

MacroVantage

1. EURUSD – New regime , old policy error

Macro has flipped bearish on inflation and ECB risk; but EURUSD is already discounting part of it and screens as cheap.

2. Still far from a valuation edge in S&P500

No valuation edge yet. SPX has de-rated, but still isn't cheap enough to buy the uncertainty.

3. EIDO: Macro Holds the Wheel, But Price Has Oversteered

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EURUSD ended last week 1.5 sigma cheap on Qi. That's very much the cheap end of the recent Fair Value Gap range. The single currency has rallied this week but still sits slightly below macro-warranted fair value, which now sits around 1.1550.



FVG aside, the EURUSD model is notable because:

- we're back in regime. From mid-Jan and through February, non-macro factors drove price action. But model confidence is now 67% & we have a new macro regime.
- The biggest driver of this new regime is inflation differentials. The oil spike has pushed inflation expectations higher globally, but the impact is greater in Europe. On Qi, the relationship is negative, so this has dragged EURUSD macro fair value lower.

Put another way, the single currency has been punished for fears the ECB will hike rates into a slowing economy. The fx market viewed that as a potential policy error & Euro negative. ECB rate hikes don't benefit the currency but hurt it.

The bad news is that inflation differentials explain a third of our model - as long as markets fear this is the ECB policy response, macro momentum in EURUSD will favour the downside. The consolation is, to a degree, some of that bad news is already in the price.



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Qi's model highlighted the S&P 500 trading rich to model value in early March – implicit was the belief that the oil / vol shock would be contained.

Today, SPY is trading flat to Qi model value which is under pressure.

Yes, SPX is also unchanged since mid-September while EPS has edged higher – multiples are contracting.

BUT, where is the level of SPX to buy risk blindly, even if we're still in this state of geopolitical uncertainty?

Qi would only have a buy signal at least 5% below current model value – see the chart below.





3. EIDO: Macro Holds the Wheel, But Price Has Oversteered

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At -1.05σ cheap, Indonesia has discounted more than the fundamentals justify. Moody's and Fitch both cut Indonesia's sovereign outlook to negative in early 2026, citing fiscal drift and policy unpredictability under Prabowo. The market sold off. So far, so expected.

What's less appreciated is the role energy is playing. Indonesia hasn't been a net oil exporter since the mid-2000s, yet the assumption of commodity insulation persists. Qi's model has picked up a sharp deterioration in EIDO's energy sensitivity in recent weeks — it has swung from broadly neutral to a meaningful drag. Rising crude is now acting as a tax, not a tailwind.

Despite the noise around sovereign downgrades and domestic policy, macro retains an 80% grip on EIDO's price action. The idiosyncratic headlines are real, but macro is still driving the bus.

EIDO trades **-1.05σ (-4.8%) cheap** to Qi's Fair Value of \$16.35. Last week's gap of -1.50σ has a **75% hit rate across 12 trades since 2009**.





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