

# MacroVantage

Uncover price dislocations, trade opportunities,  
regime shifts and sensitivity across asset classes



1. **Macro + Politics – Qi's Trump models**
2. **Trump is a bond trade first-&-foremost**
3. **Will Donnie unleash Tech & Crypto?**
4. **Qi stock sensitivities to Trump – today, 2020 & 2016**
5. **Equities – regime change with valuations stretched**

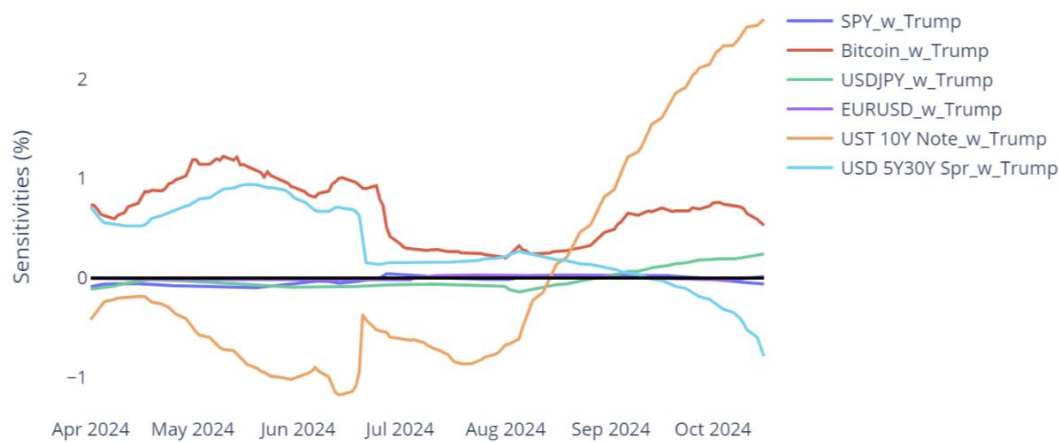
## **1. Macro + Politics – Qi's Trump models**

Qi custom models offer users the ability to introduce new variables to stress test certain scenarios. Given the importance of the US election, we have added Trump election probabilities to a number of models across major asset classes, US sectors & US single stocks.

We use Real Clear Politics Trump betting odds as our "US election" factor. This is added to the existing core Qi factor set containing our standard mix of variables that cover Economic Fundamentals, Financial Conditions and Risk Appetite. Our proprietary version of PCR means we capture the independent pattern of association between Trump betting odds and these securities.

## 2. Trump is a bond trade first-&-foremost

### US Election



The chart shows the impact of a one standard deviation shock higher in Trump betting odds on various equity, bond, FX and crypto assets. The clear standout is 10y US Treasury yields. All else equal, a bump in Trump betting odds is consistent with a 2.5bp move higher in 10y yields. This factor is 6th biggest positive driver of the model.

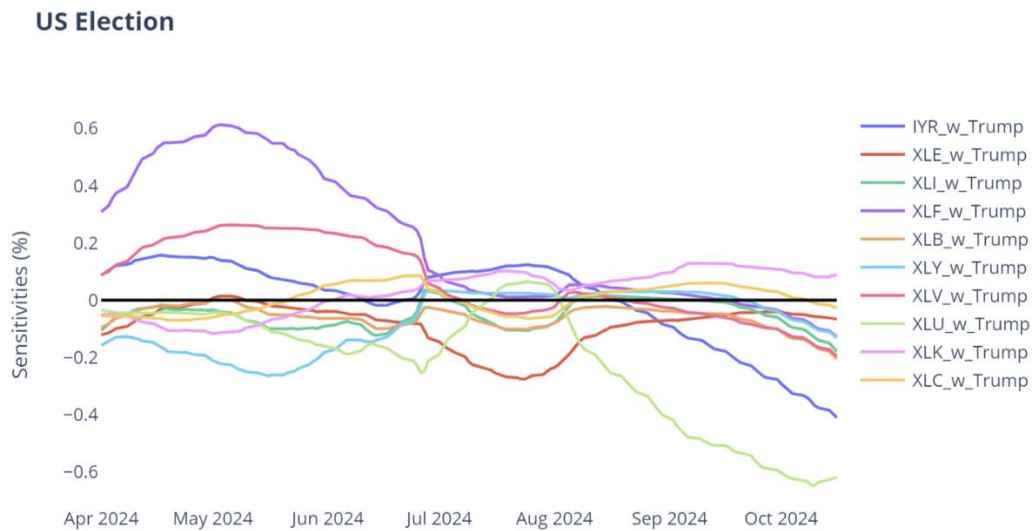
It is also increasingly important for the shape of the 5s30s yield curve where the relationship is negative, i.e. a Trump victory is consistent with a flatter yield curve. Presumably a bear flattening as 5y yields price in more rate hikes due to inflation, deficits, dents to Fed credibility.

