



# A Bull Market in Liquidity?

## Global Liquidity



# 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

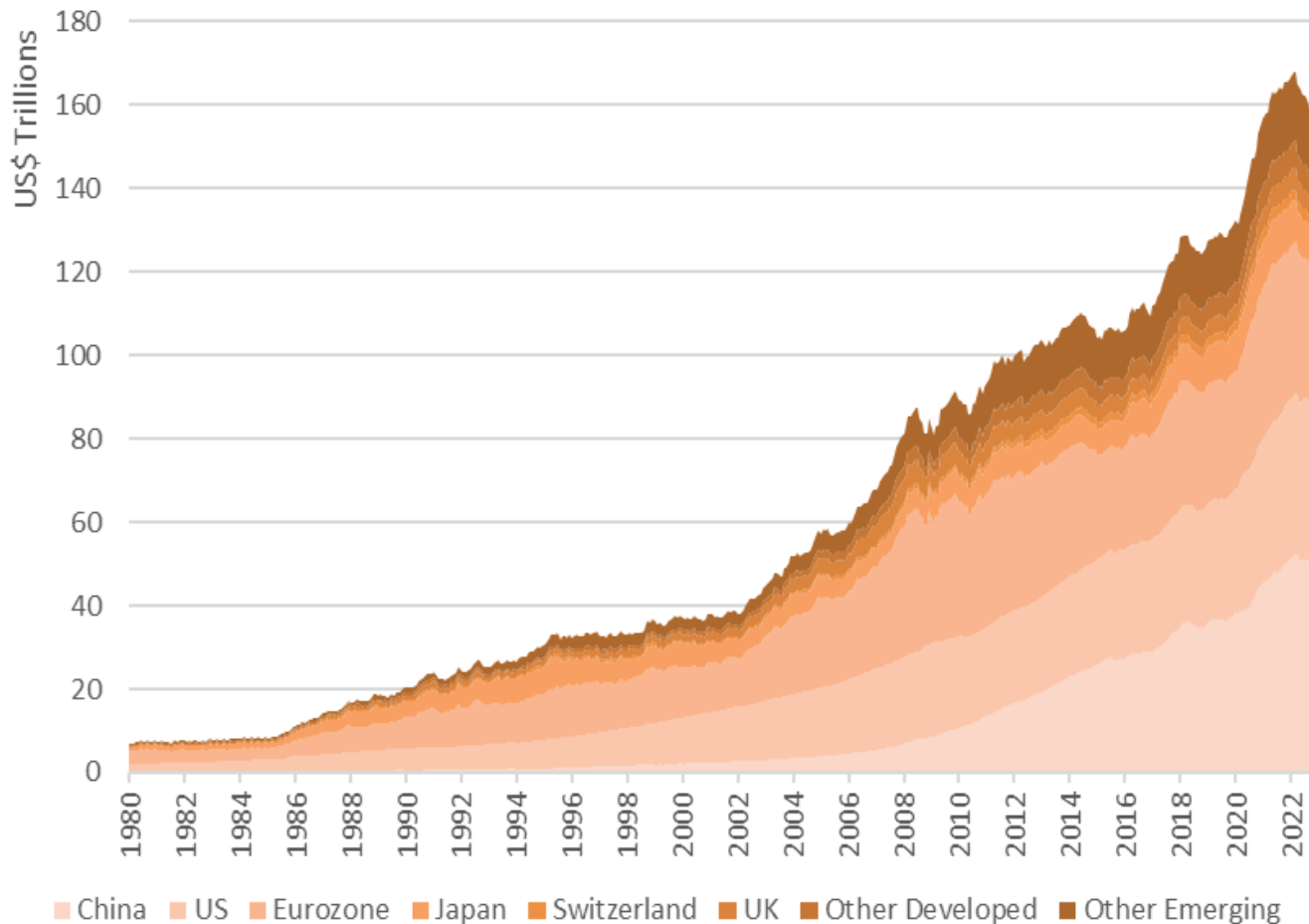
**Global Liquidity** is a funding definition based on the **assets-side** of credit provider's balance sheets. It comprises: (1) Central Bank interventions, (2) bank and shadow bank credit, corporate cash flow, **collateral-based** wholesale and repo market activity and (3) net foreign flows

**Money supply only** equates with **liquidity** when there are NO shadow banks AND high street banks obtain all their funding through deposits

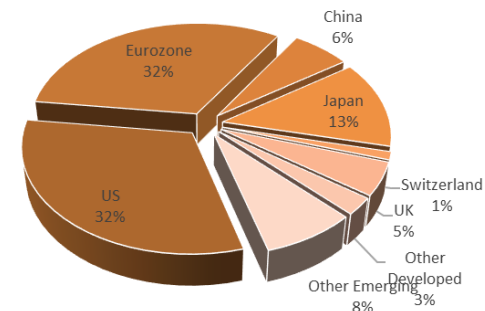
Think of **liquidity** as a wholesale measure that starts where conventional definitions of 'money', e.g. retail bank deposits, end



