Daily Packet: 2026-05-20 to 2026-05-20

Trading_and_investment_papers plus Daily Shot when available.

WINDOW PDFS	CHART EXTRACTS	TOP CHARTS
3	9	2

DAILY SHOT
skipped

> **Bottom line:** This packet is the one-stop morning read: curated chart evidence first, Daily Shot context second, and source links at the end.

Top Charts

1. Nomura Quant Insights 20260518: Options are shaping the path of the underlying

Page 1 | Nomura Quant Insights 20260518

What it says: Nomura Quant Insights 20260518: Cross-asset - Japan Nomura Quant Insights Global Markets Research 18 May 2026 US tech skew suggests 100% probability of reversal: Will higher rates trigger an AI stock correction? Focus on breakeven points in Nvidia results / Pause in AI-driven market and r...

Worldview update: The rally has become more flow-mechanical. Fundamentals still matter, but call demand, vol compression, and dealer positioning are first-order timing variables.

Portfolio/use: Favor defined-risk upside and start adding downside while hedges are ignored.

NOMURA

Nomura Quant Insights

Global Markets Research
18 May 2026

Cross-asset - Japan

US tech skew suggests 100% probability of reversal: Will higher rates trigger an AI stock correction?

Focus on breakeven points in Nvidia results / Pause in AI-driven market and rebound in value stocks / Concerns among bank stock investors about yen bonds

Tech skew suggests broader reversal / suggests 100% probability of AI stock reversal since 2023 / All triggers have been macro events / Importance of US interest rates

SOX fell sharply last Friday. Compared to the 18 straight days of gains through late April, upward momentum now appears restrained. With earnings forecasts continuing to grow, it looks as though investors have started to become more concerned about crowding than fundamentals. The option skew in the Magnificent Seven (the difference in implied volatility between puts and calls) turned negative last Thursday for the first time since October 2025 (*Figure 1*). A decline in this skew tends to push down future returns on US equities. Moreover, the option skew in tech stocks ("tech skew") has fallen sharply, nearly reaching its historic low (*Figure 2*). Since 2023, when the AI-driven market began, the tech skew has only fallen below 0.05 (excluding the present) in March and July 2024 and October 2025. In all of these periods, a market reversal occurred within roughly three weeks (*Figure 3*).

Interestingly, none of these reversals were triggered by company-specific catalysts, but by macroeconomic events. From late March through mid-April 2024, 10yr UST yields rose above the psychologically important 4.5% level in response to upside surprises in CPI data for March. Rate cut expectations increased in July in response to lower-than-expected CPI data for June. Tech stocks, which had already seen an increase in crowding, did not benefit from lower yields; instead, capital quickly rotated into Russell, which had previously lagged but caught up thanks to renewed economic optimism. The October 2025 FOMC meeting brought a hawkish surprise. While the Fed cut rates, it discouraged market expectations for a rate cut in December, which had been seen as almost a foregone conclusion. Of course, it is difficult to forecast when the market will turn around. Still, when a reversal occurs in the context of crowded call buying, market makers who had bought spot stocks for delta-hedging are forced to shift to selling, likely amplifying the reversal's magnitude. In addition, we should keep in mind that CTA positioning has also shifted toward reducing global equity longs ("natural position").

Higher yields are potential trigger for reversal / Pause in AI stock selection and rebound in value / Concerns about sharp rise in yen rates among bank investors / Rise in inflation expectations and consumer spending-related stocks

What could trigger an increase in reversals in the current phase? As in the past, yields are the most likely candidate. Globally, yields are again accelerating upward, led by Japan and the UK. 30yr UST yields have clearly surpassed 5.0%, which had been seen as the upper bound. Should the pause in AI-driven stock selection continue, Japanese equities' value factor rebound is likely to persist (*Figure 4*). Value buying is also expanding within the domestic demand universe (*Figure 5*; for details, see our 11 May 2026 report *Nomura Quant Insights - Near-term overheating signs for AI-driven US equities vs scope for more FOMO among foreigners in Korean equities*). While bank stocks are still lagging markedly behind, their outperformance on investment profitability factors continues (*Figure 6*, *Figure 7*). Compared with the recent rise in yen interest rates, we think there is still room for further growth. As with the bond market, we think this demonstrates deep-rooted concerns among bank stock investors about the risk of a sharp rise in yen interest rates (*Figure 8*). Higher inflation expectations in Japan continue to hurt consumer spending-related stocks (*Figure 9*). Despite the rise in inflation expectations in the reversal-driven market in Nov–Dec last year, there was no rotation.

