📊 Reina Report – Market Compression, Overvaluation, and Housing Pressure

July 27, 2025

🧭 Macro Market Compression & Overvaluation

🔒 The Great Compression Regime

Markets across asset classes are trapped in narrow ranges. Bond volatility (MOVE Index), equity VIX readings, and credit spreads are all compressed. These regimes tend to precede major breakouts.

📌 ***Interpretation:*** *The lack of volatility is a warning. Compressed markets often precede large dislocations, especially when sentiment is stretched.*

📈 S&P 500 & Buffett Indicator

- S&P 500 is testing 100-year resistance levels **(Chart Deck #1)**
- Buffett Indicator = **205% (Chart Deck #2)**
  - Historical trend: **90%**
  - 2000 peak: **145%**

📌 ***Interpretation:*** *The market is more overvalued than it was before the dot-com crash. Without strong GDP growth, upside is limited.*

📉 Real GDP (Q1 + Q2 Outlook)

- **Q1 2025** GDP (final): **−0.5% annualized (Chart Deck #3)**

- **Q2 2025** forecast: **+3% to +4%**
- Average H1 2025 growth = ~**1.4%**

📌 ***Interpretation:*** *Despite Q2's projected rebound, the average first-half growth is weak. Economic momentum is fragile beneath the surface.*

💰 Fed Policy & Inflation Risks

🎯 Rate Cut Expectations (CME FedWatch, July 26)

- Market pricing: **100bps of cuts** by year-end
- Target range by December: **4.25% to 4.5%**
- **September cut odds: ~90%**
- Additional cuts likely in **November and January**

📌 ***Interpretation:*** *Markets are fully committed to a cutting cycle. But if inflation resurges or geopolitical risks intensify, this path could shift abruptly.*

🏠 Rental Disinflation Is Over

- Cleveland Fed & CoreLogic show rent growth has stabilized
  - Low-tier rents: **+2.0%**
  - High-tier rents: **+3.5%**

📌 ***Interpretation:*** *Shelter costs are no longer disinflationary. If rent re-accelerates, it will put renewed pressure on core CPI. A major disinflationary force in core CPI has flatlined. If shelter inflation rebounds, the Fed's path to 2% inflation becomes much harder.*

🌍 Global Pressures & Trade Tensions

🌐 Tariff Shock from eHack Alpha (7/23)

- Japan agrees to tariff cuts in exchange for infrastructure financing
- Trade-weighted tariffs jumped from **1.6%** to **~16%**
- Policy shift modeled after Lutnick's EU/China negotiation framework

📌 ***Interpretation:*** *This is a structural inflation risk. Higher trade barriers raise input costs and can squeeze corporate margins and supply chains.*

📉 Market Sentiment & Volatility Signals

🤖 AI Bubble Narrative & Crowd Positioning

- High-beta tech and AI stocks are crowded
- Risk-off signals rising despite bullish retail positioning
- August–October historically see volatility spikes
- **Retail ownership holds at 62% of households**, with rising ETF use amplifying volatility risks **(Chart Deck #4)**

📌 ***Interpretation:*** *The crowd is positioned for perfection. Compression plus optimism equals fragility if narrative cracks.*

💥 MOVE Index (Bond Market Volatility)

- Current level: **82.09**
- Holding near lows despite geopolitical and fiscal risks

📌 ***Interpretation:*** *Low MOVE readings tend to precede volatility spikes, not follow them. Treasury markets may be lulled into false calm.*

😨 CNN Fear & Greed Index

- Current reading: **74 (Greed)**
- Last updated: **July 26, 2025**

📌 ***Interpretation:*** *Greed is dominant. Historically, readings above 70 signal complacency and elevated pullback risk.*

📉 AAII Bull–Bear Spread

- Week of July 24: **+2.70%**
  - Bulls: **36.8%**
  - Bears: **34.1%**

📌 ***Interpretation:*** *Sentiment is split, but no longer extremely bearish. This is consistent with a "wall of worry" in late-cycle rallies.*

