ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-08-24

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

REGIME: Risk-on

EXECUTIVE SUMMARY

The regime signal is unambiguous — a 90.8% risk-on posterior with a +0.43 composite risk-appetite score — but the internal composition of this week's tape argues for owning risk in a *different form* than the one that has worked. Lean long equity beta, but rotate the source: fade mega-cap Tech (-5.0% on the week) and Semis (RICH +14.4%, z +1.17 against a 0.95-R^2 Nasdaq relationship) in favour of the defensive-quality and value complex — Health Care (+4.2%), Staples (+2.9%), Materials (+2.4%) — which is exactly where the 3-month factor evidence already points: Value +9%, Low-Vol +7%, Quality +4% against Momentum -5% and a Growth-Value spread of -9.9%. In credit, HY OAS at 2.70% sits in the 8th percentile; own the carry but do not add to it — this is a hold, not an entry.

Three developments matter. First, breadth of 73% advancing against an S&P down 1.0% and Nasdaq down 2.1% is a de-concentration, not a de-risking — the market is broadening beneath a heavy index, which supports equal-weight and small/mid exposure over cap-weighted. Second, the curve has fully disinverted (2s10s +0.50bp, 3M10Y +0.86bp) with 30Y at 5.23% and 20Y at 5.20% — a bear-steepening term-premium story that favours the 2Y-5Y belly and argues against duration extension. Third, the stock-bond DCC correlation is *positive* at +0.29 with 0.9875 persistence: Treasuries are not hedging equity risk, so the hedge budget belongs in cash, optionality (VIX 15.8, term structure 0.85 — contango makes protection cheap) and gold-adjacent exposure, notwithstanding gold's own RICH +21.1%.

The biggest risk is that a Reflation quadrant (i-score 3.0) turns the long end disorderly and breaks the risk-on regime through the rates channel — Michigan inflation expectations at 4.6% and SKEW at 144 both flag it. Watch three levels: 30Y through 5.40%, HY OAS widening past 3.20%, and VIX term structure inverting below 1.00. Any two of those together would invalidate the constructive tilt.

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Risk-on	Reflation	16	2.70

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

S&P 500	7,663.9	-1.0%	+4.8%	+3.5%
Nasdaq	26,097.4	-2.1%	+6.8%	+0.6%
Russell 2000	3,001.9	-1.8%	+3.3%	+5.1%
Tech	180.8	-5.0%	+8.6%	-1.8%
Financials	58.2	+1.0%	+2.6%	+11.9%
Energy	62.7	+0.2%	+6.9%	+7.5%
Long Bond	82.7	+1.6%	-0.2%	-2.3%
HY Corp	79.6	+0.0%	+0.5%	+0.1%
IG Corp	106.2	+0.4%	-0.0%	-1.7%
TIPS	107.3	+0.5%	-0.4%	-1.7%
DXY	98.9	-0.7%	-1.8%	-1.1%
Gold	4,727.9	+7.0%	+17.2%	+9.0%
WTI	84.7	+0.2%	+0.2%	-7.3%
Copper	6.6	+0.5%	+5.8%	+4.8%
VIX	15.8	+0.6	-4.9	-3.1
MOVE	73.4	-2.2	-0.8	-3.6

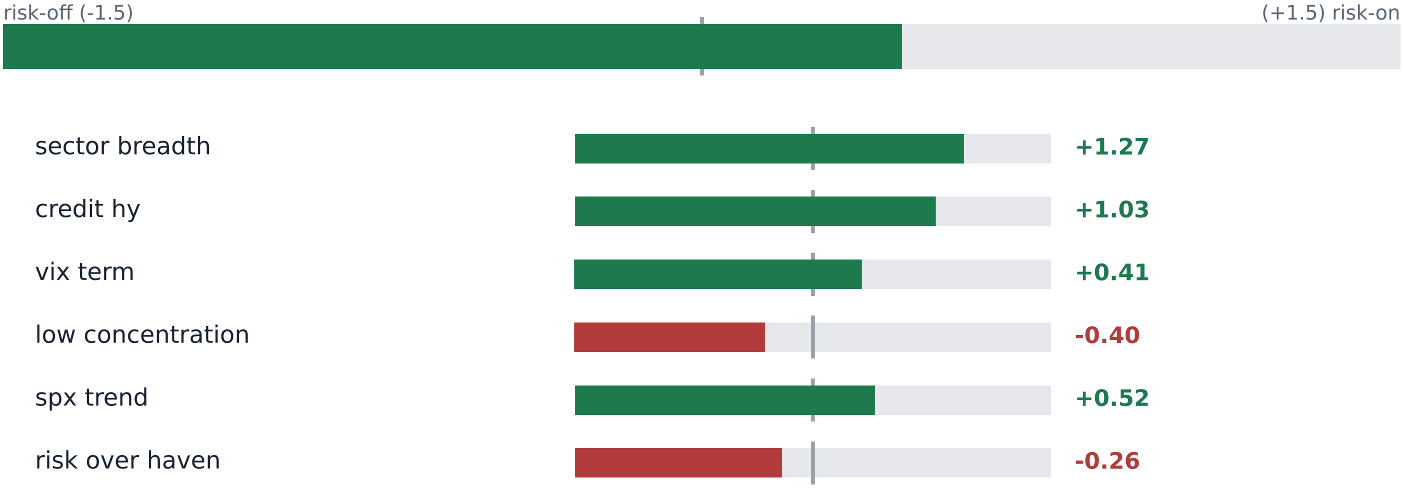
US CROSS-ASSET SCORECARD

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

RISK APPETITE

Risk-on

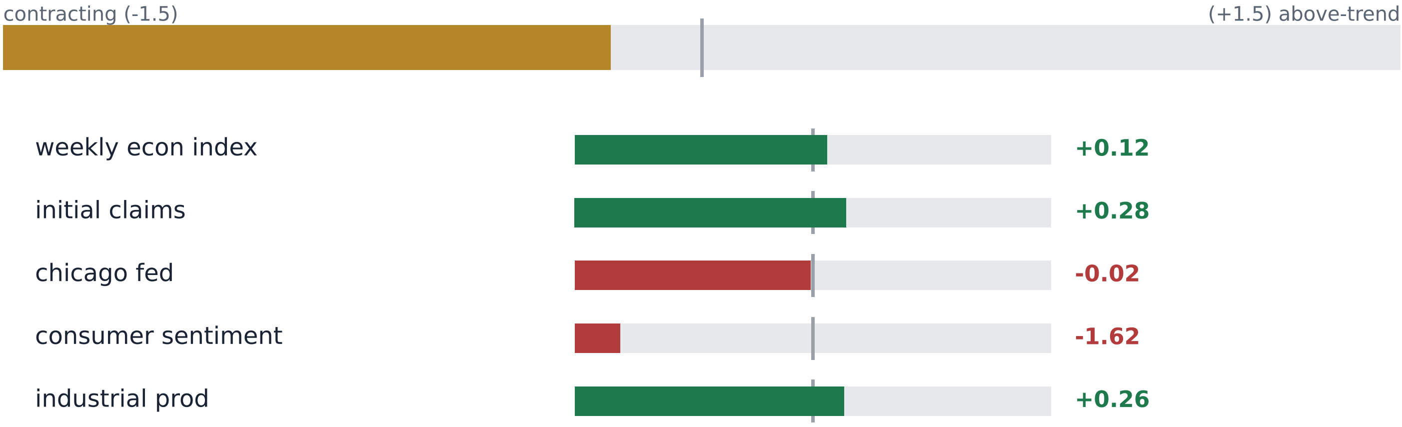
score +0.43



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 · 2026-08-24

TOP GAINERS

Gold Miners	+11.7%
Gold	+7.0%
NatGas	+5.1%
Silver	+4.4%
Health	+4.2%
Staples	+2.9%
Biotech	+2.9%
Materials	+2.4%

TOP DECLINERS

Gasoline	-9.7%
Semis	-7.8%
Defense	-7.0%
Momentum	-6.7%
Oil Svcs	-5.1%
Tech	-5.0%
Industrials	-4.0%
High-Beta	-3.9%

KEY LEVELS — week-over-week

S&P 500	7,663.9	-1.0%	WTI	84.7	+0.2%
Nasdaq	26,097.4	-2.1%	DXY	98.9	-0.7%
Russell 2000	3,001.9	-1.8%	Long Bond	82.7	+1.6%
VIX	15.8	+0.6	HY Corp	79.6	+0.0%
Gold	4,727.9	+7.0%	Semis	547.9	-7.8%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.70	->	**+0.43**
Macro nowcast	prior: -0.20	->	**-0.20**
PC1 share	prior: 34	->	**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

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The biggest risk is that a Reflation quadrant (i-score 3.0) turns the long end disorderly and breaks the risk-on regime through the rates channel — Michigan inflation expectations at 4.6% and SKEW at 144 both flag it. Watch three levels: 30Y through 5.40%, HY OAS widening past 3.20%, and VIX term structure inverting below 1.00. Any two of those together would invalidate the constructive tilt.

Regime, Scorecard & Market State

The Markov filter puts 90.8% posterior weight on Risk-on, 9.2% on Risk-off, and precisely zero on Neutral — a high-conviction, well-separated state rather than a marginal classification. That regime is corroborated, not contradicted, by the composite risk-appetite scorecard at +0.43, and the component decomposition is where the real information sits. Sector breadth contributes +1.27 and credit HY +1.03 — the two heaviest positive weights — while the VIX term structure adds +0.41 and the S&P trend +0.52. Against that, low_concentration reads -0.40 and risk_over_haven -0.26. Read literally: the market's risk appetite is being carried by participation and by credit, and is being *dragged* by concentration and by an unwillingness to fully abandon havens. That is a healthier composition than the mirror image would be. A risk-on score driven by narrow leadership and haven liquidation is a late-cycle tell; one driven by breadth and spreads while investors still hold their hedges is a durable one.

The index tape underneath is deceptively soft. The S&P is -1.0% on the week, Nasdaq -2.1%, Russell 2000 -1.8%, Dow essentially flat at -0.1% — yet 73% of constituents advanced. That combination only happens when the largest-cap names are doing the damage, and the sector data confirms it: Tech -5.0% and Industrials -4.0% were the entire drag. Over one and three months the picture is constructive but decelerating in the growth complex — Nasdaq +7% over a month collapses to +1% over three, while the Dow's +4%/+5% and Russell's +3%/+5% show the opposite shape. The rotation is not new; this week it simply became violent enough to show up at the index level.

The growth-inflation quadrant places the economy in Reflation, with a g-score of 2.0 and an i-score of 3.0. That is the quadrant where nominal growth is firm and price pressure is firmer — historically kind to cyclicals, commodities, value and financials, and unkind to long duration and to long-duration equity. The sector and factor tape this week is behaving exactly as a Reflation quadrant predicts, which is a meaningful cross-validation: the macro frame and the price action are telling the same story rather than requiring one to be explained away.

