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## Smart Beta meets Macro

- Stock pickers focused on company fundamentals face a new challenge – to understand how their holdings will react to the Fed's hawkish pivot.
- Our partners at [Omega Point](#) provide next generation portfolio analytics. Their focus is predominantly on smart beta factors which means aligning their signals with Qi's macro factors makes a powerful combination. Their latest [Factor Spotlight](#) takes 3 Qi factors – Fed rate expectations, Fed QT expectations & 10y US real yields – to provide stock pickers with an empirical look at the securities most vulnerable to the early 2022 shift in financial conditions.



- Here we take the 9 NASDAQ stocks in their analysis & add Qi's macro valuation overlay.
- Three names – Atlassian, DexCom & Lululemon – have already moved to discount a fair degree of bad news. Interestingly, after a 6week downtrend, all 3 show model value potentially bottoming out. [TEAM](#) & [DXCM](#) are around 0.75 sigma cheap to macro; [LULU](#) (chart above) is 1.1 sigma or 13% below macro-warranted fair value.
- All three back-test well at current FVGs. Lululemon is the pick of the bunch – it is only been this cheap to model & in macro regime 14 times since 2009. Buying those dip produced a 93% hit rate & +7.8% average return.
- Fed hawks may argue it's too soon to buy dips. In which case note Splunk [SPLK](#) is 0.4 sigma (5.5%) above model. That's a modest FVG but it is the one stock that has lagged in the down trade & is still rich to macro.

