

Does Liquidity Matter?

A Quantitative Analysis

Some say NO.

The math says YES.

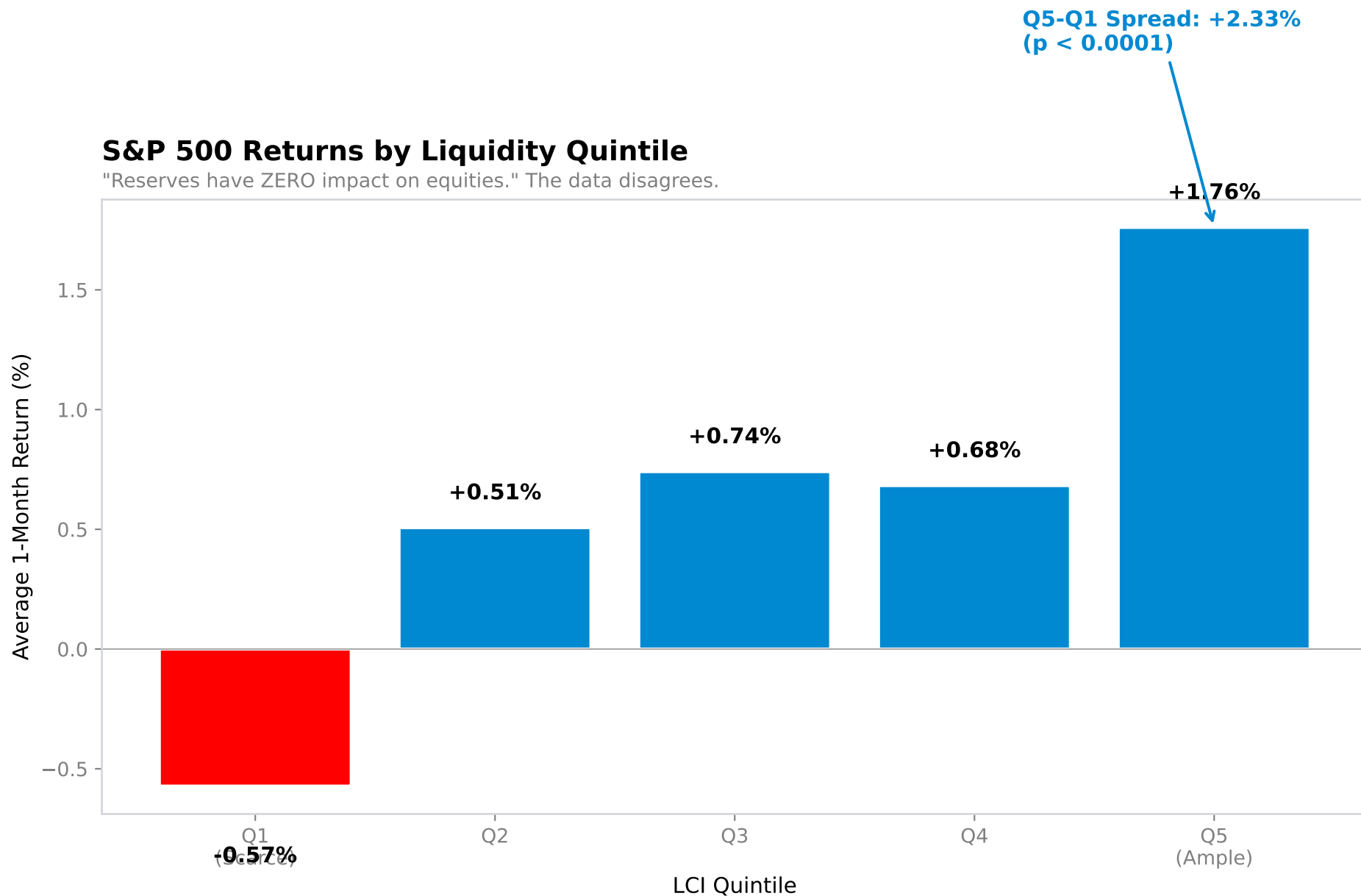
Lighthouse Macro

MACRO, ILLUMINATED.