Bitcoin is the next most sensitive - the relationship has been consistently positive. Crypto wants a Trump Presidency.

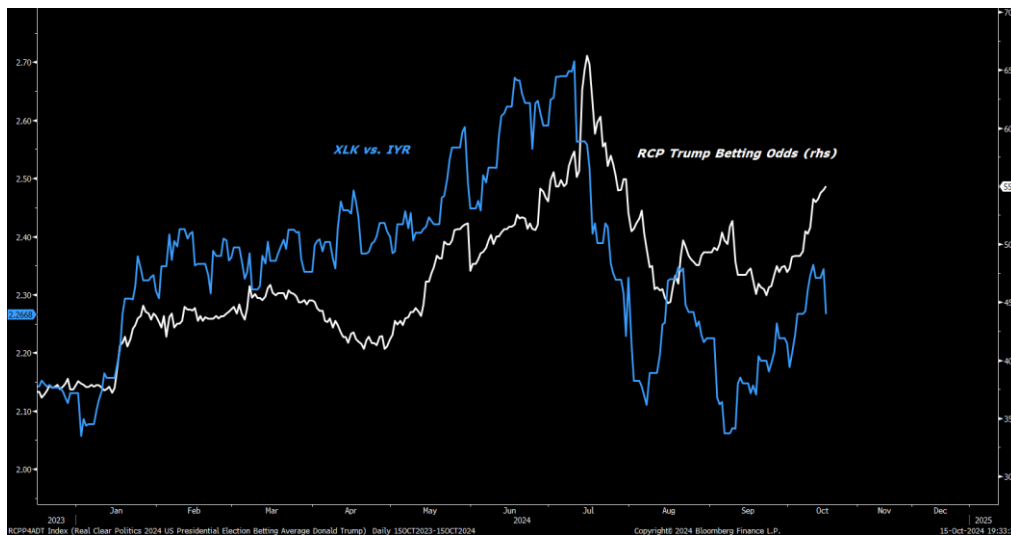
But it is equally striking to note what is not sensitive. S&P500, EURUSD and USDJPY sensitivity is small. At the asset class level, right now US politics is playing out through the bond market first-&-foremost.

### 3. Will DJT unleash Tech & Crypto

At the sector level, Tech is seen as the biggest beneficiary of a Trump win according to Qi's model. The chart below shows how sector price sensitivities to Trump victory odds have evolved over time. Technology is seen as the biggest relative winner and utilities and real estate the losers. This jives with these sectors' relative sensitivity to long-end rates. As shown above it is the bond market rather than equities that fear Trump. Hence, we see IYR (Real Estate ETF) also come under pressure from a Trump win.



If we take these two book ends, we note that XLE vs. XLU has a close relationship with the RCP Trump betting odds in the chart below.

