

IN PARTNERSHIP WITH



The Macro Investing Tool

RV MIT Weekly Note

Raoul Pal · 21 September 2026

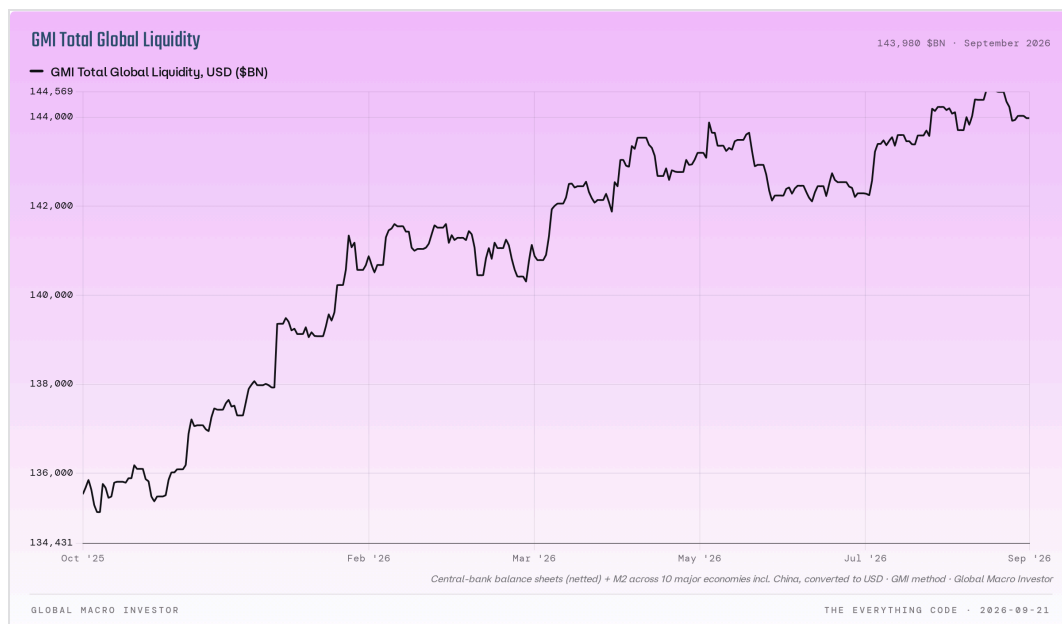


Liquidity is still lacklustre

...but the US is turning, and crypto has the most catching up to do.

RAOUL PAL // 21 SEPTEMBER 2026

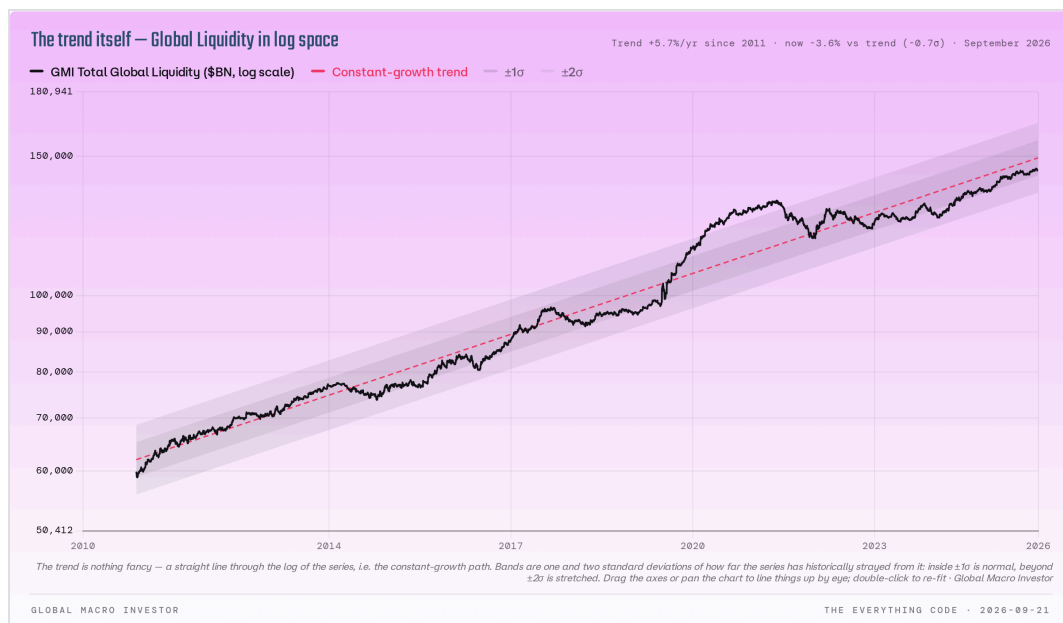
At the highest possible level, GMI Total Global Liquidity is sitting at \$144 trillion, having pulled back somewhat over the last couple of weeks as the dollar bounced, and it's now rebounding. The peak was \$144.75 trillion on the 8th of September; the dollar went from 98.8 back above 100 in the week of the Fed hike, and liquidity measured in dollars gave back about half a percent before turning back up.



