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The Beacon | October 2025 — The Hidden Transition Final Edition

TL;DR

- **Late-cycle resilience is an illusion:** Headline strength (e.g. low unemployment) masks a slow erosion in labor dynamism and credit quality. Forward-looking indicators are rolling over even as surface metrics remain strong.
- **Liquidity buffers are nearly exhausted:** The Fed's ON RRP facility has shrunk from ~$2.5T to almost zero, removing a key shock absorber. With Treasury issuance surging and dealer balance sheets constrained, even a mild funding stress could escalate rapidly.
- **Credit is "priced for perfection" amid growing fragility:** Investment-grade spreads sit at generational tights (BBB OAS ~100 bps) despite rising leverage and default risks. Markets are not pricing the coming credit cycle turn – an asymmetry poised to snap back.
- **Cross-asset complacency is high:** Equity valuations assume a soft landing (S&P 500 >6700, ~23× forward PE with a flat VIX). Any credit or earnings disappointment could re-rate equities quickly. Traditional hedges are less reliable with stock–bond correlations positive, so vigilance and defensive positioning are warranted.
- **Tactical stance:** Favor quality balance sheets and liquidity. Underweight high-yield credit beta and frothy narratives; overweight cash-flow compounders and safe-haven assets (gold, Treasuries). Be ready to pivot defensively as leading macro signals breach critical thresholds.

Executive Summary

Resilience has become the market's most dangerous illusion in late 2025. The consensus "soft landing" narrative has hardened into groupthink, projecting a market seemingly immune to cyclical breakage. Yet beneath a stable S\&P 500 (recently breaching 6700), 4.3% unemployment, and a stubbornly low VIX, the system is quietly pivoting toward fragility. Labor dynamism is fading – the quits rate is down to **1.9%**, a level consistent with pre-recession anxiety – and long-term unemployment now makes up **25.7%** of joblessness, a clear sign of labor market "scar tissue." Credit markets are complacent: investment-grade spreads sit at 20-year tights even as **BBB-rated** debt swells to half of the IG index. Meanwhile, the Fed's primary liquidity buffer (the ON RRP facility) has **plunged from $2.5 trillion to effectively zero**, leaving market plumbing exposed just as Treasury raises ~$1.6 trillion in new supply. Late-cycle transitions are always calm **before** they become consequential; today's stability is not equilibrium but a precarious **plateau**. The data is unambiguous that the market is mispricing asymmetric risk.

Chart Placeholder: Chart 1 — Unemployment Rate vs. Quits Rate
Chart Placeholder: Chart 2 — Credit Spreads (BBB & HY) vs. Historical Percentile Bands

Key Themes

Liquidity

Liquidity is the market's shock absorber – and that cushion is now vanishing. A **fiscal–liquidity squeeze** is underway: the Fed's once-massive ON RRP facility (a \$2.5 trillion reserve of spare liquidity) has drained to mere pocket change (under \$300 billion, essentially **depleted**). Money market funds, lured by higher bill yields, have pulled cash from RRP, leaving the system without its second-tier buffer. Each new Treasury auction must now be absorbed by an already shrunken pool of bank reserves, testing the limits of dealer balance sheets.

Dealer Capacity Constraints: Primary dealers are increasingly saturated – Treasuries make up ~70% of dealer inventories, an all-time high. Leverage constraints (e.g. SLR rules) cap their ability to take on more supply. NY Fed data shows that for every \$1 of new Treasury issuance, dealers have been able to add only ~\$0.02 to inventories [1] [2]. The **plumbing is brittle**: the system can digest the current flow, but there is no cushion left for the next shock.

Funding Stress Flickers: Early signs of funding strain are emerging. SOFR saw quarter-end **spikes**, and the Fed's Standing Repo Facility was tapped for \$18.5 billion in September – hints of stress beneath the calm [3]. Aggregate bank reserves (~\$3.3 trillion) sit at the **"minimum ample"** level, which masks an uneven distribution: pockets of the system are scraping against their minimum liquidity needs, evidenced by widening repo rate dispersion. In short, **even without a crisis trigger, the stage is set for funding stress** as supply-demand imbalances meet constrained balance sheets.