January 25, 2026

S&P 500 Returns by Liquidity Quintile

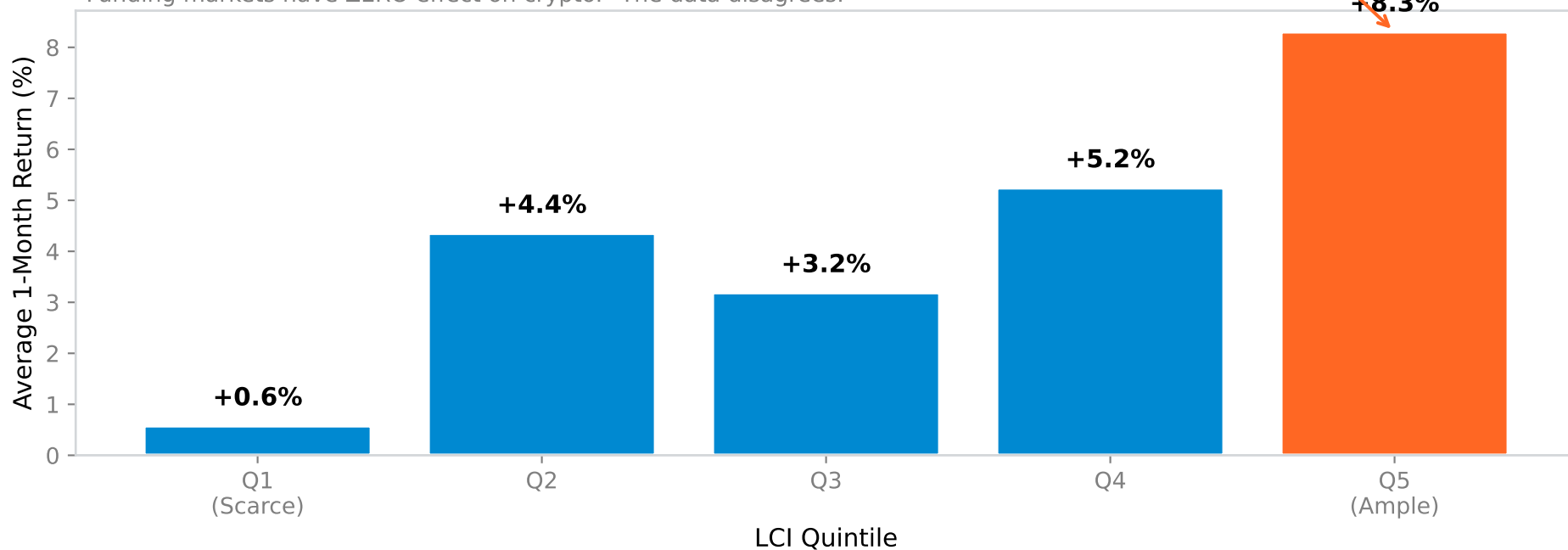
"Reserves have ZERO impact on equities." The data disagrees.



Q5-Q1 Spread: +7.7%
(p < 0.0001)

