

Global Liquidity Watch: Weekly Update

Is the Liquidity Backdrop Turning Less Supportive?

Global liquidity fell for the first time in almost three months as weaker collateral values and a stronger US dollar weighed on liquidity conditions. Still the collateral multiplier is at a record high indicating that collateral haircuts have yet to adjust to the recent jump in volatility. Investor risk appetite is easing, with flows shifting away from Asian EM toward commodity producers and the US

Global Liquidity Update

Our latest *flash* estimates show that Global liquidity edged lower last week to **US\$196.49tr**. This is the first weekly fall in nearly three months. The Shadow Monetary Base fell to US\$107.63tr. The collateral multiplier rose to a new record high of 1.83, reflecting the bigger fall in the SMB. This suggests that haircuts to collateral have yet to react to the sharply higher volatility of the last week or so. Growth rates confirm the ongoing divergence between headline and underlying liquidity growth but it's worth noting that the pick-up in near-term headline liquidity growth to 5.2% (3m ann.) is due to a base effect.

Summary of Changes

Liquidity was supported last week by:

- The record-high collateral multiplier
- A slight increase in Fed liquidity

But is under pressure from:

- US dollar strength vs. European currencies and the Yen
- Weakening collateral values

It has been held in check for some time by:

- Ongoing ECB, Bank of Japan and Bank of England QT

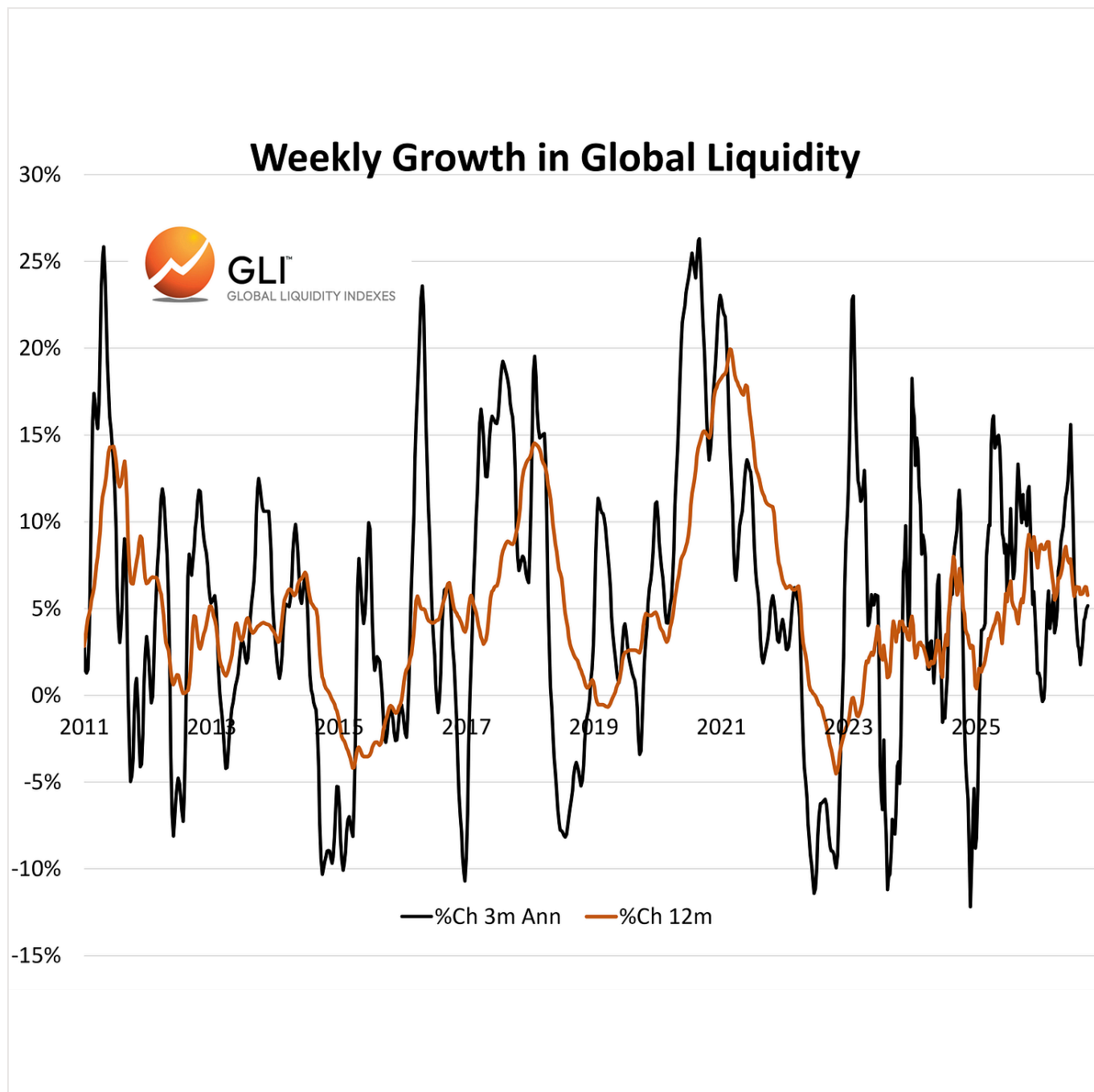
Global Liquidity "Full" and "Flash"



Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England

The next chart plots **annual** and **3m annualized** growth rates based on "**flash**" estimates.

- The pick-up in 3m annualised growth rates over the last 5-6 weeks is largely due to a base effect. Latest data record 5.2%
- At the same time, the flattening trend in annual growth rates since late-July point to a loss of momentum in headline liquidity expansion



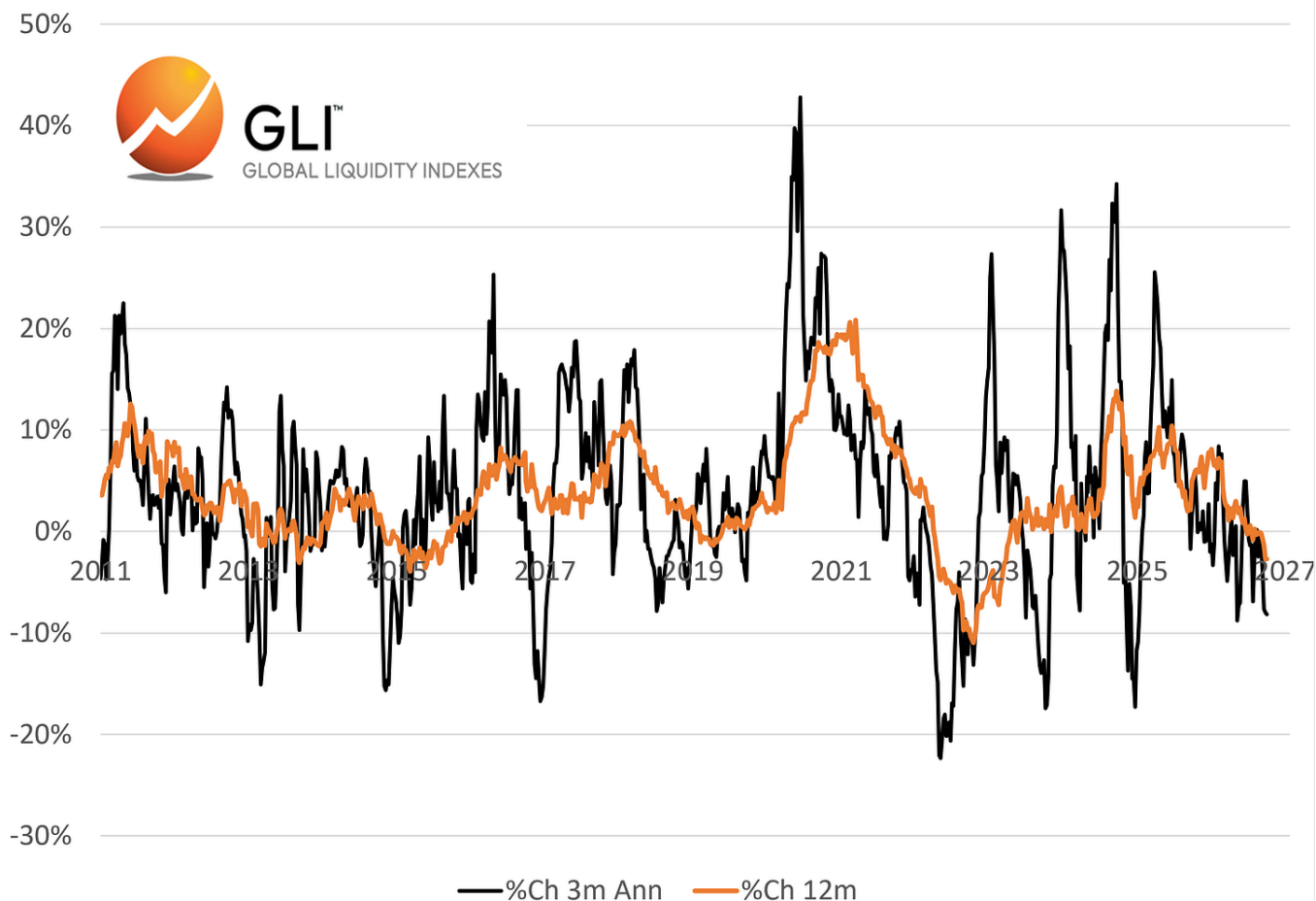
Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England