High-Wire Treasury Act: The fiscal backdrop adds pressure. Sustained large deficits (6%+ of GDP) mean the Treasury will keep issuing high volumes of debt. While money funds have soaked up T-bills, appetite for longer-duration Treasuries is more strained. Foreign demand has been inconsistent – e.g. foreign participation in a key 10-year auction dropped from 88% to 64% in August [4]. The result is upward pressure on term premiums and heavier reliance on dealers and domestic investors, who have limited capacity. Absorption will appear orderly **until it isn't**: with the usual liquidity buffers gone, any further stress (whether a rash of auction failures or a credit event that forces deleveraging) could snowball.

Conclusion: The liquidity buffer that once insulated markets is largely gone. **Thin liquidity amplifies risk** – with financing markets stretched, even a modest shock could cascade into outsized volatility. The onus is now on primary dealers and bank balance sheets to absorb supply and stress, and their capacity is finite. In this environment, minor cracks (in repo, cross-currency basis, or bills) can quickly widen. *The bottom line: Liquidity is no longer a source of stability but a potential accelerant of contagion.*

Chart Placeholder: Chart 10 — Fed ON RRP Facility Balance, 2022–2025
Chart Placeholder: Chart 11 — Bank Reserves + RRP Combined Liquidity
Chart Placeholder: Chart 12 — Primary Dealer Net Treasury Positions

Labor

The labor market's **momentum has quietly downshifted**, even as headline employment data still look solid. Consensus narratives of a "healthy normalization" overlook critical flow dynamics that have turned negative:

Worker Confidence (Quits Rate): The quits rate – perhaps the purest gauge of labor market dynamism and worker confidence – has rolled over to about **1.9%**, territory last seen just before previous recessions. The Great Resignation has fully reversed into a great hesitation: employees are increasingly **staying put** rather than seeking new opportunities. (There was a brief uptick to 2.1% in October, but the longer trend is decisively down.) Declining quits typically lead broader employment softening by 3–6 months. Indeed, we see evidence of a population "hunkering down" as opportunities dry up: for example, while some service-sector quits remain elevated on the West Coast, white-collar quit rates in the Northeast have collapsed. Sectors facing automation pressures (AI, etc.) are seeing the steepest drop in voluntary mobility, as workers sense fewer attractive prospects. **In short, labor mobility has fallen markedly – a classic precursor to broader job-market weakening.**

Long-Term Unemployment: Long-term unemployment (jobless **27+ weeks**) now accounts for over **25%** of all unemployed workers, almost double its share in early 2023. This rise in long-term joblessness is **stall speed in motion** – it indicates that those losing jobs are struggling to find new ones. Some causes include skill mismatches (certain sectors can't easily reabsorb laid-off workers), lingering hiring freezes in parts of the economy, and geographic mismatches. Notably, a growing share of long-term unemployed are **college-educated**, an historically rare warning sign that even higher-skilled workers are getting caught in the downdraft. This kind of labor market scarring – where unemployment becomes more structural – tends to appear late in the cycle and signals mounting fragility in the "full employment" narrative.

Job Openings Plateau: Job openings hover around 7.2–7.5 million, well below their peak in March 2022. More importantly, the post-pandemic rebalancing is largely done – openings are no longer growing. The hires rate remains stuck ~3.2%, and overall churn (hiring and quitting) has evaporated. Many employers keep postings up but are slow to actually fill roles, reflecting a more cautious stance (likely due to policy uncertainty, rising labor costs, and even tariffs/industrial policy shifts). In effect, labor demand has **plateaued** rather than collapsed: companies are generally choosing to **hoard labor** (keeping employees but cutting hours) instead of aggressive new hiring. That behavior contains immediate unemployment but hints at weakening labor growth ahead.

Hours Worked: Employers often adjust hours before headcount, and that's exactly what's happening. Average weekly hours in manufacturing have slipped below 40 (around 39.9 hours) – a subtle but telling decline that usually precedes broader layoffs by a few months. In construction and other cyclical areas, hours have flatlined after bouncing back in 2023. Even the Conference Board's Leading Economic Index (LEI) is flagging this: declines in average weekly hours have been a persistent drag on the index. This reduction in hours is a **classic late-cycle signal** that demand is softening; businesses keep workers on payroll for now (to avoid skill loss or rehiring costs), but they reduce utilization, which eventually feeds into weaker income and spending if the trend continues.

