THE CONTRARIAN EDGE
MACRO STRATEGY FRAMEWORK

THE LIQUIDITY SIGNAL

WEEKLY MARKET SIGNAL & LIQUIDITY ANALYSIS

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LIQUIDITY | CREDIT | POSITIONING

THE CALL

SPX sold off 2.6% last week, but breadth improved. Equal Weight turned positive (+1.47%). Small caps held up (+1.05%). VIX spiked to 21.50 (score 2). HY remains tight at 2.76% (score 4). Net liquidity contracted for the first time in weeks (-$110B).

Regime: NEUTRAL (3.10). Reduce cash from defensive levels. Stay neutral. Watch HY and VIX for the next signal.

CE Regime Score	Status	VIX	HY	Equal Weight	US10Y	MOVE	Net Liq Trend
3.10	NEUTRAL	21.50	2.76%	+1.47%	4.53%	75.19	Contracting

Note: Score declined from 3.55 last week as breadth improved materially despite rising volatility. Net liquidity contraction and continued HY complacency remain important risks.

EXECUTIVE TAKE

Net Liquidity	$5840B (-$110B first meaningful contraction)
TGA	$876B (+$46B - rebuilding continues)
Fed Balance sheet	$6,710B (+$7B)
RRP	$0.8B (effectively zero)
SOFR	3.62% (stable)

Markets

SPX	7,384 (-2.6% — largest drop in weeks)
VIX	21.50 (score 2 — elevated but not panicking)
MOVE	75.19 (elevated)
US10Y	4.53% (22bps from 4.75% trigger)
HY spread	2.76% (score 4 — still extreme complacency)

Equal Weight	+1.47% (score 2 — improved sharply)
Small Cap	+1.05% (score 2 — held up)
WTI	$90.54 (score 4)
Gold	Gold: $4,365 (trading below prior support)

Read

The sell-off was narrow — mega caps got hit, but the rest of the market held up or gained. Breadth improved meaningfully. VIX spiked but remains below panic levels (22+). Credit complacency remains the biggest risk. Net liquidity contracted for the first time — watch TGA rebuild.

Liquidity

Metric	May 29	June 5	Change
Net Liquidity	$5,950B	$5,840B	**-$110**
TGA	$830B	$876B	**+$46B**
RRP	$11.7B	$0.8B	**-$10.9B**
Fed Balance Sheet	$6,704B	$6710B	**+$7B**
SOFR	3.60%	3.62%	**+0.02%**

Credit

Spread	Level	Score	Signal
IG	0.76%	3	**Tight**
HY	2.76%	4	**Extreme complacency**

Volatility

Index	Level	Score	Trigger
VIX	21.50	2	**>22 (0.5pts away)**
MOVE	75.19	Watch	**>80 (4.8pts away)**

Breadth

Factor	4-Week Diff	Score	Trend
Equal Weight	+1.47%	2	**Improving**
Small Cap	+1.05%	2	**Improving**

Commodities

Commodity	Level	Score	Signal
WTI	$90.54	4	**Elevated**
Gold	$4365	Watch	**Broke $4,500 support**

Watch

TGA rebuild continues (+$46B). Net liquidity contracted for the first time in weeks. This is a critical shift — if TGA rebuild accelerates, liquidity becomes a headwind.

Trigger

HY > 3.25% = credit repricing risk. Gap: 49bps.HY widened slightly (2.70% to 2.76%) — first widening in weeks. Watch this closely.

Read

VIX spiked to 21.50 — now just 0.5 points from your 22 trigger. MOVE remains elevated but below 80.

Read

This is the biggest change. Equal Weight improved from -2.50% to +1.47%. The sell-off was narrow — mega caps bled, but the rest of the market held up. Breadth is no longer a concern.

Read

Gold broke below $4,500 for the first time in weeks. This may indicate reduced demand for traditional defensive hedges. Watch $4,300 as the next support level.

> **CE** interprets extremely low VIX readings as signs of complacency rather than opportunity. Rising VIX toward historical norms may represent improving risk awareness rather than systemic stress.

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MACRO STRATEGY FRAMEWORK

TACTICAL POSITIONING

Asset	Recommendation
Equities	**Neutral**
Credit	**Underweight** HY
Cash/Short Duration	**Overweight**
Gold	**Neutral / Watch**
Energy	**Neutral**

LEVELS TO WATCH

Instrument	Current	Threshold	Status
US10Y	4.53%	>4.75%	22 bps away
MOVE	75.19	>80	4.8 pts away
HY Spread	2.76%	>3.25%	49 bps away
VIX	21.50	>22	0.5 pts away
TGA	$876B	< $700B	Rebuilding
Gold	$4,365	< $4,500	Breached

WHAT WOULD CHANGE OUR VIEW

Move to DEFENSIVE if:	Move to RISK ON if:
VIX > 22 sustained	VIX falls below 18
HY widens above 3.25%	Equal Weight stays positive
TGA rebuild accelerates	HY tightens below 2.60%
Gold breaks $4,300	US10Y falls below 4.25%

BIG PICTURE

Several indicators improved sufficiently to justify moving from Defensive to Neutral.

- SPX dropped 2.6% — the largest sell-off in weeks
- But breadth improved — Equal Weight turned positive (+1.47%)
- VIX spiked to 21.50 — now 0.5 points from your 22 trigger
- HY remains tight at 2.76% — credit complacency is the biggest remaining risk
- Net liquidity contracted for the first time in weeks (-$110B)
- Gold broke $4,500 — the hedge is failing

The regime moved from DEFENSIVE (3.55) to NEUTRAL (3.10).

You are no longer in capital preservation mode. But you are not in risk-on mode either.

FINAL SIGNAL

The market is sending a mixed message.

The sell-off was narrow, breadth improved, and market participation broadened beyond mega-cap leadership. These developments support a shift from **DEFENSIVE to NEUTRAL.**

At the same time, net liquidity contracted, Treasury rebuilding continues, and credit markets remain priced for near-perfect conditions.

Move out of capital preservation mode, but resist the temptation to chase risk. Stay balanced, stay flexible, and let the next signal emerge.

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