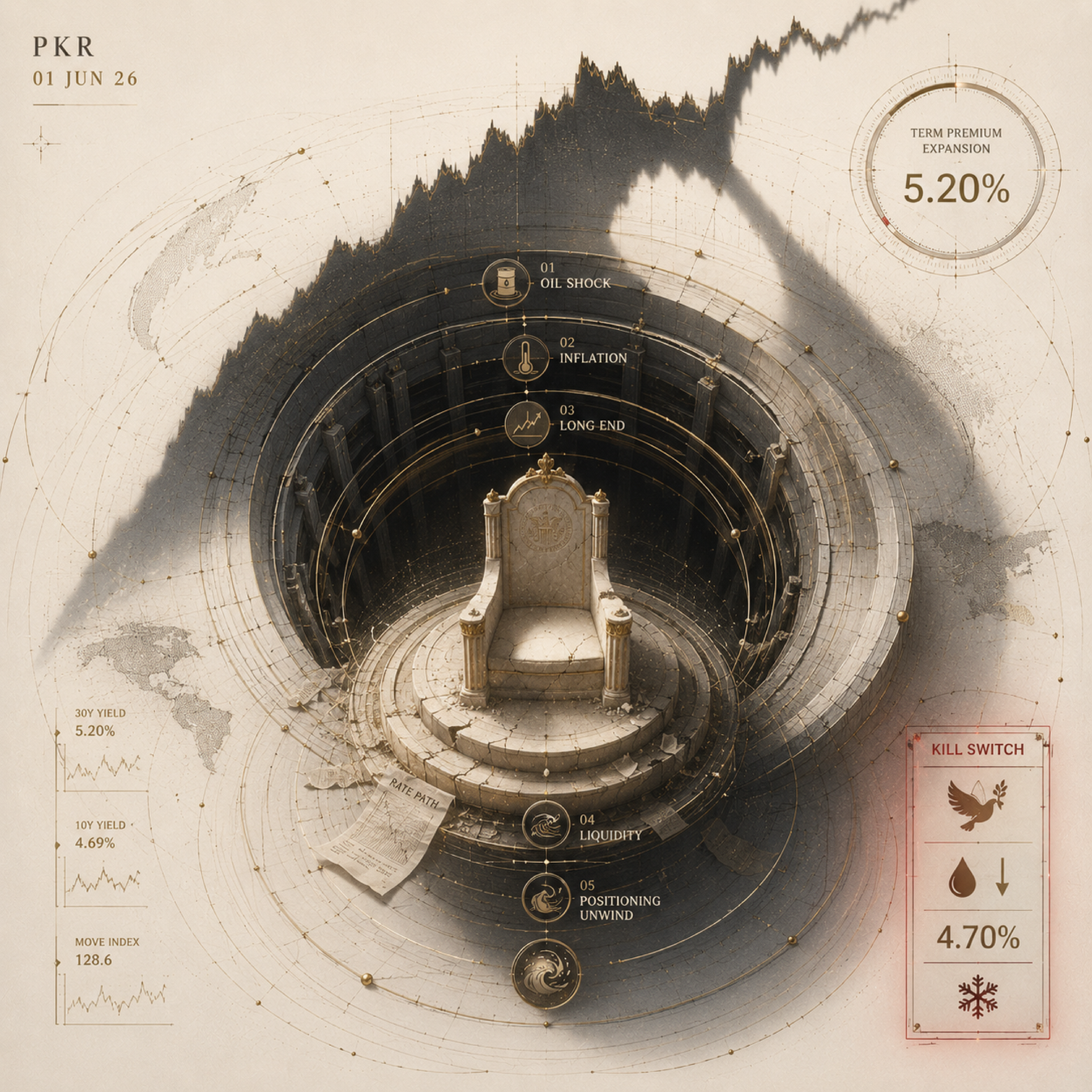
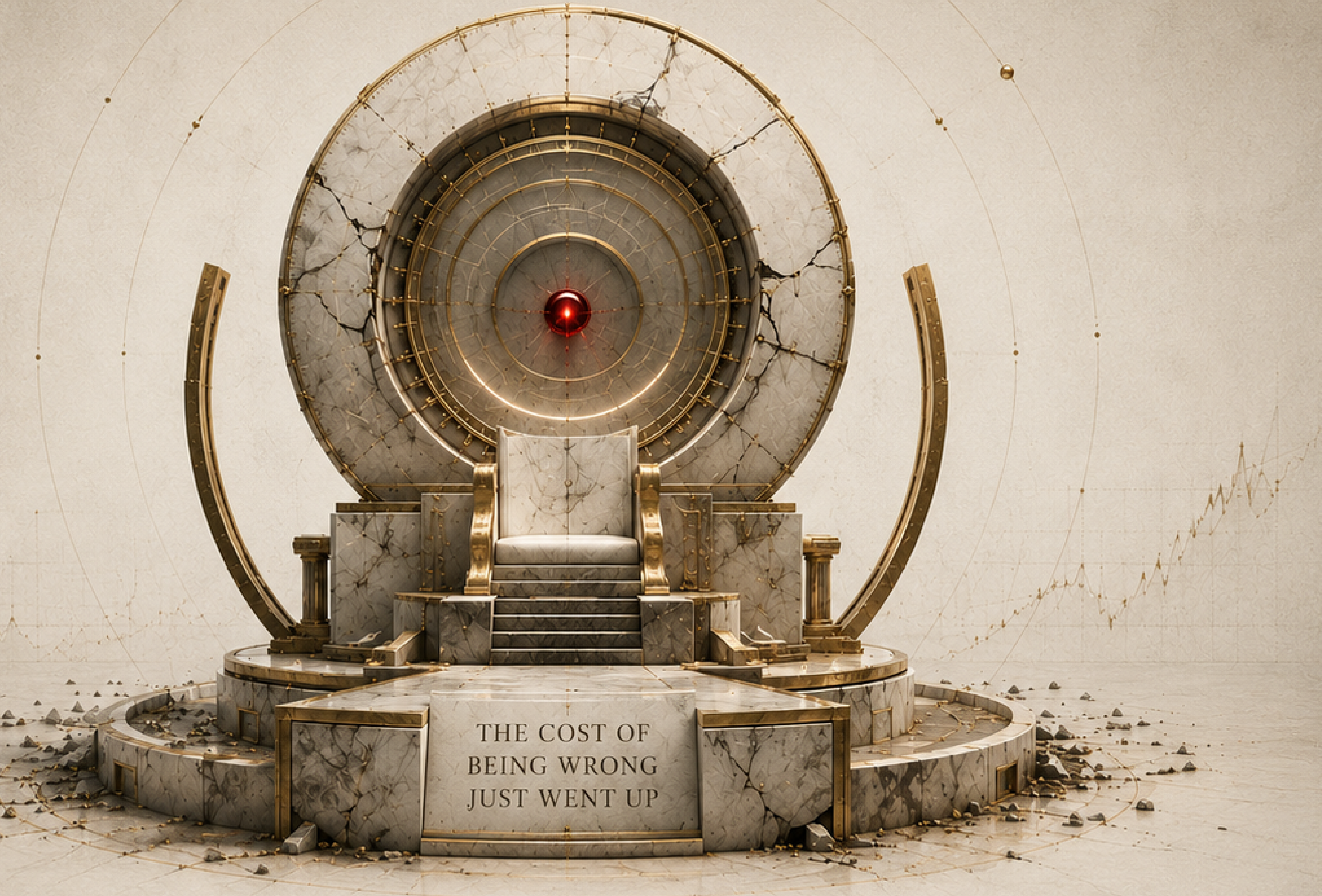
