

Outlook 2025/ 26...

Jay Powell Phone Your Office?

Global Liquidity

November 2025

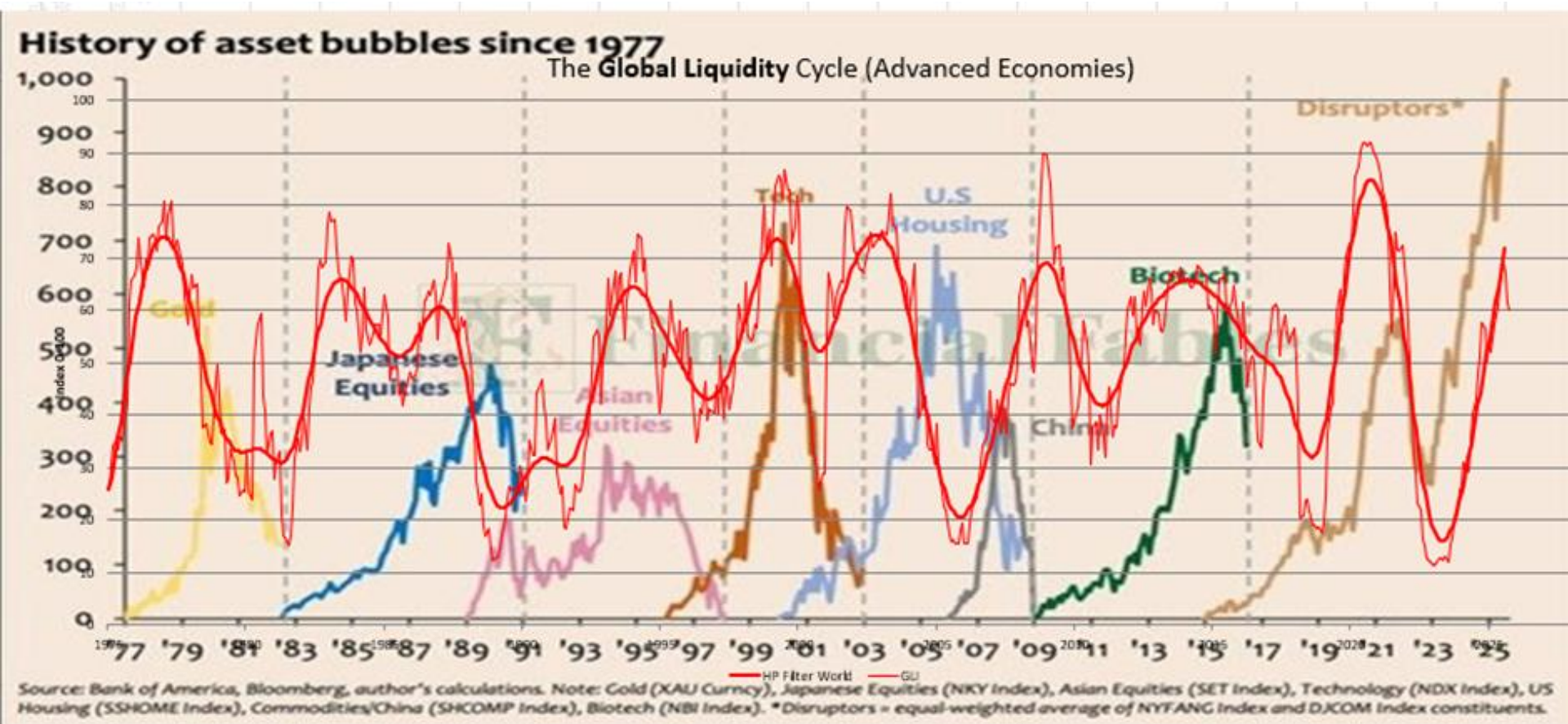
TL; DR

While bond markets appear calm and robust on the surface, this stability is masking a significant and dangerous shift in **Global Liquidity**. The cycle of expanding Global Liquidity, which has powered a multi-year *Everything Bubble* in asset prices, is peaking and possibly starting to reverse. This is happening despite seemingly firm economic data and is primarily due to three factors:

- **The US Federal Reserve:** While the Fed is ending QT and planning new liquidity injections ('Not-QE, QE' or FSSF) to address repo market stress, these actions are reactive and may be insufficient. We fear a persistent shortfall in bank reserves, which could lead to more frequent financial instability.
- **The People's Bank of China (PBoC):** After a period of strong liquidity support, the PBoC has recently pulled back, creating a drag on Global Liquidity.
- **The Collateral Multiplier:** A recent fall in bond volatility (the MOVE index) has boosted this multiplier (the ability to create credit against collateral), but this support is likely maxed out and could reverse.

A debt refinancing crisis looms. A 'maturity wall' of previously termed-out debt is fast-approaching, and with liquidity growth stalling, the ratio of debt-to-liquidity is set to worsen, increasing the risk of market instability and refinancing tensions in 2026-27.

We counsel investment caution and advise against chasing risk and recommend 'top-slicing' (taking some profits) in risk assets, as further refinancing tensions threaten a major market inflection point over the next 6-12 months. What's more, this could play out against a deteriorating inflation outlook, given the inconsistencies in the US fiscal/ monetary policy mix.



Global Liquidity

Independent and nearly twice the size of **World GDP**
and since 1990s has driven World business cycle



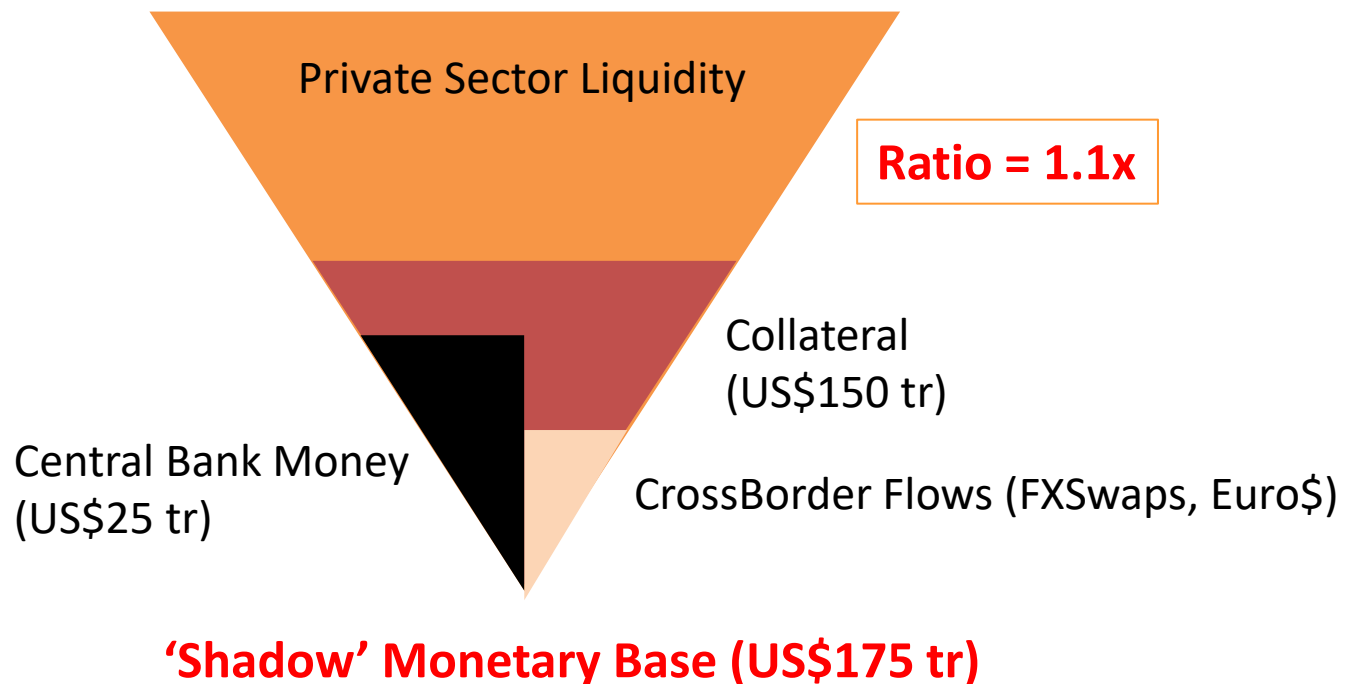
Global Liquidity is a measure of
balance sheet, i.e. the **CAPACITY** of
capital
NOT the **COST** of capital
It matters when debt has to be rolled
over

Funding Liquidity drives ***Market Liquidity***

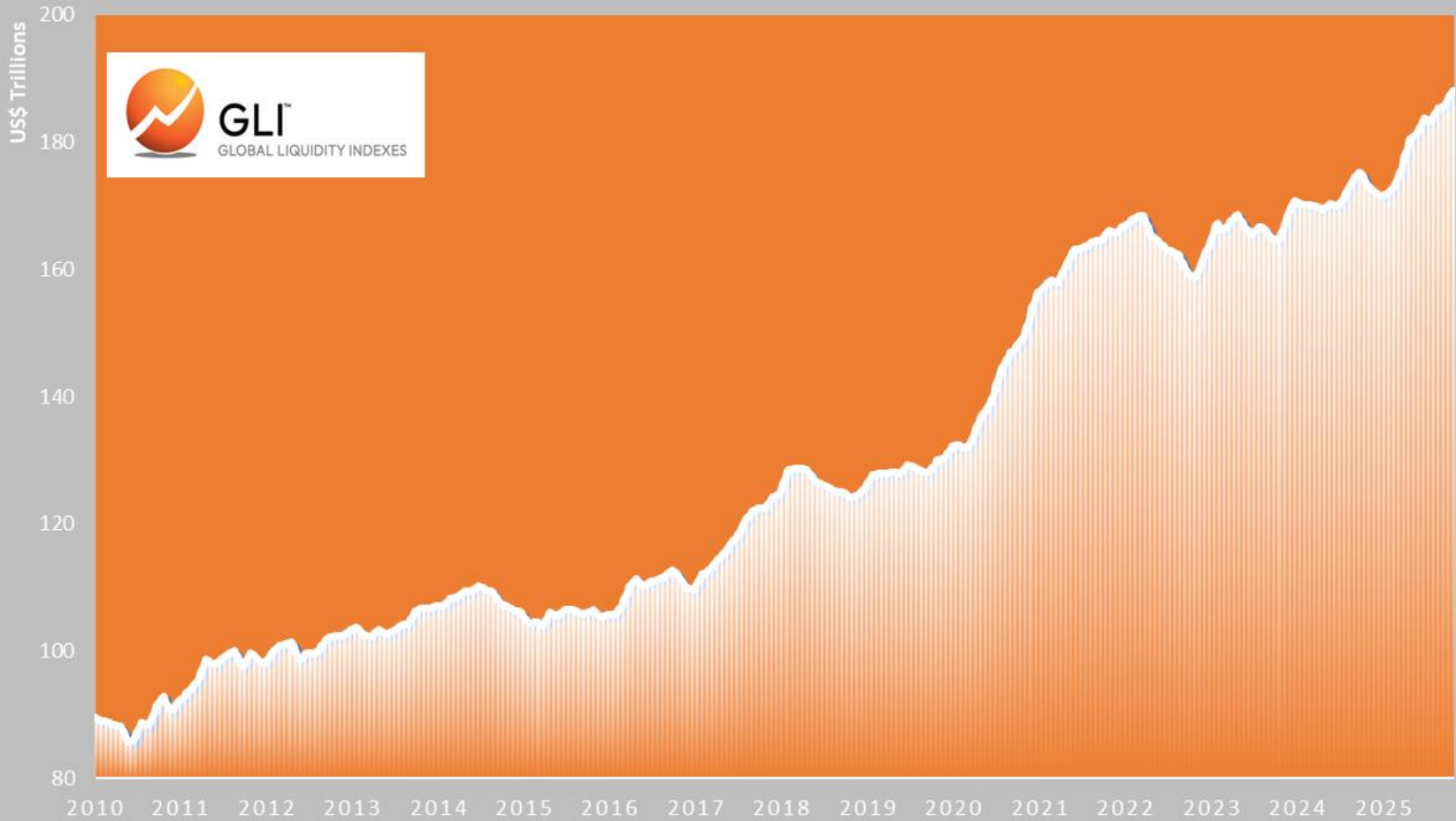
Market liquidity is the speed of transforming an asset into cash, in size, around current prices. **Funding liquidity** is the speedy access to cash

The Structure of Global Liquidity

GLOBAL LIQUIDITY (US\$185 tr)

