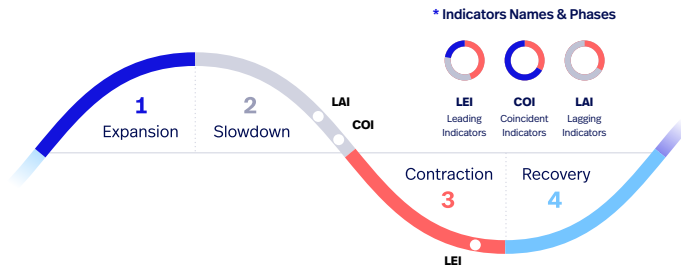


Business Cycle



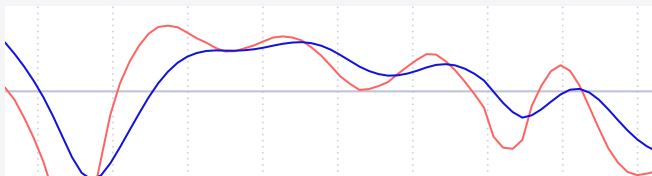
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KEY TAKEAWAYS

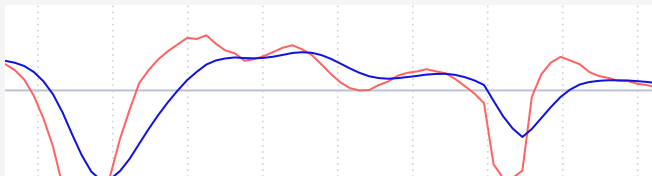
1 LEI moved lower yet again in June 2024. This is now the longest decline in LEI which has been recorded. This is very worrying for the Global Economy. COI is just around the Equilibrium Line but now the weakness in Labor market seems clearer. Open positions have been declining fast. NFP not as strong as earlier. LAI is also beginning to decline faster which speaks of a deteriorating economy.

Composite Indices

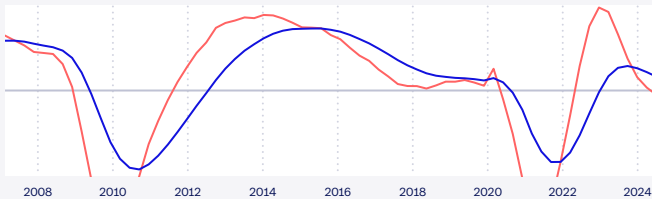
Leading



Coincident

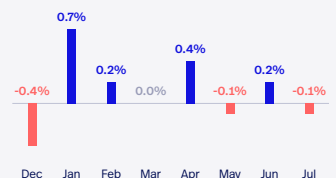
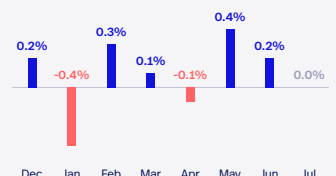
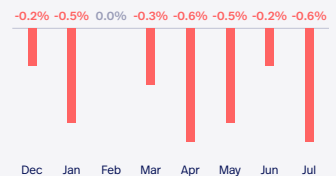


Lagging



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Monthly Changes



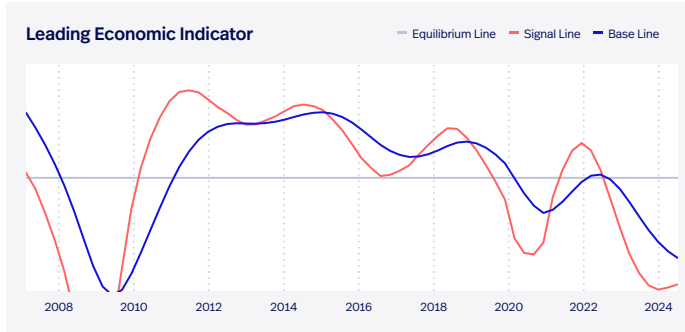
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KEY TAKEAWAYS

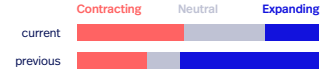
1 LEI triggered a Recession signal in early 2023. Despite, the fact that the Conference Board has removed their Recession Forecast for 2024, we maintain ours. We expect a major Economic and Financial Crisis to begin in Q4 of 2024.

Leading Economic Indicator

At a high level, this section shows us the expected state of the economy in the near future by showing us the evolution of economic leading indicators. The analysis is complemented by breaking down the composite into subindices to determine what facet of the economy is leading the change.

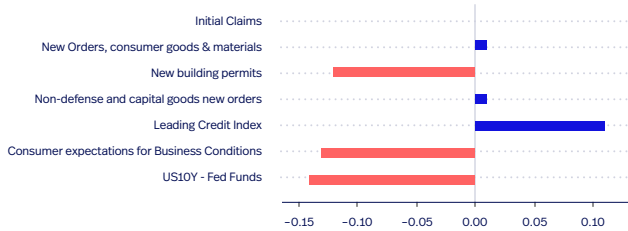


Leading Components



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Monthly Contribution to Change



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KEY TAKEAWAYS

- LEI have been declining for a record number of months at this point. The situation in LEI can only be compared to the situation before the Financial Crisis. The fact that LEI seems to be bottoming is not a sign of "No Recession". This is normal behaviour of LEI just before the crisis begins.
- Initial Claims have taken a tumble in June. This indicate that the Labor Market is weakening. Also Consumer Expectations for Business Conditions are in strong decline. The Economy is rolling over.

