

Macro Insights

by ScalaQuant

Week ending Friday, 17 April 2026

Published Monday, 20 April 2026



The week in one paragraph

The S&P 500 closed Friday at 7,126, with SPY at 710.14 — a new all-time high, and the first time the index has ever traded above 7,000. The rally was sharp, broad, and almost entirely built on the belief that the US and Iran are walking back from the brink. Oil fell roughly 10% on the week as Tehran said the Strait of Hormuz would remain fully open to commercial shipping during the Israel–Lebanon ceasefire, even under a still-active US naval blockade. A Goldman Sachs basket of the most-shortened stocks finished the week up more than 13%, outperforming SPY by nine percentage points — its best week since 2023. That last number is the tell. This was not a week where the real economy got materially better. It was a week where positioning blew up. The dominant narrative coming into Monday was 'higher oil, stickier inflation, Fed stays tight.' By Friday the tape had decided all three of those worries could be parked for now. We think one of them — the Fed — is going to come back into view faster than consensus thinks, and that the rest of this note is largely about where that matters.

Rates and yields

The curve pulled lower across the week, led by the belly. The 2-year closed at 3.71%, the 10-year at 4.26%, and the 30-year at 4.88% on Friday, versus 3.81%, 4.31% and 4.91% the week before. Nothing dramatic. The bigger move sits in the short end, where fed funds futures are refusing to give up on rate cuts later in the year despite a CPI print of 3.3% and a Fed that spent most of March sounding, on balance, hawkish.

The curve on Friday

Tenor	Friday 17 April	Friday 10 April	Weekly change
2-year	3.71%	3.81%	–10 bp
10-year	4.26%	4.31%	–5 bp
30-year	4.88%	4.91%	–3 bp

Short-rate expectations

CME FedWatch has the 29 April FOMC meeting pricing in roughly a 95% probability of no change — the same shape we saw going into March. The residual is split, with a small lean toward a cut rather than a hike. Further out, futures still price one to two cuts by year-end. JP Morgan is on record the other way, looking for a long hold through 2026 and a 25 bp hike in Q3 2027 as their base case.

Our read: we agree with the futures market, not the sell-side. The March CPI headline of 3.3% was ugly, but the core read at 2.6% was benign and the energy shock that drove the headline is now in the process of deflating in real time. If oil finishes April below \$90 and the Iran de-escalation holds, the inflation

conversation is going to pivot faster than the FOMC's rhetoric. The late-July or September meetings become live.

Rate-sensitive sectors

This is where the rates story either gets validated or rejected. The message from the tape is that it is being validated, hard.

- **IWM (Russell 2000):** closed the week at a fresh high. Small caps lead when the market believes financing costs are coming down.
- **KRE (regional banks):** pushed to new year-to-date highs. Funding-cost-sensitive names have led the rally all year.
- **IYR (US real estate):** solid bid, with the homebuilders subsector the standout — the triple-levered builder ETF had a 13%-plus single-day move earlier in the week.
- **XHB vs SPY:** builders beating SPY by a wide margin on the week. The housing market has been in a two-year recession by NAHB's sentiment index. One Fed signal reverses a lot of it.

Put bluntly: the index is at 7,126 but the leaders are the interest-rate-sensitive sectors, not tech. That is a cut being priced in, regardless of what anyone at the Fed says between now and 29 April.

Real rates, credit and commodities

A lower-oil, lower-yield, lower-dollar week. Classic risk-on setup, and gold came with it rather than fading, which is the interesting wrinkle.

