LIGHTHOUSE MACRO

INSTITUTIONAL CHARTBOOK

Proprietary Macro Intelligence

TEST EDITION - Sections 1-2

Liquidity & Funding Stress • Labor Market Dynamics

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SECTION 1

LIQUIDITY & FUNDING STRESS

Framework: The Liquidity Foundation

The plumbing matters more than the narrative. While markets obsess over Fed meetings and inflation prints, the real story plays out in overnight repo markets, the RRP facility, and bank reserve levels. This section tracks the system's shock-absorption capacity—the cushion that determines whether volatility spikes get contained or cascade into crisis.

Key Indicators:

1. Liquidity Cushion Index (LCI) - Are reserves + RRP sufficient to absorb stress?
2. Yield-Funding Stress (YFS) - Is the plumbing cracking?
3. Repo Rate Dispersion - Are some participants getting locked out?

The Transmission Mechanism:

- High LCI + Low YFS = Ample liquidity, markets can absorb shocks
- Low LCI + Rising YFS = Vulnerable system, small shocks → big moves
- Repo dispersion widening = Funding fragmentation, crisis precursor

What to Watch:

- RRP drawdown below $500B (critical threshold)
- BGCR-EFFR spread > +15 bps (funding stress)
- Repo dispersion 99th-1st percentile > 50 bps (fragmentation)

Takeaway:

The 2008 crisis taught us: liquidity is binary. You have it until you don't.
These charts track the transition from ample to scarce—the most important regime shift in markets.

Liquidity Cushion Index (LCI): System Shock-Absorption Capacity

Source: NY Fed, FRED

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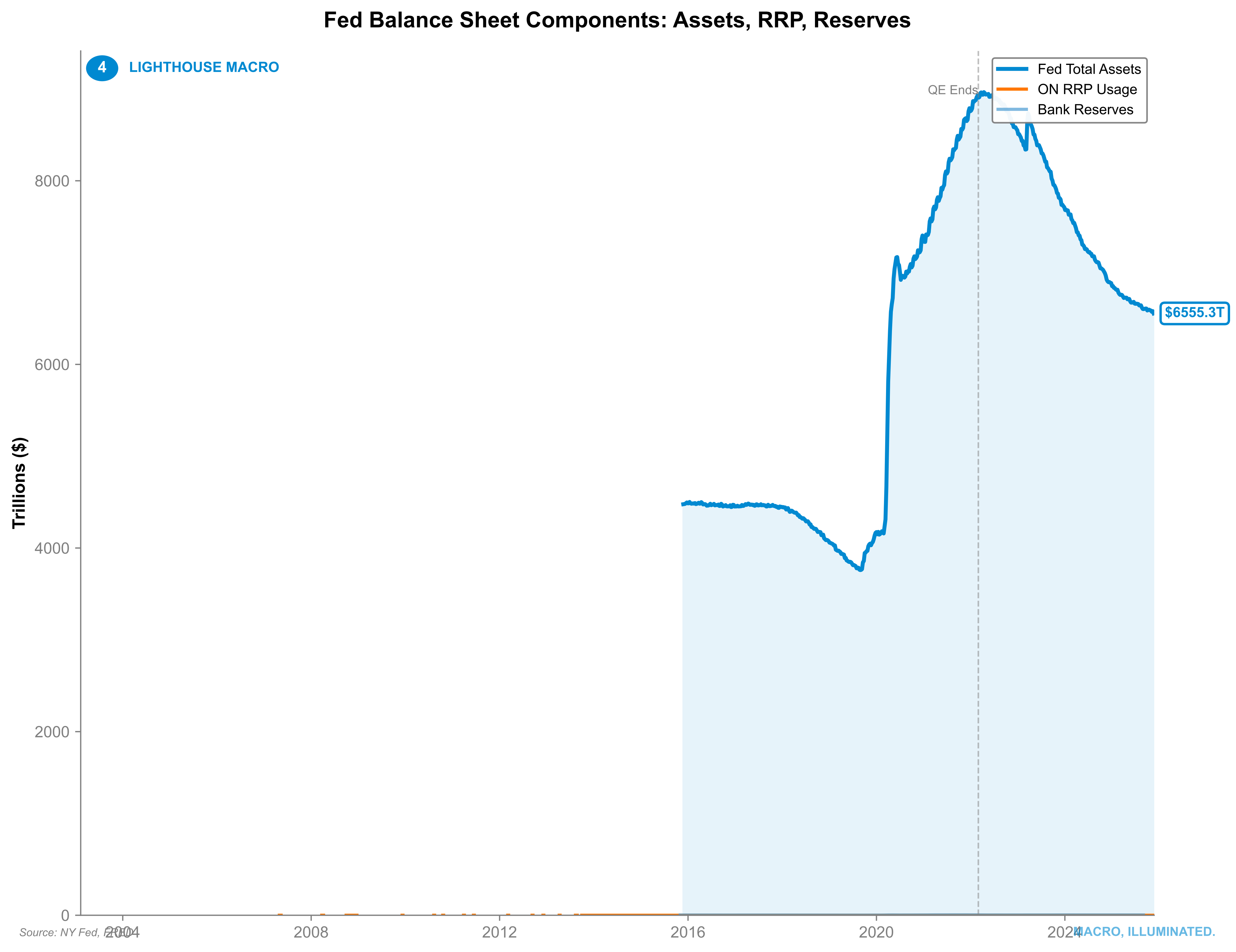
Repo Rate Dispersion Index: Funding Fragmentation


