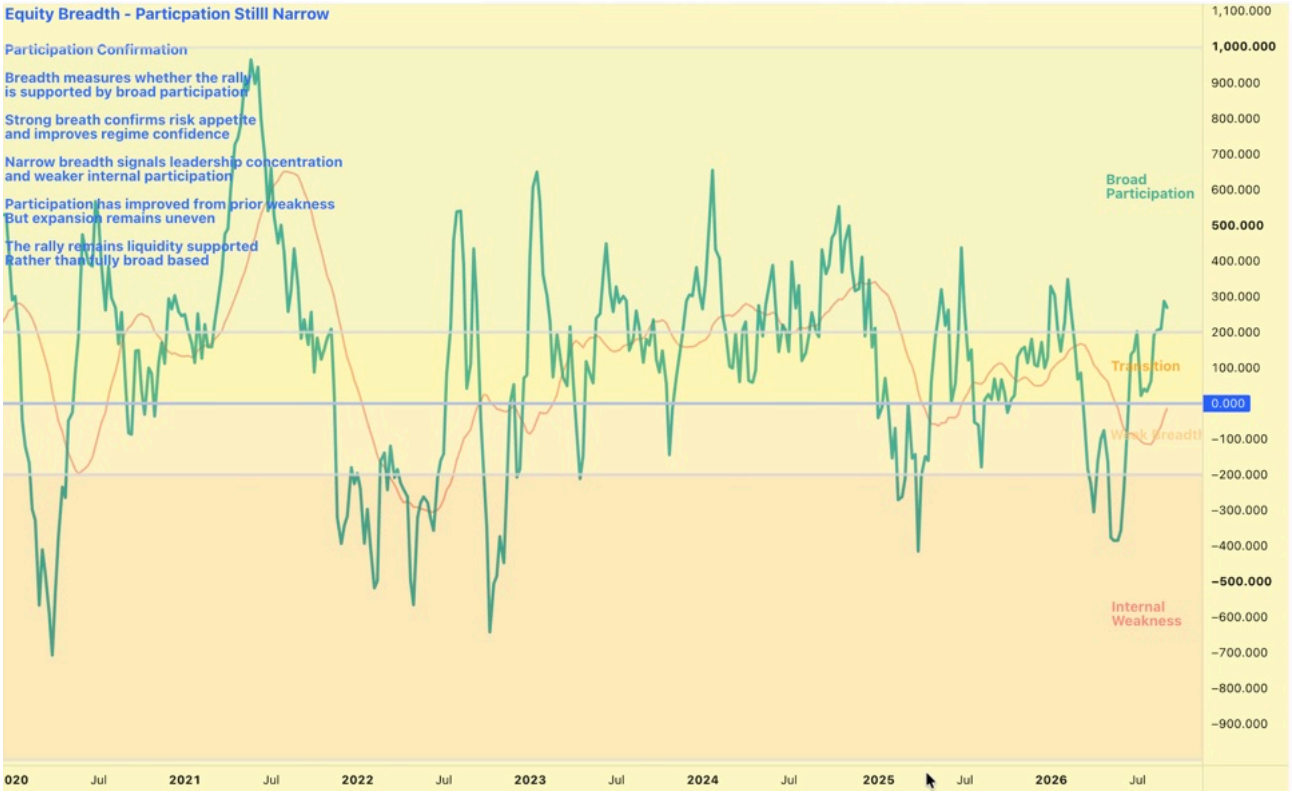
That is why breadth remains one of the most useful confirmation signals beneath headline index performance.

Strong leadership tells us where conviction exists. Breadth tells us how widely that conviction is shared.

August gives us plenty of the first.

Less of the second.

Equity Breadth



CCI TAKEAWAY — Strong index-level performance continues to mask considerably narrower participation beneath the surface. Leadership remains powerful, but conviction is concentrated rather than broadly distributed across the market.

Gold — Leadership of a Different Kind

Gold presents an especially interesting form of leadership.

Its strength does not come from the same economic proposition driving Technology.

Technology represents participation in productivity, earnings and structural investment.

Gold represents something different.

Protection from monetary uncertainty.

Protection from geopolitical uncertainty.

Reserve diversification.

And protection against the possibility that inflation remains more persistent than markets or policymakers would prefer.

That makes the coexistence of Technology and Gold particularly revealing.

One represents confidence in what the future may create.

The other provides insurance against what the future may disrupt.

Growth and protection are leading together.

That is not contradictory.

It is one of the clearest expressions of the investor psychology we identified in Confidence:

Opportunity and insurance.

The Bitcoin Divergence

And then there is Bitcoin.

Its behaviour deserves attention precisely because the broader environment appears as though it should be supportive.

Global liquidity remains abundant.

The liquidity impulse is improving.

Risk appetite has not collapsed.

Technology remains strong.

Gold is attracting capital.

Credit markets remain constructive.

Yet Bitcoin has failed to establish comparable leadership.

That is valuable evidence.

The easy response would be to argue that Bitcoin **should** be performing better because liquidity is supportive.

But CCI does not invest in what an asset should be doing.

We follow what capital is actually doing.

At present:

Bitcoin has lost leadership relative to other available destinations for capital.

That does not mean Bitcoin cannot regain leadership.

It means the evidence has not yet shown that it has.

The distinction is fundamental.

What Would Bitcoin Need to Show Us?

We do not need to predict when leadership might return.

The market can tell us.

Improving relative strength would be one indication.

Renewed crypto-native liquidity would provide another.

Sustained capital inflows, stronger breadth across digital assets and Bitcoin beginning to respond again to improving global liquidity would strengthen the case further.

If several of those signals began agreeing, the evidence would change.

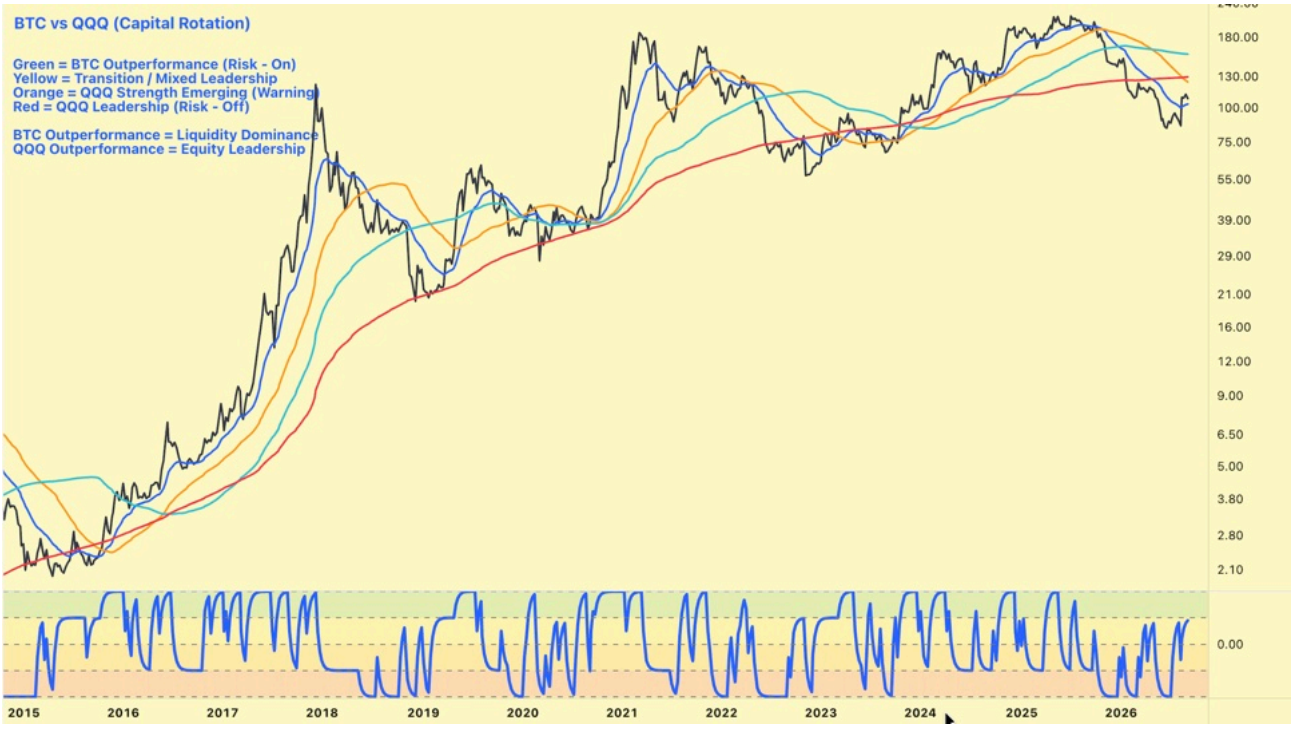
And so would our conclusion.

Until then, Bitcoin's divergence should not be explained away simply because it conflicts with a preferred narrative.

An asset does not deserve leadership because it once had it. It has to earn leadership again.

That principle applies to Bitcoin just as it applies to every other asset.

BTC vs QQQ - Relative Leadership



CCI TAKEAWAY — Bitcoin continues to lag the assets currently receiving the strongest investor conviction. Supportive global liquidity has therefore not been sufficient to restore Bitcoin's relative leadership. The evidence says capital currently prefers other destinations.

Leadership and the Mature Expansion

The current Leadership structure fits remarkably well with the broader regime.

Investors have not abandoned risk.

They have not lost confidence in Growth.

They have not retreated entirely into defensive assets.

Instead, they are concentrating capital in areas where the combination of structural Growth, earnings visibility, momentum and perceived resilience appears strongest.

This is exactly what we would expect from a Mature Expansion becoming more demanding.

Early in a cycle, improving liquidity and economic conditions can lift a broad range of assets.

As the cycle matures, discrimination often increases.

The question gradually shifts from:

“Where can I find risk?”

to:

“Which risks am I still being adequately compensated to own?”

That is a very different investment environment.

What Would Change the Leadership View?

The Leadership picture would strengthen if participation broadened without damaging existing leaders.

Broader equity participation, improving small and mid-cap relative strength, renewed Bitcoin and Crypto leadership, and healthier participation across cyclical assets would suggest that conviction was spreading through the system.

