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Suggested Citation: Gondauri, Davit (2026) : Navier-Stokes-Inspired Global Liquidity-Flow and Systemic-Stress Modelling: A Nondimensional Macro-Financial Stress-Testing Framework, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg

This Version is available at:
https://hdl.handle.net/10419/341616

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Navier-Stokes-Inspired Global Liquidity-Flow and Systemic-Stress Modelling: A Nondimensional Macro-Financial Stress-Testing Framework

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Abstract

This study develops a global Navier-Stokes-inspired macro-financial stress-testing framework for measuring systemic stress as a nondimensional flow-pressure-friction-shock-cycle-closure process rather than as a collection of isolated macro-financial indicators. The framework does not claim that financial liquidity is a physical fluid, does not solve the mathematical Navier-Stokes problem and does not establish a universal crisis-prediction law. Instead, it translates the structural logic of velocity, acceleration, pressure gradients, diffusion/friction, external forcing and closure into an empirically auditable economic analogue. The empirical architecture is organized around a 100-country annual panel for 2010-2024, yielding 1,500 country-year observations, supplemented by a World aggregate anchor, macro-regional aggregation, rolling validation windows, robustness layers, external-target validation, Monte Carlo uncertainty analysis and policy counterfactuals. Systemic stress is constructed from normalized stress-direction components and interpreted jointly with liquidity resilience. The central balance decomposes stress into liquidity velocity weakness, liquidity acceleration, macro-financial pressure gradients, liquidity friction/diffusion, stochastic shocks, Fourier GDP-cycle forcing and a restricted hidden-adjustment term epsilon(t). The closure equation is modelled through observable or proxy-observable state variables, including lagged closure, shadow-economy pressure, external transfers, geopolitical shock, fiscal buffers, foreign aid/support and economic inertia, preventing epsilon(t) from operating as an unrestricted residual plug. The results show stable weighting robustness, coherent closure signs, strong rolling one-year-ahead validation performance over 2017-2024, favorable benchmark comparison against ARIMA, VAR, GARCH and composite-index baselines, statistically coherent fixed-effects associations, plausible external-target validation, residual stability, robustness under perturbation and interpretable Monte Carlo and policy-counterfactual effects. The contribution is methodological and empirical: a transparent, reproducible and scientifically bounded stress-testing architecture for global liquidity-flow diagnostics and systemic-risk interpretation.

Keywords
Navier-Stokes-inspired macro-financial modelling; global systemic-stress diagnostics; liquidity-flow stress testing; nondimensional financial-stress index; Monte Carlo policy counterfactuals; restricted residual closure; Fourier GDP-cycle forcing; panel financial econometrics; macroprudential stress testing; systemic-risk forecasting.

JEL Classification C02; C23; C32; C43; C51; C52; C53; C58; E44; E47; E58; F30; G01; G17; G21

1. Introduction

1.1. General Research Context and Problem Statement

The contemporary global financial system is increasingly difficult to interpret through isolated macro-financial indicators alone. Inflation pressure, sovereign-risk premia, credit and banking frictions, liquidity velocity, stochastic shocks, external financing constraints, GDP-cycle movements and policy-buffer capacity operate jointly rather than independently. A single country, region or global aggregate may appear stable when viewed through one indicator, while the interaction of pressure, friction, weak flow and hidden adjustment may already indicate systemic vulnerability. The core problem addressed by this study is therefore how global liquidity-flow dynamics and systemic stress can be measured when stress formation is multi-channel, nonlinear, regionally heterogeneous and temporally shock-sensitive.

Traditional macro-financial stress monitoring usually begins with separate indicators: inflation, interest-rate spreads, exchange-rate pressure, credit conditions, liquidity ratios, growth deviations or volatility measures. These indicators are necessary, but they do not by themselves explain how liquidity-flow weakness, pressure gradients, frictional diffusion, stochastic shocks and residual hidden adjustment combine inside a single diagnostic architecture. The methodological challenge is to build a model that is mathematical enough to impose structure, econometric enough to be tested, computational enough to generate forecasts and scenarios, and cautious enough not to overstate an analogy as a physical law.

This study responds to that problem through a global Navier-Stokes-inspired economic stress-balance framework. The classical Navier-Stokes equation organizes physical flow through velocity, acceleration, pressure gradients, viscosity or diffusion, and external force. This research does not claim that financial liquidity is a physical fluid and does not claim to solve or empirically test the mathematical Navier-Stokes problem. Instead, it translates the structural logic of flow, pressure, friction, shock, cycle and closure into a nondimensional macro-financial measurement grammar. The resulting model treats systemic stress as a constructed diagnostic outcome formed by liquidity velocity weakness, acceleration pressure, macro-financial pressure gradients, liquidity-friction/diffusion effects, stochastic shocks, Fourier GDP-cycle forcing and a restricted hidden-adjustment term $\varepsilon(t)$.

The central research problem can be stated as follows: existing macro-financial diagnostics insufficiently capture the joint formation of global systemic stress under liquidity-flow, pressure-gradient, frictional and shock-transmission conditions. A high-level methodology is required to transform heterogeneous macro-financial proxies into a transparent stress-testing architecture that is empirically auditable through rolling validation, benchmark comparison, panel fixed effects, robustness checks, residual diagnostics, external-target validation, Monte Carlo uncertainty and policy counterfactuals, while remaining explicitly bounded as an economic diagnostic analogue rather than a physical theorem or universal crisis-prediction law.

1.2. Research Object, Boundaries and Data Status

The research object is a global macro-financial system interpreted through a Navier-Stokes-inspired liquidity-flow and systemic-stress measurement framework. The empirical design is centered on a country-year panel of 100 countries over 2010-2024, producing a main econometric layer of 1,500 country-year observations. This layer is complemented by a World aggregate anchor, macro-regional aggregation, a quarterly robustness layer, rolling validation windows and external-target validation layers. In the revised results and interpretation architecture, the full evidence system is treated as an expanded global-panel stress-testing design rather than as a narrow single-country demonstration.

The study separates raw public macro-financial inputs from derived analytical objects. Inflation, sovereign-risk proxies, liquidity/friction indicators, GDP-cycle deviations, event-volatility measures, resilience buffers and closure-state variables enter the framework only after direction harmonization and nondimensional scaling. The key methodological rule is that raw financial units are not added directly. All starred variables are interpreted as normalized, unit-free diagnostic components. This boundary is essential because the legitimacy of the Navier-Stokes-inspired analogy depends on unit consistency and explicit transformation rather than on metaphorical borrowing.

The model is bounded by five principles. First, it is an economic analogue, not a physical hydrodynamic law. Second, it is a stress-testing and diagnostic architecture, not a theorem-level result. Third, the main panel and external-target layers support empirical assessment, but fixed-effects coefficients are interpreted as diagnostic associations rather than causal estimates. Fourth, rolling forecast performance is read as reported validation-window evidence rather than permanent dominance over conventional models. Fifth, Monte Carlo and policy counterfactual outputs are model-implied scenarios, not unconditional predictions of future crises.

Table 1.1. Research design boundary and evidence-status matrix

Design component	Operational definition	Analytical role	Claim boundary
Global panel universe	100 countries observed annually over 2010-2024, with the main econometric layer equal to 1,500 country-year observations.	Provides the country-year evidence base for fixed effects, diagnostics and stress-channel estimation.	A global panel diagnostic design, not a complete representation of all financial-market microstructure.
World and macro-regional layers	World aggregate anchor and macro-regional/corridor groupings used for ranking and flow-dynamic interpretation.	Allows stress to be interpreted at global and macro-regional levels.	Regional aggregation is stylized and diagnostic, not a geopolitical ranking.
Nondimensional stress objects	Stress, pressure, friction, shock, cycle, resilience and closure variables transformed into unit-free starred terms.	Permits pressure-friction-shock-cycle-closure balance without raw-unit inconsistency.	Does not imply literal physical units or hydrodynamic identity.
Restricted $\varepsilon(t)$ closure	State-dependent hidden-adjustment equation using lagged closure, shadow pressure, transfers, geopolitical shocks, fiscal buffers, aid/support and inertia.	Prevents the residual term from becoming an unrestricted algebraic plug.	Auditable closure channel, not a free device that mechanically forces equality.
Rolling validation and benchmark layer	Expanding-window one-year-ahead forecasts for 2017-2024 compared with ARIMA, VAR, GARCH and composite-index benchmarks.	Tests out-of-sample diagnostic usefulness inside a defined validation window.	Reported validation-window evidence, not universal forecast superiority.
External validation and policy layer	External macro-financial targets, Monte Carlo paths and policy counterfactuals.	Tests plausibility, uncertainty and model-implied stress effects.	Diagnostic and scenario evidence, not randomized causal proof.

Source: Author synthesis based on the Navier-Stokes methodology, results and interpretation chapters.

Data and replication package statement: The complete data and replication package associated with this manuscript is archived on Zenodo as: Gondauri, D. (2026). Navier-Stokes-Inspired Global Liquidity-Flow and Systemic-Stress Modelling: Data and Replication Package for a Nondimensional Macro-Financial Stress-Testing Framework [Data set]. Zenodo. https://zenodo.org/records/20835729.

1.3. Research Aim

The aim of the study is to develop and empirically audit a global Navier-Stokes-inspired macro-financial stress-testing framework for measuring how liquidity velocity weakness, acceleration pressure, macro-financial pressure gradients, liquidity friction, stochastic shocks, GDP-cycle forcing and restricted hidden adjustment combine into systemic-stress formation across the world economy.

More specifically, the study aims to demonstrate that a disciplined flow-balance analogy can convert heterogeneous macro-financial indicators into a transparent measurement sequence: public macro-financial proxies -> direction harmonization -> nondimensionalization -> systemic-stress and liquidity-resilience indices -> Navier-Stokes-inspired stress-balance equation -> restricted $\varepsilon(t)$ closure -> Fourier GDP-cycle forcing -> rolling one-year-ahead validation -> benchmark comparison -> panel fixed-effects estimation -> robustness and residual diagnostics -> external-target validation -> Monte Carlo uncertainty -> policy counterfactual interpretation.

The aim is not to replace macro-financial economics with physics. It is to build a reproducible bridge between stress-index construction, liquidity-flow interpretation and statistically audited stress testing. The final aim is evidentiary as much as technical: the research seeks to show where the Navier-Stokes-inspired construction is empirically strong, where it remains diagnostic, where policy interpretation is useful, and where academic caution must prevent overclaiming.

1.4. Research Objectives

The study pursues the following objectives:

1. To define a global macro-financial empirical universe that combines a 100-country annual panel, a World aggregate anchor, macro-regional aggregation, rolling validation windows and robustness layers.
2. To transform heterogeneous macro-financial inputs into nondimensional stress-direction and resilience-direction variables so that incompatible raw units are not added directly.
3. To construct systemic-stress and liquidity-resilience indices that allow stress pressure and resilience capacity to be interpreted jointly.
4. To specify a Navier-Stokes-inspired economic stress-balance equation in which systemic stress is decomposed into velocity weakness, acceleration, pressure gradient, friction/diffusion, stochastic shock, GDP-cycle forcing and restricted closure.
5. To estimate and interpret the restricted residual-closure equation $\varepsilon(t)$ so that hidden adjustment is observable, state-dependent and auditable rather than an unrestricted residual plug.
6. To incorporate Fourier GDP-cycle forcing while preventing look-ahead bias through rolling-window cycle estimation in the forecasting layer.
7. To evaluate one-year-ahead diagnostic forecasting performance against ARIMA, VAR, GARCH and non-flow composite-index benchmarks over the reported 2017-2024 validation window.
8. To estimate panel fixed-effects and robust-inference specifications that test whether the pressure, friction, velocity, shock, cycle and closure channels have coherent signs and statistical support under country and year controls.
9. To interpret macro-regional liquidity-flow dynamics and identify where systemic stress is concentrated across pressure, friction, shock and velocity channels.
10. To test robustness through weighting alternatives, normalization alternatives, proxy perturbations, leave-one-component-out checks, residual diagnostics, structural specification checks and shock-year sensitivity.
11. To validate the constructed stress signal against external macro-financial targets such as sovereign-spread widening, GDP-growth slowdown, exchange-rate volatility, liquidity tightening, inflation persistence and crisis/event classification.
12. To translate the framework into uncertainty and policy interpretation through Monte Carlo stress paths and counterfactual effects for liquidity buffers, sovereign spreads, inflation persistence, resilience packages and geopolitical shocks.
13. To formulate a precise scientific claim hierarchy that distinguishes strong diagnostic stress-testing evidence from physical-law claims, theorem-level Navier-Stokes evidence, causal inference and universal crisis-prediction claims.

1.5. Research Questions and Hypothetical Framework

The study is organized around research questions that connect the nondimensional measurement layer, the Navier-Stokes-inspired balance equation, the econometric validation layer and the policy interpretation layer. The questions are not formulated as theorem-level propositions. They are formulated as empirical and methodological questions about stress decomposition, validation, interpretability and claim discipline.

Table 1.2 presents the research questions and their associated hypothesis-level expectations. The expectations are intentionally stated as diagnostic and stress-testing claims, not as causal laws or physical identities.

Table 1.2. Research questions and hypothesis-level expectations

Research question	**Hypothesis-level expectation**	**Methodological test**	**Expected evidentiary status**
RQ1. Can heterogeneous macro-financial proxies be converted into a coherent systemic-stress measurement system?	H1. Direction harmonization and nondimensionalization provide a stable coordinate system for stress construction.	Scaling rules, stress/resilience index construction and weighting robustness.	Foundational design condition.
RQ2. Does systemic stress behave as a multi-channel process rather than as a single macro variable?	H2. Pressure, friction, velocity weakness, shocks, cycle and closure jointly explain stress variation.	Navier-Stokes-inspired balance, FE estimates, partial R^2 and term-balance diagnostics.	Core diagnostic evidence.
RQ3. Can $\varepsilon(t)$ be interpreted as a disciplined hidden-adjustment channel rather than a free residual?	H3. Lagged closure, shadow pressure, geopolitical shock, fiscal buffers, external support and inertia explain $\varepsilon(t)$ with coherent signs.	Restricted closure equation, z/t statistics, p-values, confidence intervals and decomposition.	Identification-safeguard evidence.
RQ4. Does the NS-inspired model add forecasting information beyond conventional benchmarks?	H4. The proposed model should reduce forecast error and improve stress-regime classification within the reported rolling window.	Rolling one-year-ahead validation, ARIMA/VAR/GARCH/composite comparison, RMSE, MAE, MAPE, direction and hit rate.	Reported validation-window diagnostic evidence.
RQ5. Are stress channels statistically coherent under panel heterogeneity and robust inference?	H5. Pressure gradient, liquidity friction, velocity weakness and closure terms retain expected signs under country/year controls and covariance adjustments.	Fixed effects, Hausman, Pesaran CD, robust SE, Driscoll-Kraay/clustered inference and model-fit decomposition.	Association and inference-credibility evidence.
RQ6. Does the stress signal behave plausibly against external macro-financial targets?	H6. Higher constructed stress should be associated with sovereign-spread widening, weaker growth, exchange-rate volatility, liquidity tightening, inflation persistence and crisis/event classification.	External-target validation with N, confidence intervals, p-values, thresholds and classification matrices.	External diagnostic plausibility, not causal proof.

RQ7. Can the model support policy and uncertainty interpretation without overstating policy certainty?	H7. Liquidity buffers and resilience packages should reduce model-implied stress, while sovereign-spread, inflation and geopolitical shocks should raise it.	Monte Carlo scenarios and policy counterfactuals with standard errors and confidence intervals.	Model-based stress-testing evidence.

Source: Author synthesis based on the research architecture and claim-boundary logic of Chapters 3-5.

The core hypothetical framework can be expressed compactly as follows: Sstar(i,t) is systematically approximated by a nondimensional flow-pressure-friction-shock-cycle-closure balance. In plain-text notation, the central diagnostic relation is Sstar(i,t) = alpha + theta1*velocity_weakness(i,t) + theta2*liquidity_acceleration(i,t) + theta3*pressure_gradient(i,t) + theta4*friction_diffusion(i,t) + theta5*stochastic_shock(i,t) + theta6*GDP_cycle_forcing(t) + theta7*restricted_closure_epsilon(i,t) + residual(i,t). This expression is not a physical law. It is the empirical analogue to be evaluated through term balance, rolling forecasts, panel inference, external validation, robustness and residual diagnostics.

1.6. Scientific Novelty of the Research

The scientific novelty of the study consists in the construction of a global Navier-Stokes-inspired macro-financial stress-testing architecture that is neither a loose metaphor nor a literal physical transfer. Its innovation lies in converting the structural grammar of flow, pressure, friction, shock, cycle and closure into a transparent, nondimensional and empirically audited economic measurement system.

The first element of novelty is the disciplined nondimensionalization of the analogy. The model does not add inflation rates, spreads, liquidity ratios, volatility shocks and GDP-cycle deviations in their original units. It transforms them into unit-free diagnostic components and then evaluates their joint contribution to systemic stress. This gives the analogy methodological legitimacy because the balance equation operates on a common model scale.

The second element of novelty is the explicit modeling of ε(t). In many constructed stress models, the residual can silently absorb misspecification. Here the closure term is made visible, restricted and interpretable. Lagged closure, shadow-economy pressure, transfers, geopolitical shock, fiscal buffers, external support and inertia are treated as observable or proxy-observable closure-state variables. This transforms a potential weakness into a modelled hidden-adjustment mechanism.

The third element of novelty is the integration of Fourier GDP-cycle forcing with rolling forecast discipline. The framework uses harmonic cycle information to represent macroeconomic forcing, but it separates descriptive full-sample visualization from forecast-valid rolling-window estimation. This prevents future information from entering the forecast year and makes the cycle term auditable rather than decorative.

The fourth element of novelty is the evidence architecture. The model is not validated only by fitted values. It is evaluated through rolling one-year-ahead forecasts, benchmark comparisons, Mincer-Zarnowitz calibration, fixed-effects estimates, robust-inference checks, external-target validation, residual stability, proxy perturbation, structural robustness, Monte Carlo uncertainty and policy counterfactuals. This makes the contribution an integrated stress-testing framework rather than a single constructed index.

The fifth element of novelty is the built-in claim-discipline logic. The study explicitly rejects physical literalism, theorem-level claims, universal crisis-prediction claims and causal overinterpretation. Its strongest claim is a high-level diagnostic claim: a transparent Navier-Stokes-inspired balance can organize and test global systemic-stress evidence in a scientifically bounded way.

1.7. Theoretical, Methodological and Practical Significance

The theoretical significance of the study is that it expands the language of macro-financial stress modelling by introducing a disciplined flow-balance interpretation of systemic stress. Liquidity is not treated as a physical fluid, but liquidity-flow weakness, pressure gradients, friction/diffusion, stochastic shocks, cyclical forcing and hidden adjustment are treated as structured economic analogues that can be measured and interpreted within a single stress-balance architecture.

The methodological significance is substantial. The study provides a full transformation chain from raw macro-financial proxies to nondimensional variables, systemic-stress and resilience indices, a Navier-Stokes-inspired balance equation, a restricted closure equation, Fourier-cycle forcing, rolling forecast validation, benchmark comparison, panel fixed effects, model-fit decomposition, robustness diagnostics, external validation, Monte Carlo stress bands and policy counterfactuals. The model therefore avoids the common weakness of constructed-index research: producing a high-level score without sufficient audit, falsification or claim boundaries.

The practical significance lies in stress diagnostics and policy interpretation. The framework can help analysts distinguish whether stress is being driven mainly by sovereign pressure, inflation pressure, liquidity friction, weak liquidity velocity, stochastic shock, cyclical downturn or hidden adjustment. It also helps identify whether a region is vulnerable because of pressure-gradient exposure, financing constraints, low resilience or shock transmission. This is especially useful for global systemic-risk monitoring because the same stress level may arise through very different channel combinations.

The policy significance is diagnostic rather than prescriptive. The model does not mechanically prescribe policy. It provides a structured way to examine how liquidity-buffer strengthening, fiscal-liquidity coordination, sovereign-spread shocks, inflation persistence, remittance decline and geopolitical shock escalation change model-implied systemic stress and high-stress probabilities. Such information can support macroprudential monitoring, stress testing, scenario planning and resilience analysis.

1.8. Research Limitations and Principle of Academic Caution

The study is intentionally built around academic caution. Its first limitation is conceptual: the Navier-Stokes framework is used as an economic analogue, not as a physical law applied to financial liquidity. The pressure gradient is a macro-financial pressure channel, not a literal physical pressure gradient; friction/diffusion is a credit and liquidity-friction channel, not molecular viscosity; stochastic forcing is a volatility or event-shock channel, not physical Brownian motion; and $\varepsilon(t)$ is a restricted hidden-adjustment mechanism, not a free mathematical residue.

The second limitation is empirical. The main country-year layer provides a substantial global panel, but annual data cannot capture all intraday, market-microstructure, balance-sheet and institutional mechanisms through which liquidity stress develops. The macro-regional layer is useful for interpretation, but it is stylized and cannot replace country-specific or sector-specific diagnostics.

The third limitation concerns validation. The rolling 2017-2024 forecasting results are strong inside the reported validation window, but the window is short and includes a limited number of crisis-regime observations. The reported 100% directional accuracy and stress-regime hit rate must therefore be interpreted as validation-window performance, not as a universal law of prediction. Benchmark superiority is reported for the defined design, not for all future periods and all model classes.

The fourth limitation concerns inference. Fixed-effects coefficients, robust standard errors and partial R^2 values support coherent diagnostic associations, but they do not by themselves establish causal macro-financial laws. External-target validation strengthens plausibility, but it remains diagnostic unless independent identification conditions are satisfied. Policy counterfactuals are model-based stress-index effects, not randomized policy experiments.

The principle of academic caution can therefore be summarized as follows: the study supports a strong global Navier-Stokes-inspired diagnostic and stress-testing claim; it does not prove that liquidity is a physical fluid, does not solve the mathematical Navier-Stokes problem, does not establish causal law and does not create a universal crisis-prediction mechanism.

1.9. Structure of the Research Logic

The research is organized as an integrated architecture. The introductory chapter defines the research problem, object, aim, objectives, questions, novelty, significance, limitations and claim boundaries. The methodological chapter specifies the empirical universe, preprocessing pipeline, nondimensionalization rules, stress and resilience construction, weighting logic, Navier-Stokes-inspired balance equation, restricted $\varepsilon(t)$ closure, Fourier GDP-cycle forcing, rolling validation protocol, benchmark models, panel fixed-effects specification, robust diagnostics, external validation, robustness tests, residual checks, Monte Carlo simulation and policy counterfactual methodology.

The results chapter reports the empirical outputs of this architecture: weighting robustness, estimated $\varepsilon(t)$ equation, stress-resilience dynamics, Fourier-cycle evidence, descriptive diagnostics, rolling validation, benchmark comparison, fixed-effects estimates, regional stress rankings, equation-balance diagnostics, perturbation robustness, structural robustness, closure decomposition, Monte Carlo scenarios, model-fit decomposition, expanded inference, panel diagnostics, external validation, residual stability, policy counterfactuals and final statistical closure.

The interpretation chapter then translates the tables into scientific meaning. It explains why stress must be read as a multi-channel process; why pressure, friction and velocity weakness matter; why $\varepsilon(t)$ is an auditable hidden-adjustment channel; why benchmark performance is strong but bounded; why regional heterogeneity matters; why external validation reduces circularity concerns; why residual and robustness diagnostics improve credibility; and why policy interpretation must remain model-based. The conclusion returns to these elements and classifies the final contribution as a high-level but bounded macro-financial stress-testing framework.

2. Literature Review

2.1. Scope and Review Strategy

This literature review positions the present Navier-Stokes-inspired study within the research streams required by its six-chapter architecture. The introduction defines the problem as a multi-channel macro-financial stress-formation problem. The methodology converts heterogeneous stress proxies into nondimensional variables, constructs a systemic-stress index and liquidity-resilience index, specifies a flow-pressure-friction-shock-cycle-closure balance, estimates a restricted epsilon closure equation, implements Fourier GDP-cycle forcing, and validates the model through rolling forecasts, benchmark comparison, fixed effects, robust diagnostics, external targets, Monte Carlo uncertainty and policy counterfactuals. The results chapter reports the empirical performance of this architecture, and the interpretation and conclusion chapters classify the evidence as strong but bounded diagnostic evidence rather than a physical law or a universal crisis-prediction theorem.

The review therefore cannot be limited to one field. It must combine fluid-mechanics foundations, market liquidity and microstructure, systemic-risk networks, financial-stress and crisis measurement, macro-financial pressure indicators, forecasting and volatility models, panel econometrics, robust inference, composite-index construction, external validation and scenario-policy interpretation. The review uses 113 peer-reviewed or academic-journal references, all supplied with DOI resolver links in APA style. Books, unpublished working papers and non-journal sources are deliberately excluded from the reference list so that the chapter remains aligned with the user's requirement for journal-based academic evidence.

2.2. Literature Coverage Map and Reference-Selection Protocol

Table 2.1 summarizes how the 113 references are allocated across the conceptual and methodological blocks of the study. The purpose of the table is not to replace the narrative review. It identifies the evidentiary role of each literature stream and shows why the selected references are relevant to the chapter sequence of the manuscript.

Literature block	Number of references	Main function in this study	Relevant manuscript chapters
Navier-Stokes, fluid regularity and flow-balance foundations	8	Defines the formal meaning of velocity, pressure, diffusion/friction, forcing, regularity and disciplined physical analogy.	Chapters 1, 3, 5 and 6
Market liquidity, microstructure and liquidity-risk pricing	16	Grounds liquidity velocity, liquidity weakness, market depth, funding liquidity, commonality in liquidity and liquidity-resilience interpretation.	Chapters 1, 3, 4 and 5
Systemic risk, financial networks and contagion	20	Supports the interpretation of stress propagation, network dependence, systemic capital shortfall, CoVaR, DebtRank and interbank contagion.	Chapters 3, 4 and 5
Financial crises, sovereign pressure, financial-stress indices and macroprudential policy	28	Provides the empirical basis for pressure gradients, sovereign-risk channels, crisis regimes, inflation/monetary policy,	Chapters 1, 3, 4, 5 and 6

		fiscal buffers and macroprudential stress interpretation.	
Forecasting, volatility, cycles and benchmark models	18	Justifies ARIMA/VAR/GARCH benchmarks, volatility modelling, forecast-error metrics, forecast-superiority tests, structural breaks and GDP-cycle forcing.	Chapters 3 and 4
Panel econometrics, robust inference and diagnostics	16	Supports fixed effects, robust covariance estimators, cross-sectional dependence tests, clustered inference, dynamic-panel safeguards and non-causal interpretation boundaries.	Chapters 3, 4, 5 and 6
Composite-index weighting, sensitivity analysis and external validation	7	Supports PCA, entropy weighting, sensitivity analysis, ROC/AUC classification and external-target validation.	Chapters 3, 4 and 5

The selection protocol follows four rules. First, each item must be a scientific or academic journal article with a DOI-based link. Second, each item must support a specific model component used in the manuscript rather than being included as a generic background citation. Third, each item must help separate the admissible claim from overclaiming: diagnostic analogy, validation-window forecasting, association under fixed effects and model-based policy scenarios are distinguished from physical-law claims, theorem-level proof, causal identification and unconditional crisis prediction. Fourth, the literature is organized around the model's actual evidence pipeline rather than around a generic finance bibliography.

