ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-07-11

69 market instruments + 60+ macro series | Goldilocks quadrant | 577 days

REGIME: Neutral

EXECUTIVE SUMMARY

The tape is a textbook Goldilocks: our Markov filter reads a fully Neutral regime (posterior 1.0), yet the growth-inflation quadrant sits at Goldilocks with a +2.0 growth score against a -1.0 inflation score — decelerating prices atop still-solid activity. The single most important development is the quiet leadership rotation beneath a flat index week: Energy (+3.7%) and Comms/Tech lead while Industrials (-2.0%) and Materials (-2.1%) lag, and small caps (Russell -1.1%) roll over even as momentum (+15% 3m) and high-beta (+11%) dominate factors — a market climbing on a narrow, single-factor engine (PC1 explains 52% of sector variance). Credit and vol corroborate the calm: HY OAS at 2.70% sits in the 8th percentile of its history, VIX is 15 with a normal upward term structure, and financial conditions (ANFCI -0.51) are easy. The key risk is not stress but complacency into fragility — a bull-steep long end (30Y 5.05%, 20Y 5.06%) and a SKEW of 144 signal the market is paying up for tail insurance while spreads price perfection, so the asymmetry favors trimming beta rather than chasing it.

Executive Dashboard

US cross-market state and the week's key readings.

REGIME	QUADRANT	VIX	HY OAS
Neutral	Goldilocks	15	2.70

KEY READINGS (price | 1w | 1m | 3m)

S&P 500	7,575.4	+0.5%	+0.3%	+5.6%
Nasdaq	26,281.6	+0.6%	-1.5%	+5.6%
Russell 2000	2,977.8	-1.1%	+0.4%	+6.8%
Tech	185.8	+1.2%	-3.1%	+15.7%
Financials	55.7	-0.8%	+4.0%	+7.5%
Energy	55.1	+3.7%	-0.8%	-3.0%
Long Bond	84.5	-1.1%	-1.5%	-2.1%
HY Corp	79.7	-0.2%	-0.4%	-1.0%
IG Corp	107.5	-1.1%	-1.4%	-1.7%
TIPS	108.1	-0.3%	-1.5%	-3.3%
DXY	101.0	+0.1%	+1.3%	+2.5%
Gold	4,104.1	-1.2%	-5.2%	-12.2%
WTI	71.4	+4.2%	-11.6%	-25.9%
Copper	6.2	+0.9%	-3.8%	+3.6%
VIX	15.0	-0.5	-1.2	-3.0
MOVE	65.4	-6.6	-8.5	-4.5

US Cross-Market Analysis

Executive Summary

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Regime & Market State

The Markov model on the S&P returns a categorical Neutral read — posterior probability 1.0 with zero mass on Risk-on or Risk-off — which is the honest characterization of a market that is grinding rather than trending. Index returns confirm it: the S&P is flat on the month (+0.5% 1w, 0% 1m, +6% 3m), the Nasdaq is up modestly on the quarter but -2% on the month, and the internals are split — Dow +2% 1m but -0.8% 1w, Russell 2000 -1.1% on the week. Breadth at 55% advancing is unremarkable, neither the thrust that confirms a new leg nor the collapse that warns of one. The 3-month +6% gain has been earned; the last month has been digestion. For an investor this is a market that has already paid you for the trend and is now asking you to hold through chop without a directional edge — a stock-picker's and rotation tape, not a beta tape.

Sector & Factor Rotation

The weekly leadership is the tell. Energy (+3.7%), Comms (+1.3%) and Tech (+1.2%) lead while the cyclical-industrial complex — Industrials (-2.0%) and Materials (-2.1%) — is being sold, and Financials (-0.8%) offer no confirmation of a reflation trade. That is not the pattern of a market pricing accelerating growth; it is late-cycle leadership where investors pay for secular growth and energy's supply story rather than broad cyclical breadth. The factor stack reinforces it: momentum (+15% 3m) and high-beta (+11%) are running hot while value (+8%) beats growth (+3%) on a 3-month basis, leaving the Growth-Value spread at -5.1. The coexistence of dominant momentum with value-over-growth says the momentum trade has partly migrated into value and energy names rather than being purely a long-duration growth bet — a subtler, more crowded configuration. With PC1 explaining 52% of sector variance, roughly half of all sector movement is one common factor; the market is trading as a single macro object, which means diversification across sectors buys less protection than the names on the screen suggest and a single macro shock hits everything at once.

