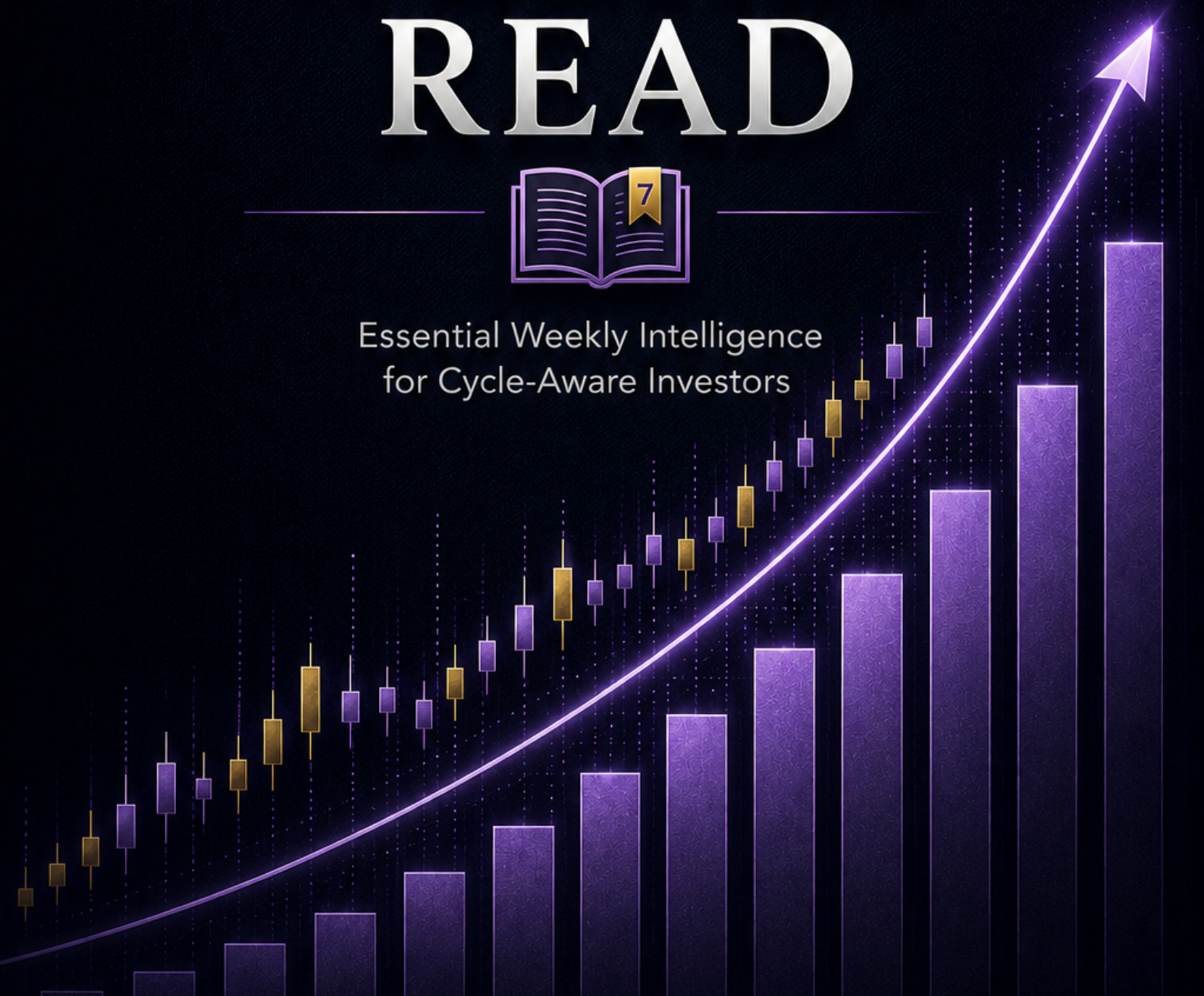
CAPITAL CYCLE

INTELLIGENCE

CCI WEEKLY READ

Essential Weekly Intelligence
for Cycle-Aware Investors



CAPITAL CYCLE INTELLIGENCE

Weekly Read

26th October 2026 | Edition 021

The Crown and the Cracks

When the leading economic story remains intact, but its supporting cast begins to disagree

Executive Summary

The Big Picture

There is a particular kind of market environment that can test an investor's patience. The economy is not obviously in trouble. Financial markets are still finding reasons to advance. Yet the closer we look, the more we notice that some of the evidence is pulling in the opposite direction.

