QUARTERLY INVESTMENT OUTLOOK

4Q 2025 MACRO THEMES

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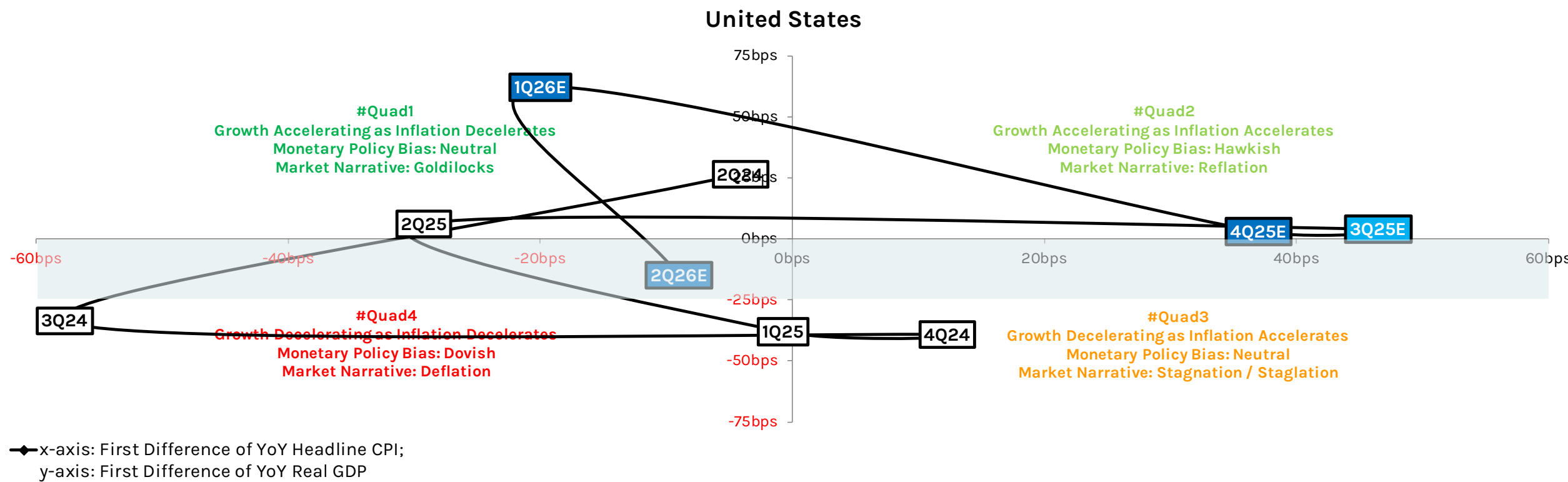
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What Are The Quads?

HEDGEYE

Our GIP Model is a quantitatively oriented, regime-based framework that helps investors proactively prepare for volatility phase transitions within and across asset classes by triangulating the three factors that matter most to Macro Risk Management – i.e. GROWTH, INFLATION, and POLICY.

United States	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	← Actuals ∣ Estimates →	3Q25E	4Q25E	1Q26E	2Q26E
Real GDP QoQ SAAR	2.90%	2.80%	2.90%	2.50%	4.70%	3.40%	0.80%	3.60%	3.30%	1.90%	-0.60%	3.80%	Real GDP QoQ SAAR	3.46%	1.96%	1.77%	3.20%
Real GDP YoY	2.35%	1.32%	2.31%	2.79%	3.23%	3.39%	2.86%	3.13%	2.79%	2.40%	2.02%	2.08%	Real GDP YoY	2.12%	2.15%	2.77%	2.62%
2yr Comparative Base Effects	1.89%	2.42%	2.92%	7.42%	3.75%	3.54%	3.17%	2.62%	2.79%	2.35%	2.59%	2.96%	2yr Comparative Base Effects	3.01%	2.90%	2.44%	2.60%
Headline CPI YoY	8.33%	7.10%	5.81%	3.98%	3.51%	3.24%	3.24%	3.20%	2.62%	2.75%	2.74%	2.45%	Headline CPI YoY	2.91%	3.28%	3.08%	2.99%
2yr Comparative Base Effects	3.28%	3.96%	4.93%	6.74%	6.83%	6.90%	6.89%	6.31%	5.92%	5.17%	4.53%	3.59%	2yr Comparative Base Effects	3.07%	2.99%	2.99%	2.82%

United States

#Quad1
Growth Accelerating as Inflation Decelerates
Monetary Policy Bias: Neutral
Market Narrative: Goldilocks

#Quad2
Growth Accelerating as Inflation Accelerates
Monetary Policy Bias: Hawkish
Market Narrative: Reflation

#Quad4
Growth Decelerating as Inflation Decelerates
Monetary Policy Bias: Dovish
Market Narrative: Deflation

#Quad3
Growth Decelerating as Inflation Accelerates
Monetary Policy Bias: Neutral
Market Narrative: Stagnation / Staglation

◆ x-axis: First Difference of YoY Headline CPI;
y-axis: First Difference of YoY Real GDP

Data Source: BEA, BLS   Light Blue box = Hedgeye Nowcast Model estimate. Dark Blue boxes = Hedgeye Comparative Base Effects Model estimates.