The Yield Curve & Rates

The curve has fully disinverted and is now positively sloped, which is the material rate-cycle signal: 2s10s at +35bp and 3M10Y at +71bp are both comfortably positive, a normalization from the deep inversions of the prior cycle. But note the shape — the front end (1M 3.72%, 3M 3.83%, 2Y 4.16%) sits well below the belly and long end (10Y 4.54%, 20Y 5.06%, 30Y 5.05%), a steepening driven by a high, sticky long end rather than aggressive front-end cuts. That bull-flattening-into-bear-steepening hybrid tells you the market expects only modest policy easing while demanding term premium for duration — the 20Y at 5.06% actually exceeding the 30Y is a small kink that flags supply/term-premium pressure at the long end. For investors, the belly (5Y–7Y, 4.27–4.40%) is the sweet spot: you capture most of the yield without owning the term-premium risk concentrated beyond 10 years. A positively sloped curve alongside Goldilocks macro removes the recession-signal urgency from duration but does not make the long bond a free lunch.

Credit & Financial Conditions

Credit is priced for a soft landing and then some. HY OAS at 2.70% sits in just the 8th percentile of its historical range — spreads this tight leave almost no cushion and imply the market sees negligible default risk over the horizon. IG OAS at 0.76% is similarly benign. The Chicago Fed's adjusted index (ANFCI -0.51) and the stress reading of -0.72 both confirm accommodative, below-average-stress conditions — money is easy and available. The investment implication cuts two ways: the carry is real and the backdrop supportive, but at the 8th percentile the risk-reward in credit beta is asymmetric — you are being paid very little to take spread risk, and any repricing toward the historical mean is a drawdown with no yield buffer to absorb it. This is the part of the note where "priced for perfection" is literal; credit is the asset class with the least margin of safety here.

Volatility & Cross-Asset Correlation

The volatility complex is calm on the surface and hedged underneath. VIX at 15 with VIX3M at 19 gives a term-structure ratio of 0.79 — a normal, upward-sloping curve that signals no near-term stress and a market comfortable being short vol. MOVE at 65 says the rates market is equally becalmed. But SKEW at 144 and VVIX at 87 reveal the tension: investors are paying up for out-of-the-money puts and vol-of-vol even as spot vol sits low — someone is quietly buying tail protection. On correlations, the DCC-GARCH stock-bond correlation is now +0.18 (252d +0.22, 63d +0.42 and rising), which is the critical hedging message: Treasuries are NOT reliably hedging equity risk right now — bonds and stocks are moving together, a hallmark of an inflation/rates-driven regime rather than a growth-scare regime. The stock-dollar correlation at -0.24 (63d -0.51, persistence 0.9847) means the dollar is the better diversifier and a persistent one, while the stock-VIX correlation at -0.87 is the usual mechanical hedge. The takeaway: in this regime cash and the dollar hedge equity beta better than duration does, and the rising stock-bond correlation is the quiet structural risk in any classic 60/40 book.

Macro Pulse: Growth, Labor & Inflation

The macro dashboard earns the Goldilocks label. Growth is solid but not hot: real GDP at $24,180bn, the Weekly Economic Index at +3.2%, industrial production 102.6 with capacity utilization at 76.2%, and the Chicago Fed National Activity Index at -0.1 — essentially trend growth with no overheating. Labor is cooling gently rather than cracking: unemployment 4.2%, U6 at 7.9%, payrolls still expanding, job openings 7,594k, initial claims a low 215k and continued claims 1,814k — a labor market that is loosening at the margin without the rise in claims that would flag genuine deterioration. Inflation is the decisive input behind the -1.0 inflation score: sticky CPI at 3.1% and core measures still above target but decelerating, which is why the quadrant reads disinflation-with-growth. The two blemishes are the consumer's savings cushion and sentiment — a 3.0% saving rate is thin and Michigan sentiment at 44.8 with 4.8% inflation expectations is weak, a reminder that the household buffer is shallow even as the aggregate data holds. Housing is soft but stable (starts 1,177k, permits 1,410k, 30Y mortgage 6.5%). For investors, this backdrop supports risk assets but the low saving rate is the crack to watch: it is the channel through which any labor softening transmits quickly to spending.

