

# LIGHTHOUSE MACRO

## INSTITUTIONAL CHARTBOOK

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*Proprietary Macro Intelligence*

TEST EDITION - Sections 1-2

Liquidity & Funding Stress • Labor Market Dynamics

Generated: November 22, 2025

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# SECTION 1

## LIQUIDITY & FUNDING STRESS

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### 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:

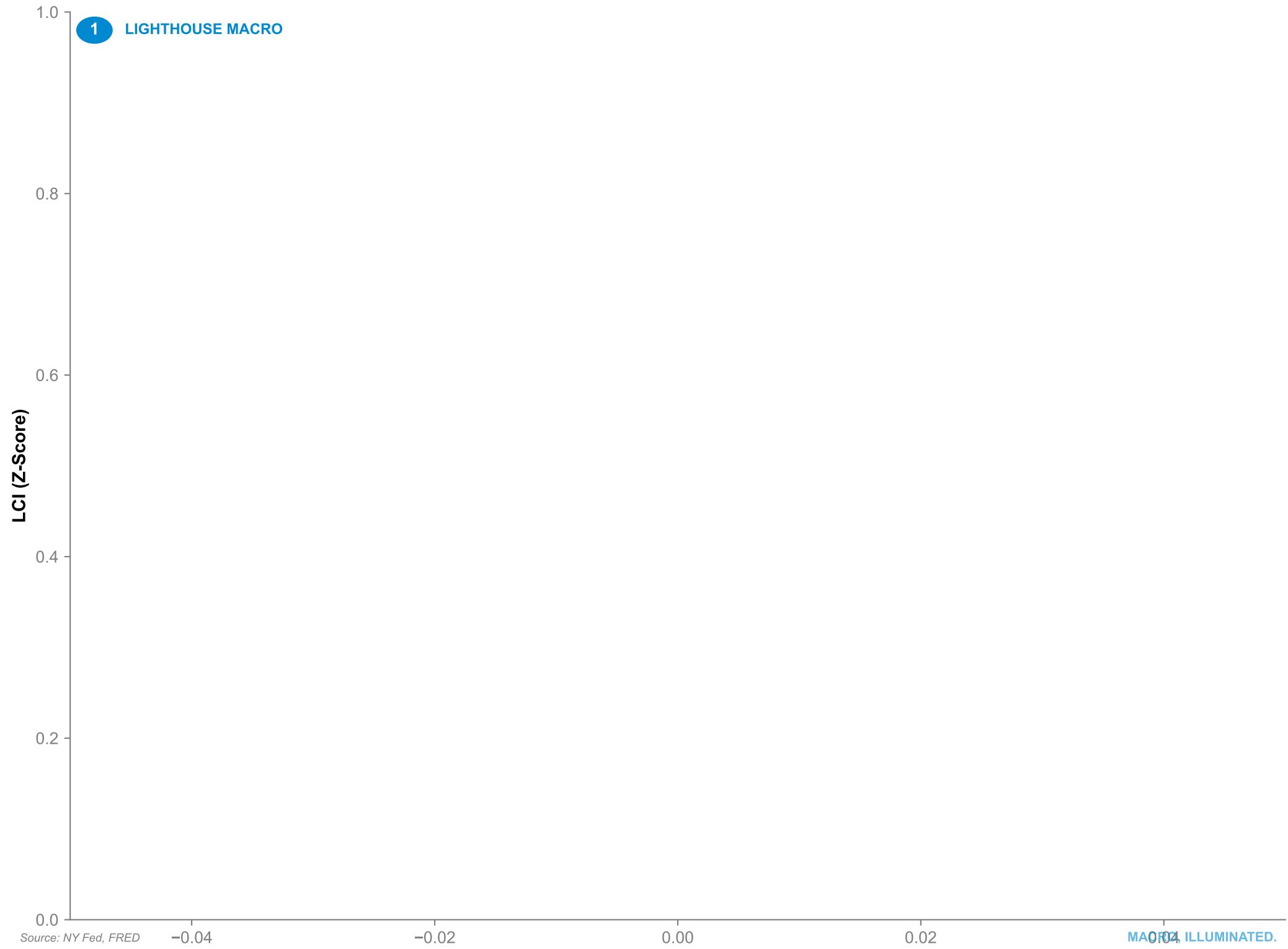
- RRP drawdown below \$500B (critical threshold)
- BGCR-EFFR spread > +15 bps (funding stress)
- Repo dispersion 99th-1st percentile > 50 bps (fragmentation)