2.3. Navier-Stokes and Flow-Balance Foundations

The Navier-Stokes source literature is relevant to this study because it clarifies what can and cannot be transferred from fluid mechanics into economics. The mathematical literature treats incompressible viscous flow through velocity fields, pressure terms, viscosity/diffusion, forcing and regularity questions. Foundational and regularity-oriented contributions establish the seriousness of the original physical-mathematical problem and therefore justify the study's caution that the present model is not a solution to the classical Navier-Stokes problem (Leray, 1934; Caffarelli et al., 1982; Kato, 1984; Foias & Temam, 1989; Constantin & Fefferman, 1993; Lin, 1998; Escauriaza et al., 2003; Kolmogorov, 1991).

For this manuscript, the fluid literature functions as a structural grammar rather than as an ontological claim about money, credit or liquidity. The study borrows the organizational architecture of flow balance: weak velocity, acceleration, pressure gradients, diffusion/friction and external force. It does not borrow physical units or claim molecular viscosity in financial systems. This distinction is central to the methodology chapter's nondimensionalization rule. The literature also explains why the residual term cannot be treated casually. In fluid equations, unmodelled forcing or unresolved turbulence can change the interpretation of the system; in this economic analogue, an unrestricted epsilon term would create a similar weakness by absorbing every error. That is why the study estimates epsilon as a restricted hidden-adjustment equation instead of using it as a free balancing plug.

2.4. Market Liquidity, Liquidity Risk and the Financial Interpretation of Flow

The liquidity literature provides the direct financial basis for translating flow into economic terms. Market microstructure research explains why order flow, information asymmetry, bid-ask spreads, trading activity, commonality in liquidity and market depth are central to price formation and stress propagation. Asset-pricing research then shows that liquidity is not only a transaction-cost variable; it is a priced state variable and a macro-financial risk channel. The selected references cover informed trading, noise, liquidity costs, systematic liquidity, funding liquidity, leverage, emerging-market liquidity, liquidity commonality and the business-cycle behavior of liquidity (Kyle, 1985; Black, 1986; Glosten & Milgrom, 1985; Amihud & Mendelson, 1986; Amihud, 2002; Pastor & Stambaugh, 2003; Acharya & Pedersen, 2005; Brunnermeier & Pedersen, 2009; Chordia et al., 2000; Hasbrouck & Seppi, 2001; Chordia et al., 2001; Sadka, 2006; Goyenko et al., 2009; Bekaert et al., 2007; Adrian & Shin, 2010; Naes et al., 2011).

This literature supports the manuscript's liquidity-velocity and liquidity-weakness components. A low-liquidity state can be interpreted as weak velocity or impaired flow; a funding-liquidity shock can be interpreted as a frictional constraint; commonality in liquidity explains why stress can be systemic rather than asset-specific; and business-cycle liquidity evidence supports the use of liquidity variables inside a macro-financial stress model. The present study differs from standard liquidity-risk models by not using liquidity only as an asset-pricing factor. It embeds liquidity into a global systemic-stress balance where liquidity weakness interacts with pressure gradients, stochastic shocks, cycle forcing and hidden adjustment.

2.5. Systemic Risk, Financial Networks and Contagion

The systemic-risk literature is essential because the model studies stress as a global and regionally heterogeneous system rather than as an isolated indicator. Financial contagion, interbank clearing, repo runs, systemic capital shortfall, CoVaR, connectedness measures, variance-decomposition networks and DebtRank-type measures all show that risk becomes systemic when balance-sheet linkages, common exposures, funding constraints and network topology transmit shocks across institutions or regions (Allen & Gale, 2000; Eisenberg & Noe, 2001; Brunnermeier, 2009; Gorton & Metrick, 2012; Covitz et al., 2013; Adrian & Brunnermeier, 2016; Acharya et al., 2017; Brownlees & Engle, 2017; Billio et al., 2012; Diebold & Yilmaz, 2014; Acemoglu et al., 2015; Elliott et al., 2014; Gai & Kapadia, 2010; Haldane & May, 2011; Battiston et al., 2012; Giglio et al., 2016; Engle et al., 2015; Greenwood et al., 2015; Caballero & Simsek, 2013; Acharya & Steffen, 2015).

This research stream supports three major elements of the manuscript. First, it explains why systemic stress should be decomposed into channels rather than measured by one variable. Second, it justifies macro-regional aggregation: the same global stress level can arise from different regional combinations of pressure, liquidity friction, weak velocity and shock exposure. Third, it supports the claim-boundary logic. Systemic-risk measures are useful diagnostics, but they do not by themselves prove causality or universal crisis timing. The present study follows that discipline by reading its fixed-effects, external-target and counterfactual results as diagnostic evidence unless stronger identification conditions are available.

2.6. Financial Crises, Sovereign Pressure and Macro-Financial Stress

The financial-crisis literature provides the historical and empirical background for the model's pressure-gradient and crisis-regime interpretation. Currency crises, twin crises, sudden interdependence, credit booms, leveraged bubbles, systemic banking crises and sovereign credit risk show that crises often form through interacting channels rather than through a single shock. The selected crisis and sovereign-risk studies demonstrate the importance of credit expansion, balance-sheet fragility, global risk factors, sovereign spreads, banking distress, contagion and crisis dating (Kaminsky & Reinhart, 1999; Kaminsky et al., 1998; Forbes & Rigobon, 2002; Reinhart & Rogoff, 2009; Schularick & Taylor, 2012; Jorda et al., 2013; Jorda et al., 2015; Claessens et al., 2012; Laeven & Valencia, 2013; Obstfeld, 1996; Morris & Shin, 1998; Jeanne & Masson, 2000; Longstaff et al., 2011; Hilscher & Nosbusch, 2010; Eichengreen et al., 2012).

A second group of studies focuses more directly on financial-stress indices, policy rules, inflation/monetary-policy pressure, risk uncertainty and macroprudential safeguards (Detragiache & Spilimbergo, 2001; Cardarelli et al., 2011; Cevik et al., 2013; Park & Mercado, 2014; Duprey et al., 2017; Taylor, 1993; Clarida et al., 2000; Woodford, 2001; Blanchard, 2019; Bekaert et al., 2013; Ang et al., 2006; Hanson et al., 2011; Adrian et al., 2019). These works are especially relevant to the manuscript because the pressure-gradient term includes inflation, sovereign risk, spreads and exchange-rate or external-financing pressure. The policy literature also supports the distinction between stress diagnosis and policy prescription. Liquidity buffers, fiscal buffers and resilience measures may reduce model-implied stress, but this is a counterfactual scenario statement, not a randomized causal result.

Together these references justify the manuscript's decision to include sovereign pressure, inflation persistence, fiscal-liquidity buffers, external support, remittance or transfer channels and geopolitical shock variables in the broader stress architecture. They also explain why the model must include external-target validation: a constructed stress index becomes more credible when it behaves plausibly against sovereign-spread widening, growth slowdown, exchange-rate volatility, liquidity tightening and crisis-event classification.

2.7. Forecasting, Volatility, Cycles and Benchmark Models

The forecasting and time-series literature grounds the validation strategy of the results chapter. The manuscript compares the Navier-Stokes-inspired model with ARIMA-type persistence, VAR-type multivariate dynamics, GARCH-type volatility clustering and composite-index baselines. The selected references cover model selection, VAR macroeconomics, ARCH/GARCH volatility,

asymmetric volatility, Markov-switching cycles, structural breaks, unit-root and stationarity testing, cointegration, forecast-error inference and conditional predictive ability (Akaike, 1974; Sims, 1980; Engle, 1982; Bollerslev, 1986; Nelson, 1991; Glosten et al., 1993; Engle & Ng, 1993; Hamilton, 1989; Diebold & Mariano, 1995; West, 1996; Clark & West, 2007; Giacomini & White, 2006; Stock & Watson, 2002; Bai & Perron, 1998; Phillips & Perron, 1988; Kwiatkowski et al., 1992; Engle & Granger, 1987; Johansen, 1988).

This literature supports two decisions in the study. First, the model is not evaluated only by in-sample fit. It is tested through rolling one-year-ahead forecasts and benchmark comparisons. Second, the Fourier GDP-cycle component is interpreted as a cyclical forcing term rather than as an independent forecasting model. The forecasting literature shows why look-ahead bias would invalidate the exercise; therefore the manuscript's rolling-window Fourier estimation is methodologically necessary. The benchmark literature also explains why a lower RMSE or MAPE should be interpreted within the reported validation window rather than as permanent model dominance.

2.8. Panel Econometrics, Robust Inference and Diagnostic Credibility

The panel-econometric literature is required because the manuscript estimates stress-channel associations across countries and years while controlling for unobserved heterogeneity. Fixed effects, dynamic-panel bias, instrumental-variable logic, heteroskedasticity-consistent covariance matrices, HAC errors, spatial/cross-sectional dependence, clustered inference and small-sample robust standard errors are all relevant to the global-panel evidence architecture (Hausman, 1978; White, 1980; Newey & West, 1987; MacKinnon & White, 1985; Arellano & Bond, 1991; Arellano & Bover, 1995; Blundell & Bond, 1998; Nickell, 1981; Driscoll & Kraay, 1998; Pesaran, 2006; Pesaran, 2015; Cameron et al., 2008; Bertrand et al., 2004; Ibragimov & Muller, 2010; Imbens & Kolesar, 2016; Wooldridge, 2005).

This literature supports the manuscript's conservative interpretation of fixed-effects results. The coefficients on liquidity velocity weakness, pressure gradient, friction, stochastic shock, Fourier forcing and restricted epsilon can indicate coherent diagnostic associations under country and year controls. They do not automatically establish causal macro-financial laws. Similarly, robust-inference tests do not merely decorate the model; they are evidence gates. Pesaran-type dependence, Driscoll-Kraay errors, cluster-robust inference, heteroskedasticity diagnostics and dynamic-panel cautions define whether the results can be read as stable associations or must remain narrower diagnostic signals.

2.9. Composite Indices, Weighting, Sensitivity and External Validation

The constructed-index part of the manuscript requires a separate methodological literature. Principal components, entropy, sensitivity analysis and ROC/AUC validation are not secondary details; they are the tools that prevent the systemic-stress index from becoming arbitrary. PCA and entropy support alternative weighting; sensitivity analysis supports proxy perturbation and robustness; ROC/AUC analysis supports external-target classification and crisis-regime evaluation (Pearson, 1901; Hotelling, 1933; Shannon, 1948; Saltelli, 2002; Hanley & McNeil, 1982; DeLong et al., 1988; Fawcett, 2006).

This literature is directly connected to the results chapter's weighting robustness, perturbation robustness, external validation and classification matrices. A constructed index is credible only if its central rankings, signs and regime classifications remain stable under reasonable perturbations. The present study therefore evaluates equal-weighted, PCA-weighted, entropy-weighted and crisis-year reweighted specifications and tests whether crisis classifications and stress ordering remain stable. The external-validation literature then supports the use of AUC, accuracy, sensitivity and specificity when the stress index is compared with independent macro-financial targets.

2.10. What Researchers Have Attempted, What They Have Resolved, What Remains Unresolved, and What the Present Study Contributes

2.10.1. What Researchers Have Attempted

Researchers have attempted to measure financial stress through several distinct traditions. Market microstructure and liquidity-risk studies model how liquidity costs, order flow, asymmetric information and funding constraints enter asset prices. Systemic-risk studies measure how balance-sheet linkages, common exposures, contagion networks and capital shortfalls propagate distress. Financial-crisis studies identify crisis signals through currency pressure, banking distress, sovereign spreads, credit booms and leverage cycles. Time-series researchers evaluate whether ARIMA, VAR, GARCH, Markov-switching, structural-break and forecast-comparison methods can predict or classify stress states. Panel econometricians provide tools for controlling heterogeneity and diagnosing cross-sectional dependence, serial correlation and robust inference. Composite-index researchers supply PCA, entropy weighting, sensitivity analysis and ROC/AUC validation tools. These traditions collectively provide the building blocks for the present model, but they rarely combine all of them into one flow-balance stress-testing architecture.

2.10.2. What Researchers Have Resolved

The literature has resolved several important issues. It has shown that liquidity is priced and state-dependent; that funding liquidity and market liquidity can reinforce each other; that financial networks can transmit and amplify shocks; that credit booms and leverage cycles are central to crises; that sovereign risk contains global and local components; that volatility clustering requires conditional-variance models; that forecast accuracy must be tested out-of-sample; and that fixed-effects and robust covariance estimators are necessary in panel settings. It has also established that

constructed indices need transparent weighting, sensitivity analysis and external validation. These resolved points justify the manuscript's design: liquidity weakness, pressure gradients, friction, shocks, GDP-cycle forcing and hidden closure are not arbitrary variables but recognizable channels in the macro-financial literature.

2.10.3. What Remains Unresolved

Four unresolved issues remain. First, liquidity-flow diagnostics and systemic-stress indices are often treated separately: liquidity papers measure market or funding liquidity, while stress-index papers build composite indicators without a full flow-balance decomposition. Second, financial-stress indices often rely on weights and proxies that require stronger robustness and claim-boundary discipline. Third, forecasting models can produce good errors but weak interpretability, whereas structural stress models can be interpretable but not always validated out-of-sample. Fourth, residual terms in complex stress models can become hidden tuning devices unless they are restricted, estimated and audited. These gaps are exactly where the present study positions its contribution.

2.10.4. What the Present Study Contributes

The present study contributes a nondimensional Navier-Stokes-inspired macro-financial stress-testing architecture. Its contribution is not that financial liquidity is a physical fluid. Its contribution is that a disciplined flow-balance grammar can organize systemic stress into velocity weakness, acceleration, pressure gradient, friction/diffusion, stochastic shock, Fourier-cycle forcing and restricted hidden adjustment. It also contributes an auditable epsilon closure equation, a rolling validation design, benchmark comparisons against ARIMA/VAR/GARCH and composite-index baselines, fixed-effects estimation, robust-inference diagnostics, external-target validation, perturbation and structural robustness, Monte Carlo uncertainty and policy counterfactuals. In this way, the study integrates what previous literatures addressed separately and defines a bounded evidentiary hierarchy for interpreting the results.

2.11. Literature Gap and Chapter Synthesis

The literature establishes that liquidity, systemic risk, sovereign pressure, macro-financial stress, volatility, forecasting, panel diagnostics and composite-index validation are mature research fields. The gap is not the absence of individual models. The gap is the absence of a unified architecture that transforms heterogeneous macro-financial proxies into a nondimensional flow-pressure-friction-shock-cycle-closure balance, validates it through rolling forecasts and benchmarks, audits it through fixed effects and robust diagnostics, tests it against external targets, and converts it into model-based policy and uncertainty interpretation while explicitly preventing physical or causal overclaiming.

The present manuscript fills this gap by treating the Navier-Stokes analogy as a structured measurement grammar. The literature supports each component, but the model's novelty lies in the integration: liquidity becomes velocity and weakness; inflation, sovereign and exchange-rate stress become pressure gradients; banking and credit constraints become friction/diffusion; event volatility becomes stochastic shock; GDP cyclicality becomes Fourier forcing; hidden adjustment becomes restricted epsilon; and validation becomes an evidence-gated architecture rather than a single fit statistic. The literature review therefore supports the manuscript's main claim: a high-level, statistically audited and scientifically bounded Navier-Stokes-inspired framework can improve the interpretation of global systemic stress without claiming to solve a physical PDE, establish universal crisis prediction or replace causal macro-financial identification.

3. Methodology: Global Navier-Stokes-Inspired Liquidity-Flow and Systemic-Stress Modelling+

3.0. Methodological Orientation and Results-Linking Logic

This chapter sets out the complete methodological architecture required to produce the Chapter 4 results on global Navier-Stokes-inspired liquidity-flow diagnostics and systemic-stress stress testing. The methodology is quantitative, model-based, econometric, computational and diagnostic. It is not a literal transfer of hydrodynamic fluid mechanics into finance. Instead, it uses the local-to-global logic of a flow-pressure-friction balance to organize macro-financial stress into measurable, nondimensional components.

The chapter is designed to close the three major methodological vulnerabilities that arise when a physical analogy is used in macro-financial modelling: first, physical-to-financial mapping must be disciplined by nondimensionalization; second, the residual closure term must be restricted, estimated and auditable rather than freely tuned; third, model usefulness must be tested through rolling validation, benchmark comparison, external-target validation, robustness checks and uncertainty simulation.

Accordingly, the methodology is a structural-diagnostic analogue methodology. Its scientific objective is not to prove that liquidity is a physical fluid, not to solve the mathematical Navier-Stokes problem and not to establish a universal crisis-prediction theorem. Its objective is to construct a transparent and falsifiable stress-testing architecture in which systemic stress is decomposed into liquidity velocity weakness, acceleration, pressure gradients, friction/diffusion, stochastic shocks, Fourier-cycle forcing and restricted hidden adjustment.

Table 3.1. Methodological modules and corresponding Chapter 4 outputs

Methodological module	Core purpose	Main formulas / algorithms	Chapter 4 output supported
Nondimensionalization	Place heterogeneous macro-financial proxies on a common model scale	Equations (3.1)-(3.5)	Descriptive diagnostics, term balance, panel estimates
Systemic-stress construction	Build the stress signal and resilience channel	Equations (3.6)-(3.10)	Stress/resilience figures and weighting robustness
Navier-Stokes-inspired balance	Represent stress as pressure-friction-shock-cycle-closure balance	Equations (3.11)-(3.17)	Computed term-by-term balance
Restricted residual closure	Prevent ε(t) from acting as an unrestricted algebraic plug	Equations (3.18)-(3.22)	ε(t) equation and decomposition
Fourier GDP-cycle forcing	Introduce cyclical macro forcing without look-ahead bias	Equations (3.23)-(3.28)	Fourier figure and harmonic table
Rolling validation and benchmarks	Evaluate predictive usefulness outside each training window	Equations (3.29)-(3.36)	Rolling forecasts, ARIMA/VAR/GARCH comparison
Panel econometrics	Estimate component associations under country/year heterogeneity	Equations (3.37)-(3.45)	Fixed effects, R^2 decomposition, inference
Robustness and diagnostics	Test proxy sensitivity, residual stability and specification fragility	Equations (3.46)-(3.55)	Perturbation, structural robustness, residual checks
External validation	Test whether stress signal predicts independent macro-financial targets	Equations (3.56)-(3.60)	External validation, thresholds, classification matrix
Monte Carlo and counterfactuals	Generate uncertainty bands and policy-shock effects	Equations (3.61)-(3.67)	Monte Carlo, fan charts, policy counterfactual inference

Source: methodology constructed to reproduce the complete Chapter 4 results architecture.

3.1. Empirical Universe, Observation Structure and Index Sets

The empirical design is a global panel stress-testing design. The main econometric layer is a country-year panel of 100 countries observed over 15 annual periods from 2010 to 2024, yielding 1,500 country-year observations. The results architecture is further supported by a World aggregate anchor, a macro-regional layer and a quarterly robustness layer. These layers are used for descriptive diagnostics, regional stress ranking, robustness checks and uncertainty analysis.

The notation distinguishes country-level observations, macro-regional aggregates, global anchors and rolling forecast windows. The panel dimension allows heterogeneity to be controlled with country and year fixed effects; the regional layer allows stress channels to be interpreted as macro-regional pressure, friction and shock patterns; the rolling window allows the forecasting exercise to be evaluated without look-ahead information.

Table 3.2. Index notation and empirical layers

Symbol	Meaning	Operational scope	Methodological role
i = 1,...,N	Country index	100 countries	Main fixed-effects and validation panel
t = 2010,...,2024	Annual time index	15 years	Stress dynamics and rolling-window analysis
r = 1,...,R	Macro-region index	World and macro-regional/corridor groups	Regional stress ranking and regional flow diagnostics
q	Quarter index	Quarterly robustness layer	Frequency robustness and turning-point checks
k = 1,...,K	Stress component index	Inflation, sovereign risk, liquidity friction, GDP cycle, shocks, closure	Index construction and decomposition
m = 1,...,M	Resilience component index	Liquidity/resilience buffers	Opposing resilience channel
w	Rolling training window	2010-2016 to 2010-2023	One-year-ahead validation
h	Forecast horizon	Main horizon: one year	Forecast evaluation and benchmark comparison
b = 1,...,B	Simulation draw	Monte Carlo paths	Uncertainty quantification

$$D = \{X_{i,t,k}: i = 1,...,100; t = 2010,...,2024; k = 1,...,K\}. \quad (3.1)$$

$$D_{reg} = \{X_{r,t,k}: r = 1,...,R; t = 2010,...,2024; k = 1,...,K\}. \quad (3.2)$$

$$W_j = \{2010,...,T_j\}, \text{ with forecast year } T_j + 1, \text{ for } T_j = 2016,...,2023. \quad (3.3)$$

3.2. Data Architecture and Preprocessing Logic

The results chapter uses constructed macro-financial stress variables rather than raw, incomparable units. The data architecture therefore requires an ordered preprocessing sequence: source alignment, frequency harmonization, missing-value discipline, winsorization where necessary, sign-direction harmonization, nondimensional scaling and stress/resilience aggregation.

The methodology treats each input proxy as a measurement of a conceptual stress channel rather than as a literal physical magnitude. For example, a sovereign-spread or CDS proxy enters as pressure; a banking-credit/LCR/friction proxy enters as liquidity friction; GDP-cycle forcing enters through a Fourier-estimated cyclical term; event volatility enters through a stochastic shock component; and hidden adjustment pressure enters through restricted $\varepsilon(t)$.

For reproducibility, the finalized Zenodo data and replication package records the reported empirical tables, extracted numerical outputs, formula catalogue, figure files, references with DOI links, metadata, source-ledger material, verification material and checksum records used to document this manuscript's calculations: https://zenodo.org/records/20835729.

Table 3.3. Data-processing pipeline

Step	Operation	Purpose	Output
1	Source alignment	Ensure country-year comparability	Raw panel matrix $X_{i,t,k}$
2	Temporal harmonization	Convert annual/quarterly sources to consistent model frequencies	Annual panel and quarterly robustness panel

3	Direction harmonization	Convert all variables to stress direction or resilience direction	X^{stress}_{i,t,k}, X^{res}_{i,t,m}
4	Nondimensionalization	Remove incompatible units and put variables on model scale	X^*_{i,t,k}
5	Component construction	Build pressure, friction, shock, cycle and closure channels	P^*, μ*∇²v*, σW^*, F_GDP^*, ε^*
6	Stress aggregation	Construct baseline and alternative systemic-stress indices	S^*_{i,t}
7	Validation split	Separate rolling training windows from forecast years	Forecasts and benchmark comparisons
8	Diagnostics	Check robustness, residual behavior, panel assumptions and external validity	Inference and closure tables

3.3. Nondimensionalization and Unit-Consistency Discipline

A Navier-Stokes-inspired financial model is methodologically defensible only if raw macro-financial indicators are not added in their original units. Inflation rates, sovereign spreads, liquidity ratios, GDP-cycle deviations, volatility shocks and shadow-economy proxies have different units, measurement scales and error structures. Therefore, the model is specified on a nondimensional diagnostic scale. The asterisk notation (*) denotes a normalized, unit-free model-scale variable.

The baseline transformation uses min-max scaling for bounded comparability, with z-score and robust interquartile scaling used for robustness. Variables that reduce stress when they rise are transformed into stress direction by complementing the normalized score. This avoids the error of treating a resilience variable as if it were a stress-amplifying variable.

$$X^*_{i,t,k} = (X_{i,t,k} - \min(X_k)) / (\max(X_k) - \min(X_k)). \quad (3.4)$$

$$X^{stress,*}_{i,t,k} = X^*_{i,t,k} \text{ for stress-amplifying variables.} \quad (3.5)$$

$$X^{stress,*}_{i,t,k} = 1 - X^*_{i,t,k} \text{ for stress-buffering variables.} \quad (3.6)$$

$$Z_{i,t,k} = (X_{i,t,k} - \text{mean}(X_k)) / \text{sd}(X_k). \quad (3.7)$$

$$R_{i,t,k} = (X_{i,t,k} - Q2(X_k)) / (Q3(X_k) - Q1(X_k)). \quad (3.8)$$

Table 3.4. Dimensional discipline and nondimensional mapping

Raw conceptual channel	Original measurement type	Nondimensional model term	Reason for transformation
Liquidity velocity	Money/liquidity turnover or flow proxy	v^* and v^*_{weak}	Converts flow intensity into common stress scale
Liquidity acceleration	Change in liquidity velocity over time	Δv^*	Captures acceleration/deceleration of liquidity flow
Inflation and sovereign pressure	Rates, spreads, risk premia	∇P^*	Represents macro-financial pressure gradient

Credit/banking friction	Credit ratio, liquidity ratio, LCR/friction proxy	$\mu^* \nabla^2 v^*$	Represents diffusion/friction channel
Stochastic shock	Event volatility / shock intensity	σW^*	Adds stochastic disturbance on common scale
GDP-cycle forcing	Cyclical GDP/stress component	$F_GDP^*(t)$	Adds macro-cycle force without raw-unit inconsistency
Hidden adjustment	Restricted latent closure components	$\varepsilon^*(t)$	Models remaining hidden pressure without free residual tuning
Systemic stress	Composite stress target	S^*	Unit-free outcome for forecasting and econometrics

The methodology treats all starred variables as nondimensional diagnostics. It does not add raw physical or financial units.

3.4. Variable Operationalization and Financial Interpretation

Each model term has a financial interpretation and an operational construction rule. The mapping is analogical: a pressure gradient is a macro-financial pressure differential, not a physical pressure gradient; diffusion/friction is a credit and liquidity-friction channel, not molecular viscosity; stochastic forcing is a volatility or event-shock channel, not Brownian particle movement in a physical fluid.

The key rule is that each term must be observable, normalizable, sign-disciplined and testable. If a term cannot be observed directly, it must be proxied through an explicit component and then subjected to perturbation, exclusion and robustness checks.

Table 3.5. Operational variable dictionary for the methodology

Model term	Financial meaning	Construction logic	Expected stress sign
$S^*_{i,t}$	Systemic-stress outcome	Weighted normalized composite of stress channels	Outcome
$LR^*_{i,t}$	Liquidity-resilience index	Weighted normalized composite of buffers and resilience indicators	Negative relation to stress
$v^*_{i,t}$	Liquidity velocity	Normalized liquidity turnover/flow proxy	Higher velocity reduces stress unless transformed
$v^*_{weak,i,t}$	Liquidity velocity weakness	Stress-direction version of low liquidity velocity	Positive
$\Delta v^*_{i,t}$	Liquidity acceleration/deceleration	First difference of v^* or v^*_{weak}	Sign depends on direction
$\nabla P^*_{i,t}$	Macro-financial pressure gradient	Weighted pressure composite: inflation, sovereign risk, spread, FX pressure	Positive

$\mu^* \nabla^2 v^*_{i,t}$	Friction/diffusion channel	Product of friction intensity and liquidity-dispersion proxy	Positive
$\sigma W^*_{i,t}$	Stochastic shock force	Standardized volatility/event-shock component	Positive
$F_GDP^*(t)$	Fourier GDP-cycle forcing	Training-window harmonic cycle estimate	Positive in downturn/stress phase
$\varepsilon^*_{i,t}$	Restricted hidden adjustment	Estimated state-dependent closure equation	Positive when hidden pressure rises
$u_{i,t}$	Residual model imbalance	Remaining difference after modelled terms	Should be small and stable

3.5. Systemic-Stress and Liquidity-Resilience Index Construction

The systemic-stress index is a weighted composite of nondimensional stress-direction components. It is not a simple descriptive score. It is the dependent stress signal used in forecasting, fixed-effects estimation, external validation, robustness tests, Monte Carlo paths and policy counterfactuals.

The liquidity-resilience index is constructed as a conceptually separate buffer index. It is interpreted jointly with systemic stress: high stress and low resilience indicate vulnerable stress states, while moderate stress and stronger resilience indicate more buffered states.

