ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-07-27

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

REGIME: Neutral

EXECUTIVE SUMMARY

The market sits squarely in a Neutral regime (posterior 1.0), and this week's tape confirms it: the S&P was flat (-0.4%), the Dow eked out a gain, but the Nasdaq fell 2.1% as capital rotated hard out of Comms (-4.1%) and Discretionary (-4.5%) into Utilities, Energy, Industrials and Materials. The single most important development is a decisive defensive-and-cyclical-value rotation beneath a placid index — a 10.6-point growth-value spread over three months and 73% up-breadth reveal a market re-pricing leadership away from mega-cap growth even as the aggregate holds. Rates and credit corroborate calm, not stress: the curve is positively sloped (2s10s +36bp, 3M10Y +73bp), HY spreads sit at a rich 2.77% (16th percentile), financial conditions are loose (ANFCI -0.55), and recession probability is negligible (NY Fed 0.5%, Sahm 0.07). The macro frame is Reflation — stalled growth (g-score 0.0) against firm, sticky inflation (i-score 1.0) — which is the backdrop most hostile to long-duration growth equities and most supportive of the real-asset, value tilt now underway. The key risk is that this is a narrow-leadership unwind rather than a healthy broadening: with stock-bond correlation positive (DCC +0.19), Treasuries are only a weak hedge, so a growth-driven drawdown would find thin cover in bonds.

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Neutral	Reflation	18	2.77

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

S&P 500	7,412.0	-0.4%	-1.2%	-0.0%
Nasdaq	24,975.8	-2.1%	-4.7%	-4.9%
Russell 2000	2,930.0	-0.4%	-3.1%	+2.1%
Tech	175.9	+0.1%	-7.7%	-1.1%
Financials	56.3	+0.5%	+5.0%	+10.0%
Energy	59.6	+2.9%	+12.3%	+4.3%
Long Bond	83.2	-0.8%	-3.7%	-2.7%
HY Corp	79.2	-0.6%	-0.9%	-0.9%
IG Corp	106.2	-0.9%	-2.6%	-2.5%
TIPS	107.5	-0.5%	-1.8%	-3.4%
DXY	101.3	+0.3%	+0.1%	+3.4%
Gold	4,095.6	+2.1%	+1.8%	-13.2%
WTI	83.0	-0.3%	+19.4%	-15.4%
Copper	6.4	+1.5%	+3.3%	-0.3%
VIX	17.6	-1.0	+1.1	-0.8
MOVE	70.9	+2.4	+3.8	+0.2

US Cross-Market Analysis

Executive Summary

The market sits squarely in a Neutral regime (posterior 1.0), and this week's tape confirms it: the S&P was flat (-0.4%), the Dow eked out a gain, but the Nasdaq fell 2.1% as capital rotated hard out of Comms (-4.1%) and Discretionary (-4.5%) into Utilities, Energy, Industrials and Materials. The single most important development is a decisive defensive-and-cyclical-value rotation beneath a placid index — a 10.6-point growth-value spread over three months and 73% up-breadth reveal a market re-pricing leadership away from mega-cap growth even as the aggregate holds. Rates and credit corroborate calm, not stress: the curve is positively sloped (2s10s +36bp, 3M10Y +73bp), HY spreads sit at a rich 2.77% (16th percentile), financial conditions are loose (ANFCI -0.55), and recession probability is negligible (NY Fed 0.5%, Sahm 0.07). The macro frame is Reflation — stalled growth (g-score 0.0) against firm, sticky inflation (i-score 1.0) — which is the backdrop most hostile to long-duration growth equities and most supportive of the real-asset, value tilt now underway. The key risk is that this is a narrow-leadership unwind rather than a healthy broadening: with stock-bond correlation positive (DCC +0.19), Treasuries are only a weak hedge, so a growth-driven drawdown would find thin cover in bonds.

Regime & Market State

The Markov model places the market in Neutral with maximal conviction (posterior 1.0, zero weight on both Risk-on and Risk-off), and the price action fits: the S&P is essentially unchanged across 1-week, 1-month and 3-month horizons, the definition of a market going sideways while it decides. But "flat index" masks a violent internal rotation. The Nasdaq's -2.1% week against a +0.2% Dow and +2.5% Industrials is a leadership problem, not a market problem — the cap-weighted growth complex is bleeding while the median stock rises (73% breadth up). This is the tell that matters: broad participation with mega-cap weakness is the signature of a rotation, not a top. The investor implication is that index-level beta understates the dispersion; positioning, not net exposure, is where returns are being made right now.

