ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-07-13

69 market instruments + 60+ macro series | Goldilocks quadrant | 575 days

REGIME: Neutral

EXECUTIVE SUMMARY

The market sits squarely in a Neutral regime (Markov posterior 1.0) against a Goldilocks macro backdrop — growth firm (g-score +2.0) and inflation cooling (i-score −1.0) — a constructive combination that has carried the S&P +6% over three months even as breadth stays thin at 55% advancers. The single most important development this week is the divergence beneath a calm surface: Energy (+3.7%) and Comms/Tech lead while Industrials (−2.0%) and Materials (−2.1%) fall and small caps lag (Russell −1.1%), a rotation that is more defensive-cyclical churn than broad risk-on conviction. Credit is priced for near-perfection — HY OAS at 2.70% sits in the 8th percentile of its history — and volatility is docile (VIX 16.5), leaving little cushion if the data disappoints. The dominant risk is precisely that asymmetry: with spreads this tight, vol this low, and a market this concentrated (PC1 explains 52% of sector variance), any growth or inflation surprise meets a market with no margin of safety. Net-net, stay invested but resist adding beta into strength; the reward for chasing here is small relative to the gap-risk embedded in complacent pricing.

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Neutral	Goldilocks	17	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	100.9	+0.1%	+1.3%	+2.5%
Gold	4,069.9	-2.1%	-6.0%	-13.0%
WTI	74.3	+8.4%	-7.9%	-22.9%
Copper	6.3	+2.0%	-2.8%	+4.7%
VIX	16.5	+1.0	+0.3	-1.5
MOVE	69.6	+3.8	+0.2	+1.1

US Cross-Market Analysis

Executive Summary

The market sits squarely in a Neutral regime (Markov posterior 1.0) against a Goldilocks macro backdrop — growth firm (g-score +2.0) and inflation cooling (i-score −1.0) — a constructive combination that has carried the S&P +6% over three months even as breadth stays thin at 55% advancers. The single most important development this week is the divergence beneath a calm surface: Energy (+3.7%) and Comms/Tech lead while Industrials (−2.0%) and Materials (−2.1%) fall and small caps lag (Russell −1.1%), a rotation that is more defensive-cyclical churn than broad risk-on conviction. Credit is priced for near-perfection — HY OAS at 2.70% sits in the 8th percentile of its history — and volatility is docile (VIX 16.5), leaving little cushion if the data disappoints. The dominant risk is precisely that asymmetry: with spreads this tight, vol this low, and a market this concentrated (PC1 explains 52% of sector variance), any growth or inflation surprise meets a market with no margin of safety. Net-net, stay invested but resist adding beta into strength; the reward for chasing here is small relative to the gap-risk embedded in complacent pricing.

Regime & Market State

The Markov model on the S&P returns an unambiguous Neutral posterior of 1.0, with zero weight on either Risk-on or Risk-off — a market that is trending but not euphoric, grinding rather than sprinting. The index tape supports this: S&P +0.5% on the week, +6% over three months, but flat over one month, and the Dow actually down 0.8% on the week. That three-month strength stacked on a flat month tells you the advance has stalled recently even as the medium-term uptrend holds. Breadth at 55% advancers is the tell — participation is only marginally positive, so the grind up is being carried by a narrow cohort rather than a rising tide. For an investor, Neutral-plus-narrow means the trend is your friend but not your insurance; you hold exposure because the regime is intact, not because the market is offering a fat, broad-based bid.

Sector & Factor Rotation

The weekly sector map is genuinely mixed and worth reading carefully. Energy's +3.7% leadership alongside Comms (+1.3%) and Tech (+1.2%) is not a clean cyclical statement — it pairs an inflation/commodity-sensitive winner with secular-growth megacaps, while the honest cyclicals, Industrials (−2.0%) and Materials (−2.1%), are the week's worst, and Financials (−0.8%) and Discretionary (−0.7%) are soft. That configuration reads as selective risk appetite concentrated in growth and energy rather than a durable pro-cyclical thrust; if the economy were accelerating with conviction, you would expect Industrials and Materials leading, not lagging by 2%. The factor picture reinforces the growth tilt: Momentum is the standout at +15% over three months and High-Beta +11%, telling you the market is paying up for what has already worked and is willing to hold risk. But Value (+8%) is beating Growth (+3%) over the same window — the Growth-minus-Value 3m spread is −5.1% — so leadership at the style level has quietly rotated toward value even as Momentum dominates. The reconciliation is that Momentum and Value overlap right now (energy, select cyclicals carry both), while pure Growth has cooled. Quality (+6%) and Low-Vol (+4%) trailing High-Beta says defensiveness is not being rewarded — investors are still reaching, which is consistent with a Neutral-but-constructive regime, not a defensive one.