The warning would be the opposite.

If Technology and AI leadership began deteriorating while breadth remained weak and no credible replacement emerged, concentrated strength could become concentrated vulnerability.

Gold becoming increasingly dominant while risk leadership deteriorated would also change the interpretation of its strength—from complementary insurance toward something more defensive.

For now, that transition has not occurred.

Leadership remains strong.

It simply remains selective.

Capital Cycle Takeaway

Capital continues to demonstrate conviction.

Technology and Artificial Intelligence remain dominant.

Large-cap US equities remain preferred.

Gold continues providing a second, very different form of leadership.

Bitcoin and Crypto remain conspicuous laggards despite a macro environment that appears superficially supportive.

The message is therefore not that investors are unwilling to take risk.

It is that they are becoming increasingly demanding about **which risks deserve their capital.**

Capital is not struggling to find leadership. It is becoming increasingly selective about which forms of leadership it trusts.



CCI LEARNING MOMENT

Leadership Tells Us Where Conviction Lives

Markets constantly express preferences.

Every dollar allocated to one asset rather than another represents a decision about opportunity, risk and trust.

That is why Leadership can tell us something price alone cannot.

Liquidity may create the ability for capital to move.

Confidence may create the willingness for capital to move.

But Leadership reveals **where that conviction is actually being expressed.**

Liquidity tells us capital can move. Leadership tells us where it chose to go.

And when an asset stops receiving that capital, our job is not to argue with the market.

Our job is to notice.

SECTION 7 — CAPITAL ROTATION

Follow the Marginal Dollar

Capital never stands still.

Even when headline indices appear calm, money is continuously moving beneath the surface—between sectors, asset classes, geographies, defensive assets and opportunities for Growth.

Those movements matter because markets are determined at the margin.

The question is therefore not simply whether money is entering or leaving financial markets.

It is:

Where is the next dollar choosing to go?

August provides a surprisingly clear answer.

Capital is not searching aggressively for new leadership.

It is reinforcing the leadership it already trusts.

Technology and Artificial Intelligence continue attracting growth capital.

Large-cap US equities remain preferred.

Gold continues attracting defensive and monetary demand.

Broader equities are participating, but with less conviction.

Bitcoin and Crypto remain comparatively weak despite supportive global liquidity.

This is not chaotic rotation.

It is **orderly, selective allocation**.

The Capital Rotation Dashboard

Question: Is investor conviction beginning to evolve?

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

Capital Rotation State: 🟢/🟡 Orderly & Selective

Direction: → Existing Leadership Reinforced

The strongest signal is **Leadership Persistence**.

Capital is not rapidly abandoning one market leader in favour of another.

Instead, the areas that have already earned investor conviction continue receiving capital.

That tells us something important.

The marginal dollar is reinforcing existing leadership rather than searching aggressively for new leadership.

GOLD VERSUS EQUITIES



CCI TAKEAWAY — Capital continues to support both productive risk assets and monetary protection. Strength in equities alongside Gold confirms that investors are not making a simple Risk-On or Risk-Off decision. They are participating in Growth while simultaneously paying for resilience.

Why the Marginal Dollar Matters

Most investors naturally focus on the total amount of money already invested in an asset.

Markets care enormously about something else:

the next buyer.

Prices are established at the margin.

An asset can have enormous existing ownership and still underperform if incremental capital stops arriving.

Conversely, a relatively small asset can appreciate rapidly when a growing pool of capital begins competing for limited supply.

That is why Capital Rotation provides information that market size alone cannot.

It tells us where investor preference is **changing—or persisting.**

During August, preference largely persisted.

The winners continued winning.

BITCOIN VERSUS GOLD — CAPITAL ROTATION REGIME



CCI TAKEAWAY — Gold continues to attract the marginal dollar relative to Bitcoin, reinforcing the evidence that capital currently prefers monetary protection over Crypto exposure. This is not a judgement about Bitcoin's long-term potential. It is an observation of present capital preference.

The CCI Money Map

Where Is the Marginal Dollar Choosing to Go?

The Money Map translates the evidence from Liquidity, Confidence, Leadership and Rotation into a simple picture of current capital preference.

Destination	Capital Preference	What the Evidence Is Saying
AI & Technology	🟢 Strong Preference	Structural investment and market leadership remain dominant
Large-Cap US Equities	🟢 Preferred	Liquidity and investor confidence continue transmitting
Gold	🟢 Strong Preference	Monetary insurance, geopolitical protection and sovereign demand
Broader Equities	🟡 Participating	Capital remains engaged, but breadth is less convincing
Bitcoin & Crypto	🟡 Unconfirmed	Global liquidity supportive, but relative leadership and crypto-native transmission remain weak

The map reveals something particularly interesting.

Capital is moving toward **both Growth and protection**.

At first glance, those choices appear inconsistent.

They are not.

AI and Technology offer participation in structural Growth.

Large-cap equities provide established earnings and liquidity.

Gold offers protection from geopolitical, monetary and inflation uncertainty.

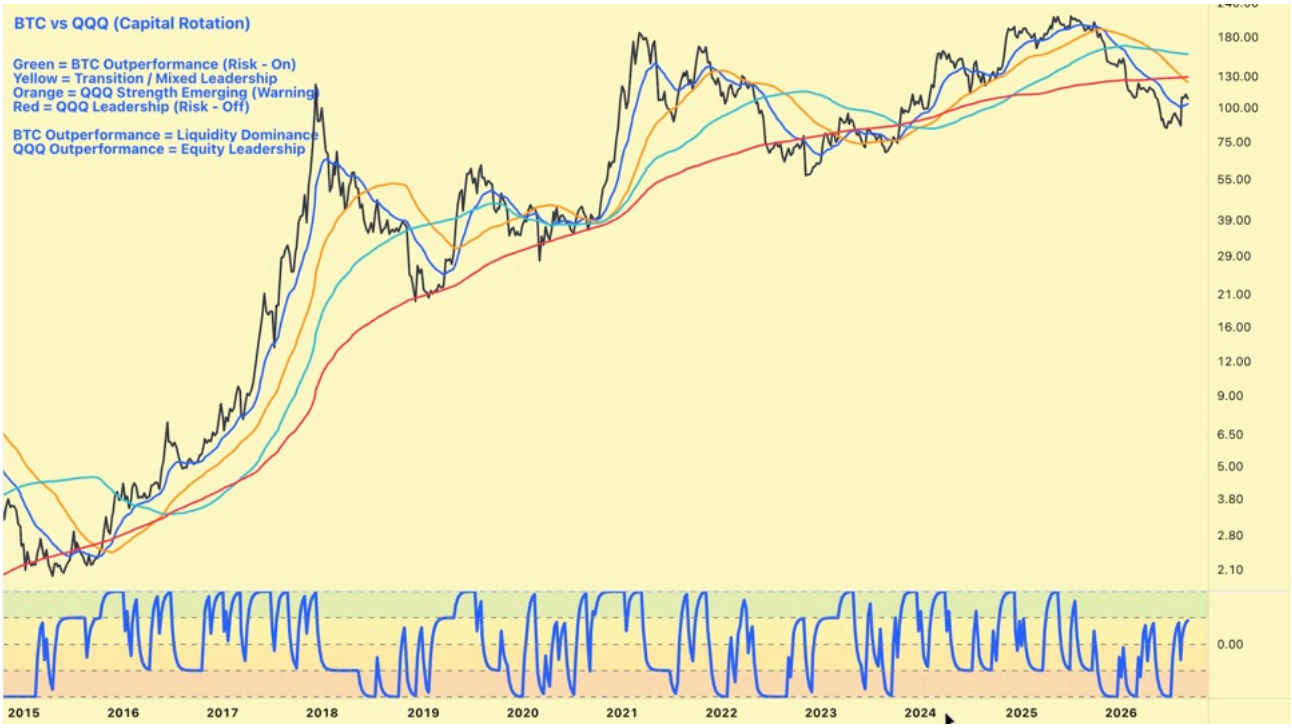
Investors are therefore not making a binary choice between Risk-On and Risk-Off.

They are building portfolios around a more nuanced proposition:

Participate where conviction is strongest. Protect where uncertainty is greatest.

That is remarkably consistent with the behaviour we have observed throughout the Letter.

BITCOIN VERSUS NASDAQ — LEADERSHIP ROTATION



CCI TAKEAWAY — Bitcoin continues to lose relative ground to the Nasdaq, confirming that the marginal dollar remains more strongly attracted to established Technology and AI leadership than to Crypto. Bitcoin has not yet earned its way back onto the leadership map.

Two Different Kinds of Leadership

The simultaneous strength of Technology and Gold deserves particular attention.

They represent almost opposite investment propositions.

Technology asks:

What could the future become?

Gold asks:

What if the future becomes more uncertain?

Capital is currently answering **yes to both**.

That is one of the defining characteristics of the current Mature Expansion.

Investors remain sufficiently confident to pursue structural Growth.

But sufficiently aware of the surrounding risks to maintain protection.

This is not necessarily indecision.

It may be rational adaptation to a cycle whose underlying foundations remain healthy while the cost of sustaining them continues to rise.

Where Capital Is Not Going

Capital Rotation becomes equally informative when we examine the destinations that are **not** receiving strong marginal flows.

Bitcoin is the clearest example.

This is particularly important because its weakness cannot easily be attributed to a broad shortage of liquidity.

Global liquidity remains supportive.

Risk appetite remains constructive.

Technology continues responding.

Gold continues responding.

Yet Bitcoin has not regained meaningful relative leadership.

That gives us a useful conclusion:

Bitcoin has not yet earned the marginal dollar.

The word **yet** matters.

CCI has no permanent allegiance to today's leaders.

If capital begins rotating toward Bitcoin, stablecoin liquidity improves, relative strength returns and the broader digital-asset ecosystem begins confirming the move, the Money Map will change.

Until then, the evidence remains the evidence.

We do not move the map because we want an asset to lead.

The asset moves the map by earning leadership.

Rotation Usually Begins Quietly

Major capital rotations rarely announce themselves with a single dramatic event.

They begin at the margin.

A previously ignored sector starts outperforming.

Relative strength quietly improves.

Market breadth begins expanding.