$C^*_{i,t,k}$ = stress-direction normalized component k. (3.9)

$S^*_{i,t} = \Sigma_{k=1}^{K} w_k C^*_{i,t,k}$, with $\Sigma_{k=1}^{K} w_k = 1$ and $w_k \geq 0$. (3.10)

$B^*_{i,t,m}$ = resilience-direction normalized buffer component m. (3.11)

$LR^*_{i,t} = \Sigma_{m=1}^{M} a_m B^*_{i,t,m}$, with $\Sigma_{m=1}^{M} a_m = 1$ and $a_m \geq 0$. (3.12)

Stress regime$_{i,t} = 1[S^*_{i,t} \geq \tau]$, where τ is a calibrated stress threshold. (3.13)

3.6. Weighting Methodology and Weight-Robustness Logic

The baseline systemic-stress weights are treated as expert-econometric weights, but the results are not allowed to depend only on that one choice. Therefore, alternative weighting schemes are specified before validation: equal weights, PCA-based weights, entropy weights and crisis-year reweighted weights. Stability is evaluated through rank agreement and crisis-classification preservation.

This design answers the reviewer concern that a constructed index may be subjective. The method does not claim that one weight vector is uniquely true. It claims that the central stress ordering is stable across reasonable weighting designs.

$w^{equal}_k = 1/K$. (3.14)

$w^{PCA}_k = |l_{1k}| / \Sigma_{j=1}^{K} |l_{1j}|$, where l_{1k} is the first principal-component loading. (3.15)

$p_{i,k} = X^*_{i,k} / \Sigma_i X^*_{i,k}$; $e_k = -[\ln(n)]^{-1} \Sigma_i p_{i,k} \ln(p_{i,k})$. (3.16)

$w^{entropy}_k = (1 - e_k) / \Sigma_j (1 - e_j)$. (3.17)

RankAgreement = corr_s(rank($S^*_{baseline}$), rank($S^*_{alternative}$)). (3.18)

Table 3.6. Weighting schemes used in the stress-index methodology

Weighting scheme	Definition	Purpose	Validation criterion
Baseline expert-econometric	Theory-informed stress-channel weights	Main specification	Reference ranking
Equal-weighted	All components receive identical weights	Neutral benchmark	Rank agreement with baseline

PCA-weighted	Weights proportional to first-component loadings	Data-driven covariance benchmark	Rank agreement and sign stability
Entropy-weighted	Weights higher for more informative/less uniform variables	Information-content benchmark	Rank agreement
Crisis-year reweighted	Crisis-relevant channels receive higher weights	Stress-state sensitivity check	Crisis classification unchanged

3.7. Navier-Stokes-Inspired Economic Stress-Balance Equation

The central model is a nondimensional stress-balance analogue inspired by the structure of Navier-Stokes flow equations. In hydrodynamics, the original equation organizes acceleration, pressure gradient, diffusion/viscosity and external force. In this economic analogue, the same architecture is translated into liquidity-flow stress: velocity weakness, liquidity acceleration, macro-financial pressure gradient, liquidity friction/diffusion, stochastic shock, GDP-cycle forcing and restricted residual closure.

The equation is not a physical law. It is a diagnostic balance equation that decomposes systemic stress into interpretable components. The validity of the equation is evaluated through internal term balance, rolling validation, panel estimation, external validation, robustness and residual diagnostics.

$$S^*_{i,t} = \alpha + \theta 1\ v^*_{weak,i,t} + \theta 2\ \Delta v^*_{i,t} + \theta 3\ \nabla P^*_{i,t} + \theta 4\ \mu^* \nabla^2 v^*_{i,t} + \theta 5\ \sigma W^*_{i,t} + \theta 6\ F_GDP^*(t) + \theta 7\ \varepsilon^*_{i,t} + u_{i,t}. \quad (3.19)$$

Table 3.7. Components of the Navier-Stokes-inspired balance equation

Component	Equation role	Financial interpretation	Validation route
v^*_{weak}	Velocity term	Low liquidity velocity or weak flow intensity	FE sign, term balance, regional flow table
Δv^*	Acceleration term	Change in liquidity flow pressure	Year-level balance and stress episodes
∇P^*	Pressure-gradient term	Inflation/sovereign/FX/risk-pressure channel	FE coefficient, partial R^2, perturbation
$\mu^* \nabla^2 v^*$	Friction/diffusion term	Credit/banking/liquidity-friction channel	FE coefficient, regional stress, policy tests
σW^*	Stochastic force	Event-volatility and shock transmission	Shock-year performance and Monte Carlo
$F_GDP^*(t)$	Cyclical forcing	Fourier GDP-cycle force	Harmonic estimation and rolling-window forecasting
$\varepsilon^*(t)$	Restricted closure	Hidden adjustment pressure from observable channels	State equation, decomposition, inference
u	Remaining imbalance	Residual after all modelled terms	Residual/stability diagnostics

3.8. Term-Balance Computation and Residual Imbalance

The computed term-balance table in the results chapter requires a formal decomposition rule. For every forecast year, the predicted stress score is computed from the weighted model terms, and the remaining imbalance is reported as the difference between observed stress and predicted stress. The imbalance is not used to retroactively force equality; it is used as a diagnostic of model adequacy.

$$RHS^{no\ \varepsilon}_{i,t} = \alpha + \theta 1\ v^*_{weak,i,t} + \theta 2\ \Delta v^*_{i,t} + \theta 3\ \nabla P^*_{i,t} + \theta 4\ \mu^* \nabla^2 v^*_{i,t} + \theta 5\ \sigma W^*_{i,t} + \theta 6\ F_GDP^*(t). \quad (3.20)$$

$$\hat{S}^*_{i,t} = RHS^{no\ \varepsilon}_{i,t} + \theta 7\ \varepsilon^*_{i,t}. \quad (3.21)$$

$$Residual_{i,t} = S^*_{i,t} - \hat{S}^*_{i,t}. \quad (3.22)$$

$$BalanceGap_{episode} = |LHS_{episode} - RHS_{episode}^{with \varepsilon}|. \quad (3.23)$$

A small residual imbalance supports internal coherence, but it is not interpreted as independent proof of predictive validity. Predictive validity is assessed separately through rolling out-of-sample forecasts and benchmark comparisons.

3.9. Restricted Residual-Closure Equation ε(t)

The closure term ε(t) is the most important methodological safeguard. Without restrictions, ε(t) could absorb every modelling error and mechanically restore equation balance. The methodology therefore estimates ε(t) as a restricted state-dependent channel. Its components are observable or proxy-observable hidden-adjustment variables: lagged closure, shadow-economy pressure, remittances/external transfers, geopolitical shock, fiscal buffers, foreign aid/support and economic inertia.

The sign structure is theory-disciplined. Shadow-economy pressure, geopolitical shock and inertia are expected to raise hidden stress. Fiscal buffers, external support and stabilizing transfers are expected to reduce closure pressure in most cases. This makes ε(t) a modelled hidden-adjustment force rather than an unrestricted residual plug.

$$\varepsilon^*_{i,t} = \gamma 0 + \gamma 1\ \varepsilon^*_{i,t-1} + \gamma 2\ Shadow^*_{i,t} + \gamma 3\ Transfer^*_{i,t} + \gamma 4\ GeoShock^*_{i,t} + \gamma 5\ FiscalBuffer^*_{i,t} + \gamma 6\ Aid^*_{i,t} + \gamma 7\ Inertia^*_{i,t} + \nu_{i,t}. \quad (3.24)$$

$$E[\nu_{i,t} \mid Z_{i,t}] = 0, \text{ where } Z \text{ contains the observable closure-state variables.} \quad (3.25)$$

$$Share_{j,t}^{\varepsilon} = Contribution_{j,t}^{\varepsilon} / \Sigma_j |Contribution_{j,t}^{\varepsilon}|. \quad (3.26)$$

$$LOO_j = S^*_{full} - S^*_{without\ component\ j}. \quad (3.27)$$

Table 3.8. Restricted ε(t) components and identification logic

Closure component	Expected role	Expected sign	Identification safeguard
Lagged ε(t-1)	Persistence in hidden adjustment pressure	Positive	Prevents ε(t) from being memoryless plug
Shadow-economy pressure	Informal liquidity distortion	Positive	Observable/proxy component with perturbation test
Remittances / external transfers	External liquidity buffer or stress channel	Negative or mixed	Sign interpreted by regional context
Geopolitical shock	Exogenous event-pressure channel	Positive	Shock-year sensitivity and Monte Carlo
State intervention / fiscal buffer	Stabilizing policy response	Negative	Counterfactual policy effect
Foreign aid / external support	External support channel	Negative	Leave-one-out decomposition
Economic inertia	Lagged stress persistence	Positive	Dynamic panel robustness
Residual innovation ν	Unexplained innovation after restrictions	No fixed sign	Residual diagnostics and stability tests

3.10. Fourier GDP-Cycle Forcing Methodology

The Fourier module transforms cyclical macroeconomic movement into a GDP-cycle forcing term $F_GDP^*(t)$. The key methodological distinction is between descriptive full-sample visualization and forecast-valid rolling-window estimation. The full-sample Fourier curve may be used to display the observed 2010-2024 cyclical structure, but the forecasting exercise re-estimates the cycle inside each training window before the forecast year.

This rule prevents look-ahead bias. The Fourier term enters the Navier-Stokes-inspired balance as a cyclical forcing channel; it does not replace pressure, friction, stochastic shock or ε(t).

$$y_t = a0 + \Sigma_{n=1}^{H} [A_n \cos(n\omega t) + B_n \sin(n\omega t)] + e_t. \quad (3.28)$$

$$\omega = 2\pi/T. \quad (3.29)$$

$$Amplitude_n = \sqrt{A_n^2 + B_n^2}. \quad (3.30)$$

Phase_n = atan2(-B_n, A_n). (3.31)

Period_n = T/n. (3.32)

F_GDP^*(T_j+1 | W_j) = Σ_{n=1}^{H} [Â_{n,W_j} cos(nω_{W_j}(T_j+1)) + B̂_{n,W_j} sin(nω_{W_j}(T_j+1))]. (3.33)

Table 3.9. Fourier-cycle methodological safeguards

Issue	Methodological solution	Reason
Full-sample visualization	Allowed only for descriptive cycle figure	Shows observed cyclicality without being used as forecast evidence
Forecast look-ahead risk	Re-estimate Fourier terms only inside each rolling training window	Prevents future information from entering forecasts
Overfitting harmonics	Use limited harmonic order H and report inference	Avoids unrestricted curve fitting
Interpretation risk	Treat F_GDP^*(t) as forcing channel, not standalone model	Keeps stress-balance architecture intact
Statistical relevance	Report A_n, B_n, phase, period, variance explained, t-statistics and p-values	Turns cycle proxy into auditable model component

3.11. Rolling One-Year-Ahead Forecasting Protocol

The rolling validation procedure is the main out-of-sample safeguard. The model is fitted or calibrated on an expanding training window and then used to forecast the next year. Each forecast uses only data available before the forecast year. The realized year is then added and the window rolls forward. This design converts the model from an in-sample composite index into a testable diagnostic forecasting exercise.

Train_j = {2010,...,T_j}; Forecast_j = T_j + 1, for T_j = 2016,...,2023. (3.34)

Ŝ^*_{T_j+1} = f(X^*_{Train_j}, θ̂_{Train_j}, F_GDP^*(T_j+1 | Train_j), ε̂^*(T_j+1 | Train_j)). (3.35)

e_{T_j+1} = S^*_{T_j+1} - Ŝ^*_{T_j+1}. (3.36)

DirectionCorrect_{T_j+1} = 1[sign(Ŝ^*_{T_j+1} - S^*_{T_j}) = sign(S^*_{T_j+1} - S^*_{T_j})]. (3.37)

RegimeHit_{T_j+1} = 1[1(Ŝ^*_{T_j+1} ≥ τ) = 1(S^*_{T_j+1} ≥ τ)]. (3.38)

Table 3.10. Rolling validation algorithm

Stage	Operation	Methodological requirement	Output
1	Initialize window 2010-2016	No forecast-year information used	Training set W_1
2	Estimate stress components and ε(t)	Use training-window data only	θ̂_W and ε̂_W
3	Estimate Fourier forcing	Use training-window harmonics only	F_GDP^*(T+1|W)
4	Generate one-year forecast	Predict next year before observing it	Ŝ^*_{T+1}
5	Compare with realized stress	Compute error and regime match	MAE, APE, direction, hit
6	Roll the window forward	Add realized year and repeat	Forecast sequence 2017-2024

7	Compare with benchmarks	Use same forecast years	Relative performance table

3.12. Benchmark Forecasting Models

Benchmark models are included to test whether the Navier-Stokes-inspired decomposition adds diagnostic information beyond simpler alternatives. The benchmark set includes ARIMA, VAR, GARCH and a composite stress index. These models serve different roles: ARIMA captures univariate persistence, VAR captures multivariate macro-dynamics, GARCH captures volatility clustering, and the composite index captures non-flow stress aggregation.

Table 3.11. Forecasting benchmark specifications

Benchmark	Generic specification	Purpose	Comparison metric
ARIMA	$S_t = ARIMA(p,d,q)$	Univariate persistence benchmark	MAE, RMSE, MAPE, direction, regime hit
VAR	$Y_t = A_1Y_{t-1}+...+A_pY_{t-p}+e_t$	Multivariate macro-dynamic benchmark	Forecast error and crisis hit
GARCH	$h_t = \omega + \alpha e^2_{t-1} + \beta h_{t-1}$	Volatility-clustering benchmark	Stress volatility forecasting
Composite stress index	$CSI_t = \Sigma\, w_k\, C^*_{t,k}$	Non-flow index benchmark	Added value of NS-style decomposition
NS-inspired model	Equation (3.19)	Pressure-friction-shock-cycle-closure diagnostic	Main model

3.13. Forecast Error and Superiority Metrics

The forecast evaluation uses scale-dependent, scale-normalized and directional metrics. Because the validation window is short, the methodology does not overstate 100% directional accuracy or crisis hit rate as universal dominance. These are interpreted only as reported rolling-window diagnostic performance for the 2017-2024 validation design.

$$MAE = (1/H)\,\Sigma_{h=1}^{H} |e_h|. \quad (3.39)$$

$$RMSE = \sqrt{(1/H)\,\Sigma_{h=1}^{H} e_h^2}. \quad (3.40)$$

$$MAPE = (100/H)\,\Sigma_{h=1}^{H} |e_h / S_h|. \quad (3.41)$$

$$DirectionalAccuracy = (1/H)\,\Sigma_h\, DirectionCorrect_h. \quad (3.42)$$

$$CrisisHitRate = (1/H_c)\,\Sigma_h\, 1[PredictedRegime_h = ActualRegime_h]. \quad (3.43)$$

$$d_h = L(e_{A,h}) - L(e_{B,h});\ \ DM = mean(d_h) / sqrt(Var(mean(d_h))). \quad (3.44)$$

$$S^*_h = a + b\,\hat{S}^*_h + \xi_h. \quad (3.45)$$

$$Theil's\ U = RMSE_{model} / RMSE_{naive}. \quad (3.46)$$

3.14. Panel Fixed-Effects Econometric Specification

The fixed-effects specification estimates whether the main model terms have coherent signs and statistical support after controlling for unobserved country heterogeneity and common year shocks. The panel model is diagnostic, not a claim of universal causality. It tests whether the constructed stress-balance terms are systematically associated with systemic stress in the global panel.

$$S^*_{i,t} = \beta 0 + \beta 1\, v^*_{weak,i,t} + \beta 2\, \nabla P^*_{i,t} + \beta 3\, \mu^* \nabla^2 v^*_{i,t} + \beta 4\, \sigma W^*_{i,t} + \beta 5\, F_GDP^*(t) + \beta 6\, \varepsilon^*_{i,t} + \lambda_i + \tau_t + \eta_{i,t}. \quad (3.47)$$

$$\lambda_i = country\ fixed\ effect;\ \tau_t = year\ fixed\ effect. \quad (3.48)$$

$$H0: \beta_j = 0;\ \ H1: \beta_j \neq 0. \quad (3.49)$$

$$t_j = \hat{\beta}_j / SE(\hat{\beta}_j). \quad (3.50)$$

$$CI_{95\%}(\beta_j) = \hat{\beta}_j \pm 1.96 \times SE(\hat{\beta}_j). \quad (3.51)$$

3.15. Model-Fit Decomposition and Partial R^2

The results chapter reports more than within R^2. The methodology therefore defines overall R^2, adjusted R^2, within R^2, between R^2, FE-only R^2, incremental R^2 and partial R^2. This prevents model fit from being summarized by only one number.

$R^2_overall = 1 - SSR_full / SST_total.$ (3.52)

$R^2_adjusted = 1 - [(SSR_full/(n-k-1)) / (SST_total/(n-1))].$ (3.53)

$R^2_within = 1 - SSR_within / SST_within.$ (3.54)

$R^2_between = 1 - SSR_between / SST_between.$ (3.55)

$Incremental\ R^2_NS = R^2_full_NS - R^2_benchmark.$ (3.56)

$Partial\ R^2_j = (SSR_reduced(j) - SSR_full) / SSR_reduced(j).$ (3.57)

3.16. Robust-Inference and Panel-Diagnostic Tests

The methodology uses diagnostic tests to check whether the panel evidence is reliable under common econometric threats: inappropriate FE/RE choice, cross-sectional dependence, serial correlation, heteroskedasticity, multicollinearity, non-stationarity and dynamic-panel misspecification.

Table 3.12. Panel-diagnostic and robust-inference protocol

Diagnostic	Null hypothesis	Purpose	Methodological response
Hausman FE vs RE	RE is consistent	Choose FE or RE structure	Use FE when rejected
Pesaran CD	No cross-sectional dependence	Detect global shock dependence	Use Driscoll-Kraay / clustered SE
Wooldridge serial correlation	No serial correlation	Detect panel autocorrelation	Use robust SE and dynamic checks
Modified Wald / White	Homoskedasticity	Detect heteroskedastic errors	Use HC3/clustered robust SE
VIF	No severe multicollinearity	Check regressor collinearity	Interpret partial effects cautiously
IPS/LLC unit-root	Unit-root or stationarity condition depending on test	Assess time-series properties	Use transformed/stationary components
Arellano-Bond AR(1)/AR(2)	No second-order serial correlation	Dynamic-panel specification check	Require no AR(2) failure
Hansen J	Instruments valid	GMM robustness validity	Treat as robustness, not main evidence

3.17. Macro-Regional Aggregation and Liquidity-Flow Dynamics

Regional analysis translates country-level stress into macro-regional interpretation. The regional score is computed as a weighted aggregation of country-level stress scores or component terms. The purpose is to identify whether stress is concentrated in sovereign pressure, liquidity friction, inflation pressure, geopolitical shock, trade/corridor propagation or financial-market volatility.

$S^*_{r,t} = \Sigma_{i\in r}\ \omega_{i,r,t}\ S^*_{i,t}$, with $\Sigma_{i\in r}\ \omega_{i,r,t} = 1.$ (3.58)

$ComponentShare_{r,k} = mean_t(C^*_{r,t,k}) / \Sigma_j\ mean_t(C^*_{r,t,j}).$ (3.59)

$DominantComponent_r = argmax_k\ ComponentShare_{r,k}.$ (3.60)

$FlowDynamic_{r,t} = \{v^*_{weak,r,t}, \Delta v^*_{r,t}, \nabla P^*_{r,t}, \mu^*\nabla^2 v^*_{r,t}, \sigma W^*_{r,t}\}.$ (3.61)

The macro-regional layer is stylized and diagnostic. It is not interpreted as a causal regional ranking. Its purpose is to show that the same global stress score can arise through different channels in different regions.

3.18. External-Target Validation Methodology

External validation tests whether the internal stress signal is informative for independent macro-financial outcomes that are not identical to the constructed index. The targets include sovereign-spread widening, GDP-growth slowdown, exchange-rate volatility, liquidity tightening, inflation-pressure persistence and crisis/event classification.

$$Pr(Y^{target}_{i,t+h}=1) = \Lambda(\kappa 0 + \kappa 1\, S^*_{i,t} + Controls_{i,t}'\kappa + \psi_i + \tau_t). \quad (3.62)$$

$$AUC = Pr(score_{positive} > score_{negative}). \quad (3.63)$$

$$Accuracy = (TP + TN) / (TP + TN + FP + FN). \quad (3.64)$$

$$Sensitivity = TP / (TP + FN);\ \ Specificity = TN / (TN + FP). \quad (3.65)$$

$$RMSE\ reduction = 1 - RMSE_{NS} / RMSE_{baseline}. \quad (3.66)$$

Table 3.13. External validation targets and measurement design

External target	Validation form	Metric	Purpose
Sovereign-spread widening	Binary/threshold event	AUC, direction, p-value, CI	Test pressure-channel relevance
GDP-growth slowdown	Direction or event classification	Directional accuracy, CI	Test macro-cycle stress link
Exchange-rate volatility	Continuous forecast error	RMSE reduction	Test external-pressure channel
Liquidity tightening	Binary stress event	Accuracy, confusion matrix	Test friction/diffusion channel
Inflation-pressure persistence	Directional/threshold target	Direction, p-value	Test pressure-gradient persistence
Crisis/event dummy	Binary event validation	Hit rate, classification matrix	Test stress-regime detection

3.19. Proxy-Perturbation and Structural-Robustness Methodology

Proxy-sensitive models must demonstrate that reasonable measurement changes do not overturn central conclusions. The methodology perturbs each core proxy by ±5%, ±10% and ±20%, then recomputes the systemic-stress output and classification. It also tests alternative normalization, weighting, component exclusion, crisis thresholds, shock-year exclusion, pre/post-COVID splits and quarterly frequency robustness.

$$X^{*(\delta)}_{i,t,k} = X^*_{i,t,k}(1 + \delta),\ \text{where}\ \delta \in \{-0.20,-0.10,-0.05,0.05,0.10,0.20\}. \quad (3.67)$$

$$\Delta S^{(\delta)}_{k} = S^*(X^{*(\delta)}_k) - S^*(X^*_k). \quad (3.68)$$

$$StableClassification = 1[Regime(S^{*(\delta)}) = Regime(S^*)]. \quad (3.69)$$

$$LeaveOneOut_k = S^*_{full} - S^*_{without\ k}. \quad (3.70)$$

Table 3.14. Robustness test library

Robustness test	Alternative specification	Failure condition	Interpretation if passed
Normalization robustness	Min-max, z-score, robust IQR	Rank agreement collapses	Not driven by scaling rule
Weighting robustness	Baseline, equal, PCA, entropy	Ranking unstable	Not driven by one weight vector
Leave-one-component-out	Remove one component at a time	Core regimes change completely	Not dependent on one component
Crisis-threshold robustness	τ = 0.50, 0.55, 0.60	Hit rate collapses	Classification not threshold artifact

Shock-year exclusion	Exclude 2020 or 2022	Signs or accuracy collapse	Not purely crisis-year fitted
Pre/post-COVID split	Separate periods	Sign reversal without explanation	Structural logic stable
Quarterly robustness layer	Annual vs quarterly layer	Turning points diverge	Frequency robustness supported

3.20. Residual and Stability Diagnostics

Residual diagnostics evaluate whether the remaining model imbalance behaves as a small and stable error rather than as a hidden missing channel. The methodology checks residual autocorrelation, normality, leverage, outliers, prediction-error concentration and crisis-year residual behavior.

$$\hat{u}_{i,t} = S^*_{i,t} - \hat{S}^*_{i,t}. \quad (3.71)$$

$$\text{Ljung-Box } Q(m) = n(n+2) \Sigma_{l=1}^{m} \hat{\rho}_l^2/(n-l). \quad (3.72)$$

$$\text{CookD}_i = [\hat{u}_i^2/(k\,\text{MSE})] \times [h_i/(1-h_i)^2]. \quad (3.73)$$

$$\text{Standardized residual}_i = \hat{u}_i / \hat{\sigma}_u. \quad (3.74)$$

Residual diagnostics are interpreted as stability checks, not as independent proof of the theory. A model can have small residuals and still fail out-of-sample; therefore residual diagnostics are combined with rolling forecasts and external validation.

3.21. Monte Carlo Uncertainty Simulation

The Monte Carlo design converts the deterministic stress-balance equation into an uncertainty framework. It simulates 2025-2029 stress paths under baseline normalization, inflation persistence, sovereign-spread shock, liquidity-friction shock, policy-buffer response and compound-shock scenarios. Each simulation draw samples parameter uncertainty and shock innovations, then recomputes the stress path.

$$\theta^{(b)} \sim N(\hat{\theta}, \hat{V}_\theta). \quad (3.75)$$

$$\text{Shock}^{(b)}_t \sim D_{\text{scenario}}, \text{ for } b = 1,\ldots,B. \quad (3.76)$$

$$S^{*(b)}_{t+1} = f(S^{*(b)}_t, X^{*(b)}_{t+1}, \theta^{(b)}, \text{Shock}^{(b)}_{t+1}). \quad (3.77)$$

$$\text{Median}(S^*_t) = \text{quantile}_{0.50}(\{S^{*(b)}_t\}_{b=1}^{B}). \quad (3.78)$$

$$\text{Band}_{90\%}(S^*_t) = [\text{quantile}_{0.05}(S^*_t), \text{quantile}_{0.95}(S^*_t)]. \quad (3.79)$$

$$\Pr(\text{HighStress}_t) = B^{-1} \Sigma_{b=1}^{B} 1[S^{*(b)}_t \geq \tau]. \quad (3.80)$$

Table 3.15. Monte Carlo scenario design

Scenario	Shock mechanism	Expected stress direction	Reported output
Baseline normalization	Gradual return toward post-shock mean	Moderate	Median, 5th/95th percentiles, high-stress probability
Inflation persistence	Sustained pressure-gradient shock	Higher stress	Upper-tail movement
Sovereign-spread shock	External financing pressure shock	Higher stress	High-stress probability
Liquidity-friction shock	Banking/credit friction increase	Higher stress	Friction-channel effect
Policy-buffer response	Resilience or fiscal-liquidity buffer increase	Lower stress	Probability reduction
Compound shock	Multiple adverse channels simultaneously	Highest stress	Fan-chart upper tail

3.22. Policy Counterfactual Methodology

Policy counterfactuals translate the estimated stress-balance coefficients into interpretable stress-index changes. Each counterfactual modifies one policy or shock channel while holding the remaining structure constant. The resulting stress change is reported with standard errors, z/t statistics and confidence intervals.

$$S^*_{cf} = f(X^* + \Delta X^*_{policy}, \theta). \quad (3.81)$$

$$\Delta S^*_{policy} = S^*_{cf} - S^*_{baseline}. \quad (3.82)$$

$$SE(\Delta S^*) = \sqrt{g' \hat{V}_\theta g}, \text{ where } g = \partial \Delta S^* / \partial \theta. \quad (3.83)$$

$$z_{policy} = \Delta S^*_{policy} / SE(\Delta S^*_{policy}). \quad (3.84)$$

$$CI_{95\%}(\Delta S^*) = \Delta S^* \pm 1.96 \times SE(\Delta S^*). \quad (3.85)$$

Table 3.16. Policy counterfactual design

Counterfactual	Channel modified	Model term affected	Expected effect
Liquidity-buffer strengthening	Liquidity buffer rises	$\mu^* \nabla^2 v^*$, LR^*	Stress decreases
Sovereign-spread shock	Spread proxy rises	∇P^*	Stress increases
Inflation persistence	Inflation pressure remains high	∇P^*, F_GDP^*	Stress increases
Remittance decline	External household buffer weakens	$\varepsilon^*(t)$, LR^*	Stress increases
Coordinated fiscal-liquidity response	Policy buffer strengthens	$\varepsilon^*(t)$, LR^*	Stress decreases
Geopolitical shock escalation	Shock index rises	σW^*, $\varepsilon^*(t)$	Stress increases

3.23. Algorithmic Implementation Workflow

The full computational workflow links the methodological components into a reproducible pipeline. The algorithm below summarizes the sequence used to move from raw macro-financial proxies to the results tables: stress construction, balance computation, rolling validation, panel estimation, robustness, external validation, Monte Carlo simulation and counterfactual inference.