Sector & Factor Rotation

The weekly sector dispersion is enormous — Health Care +4.2% against Tech -5.0% is a 9.2-point spread in five sessions — and its shape is not the classic defensive flight. A true risk-off week produces Staples, Utilities and Health Care up together with Materials and Discretionary down. Here Utilities fell 3.0% while Materials rose 2.4% and Discretionary rose 1.6%. Utilities down alongside Health Care and Staples up is the signature of a *rates* move, not a growth scare: Utilities are the bond proxy in the defensive complex, and they broke with their peers precisely because the long end sold off. Strip Utilities out and what remains is a broad rotation out of expensive duration-like growth into cheaper cash-flow-now businesses, with Financials +1.0% and Energy +0.2% roughly flat rather than falling — which is not what a genuine risk-off looks like.

The three-month factor data confirms this is a trend rather than a week. Value +9% and Low-Vol +7% lead; Quality +4% follows; Growth -1%, High-Beta -0% and Momentum -5% lag. The Growth-Value spread at -9.9% is the cleanest single statistic in the briefing. Momentum's -5% is the most informative, because Momentum is a portfolio of whatever has been working — its underperformance means the leadership cohort itself is being liquidated, and that is what makes crowded-growth positioning dangerous even in a risk-on regime. For an investor, the practical implication is that beta and style are separable right now: you can stay long equity risk while being short the specific expression of it that has dominated returns. Overweight Health Care, Staples and Materials; underweight Tech and Semis; prefer equal-weight to cap-weight; and treat Utilities as a rates trade to be sized against your duration view, not as a defensive allocation.

Industrials at -4.0% is the one datapoint that resists the clean narrative and deserves watching. In a Reflation quadrant with capacity utilisation at 76.3% and industrial production at 103.0, Industrials should be participating in the value rotation, not leading the decline alongside Tech. Either it is a positioning unwind that reverses, or it is an early signal that the cyclical impulse is narrower than the g-score of 2.0 implies. A second week of Industrials underperforming while Materials outperforms would argue for the latter and would take some conviction out of the reflation trade.

The Yield Curve & Rates

The curve is fully disinverted and steepening from the wrong end. The front is anchored — 1M 3.80%, 3M 3.87%, 6M 3.94%, 1Y 3.99% — while the long end has moved decisively: 10Y 4.69%, 20Y 5.20%, 30Y 5.23%. The 2s10s at +0.50bp and 3M10Y at +0.86bp are both positive, which mechanically removes the single most-watched recession signal from the board. But the *mechanism* of that disinversion matters more than the fact of it. A bull steepening — front end rallying on cuts — is a late-cycle easing signal and is typically equity-friendly at first and then not. A bear steepening — long end selling off while the front holds — is a term-premium and inflation-risk story. With 1M through 1Y stuck in a 19bp band around 3.9% and the 10Y-to-30Y segment carrying the move, this is unambiguously the latter.

The 20Y-30Y segment is where the stress is concentrated: 20Y at 5.20% and 30Y at 5.23% leave just 3bp between them, against a 51bp gap from 10Y to 20Y. That flatness at the very long end, sitting above 5%, is characteristic of supply and term-premium pressure rather than expectations of higher terminal policy rates — the market is demanding compensation for holding duration, not repricing the Fed. For positioning, the belly is the value: 2Y at 4.19%, 3Y at 4.26% and 5Y at 4.39% offer most of the yield with a fraction of the convexity risk, and they are protected by an anchored front end. Extending to 20s and 30s for 50-80bp of additional yield means accepting the full brunt of any further term-premium repricing in the quadrant most hostile to it.

MOVE at 73 is the complicating datapoint and cuts against the alarmist reading. That is a subdued level of implied rate volatility — the bond market is repricing the long end in an orderly fashion, not panicking. Low MOVE alongside a bear steepening suggests a controlled adjustment, and it is precisely what makes the current equity risk-on sustainable: rates are moving, but they are not moving chaotically. MOVE is therefore the early-warning instrument to monitor. A move back above 100 would convert an orderly term-premium adjustment into a disorderly one, and given that Long Bond and US 10Y both appear as net *leaders* in the Granger network, that repricing would transmit into equities rather than the reverse.

Credit & Financial Conditions

Credit is the strongest confirmation of the risk-on regime and simultaneously the thinnest cushion in the portfolio. HY OAS at 2.70% sits in the 8th percentile of its own history, with IG OAS at 0.81%. There is no stress in corporate credit — none. Financial conditions corroborate: ANFCI at -0.59 and the stress index at -0.83 are both meaningfully accommodative, indicating conditions looser than average despite a 10Y at 4.69% and a 30Y above 5.20%. That combination — long rates elevated, financial conditions loose — tells you the transmission from the long end into real borrowing conditions has been partial at best, and it explains how equities have sustained a risk-on regime through a bear steepening.

The 8th-percentile reading is the whole argument, though. At 270bp, HY is priced for a benign outcome and offers essentially no compensation for the outcome being anything else. The asymmetry is severe: spreads can compress perhaps 40-50bp to historical tights, but a routine risk-off widens them 150-200bp, and a genuine growth scare doubles them. This is a position to hold for carry, not to add to, and it argues for up-in-quality within credit — IG at 81bp is expensive in absolute terms but has far less room to hurt you. The cross-asset data reinforces the point: the S&P-HY correlation is +0.69 over 252 days and +0.70 over 63 days, the tightest and most stable relationship in the entire matrix. HY is not a diversifier from equity — it is equity beta with a coupon and worse liquidity. An investor holding both should recognise they hold one position, not two.

The signal value of credit here is directional. Because HY OAS is a net *leader* in the Granger network and because spreads are so compressed, any widening is high-information: from an 8th-percentile base, there is no noise band to absorb it. HY OAS widening through 3.20% while equities are still near highs would be the cleanest early warning available, and it should be monitored more closely than the VIX, which at 15.8 has considerably more room to move on nothing at all. Note too the Russell 2000-Regional Banks correlation has fallen from +0.61 over 252 days to +0.36 over 63 days — small caps have decoupled from bank credit sensitivity, which removes one historical channel of stress transmission but also removes a warning light.

Factor Structure & Systemic Risk

The two PCA readings answer different questions and should not be conflated. Within sectors, PC1 explains 66% of variance — the sector complex is heavily single-factor, meaning sector selection delivers less genuine diversification than the 11-way split implies, and a market-wide shock will drag most sectors together regardless of their fundamental differences. Across the full 87-instrument cross-asset universe, PC1 (Risk, proxied by the S&P) explains 34%, PC2 (Rates, 10Y) 15%, PC3 (Energy, WTI, inverse) 6%, and PC4 (the dollar) 5% — together 60%, leaving 40% in idiosyncratic and lower-order factors. That is a market with a dominant risk factor but a genuinely meaningful second rates dimension. PC2 at 15% is the number that matters for this note: rates are not a residual, they are an independent axis of return, which validates treating the yield-curve view as a separate portfolio decision rather than a footnote to the equity view.

The systemic co-movement gauge is the most reassuring statistic in the briefing. Average pairwise conditional correlation from the multivariate DCC across twelve assets is +0.05 now, against +0.04 a year ago — essentially unchanged and near zero in absolute terms. Diversification is working. Cross-asset correlations are not converging toward one, which is the standard precursor to a systemic event; genuine stress episodes push this gauge to +0.4 or higher as everything except cash and Treasuries sells off together. At +0.05, the machinery of portfolio construction is intact and multi-asset allocation is being properly rewarded.

The caveat is persistence, at 0.896. That is a high figure — once this correlation gauge starts rising, it stays elevated for an extended period, because shocks to the correlation process decay slowly. The practical implication is that the time to build diversification is now, while it is cheap and effective, not after the gauge starts moving. By the time an investor observes co-movement rising, the persistence parameter guarantees they will be living with the elevated regime for months, and the assets they would want to buy for protection will have already repriced. The 66% sector PC1 and the +0.05 cross-asset gauge together define the right response: diversify *across asset classes and factors*, where it demonstrably works, rather than *across sectors*, where the PCA says it largely does not.

Cross-Asset Correlation & Lead-Lag

The single most consequential number for portfolio construction is the DCC-GARCH stock-bond conditional correlation at +0.29, with persistence of 0.9875. Treasuries are not hedging equities. The static estimates agree and are trending the wrong way — S&P-Long Bond is +0.23 over 252 days and +0.29 over 63 days, Nasdaq-Long Bond +0.18 rising to +0.22 — so the short window is running above the long window in both cases. The persistence of 0.9875 is close to a unit root: this positive-correlation regime is extraordinarily sticky and should be assumed to hold over any realistic tactical horizon. This is the defining feature of a Reflation quadrant, where inflation surprises move stocks and bonds in the same direction, and it invalidates the standard 60/40 assumption that the bond leg cushions the equity leg. The hedge must come from somewhere else: cash and bills at 3.80-3.99% with zero duration risk, explicit equity optionality while VIX at 15.8 and a 0.85 term structure make it cheap, and modest gold exposure — though gold's fair-value residual of RICH +21.1% (z +0.99, R^2 0.68) means paying up for that particular hedge today.

The dollar relationship is a partial offset. The DCC S&P-DXY correlation is -0.23 with 0.992 persistence, matched by -0.27/-0.25 in the static windows — a persistent, modest negative relationship, meaning dollar strength accompanies equity weakness and unhedged foreign-currency exposure adds equity risk rather than diversifying it. Gold-DXY at -0.35 over 252 days steepening to -0.42 over 63 days keeps the classic inverse intact, so gold remains a dollar hedge even as it fails as a cheap one. S&P-VIX at -0.82 static and -0.78 in the DCC confirms that index puts and VIX-based structures retain their hedging efficacy — the equity-volatility link is doing its job even as the equity-bond link fails. Semis-S&P at +0.78 falling to +0.72 shows the semiconductor complex loosening slightly from the index, consistent with this week's idiosyncratic Tech unwind.

On lead-lag, the Granger network identifies VIX, Long Bond, HY OAS and US 10Y as net leaders, with Gold, DXY, Russell 2000 and Nasdaq as followers. The structural reading is coherent and worth acting on directionally: volatility, rates and credit lead equities and precious metals, meaning the *risk-pricing* complex moves first and the *risk-taking* complex follows. That argues for treating MOVE, HY OAS and the VIX term structure as the dashboard and equity indices as the confirmation. But the weekly predictive skill here is modest — genuinely modest, and it must be stated plainly. Granger causality at weekly frequency on financial series typically explains a small single-digit fraction of next-period variance, the relationships are unstable across subsamples, and the direction of the network can reverse in stressed regimes precisely when it would be most valuable. Use the network to decide *what to watch first*, not to size a trade. It is an ordering of attention, not a forecast.

