

## Qi Market Pulse – Chippy Seas Ahead

Goldilocks is being questioned – strong employment & inflation data

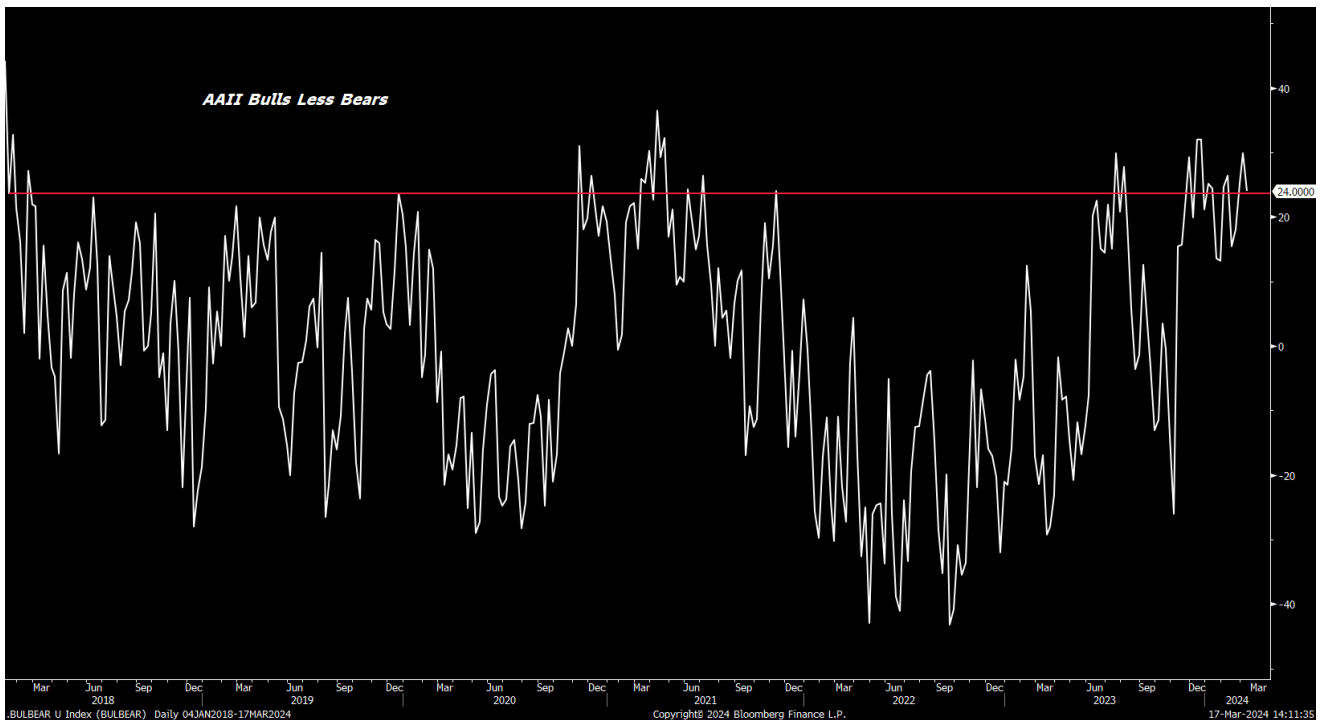
Sentiment is at optimistic extremes – AAll bulls - bears

Monetary Policy Risk – both FOMC and BOJ are meeting this week, more hawkishness?

Qi flagging some defensive warnings – we have been pointing out how both VIX and SPX are moving upwards which can be a sign of volatility ahead

- From the point of view of Goldilocks, **recent macro data has been uneven** – firmness in inflation data & jobless claims, but softness in retail sales. The Citi economic surprise indices have been edging lower both in the US and Europe.
- At the same time, **sentiment gauges are at range highs** e.g. see the AAll bulls less bears retail sentiment at extended levels or merely look at Dogecoin for a sense of speculative fever. From a simple price action perspective, the S&P 500 is testing the 5mth rally trend-line with an RSI exhibiting negative divergence.