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### 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



# Repo Rate Dispersion Index: Funding Fragmentation

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## Repo Rate Dispersion Index

Methodology:

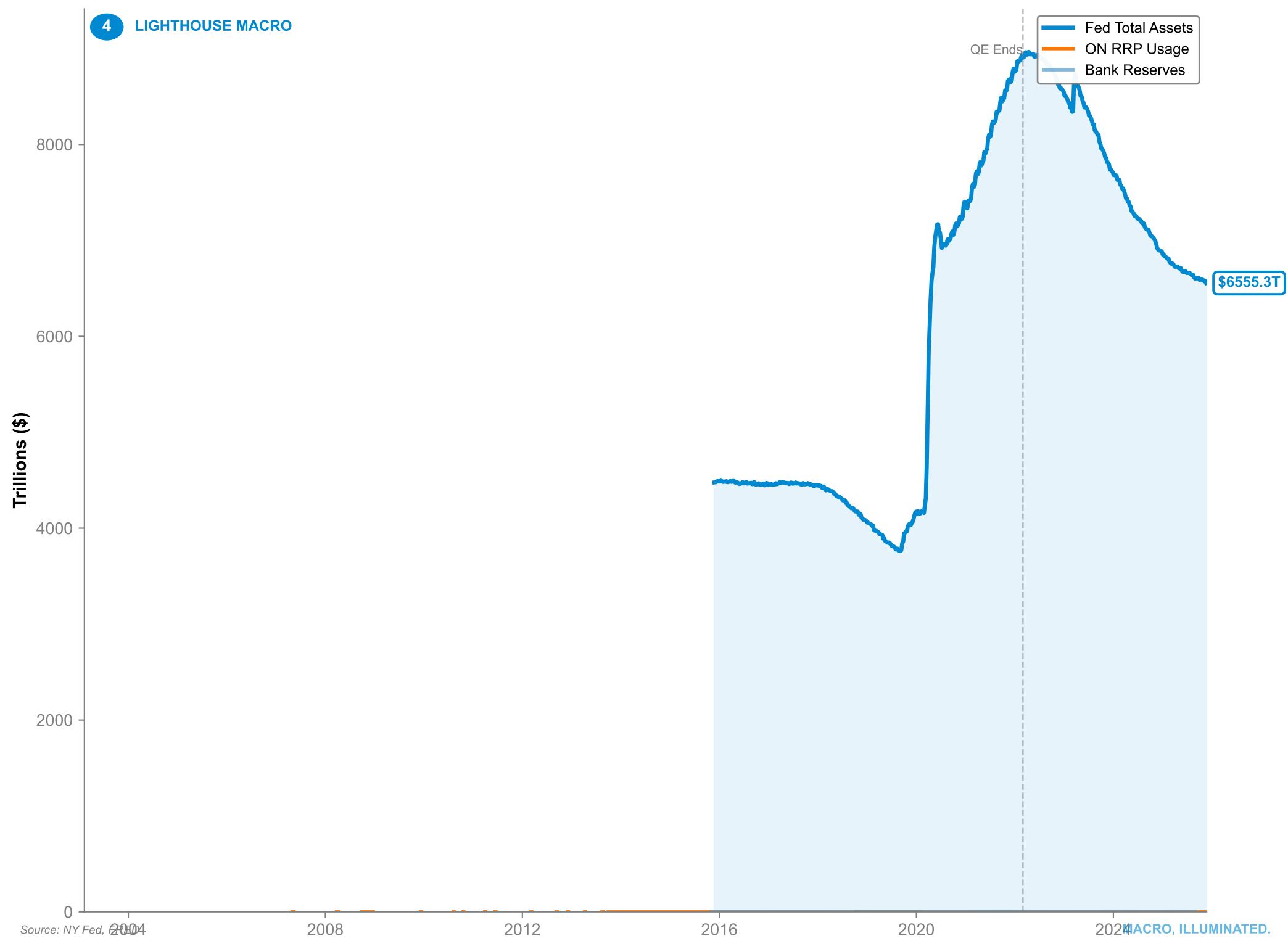
99th percentile BGCR - 1st percentile BGCR

Data Source: NY Fed BGCR Distribution  
(Requires manual data collection or specialized API)

