ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-08-03

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

REGIME: Neutral

EXECUTIVE SUMMARY

The market sits squarely in a Neutral regime (Markov posterior 1.0), with a Reflation macro backdrop (growth-score 0.0, inflation-score 1.0) that keeps sticky inflation pressure alive even as growth stalls near trend. The single most important development this week is the violent risk-appetite rotation *inside* a flat tape: Consumer Discretionary ripped +4.7% and Energy +2.0% while Utilities (-2.9%), Materials (-1.9%) and Industrials (-1.8%) were dumped, even as the headline S&P managed only +1.0% on weak 45% breadth. Credit and volatility corroborate calm — HY OAS at 2.84% (25th percentile), VIX 16.1 with a normal 0.78 term structure — but the tape's internals are increasingly single-factor (PC1 = 51% of sector variance) and stock-bond correlation has flipped positive (DCC +0.30), meaning Treasuries are hedging equity risk poorly. The key risk is that reflation persists — a re-steepening long end (30Y already 5.21%), Michigan inflation expectations at 4.6% and collapsing consumer sentiment (49.5) — squeezing multiples precisely when bonds no longer diversify.

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Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Neutral	Reflation	16	2.84

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

S&P 500	7,489.7	+1.0%	+0.1%	+1.2%
Nasdaq	25,373.8	+1.8%	-1.9%	-2.7%
Russell 2000	2,931.3	-0.6%	-0.8%	+5.6%
Tech	175.4	+0.6%	-3.3%	+0.6%
Financials	56.9	+0.1%	+3.6%	+10.1%
Energy	59.5	+2.0%	+7.1%	-1.7%
Long Bond	82.2	-1.8%	-2.5%	-1.6%
HY Corp	79.5	+0.3%	-0.2%	-0.1%
IG Corp	106.2	-0.2%	-1.3%	-1.3%
TIPS	107.6	+0.2%	-0.4%	-2.6%
DXY	99.7	-1.7%	-1.3%	+0.8%
Gold	4,116.6	+1.0%	+1.1%	-9.6%
WTI	79.1	-4.2%	+7.6%	-27.2%
Copper	6.5	+2.6%	+7.4%	+3.7%
VIX	16.1	-2.6	-0.8	-1.7
MOVE	70.9	+2.4	+3.8	+0.2

US Cross-Market Analysis

Executive Summary

The market sits squarely in a Neutral regime (Markov posterior 1.0), with a Reflation macro backdrop (growth-score 0.0, inflation-score 1.0) that keeps sticky inflation pressure alive even as growth stalls near trend. The single most important development this week is the violent risk-appetite rotation *inside* a flat tape: Consumer Discretionary ripped +4.7% and Energy +2.0% while Utilities (-2.9%), Materials (-1.9%) and Industrials (-1.8%) were dumped, even as the headline S&P managed only +1.0% on weak 45% breadth. Credit and volatility corroborate calm — HY OAS at 2.84% (25th percentile), VIX 16.1 with a normal 0.78 term structure — but the tape's internals are increasingly single-factor (PC1 = 51% of sector variance) and stock-bond correlation has flipped positive (DCC +0.30), meaning Treasuries are hedging equity risk poorly. The key risk is that reflation persists — a re-steepening long end (30Y already 5.21%), Michigan inflation expectations at 4.6% and collapsing consumer sentiment (49.5) — squeezing multiples precisely when bonds no longer diversify.

Regime & Market State

The Markov model on the S&P is unambiguous but unexciting: a 100% posterior on Neutral, zero weight on either Risk-on or Risk-off. That is a market that is neither trending nor breaking — chopping. The index evidence backs it: S&P +1.0% on the week but flat over one month and up just 1% over three; Nasdaq +1.8% weekly yet -2%/-3% over 1m/3m; the Dow +6% and Russell +6% over three months. This is a rotational, mean-reverting tape where the aggregate index masks large cross-sectional moves, not a directional bet. For an investor the implication is that beta is not being rewarded — index-level exposure has gone nowhere for a month — and returns this quarter have come from *positioning* (who you own), not *direction* (that you own).

Sector & Factor Rotation

The weekly sector table is textbook early-cycle risk appetite layered on a stalling economy: Discretionary +4.7% and Energy +2.0% leading, with the entire defensive and late-cycle-cyclical complex — Utilities -2.9%, Materials -1.9%, Industrials -1.8%, Staples -0.4%, Health -0.5%, Real Estate -1.5% — sold. Buyers want cyclical consumer risk and are dumping rate-sensitive defensives (Utilities, Real Estate hit by the higher long end) and hard cyclicals. But the factor picture over three months tells a subtler, almost contradictory story: Value +8% and Quality +4% lead while Growth is -5%, leaving a Growth-minus-Value spread of -12.9. So the multi-week trend has been defensive-in-style (value, quality) even as this single week screamed offense (discretionary, high-beta +3%). That divergence — a value/quality quarter interrupted by a junk-and-cyclical week — is the signature of a market rotating violently without conviction, consistent with the Neutral regime. Read it as risk appetite that is tactical, not structural: investors are renting cyclicality, not underwriting it.