Relative Value & Fair Value

Three well-fit residual models carry actionable information, and they are strikingly consistent with the rotation thesis. Semis versus Nasdaq is RICH +14.4% at z +1.17 on an R^2 of 0.95 — the highest-conviction dislocation in the set, because a 0.95 R^2 means the relationship is tight and the residual is genuinely a residual rather than model error. Semis are trading 14.4% above what their historical relationship with the Nasdaq implies, at more than one standard deviation. With Semis-S&P correlation already loosening from +0.78 to +0.72 and Tech down 5.0% on the week, this looks like the early phase of a mean reversion rather than a stable premium. The trade expression is to underweight Semis against Nasdaq, or simply to reduce the Semis overweight most growth portfolios carry — capturing the dislocation without taking an outright directional view on technology.

Gold versus real yields and the dollar is RICH +21.1% at z +0.99, but on an R^2 of 0.68. That is the weakest fit of the three, and it should temper conviction materially: 32% of gold's variance is unexplained by real yields and the dollar, which is where central-bank buying, geopolitical premium and debasement hedging live. A +21.1% residual on a 0.68-R^2 model is not the same signal as a +14.4%

residual on a 0.95-R^2 model. The honest reading is that gold is expensive relative to its rates-and-dollar drivers but that those drivers do not fully describe gold in the current environment. Hold existing gold as a hedge given the failure of the stock-bond correlation, but do not add at these levels, and recognise that its RICH status raises the cost of the hedge budget.

Nasdaq versus real yields and the S&P is cheap -1.9% at z -0.77 on an R^2 of 0.99, and it is the most interesting of the three because it appears to contradict the sector call. It does not. On a near-perfect fit, the Nasdaq is trading slightly *below* what its relationship with real yields and the broad market implies — meaning this week's -2.1% has taken the index modestly through fair value. Combined with Semis RICH +14.4%, the two residuals together say something precise: the dislocation is not "technology is expensive," it is "semiconductors are expensive relative to technology, while technology is fairly-to-cheaply priced relative to rates and the market." The refined expression is to fade Semis specifically rather than the Nasdaq broadly, and to treat further Nasdaq weakness as approaching a level where the fair-value model stops supporting the underweight. At z -0.77 the model is not yet a buy signal, but it is close enough that the Tech underweight should be a tilt, not a rout.

Volatility & Tail Risk

The volatility complex is priced for calm with a specific and identifiable worry embedded in it. VIX at 15.8 against VIX3M at 18.5 gives a term-structure ratio of 0.85 — solid contango, the market's baseline state, and confirmation that near-term risk is priced below medium-term risk. VVIX at 88 is low, meaning the volatility of volatility is subdued and there is no scramble for convexity in the VIX options market itself. MOVE at 73 says the same for rates. Taken together these three make hedging genuinely inexpensive right now, and with the stock-bond correlation at +0.29 rendering Treasuries useless as an equity hedge, that cheapness is the argument: the standard hedge has failed, and the alternative hedge is on sale. Rolling index puts or put spreads, or holding longer-dated VIX-based protection where the term structure works in your favour rather than against it, is the coherent response.

SKEW at 144 is the dissenting datapoint and it is not trivial. That is an elevated reading, and it means the options market is paying up meaningfully for out-of-the-money puts relative to at-the-money volatility. The composite picture — VIX 15.8, VVIX 88, SKEW 144 — describes a market that expects nothing to happen but is willing to pay for insurance against something severe. That is a tail-hedging bid coexisting with a low base rate of volatility, and it is precisely the configuration that produces sharp, gappy drawdowns rather than grinding ones, because there is little volatility cushion beneath spot. It also has a practical trading implication: the skew makes simple put buying relatively expensive at the wings, so put *spreads* — buying nearer the money and selling into the elevated skew further out — offer better value than outright wing protection.

Expected shortfall at the 5% level is -4.8% for the S&P, -5.9% for the Nasdaq and -6.4% for the Russell 2000, against current drawdowns of only -2%, -3% and -2% respectively. Two things follow. First, the tail risk ordering is exactly as expected — small caps worst, then Nasdaq, then the S&P — so any risk-budget reduction should come from the Russell and Nasdaq legs first. Second, and more importantly, current drawdowns are running at roughly 40-50% of the conditional expected shortfall, which means the market has consumed only a fraction of a normal bad-tail move. This is a modest pullback, well inside the distribution, and the ES figures give a calibrated sense of what a genuine 5%-tail week would deliver from here: another 3 points on the S&P, another 3-4 on the Nasdaq and Russell. That is the number to size positions against, not the current shallow drawdown.

Macro Pulse & Recession Risk

The recession dashboard is close to a clean sweep of all-clear signals, and it deserves to be reported honestly rather than hedged into mush. The NY Fed twelve-month recession probability is 0.6% — near the floor of that model's historical range. The Sahm rule reads -0.03, meaning unemployment's three-month average is essentially flat against its trailing twelve-month low, nowhere near the +0.50 trigger. The 2s10s at +0.50bp has disinverted, removing the curve signal. Initial claims at 206,000 are historically low, continued claims at 1.799mn are contained, and unemployment at 4.1% with payrolls at 158.858mn describes a labour market that is cooling gently, not cracking. There is no near-term recession in this data, and pretending otherwise to sound prudent would be dishonest.

The honest caveats are three. First, curve disinversion is historically a *late* warning, not an all-clear — the 2s10s has typically turned positive shortly before recessions begin, as the front end rallies on cuts. But the mechanism here is bear steepening from the long end, not bull steepening from the front, which is the benign version of the same shape. Second, the labour internals are softer than the headlines: U6 at 7.9% against a 4.1% headline is a 3.8-point gap indicating meaningful underemployment, participation at 61.4% is low, and job openings at 7.359mn continue the normalisation from the post-pandemic extremes. Third, the macro nowcast is -0.20, classified as Trend growth, and its composition is revealing — consumer sentiment contributes -1.62, an enormous negative drag, while initial claims +0.28, industrial production +0.26, the Weekly Economic Index +0.12 and the Chicago Fed NAI -0.02 are all near neutral. Strip out sentiment and the nowcast is mildly positive. Michigan consumer sentiment at 49.5 is a genuinely depressed level, and with the saving rate at 2.7% — very thin — the consumer has little buffer if sentiment ever translates into behaviour. So far it has not: retail sales at $763.6bn are holding.

Inflation is the live variable, consistent with the i-score of 3.0. Sticky CPI at 2.8% and core PCE at 130.3 describe contained realised inflation, but Michigan inflation expectations at 4.6% are dramatically above realised — a wide expectations-versus-actuals gap that is exactly the fuel for the term-premium repricing visible at the 20Y-30Y. Housing is bifurcated in a way that argues against imminent weakness: the 30-year mortgage at 6.7% is restrictive, starts at 1.239mn are subdued, but permits at 1.443mn *exceed* starts by 204k, which is a forward-looking signal of builder confidence rather than retrenchment. Net liquidity at $5,792bn, down $33bn over the month, is a mild drain — a 0.6% monthly decline is a modest headwind, not a liquidity event, and it is the kind of slow bleed that matters only if it persists over quarters.

Key Risks & What to Watch

The dominant risk is not recession — the data comprehensively rejects that — it is a rates-driven unwind of the risk-on regime. In a Reflation quadrant with an i-score of 3.0, Michigan expectations at 4.6% and the 30Y already above 5.20%, the pathway to a drawdown runs through the long end: a disorderly term-premium repricing that pushes 30Y decisively above 5.40%, drags the 10Y through 4.90%, and — because the stock-bond DCC correlation is +0.29 with 0.9875 persistence — takes equities down *with* bonds rather than in exchange for them. That correlation persistence is the reason this risk is asymmetric: the usual portfolio shock absorber is not merely absent, it is amplifying. MOVE at 73 is the tell. A move above 100 converts an orderly adjustment into a disorderly one, and given that Long Bond and US 10Y are net Granger leaders, that would transmit into equities before equities warn you.

The second risk is credit's asymmetry. HY OAS at 2.70% in the 8th percentile has no cushion, and the S&P-HY correlation of +0.70 means a widening is an equity event, not a fixed-income one. The third is the concentration unwind already in progress — Momentum -5% over three months and Tech -5.0% on the week — which could deepen from a rotation into a liquidation, particularly with Semis RICH +14.4% at z +1.17. The fourth is the consumer: sentiment at 49.5 with a 2.7% saving rate is a thin foundation, and the -1.62 nowcast contribution is a warning that has so far not been ratified by spending.

Specific, observable triggers. Confirming the constructive view: breadth staying above 60% advancing on down weeks; HY OAS holding inside 3.00%; VIX term structure remaining in contango above 0.90; the 30Y stabilising below 5.30%; initial claims staying under 230,000; and Industrials recovering to join the value rotation rather than continuing to lag. Changing the view: HY OAS widening through 3.20%, especially with equities near highs, given credit's lead-lag position; the VIX term structure inverting below 1.00 with VIX above 22; MOVE above 100; the 30Y above 5.40% or 10Y above 4.90%; initial claims above 260,000 for two consecutive weeks or the Sahm gauge turning up toward +0.30; the S&P breaking below its ES5 of roughly -4.8% from the prior high, which would mark this as more than a routine pullback; and the average pairwise DCC correlation rising from +0.05 through +0.20, which — given 0.896 persistence — would signal a diversification-failure regime that will not resolve quickly. Two or more of these firing together, particularly the credit and rates signals in combination, would warrant cutting equity beta rather than merely rotating it.

