

ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-07-12

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



REGIME: Neutral

EXECUTIVE SUMMARY

The market sits squarely in a Neutral regime (posterior 1.0) inside a Goldilocks growth-inflation quadrant (g-score +2.0, i-score -1.0), and the tape backs that up: the S&P is up 0.5% on the week and 6% on the quarter, credit is priced for perfection with HY OAS at 270bp (8th percentile), and recession gauges are dormant (NY Fed 0.5%, Sahm 0.07). The single most important development is not in equities but in the rate and correlation structure — the long end is heavy (30Y 5.05%, 20Y 5.06%) even as the curve has re-steepened to +35bp on 2s10s, and the stock-bond correlation has flipped firmly positive (DCC now +0.18, 63-day realized +0.42), meaning Treasuries are no longer hedging equity risk. Risk appetite is intact but selective: momentum (+15% 3m) and high-beta (+11%) lead while breadth is only middling at 55% and small caps lag (Russell -1.1% on the week). The key risk is a benign-surface/fragile-plumbing setup — depressed consumer sentiment (44.8), sticky 3.1% core inflation with 4.8% household inflation expectations, and elevated tail hedging (SKEW 144) — colliding with an equity market that has lost its bond hedge. Position for continuation of the grind but respect that the shock absorbers have thinned.

Executive Dashboard

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

REGIME Neutral	QUADRANT Goldilocks	VIX 15	HY OAS 2.70
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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	4,113.7	-1.0%	-5.0%	-12.0%
WTI	71.4	+4.2%	-11.6%	-25.9%
Copper	6.3	+1.7%	-3.1%	+4.4%
VIX	15.0	-0.5	-1.2	-3.0
MOVE	69.6	+3.8	+0.2	+1.1

US Cross-Market Analysis

Executive Summary

The market sits squarely in a Neutral regime (posterior 1.0) inside a Goldilocks growth-inflation quadrant (g-score +2.0, i-score -1.0), and the tape backs that up: the S&P is up 0.5% on the week and 6% on the quarter, credit is priced for perfection with HY OAS at 270bp (8th percentile), and recession gauges are dormant (NY Fed 0.5%, Sahm 0.07). The single most important development is not in equities but in the rate and correlation structure — the long end is heavy (30Y 5.05%, 20Y 5.06%) even as the curve has re-steepened to +35bp on 2s10s, and the stock-bond correlation has flipped firmly positive (DCC now +0.18, 63-day realized +0.42), meaning Treasuries are no longer hedging equity risk. Risk appetite is intact but selective: momentum (+15% 3m) and high-beta (+11%) lead while breadth is only middling at 55% and small caps lag (Russell -1.1% on the week). The key risk is a benign-surface/fragile-plumbing setup — depressed consumer sentiment (44.8), sticky 3.1% core inflation with 4.8% household inflation expectations, and elevated tail hedging (SKEW 144) — colliding with an equity market that has lost its bond hedge. Position for continuation of the grind but respect that the shock absorbers have thinned.

Regime & Market State

The Markov model puts a full 1.0 posterior on Neutral, with zero weight on either Risk-on or Risk-off — a market that is neither breaking out nor breaking down. That reading is corroborated by the index dispersion: the S&P (+0.5% 1w, +6% 3m) and Nasdaq (+0.6% 1w, +6% 3m) grind higher, but the Dow slipped 0.8% on the week and the Russell 2000 fell 1.1%, with the small-cap complex flat over one month. This is a large-cap, quality-tilted advance rather than a broad melt-up, and breadth of 55% advancers confirms participation is adequate but not commanding. The Goldilocks quadrant (strong growth score, negative inflation score) is the cleanest bullish macro backdrop equities can ask for, and it explains why the market can sustain a Neutral-but-drifting-up posture. The honest caveat is that "Neutral with full conviction" is a coiled state: it tells you the trend-following signal has no edge here, so the burden shifts to the cross-currents in rates, credit, and correlation described below.

Sector & Factor Rotation

The week's leadership is a mixed cyclical signal rather than a clean risk-on rotation. Energy surged +3.7% and Communications (+1.3%) and Tech (+1.2%) followed, but the deep cyclicals were sold hard — Materials -2.1% and Industrials -2.0% were the worst performers, with Financials -0.8% also soft. That combination — energy and tech up, materials/industrials/financials down — reads more as an idiosyncratic energy-and-megacap move than a synchronized cyclical thrust; defensives (Utilities +0.2%, Staples flat) neither led nor were dumped, so there is no defensive flight either. The factor tape is more informative and more constructive: over three months Momentum leads at +15% and High-Beta at +11%, which is the signature of intact risk appetite, while Low-Vol (+4%) lags — investors are being paid to hold risk, not to hide. The subtlety is the -5.1 Growth-minus-Value 3m spread: Value (+8%) is beating Growth (+3%), so the risk appetite is expressing through cyclically-cheaper, higher-beta names rather than long-duration growth. Net, factor rotation says "risk-on but rotating down the quality-of-earnings ladder toward value and beta," a stance that historically works in a mid-cycle Goldilocks tape but is vulnerable if growth data wobbles.

