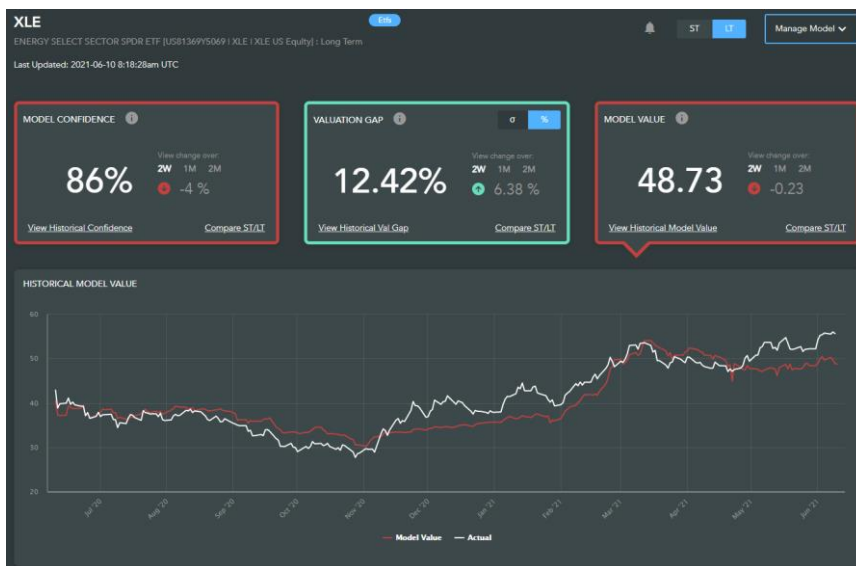




XLF & XLE Macro vs. Momentum

- Today's US CPI could change everything once again, but the current narrative dominating markets is that the Fed are focused on employment, not price pressures. Hence the bond market's ability to look through "transient" inflation scares.
- That begs the question – **is there a potential fall out for rate sensitive cyclical like Financials & Energy?** The picture is mixed.



- The chart above shows [XLE](#) spot price (white) versus macro fair value (red). The recent divergence has opened up a +0.8 sigma (+12.4%) Fair Value Gap. But **while macro valuation is rich to model, RETINA™ continues to show the uptrend is in good health.** Equally, crude oil - unsurprisingly the biggest single macro driver - retains good momentum.
- [XLF](#) is just 0.3 sigma from model, i.e. **in line with macro fair value.** The momentum picture, however, is more mixed. Relative to XLE, the uptrend looks less secure.
- Both XLE & XLF model value have started to roll over. It is modest thus far, but worth watching. Today's event risk could be the catalyst for the next big move. Qi users can **align macro fundamentals & trend/momentum dynamics in real time.** Signal from noise™.

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