ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-11-09

69 market instruments + 60+ macro series | Reflation quadrant | 2898 days

REGIME: Risk-off

EXECUTIVE SUMMARY

The regime model puts a 0.942 posterior on risk-off with the growth-inflation quadrant in Reflation (g-score 0.0, i-score 1.0), while the composite risk-appetite scorecard sits at just -0.29 and reads Neutral. That tension — a decisive statistical regime call against a scorecard that is barely negative — argues for a modest de-risking rather than a wholesale retreat: carry equity exposure near or slightly below benchmark, tilt into Value, Quality and Low-Vol (+1%, -0%, +1% over three months) and away from Momentum and High-Beta (-11%, -7%), and fund that from Tech and Energy. With 2s10s at 0.35bp and 3M10Y at 0.67bp the curve is positively sloped but the whole structure sits at 4.03-5.25%, so the belly (3-7Y at 4.53-4.70%) is the better-paid part of the curve than the 20Y at 5.27%. In credit, HY OAS of 3.42 in the 87th percentile of tightness is the clearest instruction in the pack: spreads are priced for a benign outcome, so this is a place to reduce rather than add.

Three developments matter this week. Comms +7.1% against Energy -7.8% is not a cyclical rotation — it is single-name concentration inside a tape where the S&P was flat at -0.1% and breadth only 45%, so the index level is hiding internal damage. VIX 20.8 against VIX3M 21.7 gives a term structure of 0.96, still upward-sloping but flattening toward inversion, and with SKEW at 154 the options market is paying up for crash protection even as spot volatility stays contained. And the DCC-GARCH stock-bond conditional correlation has gone to -0.11 with 0.9878 persistence, meaning Treasuries are hedging equity again — a material change from the +0.25 unconditional 252-day reading and a reason to hold duration rather than cash as the equity hedge.

The biggest risk to this view is that the reflation quadrant resolves upward in inflation rather than downward in growth, forcing the long end higher and breaking the bond hedge just as equities weaken. Watch 10Y above 5.00% and 30Y above 5.50%; a VIX3M/VIX term structure printing below 1.00 on a sustained basis alongside HY OAS widening through 4.00 would confirm the risk-off regime is being priced; conversely VIX back under 17 with breadth above 60% and HY OAS holding under 3.50 would argue the regime call is a false positive and the Neutral scorecard is the truer signal.

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Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Risk-off	Reflation	21	3.42

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

S&P 500	7,536.7	-0.1%	-3.5%	-1.5%
Nasdaq	25,256.8	+0.4%	-7.3%	-2.8%
Russell 2000	2,818.5	+0.5%	+0.9%	-5.9%
Tech	170.7	-2.0%	-13.1%	-5.2%
Financials	57.8	+0.3%	+4.9%	-0.8%
Energy	62.0	-7.8%	-6.0%	-1.7%
Long Bond	81.8	+0.1%	+4.8%	-0.9%
HY Corp	77.5	+0.8%	+0.2%	-2.8%
IG Corp	104.6	+0.9%	+2.0%	-1.5%
TIPS	106.0	-0.3%	+1.5%	-1.1%
DXY	101.9	+0.2%	-0.6%	+3.0%
Gold	4,129.3	+4.0%	-1.5%	-12.1%
WTI	88.2	-8.6%	-5.9%	+3.8%
Copper	6.3	-3.1%	-5.4%	-3.9%
VIX	20.8	-0.3	+5.6	+5.0
MOVE	88.9	-11.5	-9.6	+14.9

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US CROSS-ASSET SCORECARD

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

RISK APPETITE

Neutral

score -0.29



sector breadth	+0.55
credit hy	-0.98
vix term	-0.98
low concentration	-0.25
spx trend	-0.51
risk over haven	+0.40

MACRO NOWCAST (growth pulse)

Trend growth

score -0.10



weekly econ index	+0.47
initial claims	+0.31
chicago fed	+0.06
consumer sentiment	-1.63
industrial prod	+0.28

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.

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WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-11-09

TOP GAINERS		TOP DECLINERS	
Gold Miners	+14.9%	Oil E&P	-9.5%
NatGas	+10.1%	Brent	-9.4%
Comms	+7.1%	WTI	-8.6%
Silver	+4.1%	Energy	-7.8%
Gold	+4.0%	Oil Svcs	-6.6%
Biotech	+2.4%	Gasoline	-6.6%
Real Estate	+2.3%	Semis	-4.1%
Internet	+2.3%	Commodities	-3.7%

KEY LEVELS — week-over-week

S&P 500	7,536.7	-0.1%	WTI	88.2	-8.6%
Nasdaq	25,256.8	+0.4%	DXY	101.9	+0.2%
Russell 2000	2,818.5	+0.5%	Long Bond	81.8	+0.1%
VIX	20.8	-0.3	HY Corp	77.5	+0.8%
Gold	4,129.3	+4.0%	Semis	487.4	-4.1%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-off**
Risk appetite	prior: -0.10	->	**-0.29**
Macro nowcast	prior: -0.14	->	**-0.10**
PC1 share	prior: 33	->	**33%**

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

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US Cross-Market Analysis

Executive Summary

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Regime, Scorecard & Market State

The Markov filter on the S&P leaves essentially no probability mass on Neutral (0.0) and only 0.058 on risk-on, putting 0.942 on risk-off. That is a high-conviction regime read, and it is worth being precise about what drives it: the model is fitted on S&P return and volatility dynamics, and a 2898-day sample means it has seen enough regime transitions to be credible. But the composite risk-appetite scorecard at -0.29 is only mildly negative, and its components disagree sharply. Credit (HY at -0.98) and the VIX term structure (-0.98) are maximally bearish contributors, S&P trend is -0.51 and concentration -0.25, while sector breadth is a positive +0.55 and risk-over-haven is +0.40. So the negativity is concentrated in two variables that are both measures of how richly insurance and credit risk are priced, not in the actual price action of risk assets.

The index tape confirms that. The S&P is -0.1% on the week, -3% on the month and -2% on three months; Nasdaq is +0.4% / -7% / -3%; the Dow +0.4% / +1% / -2%; Russell 2000 +0.5% / +1% / -6%. The one-week numbers are flat-to-positive across all four, which is not how a risk-off regime looks in real time. The one-month numbers tell a different story, with Nasdaq -7% against a Dow that is actually up 1% — a 8-point dispersion that is the signature of a long-duration-equity unwind rather than a broad growth scare. Breadth at 45% advancing is slightly negative but not washed out.

The growth-inflation quadrant is Reflation, with g-score at 0.0 and i-score at 1.0. Read literally: growth is neither accelerating nor decelerating, and inflation pressure is at the top of its range. That is the least comfortable quadrant for a long-duration portfolio, because it offers no growth tailwind to offset the discount-rate headwind. It also explains why the regime model and the scorecard diverge — the regime is being driven by a volatility and valuation structure that is deteriorating, while the macro is simply flat rather than contracting. For positioning, the practical implication is that this is an environment to own cash-generative, shorter-duration equity exposure and to be paid for rate risk in the

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belly rather than the long end.

Sector & Factor Rotation

The weekly sector table is dominated by two outliers that need to be separated from the signal. Comms +7.1% and Energy -7.8% give a 14.9-point weekly range, which is far too wide to be a genuine macro rotation and almost certainly reflects concentrated single-name moves inside both sectors. Strip those and the underlying ordering is informative: Real Estate +2.3% and Discretionary +2.3% lead, Health +1.0% and Financials +0.3% are positive, Utilities flat at 0.0%, and Staples -0.8%, Industrials -0.9%, Materials -1.5% and Tech -2.0% are negative. Real Estate and Discretionary outperforming with Staples and Utilities lagging is a rate-sensitive, duration-positive signal rather than a defensive one — consistent with the belly of the curve being bid. But Industrials and Materials negative alongside them is a genuine cyclical weakness signal, and that combination (rate-sensitives up, hard cyclicals down) is what you would expect if the market is beginning to price easier policy against softer real activity.

Tech at -2.0% on the week extends a longer unwind. The factor data over three months is the cleaner read: Momentum -11%, High-Beta -7%, Growth -5%, Quality -0%, Value +1%, Low-Vol +1%. The growth-value spread at -6.3% over three months is a real and sustained reversal, not noise. What matters for an investor is that this is a defensive factor rotation happening without a defensive sector rotation — Staples and Utilities are not leading, so this is not a flight to safety. It is a de-rating of expensive, high-beta, high-momentum exposure while the broad market holds roughly flat. The Momentum drawdown of -11% is the single most violent number in the factor set and is the mechanism by which the Nasdaq lost 7% in a month while the Dow gained 1%.

The positioning conclusion follows directly. Low-Vol and Value at +1% are the only positive three-month factors, and they are positive by a thin margin — this is not a case where the defensive trade has run. Quality at -0% has held flat through a period that cost Momentum 11 points, which is exactly what Quality is supposed to do and argues for it as the core allocation. Fade Momentum and High-Beta; the -11% and -7% are the realised cost of having been positioned there, and with the regime model at 0.942 risk-off there is no reason to be early back in. Within sectors, the rate-sensitive leadership in Real Estate and Discretionary is worth respecting as long as the belly of the curve stays bid, but it is a leveraged bet on the rate path, not a defensive holding.

The Yield Curve & Rates

The curve is positively sloped across its entire length: 1M 4.03, 3M 4.17, 6M 4.19, 1Y 4.28, 2Y 4.46, 3Y 4.53, 5Y 4.59, 7Y 4.70, 10Y 4.84, 20Y 5.27, 30Y 5.25. 2s10s at 0.35bp and 3M10Y at 0.67bp are both positive, which is a meaningful change from an inverted structure and removes the single most reliable recession signal from the bearish case. Note the shape detail: 2s10s at 0.35bp is a flatter spread than 3M10Y at 0.67bp, meaning the steepening is concentrated in the front-to-belly segment rather than belly-to-long. That is a curve that has normalised through the front end repricing lower relative to the long end, not through the long end selling off alone.

The level is the real story. A 10Y at 4.84% and a 20Y at 5.27% are restrictive rates in absolute terms, and the 30Y at 5.25% sitting two basis points below the 20Y is a small inversion at the very long end that typically reflects duration demand or supply concentration at the 20Y point rather than an economic signal. With the quadrant in Reflation and i-score at 1.0, the risk to the long end is asymmetric: inflation at the top of its range argues the term premium has room to widen further, and the 30Y mortgage at 7.2% shows the real-economy transmission of that level.

For an investor, this argues for owning the belly and being cautious on the long end. The 5Y at 4.59% and 7Y at 4.70% capture most of the available yield with materially less duration risk than the 20Y at 5.27%. Going from 7Y to 20Y buys 57bp of additional yield for roughly double the duration — poor compensation in a quadrant where the i-score is at its maximum. The front end at 4.03-4.28% out to one year remains a genuine alternative with no duration risk, and with the DCC-GARCH stock-bond correlation now negative at -0.11 the belly does double duty as both carry and equity hedge, which cash does not. That is the argument for duration in the belly over cash despite similar yields.

