ABL Digital Global Cross-Asset Weekly

Trend & Correlation Report | week ending 2026-07-17

139 instruments | 603 weeks history

REGIME: Risk-on

EXECUTIVE SUMMARY

The engine places markets firmly in a **Risk-on regime** (smoothed posterior 0.795, ~23 weeks running), with healthy breadth — 76% of 42 global equity indices and 91% of US sectors above their 40-week averages — and a calm VIX term structure (0.88, contango). Yet the single most important development this week is the sharp **fracturing of the equity tape beneath a placid index surface**: Korea's KOSPI collapsed -9.4% and China fell 2–3.5% while Southeast Asia and Europe eked out gains, a divergence that belies the low headline volatility. The macro backdrop has drifted into the **Stagflation quadrant** (growth z -0.19 and falling, inflation z +1.45), and the Treasury forward curve now prices ~1.6 *hikes* into a year — a hawkish repricing that sits uneasily with a CAPE of 42.2 (99th percentile) and a negative -0.99% equity risk premium. The key risk is that this richly-priced, narrowly-led market has no valuation cushion if the stagflationary drift forces rates higher rather than lower.

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	**23%**
DCC persistence (a+b)	**0.9804**
Weeks in regime	**23**

For research and information only; not investment advice. Verify all data before use.

EXECUTIVE DASHBOARD

One-glance cross-asset scorecard · week ending 2026-07-17 · 139 instruments, 10-year context

MARKET REGIME	GROWTH × INFLATION	STOCK–BOND CORR
Risk-on	**Stagflation**	**-0.01**
~23w in regime	g -0.2 / i +1.4	vs +0.15 1y ago

RISK CONCENTRATION	EQUITY BREADTH	VIX TERM
23%	**76%**	**Contango**
PC1 share of variance	indices > 40wk MA	ratio 0.88

VALUATION **Shiller CAPE 42.2** **99th %ile / 155y** Excess CAPE yield +0.06% ERP -0.99%

METRIC vs 10-YEAR HISTORY	Level	Wk Δ	10y percentile
Volatility (VIX)	16.2	+1.22	46th
HY credit spread (OAS)	2.70%	-0.04	8th
IG credit spread (OAS)	0.76%	+0.01	10th
EM corp spread (OAS)	1.45%	-0.02	5th
10Y real yield (TIPS)	2.31%	+0.05	99th
10Y nominal yield	4.54%	+0.05	97th
2Y yield	4.16%	+0.02	80th
10Y–2Y curve	+0.35pp	+0.00	48th
10Y breakeven infl.	2.24%	+0.01	56th
Financial conditions	-0.52	-0.01	42nd
Initial jobless claims	215k	-2k	28th
Weekly Econ Index	+3.2%	+0.62	85th
Fed net liquidity	$5.96T	+0.00	62nd
US dollar (DXY)	100.9	-0.0%	68th
Gold	$4,076	-0.7%	93rd
S&P 500	7575	+1.2%	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 conviction is high: 79.5% risk-on versus just 2.8% risk-off, with almost no weight on a near-term regime flip. Reinforcing this, PC1 explains only 23% of cross-asset variance — a low concentration reading that means risk is not being driven by a single dominant factor, the opposite of the tightly-correlated tape that precedes crashes. VIX at 16.25 (up a modest 1.22) with a 0.88 spot/3-month ratio at the 52nd percentile confirms no forward stress is being paid for. The tension is that the growth-inflation regime has slipped into stagflation: the growth composite is mildly negative and deteriorating (13-week change -0.39) while inflation sits at a hot +1.45 z. For an investor, this is the classic late-cycle configuration — trend and breadth still support being long, but the macro engine is quietly withdrawing the disinflationary tailwind that justified premium multiples. Liquidity is flat (Fed net $5.96T, M2 $23.06T, both ~0% weekly), so there is no fresh fuel; the rally is running on momentum, not injection.

Rates, Credit & the Stock-Bond Relationship

The rates/credit level feed returned as unavailable (nan) this week, so levels cannot be cited with confidence and I will not fabricate them; the relationships, however, are intact and informative. The stock/10Y-yield DCC conditional correlation has collapsed to -0.01, from +0.15 a year ago, with high persistence (0.98). A near-zero correlation means bonds are once again offering genuine diversification — stocks and yields are no longer moving in lockstep, so duration can hedge equity risk more effectively than during 2022's positive-correlation regime. The rolling 52-week stock/yield correlation (-0.11) agrees. The Stocks-vs-HY-spread correlation of -0.76 confirms credit and equity risk are still tightly joined; HY spreads remain the cleaner tell, and any widening there should be treated as the leading crack. Critically, the market-implied path prices the overnight rate rising from 3.62% toward 4.30% at 1–2 years — the curve expects hikes, not cuts — which, against a -0.99% equity risk premium and a 0th-percentile Excess CAPE Yield, leaves equities with essentially no relative-value margin over bonds.

Cross-Asset Correlation Structure

The correlation matrix is coherent and points to a reflation-lite tape. Copper vs stocks (+0.55, 13w +0.67) and BTC vs Nasdaq (+0.56, 13w +0.71 and rising) show risk assets moving together — crypto is trading as a high-beta tech proxy, not a diversifier. VIX vs stocks (-0.76) and gold vs silver (+0.81) are textbook-stable. The standout shift is USD vs gold deepening to -0.71 over 13 weeks (from -0.31 on 52w): the dollar-gold link has re-tightened even as the dollar barely moved, meaning gold's weakness this week is being driven by real yields, not the currency. DAX-vs-SPX correlation has loosened to 0.41 (from 0.66), consistent with the developed-market dispersion the leader/laggard board shows. Net-liquidity-vs-stocks has ticked up to +0.28 over 13 weeks, a reminder that if liquidity stays flat the marginal support fades. The most-correlated pairs are dominated by mechanical rates identities (yields vs bond prices near ±0.99) and the DXY/EURUSD -0.95 — structural, not tradable signal.

Leading Indicators & Forecasts

The lead-lag table is dominated by financial-stress and volatility gauges leading jobless claims, and the honest reading is that weekly predictive skill is modest and internally contradictory. The strongest links — St. Louis Financial Stress → Initial Claims (H=3w, corr +0.74, R^2 0.54) and India VIX → Initial Claims (H=2w, corr +0.74, R^2 0.54) — both point to claims rising from 215k toward 245k–319k, implying a softening labour market three weeks out. But VIX3M → Initial Claims (corr +0.65, R^2 0.42) and OVX → Initial Claims point the other way, toward 145k–181k. When leaders of similar quality disagree, the signal is dispersion, not direction. The ±1σ bands make this explicit: every claims forecast spans roughly ±200k, i.e. the model cannot distinguish a labour-market deterioration from an improvement with confidence — treat these as scenario weights, not predictions. The one clean, low-variance forecast is US 13-week bill → Fed funds (H=3w, corr +0.58): 3.62% → 3.65%, band 3.50–3.80%, corroborating the forward curve's mild upward drift in the policy rate. Net: the leading-indicator complex leans very slightly toward labour softening and steady-to-firmer policy — a stagflationary tilt — but no single forecast should be leaned on hard.

Oil

WTI rallied +2.7% to $73.37 but remains down 12.5% over 13 weeks, so this is a bounce within a downtrend. The inventory picture is genuinely bullish: US crude stocks sit -6.2% below the 5-year seasonal norm (z -2.3), gasoline -7.0% and distillate a striking -13.9% below seasonal, with a healthy 3:2:1 crack of $57.5. That tight physical backdrop argues the recent price weakness overstates fundamental slack. Yet CFTC WTI spec positioning is only at the 44th percentile (+1.1% of OI) — specs are neither crowded nor conviction-long, leaving room to add if inventories keep drawing. Oil's correlation to stocks is now near zero (-0.08 on 13w), so a further crude rally would read as an inflation impulse rather than a growth signal — unhelpful in a stagflation quadrant. Natural gas ($2.89) is the mirror image: storage +5.5% above seasonal (a glut), spec at the 18th percentile — bearish and unloved.

Gold & Silver

Gold slipped -0.69% to $4,076 and silver -1.63% to $58.84, with the gold/silver ratio at 69.3 — the 12th percentile of five years, meaning silver is historically expensive relative to gold. Silver's larger drop, its +0.42 correlation to copper, and copper's crowded 92nd-percentile long together flag silver as the more vulnerable metal if the industrial/growth trade unwinds. Gold's pullback is explained by real yields (10Y real 2.31%, gold/real-yield corr -0.47) rather than the flat dollar. Positioning is unthreatening — gold specs at the 39th percentile, silver at the 31st — so neither is crowded, and the pullback looks like consolidation, not distribution. For a stagflation hedge, gold remains the cleaner vehicle; silver carries more downside beta.

Crypto

Bitcoin fell -1.1% with total market cap at $2.25T. The internals are cautious: BTC dominance 56.1% with ETH dominance just 9.5% and ETH/BTC at 0.0283 signals a defensive, BTC-led market with no altcoin risk appetite. Stablecoin supply is edging down (-0.5% to $309B) and DeFi TVL is off -1.6% to $74B — modest deleveraging, not capitulation. Fear & Greed at 28 ("Fear," up from 24) shows sentiment washed out but stabilising. The decisive fact is BTC/Nasdaq correlation at 0.71 and rising: crypto is now a levered equity proxy, so it will amplify any risk-off move rather than cushion it.

India, China & Russia

The priority markets split sharply. India is a picture of stability — Nifty flat, Bank Nifty +0.1%, Sensex +0.1% — riding out a week that savaged its neighbours; the Nifty-Sensex +1.00 correlation confirms domestic breadth is intact and India is behaving as the region's low-beta safe harbour. China was among the worst globally: Shenzhen -3.5%, Shanghai -2.1%, CSI300 -1.8%, extending the mainland's chronic underperformance and signalling that the growth-composite weakness is concentrated in North Asia (Korea's -9.4% KOSPI collapse being the extreme). This is a clean developed/EM-Asia fault line — Southeast Asia (Indonesia +1.9%, Malaysia, Thailand) rallied while North Asia broke. Russia does not appear in the visible universe (no RTS/MOEX print in leaders, laggards, or correlation set), so no data-grounded read is possible this week; I flag its absence rather than assert a view.

