ABL Digital Global Cross-Asset Weekly

Trend & Correlation Report | week ending 2026-10-16

312 instruments | 4212 weeks history

REGIME: Risk-on

EXECUTIVE SUMMARY

The engine says lean risk-on, but modestly and selectively, not aggressively. The Markov filter puts 0.795 posterior probability on Risk-on with Risk-off at 0.004 and eight weeks of persistence, yet the composite risk-appetite scorecard reads only +0.33 (Neutral) — and its single strongest leg is *low concentration* at +1.31, which is an absence of stress rather than evidence of conviction. Credit (-0.12) and breadth (-0.05) are flat. The actionable tilt: own cyclicals and non-US developed equity (IBEX +1.2%, FTSE +0.9%, DAX +0.7% led the week) and copper-linked exposure; fund it by fading crowded momentum longs in Nasdaq and the front-end Treasury complex; keep EM Asia underweight.

Three developments matter. First, WTI at $93.85 (+2.2% week, +13.8% over 13 weeks) with distillate stocks 11.3% below the five-year seasonal and spec positioning net *short* 12,446 lots at the 25th percentile — a supply-tight market the futures crowd is not positioned for, so upside carries squeeze risk. Second, the 10Y at 5.22% against a market-implied path pricing ~2.2 *hikes* to one year, which pins the equity risk premium at -1.26% and the Excess CAPE Yield at -0.48% (0th percentile since 2015): you are not being paid to own index beta. Third, Nasdaq spec positioning at the 100th percentile (+20% OI) alongside price-breadth and price-strength sentiment components at 4 and 8.

The biggest risk is that oil's strength becomes an inflation shock rather than a reflation signal, rupturing the equity bid. Watch the 13-week oil-equity correlation of -0.73 and the HY OAS at 3.15%: WTI above $100 with HY widening beyond 3.60% would invalidate the risk-on lean regardless of what the regime filter says.

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

KEY SIGNALS

Stocks-Bonds DCC corr	**-0.06 (1y ago +0.20)**
PC1 variance share	**17%**
DCC persistence (a+b)	**0.9803**
Weeks in regime	**8**

For research and information only; not investment advice. Verify all data before use.

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EXECUTIVE DASHBOARD

One-glance cross-asset scorecard · week ending 2026-10-16 · 312 instruments, 10-year context

MARKET REGIME
Risk-on
~8w in regime

GROWTH × INFLATION
Reflation
g +0.3 / i +0.2

STOCK–BOND CORR
-0.06
vs +0.20 1y ago

RISK CONCENTRATION
17%
PC1 share of variance

EQUITY BREADTH
49%
indices > 40wk MA

VIX TERM
Contango
ratio 0.85

VALUATION **Shiller CAPE 41.9** 99th %ile / 156y Excess CAPE yield -0.48% ERP -1.26%

METRIC vs 10-YEAR HISTORY	Level	Wk Δ	10y percentile
Volatility (VIX)	15.2	+0.35	37th
HY credit spread (OAS)	3.15%	+0.00	64th
IG credit spread (OAS)	0.82%	+0.00	44th
EM corp spread (OAS)	1.58%	+0.00	34th
10Y real yield (TIPS)	2.87%	+0.00	100th
10Y nominal yield	5.22%	+0.00	100th
2Y yield	4.75%	+0.00	93th
10Y–2Y curve	+0.44pp	+0.00	54th
10Y breakeven infl.	2.33%	+0.00	72th
Financial conditions	-0.49	+0.00	54th
Initial jobless claims	197k	+0k	2th
Weekly Econ Index	+2.7%	+0.00	72th
Fed net liquidity	$5.87T	+0.00	55th
US dollar (DXY)	102.5	+0.3%	75th
Gold	$4,190	-0.6%	92th
S&P 500	7812	+0.0%	100th

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.

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CROSS-ASSET SCORECARD

Two composite gauges distilled from the whole panel — risk appetite and the growth nowcast

RISK APPETITE

Neutral

risk-off (-1.5)

score +0.33

(+1.5) risk-on



Components (standardised, + = risk-on):



MACRO NOWCAST

Trend growth

contracting (-1.5)

score +0.05

(+1.5) above-trend



Components (standardised, + = stronger growth):



Each component is a 10-year z-score, sign-aligned so higher = risk-on / stronger growth; the headline score is their average. Transparent by construction — every input is shown.

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WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-10-16

TOP GAINERS

Sugar	+2.5%
WTI_Oil	+2.2%
Brent_Oil	+2.1%
Copper	+1.6%
US_Energy	+1.3%
ES_IBEX35	+1.2%
US_Communications	+1.0%
UK_FTSE100	+0.9%

TOP DECLINERS

Cardano	-3.7%
KR_KOSPI	-3.7%
Gasoline	-3.3%
ID_JKSE	-2.6%
XRP	-2.4%
Solana	-2.2%
CN_Shenzhen	-2.1%
Dogecoin	-2.0%

KEY LEVELS — week-over-week change

US 10Y yield	5.22	+0.00%	SKEW	nan	+nan
2Y yield	4.75	+0.00%	US dollar (DXY)	102.53	+0.3%
HY credit OAS	3.15	+0.00%	Gold	4190.50	-0.6%
IG credit OAS	0.82	+0.00%	WTI oil	93.85	+2.2%
VIX	15.19	+0.35	Bitcoin	82632.43	-1.3%

MARKET-STATE READINGS — now vs the prior report

Regime	prior: N	->	Risk-on
Quadrant	prior: Refl	->	Reflation
Risk appetite	prior: +0.42	->	+0.33
Macro nowcast	prior: +0.06	->	+0.05
PC1 share	prior: 18	->	17%
Stock-bond DCC	prior: —	->	-0.06

The fastest orientation: what actually moved and how the headline state has shifted since last week. Movers are weekly log/%% returns; credit-spread and volatility increases are shown as adverse (red).

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Detailed Cross-Asset Analysis

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

Executive Summary

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Three developments matter. First, WTI at $93.85 (+2.2% week, +13.8% over 13 weeks) with distillate stocks 11.3% below the five-year seasonal and spec positioning net short 12,446 lots at the 25th percentile — a supply-tight market the futures crowd is not positioned for, so upside carries squeeze risk. Second, the 10Y at 5.22% against a market-implied path pricing ~2.2 hikes to one year, which pins the equity risk premium at -1.26% and the Excess CAPE Yield at -0.48% (0th percentile since 2015): you are not being paid to own index beta. Third, Nasdaq spec positioning at the 100th percentile (+20% OI) alongside price-breadth and price-strength sentiment components at 4 and 8.

The biggest risk is that oil's strength becomes an inflation shock rather than a reflation signal, rupturing the equity bid. Watch the 13-week oil-equity correlation of -0.73 and the HY OAS at 3.15%: WTI above $100 with HY widening beyond 3.60% would invalidate the risk-on lean regardless of what the regime filter says.

Regime, Scorecard & Market State

The regime model and the scorecard agree on direction and disagree sharply on intensity. The smoothed posterior is decisive — 0.795 Risk-on, 0.201 Neutral, 0.004 Risk-off — and eight weeks of residence argues against an imminent flip given the DCC persistence of 0.9803 that characterises this data. But the composite risk appetite of +0.33 sits in Neutral territory, and the decomposition explains why. Of six components, only two are meaningfully positive: vix_term at +0.45 and low_concentration at +1.31. The S&P trend contributes +0.32. Equity breadth is actually negative at -0.05, credit_hy is negative at -0.12, and risk_over_haven is a rounding error at +0.05.

That composition is the week's most important diagnostic. Nearly the whole scorecard is carried by the absence of correlated stress — PC1 explains just 17% of cross-asset variance, and the MV-DCC average pairwise conditional correlation is +0.03, down from +0.04 a year ago. Markets are calm and idiosyncratic, which is genuinely good news for stock-picking and for carry, but it is not the same as broad participation. Breadth confirms: 49% of 43 global equity indices sit above their 40-week moving average and only 36% of 11 US sectors do. The index is up (S&P +0.01%, flat) while most of its constituents and most global peers are not. CNN Fear & Greed at 46 (neutral, from 43.7 a week ago and 32.7 a month ago) tells the same story from the sentiment side, and its internals are starkly split — junk_bond_demand 87 and momentum 70 against price_strength 8 and price_breadth 4.

Read as a whole: the market state is a narrow, low-volatility risk-on supported by credit appetite and a handful of momentum leaders, not by a broadening cycle. That argues for respecting the regime but sizing exposure as if the scorecard, not the posterior, were the truth.

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Global Macro, Liquidity & the Growth Nowcast

Liquidity is the quiet constraint. Fed net liquidity is $5.87T and flat on the week and over four weeks (-0.0%); M2 at $23.31T is flat; the RRP facility is drained to $0bn. That last number deserves attention: with RRP exhausted, there is no buffer left to absorb reserve drains, so any future Treasury-bill issuance or tax-date cash movement hits bank reserves directly. SOFR at 3.87% against fed funds at 3.88% shows funding is still orderly, but the shock absorber is gone. The global picture is marginally better — ECB assets +0.8% over four weeks, BoJ flat — so the marginal liquidity impulse is European, which is consistent with Eurozone equity leadership this week.

The nowcast says trend, not acceleration: composite +0.05 ("Trend growth"), with global_activity a strong +1.21 and initial_claims +0.30 offset almost entirely by consumer_sentiment at -1.46. The Weekly Economic Index at +2.7% is above the ~2% trend marker, and the labour market is historically tight — initial claims 197k at the 2nd percentile of ten years, continued claims 1.72mn, Sahm rule 0.00, FRED recession probability 0.6%. The growth-inflation cross puts us in the Reflation quadrant (growth z +0.31, inflation z +0.17), though both are decelerating on a 13-week basis (-0.19 and -0.08). Reflation that is losing momentum in both dimensions is late-cycle reflation.

Global yields are the sharpest divergence in the data. US 10Y at 5.22% against Germany 3.18%, Japan 2.94% and the UK 4.99% — a 204bp US-Bund gap. Combined with a forward curve pricing 4.23% at 0–3m, 4.51% at 3–12m and 5.06% at 1–2y, the market is pricing roughly 2.2 hikes within a year off a 3.88% funds rate. For an investor, that is the dominant macro fact: the US is being priced for policy tightening into a reflation that is already cooling, and the burden of proof sits with the hikes, not against them. The collapsed consumer-sentiment reading is the early warning that the priced path may be too hawkish.

Rates, Credit & the Stock-Bond Relationship

Rates were unchanged across the board this week — 10Y nominal 5.22%, 10Y real 2.87%, 2Y 4.75%, breakeven 2.33%, curve +0.44pp, all at +0.00 change. That stillness at a 5.22% 10Y is itself informative: the bond market has accepted a high-rate plateau. The 10Y-3M curve at +0.99pp is comfortably positive, removing the inversion signal entirely; no recession is being priced in the term structure.

Credit is the strongest genuine risk-on evidence in the pack. HY OAS 3.15% and IG OAS 0.82%, both unchanged, with HY and IG ETFs each +0.1% on the week — tight, stable and bid. The cointegrated HY-IG spread relationship is stretched at z -1.91 with a two-week half-life, meaning HY is unusually tight relative to IG. That is a compression trade near its historical limit; for investors long HY on carry, the mean-reversion statistics argue for taking the spread risk down rather than adding, and for expressing credit appetite in IG where the relative pricing is less stretched.

The stock-bond relationship has changed character in a way that matters for portfolio construction. The DCC conditional correlation of stocks to the 10Y yield is -0.06 now versus +0.20 a year ago, and the rolling realised correlation has gone from -0.28 on 52 weeks to -0.50 on 13 weeks (a -0.22 shift). Equities are once again rallying when yields fall — the pre-2022 relationship. Bonds are therefore recovering some hedging value against growth disappointment, though not against inflation shocks. Positioning complicates this: UST 2Y spec longs at the 99th percentile and 5Y at the 94th are the most crowded trades in the rates complex, while UST 10Y sits at only the 19th. The front end is where a hawkish surprise does the most damage; the long end, with light positioning and -0.0% weekly ETF returns, is the better place to own duration.

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Factor Structure & Systemic Risk

PC1 — broad risk, equity beta — explains 17% of variance across 190 instruments. That is a low share, and it is the single most constructive number in the report. PC2 is Rates (10Y yield) at 11%, PC3 the inverse US dollar at 5%, PC4 inverse Gold at 4%. The four named factors together account for only 37% of variance, leaving the majority idiosyncratic. When PC1 dominates, everything is one trade and diversification is an illusion; at 17%, risk is genuinely dispersed across rates, dollar and gold axes rather than funnelled through a single equity-beta channel.

The MV-DCC gauge corroborates: average pairwise conditional correlation +0.03 now against +0.04 a year ago, with persistence 0.8359. Diversification is not failing — it is working about as well as it has in a year. The practical implication is concrete: cross-asset hedges and relative-value expressions should behave as intended, and risk budgets built on historical covariance are not currently understating portfolio risk. Multi-leg structures, pair trades and factor-neutral positioning all carry better odds in this environment than in a high-PC1 regime.

The caveat is that low correlation is a level, not a trend, and the 0.8359 persistence means it can rise and stay risen once it moves. The scorecard's reliance on low_concentration (+1.31) for its positive reading means a rise in average conditional correlation would mechanically flip the composite toward neutral-to-negative even with no change in prices. Monitor that number as the leading indicator of the risk-on reading's durability.

Cross-Asset Correlation & Lead-Lag

The Granger network names Bitcoin, EU_STOXX50, VIX and US_HY_OAS as net information leaders, with JP_Nikkei225, US_SP500, Gold and WTI_Oil as followers. Two readings follow. First, European equity and US high-yield are driving the week's information flow, which matches the price action — Eurozone and UK leadership, flat US indices — and says the marginal buyer and seller are European and credit-based, not US equity. Second, Bitcoin leading while the S&P follows is a reminder that crypto still functions as the market's highest-beta liquidity sensor; BTC at -1.26% with DeFi TVL -4.8% is a soft signal worth weighting given that lead relationship.

The correlation shifts are where the real information sits. Oil versus stocks has gone from -0.35 on 52 weeks to -0.73 on 13 weeks, a -0.37 shift — the most violent change in the matrix. Oil is no longer a growth proxy; it is a cost shock, and equities are treating a rising crude price as a tax. That single number reframes the entire Reflation-quadrant reading: this is supply-driven reflation, not demand-driven. Second, BTC versus Nasdaq has flipped from +0.35 to -0.26 (a -0.61 shift), so crypto has decoupled from tech beta and no longer provides levered equity exposure. Third, USD versus oil moved from +0.27 to -0.09, breaking the petrodollar linkage.

The stable relationships are nearly as useful: Gold-Silver +0.94 on 13 weeks (up from +0.82), DAX-SPX +0.65, Copper-Stocks +0.49, VIX-Stocks -0.58. Gold and silver are effectively one position now, so holding both is not diversification. Stocks versus HY spread has weakened from -0.64 to -0.27, meaning credit and equity have partially decoupled — equities are no longer taking their cue from spreads, which removes one of the early-warning channels investors normally rely on.

Relative Value & Fair Value

Discipline here means weighting each signal by its fit. Two fair-value models clear the $R^2 \geq 0.4$ bar, and they deserve very different treatment.

USDJPY versus the US-Japan yield gap is cheap by 6.2% against fair value at z -2.04 with R^2 0.88. That is the highest-conviction dislocation in the pack: a well-specified model, a two-

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sigma deviation, and a clean economic mechanism in the 5.22% versus 2.94% yield differential. Yen spec positioning at the 78th percentile (+17% OI) means the crowd is already leaning long yen, which caps the squeeze upside but does not invalidate the model's signal that the dollar is undervalued against the yen on rate differentials. The actionable read is that short-JPY carry remains supported by fundamentals even after a crowded build.

Gold versus real yields and the dollar is rich by 13.9% at z +0.68 with R^2 0.70. Note the asymmetry: a large percentage dislocation but a modest z-score, from a decent-fit model. Gold at $4190 is expensive relative to a 2.87% real yield and a dollar at +0.31% on the week, but 0.68 sigma is not an extreme. Gold's current drawdown of -20% alongside a 13.9% overvaluation suggests the correction has further to run if real yields hold, and the -0.58 thirteen-week correlation to real yields is the mechanism. Gold spec positioning at the 51st percentile is neutral, so there is no positioning cushion.

The only cointegrated pair beyond 1.5σ is HY versus IG at z -1.91 with a two-week half-life — a fast-reverting, statistically strong signal that HY should cheapen relative to IG. Short-dated and high-confidence. Beyond these, the high-correlation pairs listed (Gold_World_Moz~Gold_World_Tonnes +1.00, the COFER share pairs, Policy_UK~Policy_India +1.00) are unit-conversion artefacts and reserve-share accounting identities carrying no tradable information; the US_Tsy_20Y+~US_20Y_yield -0.98 is likewise mechanical. Do not mistake them for signal.

On valuation: Shiller CAPE 41.9 at the 99th percentile of 156 years, cyclically-adjusted earnings yield 2.39%, Excess CAPE Yield -0.48% at the 0th percentile since 2015, and an equity risk premium of -1.26% (trailing EY 3.96% minus 5.22% nominal). Equities offer less than cash-equivalents on a forward-expected basis. This does not time anything — expensive markets stay expensive through risk-on regimes — but it caps the strategic case for index beta and argues for expressing equity exposure through relative value, regional rotation and dispersion rather than outright length.

Volatility & Tail Risk

The vol complex is uniformly calm with one loud exception. VIX 15.19 (+0.35), VIX3M 17.9, ratio 0.85 — contango, at the 38th percentile of ten years, so forward vol exceeds spot and there is no near-term fear premium. The full term structure is 9D 11 / 1M 15 / 3M 18 / 6M 20, a clean upward slope. The vol-risk premium at +10.4 is positive, meaning implied exceeds realised: short-vol carry is being paid, and the 9D at 11 against a 6M at 20 makes calendar structures attractive.

The exception is SKEW at 154, the 88th percentile. Investors are paying up specifically for out-of-the-money put protection while at-the-money vol stays cheap. That combination — low VIX, high SKEW — is the market's own statement that it is relaxed about ordinary volatility and worried about a gap. For a hedger, it means crash protection is expensive and the cost-effective structure is put spreads or collars rather than outright puts. For a short-vol seller, it means the tails are where the risk is concentrated, not the body.

Cross-asset vol confirms the asymmetry. MOVE at 98 (47th percentile) says bonds are unremarkably volatile. But OVX at 49 sits at the 75th percentile and GVZ at 23 at the 80th — oil and gold vol are both elevated while equity vol is not. The commodity complex is where the uncertainty lives, and that is where option-implied levels are already compensating sellers.

Tail metrics: S&P ES5 at -4.8% with zero current drawdown — a benign expected shortfall from a market at highs. Bitcoin ES5 -15.5% with a -33% current drawdown; Gold ES5 -4.7% with a -20% drawdown. Both of those are assets already deep in correction with fat left tails, so adding there is a volatility decision as much as a directional one. S&P-Gold lower-tail dependence of 0.11 is low, which certifies gold's haven quality in joint-crash states even while it is

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overvalued on the fair-value model. That is the resolution: gold is a poor value proposition and a good insurance proposition simultaneously, so size it as a hedge, not as a position.

Leading Indicators & Forecasts

The lead-lag forecast table requires blunt framing: it carries no actionable directional information this week. All ten entries are European sovereign-yield relationships — IT, DE, FR, NL, ES 10Y cross-predictions with R^2 between 0.63 and 0.88 — and every single one forecasts a four-week change of ±0.0%. IT_10Y 4.36 → 4.36, DE_10Y 3.47 → 3.48, FR_10Y 4.44 → 4.44, ES_10Y 3.93 → 3.92. The high R^2 values measure co-movement within the European curve, which is close to an accounting relationship, not independent forecasting skill. A model that tells you Bunds predict Dutch 10Ys is describing the same yield curve twice.