Low Dispersion (<20 bps) = Healthy funding  
High Dispersion (>50 bps) = Fragmentation, pre-stress

## Fed Balance Sheet Components: Assets, RRP, Reserves

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# Treasury Market Liquidity: Bid-Ask Spreads & Market Depth

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## Treasury Liquidity Metrics

- Components:
- Bid-ask spreads (tightness)
  - Market depth (order book)
  - Price impact (resilience)

Requires: FINRA TRACE data or Bloomberg access

Proxy available: Treasury trading volume from FRED

Liquidity Score

1.0

0.8

0.6

0.4

0.2

0.0

# Swap Spreads: Interbank Credit Health

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## Swap Spreads Across Curve

Methodology: Swap Rate - Treasury Yield

Normal: Positive spread (20-40 bps)

Stress: Widening spreads (>60 bps)

Anomaly: Negative spreads (post-QE distortion)

Requires: Bloomberg or swap market data

FRED coverage limited for swap spreads

Spread (bps)

1.0

0.8

0.6

0.4

0.2

0.0

Source: FRED

-0.04

-0.02

0.00

0.02

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# Primary Dealer Net Treasury Positions: Market-Making Capacity

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## Primary Dealer Positioning

Net Long: Dealers warehousing supply (vulnerable to sell-off)  
Net Short: Facilitating client demand (potential short squeeze)  
Neutral: Efficient market functioning

Data Source: NY Fed FR 2004 Survey  
(Requires manual collection or specialized scraping)

Available breakdowns: Bills, Notes, Bonds

Net Position (\$B)

1.0

0.8

0.6

0.4

0.2

0.0

# SECTION 2

## LABOR MARKET DYNAMICS

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### 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:

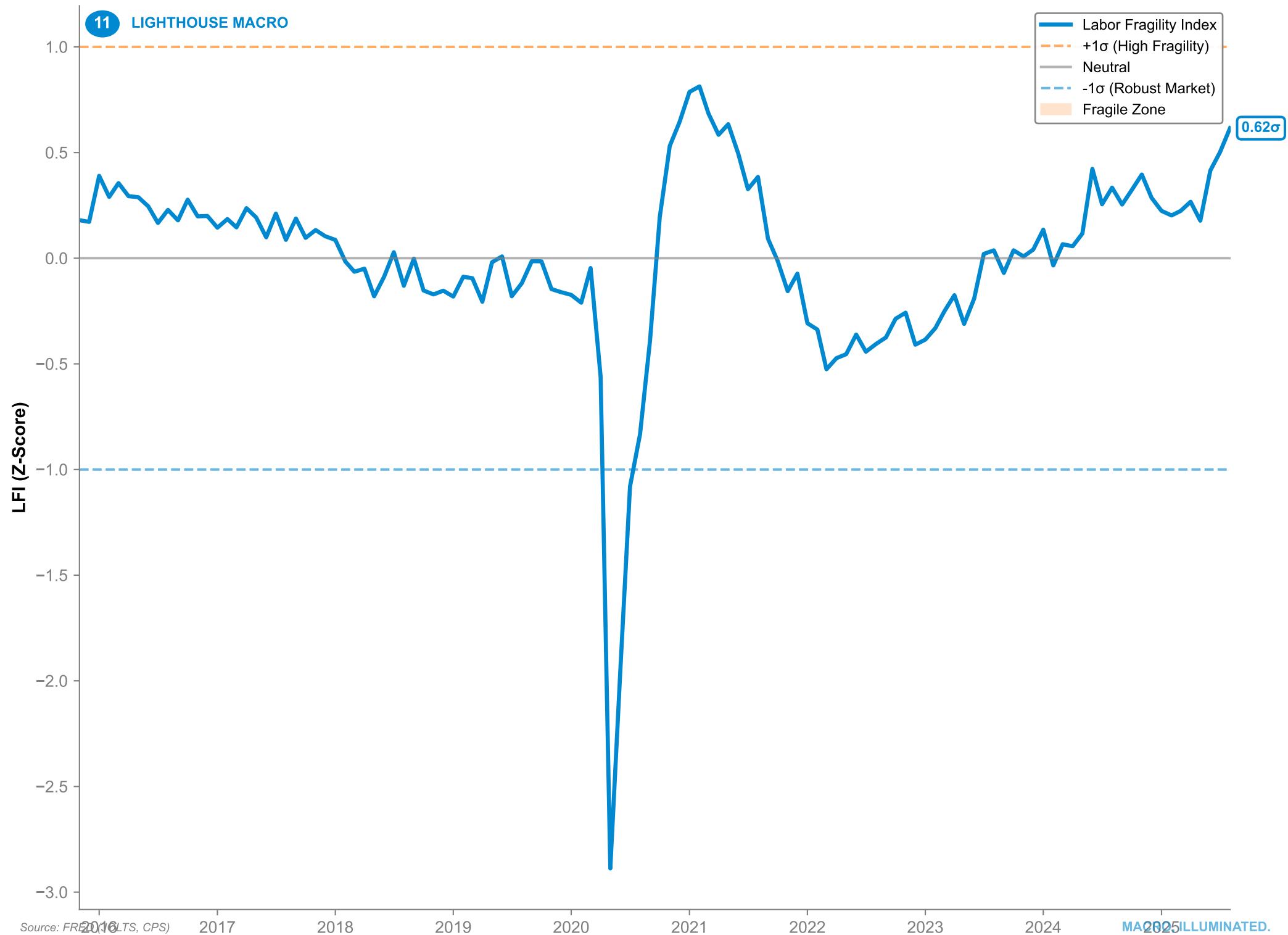
- Quits rate < 2.0% (vs 3.0% peak) = Late cycle
- Hours YoY < Employment YoY = Layoffs coming
- LFI rising while unemployment stable = Hidden deterioration