Flows appear.

Liquidity transmission strengthens.

Leadership gradually broadens.

Initially, each signal may appear insignificant.

Together, they can reveal that capital is beginning to change direction.

This is why the current persistence of existing leadership matters.

We are not yet observing compelling evidence that the marginal dollar is abandoning today's leaders in search of tomorrow's.

But when that begins to change, Capital Rotation should help us see it.

What Would Change the Money Map?

The current map would broaden if capital began moving beyond Technology, large-cap equities and Gold into a wider range of cyclical and risk assets.

Improving breadth would be particularly constructive.

Renewed Bitcoin and Crypto leadership accompanied by stronger stablecoin liquidity would represent another meaningful rotation signal.

Conversely, if capital began leaving Growth leadership while Gold and other defensive assets strengthened further, the interpretation would become more cautious.

That would suggest the current combination of **opportunity and insurance** was evolving toward something more defensive.

For now, we do not see that transition.

Capital remains engaged.

It simply remains selective.

Capital Cycle Takeaway

The August rotation picture is remarkably orderly.

Liquidity remains available.

Confidence remains constructive.

Existing Leadership remains strong.

And incremental capital continues reinforcing the areas investors already trust.

Technology and AI remain preferred destinations for Growth.

Large-cap US equities continue participating.

Gold remains a powerful destination for protection.

Broader equities participate without demonstrating equivalent conviction.

Bitcoin and Crypto remain unconfirmed.

The message from the Money Map is therefore straightforward:

The marginal dollar is reinforcing existing leadership rather than searching aggressively for new leadership

Follow where capital is going.

Not where we think it should go.

CCI LEARNING MOMENT

Rotation Usually Whispers Before It Shouts

Capital rarely changes direction all at once.

The first evidence usually appears quietly—in relative strength, breadth, liquidity transmission and marginal flows.

By the time a new market leader becomes obvious, much of the rotation may already have occurred.

That is why we do not need to predict where capital will move next.

We need to observe when its behaviour begins changing.

Follow where capital is going—not where you think it should go.

The Money Map is not a forecast of tomorrow's winners.

It is a map of **today's revealed preferences**.

And when those preferences change, so will the map.

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: High
Persistance Confidence: Moderate
Risk: Increasing but Controlled
Stance: Participate with Discipline

The Expansion Holds. The Margin for Error Is Narrowing.

After following the evidence through Liquidity, Growth, Credit, Confidence, Leadership and Capital Rotation, the picture becomes considerably clearer.

The global economy remains in **Expansion**.

More precisely, the evidence continues to describe a **Mature Expansion**.

Liquidity remains supportive.

Growth is reaccelerating.

Credit remains constructive.

Investors continue deploying capital.

Market leadership remains strong.

And the marginal dollar continues reinforcing established winners.

Those are not the characteristics of an economy entering contraction.

But neither are they the characteristics of an early-cycle environment in which improving conditions lift almost everything.

Something has changed.

Not the regime.

The conditions required to sustain it.

The Capital Cycle Position

MATURE EXPANSION

Regime Score: 7.4 / 10

Capital Cycle Assessment	Current Reading
Primary Regime	🟢 Expansion
Regime Character	Mature Expansion
Regime Confidence	High
Persistence Confidence	Moderate
Risk State	🟡 Increasing but Controlled
Portfolio Stance	**Participate with Discipline**
Dominant Characteristic	Selectivity
Primary Strength	Liquidity, Growth & Credit Agreement
Primary Vulnerability	Expensive Capital & Concentrated Leadership
Transition Risk	Inflation / Duration Pressure → Growth / Credit

The most important feature of this assessment is not any individual score.

It is **agreement**.

The three primary pillars of the Capital Cycle—Liquidity, Growth and Credit—remain constructive at the same time.

That agreement gives us confidence in where we are.

But August also gives us less confidence about how easily those conditions can persist.

And that distinction deserves attention.

We can be confident about where we are while remaining less confident about how long those conditions will persist.

Recovery → Expansion → Slowdown → Contraction

|

|

MATURE EXPANSION

CCI TAKEAWAY — The evidence continues to place the Capital Cycle firmly within Mature Expansion. Liquidity, Growth and Credit remain constructive, while increasing pressure from inflation, expensive duration and concentrated leadership is reducing the regime's margin for error.

What Has Actually Changed?

August did not produce a regime change.

It produced a change in the **environment surrounding the regime**.

Energy disruption has returned inflation pressure to the system.

Tariffs have introduced an additional potential source of input-cost pressure.

Long-duration yields have made capital more expensive.

Housing is beginning to respond to those borrowing costs.

Japan is moving further away from the extraordinarily cheap money that supported global leverage for years.

Sovereign reserve managers are becoming more deliberate about Gold, diversification and custody.

And several Canaries are beginning to sing simultaneously.

Yet something equally important **has not happened**.

Credit has not broken.

Liquidity has not disappeared.

Growth has not rolled over.

Financial stress has not become systemic.

Leadership has not collapsed.

Capital has not broadly retreated.

That distinction separates **pressure** from **regime change**.

The Price of Resilience

This is where the title of this month's Letter finally reveals its full meaning.

The system has absorbed considerable pressure.

It has absorbed an energy shock.

It has absorbed restrictive long-term interest rates.

It has absorbed geopolitical uncertainty.

It has absorbed changing Japanese monetary conditions.

It has absorbed narrowing leadership and increasingly selective capital allocation.

And still the Expansion continues.

That is resilience.

But resilience is not free.

Higher energy costs are being absorbed through inflation.

Higher bond yields are being absorbed through borrowing costs.

Higher mortgage rates are being absorbed through weaker housing activity.

Greater uncertainty is being absorbed through stronger demand for Gold and other forms of protection.

Narrower leadership is being absorbed through increasingly selective capital allocation.

The Expansion has absorbed another month of pressure. It has not absorbed it for free.

That is

The Price of Resilience.

Regime: Mature Expansion
Regime Score: 7.4 / 10
Regime Confidence: High
Persistence Confidence: Moderate
Risk State: 🟡 Increasing but Controlled
Portfolio Stance: Participate with Discipline

CCI TAKEAWAY — The Macro Compass continues to point toward participation, but with increasing discipline. The regime remains constructive and confidence in the current state is high, while moderate persistence confidence reflects growing uncertainty over how long these conditions can be sustained.

The Transmission Chain

The risks surrounding the Expansion are no longer entirely theoretical.

Some have begun transmitting.

The sequence is becoming visible:

Geopolitical Disruption

→ Energy Prices

→ Inflation

→ Reduced Policy Flexibility

→ Higher Long-Term Yields

→ Higher Cost of Capital

→ Housing & Interest-Sensitive Activity

But this transmission chain presently stops short of the most important systemic threshold:

Credit.

That is why Credit remains our referee.

If expensive capital begins weakening borrowers sufficiently to increase defaults, widen spreads and cause lenders to retreat, the Capital Cycle would begin telling us something materially different.

We are not there.

But we now understand the pathway through which we could get there.

That is far more useful than trying to predict whether we will.

The Canary Chorus

There is another reason the margin for error deserves closer attention.

No individual Canary currently tells us that the Mature Expansion is ending.

But several independent Canaries are becoming more vocal.

Energy is pressuring inflation.

The Long Bond is raising the price of capital.

The Yen is changing the economics of global leverage.

Housing is beginning to feel the consequences of expensive duration.

Reserve diversification is quietly changing the behaviour of sovereign capital.

Individually, none constitutes a systemic warning.

Collectively, they deserve attention.

Cycles do not always end because one enormous shock breaks the system.

Sometimes resilience is gradually eroded by a collection of smaller pressures until several quiet chirps become something considerably louder.

For now, the chorus remains quiet.

Credit remains calm.

Growth remains expansionary.

Liquidity remains available.

But we are listening.

The Regime Has a Smaller Margin for Error

This is perhaps the most important change from earlier in the Expansion.

When Liquidity is accelerating strongly, inflation is falling, Credit is easy and leadership is broad, the system can absorb mistakes.

Conditions are forgiving.

Today's environment is different.

Growth needs to remain resilient enough to support borrowers.

Inflation needs to remain contained enough to preserve policy flexibility.

Long yields cannot rise indefinitely without increasing refinancing pressure.

Leadership needs to remain strong—or broaden.

And Credit needs to continue absorbing those pressures without retreating.

None of those requirements is currently failing.

But there are more of them.

That is what makes this a **Mature** Expansion.

The Expansion remains intact because Liquidity, Growth and Credit continue to agree. But sustaining that Expansion is becoming increasingly demanding as inflation pressure, expensive duration, narrow leadership and selective capital allocation reduce the margin for error.

What Happens From Here?

We do not know.

And we do not need to.

Perhaps energy prices ease.

Perhaps inflation pressure moderates.

Perhaps long-term yields stabilise.

Perhaps market participation broadens.

Perhaps Bitcoin regains leadership.

Perhaps the Canaries quieten again.

In that environment, the Expansion could continue considerably longer than many expect.

Or perhaps inflation persists.

Long yields remain restrictive.

Housing weakness deepens.

Refinancing pressure accumulates.

Credit begins deteriorating.

And several Canaries that are currently merely watchful begin corroborating one another.

That would change the evidence.

And if the evidence changes, **CCI changes with it.**

We have no investment thesis to defend.

We have a process to follow.

Where Are We Now?

We remain in a **Mature Expansion**.

The evidence supports participation.

But it does not support complacency.

Liquidity remains available.

Growth remains resilient.

Credit remains constructive.

Confidence remains positive but selective.

Leadership remains strong but concentrated.

Capital continues reinforcing the assets it trusts most.

Meanwhile, the cost of maintaining those conditions is increasing.

That leaves us with a remarkably simple assessment:

The system is not breaking. But the price of resilience is rising.

CCI Market Position Monitor

Where Are Markets Within Their Own Cycles?