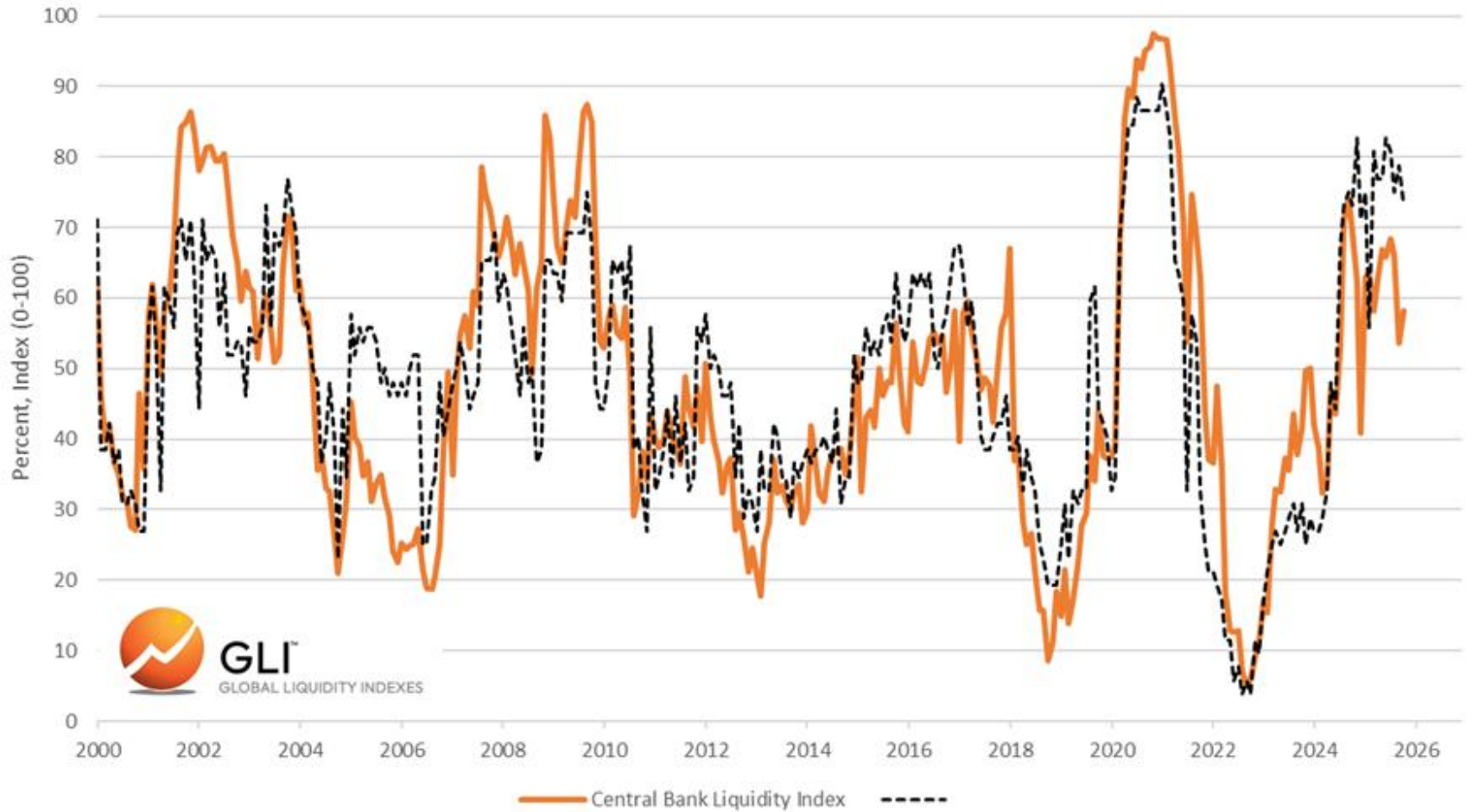


WEEKLY GLOBAL LIQUIDITY

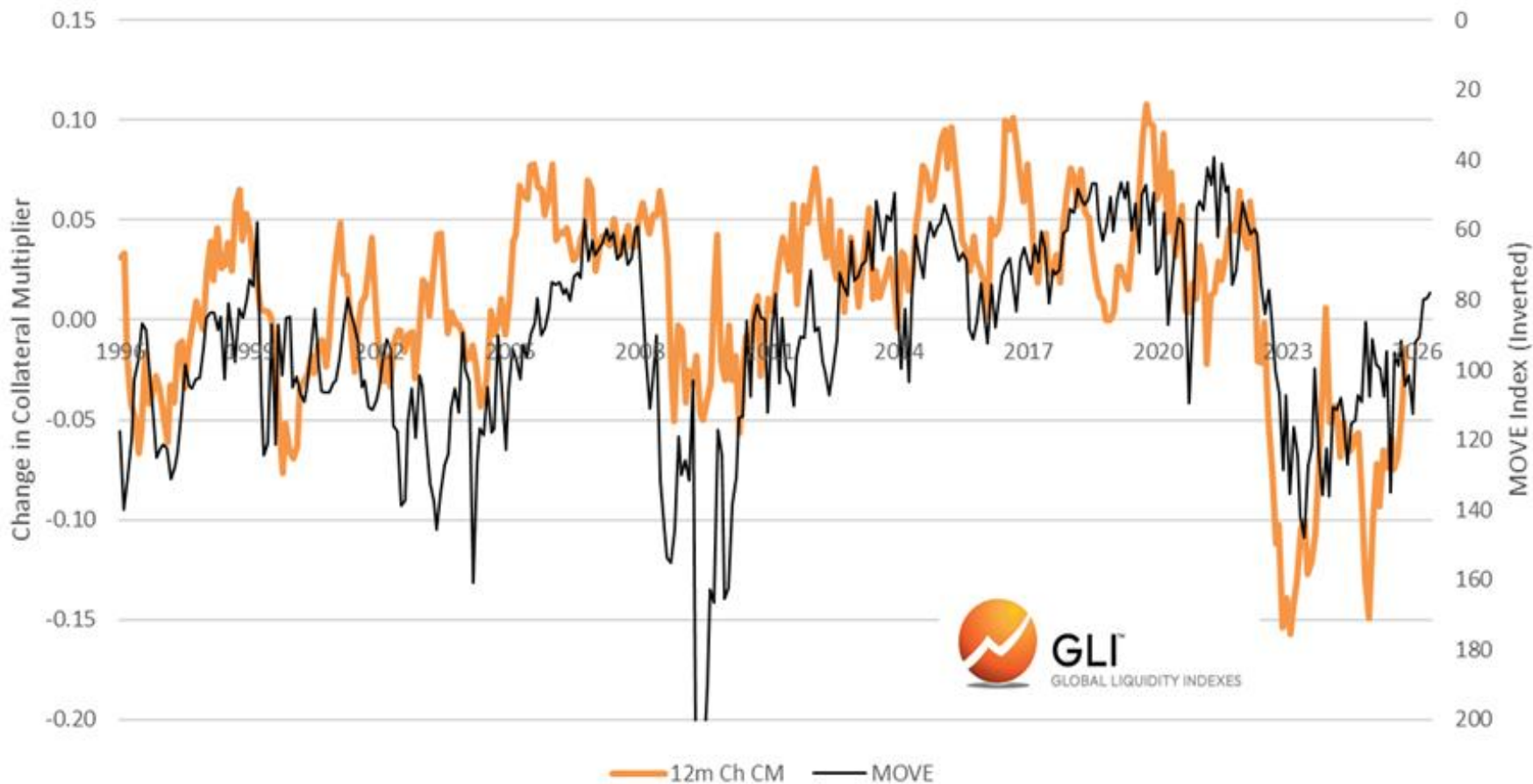


Source: GLIndexes

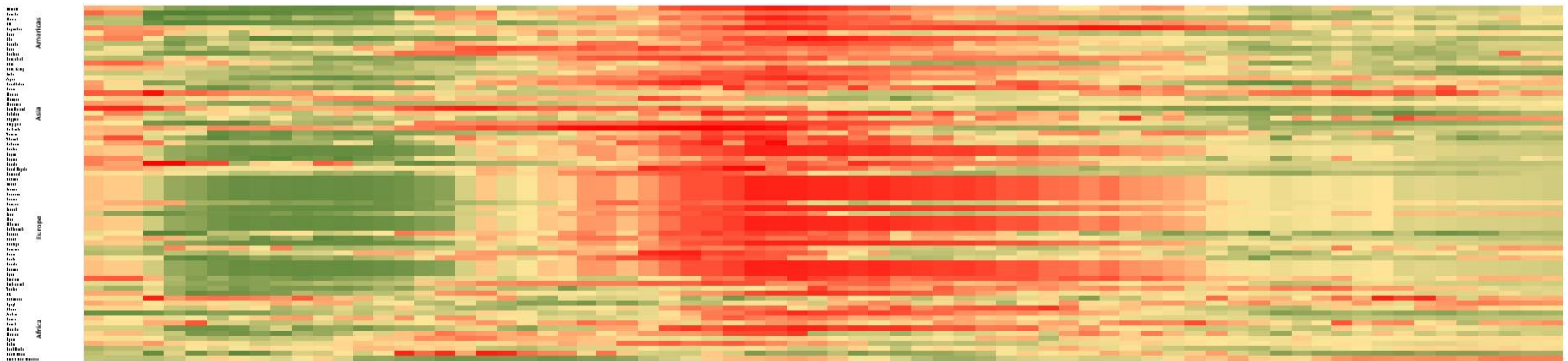
World Central Bank Liquidity



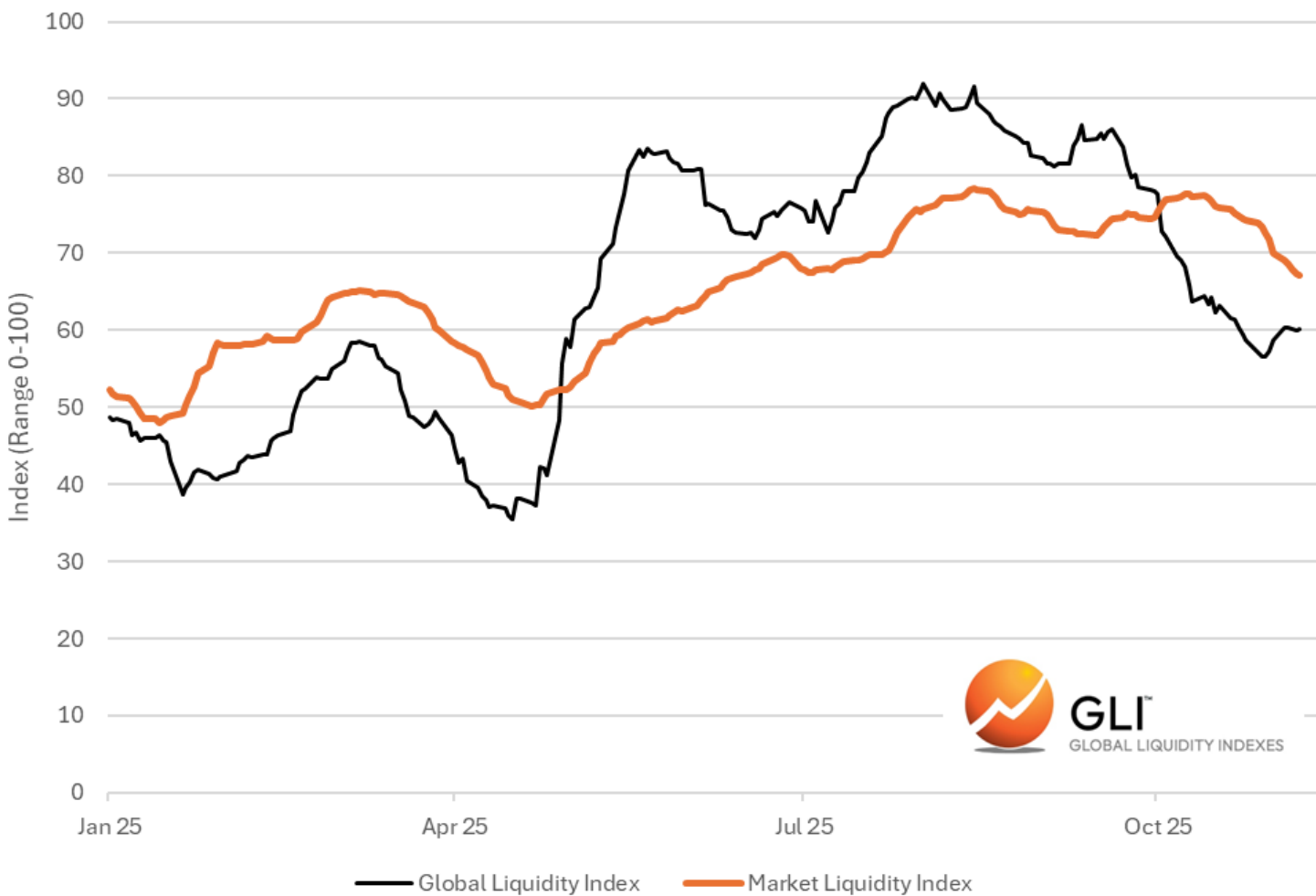
MOVE Vs Change in World Collateral Multiplier



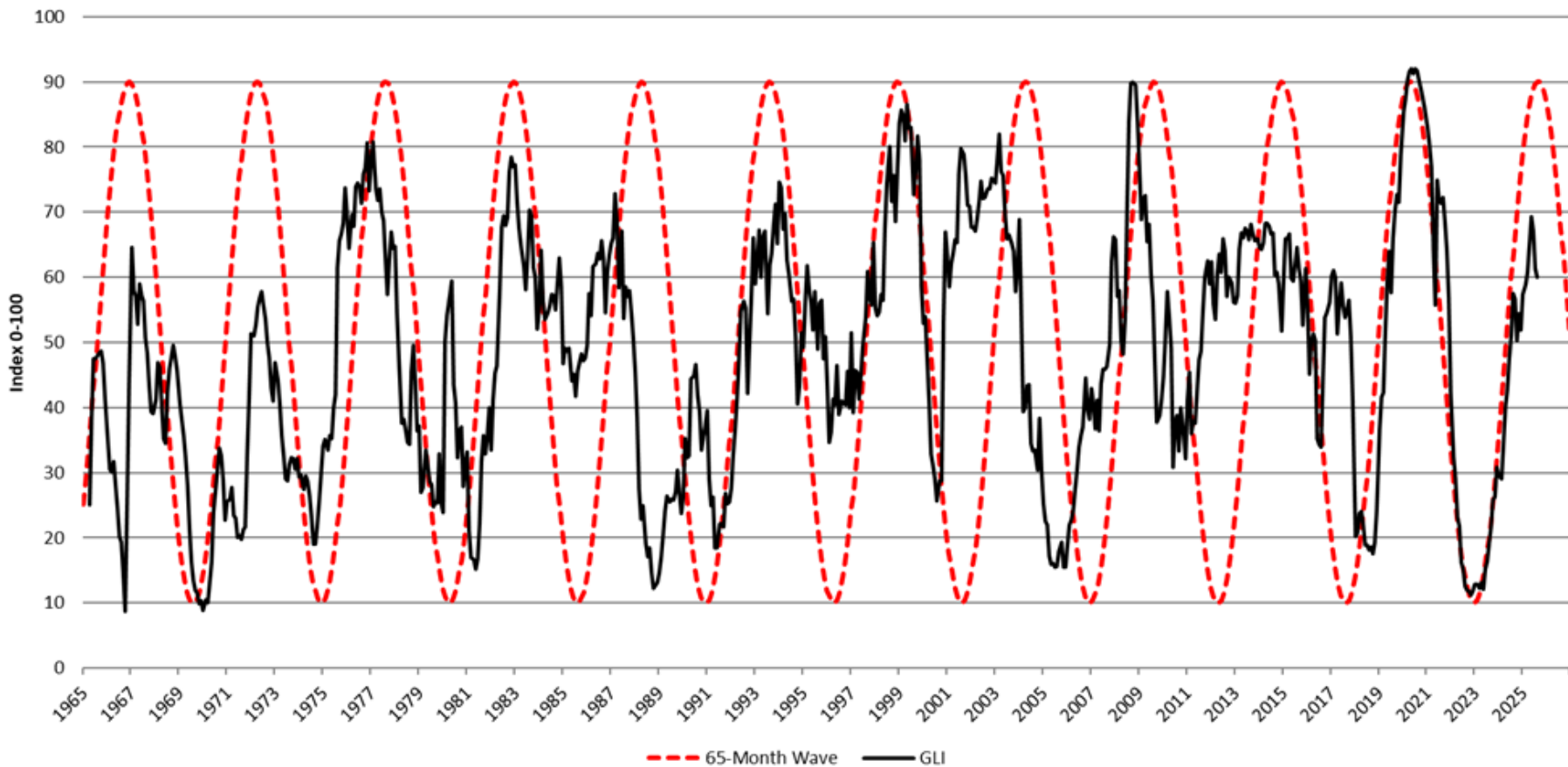
World Central Bank Liquidity: Heat Map, 2020-2025



GLI Nowcast and Market Liquidity Index



Global Liquidity Cycle (Advanced Economies)



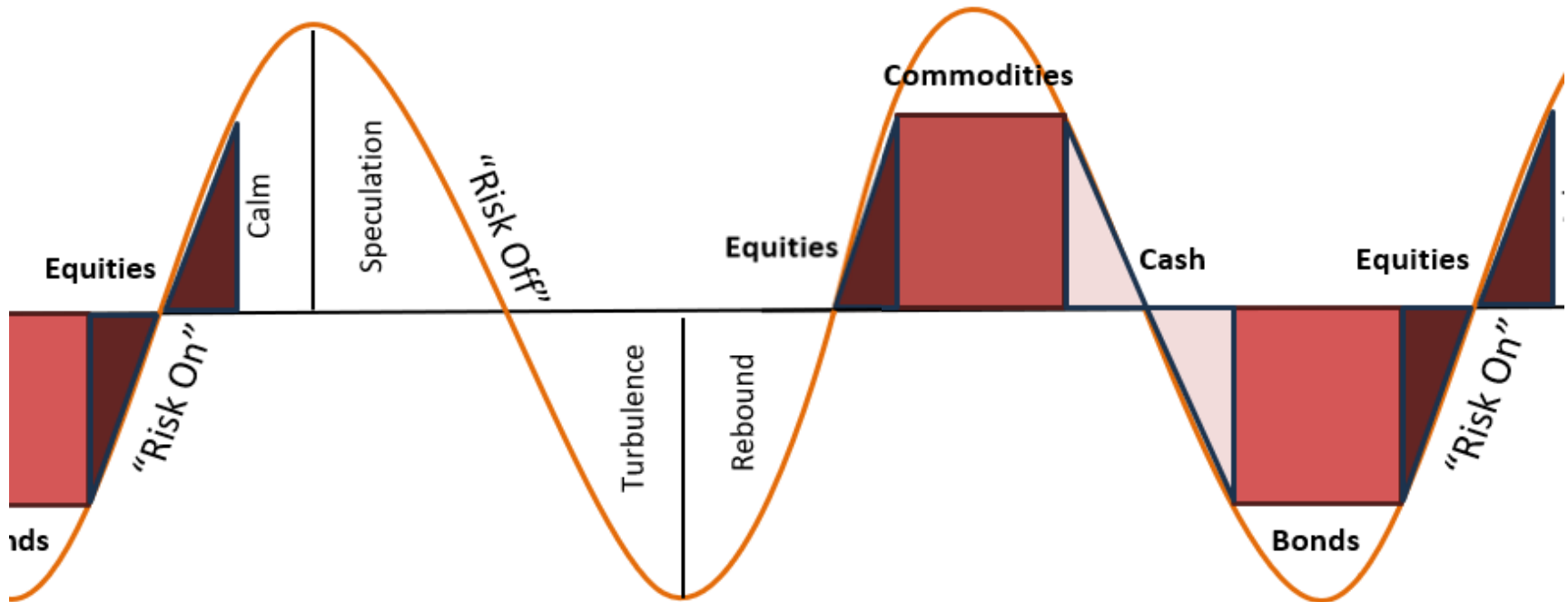
Global Liquidity Cycles (Advanced), 1970-2025