What the ±1σ bands do convey is useful: roughly ±8 to ±10bp of four-week uncertainty on each European 10Y. That is a quantified range for European duration risk and can be used to size positions and set stop levels. Note that the forecasts bracket the current levels symmetrically — the models see no drift.

Weekly predictive skill across this engine is modest and should be treated as such. Nothing in this table should be read as a forecast of direction; the honest use is as a volatility-scaling input. The genuinely forward-looking signals in the pack are elsewhere and are conditional, not predictive: the Granger leaders (Bitcoin, STOXX50, VIX, HY OAS) tell you where to look first for a change in the week's tone, and the market-implied rate path (2.2 hikes to one year) tells you what is already in the price and therefore what constitutes a surprise. The positioning percentiles tell you where a surprise would hurt most. That triangulation — what leads, what is priced, where the crowd sits — is more reliable than any R^2 in the forecast table.

Commodities (Oil, Gas & Metals)

Oil is the week's standout and the most asymmetric setup in the report. WTI $93.85, up 2.2% on the week and 13.8% over 13 weeks, Brent-WTI at +13.09. The fundamentals are tight: crude inventories 0.6% below the five-year seasonal average (z -0.4) with a 3,186k bbl weekly draw, gasoline stocks 6.3% below seasonal, distillate 11.3% below — that distillate deficit is the serious one, because it is the diesel and heating complex that transmits into freight and industrial costs. Cushing at 24.7M bbl is low, US production 13.98M b/d is near capacity, and the 3:2:1 crack at $62.2/bbl is extraordinarily wide, signalling refining margin stress rather than crude abundance.

Against all of that, CFTC specs are net short 12,446 lots at the 25th percentile of three years, having sold a further 6,706 on the week. A tight physical market with a short speculative base is the classic squeeze configuration. OVX at the 75th percentile prices some of this. The implication for a cross-asset book is twofold: oil upside is the most probable commodity move, and because the 13-week oil-equity correlation is -0.73, that same move is the primary threat to equity exposure. Owning energy equities or crude is therefore a hedge against the main risk to the risk-on lean, not merely a bet on it.

Natural gas is the mirror image without the fundamental support. Henry Hub $3.20, -0.7% on the week but +9.8% over 13 weeks, storage 3,500 Bcf at +0.6% versus the five-year seasonal (z +0.1) — neutral. Spec positioning is at the 1st percentile of three years, an extreme short with no bullish inventory catalyst. That is a squeeze-higher risk driven purely by positioning; a cold-weather headline would be violent, but there is no fundamental edge to lean on.

Metals: Gold $4190 and Silver $60.58, ratio 69.2 at the 14th percentile of five years — silver has massively outperformed and is historically expensive relative to gold. Silver spec positioning at the 12th percentile against that outperformance is a notable contradiction: price has run while futures specs have not followed, which is a squeeze-higher setup. Silver's +0.63

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correlation to copper confirms the industrial-demand channel is doing the work, and copper spec longs at the 88th percentile (+23% OI) with copper +1.61% on the week supports the industrial story. But copper at the 88th percentile is a crowded long — the industrial reflation trade is well owned, and that is where a growth disappointment would hurt most. Agricultural positioning is similarly extreme: soybeans 99th, corn 96th, wheat 87th, all crowded longs.

Crypto

Crypto is in a controlled downtrend with internals deteriorating faster than price. Total market cap $2.81T, Bitcoin -1.26% on the week, BTC dominance 59.0% and ETH dominance 11.0% at an ETH/BTC of 0.0306. Rising BTC dominance in a down-tape is the standard defensive rotation within crypto — capital consolidating into the majors rather than leaving outright. Stablecoin supply at $311B, down 0.3%, says dry powder is roughly stable. DeFi TVL at $92B, down 4.8%, is the weakest number: on-chain activity is contracting materially faster than market cap, which signals genuine deleveraging rather than just price decline.

Crypto Fear & Greed at 69 (Greed, from 70) is the dissonance. Sentiment remains greedy while Bitcoin sits in a -33% drawdown with an ES5 of -15.5%. That gap — greedy positioning into a deep drawdown with falling TVL — is an unstable configuration, and the fat left tail means the downside is not gradual.

The structural change is the correlation break: BTC versus Nasdaq has moved from +0.35 (52w) to -0.26 (13w), a -0.61 shift. Crypto has stopped functioning as a levered tech proxy. For allocators, that cuts both ways: it is now a genuine diversifier against equity, but it has also lost the fundamental narrative link that justified sizing it off equity-risk budgets. Meanwhile Bitcoin remains a net Granger leader to the S&P, so its weakness is a signal to monitor for broader risk appetite even as the correlation breaks down. Treat crypto as a standalone, high-ES allocation sized on its own tail, and read BTC weakness as an early-warning input to equity tone rather than a confirmation of it.

India, China & Russia

Emerging Asia is where the week's damage concentrated, and the developed-emerging divergence is stark. Global leaders were all developed — IBEX +1.2%, FTSE +0.9%, ASX +0.8%, DAX +0.7% — with Mexico's IPC +0.6% the sole EM entry. Laggards were almost entirely emerging: KOSPI -3.7%, JKSE -2.6%, Shenzhen -2.1%, BIST -0.9%, Sensex -0.8%. With the dollar up 0.31% and US 10Y at 5.22%, the mechanism is familiar: high US real yields at 2.87% and a firm dollar drain capital from EM, and EM-USD bonds at -0.1% on the week confirm the pressure, though EM-local at +0.1% suggests currency damage has not yet compounded it.

India was broadly weak and uniform: Nifty50 -0.7%, BankNifty -0.6%, Sensex -0.8%. Uniformity across the index, the broad market and banks points to a liquidity and flow story rather than a sector-specific one, consistent with FII outflow under dollar strength. India does not appear in the 26-week momentum leaders or laggards, so the trend is intact and this is a flow-driven setback rather than a breakdown. For investors, Indian weakness tied to the dollar is the more tractable kind — it reverses if US rate expectations soften, and the market-implied 2.2 hikes is a demanding bar that leaves room for exactly that.

China is structurally damaged, not merely soft. Shanghai -0.4%, Shenzhen -2.1%, CN_Internet -0.7% on the week, but the 26-week numbers are what matter: CN_Internet -19% and CN_Shenzhen -17% both sit in the global momentum laggards. The split between a resilient Shanghai and a collapsing Shenzhen is the signature of state-supported large caps masking private and growth-sector weakness. This is not a valuation opportunity on the evidence here; the momentum signal is negative and persistent, and nothing in the global activity nowcast (+1.21, strong) is translating into Chinese equity performance — which itself tells you the weakness is domestic

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and policy-driven.

Russia's RTS at -20% over 26 weeks is among the worst globally, and notably it is falling while oil rises 13.8% over the same window. That decoupling of Russian equity from its primary export is a sanctions-and-access story rather than a fundamental one, and it is not investable for most mandates. Its analytical value is as a confirmation that the oil rally is supply-constrained rather than demand-led — if Russian supply were flowing freely, neither the crude price nor the RTS would look like this.

The composite EM view: underweight EM Asia, with China structurally avoided and India a flow-driven dip worth watching for a dollar-driven entry. Developed non-US equity, particularly Europe with ECB assets +0.8% over four weeks, is the preferred regional expression of the risk-on lean.

Positioning, Sentiment & What to Watch

Positioning is the most actionable layer in the report because the extremes are unambiguous. The crowded longs are Nasdaq at the 100th percentile (+20% OI), UST 2Y at the 99th, UST 5Y at the 94th, soybeans 99th, corn 96th, copper 88th and wheat 87th. Nasdaq at an absolute three-year maximum while the Nasdaq itself fell 0.26% on the week and US price-breadth sentiment sits at 4 is the single most dangerous configuration in the data — maximum crowding into a narrowing leadership. US_FANGplus at +22% and Nasdaq at +12% on 26-week momentum are exactly the positions that would be force-liquidated in a risk event. Reduce, hedge with put spreads given SKEW at 154, or rotate into the broader Wilshire (+14%) and non-US developed.

The crowded shorts are the mirror opportunity: silver 12th, Russell 2000 at the 2nd percentile (-21% OI), UST 10Y 19th, EUR at the 1st percentile (-11% OI), GBP 2nd (-37% OI) and natural gas 1st. Russell at the 2nd percentile with the Nasdaq at the 100th is a historically wide large-versus-small positioning gap; a rotation into small caps would be mechanically violent. EUR at the 1st and GBP at the 2nd percentile, against European equity leadership and ECB balance-sheet expansion, make short-dollar-versus-Europe the most favourably positioned FX expression — note DXY specs sit at the 72nd percentile (+24% OI), so the long-dollar side is the populated one.

Sentiment at 46 composite is neutral but internally contradictory, and the contradiction is the message: junk_bond_demand 87 and safe_haven_demand 70 are simultaneously elevated, which means investors are reaching for credit yield and buying protection at the same time. Combined with price_strength 8 and price_breadth 4, this is a market where a few names hold the index up while the money underneath hedges.

What would confirm the risk-on view: HY OAS holding below 3.15% or tightening; the MV-DCC average conditional correlation staying at or below +0.03 and PC1 below 20%; breadth improving above 55% of global indices over their 40-week MA and US sectors above 50%; the VIX3M/VIX ratio holding in contango below 0.90; and a short squeeze lifting Russell 2000 and EUR off their 2nd and 1st percentiles, which would broaden leadership.

What would change it: WTI above $100 with the 13-week oil-equity correlation staying near -0.73, turning reflation into a cost shock; HY OAS widening through 3.60%; the VIX/VIX3M ratio moving above 1.00, signalling spot fear exceeding forward; average conditional correlation rising toward +0.10, which would collapse the low_concentration component that carries the entire +0.33 scorecard reading; the 10Y breaking above 5.40% and forcing the equity risk premium further below -1.26%; Bitcoin breaking lower given its net-leader status in the Granger network; and a Nasdaq positioning unwind off the 100th percentile, which would be visible first in a widening Nasdaq-Russell performance gap reversing. Any two of those together would warrant cutting equity beta regardless of a 0.795 Risk-on posterior.

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PART I

Global Macro & Liquidity

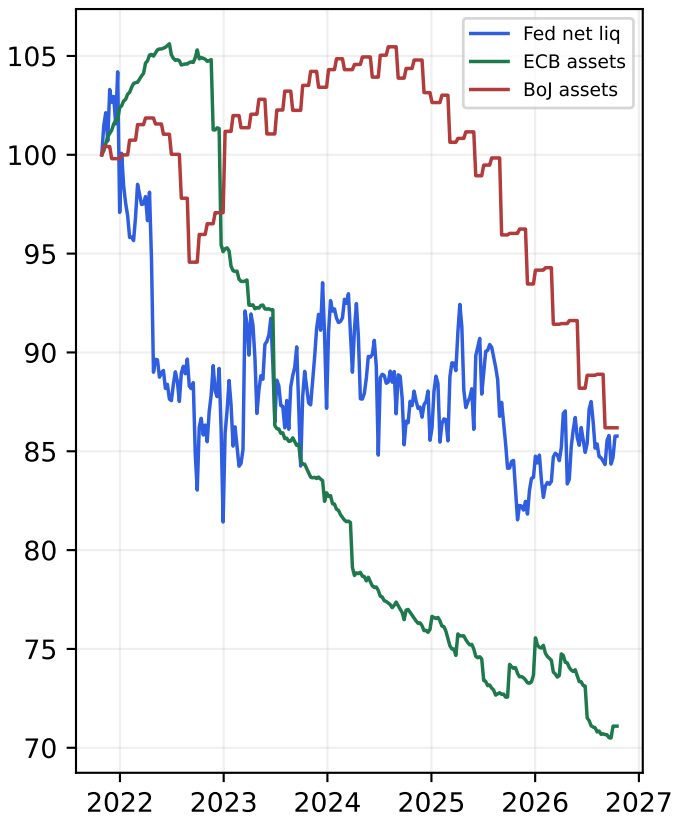
Global central-bank liquidity, the sovereign-yield landscape, funding markets, fiscal supply and the growth pulse.

- Central-bank balance sheets (Fed / ECB / BoJ) & global 10Y yields
- Funding plumbing: SOFR, RRP, the Treasury General Account
- Recession probability, market-implied rate path, growth × inflation regime

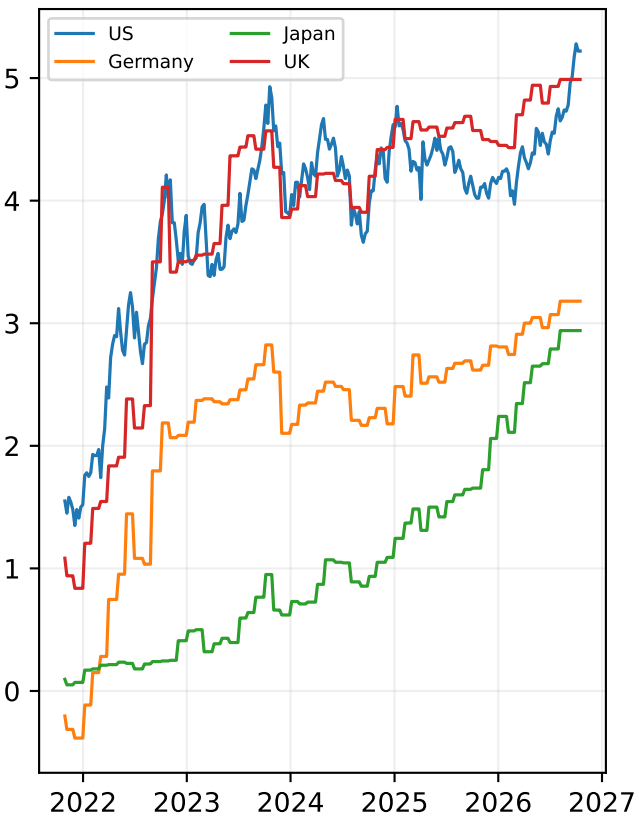
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Global Macro & Liquidity

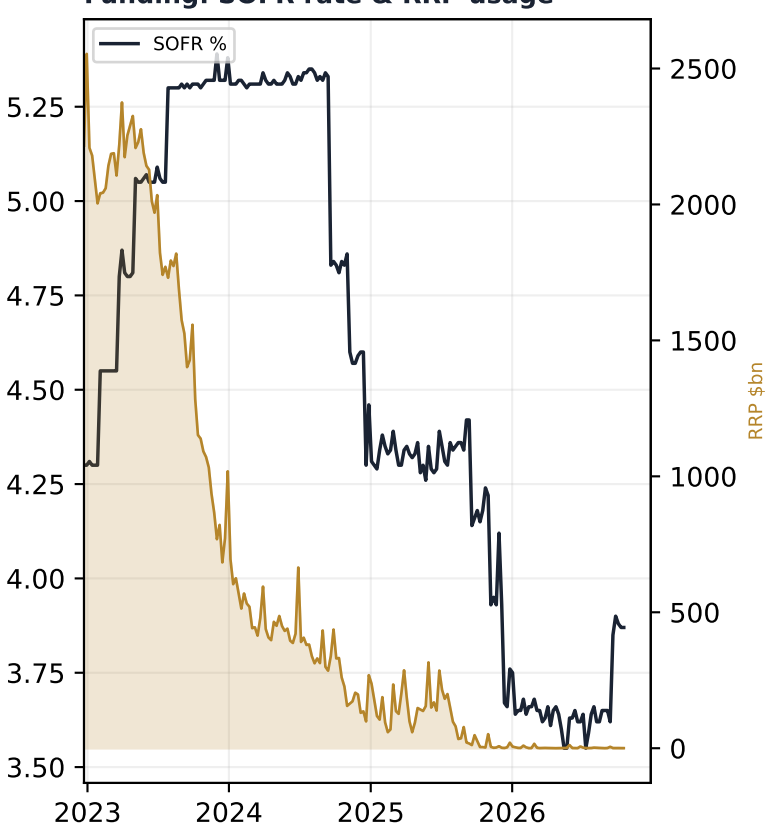
Central-bank liquidity (indexed = 100, 5y)



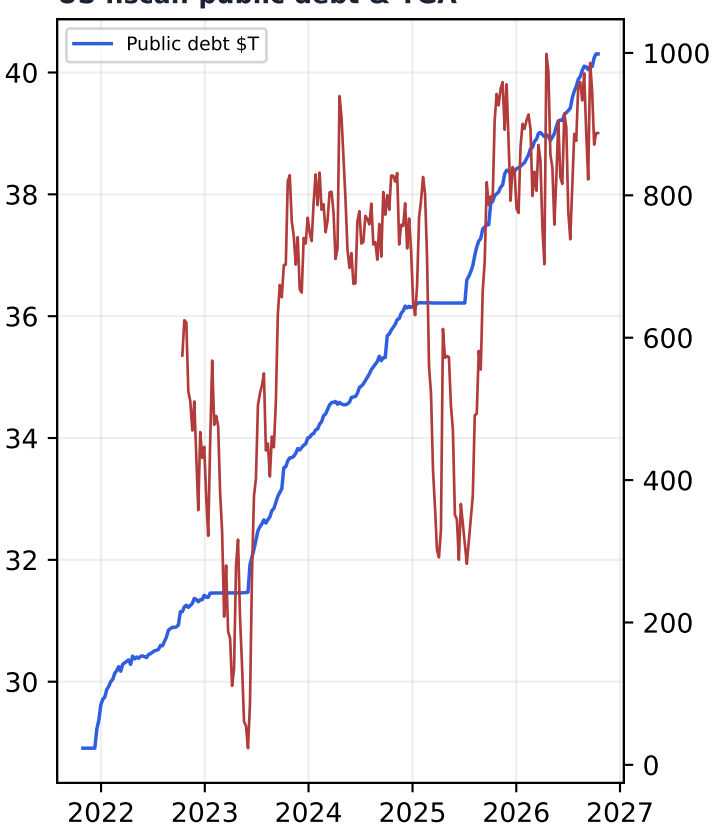
Global 10-year sovereign yields (%)