Fed Balance Sheet Components: Assets, RRP, Reserves
4
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Fed Total Assets
ON RRP Usage
Bank Reserves
QE Ends
$6555.3T
Trillions ($)
8000
6000
4000
2000
0
2004
2008
2012
2016
2020
2024
Source: NY Fed, FRED
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Treasury Market Liquidity: Bid-Ask Spreads & Market Depth

Swap Spreads: Interbank Credit Health

Primary Dealer Net Treasury Positions: Market-Making Capacity

Source: NY Fed (FR 2004)

SECTION 2

LABOR MARKET DYNAMICS

Framework: Labor as Leading Indicator

The unemployment rate is a lagging indicator. By the time it spikes, the recession is already here. We focus on flow variables—quits, hires, hours worked—that deteriorate 6-12 months before headline payrolls turn negative.

Key Indicators:

1. Labor Fragility Index (LFI) - How hard is it to find a job once unemployed?
2. Labor Dynamism Index (LDI) - Are workers confident enough to quit and upgrade?
3. Hours vs Employment Divergence - Are firms cutting hours before headcount?

The Sequence of Deterioration:

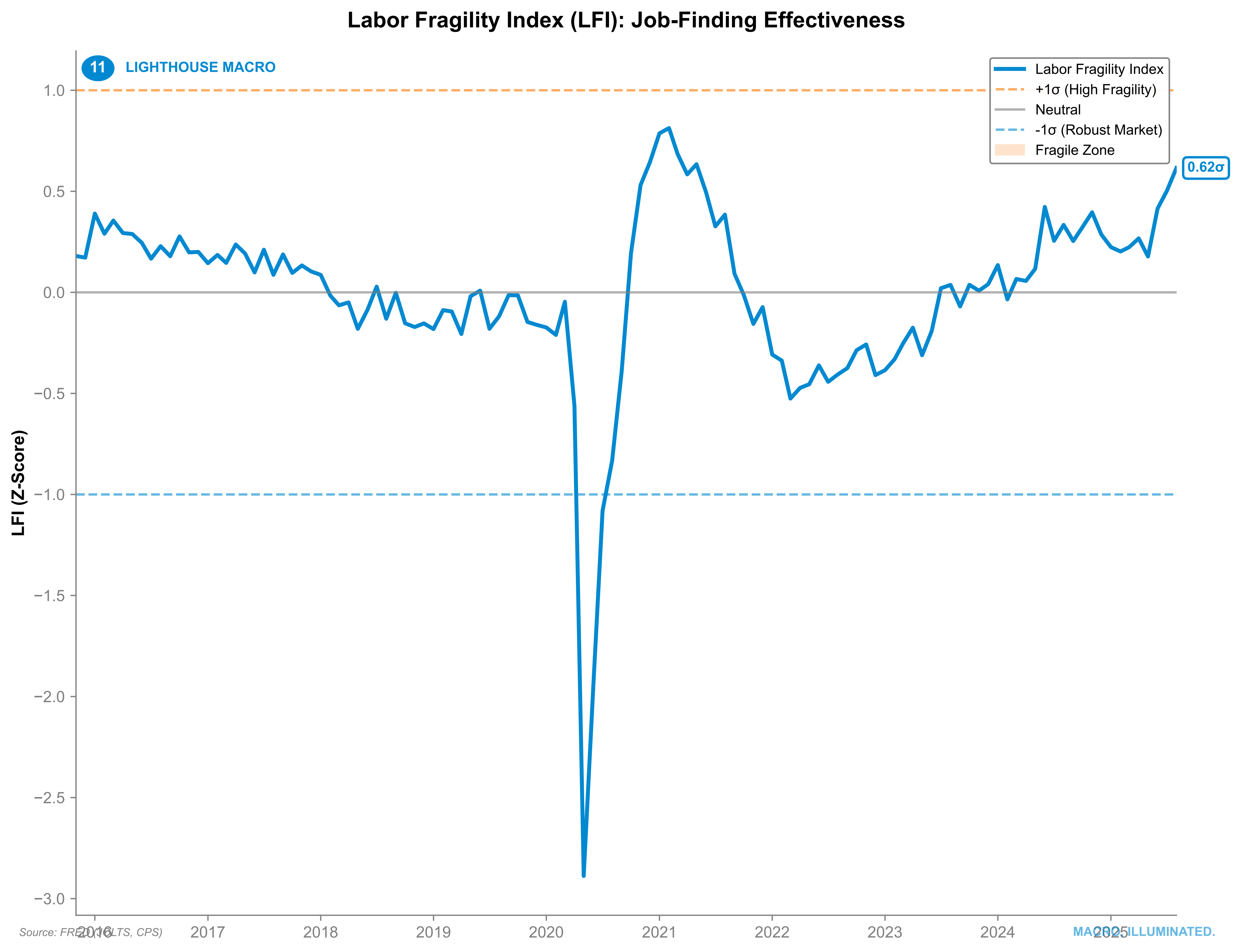
1. Quits decline (workers stop job-hopping)
2. Hours cut (reduce overtime, shift to part-time)
3. Temp workers laid off (easiest to cut)
4. Hiring freezes (stop backfilling attrition)
5. Permanent layoffs (unemployment rate rises)

What to Watch:

- Quits rate < 2.0% (vs 3.0% peak) = Late cycle
- Hours YoY < Employment YoY = Layoffs coming
- LFI rising while unemployment stable = Hidden deterioration

Takeaway:

"Payrolls can stay positive while quits slide—that's a late-cycle tell."
Don't wait for unemployment to spike. By then, the damage is done.



