



MacroSpotlight

Small Caps vs Big Tech: Dissecting the Rates Problem

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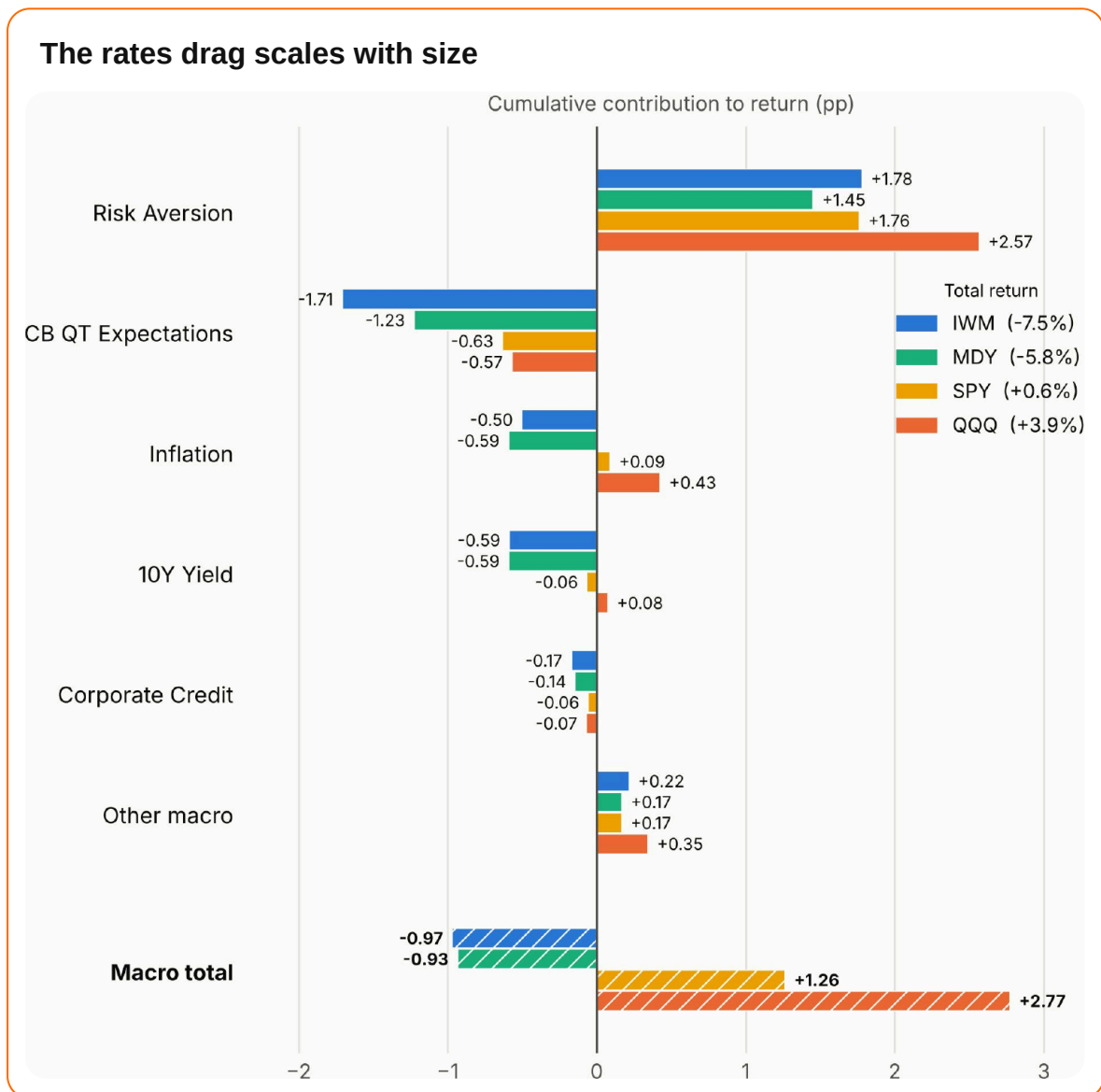
Since the Russell 2000 peaked on 14 August, IWM is down 7.5%. QQQ is up 3.9%.

Same macro backdrop. Very different macro impact.

1. Falling risk aversion helped everyone.

+1.8% return contribution for IWM and SPY, +2.6% for QQQ. A broad risk-on tailwind.

