ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-10-12

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

REGIME: Risk-on

EXECUTIVE SUMMARY

The regime reads risk-on with a 0.921 posterior, but the composite risk-appetite scorecard sits at -0.04 — dead neutral — and that divergence is the note's central message: price trend is intact while internals are not confirming. Lean moderately pro-risk but shift the expression away from what has already worked. The scorecard's drag comes from sector breadth (-0.55) and concentration (-0.41), against a positive VIX term structure (+0.47) and trend (+0.33). Favour the income and cyclical-value end — Energy and Utilities (both +4.0% on the week), Staples +3.6%, Financials +2.3% — and fade Tech, the sole decliner at -2.1%, alongside Semis, which fair-value models flag RICH +11.9% versus Nasdaq on an R^2 of 0.96. Favour the belly-to-long end of the Treasury curve over bills; fade small caps.

Three developments matter this week. First, the leadership flip: Tech -2.1% while defensives and Energy led, with 73% breadth up — rotation, not distribution, so stay invested but rebalance. Second, Russell 2000 -1.6% on the week and -4% over three months, now -9% from its high, says the broadening trade has failed; keep small-cap risk small. Third, the curve bear-steepened to a 5.22% 10Y and 5.64% 20Y with a 0.44bp 2s10s, which argues against duration-sensitive longs funded by hope of cuts.

The biggest risk is that the rate move breaks equities. Watch 10Y above 5.35%, HY OAS wider than 3.60, VIX through 20 with the term structure inverting below 1.0, or S&P closing below its one-month base. Any two together would take the lean back to neutral.

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Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Risk-on	Reflation	15	3.15

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

S&P 500	7,816.5	+0.5%	+3.5%	+6.8%
Nasdaq	27,313.9	-0.6%	+5.1%	+11.7%
Russell 2000	2,802.7	-1.6%	-2.0%	-3.6%
Tech	196.6	-2.1%	+6.9%	+18.1%
Financials	55.1	+2.3%	-1.5%	-2.8%
Energy	66.0	+4.0%	+3.1%	+12.5%
Long Bond	77.9	+1.0%	-3.7%	-6.0%
HY Corp	77.3	+0.4%	-1.4%	-2.4%
IG Corp	102.5	+0.7%	-1.9%	-3.5%
TIPS	104.4	+0.4%	-0.9%	-3.1%
DXY	102.6	+0.4%	+2.3%	+1.8%
Gold	4,193.1	+0.9%	-4.4%	+3.9%
WTI	93.6	+4.7%	-8.6%	+10.8%
Copper	6.8	+2.5%	+5.0%	+7.6%
VIX	15.1	-0.4	-2.6	-5.5
MOVE	98.5	-15.1	+17.7	+24.3

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US CROSS-ASSET SCORECARD

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

RISK APPETITE

Neutral

score -0.04





MACRO NOWCAST (growth pulse)

Trend growth

score -0.18





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.

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WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-10-12

TOP GAINERS

Brent	+6.2%
WTI	+4.7%
Energy	+4.0%
Utilities	+4.0%
Oil E&P	+3.7%
Staples	+3.6%
NatGas	+3.5%
Commodities	+3.1%

TOP DECLINERS

Semis	-6.3%
High-Beta	-2.6%
Biotech	-2.5%
Momentum	-2.3%
Tech	-2.1%
Gasoline	-1.9%
Russell 2000	-1.6%
Oil Svcs	-1.4%

KEY LEVELS — week-over-week

S&P 500	7,816.5	+0.5%	WTI	93.6	+4.7%
Nasdaq	27,313.9	-0.6%	DXY	102.6	+0.4%
Russell 2000	2,802.7	-1.6%	Long Bond	77.9	+1.0%
VIX	15.1	-0.4	HY Corp	77.3	+0.4%
Gold	4,193.1	+0.9%	Semis	593.9	-6.3%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.03	->	**-0.04**
Macro nowcast	prior: -0.17	->	**-0.18**
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).

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US Cross-Market Analysis

Executive Summary

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The biggest risk is that the rate move breaks equities. Watch 10Y above 5.35%, HY OAS wider than 3.60, VIX through 20 with the term structure inverting below 1.0, or S&P closing below its one-month base. Any two together would take the lean back to neutral.

Regime, Scorecard & Market State

The Markov filter puts 92.1% posterior weight on risk-on and only 7.9% on risk-off, with zero in neutral — a confident read, consistent with an S&P 500 up 0.5% on the week, 4% on the month and 7% on the quarter, and with no current drawdown on the index. But the regime model sees price and volatility; it does not see composition. The risk-appetite scorecard, which does, is at -0.04 and classed Neutral. The two positive components are the VIX term structure at +0.47 (VIX 15.1 against VIX3M 17.9, a 0.85 ratio — a normal, non-stressed upward slope) and the S&P trend at +0.33. Against that, sector breadth scores -0.55 and low concentration -0.41. Credit contributes a mild -0.12, risk-over-haven an immaterial +0.05.

What that combination describes is an index being carried by a narrow set of large positions while the median stock does less. Note the tension with the weekly breadth figure of 73% advancing: breadth was good this week precisely because the leadership changed. The scorecard's breadth component is measured over a longer window, and it is the longer window that has deteriorated. For an investor the practical reading is that index-level exposure still pays but carries more single-factor risk than the headline volatility implies, and that the cheapest risk reduction available is not selling equity outright but diversifying what the equity exposure is.

The growth-inflation quadrant is Reflation, with a growth score of 0.0 and an inflation score of 1.0. That is not a strong-growth-plus-inflation economy; it is a trend-growth economy with an inflation impulse. The macro nowcast at -0.18 confirms the first half of that, labelled Trend growth, with consumer sentiment at -1.46 the single large negative and initial claims +0.30 the main offset. Reflation historically rewards real assets, energy, and short duration over long duration and over long-duration equity — which is close to a description of what the market actually did this week.

Sector & Factor Rotation

The weekly sector table is unusually clean in its message. Energy +4.0% and Utilities +4.0% top it, Staples +3.6%, Real Estate +2.7%, Health 2.4%, Financials 2.3%, Discretionary 2.0%. Materials +0.3%, Comms -0.1% and Industrials -0.1% are flat. Tech is alone in the red at -2.1%. That is a defensive-plus-inflation-hedge week, not a cyclical-expansion week: if this were a growth re-acceleration, Industrials and Materials would be leading and Staples and Utilities would be lagging. Instead the two best performers are the classic inflation hedge and the classic bond proxy, which is an odd pair until you notice that the dominant macro signal is an inflation score of 1.0 against a growth score of 0.0.

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The index dispersion says the same thing from another angle. Dow +1.2% beat S&P +0.5%, which beat Nasdaq -0.6%, which beat Russell 2000 -1.6%. Old-economy large-cap over new-economy large-cap over small-cap is the ordering you get when long rates are rising and growth expectations are not.

The factor panel complicates this, and the complication is the useful part. Over three months High-Beta +13%, Momentum +12% and Growth +12% remain far ahead of Quality +6%, Value +2% and Low-Vol +2%, with a Growth-Value spread of 9.7 points. So the quarter belongs to growth and beta, while the week belonged to defensives and energy. One week does not reverse a quarter, and the honest interpretation is that this is the first week of a possible rotation rather than the confirmation of one. The positioning consequence is asymmetric, though: a crowded three-month growth-momentum trade has a lot more to give back than a two-point value trade does, particularly with Semis fair-valued RICH +11.9%. Trimming the momentum and high-beta sleeve into the strength it still shows, and recycling into Energy, Financials and the Staples-Utilities income block, is the trade that fits both the quarter's reality and the week's signal.

The Yield Curve & Rates

The curve is high and positively sloped across its whole length: 1M 4.14%, 3M 4.23%, 6M 4.30%, 1Y 4.44%, 2Y 4.75%, 3Y 4.85%, 5Y 4.99%, 7Y 5.11%, 10Y 5.22%, 20Y 5.64%, 30Y 5.60%. The 2s10s at 0.44bp and 3M10Y at 0.99bp are both comfortably positive — fully disinverted, no recession signal from the curve, and the 3M10Y being the wider of the two means the steepening is coming from the long end rather than from front-end cuts. This is a bear steepener: the market is pricing term premium and inflation risk, not easing.

That distinction drives a lot. A bull steepener (front end falling) is an easing trade and rewards duration; a bear steepener punishes it. With the 10Y at 5.22% and the 20Y at 5.64%, long-dated Treasuries are offering a genuinely competitive nominal yield for the first time in this cycle — the 20Y out-yielding the 30Y by 4bp is a mild supply-and-convexity artefact at the very long end, not a signal in itself. The investment case for the belly (5Y 4.99%, 7Y 5.11%) is better than for the 30Y: close to the same yield, materially less duration risk if the inflation score of 1.0 persists.

For equities the level matters more than the slope. A 5.22% 10Y is a hard discount rate for long-duration cash flows, which is the mechanical explanation for Tech -2.1% and the Growth-Value spread starting to wobble. It is also why Utilities rallying 4% alongside a rising 10Y is worth watching — bond proxies rallying into higher yields usually means the bid is defensive, not rate-driven. The 30-year mortgage at 7.4% is the real-economy transmission: housing starts 1,275k and permits 1,403k against new home sales of 684k show the channel is already constrained, and the permits-over-starts gap suggests builders holding back rather than accelerating.

Credit & Financial Conditions

Credit is the most benign part of this briefing. HY OAS at 3.15% sits at the 62nd percentile of its own history — mid-range, with no stress premium — and IG OAS at 0.82% is tight in absolute terms. The ANFCI at -0.50 and the stress index at -0.47 both read looser-than-average financial conditions. Credit markets are not corroborating any equity-internals worry, and that is the strongest single argument for staying leaning risk-on rather than neutral.

Two qualifications. First, the risk-appetite scorecard's credit component is -0.12, a small negative, meaning spreads have drifted marginally the wrong way even as the level stays comfortable. Direction and level disagree, and at the 62nd percentile the level is not so tight that it cannot widen materially without becoming anomalous. Second, HY appears in the Granger lead-lag set as a net leader, so the small negative drift deserves more attention than its magnitude suggests.

