



US Equity Positioning: Month-End Headwinds

Author: Conor Lyons
Title: Global Markets - Execution Sales
Date: 29 September 2026

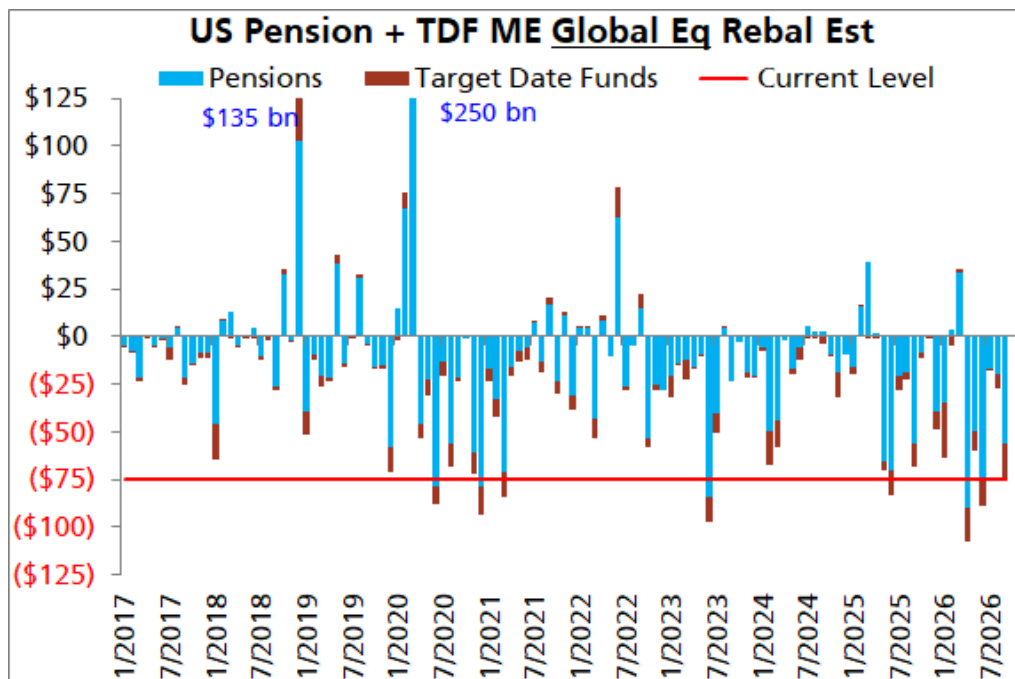
Pension quarter-end rebalance and dealer long gamma to the upside represent a short-term headwind on US equity markets into the end of September. Pensions are estimated to be sellers of \$75 bn of global equities, of which \$68 bn is supply for the US market to digest. Additionally, September quarterly expiration includes some outsized option positions which will act as a significant source of dealer long gamma, particularly to the upside, acting as a headwind for the market, absent a catalyst to spur meaningful new buying demand.

Hedge funds were net buyers last week, actively re-grossing into semiconductors and AI winners; taking the long/short ratio back to the highest level since December 2025. Semiconductors ended the week as the most bought segment of US equities, closely followed by broad AI winners, with net exposure to AI winners at recent highs. Into Micron Technology's earnings after the market on Wednesday, hedge funds have been long buyers of US memory names, however exposure remains well below the June peaks.