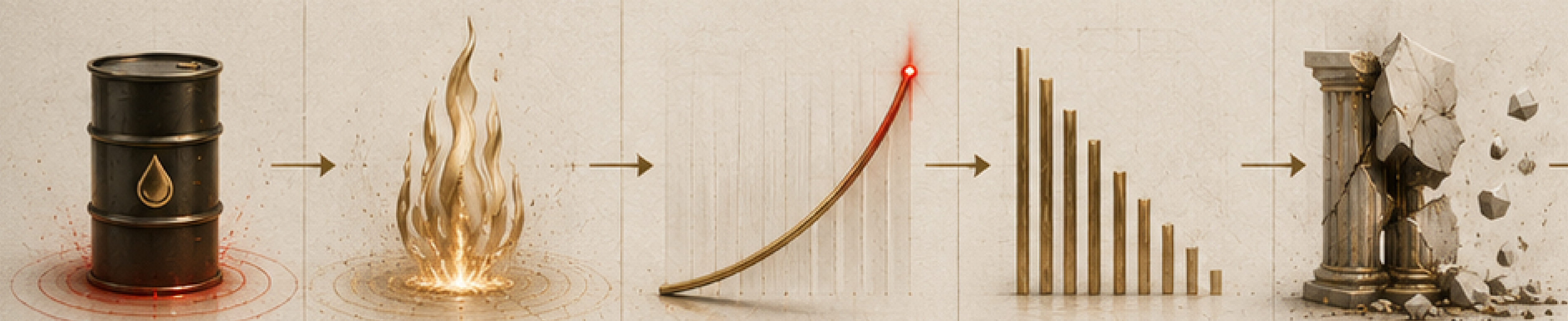