Leading Indicators

	Last Value (last update)	Last Month	Impact	Last year
Initial Claims	238.3K (07/24)	238.8K	negative	
New Orders, consumer goods & materials	127.1K (06/24)	127.2K	neutral	
New building permits	1.4M (07/24)	1.5M	positive	
Non-defense and capital goods new orders	34K (06/24)	33.7K	positive	
Leading Credit Index	-1.05% (07/24)	-0.87%	positive	
Consumer expectations for Business Conditions	-0.80% (07/24)	-1.00%	negative	
US10Y - Fed Funds	-1.08% (07/24)	-1.02%	negative	

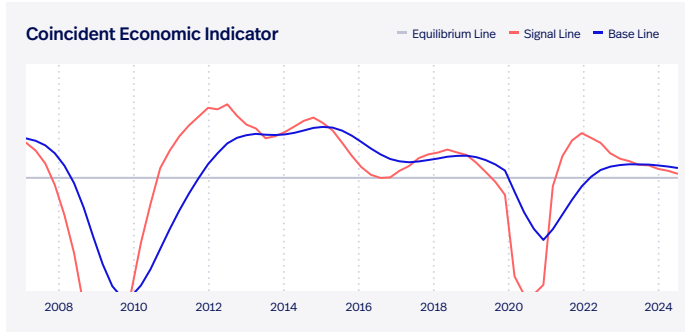
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KEY TAKEAWAYS

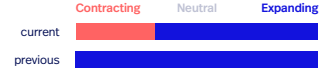
- Initial Claims are still at a historically low level. However, we are slowly beginning to see a move higher in initial claims. This is the Canary in the Coal Mine. When we see a sharp spike in Initial Claims, the Recession has moved closer.
- Building Permits bounced in June, which is a positive indication.
- Consumer Expectations were declining again. The real Economy is about the Consumer. If the Consumer does not believe in the future, then growth will be subdued.

Coincident Economic Indicator

At a high level, this section shows us the state of the economy by showing us the evolution of economic coincident indicators. The analysis is complemented by breaking down the composite into subindices to determine what facet of the economy is expanding or contracting.

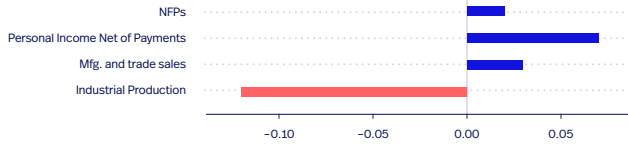


Coincident Components



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Monthly Contribution to Change



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KEY TAKEAWAYS

- COI topped in early '22 and has been moving lower in the "Slowdown" phase. COI still hasn't moved below the equilibrium line, which indicate that the economy is still not in recession. COI bounced again in June 2024. Labor Market not rolling over yet.
- The situation is similar to 2007 or 2014, where the COI was closing in on the equilibrium line. The Labor Market has been stubbornly strong, as employers refrained from cutting jobs. We think situation will develop as in 2007.

Coincident Indicators

	Last Value <small>(last update)</small>	Last Month	Impact	Last year
Nonfarm Payroll (MoM Change)	114K <small>(07/24)</small>	179K		
Personal Income (MoM Change)	16.8 <small>(06/24)</small>	64.4		
Mfg. and Trade Sales (MoM Change)	12.9K <small>(05/24)</small>	-2.6K		
Industrial Production (MoM Change)	-0.66 <small>(07/24)</small>	0.28		

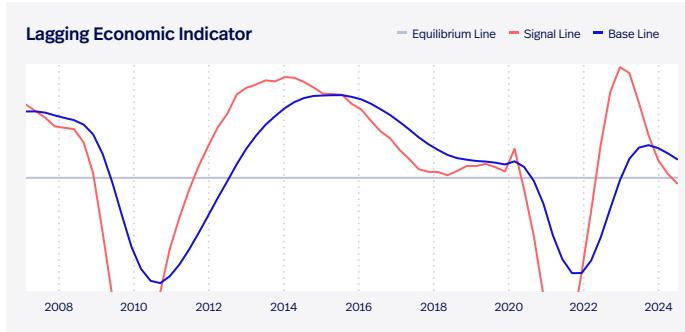
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KEY TAKEAWAYS

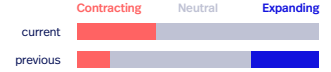
- All elements of COI were still positive in June. This indicates, that despite the clear and long decline in LEI, the Real Economy has not in June taken notice of this. The Economy is still not in Recession - but a slowdown is visible.

Lagging Economic Indicator

At a high level, this section provides context to the coincident indicators, clarifying the state of the economy by showing us the evolution of economic lagging indicators. The analysis is complemented by breaking down the composite into subindices to confirm the patterns occurring over time.