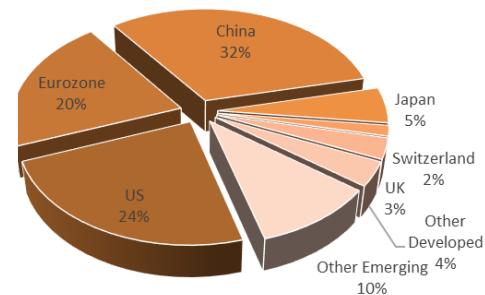
# Global Liquidity: Regional Breakdown



Global Liquidity, 2000

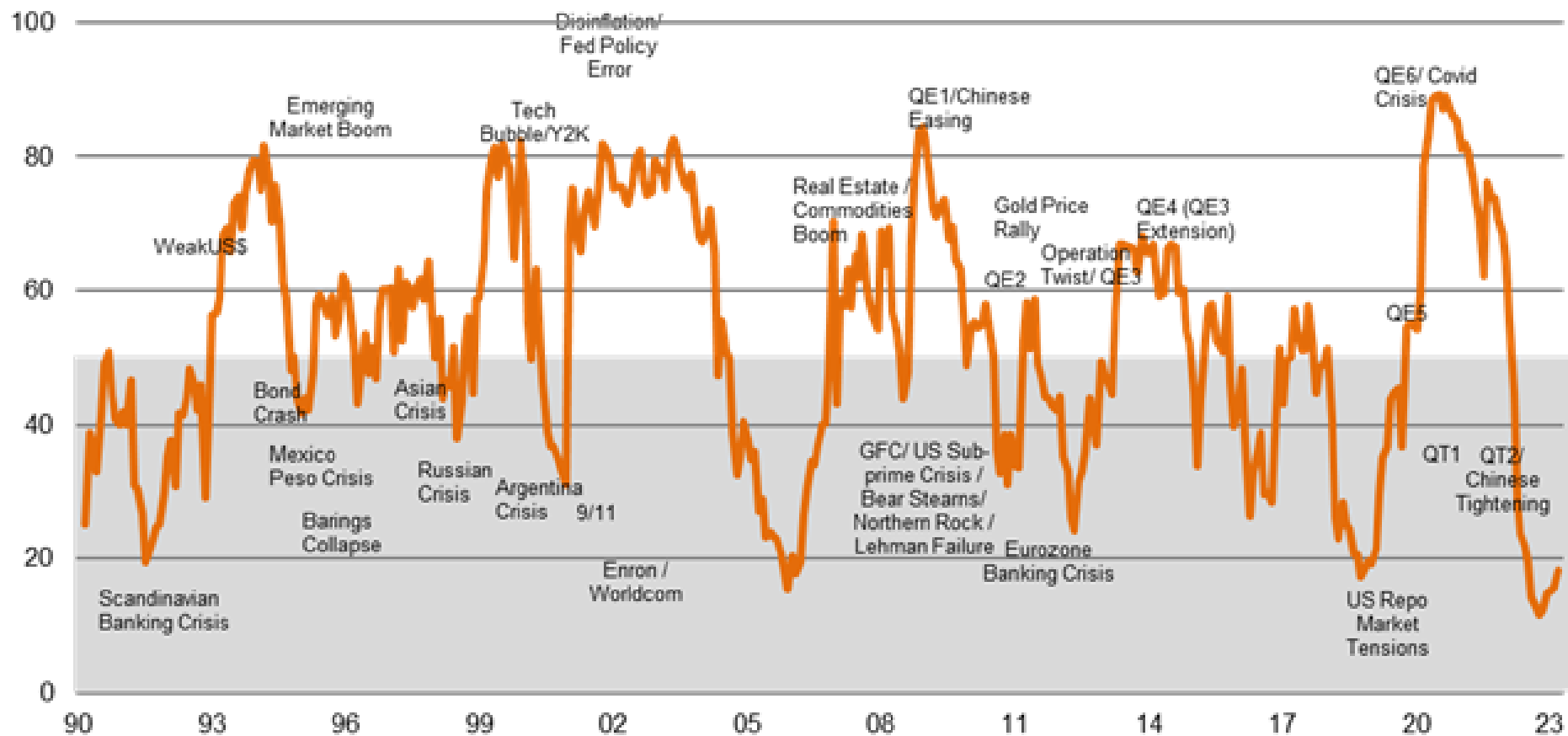


Global Liquidity, 2022





# Global Liquidity Index (GLI™), 1965-2023

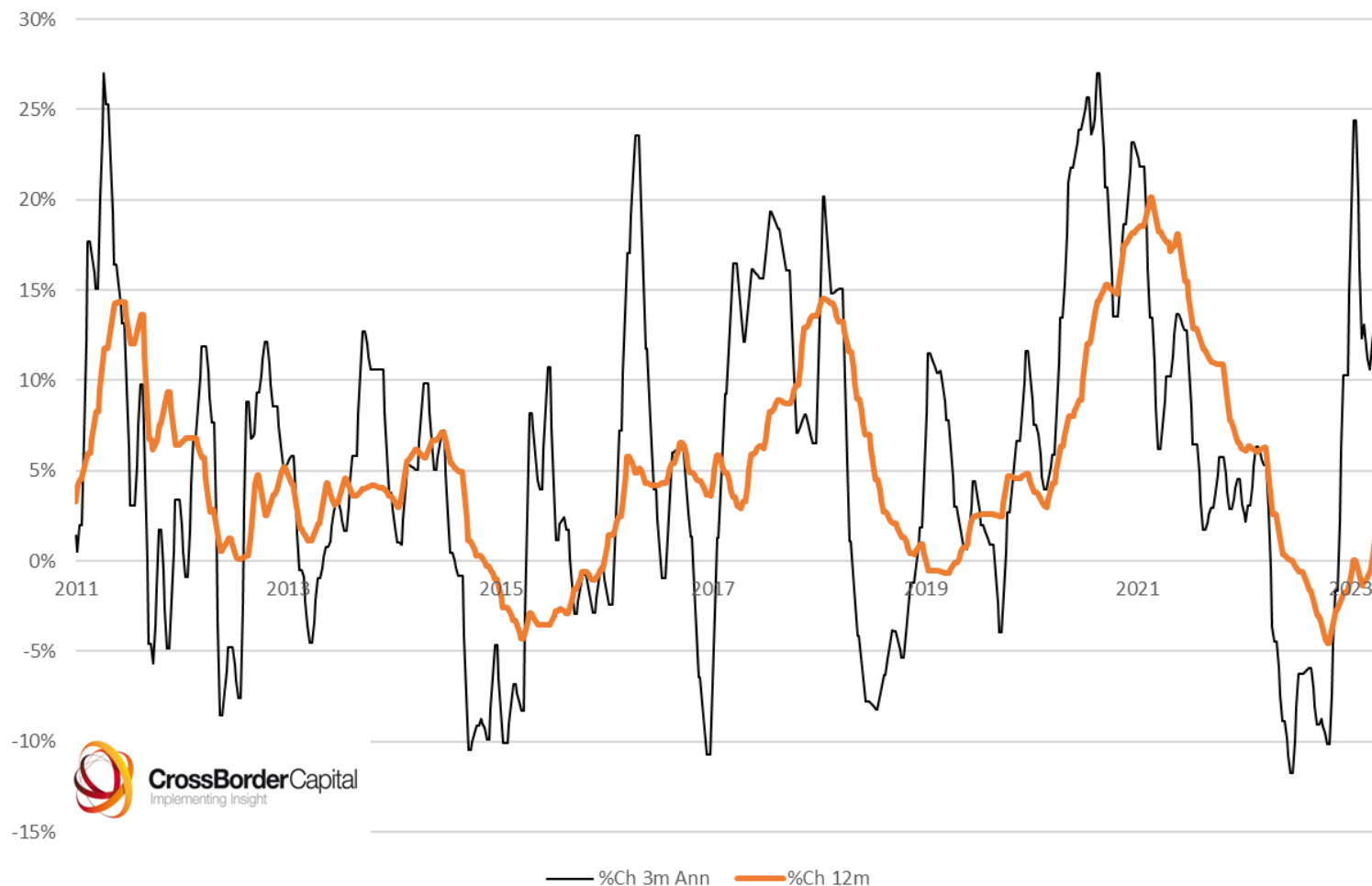


**Source**

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



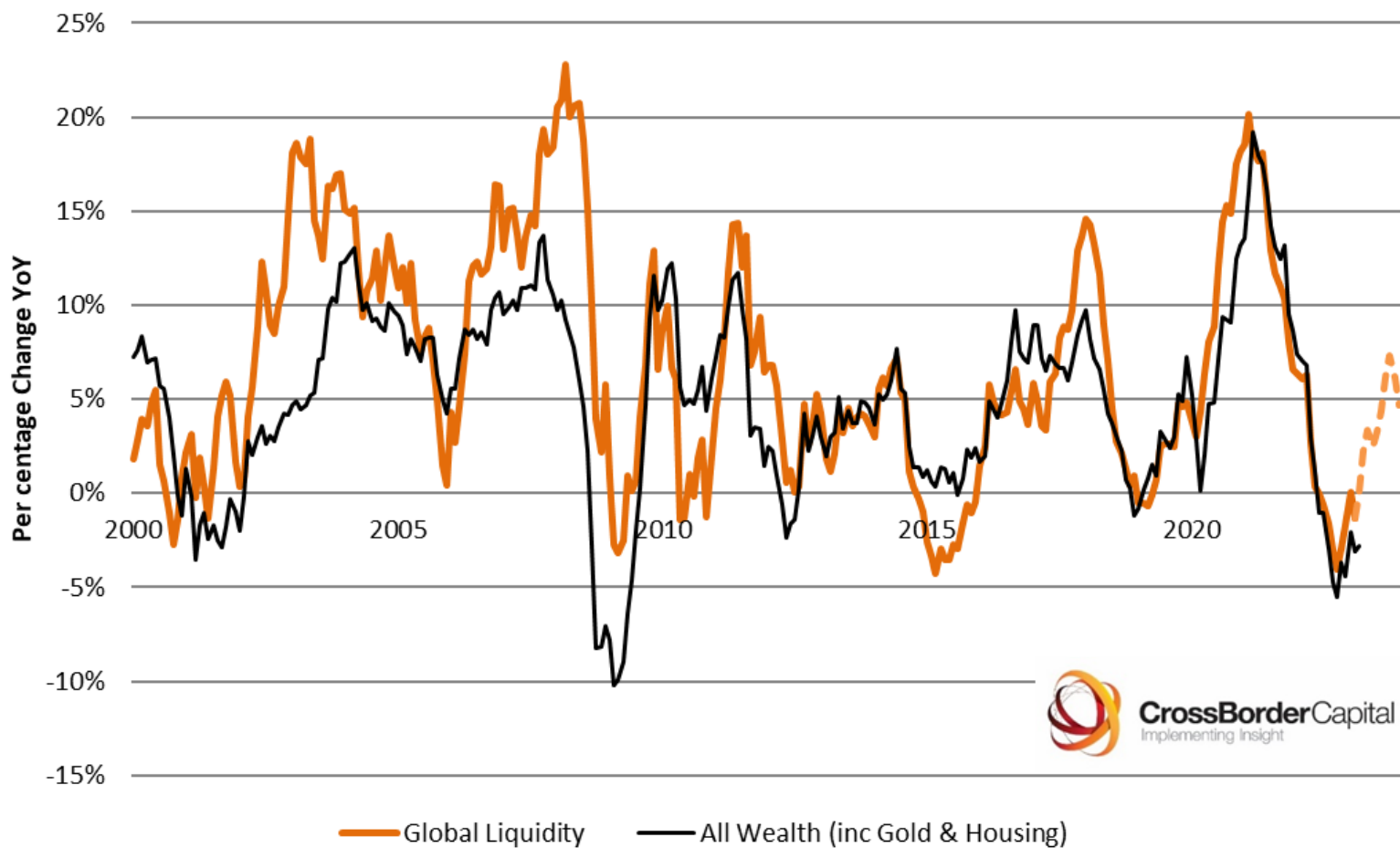