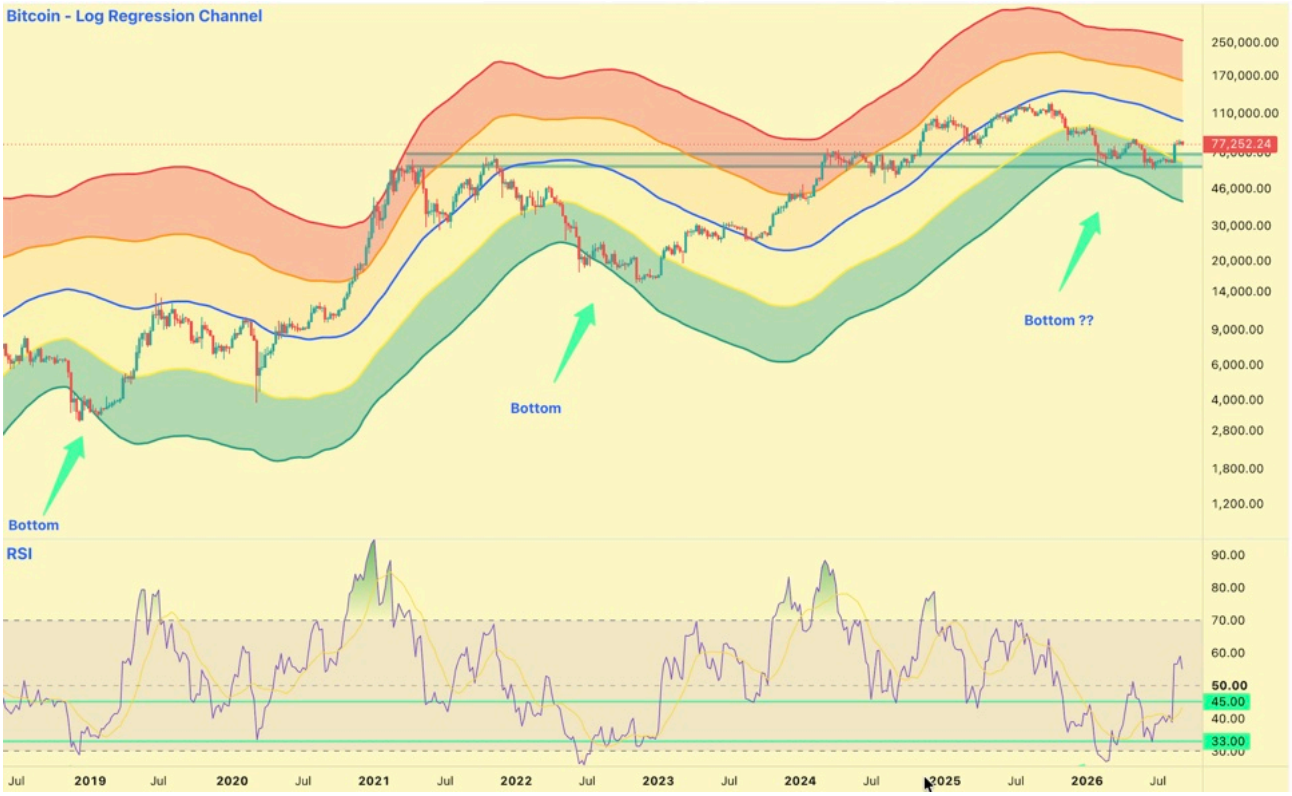
The Capital Cycle tells us where the broader system stands. But markets can occupy very different positions within that same regime.

To provide a consistent reference point, CCI tracks Bitcoin, the S&P 500 and the Nasdaq against two long-term measures: their Log Regression Channels and 200-Week Valuation Bands.

These charts are not designed to predict turning points or provide mechanical buy and sell signals. Their purpose is simpler: to show where each market currently sits relative to its own long-term historical structure—and how that position changes as the Capital Cycle evolves.

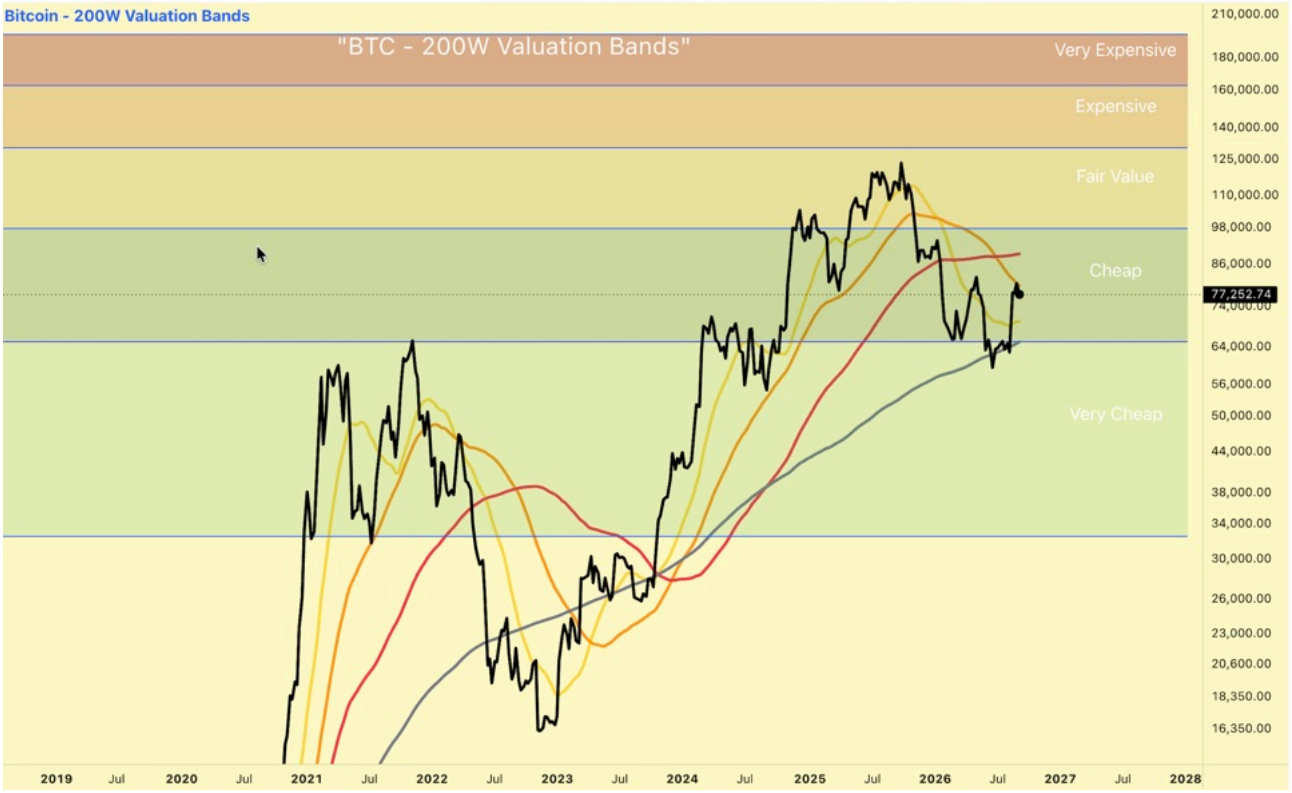
Repeated month after month, these instruments allow us to distinguish between a changing market price and a changing market position.

BITCOIN LOG REGRESSION CHANNEL



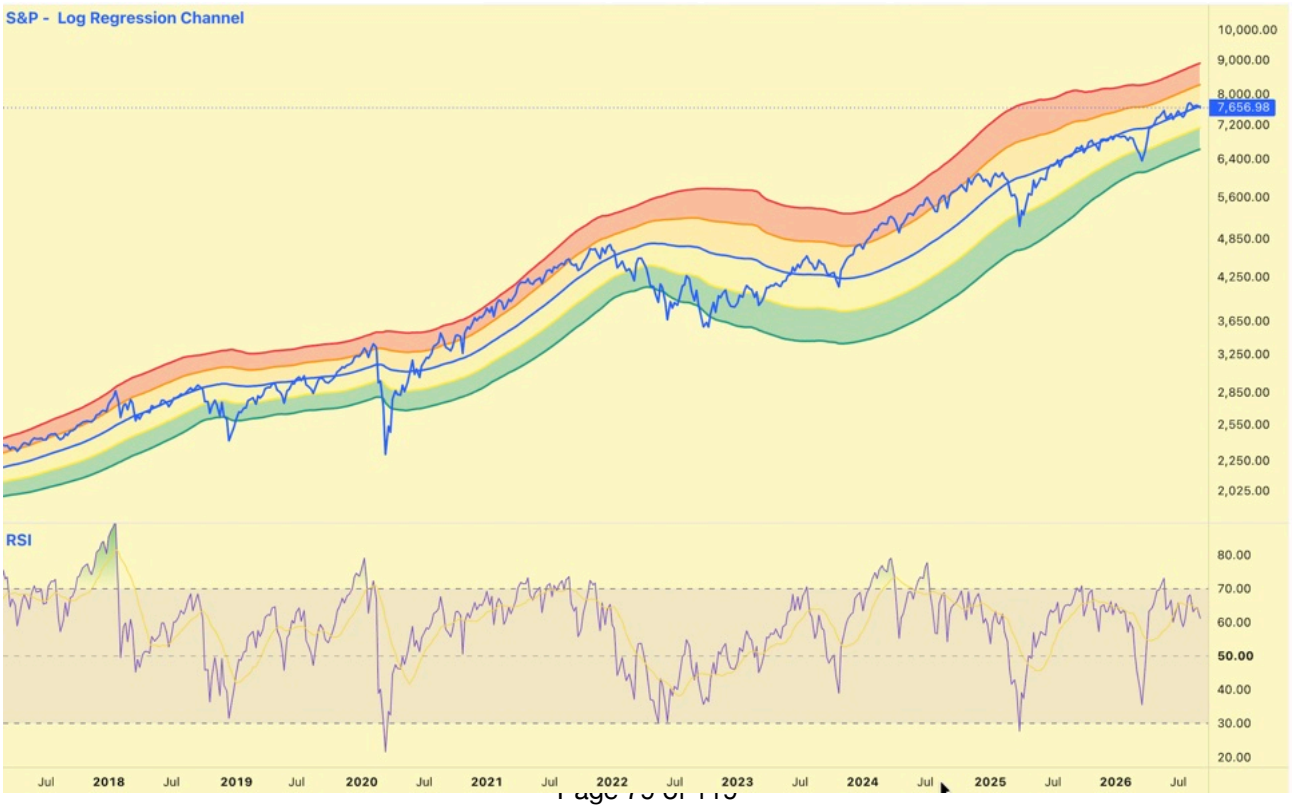
CCI TAKEAWAY — Bitcoin remains in the lower region of its long-term Log Regression Channel, reflecting a market that has lost cyclical leadership but is not historically extended on the upside. Its position leaves meaningful room for recovery should capital begin rotating back toward Crypto.

