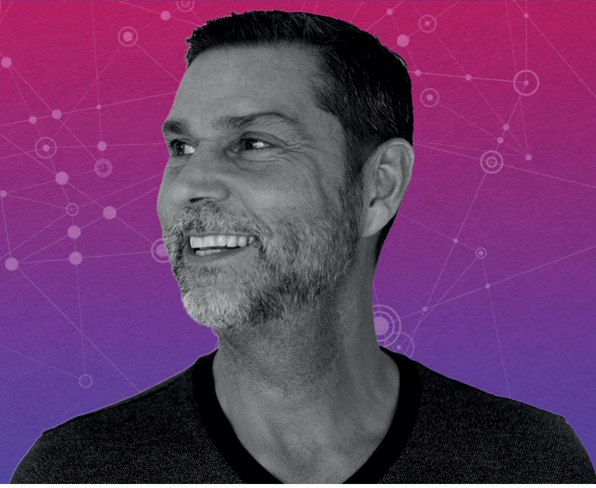
MACRO INSIDERS™
DEEP DIVE



INTRODUCTION

In Part 1 and Part 2 of this series, I laid out both the set-up for where we are, and where I think we might be going.

Now we have an appreciation of what is going on and why, I'm going to bring it all together...

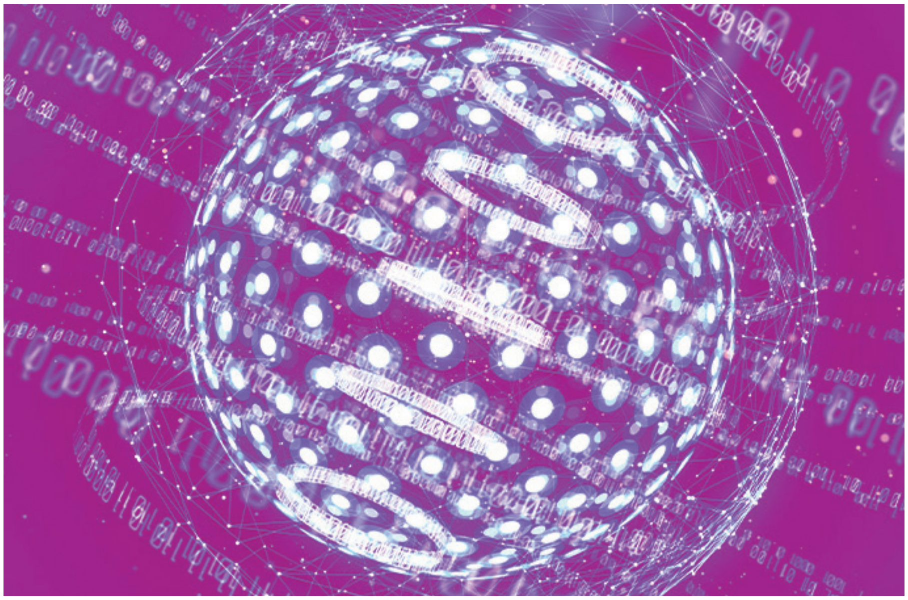
If this doesn't see your jaw on the floor by the end, read it and reread it again...

And I'll see you soon for our Everything Code AMA session at 3pm ET Tuesday June 27.

Raoul Pal

PART 3: THE EVERYTHING CODE

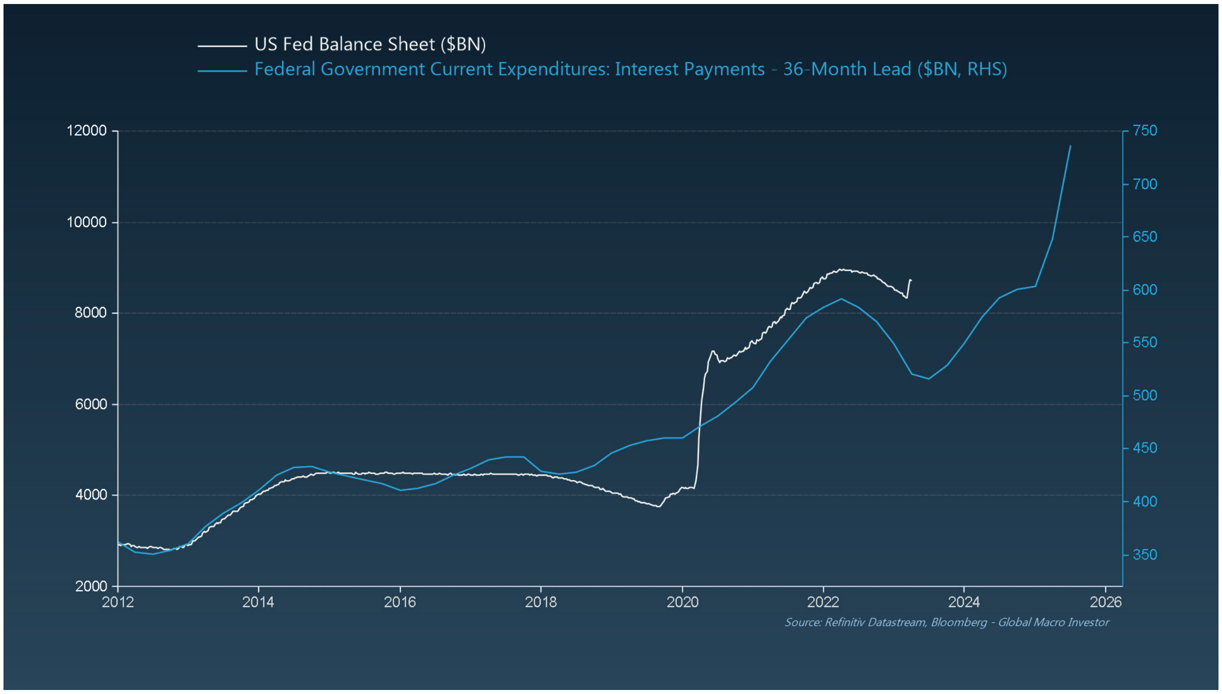
- We understand that government debt growth is almost entirely driven by interest payments.
- We also know that these payments end up on the Fed's balance sheet.
- We know that financial crises are directly added onto the Fed balance sheet on top of the monetised interest payments.
- We know that all central banks are doing the same and are probably working together to solve the debt problem.



PART 3: THE EVERYTHING CODE

Let's Begin...