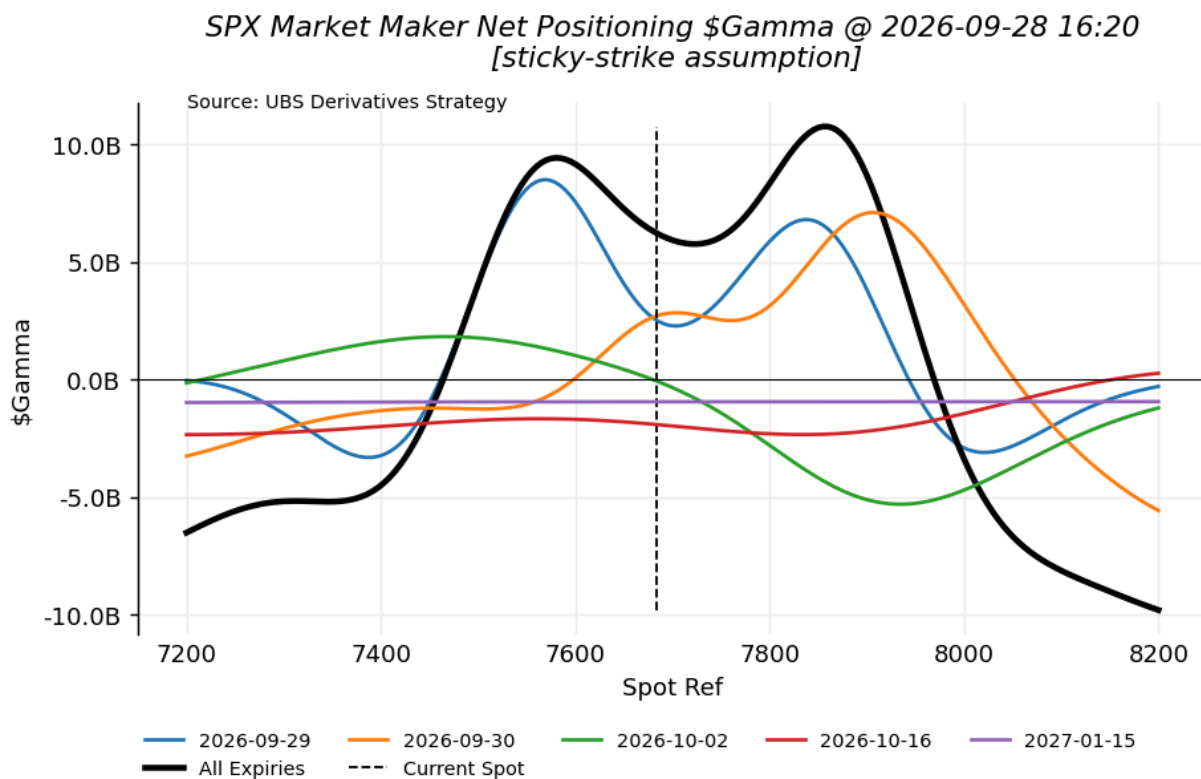
Composite manager positioning remains 0.50std underweight, driven by significant underweight positioning across Value, Large Cap and Broad Mutual Funds. Systematic investors, however, are running long equity risk. Risk control funds have been adding risk on low realized vol, bringing exposure to the 86%tile over the past year; and would sell \$120 bn of risk if SPX traded down 2%. CTA exposure is in the 37%tile for the past year and has a clustering of sell triggers within 2% of current spot levels.

While the technical factors of pension selling and dealer long gamma could provide a headwind in the immediate future, moving past month-end these obstacles go away. Should macro risks fade, allowing SPX to break out of its recent range, SPY upside on a 10-handle implied vol appears too low. Look to own 2-3week SPY upside calls for risk defined and low premium upside convexity.

Pension supply could act as short-term headwind for stocks

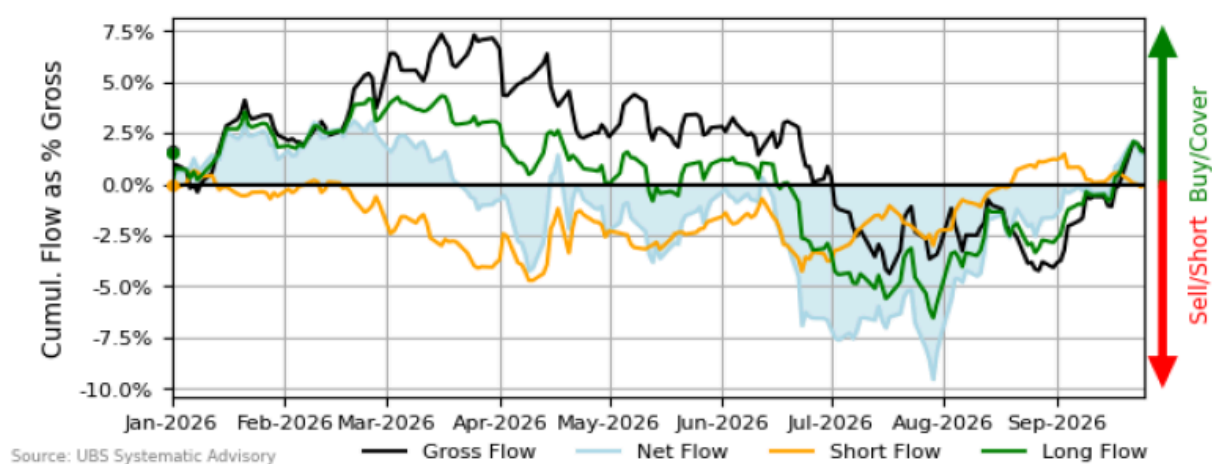


September quarter-end expiry has some large position concentrations that will take dealers long gamma to the upside