The Yield Curve & Rates

The curve has fully re-positivized and is steepening from the long end. Front-end yields sit at 3.79% (1M) rising through 4.23% (2Y) to 4.68% (10Y), with a pronounced bulge to 5.22% (20Y) and 5.21% (30Y). The 2s10s is +47bp and the 3M10Y +92bp — both firmly positive, ending the multi-year inversion that had been the market's loudest recession siren. A positive, bull-... no — a *bear-steepening* long end (30Y at 5.21%, well above the 10Y) is the tell of the Reflation quadrant: the market is pricing sticky inflation and term premium, not aggressive cuts. For investors this means the recession signal from the curve has been *withdrawn* (a positive for cyclicals and the discretionary/energy leadership above), but the price is a punishing long-bond configuration that pressures Utilities, Real Estate and long-duration Growth — exactly the sectors that lagged this week. Duration is not your friend here; the belly (5Y 4.38%) offers better risk-adjusted carry than reaching for the pummeled long end.

Credit & Financial Conditions

Credit is sanguine to the point of complacency. HY OAS at 2.84% sits in just the 25th percentile — spreads are tight, cheap insurance nowhere in the price — and IG OAS at 0.80% confirms no stress in the investment-grade complex. The Chicago Fed ANFCI at -0.56 and a stress reading of -0.83 both signal financial conditions that are *looser* than average: liquidity and risk pricing are accommodative, not restrictive. This matters because it removes the near-term credit-event catalyst that would turn the rotation into a rout — the +4.7% Discretionary week is happening because credit is permissive. The flip side is asymmetry: at the 25th percentile of spreads, HY offers minimal compensation and considerable room to widen if the reflation-driven long end or a growth wobble reprices risk. Own credit for carry, not for cushion.

Volatility & Cross-Asset Correlation

The volatility complex is calm on the surface with a nervous undertone. VIX 16.1 against VIX3M 20.5 gives a term structure of 0.78 — normal contango, no front-end panic bid. MOVE at 71 says rate vol is contained despite the steepening. But SKEW at 141 is elevated: investors are paying up for tail/crash protection even as at-the-money vol is cheap — a market comfortable day-to-day but hedging the left tail. The cross-asset correlations carry the sharper message. The DCC-GARCH stock–bond correlation is *positive* at +0.30 (252d +0.21, 63d rising to +0.35), with high persistence (0.84) — meaning Treasuries are moving *with* equities, not against them, so bonds are a degraded hedge in this reflation regime; when stocks fall on rate fears, bonds fall too. Stock–dollar is -0.20 (DCC) with the 63d correlation deepening to -0.43, so the dollar remains a modest diversifier. Stock–VIX is the usual mechanical -0.91. The practical takeaway: in this configuration cash and the belly of the curve, not long Treasuries, are the cleaner equity hedge, and gold's positive equity correlation (+0.28/+0.43) plus its -0.34/-0.48 dollar link make it a dollar hedge more than an equity one.

Macro Pulse: Growth, Labor & Inflation

The macro dashboard defines the Reflation quadrant precisely: growth flat, inflation sticky. Growth is running at stall speed — the Chicago Fed NAI at -0.0 (dead trend), Weekly Economic Index at 2.5%, capacity utilization 76.1%, industrial production 102.6 — not contracting, but not accelerating. Labor is still solid but softening at the edges: unemployment 4.2%, U6 at 7.9%, payrolls holding, job openings 7,594k, and initial claims a very low 197k with continued claims 1,782k — no crack in the labor market yet. Inflation is the live problem: Michigan inflation expectations at 4.6% are alarmingly high, sticky CPI at 2.8%, with CPI index 332.6 and core PCE 130.3 still grinding. The consumer is the fault line — retail sales are fine ($768.6bn) but the saving rate is a thin 2.7% and consumer sentiment has collapsed to 49.5, a recessionary-feeling reading despite non-recessionary data. Housing is frozen by the 6.7% mortgage rate (starts 1,427k, permits 1,374k). For investors this frames the trade: the economy can tolerate the cyclical leadership seen this week, but inflation expectations at 4.6% cap how dovish the Fed can be and keep the long end heavy — the core tension driving every cross-asset signal above.

Recession Risk & Liquidity

The hard recession models are quiet. The NY Fed 12-month probability is just 0.6%, the Sahm rule at 0.07 is nowhere near its 0.50 trigger, the 2s10s has un-inverted to +47bp, and initial claims at 197k are historically low. On the standard scorecard, near-term recession risk is low and *falling* — consistent with the curve's withdrawn signal and the risk-on rotation. Be honest about the offset: net liquidity at $5,825bn has drained -$136bn over the past month, a real headwind to the marginal bid for risk assets even as conditions indices look loose. Low recession probability plus draining liquidity is a "grind, don't sprint" setup — it supports the Neutral regime and argues against chasing the weekly discretionary spike as the start of a new leg.

