



America is back

- America is back in geopolitical terms; what about in financial markets?
- There is a clear health warning – at 53%, model confidence has fallen below our threshold & out of a macro regime. It is, however, worth noting the extreme Fair Value Gap in Qi's [Euro Stoxx 600 vs. S&P500](#) relative value model.



- At +1.6 sigma (+2.1%), European equities are extremely rich versus the US in macro terms. Model confidence has slipped but the regime is highly intuitive. **European equities are the high beta global recovery play.** They outperform with inflation expectations in both US & Europe rising, higher real rates, steeper yield curves, tight credit & low risk aversion.
- **Rates markets are sending the same signal.** US yields have fallen sharply versus their Euro equivalent, narrowing the [USD-EUR 5y5y](#) spread further than macro fundamentals warrant. RETINA™ has now flagged an inflection signal – after a period of divergence, both spot & model value have risen in tandem over the last 3 days. Combined with a -1.6 sigma FVG, **the decline in US yields looks extended.**
- There is a health warning here too - Qi model value has turned lower in the last two days. In bigger picture terms though, **both rates & equity markets are suggesting that US growth is deteriorating relative to Europe's.** In itself, not especially controversial; but, even with the caveats, Qi modelling suggests a fair amount of that narrative is now in the price.

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