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WEEKLY BRIEFING

Week of December 29, 2025 – January 4, 2026

Executive Take | Macro Regime

Executive Take

Late-cycle dynamics dominate the year-end turn. The Fed has cut 25 bp and added T-bill purchases to keep reserves “ample,” but liquidity is still tight and funding rates remain elevated versus policy. Risk assets are holding near highs on optimism around AI and expectations of more cuts, yet breadth is weak and safe-haven demand is building. Credit spreads remain priced for perfection and positioning is crowded in long-duration and easing bets. The setup into early 2026 is fragile: a melt-up is possible, but the distribution of outcomes is widening.

Macro Regime

Growth is decelerating at the margin and inflation remains sticky above target. The Fed’s cut looks more like late-cycle risk management than the start of an easing cycle, especially with officials signaling a pause. Fiscal impulse and AI capex are still supportive, but the macro mix is increasingly unstable: slower growth, persistent inflation, and limited policy room if funding stress worsens.

World Econonic Dashboard

World Economic Dashboard

Country	GDP (USD)	GDP QoQ	GDP YoY	CPI YoY	Core CPI YoY
United States	29,184.89B	4.30%	2.30%	2.70%	2.60%
Euro Zone	16,406.13B	0.30%	1.40%	2.10%	2.40%
China	18,743.80B	1.10%	4.80%	0.70%	1.20%
Japan	4,026.21B	-0.60%	1.10%	2.90%	3.00%
Germany	4,659.93B	-0.20%	0.30%	2.30%	2.70%
United Kingdom	3,643.83B	0.10%	1.30%	3.20%	3.20%
France	3,162.08B	0.50%	0.90%	0.90%	1.00%
India	3,912.69B	2.00%	8.20%	0.71%	-
Italy	2,372.77B	0.10%	0.60%	1.10%	1.70%
Brazil	2,179.41B	0.10%	1.80%	4.46%	5.12%
Canada	2,241.25B	0.60%	1.40%	2.20%	2.90%
South Korea	1,712.79B	1.30%	1.80%	2.40%	2.30%
Russia	2,173.84B	-0.80%	0.60%	6.60%	6.12%
Spain	1,722.75B	0.60%	2.80%	3.00%	2.60%
Australia	1,752.19B	0.40%	2.10%	3.80%	3.30%
Mexico	1,852.72B	-0.30%	-0.10%	3.80%	4.43%
Indonesia	1,396.30B	1.43%	5.04%	2.72%	2.36%
Turkey	1,323.25B	1.10%	3.70%	31.07%	31.65%
Switzerland	936.56B	-0.50%	0.80%	0.10%	0.40%

Liquidity | Credit | Positioning

Liquidity

Liquidity remains the constraint.

- The system is operating with depleted buffers: ON-RRP is near empty and reserves sit close to the “ample” threshold.
- The Fed’s short-dated Treasury purchases are reserve management, not stimulus, aimed at preventing a year-end funding spike.
- General collateral repo easing toward ~4.10% helps at the margin, but the fact that funding rates remain above policy is the signal. The plumbing is still tight.
- Elevated TGA levels continue to siphon liquidity, and the turn into a new quarter and new year is exactly when fragile systems get exposed.

Net: liquidity is not collapsing, but it is not supportive enough to justify complacency.

Credit

Credit is calm, but mispriced for the regime.

- HY spreads near ~2.9% and BBB spreads near ~1.03% reflect carry hunger and vol-selling, not improving fundamentals.
- Tight spreads in a tight-liquidity regime create asymmetry: limited upside, large downside if funding stress forces de-risking.
- The basis-trade and leveraged credit complex remains a vulnerability if repo re-tightens.

Credit is not warning yet. That is why it is dangerous.

Positioning

Positioning is one-sided and late-cycle.

- Futures still price multiple 2026 cuts despite Fed signaling restraint.
- Duration positioning is crowded and sensitive to any inflation upside or funding shock.
- Flows continue into long-duration and IG, while gold and silver inflows signal defensive hedging.
- Equity positioning is rotating away from crowded AI exposure, but the index remains hostage to mega-cap weights.

The market is positioned for “easy disinflation + easy policy.” That is not the regime.

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Cross Asset Pulse | Theme of the Week

Cross Asset Pulse

Equities	Near highs, thin volume, narrow breadth. Rotation into cyclicals and defensives is doing the work.
Rates	Long end supported by growth concerns, but capped by sticky inflation and funding sensitivity.
IG Credit	Tight, complacent, vulnerable to liquidity shocks.
HY Credit	Near cycle tights, asymmetric risk.
DXY	Softer, but policy divergence and risk-off risk keep USD squeeze potential alive.
Gold	Strong bid as policy error and funding hedge.
Commodities	Oil choppy, growth-sensitive complex lacks clean upside.
Crypto	Liquidity-sensitive, vulnerable if funding tightens.