Commodities

Commodity	Friday close	Weekly move	Driver
WTI crude	~\$82	-9.4%	Hormuz open; ceasefire extension
Gold (spot)	~\$4,860	+0.8%	4th weekly gain; central-bank bid
Silver	>\$80	Breakout	Cleared stubborn resistance
Copper (COMEX)	~\$6.10/lb	Two-month high	Recovered full war losses
DXY (dollar index)	~98.0	6-week low intraweek	Safe-haven bid unwinding

What to take from this

Three things. First, oil did the work the market wanted it to do. A 9%-plus weekly drop in WTI is a very large move, and it directly undercuts the 'stickier inflation, no cuts' thesis. Second, copper recovered every cent it lost when the Iran conflict started. That is the global-growth tell; the industrial metal is telling you the market does not believe the war damages demand in any durable way. Third, gold did not

fall. In a classic risk-on week, with a firmer dollar on Thursday and Friday and oil collapsing, you would expect the safe-haven trade to unwind. Gold held. JP Morgan's research team has a \$5,000 target for Q4 2026 and a path to \$6,000 on scenarios where foreign central banks rotate further out of dollar assets. That second number feels aggressive, but the structural story — central-bank demand averaging 585 tonnes a quarter — is hard to argue with.

Credit and breakevens

Investment-grade and high-yield spreads tightened on the week — exactly what you would expect given the short squeeze in the riskiest names. Five-year breakevens eased alongside oil. There are no flashing lights in credit this week, which is itself worth saying out loud. Private-credit worries have disappeared from the tape. None of those stories have been resolved. They have been parked.

Policy and Fed watch

The big calendar item is the 28–29 April FOMC, nine trading days away. The setup:

- **Fed funds rate target:** 3.50–3.75% (held steady in March).
- **March FOMC dissents:** Miran and Waller both preferred a 25 bp cut. That is two governors already willing to break ranks — it takes surprisingly little data to turn a 10–2 hold into a 7–5 cut debate.
- **March SEP:** core PCE projection 2.7% for year-end 2026, GDP 2.4%, unemployment 4.4%. Powell himself hinted at the press conference that 'this is one of those SEPs, where if anyone was going to skip an SEP, this would be a good one.' Translation: treat the dot plot gently, the data are moving fast.
- **Powell's term:** expires 15 May 2026. A new chair will be selected this spring. iShares' published view is that the Fed is likely to pause early in the year and then, with a new chair seated, move to one or two cuts toward a 3.00–3.25% range. That is a reasonable base case.
- **Balance sheet:** the QT run-off has ended. The Fed is now reinvesting maturing Treasuries and buying Treasury bills for reserve management at up to \$40 bn/month. Framed by the FOMC as 'not QE.' Functionally, it is the removal of a brake that had been on the system for three years.

The point we keep coming back to: the balance sheet is the quiet tool, and it has already been loosened. The short rate is where the narrative lives — and where the headlines are — but the thing that actually moves liquidity through the system has already moved. The rally in KRE, IWM and the homebuilders is not irrational. It is the market pricing what the Fed has already done, not what it is about to say.

Equity indices

Index / ETF	Friday close	Weekly move	YTD	Note
S&P 500	7,126	+1.2%	New ATH	First close >7,000
SPY	710.14	+1.2%	New ATH	712.38 52-wk high

Nasdaq	24,468	+1.5%	Longest run since '09	12 straight positive sessions
Russell 2000	2,777	+2.1%	Leading	Small caps outperforming
VIX	17.48	-2.6%	Greed zone	Fear & Greed firmly bullish

Valuation

FactSet puts the forward 12-month P/E at 20.9x, above the five-year average of 19.9x and the ten-year of 18.9x. If you mark to Friday's close and the consensus 2026 EPS track, 7,126 is a shade above 21x forward earnings. Bulls will note that analysts are calling for earnings growth of 20.1%, 22.2% and 19.9% in Q2, Q3 and Q4 respectively — 18% for the full year. If those numbers hold even half-way, the multiple does not need to expand to justify the level. If they do not, it does.

Market internals

Breadth improved noticeably this week. The short-squeeze dynamic (Goldman's high-short-interest basket +13%) tells you that what led was not the mega-caps. Financials and industrials were in the basket too. Twelve straight positive Nasdaq sessions is the longest run since 2009 — that comparison is technically accurate and worth a moment's pause. 2009 was the other side of a generational bottom. We are at all-time highs. Long streaks from here historically mean-revert faster than they do from oversold lows.