That is where we find ourselves this week.

Expansion remains the leading economic scenario. Liquidity has not disappeared, and parts of the equity market continue to demonstrate remarkable resilience. But economic momentum is less convincing, participation is uneven, Gold has experienced another difficult week, and the contest for leadership between Bitcoin and Gold is still unresolved.

None of these developments, taken alone, proves that the cycle has turned. Together, however, they explain why a broadly constructive backdrop can coexist with a cautious investment posture.

There is a temptation to treat the most encouraging number as the answer. A high probability of expansion seems reassuring. A deeply discounted asset looks appealing. A strong index can make everything appear healthy. But each is only a piece of the picture.

This week, our task is to understand how those pieces fit together—and, just as importantly, where they do not.

Expansion still wears the crown. The question is whether the evidence beneath it can grow stronger again before the cracks become something more consequential.

🐤 CCI Canary Watch — Weekly Update

26 October 2026 | Evidence through 23 October

Current assessment: Watchful — Financial pressures remain elevated, but systemic transmission is unconfirmed.

Financial markets continue to reveal vulnerabilities beneath the surface, particularly across sovereign borrowing costs, global credit markets and Japanese capital flows.

This week's most significant development came from Japan. New Ministry of Finance data showed Japanese investors selling foreign long-term bonds for a fifth consecutive week, with cumulative net sales reaching approximately ¥3.43 trillion. Higher domestic bond yields are making Japanese assets increasingly attractive, raising the possibility of further capital repatriation.

The Bank of Japan's latest Financial System Report also highlighted the growing connections between global AI investment, non-bank financial institutions and Japanese banks. A reassessment of AI investment profitability could amplify market volatility through portfolio adjustments and international financial linkages.

Importantly, the BOJ continues to assess Japan's financial system as broadly stable, with sufficient capital and funding resilience to withstand significant stress scenarios.

Elsewhere, elevated US long-term borrowing costs and persistent energy-price pressures remain challenges for credit conditions and interest-sensitive assets. The Reserve Bank of Australia's October Financial Stability Review similarly identified growing external vulnerabilities while emphasizing the resilience of Australia's banking system.

What are our Canaries telling us?

Credit quality, sovereign duration and yen-funded capital flows remain important areas of concern. However, the available evidence does not establish a disorderly yen carry-trade unwind, synchronized Asian currency stress or generalized funding-market dysfunction.

We are also monitoring the other side of this equation: whether government and central-bank responses begin producing a sustained improvement in liquidity conditions.

Policy intervention can stabilize markets without necessarily generating a new liquidity expansion. Confirmation would require improving funding conditions, sustained net liquidity growth, healthier credit availability and broader participation across financial markets.

CCI Verdict

Financial pressures remain elevated, but the evidence does not yet justify declaring a systemic financial event or a transition into a new expansionary phase.

The Canary Watch remains vigilant for both deteriorating financial conditions and the first credible signs of recovery.

🐤 Seven-Canary Dashboard

Our seven Canaries monitor financial vulnerabilities across liquidity, credit, sovereign bonds, currencies, energy and the changing structure of global capital flows.

