Quant insight

MacroSpotlight

Crowding is a macro story — where it matters

20th July 2026

MacroSpotlight

Crowding is a macro story — where it matters

MFERM analysis of the UBS Crowding Long/Short index, 2018–2026.

The question

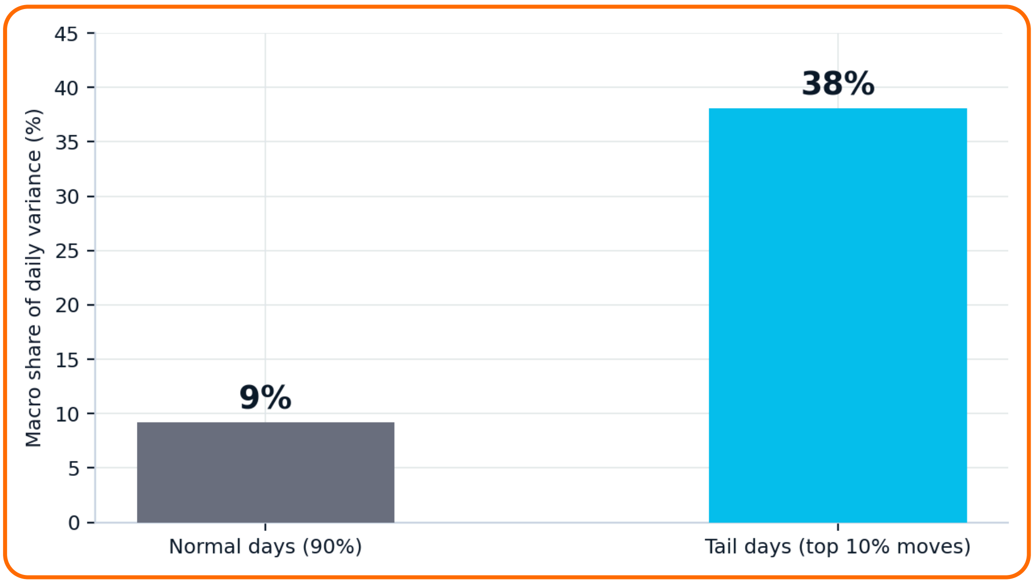
When crowded trades unwind, what drives the move — positioning, or macro? We ran eight years of the UBS Crowding Long/Short index through Qi's Macro Factor Equity Risk Model (MFERM) to find out.

Finding 1 — On quiet days, crowding looks idiosyncratic

- Day to day, macro explains around 17% of the index's variance.
- A naive test of "crowding is macro" fails on average days. That is the wrong test.

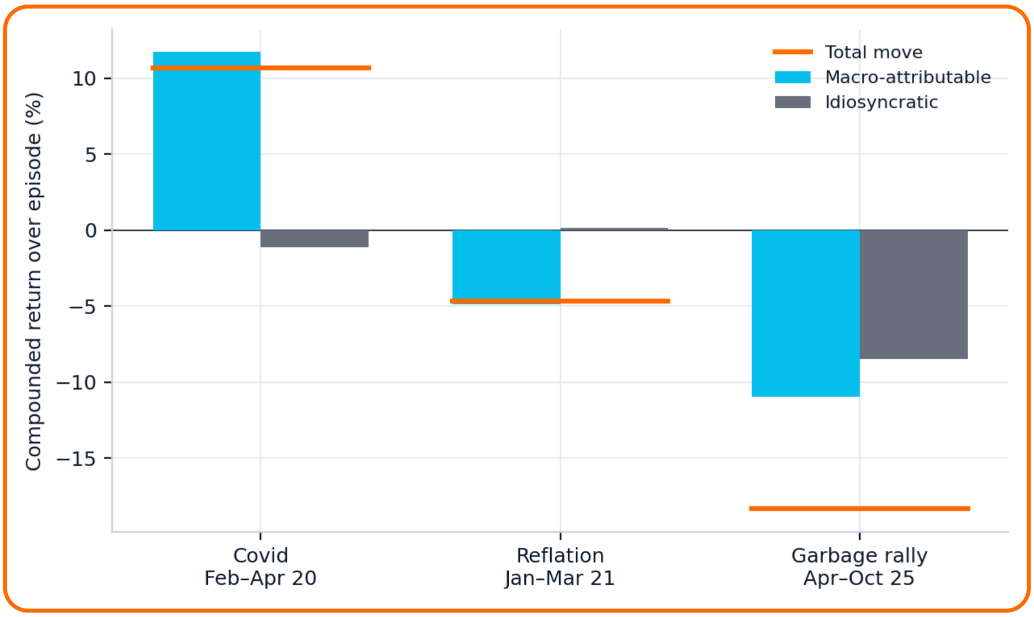
Finding 2 — In the moves that matter, macro dominates

