2026 REGIME LETTER

THE NEXT TRANSMISSION

From Monetary Disorder to Productive Assets

Mechanism | Sequencing | Scenarios | Portfolio Discipline

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Author's note

The correspondence dated January and June 2008, July 2009, June 2016, November 2018 and May 2020 was written by me without artificial-intelligence assistance. These records preserve the information I had at the time, the mechanisms I identified and the actions I proposed.

ChatGPT assisted with research, scrutiny of competing explanations, and editing. This revision retains the August 2026 assessment and adds monitoring rules for prospective use from 20 November 2026. The original probabilities are judgmental estimates as of August.

This document is strategic commentary for professional discussion. It is not personalised investment advice, an offer, a solicitation or a promise of performance. Any investment decision requires independent legal, tax, regulatory, credit, technical and financial due diligence.

Executive summary

The conclusion

> I expect the first serious break, if it comes, in long-dated government bonds. An inflation or fiscal surprise can leave dealers and leveraged holders financing collateral that has lost value faster than they can raise cash. Sales to meet margin and redemptions would widen traded credit spreads well before private lenders mark down their books. Watch what borrowers actually pay in cash and who still has access to a refinancing. AI matters to this outlook through the productivity it delivers and the debt incurred to get there.
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> For much of the period after 1981, weaker growth made government bonds a reliable hedge. A supply shock can now depress demand and still leave the long end facing higher inflation compensation and a heavy auction calendar. Central banks can buy dealers and funds time to raise cash at a higher clearing yield. The gilt market showed in 2022 how much damage can be done before that support arrives.[26]

The cash a portfolio can command in a bad week determines how much else it can hold.

1. Set aside liquid assets for margin, redemptions and capital calls.
2. Keep 7–10% in physical gold where the mandate permits. Size rates options and managed futures against the losses they are intended to cover.
3. Favour senior asset-backed lending where claims can be verified, collections controlled and a recovery estimated.
4. Make a separate allocation to Blue Economy assets whose operating cash flows improve the portfolio under stress.
5. Before lending, establish what ranks ahead of the claim, which obligors the book depends on and who can collect or sell after a default.
6. Reprice the asset while running the cash forecast with refinancing closed.

The transmission sequence

7. **A supply shock can lift prices as output slows.** Higher energy costs or disrupted trade routes make disinflation harder. A large rollover calendar brings higher funding costs into the fiscal accounts sooner.
8. **Watch the long end.** A rise in the term premium or a run of poor auctions erodes collateral values. A central bank can restore two-way trading at a higher yield.

9. **Margin arrives before a fund can sell at its preferred price.** Leveraged holders sell the assets still trading. A rise in the yen adds pressure on positions funded in that currency. The January 2008 and July 2009 records bear on the mistake of using an unusually quiet market to size those exposures.
10. **Public spreads will show the strain first.** Private lenders may allow borrowers to capitalise interest or amend covenants before they mark down the loan. The 2016 and 2020 examples show how quickly an exit can narrow once buyers pause or the claims need to be verified.
11. **AI investment has to service its debt.** If productivity gains spread, they can support revenues and ease the fiscal arithmetic. A project with poor utilisation or dearer power still has to service the debt drawn to build it.
12. **Reserve diversification proceeds gradually.** Official gold holdings and local-currency settlement can both grow while the dollar retains its dominant reserve share.
13. **Make room for Blue Economy cash flows.** Licensed production, multi-customer processing and cold storage, and contracted water or port assets can improve downside cash flow. V5's proposed five-year closed-end fund deploys committed equity. Investors have no redemption right during the term and the base case assumes no fund borrowing. We first fund existing farms through stressed harvest and collection and cover other fund obligations. We can then draw remaining commitments to buy scarce licences or distressed assets from forced sellers.

Author's scenario assessment — August 2026

The weights are my August 2026 estimates. Appendix B sets out the observations that would move them, with historical comparisons for the speed and scale of repricing.

Scenario	Probability	Description	Investment implication
Controlled repricing	55%	U.S. real GDP growth of 0–2.5% and core PCE inflation of 2–3.5% year on year fit the base case. Even a move of the 1994 scale, when the U.S. 10-year yield rose 224 bp from February to November, needs the other signals in Appendix B to qualify as an accident.[33]	Keep cash to hand and limit duration where the yield offers too little compensation. Hold strategic gold and lend against productive assets that can fund the downside.
Liquidity and credit accident	25%	Four signals in the sequence and within the 30-day window set out in Appendix B. Thirty-year gilt yields rose 130 bp in three sessions in 2022. During the 2024 yen unwind, USD/JPY fell 8.36% in ten sessions.[26][27][34]	Protect access to funding and reserve cash for margin and existing obligations first. Size the rates hedge to the loss. Use surplus capital to buy from forced sellers once recoveries can be underwritten.
Productivity validation	20%	U.S. output/hour ≥2.5% YoY for four quarters, cash coverage across the AI cohort, core PCE ≤2.5% for six releases and a falling term premium despite issuance. U.S. productivity averaged 2.5% in 1995–2000.[40]	Back companies turning investment into cash. Revisit what it costs to carry defensive hedges and add duration where inflation and the term premium warrant it.