Canary	Current Status	What We're Watching
Global Liquidity	🟢 Stable	Policy support is emerging, but a sustained expansion in net global liquidity remains unconfirmed.
Credit Stress	🟡 Watchful	Financing conditions remain challenging, particularly for lower-quality borrowers and capital-intensive investment.
Financial Stress	🟢 Stable	Financial institutions remain broadly resilient, although vulnerabilities in non-bank finance and leveraged positioning warrant attention.
Long Bond	🟡 Watchful	Elevated sovereign borrowing costs, duration risk and potential Japanese capital repatriation remain important transmission channels.
Yen Carry Trade	🟡 Watchful	Japanese monetary policy, yen-funded leverage and cross-border capital flows remain under observation. Disorderly liquidation is unconfirmed.
Oil & Energy	🟡 Watchful	Energy-price pressures could complicate inflation, monetary policy and global financing conditions.
Reserve Diversification	🟡 Emerging Watch	Structural changes in central-bank reserves, gold accumulation and sovereign investment preferences remain under observation.

What the Dashboard Tells Us

The balance of evidence continues to point toward **elevated financial vulnerability rather than confirmed systemic instability**.

Credit conditions, sovereign duration and yen-funded capital flows remain the principal areas requiring vigilance. Meanwhile, broader financial-system resilience provides an important counterweight.

We are also monitoring whether policy interventions begin generating a sustained positive liquidity impulse. This would require more than temporary market stabilization: improving net liquidity, credit availability and financial conditions would need to confirm the transition.

CCI Verdict

Financial pressures remain elevated, but systemic transmission remains unconfirmed. The Canary Watch continues to monitor both the risks of further deterioration and the conditions that could eventually support renewed expansion.

The Canary watches for the approaching storm, but never loses sight of the first rays of sunshine.

1. The Macro Environment

The engine is still running. The pressure on it is changing.

One of the most useful lessons in cycle investing is that a supportive environment and an improving environment are not quite the same thing.

Imagine driving along a highway. You have fuel in the tank, the road is open, and the car is still moving forward. But your speed is beginning to ease. Nothing has broken down. Nevertheless, the change in direction is worth noticing.

The latest completed monthly Probability assessment—September—continues to favour Expansion at 67.66%, comfortably ahead of Distribution at 25.14% and Contraction at 7.20%. Expansion has led in each of the twelve observations shown in the rolling history. That consistency matters: there is no convincing basis here for announcing that an economic contraction has already arrived.

But the lead is not as comfortable as it was. The margin between Expansion and Distribution has narrowed from 47.54 to 42.52 percentage points, while the three-month movement in Expansion is negative 1.71 points. The probability picture is still supportive; its direction has become less so.

The Macro Pressure Monitor adds another dimension. Following its latest audit, it now describes the same September environment as Transition / Chop, with a score of 59 and tailwinds still dominant. The short-term momentum measure has turned negative, while its longer-term reading is close to flat.

That difference is important. The change from the previously published MSI score of 70 is a refinement to how the same underlying month is being interpreted—not evidence that the economy suddenly lost eleven points of strength in a week. We gain a clearer lens, not a new month of history.

Growth indicators still provide support, particularly through the manufacturing composite. Liquidity remains constructive in level. Yet real yields, credit-sensitive conditions, the US dollar and parts of the Treasury liquidity impulse are less cooperative. When the flow of support begins to lose strength, markets may become more sensitive to disappointment.

Our interpretation is therefore measured: there is still fuel in the system, but we would prefer to see the engine accelerating before describing the road ahead as clear.

2. Capital Leadership

Gold has surrendered some ground. Bitcoin has not yet claimed the lead.

An economy can be growing while investors disagree sharply about where their money should be placed. That disagreement is often most visible in the relationship between assets competing for capital.

For much of September, Gold held the clearer leadership position. October has presented a different picture. Bitcoin's relative performance has improved, but that recovery has not been consistent enough to establish a durable handoff. Our Capital Intelligence System has spent four consecutive October observations in Bitcoin–Gold Chop, with its leadership confirmation still marked Unconfirmed.

The word "chop" may sound unremarkable. In practice, it tells us something useful: capital has not yet settled into a convincing new direction. An advance in Bitcoin against Gold is an observation. A series of sustained advances, supported by broader participation and a cooperative dollar, would be stronger evidence of a change in leadership.

