ABL Digital Global Cross-Asset Weekly

Trend & Correlation Report | week ending 2026-07-10

139 instruments | 602 weeks history

REGIME: Neutral

EXECUTIVE SUMMARY

The engine holds the market in a Neutral regime, with a 0.758 smoothed probability and roughly 23 weeks of persistence; risk-off probability sits at a negligible 0.025, so this is a calm, trending tape rather than a fragile one. Corroborating signals are constructive: VIX at 16.0 in contango (0.84 vs VIX3M), 71% of global indices and 82% of US sectors above their 40-week averages, HY spreads tightening 7bp to 2.67%, and a growth-inflation mix that has pushed firmly into the Reflation quadrant (growth z +0.62, inflation z +0.16 and falling hard). The single most important development this week is the decisive rotation of leadership into China and Asia internet names (CN_Internet +5.8%, Hang Seng +2.9%, STI +3.6%) against a sharp, idiosyncratic 10.4% collapse in Korea's KOSPI — a dispersion event, not a systemic one. The dominant risk is valuation, not momentum: CAPE at 41.6 (99th percentile of 155 years) with a negative 1.0% equity risk premium leaves equities priced for perfection just as the market prices ~1.7 Fed hikes into the next year. Own the trend, but size for the fact that the cushion beneath it is thin.

Full section-by-section analysis follows on the next pages.

KEY SIGNALS

Stocks-Bonds DCC corr	**-0.01 (1y ago +0.15)**
PC1 variance share	**24%**
DCC persistence (a+b)	**0.9804**
Weeks in regime	**23**

EXECUTIVE DASHBOARD

One-glance cross-asset scorecard · week ending 2026-07-10 · 139 instruments, 10-year context

MARKET REGIME	GROWTH × INFLATION	STOCK–BOND CORR
Neutral	**Reflation**	**-0.01**
~23w in regime	g +0.6 / i +0.2	vs +0.15 1y ago

RISK CONCENTRATION	EQUITY BREADTH	VIX TERM
24%	**71%**	**Contango**
PC1 share of variance	indices > 40wk MA	ratio 0.84

VALUATION **Shiller CAPE 41.6** **99th %ile / 155y** Excess CAPE yield +0.10% ERP -1.00%

METRIC vs 10-YEAR HISTORY	Level	Wk Δ	10y percentile
Volatility (VIX)	16.0	-0.13	43th
HY credit spread (OAS)	2.67%	-0.07	6th
IG credit spread (OAS)	0.76%	+0.01	10th
EM corp spread (OAS)	1.43%	-0.04	4th
10Y real yield (TIPS)	2.30%	+0.04	99th
10Y nominal yield	4.55%	+0.06	97th
2Y yield	4.19%	+0.05	81th
10Y–2Y curve	+0.35pp	+0.00	48th
10Y breakeven infl.	2.25%	+0.02	57th
Financial conditions	-0.52	-0.01	42th
Initial jobless claims	215k	-2k	28th
Weekly Econ Index	+3.2%	+0.62	85th
Fed net liquidity	$5.84T	-1.17	54th
US dollar (DXY)	100.9	+0.0%	68th
Gold	$4,140	-0.8%	94th
S&P 500	7544	+0.8%	100th

Percentile = rank of the current level within its own 10-year weekly history. Red ≥ 90th (historically high), blue ≤ 10th (historically low), amber in the tails, grey
Extremes flag where a market is stretched versus its own norm — the fastest read of what is unusual this week.

Detailed Cross-Asset Analysis

Section-by-section interpretation of the engine output - for investors

Executive Summary

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Regime & Market State

The Markov model's mean-plus-variance switching keeps 75.8% weight on Neutral, with Risk-on at 0.217 and Risk-off collapsed to 2.5%. That configuration — low tail probability, high persistence — is the statistical signature of a grinding advance, and it is confirmed by breadth (71% of 42 global indices, 82% of 11 US sectors above trend) and by a VIX term structure in comfortable contango at the 35th percentile of its ten-year range. Cross-asset risk concentration is low: PC1 explains only 24% of variance, meaning the universe is not moving as one factor and idiosyncratic, stock- and country-specific stories dominate. That is exactly what this week's tape delivered — a 14-point spread between the CN_Internet leader and the KOSPI laggard. For an investor the implication is that diversification is currently working and single-name/single-country selection is being rewarded; the danger is that low PC1 regimes can flip abruptly when a macro shock re-correlates everything. The Reflation quadrant (growth composite rising, inflation composite dropping 1.83 over 13 weeks) is the friendliest backdrop for cyclicals and equities generally, and the copper/gold and cyclicals-over-defensives internals support leaning into risk while the regime holds.

Rates, Credit & the Stock-Bond Relationship

Yields backed up across the curve — 10Y nominal +6bp to 4.55%, 2Y +5bp to 4.19%, 10Y real +4bp to 2.30%, breakevens +2bp to 2.25% — with the 2s10s curve unchanged at +0.35pp and the 10Y-3M at a healthy +0.69pp. Credit is the tell: HY OAS compressed 7bp to 2.67% while IG barely moved (+1bp to 0.76%), a classic risk-appetite signal that the market is reaching for spread, not fleeing it. The most consequential structural shift is in the stock-bond relationship: the DCC conditional correlation is now -0.01 versus +0.15 a year ago, with very high persistence (0.9804). Bonds are re-establishing their hedge property — when the correlation is negative, Treasuries once again cushion equity drawdowns, restoring the logic of a balanced portfolio that the 2022-style positive-correlation regime had broken. The 52-week rolling stock/yield correlation (-0.12, steepening to -0.23 over 13 weeks) says the same. Practically, duration is becoming a more useful diversifier again even as the forward curve prices hikes; investors should value Treasuries for convexity here rather than carry.

Cross-Asset Correlation Structure

The correlation matrix is internally coherent. Equities and HY spreads move at -0.76 (52w), VIX and stocks at -0.76, and copper and stocks at +0.55 rising to +0.73 — all consistent with a reflationary risk-on tape where cyclical metals and equities rise together and volatility/credit stress fall. The standout shift is USD versus gold, which has deepened from -0.31 to -0.75 over 13 weeks, a sign that the dollar has become the dominant driver of the metals complex this quarter. BTC-Nasdaq at +0.56 rising to +0.72 confirms crypto is trading as a high-beta tech expression, not a diversifier. The pair-level extremes are mechanical (Treasury price vs yield near -0.99, DXY vs EURUSD -0.95, Nifty-Sensex +1.00) and carry no signal. Net liquidity vs stocks has crept up to +0.23 (13w) from a flat 52-week +0.04, worth monitoring given Fed net liquidity is flat at $5.84T and M2 flat at $23.06T — the liquidity impulse is neutral, neither tailwind nor headwind.

Leading Indicators & Forecasts

The lead-lag table this week is dominated by financial-stress and volatility indicators forecasting the labor market, and the honest read is that predictive skill is modest and the bands are enormous — treat these as probability tilts, not point estimates. The strongest genuine relationship is St. Louis Financial Stress → Initial Claims (H=3w, corr +0.74, $R^2$0.54), pointing claims from 215k toward ~245k, but with a band spanning roughly -32k to +523k that renders the point forecast almost meaningless. India VIX → Initial Claims (H=2w, corr +0.74, $R^2$0.54) similarly nudges toward ~237k. Pulling the other way, VIX → Initial Claims (H=4w, corr +0.59) and VIX3M → Initial Claims (corr +0.65) point lower (133k-176k), so the volatility complex disagrees with itself across horizons — a wash. Chicago Fed NFCI → Continued Claims (corr +0.71, $R^2$0.50) implies continued claims ease from 1.81mn toward ~1.55mn. The one clean non-labor signal is US 13-week bills → Fed funds (corr +0.58, $R^2$0.34), essentially flat at 3.66%, consistent with no imminent policy move. Net: the R^2s around 0.4-0.5 mean roughly half the variance is unexplained; the modal message is a still-benign labor market (initial claims 215k at the 28th percentile, Sahm 0.07, recession probability 0.5%), but no forecast here should be carried as certainty.

Oil

WTI rallied 4.1% to $71.67 but remains down 25.8% over 13 weeks, and the fundamental backdrop is genuinely tight: US crude inventories sit 6.2% below the 5-year seasonal average (z -2.3), gasoline -7.0% and distillate a striking -13.9% below seasonal, with a firm 3:2:1 crack of $58.2. That inventory deficit is bullish and argues the 13-week slide overshot fundamentals. Yet CFTC speculative positioning is muted — net +6,805 lots at the 40th percentile, just 0.8% of open interest, and actually fell 10,619 on the week — so specs are not crowded and there is room to build longs if the draw persists. Oil vs stocks correlation is negative (-0.27, -0.32 over 13w), meaning a supply-driven oil rally is a modest headwind to equities, not a confirmation. Natural gas diverges: Henry Hub fell 7.7% to $3.01 on a storage glut (+5.5% vs seasonal) with specs at the 13th percentile — a bearish setup with squeeze-higher potential only if weather turns.

Gold & Silver

Gold slipped 0.83% to $4,140 and silver fell harder, -2.68% to $60.75, dragging the gold/silver ratio to 68.2 — the 11th percentile of five years, meaning silver remains historically expensive relative to gold. The metals are being driven by the dollar and real rates: USD-gold correlation has deepened to -0.75 (13w) and gold-real-yield sits at -0.46, so with the 10Y real yield ticking up to 2.30% the pullback is unsurprising. Silver's extra weakness reflects its industrial beta (silver-copper +0.42); a soft silver against firm copper is a mild inconsistency worth watching. Positioning is unremarkable — gold specs at the 39th percentile, silver at the 31st — so neither metal is crowded, and the low gold/silver ratio plus non-extreme positioning argues silver has more room to fall than gold if real yields keep rising. Own gold as a dollar/real-rate hedge, not as a momentum trade here.

Crypto

Crypto internals read cautious. Total market cap is $2.25T with Bitcoin dominance at 56.2% and ETH dominance just 9.4% (ETH/BTC 0.0278) — capital is huddled in Bitcoin, the defensive posture within crypto. BTC fell 0.9% and Fear & Greed sits at 22 (Extreme Fear, up marginally from 19). The BTC-Nasdaq correlation at +0.72 (13w) confirms crypto is trading as leveraged tech beta, so it offers no portfolio diversification right now. The constructive nuances are that DeFi TVL rose 3.4% to $73B while stablecoin supply dipped only 0.4% to $308B — the on-chain economy is not bleeding — and extreme-fear sentiment at cycle lows is historically a contrarian tell. But with dominance defensive and BTC tethered to Nasdaq, crypto should be sized as a risk-on satellite, not a hedge.

India, China & Russia

China is the week's story. Onshore indices were mixed (Shanghai -0.2%, CSI300 +0.7%, Shenzhen -1.3%) but CN_Internet surged 5.8% and led the entire global universe alongside Hang Seng +2.9% — the offshore/internet complex is where the money went, suggesting a policy- or sentiment-driven re-rating of Chinese tech that has not yet broadcast to the mainland breadth. India underperformed modestly and uniformly (Nifty -1.3%, Sensex -1.3%, Bank Nifty -1.2%) — an orderly consolidation after strength, not a break, and notably India VIX is now a statistically meaningful lead indicator in the model. Russia was the clear EM laggard (MOEX -2.5%, RTS -0.8%), with the local-currency index falling more than the dollar index, pointing to domestic/ruble-specific pressure. The developed-vs-emerging read is nuanced: Asia ex-Korea led while European bourses (BEL20 -2.9%, IBEX -2.7%) and Japan (Nikkei -2.9%) lagged, so this was an Asia-internet rotation rather than a clean EM-over-DM trade.