The Yield Curve & Rates

The curve is positively sloped and has decisively disinverted: 2s10s sits at +35bp and 3M10Y at +71bp, a normalized shape that removes the single most reliable historical recession flag from the board. But the story is at the long end. The belly-to-long progression — 5Y 4.27%, 7Y 4.40%, 10Y 4.54% — steepens sharply into a 20Y at 5.06% and 30Y at 5.05%, an elevated, slightly humped long end that signals a term-premium and supply/fiscal story rather than a growth-fear story. With the front end anchored (3M 3.83%, 2Y 4.16%), this is a bear-steepener character: the market is pricing modest front-end easing potential while demanding more compensation to own duration. For investors, the implication is twofold. First, the re-steepening is a green light on cycle risk — it argues against imminent recession. Second, the heavy

US Cross-Market Analysis (cont.)

long end is a headwind for rate-sensitive equity duration and, critically, for the classic 60/40 hedge, because a 5% long bond that keeps drifting is exactly the environment in which bonds stop cushioning equity drawdowns.

Credit & Financial Conditions

Credit is the most emphatically benign corner of the entire briefing. High-yield OAS at 270bp sits in the 8th percentile of its history — spreads this tight leave essentially no cushion and price zero default cycle — while IG OAS at 76bp is similarly compressed. The Chicago Fed's adjusted financial conditions index at -0.51 and the stress reading of -0.72 both confirm conditions are looser than average and there is no funding or liquidity strain to speak of. The S&P-to-HY correlation of $+0.70$ (both windows) tells you equity and credit are trading as one risk factor, which is normal in a calm tape but also means credit offers no independent early-warning divergence right now — they will crack together, not sequentially. The takeaway is asymmetric: tight spreads and easy conditions are a genuine tailwind for the grind higher and a real support for risk appetite, but at the 8th percentile the risk/reward in credit is poor and the room for spreads to compress further is nearly exhausted. Financial conditions are a reason to stay invested, not a reason to add leverage.

Volatility & Cross-Asset Correlation

The volatility surface is calm on the surface with a warning underneath. VIX at 15.0 with VIX3M at 18.6 gives a term structure of 0.81 — healthy contango, the normal shape that signals no near-term stress premium. MOVE at 70 shows rate volatility is subdued despite the heavy long end, and VVIX at 87 is unremarkable. The tell is SKEW at 144: investors are paying up meaningfully for tail protection even as spot vol sits low, a classic "calm now, hedged for a gap" configuration. The correlation structure is where the risk actually lives. The DCC-GARCH stock-bond correlation is now $+0.18$ with high persistence (0.81), and 63-day realized is up at $+0.42$ — Treasuries are not hedging equities; they are co-moving with them, so a bond selloff and an equity selloff can arrive together. The stock-dollar correlation is negative and deepening (DCC -0.24 , 63-day -0.51), and gold has flipped to a positive equity correlation ($+0.52$ realized) while staying negatively correlated to the dollar — so in this regime the dollar, not bonds or gold, is the cleaner equity hedge. The S&P-VIX correlation remains the reliable -0.87 . PCA shows PC1 explaining 52% of sector variance: the market is moderately single-factor — enough common beta that diversification across sectors buys less than it appears, but not so concentrated that stock-picking is dead.

Macro Pulse: Growth, Labor & Inflation

The hard data justify the Goldilocks label on growth and labor, with two genuine blemishes on inflation and sentiment. Growth is steady-not-spectacular: the Weekly Economic Index runs at 3.2%, industrial production is 102.6 with capacity utilization at 76.2%, and the Chicago Fed National Activity Index at -0.1 is essentially trend. Labor remains solid — unemployment 4.2%, U6 at 7.9%, participation 61.5%, job openings still 7.59mn, and initial claims at 215k with continued claims at 1.81mn showing no layoff cycle. That is a soft-landing labor market, not a deteriorating one. The inflation picture is where "Goldilocks" gets qualified: sticky CPI at 3.1% and, more pointedly, University of Michigan inflation expectations at 4.8% are well above anything consistent with a return to 2% — the i-score of -1.0 reflects easing headline momentum, but the underlying stickiness is real and constrains how much the front end can rally. The loudest dissonance is the consumer: sentiment at 44.8 is recessionary-depressed and sits jarringly against a 4.2% unemployment rate and rising retail sales (\$763.7bn), while the saving rate at 3.0% is thin. Housing is soft-but-stable with a 6.5% 30-year mortgage capping starts (1,177k) even as permits (1,410k) hold up. The macro read: the production and labor economy supports risk, but the consumer's mood and stubborn inflation expectations are the cracks in the Goldilocks facade.