Sector & Factor Rotation

The rotation is unambiguous and internally consistent. Leadership runs Utilities (+3.0%), Energy (+2.9%), Industrials (+2.5%) and Materials (+2.5%) — a barbell of defensives and hard-cyclical/real-asset sectors — while the losers are the long-duration growth cohort: Comms -4.1%, Discretionary -4.5%, Tech flat. The factor data ratifies this: over three months Value is +6% and Growth is -5% for a -10.6 growth-value spread, with Quality (+3) and Low-Vol (+3) outperforming and High-Beta (-1) and Momentum (~0) lagging. Read together, this is not a clean risk-off (cyclicals like Energy and Industrials are leading, which argues against fear) nor a clean risk-on (High-Beta and Growth are being sold). It is a reflation rotation — money moving toward pricing-power, real-asset and short-duration cash-flow exposures and away from rate-sensitive long-duration growth. For an investor the message is to fade the crowded growth-momentum trade and lean into value, energy/materials and quality-defensive; the market is repricing the discount rate applied to distant earnings.

The Yield Curve & Rates

The curve is fully positively sloped and steep at the long end: 3M at 3.95%, 2Y 4.37%, 10Y 4.71%, and a notably elevated 20Y/30Y around 5.20%/5.17%. Both key slope measures are positive — 2s10s at +36bp and 3M10Y at +73bp — which means the recession-signaling inversion of prior cycles is gone; the bull/bear-steepening dynamic now dominates. The standout is the long end: 30Y above 5% with the belly (5Y 4.46%) well below it describes a term-premium/fiscal-supply steepener, not a Fed-cut-driven bull steepener. That is textbook reflation pricing — the market demanding more compensation to hold duration as inflation stays sticky. The implication is straightforward: duration is not your friend here. The front end is anchored near 3.8-4.0% (a Fed on hold), while long rates carry the inflation and supply risk. This same rising-discount-rate dynamic is precisely what is punishing growth equities in the sector data — rates and equity leadership are telling one coherent story.

Credit & Financial Conditions

Credit shows zero corroboration of the equity-market anxiety. HY OAS at 2.77% sits in just the 16th percentile — spreads are historically tight, meaning credit investors see negligible default or liquidity risk. IG OAS at 0.79% is likewise benign. The Chicago Fed's adjusted financial conditions index at -0.55 (with the leverage/stress subcomponent at -0.70) confirms conditions are meaningfully looser than average. The "so what" is important: the equity rotation is happening with the credit door wide open. There is no financial-stress transmission channel firing here — this is a rate-and-valuation story, not a solvency or funding story. Tight HY is both reassuring (no systemic stress) and a caution (little cushion, so any credit repricing would start from an expensive base), but for now it removes the most dangerous tail — a credit-led unwind — from the near-term picture.

Volatility & Cross-Asset Correlation

The vol complex reads "orderly, with hedging demand." VIX at 17.6 is unremarkable, and the term structure is in normal contango (VIX3M 20.5, term ratio 0.86) — no acute near-term fear. But the internals carry a warning: VVIX at 101 and especially SKEW at 147 show investors are paying up for tail and crash protection even as spot vol stays calm. That is the profile of a market hedging a known asymmetric risk rather than one that is complacent. MOVE at 71 signals rates volatility is contained, consistent with the on-hold front end. On correlation, the DCC-GARCH is the crux: stock-bond correlation is positive at +0.19 (63-day +0.37) and highly persistent — meaning Treasuries are a poor equity hedge right now, the classic reflation-regime problem where bonds and stocks sell off together on inflation news. Stock-dollar correlation is negative (-0.27, tightening to -0.43), so a stronger dollar coincides with equity weakness. Gold's negative correlation to DXY (-0.34/-0.52) and positive tilt to equities marks it as the more useful diversifier than duration here. PC1 explains 52% of sector variance — moderately single-factor: enough common beta that a macro shock moves everything, but low enough that the sector/factor dispersion described above is real and exploitable.

Macro Pulse: Growth, Labor & Inflation

The quadrant is Reflation — growth score 0.0, inflation score 1.0 — and the dashboard fills it in. Growth has stalled but not contracted: the Chicago Fed National Activity Index is at trend (-0.0), the Weekly Economic Index holds at 2.9%, industrial production is flat (102.6, cap-use 76.1%), and Q1 real GDP printed $24,180bn. Labor is still solid but cooling at the edges — unemployment 4.2%, U6 7.9%, payrolls firm, job openings 7.59mn, and initial claims very low at 187k with continued claims 1.796mn (no involuntary-separation wave). Inflation is the active variable and it is sticky: Michigan expectations at 4.8% are alarmingly elevated, sticky CPI is 2.8%, core CPI and core PCE remain firm, and PPI (286.8) shows pipeline pressure. The one genuine red flag outside the labor market is the consumer: sentiment at 44.8 is depressed and the saving rate at 3.0% is thin, meaning households have little buffer if the labor market softens or inflation bites further. The net read: an economy with firm employment and stubborn prices but a fragile, sentiment-poor consumer — exactly the mix that keeps the Fed on hold and keeps long rates elevated, reinforcing the value-over-growth equity tilt.