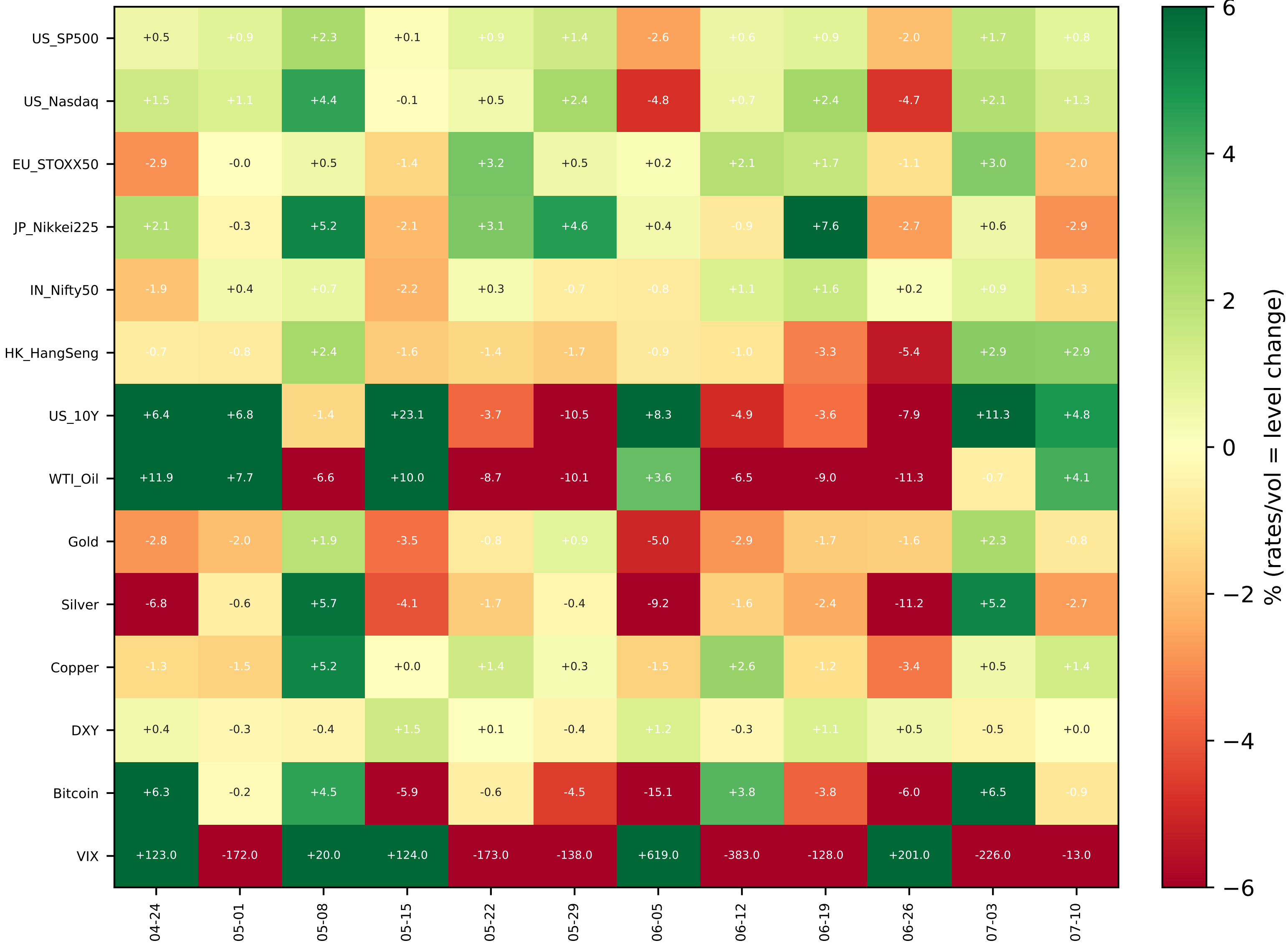
Key Risks & Divergences

The paramount risk is valuation: CAPE 41.6 at the 99th percentile of 155 years, an Excess CAPE Yield of +0.10% (0th percentile since 2015), and a -1.0% equity risk premium mean equities are priced richer than bonds with negligible long-run expected return — a calm regime built on an expensive foundation. Second, the KOSPI's -10.4% single-week collapse against Asian strength is a dispersion warning; idiosyncratic crashes can precede broader re-correlation if PC1 rises. Third, the forward curve prices ~1.7 hikes to one year even as real yields climb to 2.30% — a hawkish repricing would pressure the CAPE directly. Fourth, silver's underperformance versus copper, and the flat liquidity impulse, are minor cracks in the reflation story. Positioning divergences to respect: copper specs are crowded long at the 93rd percentile (squeeze-lower risk on the very metal confirming the cycle), while Nasdaq (6th), JPY (6th), GBP (1st) and EUR (17th) are crowded short (squeeze-higher risk).

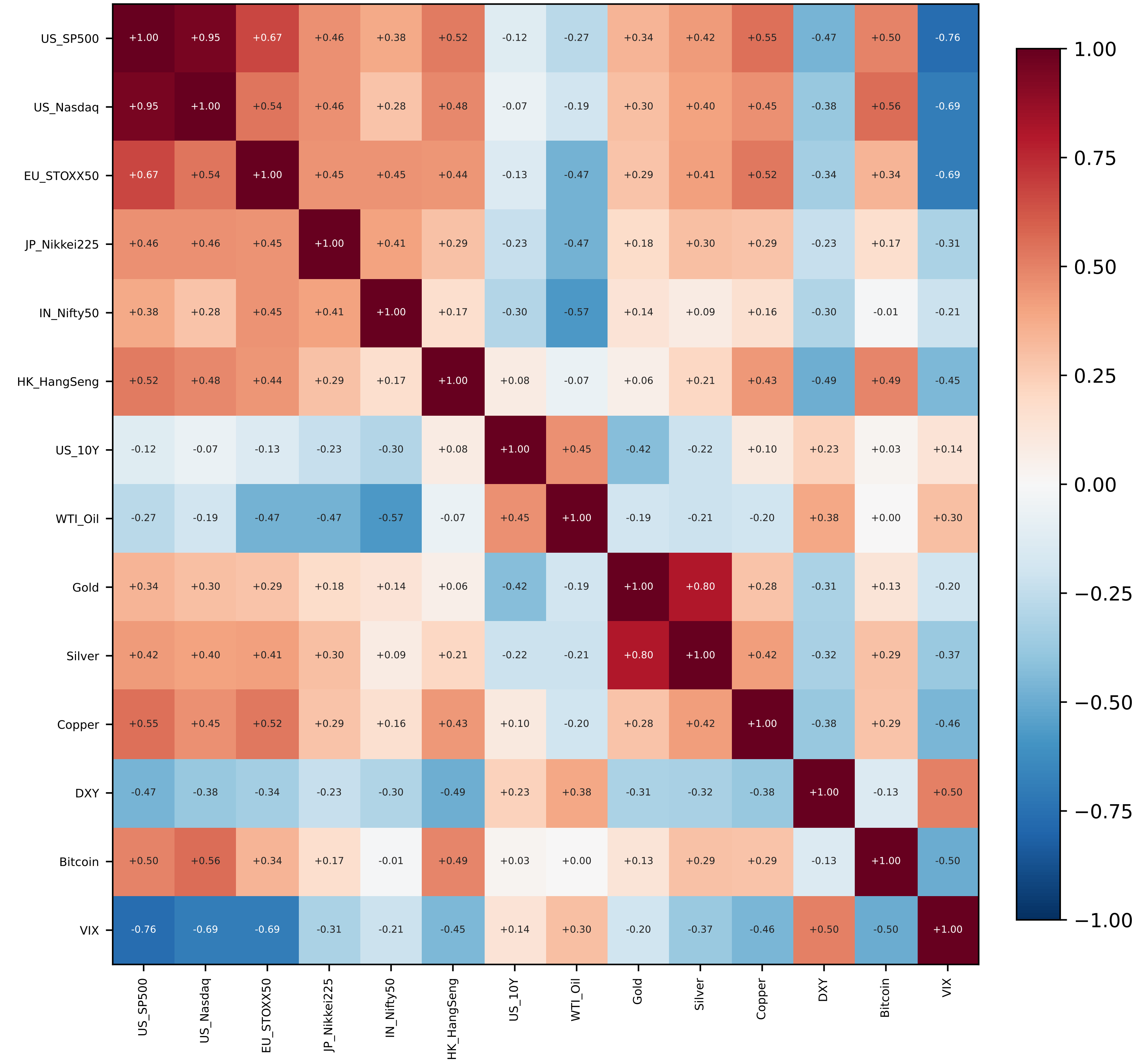
Positioning & What to Watch

The actionable stance: stay long risk in line with the Neutral, reflationary regime, but tilt toward diversification while PC1 is low — favor cyclicals and copper-linked equities, use Treasuries as a re-enabled equity hedge given the -0.01 stock-bond correlation, hold gold as a dollar/real-rate hedge over silver, and treat crypto and Chinese internet as high-beta satellites, not core. Trim into the CAPE given the negative risk premium rather than chase. Confirmation that the constructive view holds: HY OAS staying below ~2.75% and grinding tighter, breadth holding above 70% of global indices, VIX term structure remaining in contango below 1.0, and China internet strength broadening into mainland breadth. Signals that would change the view: a jump in PC1 concentration or the stock-bond DCC turning positive again (loss of the bond hedge); HY spreads gapping wider through 3.0%; the VIX3M ratio crossing above 1.0 into backwardation; the labor-market forecasts materializing as continued claims breaking above ~1.85mn or initial claims sustaining above 245k; and a hawkish real-yield break above ~2.40% that would directly compress the richest equity valuation in a century.

