ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-10-19

67 market instruments + 60+ macro series | Stagflation quadrant | 2899 days

REGIME: Risk-on

EXECUTIVE SUMMARY

The Markov model puts an 85.6% posterior on Risk-on, but almost nothing else in this briefing agrees with it, and the divergence is the trade. The composite risk-appetite scorecard sits at −0.27 (Neutral) with five of six components negative — VIX term structure −0.71, HY credit −0.55, concentration −0.44 — and the growth-inflation quadrant reads Stagflation (g-score −2.0, i-score +2.0) against a 10Y at 5.10% and a 30-year mortgage at 7.4%. Lean modestly defensive without exiting equities: favour Staples (+3.6% on the week), Materials (+3.0%) and Energy (+2.9%), hold Low-Vol (+2% over three months, the only positive factor alongside flat Quality), and fade Tech (−5.3%), High-Beta (−5%) and Momentum (−4%). Within the curve, the front end at 4.28–4.49% is the better-paid real estate; the long end offers 5.43–5.48% but carries the inflation risk the i-score flags.

Three developments matter this week. Tech −5.3% against Staples +3.6% with 55% breadth is a rotation, not a liquidation — the Dow held +0.3% while Nasdaq fell 3.0%, so cash is moving down the beta ladder rather than leaving. Second, the DCC-GARCH stock-bond conditional correlation is +0.10 and the full-sample pair is +0.32: Treasuries are not hedging equity drawdown right now, which makes T-bills at 4.28% the functional hedge, not duration. Third, HY vs IG is cointegrated at z −2.25 with a three-week half-life, the cleanest mean-reversion signal here, implying HY is priced too tight relative to IG.

The biggest risk is that the Risk-on posterior is right and this is a shallow rotation that resolves higher, leaving defensive tilts behind a Tech-led rebound. Watch HY OAS at 3.31 (80th percentile): a move through roughly 3.60 confirms the defensive lean, while a retreat under 3.10 alongside VIX term structure recovering above 1.00 from 0.94 and the S&P reclaiming its highs argues for re-risking.

For research and information only; not investment advice. Verify all data before use.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Executive Dashboard

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

REGIME	QUADRANT	VIX	HY OAS
Risk-on	Stagflation	18	3.31

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

S&P 500	7,696.2	-1.4%	-0.1%	-0.4%
Nasdaq	26,431.6	-3.0%	-1.9%	+0.3%
Russell 2000	2,730.2	-2.3%	-3.8%	-9.6%
Tech	186.0	-5.3%	-4.8%	+0.1%
Financials	55.2	+0.2%	+1.2%	-4.9%
Energy	67.9	+2.9%	+8.9%	+18.6%
Long Bond	79.5	+1.9%	-1.2%	-4.2%
IG Corp	102.9	+0.3%	-1.0%	-3.6%
TIPS	105.3	+0.8%	+0.5%	-1.6%
DXY	101.9	-0.6%	+0.8%	+2.3%
Gold	4,162.9	-0.7%	-3.6%	-3.3%
WTI	99.3	+5.9%	+7.7%	+32.0%
Copper	6.6	-1.6%	-1.3%	-1.7%
VIX	18.5	+3.3	+3.3	+2.7
MOVE	101.3	+2.8	+5.8	+27.7

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

US CROSS-ASSET SCORECARD

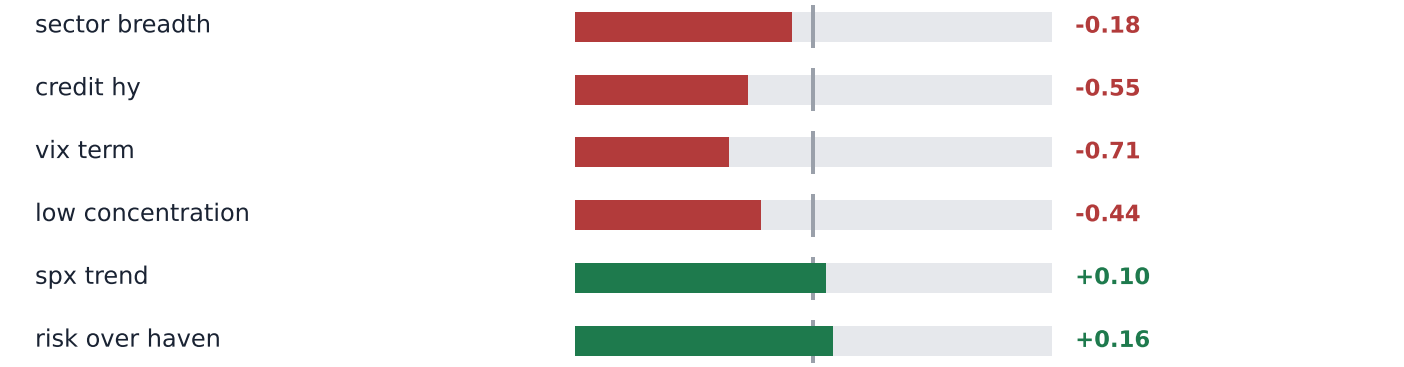
Cross-asset risk appetite and the high-frequency growth nowcast

RISK APPETITE

Neutral

score -0.27





MACRO NOWCAST (growth pulse)

Trend growth

score +0.23





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.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-10-19

TOP GAINERS

WTI	+5.9%
Staples	+3.6%
Brent	+3.4%
Retail	+3.2%
Materials	+3.0%
Oil E&P	+3.0%
Energy	+2.9%
Health	+2.3%

TOP DECLINERS

Semis	-7.1%
High-Beta	-6.8%
Momentum	-6.0%
Tech	-5.3%
Gasoline	-4.9%
Silver	-4.6%
Software	-4.5%
Internet	-3.8%

KEY LEVELS — week-over-week

S&P 500	7,696.2	-1.4%	WTI	99.3	+5.9%
Nasdaq	26,431.6	-3.0%	DXY	101.9	-0.6%
Russell 2000	2,730.2	-2.3%	Long Bond	79.5	+1.9%
VIX	18.5	+3.3			
Gold	4,162.9	-0.7%	Semis	548.8	-7.1%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: -0.04	->	**-0.27**
Macro nowcast	prior: -0.18	->	**+0.23**
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).

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

US Cross-Market Analysis

Executive Summary

The Markov model puts an 85.6% posterior on Risk-on, but almost nothing else in this briefing agrees with it, and the divergence is the trade. The composite risk-appetite scorecard sits at −0.27 (Neutral) with five of six components negative — VIX term structure −0.71, HY credit −0.55, concentration −0.44 — and the growth-inflation quadrant reads Stagflation (g-score −2.0, i-score +2.0) against a 10Y at 5.10% and a 30-year mortgage at 7.4%. Lean modestly defensive without exiting equities: favour Staples (+3.6% on the week), Materials (+3.0%) and Energy (+2.9%), hold Low-Vol (+2% over three months, the only positive factor alongside flat Quality), and fade Tech (−5.3%), High-Beta (−5%) and Momentum (−4%). Within the curve, the front end at 4.28–4.49% is the better-paid real estate; the long end offers 5.43–5.48% but carries the inflation risk the i-score flags.

Three developments matter this week. Tech −5.3% against Staples +3.6% with 55% breadth is a rotation, not a liquidation — the Dow held +0.3% while Nasdaq fell 3.0%, so cash is moving down the beta ladder rather than leaving. Second, the DCC-GARCH stock-bond conditional correlation is +0.10 and the full-sample pair is +0.32: Treasuries are not hedging equity drawdown right now, which makes T-bills at 4.28% the functional hedge, not duration. Third, HY vs IG is cointegrated at z −2.25 with a three-week half-life, the cleanest mean-reversion signal here, implying HY is priced too tight relative to IG.

The biggest risk is that the Risk-on posterior is right and this is a shallow rotation that resolves higher, leaving defensive tilts behind a Tech-led rebound. Watch HY OAS at 3.31 (80th percentile): a move through roughly 3.60 confirms the defensive lean, while a retreat under 3.10 alongside VIX term structure recovering above 1.00 from 0.94 and the S&P reclaiming its highs argues for re-risking.

Regime, Scorecard & Market State

The regime classifier and the scorecard are telling different stories, and reconciling them is the central task of this note. The Markov filter on the S&P assigns 0.856 to Risk-on, 0.144 to Risk-off and zero to Neutral — a confident read driven by the fact that index-level drawdown remains trivial: the S&P is −1.4% on the week and flat over one and three months, with current drawdown of just 1%. The composite risk-appetite scorecard, which looks beneath the index, prints −0.27 and labels the state Neutral, with only two of six components positive and both marginally so: spx_trend +0.10 and risk_over_haven +0.16. The negatives are the substance — vix_term −0.71, credit_hy −0.55, low_concentration −0.44, sector_breadth −0.18. Read together: price has not broken, but the internals that normally precede a break are deteriorating. That is a configuration in which the regime model lags, because it is fitted to realised index returns and the index has not yet moved.

The growth-inflation quadrant is the hardest number in the briefing. Stagflation, with a g-score of −2.0 and an i-score of +2.0, means growth momentum is two standard deviations soft while inflation momentum is two standard deviations hot. That combination caps what the Fed can do about weakening growth and is the mechanism behind a 10Y at 5.10% coexisting with a 4.2% unemployment rate. Note the internal tension with the macro nowcast at +0.23 (Trend growth) — the nowcast is built from high-frequency activity (weekly economic index +0.30, initial claims +0.29, industrial production +0.32) and says current activity is fine, while the quadrant's g-score captures momentum and direction. Activity is adequate today; the trajectory is not. For positioning, that argues for owning cash flow and pricing power rather than duration of earnings.

Beneath the index, the dispersion is severe. Russell 2000 is −2.3% on the week, −4% on the month and −10% over three months, sitting in an 11% drawdown; Nasdaq is −3.0% weekly and 3% below its high; the Dow is +0.3% and +1% on the month. A 10% three-month loss in small caps against a flat S&P is not a healthy tape — it is a market where the index is being held up by a narrowing set of large caps, which the low_concentration score of −0.44 independently confirms.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Sector & Factor Rotation

This week's sector table is a textbook defensive-plus-inflation rotation. Staples led at +3.6%, followed by Materials +3.0%, Energy +2.9% and Health +2.3%, while Tech fell 5.3%, Comms and Industrials each lost 1.3%, and Real Estate (−0.7%) and Utilities (−0.4%) were modestly negative. The leadership combination is specific: Staples and Health are the classic defensives, but Materials and Energy are cyclicals that outperform on input-cost inflation rather than on demand. Their presence at the top alongside Staples is a market pricing cost pressure and margin compression, not a clean growth scare — which is exactly what the Stagflation quadrant describes. The fact that Utilities and Real Estate did not participate in the defensive bid is the tell that this is not a duration-driven flight to safety: those are the rate-sensitive defensives, and with the 10Y at 5.10% they cannot rally.

