Quant insight

MacroSpotlight

Qi's Macro Weather Gauge: the Easy Part of the Rally is Over

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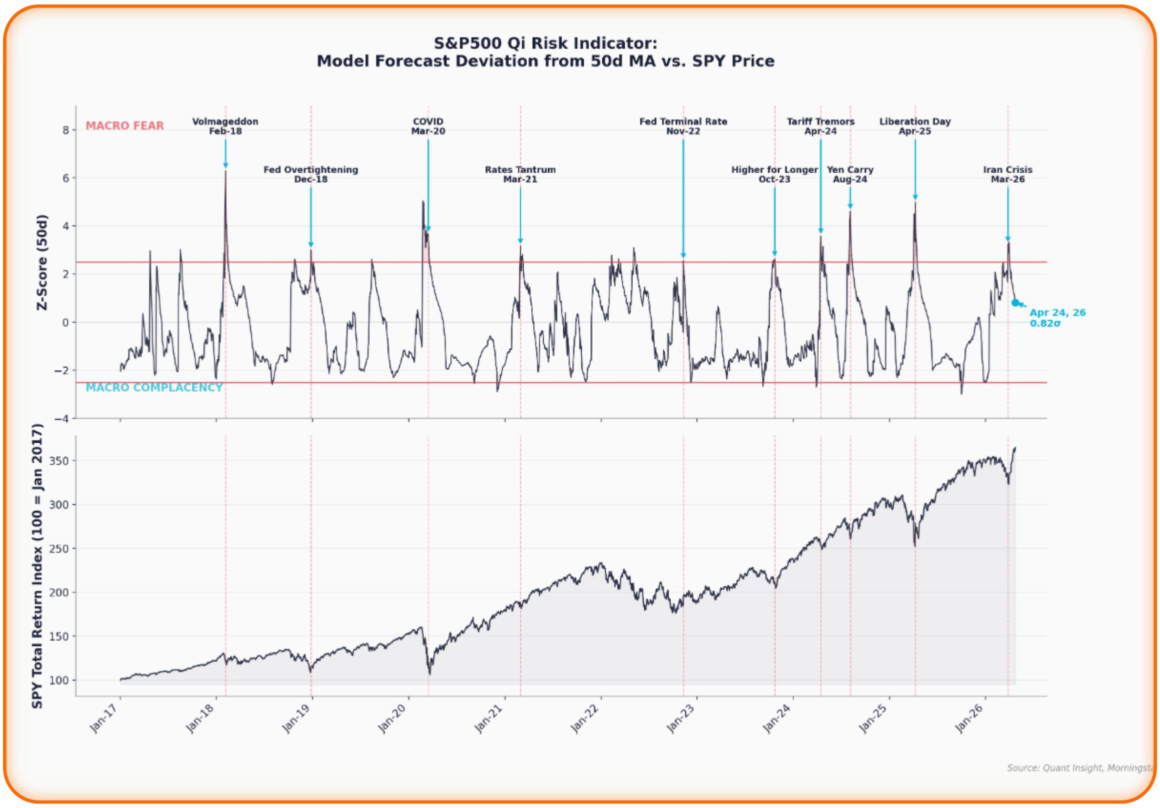
A month ago, the Qi Risk Indicator for SPY hit +3.2σ — peak macro fear territory driven by credit widening during the Iran crisis. We flagged it as a potential buying zone.

Today it's back at +0.82σ. The macro stress has normalised. And with it, the tactical opportunity.

The data across 9 prior fear episodes since 2017 is clear:

From peak fear to normalisation (~1.0σ), SPY has averaged +6.3% in roughly 4 weeks. That's the easy money — the reflexive bounce as macro factor stress dissipates.

After normalisation? Forward returns revert to average. +2.0% over the next month vs. a 1.1% all-period average. Still positive, but the excess return tailwind is getting spent.



The signal's alpha is front-loaded. Roughly half the 6-month post-fear return gets captured in the first 4 weeks.

The tactical read: if you bought the fear spike, the trade has worked. From here, it's more about stock selection and factor positioning

Disclaimer

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