# Qi MacroVantage

MacroVantage scans all asset classes globally, looking for timely observations from Qi's AI driven framework.

Where an asset price has become divorced from macro fundamentals and offers a potential trade opportunity; where factor leadership may be changing or regimes shifting; employing Qi factor sensitivities to run scenario analysis on critical themes.

Topical, timely, machine-driven signals and observations.

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1. ***The "bad news is good news" tightrope – lower bond yields but slowdown evident leading to waning market breadth***

Qi's SPY short term model has exhibited a high and stable macro explanatory power over the last 2 months at ~77%. The most important upside macro drivers are in order: trade weighted dollar (weaker); real rates (lower); credit spreads (tighter); inflation expectations (lower). See the chart below over the last month.
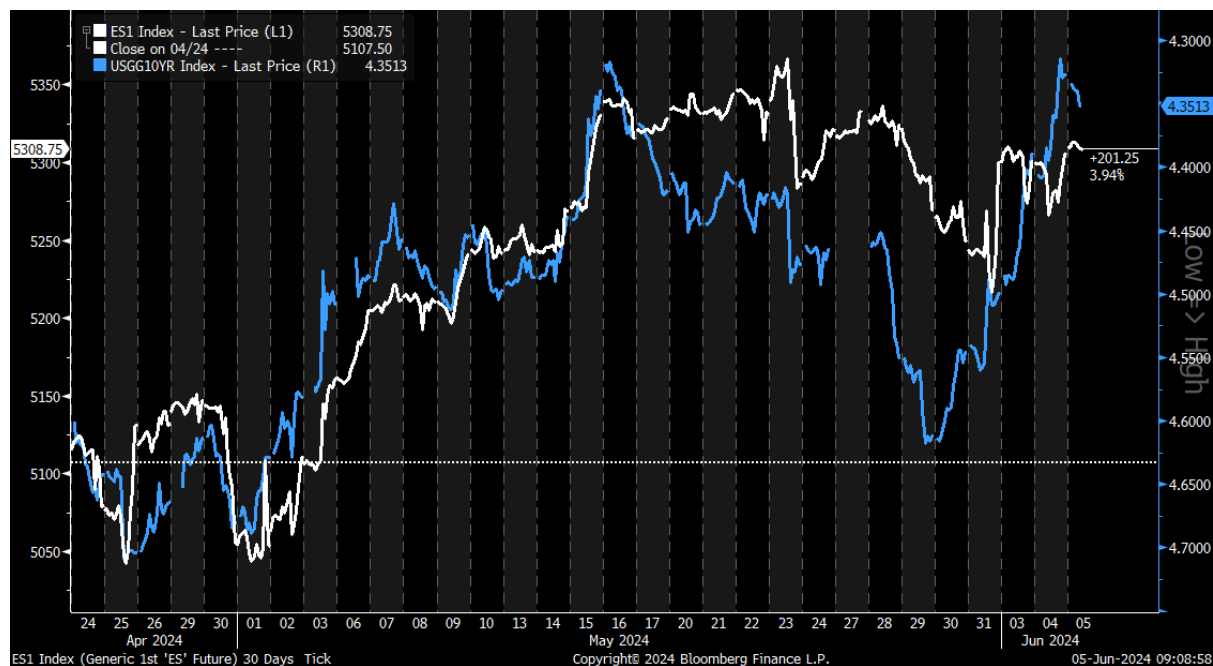