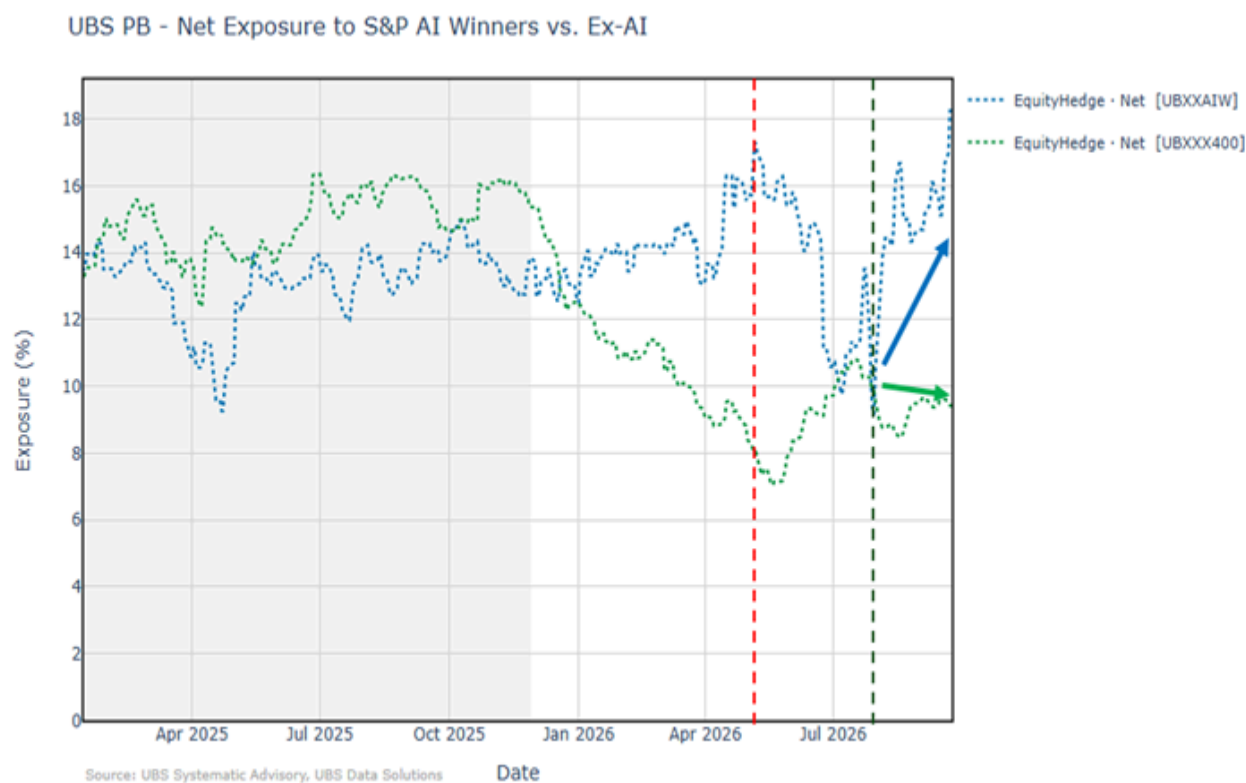


Hedge funds added to grosses and nets last week, Long/Short ratio to the highest level since Dec 2025

Cumulative Equity L/S Flow (all US)