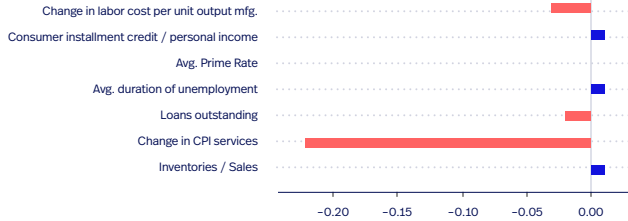


Lagging Components



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Monthly Contribution to Change



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KEY TAKEAWAYS

- 1 Yields high in October 2023 still in - and the bounce in yields to a lower high into May of 2024 seems to indicate, that a new trend (lower) is developing.
- 2 Avg. Duration of Unemployment declined in June - but is still high compared to historic levels. This is a long-term challenge for the US Economy.

Lagging Indicators

	Last Value <small>(last update)</small>	Last Month	Impact	Last year
Change in labor cost per unit output mfg.	6 <small>(06/24)</small>	4.9	negative	
Consumer installment credit / personal income	21.21% <small>(06/24)</small>	21.21%	negative	
Avg. Prime Rate	8.5 <small>(07/24)</small>	8.5	neutral	
Avg. duration of unemployment	20.6 W <small>(07/24)</small>	20.7 W	positive	
Loans outstanding (MoM Change)	-1.6K <small>(06/24)</small>	5.7K		
Change in CPI services	4.00% <small>(07/24)</small>	4.90%	positive	
Inventories / Sales (MoM Change)	-0.007 <small>(05/24)</small>	0.006		

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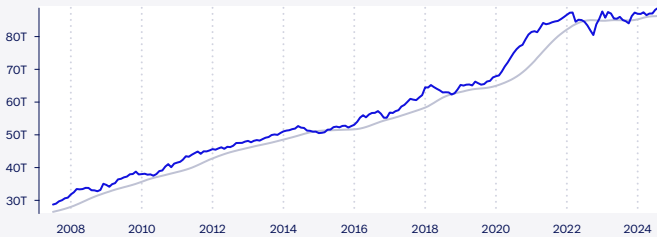
KEY TAKEAWAYS

- 1 Change in labor Cost rised again in June. Not in line with what the Fed wants for the Economy as they try to bring inflation down.
- 2 Change in CPI Services dropped significantly. This means that the inflation rate is coming down strongly. This is positive for the Economy for now - but may be telling us of a coming Recession.
- 3 Avg. Prime Rate remained unchanged while Inventories-Sales Ratio rose. The later may indicate less Sales volume which would be negative for the Economy.

Liquidity perspective

The liquidity perspective contextualizes the business cycle and its subcomponents into capital/money flows. Ever since the introduction of QE and the 2008 recession, markets are driven by liquidity. Directly via monetary policy or indirectly as a consequence of the state of the business cycle.

Global Liquidity

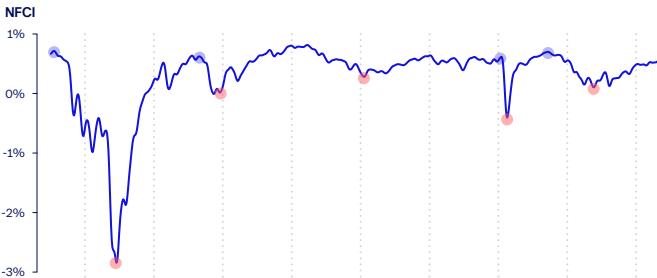


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KEY TAKEAWAYS

- 1 Liquidity began to enter the system as economies showed the first cracks. We believe more liquidity will enter the system in the near future. Notice how the Global Liquidity Index begins to diverge from the baseline.
- 2 The Reverse Repo continues to decline, the Fed is expected to cut rates in September, and the BOJ ended the short-lived hiking cycle. At the time of writing, the market expects a 50bps cut in the September FOMC meeting.