## Weekly Global Liquidity



**Source**  
CrossBorder Capital, US Federal Reserve, FRED

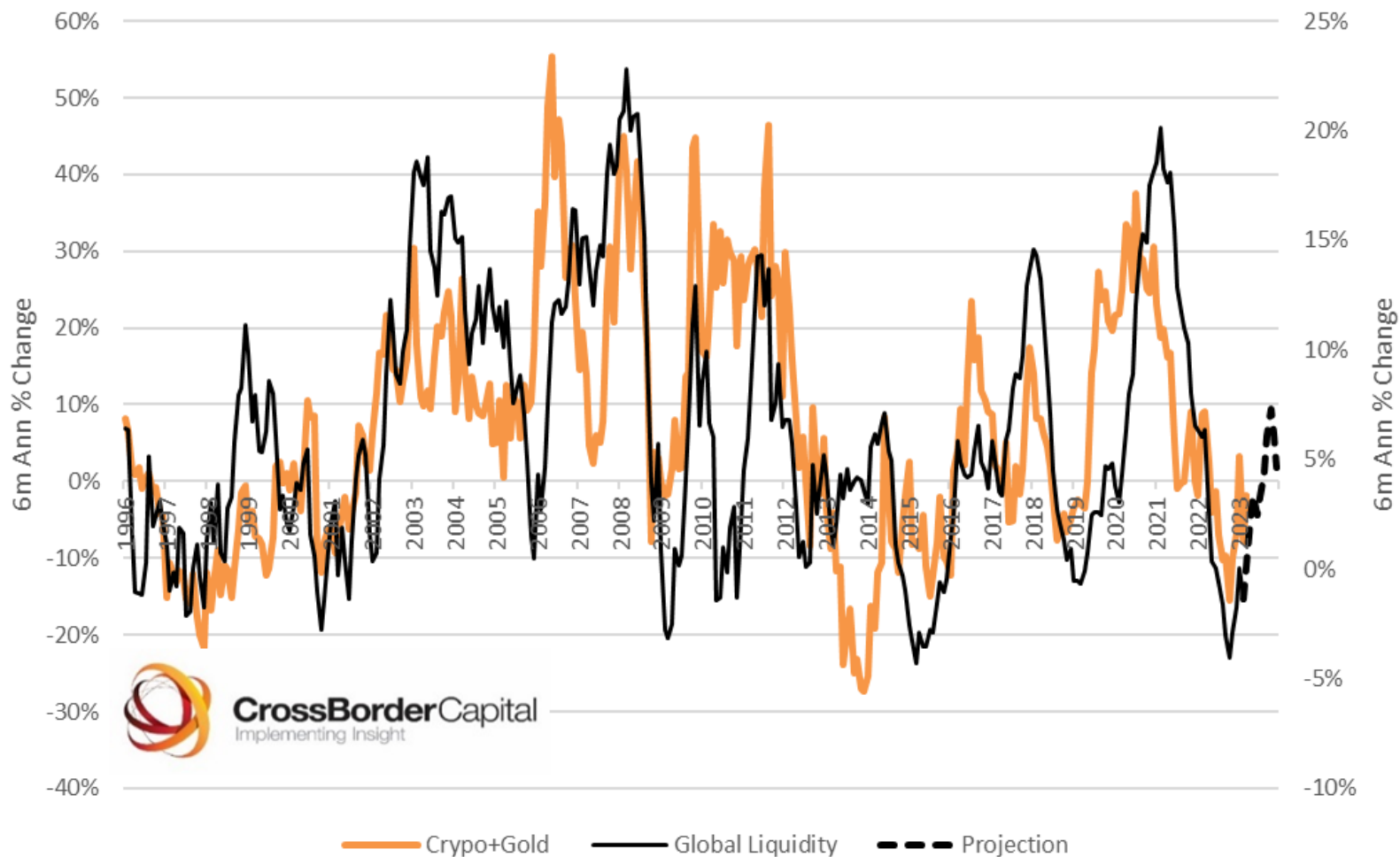


## Global Liquidity & World Wealth





## Monetary Inflation Hedges & Global Liquidity

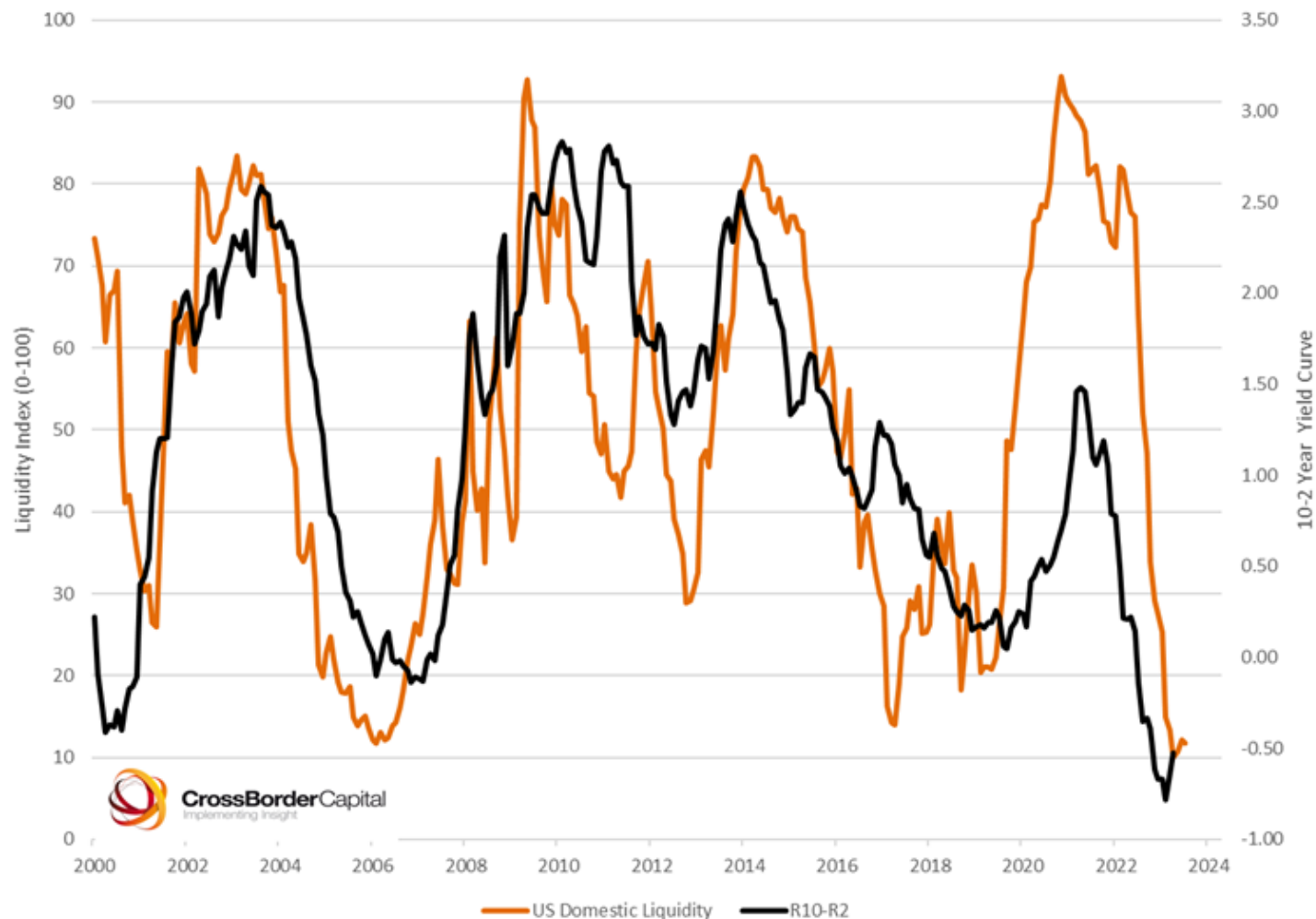


Source CrossBorder Capital



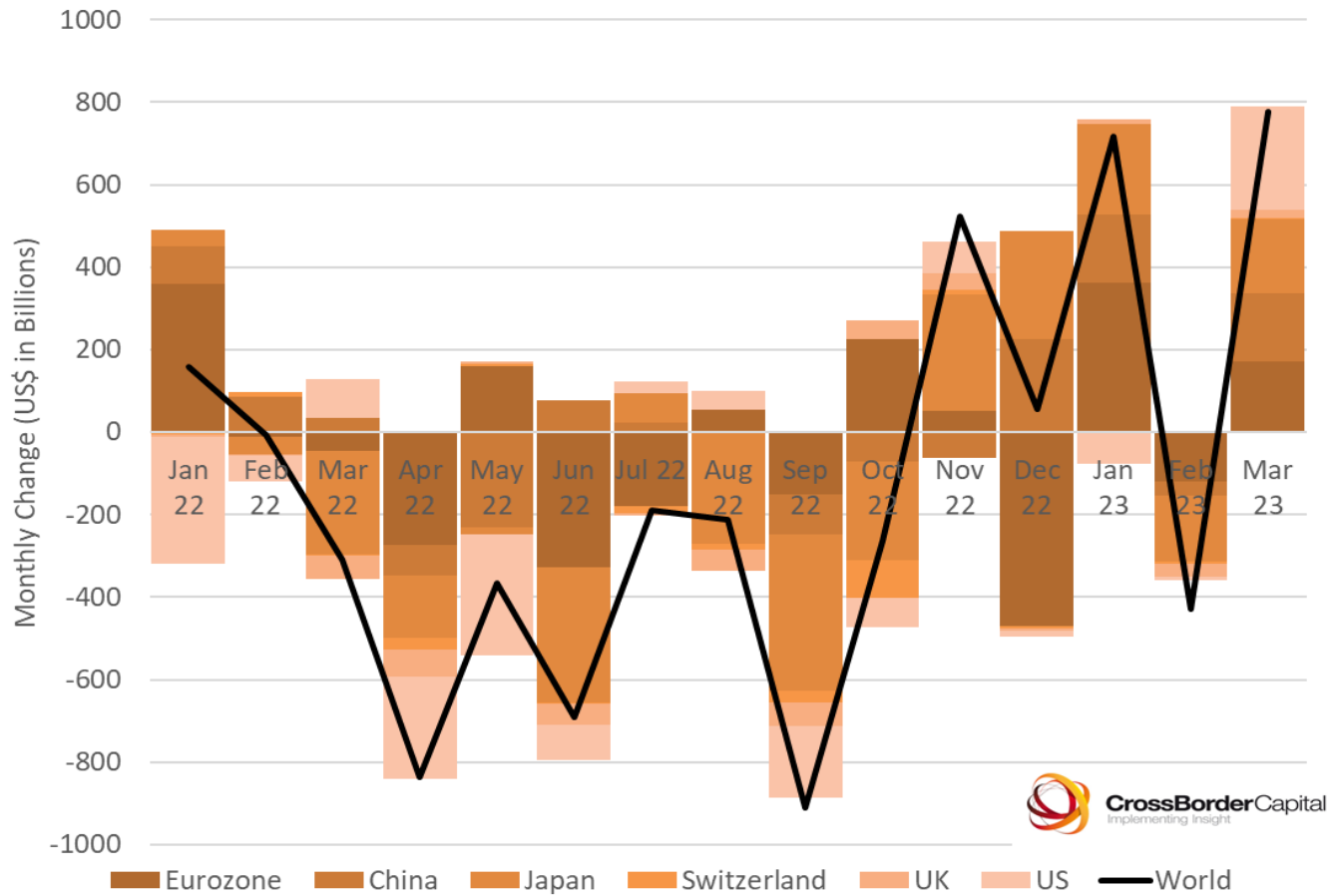


# US 10-2 Treasury Yield Curve & Liquidity (+9m)



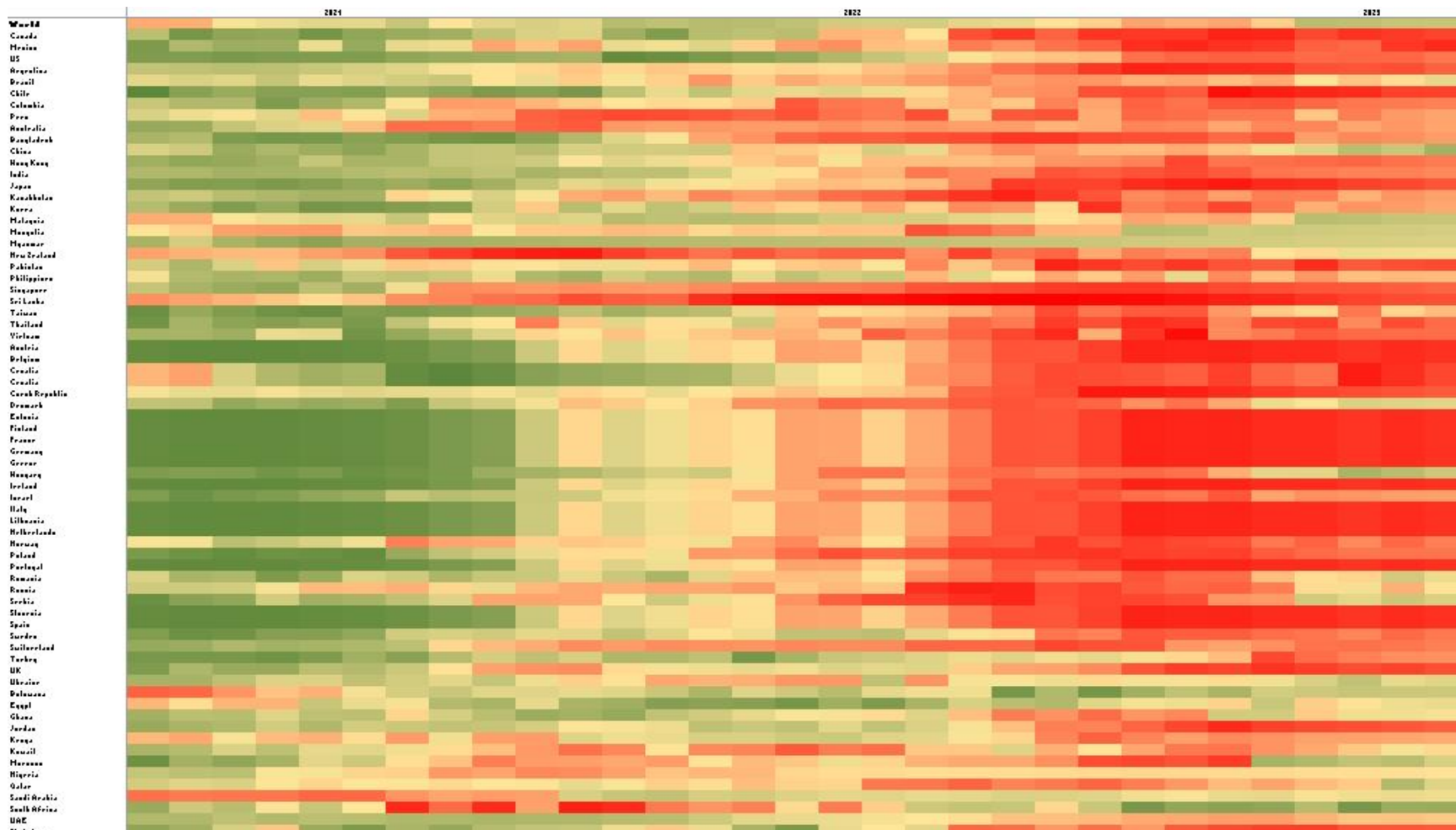


