ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-09-07

69 market instruments + 60+ macro series | Reflation quadrant | 2899 days

REGIME: Neutral

EXECUTIVE SUMMARY

The regime model reads Neutral with full posterior confidence, but the risk-appetite scorecard sits at +0.36 in risk-on territory, and the gap between those two is the trade. Lean modestly pro-risk without paying up for beta: credit is doing the heavy lifting (HY OAS 2.65%, the 3rd percentile of its history, contributing +1.12 to the scorecard), breadth is broad (64% of sectors up, +0.91), and trend is intact (+1.00). But the internals say buy quality and value, not momentum — Momentum is -8% over three months against Value +7%, Quality +4% and Low-Vol +7%, with High-Beta -1%. That is a market grinding higher on rotation, not on leadership. Favour financials, healthcare and utilities over discretionary and materials; favour the 2Y-5Y belly over the long end; fade semiconductor beta.

Three developments matter this week. Utilities led at +2.0% while Discretionary fell -1.4% — a defensive-led tape inside a rising index is a warning that the bid is for cash flow, not cyclicality. The curve steepened to a genuinely positive 2s10s at 41bp with 3M10Y at 87bp, ending any inversion signal but pushing 20Y and 30Y to 5.25%; term premium, not growth optimism, is doing that, which argues against duration extension. And the Reflation quadrant (g 2.0, i 3.0) with Michigan inflation expectations at 4.2% means the disinflation trade is not the trade.

The biggest risk is that credit at the 3rd percentile has no cushion. HY OAS widening through 3.25% or VIX closing above 22 with the term structure inverting from 0.74 would break this view; conversely, S&P holding above its recent range and claims staying under 220k keeps it intact.

For inquiries, contact admin@abldigitech.com

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Neutral	Reflation	15	2.65

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

S&P 500	7,718.6	+0.4%	-0.4%	+4.8%
Nasdaq	26,507.0	+0.5%	-0.3%	+3.6%
Russell 2000	2,975.6	+0.6%	-2.3%	+0.0%
Tech	187.3	+0.4%	-0.8%	+1.7%
Financials	58.1	+0.7%	+0.3%	+7.8%
Energy	64.1	+0.2%	+5.0%	+17.6%
Long Bond	82.2	-0.4%	+0.1%	-4.6%
HY Corp	79.2	-0.8%	-0.6%	-0.9%
IG Corp	105.5	-0.7%	-0.6%	-3.1%
TIPS	107.0	+0.1%	+0.0%	-1.8%
DXY	98.9	-0.5%	-1.1%	-2.5%
Gold	4,476.6	+1.0%	+1.5%	+8.4%
WTI	91.5	+6.7%	+9.9%	+25.0%
Copper	6.7	+1.3%	+1.3%	+8.8%
VIX	15.3	+0.4	+0.8	-4.2
MOVE	73.1	-2.2	+1.0	+4.3

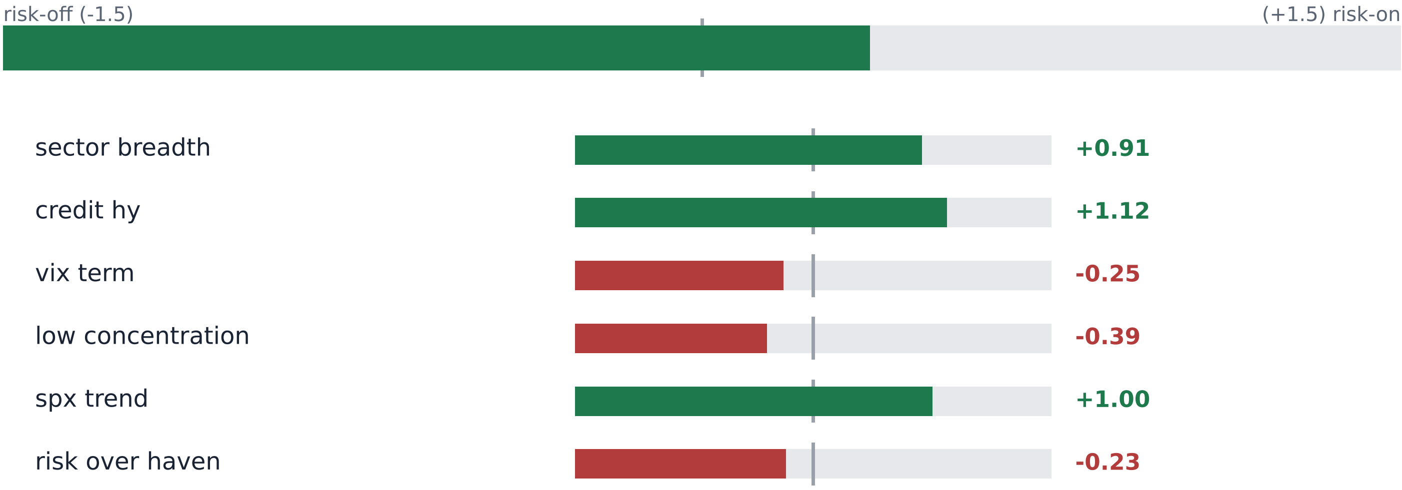
US CROSS-ASSET SCORECARD

Cross-asset risk appetite and the high-frequency growth nowcast

RISK APPETITE

Risk-on

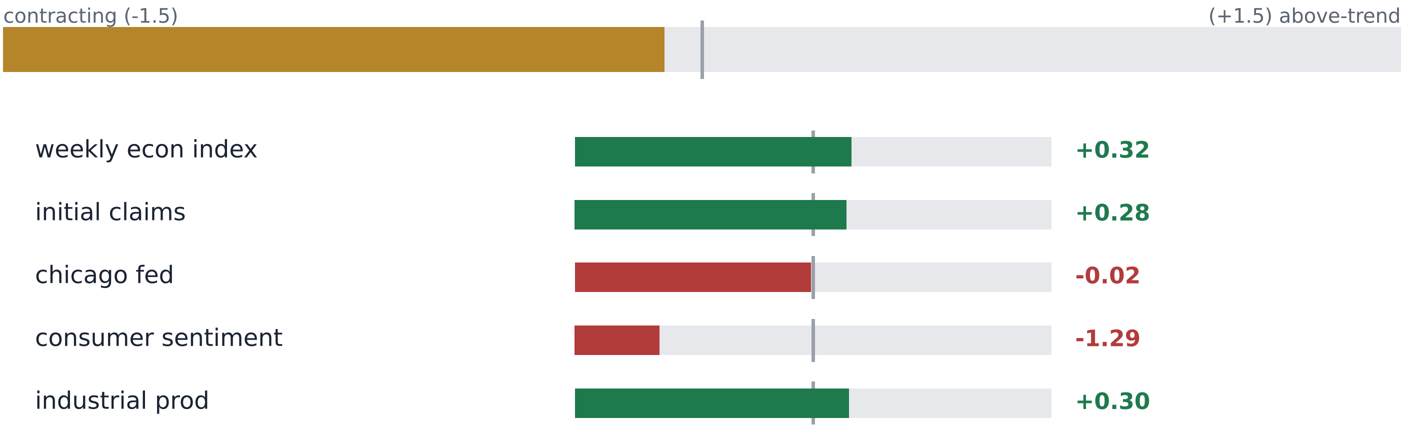
score +0.36



MACRO NOWCAST (growth pulse)

Trend growth

score -0.08



Each component is a 10-year z-score, sign-aligned so higher = risk-on / stronger growth; the headline is their average. The nowcast reads the Weekly Economic Index, jobless claims, Chicago-Fed activity, sentiment and output.

WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-09-07

TOP GAINERS

WTI	+6.7%
Brent	+6.4%
Reg Banks	+2.3%
Utilities	+2.0%
Commodities	+1.9%
Semis	+1.9%
Retail	+1.7%
Momentum	+1.5%

TOP DECLINERS

Gasoline	-6.5%
Software	-4.9%
USDJPY	-3.3%
Discretionary	-1.4%
Defense	-1.2%
Transports	-1.1%
Muni	-1.0%
HY Corp	-0.8%

KEY LEVELS — week-over-week

S&P 500	7,718.6	+0.4%	WTI	91.5	+6.7%
Nasdaq	26,507.0	+0.5%	DXY	98.9	-0.5%
Russell 2000	2,975.6	+0.6%	Long Bond	82.2	-0.4%
VIX	15.3	+0.4	HY Corp	79.2	-0.8%
Gold	4,476.6	+1.0%	Semis	567.0	+1.9%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Neutral**
Risk appetite	prior: +0.49	->	**+0.36**
Macro nowcast	prior: -0.10	->	**-0.08**
PC1 share	prior: 34	->	**34%**

The fastest orientation: what actually moved and how the headline state shifted since last week. VIX/rate/spread increases are shown as adverse (red).

US Cross-Market Analysis

Executive Summary

The regime model reads Neutral with full posterior confidence, but the risk-appetite scorecard sits at +0.36 in risk-on territory, and the gap between those two is the trade. Lean modestly pro-risk without paying up for beta: credit is doing the heavy lifting (HY OAS 2.65%, the 3rd percentile of its history, contributing +1.12 to the scorecard), breadth is broad (64% of sectors up, +0.91), and trend is intact (+1.00). But the internals say buy quality and value, not momentum — Momentum is -8% over three months against Value +7%, Quality +4% and Low-Vol +7%, with High-Beta -1%. That is a market grinding higher on rotation, not on leadership. Favour financials, healthcare and utilities over discretionary and materials; favour the 2Y-5Y belly over the long end; fade semiconductor beta.

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Regime, Scorecard & Market State

The Markov model's posterior is unusually clean: 100% Neutral, 0% Risk-on, 0% Risk-off. That is not a hedge, it is a statement that recent S&P returns and volatility fit the middle state so well that neither tail carries meaningful weight. The index behaviour supports it — S&P 500 +0.4% on the week, roughly flat on the month, +5% over three months. Nasdaq +0.5%/-0%/+4%, Dow +0.4%/-1%/+3%, Russell 2000 +0.6%/-2%/0%. Small caps have gone nowhere for a quarter while large caps compounded; that divergence is the tell that this is a liquidity-and-quality market rather than a broad cyclical expansion.

The composite risk-appetite scorecard at +0.36 tilts risk-on, but the composition matters more than the headline. Credit contributes +1.12 and the S&P trend +1.00 — those two carry the reading almost single-handedly. Against them, low_concentration is -0.39 (the market is more concentrated than average), vix_term -0.25 and risk_over_haven -0.23 (havens are performing about as well as risk assets on a relative basis). So the pro-risk signal rests on the two components most vulnerable to a shock and is being contradicted by the three that measure how investors are actually positioned. An investor should read this as permission to stay invested, not as a reason to add beta.

