ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-07-20

69 market instruments + 60+ macro series | Goldilocks quadrant | 575 days

REGIME: Neutral

EXECUTIVE SUMMARY

The market sits in a statistically unambiguous Neutral regime (Markov posterior 1.0) overlaid on a Goldilocks macro quadrant — solid growth (g-score +2.0) with disinflating price pressure (i-score –1.0) — a backdrop that has historically rewarded staying invested but not chasing. The single most important development this week is the sharp, isolated drawdown in Technology (–3.1% versus a modestly negative tape), which pulled the S&P down 0.8% even as Energy (+1.7%), Real Estate (+1.6%) and Staples (+0.7%) led — a rotation out of the crowded growth leadership rather than a broad de-risking. Underneath, conditions remain constructive: HY spreads at 2.71% sit in the 8th percentile of tightness, financial conditions are easy (ANFCI –0.54), the curve has disinverted (2s10s +37bp, 3M10Y +70bp), and recession probability is negligible (NY Fed 0.5%, Sahm 0.07). The dominant risk is concentration and complacency: PC1 explains 52% of sector variance, SKEW is elevated at 147, and the stock-bond DCC correlation is essentially zero (–0.06), meaning Treasuries are not reliably hedging equity drawdowns right now. Net: stay constructive but respect that the leadership is narrow, valuations of the leaders are priced for perfection, and the usual bond hedge is offline.

For inquiries, contact admin@abldigitech.com

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Neutral	Goldilocks	18	2.71

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

S&P 500	7,457.7	-0.8%	+1.3%	+3.6%
Nasdaq	25,520.2	-1.4%	-0.3%	+1.8%
Russell 2000	2,962.2	+0.3%	-0.4%	+5.9%
Tech	175.6	-3.1%	-4.7%	+8.4%
Financials	56.3	+0.3%	+4.4%	+9.1%
Energy	57.7	+1.7%	+5.9%	-2.9%
Long Bond	84.5	+0.7%	-1.9%	-0.5%
HY Corp	79.7	+0.2%	-0.3%	-0.2%
IG Corp	107.6	+0.6%	-1.2%	-0.6%
TIPS	108.3	+0.3%	-0.6%	-2.6%
DXY	100.8	-0.5%	-0.6%	+2.4%
Gold	4,026.8	+0.7%	-2.5%	-10.9%
WTI	81.4	+4.2%	+11.3%	-23.5%
Copper	6.3	+1.3%	+2.8%	+8.9%
VIX	18.4	+1.2	-1.1	+0.1
MOVE	70.9	-6.9	+2.1	-7.0

US Cross-Market Analysis

Executive Summary

The market sits in a statistically unambiguous Neutral regime (Markov posterior 1.0) overlaid on a Goldilocks macro quadrant — solid growth (g-score +2.0) with disinflating price pressure (i-score –1.0) — a backdrop that has historically rewarded staying invested but not chasing. The single most important development this week is the sharp, isolated drawdown in Technology (–3.1% versus a modestly negative tape), which pulled the S&P down 0.8% even as Energy (+1.7%), Real Estate (+1.6%) and Staples (+0.7%) led — a rotation out of the crowded growth leadership rather than a broad de-risking. Underneath, conditions remain constructive: HY spreads at 2.71% sit in the 8th percentile of tightness, financial conditions are easy (ANFCI –0.54), the curve has disinverted (2s10s +37bp, 3M10Y +70bp), and recession probability is negligible (NY Fed 0.5%, Sahm 0.07). The dominant risk is concentration and complacency: PC1 explains 52% of sector variance, SKEW is elevated at 147, and the stock-bond DCC correlation is essentially zero (–0.06), meaning Treasuries are not reliably hedging equity drawdowns right now. Net: stay constructive but respect that the leadership is narrow, valuations of the leaders are priced for perfection, and the usual bond hedge is offline.

Regime & Market State

The Markov model on the S&P places 100% posterior weight on Neutral, with zero mass on either Risk-on or Risk-off — the cleanest possible read that this is a market in equilibrium, neither trending toward euphoria nor breaking down. That squares with the price action: the S&P is –0.8% on the week but +4% over three months, the Dow +7% over three months, and the Russell 2000 quietly positive (+0.3% week, +6% three months). The macro overlay reinforces the benign read — a Goldilocks quadrant with a strong growth score (+2.0) and a negative inflation score (–1.0) is the single most equity-friendly of the four regimes, because it lets the Fed stay patient while nominal earnings compound. The tension for an investor is that "Neutral + Goldilocks" is a high-carry, low-conviction state: you are paid to stay invested, but the regime offers no directional edge and leaves the tape vulnerable to rotation shocks like this week's tech unwind. Breadth of just 36% advancing tells you the index level is being held up by a shrinking cohort, which is the first crack to watch in an otherwise calm regime.

