



Need an inflation hedge?

- FOMC day. The consensus expects little change with greater focus on August & Jackson Hole for the first signs of a taper. For some, that makes today a non-event. For others, **Fed inaction will act as a green light to engage in inflation trades.**
- [10y TIPS break-evens](#) are now 0.4 sigma or 12bp low versus macro-warranted model value. [5y TIPS](#) are 0.5 sigma (22bp) below macro model value. Both just off the 1 year lows in Qi Fair Value Gap terms; **attractive entry levels for anyone needing inflation protection.**
- For those unable to invest in Fixed Income securities, the traditional inflation hedge lies in the commodity complex. That trade can take many shapes – spot commodities, commodity currencies, ETFs, or resource stocks. Many have rallied aggressively in 2021 but, more recently, several - like copper - have experienced a sharp pullback.
- Relative to the macro environment, which offers the best trade expression currently? Qi's "[Commodity Super Cycle](#)" watchlist is a curated list of potential commodity related plays.
- **The cheapest model is Chilean copper miner [Antofagasta](#).** The May sell-off has taken it 1.6 sigma (31%) below macro fair value. But it fell out of a macro regime in April & any FVG comes with a health warning.
- Not as extreme, but the Global X Copper Miners ETF [COPX](#) displays a similar profile – cheap to macro but out of regime.
- Amongst the single stocks, **Korean steel giant [POSCO](#) is notable - in a macro regime & 0.6 sigma or 10% cheap to model.**
- Copper aside, most **spot commodities are typically rich to model. However, valuation gaps are modest** and while Gold & WTI are in regime, Silver & Natural Gas are not currently explained by macro.
- In FX, valuations are mixed but the one consistent is model confidence – not a single commodity cross is in a macro regime. On current patterns, commodity currencies have divorced themselves from macro fundamentals.



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➤ **The Qi “Commodity Super Cycle” watchlist.**

Model Name ▲	ST/LT ▲	Asset Class ▲	Confidence(%) ▲	Val Gap	Val Gap (σ) ▲	
ANTO	LT	Equity	23%	-31.6...	-1.61	
USDBRL	LT	FX	33%	-4.36%	-1.11	
USDRUB	LT	FX	51%	-2.31%	-0.97	
COPX	LT	ETFs	56%	-14.3...	-0.75	
PPLT	LT	ETFs	57%	-7.95%	-0.69	
FCX	LT	Equity	49%	-15.8...	-0.67	
BHP	LT	Equity	56%	-7.43%	-0.66	
Copper	LT	Commodities	35%	-8.19%	-0.65	
AUDUSD	LT	FX	8%	-2.05%	-0.64	
005490 KS	LT	Equity	79%	-9.98%	-0.60	
RIO	LT	Equity	27%	-5.51%	-0.53	
MT	LT	Equity	83%	-10.1...	-0.49	
GLEN	LT	Equity	77%	-5.50%	-0.32	
DBA	LT	ETFs	81%	-2.23%	-0.30	
EXXY	LT	ETFs	78%	-0.40%	-0.05	
VALE	LT	Equity	64%	0.67%	0.04	
Gold	LT	Commodities	81%	0.76%	0.21	
USDCAD	LT	FX	59%	0.67%	0.22	
IAU	LT	ETFs	92%	0.90%	0.25	
Brent	LT	Commodities	86%	6.77%	0.46	
Silver	LT	Commodities	46%	2.73%	0.52	
USDCLP	LT	FX	53%	2.23%	0.58	
WTI	LT	Commodities	85%	8.73%	0.60	
USO	LT	ETFs	80%	8.71%	0.63	
Natural Gas	LT	Commodities	10%	6.75%	0.83	

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Quant Insight Limited
50 Liverpool Street
London EC2M 7PR

Tel: +44 20 3865 1940
www.quant-insight.com