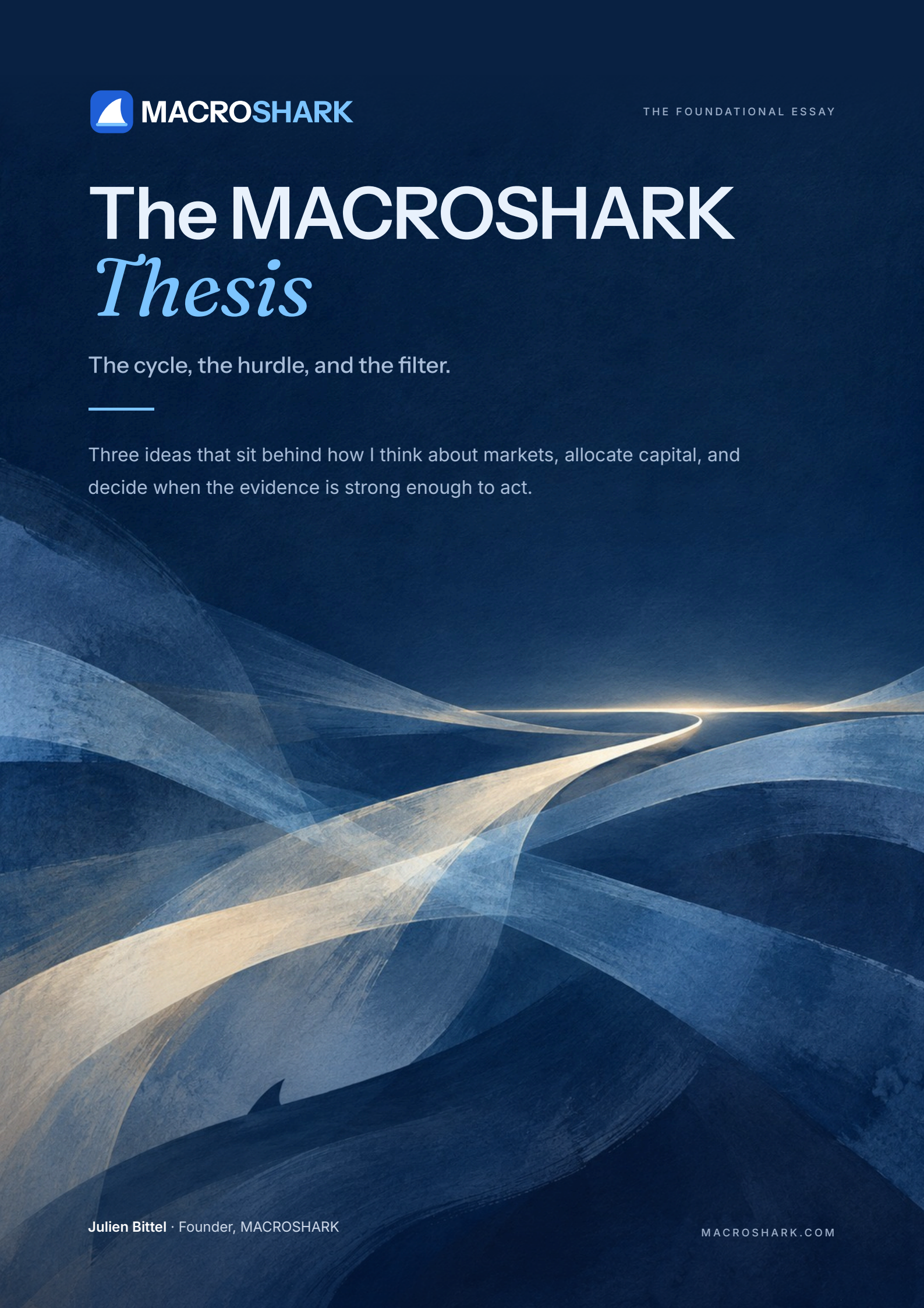
MACROSHARK

THE FOUNDATIONAL ESSAY

The MACROSHARK *Thesis*

The cycle, the hurdle, and the filter.