Weekly % change - last 12 weeks

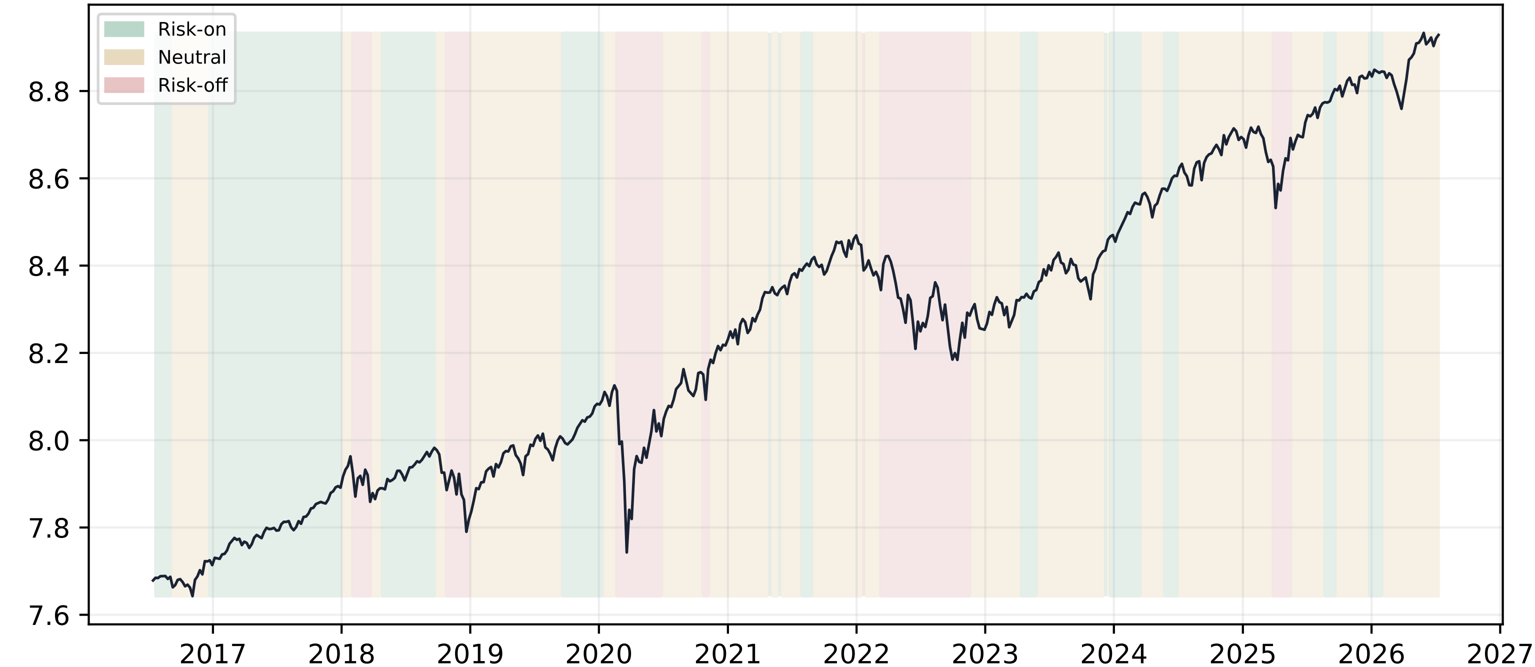


52-week correlation of weekly moves

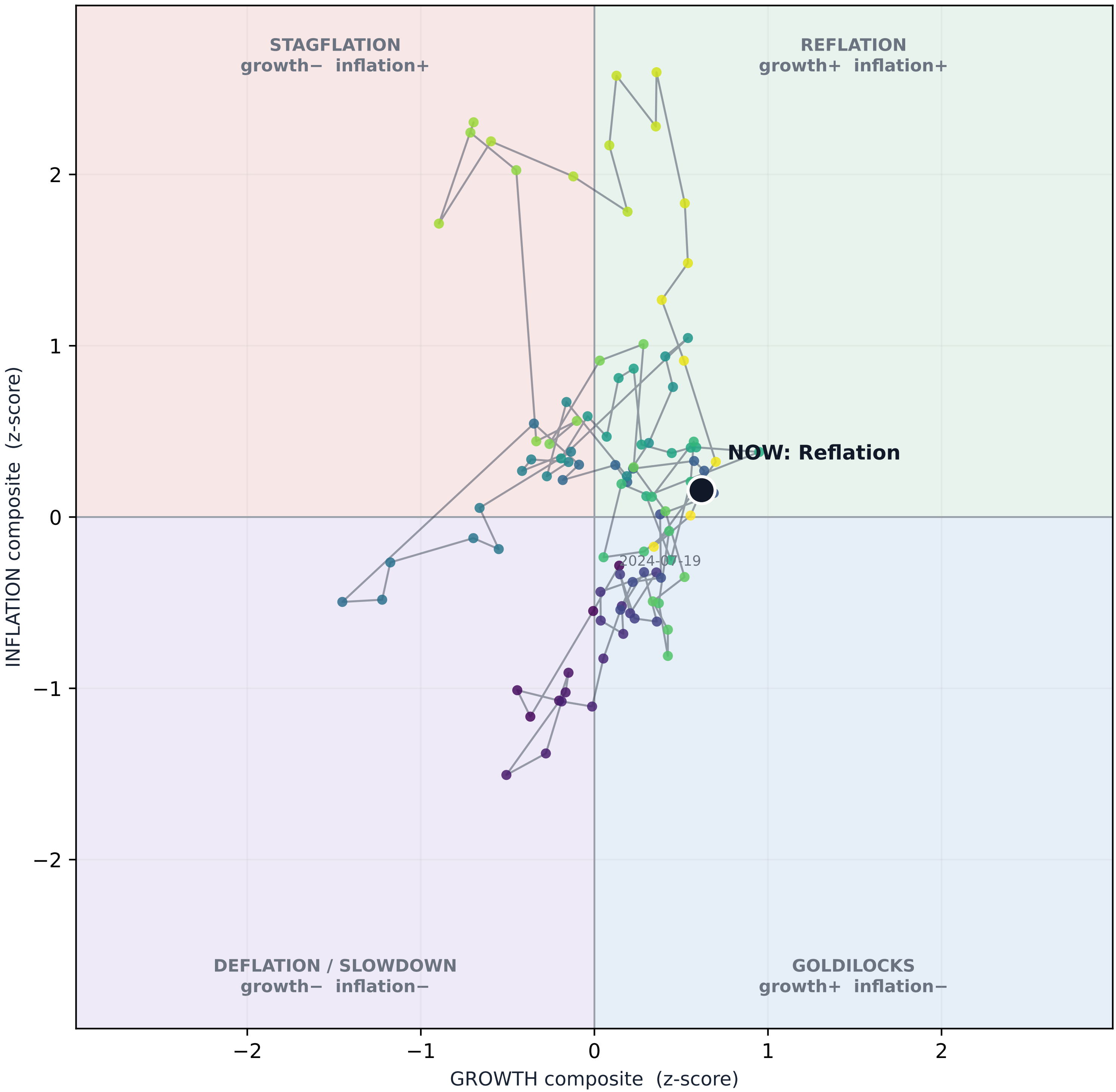


DCC-GARCH conditional correlation: S&P 500 vs US 10Y yield

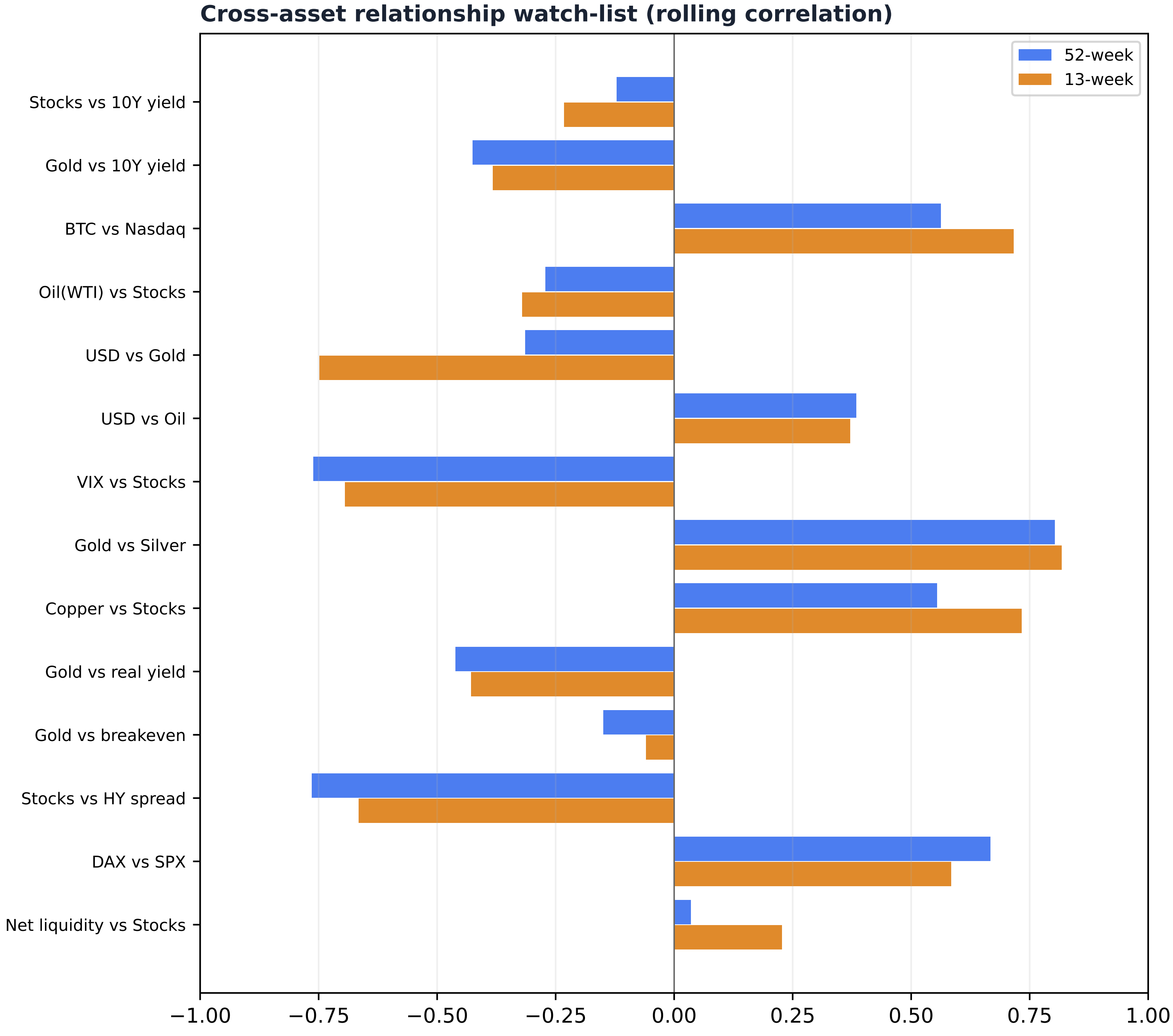
S&P 500 (log) with Markov-switching regime shading



