ABL Digital Global Cross-Asset Weekly

Trend & Correlation Report | week ending 2026-07-31

139 instruments | 605 weeks history

REGIME: Neutral

EXECUTIVE SUMMARY

The engine holds a Neutral regime with high conviction — an 86.6% smoothed posterior, roughly 25 weeks running — with risk-on (10.2%) and risk-off (3.2%) both remote, so this is a genuinely trend-less, low-stress market rather than a coin-flip. The single most important development this week is oil: WTI fell 7.3% to $83.03 (−18.6% over 13 weeks) even as physical fundamentals stayed tight, a price-versus-fundamentals disconnect that reads as a macro/demand repricing rather than a supply event. Beneath the calm, the growth×inflation composite sits squarely in the stagflation quadrant (growth z −0.08, inflation z +1.47) and the market-implied curve is pricing hikes, not cuts (≈2.1 hikes to one year). The key risk is valuation colliding with that rate path: the S&P's Shiller CAPE is 40.5 (99th percentile) and its equity risk premium is −0.78%, so equities are priced for perfection against bonds that now yield more with less risk. Breadth (71% of global indices, 82% of US sectors above their 40-week average) and near-zero recession odds keep the tape constructive for now.

Full section-by-section analysis follows on the next pages.

KEY SIGNALS

Stocks-Bonds DCC corr	**+0.01 (1y ago +0.15)**
PC1 variance share	**23%**
DCC persistence (a+b)	**0.9804**
Weeks in regime	**25**

EXECUTIVE DASHBOARD

One-glance cross-asset scorecard · week ending 2026-07-31 · 139 instruments, 10-year context

MARKET REGIME **Neutral** ~25w in regime	**GROWTH × INFLATION** **Stagflation** g -0.1 / i +1.5	**STOCK–BOND CORR** **+0.01** vs +0.15 1y ago
RISK CONCENTRATION **23%** PC1 share of variance	**EQUITY BREADTH** **71%** indices > 40wk MA	**VIX TERM** **Contango** ratio 0.86

VALUATION **Shiller CAPE 40.5** **99th %ile / 155y** Excess CAPE yield +0.04% ERP -0.78%

METRIC vs 10-YEAR HISTORY	Level	Wk Δ	10y percentile
Volatility (VIX)	17.6	-0.99	57th
HY credit spread (OAS)	2.77%	+0.04	17th
IG credit spread (OAS)	0.79%	+0.00	21th
EM corp spread (OAS)	1.45%	-0.03	6th
10Y real yield (TIPS)	2.43%	+0.12	100th
10Y nominal yield	4.71%	+0.16	99th
2Y yield	4.37%	+0.19	87th
10Y–2Y curve	+0.36pp	-0.01	49th
10Y breakeven infl.	2.26%	+0.02	59th
Financial conditions	-0.55	-0.01	31th
Initial jobless claims	187k	-22k	0th
Weekly Econ Index	+2.9%	+0.33	82th
Fed net liquidity	$5.92T	+0.00	59th
US dollar (DXY)	101.3	-0.2%	70th
Gold	$4,094	+0.6%	93th
S&P 500	7412	-0.6%	99th

Percentile = rank of the current level within its own 10-year weekly history. Red ≥ 90th (historically high), blue ≤ 10th (historically low), amber in the tails, grey
Extremes flag where a market is stretched versus its own norm — the fastest read of what is unusual this week.

Detailed Cross-Asset Analysis

Section-by-section interpretation of the engine output - for investors

Executive Summary

The engine holds a Neutral regime with high conviction — an 86.6% smoothed posterior, roughly 25 weeks running — with risk-on (10.2%) and risk-off (3.2%) both remote, so this is a genuinely trend-less, low-stress market rather than a coin-flip. The single most important development this week is oil: WTI fell 7.3% to $83.03 (−18.6% over 13 weeks) even as physical fundamentals stayed tight, a price-versus-fundamentals disconnect that reads as a macro/demand repricing rather than a supply event. Beneath the calm, the growth×inflation composite sits squarely in the stagflation quadrant (growth z −0.08, inflation z +1.47) and the market-implied curve is pricing hikes, not cuts (≈2.1 hikes to one year). The key risk is valuation colliding with that rate path: the S&P's Shiller CAPE is 40.5 (99th percentile) and its equity risk premium is −0.78%, so equities are priced for perfection against bonds that now yield more with less risk. Breadth (71% of global indices, 82% of US sectors above their 40-week average) and near-zero recession odds keep the tape constructive for now.

Regime & Market State

The Markov-switching model's 86.6% weight on Neutral, with a highly persistent DCC backbone (0.9804), tells you this state is sticky and unlikely to flip on a single print. Corroborating signals agree: VIX at 17.59 (−0.99) with a term-structure ratio of 0.86 (44th percentile) means the curve is in healthy contango — forward vol exceeds spot, the signature of calm, not the inverted "spot fear" of stress. Cross-asset risk concentration is low, with PC1 explaining just 23% of variance; markets are being driven by idiosyncratic, asset-specific stories rather than one systemic factor, which is why single-name and single-market selection should out-earn beta here. The tension is the stagflation read — elevated inflation (z +1.47) atop soft growth (z −0.08) — but both are rolling the right way (inflation z fell 1.11 over 13 weeks, growth fell 0.21), so this is decelerating stagflation, not accelerating. For an investor: stay invested but expect the index to grind, and lean into dispersion.

Rates, Credit & the Stock-Bond Relationship

Most nominal rate fields returned NaN this week, but the derivable anchors are clear: the 10Y real (TIPS) yield is 2.43%, the 10Y nominal is 4.71%, implying a breakeven near 2.3%, and the 10Y-3M curve is positive at +0.73pp — no recession signal. The pivotal structural shift is the stock–bond relationship: the DCC conditional correlation has collapsed to +0.01 from +0.15 a year ago, and the 52-week rolling stocks-vs-yield correlation is −0.19. Bonds are re-establishing their hedge property — when the correlation is near zero to negative, Treasuries once again cushion equity drawdowns, restoring the classic 60/40 logic that failed in the 2022 inflation shock. Credit is benign: the stocks-vs-HY-spread correlation of −0.74 is intact and the regime is calm, implying spreads are not warning of stress. The catch is relative value — with a −0.78% equity risk premium and an Excess CAPE Yield of +0.04% (0th percentile since 2015), high-grade bonds offer more return per unit of risk than stocks do; the marginal dollar is better rewarded in duration and quality credit than in the index.

Cross-Asset Correlation Structure

The correlation map is coherent. VIX-vs-stocks at −0.79 (13w) confirms the normal fear mechanics are functioning. Copper-vs-stocks (+0.67) and the copper/gold growth proxy tie equities to the cyclical pulse. The most actionable moves are in the dollar and gold: USD-vs-gold has deepened to −0.60 (from −0.32 over 52w), so a soft dollar (DXY −0.20%) is now a stronger tailwind for bullion, and gold-vs-real-yield remains −0.45, its textbook driver. Note the DAX-vs-SPX correlation easing to +0.43 from +0.64 — European equities (DAX +1.5%) are decoupling and outperforming, a real developed-market divergence worth expressing. Finally, net-liquidity-vs-stocks jumped to +0.47 (13w) from +0.05 (52w): liquidity is mattering more at the margin even though Fed net liquidity ($5.92T) and M2 ($23.06T) were flat this week — a reminder that any change in the liquidity impulse would now transmit quickly to equities.

Leading Indicators & Forecasts

The lead-lag table is dominated by financial-stress and volatility gauges leading US jobless claims — St. Louis Fin Stress → Initial Claims (corr +0.74, R^2 0.54), India VIX → Initial Claims (+0.74, R^2 0.54), Chicago Fed NFCI → Continued Claims (+0.71, R^2 0.50). These are genuine, economically sensible relationships: stress leads labor softening. But the honest reading is that weekly predictive skill is modest and the point forecasts here are not usable — the model spits out impossible values (negative "claims," +429,000% moves) with ±1σ bands hundreds of thousands wide (e.g., NFCI → Continued Claims band 209,796 to 2,092,887). The bands swamp the signal. What survives is directional, not level: with current stress low and initial claims at 187k (0th percentile of 10 years), the leaders point to labor staying tight near-term, consistent with WEI at +2.9% and 0.5% recession probability. The one clean, tight forecast is US 13-week bill → Fed funds (R^2 0.34): 3.63% → 3.71% (band 3.59–3.83%), corroborating the curve's hike bias. Treat all of this as probabilistic tilt, never certainty.

Oil

Oil is the week's standout dislocation. WTI crashed 7.3% to $83.03 despite bullish physical data: crude inventories sit 5.1% below the 5-year seasonal norm (z −1.7), gasoline −7.0% and distillate −9.1% versus seasonal, with a robust 3:2:1 crack of $60.4. Tight barrels and healthy refining margins argue for firm prices, yet the tape sold off hard — this is a macro/demand-driven repricing (oil-vs-stocks correlation −0.37 shows crude trading as a growth-fear proxy), not a glut. CFTC specs are neutral (+12,514, 49th percentile), so positioning is not stretched and there is no crowded long to unwind further; the −18.6% quarter has already cleared froth. For an investor, the fundamentals-versus-price gap plus the seasonal deficit skews risk asymmetrically higher from here if growth fears don't validate. Natural gas is the opposite: $2.78 with storage 5.9% above seasonal (a glut) and specs at the 13th percentile — bearish and under-owned, best left alone.

Gold & Silver

Precious metals are quietly the highest-conviction long. Gold at $4,094 and silver at $59.45 both rose (+0.63%, +1.34%) with the gold/silver ratio at 68.9 — the 12th percentile of five years, meaning silver is historically expensive relative to gold, driven by its industrial beta (silver-copper +0.61). The bullish setup is in positioning: CFTC gold net longs sit at just the 34th percentile and silver at the 17th (a crowded short), so metals are rising on light speculative fuel with room to run if shorts cover. A softening dollar (USD-gold −0.60) and the −0.45 real-yield correlation are supportive, though the 2.43% real yield is a headwind that has been overridden. Silver's 17th-percentile short is the cleaner squeeze-higher trade.

Crypto

Crypto is trading strictly as a risk asset: BTC-vs-Nasdaq correlation is +0.57 (13w), so it carries tech beta with no diversification benefit. Total market cap is $2.32T with Bitcoin flat (−0.1%) and BTC dominance elevated at 56.4% versus ETH's 10.2% (ETH/BTC 0.0301) — capital is huddling in Bitcoin rather than chasing altcoins, the defensive posture within crypto. Sentiment confirms caution: Fear & Greed at 30 ("Fear"), stablecoin supply flat at $306B (no fresh dry powder entering), though DeFi TVL rose 1.4% to $77B. Net: crypto is in a low-energy, risk-off-internally holding pattern that will follow Nasdaq rather than lead.

