



# MacroSpotlight

Momentum is heading into a higher vulnerability regime.

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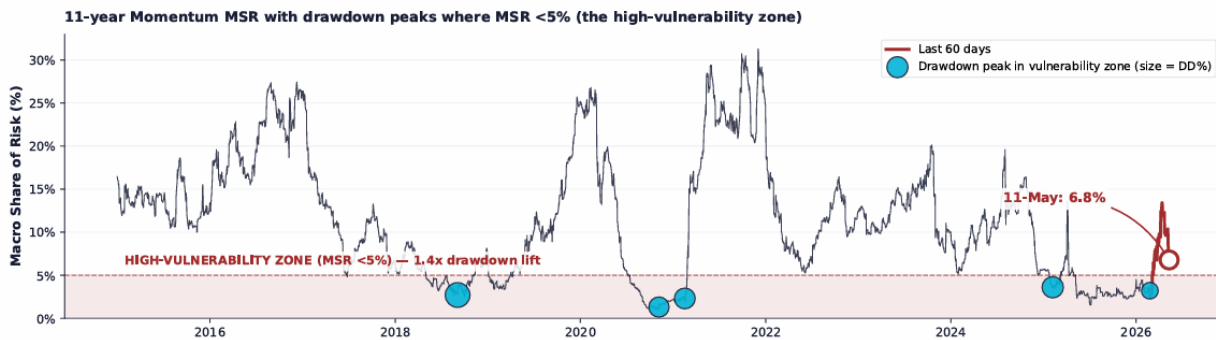
Quant Insight's MFERM model decomposes asset risk into macro and idiosyncratic components. The ratio of the two — Macro Share of Risk — has fallen from 13.4% to 6.8% on Citi's Pure Momentum index over the last 20 sessions.

That is a bottom 4% 20-day contraction over 11 years.

### MOMENTUM IS HEADING INTO A HIGHER-VULNERABILITY REGIME

Macro Share of Risk has seen among the sharpest falls in recent history over the last 20 days — the speed of the fall puts us a few sessions from the high-vulnerability zone.

MSR at 6.8% (30th percentile). Once <5%, drawdown probability rises from 23% baseline to 33% (1.4x lift). Once <3%, 44% (1.9x lift).



The macro footprint in Momentum is draining out of the price.

Why it matters:

- MSR <5%: drawdown probability rises from 23% baseline to 33%
- MSR ≤3%: drawdown probability rises to 44%
- MSR >20%: drawdown probability falls to 9%

The relationship is monotonic: the lower MSR goes, the wider the return distribution becomes...

This matters for the live debate on how to hedge Momentum.



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MFERM gives the structural read: when MSR is low, Momentum is idio-led. A macro re-assertion — CPI, Fed, ceasefire, growth surprise — can reintroduce macro risk into names that have not been carrying it.

Same mechanism. Different lens.

Today's MSR sits at 6.8%, the 30th percentile. The speed of the fall puts us only a few sessions away from the vulnerability zone.



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