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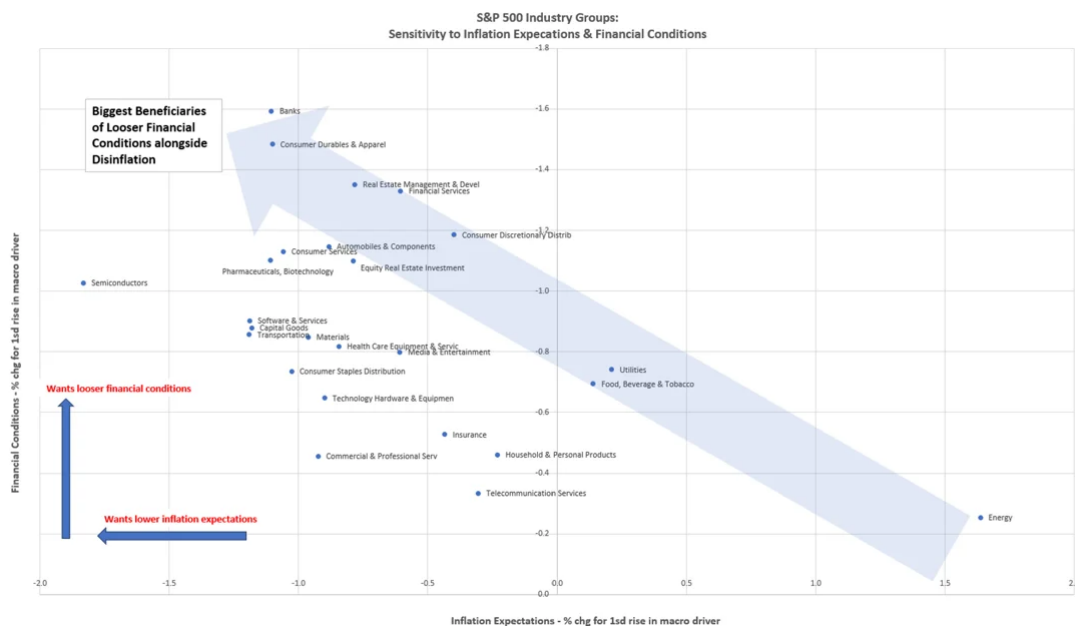
## Qi Industry Spotlight: Pre-CPI Check-Up

The jury is still out on the path for financial conditions – will the Fed move fast, slow or hold steady? This concern is reflected in high Qi macro sensitivities across risky assets.

Navigating the complex landscape of 2024 demands real-time insights of what is driving the asset universe today and the agility to respond when mispricing emerges. Qi's suite of real-time macro factor betas, spanning thousands of instruments, provides this clarity.

With the December CPI release this Thursday we do a Qi dive across the S&P500 GICS industry groups. Most industries favour ongoing disinflation with accommodative financial conditions. However, beneath the surface lie nuanced distinctions.

Semiconductors & Banks emerge top in terms of sensitivity to inflation and financial conditions. Biotech, Consumer Services, Real Estate, Capital Goods also feature high on the ranking. At the other end of the spectrum: Staples, Utilities, Energy.



These conclusions are consistent with our recent screen of stock winners & losers in a [soft landing scenario](#), where we screened sensitivities to growth expectations rather than inflation expectations.

The backbone is Qi's macro factor sensitivity data across all S&P 500 stocks. From this data, we ran the following screen:

- Removed stocks where Qi's model RSq was less than 65%, ensuring a high degree of macro explanatory power
- Ranked the remaining ~350 stocks by their total exposure to US inflation expectations and their exposure to HY credit spreads,
- Fed QT expectations and USD TWI (proxy for financial conditions)
- Aggregated these stocks by industry group, revealing the average sensitivity to these macro drivers

The result is the scatterplot above (see the [Qi website version](#) for a larger image).

The arrow highlights that the direction of travel for beneficiaries of disinflation and easier financial conditions is from the bottom-right to top-left. Specifically, Semiconductors are the most sensitive to inflation expectations and Banks to financial conditions.

Below is an alternative representation ranking the industries by their total exposure to these two drivers.



Leveraging the granularity of Qi's data, we have the ability to also pinpoint exposures to the stock level in addition to any mispricing given the prevailing macro backdrop.

For an in-depth exploration of our screening process, from sectors to industries to individual stock analyses, feel free to reach out to the Qi team.

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