Recession Risk & Liquidity

Near-term recession risk is low by every hard metric. The NY Fed 12-month probability is just 0.5%, the Sahm rule is at 0.07 (far below its 0.50 trigger), the yield curve is un-inverted (2s10s +36bp), and initial claims at 187k are near cycle lows. There is no imminent contraction signal in the data. Net liquidity is supportive and rising — $5,917bn, up $75bn over the month — which helps explain why risk assets remain buoyant and credit spreads tight despite the growth stall; ample system liquidity is cushioning the reflation-driven repricing. Honestly stated, the recession toolkit is quiet and liquidity is a tailwind; the risk here is not recession but stagflation-lite — sticky inflation atop stalled growth — which pressures multiples and duration rather than triggering a demand collapse.

Volatility & Cross-Asset Correlation

(Consolidated above.)

Recession Risk & Liquidity

(Consolidated above.)

Key Risks & What to Watch

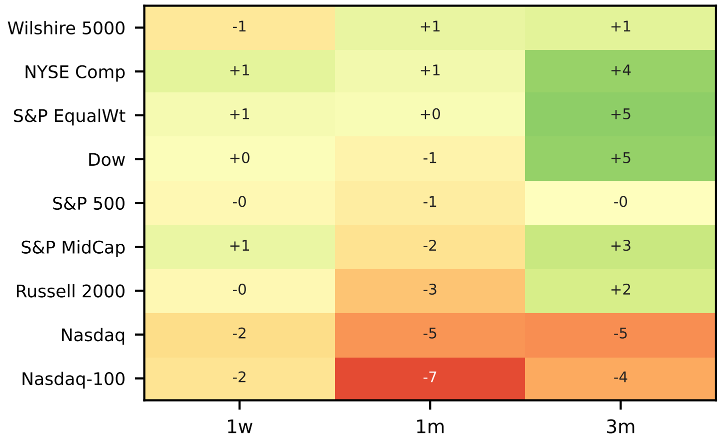
The central risk is that the current growth-stock unwind is the front edge of a broader de-rating rather than a benign rotation — and because stock-bond correlation is positive (+0.19) and persistent, a growth-led drawdown would not be well cushioned by Treasuries, forcing cash and gold into the hedging role. The second risk is inflation re-acceleration: with Michigan expectations at 4.8% and the long end already near 5%, an upside CPI/PCE surprise would steepen the curve further and deepen the punishment of long-duration equities. The third is the fragile consumer (sentiment 44.8, saving rate 3.0%) meeting any labor softening. On lead-lag, be candid: weekly cross-asset predictive skill is modest, so treat the correlation and rotation signals as regime context, not as timing tools.

Signals that would confirm the constructive-rotation view: breadth staying above ~65% while value/energy/industrials hold leadership, HY OAS remaining below the 20th percentile, initial claims staying under ~220k, and SKEW normalizing back toward ~130. Signals that would flip the view to defensive: HY OAS widening decisively (a break above ~3.3-3.5%) or ANFCI turning toward zero; breadth collapsing so that the Nasdaq's weakness spreads to the median stock; the Sahm rule ticking up toward 0.20 or continued claims accelerating; a MOVE break above ~85 with the VIX term structure inverting (ratio above 1.0); or a core-PCE/Michigan-expectations upside surprise that drives the 10Y through 4.9-5.0% — any of which would convert this orderly reflation rotation into a genuine risk-off.