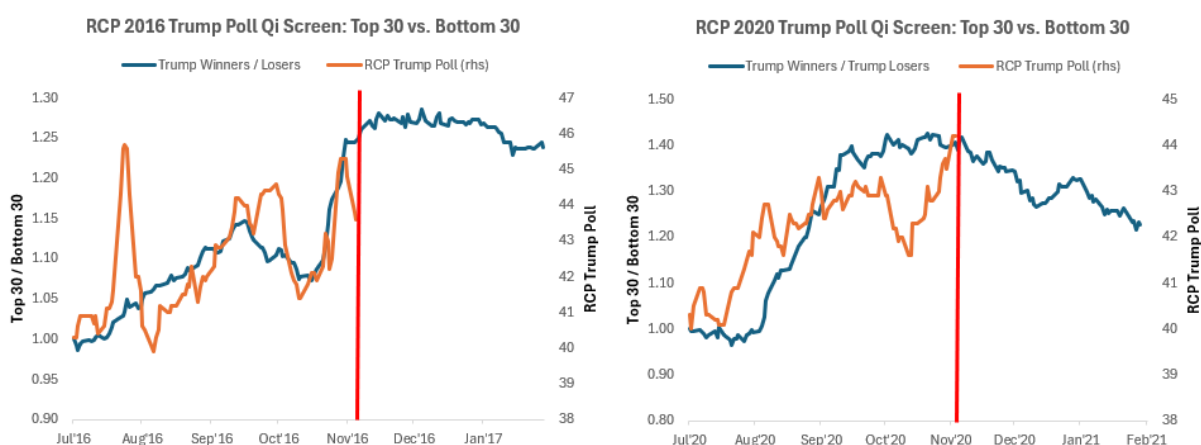


#### 4. Qi stock sensitivities to Trump – Today, 2020 & 2016

Clients have asked whether our custom models identified Trump winners and losers back in 2016, 2020 as well as today. With our systematic framework, this was a simple exercise to run.

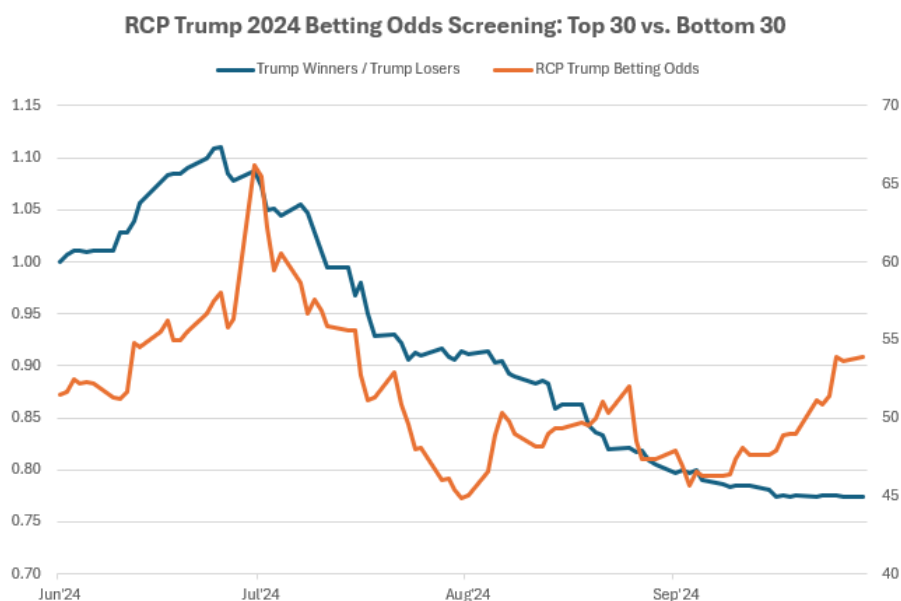
We used RCP Trump polling data which was available for over a year going into Nov 2016 and Nov 2020. We screened for 30 stocks where the Trump sensitivity was most positive (i.e. Trump winners) vs. the rest of the universe and also a top 5 rank vs. the other 37 macro factors that go into the relational model just ahead of the elections. We repeated this for 30 stocks where the Trump sensitivity was most negative (i.e. Trump losers).

Below is the performance of those names (winners vs. losers) over the 4mths into the 2016 and 2020 elections and 3mths after. We assume equal-weighting across the names in each basket. Note this is just looking at most / least sensitive to the betting odds - no other factors like the dollar, interest rates etc.