## World Central Bank Liquidity





## World Central Banks: Heat Map, End-March 2023



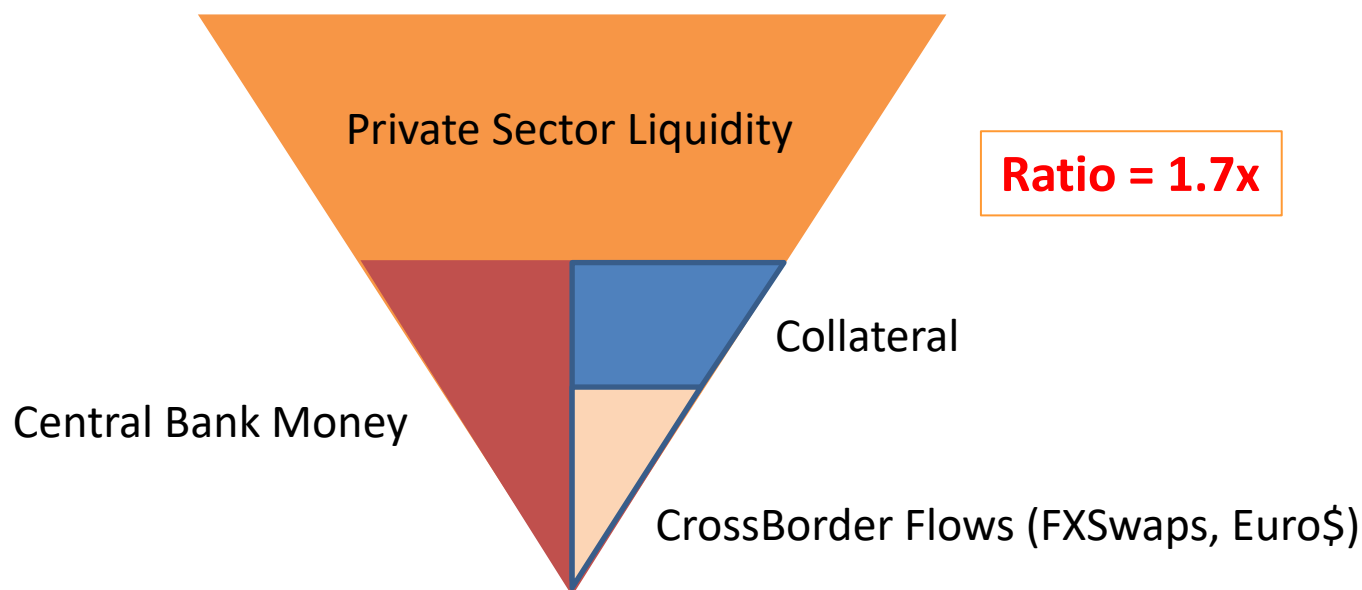
### Source

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



# The Structure of Global Liquidity

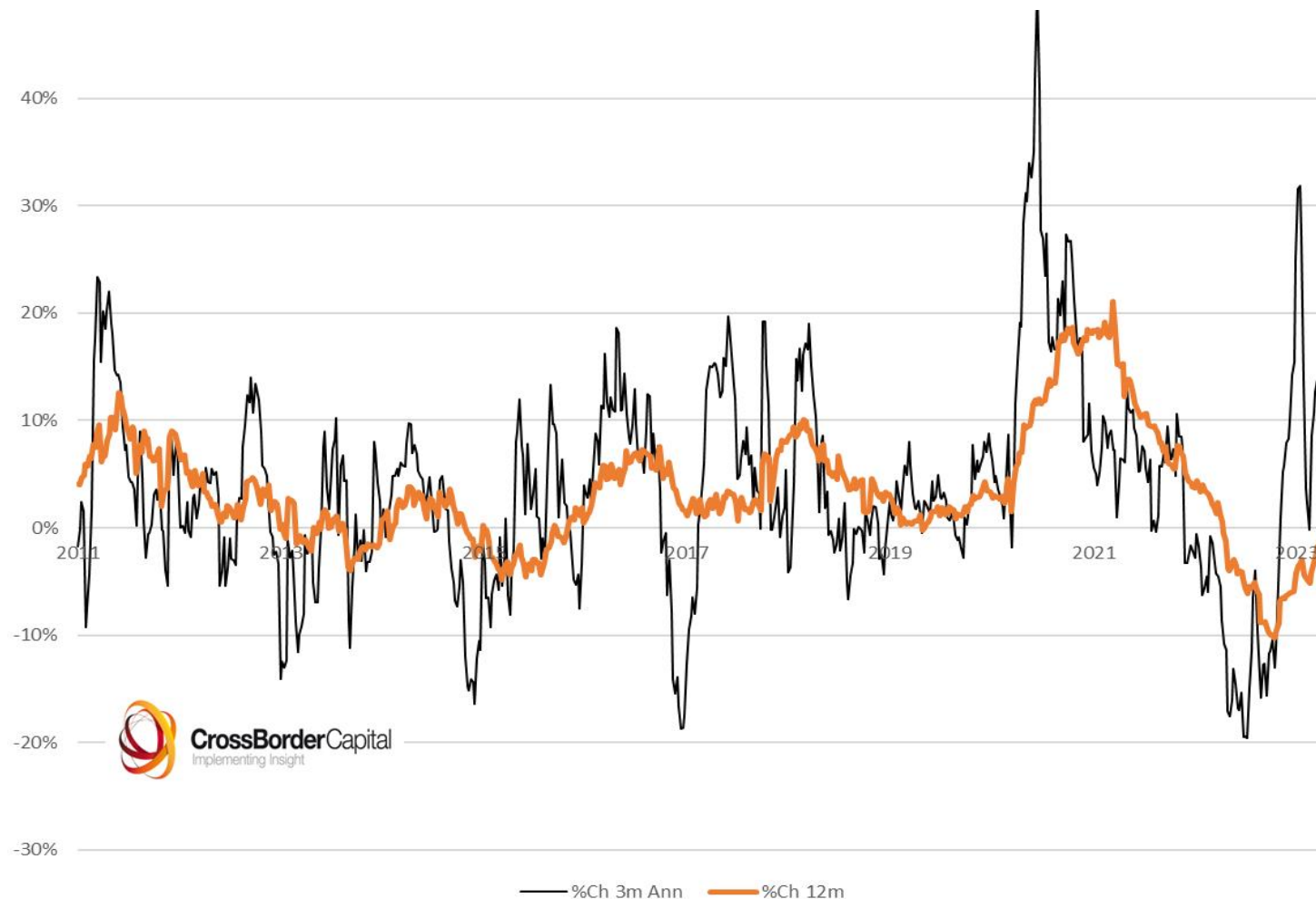
**GLOBAL LIQUIDITY (US\$170 tr)**



**'Shadow' Monetary