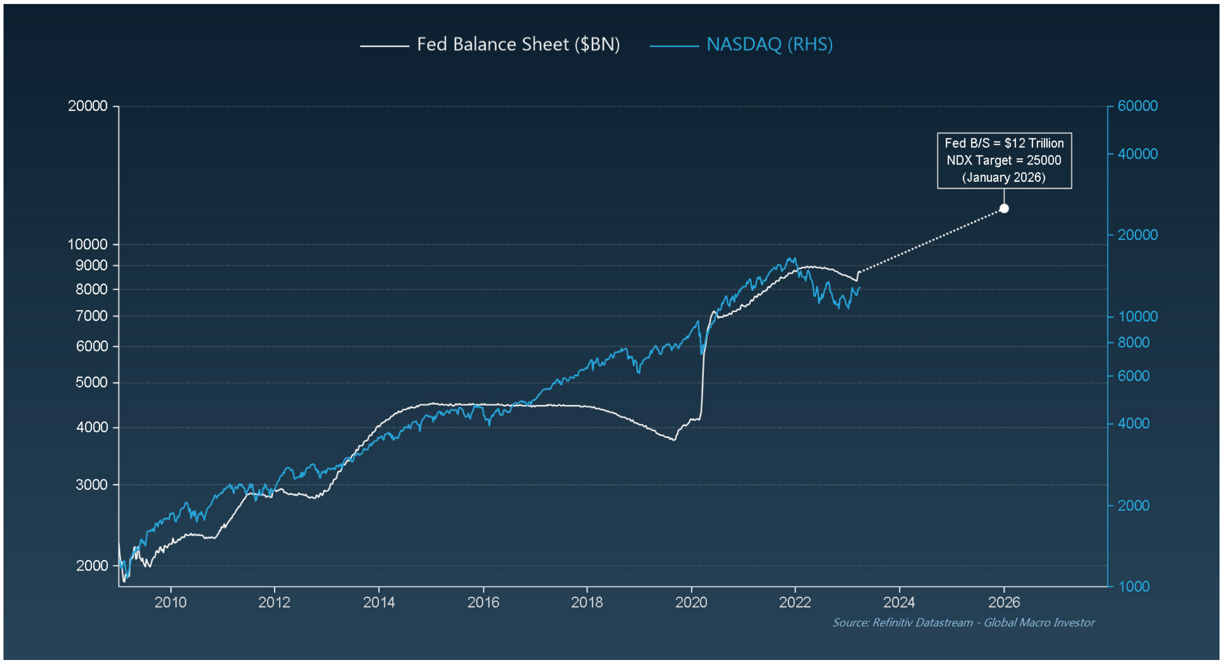
We know that the Fed will likely have to add more on top of just interest-payment monetisation to make the banks liquid again.



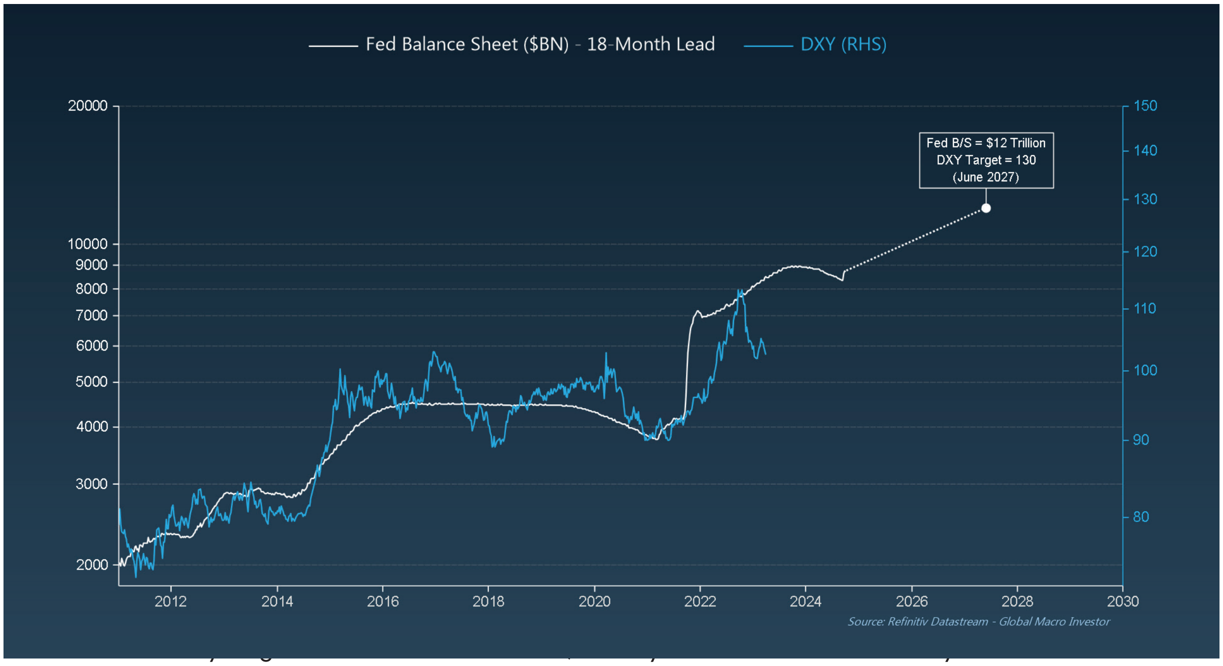
That would easily get us to a Fed Balance Sheet of $12tn to $14tn by the end of 2025.

The log chart of the Fed Balance Sheet suggests that $12tn is a decent target for end of 2025... and is consistent with the interest payments projection above (confirming evidence)...

As an aside, with the Fed Balance Sheet at $12tn by end of 2025, that would put the NDX at 25,000! (More on this later)...



The DXY lags the Fed Balance Sheet by eighteen months, thus suggesting that the dollar's BIG peak is in 2027 or so (the downside of the next cycle) but we might see eighteen months of dollar down or sideways as economic recovery comes...



That correlates perfectly with the DXY trend, which forecasts 130 or so by 2027 (it lags the 2025 date by eighteen months). This is confirming evidence of the balance sheet target...

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End of 2025 — the magic date

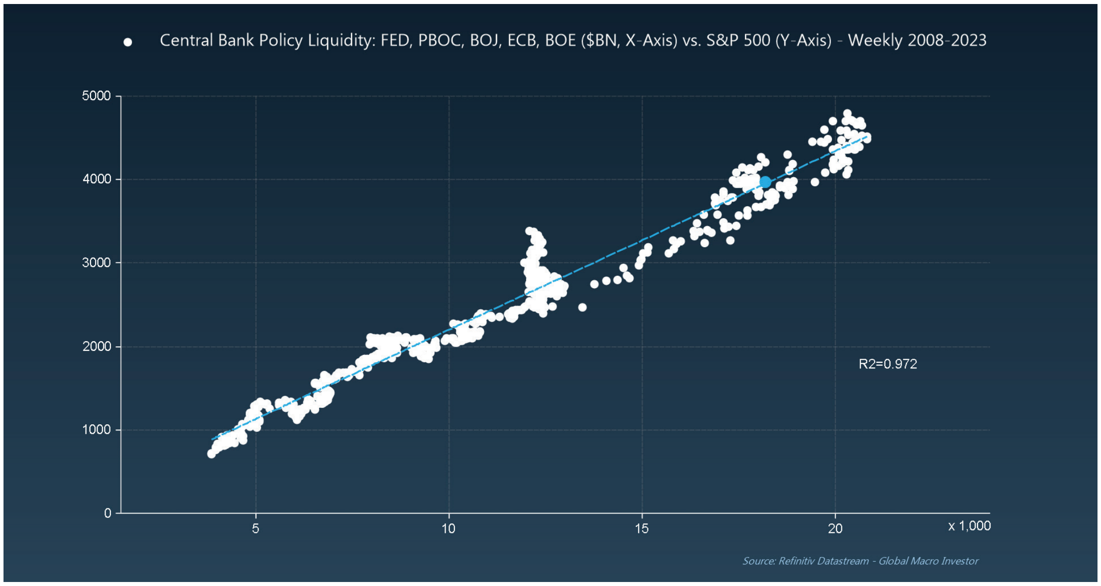
The end-of-2025 date that is a feature of all the above charts (the DXY one is lagged) is the same date forecasted by the ISM/debt Refi cycle (further confirmation).

The Fed tends to continue QE after the peak in the cycle, so that lines up with the charts above – QE into the end of 2025...

That is just the start of The Everything Code...

