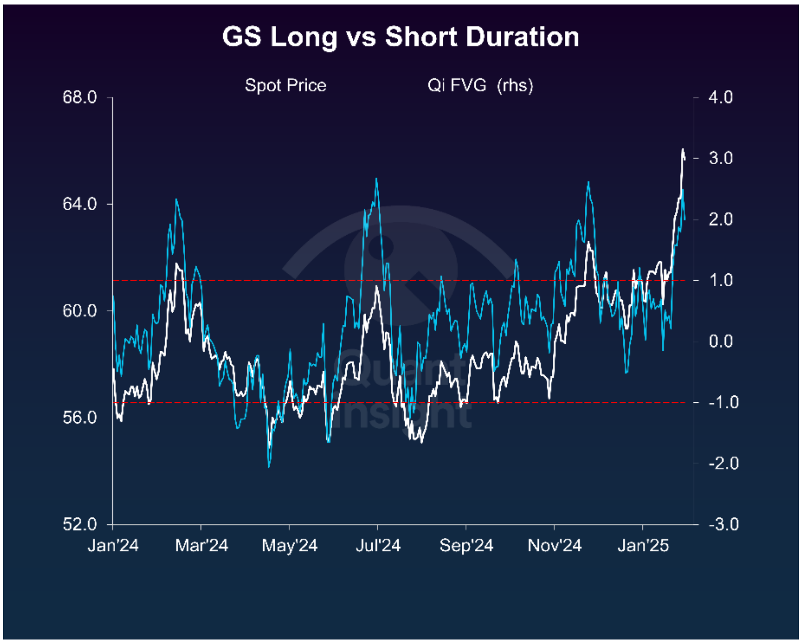
1. Time to fade long duration stocks

Long duration stocks are nearly 2 standard deviations rich relative to Short Duration stocks on Qi's model.

Even without our usual 65% R-Squared constraint, this is a rare event - it's only been this extended 4x in the last 15 years.



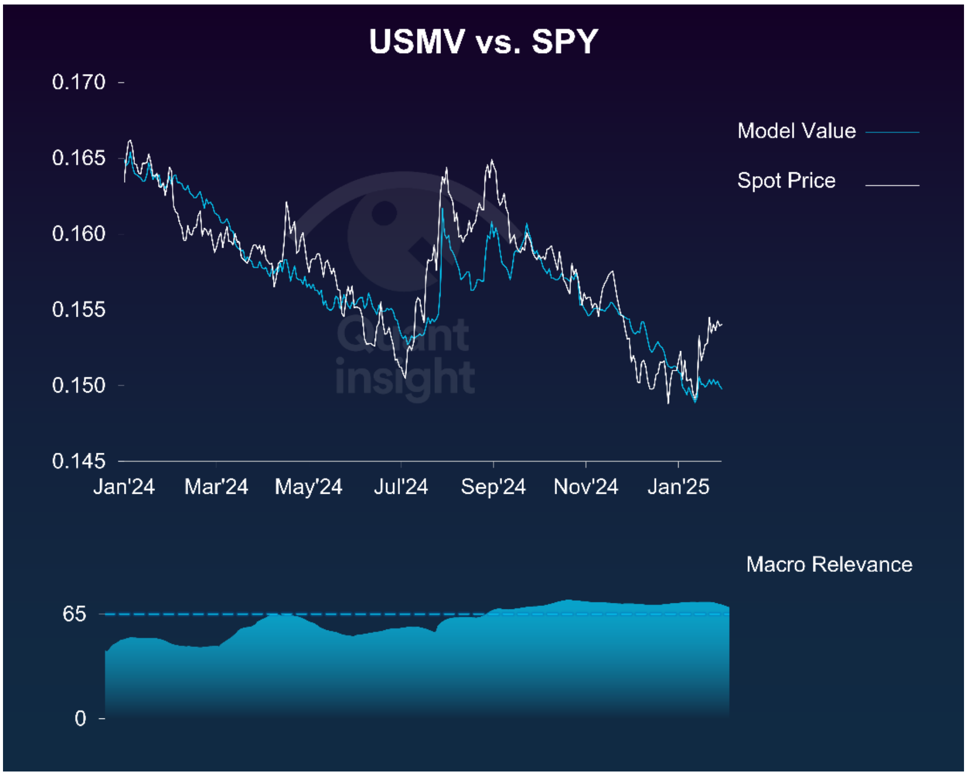
Strong correlation between Qi's FVG & the spot price of this basket pair suggests the mean reversion has recently occurred by the market correcting back towards macro fundamentals.

