

Outlook 2025...

Confidence Shattered, World Economy Slumps ... Global Liquidity Surges

Global Liquidity

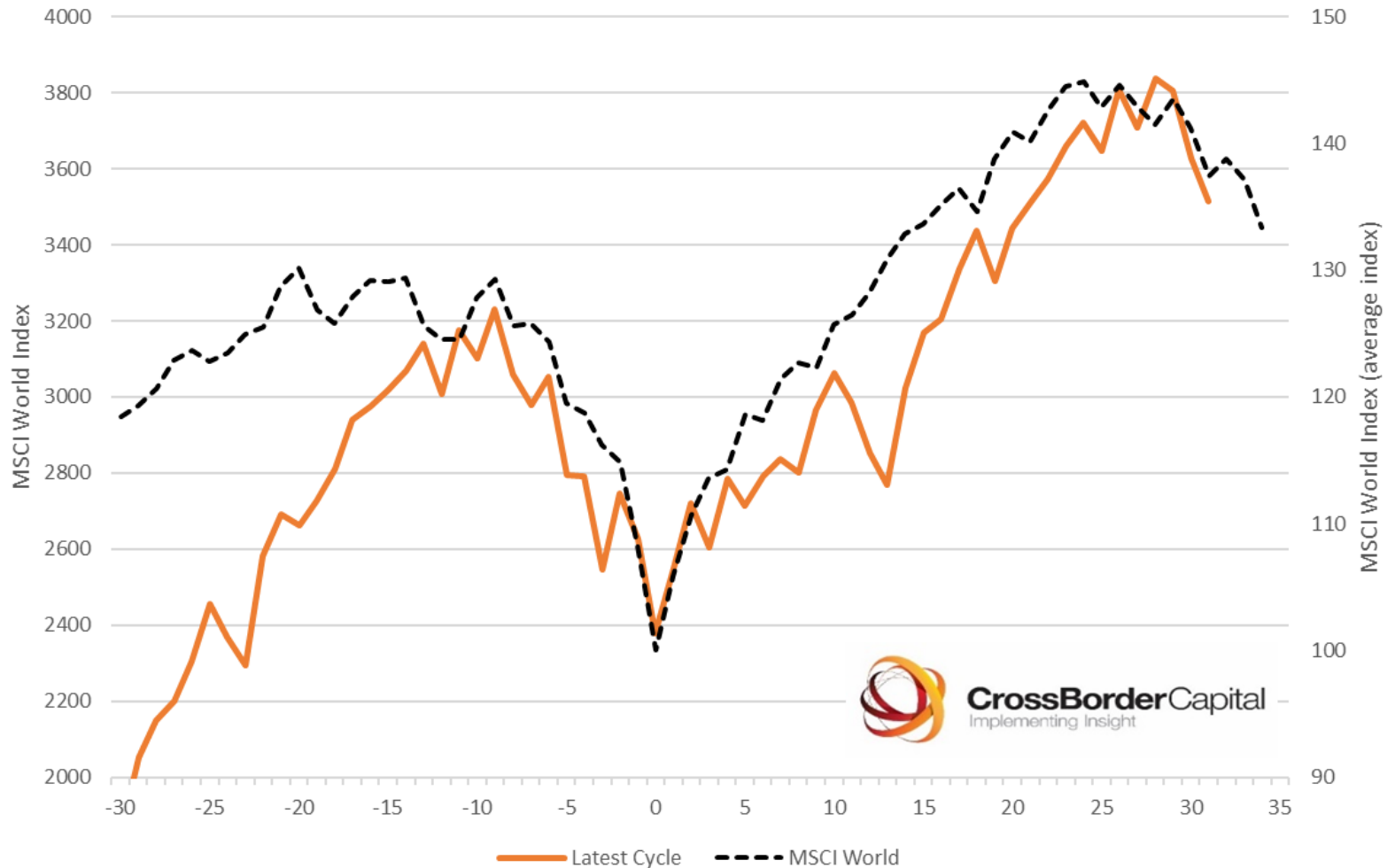
2025 Outlook

Confidence Shattered, World Economy Slumps ... Global Liquidity Surges?

- Global Liquidity Cycle bottomed in October 2022. Next peak 2025, H2. Credits sour?
- **Debt Refi cycle** challenges from later in 2025 with approaching 'maturity wall'. Also 'sticky' inflation pressures remain
- We are more cautious. Bull market is 'mature' and Fed B/S policy unclear
- **US Fed Liquidity** still needs to expand near-term since bank reserves getting low. Some form of 'QE' will restart over coming months. Money markets 'run out' Sept!
- US 'wants' recession: **China does not**. More serious policy shifts may be starting.
- World economy slowed noticeably from mid-December as PBoC **monetary policy tightened sharply to protect Yuan and US 'Presidential Put' faded**
- US Treasury funding policy more 'innovative'. Gold revaluation=strong rumours gives TGA windfall gain circa US\$1tr. Also sell long duration 'defence' bonds to Allies. Could gold play a bigger monetary role? Gold \$3600/oz target by China?
- *Monetary inflation* risks remain in medium-term. Liquidity will need to keep pace with debt expansion, ie circa 8-10% pa



MSCI World Equities: Latest Vs 'Average' Cycle



Global Liquidity

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



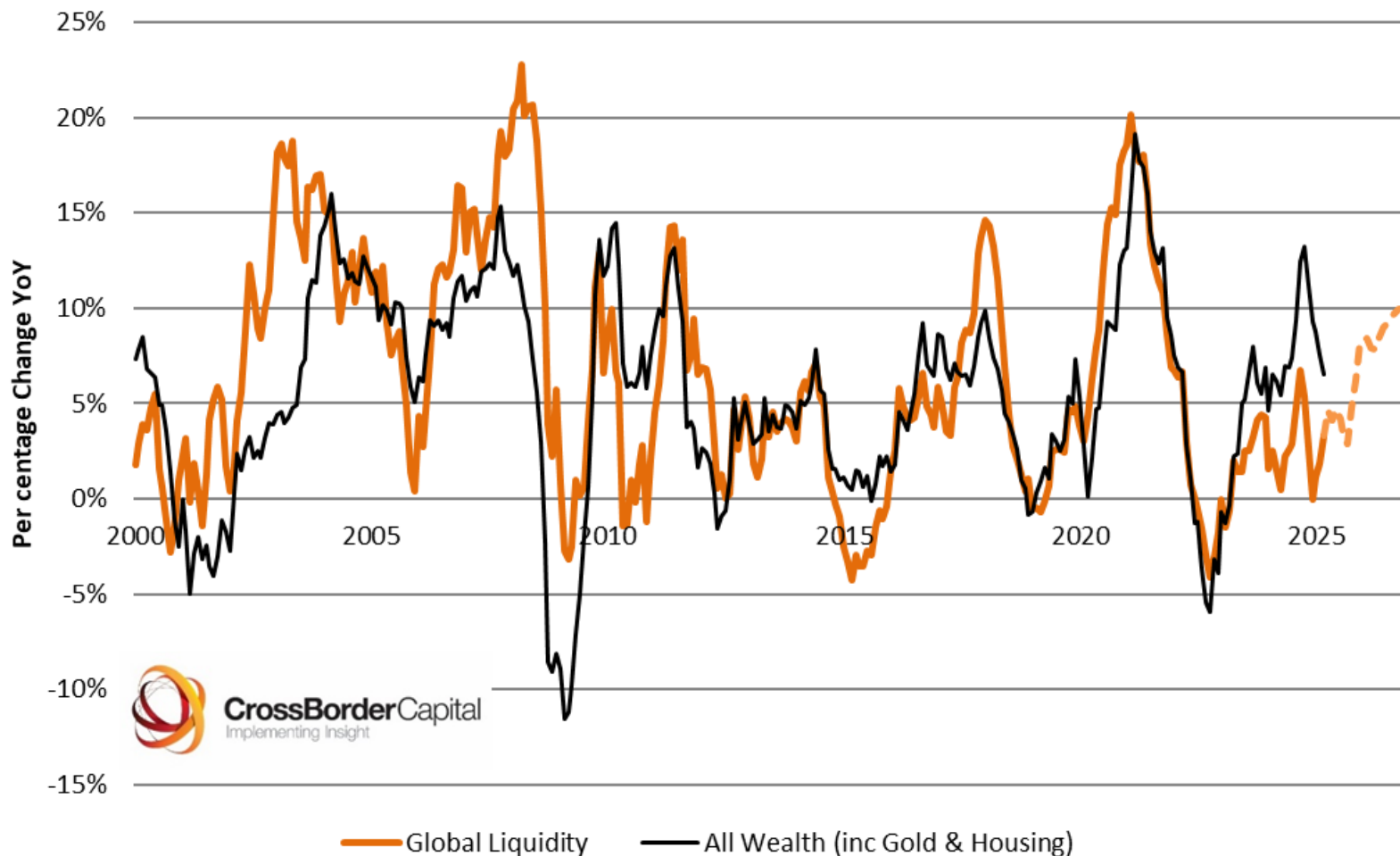
Global Liquidity is a measure of **balance sheet**, i.e. the **CAPACITY** of capital
NOT the **COST** of capital
It matters when debt has to be rolled over

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



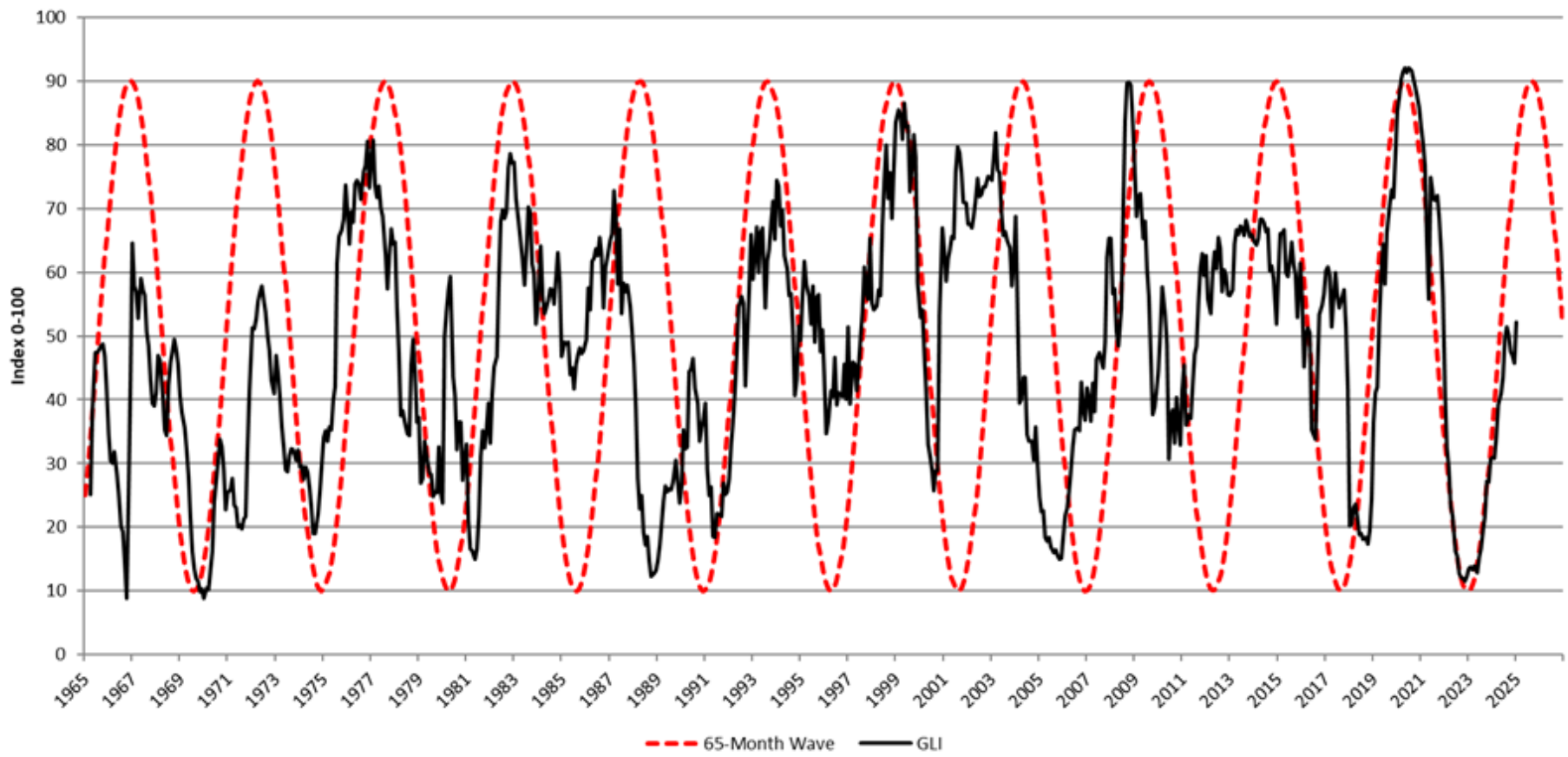
Global Liquidity & World Wealth



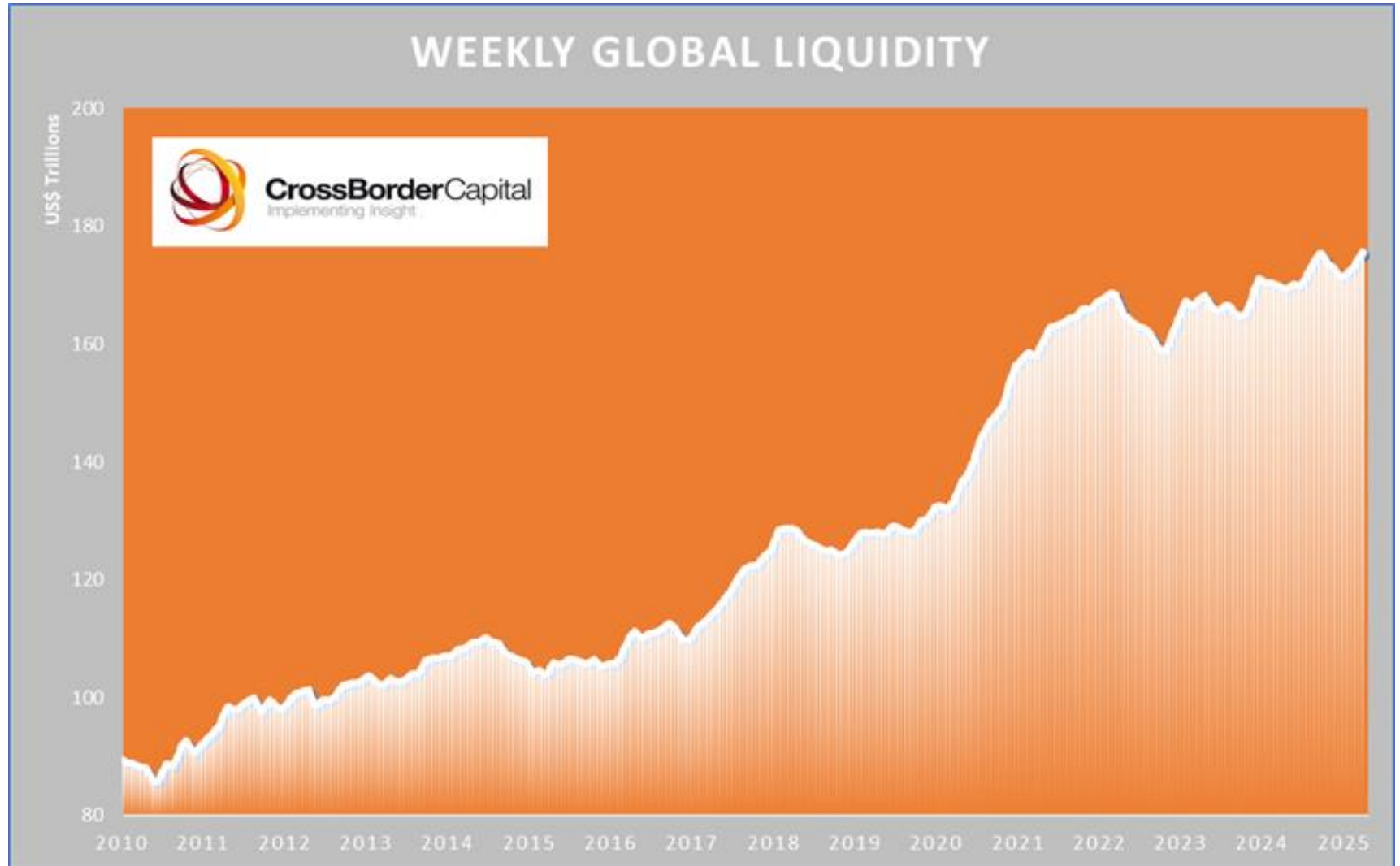
Source CrossBorder Capital



Global Liquidity Cycle (Advanced Economies)



Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, IMF



Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, IMF



World Central Bank Liquidity: Heat Map, End-March 2025

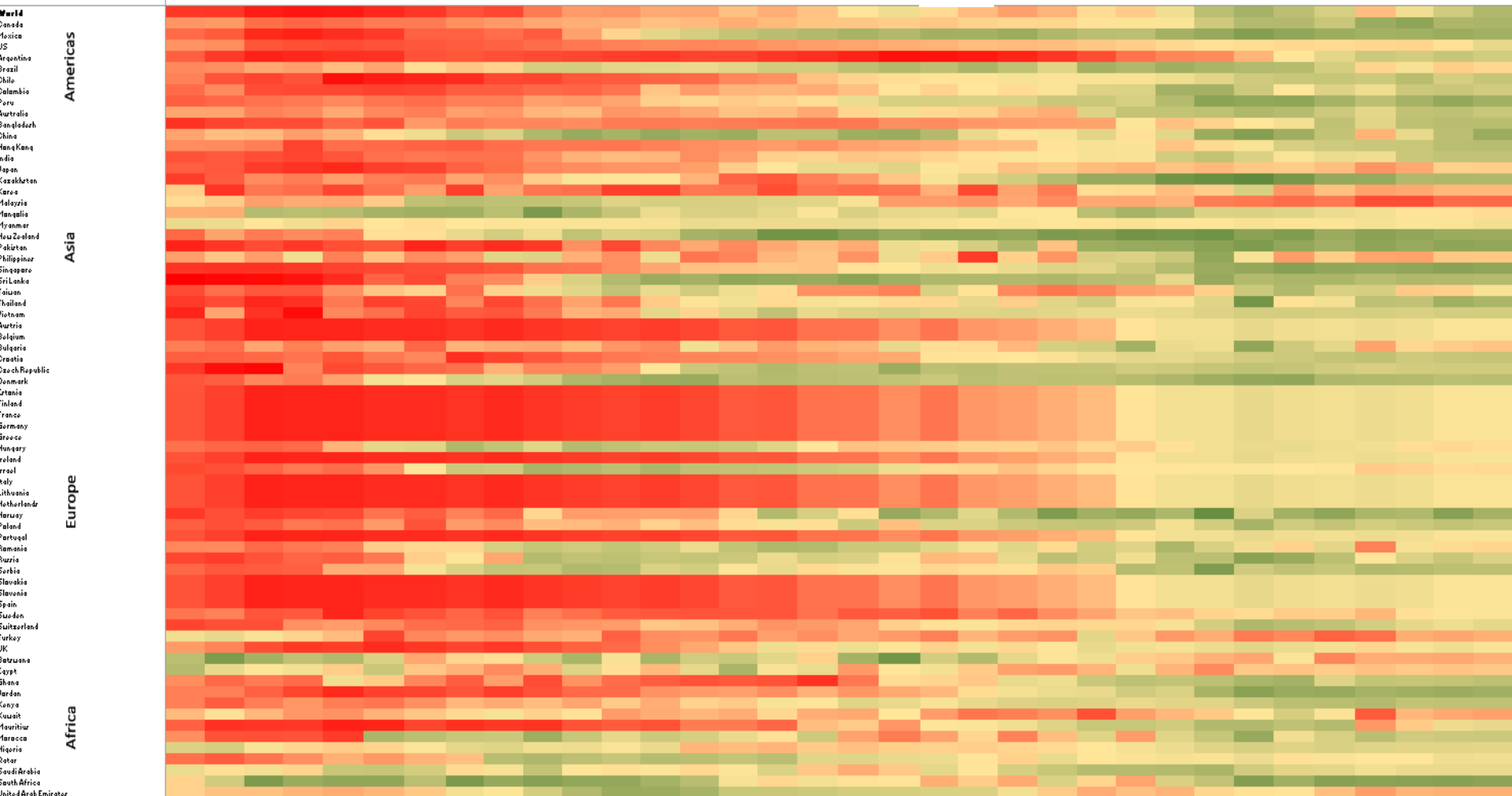
Policy Liquidity Index: PLI
Frequency: M - Seed Code: LWD - SchemaID: 35

