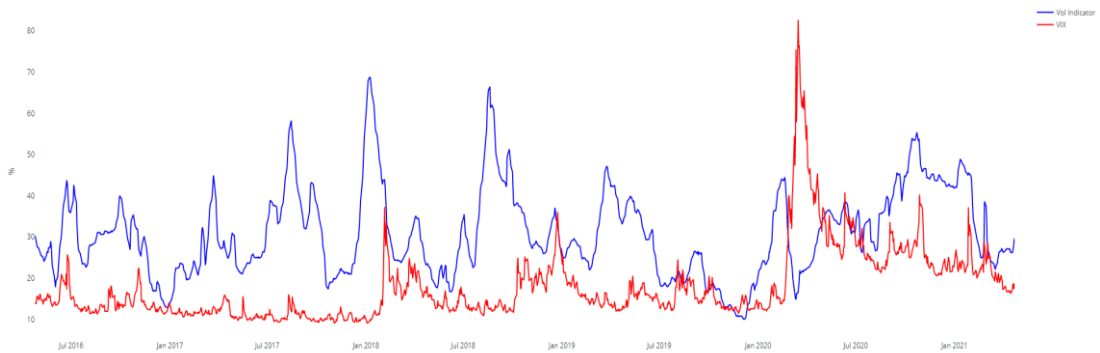


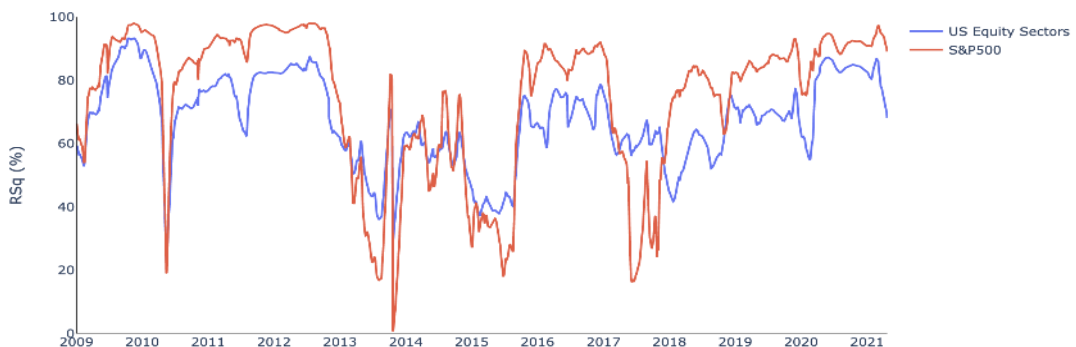


Amber light for risk appetite

- VIX remains sub 20 but **the Qi Vol Indicator (blue line) continues to tick higher**. When macro's explanatory power starts to fall across global equity, bond & FX markets, it can act as a warning that markets are due a bout of volatility.



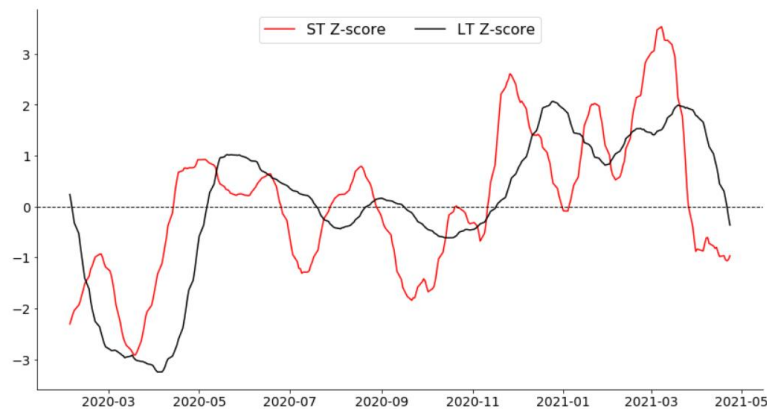
- Moreover, there are a few other red flags appearing across Qi's multi-asset universe.
- Macro's explanatory power has started to fall across a number of US equity sectors. The blue line in the chart below is the model confidence number for each of the eleven GICS Level 1 sectors aggregated together. History provides a few instances where **falls in model confidence at the sector level has pre-empted a fall in macro explanatory power at the broader S&P500 index level**.





Amber light for risk off

- Then we have **some traditional cyclical sectors throwing up some notes of caution** too. RETINA™ shows US Energy sectors [OIH](#) & [XOP](#) (chart below) as slightly rich on macro valuations & now entering a new downtrend. US Homebuilders [XHB](#) has also just seen a RETINA™ momentum sell signal with the uptrend now in overbought territory & decelerating.



- Moreover, it is not only a US phenomenon. [European Autos](#) display the same profile - close to macro model value but on the cusp on moving into a new downtrend. The LT trend looks overbought & momentum appears to be rolling over.
- Indeed, **RETINA™ is generating a broad array of momentum sell signals**. That includes several **EM fx crosses including MXN, BRL & ZAR**. Plus two key equity index futures – the [Dow](#) & [DAX](#).
- These are all momentum rather than valuation signals. A combination of waning momentum plus rich valuation would provide a stronger signal. However, in conjunction with our Vol Indicator & signs of macro explanatory power slipping in key areas, **there are an increasing number of warning signs for risk appetite**.

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