Sector & Factor Rotation

The week's rotation is textbook defensive-plus-real-assets leadership under the surface of a flat index: Energy (+1.7%) and Real Estate (+1.6%) led, Staples (+0.7%) and Financials (+0.3%) held, while Technology (–3.1%), Utilities (–1.2%) and Communications (–0.8%) lagged. This is not a clean "risk-off" rotation — if it were, Staples and Utilities would both lead and cyclicals would be dumped — it is more precisely a rotation *out of long-duration growth* (Tech, Comms) *into value, cyclicals and inflation-beta* (Energy, Financials, Real Estate). The factor tape confirms this decisively: over three months Value is up 8% versus Growth flat, a Growth–Value spread of –8.4 that is a genuine leadership change, not noise. Momentum and Quality (both +6%) remain well-bid, and High-Beta (+4%) outpacing Low-Vol (+2%) tells you the market is still willing to hold risk — this is rotation *within* risk appetite, not a flight from it. For an investor, the read is that the crowded, expensive growth trade is being funded to buy cheaper cyclical and value exposure while the macro stays Goldilocks; the risk is that Tech is a large enough index weight that its de-rating can drag the headline even as the median stock does fine (hence 36% breadth).

The Yield Curve & Rates

The curve has fully normalized and now carries a healthy positive slope: 2s10s at +37bp and 3M10Y at +70bp, with the front end at 3.76–3.84% (1M–3M) rising steadily to 4.57% at 10Y and 5.09% at the 20Y and 30Y. The disinversion of 3M10Y is significant — an inverted 3M10Y has been the most reliable single recession lead indicator historically, and its return to a clean +70bp positive slope is a strong statement that the market has priced *out* the hard-landing scenario and *in* a soft-landing/no-landing path. The shape tells you the Fed is viewed as at or near the end of cutting/holding, with the belly (2Y–5Y at 4.16–4.28%) anchored and the long end (20Y/30Y at 5.09%) reflecting term premium and a healthy nominal-growth/fiscal-supply story rather than recession pricing. The 48bp gap between the 10Y (4.57%) and the 20Y (5.09%) is the notable feature — a steep long end means duration is being repriced for supply and term premium, which is a headwind for the longest-dated Treasuries and for the most rate-sensitive equity (part of why long-duration Tech is vulnerable). For an investor, the belly of the curve offers the best risk-adjusted carry; the long end is where you get paid but also where the steepening risk lives.

Credit & Financial Conditions

Credit is flashing all-clear, and this is the strongest pillar of the constructive case. HY OAS at 2.71% sits in just the 8th percentile of its historical range — spreads this tight say the market sees essentially no default cycle on the horizon and that liquidity is abundant. IG OAS at 0.78% is correspondingly compressed. The Chicago Fed's ANFCI at –0.54 confirms financial conditions are meaningfully *easier* than average, and the stress index at –0.88 is deeply negative — there is no systemic strain in funding, credit, or leverage markets. The DCC-GARCH S&P–HY correlation of +0.73 (63d) is a reminder that credit and equity are moving as one risk asset, so credit's calm is genuinely corroborating the equity calm rather than diverging from it. The 'so what': with credit this tight there is no cushion and no compensation for the marginal credit risk — spreads can only really widen from here, so credit is a poor place to reach for return and a good place to watch for the first sign of stress. The absence of any credit warning is exactly what lets equity rotation happen without becoming contagion; the day HY spreads start gapping wider off this 8th-percentile floor is the day the rotation becomes a de-risking.

Volatility & Cross-Asset Correlation

The vol complex is calm on the surface but carries a tail-hedging undertone. VIX at 18.4 with VIX3M at 20.5 gives a term structure of 0.89 — a normal, upward-sloping (contango) curve that signals no acute near-term fear; MOVE at 71 says rate vol is subdued, reinforcing the soft-landing read. But VVIX at 105 and especially SKEW at 147 tell you that investors are paying up for crash protection — the demand for out-of-the-money puts is elevated even as spot vol is low, a classic late-cycle "calm but hedged" signature. The critical cross-asset signal is the DCC-GARCH stock-bond correlation at essentially zero (–0.06, high persistence 0.80): Treasuries are *not* currently a reliable hedge for equity drawdowns, so the traditional 60/40 diversification is impaired and cash/T-bills are arguably the cleaner defensive ballast right now. By contrast, the S&P–DXY DCC correlation of –0.28 means a rising dollar reliably coincides with equity weakness (dollar is the risk barometer), and the S&P–VIX correlation of –0.86 is doing its normal job. The PCA reading — PC1 explains 52% of sector variance — is the connective tissue here: a single common factor drives over half of all sector moves, so this market is dangerously single-factor, and diversification *across sectors* is delivering less than the sector count suggests. When one factor runs the whole tape and bonds don't hedge, portfolio risk is more concentrated than it looks.