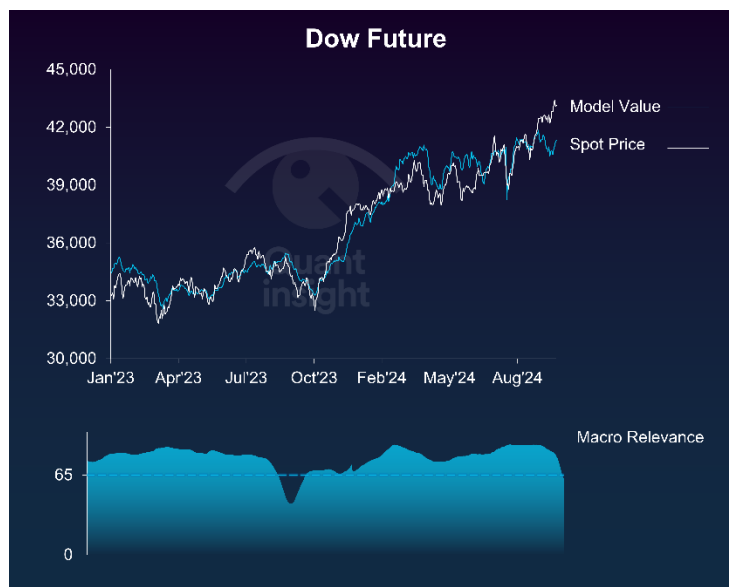
Today, we have repeated this screening based on the current RCP Trump Betting Odds. We see the below relative performance for these longs vs. shorts since June. The names are below – Tech stands out as a relative beneficiary of a Trump win.

More details, ranking all stocks, available on request.



TOP 30 TRUMP WINNERS OCT 24			TOP 30 TRUMP LOSERS OCT 24		
Ticker	Name	Industry	Ticker	Name	Industry
MRNA US Equity	MODERNA INC	Biotechnology	PH US Equity	PARKER HANNIFIN CORP	Machinery
HUM US Equity	HUMANA INC	Health Care Providers & Servic	WY US Equity	WEYERHAEUSER CO	Specialized REITs
LRGX US Equity	LAM RESEARCH CORP	Semiconductors & Semiconductor	ALLE US Equity	ALLEGION PLC	Building Products
MCK US Equity	MCKESSON CORP	Health Care Providers & Servic	DRU US Equity	DARDEN RESTAURANTS INC	Hotels, Restaurants & Leisure
AMAT US Equity	APPLIED MATERIALS INC	Semiconductors & Semiconductor	PNR US Equity	PENTAIR PLC	Machinery
QCOM US Equity	QUALCOMM INC	Semiconductors & Semiconductor	MAS US Equity	MASCO CORP	Building Products
BIBB US Equity	BIOGEN INC	Biotechnology	MKTX US Equity	MARKETAXESS HOLDINGS INC	Capital Markets
SNPS US Equity	SYNOPSYS INC	Software	HUBB US Equity	HUBBELL INC	Electrical Equipment
QRVO US Equity	QRVO INC	Semiconductors & Semiconductor	AIZ US Equity	ASSURANT INC	Insurance
BA US Equity	BOEING CO/THE	Aerospace & Defense	AXON US Equity	AXON ENTERPRISE INC	Aerospace & Defense
NXPI US Equity	NXP SEMICONDUCTORS NV	Semiconductors & Semiconductor	GL US Equity	GLOBE LIFE INC	Insurance
FDX US Equity	FEDEX CORP	Air Freight & Logistics	ALB US Equity	ALBEMARLE CORP	Chemicals
TER US Equity	TERADYNE INC	Semiconductors & Semiconductor	NOC US Equity	NORTHROP GRUMMAN CORP	Aerospace & Defense
SWKS US Equity	SKYWORX SOLUTIONS INC	Semiconductors & Semiconductor	MCD US Equity	MCDONALD'S CORP	Hotels, Restaurants & Leisure
DLTR US Equity	DOLLAR TREE INC	Consumer Staples Distribution	WBA US Equity	WALGREENS BOOTS ALLIANCE INC	Consumer Staples Distribution
TSLA US Equity	TESLA INC	Automobiles	CF US Equity	CF INDUSTRIES HOLDINGS INC	Chemicals
BG US Equity	BUNGE GLOBAL SA	Food Products	FFIV US Equity	F5 INC	Communications Equipment
GOOGL US Equity	ALPHABET INC-CL A	Interactive Media & Services	BMJ US Equity	BRISTOL-MYERS SQUIBB CO	Pharmaceuticals
DG US Equity	DOLLAR GENERAL CORP	Consumer Staples Distribution	BBWI US Equity	BATH & BODY WORKS INC	Specialty Retail
FANG US Equity	DIAMONDBACK ENERGY INC	Oil, Gas & Consumable Fuels	SWK US Equity	STANLEY BLACK & DECKER INC	Machinery
MGM US Equity	MGM RESORTS INTERNATIONAL	Hotels, Restaurants & Leisure	GEV US Equity	GE VERNOVA INC	Electrical Equipment
KLAC US Equity	KLA CORP	Semiconductors & Semiconductor	NKE US Equity	NIKE INC-CL B	Textiles, Apparel & Luxury Goo
APA US Equity	APA CORP	Oil, Gas & Consumable Fuels	CLX US Equity	CLOROX COMPANY	Household Products
IRM US Equity	IRON MOUNTAIN INC	Specialized REITs	COO US Equity	COOPER COS INC/THE	Health Care Equipment & Suppli
SPGI US Equity	S&P GLOBAL INC	Capital Markets	KVUE US Equity	KENVUE INC	Personal Care Products
MSFT US Equity	MICROSOFT CORP	Software	SBUX US Equity	STARBUCKS CORP	Hotels, Restaurants & Leisure
DVN US Equity	DEVON ENERGY CORP	Oil, Gas & Consumable Fuels	PYPL US Equity	PAYPAL HOLDINGS INC	Financial Services
NTAP US Equity	NETAPP INC	Technology Hardware, Storage &	FTNT US Equity	FORTINET INC	Software
MCO US Equity	MOODY'S CORP	Capital Markets	SOLV US Equity	SOLVENTUM CORP	Health Care Equipment & Suppli
SYF US Equity	SYNCHRONY FINANCIAL	Consumer Finance	BLDR US Equity	BUILDERS FIRSTSOURCE INC	Building Products