India, China & Russia

The emerging-market picture is bifurcated and Asia-led. China topped the global tape — Shenzhen +2.7% (the single best global mover) and Shanghai +1.1% — signaling a genuine risk appetite return to Chinese equities. India was broadly strong and healthy: Nifty50 +1.0%, Sensex +1.0%, Bank Nifty +0.7%, a well-distributed advance rather than a narrow one, and India's VIX is clean enough to serve as a leading stress indicator in the engine. Against this, other EMs lagged (Indonesia −0.2%, Turkey −0.1%, Taiwan flat), underscoring that "EM" is not monolithic — the developed DAX (+1.5%) and Chinese/Indian markets are leading while the EM tail stalls. Russia is not represented in the observable universe here, so no Russian instrument-level read is available; any Russia view would be inference, not data, and I flag that gap explicitly rather than fabricate a signal.

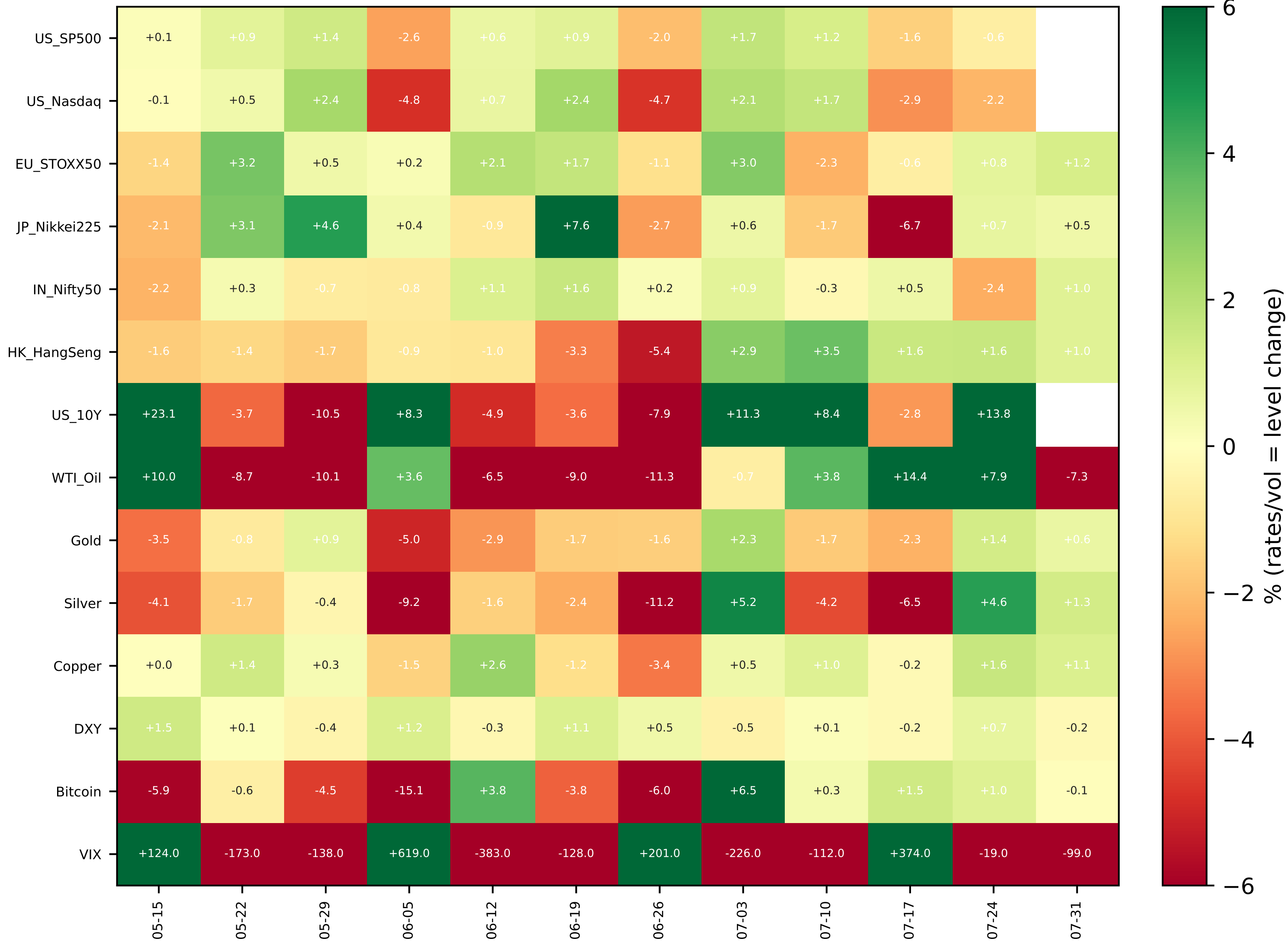
Key Risks & Divergences

Three divergences define the risk. First, valuation versus rate path: CAPE 40.5 (99th percentile) and a −0.78% ERP mean equities are richly priced exactly as the forward curve prices ≈2.1 hikes to 4.59% — the most crowded long in the complex is the S&P (85th percentile), the definition of squeeze-lower risk. Second, oil's price-versus-fundamentals gap: a −7.3% week atop a seasonal inventory deficit is either a growth warning the equity tape is ignoring, or an over-sold snap-back setup. Third, the stagflation quadrant sitting under a calm VIX — if inflation stops rolling over, the "hikes priced" curve becomes a genuine headwind to that 40x multiple. Crowded shorts (UST Bond 6th, JPY 6th, silver 17th, EUR 10th) add convex squeeze-higher risk in bonds, yen and metals.

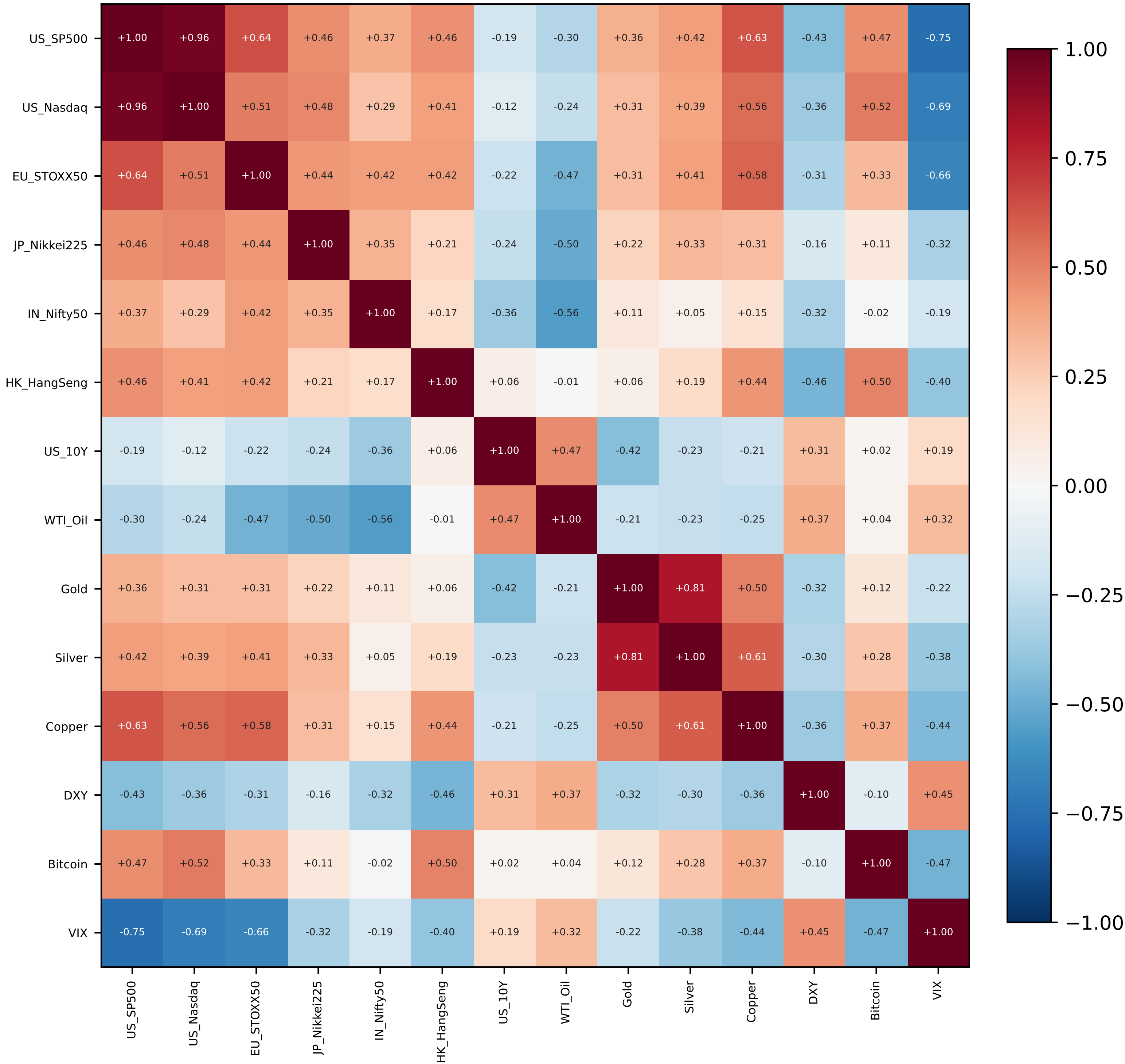
Positioning & What to Watch

The actionable stance: modestly constructive on equities given breadth and near-zero recession odds, but rotate toward the better risk-reward — long duration/quality bonds (now a working hedge with stock-bond correlation at +0.01), long precious metals (silver especially, into a 17th-percentile short), overweight China and India within EM, and avoid adding to the crowded S&P, copper (97th percentile), and grains. Watch these specific, observable signals. Confirming the constructive view: VIX term-structure staying in contango (<1.0), breadth holding above ~70%, initial claims remaining near 187k, and HY spreads quiet. Changing the view to defensive: the VIX3M ratio crossing above 1.0 (spot fear), breadth breaking below ~60%, the stock-bond DCC correlation turning meaningfully positive again (loss of the bond hedge), the growth composite z turning down through the recent −0.21 slope, or oil breaking further while inventories stay in deficit — that last combination would confirm a demand-side growth scare rather than a supply story. On the upside, watch the net-liquidity impulse (now +0.47 correlated to stocks) and a continued dollar slide to power the metals and China trades.