Three ideas that sit behind how I think about markets, allocate capital, and decide when the evidence is strong enough to act.



Julien Bittel · Founder, MACROSHARK

WHAT FOLLOWS

Three ideas. One process.

When I look at an investment, I work through three main questions.

First, what kind of environment am I investing in? Second, what return does my capital actually need to earn for the risk to be worthwhile? And finally, does the evidence justify putting money behind the view?

ONE

The business cycle

Where we are. The cycle still governs markets, but I believe the route the economic impulse travels is changing.

TWO

The nominal illusion

What capital really has to beat. A positive return is not the same thing as becoming wealthier.

THREE

The filter

Whether to act. Ten lenses I use to test an idea before it earns a place in the portfolio.

Taken together, they form a complete process.

The cycle tells us where to look.
The hurdle tells us what we need to beat.
The filter tells us when the odds are actually worth taking.

PART ONE

The business cycle is *not dead*.

Every few years, typically somewhere near a major turning point, somebody declares the business cycle dead. I have never found that argument particularly convincing.

The latest version of the argument is about AI. If agents can do more and more of the work, the thinking goes, companies will hire less, incomes will matter less, and the old rhythm of hiring, wages, and spending will simply fade away.

It is a serious objection, and it deserves a serious answer.

The business cycle has never really been a cycle of employment. It is a cycle of investment, income, demand, credit, and expectations. Employment has always been one of the last things to move. Jobs are therefore a consequence of the cycle, not the cause of it. So if AI makes employment less important, the cycle simply shows up somewhere else.

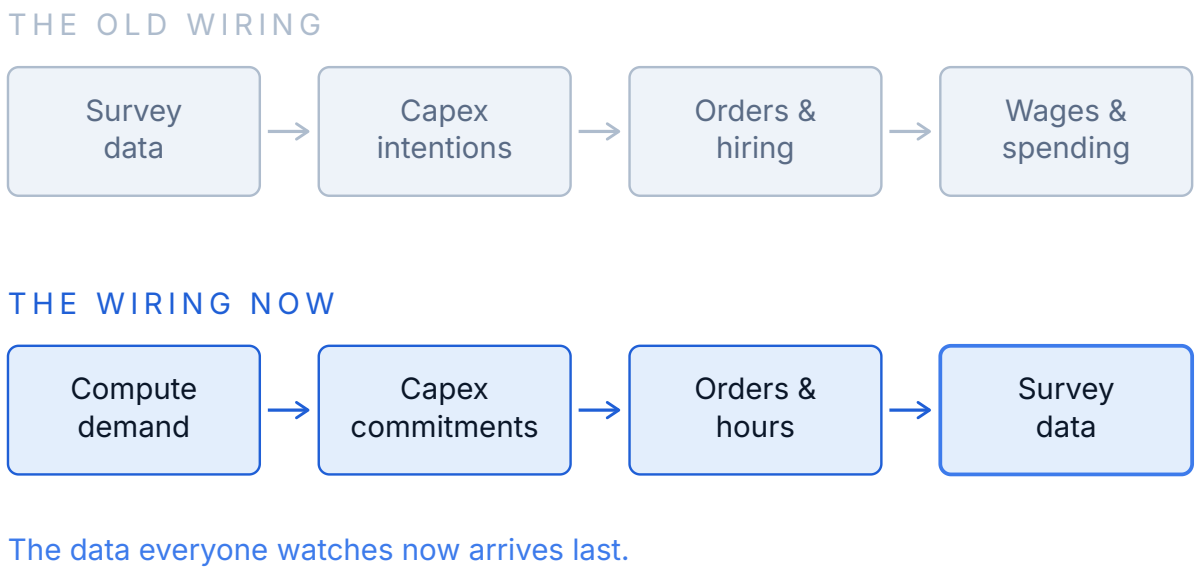
An agentic economy still runs on compute, and compute still needs chips, data centers, power, cooling, networks, and capital. Companies will still decide when to expand capacity and when to pull back. Investors will still decide what return they need to fund it. And when expected returns fall below the cost of capital, investment will still slow. The destination may be radically different. The path to getting there will still have a cycle.