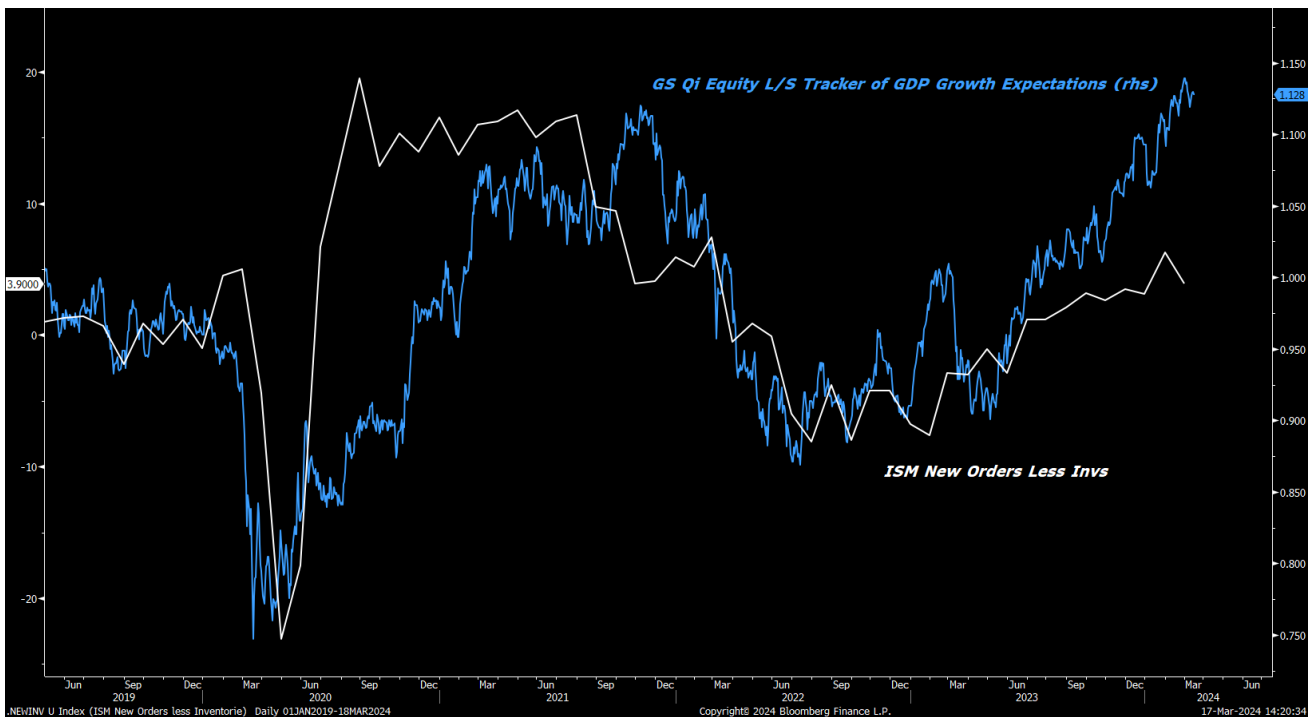
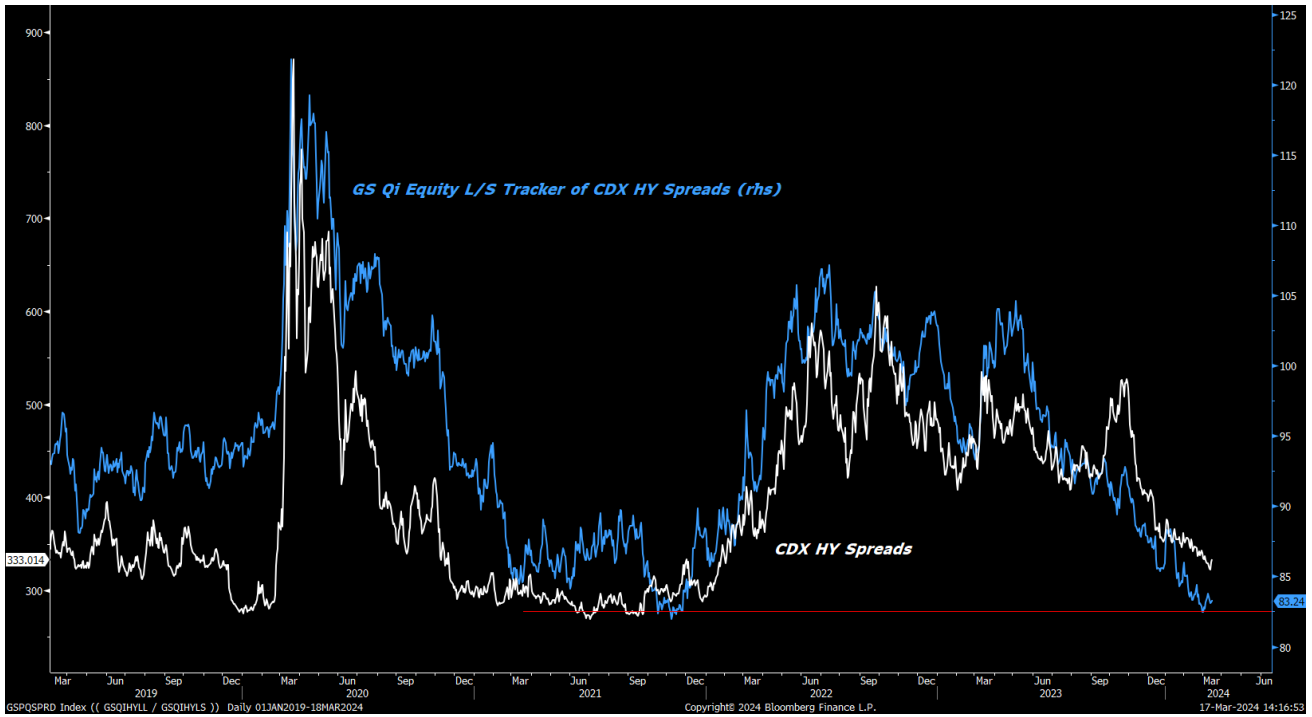