2022

2023

2024

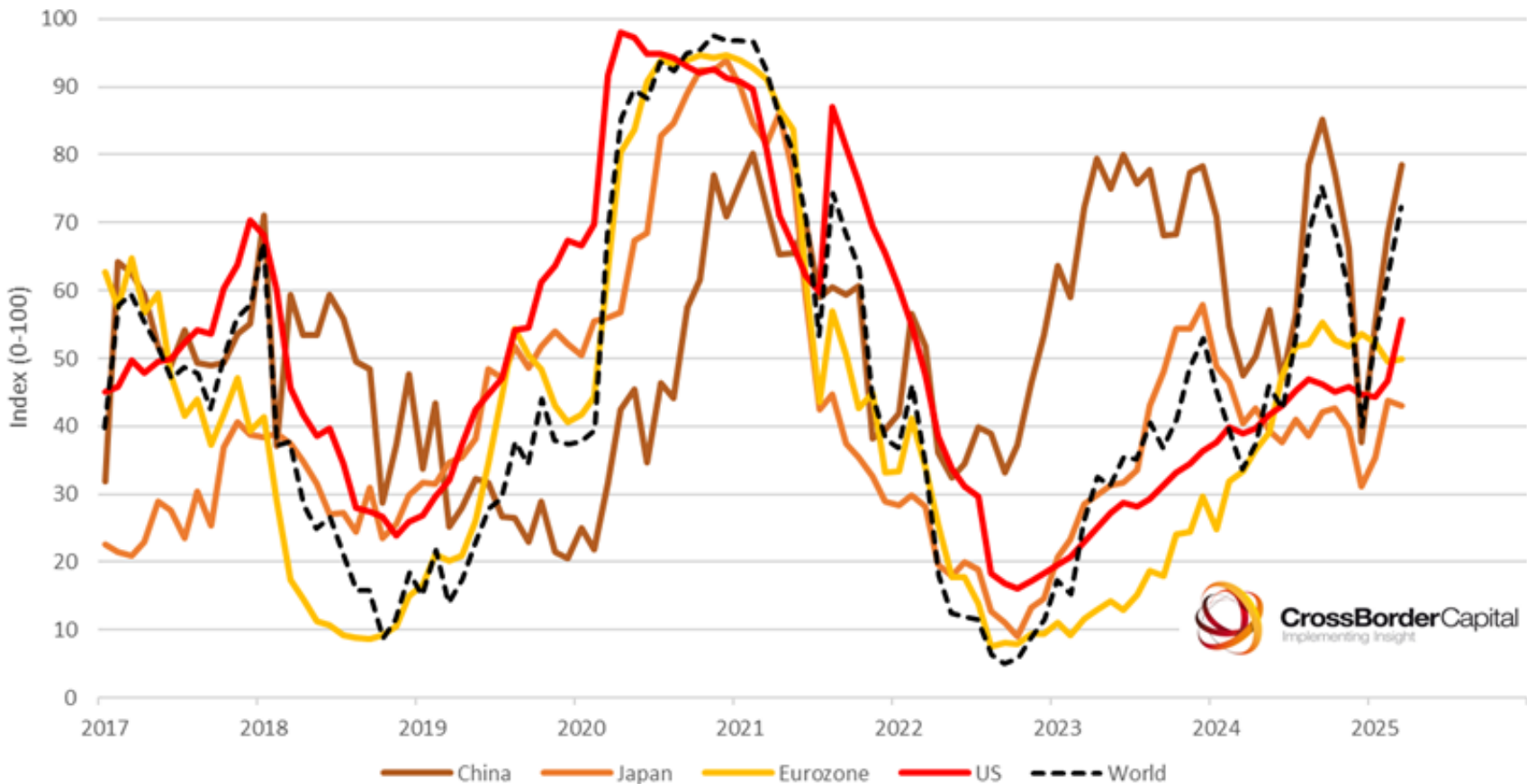
2025



Source: CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF

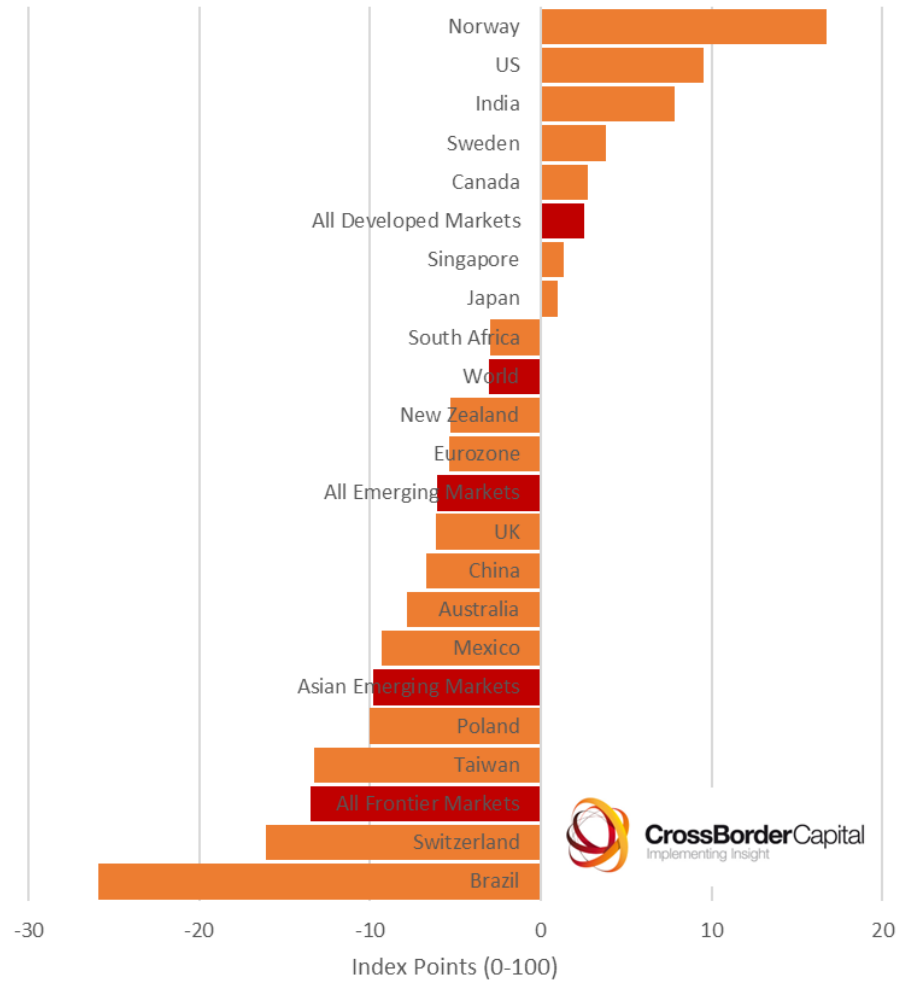


World Central Bank Liquidity Indexes, 2017-25



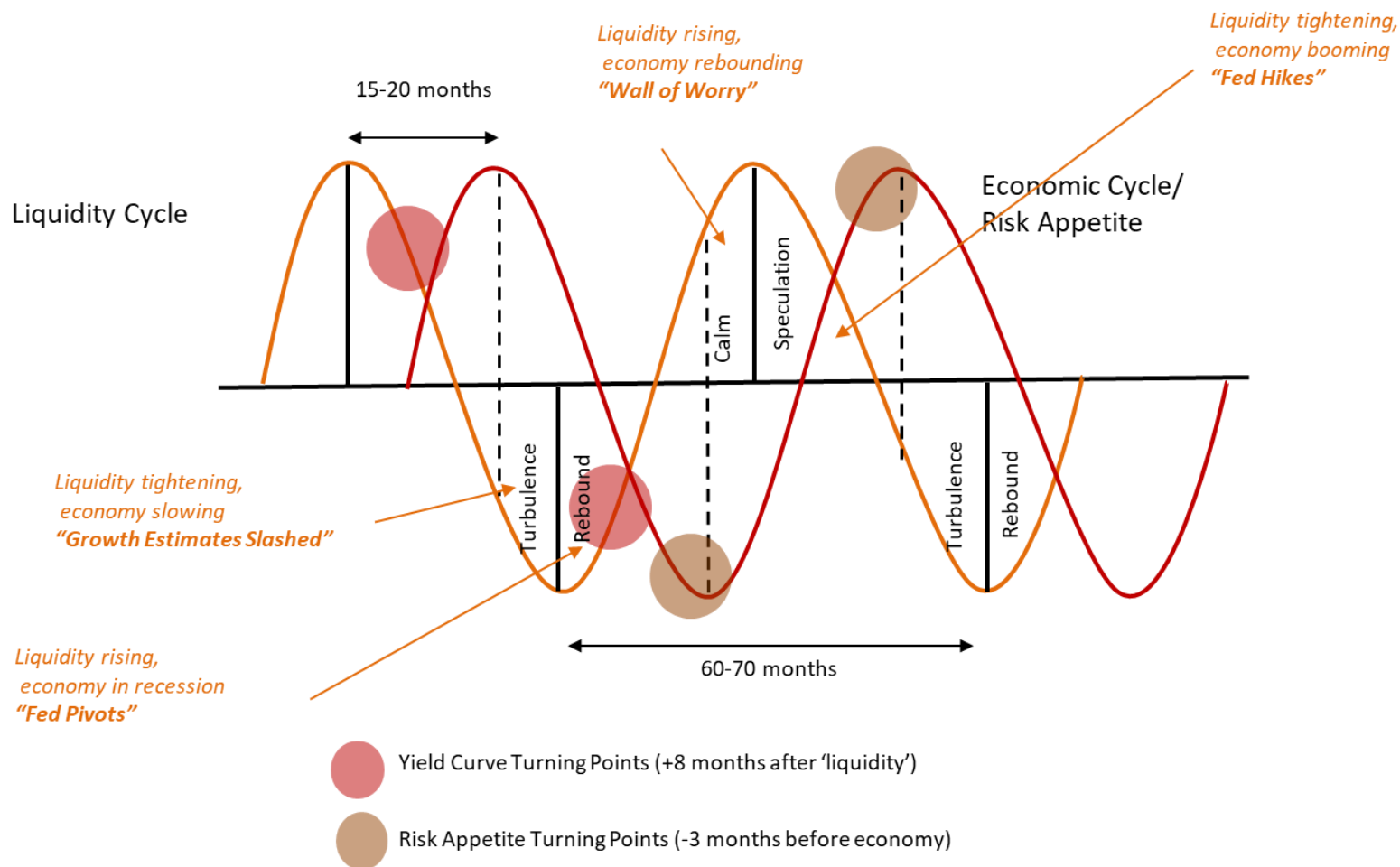
Source
CrossBorder Capital

Change in Central Bank Liquidity Index over 6 months





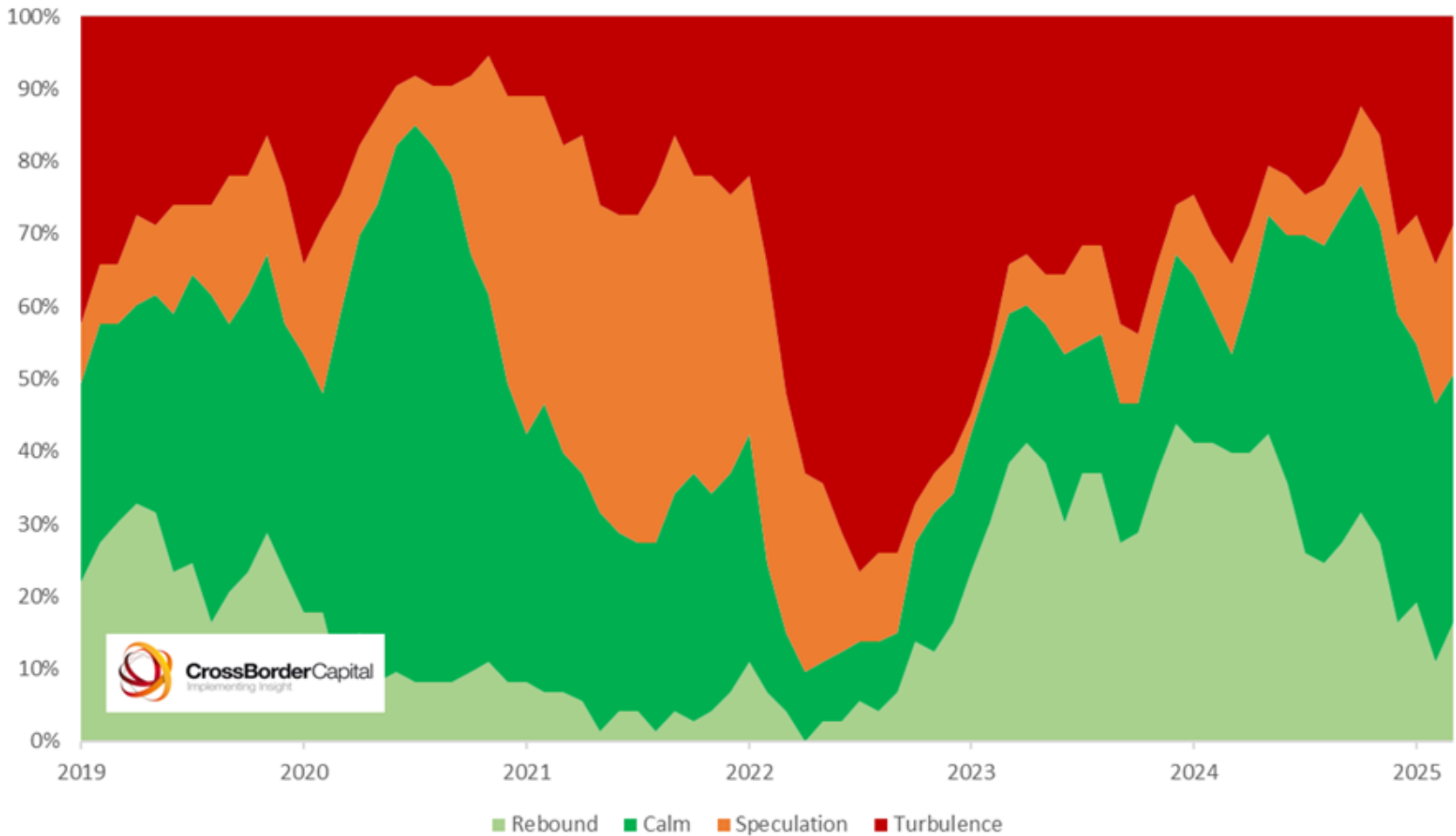
The Global Liquidity Cycle



Implication yield curve leads markets by 6-9 months and economy by 9-12 months. Liquidity leads markets by 9-12 months.

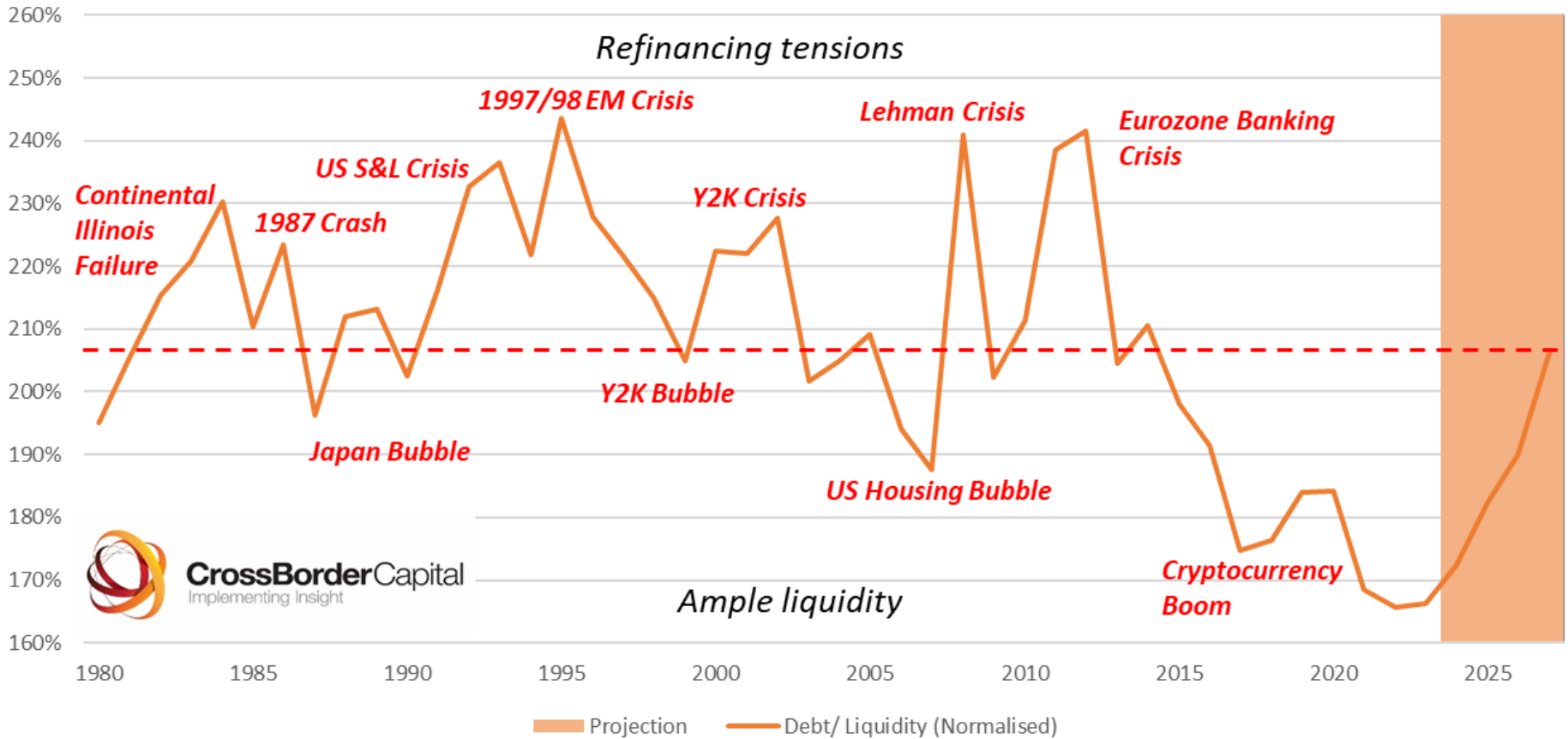


Distribution of Markets By Liquidity Regime



Source: CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, IMF

Advanced Economies' Debt as % Domestic Liquidity Stock





World Financial System

Deviation Suppressing

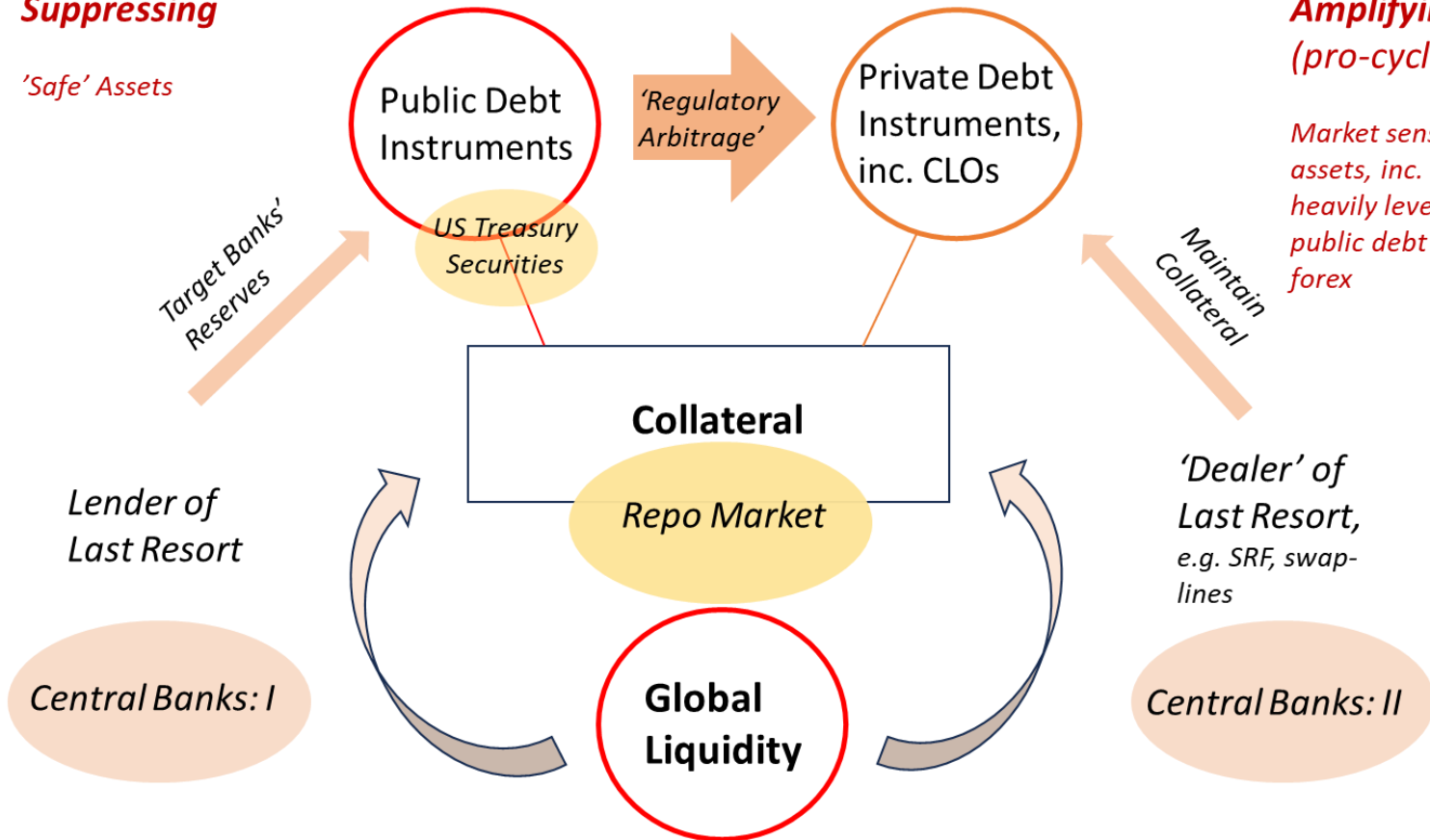
'Safe' Assets

Traditional Banks

'Shadow' Banks

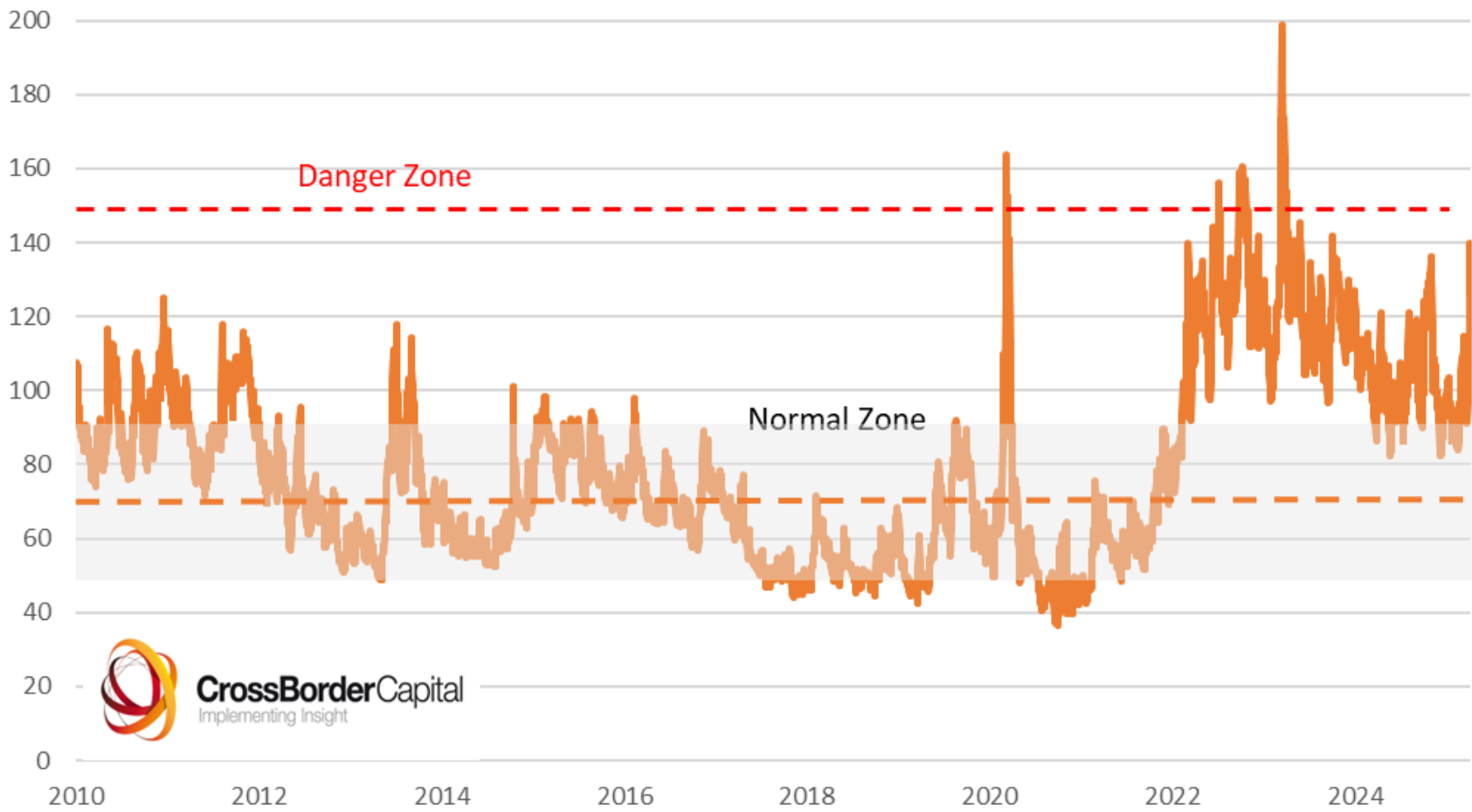
Deviation Amplifying
(pro-cyclical)