Weekly % change - last 12 weeks

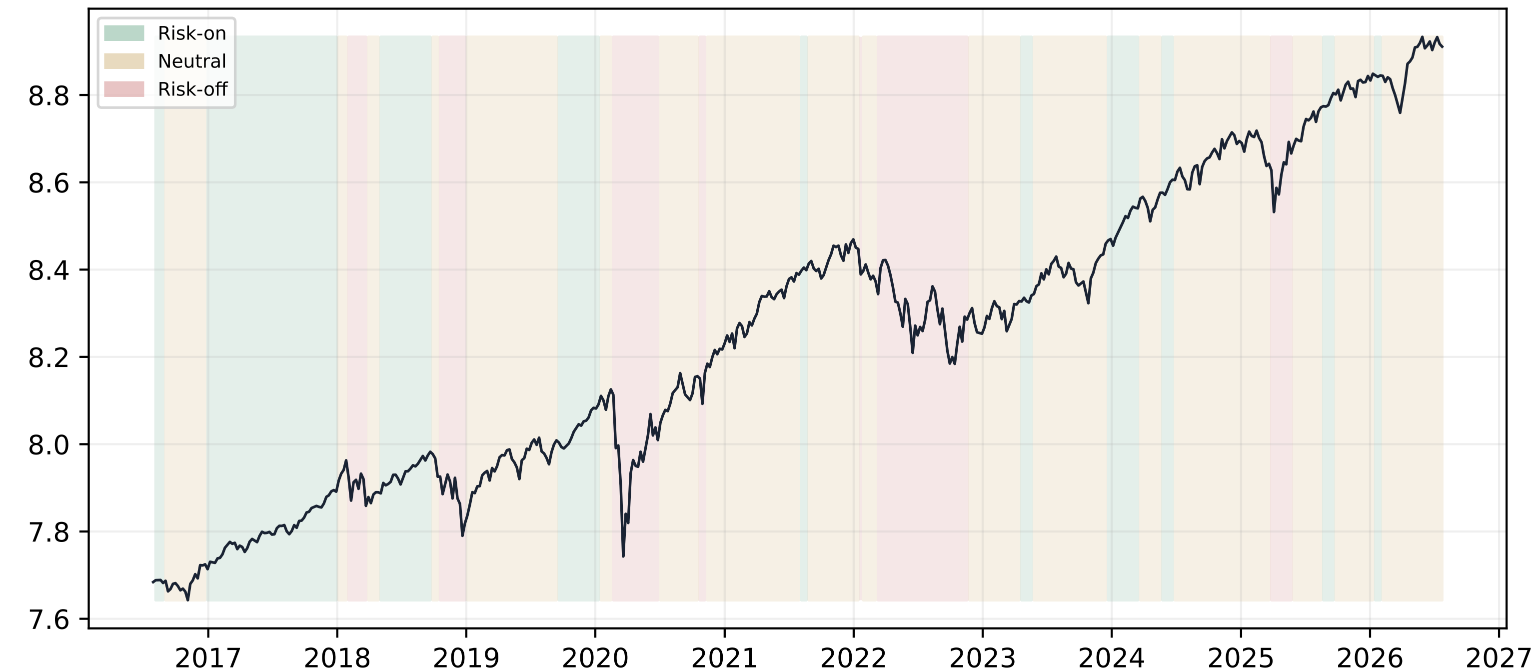


52-week correlation of weekly moves

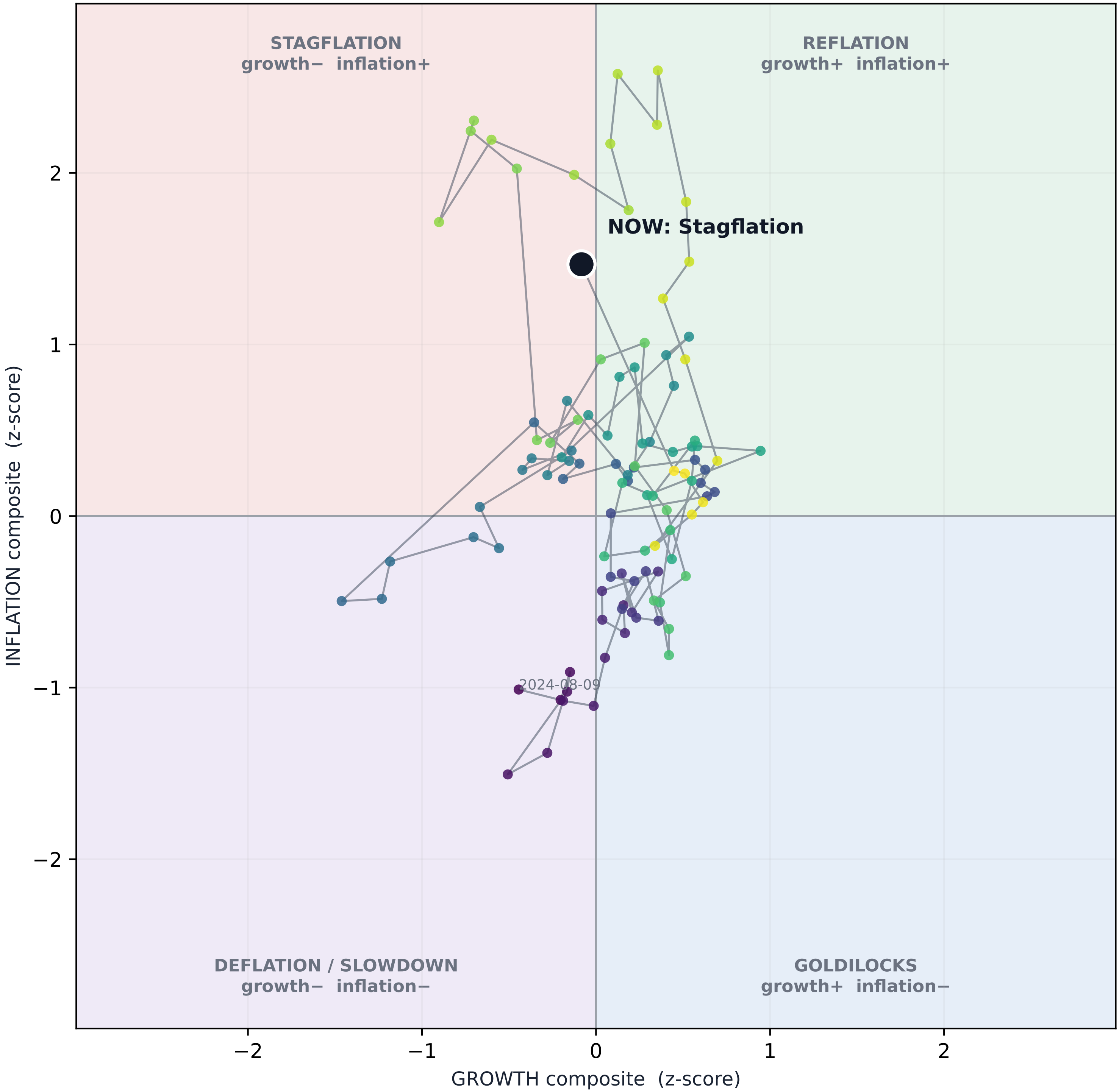


DCC-GARCH conditional correlation: S&P 500 vs US 10Y yield

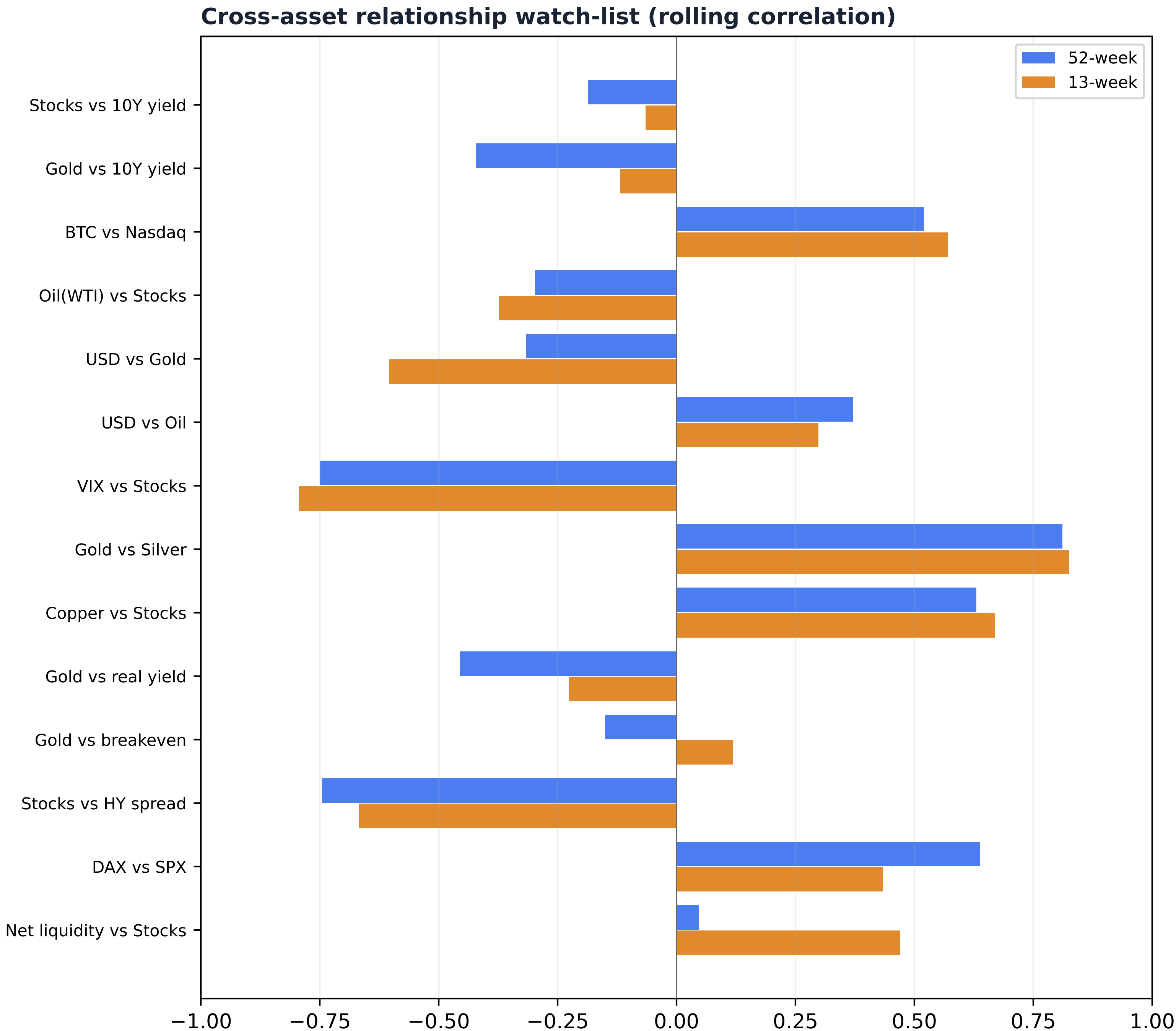
S&P 500 (log) with Markov-switching regime shading



Growth × Inflation regime quadrant — 2-year rotation trail



Growth = copper/gold ratio, tight HY spread, S&P momentum, cyclicals/defensives. Inflation = 5y & 10y breakevens, commodity momentum.
Each a mean of 3-year rolling z-scores. Colour of trail points runs old (dark)→recent (yellow); black dot = now.