US Liquidity Gauge



S&P 500

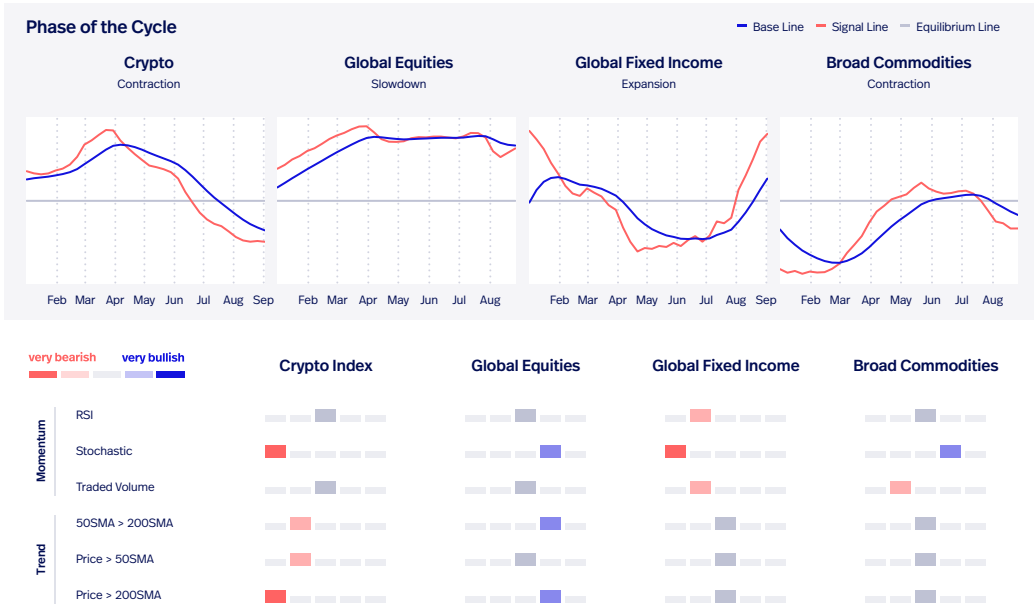


KEY TAKEAWAYS

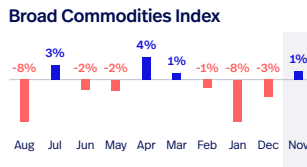
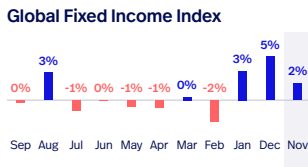
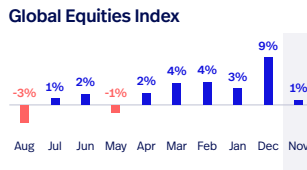
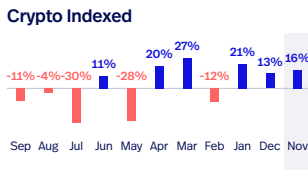
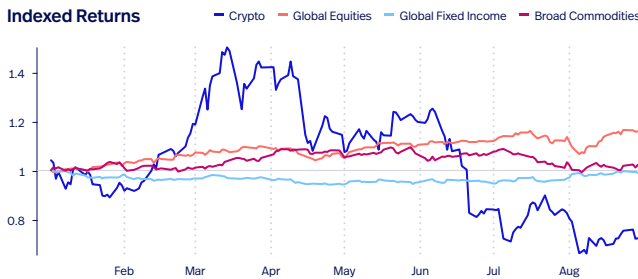
- 1 The NFCI stayed flat last month, but we see a potential local bottom forming, suggesting further easing financial conditions. This is in line with the renewed liquidity expectations as the hiking cycle comes to an end.
- 2 US equities closed the month in the green but snapped due to the Japanese debacle. We believe there's room for upside as the NFCI is far from previous top levels.
- 3 The renewed liquidity expectations should fuel markets for another leg up. This is, potentially, the last leg up before we see a recession.

Cross-asset overview

This section analyzes the different markets and synergies between them in the context of the state of the economy and liquidity. Depending on the state of the business cycle money will flow to specific asset classes, and then spread as the economy progresses.