Base (US\$100 tr)**

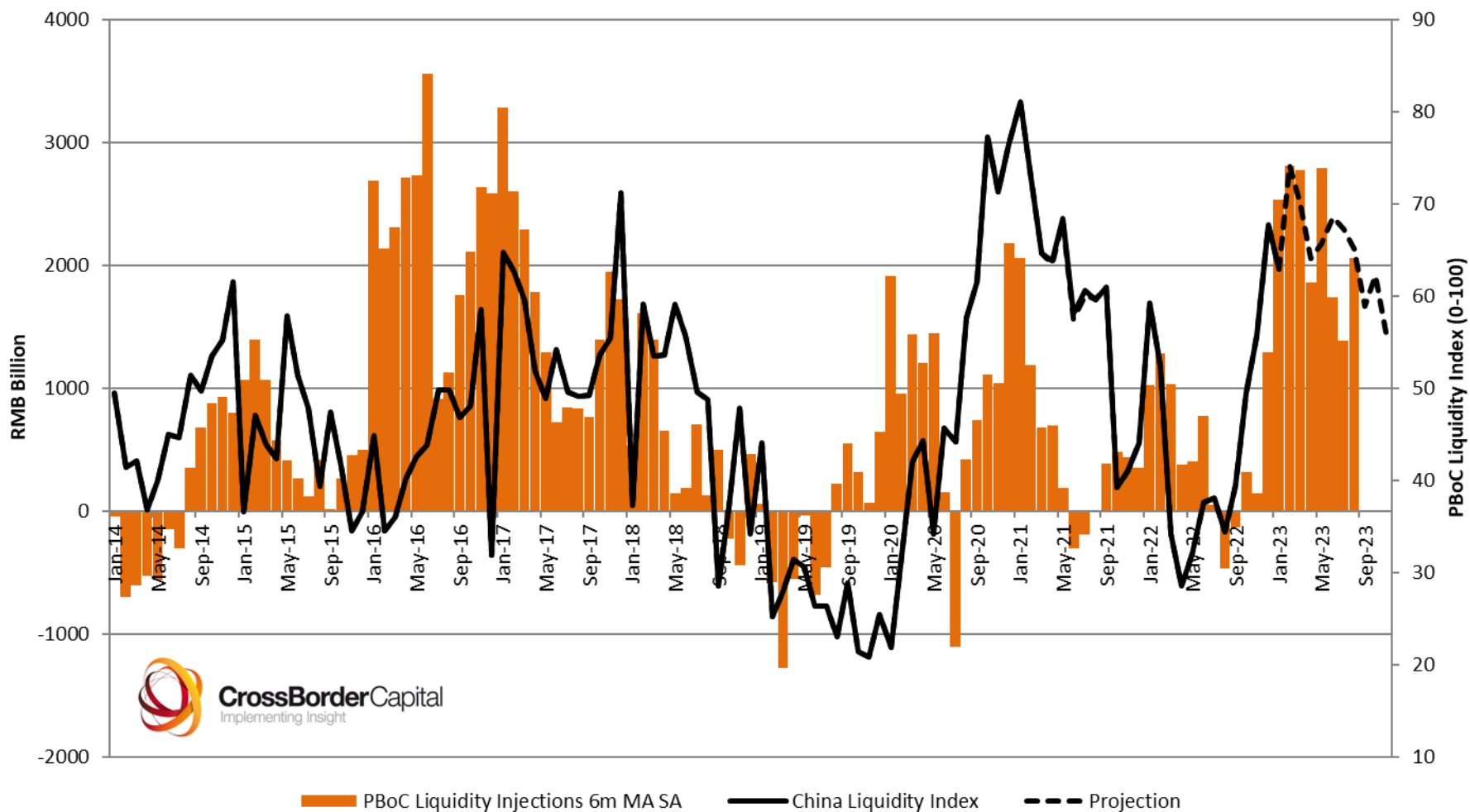


## World Shadow Monetary Base



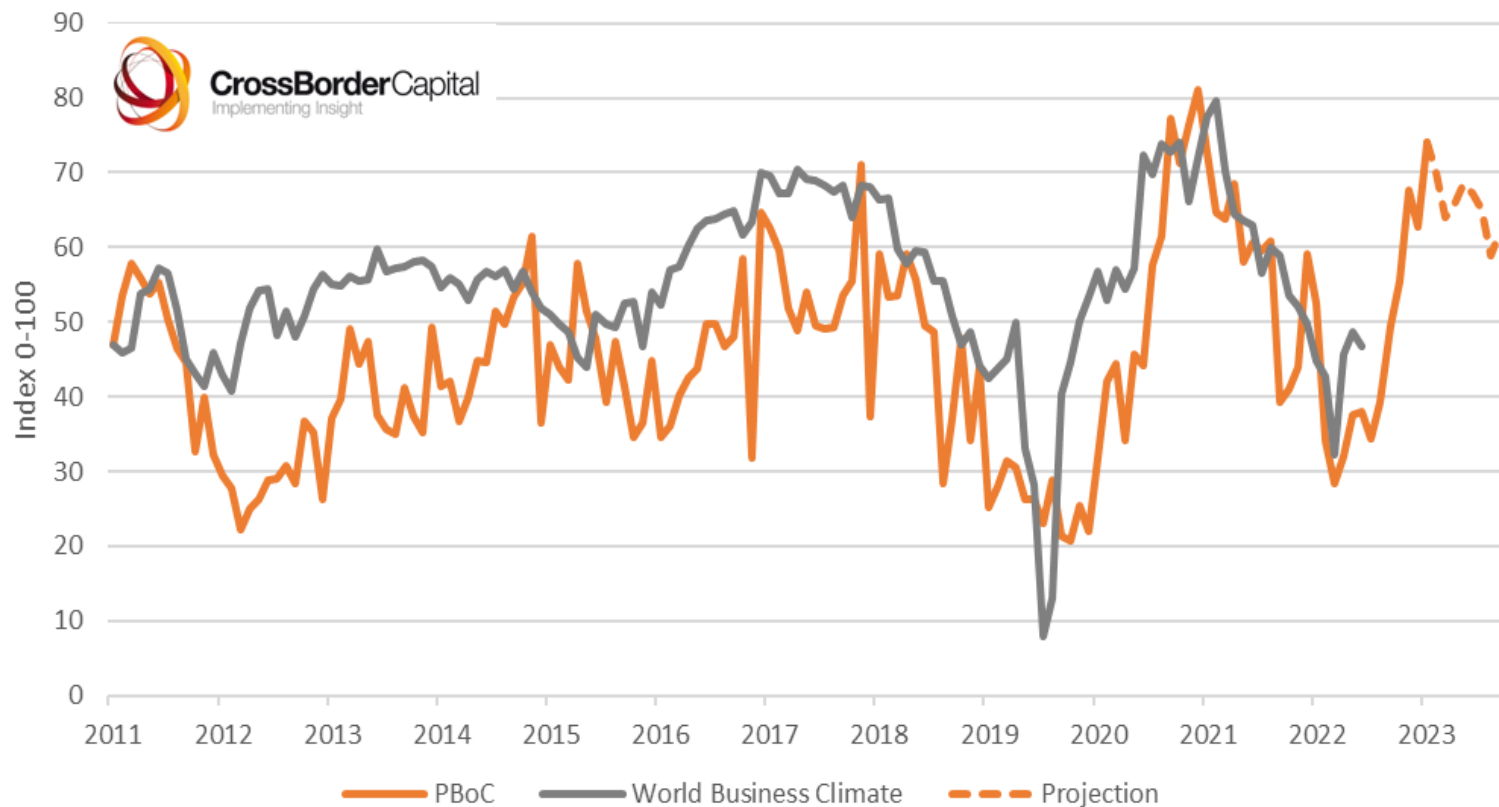


## People's Bank (PBoC) Liquidity Injections



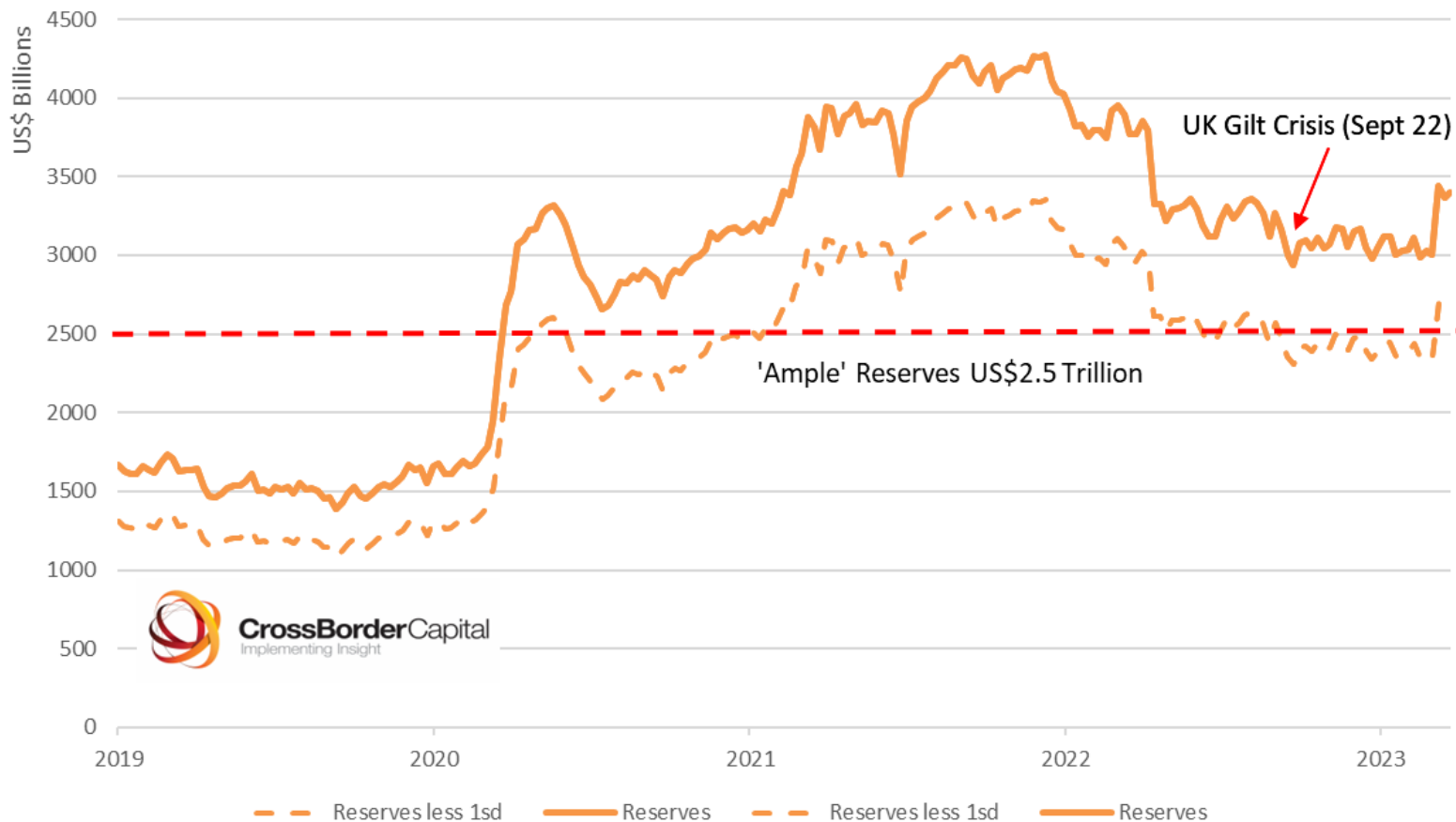


## Chinese People's Bank and World Business Confidence





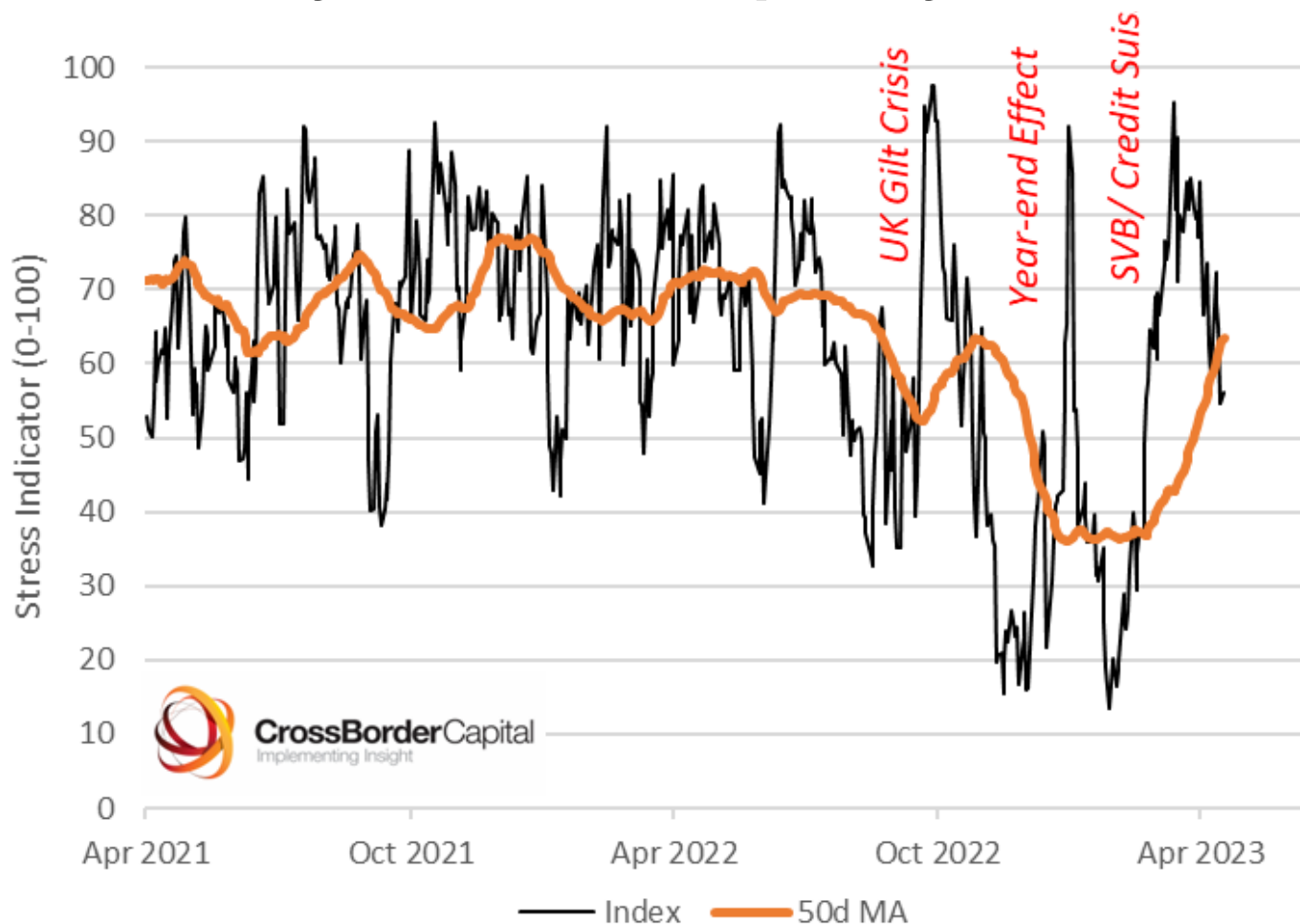
## US Banks' Reserves at the Fed and Minus 1sd