Cross-asset relationship watch-list (rolling correlation)
52-week
13-week
Stocks vs 10Y yield
Gold vs 10Y yield
BTC vs Nasdaq
Oil(WTI) vs Stocks
USD vs Gold
USD vs Oil
VIX vs Stocks
Gold vs Silver
Copper vs Stocks
Gold vs real yield
Gold vs breakeven
Stocks vs HY spread
DAX vs SPX
Net liquidity vs Stocks
−1.00
−0.75
−0.50
−0.25
0.00
0.25
0.50
0.75
1.00

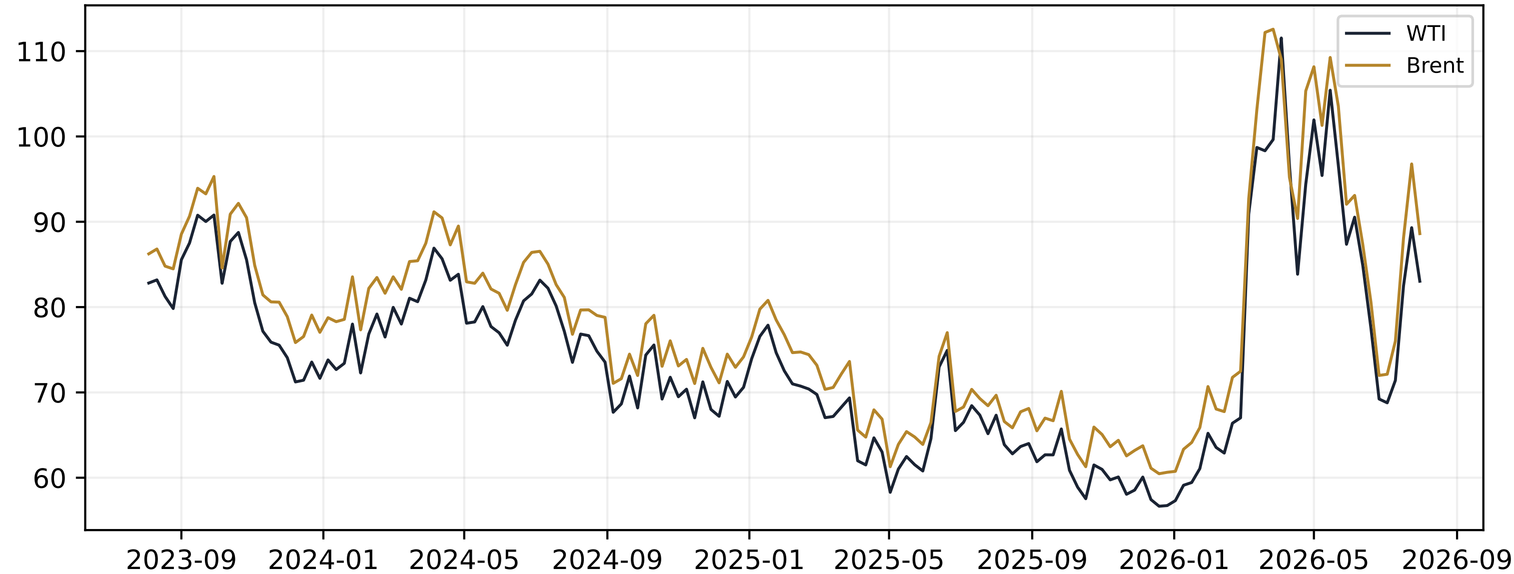
POSITIONING — CFTC speculative net

Large-spec (non-commercial) net futures position vs its own 3-year range. Crowded extremes flag squeeze risk.

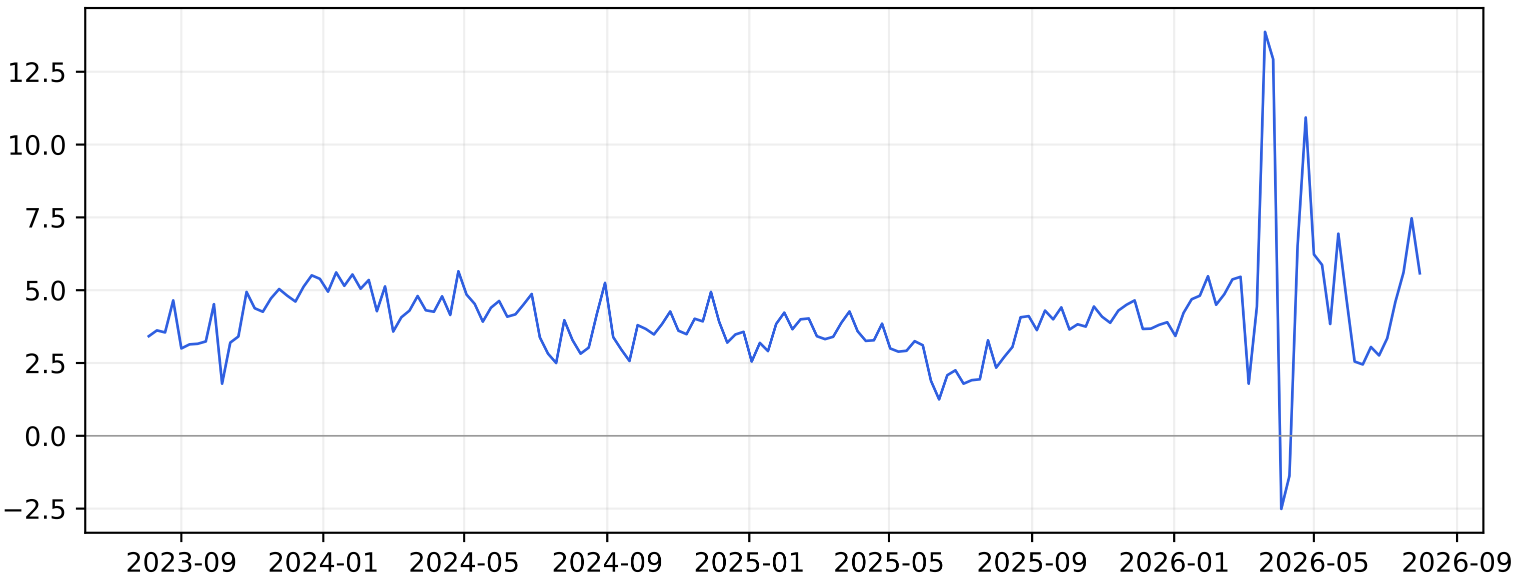
	crowded short / crowded long	net (k)	%OI	3y %ile
EQUITY INDICES				
S&P 500 (e-mini)		-17	-1%	85
Nasdaq-100		+5	+2%	23
Russell 2000		-7	-2%	73
RATES				
UST 2Y		-1155	-27%	79
UST 5Y		-1273	-21%	82
UST 10Y		-880	-17%	19
UST Bond		-187	-10%	6
FX				
US Dollar Index		+16	+29%	81
Euro FX		-41	-5%	10
Japanese Yen		-152	-36%	6
British Pound		-56	-21%	14
ENERGY				
WTI crude		+13	+2%	49
Natural gas		-171	-10%	13
METALS				
Gold		+184	+48%	34
Silver		+23	+22%	17
Copper		+74	+27%	97
AGRICULTURE				
Corn		+187	+11%	80
Wheat (SRW)		-7	-2%	97
Soybeans		+176	+17%	85

Net = long − short non-commercial contracts (thousands). %OI = net as share of open interest. Percentile = rank of current net within its 3-year weekly range.
Shaded red ≥ 80th (crowded long → vulnerable to a wash-out), blue ≤ 20th (crowded short → squeeze-higher risk). Dot = current; bar measured from the 50th

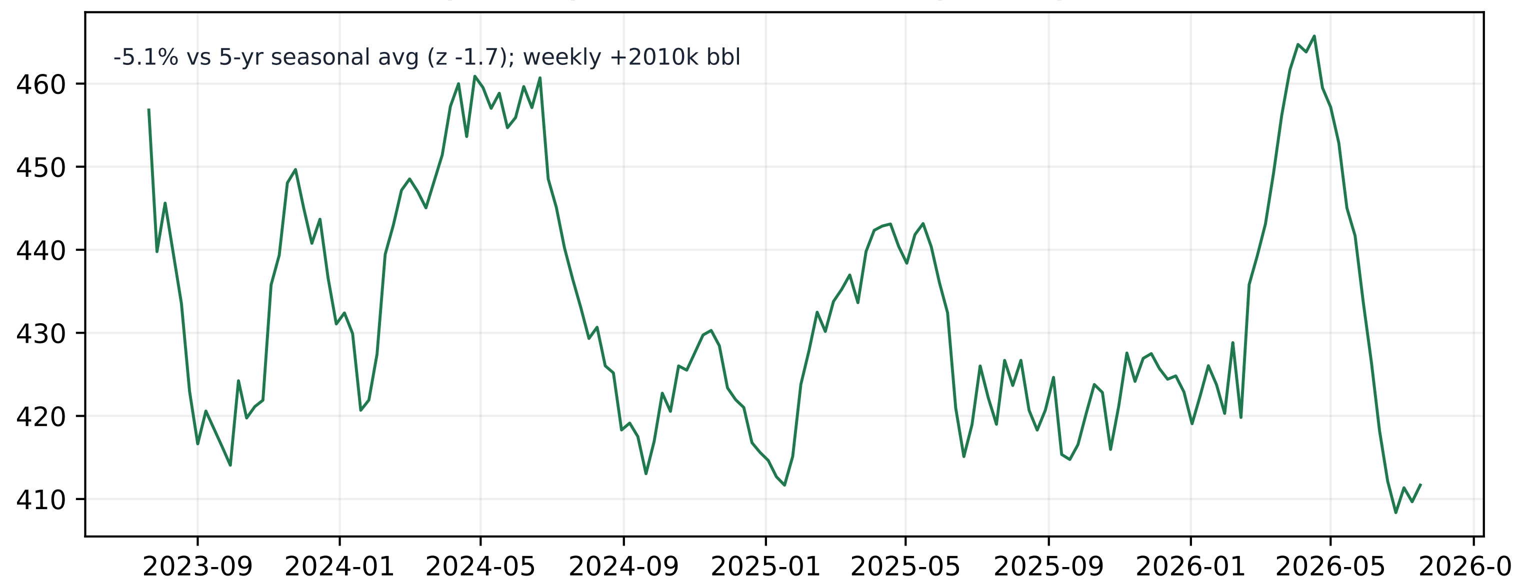
OIL special - WTI $83.03 (wk -7.3%, 13w -18.6%)