- We enter a **policy-centric week**. 3mths ago the market was pricing 6 rate cuts in 2024. Are 3 cuts now looking optimistic? Couple the FOMC this week with speculation mounting on the BoJ exiting NIRP, and we potentially have reason to believe the sea will move from smooth sailing to choppy ahead.
- This would be consistent from Qi's perspective – in a **recent note "Vol Check"** we highlighted some **early flags of caution** (1) RSq on Qi's short term models across major equity, bond and FX benchmarks have sharply collapsed and (2) S&P500 short term sensitivity to VIX turning positive. Triggers for our indicators were hit in early March.

SPX Sensitivity to VIX first turning +ve	VIX 3mth Fwd Chg	SPX 3mth Fwd % Chg	SPX RSq 1mth Chg into Trigger
11-Jul-11	17.8	-12.4%	17.0
28-Mar-12	4.0	-5.2%	-25.8
24-Sep-13	-1.0	7.7%	5.2
02-Jun-14	0.4	4.1%	-36.5
03-Jun-15	17.7	-9.5%	-23.2
24-Jun-16	-13.5	6.2%	-15.4
31-Mar-17	-1.2	2.6%	55.3
01-Jan-18	10.1	-2.2%	-38.4
24-May-18	-0.1	4.7%	-20.6
24-Sep-18	23.9	-19.5%	-0.8
01-Feb-19	-3.3	8.8%	-32.8
09-May-19	-2.2	2.3%	-1.5
09-Aug-21	-0.2	6.0%	-11.8
30-Jun-22	3.9	-3.8%	0.3
03-Mar-23	-2.8	5.9%	-10.9
<b>01-Mar-24</b>	<b>?</b>	<b>?</b>	<b>-15.0</b>
<b>Average Chg</b>	<b>3.6</b>	<b>-0.3%</b>	<b>-9.7</b>
<b>Average when VIX went up</b>	<b>11.1</b>	<b>-6.9%</b>	<b>-15.3</b>
<b>Average when VIX went down</b>	<b>-3.0</b>	<b>5.5%</b>	<b>-4.1</b>
<b>% times VIX up / SPX down</b>	<b>47%</b>	<b>40%</b>	

- This likely reflects **recent relationships are being tested** e.g. equities higher but real yields and VIX also both higher in recent weeks. If the current macro narrative can not be explained coupled with signs of speculative activity – that is a sign of more choppy seas ahead
- In a report last week **“MacroVantage”**, we note that **4 out of our 6 observations were all defensive in nature**. Namely, *selling European Autos vs. Utilities* (an anti-momentum risk on / off barometer?), *selling AUDJPY on a hawkish BoJ*, *buying Software over Semiconductors*, and noting that *our L/S equity tracker for HY credit spreads is pricing HY credit spreads back at its tights*. See our baskets tracking credit spreads and GDP growth expectations below