Key Risks & What to Watch

The dominant risk is reflation that refuses to fade: with Michigan expectations at 4.6% and the 30Y at 5.21%, a further bear-steepening long end would pressure multiples and the rate-sensitive sectors precisely while the positive stock-bond correlation (+0.30) leaves portfolios without a bond hedge — the classic bad-diversification regime. The second risk is that the tape is dangerously single-factor: PC1 explains 51% of sector variance, so one macro shock (a hot inflation print, a liquidity air-pocket) moves everything together and diversification fails. And note the lead-lag caveat honestly — weekly cross-asset predictive skill is *modest*; the correlations above describe co-movement and hedging quality, not a reliable one-week trading signal, so size accordingly.

Watch these observable signals. **Confirming the constructive rotation:** breadth broadening back above ~55% (from 45%), HY OAS holding below ~3.0%, Discretionary and Semis (Semis~S&P +0.76) sustaining leadership, and Michigan/sticky CPI rolling over — that would validate risk-on and warrant adding cyclical and value beta. **Changing the view toward defense:** the stock-bond DCC pushing further positive above ~+0.40 (hedge fully broken), 30Y breaching ~5.35–5.40% or 2s10s steepening on rising *long* yields, HY OAS breaking above ~3.25%, initial claims turning up through ~220k or Sahm rising toward 0.30, VIX term structure inverting below 1.0, and net liquidity extending its drain past another -$100bn. Any two of those together would flip the read from "rotational Neutral" to early Risk-off, and argue for trimming high-beta/discretionary, moving up in quality, and holding hedges in cash and the 5Y belly rather than the long bond.

Returns Heatmap

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

Indices

	1w	1m	3m
NYSE Comp	+0	+1	+5
S&P EqualWt	-0	+1	+6
Wilshire 5000	-1	+1	+1
S&P MidCap	-1	+1	+4
Dow	+1	+0	+6
S&P 500	+1	+0	+1
Russell 2000	-1	-1	+6
Nasdaq	+2	-2	-3
Nasdaq-100	+1	-3	-2

Sectors

	1w	1m	3m
Energy	+2	+7	-2
Financials	+0	+4	+10
Real Estate	-2	+2	+3
Staples	-0	+1	-1
Discretionary	+5	+1	-0
Materials	-2	+1	+0
Health	-1	+0	+12
Industrials	-2	-0	+5
Comms	+1	-1	-7
Utilities	-3	-2	+1
Tech	+1	-3	+1

Factors

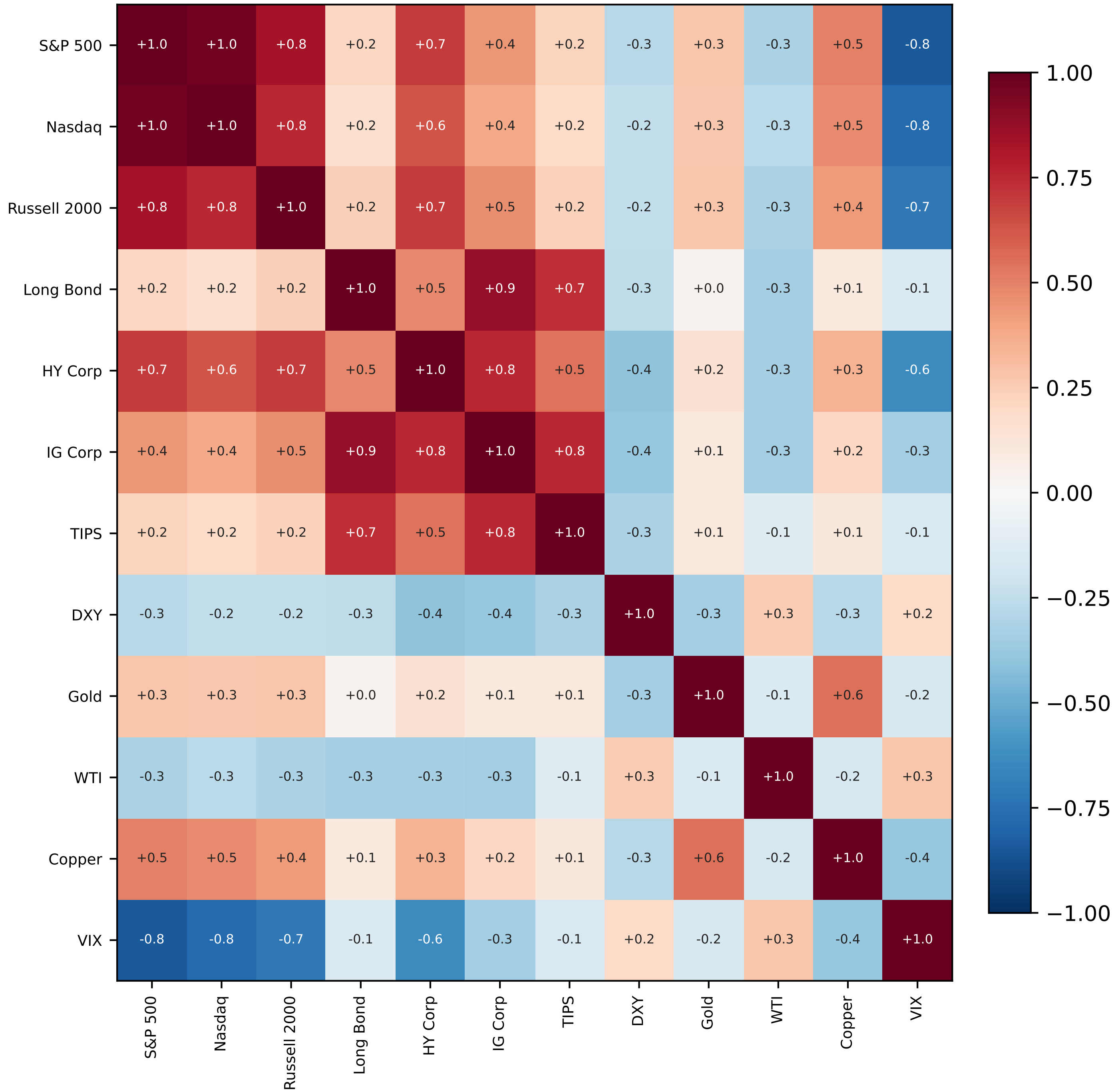
	1w	1m	3m
Value	+1	+3	+8
Quality	+1	+1	+4
Low-Vol	+0	+0	+2
Growth	+1	-3	-5
High-Beta	-1	-4	+3
Momentum	-1	-5	+2