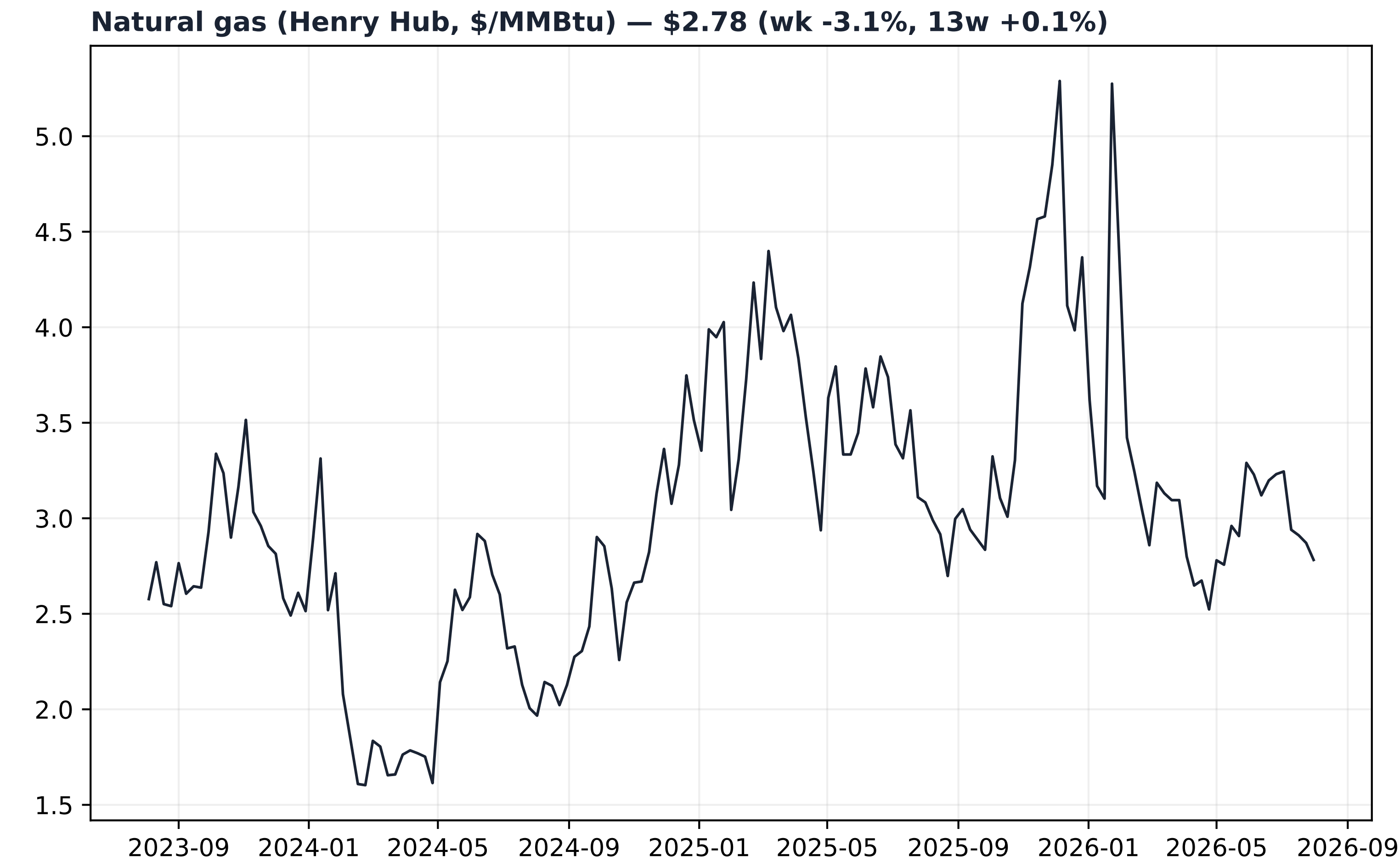


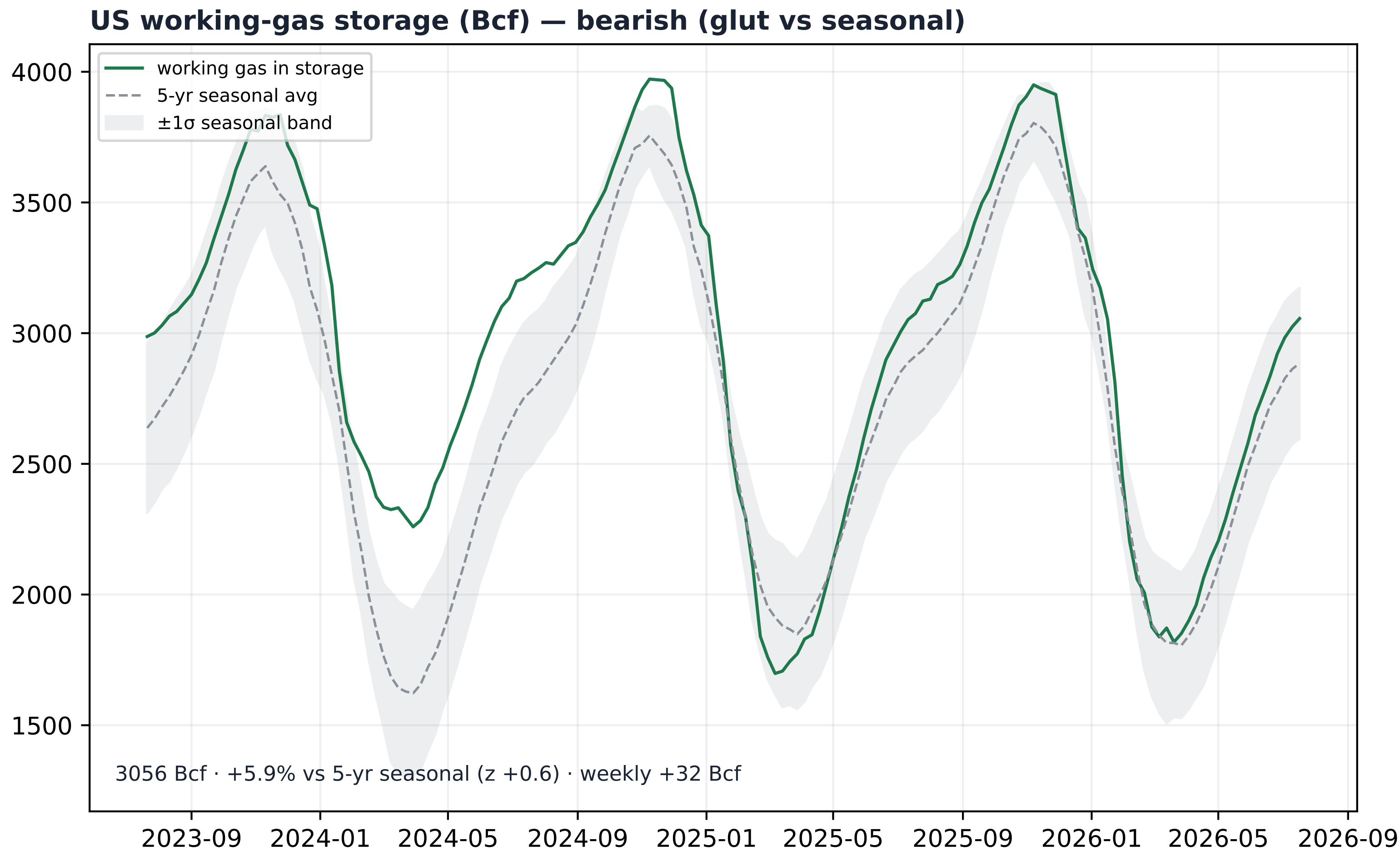
Brent-WTI spread (now +5.58)



US crude inventories (mn bbl) - deficit vs seasonal (bullish)

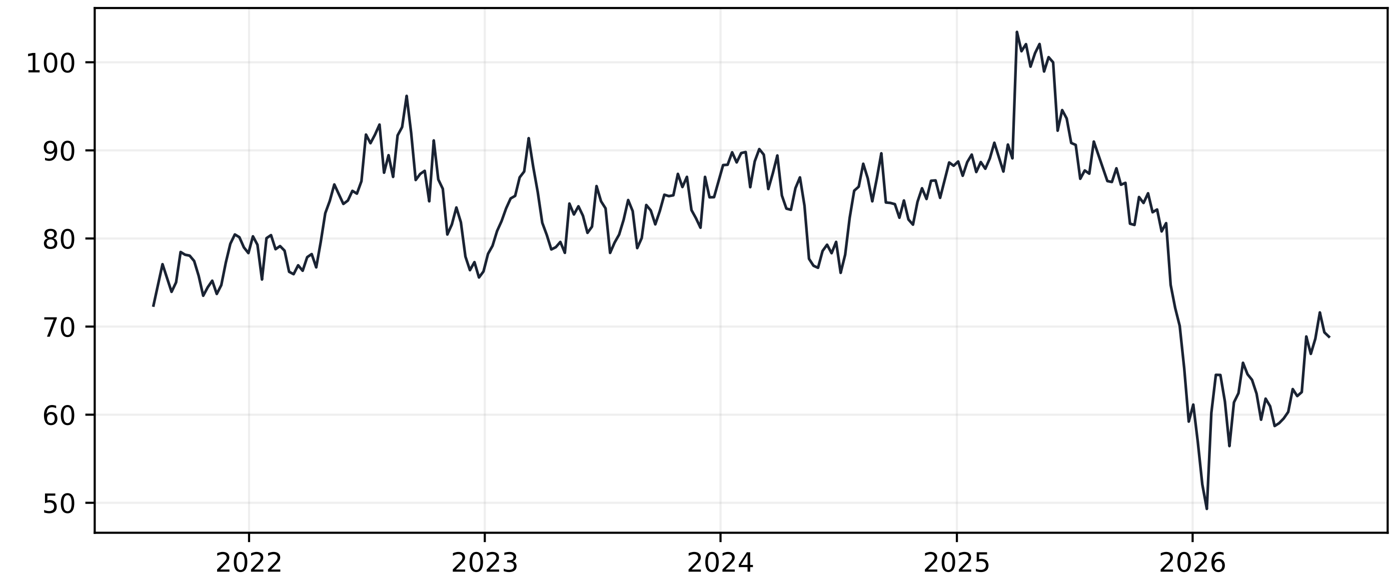



Natural gas (Henry Hub, $/MMBtu) — $2.78 (wk -3.1%, 13w +0.1%)