PART I

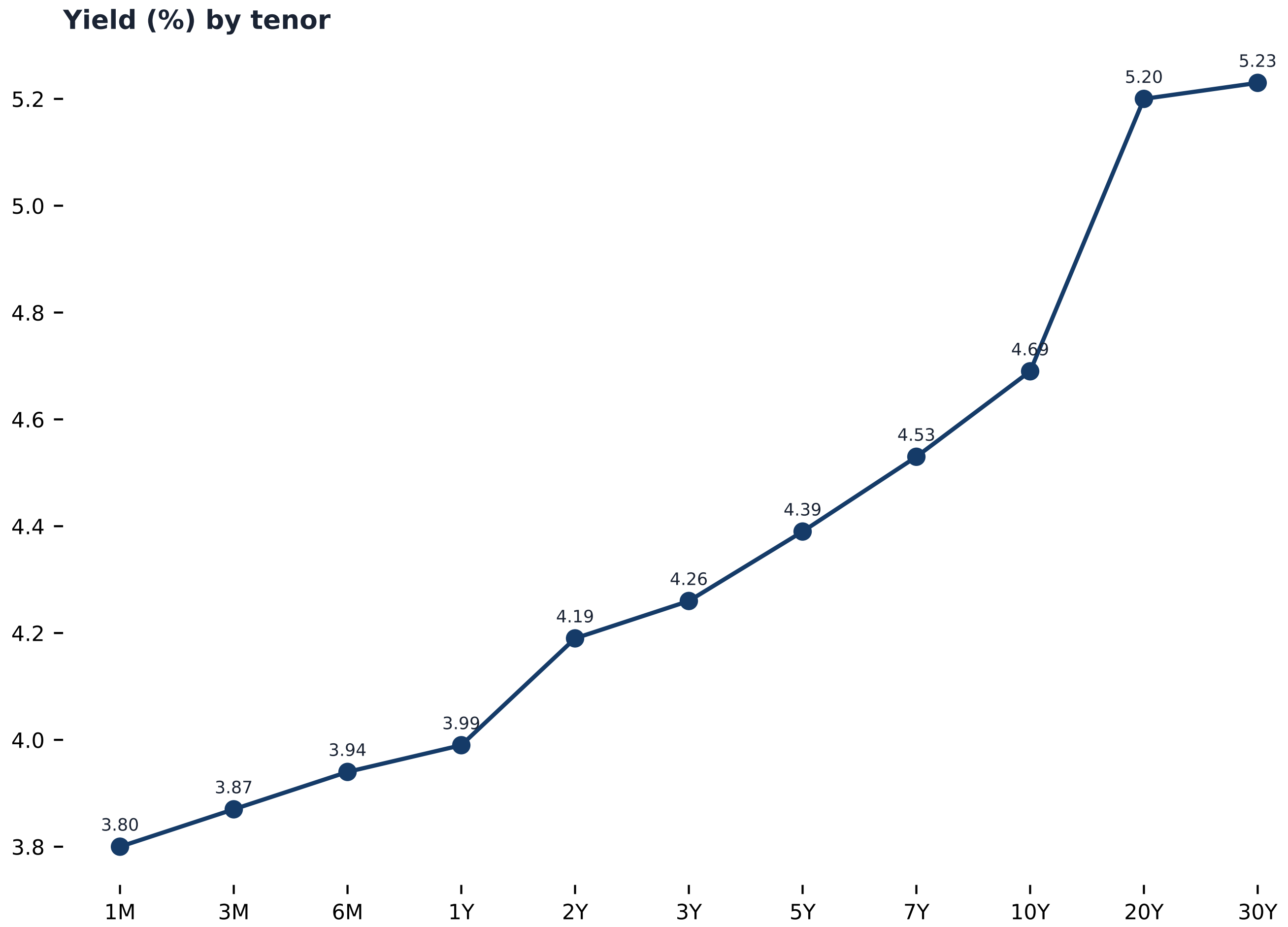
Rates, Credit & Macro

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 +0.50bp, 3M-10Y +0.86bp (positive).



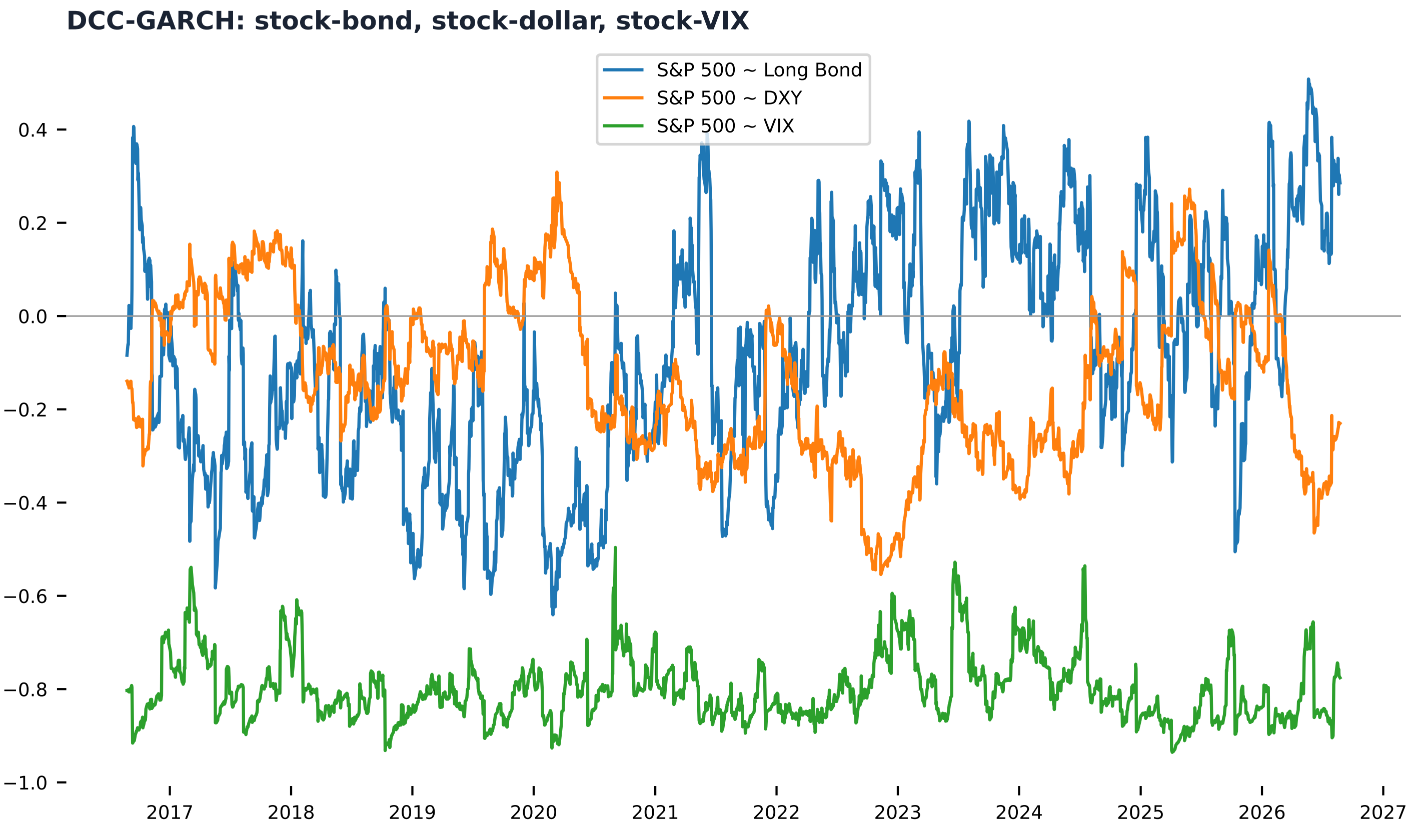
Credit, Financial Conditions & Volatility

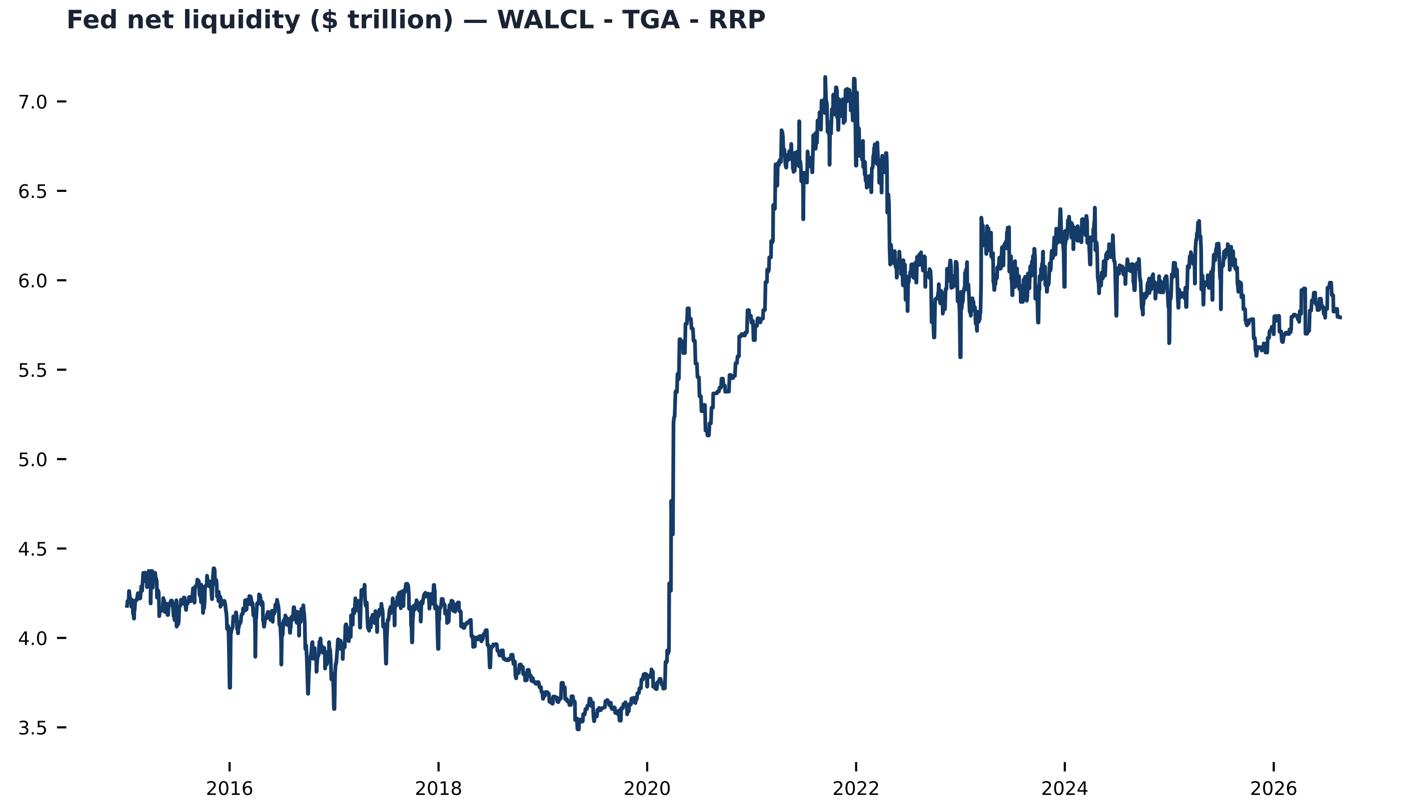
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.70**	8th pctile
IG OAS	**0.81**	
Fin Conditions (ANFCI)	**-0.59**	0 = average; +tight
St. Louis Stress	**-0.83**	
VIX	**15.8**	term VIX/VIX3M 0.85
VIX3M	**18.5**	
VVIX (vol of vol)	**88**	
MOVE (bond vol)	**73**	
SKEW (tail hedging)	**144**	

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)	**206,000.00**	-6,000.00	2026-08
Continued claims	**1,799,000.00**	+18,000.00	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	**102.99**	+0.21	2026-07
Capacity utilization %	**76.29**	+0.08	2026-07
Chicago Fed NAI	**-0.08**	-0.14	2026-07
Weekly Econ Index %	**2.56**	-0.14	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)	**1,239.00**	-176.00	2026-07
Building permits (k)	**1,443.00**	+69.00	2026-07
New home sales (k)	**628.00**	+10.00	2026-06
Case-Shiller HPI	**335.10**	+2.12	2026-05
30y mortgage %	**6.65**	-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	**3.65**	+0.02	2026-08
M2 ($bn)	**23,290.10**	+174.30	2026-07
Bank reserves	**3,018.80**	-60.00	2026-06
C&I loans ($bn)	**2,898.72**	-5.75	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	**+0.50 bp**	inverted = warning
Initial jobless claims	**206,000**	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

