MacroSpotlight

The market has stopped pricing credit risk.

9th July 2026

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SPY’s sensitivity to wider high yield spreads is now the shallowest in a year.

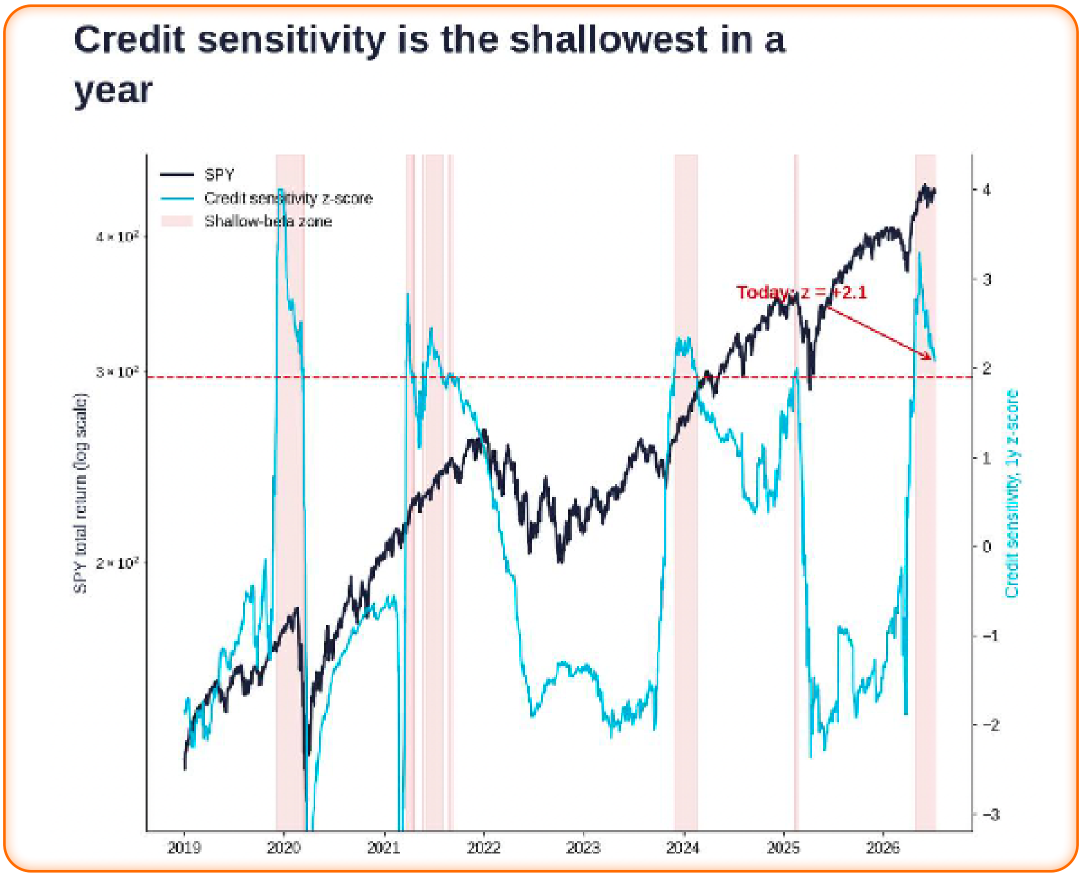
Quant Insight’s MFERM model shows SPY’s credit beta at -0.355, a +2.1σ reading versus its own trailing one-year history.

Plain English: equities are behaving as if credit risk does not really matter.