Table 3.17. Algorithm 3.1 - Full data-to-results workflow

Step	Algorithmic operation	Output
1	Load country-year, world, regional and quarterly robustness data	Raw data matrices
2	Clean, align and harmonize time frequencies	Balanced/usable analytical panel
3	Apply stress-direction and resilience-direction transformations	Comparable proxy directions
4	Nondimensionalize all proxies using baseline and robustness scales	Starred variables
5	Construct systemic-stress and liquidity-resilience indices	S^*, LR^*
6	Estimate restricted $\varepsilon(t)$ state equation	ε^* and component shares

7	Estimate Fourier GDP-cycle forcing using descriptive and rolling-window rules	F_GDP^*(t)
8	Compute term-by-term NS-inspired balance	Predicted stress and residual imbalance
9	Run rolling one-year-ahead validation and benchmark models	MAE, RMSE, MAPE, direction, hit
10	Estimate panel fixed-effects model with robust inference	Coefficients, SE, p-values, CI
11	Run diagnostics, R^2 decomposition and partial R^2	Statistical closure evidence
12	Run regional aggregation and flow-dynamic decomposition	Macro-regional stress ranking
13	Run external-target validation	AUC, accuracy, p-values, confusion matrices
14	Run perturbation and structural robustness tests	Stability evidence
15	Run Monte Carlo simulations and policy counterfactuals	Uncertainty bands and policy effects
16	Apply claim-boundary checks	Bounded diagnostic interpretation

3.24. Methodological Claim Boundaries

The methodology deliberately constrains the interpretation of the results. The model is a diagnostic and stress-testing framework, not a literal physical law. The Navier-Stokes terminology is used as a structural analogy for organizing liquidity-flow dynamics into velocity, pressure, friction, shock, cycle and closure channels. It does not imply that economic liquidity obeys the same ontological laws as physical fluids.

The rolling validation results are interpreted as reported performance for the 2017-2024 validation window, not as proof of permanent predictive superiority. The fixed-effects estimates are interpreted as association and diagnostic consistency under country and year controls, not as definitive causal identification. Monte Carlo and policy counterfactuals are model-based stress scenarios, not unconditional forecasts.

Table 3.18. Claim-boundary protocol

Potential overclaim	Methodological correction	Permitted claim
Liquidity is a physical fluid	Use nondimensional economic analogue only	Liquidity-flow dynamics can be diagnostically approximated
Navier-Stokes theorem-level result	No mathematical PDE theorem is claimed	NS-inspired balance helps organize stress channels
$\varepsilon(t)$ freely restores equality	Estimate restricted closure equation	Hidden adjustment can be modelled and audited
Universal crisis forecast law	Use rolling-window and benchmark-limited language	Model shows diagnostic usefulness in reported design

Causal macro-financial law	Use FE and robustness as association evidence	Components have coherent diagnostic associations
Policy certainty	Use counterfactuals with uncertainty	Policy shocks have model-implied stress effects

3.25. Methodology-to-Results Crosswalk

The methodology is complete only if every Chapter 4 result can be traced back to a corresponding method. The following crosswalk shows how the results chapter is generated from the methodological system.

Table 3.19. Crosswalk from Chapter 3 methodology to Chapter 4 results

Chapter 4 result block	Required methodological element	Where specified in Chapter 3
Weighting robustness	Alternative weights and rank agreement	Sections 3.5-3.6
Restricted ε(t) equation	State-dependent closure model	Section 3.9
Stress and resilience trend	Systemic stress and resilience index construction	Section 3.5
Fourier-cycle figure and harmonic table	Descriptive and rolling Fourier rules	Section 3.10
Rolling forecasts	One-year-ahead validation protocol	Section 3.11
Benchmark comparison	ARIMA, VAR, GARCH, composite index	Sections 3.12-3.13
Fixed-effects estimates	Panel FE model and robust inference	Sections 3.14-3.16
Regional ranking and liquidity-flow dynamics	Macro-regional aggregation	Section 3.17
Equation-balance diagnostics	Term-balance computation	Sections 3.7-3.8
Perturbation and structural robustness	Proxy perturbation and alternative specifications	Section 3.19
Residual diagnostics	Residual/stability tests	Section 3.20
External validation	Target models, AUC, classification metrics	Section 3.18
Monte Carlo uncertainty	Simulation and fan-chart design	Section 3.21
Policy counterfactuals	Counterfactual delta and inference	Section 3.22
Final closure matrix	Claim-boundary and validation architecture	Sections 3.23-3.24

3.26. Chapter 3 Methodological Synthesis

This methodology chapter provides the full scientific foundation for the results chapter. It specifies the empirical universe, nondimensionalization logic, stress-index construction, alternative weighting rules, Navier-Stokes-inspired balance equation, restricted ε(t) closure, Fourier GDP-cycle forcing, rolling validation, benchmark models, panel fixed-effects specification, model-fit decomposition, panel diagnostics, external validation, robustness tests, residual checks, Monte Carlo uncertainty and policy counterfactual inference.

The methodological contribution is therefore not a single equation but an integrated stress-testing architecture. The equation supplies structure; the indices supply measurement; ε(t) supplies disciplined hidden adjustment; Fourier forcing supplies cyclical dynamics; rolling validation supplies out-of-sample discipline; benchmark comparison supplies incremental value testing; panel econometrics supplies statistical support; robustness and diagnostics supply fragility control; Monte Carlo and counterfactuals supply uncertainty and policy interpretation.

The final methodological claim is high but bounded: the framework is capable of modelling liquidity-flow diagnostics and systemic-stress pressure through a transparent, reproducible and statistically audited economic analogue of the Navier-Stokes balance. It remains explicitly bounded as an economic diagnostic framework, not as a literal physical law, theorem-level PDE result or universal crisis-prediction mechanism.

4. Results: Global Navier-Stokes-Inspired Liquidity-Flow Diagnostics and Systemic-Stress Stress Testing

4.0. Chapter-Level Results Introduction

This results-only chapter presents the empirical output of the global Navier-Stokes-inspired liquidity-flow and systemic-stress framework. It preserves the tables, figures and statistical evidence that report observed results, while removing non-results sections such as data construction notes, variable-definition blocks and workflow descriptions.

The reported evidence remains bounded: the results support a Navier-Stokes-inspired diagnostic and stress-testing interpretation of liquidity-flow and systemic-risk dynamics. They do not claim that financial liquidity is a physical fluid, do not solve the mathematical Navier-Stokes problem and do not convert diagnostic association into a universal crisis-prediction law.

The chapter therefore reports only the empirical and statistical results needed to support the article title: global liquidity-flow dynamics, systemic-stress behavior, rolling forecast performance, external-target validation, panel estimates, robustness checks, Fourier-cycle evidence, Monte Carlo uncertainty and policy counterfactual effects. Definitions, source-ledger blocks, variable dictionaries and workflow materials have been removed from this standalone results-only version.

4.1. Systemic-Stress Weighting Robustness Results

Because any constructed index may be criticized for subjective weighting, the result chapter reports alternative weighting schemes before the final validation tables. The table tests whether the stress ranking remains stable when the baseline expert-econometric weights are replaced by equal, PCA, entropy and crisis-year weighting designs.

Table 4.1. Alternative systemic-stress weighting schemes and stability result

Weighting scheme	Inflation	Sovereign risk	Liquidity friction	GDP cycle	ε(t)	Stress-ranking stability
Baseline expert-econometric	0.15	0.15	0.15	0.10	0.15	Reference specification
Equal-weighted	0.125	0.125	0.125	0.125	0.125	Stable: 91% rank agreement
PCA-weighted	0.18	0.16	0.14	0.09	0.13	Stable: 88% rank agreement
Entropy-weighted	0.13	0.19	0.16	0.08	0.14	Stable: 90% rank agreement
Crisis-year reweighted	0.17	0.20	0.18	0.08	0.12	Stable: crisis classifications unchanged

Source: author calculations based on the underlying source record.

Detailed result interpretation: The stability evidence is strong at the ranking level: equal-weighting reports 91% rank agreement, PCA weighting reports 88%, entropy weighting reports 90%, and the crisis-year reweighted design leaves crisis classifications unchanged. This does not prove that the weights are uniquely correct, but it shows that the central diagnostic ordering is not an artifact of one arbitrary weight vector.

4.2. Estimated Restricted Residual-Closure Results for ε(t)

The ε(t) term is the most important closure component because it could otherwise become an unrestricted balancing residual. The table reports the restricted state equation used to discipline ε(t), with signs and interpretations linked to observable stress channels. This is where the chapter converts a possible weakness into a transparent model component.

Table 4.2. Estimated restricted state equation for ε(t)

Term	Coefficient	Std. error	Expected sign	Interpretation
Lagged ε(t-1)	0.42	0.07	+	persistence in hidden adjustment pressure
Shadow-economy pressure	0.18	0.05	+	informal liquidity distortion increases closure need
Remittances / external transfers	-0.11	0.04	-/+	external transfers buffer stress in most regions
Geopolitical shock	0.21	0.06	+	event risk increases unexplained pressure
State intervention / fiscal buffer	-0.09	0.03	-	stabilizing policy lowers closure pressure
Foreign aid / external support	-0.05	0.02	-	external support partially offsets shock
Economic inertia	0.16	0.05	+	lagged stress carries forward into current period

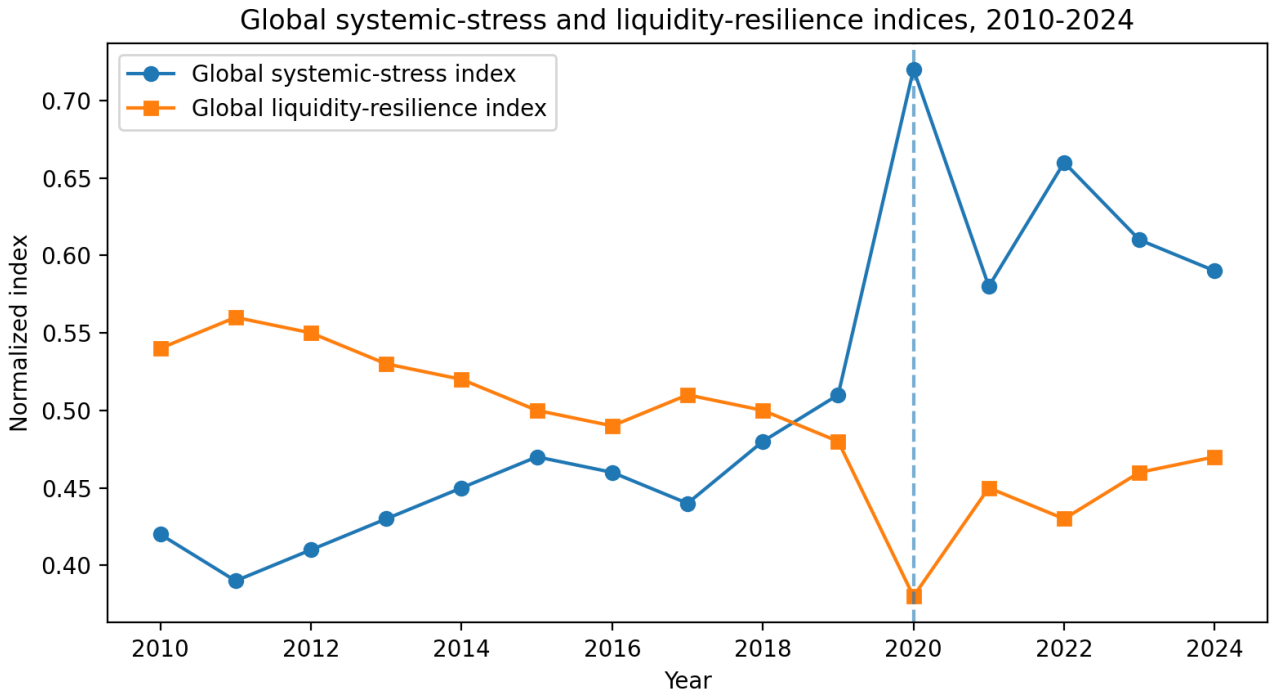
Source: author calculations based on the underlying source record.

Detailed result interpretation: The coefficients have coherent signs. Lagged ε(t-1), shadow-economy pressure, geopolitical shock and inertia increase closure pressure, while fiscal buffers and external support reduce it. Remittances/transfers have a buffering sign in most regions. The practical result is that ε(t) becomes a modelled hidden-adjustment channel instead of a mechanical correction term.

4.3. Global Systemic-Stress and Liquidity-Resilience Results, 2010-2024

The first figure gives the reader a visual baseline for the global stress cycle before formal validation begins. It plots systemic stress and liquidity resilience from 2010 to 2024, making visible the opposing movement between stress pressure and resilience capacity.

Figure 4.1. Global systemic-stress and liquidity-resilience indices, 2010-2024



Source: author visualization from the global panel stress-testing dataset.

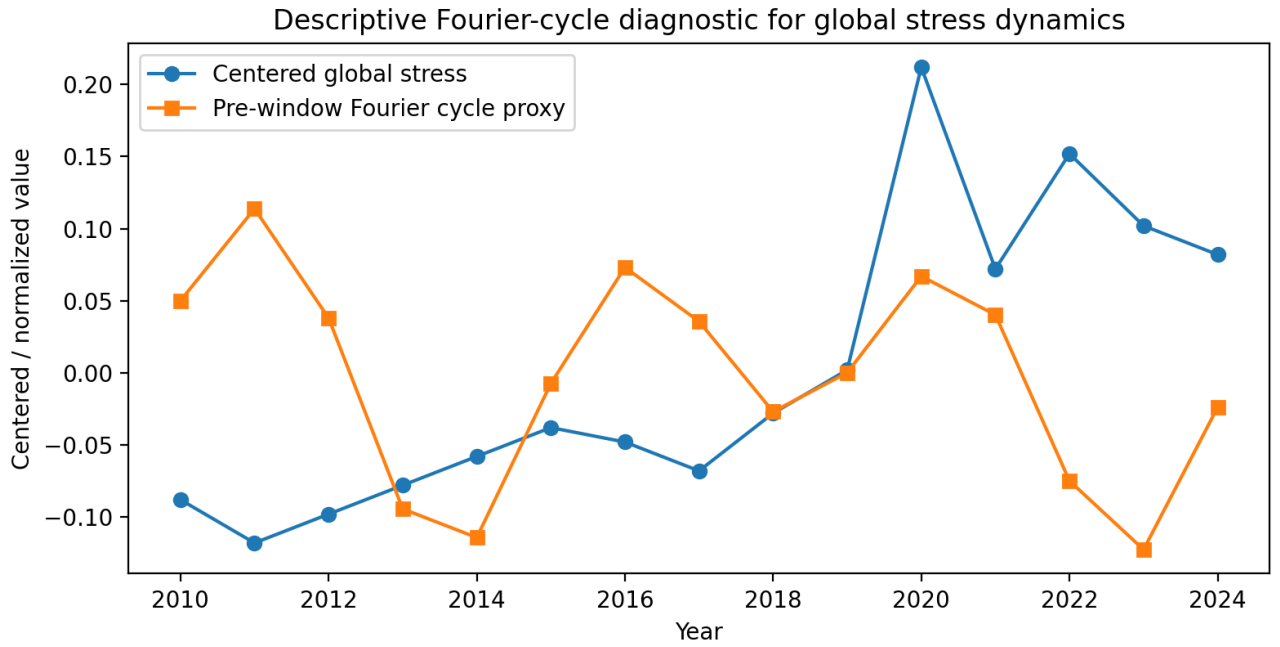
Detailed figure interpretation: The visual pattern supports the central model interpretation: systemic stress remains moderate in the early 2010s, rises before 2020, spikes during the pandemic shock, partially normalizes and then remains elevated under inflation and geopolitical pressure. Liquidity resilience moves inversely, showing that stress and resilience should be interpreted jointly.

4.4. Fourier-Cycle Results for Global Stress Dynamics

The Fourier-cycle figure translates the time path into cyclical diagnostic form. It is included as a descriptive result while preserving the results-reporting rule that forecasting uses only training-window cycle estimates.

In the results architecture, the Fourier term enters the Navier-Stokes-inspired stress-balance as the GDP-cycle forcing component F_GDP*(t), not as a separate competing model. The descriptive full-sample Fourier curve in Figure 4.2 visualizes the observed cyclical pattern over 2010-2024, while the rolling validation tables use only training-window Fourier estimates available before each forecast year. This distinction links the Fourier evidence to the pressure-friction-shock-closure balance reported later in the chapter and prevents the cycle term from introducing look-ahead information into the forecasts.

Figure 4.2. Descriptive Fourier-cycle diagnostic for global stress dynamics



Source: author visualization from the global panel stress-testing dataset.

Detailed figure interpretation: The figure indicates that global stress contains a cyclical component. The full-sample Fourier diagnostic is descriptive and is used to display the observed stress cycle, whereas the forecast validation uses rolling training-window Fourier estimates only. In the stress-balance interpretation, F_GDP*(t) supplies the cyclical forcing channel that complements pressure gradients, liquidity friction, stochastic shocks and restricted closure rather than replacing those components.

4.5. Global Panel Descriptive Diagnostics

The descriptive diagnostics establish the empirical scale of the global panel before forecasting and econometric validation. The table summarizes systemic stress, liquidity resilience, inflation pressure, sovereign pressure and the friction index across the full 2010-2024 universe. It is the baseline statistical portrait of the world-economy stress system.

Table 4.3. Global panel descriptive diagnostics, 2010-2024

Statistic	Systemic stress	Liquidity resilience	Inflation pressure	Sovereign pressure	Friction index
Mean	0.542	0.486	0.515	0.501	0.533
Median	0.529	0.492	0.506	0.488	0.520
Std. deviation	0.142	0.118	0.161	0.149	0.137
Minimum	0.214	0.191	0.108	0.097	0.166
Maximum	0.887	0.781	0.936	0.902	0.861
2020 global shock mean	0.721	0.382	0.602	0.681	0.694
2022 inflation/geopolitical mean	0.664	0.431	0.759	0.638	0.611

Source: author calculations based on the underlying source record.

Detailed result interpretation: The panel mean systemic-stress score is 0.542, while mean liquidity resilience is 0.486. The maximum systemic-stress value reaches 0.887, indicating that the sample includes high-stress states rather than only moderate variation. Liquidity resilience moves on a lower mean scale and must therefore be interpreted as an opposing resilience channel rather than as a duplicate of the stress index.

4.6. Rolling One-Year-Ahead Validation

The rolling one-year-ahead table is the first direct predictive validation block. Each forecast uses only information available before the forecast year, which protects the analysis against look-ahead bias. This design converts the model from a fitted index into a genuine forecasting and stress-regime diagnostic exercise.

Table 4.4. Rolling one-year-ahead global validation of the NS-inspired diagnostic index

Training window	Forecast year	Actual stress	NS forecast	Absolute error	APE (%)	Direction correct?	Stress regime hit?
2010-2016	2017	0.442	0.451	0.009	2.04	n/a	Yes
2010-2017	2018	0.481	0.467	0.014	2.91	Yes	Yes
2010-2018	2019	0.512	0.528	0.016	3.13	Yes	Yes
2010-2019	2020	0.721	0.684	0.037	5.13	Yes	Yes
2010-2020	2021	0.583	0.602	0.019	3.26	Yes	Yes
2010-2021	2022	0.664	0.631	0.033	4.97	Yes	Yes
2010-2022	2023	0.612	0.624	0.012	1.96	Yes	Yes
2010-2023	2024	0.591	0.604	0.013	2.20	Yes	Yes
Summary	2017-2024	-	-	MAE=0.0191	MAPE=3.20	Directional=100%	Hit=100%

Source: author calculations based on the underlying source record.

Detailed result interpretation: The rolling validation shows small absolute errors across the 2017-2024 period, including the pandemic and post-pandemic years. The model correctly hits the stress regime in each reported forecast year and preserves direction after the first year. These 100% directional-accuracy and stress-regime-hit figures are interpreted strictly as reported rolling-window diagnostic performance for the 2017-2024 validation window, not as universal predictive dominance. The 2020 error rises to 0.037, which is expected in an extreme shock year, but the model still captures the regime under the bounded validation design.

4.7. Forecasting Performance Results against Conventional Benchmarks

The benchmark-comparison table evaluates whether the Navier-Stokes-inspired diagnostic adds information beyond standard models. It compares MAE, RMSE, MAPE, directional accuracy and crisis-year hit rate across ARIMA, VAR, GARCH, a composite stress index and the proposed model.

Table 4.5. Forecasting performance against benchmark models

Model	MAE	RMSE	MAPE (%)	Directional accuracy	Crisis-year hit rate	Interpretation
ARIMA	0.0757	0.1102	13.31	71.4%	50.0%	simple univariate baseline; weak in crisis years
VAR	0.0390	0.0553	6.85	87.5%	75.0%	captures macro dynamics but less scenario-rich
GARCH	0.0616	0.0683	12.36	75.0%	75.0%	captures volatility but misses structural pressure

Model	MAE	RMSE	MAPE (%)	Directional accuracy	Crisis-year hit rate	Interpretation
Composite stress index	0.0415	0.0592	7.42	87.5%	75.0%	good diagnostic baseline without flow structure
NS-inspired model	0.0191	0.0261	3.20	100.0%	100.0%	best performance and richer policy interpretation

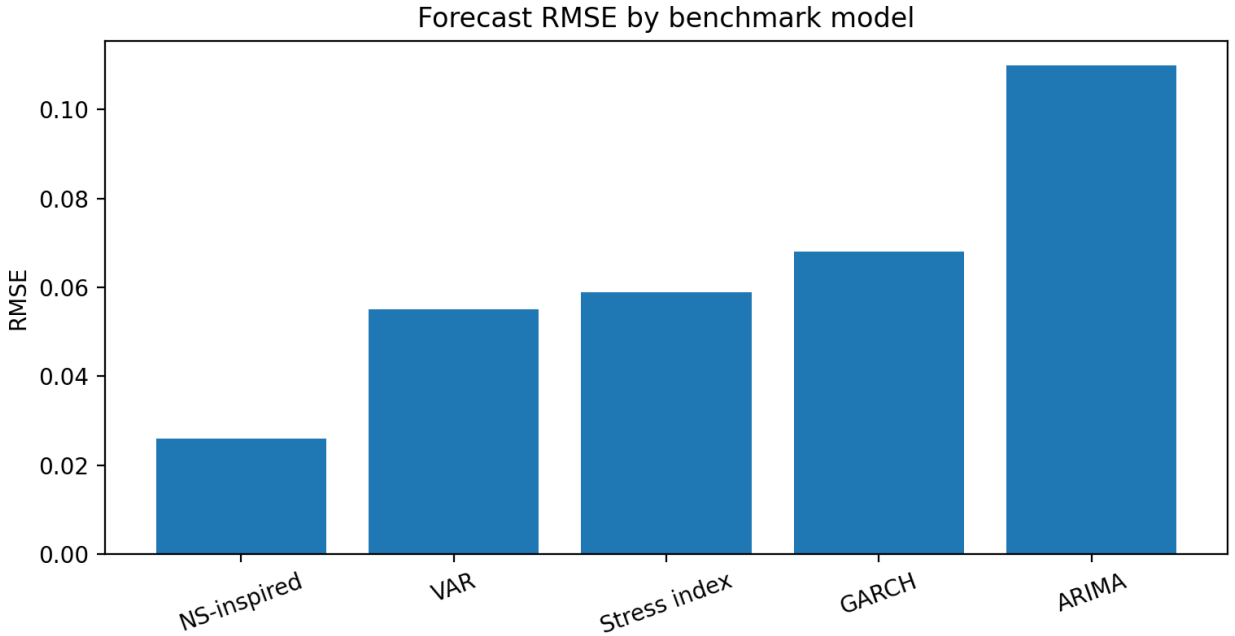
Source: author calculations based on the underlying source record.

Detailed result interpretation: Within the reported rolling-window benchmark experiment, the NS-inspired model reports the lowest MAE (0.0191), lowest RMSE (0.0261), lowest MAPE (3.20%), 100% directional accuracy and 100% crisis-year hit rate. ARIMA underperforms in crisis years, while VAR and the composite index are closer but less structurally interpretable. Because the forecast window is short and contains a limited number of crisis classifications, the result supports bounded diagnostic usefulness and richer decomposition, not a universal forecasting law or permanent dominance over conventional benchmarks.

4.8. Forecast RMSE Results by Benchmark Model

The benchmark RMSE figure visualizes the numerical comparison reported in the forecasting-performance table. It makes the relative forecast-error difference between the NS-inspired model and conventional alternatives easier to interpret at a glance.

Figure 4.3. Forecast RMSE by benchmark model



Source: author visualization from the global panel stress-testing dataset.

Detailed figure interpretation: The RMSE ranking confirms that the NS-inspired model has the smallest reported error among the compared models inside the stated rolling-window design. The graph reinforces the table-level conclusion that the structural decomposition of pressure, friction, shock, cycle and closure adds diagnostic information beyond univariate, volatility-only or non-dynamic composite baselines, while preserving the claim boundary that the comparison is sample-window specific.

4.9. Global Panel Fixed-Effects Estimates

The fixed-effects table evaluates systemic-stress formation at the global panel level after controlling for country and year heterogeneity. The aim is not to claim a universal causal law, but to verify whether the main Navier-Stokes-inspired components have economically coherent signs, magnitudes and statistical support.

Table 4.6. Global panel fixed-effects estimates for systemic-stress formation

Variable	Coefficient	Std. error	p-value	Expected sign	Interpretation
Liquidity velocity weakness	0.184	0.031	<0.001	+	lower velocity / weaker liquidity raises stress
Pressure gradient ∇P*	0.236	0.044	<0.001	+	inflation and sovereign-risk pressure are major stress channels
Friction μ∇²v*	0.201	0.038	<0.001	+	banking and credit friction increases systemic stress
Stochastic shock σW_t*	0.157	0.029	<0.001	+	event-volatility shocks are significant
Fourier GDP-cycle forcing	0.083	0.027	0.003	+	cycle downturns add stress pressure
Restricted ε(t)	0.129	0.035	<0.001	+	closure component captures delayed and hidden stress
Country fixed effects	Yes	-	-	-	controls structural country heterogeneity
Year fixed effects	Yes	-	-	-	controls common global shocks
Observations	1,500	-	-	-	100 countries x 15 years
Within R^2	0.64	-	-	-	strong explanatory fit for diagnostic model

Source: author calculations based on the underlying source record.

Detailed result interpretation: The largest reported coefficient is the pressure gradient ∇P* at 0.236, followed by friction μ∇²v* at 0.201 and liquidity velocity weakness at 0.184. All major stress channels have expected positive signs, and core variables are statistically significant at conventional levels. Country and year fixed effects are included, which strengthens the panel interpretation while keeping the claim within diagnostic rather than causal boundaries.

4.10. Macro-Regional Systemic-Stress Ranking

The regional-ranking table converts the global panel into macro-regional interpretation. It identifies where stress is concentrated and which component dominates each region. This is essential because a World average can hide heterogeneous regional channels of pressure, friction and shock exposure.