For inquiries, contact admin@abldigitech.com

Returns Heatmap

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

Indices

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

Sectors

	1w	1m	3m
Tech	-5	+9	-2
Energy	+0	+7	+7
Discretionary	+2	+6	+3
Health	+4	+5	+14
Materials	+2	+3	+7
Comms	+2	+3	+1
Financials	+1	+3	+12
Industrials	-4	+1	+3
Staples	+3	-0	+5
Real Estate	+0	-2	+2
Utilities	-3	-5	-1

Factors

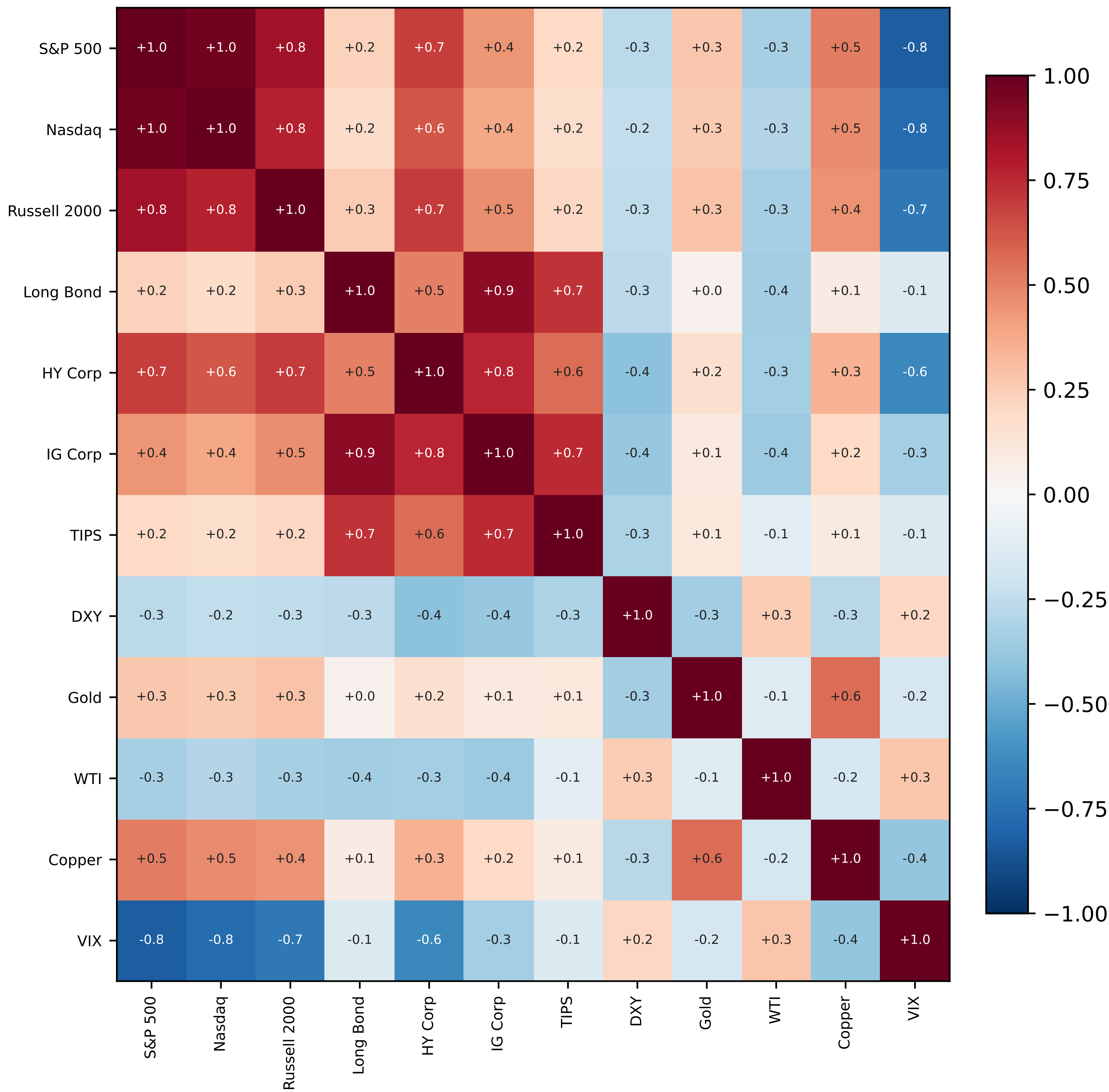
	1w	1m	3m
High-Beta	-4	+8	-0
Growth	-3	+7	-1
Momentum	-7	+6	-5
Quality	-1	+3	+4
Value	+1	+3	+9
Low-Vol	+1	+3	+7

Industries

	1w	1m	3m
Gold Miners	+12	+39	+30
Software	+1	+11	+8
Biotech	+3	+11	+28
Oil Svcs	-5	+10	-6
Semis	-8	+9	-8
Oil E&P	+1	+8	+10
Internet	+0	+7	+6
Homebuilders	-2	+1	+3
Transports	-1	+1	+2
Defense	-7	-1	+3
Reg Banks	-3	-2	+7
Retail	+1	-3	+6

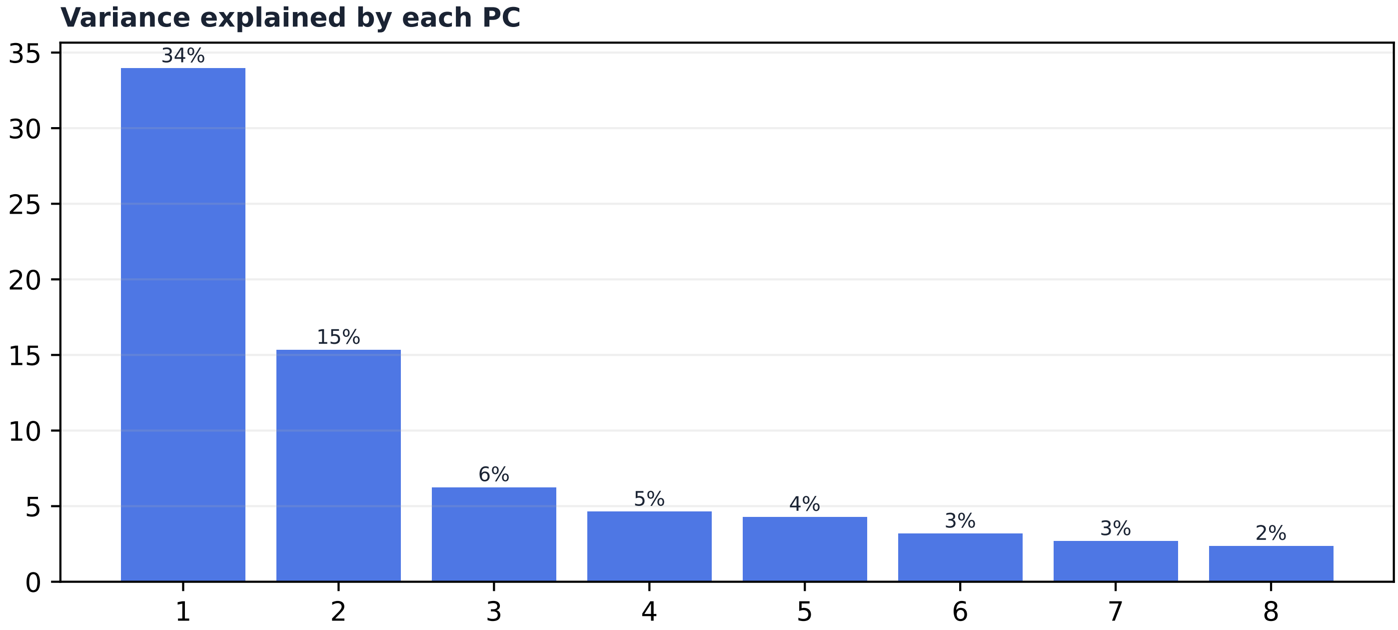
Cross-Asset Correlation (252d, daily)

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



CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 87 instruments (156 weeks)



PC1 — Risk (S&P 500)

34.0% 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 500 +0.17

– VIX -0.15, HY OAS -0.14, CCC OAS -0.12, VVIX -0.12, MOVE -0.12

PC2 — Rates (10Y)

15.3% of variance (cum 49%) · marker corr +0.91

+ US 10Y +0.25, US 5Y +0.25, US 2Y +0.23, US 30Y +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

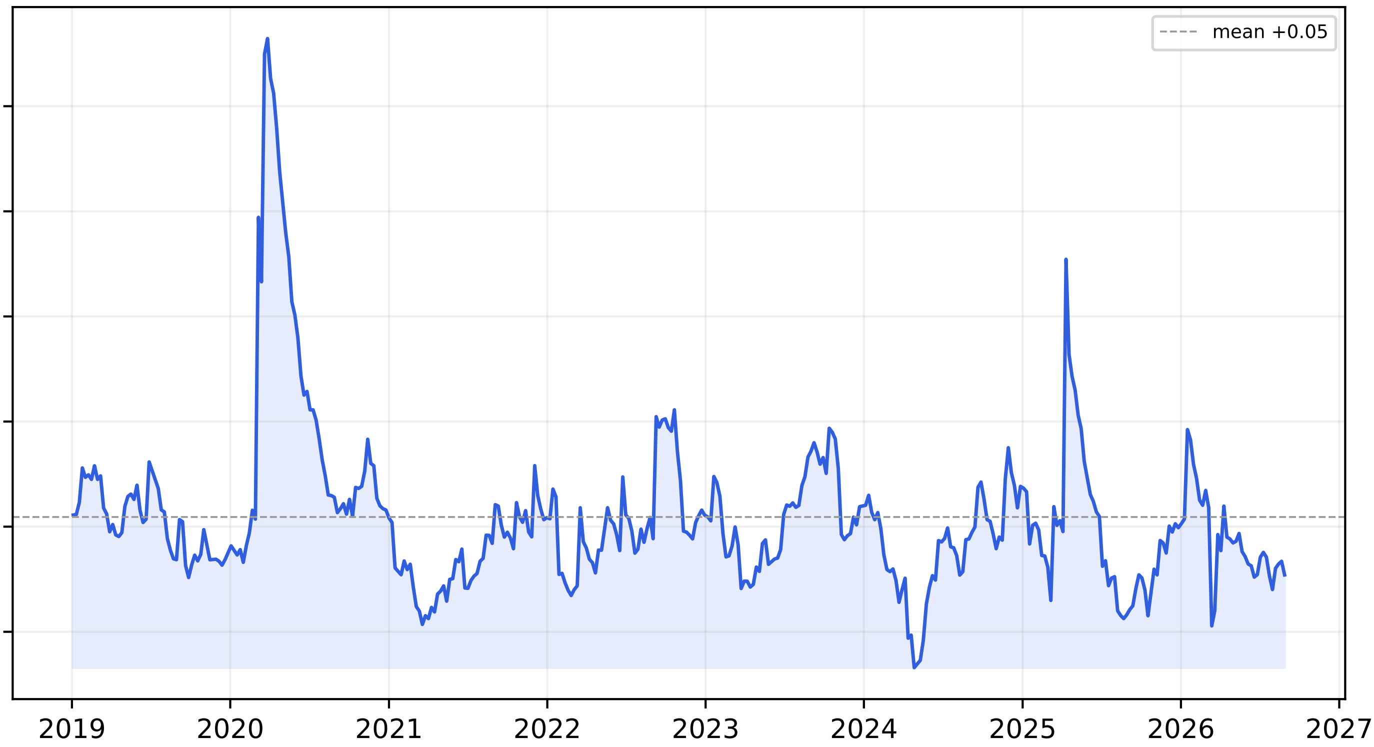
4.6% of variance (cum 60%) · marker corr +0.57