Risk we are watching

VIX at 17.48 is complacent given where we were on geopolitics three weeks ago. The DeMark technicians are flagging April 26–27 as a price-exhaustion window on the daily S&P, with a TD Sell Setup and Combo Sell both live. We are not DeMark zealots, but we note that the same window lines up with: the FOMC on the 29th, the heart of mega-cap earnings, and Powell's penultimate meeting as chair. That is a lot of event risk for a market priced for everything to go right.

Thematic: copper's quiet recovery

Copper closed the week near \$6.10/lb, fully recovered from the Middle East sell-off, and back at two-month highs. That is a big statement on a week when the Iran ceasefire was not yet confirmed and the US naval blockade in the Strait of Hormuz was still officially in place. Industrial metals do not usually rally into unresolved geopolitical risk. The fact that copper did tells you the underlying bid is structural, not tactical.

Two ways to express the trade

For readers new to the pair, a quick orientation. COPX is the Global X Copper Miners ETF — a basket of listed copper miners, concentrated in North America (with Canada the biggest single weight), Australia and Latin America. CPER is the United States Copper Index Fund, which holds copper futures across the front three contracts. They look similar on a ticker screen. They are very different bets.

Attribute	COPX (miners)	CPER (futures)
What you own	Listed copper miners worldwide	Front three months of COMEX copper futures (+ T-bill collateral)
Main driver	Price × quantity – costs ± FX	Price only
Dollar sensitivity	Large (foreign revenue and foreign-listed equity)	Indirect (copper is priced in USD)
Best when	Metal up, dollar down, miner costs stable	Pure, clean metal-price thesis

If you believe what we argued in the rates section — that the dollar is heading lower as the cut narrative firms up — then COPX is the stronger expression. You get three things at once: rising copper price, operating leverage at the miners, and an FX tailwind on the foreign revenue and foreign-listed equity. CPER gives you one clean thing: price.

What the futures curve is saying

The copper futures term structure is still in contango — front months below later months — but nowhere near full-carry contango (which would require the forward to fully price storage and financing costs). A less-than-full contango usually signals that spot is tighter than the raw inventory picture suggests. LME stockpiles did hit an eight-year high in mid-April, which is a real bear point; but the fact that the curve has not flattened into a true carry structure says physical buyers are still showing up.

The thesis and what would kill it

The thesis: structural deficit into 2027 on constrained mine supply, Chinese grid demand holding, and a weaker dollar amplifying returns through COPX. The thing that would kill the trade: a real Chinese property-and-industrial slowdown that actually shows up in copper draw-down, plus a dollar that bounces hard out of 98. Both are possible. Neither is visible in this week's price action.

Earnings — week ahead

Over 100 S&P 500 members report this week. The list is too long to walk fully, so we are flagging the ones where the call itself — not the print — is the thing to watch.

Monday 20 April

- **Intel (INTC) – after close.** The semiconductor-cycle tell and the standalone turnaround story. Watch foundry progress, AI-chip demand commentary, and how the company is framing its position versus TSMC, AMD and Nvidia.
- **Rio Tinto (industrials, BMO).** A commodity-demand read. With copper back at two-month highs, any read-through on Chinese demand from the world's largest miner matters.

Tuesday 21 April

- **UnitedHealth (UNH).** The largest US health insurer. Medical-loss ratio, Optum, and any regulatory colour — all of it feeds into whether healthcare joins the rally or keeps lagging.

- **GE Aerospace.** Industrial bellwether; aerospace cycle.
- **Powell testimony watch.** Not an earnings print, but worth flagging: any scheduled Fed commentary this week sits inside the FOMC blackout window that starts ten days before the 29 April meeting. Expect nothing substantive, and treat any surprise headline accordingly.