The relative-value screen gives this a sharp expression: the HY-versus-IG spread is cointegrated and stretched at z -1.91, with a two-week half-life. HY is unusually tight relative to IG — compensation for taking the lower-rated risk is close to two standard deviations below its equilibrium relationship. The mean-reverting trade is to prefer IG over HY within credit, and the short half-life means that if the

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relationship reverts on its usual schedule, it resolves in roughly a fortnight. For a multi-asset investor this is the cleanest available de-risking move: it reduces credit beta without reducing invested exposure, and it is priced by a statistical relationship rather than a macro forecast. The S&P-HY correlation of +0.68 over 252 days, falling to +0.59 over 63 days, confirms HY is still behaving as an equity-risk proxy — so trimming HY is trimming equity beta too.

Net liquidity at $5,867bn, down $2bn over the month, is flat. That is neither a tailwind nor a drag, and it is worth stating plainly rather than reading a trend into a 0.03% change.

Factor Structure & Systemic Risk

Two PCA readings are given and they must be read separately. Across the sector complex, PC1 explains 66% of variance — sectors are moving together to a high degree, which is why the breadth and concentration components of the scorecard score negatively and why sector selection has limited power to diversify. Across the broader 89-instrument cross-asset set, PC1 (Risk, proxied by the S&P 500) explains 34%, PC2 (Rates, 10Y) 16%, PC3 (Energy, WTI, inverse) 6%, and PC4 (US dollar) 4%. A 34% first factor with a 16% second factor is a market with one dominant driver and one genuinely independent secondary driver.

The practical consequence: with 34% of cross-asset variance in a single risk factor, most apparently distinct equity positions are the same trade in different packaging. Diversification has to come from the second and third components — rates exposure and energy exposure — which is another argument for the 5-7Y Treasury belly and for Energy equity as portfolio ballast rather than as a tactical sector bet. Note PC3 loads inversely on WTI, so energy exposure is a genuinely orthogonal axis, not a levered risk proxy.

The multivariate DCC-GARCH systemic gauge is the reassuring counterweight. Average pairwise conditional correlation across the 12-asset system is +0.05, versus +0.04 a year ago — essentially unchanged and very low in absolute terms. Diversification across asset classes is working; it is diversification within equities that is not. Persistence of 0.8839 means correlation shocks in this system decay reasonably quickly rather than locking in, so a stress episode would not immediately become a permanent correlation regime. The thing to monitor is the direction: a move in average pairwise correlation from +0.05 toward +0.20 or higher would mean cross-asset diversification is failing at the same time as intra-equity diversification, and that is the configuration in which portfolio risk rises faster than any single position's volatility suggests.

Cross-Asset Correlation & Lead-Lag

The stock-bond correlation is the most consequential number in this section and it is positive: +0.34 over 252 days, rising to +0.40 over 63 days, with the DCC-GARCH conditional estimate at +0.28 and persistence of 0.9921. Treasuries are not hedging equities. They are co-moving with them, and the near-unit persistence means this is a durable regime rather than a passing dislocation. That is the signature of an inflation-driven market — exactly what the Reflation quadrant and the inflation score of 1.0 would predict — where both assets take their cue from the discount rate. The implication for portfolio construction is direct: the standard long-duration-Treasury equity hedge is impaired, and short-dated bills at 4.14-4.30% are the more honest defensive asset, giving genuine optionality at a competitive yield with no duration risk. Nasdaq-Long Bond at +0.29/+0.32 says the same thing with a growth tilt.

The dollar is doing some hedging work: S&P-DXY at -0.37/-0.38 with the DCC estimate at -0.26 and persistence 0.9933, so dollar exposure gains when equities fall — a stable, if modest, offset. Gold is not a hedge here: S&P-Gold is positive at +0.31/+0.37 and rising, which means gold has been trading as a risk asset and an inflation hedge rather than as a crisis hedge. The Gold-DXY correlation of -0.40, steepening to -0.54, says gold's recent strength is substantially a dollar story. Combine that with the fair-value model showing Gold RICH +14.3% against real yields and the dollar (z +0.70, R^2 0.70) and gold looks like the position in this book with the least justification at current levels.

S&P-VIX at -0.82/-0.66, with the DCC at -0.77, is the normal strong inverse relationship — the volatility complex is functioning, which matters because it means VIX-based hedges will behave as

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expected. Semis-S&P at +0.75 falling to +0.65, and Russell 2000-Regional Banks at +0.57 falling to +0.46, both show those relationships loosening — consistent with the idiosyncratic weakness in semis and small caps rather than a broad factor move.

The Granger network identifies VIX, the Long Bond, the US 10Y and HY OAS as net leaders, with Gold, DXY, Russell 2000 and Nasdaq as followers. The structural story is coherent: rates and volatility are driving, equities and metals are responding — the same hierarchy the rest of this note describes, derived independently. But weekly predictive skill in these networks is modest, and should be treated as such. Granger causality establishes incremental in-sample predictability, not reliable out-of-sample tradeable signal, and at weekly frequency the effect sizes are small and unstable across subsamples. Use the network to understand which variables to watch first — a move in the 10Y or HY OAS is more informative than the same-sized move in Nasdaq — but do not size positions off it.

Relative Value & Fair Value

One cointegrated spread is stretched beyond 1.5σ: HY versus IG at z -1.91, half-life two weeks, discussed above. That is the single highest-conviction relative-value signal in the briefing, because it combines a stretched z-score with a statistically established long-run relationship and a short reversion horizon.

The fair-value residual models identify three rich assets with usable fits. Semis are RICH +11.9% versus Nasdaq at z +1.02 on an R^2 of 0.96 — the highest-conviction of the three, because a 0.96 fit means the residual is meaningful rather than noise, and a 12% premium against a tightly-fitted benchmark is a real valuation gap. With Tech down 2.1% this week and the Semis-S&P correlation already loosening from +0.75 to +0.65, the risk is that this gap closes through semis underperforming rather than Nasdaq catching up. Trim semiconductor overweights.

Gold is RICH +14.3% against real yields and the dollar at z +0.70, R^2 0.70. The fit is weaker so the estimate is less precise, but the direction is corroborated: gold is expensive relative to what rates and the dollar justify, its correlation to equities is positive and rising, and the model implies the richness is not explained by the macro drivers that usually explain it. That is a position to reduce, not to add.

Nasdaq is RICH +0.9% against real yields and the S&P at z +0.36 on an R^2 of 0.99 — statistically precise and economically trivial. A sub-1% premium on a 0.99 fit means Nasdaq is essentially at fair value given rates and the broad market. This is a useful null result: the Tech weakness this week is not a valuation correction in the index, it is concentrated in semis. Do not read Nasdaq's -0.6% week as the start of a broad de-rating.

Volatility & Tail Risk

The volatility complex is calm on the surface and carries a specific warning underneath. VIX at 15.1 against VIX3M at 17.9 gives a term ratio of 0.85 — a normally upward-sloping curve, no near-term stress bid, and the scorecard's most positive component at +0.47. VVIX at 86 says the volatility of volatility is subdued, so the options market is not braced for a regime shift. MOVE at 98 is elevated relative to equity volatility: rates are the more volatile asset class here, which is consistent with the bear steepener and with the 10Y leading in the Granger network.

SKEW at 154 is the number that does not fit the calm. That is a high reading, and it means the demand for out-of-the-money puts is substantial relative to at-the-money volatility — investors are paying up for crash protection while near-term realised and implied volatility stay low. The combination of low VIX and high SKEW is characteristic of a market that is comfortable with the central case and worried about the tail. For an investor the practical upshot is that at-the-money hedges are cheap in absolute terms and far out-of-the-money puts are not; if hedging here, the better value is in nearer-the-money protection or in a put spread that sells the expensive tail, rather than buying the crash wing outright.

Tail-risk estimates are moderate. S&P 500 expected shortfall at the 5% level is -4.8% with zero current

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drawdown; Nasdaq ES5 -5.9%, also at a high; Russell 2000 ES5 -6.4% with a current drawdown of -9%. The asymmetry is the point. Large caps are at highs with a moderate tail, so their risk is entirely forward-looking. The Russell is already 9% below its high with the largest tail estimate of the three, meaning small caps would be taking a 6%+ bad-week loss from a position that has already lost ground. That is the worst risk-reward profile in the equity complex and reinforces keeping small-cap exposure light.

Macro Pulse & Recession Risk

Recession risk is genuinely low on every indicator presented. The NY Fed probability is 0.6%, the Sahm rule is at 0.00 — no trigger at all — the 2s10s is positive at 0.44bp, and initial claims at 197,000 are low by any historical standard, with continued claims at 1.716mn. Four independent indicators agreeing is meaningful, and no honest reading of this dashboard supports a near-term recession call.

The labour market is solid but not tightening: unemployment 4.2%, U6 at 7.6%, participation 61.8%, payrolls 159.044mn, job openings 7.079mn, average hourly earnings $37.8. The openings number against this level of employment is consistent with a labour market that has normalised rather than cracked. Note the data vintage, though — payrolls and claims are current to September and October, but openings are August, so the freshest signal is the claims print, and it is strong.

Growth is at trend, not above it. The Weekly Economic Index at 2.7%, Chicago Fed NAI at -0.0 (precisely trend by construction), industrial production 103.1, capacity utilization 76.3%, real GDP $24,408bn. Durable goods $338.5bn and retail sales $737.8bn are steady. That is the +0.17, +0.00 and +0.08 contributions in the nowcast — all small positives, none of them an acceleration.

The inflation side is why the quadrant reads Reflation rather than Goldilocks. Michigan inflation expectations at 4.0% are high and matter disproportionately, because expectations at that level constrain how fast policy can ease regardless of what realised inflation does. Sticky CPI at 2.7% is better behaved and is the more reliable guide to underlying trend; the gap between the two is the genuine ambiguity in this dashboard. Headline CPI 334.1, core CPI 337.8, PCE 131.6, core PCE 130.5, PPI 287.9 are index levels and give no momentum reading on their own, but the combination of 4% expected inflation and a 5.22% 10Y tells you the bond market is taking the expectations number seriously.

The one genuinely bad number is consumer sentiment at 51.7, which contributes -1.46 to the nowcast and is the single largest negative in it. With the saving rate at 4.1% there is limited buffer if sentiment translates into spending. It has not yet — retail sales are steady — and the historical relationship between sentiment and actual consumption has been weak for several years, so this should not be over-read. But it is the channel through which a 7.4% mortgage rate and 4% expected inflation would eventually show up in the real economy, and it is the one macro series pointing clearly the wrong way.

Net liquidity at $5,867bn is flat month-over-month. There is no liquidity impulse supporting or undermining the market here.