Ticker	Name	Last Price	1-Day %	Sparkline Graphs (1Y)	Total Return (1M)	Total Return (3M)	Total Return (YTD)	CAGR Total Return (5Y)	Price (1Y Ago)
Unclassified									
CREDIT									
POSITIONING AND RISK									
SPX	S&P 500	6,905.74	-0.35%		0.83%	3.67%	17.41%	13.12%	5,970.84
NDX	NASDAQ 100	25,525.56	-0.46%		0.36%	3.71%	21.48%	14.72%	21,473.02
RTY	Russell 2000 Index	2,519.80	-0.58%		0.77%	3.47%	12.99%	5.16%	2,244.59
VIX	CBOE SPX Volatilit...	14.20	4.49%		-13.15%	-11.91%	-18.01%	-9.25%	16.04
GC1	Gold	4,334.70	-4.34%		4.13%	15.02%	65.17%	18.18%	2,633.05
HG1	Copper	5.52	-4.21%		6.34%	13.59%	38.58%	9.17%	4.07
CL1	WTI Crude Oil	57.86	2.04%		-1.12%	-8.81%	-19.41%	3.80%	70.23
USYC10Y2Y	United States Yield...	0.669%	3.56%	-	29.65%	31.43%	106.48%	-3.70%	0.296%
USYC10Y3M	United States Yield...	0.485%	0.00%	-	118.47%	165.03%	92.46%	-10.38%	0.344%
T5YIE	5-Year Breakeven I...	2.22	-0.89%		-3.06%	-8.26%	-6.72%	2.94%	2.39
T10YIE	10-Year Breakeven ...	2.23	-0.45%		0.00%	-6.30%	-4.70%	2.51%	2.35

Theme of the Week

Santa rally meets liquidity reality.
Markets are trying to celebrate the cut and ignore the plumbing. Thin holiday liquidity can levitate prices, but it can also amplify air pockets. The key tension is simple: optimism is elevated while liquidity buffers are not.

Tactical View | Contrarian Decoder | Final Signal

Tactical View

Equities	Maintain exposure but reduce beta. Favor quality, defensives, and selective cyclicals over crowded AI-linked growth.
Fixed Income	Stay long duration as a hedge, but avoid leverage and avoid treating a rally in bonds as regime change.
Credit	Underweight HY. Prefer higher-quality IG and structures that reduce funding sensitivity.
FX	Keep tactical flexibility. USD weakness can persist, but the asymmetry is still toward USD strength if stress returns.
Commodities	Hold gold as hedge. Be cautious on growth-linked commodities until demand confirms.
Liquidity	Operate as if buffers are thin, because they are. Assume funding shocks are possible and plan for them.

Contrarian Decoder

The market is treating the Fed cut and bill purchases as "support." That is the wrong read. Reserve management is not easing, it is damage control in a system running with less slack. At the same time, the rest of the world is not clearly joining a dovish pivot, which keeps global policy divergence alive. Tight credit spreads are not proof of safety, they are proof of complacency. This is the classic late-cycle trap: optimistic narrative, fragile plumbing, crowded positioning.

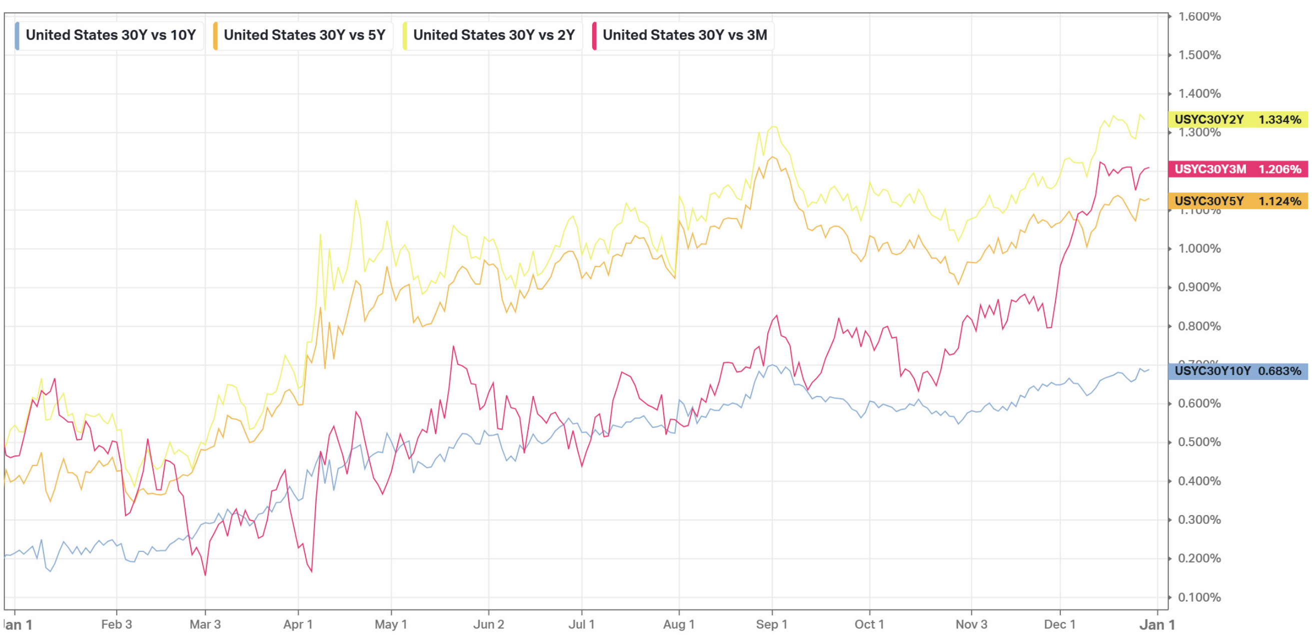
Final Signal

This is not a crash call. It is a fragility call.