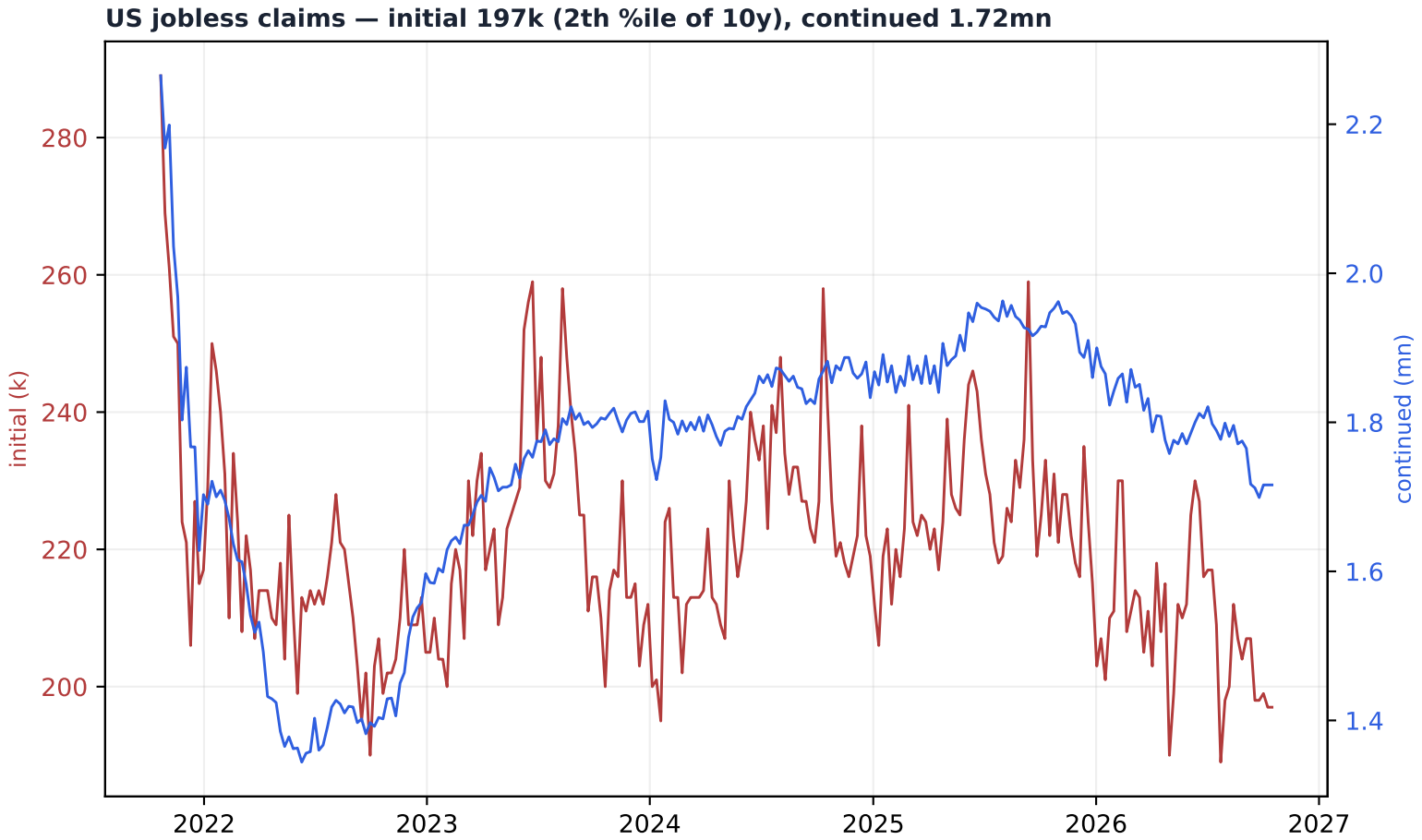
Funding: SOFR rate & RRP usage



US fiscal: public debt & TGA



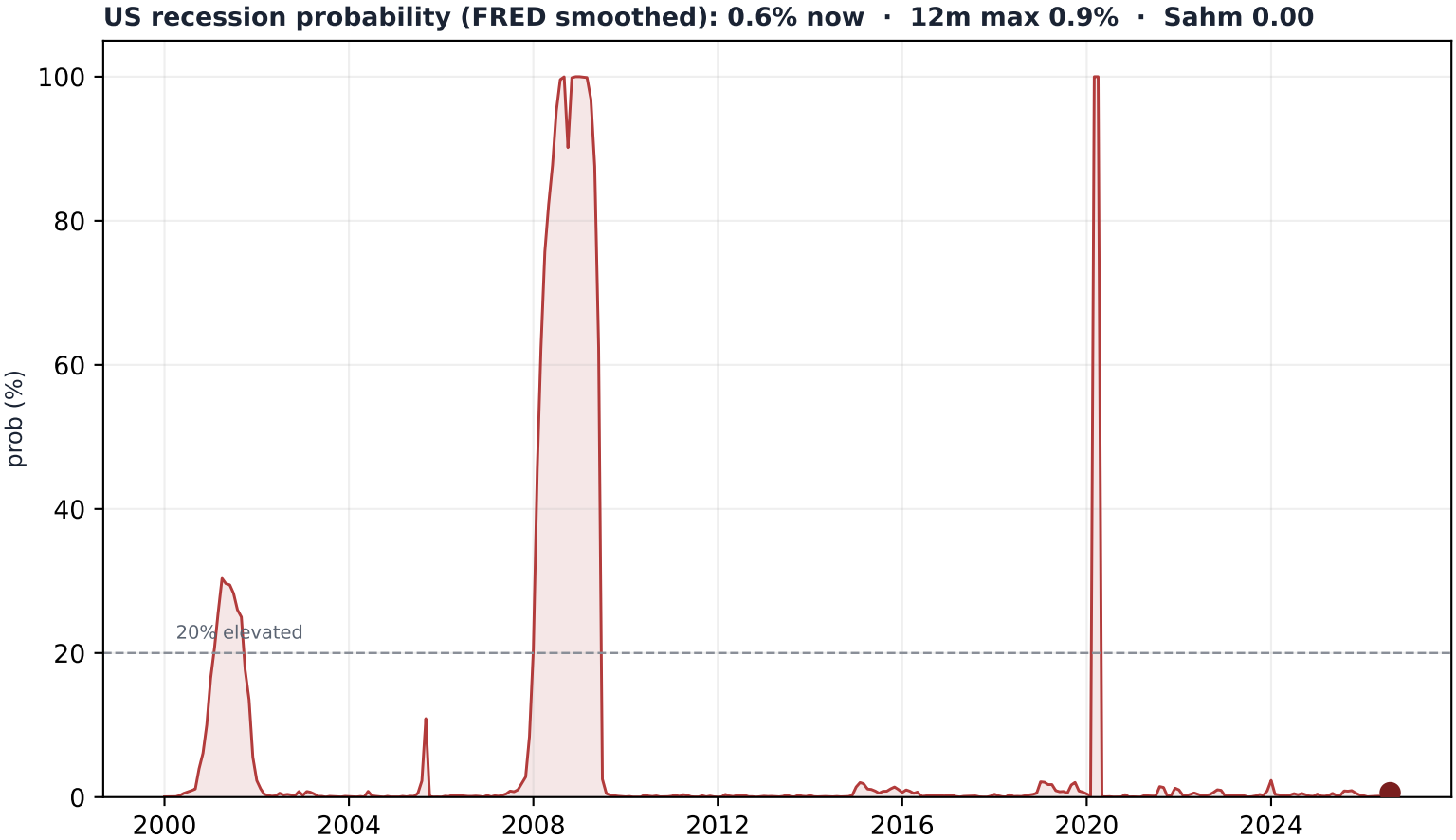
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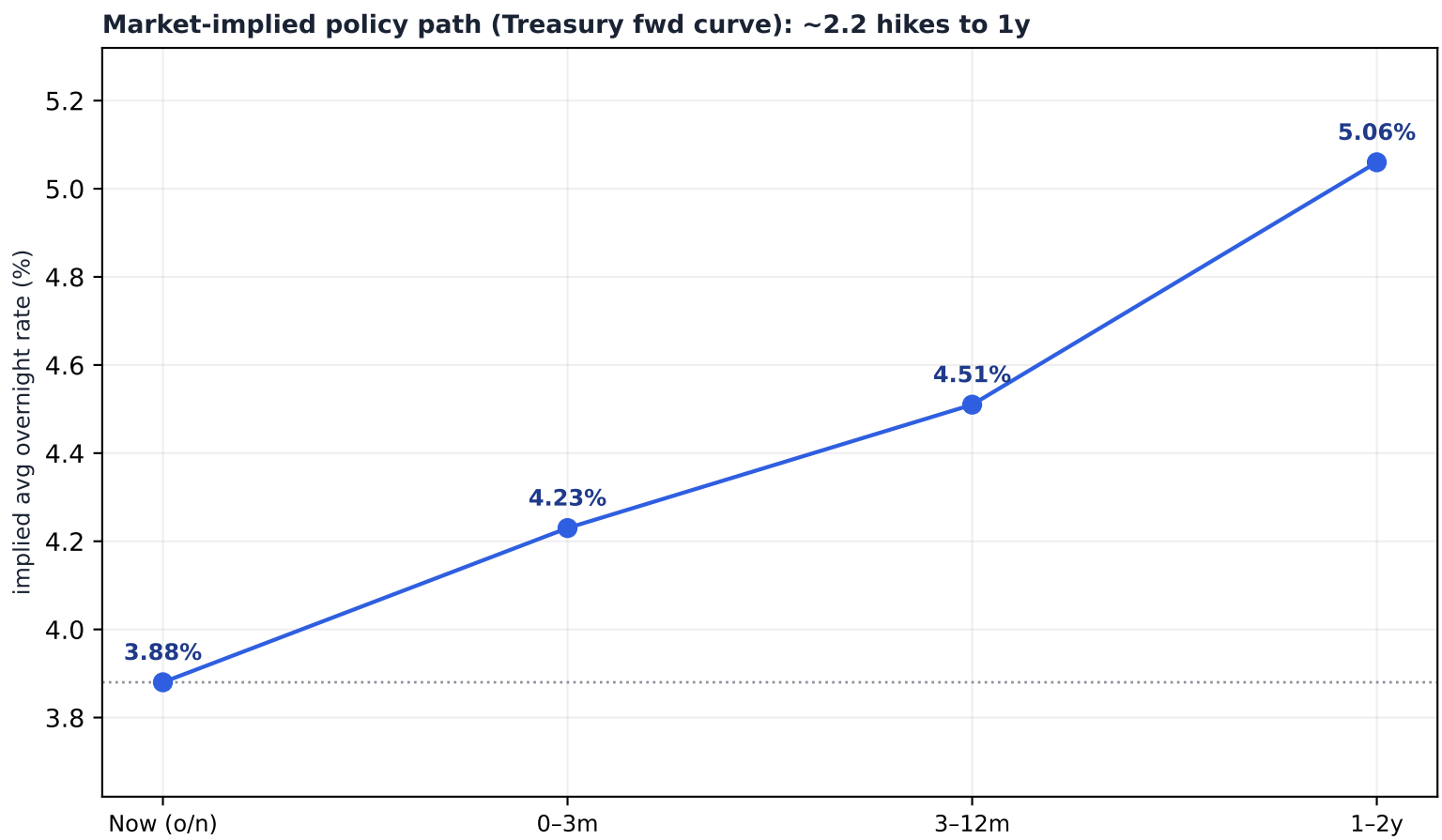




Initial claims — the timeliest US labour-market read; a sustained rise above ~260k historically flags rising recession risk. The Weekly Economic Index (Lewi
ten daily/weekly series into a real-time growth signal scaled to y/y GDP growth.

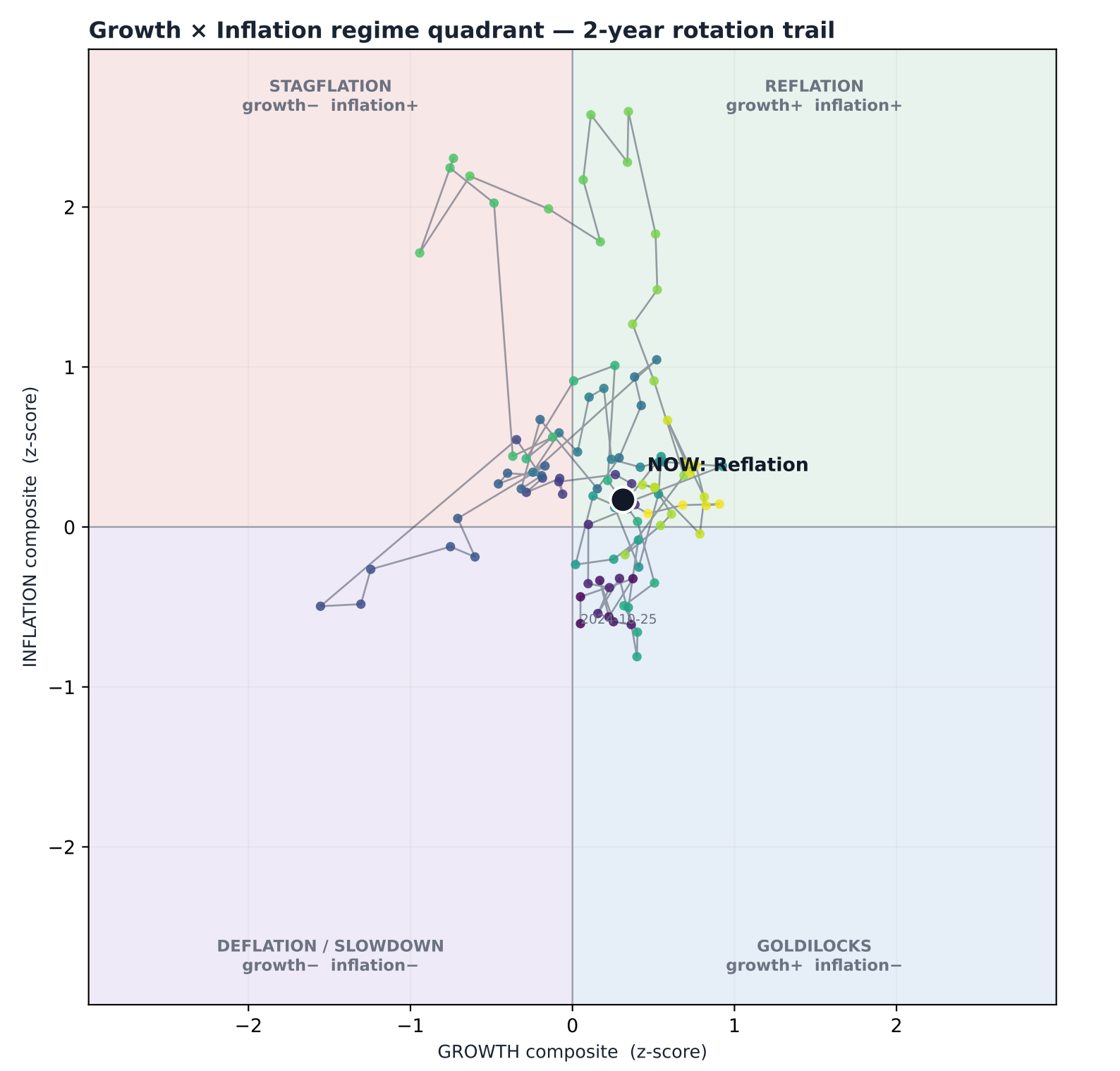
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10Y–3M curve +0.99pp (positive). Forward short rates implied by the current 3M/1Y/2Y Treasury curve; the dotted line is today's fed funds. A downward path prices policy easing. Cut/hike count is an approximation to the 1-year point (ignores term premium), a directional read of what is priced.

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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.

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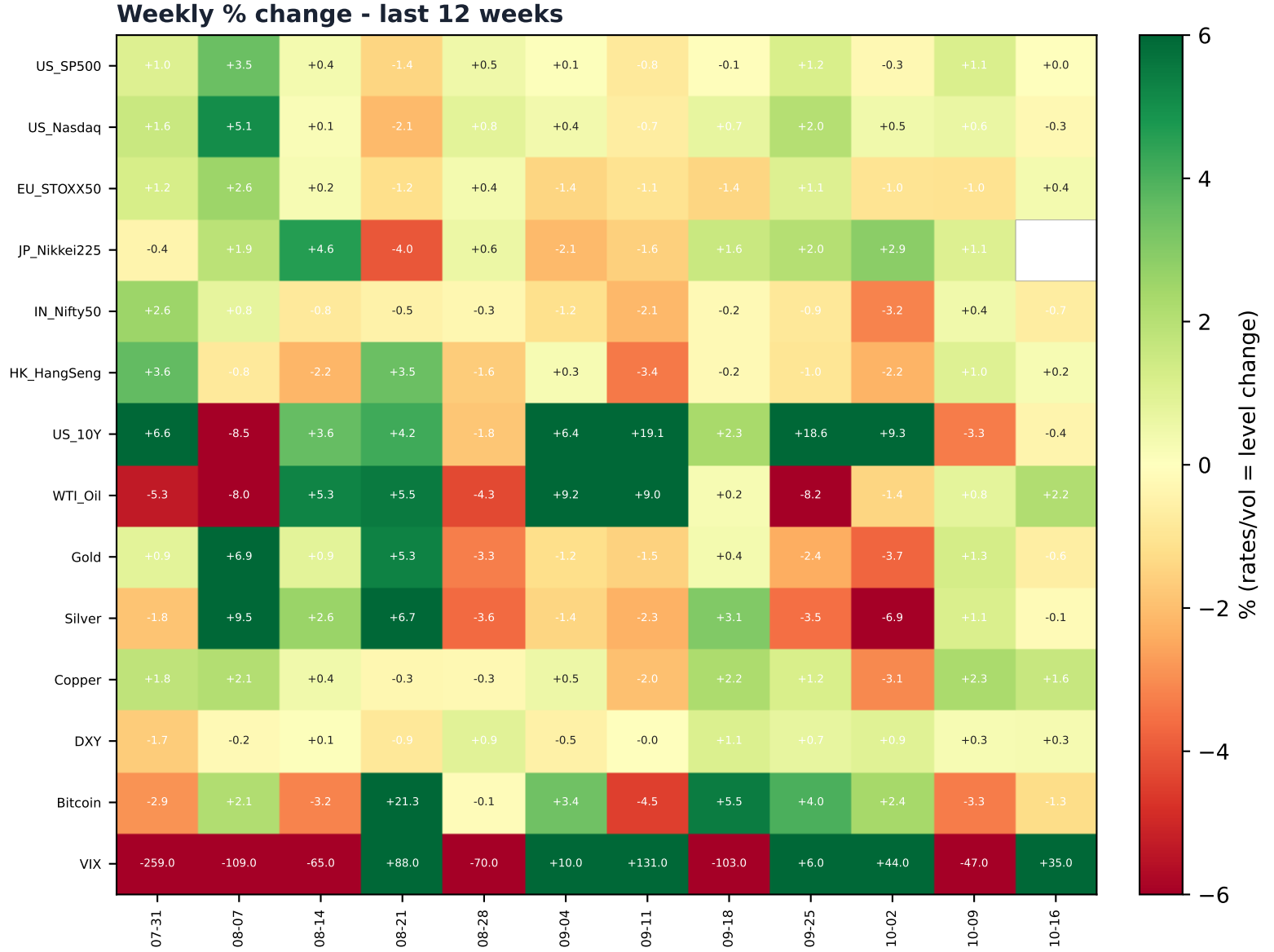
PART II

Cross-Asset Structure

How the markets are moving together — the factor structure, systemic co-movement, directional lead-lag and relative value.

