ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-08-17

69 market instruments + 60+ macro series | Reflation quadrant | 2899 days

REGIME: Risk-on

EXECUTIVE SUMMARY

The cross-market evidence supports leaning risk-on, but selectively and with the cheapest available hedges rather than with size. The Markov filter puts a 90.9% posterior on the Risk-on state, the composite risk-appetite scorecard reads +0.70 with every major component positive (breadth +1.27, HY credit +1.11, VIX term structure +1.14, S&P trend +0.62), and the growth-inflation quadrant is Reflation (g-score 2.0, i-score 3.0). That combination argues for a pro-cyclical tilt — Energy, Industrials, semis-adjacent Tech, and small caps — and for staying with Value over Growth, which has already delivered a 3-month spread of -10.6 points in Growth's disfavour (Value +8%, Growth -2%). Fade duration-heavy long-bond exposure and expensive index-level Nasdaq beta; keep the belly of the curve, not the long end.

Three developments matter this week. Energy +3.3% and Tech +2.7% against Discretionary -2.1% and Materials -2.0% shows leadership narrowing into inflation-levered cyclicals rather than the consumer — a reflation trade, not a broad expansion, so express cyclicality through Energy and capex rather than retail. Russell 2000 +1.3% versus Dow -0.9% with 3M10Y at +0.82bp confirms a genuinely positive-sloped curve and supports adding small-cap and regional-bank beta on weakness. And HY OAS at 2.67 sits in the 5th percentile: credit is priced for perfection, so it is a source of asymmetric downside, not further carry — take profits rather than adding spread risk here.

The single biggest risk is that this is a late-cycle melt-up with no cushion. Stock-bond DCC correlation is +0.31, meaning Treasuries are not currently hedging equity drawdowns, while SKEW at 138 with VIX at 14.9 prices a fat left tail cheaply. The signals that would change the view: HY OAS widening through roughly 3.20, VIX3M/VIX term structure flattening below 0.90 or inverting, initial claims sustained above ~240k, or the S&P breaking its trend with breadth falling under 40%. Consumer sentiment at 49.5 is the standing counter-evidence.

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Risk-on	**Reflation**	**15**	**2.67**

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

S&P 500	7,771.4	+0.2%	+3.6%	+2.3%
Nasdaq	26,749.5	+0.5%	+4.1%	-1.2%
Russell 2000	3,056.1	+1.3%	+3.3%	+5.2%
Tech	191.3	+2.7%	+6.1%	-2.3%
Financials	57.9	+0.1%	+3.2%	+12.5%
Energy	62.1	+3.3%	+5.0%	+8.4%
Long Bond	81.7	-0.5%	-2.1%	-4.5%
HY Corp	79.7	+0.2%	+0.2%	-0.2%
IG Corp	105.9	-0.0%	-0.7%	-2.8%
TIPS	106.9	+0.0%	-0.8%	-2.8%
DXY	99.5	-0.3%	-1.6%	+0.3%
Gold	4,479.8	+2.7%	+8.0%	+0.1%
WTI	82.6	+0.6%	-4.9%	-10.4%
Copper	6.6	+0.2%	+2.4%	+1.3%
VIX	14.9	-0.5	-1.7	-1.1
MOVE	70.9	+2.4	+3.8	+0.2

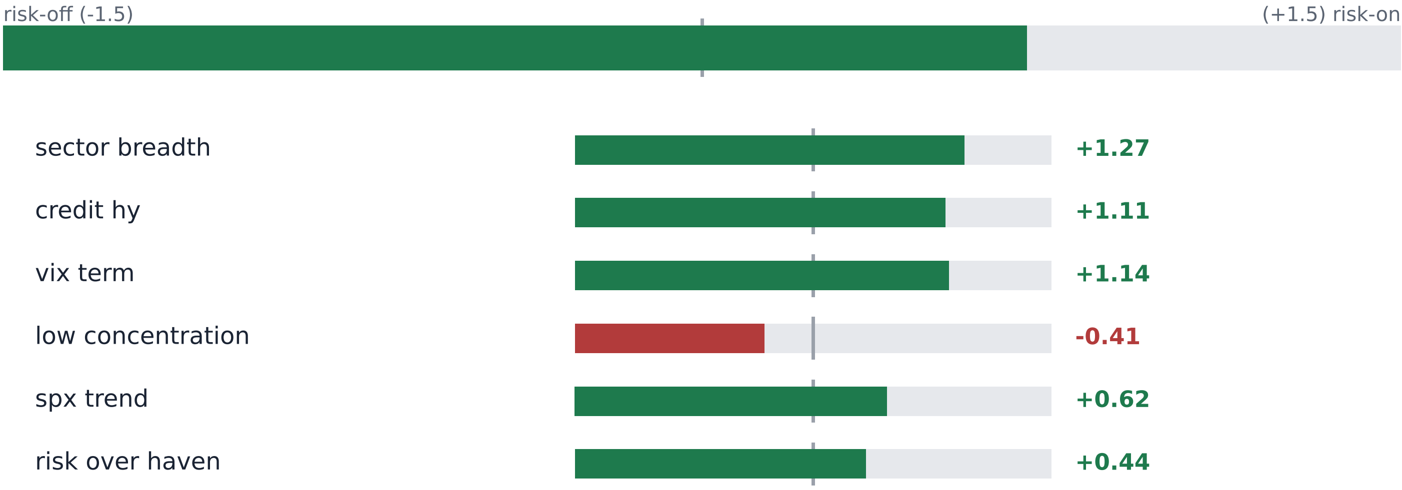
US CROSS-ASSET SCORECARD

Cross-asset risk appetite and the high-frequency growth nowcast

RISK APPETITE

Risk-on

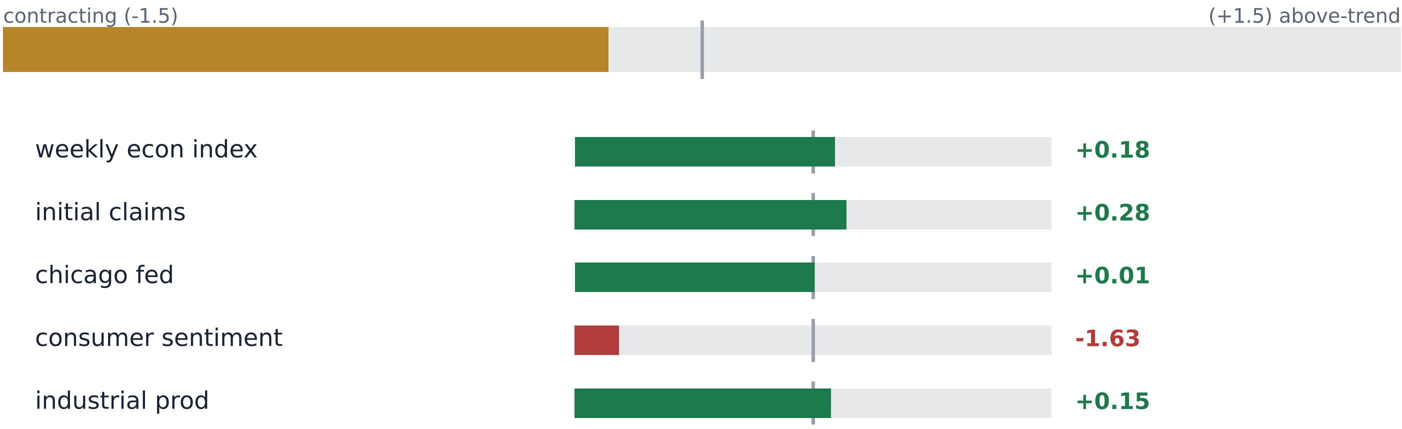
score +0.70



MACRO NOWCAST (growth pulse)

Trend growth

score -0.20



Each component is a 10-year z-score, sign-aligned so higher = risk-on / stronger growth; the headline is their average. The nowcast reads the Weekly Economic Index, jobless claims, Chicago-Fed activity, sentiment and output.

WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-08-17

TOP GAINERS

Semis	+5.1%
Momentum	+5.1%
High-Beta	+3.8%
Energy	+3.3%
Oil E&P	+2.9%
Gold	+2.7%
Tech	+2.7%
Oil Svcs	+2.2%

TOP DECLINERS

Gasoline	-7.1%
NatGas	-4.0%
Retail	-3.1%
Software	-2.2%
Discretionary	-2.1%
Materials	-2.0%
Internet	-1.6%
Dow	-0.9%

KEY LEVELS — week-over-week

S&P 500	7,771.4	+0.2%	WTI	82.6	+0.6%
Nasdaq	26,749.5	+0.5%	DXY	99.5	-0.3%
Russell 2000	3,056.1	+1.3%	Long Bond	81.7	-0.5%
VIX	14.9	-0.5	HY Corp	79.7	+0.2%
Gold	4,479.8	+2.7%	Semis	598.6	+5.1%

MARKET-STATE READINGS — now vs prior report

Regime	prior: N	->	**Risk-on**
Risk appetite	prior: +0.53	->	**+0.70**
Macro nowcast	prior: -0.20	->	**-0.20**
PC1 share	prior: 33	->	**34%**

The fastest orientation: what actually moved and how the headline state shifted since last week. VIX/rate/spread increases are shown as adverse (red).

US Cross-Market Analysis

Executive Summary

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The single biggest risk is that this is a late-cycle melt-up with no cushion. Stock-bond DCC correlation is +0.31, meaning Treasuries are not currently hedging equity drawdowns, while SKEW at 138 with VIX at 14.9 prices a fat left tail cheaply. The signals that would change the view: HY OAS widening through roughly 3.20, VIX3M/VIX term structure flattening below 0.90 or inverting, initial claims sustained above ~240k, or the S&P breaking its trend with breadth falling under 40%. Consumer sentiment at 49.5 is the standing counter-evidence.

Regime, Scorecard & Market State

The regime classification is unusually clean: 90.9% Risk-on, 9.1% Risk-off, 0.0% Neutral. There is no ambiguity in the state variable itself — the market is not in transition, it is in a persistent risk-seeking regime. What deserves attention is that the Neutral state has zero mass, which historically means transitions out of Risk-on tend to be abrupt rather than gradual; the process does not pass through a comfortable middle.

The risk-appetite scorecard at +0.70 is corroborated by breadth rather than driven by a single input. Sector breadth (+1.27) is the largest positive contributor, with 55% of sectors up on the week — decent but not euphoric participation. The VIX term structure component (+1.14) reflects VIX 14.9 versus VIX3M 18.9, a ratio of 0.79, which is a firmly contango, complacent-but-orderly volatility surface. Credit (+1.11) reflects the same story from the spread side. The only negative component is low_concentration at -0.41, meaning the market is more concentrated than the scorecard would like — consistent with the S&P versus Equal-Weight spread sitting at z +1.84.

Index performance underneath this is more mixed than the headline suggests. S&P 500 +0.2% and Nasdaq +0.5% on the week are near-flat, Dow -0.9% is negative, and Russell 2000 +1.3% is the leader. Over three months the picture inverts: Dow +5% and Russell +5% versus Nasdaq -1%. The mega-cap growth complex has been the laggard over the quarter while everything else has quietly worked. For an investor, this is the signal that the risk-on regime is not the 2023-style narrow AI trade — it is broader and more cyclical, which is healthier but also more sensitive to the actual growth data.

The macro nowcast at -0.20 (Trend growth) is the honest counterweight. Market-implied risk appetite is running hotter than the measured economy. That gap is sustainable in a reflation quadrant, but it is a gap.

Sector & Factor Rotation

The weekly sector table reads as a reflation trade with a consumer problem. Energy +3.3% leads, Tech +2.7% second, Utilities +1.8% third — an unusual pairing of an inflation hedge, a duration-and-growth asset, and a bond proxy all rallying together, which typically signals index-level buying rather than a coherent macro rotation. Beneath that, the genuine information is at the bottom: Discretionary -2.1% and Materials -2.0% are the worst performers, with Staples -0.2%, Comms -0.4%, and Health -0.5% only mildly negative. Discretionary underperforming while Energy leads is the classic squeeze pattern — input costs rising into a consumer that cannot absorb them. With the saving rate at 2.7% and consumer sentiment at 49.5, that squeeze has a real balance-sheet foundation, not just a sentiment one.