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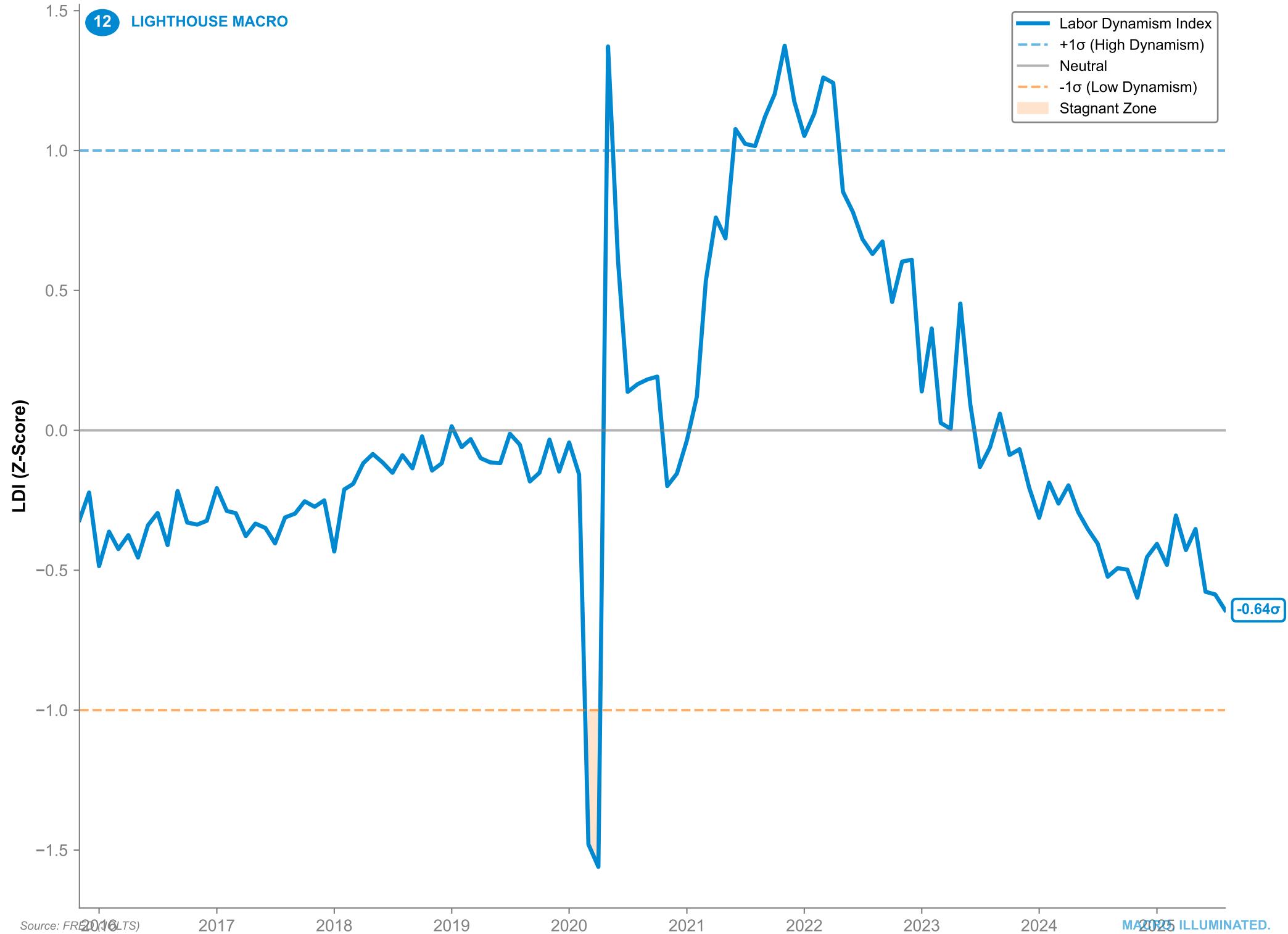
### Takeaway:

"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



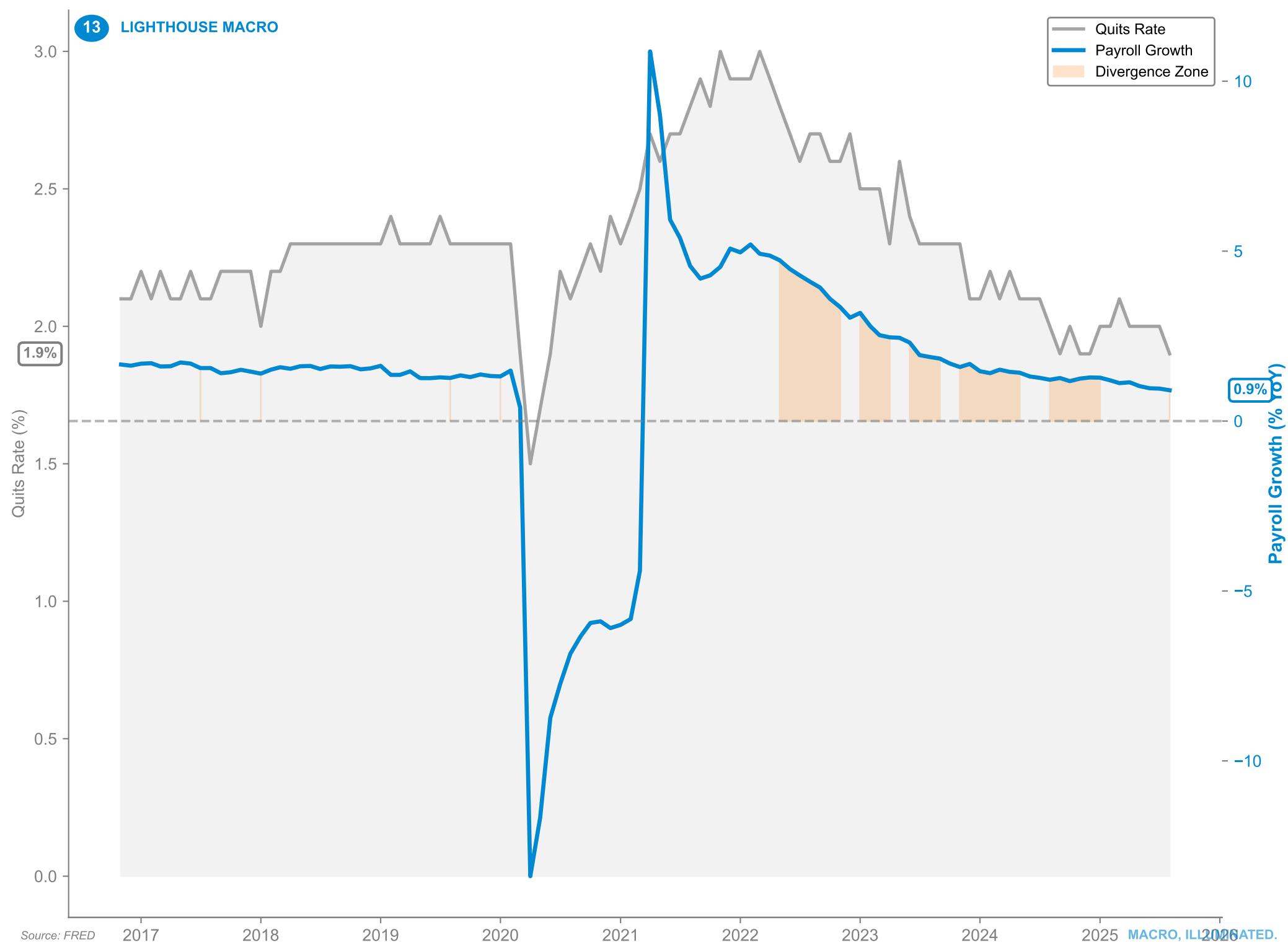
# Labor Dynamism Index (LDI): Worker Optionality & Confidence