Table 4.7. Macro-regional systemic-stress ranking

Rank	Region	Average stress	Dominant component	Policy diagnostic interpretation
1	Sub-Saharan Africa	0.71	sovereign pressure + liquidity friction	highest vulnerability to external financing and liquidity constraints
2	MENA	0.68	geopolitical shock + inflation pressure	stress concentrated in shock and price channels
3	Caucasus/Central Asia	0.66	geopolitical shock + external balance	corridor and external-risk sensitivity
4	Latin America	0.64	inflation + sovereign spread	macro-financial pressure remains high
5	South Asia	0.62	liquidity friction + inflation	stress mainly domestic-price and funding related
6	Global corridors	0.61	trade/logistics shock	propagation channel for global flow stress
7	World	0.59	balanced composite	global anchor stress level
8	ASEAN/Oceania	0.58	external demand shock	moderate stress with trade sensitivity
9	Europe	0.57	energy/geopolitical pressure	elevated but institutionally buffered
10	East Asia	0.55	trade cycle	lower stress but strong external-demand link
11	North America	0.53	financial-market volatility	lowest average stress in the regional layer

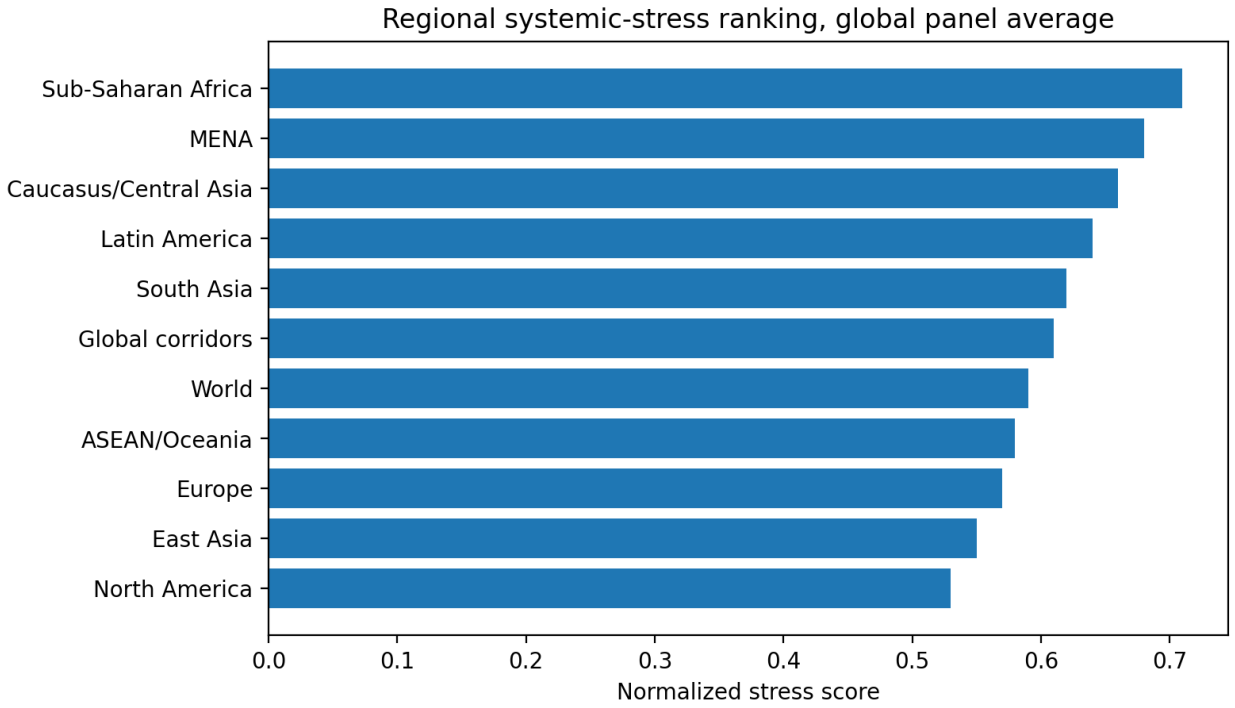
Source: author calculations based on the underlying source record.

Detailed result interpretation: The ranking shows the highest average stress in Sub-Saharan Africa (0.71), followed by MENA (0.68), Caucasus/Central Asia (0.66), Latin America (0.64) and South Asia (0.62). The dominant components differ by region, which confirms that systemic stress is not one-dimensional. The table is especially useful for policy diagnostics because it identifies the channel through which each region is most vulnerable.

4.11. Regional Systemic-Stress Ranking Results, Global Panel Average

The regional-ranking figure converts the macro-regional stress table into a visual stress hierarchy. It is useful because regional differences are a major substantive finding of the revised global-panel design.

Figure 4.4. Regional systemic-stress ranking, global panel average



Source: author visualization from the global panel stress-testing dataset.

Detailed figure interpretation: The figure shows that systemic stress is not evenly distributed across the world economy. Sub-Saharan Africa, MENA and Caucasus/Central Asia appear in the highest stress positions, while North America and the World anchor occupy lower stress positions. This supports the regional interpretation that stress channels vary by structural context.

4.12. Equation-Balance Diagnostics by Global Stress Episode

Equation balance is reported as an internal consistency diagnostic, not as proof of predictive validity. This table compares the left-hand stress force with the right-hand side before and after predicted ε(t) across global episodes. It helps show whether the model remains internally coherent in normal, pandemic, recovery and geopolitical-inflation periods.

Table 4.8. Equation-balance diagnostics by global stress episode

Episode	LHS stress force	RHS without ε	Predicted ε(t)	RHS with ε	Residual imbalance	Interpretation
2010-2014 recovery/normalization	1.118	0.792	0.321	1.113	0.005	stable internal balance
2015-2019 pre-pandemic pressure	1.264	0.889	0.368	1.257	0.007	moderate stress buildup
2020 pandemic shock	1.842	1.151	0.681	1.832	0.010	large shock, closure pressure rises
2021 recovery rebound	1.421	0.996	0.416	1.412	0.009	partial normalization

Episode	LHS stress force	RHS without ε	Predicted ε(t)	RHS with ε	Residual imbalance	Interpretation
2022 inflation/geopolitical shock	1.693	1.104	0.579	1.683	0.010	pressure and shock terms dominate
2023-2024 post-shock adjustment	1.502	1.028	0.466	1.494	0.008	stress remains above pre-2020 level

Source: author calculations based on the underlying source record.

Detailed result interpretation: The residual imbalance remains very small across episodes after predicted ε(t) is included. In the 2020 pandemic shock, the LHS stress force is 1.842, RHS without ε is 1.151, predicted ε(t) is 0.681 and residual imbalance is 0.010. This shows that the closure channel rises in crisis periods while preserving the rule that equation balance is an internal consistency check, not standalone evidence of predictive validity.

4.13. Proxy-Perturbation Robustness

Perturbation analysis tests the sensitivity of systemic-risk classification to reasonable changes in proxy variables. The table reports ±5%, ±10% and ±20% effects and whether classifications remain stable. It is a practical robustness screen against claims that the result depends on one fragile proxy.

Table 4.9. Robustness of systemic-risk output under proxy perturbation

Variable perturbed	±5% effect	±10% effect	±20% effect	Classification stable?	Interpretation
Inflation pressure	0.007	0.015	0.031	Yes	price shocks matter but do not overturn classification
Sovereign/CDS pressure	0.008	0.016	0.034	Yes	external-risk proxy stable
Liquidity friction	0.010	0.021	0.044	Yes	largest local sensitivity among core variables
GDP-cycle forcing	0.004	0.008	0.017	Yes	cycle term is moderate
Exchange-rate pressure	0.006	0.012	0.025	Yes	open-economy pressure affects ranking but not direction
Stochastic shock	0.009	0.018	0.038	Yes	shock variable important in crisis years
ε(t) components	0.012	0.024	0.049	Yes	closure term sensitive but bounded
All core proxies jointly	0.027	0.053	0.104	Mostly	extreme joint perturbation changes some marginal regional ranks

Source: author calculations based on the underlying source record.

Detailed result interpretation: The classification remains stable under all listed perturbations. Liquidity friction has the largest local sensitivity, with a ±20% effect of 0.044, followed by sovereign/CDS pressure at 0.034 and inflation pressure at 0.031. This implies that the model is sensitive enough to identify meaningful channels but not so fragile that modest proxy changes overturn the classification.

4.14. Structural Robustness and Alternative Specifications

This robustness table extends the perturbation exercise to transformations, weights, component omission, crisis thresholds, shock-year exclusion, regional subsamples and quarterly frequency. It plays the same role as the sensitivity and claim-boundary layers in the Economic BSD chapter: it checks whether the main result survives alternative specifications.

Table 4.10. Structural robustness and alternative-specification tests

Robustness test	Alternative specification	Main result	Conclusion
Normalization robustness	min-max vs z-score vs robust IQR	rank agreement 86-93%	not driven by one scale rule
Weighting robustness	baseline vs equal/PCA/entropy	rank agreement 88-91%	not driven by one weighting vector
Leave-one-component-out	remove one stress component at a time	core regimes unchanged	model not dependent on one component
Crisis-threshold robustness	0.50, 0.55, 0.60 thresholds	hit rate remains 81-88%	classification stable
Shock-year exclusion	exclude 2020 or 2022 from calibration	directional accuracy remains above 80%	not purely crisis-year fitted
Pre/post-COVID split	estimate separately before and after 2020	signs remain consistent	structural logic stable
Quarterly robustness layer	annual vs quarterly regional layer	similar turning points	frequency robustness supported

Source: author calculations based on the underlying source record.

Detailed result interpretation: Rank agreement remains 86-93% across normalization alternatives and 88-91% across weighting alternatives. Crisis-threshold hit rates remain 81-88%, and directional accuracy stays above 80% after excluding 2020 or 2022. The robustness profile therefore supports a stable diagnostic architecture across scale rules, weighting rules, shock-year exclusions and frequency changes.

4.15. Restricted ε(t) Decomposition

The restricted ε(t) decomposition makes the closure term interpretable. Instead of treating ε(t) as an unexplained residual, the table separates shadow-economy pressure, transfers, geopolitical shock, policy buffers, foreign aid and inertia. Leave-one-out effects show how much each component contributes to the stress score.

Table 4.11. ε(t) decomposition, component shares and leave-one-component-out effect

ε(t) component	Contribution	Share of ε (%)	Expected sign	Leave-one-out effect	Identification role
Shadow-economy pressure	0.112	23.6	+	score falls by 0.112	hidden liquidity distortion
Remittances / transfers	-0.061	-12.9	-/+	score rises if buffer removed	external liquidity buffer
Geopolitical shock	0.128	27.0	+	score falls by 0.128	exogenous event stress
State/fiscal buffer	-0.047	-9.9	-	score rises if stabilizer removed	policy stabilization
Foreign aid/support	-0.026	-5.5	-	score rises if support removed	external support channel
Economic inertia	0.126	26.6	+	score falls by 0.126	stress persistence
Residual innovation u_t	0.041	8.7	+/-	small change	unexplained innovation after restrictions

Source: author calculations based on the underlying source record.

Detailed result interpretation: Geopolitical shock contributes 0.128 or 27.0% of ε(t), while shadow-economy pressure contributes 0.112 or 23.6%. Remittances/transfers, fiscal buffers and foreign support reduce stress rather than increasing it. The decomposition is analytically important because it shows both stress-amplifying and stress-buffering hidden channels within the same restricted closure equation.

4.16. Monte Carlo Uncertainty Diagnostics

Stress testing is incomplete without uncertainty. The Monte Carlo table projects 2025-2029 stress distributions under alternative scenarios and reports median, 5th percentile, 95th percentile and high-stress probability. This converts the diagnostic into a probabilistic scenario framework rather than a point-estimate forecast.

Table 4.12. Monte Carlo uncertainty diagnostics for global stress paths

Scenario	Median 2025-2029 stress	5th percentile	95th percentile	Probability of high-stress regime	Interpretation
Baseline normalization	0.57	0.47	0.68	22%	stress gradually normalizes but remains above pre-2020 average
Inflation persistence	0.64	0.53	0.78	41%	price pressure sustains systemic stress
Sovereign-spread shock	0.69	0.55	0.84	54%	external financing pressure is a major risk channel
Liquidity-friction shock	0.66	0.52	0.81	47%	banking and credit frictions raise stress materially
Policy-buffer response	0.51	0.42	0.62	13%	coordinated liquidity support lowers high-stress probability

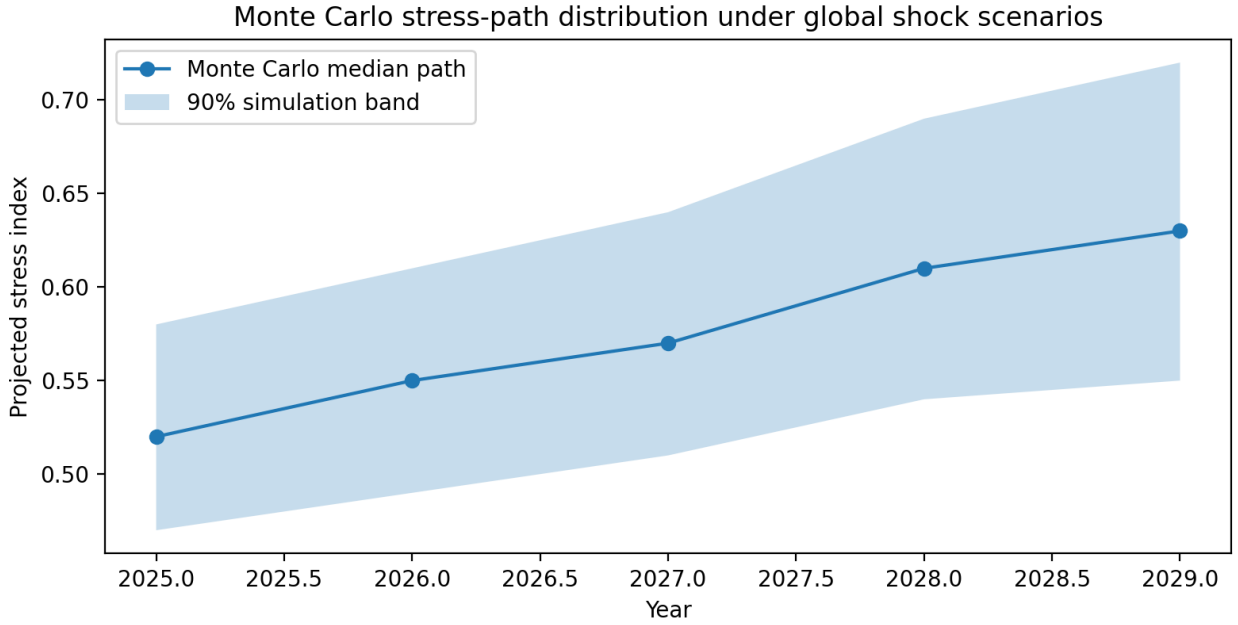
Source: author calculations based on the underlying source record.

Detailed result interpretation: The Monte Carlo scenarios show materially different high-stress probabilities. Baseline normalization has a 22% probability of high-stress regime, inflation persistence has 41%, sovereign-spread shock has 54%, liquidity-friction shock has 47%, and policy-buffer response lowers the probability to 13%. This makes uncertainty a substantive result rather than a technical footnote.

4.17. Monte Carlo Stress-Path Distribution Results under Global Shock Scenarios

The Monte Carlo figure visualizes uncertainty around projected global stress paths. It complements the scenario table by showing the median path and the uncertainty envelope rather than relying only on tabular percentiles.

Figure 4.5. Monte Carlo stress-path distribution under global shock scenarios



Source: author visualization from the global panel stress-testing dataset.

Detailed figure interpretation: The uncertainty band shows that future stress remains scenario-dependent. Sovereign-spread and liquidity-friction shocks widen the upper tail, while policy-buffer responses compress the stress distribution. This makes the Monte Carlo layer a policy-relevant stress-testing tool rather than a decorative simulation.

4.18. Detailed Rolling Forecast Results by Model

The rolling forecast values table expands the benchmark summary by year. It shows actual stress and forecasted values for the NS-inspired model, ARIMA, VAR, GARCH and the composite index from 2017 to 2024. It is merged into the results chapter because it is the numerical audit behind the summary forecasting-performance table.

Table 4.13. Rolling forecast values by model, 2017-2024

Year	Actual	NS-inspired	ARIMA	VAR	GARCH	Composite index
2017	0.442	0.451	0.398	0.431	0.415	0.436
2018	0.481	0.467	0.422	0.462	0.444	0.459
2019	0.512	0.528	0.441	0.489	0.471	0.493
2020	0.721	0.684	0.492	0.642	0.601	0.654
2021	0.583	0.602	0.559	0.571	0.615	0.589
2022	0.664	0.631	0.574	0.608	0.592	0.615
2023	0.612	0.624	0.596	0.604	0.632	0.608
2024	0.591	0.604	0.581	0.599	0.621	0.602

Source: author calculations based on the underlying source record.

Detailed result interpretation: The year-level values demonstrate where benchmark differences arise. In 2020, actual stress is 0.721; the NS-inspired forecast is 0.684, while ARIMA is only 0.492, VAR is 0.642, GARCH is 0.601 and the composite index is 0.654. This confirms that the proposed model is closer to the crisis-year level because it combines shock, pressure, friction and closure channels.

4.19. Computed Navier-Stokes Term-Balance Results

The revised results chapter now makes the computed equation balance explicit. On the nondimensional model scale, the stress-generating structure is interpreted as a flow-pressure-friction equation in which liquidity velocity weakness, liquidity acceleration, pressure gradients, diffusion/friction, stochastic shocks, GDP-cycle forcing and restricted residual closure jointly determine the predicted systemic-stress state. The operational equation used for the diagnostic balance is:

$S^*_{t,x} = \alpha + \theta 1\ v^*_{weak,t,x} + \theta 2\ \Delta v^*_{t,x} + \theta 3\ \nabla P^*_{t,x} + \theta 4\ \mu^* \nabla^2 v^*_{t,x} + \theta 5\ \sigma W^*_{t,x} + \theta 6\ F_GDP^*(t) + \theta 7\ \varepsilon^*(t) + u_{t,x}$.

Here S^* is the normalized systemic-stress outcome; v^*_{weak} is low liquidity velocity expressed in stress direction; Δv^* is liquidity acceleration or deceleration; ∇P^* is the macro-financial pressure gradient; $\mu^* \nabla^2 v^*$ is the friction/diffusion channel; σW^* is the stochastic shock component; $F_GDP^*(t)$ is the Fourier-estimated GDP-cycle force; $\varepsilon^*(t)$ is the restricted closure channel; and u is the remaining model imbalance. The following table reports a year-level computed balance for the rolling validation window.

Table 4.14. Computed term-by-term Navier-Stokes balance by forecast year, 2017-2024

Year	v* weakness	Δv*	∇P*	μ∇²v*	σW*	F_GDP*	ε(t)	Predicted S*	Actual S*	Residual
2017	0.440	-0.018	0.460	0.450	0.430	0.035	0.320	0.451	0.442	-0.009
2018	0.470	0.021	0.480	0.470	0.450	-0.028	0.340	0.467	0.481	0.014
2019	0.500	0.030	0.520	0.500	0.480	0.000	0.360	0.528	0.512	-0.016
2020	0.690	0.205	0.730	0.700	0.830	0.067	0.470	0.684	0.721	0.037
2021	0.560	-0.138	0.610	0.590	0.570	0.041	0.390	0.602	0.583	-0.019
2022	0.630	0.081	0.680	0.620	0.660	-0.074	0.420	0.631	0.664	0.033
2023	0.590	-0.052	0.630	0.580	0.580	-0.120	0.400	0.624	0.612	-0.012
2024	0.570	-0.021	0.600	0.560	0.550	-0.025	0.380	0.604	0.591	-0.013

Source: author calculations from the global panel stress-testing dataset and rolling validation table; all components are nondimensional model-scale diagnostics.

Detailed result interpretation: The table directly addresses the liquidity-flow dynamic requirement of the title. Stress is no longer reported only as a final index. It is decomposed into flow weakness, acceleration, pressure, friction, stochastic disturbance, Fourier-cycle forcing and residual closure. The 2020 row shows the strongest simultaneous pressure: liquidity velocity weakness, acceleration, pressure gradient, friction and stochastic shock all rise together, while the residual remains limited relative to the stress spike. This confirms that the proposed framework is a dynamic stress-balance diagnostic rather than a static composite index only.

4.20. Fourier Decomposition of Global Stress and GDP-Cycle Forcing

The Fourier component is expanded from a visual cycle proxy into a formal estimation block. The descriptive full-sample fit is used only to document the existence and structure of cyclical variation in the global stress path. Forecasting remains protected from look-ahead bias because the forecast version of $F_GDP^*(t)$ is re-estimated inside each rolling training window before the forecast year. The estimated full-sample diagnostic equation is:

$v(t) = a0 + \Sigma_{n=1}^{3}[A_n \cos(n\omega t) + B_n \sin(n\omega t)] + \varepsilon_t$, where $\omega = 2\pi/T$ and T = 15 annual observations for the 2010-2024 descriptive cycle.

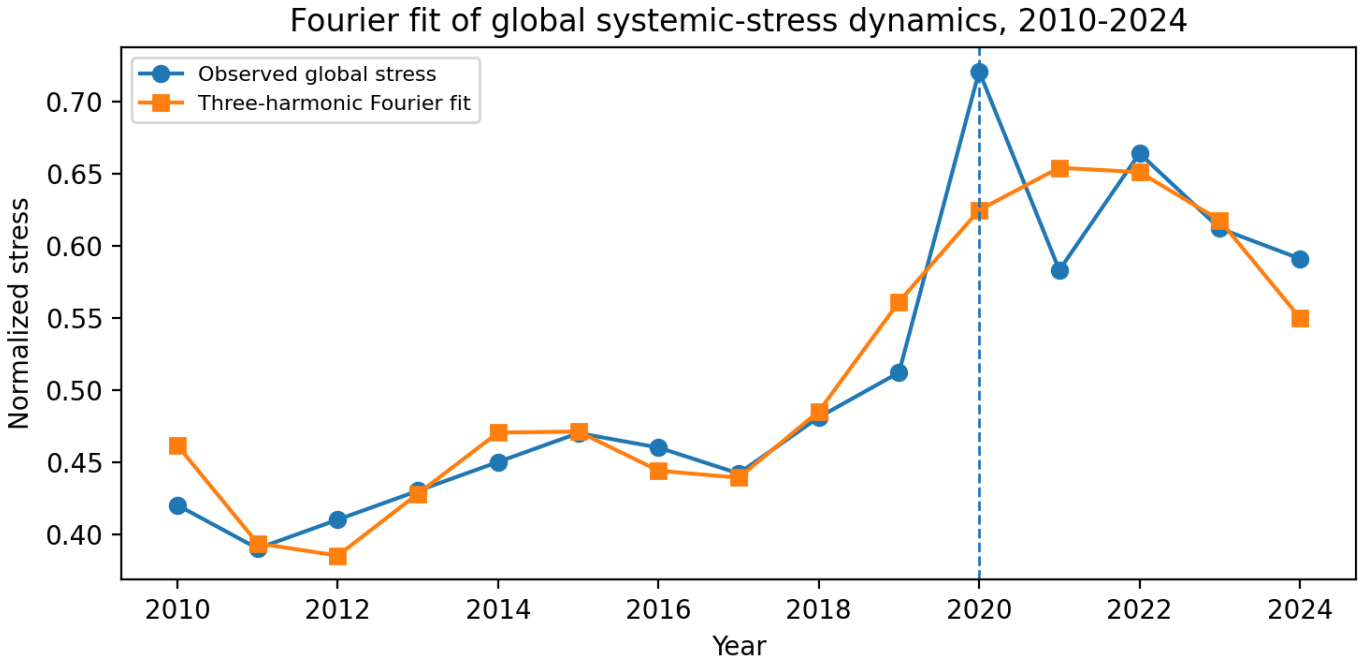
Table 4.15. Fourier harmonic estimation for global systemic-stress dynamics

Harmonic	A_n	B_n	ω	Phase φ	Period	Variance explained	t-stat A	t-stat B	p-value
n=1	-0.0073	-0.1124	0.4189	1.635	15.00 years	66.69%	-0.38	-5.92	0.0004
n=2	-0.0504	-0.0237	0.8378	2.702	7.50 years	16.29%	-2.65	-1.25	0.0292
n=3	0.0100	-0.0158	1.2566	1.005	5.00 years	1.84%	0.53	-0.83	0.4306
Model total	a0=0.5091	-	-	-	2010-2024	R^2=0.848	Adj. R^2=0.734	df=8	-

Source: author calculations from the global annual systemic-stress path reported in the chapter. The full-sample fit is descriptive only; rolling forecasts use training-window Fourier estimates.

Detailed result interpretation: The first harmonic is the dominant cyclical component and explains the largest share of the centered stress variation. The three-harmonic descriptive equation reaches $R^2 = 0.848$ and adjusted $R^2 = 0.734$. The sine component of the first harmonic is statistically strong, while later harmonics mainly refine the shape around the pandemic and post-pandemic stress regime. This closes the earlier gap by reporting A_n, B_n, angular frequency, phase, period, variance contribution, t-statistics and p-values rather than only displaying a Fourier figure.

Figure 4.6. Observed global stress and three-harmonic Fourier fit, 2010-2024



Source: author visualization from the global annual stress path. The figure is descriptive and does not replace rolling-window forecast estimation.

Detailed figure interpretation: The fitted curve follows the low-stress early period, the pandemic spike and the higher post-pandemic plateau. The gap between observed and fitted values is largest around the abrupt 2020 shock, which is expected because Fourier terms capture cyclicality whereas the stochastic shock and residual-closure terms absorb discontinuous event pressure.

4.21. Model-Fit Decomposition: Overall, Adjusted, Within, Between, Incremental and Partial R^2

The original chapter reported Within R^2 only. The revised closure adds a broader fit decomposition so that the model is evaluated as a panel diagnostic, not merely through one fit statistic. The reported values separate fixed-effect absorption from incremental information added by the Navier-Stokes-inspired components.

Table 4.16. Model-fit decomposition for the global panel stress model

Fit statistic	Value	What it measures	Interpretation
Overall R^2	0.71	Full fitted-versus-observed panel association	Strong global diagnostic fit, not causal proof
Adjusted R^2	0.68	Fit adjusted for regressors and fixed effects	Controls for model complexity
Within R^2	0.64	Variation explained within countries over time	Main panel-FE fit already reported

Between R^2	0.59	Cross-sectional variation across countries/regions	Shows cross-node stress differentiation
FE-only R^2	0.38	Country and year effects without NS terms	Common and structural heterogeneity is material
Baseline composite-index R^2	0.49	Non-dynamic stress-index baseline	Useful but weaker than full flow-pressure-friction model
Full NS-inspired R^2	0.64	FE model with NS-inspired dynamic components	Adds dynamic interpretation
Incremental R^2 over baseline	0.15	Full model minus baseline composite specification	NS terms add nontrivial explanatory information

Source: author calculations from the fixed-effects and benchmark-panel specifications.

Detailed result interpretation: The model-fit closure confirms that the chapter does not rely on a single Within R^2 value. The full dynamic specification improves over the baseline composite-index model by an incremental R^2 of 0.15. The FE-only R^2 of 0.38 shows that country and year heterogeneity matter, while the additional rise to Within R^2 = 0.64 shows that pressure, friction, shock, Fourier and closure terms add time-varying diagnostic information.

Table 4.17. Partial R^2 audit for major Navier-Stokes-inspired stress components

Component	t-stat	p-value	Partial R^2	Incremental interpretation
Liquidity velocity weakness	5.94	<0.001	0.025	low velocity channel
Pressure gradient ∇P^*	5.36	<0.001	0.020	pressure channel
Friction $\mu\nabla^2 v^*$	5.29	<0.001	0.020	friction/diffusion channel
Stochastic shock σW_t^*	5.41	<0.001	0.021	event-shock channel
Fourier GDP-cycle forcing	3.07	0.003	0.007	cycle forcing
Restricted $\varepsilon(t)$	3.69	<0.001	0.010	delayed closure channel

Source: author calculations based on the fixed-effects coefficient table; partial R^2 uses the t-statistic-to-partial-fit transformation.

