THE CONTRARIAN EDGE
MACRO STRATEGY FRAMEWORK

THE LIQUIDITY SIGNAL

WEEKLY MARKET SIGNAL & LIQUIDITY ANALYSIS

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LIQUIDITY | CREDIT | POSITIONING

THE CALL

The market shook off the June 5 scare. Breadth widened dramatically (Equal Weight +4.85%), VIX fell to 17.67, liquidity rebounded (+$61.5B), and mega-cap concentration dropped below 30% for the first time in weeks (28.54%). However, credit complacency remains extreme (HY 2.76%), while gold continues to break down ($4,218). Regime: NEUTRAL (3.30). Stay balanced. Watch credit and gold for the next signal.

CE Regime Score	Status	VIX	HY	Equal Weight	US10Y	MOVE	Net Liq Trend
3.30	NEUTRAL	17.67	2.76%	+4.85%	4.45%	69.35	+$61.5B

Note: Score up slightly from 3.10 last week. Drivers: VIX fell (21.50→17.67, score 2→3), breadth improved sharply (+1.47%→+4.85%), mega cap concentration dropped below 30%, net liquidity rebounded. Credit remains the biggest risk.

EXECUTIVE TAKE

Net Liquidity	$5,900B (+$61.5B; rebound from last week's contraction
TGA	$828B (-$47.6B — draw-down resumed)
Fed Balance sheet	$6,730B (+$13.9B)
RRP	$0.5B (effectively zero)
SOFR	3.60% (stable)

Markets

SPX	7,431 (recovered from 7,384 low)
VIX	17.67 (score 3 — fear faded)
MOVE	69.35 (bond vol easing)
US10Y	4.45% (30bps from 4.75% trigger)
HY spread	2.76% (score 4 — still extreme complacency)

Equal Weight	+4.85% (score 2 — sharp improvement)
Small Cap	+3.64% (score 2 — leading)
WTI	$86.43 (score 3 — inflation easing)
Gold	$4,218 (broke $4,500, now below $4,300)
Mega Cap Top 5 Weight: 28.54% (score 4; down from 30%)	

Read

The market rebounded. VIX fell. Breadth widened dramatically. Liquidity returned. Mega cap concentration improved. But credit remains complacent, and gold continues to break down. Regime remains NEUTRAL.

Liquidity

Metric	June 5	June 12	Change
Net Liquidity	$5,840B	$5,900B	**+$61.5B**
TGA	$876B	$828B	**-$47.6B**
RRP	$0.8B	$0.5B	**-$0.3B**
Fed Balance Sheet	$6,710B	$6,730B	**+$13.9B**
SOFR	3.62%	3.60%	**-0.02%**

Credit

Spread	Level	Score	Signal
IG	0.75%	3	**Tight**
HY	2.76%	4	**Extreme complacency**

Volatility

Index	Level	Score	Trigger
VIX	17.67	3	**>22**
MOVE	69.35	Watch	**>80**

Breadth

Factor	4-Week Diff	Score	Trend
Equal Weight	+4.85%	2	**Improving**
Small Cap	+3.64%	2	**Improving**

Commodities

Commodity	Level	Score	Signal
WTI	$86.43	3	**Elevated**
Gold	$4,218	Watch	**Broke $4,500**

Watch

TGA draw-down resumed (-$47.6B). Net liquidity rebounded. The headwind you watched last week did not persist.

Trigger

HY > 3.25% = pain trade. Gap: 49bps. HY remains at cycle tights — no improvement.

Read

VIX fell sharply from 21.50 to 17.67. Fear faded. MOVE eased to 69.35.

Read

This is the biggest improvement. Equal Weight went from -2.50% two weeks ago to +4.85% now. Small caps are leading. Breadth is no longer a concern.

Read

Gold continues to break down, $4,218 — down from $4,365 last week, and down from $4,593 two weeks ago. The hedge is unwinding.

> **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.

> **Mega cap concentration** dropped below 30% for the first time in weeks. NVDA, AAPL, MSFT, AMZN all lost market cap during the sell-off. The market is becoming less concentrated.

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TACTICAL POSITIONING

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

LEVELS TO WATCH

Instrument	Current	Threshold	Status
US10Y	4.45%	>4.75%	30 bps away
MOVE	69.35	>80	10.65 pts away
HY Spread	2.76%	>3.25%	49 bps away
VIX	17.67	>22	4.33 pts away
TGA	$828B	< $700B	Draw-down resumed
Gold	$4,218	< $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 3.00%	Equal Weight stays positive
→	Net Liquidity falls below $5.70T	HY tightens below 2.60%
→	Gold breaks $4,000	US10Y falls below 4.25%

BIG PICTURE

The June 5 scare has faded.

- SPX recovered from 7,384 to 7,431
- VIX fell from 21.50 to 17.67
- Equal Weight improved from +1.47% to +4.85%
- Mega cap concentration dropped from 30%+ to 28.54%
- Net liquidity rebounded (+$61.5B)
- Gold continued breaking ($4,218)

But credit remains complacent — HY at 2.76% (score 4).

The regime remains NEUTRAL (3.30).

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

FINAL SIGNAL

The market healed this week. Breadth widened. Concentration dropped. VIX fell. Liquidity returned.
But credit spreads are still pricing perfection. Gold is breaking down.

Stay NEUTRAL. Maintain strategic allocations and balanced exposure. Hold equities at market weight, reduce gold exposure, and monitor HY spreads for confirmation of the next regime shift.

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