The Yield Curve & Rates

The curve has re-steepened to a normal, mildly positive shape: 2s10s at +0.35bp and 3M10Y at +0.71bp are both firmly positive, having escaped the inversion that defined the prior cycle — a meaningful signal that the bond market no longer prices imminent recession. The front end (1M 3.72%, 3M 3.83%) sits well below the long end (10Y 4.54%, 30Y 5.05%), and the belly-to-long steepening — 10Y to 20Y jumps from 4.54% to 5.06% — points to a term-premium and supply story at the long end rather than a growth-scare bull-steepening. This is the "higher for longer, soft landing" curve: policy is still restrictive relative to neutral (short rates near 3.7–3.8%), but the positive slope says the market expects gradual normalization, not emergency cuts. For an investor, the shape argues for the belly (2Y–7Y, 4.16–4.40%)

as the efficient carry-and-duration trade, while the 20s/30s near 5% carry genuine term-premium/supply risk that makes the long end a less clean hedge than usual. The upward slope also removes the recessionary alarm the inverted curve had been sounding — one fewer red light on the dashboard.

Credit & Financial Conditions

Credit is the loudest expression of complacency in the entire briefing. HY OAS at 2.70% sits in just the 8th percentile of its historical range — spreads are tighter than roughly 92% of observations — and IG OAS at 0.76% is correspondingly compressed. The Chicago Fed's adjusted financial conditions index at −0.51 and a stress reading of −0.72 both confirm conditions are looser than average with no discernible funding strain. This is unambiguously supportive of risk assets in the near term: cheap credit, open markets, no stress. But percentile context is everything — at the 8th percentile, spreads have far more room to widen than to tighten, and the compensation for owning credit risk is thin. The strong S&P–HY correlation (+0.70 over both 252d and 63d) means equities and credit are moving as one risk factor, so credit offers no diversification and, more importantly, would confirm rather than cushion any equity drawdown. The investor takeaway: financial conditions are a tailwind today, but HY at these levels is an asymmetric short-vol position — you are paid little to hold it and exposed to a sharp repricing if the Goldilocks narrative cracks.

Volatility & Cross-Asset Correlation

The volatility complex is calm but not asleep. VIX at 16.5 with VIX3M at 18.6 gives a term structure of 0.89 — a normal upward slope that signals no acute near-term fear and a market comfortable carrying risk. Yet the tails tell a subtler story: SKEW at 144 is elevated, meaning investors are paying up for crash protection even as at-the-money vol stays low, and VVIX at 87 shows vol-of-vol is contained but not negligible. MOVE at 70 confirms the bond market is unusually placid. The DCC-GARCH correlations sharpen the hedging read. The S&P–VIX correlation of −0.87 is doing its usual job — vol spikes on selloffs — but with persistence of only 0.60, that relationship is less sticky than the others. Critically, the stock-bond correlation is positive: DCC S&P–Long Bond at +0.18 (and 63d realized at +0.42), which means Treasuries are NOT reliably hedging equity risk right now — stocks and bonds are prone to falling together, the hallmark of a still-inflation-sensitive regime. The stock-dollar correlation of −0.24 with very high persistence (0.9844) makes the dollar the more durable hedge: a stable, negative relationship, so DXY strength cushions equity weakness more reliably than duration does. With bonds compromised as a hedge, cash and the dollar carry more of the defensive load, and the elevated SKEW suggests options are the market's preferred insurance. PCA underlines the fragility: PC1 explains 52% of sector variance, so more than half of all sector movement is a single common factor — the market is trading as one macro bet, which limits genuine diversification and means a shock to that factor hits nearly everything at once.

Macro Pulse: Growth, Labor & Inflation

The macro data validates the Goldilocks label with real numbers. Growth is solid but not hot: the Weekly Economic Index at +3.2% and real GDP at $24,180bn point to steady expansion, while industrial production (102.6) and capacity utilization (76.2%) are unremarkable and the Chicago Fed National Activity Index at −0.1 sits essentially at trend. Labor is the picture of a soft landing — unemployment 4.2%, U6 at 7.9%, payrolls still growing, job openings at 7.59mn, and initial claims at just 215k with continued claims at 1.81mn. There is no crack in the labor market here; claims this low are inconsistent with recession. Inflation is the cooling side of the quadrant: sticky CPI at 3.1% is still above target but drifting down, and core PCE (130.1) is contained — enough to justify the −1.0 inflation score. The two blemishes are on the consumer and expectations: the saving rate is thin at 3.0%, consumer sentiment is strikingly weak at 44.8, and Michigan inflation expectations at 4.8% are uncomfortably high relative to actual inflation. That gap — decent hard data, poor sentiment, sticky expectations — is the soft underbelly of the Goldilocks story. Housing is stabilizing at low activity levels (starts 1,177k, new home sales 580k) with the 30-year mortgage at 6.5%, neither a drag nor an engine. For an investor, the backdrop supports risk exposure, but the weak consumer and elevated inflation expectations are the variables that could turn Goldilocks into either reflation or stall.