What would make this near-term?

I would revisit the 25% accident weight if long yields rose ahead of or alongside non-bank funding stress and public spreads then widened, with inflation or carry confirming inside the same 30 calendar days. If sovereign bonds rally and funding holds as spreads widen, I would look first to weaker growth.

The third letter

Dear Partners and Colleagues,

In January 2008 I expected the housing and credit contraction to lead to recession. I proposed selected managed-futures strategies and cash and fixed income, with inverse exposure to financial, real estate, technology and consumer-dependent sectors. The call concerned leverage accumulated in a quiet market and what higher volatility would do to it. I gave no date and named no individual failure.

In June 2008 I asked what it would cost to protect principal on a leveraged investment in Fairfield Sentry. The distributor was comfortable with the reported volatility and correlation but agreed to seek a price. The separate, indicative BBVA terms covered a two-fund basket, with principal protection at maturity dependent on the issuer. I have no confirmation that a Sentry-only note was executed.

In November 2018 I argued that the long decline in rates and inflation dating from 1981 was ending. Global integration could reverse, and war or supply disruptions would favour producers that could still deliver. I recommended transaction-based commodity finance with control of goods, ownership of arable land and logistics, and up to 10% in physical gold. The disinflation regime took several more years to break.

This time the pressure may start with government bonds already pledged as collateral. Once a fund has to meet margin by the close, its ability to raise cash matters more than the price it thinks the bonds are worth.

1. What the official evidence says

Public-debt arithmetic has moved from background concern to market structure. The IMF estimates that global public debt rose to just under 94% of GDP in 2025 and could reach 100% by 2029. The OECD expects governments and companies to borrow approximately USD 29 trillion from markets in 2026, with about 78% of OECD government borrowing used to refinance existing obligations. In the United States, the Congressional Budget Office projects debt held by the public at 101% of GDP in 2026 and 120% by 2036; net interest outlays are projected to rise from 3.3% to 4.6% of GDP over the same period.[1][2][3]

Major sovereigns that tax and borrow in their own currency have considerable room to meet nominal obligations. Portfolio losses can come much earlier. A bond can pay in full at maturity and still have to be sold today to meet margin. Higher yields feed into the cost of refinancing, and a central bank trying to defend the long end has to reckon with inflation.

The BIS describes a fiscal-financial stability nexus. The IMF and ECB identify elevated public debt, greater short-term issuance, leveraged non-bank intermediaries and weakening bond-market liquidity as amplification channels. The ECB reports that euro-area bond-fund cash buffers have declined materially and warns that outflows can force sales in relatively illiquid markets. The Bank of Japan is normalising rates and reducing its extraordinary role in the government-bond market while monitoring the ability of foreign non-bank shocks to affect Japanese markets.[4][5][6][7]

I would look for impaired trading well before an issuer's ability to pay came into question.

2. The first transmission: sovereign duration

Sovereign bonds are most likely to transmit a shock when three conditions coincide.

14. Supply is very large.
15. Duration has increased, or debt must be refinanced at materially higher rates.
16. The asset is widely used as collateral by institutions that must react to price movements.

A further energy or fiscal shock would first challenge the long end of government curves. Yields could rise even if growth weakened because the shock would worsen inflation, issuance or fiscal credibility. In that environment, bonds and equities can fall together. The traditional balanced portfolio loses part of the hedge on which it relied for four decades.

Several poor auctions or a fiscal package with no credible funding can raise the yield buyers demand. A weaker currency or another supply disruption can do the same. When the bond falls in price, a repo counterparty can lend less against it. The holder must then post collateral or sell into a thinner market.