Shallow Growth Deceleration

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Highest/Lowest Expected Values By Quad Regime

Quad 1: Goldilocks

Best Asset Classes:

Equities, Credit, Commodities, FX

Worst Asset Classes:

Fixed Income, USD

Best Equity Sectors:

Tech, Consumer Discretionary, Communication Services, Industrials, Materials, REITS

Worst Equity Sectors:

Utilities, Consumer Staples, Health Care

Best Equity Style Factors:

High Beta, Momentum, Leverage, Secular Growth, Mid Caps

Worst Equity Style Factors:

Low Beta, Defensives, Value, Dividend Yield, Small Caps

Best Fixed Income Sectors:

BDCs, Convertibles, HY Credit, EM $ Debt, Leveraged Loans

Worst Fixed Income Sectors:

TIPS, Short Duration Treasurys, MBS, Treasury Belly, Long Bond

Quad 2: Reflation

Best Asset Classes:

Commodities, Equities, Credit, FX

Worst Asset Classes:

Fixed Income, USD

Best Equity Sectors:

Tech, Industrials, Financials, Energy, Consumer Discretionary

Worst Equity Sectors:

Utilities, Communication Services, Consumer Staples, REITs, Health Care

Best Equity Style Factors:

Secular Growth, High Beta, Small Caps, Cyclical Growth, Momentum

Worst Equity Style Factors:

Low Beta, Dividend Yield, Value, Defensives, Size

Best Fixed Income Sectors:

Convertibles, BDCs, Preferreds, Leveraged Loans, HY Credit

Worst Fixed Income Sectors:

Long Bond, Treasury Belly, Munis, MBS, IG Credit

Quad 3: Stagflation

Best Asset Classes:

Gold, Commodities, Fixed Income

Worst Asset Classes:

Credit

Best Equity Sectors:

Utilities, Energy, REITs, Tech, Consumer Staples, Health Care

Worst Equity Sectors:

Communication Services, Financials, Consumer Discretionary, Industrials, Materials

Best Equity Style Factors:

Secular Growth, Momentum, Mid Caps, Low Beta, Quality

Worst Equity Style Factors:

Small Caps, Dividend Yield, Value, Defensives, Size

Best Fixed Income Sectors:

Munis, EM $ Debt, Long Bond, TIPS, Treasury Belly

Worst Fixed Income Sectors:

BDCs, Preferreds, Convertibles, Leveraged Loans, HY Credit

Quad 4: Deflation

Best Asset Classes:

Fixed Income, Gold, USD

Worst Asset Classes:

Commodities, Equities, Credit, FX

Best Equity Sectors:

Consumer Staples, Health Care Utilities

Worst Equity Sectors:

Energy, Tech, Financials, Industrials, Consumer Discretionary

Best Equity Style Factors:

Low Beta, Dividend Yield, Quality, Defensives, Value

Worst Equity Style Factors:

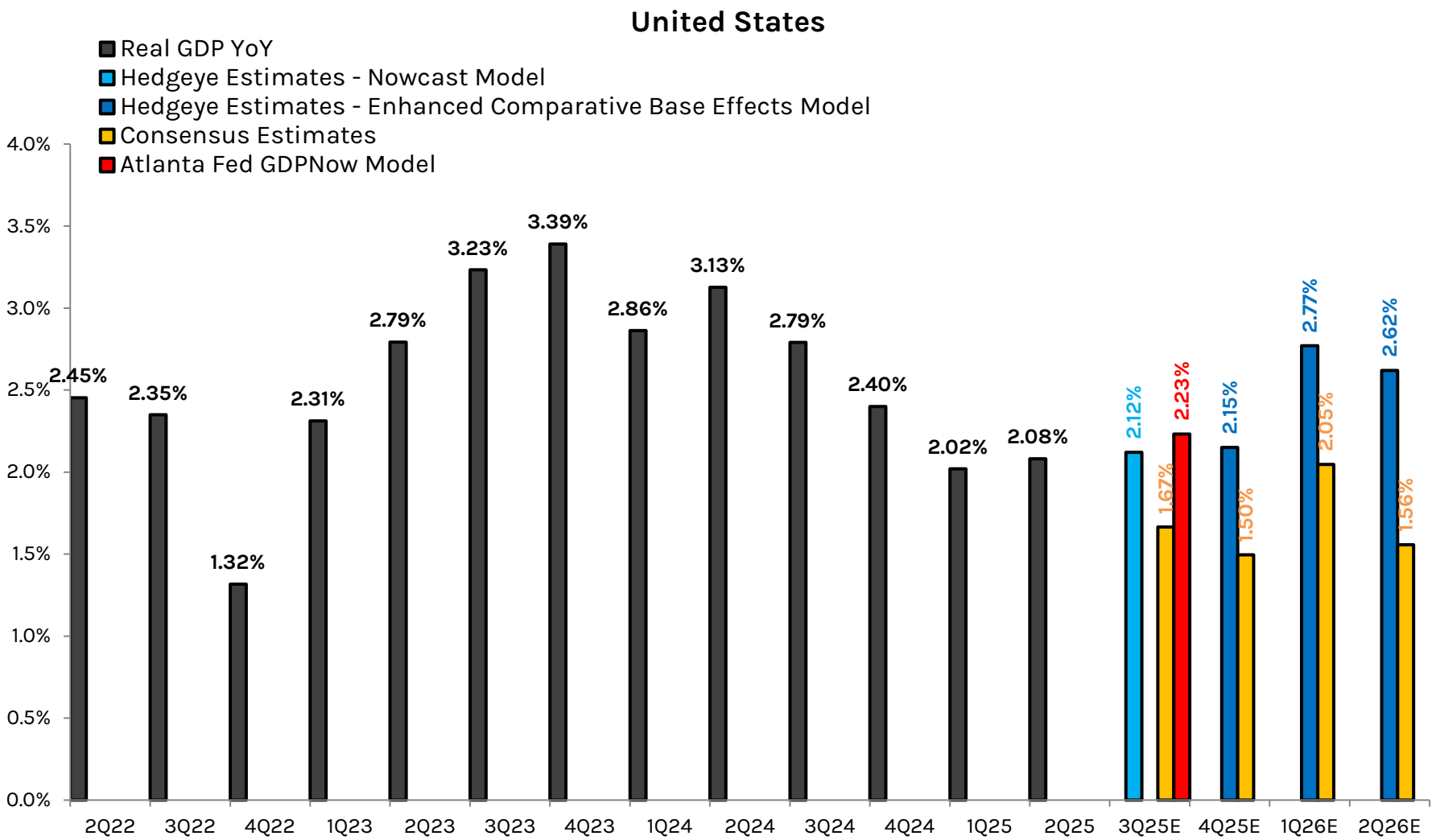High Beta, Momentum, Leverage, Secular Growth, Cyclical Growth

Best Fixed Income Sectors:

Long Bond, Treasury Belly, IG Credit, Munis, MBS

Worst Fixed Income Sectors:

Preferreds, EM Local Currency, BDCs, Leveraged Loans, TIPS
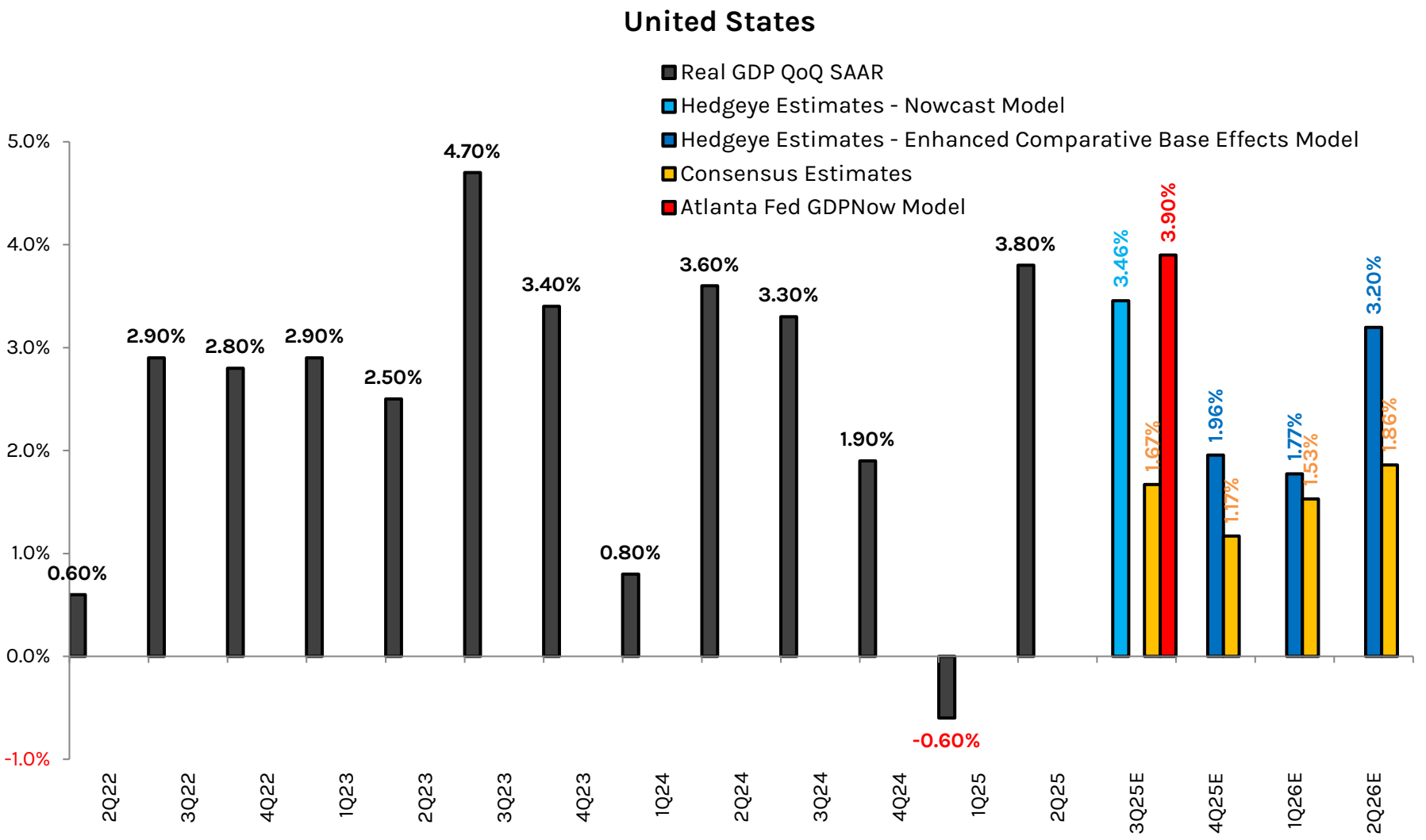
US Real GDP YoY Projections