Industries

	1w	1m	3m
Oil E&P	+5	+10	+1
Retail	+0	+4	+13
Reg Banks	+1	+4	+12
Software	+4	+2	+2
Oil Svcs	-0	+2	-15
Internet	+4	+1	+2
Gold Miners	-2	+1	-15
Defense	-2	+0	+9
Transports	-3	-2	+6
Homebuilders	-5	-2	+8
Semis	-1	-9	-1
Biotech	-2	-10	+15

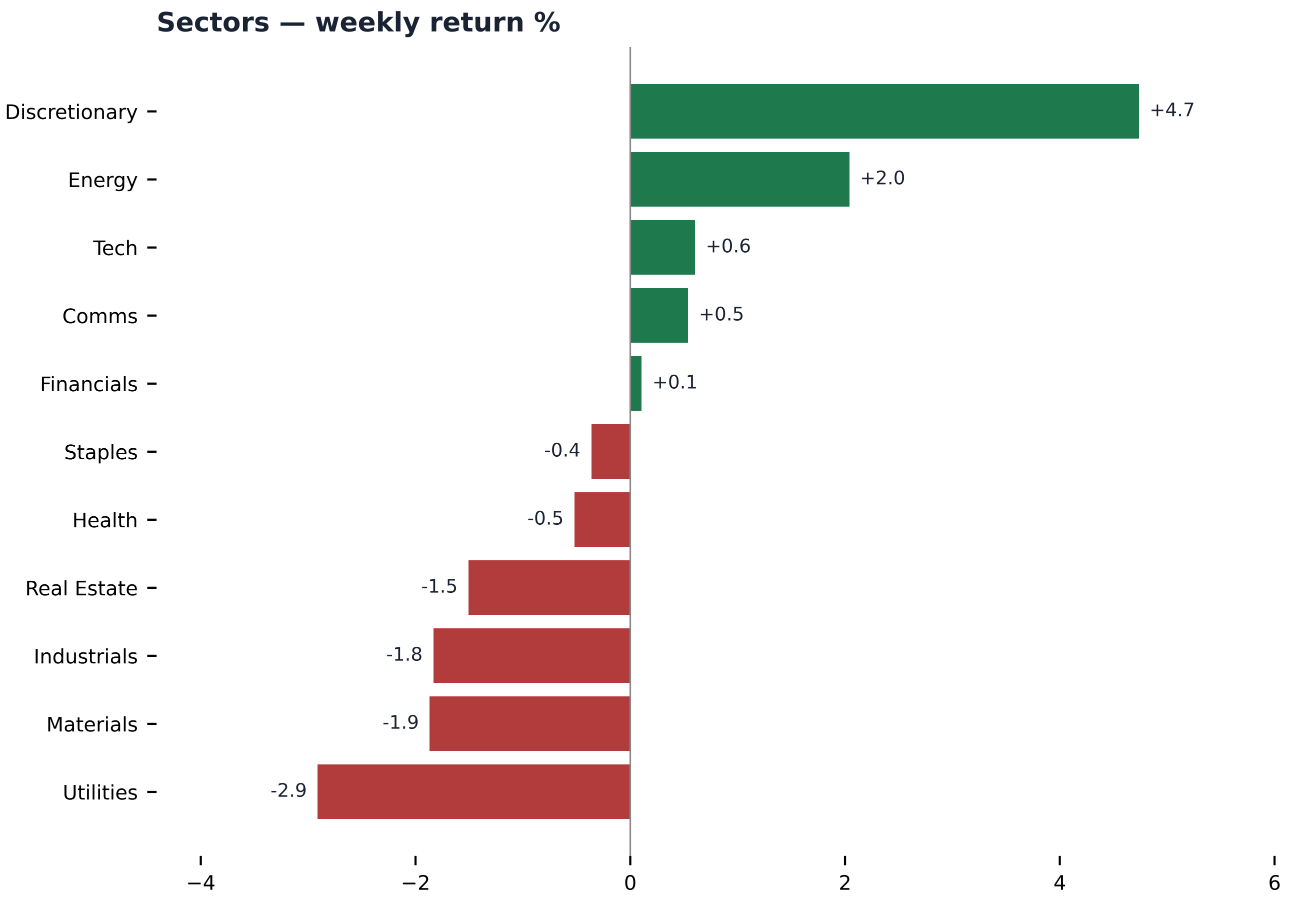
Cross-Asset Correlation (252d, daily)

