

The Liquidity Cycle — A Subscriber Reference

The historical record, phase by phase

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How to use this document

This is your reference for the historical performance of the liquidity framework you are now subscribed to. It covers every signal phase from November 2018 through to February 2026 — what the signal read, what conditions were doing, and what happened to a NASDAQ-focused portfolio sized accordingly.

The position sizing used throughout: full exposure when GREEN, reduced to 20% when RED. One holding. One signal. No adjustments after the fact.

Read it once to understand the track record. Return to it when you want context for why the current signal reads the way it does.

Why technology stocks are uniquely sensitive to liquidity

Technology companies derive a large part of their value from earnings expected years into the future. That makes them more sensitive than almost any other asset class to one thing — the availability and cost of capital in the financial system.

When liquidity expands, capital flows toward long-duration assets. Technology stocks benefit disproportionately. When liquidity contracts, the opposite happens. Even fundamentally strong companies face pressure when the broader financial environment turns against them.

This is not a theory. It is a structural characteristic of how technology valuations work — and it is the foundation the signal is built on.

The two environments

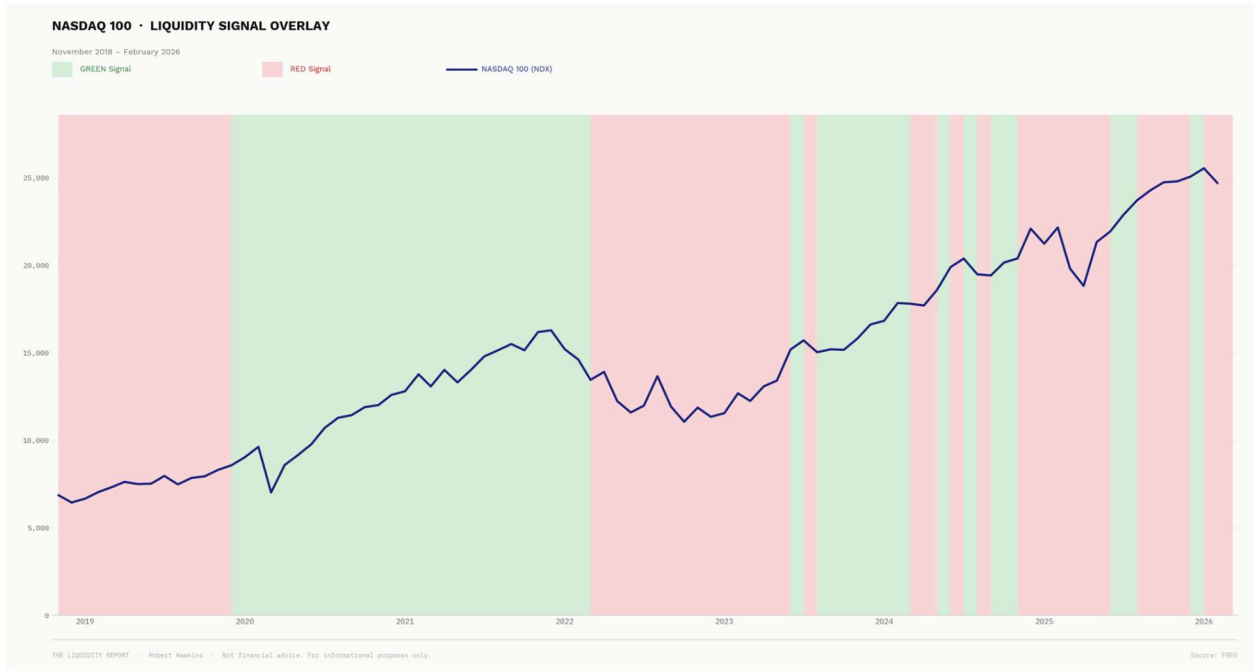
GREEN — liquidity expanding. Capital is becoming more abundant. Financial conditions are easing. The environment is supportive of technology markets. Full exposure is appropriate.

RED — liquidity contracting. Financial conditions are tightening. Capital is becoming scarcer. The environment is working against technology markets. Reduced exposure protects capital.

Everything the signal does reduces to identifying which of these two environments you are currently in.

The historical record

What follows tracks \$100,000 of NASDAQ exposure, sized by the signal, applied consistently from November 2018 through to February 2026. No stock picking. No market timing. One holding, one signal.



Phase 1 — RED: November 2018 to November 2019

The signal opened RED. Global liquidity conditions were not supportive of technology markets.

Exposure was held at 20% throughout. The remaining 80% of capital sat in cash.

The period was characterised by elevated volatility and uncertainty around trade policy and monetary tightening. With most capital held back, the portfolio was largely insulated from that turbulence.

Result: \$100,000 grew to \$104,096 over 13 months. The objective in a RED phase is not growth — it is preservation. Capital was intact and ready for what followed.

