6 April, 2026

The Liquidity Signal

Rodrigo Jiménez, Market Strategist

4.29	RISK OFF	4.29	EXPANDING	DETERIORATING	STRESS	84.91	23.87
CE REGIME SCORE	REGIME	PRIOR WEEK	LIQUIDITY	CREDIT	VOLATILITY	MOVE INDEX	VIX

STRATEGIC OVERVIEW

Market conditions remain consistent with a late-cycle Risk Off regime, though the drivers have shifted.

Volatility has moderated from recent extremes (MOVE ~82, VIX ~24), but remains elevated relative to stable market conditions. At the same time, credit markets continue to price near cycle-tight levels despite rising issuance, increasing supply pressure, and deteriorating forward fundamentals.

Liquidity conditions remain supportive, but are increasingly masking underlying fragility rather than driving upside.

The key shift is that credit, not volatility, is now the primary risk vector.

This reflects a regime where risk is not yet fully expressed in prices, but is building beneath the surface.

Tactical implication: Maintain a defensive posture, with particular caution toward credit exposure and concentrated equity risk.

REGIME SCORE HISTORY

RISK OFF	09 MARCH 3.86
RISK OFF	16 MARCH 4.00
RISK OFF	23 MARCH 4.14
RISK OFF	30 MARCH 4.29
RISK OFF	06 APRIL 4.29

REVERSAL TRIGGERS

SIGNAL	NOW		TRIGGER		ACTION IF HIT
MOVE Index	81.77	→	< 70	→	Re-add duration
VIX	24.16	→	< 20	→	Increase equities
HY Spread	3.17%	→	< 3.50%	→	Credit reset

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LIQUIDITY WATCH

What Changed

- Liquidity conditions remained stable
- No meaningful tightening in system liquidity
- Balance sheet dynamics continue to support reserves

What It Means

Liquidity is no longer deteriorating, but is not driving markets higher. Instead, it is acting as a stabilizer while other risks build.

What We Do

- Do not increase risk based on liquidity alone
- Focus on cross-asset confirmation (credit + volatility)

Liquidity Signal: Neutral / Supportive but Ineffective

LIQUIDITY MONITOR

FED BALANCE SHEET	TGA BALANCE	RRP	BANK RESERVES	NET LIQUIDITY
$6.68T	$847.7B	$0.3B	$2.80T	$5.87T
+18.2B	-26.4B	-1.8B	+81.2B	

CREDIT CONDITIONS

METRIC	VALUE	SIGNAL	THRESHOLD
HY SPREAD	3.17%	RISK OFF	~280 bps (cycle tight)
IG SPREAD	0.86%	RISK OFF	~70–80 bps (cycle tight)
MOVE INDEX	84.91	RISK OFF	

Interpretation:

Credit remains the most mispriced asset class, with spreads reflecting late-cycle complacency rather than forward risk.

Supply pressure is building, increasing the probability of spread widening.

VOLATILITY POSITIONING

METRIC	VALUE	SIGNAL
MOVE INDEX	84.91	RISK OFF
VIX	23.87	RISK OFF

Volatility View:

Volatility has declined from recent peaks but remains elevated, consistent with an unstable equilibrium rather than a normalized environment.

COT POSITIONING SNAPSHOT

ASSET	PRIMARY GROUP	METRIC	CURRENT	% OF OI	WEEKLY CHANGE %
S&P 500 Futures	Asset Managers	NET LONG	+918,367	46.7%	+48,093
Gold Futures	Institutional	NET LONG	+163,202	45.2%	-5,125
10Y T-Note	Leverage Funds	NET SHORT	-1,955,731	38.0%	+9,126
VIX Futures	Leverage Funds	NET SHORT	-42,246	12.1%	-1,786

Positioning Signal

Defensive, with concentration risk and early signs of repositioning

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WEEKLY MARKET SNAPSHOT

data as of 4/6/2026

ASSET	PRICE	1W RETURN %	1M RETURN %	YTD %
S&P 500	6,611.83	4.23%	-1.90%	-3.41%
Nasdaq 100	24,192.17	5.40%	-1.83%	-4.19%
Gold	4655.28	3.56%	3.56%	-8.52%
Oil (WTI)	112.45	9.30%	23.71%	95.77%
DXY	100.00	-0.50%	1.03%	1.71%
BITCOIN	69,688	4.72%	2.12%	-20.65%

- Equities: Stable, but narrow leadership
- Rates: Volatility declining, still elevated
- Credit: Mis-priced, vulnerable
- Commodities: Strong (fundamental drivers)
- Dollar: Stable