Normalization of Strait of Hormuz also a potential reversal catalyst / Iran war losers could recover as situation normalizes / Japanese defense-related stocks solid

The situation in the Middle East also remains important. While the US-China summit led to

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Note:

Unless expressly stated otherwise, mentions of the exposure or positioning of various investor classes are estimates derived from Nomura's model, and are not actual, measured figures.

This report was authored by an employee of a Nomura affiliate and reviewed and published by Nomura Securities.

2. Prime Insights Analytics Chart Pack Macro Hedging Asia Inflows: AI is becoming a capex, power, and politics story

Page 4 | Prime Insights Analytics Chart Pack Macro Hedging Asia Inflows

What it says: Prime Insights Analytics Chart Pack Macro Hedging Asia Inflows: Semis & Semi Equip is the most net sold US subsector in the past month by hedge funds (and now net sold YTD), led by long sales, suggesting managers have taken profits/some chips off the table amid the group's sharp price rally. Source: Goldman Sachs FICC a...

Worldview update: The AI trade is no longer only about demand and model progress. The constraint is shifting toward cash-flow intensity, grid capacity, permitting, and public tolerance.

Portfolio/use: Map AI exposure through power, grid, utilities, gas, and capex beneficiaries; be careful where capex consumes free cash flow.

Semis & Semi Equip is the most net sold US subsector in the past month by hedge funds (and now net sold YTD), led by long sales, suggesting managers have taken profits/some chips off the table amid the group's sharp price rally.

How has the long/short ratio evolved for Americas Semiconductors & Semiconductor Equipment?

Long/Short Ratio

Data Source: Prime Book Flows and Exposures

Kartik Singhal and 1 other

Source: Marquee MarketView

Source: Goldman Sachs FICC and Equities and Prime Services data as of May 18, 2026. Past performance is not indicative of future results. All references to "we/us/our" refer to the views and observations of the desk unless specified otherwise.

Daily Shot

> Daily Shot skipped: Daily Shot credentials are not configured.

Additional Chart Selection

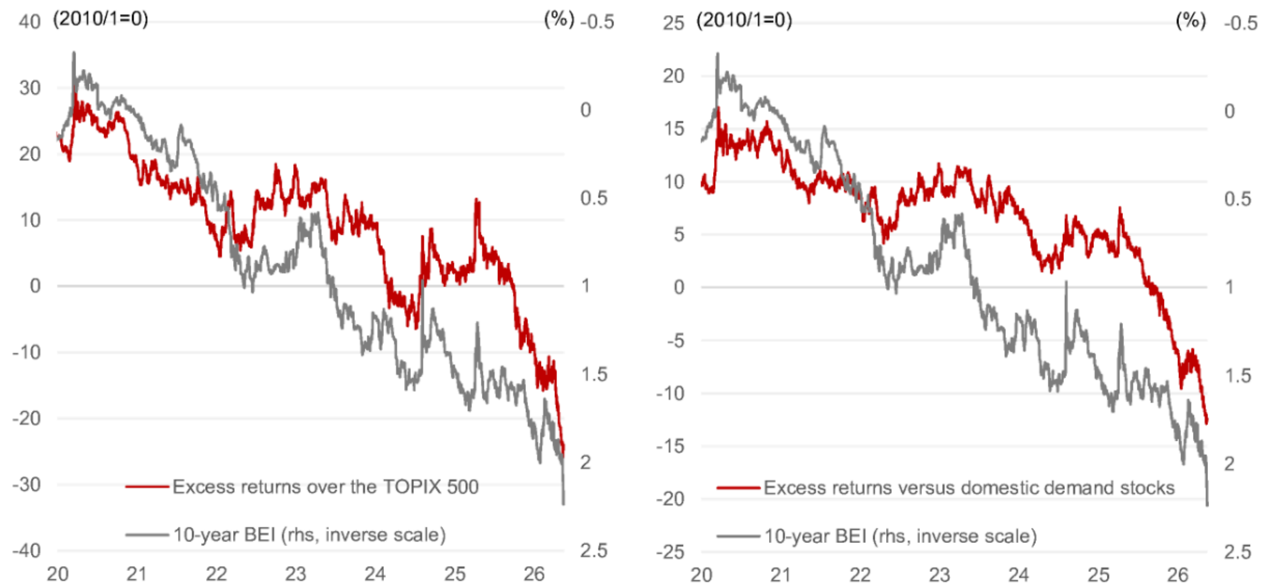
Nomura Quant Insights 20260518

2 additional extracted charts

Chart 1

Page 7 | image-block | score 0.683

They consistently underperformed even as inflation expectations strengthened. There was no rotation in the reversal-driven market in Nov–Dec last year.