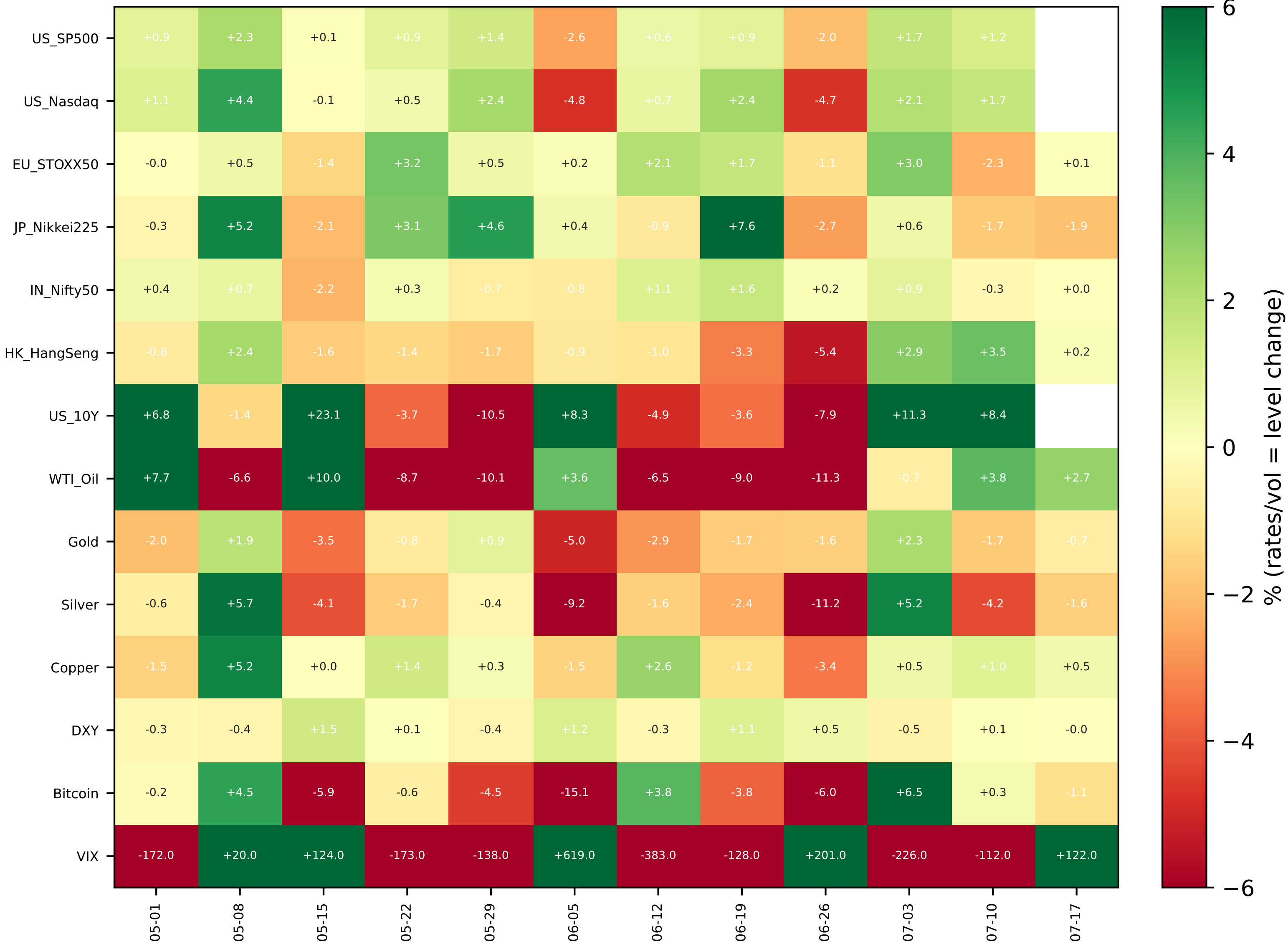
Key Risks & Divergences

Three divergences matter. First, index calm masks single-market carnage — a 0.88 VIX ratio alongside a -9.4% KOSPI is a warning that contagion, if it spreads from North Asia, would arrive faster than the vol surface implies. Second, valuation versus policy path: CAPE at the 99th percentile and a negative ERP with the curve pricing hikes is the most dangerous combination on the board — richly-priced equities with rising discount rates and no risk premium. Third, crowded-long copper (92nd) and soybeans (80th) are squeeze-lower risks precisely as the growth composite rolls over, while crowded shorts in Nasdaq (18th), USTs (16th), and the entire FX complex (GBP 3rd, EUR 12th, JPY 16th) create asymmetric squeeze-higher risk in bonds and non-dollar currencies. The DXY long at the 78th percentile is the crowded flip-side.

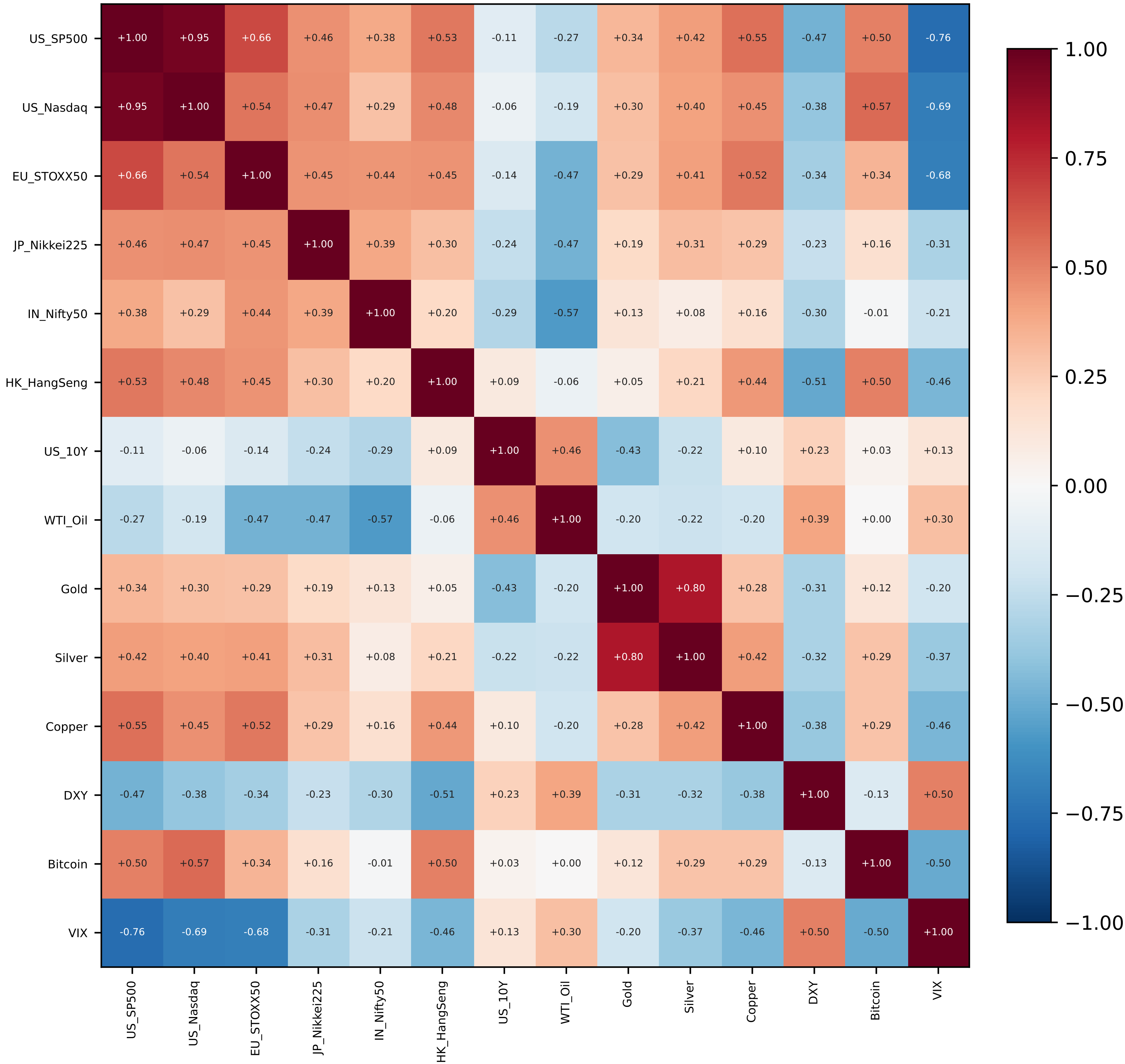
Positioning & What to Watch

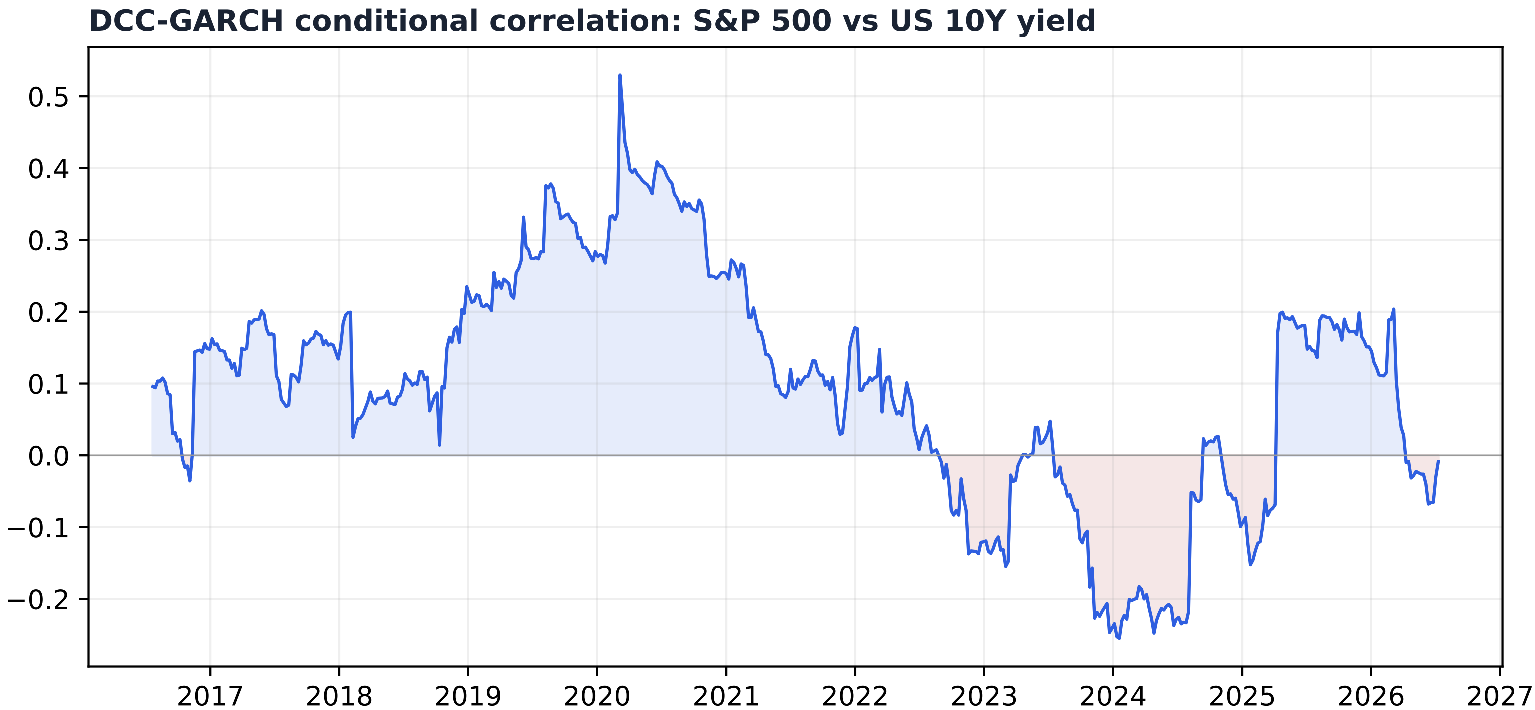
The actionable stance: stay constructive but reduce beta and lean into the diversification the -0.01 stock/bond correlation now offers — duration is a real hedge again, and USTs are crowded-short (squeeze-higher risk favours owning them). Prefer India over China/Korea within EM; favour gold over silver as the stagflation hedge; treat crypto and copper as levered risk to trim, not add. Confirming signals that the risk-on view holds: HY credit spreads staying tight, breadth holding above ~70% of global indices over their 40-week MA, and China/Korea stabilising off this week's lows. Signals that would change the view: a VIX spot/3M ratio breaking above 1.0 (forward stress), HY spreads widening even as equities hold (the classic credit-leads-equity crack), the growth composite z turning decisively negative alongside inflation staying above +1.0 (stagflation deepening), initial claims printing toward the 245k the stress models flag, or the Markov risk-off posterior lifting off 0.028. Watch copper: a break in the 92nd-percentile long would confirm the growth trade is unwinding and validate rotating toward defensives and duration.

