

THE LIQUIDITY SIGNAL

Market Regime & Portfolio Intelligence for Investment Professionals



CONTRARIAN
EDGE

CURRENT REGIME

RISK OFF

CE Score: 4.14

↑ from 4.00 prior week

AT A GLANCE

CE REGIME SCORE
4.14

REGIME
Risk Off

LIQUIDITY
Stable / Modestly Improving

CREDIT
Deteriorating

VOLATILITY (MOVE)
108.84 Elevated

CONVICTION
8 / 10

23 March 2026

Weekly Edition | Rodrigo Jiménez, Market Strategist

THIS WEEK IN BRIEF

Rates volatility remains elevated

- with MOVE at 108.84, limiting cross-asset stability

Credit conditions are no longer tightening

- with early signs of deterioration from historically tight levels

Liquidity is stable to modestly improving

- but transmission into risk assets remains impaired

Positioning remains extended

- increasing sensitivity to volatility shocks

Markets remain in a Risk-Off regime, with conditions stabilizing but not improving.

Liquidity conditions are no longer the primary driver of asset prices; volatility and credit are increasingly dictating market behavior.

CE REGIME SCORE 4.14	REGIME Risk Off	PRIOR WEEK 4.00	LIQUIDITY EXPANDING ----> STABLE / SLIGHTLY EXPANDING	CREDIT Deteriorating	VOLATILITY Surging	MOVE INDEX 108.84	VIX 26.77
--------------------------------	---------------------------	---------------------------	---	--------------------------------	------------------------------	-----------------------------	---------------------

CE REGIME SCORE DRIVERS

2 / 5 LIQUIDITY EXPANDING	4 / 5 CREDIT DETERIORATING	5 / 5 VOLATILITY STRESS	4 / 5 POSITIONING VULNERABLE
--	---	--------------------------------------	---

PORTFOLIO BLUEPRINT Current tactical allocation

ASSET CLASS	ALLOCATION	CHG	RATIONALE
EQUITIES	15%	----	VIX elevated, no catalyst
SD Treasuries	15%	----	Liquidity buffer, no duration risk
Cash/T-Bills	50%	----	Volatility hedge + optionality
Gold	20%	----	Macro + inflation hedge

Cash = volatility hedge + optionality while rates stabilize

REVERSAL TRIGGERS Conditions to add risk

SIGNAL	NOW	TRIGGER	ACTION IF HIT
MOVE Index	108.84	< 80	Re-add duration
VIX	26.77	< 22	Increase equities 10%
HY Spread	3.27%	< 2.8%	Reduce cash, add credit
10Y Yield	4.25%	< 4.0%	Consider duration

MOVE > 80 = bonds are volatile assets, not portfolio hedges

REGIME SCORE HISTORY

DATE	CE SCORE	REGIME	KEY DRIVER
February 2026	3.10	Defensive	Mixed signals - volatility building beneath surface
09 March 2026	3.86	Risk Off	MOVE rising; credit spreads beginning to widen
16 March 2026	4.00	Risk Off	MOVE 91 stress; payroll -92k; oil +12%; full signal alignment
23 March 2026	4.14	Risk Off	MOVE 108.84 stress; VIX 26.77; oil 98; energy market stress

EXECUTIVE SUMMARY

The system remains in a stable Risk-Off regime, with the CE Score at 4.14.

Liquidity conditions have improved modestly, supported by a stable Fed balance sheet and reduced use of reverse repo facilities. However, this improvement is not translating into risk asset support due to elevated rates volatility and early-stage credit deterioration.

Rates volatility, as reflected by MOVE above 100, is disrupting traditional cross-asset relationships and reducing the effectiveness of duration as a hedge. At the same time, credit spreads remain relatively tight but have stopped improving, indicating increasing fragility beneath the surface.

The combination of elevated volatility, stalled credit improvement, and extended positioning continues to tighten financial conditions despite stable liquidity.