Growth × Inflation regime quadrant — 2-year rotation trail

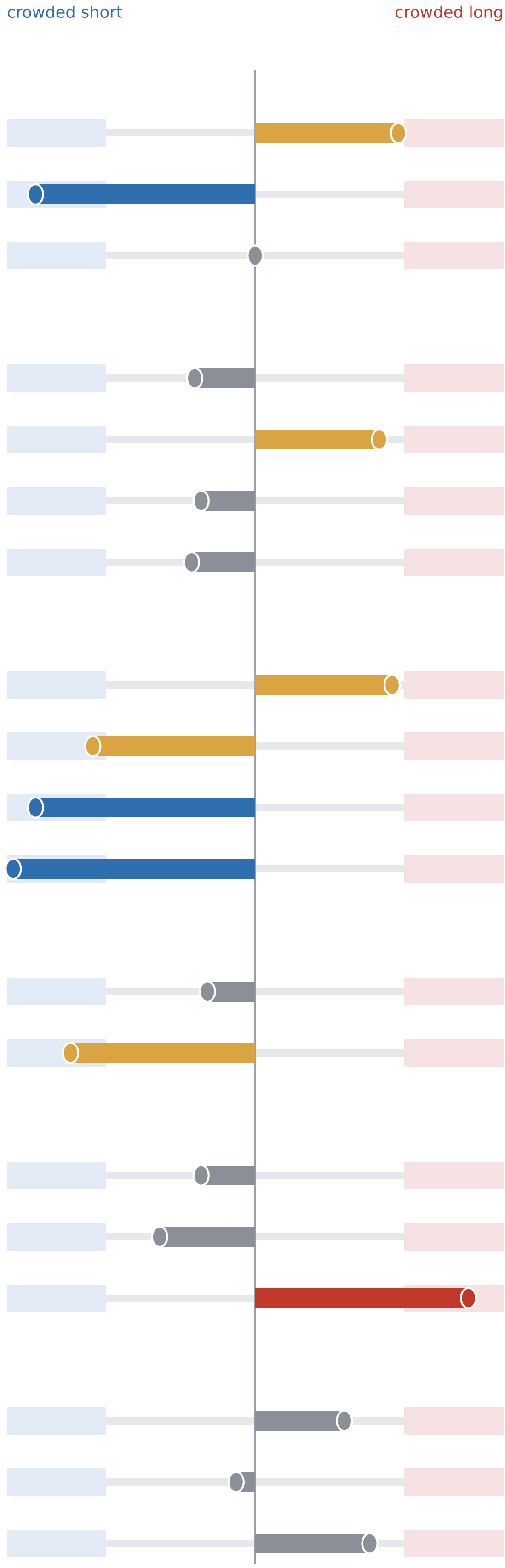


Growth = copper/gold ratio, tight HY spread, S&P momentum, cyclicals/defensives. Inflation = 5y & 10y breakevens, commodity momentum.
Each a mean of 3-year rolling z-scores. Colour of trail points runs old (dark)→recent (yellow); black dot = now.


Cross-asset relationship watch-list (rolling correlation)
52-week
13-week
Stocks vs 10Y yield
Gold vs 10Y yield
BTC vs Nasdaq
Oil(WTI) vs Stocks
USD vs Gold
USD vs Oil
VIX vs Stocks
Gold vs Silver
Copper vs Stocks
Gold vs real yield
Gold vs breakeven
Stocks vs HY spread
DAX vs SPX
Net liquidity vs Stocks
−1.00
−0.75
−0.50
−0.25
0.00
0.25
0.50
0.75
1.00

POSITIONING — CFTC speculative net

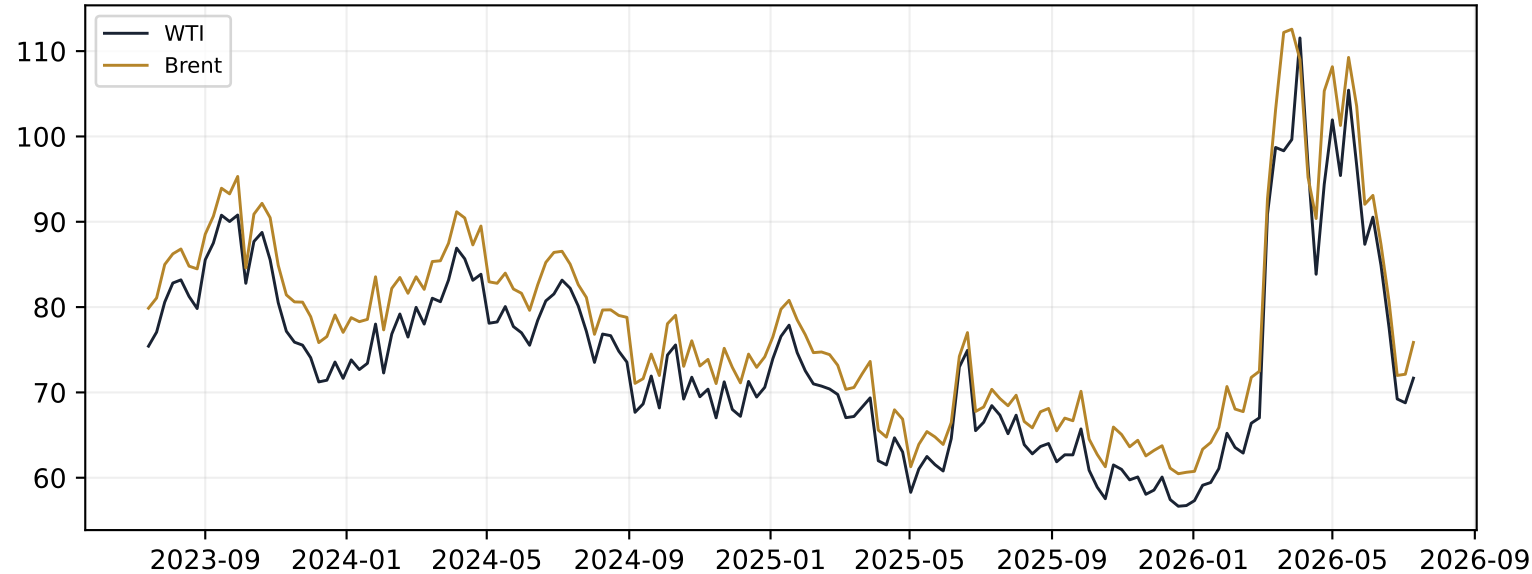
Large-spec (non-commercial) net futures position vs its own 3-year range. Crowded extremes flag squeeze risk.



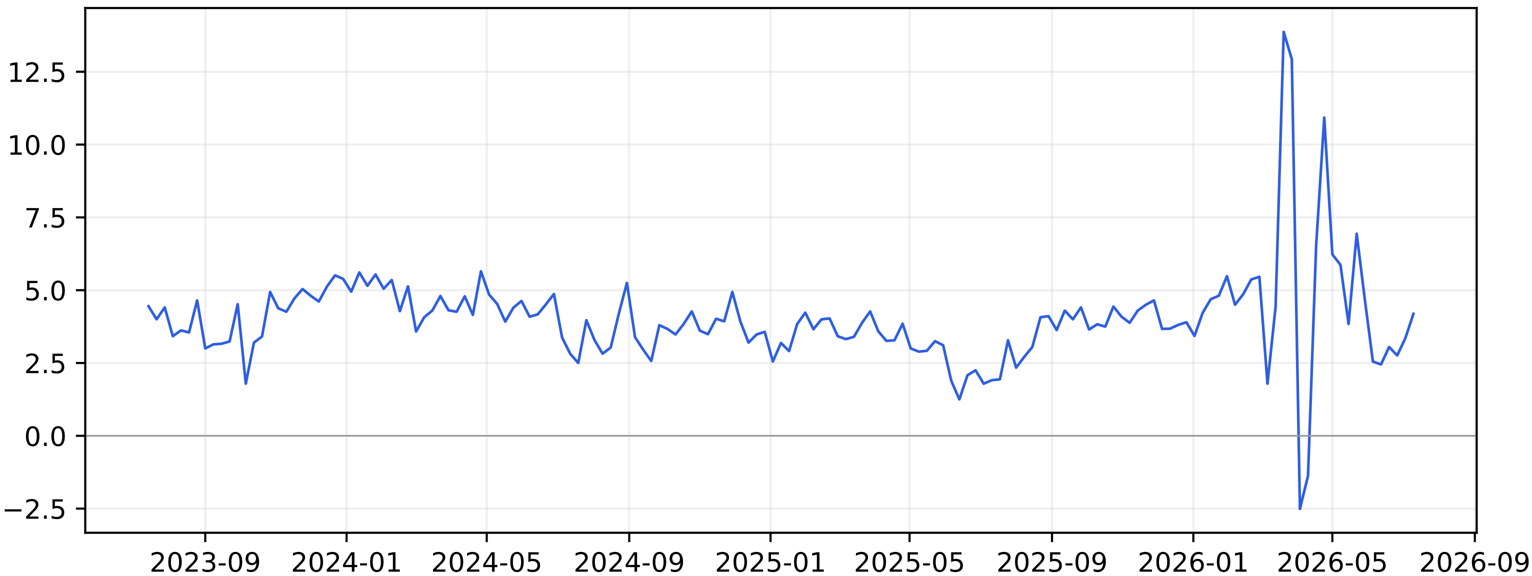
	net (k)	%OI	3y %ile
EQUITY INDICES			
S&P 500 (e-mini)	-38	-2%	79
Nasdaq-100	-8	-3%	6
Russell 2000	-26	-6%	50
RATES			
UST 2Y	-1288	-29%	38
UST 5Y	-1321	-21%	75
UST 10Y	-809	-15%	39
UST Bond	-91	-5%	37
FX			
US Dollar Index	+13	+24%	78
Euro FX	+1	+0%	17
Japanese Yen	-155	-35%	6
British Pound	-102	-35%	1
ENERGY			
WTI crude	+7	+1%	40
Natural gas	-171	-10%	13
METALS			
Gold	+194	+53%	39
Silver	+27	+25%	31
Copper	+65	+25%	93
AGRICULTURE			
Corn	+64	+4%	68
Wheat (SRW)	-55	-14%	46
Soybeans	+77	+9%	73

Net = long − short non-commercial contracts (thousands). %OI = net as share of open interest. Percentile = rank of current net within its 3-year weekly range.
Shaded red ≥ 80th (crowded long → vulnerable to a wash-out), blue ≤ 20th (crowded short → squeeze-higher risk). Dot = current; bar measured from the 50th

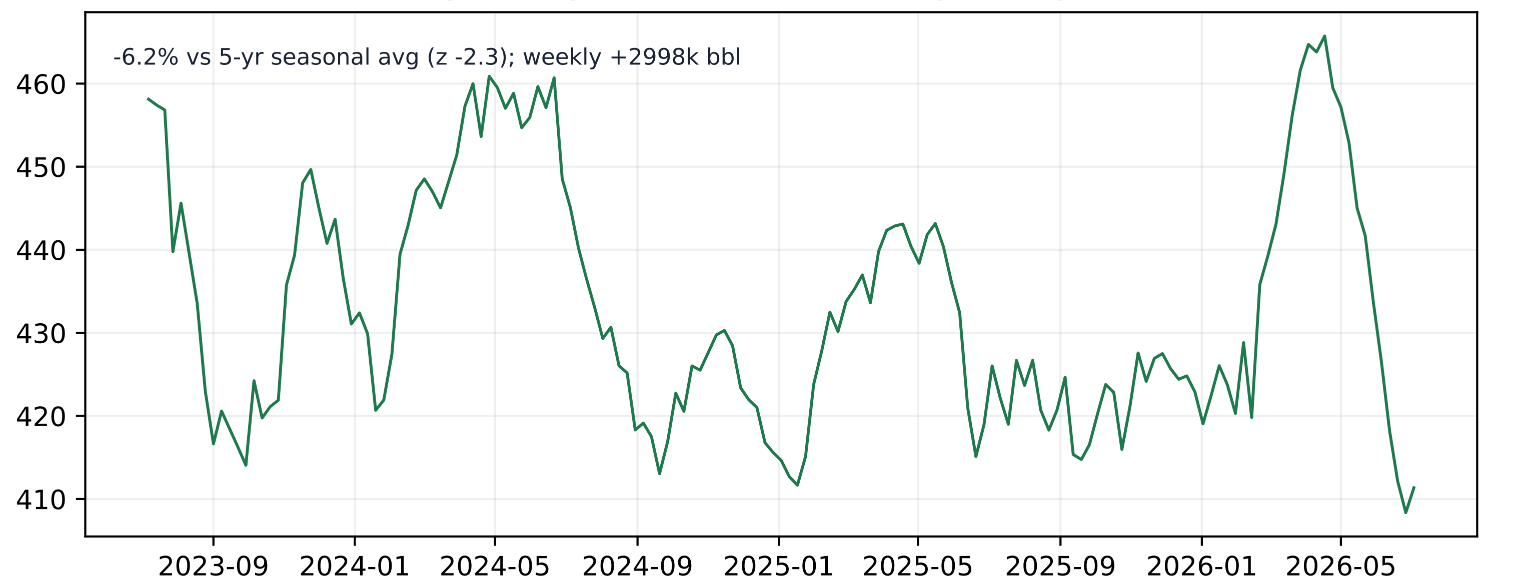
OIL special - WTI $71.67 (wk +4.1%, 13w -25.8%)