Breadth at 55% up alongside an S&P of −1.4% completes the picture. More than half of constituents rose while the index fell, which only happens when the losses are concentrated in the largest weights. Tech at −5.3% was the vehicle. Discretionary +1.8% is a mild positive for the consumer read, though it sits uneasily with a 4.1% saving rate and small caps down 10%.

The three-month factor returns corroborate rather than contradict. High-Beta −5% and Momentum −4% are the worst performers; Low-Vol +2% and Quality 0% are the best; Value −0% and Growth −1% leave the growth-value spread at −0.9%. The informative part is not growth versus value — that spread is effectively noise — but beta versus defensiveness, which is a clear seven-point gap between High-Beta and Low-Vol. Momentum at −4% means the crowded trades have been the funding source, consistent with Tech's weekly loss. For an investor the practical read is that de-risking should run along the volatility axis, not the style axis: trim High-Beta and Momentum exposure, add Low-Vol and Quality, and do not expect a Value rotation to pay — it has not for three months.

The Yield Curve & Rates

The curve is high, positively sloped and steepening at the long end, which is a different animal from the inverted curve of recent cycles. The 3M sits at 4.28%, 1Y at 4.49%, 5Y at 4.91%, 10Y at 5.10%, 20Y at 5.48% and 30Y at 5.43%. 2s10s is +0.35bp — technically positive, but a third of a basis point is flat, not steep, and the real steepness lives further out: 10s30s is +33bp and the 10Y-to-20Y segment is +38bp. The 20Y printing above the 30Y is the familiar liquidity and convexity artefact of that point on the curve, not a signal.

What matters is the level. A 10Y at 5.10% with a flat 2s10s and a steep long end is the market pricing term premium and inflation risk rather than near-term easing. If the dominant expectation were imminent rate cuts, the front end would be falling away from the belly and 2s10s would be meaningfully positive; instead the 3M at 4.28% is anchored and the long end is where investors are demanding compensation. That is consistent with the i-score of +2.0 and Michigan inflation expectations at 4.0%. 3M10Y is unavailable in this briefing, so the standard recession-curve cross-check is one indicator short — worth noting given how much weight that spread usually carries.

For positioning, the shape argues for the front end and the belly over the long bond. The 1Y at 4.49% and 5Y at 4.91% capture most of the available yield with a fraction of the duration risk, and the 7Y at 5.00% is the point where carry starts to look fair against the inflation risk. The long end at 5.43% compensates you only if the i-score mean-reverts; in a stagflation quadrant that is precisely the bet you are not paid enough to make. A flat 2s10s also means curve-steepener trades have limited room from the 2s10s segment specifically and would need to be expressed further out. Separately, a 30-year mortgage at 7.4% against a Case-Shiller index of 337.3 is a real constraint on the housing channel, and the housing data confirm it — starts 1,275k, permits 1,403k, new home sales 684k.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Credit & Financial Conditions

Credit is the most important disagreement in the briefing. HY OAS at 3.31% sits at the 80th percentile, which is unambiguously tight in absolute terms — spreads this narrow historically accompany benign growth and ample liquidity. Yet the scorecard scores credit_hy at −0.55, the second-worst component, which tells you the directional change has been adverse even as the level remains comfortable. IG OAS at 0.85% is also tight. The honest reading: credit markets are not signalling stress today, and that is genuinely supportive for equity, but there is no cushion. From 3.31%, HY has enormous room to widen before anything looks historically unusual, so the convexity of the position is poor — little to gain, much to lose.

The Chicago Fed ANFCI at −0.48 says financial conditions remain looser than average, reinforcing the no-stress-today conclusion. Net liquidity at $5,872bn, up $102bn over the month, is also a tailwind, and it is worth being plain about what that does and does not mean: rising net liquidity supports asset prices at the margin but tells you nothing about growth or inflation, and a monthly change of +1.8% is supportive rather than decisive. The financial stress index is unavailable here, so ANFCI is carrying the conditions read alone.

The one place credit is actively tradeable is relative value. HY versus IG is cointegrated with a z-score of −2.25 and a three-week half-life, meaning HY spreads are stretched more than two standard deviations tight relative to IG on a relationship that has historically reasserted itself quickly. Combined with HY's poor convexity at the 80th percentile, the implication is to prefer IG over HY in credit allocations — you give up little carry and you are positioned for the single most statistically supported mean-reversion in this data set. Note also that HY OAS appears in the lead-lag network as a net leader, which raises the information value of any widening.

Factor Structure & Systemic Risk

The market is heavily single-factor, and investors should size positions accordingly. PC1 explains 66% of sector variance — two-thirds of the cross-sectional movement in sectors is one common risk factor. Across the broader 85-instrument set, PC1 (risk, proxied by the S&P) takes 34%, PC2 (rates, 10Y) 15%, PC3 (energy, inverse WTI) 6% and PC4 (the dollar) 5%, so four factors account for 60% of everything. Practically, this means sector-level diversification is doing far less work than a position count suggests: an eleven-sector portfolio with 66% of variance in PC1 is substantially one bet on risk appetite. The scorecard's low_concentration reading of −0.44 says the same thing from the breadth side.

The second factor being rates at 15% is the actionable detail. With PC2 that large, the 10Y at 5.10% is not background — it is the second-largest systematic driver of equity returns in this market, which explains why Utilities and Real Estate could not join the defensive bid and why the long end is the dangerous place to hide.

The systemic co-movement gauge, by contrast, is reassuring. Average pairwise conditional correlation across the eleven-asset MV-DCC system is +0.01 now, identical to a year ago, with persistence of 0.9106. Diversification across asset classes is not failing; cross-asset relationships are as loose as they have been. The distinction matters: concentration risk here is within equities (PC1 at 66%), not across asset classes. That argues for diversifying out of equity beta into other asset classes rather than reshuffling sector weights, which mostly rearranges the same PC1 exposure. The high persistence also means this low-correlation state is sticky and will not flip quickly — but equally, if it starts to rise, the move will have momentum behind it.

Cross-Asset Correlation & Lead-Lag

The hedging picture is the critical takeaway, and it is unfavourable. S&P-to-long-bond correlation is +0.32 over 252 days and +0.33 over 63 days, with the DCC-GARCH conditional estimate at +0.10 and persistence 0.9903. Positive stock-bond correlation means Treasuries have been moving with equities, not against them — duration is not hedging equity risk. The conditional +0.10 is milder than the unconditional +0.32, so the hedge is nearer neutral than actively perverse, but at best it is absent.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

With persistence at 0.9903 this regime is extremely sticky and will not revert on a convenient timescale. The implication is direct: the hedge for equity drawdown in this market is cash at 4.28%, not the long bond at 5.43%. Nasdaq-to-long-bond at +0.26/+0.20 says the same for tech specifically.

The dollar is doing some hedging work. S&P-to-DXY is −0.36/−0.32 unconditionally and −0.26 on the DCC estimate (persistence 0.9932), so dollar strength has coincided with equity weakness — a modest, reliable offset. Gold is less useful than its reputation: S&P-to-gold is +0.31 over 252 days and rises to +0.40 over 63 days, meaning gold has been moving with equities and its diversification benefit is weakening, not improving. Gold-to-DXY at −0.40/−0.54 confirms gold is currently trading primarily as a dollar expression rather than as a risk hedge. S&P-to-VIX at −0.82/−0.77 with a DCC of −0.83 is the expected strong inverse, which confirms volatility instruments remain the most reliable equity hedge available. Semis-to-S&P at +0.75 falling to +0.61 and Russell-to-regional-banks at +0.57 falling to +0.43 both show these internal betas loosening.

On lead-lag, be explicit that weekly predictive skill from a Granger network is modest and the relationships are unstable out of sample — this is a map of information flow, not a trading system. That said, the direction is coherent and worth noting: the net leaders are VIX, the long bond, the US 10Y and HY OAS, while the followers are gold, DXY, Nasdaq and the Russell 2000. Rates and risk pricing lead; equities and currencies follow. The practical use is attention allocation rather than signal generation — watch the 10Y, HY OAS and the VIX complex for the first evidence that this rotation is becoming something larger, and treat equity price action as confirming rather than leading.

Relative Value & Fair Value

One cointegrated spread passes the 1.5σ screen, and it is the HY-versus-IG credit spread at z −2.25 with a three-week half-life. That is the highest-conviction mean-reversion opportunity in this briefing: a statistically established long-run relationship, stretched beyond two standard deviations, with a documented reversion speed short enough to be tradeable. The direction is HY too tight relative to IG, so the expression is up in quality within credit. Half-life of three weeks means roughly six weeks to close most of the gap if the relationship behaves — but note the standing caveat that cointegration can break when the underlying regime shifts, and a stagflation quadrant is exactly the kind of shift that can break one.

On the fair-value residual models, the quality of fit determines how much weight each deserves. Semis versus Nasdaq is RICH by 9.7% with an R^2 of 0.96 and a residual z of +0.85. The high R^2 makes the 9.7% premium credible as a genuine deviation rather than model error, and it is informative that semis are this extended after Tech fell 5.3% on the week — the correction has not yet reached the most expensive part of the complex. With Semis-to-S&P correlation also loosening from +0.75 to +0.61, this is the clearest place where expensive positioning remains unresolved.

Gold versus real yields and the dollar is RICH by 12.0% at z +0.59 on an R^2 of 0.70. The fit is decent but not tight, so treat 12% as approximate — the honest statement is that gold is expensive relative to what rates and the dollar justify, by a meaningful but imprecisely measured margin. Combined with the rising S&P-gold correlation at +0.40, gold looks like a crowded position that is simultaneously overpriced on fundamentals and delivering less diversification. Nasdaq versus real yields and the S&P is essentially at fair value, cheap by 0.6% at z −0.25 on an R^2 of 0.99 — the model is nearly exact and says Nasdaq's 3.0% weekly fall has brought it to where rates and the broad market imply it should be. So the index-level tech correction is complete on this measure, while the semiconductor premium is not.

Volatility & Tail Risk

The volatility complex is where the warning is loudest. VIX at 18.5 against VIX3M at 19.7 gives a term structure ratio of 0.94 — still in contango, so the market is not in acute stress, but the scorecard scores vix_term at −0.71, the single worst component, meaning this ratio has flattened materially. Contango at 0.94 is thin; the cushion between here and inversion is small, and inversion is the standard marker of a genuine volatility event. VVIX at 106 says the volatility of volatility is elevated — options on VIX are priced for the VIX itself to move, which is consistent with a market that does not

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

trust the current calm.