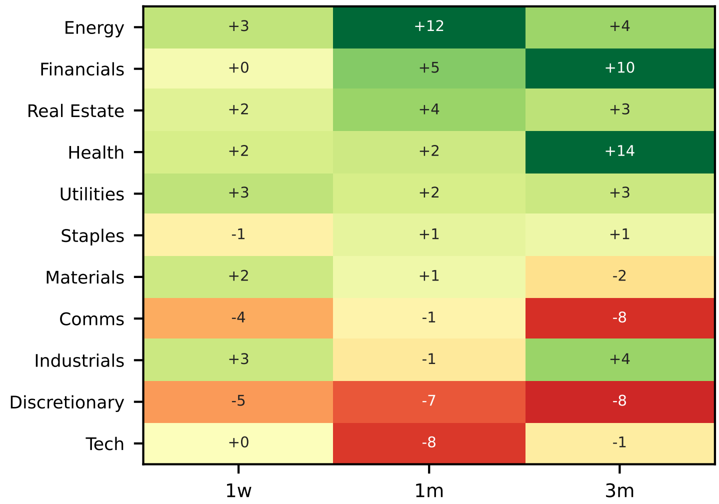
Returns Heatmap

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

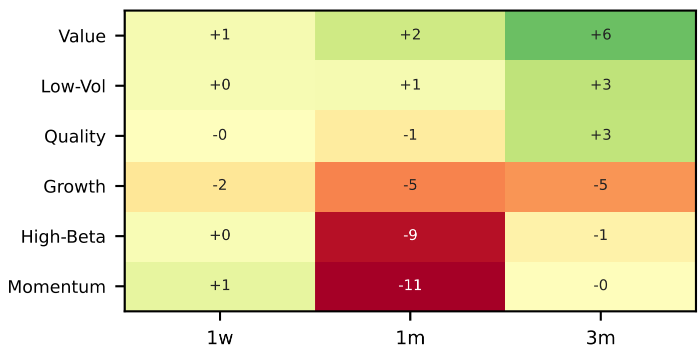
Indices