Shadow Monetary Base (SMB)

The **SMB**, comprising Central Bank liquidity and collateral (bonds), is the bedrock of global liquidity

- Nominal SMB has dipped to a new 16-month low of **US\$107.63tr**
- Growth rates confirm an ongoing loss of momentum in underlying liquidity creation
- 3m annualized growth has fallen to -8.2% and annual growth to -2.7%
- Weakening collateral (bond) values and the firmer dollar are now compounding the negative effects of already weak Central Bank liquidity growth

Growth in World Shadow Monetary Base



Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England

Collateral Multiplier

The **collateral multiplier**—highly sensitive to bond market volatility—is another key liquidity lever. Falling volatility reduces haircuts on collateral, thereby boosting the multiplier, while rising volatility depresses the multiplier.

Volatility ↓ → Haircuts ↓ → Multiplier ↑ → Liquidity ↑

- The **MOVE** index, a measure of bond market volatility, remains well above the 70-80 range recorded from April through September

- The earlier containment was unusual given the geopolitical and economic backdrop and is attributed to deliberate volatility suppression by the US Treasury
- Admittedly, the index has fallen back to circa 98 from the 114 recorded early last week) but it is still high by recent standards
- The collateral multiplier remains at record highs indicating that collateral haircuts have yet to adjust

See our latest post ***Will 2027 Prove a Recession Year?*** 9th October 2026

A strong **US dollar** is negative for global liquidity conditions, and vice versa. The dollar continues to gain against European currencies and is again strengthening versus the Yen

Key cross-rates:

- US\$1.32/£ (*US\$1.36/£ recent low*)
- US\$1.12/€ (*US\$1.17/€ recent low*)
- ¥158.1/US\$ (*¥153.2/US\$ recent low*)
- RMB6.71/US\$ (*RMB6.80/US\$ recent peak*)

US\$ Trillions	Global Liquidity 'Full'	Global Liquidity 'Flash'	Shadow Monetary Base	Collateral Multiplier
Jan 2024	170.20		98.61	1.73
Feb	170.23		98.94	1.72
Mar	169.86		98.63	1.72
Apr	169.14		98.40	1.72
May	170.32		100.00	1.70
Jun	169.86		99.39	1.71
Jul	171.39		101.89	1.68
Aug	173.75		105.47	1.65
Sep	175.77		106.99	1.64
Oct	173.69		104.52	1.66
Nov	172.48		104.08	1.66
Dec	171.57		102.03	1.68
Jan 2025	172.10		103.88	1.66
Feb	173.50		105.03	1.65
Mar	176.28		105.98	1.66
Apr	180.16		108.48	1.66
May	181.14		107.71	1.68
Jun	183.98		109.73	1.68
Jul	183.02		109.80	1.67
Aug	185.17		109.67	1.69
Sep	185.81		109.25	1.70
Oct	185.39		109.90	1.69
Nov	185.89		110.21	1.69
Dec	188.19		109.98	1.71
Jan 2026	190.66		111.19	1.71
Feb	191.65		112.26	1.71
Mar	190.44		108.62	1.75
Apr	193.23		109.94	1.76
May	194.03		110.23	1.76
Jun	193.22		109.94	1.76
Jul	194.98		109.03	1.79
Aug	196.16		109.54	1.79
31/07/2026	194.98	193.64	109.03	1.79
07/08/2026	195.22	194.08	110.31	1.77
14/08/2026	195.45	194.44	109.39	1.79
21/08/2026	195.69	194.87	109.55	1.79
28/08/2026	195.93	194.93	109.54	1.79
04/09/2026	196.13	195.38	109.45	1.79
11/09/2026	196.13	195.75	109.36	1.79
18/09/2026	196.17	196.18	108.79	1.80
25/09/2026	196.21	196.30	107.77	1.82
02/10/2026	196.39	196.59	107.94	1.82
09/10/2026	196.40	196.49	107.63	1.82

*\ Monthly data (full) are based on data for all 90 countries that we cover. They comprise Central Bank and private sector liquidity. These values can be restated due to seasonal adjustments and revisions to underlying data.**

\\ Weekly data (flash) are an intra-month estimate of the monthly data. They are based on Central Bank data for the major five CBs: US Federal Reserve, People's Bank of China, ECB, Bank of Japan and Bank of England; G7 plus China high-grade collateral values; and a collateral multiplier and bond market volatility.

Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England

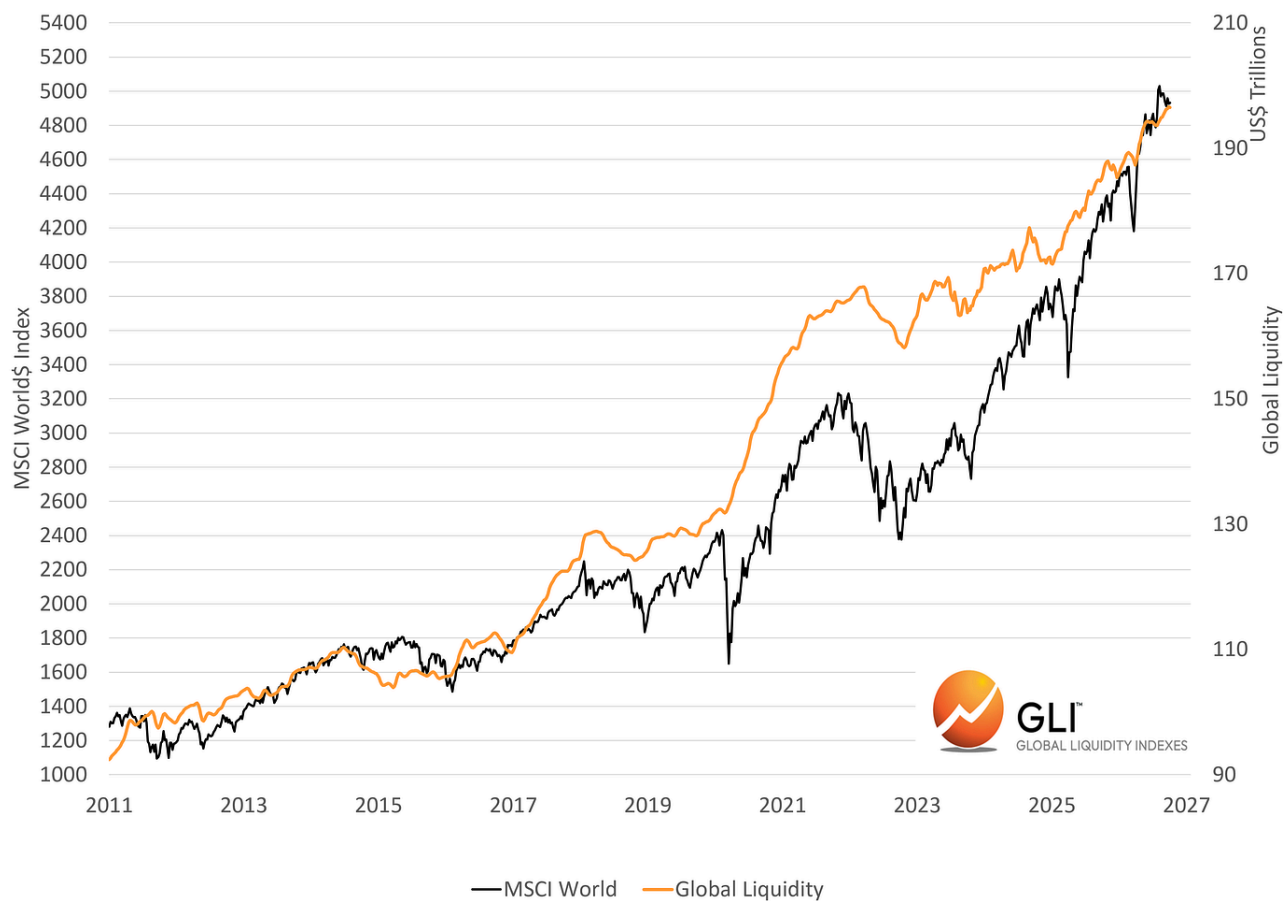
Liquidity, Risk Assets, Gold and Bitcoin

There is a strong correlation between **Global Liquidity** and the performance of **risk assets**, measured for example by the ***MSCI World Index***. Historical data shows that changes in liquidity frequently lead changes in risk asset prices, with a roughly three-month lag. Specifically, increases in global liquidity tend to be followed

by positive performance in risk assets, while decreases in liquidity tend to precede periods of weaker risk asset performance.

