



MacroSpotlight

**Navigating Market Regimes &
Seeing Icebergs Before They Hit**

5th December 2025



The R-Word: Redefining “Regime” in Active Management

The term “regime” is one of those words everyone uses but few define with precision.

- **The Trader:** Regime = risk appetite (risk-on / risk-off).
- **The Strategist:** Regime = the dominant factor drivers explaining markets right now.
- **The Quant:** Regime = market structure (high correlation vs. high dispersion).

We believe the R-word is fundamentally a question of navigation. Quant Insight’s Macro Factor Equity Risk Model (MFERM) is our ship’s radar, measuring the Macro Share of Risk (MSR) for every stock to provide a clear map of systemic risk.

Navigating the Tail Risks (The Iceberg Analogy)

Think of the tails of the MSR distribution to manage systemic exposure:

- **Left Tail (Complacency):** When MSR is deep in the left tail, we risk macro complacency and hitting the “iceberg” of systemic shock. We retreat to safety.
- **Right Tail (Fear):** When MSR is deep in the right tail, macro fear is high. There is a strong case to harvest the embedded macro risk premia because we see a clear path to escape the immediate danger.



The Core Alpha Decision (The Deck Chair Analogy)

However, for the majority of the journey, we are paid to make a choice: where is the best “deck chair” to enjoy the view? As Mahmood Noorani said at the recent Neudata conference, rather than predicting macro, you must focus on understanding the prevailing regime that drives alpha value.

Where is value generated from taking risk? Should we tilt towards stocks carrying high embedded Macro Risk Premia, or pivot to those exhibiting high Idiosyncratic Risk Premia (the traditional goal of stock-pickers)?

Qi's MFERM helps determine which source of alpha is currently dominating, ensuring you are allocated to the currently rewarded value. Whether we are in a “Fed Put” world, a “soft landing,” an AI thematic, or a “TACO” world—our framework guides you to make that choice.



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