

LIQUIDITY | CREDIT | POSITIONING

THE CALL

Liquidity remains supportive, but the pace of expansion continues slowing as rates and bond volatility move closer to stress thresholds. US10Y is approaching the 4.75% risk-off zone. MOVE remains elevated while breadth continues deteriorating beneath headline index strength. Regime: DEFENSIVE
Maintain elevated liquidity. Hold gold.

3.65	Defensive	3.65	Tight	Tight	Steady	78.43	16.75
CE REGIME SCORE	REGIME	PRIOR WEEK	LIQUIDITY	CREDIT	VOLATILITY	MOVE INDEX	VIX

Note: Score unchanged from last week. Trend: HY worsening, Equal Weight worsening, VIX improving → net +0.10.

EXECUTIVE TAKE

As of May 22, 2026

- Net liquidity: \$5,930B (+\$44.7B)
- TGA: \$781B (-\$57.3B — accelerating draw-down)
- Fed balance sheet: \$6,710B (-\$14.9B)
- RRP: \$1.0B (effectively zero)
- SOFR: 3.51% (stable)

Markets are pricing perfection

As of May 22, 2026:

- SPX: 7,473 (stalling near highs)
- VIX: 16.75 (contained)
- MOVE: 78.43 (approaching stress threshold)
- US10Y: 4.57% (approaching pressure zone)
- HY spread: 2.78% (extreme complacency)
- Equal Weight: -2.05% (worsening breadth)
- WTI: \$91.96
- Gold: \$4,558 (holding support)

Read:

Liquidity remains supportive, but the pace is slowing while rates, volatility, and breadth continue deteriorating beneath the surface. The regime remains **DEFENSIVE**.

Watch:

TGA at \$781B. At the current pace, the \$700B zone could be reached within 1-2 weeks. Liquidity support may begin fading once Treasury rebuild pressure starts.

Trigger:

HY spreads above 3.25% would signal increasing credit repricing risk.

Read:

Bond volatility continues flashing warning signals while equity volatility remains relatively contained. Historically, sustained MOVE spikes eventually pressure broader risk assets and equity positioning.

Read:

Equal Weight deteriorated from +0.19% to -2.05%, confirming increasingly narrow participation beneath headline index strength

LIQUIDITY

Metric	May 15	May 22	Change
Net Liquidity	\$5,890B	\$5,930B	+\$44.7B
TGA	\$839B	\$781B	-\$57.3B
RRP	\$0.6B	\$1.0B	Immaterial
Fed Balance Sheet	\$6,730B	\$6,710B	-\$14.9B

CREDIT

Spread	Level	Score	Signal
IG	0.75%	3	Tight
HY	2.78%	4	Extreme complacency

VOLATILITY

Index	Level	Score	Trigger
VIX	16.75	3	>22
MOVE	78.43	Watch	>80

BREADTH

Index	4-Week Diff	Score	Trend
Equal Weight	-2.05%	4	Worsening
Small Cap	-1.84%	3	Stable

COMMODITIES

Commodity	Level	Score	Signal
WTI	\$91.96	3	Inflation pressure remains elevated
Gold	\$4,558	Hold	Support near \$4500



THE CONTRARIAN EDGE

— MACRO STRATEGY FRAMEWORK —

TACTICAL POSITIONING

Asset	Recommendation
Equities	Underweight
Credit	Underweight HY
Cash/Short Duration	Overweight
Gold	Hold
Energy	Neutral
Equal Weight	-2.05%
Gold	\$4,558

LEVELS TO WATCH

Instrument	Current	Threshold	Status
US10Y	4.57%	>4.75	18 bps away
MOVE	78.43	>80	1.6 pts away
HY Spread	2.78%	>3.25%	47 bps away
VIX	16.75	>22	5.25 pts away
TGA	\$781B	<\$700B	1-2 weeks
Equal Weight	-2.05%	<-4%	1.95% away
Gold	\$4,558	<\$4500	\$58 away

WHAT WOULD MAKE ME WRONG

- VIX falls below 14
- HY tightens below 2.70%
- Net liquidity rises above \$6.0T
- Equal Weight turns positive
- US10Y falls below 4.00%
- MOVE falls below 70

BIG PICTURE

Liquidity continues supporting markets, but the pace of support is slowing while rates, volatility, and breadth deteriorate beneath the surface.

Credit markets continue pricing unusually stable conditions despite increasingly fragile participation and rising bond volatility.

The regime remains defensive as multiple trigger levels move closer simultaneously.

Regime: DEFENSIVE (3.65)

Trend: Worsening beneath the surface

FINAL SIGNAL

Liquidity remains supportive, but momentum is slowing.

Bond volatility remains elevated.

Credit continues pricing near-perfect conditions.

Breadth deterioration persists beneath headline index strength.

Maintain a defensive posture.

Favor liquidity, quality, and flexibility while monitoring rates, volatility, and credit closely.



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