US Cross-Market Analysis (cont.)

Recession Risk & Liquidity

Near-term recession risk is as low as this dashboard gets. The NY Fed 12-month probability is 0.5%, the Sahm indicator sits at 0.07 (far below the 0.50 trigger), 2s10s has re-steepened to +35bp, and initial claims at 215k show no stress in the labor pipeline — all four independent gauges agree there is no imminent downturn. Net liquidity is supportive and improving, at \$5,961bn and up \$106bn over the past month, which is a tailwind for risk assets and consistent with the easy financial conditions and tight credit spreads elsewhere in the briefing. The honest framing is that these indicators are coincident-to-lagging and are telling you the economy is fine today, not that it is immune six months out — but there is simply no data-driven case for positioning defensively on recession grounds right now. The lead-lag structure offers modest help at best: contemporaneous linkages are strong and reliable (Semis-to-S&P at +0.79, Russell-to-regional-banks at +0.64), so those pairs are useful as confirmation and as a real-time read on cyclical and small-cap-credit risk, but weekly predictive skill is genuinely modest — treat any single-week lead-lag "signal" as low-confidence and use it to size confidence, not to drive the trade.

Key Risks & What to Watch

The core risk is a benign surface sitting on thinner-than-usual shock absorbers: credit at the 8th percentile prices no bad news, the stock-bond correlation has gone positive so Treasuries won't cushion an equity drop, and SKEW at 144 shows sophisticated money is already paying for tail insurance. Against that, consumer sentiment at 44.8 and 4.8% household inflation expectations are the macro soft spots, and the heavy long end (30Y ~5%) is a standing threat to both equity duration and the bond hedge. Watch these observable signals. Confirming the constructive view: HY OAS holding below ~300bp, breadth broadening above 60% with Industrials and Materials recovering, the VIX term structure staying in contango (>0.85), and the 10Y holding a range below ~4.65% while 2s10s stays positive. Changing the view — trim risk if you see: HY OAS gapping through 320–350bp, the stock-bond DCC correlation climbing further above +0.20 while the long bond sells off (the toxic "everything down" tape), the VIX term structure inverting below 1.0 alongside a VVIX spike, initial claims breaking above ~250k or Sahm ticking toward 0.30, or a further leg down in consumer sentiment feeding into a retail-sales miss. The Semis-to-S&P and Russell-to-regional-banks pairs are the fastest real-time tells that cyclical or small-cap-credit stress is turning from noise into signal — but weight them as confirmation, not forecast.

Returns Heatmap

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

Indices

	1w	1m	3m
Dow	-1	+2	+7
NYSE Comp	-1	+1	+4
S&P EqualWt	-0	+1	+6
Russell 2000	-1	+0	+7
Wilshire 5000	+0	+0	+6
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