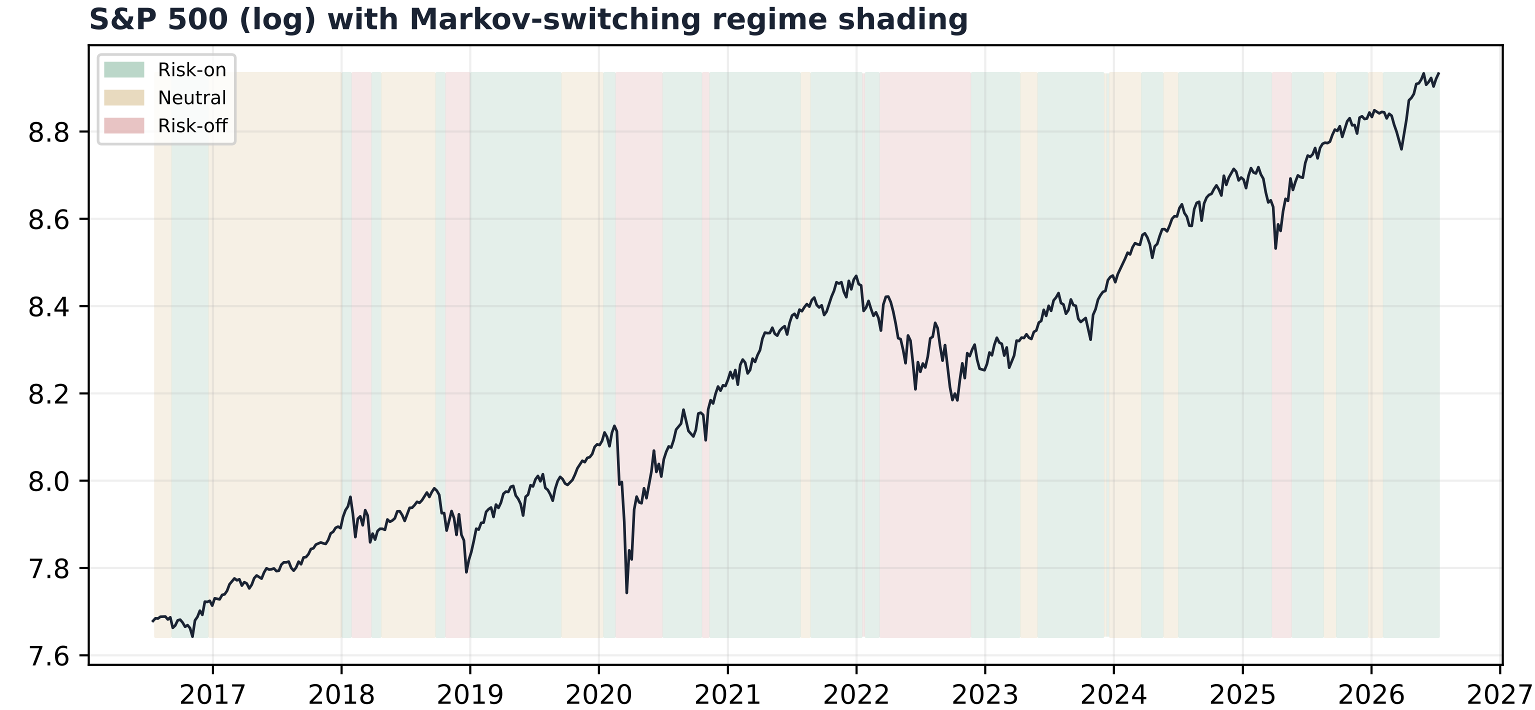
Weekly % change - last 12 weeks



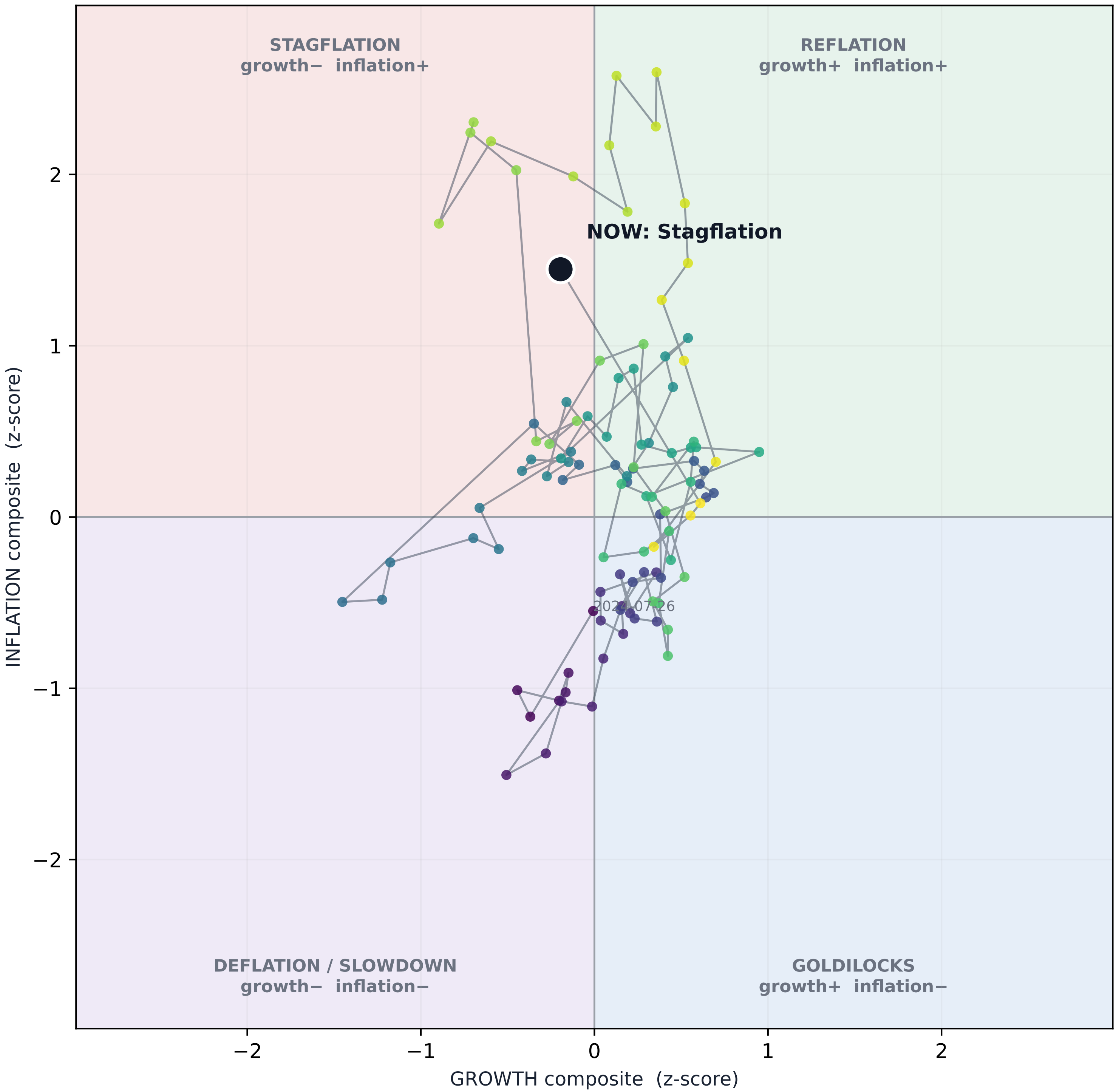
52-week correlation of weekly moves




DCC-GARCH conditional correlation: S&P 500 vs US 10Y yield
0.5
0.4
0.3
0.2
0.1
0.0
−0.1
−0.2
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

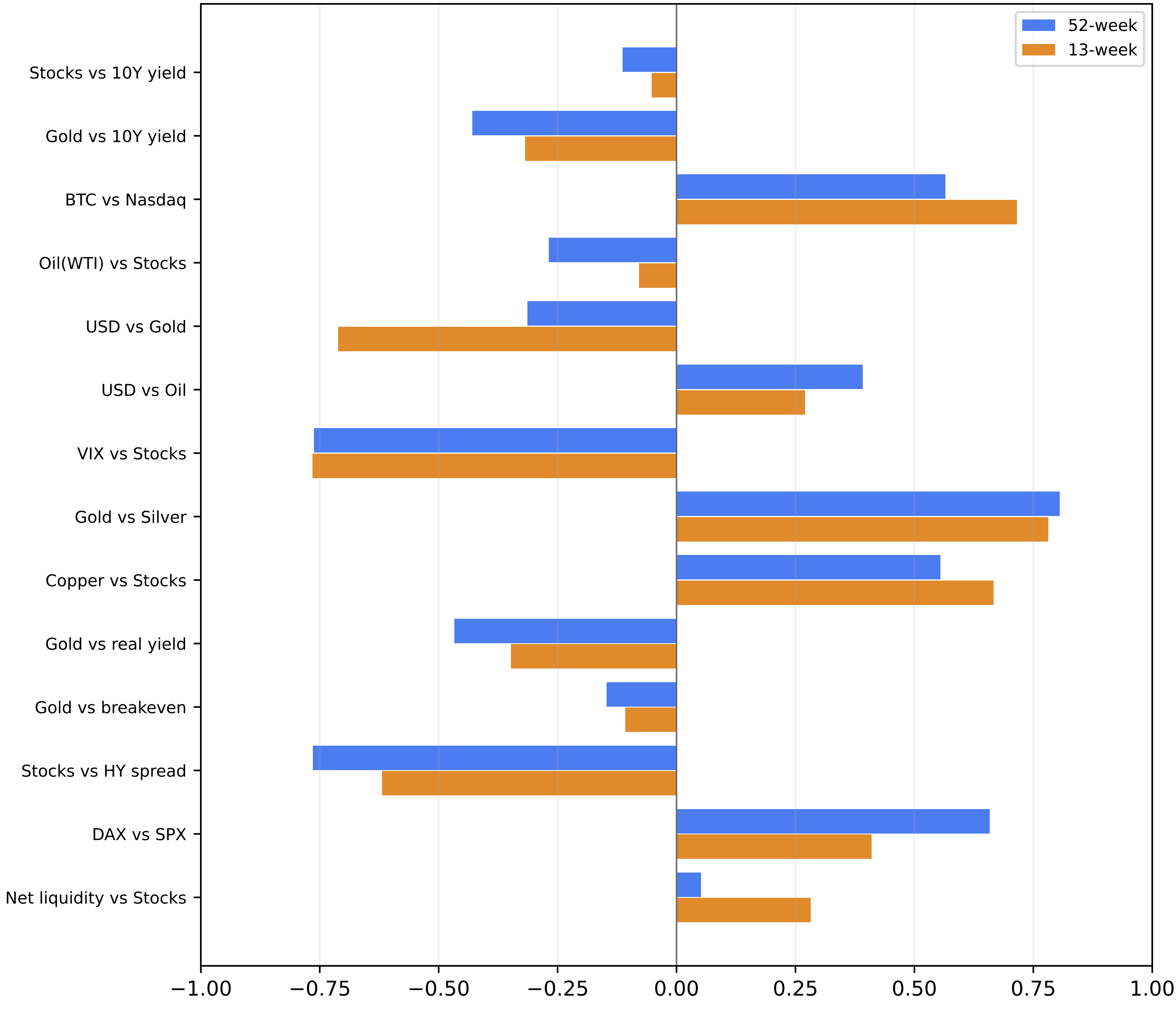

S&P 500 (log) with Markov-switching regime shading
Risk-on
Neutral
Risk-off
8.8
8.6
8.4
8.2
8.0
7.8
7.6
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