Even the hyperscalers are not immune. They may be less sensitive to interest rates because their leverage is modest relative to the cash flows they generate, but their revenues are still cyclical. Advertising spending, cloud consumption, and demand from consumers all rise and fall with economic conditions. Less rate-sensitive does not mean acyclical.

> The cycle does not disappear because the economy evolves. What changes is the way the impulse travels through it.

For most of my career, the sequence was familiar. Businesses told the surveys what they were planning, and the hard data followed months later. Soft data led. Hard data confirmed.

In the parts of the economy AI is rebuilding, that sequence is starting to change. A hyperscaler can commit billions to chips and servers before any survey has registered a change. Compute leads. That spending shows up first in semiconductor sales. Then comes the second-order effect: the physical buildout needed to house and power all that compute, and with it new orders and the hours people work. Only then does it reach the business surveys the market has traditionally treated as leading indicators.



The surveys once told you what was coming. Where AI is driving the spending, they increasingly tell you what has already happened.

The old indicators will not necessarily stop working. Some are simply moving further down the chain, while new ones move closer to the beginning.

So the answer is not to abandon the business cycle. It is to update the instruments used to read it. That is exactly why the Conditions, the Tide and the Wave exist. The sequence is never fixed. My job is to find where the impulse now begins and follow it downstream.

PART TWO

The *nominal illusion*.

Knowing where you are in the cycle is worth very little if you are measuring success against the wrong benchmark.

For years, I managed multi-asset portfolios professionally. The objective was simple: beat inflation and preserve purchasing power. That remains the benchmark against which much of the investment industry measures success.

I believe it is incomplete.

Consumer inflation measures changes in the price of a representative basket of goods and services. It does not measure the rising cost of financial assets, property, scarce assets, or the other stores of value investors must acquire if they want to preserve and compound wealth over time.

Those are two very different measures of purchasing power. Over a sufficiently long horizon, the gap between them can determine whether a portfolio is genuinely building wealth or merely producing a positive return on paper.

This is the part conventional measures of inflation miss. Your portfolio can rise in value, beat consumer inflation, and still fall behind the rate at which money itself is being created.

Say your portfolio returns 6% in a year. Consumer inflation was 2%, so on the conventional scoreboard you made 4% in real terms. Job done. But if new money was created at 8% over the same period, your share of all the money in the system got smaller. You have more dollars than you started with, but there are now far more dollars that can chase the same scarce assets. Over time, that tends to show up in the prices of the things worth owning: property, quality businesses, and anything that cannot be printed.

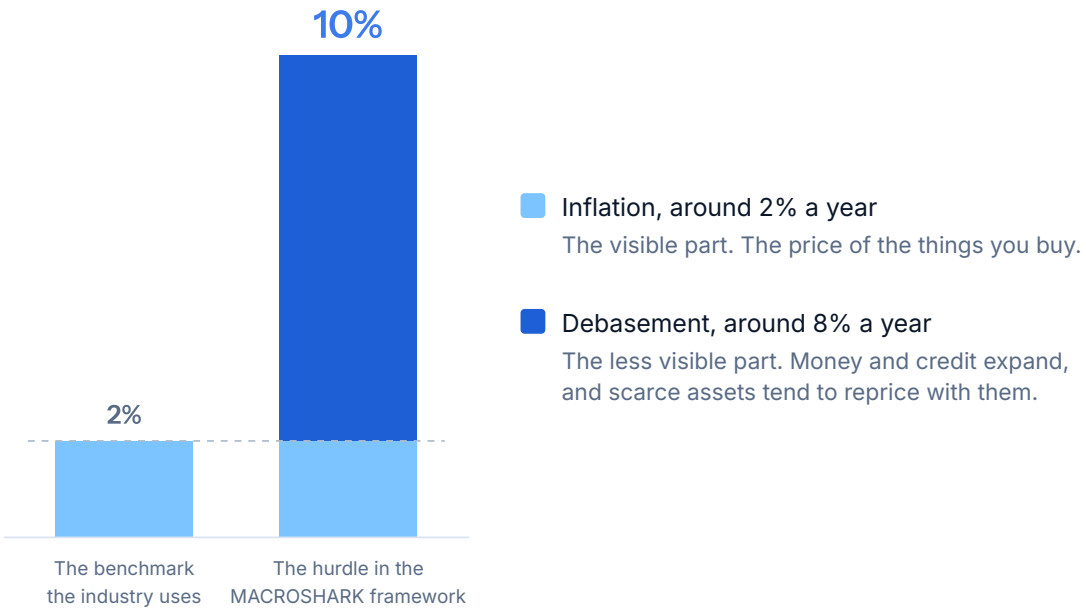
Put plainly, a portfolio can produce a positive nominal return without making its owner meaningfully wealthier. You can be making money without getting any richer.