## 5. Equities – regime change with valuations stretched

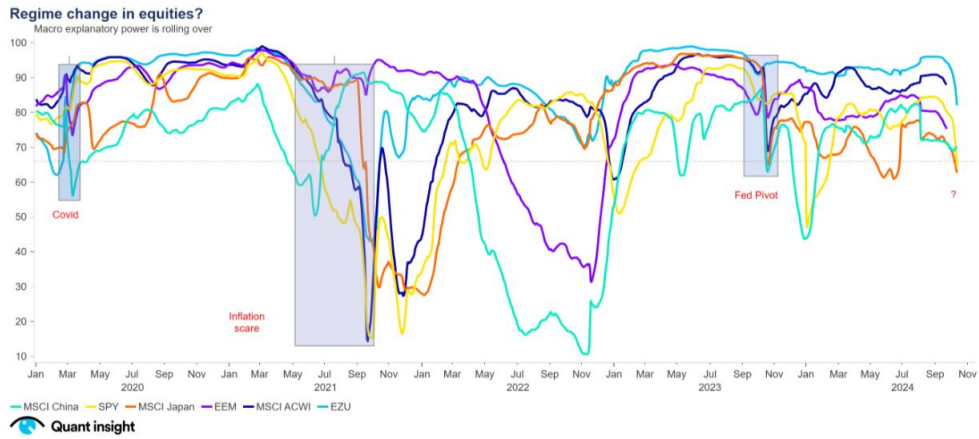


Macro momentum is wobbling. After months of trending higher, Qi's macro-warranted model value has fallen over the last 2 weeks for most US & European markets.

For now, equities are ignoring this. Why? Possibly the Trump effect.

But from Qi's perspective there are some cautionary warning signs. Valuations are starting to look stretched - the S&P500, Russell 2000, DJIA, Canada's TSX, EuroStoxx 600 and the DAX are all at or approaching 1 sigma rich.

The reason for Qi model value falling is the impact of rising interest rate volatility. The bond market is where lingering inflation fears plus US election risks are manifesting themselves. Put another way, for now, equities like the low tax Trump story. The bond market, however, see's inflation and deficits.



Finally, note the macro regime is shifting. Qi model confidence has fallen across several global equity indices. S&P500 model confidence is 53% currently. Two weeks ago it was 77%. NASDAQ model confidence has fallen 16% in the last two weeks; Russell 2000 is down 22%; EuroStoxx 600 -14%, EEM -16%.

Macro explanatory power is experiencing a broad fall. That could again speak to politics asserting itself as a driver. But we would caution that it can also be a sign of regime change and that often means volatile markets.

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