Daily Dose of Macro & Markets 26th August 2025: "Liquidity Headwinds!"

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quote: WSJ article: "American Companies Are Buying Their Own Stocks at a Record Pace", published 11th August 2025.

"U.S. companies have announced $983.6 billion worth of stock buybacks so far this year, the best start to a year on record, according to Birinyi Associates data going back to 1982. They are projected to purchase more than $1.1 trillion worth overall in 2025, which would mark an all-time high… …At the same time, the confusion around trade has stalled many businesses' investment plans, making buybacks a more appealing use of incoming cash.

Sources: WSJ article, 11th August 2025, available HERE

Liquidity Headwinds!

Last week we highlighted six key reasons for continued caution towards equities in tactical portfolios (i.e. with a 1 – 4 month timeframe). Those reasons are laid out in our Longview 'Alert' publication, and include (i) signs of falling participation and conviction in this rally; (ii) evidence of complacency and bullish positioning; (ii) SELL signals from our medium term models, and others (for detail see last week's Longview Tactical Equity Alert: "US Equity Market: Six Warning Signs", published 19th August, available HERE).

Included in that list is **the poor liquidity outlook**, with net new issuance from the US Treasury expected to be US$1.04 trillion this quarter. That's one of the largest levels of net issuance on record, and will significantly reduce the amount of liquidity available for equity markets. For detail see Daily Dose of Macro & Markets – Wednesday 30th July 2025: "Q3 –> Liquidity Set to Tighten", available HERE.

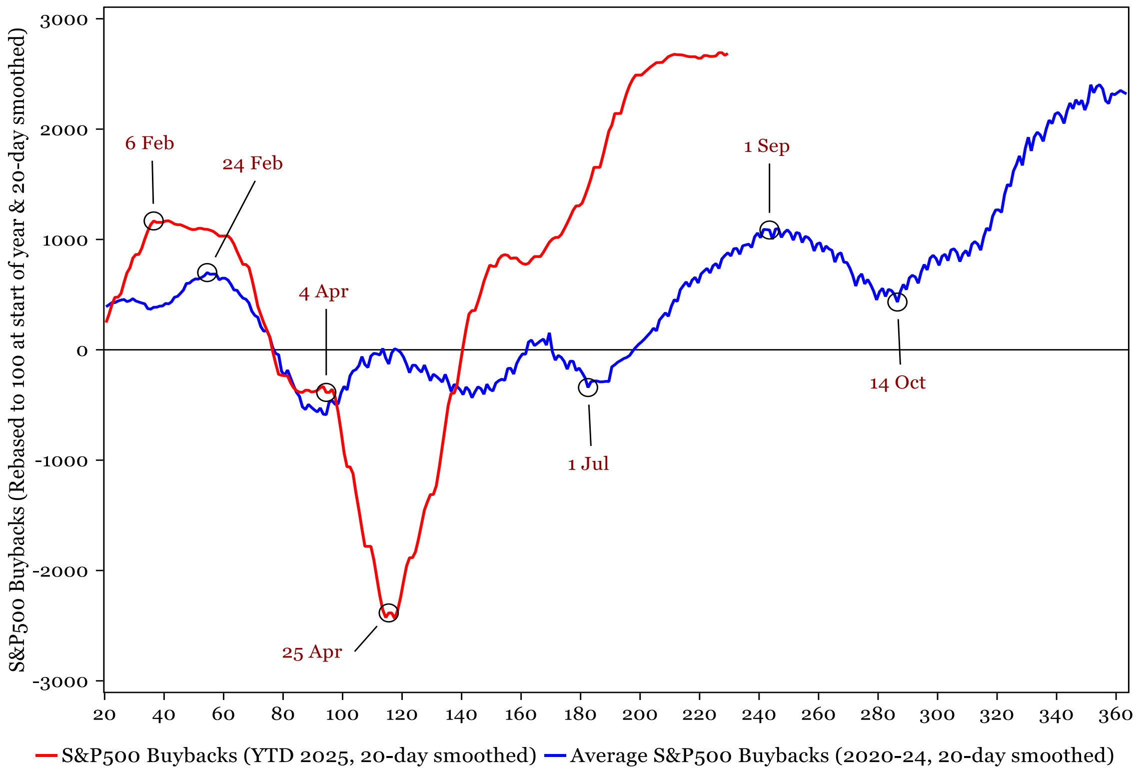
Adding to that list, and in a similar vein, markets are also entering a **seasonally weak environment for company buybacks**. That seasonal pattern is shown by the blue line in FIG 1 below (which measures average daily buyback volumes for the past 5 years, rebased to 100 at the start of the year).

As the chart shows, buybacks are typically strong during three phases of the year: (i) January & February; (ii) July & August; and (iii) from mid-October into year-end. In-between those phases they either shrink (March & June) or slow/roll over (September to mid-October).

This year's buyback activity has (so far) followed the seasonal pattern. April is of course the outlier, when buybacks were no doubt depressed by uncertainty around tariffs. Since April, buybacks have risen sharply (making the headlines earlier this month – see quote above).

If the seasonal norms persist, though, then buyback volumes should soon start to fall, beginning next week. At the margin that would further reduce liquidity available for equity markets, i.e. enhancing the tight liquidity backdrop noted above.

FIG 1: Daily US buybacks rebased to 100 at start of year (YTD vs. 5 year average)



Source: Longview Economics, Macrobond