

### Why Markets Obsess Over Macro — And What We're Missing

#### Introduction: A Market Dominated by Macro Narratives

Modern market narratives revolve around geopolitics, central banks, inflation, QT/QE, and fiscal policy, while company fundamentals attract far less attention. This shift stems from the rise of passive investing, benchmark-driven mandates, regulatory pressure, and the dominance of central banks since 2008. Yet long-term equity performance is still driven by the economics of individual firms. This disconnect creates both risks and opportunities - particularly for systematic, fundamentals-based frameworks like Neox IQ.

Over the past decade, global markets have undergone a profound narrative shift. Open any financial newspaper or turn on a market news broadcast, and the themes are overwhelmingly macro: geopolitics, the Federal Reserve, the ECB, inflation prints, fiscal battles, and shifts in quantitative easing or tightening. What is often absent is any detailed discussion of companies - their earnings power, business models, innovation, or competitive dynamics.

Understanding why this shift has occurred requires looking at several structural forces reshaping how capital is allocated.

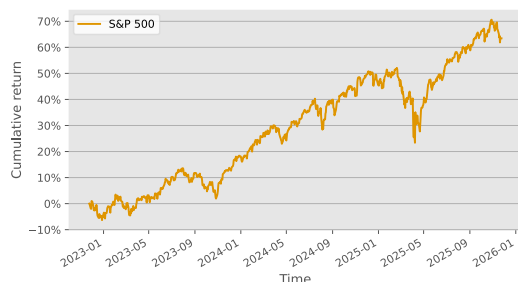
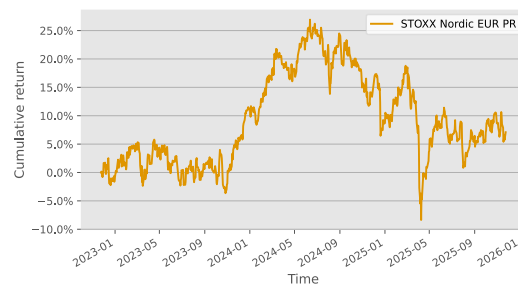
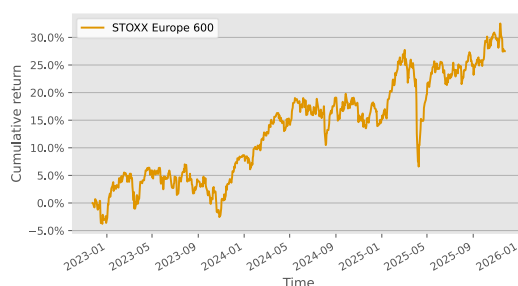


#### The Rise of Passive Investing and the Power of the Index

First, the rise in passive investing has made the index itself the core reference point for the entire market. Index funds and ETFs now control more than half of US equity fund assets, while global ETF assets have surged into the trillions.

When most capital is allocated mechanically based on benchmark weights, investors naturally fixate on the macro variables that move those benchmarks: interest rates, inflation expectations, global risk sentiment, and geopolitical shocks. These forces affect every company simultaneously and therefore explain short term index fluctuations far better than business specific developments.

#### Market Activity



The concentration of the index amplifies this effect. The Magnificent 7 now represents roughly 35% of the entire S&P 500, meaning that flows into passive vehicles disproportionately influence a tiny handful of mega-caps. As a result, much of the market's daily behaviour is dictated not by broad company fundamentals, but by a small group of index-heavy names that dominate passive allocations.

## Benchmark Pressure and the Growth of Closet Indexing

Second, even among “active” managers, the dominant incentive is to stay close to the benchmark. Consultants, regulators, and investment committees evaluate performance relative to indices, and large deviations - high active share - introduce career and business risk. As a result, many active funds have quietly become “closet indexers,” keeping tracking error low and framing their communication in macro terms rather than detailed stock level views. Macro language is safer, more scalable, and easier to defend.

## Regulation: The Hidden Engine Behind Indexification

A third, often overlooked driver is regulation. Over the past decade, rules such as MiFID II, PRIIPs, SFDR, RDR, and Dodd Frank have dramatically increased the compliance burden for financial institutions. Suitability frameworks, product governance, and reporting requirements penalize complexity and emphasize documentation. In this environment, standardised model portfolios and low-cost index ETFs have become the lowest risk choices. High active share strategies, stock specific explanations, and unconventional positioning create additional documentation and potential liability. Macro narratives, by contrast, are easy to justify across clients and regulators. Regulation has therefore unintentionally accelerated the shift toward indexification and macro centric thinking.

## Central Banks and the Post-2008 Monetary Regime

Central banks have also played a defining role. Since the Global Financial Crisis, monetary authorities have been the dominant forces in asset pricing. Zero and negative interest rates, quantitative easing, liquidity backstops, pandemic stimulus, and the most aggressive tightening cycle in decades have made discount rates—and therefore central bank policy—the most important drivers of index valuations. When discount rates move markets more than earnings reports, macro naturally dominates investor attention.

## The Decline of Company-Level Price Discovery

Taken together, these forces have created a market environment where company fundamentals receive far less visibility. When so much capital flows mechanically, marginal price setting by fundamental investors diminishes. Financial media, seeking narratives that apply broadly, gravitates to macro themes. Daily market movements are explained through geopolitics or central bank statements, even when underlying business fundamentals tell a very different story.

## A Macro-Narrative Market and Its Consequences

Yet despite the dominance of macro narratives, the long-term drivers of equity returns remain firmly rooted in companies themselves. Earnings quality, profitability, balance sheet strength, capital allocation discipline, competitive position, and innovation still determine long run shareholder value. The disconnect between macro heavy narratives and company driven fundamentals creates a meaningful opportunity for investors willing to look underneath the index surface.

## How Neox IQ Restores Company-Centric Investing

This is where systematic frameworks like Neox IQ provide an advantage. Rather than speculating on central bank policy or geopolitical outcomes, these systems focus on measurable business fundamentals: value, quality, momentum, profitability, balance sheet resilience, and adaptability to technological change - especially AI.



By ranking, screening, and analysing companies consistently, they identify strengths and weaknesses that macro narratives overlook. In a market shaped increasingly by mechanical flows and regulatory simplification, disciplined company level analysis becomes more - not less - valuable.

## Passive Investing Has Reached Its Limits — Time for Change

Passive investing has been with us for decades. Its strengths - low cost and broad exposure. - have become its structural weaknesses. Crowded trades, overconcentration, and reduced diversification are the natural outcomes of mechanical index flows. This is exactly when change becomes necessary. Neox approaches this differently. Instead of relying on static index compositions, Neox systematically adapts to evolving markets, identifying high-quality companies long before they appear in major indices. These companies often remain under the radar and avoided by crowded flows.

## An Intelligent Alternative: Constructing on Profitability, Growth, and Financial Strength

Building portfolios based on profitability, growth, and financial strength is far more relevant and productive than relying on index-weighted allocations. That is exactly what Neox does - a more intelligent, forward-looking solution that selects companies for their fundamental quality, not their market-cap size.

## Conclusion: Bringing Markets Back to Companies

Markets today speak the language of geopolitics and central banks, but long-term equity returns come from companies - their margins, innovation, and competitive strength. As indexification, regulation, and macro dominance continue to shape market behaviour, investors who maintain a focus on underlying business fundamentals will be better positioned to capture mispricing's and generate sustainable long-term returns.

**Peter Sjoeholm, CEO**

Email: [team@neoxcapital.com](mailto:team@neoxcapital.com)

[www.neoxcapital.com](http://www.neoxcapital.com)

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