The growth-inflation quadrant is Reflation, with a growth score of 2.0 and an inflation score of 3.0. Inflation is scoring higher than growth. That combination historically favours real assets, energy, financials and value over long-duration growth, and it argues against assuming rate cuts are coming to rescue equity multiples.

Sector & Factor Rotation

Weekly sector leadership was defensive-tilted despite a positive tape: Utilities +2.0%, Financials +0.7%, Health Care +0.5%, Communications +0.5%, Tech +0.4%, Energy +0.2%, Industrials +0.1%. On the losing side, Discretionary -1.4%, Materials -0.5%, Staples -0.5%, Real Estate -0.4%. Utilities leading by a factor of three over the next-best sector, while Discretionary is the worst performer, is a classic late-cycle rotation pattern — investors are paying for regulated cash flows and rate-sensitive yield while stepping away from the consumer. Financials outperforming alongside utilities fits the steeper curve rather than a growth story.

Breadth at 64% of sectors advancing keeps the tape healthy and supports the +0.91 breadth contribution to the scorecard. But breadth is a participation measure, not a conviction measure, and here participation is being led by the defensive end of the market.

The three-month factor picture is the most informative signal in the briefing. Momentum -8% against Value +7%, Low-Vol +7%, Quality +4%, Growth +3%, High-Beta -1%. A momentum drawdown of that magnitude alongside value and low-volatility leadership is a rotation event: last quarter's winners have been sold and the proceeds have gone into cheap and defensive names. The Growth-Value three-month spread of -3.9 confirms value has won outright. For positioning, this argues for underweighting crowded momentum exposure and the high-beta complex, and overweighting quality-value — profitable, reasonably valued, dividend-paying businesses. It also warns that any attempt to chase the prior leadership back is fighting a rotation that is three months old and still running.

The Yield Curve & Rates

The curve is now upward-sloping across its entire length: 1M 3.83%, 3M 3.89%, 6M 3.95%, 1Y 4.11%, 2Y 4.34%, 3Y 4.41%, 5Y 4.52%, 7Y 4.63%, 10Y 4.77%, 20Y 5.25%, 30Y 5.25%. The 2s10s at 41bp and 3M10Y at 87bp are both firmly positive. The inversion that dominated the prior cycle has fully unwound, and the recession signal that came with it has been extinguished.

The important question is which end did the work. With the front end at 3.83-3.95% and the 10Y at 4.77%, the steepening is a bear steepener — long rates rising rather than the Fed cutting aggressively. The 20Y and 30Y both at 5.25%, 48bp above the 10Y, points to term premium rebuilding: investors are demanding more compensation to hold duration, consistent with the Reflation quadrant and Michigan inflation expectations at 4.2%.

For positioning, the belly is the more attractive part of the curve. The 2Y at 4.34% and 5Y at 4.52% offer most of the yield with far less convexity risk than the 5.25% long bond, where a further 25bp of term premium would erase a year of carry. Extending duration here is a bet that inflation expectations roll over, and the inflation score of 3.0 does not support that bet yet. The 30Y mortgage at 6.7% is the transmission channel to watch — with housing starts at 1,239k and permits at 1,433k, the housing complex remains rate-constrained.

Credit & Financial Conditions

HY OAS at 2.65% sits at the 3rd percentile of its historical distribution, with IG OAS at 0.81%. Credit markets are pricing close to no default risk. The Chicago Fed ANFCI at -0.58 and the financial stress index at -0.85 both confirm conditions are looser than average — there is no funding stress anywhere in this data.

The honest reading is that this is simultaneously the strongest support for the risk-on view and its most fragile pillar. At the 3rd percentile, spreads have almost no room to compress further, so the credit contribution to returns from here is carry only. Meanwhile the asymmetry is severe: a move from 2.65% to a merely median spread would be a violent repricing that equities would not ignore, given the S&P~HY correlation of +0.67 over 252 days. Investors holding high yield for spread are being paid historically little for the risk; up-in-quality within credit costs little in yield give-up at 184bp of HY-IG differential and materially improves the payoff profile.

Net liquidity at $5,769bn, down $27bn over the month, is a mild drain — not enough to matter for asset prices on its own, but the direction is a headwind rather than a tailwind, and it is worth tracking if spreads begin to widen.

Factor Structure & Systemic Risk

PC1 explains 66% of sector variance, and in the broader 87-instrument decomposition PC1 (Risk, proxied by the S&P) accounts for 34%, PC2 (Rates, 10Y) 15%, PC3 (Energy, inverse WTI) 6% and PC4 (US dollar) 5%. The 66% sector figure is high — two-thirds of what individual sectors do is explained by a single common factor. That means sector selection is delivering far less diversification than a sector-allocation framework implies; in a drawdown, sectors will move together and the defensive rotation described above will provide less protection than its recent performance suggests.

Across the broader instrument set, however, the picture is less monolithic. PC1 at 34% with a distinct rates factor at 15% means rates risk is a genuinely separate axis, not a subordinate expression of risk appetite. Portfolios can meaningfully diversify along the rates dimension even while sector diversification within equities is largely illusory.

The multivariate DCC-GARCH systemic co-movement gauge is the reassuring number: average pairwise conditional correlation across 12 assets at +0.04 now, identical to +0.04 a year ago, with persistence 0.8951. Cross-asset diversification is not failing. There is no sign of the correlation convergence that precedes and accompanies systemic events. Given persistence near 0.90, this measure changes slowly — a rise here would be a meaningful, not noisy, signal, and it is the single best early-warning statistic in this briefing.

Cross-Asset Correlation & Lead-Lag

The most consequential correlation is stock-bond. The DCC-GARCH conditional correlation of S&P 500 to the long bond is +0.27 with persistence 0.9898, against realised correlations of +0.30 over 252 days and +0.31 over 63 days. It is positive and stable. Treasuries are not hedging equity risk — they are moving with equities, which is what happens when both are driven by the rate and inflation path rather than by growth. The practical implication is direct: a conventional balanced portfolio is carrying more correlated risk than its allocation suggests, and the reliable defensive ballast in this environment is cash and T-bills at 3.83-3.95% rather than long duration. Persistence at 0.9898 means this is not going to flip quickly.

The dollar is the better hedge. S&P~DXY conditional correlation is -0.29 (252d -0.33, 63d -0.31), so dollar exposure offsets equity risk more reliably than bonds do at present. Gold is not a hedge here at +0.29/+0.34 to the S&P, though its -0.38/-0.53 correlation to DXY means it remains a dollar-weakness expression rather than an equity-stress one. S&P~VIX at -0.80 conditional (-0.81/-0.74 realised) confirms volatility instruments still deliver the convex offset. Semis~S&P at +0.77 falling to +0.65 over 63 days, and Russell 2000~Regional Banks at +0.60 falling to +0.46, both show recent decoupling at the high-beta end — consistent with the momentum unwind.

The Granger-causality network identifies VIX, the long bond, HY OAS and the US 10Y as net leaders, with gold, DXY, Nasdaq and Russell 2000 as followers. The direction is coherent: rates and risk pricing lead equities, and the small-cap and tech complexes are the followers rather than the drivers. Weekly predictive skill in these networks is modest — Granger causality at this frequency captures a statistical lead of limited magnitude and unstable sign, and it should be used to prioritise which screens to watch, not to time trades. On that basis, watch HY OAS and the 10Y first; the Nasdaq and Russell will tell you what already happened.

Relative Value & Fair Value

Three fair-value residual models clear the $R^2 \geq 0.4$ threshold, and they disagree in a useful way. Semis versus Nasdaq is rich +14.5% (z +1.19) on an R^2 of 0.95 — a well-fit model showing semiconductors trading more than a standard deviation above the relationship that has explained 95% of their variation. That is the most actionable dislocation in the briefing, and it corroborates both the momentum drawdown and the fall in Semis~S&P correlation from +0.77 to +0.65. Trimming semiconductor overweights, or expressing tech exposure through the broader index rather than the semis complex, is the trade this supports.

Gold versus real yields and the dollar is rich +11.7% (z +0.58, R^2 0.68). The lower R^2 means more of gold's behaviour is unexplained by the model, so the signal is weaker, but at +11.7% above fair value gold is pricing something beyond rates and the dollar. Given its +0.29/+0.34 positive correlation to equities, gold is not currently paying for itself as a hedge, and the richness argues against adding.

Nasdaq versus real yields and the S&P is cheap -1.1% (z -0.46) on an R^2 of 0.99 — essentially fair. That near-perfect fit is itself informative: the Nasdaq is behaving exactly as the rate and equity environment implies, with no independent story. The combination is clear — the mega-cap index is fair, the semis inside it are stretched, and the divergence favours the index over the sub-sector.

Volatility & Tail Risk

VIX at 15.3 against VIX3M at 20.5 gives a term structure ratio of 0.74 — steeply upward-sloping. Spot volatility is cheap and the market is pricing meaningfully more risk three months out than today. This makes hedges inexpensive in absolute terms but expensive in carry, since rolling long volatility up this curve bleeds. The better structure is defined-tenor protection on the specific catalysts rather than a continuous long-volatility position.

SKEW at 152 is the number that deserves attention. That is an elevated reading, and paired with VIX at 15.3 it says the options market is calm about ordinary moves while paying up for crash protection. Someone is buying tails. Combined with HY OAS at the 3rd percentile — where the credit market is pricing the opposite — the two markets are disagreeing about tail risk, and the options market has the more defensible position.

VVIX at 84 is subdued, meaning volatility-of-volatility is not signalling instability. MOVE at 73 shows Treasury volatility is contained despite the long end at 5.25%, which is genuinely reassuring: the term premium rebuild is orderly, not disorderly.

Expected shortfall at the 5% level is -4.8% for the S&P, -5.9% for the Nasdaq and -6.4% for the Russell 2000, against current drawdowns of just -1%, -2% and -3%. The market is near highs with a modelled tail loss of roughly 5-6%. Note the ordering — small caps carry the largest tail with the least three-month return to show for it, a poor risk-reward that reinforces the case for quality over beta.

Macro Pulse & Recession Risk

The recession indicators are uniformly benign and should be reported as such. The NY Fed recession probability is 0.8%, the Sahm rule reads -0.07 (well below the 0.50 trigger), the 2s10s is positive at 41bp, and initial claims are 206,000 with continued claims at 1,779,000. There is no recession signal in this data. Unemployment at 4.1%, U6 at 7.7%, participation at 61.6% and job openings at 7,271k describe a labour market that is cooling from very tight but is nowhere near breaking.