Conclusion: The labor market isn't in freefall, but its **vitality is draining away** beneath the surface. Headline unemployment (still ~4.3%) and low layoff rates portray strength, but they are lagging indicators. The leading-edge metrics – quits, long-term unemployment, job-finding rates, hours worked, and even regional hiring patterns – all point to a **late-cycle plateau that precedes a downturn**. Wage growth has cooled to ~3.7% (YoY) from over 5.5% at the post-pandemic peak, and initial jobless claims have been inching up, reinforcing the slowdown narrative. Markets, however, remain fixated on the "steady" labor headlines and are largely pricing in a benign scenario. This divergence is dangerous: the **transition is already in motion**. Investors extrapolating recent resilience risk getting caught offside when the labor deterioration becomes too obvious to ignore.

Chart Placeholder: Chart 3 — Quits Rate, 2019–Present
Chart Placeholder: Chart 4 — Long Duration Unemployment, 27+ Weeks
Chart Placeholder: Chart 5 — Job Openings vs. Hires Rate
Chart Placeholder: Chart 6 — Average Weekly Hours (Manufacturing/Services)

Credit

Dangerous complacency pervades credit markets: **pricing suggests perfection** even as fundamentals quietly deteriorate. Credit spreads have ground down to historically tight levels, implying confidence that corporate cash flows will stay immune to the cycle's turn. Key signs of late-cycle risk are being overlooked:

Generational Tightness in Spreads: BBB-rated corporates – the lowest investment-grade tier – yield a scant ~**100 bps** over Treasuries, a spread tighter than even the late-1990s dot-com bubble era [5]. For context, about **46%** of the entire IG market is now rated BBB (versus ~27% pre-2000 [5]), meaning the market's overall quality has slipped even as spreads have compressed. Investors chasing yield have crowded into these lower-quality IG bonds for very little extra compensation. The result is extreme pricing: **paltry credit spreads** that provide essentially no cushion if conditions worsen. Notably, in October BBB spreads tightened even further (~8 bps) despite rising equity volatility and higher Treasury yields [6] – a clear sign that **technical demand is overpowering fundamentals** in this market.

High-Yield Disconnect: High-yield (junk) bonds aren't much better. HY OAS around **+296 bps** means the entire sub-investment-grade market offers <3% incremental yield for significantly higher default risk [7]. This is happening while leverage in the HY universe is rising and interest coverage ratios are deteriorating – signals that underlying credit risk is increasing. Moody's 12-month default forecast has risen to ~7%, roughly **double** the historical norm [8], yet HY spreads have not budged to reflect that. In other words, HY pricing is **blind to fundamentals**: investors are acting as if the credit cycle won't turn, despite clear signs of stress building (downgrades, weaker earnings for highly leveraged firms, etc.). Such a disconnect – tight spreads amid worsening quality – is a hallmark of late-cycle **complacency**.

Lag in Repricing – The Canary Effect: Historically, credit spreads tend to **lag** labor market turns by a few quarters. We are in that window now. All the labor leading indicators (quits down, long-term unemployment up, hours down) have rolled over, pointing to economic slowing – yet credit spreads remain at extremes [9]. It's the classic scenario of the **canary in the coal mine**: credit is usually the first financial domino to fall once economic stress builds, but there's often a delay. Right now, that delay is playing out: credit has not **yet** repriced, which actually makes the situation more dangerous. The longer spreads stay this tight while fundamentals erode, the more abrupt the eventual adjustment could be.

Quality Migration and Composition Risk: Under the hood, the credit market's composition has gotten riskier, even though headline spreads don't show it. In investment grade, rising stars have largely graduated, and the remaining BBB cohort is large; any wave of downgrades could **push a lot of BBB debt into junk status**, forcing sales from IG portfolios. In leveraged finance, we see a surge in lower-quality issuance: single-B and B- rated loans now dominate new supply, while BB (the highest junk tier) issuance has relatively declined [10]. This "quality migration" means the average credit in indices is lower quality than a few years ago. Yet **pricing hasn't adjusted** for this shift – IG and HY investors are still being "paid" as if the indexes are as safe as before. It's a disconnect that will matter once volatility returns.