The factor data over three months tells a cleaner story than the weekly noise. Value +8% versus Growth -2% is a 10.6-point spread and the dominant factor fact in this market. Quality +4% and Low-Vol +4% both beat Momentum at +2% and High-Beta at +1%. Read that carefully: the market is rewarding Value and cheapness, but it is *not* rewarding beta. High-Beta at +1% is the weakest factor on the board. This is a risk-on regime in which investors are buying cheap assets rather than volatile ones — a discriminating rally, not an indiscriminate one.

The positioning implication is to express cyclicality through valuation rather than through leverage or beta. Value-tilted cyclicals — Energy, Industrials, financials with capital return — capture the rotation; high-beta Discretionary and unprofitable growth do not. That Low-Vol is matching Quality at +4% is also a quiet warning: defensively-constructed portfolios are keeping pace with the tape, which is not what happens in the middle of a strong expansion.

The Yield Curve & Rates

The curve is positively sloped from front to back and steepening at the long end. 1M at 3.79%, 3M 3.87%, 6M 3.94%, 1Y 3.97%, 2Y 4.15%, 5Y 4.32%, 10Y 4.63%, 20Y 5.20%, 30Y 5.21%. The 2s10s at +0.51bp and 3M10Y at +0.82bp are both firmly positive — the inversion is well behind us, and by the conventional reading the recession clock that inversion started has either run out or been reset.

The more important feature is the shape of the long end. The 10Y-to-20Y move is 57 basis points, while 20Y to 30Y is just 1 basis point. That is a steep, almost cliff-like step between 10 and 20 years followed by a flat 20s30s. A 20Y at 5.20% versus 30Y at 5.21% means investors are being paid essentially nothing to extend a decade further — the term premium is concentrated in the 10-to-20 year segment and exhausted beyond it. For a fixed income allocator, this argues for owning the belly (5Y at 4.32%, 7Y at 4.47%) and, if reaching out, stopping at 20 years; the 30Y offers no compensation for the additional duration risk.

The front end at 3.79-3.97% versus a 10Y at 4.63% gives 66-84 basis points of positive carry for taking duration — meaningful but not generous, and it comes with the negative convexity of a reflation environment. With the i-score at 3.0 and Michigan inflation expectations at 4.6%, the risk to the long end is that inflation expectations become unanchored and the 20s and 30s cheapen further. Sticky CPI at 2.8% is the reassuring datapoint on the other side.

The 30Y mortgage at 6.7% against a 10Y at 4.63% is a spread of roughly 207 basis points — historically wide, and a direct tax on housing. Housing starts at 1,427k and permits at 1,374k, with permits below starts, indicate the pipeline is contracting. Rates are not yet low enough to release the housing cycle.

Credit & Financial Conditions

Credit is the most stretched asset class in the briefing. HY OAS at 2.67% sits in the 5th percentile of its history — meaning 95% of all observations have been wider. IG OAS at 0.80% is correspondingly tight. The ANFCI at -0.58 and the stress index at -0.77 both confirm financial conditions are meaningfully looser than average, which is a genuine tailwind for equities in the near term and a well-documented headwind on a longer horizon.

The investor implication is asymmetry, not imminent danger. Tight spreads are not a timing signal — credit can stay in the 5th percentile for extended stretches, and the fact that spreads are here at all reflects real fundamentals: low default rates, open refinancing markets, and easy conditions. But the risk-reward has become poor. At 2.67%, high yield offers roughly 267 basis points over Treasuries for taking equity-like downside; the S&P~HY correlation of +0.69 over 252 days and +0.74 over 63 days confirms that high yield trades as equity beta, and the correlation is *rising*. An investor is not diversifying by holding HY alongside equities; they are doubling the same exposure with a capped upside.

The practical conclusion: harvest credit rather than add to it. Spread compression from here is limited by arithmetic, while widening is unbounded. Rotating from HY into IG, or from IG into the 5Y-7Y Treasury belly at 4.32-4.47%, gives up modest carry for a materially better convexity profile. The credit component contributing +1.11 to the risk-appetite scorecard is a description of where we are, not a recommendation to add.

The loose-conditions reading also sits awkwardly with net liquidity at $5,796bn, down $121bn over the past month. Conditions are easy on price-based measures while the quantity of reserves is contracting. That divergence usually resolves toward the quantity measure eventually, and it is one of the reasons this rally is worth hedging rather than pressing.

Factor Structure & Systemic Risk

The PCA across 86 instruments gives PC1 (Risk, proxied by the S&P) 34% of variance, PC2 (Rates, 10Y) 15%, PC3 (Energy/WTI, inverse) 6%, and PC4 (US dollar) 5%. Together the top four explain 60%. A PC1 at 34% across a broad cross-asset instrument set is elevated but not extreme — this is a market with a dominant risk factor, but with a genuinely independent rates factor at 15% still doing real work.

The within-equity picture is much more one-dimensional. PC1 explains 66% of sector variance. Two-thirds of what US sectors do is simply "the market went up or down." That has a direct portfolio consequence: sector selection has roughly one-third of the explanatory power available to it, and cross-sector diversification is doing far less than a naive risk model would assume. Concentrating sector bets is a low-payoff activity in this structure; the leverage is in the factor tilt (Value versus Growth) and in the overall equity allocation, not in picking among eleven sectors that mostly move together.

The systemic co-movement gauge is the piece of good news. Average pairwise conditional correlation across the twelve-asset MV-DCC system is +0.05 now versus +0.04 a year ago — essentially unchanged and, more importantly, very low in absolute terms. Diversification across asset classes is functioning. This is the single most reassuring number in the entire briefing, because correlation collapse toward one is the mechanism by which risk-on regimes turn into drawdowns.

The caution is persistence at 0.895. Once this measure starts rising, it will keep rising — DCC processes with that persistence do not mean-revert quickly. So +0.05 is comforting *today*, but it provides no advance warning. It should be monitored as a state variable, not treated as a stable property of the market.

Cross-Asset Correlation & Lead-Lag

The DCC-GARCH stock-bond correlation at +0.31, with persistence 0.9871, is the number that should shape hedging decisions. Positive stock-bond correlation means long Treasuries are not hedging equity drawdowns — when equities fall, bonds have been falling too. The 63-day static correlation at +0.33 versus 252-day at +0.23 shows this has strengthened recently. The persistence of 0.9871 is near-unit-root: this is not a transient condition that will resolve in weeks. Investors who assume a 60/40 portfolio is diversified by construction are carrying more equity risk than they believe. The genuine hedges in this environment are cash, bills at 3.79-3.94%, or explicit optionality — not the long bond.

Stock-dollar DCC at -0.25 (persistence 0.9919) and static at -0.28/-0.37 means the dollar retains a modest inverse relationship to equities, so DXY strength is a mild headwind and long-dollar exposure provides a weak hedge. Gold~DXY at -0.34/-0.47 is the expected inverse. S&P~Gold at +0.28/+0.39 and rising is more interesting: gold is behaving as a risk asset alongside equities rather than as a defensive one, which reduces its value as portfolio insurance and is consistent with the fair-value model showing it 17.8% rich.

S&P~VIX at -0.82/-0.83 static and -0.74 in the DCC is a normally functioning volatility hedge. Semis~S&P at +0.79/+0.75 confirms semiconductors as high-beta index exposure. Russell 2000~Reg Banks falling from +0.62 to +0.41 over 63 days is a genuine change — small caps are decoupling from regional banks, which loosens the funding-stress channel that dominated small-cap returns in prior years and makes the Russell a cleaner cyclical expression.

On lead-lag: the Granger network puts VIX, Long Bond, HY OAS, and US 10Y as net leaders, with Gold, DXY, Russell 2000, and Nasdaq as followers. The intuitive reading is that risk and rate pricing lead equity beta — credit and volatility markets move first, equities follow. That is a coherent and familiar structure, and it argues for watching HY OAS and the VIX term structure as early indicators rather than the S&P itself.

But weekly predictive skill here is modest, and should be treated as such. Granger causality at weekly frequency establishes statistical precedence within a specific sample; it is not a tradeable forecast, the relationships are unstable across regimes, and the effect sizes are small relative to weekly noise. Use the network to decide *what to monitor first*, not to size positions. The honest statement is that leaders give perhaps a few days of ordering information, not a reliable signal.

Relative Value & Fair Value

The S&P versus Equal-Weight spread at z +1.84 with a 7-week half-life is the cleanest relative-value opportunity in the briefing. Cap-weighted has outrun equal-weighted by nearly two standard deviations on a cointegrated relationship, and the half-life implies roughly half the gap should close within two months if the historical relationship holds. This is consistent with the low_concentration component dragging the risk-appetite scorecard at -0.41. For an investor, the expression is straightforward: favour equal-weight over cap-weight exposure at the margin. It also aligns with the Value-over-Growth factor signal and with Russell outperformance — three independent measures pointing at the same de-concentration trade.

The fair-value residuals sharpen this. Semis versus Nasdaq is RICH +19.8% at z +1.55 on an R^2 of 0.94. The high R^2 matters — this is a well-specified relationship, so the residual is meaningful rather than model error. Semiconductors are nearly 20% above where their historical relationship to the Nasdaq puts them. Combined with Semis~S&P correlation of +0.79, this is a concentrated, expensive, high-beta position that many portfolios hold implicitly through index exposure. Trimming semis specifically, rather than reducing equity broadly, removes the most stretched risk at the lowest cost to overall participation.

Gold at RICH +17.8% versus real yields and the dollar, R^2 0.67 and z +0.85, is a weaker signal — the lower R^2 means more of gold's move is unexplained by the model, and z +0.85 is not a stretched reading. Gold is expensive relative to its macro drivers, but not statistically extreme. Given S&P~Gold correlation has risen to +0.39, gold is currently a momentum position rather than a hedge, and should be sized accordingly.

Nasdaq versus real yields and the S&P is cheap -1.2% at z -0.48 on an R^2 of 0.99. That near-perfect fit means the model captures the Nasdaq almost entirely, and the residual is essentially zero. The Nasdaq is fairly valued conditional on rates and the broad market. The expensiveness in tech is not at the index level — it is in the semiconductor sub-complex. That distinction matters: the trade is not "short tech," it is "own the Nasdaq, fade the semis."

Volatility & Tail Risk

The volatility complex is internally inconsistent in a way that favours buying protection. VIX at 14.9 with VIX3M at 18.9 gives a term ratio of 0.79 — steep contango, the market pricing near-term calm. VVIX at 93 is unremarkable, meaning the vol-of-vol is not signalling stress. MOVE at 71 is low, indicating rate volatility is subdued despite the reflation quadrant and a steepening long end.

SKEW at 138 is the outlier. Elevated SKEW against a 14.9 VIX means out-of-the-money puts are bid relative to at-the-money volatility — someone is paying up for crash protection while the market prices ordinary conditions as benign. This combination is exactly when hedging is cheapest in absolute terms and most informative as a signal: the low VIX makes protection inexpensive, and the high SKEW says sophisticated participants are already buying it.

The tail metrics are contained. S&P 500 expected shortfall at the 5% level is -4.8% with current drawdown at 0%, Nasdaq ES5 -5.9% with drawdown -1%, Russell 2000 ES5 -6.4% with drawdown 0%. All three indices are effectively at highs with no drawdown cushion absorbed. The ES5 figures are modest by historical standards, which reflects the low realised volatility of the recent past — and this is where the honest caveat belongs. Expected shortfall estimated on a low-volatility sample systematically understates tail risk when the regime shifts. A -4.8% ES5 is what the recent past supports, not what a regime transition would deliver.

Putting this together: with the Markov model showing no Neutral state, transitions out of Risk-on are discontinuous; with stock-bond correlation at +0.31, bonds will not cushion the move; with VIX at 14.9, the hedge is affordable. Owning downside protection is the highest-expected-value adjustment available, and it does not require reducing the pro-cyclical equity tilt.