+ DXY +0.28, USDJPY +0.19, USDCAD +0.17, SKEW +0.16, Software +0.15

– EURUSD -0.27, Gold Miners -0.25, Gold -0.22, Staples -0.21, Materials -0.20

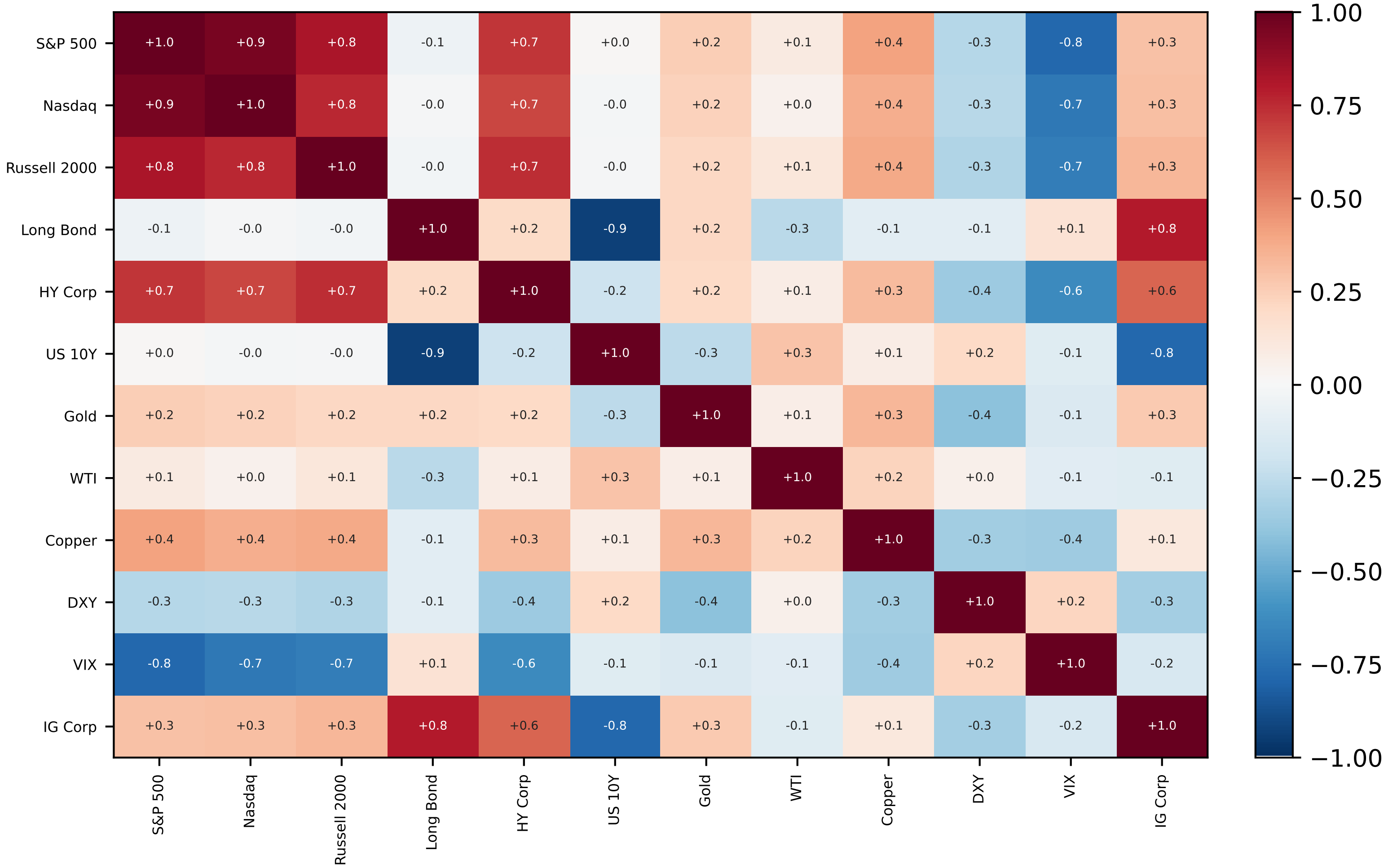
Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

Average pairwise conditional correlation (multivariate DCC-GARCH)

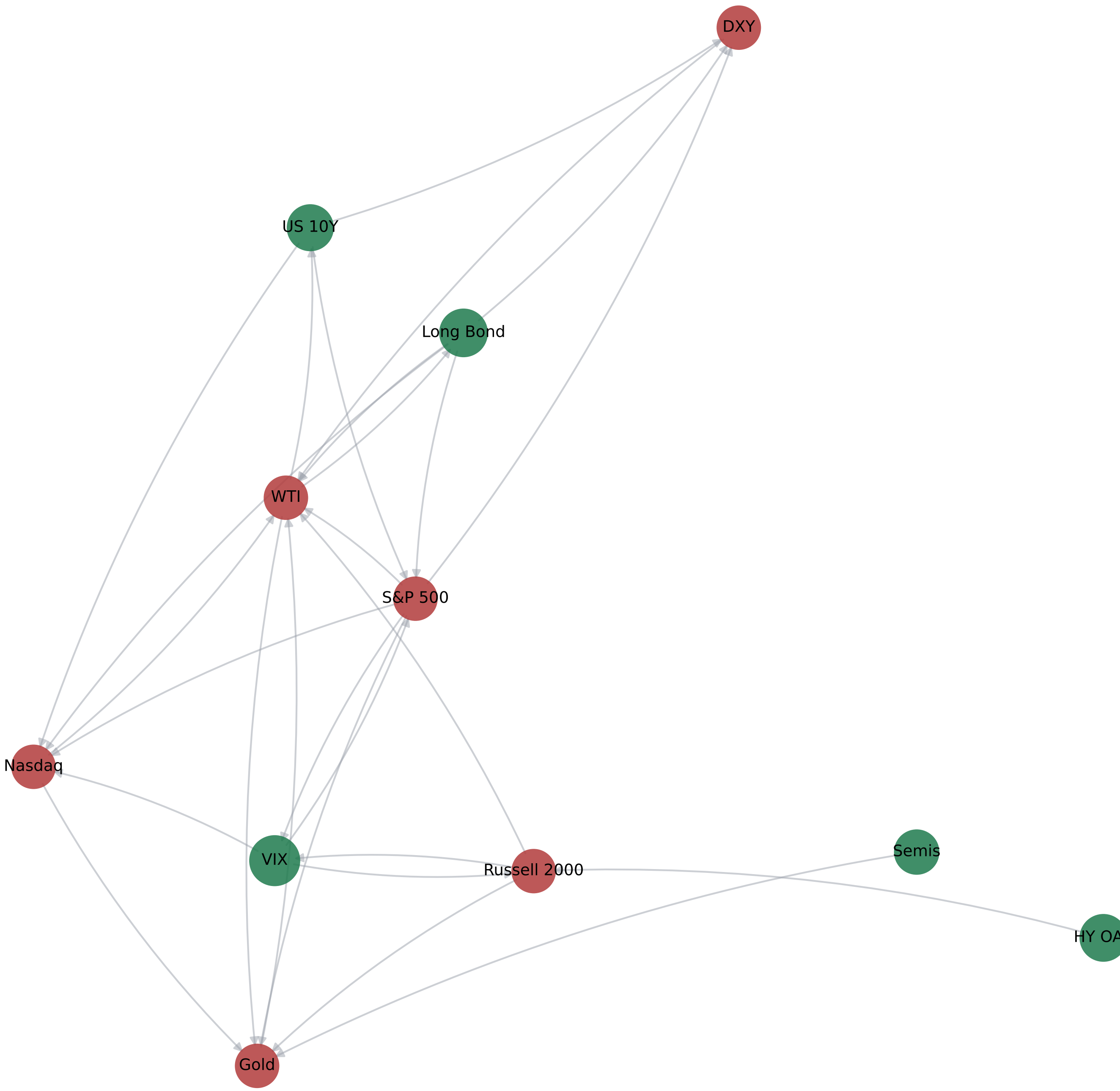


N=12 · persistence 0.896 · now +0.05 · rising = diversification failing in real time