Note: Domestic demand stocks defined as the stocks of companies that record at least 50% of their companywide sales in Japan. We then extracted from that list the stocks that

Chart 2

Page 15 | page-fallback | score 0.683

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A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan:** Sector ratings are not assigned.

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As at 31 Mar 2026.
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Prime Insights Analytics Chart Pack Macro Hedging Asia Inflows

2 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.694

Prime Insights & Analytics Chart Pack – Macro Hedging. Asia Inflows. Profit Taking in US Semis.

20 May 2026

Vincent Lin
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*** More details and charts in the PDF attachment ***

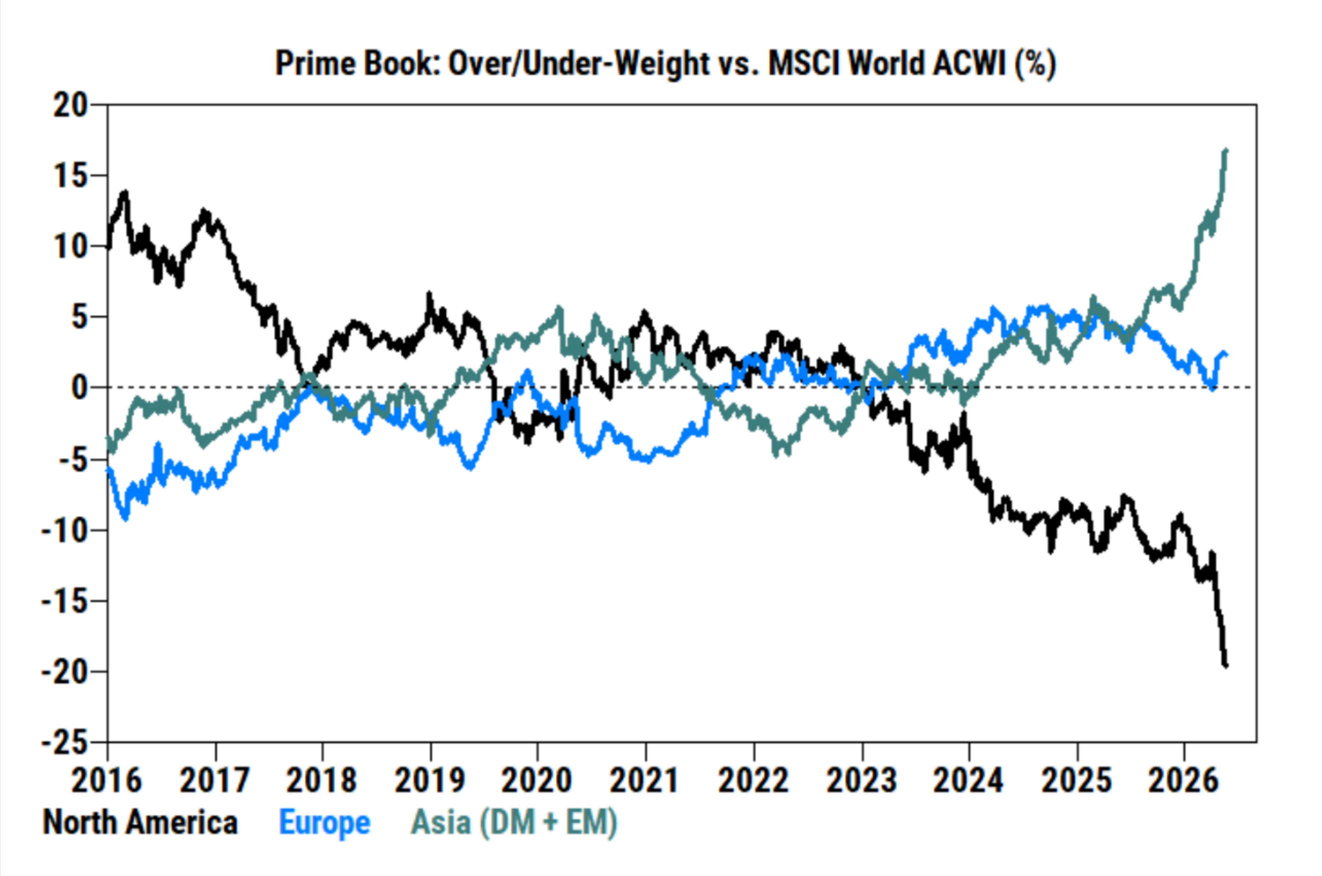
***** GS Prime clients can request access to Gross/Net leverage, L/S ratios, trading flows/exposures data and visuals by region, sector, and factor through Marquee API and MarketView – Please reach out to your GS representative for more detail.***

Despite elevated factor volatility and the recent momentum drawdown (worst 2-day selloff in the high beta momentum pair GSPRHIMO since 2022), Global Fundamental L/S managers have navigated demanding technicals + a more difficult macro backdrop and recorded positive performance so far in May (+1.75% MTD with +1.6% alpha; now up +9.8% YTD with +6.2% alpha). Systematic L/S returns are relatively more muted MTD at +0.79% (up +10.2% YTD). Fundamental L/S managers are tracking to outperform Systematic L/S funds for a second consecutive month (for both total and alpha returns).