BITCOIN 200-WEEK VALUATION BANDS



CCI TAKEAWAY — Bitcoin remains relatively close to the lower end of its long-term valuation structure. The evidence points to subdued valuation rather than excess, but attractive valuation alone does not establish leadership.

S&P 500 LOG REGRESSION CHANNEL



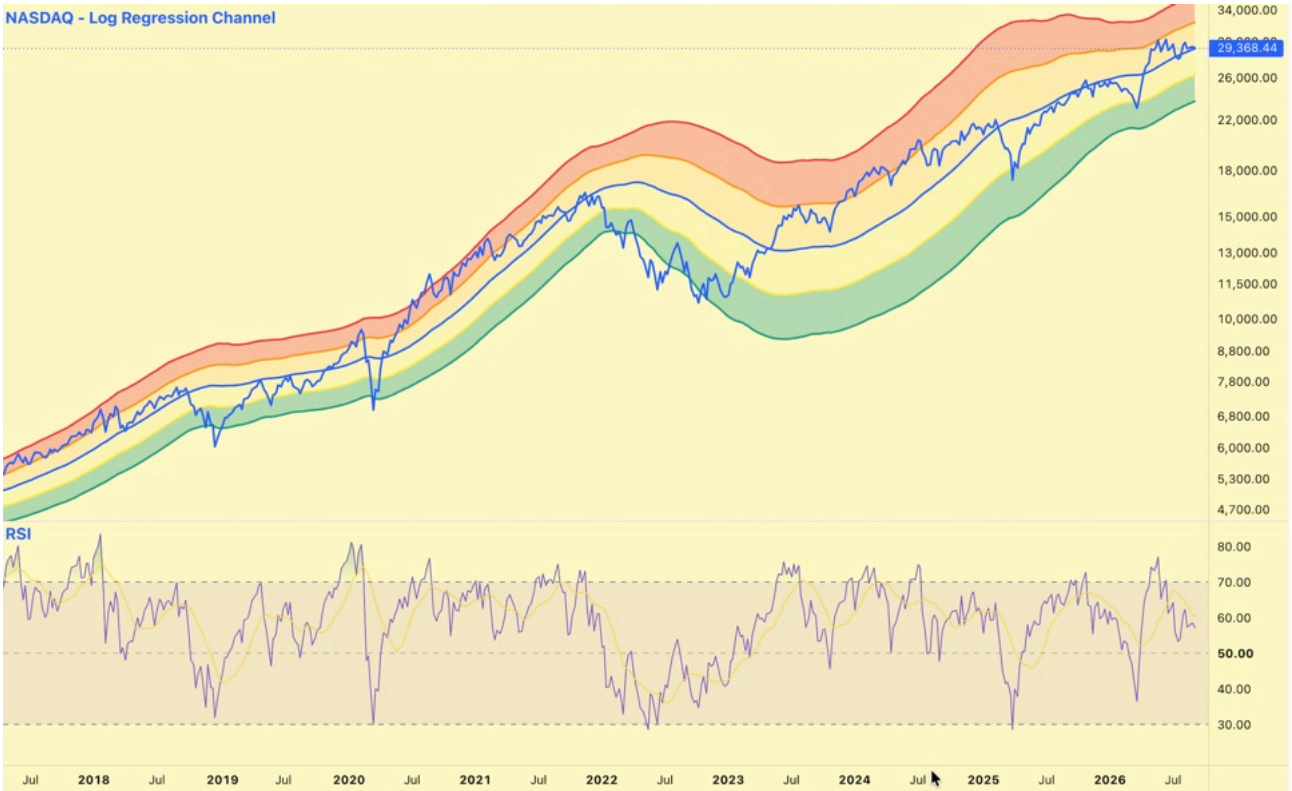
CCI TAKEAWAY — The S&P 500 remains firmly positioned within the upper half of its long-term trend structure, consistent with an equity market still participating strongly in the Mature Expansion. Its position reflects strength, while also leaving less valuation margin for disappointment.

S&P 500 200-WEEK VALUATION BANDS



CCI TAKEAWAY — The S&P 500 remains elevated relative to its long-term valuation structure, reflecting sustained investor confidence in US equities. Current positioning supports participation, but reinforces the importance of discipline as valuations become less forgiving.

NASDAQ LOG REGRESSION CHANNEL



CCI TAKEAWAY — The Nasdaq remains strongly positioned within its long-term Log Regression Channel, confirming the persistent leadership of Technology and AI. Capital continues to reward this leadership, although its increasingly advanced position raises the importance of monitoring concentration and valuation risk.

NASDAQ 200-WEEK VALUATION BANDS



CCI TAKEAWAY — The Nasdaq remains elevated within its long-term valuation structure, consistent with the strength of Technology and AI leadership. Strong valuation does not invalidate leadership, but it increases the price the market is paying for continued execution.

Valuation tells us where an asset sits. Leadership tells us where capital is going.

Capital Cycle Takeaway

August did not change the regime.

It changed the conditions surrounding it.

The Mature Expansion remains intact because its three foundational pillars continue to agree.

But inflation pressure, expensive duration, narrowing leadership and increasingly vocal Canaries mean the Expansion now operates with a smaller margin for error.

The appropriate response is neither fear nor complacency.

It is:

Participate with Discipline.



CCI LEARNING MOMENT

Pressure Is Not the Same as Regime Change

Every Capital Cycle experiences setbacks.

Oil rises.

Interest rates move.

Currencies adjust.

Markets correct.

Geopolitical shocks occur.

Individual indicators deteriorate.

If we treated every pressure point as a new regime, we would spend our investing lives reacting to noise.

A regime changes when those pressures begin transmitting through the system strongly enough to alter the underlying evidence.

That is why we follow Liquidity, Growth and Credit together.

And why the most important question is rarely:

“What went wrong this month?”

It is:

“Did what went wrong change the Capital Cycle?”

In August, the answer remains:

No.

Pressure is rising. Transmission is occurring. The pillars have not yet broken.

SECTION 9 — INVESTMENT OUTLOOK

Participate With Discipline

The evidence continues to support participation.

That conclusion matters.

Despite geopolitical disruption, renewed inflation pressure, restrictive long-term yields and increasingly vocal Canaries, the foundations of the Capital Cycle remain constructive.

Liquidity is available.

Growth remains expansionary.

Credit remains healthy.

Confidence remains positive.

Leadership remains strong.

Capital continues flowing toward identifiable areas of conviction.

There is therefore insufficient evidence to justify abandoning risk simply because the environment has become more difficult.

But neither does the evidence justify indiscriminate risk-taking.

The Mature Expansion has become more selective, more expensive and less forgiving.

The appropriate portfolio stance is therefore:

Participate With Discipline.

Participation Does Not Mean Complacency

There is an important difference between remaining invested and assuming that everything will continue working.

The current environment rewards discrimination.

Capital is already demonstrating that behaviour.

Technology and Artificial Intelligence remain powerful leaders.

Large-cap US equities continue attracting capital.

Gold remains a preferred destination for protection.

Broader equities participate less convincingly.

Bitcoin and Crypto have yet to regain leadership.

The portfolio implication is not to predict which laggard will eventually catch up.

It is to respect the leadership that exists while remaining alert for evidence that capital is beginning to rotate.

Participation should follow evidence—not expectation.

That means allowing strong assets to remain strong without assuming their leadership is permanent.

And allowing weak assets to remain weak without assuming they must eventually recover.

Respect the Leaders

One of the most difficult disciplines in investing is accepting that markets are under no obligation to agree with our preferred narrative.

Technology may appear expensive.

Gold may appear extended.

Bitcoin may appear undervalued relative to liquidity.

None of those observations determines where the marginal dollar must go next.

Leadership does.

For now, the evidence says that investors continue trusting Technology, AI, large-cap equities and Gold.

Those preferences deserve respect until the evidence changes.

But respect is not the same as devotion.

Today's leaders must continue earning leadership just as yesterday's leaders must earn it again.

We follow leadership. We do not pledge allegiance to it.

That distinction protects the portfolio from one of investing's oldest mistakes:

falling in love with what previously worked.

Protection Has a Role

Gold's strength provides another useful portfolio lesson.

Protection does not need to be reserved for the moment after something has already gone wrong.

The current environment demonstrates why.

The Expansion remains intact.

Yet geopolitical risk is elevated.

Inflation pressure has returned.

Long-duration yields remain restrictive.

Sovereign reserve behaviour is evolving.

And several Canaries are becoming more vocal.

Holding protection alongside productive assets is therefore not necessarily a prediction of crisis.

It can simply acknowledge uncertainty.

That is consistent with what sophisticated capital appears to be doing already:

Participating in opportunity while maintaining insurance.

The objective is not to eliminate uncertainty.

It is to build portfolios capable of surviving it.

Do Not Front-Run the Regime

Perhaps the greatest temptation in a Mature Expansion is attempting to anticipate its end.

Eventually, the regime will change.

Every Expansion does.

But positioning aggressively for a regime that has not yet arrived can be just as damaging as failing to recognise one after it has begun.

At present, Liquidity, Growth and Credit continue to agree.

Until that agreement materially deteriorates, the evidence continues to support Expansion.

That does not mean ignoring the Canaries.

Quite the opposite.

They allow us to prepare without forcing us to predict.

Preparation gives us optionality. Prediction creates commitment.

CCI prefers optionality.

What Are We Watching?

The next phase of the Capital Cycle will become clearer through transmission rather than headlines.

Our attention therefore remains concentrated on a handful of relationships.

Will higher energy costs continue feeding inflation?

Will persistent inflation keep long-duration yields restrictive?

Will expensive capital produce deeper weakness in housing?