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Credit & Financial Conditions

HY OAS at 3.42 sits in the 87th percentile of tightness, and IG OAS at 0.93 is correspondingly compressed. This is the most important valuation fact in the briefing and the reason the risk-appetite scorecard's credit component is at -0.98, essentially its floor. Credit at these spreads is not pricing a risk-off regime, a Reflation quadrant, or a 10Y at 4.84%. It is pricing a benign resolution of all three. Spreads this tight offer very little cushion: a move from 3.42 back toward a historically median 4.50-5.00 would deliver a mark-to-market loss on HY that the 3.42 of carry cannot absorb within a year.

Financial conditions corroborate the benign pricing. The ANFCI at -0.43 indicates conditions looser than average, and the stress index at -0.52 is similarly below its mean. There is genuinely no financial stress in the system right now — this is not a 2008 or 2020 setup, and it would be dishonest to present it as one. Funding works, credit is available, and the compression in IG at 0.93 reflects real demand for high-grade paper at these absolute yields.

The investment implication is about asymmetry rather than imminent stress. With the S&P~HY correlation at +0.67 over 252 days and +0.56 over 63 days, HY is a high-beta proxy for equity risk with a capped upside — spread can only compress 342bp to zero but can widen without limit. At the 87th percentile of tightness that trade-off is unattractive, and the right response is to reduce HY in favour of IG or the Treasury belly rather than to short credit, because loose financial conditions mean there is no catalyst in sight and the carry cost of a short is real. The signal to watch is HY OAS widening through 4.00, which would move it out of the top decile of tightness and would validate the regime model's 0.942 risk-off posterior in the one market that is currently refusing to confirm it.

Factor Structure & Systemic Risk

The PCA across 89 instruments puts PC1 (Risk, proxied by the S&P) at 33% of variance, PC2 (Rates, 10Y) at 16%, PC3 (Energy, WTI, inverse) at 6% and PC4 (US dollar) at 5%. A 33% first eigenvalue across a broad cross-asset set is a high but not extreme single-factor loading — it says a third of everything that moves is explained by one risk variable. The sector-only PCA is more concentrated at PC1 = 66% of sector variance, which is the number that matters for anyone trying to express a sector view: two-thirds of sector return dispersion is just beta to the common factor, so sector selection is a thin edge relative to the market call. With PC1 at 33% cross-asset and 66% within sectors, diversifying across sectors buys far less protection than diversifying across the asset classes represented by PC2 through PC4.

The combined 49% in PC1 and PC2 is the key structural read: the market is being driven by risk appetite and the rate path, in roughly a two-to-one ratio. That is consistent with everything else in the briefing — the Momentum and Growth drawdowns, the rate-sensitive sector leadership, and the Reflation quadrant all describe a market where the discount rate is the dominant variable after direction itself. Energy at 6% in PC3 is small enough that the -7.8% weekly Energy move should be read as idiosyncratic, reinforcing the earlier conclusion that it is not a macro rotation signal.

The systemic co-movement gauge is the genuinely reassuring number in this section. Average pairwise conditional correlation from the MV-DCC across 12 assets is +0.04 now against +0.05 a year ago, with persistence at 0.882. Both readings are close to zero, and the change is a marginal decline. Diversification is working — assets are not collapsing into a single trade, which is what distinguishes the present setup from a real systemic event where this number runs to +0.40 or above. The 0.882 persistence means this state is sticky but not permanent, so a rise would be the thing to monitor rather than a sudden spike. For positioning, this is permission to use cross-asset diversification as a genuine risk tool right now, and it is the strongest single argument against treating the 0.942 risk-off posterior as a reason to move to cash.

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Cross-Asset Correlation & Lead-Lag

The DCC-GARCH conditional correlations are the most actionable numbers here because they describe the hedging relationships as they stand today rather than averaged over a year. S&P~Long Bond is -0.11 with 0.9878 persistence, S&P~DXY is -0.14 with 0.9926 persistence, and S&P~VIX is -0.91 with 0.977 persistence. The first of these is the critical change: the unconditional 252-day S&P~Long Bond correlation is +0.25 and the 63-day is +0.07, but the conditional estimate has turned negative. Treasuries are hedging equity again. Through the period when stocks and bonds both sold off on inflation, duration was a risk amplifier; the conditional estimate at -0.11 says that has reversed, and the 0.9878 persistence means the state should hold rather than flip week to week. That is a direct instruction: the belly of the Treasury curve at 4.59-4.70% is a better equity hedge than cash, because it pays a similar yield and now carries a negative beta to equity.

The dollar relationship is similar in direction and smaller in magnitude. S&P~DXY conditional at -0.14, against -0.32 over 252 days and -0.19 over 63 days, means dollar strength is still mildly equity-negative but the relationship is weakening. The S&P~VIX conditional at -0.91, deeper than the -0.85 unconditional and matching the -0.92 63-day reading, confirms VIX remains a mechanically efficient equity hedge, which matters given the SKEW reading discussed below. Gold is the notable non-hedge: S&P~Gold is +0.31 over 252 days and has risen to +0.38 over 63 days, so gold is currently co-moving with equity rather than offsetting it, and Gold~DXY at -0.39 on both windows means the gold position is really a dollar short. Owning gold as an equity hedge is not supported by this data.

The internal equity correlations warn against assuming diversification inside the equity sleeve. Semis~S&P at +0.77 over 252 days and +0.79 over 63 days means semiconductor exposure is close to a levered index position, which is the mechanism behind both the Nasdaq -7% monthly move and the Momentum -11%. Russell 2000~Regional Banks at +0.59 on both windows means small-cap exposure carries a substantial embedded bank-credit bet — relevant with HY at the 87th percentile of tightness, because the small-cap complex is where tighter credit transmits first. Nasdaq~Long Bond at +0.18 over 252 days but -0.06 over 63 days shows the same bond-hedge reversal appearing in the growth complex specifically.

On lead-lag, the Granger network identifies VIX, Long Bond, US 10Y and WTI as net leaders, with Gold, DXY, the S&P and Nasdaq as followers. The direction is coherent and consistent with the PCA: volatility and the rate complex lead, and equity follows. The practical use is to treat moves in the VIX complex and the 10Y as the early read on equity direction rather than the reverse. But the weekly predictive skill here is modest and should be treated as such. Granger causality on weekly data over a 2898-day sample establishes statistical lead-lag at conventional significance, not tradeable forecasting power; the effect sizes are small relative to weekly return volatility, the relationships are unstable across subsamples, and transaction costs will consume much of any signal. Use the network to decide which indicator to watch first, not to size a position.

Relative Value & Fair Value

Three fair-value models clear the $R^2 \geq 0.4$ threshold, and their quality varies enough that they deserve different weight. Nasdaq versus real yield and the S&P fits at R^2 0.99 and shows the index 2.7% cheap with a z-score of -1.20. That is the highest-confidence residual in the set — a 0.99 fit over this sample means the model explains essentially all of the variation, so a -1.20 z is a real signal rather than specification error. Read carefully, though: this says the Nasdaq is cheap *conditional on* the current real yield and the current S&P level. It is a relative-value call, not a directional one. The trade it supports is long Nasdaq against short S&P, hedged for the rate factor; it does not say the Nasdaq is cheap outright, and after a -7% month with Momentum at -11%, the conditioning variables have already moved a long way.

Gold versus real yield and the dollar shows 16.4% rich at z +0.79 on an R^2 of 0.70. The lower fit means more of the residual is unmodelled, so the point estimate of 16.4% should be discounted — but a 0.70 R^2 is still a credible relationship, and a z of +0.79 combined with a 16.4% overvaluation says gold is expensive relative to what real yields and the dollar justify. Combined with the S&P~Gold correlation

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having risen to +0.38, this is the weakest-looking position in the cross-asset set: expensive on fundamentals and no longer providing an equity hedge.

Semis versus Nasdaq is 5.5% rich at z +0.51 with R^2 0.96. The high fit makes this reliable and the signal is modest but directionally clear: semis have not yet given back their premium to the broader growth complex despite the Nasdaq's -7% month. With Semis~S&P at +0.79 and a 0.96 fit to the Nasdaq, the sensible expression is to reduce semis in favour of broader Nasdaq exposure, which simultaneously harvests the +5.5% semis richness and the -2.7% Nasdaq cheapness. That pair — long Nasdaq, short semis — is the cleanest relative-value trade the fair-value section supports, because both legs are high-R^2 models pointing the same way and the position is close to beta-neutral.

Volatility & Tail Risk

VIX at 20.8 against VIX3M at 21.7 gives a term structure ratio of 0.96. That is still upward-sloping, which is the normal state, but it is only 4% of slope — flat enough that it is approaching inversion, and it is why the vix_term component of the risk-appetite scorecard reads -0.98. A VIX of 20.8 is itself elevated rather than extreme, sitting above the long-run median but well short of a stress print. The combination says near-term volatility expectations have risen to nearly meet three-month expectations without the market having actually broken.

SKEW at 154 is the number that deserves the most attention. A reading at that level means out-of-the-money puts are priced at a substantial premium to at-the-money options — the market is paying up heavily for crash protection while spot volatility stays contained at 20.8. VVIX at 106 confirms that volatility-of-volatility is elevated, meaning the VIX itself is expected to move. MOVE at 89 for rate volatility is moderate and not flashing stress, which is notable given the Reflation quadrant and the 10Y at 4.84% — the rates market is not pricing the inflation risk the quadrant implies.

The practical reading of SKEW 154 with VIX 20.8 is that downside protection is expensive and the market has already bought it. That argues against adding tail hedges here — the insurance is richly priced, and the S&P~VIX conditional correlation at -0.91 means a plain long-VIX or long-put position is an efficient but costly hedge. Reducing exposure is cheaper than hedging it at these skew levels. For investors already protected, this is a reasonable place to consider monetising rather than extending protection.

The tail-risk metrics help size the exposure that remains. S&P 500 expected shortfall at the 5% level is -4.8% against a current drawdown of -4%, Nasdaq ES5 is -5.9% against a -8% current drawdown, and Russell 2000 ES5 is -6.4% against -8%. The important observation is that both the Nasdaq and Russell 2000 are already in drawdowns deeper than their modelled 5% tail — they have experienced the tail event. The S&P at -4% against a -4.8% ES5 is right at the edge. This argues the growth and small-cap complexes have already absorbed a one-in-twenty week of damage, which partly explains the Nasdaq's -2.7% cheap fair-value residual, while the S&P has not. Position sizing should assume a further -4.8% to -6.4% from here is within the distribution, not an outlier.

Macro Pulse & Recession Risk

The recession indicators are, to be direct, benign — and it would be dishonest to dress them up. NY Fed recession probability is 0.4%, the Sahm rule indicator is 0.00, 2s10s is positive at 0.35bp, and initial claims are 189,000. All four of the standard pre-recession signals are clear. Claims at 189k are a genuinely strong labour-market number; continued claims at 1,718,000 corroborate that people who lose jobs are finding them. Unemployment at 4.1% with U6 at 7.9% and participation at 61.9% describes a labour market that is loosening at the margin but not deteriorating. Job openings at 7,523k are down from the post-pandemic peak but remain above the pre-2020 norm. Average hourly earnings at $38.0 and nonfarm payrolls at 159,293k complete a picture that offers no support for a recession call.