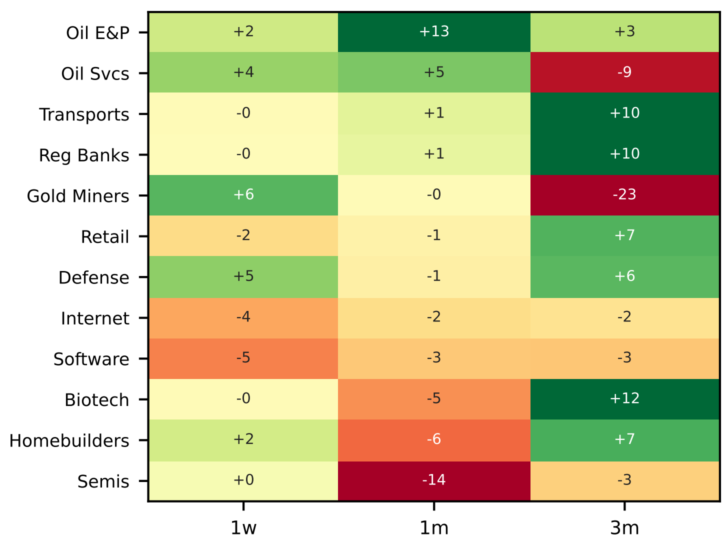
Sectors



Factors

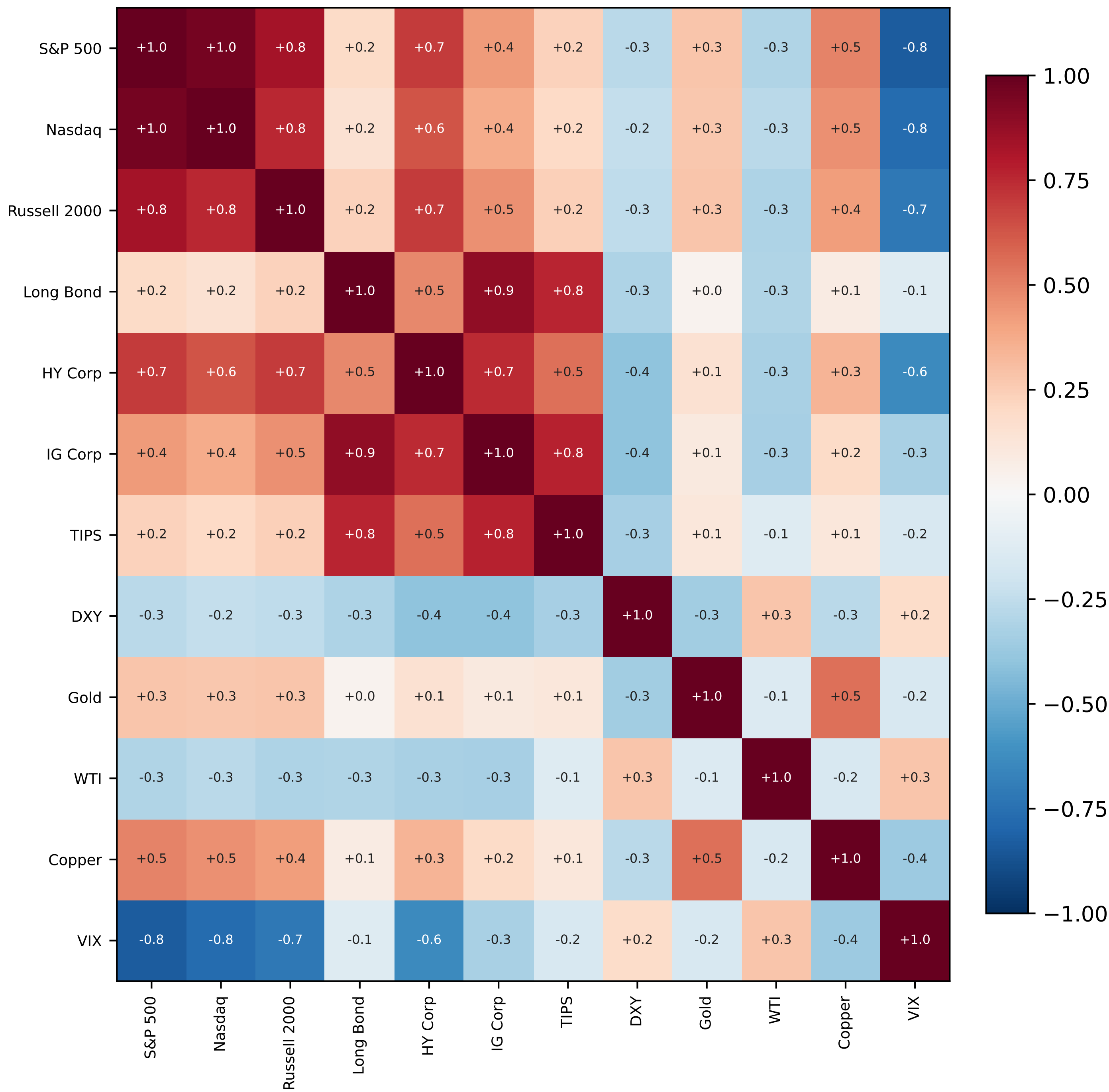


Industries



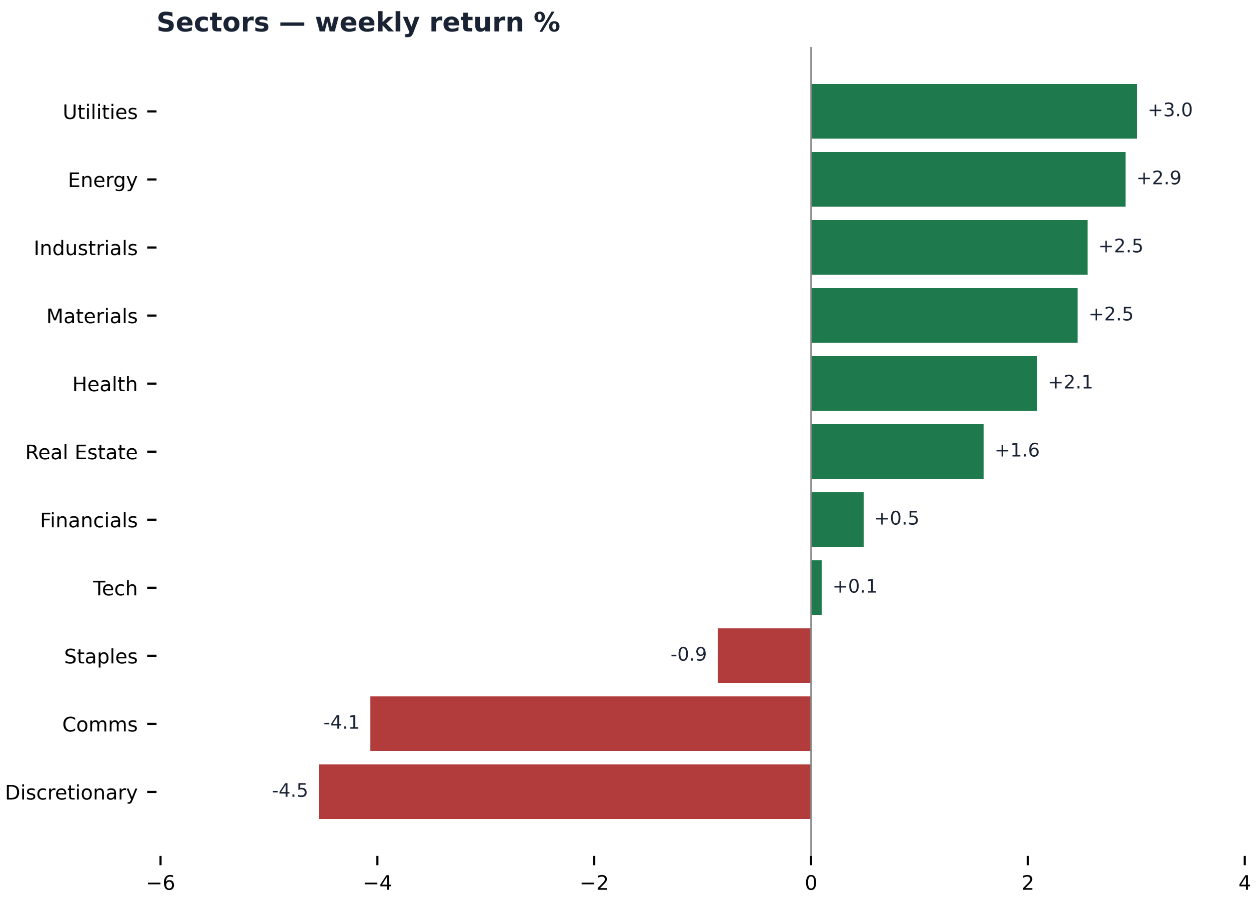
Cross-Asset Correlation (252d, daily)

