Quant insight

MacroVantage

1. **Cyclicals are at new highs. Macro isn't there yet.**

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2. **Europe HY Looks the Vulnerable Trade**

   IHYG is ~1.2σ rich with the rally outpacing macro. Europe still lags in equities but credit is arguably the more vulnerable trade.

3. **QQEW: The One Still in Regime**

   The one US index still in regime is flashing rich. A de-rate would tee up Europe.

14th May 2026

MacroVantage

1. Cyclicals are at new highs. Macro isn't there yet.

As earnings season winds down, the GS Cyclicals vs Defensives ex-Commodities basket has broken to fresh highs.

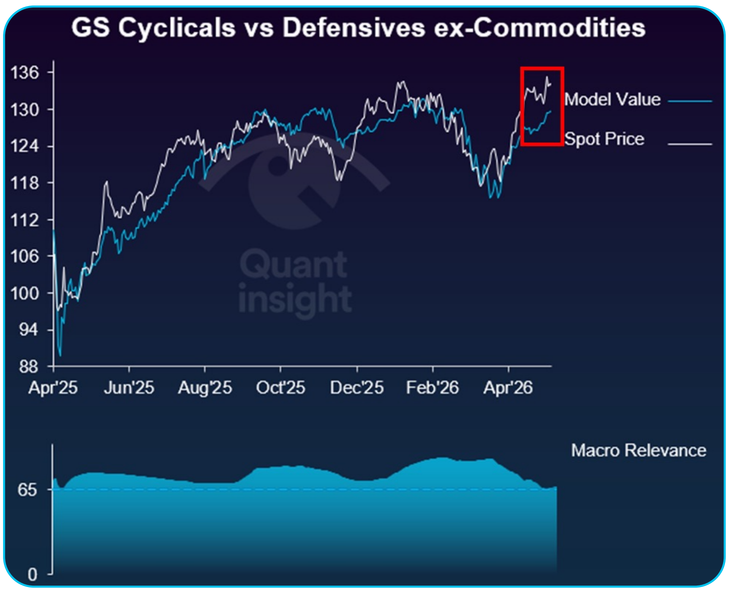
Qi's model value has not.

To justify current spot levels, Qi suggests the macro backdrop needs to improve further: VIX closer to a **15–16 handle** and CDX HY spreads back towards **300bp**. Breadth also remains poor.

The pair now trades **0.9 sigma above Qi model value**, close to the upper end of its historical range. As the chart shows, prior gaps like this have tended to close via spot converging back toward model.

So the setup is clear: if the earnings-driven idio impulse is now fading, macro needs to take over.

That means easier financial conditions and economic surprise indices continuing to grind higher.
Without that, cyclicals look priced for more macro support than they currently have.



2. Europe HY Looks the Vulnerable Trade

IHYG, the European High Yield ETF, now sits ~1.2σ rich to macro fair value.

March's sell-off was driven by spikes in energy and bond volatility. Both have since stabilised, lifting model value, but price has rallied faster.

That leaves the FVG stretched sitting near the top of historical ranges.

In equities, Europe still lags. Euro Stoxx 600 is ~5.5% behind the S&P 500 YtD; on Qi SPX screens as rich while SXXP sits near fair value.

Credit tells the opposite story. European HY looks stretched, while US HY (HYG) sits close to macro fair value; that suggests credit could be the cleaner expression for European bears.

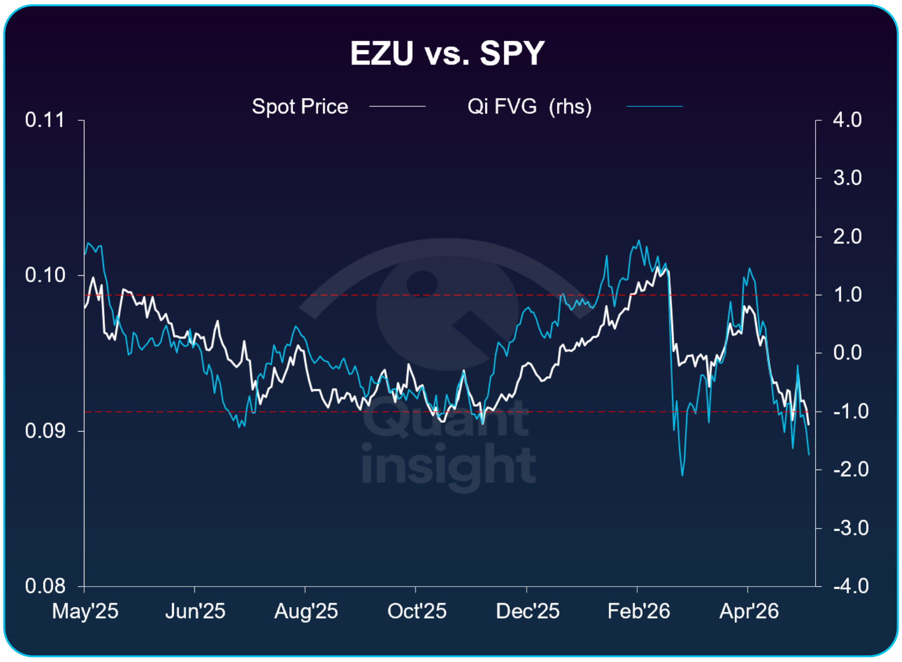
3. QQEW: The One Still in Regime

Two weeks ago we flagged that SPY, QQQ and IWM had all slipped below the 65% confidence threshold. QQEW is the exception. At 75% model confidence it sits firmly in regime, and screens +1.21σ rich - Qi model value at 138.11, spot at 144.1.

What stands out is the pace. Qi's model value has actually been rising - macro is still supportive. Spot is just rising faster. FVG has widened by more than a full sigma in two weeks.

QQEW strips out mega-cap concentration. With the equal-weighted Nasdaq at the rich end of its multi-year range and macro firmly in the driving seat, this is a clean read on broad US equity stretch - not a few names doing the heavy lifting.

The rotation angle. EZU vs SPY screens -1.55σ cheap, near the cheap end of its 12mth range. Mega-cap leadership in SPY is doing the work here right now, not macro. But if QQEW catches down, that's the macro catalyst for the ratio to mean-revert. The relative valuation argues Europe is where the rotation lands.



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