I expect investors to demand more yield for holding duration and liquidity to thin out periodically. Repo support or temporary purchases can give leveraged holders time to find cash. In September 2022 the UK 30-year gilt yield rose 130 basis points in three trading days before the Bank of England intervened. Its purchases totalled £19.3 billion and ended on the announced date. A standing yield cap is a commitment to defend a price even if inflation persists. If an early cap held through stress, with orderly trading and anchored inflation expectations, I would cut the accident weight.[26]

3. The second transmission: non-banks and carry

The post-2008 system made regulated banks safer in many respects while shifting more intermediation into asset managers, hedge funds, private funds, insurers and other non-bank institutions. The FSB estimates private-credit assets at USD 1.5–2.0 trillion and highlights bank links, borrower leverage, valuation opacity, concentration and liquidity features. The ECB and Bank of Japan separately emphasise the ability of foreign or leveraged non-banks to transmit shocks across markets.[6][8][9]

In August 2024, weak US labour data preceded the yen carry unwind. The selling was fast and the markets found their footing again. To call a future episode sovereign-led, I would look for a fiscal or supply impulse and a rise in long yields before or alongside signs of funding strain, with public credit widening afterwards. Widening spreads alongside a bond rally and orderly funding point to a growth shock.[27]

When sovereign yields lead the move, the pressure travels through collateral.

17. Inflation or fiscal news raises long yields.
18. Volatility increases and collateral haircuts become less generous.
19. Leveraged relative-value and carry positions lose money.
20. Investors buy back funding currencies and sell liquid assets.
21. Redemptions spread the adjustment into credit and emerging markets.

In January 2008 I wrote that quiet markets had allowed derivatives leverage to build. I questioned the use of a bell curve in manager selection and proposed selective managed futures and cash. By July 2009 the issue I raised was Gaussian daily value-at-risk (VaR). I pointed to power-law tails. For a holder with margin to meet, the size of a loss beyond the quantile matters alongside the chances of reaching it. For a leveraged position today I would shock yields, repo haircuts, margin and market depth together over the time it would actually take to sell.

4. The third transmission: private credit's delayed mark

A lender with committed capital and covenants it can enforce has time to collect or work out a loan. That time is worth something if recoveries hold up. In June 2008 I asked for contractual principal protection on the proposed Sentry exposure. The distributor had been comfortable with the reported

volatility and correlation. Where protection is promised today, I want the underlying assets verified and the documents to show who controls them, who pays and when payment can be demanded.

A quarterly NAV may look much the same after a borrower starts paying interest in kind. Follow the same group of borrowers through covenant amendments, non-accrual and eventual recovery, and compare them with traded credits of similar leverage, sector and seniority. Cash receipts that hold up through a public sell-off strengthen the case for patient lending. For the losses to spread, look for a bank line that fails to roll, an insurer with material exposure or a fund facing redemptions.[6][8]

Before advancing money, I want the credit papers to answer the following questions.

22. What precisely is the collateral, and who controls it?
23. Is the lender first-ranking in law and perfected in practice?
24. What debt, statutory claim or working-capital facility ranks ahead?
25. How concentrated are the underlying customers, obligors and sectors?
26. Who independently verifies receivables, inventory, biomass, production and cash?
27. How often is the asset valued, and can that valuation be independently challenged?
28. What happens following covenant breach, insolvency or fraud?
29. Is liquidity promised to investors against assets that cannot be realised on the same timetable?

By June 2016 I was concerned that marketplace lending depended on repeat purchases by a crowded group of institutions. Much of the borrower credit was unsecured and platform recourse often limited. My email came after LendingClub's May disclosure. The company subsequently reported that investors paused purchases and second-quarter originations fell about 30% from the first quarter. The fall shows what happened to funding. Recoveries and loan losses have to be read from the loan book.[23]

Finacity, then part of Greensill, brought us a US manufacturing receivables proposal in May 2020. At an operating margin cited at about 1%, a delay in collections left little room for error. I asked for single-name limits or a ratings grid to address the concentration (Klumpenrisiko), closer monitoring and more ways out. I also asked what debt was already in place and what ranked first. A UCC-1 search helps identify competing claims. The lender's position depends on attachment, perfection, applicable priority rules and control of collections.[25][43]

My May 2020 email concerned that proposal alone. In the separate Greensill-linked funds case, FINMA found that the Credit Suisse manager had little knowledge of or control over individual claims, some of which had yet to arise. Four funds closed at short notice. Once a buyer or insurer withdraws, the lender is left to establish whether the receivables exist, where the claim ranks and who can collect the cash.[24][43]

5. AI: productivity engine or duration amplifier?

Wider use of AI in software, logistics, finance, research and industrial design could lift potential growth. That would ease the debt arithmetic and justify some of the investment now under way.

More of that investment is being financed in the bond market. The OECD estimates that nine major AI-related companies may issue approximately USD 1.2 trillion of corporate bonds to fund capital expenditure between 2026 and 2030. The BIS finds that borrowing is increasing while productivity gains remain uncertain and uneven. The ECB warns that concentrated positions in the same companies' equities and debt could compound losses if expectations change. Power and infrastructure costs already matter to the underwriting.[2][10][11]

I would watch projects that draw debt before utilisation is established. The initial break is still more likely in the market for sovereign collateral.