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)



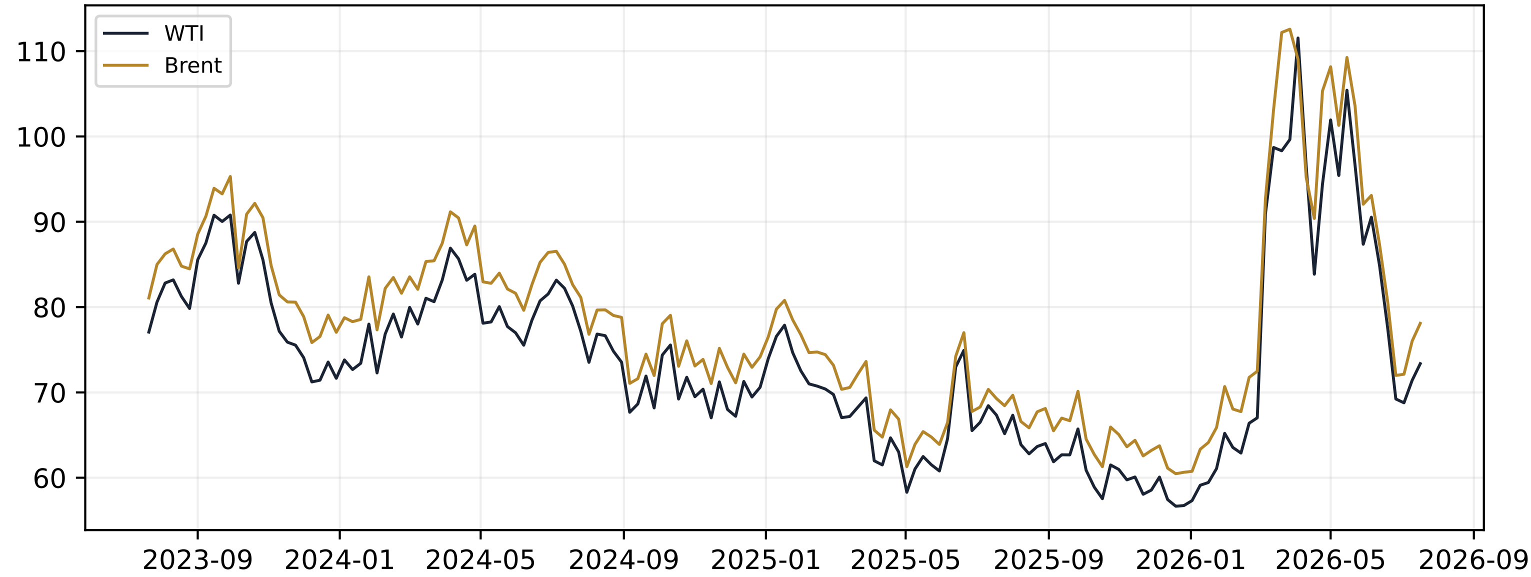
POSITIONING — CFTC speculative net

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

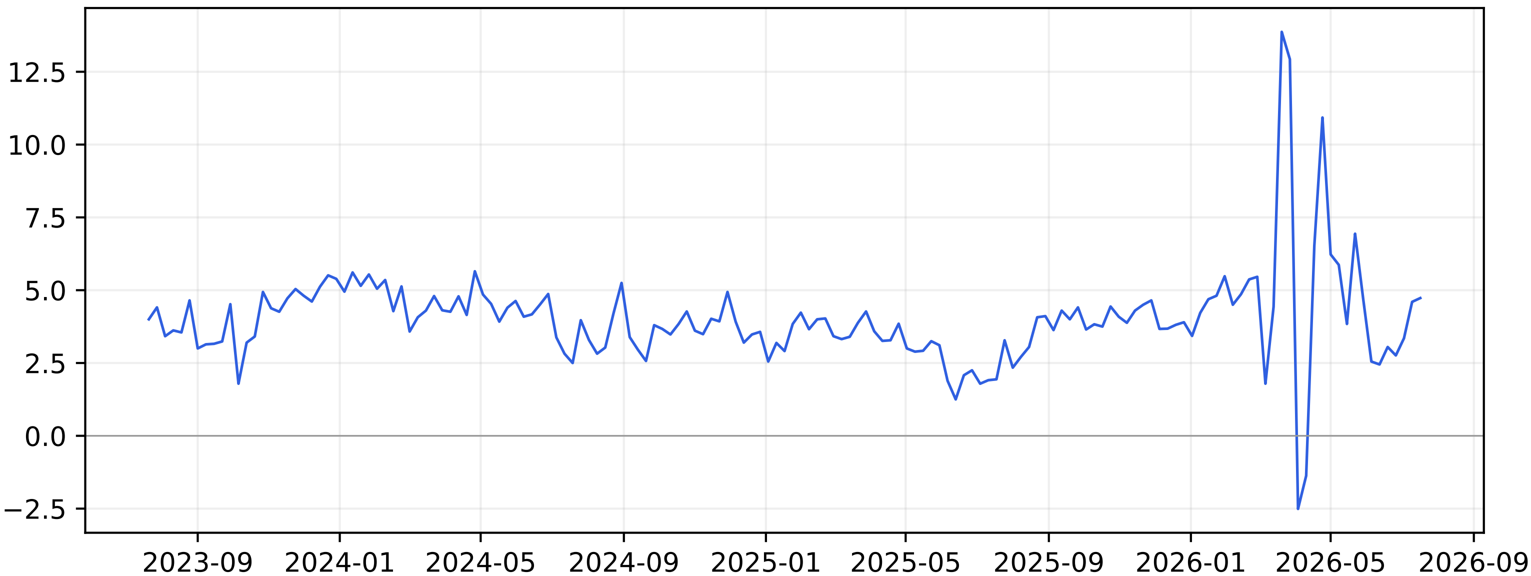
	crowded short / crowded long	net (k)	%OI	3y %ile
EQUITY INDICES				
S&P 500 (e-mini)		-43	-2%	76
Nasdaq-100		+2	+1%	18
Russell 2000		-31	-8%	42
RATES				
UST 2Y		-1261	-28%	47
UST 5Y		-1359	-22%	72
UST 10Y		-814	-15%	38
UST Bond		-144	-8%	16
FX				
US Dollar Index		+13	+25%	78
Euro FX		-16	-2%	12
Japanese Yen		-124	-31%	16
British Pound		-88	-31%	3
ENERGY				
WTI crude		+9	+1%	44
Natural gas		-165	-10%	18
METALS				
Gold		+194	+52%	39
Silver		+28	+27%	31
Copper		+64	+26%	92
AGRICULTURE				
Corn		+101	+6%	73
Wheat (SRW)		-50	-12%	52
Soybeans		+113	+12%	80

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

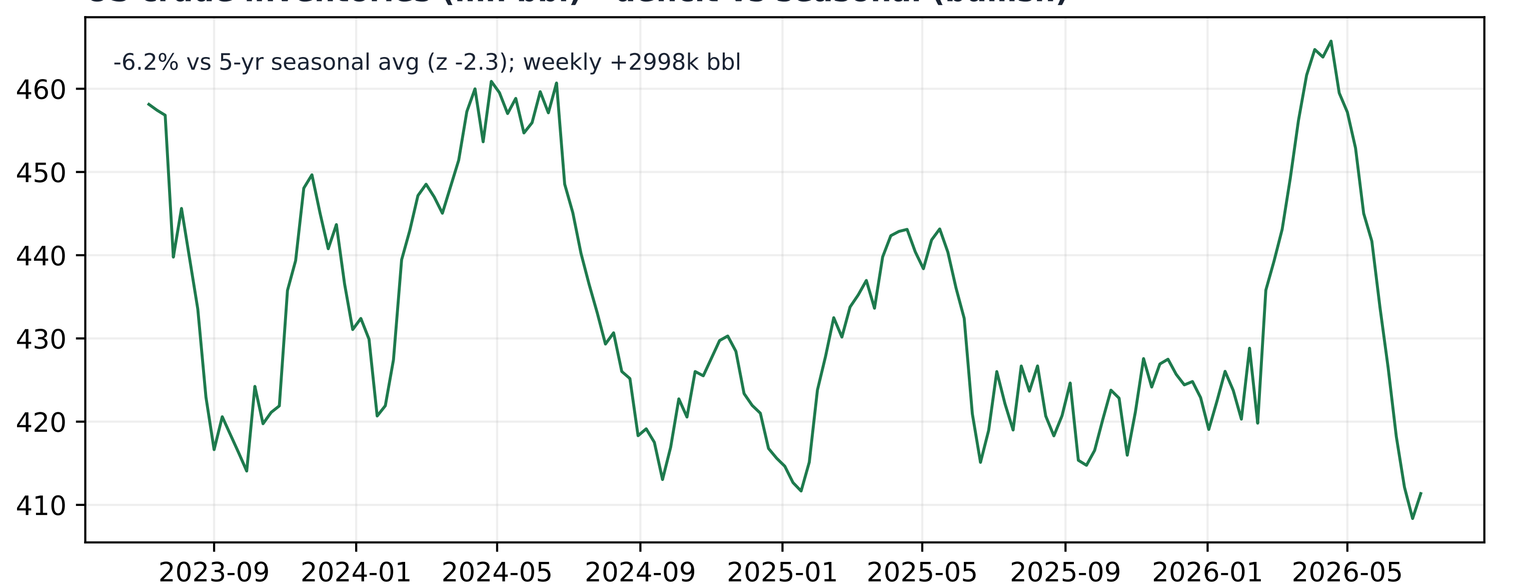
OIL special - WTI $73.37 (wk +2.7%, 13w -12.5%)