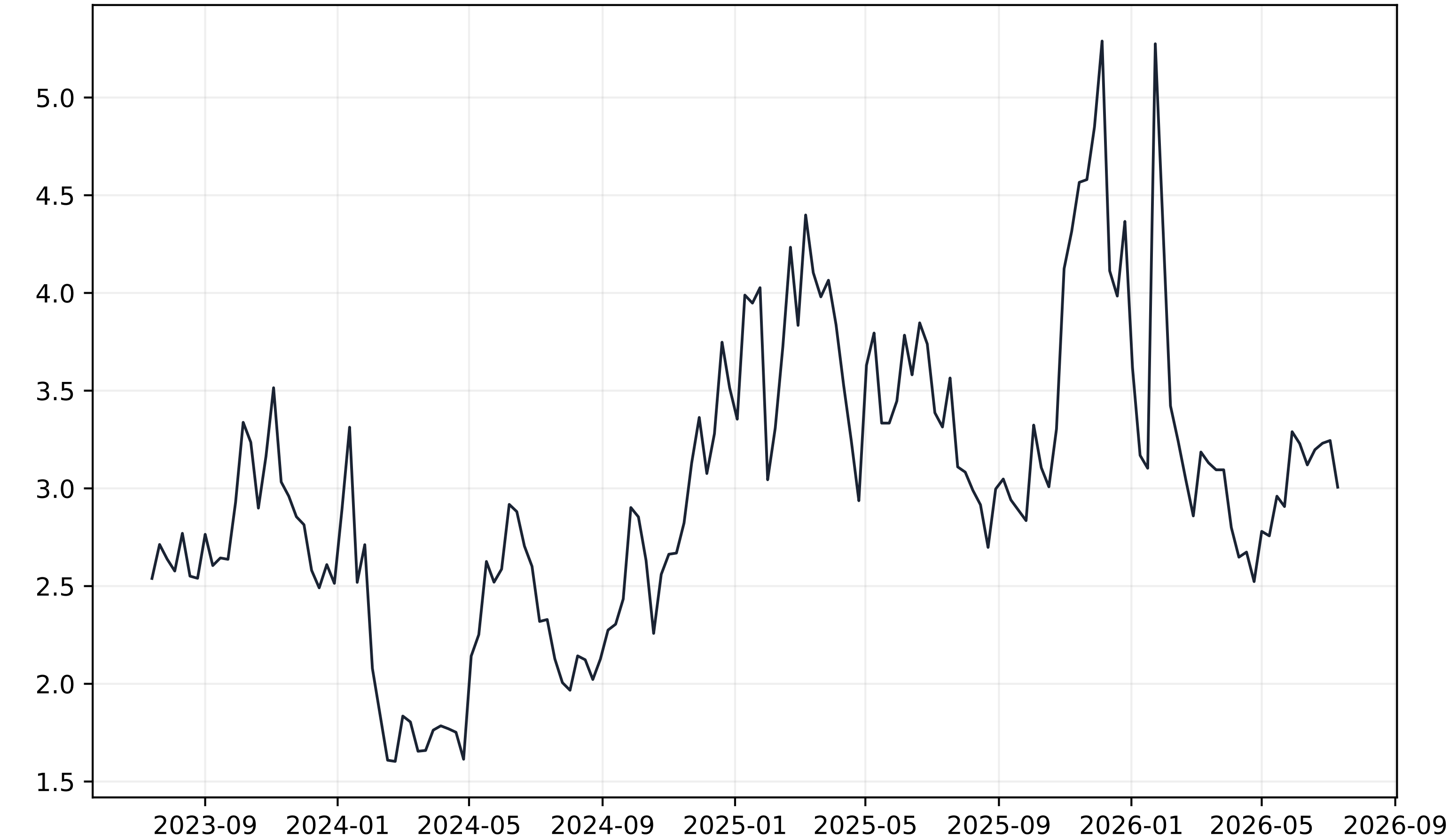
Brent-WTI spread (now +4.19)



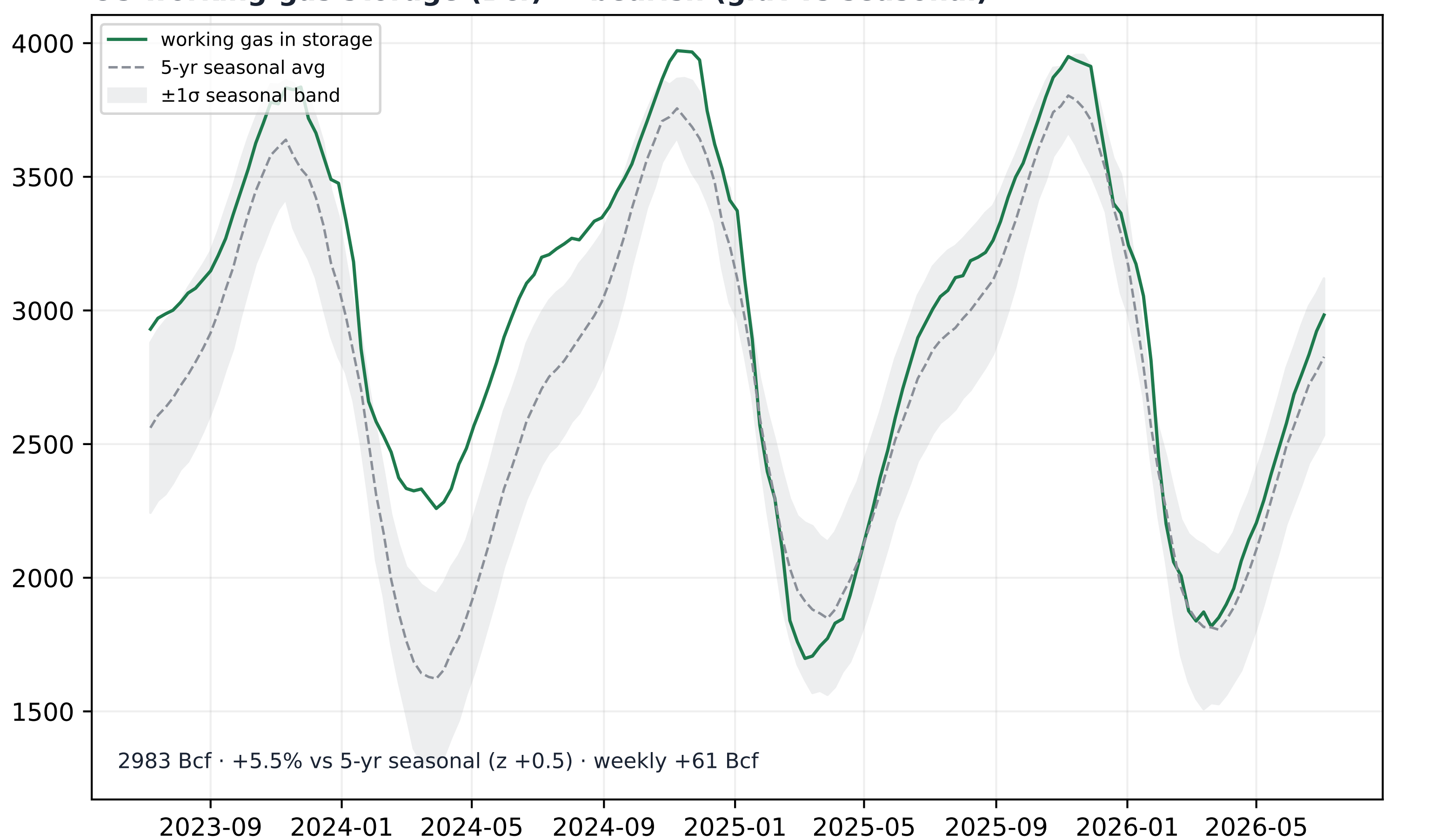
US crude inventories (mn bbl) - deficit vs seasonal (bullish)



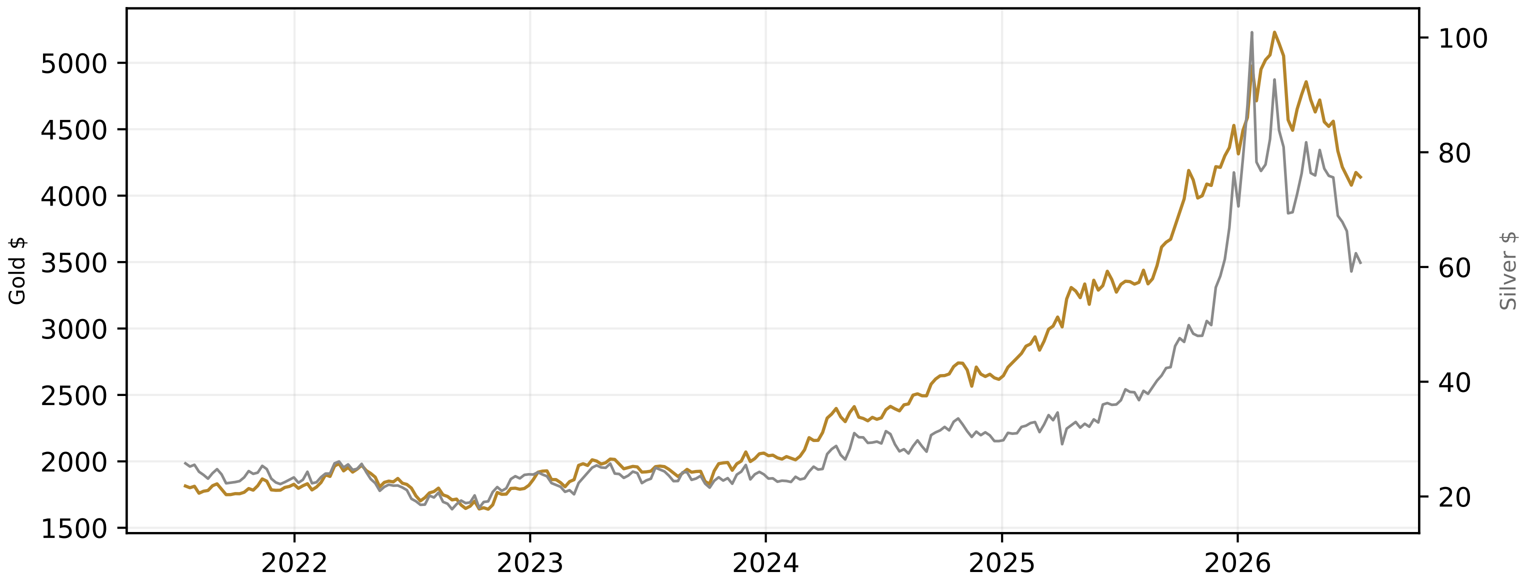
Natural gas (Henry Hub, $/MMBtu) — $3.01 (wk -7.7%, 13w +13.5%)