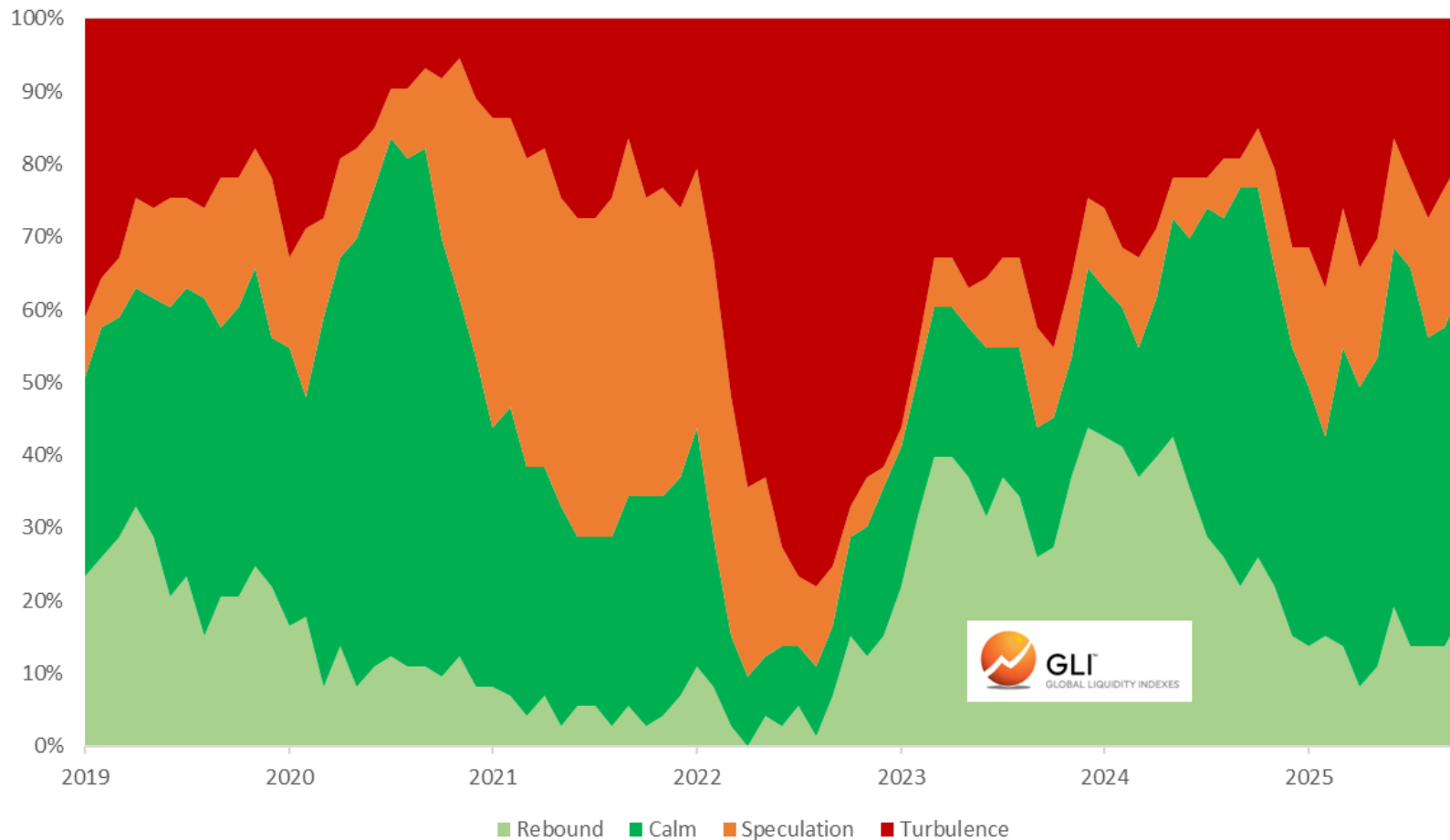
Asset Allocation Cycle

Liquidity Cycle

Asset Allocation Cycle

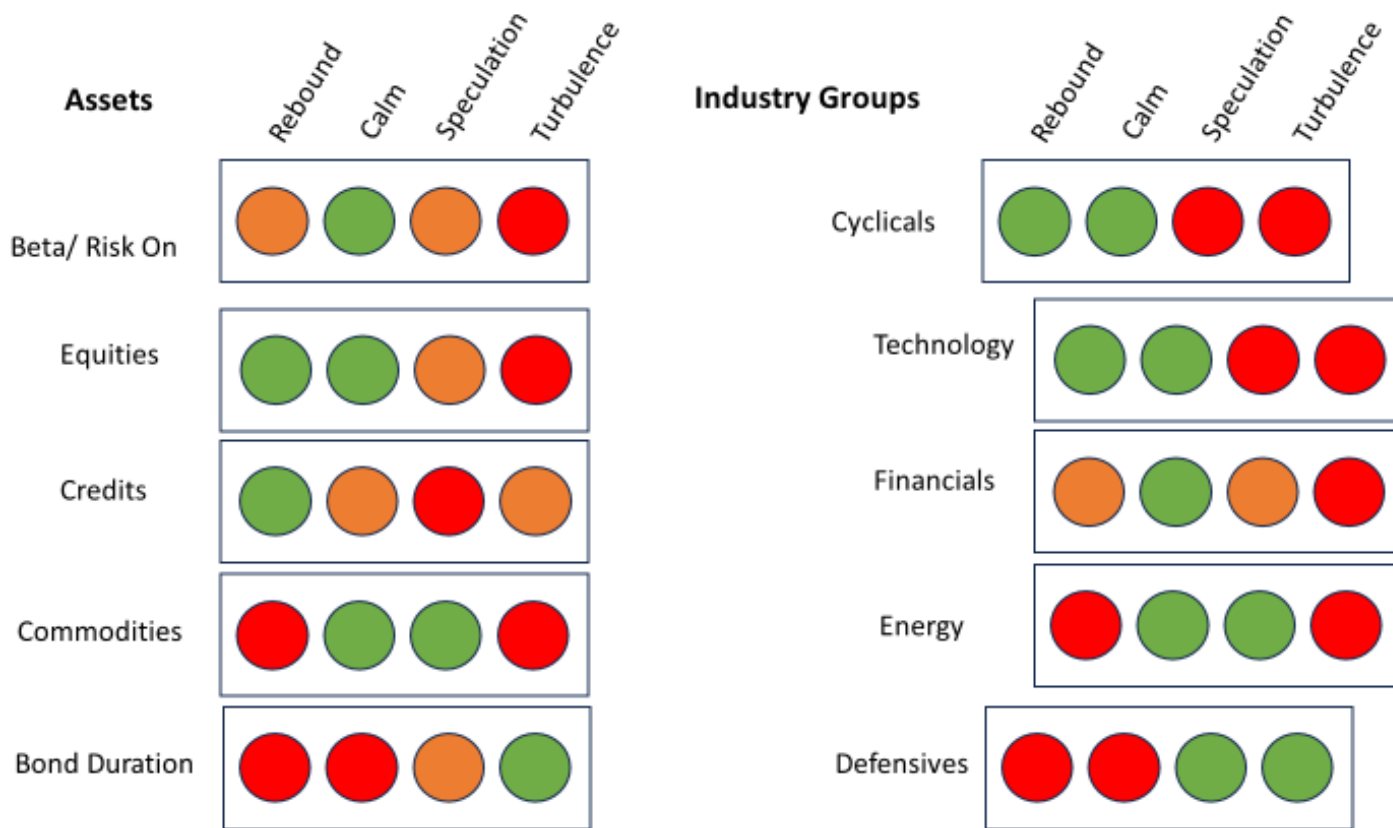


Distribution of Markets By Liquidity Regime

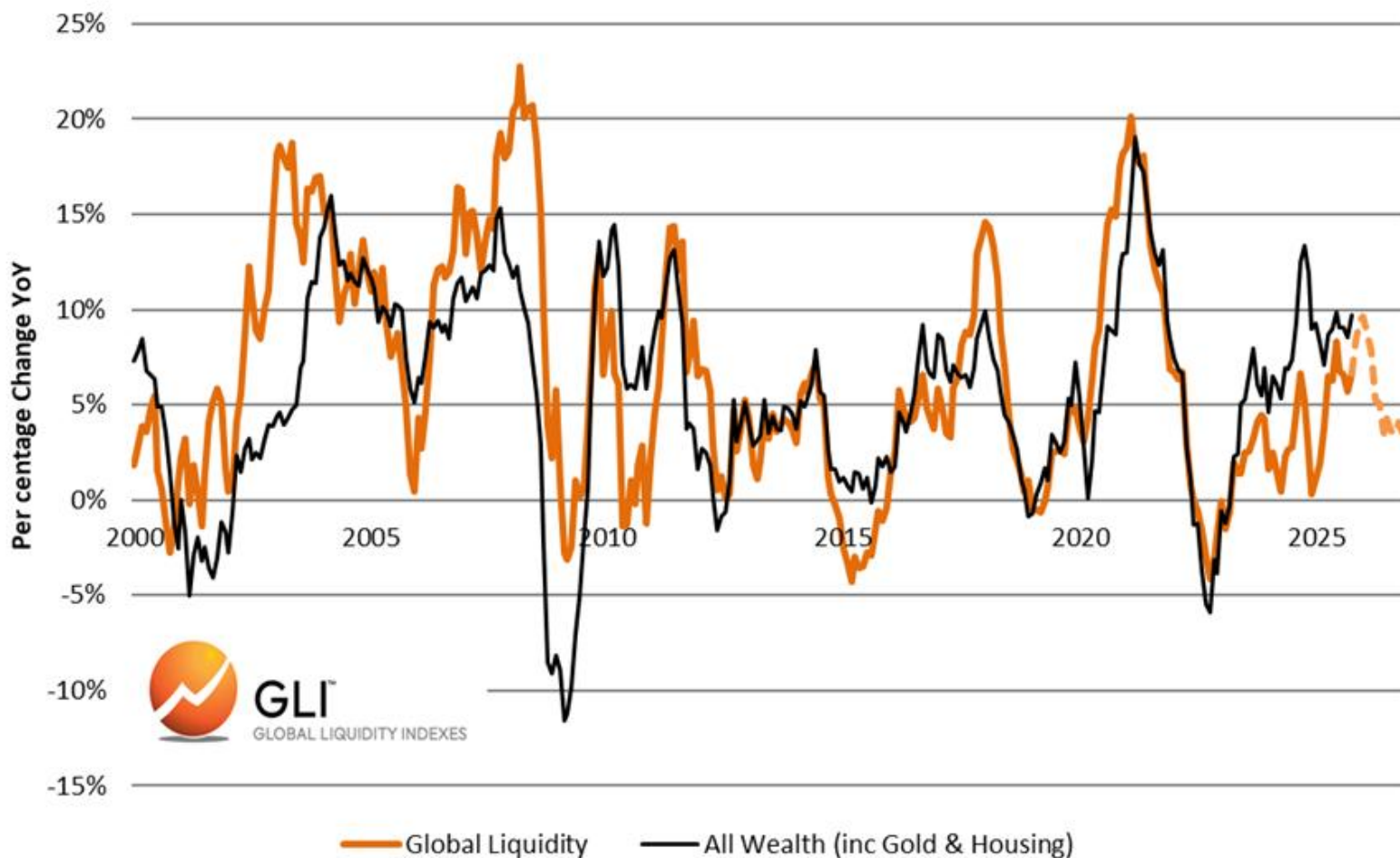


Source: GLIndexes

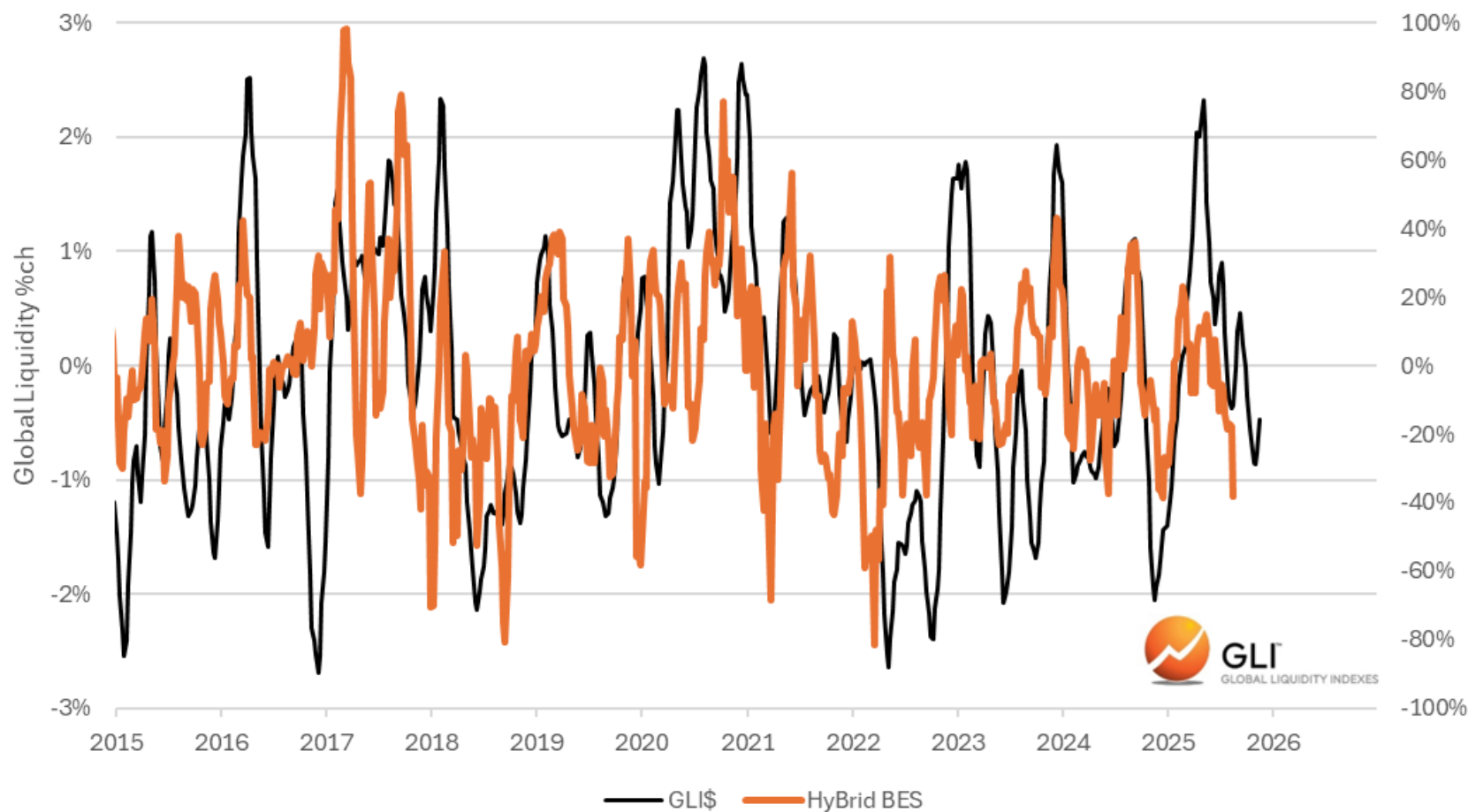
Asset Allocation



Global Liquidity & World Wealth