Market sensitive assets, inc. heavily leveraged public debt and forex



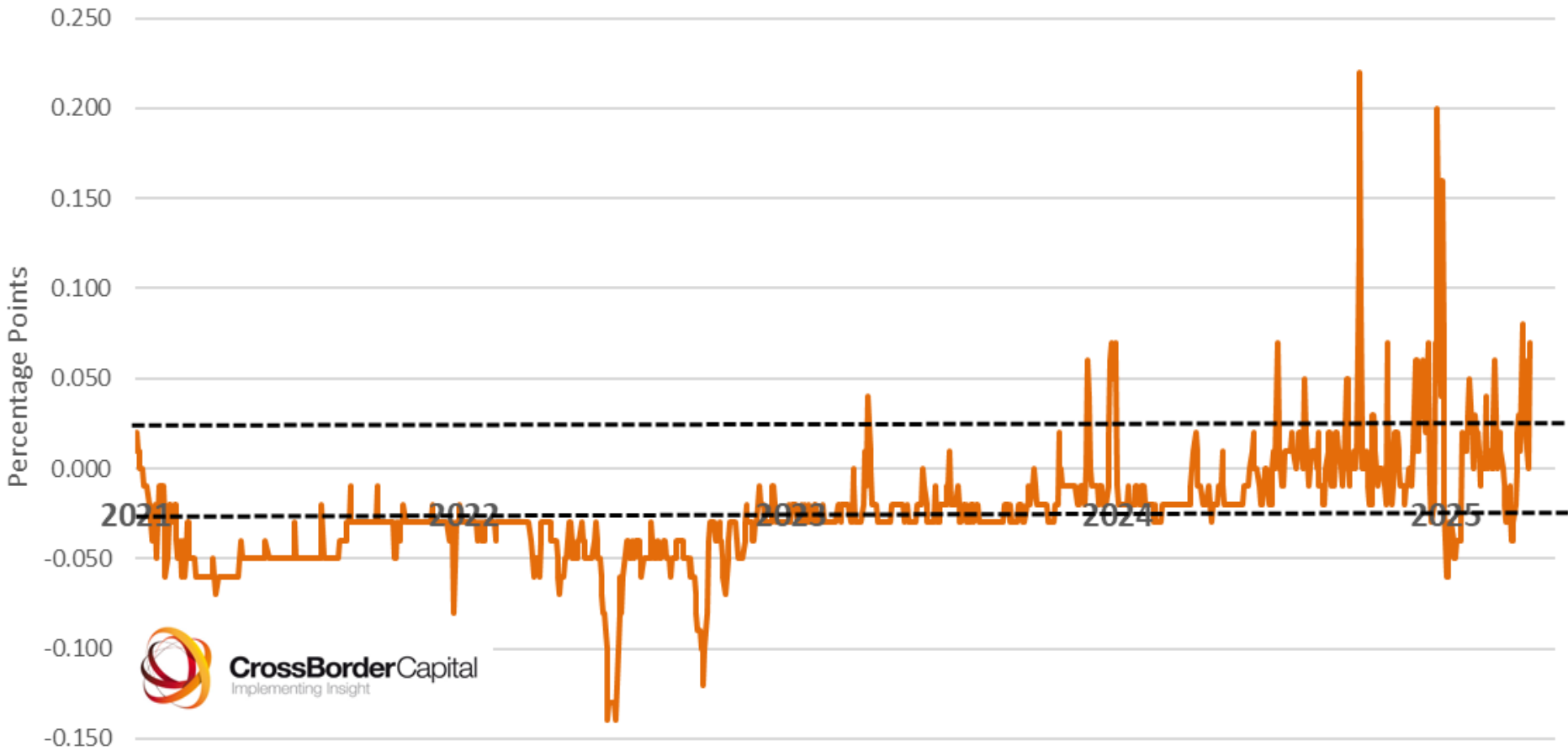


MOVE Volatility Index





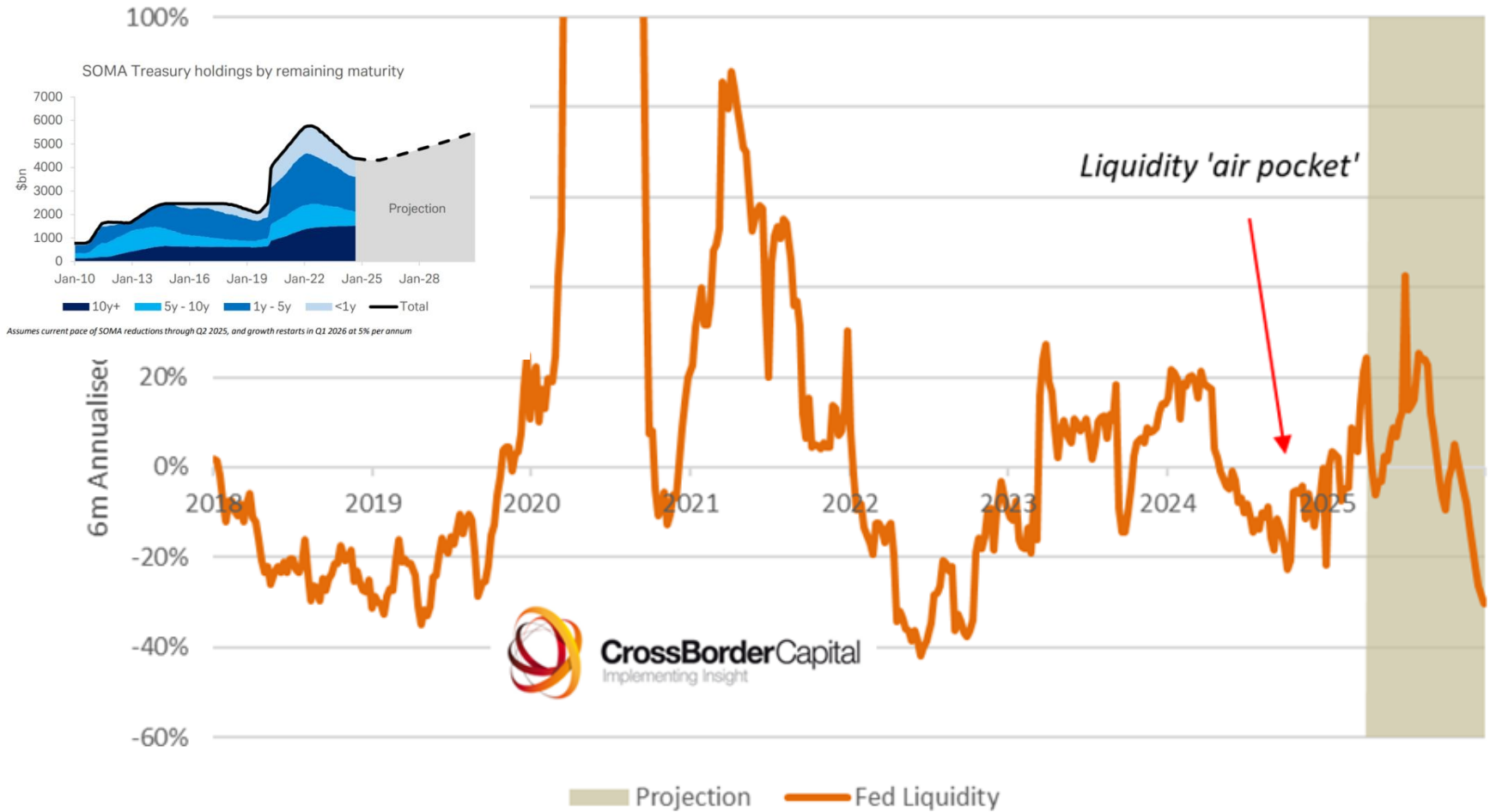
Collateral Shortage (SOFR-FF)



Source
CrossBorder Capital, US Treasury

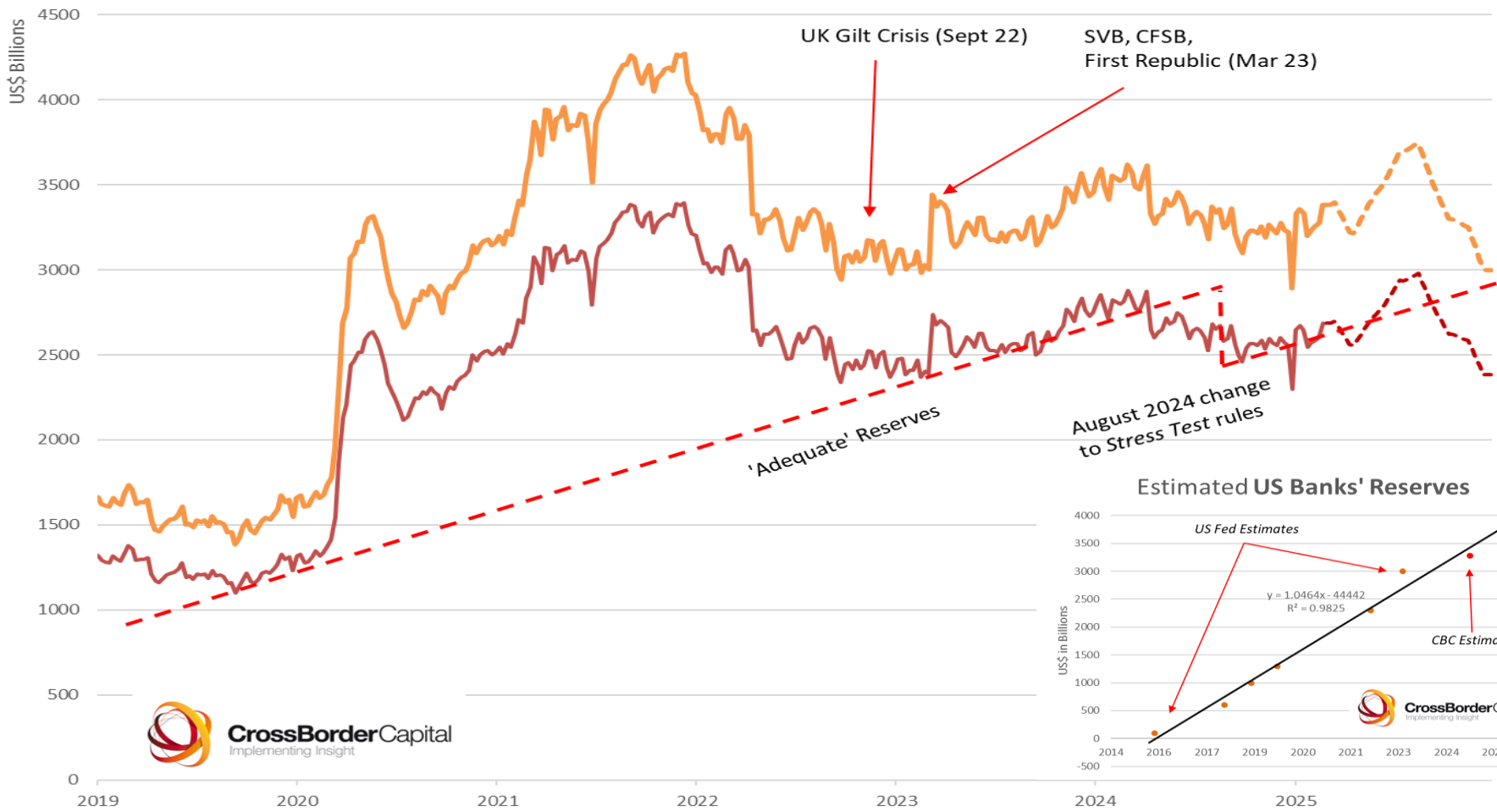


Growth of Fed Liquidity



Source
CrossBorder Capital, US Fed

US Banks' Reserves and Lower-bound (-1sd)