Recession Risk & Liquidity

The recession dashboard is clean. The NY Fed 12-month probability sits at 0.5%, the Sahm rule indicator at 0.07 is nowhere near its 0.50 trigger, the 2s10s has un-inverted to +35bp, and initial claims at 215k are historically low. There is no near-term recession signal in any of the four independent indicators — this is not a market to position defensively for a downturn on the fundamentals. Net liquidity at $5,961bn, up $106bn on the month, is expanding, and rising liquidity is a supportive tailwind for asset prices that reinforces the easy financial conditions read. Honestly stated: the recession case is weak and the liquidity case is a positive, so the bearish thesis here is about valuation and complacency (tight spreads, low vol, narrow leadership) rather than about an imminent macro break. That distinction matters for sizing — the risk is a repricing air-pocket, not a cycle-ending drawdown.

Volatility & Cross-Asset Correlation

(covered above)

Recession Risk & Liquidity

(covered above)

Key Risks & What to Watch

On lead-lag, be honest: weekly predictive skill across these cross-asset relationships is MODEST — the correlations describe co-movement and regime, not a reliable weekly timing signal, so treat the semis→S&P (+0.79) and Russell→regional-banks (+0.64) links as risk-appetite barometers, not trade triggers. The core risk is asymmetry: credit at the 8th percentile, VIX at 15, and 55% breadth on a single-factor market (PC1 52%) mean the market is priced for perfection with a shallow consumer cushion (3.0% saving rate) underneath, while SKEW at 144 shows the smart money already paying for the tail. The rising stock-bond correlation (63d +0.42) is the structural threat to balanced books — if it climbs further, duration stops hedging and drawdowns compound. Concretely, the signals that would CONFIRM the constructive view: HY OAS holding below ~3.5% and breadth broadening above 60% with Industrials/Financials joining the leaders; continued claims staying under ~1.85mn; the VIX term ratio staying below 1.0. The signals that would CHANGE it and warrant cutting beta: HY OAS gapping wider off the 8th percentile toward 3.5%+, the VIX term structure inverting (ratio above 1.0), the stock-bond DCC correlation pushing past +0.5, initial claims breaking above ~250k or the Sahm indicator lifting toward 0.30, and the 20Y/30Y long end tearing higher on term premium — any two of those together would flip the note from "hold through chop" to "reduce risk."

Returns Heatmap

Price return (%) over 1 week / 1 month / 3 months.

Indices

	1w	1m	3m
Wilshire 5000	-0	+3	+5
Dow	-1	+2	+7
NYSE Comp	-1	+1	+4
S&P EqualWt	-0	+1	+6
Russell 2000	-1	+0	+7
S&P 500	+1	+0	+6
S&P MidCap	-1	-1	+4
Nasdaq	+1	-2	+6
Nasdaq-100	+0	-2	+9

Sectors

	1w	1m	3m
Health	-1	+5	+12
Financials	-1	+4	+8
Industrials	-2	+2	+5
Utilities	+0	+1	-2
Comms	+1	-0	-4
Energy	+4	-1	-3
Discretionary	-1	-1	-1
Real Estate	+0	-1	+2
Staples	+0	-2	+2
Materials	-2	-3	-2
Tech	+1	-3	+16