Latest conditional-correlation matrix



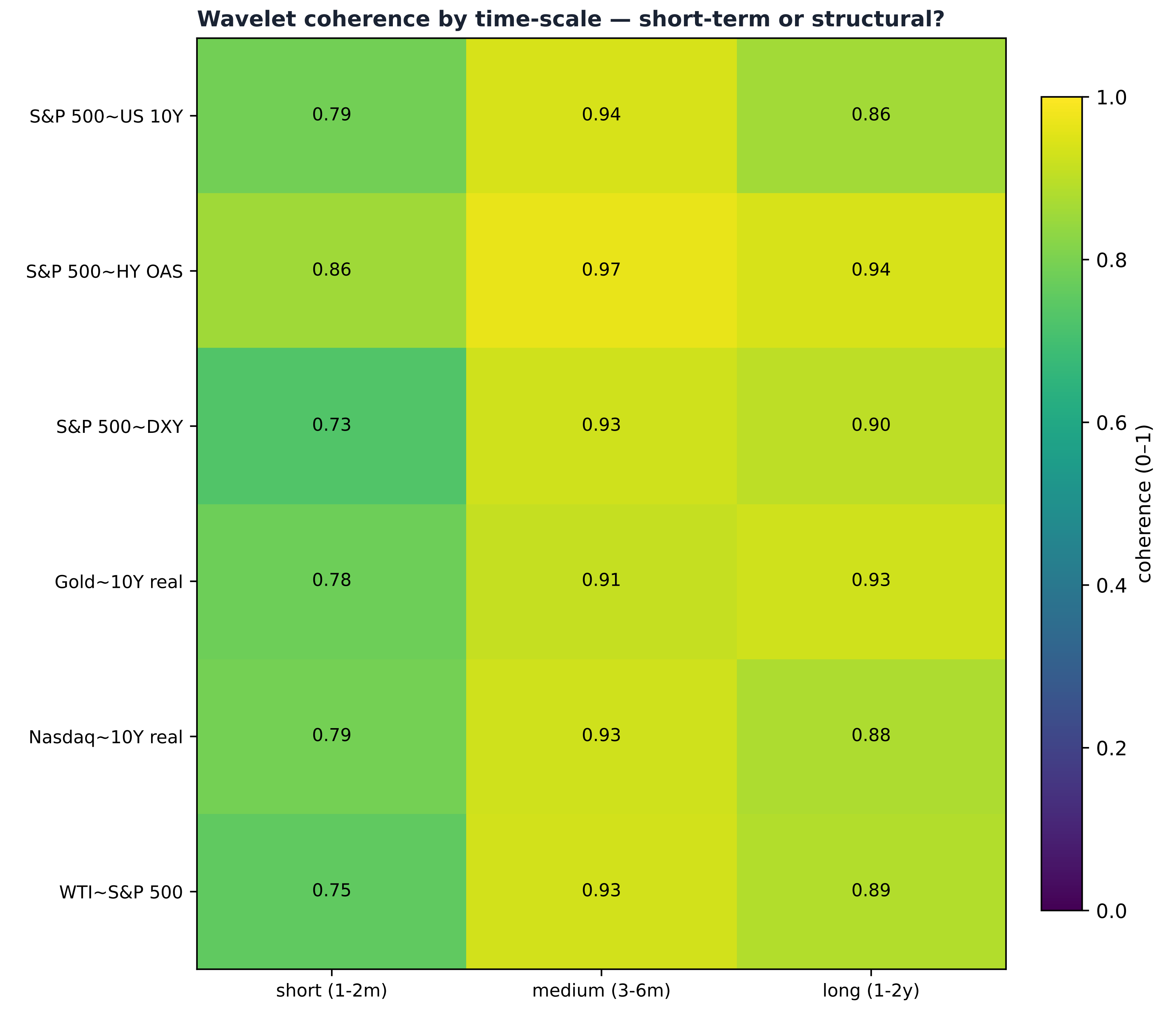
Directional lead-lag — Granger causality network



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

LEADERS: VIX +0.03, Long Bond +0.02, HY OAS +0.01, US 10Y +0.01, Semis +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
0.86
0.86
0.97
0.94
0.73
0.93
0.90
0.78
0.91
0.93
0.79
0.93
0.88
0.75
0.93
0.89
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	0.957	0.53	42w	+3.39
S&P vs Equal-Weight	no	0.060	0.60	8w	+2.16
WTI vs Brent	no	0.270	0.97	1w	+1.71
Large vs Small (R2K)	no	0.223	0.63	14w	+1.50
2Y vs 10Y	no	0.941	0.68	42w	+1.49
S&P vs Dow	yes	0.007	0.73	7w	+1.43
HY vs IG credit	yes	0.000	0.31	2w	+1.01
Semis vs Nasdaq	no	0.238	0.51	18w	-0.73
S&P vs Nasdaq	yes	0.021	1.23	12w	-0.64
Long vs Short Tsy	no	0.582	0.06	26w	+0.63
Gold vs Silver	no	0.221	1.18	14w	+0.44
VIX vs VIX3M	yes	0.034	0.84	2w	+0.06

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

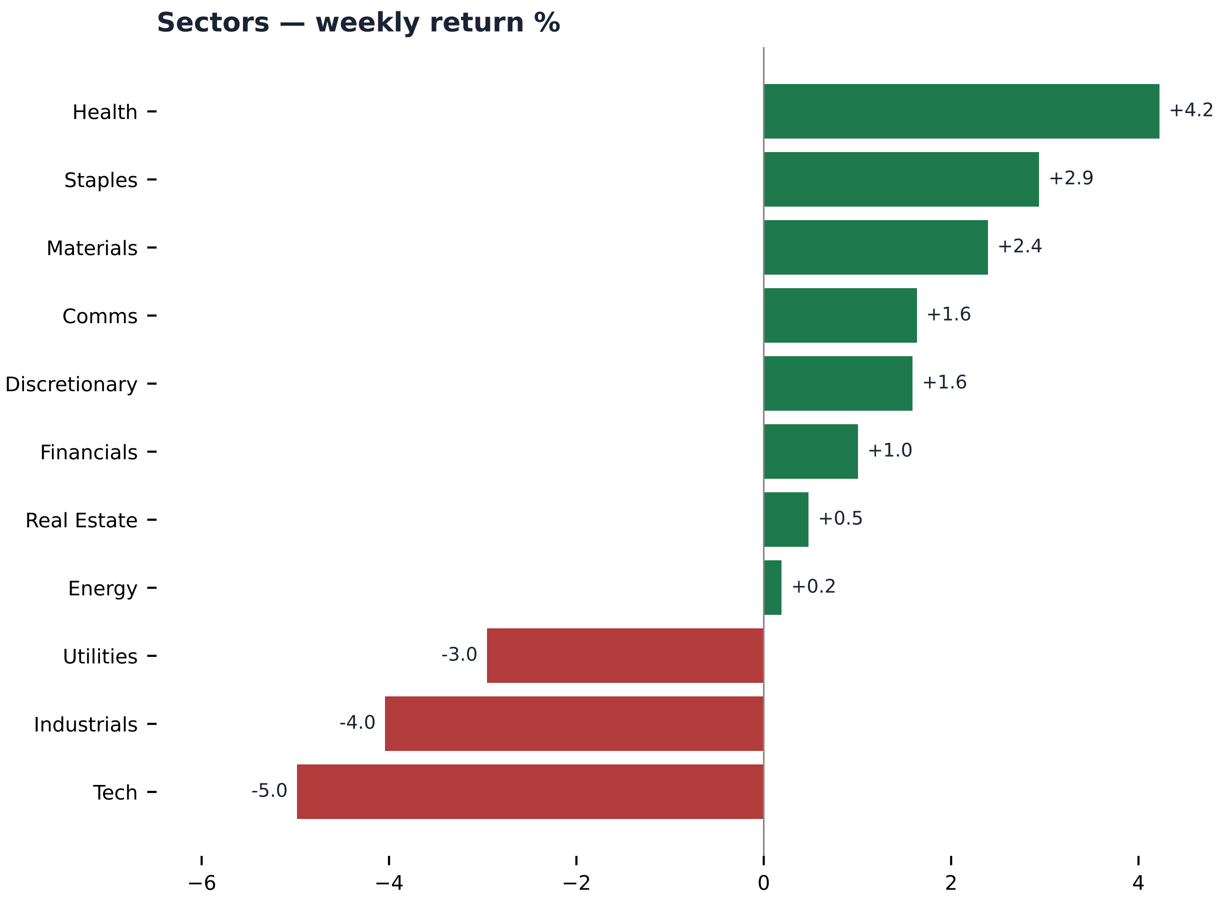
Rotation, Momentum & Fair Value

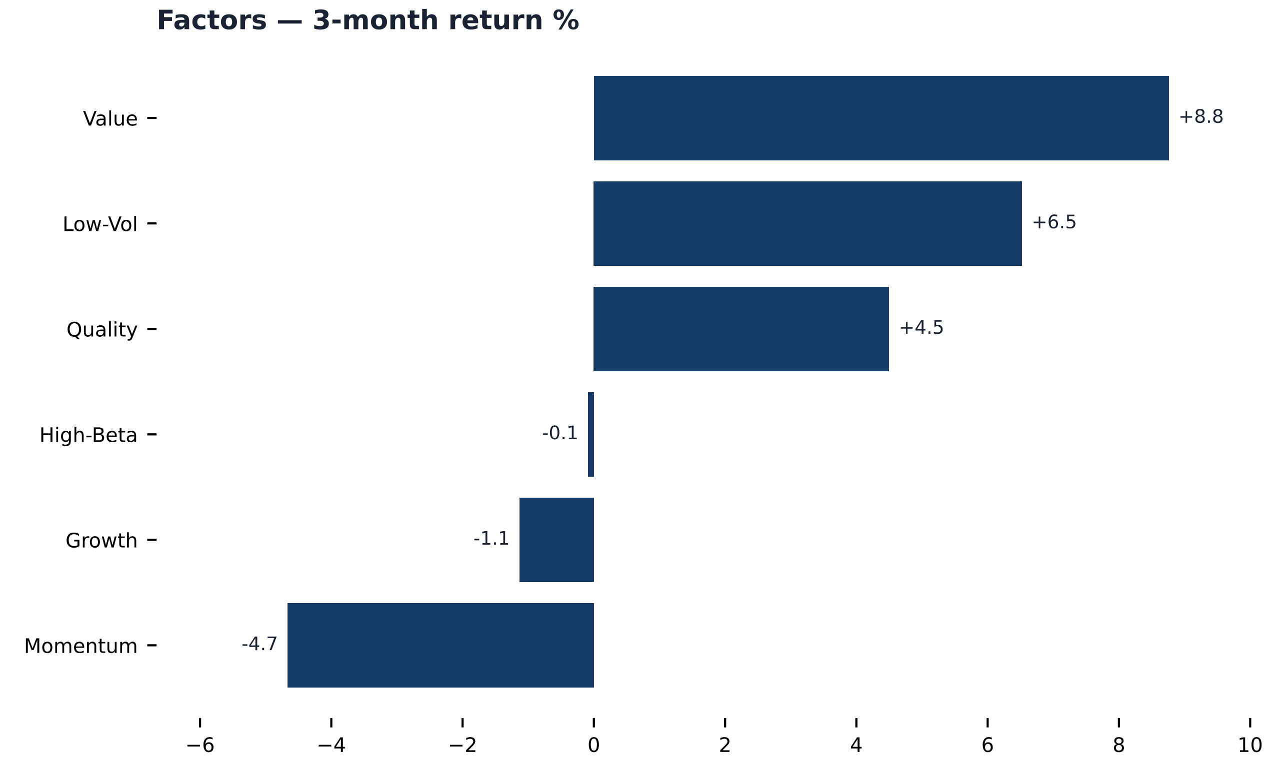
Sector/factor rotation, trend and what is rich or cheap versus its drivers.

- 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 73% up. Growth-Value 3m -9.9%.