United States

Legend:
- Real GDP YoY
- Hedgeye Estimates - Nowcast Model
- Hedgeye Estimates - Enhanced Comparative Base Effects Model
- Consensus Estimates
- Atlanta Fed GDPNow Model

Quarter	Value
2Q22	2.45%
3Q22	2.35%
4Q22	1.32%
1Q23	2.31%
2Q23	2.79%
3Q23	3.23%
4Q23	3.39%
1Q24	2.86%
2Q24	3.13%
3Q24	2.79%
4Q24	2.40%
1Q25	2.02%
2Q25	2.08%
3Q25E	2.12% (Nowcast), 1.67% (Consensus), 2.23% (Atlanta Fed)
4Q25E	2.15% (Nowcast), 1.50% (Consensus)
1Q26E	2.77% (Enhanced CBE), 2.05% (Consensus)
2Q26E	2.62% (Enhanced CBE), 1.56% (Consensus)

We use two distinct models to forecast the YoY growth rate of Real GDP and the combination of the two allows us to develop both a highly accurate real-time assessment of near-term economic momentum, as well as a high-probability scenario for where growth is likely to trend over the NTM.

Intra-quarter, we employ a stochastic nowcasting framework that anchors on nonlinear interpolation to relay rate of change signals from the individual features of the dynamic factor model to the base rate. In out-quarters where high-frequency data has yet to be reported, we employ a Bayesian Inference process that adjusts each of the preceding forecasted base rates inversely and proportionally to changes in the base effects.

All told, our US GDP nowcast model has an average absolute forecast error of 55bps and an 85% success rate in terms of accurately projecting the rate of change of GROWTH.