The dollar deserves a place in the discussion because a firm dollar can make global financing conditions less accommodating. The latest observations show modest positive dollar momentum and a deterioration in Gold's recent performance against it. Neither development is enough to crown Bitcoin the winner.

Then there are equities. The Nasdaq and S&P 500 continue to display more resilient broad price structures than the weaker participation measures might lead us to expect. Small-company participation has shown improvement, too. Yet other breadth measures remain negative, and the cryptocurrency market has not delivered a convincing expansion in participation beyond Bitcoin.

This is why we keep returning to persistence. Markets can offer an exciting first glimpse of rotation long before they supply the evidence needed to trust it.

For now, the contest remains open.

3. Valuation & Momentum

Four assets. Four different lessons.

Our expanded Log Regression research is proving useful precisely because the four major assets we monitor are not telling the same story.

A regression channel gives us a modelled view of where an asset sits relative to its own long-term historical path. It does not tell us what that asset must be worth tomorrow. Momentum, including the Relative Strength Index—or RSI—helps us ask a different question: is buying or selling pressure beginning to confirm the apparent opportunity?

It is the conversation between valuation and momentum that interests us most.

Bitcoin — A recovery that still needs to earn our trust

Bitcoin's latest confirmed weekly close was approximately $80,072 against a modelled central trend near $96,200, leaving it 16.77% beneath its own fitted fair value. That is a materially different setting from the periods when Bitcoin traded far above its historical trend.

Weekly RSI stands at 54.55, just above its own moving average of 52.90. The reading suggests that some momentum has recovered, although it has softened from the preceding week.

There is a genuine reason to remain interested. Bitcoin is no longer displaying the same combination of elevated model valuation and exhausted momentum seen at certain earlier cycle peaks. But an improving RSI and a discount to trend do not tell us that a lasting bottom is in place.

The next evidence we need is less glamorous and more valuable: sustained relative leadership, firmer participation and follow-through across several observations. Until then, recovery and confirmation remain separate ideas.

Gold — Becoming cheaper while the trend remains difficult

Gold has delivered perhaps the most striking valuation observation of the week—and one of the clearest reminders that cheaper does not automatically mean safer.

Its completed weekly close near $3,995 was 22.03% below its modelled centre around $5,124. More unusually, it was below the channel's lower two-standard-deviation boundary. Within this particular model, that is an extreme historical position.

But the momentum evidence is not yet encouraging. RSI has fallen to 37.97, below its own average of 46.63. Buyers have not demonstrated a convincing return of control.

This is the intriguing part of Gold's story. A long-standing leader can retreat far enough to become increasingly interesting on valuation while still exposing holders to considerable volatility. Our illustrative Gold-heavy portfolio is experiencing that reality rather than merely observing it on a chart.

The lower-channel reading deserves close attention. It does not, by itself, provide a timetable for recovery.

S&P 500 — Resilient, but losing some momentum

The S&P 500 occupies a very different part of its channel. At 7,623.68, it was only 2.07% beneath its modelled central value of 7,784.86. It is not displaying the same dramatic historical discount as Bitcoin or Gold.

Its RSI of 55.71 remains above the neutral midpoint, but below its own average of 62.42. That combination is consistent with a market whose wider price structure has held up while its immediate momentum has moderated.

The important question is whether this softness remains a healthy pause or begins to spread across more of the index. We will learn more from participation and persistence than from one slightly discounted weekly close.

Nasdaq 100 — A Stronger Foundation, but Momentum Is Losing Its Footing

The Nasdaq has been one of the clearest expressions of the market's enthusiasm for technological change, artificial intelligence and the promise of greater productivity. That longer-term story remains important, but even a compelling investment narrative must eventually be supported by what prices are actually doing.

The latest completed weekly reading, beginning 19 October, places the Nasdaq at **28,957.53**, compared with its regression fair value of **29,888.03**. That leaves it trading **3.11% below fair value**, within the central valuation zone rather than at either an extreme discount or an elevated premium.

