

KENMACRO

The Macro Framework

Why price is the last thing that moves — and what drives it first.

A framework for understanding what actually drives markets

KenMacro

01 — THE PROBLEM

Most traders are solving the wrong problem.

You don't have a strategy problem. You have a context problem.

Every year, thousands of traders refine their entries, tighten their stops, and go deeper into their charts. Some of them improve. Most of them circle back to the same results, with better-looking reasons for why it didn't work.

Not because they lack discipline. Not because their strategies are flawed. Because they are studying the output and ignoring what produced it.

Price is the last thing that moves. By the time it appears on your chart, the decision has already been made, weeks earlier, by forces most retail traders have never looked at once in their career.

I have watched this pattern repeat across every market cycle I have traded through. Talented, serious people, doing everything they were taught to do, getting results that don't match the effort they are putting in. The problem is never where they think it is.

This framework is about those forces. It will not give you a system. It will not tell you when to buy or sell. What it will do is change the lens. And once that changes, you will not be able to look at a chart the same way again.

"The traders who consistently get it right are not smarter. They are asking different questions, in a different order, before they ever look at a chart."

02 — THE CORE TRUTH

Price is not the market. Price is what the market leaves behind.

Here is the thing most trading education never tells you, not because it is a secret, but because it is inconvenient.

Every price you see on a chart is an output. It is the end result of a chain of forces, decisions, and flows that started long before the candle formed. Most traders spend their entire careers studying that output, building systems on top of it, and wondering why their edge keeps shifting. They are reading the answer without ever finding the question.

Think of it this way. If you want to understand why a river floods, you do not stare at the water level. You look upstream. The rainfall, the snowmelt, the dam conditions, the geography of the catchment area. The water level is just where all of that ends up. It is the last thing to change, not the first.

Markets work exactly the same way.

The price of any asset, a currency pair, an equity index, a commodity, is determined by the flow of capital into and out of it. That flow is determined by the macro environment. Interest rates. Liquidity conditions. Central bank policy. Risk appetite. These are the forces upstream. Price is where they settle.

This is why two traders can look at the same chart and get opposite results. One is reading the output. The other understands what produced it. The chart is identical. The understanding is not.

"The chart shows you what the market already decided. Not what it's about to do."

THE OUTPUT DIAGRAM

Global Liquidity

Rate Expectations

Central Bank Policy

Risk Sentiment

Capital Flows

PRICE



The chart is here. The decision was made up there.

03 — THE FRAMEWORK

The five layers that drive every market

Markets are not random. They are driven by a hierarchy of forces. Most traders operate at the bottom of that hierarchy and wonder why their results are inconsistent. Here is the hierarchy.

LAYER 01

Global Liquidity

WHAT IT IS

The total volume of liquid capital available in the global financial system. Whether that pool is expanding or contracting is the single most powerful force in determining the direction of risk assets. It is also the force most retail traders have never looked at once.

WHY IT MATTERS

When global liquidity expands, capital has to go somewhere. It flows into equities, emerging markets, commodities, and risk assets broadly. When it contracts, that capital retreats. Assets reprice lower, often sharply, and often without any obvious fundamental cause visible on the chart.

WHAT DRIVES IT

Central bank balance sheets. Credit creation. Cross-border capital flows. The dollar cycle.

THE KEY INSIGHT

When your trade fails and you cannot find the reason, this is usually where the answer is. Not in the entry. Not in the stop. In a liquidity shift that was visible in the data weeks before it showed up in price.

LAYER 02

Interest Rate Expectations

WHAT IT IS

Not interest rates themselves. What the market believes rates will be in six, twelve, and eighteen months. This distinction is one of the most important in macro trading. Almost no retail trader makes it.

WHY IT MATTERS

Markets price the future, not the present. If rates are at 5% but the market believes they will be at 3% in twelve months, assets are already moving toward that expectation. By the time the cut happens, the move is largely done. Traders who waited for the event missed the trade.