The macro nowcast at -0.10 reads Trend growth, and its composition is worth unpacking because it is almost entirely one variable. The Weekly Economic Index contributes +0.47, initial claims +0.31, industrial production +0.28 and the Chicago Fed NAI +0.06 — all four positive — against consumer sentiment at -1.63. That single component is dragging an otherwise solidly positive nowcast to

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marginally negative. Consumer sentiment at 48.1 is a depression-level print, and it sits alongside Michigan inflation expectations at 4.6% and a saving rate of 3.8%. The honest reading is that households feel badly about prices while continuing to spend — retail sales at $745,021m and a 3.8% saving rate are not the behaviour of a retrenching consumer. Sentiment surveys have been poor predictors of consumption through this cycle, so the nowcast's -0.10 overstates the weakness.

The hard-activity data supports trend growth rather than contraction. Real GDP at $24,611.1bn, the Weekly Economic Index at 3.5%, industrial production at 104.0 with capacity utilisation at 76.9%, and durable goods at $345,672m describe an economy expanding at or slightly above trend. Housing is the soft spot: starts at 1,221k and permits at 1,398k with the 30Y mortgage at 7.2% and Case-Shiller at 336.7 means the rate level is biting in the most rate-sensitive sector, and new home sales at 676k reflect it. Permits running above starts is mildly constructive for the forward path.

On inflation, the composite picture justifies the i-score of 1.0. CPI at 336.3 against core CPI at 338.9, PCE at 132.3 against core PCE at 130.9, PPI at 295.7 and sticky CPI at 2.8% give a mixed read, with sticky CPI the most reassuring number at 2.8%. But Michigan inflation expectations at 4.6% are the problem — expectations that far above any plausible target are what keeps the Reflation classification alive and what constrains how fast policy can ease. Net liquidity at $5,791bn, down $81bn over the month, is a mild drain. At roughly 1.4% of the stock it is not large enough to drive markets on its own, but the direction is a headwind rather than a tailwind, and it is consistent with the compression in Momentum and High-Beta — the factors most sensitive to marginal liquidity.

Key Risks & What to Watch

The central risk is the one the Reflation quadrant describes: inflation at the top of its range with growth flat, which forces the long end higher and breaks the bond hedge exactly when equity needs it. The S&P~Long Bond conditional correlation at -0.11 is the foundation of the recommendation to own the Treasury belly as the equity hedge, and its 0.9878 persistence says that state is sticky — but persistence is not permanence, and a correlation flip back toward the +0.25 unconditional reading would remove the hedge and leave the portfolio long two correlated risks. Michigan inflation expectations at 4.6% are the variable most likely to trigger it.

The second risk is the gap between credit and the regime model. HY OAS at 3.42 in the 87th percentile of tightness and the regime model at 0.942 risk-off cannot both be right for long. If credit is correct, the regime posterior is a false positive driven by the volatility structure and the right response is to add back risk. If the regime model is correct, HY at 3.42 has roughly 100-150bp of widening to do and the S&P~HY correlation of +0.56 over 63 days means equity will not be spared. The scorecard at -0.29 Neutral is the honest statement of that unresolved tension, and it is why the recommendation here is a modest tilt rather than a decisive position.

The third risk is concentration masquerading as breadth. PC1 at 66% of sector variance means sector diversification provides little real protection, Semis~S&P at +0.79 means the growth sleeve is a levered index bet, and breadth at 45% with a flat index means the headline level is already flattering the internals. A portfolio that looks diversified across sectors may hold a single factor bet.

The specific signals to watch, in order of what would most change the view. On the bearish side: HY OAS widening through 4.00 would move credit out of the top decile of tightness and confirm the risk-off posterior in the market that is currently refusing to ratify it — that is the single most important level in this note. A VIX3M/VIX ratio printing below 1.00 on a sustained basis, rather than the current 0.96 slope compressing to inversion intraday, would mark the transition from elevated-but-orderly to stressed; VIX above 25 would corroborate. A 10Y above 5.00% or a 30Y above 5.50% would signal the term premium widening that breaks the bond hedge. Initial claims above 250,000 for two or more consecutive weeks would move the labour market from benign to deteriorating and would be the first genuine crack in the recession picture, which at a 0.4% NY Fed probability and a 0.00 Sahm reading currently has none. Average pairwise conditional correlation rising from +0.04 toward +0.20 or above would mean diversification is failing and would justify cutting gross exposure rather than rotating within it. An

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US Cross-Market Analysis (cont.)

S&P break below its drawdown such that the decline exceeds -10% from the high would take the index past the -4.8% ES5 tail and into a different regime.

On the constructive side: VIX sustained below 17 with breadth above 60% and HY OAS holding under 3.50 would argue the 0.942 risk-off posterior is a false positive and the Neutral scorecard is the truer reading, which would justify adding back Growth and High-Beta exposure. SKEW falling from 154 toward 130 would indicate the demand for crash protection has faded. Michigan inflation expectations falling from 4.6% toward 3.5% with sticky CPI holding near 2.8% would move the quadrant out of Reflation and remove the main constraint on the long end. A Momentum factor stabilising after its -11% three-month decline, confirmed by the Nasdaq closing its -2.7% fair-value discount, would be the earliest sign that the growth unwind has run its course. Nothing in this note should be read as a forecast of certainty — these are the levels at which the evidence changes, and the positioning should change with it.

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PART I

Rates, Credit & Macro

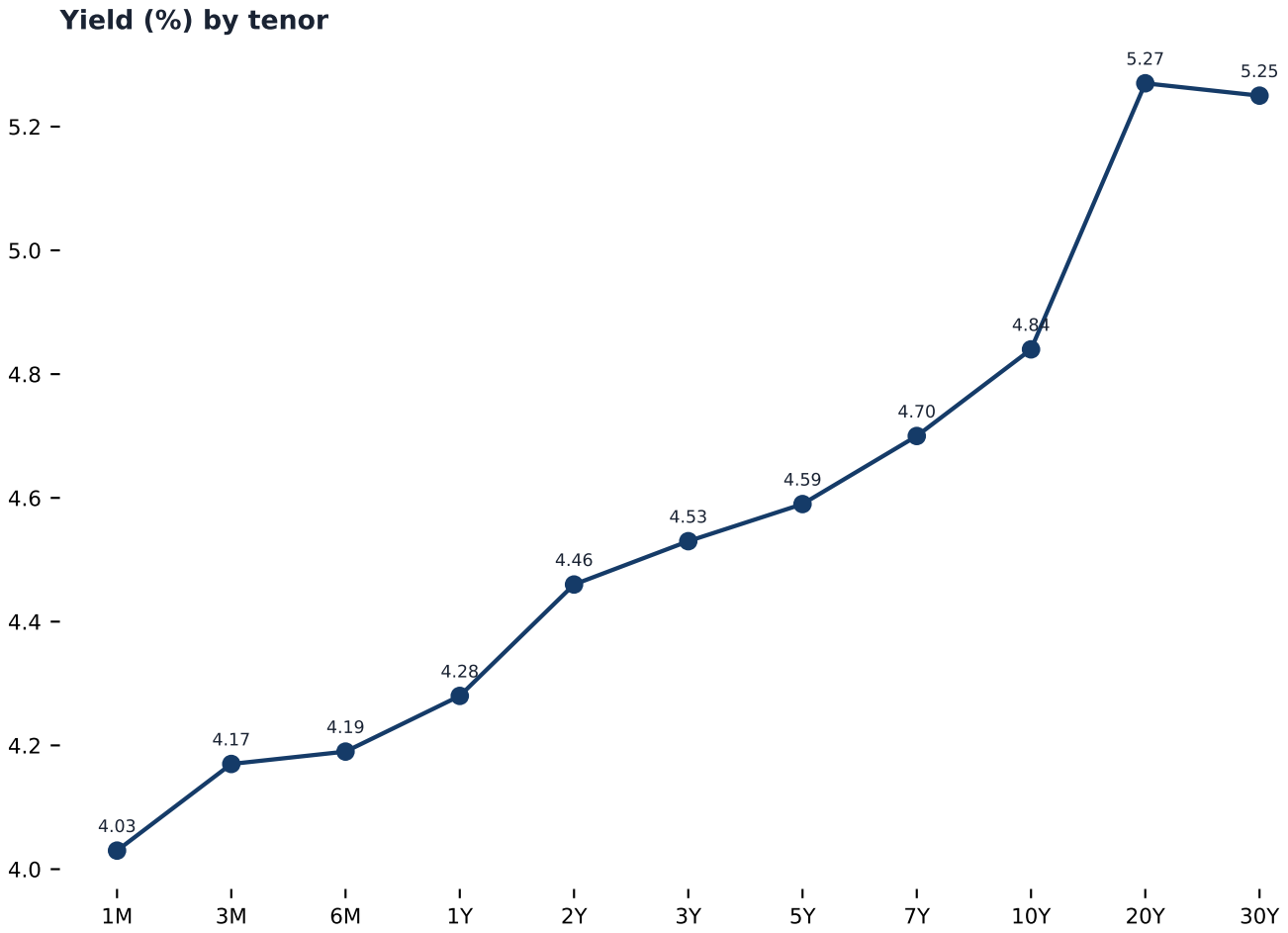
The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

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

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The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.35bp, 3M-10Y +0.67bp (positive).



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Credit, Financial Conditions & Volatility