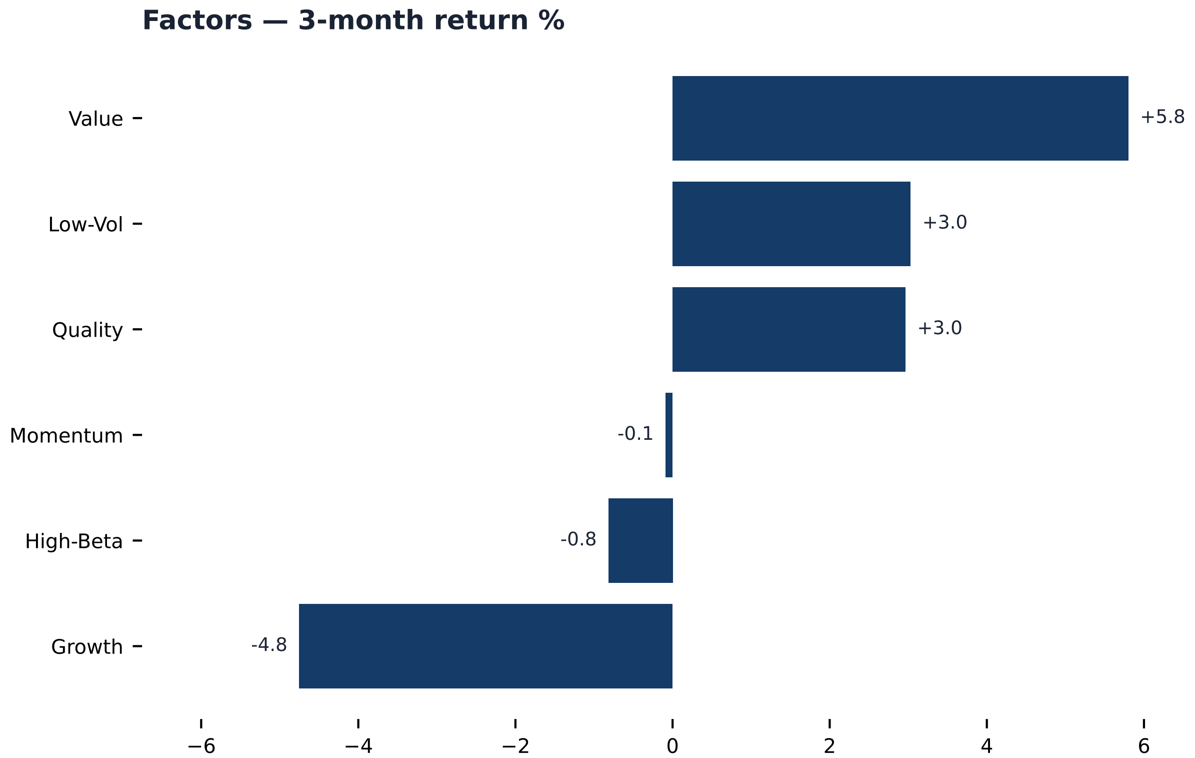
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



Sector & Factor Rotation

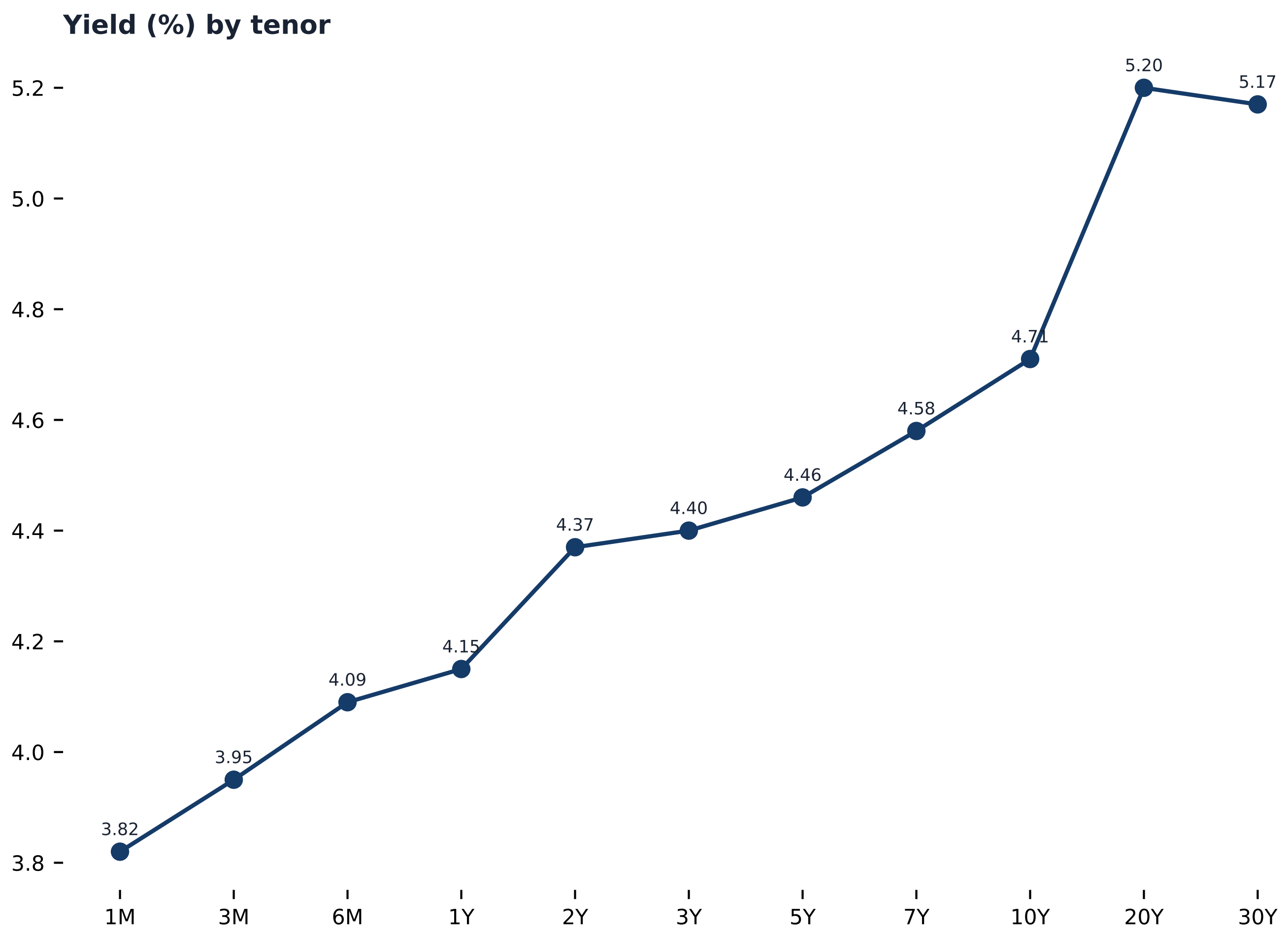
Weekly sector return; factor 3m return. Sector breadth 73% up. Growth-Value 3m -10.6%.