WHAT DRIVES IT

Inflation data. Employment data. Central bank communication. The language in policy statements, not just the decisions.

THE KEY INSIGHT

Every major currency pair, every equity market, every rate-sensitive asset is repricing constantly based on where the market thinks rates are going. If you do not know what is currently priced in, you do not know the starting point. You are trading without the most basic piece of context.

LAYER 03

Central Bank Positioning

WHAT IT IS

The posture, tone, and direction of the world's major central banks. Primarily the Federal Reserve, but also the ECB, Bank of Japan, Bank of England, and People's Bank of China.

WHY IT MATTERS

Central banks are the most powerful actors in global financial markets. Their decisions, and more importantly their signals, determine the cost of capital. The cost of capital determines the value of every asset on the planet.

WHAT DRIVES IT

Inflation mandates. Employment mandates. Financial stability concerns. The communication style and credibility of whoever is speaking.

THE KEY INSIGHT

The decision matters less than the signal. A rate hold with hawkish language can move markets more than an actual rate change that was fully priced in. You are not reading the outcome of the meeting. You are reading the narrative that comes out of it. Most traders never learn to do this.

LAYER 04

Risk Sentiment

WHAT IT IS

The prevailing appetite for risk across global markets at any given moment. Whether institutions are allocating toward higher-risk assets or retreating toward safety.

WHY IT MATTERS

Risk sentiment acts as a multiplier on everything below it. In a risk-on environment, setups work better, trends extend, and pullbacks are shallow. In a risk-off environment, the same setups fail. The same patterns, the same logic, different results. This is the variable most traders never account for.

WHAT DRIVES IT

Macro data surprises. Geopolitical events. Shifts in the layers above. Positioning extremes.

THE KEY INSIGHT

This is why your win rate changes without any change in your approach. The approach is not what changed. The environment did. Risk sentiment is the invisible variable that determines whether your edge is working or not on any given week. If your results have been inconsistent without any obvious change in what you are doing, this is usually the layer that shifted.

LAYER 05

Technicals and Positioning

WHAT IT IS

Price action, chart structure, support and resistance, momentum, and the positioning of market participants as reflected in flows and open interest data.

WHY IT MATTERS

Technicals are real. Levels matter. Structure matters. This is not an argument against technical analysis.

THE KEY INSIGHT

This is layer five for a reason. It is the last filter, not the first. A technically clean setup in a hostile macro environment carries a fraction of the probability of a moderate setup aligned with the macro direction. Most retail traders have this hierarchy completely inverted. They start here, when they should be finishing here.

THE MACRO HIERARCHY

01 Global Liquidity

The largest force. Rarely watched by retail.

02 Rate Expectations

Where the market thinks rates are going. Not where they are.

03 Central Bank Positioning

The signal matters more than the decision.

04 Risk Sentiment

The environment that determines whether your setup works.

05 Technicals and Positioning

Last in the sequence. Not first.

04 — THE CASCADE

These layers don't operate in isolation. They cascade.

And by the time you see the move, you're usually looking at the end of it.

Understanding each layer individually is a start. Understanding how they interact is where the edge actually lives.

Here is the sequence that drives most major macro-driven moves:

Global liquidity shifts first. Central bank balance sheets expand or contract. Credit conditions loosen or tighten. This happens slowly and the data is not widely followed. Most retail participants have no idea this is happening at all.

Interest rate expectations reprice second. As liquidity conditions change, the market updates its view on where rates are going. This shows up in bond markets before it shows up anywhere else. Currency markets follow.

Central banks communicate third. Policy language starts to shift. Meeting minutes change tone. The institutional community begins to reposition, quietly, before the move is obvious.

Risk sentiment shifts fourth. Capital starts moving. Out of risk assets or into them. Currencies reprice. Equity markets start trending. Volatility changes character.

Price arrives last. By the time the move is visible on your chart and the setup looks clean, the institutional money is already positioned. What looks like an entry is often an exit.