The tactical implication remains unchanged:

- Maintain defensive positioning
- Limit equity exposure
- Avoid duration until volatility declines
- Preserve optionality through cash and short-duration instruments

A shift in regime will require a sustained decline in volatility and renewed credit tightening, not simply continued liquidity stability.

MACRO SNAPSHOT

Macro conditions reflect a stagflationary tilt

The macro backdrop remains stagflationary. The Fed kept policy unchanged at 3.50%–3.75%, raised inflation projections, and signaled only one cut in 2026. February payrolls fell 92,000 and unemployment rose to 4.4%, while oil remains elevated as Middle East disruption continues. This combination keeps growth under pressure while inflation risks remain live

CE CONCLUSION: Current data reflects a combination of slowing growth and persistent inflation pressures, which is increasingly inconsistent with a soft-landing scenario.

LIQUIDITY MONITOR

Net Liquidity = Fed BS - TGA - RRP

FED BALANCE SHEET \$6.66T +\$9.6B Adding liquidity	TGA BALANCE \$853.1B +14.9B Adding liquidity	RRP \$0.8B +0.2B Neutral / minimal	BANK RESERVES \$2.80T +\$81.2B Adding liquidity	SOFR 3.62% Stable Funding calm	NET LIQUIDITY \$5.81T ↑ +\$75B wk New all-time high
---	---	---	--	---	--

Liquidity is stable to modestly improving, driven by a steady Fed balance sheet and reduced RRP usage, which implies **potential support for financial conditions**. However, elevated rates volatility is impairing transmission into risk assets.

CREDIT CONDITIONS

METRIC	VALUE	SIGNAL	THRESHOLD
MOVE Index	108.84	Stress	> 80 = Stress
HY Spread	3.27%	Stress	> 3.0% = Stress
IG Spreads	0.91%	Widening	> 1.0% = recession fears

Credit conditions are beginning to deteriorate

VOLATILITY & POSITIONING

METRIC	VALUE	SIGNAL
MOVE Index	108.84	Stress
VIX	26.77	Stress
Equity Flows	Negative	Broad selling across markets

Elevated volatility across rates and equities indicates reduced market stability and increased uncertainty in cross-asset pricing.

NET LIQUIDITY CALCULATION: \$6.65T (Fed BS) - \$0.838T (TGA) - \$0.0004T (RRP) = \$5.81T

Net liquidity increased approximately \$75B this week; however, risk assets weakened as elevated rates volatility continued to dominate macro conditions.