SKEW at 169 is the number to dwell on. That is a high reading and it means deep out-of-the-money puts are expensive relative to at-the-money options: investors are paying up specifically for crash protection while headline VIX sits at a merely average 18.5. The combination of a modest VIX, high SKEW and elevated VVIX describes a market positioned for a tail event rather than for a normal correction. Practically, it also means put protection is not cheap — buying downside here is paying a premium for a risk the market has already identified, so reducing exposure is the more cost-effective route to lower risk than hedging it.

MOVE at 101 puts Treasury volatility at a moderate level, which is mildly reassuring given the 10Y at 5.10%: the rates market is not disorderly. With PC2 (rates) at 15% of variance, a MOVE that stays contained is a real support for equities, and a MOVE breaking meaningfully higher would be an early transmission channel into them.

Tail risk estimates are moderate at the index level and worse down the cap scale. S&P 5% expected shortfall is −4.8% against current drawdown of just 1%; Nasdaq ES5 is −5.9% with drawdown already 3%; Russell 2000 ES5 is −6.4% with drawdown at 11%. The Russell numbers are the ones to note — an asset already 11% below its high with a tail estimate of −6.4% has limited margin, and small caps have been the honest signal in this market for three months while the index has concealed the deterioration.

Macro Pulse & Recession Risk

The recession indicators are clean, and they should be reported as such without being overread. The New York Fed recession probability is 0.6%, the Sahm rule indicator is 0.00 with no trigger, initial claims are 199,000 — a genuinely low number that does not happen in a contracting labour market — and 2s10s is positive at +0.35bp rather than inverted. Four independent indicators, none flashing. The macro nowcast at +0.23 (Trend growth) agrees, built on a weekly economic index at 3.0% (+0.30), falling claims (+0.29), industrial production at 104.0 (+0.32) and a Chicago Fed NAI of −0.0 (0.00, exactly at trend). There is no near-term recession in this data, and positioning for one would be positioning against the evidence.

Two honest caveats. First, the Sahm rule and the NY Fed curve model are both slow by construction — Sahm requires a 0.5pp rise in the unemployment three-month average and so confirms rather than predicts, while the curve model is calibrated on inversions and is less informative from a flat-but-positive 2s10s. A 0.6% probability is a statement about the absence of the specific signals those models read, not a 0.6% real-world chance. Second, the Stagflation quadrant's g-score of −2.0 is a momentum measure and is not contradicted by strong levels — activity can be solid and decelerating at once, which is what the two readings together describe.

The labour market supports the benign read with soft edges. Unemployment at 4.2% and payrolls at 159,044k are healthy; continued claims at 1,710,000 against initial claims of 199,000 show low firing. But U6 at 7.6% is a wider gap over the headline than the cycle's best, job openings at 7,079k have come well down from peak, and participation at 61.8% is low. Average hourly earnings of $37.80 against a CPI index of 336.3 and core CPI of 338.9 is the stagflation squeeze in household terms, and a saving rate of 4.1% leaves little buffer. Retail sales at $745,021m are holding.

Inflation is the binding constraint. Core CPI at 338.9 above headline 336.3, core PCE at 130.5, PPI at 295.7 and Michigan inflation expectations at 4.0% together justify the i-score of +2.0 and explain why the long end sits at 5.43%. Expectations at 4.0% are the number that most constrains policy — a Fed facing decelerating growth cannot ease aggressively against unanchored expectations, and that is precisely the trap stagflation sets. Housing is already paying for it, with a 7.4% mortgage rate, starts at 1,275k and new home sales at 684k.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Key Risks & What to Watch

The primary risk to the defensive lean is that the Markov model's 85.6% Risk-on posterior is simply correct. Credit is tight at an HY OAS of 3.31, financial conditions are loose at an ANFCI of −0.48, net liquidity is rising at +$102bn, no recession indicator is triggered, and Nasdaq is already at fair value on a 0.99-R^2 model. A market with those supports can absorb a 5.3% Tech week and resolve higher, which would leave Staples, Low-Vol and short-duration Treasuries materially behind. The second risk is the mirror image: the scorecard at −0.27 with five negative components, a VIX term ratio of 0.94, SKEW at 169 and small caps 10% lower over three months is the anatomy of a market whose internals have decayed while the index held, and those configurations can resolve quickly. The third risk is specific to stagflation — an upside inflation surprise would lift the 10Y through 5.10% and, with PC2 at 15% of variance and stock-bond correlation positive at +0.10, Treasuries would fall with equities and offer no shelter.

Concrete levels to watch. On credit, HY OAS through 3.60 would confirm the defensive case and make IG-over-HY the right side of the z −2.25 spread; a move below 3.10 argues the opposite. On volatility, the VIX term structure is the most sensitive gauge: a ratio inverting below 1.00 outright — VIX above VIX3M, roughly VIX above 19.7 — would mark escalation from rotation to stress, while a recovery above 1.00 with SKEW falling from 169 toward 150 would signal the tail bid unwinding. On rates, a 10Y breaking above 5.25% with MOVE through 115 would pressure equity multiples and confirm the inflation risk; a 10Y back under 4.90% with a steepening 2s10s from +0.35bp would mean the growth read is taking over from the inflation read, which favours duration and hurts Energy and Materials. On the labour market, initial claims rising through roughly 240,000 for two consecutive weeks would be the first real crack in the benign recession read and would start the Sahm clock; continued claims above 1,850,000 is the corroborating signal. On equities, the Russell 2000 is the honest tell — it is already 11% down, and a further leg lower with S&P-to-regional-banks correlations falling further would say the deterioration is broadening; conversely, Russell outperforming the S&P for two weeks running would be the clearest evidence that breadth is repairing. Finally, watch the Semis premium of +9.7% on a 0.96-R^2 fit: its resolution, up or down, will determine whether the Tech correction is finished or has further to run.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

PART I

Rates, Credit & Macro

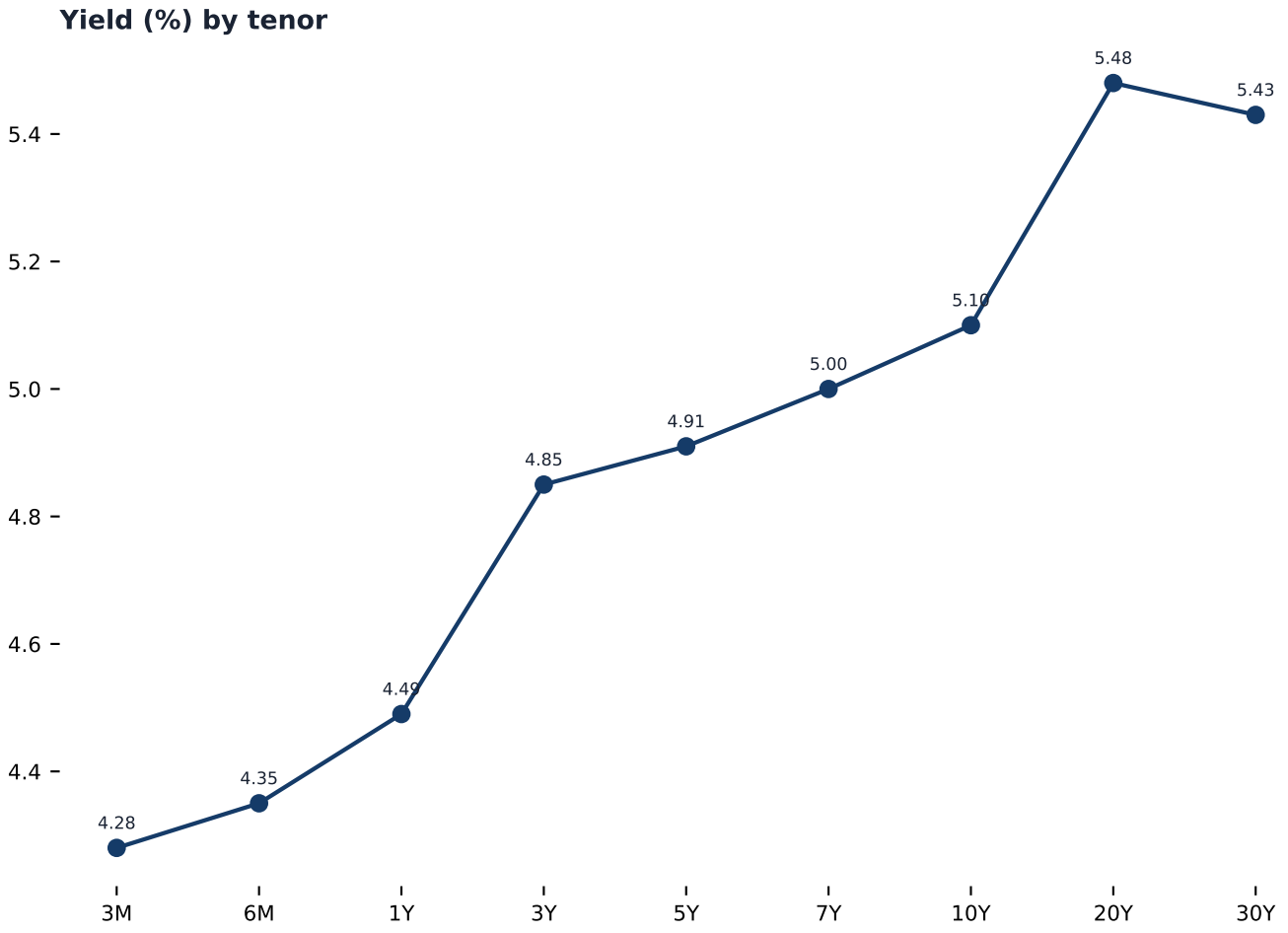
The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

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

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.35bp, 3M-10Y +nanbp (positive).