- *Q1 / Q2 : A US\$2.5 trillion liquidity expansion in Q1 fuelled a powerful 13% rebound in risk asset prices (measured by the MSCI World) in Q2*
- *Q2 / Q3 :*
- *Global liquidity continued to expand in Q2 but it peaked in May as the positive tailwinds of low market volatility and firm collateral values, together with PBoC liquidity injections met the negative headwinds of generally weak global Central Bank liquidity growth, a stronger dollar, and rising real-economy demand for liquidity*
- *This limited asset price gains in Q3. The MSCI World index rose by just 1.6% in the quarter*
- *Q3 / Q4? :*
- *Global liquidity levels hit new highs in Q3 but growth measures indicated that momentum was slowing. Compare the 5.0% 3m ann. in the final week of September with the average 11% equivalent rate in June/July*
- *We are in the late-stage “**Speculation**” phase of the liquidity cycle. This calls for a more selective investment approach*

MSCI & Global Liquidity @Flash

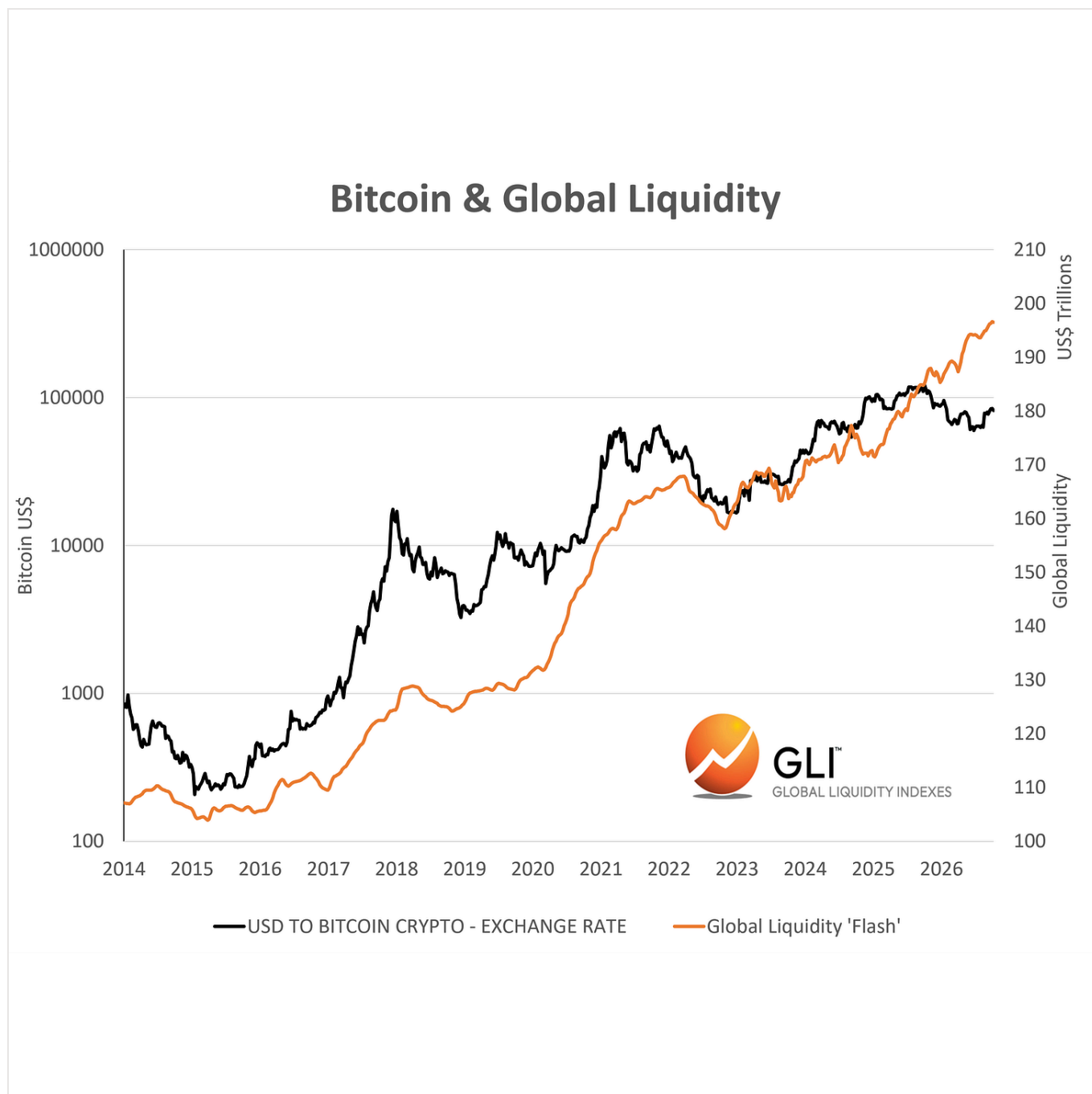


Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, MSCI

Gold and **Bitcoin** are also sensitive to fluctuations in Global Liquidity, often described as *monetary inflation*, with a lag of approximately three months. These assets tend to perform positively when liquidity expands and lose momentum or correct when liquidity contracts. In particular, Fed liquidity drives Bitcoin, while PBoC liquidity drives gold

