



CRYPTO MARKET  
**OUTLOOK**  
2026 - 2027

CIO HOUSE VIEW

## 1. Global Liquidity and Systemic Risk

Global Liquidity remains the dominant driver of crypto prices ( $\rho=0.58$  with Bitcoin on a 12-week lead). The picture is complex: our macro-liquidity indicators are diverging sharply on both the direction and the quality of liquidity, and that divergence is itself the signal.

### The Liquidity Dispute

Effective liquidity, the measure that accounts for collateral quality, bond volatility, and cross-border transmission, has entered a major downswing. The Shadow Monetary Base fell to \$110.2 trillion with 3-month annualised growth dipping to 3.6%. The collateral multiplier is impaired. This framework points to downside in the S&P 500 toward 5,500 and warns that a recently proposed Fed balance sheet reduction of \$1.2 to 2.1 trillion (mid-point \$1.7 trillion) could halve Fed Liquidity to approximately \$1.5 trillion. If implemented without Treasury coordination, the implications for asset prices would be severe.

Aggregate liquidity tells a different story. Broad composite liquidity indices are at or near all-time highs. US liquidity bottomed following the government shutdown and is now rising. Fed Net Liquidity has moved to its highest level since September 2025, with the 2-month annualised rate of change at a 12-month high. With a 12-week lead, this points to an equities and crypto bottoming process. Two of three contrarian signals remain at extreme readings: large-cap tech breadth at 21% above the 50-day moving average and retail bearish sentiment deepening (Investor Intelligence bullish reading at 35.2%, with a 26-percentage-point two-week collapse, the sharpest since March 2020). The third signal, speculative positioning, has partially normalised as CFTC S&P 500 speculators covered shorts and moved net long (+1.1% of open interest), suggesting professional money is looking through the panic at the underlying macro backdrop.

The divergence stems from what each approach measures. Effective liquidity captures transmission quality; aggregate liquidity captures total flow. Both can be simultaneously correct: aggregate liquidity rising (bullish medium-term) while the transmission mechanism to risk assets is impaired by collateral stress and geopolitical risk premia (bearish near-term). A third dimension has emerged: the stronger dollar is compressing dollar-adjusted global liquidity at the margin even as raw aggregate measures reach new highs, creating a near-term headwind without signalling a peak in the underlying cycle. At lower reserve levels, the demand curve for reserves becomes inelastic, meaning small supply/demand shifts produce outsized rate volatility in either direction. This argues for preparing for higher volatility rather than committing to a single directional bet.

## The Debt Refinancing Wall

The systemic risk can be measured by the ratio of total debt to available liquidity. This ratio averaged 2.0x across advanced economies since 1980, fell to a historic low of 1.58x in 2021 (underpinning the post-pandemic asset boom), and is now projected to exceed 2.0x in 2026 and retest 2.3x by 2030. A \$65 trillion global wall of debt is maturing by 2030, with \$45 trillion in advanced economies alone, precisely as the liquidity cycle enters a projected trough in 2027. 70 to 80% of all primary market transactions now refinance existing debt rather than raise new capital. When this ratio rises above its long-term average, forced liquidations and financial crises follow. The next crisis is likely to be triggered not by traditional banks but by Treasury market seizures or shadow banking stress, with \$111 trillion in off-balance-sheet FX derivatives as a hidden fault line.

China's central bank continues aggressive injections: over \$1 trillion into money markets in 2025, with at least the same expected in 2026 to address embedded debt-deflation. This liquidity flows disproportionately into gold and commodities rather than crypto, explaining gold's persistent outperformance.

The structural shift from central bank balance sheet expansion toward Treasury-led liquidity provision is now a concrete policy risk. A recent Fed research paper co-authored by senior Administration advisors proposes maintaining an ample reserves framework while dramatically reducing the Fed's footprint. The paper assumes the Treasury will offset via bill issuance what the Fed drains, but this coordination is assumed, not guaranteed. It also ignores precautionary demand for liquidity entirely. In practice, the transmission mechanism is already shifting: US domestic banks have been absorbing Treasury issuance directly onto their balance sheets, with securities holdings climbing back toward 2022 peaks. This amounts to shadow QE conducted through the banking system rather than through the Fed's own balance sheet, and it is a material reason Fed Net Liquidity continues to rise despite the absence of formal asset purchases.