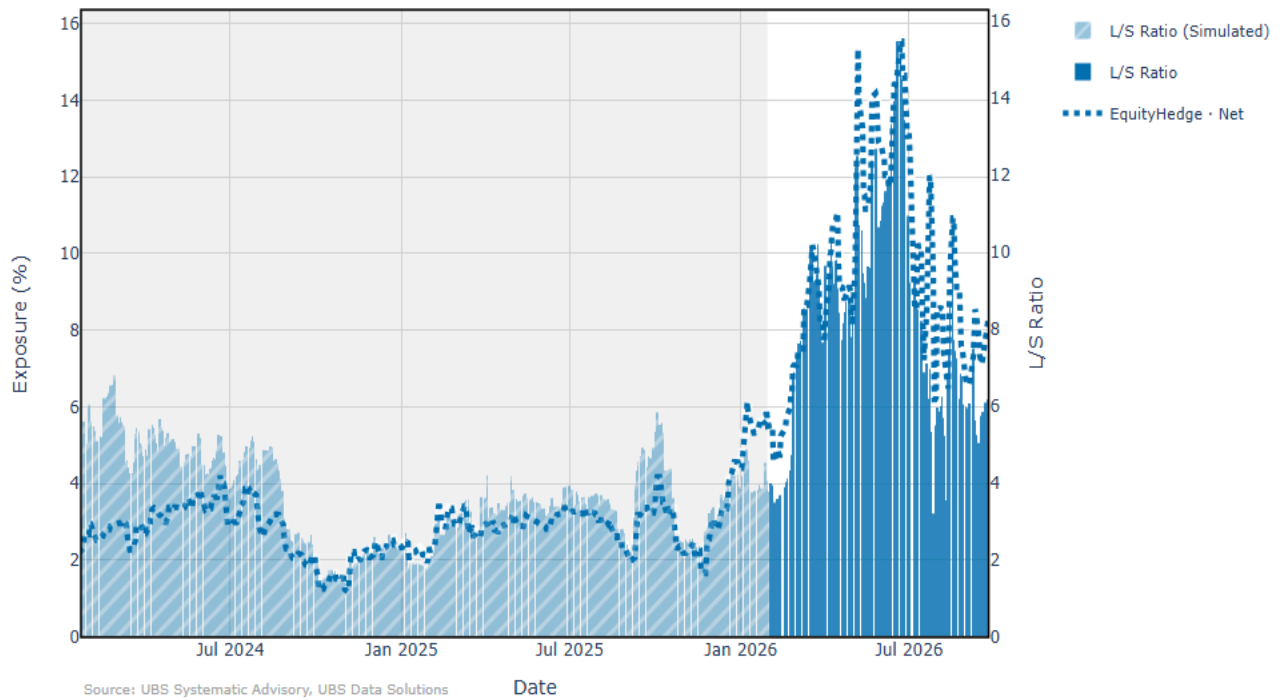


AI Winner net exposure at the highs



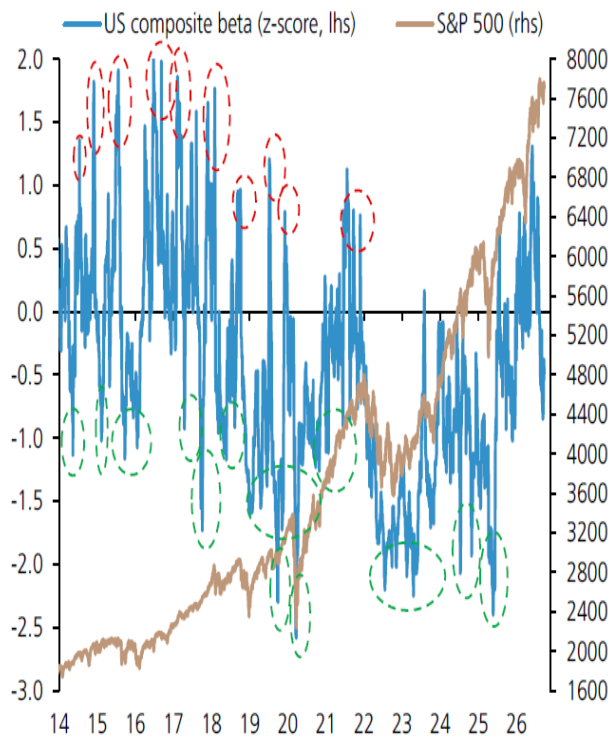
Memory nets still well below summer peaks

Memory (UBXXMEMO)