Earlier cash generation across more sectors would reduce the pressure. If adoption is slower, margins fall or power and infrastructure cost more than budgeted, debt service continues while the revenues move further out. Those projects become particularly sensitive to long yields.

For a data centre or a farm, I want to see what the asset can earn at realistic utilisation and power costs before financing construction.

6. Gold, reserves and rates hedging

In 2018 I favoured physical gold for its collateral value, its monetary history and the prospect that the long disinflation was ending. The World Gold Council puts average central-bank buying over the past four years at about 1,000 tonnes a year, roughly twice the preceding decade's average. In its 2026 survey, 89% of respondents expected aggregate official reserves of gold to rise over the next 12 months and 45% expected to add to their own holdings.[12]

The dollar accounted for 57.13% of allocated foreign-exchange reserves in the first quarter of 2026, slightly more than in the previous quarter. Valuation explained much of the 2025 increase in gold relative to Treasury holdings. The figures are consistent with diversification at the margin.[13]

BRICS institutions and the New Development Bank have advanced local-currency finance. I assign little weight to a gold-backed settlement system in the near term. I expect most demand for gold to come through gradual reserve purchases, geopolitical hedging and concern over real returns on sovereign debt.

I keep 7–10% as a strategic range for physical gold where the mandate, liability currency and available liquidity permit it and custody is in place. Take a portfolio with half its capital at eight years' modified duration. A rise of 100 basis points costs about 4% of NAV before convexity. A 20% rise in an 8% gold holding recovers 1.6% of NAV. Gold fell 12% from 9 to 18 March 2020 when investors needed cash. I

budget the rates loss separately. The managed futures I proposed in January 2008 can follow a sustained move, with margin to post and losses possible on a reversal. A payer swaption has value at expiry when the market swap rate is above its strike. Size it to key-rate DV01, allowing for premium, tenor, settlement and the basis to sovereign yields.[28]

7. Commodities, trade routes and productive sovereignty

In 2018 I argued that fragmentation would favour producers of metals and food that could still get goods to market. The operating advantage lies in the means of delivery. A producer needs processing capacity, energy and working capital, and a route that remains legal and insurable.

I use productive sovereignty to mean viable capacity to produce, process and deliver essentials when shipping, energy or finance is constrained. Local ownership can help where it improves continuity or economics. Allied and geographically diversified supply can provide the same resilience.

The IEA reports that refining concentration across energy minerals reached new highs in 2025; dominant suppliers accounted for more than three-quarters of recent refined-supply growth. Export restrictions have converted theoretical concentration risk into an operating constraint. The WTO and UNCTAD show how disruption at the Strait of Hormuz has affected energy, transport, food and financing simultaneously. These are not separate markets. They are one physical system connected through shipping, fertiliser, power, insurance and credit.[14][15][16]

I would pay for scarce operating capacity where the unit economics justify it.

30. Licensed producers with established operations.
31. Processing and logistics that improve realised margins.
32. Technology that raises survival, yield, energy efficiency or feed conversion.
33. Resilient routes to market.
34. Governance that aligns operating expertise and capital.
35. Financing that survives delays and biological or commodity volatility.

8. Why food and aquaculture belong in the productive-asset thesis

In my November 2025 paper, *The Great Diversification Imperative*, I argued for spreading risk across sources of return, jurisdictions and the dates when capital can come back. I would give the Blue Economy a standing allocation on that basis, with a liquidity budget of its own. The OECD puts real value added in the wider ocean economy at US$2.6 trillion in 2020.[42] In *Why the Blue Economy Matters*, we set out where we would put capital to work. At a licensed farm I am buying a margin on biological output. A processor or cold store can earn fees on several customers' volumes, and a water or port concession

may earn a tariff or an availability payment under contract. I want to see who is obliged to pay under the contracts and how the operator demonstrates compliance with environmental limits.[22]

FAO puts 2024 farmed output at 103 million tonnes of aquatic animals and more than 59% of aquatic animal food. Wild capture remains within its historical range.[17] The World Bank and WWF put cumulative global financing for sustainable aquaculture in 2025–2050 at US$0.5 trillion on the present trajectory and US$1.5 trillion in their upside case, a gap of US$1 trillion.[19] The European Commission still finds a shortage of later-stage capital.[18] A project enters my pipeline when the permits, counterparties and expected cash receipts justify it.