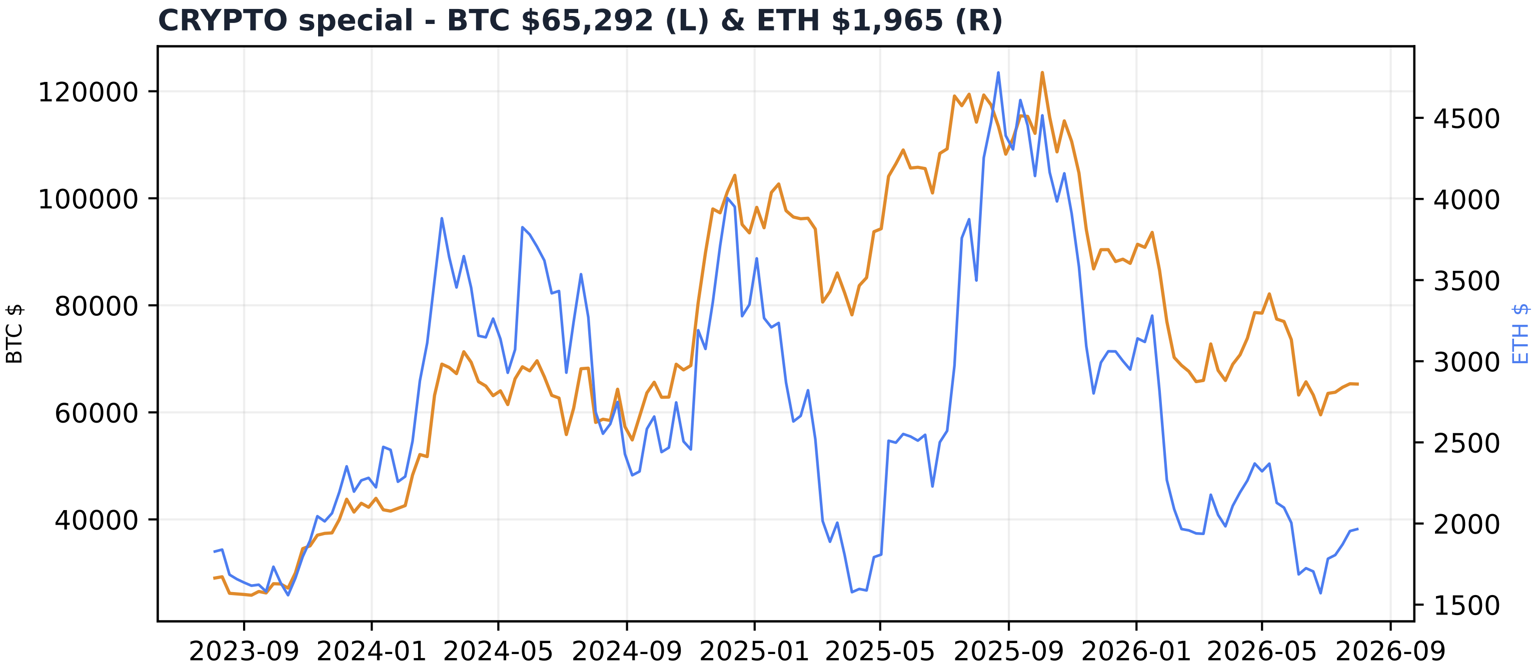

US working-gas storage (Bcf) — bearish (glut vs seasonal)
working gas in storage
5-yr seasonal avg
±1σ seasonal band
3056 Bcf · +5.9% vs 5-yr seasonal (z +0.6) · weekly +32 Bcf

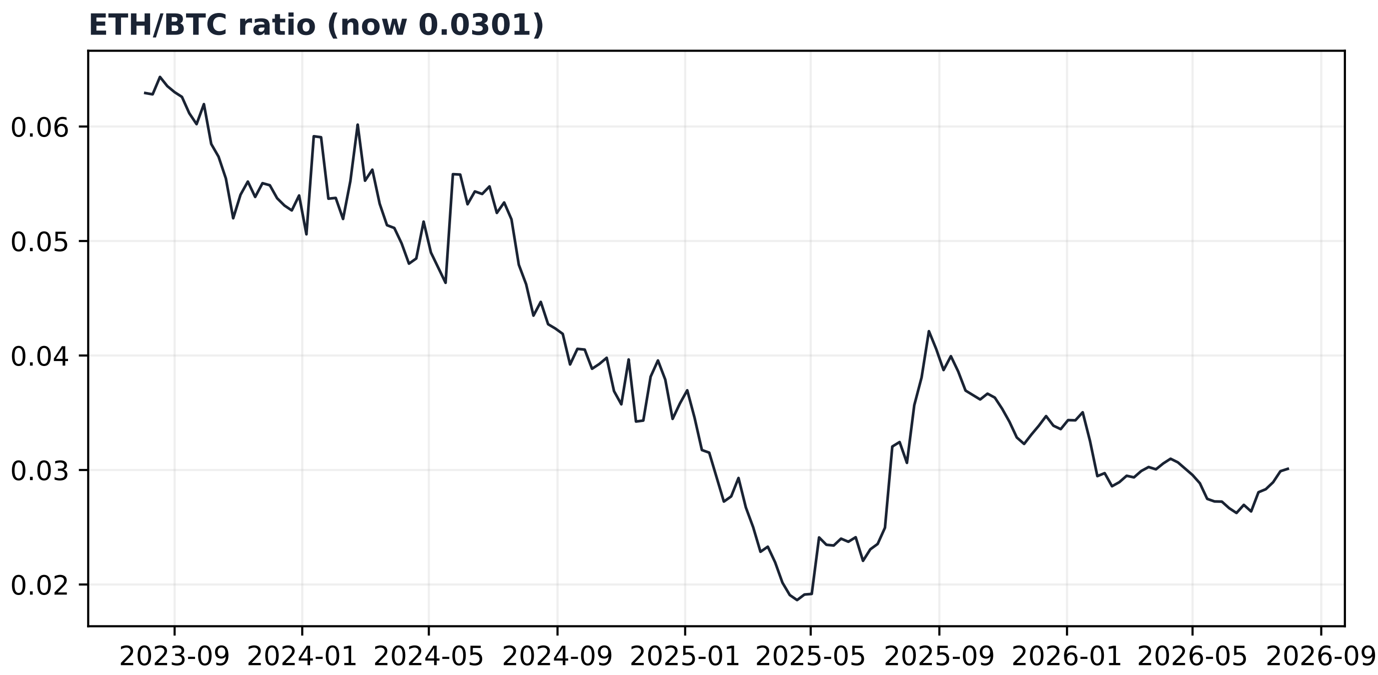
GOLD/SILVER special - Gold $4094 (L) & Silver $59.45 (R)

Gold/Silver ratio (now 68.9, 12th pctile of 5y)



Gold vs 10Y real yield (inverted) - 52w corr -0.45





MARKET STRUCTURE (current)

Total mcap $2.32T   BTC dominance 56.4%   ETH dominance 10.2%

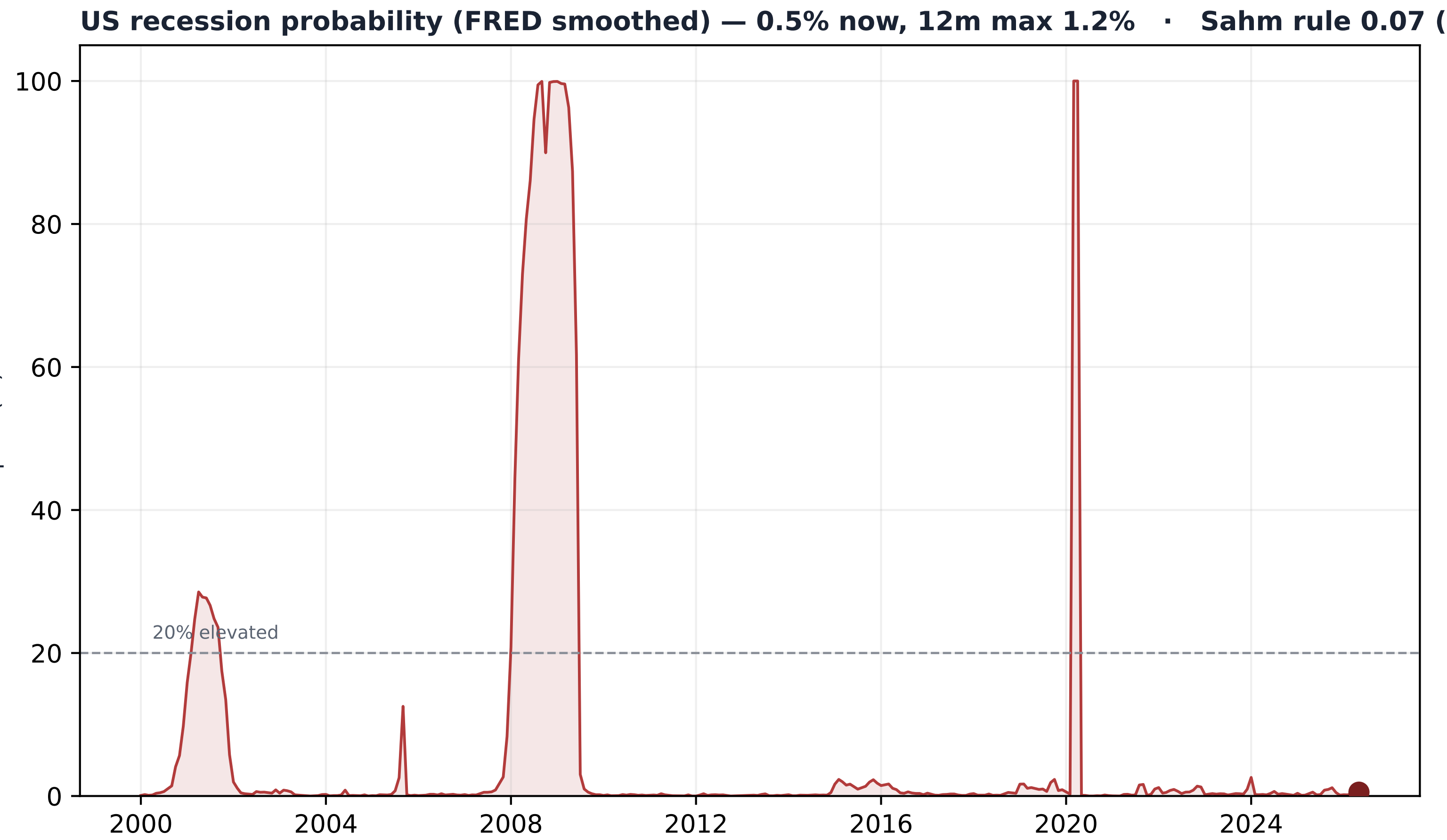
Stablecoin supply $306B (-0.1% wk)   DeFi TVL $77B (+1.4% wk)