TACTICAL ASSET CLASS VIEW

ASSET CLASS	CE VIEW	RATIONALE
EQUITIES	UNDERWEIGHT	Narrow leadership and valuation concentration increase fragility.
• Energy	OVERWEIGHT	
• US Mega-caps	UNDERWEIGHT	
• International (Japan/EM)	OVERWEIGHT	Selective
• Small Caps	NEUTRAL	Opportunistic
FIXED INCOME	UNDERWEIGHT CREDIT RISK	Spreads do not compensate for rising issuance and default risk
• Short Duration	OVERWEIGHT	
• High Yield Credit	AVOID	
• IG Credit	UNDERWEIGHT	
GOLD	OVERWEIGHT	Effective hedge against simultaneous equity and credit repricing
CASH/T-BILLS	OVERWEIGHT	Maintains optionality in a mispriced environment

Positioning Framework

- Reduce exposure to spread products
- Maintain defensive equity exposure
- Tilt toward real assets and hedges
- Preserve liquidity for redeployment

Reversal Triggers

- Credit spreads widen meaningfully (reset risk premium)
- Volatility declines into stable range
- Equity breadth expands beyond concentrated leadership

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THE SYSTEM

System Status

Risk Off
Elevated Risk
Trend: Stable

Signal Alignment

Negative (Credit dominant, Liquidity not confirming)

What Is Driving Markets

- Credit: Mispriced
- Volatility: Elevated but stabilizing
- Liquidity: Supportive, not leading

Risk Map

Primary

- Credit repricing
- Equity concentration

Secondary

- Liquidity masking risk
- Supply-driven spread pressure

Tactical Implication

Maintain defensive positioning with reduced credit exposure and selective equity allocation.

Do not increase risk until credit markets reprice or volatility declines further.

CE System Conclusion

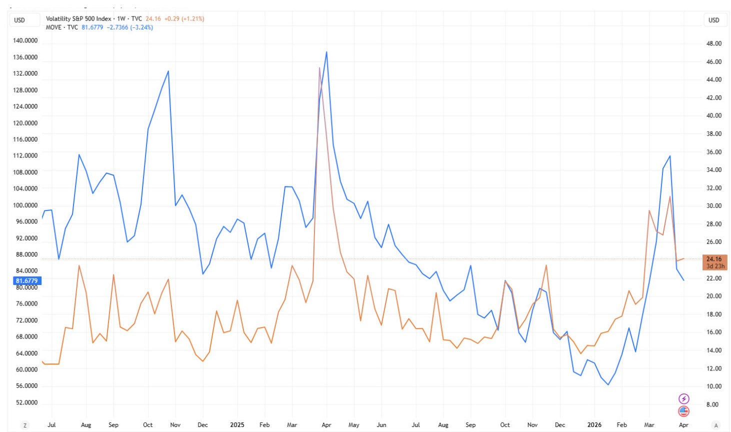
The system remains in a Risk Off regime, but the nature of risk has shifted.

Volatility is no longer the primary driver; instead, credit mis-pricing and supply pressure are emerging as the dominant risks.

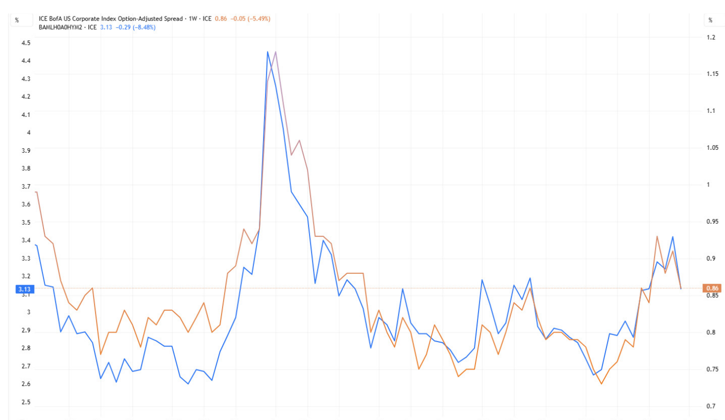
Liquidity conditions remain supportive, but are masking fragility rather than driving upside.

Key Insight

Credit is the weakest link. Risk is being under-priced.



MOVE vs VIX
Bond and equity volatility remain elevated, confirming persistent system stress.



Credit Spreads
Credit spreads are widening from tight levels, signaling early-stage risk repricing.

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