## 2. Macro Regime, Inflation, and Rate Path

The macro environment has shifted from the benign goldilocks narrative of early 2026 into a contested regime where growth remains strong but inflation is reasserting itself through energy channels.

### Macro Season

Leading business cycle indicators now classify the US as an inflationary boom: rising growth, rising inflation. ISM Prices Paid sits at 70.5. 94.1% of countries in our growth tables score expansion. Pre-energy-shock data was very strong: Philly Fed March at 18.1 versus 8.0 consensus, employment expectations at a new cycle high, capex intentions at the highest level since January 2023.

## **The Energy Shock**

The Strait of Hormuz closure is no longer a tail risk. It is an active macro input. Physical-market data quantifies the damage: approximately 12.5 million barrels per day of field-level shut-ins, cumulative production losses of 285 million barrels in 24 days (triple Russia's losses over 24 weeks in 2022), and Strait transit activity down 95% from normal. Strategic reserves plus unsanctioned oil cover roughly 45 days. Every additional week of closure draws 60 to 85 million barrels from global stocks.

The inflation transmission runs through multiple simultaneous channels: direct energy costs (Brent above \$100, Oman crude at a \$60 premium to WTI), freight (tanker costs doubled to ~\$10/bbl), fertiliser and food (Gulf urea and LPG exports stranded), and petrochemical feedstocks (butadiene +140% year-to-date in China, PET plastics +45% in Germany, toluene +70% in Korea).

## **Rate Path**

One-year inflation breakevens have repriced from approximately 2.3% to 5%. Technical exhaustion signals suggest this is an overshoot. Rate cuts are fully priced out of the forward curve for approximately two years, which we believe is too extreme. However, if CPI remains above 3%, the Fed faces a structural constraint that prevents easing regardless of growth deterioration. The Eurozone is hit harder and faster due to higher natural gas sensitivity and a headline inflation mandate that constrains the ECB more than the Fed, creating transatlantic policy divergence.

# **3. The Investment Thesis: Three Assets, Three Roles**

## **Bitcoin: Monetary Debasement**

The \$65 trillion debt maturity wall is not a problem that can be solved through austerity or growth alone. It will be resolved through monetary inflation: printing money, expanding balance sheets, and letting the real value of debt erode over time. This process has already begun. China's central bank is injecting over \$1 trillion per year. The Fed is quietly expanding its balance sheet through reserve management purchases. The trajectory is set.

In a monetary inflation regime, paper money loses purchasing power and assets that cannot be diluted rise in value. Gold has responded, reaching record highs driven by central bank hoarding (particularly China) and the broader debasement thesis. Bitcoin occupies the same role for a digital, globally connected economy. It has a fixed supply, no central issuer, and is accessible to anyone. As the debt cycle forces continued monetary expansion, the case for holding bitcoin as a long-duration monetary inflation hedge, alongside gold and prime real estate, only strengthens.

Bitcoin has currently priced in the equivalent of ISM at approximately 43, a full recession, and shows a 93% correlation with the S&P bottoming pattern from 2011 to 2013. It is trading at a meaningful discount to its own liquidity fundamentals. Much of that discount traces to the October 10 liquidation cascade rather than fundamental deterioration: a collateral oracle misfire on a major exchange triggered mass margin revaluations across millions of accounts simultaneously, producing \$19 billion in forced liquidations in a single day, the largest in crypto history, structurally analogous to the 1987 portfolio insurance doom loop. The subsequent price weakness is better understood as aftershock from that structural event than as a new fundamental leg lower. The cycle risk score sits at trough levels last registered near the 2022 lows. The DeMark weekly exhaustion count is advancing but has not yet confirmed; we estimate confirmation is weeks to months away.

### **Ethereum and Solana: Settlement Infrastructure**

The traditional financial system processes trillions of dollars daily through infrastructure built for a pre-digital era. Settlement takes days. Reconciliation across institutions is manual and expensive. Cross-border payments extract enormous rents. Ethereum and Solana are the programmable settlement layers that will replace this plumbing.