Factors

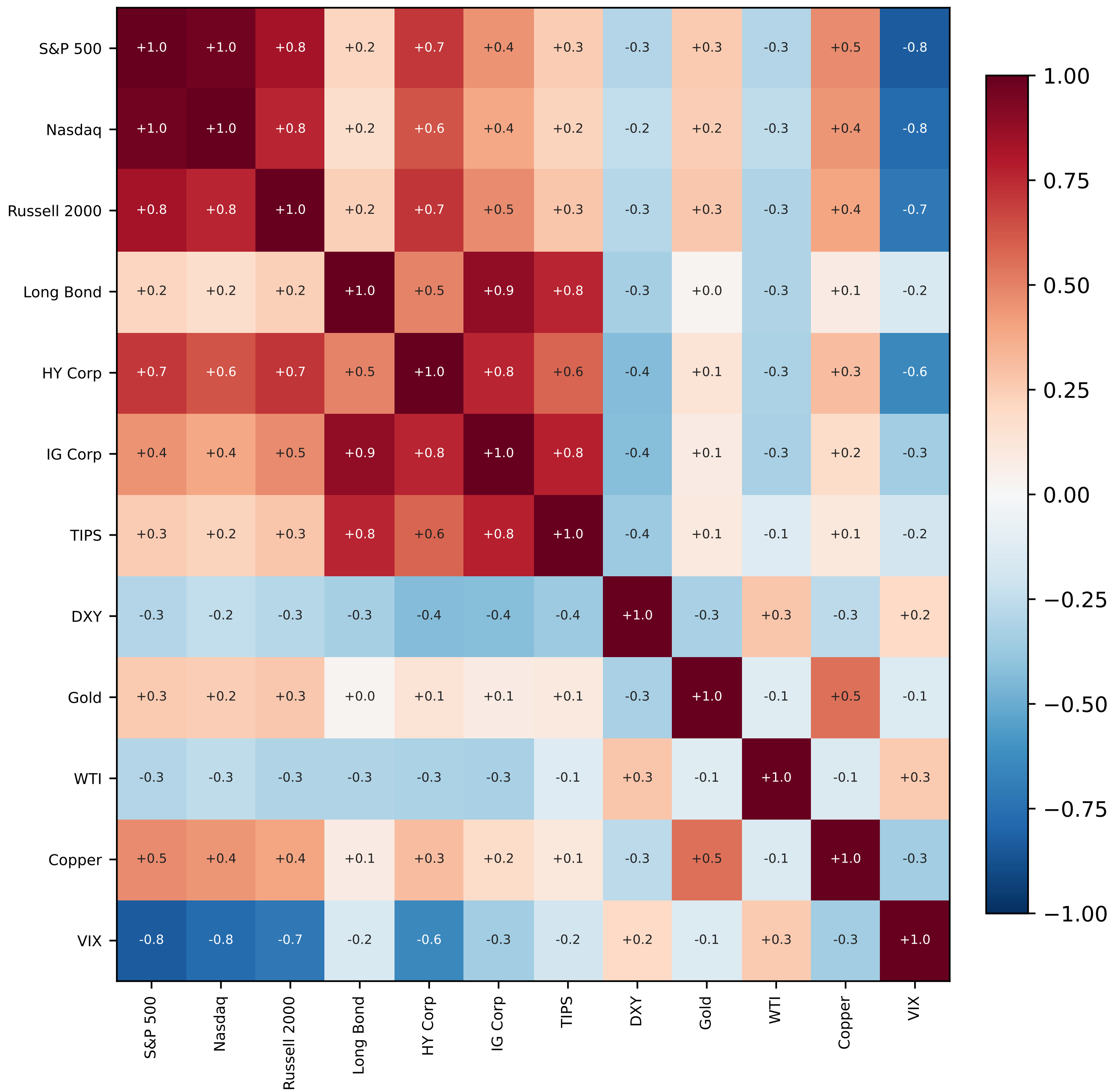
	1w	1m	3m
Low-Vol	-0	+1	+4
Value	-0	+1	+8
Quality	+1	+0	+6
Growth	+1	-0	+3
High-Beta	-1	-3	+11
Momentum	+0	-4	+15

Industries

	1w	1m	3m
Biotech	-1	+17	+20
Reg Banks	-1	+4	+7
Transports	+1	+2	+8
Internet	+2	+2	+5
Retail	+1	+1	+3
Defense	-5	+1	+11
Homebuilders	-2	+0	+0
Oil E&P	+3	+0	-6
Software	-3	-0	+8
Semis	+1	-6	+21
Oil Svcs	+6	-8	-13
Gold Miners	-4	-11	-18