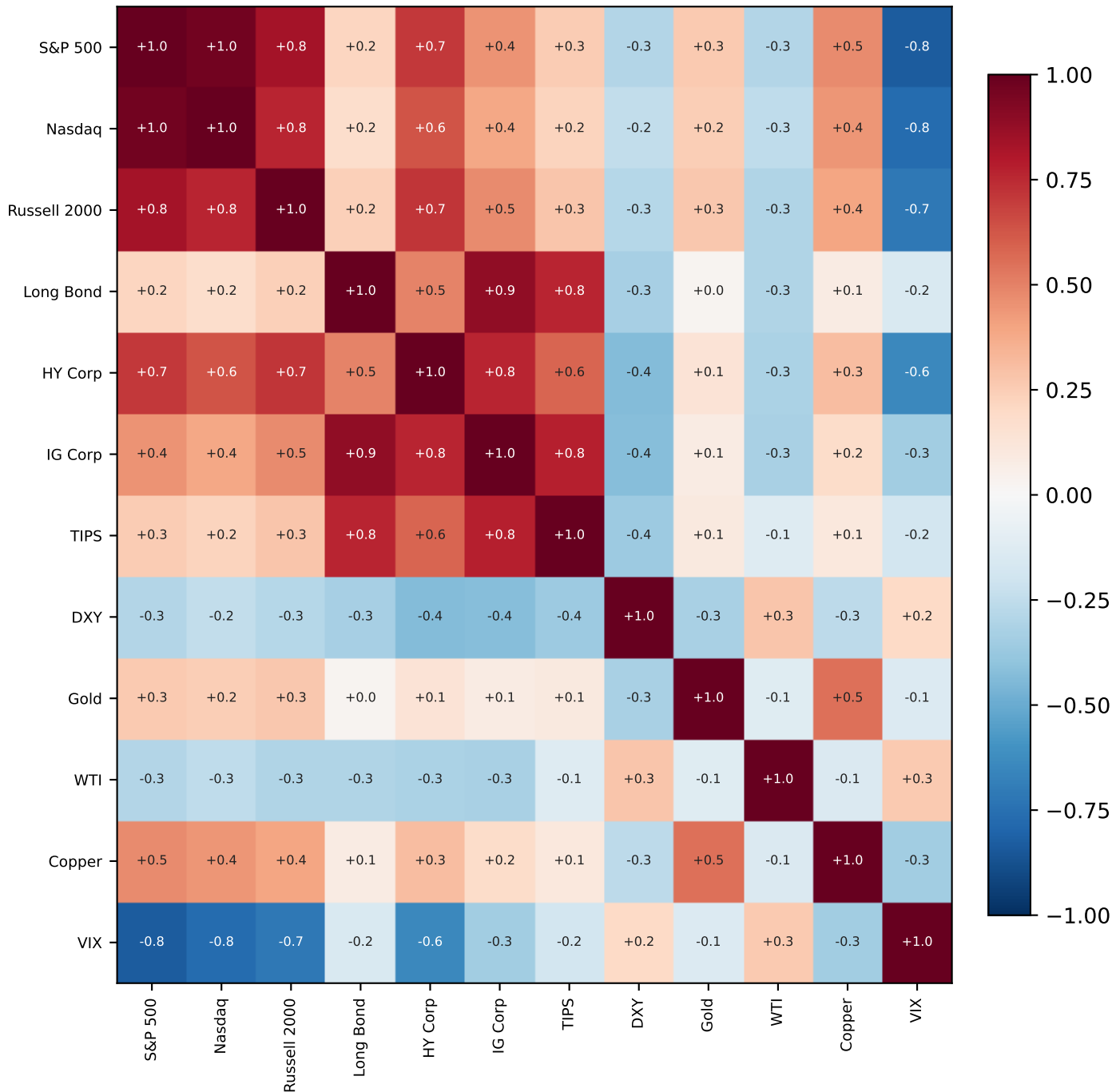
	1w	1m	3m
Low-Vol	-0	+1	+4
Value	-0	+1	+8
Quality	+1	+0	+6
Growth	+1	-0	+3
High-Beta	-1	-3	+11
Momentum	+0	-4	+15

