

MacroVantage

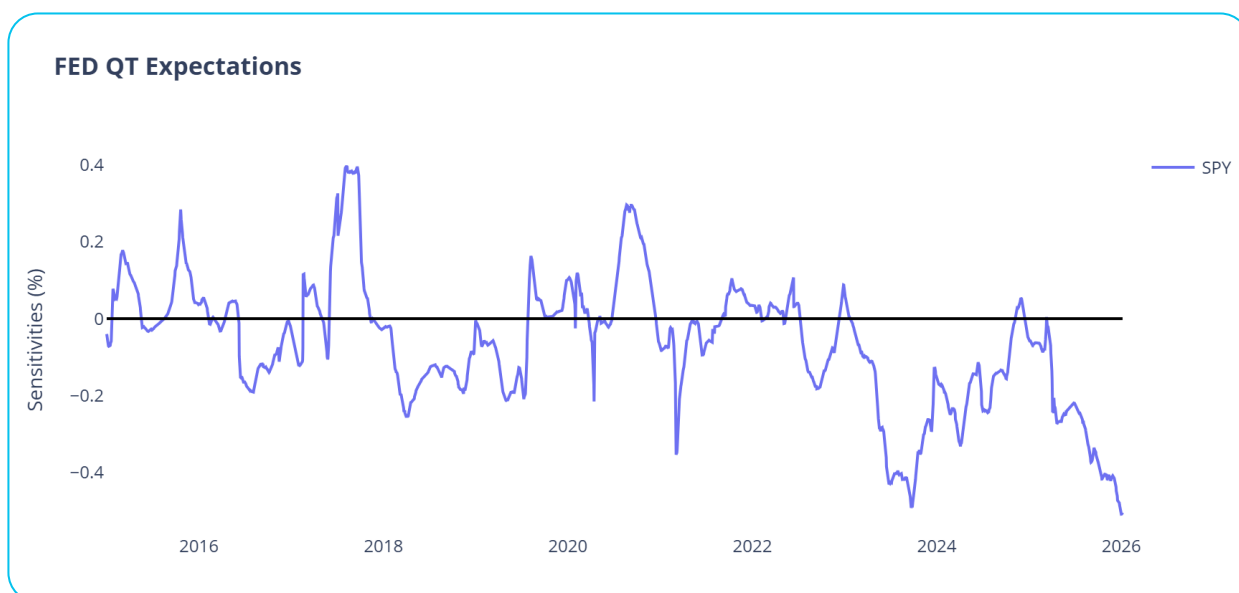
1. S&P500's Quiet But Dangerous Addiction
2. Breaking the Addiction: Sector Rotation
3. EM Bonds Join the Rotation



1. S&P500's Quiet But Dangerous Addiction

Qi's SPY model shows sensitivity to US rate vol is at 10 year lows. In simple terms, the fall in the MOVE index has been a major tailwind for equities.

The problem is asymmetry. When dependence on low rate vol gets this extreme, any spike matters more.



There are plenty of ways that calm gets tested — SCOTUS on Trump tariffs, commodity-led inflation pressure, deficit anxiety, Fed succession risk.

2025 worked because bonds stayed quiet after April's shock. Equities are now priced for that to continue. That's a potential vulnerability.