Wednesday 22 April

- **Tesla (TSLA) – after close.** First of the Magnificent Seven to report. EV deliveries, robotaxi narrative, 2026 guidance, and margin recovery. At roughly \$1.5tn market cap and a forward multiple that is generous under any reasonable run-rate, the call matters more than the numbers.
- **IBM.** AI enterprise spending is the lens. Last quarter was +14% revenue year-over-year with 2026 guidance above consensus. A second beat confirms the category. A miss would be a problem for the broader AI-infrastructure complex.
- **ServiceNow (NOW).** Enterprise-software bellwether and, increasingly, the name most exposed to the 'AI eats SaaS' narrative. Expect analyst questions on platform defensibility. If management dodges, the stock can be punished even on a clean number.
- **Texas Instruments (TXN).** Analog and industrial chip cycle. The quiet tell on global manufacturing.

Thursday 23 April

- **Intel again (if deferred), plus Intel read-through for peers.** If Monday was good, Thursday's cluster of chip names inherits the sentiment.
- **American Express (AXP).** Premium-consumer spending. Watch billed-business growth and provisions. AXP has been a better real-economy tell than consumer discretionary broadly.
- **Dow Inc.** Chemicals and a direct read on industrial and packaging demand.
- **Blackstone (BX).** What do they say about private credit? They will get asked. The answer will matter for the rest of the year.

Friday 24 April

- **Procter & Gamble (PG).** The consumer-staples bellwether. Volume versus price is the split to watch. If volumes are flat-to-down and pricing is still doing the heavy lifting, the disinflation story has further to run than the CPI headline suggests.

Deep dive: Avis Budget (CAR) — the cleanest cornering trade in a decade

A car-rental company with negative \$3bn in equity and no meaningful EPS in three years is the best-performing Russell 1000 member of the month. CAR is up more than 130% month-to-date, roughly 500% over the past quarter, and Friday's close printed near \$500 on a stock that started 2026 near \$100. S3 Partners said this week that 54% of the public float was sold short as of late March — the highest single-stock short interest in the Russell 1000 — and the days-to-cover ratio has blown out to over seven. This is a short squeeze, and it is not an accident.

The players

There are three seats at this table and each is now bound by obligations that point in different directions.

- **SRS Investment Management.** Holds roughly 49% of the company. Long-term concentrated holder. Their investors are now sitting on a position that would have been happily sold in any takeout at \$300. They have a fiduciary duty to monetise.
- **Pentwater Capital Management.** The catalyst. Built a ~22% economic position via a combination of outright shares (~7.8m) and cash-settled total return swaps (reference notional of ~10.1m shares) at prices in the \$86–\$160 range. The TRS counterparties are long the underlying to hedge, and crucially they are still lending those shares to shorts — which keeps the borrow rate from spiking.
- **Avis management and board.** A company with –\$3bn in equity and no EPS. Already announced a 5-million-share at-the-market issuance. Fiduciary duty runs to all shareholders, not one. At \$500 per share, every share they issue is roughly \$500 of equity recapitalised. If they do nothing while this unwinds, they get sued. If they coordinate with Pentwater on pace and timing, that is criminal.

How the trade works

A cash-settled total return swap gives Pentwater the economic return on the stock without the legal ownership. The dealer on the other side is long the physical shares to hedge. Pentwater pays the dealer a financing rate (typically SOFR plus a spread); the dealer pays Pentwater the stock's price return plus dividends. Crucially, because Pentwater never owns the shares outright, the dealer is free to lend them into the stock-loan market — which is what keeps the cost-to-borrow from spiking to the kind of levels (200%, 300%) that would tag the trade as overt market manipulation. Current borrow rates have crept higher over the past fortnight but remain within a defensible range. That is not an accident; it is the structural point of using TRS in the first place.