Key Risks & What to Watch

The central risk is that the rate move continues and breaks equity valuations rather than merely rotating them. A 10Y at 5.22% with a 20Y at 5.64% already pressures long-duration equity, and the bear steepener says the market is pricing term premium and inflation rather than cuts. If Michigan expectations hold at 4.0% and the inflation score stays at 1.0, there is no easing to rescue duration, and the +0.28 stock-bond correlation means Treasuries will not cushion the equity drawdown when it comes.

The second risk is narrowness. PC1 at 66% of sector variance with a breadth score of -0.55 and concentration at -0.41 means a shock to the dominant factor transmits to nearly everything in the equity book at once. Semis RICH +11.9% on a 0.96 fit is where that concentration is most expensive, and the Semis-S&P correlation falling from +0.75 to +0.65 suggests the unwind may have begun. The third is the quiet mismatch in volatility: VIX 15.1 with SKEW at 154 is a market priced for calm while paying for a crash, and that configuration historically resolves quickly when it resolves.

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US Cross-Market Analysis (cont.)

The fourth is the consumer: sentiment at 51.7, a 4.1% saving rate and a 7.4% mortgage against a labour market whose freshest datapoint, 197k claims, is still strong. The risk is sequencing, not level.

Signals that would confirm the risk-on lean: HY OAS holding below 3.25 as the 10Y rises, which would say credit is absorbing the rate move; average pairwise DCC correlation staying near +0.05; the HY-IG z-score reverting from -1.91 toward zero within its two-week half-life; initial claims staying under 215k; the Dow-over-Nasdaq rotation continuing with breadth above 60% and the S&P holding its monthly gain; and Energy and Financials sustaining leadership, which would make this a genuine rotation rather than a defensive retreat.

Signals that would change it: a 10Y sustained above 5.35% or a 2s10s widening past 0.75bp on long-end weakness; HY OAS above 3.60 (roughly the 75th percentile) or IG above 1.00; VIX above 20 with the term structure inverting below 1.0, which would flip the scorecard's only strong positive to a negative; the S&P closing below its one-month base, which would remove the +0.33 trend support and leave the scorecard outright negative; initial claims above 250k or a Sahm reading above 0.30; average pairwise DCC correlation rising toward +0.20; and Michigan expectations above 4.5%, which would push the inflation score higher and remove any prospect of front-end relief. Two or more of these together is the point at which the lean goes to neutral rather than being trimmed at the edges.

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PART I

Rates, Credit & Macro

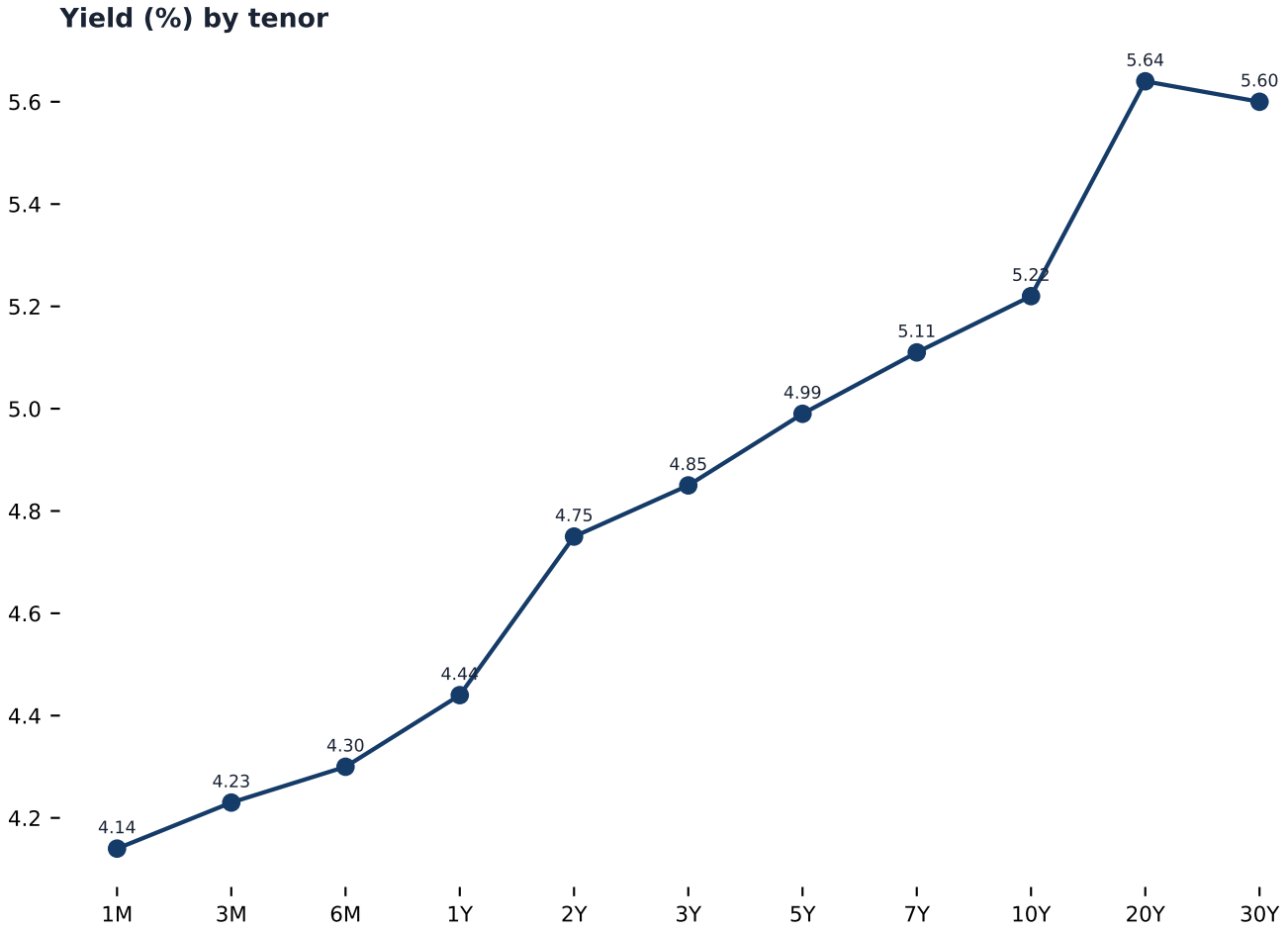
The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

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

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The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.44bp, 3M-10Y +0.99bp (positive).



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Credit, Financial Conditions & Volatility

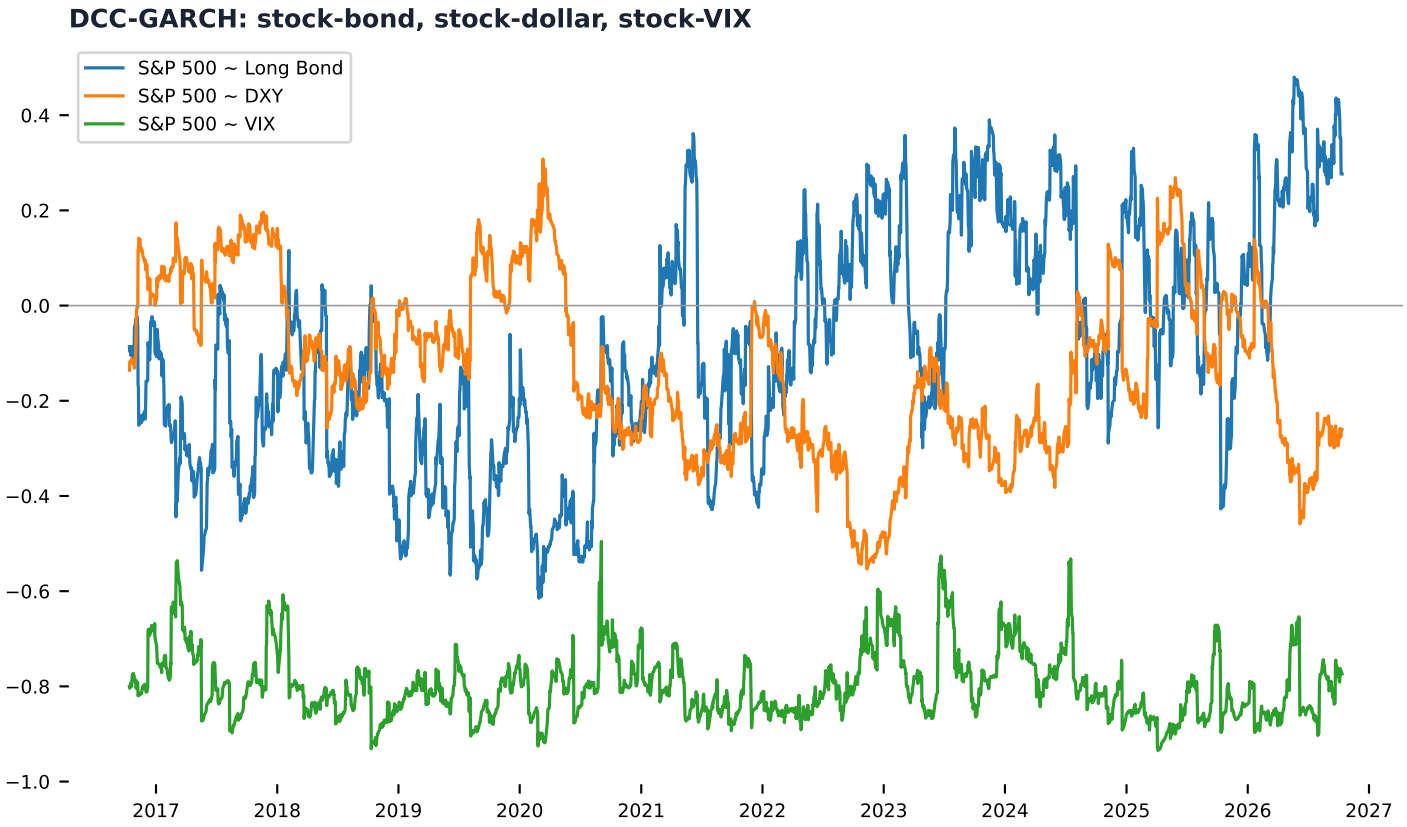
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**3.15**	62th pctile
IG OAS	**0.82**	
Fin Conditions (ANFCI)	**-0.50**	0 = average; +tight
St. Louis Stress	**-0.47**	
VIX	**15.1**	term VIX/VIX3M 0.85
VIX3M	**17.9**	
VVIX (vol of vol)	**86**	
MOVE (bond vol)	**98**	
SKEW (tail hedging)	**154**	

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Regime, Growth-Inflation & Liquidity

Markov regime: Risk-on (posterior Neutral 0.00, Risk-on 0.92, Risk-off 0.08). Quadrant: Reflation.