OECD–FAO projects 121 million tonnes in 2035 and a real aquaculture price about 15% below the 2023–2025 average.[20] I would allow for weaker pricing from the outset. As our August outlook sets out, the operating case for a given species and site rests on juvenile quality, survival and feed conversion, dependable power and oxygen, and biomass and processing yields the operator can substantiate.[21] I would use those records to decide whether recirculation makes economic sense for the site. AquaBounty paused construction in Ohio while it sought financing.[29]

V5 Verde Equity's proposed aquaculture fund has a five-year closed-end investment horizon. We draw on committed investor equity to match the time it takes to stock, grow and harvest fish and collect from buyers. Investors have no redemption right during the proposed term, which removes investor-redemption mismatch at fund level. Our base case assumes no fund borrowing. Higher rates can change what we are willing to pay for a site without creating a fund debt maturity we have to refinance.

Credit markets eventually reopen, on a timetable the farm cannot choose. With operating cash provided for, committed equity lets biomass continue to grow through successive cohorts and gives us time to improve feed conversion, survival and processing yields. We can continue that work through a non-bank liquidity squeeze while leveraged owners face maturing debt and more expensive renewals.

At farm level I want enough cash and facilities drawable under stress to pay for feed, oxygen, wages, power and fish health. Cover the worst shortfall through the later of 12 months or payment for the next stressed harvest. Tie the 13-week forecast and monthly growing-cycle model to the same accounts. In the first pass, assume no refinancing and 90 more days to collect. Cut the realised price by 15%, raise feed costs by 20% and power by 30%, and add five percentage points to mortality. Run the shocks together and calibrate them to the site's record.

Once we have funded existing farms through stressed harvest and collection and covered the fund's other obligations, we can draw remaining commitments to buy scarce licences or distressed operating assets from forced sellers. We can bid without relying on acquisition debt where transfer and approvals permit.

V5's aquaculture underwriting rules

36. Check the operating licence and ecological capacity of the site. Establish who can take over the asset and how product would reach market.
37. Reconcile survival, welfare, feed conversion and realised price by cohort against evidence independent of the operator.
38. Put rights to site data, biomass checks, cash control and intervention into the contracts.
39. Where an operating company has debt, size service to stressed cash receipts. Check perfection and insurance exclusions, then estimate what the collateral could fetch net of recovery costs.
40. Fund existing cohorts through stressed collection first. Release equity for restocking or expansion against agreed operating milestones and audited cash conversion.
41. For processing, cold chain and water, check contracted volumes and the cash margin. Find out how many customers the asset can serve if the lead customer leaves.
42. Fund new technology once commercial operations show its effect on survival, energy use and unit cost and establish that it can run reliably.

I would compare the portfolio with and without the allocation at the same level of commitments and liquidity. Use distributions received, valuations that can be challenged independently, and the cash needed for the next 12 months, including downside calls. Better cash flows in the joint stress would justify adding exposure in stages. A farm and a cold store whose volumes come from that farm depend on the same harvest. Look across the whole portfolio for common watersheds and species, buyers, feed and power suppliers, lenders and insurers before setting the size of the allocation.

9. What could prove this thesis wrong?

I would reconsider the thesis if several of these conditions held together over the next two years.

43. Global inflation returned durably to target without repeated supply shocks.
44. Long-term sovereign yields and term premia declined despite heavy issuance.
45. Fiscal authorities produced credible medium-term stabilisation of debt and interest burdens.
46. AI productivity broadened beyond a small group of firms and generated cash flows commensurate with capital expenditure.
47. Private-credit borrower stress, payment-in-kind usage and fund-liquidity concerns declined.
48. Central banks materially reduced gold allocations and restored a clear preference for sovereign bonds.
49. Trade restrictions fell and refining became less concentrated.
50. The traditional negative correlation between high-quality bonds and equities re-established itself across stress periods.

If those changes persisted, I would add duration selectively, cut back defensive hedges and put more capital behind broad productivity growth.

10. Practical allocation and underwriting discipline

Reserve enough cash for operating costs and other portfolio obligations through the freeze. Use only the capital left after those needs are covered to buy from forced sellers.

Objective	Implementation principle	Risk to avoid
Liquidity and optionality	Maintain deployable capital and match asset liquidity to liability terms.	Forced selling, redemption mismatch and refinancing dependence.
Duration discipline	Use selective, shorter effective duration where valuation and income do not adequately compensate for rate volatility.	Treating long-duration sovereign exposure as an automatic hedge.
Physical gold	Allocate a strategic 7–10% where suitable. Budget any managed futures and payer swaptions against specific stress losses.	Relying on gold to offset a defined rates or funding shock.
Secured income	Prefer senior claims, identifiable collateral, legal priority, cash-flow control, covenants, independent monitoring and realistic exits.	Lending against claims whose priority, collection or saleability is unverified.
Productive ownership	Give Blue Economy assets a separate allocation. Add commitments as realised cash flows and joint stress tests show what the assets contribute.	Paying for theoretical scarcity, overlapping risks or exits that rely on refinancing.
Selective technology	Invest where technology improves a measurable operating bottleneck and where financing does not assume perfection.	Finance-dependent growth with weak unit economics.
Structure discipline	Test valuation, liquidity, concentration, refinancing and correlation assumptions under stress.	Hidden short-volatility structures disguised as smooth returns.

