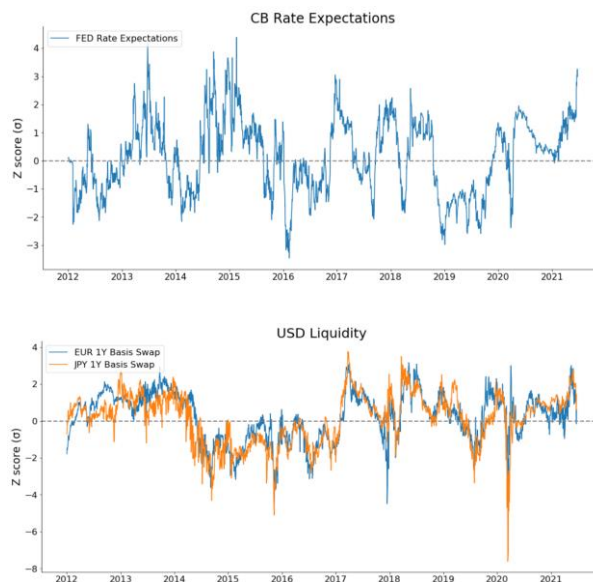




## Re-pricing liquidity

- For several markets, last week's fall-out from the Fed's apparent policy pivot, has now itself been fully unwound. In other areas, the impact lingers.
- The lasting effect is most noticeable in the first chart which shows Fed rate expectations as measured by the shape of the Euro\$ futures strip. The sharp re-pricing after the Fed dot plot was a 3 standard deviation move which has yet to meaningfully mean revert. **That shift in the markets' pricing of the Fed represents a tightening of financial conditions.**
- Less well noticed is Qi's measure of systemic Dollar liquidity which had been improving. The move higher in the blue & orange lines shows how international banks/companies were finding it easier to access USD funding. That has pulled back sharply. **Access to Dollar funding was getting easier through most of H1 2021; that move has now started to unwind, again tightening financial conditions.**



- Qi uses traditional macro factors in z-score terms. By looking at variables such as growth, inflation, financial conditions & risk appetite relative to a long term average, the model de-trends & vol adjusts the factors. For equity long/short investors who don't follow macro shifts on a regular basis, **Qi will be adding these charts to the portal in our next upgrade.** This will help them monitor US liquidity conditions & what it means for equity markets.

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