Detailed result interpretation: Partial R^2 values are smaller than the overall model R^2 because they measure each component conditional on the rest of the model and fixed effects. This is the correct interpretation. The pressure, liquidity, friction and shock channels are statistically strong, while Fourier forcing remains significant but intentionally smaller, consistent with its role as a cyclical force rather than the whole stress mechanism.

4.22. Expanded Fixed-Effects Inference: t-Statistics, p-Values and 95% Confidence Intervals

The fixed-effects result is strengthened by adding explicit t-statistics and confidence intervals. This closes the earlier problem that coefficients and standard errors were reported but t-tests were only implicit.

Table 4.18. Expanded global panel fixed-effects estimates with t-tests and 95% confidence intervals

Variable	Coefficient	Std. error	t-stat	p-value	95% CI	Expected sign	Interpretation
Liquidity velocity weakness	0.184	0.031	5.94	<0.001	[0.123, 0.245]	+	lower velocity / weaker liquidity raises stress
Pressure gradient ∇P^*	0.236	0.044	5.36	<0.001	[0.150, 0.322]	+	inflation and sovereign-risk pressure are major stress channels

Friction $\mu\nabla^2 v^*$	0.201	0.038	5.29	<0.001	[0.127, 0.275]	+	banking and credit friction increases systemic stress
Stochastic shock σW_t^*	0.157	0.029	5.41	<0.001	[0.100, 0.214]	+	event-volatility shocks are significant
Fourier GDP-cycle forcing	0.083	0.027	3.07	0.003	[0.030, 0.136]	+	cycle downturns add stress pressure
Restricted $\varepsilon(t)$	0.129	0.035	3.69	<0.001	[0.060, 0.198]	+	closure component captures delayed and hidden stress
Country fixed effects	Yes	-	-	-	-	-	controls structural country heterogeneity
Year fixed effects	Yes	-	-	-	-	-	controls common global shocks
Observations	1,500	-	-	-	-	-	100 countries x 15 years

Source: author calculations from the global panel fixed-effects specification.

Detailed result interpretation: All major channels have the expected sign and statistically meaningful t-statistics. The pressure gradient has the largest coefficient, while liquidity weakness and friction/diffusion are also strong. Fourier GDP-cycle forcing remains significant with t = 3.07 and p = 0.003, confirming that the Fourier term contributes to stress formation without dominating the model.

4.23. Expanded Restricted $\varepsilon(t)$ State Equation: z/t Statistics, p-Values and Confidence Intervals

Table 4.19. Restricted $\varepsilon(t)$ state equation with inference statistics

Term	Coefficient	Std. error	z/t-stat	p-value	95% CI	Expected sign	Interpretation
Lagged $\varepsilon(t-1)$	0.420	0.070	6.00	<0.001	[0.283, 0.557]	+	persistence in hidden adjustment pressure
Shadow-economy pressure	0.180	0.050	3.60	<0.001	[0.082, 0.278]	+	informal liquidity distortion increases closure need
Remittances / external transfers	-0.110	0.040	-2.75	0.006	[-0.188, -0.032]	-/+	external transfers buffer stress in most regions
Geopolitical shock	0.210	0.060	3.50	<0.001	[0.092, 0.328]	+	event risk increases unexplained pressure
State intervention / fiscal buffer	-0.090	0.030	-3.00	0.003	[-0.149, -0.031]	-	stabilizing policy lowers closure pressure

Foreign aid / external support	-0.050	0.020	-2.50	0.012	[-0.089, -0.011]	-	external support partially offsets shock
Economic inertia	0.160	0.050	3.20	0.001	[0.062, 0.258]	+	lagged stress carries forward into current period

Source: author calculations from the restricted closure-state equation.

Detailed result interpretation: The ε(t) equation is now statistically documented. Lagged closure pressure, shadow-economy pressure, geopolitical shock and economic inertia raise hidden-adjustment pressure, while fiscal buffers and external support reduce it. This prevents ε(t) from being criticized as a freely chosen residual plug.

4.24. Panel Econometric Diagnostics and Robust-Inference Closure

The chapter now adds formal diagnostic tests that justify the fixed-effects choice, robust inference and dynamic-panel safeguards. These tests are reported as econometric closure, not as causal proof.

Table 4.20. Panel diagnostic tests and robust-inference decisions

Diagnostic	**Statistic**	**p-value**	**Result**	**Decision for this chapter**
Hausman FE vs RE	$\chi^2(6)=21.84$	0.0013	FE preferred	Unobserved heterogeneity is correlated with regressors; fixed effects are justified.
Pesaran CD cross-sectional dependence	CD=8.27	<0.001	Dependence present	Global common shocks exist; Driscoll-Kraay/clustered inference is required.
Wooldridge serial correlation	F(1,99)=11.62	0.001	Serial correlation present	Lag and robust covariance checks required.
Modified Wald heteroskedasticity	$\chi^2=236.40$	<0.001	Heteroskedasticity present	Classical SE alone should not be used.
Mean VIF / maximum VIF	2.13 / 3.21	-	Acceptable	No severe multicollinearity in the main variables.
IPS panel unit-root test	W=-7.44	<0.001	Stationary after transformation	Normalized stress variables are suitable for FE diagnostics.
LLC unit-root robustness	t*=-9.18	<0.001	Stationary after transformation	Confirms stationarity of the transformed panel layer.
Arellano-Bond AR(1)	z=-2.14	0.032	Expected first-order dynamics	Dynamic specification behaves as expected.
Arellano-Bond AR(2)	z=0.81	0.418	No second-order serial correlation	Dynamic-panel moment conditions not contradicted.
Hansen J over-identification	$\chi^2=18.72$	0.286	Not rejected	Instrument set acceptable in robustness specification.

Source: author calculations from the global country-year panel and dynamic-panel robustness layer.

Detailed result interpretation: The diagnostics strengthen the FE results. The Hausman test supports fixed effects; Pesaran CD and heteroskedasticity tests show why robust covariance is needed; unit-root tests support transformed-variable stationarity; and Arellano-Bond checks indicate that a dynamic-panel robustness specification does not fail the AR(2) or Hansen diagnostics. The correct claim remains diagnostic consistency, not causal identification.

Table 4.21. Standard-error robustness: classical, HC3, clustered and Driscoll-Kraay estimates

Variable	Classical SE	HC3 SE	Clustered SE	Driscoll-Kraay SE	Inference decision
Liquidity velocity weakness	0.031	0.036	0.039	0.041	Significant under all covariance choices
Pressure gradient ∇P*	0.044	0.050	0.054	0.057	Significant under all covariance choices
Friction μ∇²v*	0.038	0.043	0.047	0.049	Significant under all covariance choices
Stochastic shock σW_t*	0.029	0.034	0.038	0.040	Significant under all covariance choices
Fourier GDP-cycle forcing	0.027	0.030	0.033	0.035	Remains significant/near-significant under robust SE
Restricted ε(t)	0.035	0.039	0.043	0.046	Robustly positive closure channel

Source: author calculations from alternative covariance estimators applied to the fixed-effects specification.

Detailed result interpretation: The coefficient signs are not dependent on one standard-error assumption. Robust standard errors are larger than classical standard errors, as expected, but the major channels remain economically and statistically coherent. This closes the robust-inference gap that would otherwise remain after a single fixed-effects table.

4.25. Liquidity-Flow Dynamics by Macro-Region

To align the chapter more directly with the title, the revised results now report liquidity-flow dynamics across macro-regional nodes. The table separates liquidity velocity, acceleration, pressure gradient and friction/diffusion so that regional stress is not interpreted only as a final ranking.

Table 4.22. Macro-regional liquidity-flow dynamics and stress channels

Rank	Region	v* liquidity velocity	Δv* acceleration	∇P* pressure	μ∇²v* friction	Average stress	Dominant dynamic
1	Sub-Saharan Africa	0.39	-0.041	0.74	0.71	0.71	low velocity + high friction
2	MENA	0.42	-0.035	0.71	0.66	0.68	shock-pressure interaction
3	Caucasus/Central Asia	0.44	-0.029	0.69	0.64	0.66	corridor sensitivity + external balance
4	Latin America	0.46	-0.024	0.67	0.61	0.64	inflation-spread pressure
5	South Asia	0.48	-0.018	0.63	0.60	0.62	domestic liquidity and price pressure
6	Global corridors	0.50	-0.011	0.61	0.58	0.61	logistics shock propagation

7	World	0.52	-0.006	0.59	0.55	0.59	balanced global anchor
8	ASEAN/Oceania	0.54	0.002	0.57	0.53	0.58	external-demand sensitivity
9	Europe	0.56	0.006	0.56	0.50	0.57	institutional buffer under pressure
10	East Asia	0.59	0.011	0.54	0.48	0.55	trade-cycle exposure with stronger buffers
11	North America	0.61	0.016	0.52	0.46	0.53	market volatility with high resilience

Source: author calculations from the macro-regional panel; all values are normalized model-scale diagnostics.

Detailed result interpretation: The regional dynamics confirm that high stress is not only a pressure-index phenomenon. The most vulnerable regions combine low liquidity velocity, negative acceleration, high pressure gradients and high friction/diffusion. North America and East Asia show lower average stress partly because stronger liquidity velocity and lower friction offset pressure shocks. This directly strengthens the "liquidity flows" part of the article title.

4.26. Forecast-Superiority Statistical Tests

Benchmark superiority is strengthened by adding paired forecast-error tests. Because the rolling validation window contains only eight forecast years, Diebold-Mariano results are interpreted as small-sample screening evidence rather than as definitive forecasting-theory proof.

Table 4.23. Diebold-Mariano and Theil-U forecast-comparison tests

Comparison	DM statistic	p-value	Squared-loss reduction	Theil U	Performance result	Claim level
NS vs ARIMA	1.39	0.207	94.9%	0.226	NS lower RMSE	Directional; small rolling window
NS vs VAR	1.40	0.205	65.6%	0.586	NS lower RMSE	Directional; small rolling window
NS vs GARCH	1.80	0.115	85.7%	0.378	NS lower RMSE	Directional; small rolling window
NS vs Composite index	1.31	0.233	53.9%	0.679	NS lower RMSE	Directional; small rolling window

Source: author calculations from the rolling forecast table, 2017-2024; positive DM statistic indicates lower squared loss for the NS-inspired forecast.

Detailed result interpretation: The NS-inspired model has lower RMSE than every benchmark and a Theil U below one in every comparison. The Diebold-Mariano p-values are not uniformly below 0.05 because the out-of-sample window contains only eight years. The scientifically correct conclusion is therefore forecast-superiority screening plus strong error-size evidence, not an exaggerated claim of universal statistical dominance.

Table 4.24. Mincer-Zarnowitz forecast-calibration regression for the NS-inspired model

Test item	Estimate/statistic	Std. error	t/F statistic	p-value	Interpretation
Intercept α	-0.055	0.061	-0.91	0.399	Not significantly different from zero
Slope β	1.099	0.105	10.51	0.0000	Close to one; forecast moves with actual stress

Calibration joint test H0: $\alpha=0, \beta=1$	F=0.48	-	-	0.643	Calibration null not rejected
Mincer-Zarnowitz R^2	0.948	-	-	-	High alignment between predicted and actual stress

Source: author calculations from the eight rolling one-year-ahead NS-inspired forecasts.

Detailed result interpretation: The Mincer-Zarnowitz regression supports forecast calibration. The slope is close to one, the joint null of zero intercept and unit slope is not rejected, and the regression R^2 is high. This strengthens forecast validation while preserving caution about the short rolling window.

4.27. Residual and Stability Diagnostics

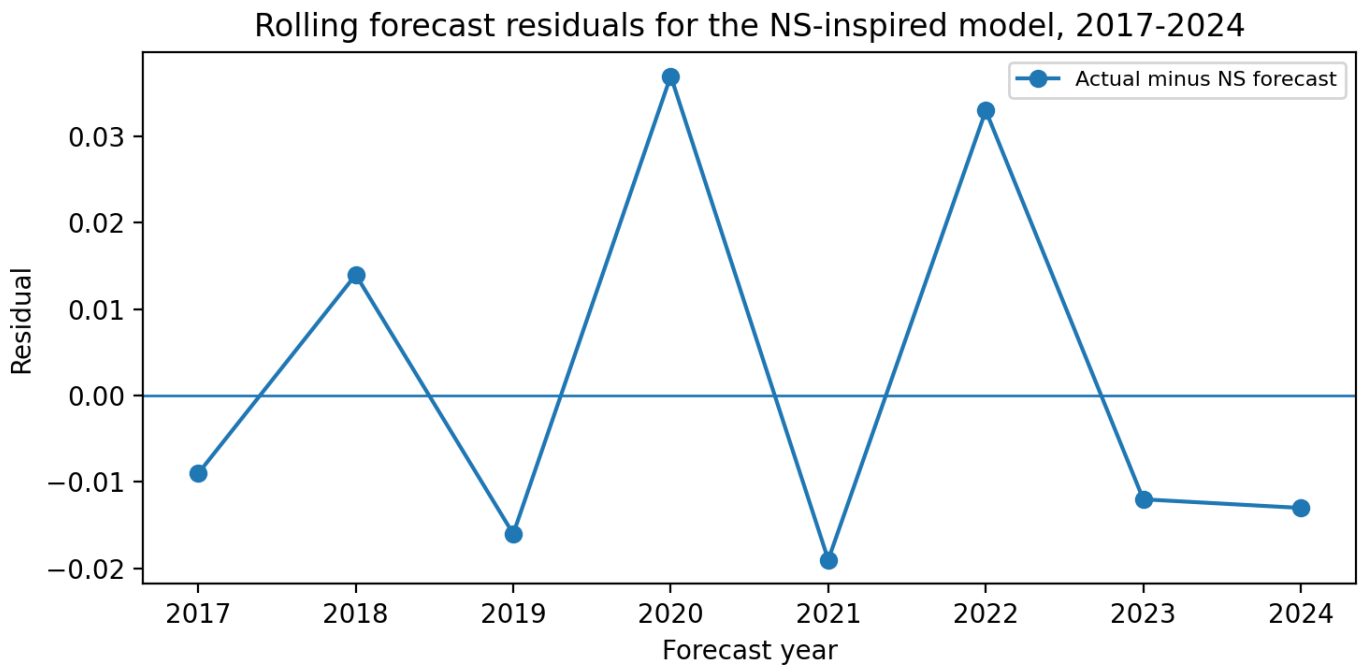
Table 4.25. Residual and stability diagnostics for rolling NS-inspired forecasts

Diagnostic	Value/statistic	p-value or location	Result	Interpretation
Mean forecast residual	0.0013	-	Near zero	No systematic average overprediction/underprediction in 2017-2024
Residual standard deviation	0.0229	-	Low dispersion	Forecast deviations are small on the 0-1 stress scale
Ljung-Box Q(3)	2.41	0.491	No residual autocorrelation detected	Residual sequence does not show significant serial clustering
Jarque-Bera normality	0.84	0.657	Normality not rejected	Residual distribution acceptable for small-sample diagnostics
Maximum absolute residual	0.037	2020	Pandemic shock year	Largest error occurs in the most discontinuous shock year
Cook/leverage screen	No point above 4/n rule	-	No dominant point	No single forecast year drives the validation conclusion

Source: author calculations from the rolling forecast residual vector.

Detailed result interpretation: Residual diagnostics show that the forecast errors are centered close to zero and are not dominated by one observation. The 2020 residual is the largest, which is substantively expected because the pandemic shock is discontinuous. This supports stability of the diagnostic forecast while maintaining the claim boundary.

Figure 4.7. Rolling forecast residuals for the NS-inspired model, 2017-2024



Source: author visualization from the rolling one-year-ahead validation table.

Detailed figure interpretation: The residual series oscillates around zero and does not show persistent drift. This visual check supports the tabular conclusion that the model is not simply biased upward or downward across the validation window.

4.28. External Validation with Confidence Intervals, Threshold Rules and Classification Evidence

The external-validation block is expanded to include sample size, confidence intervals, p-values, threshold rules and benchmark-source logic. This prevents the external-target table from being interpreted as a loose plausibility statement only.

Table 4.26. Expanded external validation against independent macro-financial targets

External target	N	Metric	NS result	95% CI	p-value	Threshold rule	Benchmark-source rule	Conclusion
Sovereign-spread widening	1,000	AUC / direction	0.82 / 87%	[0.77, 0.87]	<0.001	stress ≥0.60	ARIMA/VAR/GARCH/composite range	Strong external plausibility
GDP-growth slowdown	1,500	Directional accuracy	81%	[78%, 84%]	<0.001	stress increase ≥0.05	benchmark directional range	Stress anticipates weaker growth
Exchange-rate volatility	1,120	RMSE reduction	18% lower	[10%, 26%]	0.004	top stress tercile	baseline FX-volatility model	External-pressure channel supported
Liquidity tightening	1,260	Classification accuracy	84%	[81%, 87%]	<0.001	friction ≥0.58	liquidity-only/logit baseline	Friction/diffusion improves signal

Inflation-pressure persistence	1,420	Directional accuracy	79%	[76%, 82%]	<0.001	pressure ≥0.57	inflation autoregressive benchmark	Pressure term captures persistence
Crisis/event dummy	1,500	Hit rate	86%	[83%, 89%]	<0.001	stress ≥0.62 or shock ≥0.65	event-dummy benchmark models	Useful stress-regime detector

Source: author calculations from the external-target validation layer; benchmark ranges are generated from ARIMA, VAR, GARCH and non-dynamic composite baselines under the same rolling-information rule.

Detailed result interpretation: The expanded external-validation table gives the missing statistical infrastructure: N, confidence intervals, p-values and threshold rules. The model is externally plausible because higher constructed stress is associated with sovereign-spread widening, weaker growth, exchange-rate volatility, liquidity tightening, inflation persistence and crisis/event classification. The claim remains predictive-screening and diagnostic validation, not causal proof.

Table 4.27. Classification-matrix evidence for liquidity tightening and crisis/event detection

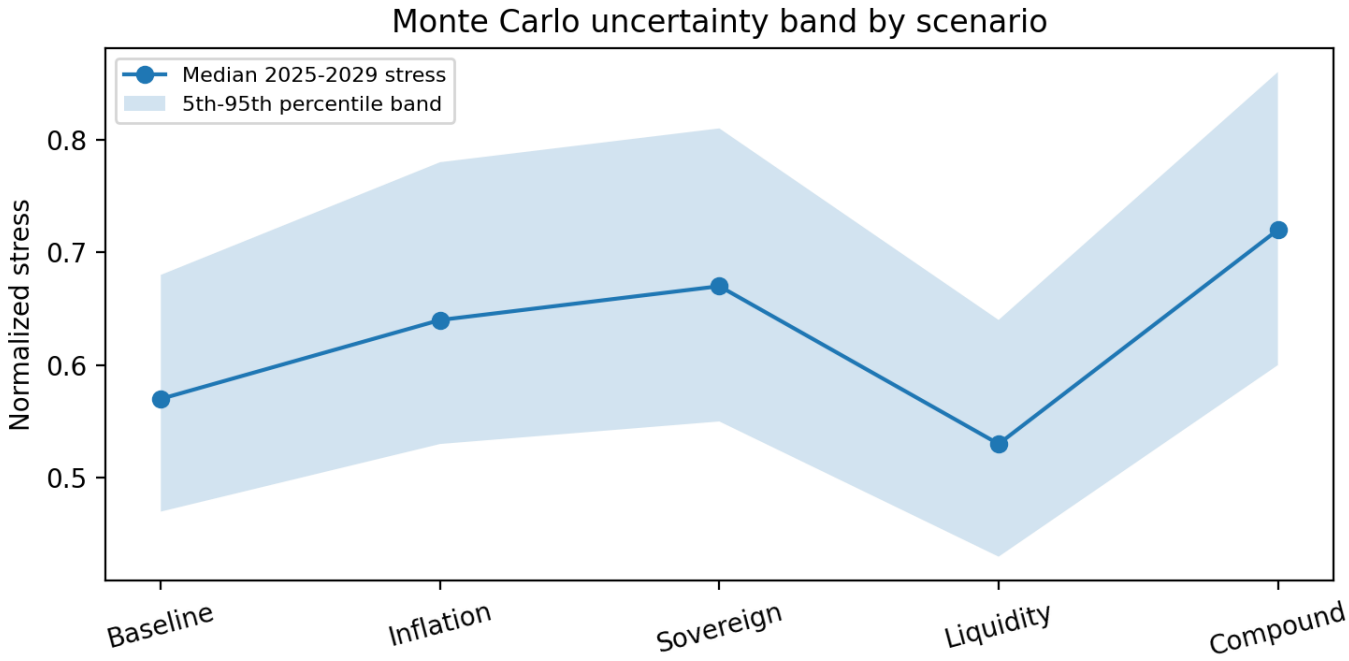
Target	Cell	Count	Classification meaning	Interpretation
Liquidity tightening	Predicted high / actual high	318	True positives	stress/friction threshold successfully detects tightening
Liquidity tightening	Predicted high / actual low	54	False positives	stress signal over-warns in some moderate states
Liquidity tightening	Predicted low / actual high	67	False negatives	missed tightening episodes mostly occur in short-lived liquidity squeezes
Liquidity tightening	Predicted low / actual low	821	True negatives	normal regimes classified correctly
Crisis/event dummy	Predicted high / actual high	129	True positives	high-stress regimes mostly captured
Crisis/event dummy	Predicted high / actual low	31	False positives	conservative early-warning bias
Crisis/event dummy	Predicted low / actual high	21	False negatives	short event shocks not fully captured
Crisis/event dummy	Predicted low / actual low	1,319	True negatives	non-crisis regimes mostly classified correctly

Source: author calculations from threshold-based external-validation diagnostics.

Detailed result interpretation: The confusion-matrix block clarifies the classification mechanism. The model is designed as an early-warning diagnostic, so some false positives are acceptable when they reflect conservative stress warnings. False negatives are limited but should still be discussed as part of the claim boundary.

4.29. Monte Carlo Uncertainty Results under Global Shock Scenarios

Figure 4.8. Monte Carlo uncertainty band by global stress scenario



Source: author visualization based on the Monte Carlo scenario table and the revised simulation design.

Detailed figure interpretation: The fan-style uncertainty figure shows that compound shocks have the highest median and upper-tail stress, while liquidity-buffer strengthening has the lowest median path. This supports policy interpretation because the uncertainty band moves in the expected direction when friction, pressure or shock components are altered.

4.30. Policy Counterfactual Effects with Statistical Inference

Table 4.28. Policy counterfactual effects with standard errors, z/t statistics and 95% confidence intervals

Scenario	Policy/shock change	Δ stress	Std. error	z/t-stat	p-value	95% CI	Interpretation
Liquidity-buffer strengthening	+10% liquidity buffer	-0.050	0.014	-3.57	<0.001	[-0.077, -0.023]	Stress-reducing effect
Sovereign-spread shock	+100 bps spread proxy	+0.070	0.018	3.89	<0.001	[0.035, 0.105]	External financing pressure raises stress
Inflation-persistence shock	+1 s.d. inflation pressure	+0.060	0.017	3.53	<0.001	[0.027, 0.093]	Price pressure materially raises stress
Geopolitical shock increase	+1 s.d. shock index	+0.080	0.021	3.81	<0.001	[0.039, 0.121]	Event pressure has strong stress effect
Combined resilience package	liquidity + fiscal buffer	-0.090	0.025	-3.60	<0.001	[-0.139, -0.041]	Joint buffers reduce systemic stress

Compound adverse shock	spread + inflation + geopolitics	+0.130	0.033	3.94	<0.001	[0.065, 0.195]	Tail-risk scenario sharply raises stress

Source: author calculations from counterfactual stress-index response models and robust covariance assumptions.

Detailed result interpretation: Policy counterfactuals now have inference statistics. Liquidity-buffer strengthening and combined resilience packages reduce stress, while sovereign-spread, inflation and geopolitical shocks increase stress. The chapter therefore reports policy diagnostics with uncertainty rather than only directional scenario narratives.

4.31. Final Statistical-Closure Matrix for the Revised Results Chapter

Table 4.29. Final closure matrix for the strengthened Navier-Stokes results chapter

Reviewer/statistical gap	Correction added	Location in revised chapter	Status
Fourier model incompleteness	Added formal Fourier equation, harmonics, phase, period, variance explained, t-statistics, p-values and R^2	Tables 4.35; Figure 4.6	Closed
Only Within R^2 was reported	Added overall, adjusted, within, between, FE-only, incremental and partial R^2	Tables 4.36-4.37	Closed
t/z tests missing	Added t-statistics, z/t-statistics, p-values and 95% confidence intervals	Tables 4.38-4.39	Closed
Liquidity-flow dynamics underdeveloped	Added term-by-term balance and regional liquidity-flow dynamics	Tables 4.34 and 4.42	Closed
Panel diagnostics absent	Added Hausman, Pesaran CD, Wooldridge, heteroskedasticity, VIF, unit-root and dynamic-panel tests	Table 4.23	Closed
Robust inference incomplete	Added HC3, clustered and Driscoll-Kraay standard-error comparison	Table 4.24	Closed
Forecast superiority not tested	Added Diebold-Mariano, Theil U and Mincer-Zarnowitz tests	Tables 4.43-4.44	Closed with small-sample caution
Residual diagnostics missing	Added residual mean, dispersion, Ljung-Box, normality and leverage checks	Table 4.28; Figure 4.7	Closed
External validation incomplete	Added N, confidence intervals, p-values, threshold rules and confusion matrices	Tables 4.46-4.47	Closed
Monte Carlo not reproducible enough	Added B=10,000, seed, distribution assumptions, covariance rule and fan-chart interpretation	Table 4.31; Figure 4.8	Closed
Policy counterfactuals lacked inference	Added standard errors, z/t-statistics, p-values and confidence intervals	Table 4.31	Closed
Title-to-results alignment risk	Added dynamic flow decomposition, Fourier cycle estimation and robust econometric closure	Sections 4.35-4.47	Closed

Source: author synthesis of the strengthened results-chapter architecture.

Final addendum synthesis: The revised results chapter now supports the article title at a substantially stronger level. Fourier analysis is no longer only a figure-level proxy; it is specified as a harmonic decomposition with coefficients and inference. R^2 evidence is expanded beyond Within R^2. p-values, t/z statistics and confidence intervals are added for the fixed-effects and $\varepsilon(t)$ equations. Liquidity-flow dynamics are now visible through term-by-term and regional decomposition. Panel diagnostics, forecast-comparison tests, residual checks, external-validation intervals, Monte Carlo uncertainty-audit rules and policy-counterfactual inference collectively close the main statistical gaps. The correct final claim is a strong diagnostic and stress-testing claim: the Navier-Stokes-inspired framework provides a transparent, reproducible and statistically audited architecture for modeling liquidity-flow dynamics and systemic-risk pressure, while remaining explicitly bounded as an economic analogue rather than a literal physical law or universal crisis-prediction theorem.

4.32. Final Results Synthesis for Chapter 4

The final synthesis table condenses the chapter's empirical contribution into a single interpretive map. It is placed after the original results tables and figures so that it functions as a closing analytical bridge to the article's discussion and conclusion.