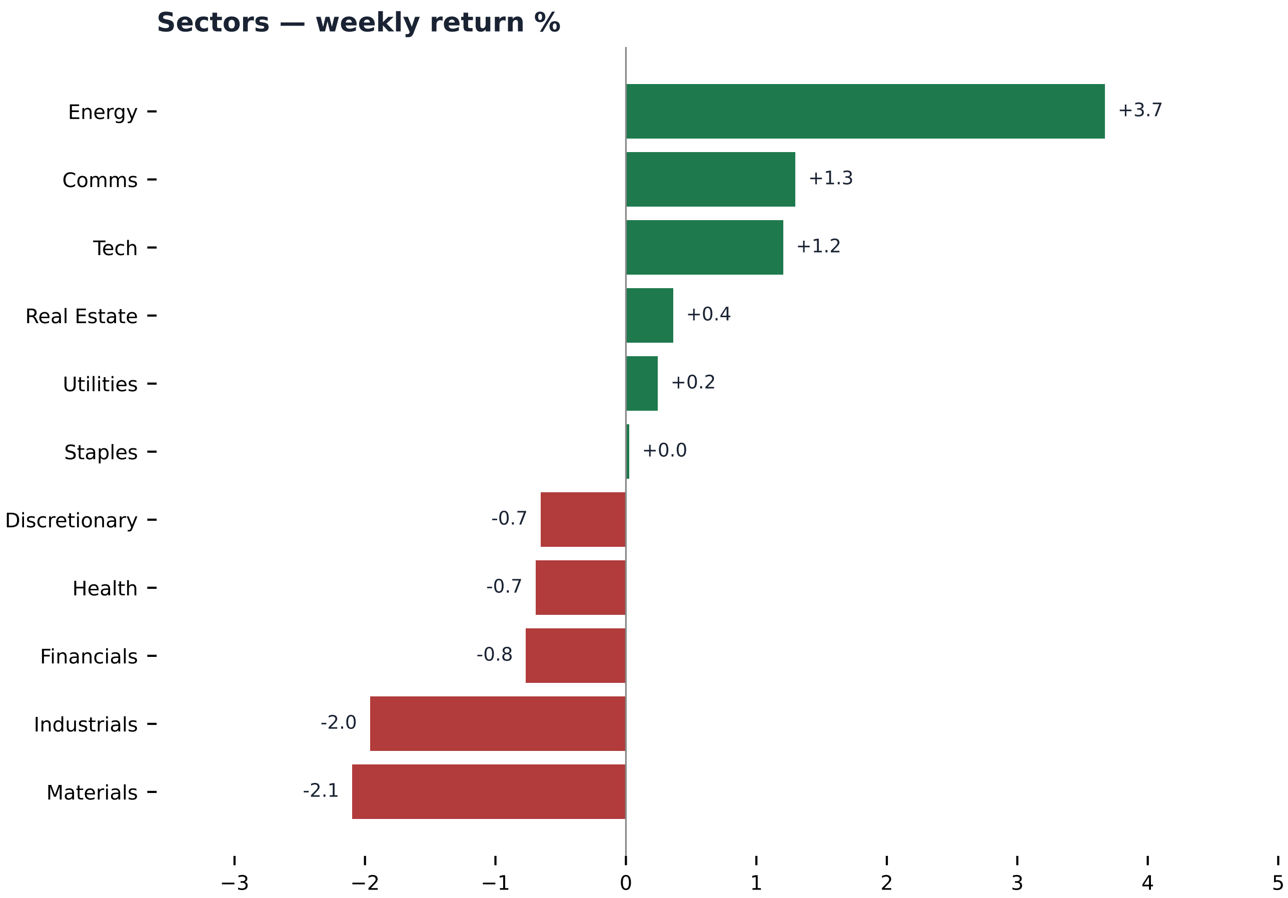
Cross-Asset Correlation (252d, daily)