Labor Fragility Index (LFI): Job-Finding Effectiveness
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Labor Fragility Index
+1σ (High Fragility)
Neutral
-1σ (Robust Market)
Fragile Zone
0.62σ
LFI (Z-Score)
1.0
0.5
0.0
−0.5
−1.0
−1.5
−2.0
−2.5
−3.0
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Source: FRED (JOLTS, CPS)
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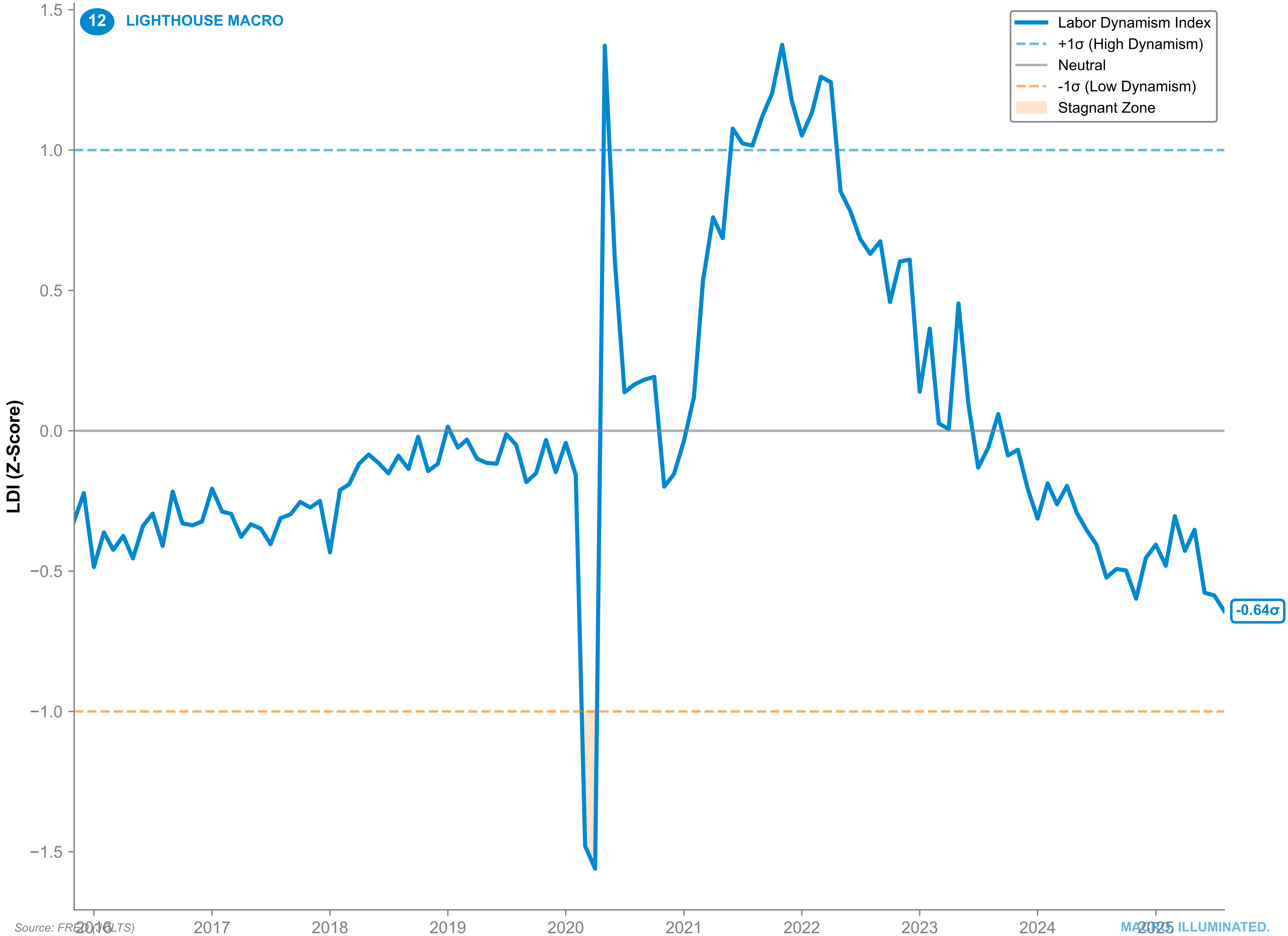
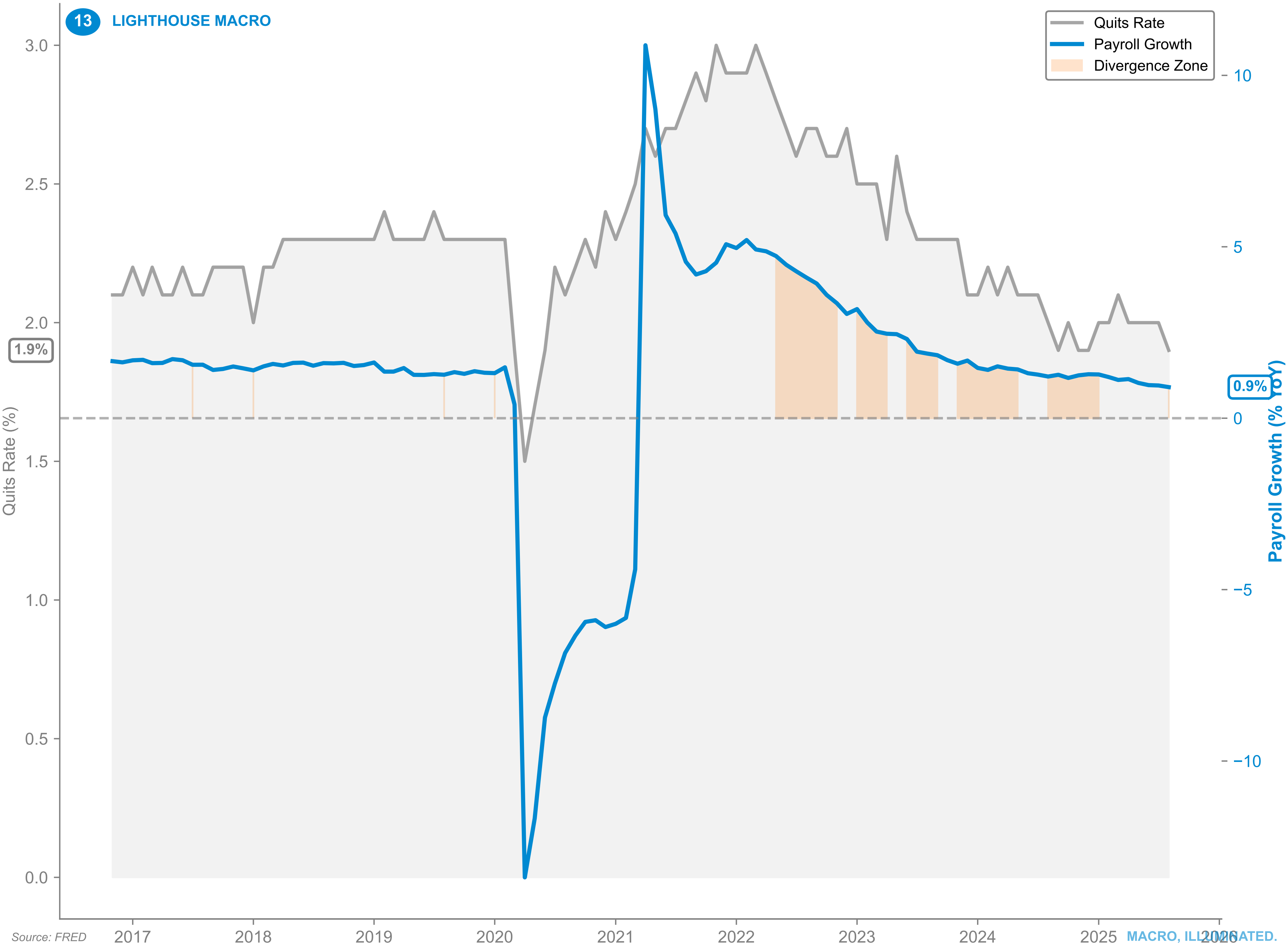
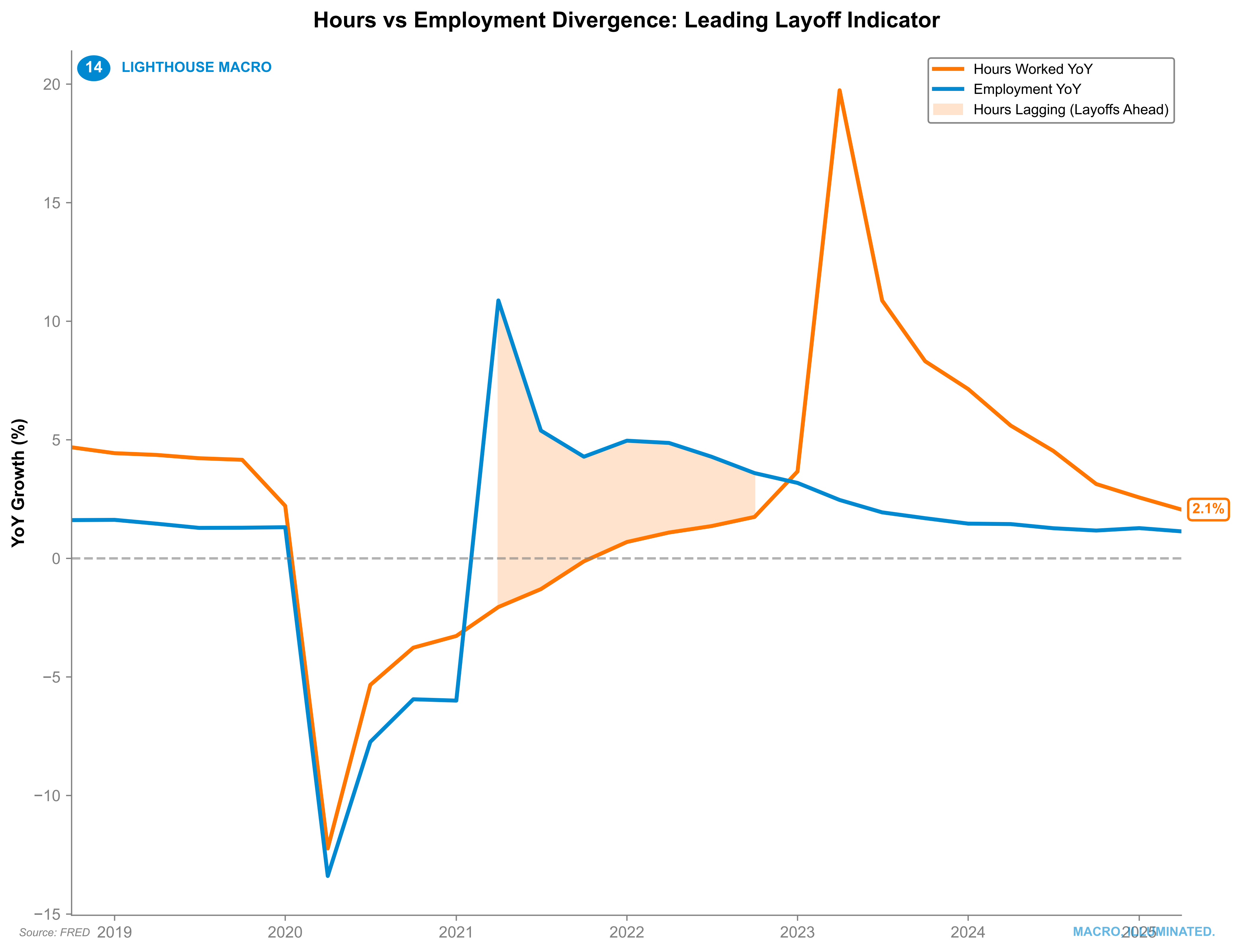
Labor Dynamism Index (LDI): Worker Optionality & Confidence