However, SPY model value momentum has stalled over the last 3 weeks. This period has coincided with the fall in copper, Atlanta GDP Nowcast and a pick up in risk aversion, rate vol and inflation expectations. Qi's model recognizes these drags to the model value over this period – see the chart below. Softer growth has been one of the largest drags to model value.
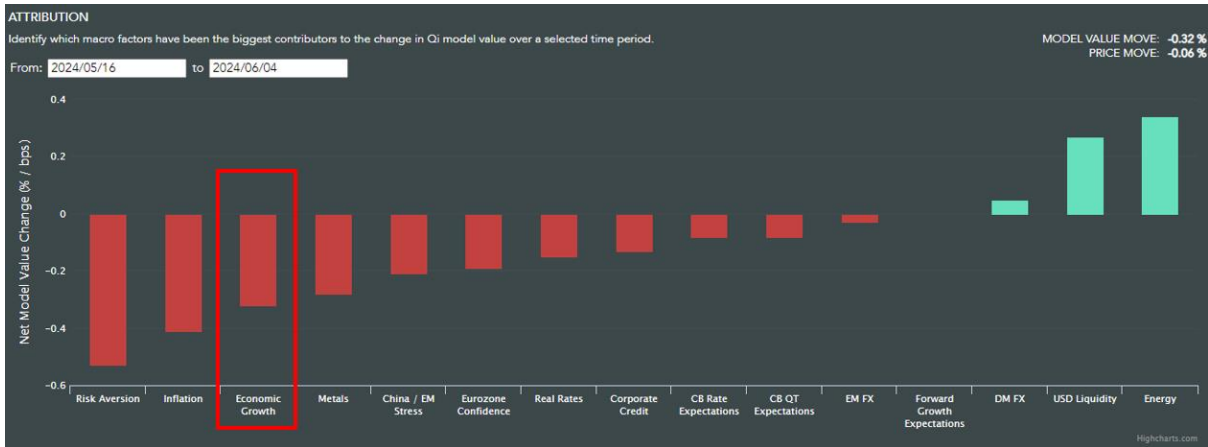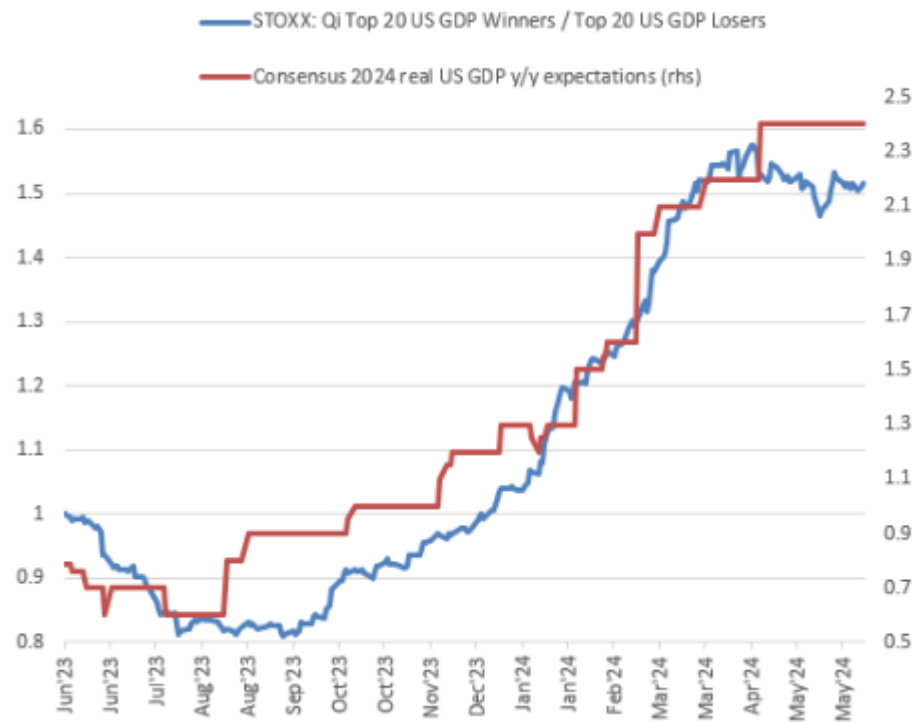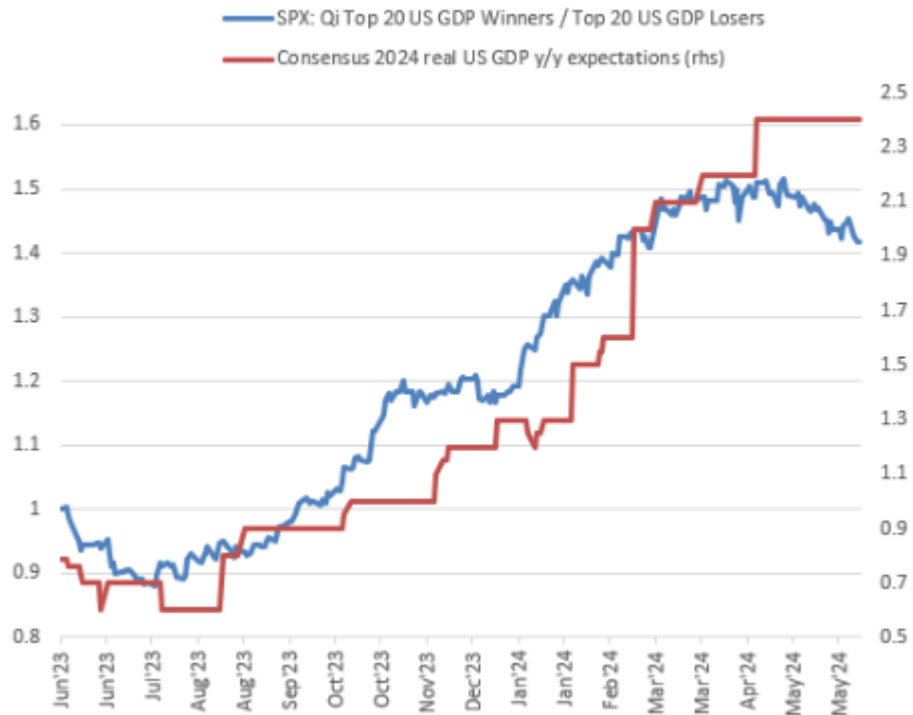
Under the hood of the index, a "slowdown" rotation is more evident. We have seen a dislocation emerge through May where the index level has held up but Qi's L/S US growth tracking basket has not. See the chart below. Over the last month, secular AI / electricity demand themes have propelled Tech and Utilities. This leave us nervous as the % of S&P500 stocks now above their 50d MA had hit a high of 85% at the start of the quarter but now only 48%