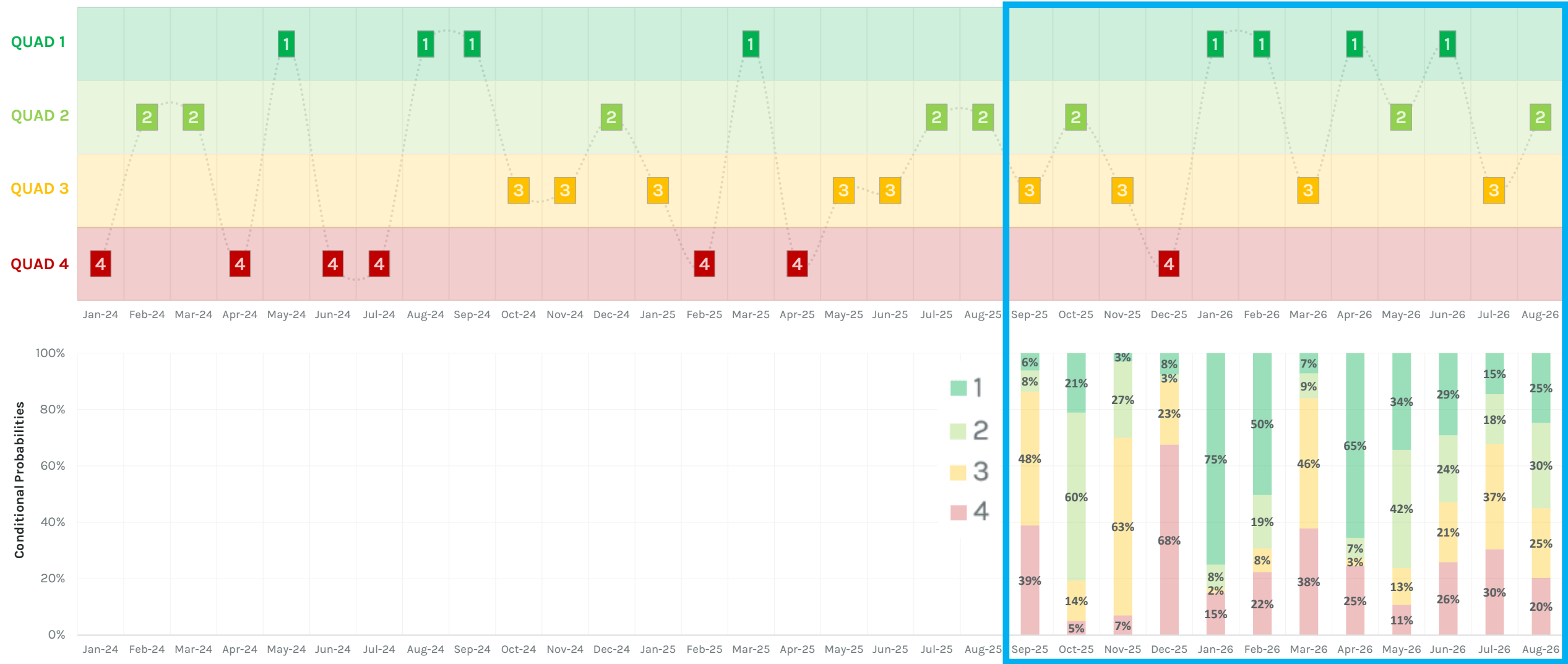Data Source: BLS, BEA, Atlanta Fed, FactSet

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US Real GDP QoQ SAAR Projections

United States

- ■ Real GDP QoQ SAAR
- ■ Hedgeye Estimates - Nowcast Model
- ■ Hedgeye Estimates - Enhanced Comparative Base Effects Model
- ■ Consensus Estimates
- ■ Atlanta Fed GDPNow Model

Bar chart values by quarter:
- 2Q22: 0.60%
- 3Q22: 2.90%
- 4Q22: 2.80%
- 1Q23: 2.90%
- 2Q23: 2.50%
- 3Q23: 4.70%
- 4Q23: 3.40%
- 1Q24: 0.80%
- 2Q24: 3.60%
- 3Q24: 3.30%
- 4Q24: 1.90%
- 1Q25: -0.60%
- 2Q25: 3.80%
- 3Q25E: 3.46% / 1.67% / 3.90%
- 4Q25E: 1.96% / 1.17%
- 1Q26E: 1.77% / 1.53%
- 2Q26E: 3.20% / 1.86%

One differentiating factor of our forecasting process is that we aim to solve for where the economy is trending on a **Full Investing Cycle** basis, rather than trying to identify super short-term economic momentum.

Our rigorous study of financial market history suggests the latter to be little more than noise in the context of making accurate intermediate-to-long-term investment decisions.

As such, we are comfortable departing from the [perceived] "best" practices of economist consensus by interpolating our QoQ SAAR forecasts from our forecasted YoY growth rates. Macroeconomic Theory ≠ Macro Risk Management.

Data Source: BLS, BEA, Atlanta Fed, FactSet

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US Headline CPI YoY Projections

United States

■ Headline CPI YoY
■ Hedgeye Estimates - Nowcast Model
■ Hedgeye Estimates - Comparative Base Effects Model
■ Consensus Estimates

Quarter	Value
2Q22	8.63%
3Q22	8.33%
4Q22	7.10%
1Q23	5.81%
2Q23	3.98%
3Q23	3.51%
4Q23	3.24%
1Q24	3.24%
2Q24	3.20%
3Q24	2.62%
4Q24	2.75%
1Q25	2.74%
2Q25	2.45%
3Q25E	2.91% / 2.90%
4Q25E	3.28% / 3.07%
1Q26E	3.08% / 2.90%
2Q26E	2.99% / 3.10%