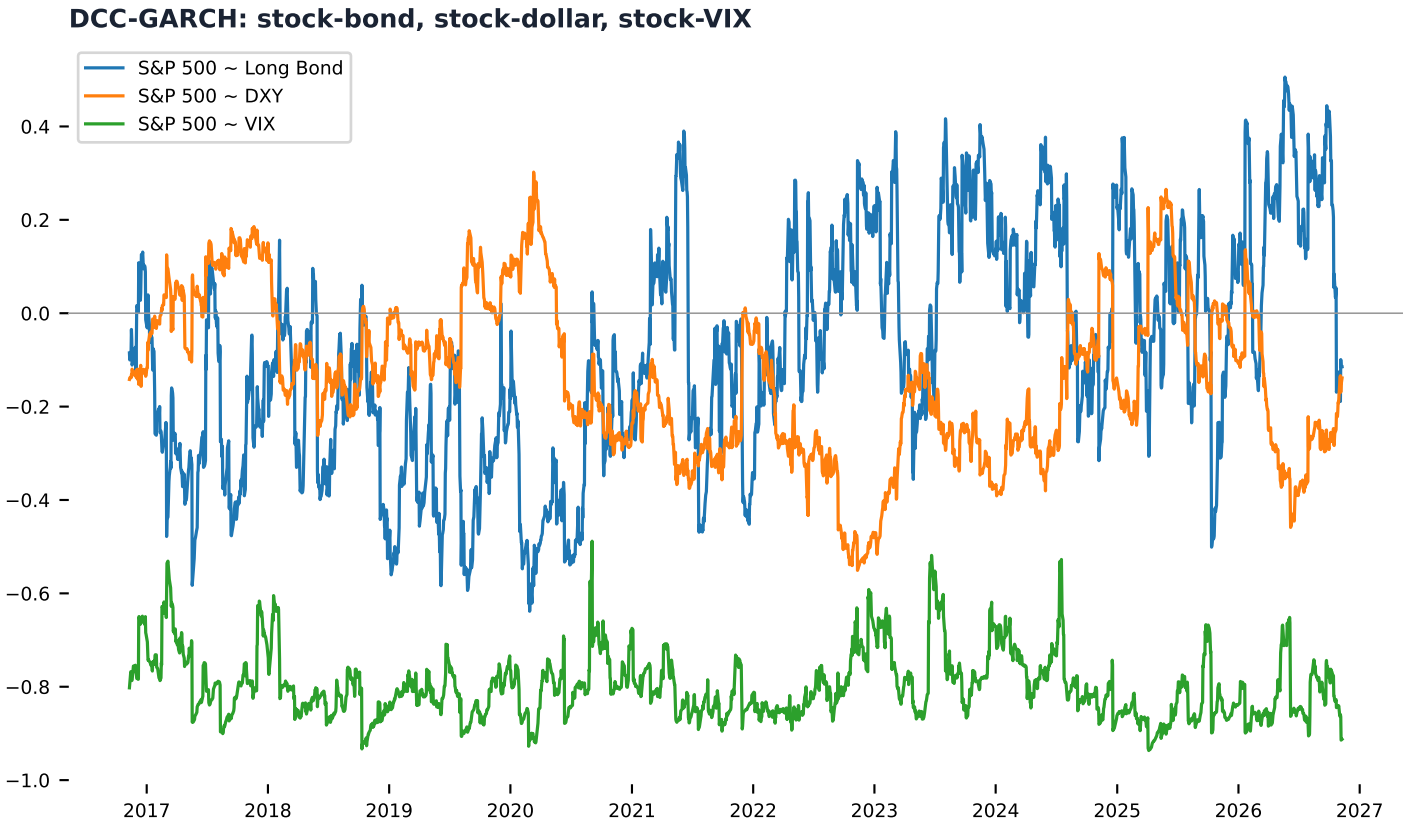
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**3.42**	87th pctile
IG OAS	**0.93**	
Fin Conditions (ANFCI)	**-0.43**	0 = average; +tight
St. Louis Stress	**-0.52**	
VIX	**20.8**	term VIX/VIX3M 0.96
VIX3M	**21.7**	
VVIX (vol of vol)	**106**	
MOVE (bond vol)	**89**	
SKEW (tail hedging)	**154**	

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Regime, Growth-Inflation & Liquidity

Markov regime: Risk-off (posterior Neutral 0.00, Risk-on 0.06, Risk-off 0.94). Quadrant: Reflation.





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Macro Pulse: Labor

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

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	**159,293.00**	+165.00	2026-10
Unemployment %	**4.10**	-0.10	2026-10
U6 underemployment %	**7.90**	+0.30	2026-10
Participation %	**61.90**	+0.10	2026-10
Job openings (k)	**7,523.00**	+333.00	2026-09
Avg hourly earnings $	**38.00**	+0.14	2026-10
Initial claims (wk)	**189,000.00**	-6,000.00	2026-10
Continued claims	**1,718,000.00**	+23,000.00	2026-10

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Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**336.30**	+2.17	2026-09
Core CPI index	**338.90**	+1.13	2026-09
PCE index	**132.26**	+0.65	2026-09
Core PCE index	**130.90**	+0.41	2026-09
PPI index	**295.71**	+7.97	2026-09
Michigan inflation exp %	**4.60**	+0.60	2026-09
Sticky CPI %	**2.82**	+0.07	2026-09

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Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,611.08**	+203.07	2026-07
Industrial production	**103.95**	+0.68	2026-09
Capacity utilization %	**76.85**	+0.43	2026-09
Chicago Fed NAI	**0.07**	+0.15	2026-09
Weekly Econ Index %	**3.47**	+0.52	2026-10
Durable goods ($m)	**345,672.00**	+6,487.00	2026-09
Retail sales ($m)	**745,021.00**	+5,699.00	2026-09
Saving rate %	**3.80**	-0.20	2026-09
Consumer sentiment	**48.10**	-3.60	2026-09
Housing starts (k)	**1,221.00**	-67.00	2026-09
Building permits (k)	**1,398.00**	-5.00	2026-09
New home sales (k)	**676.00**	-4.00	2026-09
Case-Shiller HPI	**336.74**	-0.52	2026-08
30y mortgage %	**7.18**	-0.06	2026-11

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Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.88**	+0.00	2026-11
SOFR	**3.89**	-0.03	2026-11
M2 ($bn)	**23,508.00**	+214.00	2026-10
Bank reserves	**2,966.80**	+30.80	2026-09
C&I loans ($bn)	**2,959.04**	+24.62	2026-09
Consumer credit ($bn)	**5,224,415.99**	+27,838.63	2026-09

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Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.4%**	12m-ahead, curve-based
Sahm rule (real-time)	**+0.00**	>0.50 triggers
2s10s curve	**+0.35 bp**	inverted = warning
Initial jobless claims	**189,000**	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 +0.76	1d-lag -0.08
Semis	contemp +0.80	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.05
DXY	contemp -0.14	1d-lag -0.01

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PART II

Cross-Market Structure

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

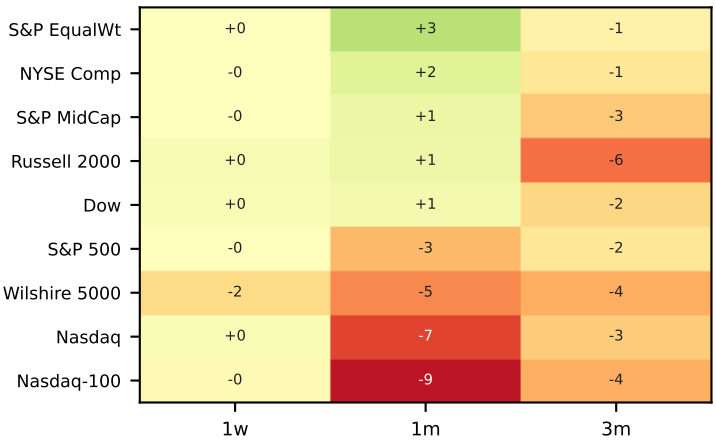
- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

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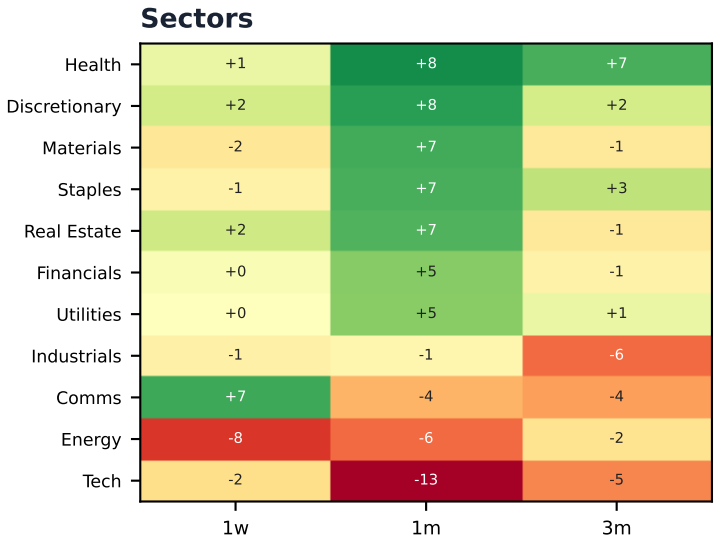
Returns Heatmap