Macro Pulse & Recession Risk

The recession indicators are, taken at face value, benign. NY Fed recession probability at 0.6% is near the floor of its range. The Sahm rule at -0.03 is comfortably below the 0.50 trigger. 2s10s at +0.51bp is positively sloped. Initial claims at 209,000 are historically low, with continued claims at 1,777,000. On the four indicators that matter most, there is no recession signal.

The labour market detail is consistent but softening at the edges. Nonfarm payrolls at 158,858k, unemployment 4.1%, U6 at 7.9%, participation 61.4%. The gap between U6 and headline unemployment at 3.8 points is normal. Participation at 61.4% is low by pre-2020 standards, which flatters the unemployment rate. Job openings at 7,359k continue the multi-year normalisation from the post-pandemic peak — the labour market is loosening through fewer vacancies rather than more layoffs, which is the benign path. Average hourly earnings at $37.6 with sticky CPI at 2.8% suggests real wage growth is roughly flat to modestly positive.

Growth is at trend, not above it. Chicago Fed NAI at -0.0 is precisely trend by construction. The Weekly Economic Index at 2.7% is solid. Industrial production at 102.6 with capacity utilisation at 76.1% is soft — sub-77% utilisation indicates meaningful slack in the industrial economy. Real GDP at $24,270.6bn as of April. The nowcast composite at -0.20 fairly summarises this: trend growth, not acceleration.

Inflation is the live problem and the reason the quadrant is Reflation with an i-score of 3.0. CPI at 332.8, core CPI 336.8, PPI 284.1, PCE 131.4, core PCE 130.3. Sticky CPI at 2.8% is close to acceptable. But Michigan inflation expectations at 4.6% are far above target and far above sticky CPI — a 180bp gap between what consumers expect and what the persistent component of inflation is running. Either expectations come down, or they eventually pull realised inflation up. This is the primary constraint on the Fed's ability to ease into any weakness, and it is why the 20Y and 30Y sit above 5.20%.

The consumer is where the macro case is weakest. Consumer sentiment at 49.5 contributes -1.63 to the nowcast — by far the largest single drag on any composite in the briefing, and the only deeply negative reading anywhere. The saving rate at 2.7% is very low, meaning households have minimal buffer. Retail sales at $763,602m are holding, but they are being funded out of savings rather than out of confidence.

That is a fragile configuration, and Discretionary at -2.1% this week suggests the equity market is beginning to price it.

Net liquidity at $5,796bn, down $121bn in a month, is a genuine negative. A contracting reserve balance has historically preceded episodes of risk-asset pressure, though with variable and unreliable lags. It should not be over-weighted — the relationship is noisy and the mechanism is contested — but combined with 5th-percentile credit spreads, it argues against pressing the risk-on trade with leverage.

Key Risks & What to Watch

The central risk is a regime transition without a hedge. The Markov model assigns zero probability to the Neutral state, meaning the process has no gradual off-ramp — a shift from 90.9% Risk-on happens quickly. The stock-bond DCC at +0.31 with persistence 0.9871 means Treasuries will not cushion it. HY OAS in the 5th percentile means credit has no spread cushion either. Three of the standard shock absorbers — bond diversification, credit spread compression, and drawdown room (0% current drawdown across all three indices) — are simultaneously unavailable. That is the definition of a fragile configuration, and it is the reason the correct posture is risk-on but hedged rather than risk-on and levered.

The second risk is inflation re-acceleration. With Michigan expectations at 4.6% versus sticky CPI at 2.8%, Energy leading at +3.3%, and the 20Y-30Y at 5.20-5.21%, an upside inflation surprise would repress equity multiples and steepen the long end simultaneously — the one scenario in which both legs of a balanced portfolio lose together, exactly as the +0.31 correlation implies.

The third is the consumer. Sentiment at 49.5, a 2.7% saving rate, Discretionary the worst sector this week, and a 6.7% mortgage rate with permits below starts describe a household sector operating without buffer. The market has not priced this; the nowcast has.

Specifically, what would confirm the constructive view: HY OAS holding below 3.00; the VIX3M/VIX ratio staying above 1.20 (currently 1.27); sector breadth holding above 50%; initial claims remaining under 230,000; the S&P versus Equal-Weight z-score compressing from +1.84 toward zero as the rally broadens; and Value continuing to lead Growth.

What would change it: HY OAS widening through 3.20, which given the +0.74 correlation to equities would lead rather than follow the S&P; the VIX term structure flattening below 1.10 or inverting, which historically precedes drawdowns by days not weeks; initial claims printing above 240,000 for two consecutive weeks or continued claims breaking above 1,900,000; the Sahm rule rising above +0.20 from -0.03; 2s10s bull-steepening rapidly on a front-end rally, which would signal the market pricing cuts into weakness rather than a healthy term-premium steepening; average pairwise DCC correlation rising from +0.05 above +0.20, which given 0.895 persistence would mark the start of a durable diversification breakdown; MOVE breaking above 100 from 71; and Michigan inflation expectations rising above 5.0%, which would remove the Fed's ability to respond to any of the above.

The tightest single trigger to watch is the interaction of HY OAS and the VIX term structure. Both are net leaders in the Granger network, both are currently at complacent extremes, and both would move before the S&P does. If either breaks — spreads through 3.20 or term structure through 1.10 — the appropriate response is to cut the pro-cyclical tilt and raise cash rather than rotate defensively, because with PC1 at 66% of sector variance, defensive sectors will not provide the protection the label implies.

PART I

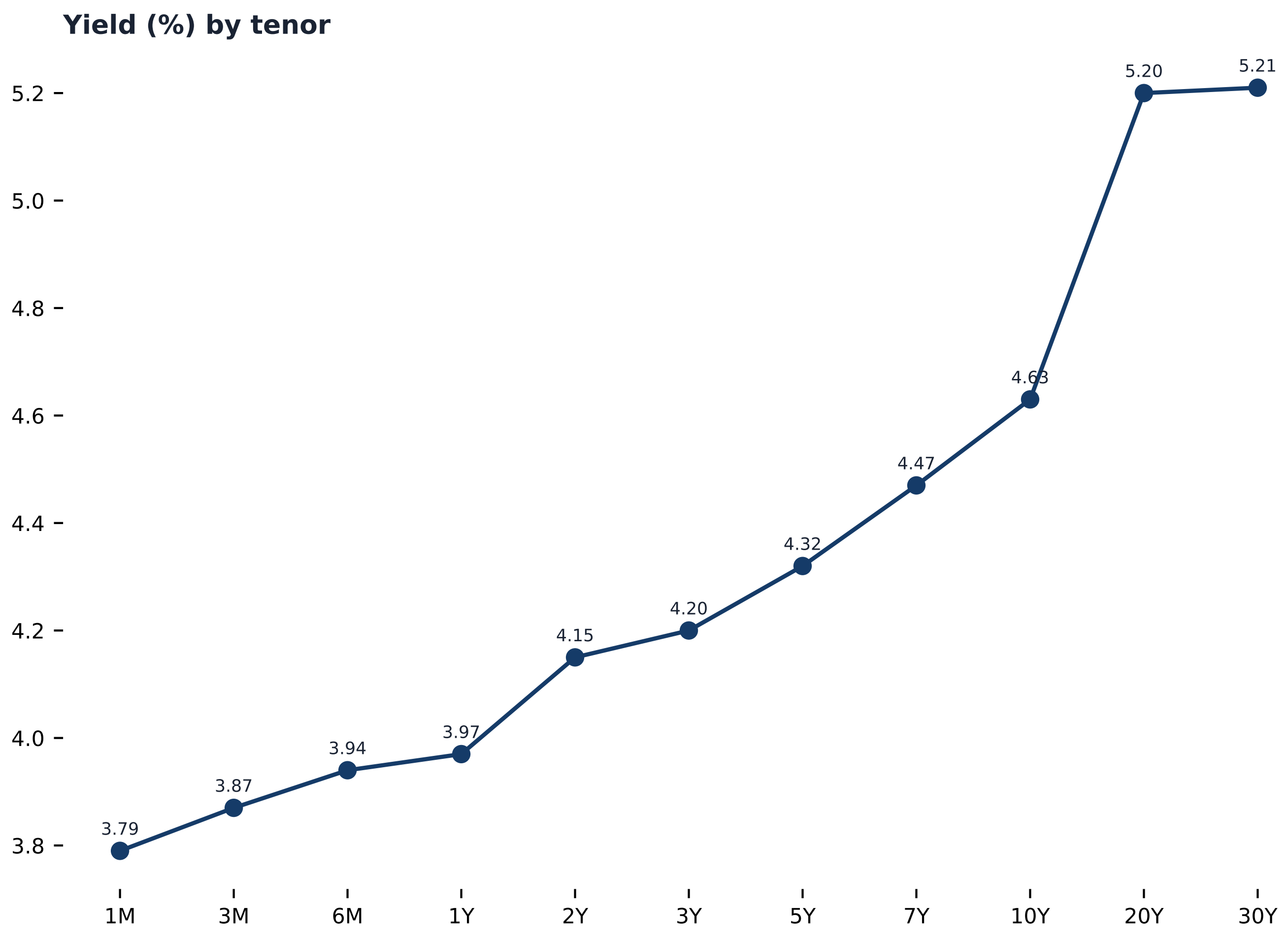
Rates, Credit & Macro

The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

- Yield curve, credit & vol, regime & liquidity
- Labor, inflation, growth/consumer/housing, money/policy, recession

The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.51bp, 3M-10Y +0.82bp (positive).



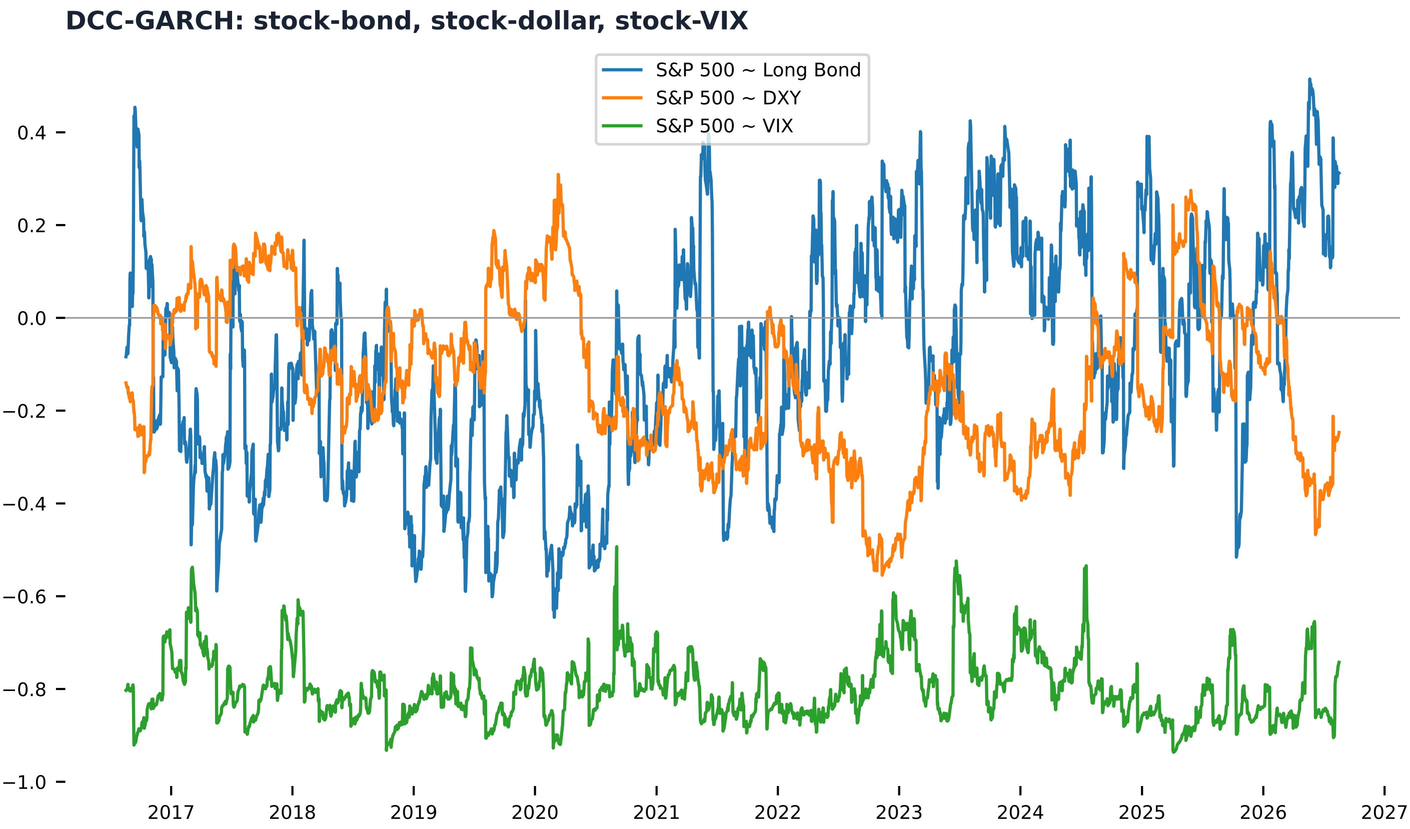
Credit, Financial Conditions & Volatility