This is not a theory. This is the architecture of almost every major macro-driven move you have seen in your trading career. You just did not have the framework to

see it.

Why most traders miss it:

Because they enter the process at layer five and react to what they see. They are always responding to a decision that was already made. If you have ever taken a trade that looked clean and watched it fail immediately with no obvious explanation, you were probably looking at the end of a move, not the beginning of one.

THE CASCADE FLOW

01

Liquidity Shifts

Weeks to months before price moves

02

Rates Reprice

Visible in bonds and FX first

03

Central Banks Signal

Institutional repositioning begins

04

Sentiment Moves

Capital rotation accelerates

05

Price Arrives

Most traders enter here. The move is already over.

INSTITUTIONAL POSITIONING WINDOW

RETAIL ENTRY POINT →

"The move you're reacting to today was decided in data you probably never looked at."

05 — CASE STUDY

What this looks like in practice: 2022 and the Fed pivot

You do not need a complicated example to understand how these layers interact. You need an honest one.

2022 is one of the most instructive macro-driven events in recent market history, because the cause was visible long before the effect arrived in price. Traders who understood the framework saw it coming. Traders operating only at the technical level called it a series of confusing reversals and kept adjusting their entries.

The setup:

Going into 2022, global liquidity was historically elevated. The Fed's balance sheet had expanded dramatically through the pandemic period. Rates were near zero. Risk assets, equities in particular, had been in an extended bull run powered primarily by that liquidity expansion. The macro environment had been one of the most supportive in modern history.

Layer 1 shifted:

In late 2021 and early 2022, the Fed began signalling that it would need to reduce its balance sheet and raise rates to address inflation. Global liquidity conditions began to tighten. This was visible in the data before it was visible in price. The traders watching the right inputs began reducing risk exposure.

Layer 2 repriced:

Rate expectations moved sharply. Markets began pricing in an aggressive hiking cycle. The cost of future earnings, the basis for equity valuations, increased substantially. Growth equities, which are the most rate-sensitive assets in a portfolio, fell first and fastest. This was not a surprise to anyone watching rate expectations. It was invisible to anyone watching only price.

Layer 3 confirmed:

The Fed's language shifted decisively. The word "transitory" disappeared from the vocabulary. Institutional participants had no ambiguity about the direction of policy. Repositioning accelerated.

Layers 4 and 5 followed:

Risk sentiment deteriorated. Capital rotated out of equities, out of growth, out of emerging markets. Price followed. The Nasdaq fell approximately 33% peak to trough across 2022. For traders watching only the chart, it was a year of failed setups and whipsaws. For traders watching the macro, it was a predictable and structural repricing that had been signalled months in advance.

The lesson:

The traders who navigated 2022 were not reading the chart better. They understood that the macro environment had fundamentally changed before it showed up in price, and they positioned accordingly. The information was available to anyone willing to look at the right layers.

2022 — ANNOTATED TIMELINE

Q4 2021

Fed signals taper

JAN 2022

Rate expectations shift

MAR 2022

First rate hike

Q2 2022

Liquidity contraction
deepens

Q4 2022

Peak hawkishness

INSTITUTIONS REDUCING RISK HERE ↓

RETAIL BUYING DIPS HERE ↓

Price follows the macro. Not the other way around.

06 — THE SHIFT

This is not about a new strategy. It's about a new sequence.

The gap between a trader who struggles with consistency and one who has a genuine structural edge is rarely about intelligence, discipline, or effort. It is almost always about the order in which they approach the market.

The old sequence:

Where is the entry? Where is the stop? Does the pattern confirm? What is the risk-reward?

These are not wrong questions. They are just the last questions. When you ask them first, you are building on air. You have no way of knowing whether the environment you are trading in supports or opposes the setup you are looking at. You are making decisions with half the information. Most traders have spent years doing this without once questioning the order.

