

# MacroVantage

## 1. AI Premium Fades, Macro Discount Still Missing

*Some AI premium has faded, but Big Tech still isn't cheap to macro.*

## 2. Fading Warsh – 2y Yields

*Hawkish Fed, falling inflation. 2y US Treasury yields look high versus macro.*

## 3. Fading Warsh – EURUSD

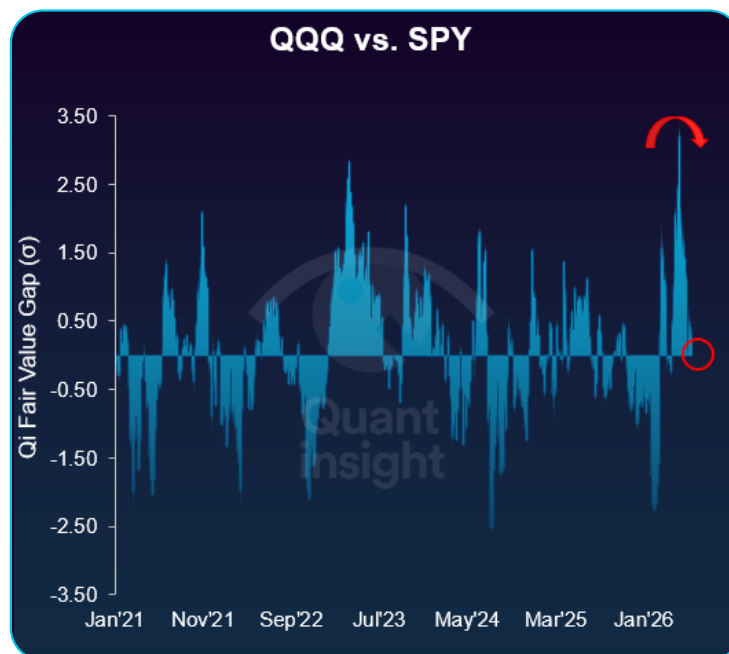
*Hawkish Fed, falling inflation. EURUSD looks cheap macro.*



## 1. AI Premium Fades, Macro Discount Still Missing

Recent US equity weakness has been narrow, not broad. SPY is down around 3% from peak, but equal-weight S&P is only off 1.5%. QQQ is down 4.3% from its June high – a leadership correction, not a broad equity unwind.

Qi had already flagged the risk. From mid-May, SOXX and QQQ started to screen rich versus SPY as AI/tech narratives took hold. That relative exuberance has now faded. But the key point is this: Qi model value is broadly neutral to spot.



So, the premium has compressed, but a macro discount has not opened up.

The macro factor mix also matters. SOXX and QQQ still want a benign backdrop: flatter 5s30s, tighter credit spreads, lower risk aversion and firmer inflation expectations.

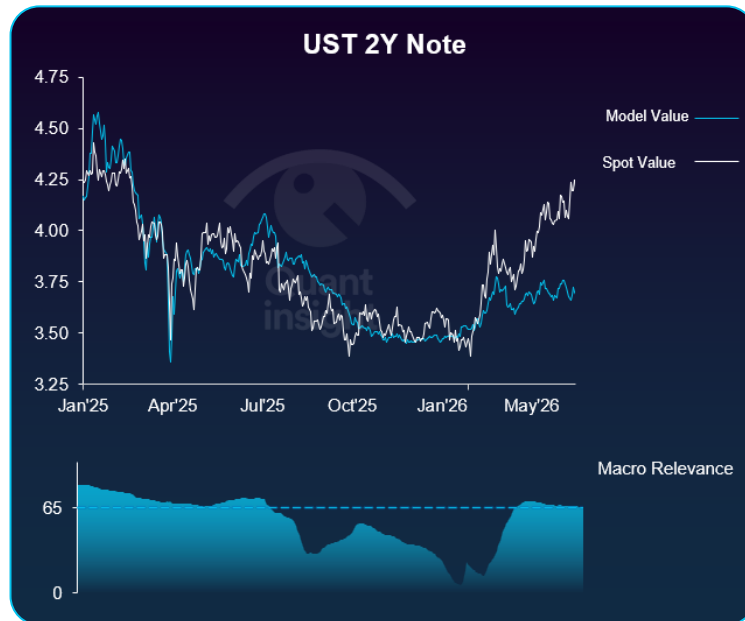
It wants “reflation without stress” — resilient nominal growth, easier financial conditions and contained volatility.

Bottom line: tech led the squeeze higher, and tech is leading the correction. The AI premium has been reduced, but these assets are not yet cheap to macro.

