CONTRARIAN EDGE

The Liquidity Signal

27 April, 2026
Rodrigo Jiménez, Market Strategist

THE CALL

> **Liquidity is rolling over, but markets haven't priced it yet. The TGA draw-down party is ending. When liquidity peaks, complacency breaks.**

3.71	Defensive	3.71	Peaking	Tight	Compressed	66.97	18.70
CE REGIME SCORE	REGIME	PRIOR WEEK	LIQUIDITY	CREDIT	VOLATILITY	MOVE INDEX	VIX

EXECUTIVE TAKE

- Net liquidity: $5,701B (down from $6,026B a year ago — that's a -5.4% YoY contraction).
- Fed balance sheet: $6,707B (still large, but no longer expanding)
- TGA: $1,006B — this is key. Draw-down is nearly done. Next move is TGA rebuild (liquidity drain).
- RRP: $0 — no buffer left. Zero.

Markets are still priced as if liquidity is abundant and expanding. It's not. We're at the inflection.

LIQUIDITY

METRIC	April 20	April 22	Change
Net Liquidity	$6,026B	$5,701B	-$325B
TGA	Draw-down active	$1,006B	Near Exhaustion
RRP	$0	$0	No cushion
Fed Balance Sheet	$6,900B	$6,707B	Slowly shrinking

Read: The liquidity tailwind is becoming a headwind.

CREDIT

SPREAD	LEVEL	SIGNAL
IG	0.80%	Cycle tights; no recession premiums
HY	2.86%	Perfect pricing

No widening yet. That's the risk; when HY moves to 3.25%+, the pain trade starts.

VOLATILITY

Index	Level	Interpretation
VIX	18.70	Still complacent (15 - 20 range = asleep)
MOVE	66.97	Bond vol normalizing, not spiking

Trigger zone: VIX >22, MOVE >75–80.

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POSITIONING

- Equities: Re-risking complete. SPX 7,165 — extended.
- Credit: Fully priced for perfection.
- Volatility: Being sold, not hedged.
- Cash: ~4–5% (below historical average — no dry powder)

FLOWS (as of April 22)

- Equities: Still inflows, but slowing
- Bonds: IG steady, HY flattening
- Money Markets: Flat (no panic move yet)
- Gold: Seeing inflows (smart money hedging)

THE TRADE

Asset	Recommendation
Equities	Underweight — fade strength at SPX 7,165
Credit	Underweight — especially HY (poor risk/reward)
Cash / Short Duration	Overweight — build optionality
Gold	Hold / add — system hedge
Energy (XLE)	Tactical long — inflation hedge, under owned

PAIN TRADE

VOL SPIKE + EQUITY REPRICING + LIQUIDITY DRAIN

Triggers:

- VIX ≥ 22
- HY spreads > 3.25%
- TGA rebuild begins (liquidity reverses)
- 10-year yield > 4.75%

LEVELS TO WATCH

Instrument	Current	Trigger
SPX	7,165	Break below 6,900 = acceleration lower
VIX	18.70	>22 = regime change
HY Spread	2.88%	>3.25% = credit stress
10-year yield	4.34%	4.75% = risk off
MOVE	66.97	>80 = bond vol spike

CE DASHBOARD

LIQUIDITY			The Engine
Fed Balance Sheet – Total Assets WALCL · Millions USD	6.71T	Apr 22, 26	▲ +1.7B
Treasury General Account (TGA) WTREGEN · Millions USD	1.01T	Apr 22, 26	▲ +254.6B
Overnight Reverse Repo – Total RRPONTSYD · Billions USD	0.4B	Apr 27, 26	▲ +0.3B
Net Liquidity Fed BS − TGA − RRP Calculated · Billions USD	5.70T	Apr 27, 26	▼ -253.2B
Reserve Balances with Fed RESBALNS · Billions USD	2.80T	Aug 1, 20	▲ +81.2B
Secured Overnight Financing Rate SOFR · Percent	3.66%	Apr 24, 26	▲ +0.01%

CREDIT			Spreads
ICE BofA US Corporate OAS (IG) BAMLC0A0CM · Percent	0.80%	Apr 24, 26	–
ICE BofA US High Yield OAS BAMLH0A0HYM2 · Percent	2.86%	Apr 24, 26	–

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WHAT WOULD MAKE ME WRONG

- VIX stays <15 (not 18 — so not yet)
- HY spreads tighten further below 2.70%
- Liquidity reverses upward (Fed pivots to easing)
- Broad equity participation expands beyond mega-cap tech
- Then risk-on becomes durable — but I don't see it

BIG PICTURE

The April 20 liquidity spike was a sugar rush.
Now liquidity is rolling over — $5,701B vs $6,026B a year ago — and markets are still priced for the high.

TGA at $1,006B means the drawdown is finished. Next stop: TGA rebuild = liquidity drain.

RRP at $0 means no shock absorber.

Liquidity bought time. It didn't solve the problem.

FINAL SIGNAL

Sell the liquidity peak. Buy protection. Hold gold. Raise cash.

The next 4–6 weeks will be defined by liquidity, not fundamentals.

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