Monthly Recap

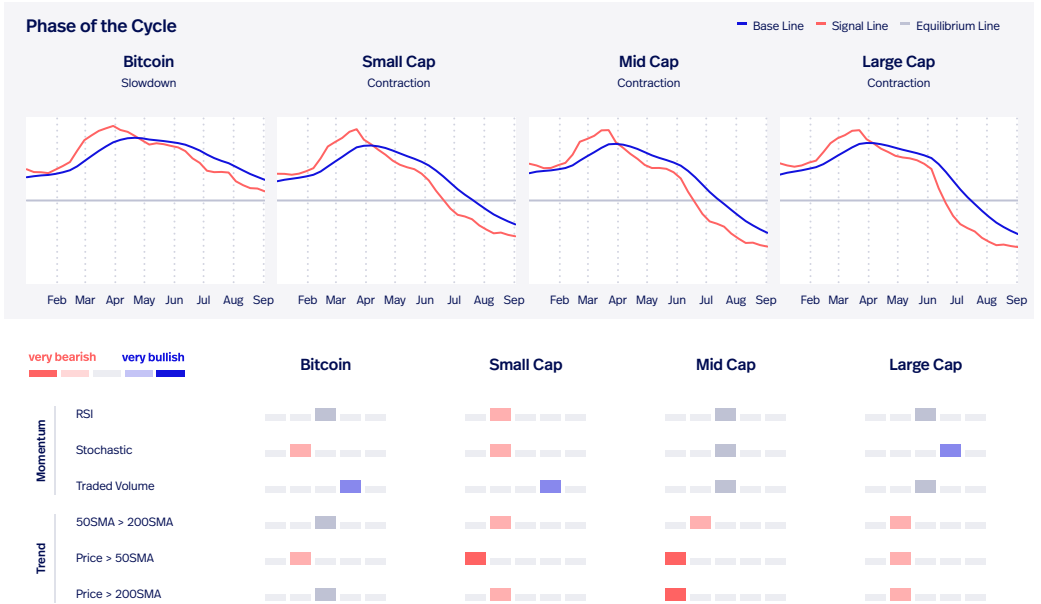


KEY TAKEAWAYS

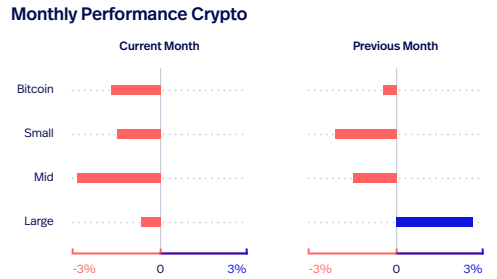
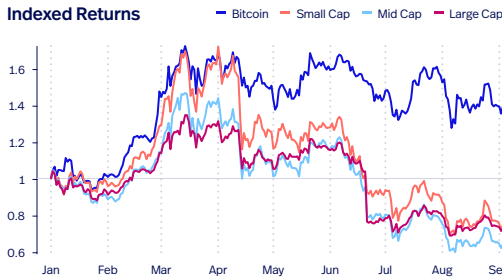
- July was a positive month for markets. All of our indices closed the month in the green despite the decreasing liquidity as Summer looms. We believe August will mark a new bottom for risk on markets.
- On the other end, we expect a top materialization in risk off markets as rates will begin to decrease in the near future.
- Commodities will be mixed as the market digests incoming macro data, inflation progress, and the risk of a recession.

Crypto overview

At a high level, this section shows the synergies between bitcoin and altcoins broken up by size. Capital flows between BTC and altcoins will vary depending on the stage of the crypto cycle. Capital flows usually start off in BTC and spread down the risk ladder (large, mid, and then small caps).



Crypto indices

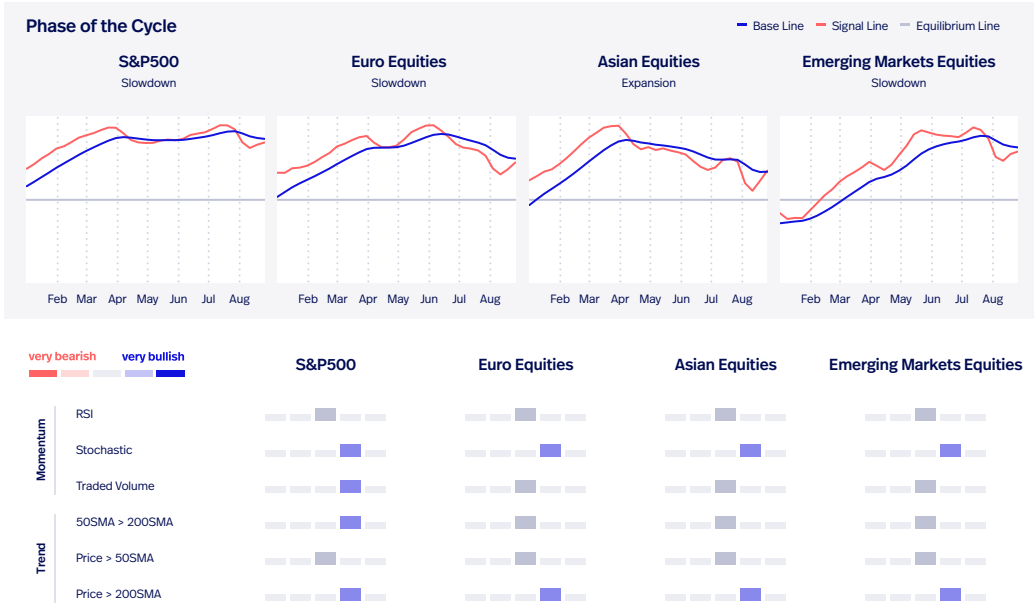


OUR STANCE

- July was a recovery month for the crypto market. Bitcoin continued to show its dominance, led by SOL despite the approval and listing of the ETH ETF.
- We expect BTC's dominance to hold in the coming month as the market recovers from the 3rd significant flush in the year. Volatility will remain high, so it's best to keep a more defensive allocation for the time being - avoid high risk altcoins.
- We believe the bottom is in for the crypto market, but we don't discard another test of the lows. The odds of a liquidation flush are relatively low considering that most of the open interest was wiped out early August. Beware of spot selling pressure.

Equities overview

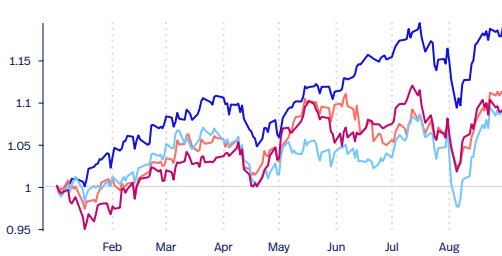
This section provides an overview of the global equities markets. Specific markets will outperform depending on liquidity and the state of the regional economy. The synergies between markets create lead-lag relationships.