GLI\$(+13w) & BES\$ 6week Changes

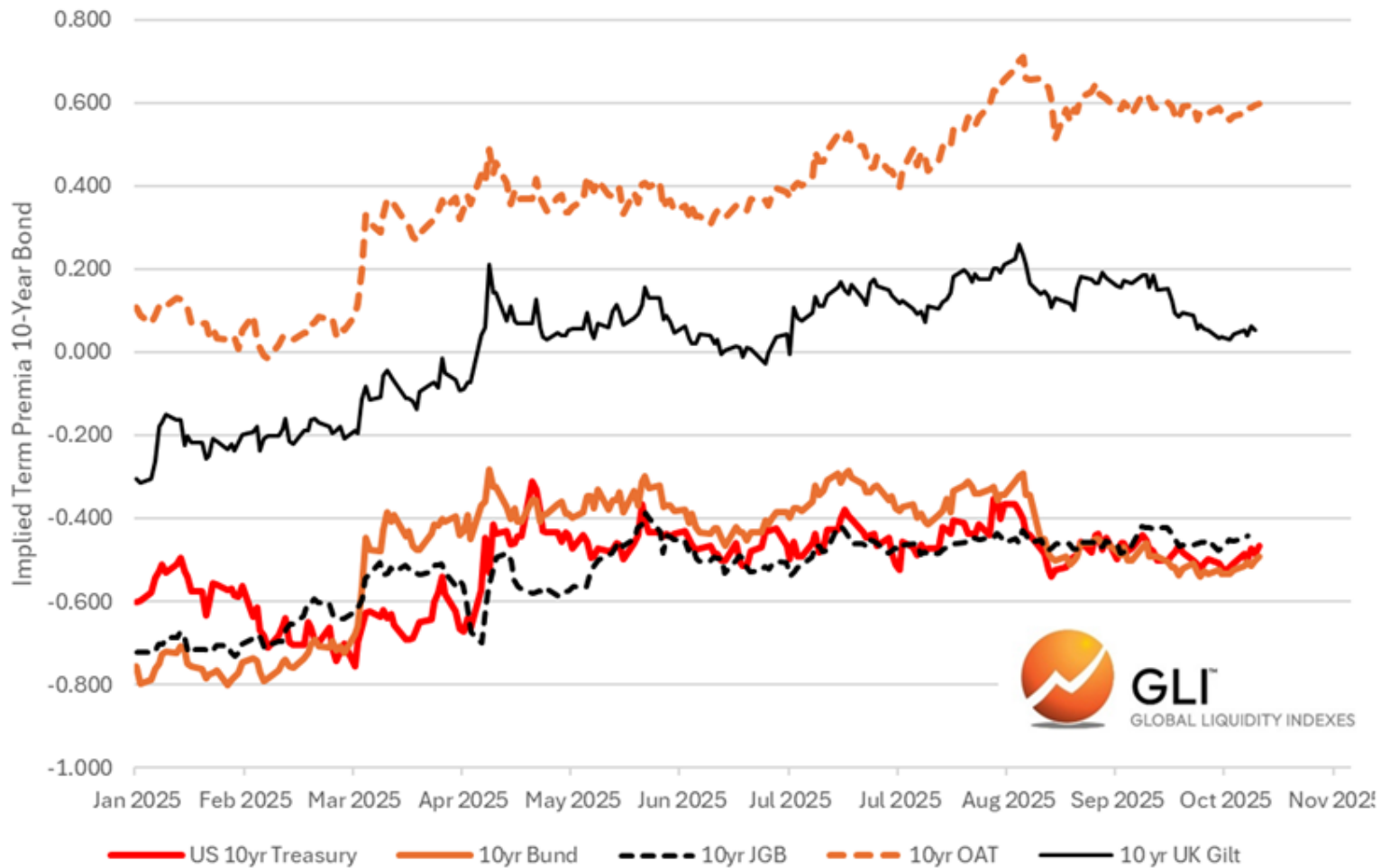


10-year US Treasury Yield

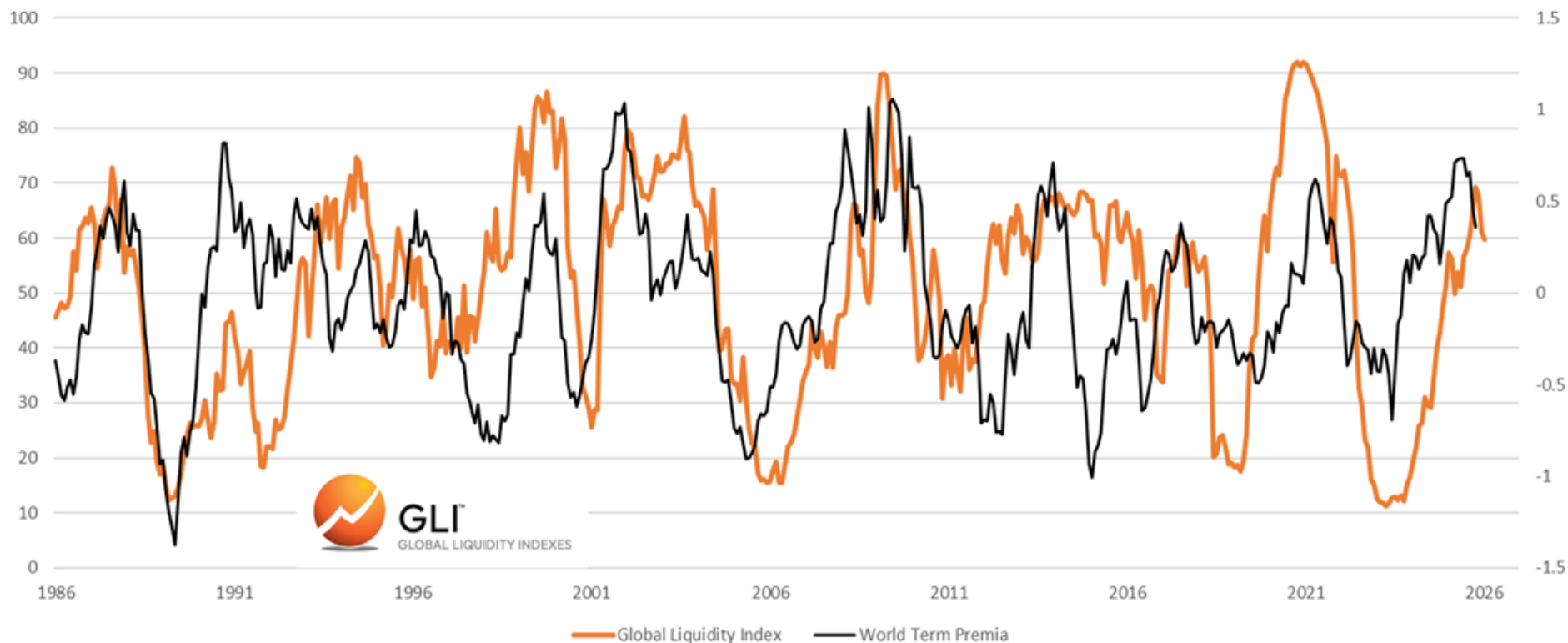


Source GLIndexes

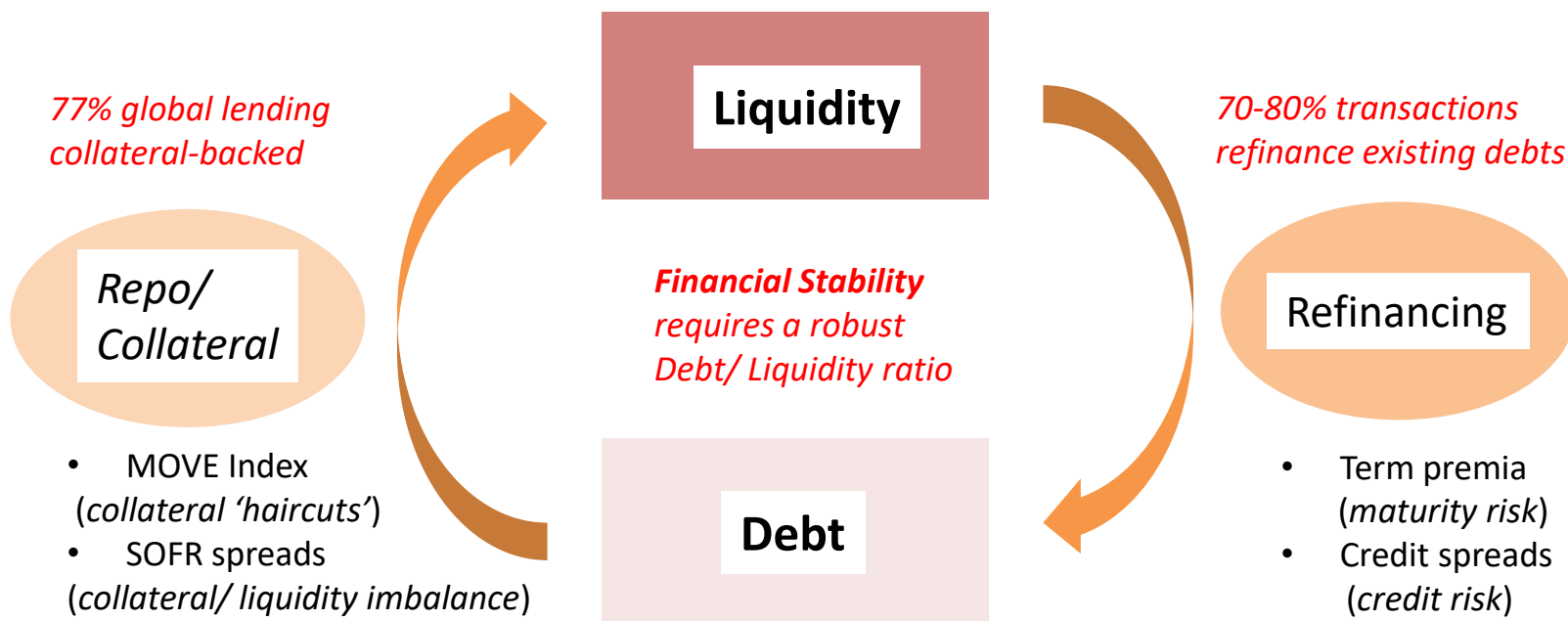
Daily Bond Term Premia: Major Markets



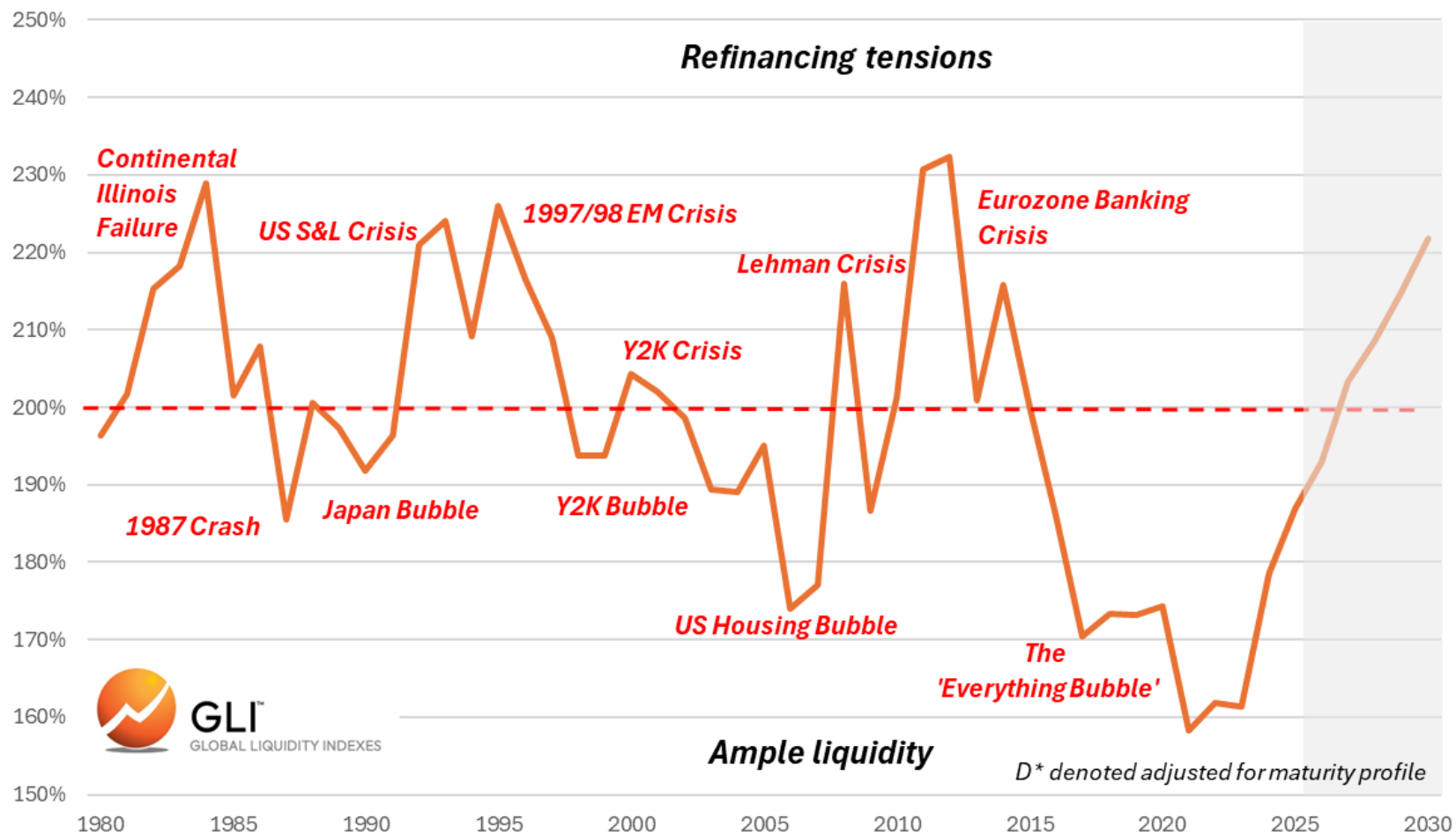
Global Liquidity Index (AE) and Changes in World Term Premia