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Macro Pulse: Labor

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

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	**159,044.00**	+29.00	2026-09
Unemployment %	**4.20**	+0.10	2026-09
U6 underemployment %	**7.60**	-0.10	2026-09
Participation %	**61.80**	+0.20	2026-09
Job openings (k)	**7,079.00**	-256.00	2026-08
Avg hourly earnings $	**37.81**	+0.05	2026-09
Initial claims (wk)	**197,000.00**	-2,000.00	2026-10
Continued claims	**1,716,000.00**	+17,000.00	2026-09

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Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**334.13**	+1.32	2026-08
Core CPI index	**337.76**	+0.98	2026-08
PCE index	**131.58**	+0.41	2026-08
Core PCE index	**130.46**	+0.32	2026-08
PPI index	**287.93**	+2.75	2026-08
Michigan inflation exp %	**4.00**	-0.20	2026-08
Sticky CPI %	**2.74**	-0.02	2026-08

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Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	**24,408.01**	+133.63	2026-04
Industrial production	**103.07**	+0.02	2026-08
Capacity utilization %	**76.27**	-0.05	2026-08
Chicago Fed NAI	**-0.04**	-0.12	2026-08
Weekly Econ Index %	**2.71**	-0.26	2026-10
Durable goods ($m)	**338,458.00**	-242.00	2026-08
Retail sales ($m)	**737,763.00**	+8,225.00	2026-08
Saving rate %	**4.10**	-0.50	2026-08
Consumer sentiment	**51.70**	-3.50	2026-08
Housing starts (k)	**1,275.00**	-34.00	2026-08
Building permits (k)	**1,403.00**	-30.00	2026-08
New home sales (k)	**684.00**	+41.00	2026-08
Case-Shiller HPI	**337.31**	+0.40	2026-07
30y mortgage %	**7.40**	+0.12	2026-10

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Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	**3.88**	+0.00	2026-10
SOFR	**3.87**	-0.01	2026-10
M2 ($bn)	**23,305.50**	+37.70	2026-08
Bank reserves	**2,936.00**	-115.50	2026-08
C&I loans ($bn)	**2,959.02**	+24.12	2026-09
Consumer credit ($bn)	**5,196,778.44**	+8,280.61	2026-08

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Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	**0.6%**	12m-ahead, curve-based
Sahm rule (real-time)	**+0.00**	>0.50 triggers
2s10s curve	**+0.44 bp**	inverted = warning
Initial jobless claims	**197,000**	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 +0.76	1d-lag -0.08
Semis	contemp +0.80	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.06
DXY	contemp -0.13	1d-lag -0.01

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PART II

Cross-Market Structure

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

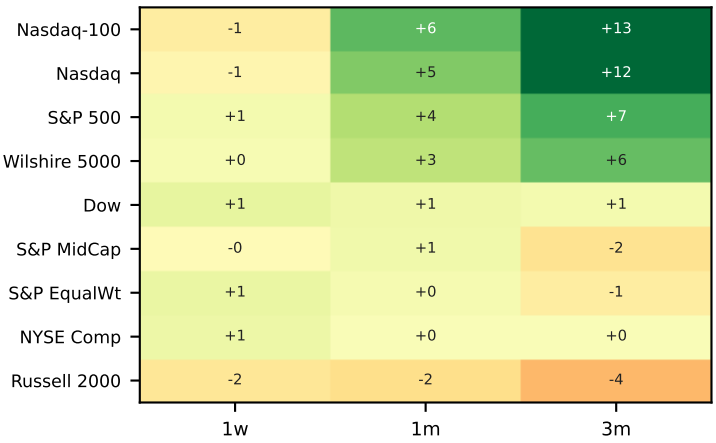
- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

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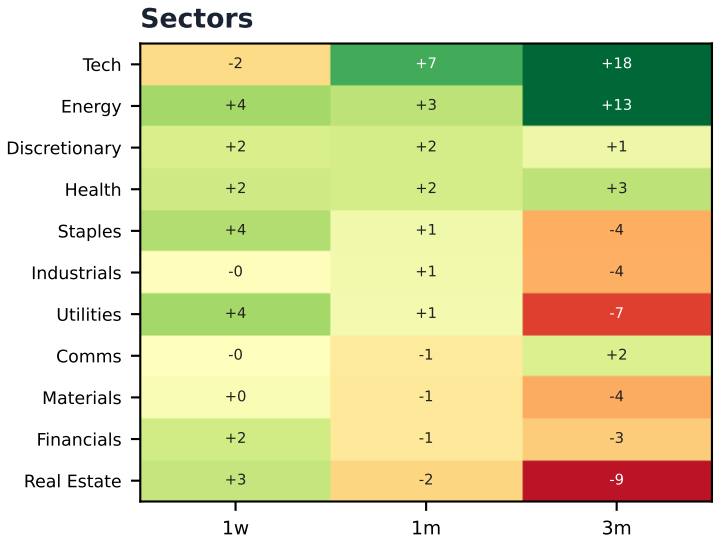
Returns Heatmap

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

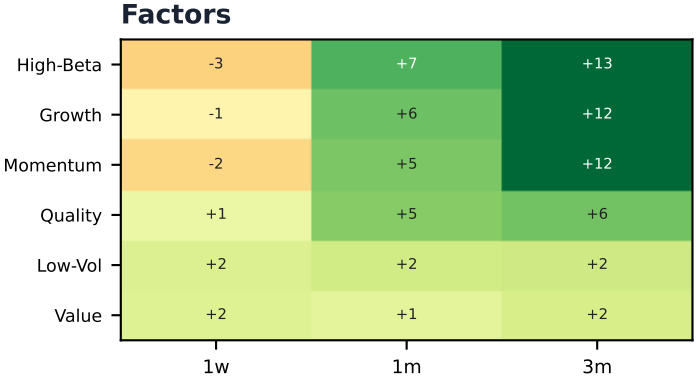
Indices



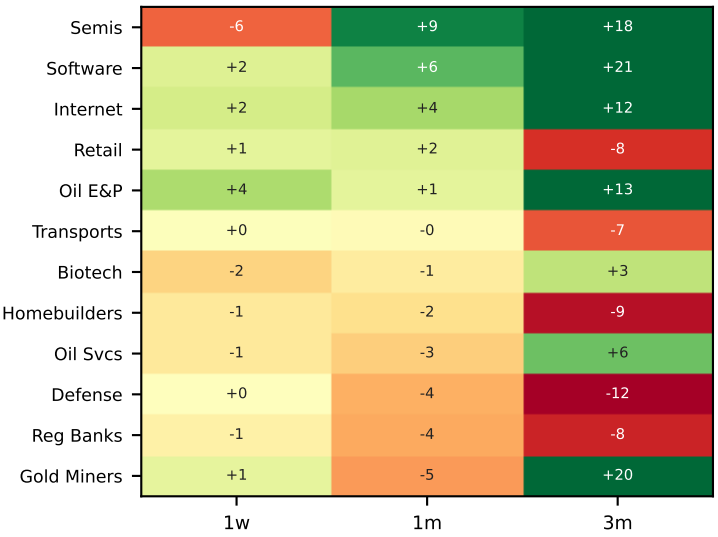
Sectors



Factors



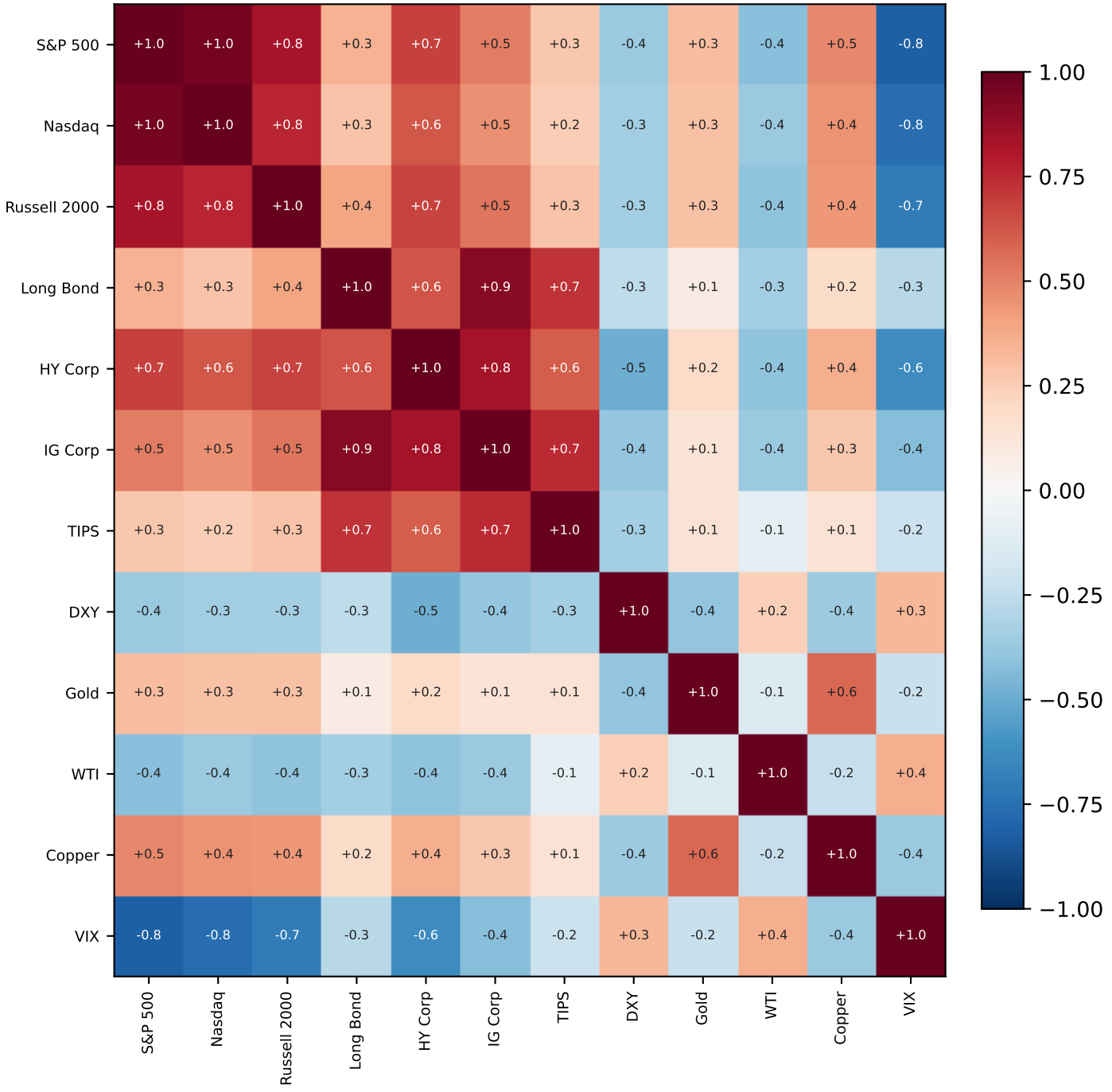
Industries



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Cross-Asset Correlation (252d, daily)

