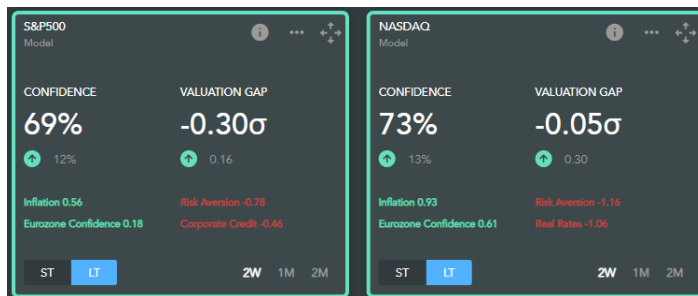




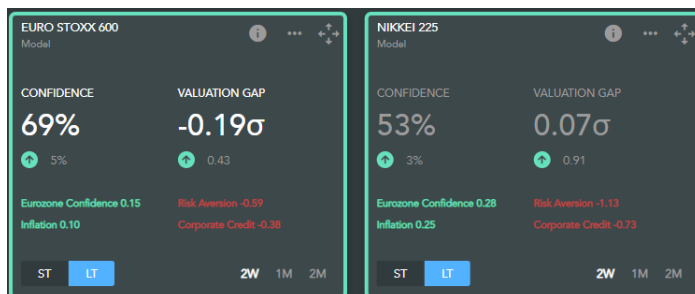
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## The eye of the storm

- Sometimes the hardest part of investing, is doing nothing.
- One of the more striking features looking across asset classes on Qi is how close to home so many models are. **Qi's Valuation Gaps are negligible in the majority of cases.**
- Both the [S&P500](#) & [NASDAQ](#) sit virtually on top of macro-warranted model value. What happens next depends on how the macro factors shift.
- Both regimes are very similar but there are a few subtle differences in emphasis. Real yields & the Dollar matter more for tech for example.



- The same is true for the [Nikkei 225](#) & [Euro Stoxx 600](#) - current market levels are very close to macro fair value. The former is not in regime so sensitivities come with a health warning but risk aversion dominates both models.

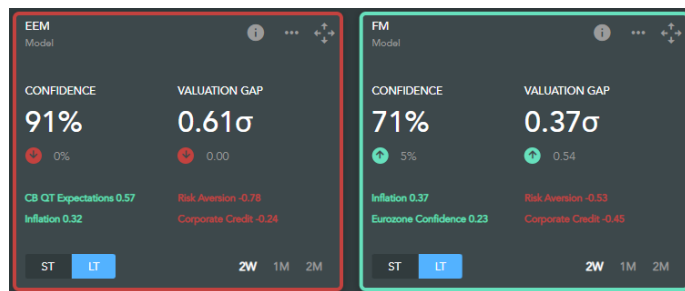




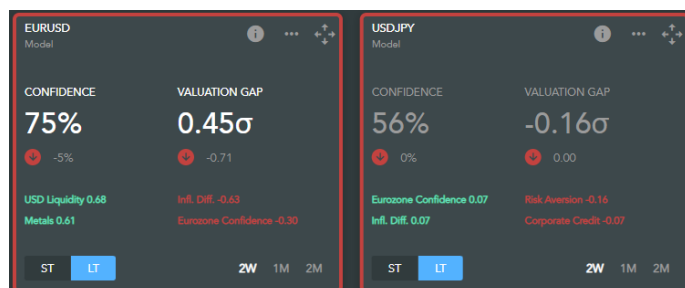
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## The eye of the storm

- There is a bit more of a discrepancy in emerging market equity space.
- A valuation gap of 0.6 sigma in the iShares MSCI EM equity ETF [EEM](#) is not especially large. But it is a 1y high.
- Frontier equity markets, as measured by the iShares MSCI Frontier EM ETF [FM](#), are also rich to model but only modestly so.



- It's a similar picture in FX. [USDJPY](#) is just shy of our 65% threshold for a macro regime but both it & [EURUSD](#) are within half a standard deviation of macro fair value.

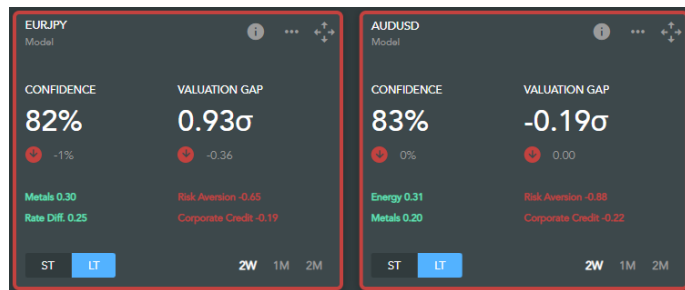




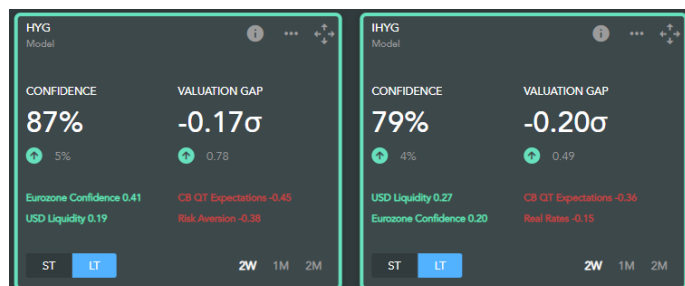
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## The eye of the storm

- [EURJPY](#) does show a decent valuation edge. It is almost one sigma rich & it remains a decent play if 'risk off' reasserts itself.
- As a barometer of the global business cycle the fact that [AUDUSD](#) is so close to fair value is particularly telling.



- Qi's models for 10y yields in both US & Europe are not in regime. However, arguably credit is a bigger potential trigger point to watch in Fixed Income.
- As Central Bank's turn hawkish, wider credit spreads have the power to dictate risk appetite across markets more broadly; & could, in extreme circumstances, hold the power to curtail the tightening cycle.
- It is striking once again then that both [US](#) & [European](#) High Yield spreads are in strong regimes but are behaving in line with their macro environment. Having an **unbiased, real-time, quantitative macro valuation framework** is more important than ever.



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