

| CE REGIME SCORE | REGIME | PRIOR WEEK | LIQUIDITY | CREDIT | VOLATILITY | MOVE INDEX | VIX |
|-----------------|----------|------------|----------------------------|---------------|------------|------------|-------|
| 4.29 | Risk Off | 4.14 | EXPANDING, but ineffective | Deteriorating | Stress | 111.94 | 31.04 |

STRATEGIC OVERVIEW

Market conditions deteriorated materially into week-end, reversing the mid-week stabilization and re-establishing a Risk Off regime.

The key shift was the sharp re-acceleration in volatility across both rates and equities, with MOVE rising above 110 and VIX moving above 30. At the same time, credit conditions reversed prior improvement, with spreads widening and confirming renewed stress in funding markets.

Liquidity conditions improved during the week, supported by balance sheet stability and rising reserves, but failed to translate into support for risk assets. This indicates that liquidity is no longer the primary driver of markets in the current environment.

The combination of elevated volatility, deteriorating credit, and weak equity behavior reflects a system where downside risks remain elevated and market stability is limited.

Tactical implication: Maintain a defensive posture, with reduced equity exposure, short duration positioning, and elevated cash levels until volatility declines and credit conditions stabilize.

PORTFOLIO BLUEPRINT

Current tactical allocation

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

REVERSAL TRIGGERS

Conditions to add risk

| SIGNAL | NOW | TRIGGER | ACTION IF HIT |
|------------|--------|---------|-------------------------|
| MOVE Index | 111.94 | < 100 | Re-add duration |
| VIX | 31.04 | < 25 | Increase equities 10% |
| HY Spread | 3.21% | < 3.0% | Reduce cash, add credit |
| 10Y Yield | 4.42% | < 4.0% | Consider duration |

Cash = volatility hedge + optionality while rates stabilize

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 |
| 30 March 2026 | 4.29 | Risk Off | MOVE 111.94, VIX 31.04; Global Energy Stress |

LIQUIDITY WATCH

What Changed

- Fed balance sheet increased modestly
- Bank reserves rose
- TGA increased, partially offsetting liquidity
- Net liquidity remained elevated (~\$5.78T)

What It Means

Liquidity conditions improved at the margin, but this did not translate into support for risk assets. At the same time, volatility surged across both rates and equities, and credit conditions deteriorated. This indicates that liquidity is no longer the dominant driver of market behavior in the current environment.

What We Do

- Do not increase risk exposure based on liquidity alone
- Maintain defensive positioning
- Wait for confirmation from volatility and credit before reallocating capital

LIQUIDITY MONITOR

Net Liquidity = Fed BS - TGA - RRP

\$6.66T

Fed Balance Sheet
+\$1.2B

\$874.1B

TGA BALANCE
+\$21.0B

\$1.0B

RRP
+\$0.1B

\$2.80T

BANK RESERVES
+\$81.2B

\$5.78T

TGA BALANCE
+\$75B

Liquidity Signal: Ineffective

CREDIT CONDITIONS

| METRIC | VALUE | SIGNAL | THRESHOLD |
|------------|--------|----------|--------------------------|
| MOVE Index | 111.94 | Stress | > 80 = Stress |
| HY Spread | 3.21% | Stress | > 3.0% = Stress |
| IG Spreads | 0.88% | Widening | > 1.0% = recession fears |

VOLATILITY & POSITIONING

| METRIC | VALUE | SIGNAL |
|--------------|----------|------------------------------|
| MOVE Index | 111.94 | Stress |
| VIX | 31.04 | Stress |
| Equity Flows | Negative | Broad selling across markets |

COT POSITIONING SNAPSHOT

Institutional futures positioning – week ending Mar 24, 2026

| ASSET | Primary Group | Metric | Current | % of OI | Weekly Change % |
|-----------------|----------------|-----------|------------|---------|-----------------|
| S&P 500 Futures | Asset Manager | Net Long | +870,274 | 32.4% | -11,569 |
| Gold Futures | Asset Manager | Net Long | +189,514 | 46.9% | +5,055 |
| 10Y T-Note | Leverage Funds | Net Short | -1,964,857 | 28.1% | +51,822 |
| VIX Futures | Leverage Funds | Net Short | -40,460 | 11.8% | +24,165 |

Positioning Signal: Defensive, with short volatility and short duration exposure beginning to unwind

Source: CFTC Commitments of Traders Report.