2. But rates hit small caps far harder.

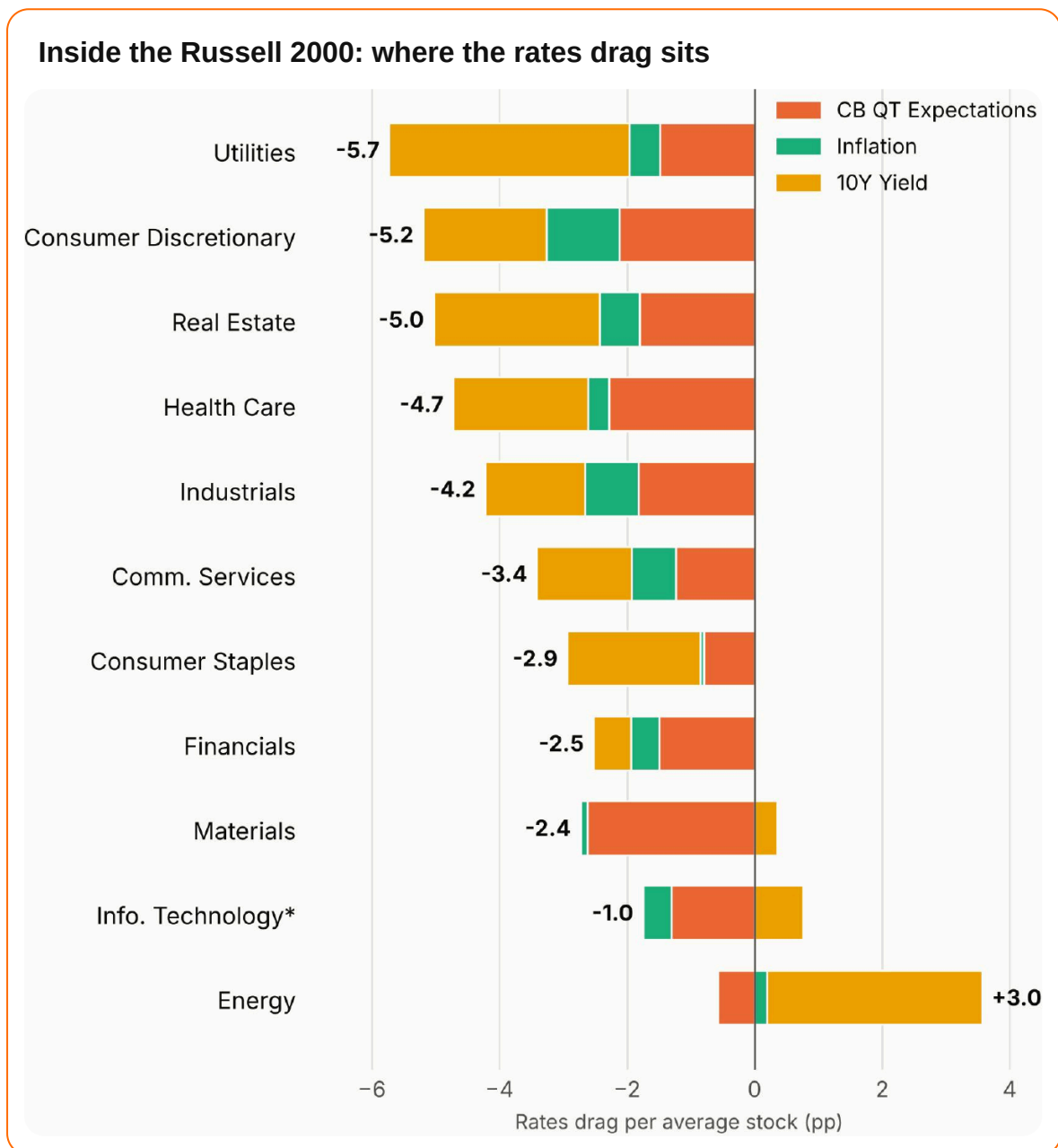


Combining rate vol, inflation and the 10Y:

- **IWM -2.8% | MDY -2.4%**
- **SPY -0.6% | QQQ -0.1%**

That's nearly three-quarters of the total macro attribution gap between IWM and QQQ.