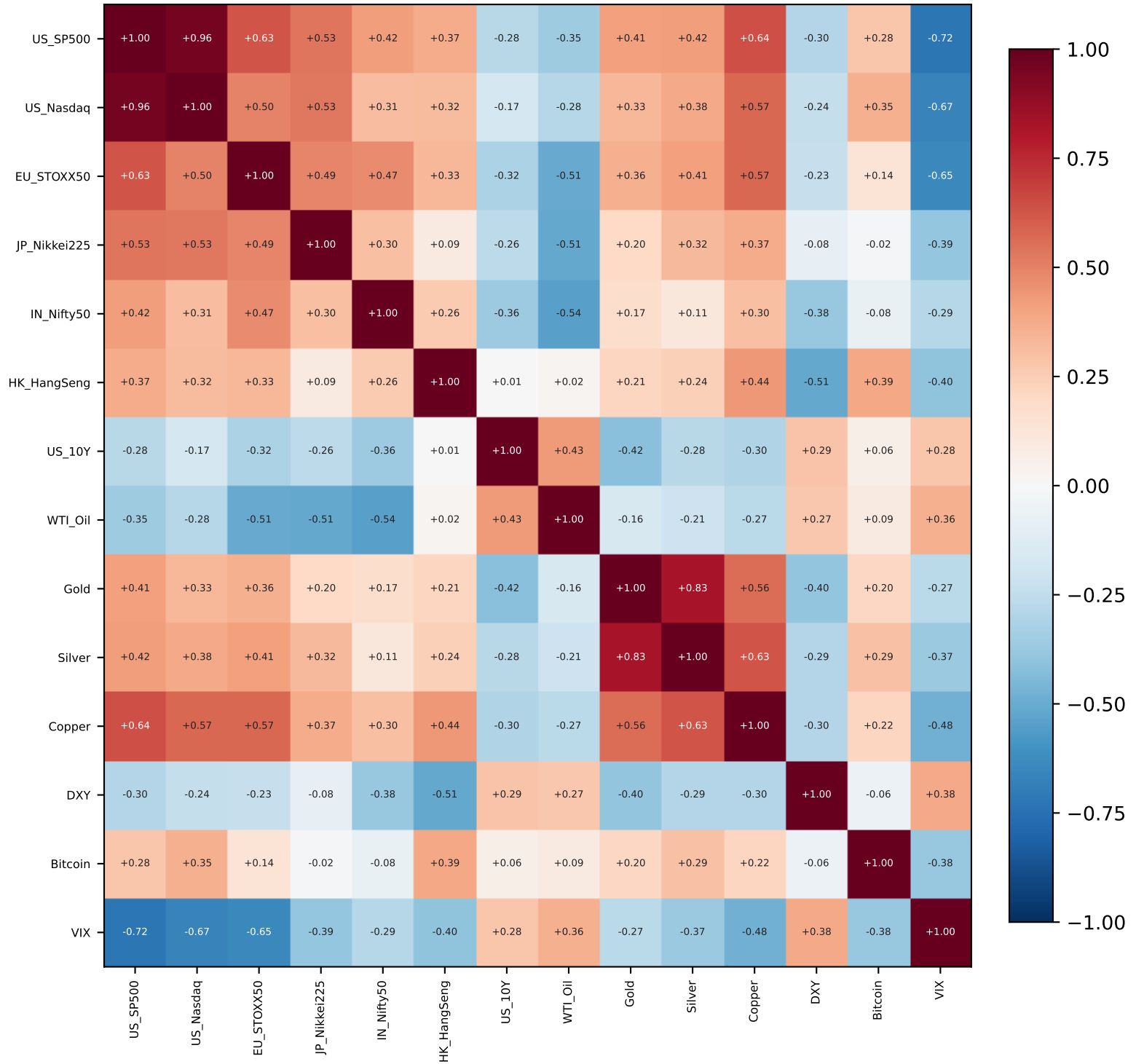
- PCA factor model & multivariate DCC conditional-correlation
- Correlation network, multi-horizon & wavelet coherence
- Granger-causality lead-lag network and cointegration / relative value

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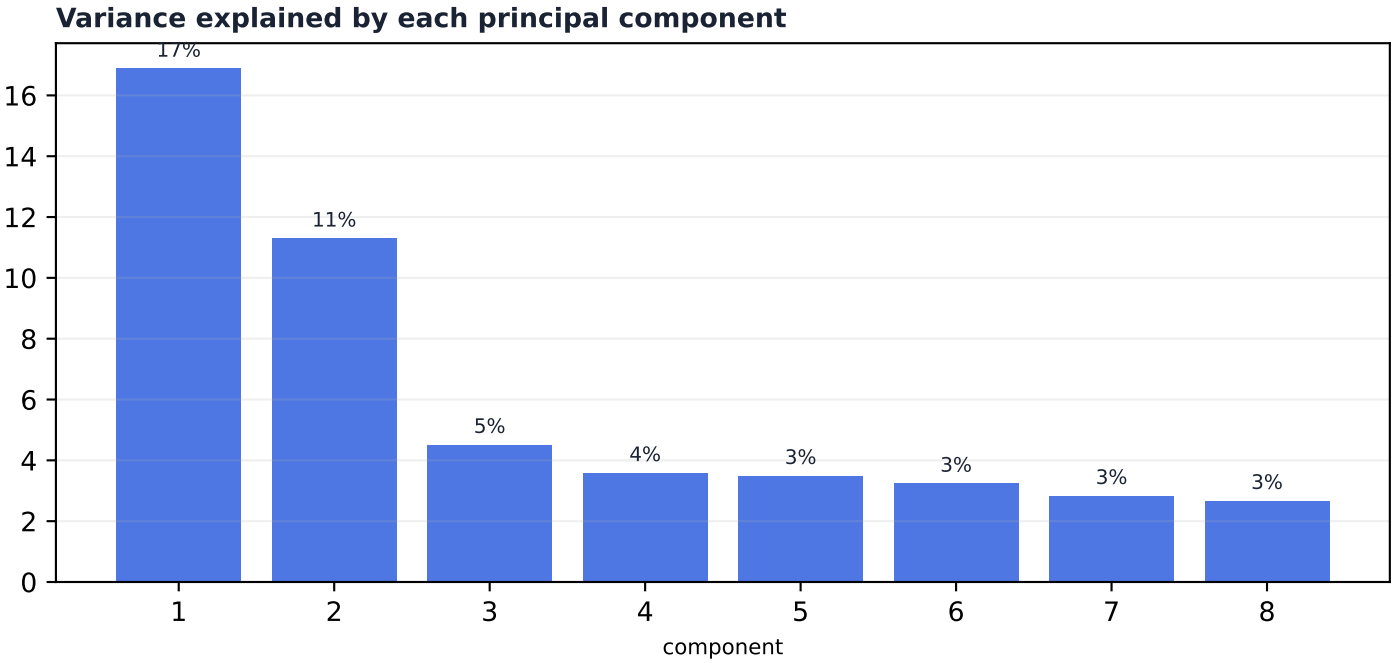
52-week correlation of weekly moves



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CROSS-ASSET FACTOR STRUCTURE (PCA)

What independent forces drive the 190 instruments — 156 weeks, standardised



PC1 — Risk (equity beta)

16.9% of variance (cum 17%) · marker corr +0.74

+ EM_USD_Bonds +0.15, US_HighYield +0.15, US_SP500_EqualWeight +0.15, US_Russell2000 +0.14, US_Dow +0.13

– US_HY_eff_yield -0.15, VIX3M -0.12, VIX -0.12, US_10Y_real_yield -0.11, EA_AllBond_10Y -0.10

PC2 — Rates (10Y yield)

11.3% of variance (cum 28%) · marker corr +0.78

+ US_5Y +0.17, US_10Y +0.17, US_10Y_yield +0.17, US_5Y_yield_cm +0.17, US_2Y_yield +0.16

– US_Tsy_7_10Y -0.16, EM_corp_OAS -0.16, US_Tsy_20Y+ -0.16, US_Aggregate -0.15, US_HY_OAS -0.13

PC3 — US dollar (inverse)

4.5% of variance (cum 33%) · marker corr -0.16

+ GR_10Y +0.32, ES_10Y +0.31, PT_10Y +0.31, NL_10Y +0.31, FR_10Y +0.31

– UMich_Sentiment -0.18, Policy_Turkey -0.16, CPI_Argentina -0.11, US_FedDebt_PctGDP -0.08, Policy_Russia -0.08

PC4 — Gold (inverse)

3.6% of variance (cum 36%) · marker corr -0.23

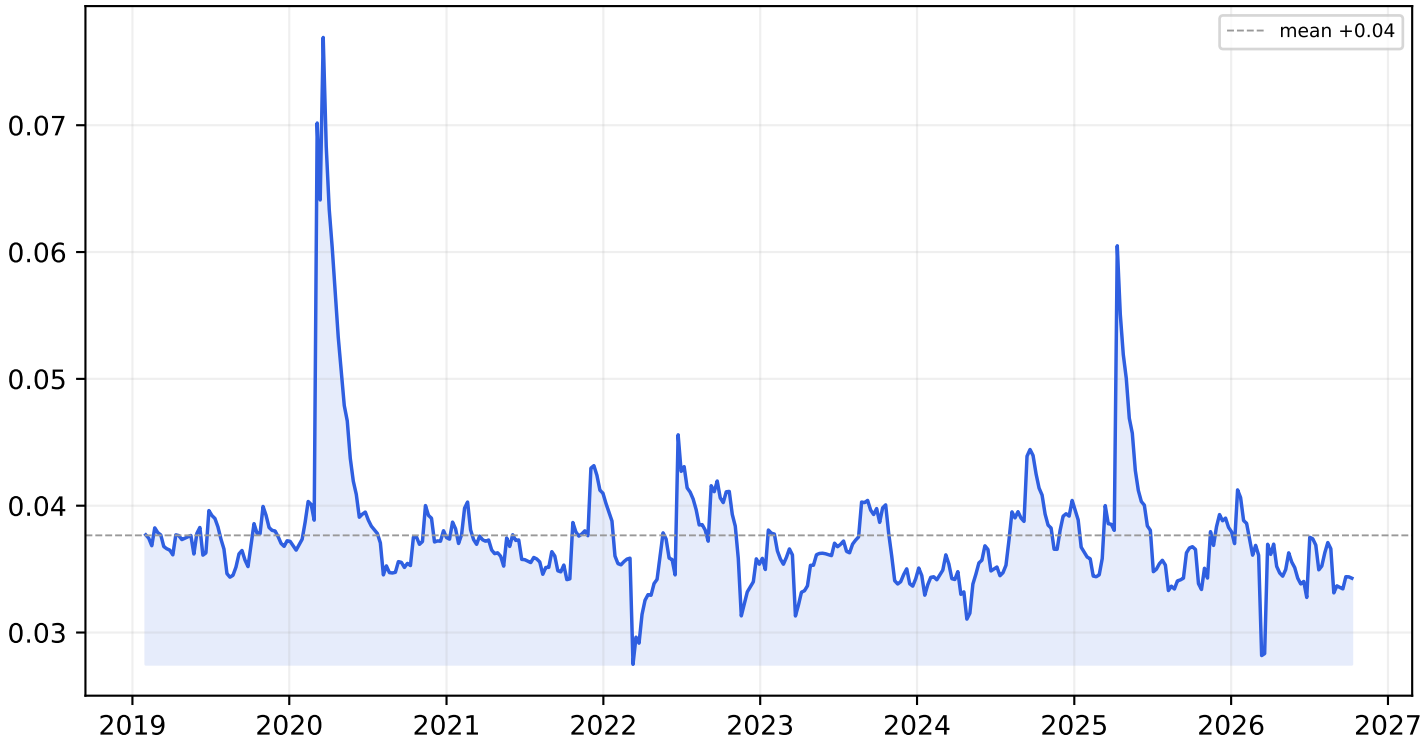
+ Policy_EuroArea +0.18, Policy_Mexico +0.18, Dogecoin +0.17, Solana +0.17, XRP +0.16

– US_GDP_Bn -0.17, FR_10Y_yield -0.14, UK_10Y_yield -0.14, DE_10Y_yield -0.13, Policy_Brazil -0.13

Principal components are the uncorrelated factors that explain the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin. Each factor is named by its strongest correlation with a marker instrument.

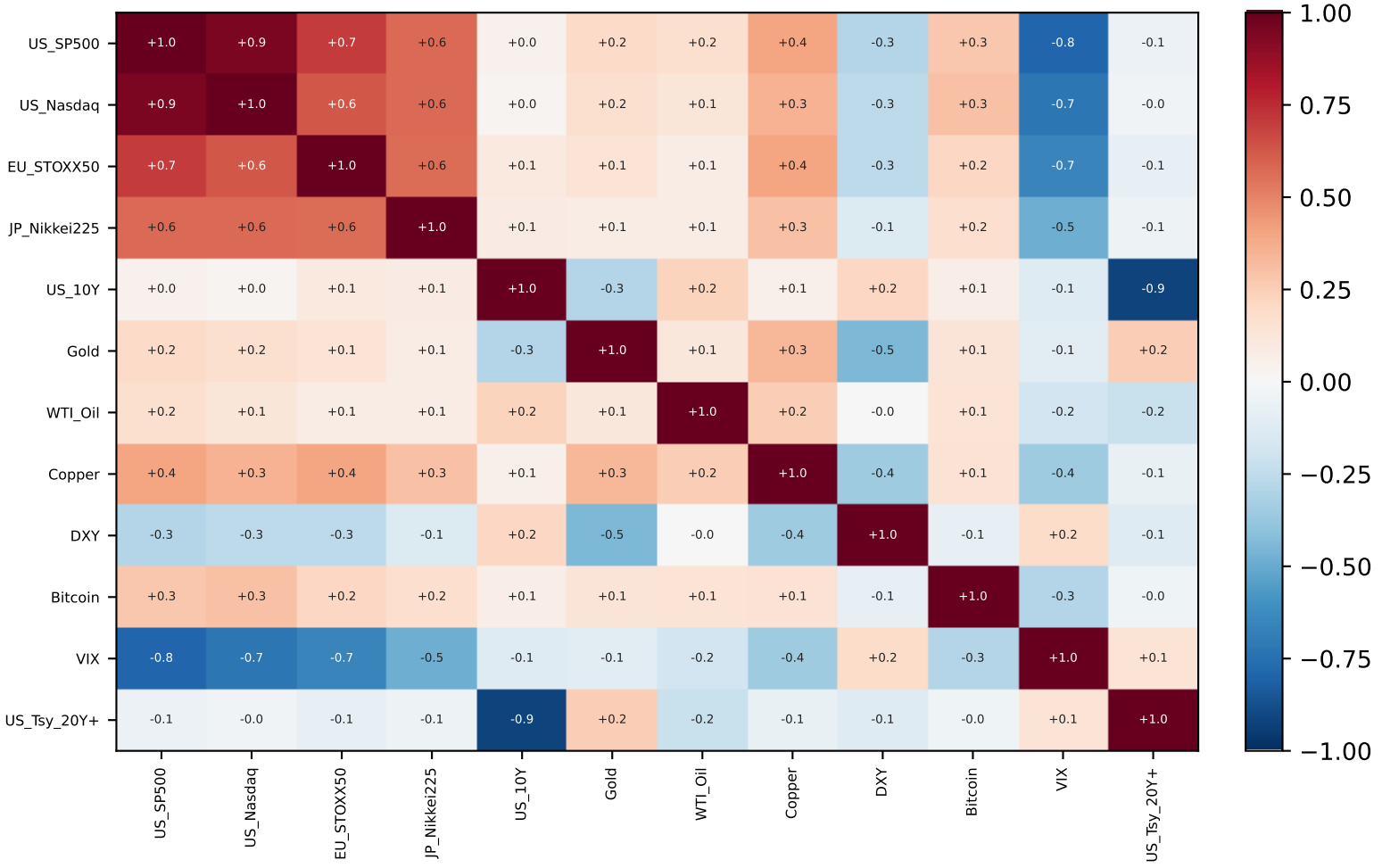
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Average pairwise conditional correlation (multivariate DCC-GARCH)

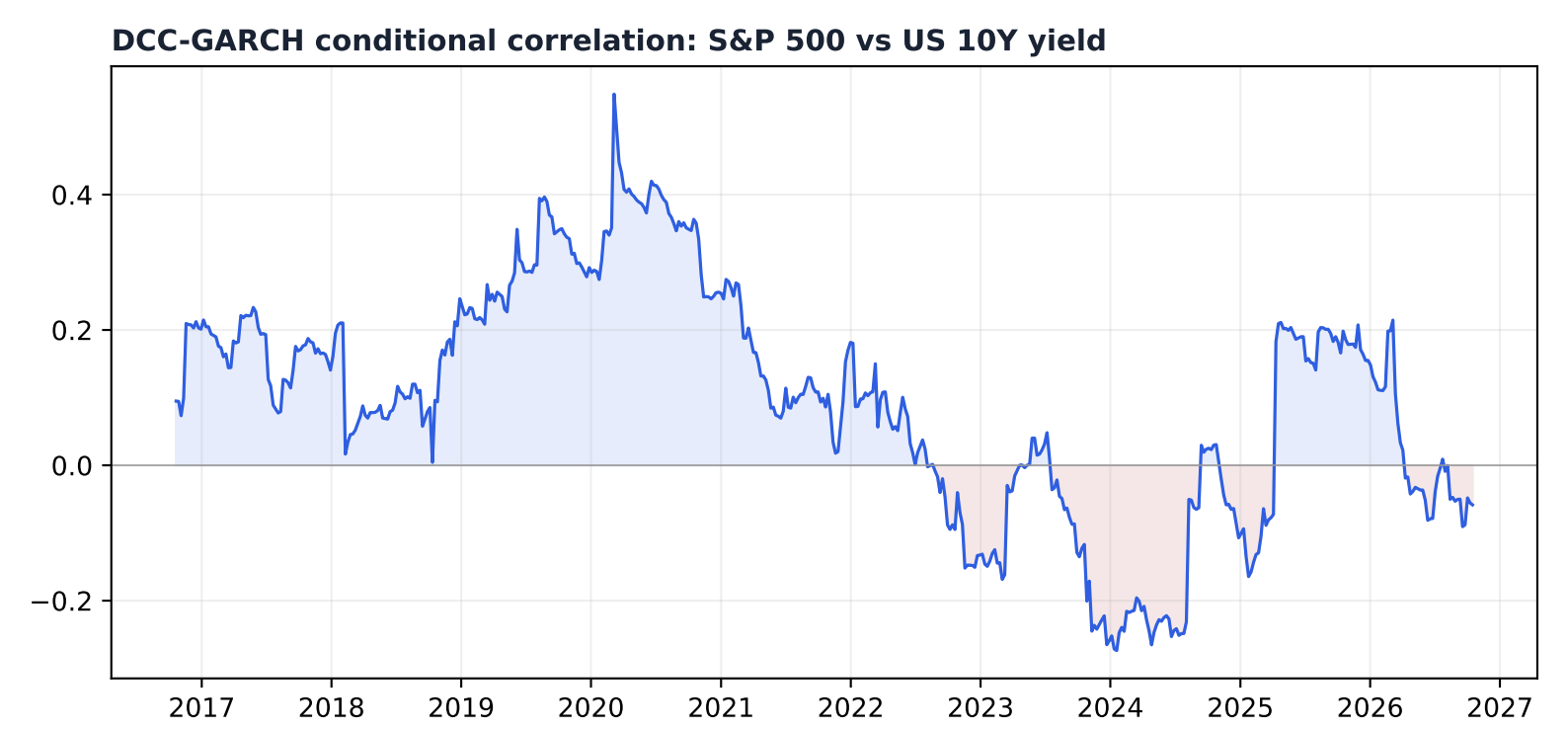


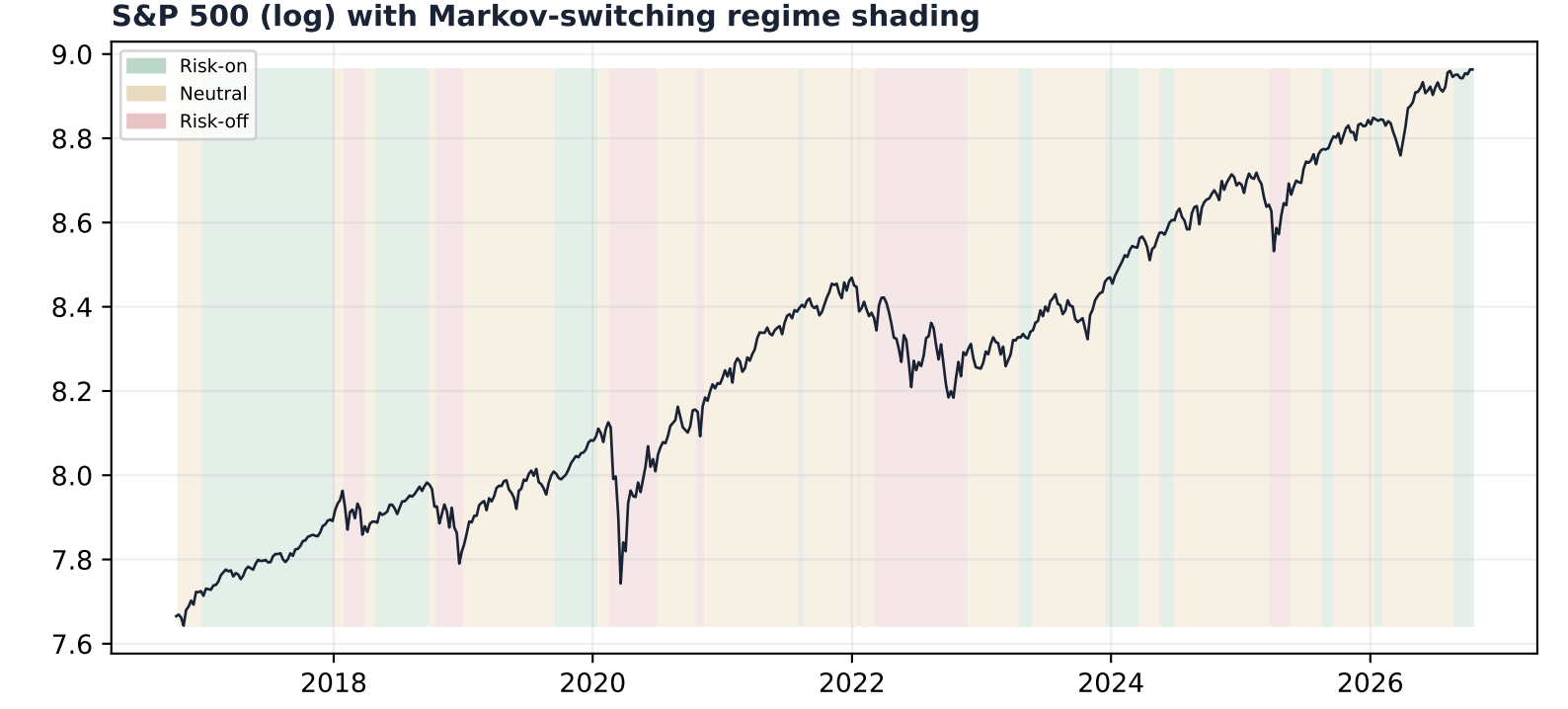
N=12 assets · persistence 0.8359 · rising = diversification failing in real time · now +0.03