Pentwater's disclosures are unusually upfront. Strike ranges, expiries (Oct 2027 to March 2028 — deliberately long-dated to avoid the appearance of short-term cornering), and counterparty exposures are all public in 13Ds and follow-ons. The likely legal defence, if it comes to one, is that everything was on the record and the borrow market was never forced. Shareholders who did not read the filings cannot claim they were misled.

The game theory of the exit

This is the important part, and it is where the trade either becomes a textbook case study or a textbook lawsuit.

At this price, every participant is under pressure to act, but acting collectively is the crime. If Avis management does not aggressively issue into the squeeze, they are breaching fiduciary duty. If SRS does not pressure management to issue (or sell their own stake), they are breaching theirs. If Pentwater signals the right moment for everyone to offload, that is coordination. Each party individually is now obliged to act in a way that, if mirrored by the others, collapses the price. And each knows the others know this.

The classic corner ends in one of three ways. Slow bleed: everyone lets shares dribble out and the price fades over months. Clean exit: a strategic buyer arrives and takes out the whole thing at a level that lets all three sides rationalise their returns. Ugly unwind: one party moves first, the others race, and the stock is back at \$150 inside a fortnight. The borrow-rate trajectory this week leans toward the third.

Benzinga notes short interest actually rose (from 8.1m to 9.0m shares) as the price went up, which is unusual and suggests some shorts are doubling down rather than covering — another ingredient for volatility.

Our call

This is a spectator sport, not a trade. The option chain is too wide to price a short call reliably (spreads have been running up to \$7 wide), the borrow is climbing, and the catalyst calendar for the next 30 days — a 5m-share ATM offering, FOMC, Powell-succession news, and the half-life of the Iran story — is stacked with ways the thing can break. The asymmetry for an outsider is terrible. You can be right on direction, wrong on timing, and still be destroyed by a single halted-trading session.

What we are watching: Form 4 filings from Pentwater (as a >10% holder they must file within two days of any TRS close-out), the pace of Avis's ATM drawdowns, any 13D amendments from SRS, and the 30-day borrow rate. If two of those four move the wrong way in the same week, the exit has started.

The broader point — and this is where we think the story matters beyond the ticker — is that the Goldman high-short-interest basket was up 13% on the week. CAR was not the only short-squeeze trade working. A portion of the S&P 500's push through 7,000 is mechanical short-covering, not fundamental re-rating. That is worth pricing into how confident anyone should be about the rally lasting beyond this week's option expiry.

Callbacks, and what we are watching

Remember private credit? The worries about mark-to-market opacity and commingled liquidity risk that dominated the conversation in February and early March? Parked. Not resolved. Blackstone reports on Thursday. They will be asked. The answer will matter.

Remember AI taking jobs? Parked. ServiceNow reports on Wednesday and the analysts on that call will surface it again. Then it will be parked again.

Remember the tariff refund story? The administration is due to start returning a meaningful portion of the 186 billion in tariff collections that courts have ordered refunded. Monday is the first day that process begins in earnest. A hole in the revenue side of the budget, offset at the margin by 'no tax on tips' deductions that blow another hole. We will come back to the debt-sustainability arithmetic next week.

The three things we are watching this week

- Oil back above or below \$80 by Friday. Above and the inflation narrative comes back. Below and the cut narrative strengthens.
- Tesla's Wednesday call, not the print. Margin trajectory and the robotaxi framing.
- Any Form 4 from Pentwater on CAR. That is the signal the cornering trade is being monetised, and it is the cleanest proxy for the fate of the short-squeeze cohort more broadly.

The tape is pricing a resolution. We are not sure the resolution is coming. If it is, the rally has further to run into earnings; if it is not, the same mechanical flows that got us above 7,000 will take us back below

it faster than anyone expects. Nine days to the FOMC. Twenty-five to a new Fed chair nomination. It is going to be a loud month.

Disclosures: Positions held in copper miners via COPX. No position in CAR or CAR options, directly or indirectly. Nothing in this note constitutes investment advice; it is our analysis, honestly held, and we reserve the right to be wrong.

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