The evidence is already in the data. Stablecoins are the largest single collateral class in decentralised finance at 42.8% (\$16.5 billion across major Ethereum protocols), growing at five times the rate of native token collateral. Dollar liquidity on these chains is the prerequisite for institutional DeFi, real-world asset tokenisation, and on-chain capital markets. Over \$300 billion in stablecoin market capitalisation now sits across these networks, up 35% year-on-year. The chains that attract the deepest stablecoin liquidity become the settlement layer on which everything else builds.

Native ETH locked in active DeFi protocols has nearly tripled from the 2022 lows, from 2.5 million to 6.96 million ETH, even as dollar-denominated metrics fell 45%. Holders are deploying more capital into productive contracts through a 60% price decline, a conviction signal invisible in dollar charts. A new class of ETH treasury companies is locking 5.5 to 6.1% of circulating supply into staking and DeFi infrastructure, creating a structural supply lock that did not exist in previous cycles.

But the larger thesis is forward-looking. AI agents, software that autonomously executes transactions, purchases data, and settles contracts at machine speed, need programmable money on programmable rails. The traditional banking system was not designed for non-human actors. Ethereum and Solana were. Agent payment protocols have already processed over 160 million transactions in their first months of operation. When agents become the primary users of financial infrastructure, the total addressable market is no longer bounded by the number of humans with bank accounts. It becomes effectively unlimited. Owning ETH and SOL is ownership of the toll roads that both human and machine finance will run on.

## 4. Geopolitical Risk: The Energy Dimension

**Scale.** This is not a rerouting event like Russia 2022. It is a physical blockage removing 10 to 15 million barrels per day from the global market. Cumulative losses are triple Russia's over 24 weeks. The expected 2.5 million barrel/day oversupply for 2026 has evaporated.

**The 45-day clock.** Strategic reserves plus unsanctioned oil cover approximately 45 days. After that, genuine global shortages begin. Even in an immediate-reopening scenario, approximately 700 million barrels of expected 2026 production will not have been produced.

**Cascading transmission.** Asia's refineries are specifically engineered for Gulf crude grades. The Gulf's deliberate downstream integration over decades has made their output irreplaceable: Taiwan's power grid runs 15% on Qatari LNG, 400 million Indians cook with Gulf LPG, and the petrochemical feedstock chain for global plastics depends on Gulf condensates.

### Crypto Implications

Near-term, the energy shock is a liquidity headwind. Bond volatility is up, credit spreads are widening, the dollar is strengthening, and risk appetite is compressed. Medium-term, if the shock forces rate cuts into a weakening economy, traditional yields compress while on-chain yields, tied to actual economic activity, stay stickier. The spread between risk-free rates and DeFi composite yields is the master variable for capital rotation: the US 10-year yields 4.42% today, while composite DeFi strategies push to 6 to 8%. When that gap flips decisively, capital flows follow.

## 5. Reversal Signals

| Signal                    | Current                              | Trigger         | Status   |
|---------------------------|--------------------------------------|-----------------|--|
| Effective Liquidity (GLI) | 3.6% (3m ann.)                       | >5%             | Not triggered. Falling.  |
| Aggregate Liquidity (GMI) | All-time high                        | Rising          | Triggered. Bullish.  |
| Fed Liquidity             | ~\$3.1T (highest since Sep 2025)     | Stable/rising   | Rising. 2m ann. rate at 12-month high. Shadow QE via bank B/S. \$1.7T cut proposal still a risk.   |
| Debt/Liquidity Ratio      | ~2.0x (rising)                       | >2.0x sustained | Approaching threshold.   |
| BTC DeMark Weekly         | Advancing                            | TD 13           | Weeks to months away.  |
| BTC Cycle Risk Score      | 1 (trough)                           | <2              | Triggered. 2022-level exhaustion.  |
| Inflation Breakevens      | ~5% (DeMark sell)                    | Reversal        | Overshoot. Expect drift lower.   |
| Strait of Hormuz          | 95% impaired                         | Reopening       | 45-day buffer. Clock ticking.  |
| Contrarian Trifecta       | 2 of 3 oversold (specs now net long) | Extreme         | Breadth and sentiment extreme. Sentiment velocity sharpest since Mar 2020. Specs flipped net long. |
| Gold/Oil Ratio            | Elevated                             | <20x            | Oil could trade substantially higher.  |
| ETH Collateral Ratio      | 38.3%                                | Trend direction | Key structural metric.   |
| Native ETH in DeFi        | 6.96M ETH                            | Rising          | Tripled from 2022. Conviction.   |

Green = bullish signal active. Red = active risk.