The new sequence:

What is the macro environment doing? Is global liquidity expanding or contracting? What is the market pricing in for rates over the next six to twelve months? What is central bank language signalling? Is risk sentiment constructive or defensive? Does this setup align with the macro direction or fight against it?

After all of that: where is the entry, the stop, and the risk-reward.

The practical difference:

With macro alignment, you have conviction. Not confidence built on hope, but conviction built on understanding. You know why the trade should work. You

manage it differently, hold it differently, and respond to adverse moves differently, because you can tell the difference between a thesis that is breaking down and noise inside a thesis that is intact.

Without it, you are relying on pattern alone to overcome a headwind you may not even know exists. Sometimes it works. Over a large sample of trades, it does not compound.

Context is not a filter on top of your strategy. It is the environment that determines whether your strategy has an edge at all.

Once you see this, you don't go back to trading the same way. You can't.

THE TWO SEQUENCES

OLD SEQUENCE

- 01 Open Chart
- 02 Find Pattern
- 03 Set Entry
- 04 Set Stop
- 05 Take Trade

MACRO-AWARE SEQUENCE

- 01 Assess Macro Environment
- 02 Check Liquidity Direction
- 03 Read Rate Expectations
- 04 Gauge Risk Sentiment
- 05 Find Aligned Setup
- 06 Set Entry and Stop
- 07 Take Trade With Conviction

The work most traders skip

CATEGORY	OLD APPROACH	MACRO-AWARE APPROACH
Starting point	The chart	The macro environment
First question	Where do I enter?	What is the environment doing?
Conviction source	Pattern confirmation	Macro alignment
Response to loss	Adjust the entry	Assess whether the thesis has changed
Edge	Technical	Contextual
Consistency	Cyclical	Structural

07 — THE GAP

You now understand the framework. That's not the same as being able to use it.

Here is where most people who encounter macro trading for the first time get stuck.

They understand the concept. Liquidity matters. Rate expectations drive price. Central bank posture shapes everything downstream. They nod at the framework, agree with the logic, and go back to their platform with a vague intention to "factor in macro" from now on.

Six months later, nothing has changed.

Because understanding the hierarchy is not the skill. The skill is being able to look at the macro environment right now, today, with current data and current positioning, form a clear directional view, identify which setups are aligned with that view, and hold trades with the kind of conviction that only comes from knowing why something should work.

