



S&P 500 Return Attribution: Strong Fundamentals, Macro Drag

SPY has now returned +6.5% in the first 6 months of 2025 but note the breakdown – idio actually delivered +10.16%, but macro factors were a 3.66% drag on performance.

SPY: Factor Return Attribution Table (%)		
2025-01-01 to 2025-07-02		
Economic Fundamentals	Metals	0.46
	Inflation	0.16
	Energy	-0.16
	Economic Growth	-0.09
	Total Economic Fundamentals	0.36
Financial Conditions	Real Rates	-0.07
	Forward Growth Expectations	1.19
	DMFX	0.23
	Corporate Credit	-2.44
	CB Rate Expectations	-0.42
	CB QT Expectations	-1.76
	10Y Yield	0.16
	Total Financial Conditions	-3.11
Risk Appetite	Risk Aversion	-0.5
	Total Risk Appetite	-0.5
	Factor	-3.66
	Idio	10.16
	Actual	6.5

Key Insights:

- **Net Performance:** SPY returned +6.5% over six months
- **Idiosyncratic Factors:** Delivered +10.16%, showing robust fundamental performance
- **Macro Headwinds:** -3.66% drag primarily from April's credit spread widening and tightening financial conditions
- **Critical Question:** Do US High Yield spreads still dominate SPY's risk profile, or have new macro exposures emerged?

The Bottom Line: Idiosyncratic performance is being undermined by macro factors. Understanding current exposure profiles is essential for effective risk management.

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