Cash and short-duration instruments are valuable primarily because they preserve optionality during forced selling.

Smooth reported returns, liquidity promises against illiquid assets and continuous refinancing can represent hidden short-volatility exposure.

Closing

In 2008 leverage depended on quiet housing and credit markets. What worried me in 2018 was how much capital still assumed that rates would fall and global supply chains would remain open. Today a supply or fiscal shock can hit sovereign collateral while leveraged investors and major capital projects are both drawing on funding.

The system can absorb pressure for a long time. I would keep cash available and ask of every holding when it can bring money back, whose consent an exit needs and what protection survives a counterparty failure.

I expect better opportunities where capital buys control of productive assets that customers actually use. The operating record, collection rights and the terms on which we can sell deserve at least as much work as the entry price.

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Appendix A — Evidence matrix: the documented record

Date	Contemporaneous observation	Action proposed	What the record supports	Important limitation
27 Jan 2008	Housing, credit and recession pressure. Low observed volatility had supported leverage. Challenged bell-curve manager selection.	Selective CTA/managed futures, cash, fixed income and inverse sector exposures.	Linked leverage and rising volatility to portfolio action before the major failures of 2008.	Direction and defence were explicit. Crisis timing, individual failures and precise derivatives exposures were unspecified.
17 Jun 2008	Fairfield distributor relied on Sentry's reported low volatility and low correlation.	Seek pricing on a capital-guaranteed, leveraged structure for contemplated Sentry exposure.	Demand for a contractual protection mechanism despite smooth reported returns.	Sentry-only execution unverified. BBVA's indicative two-fund basket protected principal at maturity subject to issuer solvency and final terms.
17 Jul 2009	Gaussian daily VaR understated discontinuous loss. Cited Mandelbrot and Taleb's power-law treatment.	Consider fat tails and the adequacy of hedging and risk oversight.	Dated post-crisis methodology critique, distinct from the January 2008 allocation call.	The recession timing view was contradicted by the NBER's June 2009 trough. No position or performance is verified.[30]
21 Jun 2016	Institutional crowding, rapid platform entry, unsecured consumer loans and limited recourse.	Avoid that exposure and focus on trade finance where enforceable control could be verified.	Underwriting warning on dependence on repeat buyers. Q2 originations fell about 30% after a purchase pause.[23]	The email followed the May disclosure. The 30% fall refers to new loan originations. Realised losses require loan-level evidence.
10 Nov 2018	End of declining-rate/disinflation regime. Global integration could reverse and reward accessible food and metals supply.	Up to 10% physical gold. Transactional commodity finance with control of goods, arable land, silos and logistics.	Structural thesis on regime change and physical control, before the post-2020 shocks.	The horizon was broad. No specific war, inflation print or price target was forecast.
7 May 2020	Finacity proposal. Customer concentration, about 1% operating margin, senior debt, UCC-1 priority and weak exits.	Single-name or ratings-based limits, independent monitoring, priority diligence and multiple exit routes.	Transaction-level test of claim quality, recoverability and financing dependence.	The record covers one proposal. Exposure to the later impaired Greensill-linked claims is unestablished.[24][43]

Methodological conclusion

Across these cases I first ask how far the market can move before the financing gives way. I want to know who has verified the asset, who can collect against it and when an investor can get cash back.

Appendix B — Forecast scorecard

The scorecard runs from 20 November 2026 to 23 August 2028, when the original two-year outlook ends. Check markets weekly and whenever a threshold is crossed, and retain the data available at each quarterly review. The thresholds reflect judgment. Leave gaps in the data unscored and use the measurement notes for the series and reporting conventions.