Will refinancing pressure begin appearing in corporate Credit?

Will Credit spreads remain contained?

Will market leadership broaden—or narrow further?

Will Bitcoin and Crypto begin responding to supportive global liquidity?

Will the Yen adjustment remain orderly?

And most importantly:

Will several independent Canaries begin confirming the same underlying deterioration?

No individual answer needs to determine the portfolio.

Agreement among them might.

The Portfolio Posture

The current regime does not call for maximum aggression.

Nor does it call for maximum defence.

It calls for discipline.

Participate where leadership and evidence remain strong.

Maintain protection where uncertainty warrants it.

Avoid forcing capital into assets that have not earned leadership.

Watch Credit for evidence that expensive capital is becoming systemic stress.

Allow the Canaries to provide preparation rather than prediction.

And retain the flexibility to change when the evidence changes.

That is what **Participate With Discipline** means in practice.

What Would Change the Stance?

A more constructive stance would require evidence that the Expansion was becoming easier to sustain.

Inflation pressure moderating.

Long-duration yields stabilising.

Market breadth broadening.

Liquidity transmission improving.

Credit remaining healthy.

And previously impaired areas beginning to participate.

That would increase the system's margin for error.

A more defensive stance would require something materially different.

Growth deterioration.

Credit spreads widening.

Lending conditions tightening.

Financial stress increasing.

Leadership breaking.

Liquidity deteriorating.

Or several Canaries beginning to corroborate the same systemic transmission mechanism.

The portfolio stance should change **after the evidence changes**.

Not because we become frightened that it might.

Investment Outlook

The Mature Expansion remains intact.

The evidence continues to support participation.

But August has made clear that participation must become increasingly selective.

Capital remains available.

Economic Growth remains resilient.

Credit remains constructive.

Leadership remains identifiable.

Yet inflation pressure, expensive duration and increasingly vocal Canaries are reducing the margin for error.

This is neither an environment for complacency nor one demanding retreat.

It is an environment requiring **discipline, selectivity and optionality.**

Participate where the evidence supports participation.

Protect where the evidence warrants protection.

Change when the evidence changes.



CCI LEARNING MOMENT

Preparation Is Not Prediction

Investors often believe they have only two choices:

Predict what happens next.

Or do nothing.

There is a third.

Prepare.

Preparation means understanding the regime, identifying the transmission mechanisms that could change it and knowing what evidence would require a different response.

It allows us to remain invested without becoming complacent.

It allows us to recognise risk without becoming paralysed by it.

And it allows us to change course without needing to have predicted the turning point beforehand.

We do not need to know what happens next. We need to know what we will do when the evidence changes.

That is the difference between forecasting the Capital Cycle and **operating within it.**

The CCI Position

Regime: 🟢 Mature Expansion — 7.4 / 10

Risk: 🟡 Increasing but Controlled

Stance: Participate With Discipline

The Expansion remains intact.

Its margin for error has narrowed.

The Canaries are becoming more vocal.

Credit remains the systemic referee.

And the evidence—not our expectations—will determine what comes next.

We have no investment thesis to defend. We have a process to follow.

CCI TAKEAWAY — The evidence continues to support participation, but not indiscriminate risk-taking. Capital should follow demonstrated leadership, protection should remain available where uncertainty is greatest, and portfolio positioning should change only when the underlying evidence changes.

🐤 CCI CANARY WATCH — BENEATH THE SURFACE

When Several Quiet Chirps Begin to Sound Like a Chorus

No single Canary is presently signalling that the Mature Expansion is ending.

That distinction matters.

Global Liquidity remains supportive.

Credit remains constructive.

Financial stress remains contained.

Growth continues expanding.

None of the systemic Canaries is currently telling us that the foundations of the Capital Cycle have broken.

But something beneath the surface deserves closer attention.

Several independent Canaries are beginning to sing at the same time.

Energy is pressuring inflation.

The Long Bond is raising the price of capital.

The Yen is changing the economics of global leverage.

Housing is beginning to feel the consequences of expensive duration.

Sovereign reserve behaviour is becoming more deliberate around Gold, diversification and custody.

Individually, none of these developments represents a systemic warning.

The more interesting question is whether they are truly independent.

Or whether we are beginning to observe different parts of the **same emerging transmission mechanism**.

The Canary Chorus

Canaries are most useful when we resist the temptation to treat every signal as an isolated prediction.

One yellow Canary does not mean crisis.

Two do not mean recession.

Three do not mean the cycle is ending.

What matters increasingly is **corroboration**.

Are these Canaries detecting independent problems—or different parts of the same emerging transmission mechanism?

That question changes how we interpret the current environment.

Consider what is beginning to develop.

Energy is increasing input costs.

Higher input costs are placing renewed pressure on **inflation**.

Persistent inflation reduces the flexibility available to **monetary policy**.

Reduced policy flexibility helps keep the **price of long-duration capital** elevated.

Higher long-term rates are already transmitting into **housing**.

Meanwhile, changing Japanese monetary conditions are altering the economics of **global funding and leverage**.

None of those channels presently tells us the system is breaking.

But they are no longer entirely unrelated observations.

They are beginning to form a chain.

The Emerging Transmission

The potential pathway looks something like this:

Geopolitical & Supply Pressure

→ Energy Costs

→ Inflation

→ Reduced Policy Flexibility

→ Long-Term Yields

→ Higher Cost of Capital

→ Housing / Refinancing / Investment

→ Credit

→ Growth

The first several links are already visible.

The later ones are not.

And that distinction is precisely where the Canary Watch becomes valuable.

The purpose is not to predict that the entire chain will complete.

It is to recognise that transmission has begun and identify where we would expect the evidence to appear next if it continues.

That gives us something prediction cannot.

Time to prepare.

The Systemic Referee Has Not Blown the Whistle

The most important missing link remains Credit.

Housing activity has weakened.

Borrowing costs have risen.

Long-duration yields remain restrictive.

But Credit spreads remain contained.

Bank lending continues.

Financial stress remains limited.

There is little evidence of widespread forced deleveraging.

That is why the current Canary Chorus remains **watchful rather than alarming**.

Pressure is reaching borrowers. It has not yet caused lenders to retreat.

If that changes, the significance of several other Canaries changes with it.

A Long Bond warning accompanied by healthy Credit tells us that money is expensive.

A Long Bond warning accompanied by widening Credit spreads tells us that expensive money may be becoming damaging.

The Canary itself has not necessarily changed.

Its transmission has.

Four Voices in the Chorus

The current Chorus can be thought of through four principal channels.

Energy — 🟡 Watchful

The energy shock is already transmitting into inflation.

This is the most visible pressure and the one furthest along its transmission pathway.

The question is whether energy prices remain sufficiently elevated for sufficiently long to broaden inflation pressure and further constrain monetary policy.

Oil / Brent Crude



CCI TAKEAWAY — Energy remains the most visible source of renewed inflation pressure. The Canary is not signalling recession; it is warning that higher energy costs may sustain inflation, reduce monetary-policy flexibility and keep the price of capital elevated.

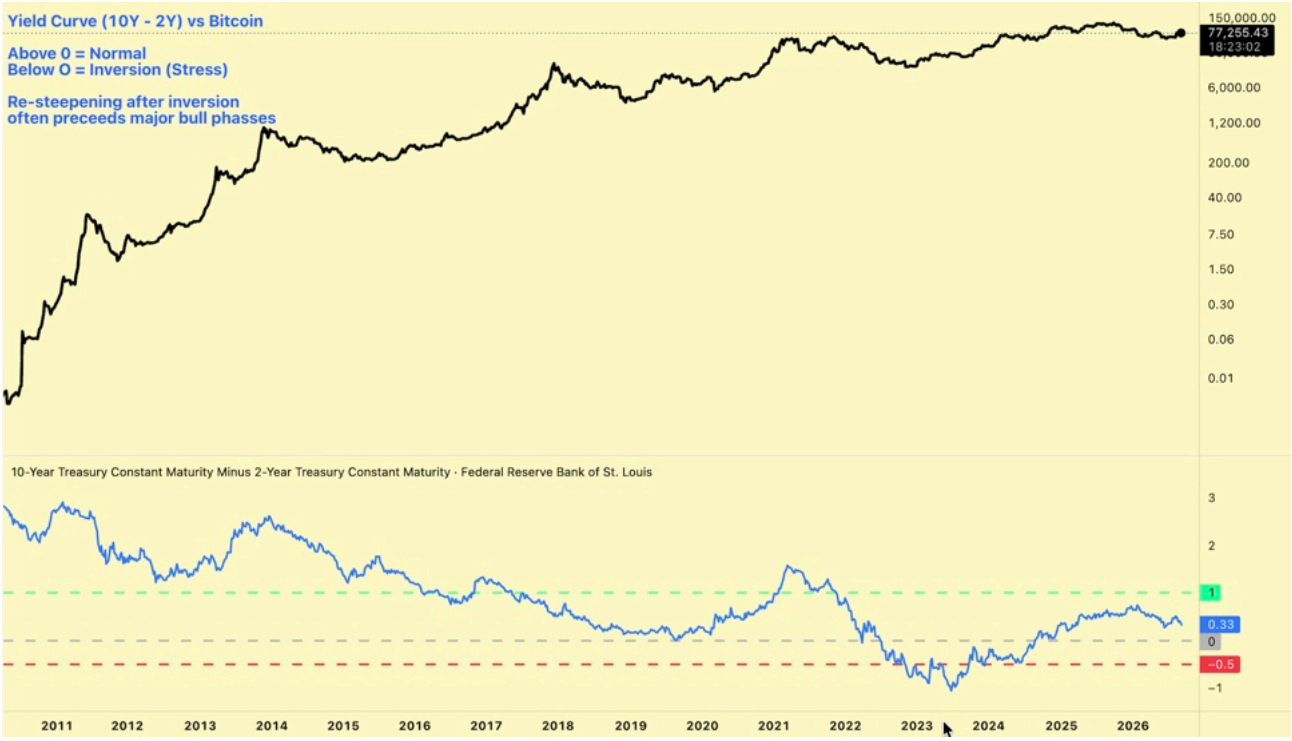
Duration — 🟡 Watchful

The Long Bond continues demanding greater compensation for long-term capital.