Missed Repricing (Asymmetry Ahead): Credit investors bullishly point to “all-in yields” (nominal yields that appear high) and still-decent trailing fundamentals as justification to stay long. But those are **lagging comforts**. The leading edge – deteriorating labor conditions and the early signs of margin pressure in corporates – suggests spreads *should* be wider. By the time spreads do gap out, the fundamental picture will likely have worsened further (e.g. defaults actually rising, downgrades accelerating), meaning many will have **waited too long** to adjust. The risk/reward in credit is heavily skewed to the downside: there’s far more room for spreads to widen than tighten at this stage.

Conclusion: Credit is poised to be the **first market domino** in a late-cycle unraveling. The risk-reward is asymmetrically poor for credit bulls – spreads are **too tight** to compensate for the clear deterioration in labor and corporate fundamentals. When the turn comes, it will likely be led by credit repricing aggressively from these extreme valuations. In short, credit markets are priced for a Goldilocks scenario that is increasingly unlikely; investors should position for a regime shift, not a continuation of perfection. Composition risk (bloated BBB supply, weaker average ratings) only adds to the potential severity of the move once sentiment flips.

Chart Placeholder: Chart 7 — BBB Credit Spread vs. Historical Percentile
Chart Placeholder: Chart 8 — HY Spread vs. Default Rate
Chart Placeholder: Chart 9 — Credit Spread Tightening vs. Labor Leading Indicators

Macro

All the pieces above coalesce into a clear macro message: the apparent stability of 2025 is a **mirage**. The broader **macro regime** is quietly shifting from expansion to late-cycle slowdown, even if top-line data haven’t cracked yet. Markets, however, are largely pricing a “no landing” scenario, leaving a wide gap between **perception and reality**.

At a high level, 2025’s calm masks a profound paradox. The market is mistaking **lagging indicators** for a durable trend. Headline metrics like payroll growth, low unemployment, and solid GDP have been interpreted as signs of permanence, when in fact the **forward-looking momentum** is deteriorating. Virtually every **leading flow indicator** is pointing down: quits are at recessionary lows, long-term joblessness is climbing, job openings and hires have stagnated, and average hours are slipping. On the financial side, credit spreads and volatility indices suggest extraordinary complacency, even as bank lending standards tighten and earnings growth shows early cracks. Policymakers see victory with inflation ebbing toward 2%, but that very disinflation owes much to cooling demand and a weaker labor pulse. In essence, **the macro economy is on a late-cycle plateau** – it feels stable, but the underlying supports (robust labor churn, abundant liquidity, healthy credit appetite) are eroding.

History warns that these **transition phases** are only labeled “soft landing” until suddenly they’re not. The current macro stability is **not equilibrium; it’s latency**. Risk often accumulates quietly, then materializes all at once. We should not confuse the absence of chaos for the presence of strength. In fact, the **very stillness is a signal** of building imbalances: volatility is being suppressed, not eliminated. When the cycle turns, the adjustment will appear “sudden” to many, but in reality it is the inevitable result of the pressures we already see in data. Our proprietary composite of leading labor-market health is now at its weakest point since before the last downturn – an early warning that the regime shift is at hand. The prudent macro stance is to treat this **plateau as the precursor to the slope**, not as a new normal.

Chart Placeholder: Chart 15 — Composite Leading Labor Indicator (Proprietary Index)

Cross-Asset Implications

A regime shift in macro fundamentals **translates quickly across asset classes**. Markets currently price in a generous Goldilocks scenario – something that is unlikely to persist as conditions evolve. Key cross-asset themes to consider:

Sequence of Repricing: Credit is likely to lead the way in repricing risk. We are at generational tight spreads (for both IG and HY), which implies any upward drift in default risk or downgrade activity will push spreads wider. Once credit spreads begin to gap out, equities will feel the pressure next. Equity valuations are **stretched** – the S\&P 500 trades around 23–24× forward earnings, with an **equity risk premium near 0%**. In other words, stock investors are assuming an almost perfect backdrop of low rates and steady earnings. If credit conditions tighten or the risk-free rate stops cooperating, equities could de-rate significantly even without an earnings collapse. A reversion from 23× to a more typical ~16× forward PE (should the cost of capital rise and growth expectations moderate) implies on the order of a **30% correction** in equity indices if not offset by earnings surprises. That downside risk isn't priced in. Meanwhile, commodities – which have been buoyed by specific supply constraints and fiscal-driven demand – tend to **roll over late-cycle** as well, especially if liquidity dries up and demand for goods weakens. Cyclical assets and regions (emerging markets, cyclically sensitive currencies) would typically falter when global credit and dollar liquidity tighten.