Latest conditional-correlation matrix

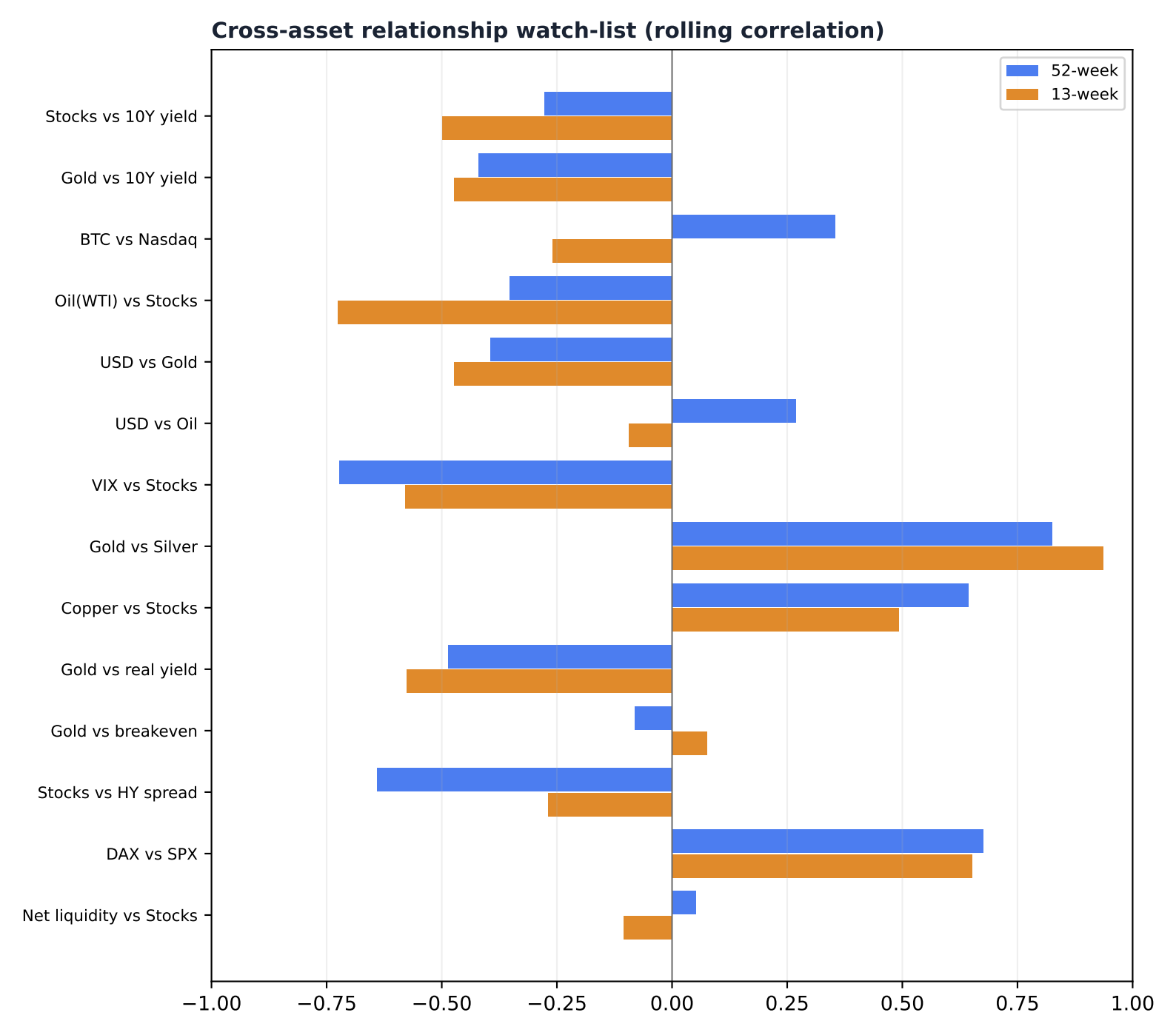


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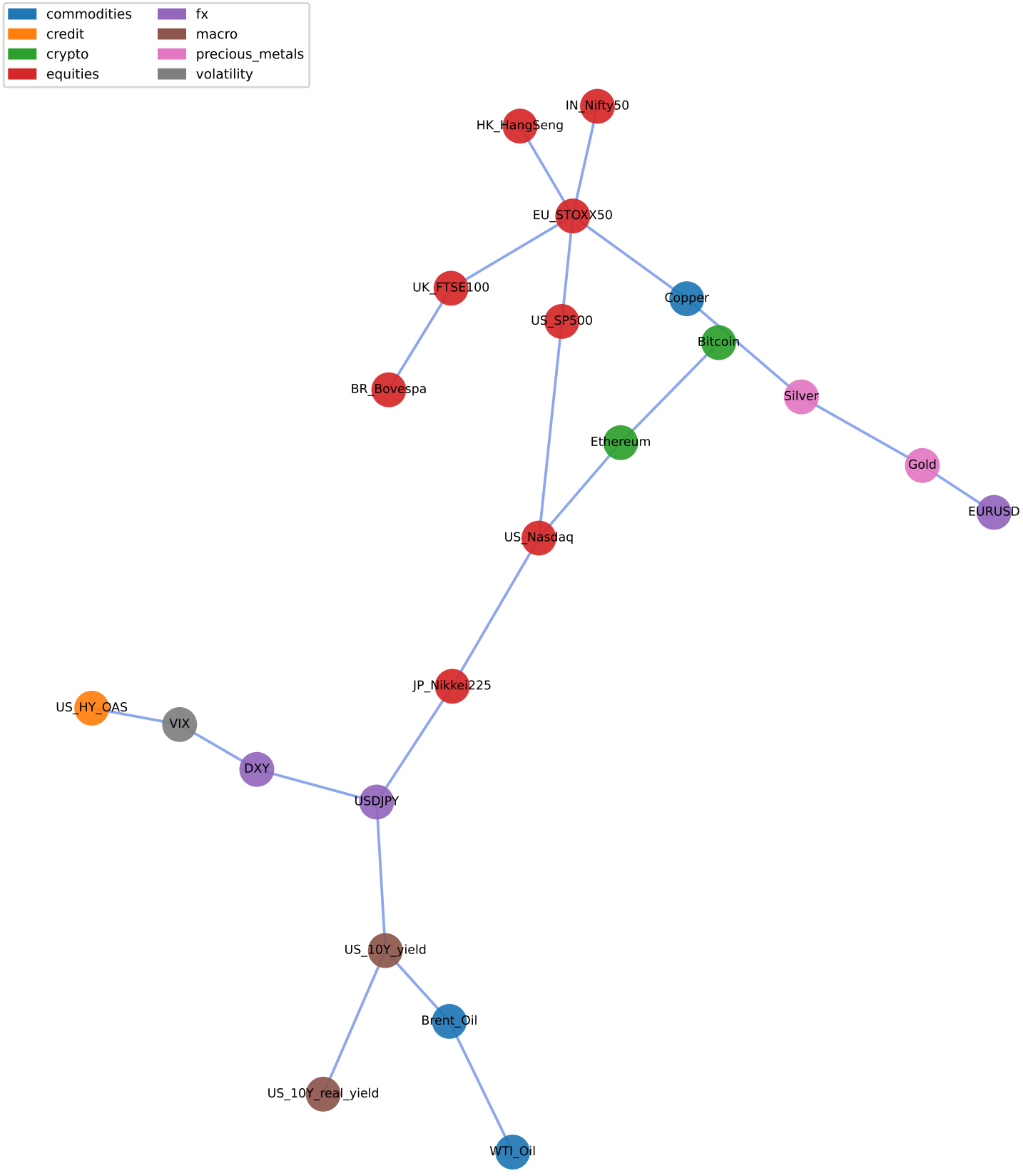


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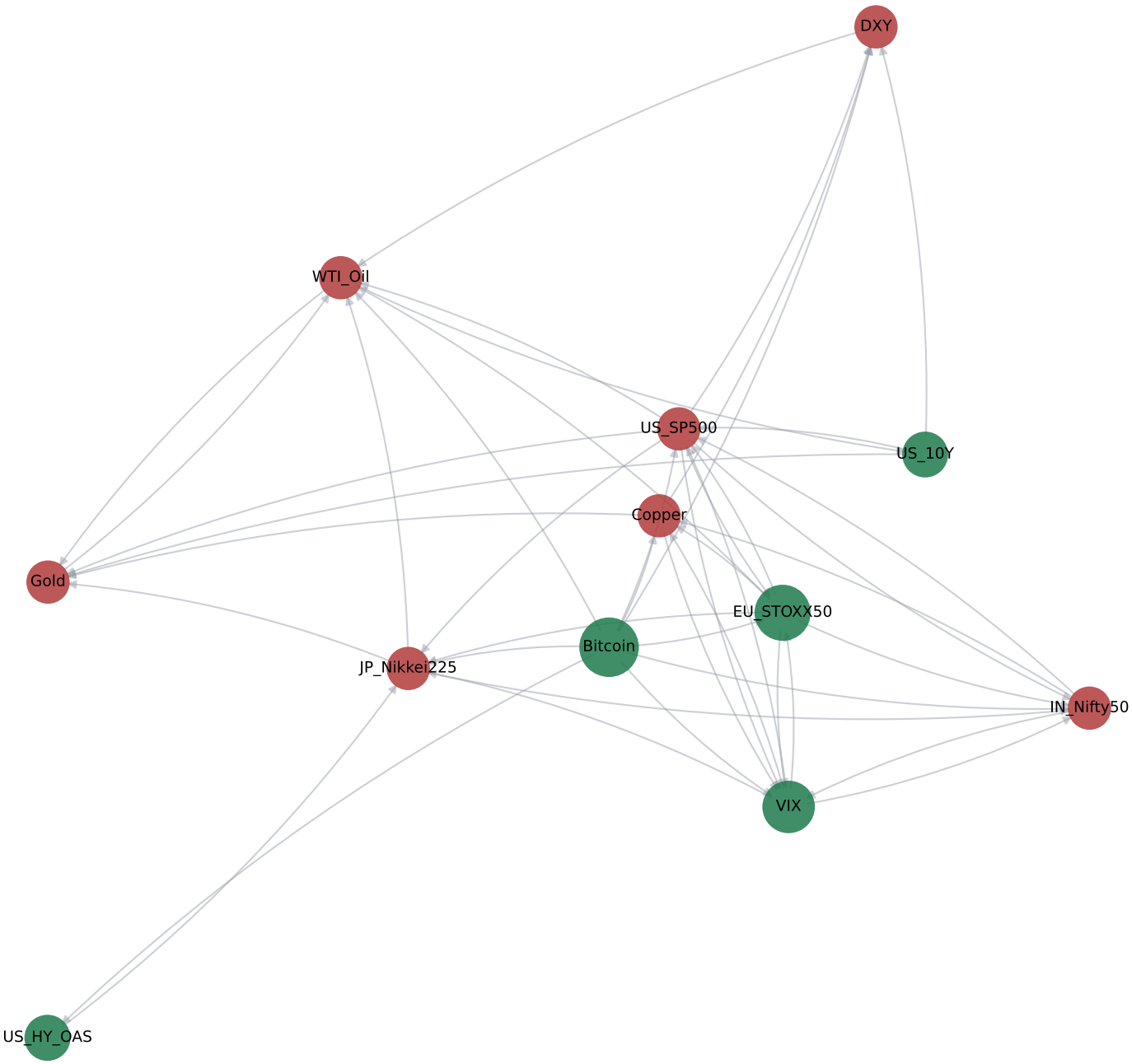
Cross-asset correlation network - minimum spanning tree (3y)



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

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Directional lead-lag — Granger causality network

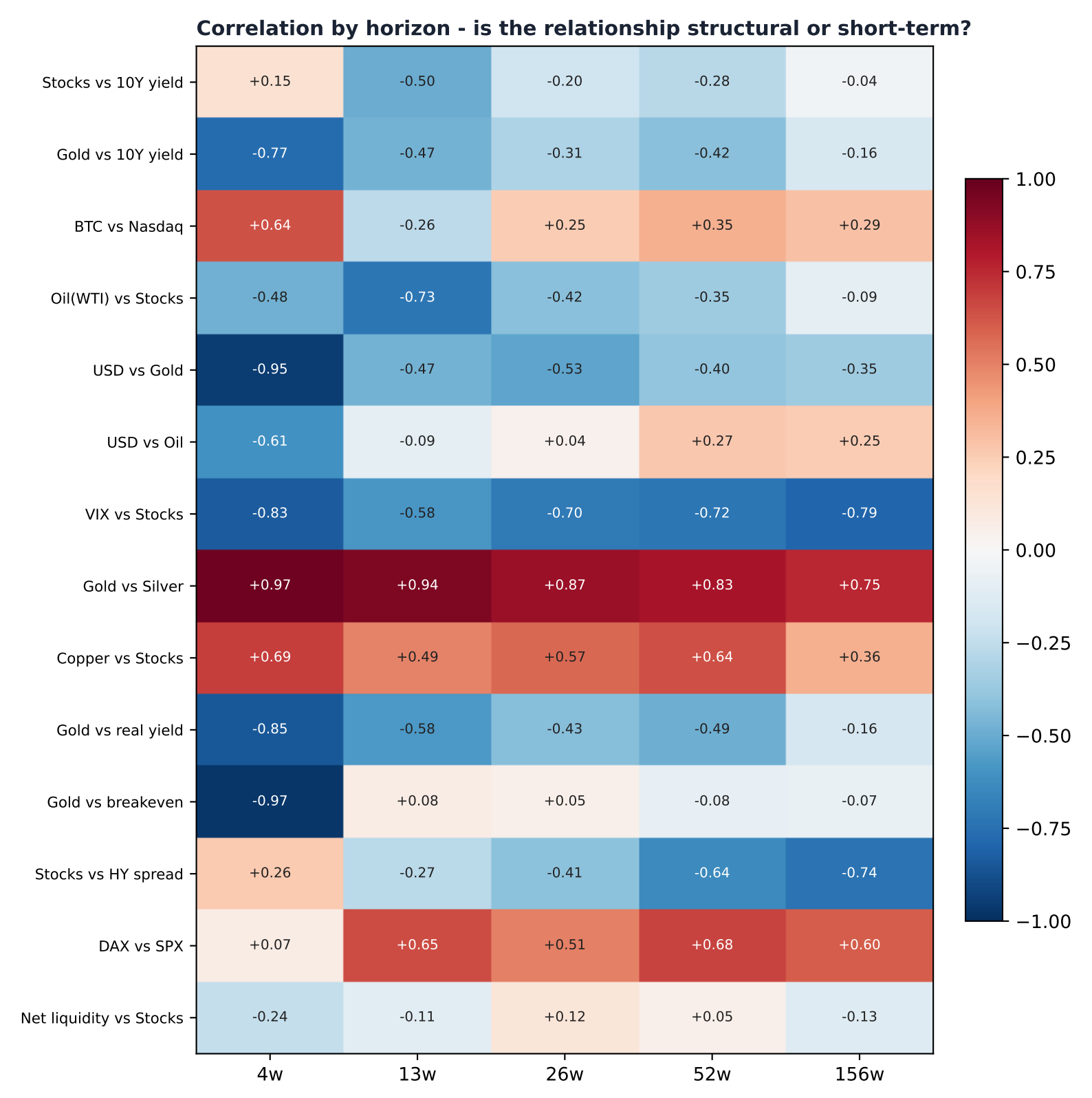


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader), red = importer (follower)

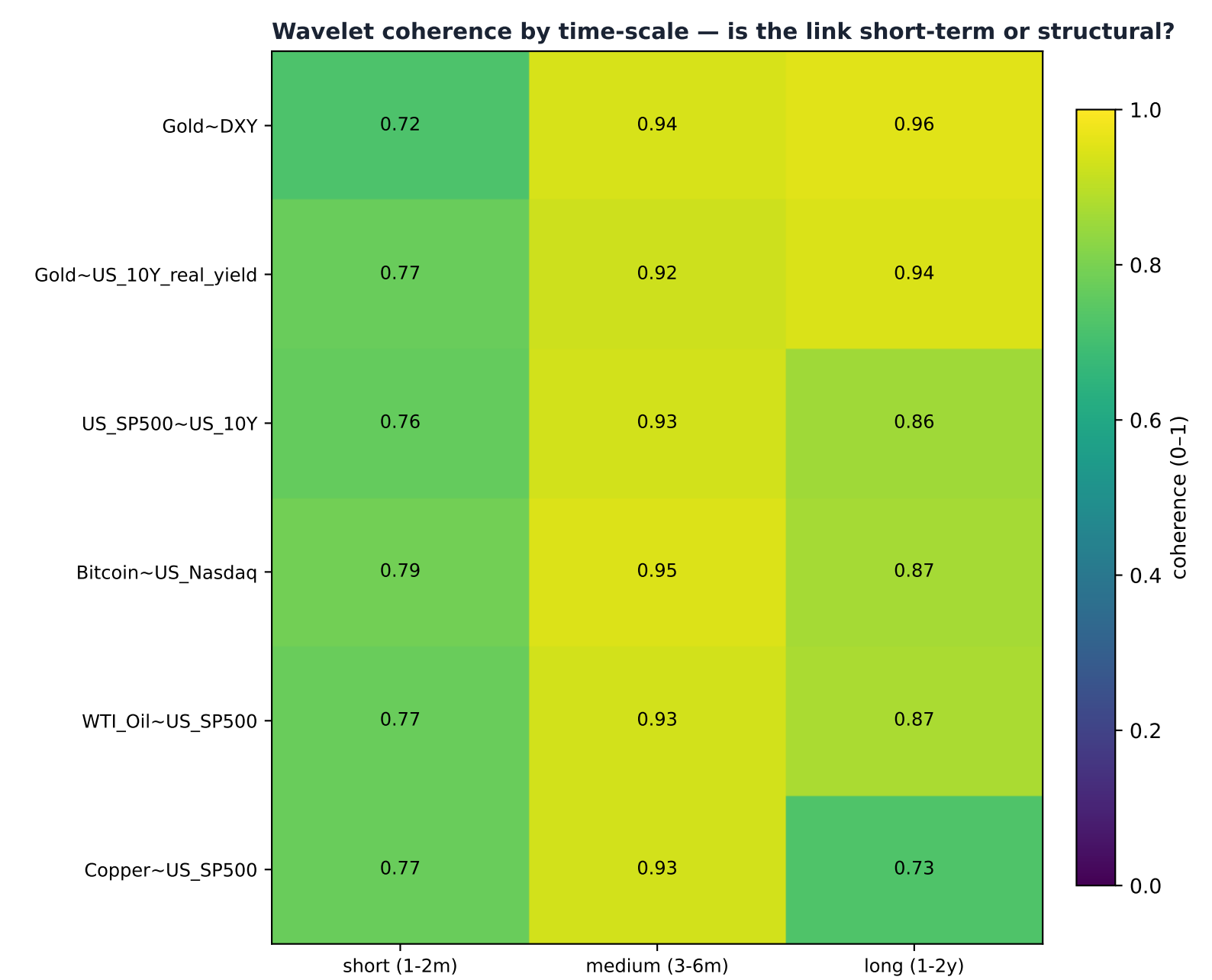
LEADERS: Bitcoin +0.08, EU_STOXX50 +0.06, VIX +0.04, US_HY_OAS +0.01, US_10Y +0.01

FOLLOWERS: JP_Nikkei225 -0.07, US_SP500 -0.04, Gold -0.03, WTI_Oil -0.02, DXY -0.02

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Coherence rising left→right = the relationship lives at longer (cycle) horizons more than week-to-week.