Hedge funds have been actively deploying capital across most regions and sectors, and overall Gross leverage has risen +10 pts MTD to fresh 5-year highs. But overall Net leverage is little changed in the past month (now in the 58th percentile on a 3-year lookback), which does not point to euphoria – in contrast to the ebullience exhibited by retail traders (link), vol skews (link), and levered ETFs (link). Over the past month, managers have 1) actively unwound risk in US Tech stocks against the price rally, 2) retained a cautious stance across most

Chart 2

Page 3 | image-block | score 0.642



Prime Insights and Analytics Chart Pack May 2026 - Marquee

3 additional extracted charts

Chart 1

Page 2 | vector-cluster | score 0.972

Prime Insights & Analytics Chart Pack

Macro Hedging. Asia Inflows. Profit Taking in US Semis.

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From a regional perspective within the hedge fund universe, Asia over US remains the dominant theme. Asia (DM + EM) is the most net bough region both MTD and YTD – most Asia markets are net bought so far in May, led by China, Japan, Hong Kong, and Taiwan, while North America is by far the most net sold. **Net allocations to Asia and North America have kept diverging vs. the MSCI World ACWI and are now at their respective highest and lowest levels on our record (since 2016).**

Thematic and factor highlights: 1) Within TMT, Semis & Semi Equip is the most net sold US subsector in the past month (now net sold YTD), led by long sales, suggesting hedge funds have taken profits/some chips off the table. This points to refrain/managing Semis' exposures within the overall portfolio amid the group's explosive price rally, not a regime shift away from the AI theme, in our view, as overall exposures to US AI stocks (GSTMTAIP) are still near record highs. **2) There are nascent signs managers are starting to lean into areas where positioning is light as gross/net allocations for several Non-Tech sectors in the US are sitting at/near their respective multi-year lows (e.g., Financials, Real Estate, Consumer stocks are all modestly net bought MTD). 3) Exposure to Medium-Term Momentum has come off record high levels though remains elevated in the 80th percentile vs. the past year and 96th percentile vs. the past five years.** From a factor perspective, it's worth noting that Info Tech and Medium-Term Momentum, which are highly correlated, are by far the largest individual contributors to Fundamental L/S alpha returns YTD.

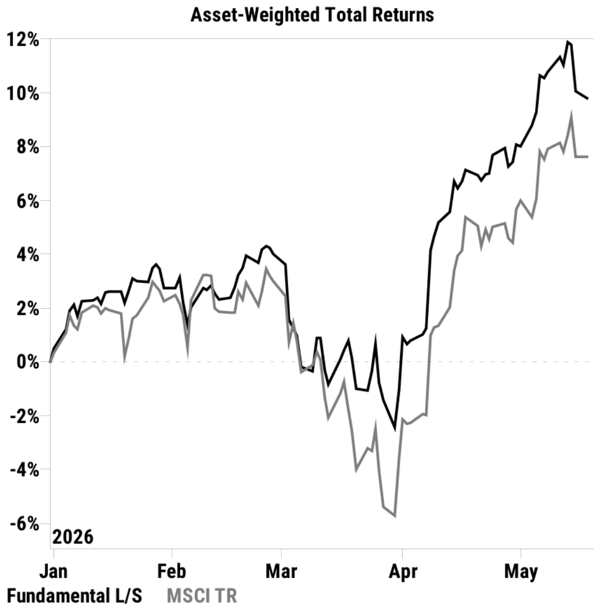
Source: Goldman Sachs FICC and Equities and Prime Services data as of May 18, 2026. Past performance is not indicative of future results. All references to "we/us/our" refer to the views and observations of the desk unless specified otherwise.

