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1. 2Y UST – Macro Says Yields Are Too High

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2. Cyclical vs. Defensives – Mispriced Risk?

The Iran shock broke the higher yields = stronger growth trade. Macro says the cyclical premium has gone too far.

3. Gold Miners: Liquidity First, Macro Second

Gold & gold miners are selling off on flows, not fundamentals – but energy margins are the real watch point.



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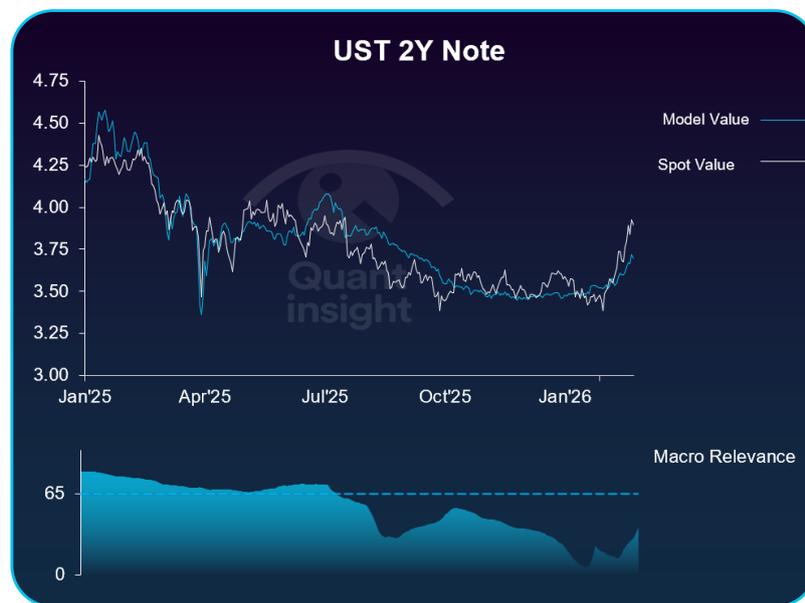
1. 2Y UST – Macro Says Yields Are Too High

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On the eve of conflict in Iran, 2y UST yields fell to 3.38%, their lowest in almost 4 years. Four weeks later they've re-priced 50bp higher.

Qi's model value for 2s has also risen in that time, but only by 20bp. Crude oil is the biggest positive driver along with rate volatility & spreads. But other factors - notably weaker tracking GDP - have offset.

The result is macro fair value sits at 3.69%. That means spot has moved ~18bp further & faster than macro conditions justify. That's a $+1.3\sigma$ Fair Value Gap.



That would be sufficient to trigger a bullish signal but the caveat is model confidence. It's rising but, at 40%, still sits well below our threshold for a macro regime.

So no official signal but, for contrarians who feel a Warsh Fed could prioritise the growth aspect of the dual mandate, a potential call to arms.



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2. Cyclical vs. Defensives – Mispriced Risk?

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Cyclicals vs defensives started the year on a clean macro story: higher yields = stronger growth. That link is now breaking.

Since the Iran shock, the pair is still up – even as:

- 2yr UST yields +50bps MTD
- Cuts priced out / terminal pushed higher
- Payrolls turned negative

Yes, defensives have lost support:

- Less diversification when AI sells off
- Dividends carry less compelling vs higher yields

But positioning has gone too far. Qi model shows cyclicals vs defensives $\sim 1.7\sigma$ rich, near 5Y extremes. Markets are looking through tighter financial conditions. Bottom line: There may not be enough macro fuel here to sustain a cyclical-led rally – especially if the Iran shock drags.





3. Gold Miners: Liquidity First, Macro Second

Gold & gold miners are selling off on flows, not fundamentals — but energy margins are the real watch point.

Gold miners are trading ~25% below Qi model value, but macro isn't driving the move.



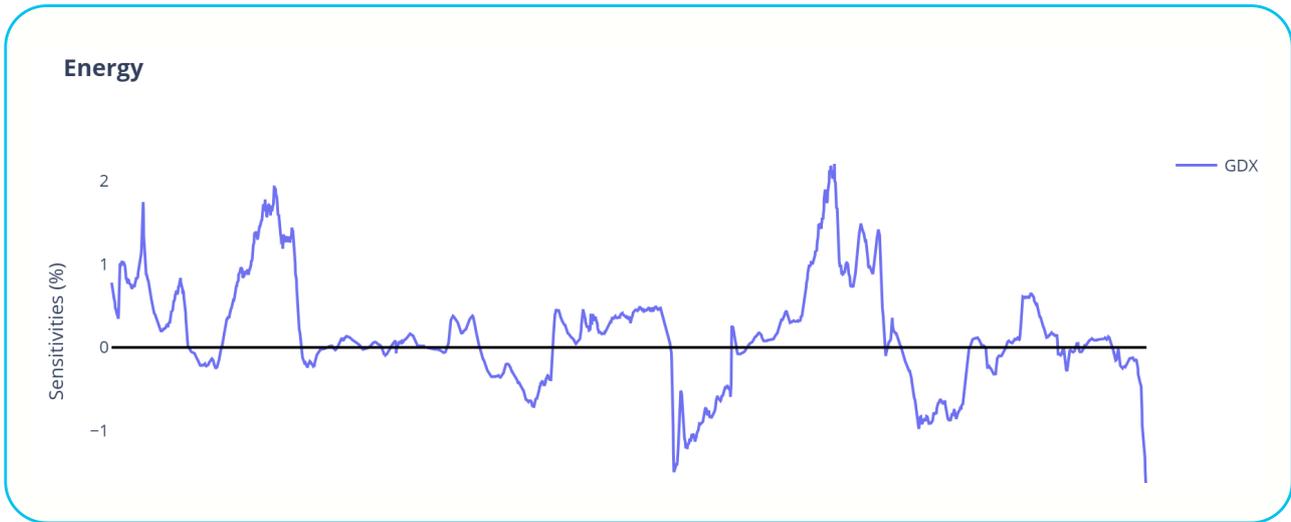
Model confidence has collapsed, pointing to flow-driven selling rather than any shift in fundamentals. Investors are raising cash and exiting what's liquid and profitable. GDX fits both.

The macro signal that does matter is energy. GDX's sensitivity to WTI is near multi-year extremes - see the chart below.

Mining is energy-intensive. Higher oil squeezes margins. Gold can rise, but if crude rises faster, equities lag.



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For many, this gold retracement offers a second opportunity to enter a core trade. But for the gold miners, the setup isn't there yet. It's not just strength in gold that's required; oil needs to peak and ideally roll over.



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