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Credit, Financial Conditions & Volatility

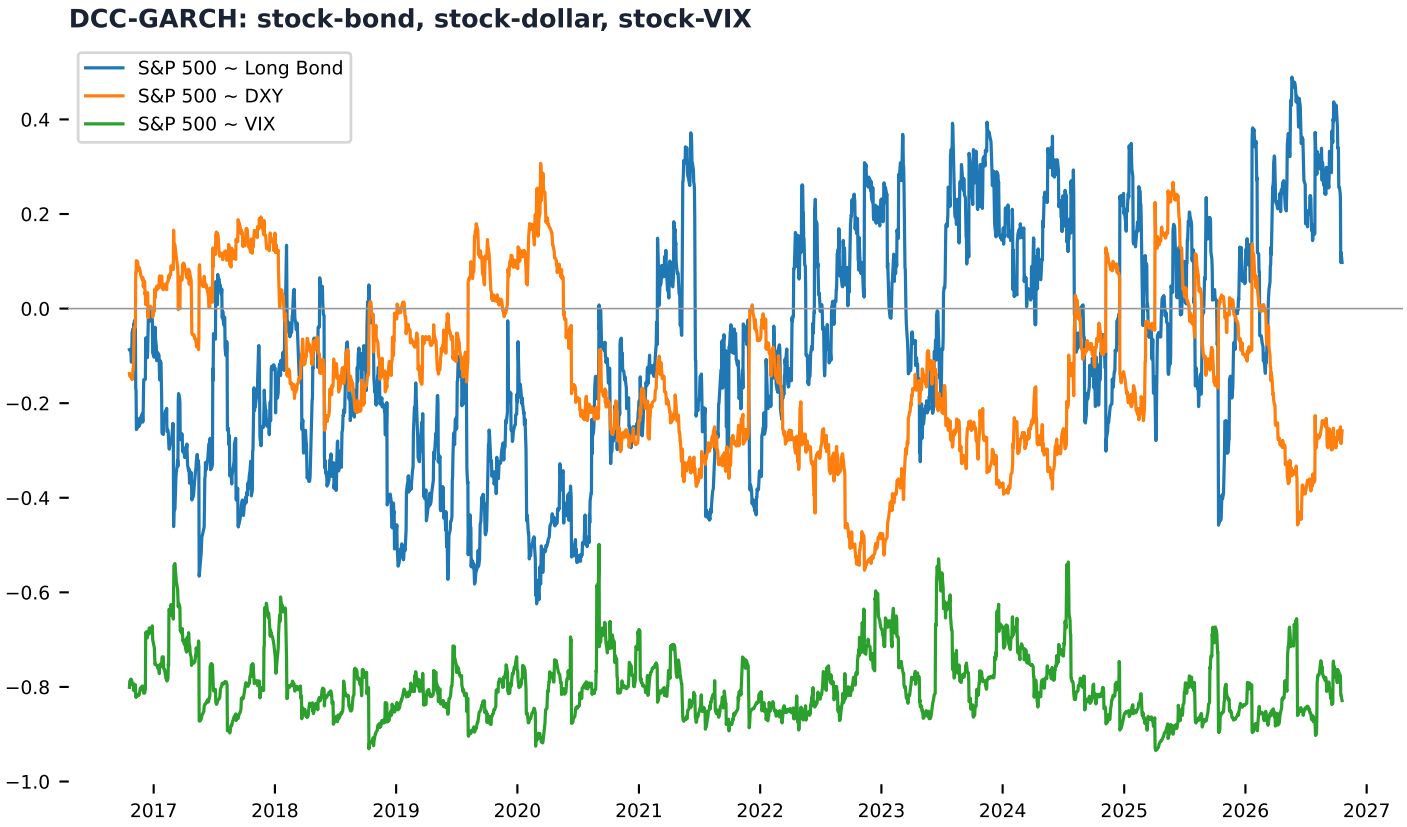
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	**3.31**	80th pctile
IG OAS	**0.85**	
Fin Conditions (ANFCI)	**-0.48**	0 = average; +tight
St. Louis Stress	**+nan**	
VIX	**18.5**	term VIX/VIX3M 0.94
VIX3M	**19.7**	
VVIX (vol of vol)	**106**	
MOVE (bond vol)	**101**	
SKEW (tail hedging)	**169**	

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Regime, Growth-Inflation & Liquidity

Markov regime: Risk-on (posterior Neutral 0.00, Risk-on 0.86, Risk-off 0.14). Quadrant: Stagflation.





Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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)	**199,000.00**	+1,000.00	2026-10
Continued claims	**1,710,000.00**	-4,000.00	2026-10

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	**336.30**	+2.17	2026-09
Core CPI index	**338.90**	+1.13	2026-09
Core PCE index	**130.46**	+0.32	2026-08
PPI index	**295.71**	+7.97	2026-09
Michigan inflation exp %	**4.00**	-0.20	2026-08

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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	**103.95**	+0.68	2026-09
Chicago Fed NAI	**-0.04**	-0.12	2026-08
Weekly Econ Index %	**3.05**	+0.37	2026-10
Durable goods ($m)	**338,458.00**	-242.00	2026-08
Retail sales ($m)	**745,021.00**	+5,699.00	2026-09
Saving rate %	**4.10**	-0.50	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**	+0.00	2026-10

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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	**3.88**	-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)	**2,959.45**	+24.52	2026-09
Consumer credit ($bn)	**5,196,778.44**	+8,280.61	2026-08

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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	**+0.35 bp**	inverted = warning
Initial jobless claims	**199,000**	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
Semis	contemp +0.80	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.05
DXY	contemp -0.13	1d-lag -0.01

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

PART II

Cross-Market Structure

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

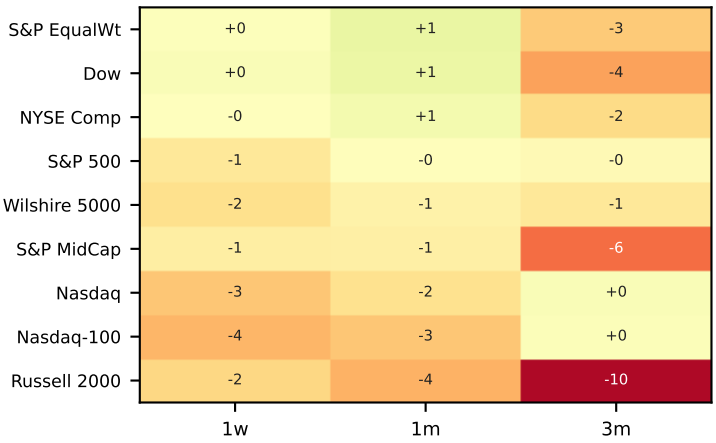
- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