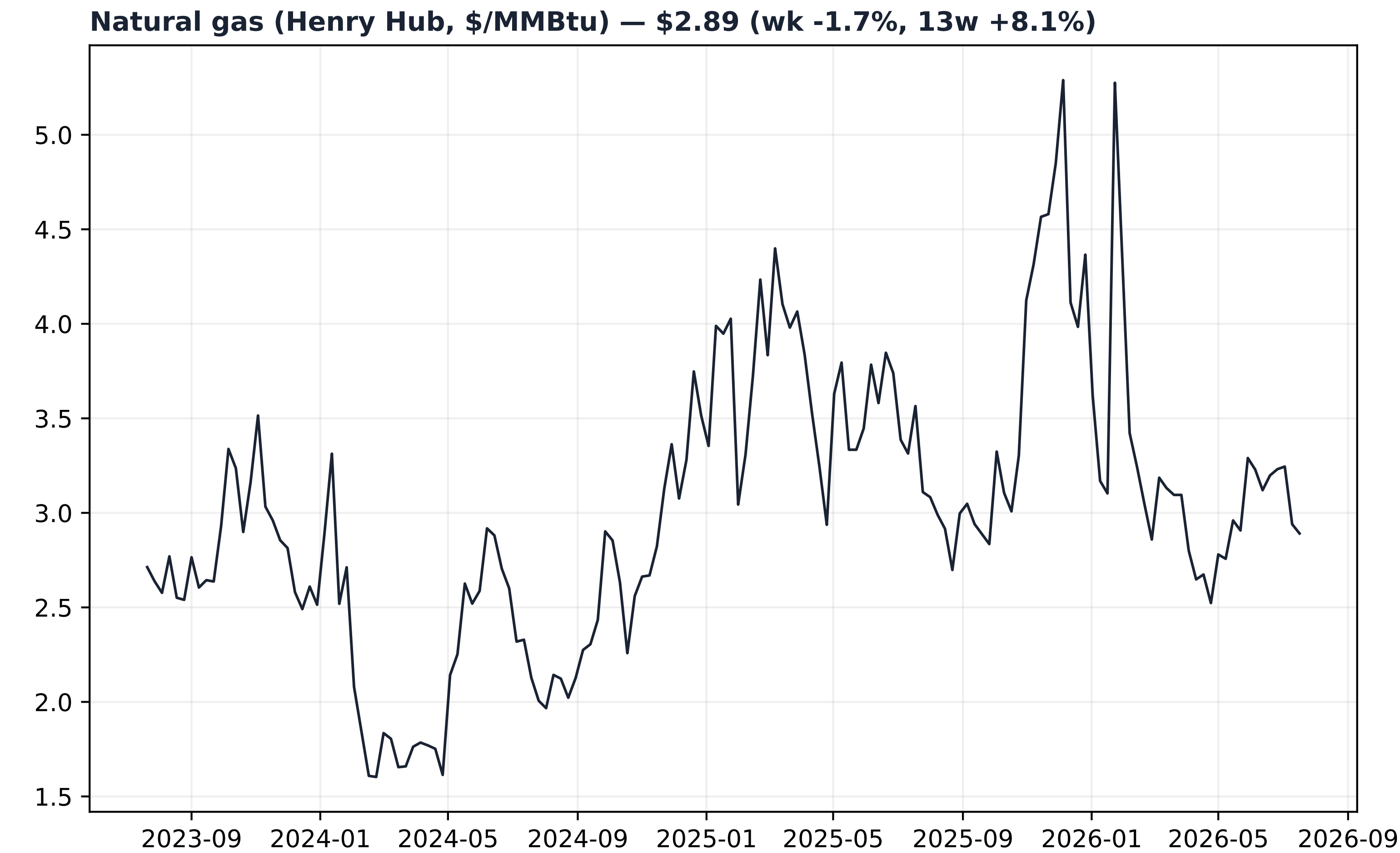


Brent-WTI spread (now +4.73)



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




Natural gas (Henry Hub, $/MMBtu) — $2.89 (wk -1.7%, 13w +8.1%)
1.5
2.0
2.5
3.0
3.5
4.0
4.5
5.0
2023-09
2024-01
2024-05
2024-09
2025-01
2025-05
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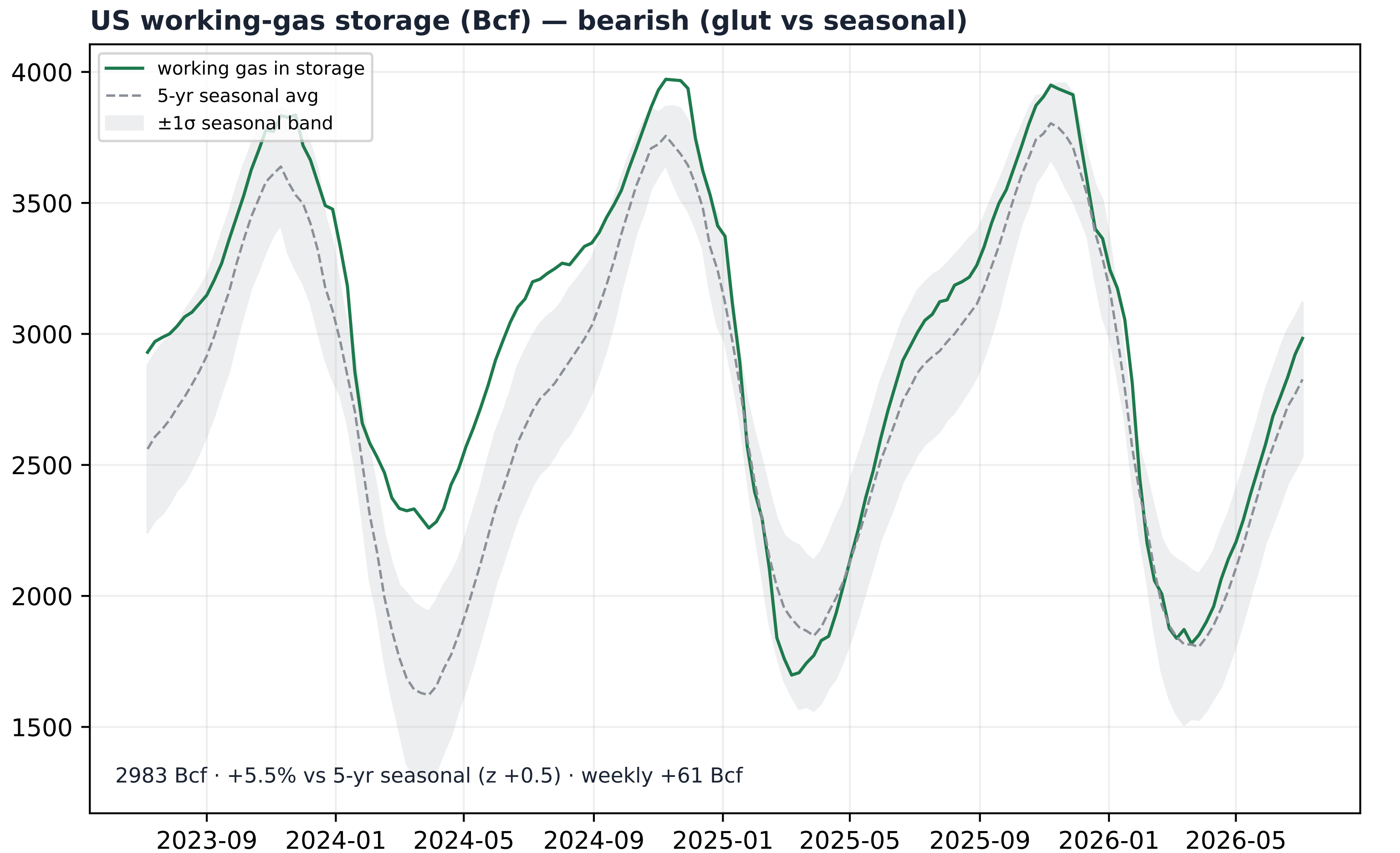
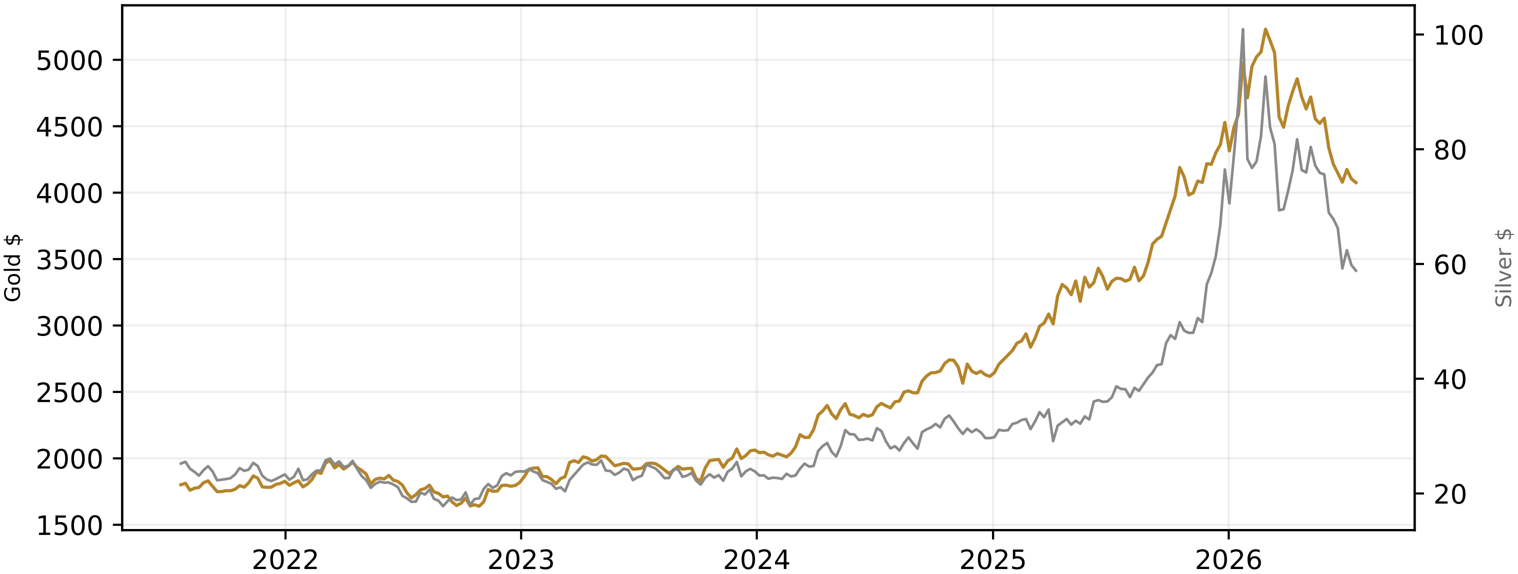
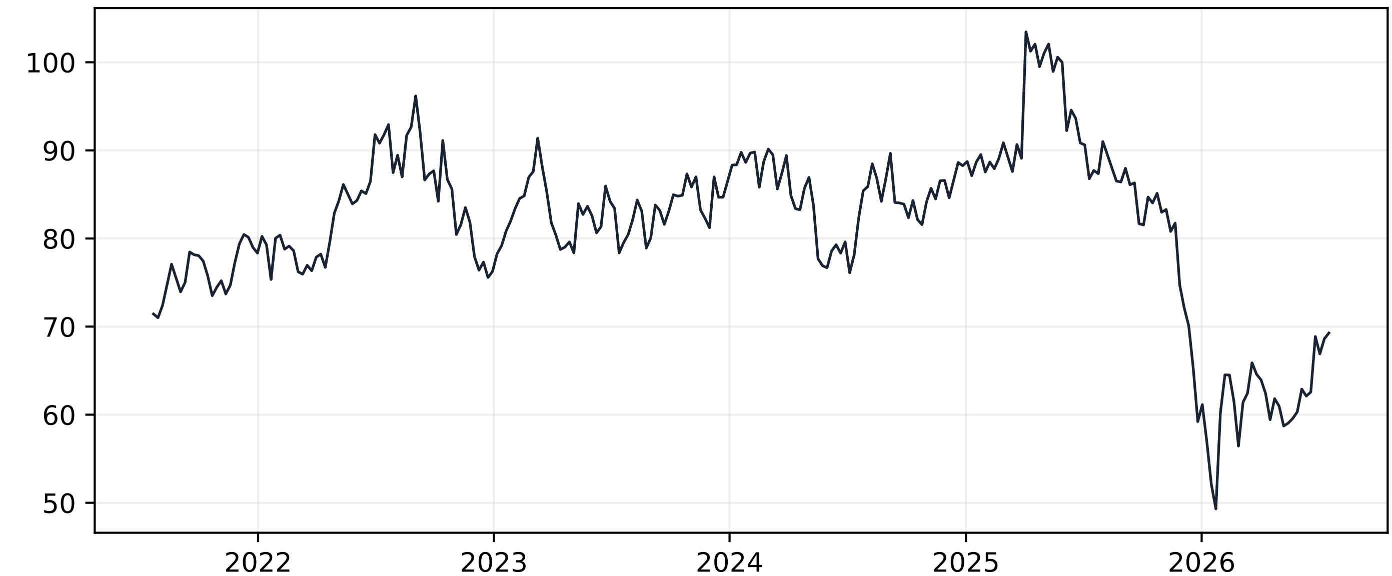
2026-01
2026-05
2026-09