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

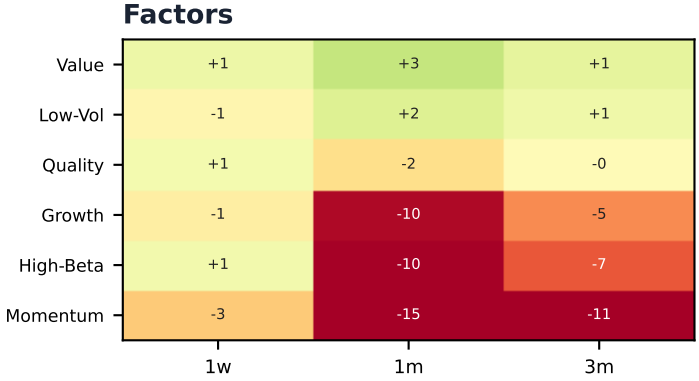
Indices



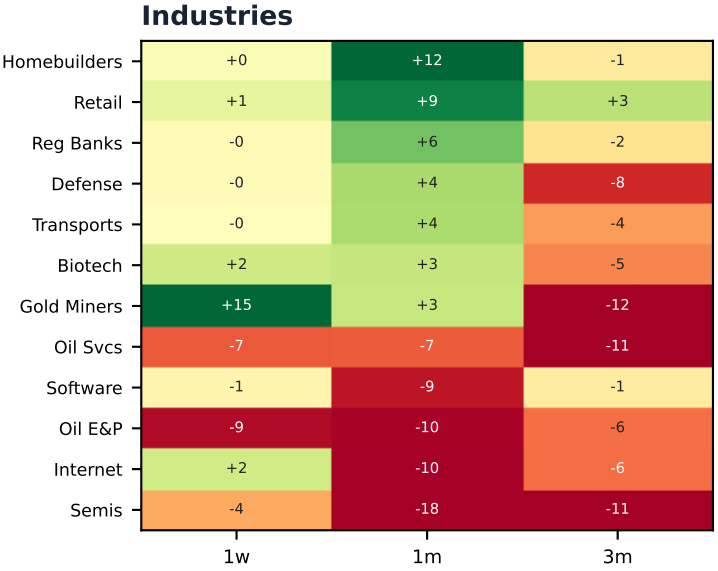
Sectors



Factors



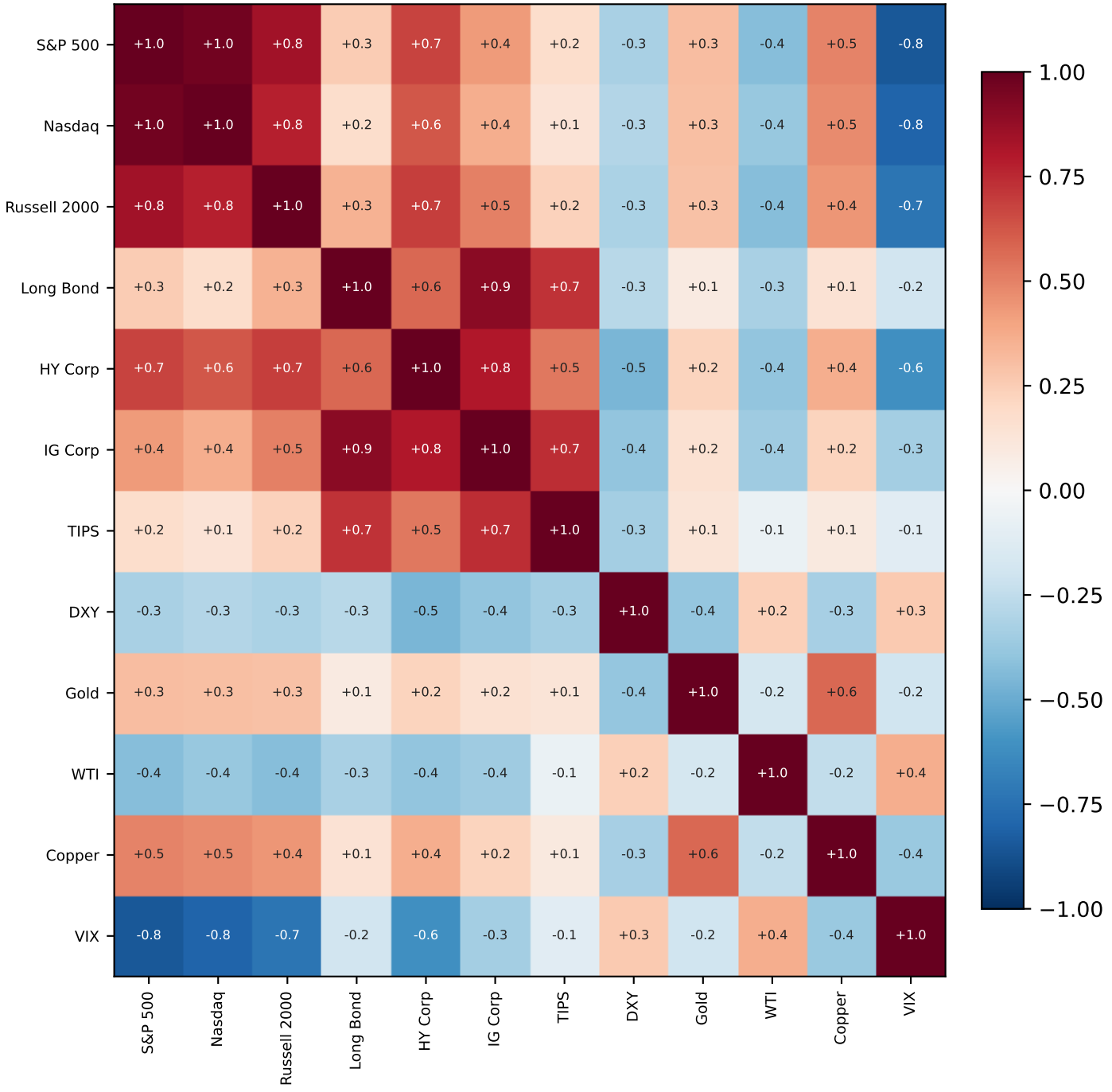
Industries



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Cross-Asset Correlation (252d, daily)

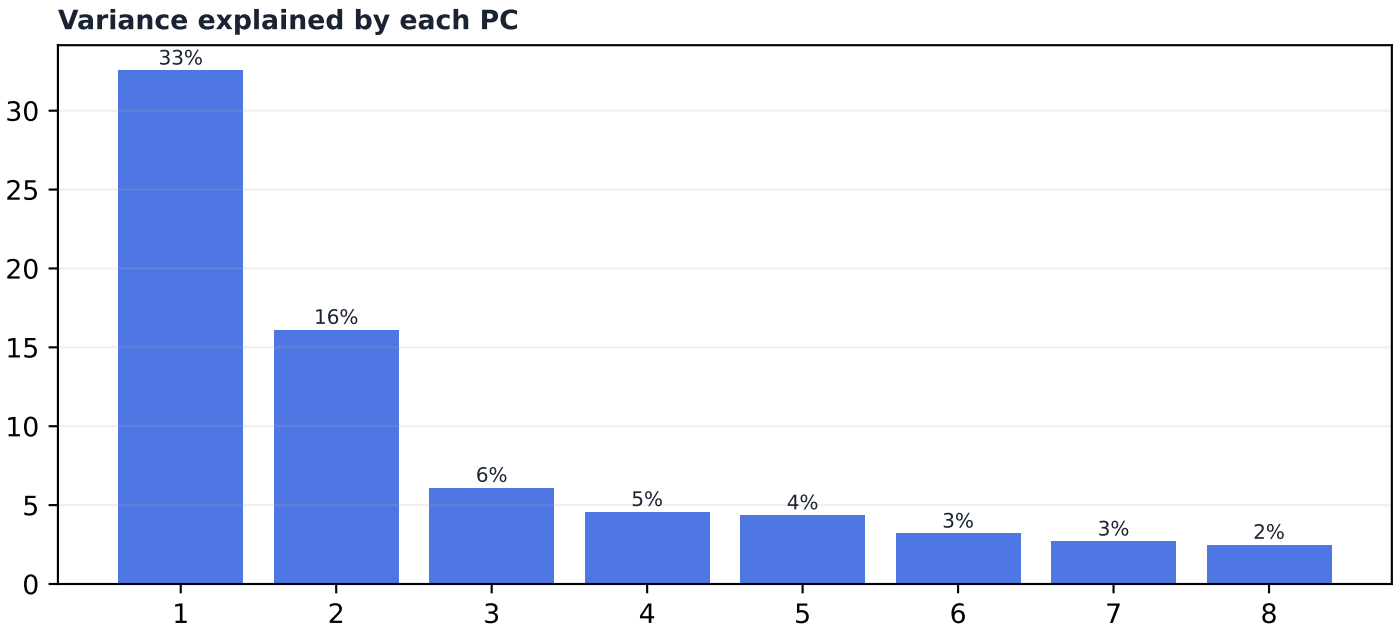
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



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CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 89 instruments (156 weeks)



PC1 — Risk (S&P 500)

32.5% of variance (cum 33%) · marker corr +0.92

+ S&P EqualWt +0.18, Wilshire 5000 +0.18, NYSE Comp +0.17, S&P 500 +0.17, S&P MidCap +0.17

– VIX3M -0.16, VIX -0.15, VIX9D -0.15, HY OAS -0.14, VVIX -0.13

PC2 — Rates (10Y)

16.1% of variance (cum 49%) · marker corr +0.95

+ US 10Y +0.25, US 5Y +0.25, US 30Y +0.23, US 2Y +0.23, 10Y real +0.22

– 7-10y Tsy -0.25, Agg Bond -0.24, Long Bond -0.24, MBS -0.23, IG Corp -0.21

PC3 — Energy (WTI) (inverse)

6.1% of variance (cum 55%) · marker corr -0.68

+ Nasdaq +0.14, Nasdaq-100 +0.14, Growth +0.13, Tech +0.13, Internet +0.13

– Energy -0.34, Oil E&P -0.33, Brent -0.30, WTI -0.29, Oil Svcs -0.27

PC4 — US dollar

4.5% of variance (cum 59%) · marker corr +0.37

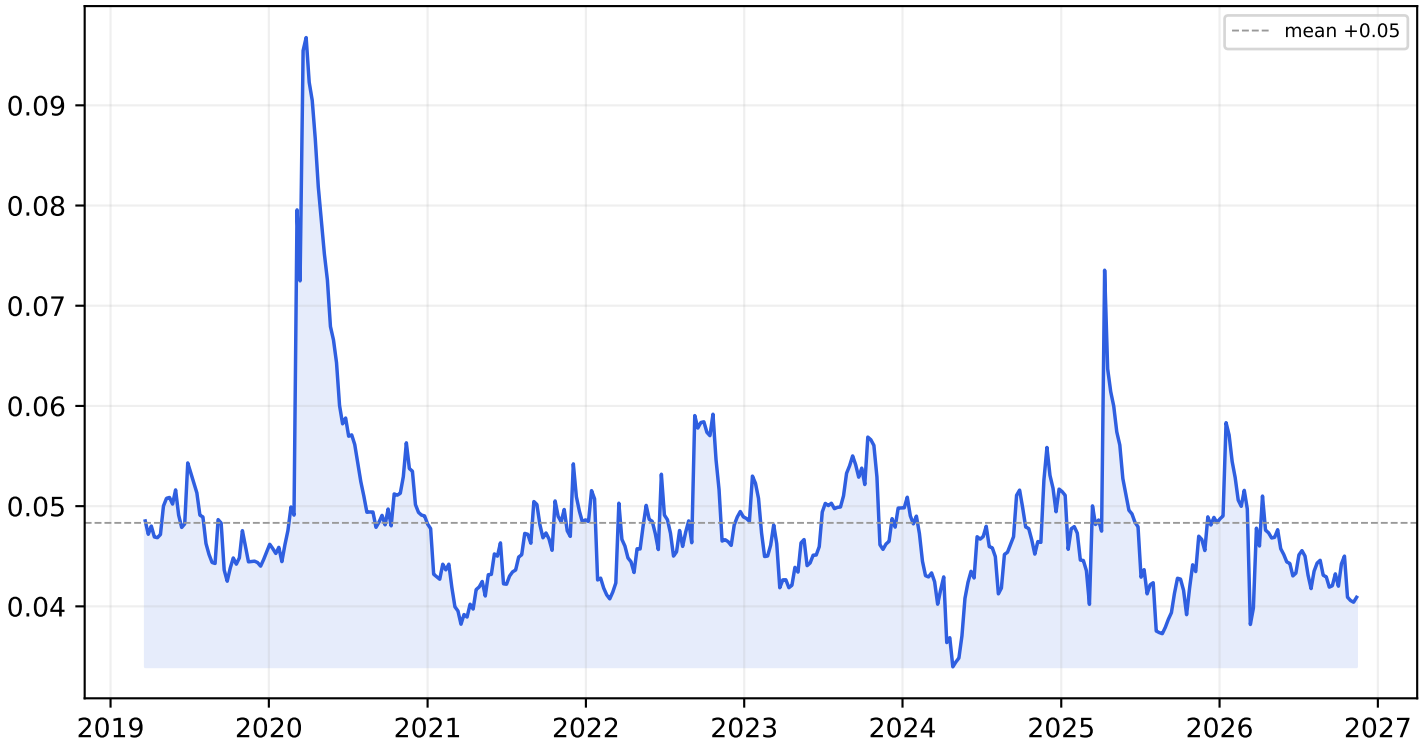
+ Gasoline +0.20, Software +0.19, DXY +0.18, Tech +0.18, Brent +0.17

– Staples -0.23, Materials -0.21, Health -0.21, EURUSD -0.18, Gold Miners -0.17

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.