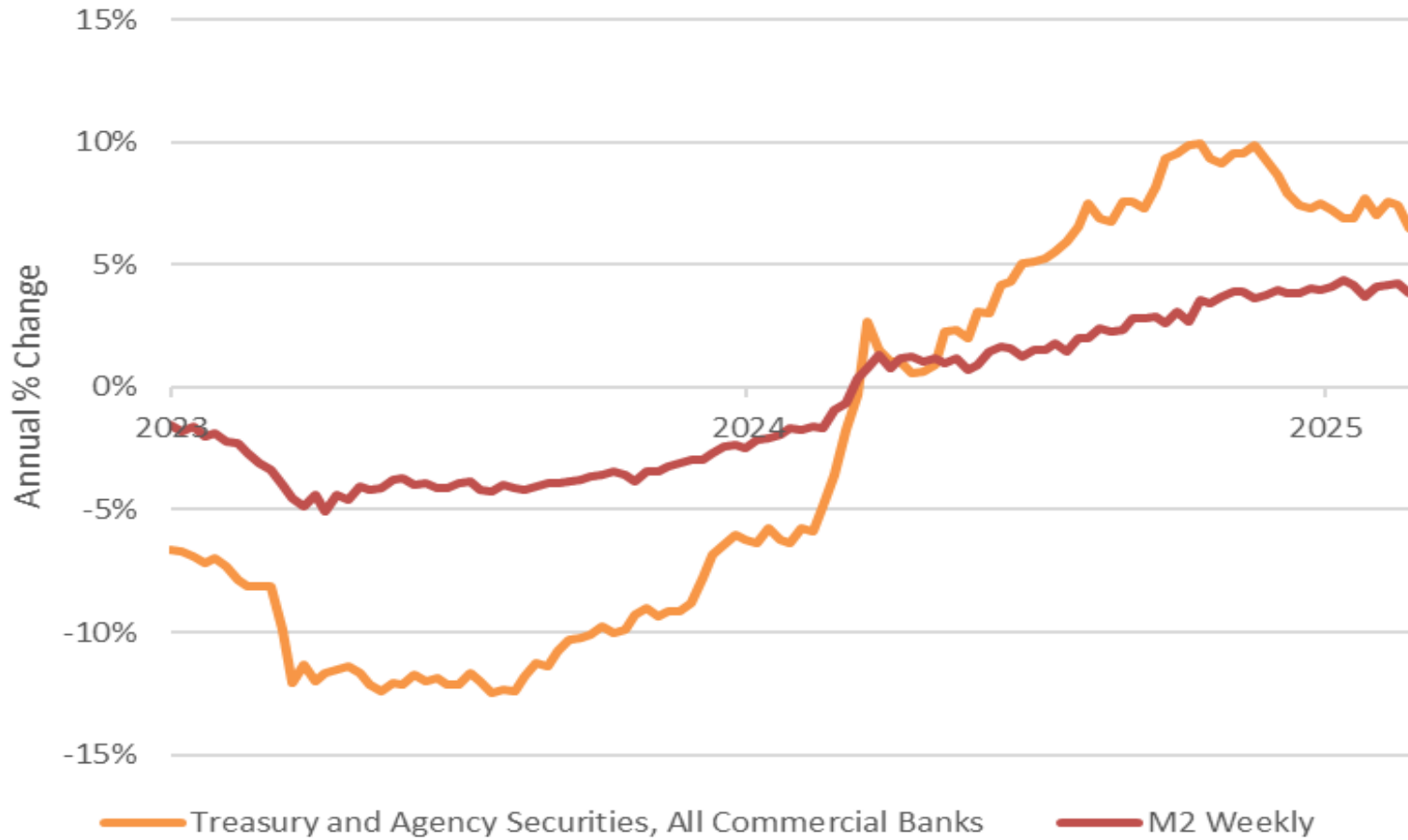


Source
CrossBorder Capital, US Fed

— Reserves less 1sd — Reserves - - - Projected - - - Reserves



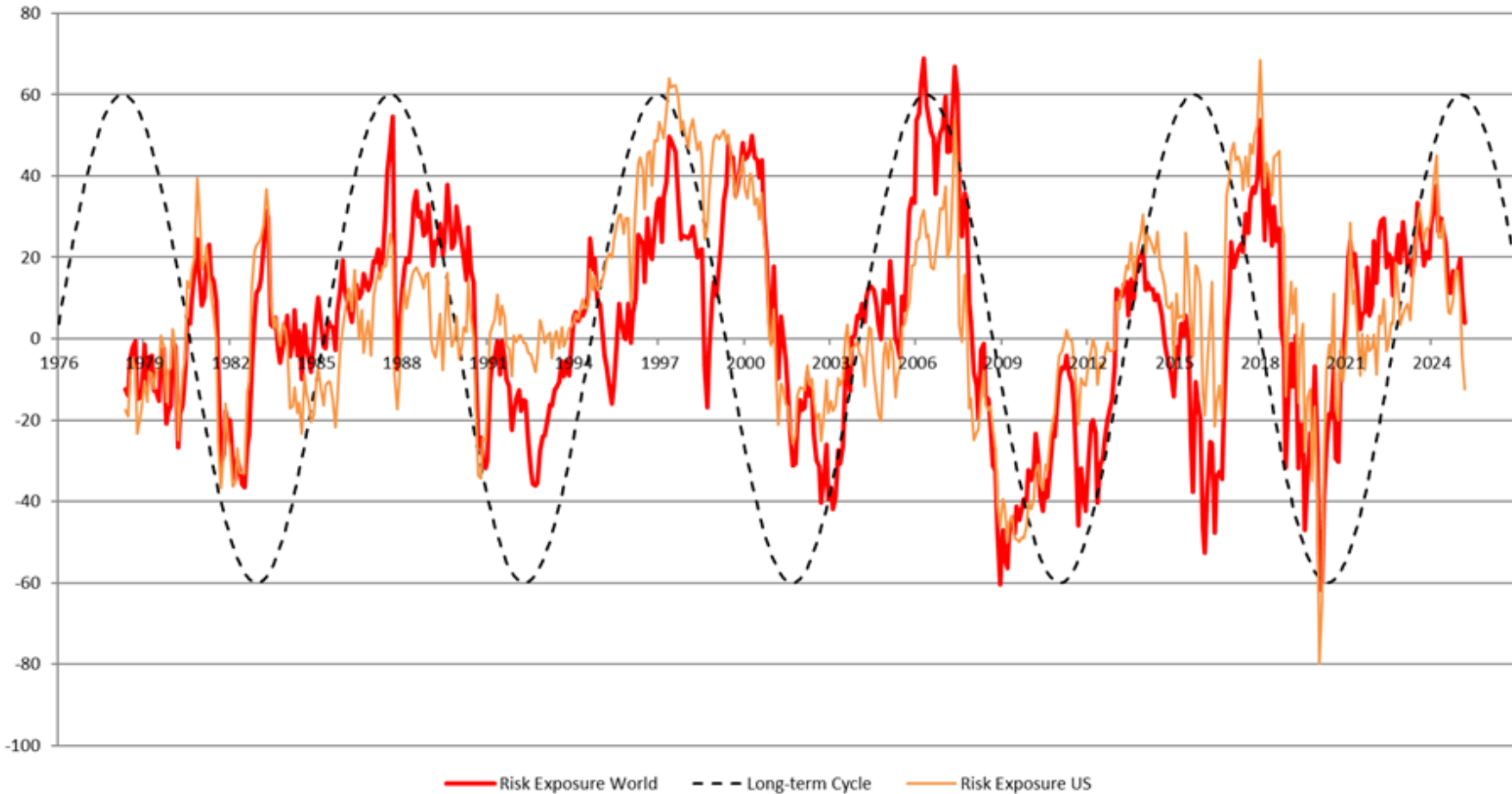
US Banks' Public Debt Holdings



Source
CrossBorder Capital, US Fed

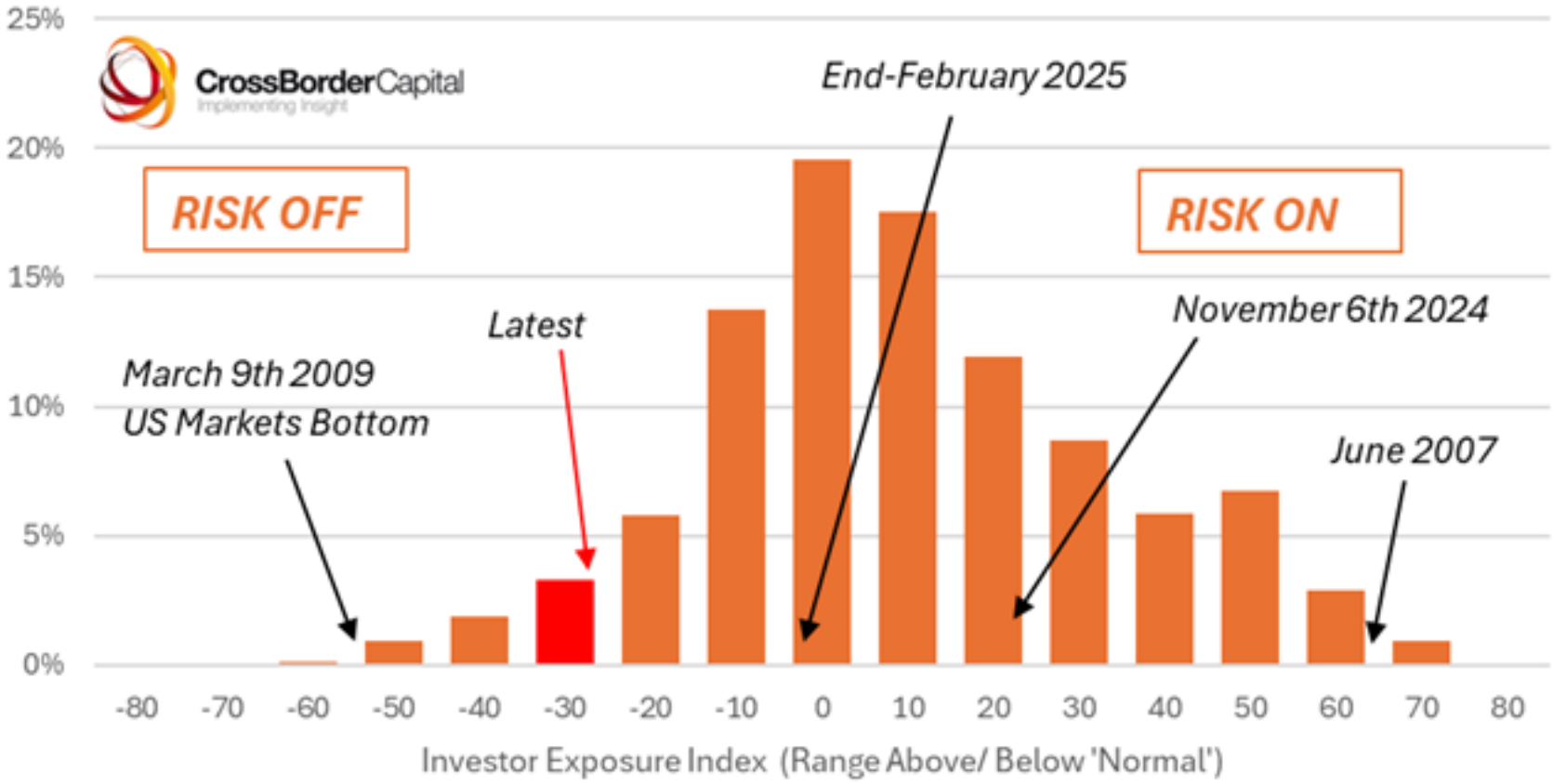


The World Risk Cycle



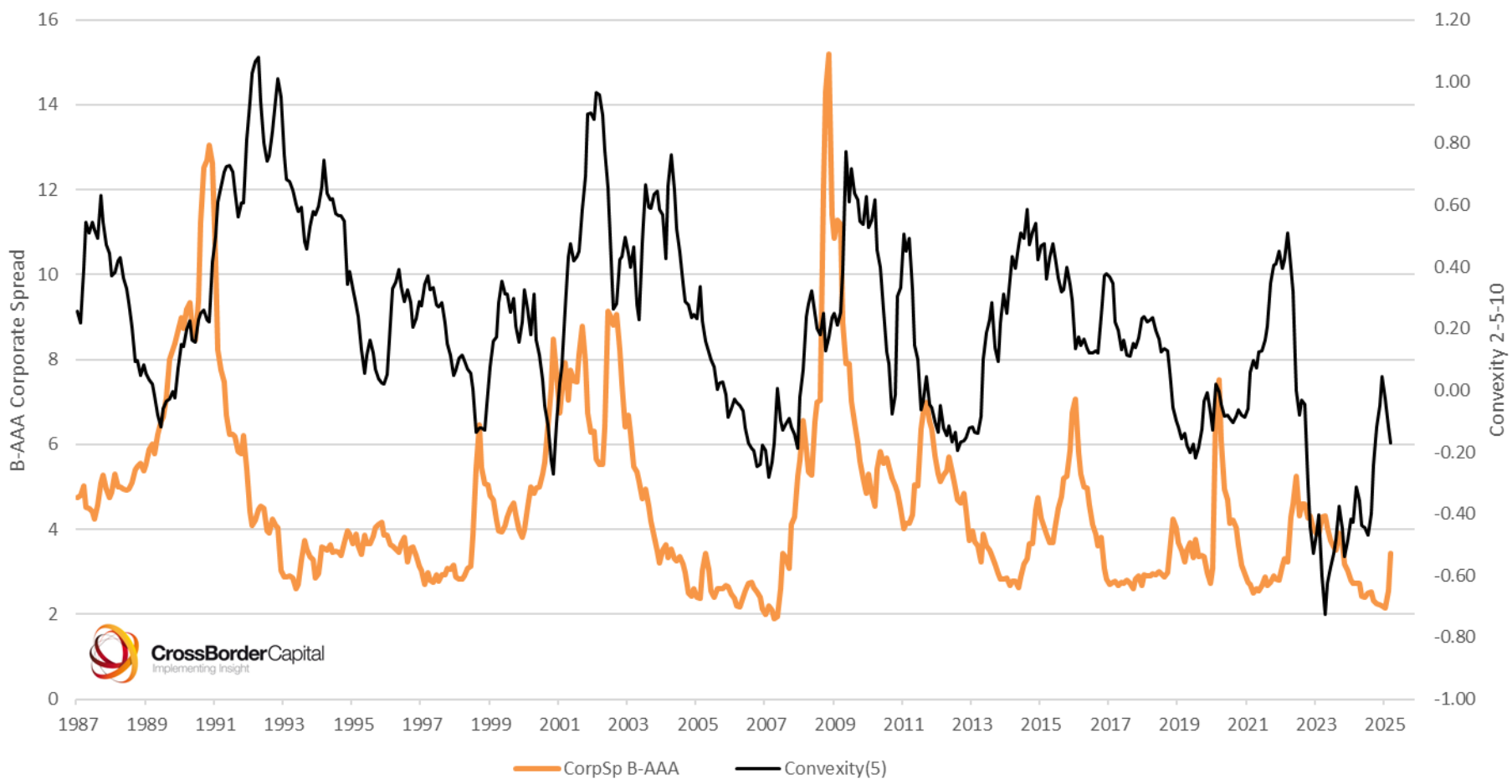


Distribution of US Investor Exposure



Source
CrossBorder Capital

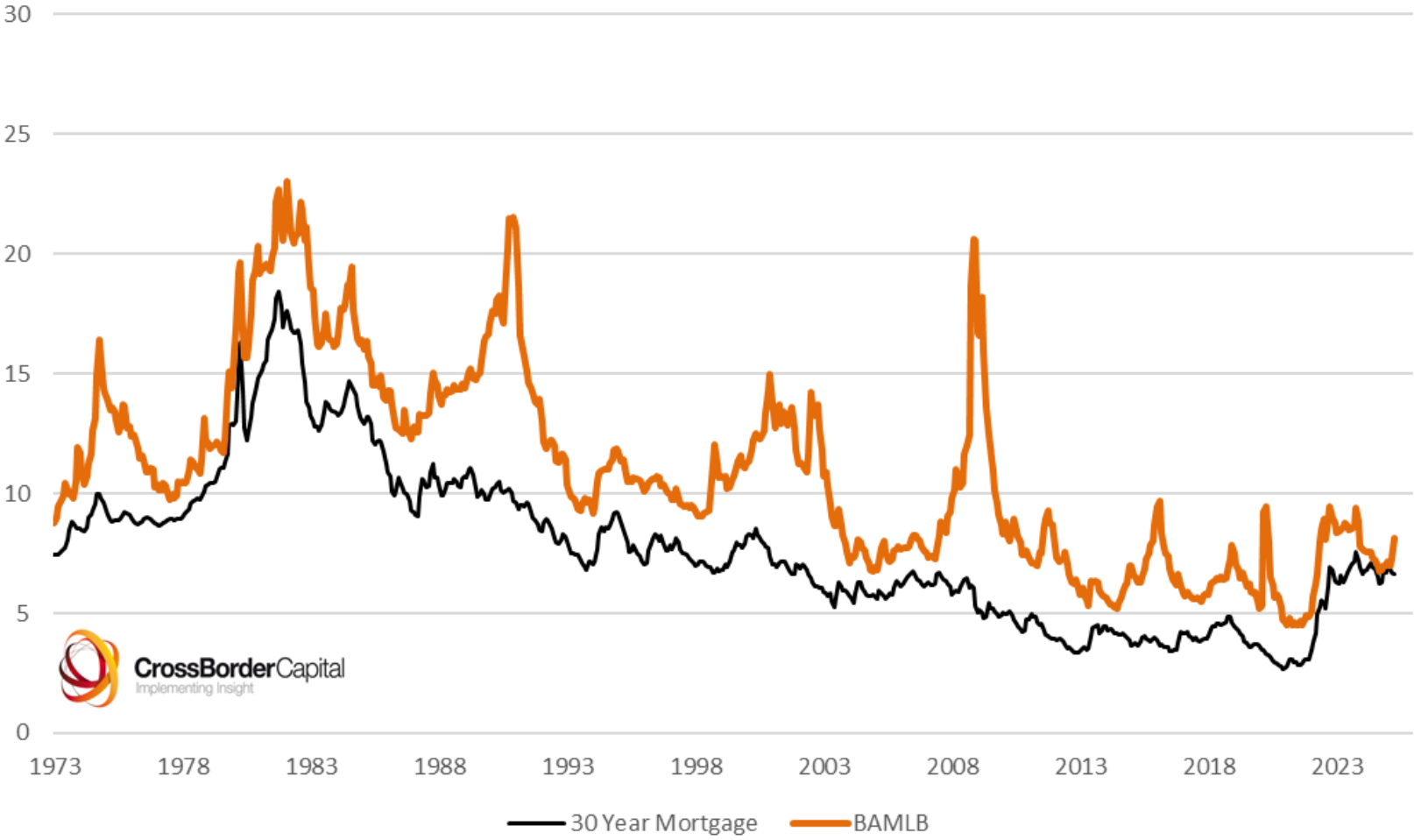
US Corporate Spread & Treasury Yield Convexity



Source
CrossBorder Capital, US Federal Reserve, US Treasury



Mortgage Yields and **Single B Credits**



Source: CrossBorder Capital, US Federal Reserve, US Treasury

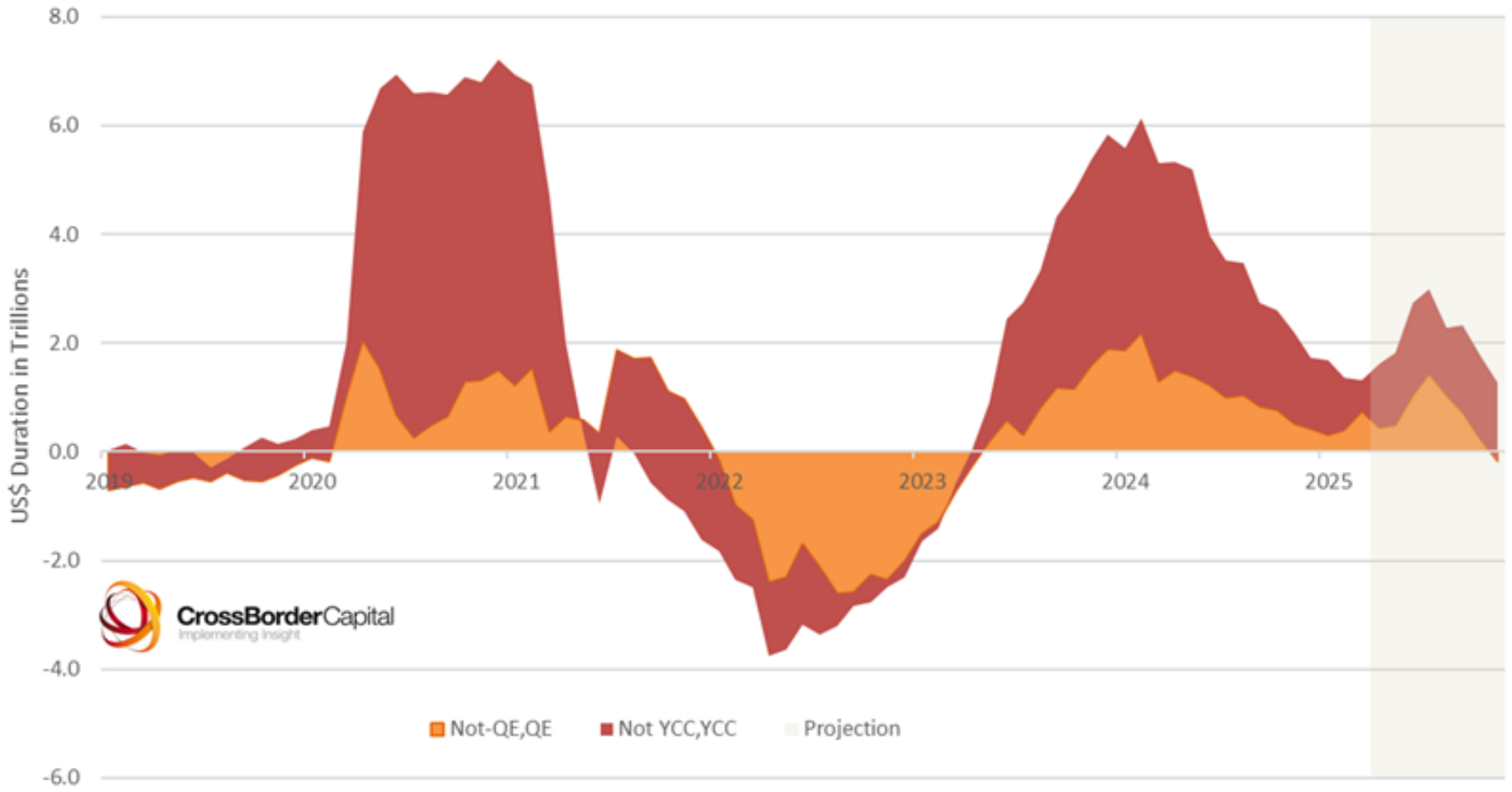


World Weekly Economic Activity Index (WEI)