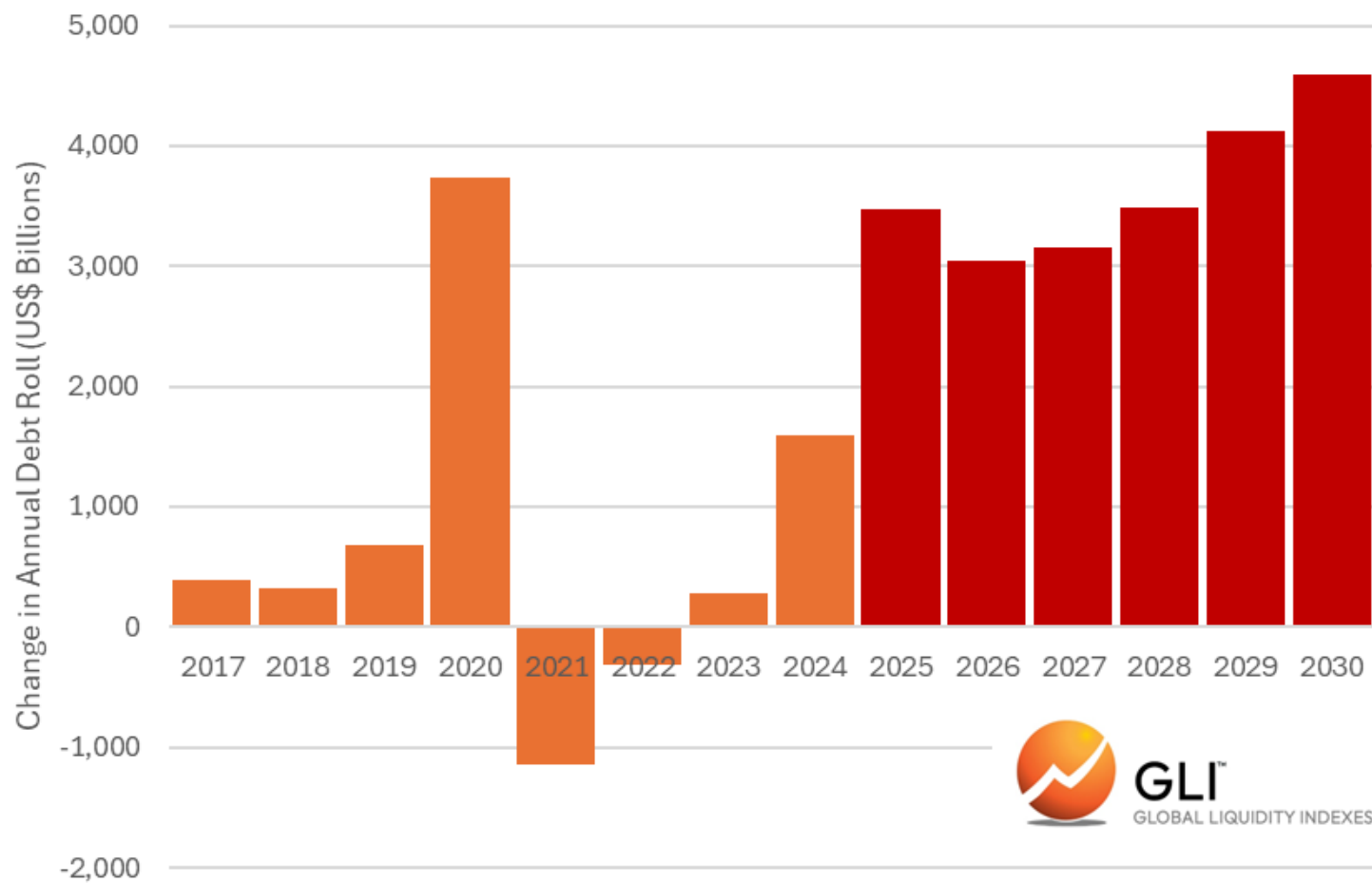
Debt/ Liquidity Cycle



Advanced Economies: Debt*/ Liquidity

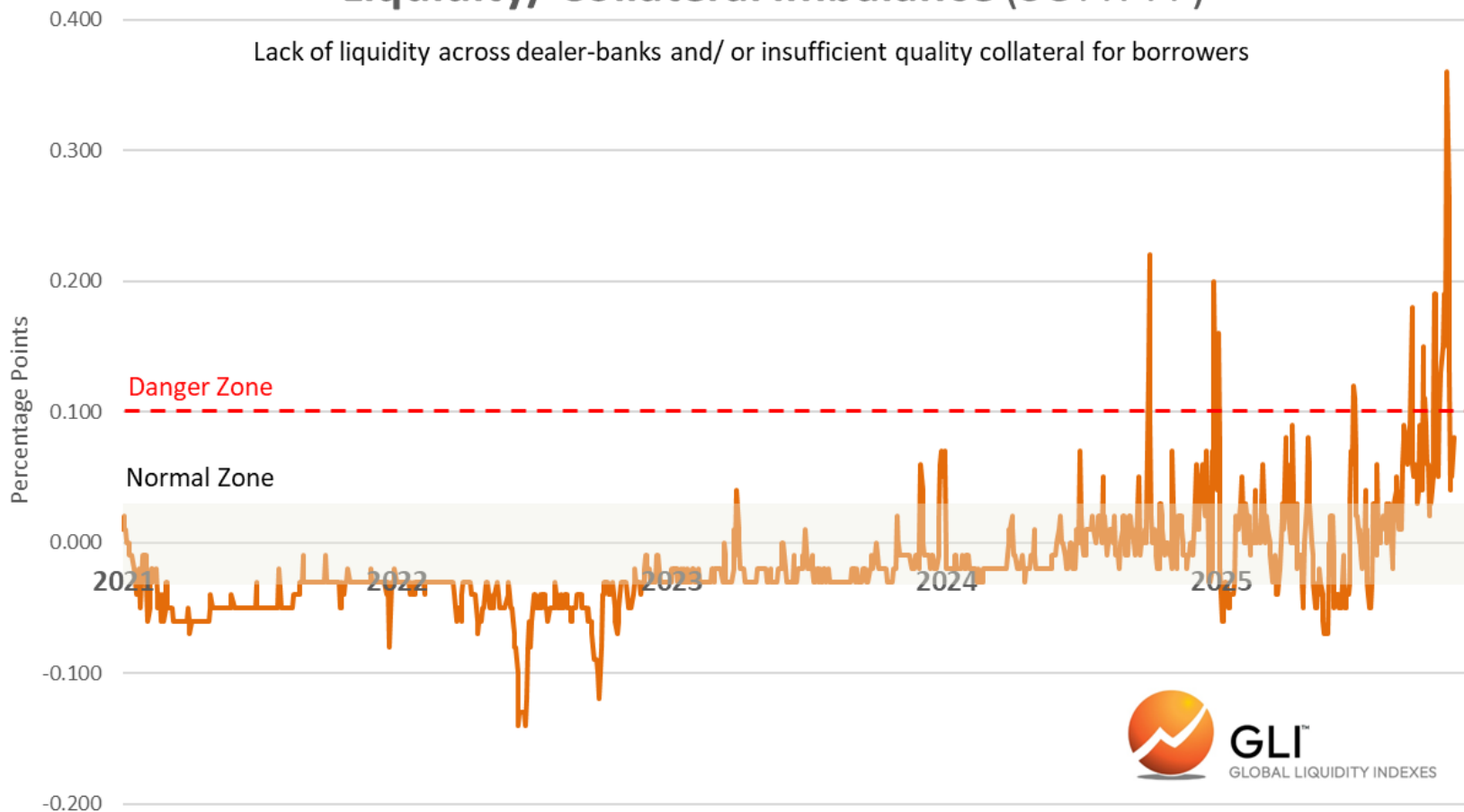


Advanced Economies: **Debt** Maturity Wall

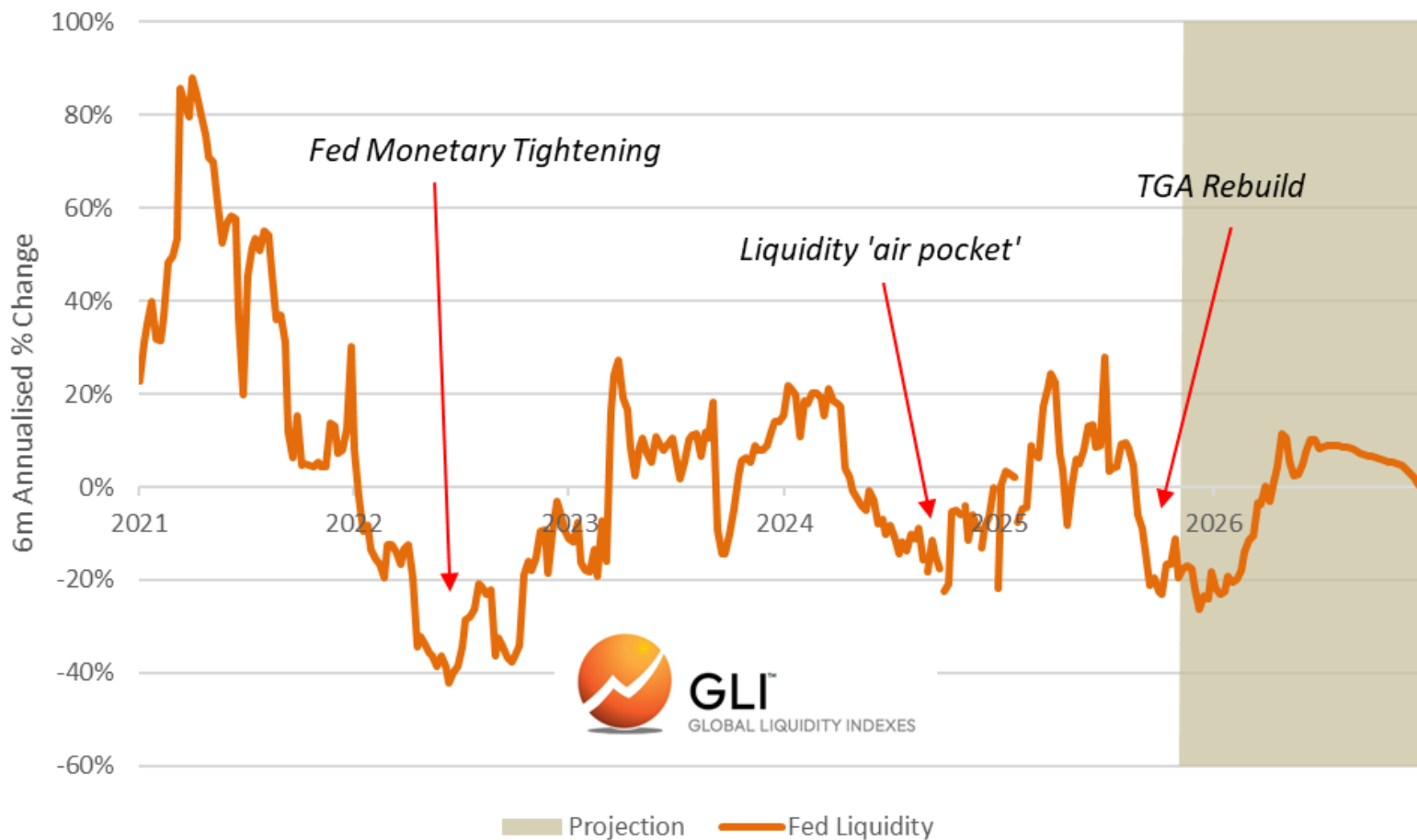


Liquidity/ Collateral Imbalance (SOFR-FF)

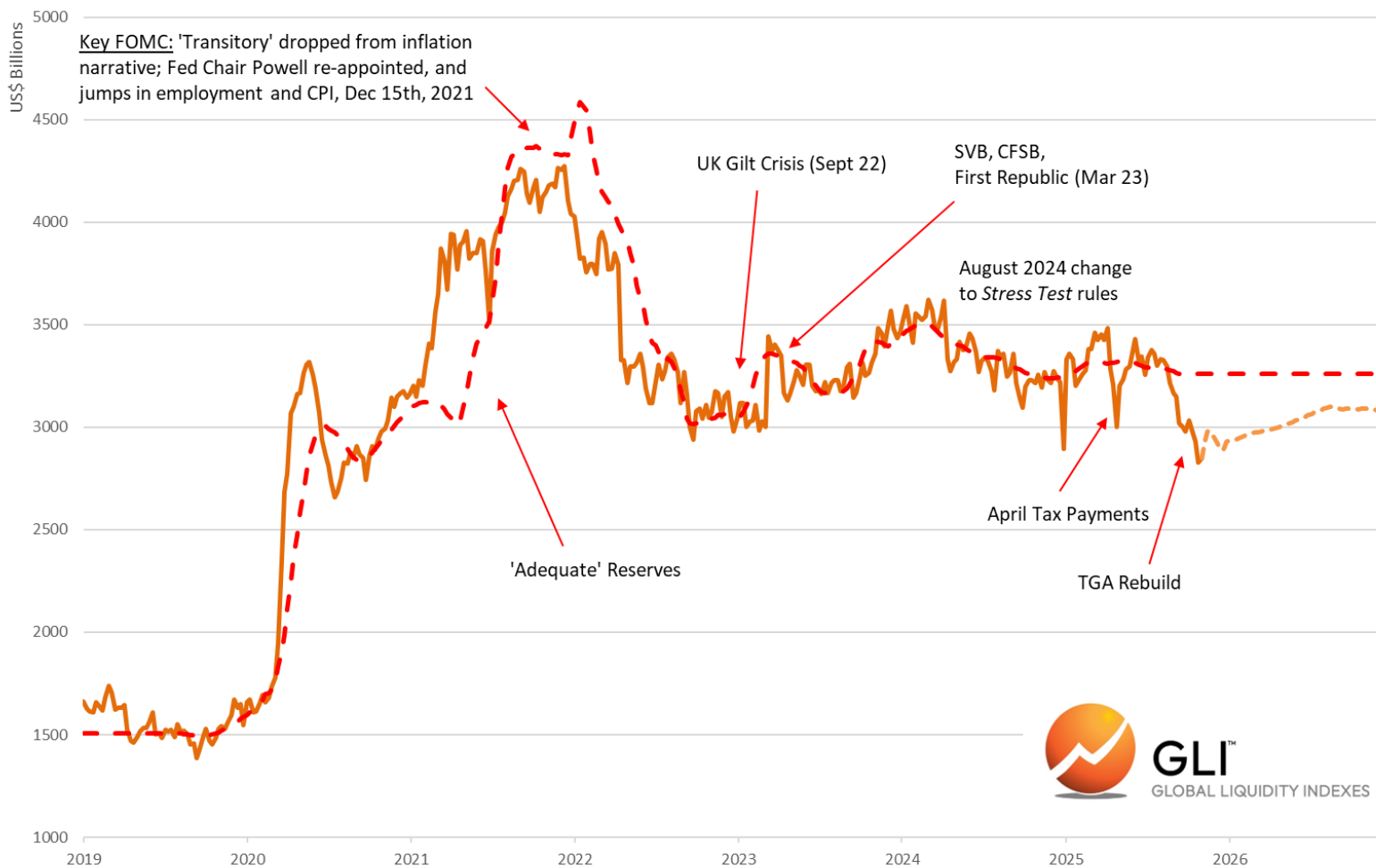
Lack of liquidity across dealer-banks and/ or insufficient quality collateral for borrowers



