



MacroSpotlight

What's driving the S&P right now — and what to watch.

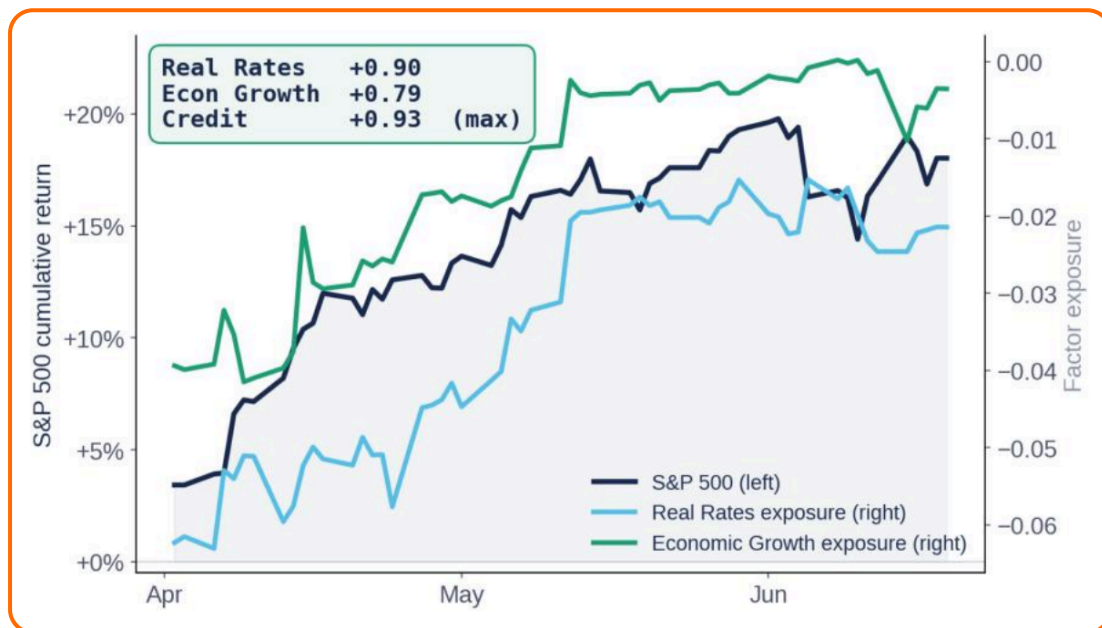
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What's driving the S&P right now — and what to watch.

The market is following the growth channel, not financial conditions. But the macro engine has stalled — and one exposure is worth watching.

A factor-model read of the rally since the March low.

Stocks follow the growth channel



Since the late-March low, the S&P has rallied 18% — and the macro factors moved with it. Credit at its maximum reading (+0.93) is the tell: if this were a financial-conditions scare, credit would be breaking the rally, not riding it. This is a growth tape.

The catch: rate-vol fragility



As the market climbed, its exposure to rate volatility deepened in lockstep — now at its 9th percentile in a decade. The vulnerability has built inside the rally, not apart from it. Not a call that vol rises — simply that the book has rarely been more geared to it if it does.

Front-loaded — the engine has stalled



Of the +8% since mid-April, only ~+2% came from macro factors. The other +6% was idiosyncratic — the AI-driven single-stock story. And the macro engine has stalled: factor return has been flat since mid-May, with the index trading water on idio alone.

The engine has paused — watch if it re-engages

Positioned, but not moving. The exposures are still elevated — real rates, growth, credit. But high exposure is a level; return needs those factors to keep moving. They've stopped.

Leaning on idio alone. The growth tailwind that drove April–May has paused. The rally is now carried by stock-specific strength — which itself wobbled in June.

The cushion is gone. With factor return flat, the rate-vol fragility matters more now than in April. Macro hasn't turned against stocks — the question is whether it re-engages.

Risk-on legs at their ceiling. Rate-vol at the floor. That's the asymmetry to watch.



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