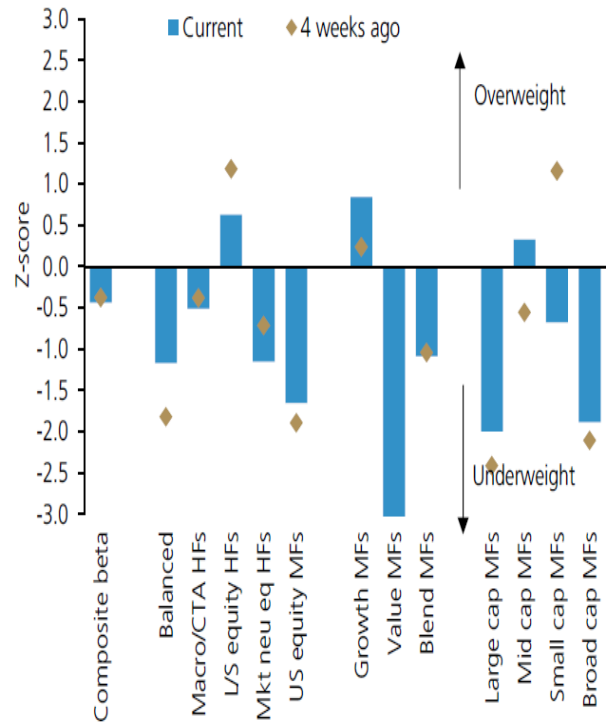


Composite positioning underweight driven my Mutual funds

US composite beta positioning

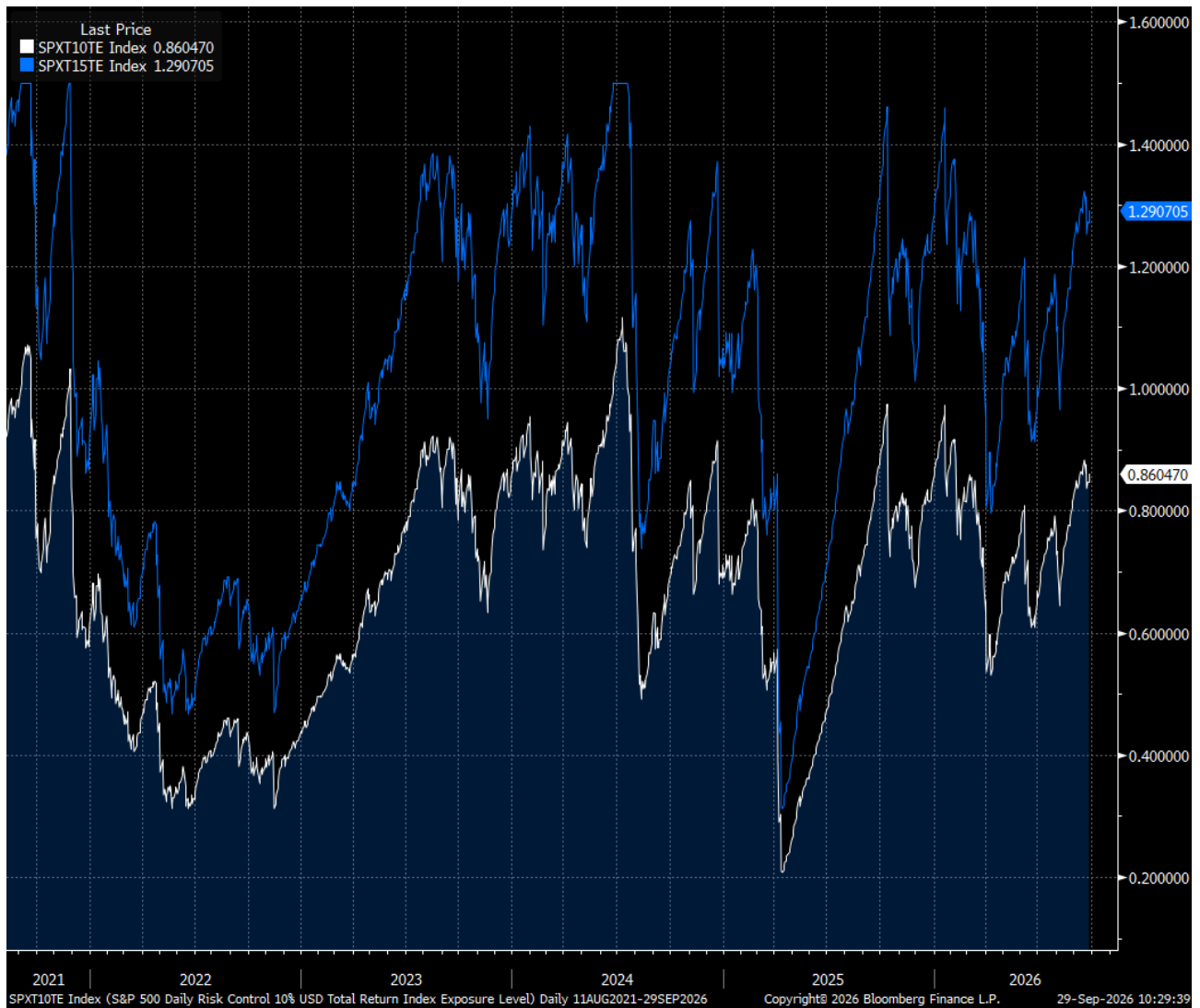


US active manager positioning across fund types

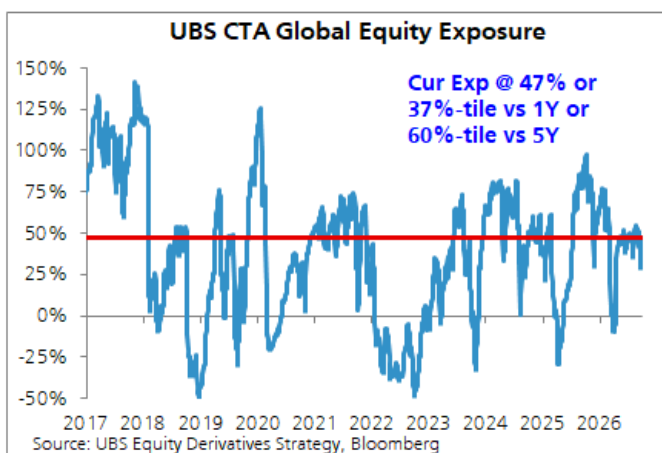


Source: Bloomberg, UBS

Risk Control exposure in the 86%tile



CTA length not near extreme but skews negatively to the downside



CTA Global Eq Rebalance Scenario (\$bn) on 1M Moves

	-2 STD	-1 STD	Flat	+ 1 STD	+2 STD
ES1 Ref:	7495	7635	7775	7915	8055
t+5	-13	0	2	3	4
t+10	-64	-23	-1	5	24
t+15	-110	-51	-2	14	73
t+20	-168	-88	-4	30	83

