



Hidden Real Rate Bias in L/S Positions

Revealing Macro Exposures

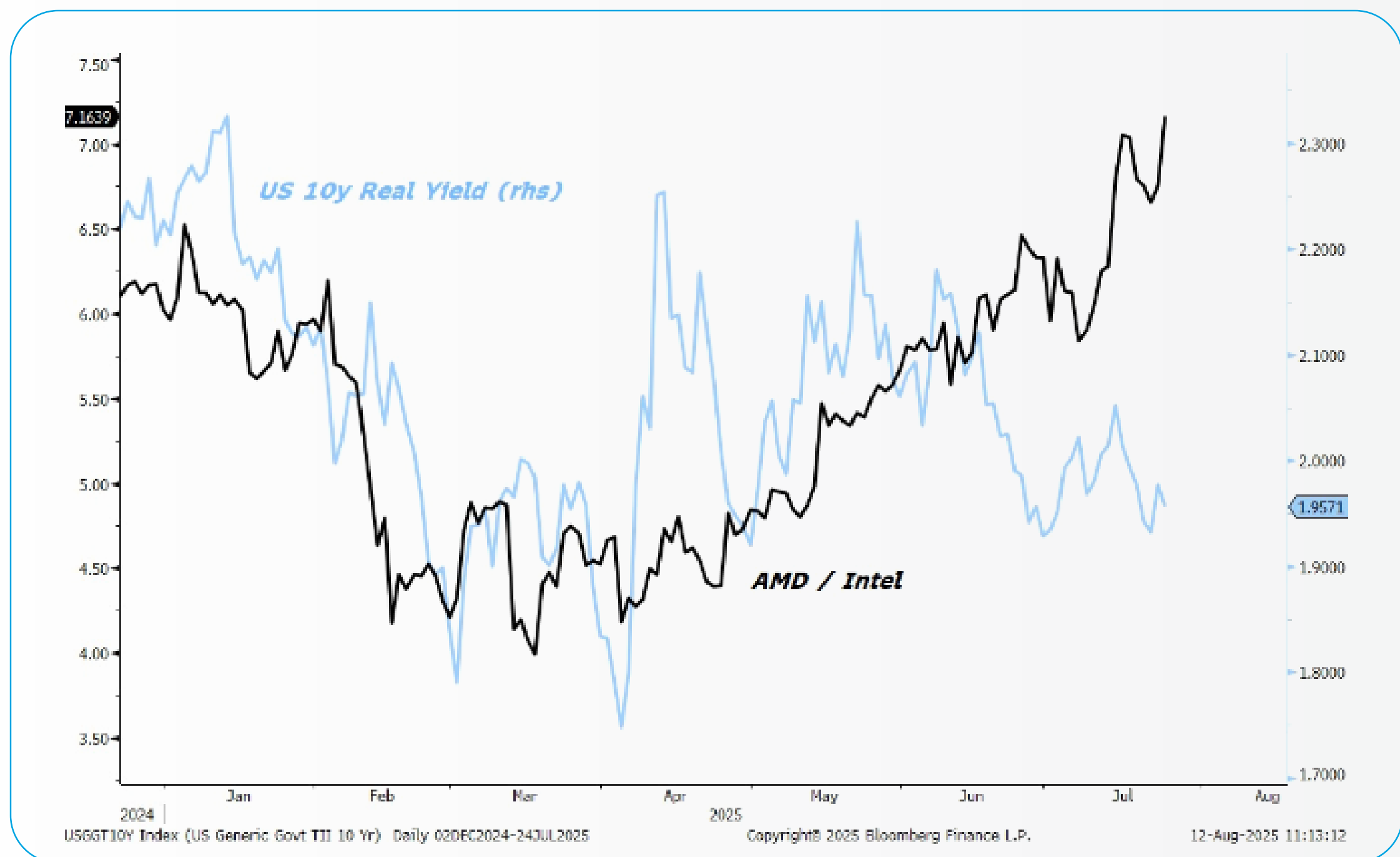




US 10y Real Rates

Retail – WalMart > Target when real yields rise

- WalMart is indifferent to US real yields; Target has negative exposure
- WalMart's core customer is low income buying of groceries & essentials; Target focuses more on middle/upper income households buying discretionary items
- So do rising yields reflect economic strength & TGT outperform? Or tighter financial conditions so hide in WalMart? Current exposures show when real yields rise, WMT outperforms TGT. Today the emphasis is on WMT's defensive characteristics





Semiconductors – Intel > AMD when real yields rise

- The fundamental story between the two chip makers is clear. Intel is a multi-year restructuring play; AMD is part of the AI growth theme.
- From a macro perspective, Intel is neutral with regards to US real yields, AMD has positive exposure.
- Bottom line – the current regime is one where a strong economy/rising real yields implies health demand for chips & a “risk on” mood in markets, i.e. within Semi’s, AMD fares best.