The macro nowcast at -0.08 lands in Trend growth — neither accelerating nor decelerating. The components are worth separating: the Weekly Economic Index contributes +0.32 (running at 3.1%), initial claims +0.28, industrial production +0.30, Chicago Fed NAI -0.02. Four of five components are neutral-to-positive. The entire negative pull comes from consumer sentiment at -1.29, with the Michigan reading at 55.2. That is a depressed number, and it coexists with a 3.0% saving rate and retail sales of $763.6bn. Consumers feel poor and are spending anyway, funded by a low saving rate. That is a genuine fragility — it is the mechanism by which a labour-market wobble would transmit quickly to spending — but it is a vulnerability, not a current deterioration, and it should not be read as a recession signal.

On inflation, sticky CPI at 2.8% is the more reliable underlying gauge and it remains above target. Michigan inflation expectations at 4.2% are the outlier and are inconsistent with the Fed cutting into a 5.25% long bond. Capacity utilisation at 76.3% and the Chicago Fed NAI at -0.1 indicate no demand-side inflation pressure, which limits the upside risk. The composite is Reflation with growth at trend — supportive of risk assets, unsupportive of duration.

Key Risks & What to Watch

The central risk is credit. HY OAS at 2.65% in the 3rd percentile means the largest positive contributor to the risk-appetite scorecard (+1.12) is also the component with the least room to improve and the most room to deteriorate. With the S&P~HY correlation at +0.67, a credit repricing would not stay in credit. A second risk is duration: the 20Y and 30Y at 5.25% with the stock-bond conditional correlation at +0.27 means a further term-premium rise hits equities and bonds together, and the standard hedge fails precisely when needed. Third, PC1 at 66% of sector variance means the defensive rotation currently providing comfort would offer much less protection in a genuine drawdown. Fourth, consumer sentiment at 55.2 alongside a 3.0% saving rate is a thin buffer between a labour-market disappointment and a spending contraction.

Watch these specific levels. HY OAS above 3.25% would mark the end of the credit cushion and should reduce equity risk regardless of what the index is doing. VIX above 22 with the term structure ratio moving from 0.74 through 1.00 into inversion signals a genuine regime change rather than a routine pullback. The 2s10s dropping back below 20bp, or the 30Y pushing above 5.50%, would each mean the rate cycle is not resolving benignly. Initial claims above 250,000 on a four-week average, or the Sahm rule rising from -0.07 towards 0.30, would invalidate the benign labour reading well before the NY Fed's 0.8% probability updates. On the confirming side, the view stays intact if the S&P holds its recent range with breadth above 60%, claims remain below 220,000, HY OAS stays inside 3.00%, and the MV-DCC average pairwise correlation holds near +0.04 rather than rising. Finally, watch whether the Semis richness of +14.5% (z +1.19) mean-reverts or extends — a further extension without the broader index following would be the clearest sign that the momentum unwind has further to run.

PART I

Rates, Credit & Macro

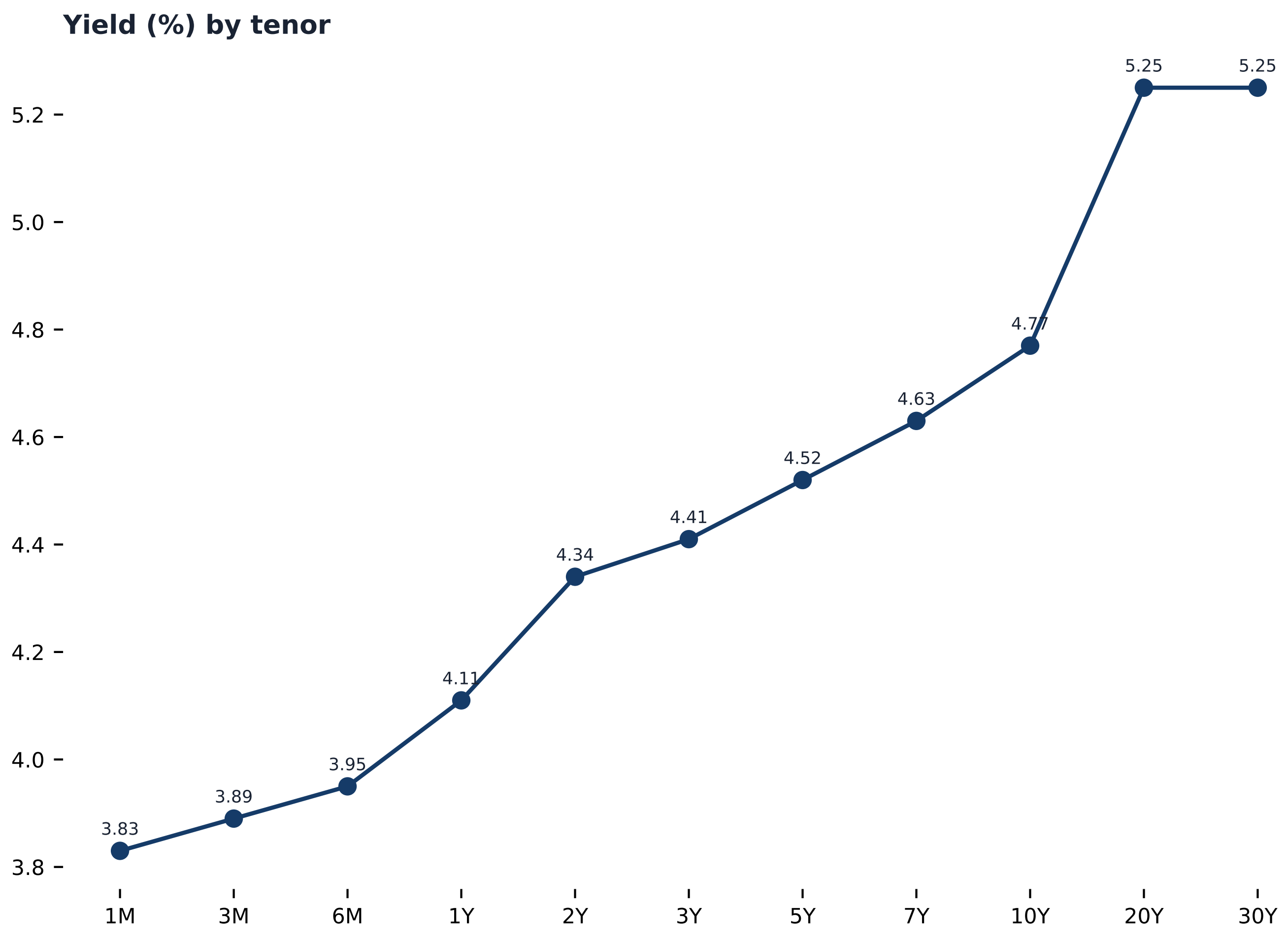
The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

- Yield curve, credit & vol, regime & liquidity
- Labor, inflation, growth/consumer/housing, money/policy, recession

For inquiries, contact admin@abldigitech.com

The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.41bp, 3M-10Y +0.87bp (positive).



Credit, Financial Conditions & Volatility

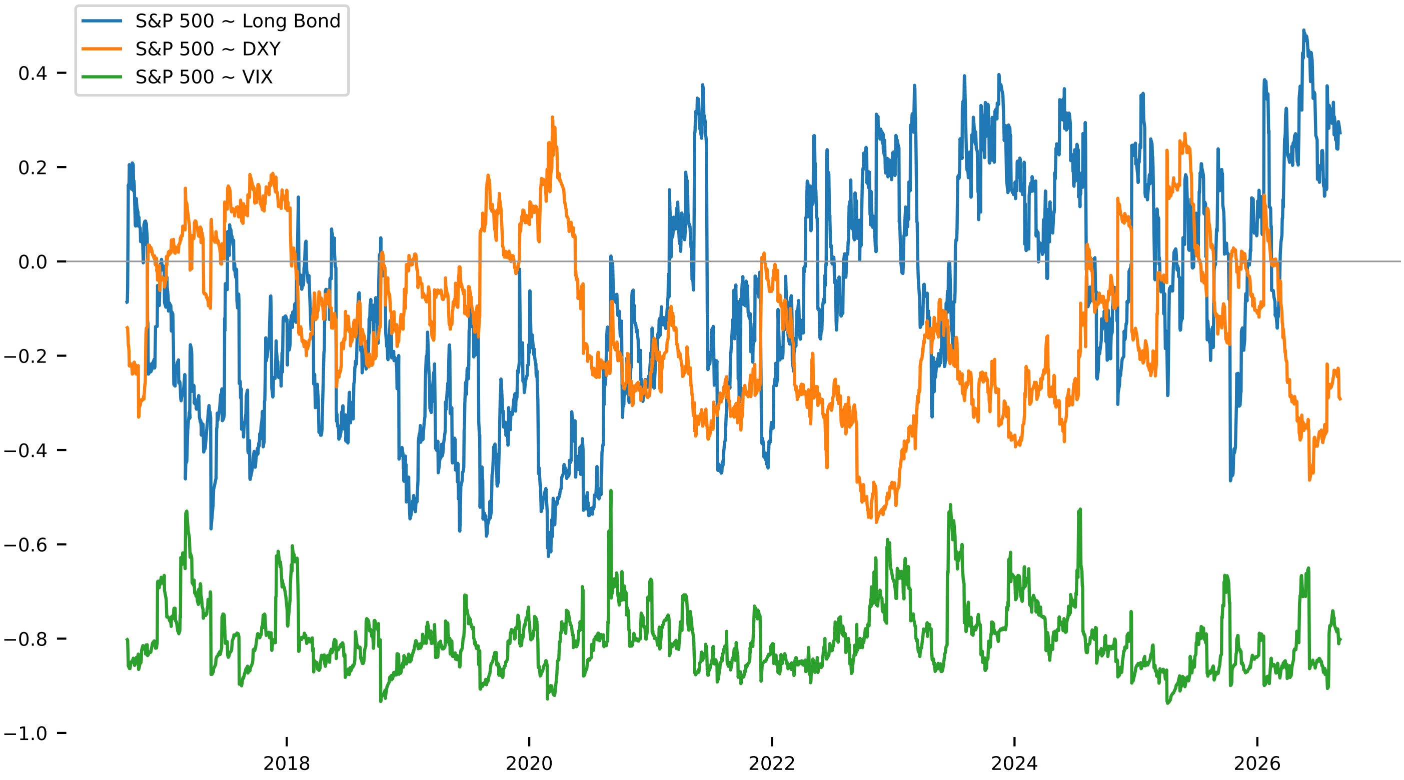
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**2.65**	3th pctile
IG OAS	**0.81**	
Fin Conditions (ANFCI)	**-0.58**	0 = average; +tight
St. Louis Stress	**-0.85**	
VIX	**15.3**	term VIX/VIX3M 0.74
VIX3M	**20.5**	
VVIX (vol of vol)	**84**	
MOVE (bond vol)	**73**	
SKEW (tail hedging)	**152**	