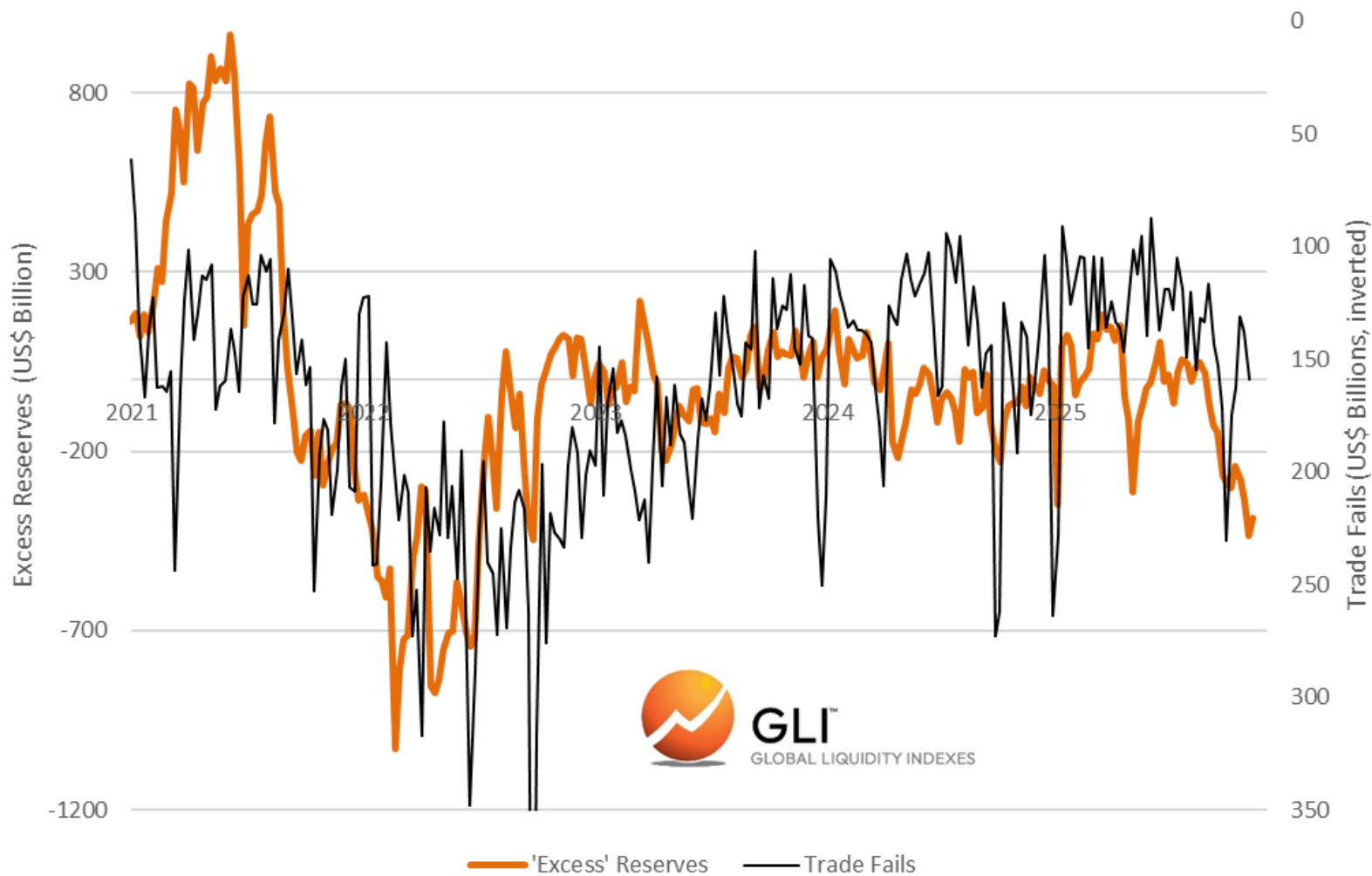
Growth of Fed Liquidity



US Banks' Reserves

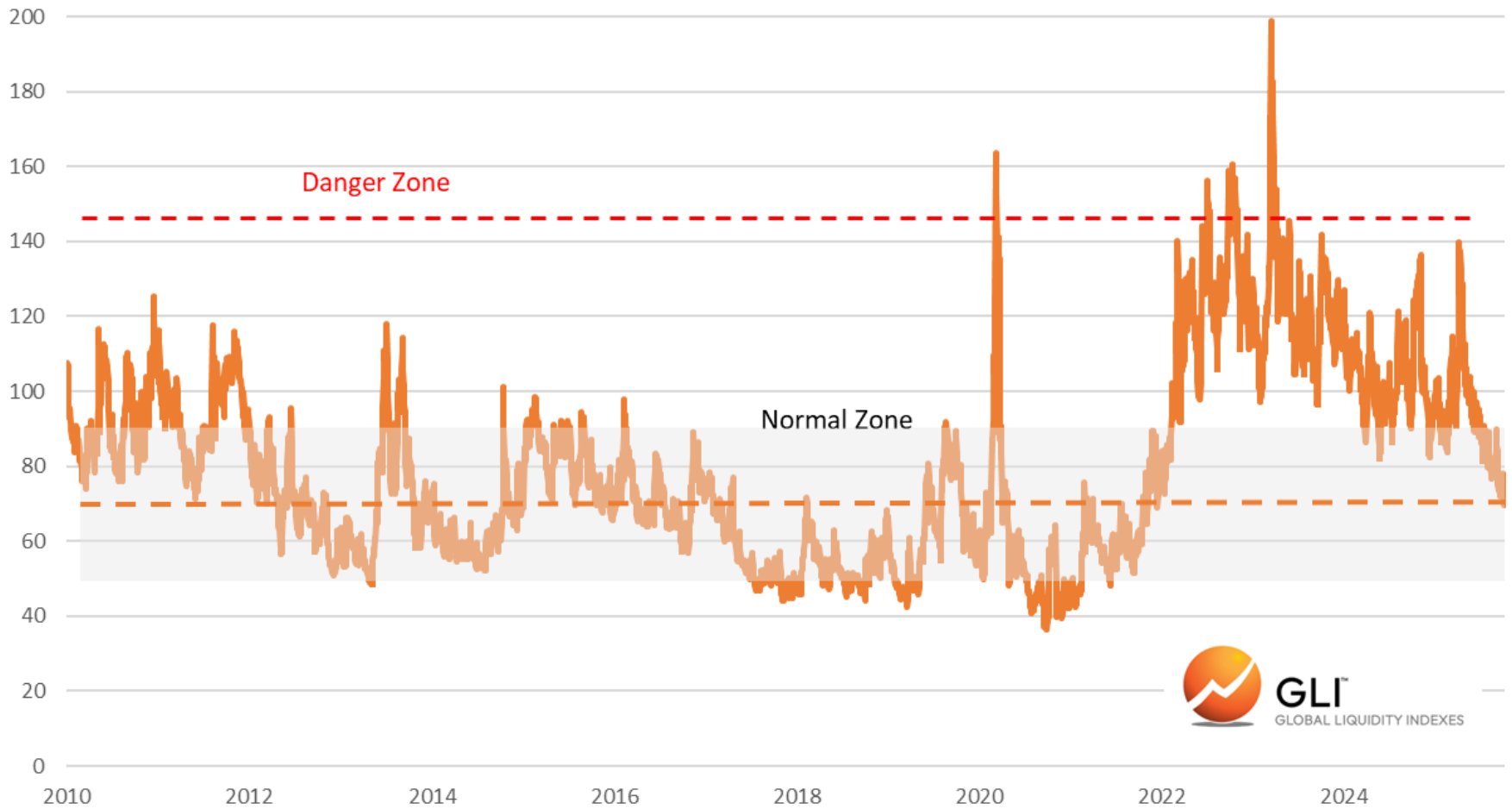


'Excess' Reserves US Banks & PD Trade Fails

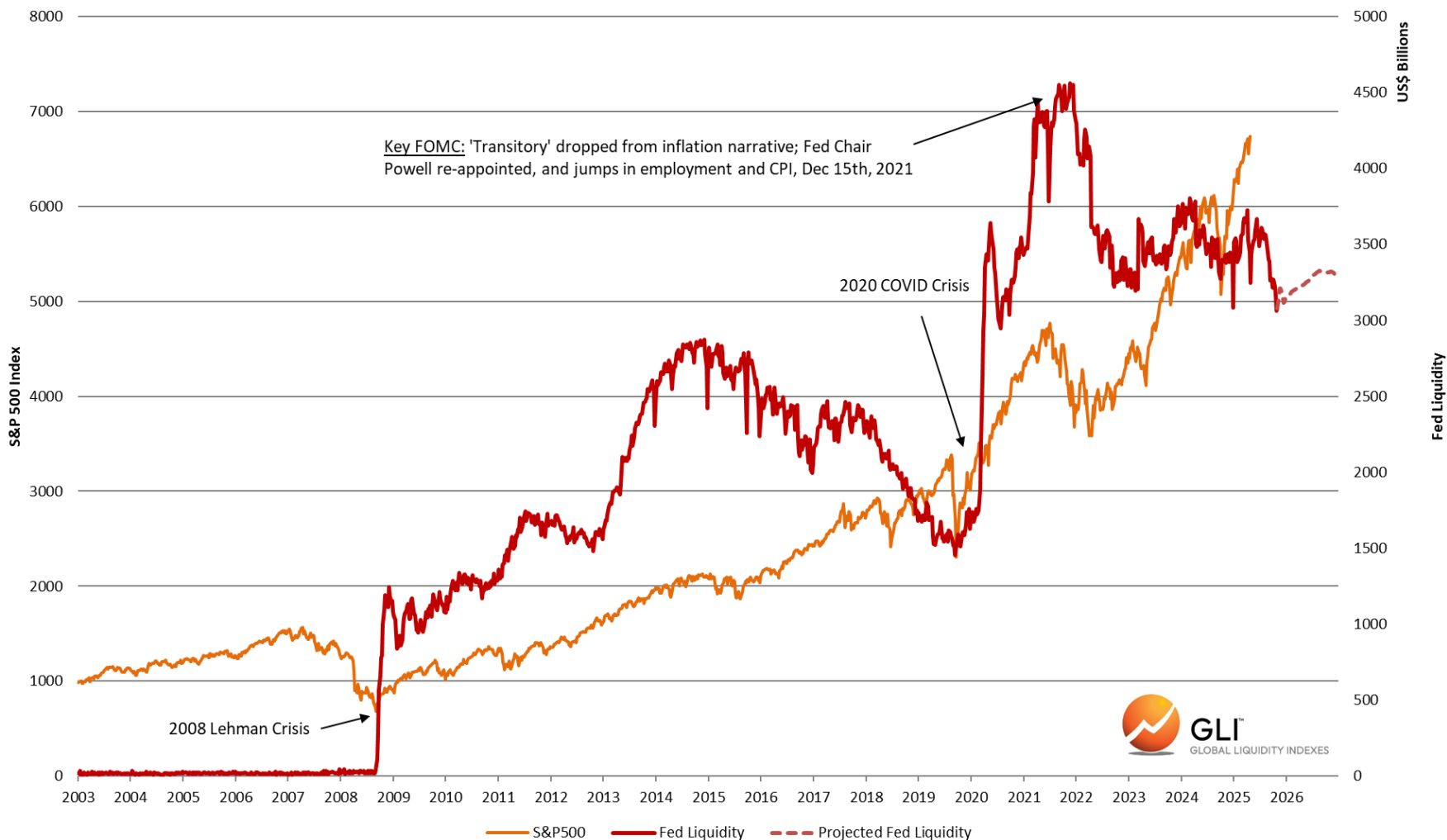


Source: GLIndexes

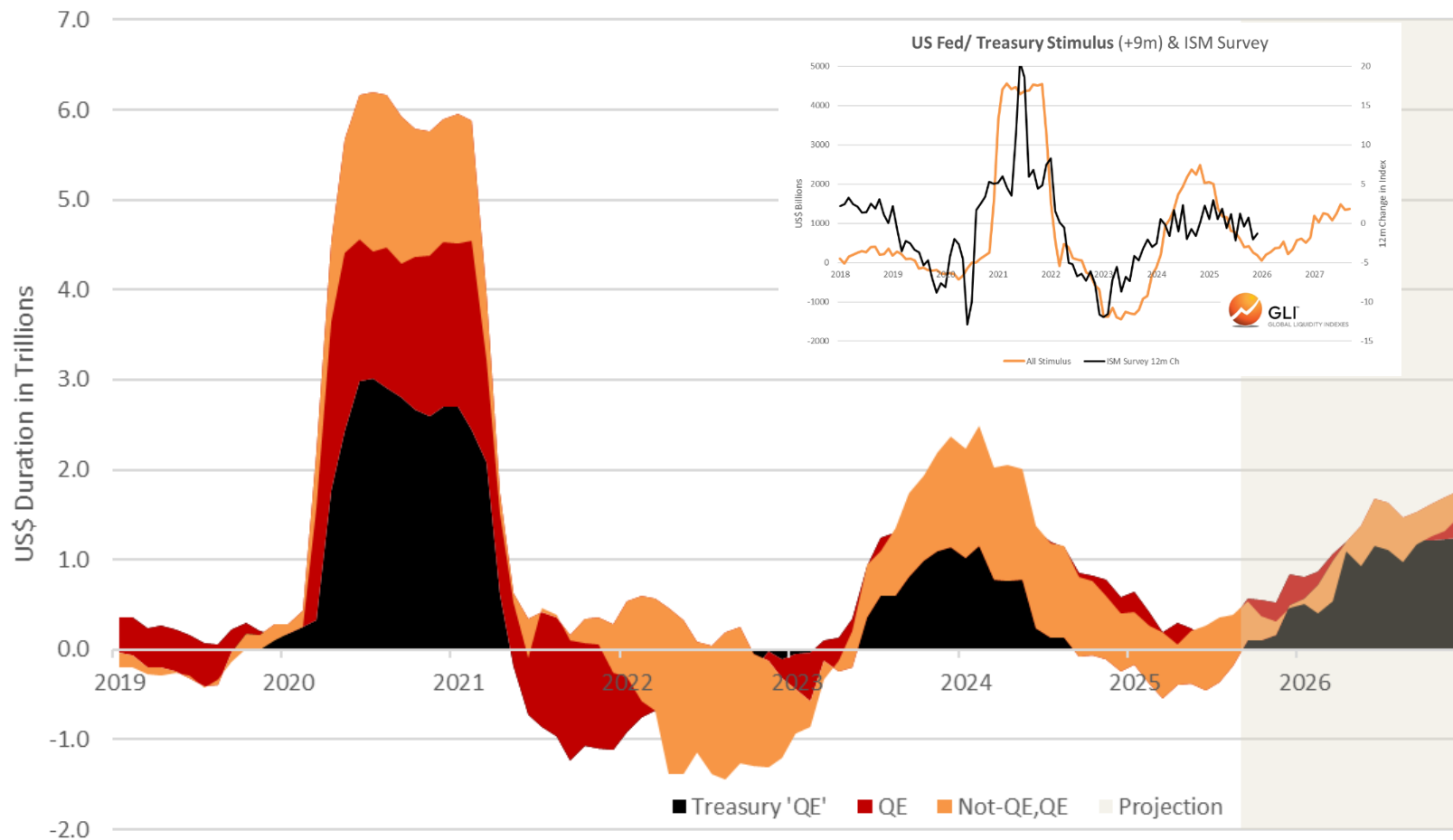
MOVE Volatility Index



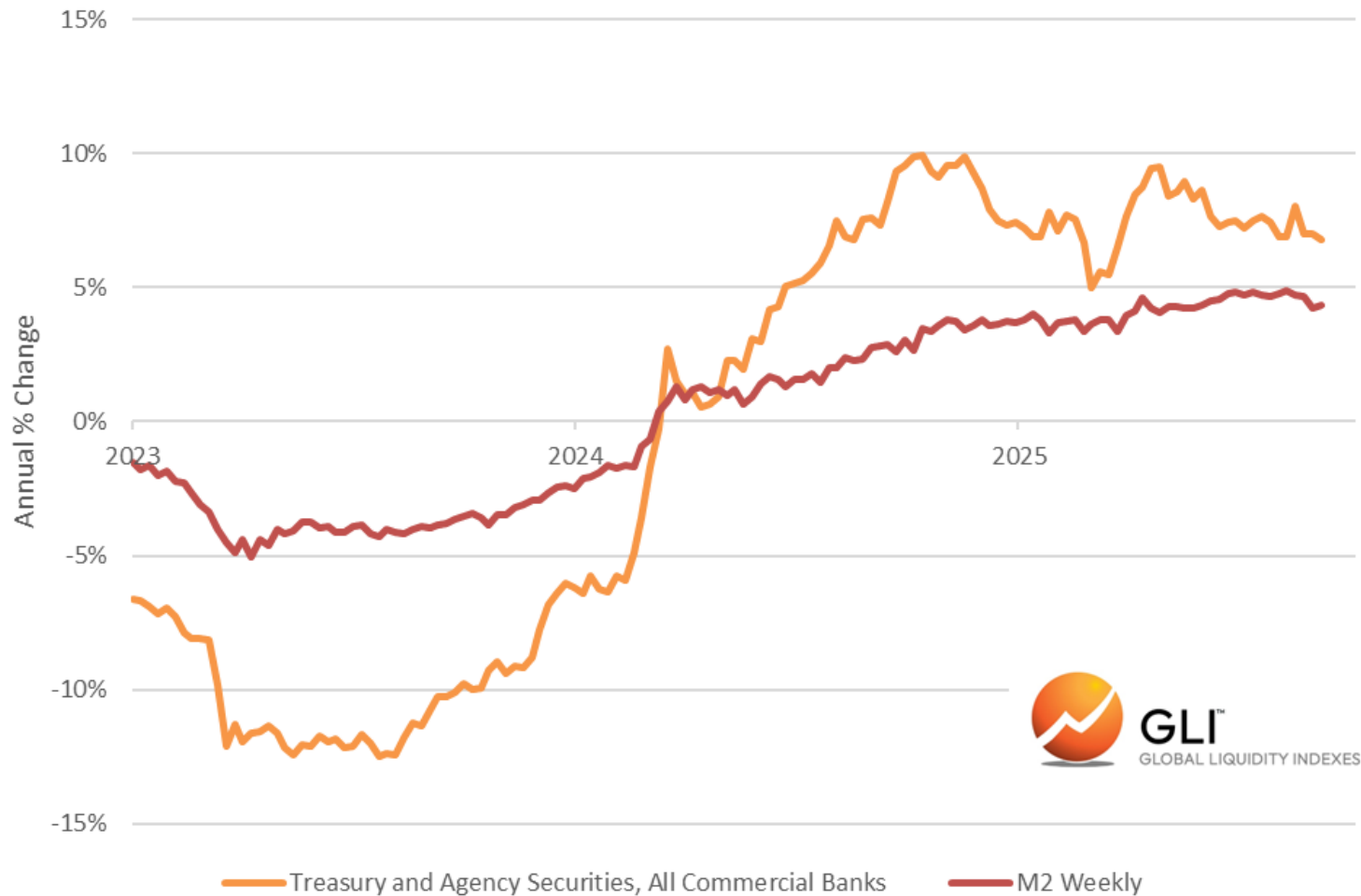
Fed Liquidity and S&P500 (-25 weeks)



