

THE CALL

Markets are mispricing a liquidity-driven rally as a new bull; when credit stops tightening, equities will reprice lower and volatility will spike.

3.71	Defensive	4.29	Expanding	Tight	Compressed	65.70	17.50
CE REGIME SCORE	REGIME	PRIOR WEEK	LIQUIDITY	CREDIT	VOLATILITY	MOVE INDEX	VIX

EXECUTIVE TAKE

- Liquidity at record highs (TGA draw-down + Fed balance sheet support)
- Volatility compressed → approaching complacency
- Credit spreads at cycle tightens → not pricing downside risk

Setup: Late-cycle liquidity bounce, not a durable expansion

FLOWS

- Net liquidity: ~\$6.03T (record high)
- TGA drawdown → injecting liquidity into system
- RRP ~0 → no liquidity buffer

Positioning:

- Equities: re-risking underway
- Credit: aggressively priced
- Volatility: being sold

Read:

Liquidity is driving the rally, but positioning reflects complacency, not conviction

LEVELS

S&P 500 7,023 → extended, pricing perfection	VIX ~17 → complacency
MOVE INDEX ~65 → not fully normalized	HY Spreads 2.86% → pricing perfection

THE TRADE

- Underweight equities (fade strength)
- Underweight credit (poor risk/reward)
- Overweight cash / short duration (optionality)
- Hold gold (system hedge)

PAIN TRADE

VOL SPIKE + EQUITY REPRICING

Triggers:

- VIX > 22
- MOVE > 75-80
- HY spreads > 3.25-3.50%
- Liquidity reverses (TGA rebuild)

WHAT WOULD MAKE ME WRONG

- VIX < 15 sustained
- MOVE < 60
- Credit remains tight without widening
- Broad equity participation expands

→ then risk-on becomes durable

FINAL SIGNAL

Liquidity is buying time, not solving the problem.



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