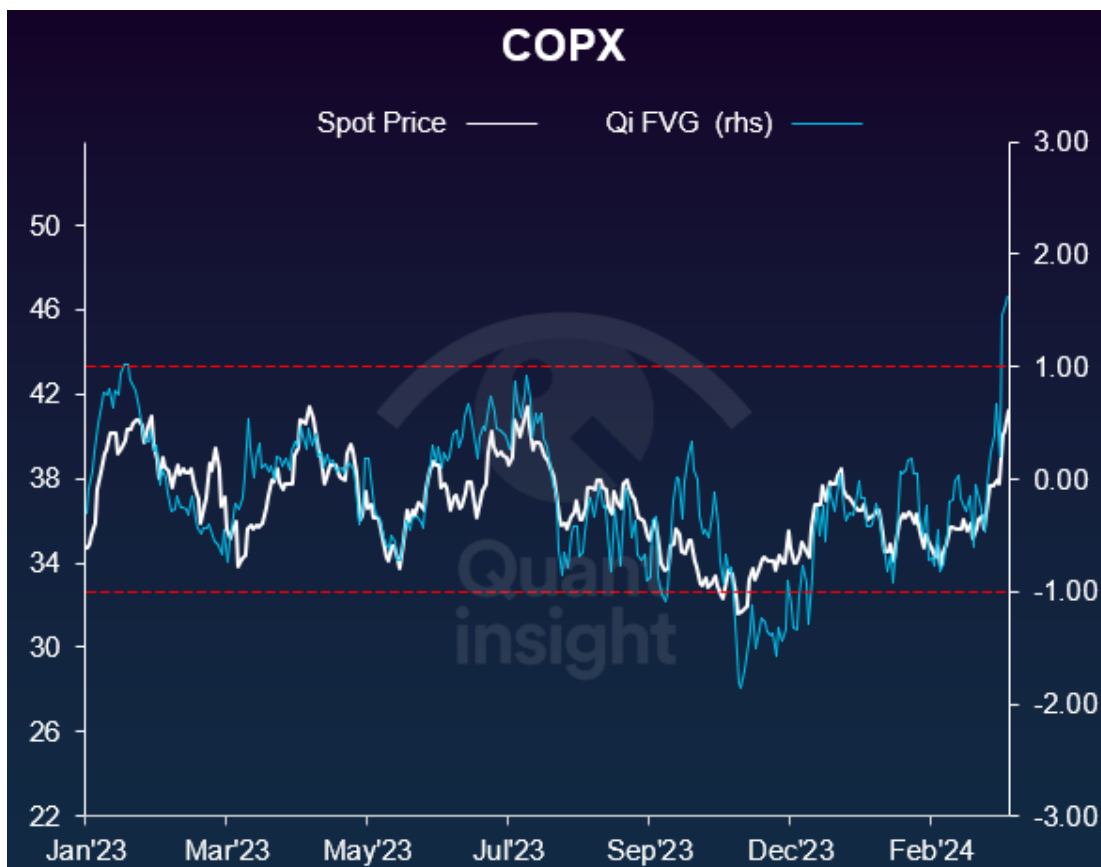


- Indeed, **screening across equities most sensitive to financial conditions there is a momentum / beta bias**. We list these below – which will not surprise – Biotech, renewables, homebuilders, semis, regional banks, growth, small caps would all be vulnerable areas.

