

# MacroVantage

## 1. QQQ vs. IWM disconnect opening up

*QQQ trades cheap vs IWM despite supportive macro; the risk-reward favours large caps into earnings.*

## 2. Iran Shock Hits Germany. DAX Now Rich

*DAX is rich as growth collapses: clean setup for macro catch-down.*

## 3. EU Financials: Credit Flashing Amber

*SubFin spreads look too tight as macro momentum stalls; risks building into earnings.*

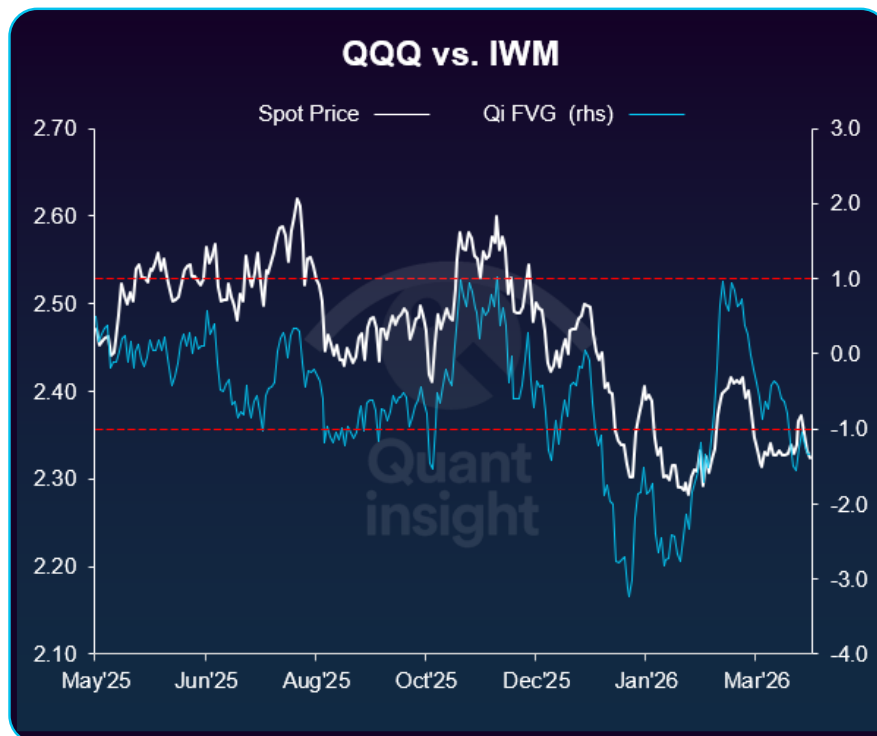


## 1. QQQ vs. IWM disconnect opening up

QQQ & IWM are +5% YTD and +12% YTD. The conundrum is that we have seen small cap outperformance despite financial condition indices not returning back to their pre Iran Shock levels.

On Qi's model, QQQ relative to IWM sits 1 sigma below model fair value. Inflation expectations are a top driver of this disconnect. Inflation expectations remain close to 6mth highs - despite the ceasefire extension, the extent of oil damage continues to linger.

With market breadth remaining poor, chasing secular winners over beta has appeal. Below, we show the FVG of this pair vs. spot price action - the strength of the relationship indicates that macro is onside for QQQ relative to IWM, just as we enter into the heart of tech earnings season.





## 2. Iran Shock Hits Germany. DAX Now Rich

The DAX is  $1.2\sigma$  (3.1%) rich to macro, with economic growth the dominant driver. That's very much the rich end of Qi FVG ranges.



The growth backdrop is deteriorating fast. ZEW comes with health warnings but is a widely watched barometer for German business confidence; and it has dragged tracking German GDP from +2.8% mid-March to around zero, pointing to early signs of Iran-related spillover into economic activity.

That's prompted Qi's macro-warranted fair value to roll over, but equities haven't adjusted. If the narrative shifts toward recession risk, DAX looks a clean expression of that downside.



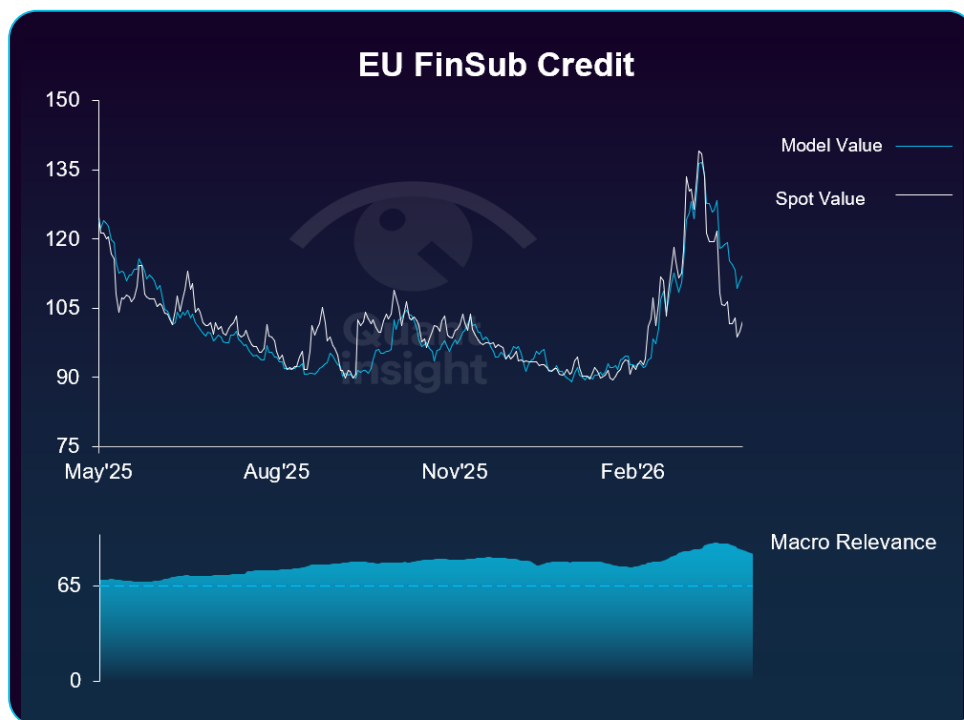
### 3. EU Financials: Credit Flashing Amber

EU banks surged 148% in 2025 and were the best performing equity sector. In 2026, they're barely up 2%.

Focus now shifts to earnings, with BNP Paribas reporting next week. Bottom-up analysis will look for impressive IB trading volumes, resilient loan demand and stable provisions, echoing US peers.

The top-down view is less supportive. SubFin spreads have retraced ~75% of the 50bp widening over Feb/March, but momentum has stalled. Qi model value is tentatively edging wider once again.

At  $\sim 1\sigma$  (10bp) too tight, credit is flashing an amber signal into earnings.





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