



MacroSpotlight

The S&P 500 V-shape recovery hides a lot of cosmetic work

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Since the Iran shock on 27 Feb, the index has fully round-tripped. On the surface, that looks like a clean recovery.

Quant Insight's MFERM says otherwise.

When you compound macro contribution across the full 27 Feb to 17 Apr window, macro is still a net drag for 9 of 11 US sectors. Put simply: the shock delivered a sharper macro hit than the recovery delivered a macro tailwind.

That matters because most of the "good" performance still sits in the top-left of the chart below: positive idio, negative factor. In other words, sectors have recovered despite macro, not because macro has turned supportive.

A few things stand out:

- **Tech is the only clean alpha story**

XLK printed roughly +9.5% idio, with macro drag fully recovered. This is the one sector where stock-specific drivers, not macro repair, explain the move. The AI narrative survived the sell-off and strengthened in the rebound.

- **Defensives did not protect**

XLP, XLV and XLU offered little shelter in the drawdown and did not lead on the way back. Hiding in defensives was not the winning trade.

- **Energy was an oil beta trade, not an idio alpha trade**

XLE saw strong factor support from the oil spike, but idio lagged badly. Oil worked. Energy stock-picking did not.

That matters for positioning into earnings season. This recovery has leaned heavily on idio, and idio is concentrated in a narrow set of names.



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If Iran re-escalates and credit and vol re-widen, there is not much macro cushion underneath. With idio already carrying a large share of the rebound, the downside looks bigger than the upside.

Index price tells you what happened.

Attribution tells you why — and lets you judge the health behind the price.





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