MacroVantage

1. Credit Overshoot?

Risky assets beware - relative to macro conditions, US HY spreads look too tight.

2. Time to take the other side of the “broadening” trade?

The equity rotation trade looks stretched across multiple index RV pairs

3. US Energy – Early Leadership, Late Entry?

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29th January 2026

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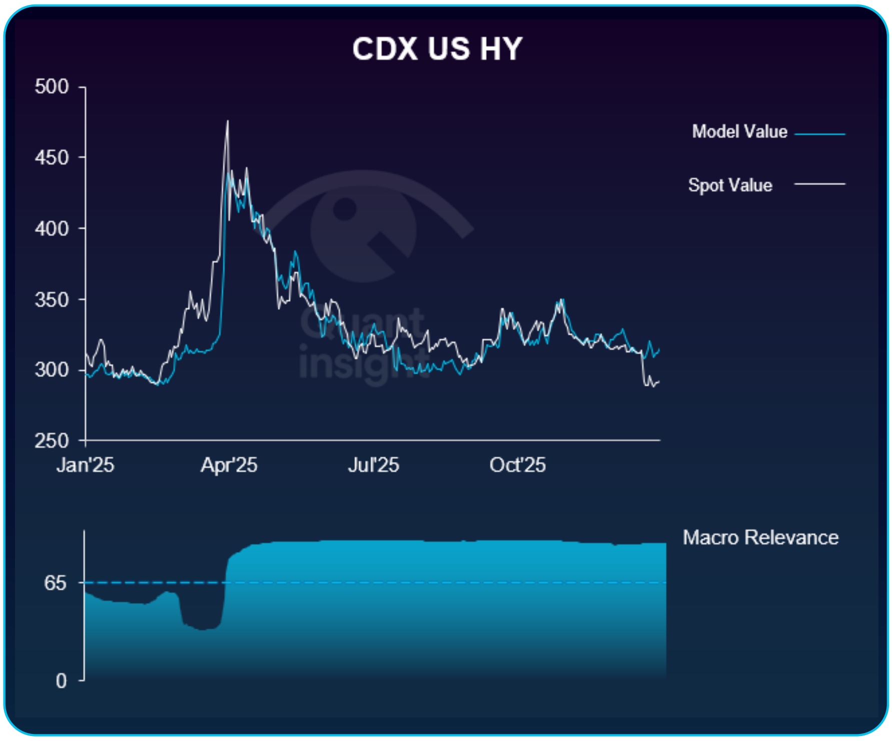
1. Credit Overshoot?

Risky assets beware – relative to macro conditions, US HY spreads look too tight.

US High Yield spreads have pushed to almost 1 sigma through Qi macro fair value. Qi model confidence is high (91%) and been remarkable stable ever since last April's Liberation Day.

Qi model value has also been stable of late. Macro-warranted fair value has been around the 315bp level for around 3 months now and does not "justify" the recent leg tighter.



Credit technicals may remain supportive but macro fundamentals suggest poor risk-reward down here. With tight credit spreads underpinning easy financial conditions, equity risks rise if HY blinks.

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2. Time to take the other side of the "broadening" trade?

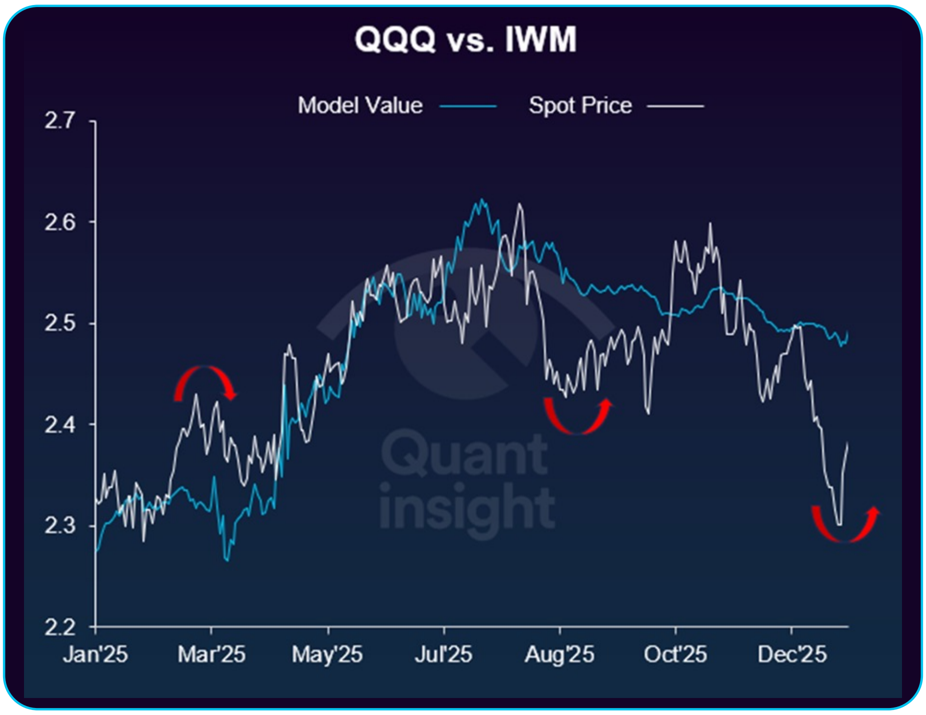
The equity rotation trade looks stretched across multiple index RV pairs

The equity broadening story reflects confidence in growth and easy financial conditions, but also a clear erosion of the US exceptionalism trade as investors rotate into cheaper international equities.

This is evident in the rotation out of US mega-cap tech into small caps, equal-weight indices, and Europe vs the US — now stretching valuations on Qi's model:

- QQQ vs IWM trades 1.8σ below model value, near multi-year lows
- SPY vs EFA trades 1.8σ below model value, at 3-year lows
- RSP vs SPY trades 1.2σ above fair value, at 3-year highs

In parallel, metals look overbought and USD weakness is extreme — all as large-cap tech earnings begin. Notably, IWM has still outperformed YTD despite higher inflation expectations and rising long-end yields.



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3. US Energy – Early Leadership, Late Entry?

In Qi FVG terms, XLE is at all-time rich valuations.

Energy is now the top performing US sector year-to-date. The rally means XLE now sits over 2 sigma rich to macro on Qi, an all-time high in Qi FVG terms.

Macro model value is moving higher; but the suggestion is the early 2026 rotation has moved ahead of macro fundamentals.

There are good reasons to believe in an energy catch-up trade, and that we're in the early stages of a new leadership regime. But, for the tactically minded, there may be merit in waiting for retracements and better entry levels.

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