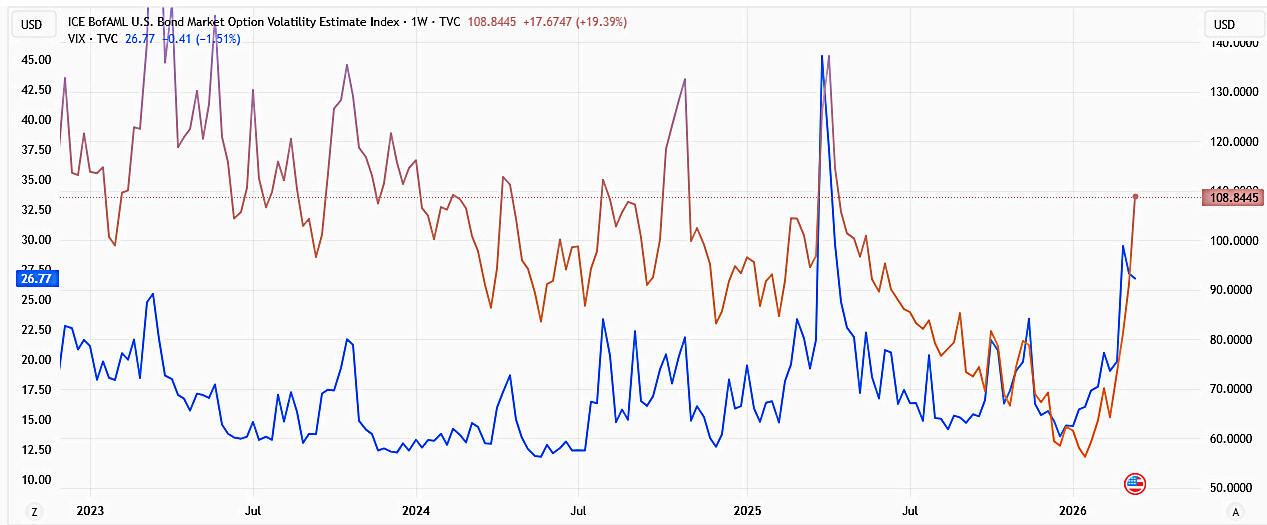
COT POSITIONING SNAPSHOT

Institutional futures positioning — week ending Mar 17, 2026

ASSET	NET CONTRACT POSITION	1 WK CHANGE	CE READ
S&P 500 Futures	-347,577	-27178	Risk-off positioning remains heavy, with shorts still dominant.
Gold Futures	102,043	+3,644	Trend remains constructive, but not at an extreme based on this excerpt alone.
10Y T-Note	-1,934,928	-39,982	Duration positioning is still heavily short, which is usually a bullish contrarian signal for Treasuries
VIX Futures	16,675	-2,684	Hedging demand remains elevated, but the week saw a modest reduction.

Source: CFTC Commitments of Traders Report.

Fig. 1 — MOVE Index vs VIX (Weekly, 2023–Present)

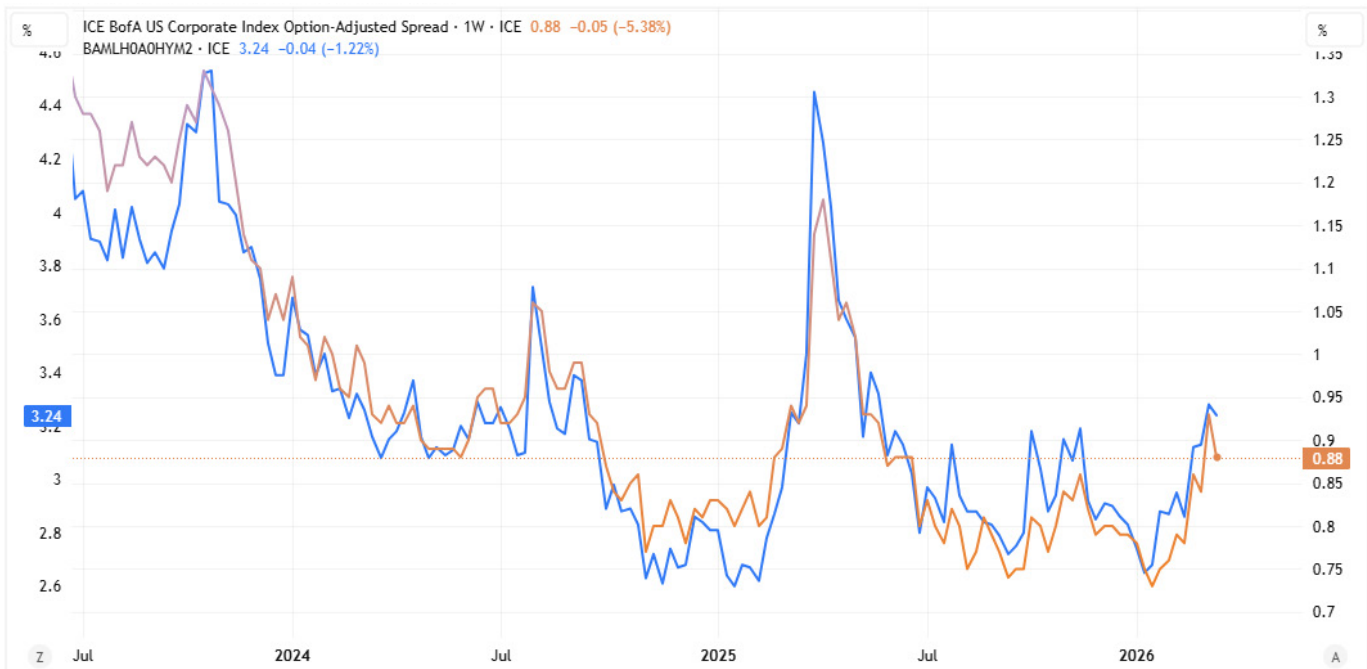


Source: ICE BofAML / CBOE via TradingView

CE ANALYSIS:

MOVE surged to 108.84; highest in recent dataset. At 108.84, rates volatility is elevated enough to disrupt cross-asset correlations and reduce the stabilizing role of duration in portfolios.

Fig. 2 — HY and IG Credit Spreads (Weekly, 2023–Present)



Source: ICE BofAML OAS via TradingView

CE ANALYSIS:

HY spreads at 3.17% and widening. IG at 0.91% approaching the 1.0% recession pricing threshold. Credit conditions are deteriorating from historically tight levels. Credit spreads are widening, indicating early-stage deterioration.

WEEKLY MARKET SNAPSHOT *Key asset returns and signals*

ASSET	PRICE	1W RETURN %	1M RETURN %	YTD %	CE SIGNAL
S&P 500	6,652.00	.68%	-2.70%	-2.84%	
Nasdaq 100	24,462.90	.75%	-0.97%	-3.14%	
Gold	4,440.55	-11.58%	-13.23%	2.78%	
Oil (WTI)	87.01	-6.98%	31.18%	51.46%	
DXY	99.56	-0.15%	1.90%	1.26%	
Bitcoin	71,081.54	-4.21%	10.07%	-19.09%	

TACTICAL ASSET CLASS VIEWS

ASSET CLASS	CE VIEW	RATIONALE
Equities	UNDERWEIGHT	Breadth remains weak and volatility remains elevated. Keep exposure selective and defensive.
• Energy	OVERWEIGHT	Supply shock and geopolitical premium remain supportive.
• Tech / Discretionary	UNDERWEIGHT	High beta, rate sensitivity, and crowding remain headwinds.
• Staples / Healthcare	NEUTRAL	Defensive characteristics remain useful, but valuation support is mixed.
FIXED INCOME	DURATION AVOIDED	MOVE above 100 keeps long duration unattractive as a hedge.
• Short Duration (<2Y)	HOLD	Liquidity buffer, no meaningful duration risk.
• High Yield Credit	AVOID	Spreads continue to widen from tight levels.
Gold	OVERWEIGHT	Macro hedge, inflation hedge, and volatility hedge remain active.
Cash/T-Bills	OVERWEIGHT	Cash remains a volatility buffer and preserves optionality.

CE TRADE IDEAS *For Active Managers*

TRADE	REGIME LOGIC
Long Energy / Short Consumer Discretionary	Maintain relative overweight to energy versus consumer discretionary while oil prices remain elevated and geopolitical risks persist.
Long Gold / Short S&P500	Maintain allocation to gold as a hedge against macro uncertainty and elevated volatility, relative to broad equity exposure.
Long CHF / Short USD	Favor defensive currency positioning where appropriate, particularly in lower-beta currencies relative to USD exposure.
Long short-duration / avoid long duration	Maintain exposure to short-duration instruments while avoiding long-duration exposure until rates volatility declines.

SYSTEM STATUS — CONVICTION SCORE: 8/10

LIQUIDITY

Stable / Modestly Improving

CREDIT

Deteriorating

VOLATILITY

Stress

POSITIONING

Vulnerable

RISK MAP

RISK SCENARIO	PROBABILITY	MARKET IMPACT	CE VIEW
Iran War Escalation	Rising	HIGH	Oil \$100–150 — long energy, gold
FOMC Hawkish Surprise	Medium	HIGH	Yields up — maintain defense
FOMC Dovish Pivot	Medium	Mixed	Relief rally — wait for vol to fall
Weak Data Spillover	Rising	HIGH	Retail/housing confirm slump
Credit Event (CRE/PC)	Rising	HIGH	Spreads gap — avoid HY, credit
Tariff/Policy Noise	Medium	Moderate	Sector rotation — watch carefully

SIGNAL TRACKER

What Changed

MOVE rose above 100; HY widened to 3.27%; oil remained elevated; Fed reinforced higher-for-longer stance.