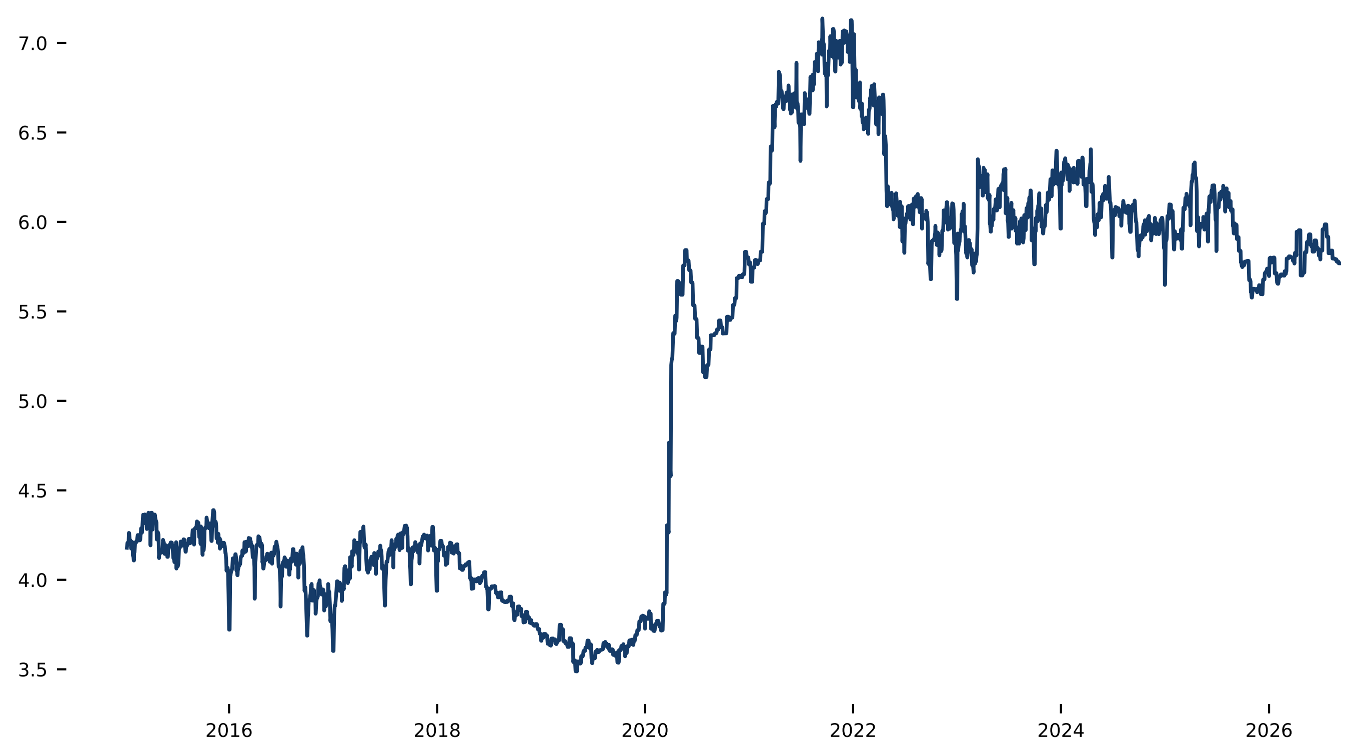
Regime, Growth-Inflation & Liquidity

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)	**159,075.00**	+162.00	2026-08
Unemployment %	**4.10**	+0.00	2026-08
U6 underemployment %	**7.70**	-0.20	2026-08
Participation %	**61.60**	+0.20	2026-08
Job openings (k)	**7,271.00**	+89.00	2026-07
Avg hourly earnings $	**37.75**	+0.10	2026-08
Initial claims (wk)	**206,000.00**	+2,000.00	2026-08
Continued claims	**1,779,000.00**	+8,000.00	2026-08

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**332.81**	+0.25	2026-07
Core CPI index	**336.79**	+0.72	2026-07
PCE index	**131.66**	+0.20	2026-07
Core PCE index	**130.66**	+0.32	2026-07
PPI index	**284.06**	-2.22	2026-07
Michigan inflation exp %	**4.20**	-0.40	2026-07
Sticky CPI %	**2.76**	-0.08	2026-07

Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,269.61**	+89.19	2026-04
Industrial production	**102.99**	+0.21	2026-07
Capacity utilization %	**76.29**	+0.08	2026-07
Chicago Fed NAI	**-0.08**	-0.14	2026-07
Weekly Econ Index %	**3.06**	+0.22	2026-08
Durable goods ($m)	**339,392.00**	+3,613.00	2026-07
Retail sales ($m)	**763,602.00**	-4,470.00	2026-07
Saving rate %	**3.00**	+0.40	2026-07
Consumer sentiment	**55.20**	+5.70	2026-07
Housing starts (k)	**1,239.00**	-176.00	2026-07
Building permits (k)	**1,433.00**	+59.00	2026-07
New home sales (k)	**607.00**	-71.00	2026-07
Case-Shiller HPI	**336.66**	+1.23	2026-06
30y mortgage %	**6.71**	+0.05	2026-09

Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.63**	+0.00	2026-09
SOFR	**3.66**	+0.01	2026-09
M2 ($bn)	**23,207.70**	+164.40	2026-08
Bank reserves	**3,051.50**	+32.70	2026-07
C&I loans ($bn)	**2,899.33**	-5.81	2026-07
Consumer credit ($bn)	**5,166,907.71**	+14,172.65	2026-06

Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.8%**	12m-ahead, curve-based
Sahm rule (real-time)	**-0.07**	>0.50 triggers
2s10s curve	**+0.41 bp**	inverted = warning
Initial jobless claims	**206,000**	weekly labor pulse

PCA: PC1 explains 66% of sector variance (market-factor concentration).

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

VIX	contemp -0.79	1d-lag +0.14
HY Corp	contemp +0.77	1d-lag -0.08
Semis	contemp +0.81	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.06
DXY	contemp -0.14	1d-lag -0.02

PART II

Cross-Market Structure

How US assets move together — factor structure, systemic co-movement, directional lead-lag and relative value.

- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

Returns Heatmap

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

Indices

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

Sectors

	1w	1m	3m
Energy	+0	+5	+18
Health	+1	+2	+13
Comms	+1	+2	+4
Financials	+1	+0	+8
Materials	-0	-0	+3
Staples	-0	-1	+1
Tech	+0	-1	+2
Real Estate	-0	-1	-2
Utilities	+2	-2	-4
Discretionary	-1	-3	+1
Industrials	+0	-6	-2

Factors

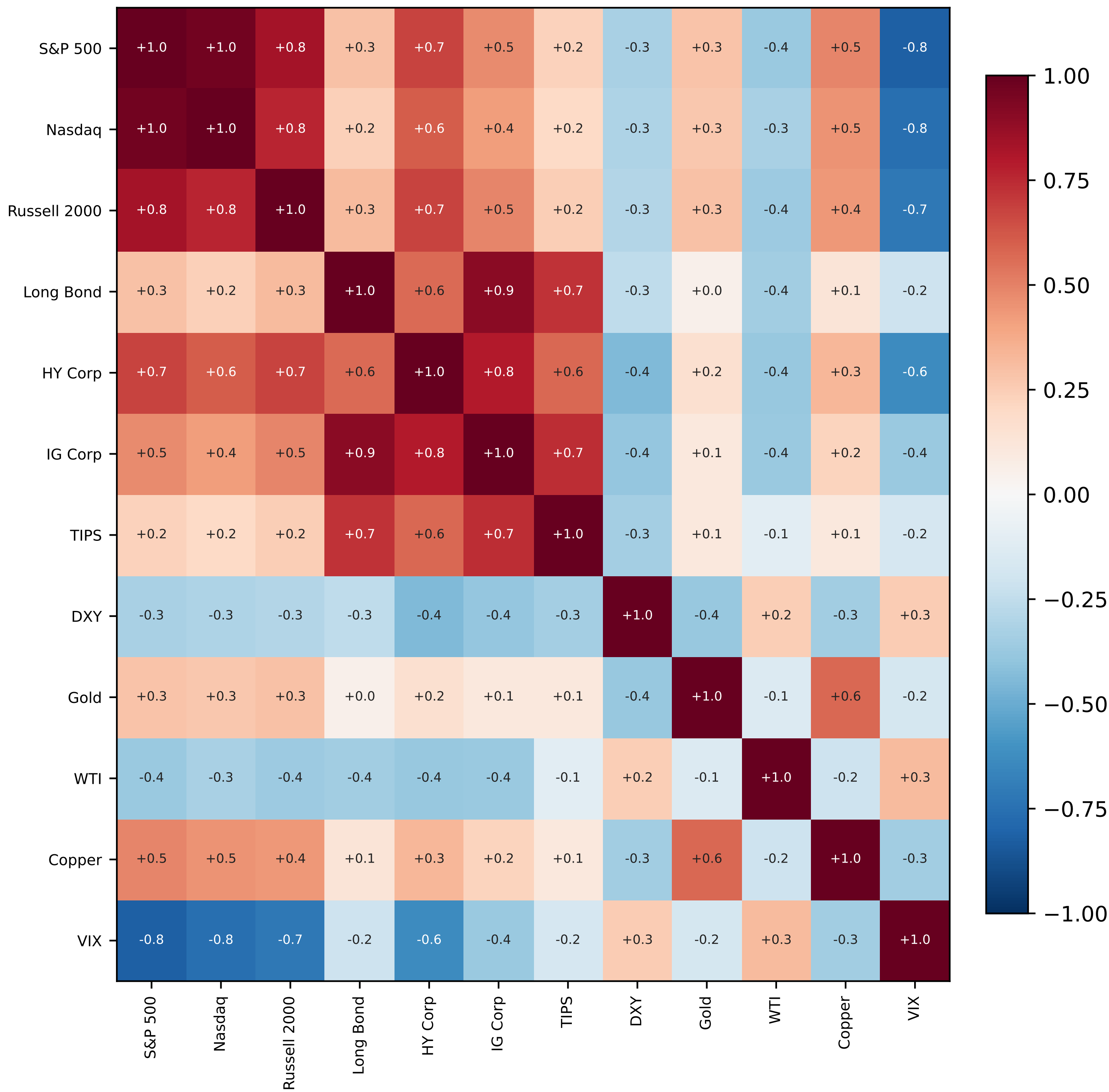
	1w	1m	3m
Low-Vol	-1	+0	+7
Value	+0	-0	+7
Growth	+1	-1	+3
High-Beta	+1	-1	-1
Quality	-0	-1	+4
Momentum	+1	-3	-8