PKR
01 JUN 26
TERM PREMIUM
EXPANSION
5.20%
01
OIL SHOCK
02
INFLATION
03
LONG END
04
LIQUIDITY
05
POSITIONING
UNWIND
RATE PATH
30Y YIELD
5.20%
10Y YIELD
4.69%
MOVE INDEX
128.6
KILL SWITCH
4.70%

PKR
29 MAY 26



BRENT	INFLATION	30Y YIELD	LIQUIDITY	DURATION	KILL SWITCH
$105.42	PPI +6.0% YoY APR	5.131% HIGHEST IN 1 YEAR	DEPTH THINS RISK PREMIUM UP	CROWDED TRADE UNWINDING	BRENT < 90 30Y < 4.70%



VALIDATION POINT

JUNE 11 CPI PRINT

THE REPRICING BEGAN R BEFORE THE NARRATIVE ARRIVED.

NOT INVESTMENT ADVICE. STRUCTURE OVER NARRATIVE.

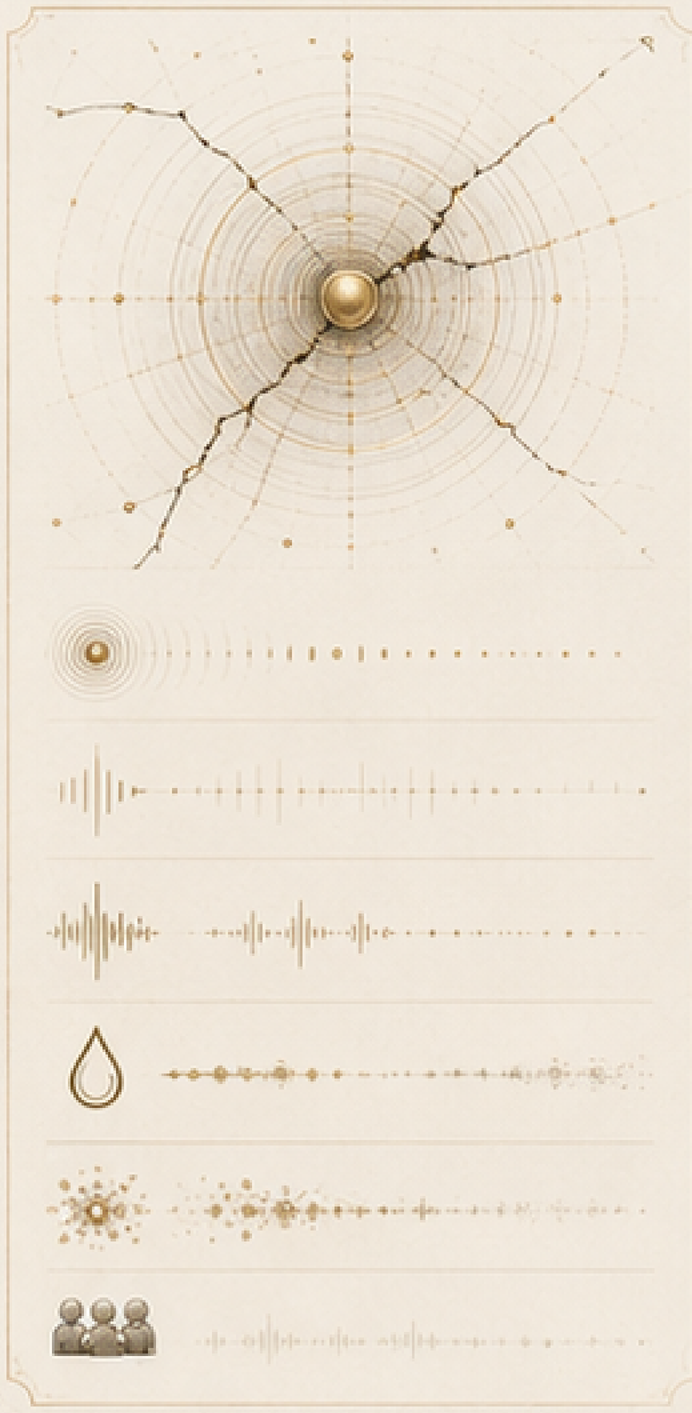
PKR

REGIME TRANSMISSION

26 MAY 26

THE SYSTEM **STOPPED** SCALING.

THE SEQUENCE MATTERED
MORE THAN THE EVENT.



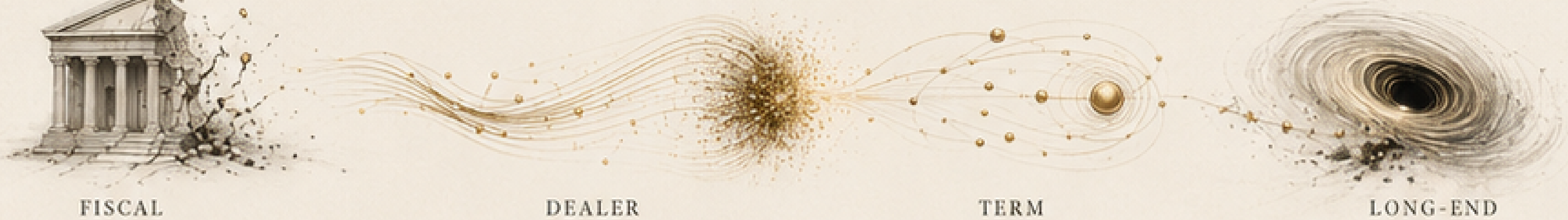
⚠ KILL SWITCH ⚠

TIC > +50B / 2M

30Y < 4.6%

AUCTION STRESS NORMALIZES

TRANSMISSION CHAIN



FISCAL CREDIBILITY DETERIORATION

DEALER ABSORPTION CAPACITY CONSTRAINT

TERM PREMIUM EXPANSION

LONG-END STRESS DRAWDOWN

RATES NOW PRICE ABSORPTION.

PERPETUAL KAISER RESEARCH
REGIME ANALYSIS THROUGH TRANSMISSION, LIQUIDITY, AND STRUCTURE
MAY 2026

PKR

SELL AMERICA:

RATING CUTS ARE NOT THE STORY — REGIME CUTS ARE

Fiscal credibility repricing through term structure dislocation, not policy reaction.

THE TAPE DIDN'T PANIC ON THE DOWNGRADE. THAT ALONE TELLS YOU EVERYTHING.

30-year yields punched through 5% while the dollar failed to extend higher. Rates up, dollar up — the old reflex is gone. Equities, bonds, and FX all moved without a safe-haven anchor. Not liquidation. Reclassification.

Consensus is pricing the downgrade as noise and the Fed as permanent absorber. That assumption breaks at a single hinge.

THE TRANSMISSION CHAIN

FISCAL CREDIBILITY DETERIORATION → DEALER ABSORPTION CAPACITY CONSTRAINT → TERM PREMIUM EXPANSION

The Fed's rate path is a dependent variable inside this chain, not the driver. When yields are elevated and the dollar is still weakening, that is not a rate-level problem. That is a credibility discount being embedded in reserve allocation.

