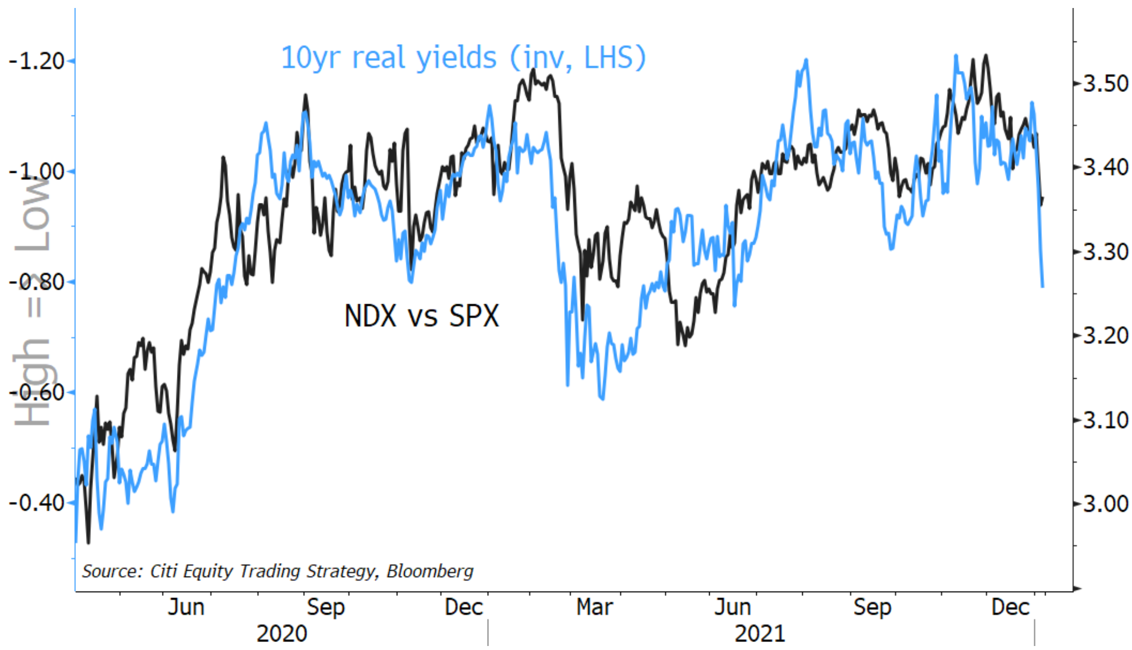
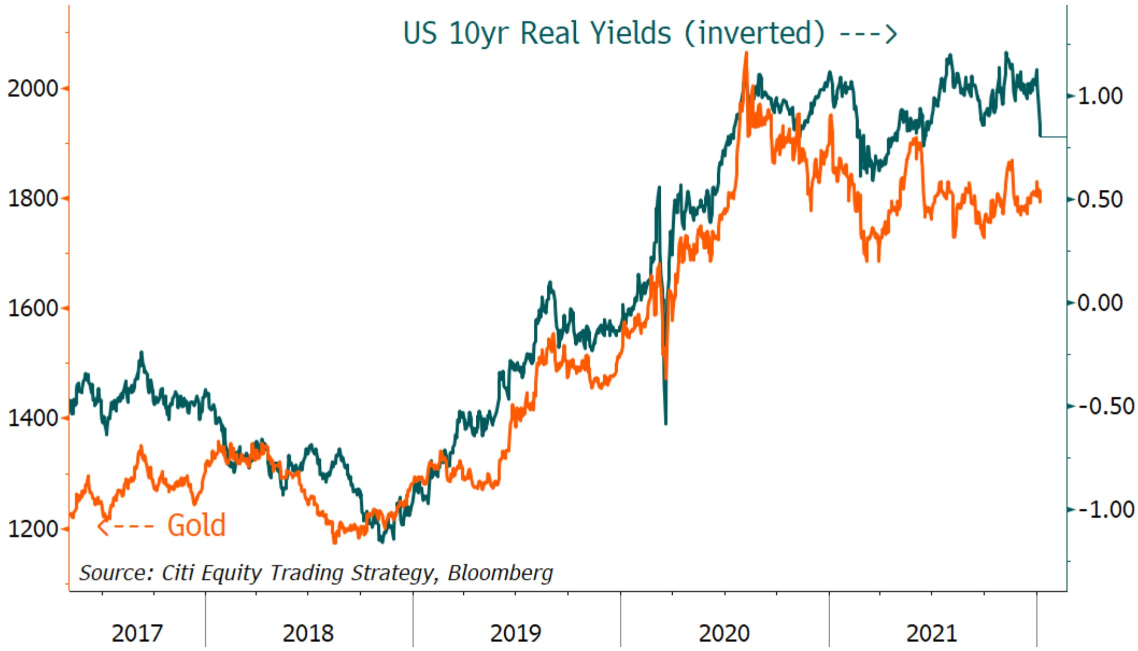
Let's keep this brief not just because it was a visibly more calm session in equities, but because there was really only one narrative worth highlighting. That was the further 6bps move in 10y real yields, that are now challenging the interim highs set back last June. However it is less the absolute level of RYs that is bothersome, even if we are in the 82nd percentile on a 1-year lookback, but more the *velocity* of real yields repricing. To put this week's 31bps move in context, this kind of rapid shift has historically been associated with disruptive periods for risk assets; the wake of 9/11, March 2003, October 2008, February 2009, the 2013 taper tantrum, and peak pandemic fear in March 2020. And although equity index performance has been pretty benign, the most recent parallel we have is probably February of last year where real yields moved by 45bps over a 2-week period, which resulted in a 4.5% SPX drawdown, and fits into my current thinking that an index pullback to c4450/4500 is not an unreasonable forecast. ***However, during that same Feb/Mar period of 2021, NDX fell by approximately 11% versus the 4.5% drawdown witnessed so far.*** A simple regression chart below is not encouraging.



To me that is the point of continued vulnerability, especially given there remains a reflexive impulse to buy back into these beaten up Growth stocks. Although I received no specific feedback on the specific stock mentioned in yesterday's EOD, there have been a number of conversations over the past 48 hours focused on wanting to buy the dip in SaaS/hypergrowth or whatever because many of these names have fallen 20-30% from the highs. That's not a reasonable assessment, but also do not forget that on average a basket of these stocks is still +125% since Jan 2020 *after* the correction. Although it is overly cynical to say that '*a stock that falls 90% is just one that falls 80% and then halves*,' it does serve as a reminder that just because something falls a lot it does not automatically make it a buy, especially when the forward trajectory of liquidity framework that afforded that investment to be lucrative has changed at an astonishing pace.

One final point to note has been the unremarkable behavior of gold despite a 3.5% standard deviation move in real yields so far this week. Credit to our commodity team that have correctly displayed a pretty low enthusiasm level in the space for some time now, and if we consider the nonchalant performance of the yellow metal throughout the past six months in spite of 10yr RYs hitting and retesting multi-decade lows, the Harry Hindsight trader may well have pointed out that maybe, just *maybe* gold had been sending a lead indicator for quite some time.



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All charts/data sourced from CETS, Bloomberg and Citi, unless otherwise indicated.