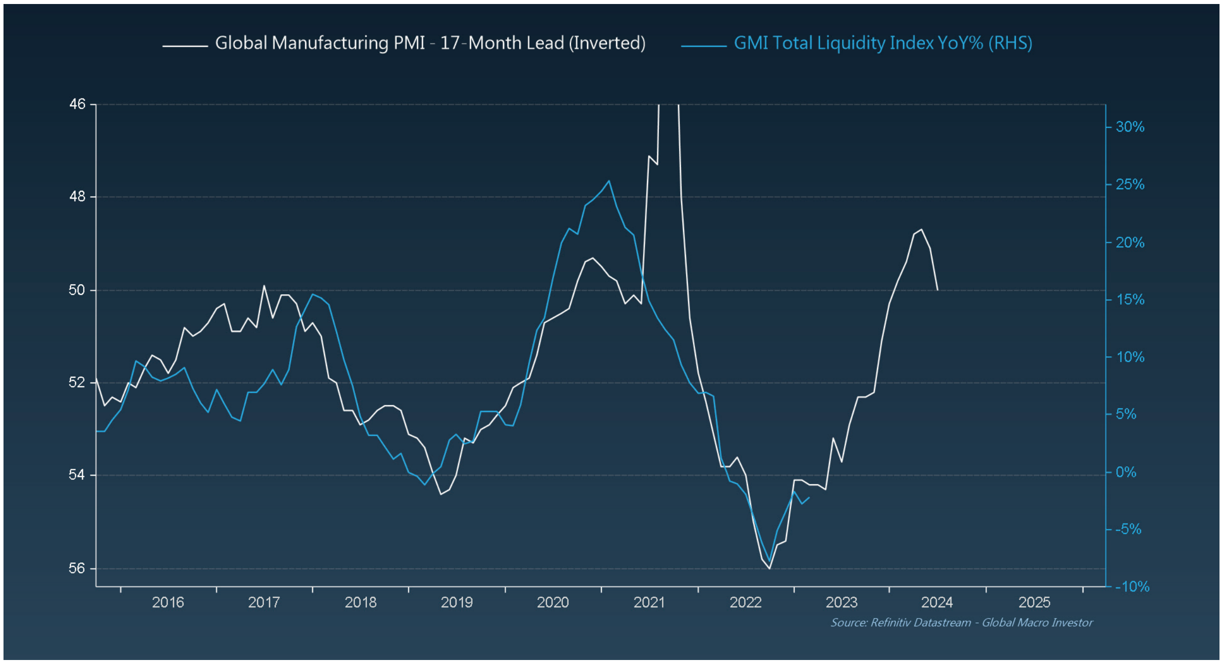
And I can prove out this balance sheet expansion another way...

As we know, the global liquidity explains 97% of equity returns...

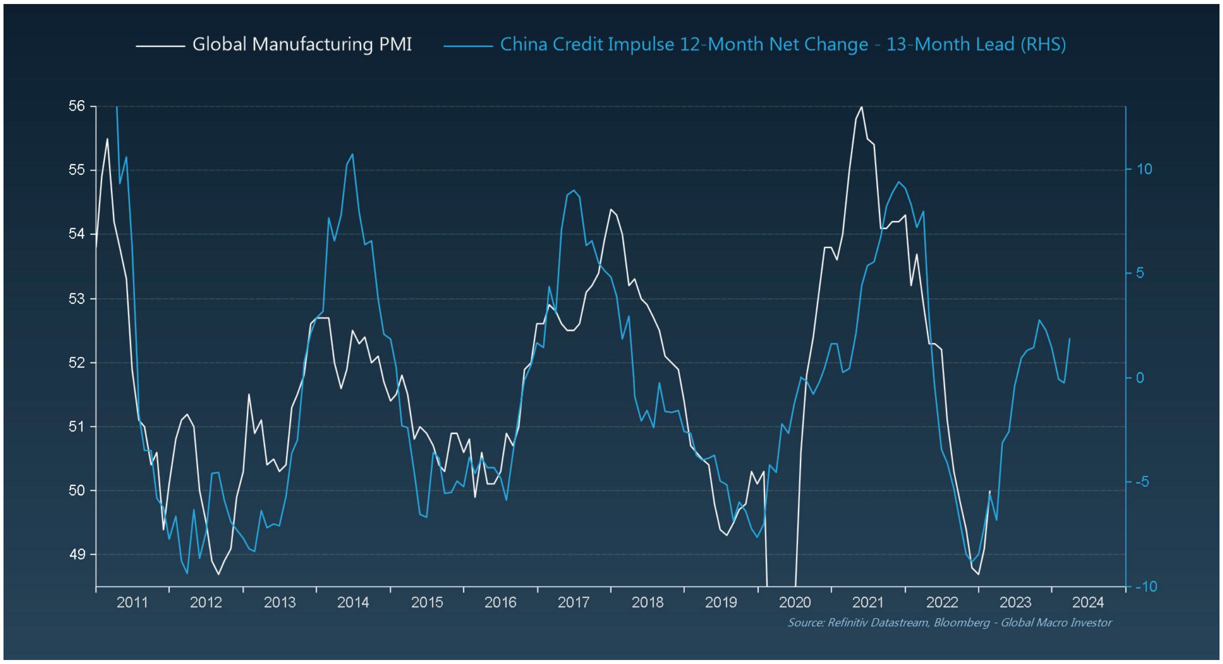


So, let's focus on that...

Global PMI leads the GMI Total Liquidity by seventeen months... liquidity is only going up from here by 20% or more into 2024...



... and Chinese Credit Impulse leads the Global PMI by thirteen months...

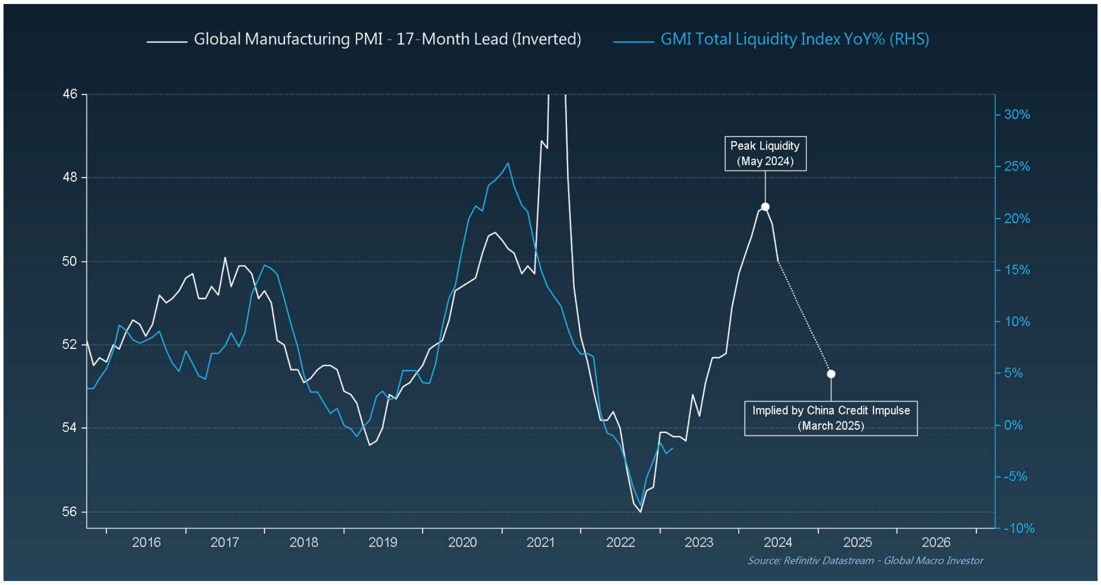


Now, the above chart is a bit confusing at first sight due to the different lags and because PMI is inverted on the previous chart.

Let me explain...