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STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting spreads and how stretched each is right now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
WTI vs Brent	no	0.623	0.97	2w	+3.71
HY vs IG spread	yes	0.001	0.30	2w	-1.91
US10Y vs Japan10Y	no	0.923	0.66	83w	+1.55
Copper vs Gold	no	0.125	1.70	11w	-1.21
US10Y vs Germany10Y	no	0.098	0.99	5w	-1.17
EURUSD vs GBPUSD	no	0.170	0.94	8w	+0.90
BTC vs ETH	no	0.067	0.45	14w	-0.62
Gold vs Silver	no	0.195	1.20	13w	+0.54
Stocks vs LongBonds	no	0.093	-0.44	18w	-0.42
Gold vs Platinum	no	0.326	0.71	15w	+0.37
VIX vs VIX3M	yes	0.024	0.84	2w	-0.02
S&P vs Nasdaq	yes	0.001	1.24	9w	+0.01

A low p-value means the spread is statistically mean-reverting (cointegrated). Half-life = weeks to close half a dislocation. |spread z| > 2 (red) flags a historically wide gap — the actionable rich/cheap signal. Pairs shown NOT cointegrated: the long-run link has broken, so the z is informational only.

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PART III

Positioning, Flows & Sentiment

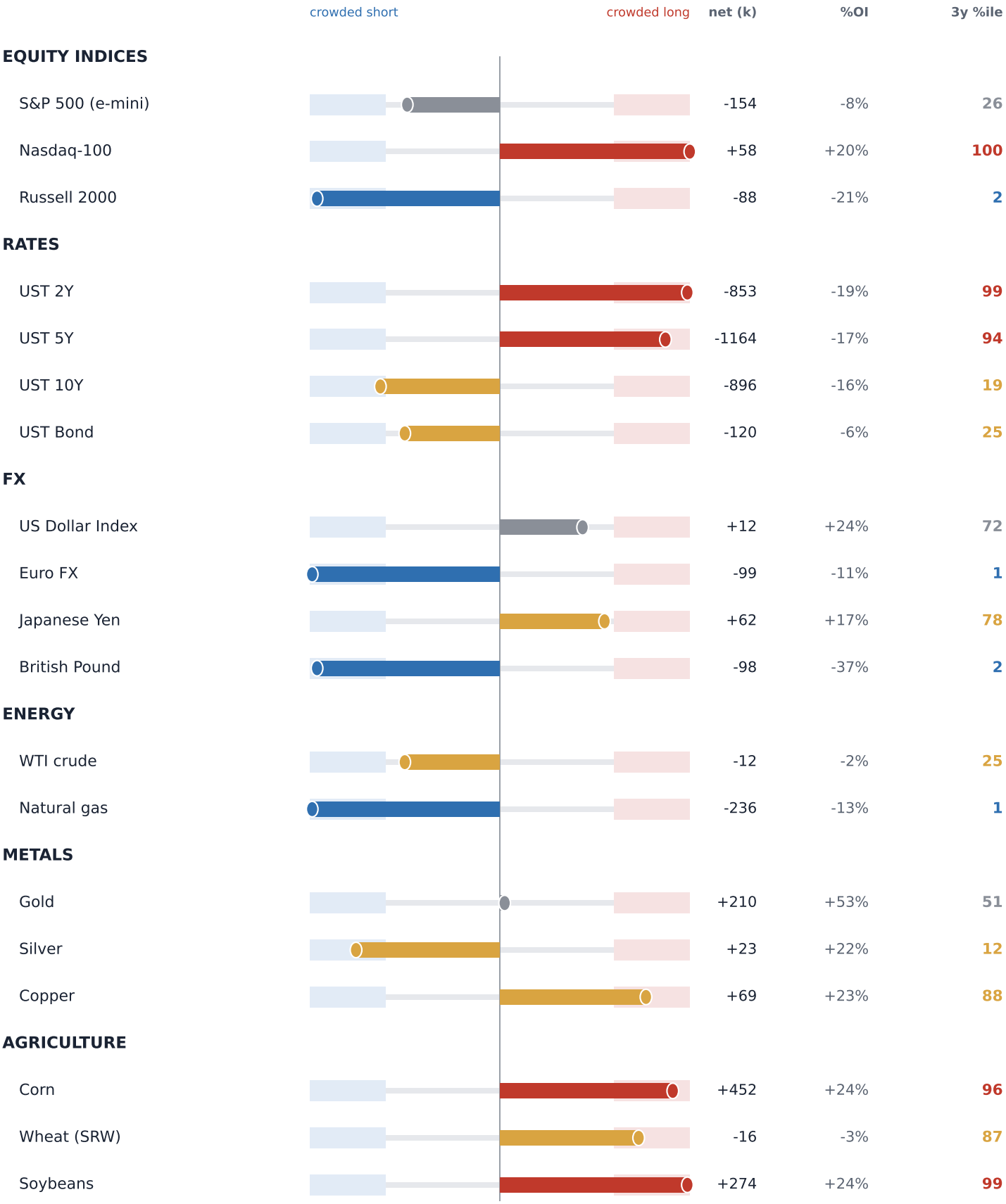
Where the crowd is leaning — futures positioning and market sentiment.

- CFTC speculative positioning complex (crowded longs / shorts)
- CNN Fear & Greed composite and its components

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POSITIONING — CFTC speculative net

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



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

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MARKET SENTIMENT

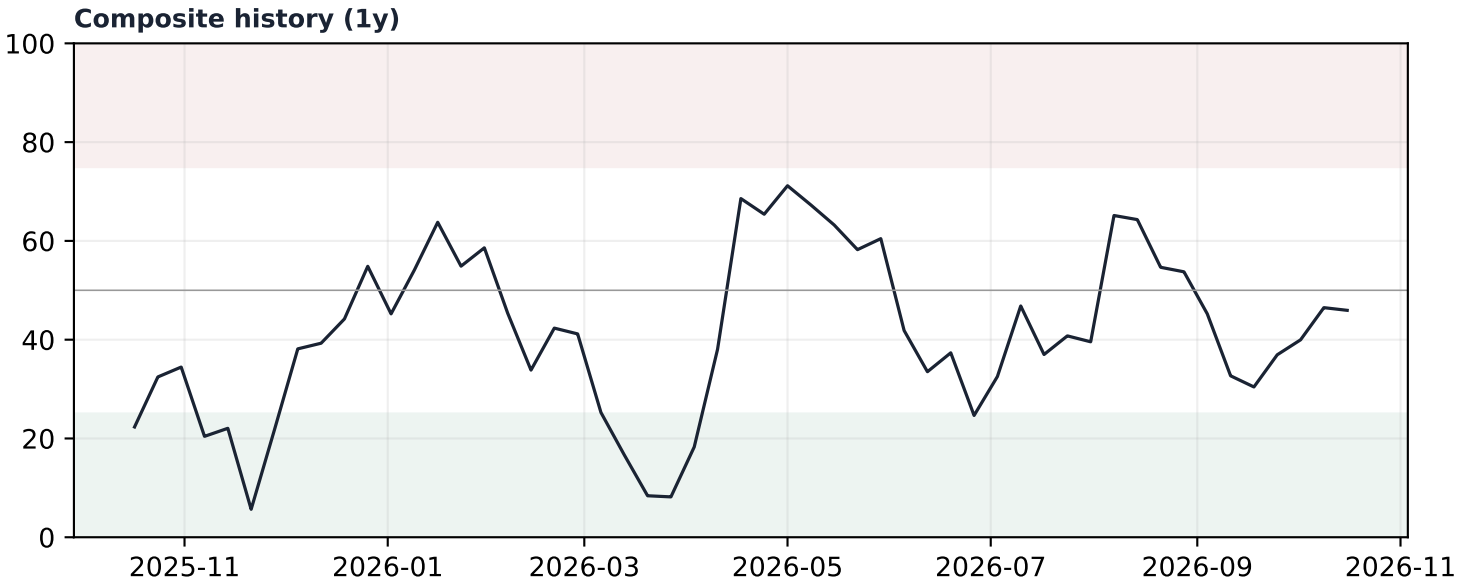
CNN Fear & Greed composite and its components — a contrarian gauge

46

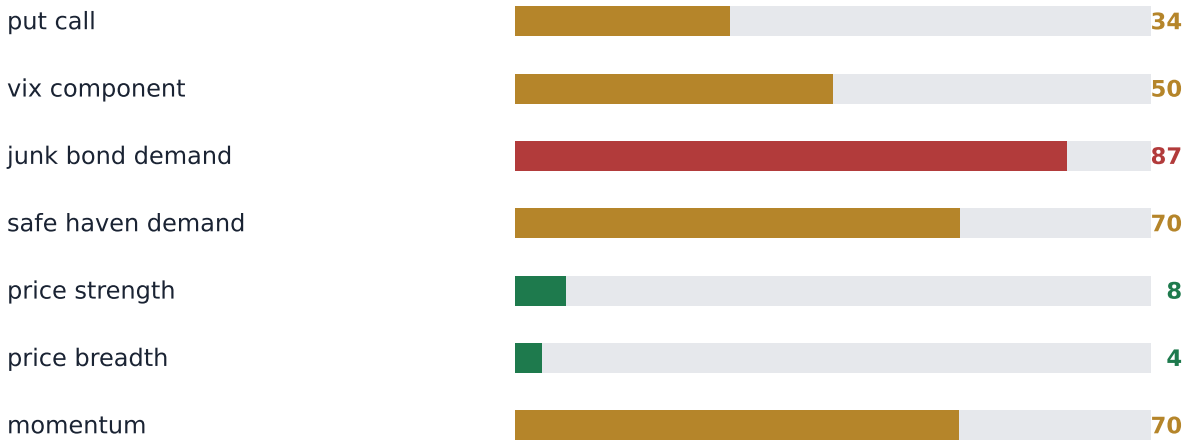
NEUTRAL

0 = extreme fear · 100 = extreme greed

44	33	30
1 week ago	1 month ago	1 year ago



COMPONENTS (0–100)



Fear & Greed is a contrarian gauge: extreme fear (<25) has historically marked bounce points, extreme greed (>75) complacency. The put/call, junk-bond-demand and safe-haven-demand components each read risk appetite directly.

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PART IV

Volatility

The volatility complex — term structure, the risk premium and tail pricing.

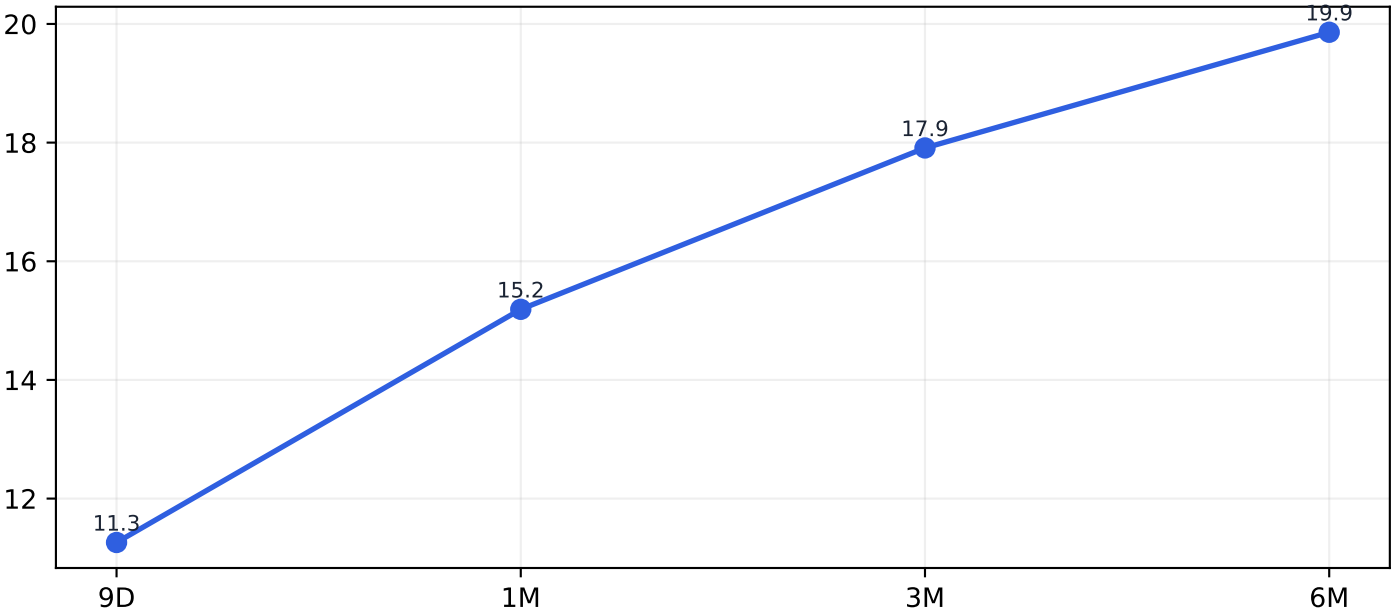
- VIX term structure (9D → 6M) and the volatility risk premium
- CBOE SKEW tail-risk index and cross-asset volatility (MOVE / OVX / GVZ)

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VOLATILITY COMPLEX

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

VIX term structure — contango (calm)



VOL RISK PREMIUM

+10.4 pts

VIX 15.2 − realised 4.8

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

154

88th %ile of 5y — elevated crash-hedging demand

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

Bond vol (MOVE)	98	47th
Oil vol (OVX)	49	75th
Gold vol (GVZ)	23	80th
Vol-of-vol (VVIX)	87	26th

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

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PART V

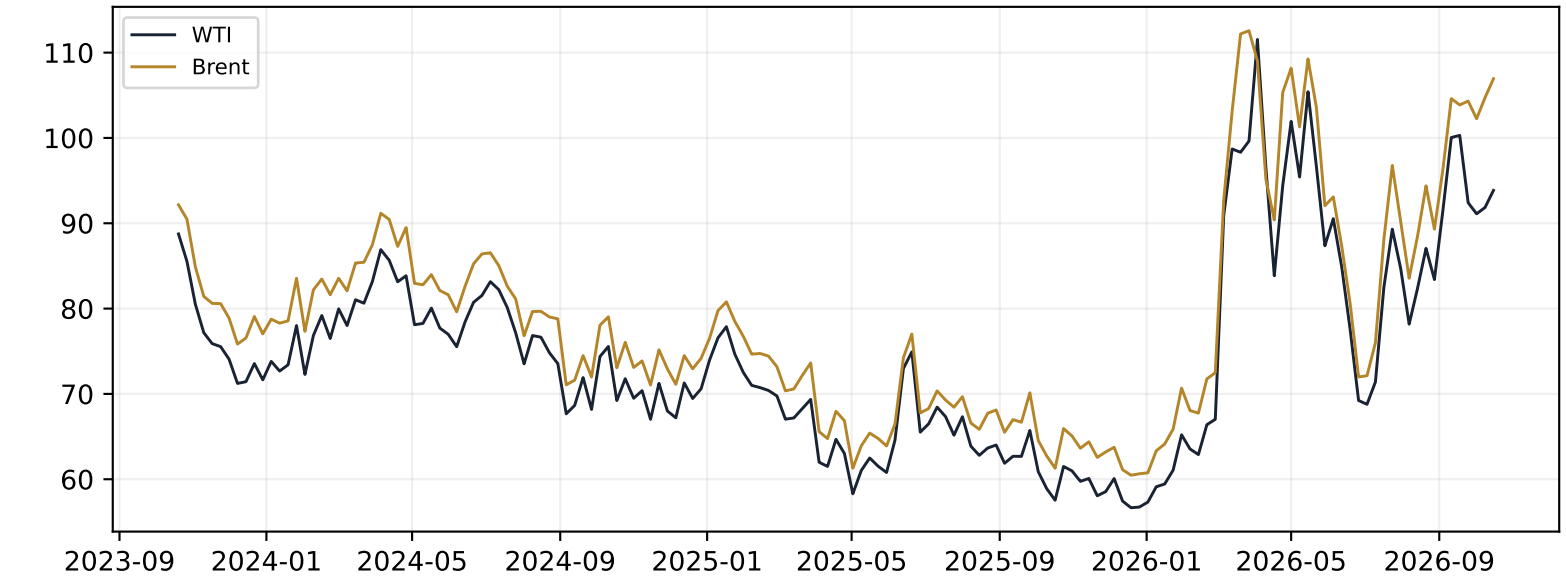
Asset Deep-Dives

Instrument-level detail across the major asset classes.