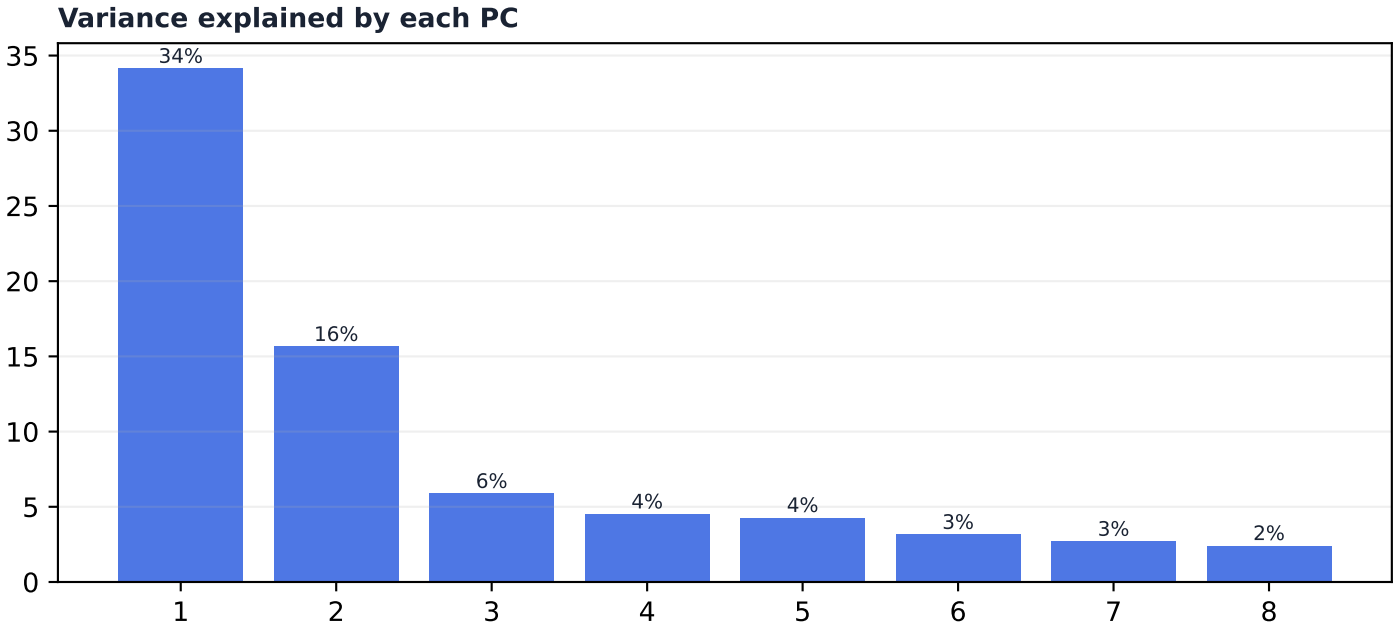
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



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CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 89 instruments (156 weeks)



PC1 — Risk (S&P 500)

34.1% of variance (cum 34%) · marker corr +0.92

+ S&P EqualWt +0.17, Wilshire 5000 +0.17, NYSE Comp +0.17, S&P 500 +0.17, Value +0.17

– VIX3M -0.15, VIX -0.15, VIX9D -0.14, HY OAS -0.14, VVIX -0.12

PC2 — Rates (10Y)

15.6% of variance (cum 50%) · marker corr +0.93

+ 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)

5.9% of variance (cum 56%) · marker corr -0.66

+ Tech +0.15, Growth +0.15, Nasdaq-100 +0.15, Nasdaq +0.14, Semis +0.12

– Energy -0.34, Oil E&P -0.33, Brent -0.29, WTI -0.29, Commodities -0.27

PC4 — US dollar

4.5% of variance (cum 60%) · marker corr +0.62

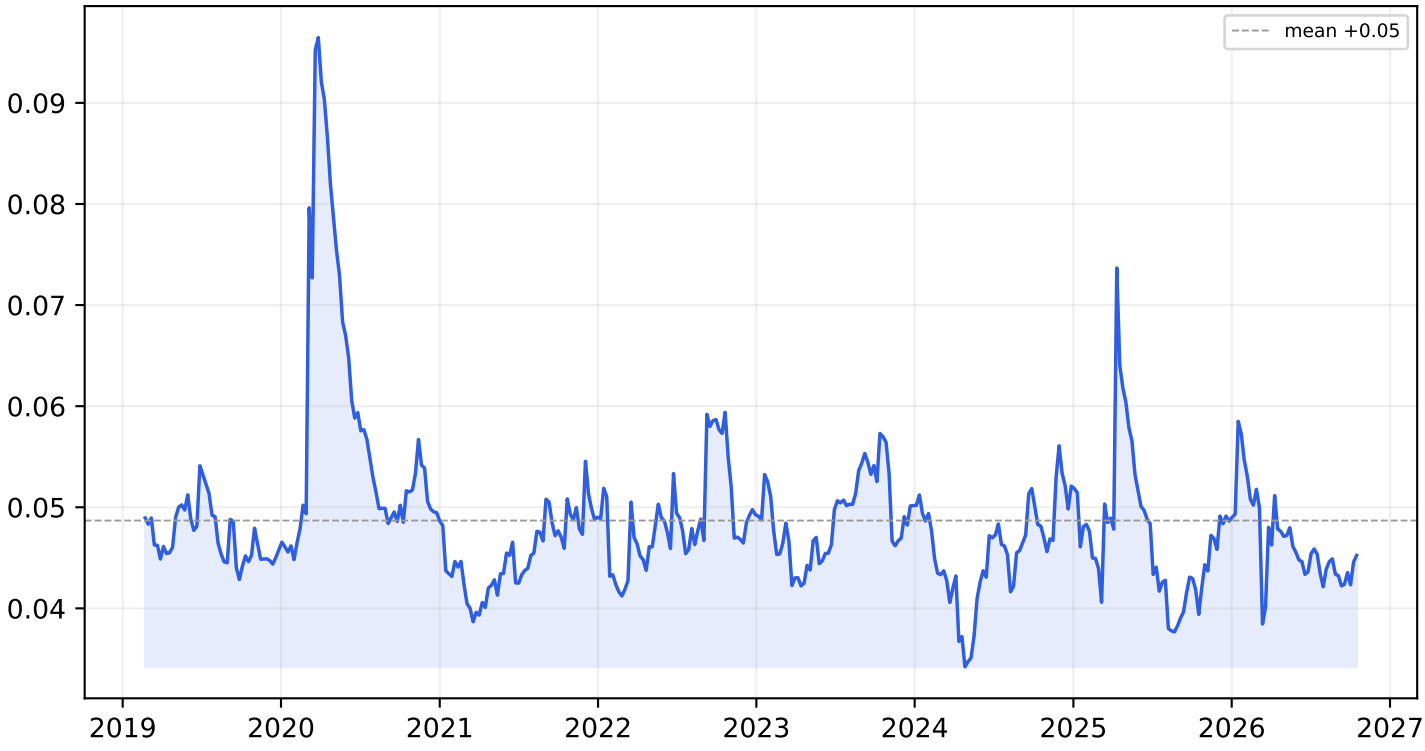
+ DXY +0.31, USDCAD +0.20, USDJPY +0.20, SKEW +0.16, Gasoline +0.15

– EURUSD -0.31, Gold Miners -0.26, Gold -0.23, GBPUSD -0.21, Silver -0.19

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.

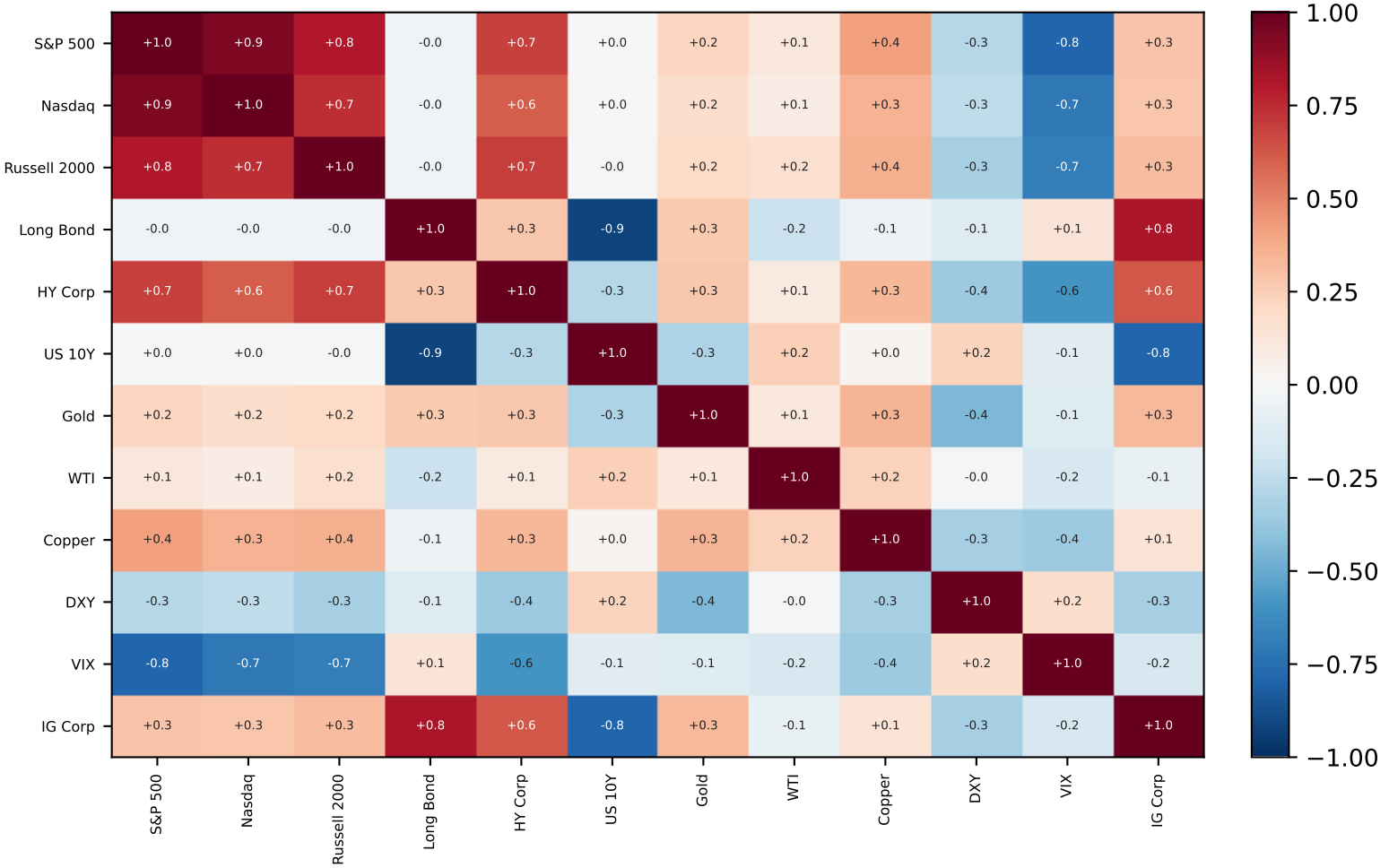
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Average pairwise conditional correlation (multivariate DCC-GARCH)