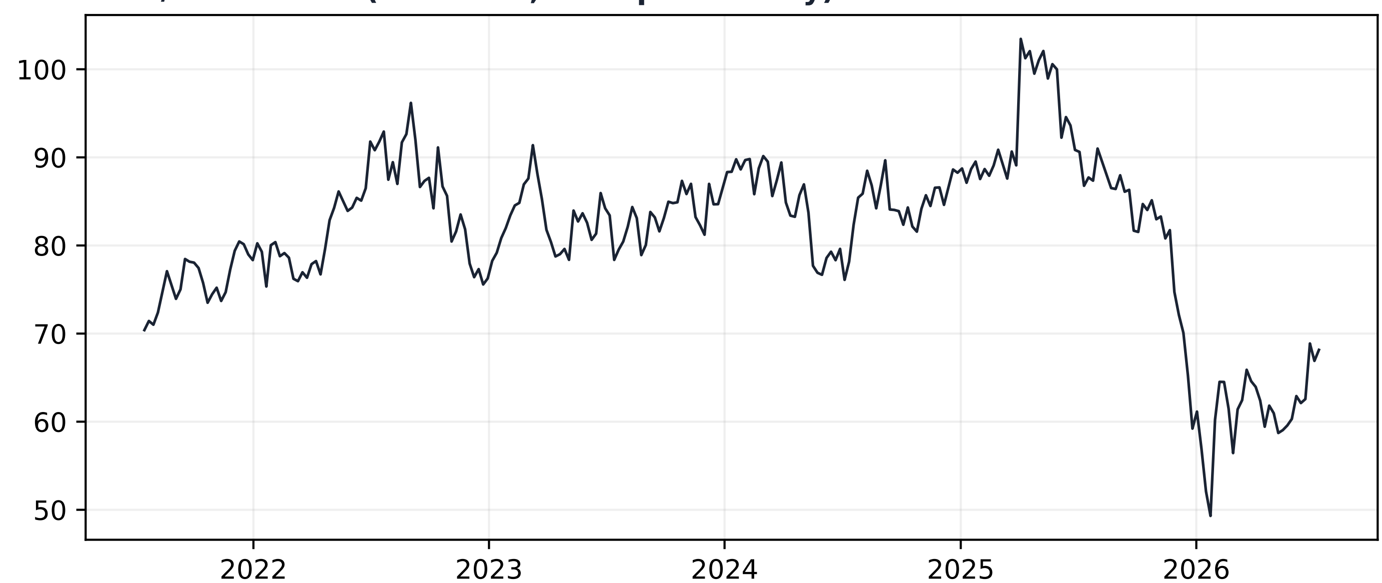
US working-gas storage (Bcf) — bearish (glut vs seasonal)



GOLD/SILVER special - Gold $4140 (L) & Silver $60.75 (R)

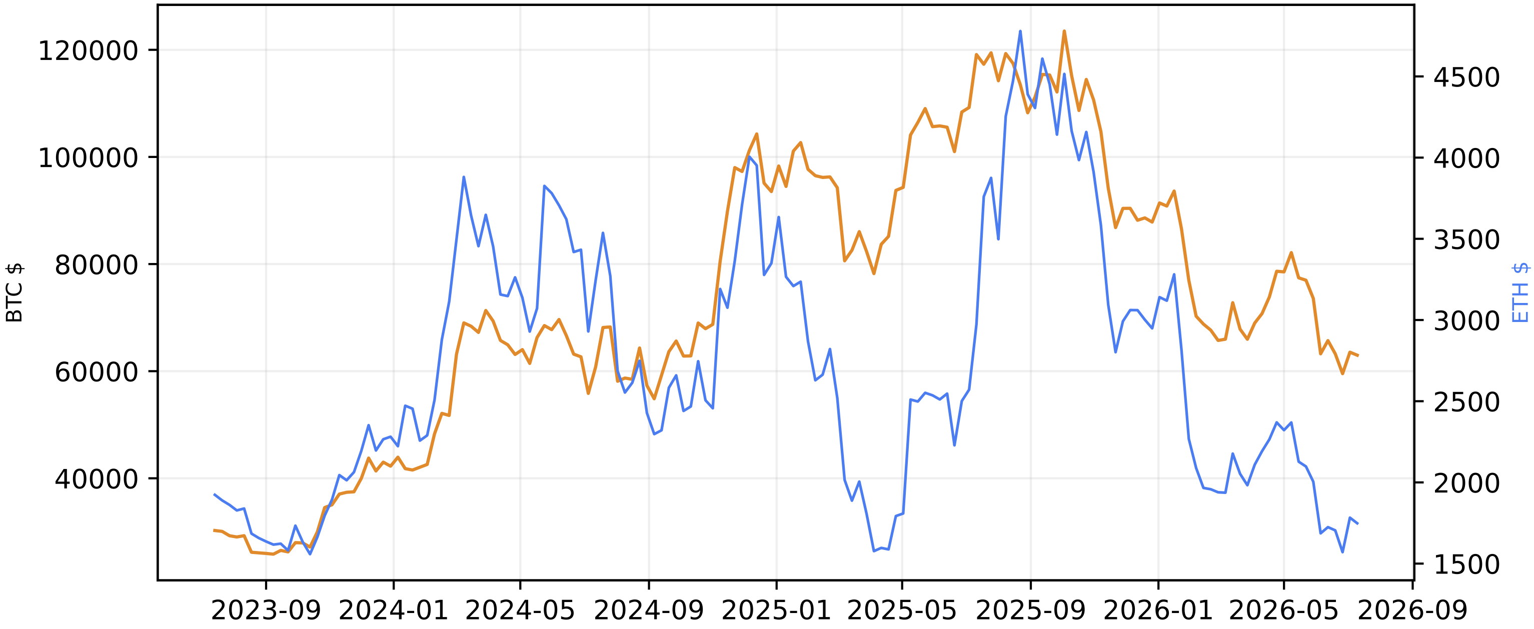


Gold/Silver ratio (now 68.2, 11th pctile of 5y)



Gold vs 10Y real yield (inverted) - 52w corr -0.46

CRYPTO special - BTC $62,980 (L) & ETH $1,748 (R)



ETH/BTC ratio (now 0.0278)

MARKET STRUCTURE (current)

Total mcap $2.25T   BTC dominance 56.2%   ETH dominance 9.4%

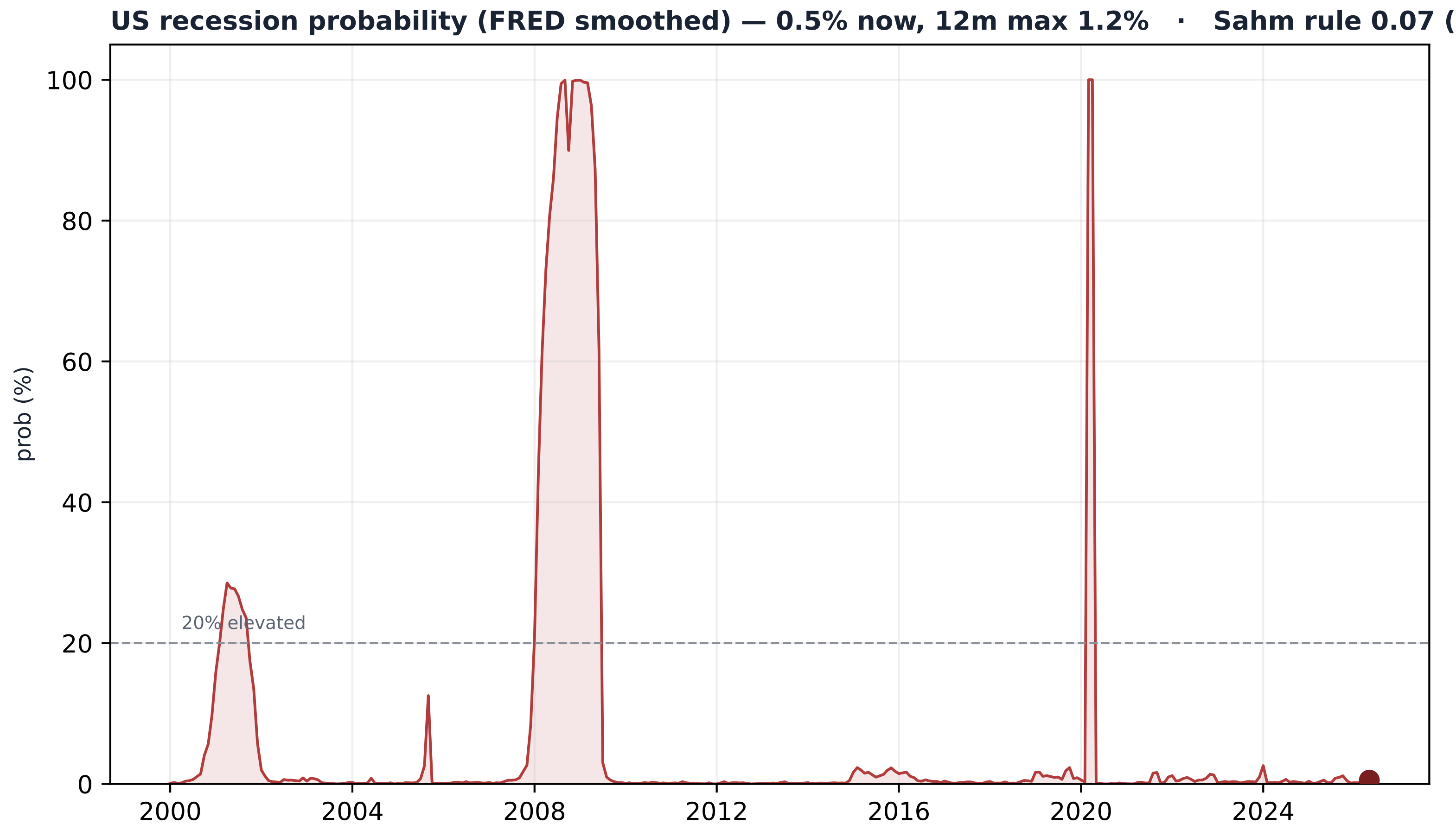
Stablecoin supply $308B (-0.4% wk)   DeFi TVL $73B (+3.4% wk)