Recession Risk & Liquidity

The recession dashboard is reassuring and internally consistent. The NY Fed's 12-month recession probability is just 0.5%, the Sahm rule reads 0.07 — far below its 0.50 trigger — the 2s10s is positively sloped at +0.35bp, and initial claims at 215k show no labor deterioration. Four independent indicators all point the same way: near-term recession risk is low, which is why the Neutral-to-constructive regime is defensible rather than complacent on the growth question specifically. Liquidity supports the tape as well: net liquidity at $5,961bn is up $106bn over the past month, a genuine tailwind that helps explain why risk assets grind higher and spreads stay tight — ample system liquidity is lubricating the whole complex. The honest caveat is that these are coincident-to-lagging comforts. The Sahm rule and claims tell you where you have been, not where a shock would take you, and net liquidity can reverse quickly with Treasury and Fed balance-sheet dynamics. So the recession signals justify staying invested, but they are not a license to ignore the asymmetry that tight credit and low vol have built into pricing.

Volatility & Cross-Asset Correlation — Lead-Lag Caveat

On the lead-lag relationships, be explicit: weekly predictive skill is MODEST at best. The correlations that matter — Semis leading the S&P (+0.79), Russell 2000 tied to Regional Banks (+0.64), Gold inversely tracking the dollar (−0.56 at 63d) — describe co-movement and structural linkages, not reliable one-week-ahead trading signals. They are useful for understanding what is driving the market and for confirmation, not for timing. Treat any single-week lead-lag "signal" as noise-prone and weight it lightly against the slower-moving regime, credit, and macro reads.

Key Risks & What to Watch

The core risk is asymmetry, not direction: a Neutral regime with tight credit (HY 8th percentile), low vol (VIX 16.5), thin breadth (55%), and a single factor explaining 52% of sector variance is a market priced for continuation with little cushion for disappointment. The specific vulnerabilities are the weak consumer (sentiment 44.8, saving rate 3.0%), sticky inflation expectations (Michigan 4.8%), and a positive stock-bond correlation that leaves Treasuries unable to hedge a growth-and-inflation shock. To confirm the constructive view, watch for breadth to broaden above 60–65% with Industrials and Materials joining the leadership, HY OAS holding below ~3.0%, initial claims staying under ~230k, and the Sahm rule staying near current lows. To change the view toward caution, watch for HY OAS widening decisively through 3.25–3.50% (the fastest, most reliable early warning given credit's percentile), initial claims breaking above ~250k, the VIX term structure inverting below 1.0 with SKEW staying elevated, sticky CPI or Michigan expectations re-accelerating (which would flip the inflation score and threaten the Goldilocks quadrant), or net liquidity rolling over. Given the DCC-GARCH signal that bonds are not hedging equity, favor the dollar and cash over duration as the defensive ballast until the stock-bond correlation turns reliably negative again.