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)

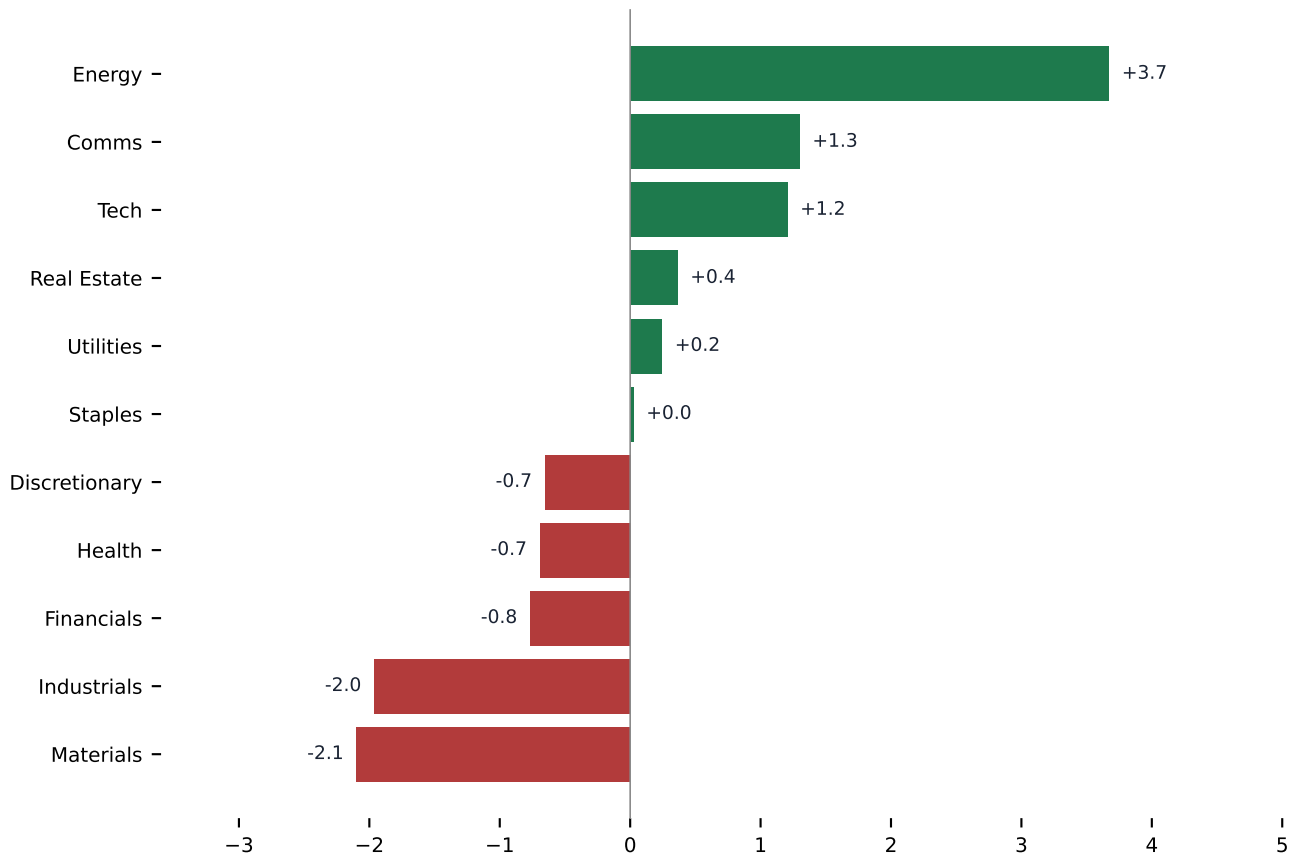
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