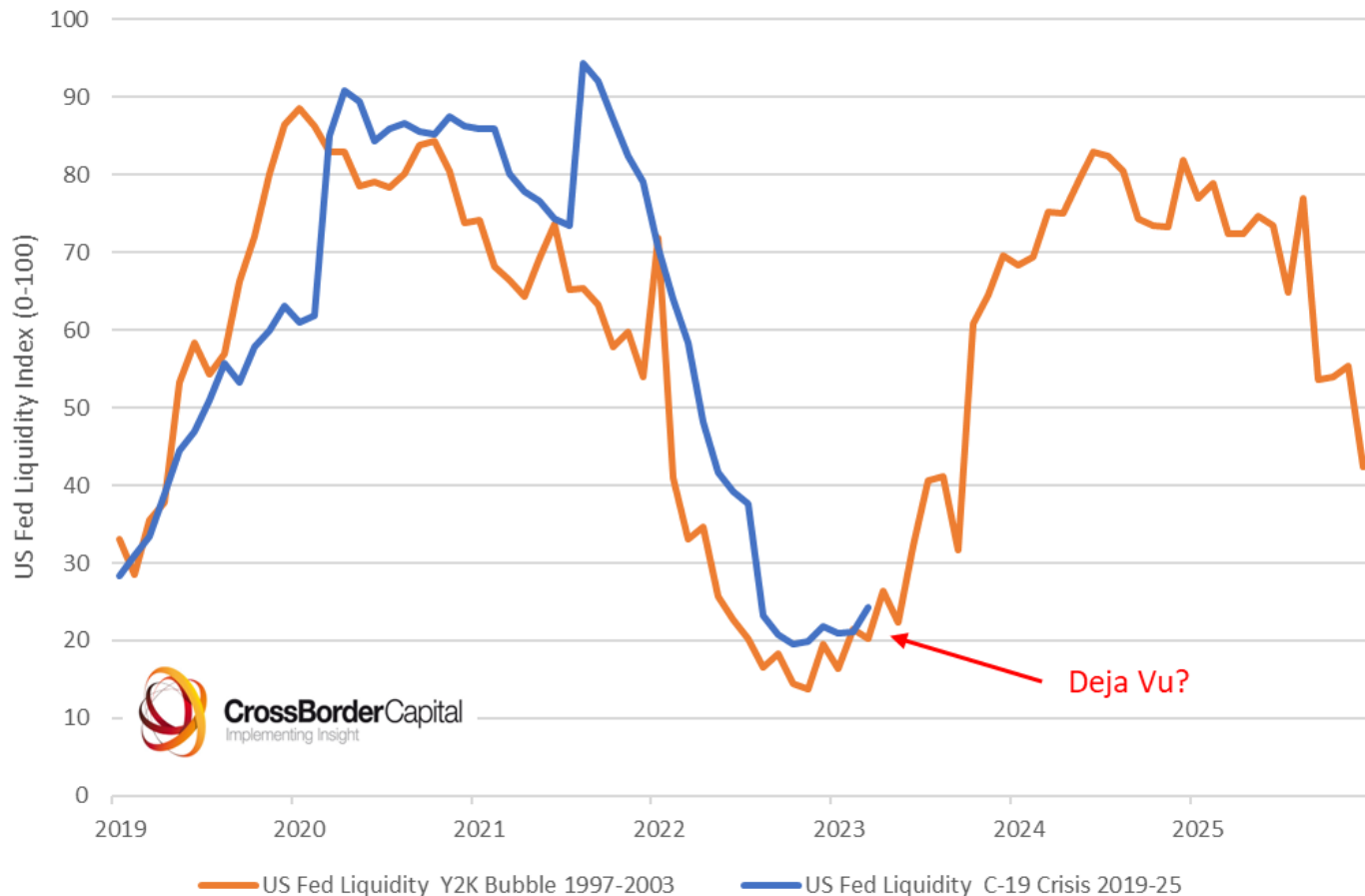


# Daily Index of Liquidity Stress



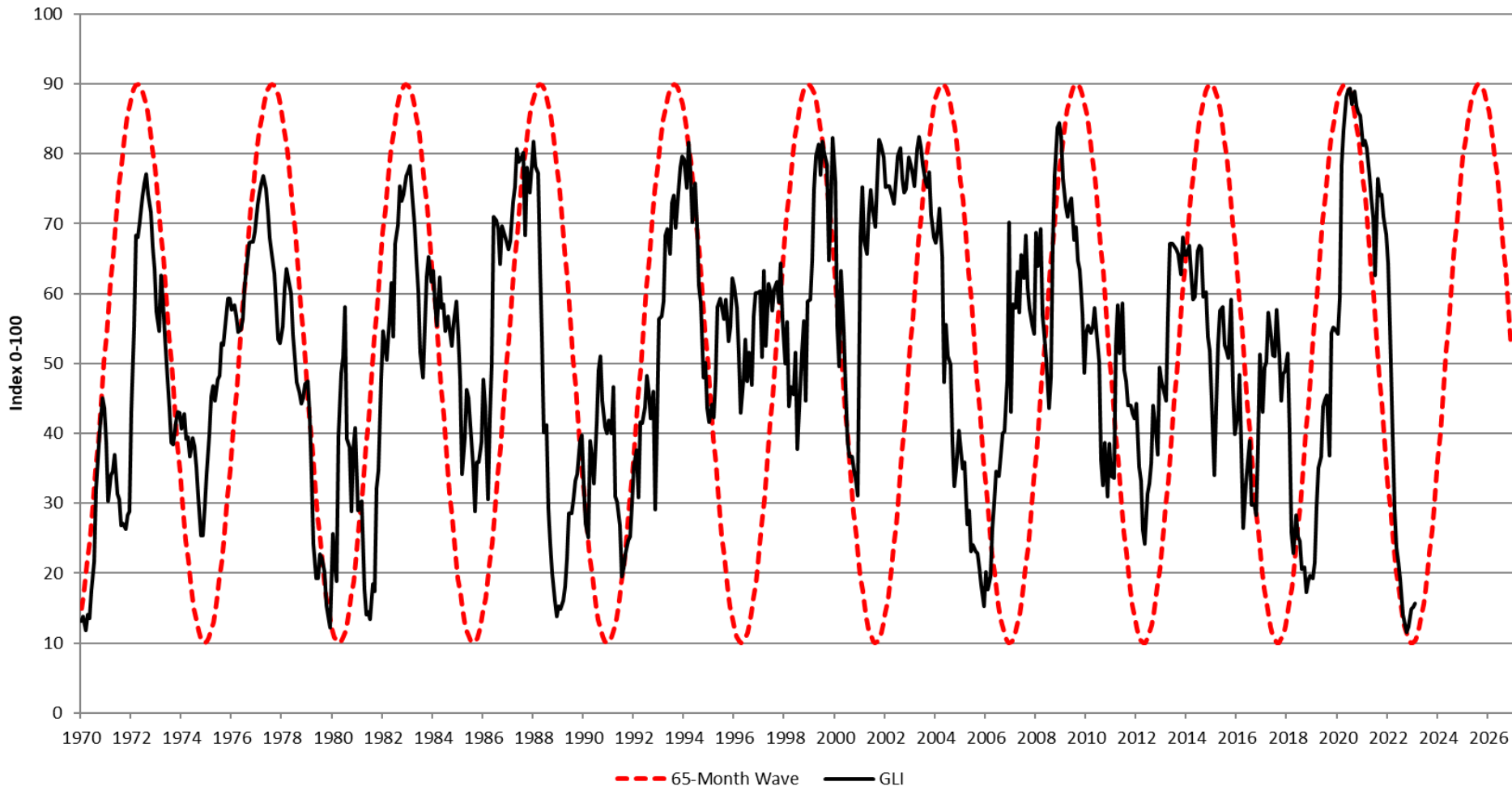


## US Federal Reserve Bursts the Y2K 'Tech/ Liquidity' Bubble, 1997-2003 (Index 0-100) And Latest C-19 Cycle, 2019-2025





## Global Liquidity Index (GLI™) Long-Term Cycles

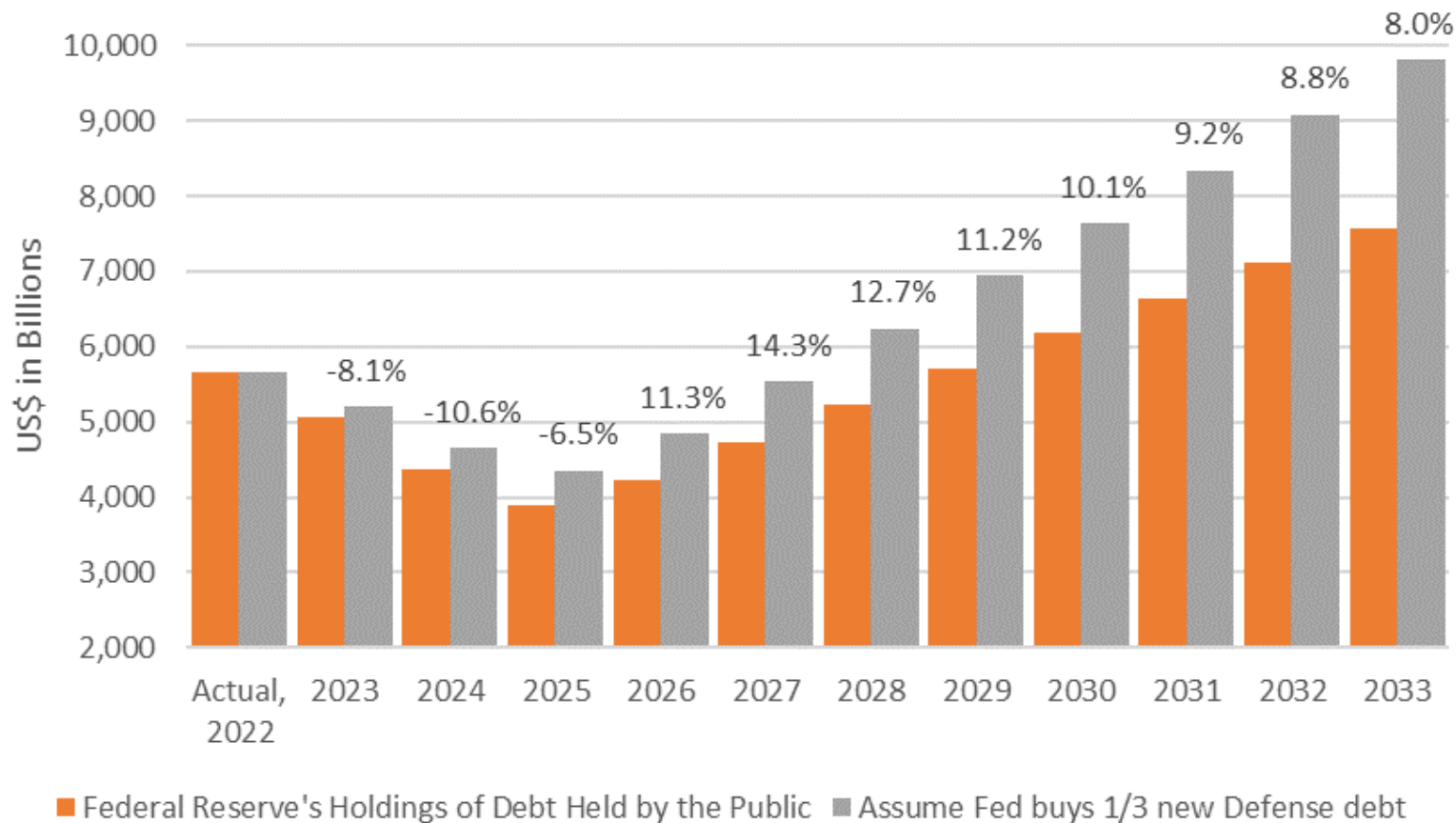


**Source**

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

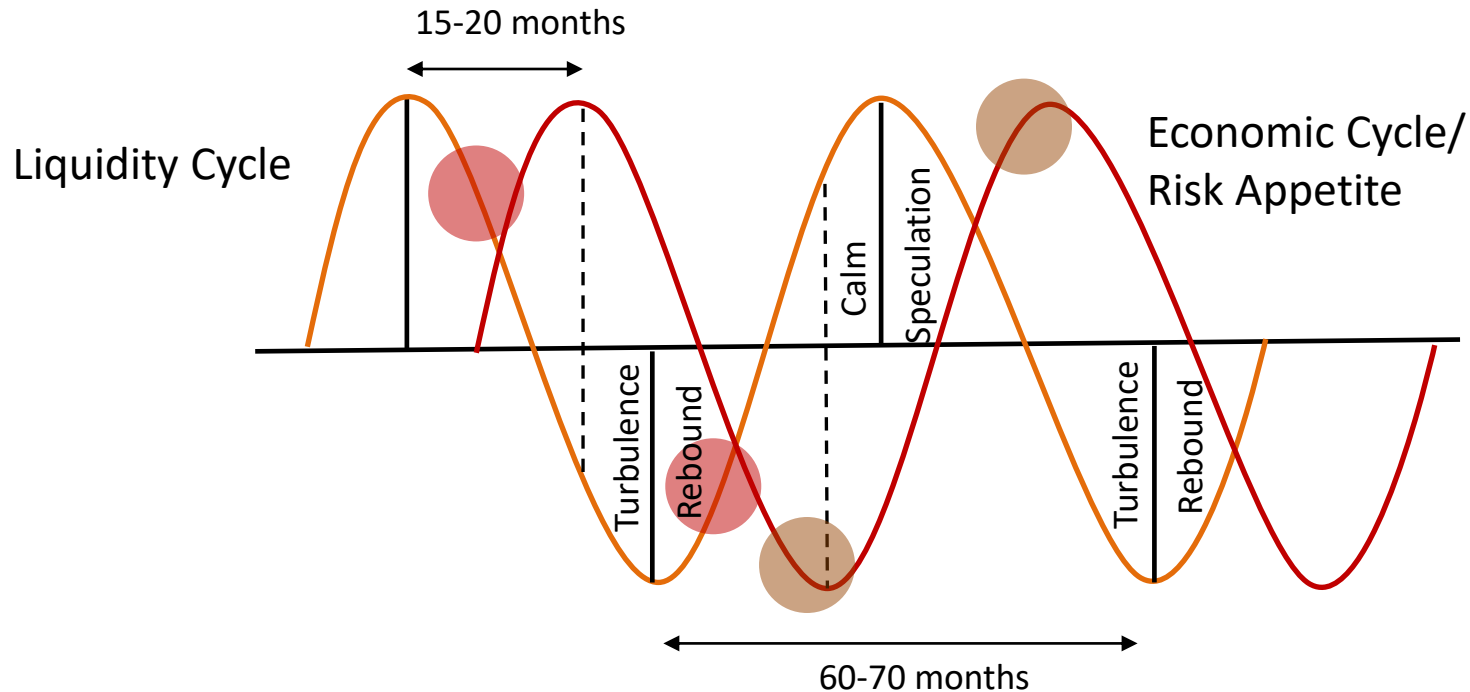


## Fed US Treasury Holdings With Extra Defense Spending (@5% GDP pa, 1/3 take-up)





# The Global Liquidity Cycle



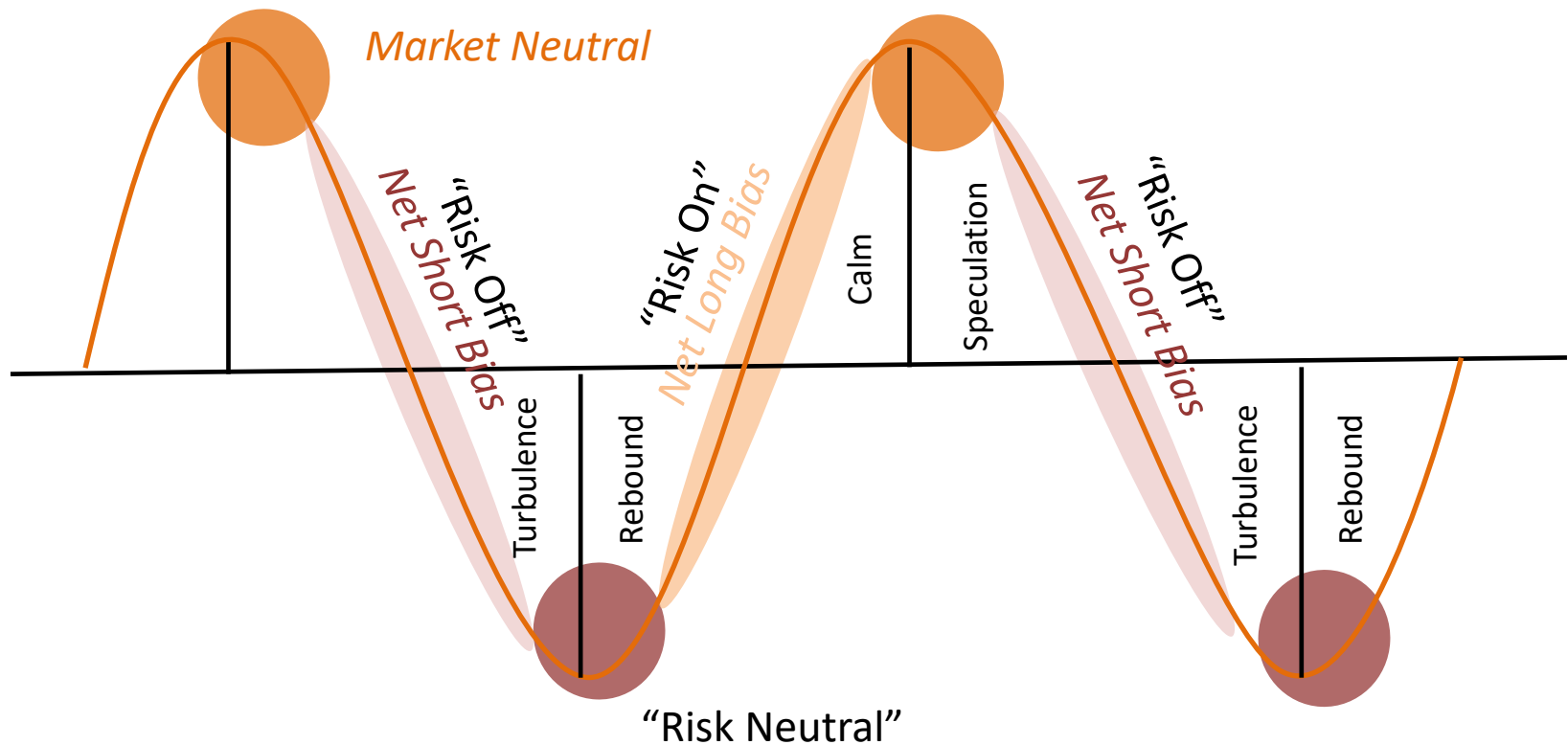
- Yield Curve Turning Points (+8 months after 'liquidity')
- Risk Appetite Turning Points (-3 months before economy)

