Quant insight

MacroSpotlight

Macro Fear Has Flipped to Macro Complacency

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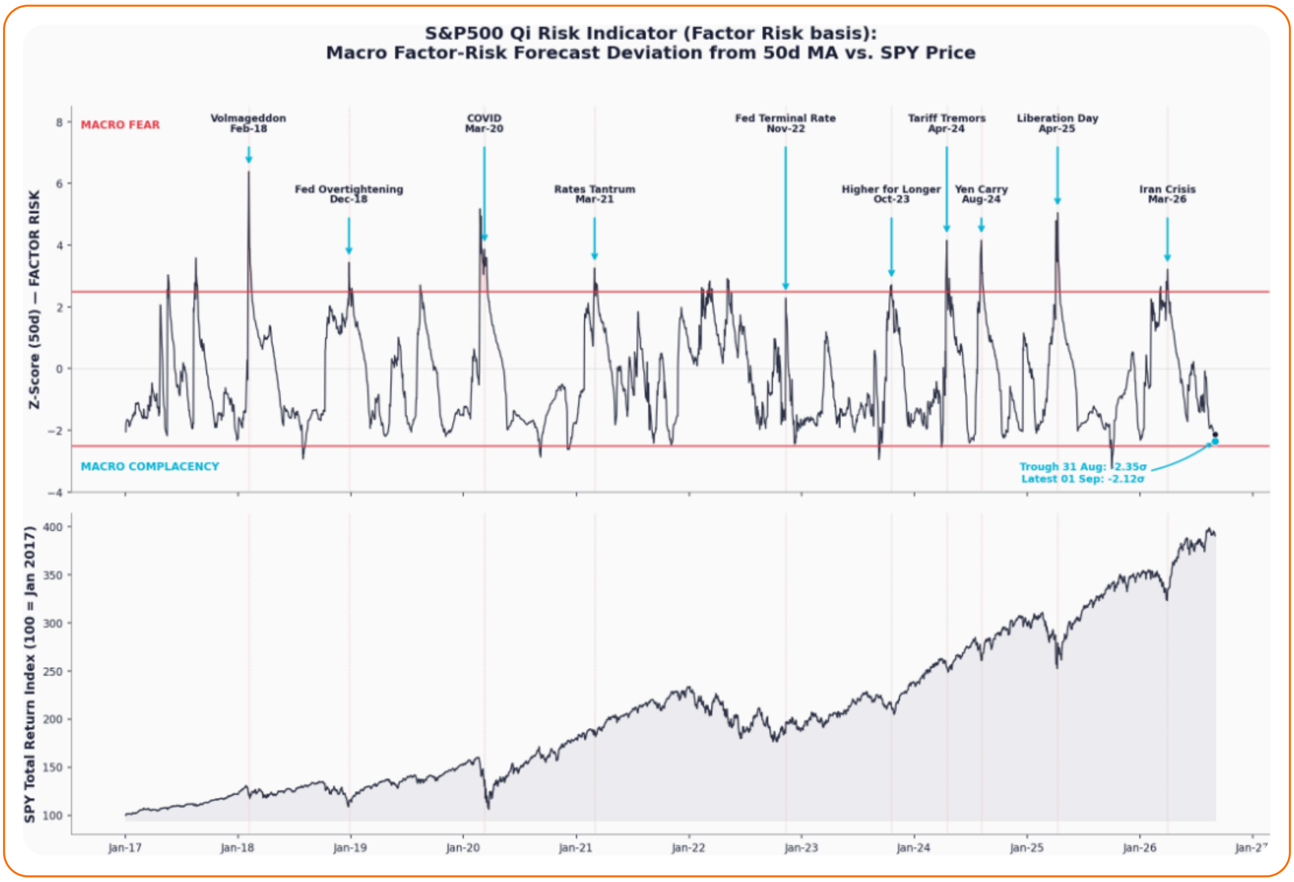
Qi's macro weather gauge has moved from one extreme to the other.

First, what this measures. Qi's indicator captures the portion of SPY risk attributable to macro factors - rates, credit, growth, risk aversion and the other systematic drivers in our 12-factor model.

It is not realised volatility or total equity risk. It is the model's forecast of macro-attributable risk.

Five months ago, during the Iran crisis, the gauge hit +3.2σ - peak macro fear, driven largely by widening credit spreads. We flagged that as a buying zone. That trade worked.

By 31 August, the indicator had fallen to −2.35σ - firmly into MACRO COMPLACENCY. The latest reading remains close at −2.12σ.



But the drop is telling.

From the March peak, Corporate Credit's contribution to SPY risk has fallen 57% - effectively explaining the entire decline in macro risk. The credit fear that drove the March spike has been priced out.

Rates risk hasn't. Rate expectations, the 10Y yield and QT/swaption volatility remain flat-to-higher as risk contributors.

In other words: equity macro risk has gone quiet because credit has calmed, not because macro risk has disappeared.

And historically, this matters. Across nine previous sub−2.5σ readings since 2010:

- 1-month median SPY return: −0.03% vs +1.7% normally
- Win rate: 44% vs 69% normally

The message isn't necessarily "sell equities". It is that the reflexive upside from macro fear has been exhausted.

If you bought the fear in March, you were paid.

From here, adding beta into a complacent tape offers far less historical edge - particularly while the rates complex refuses to settle.

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