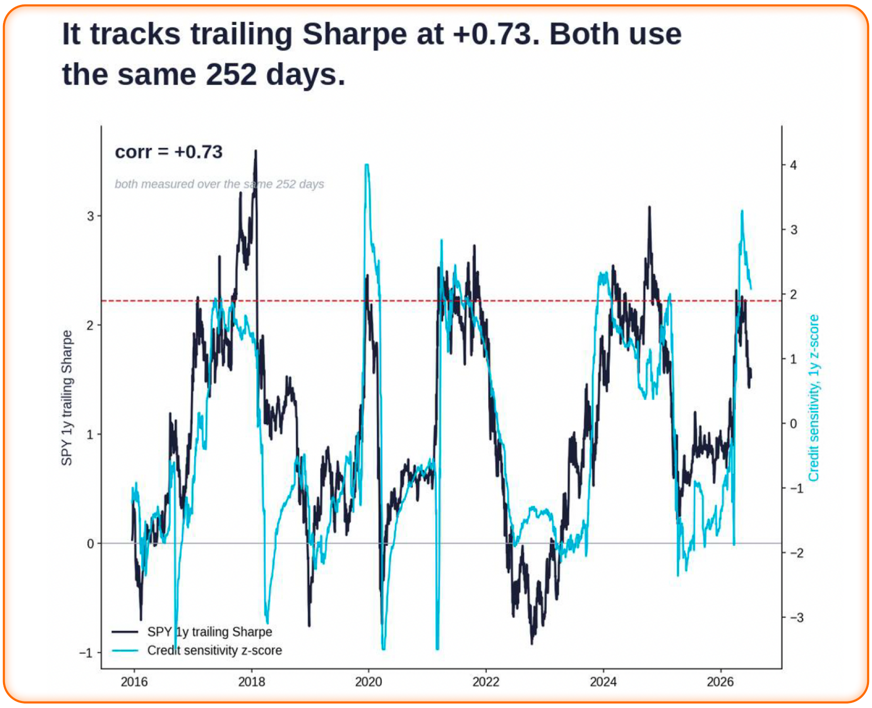
That usually happens after a strong run.

When we sort history by SPY’s credit sensitivity, the pattern is clear:

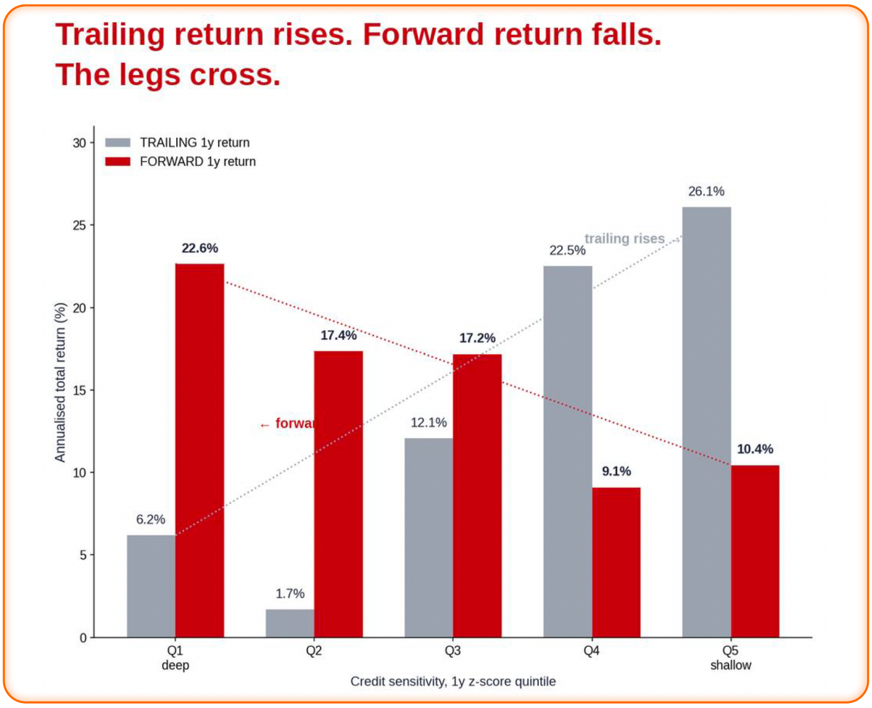
- The shallower the credit beta, the stronger the trailing year



- But the forward year gets weaker



- The average forward 1-year return falls from +22.6% in the deepest credit-beta regime to +10.4% in the shallowest



- The chance of a negative year rises from 4% to 26%

Shallow credit beta is a receipt, not a forecast

+26.1% trailing 1y return
shallowest quintile

+10.4% forward 1y return
shallowest quintile

4% → 26% probability of a negative year
deepest → shallowest

The median year is unchanged. The left tail is not. This is not a sell signal — it is a warning that the asymmetry has gone.

That does not make this a sell signal.

The left tail has thickened.

That is the important point.

Markets are not obviously priced for a bad outcome. They are priced as if the bad outcome is unlikely to matter.

History says that is when fragility builds.

The lesson from Qi's model:

The best of the easy run may be behind us.

Not because equities must fall.

But because the market is now carrying credit risk it is not being paid to carry.

For investors, that argues for owning convexity rather than cutting exposure outright.

The median outcome can still be fine.

The tail is where the risk has moved.

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+44 2037519400
info@quant-insight.com
www.quant-insight.com

Quant Insight Limited
Dawson House, 5 Jewry Street
London, EC3N 2EX