This is an important distinction. The Nasdaq is not particularly expensive relative to its own long-term trend, but neither is it trading at the kind of deep discount that might suggest substantial historical undervaluation. It is sitting relatively close to fair value while investors reassess the strength of the advance.

Momentum tells a more cautious story. Weekly RSI has eased to **50.41**, below its RSI moving average of **58.29**. A reading around 50 suggests that neither buyers nor sellers have established decisive momentum, while the gap beneath its moving average shows that recent strength has faded.

The S&P 500 offers a useful comparison. It finished the same completed week at **7,623.68**, approximately **2.07% below its regression fair value of 7,784.86**, with weekly RSI at **55.71**, also below its moving average of **62.42**.

Both equity markets therefore remain close to their long-term valuation centres, but neither is showing the momentum strength evident earlier in its advance. The S&P retains somewhat firmer relative momentum, while the Nasdaq's weaker reading invites closer observation.

For CCI, the message is not that the technology story has ended. It is that a powerful long-term trend can experience a period of hesitation without necessarily breaking down. What matters next is whether momentum begins rebuilding alongside price, or whether that hesitation develops into something more persistent.

Across all four monitored assets, the lesson remains the same: **a favourable valuation is not, by itself, confirmation of an investment opportunity**. Valuation tells us where an asset sits relative to its history. Momentum and leadership help us understand whether capital is beginning to recognise that opportunity.

4. The CCI Evidence Dashboard

The numbers behind the conversation

This is our single consolidated research snapshot. Monthly macro figures refer to September 2026; completed weekly channel values are for the week beginning 19 October unless stated otherwise.

Research dimension	Current evidence	What it means
Macro | MSI	59 / 100; Transition / Chop; 1M –0.543; 6M –0.011	Tailwinds remain, near-term direction weaker; revised September interpretation
Probability | September	Expansion 67.66%; Distribution 25.14%; Contraction 7.20%	Expansion still leads, but alternatives are gaining relative ground
Probability stability	Spread 42.52 pp; 3M drift –1.71 pp; WATCH 19	Leadership margin narrowing; transition risk merits monitoring
Capital leadership	BTC–Gold Chop; Transition; Unconfirmed	No established rotation between the two assets
Conviction Judge	Weighted raw 18; Selective Risk-On (Capped); Weak	Positive signal tally, limited agreement among witnesses
Masterplay	100% Cash target; rotation NO	Defensive permission, not a trade instruction
Bitcoin | 19 Oct	Close $80,071.72; –16.77% vs trend; RSI 54.55	Discounted; recovering but not confirmed
Gold | 19 Oct	Close $3,995.38; –22.03%; below –2σ; RSI 37.97	Extreme model discount, momentum remains weak
S&P 500 | 19 Oct	7,623.68; –2.07%; RSI 55.71	Close to trend; momentum moderating
Nasdaq 100	Updated chart reviewed; current numerical row not reconciled	No new RSI / deviation asserted pending source-date reconciliation
Illustrative portfolio | 26 Oct	$263,603.32; Gold 83.03%; Cash 16.97%; Hold	Within local bands, but not matched to Masterplay's cash-only posture

Regression fair values are statistical model estimates, not guaranteed intrinsic values or forecasts. The portfolio is illustrative, not an independently audited performance record.

5. Conviction — Weighing the Evidence

The Judge can see the opportunity. He is still asking harder questions.

It can be tempting to look at a market score and treat a high number as a green light. Our Conviction Engine provides a useful reminder of why that can be dangerous.

The current weighted score is 18, which places the raw collection of signals in its Extreme Risk-On category. That sounds decisive. But it is not the Judge's verdict.

The strongest witness is Market Structure. Major equity markets and Bitcoin's broader structure supply considerable support. Liquidity and longer-term cycle conditions are also mildly favourable. If those were the only voices in the room, the argument for greater risk might sound persuasive.

But they are not the only voices.