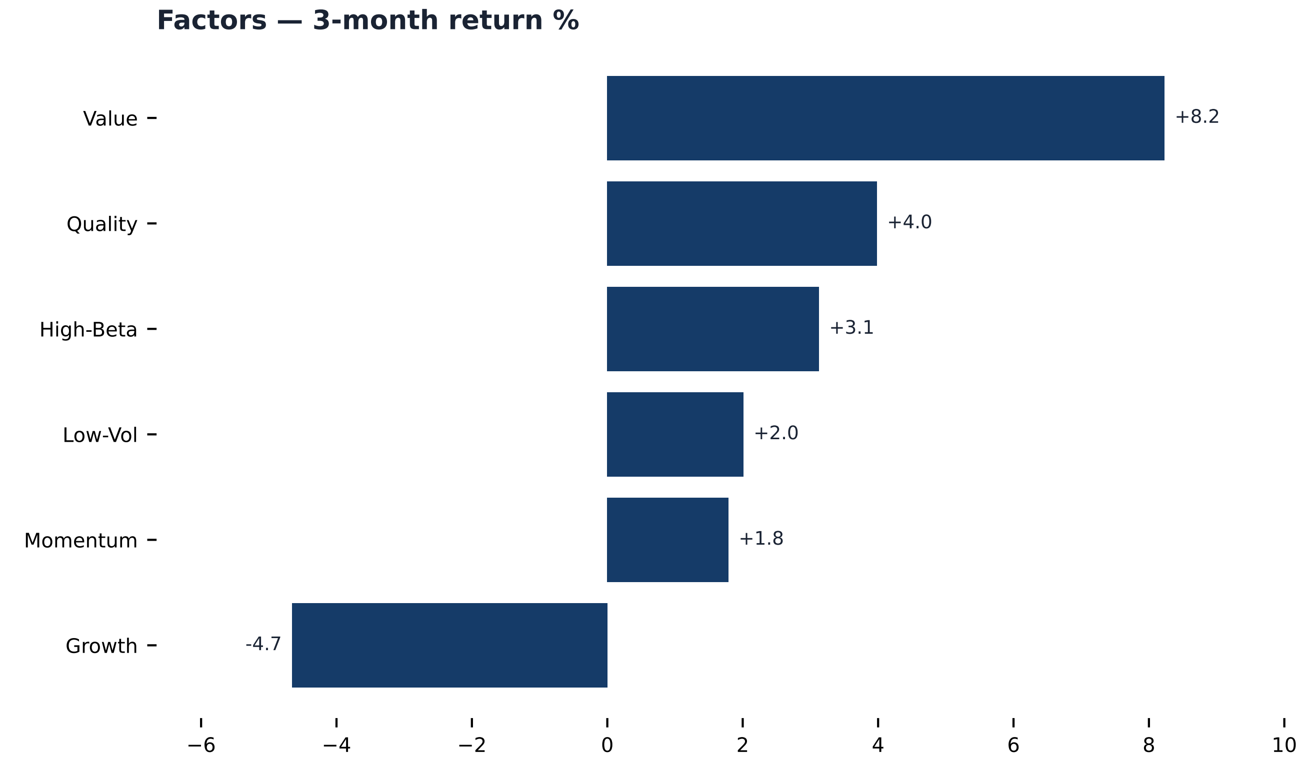
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