That's the whole of the correction, and it's the reason I want to spend this note on liquidity, because it's the thing we haven't talked about enough recently; i.e., we've talked about financial conditions, and we've talked about inflation, but under The Everything Code, liquidity is the core driver.

The purpose of this note was never really to talk about markets, but rather to talk about the business cycle. Then again, sometimes the interplay between markets and the business cycle becomes very interesting...

Overall, the trend is still absolutely clear, and the log channel on the year-on-year versus trend dashboard shows it very clearly. Global liquidity has compounded at about 5.7% a year since 2004 on that fit, and it's currently sitting a touch below the line, about 3.5% under trend, which is exactly what a dollar bounce does to a series measured in dollars. That's the rate of debasement, and that's what matters.



Year on year, global liquidity has also been flat for a while, running between 5% and 7% since June after starting the year above 10%, and it's 5.7% today. That's one of the reasons things like the Nasdaq have been choppy, because the Nasdaq follows global liquidity more tightly than anything else does, and the choppiness was led by financial conditions tightening on the long end and oil.



Obviously, a lot of this comes down to the dollar, which is flirting with 100 again and sitting on a DeMARK 7 count, two days away from a 9, so my view remains that it rolls over from here.



In terms of the asset classes versus their long-term correlations with liquidity, Bitcoin is still discounted. There are still alligator jaws between the two and, again, it doesn't map perfectly, but it shows that Bitcoin is cheap versus the global liquidity trend, i.e., liquidity is up 5.7% on the year and Bitcoin is down 30% on the year at \$80,700.



The Nasdaq, on the other hand, has been following liquidity much more tightly, up 21% on the year and 3% off its high, and it still suggests more chop in the Nasdaq before anything changes.



As you read through this, you'll realize that different indicators give different outcomes, and we have to take all of that into account because nothing is perfect here. This is macro. It's a very complicated game, and I'm trying to make sense of it all for you.

Which brings me on to China...

I've been saying for a while that the liquidity game this cycle seems to be focused almost entirely on the US, and that things like Chinese liquidity don't really matter for asset prices right now. The PBoC balance sheet is growing at 7.6% year on year, and Chinese M2 at 7.5%, which are decent numbers, both slowing, and none of it has shown up in Bitcoin or the Nasdaq. I think that's a function of the tightness of the dollar market overall and the requirement for China to access dollars to fund its debts, and that's why Chinese liquidity doesn't really move anything until the dollar itself weakens.



We know Bessent has been working on exactly this. He met the Chinese yesterday at JP Morgan's headquarters in New York, with He Lifeng across the table and Greer alongside him, ahead of Xi's visit to Washington on Thursday, and the reported agenda was trade, AI guardrails, and critical minerals. I believe the real conversation is the currency and the demand for Treasuries, because right now there are not enough dollars in the global system, so what dollars there are flow into the asset that has the highest return on liquidity, which is AI.

Now, US liquidity, which is where a lot of the issues have been recently...

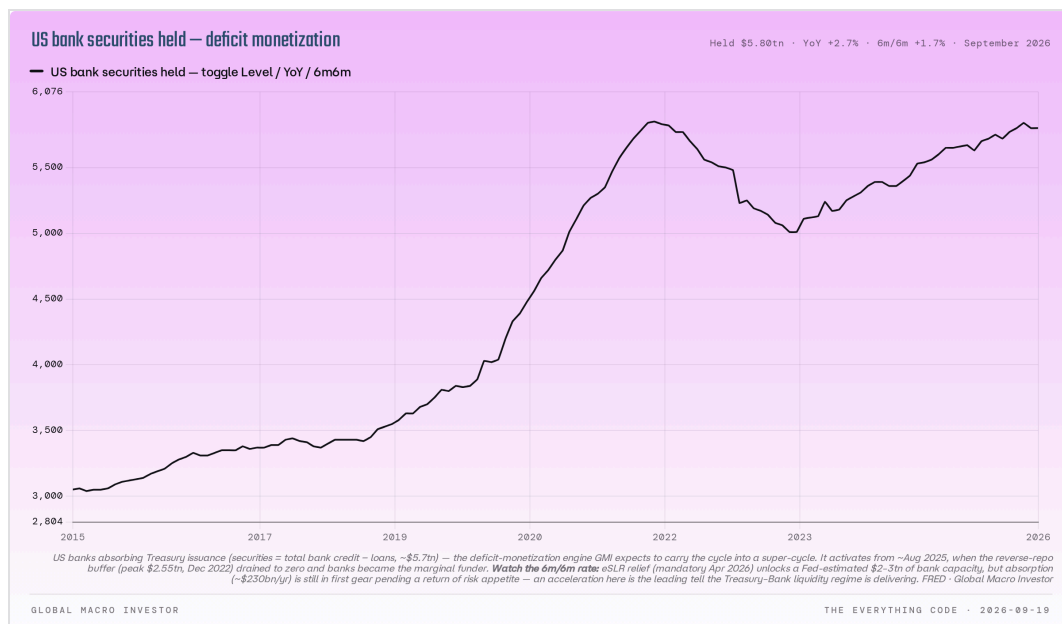
US liquidity has been going higher, and going higher very sharply on the broad measure, which includes all bank lending. Its year-on-year rate of change has broken out to 4.7%, the highest in four years, and the level itself is at an all-time high of \$25.7 trillion. That's decent, but if we go back to past cycles, you can see that they've generally got much further to go, i.e., the 2016 to 2019 cycle peaked at around 5.5%, 2015 at 8%, and the 2013 and 2020 episodes ran well into the teens. Normally we'd see this kind of liquidity running at somewhere between 5% and 10%, and we're not there yet, so liquidity year on year can continue to expand.



