

MacroVantage

1. Treasuries: An Equity Hedge, Not a Bond Hedge

European stress now pushes UST yields up. Allocators should know which risk their duration is hedging.

2. Eurozone Banks: Sell-off Running Ahead of Macro?

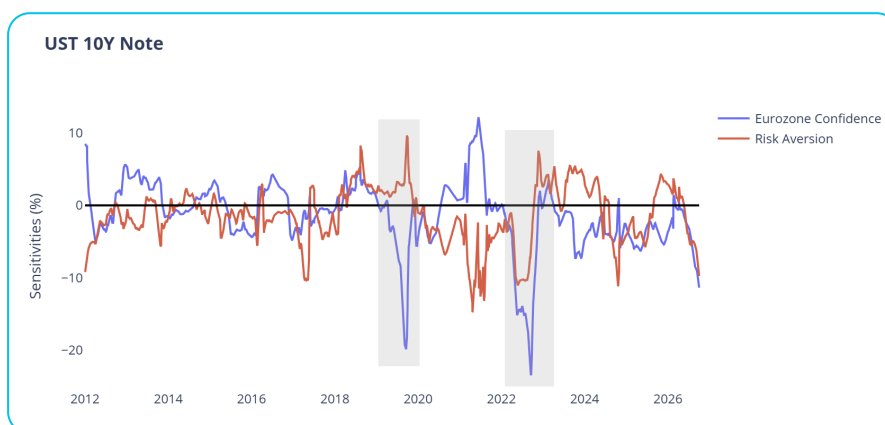
The sovereign backdrop remains challenging, but Eurozone banks now trade 0.7σ below macro fair value. The sell-off is running ahead of fundamentals.

3. Gold vs. TLT: Wrong Timing to Chase Debasement

Gold is 1.2σ rich versus long-dated Treasuries. Debasement may be the right trade for the long haul, but these aren't attractive levels to chase it.

1. US Treasuries: An Equity Hedge, Not a Bond Hedge

Eurozone Sovereign Confidence is now the second biggest driver of UST 10Y yields after inflation. Sensitivity sits at levels seen only twice before, and the sign is negative: peripheral stress means higher Treasury yields.



Model confidence is 84%. This is a well-defined macro regime and, as French stress spilled into BTPs, Qi fair value for US 10y yields jumped almost 40bp. With spot yields lagging, Qi has USTs as rich in macro valuation terms.

As EU spreads have eased in recent days, fair value has fallen back narrowing our Fair Value Gap from -1.6σ to -0.6σ .

In short, the model is tracking Europe, and Europe is pricing USTs as part of the problem, not the solution.

Of those two historical precedents shaded in grey, in late 2019 model confidence collapsed to single digits: no regime, so no signal. Sep/Oct 2022 is the real analogue. Confidence was ~65% through the gilt LDI blow-up, Meloni election, ECB hiking rates into the TPI. It was a global bond rout and USTs sold off with every other sovereign.

Risk Aversion sensitivity completes the story. VIX sensitivity is also near range lows, which is the normal pattern: VIX up, yields down

USTs still rally when equities wobble. They don't when sovereigns do.

The takeaway for asset allocators? Treasuries still hedge equity risk but, in a global bear market for bonds, the current pattern shows they offer no protection.

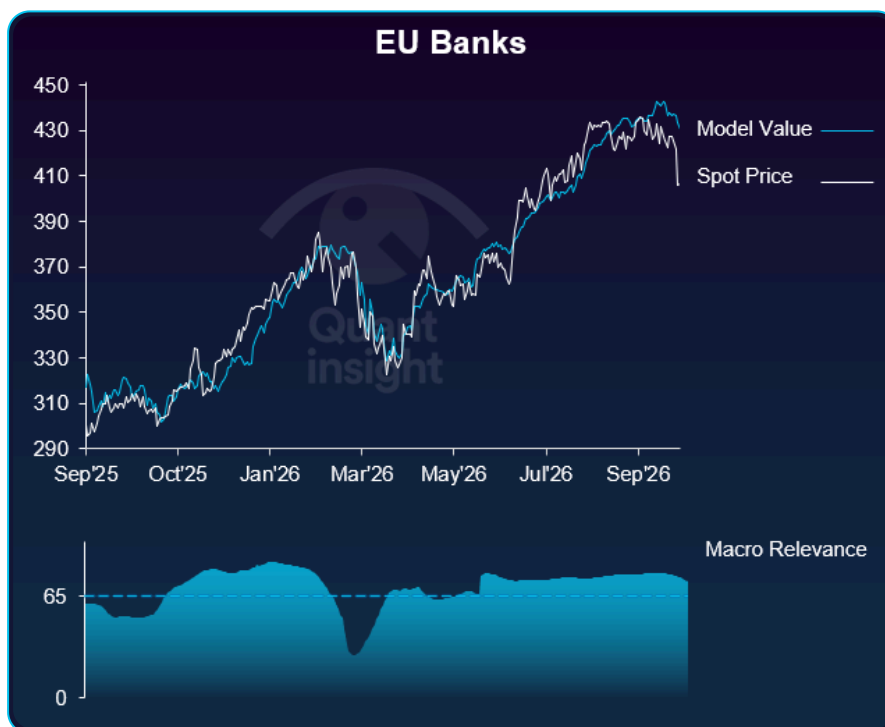
2. Eurozone Banks: Sell-off Running Ahead of Macro?