Data Source: BLS, BEA, Atlanta Fed, FactSet

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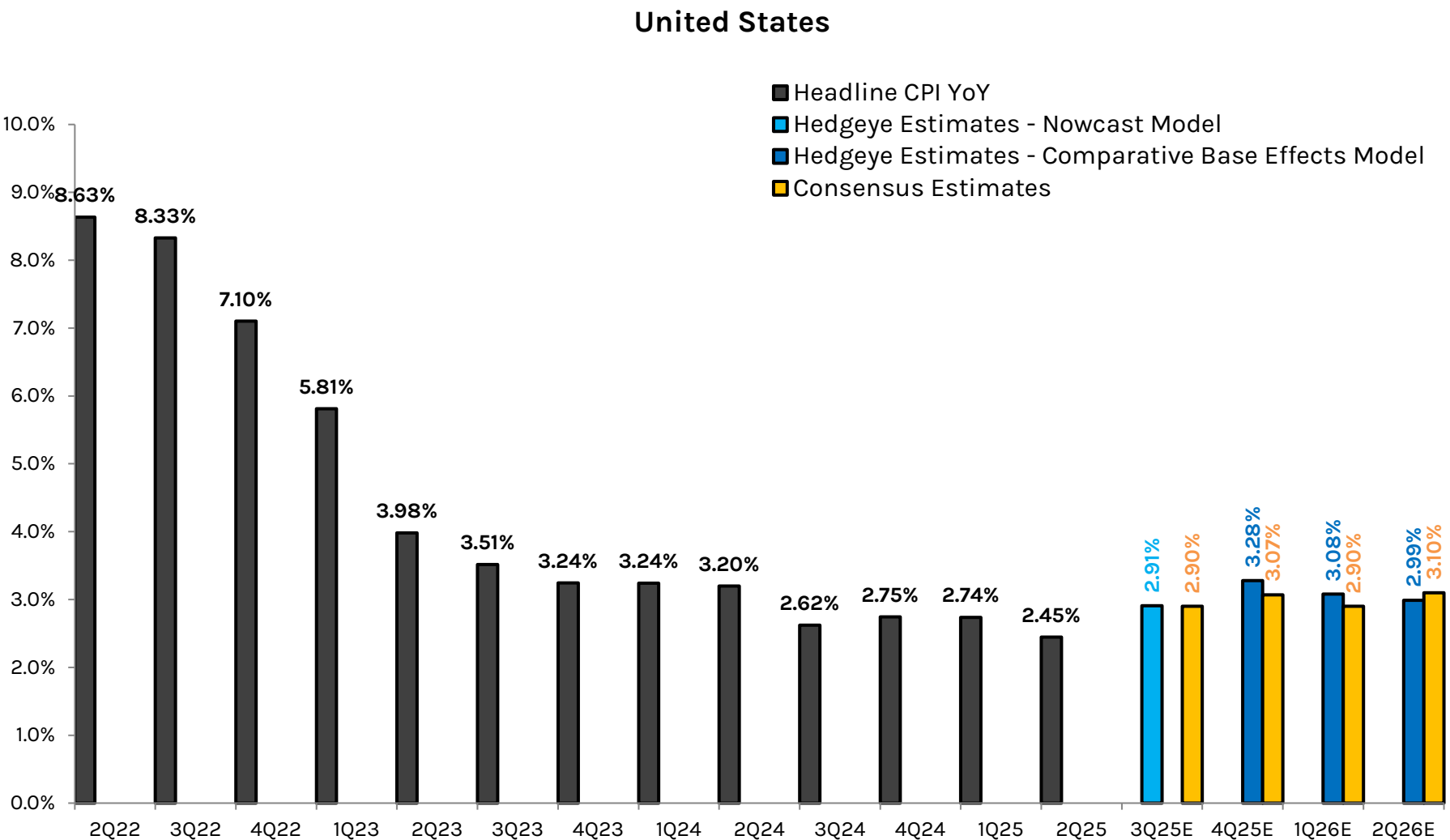
We use two distinct models to forecast the YoY growth rate of Headline CPI and the combination of the two allows us to develop both a highly accurate real-time assessment of near-term inflation momentum, as well as a high-probability scenario for where inflation is likely to trend over the NTM.

Intra-quarter, we employ a stochastic nowcasting framework that anchors on nonlinear interpolation to relay rate of change signals from the individual features of the dynamic factor model to the base rate. In out-quarters where high-frequency data has yet to be reported, we employ a Bayesian Inference process that adjusts each of the preceding forecasted base rates inversely and proportionally to changes in the base effects.