The market can grind higher into early 2026, but upside is increasingly sentiment-driven while downside remains liquidity-driven. With buffers depleted, positioning crowded, and credit complacent, the regime favors disciplined defense: prioritize quality, keep duration as hedge, stay selective in credit, and preserve flexibility for volatility as the calendar turns.

Dashboard | Yields

Ticker	Name	Last Price	1-Day %	Sparkline Graphs (1Y)	Total Return (1M)	Total Return (3M)	Total Return (YTD)	CAGR Total Return (5Y)	Price (1Y Ago)
Unclassified									
WALCL	Assets: Total Assets...	6,556,861.00	0.27%		-0.36%	-0.78%	-4.31%	-2.29%	6,897,485.00
WTREGEN	Liabilities and Capit...	833,093.00	-3.01%		-12.66%	10.14%	15.73%	-11.43%	775,067.00
RRPONTSYD	Overnight Reverse R...	20.34	323.46%		817.41%	-57.69%	-95.70%	357.70%	196.82
DXY	United States Dollar	98.00	0.00%		-1.47%	0.23%	-9.64%	1.79%	108.05
BTCUSD	Bitcoin - United St...	87,164.00	-0.07%		-4.40%	-23.96%	-6.99%	26.48%	91,927.27
+ Add Ticker + New Group									
CREDIT									
HYG	iShares High Yield ...	80.63	0.04%		0.49%	1.19%	8.59%	3.91%	78.55
LQD	iShares iBoxx IG C...	110.79	0.14%		-0.20%	0.78%	8.48%	-0.69%	106.65
+ Add Ticker + New Group									
POSITIONING AND RISK									
SPX	S&P 500	6,905.74	-0.35%		0.83%	3.25%	17.41%	13.10%	5,906.94
NDX	NASDAQ 100	25,525.56	-0.46%		0.36%	3.43%	21.48%	14.72%	21,197.09
RTY	Russell 2000 Index	2,519.80	-0.58%		0.77%	3.42%	12.99%	4.94%	2,227.78
VIX	CBOE SPX Volatilit...	14.20	4.49%		-13.15%	-12.78%	-18.01%	-9.01%	17.40
GC1	Gold	4,334.70	-4.34%		2.77%	12.32%	65.17%	18.02%	2,606.63
HG1	Copper	5.52	-4.21%		6.34%	14.24%	38.58%	9.22%	4.05
CL1	WTI Crude Oil	57.86	2.04%		-1.12%	-7.24%	-19.41%	3.63%	70.99
USYC10Y2Y	United States Yield...	0.649%	0.46%	-	25.78%	21.31%	100.31%	-4.07%	0.283%



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Name	Ticker	Yield Diff	1Y Chg	YTD Chg
UNITED STATES				
United States 30Y vs 10Y	USYC30Y10Y	0.686%	47.6bp	47.7bp
United States 30Y vs 5Y	USYC30Y5Y	1.125%	69.6bp	72.7bp
United States 30Y vs 2Y	USYC30Y2Y	1.335%	84.2bp	80.2bp
United States 30Y vs 3M	USYC30Y3M	1.206%	73.9bp	74.5bp

Sources | Methodology | Disclosures

Data Sources

Analysis in this report incorporates publicly available data, market pricing, and institutional data feeds, including but not limited to:

- *Bloomberg*
- *TradingView*
- *Federal Reserve Economic Data (FRED)*
- *Federal Reserve H.4.1 and Daily Treasury Statements*
- *U.S. Treasury*
- *European Central Bank*
- *Bank of Japan*
- *ICE BofA Credit Indices*
- *CME Group (Fed Funds and SOFR futures)*
- *Public issuer disclosures and market pricing*

All data is believed to be reliable at the time of publication but is not guaranteed as to accuracy or completeness.

Framework & Methodology

Contrarian Edge analysis is based on a proprietary macro framework focused on three primary pillars:

Liquidity: central bank balance sheets, reserves, funding markets, and liquidity transmission mechanisms

Credit: spreads, curves, and funding stress indicators

Positioning: market structure, flows, and risk concentration

Research is synthesized through the Contrarian Edge Liquidity Regime Model, Macro Barometer, and cross-asset confirmation tools. Commentary reflects the interpretation of observable market conditions rather than forecasts or predictions.

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