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Qi helps with - macro event risk

- President Powell’s speech at Jackson Hole dominates this week’s calendar. Traditional research opines on whether he’ll pivot towards 2023 rate cuts, give clues on the Fed’s approach to Quantitative Tightening or any number of macro scenarios.
- Qi gives bottom-up focused equity investors an easy window into the macro world. The chart below shows three of the four factors in our “risk aversion” bucket. It includes VIX, VDAX & VXEEM all in z-score terms, i.e. how far each factor is from its long term average.
- Over the summer, equity volatility declined in US, Europe & Emerging Markets. In all three cases the rally in stocks took vol below trend. The latest bout of nerves running into Jackson Hole has seen a modest pop higher, but the move has resulted in some interesting observations.



- US vol is essentially back at trend; German vol is slightly below, while EM vol is one standard deviation below trend.
- None suggest equity markets are particularly fearful as we head into Jackson Hole. If you fear a hawkish speech from Powell, Qi’s snapshot suggest volatility is not historically rich.
- Aside from Jackson Hole, if you fear property market issues plus Zero Covid fall-out keeps the pressure on Chinese equities, this level of vol suggests VXEEM offers an interesting hedge for global equities.
- Similarly, amongst DM markets, if you fear the energy / income shock is first-&-foremost a headwind for European equities, hedging via VDAX looks interesting.
- These charts are available on the Qi portal’s landing page.

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