Macro Pulse: Growth, Labor & Inflation

The macro dashboard is the anchor of the Goldilocks call and it holds up under scrutiny. Growth is solid but not overheating: the Weekly Economic Index at +2.6% and Chicago Fed NAI at –0.1 (essentially trend) describe an economy growing near potential, with industrial production at 102.6, capacity utilization at 76.1%, and durable goods holding. Labor is cooling gently rather than cracking — unemployment at 4.2%, U6 at 7.9%, payrolls still expanding, job openings at 7.59M, and, most importantly, initial claims at 208k and continued claims at 1.805M both low and stable. That claims picture is the single most timely confirmation that there is no labor-market break underway. Inflation is the clean part of the story: Sticky CPI at 2.8% and core measures decelerating give the negative inflation score, though the University of Michigan inflation expectation at 4.8% is a notable outlier — survey-based expectations remain unanchored to the upside, which is a caution flag against declaring victory. The one genuinely soft spot is the consumer: the saving rate at just 3.0% and consumer sentiment at 44.8 are weak, telling you households are stretched and sentiment is fragile even as spending (retail sales $768.6bn) holds. Housing is stabilizing but rate-constrained, with the 30Y mortgage at 6.5% capping starts (1,427k) and new home sales (580k). Net: a growth-solid, inflation-cooling, labor-softening-gently backdrop —

genuinely Goldilocks — with the consumer and unanchored inflation expectations as the two threads to pull.

Recession Risk & Liquidity

Near-term recession risk is as low as this dashboard gets. The NY Fed's model probability is 0.5%, the Sahm rule reads 0.07 (far below its 0.50 trigger), the 3M10Y and 2s10s curves have both disinverted to positive, and initial claims at 208k show no labor deterioration — every independent recession channel is quiet, and they are not diverging from one another, which raises the confidence of the all-clear. The honest caveat is that these are coincident-to-slightly-leading indicators; they will be among the last to move and would not give much warning of a shock. On liquidity, net liquidity stands at $5,987bn and *rose* $176bn over the past month — an expanding liquidity backdrop is a genuine tailwind for risk assets and helps explain why credit spreads sit at the 8th percentile and financial conditions are easy. For an investor, the combination of near-zero recession odds and rising net liquidity is the fundamental justification for staying invested through the rotation; the vulnerability is that liquidity trends can reverse quickly (via TGA rebuilds or QT reacceleration), and a liquidity drain would hit the most crowded, single-factor parts of the market first.

Volatility & Cross-Asset Correlation

(covered above — no addition)

Lead-Lag Note

A word of intellectual honesty on the cross-asset lead-lag relationships embedded above (Semis→S&P at +0.79, Russell 2000↔Regional Banks at +0.62, Gold↔DXY at –0.55): these are *contemporaneous correlations* that describe co-movement, and any *predictive* skill at the weekly horizon is MODEST at best. Semis leading the S&P and regional banks tracking small-caps are reliable descriptions of what moves together, useful for understanding risk transmission, but they are not tradeable weekly forecasts — the signal-to-noise ratio over a five-day horizon is low, and positioning off them alone would be over-fitting. Use them to understand *structure* (if semis roll over, expect the S&P to follow; if regional-bank credit wobbles, small-caps are exposed), not to time the tape.

Key Risks & What to Watch

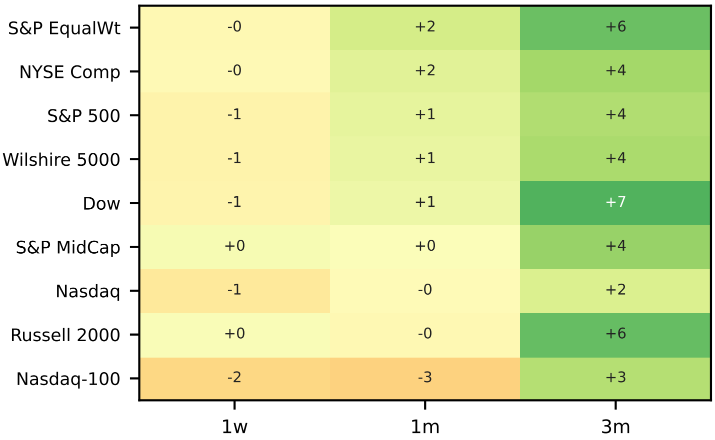
The core risks are concentration, an impaired bond hedge, and complacency priced into crash protection. This is a single-factor market (PC1 at 52%) led by a narrow cohort (36% breadth) whose most crowded segment — Tech — just fell 3.1%; a continuation of that de-rate could drag the index even while the median stock holds. With the stock-bond DCC correlation at zero, Treasuries won't cushion an equity drawdown, so a shock would hit balanced portfolios harder than the calm VIX (18.4) implies, and the elevated SKEW (147) shows sophisticated money already knows it. The macro tail risks are the two soft threads: a re-acceleration in Michigan inflation expectations (4.8%) that forces the Fed hawkish, and a stretched consumer (3.0% saving rate, 44.8 sentiment) that finally pulls back on spending.