Recently, the market narrative had shifted to the downside risks to economic growth from DOGE cost cutting & tariffs. Yesterday's CPI reminded us that inflation volatility is not going away. On Qi's metrics this is a good time to fade long duration equity plays.

2. Low Vol is not a good hiding place

In this recent market chop, low volatility strategies have done well, and yesterday's CPI beat will encourage some to move further into defensive strategies.

Note, however, that on Qi, USMV now sits 1.1 sigma rich relative to the broader market. That's the rich end of the FVG range over the last few years.

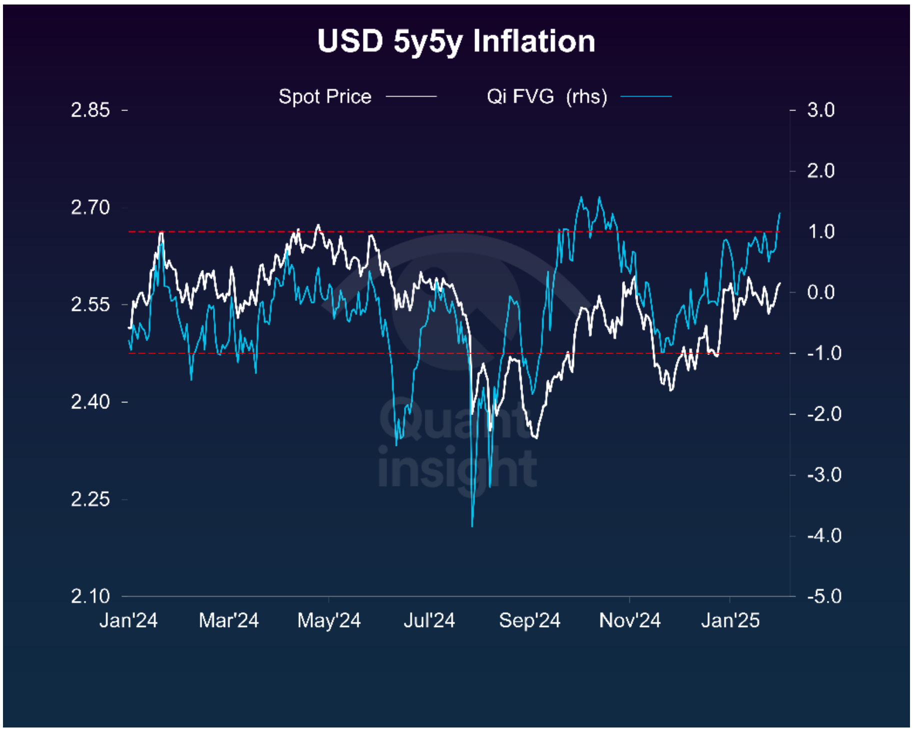


Qi's model value has stopped falling but is not consistent with this rally. That leaves the RV pair as 2.9% rich to model. The risk-reward does not favour this as the best defensive refuge right now.

3. Inflation hawks in the ascendancy

Yesterday's CPI added extra momentum to the recent re-pricing of US inflation expectations & lend weight to the higher-for-longer scenario for Fed policy. The one solace might be that a fair degree of the bad inflation news is already priced.

One of the market's favourite gauges is 5y5y forward inflation which the Fed are believed to closely monitor. Qi's macro-warranted model value sits for 5y5y sits at 2.48%. The market currently sits around 10bp above that.



Qi's FVG has done a decent job of capturing turning points over the last year plus. Model confidence of 49% precludes an official bearish signal but the suggestion is the sticky inflation scenario is, to a fair degree, already discounted.