S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



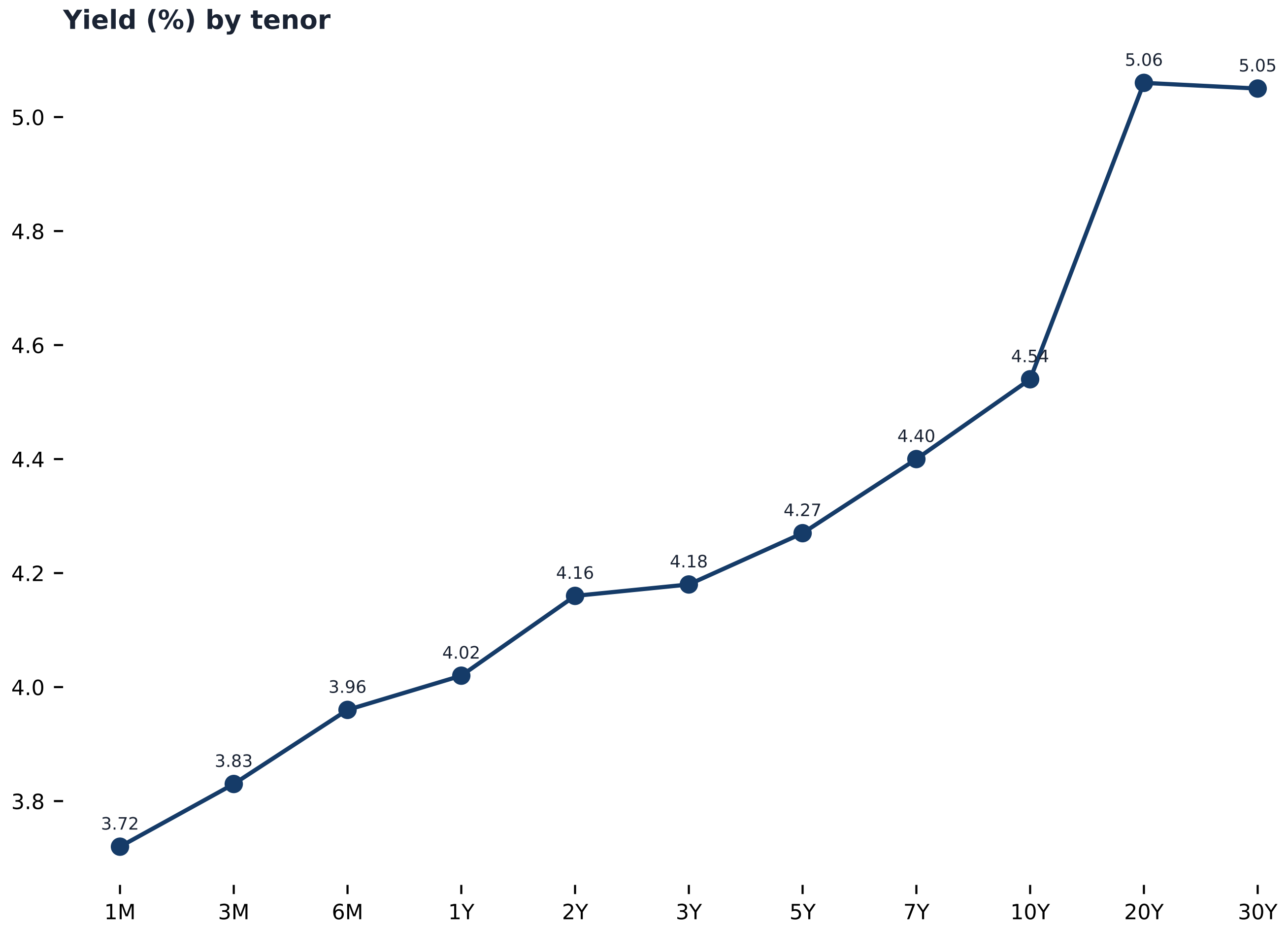
Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 55% up. Growth-Value 3m -5.1%.



The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.35bp, 3M-10Y +0.71bp (positive).



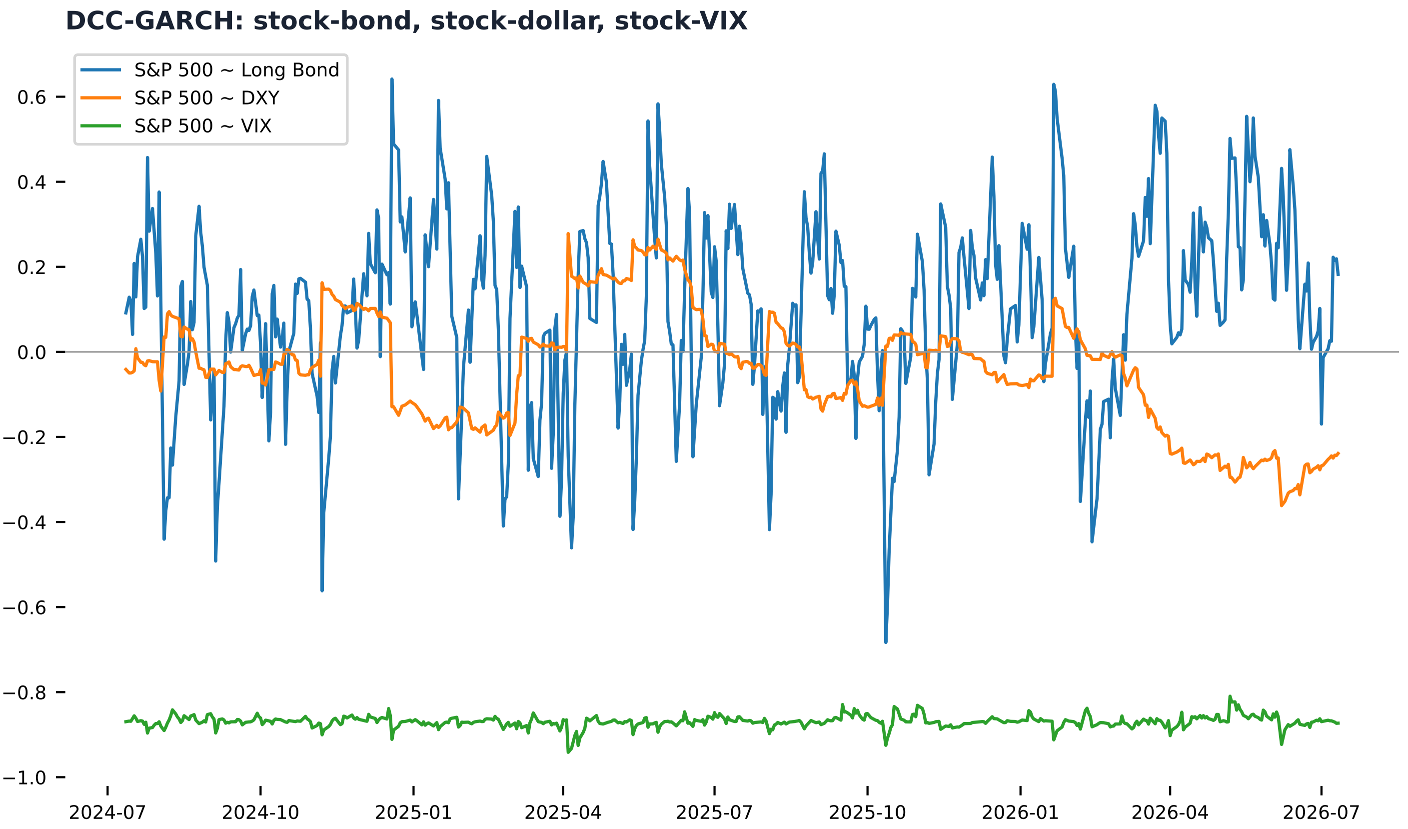
Credit, Financial Conditions & Volatility