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

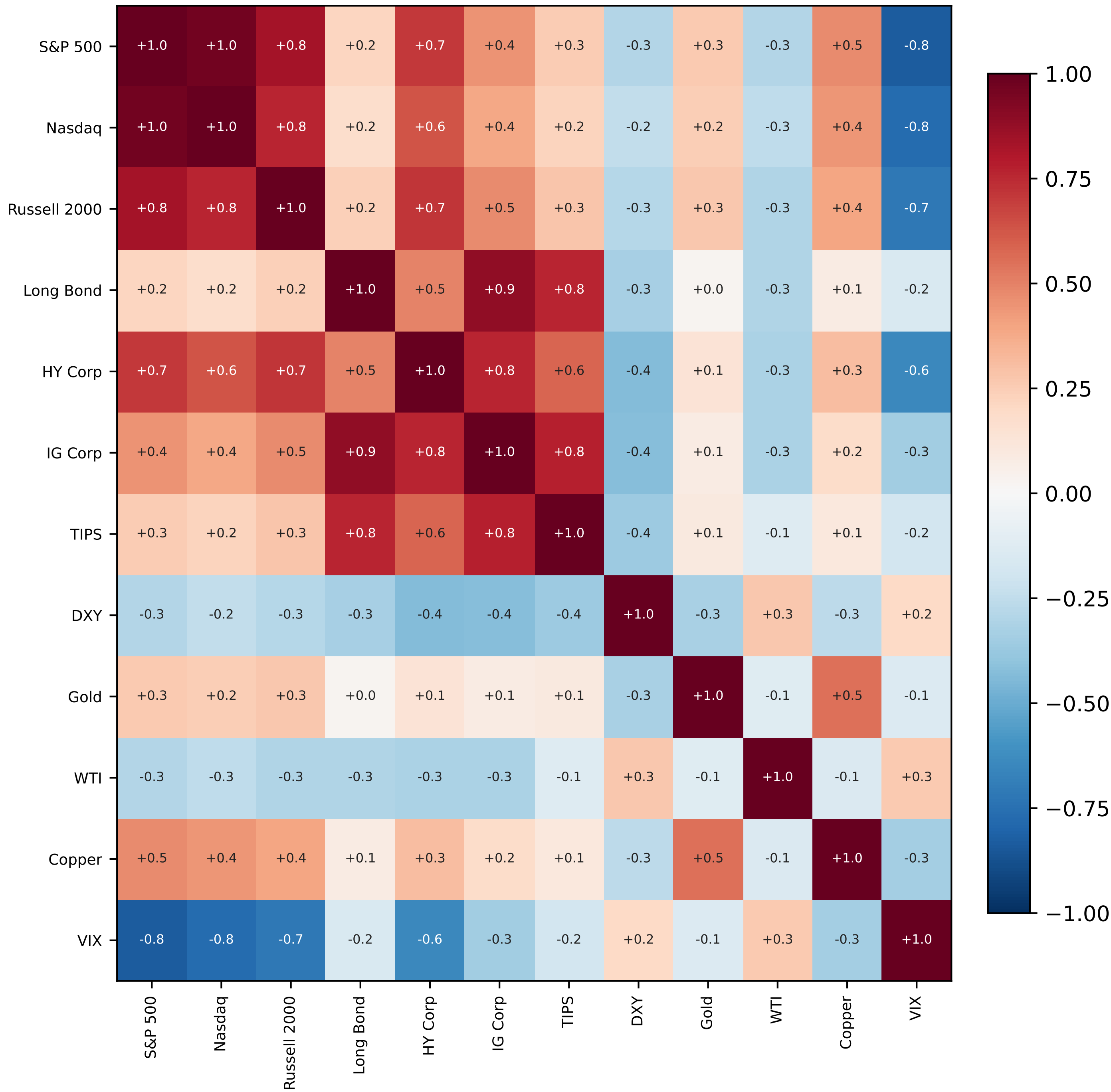
	1w	1m	3m
Low-Vol	-0	+1	+4
Value	-0	+1	+8
Quality	+1	+0	+6
Growth	+1	-0	+3
High-Beta	-1	-3	+11
Momentum	+0	-4	+15

