Quant insight

MacroSpotlight

Iran, Oil & the Fed: Who Paid, Who Profited

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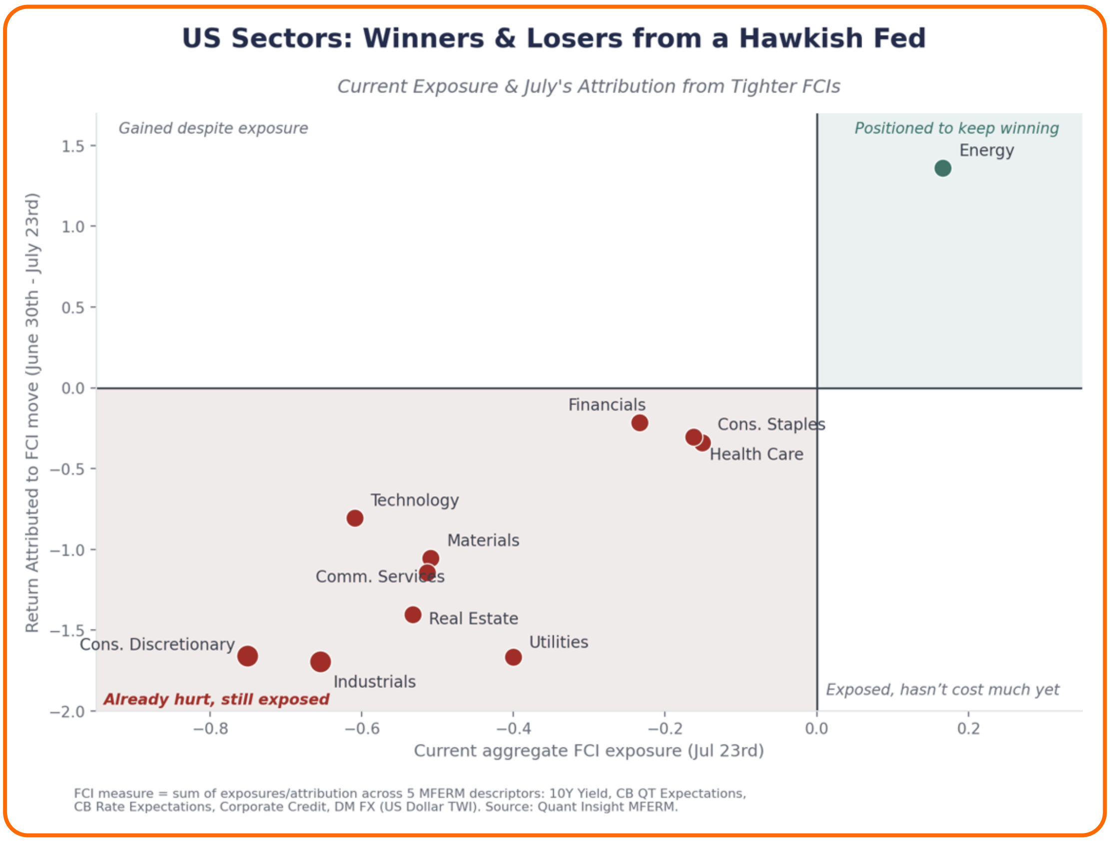
Iran and oil are the headline explanation for tighter financial conditions.

But if yields and credit spreads don't fully retrace as the ceasefire holds, the headline was never the whole story. Inflation, deficits, and hyperscaler issuance may be doing more of the work than the news cycle suggests.

Quant Insight doesn't call it either way. We show equity investors how the bond market is actually trading, and what that means for their book.

The chart below is a snapshot of the higher oil / tighter financial conditions phase, June 30th to July 23rd.

Qi's Macro Factor Equity Risk Model adds a macro lens to standard attribution: what drove your return, and whether you're still exposed if it persists.



Energy was the one sector benefiting. Current exposure suggests it keeps benefiting if FCIs tighten.

Every other sector was vulnerable, but not equally.

Financials, Consumer Staples and Health Care felt it, but the drag was modest. Consumer Discretionary and Industrials carried the most exposure, and paid the most for it.

Utilities is the one worth watching closely. XLU runs modest aggregate exposure but saw a big drag on returns in line with XLY & XLI.

Why?

Because Utilities display a concentrated rate sensitivity with nearly all of this month's hit coming through yields, not credit.

Bottom-up guys can classify Utilities as an AI power play but, if duration keeps driving this move, XLU reverts to its bond-proxy roots & suffers.

Qi doesn't make calls on the Fed. We map where the risk sits, whichever way it's moving.

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