Industries

	1w	1m	3m
Gold Miners	+1	+9	+28
Oil E&P	+1	+7	+23
Oil Svcs	-0	+3	+11
Biotech	+1	+3	+11
Software	-5	+1	+20
Internet	-1	-0	+13
Retail	+2	-1	+2
Reg Banks	+2	-3	+3
Semis	+2	-3	-9
Transports	-1	-3	+0
Homebuilders	+0	-5	-5
Defense	-1	-10	-4

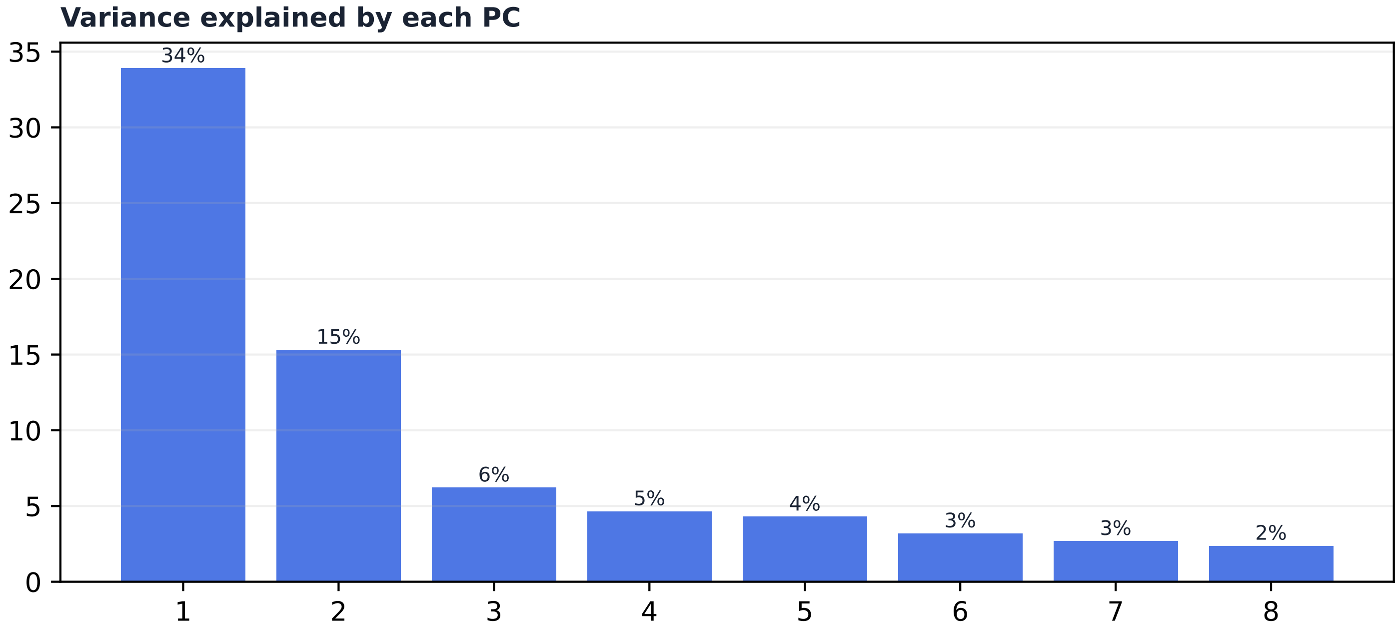
Cross-Asset Correlation (252d, daily)

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



CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 87 instruments (156 weeks)



PC1 — Risk (S&P 500)

33.9% of variance (cum 34%) · marker corr +0.92

+ S&P EqualWt +0.18, Wilshire 5000 +0.17, NYSE Comp +0.17, Value +0.17, S&P MidCap +0.17
– VIX -0.15, HY OAS -0.14, CCC OAS -0.13, VVIX -0.12, MOVE -0.12

PC2 — Rates (10Y)

15.3% of variance (cum 49%) · marker corr +0.91

+ US 10Y +0.25, US 5Y +0.25, US 2Y +0.23, US 30Y +0.23, 10Y real +0.21
– 7-10y Tsy -0.25, Agg Bond -0.24, Long Bond -0.23, MBS -0.23, IG Corp -0.21

PC3 — Energy (WTI) (inverse)

6.2% of variance (cum 55%) · marker corr -0.72

+ Tech +0.13, Growth +0.13, Nasdaq +0.12, Nasdaq-100 +0.12, 10Y real +0.11
– Energy -0.33, Oil E&P -0.32, Brent -0.32, WTI -0.31, Commodities -0.29

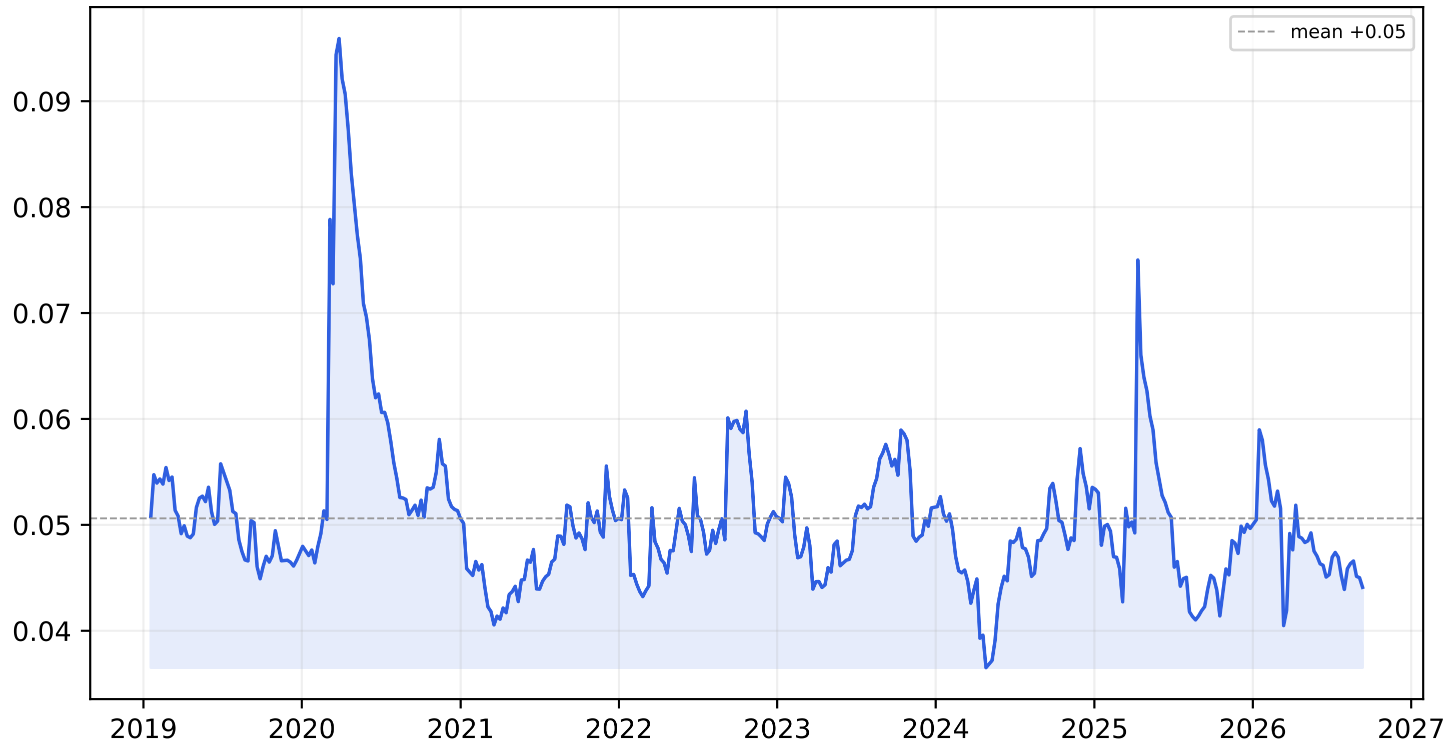
PC4 — US dollar

4.7% of variance (cum 60%) · marker corr +0.59

+ DXY +0.29, USDJPY +0.20, USDCAD +0.18, SKEW +0.16, Software +0.15
– EURUSD -0.28, Gold Miners -0.25, Gold -0.22, Staples -0.20, Materials -0.20

