



MacroVantage

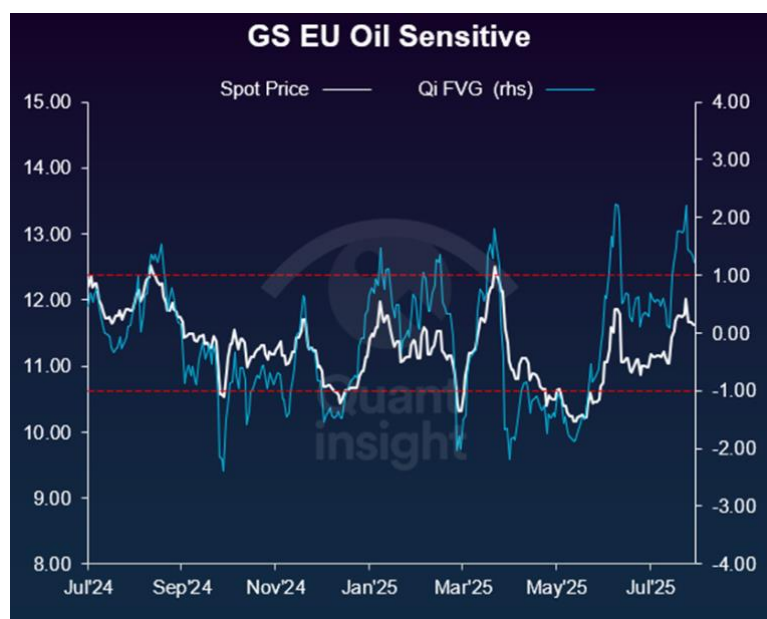
Uncover price dislocations, trade opportunities, regime shifts and sensitivity analysis across asset classes

1. EU Oil Rich into Ukraine Summit
2. Room for US Mid-Cap Outperformance?
3. USDBRL - be patient

1. EU Oil Rich into Ukraine Summit

Hopes have lifted for a Ukraine ceasefire given the impending meeting between Trump and Putin. Crude oil (both WTI & Brent) has fallen almost 10% into August on this prospect.

However, the European Oil & Gas heavyweights still screen rich relative to oil exposed companies on Qi's valuation model, currently at +1.22 sigma – the upper end of its long term FVG range. When the FVG elastic is stretched it warrants attention given its high correlation to spot prices.



Relative to other European sectors, SXEP (Energy) vs. SX8P (Technology) is the stand-out RV sector pair in term of extended Qi Fair Value Gap – at a multi-year highs of +2.7 sigma.

2. Room for US Mid-Cap Outperformance?

It is well known that US large caps have been on a tear relative to their smaller peers. Looking at Vanguard's mid-cap ETF (VO US Equity), it is trading close to all-time lows relative to SPY.

The VO / SPY RV pair is now trading at -1.5 sigma below Qi's model value (close to 5yr lows) and the ability of Qi's FVG to track spot performance has been strong – see the chart below. So we have a starting point where the size factor screens rich vs. history.



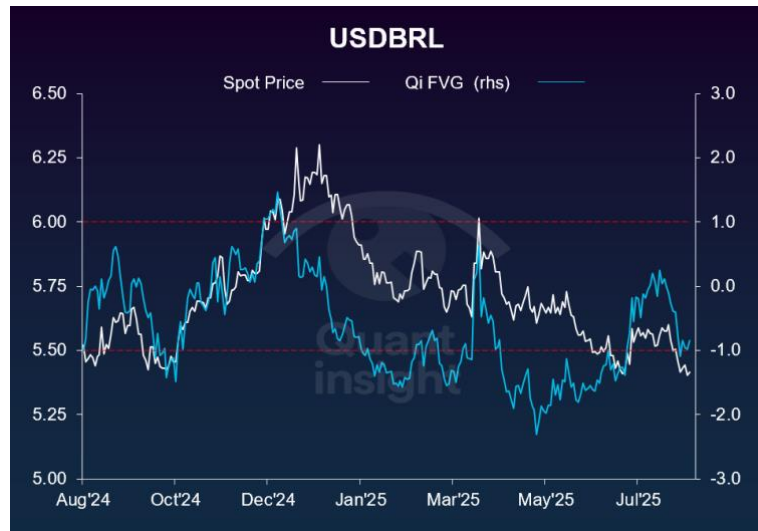
Tuesday's inflation report lifted the odds of a September rate cut. Expectations of looser financial conditions ahead would allow for respite in the relative under-performance of mid-caps.

3. USDBRL - be patient

There are several strong arguments for being bearish USDBRL. However Qi suggests these are not the optimal levels to chase downside.

While spot has moved lower early in August, Qi model value has risen nearly 2%. The attribution of that move shows it's the plunge in copper prices that's pushed Qi's macro-warranted fair value up.

Put another way, USDBRL has moved too low, too quickly relative to the sharp fall in copper prices. Either metal prices need to recover, or the FX market may need to consolidate or retrace before the Real appreciates further.



That divergence leaves USDBRL almost 1 sigma (3.5%) cheap on Qi. Since 2009, the cross has only been in regime & this cheap on 25 occasions over the last 16 years. Back tests reveal a 60% hit rate and +1.2% average return. Plus, on recent patterns, extremes in Q's FVG has done a decent job of catching local turning points in spot.

Disclaimer

This document is being sent only to investment professionals (as that term is defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order RSq005 ("FPO")) or to persons to whom it would otherwise be lawful to distribute it. Accordingly, persons who do not have professional experience in matters relating to investments should not rely on this document. The information contained herein is for general guidance and information only and is subject to amendment or correction. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

This document is provided for information purposes only, is intended for your use only, and does not constitute an invitation or offer to subscribe for or purchase any securities, any product or any service and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document does not constitute any recommendation regarding any securities, futures, derivatives or other investment products. The information contained herein is provided for informational and discussion purposes only and is not and, may not be relied on in any manner as accounting, legal, tax, investment, regulatory or other advice.

Information and opinions presented in this document have been obtained or derived from sources believed to be reliable, but Quant Insight Limited (QI) makes no representation as to their accuracy or completeness or reliability and expressly disclaims any liability, including incidental or consequential damages arising from errors in this publication. No reliance may be placed for any purpose on the information and opinions contained in this document. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document by any of QI, its employees or affiliates and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. Any data provided in this document indicating past performance is not a reliable indicator of future returns/performance. Nothing contained herein shall be relied upon as a promise or representation whether as to past or future performance.

This presentation is strictly confidential and may not be reproduced or redistributed in whole or in part nor may its contents be disclosed to any other person under any circumstances without the express permission of Quant Insight Limited.