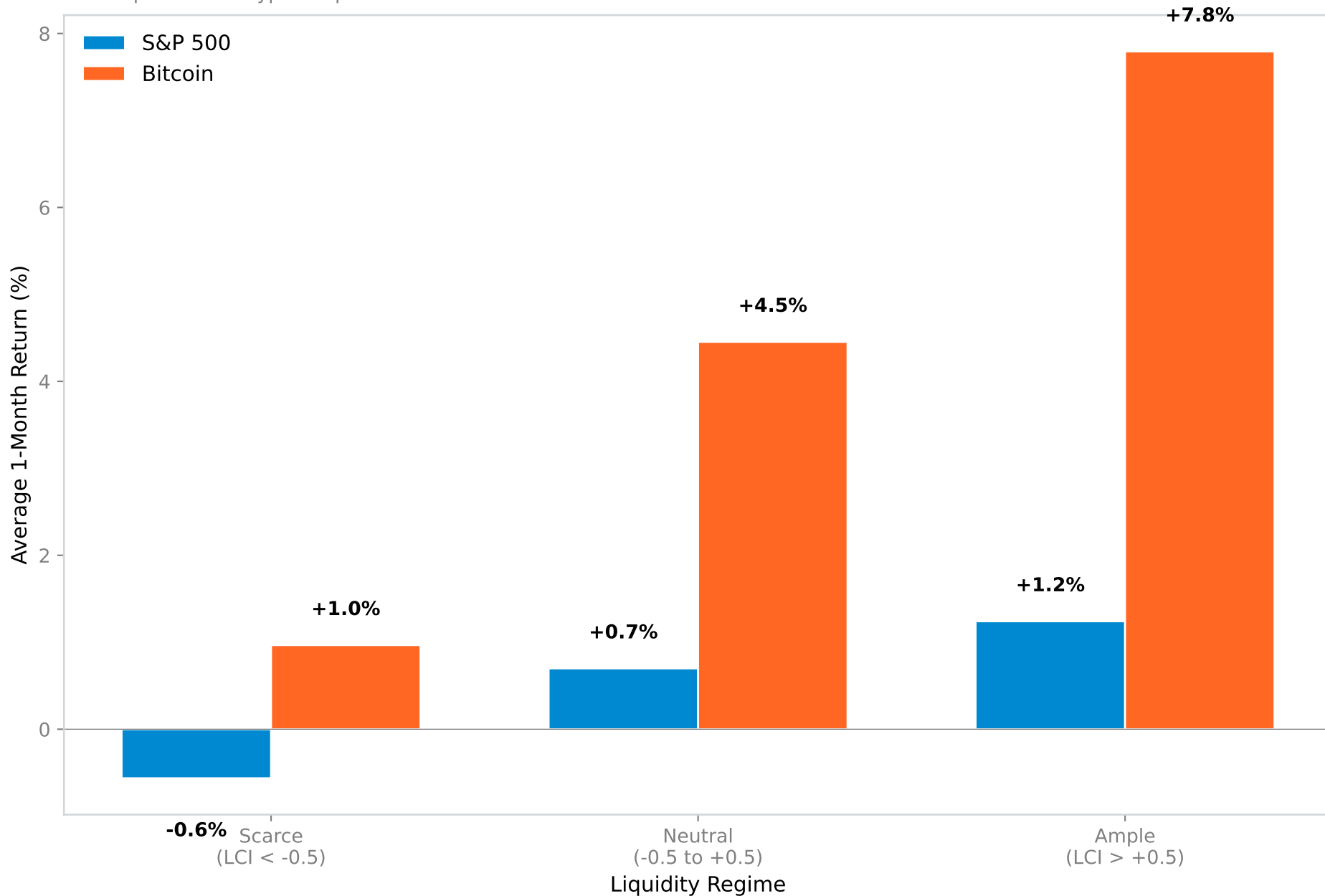
Bitcoin Returns by Liquidity Quintile

"Funding markets have ZERO effect on crypto." The data disagrees.