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

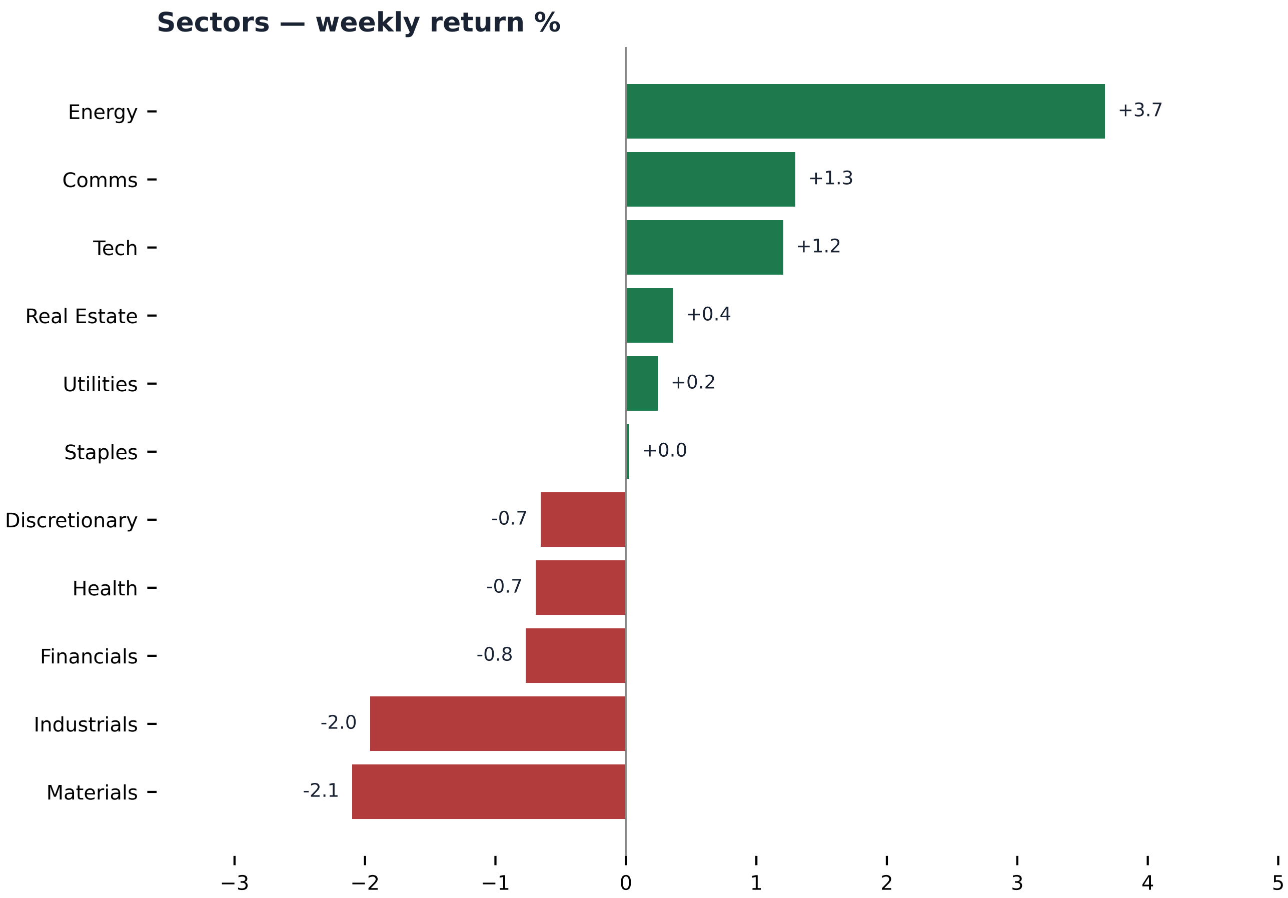
Cross-Asset Correlation (252d, daily)

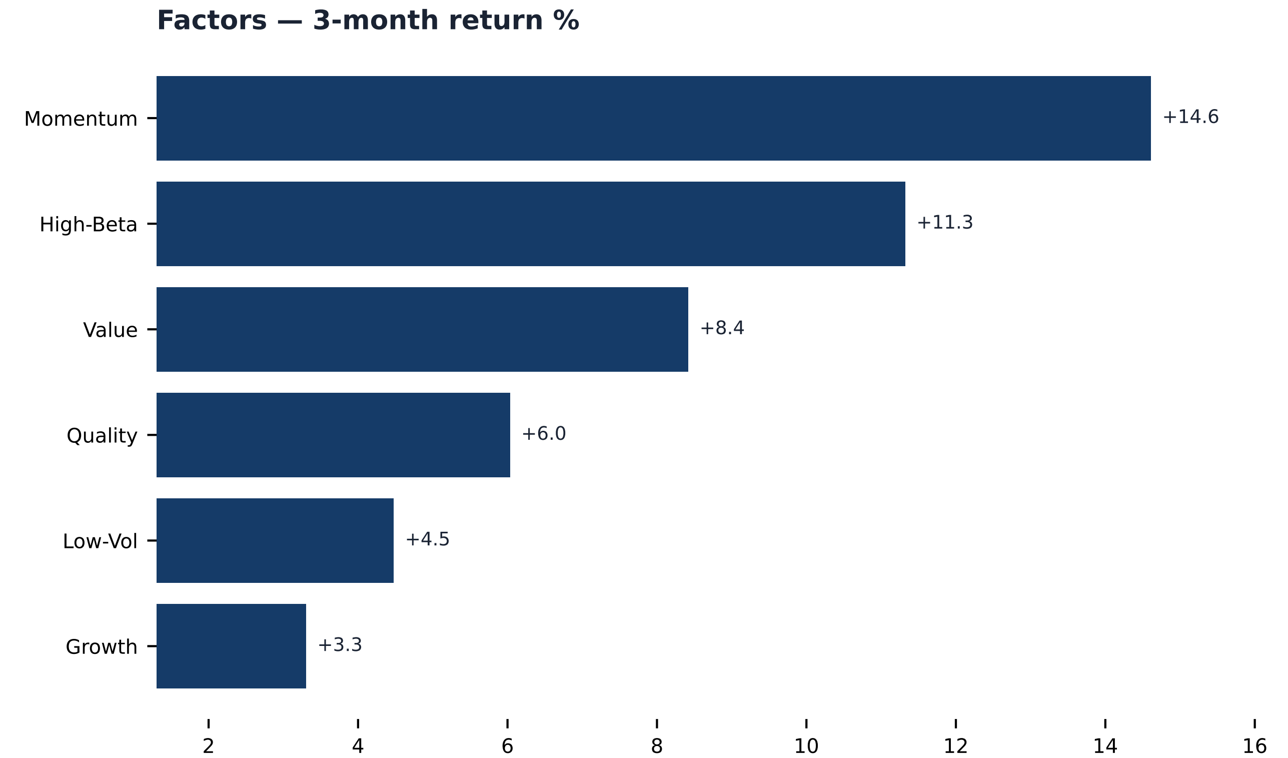
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