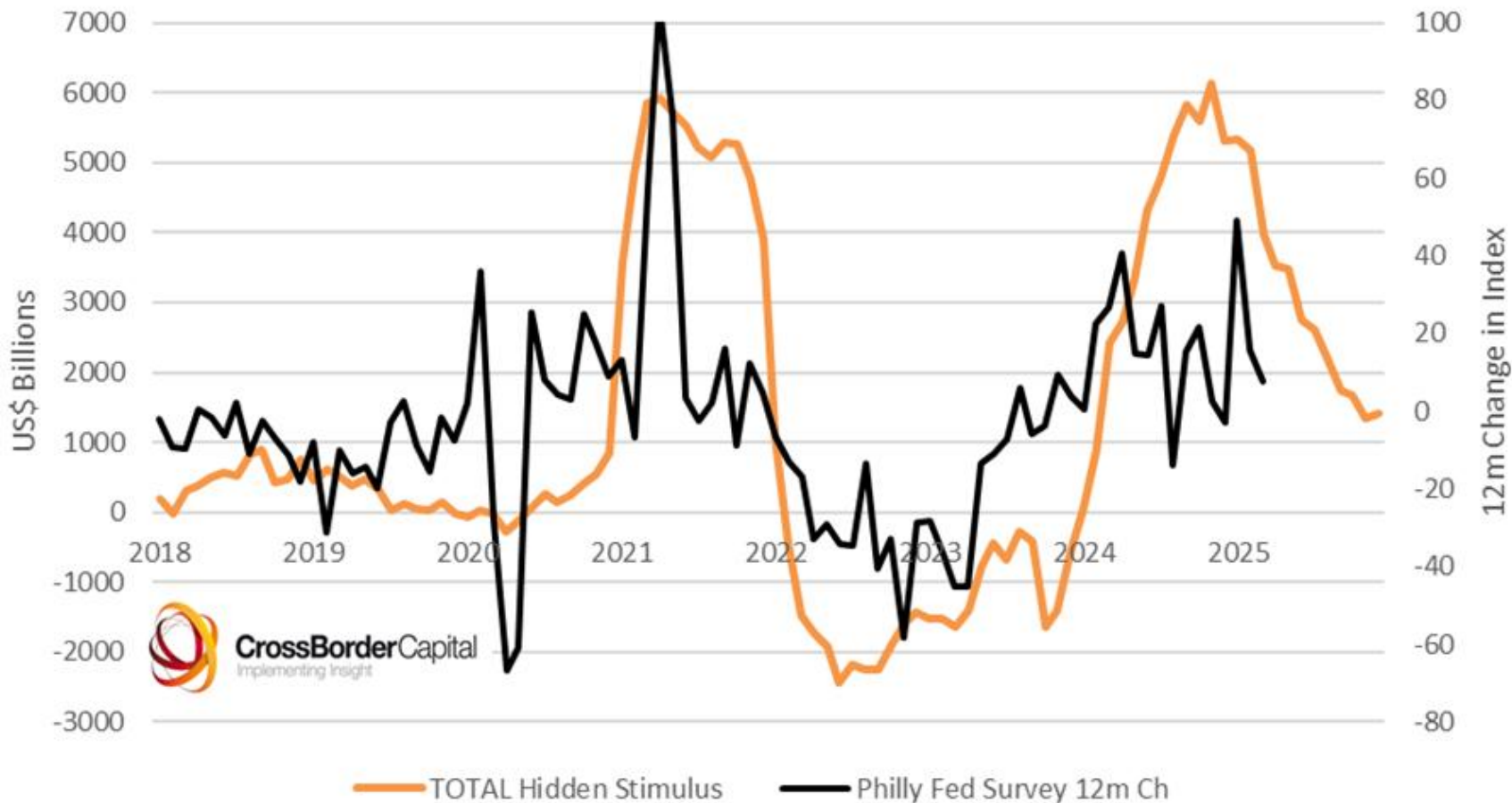


US Fed & US Treasury: 'Not-QE, QE' & 'Not-YCC, YCC'





Fed/ Treasury Stimulus & Philly Fed Survey





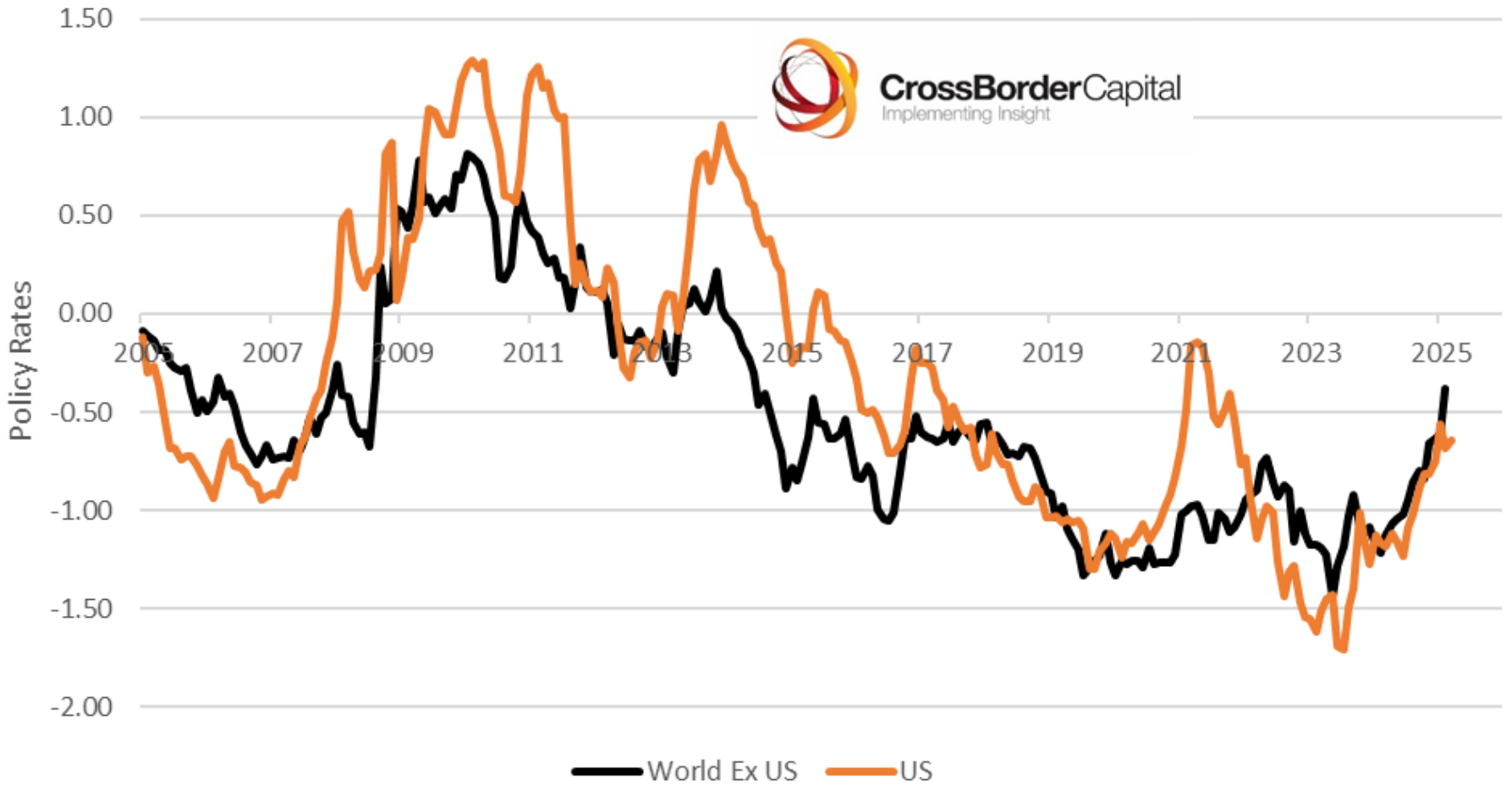
10-year US Treasury Yield



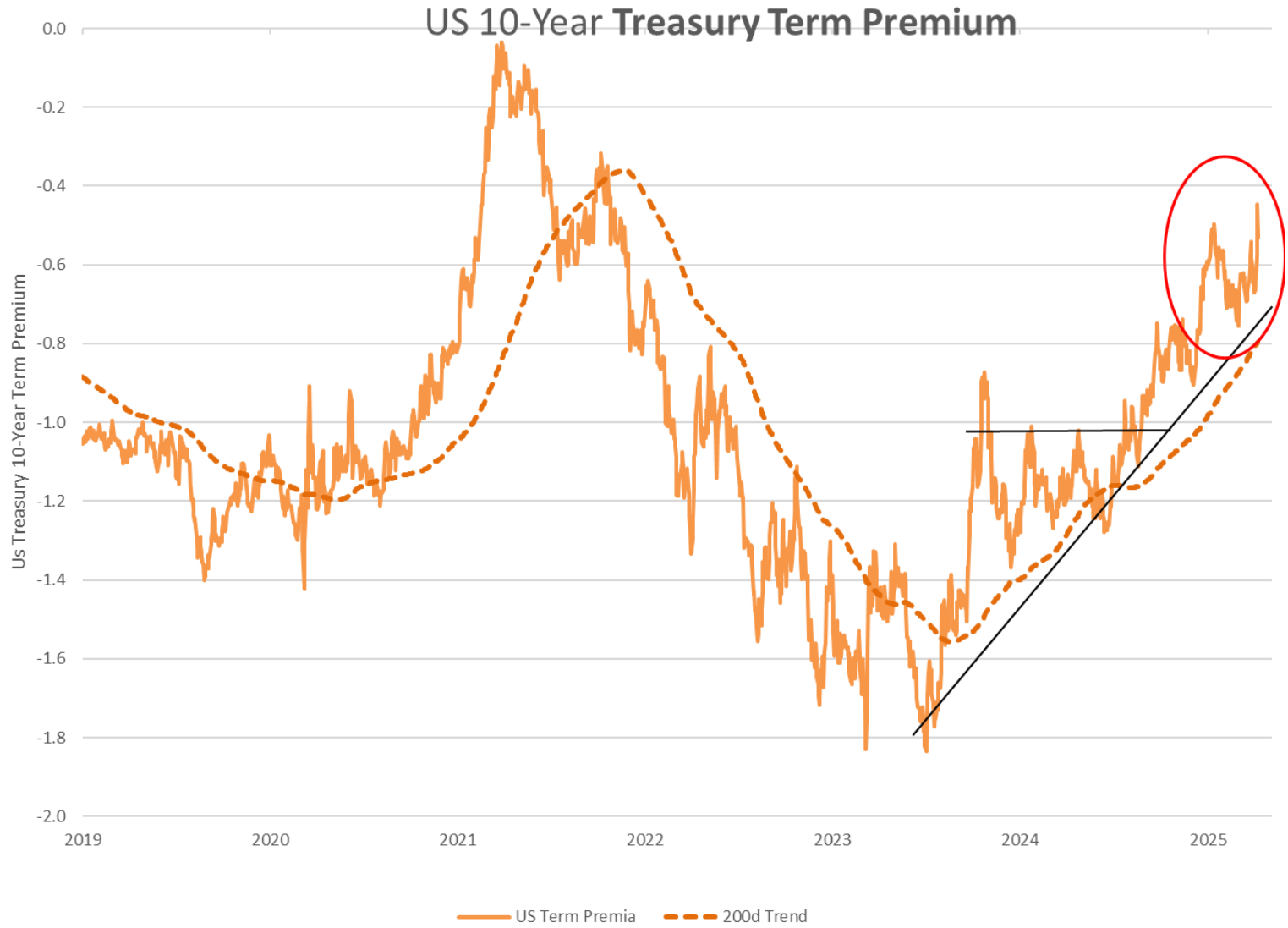
Source
CrossBorder Capital, US Treasury



World Term Premia (Weighted Average)