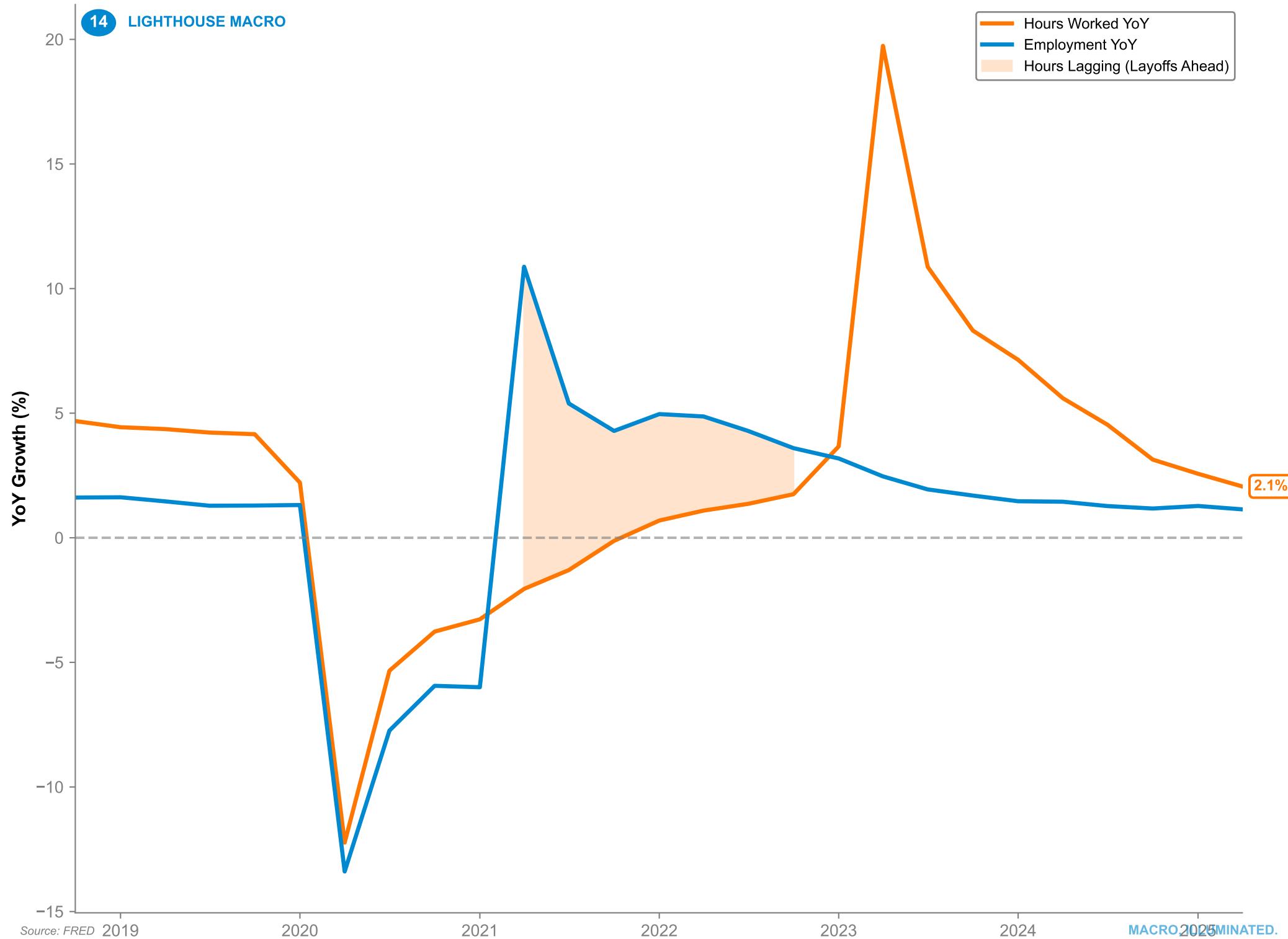
# Payroll-Quits Divergence: Late-Cycle Labor Signal