Channel	Indicator	Confirmation signal	Disconfirmation signal	Why it matters
Fiscal pressure	IMF 2029 world public debt/GDP projection. U.S. Treasury trailing-12-month net interest/receipts.	IMF projection ≥100% and U.S. interest/receipts up ≥1 percentage point YoY.	IMF projection ≤95% and U.S. interest/receipts flat or lower YoY for two quarter-ends.	Debt service and rollover narrow room for policy responses.[1][3]
Refinancing	OECD sovereign gross borrowing share for refinancing, and issuance-weighted average maturity.	Refinancing ≥75% of gross sovereign borrowing and average issuance maturity down ≥0.5 years YoY.	Refinancing <70% and average issuance maturity flat or longer YoY.	More frequent resets bring market rates into fiscal cash costs.[2]
Sovereign duration	U.S. 10-year yield and ACM term premium. U.S./UK 30-year yields as fast-crisis monitors.	U.S. 10-year yield +≥75 bp and ACM 10-year premium +≥50 bp, both over 63 sessions, or either 30-year yield +≥60 bp in 5 sessions.	ACM 10-year premium down ≥25 bp in 63 sessions with positive net U.S. coupon issuance and no fast trigger.	Collateral reprices. U.S. 10-year yield +224 bp in 1994. UK 30-year gilt +130 bp in three sessions in 2022.[26][33][37]
Inflation / supply	U.S. 5y5y inflation compensation, core PCE YoY and Brent spot.	5y5y ≥2.75% and +≥25 bp in 20 sessions, or core PCE ≥3.0% and Brent +≥20% in 40 sessions.	Core PCE ≤2.5% in six monthly releases and 5y5y ≤2.5% for 20 sessions.	Supply can constrain easing. Dec. 1974 U.S. CPI-U +12.3% YoY, with real GDP down 3.1% from 1973 Q4 to 1975 Q1.[31][32]
Market stress	ICE BofA U.S. HY and IG corporate option-adjusted spreads (OAS).	HY ≥600 bp or IG ≥200 bp on at least five of ten daily observations for the same series.	HY <400 bp and IG <125 bp for 20 sessions after the sovereign trigger.	Separates a rates move from broad credit repricing.
Non-bank leverage	SOFR minus IORB plus documented non-bank margin-driven sales.	SOFR–IORB ≥25 bp for three consecutive sessions outside quarter-end and verified margin-driven sales, or a documented margin-driven stability intervention.	SOFR–IORB ≤10 bp for 20 sessions and no documented margin-driven sales during that span.	Tests forced liquidation. The BoE's 2022 backstop bought £19.3bn and ended on its announced date.[26][38]
Private credit	Fixed U.S. BDC cohort. Median non-accruals at amortised cost and median PIK/gross investment income.	Median non-accrual ratio up ≥100 bp and median PIK share up ≥200 bp versus last pre-event quarter within two reporting quarters.	Both medians flat or lower versus the pre-event baseline in both reports, with stable cash coverage where available.	A delayed credit mark is a separate outcome. BDC reports are an observable subset.[8]

Channel	Indicator	Confirmation signal	Disconfirmation signal	Why it matters
Yen / carry	USD/JPY New York noon, VIX and TOPIX closes.	USD/JPY down ≥5% over ten sessions, plus VIX ≥35 at a close or TOPIX down ≥8% over five sessions within that window.	No qualifying cluster for 63 sessions following a rates trigger.	To 5 Aug 2024 USD/JPY −8.36% from 22 Jul. TOPIX −12.23% that day. VIX closed at 38.6.[27][34][35][36]
AI financing	Fixed issuer cohort. Trailing-12-month operating cash flow (OCF), cash capex and FCF.	For at least three issuers, capex up ≥20% YoY, FCF lower YoY and OCF/cash capex <1.25×, for two consecutive quarters.	Validation test. For at least three issuers, OCF/cash capex ≥1.5× and FCF flat or higher YoY for two consecutive quarters.	Tests issuer capacity to absorb capital spending. Consolidated cash is a proxy for project economics.
Gold / reserves	World Gold Council quarterly estimates of official net purchases.	Trailing four-quarter net purchases ≥750 tonnes.	Trailing four-quarter net purchases ≤475 tonnes at four consecutive quarter-ends.	Compares with the pre-2022 baseline of about 473 tonnes a year. Monitor COFER separately.[13][39]
Trade / security	WTO trade monitoring. Share of world goods imports covered by restrictive import measures still in force.	Share up ≥2 percentage points versus comparable prior-year release.	Share down ≥2 percentage points versus comparable prior-year release.	A proxy for fragmentation. Check actual access to processing, freight and inputs before assigning a scarcity premium.[41]
Aquatic food and Blue Economy	Cash contribution per kg by matched harvest cohort, downside liquidity, portfolio cash-flow stress.	At least two same-site cohorts hold or improve cash contribution/kg YoY. Funded through stressed collection. Sleeve reduces loss in the agreed joint stress at equal commitments with no additional 12-month liquidity shortfall.	Cash contribution/kg down ≥10% YoY for two matched cohorts, unfunded stressed cash trough or no portfolio stress improvement.	The allocation depends on cash margins at the site and whether receipts arrive in time to meet operating costs.[17][19][20][21]