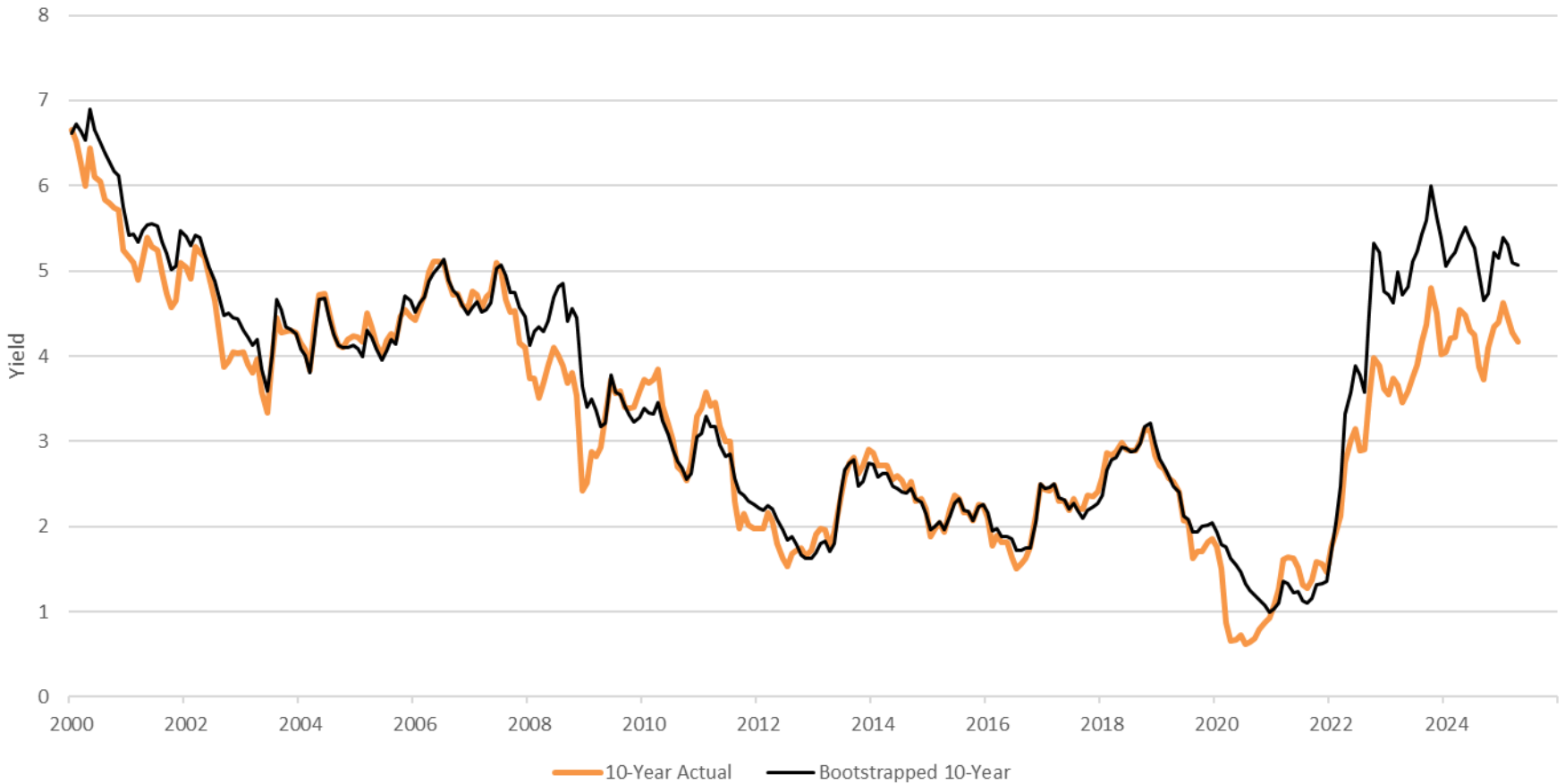
Source
CrossBorder Capital, US Treasury



Source
CrossBorder Capital, US Treasury

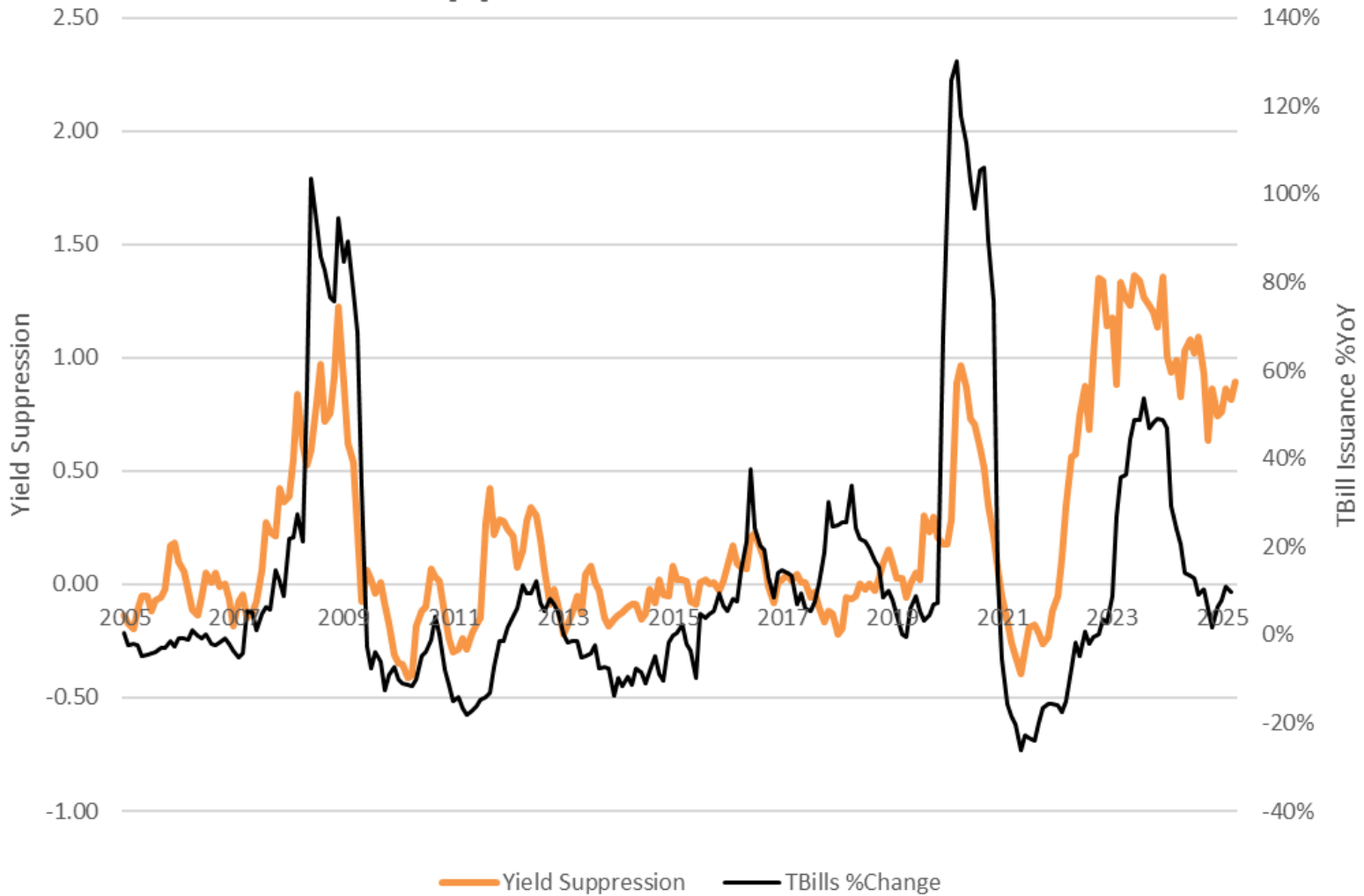


10-year Treasury Yield: Actual and 'Synthetic' from Agency Mortgages





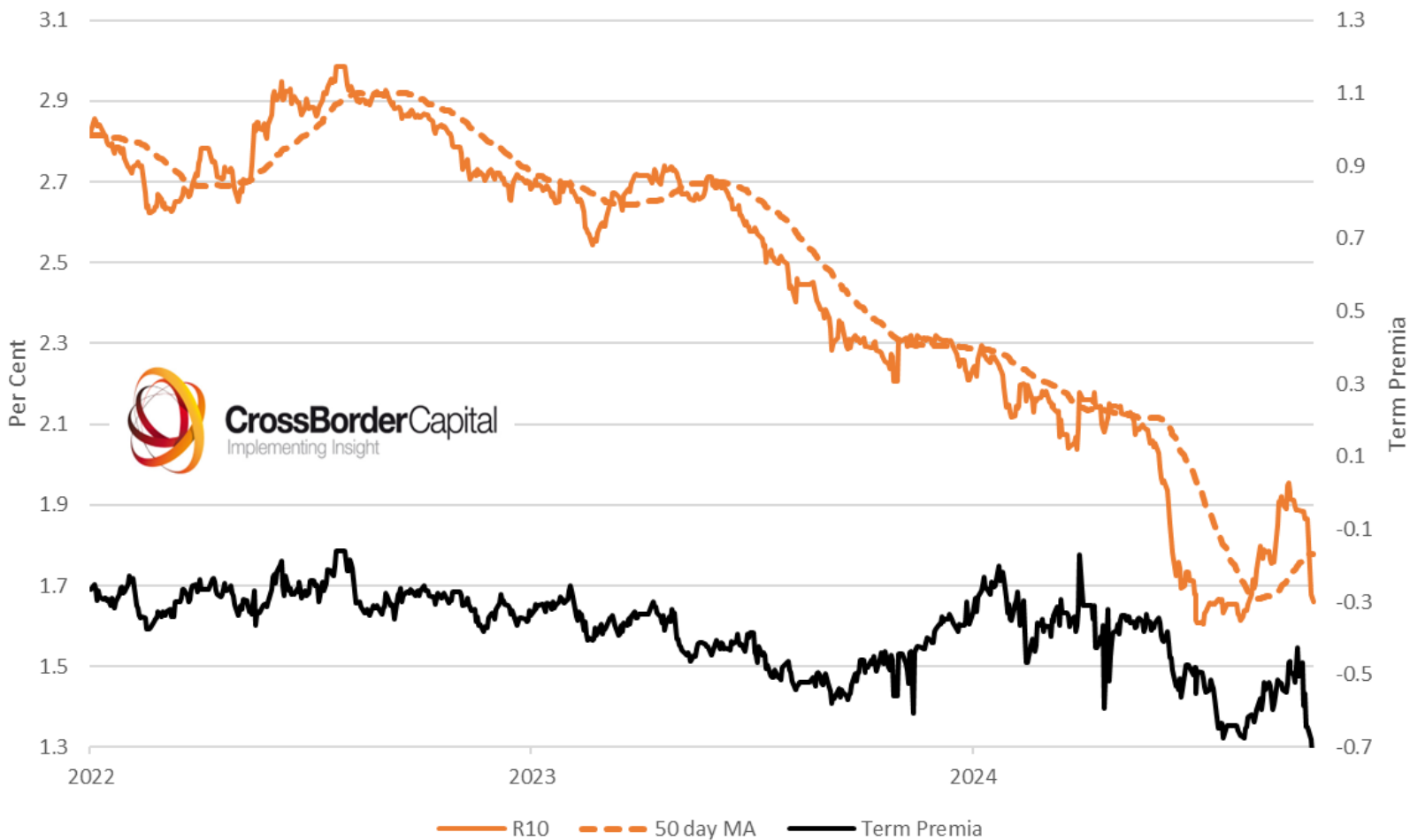
Yield Suppression & TBill Issuance



Source
CrossBorder Capital, US Federal Reserve, US Treasury



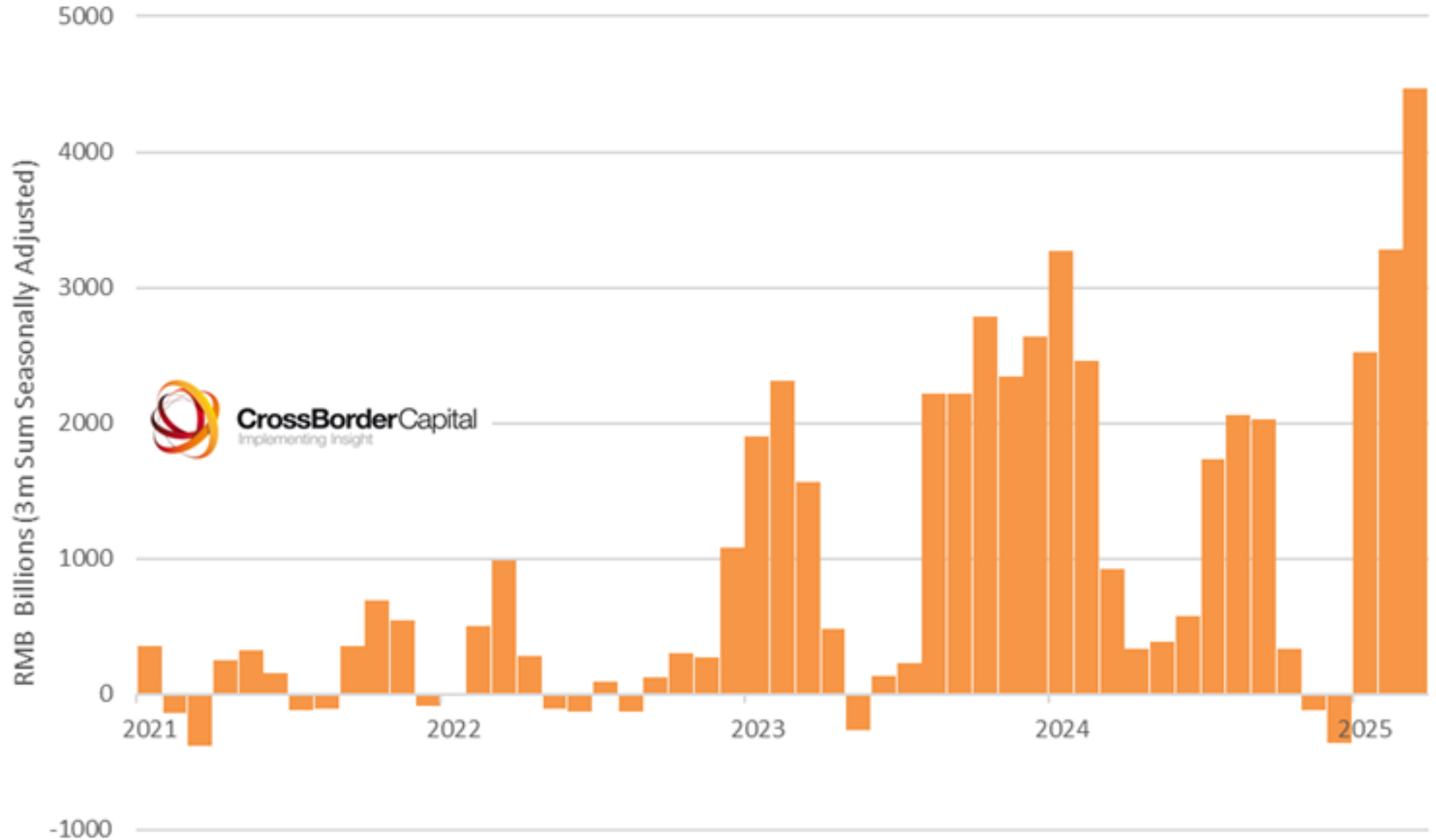
Chinese 10-Year Bond Yield



Source
CrossBorder Capital, PBoC



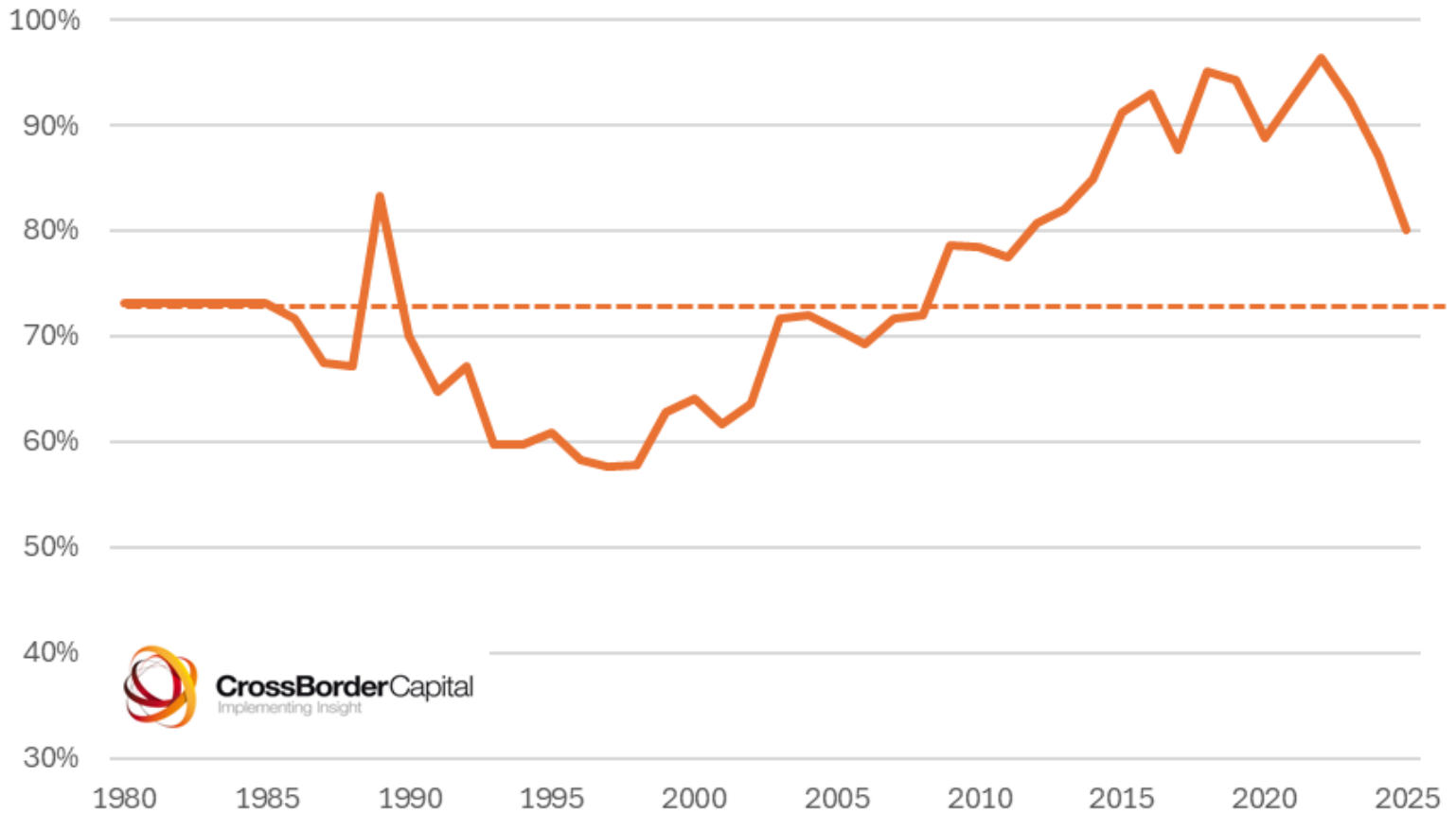
People's Bank Net Liquidity Injections



Source