Concrete signals that would *confirm* the constructive view: breadth broadening back above 50% as the rotation into Energy/Financials/Value continues; HY OAS holding near 2.71% (no widening off the 8th-percentile floor); initial claims staying below ~230k; net liquidity continuing to rise; and the VIX term structure staying in contango above ~0.90. Signals that would *change* the view to defensive: HY OAS widening 30–50bp off these tights (the earliest and most reliable stress tell); the 3M10Y re-inverting or the curve bull-steepening on growth fear; initial claims breaking above ~250k or the Sahm gauge rising toward 0.30; the S&P–DXY correlation deepening more negative alongside a rising dollar (risk-off confirmation); Semis rolling over hard given their +0.79 lead relationship with the S&P; and net liquidity turning down. Until one of those flips, the note stays constructive-but-hedged: own the rotation into value and cyclicals, favor the belly of the curve over the long end, hold T-bills rather than long duration as ballast, and treat the narrow, single-factor leadership as the thing most likely to break first.

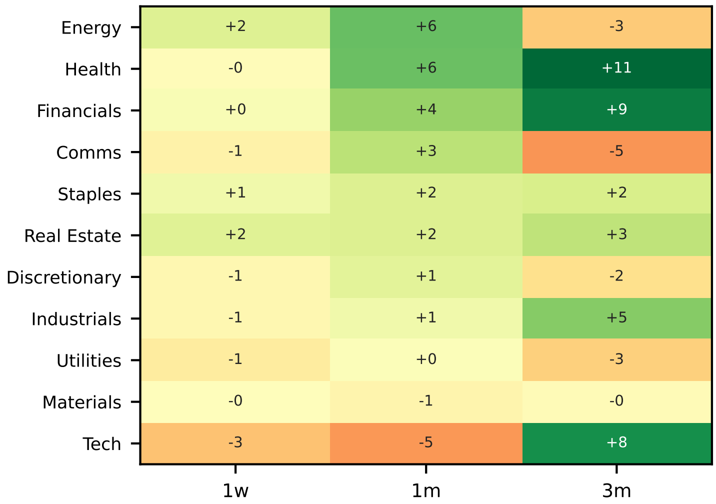
Returns Heatmap

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

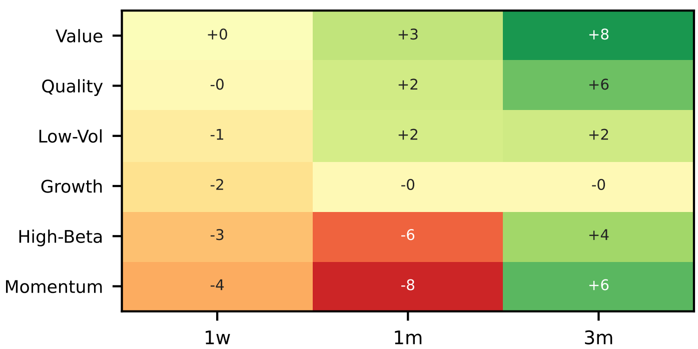
Indices



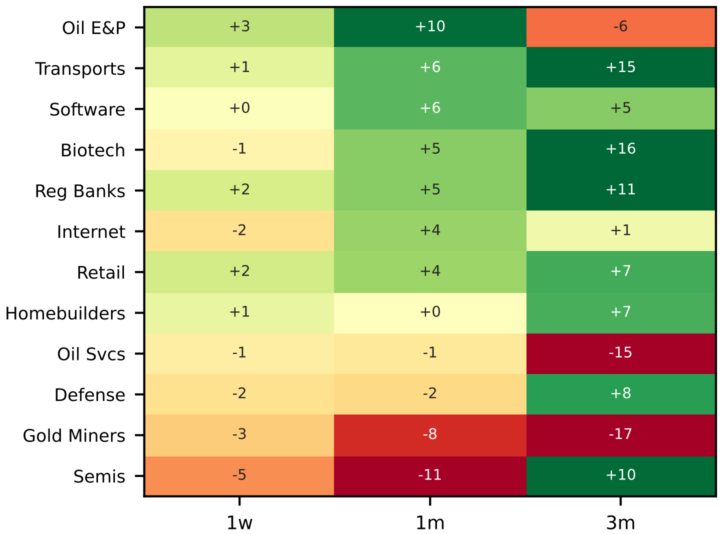
Sectors



Factors

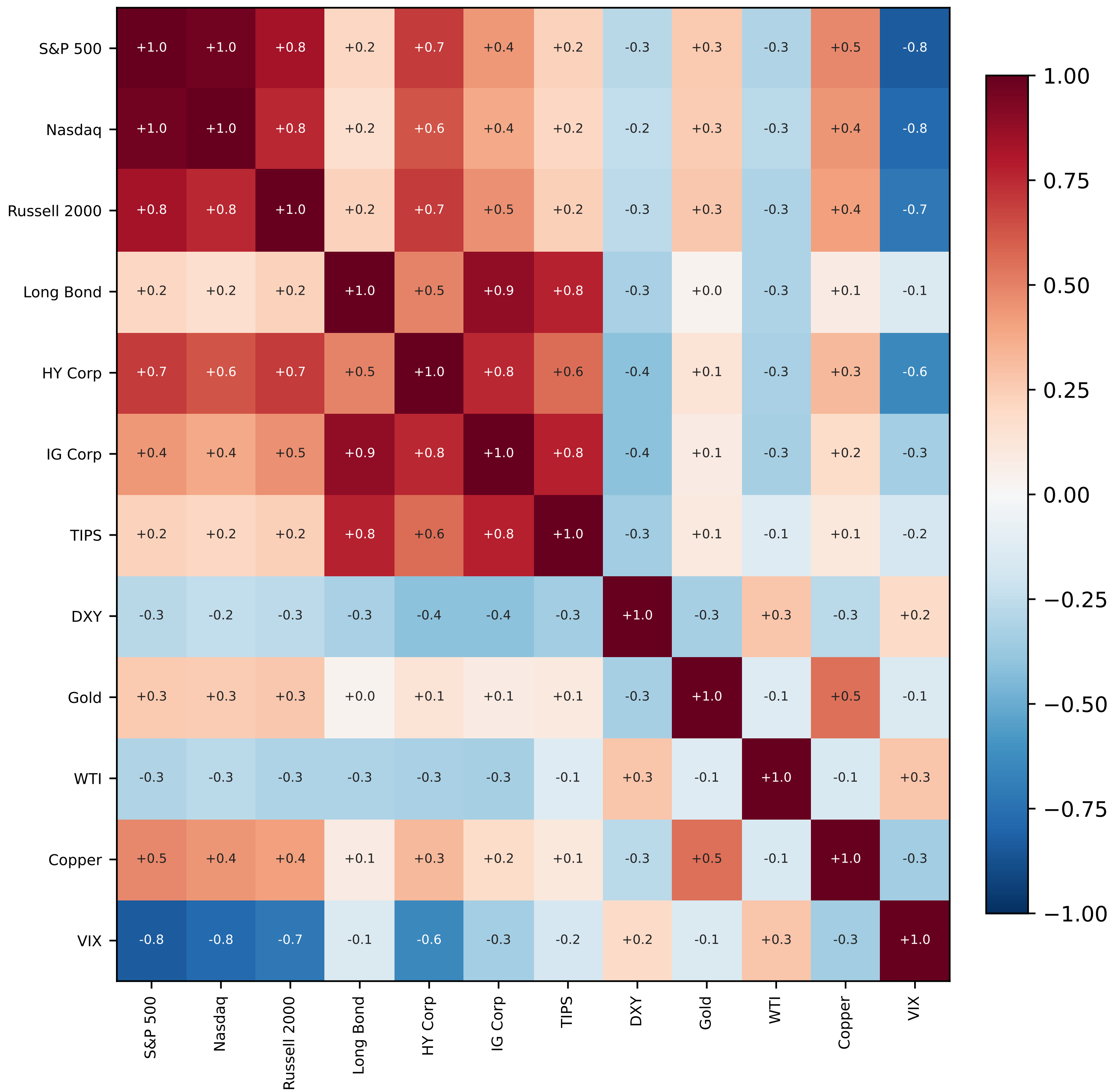


Industries



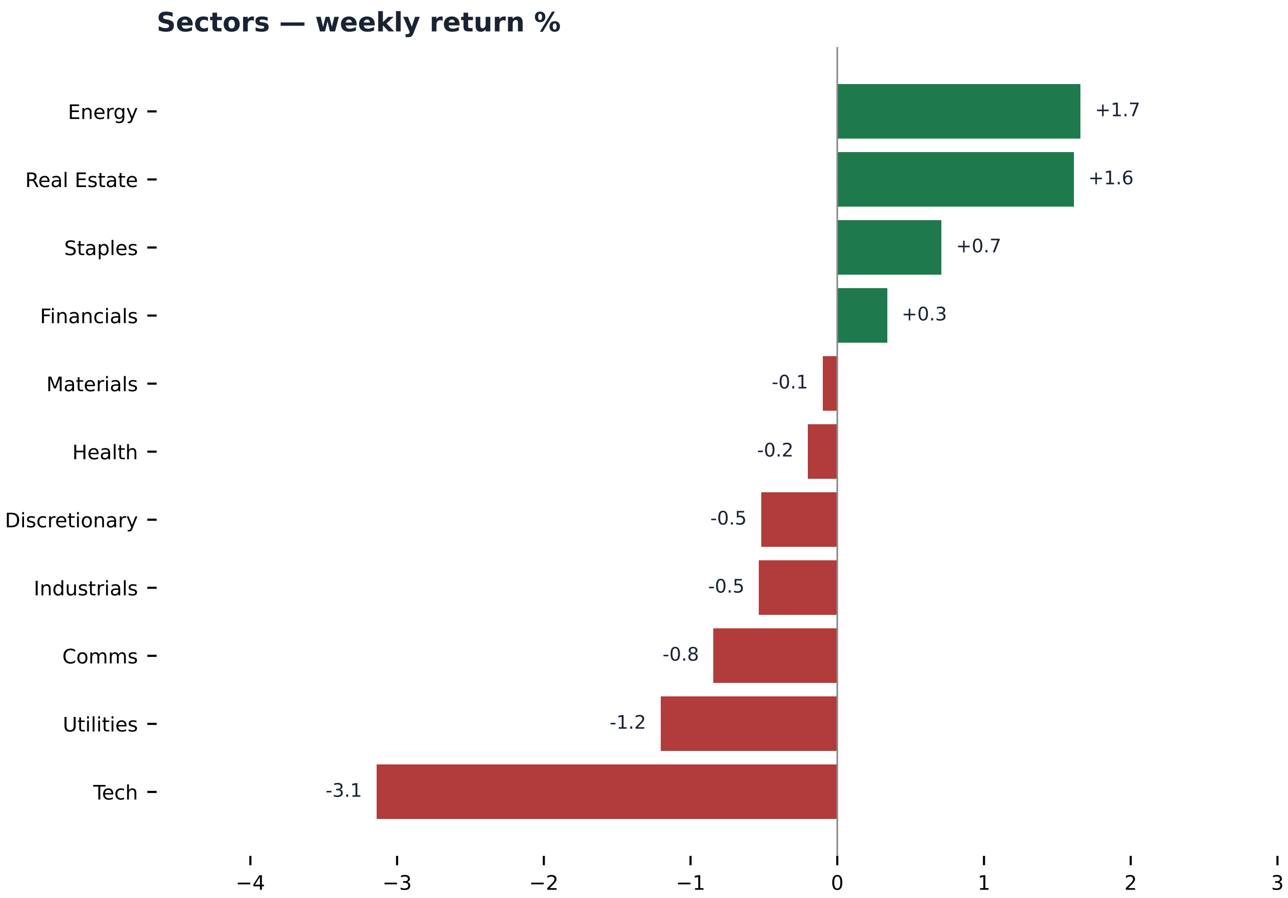
Cross-Asset Correlation (252d, daily)

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



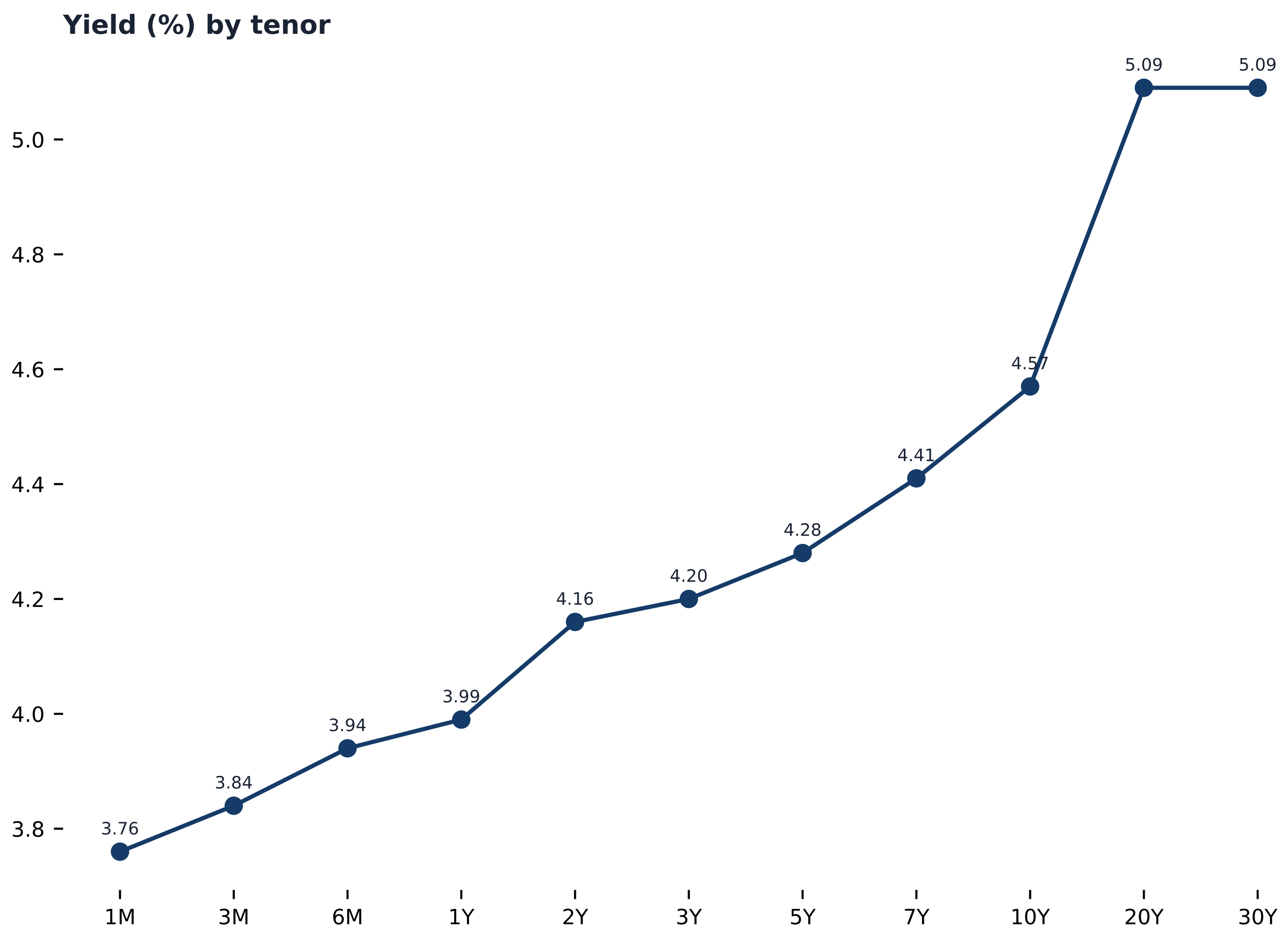
Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 36% up. Growth-Value 3m -8.4%.