No Easy Hedges (Volatility Mismatch): One complicating factor for allocators is that traditional diversification may offer less protection in this regime. **Volatility across assets has been artificially subdued** – for instance, the VIX hovers in the high teens and the MOVE (bond volatility index) around 70, both low given the macro uncertainty. However, we've also seen a **structural shift to positive stock–bond correlation** (e.g. stocks and bonds selling off together in stress, unlike the post-2000 era). This means the classic 60/40 portfolio hedge is less reliable; when the next risk-off wave hits, both equities and Treasuries could decline in tandem. Portfolio hedges that worked in the last decade (long bonds to offset equity drops) may underperform just when needed. Additionally, many volatility sellers and risk-premium harvesters have kept option implied vols low – which can lead to air pockets when they are forced to cover. Put simply, **hedges are cheap now but may not pay off cleanly** if the market transitions to a new volatility regime. Cross-asset correlations turning positive is a warning that risk management needs to be more creative (e.g. using gold, cash, or option structures rather than assuming Treasuries will save the day).

Chart Placeholder: Chart 13 — Credit Spread Changes vs. S&P 500 Forward PE (Lead-Lag)
Chart Placeholder: Chart 14 — Yield Curve (2s10s) vs. BBB Credit Spreads

Conclusion: Investors anchoring to the appearance of a permanent soft landing risk being **caught wrong-footed** across multiple asset classes. In late-cycle phases like this, it pays to be tactical and defensive: raise some cash or Treasury bill exposure, reduce cyclicality, and consider cross-asset hedges. The time to prepare is before the cracks widen. The mirage of stability can shatter quickly – prudent portfolios should **position for a bumpier ride ahead** rather than extrapolate the calm.

Tactical Playbook

This is the “how” behind the narrative — a tactical, risk-aware game plan for navigating the hidden transition:

1. **Credit:**

    - **Reduce HY beta**, especially in issuers facing refinancing within 12–18 months. Current spreads do not compensate for rising default odds, so lighten up on the lowest-quality credit risk.
    - **Overweight upper-tier IG** and select “rising stars” that are improving credit quality. Favor companies one notch away from upgrades and **avoid BBBs** teetering near downgrade to HY – those on the cusp of the **BBB–BB cliff** carry outsized downside if the cycle turns.
    - **Optionality:** Maintain capital to deploy when spreads widen. Rather than being outright short credit, be ready to **step in on spikes** – volatility in spreads can be harvested if you have dry powder when others are forced sellers. The math of wider spreads (and potentially distressed pricing) can be very attractive if you enter after a blowout, but you need liquidity to do so.

2. **Equities:**

    - **Quality over cyclicality:** Tilt toward companies with high-quality balance sheets, strong free cash flow, and self-funding business models. These firms can better weather tighter financial conditions. Emphasize **cash conversion and earnings consistency** over sales beta.
    - **Avoid “narrative carry” stocks:** Be wary of equity stories that are effectively hiding credit risk – for example, companies with thin margins relying on continuous cheap financing (subscription-based or roll-up models), or capital-intensive growth stories that need low-cost capital to work. In a credit tightening scenario, these will be the first equities to falter.
    - **Factor positioning:** Favor defensive sectors and factors that can maintain pricing power and margin stability (e.g. healthcare, consumer staples, utilities with regulated returns). Look for low earnings variability and less sensitivity to supply-chain hiccups or commodity swings. Avoid high-operating leverage sectors that do well only in boom times.

3. **Rates:**

    - **Intermediate duration as a hedge:** Use the belly of the curve (e.g. 5y–10y Treasuries) to add convexity to the portfolio without the full volatility of the long end. If growth disappoints or risk aversion spikes, intermediate yields have room to fall, and their duration isn’t so long that carry costs are prohibitive.
    - **Roll-down and curve trades:** Position for curve normalization. As the Fed eventually pivots, the very front end (1–2y) might be overpriced for cuts – consider hedging overly optimistic cut pricing (e.g. payer positions on Eurodollar/SOFR futures) if markets assume an unrealistically early easing. Meanwhile, parts of a still-inverted curve (e.g. 5–7y) offer roll-down gains; you can ride those as a relatively safe yield while awaiting clarity.