3. The damage within small caps is widespread.

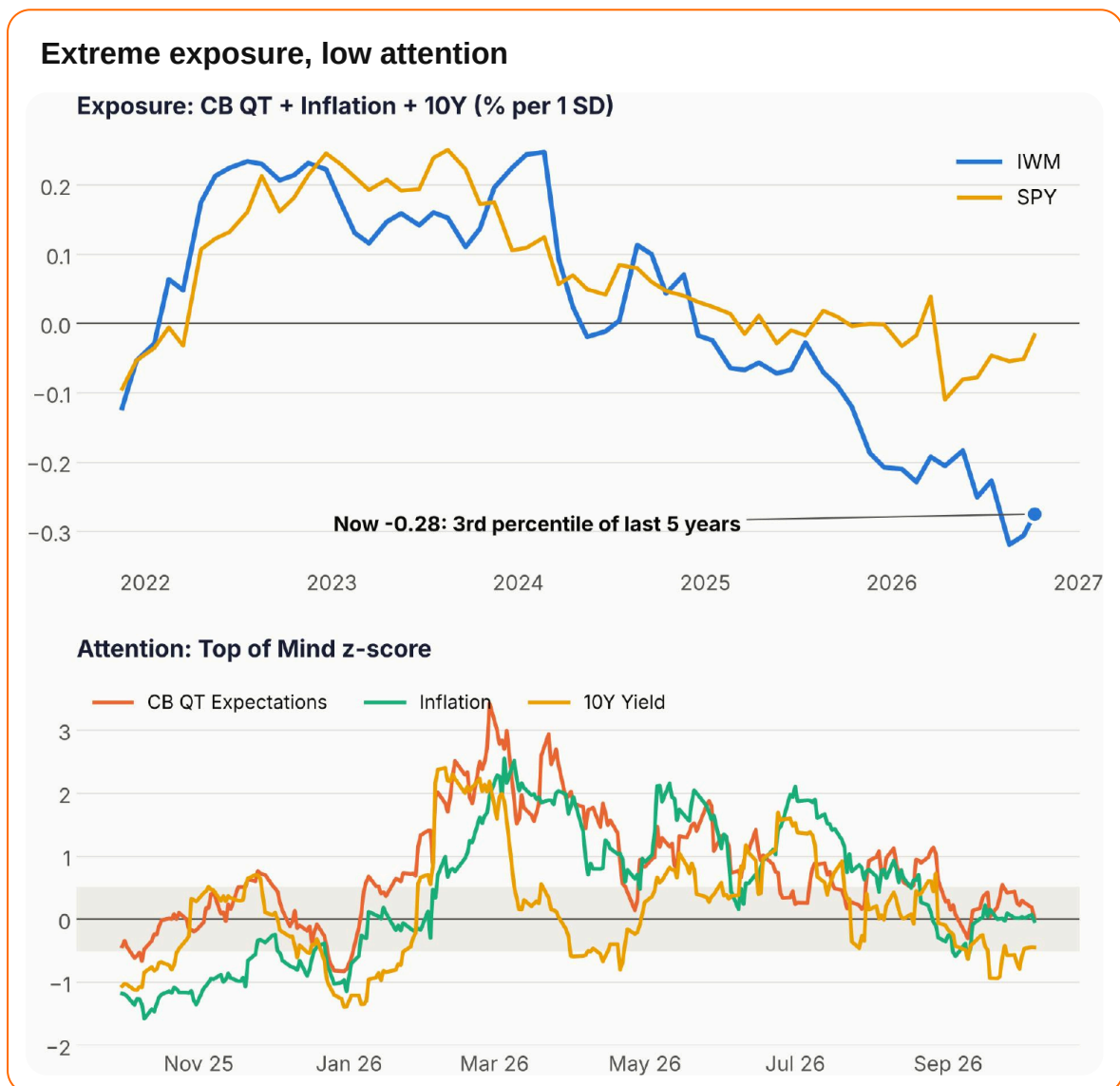


Rates dragged on 10 of 11 Russell 2000 sectors.

- **Utilities, Discretionary and Real Estate: -5 to -6% for the average stock.**
- **Health Care: -4.7%.**
- **Energy: the sole exception, at +3.0%.**

4. Rates exposure is extreme.

IWM's combined rates sensitivity is at the 3rd percentile of the past five years.