The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.36bp, 3M-10Y +0.73bp (positive).



Credit, Financial Conditions & Volatility

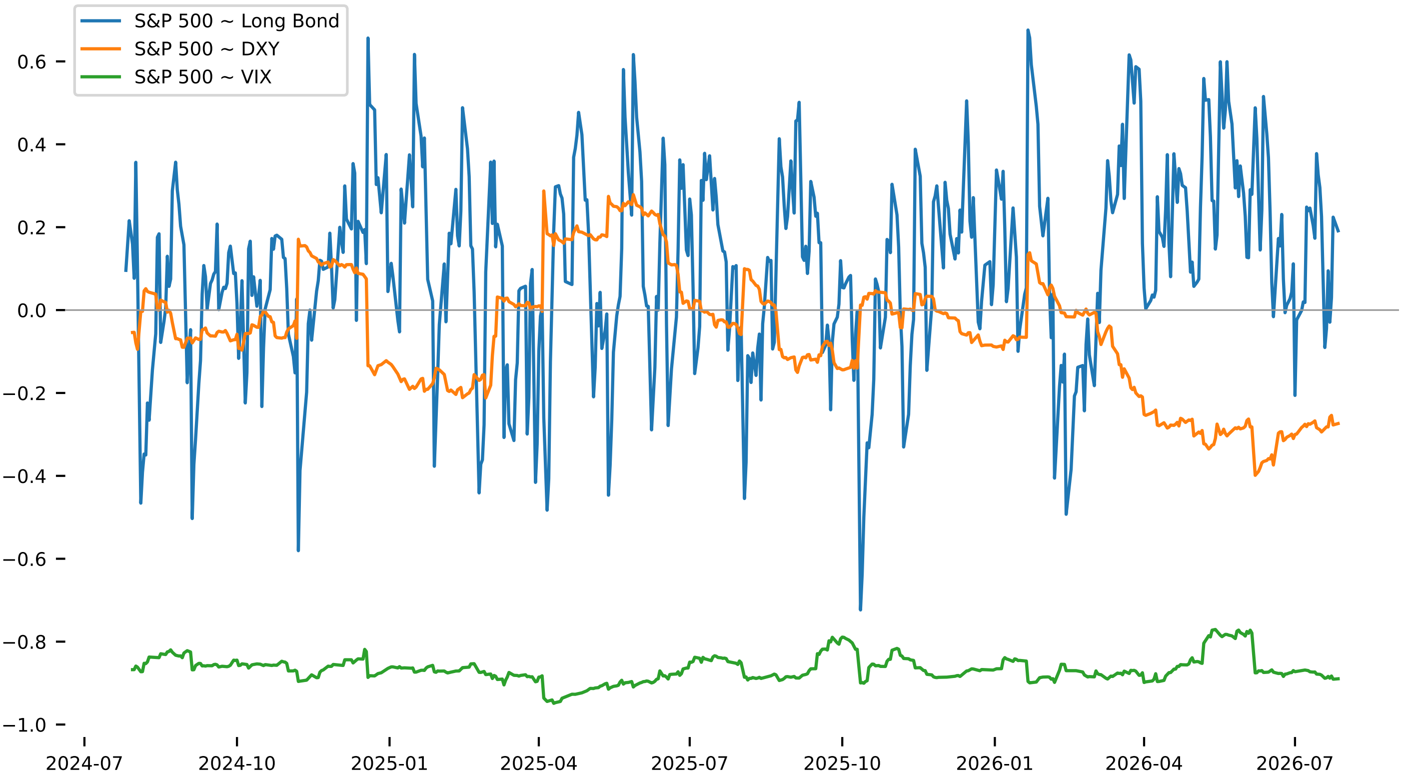
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.77**	16th pctile
IG OAS	**0.79**	
Fin Conditions (ANFCI)	**-0.55**	0 = average; +tight
St. Louis Stress	**-0.70**	
VIX	**17.6**	term VIX/VIX3M 0.86
VIX3M	**20.5**	
VVIX (vol of vol)	**101**	
MOVE (bond vol)	**71**	
SKEW (tail hedging)	**147**	