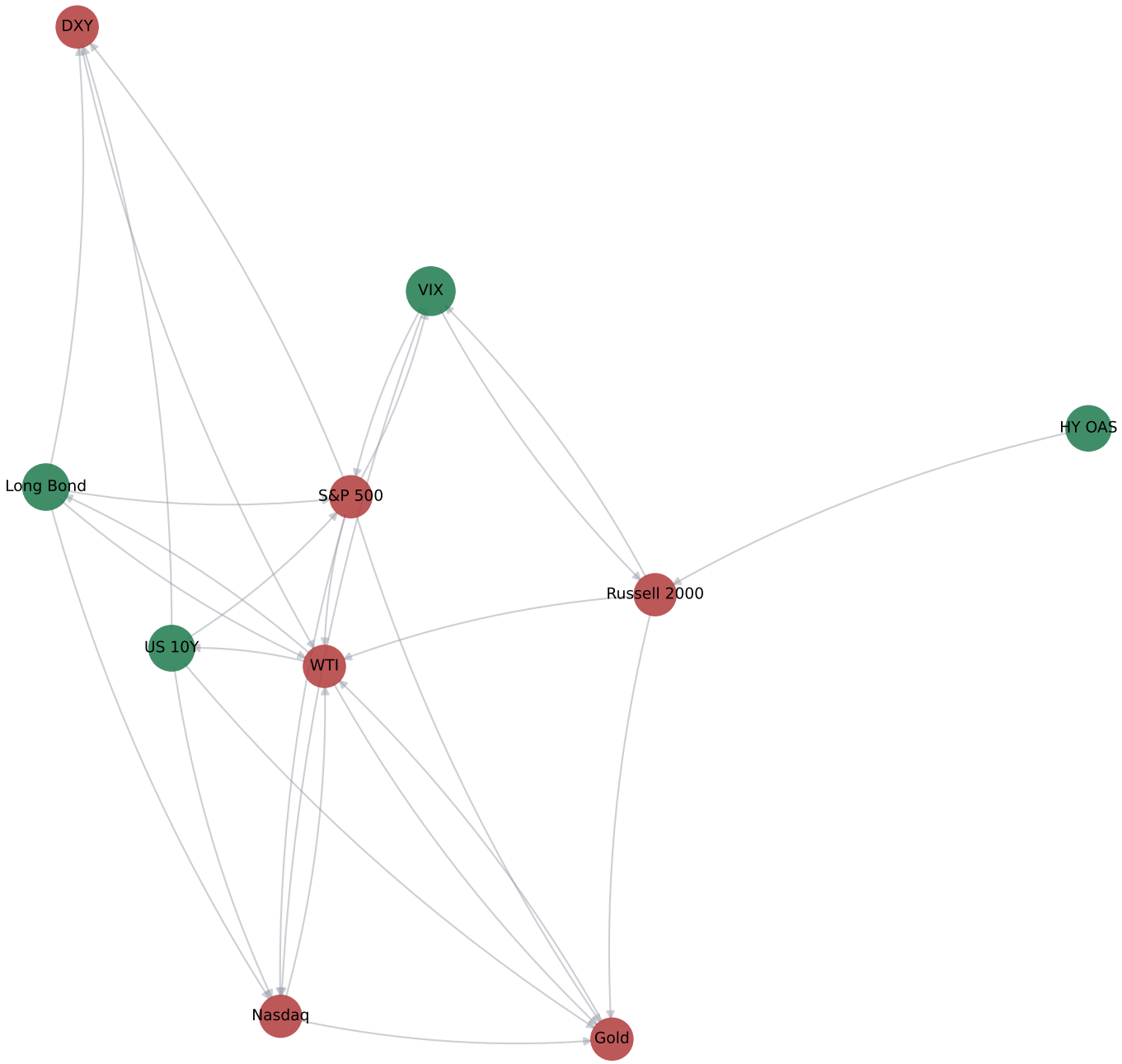
N=12 · persistence 0.8839 · now +0.05 · rising = diversification failing in real time

Latest conditional-correlation matrix



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Directional lead-lag — Granger causality network

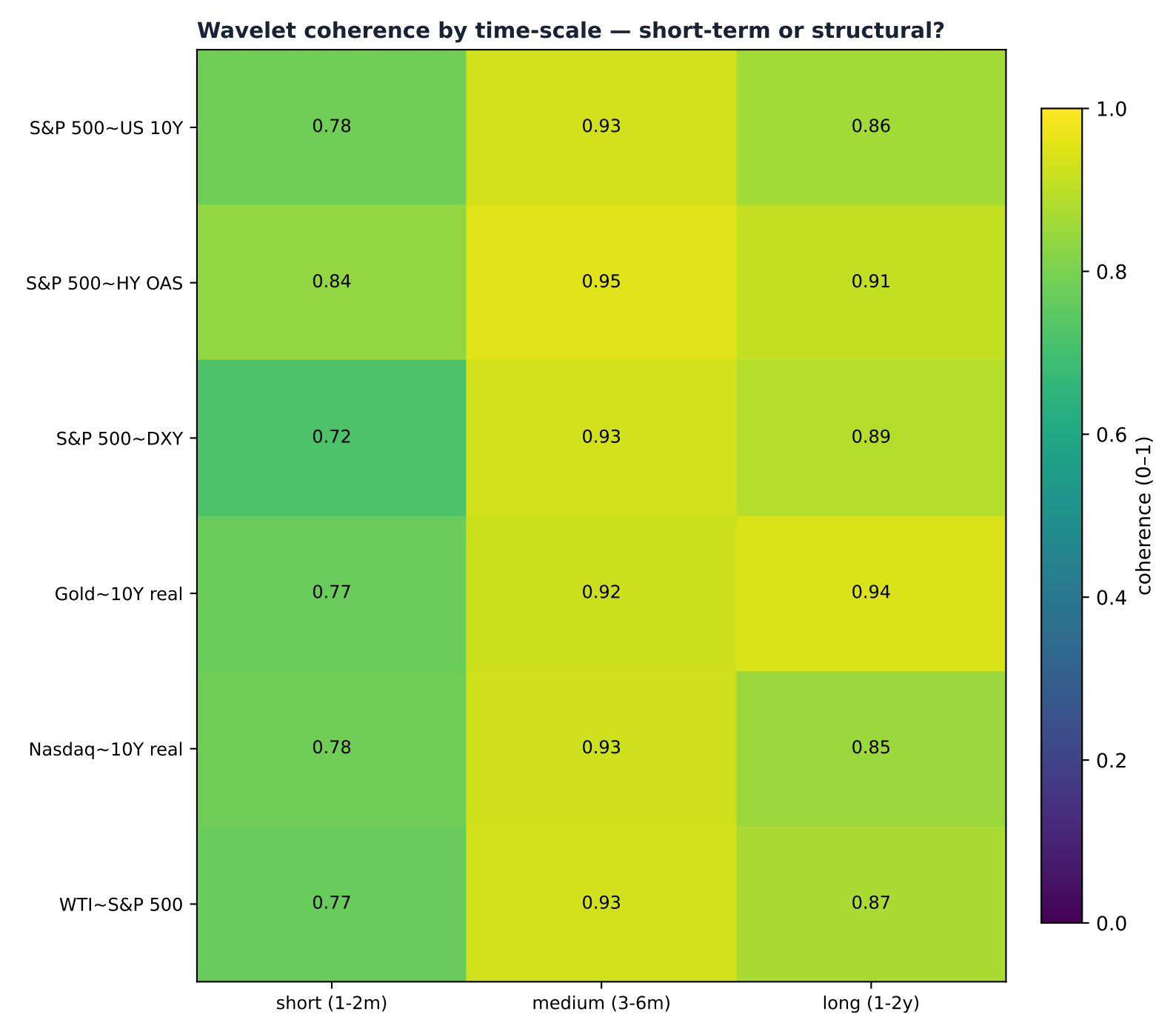


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

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

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

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STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting US spreads and how stretched each is now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
WTI vs Brent	no	0.620	0.97	2w	+3.68
Growth vs Value	no	0.841	0.54	30w	+2.19
HY vs IG credit	yes	0.001	0.30	2w	-1.91
2Y vs 10Y	no	0.963	0.70	50w	+1.73
S&P vs Dow	yes	0.003	0.73	7w	-0.79
Semis vs Nasdaq	no	0.159	0.51	15w	-0.62
Gold vs Silver	no	0.199	1.20	13w	+0.54
Large vs Small (R2K)	no	0.064	0.65	11w	+0.18
S&P vs Equal-Weight	yes	0.021	0.61	7w	+0.14
Long vs Short Tsy	no	0.370	0.06	22w	-0.14
S&P vs Nasdaq	yes	0.001	1.24	9w	+0.01
VIX vs VIX3M	yes	0.025	0.84	2w	-0.01

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.