US working-gas storage (Bcf) — bearish (glut vs seasonal)
working gas in storage
5-yr seasonal avg
±1σ seasonal band
2983 Bcf · +5.5% vs 5-yr seasonal (z +0.5) · weekly +61 Bcf
1500
2000
2500
3000
3500
4000
2023-09
2024-01
2024-05
2024-09
2025-01
2025-05
2025-09
2026-01
2026-05

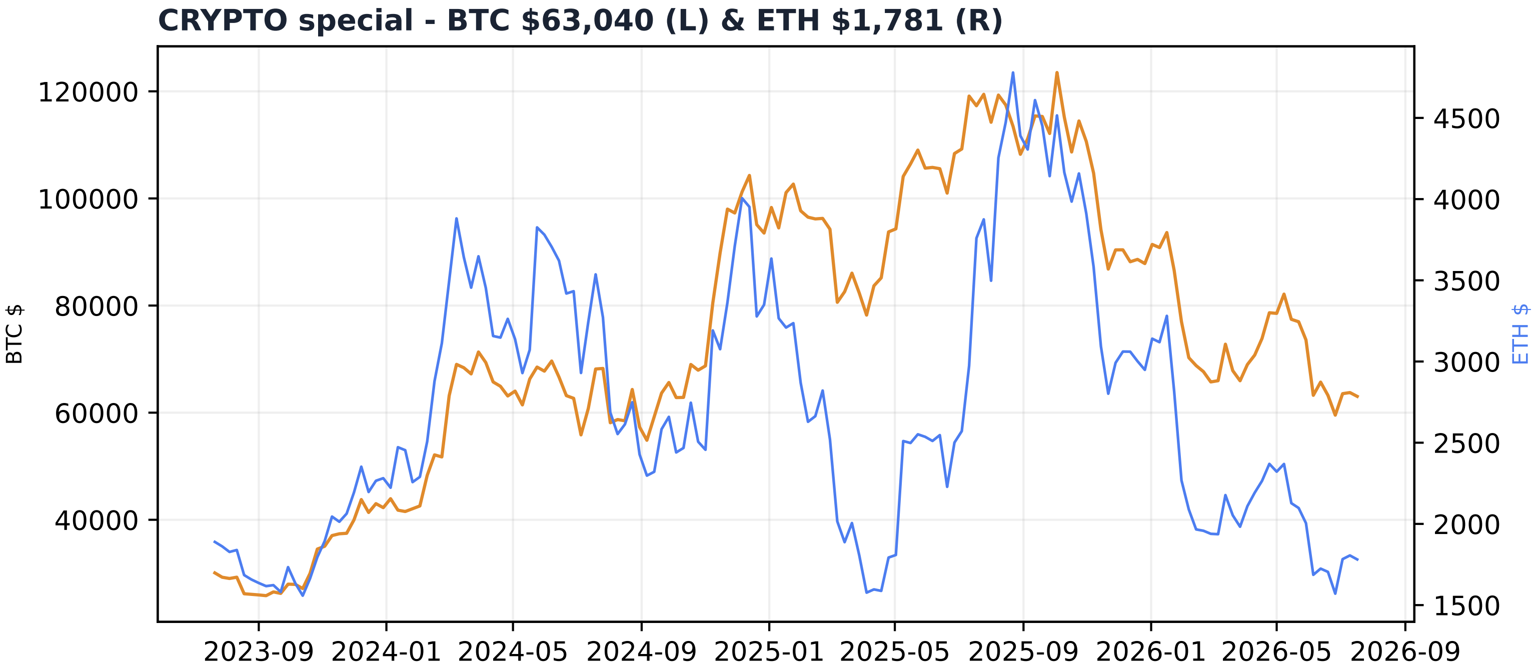
GOLD/SILVER special - Gold $4076 (L) & Silver $58.84 (R)

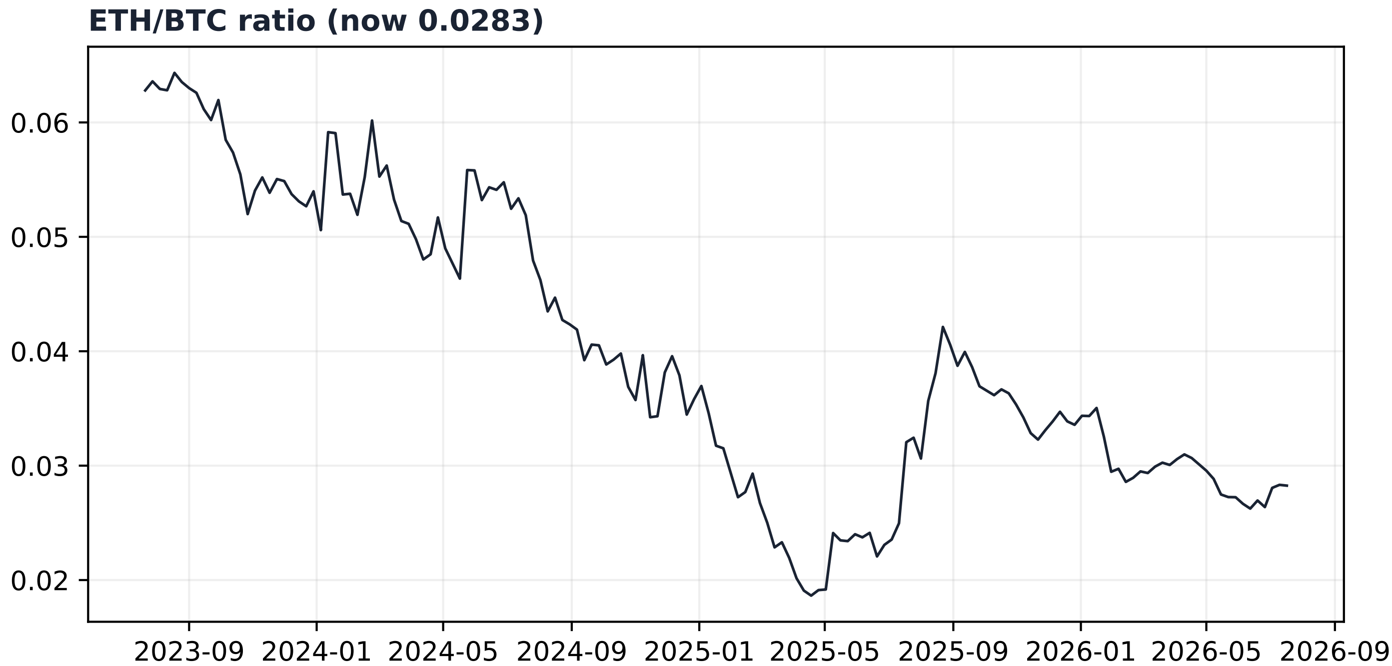


Gold/Silver ratio (now 69.3, 12th pctile of 5y)



Gold vs 10Y real yield (inverted) - 52w corr -0.47





MARKET STRUCTURE (current)

Total mcap $2.25T   BTC dominance 56.1%   ETH dominance 9.5%

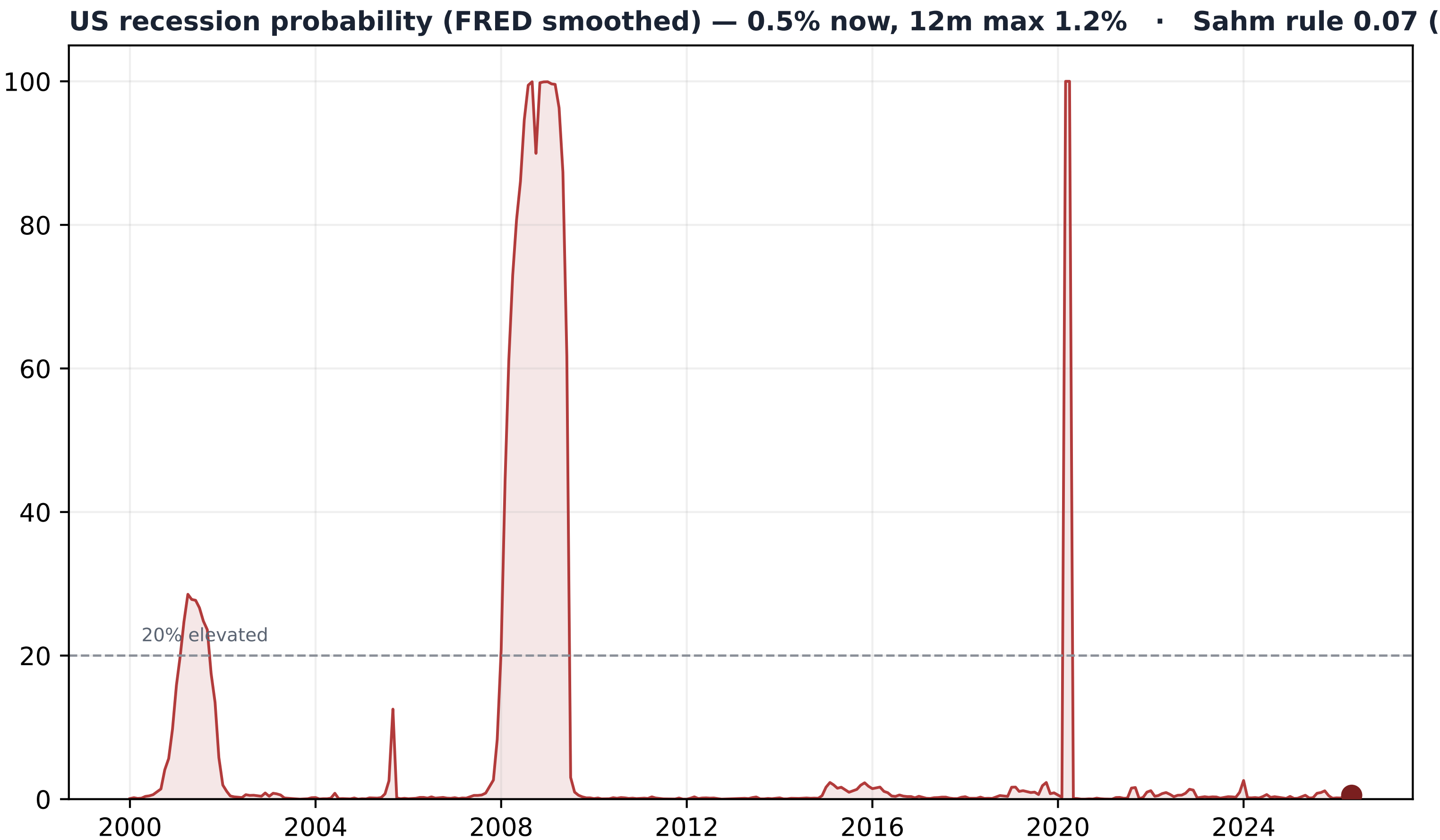
Stablecoin supply $309B (-0.5% wk)   DeFi TVL $74B (-1.6% wk)