The narrow measure, which seems to be what matters for crypto right now, is still a bit stuck. It's only running at 1.7% year on year, but it is turning higher, having been negative as recently as the middle of August, and the three-month rate has just crossed back above zero.



For that to keep going, we need to see the banks take on more Treasuries, which hasn't started yet; i.e., bank holdings of securities have been flat at \$5.8 trillion for four months; we need the Treasury General Account to drain, which it has begun to do, from \$950 billion to \$880 billion; and we need the Fed to continue to build the balance sheet, which is a harder ask the week after it raised rates by 25 basis points to 3.75% to 4%.



Crypto is still closely following narrow liquidity, and its alligator jaws have yet to close... The relationship between narrow US liquidity and Bitcoin is the one that's held up over the last year, while the relationship with global liquidity has faded, so the direction seems pretty clear. Whilst crypto feels very strong, with Bitcoin up 5% on the week and 10% on the month, there are still a lot of headwinds, which means we might make some progress, then trade sideways before the next leg higher. That would make perfect sense to me.



Another hard thing in macro is figuring out whether it's the outright levels or the year-on-year rates of change that matter. Normally it's a mixture of the two, and you have to look at both (As I said, macro is complicated...)

When we look at US narrow liquidity versus Bitcoin in year-on-year terms, narrow liquidity is above zero now, and Bitcoin is still very low, at minus 30% on the year, so there is potential for further catch-up just from this measure as well.



Bitcoin also remains cheap on its log trend. It's still 40% below the mean, having been 52% below at the start of July.



It also sits roughly two standard deviations away from where the Nasdaq is against its own trend, i.e., Bitcoin is one standard deviation below its line and the Nasdaq is one above.



To sum this all up, liquidity is still lackluster... There are some signs in the US that it's picking up, but a lot of that is year-on-year comparison effects, i.e. the three-month rate on the broad measure is running at 3.9% against the 4.7% headline. Liquidity is growing somewhat, but the big issues, such as Iran, what happens to the dollar, and the yield curve, are still the most important factors here, and they need to get resolved before we can see a full liquidity flood.

However, it seems that whatever liquidity is flowing, it's time for it to flow into crypto for a while as it plays catch-up. Once we're getting closer to fair value, and don't forget it's roughly two standard deviations oversold versus the Nasdaq, then we'll think again, and look for the larger liquidity wave. In the meantime, remember that September going into the midterms can always be choppy. It's been choppy in the Nasdaq and positive in crypto; we've still got some time to go, and the midterms on the 3rd of November will always add some noise around that. It's after that we should start to see things move.

Next week I'm watching the outcome of the US-China talks. Iran seems to be coming to a crescendo, and Zelensky seems to be suggesting that there is a path with Russia and Ukraine, all of which have been on my framework for a while now. I'm also going to see whether crypto can maintain its momentum, even though leverage is building yet again.

—Raoul

Disclaimer

The information contained in this document is intended for informational and educational purposes only and does not constitute investment advice, an offer, or a solicitation to buy or sell any security or instrument. Nothing herein should be relied upon as a recommendation to adopt any investment strategy.

Views expressed are those of the contributors as of the date of publication and are subject to change without notice. Real Vision and its contributors may hold positions in the securities and instruments discussed. Past performance is not indicative of future results.

© 2026 Real Vision Group. All rights reserved. Not for redistribution.