Positioning Wrap:

Gold is the most crowded institutional long, with Asset Managers holding 189,514 contracts (47% of OI) and adding again this week.

Equities saw Asset Managers trim modestly (-11,569) while total open interest collapsed 454k contracts—broad de-risking rather than a directional shift.

Rates positioning is stretched on the short side, with Leveraged Funds short 1.96M 10Y contracts (28% of OI). This week's 52k contract cover suggests the bearish conviction is being tested.

Volatility shorts continued to cover, with Leveraged Funds reducing their VIX short by 24k contracts—the largest cover in recent data—narrowing the dealer/fund divergence.

WEEKLY MARKET SNAPSHOT

Key asset returns and signals

| ASSET | PRICE | 1W RETURN % | 1M RETURN % | YTD % |
|------------|-----------|-------------|-------------|---------|
| S&P 500 | 6,368.85 | -2.12% | -7.41% | -6.96% |
| Nasdaq 100 | 23,132.77 | -3.20% | -7.32% | -8.38% |
| Gold | 4,514.04 | 0.56% | -14.47% | 4.50% |
| Oil (WTI) | 99.62 | 1.42% | 48.65% | 73.43% |
| DXY | 100.19 | 0.55% | 2.65% | 1.90% |
| Bitcoin | 66,070.52 | -6.20% | -0.97% | -24.78% |

TACTICAL ASSET CLASS VIEWS

Positioning reflects a Risk Off regime, with emphasis on capital preservation and optionality.

| ASSET CLASS | CE VIEW | RATIONALE |
|------------------------|----------------------|--|
| Equities | UNDERWEIGHT | Weak breadth and elevated volatility indicate limited upside participation and higher downside risk. |
| • Energy | OVERWEIGHT | Geopolitical risk and constrained supply continue to support relative performance. |
| • Tech / Discretionary | UNDERWEIGHT | High beta, rate sensitivity, and crowded positioning remain headwinds. |
| • Staples / Healthcare | NEUTRAL | Defensive characteristics remain supportive, but upside is limited in a high-volatility environment. |
| FIXED INCOME | UNDERWEIGHT DURATION | Elevated rates volatility (MOVE > 100) reduces the effectiveness of duration as a hedge. |
| • Short Duration (<2Y) | OVERWEIGHT | Provides stability and liquidity without meaningful duration risk. |
| • High Yield Credit | AVOID | Spreads widening and volatility elevated, indicating deteriorating risk conditions. |
| Gold | OVERWEIGHT | Hedge against macro uncertainty and elevated volatility. |
| Cash/T-Bills | OVERWEIGHT | Preserves optionality and provides a buffer against volatility. |

POSITIONING FRAMEWORK

Aligned with current regime conditions

1. Maintain Overweight Energy vs. Consumer Discretionary

Position:

- Maintain relative overweight to energy and underweight to consumer discretionary.

Condition:

- While oil prices remain elevated and geopolitical risks persist.

Rationale:

- Energy benefits from supply constraints and pricing power, while discretionary remains sensitive to rates, weakening demand, and elevated volatility.

2. Avoid Long Duration Exposure

Position:

- Maintain short duration bias; avoid long-duration exposure.

Condition:

- While MOVE remains above 100 and rate volatility elevated.

Rationale:

- Elevated rates volatility reduces the effectiveness of duration as a hedge and increases downside risk in fixed income.