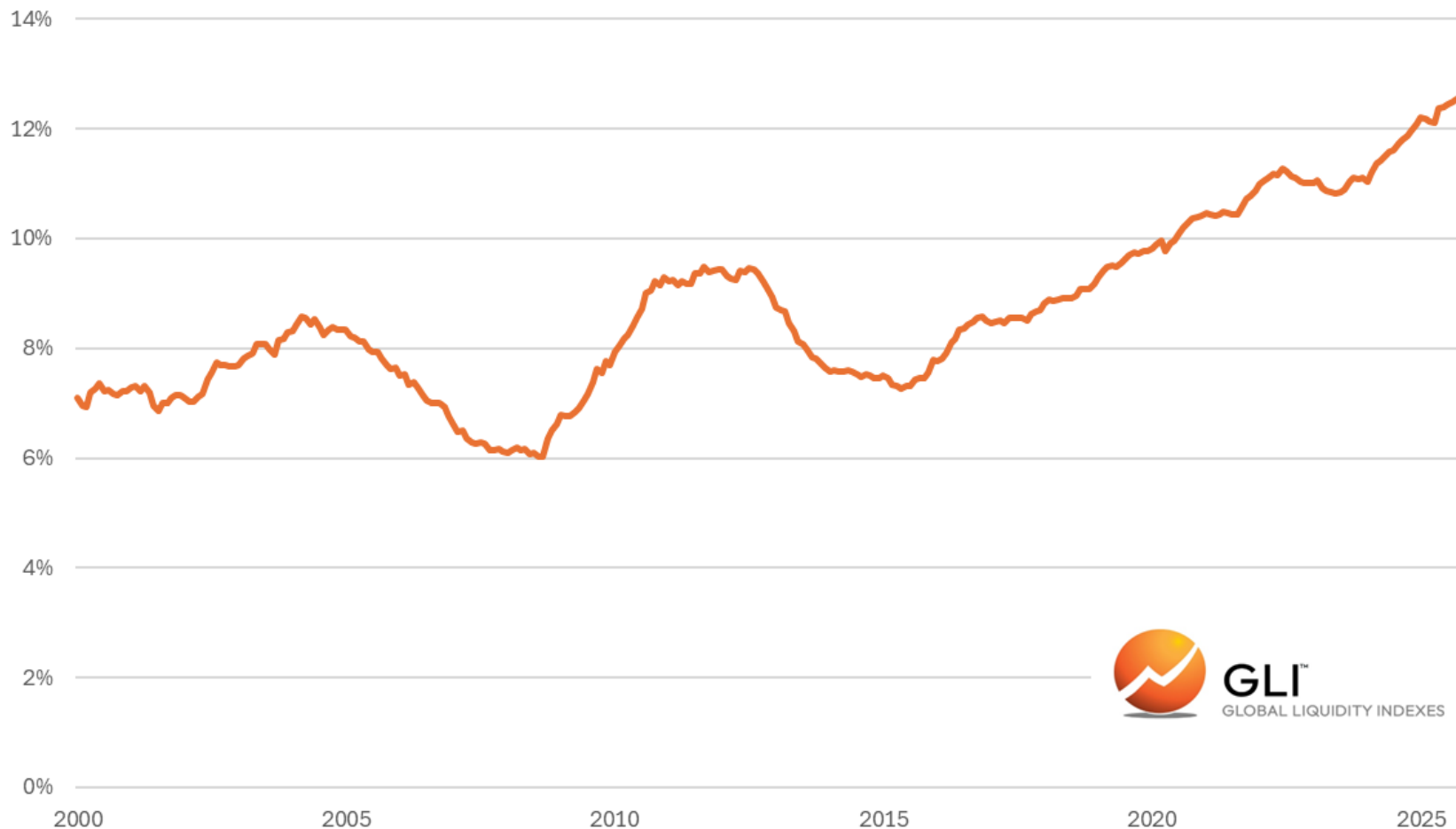
US Fed & US Treasury: All Stimulus



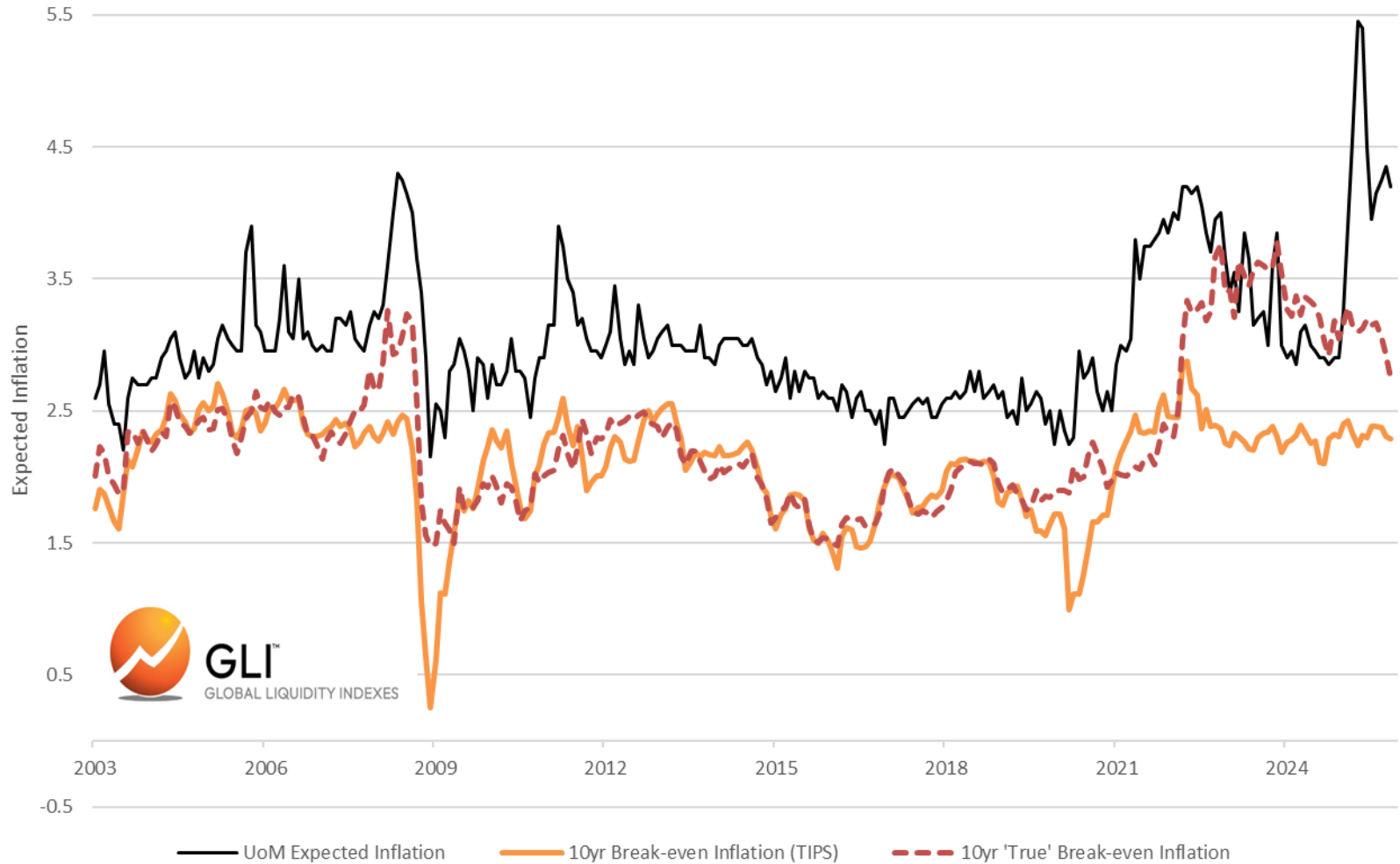
US Banks' Public Debt Holdings



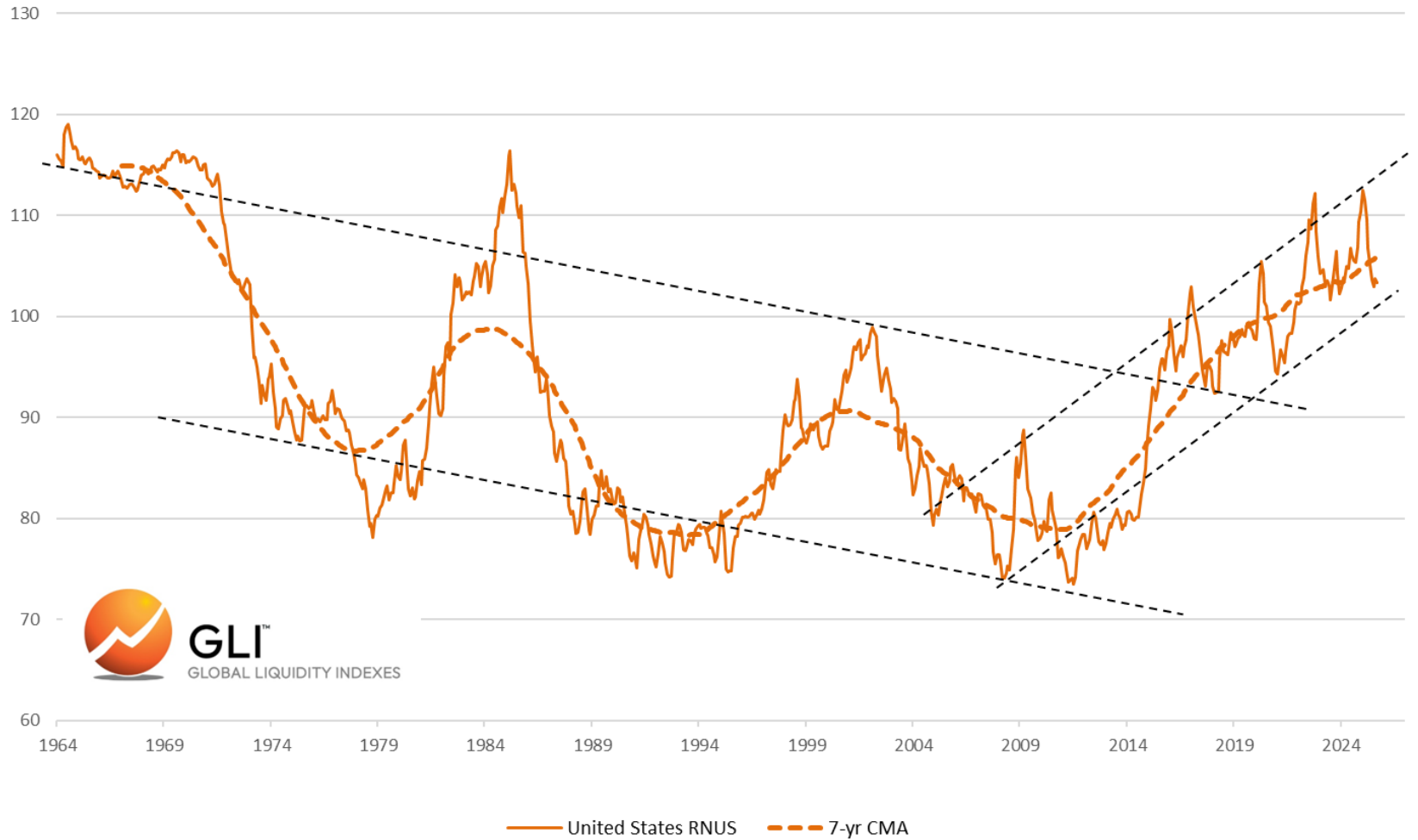
Global Monetization as Percent of Domestic Liquidity



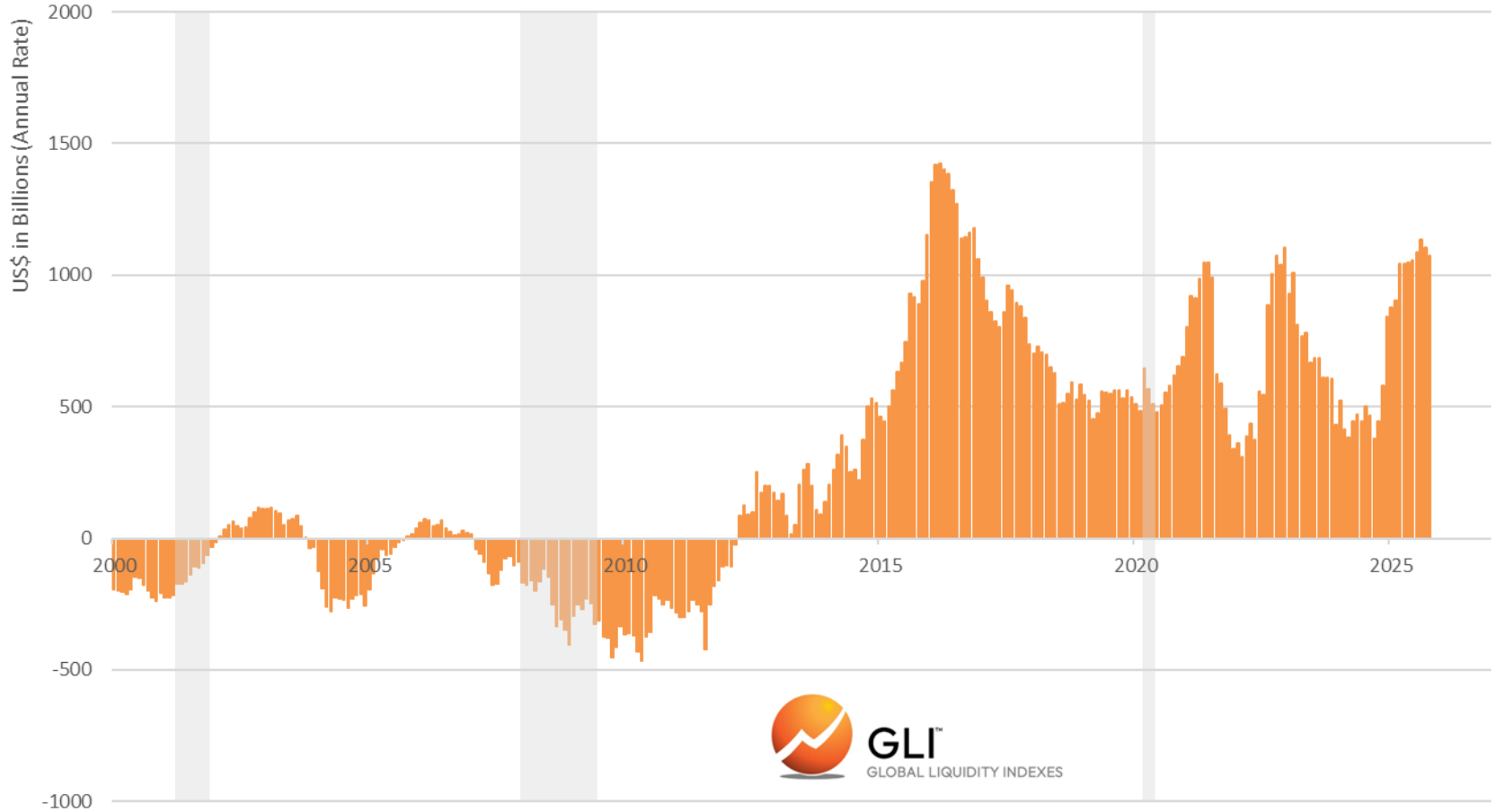
'True' US Inflation



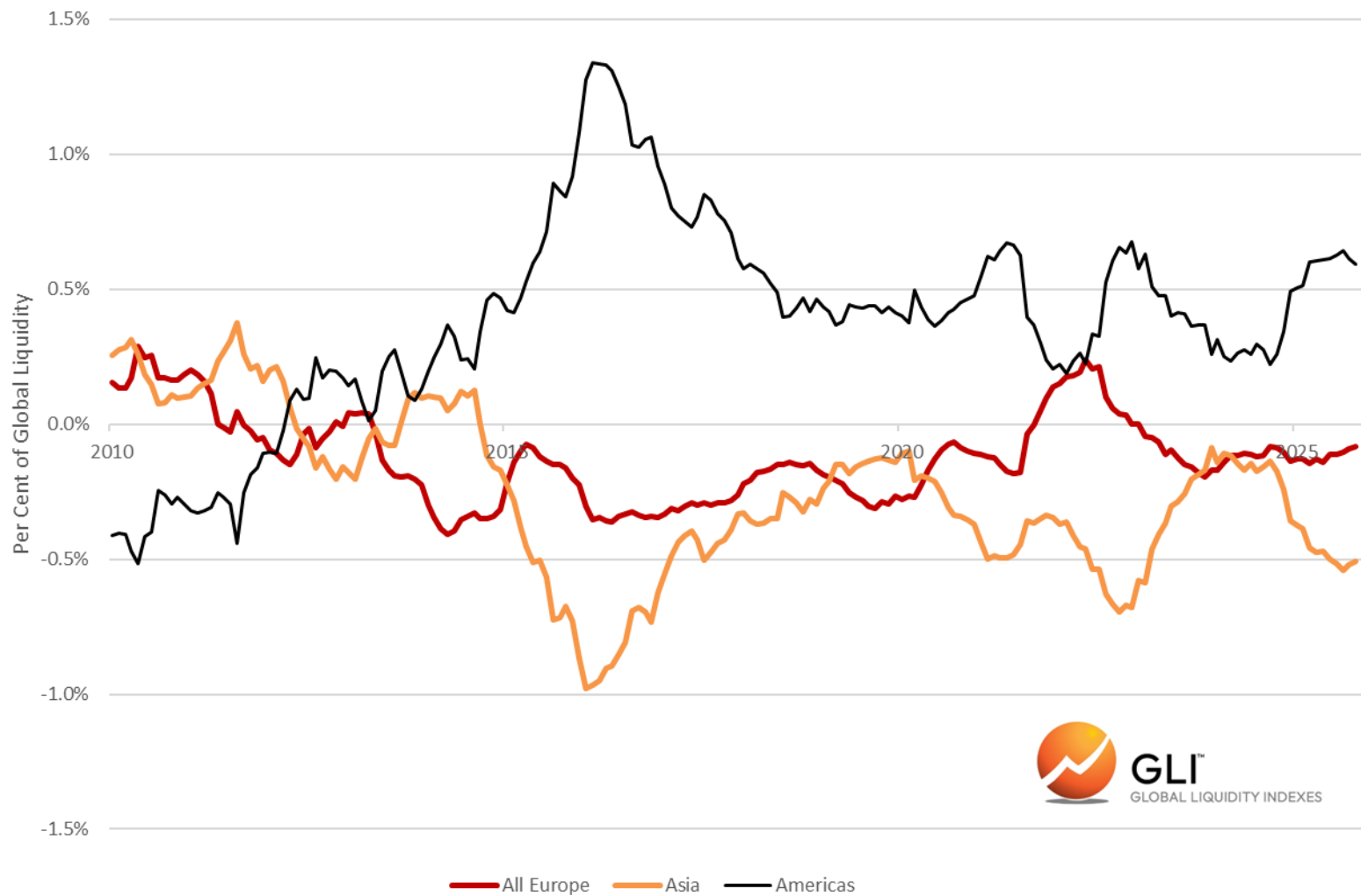
US Dollar: Real Trade-Weighted Index



Net Inflows into US Dollar (NBER Recessions highlighted)