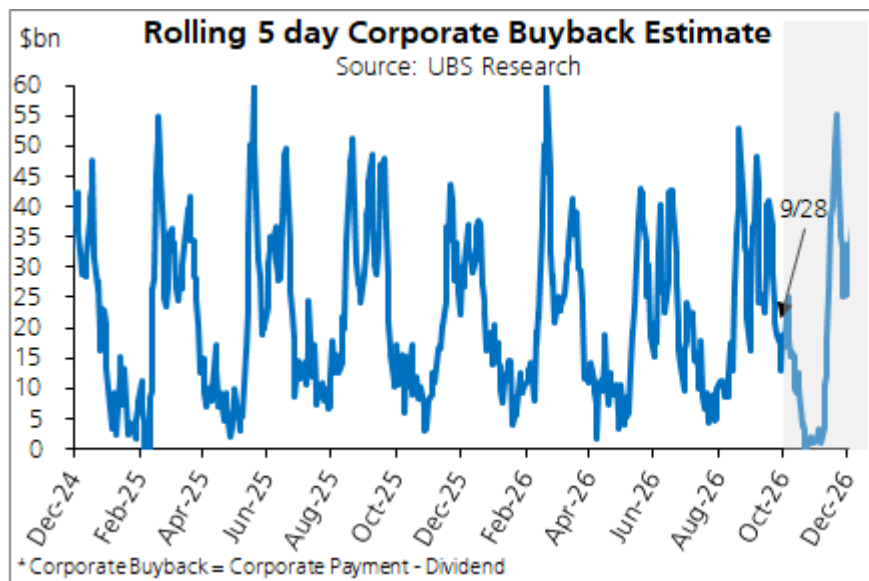
Scenario Rebalance (\$bn) on 1W Moves

	-2 STD	-1 STD	Flat	+ 1 STD	+2 STD
t+5	-126	-50	2	23	73

Scenario Rebalance (\$bn) with 10% Vol Drop

t+20	-168	-80	14	51	110
Diff	0	9	18	22	27
t+5	-121	-37	21	43	100
Diff	4	13	19	21	26

Buybacks entering their quiet period with earnings on the horizon



Buyback Estimate (\$bn)

Week Of:	Est
28-Sep-26	\$15
5-Oct-26	\$20
12-Oct-26	\$15
19-Oct-26	\$5
26-Oct-26	\$0
2-Nov-26	\$0
9-Nov-26	\$5
16-Nov-26	\$40
23-Nov-26	\$45
30-Nov-26	\$25

SPY Implied vols trade near the lows and low vs cross asset vols