Housing is now providing evidence that this pressure has escaped financial markets and entered the real economy.

The next question is whether the adjustment remains confined primarily to activity—or begins affecting collateral values, refinancing and Credit.

US 10-Year Treasury Yield



CCI TAKEAWAY — Long-term Treasury yields remain elevated despite supportive liquidity conditions. The Long Bond is therefore warning that the price of long-duration capital remains restrictive even while the quantity of capital remains available.

Funding — 🟡 Watchful

The Yen Carry Trade remains orderly, but its underlying economics are changing.

A stronger Yen, higher Japanese yields and the gradual normalisation of Bank of Japan policy reduce the attractiveness of funding leveraged positions through extraordinarily cheap Japanese capital.

There is no evidence of a disorderly global unwind.

But the conditions supporting that leverage are becoming less favourable.

USD/JPY



CCI TAKEAWAY — The Yen's appreciation and changing Japanese monetary conditions continue to reduce the attractiveness of Yen-funded leverage. The evidence does not indicate a disorderly global unwind, but the economics supporting the carry trade have become less favourable.

Sovereign Capital — 🟡 Emerging Watch

Central banks continue accumulating Gold while becoming more deliberate about diversification and custody.

This is not evidence of wholesale abandonment of the US Dollar or Treasury market.

It may represent something slower and more structural:

A changing preference at the margin for how sovereign wealth is stored.

That matters because long-duration markets are ultimately influenced not only by the quantity of capital available, but by the price at which marginal buyers are willing to provide it.

CCI TAKEAWAY — Central banks continue increasing Gold exposure as part of a broader evolution in sovereign reserve management. The evidence does not support wholesale abandonment of the US dollar; it does support increasingly deliberate diversification of sovereign capital.

And Then There Is Credit

Credit remains different.

Credit — 🟢 Stable

That green signal matters more precisely because several surrounding Canaries are yellow.

Credit is telling us that the pressures identified elsewhere have **not yet become systemic**.

That prevents the Chorus from becoming an alarm.

And it gives us a clear threshold to watch.

If Energy, Duration and Funding remain under pressure **while Credit begins deteriorating**, independent concerns would begin corroborating one another much more powerfully.

That would deserve a different assessment.

We are not there.

High Yield Credit Spreads



What Would Confirm the Chorus?

The hypothesis would strengthen if the transmission continued moving through the system.

Persistent energy-driven inflation.

Long yields remaining restrictive or moving higher.

Housing weakness broadening from activity into prices and Credit quality.

Corporate refinancing pressure increasing.

Credit spreads widening.

Lending standards tightening.

Financial stress rising.

Funding markets becoming disorderly.

And several of those signals deteriorating **together**.

The importance would come from agreement.

Not any single Canary.

What Would Invalidate It?

This investigation must work both ways.

If energy prices moderate, inflation pressure eases, long yields stabilise, housing activity finds a floor, Credit remains healthy and Japanese monetary normalisation proceeds without global funding stress, then much of the current Chorus may simply fade.

That outcome would not mean the Canary Watch had been wrong.

It would mean the Canaries did exactly what they were designed to do.

They identified changing conditions early.

We investigated the possible transmission.

The transmission failed to become systemic.

And the watch closed.

Most Beneath the Surface investigations should end this way.

That is a feature of the process, not a failure.

Why We Listen Before the Data Turns

Traditional economic indicators often confirm deterioration after transmission has already occurred.

Canaries operate differently.

They monitor the conditions through which deterioration **could** travel.

That creates an important asymmetry:

The Canaries may hear the regime change before the Regime Engine can see it.

That does not give the Canaries authority to overrule the evidence.

It gives them a different job.

The Regime Engine tells us **where we are**.

The Canaries help us listen for **what may be changing**.

One measures the condition of the mine.

The other listens to the air.

Beneath the Surface — CCI Assessment

No single Canary is presently signalling that the Mature Expansion is ending.

What deserves closer attention is that several independent Canaries are beginning to sing simultaneously.

Energy is pressuring inflation.

The Long Bond is raising the price of capital.

The Yen is changing the economics of global leverage.

Housing is beginning to feel the consequences of expensive duration.

None has yet transmitted into broad Credit stress.

But cycles do not always end because one great shock breaks the system.

Sometimes resilience is gradually eroded by a collection of smaller pressures until what once appeared to be several quiet chirps becomes a chorus.

For now, the chorus remains quiet.

Credit remains calm.

Growth remains expansionary.

Liquidity remains available.

We are listening nevertheless.



CCI LEARNING MOMENT

Corroboration Changes the Signal

A single Canary tells us that something deserves attention.

Several independent Canaries describing different parts of the same transmission mechanism tell us something more important.

The strength of an early-warning system therefore comes not from how loudly any individual indicator sings.

It comes from whether independent evidence begins agreeing.

Risk conviction should strengthen when independent Canaries begin corroborating one another.

Until then, we watch.

We investigate.

And we resist turning possibility into prediction.

MONTHLY WATCH LIST

What Matters Next

We do not know what September will bring.

Oil may fall.

Inflation may moderate.

Bond yields may stabilise.

The Yen may strengthen further.

Market leadership may broaden.

Bitcoin may regain momentum.

Or some of the pressures identified throughout this Letter may continue transmitting through the system.

None of those outcomes needs to be predicted today.

What matters is knowing **which developments would change the evidence.**

The Monthly Watch List therefore asks a simple question:

What should we be watching now that could change our view of the Capital Cycle?

For September, seven areas deserve particular attention.

1. Energy → Inflation

🟡 WATCH

The Middle East energy shock has already begun appearing in measured inflation.

The question now becomes one of **persistence**.

A temporary spike in energy prices would have very different implications from a sustained increase that continues flowing through transportation, production and household costs.

What We Are Watching

Whether oil and refined-product prices remain elevated.

Whether energy inflation broadens into other categories.

Whether businesses begin passing higher transportation and production costs to consumers.

Whether inflation expectations respond.

What Would Matter

If energy pressure fades, monetary-policy flexibility improves.

If energy pressure persists and broadens, inflation becomes more difficult to contain.

That would strengthen the transmission pathway:

Energy → Inflation → Policy → Long Bond → Cost of Capital

2. The Long Bond → Housing

🟡 WATCH

Long-duration yields remain one of the most important transmission mechanisms in the current cycle.

Housing has already begun responding.

Mortgage rates remain restrictive, transaction activity has weakened and inventory has increased.

But this remains primarily an **activity adjustment**, not a Credit event.

What We Are Watching

Mortgage rates.

Housing transactions.

Inventory.

Home prices.

Mortgage delinquencies.

And ultimately, lender behaviour.

What Would Matter

Weak activity alone does not materially change our regime assessment.

The signal becomes more important if:

Activity weakness → Price weakness → Borrower stress → Credit deterioration

For now, that chain remains incomplete.

3. Credit — The Systemic Referee

🟢 WATCH CLOSELY

Credit remains one of the most important green signals in the entire Capital Cycle.

Investment-grade and high-yield spreads remain contained.

Bank Credit remains available.

Financial stress remains limited.

That is why several yellow Canaries can coexist without changing the regime.

What We Are Watching

Credit spreads.

Corporate defaults.

Bank lending.

Lending standards.

Refinancing conditions.

Financial stress.

What Would Matter

One isolated deterioration would deserve attention.

Agreement across several Credit indicators would deserve considerably more.

If expensive capital begins becoming unavailable capital, the Capital Cycle changes.

That is one of the most important thresholds we are carrying into September.

4. Yen → Global Funding

🟡 WATCH

Japan's monetary transition continues.

A stronger Yen, rising Japanese yields and less accommodative Bank of Japan policy are gradually changing the economics of one of the world's most important sources of cheap funding.

So far, the adjustment remains orderly.

What We Are Watching

The Yen.

Japanese government bond yields.

Bank of Japan policy.

Leveraged positioning.

Cross-market volatility.

Evidence of forced deleveraging.

What Would Matter

A stronger Yen alone is not the signal.

The important question is whether changing Japanese funding conditions begin producing disorder elsewhere.

Funding adjustment is manageable. Forced deleveraging is different.

Until we see evidence of the latter, the Canary remains watchful rather than alarming.

5. Liquidity → Transmission

🟢 WATCH

Global liquidity remains supportive.

The Liquidity Impulse is improving.

US liquidity remains adequate.

But transmission continues to vary considerably between assets.

That divergence makes September particularly interesting.

What We Are Watching

Global Liquidity.

US Net Liquidity.

Liquidity Impulse.

Stablecoin liquidity.

And the relative response of major liquidity-sensitive assets.

What Would Matter

Broader asset participation alongside improving liquidity would strengthen the Expansion.

Continued divergence would reinforce the current theme of selectivity.

A broad deterioration across liquidity itself would be considerably more important.

The distinction remains:

Liquidity is available. Transmission is selective.

6. Leadership → Rotation

🟢/🟡 WATCH

Technology, AI, large-cap US equities and Gold remain preferred destinations for capital.

The question now is whether leadership **broadens, persists or begins to fracture**.

What We Are Watching

Technology and AI relative strength.

Market breadth.

Broader equity participation.

Gold.

Bitcoin and Crypto.

Evidence of emerging leadership elsewhere.

What Would Matter

Broadening participation while existing leaders remain healthy would strengthen the Expansion.

Deteriorating leaders without replacements would weaken it.

And renewed Bitcoin and Crypto strength accompanied by improving crypto-native liquidity would provide evidence of a genuine change in Capital Rotation.

Until then:

Bitcoin has not yet earned the marginal dollar.

7. Sovereign Capital → Reserve Diversification

🟡 EMERGING WATCH

This is likely to be one of the slower-moving developments on the Watch List.

Central banks continue accumulating Gold while becoming more deliberate about reserve diversification and custody.

The evidence does **not** show wholesale abandonment of the US Dollar.

But sovereign preferences at the margin deserve monitoring.

What We Are Watching

Central-bank Gold purchases.

Foreign Treasury holdings.

Official-sector capital flows.

Reserve composition.

Custody preferences.

And evidence of changing marginal demand for long-duration US assets.

