# MacroVantage

## 1. US Utilities – mean reversion setup in view

*XLU sits 1.3σ cheap to macro fair value with yield stabilisation, defensive appeal and AI-driven power demand all arguing for mean reversion.*

## 2. USDCAD – the one Dollar long worth exploring?

*Dollar Debasement dominates the narrative, but Canadian tariff risk and a 1σ valuation discount make USDCAD the G7 exception.*

## 3. Macro still says stocks over bonds

*SPY is 0.8σ cheap versus GOVT while macro momentum keeps rising - inflation expectations remain the key driver favouring equities over bonds.*

26th August 2026

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## 1. US Utilities – mean reversion setup in view

S&P 500 Utilities are one of the few major sectors still in the red YTD; perhaps no surprise with long-end yields near multi-year highs.

But Qi suggests the selloff may have gone too far. XLU is trading around 1.3σ below Qi model fair value, roughly a 4.5% discount and near the lower end of its multi-year range.

Since 2009, similar long signals have delivered a 75% win rate while the Fair Value Gap remains discounted. Over the past year, the correlation between XLU's FVG and spot price has also been high at 64%.

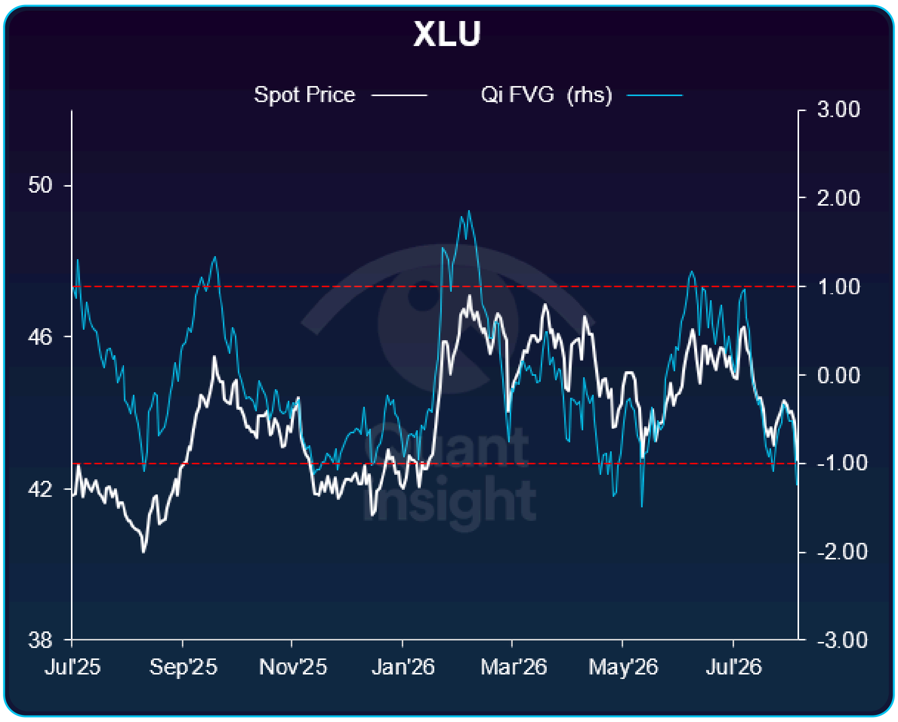
So why could that gap start to close?

Larger Treasury buybacks won't fix the fiscal story, but they do signal discomfort with the speed of the selloff. For XLU, yields may not need to fall - stabilisation alone would help.

Utilities also offer protection if high rates start to bite growth and the cycle rolls over.

And there's a structural tailwind too: AI and data-centre investment are driving a major increase in electricity demand.

So the setup is interesting: cheap versus macro fair value, defensive if growth weakens, and increasingly exposed to a secular power-demand story.



## 2. USDCAD – the one Dollar long worth exploring?

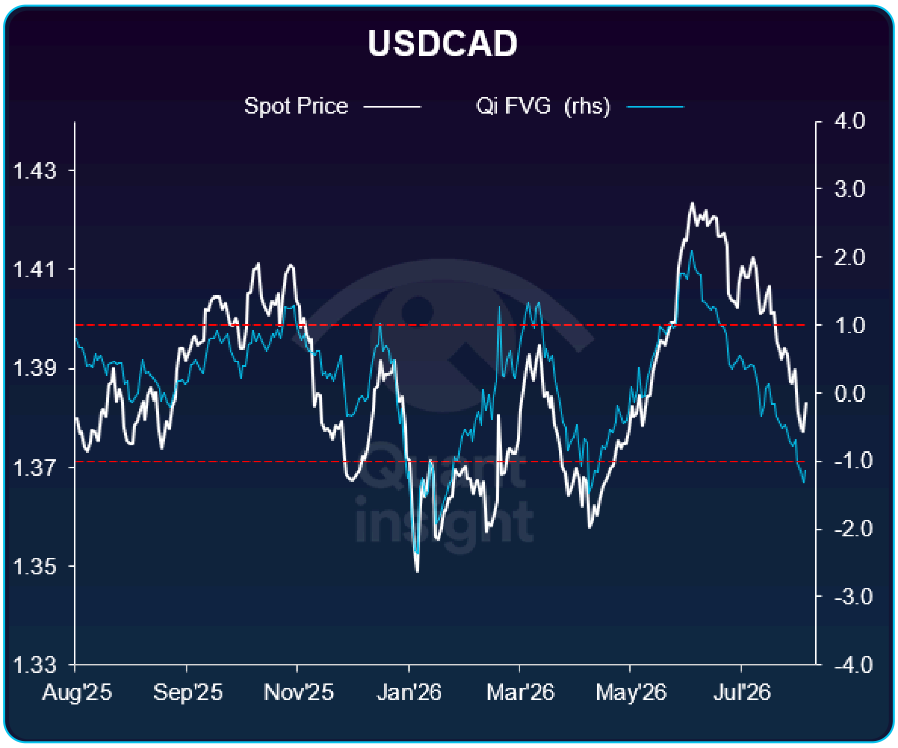
Debates continue whether US Treasury intervention is QE, YCC or something else.

The market implication is clearer: financial repression, inflation risk and renewed fears of Dollar Debasement.

US Dollar bulls are therefore few & far between.

But USDCAD may be the G7 exception given the potential fallout for Canada from the latest tariffs.

Qi agrees with USDCAD sitting 1σ (1.2%) cheap to macro fair value.




Right now, Qi model confidence is only 43% but interestingly back tests reveal a 73% hit rate on bullish signals at Fair Value Gaps of -1 σ with or without any RSq constraint.

Moreover, the correlation between spot USDCAD and Qi FVG is strong pointing to the gap closing via the market re-pricing to macro fundamentals.

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## 3. Macro still says stocks over bonds

A bullish divergence pattern is opening up on Qi's SPY vs. GOVT model. Macro momentum continues to trend higher pointing to further SPY outperformance.

More recently bonds have bounced versus equities leaving SPY 0.8σ (3.9%) cheap relative to the US Treasury ETF GOVT.

The asset allocation decision between stocks & bonds is clouded by UST intervention, crude oil, the AI trade, Iran, Canada & more. Qi distils that down into a few key observations.


First, 69% model confidence means macro matters.

Second, higher inflation expectations are the main driver pushing model value higher. They account for around a quarter of model explanatory power alone & unsurprisingly the relationship is positive – inflation hurts bonds / helps stocks.

If crude oil really rolls over from here & takes inflation down with it, the Fair Value Gap closes by Qi model value catching down. But, for inflation hawks, the current picture suggests equities remain the better home for asset allocators & entry levels are starting to look interesting.

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