- Q1 / Q2 : Federal Reserve liquidity expanded in Q1 and propelled **Bitcoin** prices to circa US\$80,000 by mid-May
- Q2 / Q3 : Fed liquidity stalled in Q2 and Bitcoin prices responded by falling to circa US\$60,000. They recovered and ended the quarter just below US\$84,000. Still, they remain well below the near-US\$125,000 recorded in October 2025

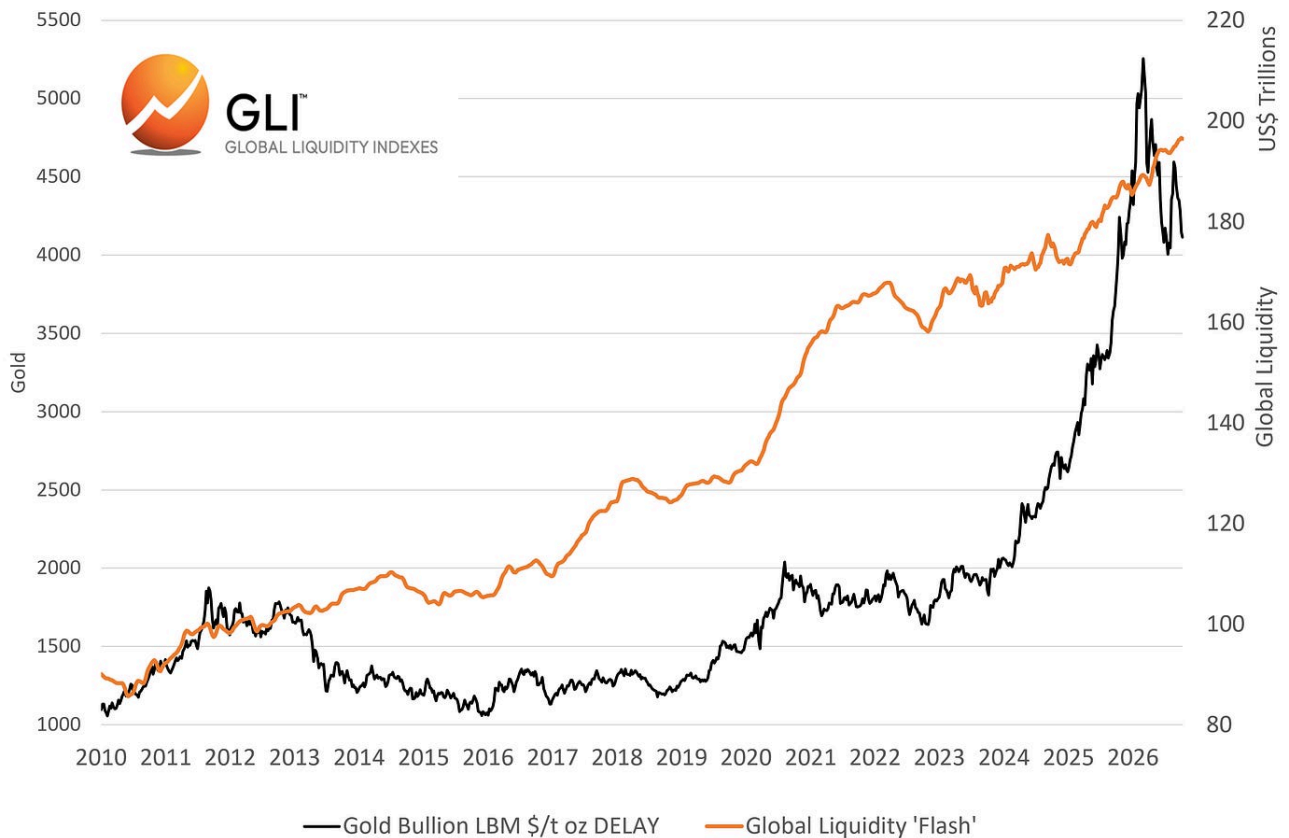
- Q3 / Q4? : Fed liquidity weakened through Q3. Bitcoin prices seem pinned below US\$85,000



