

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 a cautious posture. Hold liquidity and gold while monitoring breadth and credit closely.

CE Regime Score	Status	VIX	HY	Equal Weight	US10Y	MOVE	Trend Adj.
3.55	DEFENSIVE	15.31	2.70%	-2.50%	4.43%	70.22	+0.10

Note: Score down from 3.65 last week. Trend: HY worsening, Equal Weight worsening, VIX improving → net +0.10.

EXECUTIVE TAKE

As of May 29, 2026

- Net liquidity: ~\$5,950B (supportive, though Treasury rebuilding may be beginning)
- TGA: ~\$830B (draw-down active)
- Fed balance sheet: \$6,704B
- RRP: \$11.7B (still minimal)
- SOFR: 3.60% (stable)

Markets are pricing perfection

As of May 29, 2026:

- SPX: 7,580 (stalling near highs)
- VIX: 15.31 (score 3 — improved)
- MOVE: 70.22 (down from 78.43 — bond vol easing)
- US10Y: 4.43% (32bps from 4.75% trigger)
- HY spread: 2.70% (score 4 — still extreme complacency)
- Equal Weight: -2.50% (score 4, worsening)
- WTI: \$87.36 (score 3 — inflation easing)
- GOLD \$4,593 (holding above \$4,500 support)

Read:

TGA increased from \$781B to approximately \$830B, suggesting Treasury rebuilding may be beginning. If sustained, this would represent a liquidity headwind. Regime remains **DEFENSIVE**, though conditions improved modestly this week.

Watch:

TGA appears to be rebuilding (+49B). This is a critical change. If TGA rebuilding continues, liquidity will reverse. RRP also up to 11.7B (still minimal but directionally interesting)

Trigger:

HY > 3.25% = credit repricing risk. Gap: 55bps.

Read:

VIX improved to 15.31 (score 3); down from 16.75 last week. MOVE fell to 70.22, bond vol easing but still elevated historically.

Read:

Equal Weight worsened from -2.05% to -2.50%. Narrow rally confirmed and deepening. Small Cap improved to +2.05% (score 2), a rare bright spot.

LIQUIDITY

Metric	May 22	May 29	Change
Net Liquidity	\$5,930B	~\$5,950B	+\$20B
TGA	\$781B	~\$830B	+\$49B
RRP	\$1.0B	\$11.7B	+\$10.7B
Fed Balance Sheet	\$6,710B	\$6,704B	-\$6B
SOFR	3.51%	3.60%	+0.09%

CREDIT

Spread	Level	Score	Signal
IG	0.73%	3	Tight
HY	2.70%	4	Extreme complacency

VOLATILITY

Index	Level	Score	Trigger
VIX	15.31	3	>22
MOVE	70.22	Watch	>80

BREADTH

Index	4-Week Diff	Score	Trend
Equal Weight	-2.50%	4	Worsening
Small Cap	+2.05%	2	Improving

COMMODITIES

Commodity	Level	Score	Signal
WTI	\$87.36	3	Inflation easing
Gold	\$4,593	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

LEVELS TO WATCH

Instrument	Current	Threshold	Status
US10Y	4.43%	>4.75%	32 bps away
MOVE	70.22	>80	9.8 pts away
HY Spread	2.70%	>3.25%	55 bps away
VIX	15.31	>22	6.7 pts away
TGA	~\$830B	<\$700B	Direction Reversing
Equal Weight	-2.50%	<-4%	1.95% away
Gold	\$4,593	<\$4500	\$93 away

WHAT WOULD MAKE ME WRONG

- VIX falls below 14
- HY tightens below 2.60%
- Net liquidity rises above \$6.0T
- Equal Weight turns positive
- US10Y falls below 4.00%
- MOVE falls below 60

BIG PICTURE

Net liquidity still positive, but TGA appears to be rebuilding (+\$49B this week). If this continues, liquidity headwinds emerge within 1–2 weeks.

Equal Weight deteriorated to -2.50%, the worst reading in weeks. Breadth is narrowing. HY at 2.70% remains at cycle tight. VIX improved but still complacent at 15.31.

US10Y pulled back to 4.43%, reducing immediate rate pressure. MOVE fell to 70.22; bond vol easing.

Regime: DEFENSIVE (3.55), down from 3.65 last week but remaining firmly in defensive territory.

FINAL SIGNAL

Equal Weight at -2.50% (worsening). HY at 2.70% (extreme complacency). TGA rebuilding, watch liquidity. VIX improved but remains low.

Liquidity remains supportive, but leadership is narrowing and Treasury rebuilding may be beginning. Maintain a defensive posture, favor quality, and monitor liquidity and breadth for confirmation of the next regime shift.

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