The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.37bp, 3M-10Y +0.70bp (positive).



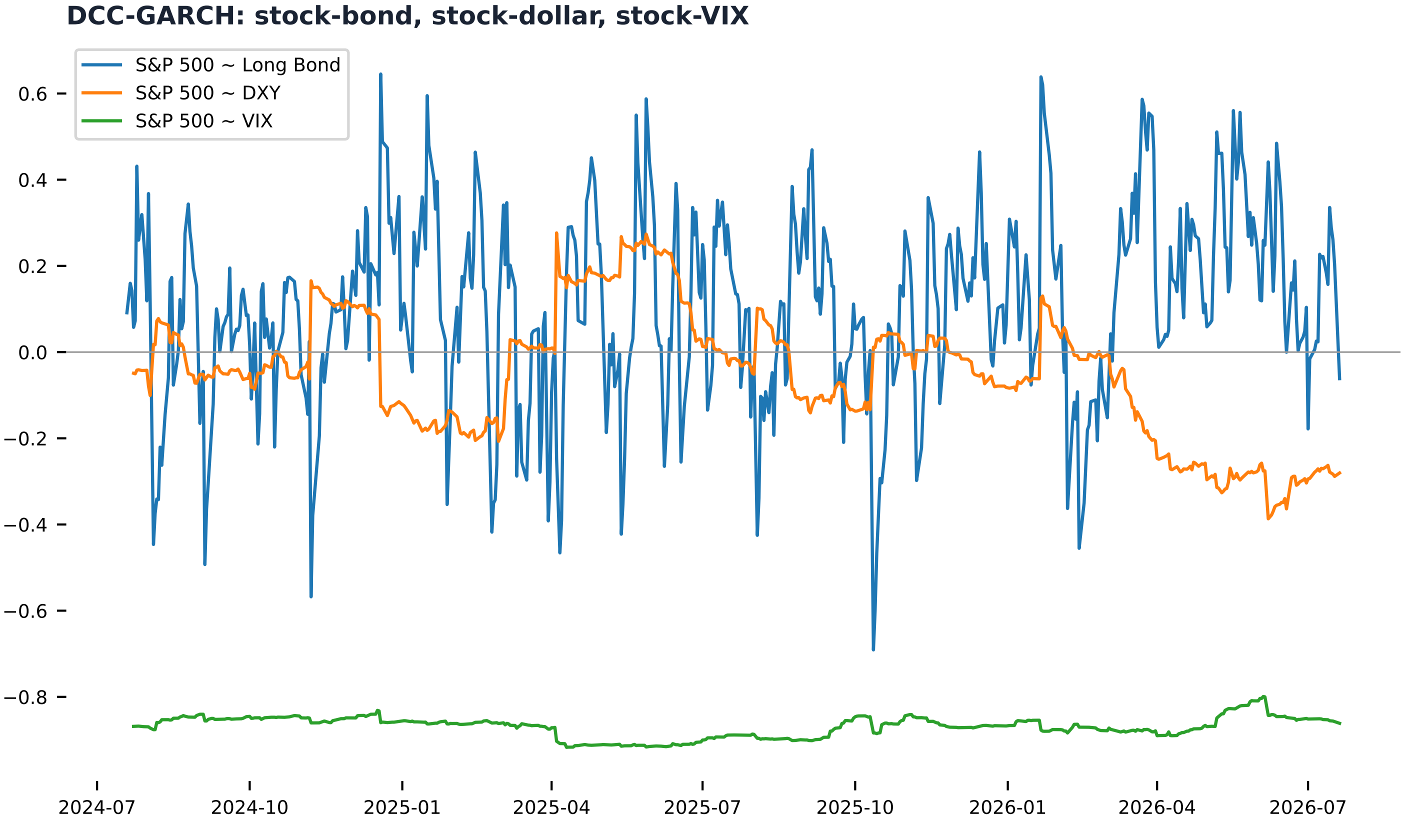
Credit, Financial Conditions & Volatility

