

MacroVantage

- 1. Time for Quality?**
- 2. US Housing: Policy Tailwind, Price Headwind**
- 3. Geopolitics vs. Macro in EM fx**



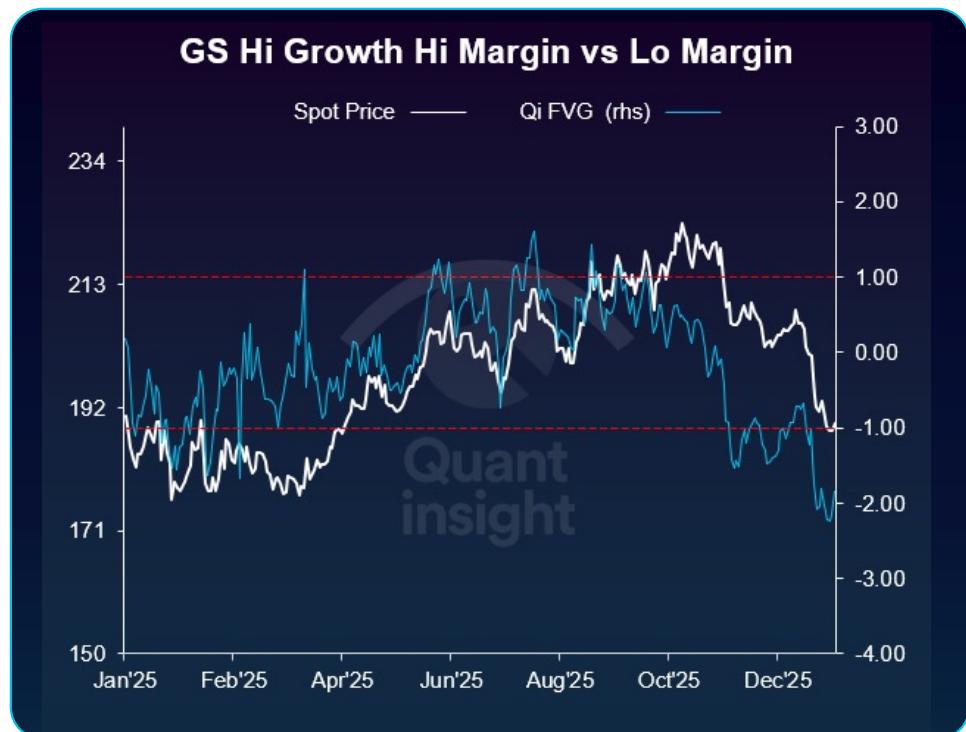
1. Time for Quality?

The last 2 months have seen a significant short squeeze – the GS most short basket has outperformed the GS HF VIP basket by ~10% over this period.

“Quality” has gone out of fashion. The lower quality most short names relative to higher quality VIP names have been reliant on a continuation of lower equity & bond vol, tighter credit spreads and lower inflation.

The GS high growth high margin vs. growth low margin (i.e. growth “neutral” quality) perhaps indicates just how far the speculative fervour has become. The fair value gap to Qi model value stands at -1.8 sigma which is close to multi-year range lows.

The recent high correlation between spot price and the FVG indicates we should be prepared for a mean-reversion buying opportunity at current extreme levels.





2. US Housing: Policy Tailwind, Price Headwind

Domestically, Trump's 2026 policy push is clear: housing affordability. Understandably markets reacted by pushing homebuilding stocks higher. But, relative to macro, the move is starting to look stretched.

Qi flags XHB as 0.75 sigma (~5%) rich versus macro fair value. That's arisen because while the ETF has rallied, macro-warranted fair value is flat lining. Low real rates and calm bond markets have helped.

But those positives are being offset by rising inflation expectations and the recent spike in VIX – both things XHB wants lower, not higher.

Housing relief may be coming – but XHB looks ahead of itself.





3. Geopolitics vs. Macro in EM fx

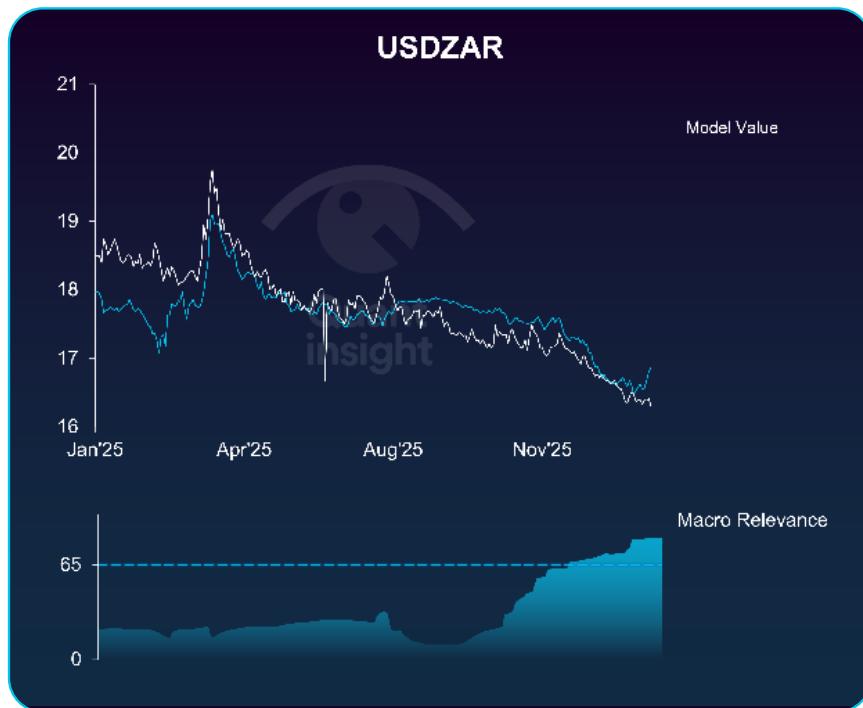
Away from the geopolitical headlines, recent economic data appear to endorse the idea the US economy is running hot. Tracking US GDP has jumped from 2.0% annualised to 3.2%; in Qi z-score terms we've moved from trend to two standard deviations above trend.



On Qi, two Dollar EM crosses – USDMXN and USDZAR – are especially sensitive to domestic US growth and both now screen as over 1 sigma cheap as the fx market has lagged the bounce in US economic growth.



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The market's snap reaction to this week's geopolitics has been to push the Dollar lower. When geopolitics hopefully calm down and markets re-focus on macro fundamentals, these two crosses look ones for contrarian Dollar bulls to consider.



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