Sector & Factor Rotation

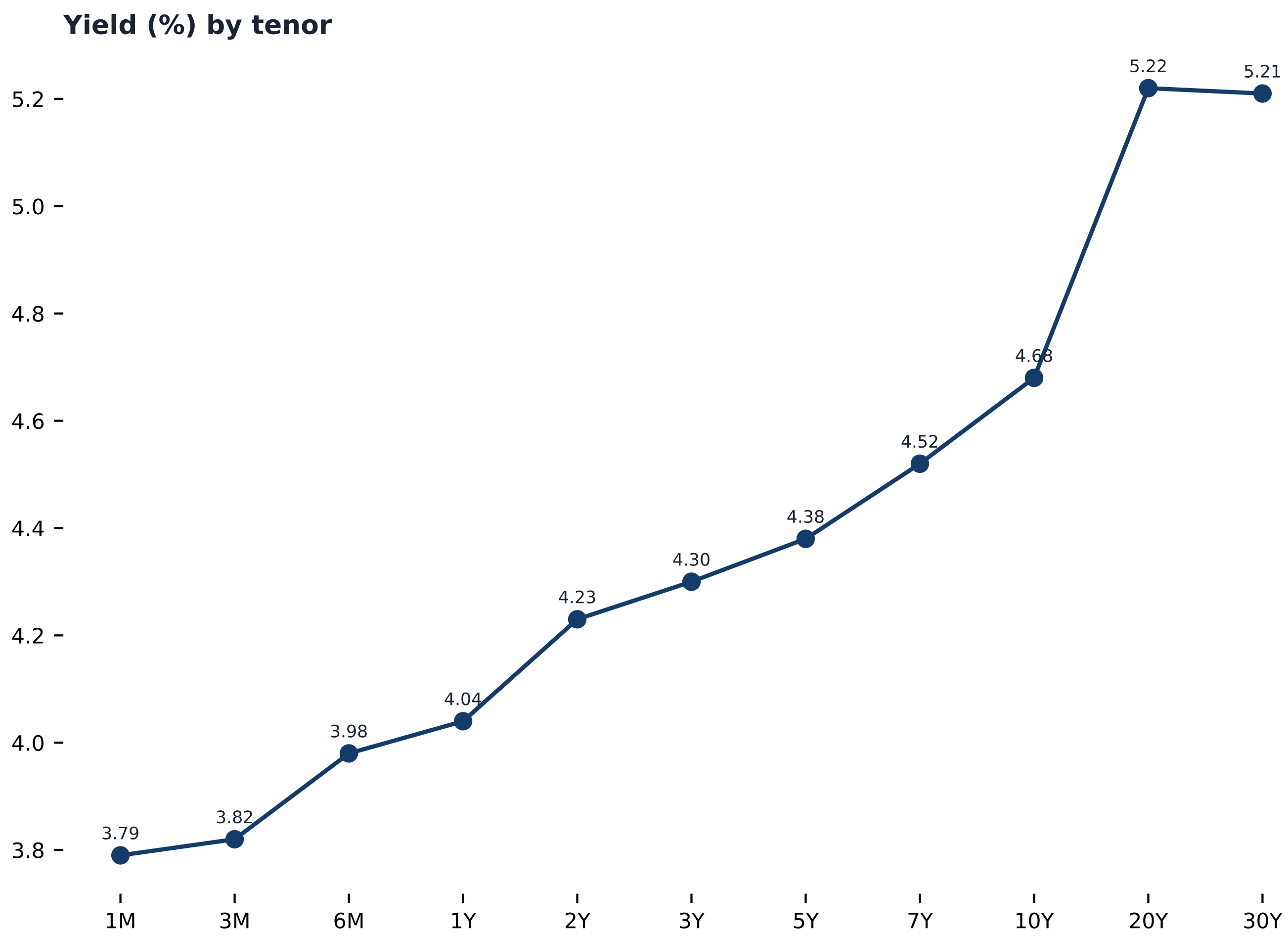
Weekly sector return; factor 3m return. Sector breadth 45% up. Growth-Value 3m -12.9%.





The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.47bp, 3M-10Y +0.92bp (positive).