2. *Screening Qi for stocks most / least exposed to a US slowdown*

Qi's framework allows us to quickly screen for stocks most / least exposed to a US slowdown. We screened for the top 20 most / least sensitive US and European names. See the two charts below showing equal-weighted performance of these names.

SPX: Qi Top 20 US GDP Winners / Top 20 US GDP Losers
Consensus 2024 real US GDP y/y expectations (rhs)

STOXX: Qi Top 20 US GDP Winners / Top 20 US GDP Losers
Consensus 2024 real US GDP y/y expectations (rhs)

The longs in the US reflect high exposure to Financials. The short reflect names more sensitive to financial conditions than directly US growth. For both regions, we show the names selected by Qi below.

| Longs		Shorts	
Ticker	Name	Ticker	Name
EPAM US Equity	EPAM SYSTEMS INC	AAL US Equity	AMERICAN AIRLINES GROUP INC
ALL US Equity	ALLSTATE CORP	NCLH US Equity	NORWEGIAN CRUISE LINE HOLDIN
TGT US Equity	TARGET CORP	APTV US Equity	APTIV PLC
TRV US Equity	TRAVELERS COS INC/THE	APD US Equity	AIR PRODUCTS & CHEMICALS INC
PGR US Equity	PROGRESSIVE CORP	KMX US Equity	CARMAX INC
DIS US Equity	WALT DISNEY CO/THE	ADBE US Equity	ADOBE INC
KEY US Equity	KEYCORP	BWA US Equity	BORGWARNER INC
FITB US Equity	FIFTH THIRD BANCORP	FSLR US Equity	FIRST SOLAR INC
WRB US Equity	WR BERKLEY CORP	ADM US Equity	ARCHER-DANIELS-MIDLAND CO
JNPR US Equity	JUNIPER NETWORKS INC	UAL US Equity	UNITED AIRLINES HOLDINGS INC
CVS US Equity	CVS HEALTH CORP	WBD US Equity	WARNER BROS DISCOVERY INC
AXON US Equity	AXON ENTERPRISE INC	BA US Equity	BOEING CO/THE
TFC US Equity	TRUIST FINANCIAL CORP	BF/B US Equity	BROWN-FORMAN CORP-CLASS B
C US Equity	CITIGROUP INC	CCL US Equity	CARNIVAL CORP
GL US Equity	GLOBE LIFE INC	ALGN US Equity	ALIGN TECHNOLOGY INC
WAT US Equity	WATERS CORP	CZR US Equity	CAESARS ENTERTAINMENT INC
CFG US Equity	CITIZENS FINANCIAL GROUP	ON US Equity	ON SEMICONDUCTOR
NRG US Equity	NRG ENERGY INC	CHTR US Equity	CHARTER COMMUNICATIONS INC-A
ABBV US Equity	ABBVIE INC	PAYC US Equity	PAYCOM SOFTWARE INC
PNC US Equity	PNC FINANCIAL SERVICES GROUP	TSLA US Equity	TESLA INC