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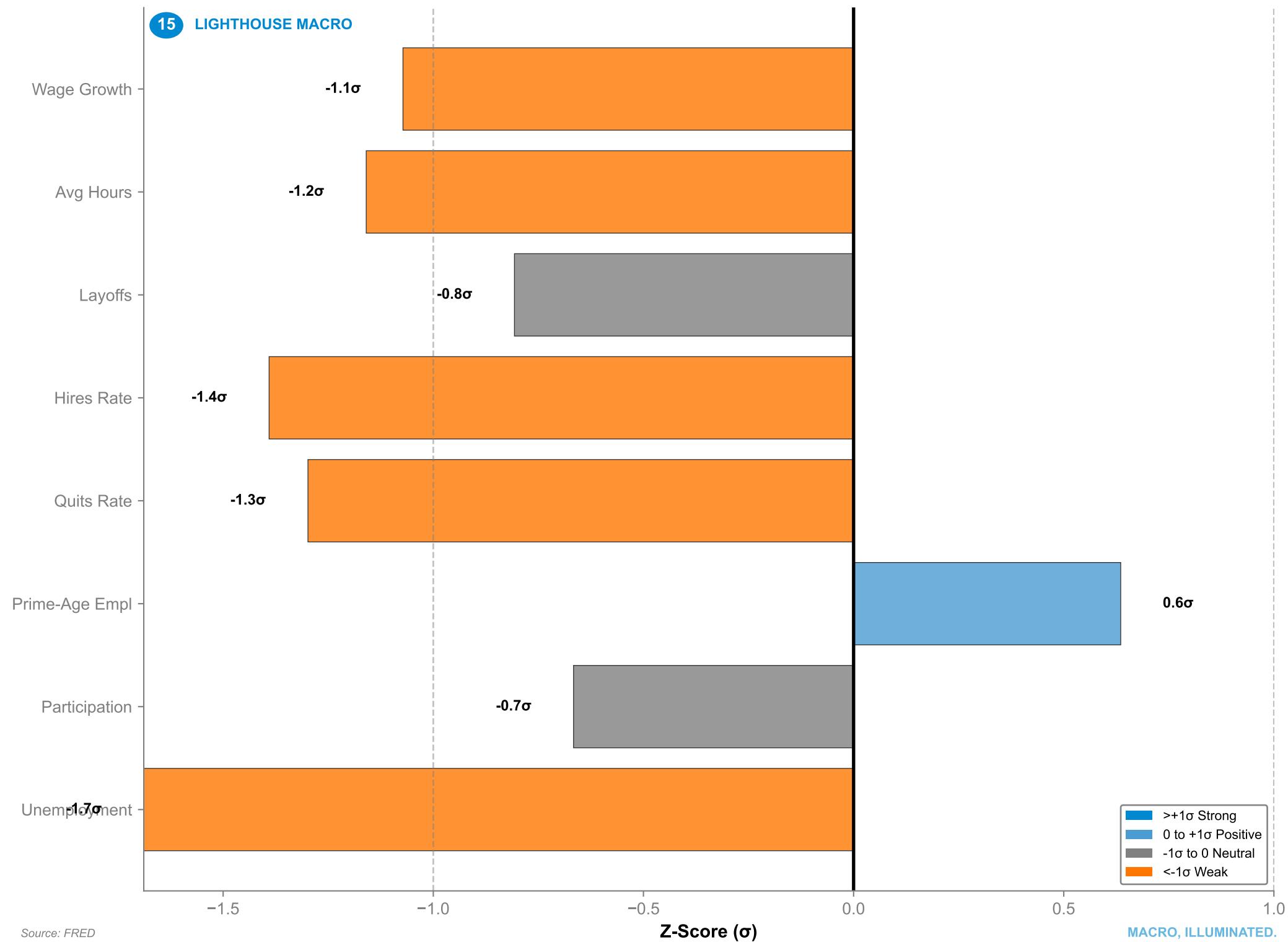
Quits Rate  
Payroll Growth  
Divergence Zone