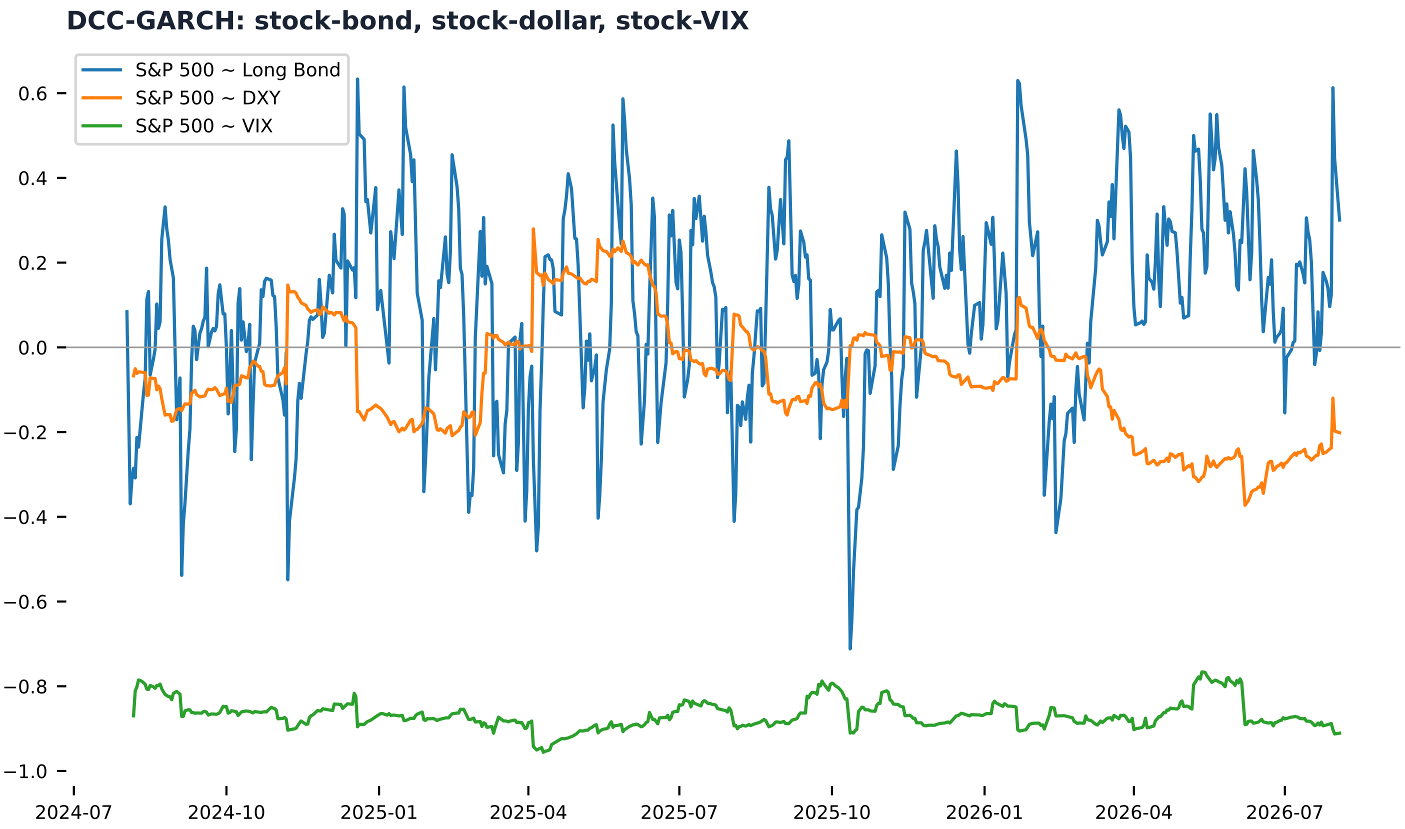
Credit, Financial Conditions & Volatility

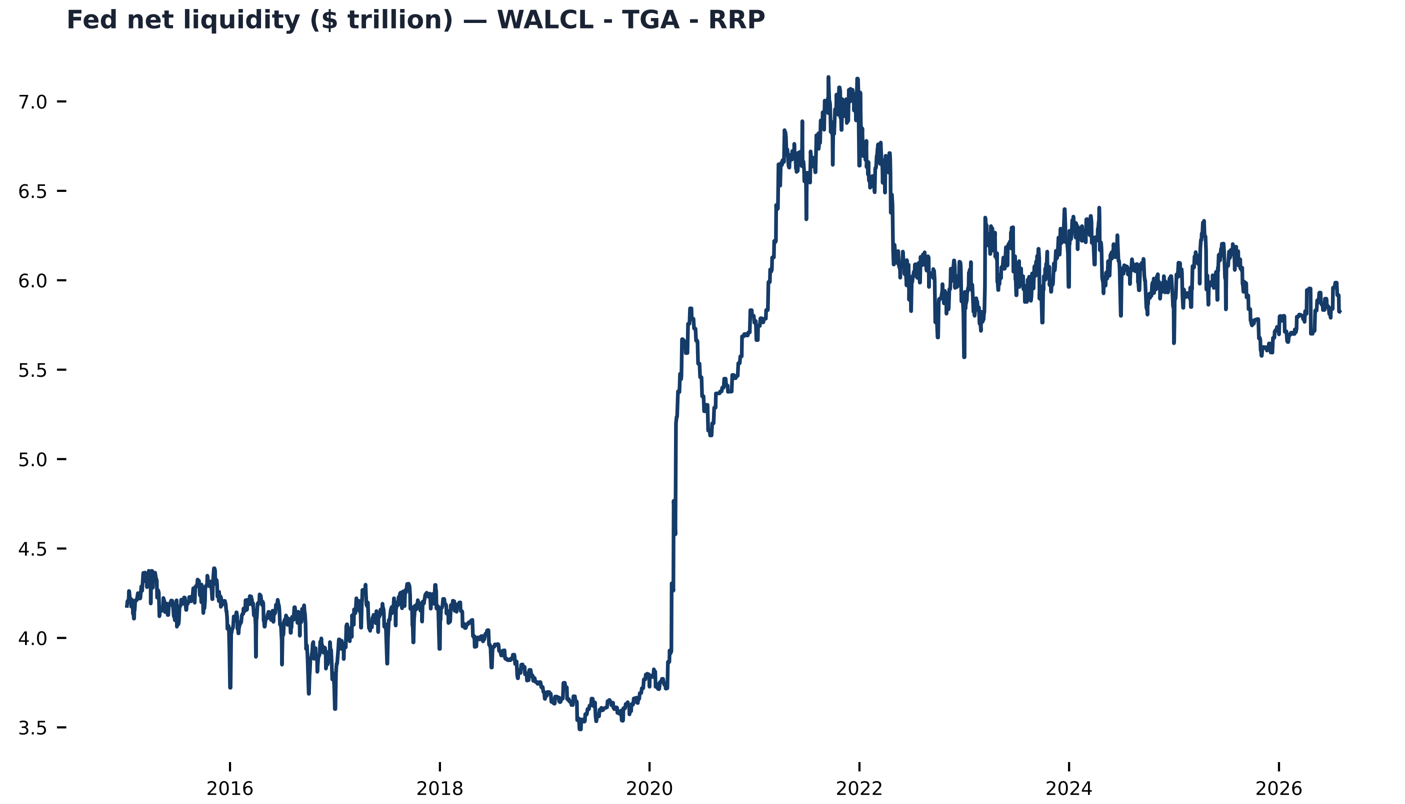
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.84**	25th pctile
IG OAS	**0.80**	
Fin Conditions (ANFCI)	**-0.56**	0 = average; +tight
St. Louis Stress	**-0.83**	
VIX	**16.1**	term VIX/VIX3M 0.78
VIX3M	**20.5**	
VVIX (vol of vol)	**92**	
MOVE (bond vol)	**71**	
SKEW (tail hedging)	**141**	