All told, our US CPI nowcast model has an average absolute forecast error of 36bps and an 85% success rate in terms of accurately projecting the rate of change of INFLATION.
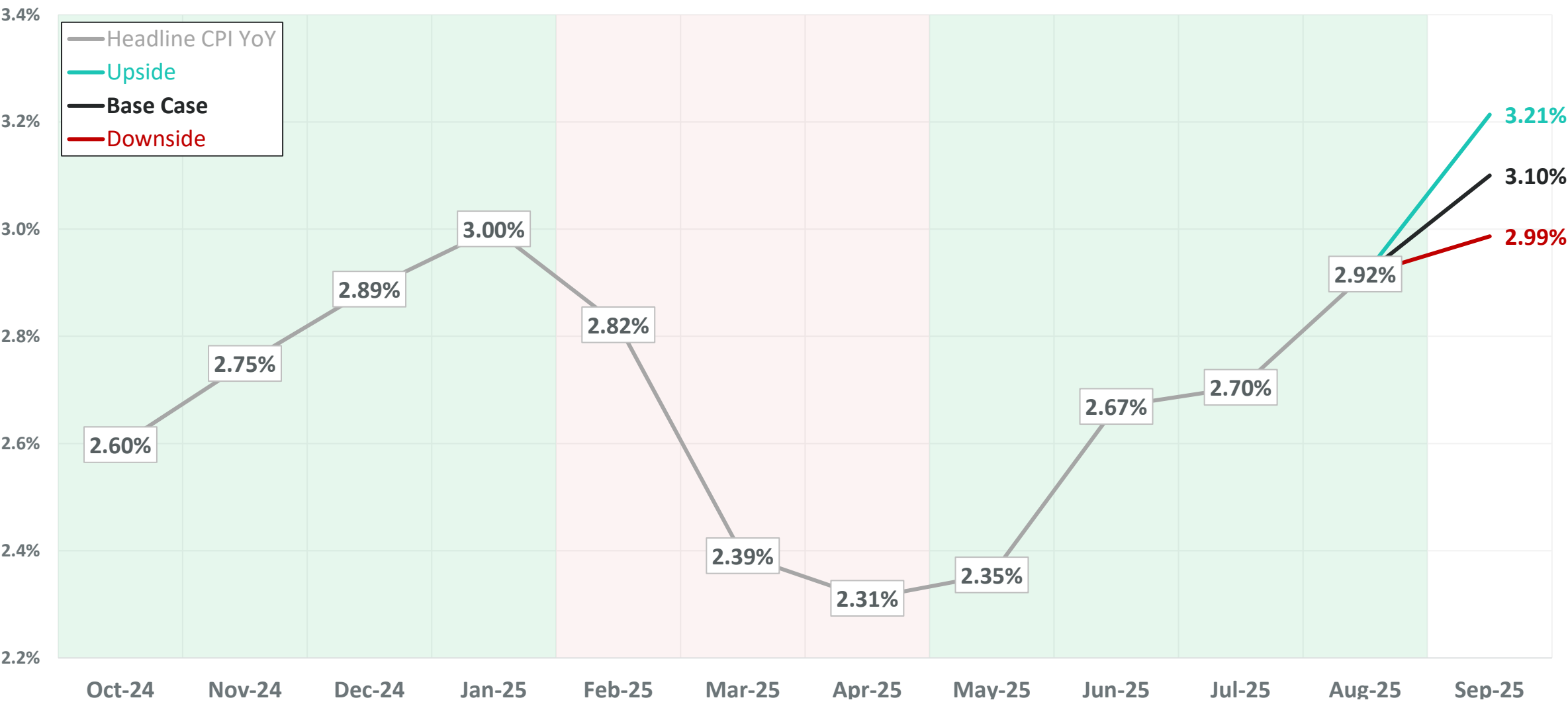
Monthly Quads: NTM

We Utilize Real PCE as a Monthly Proxy for Real GDP. We have developed a proprietary, dynamic monthly system with a long-term directional accuracy of 75%.

The Quads Are Global

G20 GIP Model Summary

Hedgeye Macro GIP Model Signals (10/1/2025)

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E
	Actuals									Estimates			
Argentina	3	2	3	3	2	4	1	1	1	4	4	1	4
Australia	4	1	4	4	4	4	2	1	2	2	2	2	3
Brazil	4	3	2	1	1	2	3	3	3	4	1	1	4
Canada	4	3	1	4	1	1	1	3	4	3	3	2	2
China	1	4	1	2	3	3	1	1	3	4	3	4	1
Eurozone	4	4	1	1	1	1	2	2	4	3	3	4	2
France	1	4	1	1	4	1	4	1	1	3	2	3	2
Germany	4	1	1	4	1	3	2	4	1	3	3	3	3
India	1	1	1	4	1	4	2	1	1	4	4	2	2
Indonesia	1	4	1	1	1	4	1	2	2	1	2	2	4
Italy	4	4	1	4	1	3	2	2	3	1	3	4	3
Japan	4	1	4	4	2	2	2	2	1	1	4	1	3
Mexico	4	1	4	3	2	3	4	1	3	1	2	2	1
Russia	1	2	3	2	3	3	2	3	4	1	4	1	1
South Africa	1	4	2	4	1	1	1	2	3	2	3	1	3
South Korea	4	1	1	1	4	4	3	1	1	3	4	2	2
Spain	4	4	2	1	2	4	2	3	4	3	4	1	3
Turkey	1	2	3	2	3	1	1	4	1	4	1	1	1
United Kingdom	4	4	4	1	1	1	2	3	3	2	2	3	3
United States	1	1	1	4	1	4	3	4	1	2	2	1	4
MODE/MEDIAN	4	4	1	4	1	4	2	3	1	4	3	1	3

GROWTH — Real GDP YoY and **Strength Of Signal — Conditional Probability Of Est. Δ**