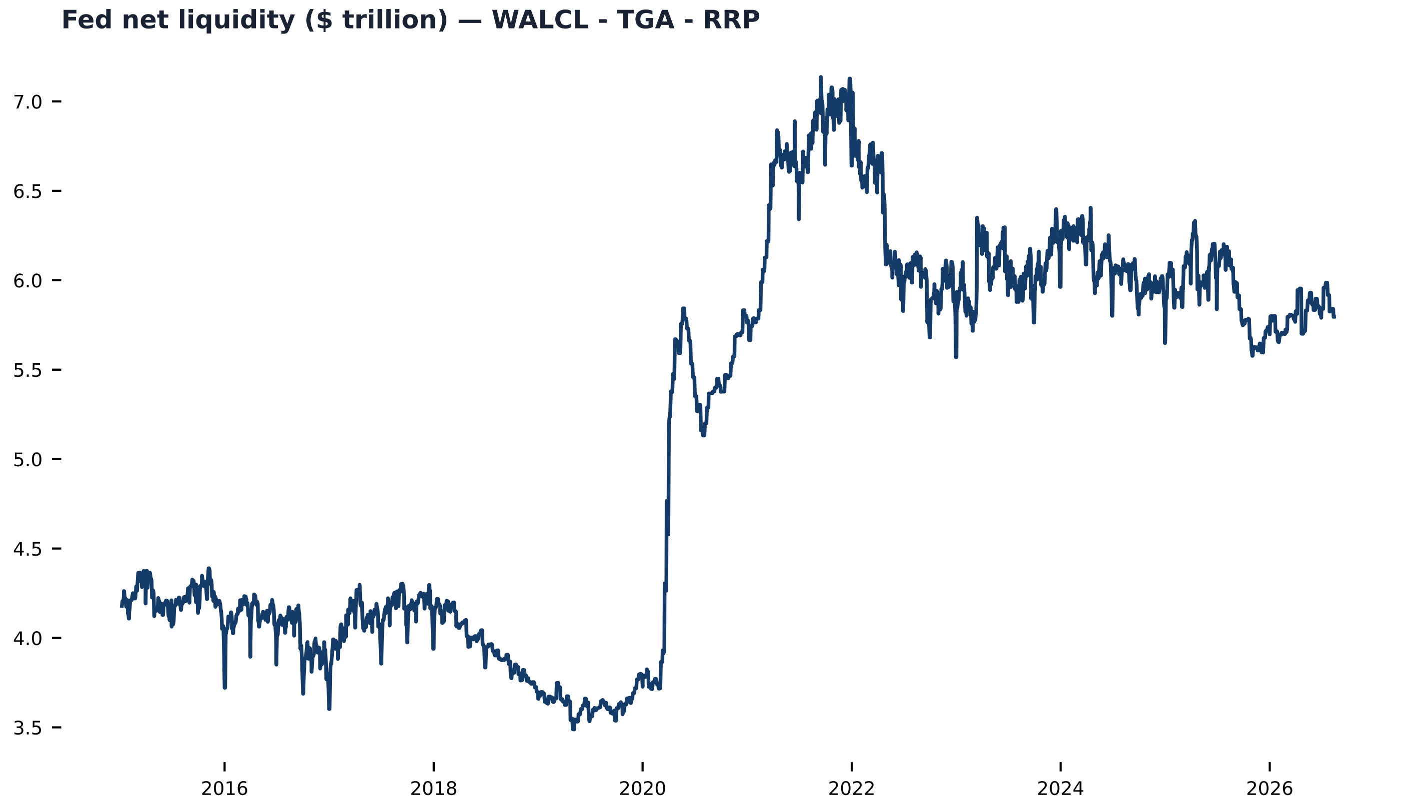
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.67**	5th pctile
IG OAS	**0.80**	
Fin Conditions (ANFCI)	**-0.58**	0 = average; +tight
St. Louis Stress	**-0.77**	
VIX	**14.9**	term VIX/VIX3M 0.79
VIX3M	**18.9**	
VVIX (vol of vol)	**93**	
MOVE (bond vol)	**71**	
SKEW (tail hedging)	**138**	

Regime, Growth-Inflation & Liquidity

Markov regime: Risk-on (posterior Neutral 0.00, Risk-on 0.91, Risk-off 0.09). Quadrant: Reflation.





Macro Pulse: Labor

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

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	**158,858.00**	-23.00	2026-07
Unemployment %	**4.10**	-0.10	2026-07
U6 underemployment %	**7.90**	+0.00	2026-07
Participation %	**61.40**	-0.10	2026-07
Job openings (k)	**7,359.00**	-178.00	2026-06
Avg hourly earnings $	**37.62**	+0.02	2026-07
Initial claims (wk)	**209,000.00**	+9,000.00	2026-08
Continued claims	**1,777,000.00**	-22,000.00	2026-08

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**332.81**	+0.25	2026-07
Core CPI index	**336.79**	+0.72	2026-07
PCE index	**131.39**	-0.14	2026-06
Core PCE index	**130.27**	+0.17	2026-06
PPI index	**284.06**	-2.22	2026-07
Michigan inflation exp %	**4.60**	-0.20	2026-06
Sticky CPI %	**2.76**	-0.08	2026-07

Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,270.60**	+90.18	2026-04
Industrial production	**102.64**	+0.08	2026-06
Capacity utilization %	**76.09**	-0.01	2026-06
Chicago Fed NAI	**-0.02**	+0.17	2026-06
Weekly Econ Index %	**2.70**	-0.01	2026-08
Durable goods ($m)	**335,418.00**	+1,576.00	2026-06
Retail sales ($m)	**763,602.00**	-4,470.00	2026-07
Saving rate %	**2.70**	-0.10	2026-06
Consumer sentiment	**49.50**	+4.70	2026-06
Housing starts (k)	**1,427.00**	+228.00	2026-06
Building permits (k)	**1,374.00**	-36.00	2026-06
New home sales (k)	**628.00**	+10.00	2026-06
Case-Shiller HPI	**335.10**	+2.12	2026-05
30y mortgage %	**6.67**	-0.02	2026-08

Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.63**	+0.00	2026-08
SOFR	**3.62**	+0.00	2026-08
M2 ($bn)	**23,290.10**	+174.30	2026-07
Bank reserves	**3,018.80**	-60.00	2026-06
C&I loans ($bn)	**2,892.17**	-2.71	2026-07
Consumer credit ($bn)	**5,166,907.71**	+14,172.65	2026-06

Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.6%**	12m-ahead, curve-based
Sahm rule (real-time)	**-0.03**	>0.50 triggers
2s10s curve	**+0.51 bp**	inverted = warning
Initial jobless claims	**209,000**	weekly labor pulse

PCA: PC1 explains 66% of sector variance (market-factor concentration).

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

VIX	contemp -0.79	1d-lag +0.14
HY Corp	contemp +0.77	1d-lag -0.08
Semis	contemp +0.81	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.06
DXY	contemp -0.13	1d-lag -0.02

PART II

Cross-Market Structure

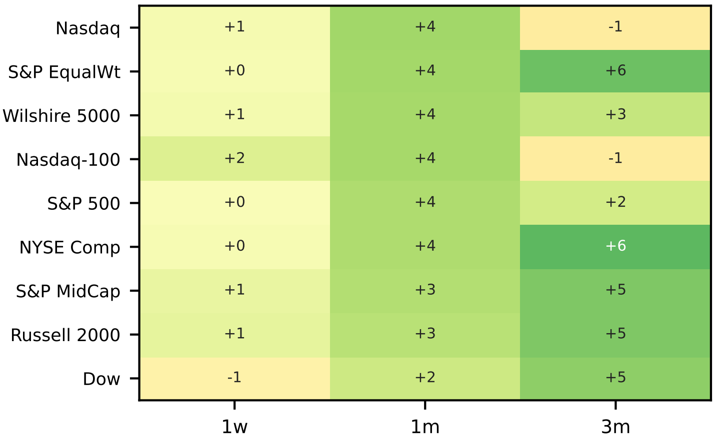
How US assets move together — factor structure, systemic co-movement, directional lead-lag and relative value.

- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

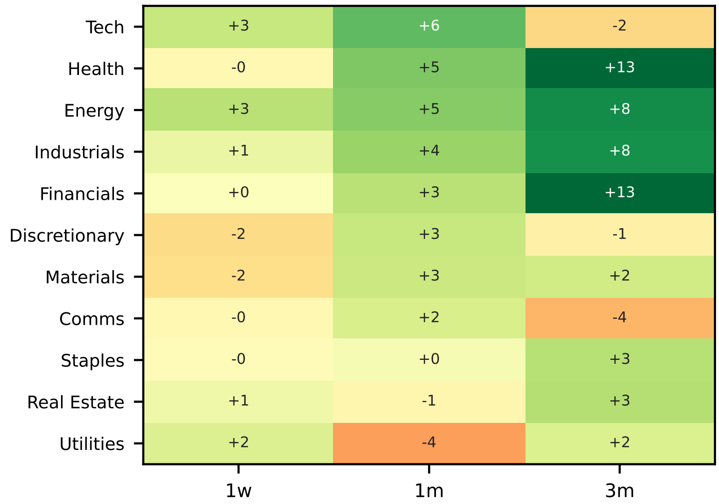
Returns Heatmap

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

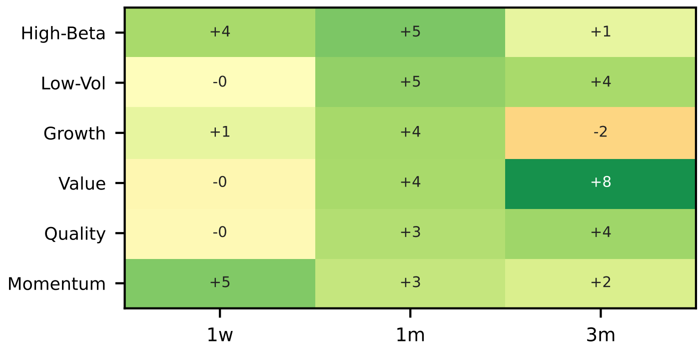
Indices



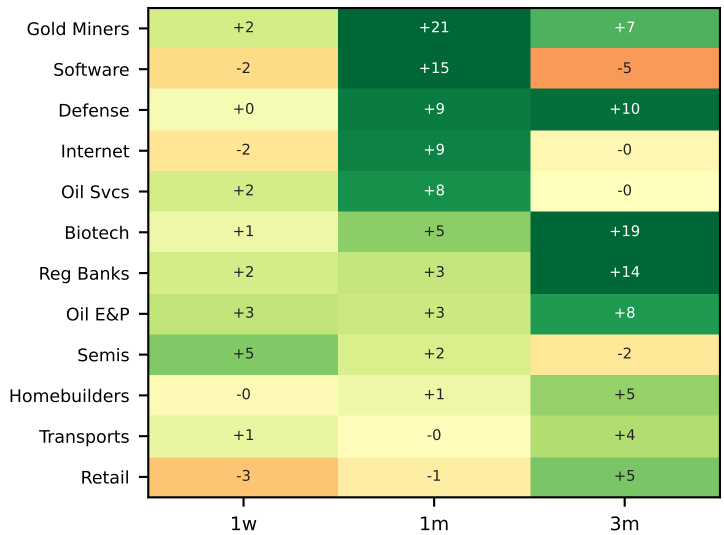
Sectors



Factors

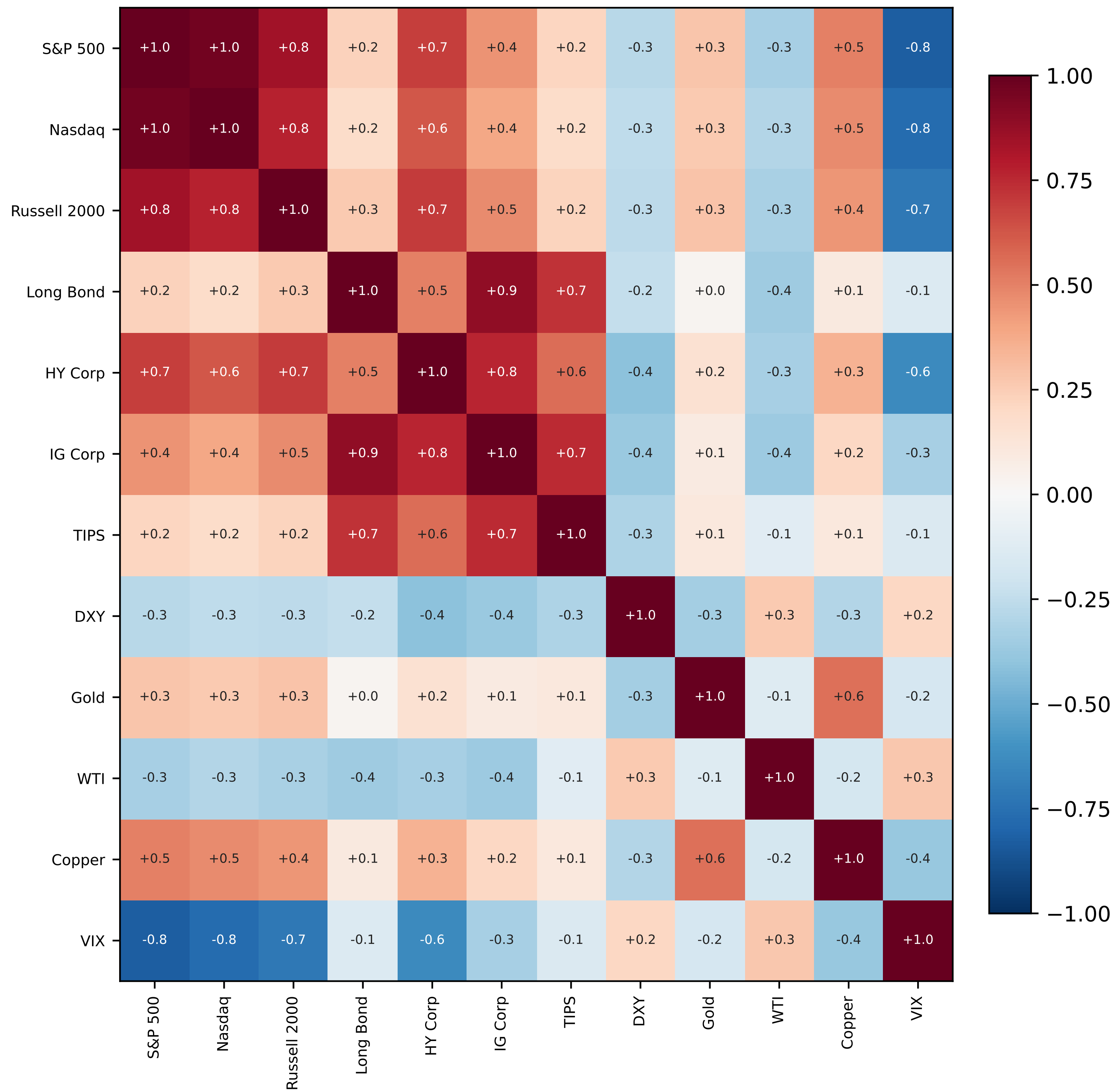


Industries



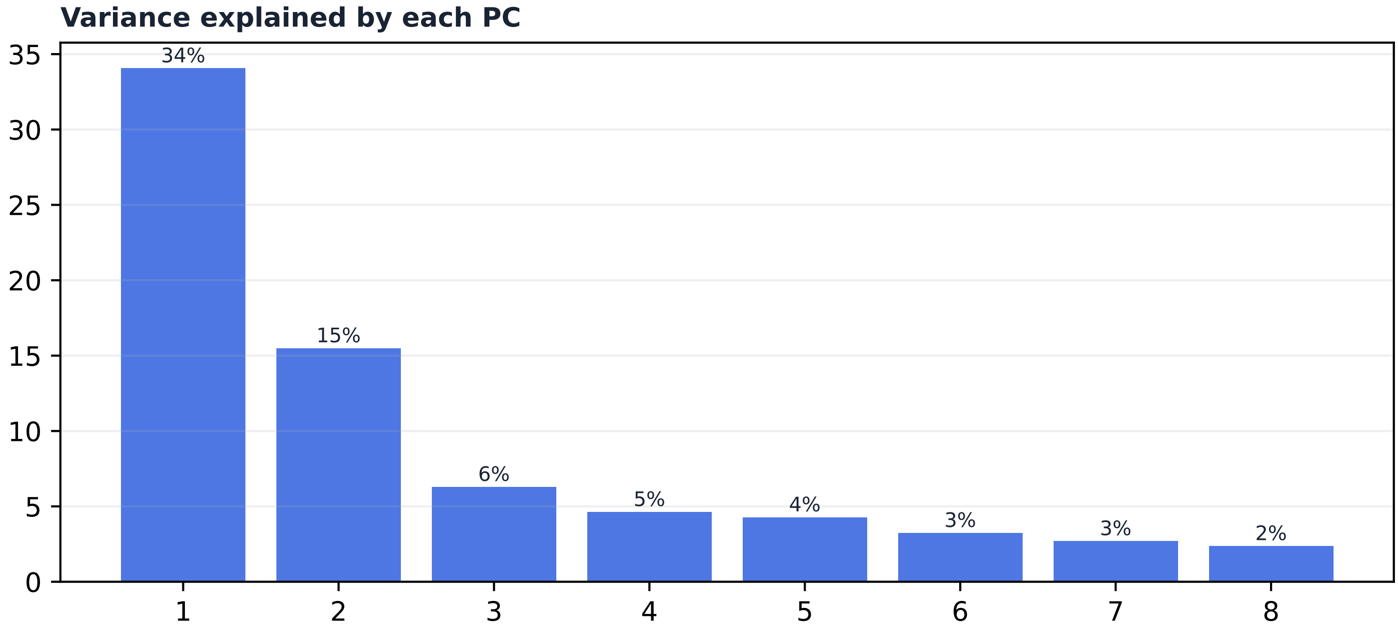
Cross-Asset Correlation (252d, daily)

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



CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 86 instruments (156 weeks)



PC1 — Risk (S&P 500)

34.1% of variance (cum 34%) · marker corr +0.92

+ S&P EqualWt +0.18, Wilshire 5000 +0.17, NYSE Comp +0.17, Value +0.17, S&P MidCap +0.17
– VIX -0.15, HY OAS -0.14, CCC OAS -0.12, VVIX -0.12, BBB OAS -0.11

PC2 — Rates (10Y)

15.5% of variance (cum 50%) · marker corr +0.91

+ US 10Y +0.25, US 5Y +0.25, US 30Y +0.23, US 2Y +0.23, 10Y real +0.21
– 7-10y Tsy -0.25, Agg Bond -0.24, Long Bond -0.23, MBS -0.23, IG Corp -0.21

PC3 — Energy (WTI) (inverse)

6.3% of variance (cum 56%) · marker corr -0.72

+ Growth +0.12, Tech +0.12, Nasdaq +0.12, Nasdaq-100 +0.12, 10Y real +0.12
– Energy -0.32, Brent -0.32, Oil E&P -0.32, WTI -0.31, Commodities -0.29

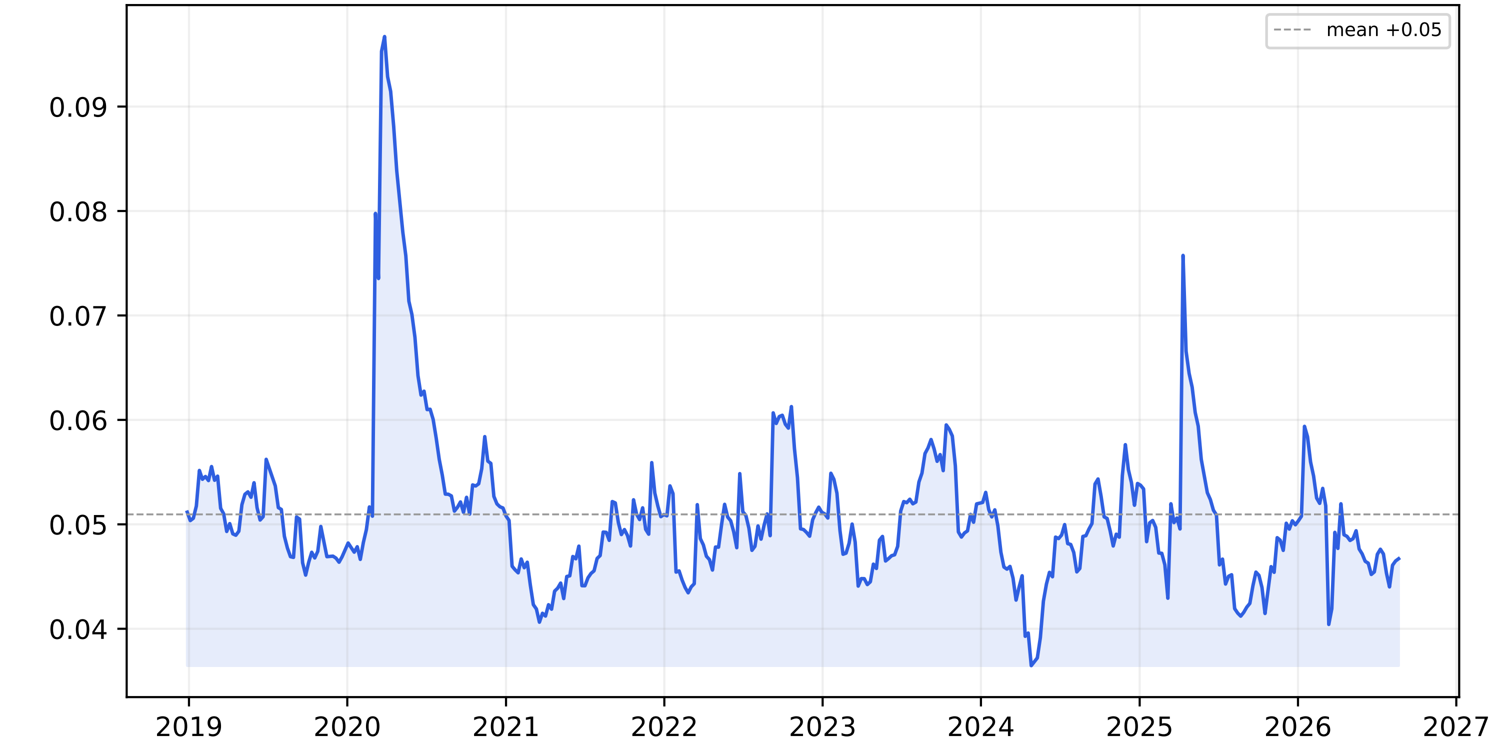
PC4 — US dollar

4.6% of variance (cum 60%) · marker corr +0.49

+ DXY +0.25, Software +0.18, USDJPY +0.17, SKEW +0.17, Tech +0.16
– EURUSD -0.23, Gold Miners -0.22, Staples -0.22, Materials -0.21, Health -0.20

