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Executive Take | Macro Regime

Executive Take

The first full week of 2026 opens with markets still leaning on relief narratives while liquidity constraints remain unresolved. Risk assets enter the year near elevated levels, credit spreads remain tight, and positioning is skewed toward further easing. However, funding markets continue to signal a system operating with thin buffers. The early January setup favors caution: upside remains possible, but increasingly relies on sentiment and positioning rather than replenished liquidity buffers.

Macro Regime

Growth momentum continues to decelerate at the margin while inflation remains sticky above target. The Fed's late-2025 cut and reserve-management operations have reduced immediate tail risk but have not reset the cycle. Policy flexibility remains limited, and global central bank divergence persists. This remains a late-cycle environment where macro stability depends more on financial conditions than on growth.

Macro Classification: Late-cycle slowdown with constrained policy optionality.

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Liquidity | Credit | Positioning

Liquidity

Liquidity conditions remain fragile.

- ON RRP balances are effectively depleted, removing a key shock absorber.
- The Treasury General Account remains elevated and volatile, continuing to drain reserves.
- Repo and SOFR rates remain above policy, signaling persistent funding tightness.
- Fed bill purchases and standing repo facilities are defensive tools, not stimulus.

Liquidity is no longer tightening aggressively, but buffers have not been rebuilt. The system remains vulnerable to funding volatility as trading volumes normalize post-holiday.

Net assessment: liquidity is being managed defensively, not rebuilt.

Credit

Credit markets continue to price stability.

- High-yield spreads remain near cycle tights, offering limited compensation for late-cycle risk.
- Investment-grade spreads reflect confidence in funding continuity.
- Leveraged and carry-based strategies remain exposed to repo and funding shocks.

Credit is not signaling stress. That is precisely the risk. In low-buffer regimes, credit reprices late but violently.

Positioning

Positioning remains one-sided.

- Markets continue to price additional rate cuts in 2026 despite Fed signaling restraint.
- Duration exposure remains crowded.
- Equity positioning remains concentrated in quality and select megacap exposures.
- Volatility remains suppressed relative to underlying liquidity risk.

This positioning leaves markets vulnerable to disappointment rather than overt shocks.

CE Dashboard

Ticker	Name	Last Price	1-Day %
Unclassified			
WALCL	Assets: Total Assets...	6,640,618.00	0.90%
WTREGEN	Liabilities and Capit...	837,306.00	0.02%
RRPONTSYD	Overnight Reverse R...	5.67	-94.65%
DXY	United States Dollar	98.26	-0.17%
BTCUSD	Bitcoin - United St...	93,959.67	-0.15%
+ Add Ticker	+ New Group		
CREDIT			
HYG	iShares High Yield ...	80.88	0.26%
LQD	iShares iBoxx IG C...	110.47	0.28%
+ Add Ticker	+ New Group		
POSITIONING AND RISK			
SPX	S&P 500	6,902.05	0.64%
NDX	NASDAQ 100	25,401.32	0.77%
RTY	Russell 2000 Index	2,547.92	1.68%
VIX	CBOE SPX Volatilit...	14.91	2.83%
GC1	Gold	4,444.70	2.60%
HG1	Copper	5.94	5.24%
CL1	WTI Crude Oil	58.34	1.85%
USYC10Y2Y	United States Yield...	0.702%	-0.14%
USYC10Y3M	United States Yield...	0.566%	0.71%

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Cross Asset Pulse | Theme of the Week

Cross Asset Pulse

- **Equities:** Elevated levels with narrow breadth; rotation remains the dominant driver.
- **Treasuries:** Supported as a hedge against growth and funding stress, but capped by inflation persistence.
- **IG Credit:** Tight and complacent.
- **HY Credit:** Asymmetric downside if liquidity tightens.
- **USD:** Soft at the margin, but retains squeeze risk if funding stress re-emerges.
- **Gold:** Continues to act as a policy-error and liquidity hedge.
- **Commodities:** Mixed, with growth-sensitive complexes lacking confirmation.

Theme of the Week

"New year, same plumbing."
Calendar resets do not reset liquidity. Markets are attempting to carry late-2025 optimism into 2026, but funding conditions, credit pricing, and positioning remain unchanged. Early January will test whether sentiment can sustain risk without improved liquidity support.

Positioning and Risk Dashboard

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)
POSITIONING AND RISK									
• SPX	S&P 500	6,902.05	0.64%		0.46%	2.40%	0.83%	12.99%	5,975.38
• NDX	NASDAQ 100	25,401.32	0.77%		-1.13%	1.69%	0.60%	15.01%	21,559.50
• RTY	Russell 2000 Index	2,547.92	1.68%		1.05%	2.58%	2.66%	4.36%	2,266.65
• VIX	CBOE SPX Volatilit...	14.91	2.83%		-3.12%	-8.92%	-0.80%	-9.87%	16.04
• GC1	Gold	4,444.70	2.60%		5.85%	12.17%	2.89%	18.29%	2,634.62
• HG1	Copper	5.94	5.24%		10.47%	18.70%	5.29%	10.22%	4.13
• CL1	WTI Crude Oil	58.34	1.85%		-2.79%	-5.43%	1.57%	2.88%	73.56
• USYC10Y2Y	United States Yield...	0.704%	0.14%	-	23.51%	26.85%	2.18%	-4.73%	0.351%
• USYC10Y3M	United States Yield...	0.565%	0.53%	-	29.00%	188.27%	5.61%	-9.93%	0.340%
• T5YIE	5-Year Breakeven I...	2.28	0.88%		-0.87%	-3.80%	0.88%	3.17%	2.41
• T10YIE	10-Year Breakeven ...	2.25	0.00%		0.45%	-3.85%	0.00%	2.48%	2.34

Tactical View | Contrarian Decoder | Final Signal

Tactical View

- **Equities:** Maintain exposure but reduce beta; favor quality, defensives, and selective cyclicals.
- **Fixed Income:** Hold duration as a hedge, not a directional call.
- **Credit:** Underweight high yield; prioritize quality and liquidity.
- **FX:** Maintain flexibility; USD weakness is tactical, not structural.
- **Commodities:** Maintain gold exposure as a hedge; avoid aggressive growth bets.
- **Liquidity:** Assume thin buffers persist; plan for episodic volatility.

Contrarian Decoder

The market is treating the Fed's late-2025 actions as confirmation that policy risk has passed. In reality, those actions were designed to prevent funding stress, not to reflate risk-taking. Liquidity remains managed, not abundant. Credit complacency and crowded positioning increase fragility. The dominant risk is not economic collapse, but a liquidity-driven repricing triggered by modest shocks.

USA Yields

Name	Ticker	Price
UNITED STATES		
United States 1Y	US1Y	3.470%
United States 2Y	US2Y	3.463%
United States 3Y	US3Y	3.529%
United States 5Y	US5Y	3.715%
United States 7Y	US7Y	3.930%
United States 10Y	US10Y	4.172%
United States 20Y	US20Y	4.803%
United States 30Y	US30Y	4.865%

Final Signal

This is not a crash setup.
It is a **fragility setup.**

Markets can grind higher, but the foundation remains thin. With liquidity buffers depleted, credit priced for perfection, and positioning crowded, the balance of risks favors discipline over aggression. Early 2026 will reward flexibility, quality, and risk control rather than conviction trades.

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