That is what I call the nominal illusion.

The arithmetic behind my framework is deliberately demanding, and it is worth spelling out because almost nobody does. Over time, the monetary hurdle created by debasement has averaged about eight percent a year. That is a very different thing from reported consumer inflation.

Add consumer inflation of around two percent a year, the rate most central banks aim for, and preserving wealth under my framework means clearing a hurdle closer to ten percent than two.

Yes, ten percent a year, simply to stand still.



I should be clear about what that number is. It is not the cost of living, and it is not the return everyone needs to keep up with their grocery bill. Some of that new money already shows up in consumer prices, so the two do not sit neatly on top of each other. I add them anyway, deliberately. The question I care about is not

whether my capital keeps pace with a basket of goods, but whether it keeps pace with the scarce assets all that money is chasing. On that question, I would rather set the bar too high than too low.

That is not an annual return target, and it is certainly not a promise that a portfolio will clear it every year. Markets do not work that way. I think of it as a long-term benchmark: the rate against which I judge whether capital is genuinely compounding purchasing power over time.

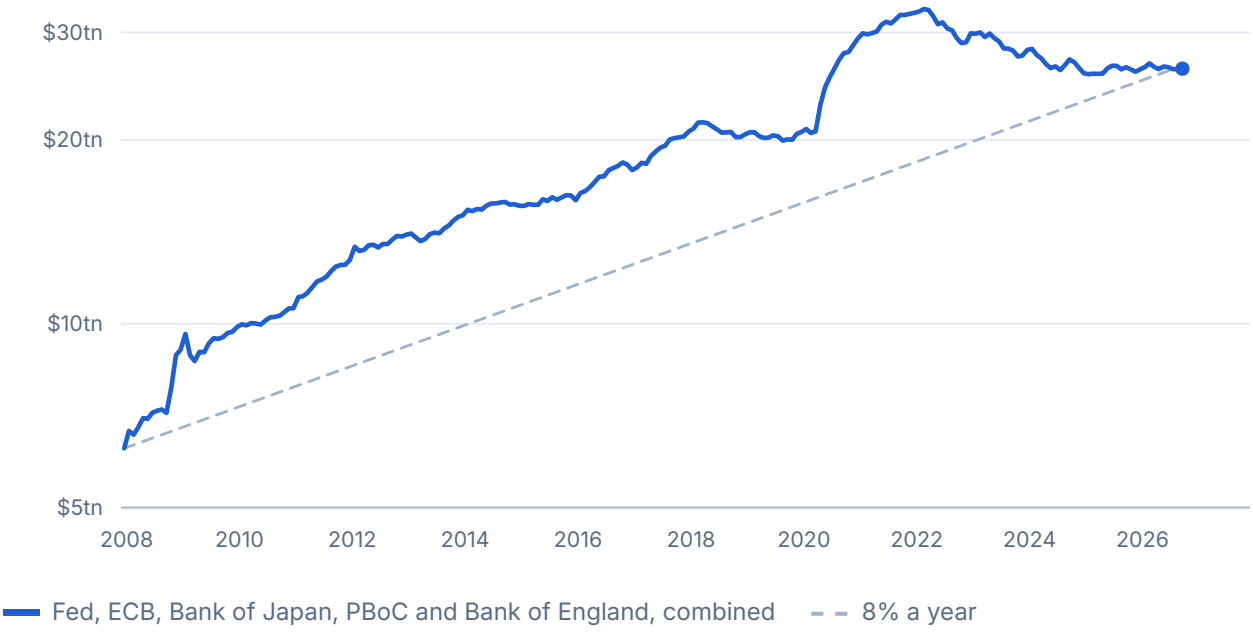
Why 8%?