📉 Housing & Real Estate Conditions

🏗️ Homebuilder Supply & Demand Risks

- New home sales (June): **627,000** (+0.6%)
- Building permits (June): **1.393 million** (−0.1%)
- New home supply: **9.8 months**
  - Historically triggers recessions when elevated

📌 ***Real estate lens:*** *Builders are entering dangerous territory. If demand weakens further, incentives and price cuts are likely by Q4.*

🧱 Home Price Pressures & Affordability Crisis

- Case-Shiller (inflation-adjusted): **295.9**
- Surpasses 2006 peak and long-term trend

📌 ***Real estate lens:*** *Affordability is at its worst level in modern U.S. history. While nominal prices appear flat, real prices are declining from extreme levels.*

✅ Summary Outlook

Recession Watch:

- Leading indicators remain mixed
- Jobless claims and hiring plans weakening
- Q3/Q4 slowdown risk remains elevated

Policy Outlook:

- Fed expected to cut ~100bps by year-end
- Market sentiment vulnerable to inflation or geopolitical shocks

Yield Outlook:

- 10Y–2Y spread: **0.49%**
- Re-steepening may signal cycle transition or late-stage tightening consequences

Watchlist:
MOVE Index, CPI Rent Re-acceleration, Tariff Impacts, S&P 500 Resistance, Fed Cut Path

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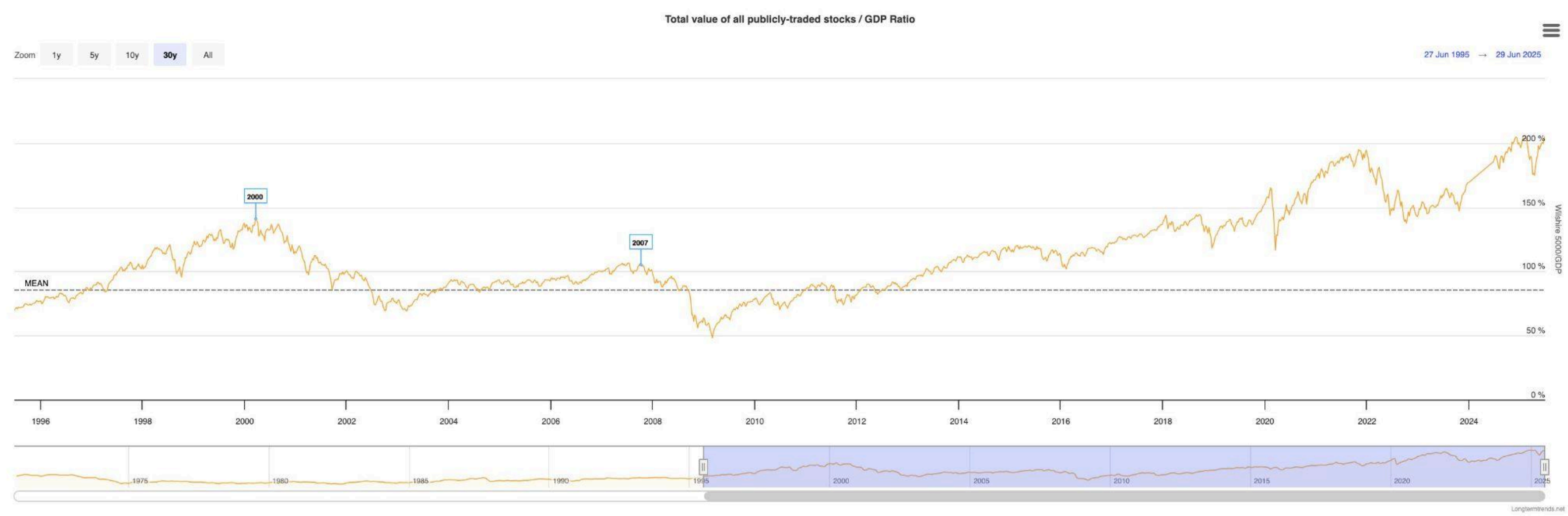
📈 Chart Deck