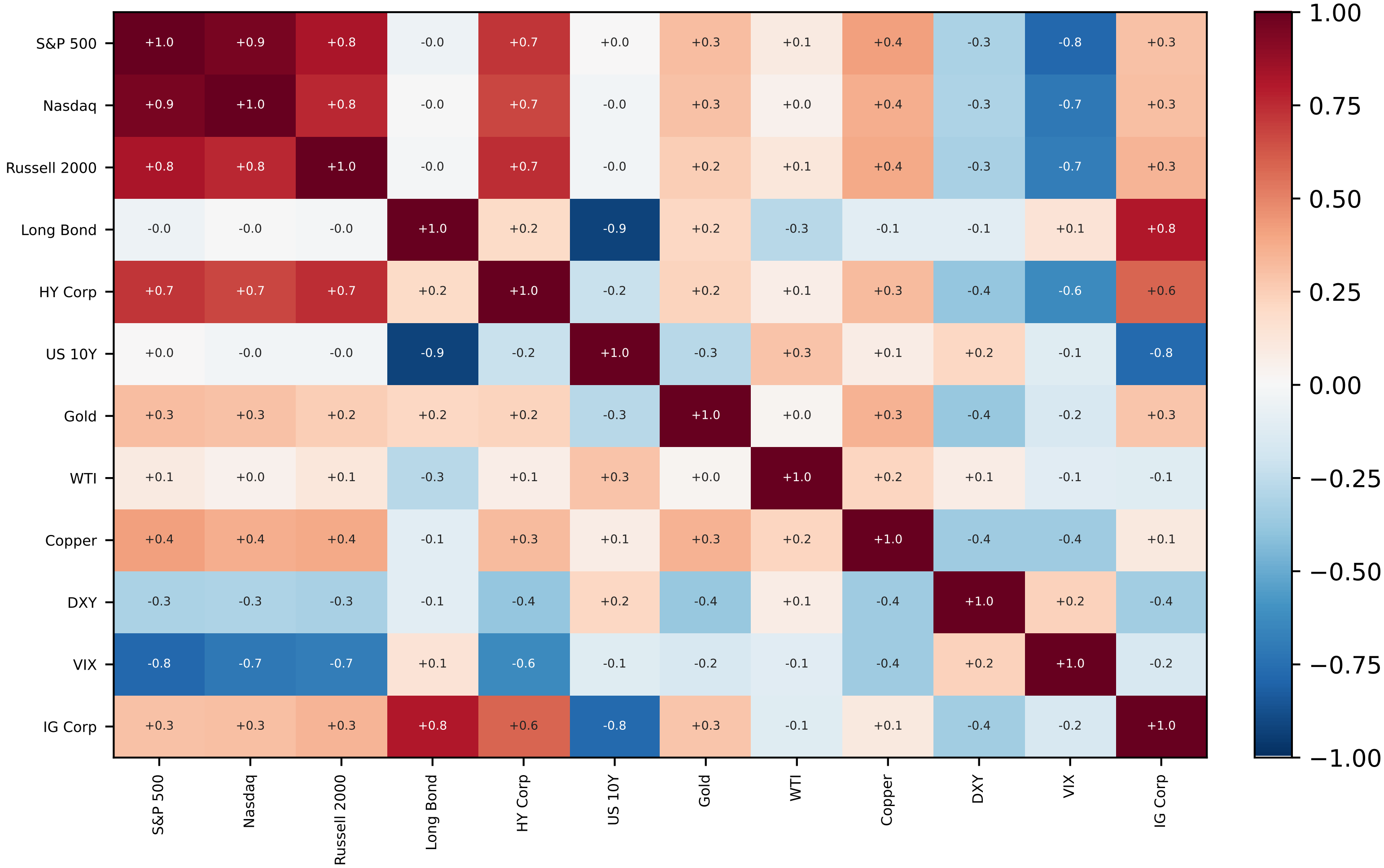
Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

Average pairwise conditional correlation (multivariate DCC-GARCH)



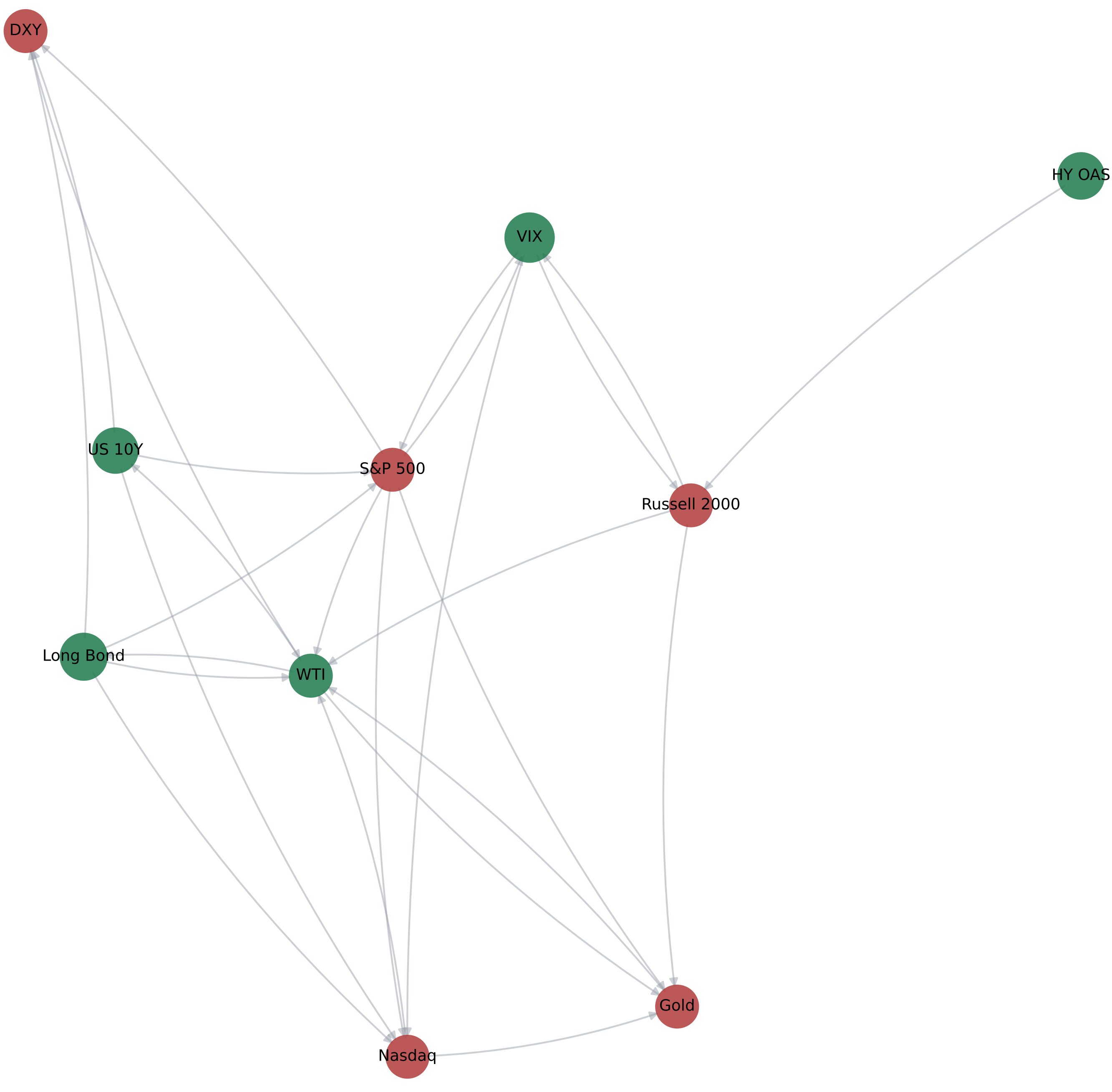
N=12 · persistence 0.895 · now +0.05 · rising = diversification failing in real time

Latest conditional-correlation matrix



	S&P 500	Nasdaq	Russell 2000	Long Bond	HY Corp	US 10Y	Gold	WTI	Copper	DXY	VIX	IG Corp
S&P 500	+1.0	+0.9	+0.8	-0.0	+0.7	+0.0	+0.3	+0.1	+0.4	-0.3	-0.8	+0.3
Nasdaq	+0.9	+1.0	+0.8	-0.0	+0.7	-0.0	+0.3	+0.0	+0.4	-0.3	-0.7	+0.3
Russell 2000	+0.8	+0.8	+1.0	-0.0	+0.7	-0.0	+0.2	+0.1	+0.4	-0.3	-0.7	+0.3
Long Bond	-0.0	-0.0	-0.0	+1.0	+0.2	-0.9	+0.2	-0.3	-0.1	-0.1	+0.1	+0.8
HY Corp	+0.7	+0.7	+0.7	+0.2	+1.0	-0.2	+0.2	+0.1	+0.3	-0.4	-0.6	+0.6
US 10Y	+0.0	-0.0	-0.0	-0.9	-0.2	+1.0	-0.3	+0.3	+0.1	+0.2	-0.1	-0.8
Gold	+0.3	+0.3	+0.2	+0.2	+0.2	-0.3	+1.0	+0.0	+0.3	-0.4	-0.2	+0.3
WTI	+0.1	+0.0	+0.1	-0.3	+0.1	+0.3	+0.0	+1.0	+0.2	+0.1	-0.1	-0.1
Copper	+0.4	+0.4	+0.4	-0.1	+0.3	+0.1	+0.3	+0.2	+1.0	-0.4	-0.4	+0.1
DXY	-0.3	-0.3	-0.3	-0.1	-0.4	+0.2	-0.4	+0.1	-0.4	+1.0	+0.2	-0.4
VIX	-0.8	-0.7	-0.7	+0.1	-0.6	-0.1	-0.2	-0.1	-0.4	+0.2	+1.0	-0.2
IG Corp	+0.3	+0.3	+0.3	+0.8	+0.6	-0.8	+0.3	-0.1	+0.1	-0.4	-0.2	+1.0