## 6. Scenario Framework

| Scenario | Prob. | Key Drivers  | BTC Range               |
|----------|-------|--|-------------------------|
| Bull     | 25%   | Aggregate liquidity ATH transmits. Hormuz resolves. Fed cuts. Stablecoin legislation passes. Contrarian signals confirm. BTC closes discount to liquidity.   | \$90K-\$120K by Q4 2026 |
| Base     | 40%   | Hormuz partially resolves. Effective liquidity stabilises. Treasury-led provision offsets Fed ambitions. Slow choppy grind higher. DeMark exhaustion confirms Q2-Q3.   | \$55K-\$85K range-bound |
| Bear     | 25%   | Effective liquidity downswing confirmed. Debt/liquidity ratio breaches 2.0x. Hormuz prolonged. Oil >\$150. \$65T debt wall meets liquidity trough (2027). Fed B/S cut + coordination failure. CPI >3% traps Fed. | \$30K-\$50K             |
| Tail     | 10%   | Oil reaches \$200-250. Full Gulf shut-in beyond 45-day buffer. Global energy shortage. Petrochemical chain collapse. Systemic debt crisis triggered by Treasury market seizure.                                  | <\$30K                  |

The uncertainty range has widened, not narrowed. The bull and bear cases have both strengthened on their own terms. We have introduced a distinct tail scenario to reflect the physical severity of the energy disruption and the approaching debt/liquidity danger threshold.

## 7. Our Positioning

The speculative excess has been cleared. The infrastructure underneath is stronger than ever: settlement volume, protocol revenue, and stablecoin market capitalisation (\$302 billion, +35% year-on-year) are all structurally higher than in 2022.

We hold three core positions, each serving a distinct role in the portfolio. Bitcoin is the monetary debasement hedge: as the \$65 trillion debt wall forces continued money printing, hard assets with fixed supply appreciate in real terms.

Gold is doing this already; bitcoin is the same thesis for a programmable, globally accessible store of value. Ethereum and Solana are the settlement infrastructure play: the rails on which tokenised assets, institutional DeFi, and agentic finance will run. The total addressable market for programmable settlement is not the current crypto user base. It is the entirety of global finance, plus every autonomous agent that will transact on these networks.

We are accumulating with discipline. The near-term environment is hostile, bond volatility elevated, the dollar strengthening, energy risk premium embedded, but the conditions for the next leg are assembling underneath. On a longer horizon, the global monetary system is bifurcating between a gold-backed Eastern bloc and a stablecoin-powered Western bloc. Our portfolio is positioned at the centre of the Western side of that equation.

## SOURCES

This House View synthesises analysis from the following sources:

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**Julien Bittel**, GMI / The Macro Investing Tool (Real Vision). MIT Business Cycle classification, GMI liquidity composites, contrarian signal framework, DeMark analysis, macro season regime model, Employment Dominoes framework, Fed Net Liquidity tracking, shadow QE via domestic bank balance sheets thesis, CFTC speculative positioning analysis, sentiment velocity indicators, October 10 collateral cascade forensic (1987 portfolio insurance analog), Bitcoin/S&P 1985-1991 correlation overlay.

**Jamie Coutts**, Alpha Crypto Pulse / Helios Analytics (Real Vision). On-chain DeFi collateral analysis, Bitcoin Cycle Risk Score, Trend Chameleon, DeMark crypto counts, ETH collateral composition, agent economy tracking.

**Michael Spyker**, HTM Energy Partners / a16z News. Physical energy market analysis, Strait of Hormuz transit data, production loss quantification, petrochemical price cascades, global inventory modelling.

**Andreas Steno Larsen**, Steno Research (Real Vision). Macro/inflation nowcasting, Eurozone energy sensitivity, ECB policy framing, US-EU divergence analysis.

**Raoul Pal**, Real Vision / Global Macro Investor. Everything Code framework, PBoC balance sheet expansion thesis, broader macro framing.