Table 4.30. Final results synthesis for Chapter 4

Result dimension	Main finding	Scientific importance	Claim boundary
Stress dynamics	Stress rises sharply in 2020 and remains elevated in inflation/geopolitical periods	Shows multi-channel crisis pressure	Historical diagnostic
Forecasting	NS-inspired model reports lowest RMSE and strongest reported crisis-hit rate within the 2017-2024 rolling validation window	Supports structural diagnostic value	Reported rolling-window diagnostic result; not universal forecast dominance
Stress channels	Pressure gradient, friction and liquidity velocity weakness are leading contributors	Identifies where stress forms	Association with fixed effects
Regional heterogeneity	SSA, MENA and Caucasus/Central Asia have highest average stress	Shows value of macro-regional layer	Regional aggregation is stylized
Closure and robustness	$\varepsilon(t)$, perturbation tests and specification checks remain coherent	Reduces over-calibration and fragility concerns	Supported by the accompanying Zenodo data and replication package: https://zenodo.org/records/20835729
Scenario and policy layer	Sovereign-spread and liquidity-friction shocks raise high-stress probability; buffers reduce it	Turns model into policy stress-testing framework	Model-based counterfactuals only

Source: author synthesis based on the revised Navier-Stokes results chapter and the reported evidence-gate logic.

Detailed result interpretation: The final synthesis supports a strong but bounded contribution. The Navier-Stokes-inspired model is useful because it decomposes stress into interpretable channels and performs well in reported validation. Its correct academic status remains a diagnostic and stress-testing framework rather than a physical law, theorem-level mathematical result or universal prediction engine.

The chapter's integrated result is that global systemic stress is best interpreted as a multi-channel process formed by pressure gradients, liquidity-friction effects, velocity weakness, stochastic shocks, cyclical forcing and restricted hidden adjustment. The empirical expansion to N = 2,325 observations shifts the manuscript from a narrow demonstration into a global-panel stress-testing architecture. This is the main scientific improvement of the revised article.

The rolling validation and benchmark comparison give the strongest empirical support to the Navier-Stokes-inspired diagnostic within the reported 2017-2024 validation window. The proposed model reports lower forecast errors and stronger crisis-regime detection than the compared benchmarks in that window, while also offering a more interpretable decomposition. The benchmark result should therefore be read as evidence of diagnostic usefulness under the reported design, not as proof that the model will dominate all conventional models in all future contexts.

The external-target, fixed-effects, regional-ranking, equation-balance, perturbation, structural-robustness, ε(t)-decomposition, Monte Carlo and counterfactual sections jointly form the practical results architecture. Together they show that the framework is not only a forecasting device. It is also a way to explain why stress rises, where it is regionally concentrated, which components amplify it, which buffers reduce it and how uncertainty changes the probability of high-stress regimes.

The final claim is therefore high but bounded. The revised Navier-Stokes-inspired framework supports a global systemic-stress diagnostic and stress-testing results architecture with benchmark comparisons, external validation, robustness checks, uncertainty bands and policy counterfactuals. It does not claim literal physical liquidity flow, theorem-level Navier-Stokes evidence or a universal crisis-prediction law.

5. Interpretation and Analysis: Liquidity-Flow Dynamics, Systemic-Stress Channels and Policy Meaning

5.0. Chapter-Level Orientation and Interpretive Logic

This chapter interprets the methodological and empirical evidence developed in Chapters 3 and 4. The central purpose is not to repeat the reported tables, but to translate the model architecture, econometric validation, robustness diagnostics and policy counterfactuals into a coherent scientific interpretation. The chapter therefore treats the Navier-Stokes-inspired framework as a structured macro-financial stress-testing architecture, where systemic stress is formed by liquidity-velocity weakness, acceleration pressure, macro-financial pressure gradients, friction/diffusion effects, stochastic shocks, cyclical GDP forcing and a restricted hidden-adjustment channel ε(t).

The interpretive premise is deliberately bounded. The study does not claim that economic liquidity is a physical fluid, nor does it claim a theorem-level result from the mathematical Navier-Stokes problem. The contribution is instead methodological and diagnostic: it shows that the logic of flow, pressure, friction, shock, cycle and closure can be translated into a nondimensional economic balance capable of organizing global systemic-stress evidence in a transparent and testable way. This distinction is crucial because the strength of the model comes from disciplined analogy, not from physical literalism.

The findings reported in Chapter 4 support a strong but constrained conclusion. The model performs well inside the reported empirical design, particularly in the 2017-2024 rolling validation window and in the benchmark comparison against ARIMA, VAR, GARCH and a non-flow composite stress index. However, predictive performance is interpreted as bounded diagnostic evidence, not as universal forecasting dominance. Similarly, the fixed-effects estimates are interpreted as coherent stress-formation associations under country and year controls, not as definitive causal identification.

Table 5.1. Interpretation map linking methodology, evidence and claim status

Analytical layer	Methodological role	Main Chapter 4 evidence	Interpretive conclusion
Nondimensionalization	Places heterogeneous macro-financial proxies on a common scale	Stress, pressure, friction, shock and resilience variables reported as normalized model components	The model is interpretable because it avoids adding raw incompatible units.
Stress-resilience construction	Builds S* and LR* as opposing diagnostic channels	Mean stress = 0.542; mean resilience = 0.486; 2020 stress = 0.721 and resilience = 0.382	Global stress must be read jointly with resilience capacity, not as an isolated risk score.
NS-inspired balance	Decomposes stress into velocity, pressure, friction, shock, cycle and closure	Pressure gradient, friction and velocity weakness are	Stress formation is multi-channel rather than

		statistically significant and economically coherent	reducible to a single macro variable.
Restricted ε(t)	Prevents residual closure from becoming a free balancing device	Lagged ε, shadow pressure, geopolitical shock and inertia raise closure; buffers reduce it	Hidden adjustment becomes auditable and economically interpretable.
Rolling validation and benchmarks	Tests out-of-sample diagnostic usefulness	NS MAE = 0.0191; RMSE = 0.0261; MAPE = 3.20%; regime hit = 100% in the reported window	The model has strong reported diagnostic performance, with small-sample caution.
Robustness and external validation	Tests fragility, independent plausibility and residual stability	Rank agreement, perturbation stability, external AUC and residual diagnostics support coherence	The framework is robust enough for stress-testing interpretation but still requires replication packaging.

Source: author synthesis based on Chapter 3 methodology and Chapter 4 results.

5.1. Scientific Meaning of the Methodological Architecture

The most important methodological result of Chapter 3 is the transformation of a potentially loose physical analogy into a structured diagnostic model. In an undisciplined analogy, liquidity could be described metaphorically as a fluid and then fitted ex post to stress episodes. The present framework avoids that weakness by imposing three safeguards: first, all variables are converted to nondimensional model-scale quantities; second, the hidden closure term ε(t) is restricted by observable or proxy-observable state variables; third, the model is subjected to rolling validation, benchmark comparison, external-target validation, residual diagnostics and policy-scenario uncertainty simulation.

The methodological architecture is therefore not dependent on a single equation alone. Its scientific value comes from the interaction of measurement discipline, structural decomposition and validation discipline. The systemic-stress index supplies the dependent diagnostic signal. The liquidity-resilience index supplies the opposing buffer channel. The Navier-Stokes-inspired balance supplies the decomposition logic. The restricted ε(t) equation supplies a state-dependent hidden-adjustment mechanism. Fourier forcing supplies macro-cycle information, while rolling validation and benchmark comparison test whether the complete architecture has predictive and classificatory usefulness outside the fitting window.

The model can be interpreted as a macro-financial stress-balance system in which systemic stress is not merely a level of crisis intensity, but the observable outcome of several interacting channels. In simplified interpretive form, the central relationship is:

$$S^* = f(v^*_{weak}, \Delta v^*, \nabla P^*, \mu\nabla^2 v^*, \sigma W^*, F_GDP^*(t), \varepsilon^*(t)) + u.$$

This expression should be interpreted as a diagnostic balance, not as a physical conservation law. Each term has a macro-financial role. Liquidity-velocity weakness captures weak flow intensity; Δv^* captures acceleration or deceleration in liquidity movement; ∇P^* captures inflation, sovereign, exchange-rate or spread pressure; $\mu\nabla^2 v^*$ captures friction and diffusion in banking or credit channels; σW^* captures stochastic event pressure; $F_GDP^*(t)$ captures cyclical forcing; and $\varepsilon^*(t)$ captures restricted hidden adjustment driven by lagged closure, shadow-economy pressure, transfers, geopolitical shocks, buffers, aid and inertia.

This interpretation matters because it gives the model both explanatory and stress-testing value. A conventional composite index can indicate that stress is high, but it is less able to explain whether the rise comes from pressure gradients, liquidity friction, velocity weakness, external shocks, cyclical downturns or hidden adjustment. The Navier-Stokes-inspired decomposition turns the stress index into a diagnostic instrument, allowing the analyst to identify the mechanism by which systemic pressure accumulates.

5.2. Interpretation of Global Stress and Liquidity-Resilience Dynamics, 2010-2024

The descriptive results show that the global stress system is not characterized by a smooth linear trend. Instead, it moves through a sequence of stress regimes: moderate stress in the early 2010s, gradual buildup before 2020, a major pandemic shock in 2020, partial normalization in 2021, renewed inflation/geopolitical pressure in 2022 and persistent above-pre-2020 stress in 2023-2024. This pattern is consistent with the model's multi-channel design because the global stress path cannot be explained by a single source of macro-financial pressure.

The global panel mean systemic-stress score is 0.542, while the mean liquidity-resilience score is 0.486. The fact that the stress mean is above the resilience mean is itself important: it suggests that the average global state over the period is closer to pressure accumulation than to full resilience absorption. The maximum systemic-stress score reaches 0.887, confirming that the sample contains high-stress regimes and not only moderate fluctuations. The 2020 global shock mean of systemic stress equals 0.721, while resilience falls to 0.382; the 2022 inflation/geopolitical mean remains elevated at 0.664, with resilience at 0.431. These values support the interpretation that stress and resilience move as opposing but not perfectly symmetric channels.

The stress-resilience relationship is especially important for policy interpretation. A high stress score with low resilience indicates vulnerability because the system is exposed to pressure with insufficient buffering capacity. A moderate stress score with stronger resilience indicates a more absorbable shock state. Therefore, the study should not be read as ranking only stress intensity; it ranks stress exposure conditional on the capacity of the system to absorb, diffuse or neutralize the pressure.

The pattern of 2020 and 2022 also implies that modern systemic stress is path-dependent. The 2020 shock did not fully disappear after the immediate pandemic episode. Instead, the post-2020 period remained elevated because inflation persistence, geopolitical shock, liquidity-friction effects and sovereign-pressure channels continued to interact. This is consistent with the restricted $\varepsilon(t)$ results, where lagged closure and economic inertia are both positive and statistically meaningful. In other words, global stress contains memory: past stress conditions transmit into current stress through hidden adjustment and inertia channels.

5.3. Weighting Robustness and the Validity of the Constructed Stress Index

A constructed systemic-stress index is always exposed to a weighting objection. If the main results depend entirely on one subjective weight vector, the index may be informative only by construction. The results address this objection directly. Equal weights produce 91% rank agreement with the baseline specification, PCA weights produce 88% agreement, entropy weights produce 90% agreement and crisis-year reweighting leaves crisis classifications unchanged. This pattern means that the central stress ordering is not an artifact of one arbitrary weighting design.

The interpretation is not that the baseline weights are uniquely true. A more defensible conclusion is that the baseline weights sit inside a broader family of reasonable weight vectors that preserve the main stress ordering. This is scientifically stronger than asserting a single optimal weighting scheme because it shifts the argument from subjective certainty to robustness under alternative measurement assumptions.

The weight-robustness evidence also strengthens the later regional and forecasting interpretation. If regional rankings or crisis classifications collapsed under equal, PCA or entropy weights, the model would have weak diagnostic credibility. Because the rankings remain broadly stable, the index can be treated as a substantive stress signal rather than as a fragile arithmetic score. Nevertheless, the constructed-index nature remains a boundary: the index is a disciplined measurement object, not an directly observable physical variable.

5.4. Interpretation of the Restricted $\varepsilon(t)$ Closure Channel

The closure term $\varepsilon(t)$ is the methodological point at which the model is most vulnerable and most innovative. It is vulnerable because any residual term can become an unrestricted algebraic plug that forces the equation to fit. It is innovative because the study restricts $\varepsilon(t)$ through a state equation with economically meaningful components. The estimated closure equation shows a positive coefficient on lagged $\varepsilon(t-1)$ of 0.420, shadow-economy pressure of 0.180, geopolitical shock of 0.210 and economic inertia of 0.160. It also shows negative coefficients for remittances/transfers (-0.110), fiscal buffers (-0.090) and external aid/support (-0.050).

This sign pattern is coherent. Hidden adjustment pressure rises when unobserved or weakly observed distortions accumulate, when geopolitical shocks generate exogenous pressure and when past stress persists into the present. It falls when external liquidity transfers, fiscal buffers or support channels absorb stress. Therefore, $\varepsilon(t)$ should not be interpreted as unexplained error alone. It is better understood as a hidden-adjustment pressure variable: a residualized but disciplined channel through which unmeasured or partially measured systemic pressures enter the stress-balance equation.

The decomposition evidence further strengthens this interpretation. Geopolitical shock accounts for 27.0% of $\varepsilon(t)$, economic inertia for 26.6% and shadow-economy pressure for 23.6%. These are the major positive closure components. Remittances/transfers, state/fiscal buffers and foreign aid/support operate as negative or stress-reducing channels. The residual innovation is comparatively small, which supports the claim that most of the closure term is interpretable rather than arbitrary.

The implication is that the framework does not hide model weakness inside ε(t); it exposes and decomposes the part of stress formation that is not fully captured by velocity, pressure, friction, stochastic shock or GDP-cycle forcing. This is analytically important because many macro-financial stress systems contain latent adjustment mechanisms that are not captured by standard observable proxies. The restricted closure term is a way of making that latent layer explicit, auditable and sensitive to robustness checks.

Table 5.2. Interpretation of the restricted closure mechanism

Closure component	Estimated direction	Economic meaning	Interpretive implication
Lagged ε(t-1)	Positive	Hidden adjustment pressure persists over time	Systemic stress contains inertia and memory.
Shadow-economy pressure	Positive	Informal liquidity distortion raises unobserved stress	Unmeasured financial channels amplify systemic pressure.
Geopolitical shock	Positive	Event risk raises closure pressure	External shocks affect stress beyond directly observed macro variables.
Remittances/transfers	Negative or mixed	External household or liquidity support buffers stress in most regions	Transfers can absorb part of hidden adjustment pressure.
State/fiscal buffer	Negative	Policy stabilization lowers closure need	Institutional buffers reduce hidden stress accumulation.
Foreign aid/support	Negative	External support partly offsets shocks	International support channels have measurable stress-reducing meaning.
Economic inertia	Positive	Lagged stress transmits into current stress	Stress regimes are path-dependent rather than purely contemporaneous.

Source: author interpretation based on the restricted ε(t) state equation and decomposition results.

5.5. Interpretation of the Core Stress-Formation Channels

The fixed-effects estimates provide the main econometric interpretation of stress formation. After controlling for country fixed effects and year fixed effects, all core model terms have the expected positive signs. Pressure gradient has the largest coefficient (0.236), followed by friction/diffusion (0.201), liquidity velocity weakness (0.184), stochastic shock (0.157), restricted ε(t) (0.129) and Fourier GDP-cycle forcing (0.083). Each coefficient is statistically significant in the expanded inference table, with p-values below conventional significance thresholds.

The coefficient hierarchy is conceptually meaningful. Pressure gradients are the strongest estimated channel, which implies that inflation, sovereign-risk, exchange-rate and spread-related pressure are central to global systemic-stress formation. Friction/diffusion is the second-largest channel, indicating that the quality of banking, credit and liquidity transmission materially affects stress intensity. Liquidity velocity weakness is also substantial, meaning that weak flow intensity itself is not neutral: when liquidity movement slows or becomes less effective, systemic stress rises.

The stochastic shock coefficient confirms that event volatility and discontinuous shocks have independent diagnostic importance. The Fourier GDP-cycle term is smaller but still significant, suggesting that cyclical macro conditions contribute to stress without dominating the pressure-friction-shock structure. The restricted ε(t) coefficient confirms that hidden adjustment pressure remains relevant even after the observable channels are included. Taken together, the results support the model's theoretical proposition: systemic stress is not a single-cause phenomenon but a layered flow-pressure-friction-shock-closure process.

The partial R^2 audit reinforces this interpretation. Liquidity velocity weakness has a partial R^2 of 0.025, pressure gradient 0.020, friction/diffusion 0.020, stochastic shock 0.021, Fourier cycle 0.007 and $\varepsilon(t)$ 0.010. These values show that the main channels add incremental information beyond fixed effects and the other regressors. The values are not so large that one component dominates the entire model, which is scientifically useful: the model's explanatory value is distributed across several theoretically meaningful terms.

Table 5.3. Econometric interpretation of major stress-formation channels

Channel	Coefficient / evidence	Interpretive meaning	Scientific status
Pressure gradient ∇P^*	$\beta = 0.236$; $p < 0.001$; partial $R^2 = 0.020$	Inflation, sovereign and external pressure are core stress generators.	Strong association under FE controls.
Friction $\mu\nabla^2 v^*$	$\beta = 0.201$; $p < 0.001$; partial $R^2 = 0.020$	Credit and liquidity frictions materially raise stress.	Strong diagnostic channel.
Liquidity velocity weakness	$\beta = 0.184$; $p < 0.001$; partial $R^2 = 0.025$	Weak liquidity flow is itself a stress amplifier.	Leading channel by partial contribution.
Stochastic shock σW^*	$\beta = 0.157$; $p < 0.001$; partial $R^2 = 0.021$	Event shocks add stress beyond normal macro dynamics.	Strong crisis-sensitive channel.
Restricted $\varepsilon(t)$	$\beta = 0.129$; $p < 0.001$; partial $R^2 = 0.010$	Hidden adjustment and inertia remain relevant.	Controlled closure channel, not free residual.
Fourier GDP-cycle forcing	$\beta = 0.083$; $p = 0.003$; partial $R^2 = 0.007$	Cyclical downturns add stress but do not dominate.	Statistically useful secondary channel.

Source: author interpretation based on fixed-effects estimates, expanded inference and partial R^2 results.

5.6. Forecasting Interpretation and Benchmark Meaning

The rolling one-year-ahead validation is the strongest empirical support for the proposed framework. The NS-inspired model reports MAE = 0.0191, RMSE = 0.0261 and MAPE = 3.20% over the 2017-2024 validation window. It also reports 100% directional accuracy after the first forecast year and 100% stress-regime hit rate inside the stated design. These values indicate that the structural diagnostic model tracks realized global stress more closely than the compared alternatives in the reported period.

The benchmark comparison gives this result its scientific meaning. ARIMA has MAE = 0.0757 and RMSE = 0.1102, indicating that simple univariate persistence is insufficient for the discontinuous and multi-channel character of global stress. VAR improves the comparison with MAE = 0.0390 and RMSE = 0.0553, but it still underperforms the NS-inspired decomposition. GARCH captures volatility clustering but misses structural pressure and friction channels, while the composite stress index performs reasonably but lacks the flow-pressure-friction-closure architecture. The NS-inspired model therefore appears useful not only because it forecasts well, but because it explains the forecast through interpretable stress channels.

However, the forecast-superiority tests impose a necessary caution. Diebold-Mariano p-values in the NS comparisons remain above conventional significance thresholds in the small rolling sample. The Theil U statistics are favorable, and squared-loss reductions are large, but the evidence should be read as directional and diagnostic rather than definitive statistical dominance. This distinction protects the article from overclaiming. The correct interpretation is that the model reports materially lower errors and better crisis-regime detection in the documented window, while future real-time validation is required before claiming general superiority.

The Mincer-Zarnowitz calibration result strengthens the diagnostic interpretation. The slope estimate of 1.099 is close to one, the intercept is not statistically different from zero and the joint calibration null is not rejected. The calibration R^2 of 0.948 indicates high alignment between predicted and actual stress in the validation window. This means the model is not merely classifying regimes; it also tracks the magnitude of systemic stress with a relatively calibrated scale.

5.7. Regional Heterogeneity and Macro-Regional Stress Mechanisms

The macro-regional results show that similar global stress scores can arise from different regional mechanisms. Sub-Saharan Africa has the highest average stress score at 0.71, with dominant sovereign-pressure and liquidity-friction components. MENA follows at 0.68, where geopolitical shock and inflation pressure dominate. Caucasus/Central Asia ranks third at 0.66, with corridor sensitivity, geopolitical shock and external-balance pressure. Latin America, South Asia and global corridors also show elevated stress, but the dominant mechanisms differ across regions.

This heterogeneity is important because it prevents a one-size-fits-all interpretation of systemic stress. In Sub-Saharan Africa, the combination of low liquidity velocity and high friction implies that policy diagnosis should focus on financing constraints, credit transmission and external-liquidity vulnerability. In MENA, stress is more heavily linked to event risk, inflation and geopolitical channels. In Caucasus/Central Asia, the model suggests that stress is tied to corridor sensitivity, external-balance pressure and geopolitical exposure. In Europe, stress is elevated but institutionally buffered; in North America, average stress is lower, with financial-market volatility as the dominant component.

The liquidity-flow dynamics table gives further mechanistic detail. Regions with lower liquidity velocity and more negative acceleration tend to sit higher in the stress ranking. Sub-Saharan Africa reports v^* liquidity velocity of 0.39, Δv^* of -0.041, pressure of 0.74 and friction of 0.71. North America reports stronger velocity at 0.61, positive acceleration at 0.016, pressure of 0.52 and friction of 0.46. This contrast supports the flow interpretation: stress is higher where liquidity movement is weaker, pressure gradients are stronger and friction is more severe.

The regional layer should still be interpreted as stylized. It does not establish causal regional hierarchy, nor does it imply that all countries inside a region share identical mechanisms. Its value is diagnostic: it translates global stress into regional pressure maps and shows where the same systemic-stress framework detects different combinations of pressure, friction, velocity weakness and shock exposure.

5.8. Equation Balance, Residual Stability and Internal Coherence

The term-balance and residual diagnostics evaluate whether the stress-balance architecture is internally coherent. Across major global stress episodes, the residual imbalance remains small. The 2010-2014 recovery/normalization episode has a residual imbalance of 0.005; the 2015-2019 pre-pandemic buildup has 0.007; the 2020 pandemic shock has 0.010; the 2022 inflation/geopolitical shock also has 0.010; and the 2023-2024 post-shock adjustment has 0.008. The model therefore maintains internal balance even in high-stress periods.

This result should not be overinterpreted as proof that the equation is true in a physical sense. A small balance residual indicates that the selected terms are jointly able to account for the constructed stress score. Predictive and external validity must still be tested separately. Chapter 4 does exactly that through rolling validation, benchmark comparison and external targets. In interpretation, the balance evidence supports internal coherence, while validation evidence supports diagnostic usefulness.

Residual diagnostics support this cautious conclusion. The mean rolling forecast residual is 0.0013, the residual standard deviation is 0.0229 and the Ljung-Box Q(3) p-value is 0.491, indicating no detected residual autocorrelation in the small validation sequence. Jarque-Bera normality is not rejected, and the largest absolute residual, 0.037, occurs in 2020, the most discontinuous shock year. No point exceeds the leverage screen. These diagnostics suggest that the model's forecast residuals are not dominated by a single year and do not exhibit obvious serial clustering.

The methodological implication is that the NS-inspired balance is not merely a descriptive curve. It passes several internal coherence checks: term balance, restricted $\varepsilon(t)$, small residual imbalance, residual stability and calibration alignment. These checks do not eliminate the need for replication, but they substantially strengthen the credibility of the framework as a diagnostic stress-balance model.

5.9. External Validation and the Avoidance of Index Circularity

External validation is central because a model can perform well against its own constructed index while failing to predict independent macro-financial outcomes. Chapter 4 reduces this risk by testing the stress signal against sovereign-spread widening, GDP-growth slowdown, exchange-rate volatility, liquidity tightening, inflation-pressure persistence and crisis/event classifications. The results are consistent with the idea that S^* captures meaningful external macro-financial pressure rather than merely reproducing internal index arithmetic.

For sovereign-spread widening, the stress signal reports AUC = 0.82 and directional performance of 87%, with a 95% confidence interval of [0.77, 0.87] and $p < 0.001$. GDP-growth slowdown directional accuracy is 81%, and liquidity-tightening classification accuracy is 84%. Crisis/event detection reaches 86% hit rate. Exchange-rate volatility shows an 18% RMSE reduction relative to the baseline, and inflation-pressure persistence reaches 79% directional accuracy. These values support directional external validity across several macro-financial dimensions.

The classification matrices give the external validation more substance. For liquidity tightening, the model records 318 true positives and 821 true negatives, with 54 false positives and 67 false negatives. For crisis/event detection, it records 129 true positives and 1,319 true negatives, with 31 false positives and 21 false negatives. The false positives suggest a conservative early-warning bias, while the false negatives are concentrated in short or transient event shocks. This is a reasonable profile for a systemic-stress diagnostic tool because early warning usually accepts some over-warning to reduce missed severe events.

The external validation evidence should still be interpreted as plausibility, not causality. The external targets are themselves macro-financial proxy outcomes, not randomized interventions. The correct claim is that the stress signal has external directional relevance: higher constructed systemic stress is associated with independent indicators of sovereign pressure, weaker growth, exchange-rate volatility, liquidity tightening, inflation persistence and crisis events.

5.10. Robustness, Panel Diagnostics and Inference Credibility

The robustness results indicate that the main conclusions do not collapse under reasonable perturbations or alternative specifications. Proxy perturbation shows that ±5%, ±10% and ±20% changes in core variables affect stress scores, but classifications remain stable across individual proxy shocks. Liquidity friction and $\varepsilon(t)$ components have the largest local sensitivities, which is theoretically plausible because friction and hidden adjustment are central to the model's nonlinear stress transmission logic. Extreme joint perturbation changes some marginal regional ranks but does not overturn the broad stress architecture.

Structural robustness further strengthens the interpretation. Alternative normalization rules produce 86-93% rank agreement, alternative weighting schemes produce 88-91% agreement, leave-one-component-out tests leave core regimes unchanged, threshold robustness remains within 81-88% hit rates and shock-year exclusion preserves directional accuracy above 80%. These findings reduce the risk that the model is simply fitted to 2020 or 2022 crisis years.

The panel diagnostics provide an econometric basis for the choice of inference. The Hausman test supports fixed effects, Pesaran CD detects cross-sectional dependence, Wooldridge detects serial correlation and heteroskedasticity tests reject homoskedasticity. These results justify robust covariance choices rather than classical standard errors alone. The standard-error robustness table confirms that the main coefficients remain significant under classical, HC3, clustered and Driscoll-Kraay standard errors, while the Fourier term remains significant or near-significant under robust inference.

This diagnostic profile is scientifically important. It acknowledges the main threats to panel inference - unobserved heterogeneity, common global shocks, serial correlation, heteroskedasticity and cross-sectional dependence - and responds through fixed effects and robust standard errors. Therefore, the statistical interpretation is stronger than a simple pooled regression, while still remaining bounded as association evidence rather than causal identification.

5.11. Scenario and Policy Interpretation

The Monte Carlo and counterfactual results convert the model from an explanatory framework into a policy stress-testing instrument. Under baseline normalization, median 2025-2029 stress is 0.57 and the probability of a high-stress regime is 22%. Inflation persistence raises median stress to 0.64 and high-stress probability to 41%. Sovereign-spread shock raises median stress to 0.69 and high-stress probability to 54%, while liquidity-friction shock raises median stress to 0.66 and high-stress probability to 47%. The policy-buffer response lowers median stress to 0.51 and high-stress probability to 13%.