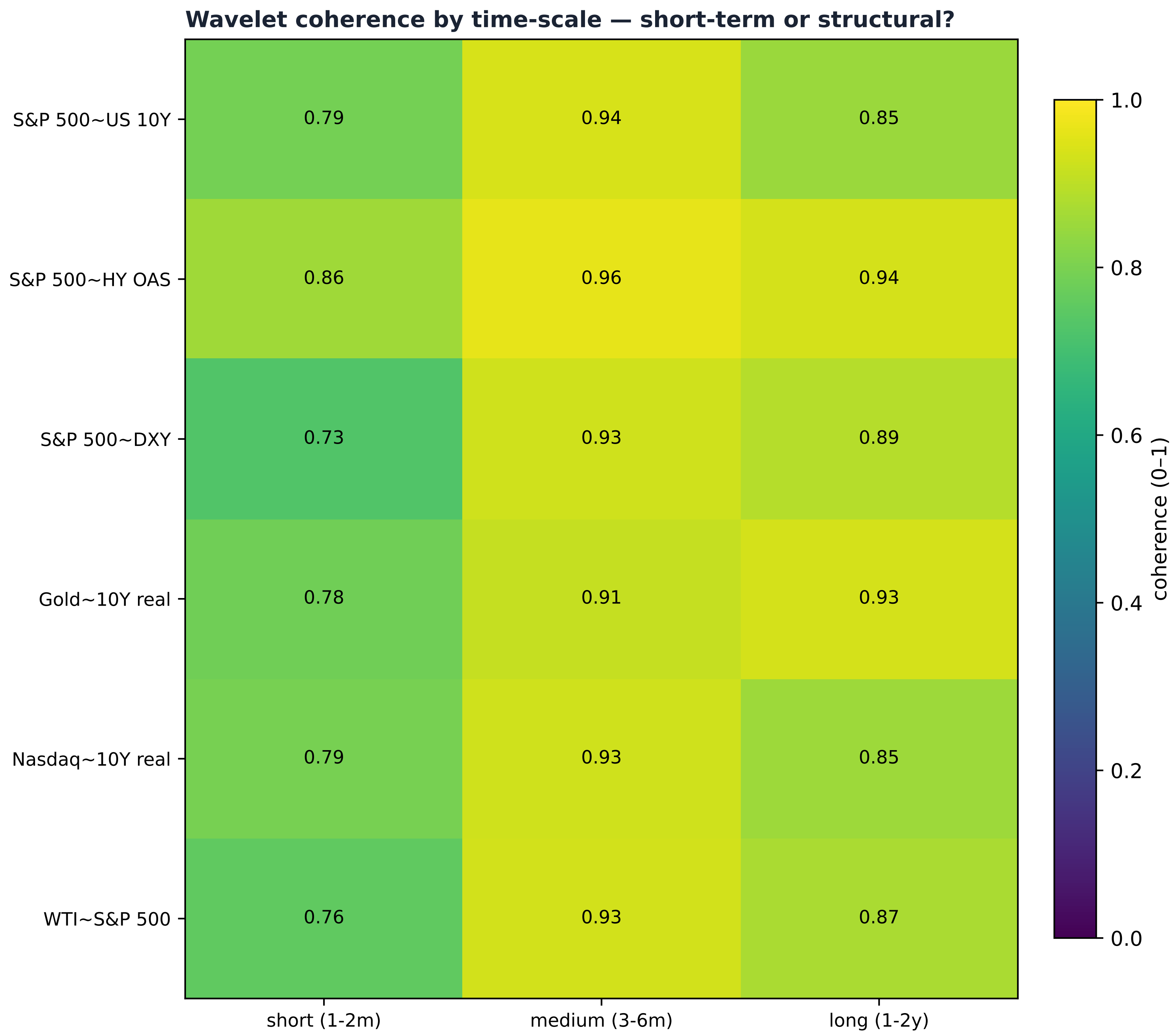
Directional lead-lag — Granger causality network



arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

LEADERS: VIX +0.03, Long Bond +0.02, HY OAS +0.02, US 10Y +0.01, WTI +0.00

FOLLOWERS: Gold -0.03, DXY -0.02, Russell 2000 -0.01, Nasdaq -0.01, S&P 500 -0.00


Wavelet coherence by time-scale — short-term or structural?
S&P 500~US 10Y
S&P 500~HY OAS
S&P 500~DXY
Gold~10Y real
Nasdaq~10Y real
WTI~S&P 500
0.79
0.94
0.85
0.86
0.96
0.94
0.73
0.93
0.89
0.78
0.91
0.93
0.79
0.93
0.85
0.76
0.93
0.87
short (1-2m)
medium (3-6m)
long (1-2y)
coherence (0–1)
0.0
0.2
0.4
0.6
0.8
1.0

STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting US spreads and how stretched each is now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
Growth vs Value	**no**	0.920	0.52	32w	**+3.09**
S&P vs Equal-Weight	**yes**	0.037	0.60	7w	**+1.84**
Large vs Small (R2K)	**no**	0.199	0.63	14w	**+1.66**
2Y vs 10Y	**no**	0.936	0.68	40w	**+1.43**
WTI vs Brent	**no**	0.074	0.97	1w	**+1.12**
Semis vs Nasdaq	**no**	0.283	0.51	18w	**-1.06**
HY vs IG credit	**yes**	0.000	0.32	2w	**+1.02**
S&P vs Dow	**yes**	0.005	0.73	7w	**+1.02**
VIX vs VIX3M	**yes**	0.037	0.84	2w	**+0.97**
Long vs Short Tsy	**no**	0.612	0.07	26w	**+0.73**
Gold vs Silver	**no**	0.228	1.18	14w	**+0.70**
S&P vs Nasdaq	**yes**	0.016	1.23	12w	**-0.41**

Low p-value = the spread is statistically mean-reverting. Half-life = weeks to close half a dislocation. |z|>2 (red) flags a historically wide gap. Pairs shown NOT cointegrated: the long-run link has broken — the z is informational only.

PART III

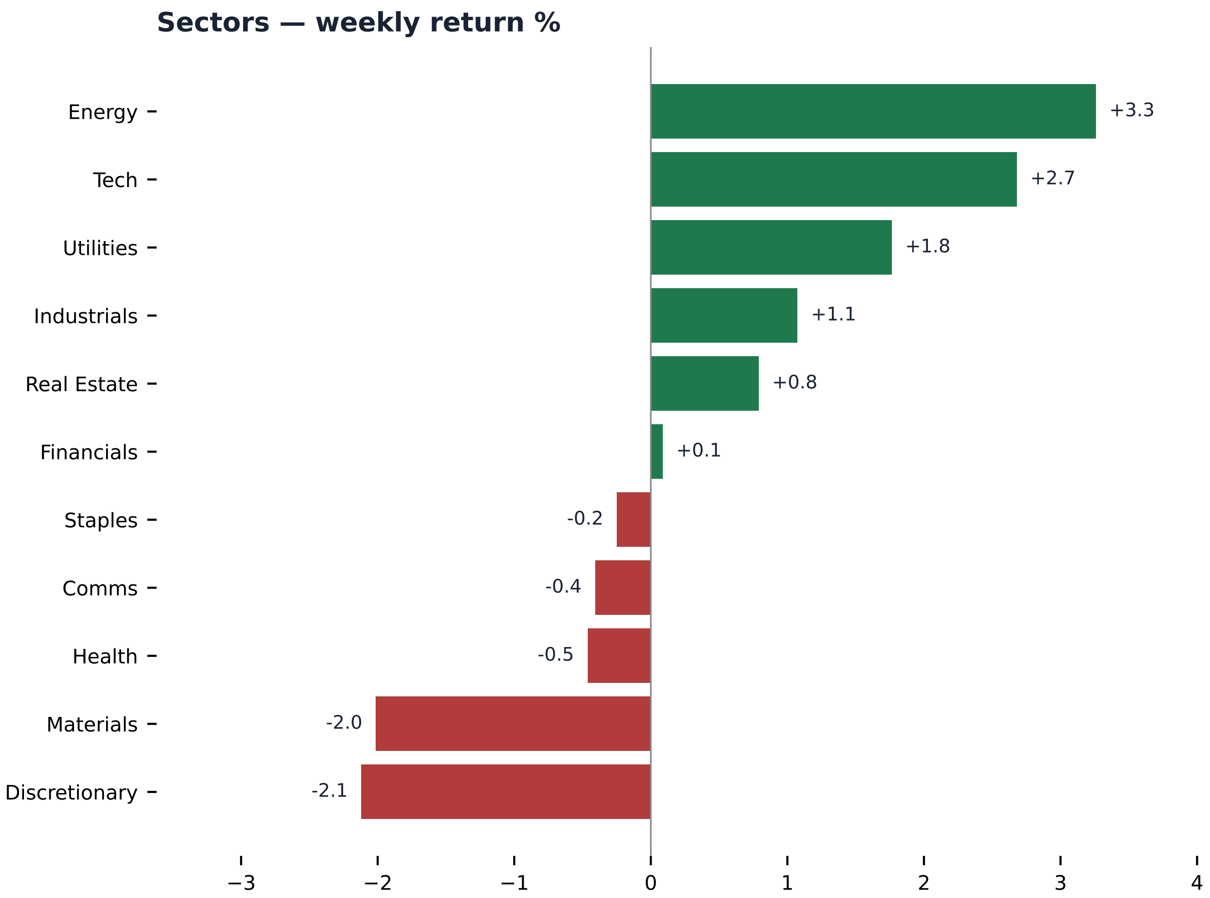
Rotation, Momentum & Fair Value

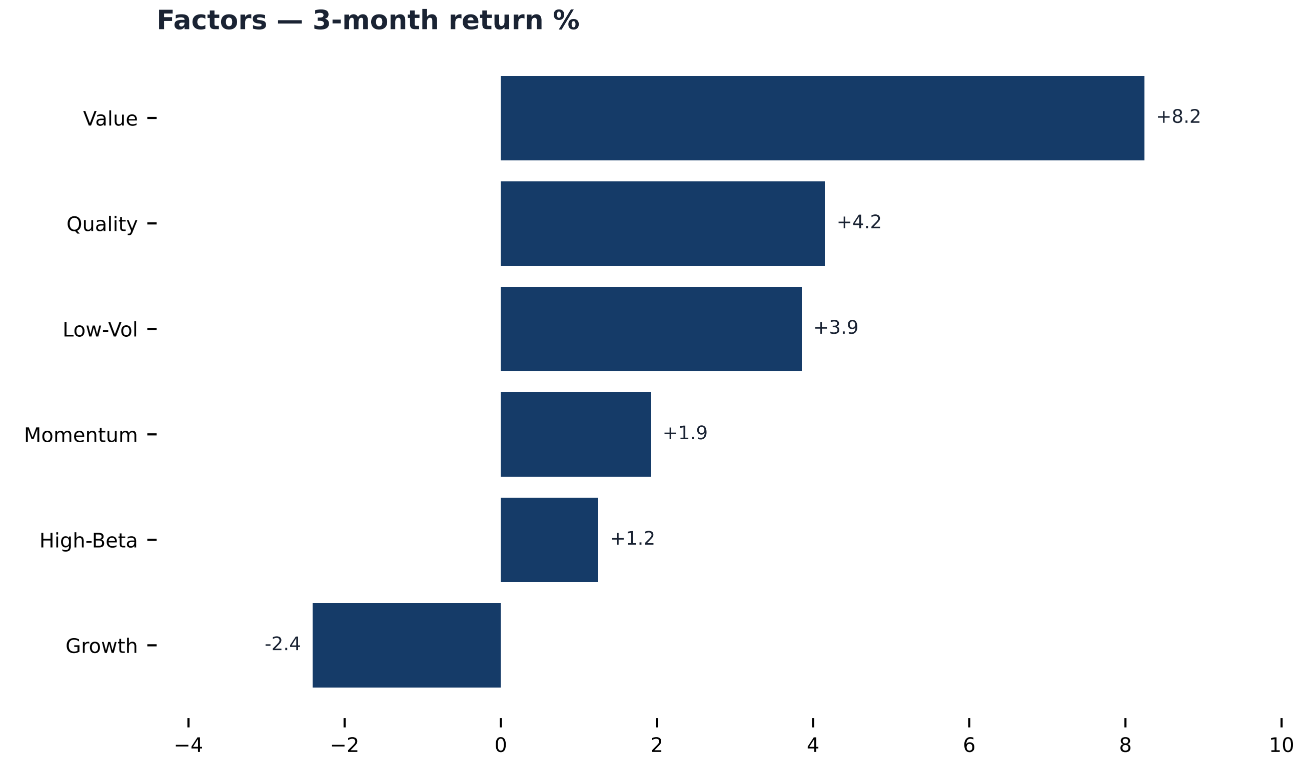
Sector/factor rotation, trend and what is rich or cheap versus its drivers.

- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 55% up. Growth-Value 3m -10.6%.