THE MECHANISM

Primary dealer balance sheet capacity grew 80% since 2012 while Treasury issuance outstanding grew 176% over the same period. That gap does not close on its own. It widens every time net issuance accelerates — and $5 trillion in new debt ceiling authorization means the next supply wave is not a forecast. It is already signed.

POSITIONING IS MISALIGNED.

Long-end shorts are building faster than dollar-long de-risking unwinds. This velocity gap opened at the downgrade headline and has widened through the last two auction cycles. The market is still treating fiscal stress as temporary while duration risk is being repriced structurally. That gap is the mechanism — not the backdrop.

2011 WAS DIFFERENT.

The 2011 S&P downgrade produced the opposite reaction: Treasuries and the dollar strengthened because Europe was collapsing faster. Relative safety still existed. That relative anchor is gone. No competing safe sovereign exists at scale today.

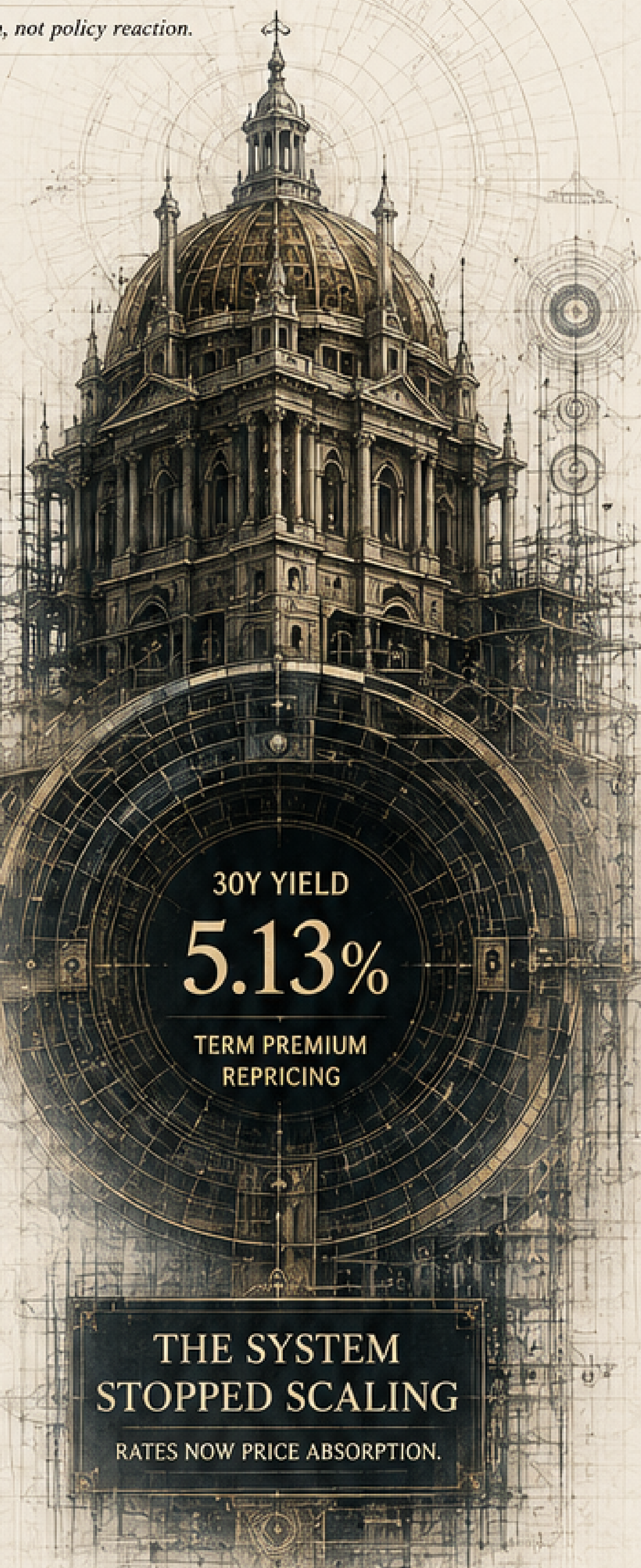
WHEN THE ALTERNATIVE DISAPPEARS, CREDIBILITY LOSS ISN'T DISCOUNTED — IT'S EXPRESSED IN FULL.