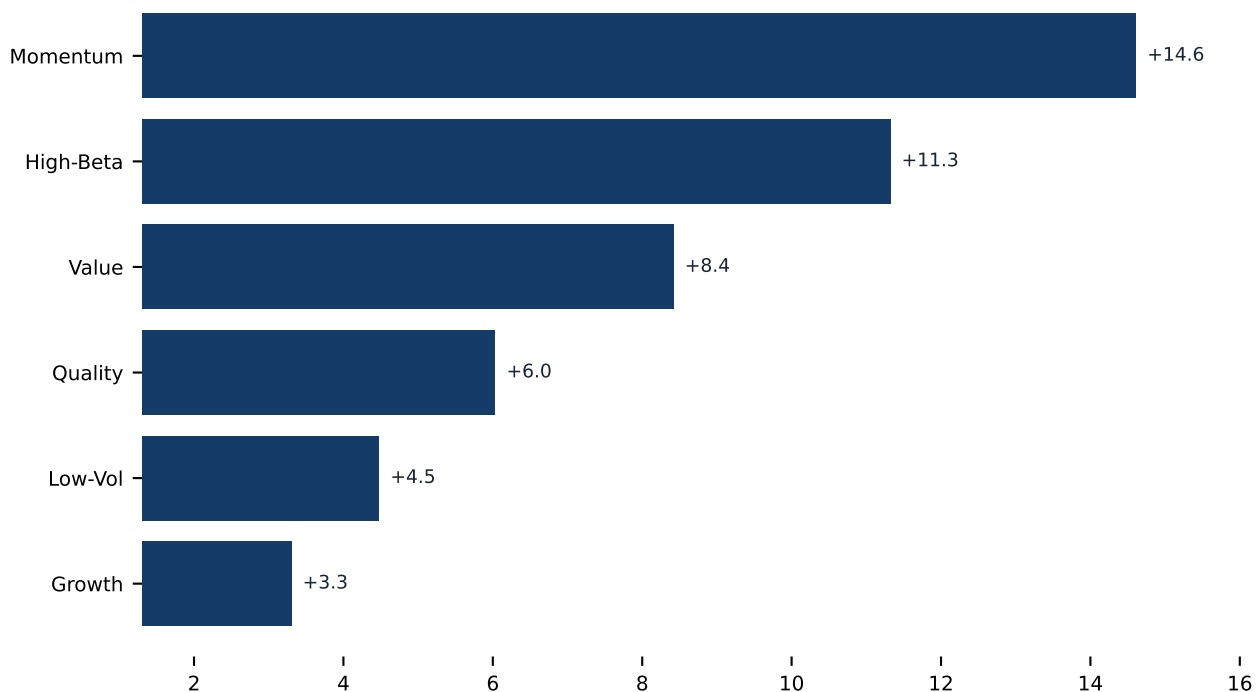
Sector & Factor Rotation

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

Sectors — weekly return %

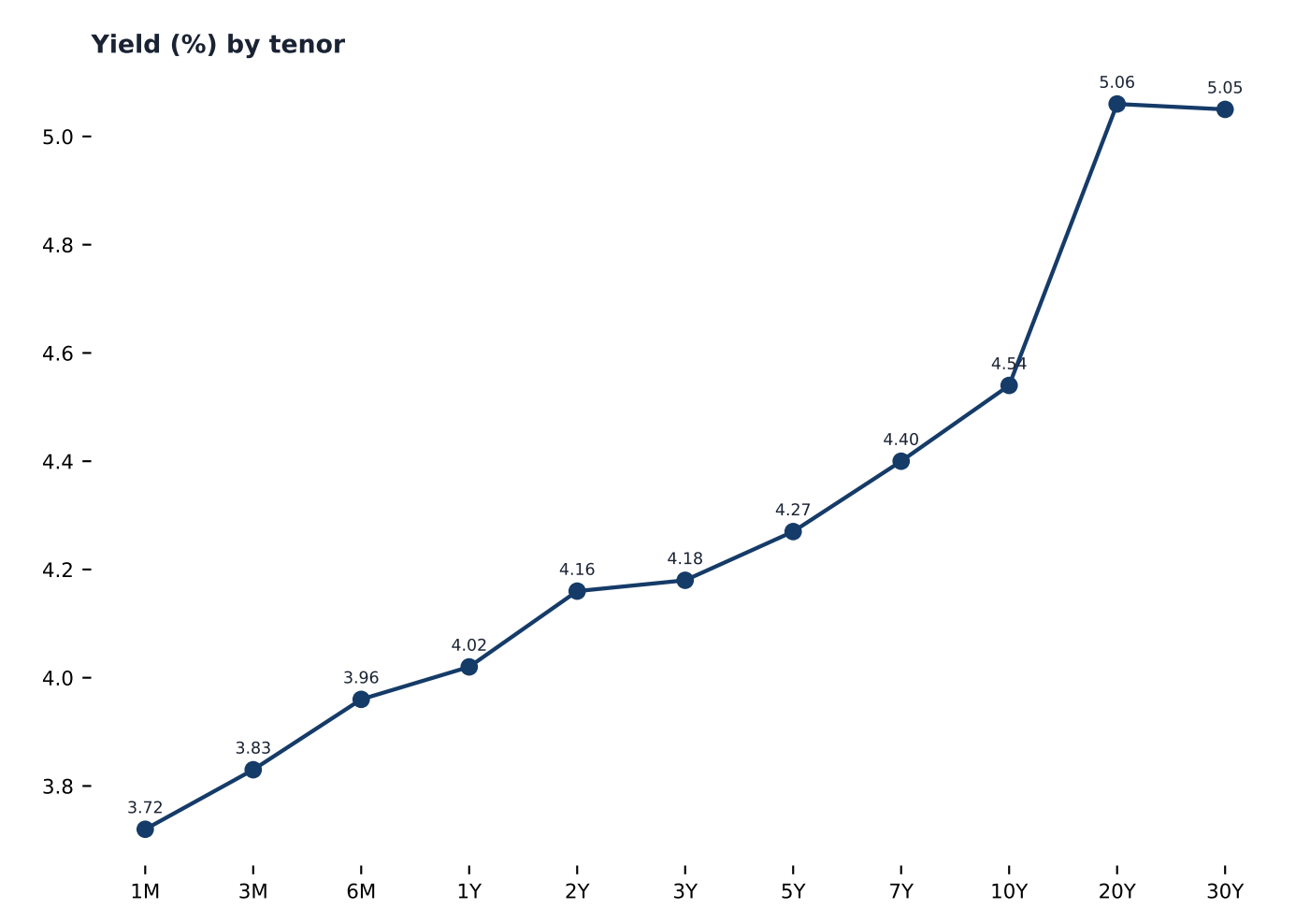


Factors — 3-month return %



The Treasury Yield Curve

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