Regime, Growth-Inflation & Liquidity

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





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)	**197,000.00**	+9,000.00	2026-07
Continued claims	**1,782,000.00**	-7,000.00	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	**131.39**	-0.14	2026-06
Core PCE index	**130.27**	+0.17	2026-06
PPI index	**286.83**	-3.66	2026-06
Michigan inflation exp %	**4.60**	-0.20	2026-06
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)	**24,270.60**	+90.18	2026-04
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 %	**2.46**	-0.41	2026-07
Durable goods ($m)	**334,772.00**	+1,066.00	2026-06
Retail sales ($m)	**768,553.00**	+1,677.00	2026-06
Saving rate %	**2.70**	-0.10	2026-06
Consumer sentiment	**49.50**	+4.70	2026-06
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	**335.10**	+2.12	2026-05
30y mortgage %	**6.66**	+0.08	2026-07

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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	**3.66**	+0.01	2026-07
M2 ($bn)	**23,290.10**	+174.30	2026-07
Bank reserves	**3,018.80**	-60.00	2026-06
C&I loans ($bn)	**2,894.22**	+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	**0.6%**	12m-ahead, curve-based
Sahm rule (real-time)	**+0.07**	>0.50 triggers
2s10s curve	**+0.47 bp**	inverted = warning
Initial jobless claims	**197,000**	weekly labor pulse

PCA: PC1 explains 51% of sector variance (market-factor concentration).

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

VIX	contemp -0.87	1d-lag +0.10
Long Bond	contemp +0.09	1d-lag -0.07
HY Corp	contemp +0.77	1d-lag -0.06
Semis	contemp +0.81	1d-lag -0.04
DXY	contemp -0.00	1d-lag +0.03

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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

	03-06	03-13	03-20	03-27	04-02	04-10	04-17	04-24	05-01	05-08	05-15	05-22
Regime	R-	R+	R-	R-	R+	R+	R+	R+	R+	R+	R-	R+
Quadrant	Stag	Stag	Stag	Stag	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl
Breadth %	9	18	18	36	91	91	73	45	82	64	36	82
VIX	29	27	27	31	24	19	17	19	17	17	18	17
HY OAS	3.1	3.3	3.2	3.4	3.1	2.9	2.8	2.9	2.8	2.8	2.8	2.7
2s10s bp	1	1	1	1	1	0	1	1	1	0	0	0
Rec Prob %	0	0	0	0	0	0	0	0	1	1	1	1
S&P 1w %	-2.0	-1.6	-1.9	-2.1	+3.4	+3.6	+4.5	+0.5	+0.9	+2.3	+0.1	+0.9

	05-29	06-05	06-12	06-18	06-26	07-02	07-10	07-12	07-13	07-20	07-27	08-03
Regime	R+	R-	R+	R+	R+	R+	R+	N	N	N	N	N
Quadrant	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Refl	Refl
Breadth %	45	55	82	45	55	64	45	55	55	36	73	45
VIX	15	22	18	16	18	16	15	15	17	18	18	16
HY OAS	2.7	2.8	2.7	2.7	2.8	2.7	2.7	2.7	2.7	2.7	2.8	2.8
2s10s bp	0	0	0	0	0	0	0	0	0	0	0	0
Rec Prob %	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	+1.4	-2.6	+0.6	+0.9	-2.0	+1.8	+1.2	+0.5	+0.5	-0.8	-0.4	+1.0

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