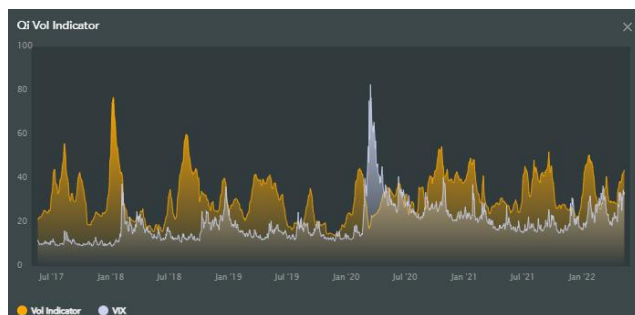




10.05.2022

Qi Vol Indicator

- The Qi Vol Indicator has now risen more than 15 points over the last month. That puts our alternative fear gauge into amber light territory. Back tests show one month increases of 20 points or more have often pre-empted the large blow-out spikes in VIX.
- As a reminder, the Vol Indicator index shows model confidence (i.e. macro explanatory power) for 6 benchmark instruments across global equity, bond & fx markets.
- A rising index number means macro is becoming less influential & markets are increasingly beholden to more transient factors like sentiment, positioning & politics.



- There are two potentially interesting observations to highlight.
- Every cycle is different. The Qi Vol Indicator moved ahead of the initial equity sell-off / VIX spike in January. More recently in April / May the two have moved higher together.
- But, while VIX is consolidating somewhat, our Vol Indicator seems to be launching a fresh move higher. Should we see a one month increase of 20 or more, the chances of another leg in this “risk off” move could be imminent.
- Put differently, to date, the 2022 bear move has felt generally quite orderly. Until this week that is when a sense of panic & capitulation has crept in. The Qi Vol Indicator could be speaking to that next (potentially last?) & most aggressive phase of the bear move. Eyeballing the chart we are approaching levels which typically mark blow-out tops before the reverting lower.

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