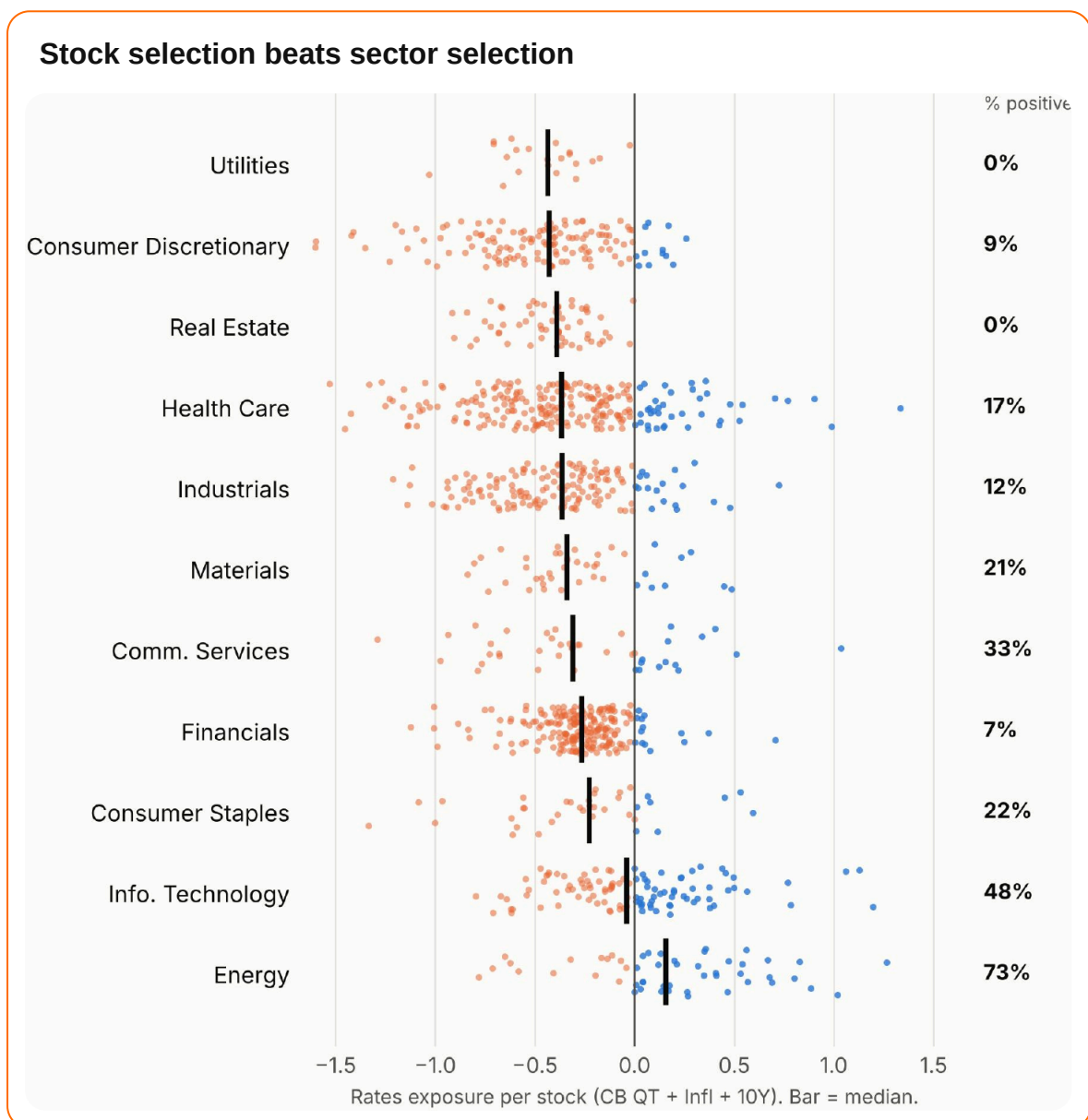
SPY's is close to neutral.

5. Stock selection matters more than sector selection.

81% of Russell 2000 stocks carry negative rates exposure.

134 have meaningfully positive exposure, spread across nine sectors.

Not a single Utility or Real Estate stock makes that group.



Where the positive rates exposure sits

Sector	Highest positive rates exposure	# positive
Energy	Kosmos Energy (KOS), PBF Energy (PBF), CVR Energy (CVI)	30
Info. Technology	Ambarella (AMBA), Teradata (TDC), CS Disco (LAW)	35
Comm. Services	Bandwidth (BAND), fuboTV (FUBO), Shutterstock (SSTK)	10
Consumer Staples	Nature's Sunshine Products (NATR), Utz Brands (UTZ), BellRing Brands (BRBR)	4
Materials	LSB Industries (LXU), Valhi (VHI), Aspen Aerogels (ASPN)	6
Health Care	Anika Therapeutics (ANIK), Replimune Group (REPL), Corvus Pharmaceuticals (CRVS)	28
Industrials	Columbus McKinnon (CMCO), FuelCell Energy (FCEL), CRA International (CRAI)	11
Consumer Discretionary	Arko (ARKO), Shake Shack (SHAK), MarineMax (HZO)	6
Financials	Remitly Global (RELY), Kemper (KMPR), EVERTEC (EVTG)	4

The takeaway: Small caps haven't lacked a macro tailwind. They've been overwhelmed by rates. And they're carrying near-record rates sensitivity into a market where the ERP is a negative.

What to watch: rate volatility. If 1y5y swaption vol rises, small caps are especially vulnerable. If it eases, Utilities, REITs, Discretionary and Health Care stand to benefit most.

This is Quant Insight's edge – isolate macro risks, measuring their equity impact and spot opportunities others might miss. All at your fingertips.



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