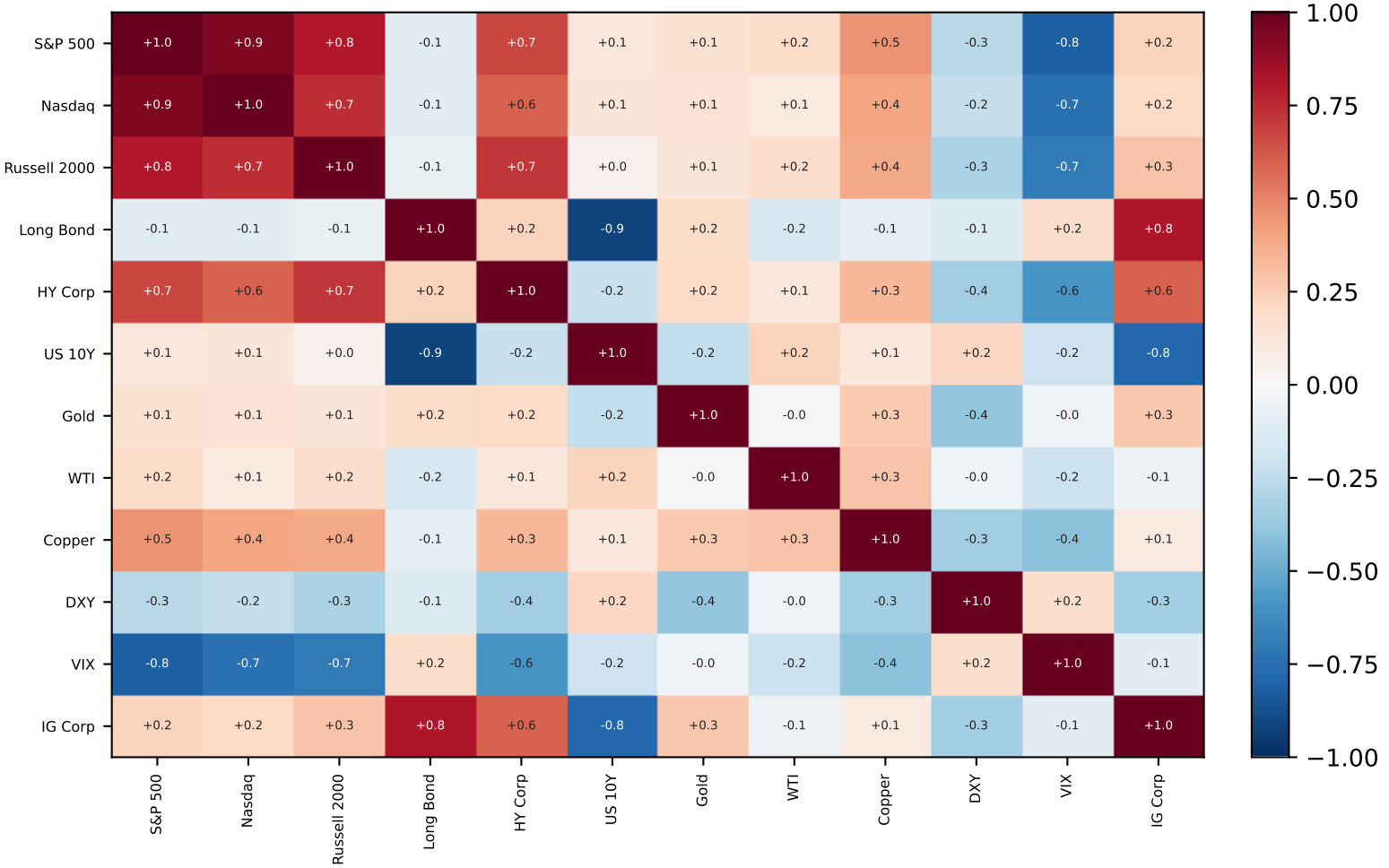
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Average pairwise conditional correlation (multivariate DCC-GARCH)



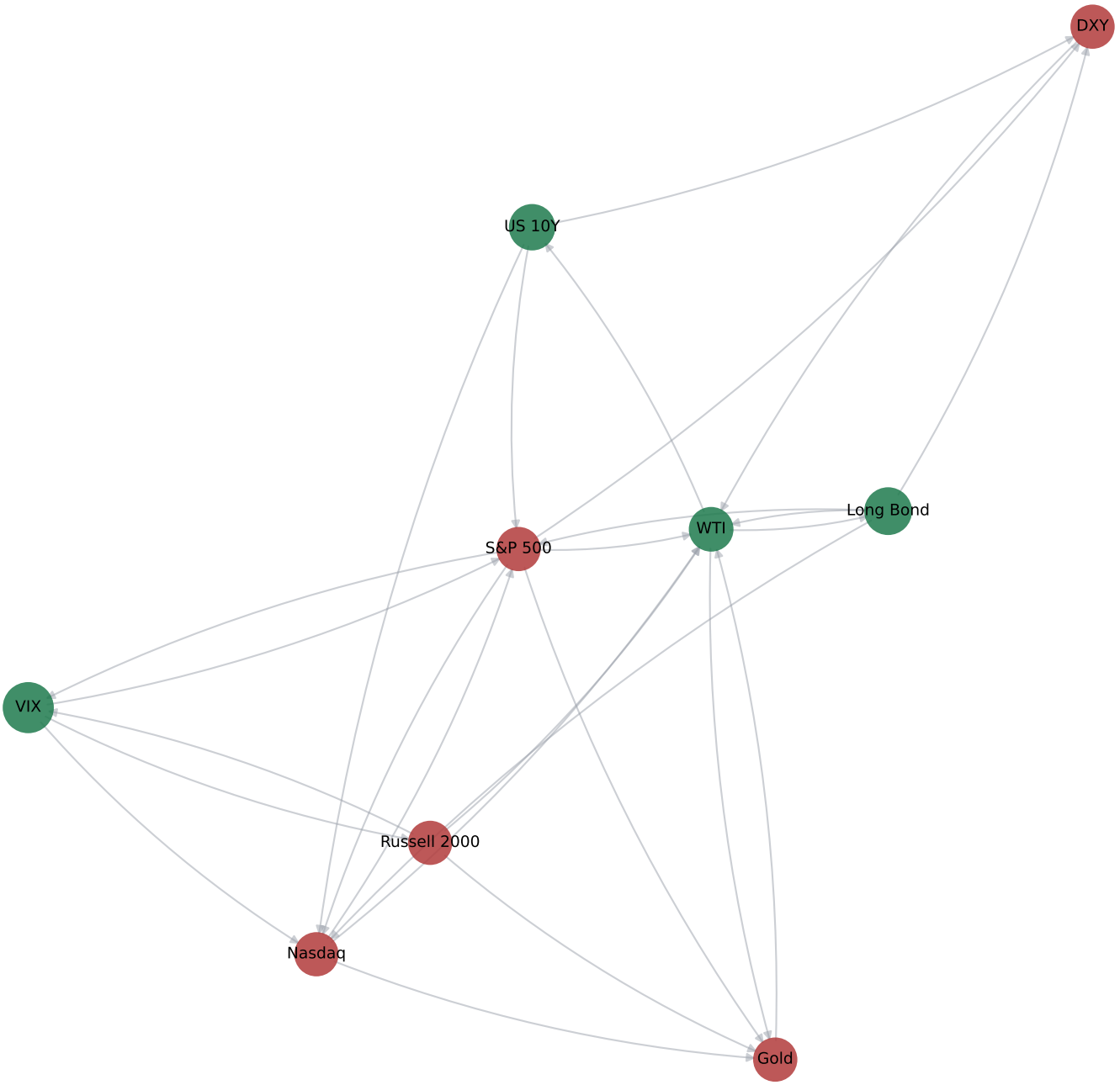
N=12 · persistence 0.882 · now +0.04 · rising = diversification failing in real time

Latest conditional-correlation matrix



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Directional lead-lag — Granger causality network

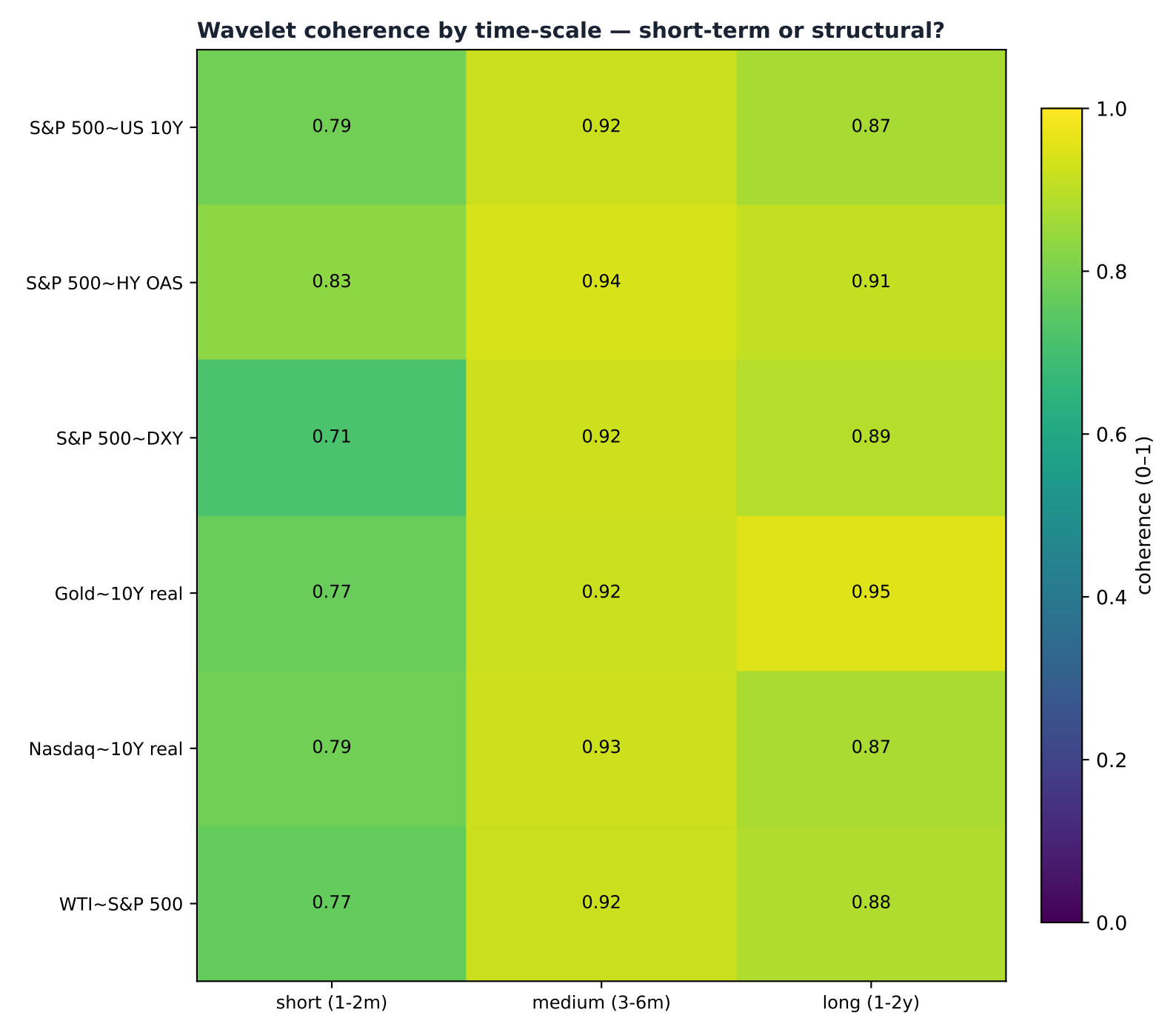


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

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

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

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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	0.971	0.56	88w	+3.31
S&P vs Equal-Weight	no	0.062	0.61	8w	+2.11
2Y vs 10Y	no	0.948	0.70	43w	+1.26
S&P vs Nasdaq	yes	0.006	1.24	7w	-1.25
HY vs IG credit	yes	0.000	0.28	3w	-1.05
VIX vs VIX3M	yes	0.009	0.84	2w	-0.91
WTI vs Brent	no	0.229	0.98	1w	+0.89
S&P vs Dow	yes	0.002	0.73	7w	+0.81
Large vs Small (R2K)	no	0.062	0.66	10w	+0.70
Gold vs Silver	no	0.207	1.20	13w	-0.56
Semis vs Nasdaq	no	0.180	0.52	15w	-0.20
Long vs Short Tsy	no	0.279	0.05	19w	+0.01

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.