- On tail days — the largest 10% of moves — macro's explanatory power rises to 38%, against 9% on normal days.
- Macro's grip concentrates exactly where the P&L damage is done.



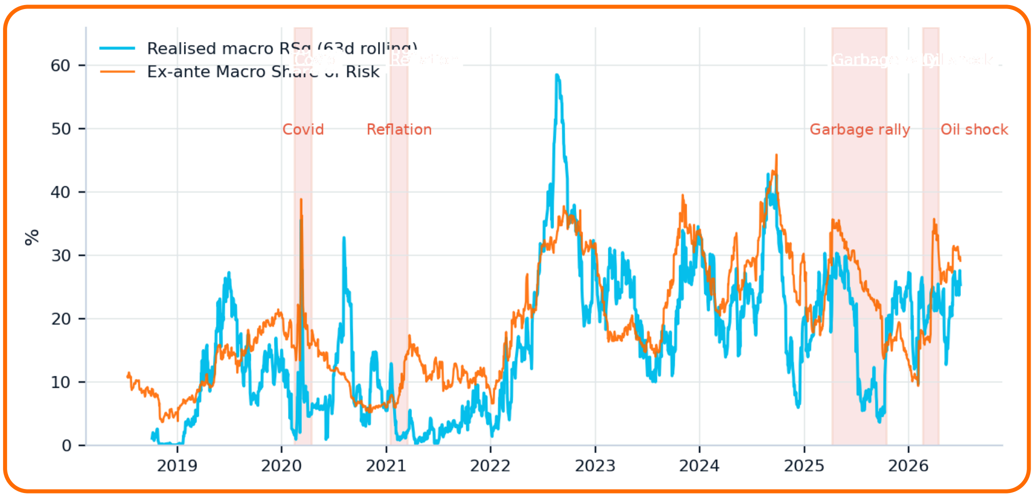
Attribution of the major unwind episodes tells the same story:

- Garbage rally, Apr–Oct 2025: macro accounted for 60% of the −18% move.
- Covid 2020 and the Feb-2021 reflation rotation: macro accounted for effectively all of the move.



Finding 3 — The link is a feature of the current regime

- From 2018 to 2021 the macro-crowding link was weak.
- Since 2022 it has roughly tripled and stayed elevated. In the current environment, crowding P&L is a macro question.



What we do not claim

- **Timing.** Macro conditions do not predict when a crowding unwind starts. We measure the exposure, not the trigger.
- **Universality.** Some episodes are genuinely positioning-led. The point is that most of the recent damage was not.

Why it matters

- Positioning screens tell you crowding is stretched. They cannot tell you what moves it.
- When the unwind comes, the majority of the P&L is macro — measurable, attributable, and hedgeable with liquid macro instruments, without touching a single position.
- The same decomposition runs on any book. The question for a portfolio manager is simple: how much of your crowding risk is macro in disguise?

Source: Quant Insight MFERM; UBS. Sample Jul 2018 – Jul 2026. Past performance is not indicative of future results.

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) OrdeRSq005 ("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.

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

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