Payroll-Quits Divergence: Late-Cycle Labor Signal





Hours vs Employment Divergence: Leading Layoff Indicator
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Hours Worked YoY
Employment YoY
Hours Lagging (Layoffs Ahead)
YoY Growth (%)
20
15
10
5
0
−5
−10
−15
2.1%
2019
2020
2021
2022
2023
2024
2025
Source: FRED
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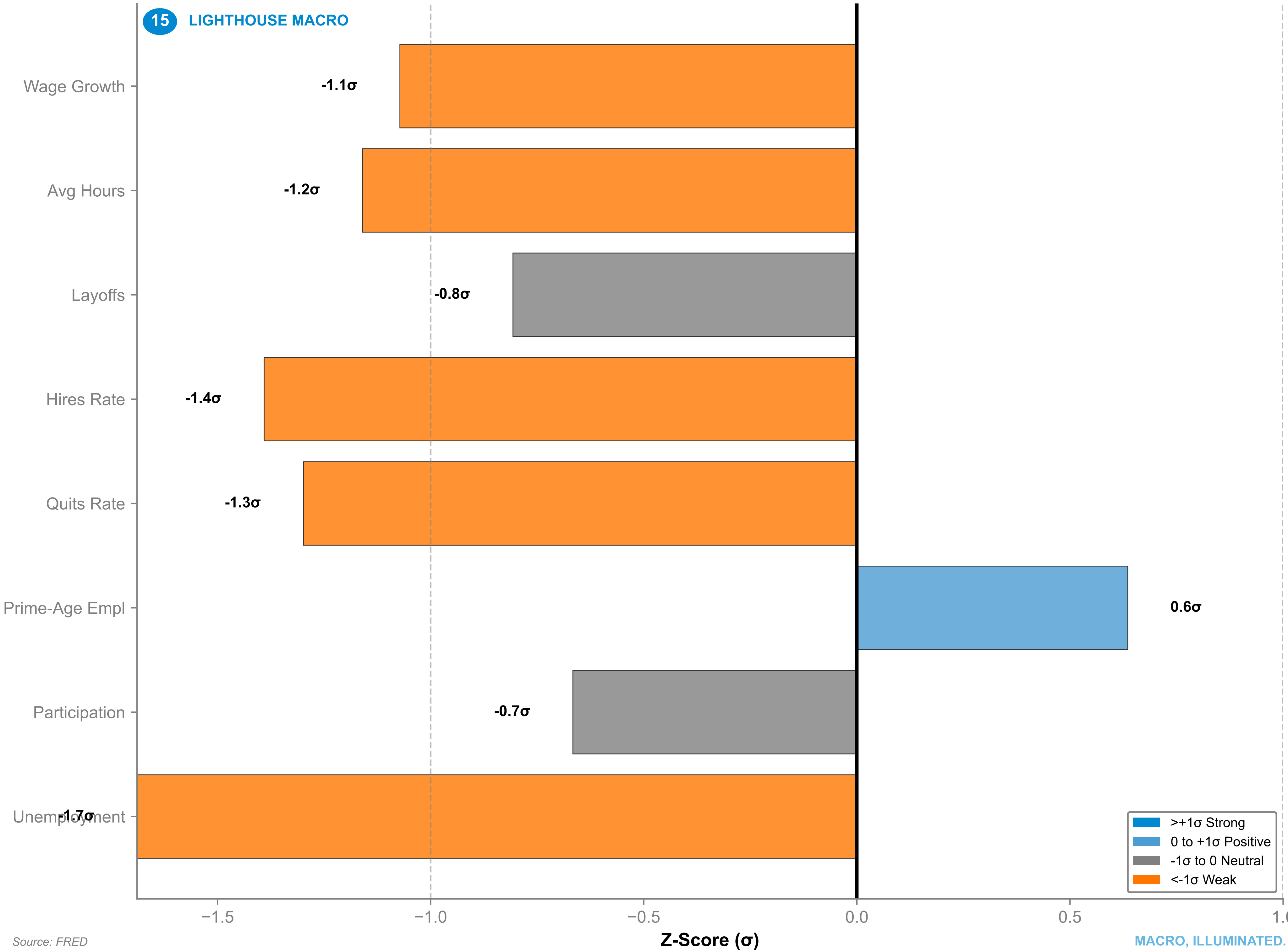
Labor Market Health Heatmap: 8-Metric Z-Score Composite