What it all means is that global liquidity is going to explode into 2024 and the peak YoY increase in Global Liquidity will be around 22%, after which it begins to fall. But the key thing to understand is that it will remain positive YoY until 2025 (yup, same date – 2025).

So, laying the forward projections of the Chinese Credit Impulse on the Global PMI and GMI Global Liquidity Index, we get this chart...



Starting to get really interesting...

That March 2025 date is the SAME as the ISM peak.

The chart of Fed QE versus interest rate payments also peaks in later 2025. Thus, Global Liquidity and the Fed Balance Sheet are likely to peak in 2025.

There is a decent chance the Fed uses yield curve control in the next cycle to stop rates rising or payments will keep going up (more on this in a bit).

We also know that the markets tend to overshoot those liquidity peaks as well.

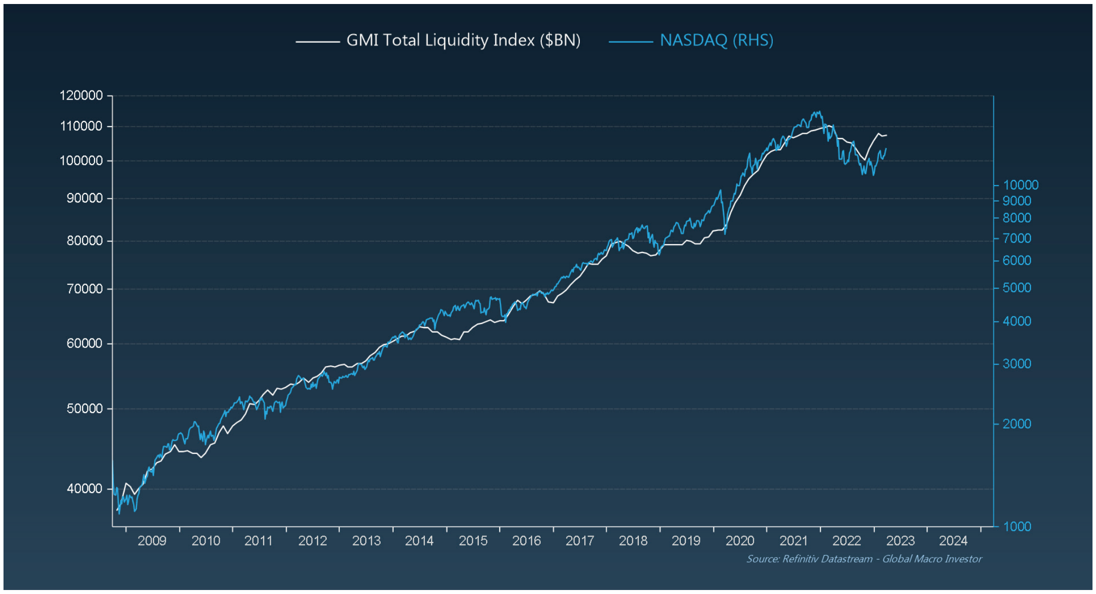
The ISM peaked in March 2021, but the SPX peaked in December 2021, nine months later. In fact, the SPX lags the peak in ISM every time (due to its YoY relationship).

The chances are high that markets go on a massive rip into the end of 2025.

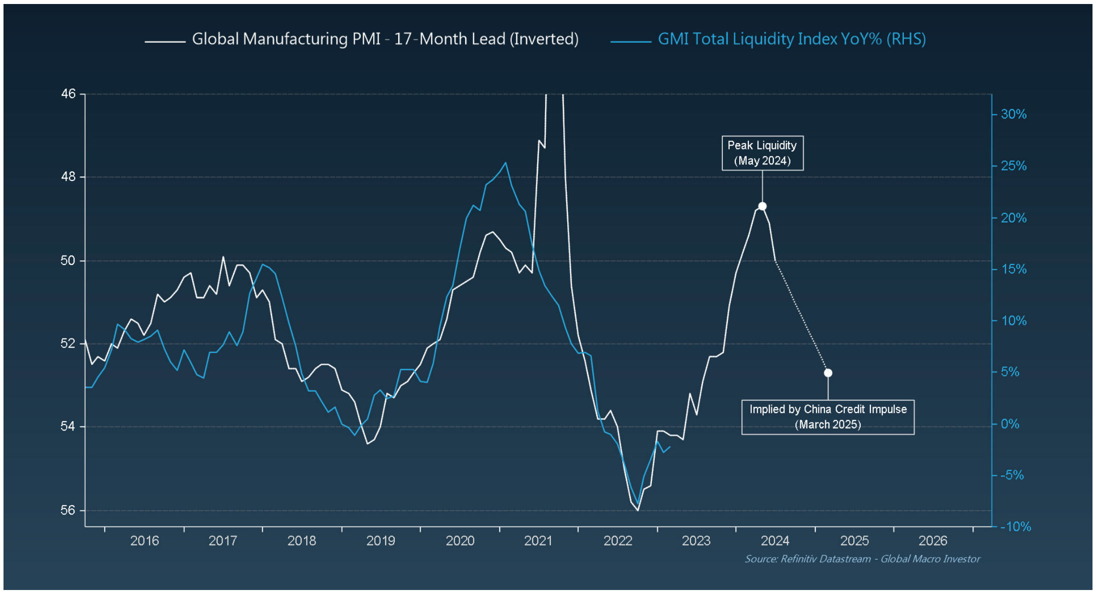
The Big Reveal

Now, I am going to do the "slam dunk" using the only two assets that matter – tech and crypto.

Global Liquidity is a near *perfect* fit for the NDX...



And we now have a forward guidance for the GMI Global Liquidity Index...



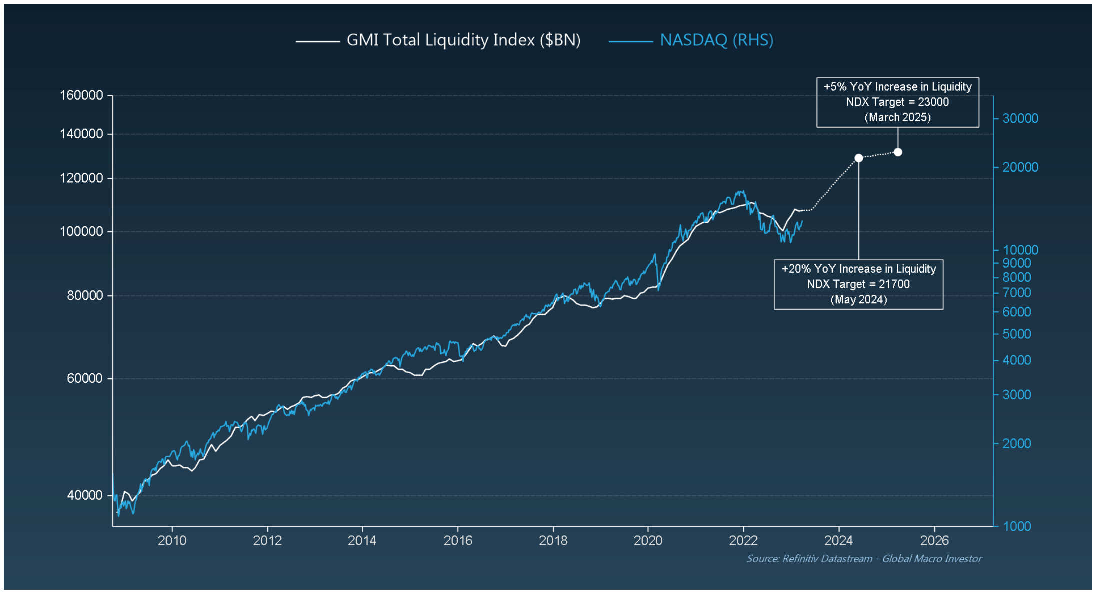
...and this will reveal *The Everything Code.*

Ready?