Credit, Financial Conditions & Volatility

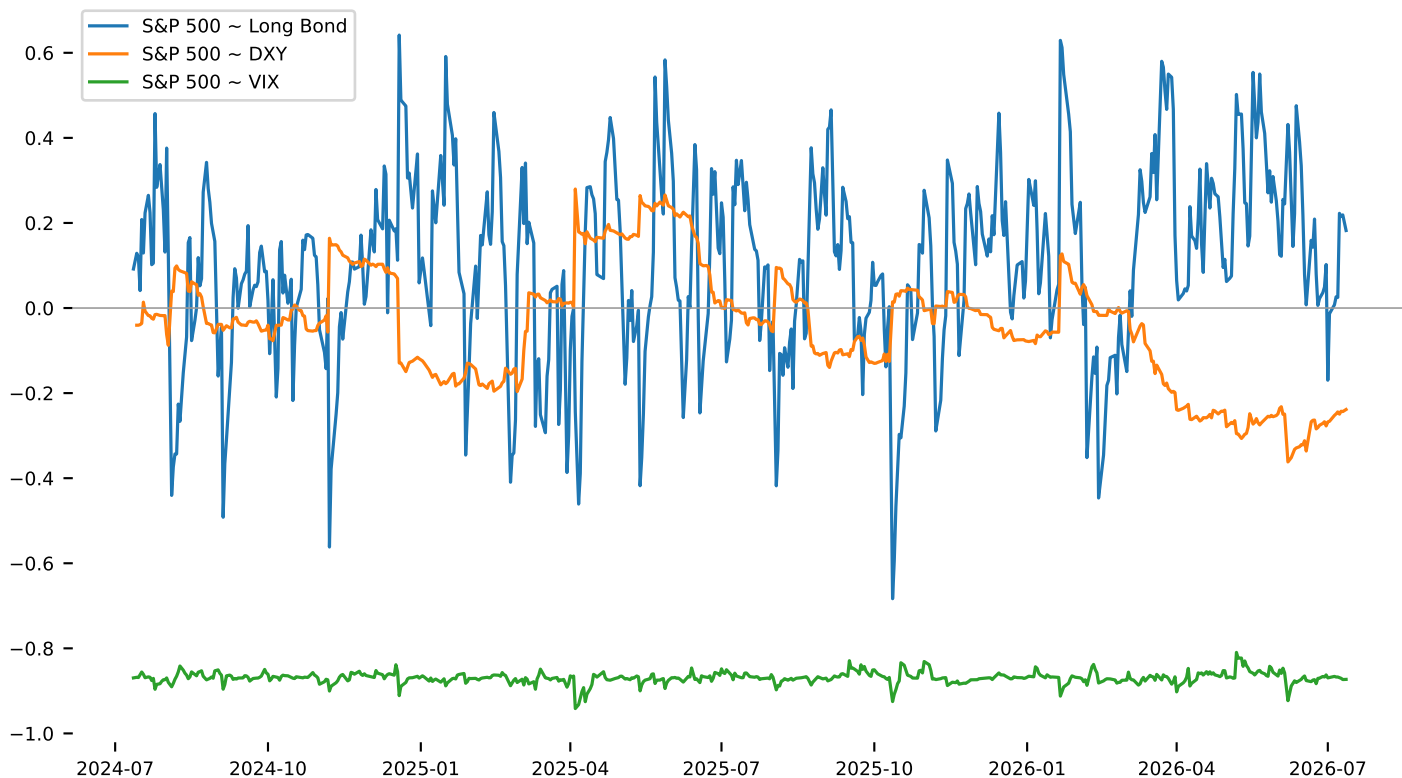
Credit spreads and the volatility complex - the market's stress gauges.

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 0.81
VIX3M	18.6	
VVIX (vol of vol)	87	
MOVE (bond vol)	70	
SKEW (tail hedging)	144	