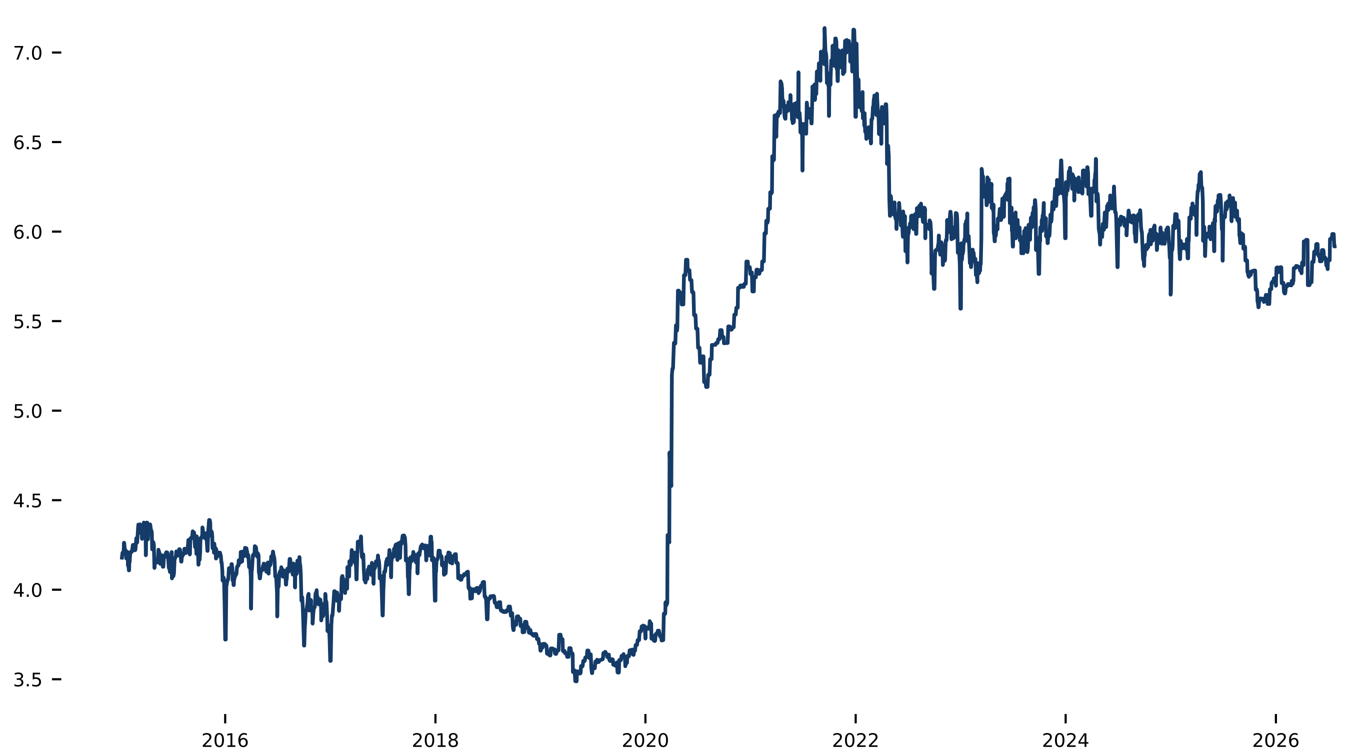
Regime, Growth-Inflation & Liquidity

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

DCC-GARCH: stock-bond, stock-dollar, stock-VIX



Fed net liquidity ($ trillion) — WALCL - TGA - RRP



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)	**187,000.00**	-22,000.00	2026-07
Continued claims	**1,796,000.00**	-2,000.00	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	**-0.02**	+0.17	2026-06
Weekly Econ Index %	**2.93**	+0.33	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)	**1,374.00**	-36.00	2026-06
New home sales (k)	**628.00**	+10.00	2026-06
Case-Shiller HPI	**332.68**	+2.55	2026-04
30y mortgage %	**6.58**	+0.03	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	**3.64**	+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)	**2,894.16**	+8.77	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	**+0.36 bp**	inverted = warning
Initial jobless claims	**187,000**	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 +0.81	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

	02-27	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	07-27
Regime	R+	R-	R+	R-	R-	R+	R+	R+	R+	R+	R+	R-	R+	R+	R-	R+	R+	R+	R+	R+	N	N	N	N
Quadrant	Refl	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Refl
Breadth %	64	9	18	18	36	91	91	73	45	82	64	36	82	45	55	82	45	55	64	45	55	55	36	73
VIX	20	29	27	27	31	24	19	17	19	17	17	18	17	15	22	18	16	18	16	15	15	17	18	18
HY OAS	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	2.8
2s10s bp	1	1	1	1	1	1	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rec Prob %	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	-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	-0.4

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