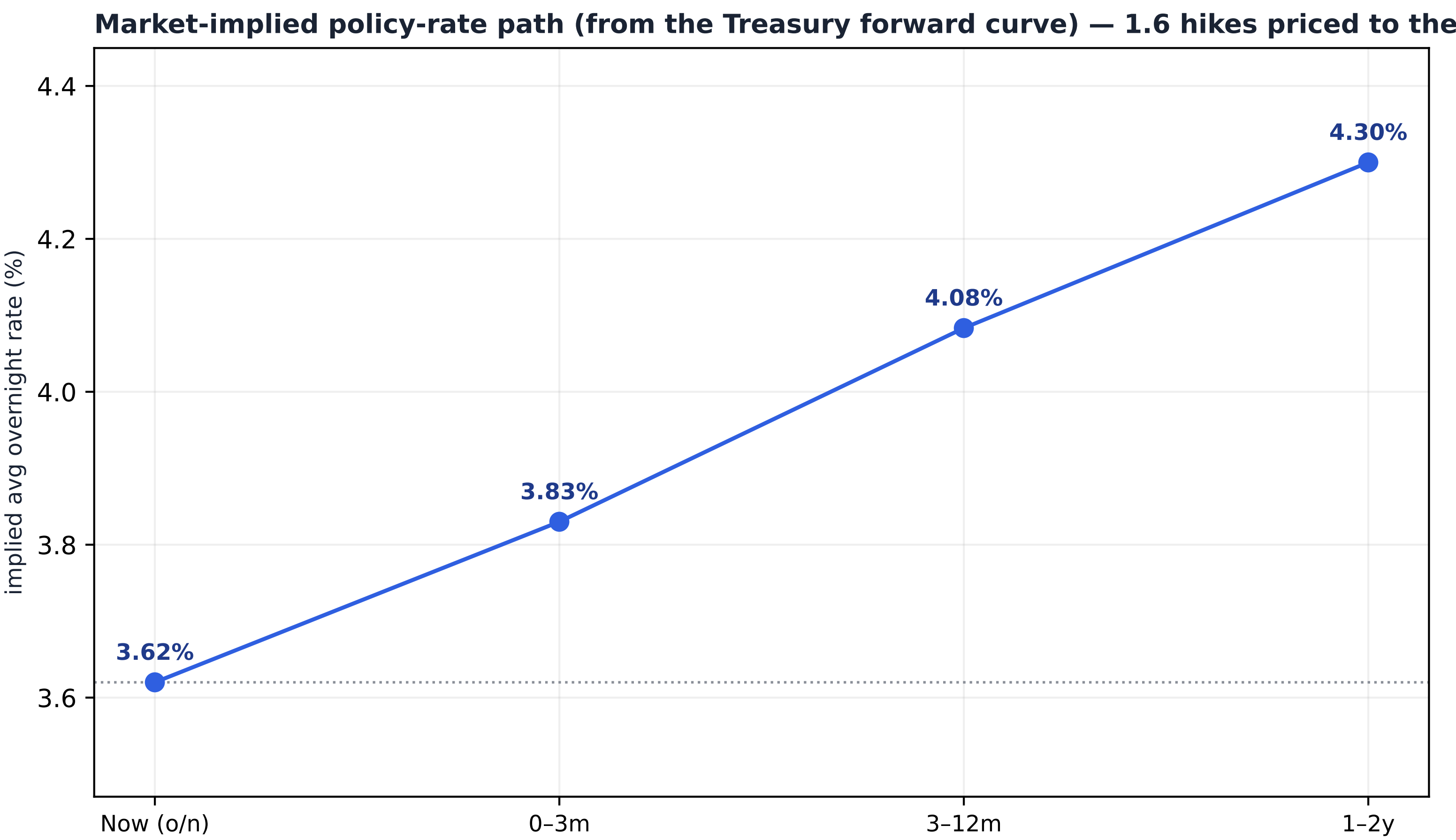
Crypto Fear & Greed: 28 (Fear), a week ago 24

S&P 500 Shiller CAPE — 42.2, 99th percentile of 155 years

Excess CAPE Yield (1/CAPE − 10Y real) — +0.06%, 0th pctile since 2015

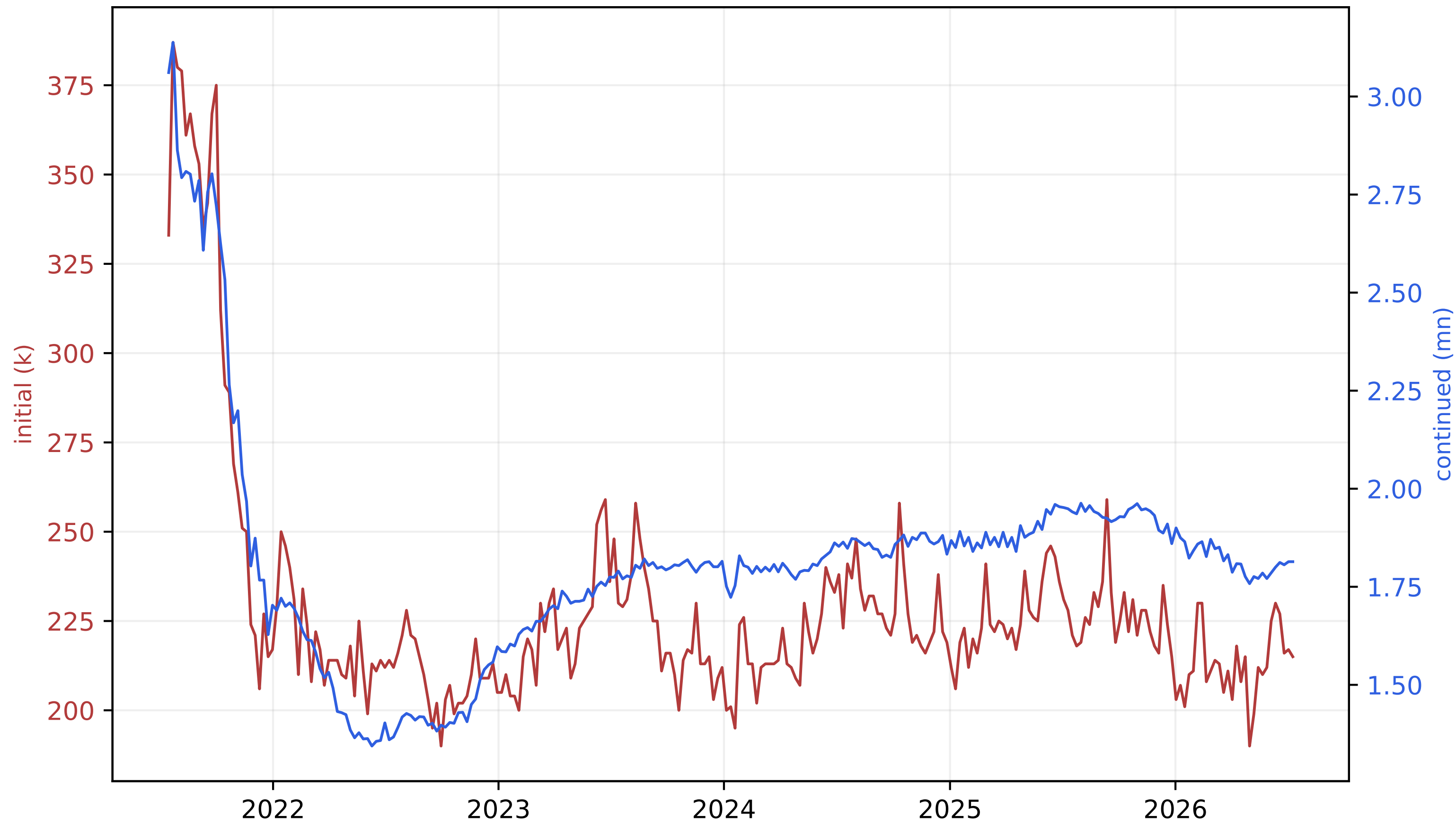
Cyclically-adjusted earnings yield 1/CAPE = 2.37% · trailing earnings yield 3.55% · 10Y nominal 4.54% · 10Y real 2.31% · equity risk premium
A low/negative Excess CAPE Yield signals equities are richly priced versus real bonds and historically implies muted long-run forward returns — a valua



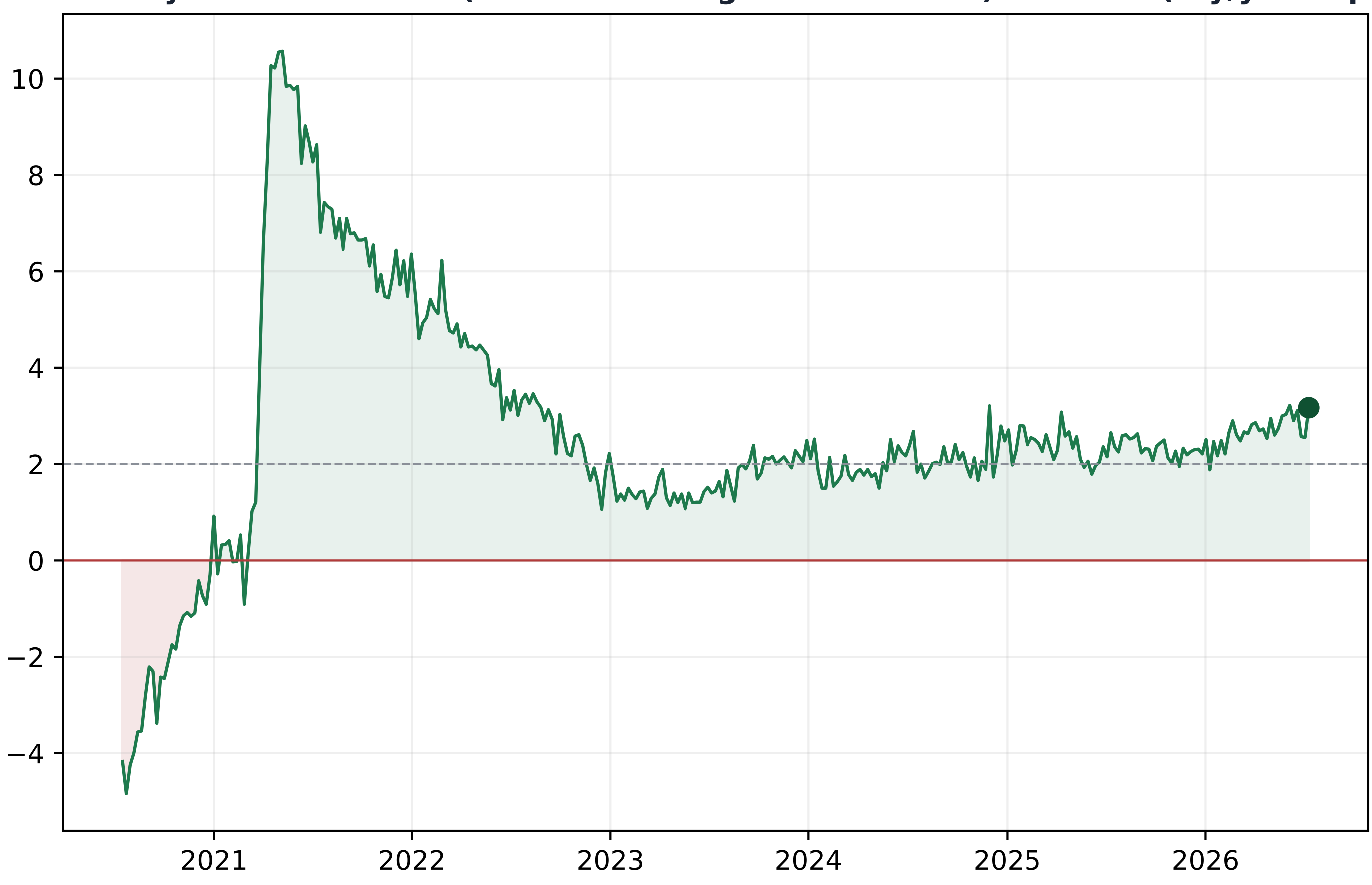


10Y–3M curve +0.71pp (positive). Forward short rates implied by the current 3M/1Y/2Y Treasury curve; the dotted line is today's fed funds. A downward path prices policy easing. Cut/hike count is an approximation to the 1-year point (ignores term premium), a directional read of what is priced.