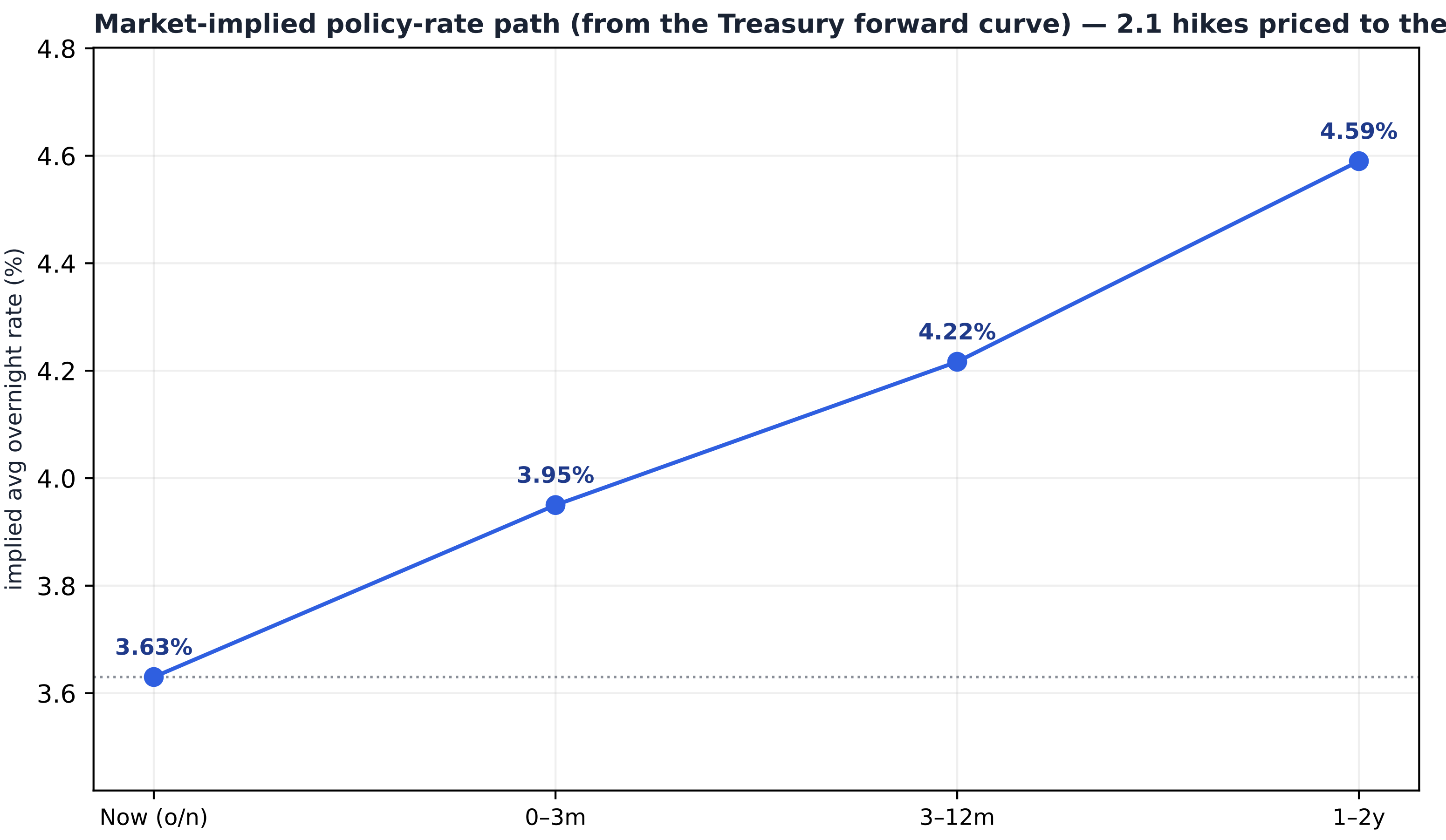
Crypto Fear & Greed: 30 (Fear), a week ago 29

S&P 500 Shiller CAPE — 40.5, 99th percentile of 155 years

Excess CAPE Yield (1/CAPE − 10Y real) — +0.04%, 0th pctile since 2015

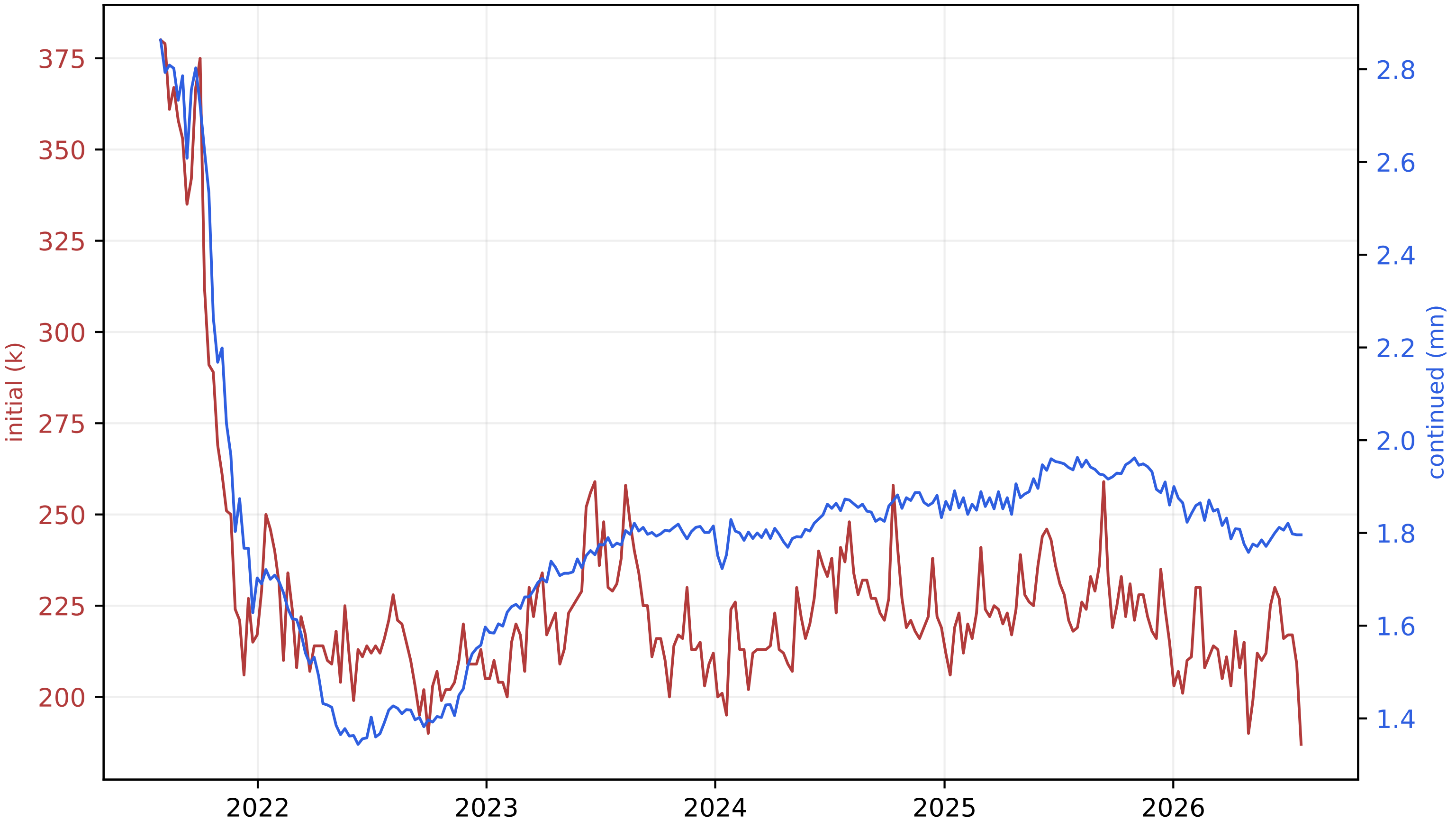
Cyclically-adjusted earnings yield 1/CAPE = 2.47% · trailing earnings yield 3.93% · 10Y nominal 4.71% · 10Y real 2.43% · equity risk premium
A low/negative Excess CAPE Yield signals equities are richly priced versus real bonds and historically implies muted long-run forward returns — a valua





10Y–3M curve +0.73pp (positive). Forward short rates implied by the current 3M/1Y/2Y Treasury curve; the dotted line is today's fed funds. A downward path prices policy easing. Cut/hike count is an approximation to the 1-year point (ignores term premium), a directional read of what is priced.