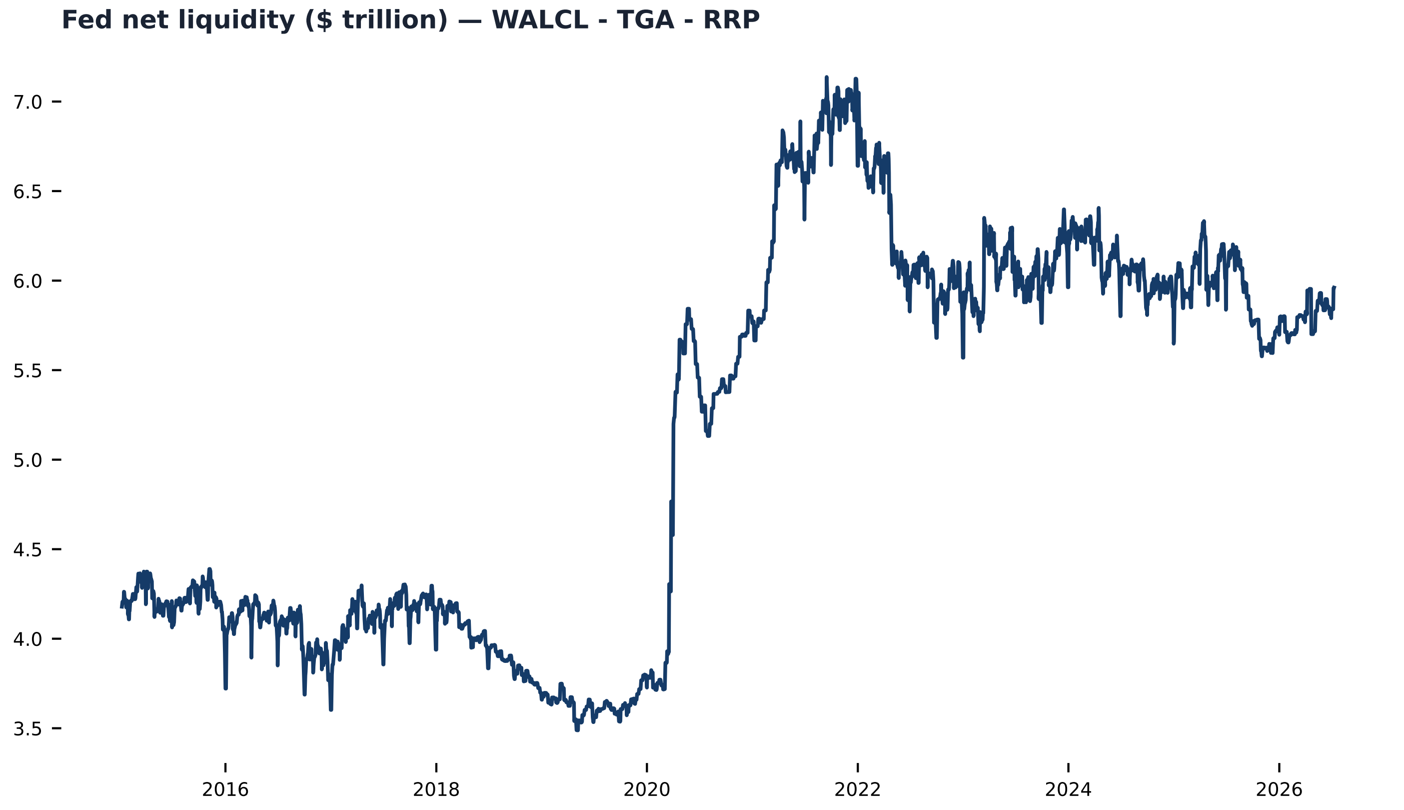
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.70**	8th pctile
IG OAS	**0.76**	
Fin Conditions (ANFCI)	**-0.51**	0 = average; +tight
St. Louis Stress	**-0.72**	
VIX	**15.0**	term VIX/VIX3M 0.79
VIX3M	**19.0**	
VVIX (vol of vol)	**87**	
MOVE (bond vol)	**65**	
SKEW (tail hedging)	**144**	