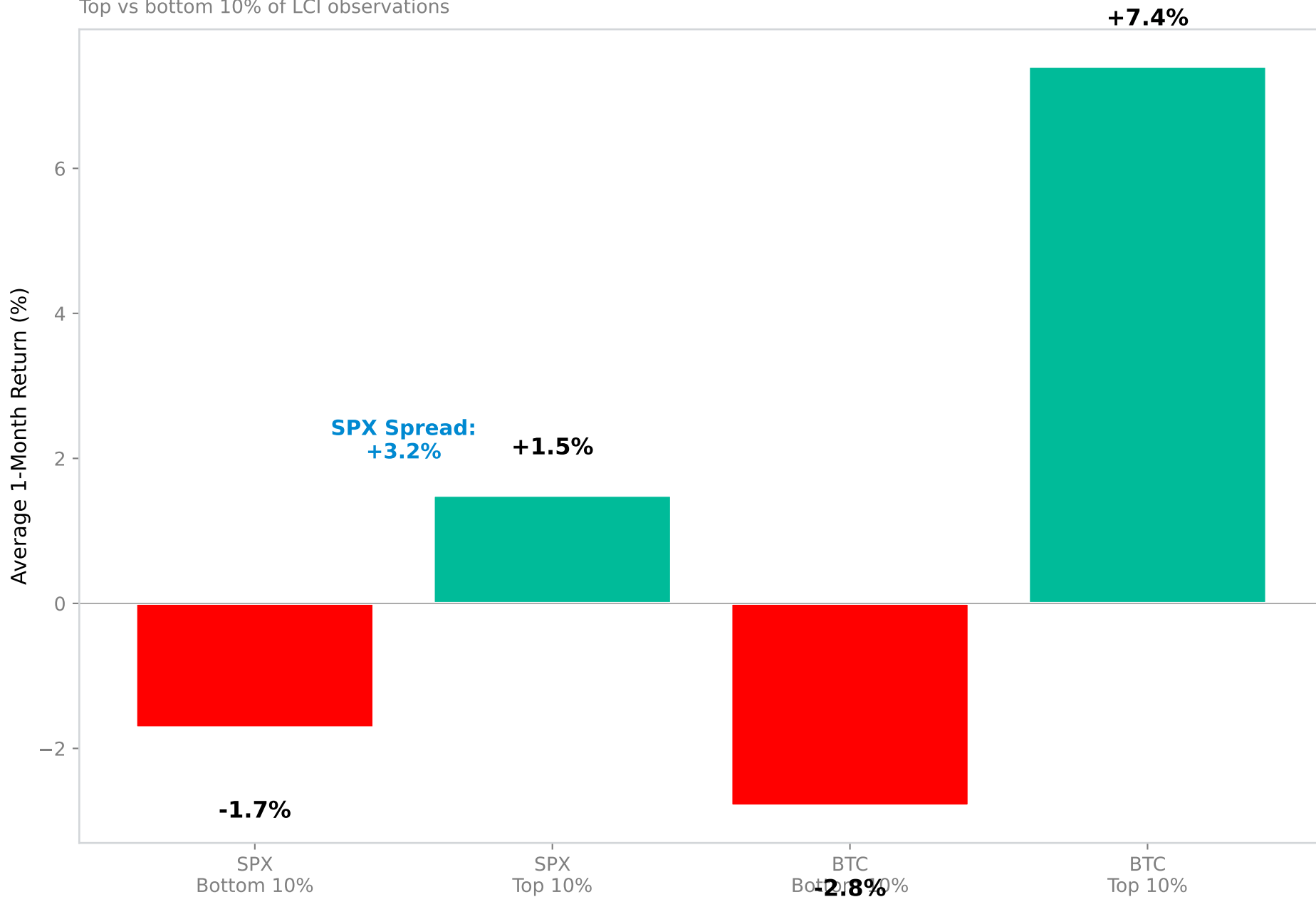
Returns by Liquidity Regime

Both equities and crypto respond to reserve conditions



Returns at Liquidity Extremes

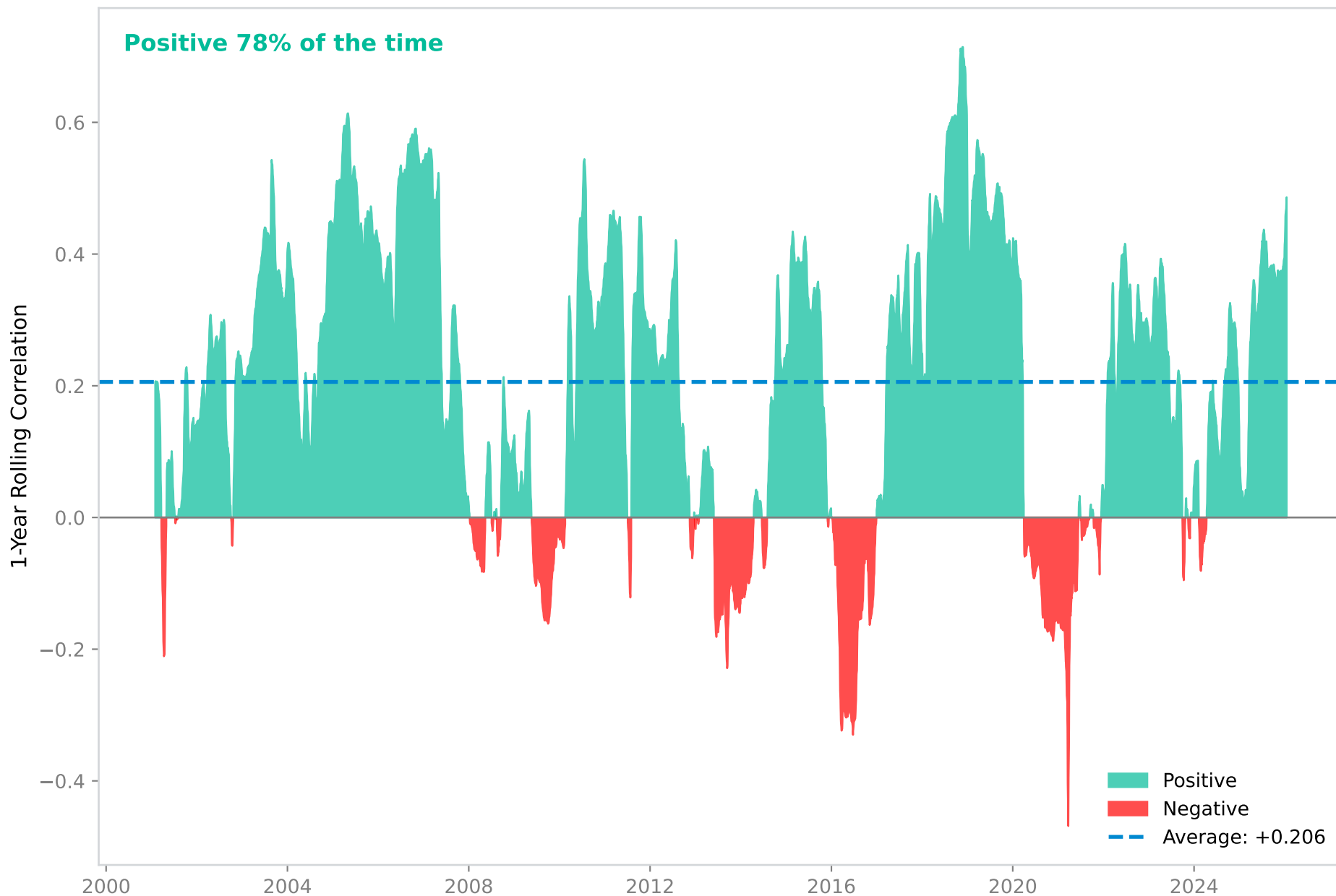
Top vs bottom 10% of LCI observations



LCI vs SPX: Rolling Correlation

Persistent relationship across 20+ years

Positive 78% of the time



For those unfamiliar: a p-value measures the probability of seeing results this extreme by random chance. $p < 0.0001 = 1$ in 10,000.

Every test in this report: $p < 0.0001$

The Claims:

"Funding markets have ZERO effect on crypto." "Reserves have ZERO impact on equities."

The Evidence:

Test	S&P 500	Bitcoin	p-value
Quintile Spread	+2.73%/mo	+10.56%/mo	< 0.0001
Regime Spread	+2.59%/mo	+8.06%/mo	< 0.0001
Decile Spread	+3.57%/mo	+15.25%/mo	< 0.0001

The Verdict:

Funding markets have a statistically significant effect on crypto.

Reserves have a statistically significant impact on equities.

Guess that actually was your quant.

I am my quant.

And my quant is good at math.

He's available for hire.

Bob Sheehan, CFA, CMT

Founder & Chief Investment Officer

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