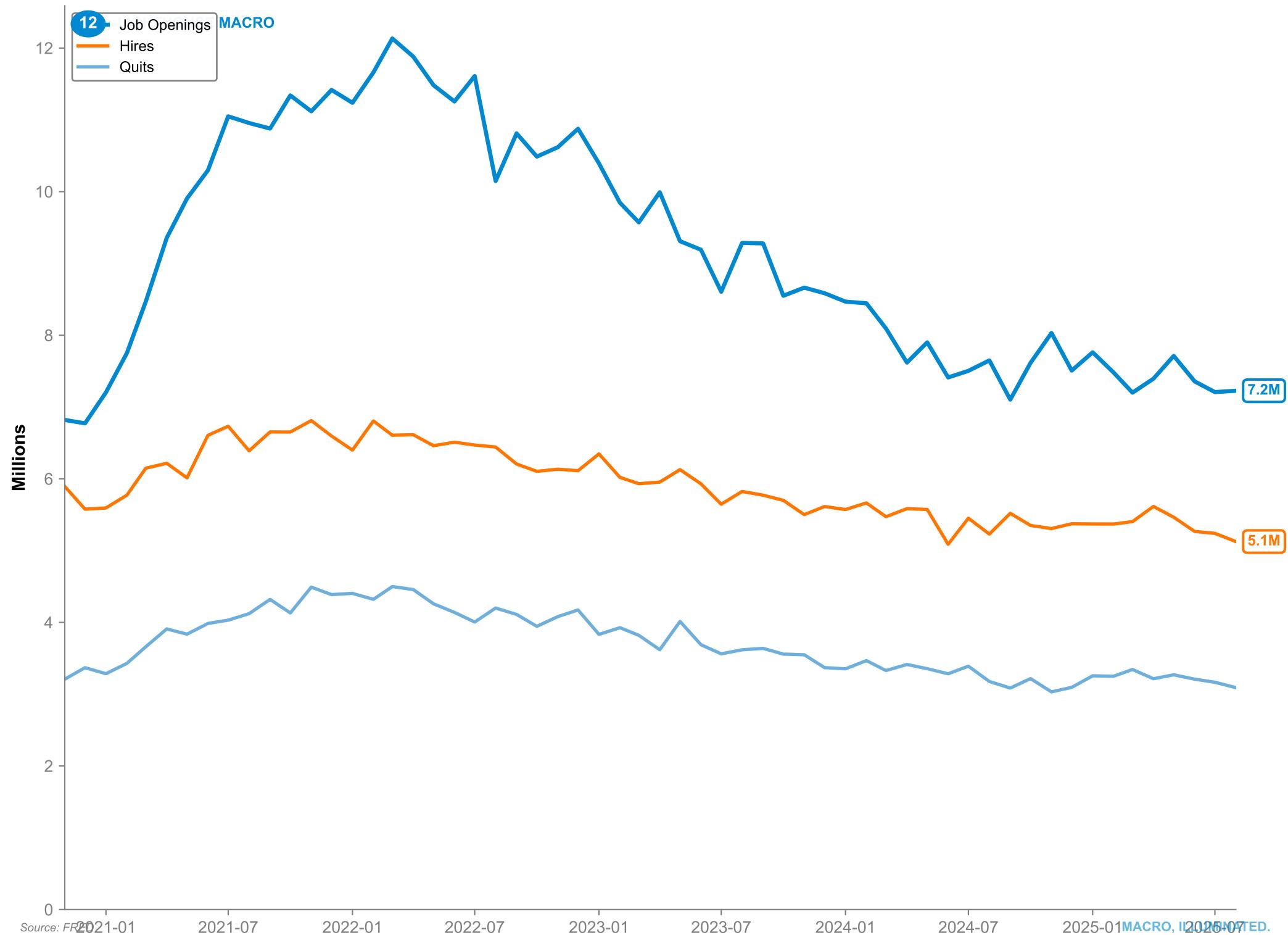
# Hours vs Employment Divergence: Leading Layoff Indicator



# Labor Market Health Heatmap: 8-Metric Z-Score Composite



# JOLTS Indicators: Openings, Hires, Quits



# Beveridge Curve: Labor Market Efficiency