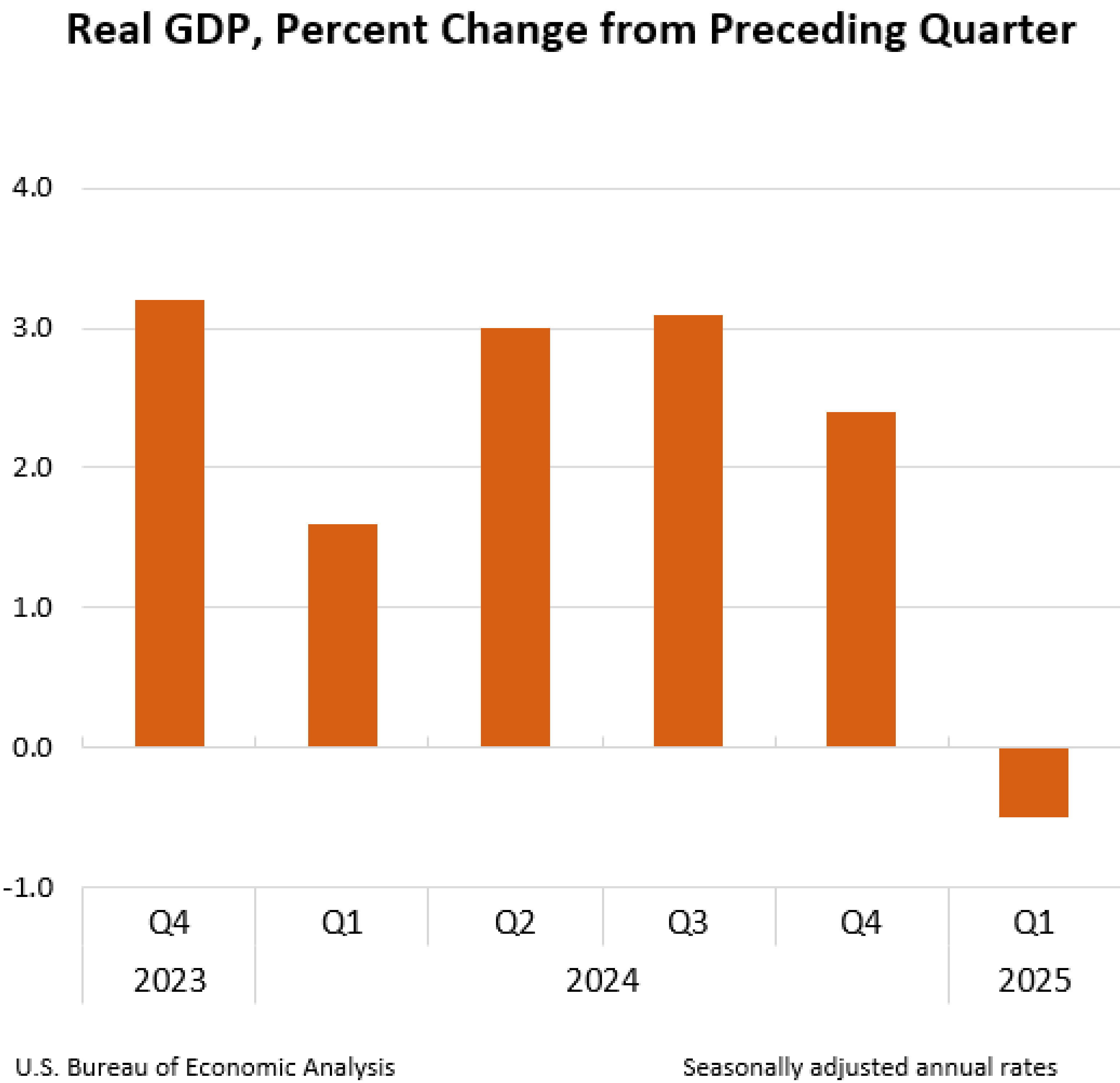
1. **S&P 500 is testing 100-year resistance levels:**