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

Source CrossBorder Capital

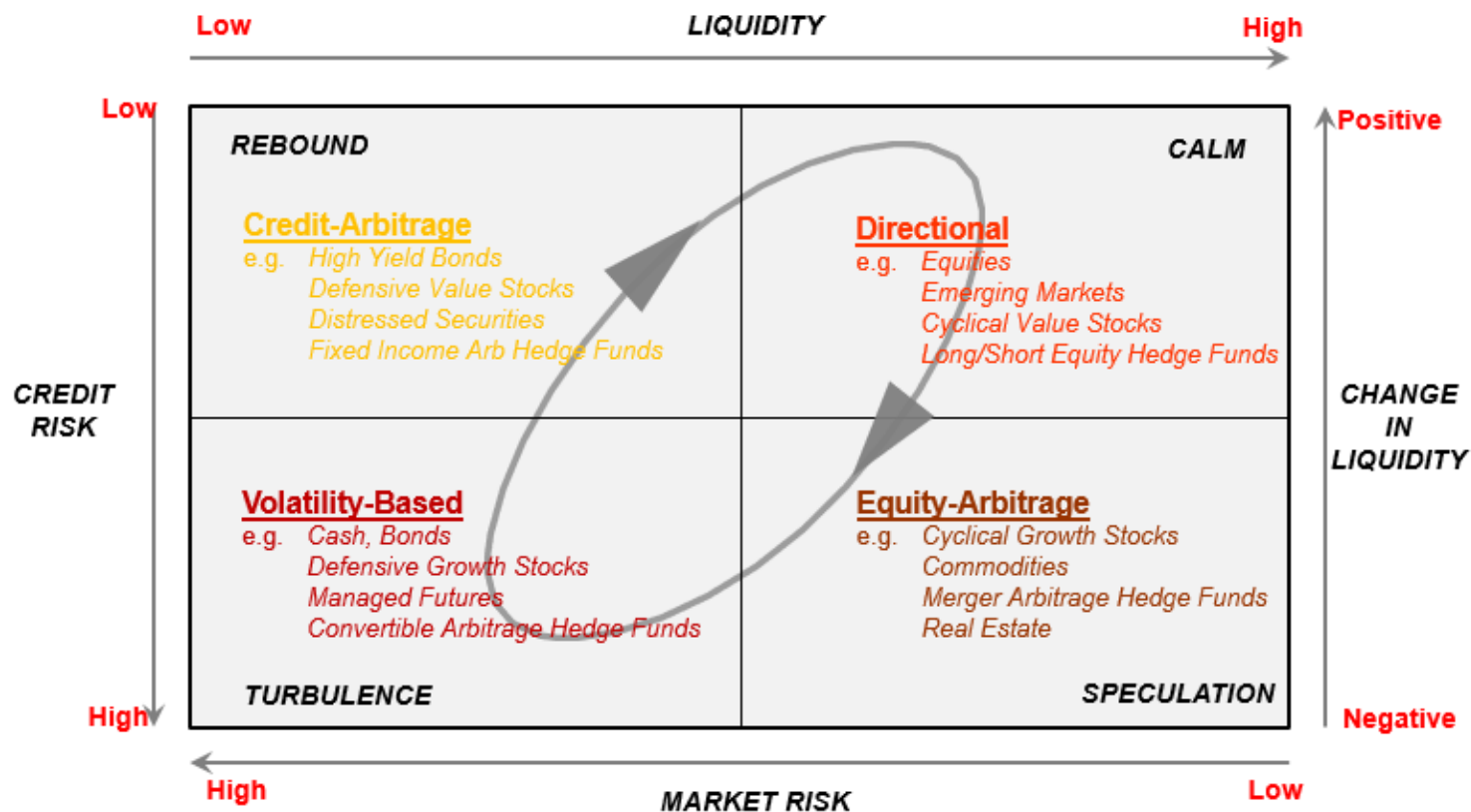


# The Global Liquidity/ Risk Cycle (6-12m View)



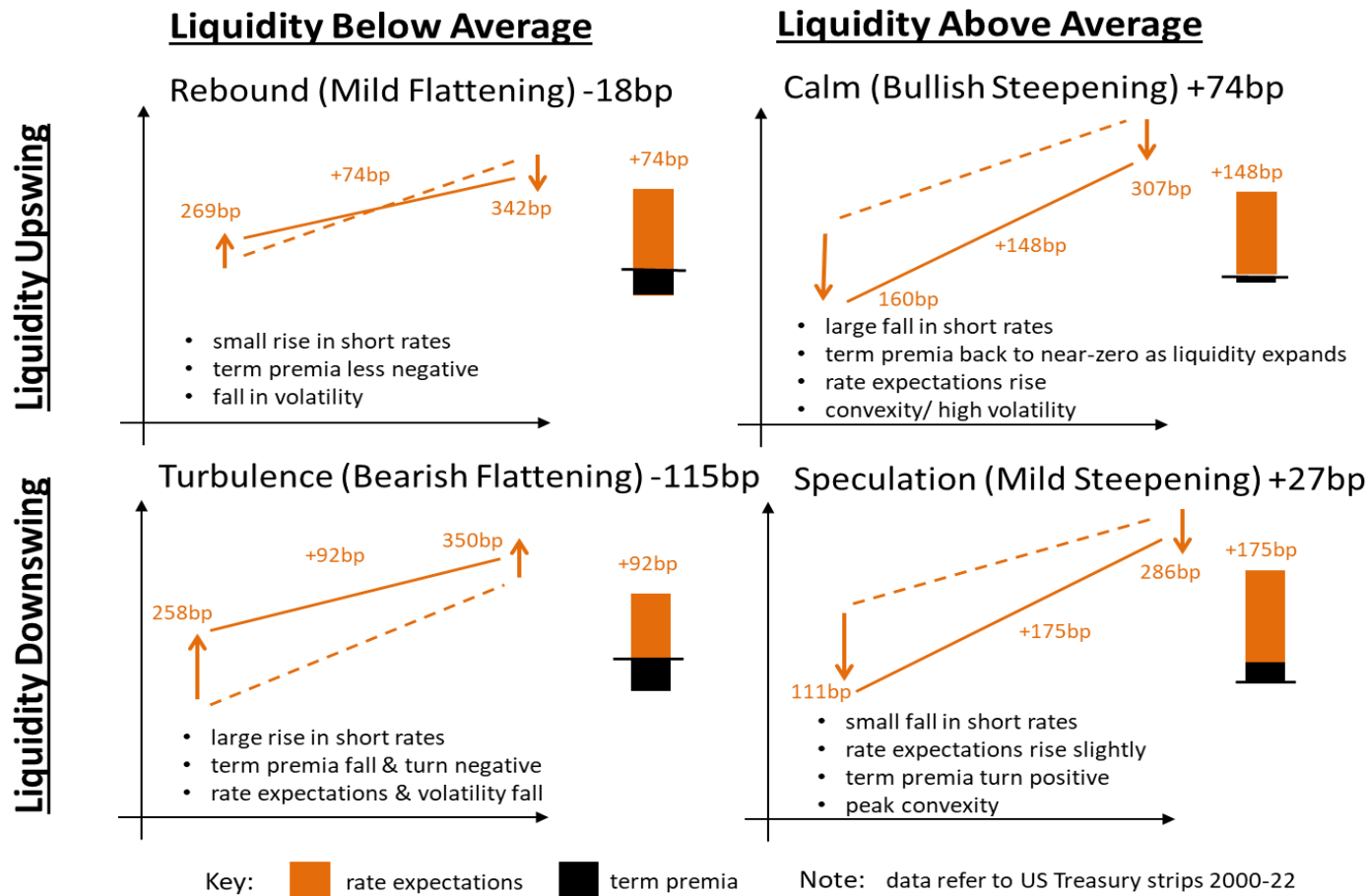


## Asset Allocation Matrix (Schematic)





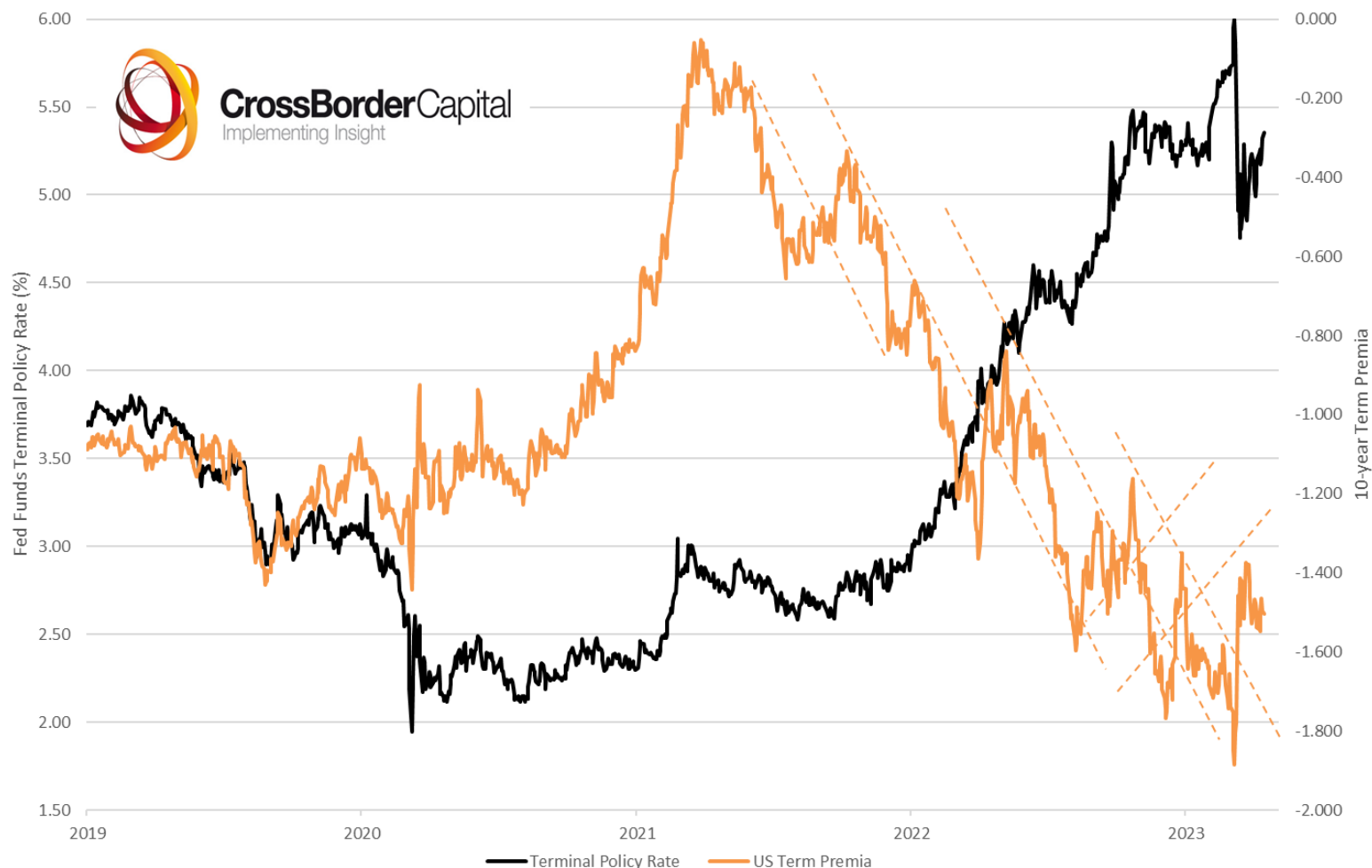