Sector & Factor Rotation

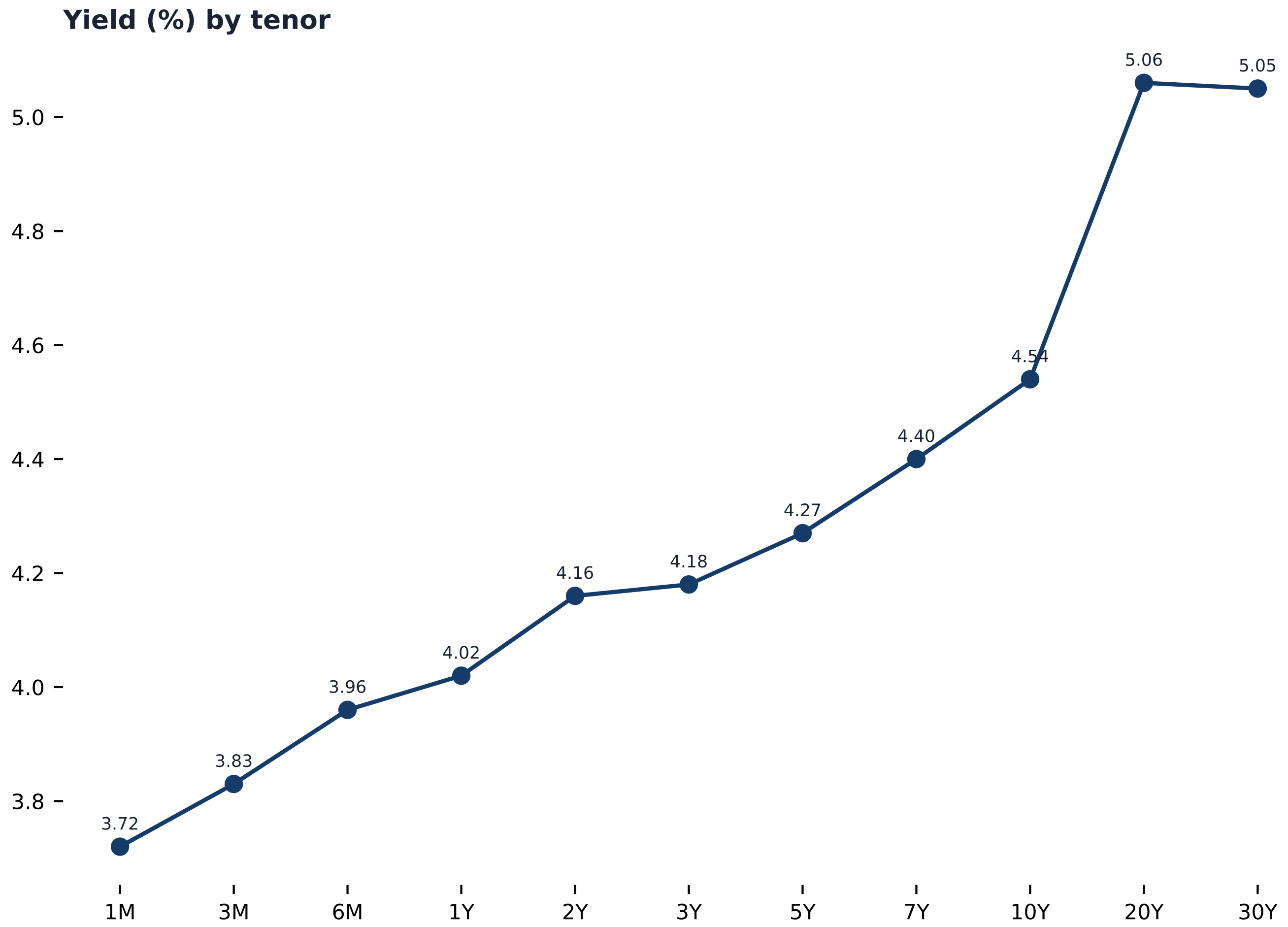
Weekly sector return; factor 3m return. Sector breadth 55% up. Growth-Value 3m -5.1%.