Momentum and internal market strength are mildly opposing. The advance–decline picture and relative breadth remain weak, while rotation is mixed. That matters because an advance carried by too few participants can be less resilient than one supported by the wider market.

The tally therefore leans supportive—2.5 supporting against 1 opposing—but the witnesses do not agree. The confidence rating is Weak, and the structural regime gate remains Transitional. The final judgment is Selective Risk-On (Capped), with a 25% controlled positioning hint rather than a mandate for aggressive exposure.

This is where the Judge earns his keep. He is not there to reward an optimistic argument for sounding confident. He is there to ask whether the evidence has been tested from both sides.

For the moment, he sees possibility without the agreement required for conviction.

6. Portfolio Review

A steady allocation can still experience an uncomfortable week

Our illustrative portfolio has continued to hold Gold and Cash, rather than moving into Bitcoin or alternative cryptocurrencies. The present allocation is 83.03% Gold and 16.97% Cash against established local targets of 85% and 15%. Both sleeves remain within their permitted ranges. Under the Portfolio Manager's own drift rules, the instruction is Hold.

That stability of positioning has not meant stability of value.

The portfolio declined from approximately $273,848 to $263,603 over the week, a reduction of $10,244.50 as Gold repriced and the Cash holding remained unchanged. The recorded unrealised loss has increased to $34,687.75. Gold is the dominant investment exposure, and the portfolio naturally feels the consequences of Gold's weaker market performance.

This is a useful reminder that being defensively positioned relative to cryptocurrencies is not the same thing as being free of risk. Different assets carry different kinds of risk, and a concentrated holding can still be volatile.

We should also distinguish two decisions that are not yet in complete agreement. Masterplay currently gives a fully defensive, 100% Cash target and does not authorise a new risk rotation. The Portfolio Manager's separate existing Gold–Cash allocation remains within its own permitted bands and has not triggered a local rebalance.

We should not claim those systems are saying the same thing. They are not. The appropriate description is that the existing portfolio has been maintained under its current rules while the wider permission framework remains more restrictive.

None of this is a failure of patience. It is a reason to keep the evidence, the permissions and the holdings clearly separated.

7. What Needs to Change?

Not a prediction, but a map of the evidence we are waiting for

If the investment environment is going to become more convincing, we would like to see improvement in several places at once.

First, liquidity needs to provide a stronger impulse, not merely remain at a supportive level. When the availability of funding is improving rather than simply adequate, financial markets can respond with greater breadth and durability.

Second, growth and credit need to become more cooperative. Manufacturing resilience is encouraging, but we would prefer to see that accompanied by stabilising credit conditions and fewer headwinds from real yields and the dollar.

Third, capital leadership needs persistence. Bitcoin's recovery against Gold would become more significant if it endured, if market participation broadened, and if the leadership framework independently confirmed the change. A few good weeks are interesting; a recognised handoff is more consequential.

Finally, valuation opportunities need momentum. Gold's unusual lower-channel position could become more compelling if its RSI stabilised and buyers demonstrated follow-through. Bitcoin would benefit from the same combination of consistent momentum and wider confirmation.

The less favourable path is equally clear. A continued rise in the Distribution scenario, further weakening of liquidity and credit, narrowing equity participation, or repeated failure of apparent leadership rallies would challenge the constructive case.

Neither path needs to announce itself with one dramatic headline. Often the cycle becomes clearer when several ordinary pieces of evidence quietly begin to agree.

8. CCI House View

There is no prize for being the first to declare the turn

Our assessment is that Expansion remains the most likely macro outcome, while the supporting evidence has become less uniform. That is a subtle conclusion, but it is not an evasive one.

It leaves room for optimism without asking us to ignore the risks. Bitcoin may be rebuilding an investment case. Gold's correction has created an unusual historical valuation reading. Equities continue to show structural resilience. These are real observations, and each deserves our attention.

But we would not serve investors well by turning those observations into promises.