Eurozone banks have been the worst-performing sector as the OAT-Bund spread has blown out.

That is no surprise. Bank valuations have historically tracked sovereign spreads closely, with the sector also increasingly used as a liquid hedge for Eurozone sovereign risk.

On Qi's model, Eurozone sovereign confidence is a key positive driver for banks, alongside tighter credit spreads and lower rate volatility: the broader financial-conditions channel.

However, Eurozone banks now screen **0.7 σ below Qi model fair value**, towards the lower end of their recent historical range. Model value has weakened, but spot has fallen materially further.



Backtesting this signal since 2009, when macro explanatory power is above 65%, produces 30 signals: **67% of which have subsequently been profitable long opportunities.**

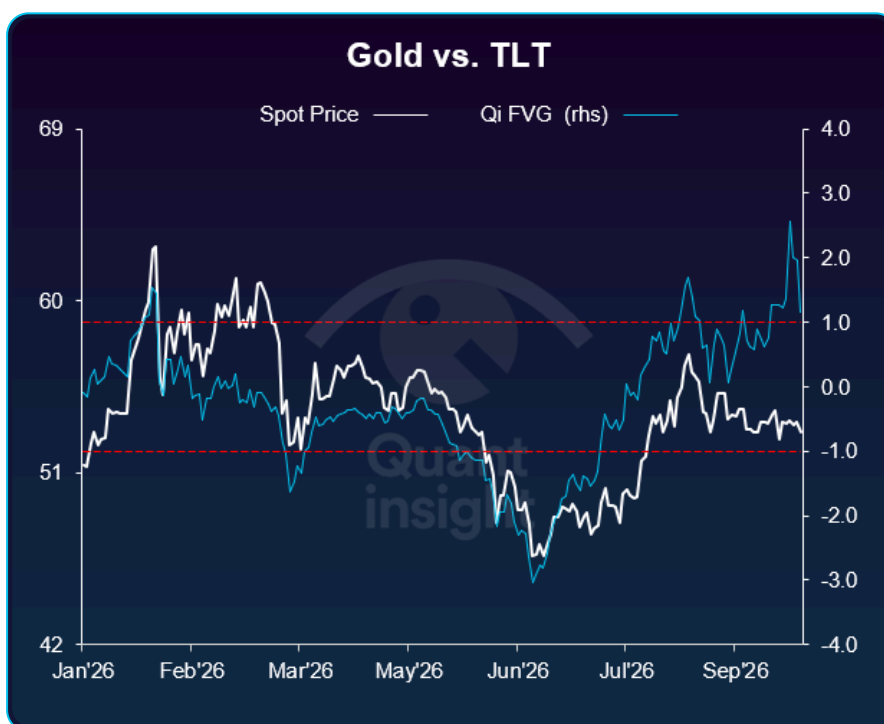
The sovereign backdrop remains challenging, but the sell-off may now be running ahead of the deterioration in macro fundamentals.

3. Gold vs. TLT: Wrong Timing to Chase Debasement

Long gold versus short TLT is a popular expression of US debasement. But on Qi, gold now sits 1.2σ (7.9%) rich to the 20y+ Treasury ETF.

EU Sovereign Confidence is a key driver. Positive sensitivity means gold outperforms when European bond markets are stressed: USTs aren't immune to a global bond rout; gold is the better safe haven.

The recent blow-out in French/BTP spreads pushed Qi model value lower. This week's recovery has reversed some of that move, but the trade remains over 1 σ rich to macro fair value.



Volatility in model value brings a health warning, but for much of 2026 Qi FVG and spot have moved closely together: typically a good sign for spot-led mean reversion.

Bottom line: these aren't attractive levels to chase +Gold/-TLT. But renewed European sovereign stress would strengthen the macro case for further gold outperformance



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