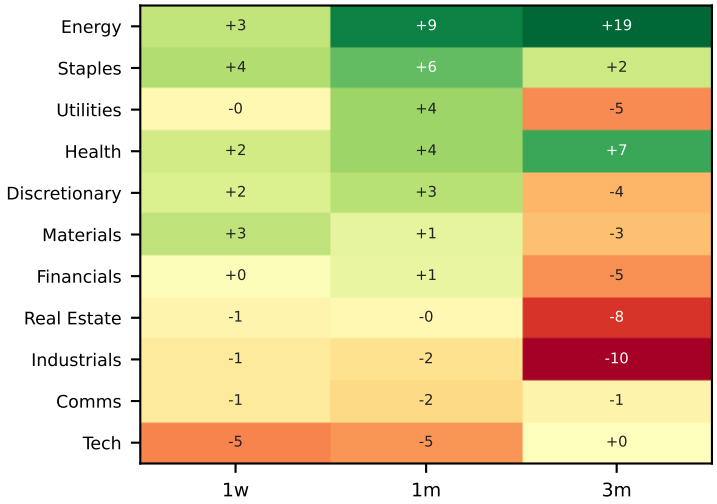
Returns Heatmap

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

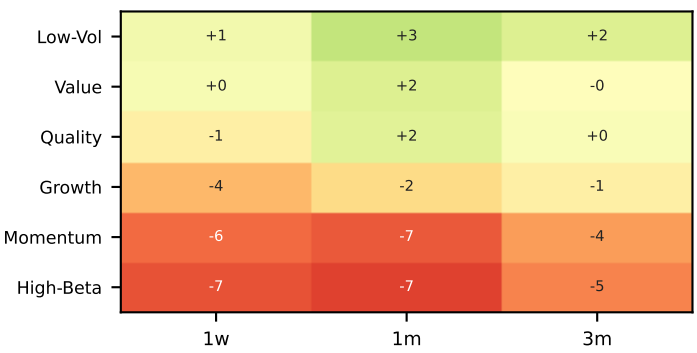
Indices



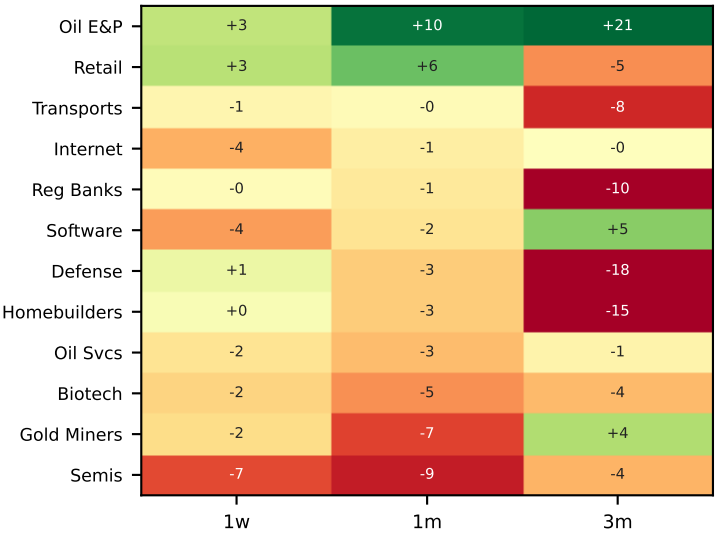
Sectors



Factors



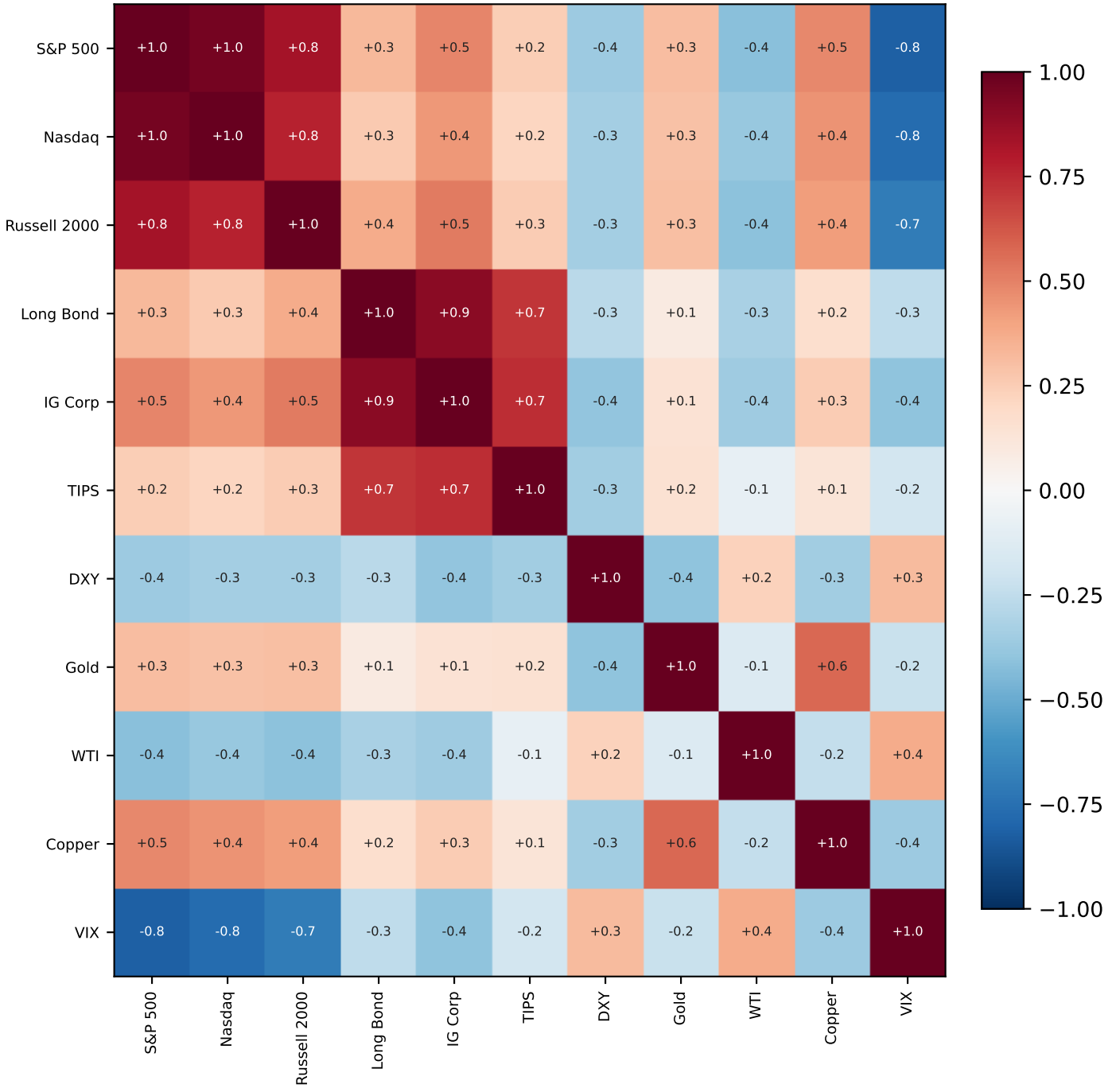
Industries



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Cross-Asset Correlation (252d, daily)

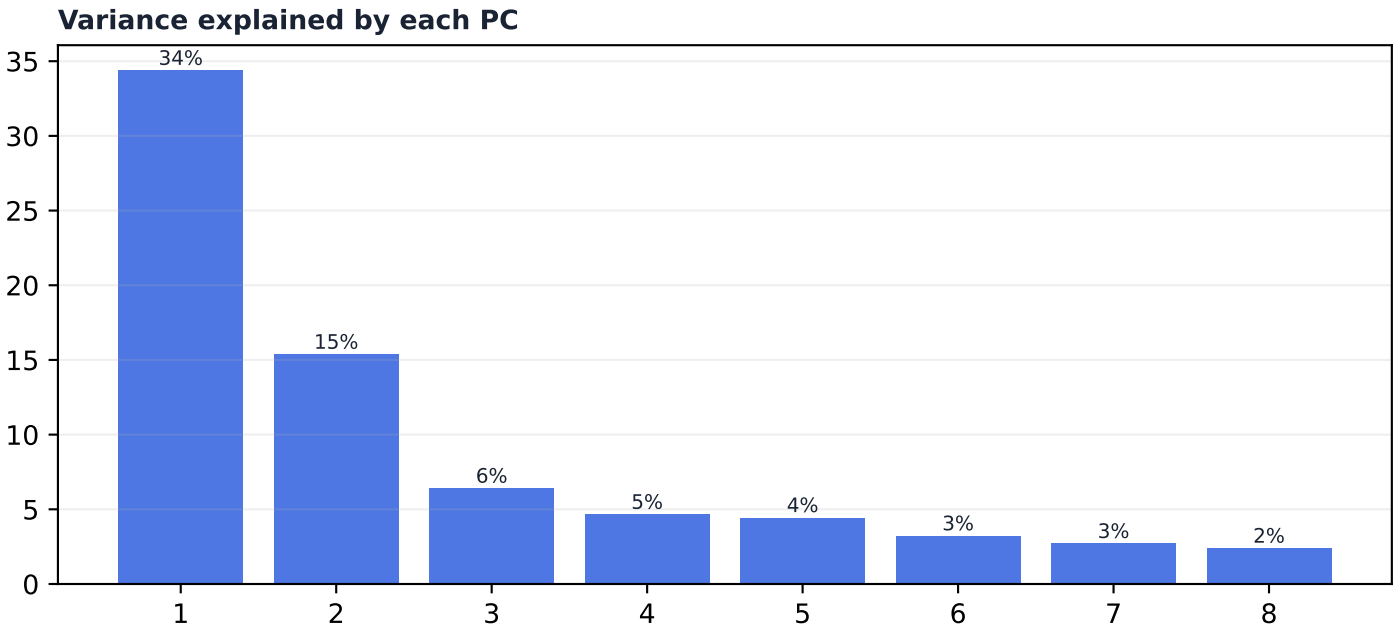
S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 85 instruments (156 weeks)



PC1 — Risk (S&P 500)

34.4% of variance (cum 34%) · marker corr +0.93

+ S&P EqualWt +0.18, Wilshire 5000 +0.18, NYSE Comp +0.17, S&P 500 +0.17, Value +0.17

– VIX3M -0.16, VIX -0.15, VIX9D -0.15, HY OAS -0.14, VVIX -0.13

PC2 — Rates (10Y)

15.3% of variance (cum 50%) · marker corr +0.93

+ US 10Y +0.26, US 5Y +0.25, US 30Y +0.24, 10Y real +0.22, 10Y breakeven +0.19

– 7-10y Tsy -0.26, Long Bond -0.24, Agg Bond -0.24, MBS -0.24, IG Corp -0.21

PC3 — Energy (WTI) (inverse)

6.4% of variance (cum 56%) · marker corr -0.66

+ Tech +0.16, Nasdaq-100 +0.15, Growth +0.15, Nasdaq +0.14, Internet +0.13

– Energy -0.34, Oil E&P -0.33, WTI -0.29, Brent -0.28, Oil Svcs -0.26

PC4 — US dollar

4.6% of variance (cum 61%) · marker corr +0.66

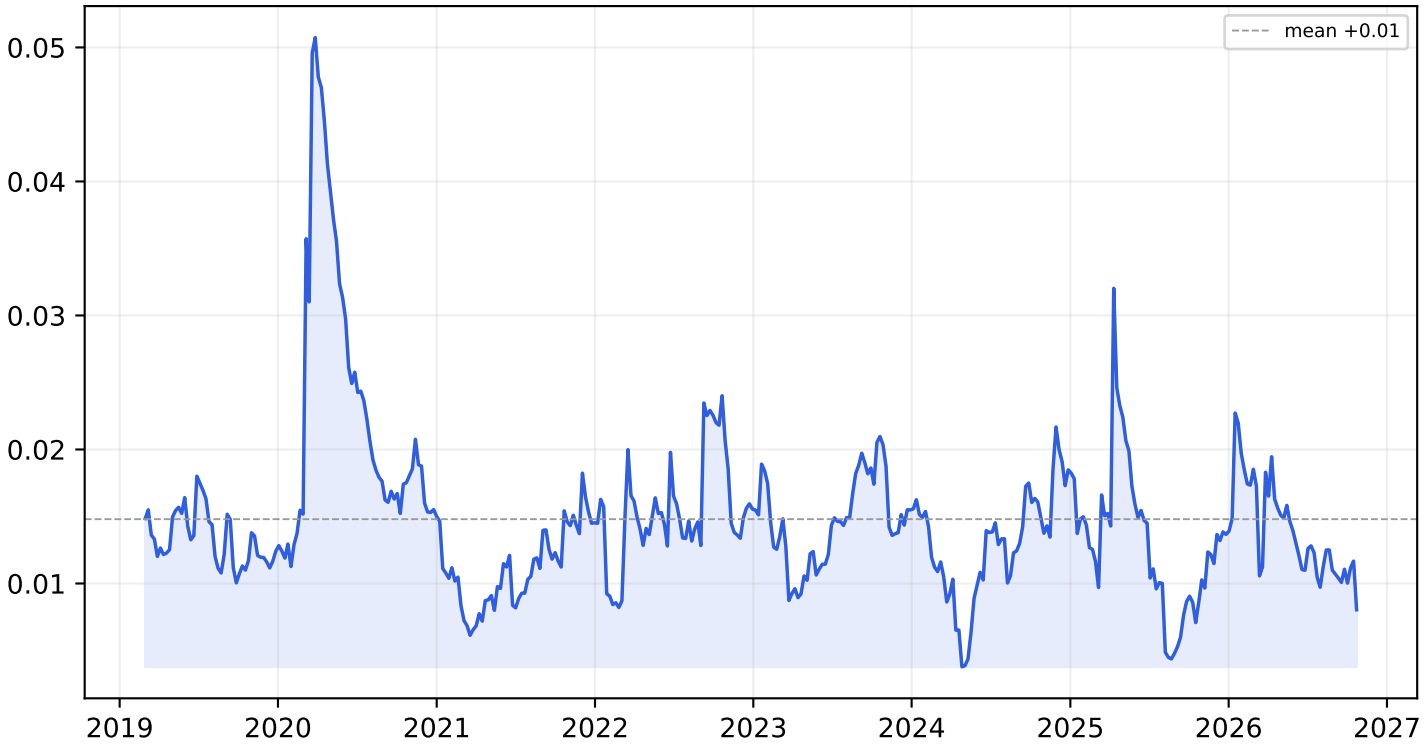
+ DXY +0.33, USDCAD +0.23, USDJPY +0.21, SKEW +0.16, Gasoline +0.14

– EURUSD -0.33, Gold Miners -0.27, Gold -0.24, GBPUSD -0.23, Silver -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.