CrossBorder Capital, People's Bank of China



China: Debt/ Liquidity Ratio



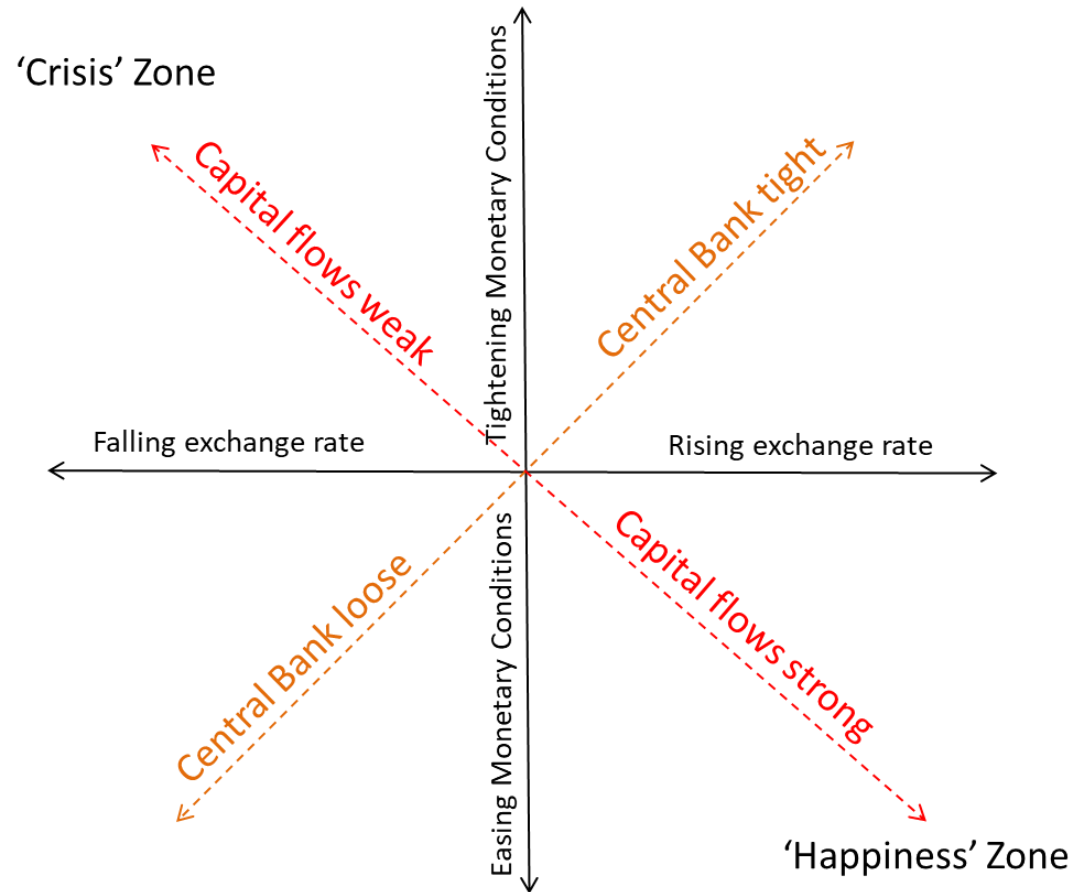


Yuan: Gold and US\$



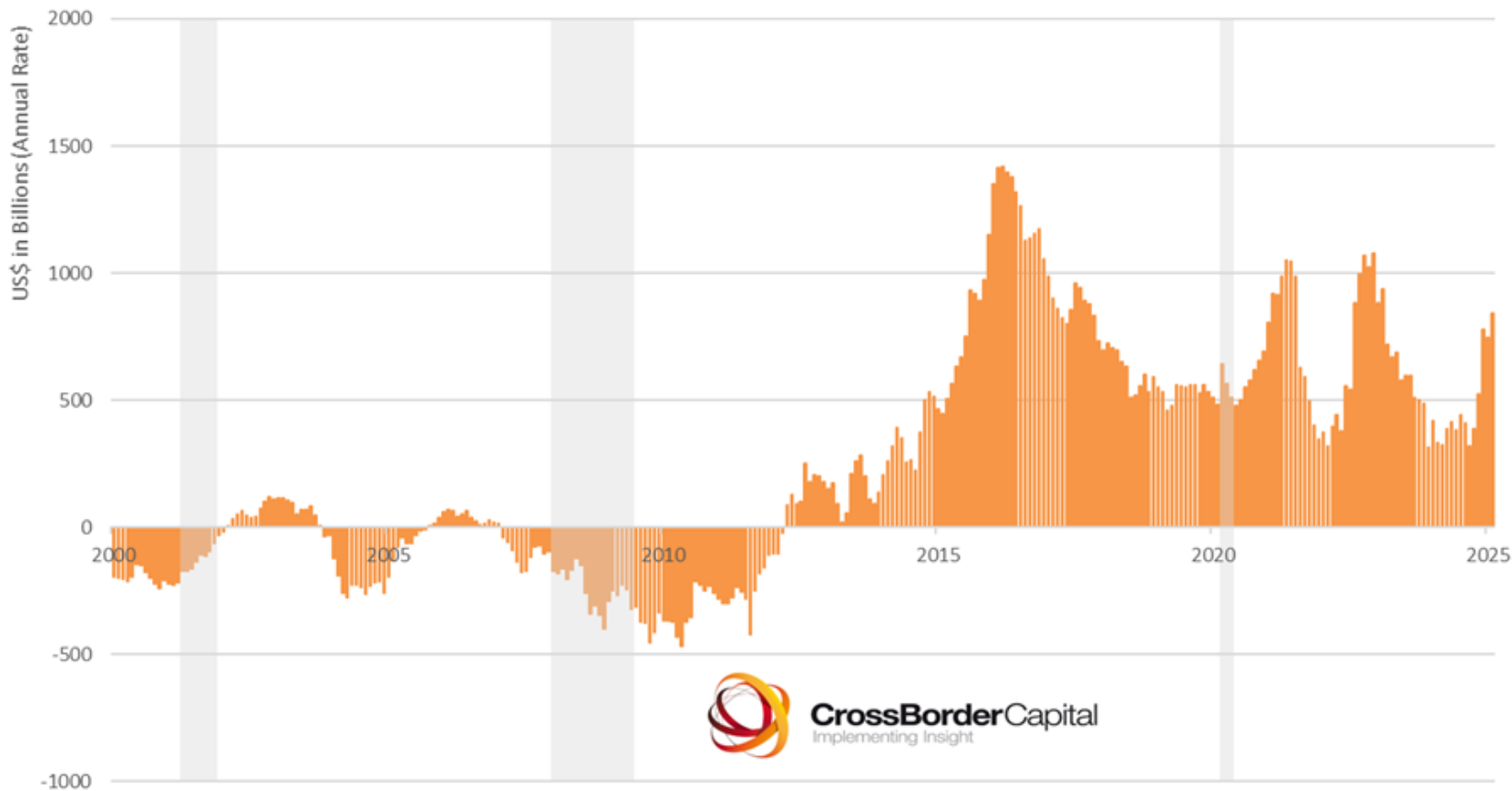
Source
CrossBorder Capital, People's Bank of China

Capital Shifts & Forex Markets



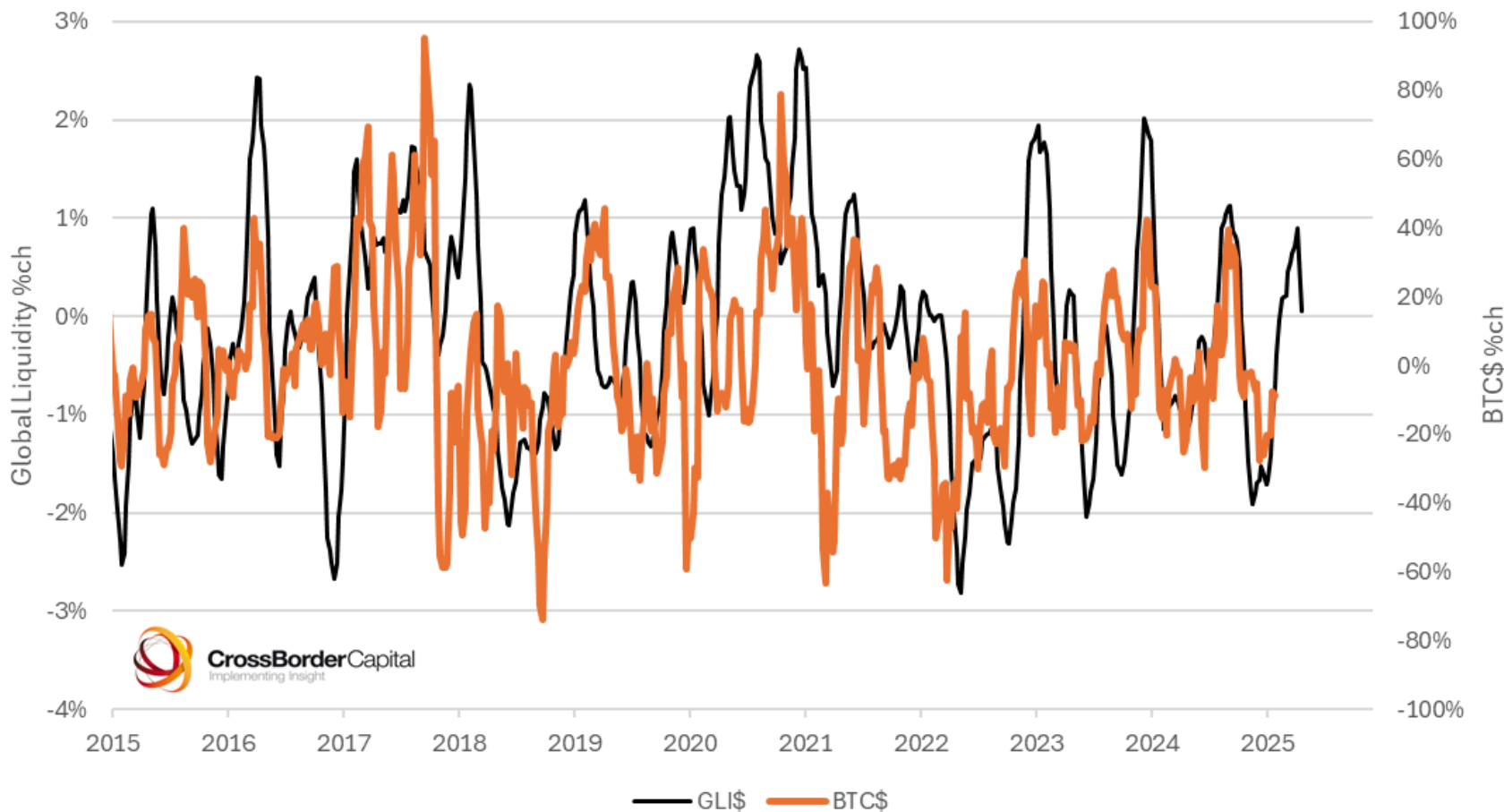


Net Inflows into US Dollar (NBER Recessions highlighted)



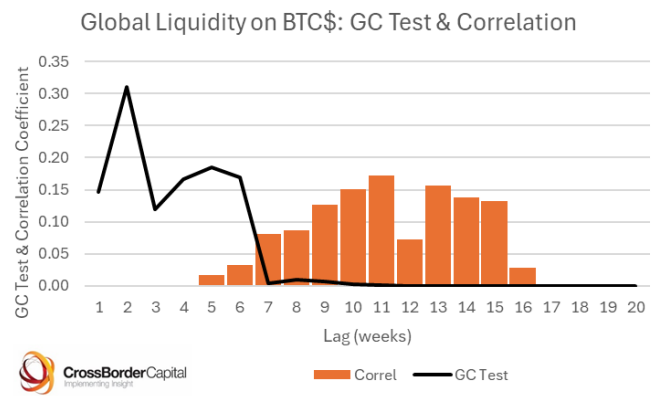
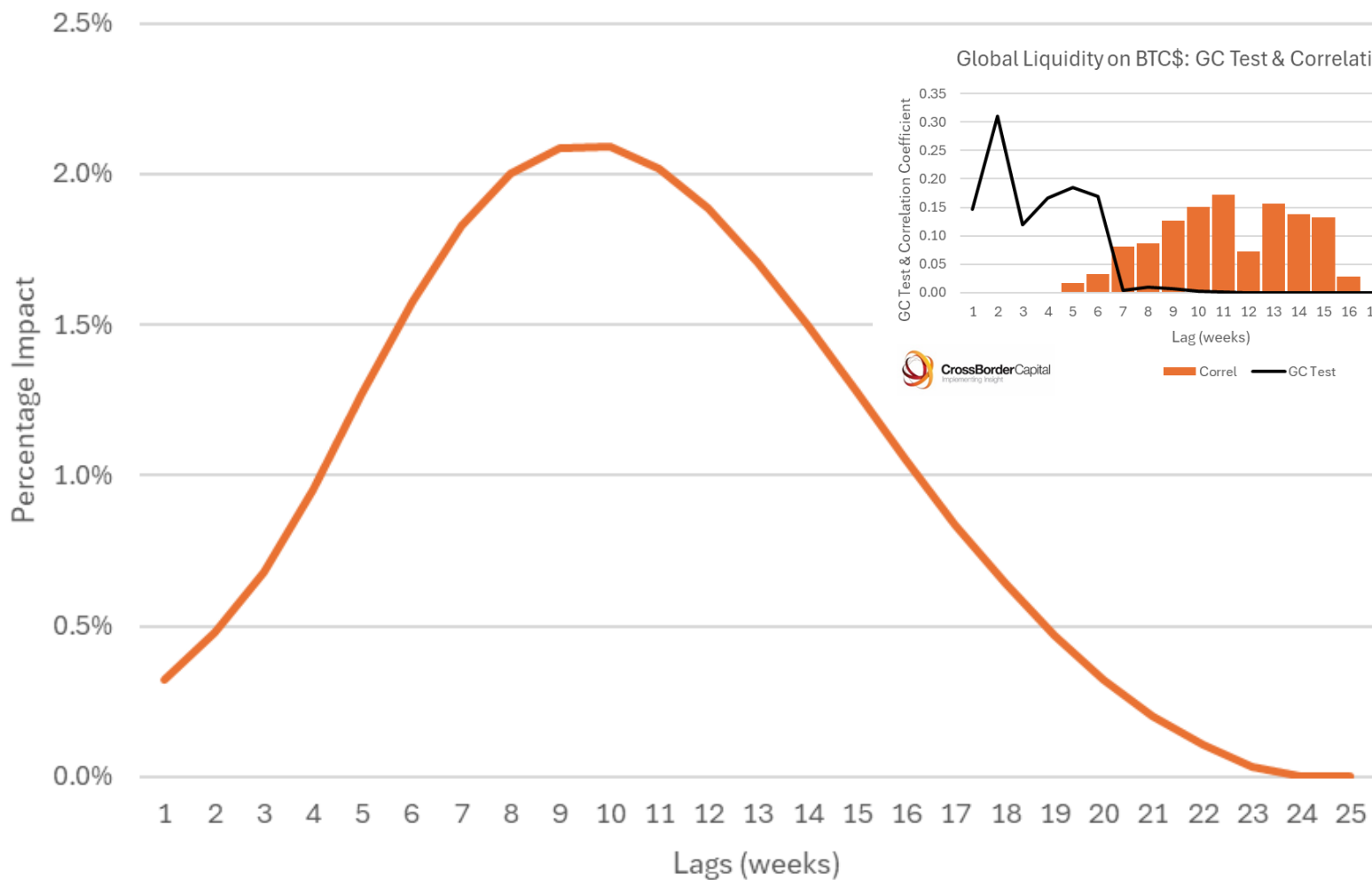


GLI\$(+13w) & BTC\$ 6week Changes





BTC\$ Impulse Response to 1% GL\$ Shock



Source
CrossBorder Capital

Decomposition of **Systematic Influences** on BTC\$