2. Buffet Indicator:

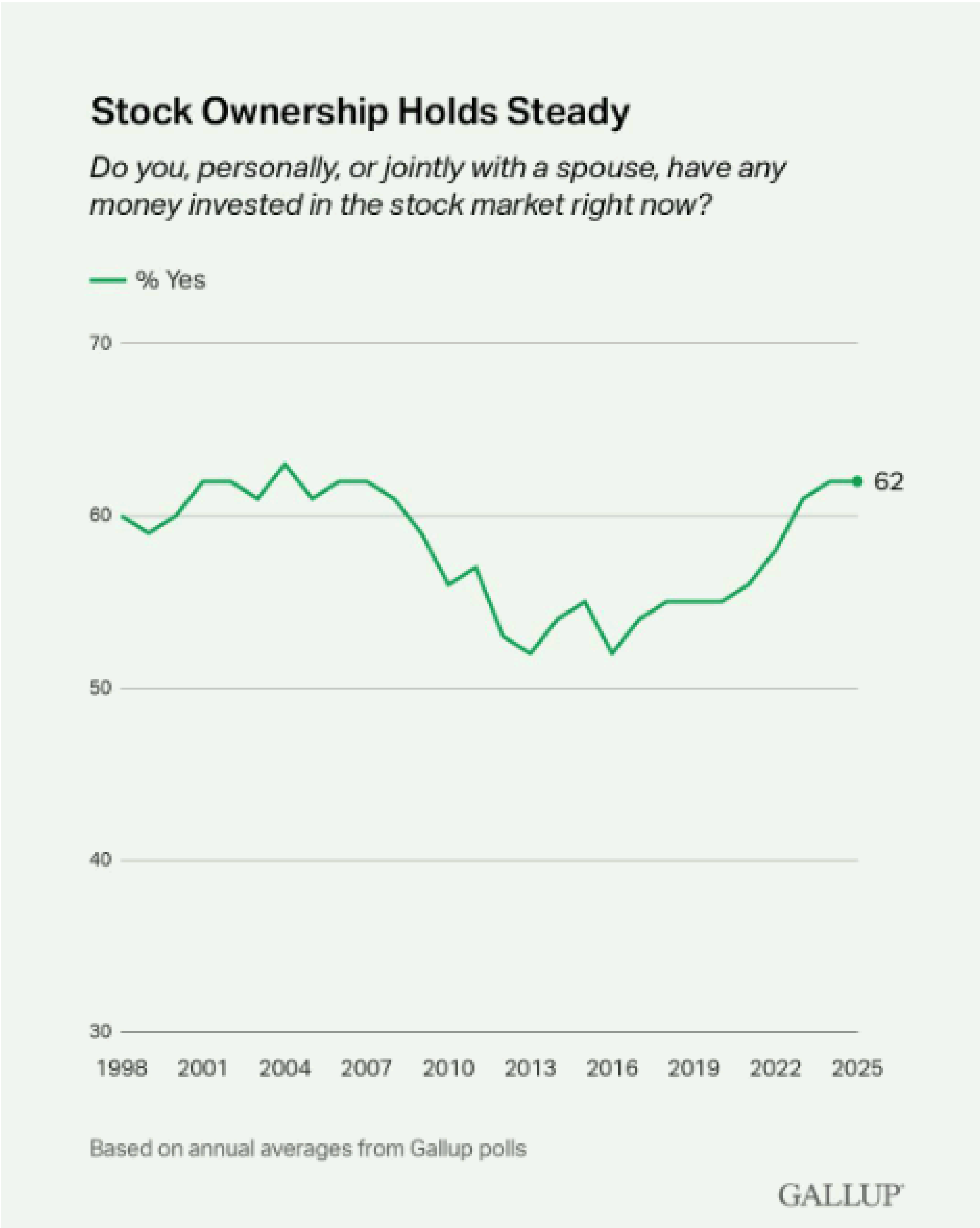
Wilshire 5000 to GDP Ratio



3. **Q1 2025 GDP (Final Revision)**



4. **Retail Stock Ownership**



📚 Sources

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- U.S. Census Bureau
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- S&P Dow Jones Indices

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