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

HY OAS	**2.71**	8th pctile
IG OAS	**0.78**	
Fin Conditions (ANFCI)	**-0.54**	0 = average; +tight
St. Louis Stress	**-0.88**	
VIX	**18.4**	term VIX/VIX3M 0.89
VIX3M	**20.5**	
VVIX (vol of vol)	**105**	
MOVE (bond vol)	**71**	
SKEW (tail hedging)	**147**	

Regime, Growth-Inflation & Liquidity

Markov regime: Neutral (posterior Neutral 1.00, Risk-on 0.00, Risk-off 0.00). Quadrant: Goldilocks.



Macro Pulse: Labor

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

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	**158,984.00**	+57.00	2026-06
Unemployment %	**4.20**	-0.10	2026-06
U6 underemployment %	**7.90**	-0.20	2026-06
Participation %	**61.50**	-0.30	2026-06
Job openings (k)	**7,594.00**	+9.00	2026-05
Avg hourly earnings $	**37.64**	+0.13	2026-06
Initial claims (wk)	**208,000.00**	-8,000.00	2026-07
Continued claims	**1,805,000.00**	-16,000.00	2026-07

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**332.57**	-1.41	2026-06
Core CPI index	**336.06**	-0.06	2026-06
PCE index	**131.53**	+0.59	2026-05
Core PCE index	**130.08**	+0.41	2026-05
PPI index	**286.83**	-3.66	2026-06
Michigan inflation exp %	**4.80**	+0.10	2026-05
Sticky CPI %	**2.84**	-0.27	2026-06

Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,180.42**	+124.67	2026-01
Industrial production	**102.64**	+0.08	2026-06
Capacity utilization %	**76.09**	-0.01	2026-06
Chicago Fed NAI	**-0.10**	-0.29	2026-05
Weekly Econ Index %	**2.61**	-0.51	2026-07
Durable goods ($m)	**332,218.00**	-15,549.00	2026-05
Retail sales ($m)	**768,553.00**	+1,677.00	2026-06
Saving rate %	**3.00**	+0.00	2026-05
Consumer sentiment	**44.80**	-5.00	2026-05
Housing starts (k)	**1,427.00**	+228.00	2026-06
Building permits (k)	**1,367.00**	-43.00	2026-06
New home sales (k)	**580.00**	-46.00	2026-05
Case-Shiller HPI	**332.68**	+2.55	2026-04
30y mortgage %	**6.55**	+0.06	2026-07

Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.63**	+0.00	2026-07
SOFR	**3.62**	-0.02	2026-07
M2 ($bn)	**23,062.90**	+134.50	2026-06
Bank reserves	**3,078.40**	+60.30	2026-05
C&I loans ($bn)	**2,894.27**	+8.82	2026-06
Consumer credit ($bn)	**5,154,538.86**	-182.45	2026-05

Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.5%**	12m-ahead, curve-based
Sahm rule (real-time)	**+0.07**	>0.50 triggers
2s10s curve	**+0.37 bp**	inverted = warning
Initial jobless claims	**208,000**	weekly labor pulse

PCA: PC1 explains 52% of sector variance (market-factor concentration).

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

VIX	contemp -0.86	1d-lag +0.10
Long Bond	contemp +0.09	1d-lag -0.06
HY Corp	contemp +0.77	1d-lag -0.05
Semis	contemp +0.82	1d-lag -0.04
DXY	contemp +0.01	1d-lag +0.03

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	04-02	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-18	06-26	07-02	07-10	07-12	07-13	07-20
Regime	R+	R+	R-	R+	R-	R-	R+	R+	R+	R+	R+	R+	R-	R+	R+	R-	R+	R+	R+	R+	R+	N	N	N
Quadrant	Refl	Refl	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold
Breadth %	64	64	9	18	18	36	91	91	73	45	82	64	36	82	45	55	82	45	55	64	45	55	55	36
VIX	19	20	29	27	27	31	24	19	17	19	17	17	18	17	15	22	18	16	18	16	15	15	17	18
HY OAS	2.9	3.1	3.1	3.3	3.2	3.4	3.1	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.7	2.7	2.8	2.7	2.7	2.7	2.7	2.7
2s10s bp	1	1	1	1	1	1	1	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Rec Prob %	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	+1.1	-0.4	-2.0	-1.6	-1.9	-2.1	+3.4	+3.6	+4.5	+0.5	+0.9	+2.3	+0.1	+0.9	+1.4	-2.6	+0.6	+0.9	-2.0	+1.8	+1.2	+0.5	+0.5	-0.8

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