



# MacroSpotlight

The Great Rotation – Time to be Macro Mindful

24th February 2026



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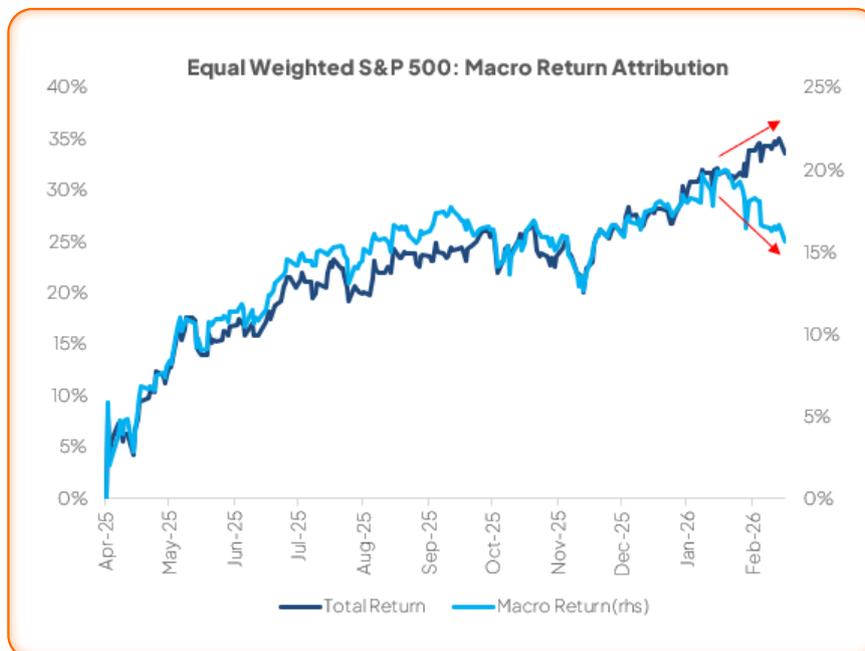
## The Great Rotation – Time to be Macro Mindful

Year-to-date, we are witnessing a true “Tale of Two Markets.” While the market-cap weighted S&P 500 is in the red, the Equal Weighted (EW) S&P 500 is up over 5%.

With 63% of constituents in the green, the “soft landing” narrative is broadening out—fueled by a rotation away from mega-cap tech concentration and AI-related capex fatigue & disruption threats. But under the hood, the quantitative picture is shifting.

### What is the Macro telling us?

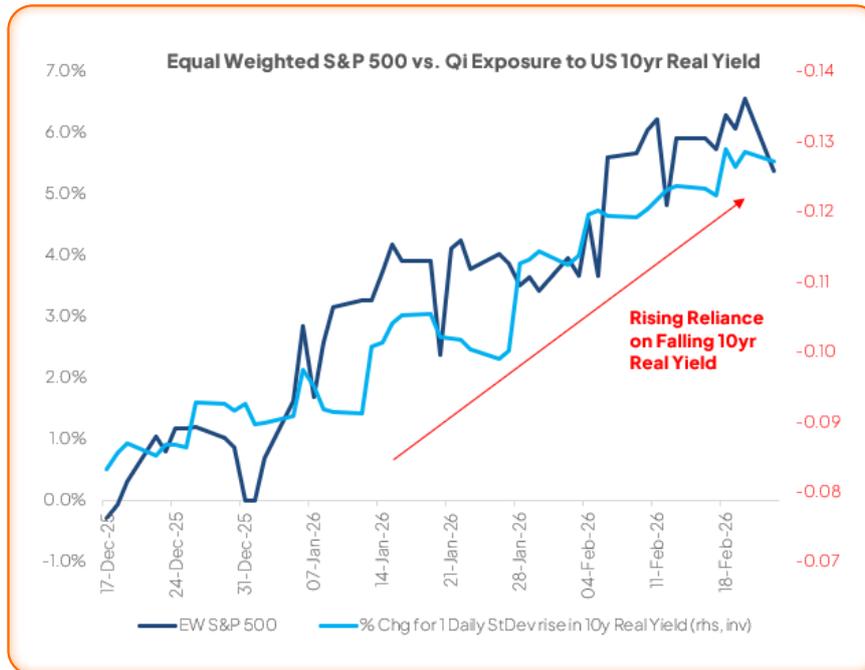
- The Macro Engine: From the Apr’25 lows through Jan’26, macro factors accounted for roughly two-thirds of the EW S&P 500’s returns. The index moved in lock-step with its fundamental drivers.



- The Current Regime: Our models show EW S&P 500 have benefitted from a steeper 5s30s curve and falling 10yr real yields. This combination signals easing financial conditions and a healthy, long-term expansion – fuel for a broadening out.



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## The Recent Divergence: Macro vs. Idio

But the last month has revealed a significant macro/idiosyncratic divergence. As shown in Chart 1, while the Total Return has made new highs, the Macro Return has actually turned lower.

Why the split? Recent headwinds – rising rate volatility, widening US HY credit spreads, and falling terminal rate expectations (1y1y swaps) – have acted as a net drag on the index.

In other words, the February recent strength in the Equal Weight index is being fuelled more by a defensive “idio” rotation as investors trim over-concentrated tech positions.

**Bottom Line:** The sharp idio rotation leaves EW S&P 500 tactically vulnerable if the macro fuel doesn’t resume.



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