MOMENTUM & TREND

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

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	+1%	+11%	+19%	**+1.00**	+7%	-2%
Nasdaq	-3%	+15%	+22%	**+0.50**	+7%	-3%
Russell 2000	+3%	+14%	+27%	**+1.00**	+9%	-2%
Tech	-5%	+30%	+38%	**+0.50**	+13%	-6%
Financials	+13%	+13%	+8%	**+1.00**	+9%	-0%
Energy	+11%	+12%	+39%	**+1.00**	+14%	-1%
Health	+16%	+9%	+27%	**+1.00**	+12%	-0%
Semis	-9%	+35%	+89%	**+0.50**	+15%	-17%
Reg Banks	+8%	+12%	+14%	**+0.50**	+7%	-4%
Gold Miners	+15%	-11%	+62%	**+0.50**	+14%	-11%
Gold	+4%	-10%	+36%	**+0.50**	+4%	-10%
WTI	-3%	+26%	+32%	**+0.00**	+7%	-24%

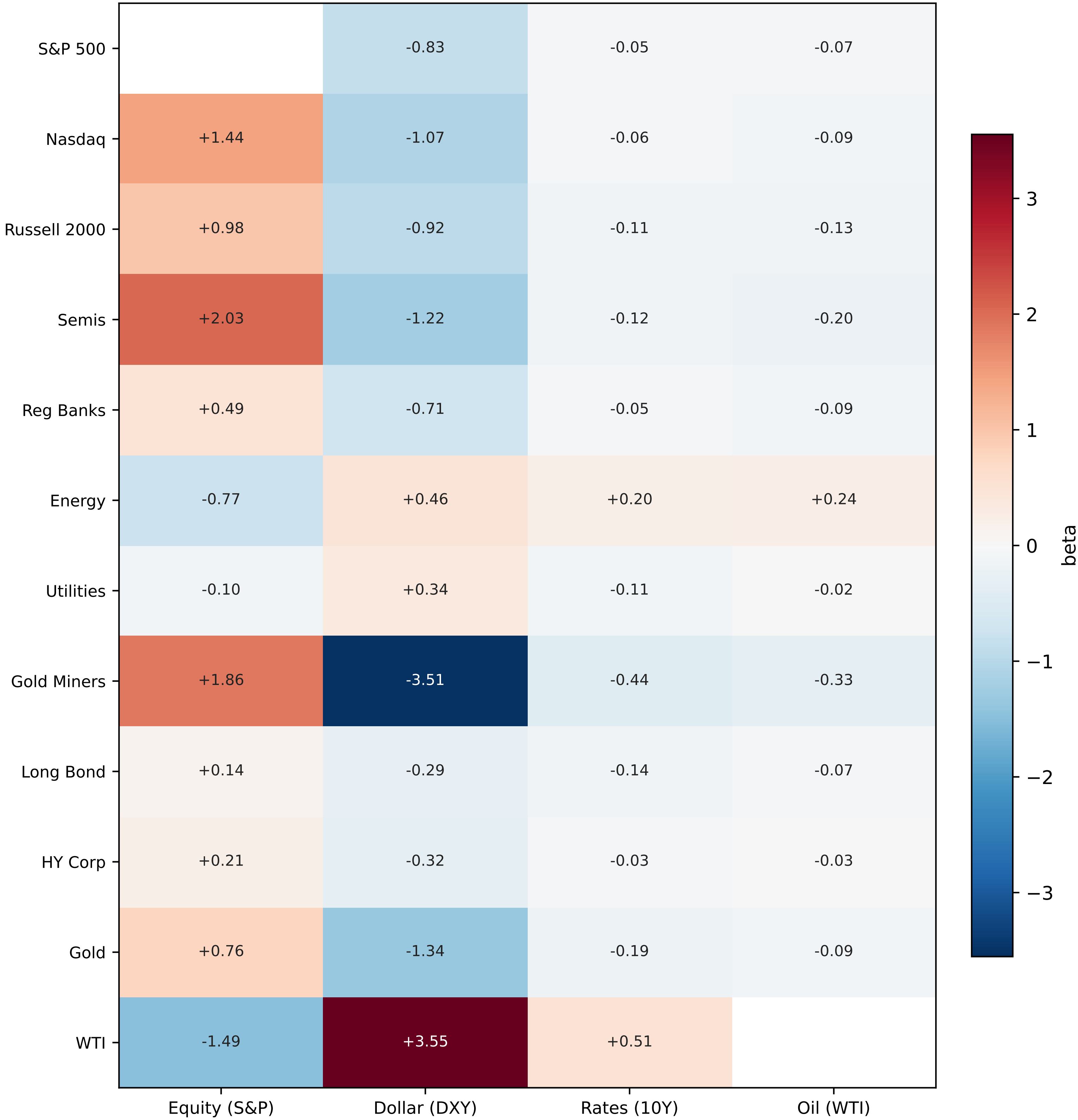
Sector 26-week relative strength:

LEADERS: Tech +30%, Financials +13%, Energy +12%, Health +9%, Real Estate +3%, Discretionary +1%

LAGGARDS: Utilities -10%, Comms -5%, Staples -3%, Materials +0%, Industrials +1%, Discretionary +1%

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 +1.57

actual 7663.92 · model-fair 5755.56 · gap +33.2% · R^2 0.25

Semis vs Nasdaq

RICH z +1.17

actual 547.94 · model-fair 478.78 · gap +14.4% · R^2 0.95

Gold vs real yield & dollar

RICH z +0.99

actual 4727.90 · model-fair 3902.58 · gap +21.1% · R^2 0.68

HY spread vs equity vol

cheap z -0.98

actual 2.70 · model-fair 3.11 · gap -0.4 · R^2 0.08

Nasdaq vs real yield & S&P

cheap z -0.77

actual 26097.37 · model-fair 26607.16 · gap -1.9% · 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

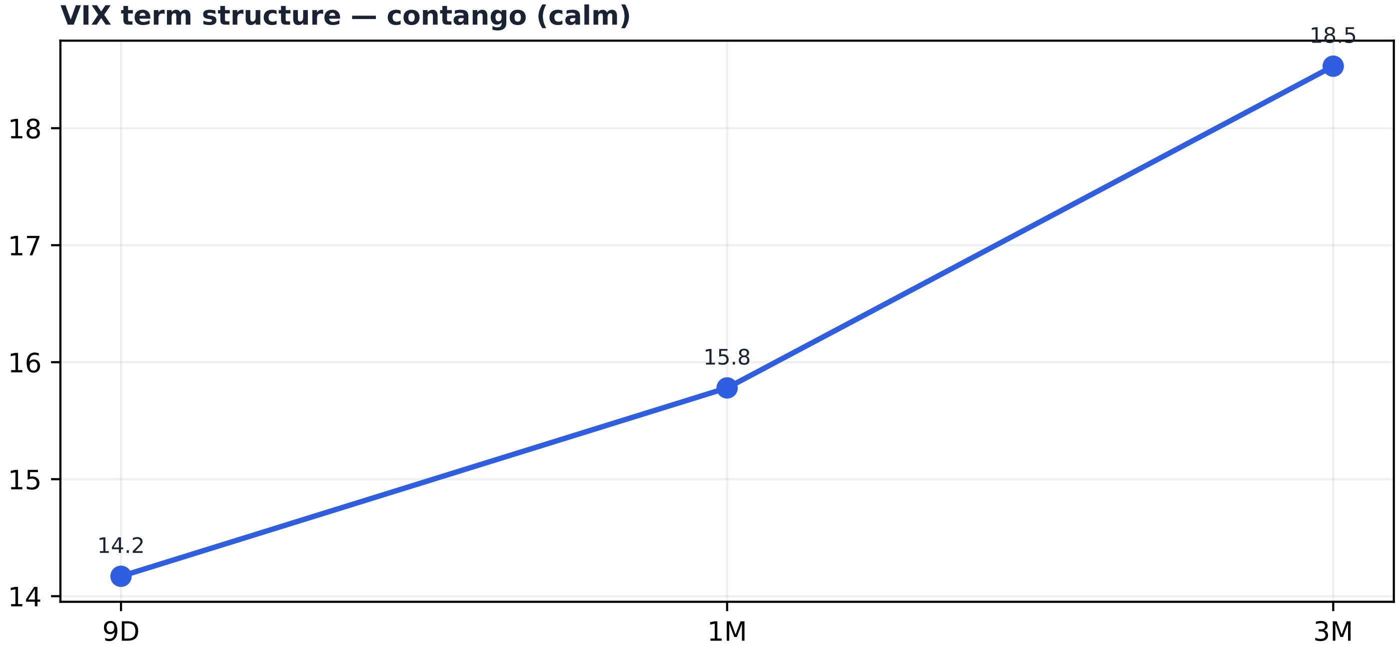
Volatility & Risk

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



VOL RISK PREMIUM

+2.7 pts

VIX 15.8 − realised 13.1

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

144

60th %ile of 5y — elevated crash-hedging demand

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

Bond vol (MOVE)	73	17th
Oil vol (OVX)	48	75th
Vol-of-vol (VVIX)	88	30th

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%	-2%	-0.2	+1.3
Nasdaq	-4.5%	-5.9%	13%	-36%	-3%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	14%	-33%	-2%	-0.2	+0.5
Semis	-7.3%	-10.0%	22%	-45%	-17%	-0.2	+0.5
Reg Banks	-6.3%	-9.7%	22%	-54%	-5%	-0.6	+2.2
Energy	-5.5%	-8.6%	21%	-23%	-1%	-0.7	+3.4
HY Corp	-1.6%	-2.3%	5%	-19%	-10%	+0.2	+2.9
Long Bond	-3.6%	-4.7%	10%	-47%	-46%	-0.1	+0.4
Gold	-3.5%	-4.7%	11%	-23%	-10%	-0.1	+1.5
WTI	-9.7%	-11.9%	26%	-53%	-30%	+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

	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-18	06-26
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	Gold	Gold	Gold
Breadth %	91	73	45	82	64	36	82	45	55	82	45	55
PC1 share												
VIX	19	17	19	17	17	18	17	15	22	18	16	18
HY OAS	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.7	2.7	2.8
2s10s bp	0	1	1	1	0	0	0	0	0	0	0	0
Rec Prob %	0	0	0	1	1	1	1	1	1	1	1	1
S&P 1w %	+3.6	+4.5	+0.5	+0.9	+2.3	+0.1	+0.9	+1.4	-2.6	+0.6	+0.9	-2.0

	07-02	07-10	07-12	07-13	07-20	07-27	08-03	08-06	08-07	08-10	08-17	08-24
Regime	R+	R+	N	N	N	N	N	R+	R+	N	R+	R+
Risk appetite								+0.72	+0.53	+0.53	+0.70	+0.43
Macro nowcast								-0.22	-0.20	-0.20	-0.20	-0.20
Quadrant	Gold	Gold	Gold	Gold	Gold	Refl	Refl	Gold	Refl	Refl	Refl	Refl
Breadth %	64	45	55	55	36	73	45	73	64	64	55	73
PC1 share								34	34	33	34	34
VIX	16	15	15	17	18	18	16	16	15	15	15	16
HY OAS	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.7	2.8	2.7	2.7	2.7
2s10s bp	0	0	0	0	0	0	0	0	0	0	1	0
Rec Prob %	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	+1.8	+1.2	+0.5	+0.5	-0.8	-0.4	+1.0	+3.3	+3.3	+2.1	+0.2	-1.0

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