The Treasury Yield Curve

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



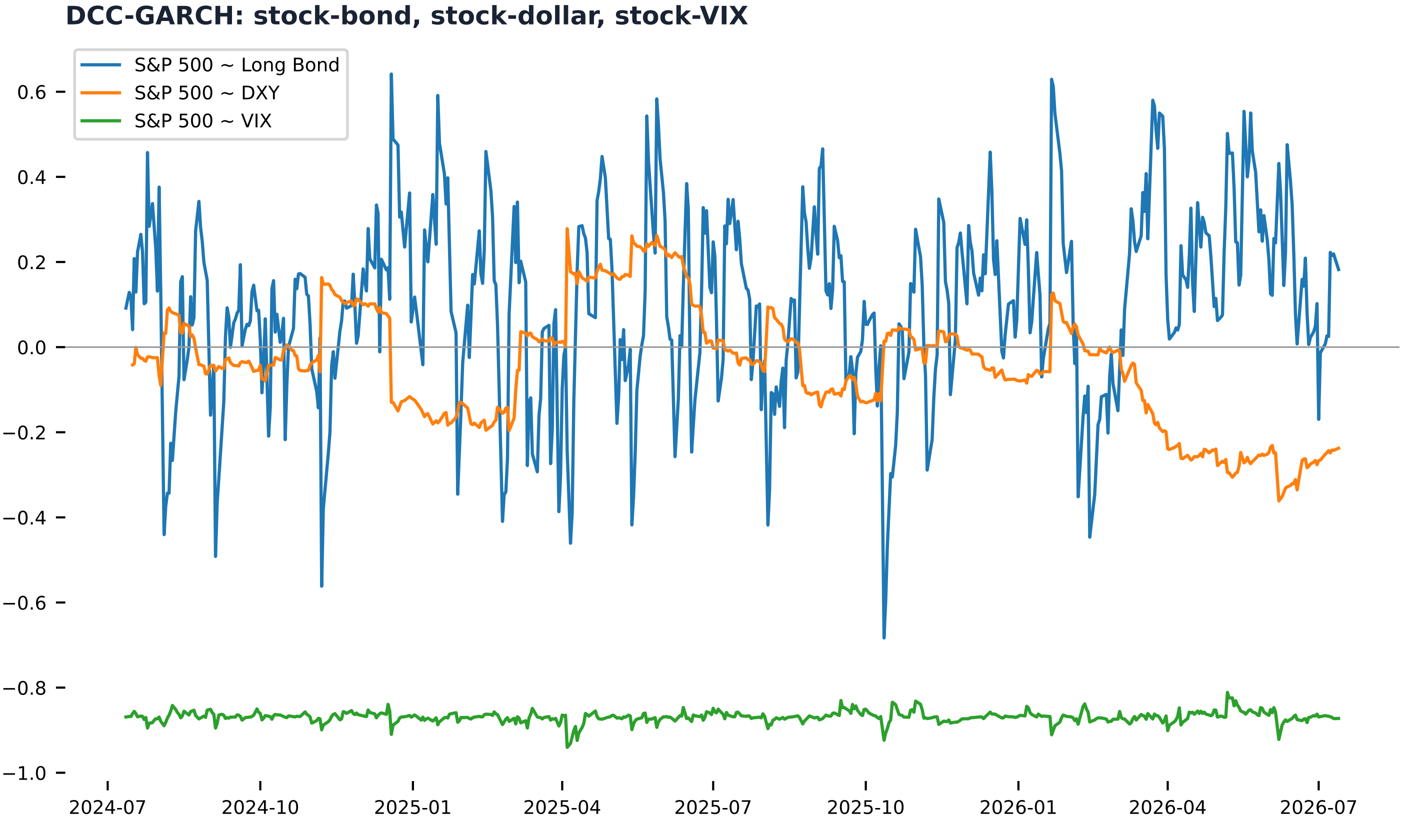
Credit, Financial Conditions & Volatility