If we can forecast liquidity, which we can, then we can forecast the return on assets!

It is basically written in stone for this next cycle due to the relationship between assets and liquidity, and in turn its relationship with the business cycle.

Don't use the targets as *exact* as nothing is an exact fit, but the NDX has a high probability of hitting 21,000 by May 2024, and rise to 23000 or higher by March 2025...



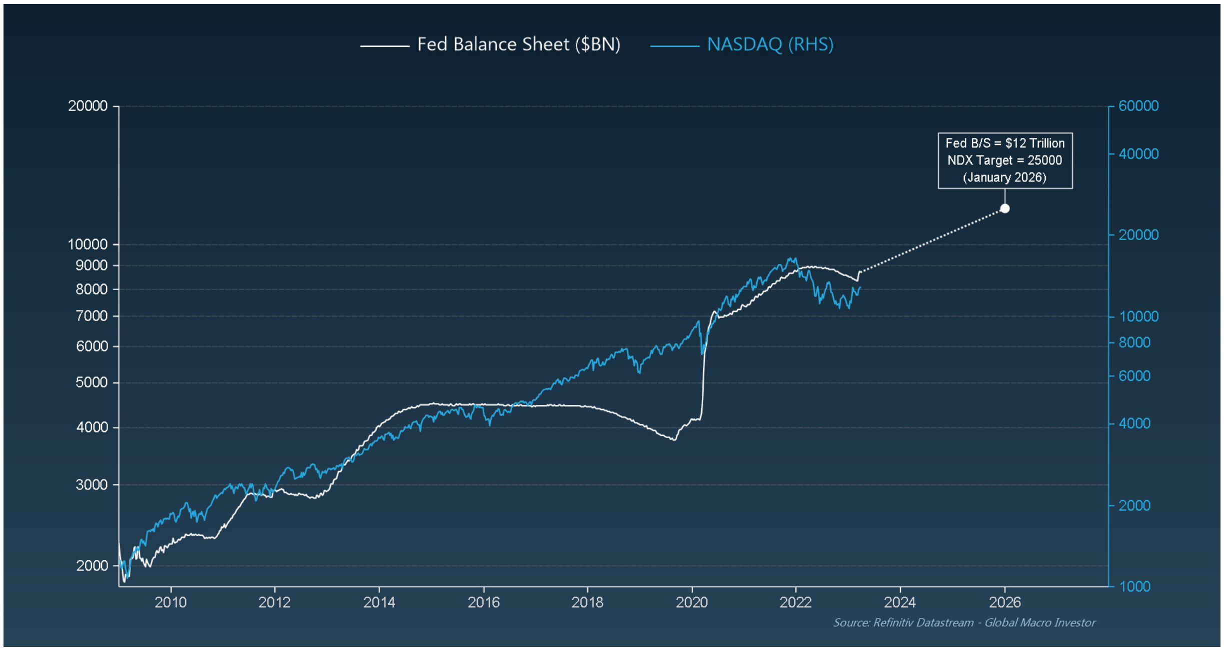
Usually, at the final peak phase in markets the price often exceeds fair value. It should get to above the 2 standard deviation overbought level, just as it did in the last cycle...

The log channel I have been using for a couple of years now also gives a target higher than the 21,700. 21,700 would be the target for May 2024 and then the NDX could climb as high as 30,000... *it completely confirms our liquidity forecast...*

Liquidity projections suggest that the NDX could rise 75% to 110% from here in the next 2½ years.

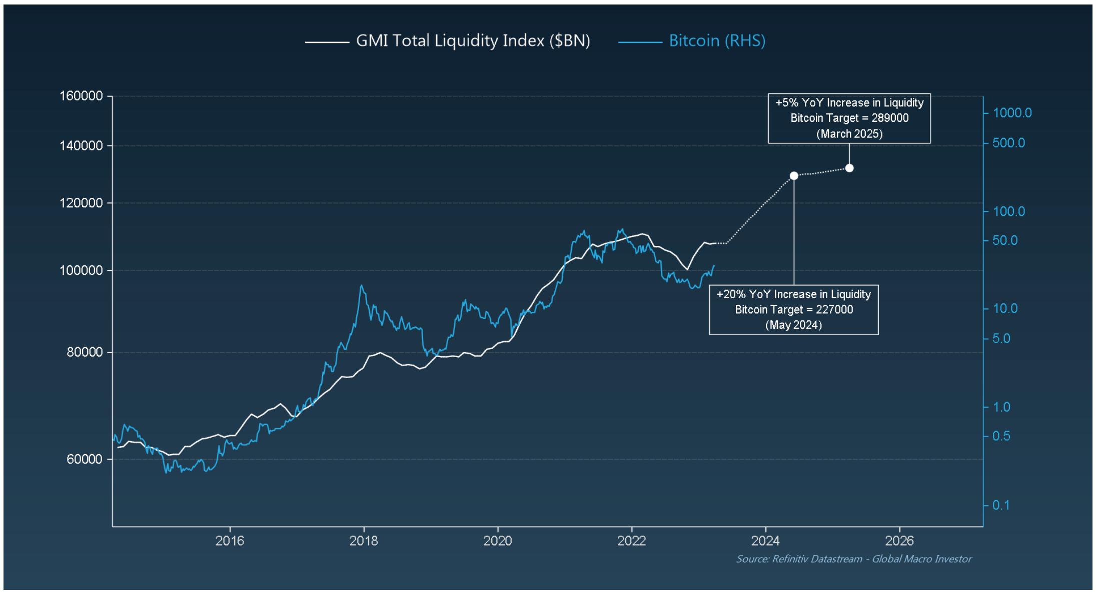
I bet that wasn't on your bingo card.

Remember, the Fed Balance Sheet gives a projection to 25,000 by the same date. It is all consistent...



But that is not all...

Bitcoin is also highly correlated to GMI Global Liquidity, giving an approximate upside of around $290,000, which is close to the market cap of Gold...

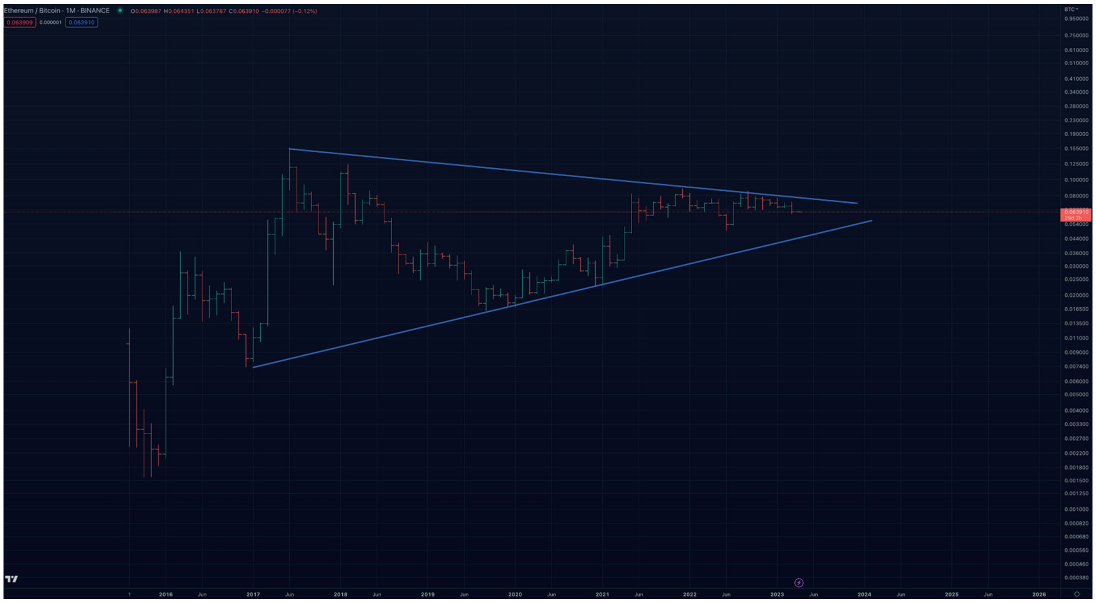


... which is consistent with the top of the log channel...