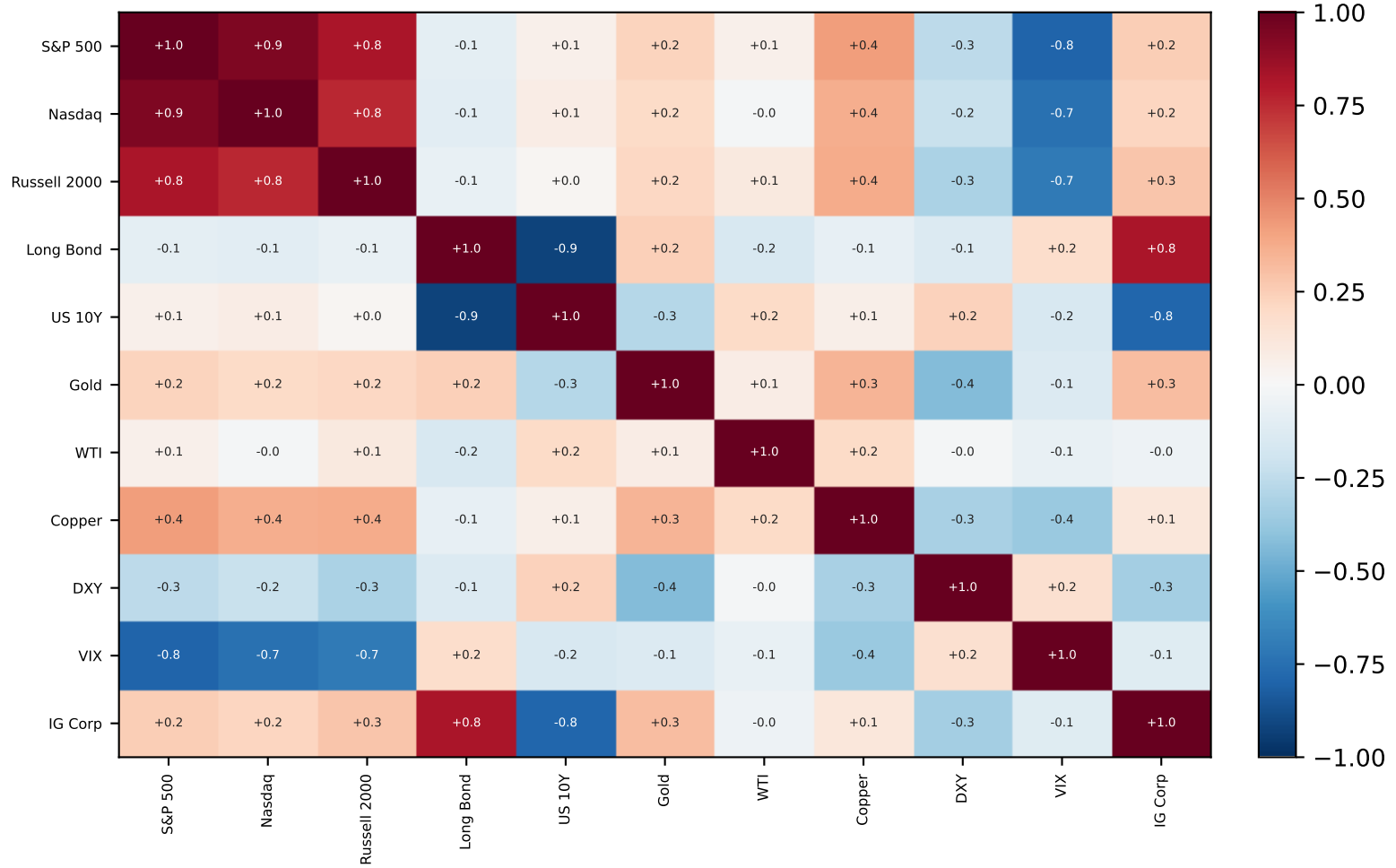
Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Average pairwise conditional correlation (multivariate DCC-GARCH)



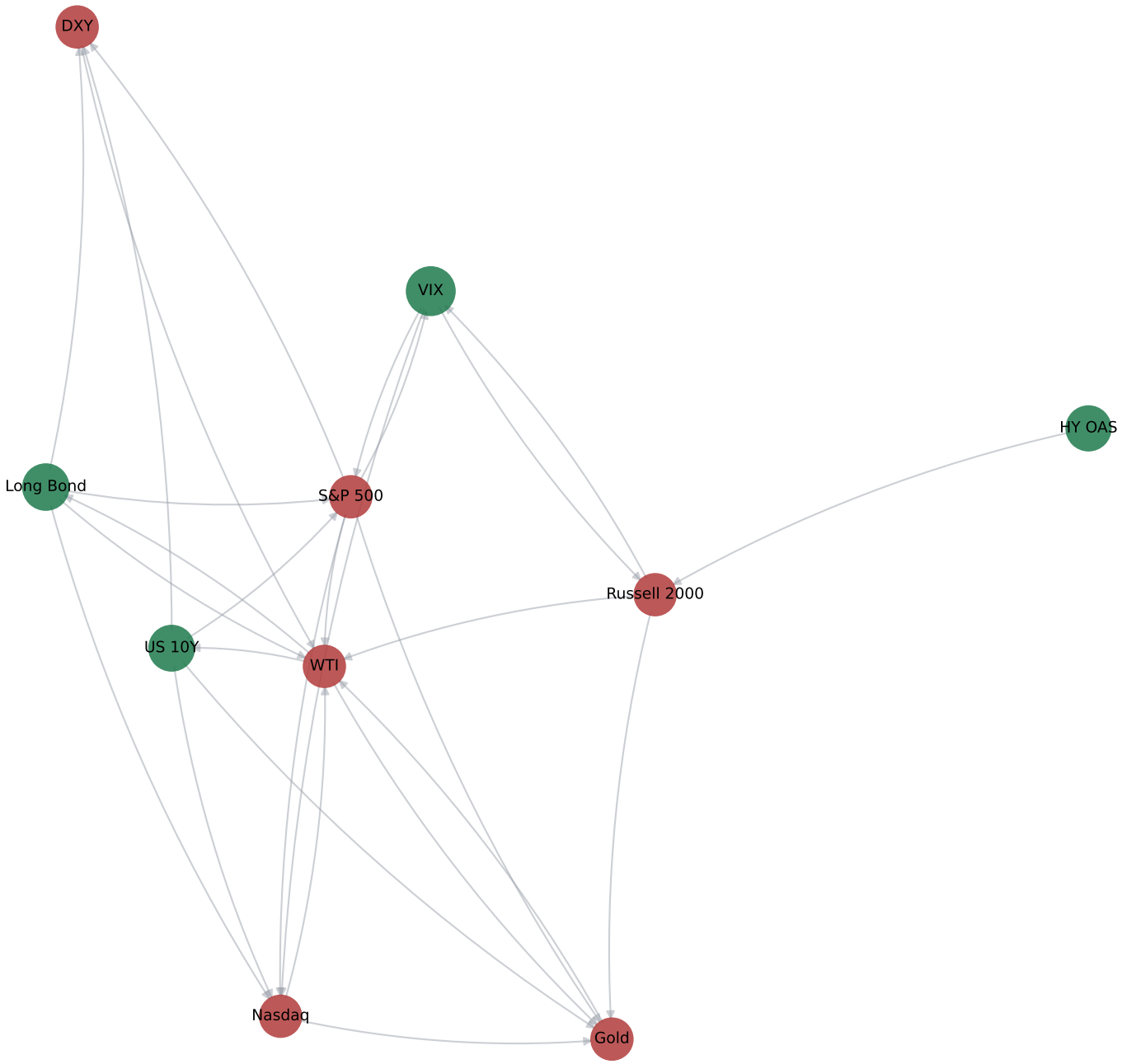
N=11 · persistence 0.9106 · now +0.01 · rising = diversification failing in real time

Latest conditional-correlation matrix



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Directional lead-lag — Granger causality network

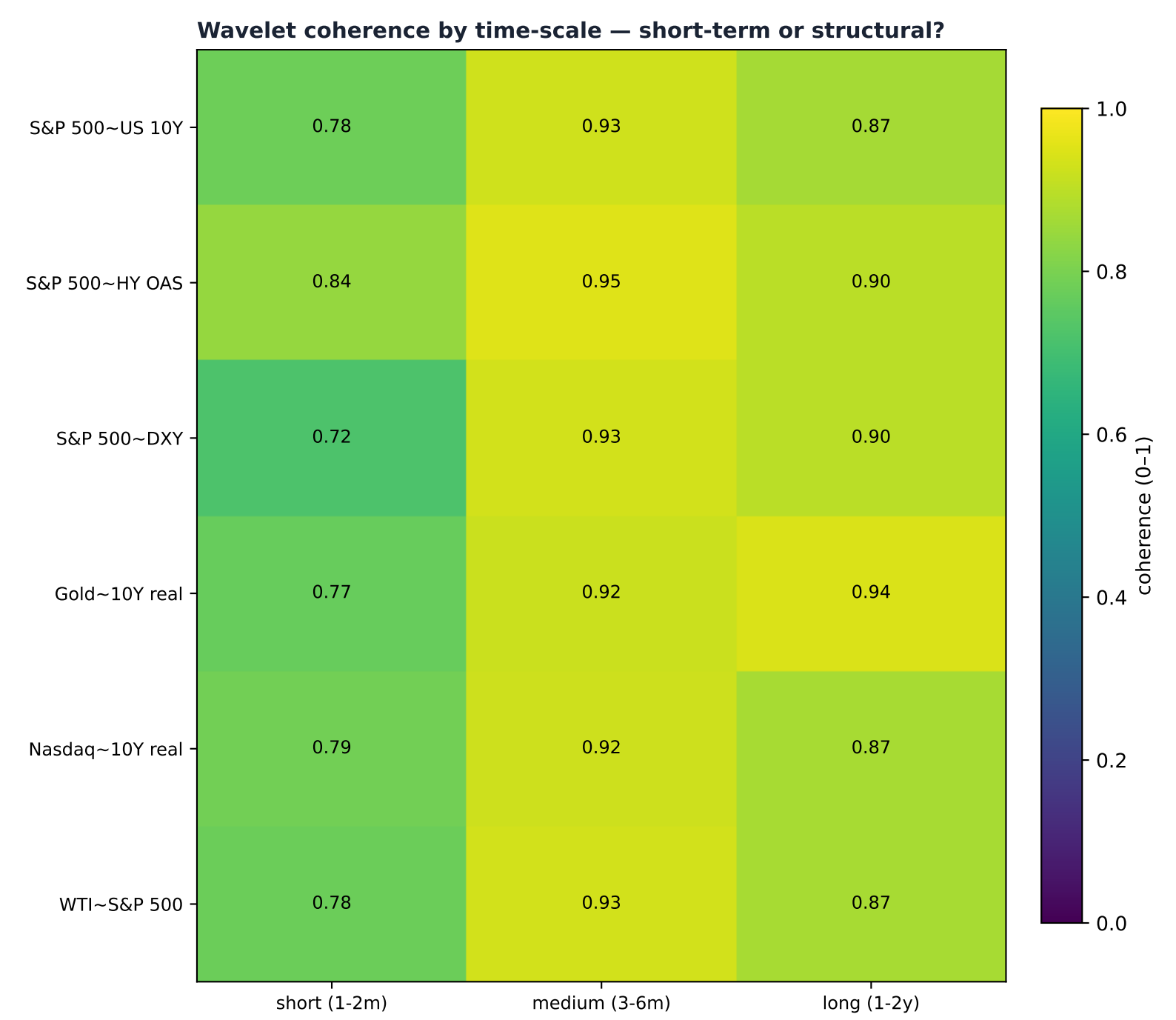


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

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, Nasdaq -0.01, Russell 2000 -0.01, S&P 500 -0.00