Longs		Shorts	
Ticker	Name	Ticker	Name
DPLM LN Equity	DIPLOMA PLC	EVT GY Equity	EVOTEC SE
AFX GR Equity	CARL ZEISS MEDITEC AG - BR	HFG GY Equity	HELLOFRESH SE
RHM GR Equity	RHEINMETALL AG	SOI FP Equity	S.O.I.T.E.C.
SAABB SS Equity	SAAB AB-B	CCH LN Equity	COCA-COLA HBC AG-DI
RUI FP Equity	RUBIS	BVIC LN Equity	BRITVIC PLC
REY IM Equity	REPLY SPA	AIXA GY Equity	AIXTRON SE
DIE BB Equity	D'IETEREN GROUP	TKA GY Equity	THYSSENKRUPP AG
KOG NO Equity	KONGSBERG GRUPPEN ASA	GRF SQ Equity	GRIFOLS SA
NEX FP Equity	NEXANS SA	ABF LN Equity	ASSOCIATED BRITISH FOODS PLC
BG AV Equity	BAWAG GROUP AG	ALO FP Equity	ALSTOM
ALLFG NA Equity	ALLFUNDS GROUP PLC	OCDO LN Equity	OCADO GROUP PLC
DIM FP Equity	SARTORIUS STEDIM BIOTECH	FRVIA FP Equity	FORVIA
BEIJB SS Equity	BEIJER REF AB	BWY LN Equity	BELLWAY PLC
UCB BB Equity	UCB SA	FR FP Equity	VALEO
RF FP Equity	EURAZEO SE	PUM GY Equity	PUMA SE
SHBA SS Equity	SVENSKA HANDELSBANKEN-A SHS	BOSS GY Equity	HUGO BOSS AG -ORD
DBK GR Equity	DEUTSCHE BANK AG-REGISTERED	UBI FP Equity	UBISOFT ENTERTAINMENT
KOJAMO FH Equi	KOJAMO OYJ	CNA LN Equity	CENTRICA PLC
BC IM Equity	BRUNELLO CUCINELLI SPA	ARGX BB Equity	ARGENX SE
ANDR AV Equity	ANDRITZ AG	BRBY LN Equity	BURBERRY GROUP PLC

3. *Crude vs. Inflation. Hard vs. Soft data.*

In bonds, the fall in US Treasury yields over Monday & Tuesday was the biggest 2 day drop in 2024. The main drivers of the slowdown story are weak survey data & falling commodity prices, especially crude oil.

The chart shows US inflation expectations (using CPI swaps) & energy (WTI) in z-score terms. The latest sell off in crude markets has taken WTI 1.2 sigma below trend. Inflation expectations have sold off but not to the same degree; they remain slightly above trend.