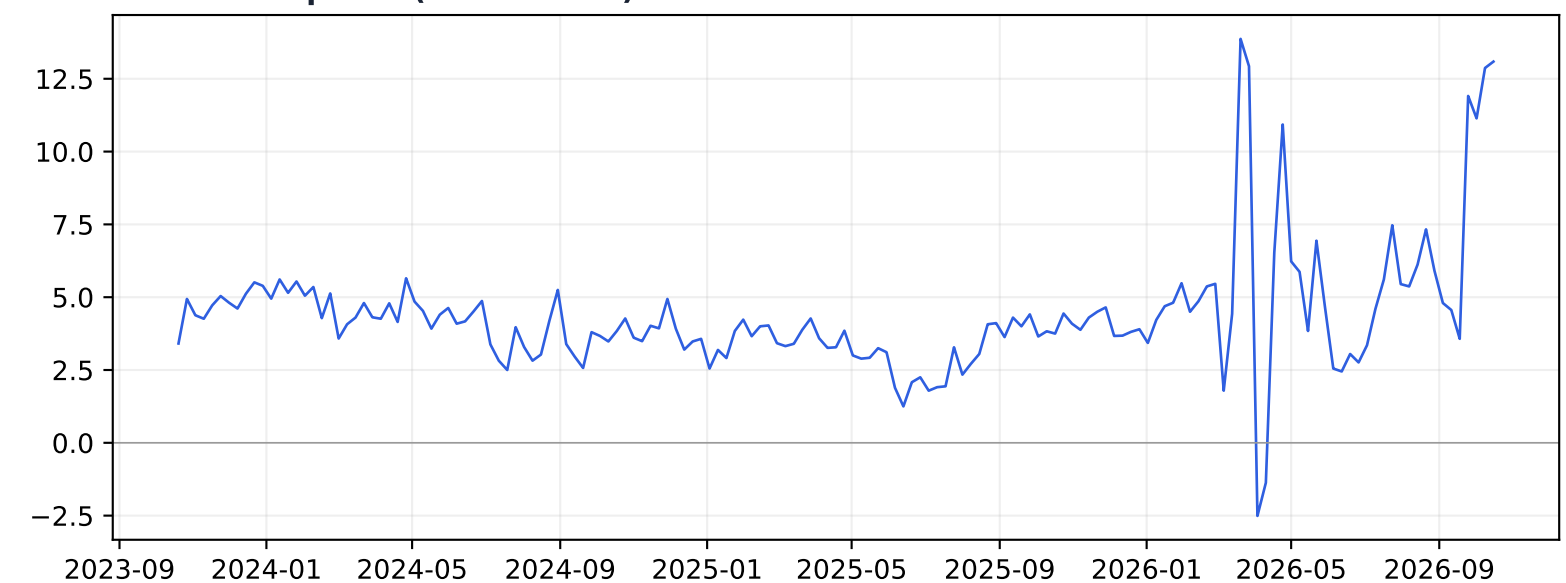
- Oil, natural gas, precious metals and crypto special modules
- Momentum & trend battery; factor-beta risk attribution; equity valuation

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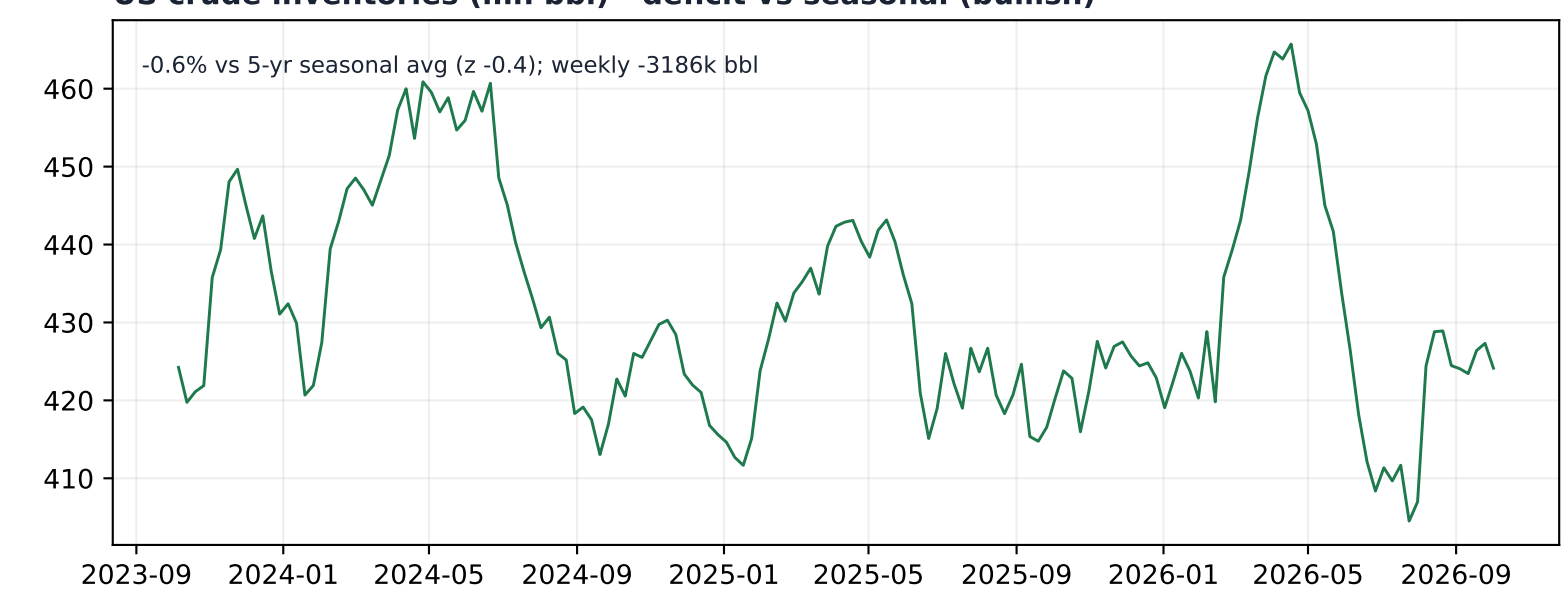
OIL special - WTI $93.85 (wk +2.2%, 13w +13.8%)



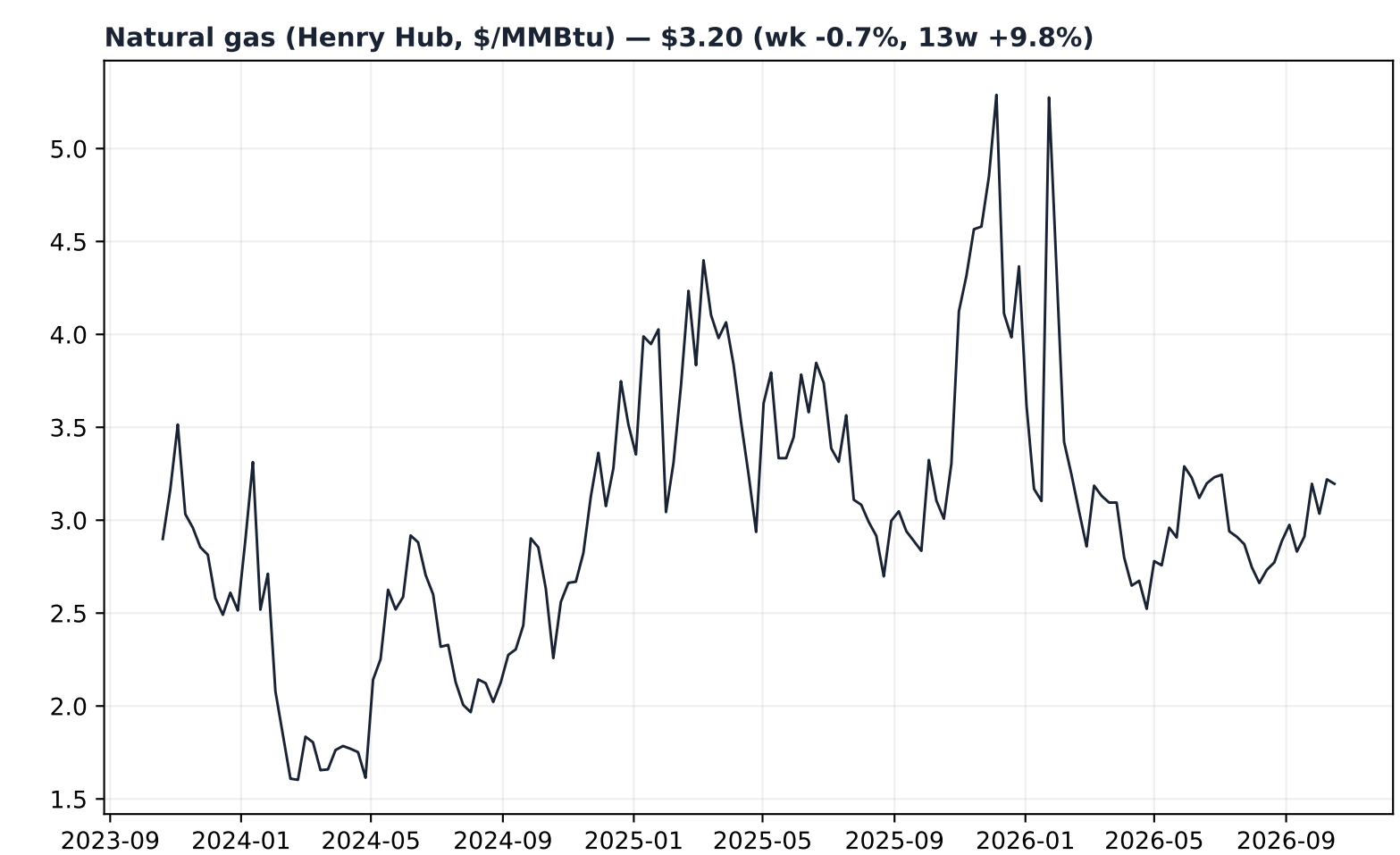
Brent-WTI spread (now +13.09)

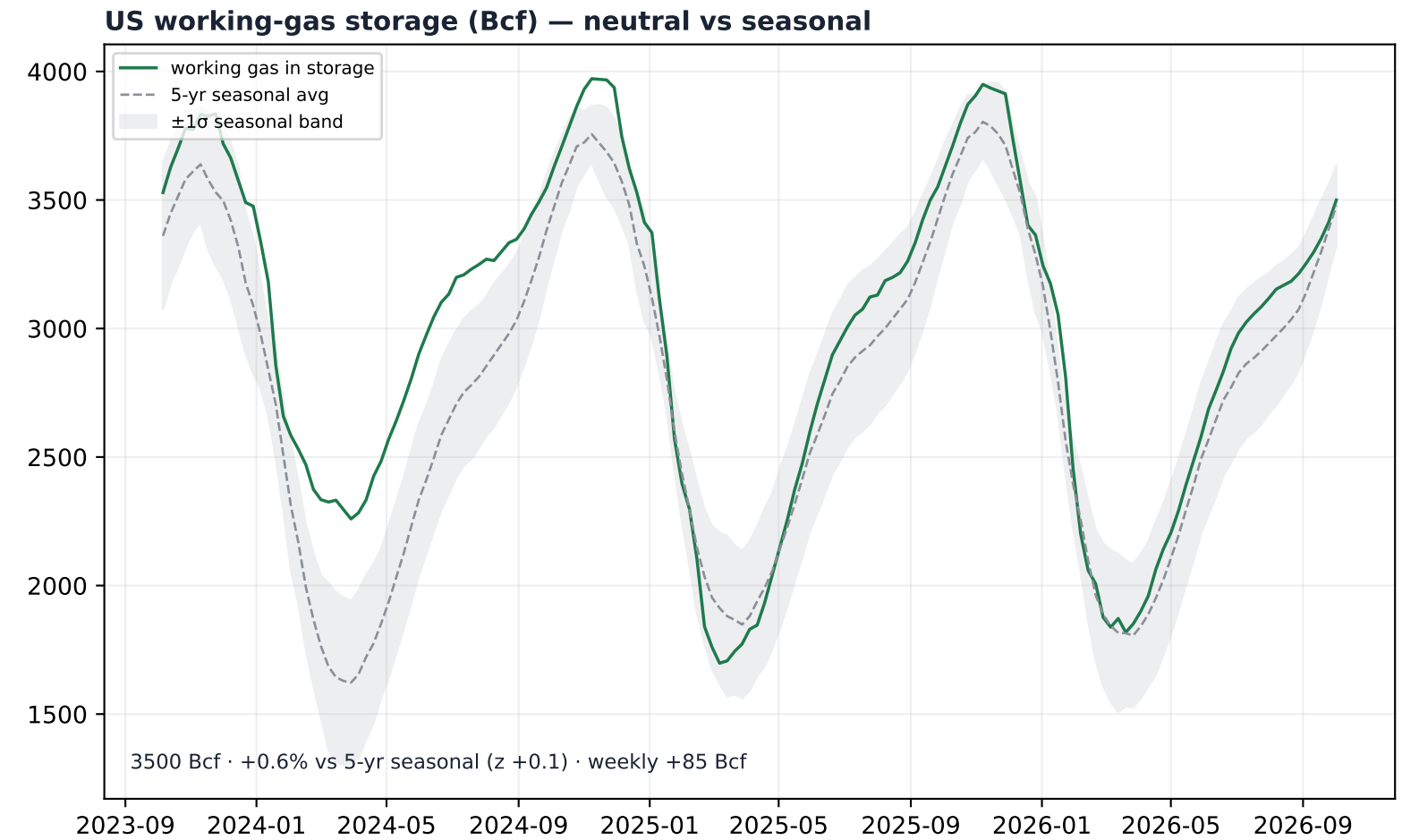


US crude inventories (mn bbl) - deficit vs seasonal (bullish)

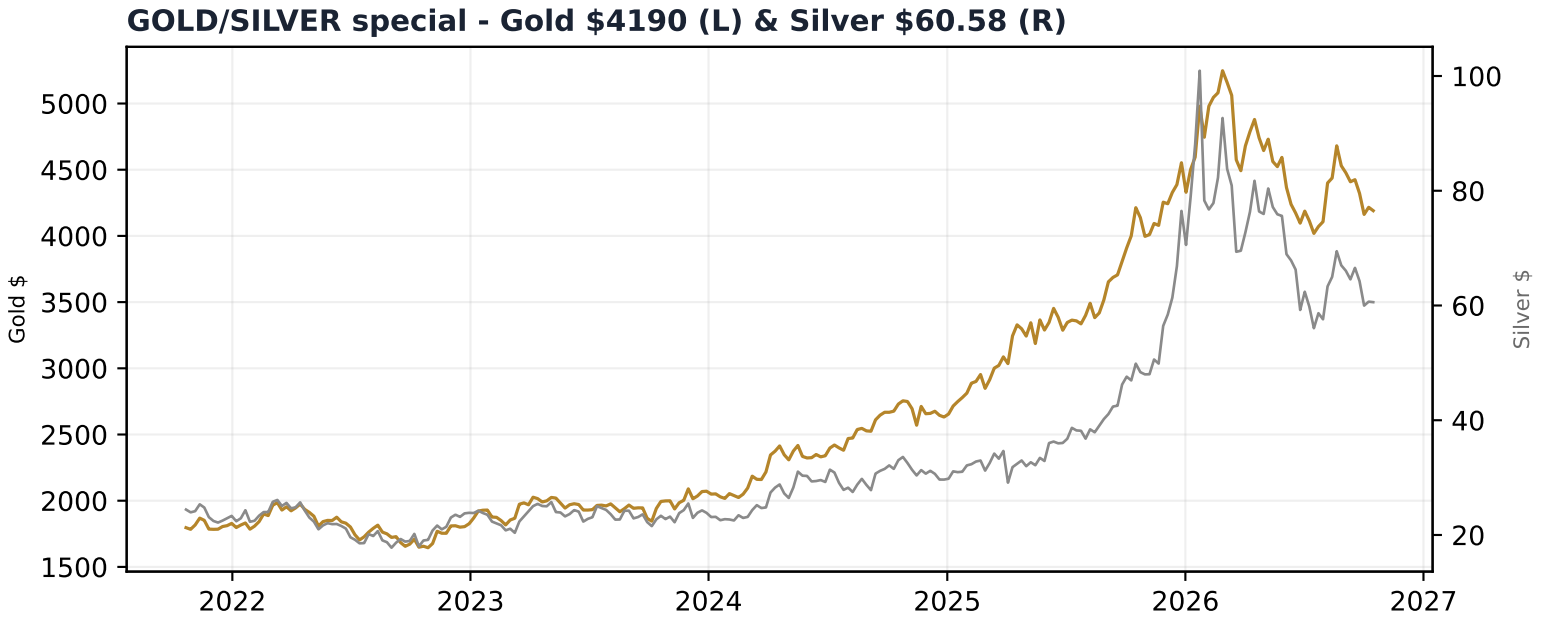


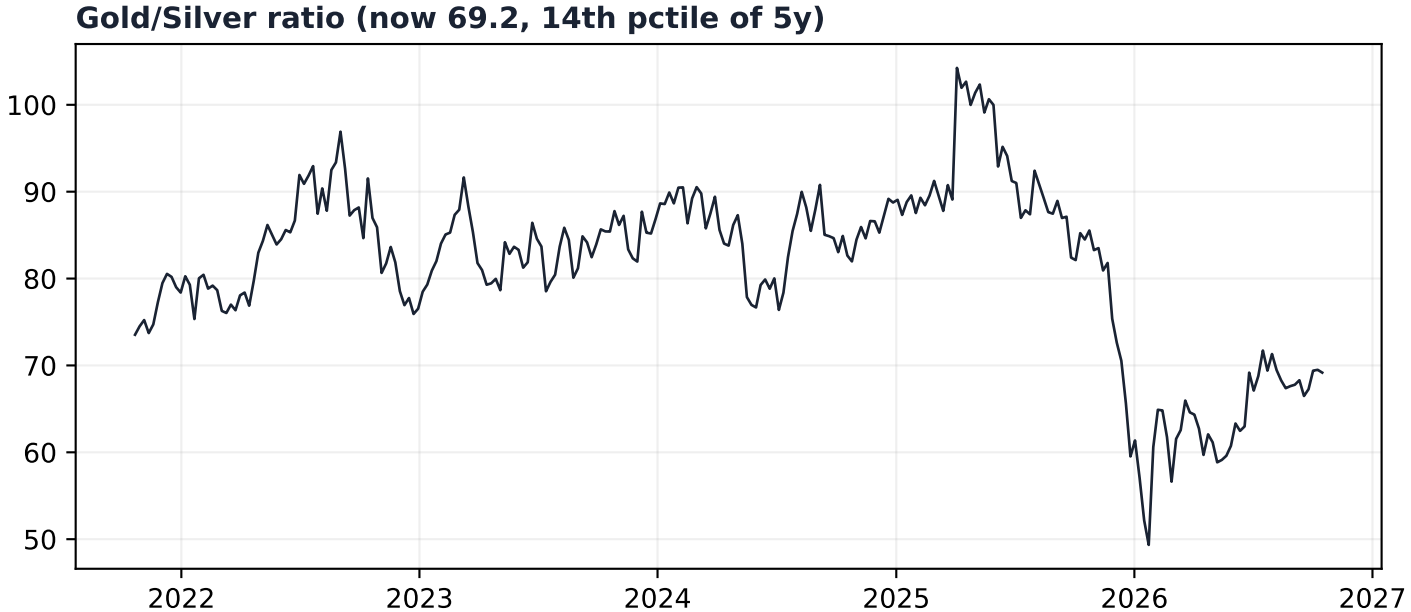
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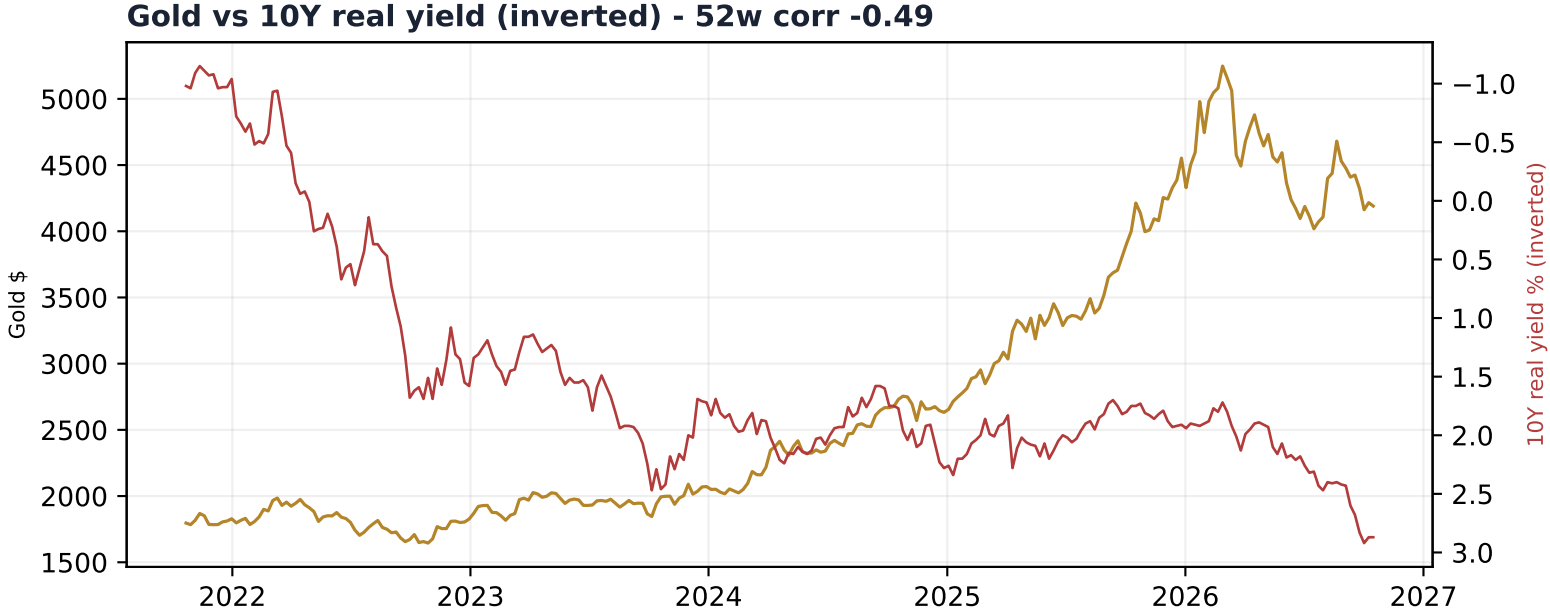