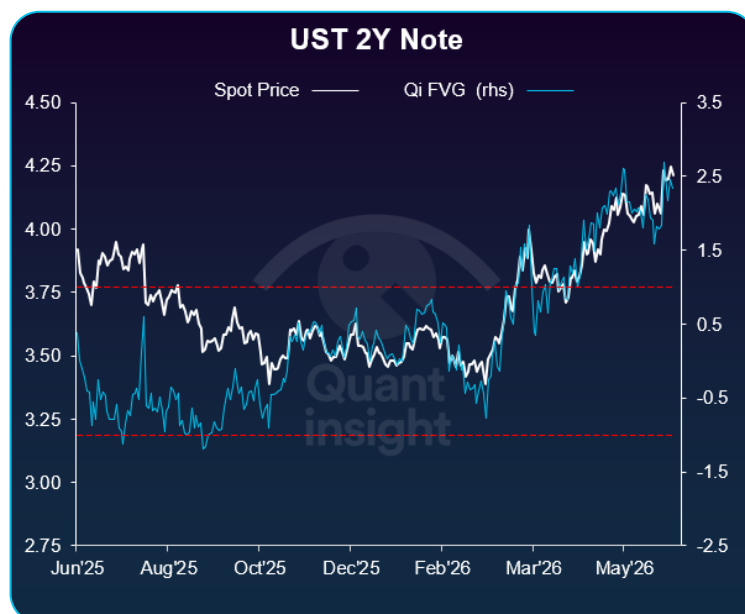


## 2. Fading Warsh – 2y Notes

The sharp rise in 2y US Treasury yields since last week's FOMC has opened a +2 sigma Fair Value Gap on Qi. The market read Warsh as hawkish & re-priced, but Qi puts macro-warranted fair value around 3.70% thanks mainly to the fall in inflation expectations.



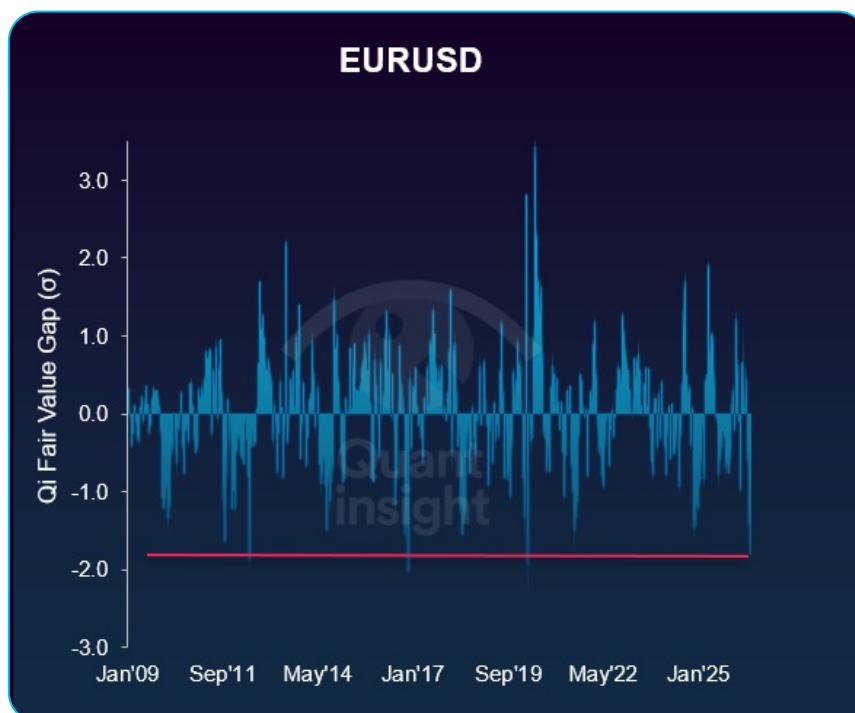
If your Fed watching conclusion is Warsh leans hawkish, this signal can safely be ignored. Just be aware macro relevance is high (65%) &, over the last 9mths, the correlation between spot 2y yields & Qi's FVG is very strong suggesting the mean reversion has occurred via the market re-pricing to macro conditions.





## 3. Fading Warsh – EURUSD

It's the same story in FX. Warsh's perceived hawkishness has sparked a broad Dollar rally. In the case of EURUSD, spot now sits 2.1 sigma below Qi model fair value – one of the biggest negative FVGs on record.



Model value is moving lower thanks mainly to rate differentials (higher UST yields) but the sell-off in spot has overshoot the re-pricing in bond markets.

Again, if you believe the Fed's reaction function will prioritise price stability over economic growth, you will overrule a quantitative based signal. Wait for PCE today – a strong print will emphasize the hawkish narrative.

But, for anyone anticipating a soft PCE number or if you think the initial hawkish read of Warsh is misplaced, then be aware macro is suggesting US Treasuries & the Dollar have travelled a fair way already.



## Disclaimer

This document is being sent only to investment professionals (as that term is defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order RSq005 ("FPO")) or to persons to whom it would otherwise be lawful to distribute it. Accordingly, persons who do not have professional experience in matters relating to investments should not rely on this document. The information contained herein is for general guidance and information only and is subject to amendment or correction.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This document is provided for information purposes only, is intended for your use only, and does not constitute an invitation or offer to subscribe for or purchase any securities, any product or any service and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document does not constitute any recommendation regarding any securities, futures, derivatives or other investment products. The information contained herein is provided for informational and discussion purposes only and is not and may not be

relied on in any manner as accounting, legal, tax, investment, regulatory or other advice. Information and opinions presented in this document have been obtained or derived from sources believed to be reliable, but Quant Insight Limited (QI) makes no representation as to their accuracy or completeness or reliability and expressly disclaims any liability, including incidental or consequential damages arising from errors in this publication. No reliance may be placed for any purpose on the information and opinions contained in this document. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document by any of QI, its employees or affiliates and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions.

Any data provided in this document indicating past performance is not a reliable indicator of future returns/performance. Nothing contained herein shall be relied upon as a promise or representation whether as to past or future performance. This presentation is strictly confidential and may not be reproduced or redistributed in whole or in part nor may its contents be disclosed to any other person under any circumstances without the express permission of Quant Insight Limited.