



The Liquidity Signal

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3.71	RISK OFF	4.29	EXPANDING	DETERIORATING	STRESS	72.15	19.22
CE REGIME SCORE	REGIME	PRIOR WEEK	LIQUIDITY	CREDIT	VOLATILITY	MOVE INDEX	VIX

STRATEGIC OVERVIEW

Market conditions remain within a Risk Off regime, but underlying pressures are beginning to ease.

Volatility has declined meaningfully from late-March highs, with both bond and equity volatility compressing. Liquidity conditions remain supportive, aided by continued Treasury cash draw-downs. At the same time, credit markets have tightened, reflecting improved risk sentiment.

However, this improvement should not be mistaken for a regime shift.

Credit spreads remain near cycle-tight levels relative to underlying risks, and market positioning reflects only partial re-engagement with risk assets. The system remains fragile, with stabilization driven more by liquidity and volatility compression than by a full repricing of risk.

Tactical implication: Begin selective re-risking, but maintain overall defensive positioning until credit markets provide confirmation.

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
RISK OFF	13 APRIL 3.71

REVERSAL TRIGGERS

SIGNAL	NOW	TRIGGER	ACTION IF HIT
MOVE Index	72.15 →	< 70 →	Re-add duration
VIX	19.22 →	< 20 →	Increase equities
HY Spread	2.90% →	< 3.50% →	Credit reset



LIQUIDITY WATCH

What Changed

- TGA declined ~\$100B → liquidity injection
- Net liquidity increased
- No signs of funding stress

What We Do

- Allow selective re-risking
- Still require confirmation from credit and volatility

Liquidity Signal: **Supportive**

What It Means

Liquidity is now supportive and contributing to market stabilization.

LIQUIDITY MONITOR

\$6.69T

FED BALANCE SHEET
+18.5B

\$748.4B

TGA BALANCE
-99.3B

\$0.5B

RRP
+0.1B

\$2.80T

BANK RESERVES
+81.2B

\$5.94T

NET LIQUIDITY

CREDIT CONDITIONS

METRIC	VALUE	SIGNAL	THRESHOLD
HY SPREAD	2.90%	RISK OFF (Tight/Easing)	~280 bps (cycle tight)
IG SPREAD	0.83%	RISK OFF (Tight/Easing)	~70-80 bps (cycle tight)
MOVE INDEX	72.15	ELEVATED (Declining)	

Interpretation:

Credit markets have tightened, signaling improved risk appetite, but remain at levels that offer limited compensation for risk. The easing reflects stabilization, not a full repricing of risk.

VOLATILITY POSITIONING

METRIC	VALUE	SIGNAL
MOVE INDEX	72.15	MODERATE
VIX	19.22	NORMALIZING

Volatility View:

Volatility compression signals stabilization, but levels remain above long-term norms, indicating incomplete normalization.

COT POSITIONING SNAPSHOT

ASSET	PRIMARY GROUP	METRIC	CURRENT	% OF OI	WEEKLY CHANGE %
S&P 500 Futures	Asset Managers	NET LONG	+943,856	48.4%	+25,489
Gold Futures	Institutional	NET LONG	+156,305	44.1%	-6,897
10Y T-Note	Leverage Funds	NET SHORT	-1,975,685	38.6%	-19,954
VIX Futures	Leverage Funds	NET SHORT	-44,959	13.0%	-2,713

Positioning Signal

Cautiously constructive, but not fully committed



WEEKLY MARKET SNAPSHOT

data as of 4/12/2026

ASSET	PRICE	1W RETURN %	1M RETURN %	YTD %
S&P 500	6,819.89	3.74%	0.52%	-0.42%
Nasdaq 100	25,116.34	4.75%	0.64%	-0.53%
Gold	4759.57	1.76%	-8.28%	10.18%
Oil (WTI)	96.19	-13.86%	15.26%	67.45%
DXY	98.65	-1.38%	-0.18%	0.33%
BITCOIN	70,840.00	4.77%	1.08%	-19.30%

- 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	NEUTRAL	Improving conditions, but still dependent on volatility and breadth confirmation.
• Energy	OVERWEIGHT	
• US Mega-caps	UNDERWEIGHT	
• International (Japan/EM)	OVERWEIGHT	
• Small Caps	NEUTRAL	
FIXED INCOME	UNDERWEIGHT CREDIT RISK	Spreads remain tight relative to risk, limiting compensation despite improving conditions.
• Short Duration	OVERWEIGHT	
• High Yield Credit	UNDERWEIGHT	
• IG Credit	NEUTRAL	
GOLD	NEUTRAL/HOLD	Still a hedge, but less urgency as volatility declines
CASH/T-BILLS	NEUTRAL	Optionality remains valuable

Positioning Framework

- Gradually reintroduce selective equity exposure
- Maintain caution on credit
- Reduce extreme defensive positioning
- Stay flexible

Reversal Triggers

- Volatility stabilizes below key thresholds
- Credit spreads widen (reset risk premium)
- Flows re-accelerate into equities



THE SYSTEM

System Status

Risk Off
Stabilizing
Trend: Improving

Signal Alignment

Neutral (Liquidity supportive, Credit not confirming)

What Is Driving Markets

- Credit: Mis-priced
- Volatility: Declining
- Liquidity: Supportive

Risk Map

Primary

- Credit complacency
- Incomplete volatility normalization

Secondary

- Slowing inflows
- Policy uncertainty

Tactical Implication

Shift from maximum defensiveness toward selective risk exposure.

- Avoid full risk-on positioning until:
 - credit spreads reprice or
 - volatility stabilizes at lower levels

CE System Conclusion

The system remains in a Risk Off regime, but conditions are stabilizing.

Volatility compression and improving liquidity are supporting markets, but credit continues to reflect limited risk premia. This creates a transition phase where downside risks are reduced, but not eliminated.

The current environment supports selective opportunity, but not broad risk-taking.

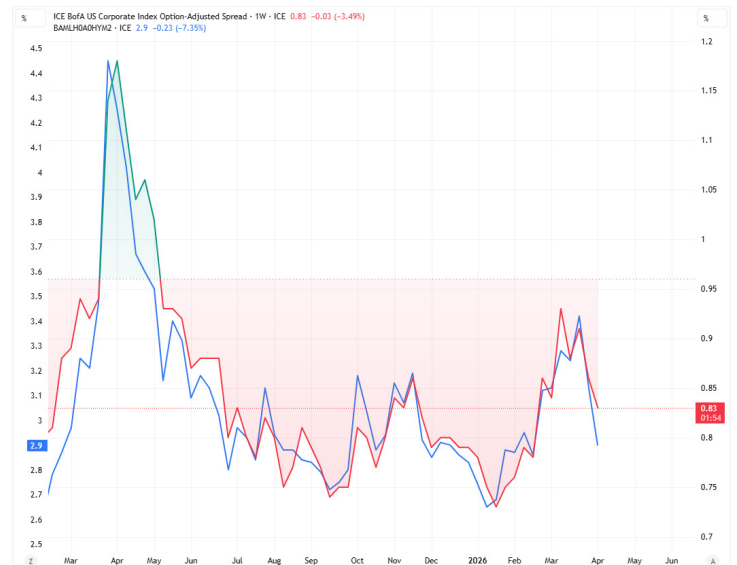
Key Insight

Risk is declining, but not fully 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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