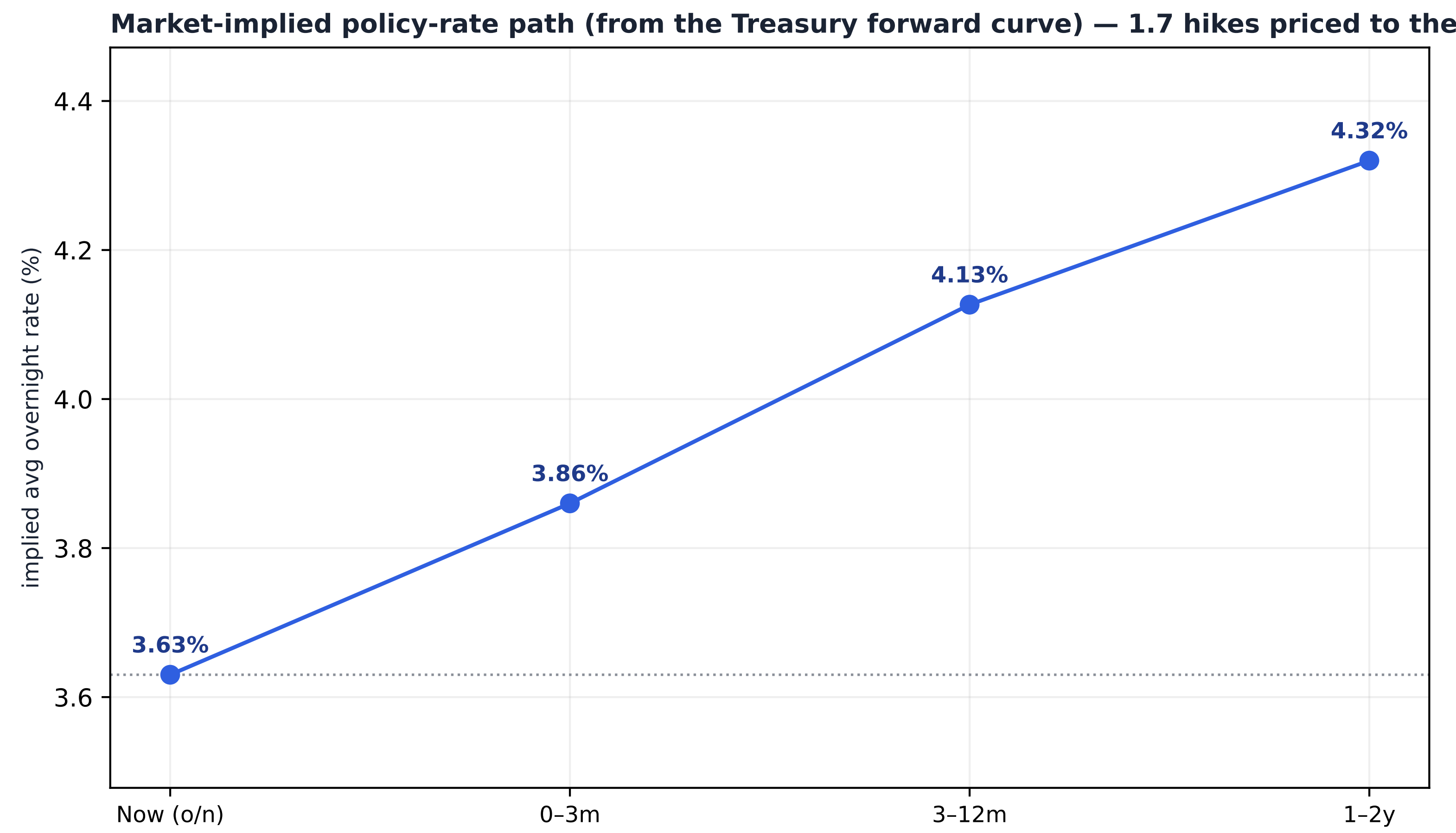
Crypto Fear & Greed: 22 (Extreme Fear), a week ago 19

S&P 500 Shiller CAPE — 41.6, 99th percentile of 155 years

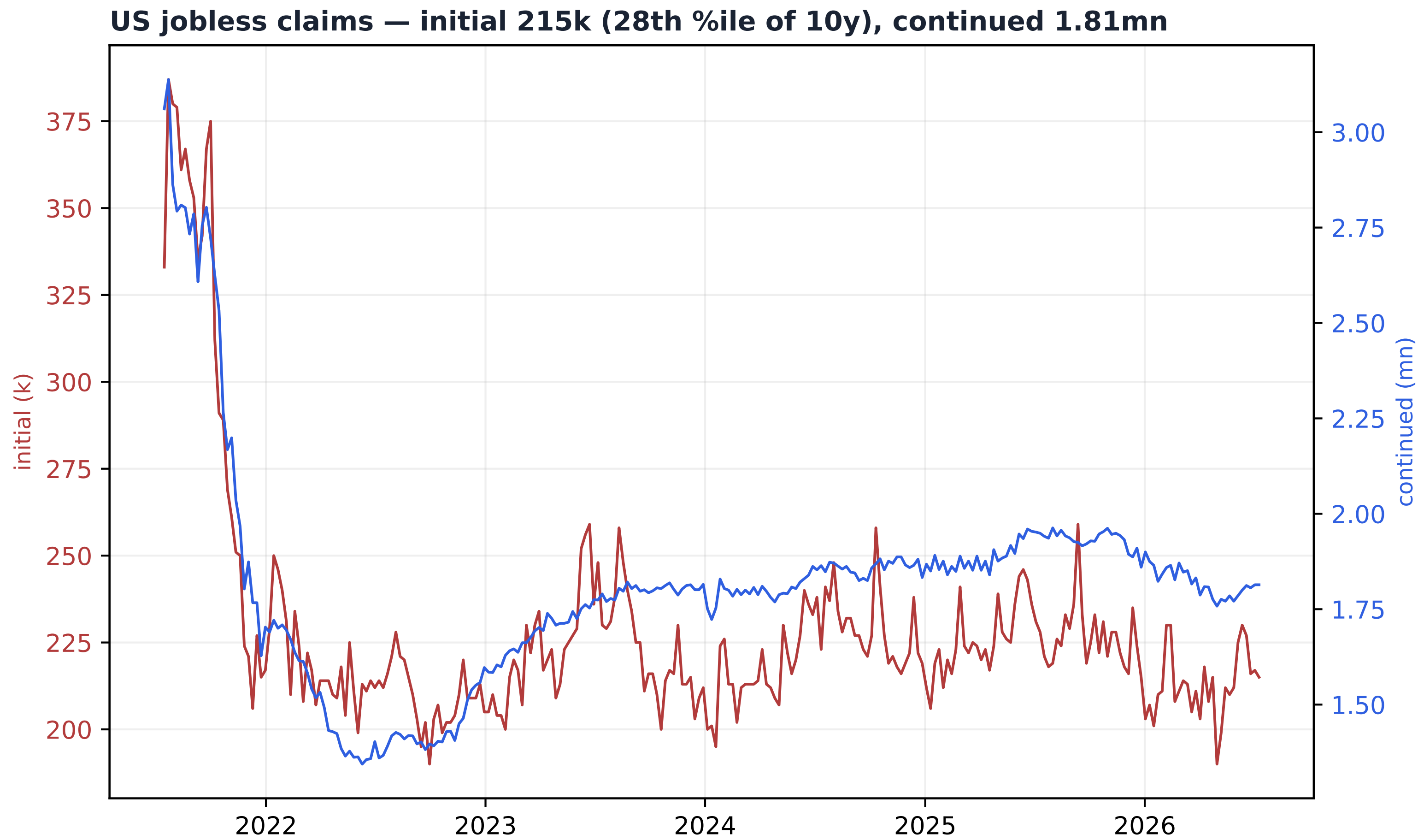
Excess CAPE Yield (1/CAPE − 10Y real) — +0.10%, 0th pctile since 2015

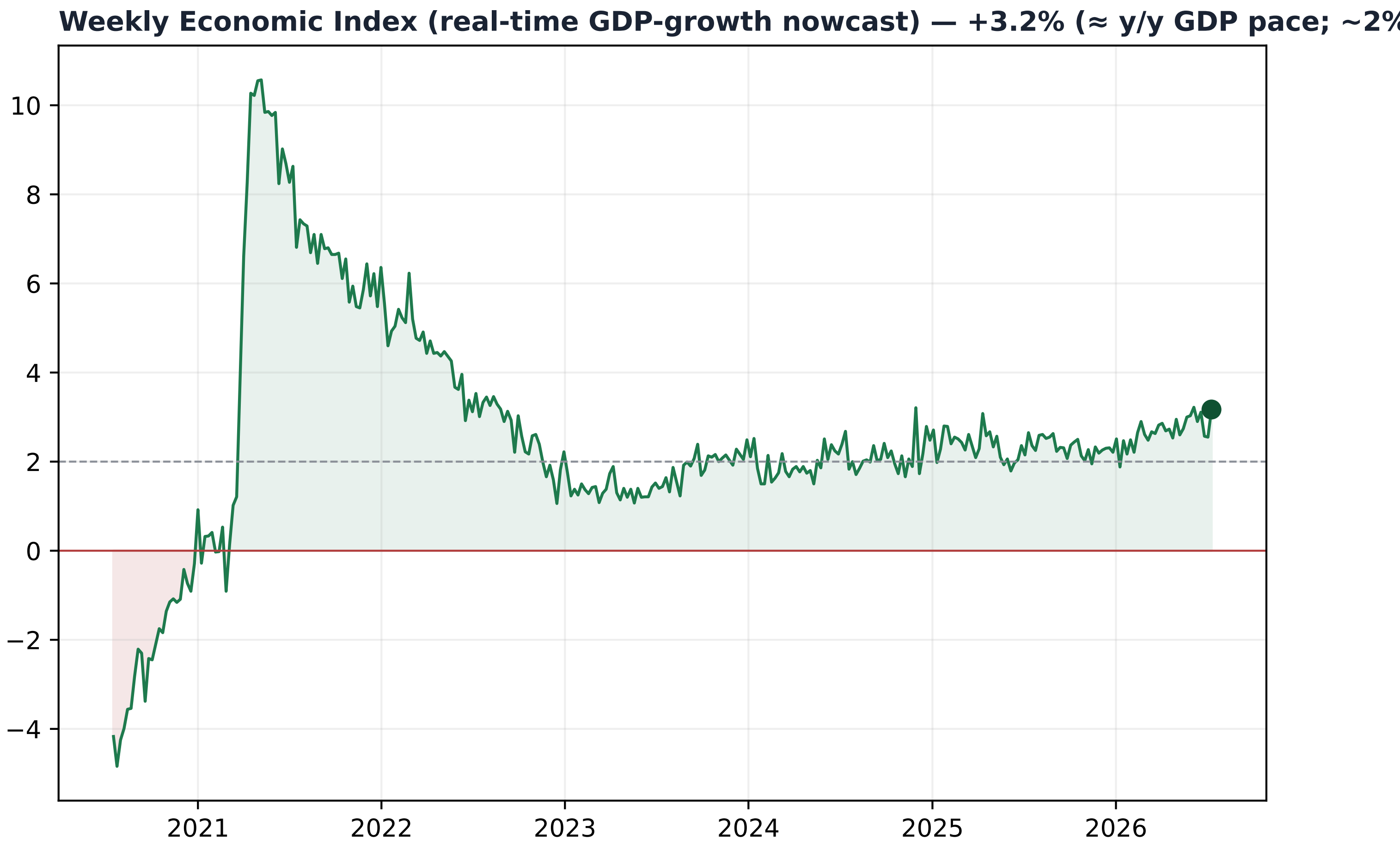
Cyclically-adjusted earnings yield 1/CAPE = 2.40% · trailing earnings yield 3.55% · 10Y nominal 4.55% · 10Y real 2.30% · equity risk premium
A low/negative Excess CAPE Yield signals equities are richly priced versus real bonds and historically implies muted long-run forward returns — a valua





