



## Cross-Asset Divergences

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*The equity market is pricing in a soft landing. Credit, banks, and commodities are not.*

### MARKET SNAPSHOT

SPY closed at \$742.77, sitting at 96% of its 52-week range and within 0.9% of all-time highs. QQQ at \$713.97 is +15.8% over 60 days with an RSI of 70.1 and a price 16% above its 200-day moving average. The VIX at 16.87 has compressed from a 60-day average of 21.4. Beneath that surface, the picture is inconsistent. Oil (USO) is +78.8% over 60 days while gold (GLD) is -12.0% and silver (SLV) -13.4% — a supply-shock signature, not a debasement trade. Copper (COPX) is -12.6%, long bonds (TLT) -6.4%. Financials (XLF) trail SPY by 7.5 percentage points over the same window and sit at 46% of their 52-week range; HYG is at 47%, LQD at 36%. The HYG/LQD spread remains neutral — rate pain, not credit fear. The agricultural complex (wheat +12.9%, soy +5.3%, corn +3.4%) is elevated but not alarming. Dry bulk shipping (BDRY) +7.1% confirms global trade is still moving; container shipping (ZIM) -13.6% signals softening consumer-goods flow.

### KEY DIVERGENCES

- **SPY at 96% of range; financials and high yield at 46–47%.** A 50-point gap. Equities are pricing a soft landing the credit and banking complex is not validating.
- **Oil +79% with gold -12%.** A classic supply-shock signature. A debasement-driven move would have gold surging in parallel.
- **Copper -13% versus SPY +7%.** A 19.7-point divergence. Physical growth expectations are moving opposite to financial asset prices.
- **Bonds selling off broadly, not selectively.** TLT and IEF at 14–15% of 52-week range indicates a rate-driven selloff. The HYG/LQD breakdown is the moment credit fear replaces rate fear.

### INTERPRETATION

The signals across asset classes do not form a single story until you separate the supply side from the demand side. Oil's surge is supply-driven, which is why gold did not follow; copper and credit are pricing the demand-side consequence of that supply shock on a global economy that was already mediocre. Equities, anchored to soft-landing expectations and a compressing VIX, have not yet repriced the deterioration that bonds, banks, and industrial metals are already reflecting. The question is whether that divergence resolves through earnings catching up to credit, or credit catching up to earnings.

## RISK SCENARIO: STAGFLATION-DRIVEN CREDIT CRISIS

If oil remains elevated for another quarter, it sustains CPI, keeps the Fed from cutting, and renders commercial real estate refinancing untenable at scale. Regional banks — carrying roughly 70% of CRE loan exposure — absorb the losses. Unlike 2008 or 2020, the Fed cannot cut aggressively without re-igniting inflation: the stagflation trap. The cascade runs regional banks → tightened lending standards → small-business credit contraction → further copper weakness → consumer spending decline → equity repricing.

## SIGNALS TO WATCH

Signal	Implication if Triggered
HYG breaks down vs. LQD	Credit fear replaces rate fear — crisis mode
KRE drops sharply below XLF	Regional bank stress becoming acute
Gold turns sharply positive	Flight to safety / Fed pivot anticipated
VIX sustains above 25	Institutional hedging accelerating
Copper continues lower	Growth deterioration spreading

## WHAT THIS IS — AND WHAT IT IS NOT

**This is** an oil supply shock landing on an otherwise mediocre global economy, with equities the last asset class to price the deterioration already visible in copper, credit, and bank stocks.

**This is not a blow-off top.** That pattern requires gold rallying with oil, volume spiking on up days, VIX below 13, and broad commodity-equity correlation. None of those are present.

**This is not yet an active credit crisis.** The preconditions exist — elevated rates, CRE exposure, banks mid-range — but the trigger has not fired. The HYG/LQD spread remains neutral.

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*Data as of 21 May 2026 via Polygon.io (daily adjusted bars). Tickers: SPY, QQQ, USO, COPX, GLD, SLV, DBC, TLT, IEF, WEAT, SOYB, CORN, BDRY, ZIM, XLF, KRE, VNG, HYG, LQD. Not investment advice.*