Such disconnects are rare, which begs an important question.
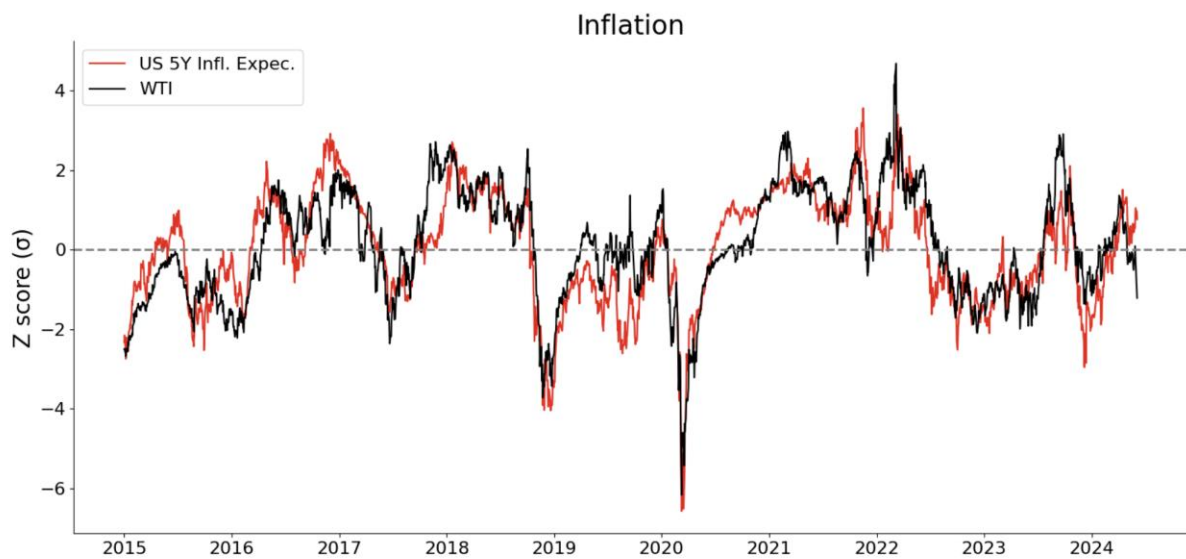
Is the sell-off in crude a function of aggressive CTA selling rather than reflecting weak global demand? Or are inflation expectations simply lagging, & break-evens / nominal yields will 'catch down'.

Put another way, WTI reflects the soft survey data once again sparking fears of an economy coming in to land. The correction in inflation expectations is consistent with the hard economic data, which is softening but yet to panic.

Cue Payrolls.

4. India or China?

For some, the Indian election result doesn't change anything. The long-term structural bull case remains intact.

It just requires a rotation at the sector level - away from infrastructure or renewable energy plays, & more towards consumer staples as realpolitik dictates Modi focuses more on rural, low income cohorts. But for others, there may be a broader, country level asset allocation decision. There is no doubt that, amongst global allocators, China's loss has been India's gain.

India's star has risen not just because of the domestic story, but because capital had fled Chinese equities during the Covid lockdown hangover.

Quant Insight's model of Chinese versus Indian equities (using the ratio of FXI / INDA ETFs), shows that overall macro conditions supported Indian outperformance over the last 4yrs.

Until now.

It may yet be a simple pause that refreshes, but the blue line below is showing signs of potentially carving out a bottom.

That means the entire macro complex - economic fundamentals, financial conditions, risk appetite - have moved from supporting INDA to becoming more two way.

If the blue line starts making new highs, the macro environment will start to become a tailwind for FXI outperformance instead.

We're not there yet. But, given the recent momentum in China & the Indian election result, it's worth monitoring

FXI vs. INDA

Model Value
Spot Price

Macro Relevance
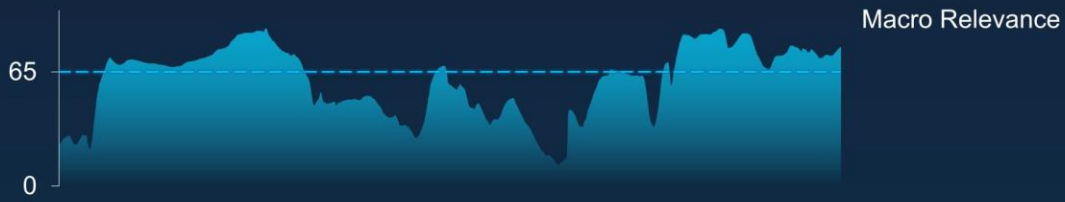
5. NOK & the perils of two-factor correlation

Last week Qi flagged EURNOK looked oversold relative to prevailing macro conditions. The cross has rallied around 1.0% since then, & Qi's FVG has narrowed from -1.3 sigma to -0.5. This week USDNOK looks interesting.

More specifically, how does this petro-currency pair trade with crude oil? Recent patterns show the Dollar is the bigger beneficiary from rising energy prices so this latest fall in crude will have many looking at simplistic WTI/USDNOK overlay charts & thinking about potential downside for the $.