... and that implies a trough-to-peak of 15x, which would be the smallest trough-to-peak move in bitcoin's history. This makes sense as maturing network adoption means that rises get smaller over time...

But, as with the SPX vs the NDX, I am not really interested in BTC but ETH, which should do at least 2x or 3x whatever BTC does (putting the ETH market cap maybe above BTC, which has been my base case for a while).

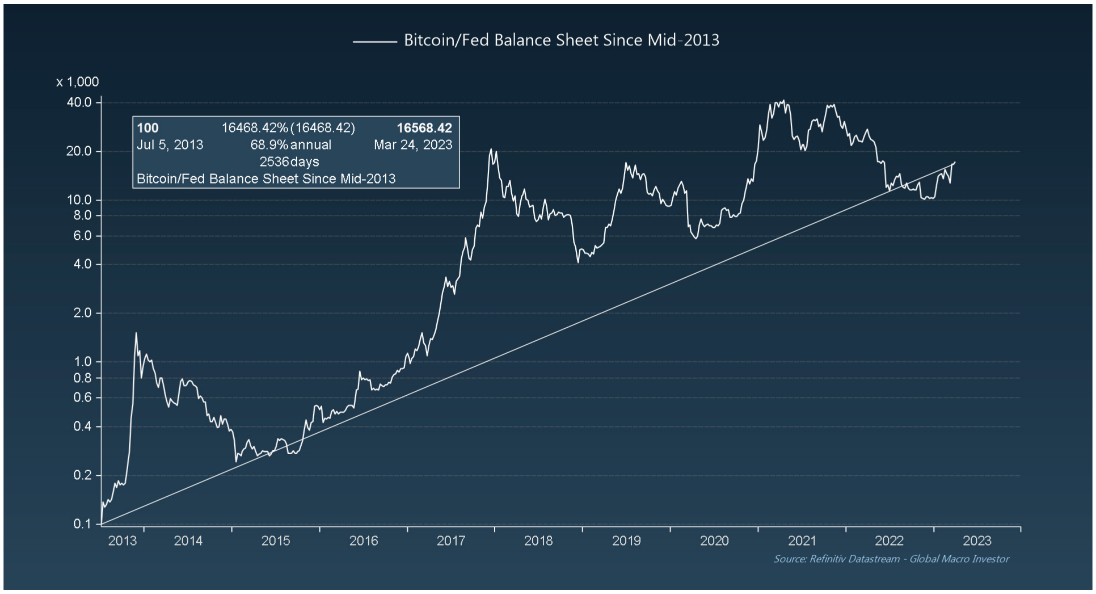
This wedge in the ETH/BTC cross has got something wild written all over it...



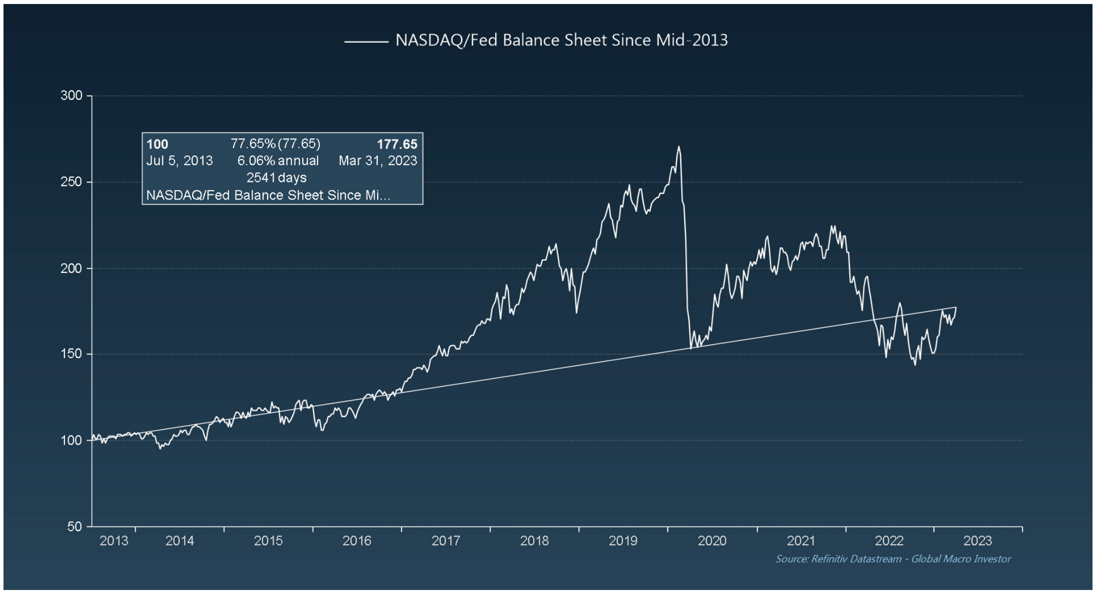
Again, I need to emphasise the most important point of all:

When the Fed Balance Sheet is going up, some assets perform well, some do not. We need to back the right horse.

Since 2013, BTC did 68% per annum in excess of the Fed Balance Sheet (taking into account that we are currently still nearer the bottom of the cycle than the top). I started this chart in 2013 because the numbers are too large due to the very big increases in BTC back in 2010 to 2013...