Phase 2 — GREEN: December 2019 to February 2022

The signal turned GREEN as liquidity conditions became strongly supportive. Exposure moved to full.

The COVID shock in early 2020 caused a sharp but brief drawdown — the NASDAQ fell hard in March 2020 before recovering swiftly. The signal remained GREEN throughout. This is an important lesson: short-term volatility does not override the signal. Liquidity expanded dramatically in response to the crisis, the environment remained supportive, and the portfolio captured the full recovery and the extraordinary bull market that followed.

Result: \$104,734 grew to \$178,675 — a gain of more than 70% across 27 months of full exposure.

Phase 3 — RED: March 2022 to May 2023

The signal turned RED in March 2022 as liquidity conditions began deteriorating. Exposure was reduced to 20%. The remaining 80% of capital moved to cash.

The portfolio entered 2022 still at full GREEN exposure. The RED signal was called in March 2022. The signal does not catch the exact top. What it does is identify the macro environment — and by March 2022, that environment had deteriorated clearly enough to call RED.

From that point, the protection was decisive.

The NASDAQ fell a further 18% between March 2022 and its trough in October 2022 — from 13,459 to 11,063. With the portfolio at 20% exposure throughout, the impact of that further decline on the total portfolio was minimal. From March 2022 through to May 2023 — fifteen months — the portfolio moved from \$164,471 to \$165,481. Essentially flat, while the broader technology market continued falling and then slowly recovered.

Over the full drawdown period from peak to trough, the NASDAQ fell 32% — from 16,290 in December 2021 to 11,063 in October 2022. The portfolio fell 20.2% over the same period — from \$199,068 to \$158,938. Once 80% of capital was in cash, the portfolio was almost completely insulated from what followed.

The total portfolio drawdown of 20.2% against a market decline of 32% understates the protection the signal provided, because the more meaningful comparison is what happened after the RED signal was called. From March 2022 — when the signal acted — the NASDAQ fell a further 18% to its trough. The portfolio moved less than 3% over the same period.

This is the signal working as designed.

Phase 4 — GREEN: June 2023 to February 2024

The signal turned GREEN as liquidity conditions began to recover. Exposure returned to full.

The portfolio captured a strong technology rally — driven in large part by the emergence of AI as a dominant market theme — gaining nearly 22% across eight months of full exposure.

Result: \$169,853 grew to \$206,784.

The post-2024 period: a more active signal

From March 2024 onwards the signal became more dynamic, alternating between GREEN and RED more frequently than in the earlier phases. This reflects the more complex and unsettled liquidity environment of that period — conditions that shifted repeatedly rather than establishing a sustained directional trend. The chart shows this clearly — a series of shorter cycles rather than the clean multi-year phases of 2018-2023.

Each shorter cycle was acted on in the same way as any longer phase: full exposure when GREEN, reduced to 20% when RED.

The 2025 drawdown — the signal working in real time

The most significant episode of the post-2024 period came when the signal turned RED in November 2024 and held RED through the spring of 2025.

With exposure reduced to 20%, the portfolio was largely protected from what followed. The NASDAQ fell from 20,394 in November 2024 to a trough of 18,830 in April 2025 — a decline of 7.7%. With 80% of capital in cash, the total portfolio impact was a drawdown of just 1.4% — from \$224,590 to \$221,473.

This is a clean, unambiguous example of the framework doing exactly what it is designed to do. The signal identified deteriorating liquidity conditions. Exposure was reduced. The market fell. The portfolio barely moved.

Result across the full post-2023 period: from \$169,853 in June 2023 to \$253,027 by February 2026 — a gain of nearly 49% across a period of considerable market volatility and signal activity.

The full picture

Starting value: \$100,000. Final value: \$253,027. Total return: +153% across seven years and three months — across bull markets, a global pandemic, two major technology bear markets, and one of the most volatile periods in modern market history.

The two most significant drawdown periods tell their own story. After the RED signal in March 2022, the NASDAQ fell a further 18% — the portfolio moved less than 3%. In 2025, a 7.7% market decline produced a portfolio drawdown of just 1.4%.

The numbers speak for themselves — but the context makes them even more compelling. A framework that identified the two worst technology drawdowns of this period in advance — reducing exposure before each — and captured the major rallies in between, while requiring nothing more than a monthly read and a single positioning decision.

Past performance is not a guarantee of future results. This document presents historical data — the signal applied to market data once, with no adjustments made after the fact.

What drives the signal

Global liquidity conditions are shaped by central bank policy, credit creation, and capital flows across multiple economies. These forces evolve gradually and rarely announce themselves clearly in headlines.

The signal tracks specific data series that capture these conditions in real time. Each month it produces a single reading — GREEN or RED — based on whether the aggregate picture is expanding or contracting.

That reading is what you receive in The Liquidity Report each month.

The Liquidity Report is a macro education and research publication. It does not constitute financial advice. Subscribers should make their own independent financial decisions.

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