



MacroVantage



Uncover price dislocations, trade opportunities, regime shifts and sensitivity analysis across asset classes

1. Which US sector rallies most on a benign CPI print?
2. Topix breakout - Japanese Autos to lag?
3. USDINR - bad news, no reaction

1. Which US sector rallies most on a benign CPI print?

Thus far, equities are viewing weaker economic data as positive (Fed rate cuts) rather than negative (recessionary). For believers in that, the implication is a benign CPI report next week could be the catalyst for further upside in the interest rate sensitive sectors.

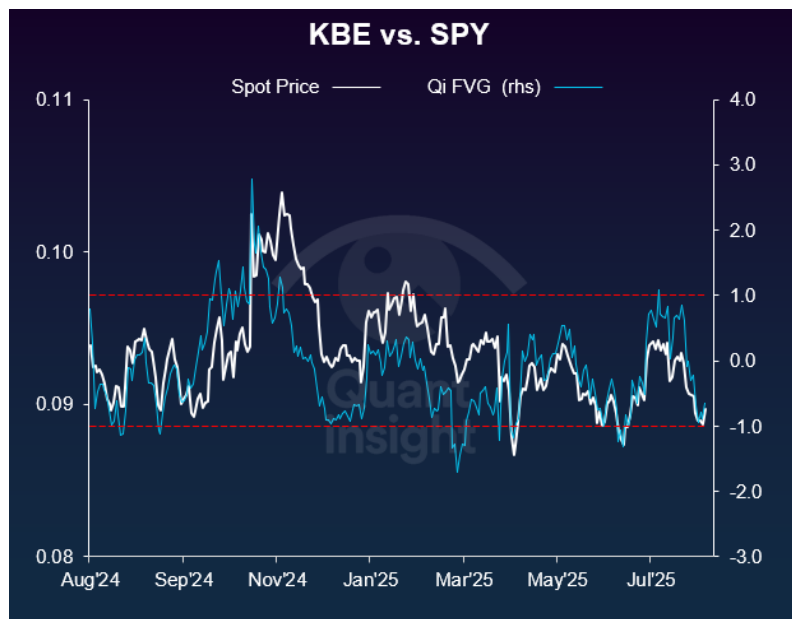
The Watchlist below (available on request) looks at Qi's models across several RV pairs - all rate sensitive sectors relative to the broader market.

Model Name ▲	Confidence(%) ▲	Val Gap	Val Gap (σ) ▲	
XLF vs. SPY	51%	-3.47%	-1.32	
KRE vs. SPY	77%	-3.29%	-0.67	
KBE vs. SPY	72%	-2.51%	-0.65	
IYR vs. SPY	55%	-1.80%	-0.43	
XLI vs. SPY	49%	-0.07%	-0.03	
XRT vs. SPY	15%	0.65%	0.18	
XHB vs. SPY	59%	2.30%	0.31	
ITB vs. SPY	62%	4.09%	0.41	
RSPD vs. RSP	62%	2.13%	1.11	

The standout is various financial ETFs have lagged and sit cheap versus the S&P500 relative to prevailing macro conditions.

XLF has the biggest FVG & also would have the best back-test stats (73% hit rate; +0.95% average return) if it was in a regime. Model confidence is rising but, at 51%, it sits below our threshold for a macro regime.

From a spot price versus Qi FVG perspective, KBE vs. SPY looks the most interesting. 59% correlation over the last 1y suggests the Valuation Gap has tended to close via the market catching up/down to macro fundamentals.



Finally, it is interesting to note that even when stripping out the Amazon & Tesla effect, equally weighted Consumer Discretionary screens as over 1 sigma rich versus equally weighted S&P500. Evidence that direct consumer plays are the area most vulnerable to weak economic data but also most at risk if CPI prints strong next week.