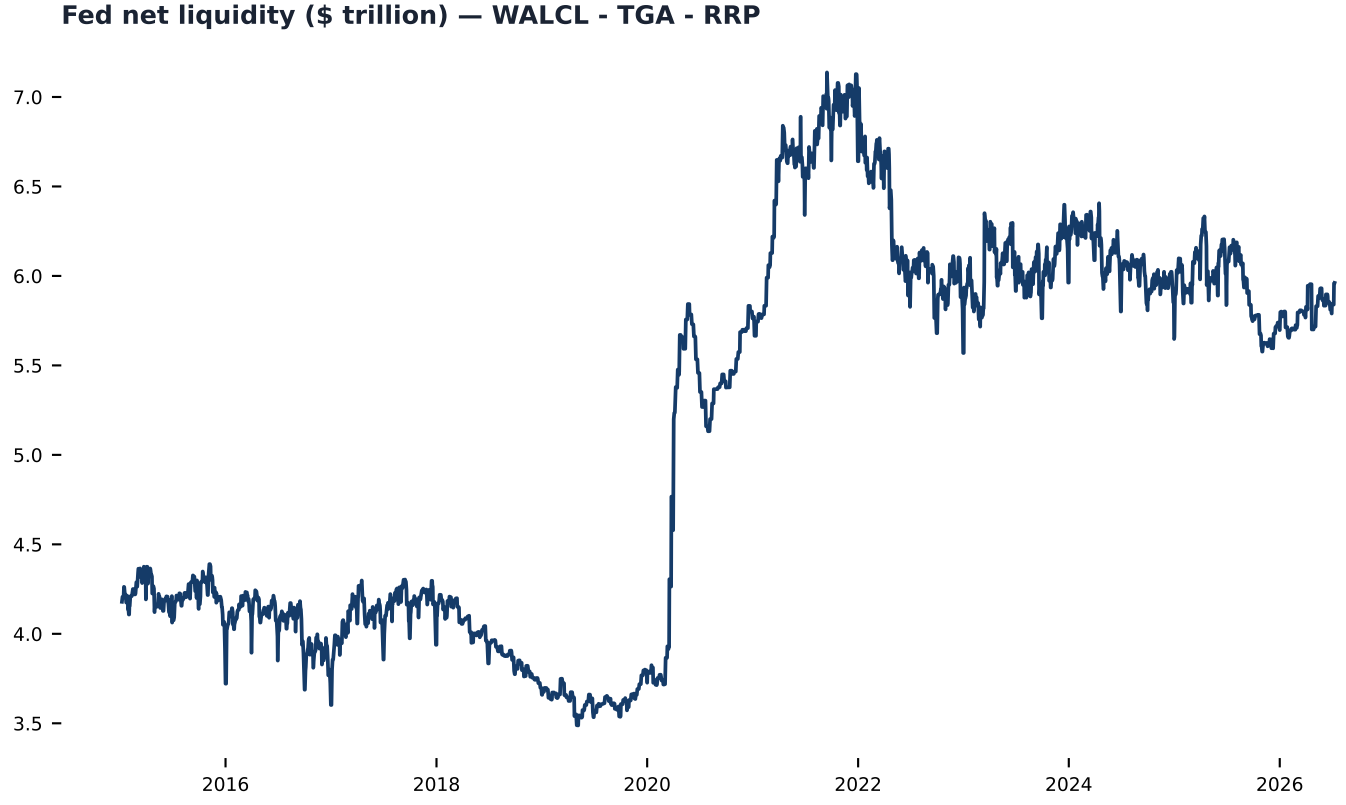
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.70**	8th pctile
IG OAS	**0.76**	
Fin Conditions (ANFCI)	**-0.51**	0 = average; +tight
St. Louis Stress	**-0.72**	
VIX	**16.5**	term VIX/VIX3M 0.89
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.





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	**3.55**	+0.02	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

	02-13	02-20	02-27	03-06	03-13	03-20	03-27	04-02	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-18	06-26	07-02	07-10	07-12	07-13
Regime	R+	R+	R+	R-	R+	R-	R-	R+	R+	R+	R+	R+	R+	R-	R+	R+	R-	R+	R+	R+	R+	R+	N	N
Quadrant	Refl	Refl	Refl	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold
Breadth %	55	64	64	9	18	18	36	91	91	73	45	82	64	36	82	45	55	82	45	55	64	45	55	55
VIX	21	19	20	29	27	27	31	24	19	17	19	17	17	18	17	15	22	18	16	18	16	15	15	17
HY OAS	3.0	2.9	3.1	3.1	3.3	3.2	3.4	3.1	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.7	2.7	2.8	2.7	2.7	2.7	2.7
2s10s bp	1	1	1	1	1	1	1	1	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Rec Prob %	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	-1.4	+1.1	-0.4	-2.0	-1.6	-1.9	-2.1	+3.4	+3.6	+4.5	+0.5	+0.9	+2.3	+0.1	+0.9	+1.4	-2.6	+0.6	+0.9	-2.0	+1.8	+1.2	+0.5	+0.5

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