3. Maintain Gold as a Strategic Hedge

Position:

- Maintain overweight allocation to gold.

Condition:

- While volatility remains elevated and macro uncertainty persists.

Rationale:

- Gold provides protection against market instability and serves as a hedge in periods of elevated volatility and policy uncertainty.

4. Preserve Elevated Cash Allocation

Position:

Maintain higher-than-normal cash allocation.

Condition:

Until volatility declines and credit conditions stabilize.

Rationale:

Cash provides optionality, reduces portfolio volatility, and allows redeployment when conditions improve.

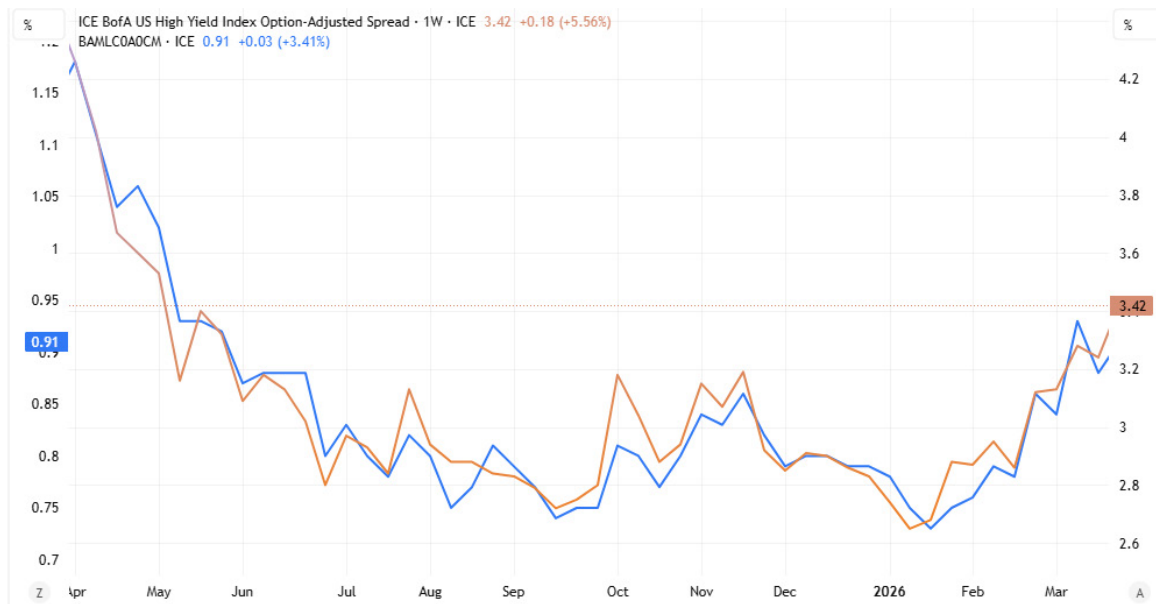
Fig. 1 — MOVE Index vs VIX (Daily, 2023–Present)



Source: ICE BofAML / CBOE via TradingView

| Bond and equity volatility are aligned at elevated levels, confirming system-wide stress.

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



| Credit spreads widening confirms deterioration in risk conditions.

Source: ICE BofAML OAS via TradingView

System Status

Risk Off

Extreme Stress

Trend: Deteriorating

Signal Alignment

Negative

(Liquidity not confirming, Credit + Volatility dominant)

What Is Driving Markets

Volatility: Elevated

Credit: Deteriorating

Liquidity: Ineffective

Risk Map

Primary

- Volatility shock
- Credit deterioration

Secondary

- Liquidity disconnect
- Policy lag
- Tactical Implication

Maintain defensive positioning

Do not increase risk until volatility declines and credit stabilizes

CE System Conclusion

The system remains in a Risk Off regime, with volatility and credit deterioration acting as the dominant drivers.

Liquidity conditions are improving but are not translating into support for risk assets.

Downside risks remain elevated.

Key Insight

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.

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