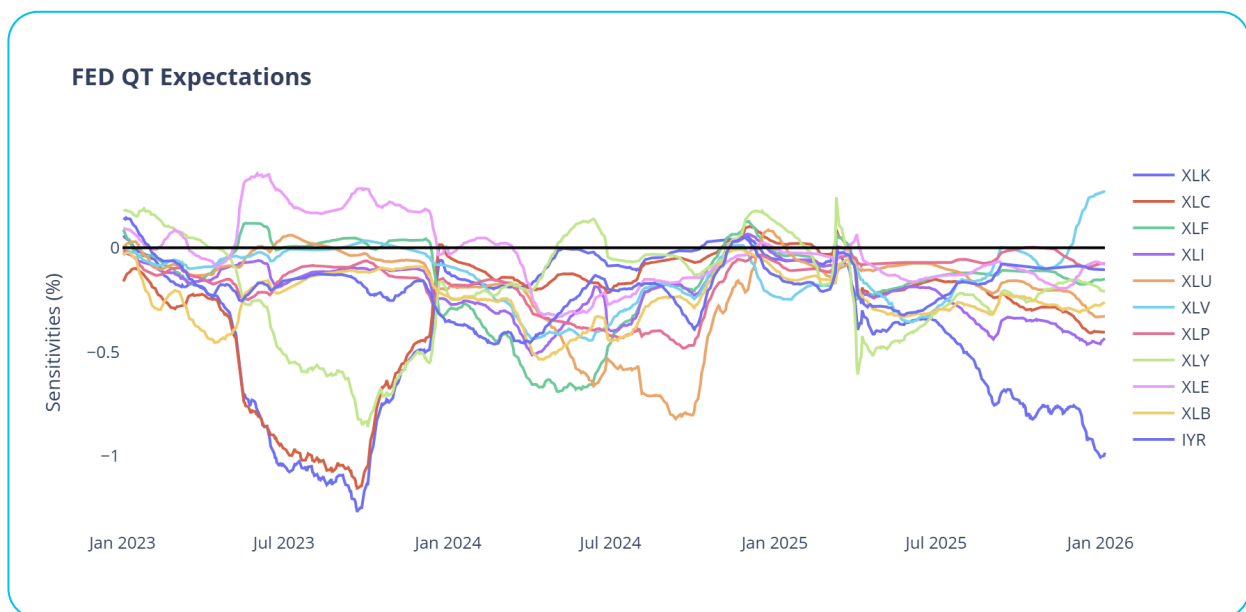


2. Breaking the Addiction: Sector Rotation

Rotation is a key theme for 2026 – US vs. RoW, tech versus cyclicals. But how are these allocations impacted if rate vol spikes?

The two book-ends are Tech where XLK sensitivity is deeply negative & falling, and Healthcare where XLV benefits from higher rate vol. This is a one-factor snapshot only but the picture is clear.

A docile bond market & XLK benefits; resurgent bond vigilantes & XLV is a good place to hide. Intuitive but Qi's sensitivity analysis provides strong empirical conviction.



There's no valuation edge in either model currently but there is one additional observation worth making. There is only one model with even bigger negative sensitivity than the Tech sector – GVIP. It is the ETF most reliant on a benign rate vol.

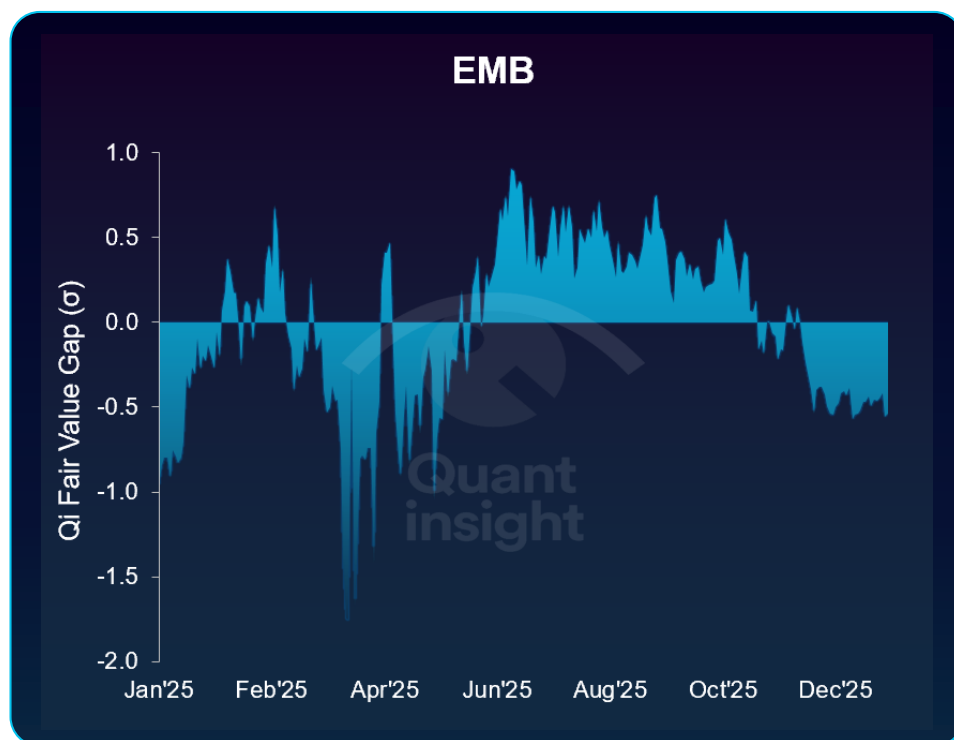
Put another way, popular HF long picks are the most vulnerable to a bond scare.



