

MacroSpotlight

**The Kitchen vs. The Menu –
Defining a Macro Regime for Crowding**

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The Kitchen vs. The Menu – Defining a Macro Regime for Crowding

Quant Insight's risk model tells you which exposures could move an asset—those are the ingredients in the kitchen. But the regime is the dish the market actually wants served.

In other words, where do we see the highest correlation between changes in macro factor exposures and changes in price right now?

The Crowding Proxy: GS VIP vs. Most Shorted. This basket is a popularity barometer—a proxy for crowding. It pits the 50 stocks that “matter most” across HFs (Long Crowding) against the 50 with the highest short interest (Short Crowding).

The pair has seen sharp swings in recent months. Swings where macro has dominated over idio, reflecting the quality status of the two legs:

- -15% (late Nov '25 – late Jan '26): Lower quality/Most Shorted benefited from FCI easing, tighter credit spreads, lower vol, and a weaker dollar.
- +11% (late Jan '26 – date): A sharp rally in Quality as those factors reversed—highlighted by US HY spreads widening ~20bps from their tights.

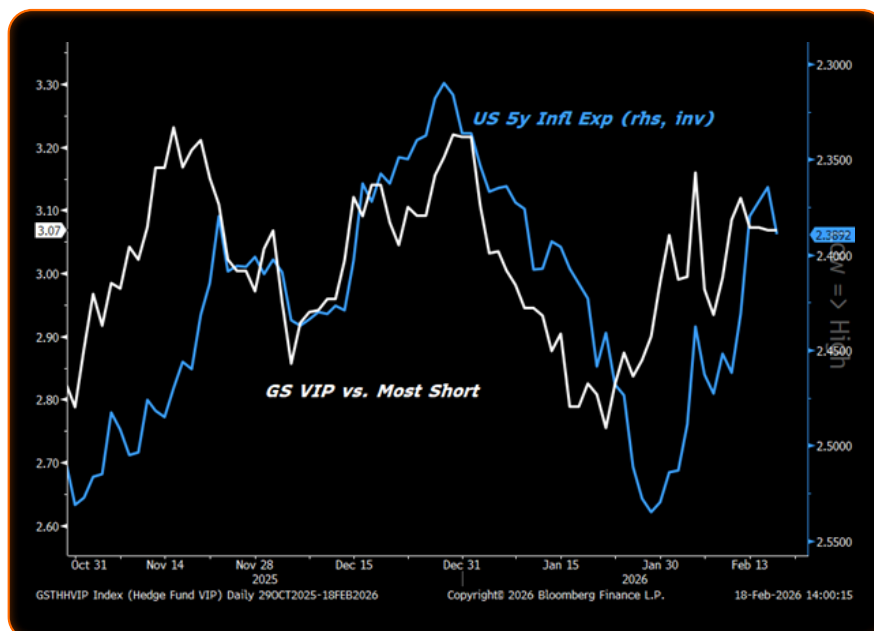
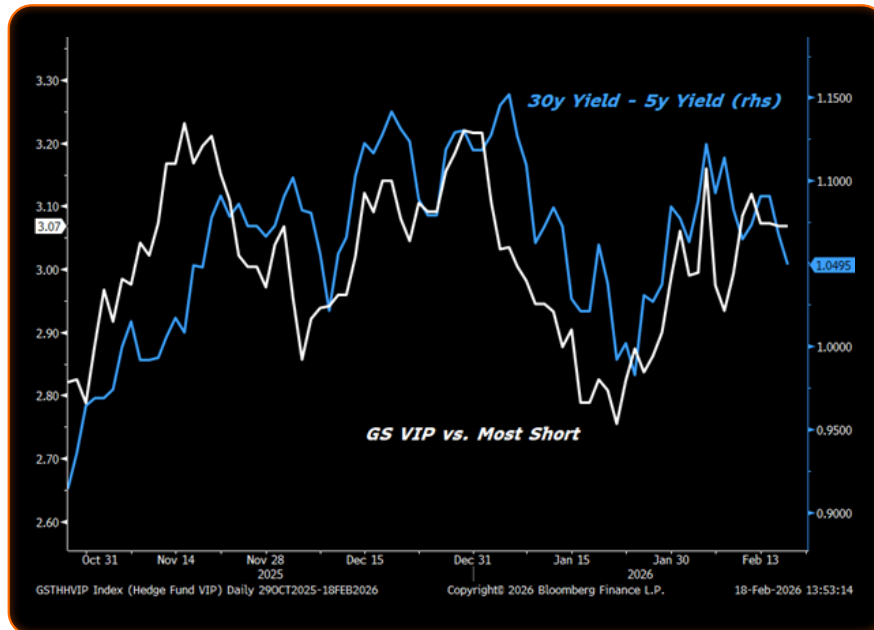
What is top of mind for this Crowding measure now? Qi's model posits the current regime is driven by:

1. A steeper 5s30s curve
2. Lower inflation expectations

This is where we see the highest correlation between macro exposure shifts and price action. (See the charts below for the visual proof).



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The Takeaway: The “Quality Goldilocks” Narrative. VIP outperformance is essentially a bet on disinflationary expansion. As growth scares become more prevalent, VIP stocks are increasingly dependent on forward growth holding up while inflation recedes.

Watch these two factors for a real-time gauge on this popular measure of HF sentiment.



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