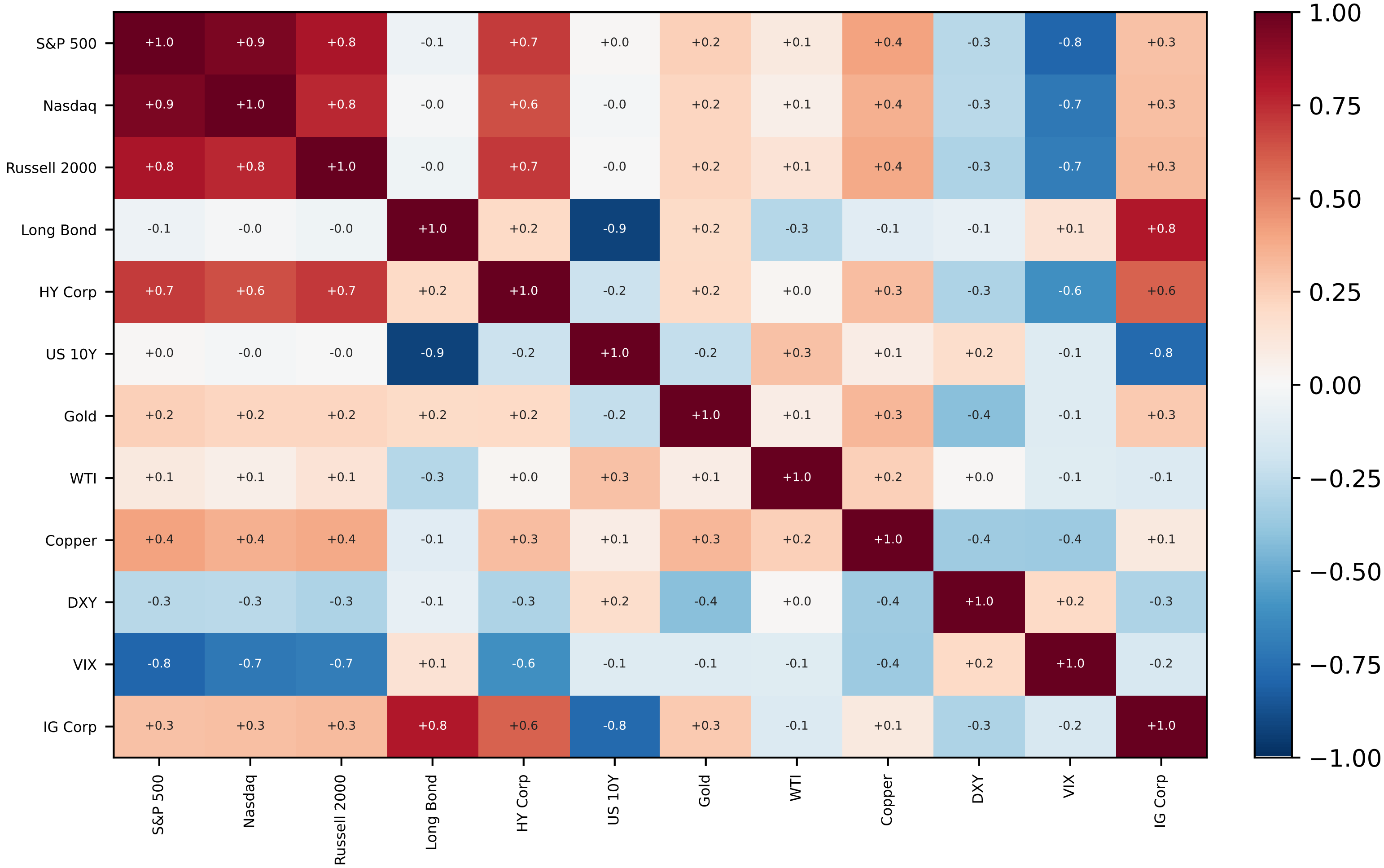
Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

Average pairwise conditional correlation (multivariate DCC-GARCH)

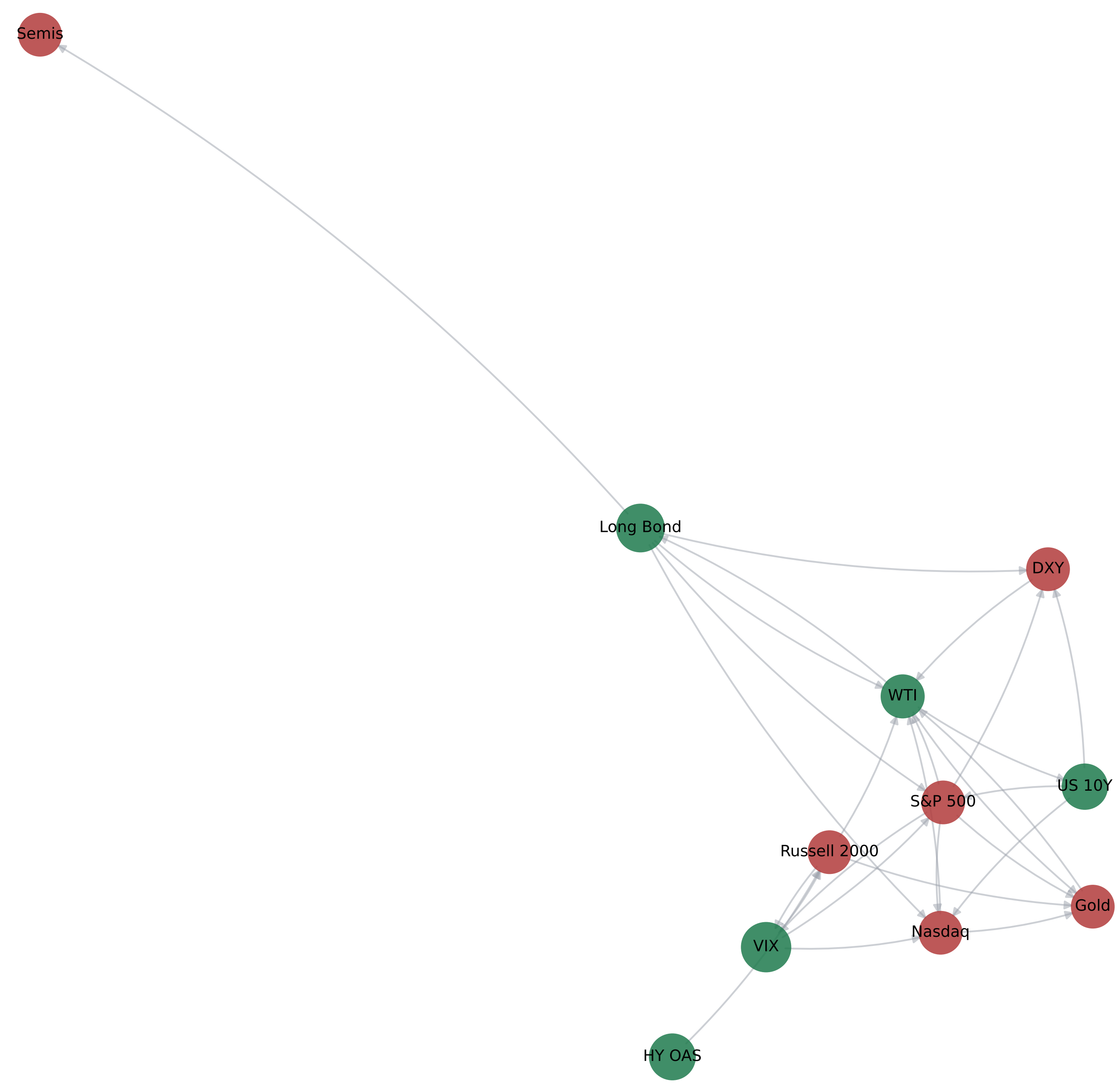


N=12 · persistence 0.8951 · now +0.04 · rising = diversification failing in real time

Latest conditional-correlation matrix



Directional lead-lag — Granger causality network

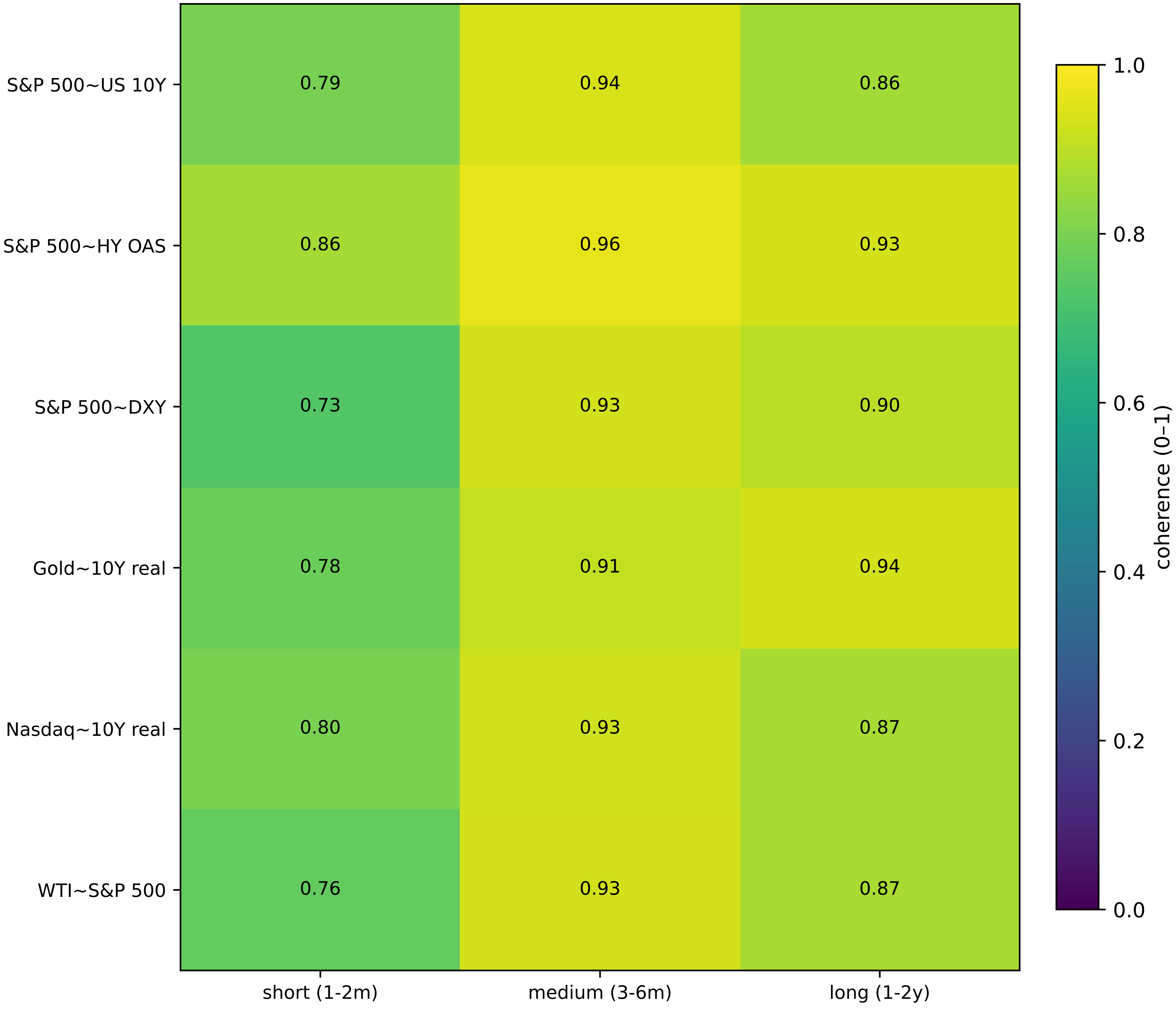


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

LEADERS: VIX +0.03, Long Bond +0.02, HY OAS +0.01, US 10Y +0.01, WTI +0.00

FOLLOWERS: Gold -0.03, DXY -0.02, Nasdaq -0.01, Russell 2000 -0.01, S&P 500 -0.00

Wavelet coherence by time-scale — short-term or structural?



STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting US spreads and how stretched each is now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
Growth vs Value	no	0.931	0.53	38w	+3.01
S&P vs Equal-Weight	yes	0.041	0.60	7w	+1.48
2Y vs 10Y	no	0.939	0.68	41w	+1.42
HY vs IG credit	yes	0.000	0.31	2w	+1.32
Large vs Small (R2K)	no	0.156	0.64	13w	+1.27
S&P vs Dow	yes	0.007	0.73	7w	+1.10
Semis vs Nasdaq	no	0.212	0.51	18w	-0.75
Gold vs Silver	no	0.266	1.19	14w	+0.70
S&P vs Nasdaq	yes	0.022	1.24	11w	-0.44
Long vs Short Tsy	no	0.444	0.06	24w	+0.26
VIX vs VIX3M	yes	0.030	0.84	2w	-0.26
WTI vs Brent	no	0.125	0.97	1w	+0.16

Low p-value = the spread is statistically mean-reverting. Half-life = weeks to close half a dislocation. |z|>2 (red) flags a historically wide gap. Pairs shown NOT cointegrated: the long-run link has broken — the z is informational only.

PART III

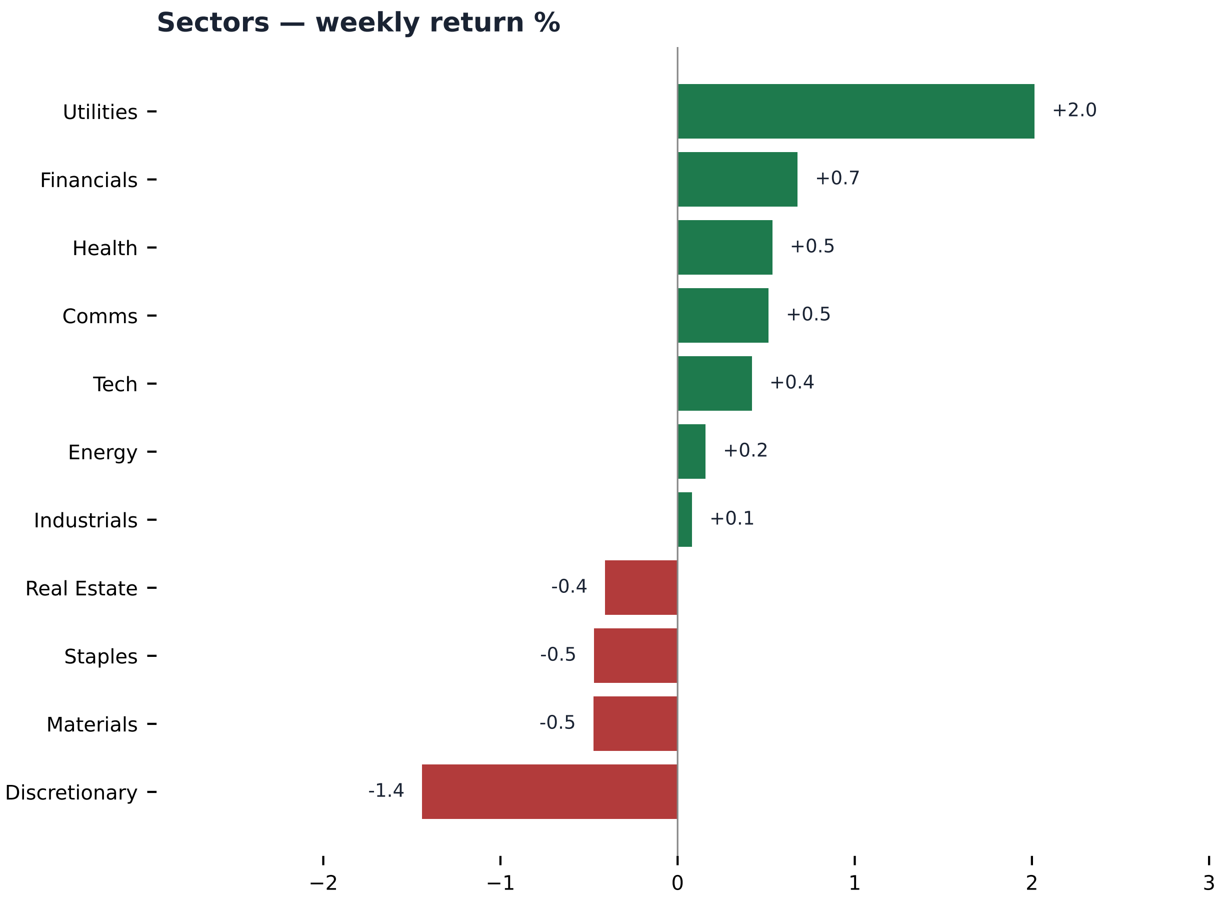
Rotation, Momentum & Fair Value

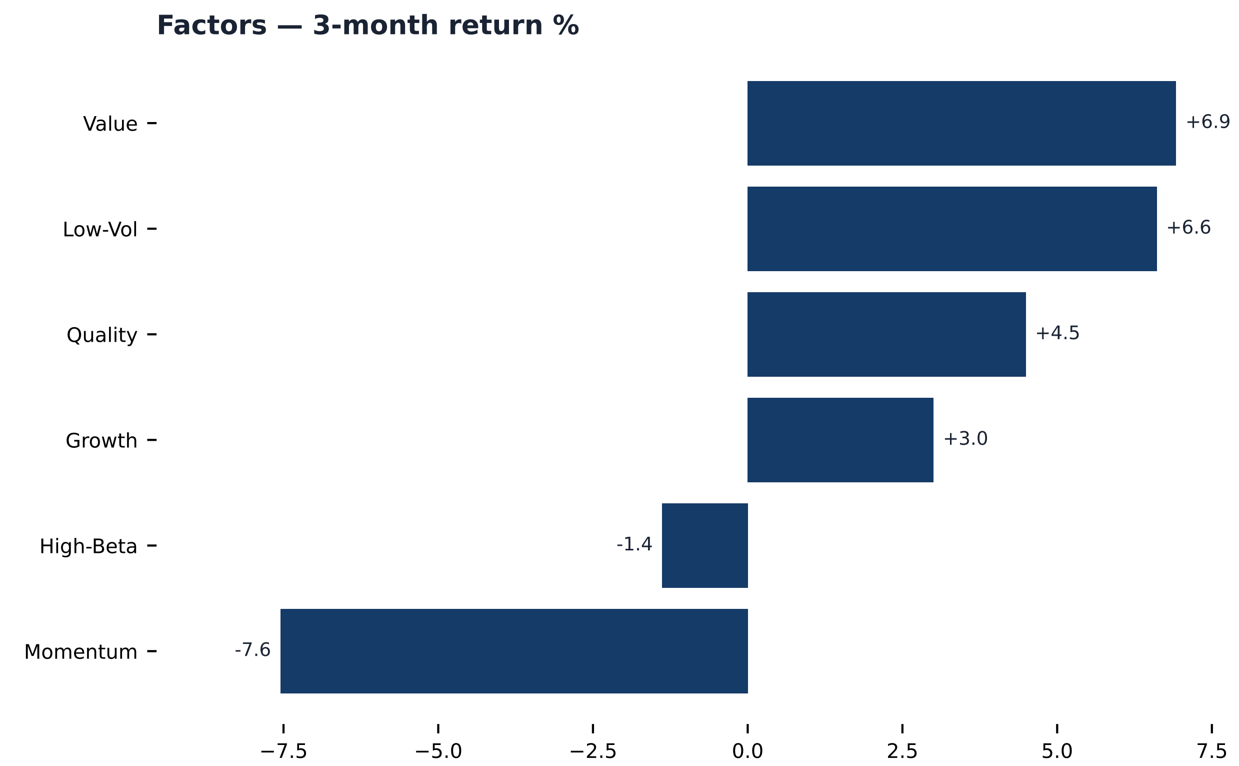
Sector/factor rotation, trend and what is rich or cheap versus its drivers.

- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 64% up. Growth-Value 3m -3.9%.





MOMENTUM & TREND

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

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	+4%	+16%	+17%	**+0.50**	+7%	-1%
Nasdaq	+2%	+20%	+20%	**+0.50**	+8%	-2%
Russell 2000	+1%	+20%	+24%	**+0.50**	+7%	-3%
Tech	+1%	+37%	+38%	**+0.50**	+15%	-2%
Financials	+9%	+19%	+8%	**+0.50**	+8%	-0%
Energy	+11%	+11%	+45%	**+1.00**	+15%	0%
Health	+11%	+14%	+24%	**+1.00**	+10%	-2%
Semis	-9%	+46%	+86%	**+0.00**	+16%	-14%
Reg Banks	+3%	+19%	+16%	**+0.50**	+7%	-3%
Gold Miners	+24%	+6%	+42%	**+1.00**	+9%	-14%
Gold	+6%	-11%	+23%	**+0.50**	-1%	-14%
WTI	+8%	-7%	+46%	**+0.50**	+13%	-18%