4. **Macro Hedges:**

   - **Gold and "quality" duration:** Maintain exposure to gold and high-quality government bonds as **stress hedges**. Gold benefits not only from any policy reversal (if the Fed eases in a crisis) but also from its appeal during funding stress or a loss of confidence. High-quality duration (longer Treasuries) can still serve as a hedge in an acute risk-off, even if day-to-day correlations have been positive.
   - **Long USD vs. cyclicals:** The U.S. dollar tends to strengthen when global dollar liquidity tightens and during flight-to-safety episodes. Position long USD against vulnerable cyclical currencies (or via DXY/Broad index exposure), particularly where **cross-currency basis** is widening (a sign of dollar funding stress abroad).
   - **Volatility overlays:** Consider tactical long-vol positions, especially on credit indices or ETFs. For example, owning calls on credit volatility or puts on HY bond ETFs can provide convex payoff if credit spreads jump, without needing to short cash bonds (which carry negative carry). These option overlays can offer protection if an air-pocket event hits credit markets.

5. **Risk Management:**

   - **Trigger levels:** Define clear metrics that will make you turn more defensive. For instance, if our **Funding Stress Thermometer** (a composite of SOFR–Fed Funds spread, cross-currency basis, and repo metrics) moves into the top 20th percentile of stress, or if the **Transition Tracker** (composite late-cycle index) breaks more than +1σ above neutral, that's a signal to further de-risk portfolios (reduce equity and credit exposure, add hedges). Don't wait for the recession to be obvious – move as the indicators trigger.
   - **Exit strategy for hedges:** Equally, have a plan to **dial back hedges** or add risk if our thesis is invalidated. For example, if a **Labor Dynamism Index** (tracking quits and job-finding rates) inflects positive and real wages climb above ~1.5% YoY sustainably, it would indicate the economy re-accelerating. In that scenario, many of these defensive positions should be unwound. In short, stay flexible – if the data disproves the "hidden transition" thesis, be ready to pivot back to a more pro-risk stance.

Regime Classification (May–October 2025)

The table below summarizes our regime classification for each macro pillar over the past six months. We show three assessments per pillar: **Threshold Band** (whether key metrics have crossed critical risk thresholds), **Markov Model** (our probabilistic regime classification based on state modeling), and **Rotation Regime** (the directional momentum or "turning" of each pillar). Together, these illustrate how Liquidity, Labor, Credit, and Macro conditions have evolved through the transition:

Month	Liquidity (Threshold Band)	Liquidity (Markov Model)	Liquidity (Rotation Regime)	Labor (Threshold Band)	Labor (Markov Model)	Labor (Rotation Regime)	Credit (Threshold Band)	Cred (Mar Mod
May 2025	Ample (high buffer)	Carry (calm)	Stable	Normal	Carry	Stable	Normal	Carr

Month	Liquidity (Threshold Band)	Liquidity (Markov Model)	Liquidity (Rotation Regime)	Labor (Threshold Band)	Labor (Markov Model)	Labor (Rotation Regime)	Credit (Threshold Band)	Cred (Mar Mod
June 2025	Ample (high buffer)	Carry (calm)	Stable	Normal	Carry	Stable	Normal	Carr
July 2025	Moderate (shrinking)	Carry (calm)	Stable	Softening	Transition	Deteriorating	Stretched	Carr
August 2025	Moderate (shrinking)	Carry (calm)	Deteriorating	Softening	Transition	Deteriorating	Stretched	Carr
Sept 2025	Low (nearly gone)	Transition (stressed)	Deteriorating	Fragile	Transition	Deteriorating	Extreme	Carr
Oct 2025	Depleted (no cushion)	Transition (stressed)	Deteriorating	Fragile	Transition	Deteriorating	Extreme	Tran

Each pillar has **progressed from benign to risk regime** over this period. Liquidity moved from ample to essentially depleted, with our models flipping to "stressed" as the buffer evaporated. Labor went from normal to clearly fragile, confirmed by a regime switch to deterioration by mid-year. Credit conditions appeared stable through summer (spreads at extremes), but by October our models finally acknowledge the turn, as mispricing can no longer be ignored. The overall Macro composite shifted into a high-risk state by early autumn. This timeline underscores the core theme of The Hidden Transition: **the inflection from carry-friendly conditions to late-cycle fragility occurred in stealth, before it became obvious in headline data.**

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