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PART III

Rotation, Momentum & Fair Value

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

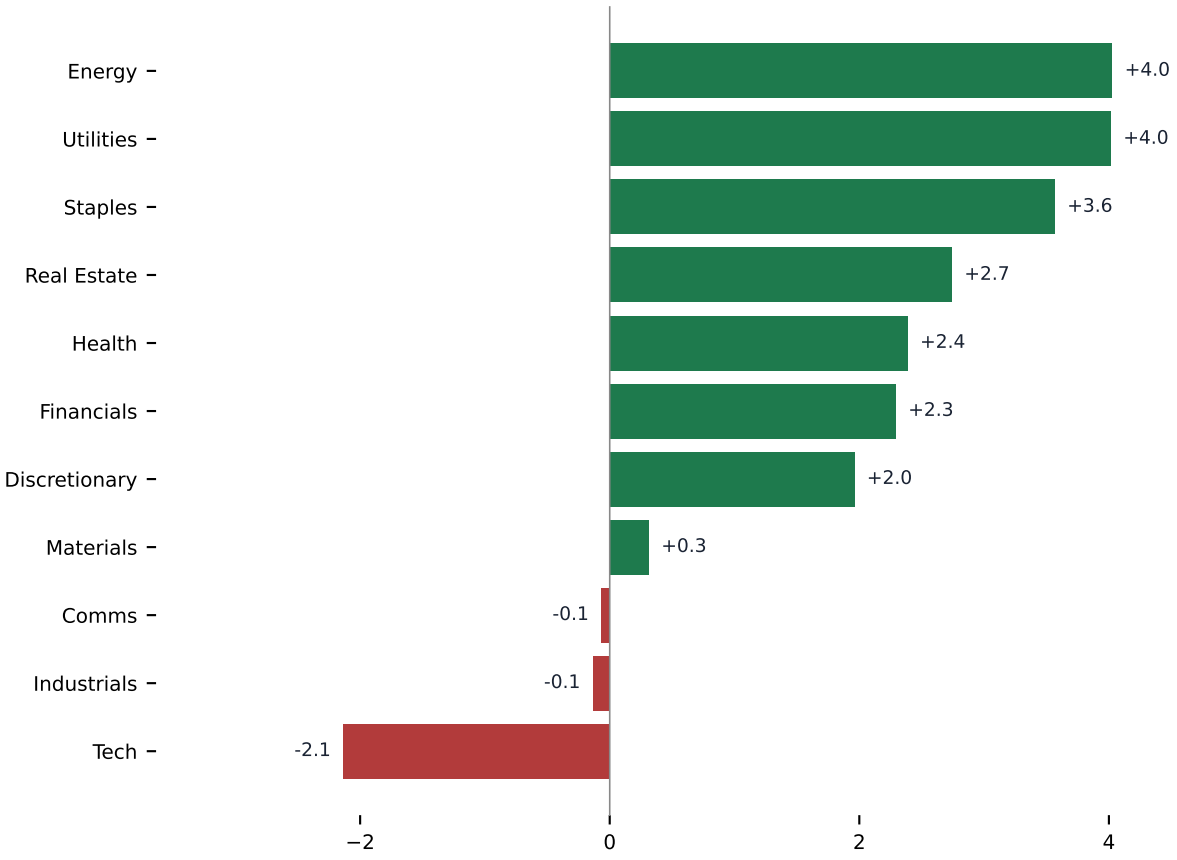
- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

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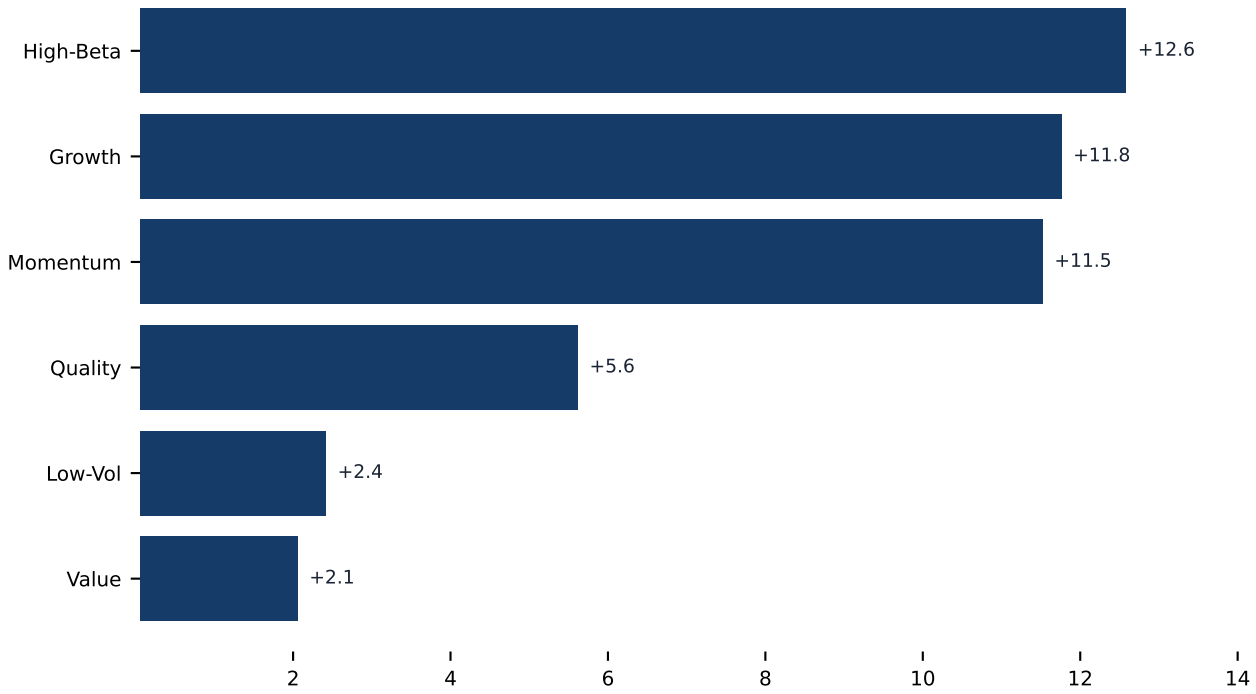
Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 73% up. Growth-Value 3m +9.7%.

Sectors — weekly return %



Factors — 3-month return %



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MOMENTUM & TREND

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

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	+5%	+10%	+17%	**+1.00**	+7%	0%
Nasdaq	+7%	+12%	+20%	**+1.00**	+9%	-0%
Russell 2000	-5%	+1%	+14%	**+0.00**	-0%	-9%
Tech	+12%	+27%	+38%	**+1.00**	+17%	-2%
Financials	-2%	+5%	+6%	**+0.00**	+3%	-5%
Energy	+14%	+20%	+54%	**+1.00**	+14%	0%
Health	+6%	+15%	+20%	**+1.00**	+9%	-2%
Semis	+7%	+28%	+73%	**+1.00**	+15%	-10%
Reg Banks	-9%	-1%	+18%	**-0.50**	-2%	-11%
Gold Miners	+24%	-12%	+12%	**+0.00**	-3%	-24%
Gold	+4%	-14%	-0%	**-0.50**	-8%	-20%
WTI	+13%	+12%	+63%	**+0.50**	+10%	-16%

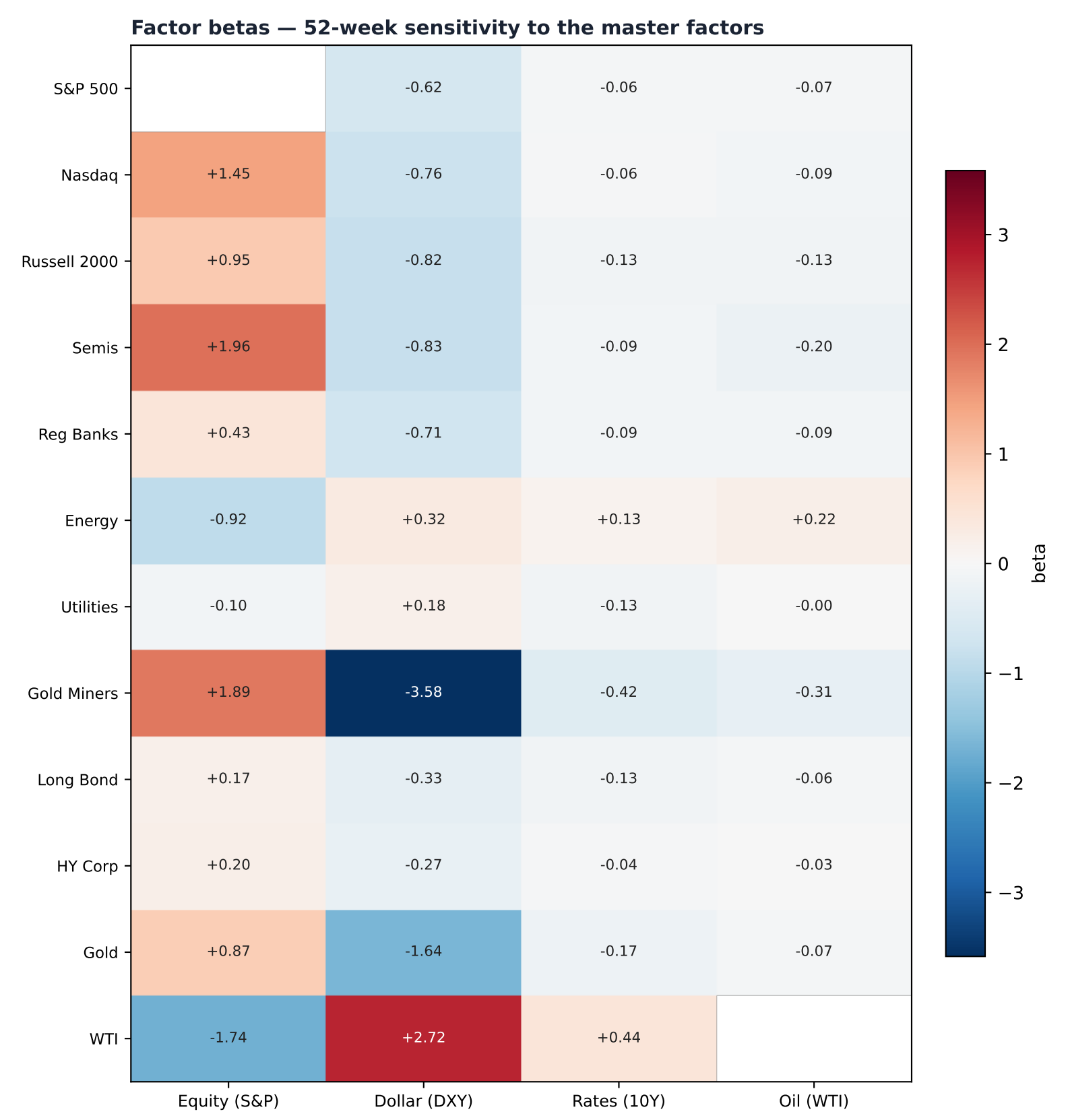
Sector 26-week relative strength:

LEADERS: Tech +27%, Energy +20%, Health +15%, Financials +5%, Staples +2%, Industrials -2%

LAGGARDS: Utilities -10%, Discretionary -6%, Comms -6%, Real Estate -6%, Materials -4%, Industrials -2%

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

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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 +1.17

actual 7816.55 · model-fair 6302.47 · gap +24.0% · R^2 0.29



Semis vs Nasdaq

RICH z +1.02

actual 593.94 · model-fair 530.98 · gap +11.9% · R^2 0.96



Gold vs real yield & dollar

RICH z +0.70

actual 4193.10 · model-fair 3668.51 · gap +14.3% · R^2 0.70



Nasdaq vs real yield & S&P

RICH z +0.36

actual 27313.89 · model-fair 27082.43 · gap +0.9% · R^2 0.99



HY spread vs equity vol

RICH z +0.30

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



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.

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PART IV

Volatility & Risk

The volatility complex and downside risk.

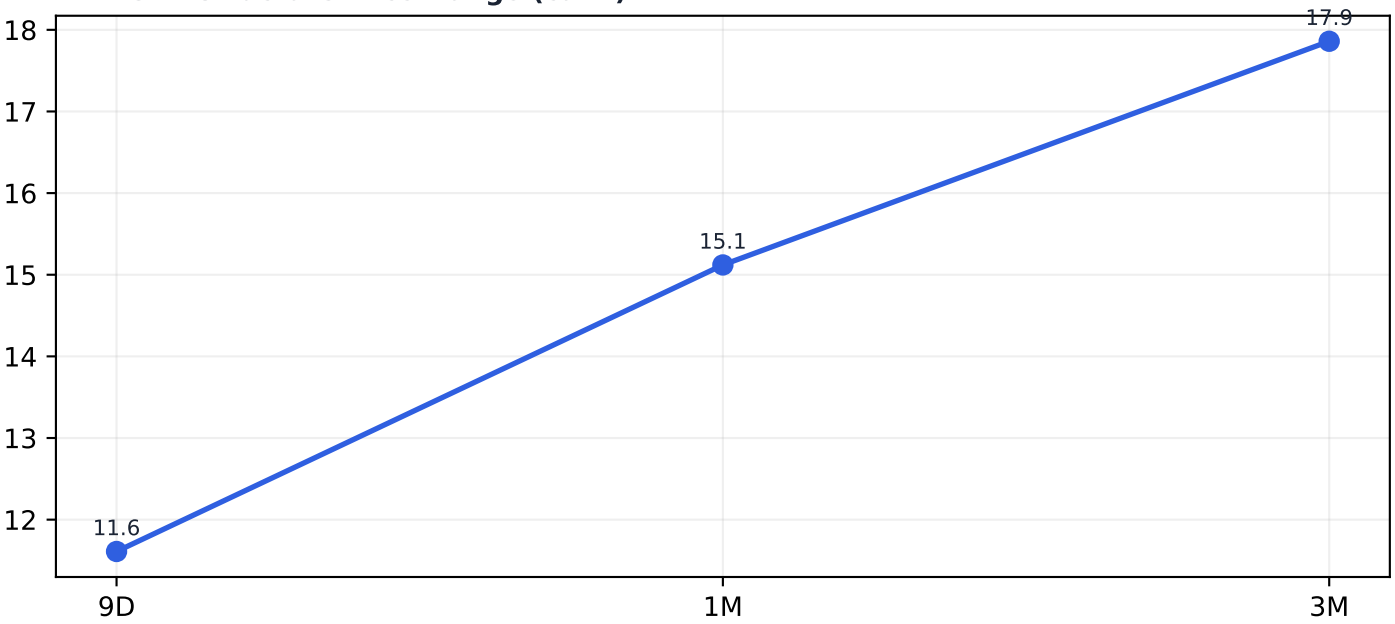
- VIX term structure, vol-risk premium, SKEW and cross-asset vol
- Tail risk: VaR / expected shortfall, drawdowns, tail dependence

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VOLATILITY COMPLEX

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

VIX term structure — contango (calm)



VOL RISK PREMIUM

+10.4 pts

VIX 15.1 − realised 4.7

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

154

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

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

Bond vol (MOVE)	98	47th
Oil vol (OVX)	49	75th
Vol-of-vol (VVIX)	86	25th

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.

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TAIL RISK

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

Instrument	VaR5	ES5	DnVol	MaxDD	CurDD	Skew	Kurt
S&P 500	-3.2%	-4.8%	11%	-25%	0%	-0.2	+1.4
Nasdaq	-4.5%	-5.9%	13%	-36%	-0%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	14%	-33%	-9%	-0.2	+0.5
Semis	-7.3%	-10.0%	22%	-45%	-10%	-0.2	+0.5
Reg Banks	-6.3%	-9.7%	21%	-54%	-11%	-0.6	+2.3
Energy	-5.5%	-8.6%	21%	-23%	0%	-0.7	+3.5
HY Corp	-1.6%	-2.3%	5%	-18%	-12%	+0.2	+2.8
Long Bond	-3.6%	-4.7%	10%	-50%	-50%	-0.1	+0.4
Gold	-3.6%	-4.7%	11%	-23%	-20%	-0.1	+1.3
WTI	-9.7%	-11.9%	26%	-53%	-22%	+0.6	+3.5

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

Nasdaq 0.77 Russell 2000 0.60 HY Corp 0.47 Long Bond 0.17 Gold 0.11

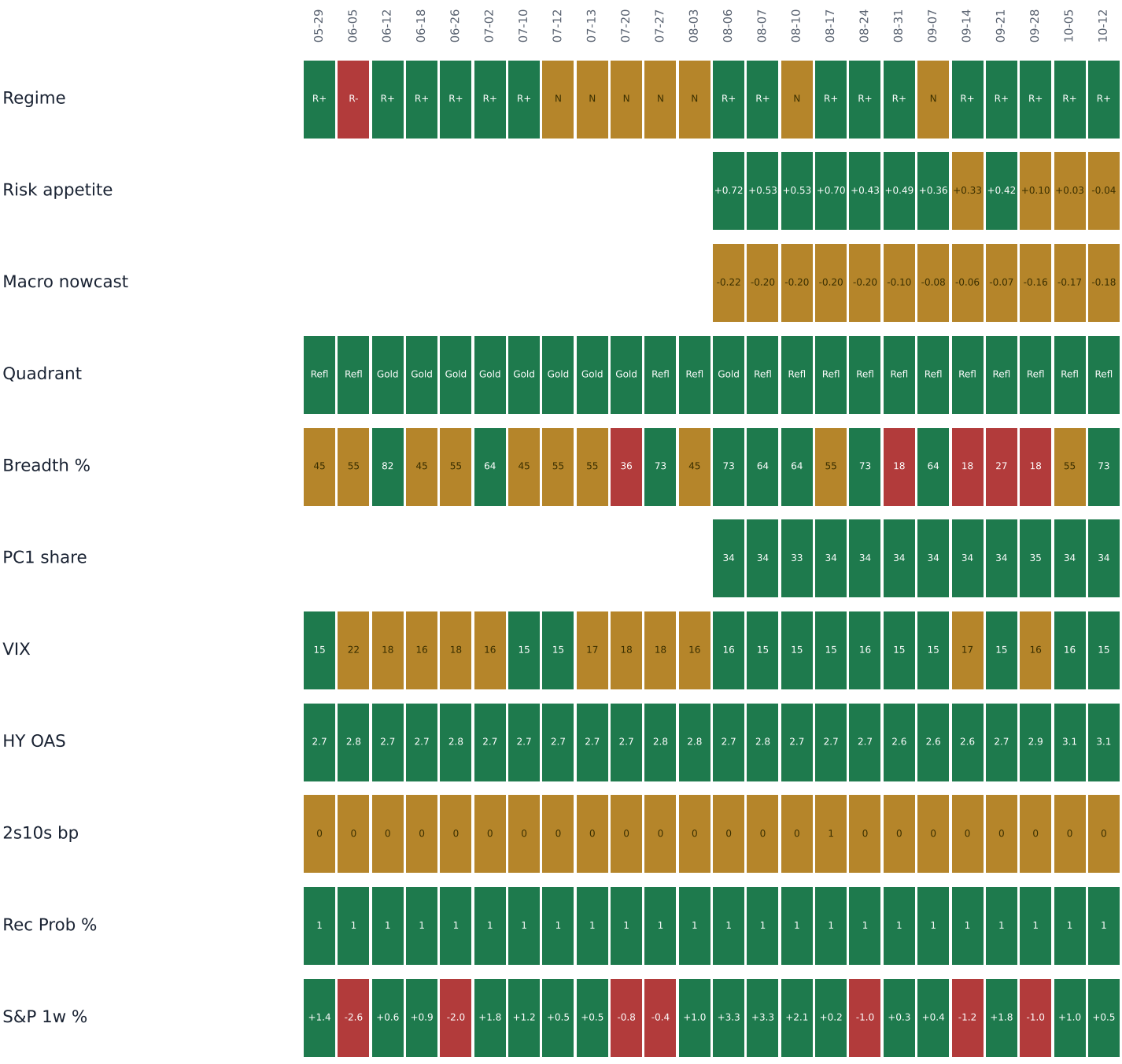
VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

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Historical Trend - Key Metrics

Key readings from every weekly report, most recent on the right. Cells are colour-coded green (favourable / risk-on), amber (neutral) and red (adverse / risk-off) so the multi-month trend is readable at a glance.

R+ risk-on / favourable N neutral R- risk-off / adverse



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

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