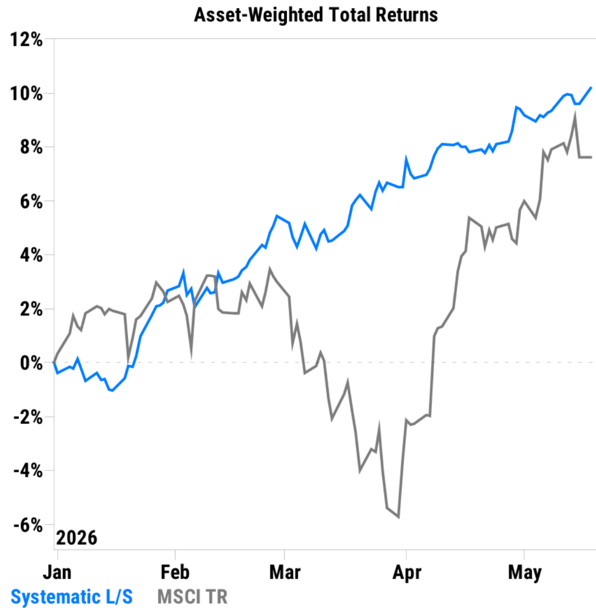
Chart 2

Page 5 | vector-cluster | score 0.875

Hedge Fund Performance Estimates: YTD Snapshot

After a strong month in April (up +9.1%), Global Fundamental L/S performance is up another +1.75% so far in May (now +9.8% YTD). Systematic L/S funds are up +0.8% MTD and now up +10.2% YTD globally.





GS Performance Estimate calculation - The proprietary performance estimates represent weighted averages of fund performance derived from aggregated Goldman Sachs Prime Services client cash, equity, synthetic, index and equity options positions for (1) an anonymized basket of Equity Fundamental Long/Short funds and (2) an anonymized Systematic Long/Short basket that tracks a diversified/non-concentrated set of Equity (close to) market neutral Long/Short stat arb and factors aware managers.

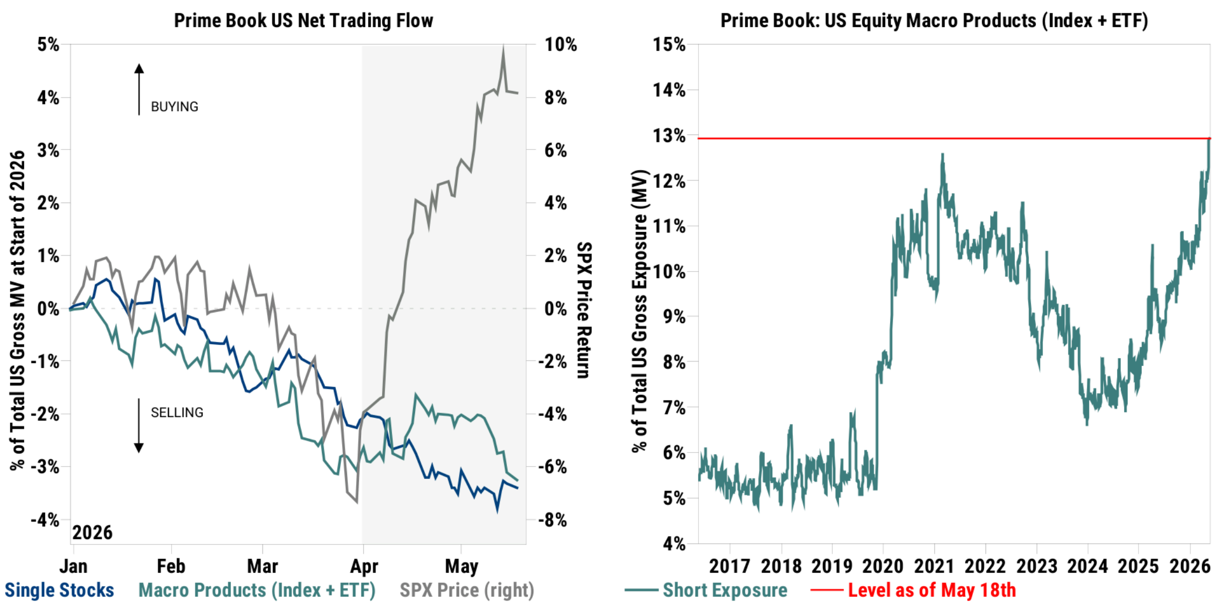
Source: Goldman Sachs FICC and Equities and Prime Services data as of May 18, 2026. Past performance is not indicative of future results.

Chart 3

Page 10 | vector-cluster | score 0.875

US Equities: Single Stocks vs Macro Products

Despite the sharp market rally to new all-time-highs, HFs have continued to sell US equities MTD, driven by Macro Products (Index + ETF) where short exposure has risen to the highest level in more than 10 years, suggesting increased hedging activity particularly in the past week.



Source: Goldman Sachs FICC and Equities and Prime Services data as of May 18, 2026. Past performance is not indicative of future results.

Sources

Chart report PDF