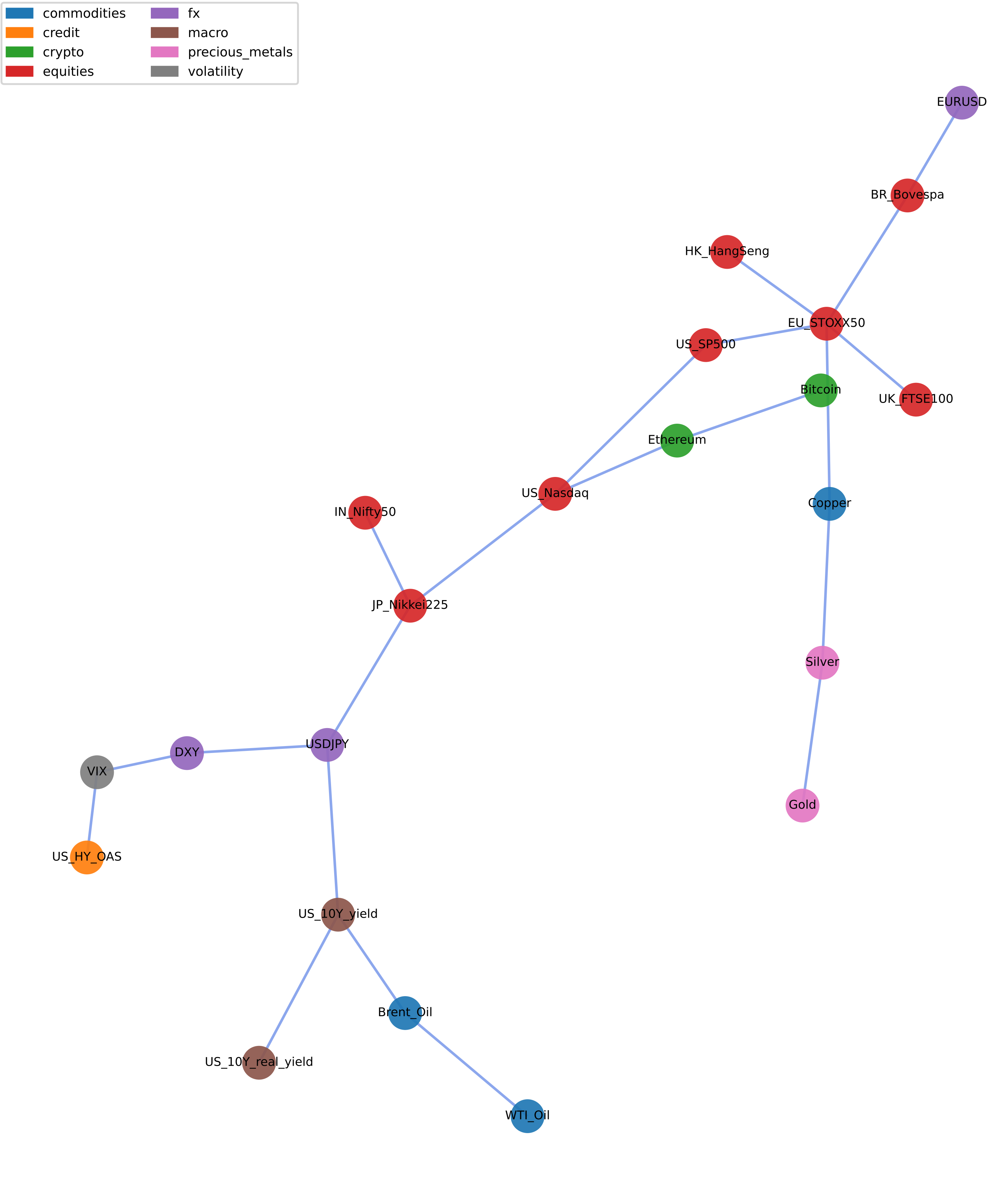
US jobless claims — initial 187k (0th %ile of 10y), continued 1.80mn



Weekly Economic Index (real-time GDP-growth nowcast) — +2.9% (≈ y/y GDP pace; ~2%

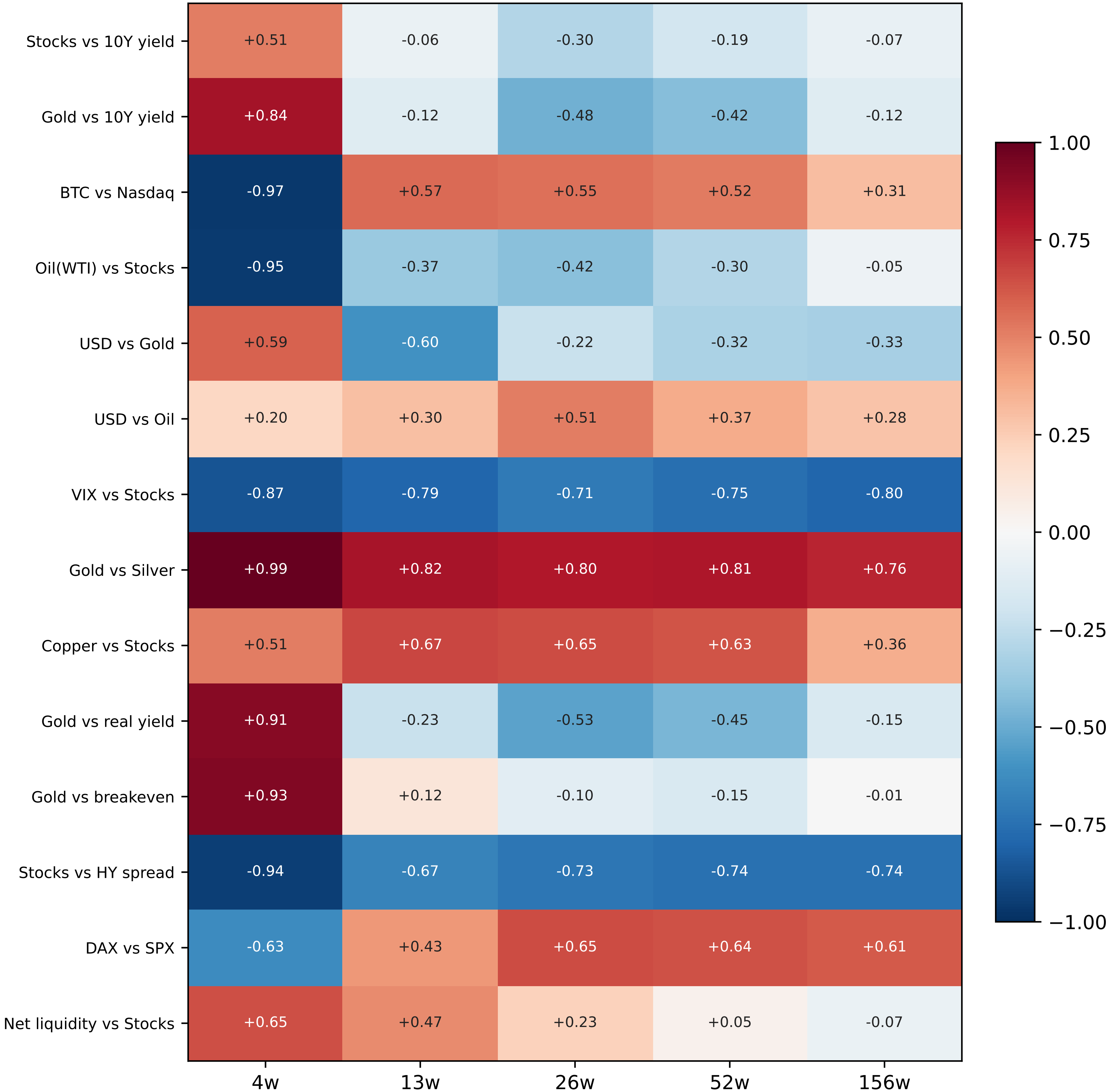
Initial claims — the timeliest US labour-market read; a sustained rise above ~260k historically flags rising recession risk. The Weekly Economic Index (Lewi
ten daily/weekly series into a real-time growth signal scaled to y/y GDP growth.

Cross-asset correlation network - minimum spanning tree (3y)



blue edge = positive link, red = negative; proximity = co-movement

Correlation by horizon - is the relationship structural or short-term?



Leading Indicators & Forecasts

Genuine lead-lag pairs (near-identical instruments excluded) + a level forecast H weeks out from the leader's current move. Weekly predictive skill is modest - read R2 and the band; treat as a probabilistic tilt, not a point call.

LEADER	-> LAGGER	H	corr	R2	forecast: cur -> pred [band]
StLouis_Fin_Stress	Initial_Claims	3w	+0.74	0.54	187000.00 -> 154213.49 [-123382.98,431809.96]
IN_IndiaVIX	Initial_Claims	2w	+0.74	0.54	187000.00 -> 153028.61 [-80752.88,386810.09]
Chicago_Fed_NFCI	Continued_Claims	4w	+0.71	0.50	1796000.00 -> 1151341.27 [209795.65,2092886.89]
Initial_Claims	Continued_Claims	3w	+0.67	0.44	1796000.00 -> 1742756.62 [954050.94,2531462.30]
VIX3M	Initial_Claims	3w	+0.65	0.42	187000.00 -> 284827.80 [-51974.18,621629.77]
OilVol_OVX	Initial_Claims	2w	+0.62	0.38	187000.00 -> 616084.00 [345244.82,886923.18]
CA_TSX	Initial_Claims	3w	-0.61	0.37	187000.00 -> 198578.61 [-151197.82,548355.03]
IN_IndiaVIX	Continued_Claims	4w	+0.60	0.35	1796000.00 -> 1930722.44 [779986.25,3081458.64]
VIX	Initial_Claims	4w	+0.59	0.35	187000.00 -> 252828.33 [-157393.97,663050.63]
US_13W	Fed_funds_rate	2w	+0.58	0.34	3.63 -> 3.71 [3.59,3.83]
US_3M_yield	Fed_funds_rate	3w	+0.58	0.34	3.63 -> 3.72 [3.58,3.86]
US_HighYield	Initial_Claims	2w	-0.58	0.33	187000.00 -> 255852.53 [-25492.12,537197.18]
Chicago_Fed_NFCI	Initial_Claims	3w	+0.57	0.33	187000.00 -> 15863.13 [-320538.62,352264.89]
US_InvGrade	Initial_Claims	2w	-0.56	0.32	187000.00 -> 302147.35 [17529.14,586765.57]

Method: OLS of the lagger's forward H-week return on the leader's trailing H-week return over ~10y of weekly data; forecast applies the leader's latest value; band = +/-1 residual sigma. Direct or inverse correlation both qualify.

Historical Trend - Key Metrics

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

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

	02-20	02-27	03-06	03-13	03-20	03-27	04-03	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-19	06-26	07-03	07-10	07-17	07-24	07-31
Regime	R+	N	N	N	N	N	N	N	N	N	N	N	N	R+	R+	N	N	N	N	N	R+	R+	N	N
Quadrant	Stag	Stag	Stag	Stag	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Refl	Refl	Stag	Stag	Stag
VIX	19	20	29	27	27	31	24	19	17	19	17	17	18	17	15	22	18	16	18	16	15	16	18	18
Breadth %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stk-Bond corr	+0.20	+0.20	+0.21	+0.11	+0.07	+0.05	+0.03	-0.00	-0.01	-0.03	-0.02	-0.02	-0.02	-0.03	-0.03	-0.05	-0.08	-0.08	-0.07	-0.03	-0.01	-0.01	+0.00	+0.01

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