What Would Matter

The critical question is not whether the world suddenly stops buying Treasuries.

It is whether marginal buyers increasingly demand **greater compensation** to hold them.

America does not need the world to stop buying Treasuries for the price of its capital to rise. It only needs the marginal buyer to become a little more price-sensitive.

That makes Reserve Diversification a structural watch rather than an immediate alarm.

The September Evidence Board

What We're Watching	Status	Key Transmission
Energy / Inflation	🟡 Watch	Energy → Inflation → Policy
Long Bond / Housing	🟡 Watch	Yields → Mortgage Rates → Housing
Credit	🟢 Stable	Borrowers → Lenders → System
Yen / Japan	🟡 Watch	Funding → Leverage → Markets
Liquidity	🟢 Supportive	Availability → Asset Transmission
Leadership / Rotation	🟢/🟡 Selective	Confidence → Marginal Dollar
Reserve Diversification	🟡 Emerging	Sovereign Preference → Cost of Capital

The Watch List does not tell us what will happen.

It tells us **where to look if something begins happening.**

What Matters Most?

If we had to reduce September's entire Watch List to one question, it would be this:

Does pressure remain contained—or does it begin transmitting into Credit?

Energy can remain expensive.

Bond yields can remain high.

Housing can remain weak.

The Yen can continue adjusting.

Leadership can remain narrow.

Those conditions may make the Expansion increasingly uncomfortable without necessarily ending it.

Credit is where discomfort can become systemic.

That is why it remains our referee.

CCI LEARNING MOMENT

Know What Would Change Your Mind Before It Happens

One of the greatest advantages an investor can possess is not knowing what happens next.

It is knowing **what evidence would require a different conclusion.**

Establishing those conditions in advance removes much of the emotion from decision-making.

When evidence changes, we do not need to invent a response under pressure.

We already know what matters.

A disciplined investor does not wait for uncertainty to disappear. They define the evidence that would require them to act.

That is the purpose of the Monthly Watch List.

Not prediction.

Preparation.

The Capital Cycle never asks you to predict the future.

It simply asks you to pay attention to the evidence.

THE WORLD AUGUST EXPERIENCED

Beyond Markets and the Capital Cycle

Markets measure many things.

The price of energy.

The cost of money.

The movement of currencies.

The value investors place on companies, commodities and risk.

But not everything that matters can—or should—be measured by its effect on markets.

August provided several reminders that the Capital Cycle unfolds inside a much larger human story.

For millions of people, the defining events of the month had nothing to do with bond yields, liquidity or the direction of an equity index.

They were about weather.

Water.

Fire.

Homes.

Communities.

And survival.

A Tragedy in the Himalayas

Late in August, catastrophe struck communities across the Himalayan region when a major glacier collapse triggered devastating flooding across parts of Nepal and Tibet.

The scale of the human loss was extraordinary.

Communities were overwhelmed with little warning. Homes and infrastructure were destroyed. Families were displaced. Rescue teams searched through enormous areas of devastation while the number of dead and missing continued to rise.

For financial markets, the event produced little meaningful transmission.

For the people who lived through it, nothing could have been more significant.

That distinction deserves to be preserved.

August 2026 will be remembered for many things. For thousands of families in the Himalayas, it will be remembered for something far more important than the price of an asset.

There is no investment conclusion required.

Some events deserve simply to be acknowledged.

A Planet Under Heat

August was also another extraordinary month for global temperatures.

Across large parts of the world, communities experienced extreme heat, drought and wildfire conditions.

Western Europe endured exceptional summer temperatures.

Across parts of Asia, prolonged dry conditions placed pressure on agriculture, water supplies and communities.

Indonesia experienced widespread fires and thousands of detected hotspots as severe drought affected large areas of the country.

These events occurred across different geographies and under different local conditions, but together they formed part of a broader experience increasingly familiar around the world:

Weather extremes are becoming harder to treat as distant events.

Their effects are local.

Their consequences can become global.

When Weather Reaches the Economy

Unlike the Himalayan tragedy, where we deliberately resist forcing a market interpretation onto human loss, prolonged weather disruption can eventually develop an economic transmission mechanism.

Drought can reduce agricultural production.

Floods can destroy crops and infrastructure.

Wildfires can disrupt transportation and communities.

Extreme heat can affect labour productivity and electricity demand.

Reduced harvests can increase food prices.

Damaged infrastructure can increase rebuilding costs.

Those effects can eventually reach inflation, Growth, insurance markets and government expenditure.

But CCI must maintain an important distinction.

A possible transmission mechanism is not evidence that transmission has occurred.

We should not convert every drought into an inflation forecast.

We should not convert every natural disaster into a market call.

We observe the event first.

Then we look for transmission.

And only then do we allow the evidence to influence the Capital Cycle.

Conflict Beyond the Oil Price

The conflict involving Iran has appeared repeatedly throughout this Letter because disruption to energy markets has produced measurable economic consequences.

Oil moved.

Fuel costs increased.

Inflation responded.

Those developments properly belong within our Capital Cycle analysis.

But reducing the conflict solely to the price of Brent would miss the larger reality.

Behind every geopolitical transmission mechanism are people.

Families displaced.

Lives interrupted.

Communities changed.

Governments making decisions whose consequences extend far beyond financial markets.

The Capital Cycle requires us to understand the economic transmission.

Perspective requires us to remember that the economic transmission is not the whole story.

A World That Kept Moving

And despite war, extreme weather, natural disaster, political tension and economic uncertainty, ordinary life continued.

People went to work.

Businesses opened their doors.

Children went to school.

Families planned their futures.

Scientists continued researching.

Engineers continued building.

Entrepreneurs continued taking risks.

Companies continued investing.

And across the world, millions of small decisions collectively kept the global economy moving.

That resilience rarely makes headlines.

But it is worth remembering.

Economic Growth is ultimately not a number appearing on a dashboard.

It is the accumulated result of human activity.

Why This Belongs in the Capital Cycle Letter

CCI exists to understand capital.

But understanding capital should never require us to view the entire world exclusively through the lens of an investment portfolio.

There will be months when an event matters profoundly to markets.

There will be months when an event matters profoundly to history.

Sometimes it will matter to both.

Our responsibility is to understand the difference.

Not every event that matters to the world matters to markets. And not everything that matters deserves to be measured by its effect on markets.

That principle allows us to remain analytical without becoming detached.

It also protects the investment process.

Because when an event **does** have a genuine Capital Cycle transmission, we can identify it precisely rather than manufacturing one simply because the event itself was significant.

The World August Experienced

August was a month of resilience.

Not merely financial resilience.

Human resilience.

Communities confronted tragedy.

Countries confronted extraordinary weather.

Families lived through war.

Economies absorbed disruption.

And markets continued attempting to price a future that remained uncertain.

Some of those events changed the Capital Cycle.

Some may change it later.

Others may never change it at all.

All were part of the world in which the Capital Cycle unfolded.

And all help us remember something important:

Markets are part of the world.

They are not the world.

CLOSING REFLECTION

Following the Evidence

August reminded us that resilience rarely means the absence of pressure.

The global economy absorbed an energy shock.

Inflation pressure returned.

Long-term capital remained expensive.

Housing began responding.

Japan continued moving away from the era of extraordinarily cheap money.

And several Canaries became more vocal.

Yet the Expansion endured.

Liquidity remained available.

Growth remained resilient.

Credit remained constructive.

Investors continued participating.

And capital continued finding places in which it was willing to express conviction.

The system bent.

It did not break.

That distinction has shaped this entire Letter.

The Price We Pay for Resilience

Resilience can sometimes appear effortless when viewed through a market index or economic statistic.

It rarely is.

Higher energy costs must be absorbed somewhere.

Higher interest rates eventually reach borrowers.

Greater uncertainty changes how investors allocate capital.

Narrower leadership places greater responsibility on fewer assets.

And every additional pressure reduces some of the system's capacity to absorb the next one.

That does not mean the Expansion must end.

It means sustaining it has become more demanding.

The Expansion has absorbed another month of pressure. It has not absorbed it for free.

That is the Price of Resilience.

We Don't Need to Predict September

Perhaps the greatest temptation after a month like August is to ask:

What happens next?

Will oil fall?

Will inflation remain elevated?

Will interest rates rise further?

Will housing weaken?

Will the Yen Carry Trade unwind?

Will Bitcoin regain leadership?

Will the Canaries quieten—or become louder?

We could construct forecasts for every one of those questions.

But knowing the answers in advance is not required for successful investing.

What matters is knowing **what evidence would change our view if those conditions develop.**

We know where we are.

We know what is supporting the regime.

We know where pressure is accumulating.

We know which Canaries are singing.

And we know what transmission would need to occur before our conclusion changes.

That is enough.

The CCI Position

Regime — 🟢 Mature Expansion

Score — 7.4 / 10

Risk — 🟡 Increasing but Controlled

Stance — Participate With Discipline

The evidence continues to support participation.

But participation should remain selective.

Protection still has a role.

Leadership should be respected rather than assumed.

Credit remains the systemic referee.

And the Canaries deserve our attention—not because they know the future, but because they may notice when the conditions surrounding it begin to change.

One Month at a Time

There will eventually be a month when the evidence changes.

Perhaps Growth will weaken.

Perhaps Credit will deteriorate.

Perhaps Liquidity will retreat.

Perhaps today's leaders will lose their position and entirely new ones will emerge.

When that happens, CCI will not need to defend what we wrote previously.

Our conclusions were never intended to be permanent.

They were intended to represent the best interpretation of the evidence available at the time.

And when the evidence changes:

we change.

That is not inconsistency.

It is the discipline of following a cycle that never stands still.

We have no investment thesis to defend. We have a process to follow.

Until Next Month

We do not know what September will bring.

We do know what we are watching.

The Expansion remains intact.

Its margin for error has narrowed.

The Canaries are listening.

So are we.

And until the evidence gives us a reason to conclude otherwise:

Participate With Discipline.

Thank you for spending another month with Capital Cycle Intelligence.

Until next month,

Follow the evidence.

Capital Cycle Intelligence

Evidence Before Opinion. Process Before Prediction.

Know What You Own

Know Why You Own It

Know When You Are Wrong

Know How to Behave

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