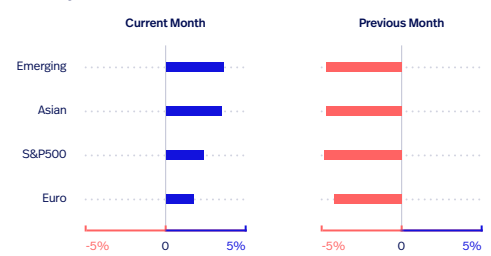
Equities indices vs SP500

At a high level this section shows us whether we are in a bullish or bearish regime, or a transition between these two modalities by showing us the State of the System compass. This is complemented by bitcoin's week on week returns for the last 8 weeks and a multi-trend.

Indexed Returns



Monthly Performance Equities

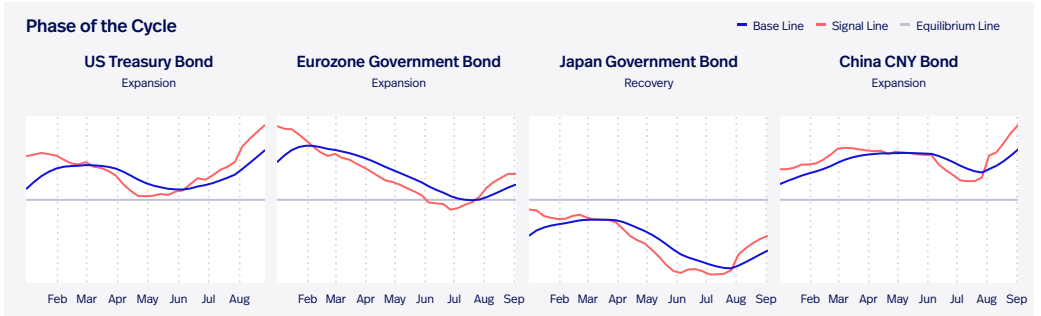


OUR STANCE

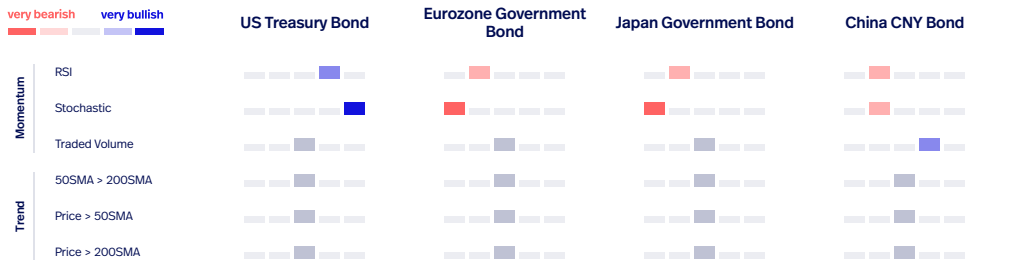
- Equities are losing steam across the board. Notice how all of the leading global equity indices are in a slowdown phase as momentum fades. Investor sentiment decreased as we got a hint of how fast and deep markets can correct on bad news.
- We foresee a top in non-US equity markets as capital will rotate back into the US. Rates coming down should fuel another leg up in the SP500, yet we expect small caps to outperform due to their high sensitivity to changes in rates.
- The infamous USDJPY carry trade remains in play as the BOJ implies that they will not hike rates amidst turbulent markets, which should fuel US equities as non-US economies continue to struggle.

Fixed income overview

The fixed income section provides an overview of the monetary policy and perceived risk for the corresponding market. Higher yields will lead to liquidity constraints and less capital flows to equities and other risk-on assets.



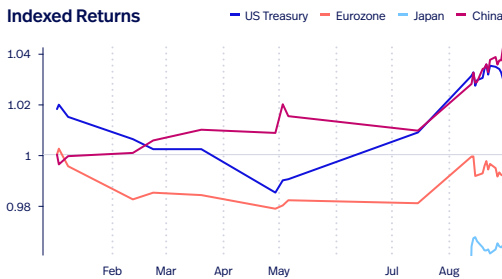
very bearish (red) very bullish (blue)



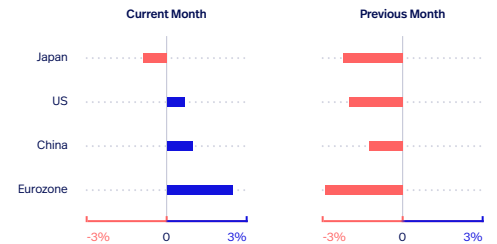
Fixed Income Indices

At a high level this section shows us whether we are in a bullish or bearish regime, or a transition between these two modalities by showing us the State of the System compass. This is complemented by bitcoin's week on week returns for the last 8 weeks and a multi-trend.