Qi looks at the entire macro complex & while lower WTI prices are a drag, there are offsets (low risk aversion, tight credit spreads, falling UST yields) keeping model value flat-lining. Right now Qi says USDNOK "should" trade at 10.75 given the overall macro picture. That leaves spot 0.6 sigma (1.5%) cheap to model.

Our model is not in regime, but confidence is 60% & rising. Furthermore, our FVG has done a good job of marking recent highs & lows in spot USDNOK. Ignore the siren calls of chart crime. Absent an even bigger puke in crude plus broad "risk off" *and* a back-up in UST yields, the risk-reward does not look good here for USDNOK shorts.
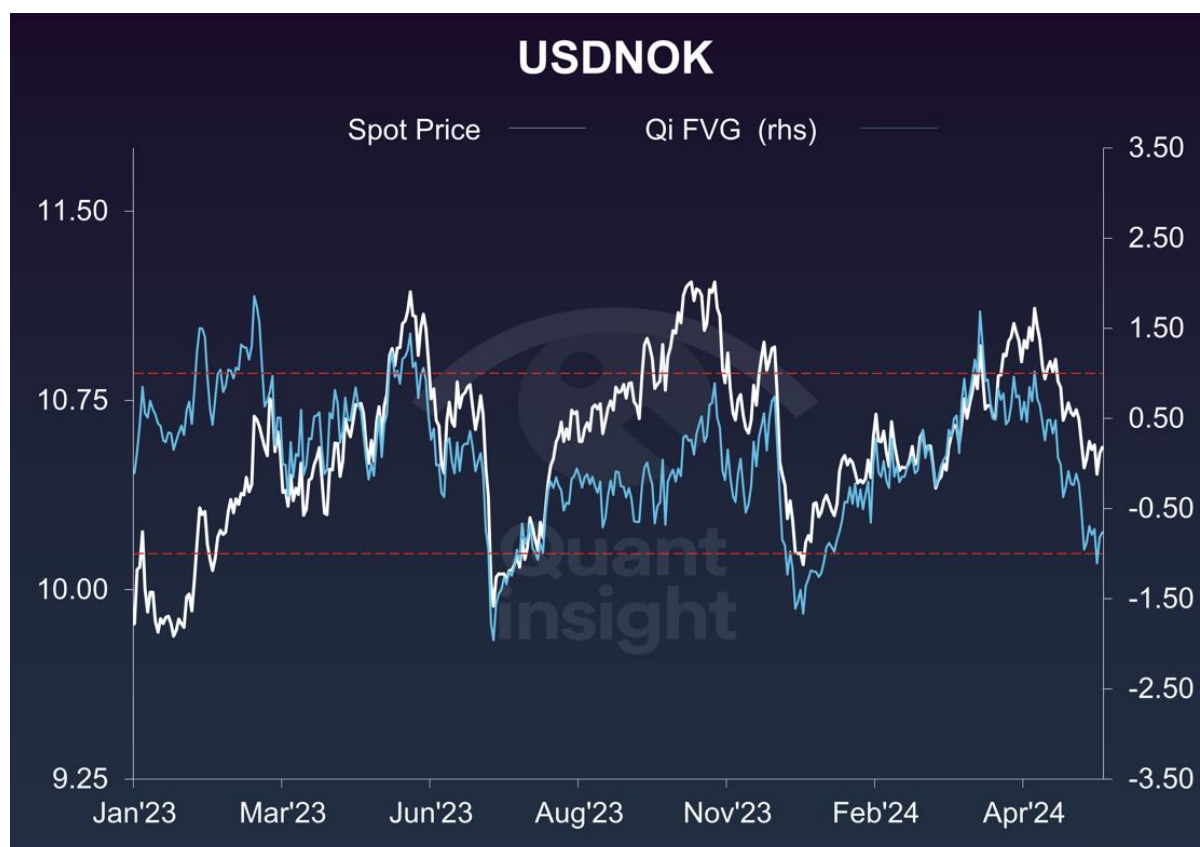
6. FOX

FOX Corp is trading at 2.3 standard deviations rich to Qi macro warranted fair value, which is the 100th percentile over the last year

The stock has been driven up partly by good news on its new streaming service Tubi.

Qi drivers for FOX are inflation (positive to higher inflation), risk aversion (negative to increasing risk) and GDP (negative to higher GDP)