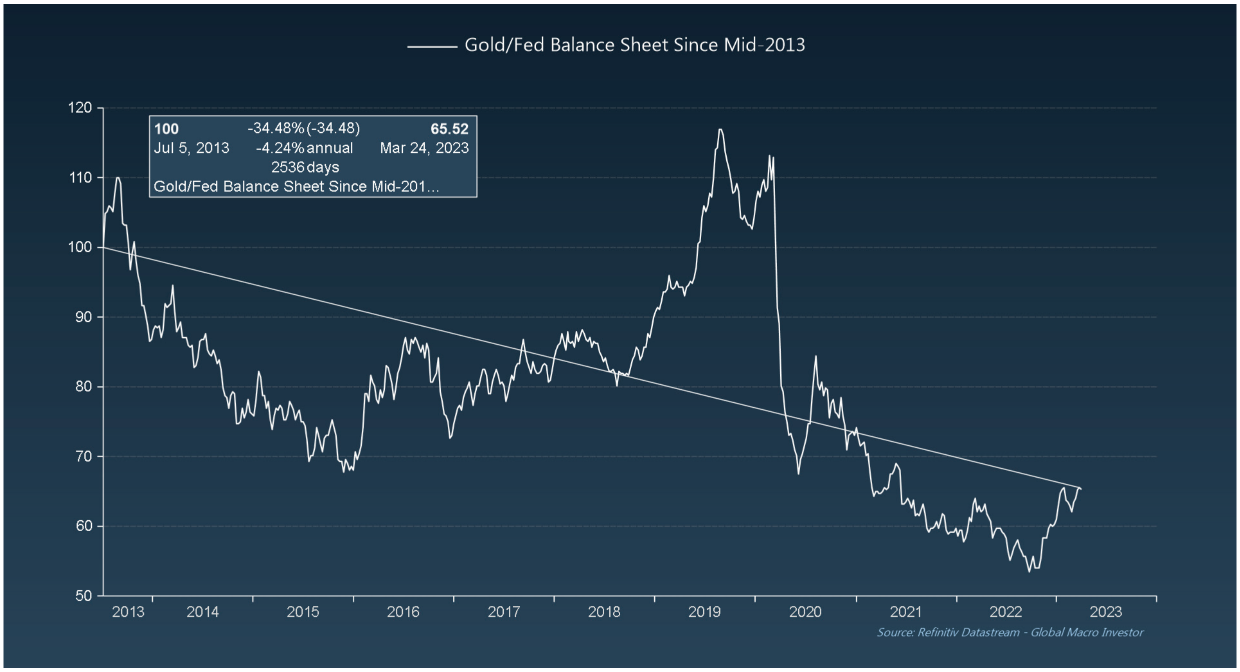


The NDX saw 6% excess returns over the same period...

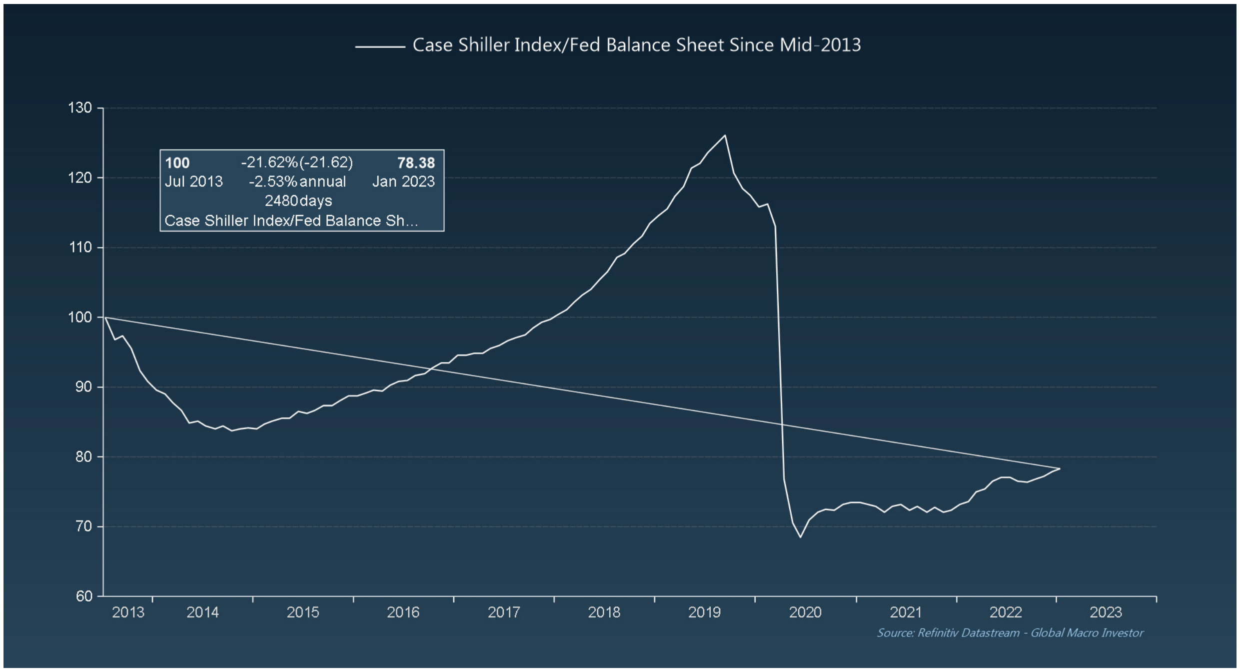


... the SPX did zero...

Gold did -4% per annum...



... and Real Estate -2.5%...



Remember, in the next three years BTC probably does 5x to 15x, NDX 0.75x to 1.25x, Growth Tech probably does 2x to 3x and ETH probably does 20x to 45x.

Feel free to assume I'm an idiot. Just knock 50% off my Everything Code forecast if you want.

It is all still good. *Very good.*

You want to own crypto and/or growth tech.

But even vol adjusted/risk adjusted, BTC beats the NDX by 56% per annum.

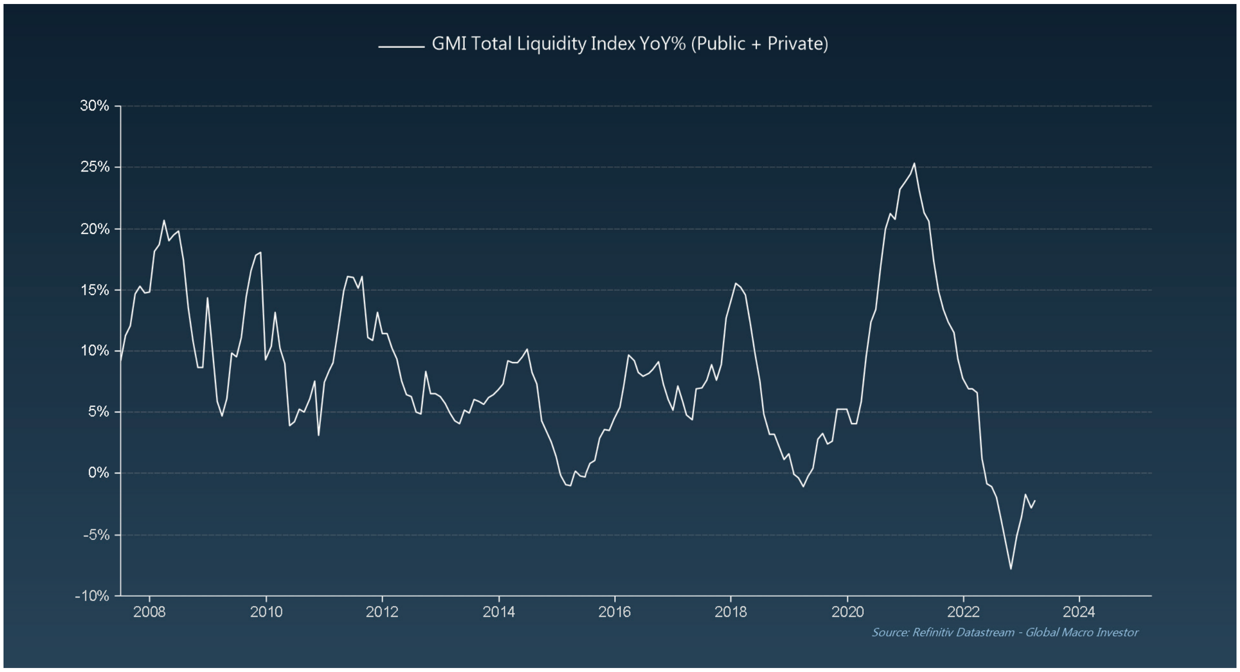
Crypto remains the super-massive black hole that eats all other assets for breakfast.

It is still the best risk/reward ever given, especially at these levels (but even if we match highs vs highs). Nothing else comes close.