Indexed Returns



Monthly Performance Fixed Income

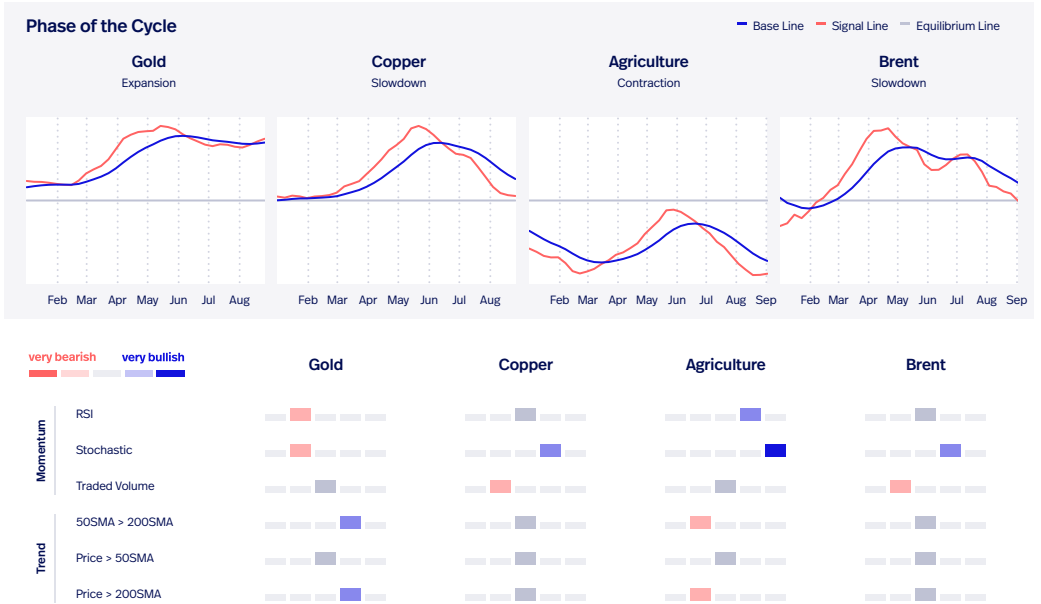


OUR STANCE

- 1** The expansion and recovery phases in fixed income are soon to end. Liquidity expectations are to increase as Central Entities across the globe begin to cut rates. We expect volatility in fixed-income markets in the coming month.
- 2** Recession fears spread across markets as earnings continue to disappoint (guidance). The latter will trigger a rotation in overall positioning: reducing risk exposure and increasing risk off.
- 3** All eyes are on the Fed and BOJ in the coming months. Both are expected to keep relatively loose (or loosen) monetary policy.

Commodities overview

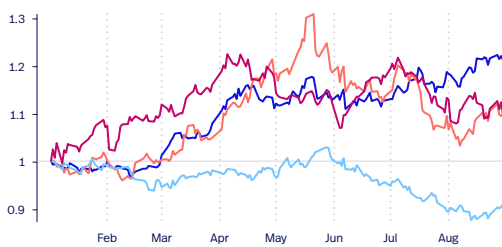
At a high level, this section compares the leading commodities categories driving the inputs that feed into the base of the economy. The overall demand and supply dynamics can be reflected in the prices of commodities. An expanding demand leads to growth but can cascade into inflation.



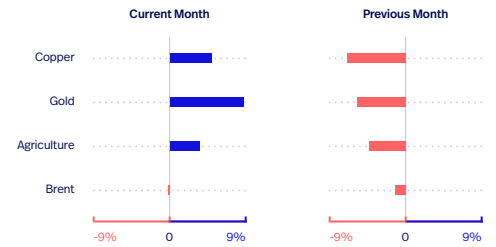
Commodities Indices

At a high level this section shows us whether we are in a bullish or bearish regime, or a transition between these two modalities by showing us the State of the System compass. This is complemented by bitcoin's week on week returns for the last 8 weeks and a multi-trend.

Indexed Returns



Monthly Performance Commodities



OUR STANCE

- Gold logged a strong month, while the rest of commodities slowed. We expect volatility for gold as the market reacts to recessionary fears and tensions in the Middle East.
- We believe gold volatility will increase as investors liquidate their positions to cover equity exposure during sharp corrections. That being said, the demand for gold should remain strong.
- The Brent closed July in the red as demand slowed across non-US economies. We expect volatility in the Brent until Middle East tensions de-escalate. However, the overall outlook for the Brent is bearish as it continues to lose steam (momentum).

General Terms

Business Cycle

Business cycles refer to fluctuations in the aggregate of economic activity (output, employment, income, and sales) in a given economy. An economy may experience long-term growth where its national output or GDP increases. However, while this economic growth happens, it is interrupted momentarily by periods downturns or outright contractions / recessions.

Coincident Indicators

A coincident indicator is a metric that shows the contemporaneous state of economic activity within a particular area. Coincident indicators do not necessarily reflect current conditions because they usually involve some data collection and reporting lag.

Large Caps Index (top 10 largest coins)

Large Caps Index refers to the cryptocurrencies with a market capitalization value in the top 10. Large cap is a shortened version of the term "large market capitalization." Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

Leading Indicators

A leading indicator is a measurable set of data that may help to forecast future economic activity. Leading economic indicators can be used to predict changes in the economy before the economy begins to shift in a particular direction.

Liquidity (Global)

The term liquidity normally refers to the process, speed, and ease of which a given asset or security can be converted into cash. Notably, liquidity surmises a retention in market price, with the most liquid assets representing cash. The term "Global liquidity" refers to the ease of financing in global financial markets. Credit is among the key indicators of global liquidity

Mid Caps Index

Large Caps Index refers to the cryptocurrencies with a market capitalization value between the 10 and top 40, with at least a market capitalization of \$1B dollars. Mid cap is a shortened version of the term "medium market capitalization.