Regime, Growth-Inflation & Liquidity

Markov regime: Neutral (posterior Neutral 1.00, Risk-on 0.00, Risk-off 0.00). Quadrant: Goldilocks.





Macro Pulse: Labor

The US labor market - payrolls, unemployment, openings and weekly claims.

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	**158,984.00**	+57.00	2026-06
Unemployment %	**4.20**	-0.10	2026-06
U6 underemployment %	**7.90**	-0.20	2026-06
Participation %	**61.50**	-0.30	2026-06
Job openings (k)	**7,594.00**	+9.00	2026-05
Avg hourly earnings $	**37.64**	+0.13	2026-06
Initial claims (wk)	**215,000.00**	-2,000.00	2026-07
Continued claims	**1,814,000.00**	+8,000.00	2026-06

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**333.98**	+1.57	2026-05
Core CPI index	**336.12**	+0.70	2026-05
PCE index	**131.53**	+0.59	2026-05
Core PCE index	**130.08**	+0.41	2026-05
PPI index	**292.50**	+9.80	2026-05
Michigan inflation exp %	**4.80**	+0.10	2026-05
Sticky CPI %	**3.12**	+0.05	2026-05

Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,180.42**	+124.67	2026-01
Industrial production	**102.65**	+0.14	2026-05
Capacity utilization %	**76.17**	+0.04	2026-05
Chicago Fed NAI	**-0.10**	-0.29	2026-05
Weekly Econ Index %	**3.17**	+0.62	2026-07
Durable goods ($m)	**332,218.00**	-15,549.00	2026-05
Retail sales ($m)	**763,705.00**	+6,669.00	2026-05
Saving rate %	**3.00**	+0.00	2026-05
Consumer sentiment	**44.80**	-5.00	2026-05
Housing starts (k)	**1,177.00**	-215.00	2026-05
Building permits (k)	**1,410.00**	-13.00	2026-05
New home sales (k)	**580.00**	-46.00	2026-05
Case-Shiller HPI	**332.68**	+2.55	2026-04
30y mortgage %	**6.49**	+0.06	2026-07

Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.62**	+0.00	2026-07
SOFR	**3.53**	-0.05	2026-07
M2 ($bn)	**23,062.90**	+134.50	2026-06
Bank reserves	**3,078.40**	+60.30	2026-05
C&I loans ($bn)	**2,894.70**	+8.82	2026-06
Consumer credit ($bn)	**5,154,538.86**	-182.45	2026-05

Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.5%**	12m-ahead, curve-based
Sahm rule (real-time)	**+0.07**	>0.50 triggers
2s10s curve	**+0.35 bp**	inverted = warning
Initial jobless claims	**215,000**	weekly labor pulse

PCA: PC1 explains 52% of sector variance (market-factor concentration).

LEAD-LAG INTO S&P 500 (weekly; skill is modest)

VIX	contemp -0.86	1d-lag +0.10
Long Bond	contemp +0.09	1d-lag -0.06
HY Corp	contemp +0.77	1d-lag -0.06
Semis	contemp +0.82	1d-lag -0.03
DXY	contemp +0.02	1d-lag +0.03