What Didn't

SOFR remains stable; RRP remains minimal; no systemic funding stress.

What's Diverging

Nothing meaningful. Liquidity remains supportive, but credit, volatility, and market behavior remain aligned to the downside.

CE SYSTEM CONCLUSION

The system remains in a Risk-Off regime, with volatility and credit acting as the primary drivers of market behavior.

Liquidity conditions are stable to modestly improving, but transmission into risk assets remains impaired. Elevated rates volatility, with MOVE above 100, continues to disrupt cross-asset stability and reduce the effectiveness of duration.

Credit spreads remain tight in absolute terms but have stopped improving, indicating increasing fragility.

This combination reflects a market environment where liquidity is no longer the dominant driver, and where volatility and credit are dictating asset price behavior.

A regime shift requires:

- A sustained decline in rates volatility
- Clear stabilization in credit conditions

Until those conditions are met, positioning should remain defensive, and rallies should be treated as tactical rather than structural.

Markets follow liquidity, but in the current regime, they are being driven by volatility and constrained by credit. Until that dynamic shifts, positioning should remain defensive.

Disclosures & Important Information

General Information

Contrarian Edge (“CE”) provides independent macroeconomic research, market commentary, and strategic analysis for informational and educational purposes only.

CE is not a registered investment adviser, broker-dealer, or financial planner and does not provide investment advisory services, portfolio management, or personalized investment recommendations.

Intended Audience

This material is intended solely for use by investment professionals, including registered investment advisors (RIAs), portfolio managers, institutional investors, and other financial professionals.

It is not intended for retail investors and should not be distributed to end clients without appropriate review and approval by the recipient’s compliance function.

No Investment Advice or Solicitation

Nothing contained in this publication constitutes, or should be construed as, investment advice, a recommendation, or an offer or solicitation to buy, sell, or hold any security, asset class, strategy, or financial instrument.

Any references to asset classes, sectors, securities, or strategies are provided for illustrative and informational purposes only.

Opinions and Forward-Looking Statements

All views, opinions, and interpretations expressed herein reflect CE’s judgment as of the date of publication and are subject to change without notice.

This material may include forward-looking statements, which are inherently uncertain and based on assumptions that may not prove accurate. Actual results and market outcomes may differ materially from those expressed or implied.

Risk Considerations

All investments involve risk, including the potential loss of principal.

Market conditions, liquidity dynamics, credit conditions, interest rates, leverage, regulatory changes, and geopolitical developments may materially impact asset prices and investment outcomes.

Historical relationships, regime behavior, and past performance are not indicative of future results.

No Advisory Relationship

Use of this material does not establish an advisory, fiduciary, or client relationship between CE and any recipient.

Recipients remain solely responsible for all investment decisions, portfolio construction, risk management, and suitability determinations.

Data Sources and Accuracy

Information contained herein is derived from sources believed to be reliable, including publicly available data and third-party providers. However, CE makes no representation or warranty, express or implied, as to the accuracy, completeness, or timeliness of such information.

Data, estimates, and market conditions are subject to change without notice.

Conflicts of Interest

CE does not receive compensation from issuers, sponsors, or providers of securities or financial products referenced in this publication.

CE’s research is produced independently and is not influenced by investment banking, underwriting, or product distribution activities.

CE and its author may hold or take positions in the assets or markets discussed, and such positions may change without notice.

Intellectual Property

All content, analysis, and intellectual property contained in this publication are the property of Contrarian Edge.

Unauthorized reproduction, redistribution, republication, or commercial use, in whole or in part, is prohibited without prior written consent.