Source: GL Indexes, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England

- Q1 / Q2 : Profit-taking and dollar strength combined with stalled PBoC liquidity injections in Q1 to drive prices lower in Q2. **Gold** prices fell back to circa US\$4,000 in Q2
- Q2 / Q3 : PBoC liquidity slipped a tad in Q2. Despite a jump to US\$4,700 in August, gold prices ended Q3 around US\$4,100. This is roughly in line with end-June levels
- Q3 / Q4? : PBoC liquidity trended higher through Q3 but the stronger US dollar is weighing on the gold price

Gold & Global Liquidity



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

See our post [Is the Fed Deliberately Behind the Curve?](#) 12th October 2026

Investors' Risk Appetite

The next three charts plot our investor exposure indicators. These compare holdings of **risk assets** to holdings of **safe assets** in global portfolios. (A positive value denotes that investors are "risk on" and a negative value "risk off")

- **Global investors** are gradually reducing exposure to risk assets (latest +37 vs. late-August peak of +45)

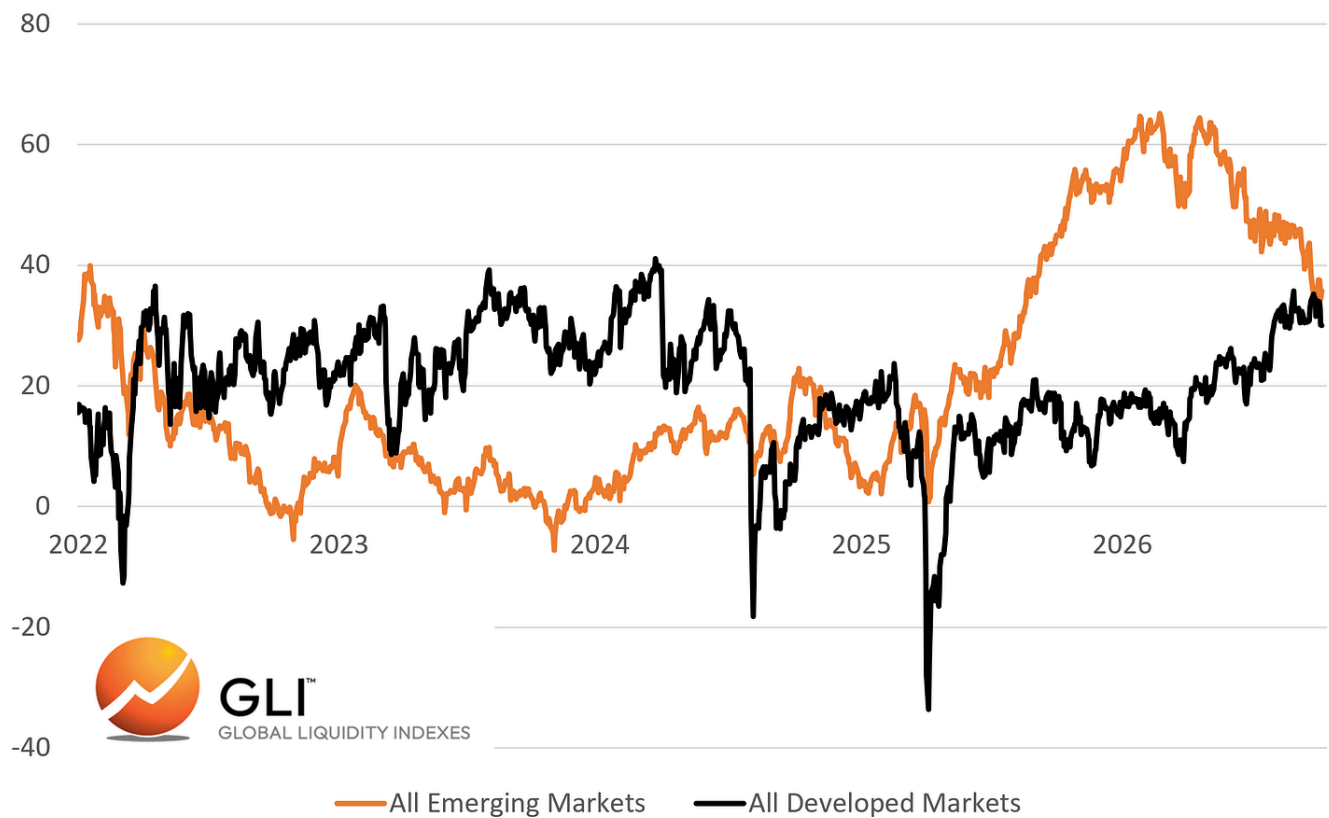
- They have been rotating away from **Emerging Markets** (+36) and towards **Developed** (+30) since April. Both slipped in the latest data
- Within EM, investors are adding to their holdings of **commodity-producing** regions such **Latin America** (+41) and reducing **Asian EM** (+49). This is consistent with the current **Speculation** phase of the Liquidity Cycle
- At the major country level, investors have cut exposure to **China** (+27) and are gradually reducing **Japan** (+51), in favour of the **Eurozone** (+22) and the **US** (+22)
- Within the Eurozone, investors remain risk off in **France** (-23) and risk on in **Germany** (+19) and **Italy** (+22)
- **UK** exposure (-2) has fallen sharply since August