The figure comes from the growth of global central bank balance sheets: the base money on which the wider system of money and credit is built.

Since 2008, the combined balance sheets of the world's major central banks have grown at an annualized rate of about 8%. That is my measure of debasement, and one of the foundations of The Everything Code, the framework Raoul Pal and I built together.

Major central bank balance sheets

US$ trillions, log scale



Source: LSEG Datastream.

> The investment industry spends a great deal of time measuring returns. Far less time is spent asking whether the benchmark itself is the right one.

This is not an abstract distinction. It changes which assets deserve a place in the portfolio. Once the objective is to clear a hurdle that includes monetary debasement rather than consumer inflation alone, many conventional assets become far less attractive. They may protect nominal capital while failing to preserve purchasing power against scarce assets.

Few assets clear the hurdle

Annual total returns, %. Clears 10% Positive, but short of it Negative

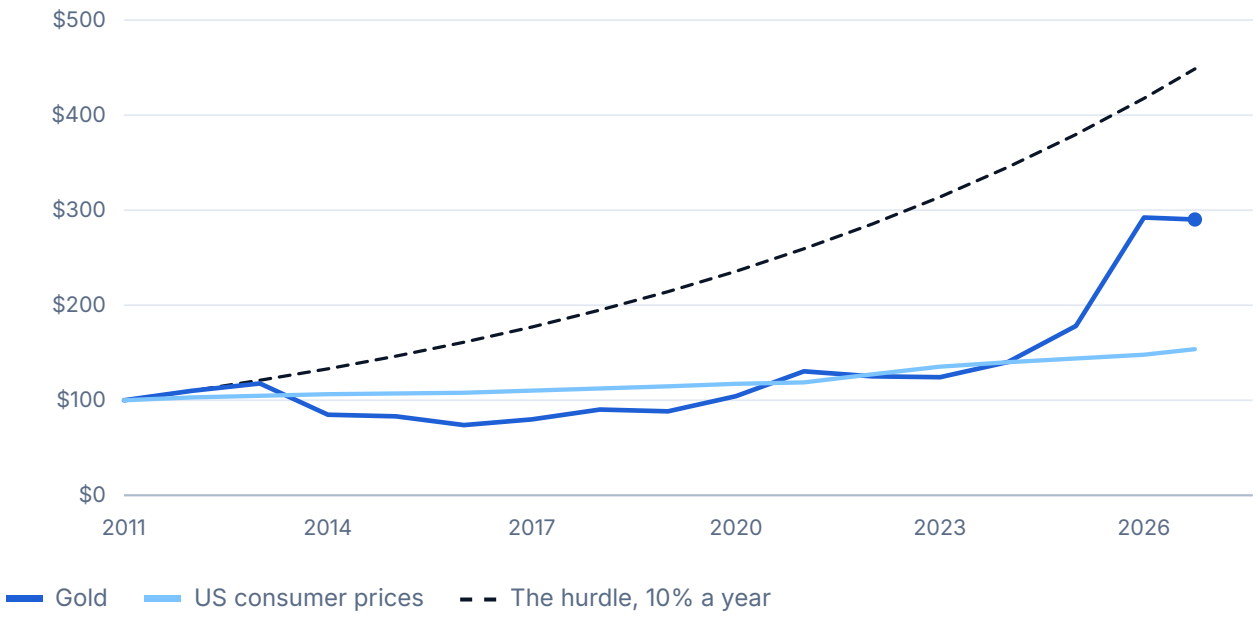
Asset	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	'24	'25	'26 YTD	Annualized
Bitcoin	1,474	186	5,372	−56	33	127	1,324	−73	94	305	59	−64	156	121	−6	−4	**121.7**
Solana*											11,144	−94	920	86	−34	−4	**113.9**
Ethereum*						760	8,984	−82	−2	474	398	−67	91	46	−11	−10	**109.5**
Nasdaq 100	3	18	37	19	9	7	33	−0.1	39	49	27	−33	55	26	21	20	**19.0**
S&P 500	2	16	32	13	1	12	22	−5	31	18	29	−18	26	25	18	13	**14.1**
10% HURDLE																	
US small caps	−4	17	39	5	−4	22	15	−11	25	20	15	−20	17	11	13	15	**9.9**
US REITs	9	18	2	30	2	9	5	−6	29	−5	41	−26	12	5	3	5	**7.3**
Gold	10	7	−28	−2	−11	8	13	−2	18	25	−4	−0.8	13	27	64	−0.7	**6.8**
High yield	7	12	6	2	−5	13	6	−2	14	4	4	−11	12	8	9	0.1	**4.7**
EM equities	−19	19	−4	−4	−16	11	37	−15	18	17	−4	−21	9	6	34	24	**4.4**
IG corporates	10	11	−2	8	−1	6	7	−4	17	11	−2	−18	9	0.9	8	−4	**3.3**
Long Treasuries	34	3	−13	27	−2	1	9	−2	14	18	−5	−31	3	−8	4	−7	**1.7**
T-bills (cash)	0.0	0.0	−0.1	−0.1	−0.1	0.1	0.7	2	2	0.4	−0.1	1	5	5	4	3	**1.4**