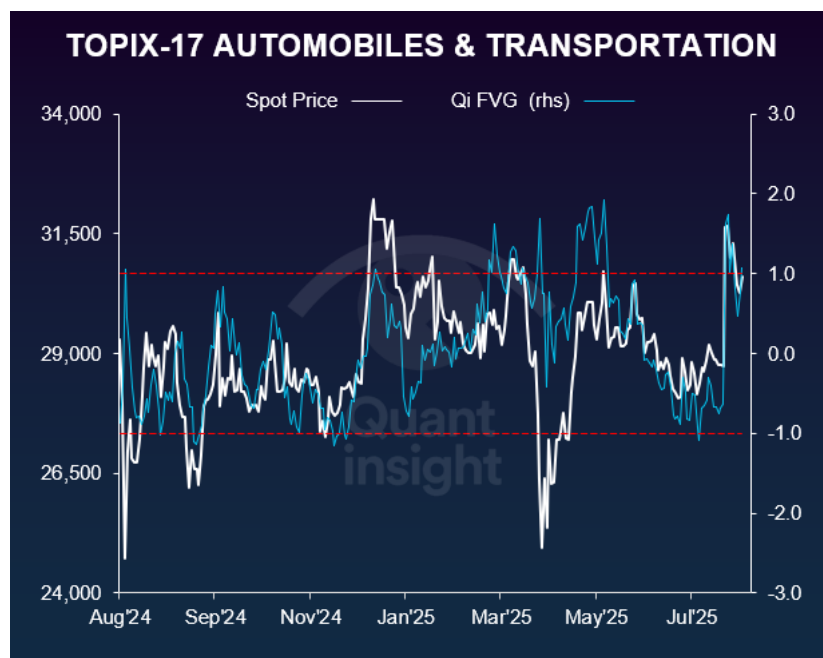
2. Topix breakout - Japanese Autos to lag?

The Topix is breaking out surpassing the late July highs achieved after the US-Japan trade agreement. Autos led that move after tariffs fell from 25% to 15%. They may lag this time.

On Qi, the TOPIX 17 auto sector ETF (TP17TPEQ) enjoyed decent macro momentum over April/May/June, but that momentum has stalled over July & early August. The recent rally therefore has taken it over 1 sigma (4.3%) rich. That's towards the rich end of Qi FVG ranges over the last 5 years.



Back-tests suggest these are historically significant levels (69% hit rate) but that's when the model is in regime & today model confidence is only 48%. It is notable, however, that the correlation between our FVG & spot price is strong, suggesting the "right" kind of mean reversion.



3. USDINR - bad news, no reaction

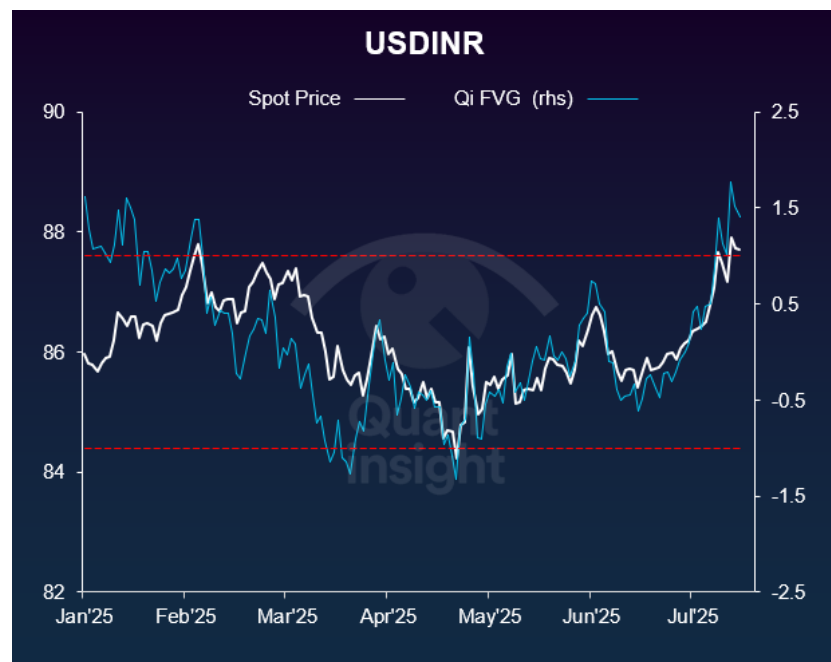
Yesterday after President Trump announced an additional 25% tariff on Indian goods, crude oil responded but notably USDINR didn't. The lack of a reaction in FX could reflect the fact that the cross has already moved a long way.

On Qi, macro-warranted model value for USDINR is grinding higher, but only gradually. The means this latest Dollar rally has overshot leaving it 1.5 sigma (1.6%) rich to the Indian Rupee relative to the prevailing macro environment.



Clearly the political situation remains highly volatile & there's huge headline risk. But it is notable that macro explanatory power has risen &, at 64%, we're on the cusp of a new macro regime.

Furthermore, the 2025 relationship between spot USDINR & Qi FVG looks decent & suggests recent history points to the gap closing by the market catching back down to macro-warranted model value.



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