US jobless claims — initial 215k (28th %ile of 10y), continued 1.81mn

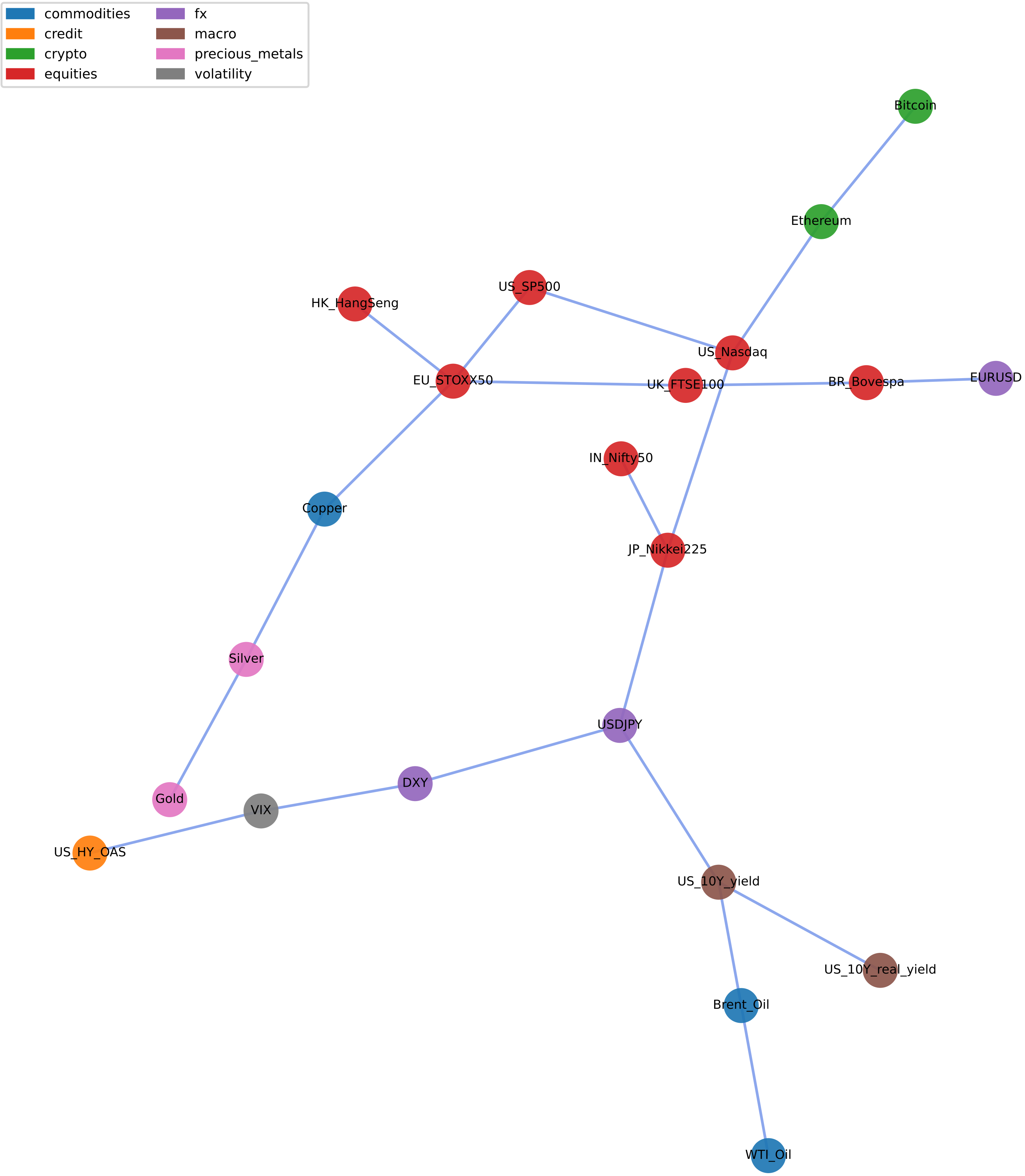


Weekly Economic Index (real-time GDP-growth nowcast) — +3.2% (≈ y/y GDP pace; ~2%



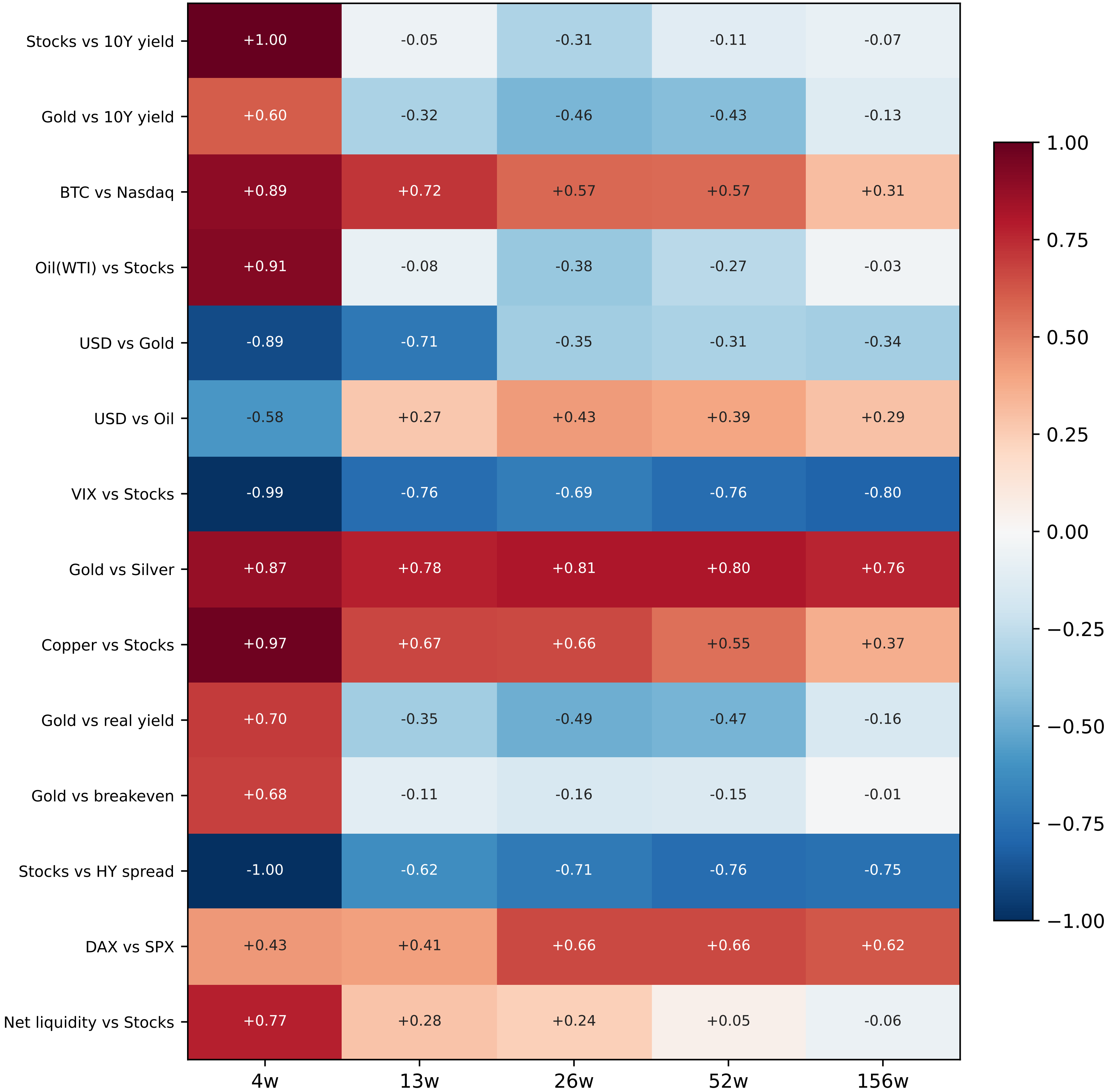
Initial claims — the timeliest US labour-market read; a sustained rise above ~260k historically flags rising recession risk. The Weekly Economic Index (Lewi
ten daily/weekly series into a real-time growth signal scaled to y/y GDP growth.

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 -> 319471.76 [85681.27,553262.25]
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 -> 144817.02 [-191949.19,481583.22]
OilVol_OVX	Initial_Claims	2w	+0.62	0.38	215000.00 -> 181026.35 [-89732.72,451785.42]
CA_TSX	Initial_Claims	3w	-0.61	0.37	215000.00 -> 181537.67 [-168231.33,531306.67]
IN_IndiaVIX	Continued_Claims	4w	+0.60	0.36	1814000.00 -> 1858634.12 [708693.45,3008574.80]
VIX	Initial_Claims	4w	+0.59	0.35	215000.00 -> 205316.61 [-204840.51,615473.72]
US_13W	Fed_funds_rate	3w	+0.58	0.34	3.62 -> 3.65 [3.50,3.80]
US_3M_yield	Fed_funds_rate	3w	+0.58	0.34	3.62 -> 3.63 [3.49,3.77]
US_HighYield	Initial_Claims	2w	-0.58	0.33	215000.00 -> 229487.60 [-51870.00,510845.20]
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 -> 407485.88 [123001.51,691970.24]

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.

Historical Trend - Key Metrics

Key readings from every weekly report, most recent on the right. Cells are colour-coded green (favourable / risk-on), amber (neutral) and red (adverse / risk-off) so the multi-month trend is readable at a glance.

R+ risk-on / favourable   N neutral   R- risk-off / adverse

	02-06	02-13	02-20	02-27	03-06	03-13	03-20	03-27	04-03	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-19	06-26	07-03	07-10	07-17
Regime	N	N	R+	N	N	N	N	N	N	N	N	N	N	N	N	R+	R+	N	N	N	N	N	R+	R+
Quadrant	Refl	Stag	Stag	Stag	Stag	Stag	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Refl	Refl	Stag
VIX	20	21	19	20	29	27	27	31	24	19	17	19	17	17	18	17	15	22	18	16	18	16	15	16
Breadth %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stk-Bond corr	+0.12	+0.13	+0.20	+0.20	+0.21	+0.11	+0.07	+0.05	+0.03	-0.00	-0.01	-0.03	-0.02	-0.02	-0.02	-0.03	-0.03	-0.05	-0.08	-0.08	-0.07	-0.03	-0.01	-0.01

Each column is one weekly report - read left (older) to right (latest) for the trend over the past months.