Total returns with dividends reinvested, 2011 to September 2026. Annualized from the start of 2011. *Ethereum from 2016 and Solana from 2021, their first full years of data. Sources: Total Real Returns (ETFs), Financial Modeling Prep (crypto). Past performance is not a reliable indicator of future results.

Gold is the clearest example. Most people think of it as the classic protection against debasement, and it has made money over this period, including a spectacular 2025. Yet since 2011 it has compounded at roughly 7% a year, well short of the hurdle. It comfortably beat consumer inflation. But measured against the hurdle, it lost ground. That is the nominal illusion: you made money, but you didn't get any richer.

Gold against the hurdle

Growth of $100 since the start of 2011



Sources: Total Real Returns, US Bureau of Labor Statistics.

This is not a quirk of recent years. Go back to 1970 and gold has compounded at roughly 9% a year. That is well ahead of consumer inflation, but still short of 10%.

The point is simple. The bar is higher than most investors openly acknowledge, and relatively few assets have demonstrated an ability to clear it consistently over a full cycle.

That is the hurdle I measure myself against as an investor: keeping pace with inflation and monetary debasement over time, not merely beating the more comfortable benchmark of consumer prices.

PART THREE

The *filter*.

A view is not a position. A process stands between the two, and it is the part of the work that most research never shows you.

Having a thesis is the easy part. Everyone has one. The harder question is whether that thesis is good enough to risk capital on.

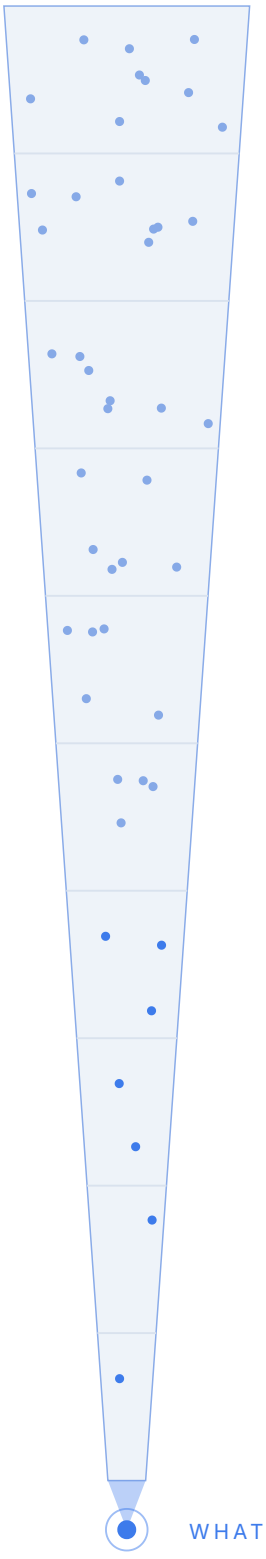
I can have a strong macro view and still decide not to trade it. The valuation may be wrong. The positioning may already be stretched. The trend may be moving against me. Or the potential upside may simply not justify the risk.

