

Quant Insight

Look up

Crude Oil

- The sharp fall in spot crude oil prices over the last 10 days sits in sharp contrast to macro-warranted model value. In the case of Brent, while spot has fallen 5.2%, macro fair value has risen 8.7%. For WTI, the equivalent numbers are -6.0% & +11.6%.
- Commodities always come with a health warning & require strong risk management given the propensity for adverse weather, geopolitical headlines or supply shocks to spark substantial volatility. However, macro model confidence is robust & **both have now triggered Divergence signals** on Qi. Moreover, back-testing the current -1.1σ FVGs on Brent & WTI results in **hit rates in the 70-75% area with double digit average returns**.



- It is also worth noting **US Energy XLE is 0.5σ (5.9%) cheap to model** on an outright basis while, in RV terms, it's notable that **Energy/Utilities XLE vs. XLU is 0.6σ (7.5%) below macro fair value**. Both FVGs are modest rather than extreme but may be another potential trading expression to watch.
- Note the European equivalent is at fair value rather than cheap. Both outright **EXH1** & relative to the broader Stoxx 600 **EXH1 vs. MEUD, European energy is trading in line with its macro environment** & offers no valuation edge for dip buyers.

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