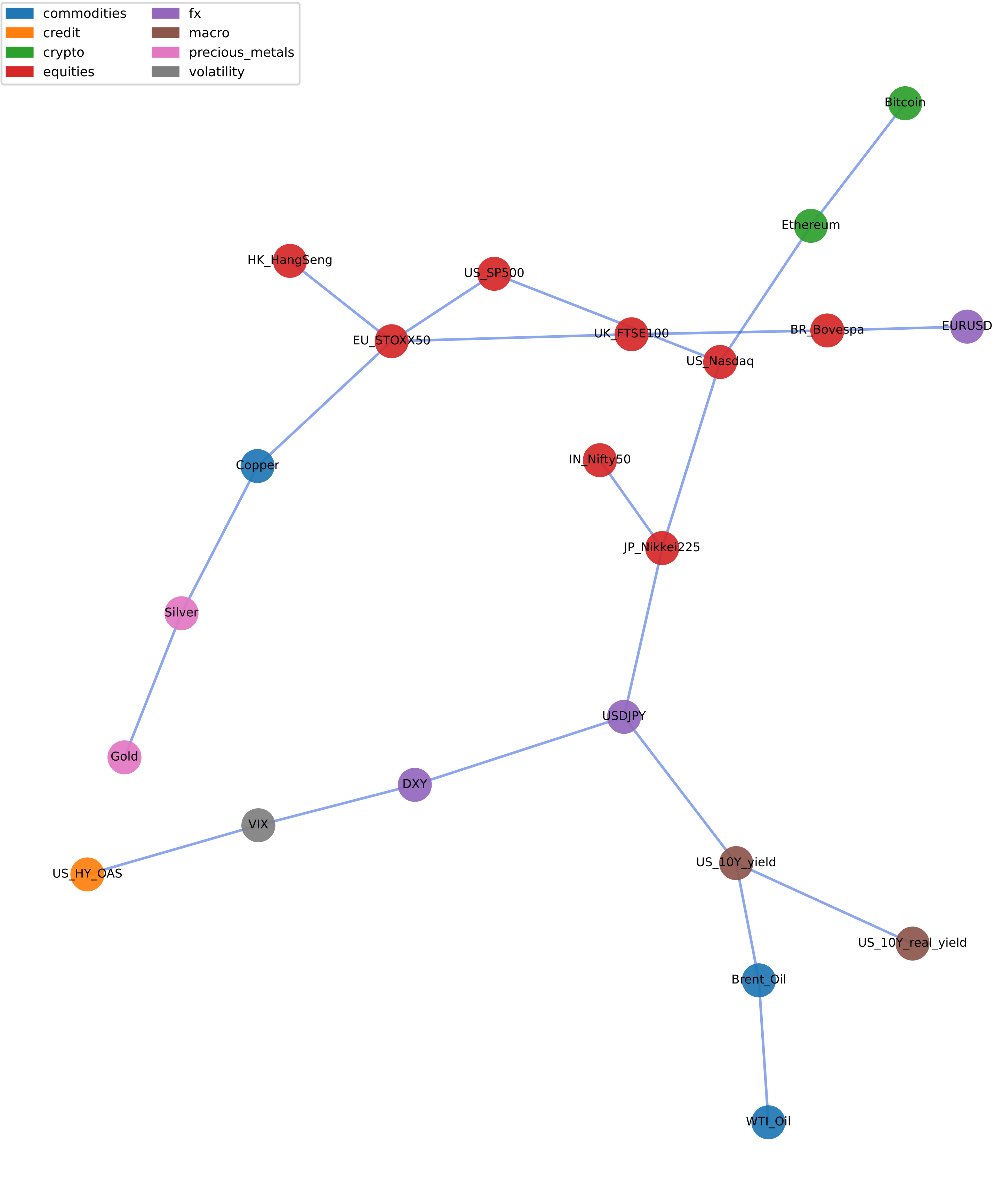
10Y–3M curve +0.69pp (positive). Forward short rates implied by the current 3M/1Y/2Y Treasury curve; the dotted line is today's fed funds. A downward path prices policy easing. Cut/hike count is an approximation to the 1-year point (ignores term premium), a directional read of what is priced.





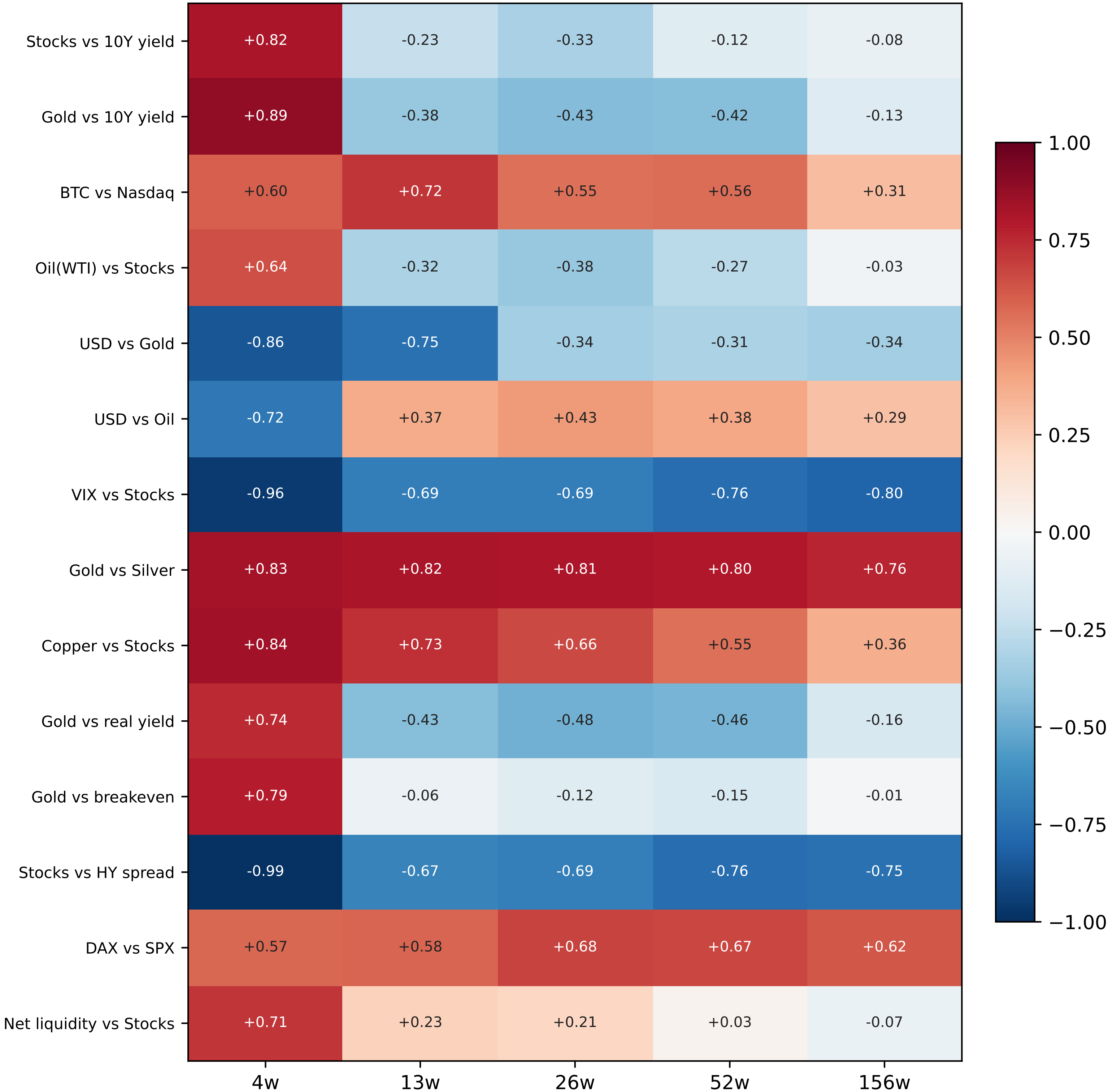
Initial claims — the timeliest US labour-market read; a sustained rise above ~260k historically flags rising recession risk. The Weekly Economic Index (Lewi
ten daily/weekly series into a real-time growth signal scaled to y/y GDP growth.

Cross-asset correlation network - minimum spanning tree (3y)



blue edge = positive link, red = negative; proximity = co-movement

Correlation by horizon - is the relationship structural or short-term?



Leading Indicators & Forecasts

Genuine lead-lag pairs (near-identical instruments excluded) + a level forecast H weeks out from the leader's current move. Weekly predictive skill is modest - read R2 and the band; treat as a probabilistic tilt, not a point call.

LEADER	-> LAGGER	H	corr	R2	forecast: cur -> pred [band]
StLouis_Fin_Stress	Initial_Claims	3w	+0.74	0.54	215000.00 -> 245124.00 [-32496.62,522744.62]
IN_IndiaVIX	Initial_Claims	2w	+0.74	0.54	215000.00 -> 237457.57 [3667.08,471248.06]
Chicago_Fed_NFCI	Continued_Claims	4w	+0.71	0.50	1814000.00 -> 1549866.42 [612378.18,2487354.66]
Initial_Claims	Continued_Claims	3w	+0.67	0.44	1814000.00 -> 1791553.94 [1001522.94,2581584.95]
VIX3M	Initial_Claims	3w	+0.65	0.42	215000.00 -> 176080.18 [-160686.02,512846.39]
OilVol_OVX	Initial_Claims	2w	+0.62	0.38	215000.00 -> 213457.98 [-57301.09,484217.04]
CA_TSX	Initial_Claims	3w	-0.61	0.37	215000.00 -> 197064.80 [-152704.20,546833.80]
IN_IndiaVIX	Continued_Claims	4w	+0.60	0.36	1814000.00 -> 1590465.45 [440524.78,2740406.13]
VIX	Initial_Claims	4w	+0.59	0.35	215000.00 -> 133122.58 [-277034.54,543279.69]
US_13W	Fed_funds_rate	3w	+0.58	0.34	3.63 -> 3.66 [3.51,3.80]
US_3M_yield	Fed_funds_rate	3w	+0.58	0.34	3.63 -> 3.65 [3.52,3.79]
US_HighYield	Initial_Claims	2w	-0.58	0.33	215000.00 -> 206976.60 [-74380.99,488334.20]
Chicago_Fed_NFCI	Initial_Claims	3w	+0.58	0.33	215000.00 -> 130083.54 [-206241.39,466408.47]
US_InvGrade	Initial_Claims	2w	-0.57	0.32	215000.00 -> 358238.06 [73753.69,642722.42]

Method: OLS of the lagger's forward H-week return on the leader's trailing H-week return over ~10y of weekly data; forecast applies the leader's latest value; band = +/-1 residual sigma. Direct or inverse correlation both qualify.