

MacroVantage

1. Trading Liquidity, Not Growth — For Now

Financial conditions have mattered more than economic growth for the S&P 500, but is the regime about to shift?

2. Factor Rotation Overextension?

Value has hijacked momentum — and it's starting to look crowded.

3. Bullish bonds? Schatz offer value

2y German yields lag macro repricing — Schatz screen as cheapest in DM govt bonds.

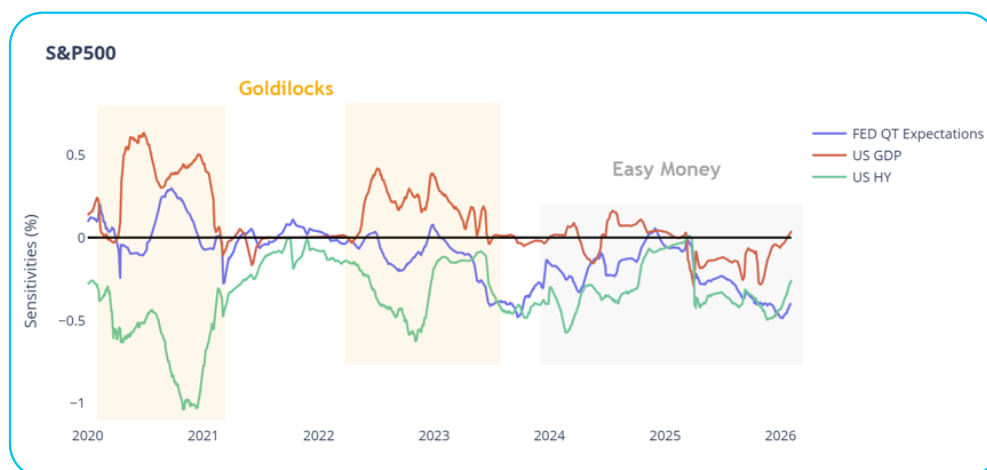


1. Trading Liquidity, Not Growth — For Now

Financial conditions have mattered more than economic growth for the S&P 500, but is the regime about to shift?

Citi's Surprise Index is at its highest since late-2023 and US GDP nowcast is running at 3.2%. Proponents of the run-it-hot economy have firm evidence the growth outlook has stepped up.

Yet US equities continue to lag DM and EM peers. Why? Because the S&P 500 has effectively zero sensitivity to economic growth right now. The index is not trading off economic data



In 2020-21 and again in 2023, Qi showed the S&P 500 was in a clear Goldilocks regime – reflation plus easy money. Growth mattered.

That's changed. The recent macro regime has been almost entirely about financial conditions. Benign rate volatility and tight credit spreads have dominated, while growth sensitivity collapsed to near zero.

There are now early signs of another shift. Sensitivity to rate vol and credit is fading, while GDP sensitivity is edging back into positive territory. If confirmed, that regime change would matter – for sector rotation, and for the US versus RoW trade.



2. Factor Rotation Overextension?

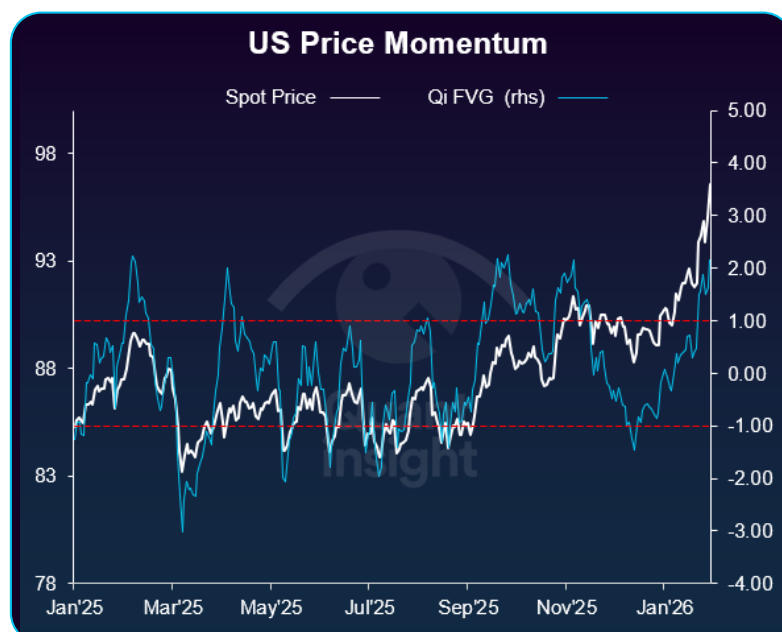
Value has hijacked momentum — and it's starting to look crowded.

Value has run hard vs Growth YTD. VTV +6% vs VUG -3%. This broadening market rotation has reflected reflation confidence – the strength in US GDP Nowcast & metals; HY credit spreads making new tights. Value has effectively hijacked the momentum factor from Growth.

Qi flags growing spot vs model value dislocations:

- Citi Pure Price Momentum: +2.1 sigma
- Vanguard Value vs. Growth (VTV vs. VUG): +3.0 sigma
- Invesco Pure Value vs. Growth (RPV vs. RPG): +1.2 sigma
- VanEck Oil Services (OIH): +1.6 sigma
- Materials (XLB): +2.3 sigma

Moves have been sharp over a short period washing out the weak hands in Growth. The chart below shows the Momentum FVG has tracked price tightly. At these levels, the odds favour a pause — momentum (Value over Growth) looks due a breather.





3. Bullish bonds? Schatz offer value

2y German yields lag macro repricing — Schatz screen as cheapest in DM govt bonds.

On Qi, macro-warranted fair value for 2y Schatz yields have fallen from a local high of 2.12% to 1.91% today.

The market is lagging that re-pricing. Indeed, on Qi, Schatz screen as the cheapest model in DM global government bonds right now.



Interestingly the biggest driver pushing model value lower is economic growth and risk appetite.

The latter relationship is intuitive – Schatz are a safe haven. The former pattern is negative, i.e. on current patterns, weaker growth equates to higher yields. That's less intuitive but speaks to fears around loose fiscal policy and greater bond issuance. In short, if you believe German fiscal policy remains appropriate, Schatz at these levels look an efficient flight-to-quality hedge if this AI blow-up continues.



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