> Being right about the world is not enough. The trade itself still has to make sense.

That is what the filter is for. Every idea I consider is tested from ten different angles. I am not looking for all ten to tell me exactly the same thing, because markets are rarely that tidy. I am looking for enough of the evidence to line up that I am comfortable putting capital behind the view.

The lenses do not all carry the same weight, and they do not all answer the same question. Macro and liquidity tell me which way the current is running. Valuation, earnings, sentiment, and positioning tell me how much of that is already in the price. Trend, seasonality, technicals, and DeMark help with the timing. When they disagree, the direction usually wins and the timing waits: a strong macro case with a broken trend is a reason to be patient, not to abandon the view.

EVERYTHING THE MARKET IS DOING



01 **Macro**
The big picture.

02 **Liquidity**
Whether the fuel is there.

03 **Valuation**
What is already in the price.

04 **Earnings**
Whether the fundamentals hold.

05 **Sentiment**
How people feel about the trade.

06 **Positioning**
How crowded the exit is.

07 **Seasonality**
Whether the calendar helps.

08 **Trend**
What is working, not what should.

09 **Technicals**
What the charts say, and what they don't.

10 **DeMark Indicators**
When the move is exhausted.

WHAT SURVIVES IS A TRADE.

The point is not to make every lens agree. It is to make sure I have looked at the trade from enough angles to understand what could make it work, and what could make it fail.

Three rules I hold myself to

Decompose before concluding. I never want a headline number to do the thinking for me. If an indicator moves, I want to know what moved it.

Take financial conditions. A tightening driven entirely by oil tells me something very different from one driven by a rising dollar and higher interest rates. The headline may look the same. The message underneath it is not. So I break things apart before I put them back together.

State what would change the view. Before I put on a position, I want to know what would prove me wrong. Not vaguely. Specifically. What would I need to see in the data, the price action, or the thesis itself to admit that the view no longer holds?

That is not hedging. It is discipline. If I cannot tell you what would falsify a view, then I do not have a view. I have a story.

Run it again every month. Markets change. The process should not. Each month, I go back through the same evidence and ask the same questions. What changed? Why did it change? Does it strengthen the view, weaken it, or leave it alone? Consistency of approach is what an investment process is all about.

The aim is not to react to every headline or to defend what I said last month. It is to give new evidence the same hearing as the evidence that produced the original view.

What the filter cannot remove

After all of that, one thing remains: uncertainty. You can understand the macro environment, work through all ten lenses, know exactly what would prove you wrong, and still feel uncomfortable putting the trade on.

In fact, some of the best opportunities I have found felt uncomfortable at the time. They felt early, lonely, and occasionally faintly ridiculous. That is part of investing. By the time a trade feels completely safe, much of the opportunity is usually gone.

The filter is not designed to make uncertainty disappear. It is designed to remove as much avoidable uncertainty as possible before putting capital at risk. The risk remains, and so does the discomfort.

But that discomfort is not a flaw in the process. When the evidence lines up, it is where the excess return comes from. I think of it as a kind of risk premium: the reward for owning what others are afraid to hold. It tends to be widest when fear is highest, and that is precisely when the evidence has to do the work that instinct cannot.

The cycle tells us where to look.
The hurdle tells us what we need to beat.
The filter tells us when the odds are worth taking.

That is the process behind MACROSHARK. Not certainty, because certainty does not exist. Clarity: a disciplined way of reading the cycle, testing the evidence, and putting capital to work when I believe the odds justify the risk.

The discomfort that remains is the price of admission.