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PART III

Rotation, Momentum & Fair Value

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

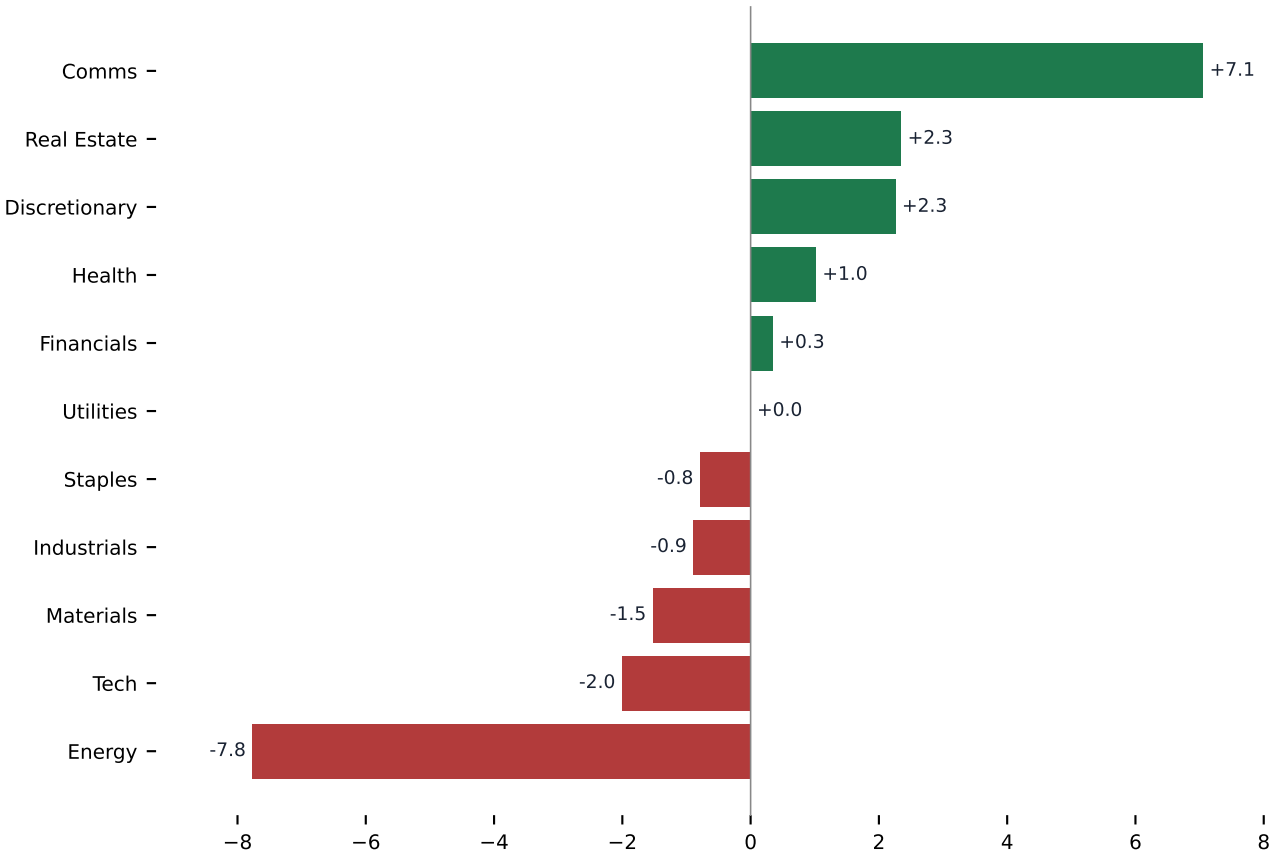
- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

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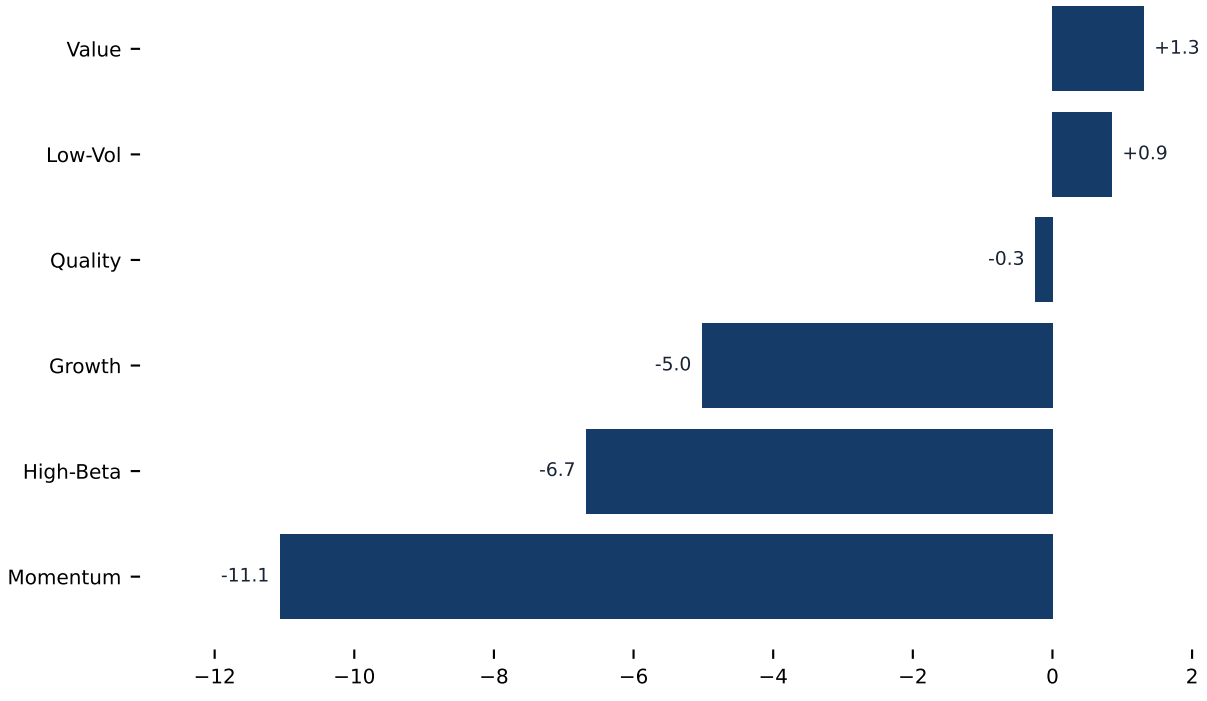
Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 45% up. Growth-Value 3m -6.3%.

Sectors — weekly return %



Factors — 3-month return %



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MOMENTUM & TREND

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

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	-3%	+2%	+12%	**+0.00**	+3%	-4%
Nasdaq	-6%	-4%	+10%	**-0.50**	+0%	-8%
Russell 2000	-8%	+1%	+18%	**+0.50**	+0%	-8%
Tech	-10%	-3%	+18%	**-0.50**	-0%	-15%
Financials	-1%	+13%	+10%	**+0.50**	+7%	-1%
Energy	+0%	+4%	+35%	**+0.50**	+4%	-11%
Health	+11%	+29%	+23%	**+1.00**	+16%	0%
Semis	-17%	-12%	+41%	**-0.50**	-7%	-26%
Reg Banks	-6%	+10%	+21%	**+0.50**	+3%	-6%
Gold Miners	+1%	+4%	+19%	**+1.00**	+2%	-22%
Gold	-7%	-9%	+1%	**-0.50**	-7%	-21%
WTI	+7%	-16%	+47%	**+0.00**	-1%	-21%

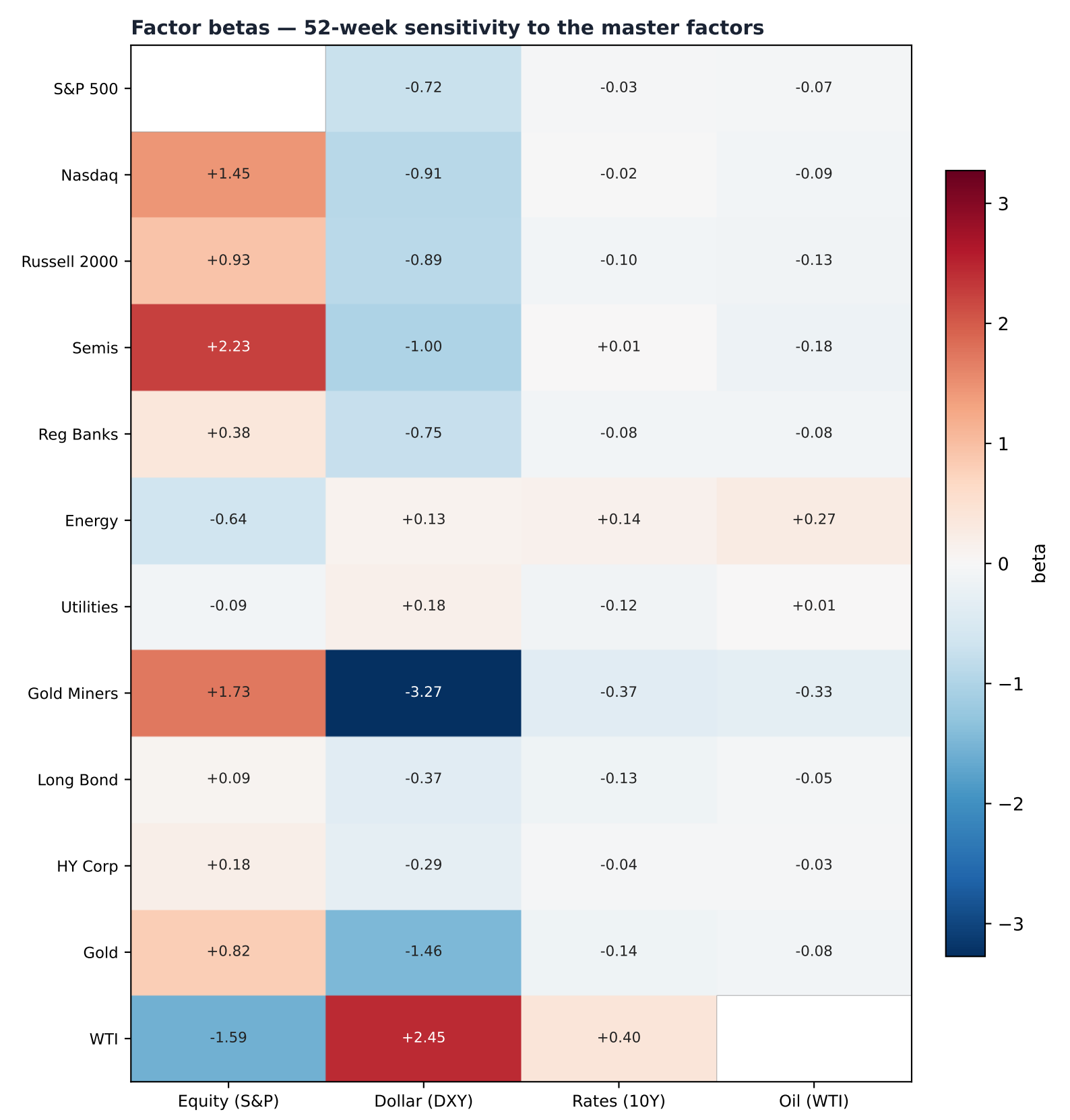
Sector 26-week relative strength:

LEADERS: Health +29%, Financials +13%, Staples +6%, Materials +5%, Energy +4%, Discretionary +4%

LAGGARDS: Comms -8%, Tech -3%, Industrials -2%, Utilities -0%, Real Estate +3%, Discretionary +4%

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

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FAIR VALUE — RICH / CHEAP vs DRIVERS

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

Nasdaq vs real yield & S&P

cheap z -1.20

actual 25256.83 · model-fair 25948.06 · gap -2.7% · R² 0.99



S&P vs liquidity & rates

RICH z +1.13

actual 7536.68 · model-fair 6126.03 · gap +23.0% · R² 0.32



Gold vs real yield & dollar

RICH z +0.79

actual 4129.30 · model-fair 3548.76 · gap +16.4% · R² 0.70



HY spread vs equity vol

RICH z +0.76

actual 3.42 · model-fair 3.17 · gap +0.2 · R² 0.13



Semis vs Nasdaq

RICH z +0.51

actual 487.42 · model-fair 462.18 · gap +5.5% · R² 0.96



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 R² — a low-R² model is a weak anchor, stated honestly.

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PART IV

Volatility & Risk

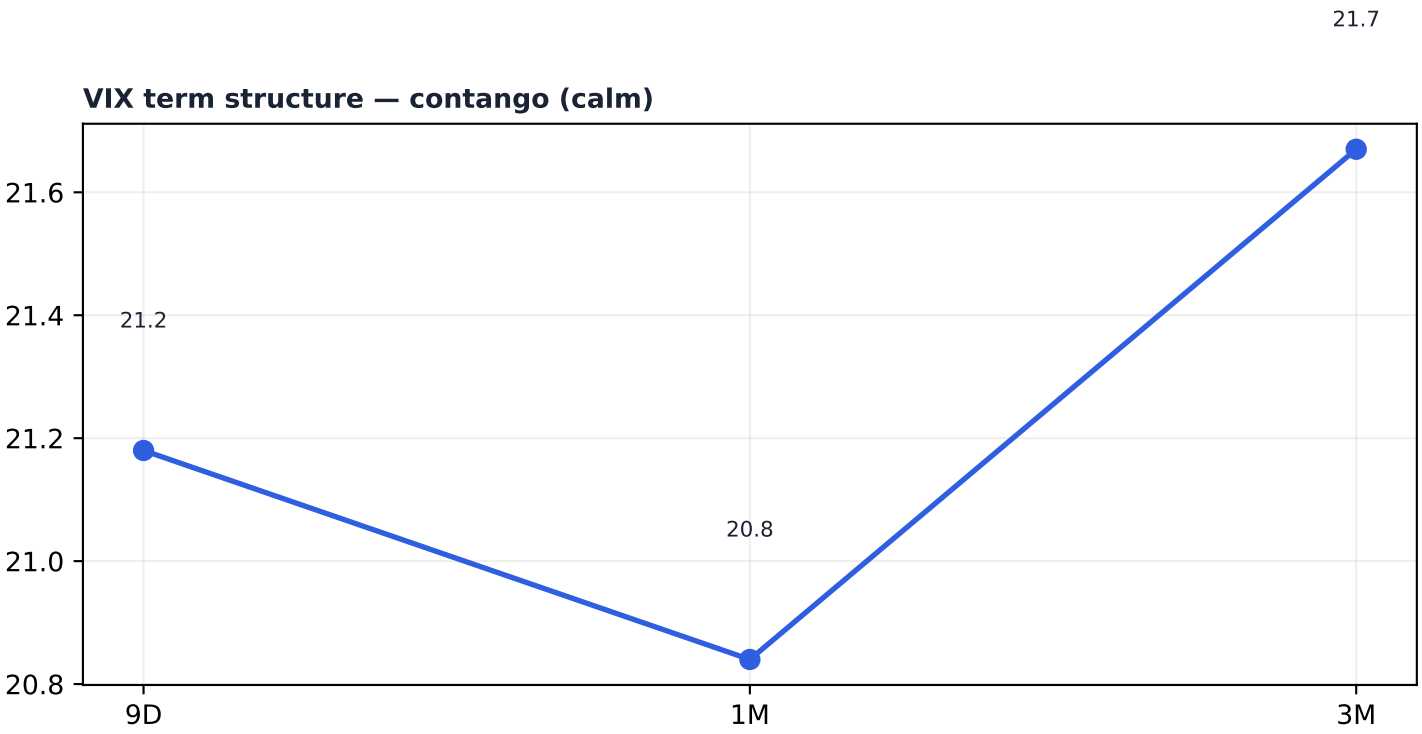
The volatility complex and downside risk.

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

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VOLATILITY COMPLEX

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



VOL RISK PREMIUM

+8.4 pts

VIX 20.8 − realised 12.4

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

154

86th %ile of 5y — elevated crash-hedging demand

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

Bond vol (MOVE)	89	31th
Oil vol (OVX)	58	90th
Vol-of-vol (VVIX)	106	73th

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.

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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%	-4%	-0.2	+1.3
Nasdaq	-4.6%	-5.9%	13%	-34%	-8%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	13%	-27%	-8%	-0.2	+0.5
Semis	-7.7%	-10.6%	23%	-44%	-26%	-0.3	+0.5
Reg Banks	-6.3%	-9.7%	21%	-54%	-7%	-0.6	+2.3
Energy	-5.9%	-9.1%	22%	-23%	-11%	-0.8	+3.5
HY Corp	-1.6%	-2.3%	5%	-18%	-11%	+0.2	+2.8
Long Bond	-3.6%	-4.7%	10%	-50%	-47%	-0.1	+0.4
Gold	-3.6%	-4.7%	11%	-26%	-21%	-0.1	+1.1
WTI	-10.1%	-12.2%	26%	-53%	-27%	+0.5	+3.2

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

Nasdaq 0.77 Russell 2000 0.60 HY Corp 0.47 Long Bond 0.17 Gold 0.11

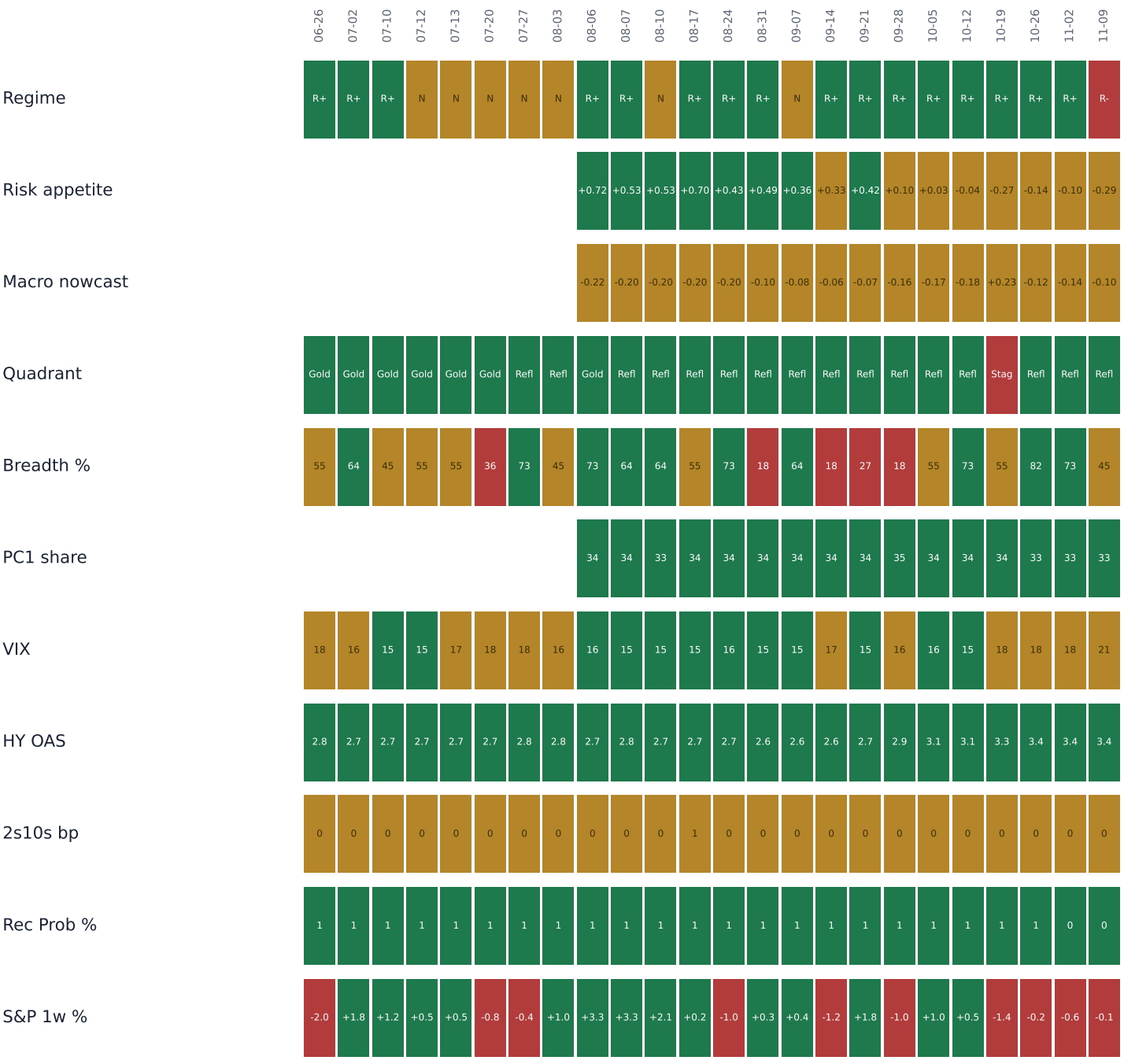
VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

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Historical Trend - Key Metrics

Key readings from every weekly report, most recent on the right. Cells are colour-coded green (favourable / risk-on), amber (neutral) and red (adverse / risk-off) so the multi-month trend is readable at a glance.

R+ risk-on / favourable N neutral R- risk-off / adverse



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

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