3. EM Bond Joins the Rotation

The rotation into Emerging Markets is not unique to equities. EM bonds are also a popular long for 2026 as well.

Qi's model for EMB (the ETF tracking JP Morgan's Hard Currency EM bond index) sits 0.5 sigma cheap to macro fair value. That's not a big FVG in outright terms but is at the cheap end of recent ranges.

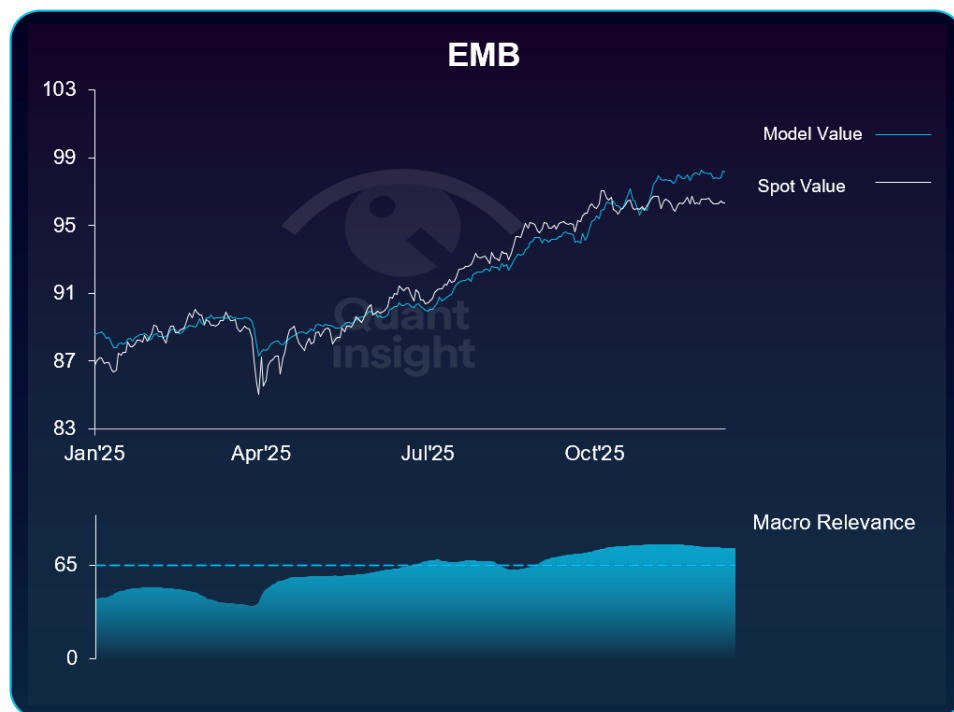




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Qi model value has lost a little momentum but is still trending higher. Spot EMB stalled completely in Q4 – hence the modest FVG.

Macro relevance is high (77%) & stable. And the macro regime is largely as you'd expect with a distinct Goldilocks feel – reflation, easy money, healthy risk appetite. If Trump delivers a dovish Fed Chair and fiscal keeps the economy running hot, this looks like a decent entry point for EM bond exposure.





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