MOMENTUM & TREND

Time-series momentum, trend state and distance below the 52-week high

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	+4%	+12%	+20%	**+1.00**	+9%	-0%
Nasdaq	+2%	+17%	+24%	**+1.00**	+10%	-1%
Russell 2000	+7%	+15%	+29%	**+1.00**	+12%	-0%
Tech	+6%	+36%	+46%	**+1.00**	+20%	-0%
Financials	+11%	+10%	+8%	**+1.00**	+9%	-1%
Energy	+4%	+13%	+41%	**+1.00**	+14%	-1%
Health	+12%	+7%	+21%	**+1.00**	+8%	0%
Semis	+4%	+44%	+104%	**+1.00**	+26%	-9%
Reg Banks	+12%	+8%	+20%	**+1.00**	+12%	-0%
Gold Miners	+9%	-13%	+54%	**+0.50**	+4%	-20%
Gold	-1%	-11%	+33%	**+0.00**	-1%	-14%
WTI	-15%	+24%	+30%	**+0.00**	+6%	-26%

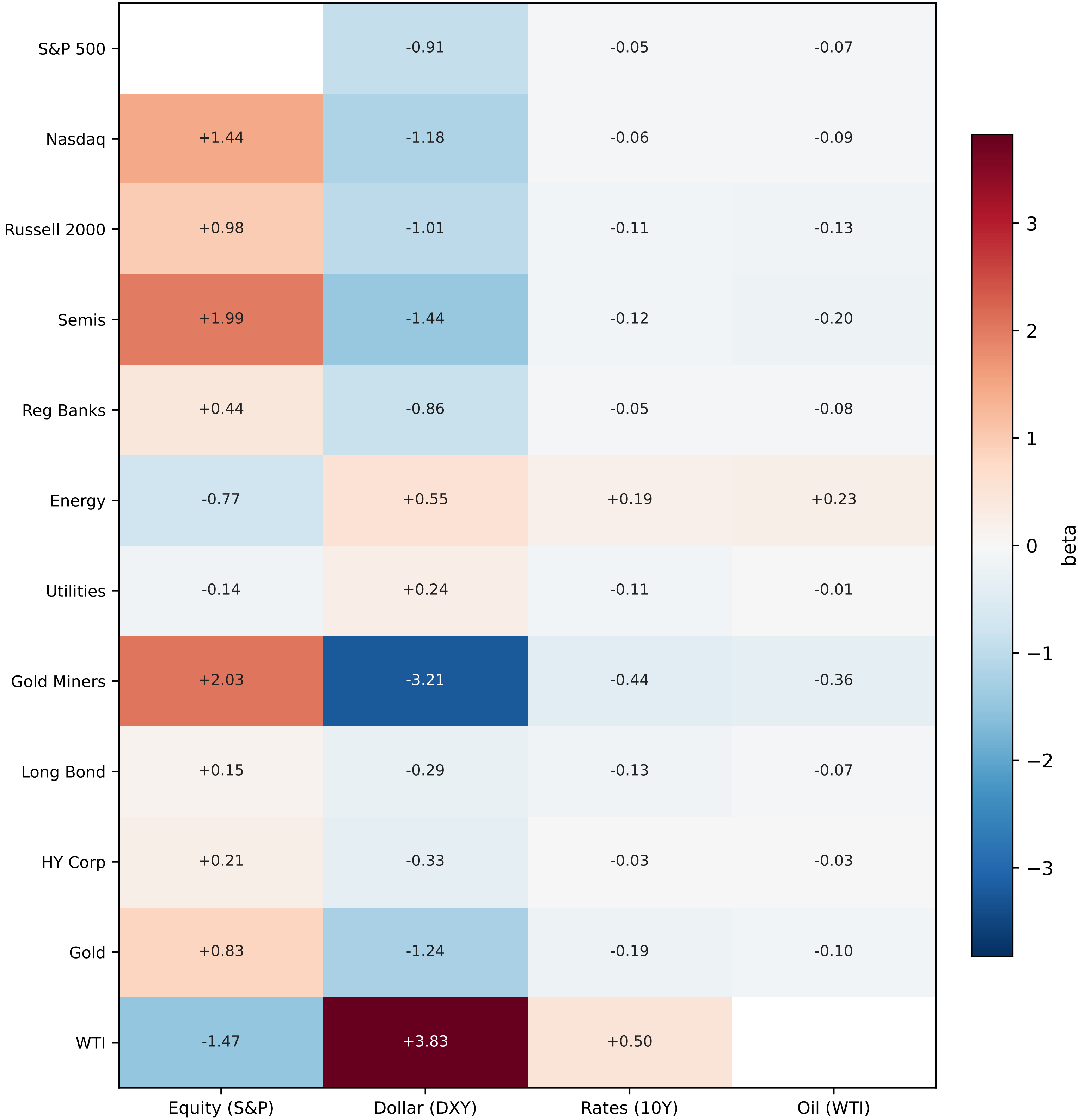
Sector 26-week relative strength:

LEADERS: Tech +36%, Energy +13%, Financials +10%, Health +7%, Industrials +5%, Real Estate +3%

LAGGARDS: Utilities -5%, Comms -5%, Staples -4%, Materials -2%, Discretionary -0%, Real Estate +3%

Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' vs 'death' = 10w vs 40w MA cross.

Factor betas — 52-week sensitivity to the master factors



FAIR VALUE — RICH / CHEAP vs DRIVERS

Each asset regressed on its economic drivers; the residual is the rich/cheap signal

S&P vs liquidity & rates

RICH z +1.71

actual 7771.43 · model-fair 5696.85 · gap +36.4% · R^2 0.25

Semis vs Nasdaq

RICH z +1.55

actual 598.61 · model-fair 499.85 · gap +19.8% · R^2 0.94

HY spread vs equity vol

cheap z -1.01

actual 2.67 · model-fair 3.10 · gap -0.4 · R^2 0.07

Gold vs real yield & dollar

RICH z +0.85

actual 4479.80 · model-fair 3802.27 · gap +17.8% · R^2 0.67

Nasdaq vs real yield & S&P

cheap z -0.48

actual 26749.53 · model-fair 27074.62 · gap -1.2% · R^2 0.99

Model-fair value is what the drivers justify; the gap is how far actual sits from it. |z|>1.5 flags a stretched dislocation. Trust in proportion to R^2 — a low-R^2 model is a weak anchor, stated honestly.

PART IV

Volatility & Risk

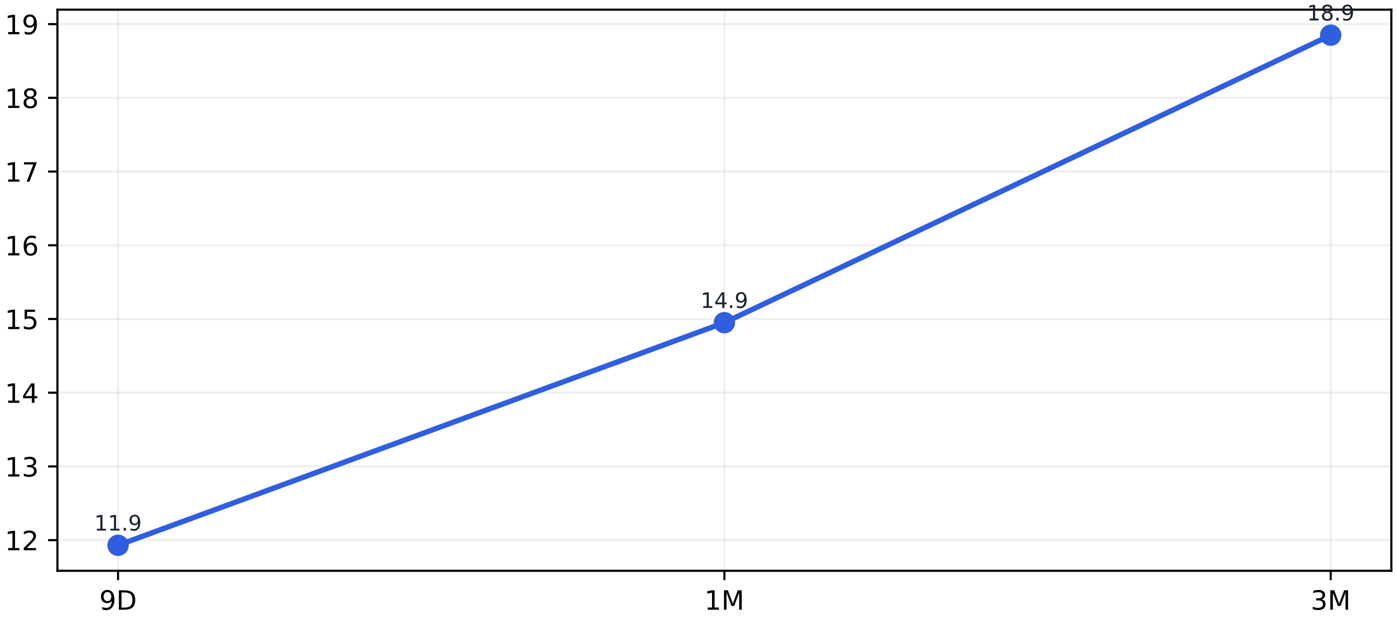
The volatility complex and downside risk.

- VIX term structure, vol-risk premium, SKEW and cross-asset vol
- Tail risk: VaR / expected shortfall, drawdowns, tail dependence

VOLATILITY COMPLEX

Term structure, the vol-risk premium, tail skew and cross-asset volatility

VIX term structure — contango (calm)



VOL RISK PREMIUM

+4.8 pts

VIX 14.9 − realised 10.2

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

138

40th %ile of 5y — normal

CROSS-ASSET VOLATILITY (level, 5-year percentile)

Bond vol (MOVE)	71	15th
Oil vol (OVX)	51	81th
Vol-of-vol (VVIX)	93	45th

A positive vol-risk premium (implied > realised) is the usual carry cushion; a negative one flags realised stress. Backwardation (near > far) signals acute fear. SKEW is the cost of crash protection.

TAIL RISK

Downside: 5% VaR / expected shortfall, drawdowns and fat-tailedness (5-year weekly)

Instrument	VaR5	ES5	DnVol	MaxDD	CurDD	Skew	Kurt
S&P 500	-3.2%	-4.8%	11%	-25%	-0%	-0.2	+1.3
Nasdaq	-4.5%	-5.9%	13%	-36%	-1%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	14%	-33%	-0%	-0.2	+0.5
Semis	-7.3%	-10.0%	22%	-45%	-9%	-0.2	+0.6
Reg Banks	-6.3%	-9.7%	22%	-54%	-1%	-0.6	+2.3
Energy	-5.5%	-8.6%	21%	-23%	-1%	-0.7	+3.4
HY Corp	-1.6%	-2.3%	5%	-19%	-9%	+0.2	+2.9
Long Bond	-3.6%	-4.7%	10%	-47%	-47%	-0.1	+0.4
Gold	-3.5%	-4.7%	11%	-23%	-14%	-0.1	+1.6
WTI	-9.7%	-11.9%	26%	-53%	-32%	+0.6	+3.7

Lower-tail dependence WITH the S&P 500 (P both crash together):

Nasdaq 0.75   Russell 2000 0.60   HY Corp 0.47   Long Bond 0.15   Gold 0.13

VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

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

Metric	04-02	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-18
Regime	R+	R+	R+	R+	R+	R+	R-	R+	R+	R-	R+	R+
Risk appetite												
Macro nowcast												
Quadrant	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Gold
Breadth %	91	91	73	45	82	64	36	82	45	55	82	45
PC1 share												
VIX	24	19	17	19	17	17	18	17	15	22	18	16
HY OAS	3.1	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.7	2.7
2s10s bp	1	0	1	1	1	0	0	0	0	0	0	0
Rec Prob %	0	0	0	0	1	1	1	1	1	1	1	1
S&P 1w %	+3.4	+3.6	+4.5	+0.5	+0.9	+2.3	+0.1	+0.9	+1.4	-2.6	+0.6	+0.9

Metric	06-26	07-02	07-10	07-12	07-13	07-20	07-27	08-03	08-06	08-07	08-10	08-17
Regime	R+	R+	R+	N	N	N	N	N	R+	R+	N	R+
Risk appetite									+0.72	+0.53	+0.53	+0.70
Macro nowcast									-0.22	-0.20	-0.20	-0.20
Quadrant	Gold	Gold	Gold	Gold	Gold	Gold	Refl	Refl	Gold	Refl	Refl	Refl
Breadth %	55	64	45	55	55	36	73	45	73	64	64	55
PC1 share									34	34	33	34
VIX	18	16	15	15	17	18	18	16	16	15	15	15
HY OAS	2.8	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.7	2.8	2.7	2.7
2s10s bp	0	0	0	0	0	0	0	0	0	0	0	1
Rec Prob %	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	-2.0	+1.8	+1.2	+0.5	+0.5	-0.8	-0.4	+1.0	+3.3	+3.3	+2.1	+0.2

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