Lagging Indicators

A lagging indicator is an observable or measurable factor that changes sometime after the economic, financial, or business variable with which it is correlated changes. Lagging indicators confirm trends and changes in trends.

Crypto Index

Crypto indices are a financial instrument that tracks the performance of a basket of cryptocurrencies. These indices are created in accordance with certain themes and are typically weighted by market capitalization.

Small Caps Index

Small Caps Index refers to the cryptocurrencies with a market capitalization value less than \$1B dollars.

Business Cycle Phases

The Business Cycle has four phases: expansion, slowdown, contraction and recovery.

Expansion

The economy experiences relatively rapid growth, interest rates tend to be low, and production increases. The economic indicators associated with growth, such as employment and wages, corporate profits and output, aggregate demand, and the supply of goods and services, tend to show sustained uptrends through the expansionary stage. The flow of money through the economy remains healthy and the cost of money is cheap.

Contraction

A correction occurs when growth slows, employment falls, and prices stagnate. As demand decreases, businesses adjust production levels, as markets are oversaturated with surplus supply and a downward movement in prices. Recession sets in if the contraction continues, the recessionary environment may spiral into a depression.

Slowdown

The demand for goods and services starts declining steadily in this phase. Producers do not notice the decrease in demand instantly and go on producing, which creates a situation of excess supply in the market. Prices tend to fall. Economic indicators such as income, output, wages, etc., consequently start to fall.

Recovery

Economic recovery is characterized by a period of improving business activity. The labor, capital goods, and other productive resources that were tied up in businesses that failed and went under during the recession are re-employed in new activities as unemployed workers find new jobs and failed firms are bought up or divided up by others. Recovery is an economy healing itself from the damage done, and it sets the stage for a new Expansion.

Glossary

Global Equities Index: iShares MSCI Global Equities Index (URTH)

Global fixed index: IGLO.L

Broad commodities index: DBC

US Equities Index: S&P 500 (^GSPC)

Euro equities index: VGK

Asian equities index: VPL

Margin emerging markets index: iShares MSCI Emerging Markets (EEM)

US treasury bond index: US10Y (^TNX)

Eurozone government bond index: VETY.AS

Japan government bond index: 2561.T

China CNY bond index: iShares China CNY Bond UCITS ETF (CNYB.AS)

Gold Index: Gold (GLD)

Copper index: United States Copper Index Fund LP (CPER)

Wheat Index: Teucrium Wheat Fund (WEAT)

Brent index: BRNT.L

Definitions

RSI

The relative strength index (RSI) is a momentum indicator used in technical analysis. RSI measures the speed and magnitude of a security's recent price changes to gauge the force and the momentum of the move in the price development and trend.

Stochastic

The stochastic oscillator measures the momentum of price movements. It is also known as stochastic indicator and is a popular trading indicator that is useful for predicting trend reversals. It also focuses on price momentum and can be used to gauge current level of Momentum. It is often used to identify potential overbought/oversold situation

Trading Volume

(monthly traded volume)

Monthly Trading Volume means the total trading volume for the prior 30 calendar days of the common stock as of the Date of Determination. Volume of trade is the total quantity of shares or contracts traded for a specified security. It can be measured on any type of security traded during a trading day. It is measured on stocks, bonds, options contracts, futures contracts, and all types of commodities.

50 SMA > 200 SMA

(momentum trend)

The 50 to 200 MA is a comparison between the 50-day moving average and the 200-day moving average. The moving average is a smoothed line that represents the average price over a specific time period. The 50 to 200 MA is used to identify long-term trends and potential shifts in market sentiment. When the 50 MA crosses above the 200 MA, it is considered a bullish signal, indicating a potential uptrend in prices. Conversely, when the 50 MA crosses below the 200 MA, it is considered a bearish signal, indicating a potential downtrend in prices.

Price > 50 SMA

(mid term trend)

The Price to 50 MA compares the current price to its 50-day moving average. It provides insights into the short-term trend and momentum of the price. When the price is consistently above the 50 MA, it suggests bullish sentiment and indicates that the price is trending higher than its recent average. Conversely, if the price consistently falls below the 50 MA, it suggests bearish sentiment and indicates a potential downtrend in prices.

Price > 200 SMA

(long term trend)

The Price to 200 MA compares the current price to its 200-day moving average. It is used to evaluate the long-term trend and stability of the price. Similar to the Price to 50 MA, when the price is above the 200 MA, it suggests bullish sentiment and indicates that the price is trading higher than its long-term average. Conversely, if the price consistently falls below the 200 MA, it suggests bearish sentiment and indicates a potential downtrend in prices.

Subcomponent contribution to change composite index

A composite index is a statistical tool that groups together many different equities, securities, or indexes in order to create a representation of overall market or sector performance. Typically, the elements of a composite index are combined in a standardized way so that large amounts of data can be presented easily. The composite indexes are calculated by composing month-to-month percentage changes in multiple economic indicators to chose the subcomponent with the most significant change.

Disclaimer

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