

# Why The Liquidity Cycle Works in Your Favour

**The structural forces that make this the most reliable  
macro signal in markets**

*Robert Hawkins — The Liquidity Report*

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## A Note for New Subscribers

One of the most common questions a new subscriber asks — consciously or not — is some version of: *is this real, and will it keep working?*

It's a fair question. And the answer lies not in opinion or market forecasting, but in the mechanical realities of how the modern financial system is structured. Once you understand the underlying dynamic, the logic of The Liquidity Report becomes not just convincing but almost self-evident.

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## The Debt That Never Sleeps

The United States government currently carries a national debt in excess of \$34 trillion. That debt is not a static number sitting on a balance sheet. It is made up of bonds, bills, and notes of varying maturities — some due in months, some in years — that continuously come due and must be refinanced. The Treasury issues new debt to repay the old, plus additional debt to cover the ongoing deficit.

This process is not optional. It is not a policy choice. It runs continuously, regardless of who occupies the White House or which party controls Congress. Bondholders must be paid. The refinancing must happen. It is as mechanical as a clock — though like any mechanical system, it can be disrupted, extended, or compressed by extraordinary circumstances. What it cannot do is simply stop.

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## Where Liquidity Comes From

When large volumes of maturing debt are refinanced, money flows into the financial system. Bondholders who receive payment for their maturing bonds suddenly hold cash — and that cash seeks a return. Much of it flows into financial markets. This is the liquidity transmission mechanism, and it operates not because of sentiment or optimism, but because of the basic arithmetic of how debt-based monetary systems function.

The relationship between these structural liquidity flows and the performance of technology and innovation-driven assets is one of the most thoroughly documented patterns in modern financial research. It is not a theory. It is a measurable, repeatable relationship — and it is the foundation on which The Liquidity Report is built.

Identifying exactly where we are within that cycle at any given moment, and what the data is currently saying, requires tracking specific metrics across multiple data sources and knowing how to interpret what they mean in combination. That is the work The Liquidity Report does on your behalf every month.

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## **The Structural Floor**

There is a deeper dynamic at work beneath the refinancing cycle. As total debt grows — which it does continuously given ongoing government deficits — the interest payments on that debt grow with it. To prevent those payments from overwhelming the system, the money supply must expand at a rate sufficient to keep the debt serviceable. This creates a structural bias toward monetary expansion over time. It is not a prediction or a hope. It is an arithmetic necessity built into the architecture of the system itself.

The practical consequence is that periods of liquidity contraction are, by their nature, temporary. The system cannot sustain a prolonged collapse in liquidity without triggering a crisis — at which point policymakers have no choice but to respond. This pattern has repeated itself consistently throughout the modern era.

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## **What This Means for You**

Liquidity does contract — and when it does, those are precisely the periods The Liquidity Report identifies as unfavourable. Recognising those windows and responding accordingly is one of the most valuable things a macro-aware investor can do.

But the overall direction of travel, driven by the compulsory mechanics of debt refinancing and the structural requirement for monetary expansion, maintains a persistent bias toward growth over any meaningful time horizon. The question is never really whether liquidity will expand over time. The question is where we are in the cycle right now.

That is exactly what The Liquidity Report answers every month.

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## **You Have Made a Rational Decision**

Most investors navigate markets without any framework for understanding the macro forces that govern them. They react to headlines, follow sentiment, and wonder why their portfolio moves in ways that seem disconnected from the news they read.

You now have access to something different — a clear, monthly read on the single most powerful variable driving the assets you care about, grounded in the structural realities of how the global financial system actually functions.

That is not a small advantage. And it compounds over time.

Welcome to The Liquidity Report.

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*This document is provided for educational purposes only. It does not constitute financial advice. The Liquidity Report is a macro education and research publication. Past patterns are not a guarantee of future performance.*