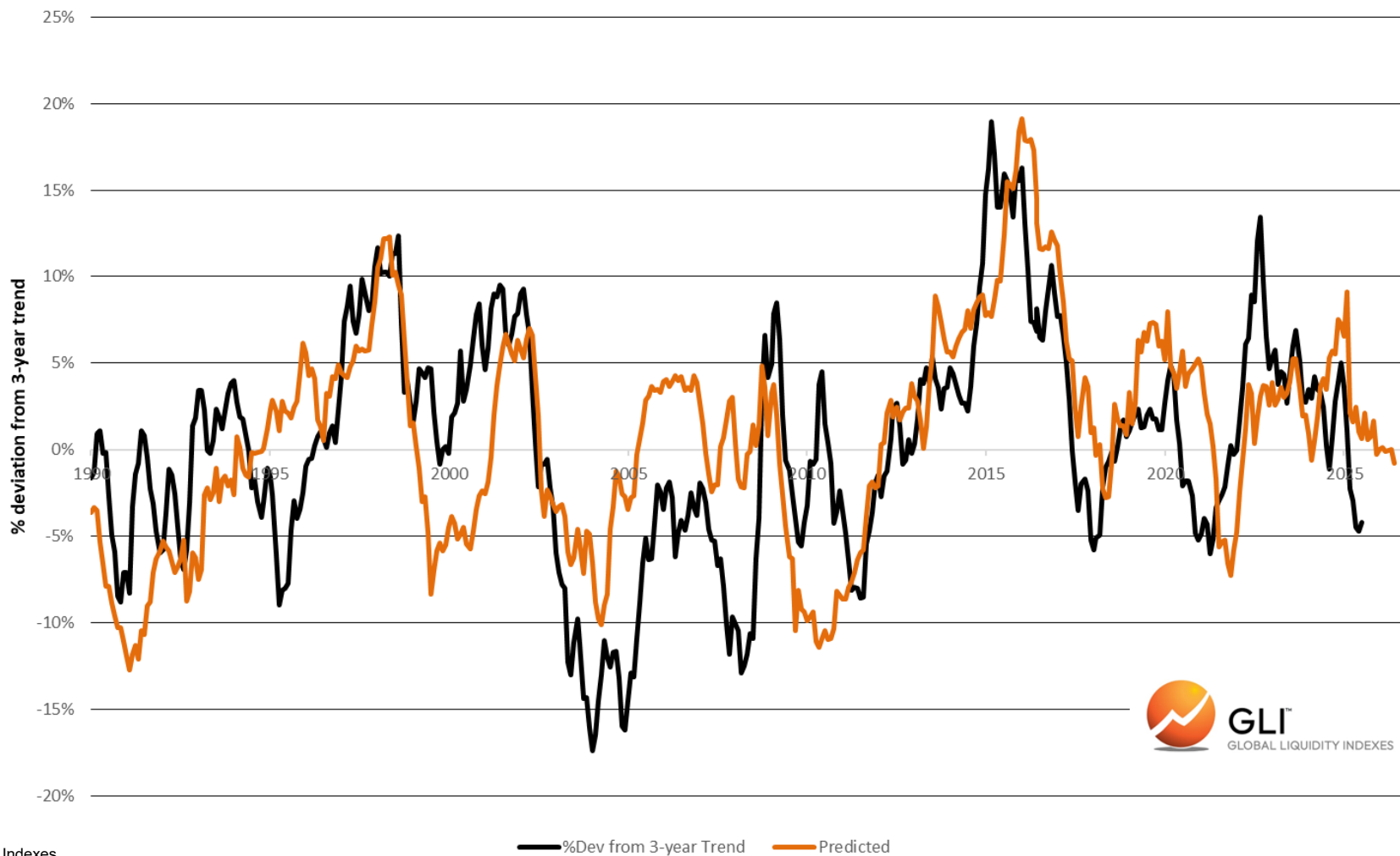


World Cross-border Capital Flows By Region, 2010-2025



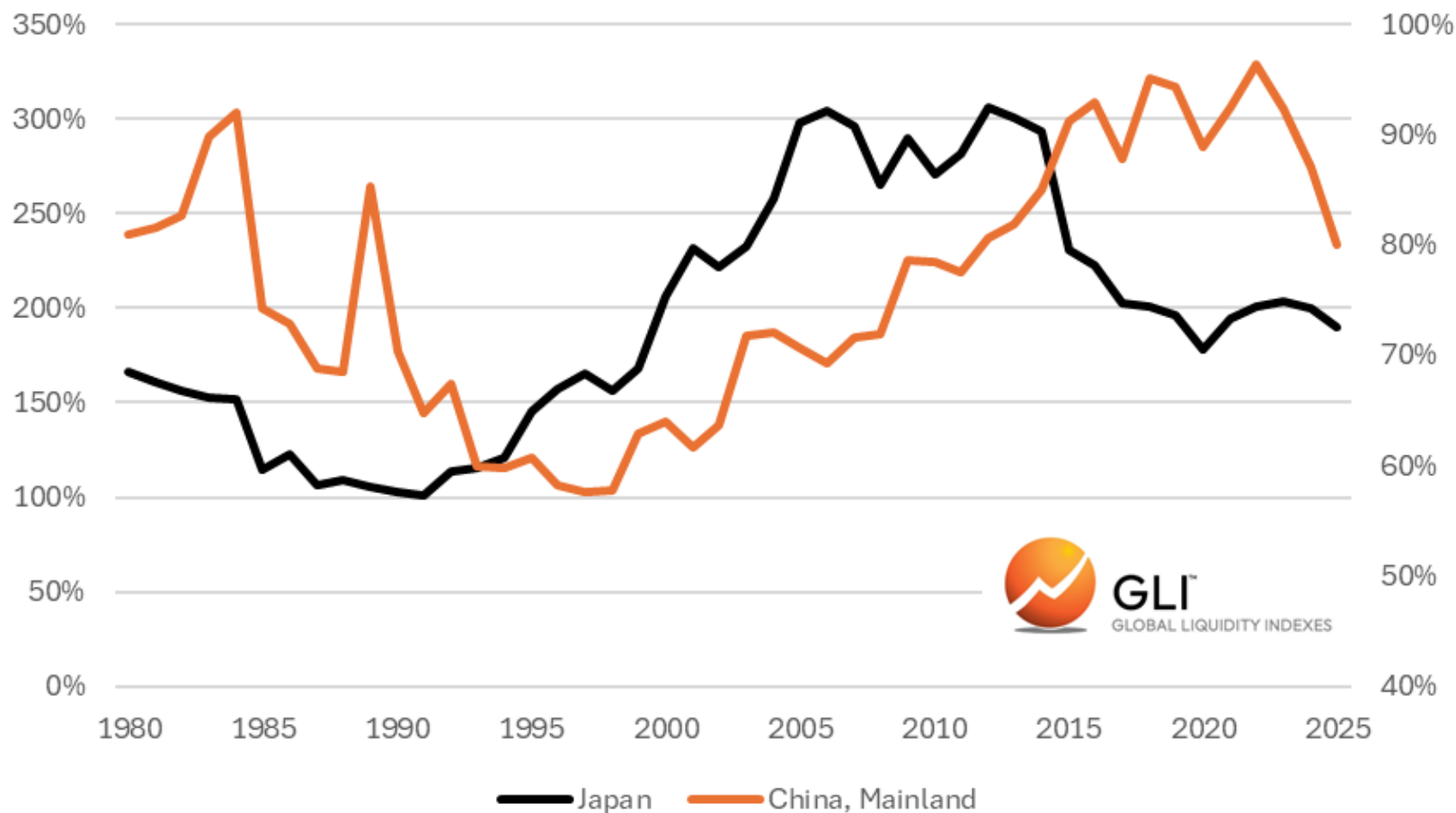
Source GLIndexes

DXY Deviation From 3-yr Trend: Actual and Predicted 12m Ahead

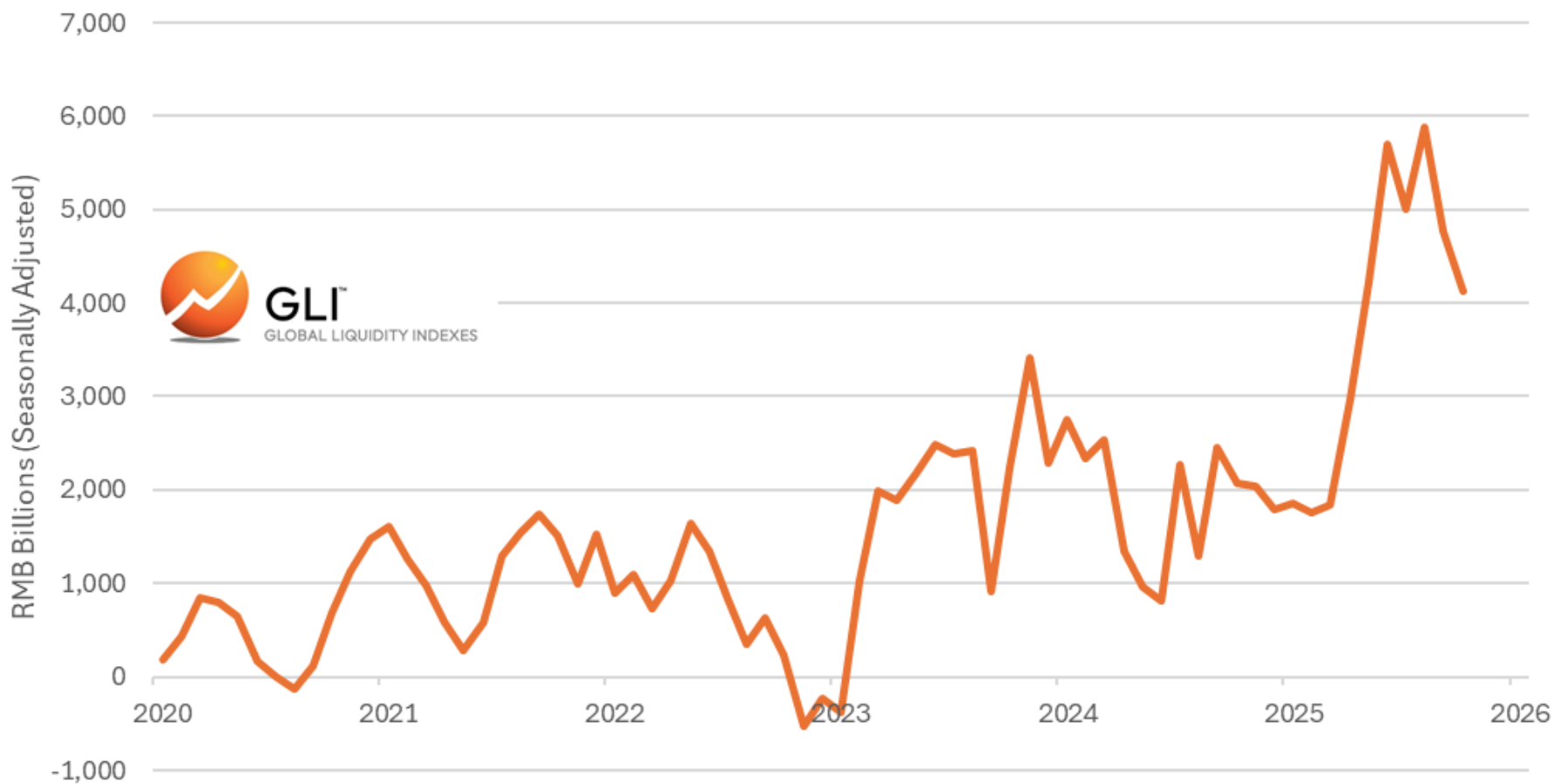


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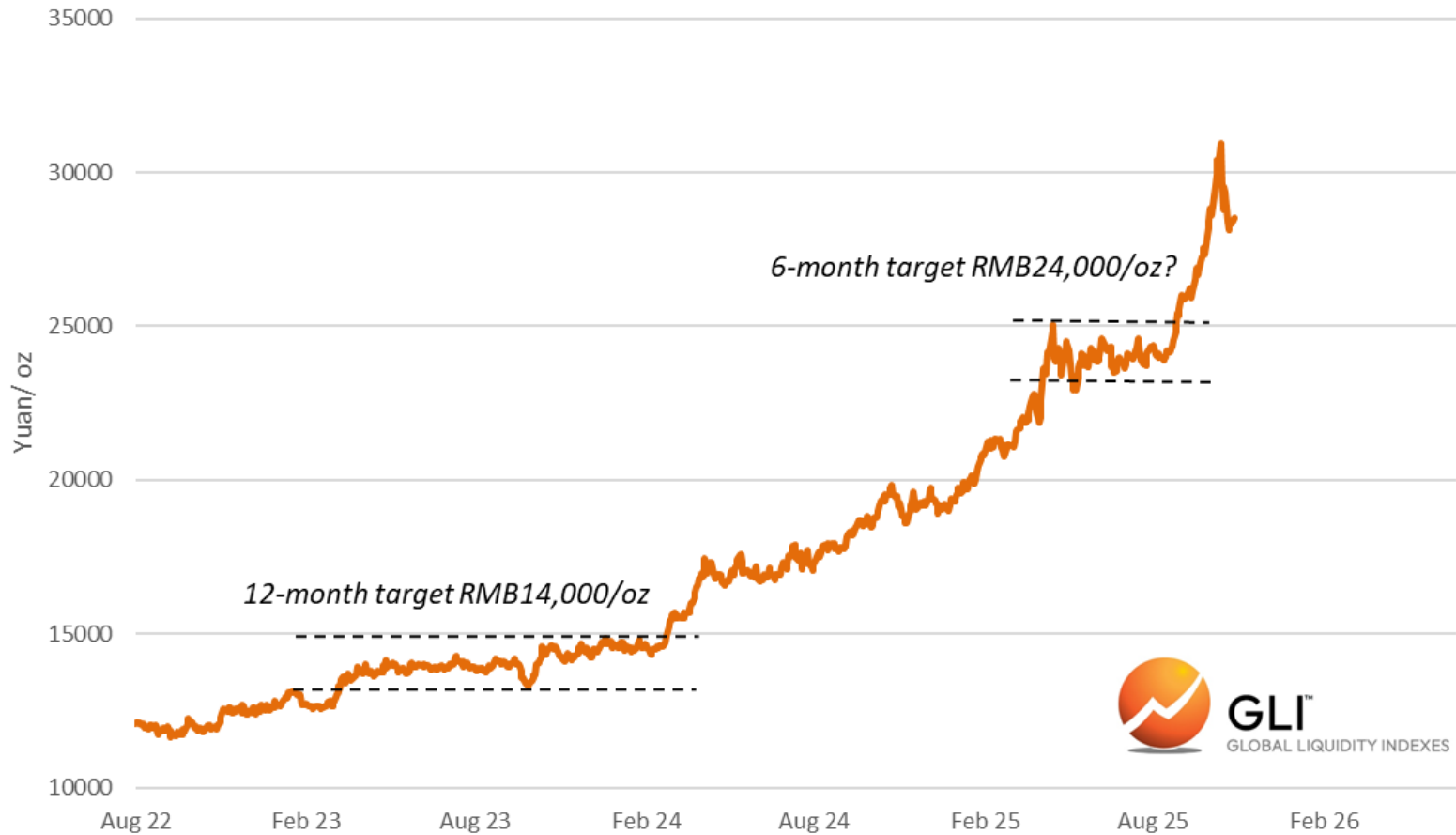
Japan vs China: Debt/ Liquidity Ratios



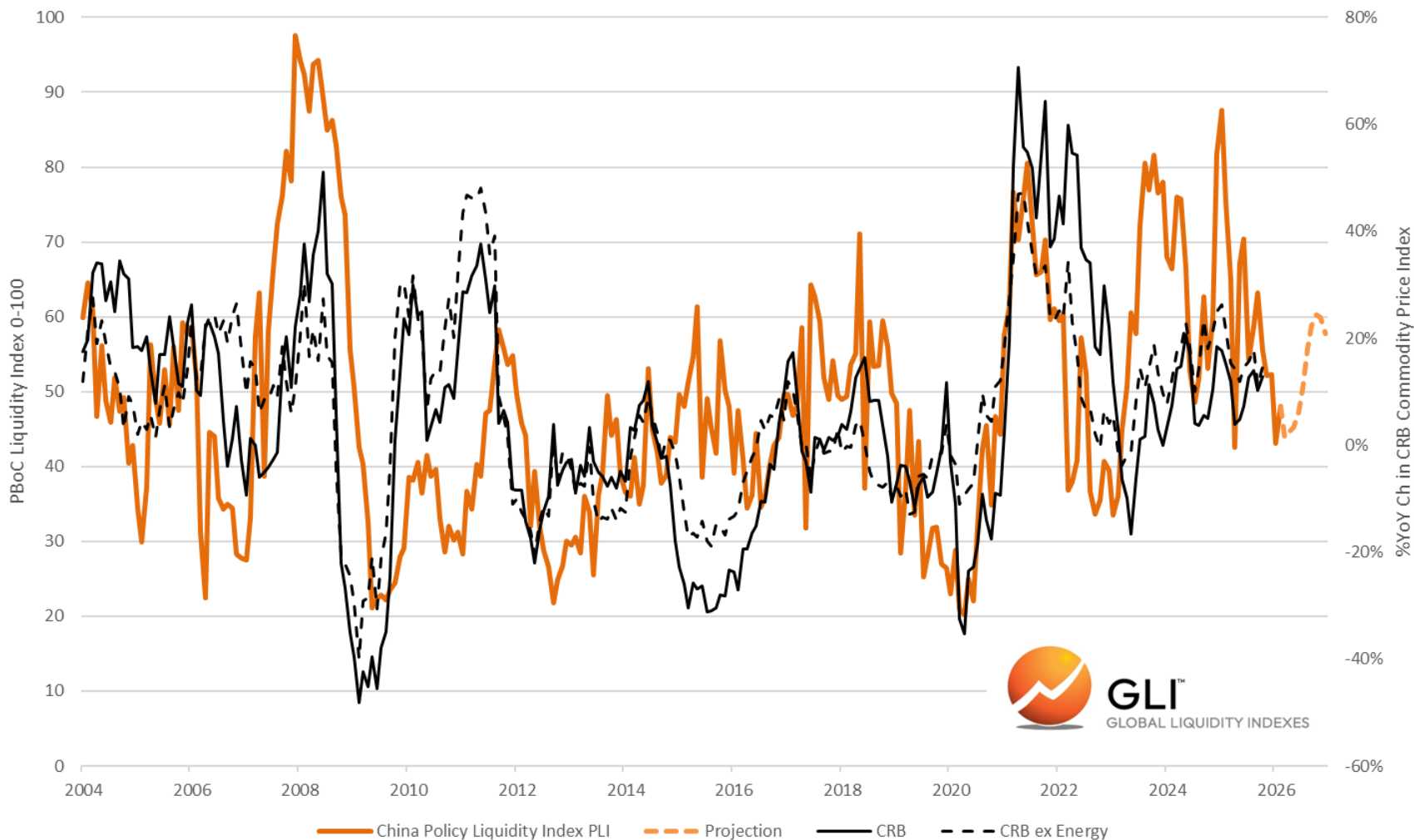
PBoC Liquidity (inc RRR) 6-month change



Yuan Gold



Chinese Liquidity and World \$ Commodity Prices



Source: GLIndexes