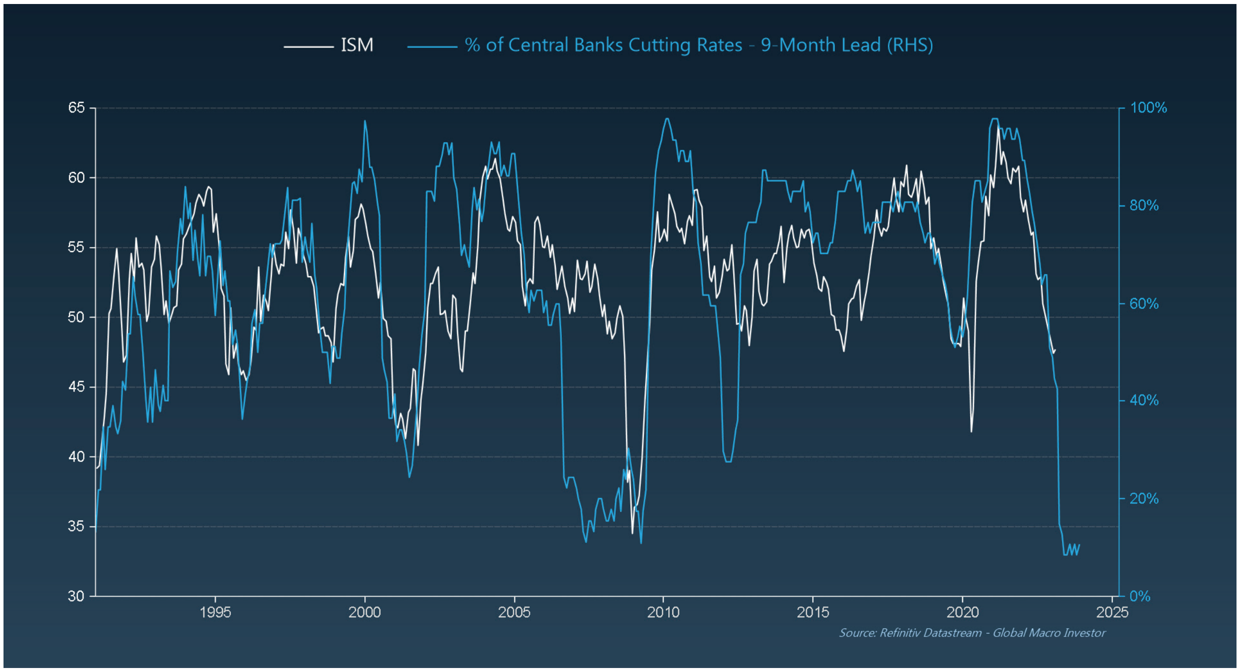
What if I am wrong and rates don't fall? Then the "Money Printer goes Brrrr" even more. There is simply no way for the economy to service the debt.

Rates MUST come lower, or everything ends. If everything ends, then it leads us back to even MOAR COWBELL.

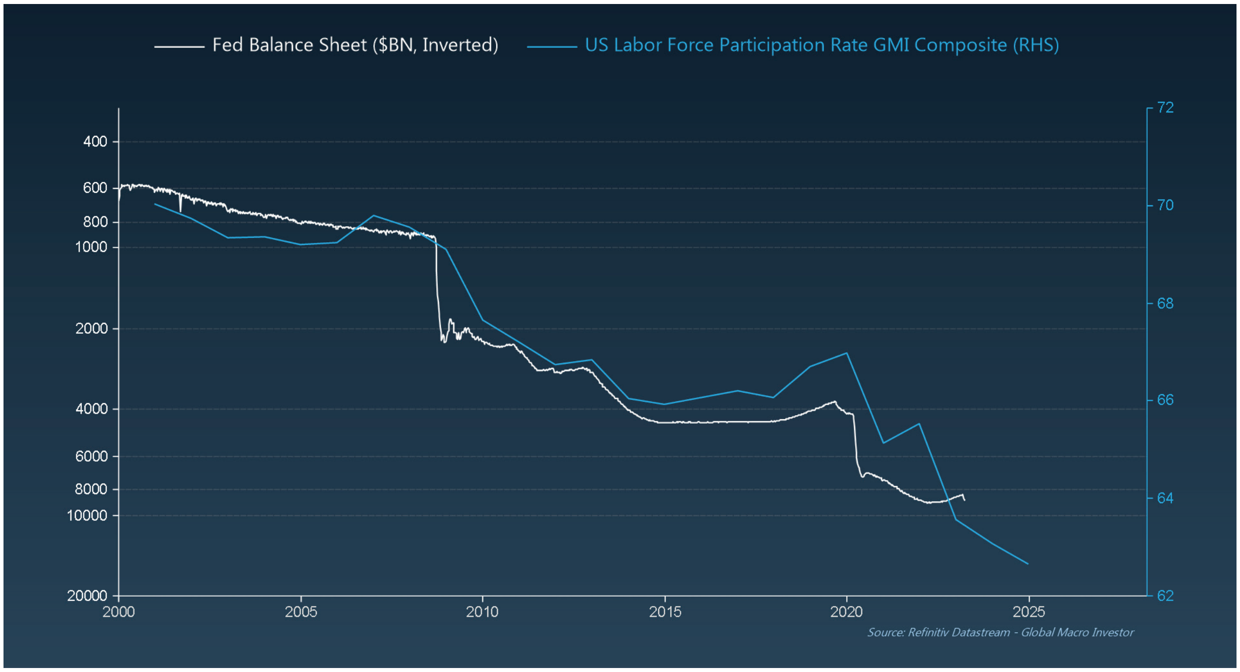
This chart of GMI Global Liquidity YoY indicates the trend of MOAR COWBELL has begun... and will accelerate...



... and as the ISM falls, the percentage of banks cutting rates will rise (more confirmation)...



ALL of this is being driven by demographics, as I explained at the beginning of Part 2: The Set-Up. The coup de grâce is the chart of the Labor Force Participation Rate vs the Fed Balance Sheet. Yup $14tn by 2025...



Everything is consistent. The balance sheet expansion numbers can be backed out multiple ways. It all adds up to The Everything Code.

The Everything Code has ALL the answers. Everything else is noise.

The code has been cracked.

Together, Part 1, Part 2, and Part 3 of this series complete *The Everything Code.*

It is the result of eighteen years or more of hard work – and it's my gift to you.

Any and all feedback – or pushback – is welcome. Leave your thoughts in the comments or reach out at pro@realvision.com.

BACKGROUND

Together with Julian Bridgen of MI2 partners, **Raoul Pal** launched *Macro Insiders*, institutional-quality research service but for the more experienced retail investor. *Macro Insiders* forms a core part of the Real Vision Pro membership.

Raoul also publishes *Global Macro Investor* (since January 2005) providing original, high quality, quantifiable and easily readable research for the global macro investment community hedge funds, family offices, pension funds and sovereign wealth funds. GMI draws on his considerable 31 years of experience in advising hedge funds and managing a global macro hedge fund. Global Macro Investor has one of the very best, proven track records of any newsletter in the industry, producing extremely positive returns since inception: www.globalmacroinvestor.com.

Raoul retired from managing client money at the age of 36 in 2004 and now lives in the tiny Caribbean island of Little Cayman in the Cayman Islands.

He is also the founder and CEO of Real Vision, which is a digital media group: www.realvision.com.

Previously he co-managed the GLG Global Macro Fund in London for GLG Partners, one of the largest hedge fund groups in the world. Raoul moved to GLG from Goldman Sachs where he co-managed the hedge fund sales business in Equities and Equity Derivatives in Europe. In this role, Raoul established strong relationships with many of the world's pre-eminent hedge funds, learning from their styles and experiences. Other stop-off points on the way were NatWest Markets and HSBC, although he began his career by training traders in technical analysis.