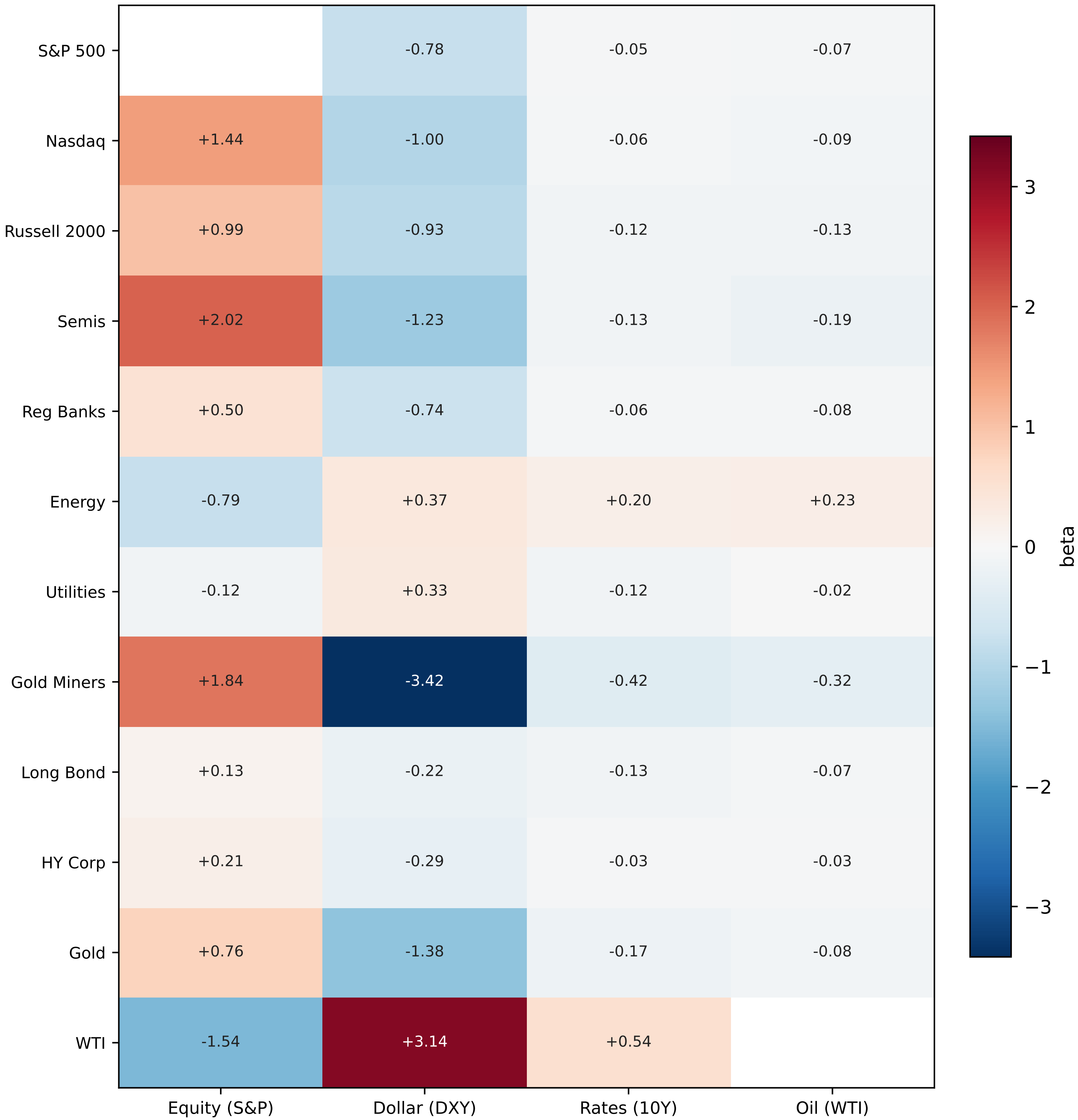
Sector 26-week relative strength:

LEADERS: Tech +37%, Financials +19%, Health +14%, Energy +11%, Materials +7%, Industrials +6%

LAGGARDS: Utilities -8%, Comms -2%, Staples -0%, Discretionary +4%, Real Estate +4%, Industrials +6%

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

Factor betas — 52-week sensitivity to the master factors



	Equity (S&P)	Dollar (DXY)	Rates (10Y)	Oil (WTI)
S&P 500		-0.78	-0.05	-0.07
Nasdaq	+1.44	-1.00	-0.06	-0.09
Russell 2000	+0.99	-0.93	-0.12	-0.13
Semis	+2.02	-1.23	-0.13	-0.19
Reg Banks	+0.50	-0.74	-0.06	-0.08
Energy	-0.79	+0.37	+0.20	+0.23
Utilities	-0.12	+0.33	-0.12	-0.02
Gold Miners	+1.84	-3.42	-0.42	-0.32
Long Bond	+0.13	-0.22	-0.13	-0.07
HY Corp	+0.21	-0.29	-0.03	-0.03
Gold	+0.76	-1.38	-0.17	-0.08
WTI	-1.54	+3.14	+0.54	

FAIR VALUE — RICH / CHEAP vs DRIVERS

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

S&P vs liquidity & rates **RICH z +1.50**

actual 7718.60 · model-fair 5858.14 · gap +31.8% · R^2 0.26

Semis vs Nasdaq **RICH z +1.19**

actual 567.01 · model-fair 495.33 · gap +14.5% · R^2 0.95

HY spread vs equity vol **cheap z -1.04**

actual 2.65 · model-fair 3.08 · gap -0.4 · R^2 0.09

Gold vs real yield & dollar **RICH z +0.58**

actual 4476.60 · model-fair 4006.24 · gap +11.7% · R^2 0.68

Nasdaq vs real yield & S&P **cheap z -0.46**

actual 26506.99 · model-fair 26809.20 · gap -1.1% · R^2 0.99

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 in proportion to R^2 — a low-R^2 model is a weak anchor, stated honestly.

PART IV

Volatility & Risk

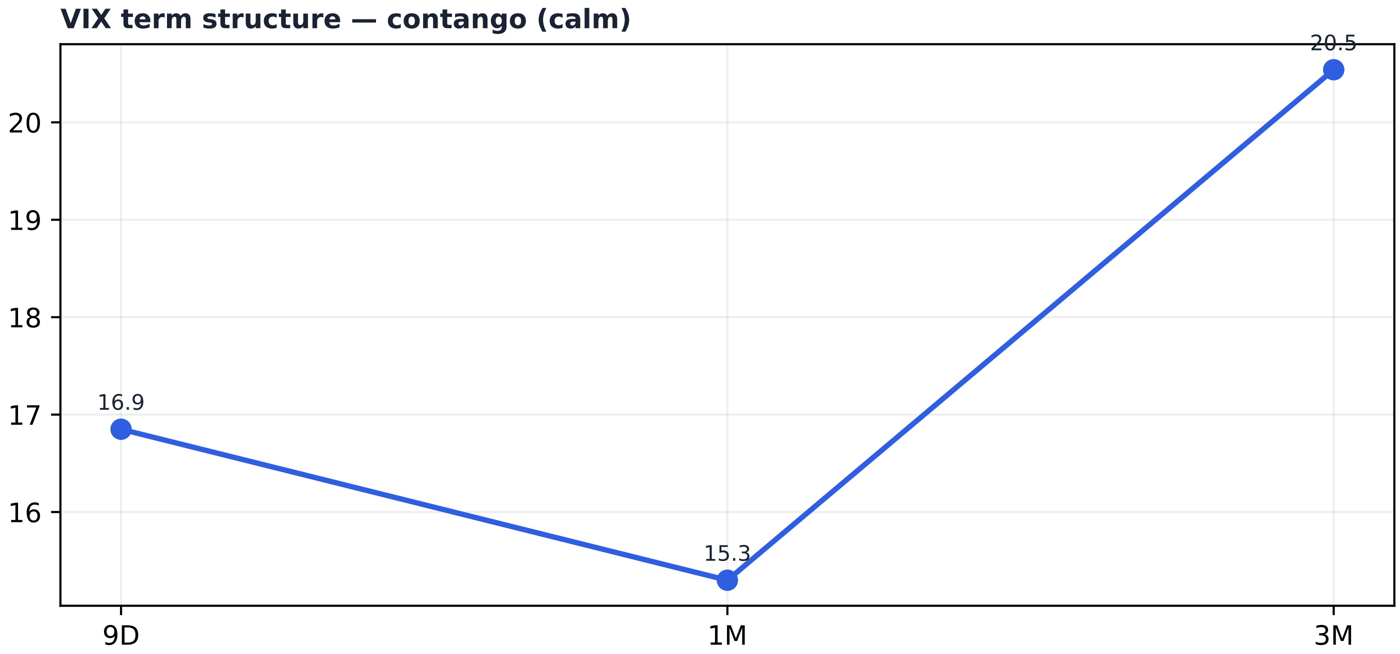
The volatility complex and downside risk.

- VIX term structure, vol-risk premium, SKEW and cross-asset vol
- Tail risk: VaR / expected shortfall, drawdowns, tail dependence

For inquiries, contact admin@abldigitech.com

VOLATILITY COMPLEX

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



VOL RISK PREMIUM

+10.0 pts

VIX 15.3 − realised 5.3

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

152

84th %ile of 5y — elevated crash-hedging demand

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

Bond vol (MOVE)	73	16th
Oil vol (OVX)	45	67th
Vol-of-vol (VVIX)	84	19th

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

TAIL RISK

Downside: 5% VaR / expected shortfall, drawdowns and fat-tailedness (5-year weekly)

Instrument	VaR5	ES5	DnVol	MaxDD	CurDD	Skew	Kurt
S&P 500	-3.2%	-4.8%	11%	-25%	-1%	-0.2	+1.4
Nasdaq	-4.5%	-5.9%	13%	-36%	-2%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	14%	-33%	-3%	-0.2	+0.5
Semis	-7.3%	-10.0%	22%	-45%	-14%	-0.2	+0.6
Reg Banks	-6.3%	-9.7%	22%	-54%	-4%	-0.6	+2.2
Energy	-5.5%	-8.6%	21%	-23%	0%	-0.7	+3.5
HY Corp	-1.6%	-2.3%	5%	-19%	-10%	+0.2	+2.9
Long Bond	-3.6%	-4.7%	10%	-47%	-47%	-0.1	+0.4
Gold	-3.5%	-4.7%	11%	-23%	-14%	-0.1	+1.5
WTI	-9.7%	-11.9%	26%	-53%	-24%	+0.6	+3.6

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

Nasdaq 0.77   Russell 2000 0.60   HY Corp 0.49   Long Bond 0.15   Gold 0.11

VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

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

	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	08-03	08-06	08-07	08-10	08-17	08-24	08-31	09-07
Regime	R+	R+	R+	R-	R+	R+	R-	R+	R+	R+	R+	R+	N	N	N	N	N	R+	R+	N	R+	R+	R+	N
Risk appetite																		+0.72	+0.53	+0.53	+0.70	+0.43	+0.49	+0.36
Macro nowcast																		-0.22	-0.20	-0.20	-0.20	-0.20	-0.10	-0.08
Quadrant	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Refl	Refl	Gold	Refl	Refl	Refl	Refl	Refl	Refl
Breadth %	45	82	64	36	82	45	55	82	45	55	64	45	55	55	36	73	45	73	64	64	55	73	18	64
PC1 share																		34	34	33	34	34	34	34
VIX	19	17	17	18	17	15	22	18	16	18	16	15	15	17	18	18	16	16	15	15	15	16	15	15
HY OAS	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	2.8	2.7	2.8	2.7	2.7	2.7	2.6	2.6
2s10s bp	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0
Rec Prob %	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	+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	+1.0	+3.3	+3.3	+2.1	+0.2	-1.0	+0.3	+0.4

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