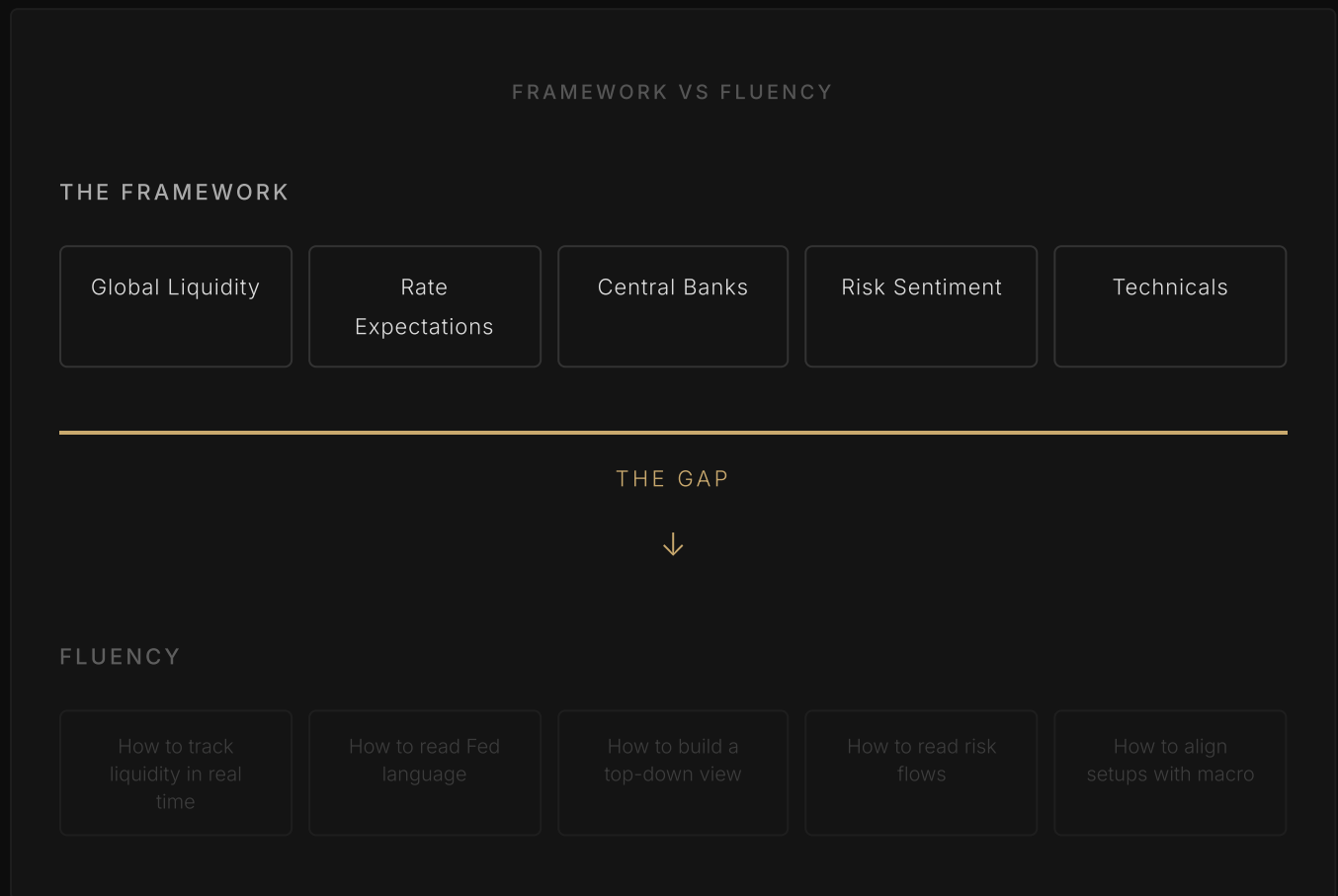
That requires a different kind of training.

Knowing that global liquidity matters is not the same as knowing where to find the data, how to interpret changes in it, what the leading indicators are, and how to translate a liquidity shift into a trade thesis before the move is visible in price.

Knowing that central bank language matters is not the same as knowing how to read a Fed statement, what the market is pricing in versus what was actually said, and where the divergence between expectation and reality creates the trade.

The gap between framework and fluency is not a knowledge gap. It is a skill gap. And skill is built differently.

This document gives you the architecture. What you do with it from here is the question.



"Knowing this and being able to use it are not the same thing. That gap is where most traders stay."

08 — THE CLOSE

The market has always worked this way. Now you know where to look.

Nothing in this framework is new. The relationship between liquidity, rates, central banks, and price has existed as long as modern financial markets have. What is uncommon is having it laid out clearly, in a sequence that makes sense, by someone who has spent years trading it, watching others struggle with it, and understanding exactly where the breakdown happens.

Most traders spend years working this out, if they work it out at all. Many do not. They keep switching strategies, keep refining entries, keep looking for the edge in the last layer when it was sitting in the first one the entire time.

You now have a different starting point. The problem is, you cannot unlearn it. The next time you look at a setup, something will pull at you. A question that wasn't there before. That is not a small thing.

The KenMacro course is for the traders who want to go from understanding this to being able to execute from it. Not signals. Not calls. The actual skill of reading the macro environment in real time, forming a view, and trading it with conviction.

If that is where you want to go, that is what it is built for.

*"Most traders read this and go back to what they were doing. A few don't.
You already know which one leads somewhere different."*

KenMacro

MACRO FRAMEWORK

kenmacro.com

This framework is the beginning. Not the limit.