CCI has always placed a higher value on understanding the forces shaping markets than on predicting the next price movement. Liquidity, growth and credit help establish the environment. Asset leadership helps us identify where capital may be travelling. Confirmation helps us decide how much faith to place in the journey.

Today, the environment remains capable of supporting opportunity. What is missing is the kind of broad, persistent agreement that would allow us to become substantially more confident.

There is a difference between missing the first few steps of an advance and committing too early to a direction that never establishes itself. The task is not to eliminate uncertainty. It is to respect it without surrendering our ability to act when the evidence changes.

9. Looking Back

What has changed since "The Distance Between Evidence and Permission"?

Last week, our central conclusion was that the economic backdrop remained constructive while market leadership and portfolio permission were not yet aligned. That broad conclusion still holds.

This week has added detail—and, in Gold's case, a more uncomfortable market observation.

Gold has declined materially, deepening its model-relative discount while its momentum has weakened. The illustrative portfolio has felt that decline directly. Bitcoin remains discounted, and its momentum has recovered relative to earlier weakness but softened from the preceding weekly observation. The S&P 500 remains relatively near its long-term trend despite a less convincing momentum picture.

We have also gained a more cautious assessment from the audited MSI. Importantly, that reclassification applies to the same September information already in hand. It should not be mistaken for a fresh October economic release. Similarly, the Probability Engine has not yet produced a new monthly observation; the September narrowing in its Expansion lead remains something we are monitoring, not a second new deterioration this week.

The Conviction Judge remains cautious despite a positive raw signal score. Capital Intelligence still finds no confirmed Bitcoin–Gold handoff. Masterplay's defensive instruction has not changed.

So the story has evolved, but its governing lesson has not. We have more reasons to keep watching—and not yet enough independent agreement to abandon discipline.

10. Final Verdict

The crown is still there. It has not become a coronation.

The evidence still favours Expansion over Distribution or Contraction. That matters, and we should not talk ourselves into a recession narrative simply because some leading indicators are less encouraging.

But neither should we mistake the most likely scenario for a guarantee—or an interesting valuation for confirmed leadership.

The coming weeks will be less about finding the boldest forecast and more about watching for an honest change in the evidence. Does liquidity accelerate? Does credit stabilise? Does participation broaden? Can Bitcoin or Gold sustain leadership rather than merely borrow it for a few weeks? Do valuation and momentum begin to tell the same story?

Until those questions receive stronger answers, our view remains constructive in possibility, restrained in confidence and disciplined in how permission is interpreted.

Good investing is not always about doing more. Sometimes it is about understanding more clearly why we are not doing more.

The 30-Second Read

Expansion remains the leading economic scenario, but its advantage is narrowing and the macro environment looks less convincing beneath the surface. Bitcoin is trading below its own long-term model trend and showing tentative recovery; Gold has become unusually discounted, yet momentum remains weak; US equities hold up better, although participation is uneven. The Conviction Judge remains selectively constructive with weak confidence, Capital Intelligence has not confirmed new leadership, and Masterplay remains defensive. Our illustrative Gold–Cash portfolio is still within its own allocation bands but has experienced a difficult week. The opportunity may be developing. The evidence has not yet finished making its case.

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

Disclaimer

This report has been prepared by Capital Cycle Intelligence (CCI) for educational and informational purposes only.

The information contained within this publication does not constitute financial advice, investment advice, taxation advice, legal advice, or a recommendation to buy, sell, or hold any security, asset, or financial product.

All opinions expressed reflect the views of Capital Cycle Intelligence at the time of publication and are subject to change without notice. While every effort has been made to ensure the accuracy of the information presented, no representation or warranty is made regarding its completeness or reliability.

Investing involves risk, including the potential loss of capital. Past performance is not indicative of future results.

Readers should conduct their own research and seek independent professional advice before making any investment decisions.

Capital Cycle Intelligence, its authors, affiliates, and contributors accept no liability for any loss arising directly or indirectly from the use of this publication.

© Capital Cycle Intelligence. All Rights Reserved.