INVESTMENT IMPLICATION

If fiscal credibility remains structurally impaired while primary dealer absorption capacity fails to scale with net issuance, then term premium expands persistently and the dollar weakens structurally — and this thesis dies the moment TIC data shows two consecutive months of net foreign buying above +$50B concurrent with 30Y yields sustaining below 4.6%.

KILL SWITCH

TIC net foreign buying above +$50B/month for two consecutive months while 30Y yields sustain below 4.6% — exit both legs immediately.



KEY MONITORS

30D	90D	6M+
30Y yield holds above 5% — first regime stress confirmation	TIC foreign flows direction — persistence test	Fiscal deficit path after tax expansion cycle — structural validation

THE LONG-END MOVE IS NOT A SENTIMENT TRADE — TRADE THE DEALER CONSTRAINT, NOT THE HEADLINE.

Primary dealer net positions in long-duration Treasuries have not scaled proportionally to issuance since QT began in 2022 — the structural underfunding of absorption capacity is the actual stress vector. When the next auction tail widens beyond 2bp alongside bid-to-cover falling below 2.2x on consecutive cycles, that is not a sentiment signal. That is a capacity signal. NY Fed FR 2004A publishes this weekly. The data is there before the narrative forms.

AUCTION CAPACITY SIGNAL

Trigger: 20Y/30Y auction tail ≤ 2bp AND bid-to-cover ≤ 2.2x on two consecutive auctions → immediate duration reduction

Stop-loss: 30Y yield sustained break below 4.85% invalidates tightening pressure thesis.

THE DOLLAR IS NOT WEAK BECAUSE YIELDS ARE INSUFFICIENT. THIS IS A FLOW TRADE, NOT A MACRO BELIEF.

The credibility discount is being embedded in global reserve allocation — and that decision is not rate-sensitive. The first trade unwinds when rates shift. The second does not unwind until reserve managers decide to reallocate. Express dollar waakness through EUR/USD or gold cross, but build the hedge layer first. If TIC data shows sustained foreign accumulation returning within a single quarter, the dollar weakness structure collapses — the cost is the full position.

Stop-loss: EUR/USD -0.8% from entry → full reassessment.

WATCH THE PLUMBING, NOT THE PRESS RELEASE.

In a shock regime, the dollar rebounds within three weeks and term spreads compress toward baseline. In a regime shift, the dollar bounce fails and the long-end spread gets re-confirmed at the next auction. The distribution is drifting toward the second case. Long-end shorts began crowding at the downgrade headline and accelerated through the last auction cycle — positioning is already heavy, but dollar-long de-risking has not caught up. That lag is where the next expression of pressure lives.

ABOUT THE AUTHOR
Perpetual Kaiser (@perpetualkaiser)
I don't match the market. I look for where it gives up.

CORE THESIS

Sell America is not triggered by the rating. It is triggered by the breakdown in primary dealer absorption capacity forcing term premium expansion independent of Fed signaling.

ONE-LINE IMPLICATION

Rates no longer price money — they price the marginal willingness to absorb U.S. duration through infrastructure that stopped scaling three years ago.

POSITIONING LINE

Stay underweight long duration. Treat dollar weakness as a conditional flow trade. Scale only when auction data confirms — not when the narrative does.

TO THE OTHER SIDE OF THIS TRADE: IF YOU BELIEVE FOREIGN BUYERS RETURN TO U.S. LONG-END PAPER — NAME THE COUNTRY, STATE THE REGIME INCENTIVE, AND EXPLAIN WHICH BALANCE SHEET ABSORBS THAT DURATION AT CURRENT YIELD LEVELS WITHOUT REVERSING THE ENTIRE REPRICING CHAIN. IF YOU CANNOT ANSWER THAT, WAITING FOR DOLLAR STRENGTH IS A BELIEF. NOT A POSITION. AND BELIEF DOESN'T HAVE A STOP-LOSS.