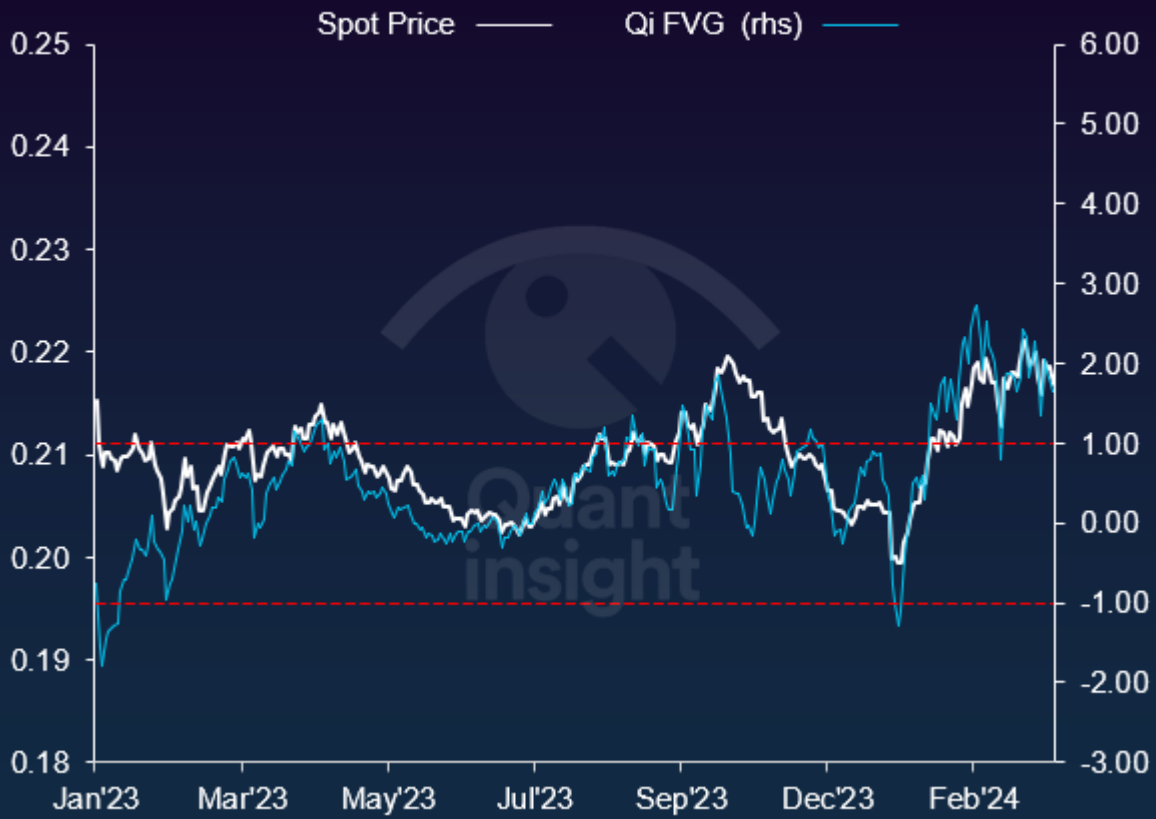
### Qi Screen - Most Vulnerable Equities to Tighter Financial Conditions

Ticker	Type	Name	Sensitivity to Fin Conditions (% chg for 1sd move in FC)
XBI	Sector	SPDR S&P Biotech ETF	-6.9
BOAT	Thematic	SonicShares Global Shipping ETF	-6.6
ARKG	Thematic	ARK Genomic Revolution ETF	-4.7
KRE vs. SPY	Sector RV	Regional Banks vs. SPX	-4.1
ICLN vs. XLE	Sector RV	Global Clean Energy vs. US Energy	-3.8
XME vs. SPY	Sector RV	Metals & Mining vs. SPX	-3.6
BOTZ	Thematic	Global X Robotics & Artificial Intelligence ETF	-3.6
TAN	Thematic	Invesco Solar ETF	-3.5
SPHB	Risk Premia	Invesco S&P 500 High Beta ETF	-3.4
KRE	Sector	SPDR S&P Regional Banking ETF	-3.1
RPG	Risk Premia	Invesco S&P 500 Pure Growth ETF	-3.0
SOXX	Sector	iShares Semiconductor ETF	-3.0
VB	Sector	Vanguard Small-Cap ETF	-2.8
PAVE	Thematic	Global X US Infrastructure Development ETF	-2.7
ICLN	Thematic	iShares Global Clean Energy ETF	-2.6
SOXX vs. SPY	Sector RV	Semiconductors vs. SPX	-2.6
VFMO	Risk Premia	Vanguard US Momentum Factor ETF	-2.5
COPX	Sector	Global X Copper Miners ETF	-2.5
IYR vs. SPY	Sector RV	Real Estate vs. SPX	-2.3
XHB	Sector	SPDR S&P Homebuilders ETF	-2.1

- Tactically, Qi shows the recent enthusiasm on **Copper Miners** may be short term vulnerable. Qi continues to see downside in the **Invesco Pure Growth S&P 500 ETF (RPG) vs. equal-weighted ETF (RSP)**. In Europe, we would also highlight **European insurers** screening as macro rich and vulnerable to more hawkish CB rhetoric. See the charts below where we overlay FVG vs. the spot price.



## RPG vs. RSP



## SXIP vs. SX6P



Macro Relevance