Source: FRED

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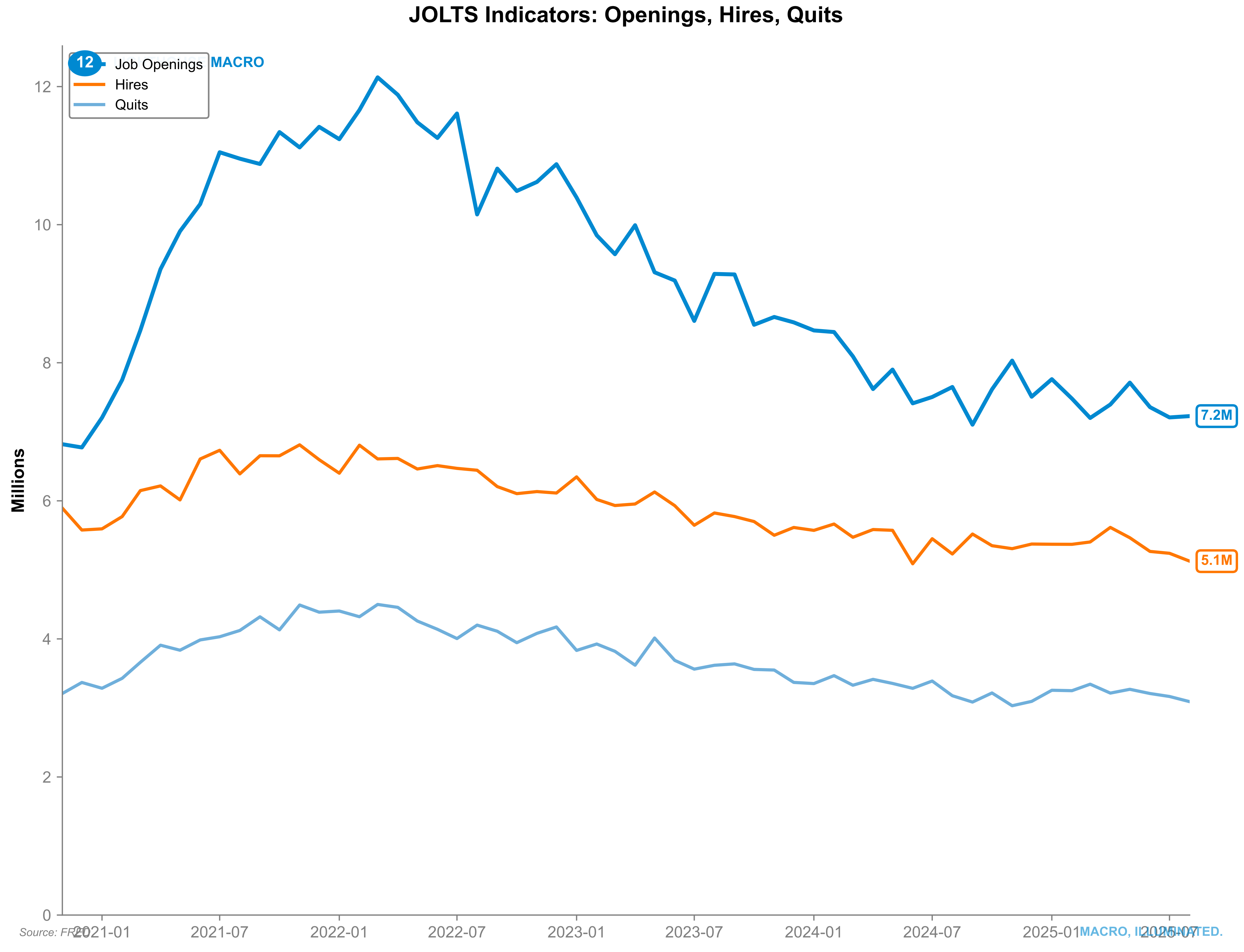

JOLTS Indicators: Openings, Hires, Quits
12
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Job Openings
Hires
Quits
Millions
12
10
8
6
4
2
0
7.2M
5.1M
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
2025-01
2025-07
Source: FRED
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Beveridge Curve: Labor Market Efficiency