

# WEEKLY BRIEFING

Week of November 23, 2025

## Executive Take & Macro Regime

### Executive Take

Liquidity is tightening into year-end as the Treasury's cash build drains reserves and repo markets stay stressed. Credit spreads are drifting wider from historically tight levels, commodities remain weak, and the USD continues to pressure global assets. Markets are trading as if conditions are stable; funding markets say otherwise.

#### *This week's signal:*

- Liquidity deterioration accelerating
- Repo rates elevated above policy band
- Credit spreads widening modestly
- USD strength acting as a global drag
- Commodities signaling weak demand
- Equities ignoring structural stresses

*Risk is under-priced. Markets look calm on the surface; the foundations are not.*

### Macro Regime

The macro backdrop remains late-cycle with signs of stress emerging below the headline data.

#### Growth:

- Industrial activity soft, PMIs drifting.
- Mixed labor prints: payrolls up but unemployment ticked higher.
- Commodity demand weakness confirms softness in global activity.

#### Inflation:

- Disinflation continues but at a pace too slow for a clean pivot.
- Japan still dealing with elevated inflation despite large fiscal stimulus.

## Liquidity Check & Cross Asset Pulse

### Liquidity Check

The liquidity story is the dominant signal this week.

#### TGA Build:

Treasury's General Account sits near \$925B, a meaningful year-over-year increase. Every dollar moving into TGA is a dollar pulled out of the banking system. Reserves are tightening.

#### Repo Stress:

General collateral repo rates holding above the upper Fed target signal year-end funding strain. Elevated usage of Fed repo facilities confirms it.

#### QT Drift:

Even with talk of slowing QT, balance sheet runoff plus TGA build is reducing effective liquidity.

#### Bottom line:

**Net liquidity is deteriorating into year-end.**

*Funding cracks are early-cycle indicators of market stress. Risk assets are not reacting yet.*

### Tactical View (Equities, FI, Commodities, FX)

#### Equities

- Leadership remains narrow (megacap, AI).
- Breadth weak; cyclical participation thin.
- Downside risk rises if credit and liquidity weakness intensify.

**Signal:** Avoid chasing upside; favor quality over beta.

#### Fixed Income

- HY spreads near historically tight levels offer minimal cushion.
- IG remains the "safe" inflow magnet but lacks upside if growth slows further.

**Signal:** Underweight HY. Neutral to modest OW IG.

#### Commodities

- Weak demand profile across the complex.
- Gold inflows strong but price pressured by USD strength.
- Energy soft; industrials weak.

**Signal:** Tactical only; no broad commodity beta.

#### FX

- USD strength driven by rate differentials + risk caution.
- EM FX vulnerable; Asia pressured by policy divergence and Japan intervention talk.

**Signal:** USD strength is the pressure valve. A breakout would tighten conditions globally.

### Cross-Asset Pulse

Asset Class	Comment
S&P 500	Red on the week despite Friday bounce; leadership narrow
Treasuries	Curve flat (10-2 ~54 bps); still signaling caution
IG Credit OAS	Slight drift wider; caution returning
HY OAS	Modest widening; still historically tight
DX	Firm; headwind for EM and commodities
Gold	Flows positive but price soft on USD strength
Commodities (GSCI)	Weak; demand softening
BTC	High-beta sentiment rolling over with liquidity deterioration.

## Flows & Positioning | Theme of the Week | Trades

### Flows & Positioning

- Equity inflows remain resilient, despite weakening macro signals.
- Fixed income flows very strong, especially IG — classic late-cycle reallocation.
- Gold/commodity flows rising, signaling hedging behavior rather than optimism.
- Positioning remains crowded in large-cap tech, under-owned in value, EM, energy.

#### Takeaway:

*Flows are optimistic; positioning is concentrated; liquidity is tightening. This is a divergence worth respecting.*

### Theme of the Week - "Liquidity Tightens, Markets Relax - A Dangerous Divergence"

Everything under the surface is tightening:

- TGA draining reserves
- Repo elevated
- Credit drifting wider
- USD firm
- Commodities weak
- Curve flat

But markets are pricing stability:

- Tech leadership intact
- Flows into equities strong
- Risk premia compressed

This divergence rarely persists without resolution.

*Liquidity eventually asserts itself.*

### Contrarian Decoder —(Plain English for Clients)

Here's how advisors explain this to clients:

- "Washington's cash build is pulling money out of the system."
- "Short-term lending markets are stressed — banks want more for overnight loans."
- "Credit spreads are too tight for this late in the cycle."
- "A strong dollar makes global growth harder."
- "Commodity prices falling mean global demand is slowing."
- "Markets are calm only on the surface."

#### Client translation:

*Conditions are getting riskier even though prices haven't reacted yet.*

### Final Signal

This week's environment is late-cycle, liquidity-tight, credit-fragile, USD-strong, demand-soft.

#### Favor:

- Quality equities
- IG credit
- Cash + short duration
- Gold on weakness

#### Fade:

- Defensive sectors
- HY credit
- High-beta equities
- EM/commodity beta

#### Watch:

- Crowded megacap trades
- Repo spreads
- TGA trajectory
- USD breakout risk
- HY OAS widening
- Equity breadth

The path of least resistance is stability → wobble → adjustment.

Upside is capped; downside is mispriced.