Probability-update rule

51. Raise the **liquidity and credit accident** weight when sovereign duration, non-bank leverage, public credit and at least one of inflation or carry trigger within 30 calendar days. Require long-end repricing first or concurrent with forced selling and a public-credit threshold reached thereafter or that day. Assess the private-credit lag over the next two reporting quarters, using their release dates.
52. Raise the **productivity validation** weight when U.S. nonfarm output per hour grows at least 2.5% year on year for four quarters, the AI cash-flow test passes, core PCE is at or below 2.5% for six releases, and the 10-year ACM term premium falls at least 25 bp over 63 sessions despite positive net Treasury coupon issuance over the same window.
53. Retain **controlled repricing** when data are adequate and neither alternative qualifies. Growth of 0–2.5% and core PCE of 2–3.5% year on year are consistent with this case. An isolated yield or carry event is insufficient. At each formal review log status, timing and any revised weights summing to 100%. If both alternatives qualify during the horizon, record the accident and score subsequent productivity separately.

Appendix C — Investor brief

The Next Transmission

For much of the period after 1981, investors could rely on falling inflation and rates, and on dependable cross-border supply. Higher public borrowing and more frequent supply disruptions now leave sovereign yields exposed when growth slows.

I expect the adverse case to start in long-dated government debt. Once the collateral slips, margin calls and the unwinding of carry positions can take the selling into public credit. Borrower cash receipts may already have fallen by the time the private marks move.

AI can help the debt arithmetic if the productivity and revenues arrive in time. Where firms borrow to install capacity ahead of demand, a rise in long rates or power costs makes the wait more expensive.

Central banks have bought considerably more gold than in the previous decade. The dollar remains the dominant allocated foreign-exchange reserve. I expect a gradual shift in the mix of reserves.

I would reserve liquidity before sizing the other positions.

54. Reserve cash for operating costs, margin and capital calls first. Use surplus cash for forced-sale purchases.
55. Strategic physical gold at 7–10% for suitable portfolios, with a separate budget for rates convexity and managed futures.
56. Keep duration shorter where the yield offers too little compensation.
57. Senior, well-secured and closely monitored asset-backed income.
58. Productive ownership in essential sectors, with a dedicated Blue Economy allocation subject to a cash-flow and liquidity test.
59. Technology investment supported by measurable unit economics.
60. Avoidance of structures dependent on stale marks, continuous refinancing or untested correlations.

I would give the Blue Economy a separate place in the portfolio. Production earns money on the harvest, a processor or cold store on throughput from its customers, and contracted water or port assets on the services they provide. Common borrowers, buyers or biological exposures still count as one risk when they drive the same loss.

Farmed production supplies most aquatic animal food. The World Bank and WWF put cumulative financing in their scenarios at US$0.5–1.5 trillion through 2050. At the deal level, check who can take over the site and whether the farm can pay its bills until customers pay for the stressed harvest.[17][19]

V5's proposed five-year closed-end fund deploys committed equity. Investors have no redemption right during the term, and the base case assumes no fund borrowing. In a credit freeze, we fund existing farms through stressed harvest and collection and cover the fund's other obligations first. We can then draw remaining commitments to buy scarce licences or distressed operations from forced sellers where transfer and approvals permit.

Before committing capital, establish what earns the return, who controls cash and collateral and what an exit would yield under stress.

Sources and research notes

The August 2026 assessment is retained. Historical references and prospective monitoring definitions were added in the 20 November 2026 editorial revision. Source institutions do not endorse this letter.

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Measurement notes

US market series: DGS10/DGS30, ACM 10-year term premium, T5YIFR, PCEPILFE, DCOILBRENTEU, BAMLH0A0HYM2 and BAMLC0A0CM. UK 30-year: Bank of England daily nominal government liability curve, 30-year spot rate.[44] Log both the observation and first-publication dates. Apply sequencing to observation dates and update weights only once the evidence is available. Require a fresh trigger after monitoring starts, using trailing reference observations for lookbacks. Exclude the last and first two trading sessions around each quarter-end from the SOFR–IORB test. Use U.S. Treasury cash statements for interest and receipts and coupon auction/redemption totals for net issuance.

Freeze the U.S. BDC cohort (ARCC, BXSL, GBDC, TSLX) and the AI issuer cohort (Amazon, Alphabet, Meta, Microsoft). Use filed values and consistent reporting definitions. PIK is disclosed accrued PIK income divided by gross investment income. FCF is OCF less cash capex. If a cohort denominator or release is unavailable and the result depends on it, leave the signal unscored. Compare site cash contribution per kg after cash production and processing costs on a like-for-like species and harvest basis.