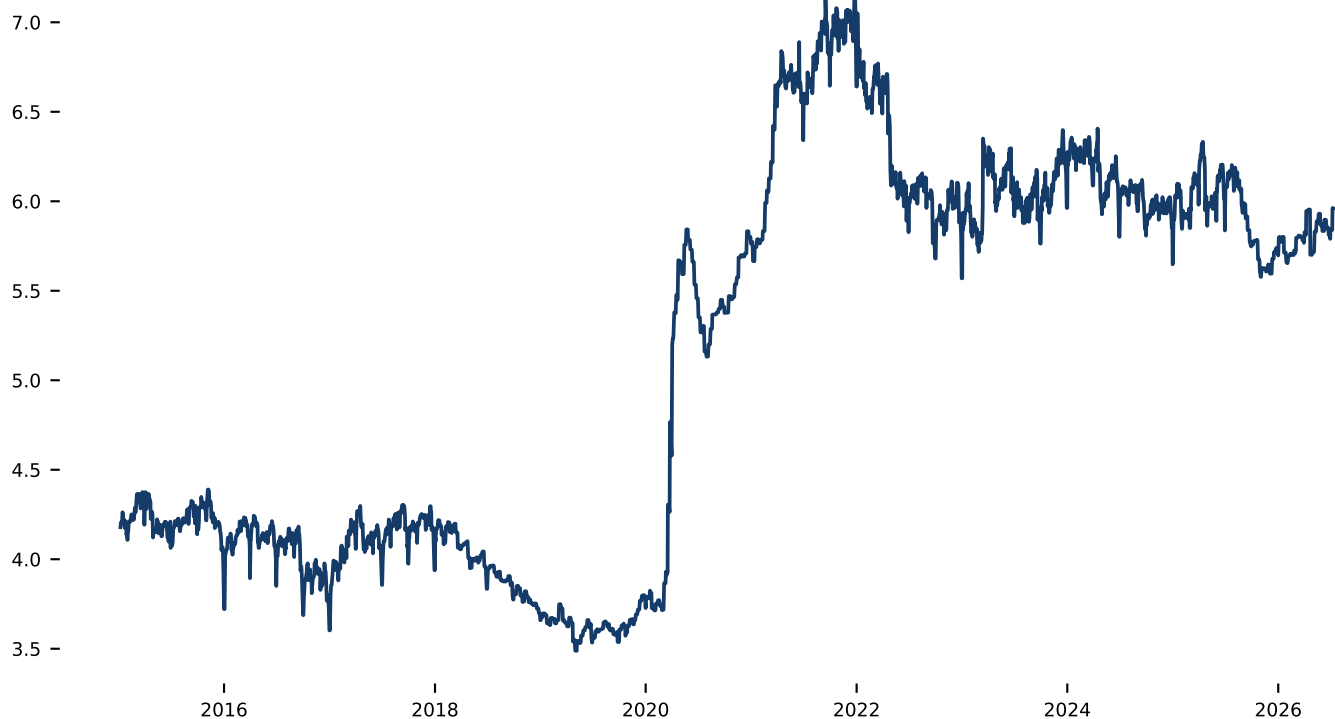
Regime, Growth-Inflation & Liquidity

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

DCC-GARCH: stock-bond, stock-dollar, stock-VIX



Fed net liquidity (\$ trillion) — WALCL - TGA - RRP



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).

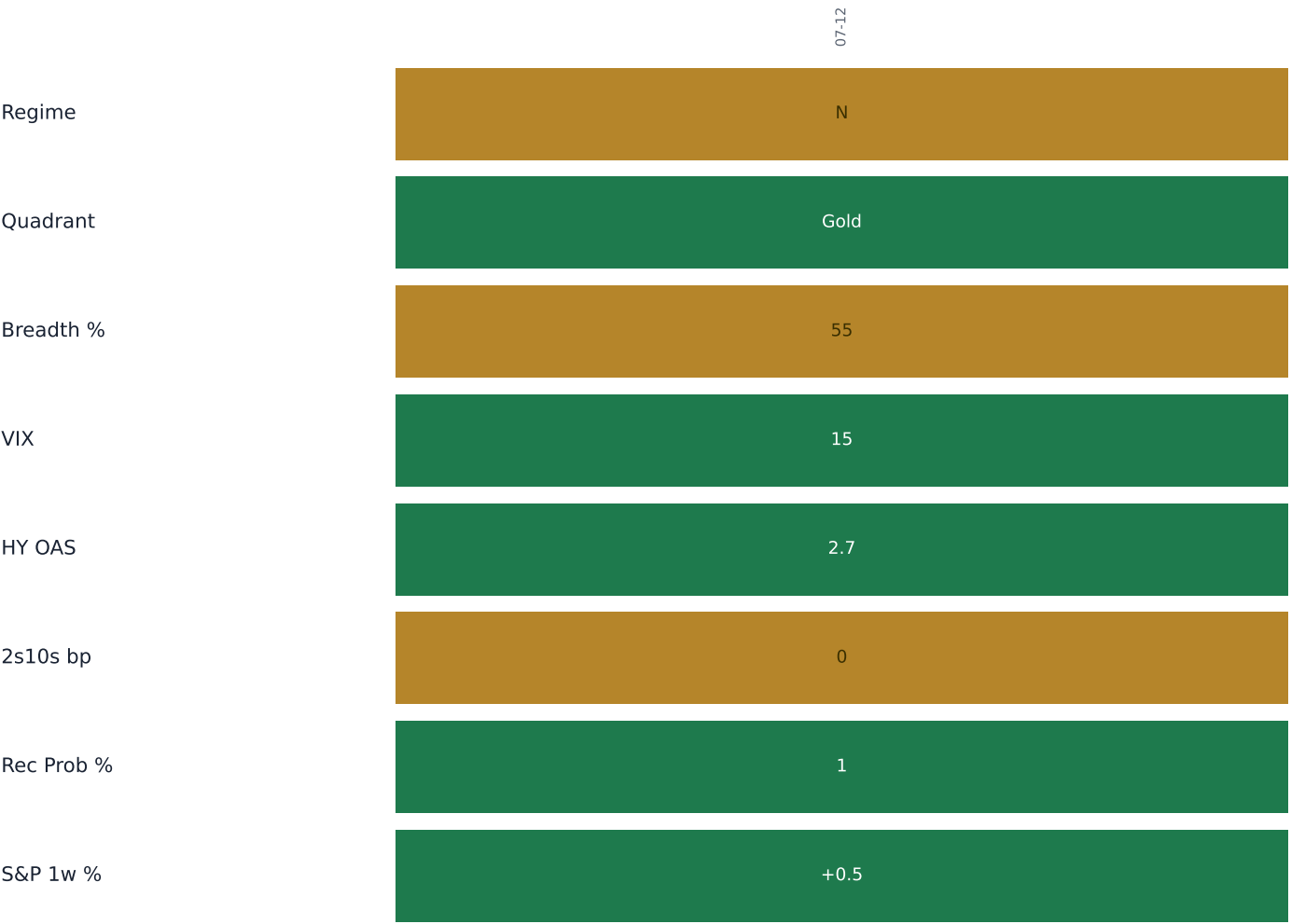
LEAD-LAG INTO S&P 500 (weekly; skill is modest)

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

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



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