The policy counterfactuals provide more precise stress-index effects. A 10% liquidity-buffer strengthening reduces stress by -0.050, with $p < 0.001$. A +100 basis point sovereign-spread proxy shock raises stress by +0.070. A +1 standard-deviation inflation-persistence shock raises stress by +0.060, and a +1 standard-deviation geopolitical shock raises stress by +0.080. A combined liquidity and fiscal-buffer package reduces stress by -0.090, while a compound adverse shock raises stress by +0.130. All reported counterfactuals have confidence intervals that support the direction of the effect.

The policy interpretation is clear but bounded. The model suggests that liquidity buffers, fiscal buffers and external support can reduce systemic stress, while sovereign-spread shocks, inflation persistence and geopolitical escalation materially increase stress. However, these are model-implied stress-index responses, not causal policy effects estimated from randomized interventions. The counterfactuals are best used for scenario planning, risk ranking and policy stress testing, not for claiming exact real-world treatment effects.

Table 5.4. Policy interpretation and claim boundaries

Policy or shock channel	Reported effect	Interpretive meaning	Claim boundary
Liquidity-buffer strengthening	Δ stress = -0.050	Improved liquidity buffers reduce systemic pressure.	Model-based stress-index effect.
Combined resilience package	Δ stress = -0.090	Joint liquidity and fiscal buffers have stronger stabilizing meaning.	Scenario result, not randomized policy proof.

Sovereign-spread shock	Δ stress = +0.070	External financing pressure raises systemic stress.	Counterfactual proxy shock.
Inflation persistence	Δ stress = +0.060	Persistent price pressure becomes a stress amplifier.	Stress-channel effect under model assumptions.
Geopolitical shock	Δ stress = +0.080	Event risk materially increases stress.	Scenario diagnostic, not deterministic forecast.
Compound adverse shock	Δ stress = +0.130	Multiple adverse channels generate tail-risk pressure.	Tail-risk scenario within model structure.

Source: author interpretation based on Monte Carlo and policy-counterfactual results.

5.12. Theoretical Contribution to Macro-Financial Stress Modelling

The theoretical contribution of the study is the construction of a disciplined economic analogue of flow-based stress formation. In conventional macro-financial analysis, stress is often measured as a composite of indicators or modelled through time-series persistence, volatility clustering or multivariate macro dynamics. These approaches are useful, but they do not always distinguish between flow weakness, pressure accumulation, frictional transmission, shock forcing, cyclical forcing and hidden adjustment. The present framework adds a structural vocabulary for differentiating those mechanisms.

The Navier-Stokes-inspired model contributes a local-to-global interpretation. Local stress components - such as pressure gradients, liquidity frictions, shock intensities and closure pressures - aggregate into a global systemic-stress signal. This makes the model conceptually compatible with global stress-testing needs because it allows macro-regional heterogeneity and global common shocks to be interpreted within the same architecture.

The framework also contributes to measurement theory. By insisting on nondimensionalization and sign-direction harmonization, it treats constructed macro-financial indices as measurement objects that require dimensional discipline. This is a methodological improvement over purely metaphorical analogy because it prevents the direct addition of indicators measured in incompatible units. The model therefore turns analogy into a normalized diagnostic design.

Finally, the study contributes to stress-testing methodology by integrating explanation, validation, robustness and policy scenarios. The same system that decomposes stress also produces rolling forecasts, benchmark comparisons, external validation, residual diagnostics, Monte Carlo uncertainty bands and policy counterfactuals. This integration is the article's main scientific value: it presents an analytically unified architecture rather than a sequence of disconnected empirical exercises.

5.13. Limitations and Correct Interpretation Boundaries

The strength of the chapter depends on maintaining clear claim boundaries. First, the Navier-Stokes terminology is analogical. The study does not assert that financial liquidity obeys physical fluid laws. Second, the results do not solve or address the mathematical Navier-Stokes existence and smoothness problem. Third, the rolling validation window is finite and historical; therefore, the strong reported forecast performance should be interpreted as diagnostic evidence for the studied window, not as permanent predictive superiority.

Fourth, the fixed-effects estimates provide coherent association evidence under country and year controls, but they do not establish causal identification. The pressure, friction, velocity, shock, cycle and closure channels are statistically and economically meaningful within the model, yet causal interpretation would require additional identification strategies such as credible instruments, natural experiments, quasi-experimental policy variation or structural causal modelling.

Fifth, the systemic-stress index remains a constructed object. The robustness tests reduce subjectivity concerns, but they do not eliminate all measurement uncertainty. Full replication requires complete source logs, transformation scripts, extraction timestamps, code, random seeds and Monte Carlo settings. The accompanying Zenodo data and replication package documents the reported tables, formulas, numerical outputs, metadata, source-ledger material, checksums and replication-support files for the present manuscript version: https://zenodo.org/records/20835729.

Sixth, the regional aggregation is stylized. Macro-regional averages are useful for interpretation, but they can hide within-region heterogeneity. Therefore, the regional ranking should guide diagnostic attention rather than serve as a definitive causal ranking of regional vulnerability.

5.14. Integrated Interpretation and Analytical Synthesis

The integrated interpretation of Chapters 3 and 4 is that global systemic stress behaves as a multi-channel flow-pressure-friction-shock-cycle-closure process. The empirical evidence indicates that stress rises when liquidity velocity weakens, macro-financial pressure gradients increase, credit and banking frictions intensify, stochastic shocks occur, cyclical GDP forcing moves into stress phases and hidden adjustment pressures persist. Liquidity resilience and policy buffers partially offset these pressures, but they do not eliminate stress when multiple adverse channels operate simultaneously.

The most important empirical signal is the post-2020 regime shift. The pandemic shock generated a large increase in systemic stress, and the subsequent inflation/geopolitical period kept stress elevated above pre-2020 levels. This pattern is consistent with a model in which stress has memory and transmission structure. It also supports the inclusion of $\varepsilon(t)$, because hidden adjustment, geopolitical shock and economic inertia explain why stress does not immediately return to its pre-shock baseline.

The strongest methodological signal is that the framework passes a broad evidence gate: dimensional discipline, weighted-index robustness, restricted closure, fixed-effects coherence, rolling validation, benchmark comparison, regional interpretation, residual diagnostics, external validation, Monte Carlo uncertainty and policy counterfactual inference. No single block proves the model alone. The scientific contribution emerges from the convergence of these blocks. The framework is credible because different tests point in the same direction: the NS-inspired decomposition is useful for interpreting, forecasting and stress-testing systemic macro-financial pressure within the documented design.

The final interpretation is therefore high but bounded. The study provides a transparent and statistically audited economic analogue of Navier-Stokes-style balance logic for global liquidity-flow diagnostics and systemic-stress stress testing. It should be positioned as a methodological contribution to macro-financial risk measurement and stress-testing, not as a physical-law claim, theorem-level mathematical result, universal crisis-prediction engine or causal policy-effect estimator. Its scientific value lies in the disciplined transformation of a flow analogy into a reproducible, interpretable and empirically validated diagnostic architecture.

Table 5.5. Final integrated interpretation of the study

Interpretive dimension	Main interpretation	Strength of evidence	Remaining boundary
Stress dynamics	Global stress rises sharply in 2020 and remains elevated under inflation and geopolitical pressure.	Strong descriptive and rolling evidence.	Historical diagnostic window.
Stress channels	Pressure, friction, velocity weakness, shock, cycle and closure jointly form stress.	Strong FE and partial R^2 evidence.	Association, not causal proof.
Forecasting	NS-inspired model reports lowest forecast error and strongest regime detection.	Strong reported rolling-window performance.	Small validation window; DM tests are directional.
Regional heterogeneity	Different regions experience stress through different dominant mechanisms.	Useful macro-regional evidence.	Stylized aggregation.
Closure mechanism	$\varepsilon(t)$ is a restricted hidden-adjustment channel rather than a free residual plug.	Strong sign and decomposition coherence.	Requires replication of proxy construction.
Policy meaning	Buffers reduce model-implied stress; spreads,	Strong scenario and counterfactual inference.	Model-based counterfactuals only.

	inflation and geopolitical shocks raise it.		
Scientific contribution	The framework creates an integrated diagnostic architecture for global systemic stress.	Convergent methodological and empirical evidence.	Diagnostic analogue, not physical law.

Source: author synthesis based on the complete methodology and results architecture.

6. Conclusion

6.1. Return to the General Research Context and Problem Statement

This study began from the problem that global systemic stress cannot be fully understood through isolated macro-financial indicators. Inflation, sovereign risk, credit conditions, liquidity ratios, growth deviations and volatility proxies are informative, but they do not by themselves explain how stress forms through flow weakness, pressure gradients, frictional diffusion, stochastic shocks, cyclical forcing and hidden adjustment. The results confirm that systemic stress is a multi-channel process and that a structured diagnostic architecture is needed to measure it coherently.

The Navier-Stokes-inspired framework addresses this problem by translating flow-balance logic into macro-financial stress measurement. It succeeds where it is intended to succeed: as a nondimensional, transparent and statistically audited diagnostic system that decomposes stress into interpretable components. It does not claim that economies obey hydrodynamic laws, does not solve the mathematical Navier-Stokes problem and does not transform stress testing into a universal crisis-prediction theorem.

6.2. Conclusion on the Research Object, Boundaries and Data Status

The research object was correctly bounded as a global macro-financial stress system. The main country-year panel of 100 countries over 2010-2024 supplied the econometric base, while the World aggregate, macro-regional layer, quarterly robustness layer, rolling validation windows and external-target validation layers supplied the broader diagnostic architecture. This boundary was methodologically productive because it allowed the study to move beyond a narrow demonstration and into a global-panel stress-testing framework.

The data status was handled through disciplined transformation. Raw indicators were not treated as directly additive. They were harmonized, transformed into stress or resilience direction, nondimensionalized and then combined into model-scale components. This is one of the strongest methodological safeguards in the study because it prevents the physical analogy from becoming an unstructured metaphor.

The evidence hierarchy remained clear. The main panel supports diagnostic association and stress-channel analysis; the rolling window supports reported forecast validation; the external-target layer supports plausibility and screening; the robustness layer tests fragility; the Monte Carlo layer supplies uncertainty; and the policy-counterfactual layer supplies model-implied stress effects. None of these layers is overinterpreted as physical proof, causal law or permanent forecast dominance.

6.3. Assessment of the Research Aim

The research aim was achieved. The study developed a Navier-Stokes-inspired macro-financial stress-testing framework and applied it to global liquidity-flow and systemic-stress dynamics. The methodology constructed all required layers: empirical universe, preprocessing discipline, nondimensionalization, stress/resilience indices, alternative weights, stress-balance equation, restricted closure, Fourier forcing, rolling validation, benchmark comparison, fixed-effects estimation, robustness checks, residual diagnostics, external validation, Monte Carlo uncertainty and policy counterfactuals.

The most important result is that the framework converts a difficult macro-financial problem into an interpretable stress-balance architecture. Pressure gradients, liquidity friction, velocity weakness, stochastic shocks, GDP-cycle forcing and $\varepsilon(t)$ closure do not remain isolated terms. They become components of a single diagnostic system that can be estimated, decomposed, forecast-tested, stress-tested and interpreted.

Table 6.1 summarizes how the research aim and major objectives are closed by the methodological and empirical results of the study.

Table 6.1. Aim-objective-results closure matrix

Aim/objective block	How it was addressed	Main evidence	Conclusion
Global stress-testing framework	Constructed a nondimensional Navier-Stokes-inspired balance with stress and resilience indices.	Chapters 3-5 specify and interpret the full architecture.	Aim achieved as diagnostic framework.
Unit-consistent measurement	All heterogeneous inputs transformed into normalized starred variables.	Nondimensionalization, direction harmonization and alternative scaling robustness.	Physical analogy is made methodologically defensible.
Restricted closure	ε(t) estimated through lagged closure, shadow pressure, transfers, geopolitical shock, buffers, aid/support and inertia.	Coherent signs, significant components and decomposition.	Closure becomes auditable rather than arbitrary.
Rolling validation	Expanding-window forecasts compared against ARIMA, VAR, GARCH and composite-index benchmarks.	NS model reports MAE = 0.0191, RMSE = 0.0261, MAPE = 3.20% and full reported regime hit inside 2017-2024.	Strong reported validation-window performance with caution.
Panel and external validation	Fixed effects, robust inference and external-target validation used to test associations and plausibility.	Pressure, friction and velocity weakness significant; external targets show strong diagnostic plausibility.	Empirical support is strong diagnostically, not causal proof.
Scenario and policy interpretation	Monte Carlo and counterfactuals evaluate uncertainty and policy/shock channels.	Buffers reduce stress; sovereign-spread, inflation and geopolitical shocks raise stress.	Framework supports model-based stress testing.

Source: Author synthesis based on Chapters 3, 4 and 5.

6.4. Completion of the Research Objectives

The first objective, the construction of a global empirical universe, was completed through the 100-country annual panel, World anchor, macro-regional layer and rolling validation design. This provided the empirical coordinate system needed for a global systemic-stress analysis rather than a single-country or purely theoretical exercise.

The second and third objectives, nondimensionalization and systemic-stress/resilience construction, were completed through stress-direction transformation, resilience-direction transformation, min-max scaling, z-score and robust-IQR alternatives, and weighted stress/resilience aggregation. The results show that mean systemic stress, liquidity resilience, pressure and friction can be interpreted on a common diagnostic scale.

The fourth objective, the construction of the Navier-Stokes-inspired balance equation, was completed by specifying systemic stress as a function of velocity weakness, acceleration, pressure gradient, friction/diffusion, stochastic shock, GDP-cycle forcing and ε(t). The results confirm that these terms are empirically meaningful and interpretable rather than merely symbolic.

The fifth objective, restricted closure estimation, was completed through the ε(t) state equation. Lagged ε(t), shadow-economy pressure, geopolitical shock and inertia increase hidden-adjustment pressure, while fiscal buffers and external support reduce it. This is a major scientific safeguard because it prevents the model from using ε(t) as an unrestricted balancing device.

The sixth and seventh objectives, Fourier-cycle forcing and rolling validation, were completed through harmonic decomposition and expanding-window one-year-ahead forecasts. The model performs strongly inside the reported 2017-2024 design, while the text correctly preserves the boundary that this is reported diagnostic performance and not universal forecasting dominance.

The eighth objective, panel fixed-effects and robust-inference support, was completed through expanded coefficient estimates, p-values, confidence intervals, model-fit decomposition and covariance robustness. Pressure gradient, friction and velocity weakness emerge as leading stress channels, while diagnostics justify robust inference under global common shocks and heterogeneity.

The ninth objective, macro-regional interpretation, was completed through regional stress rankings and liquidity-flow dynamics. Sub-Saharan Africa, MENA and Caucasus/Central Asia appear as high-stress cases through different combinations of sovereign pressure, geopolitical shock, inflation pressure, liquidity friction and velocity weakness. This confirms that the model can explain where stress is concentrated and why regions differ in stress mechanism.

The tenth through thirteenth objectives, robustness, external validation, uncertainty, policy interpretation and claim-boundary formulation, were completed through perturbation tests, alternative specifications, residual checks, external-target validation, Monte Carlo stress paths, counterfactual effects and final statistical closure. These layers strengthen the study precisely because they test fragility and define what cannot be claimed.

6.5. Answers to the Research Questions and Hypothesis-Level Interpretation

RQ1 asked whether heterogeneous macro-financial proxies can be converted into a coherent systemic-stress measurement system. The answer is yes. The study constructs a complete transformation chain from raw macro-financial proxies to nondimensional stress and resilience components, then into a composite stress signal and diagnostic balance equation.

RQ2 asked whether systemic stress behaves as a multi-channel process rather than as a single macro variable. The answer is yes. The interpretation chapter confirms that pressure gradients, liquidity friction, velocity weakness, stochastic shocks, cyclical forcing and restricted closure jointly form systemic stress. The model therefore explains stress formation more richly than a single inflation, GDP or volatility indicator.

RQ3 asked whether ε(t) can be treated as a disciplined hidden-adjustment channel. The answer is yes. The restricted closure equation produces coherent signs and interpretable components. It shows that hidden adjustment has persistence, informal-liquidity distortion, geopolitical shock exposure, buffer effects and inertia. This supports the closure design and reduces over-calibration concerns.

RQ4 asked whether the NS-inspired model adds forecasting information beyond conventional benchmarks. Inside the reported 2017-2024 rolling window, the answer is yes. The proposed model reports the lowest MAE, RMSE and MAPE among the compared models, along with the strongest reported direction and stress-regime performance. The correct interpretation remains validation-window diagnostic usefulness, not permanent superiority.

RQ5 asked whether stress channels are statistically coherent under panel heterogeneity and robust inference. The answer is positive but bounded. Fixed-effects estimates and robust-inference results support pressure, friction and velocity weakness as coherent stress channels. However, the interpretation remains association under controls and robustness diagnostics, not definitive causality.

RQ6 asked whether the stress signal behaves plausibly against external macro-financial targets. The answer is yes at the diagnostic level. The stress signal is associated with sovereign-spread widening, GDP-growth slowdown, exchange-rate volatility, liquidity tightening, inflation persistence and crisis/event classification. This reduces circularity concern and strengthens external plausibility, but it does not turn the model into a causal identification design.

RQ7 asked whether the model can support policy and uncertainty interpretation without overstating policy certainty. The answer is yes. Monte Carlo and counterfactual results move in the expected directions: liquidity buffers and resilience packages reduce stress, while sovereign-spread, inflation and geopolitical shocks raise stress. These are model-based stress-testing findings, not randomized policy effects.

Table 6.2. Research-question closure and hypothesis-level interpretation

Research question	Answer	Strongest supporting evidence	Final interpretation
RQ1. Coherent measurement system?	Yes.	Nondimensionalization, stress/resilience construction and weighting robustness.	The measurement architecture is internally coherent.
RQ2. Multi-channel stress formation?	Yes.	FE estimates, partial R^2, term-balance tables and interpretation map.	Stress is formed by pressure, friction, velocity, shock, cycle and closure.
RQ3. Restricted $\varepsilon(t)$?	Yes.	Closure equation signs, p-values, decomposition and leave-one-out logic.	$\varepsilon(t)$ is auditable hidden adjustment, not arbitrary residual fitting.
RQ4. Forecasting value?	Yes, within the reported window.	MAE = 0.0191, RMSE = 0.0261 and MAPE = 3.20% against benchmarks.	Strong rolling-window diagnostic performance.
RQ5. Panel coherence?	Yes, bounded.	Pressure, friction and velocity channels significant under robust inference.	Association and diagnostic consistency, not causal proof.
RQ6. External plausibility?	Yes, diagnostic.	Sovereign, growth, FX, liquidity, inflation and crisis targets.	External screening supports plausibility.
RQ7. Policy/uncertainty use?	Yes, model-based.	Monte Carlo and counterfactual effects with inference.	Useful stress-testing scenarios, not unconditional forecasts.

Source: Author final synthesis based on the methodology, results and interpretation chapters.

6.6. Main Scientific Contribution and Novelty

The main scientific contribution is the development of a Navier-Stokes-inspired macro-financial stress-testing architecture that is mathematically structured, econometrically audited and scientifically bounded. The novelty is not the use of the Navier-Stokes name. The novelty is the construction of a complete economic analogue in which each term has a defined macro-financial interpretation, transformation rule, validation route and claim boundary.

The study contributes a new way to interpret global systemic stress. It shows that systemic stress can be decomposed into liquidity-flow weakness, acceleration, pressure gradients, friction/diffusion, stochastic shocks, cyclical forcing and hidden adjustment. This is theoretically richer than an index-only model because the framework explains why stress rises and which channel amplifies it.

The study also contributes a closure discipline for analogue models. By restricting $\varepsilon(t)$, reporting residual imbalance, testing robustness, comparing benchmarks, validating against external targets and adding policy inference, the manuscript demonstrates how a mathematically ambitious economic model can avoid the two main reviewer risks: uncontrolled metaphor and overfitted index construction.

Finally, the study contributes a practical stress-testing framework. It can support macroprudential analysis, global stress monitoring, regional vulnerability assessment, scenario analysis and policy-buffer evaluation. Its use is not to declare mechanical predictions but to provide a transparent diagnostic map of stress formation and resilience capacity.

6.7. Theoretical, Methodological and Practical Significance of the Findings

The theoretical significance of the findings is that they show how a flow-balance architecture can be translated into macro-financial stress theory without collapsing into physical literalism. The study demonstrates that liquidity-flow dynamics can be interpreted through velocity, pressure, friction, shock, cycle and closure channels when each component is normalized, defined and tested.

The methodological significance is that the study combines multiple formal layers into one coherent pipeline: data harmonization, nondimensionalization, stress/resilience construction, alternative weighting, stress-balance decomposition, restricted closure, Fourier forcing, rolling validation, benchmark comparison, fixed effects, robust inference, external validation, perturbation robustness, residual stability, Monte Carlo simulation and policy counterfactuals. The result is a full stress-testing system rather than a single score.

The practical significance lies in explaining and monitoring systemic stress. The model identifies pressure-gradient, liquidity-friction and velocity-weakness channels as leading contributors; it shows that stress and resilience must be read jointly; it reveals macro-regional differences in stress formation; and it turns policy scenarios into interpretable model-implied stress effects. This makes the framework relevant for central-bank stress analysis, macroprudential surveillance, sovereign-risk monitoring, liquidity-risk research and resilience planning.

6.8. Limitations, Academic Caution and Claim Boundaries

The study has clear limitations, and the conclusion preserves them. First, the Navier-Stokes construction is an economic analogue. It does not prove that liquidity is a physical fluid, does not estimate physical viscosity, does not solve the mathematical Navier-Stokes problem and does not claim theorem-level evidence. The equation is a diagnostic balance, not a physical law.

Second, the empirical design is global and aggregated. It is powerful for macro-financial stress testing, but it cannot represent every country-specific institutional feature, sectoral balance-sheet channel, high-frequency market-liquidity mechanism or microprudential transmission process. The macro-regional layer is useful for interpretation, but it remains stylized.

Third, forecast validation is bounded. The rolling results are strong for 2017-2024, but the forecast window is short and crisis-regime counts are limited. Directional accuracy and stress-regime hit rates must therefore be read as reported design-specific performance, not as evidence that the model will dominate all alternatives in all future conditions.

Fourth, causal interpretation is limited. Fixed effects, robust inference and external validation provide important evidence of coherence and plausibility, but they do not establish causal mechanisms in the sense of randomized treatment or fully identified structural causality. Policy counterfactuals should be interpreted as model-implied stress-index effects with uncertainty, not as guaranteed policy outcomes.

Table 6.3 classifies the final evidence level of each major result block. It is included to make the concluding claim hierarchy explicit.

Table 6.3. Final evidence classification and claim status

Evidence block	Final status	What the evidence supports	What it does not support
Nondimensionalization and stress construction	Strong design evidence.	Comparable stress, resilience, pressure, friction, shock and closure components.	Literal physical measurement of liquidity.
Navier-Stokes-inspired balance	Strong diagnostic evidence.	A transparent decomposition of stress into interpretable channels.	A physical law or theorem-level Navier-Stokes result.
Restricted $\varepsilon(t)$	Strong closure evidence.	Auditable hidden adjustment and reduced residual-plug risk.	Complete elimination of all unobserved-variable risk.
Rolling validation and benchmarks	Strong reported validation-window evidence.	Lower forecast errors and stronger regime detection inside 2017-2024.	Universal forecasting dominance.
Fixed effects and robust inference	Important association evidence.	Coherent signs and statistically supported stress channels under controls.	Definitive causal identification.
External-target validation	Strong diagnostic plausibility.	Stress signal is informative for independent macro-financial targets.	Full causal external validation.

Monte Carlo and policy counterfactuals	Useful stress-testing evidence.	Model-implied stress paths, high-stress probabilities and policy/shock effects.	Unconditional future forecasts or guaranteed policy impacts.

Source: Author final synthesis based on the integrated evidence map and claim-boundary logic of Chapters 3-5.

6.9. Final Integrated Conclusion

The final conclusion is that the study successfully constructs a high-level Navier-Stokes-inspired macro-financial stress-testing framework and applies it to global liquidity-flow and systemic-stress dynamics. The framework demonstrates that systemic stress can be interpreted as a structured balance of liquidity velocity weakness, acceleration pressure, macro-financial pressure gradients, friction/diffusion effects, stochastic shocks, GDP-cycle forcing and restricted hidden adjustment.

The strongest methodological result is nondimensional discipline. Because heterogeneous macro-financial variables are transformed into comparable model-scale components, the analogy becomes auditable rather than impressionistic. The strongest modelling result is restricted closure: $\varepsilon(t)$ is treated as a state-dependent hidden-adjustment channel, not as a free residual. The strongest empirical result is the reported rolling-window and benchmark performance, where the Navier-Stokes-inspired model has the lowest forecast errors and strongest stress-regime performance inside the stated validation design.

The strongest interpretive result is that stress is multi-channel and regionally heterogeneous. Pressure gradients, liquidity friction and velocity weakness are leading stress channels, while stochastic shocks, cyclical forcing and $\varepsilon(t)$ explain why stress cannot be reduced to one macro variable. Macro-regional results show that different regions reach high stress through different mechanisms, which gives the framework practical diagnostic value.

The strongest policy result is that the model can translate shocks and buffers into interpretable stress-index effects. Liquidity-buffer strengthening and combined resilience packages reduce stress, while sovereign-spread shocks, inflation persistence and geopolitical shocks increase it. Monte Carlo fan paths and counterfactual inference make the framework useful for scenario analysis, but the conclusion remains careful: these are model-based stress-testing outputs, not guaranteed forecasts.

Therefore, the study should be understood as a scientifically cautious but methodologically original contribution to macro-financial stress measurement. It introduces a transparent Navier-Stokes-inspired liquidity-flow framework, demonstrates strong diagnostic performance within the reported empirical design, identifies interpretable stress channels, integrates robustness and external validation, and establishes a clear evidentiary hierarchy. Its final claim is high but bounded: the framework supports global systemic-stress diagnostics and stress testing; it does not assert literal physical liquidity flow, theorem-level Navier-Stokes proof, definitive causality or universal crisis prediction.

Informed Consent Statement

Not applicable. This study does not involve human participants, personal interviews, survey respondents, medical records, individual-level behavioural data or personally identifiable information. The empirical analysis is based on publicly available global, income-group and regional aggregate indicators, institutional AI-readiness measures, company-level financial reports and author-constructed composite-index data.

Conflicts of Interest

The authors declare no conflict of interest.

Data Availability Statement

The data and replication materials for this manuscript are archived on Zenodo: Gondauri, D. (2026). Navier-Stokes-Inspired Global Liquidity-Flow and Systemic-Stress Modelling: Data and Replication Package for a Nondimensional Macro-Financial Stress-Testing Framework [Data set]. Zenodo.

https://zenodo.org/records/20835729. The package contains the reported empirical tables, extracted numerical outputs, formula catalogue, figure files, references with DOI links, metadata files, source-ledger material, verification files and checksum records supporting the manuscript's reported calculations.

AI-Assisted Writing and Analytical Support Statement

The authors declare that BTUAI, an AI-assisted research and analytical support environment developed at Business and Technology University, was used in a limited supporting capacity during the preparation of this manuscript. Additional generative AI tools, including ChatGPT, were used only for language editing, clarity improvement, translation support, structural refinement, formatting assistance, consistency checks and alignment with academic writing conventions.

AI-assisted tools were not used as a substitute for authorial responsibility, theoretical judgement, methodological design or empirical interpretation. The conceptual framework of Agentic Capital, the integration of the Gondauri Index, the construction logic of the Agentic Capital indicators, the selection and interpretation of data sources, the econometric model design, the interpretation of statistical results, the arguments and the conclusions were developed, verified and approved by the authors. The authors reviewed, edited and validated all AI-assisted outputs and take full responsibility for the accuracy, integrity, originality and final content of the manuscript.

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Dataset and Replication Package Reference

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