Investors' Exposure to Global Risk Assets

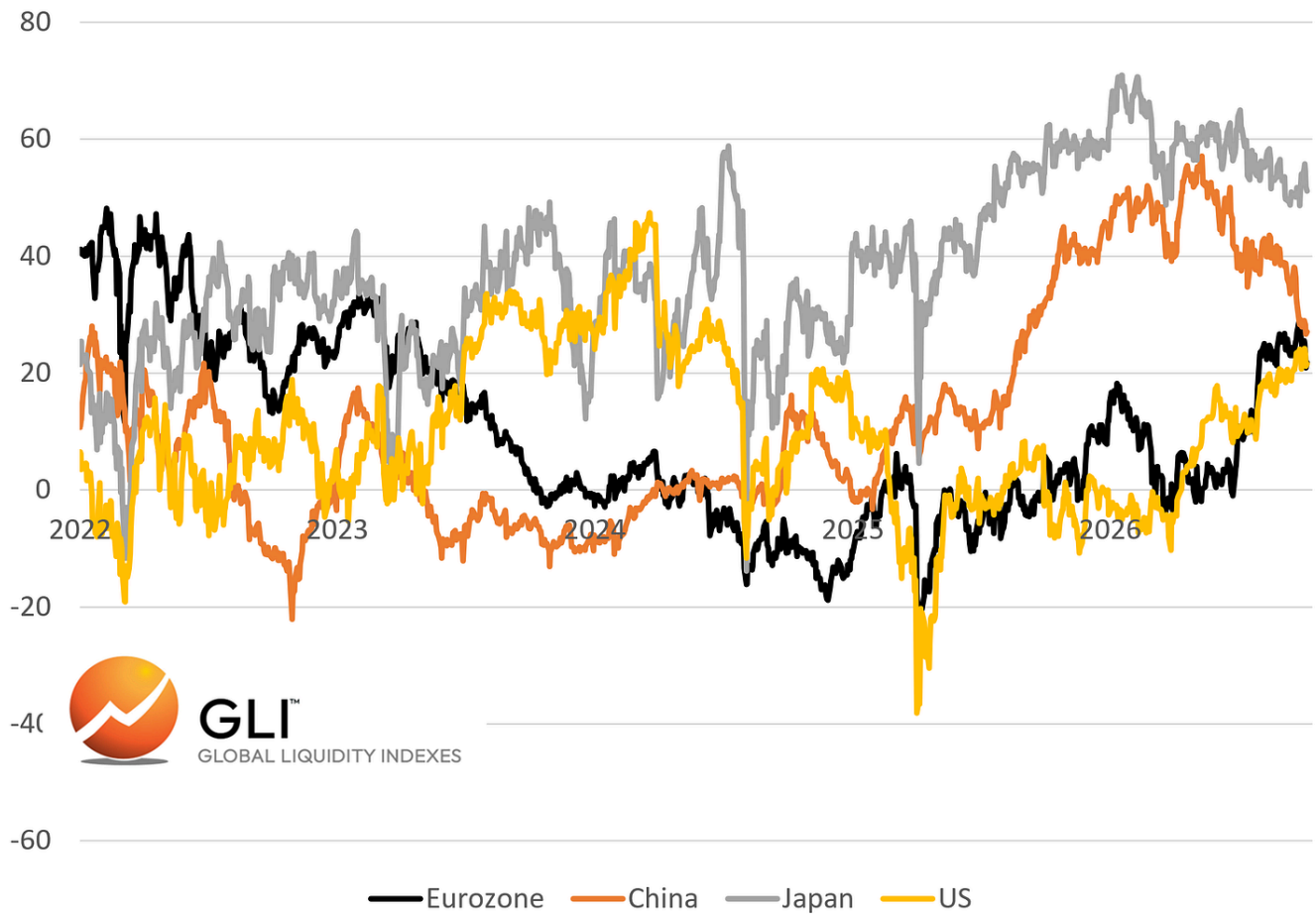


GLI™
GLOBAL LIQUIDITY INDEXES

Investors' Exposure to Developed Markets vs Emerging Markets



Investors' Exposure to Major Risk Asset Markets



Source: GL Indexes

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