# US Treasury Yield Curve and The Liquidity Cycle







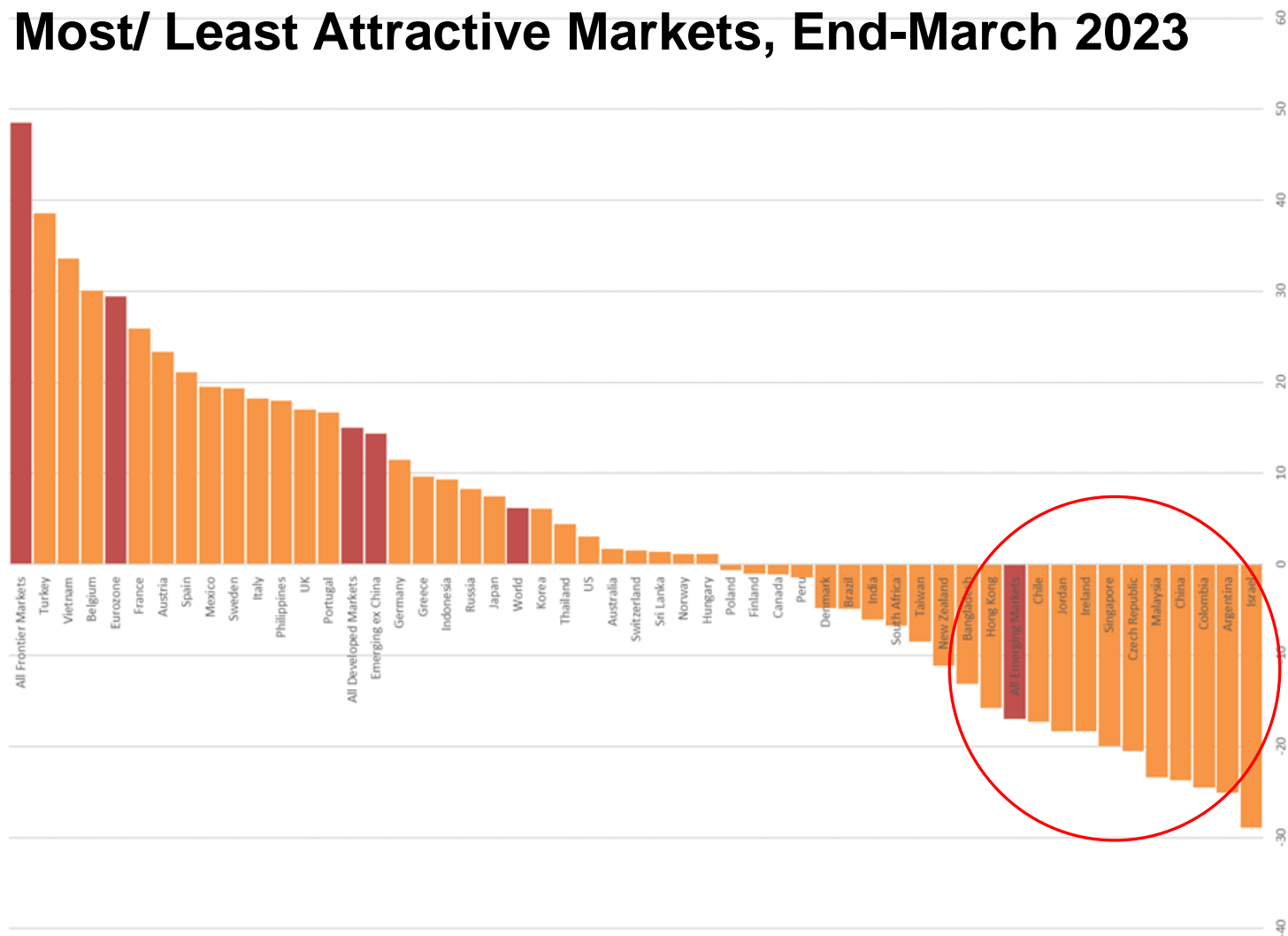
# US Treasury 10-Yr Term Premium and Implied Terminal Policy Rate



**Source**  
CrossBorder Capital, US Federal Reserve

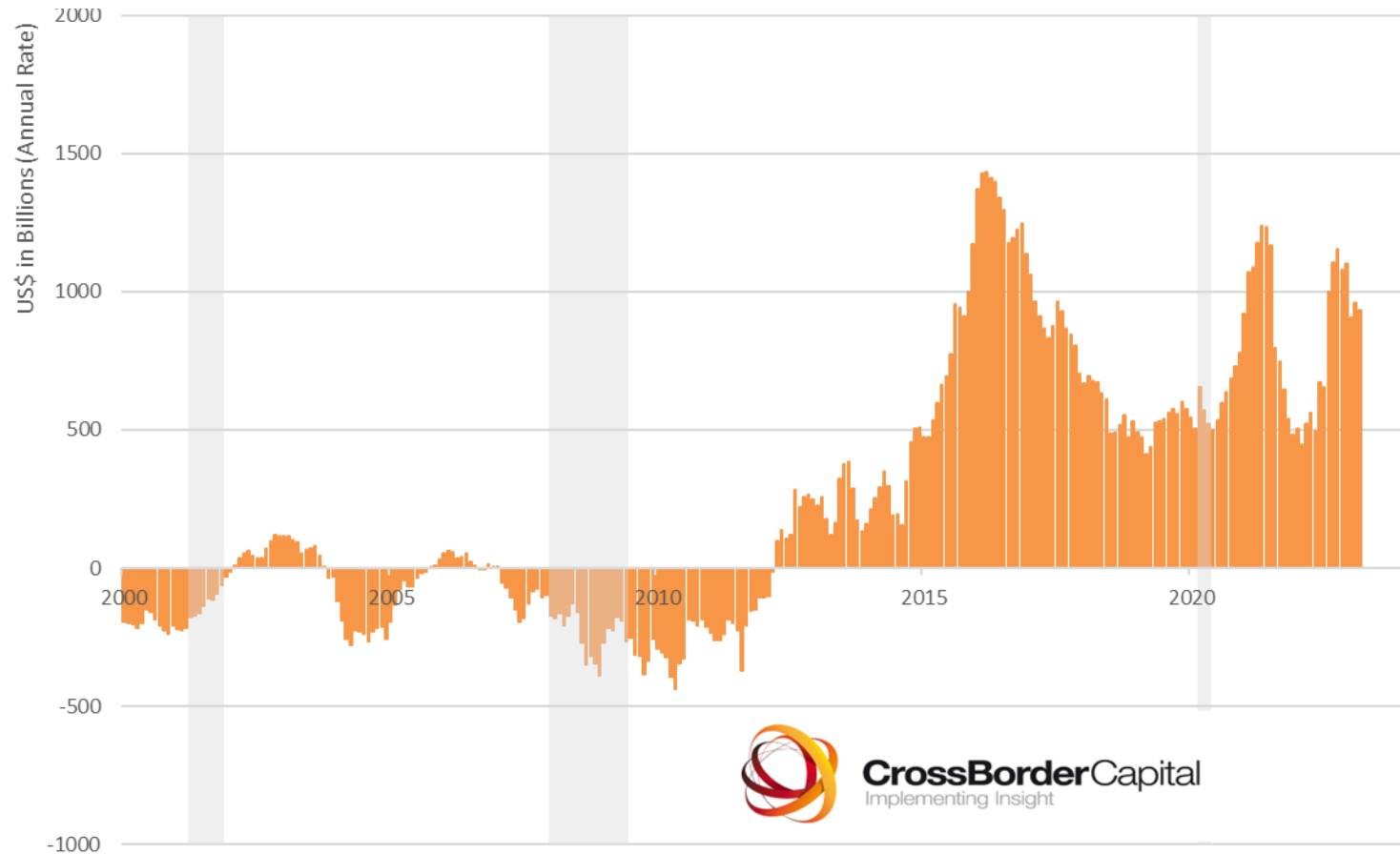


## Most/ Least Attractive Markets, End-March 2023





## Capital Inflows into US Dollar, 2000-23





## Demand for US Dollars?