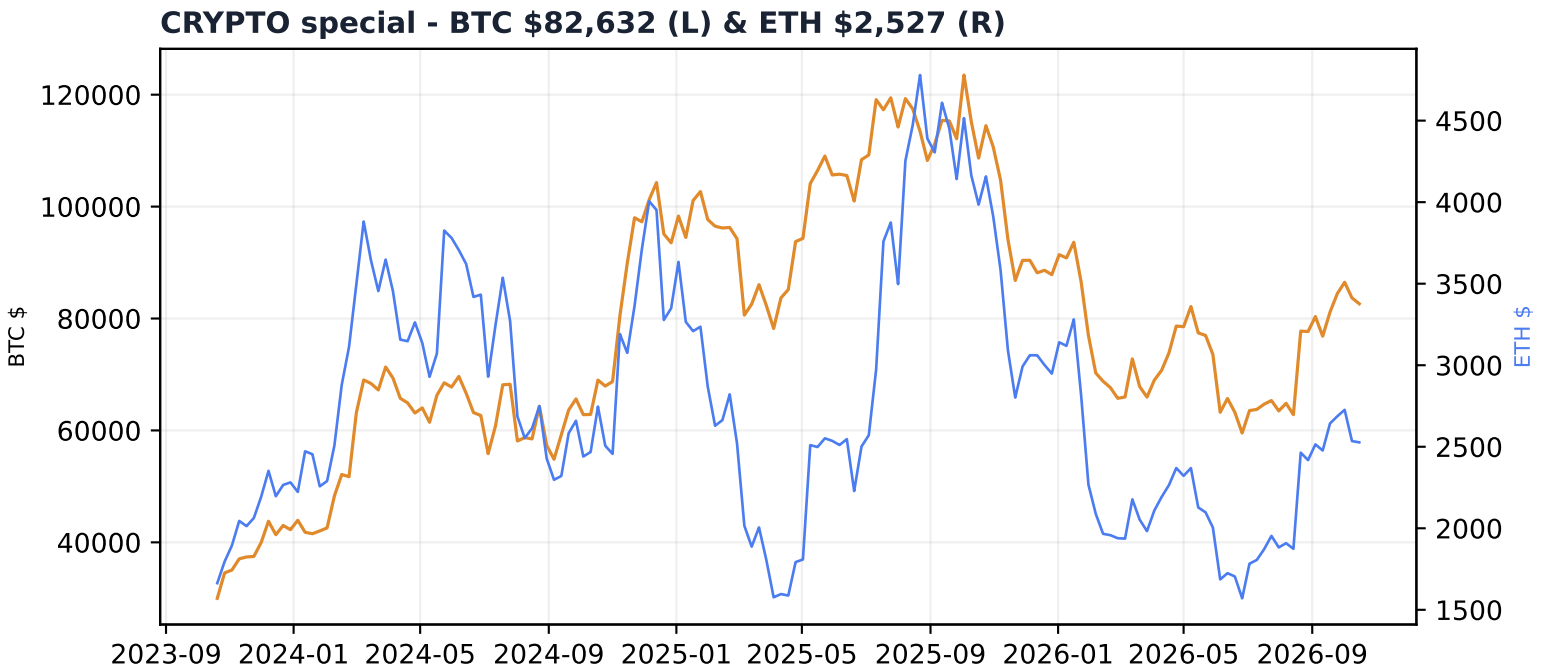
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MARKET STRUCTURE (current)

Total mcap $2.81T BTC dominance 59.0% ETH dominance 11.0%

Stablecoin supply $311B (-0.3% wk) DeFi TVL $92B (-4.8% wk)

Crypto Fear & Greed: 69 (Greed), a week ago 70

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MOMENTUM & TREND

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

Instrument	13w	26w	52w	Score	vs 40wMA	<52wHi
US_SP500	+5%	+10%	+17%	**+1.00**	+7%	0%
US_Nasdaq	+7%	+12%	+20%	**+1.00**	+9%	-0%
EU_STOXX50	-1%	+2%	+11%	**+0.00**	+2%	-5%
JP_Nikkei225	+1%	+21%	+44%	**+1.00**	+12%	-3%
IN_Nifty50	-8%	-8%	-13%	**-1.00**	-7%	-15%
HK_HangSeng	-1%	-7%	-4%	**-1.00**	-4%	-11%
Gold	+4%	-14%	-1%	**-0.50**	-8%	-20%
Silver	+8%	-26%	+21%	**+0.00**	-15%	-40%
WTI_Oil	+14%	+12%	+63%	**+0.50**	+10%	-16%
Copper	+9%	+11%	+37%	**+1.00**	+9%	0%
DXY	+2%	+5%	+4%	**+1.00**	+3%	0%
Bitcoin	+28%	+12%	-24%	**+0.50**	+13%	-28%

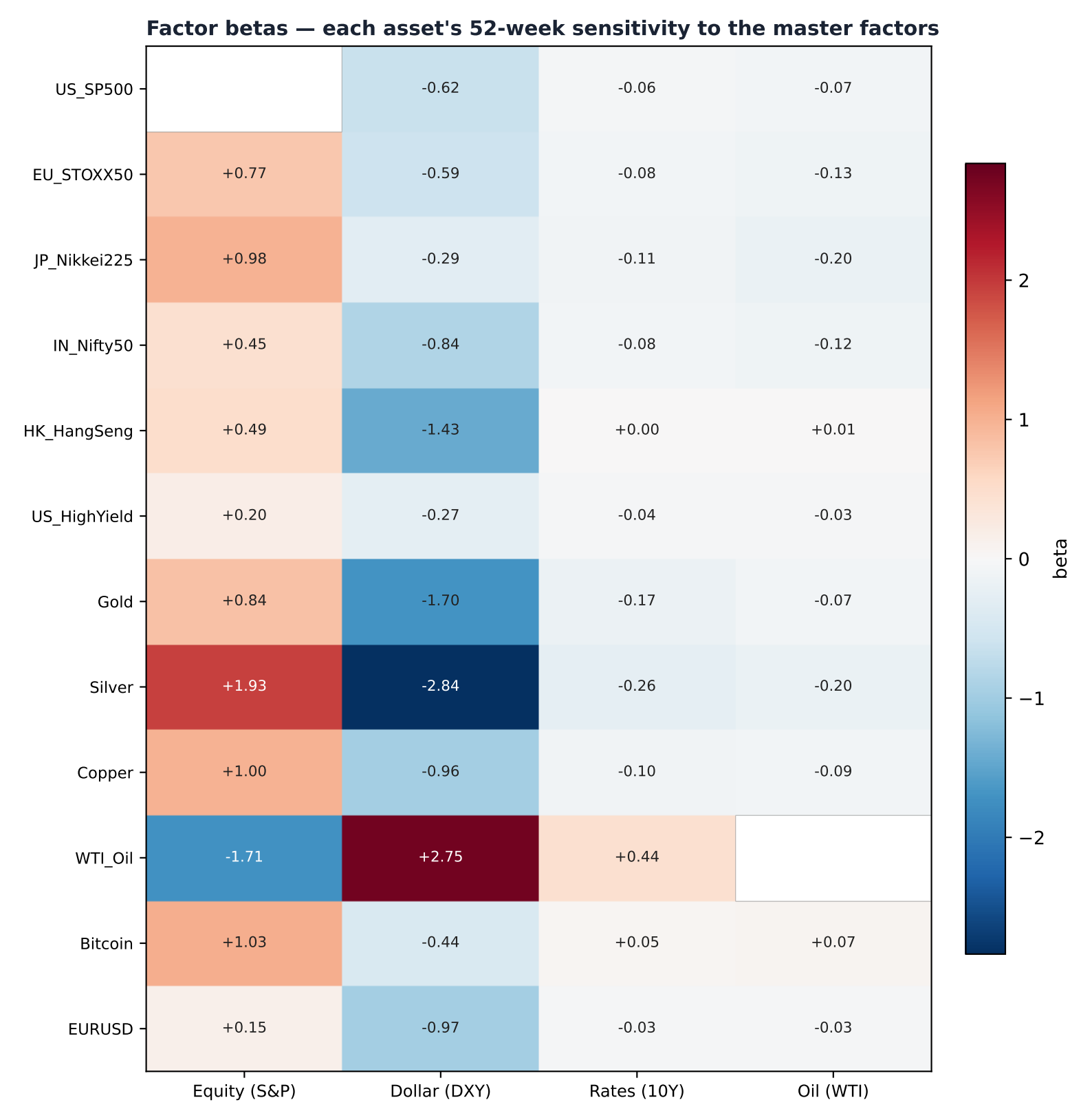
Global equity 26-week relative strength:

LEADERS: TW_TAIEX +34%, US_FANGplus +22%, JP_Nikkei225 +21%, US_Wilshire5000 +14%, US_Nasdaq +12%, NL_AEX +11%

LAGGARDS: ID_JKSE -22%, RU_RTS -20%, CN_Internet -19%, CN_Shenzhen -17%, TR_BIST100 -17%, RU_MOEX -12%

Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' (10w>40w MA) vs 'death' cross is the weekly analogue of the 50/200-day signal.

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Positive equity beta = risk-on; negative dollar beta = falls when the dollar rises. This is the risk-attribution / hedging map.

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S&P 500 Shiller CAPE — 41.9, 99th percentile of 156 years



Excess CAPE Yield (1/CAPE − 10Y real) — -0.48%, 0th pctile since 2015



Cyclically-adjusted earnings yield 1/CAPE = 2.39% · trailing earnings yield 3.96% · 10Y nominal 5.22% · 10Y real 2.87% · 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

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PART VI

Forecasting & Signals

Forward-looking reads — lead-lag forecasts and fair-value dislocations.

- Tautology-filtered lead-lag forecasts with honest R^2 and bands
- Fair-value residual models: what is rich or cheap vs its drivers

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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]
IT_10Y_yield	IT_10Y	4w	+0.94	0.88	4.36 -> 4.36 [4.28,4.45]
DE_10Y_yield	DE_10Y	4w	+0.91	0.83	3.47 -> 3.48 [3.41,3.54]
FR_10Y_yield	FR_10Y	4w	+0.90	0.82	4.44 -> 4.44 [4.37,4.51]
DE_10Y_yield	NL_10Y	4w	+0.88	0.78	3.56 -> 3.57 [3.49,3.64]
FR_10Y_yield	NL_10Y	4w	+0.87	0.76	3.56 -> 3.56 [3.48,3.64]
FR_10Y_yield	DE_10Y	4w	+0.86	0.75	3.47 -> 3.47 [3.40,3.55]
DE_10Y_yield	FR_10Y	4w	+0.86	0.73	4.44 -> 4.45 [4.36,4.53]
FR_10Y_yield	ES_10Y	4w	+0.85	0.72	3.93 -> 3.92 [3.83,4.02]
IT_10Y_yield	ES_10Y	4w	+0.80	0.64	3.93 -> 3.93 [3.83,4.04]
DE_10Y_yield	ES_10Y	4w	+0.79	0.63	3.93 -> 3.92 [3.82,4.03]
US_13W	Policy_Canada	4w	+0.75	0.57	2.25 -> 2.30 [2.16,2.45]
US_FedDebt_PctGDP	Chicago_Fed_NAI	4w	+0.75	0.56	-0.04 -> -0.15 [-1.68,1.39]
EA_AAA_10Y	NL_10Y	4w	+0.75	0.56	3.56 -> 3.55 [3.45,3.66]
US_13W	Policy_US	4w	+0.75	0.56	3.88 -> 3.94 [3.79,4.09]

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.

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FAIR VALUE — RICH / CHEAP vs DRIVERS

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

Copper vs global activity & dollar

RICH z +2.64

actual 6.75 · model-fair 4.66 · gap +44.7% · R^2 0.37



USDJPY vs US-Japan yield gap

cheap z -2.04

actual 158.74 · model-fair 169.30 · gap -6.2% · R^2 0.88



S&P 500 vs liquidity & rates

RICH z +1.16

actual 7812.35 · model-fair 6302.41 · gap +24.0% · R^2 0.29



Gold vs real yield & dollar

RICH z +0.68

actual 4190.50 · model-fair 3679.89 · gap +13.9% · R^2 0.70



HY spread vs equity vol

RICH z +0.29

actual 3.15 · model-fair 3.04 · gap +0.1 · R^2 0.12



The 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 the signal in proportion to R^2 — a low R^2 model (shown) is a weak anchor, stated honestly.

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PART VII

Risk & History

Downside risk and the multi-month trend of the headline readings.

- Tail risk: VaR / expected shortfall, drawdowns, tail dependence
- Historical trend of the key metrics across recent reports

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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
US_SP500	-3.2%	-4.8%	11%	-25%	0%	-0.2	+1.4
US_Nasdaq	-4.5%	-5.9%	13%	-36%	-0%	-0.1	+0.3
EU_STOXX50	-3.8%	-5.7%	13%	-24%	-5%	-0.8	+2.6
IN_Nifty50	-2.9%	-4.0%	9%	-16%	-15%	-0.3	+0.5
Gold	-3.6%	-4.7%	11%	-23%	-20%	-0.1	+1.2
WTI_Oil	-9.2%	-12.0%	26%	-53%	-22%	+0.6	+3.5
Copper	-4.8%	-9.2%	23%	-34%	0%	-1.7	+11.1
Bitcoin	-11.4%	-15.5%	34%	-75%	-33%	-0.1	+2.0
US_HighYield	-1.6%	-2.3%	5%	-18%	-12%	+0.2	+2.8
EURUSD	-1.5%	-2.1%	4%	-16%	-6%	+0.5	+2.2

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

EU_STOXX50 0.43 Bitcoin 0.25 Gold 0.11 Copper 0.30 US_HighYield 0.47

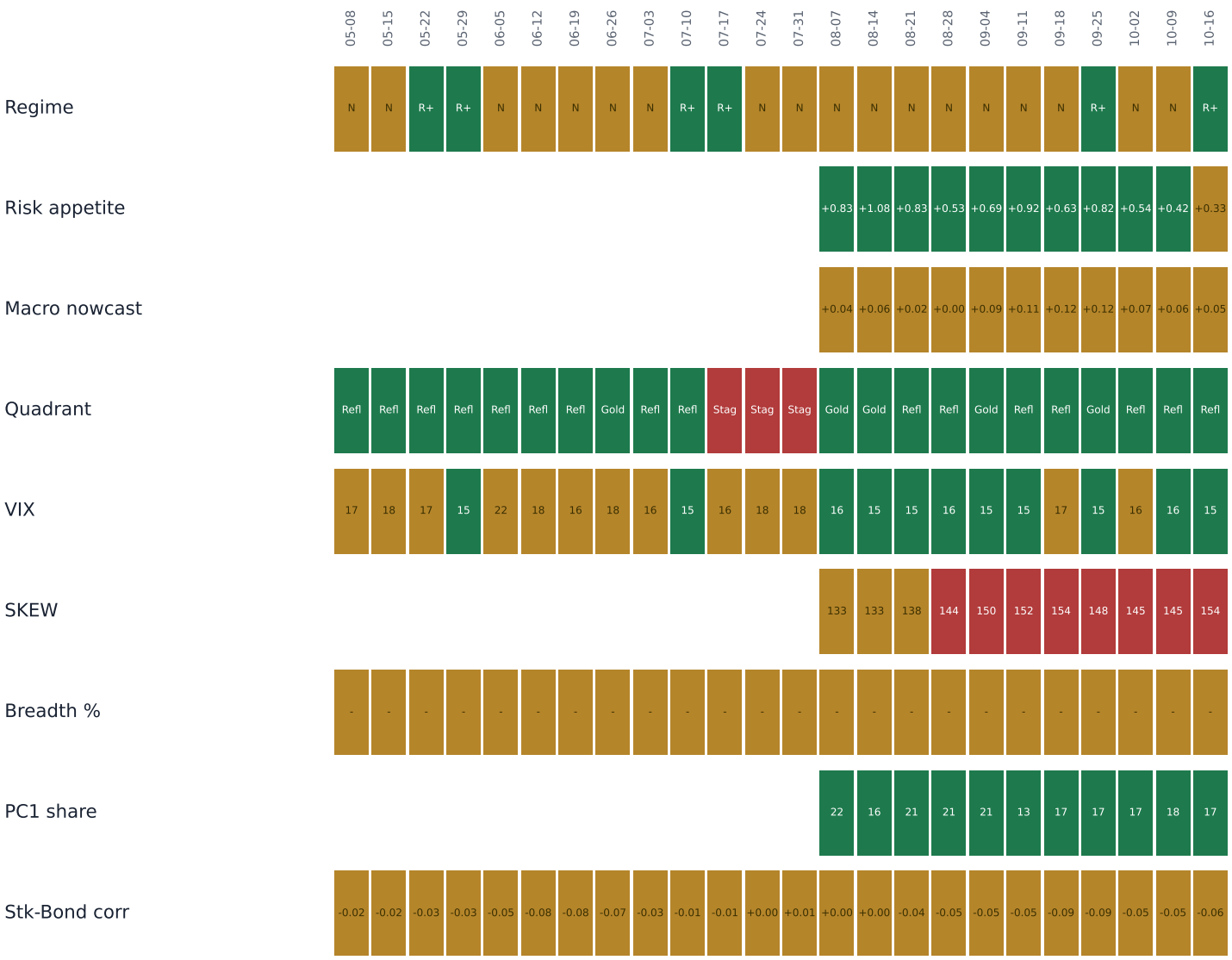
VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together (no shelter); near 0 = a genuine diversifier when it matters most.

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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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