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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	0.368	0.97	1w	+2.62
Growth vs Value	no	0.905	0.55	35w	+2.58
HY vs IG credit	yes	0.002	0.29	3w	-2.25
VIX vs VIX3M	yes	0.043	0.84	2w	-0.93
S&P vs Equal-Weight	yes	0.018	0.61	7w	+0.53
Semis vs Nasdaq	no	0.160	0.52	15w	-0.49
S&P vs Nasdaq	yes	0.001	1.24	8w	-0.48
Gold vs Silver	no	0.192	1.20	13w	+0.12
S&P vs Dow	yes	0.002	0.73	7w	-0.11
Long vs Short Tsy	no	0.312	0.05	20w	-0.09
Large vs Small (R2K)	yes	0.015	0.65	9w	-0.08

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.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

PART III

Rotation, Momentum & Fair Value

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

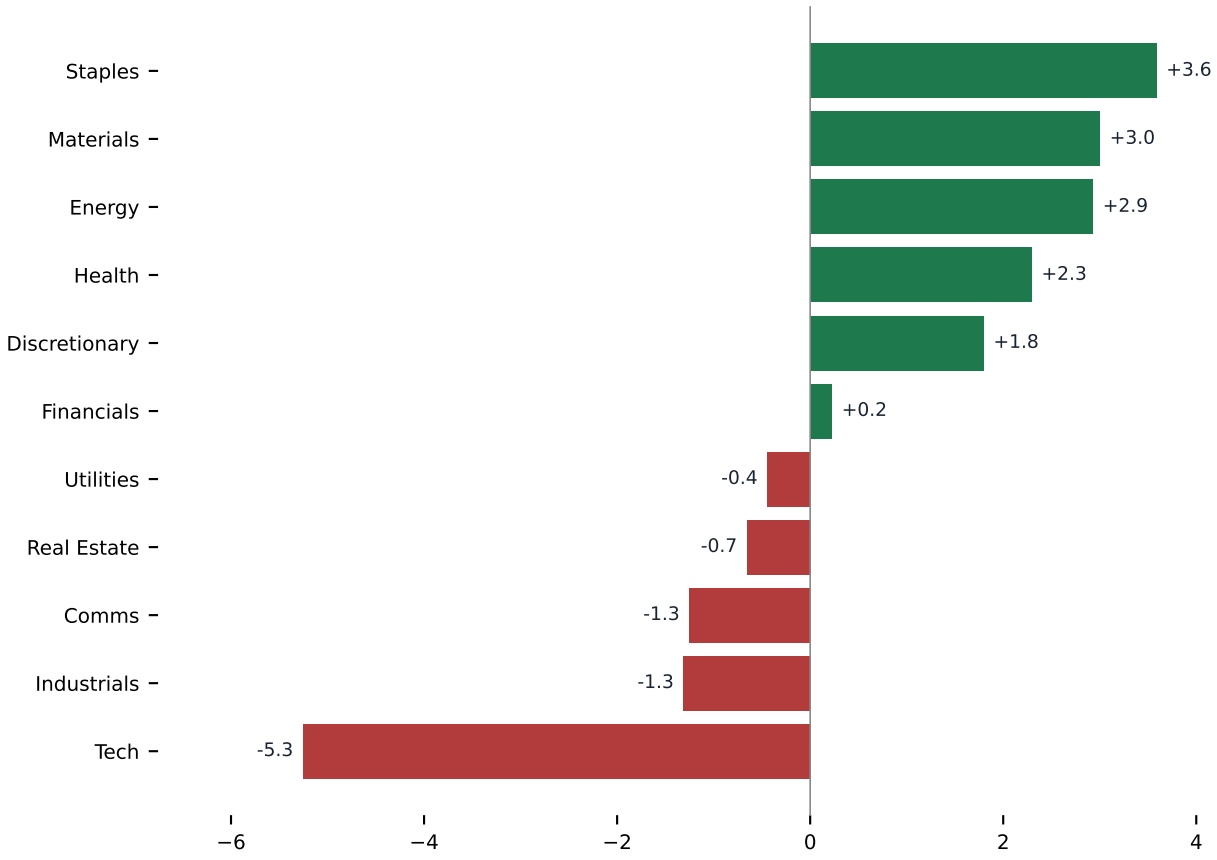
- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

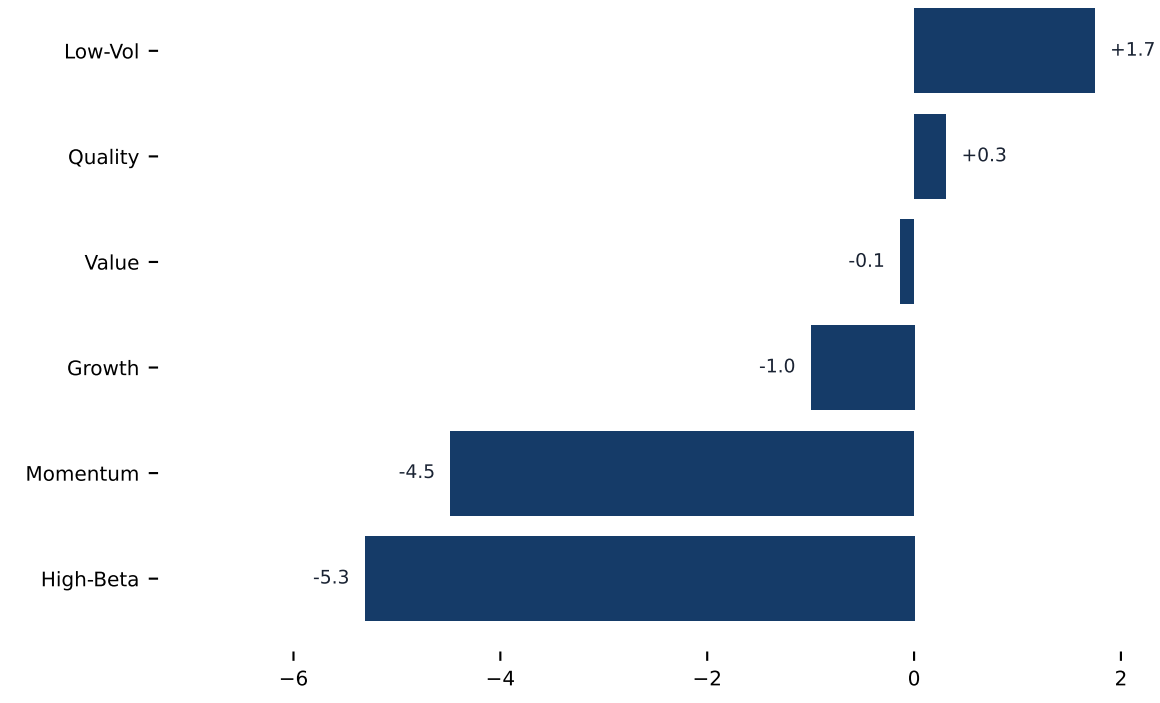
Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 55% up. Growth-Value 3m -0.9%.

Sectors — weekly return %



Factors — 3-month return %



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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%	+7%	+13%	**+0.50**	+5%	-1%
Nasdaq	+6%	+6%	+14%	**+0.50**	+6%	-3%
Russell 2000	-7%	-2%	+9%	**-0.50**	-3%	-11%
Tech	+6%	+16%	+27%	**+0.50**	+10%	-7%
Financials	-2%	+7%	+4%	**+0.50**	+3%	-5%
Energy	+14%	+19%	+54%	**+1.00**	+16%	-0%
Health	+8%	+22%	+20%	**+1.00**	+11%	-0%
Semis	-2%	+8%	+56%	**+0.00**	+5%	-17%
Reg Banks	-8%	+1%	+13%	**+0.00**	-2%	-11%
Gold Miners	+15%	-8%	+19%	**+0.00**	-4%	-25%
Gold	+2%	-12%	+1%	**+0.00**	-8%	-21%
WTI	+11%	+5%	+61%	**+1.00**	+15%	-11%

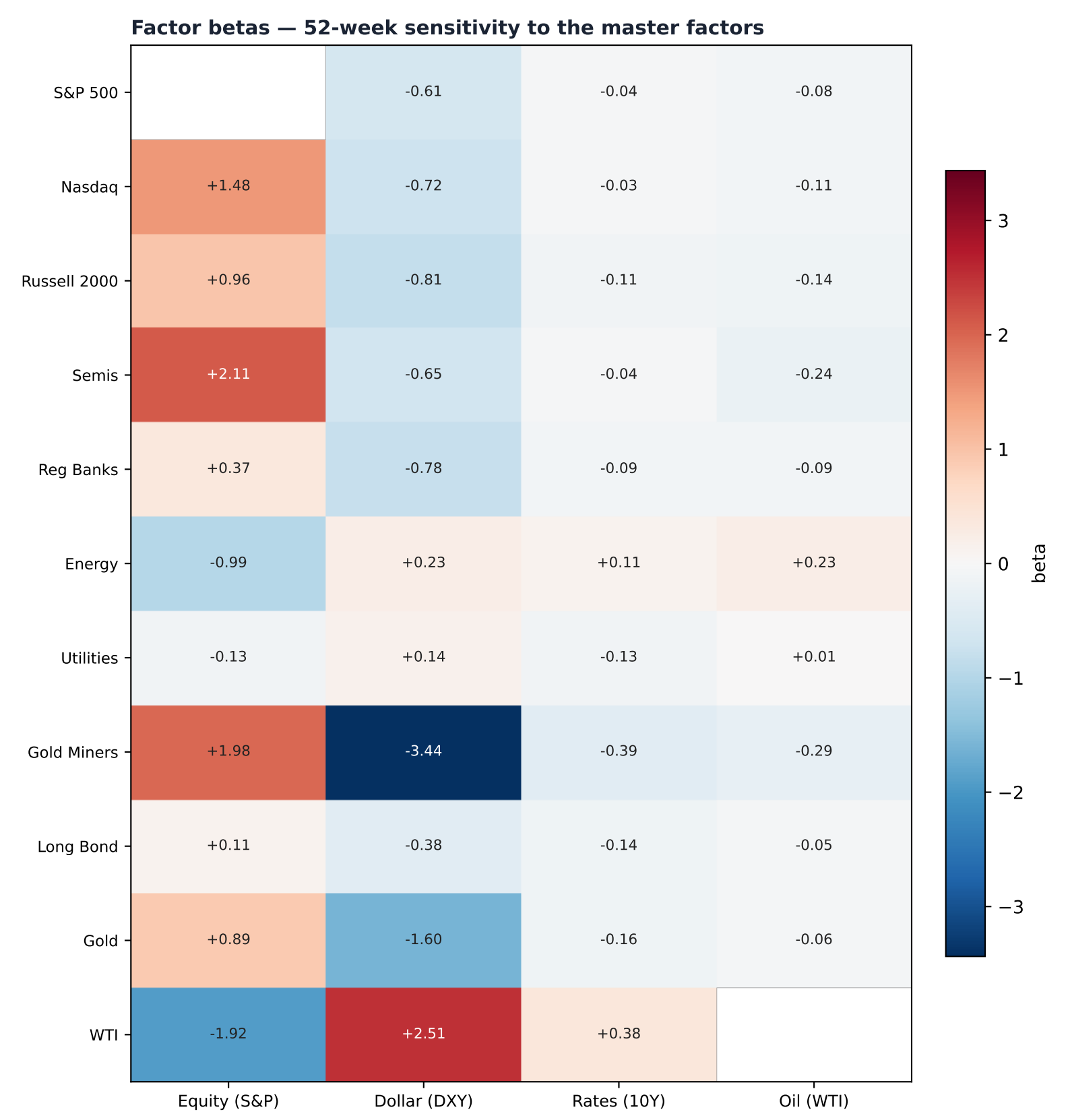
Sector 26-week relative strength:

LEADERS: Health +22%, Energy +19%, Tech +16%, Financials +7%, Staples +5%, Materials -2%

LAGGARDS: Utilities -10%, Real Estate -5%, Comms -5%, Discretionary -4%, Industrials -3%, Materials -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.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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 +1.14

actual 7696.20 · model-fair 6232.31 · gap +23.5% · R² 0.30



Semis vs Nasdaq

RICH z +0.85

actual 548.75 · model-fair 500.43 · gap +9.7% · R² 0.96



Gold vs real yield & dollar

RICH z +0.59

actual 4162.90 · model-fair 3716.85 · gap +12.0% · R² 0.70



HY spread vs equity vol

RICH z +0.49

actual 3.31 · model-fair 3.13 · gap +0.2 · R² 0.12



Nasdaq vs real yield & S&P

cheap z -0.25

actual 26431.60 · model-fair 26588.42 · gap -0.6% · R² 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 R² — a low-R² model is a weak anchor, stated honestly.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

PART IV

Volatility & Risk

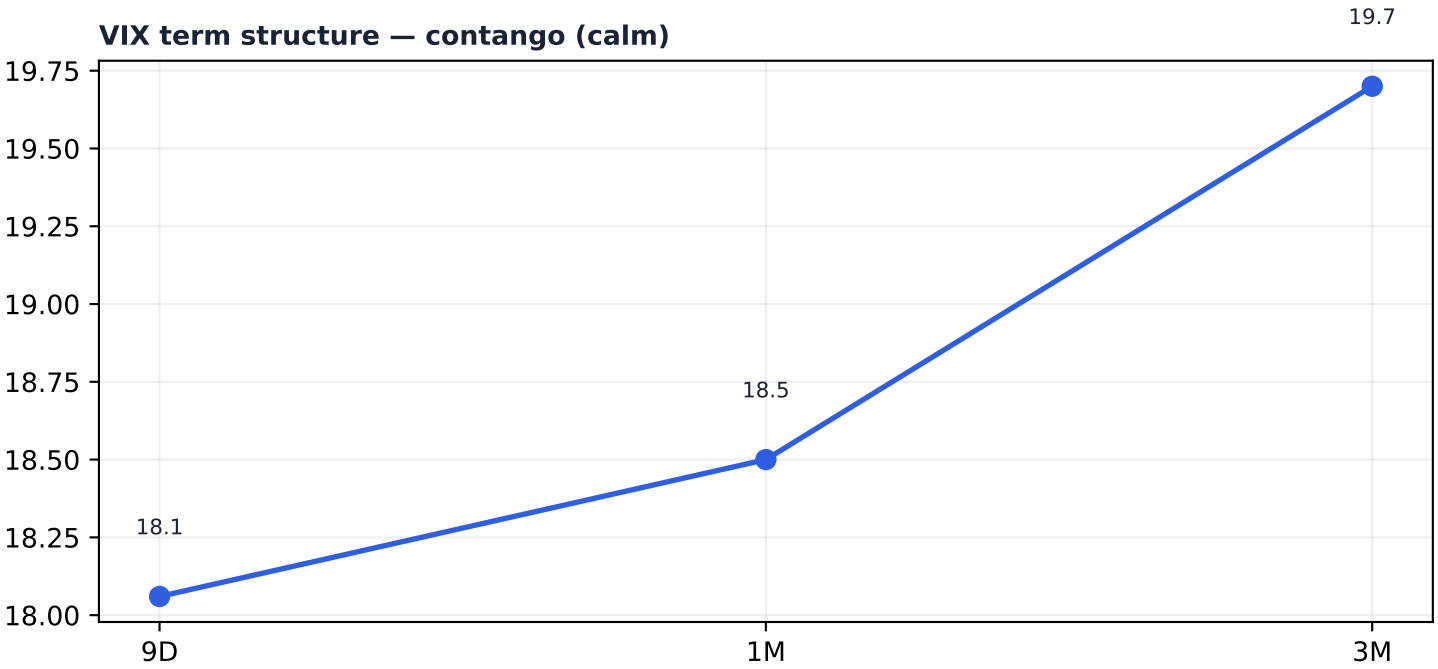
The volatility complex and downside risk.

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

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

VOLATILITY COMPLEX

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



VOL RISK PREMIUM

+10.1 pts

VIX 18.5 − realised 8.4

positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

169

99th %ile of 5y — elevated crash-hedging demand

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

Bond vol (MOVE)	101	54th
Oil vol (OVX)	51	80th
Vol-of-vol (VVIX)	106	74th

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.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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	-4.6%	-5.9%	13%	-36%	-3%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	13%	-33%	-11%	-0.2	+0.5
Semis	-7.6%	-10.2%	22%	-45%	-17%	-0.3	+0.5
Reg Banks	-6.3%	-9.7%	21%	-54%	-12%	-0.6	+2.3
Energy	-5.5%	-8.6%	21%	-23%	-0%	-0.7	+3.4
Long Bond	-3.6%	-4.7%	10%	-50%	-48%	-0.1	+0.4
Gold	-3.6%	-4.7%	11%	-23%	-21%	-0.1	+1.3
WTI	-9.7%	-11.9%	25%	-53%	-18%	+0.6	+3.3

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

Nasdaq 0.77 Russell 2000 0.60 Long Bond 0.17 Gold 0.11

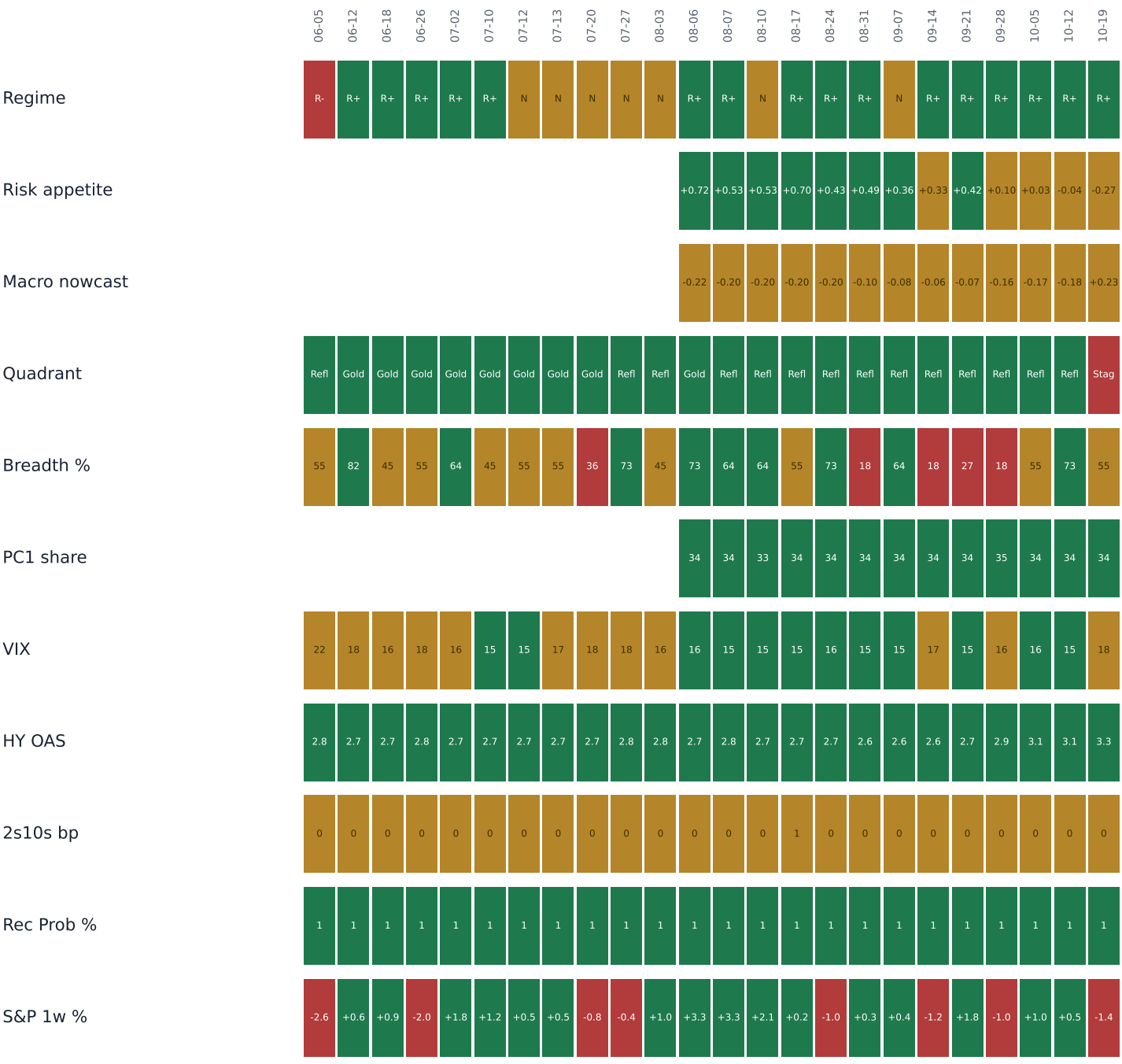
VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

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.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com