MacroVantage

1. **Equity bears need a Plan B?**

   Macro endorses the defensive rotation. Price has moved ahead of it.

2. **Poor risk-reward in credit**

   Spreads keep tightening. Macro isn't. Watch credit as closely as rates.

3. **Bonds vs Commodities: more to give**

   Spot has fallen 7%. Qi fair value has fallen 26%. Macro hasn't finished pricing through.

21st May 2026

MacroVantage

1. Equity bears need a Plan B?

As high beta & momentum areas of the market wobble, equity investors are once again thinking about allocations to more defensive areas of the market. Consumer Staples versus Consumer Discretionary is an obvious RV pair to consider in that scenario but, relative to macro, Staples have already moved a long way.

In market cap terms, XLP sits 1.1σ (6.3%) rich to XLY. In equal weighted terms, RSPS sits 2.4σ (8.8%) rich to RSPD. That is towards the very richest end of Qi FVG ranges.

Both models show Staples defensive properties. Higher VIX, wider credit, slower economic growth support Staples outperformance. That means macro fair value is inflecting higher for both - macro conditions support XLP / RSPS.

But markets have moved ahead of macro momentum. In short, equity bears should know these aren't optimal levels to chase & maybe try to find alternative safe havens.

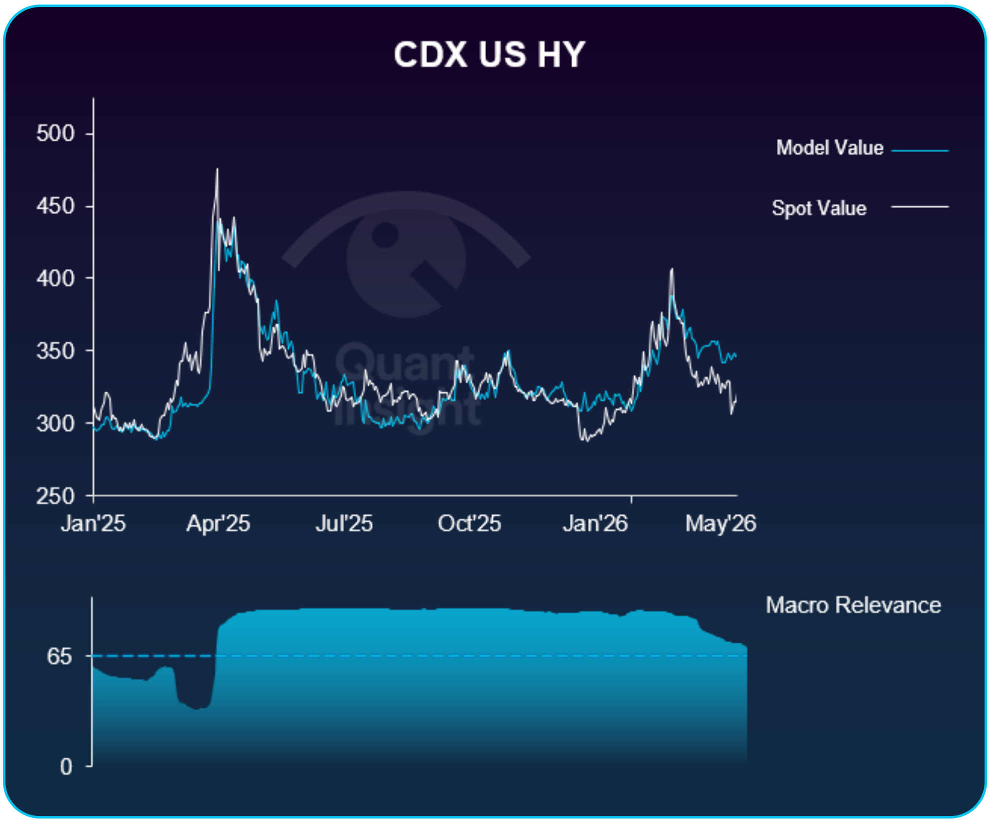
2. Poor risk-reward in credit

All Qi's models for credit show high R-Squared (macro has strong explanatory power) & show US / European credit spreads as too tight (rich to macro).

In Europe, Fair Value Gaps for Main & XOver are "only" 0.6σ too tight. The extreme is US High Yield which now sit 1.3σ (27bp) rich to aggregate macro conditions.

In short, macro-warranted fair value is flat-ling, stuck around 350bp for around a month now. The most recent rally has not been justified by macro conditions.

The recent rise in government bond yields & bond volatility has started to attract more attention amongst equity investors. They remain critical, but don't take your eyes off the corporate credit side of the bond market. A spread widening could be a potential bearish catalyst for risky assets more broadly.



3. Bonds vs Commodities: more to give

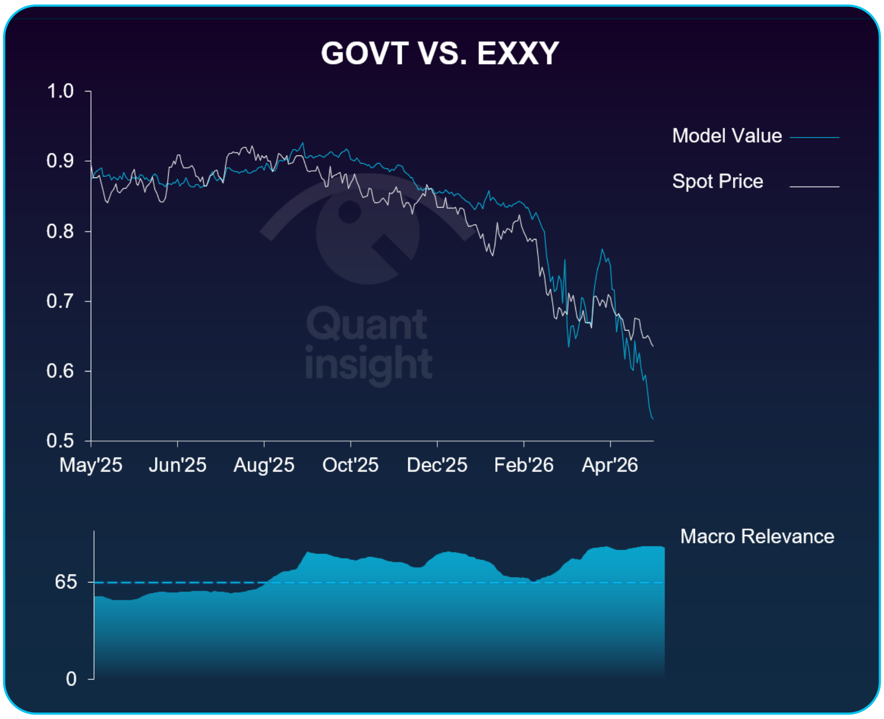
Bonds and commodities want opposite things from inflation. GOVT vs EXXY is the cleanest expression of that asymmetry, and the ratio has compressed sharply over the past year as the Middle East oil shock kept inflation pressure live.

What's new is that macro has now firmly taken the wheel. Qi model confidence has risen from below 65% last summer to 88%, climbing steadily since mid-February.

The ratio screens +1.29σ (16.7%) rich to Qi fair value, towards the high end of its 5-year range. The gap has widened during the bear move itself. Over the last four weeks spot has fallen 7.28%; Qi model value has dropped 25.82%.

The de-rating is concentrated in central bank rate expectations. The same factor that pulls Treasuries down sustains the commodity bid, compressing the ratio from both sides.

With central banks staying cautious as oil-driven inflation pressure persists, GOVT vs EXXY has further to give.



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