COUNTRY	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	NTM Δ (2Q26E Less 3Q25E)	3Q25E	4Q25E	1Q26E	2Q26E
Argentina	6.30	3.45	2.32	2.67	2.59	-86bps	93	67	55	51
Australia	1.82	1.85	1.95	2.37	2.21	36bps	51	54	67	57
Brazil	2.22	1.51	1.54	1.55	1.31	-20bps	68	51	50	56
Canada	1.21	0.55	0.52	1.60	1.91	136bps	68	51	80	59
China	4.80	3.43	2.83	2.33	2.77	-66bps	82	64	62	60
Eurozone	1.50	1.08	0.80	0.60	1.06	-3bps	60	57	55	61
France	0.76	0.39	0.69	0.62	0.93	54bps	60	58	52	58
Germany	-0.20	0.46	0.44	0.39	0.35	-11bps	68	51	51	51
India	7.81	6.63	6.00	6.17	6.34	-29bps	73	62	53	53
Indonesia	5.12	5.02	4.58	4.82	4.63	-39bps	56	76	64	61
Italy	0.40	0.70	0.60	0.55	0.53	-17bps	57	52	51	50
Japan	1.70	1.07	0.52	0.62	0.32	-75bps	72	69	54	60
Mexico	0.05	0.33	0.92	0.93	1.34	101bps	56	61	50	58
Russia	1.05	1.44	0.92	1.52	1.60	16bps	60	63	65	52
South Africa	0.60	1.39	1.33	1.62	1.46	7bps	68	51	57	54
South Korea	0.60	1.40	1.31	1.20	2.27	87bps	97	55	56	98
Spain	3.05	2.52	2.02	2.19	1.99	-52bps	60	59	53	53
Turkey	4.80	3.03	3.14	3.21	4.05	101bps	88	52	52	68
United Kingdom	1.40	1.47	1.51	1.27	1.17	-30bps	51	51	54	52
United States	2.08	2.12	2.15	2.77	2.62	50bps	52	51	75	56
MODE/MEDIAN	1.60	1.46	1.42	1.58	1.75	30bps	64	56	54	56

INFLATION — Headline CPI YoY and **Strength Of Signal — Conditional Probability Of Est. Δ**

COUNTRY	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	NTM Δ (2Q26E Less 3Q25E)	3Q25E	4Q25E	1Q26E	2Q26E
Argentina	43.40	34.10	29.41	26.48	22.16	-1193bps	73	62	57	61
Australia	2.77	2.88	2.94	3.11	3.20	32bps	63	57	70	62
Brazil	5.40	5.13	4.72	4.78	4.30	-83bps	64	71	53	75
Canada	1.78	1.84	2.01	2.06	2.17	32bps	57	66	55	61
China	-0.03	-0.04	0.29	0.28	0.11	15bps	50	77	51	64
Eurozone	2.03	2.05	2.13	1.78	1.88	-16bps	51	56	73	57
France	0.79	0.96	1.30	1.46	1.57	61bps	65	81	65	60
Germany	2.10	2.10	2.12	2.17	2.22	12bps	50	51	53	53
India	2.70	1.91	1.81	2.94	3.51	160bps	93	61	98	82
Indonesia	1.81	2.37	2.51	3.04	2.42	5bps	93	61	90	97
Italy	1.83	1.77	1.94	0.98	1.63	-14bps	54	61	98	88
Japan	3.47	2.95	2.38	2.13	2.22	-73bps	98	98	73	58
Mexico	4.22	3.56	3.84	4.01	3.66	10bps	98	71	62	76
Russia	9.84	8.29	7.15	6.38	6.20	-209bps	94	82	72	55
South Africa	2.87	3.53	4.05	4.03	4.06	52bps	98	98	52	53
South Korea	2.07	1.85	1.90	1.85	2.03	18bps	72	55	55	69
Spain	2.17	2.80	2.40	2.30	2.37	-43bps	88	74	56	54
Turkey	36.10	32.31	29.77	26.18	24.27	-804bps	80	70	78	65
United Kingdom	3.50	3.88	3.93	3.98	4.05	17bps	73	53	53	54
United States	2.45	2.91	3.28	3.08	2.99	8bps	92	83	68	58
MODE/MEDIAN	2.57	2.84	2.45	2.99	2.70	-14bps	73	68	64	61

Data Source: Government Statistic Agencies, BIS, World Bank, and IMF. Intellectual Property of Hedgeye Risk Management.

LIGHT BLUE header = Hedgeye Nowcast Model estimates. BLUE header = Hedgeye Comparative Base Effects Model estimates. GREEN/RED shading in GDP and CPI projections denotes sequential acceleration/deceleration.

Conditional probability inversely proportional to the prior base rate's percentile score within a 95% confidence interval band around the projected GROWTH or INFLATION rate in a given quarter.

Current Investment Positions

[1] Immediate-term TRADE (introduced this quarter)

LONGS: **BDC Corporate Bonds** (HBDC), **ESports** (ESPO), **Mexico** (EWW), **Energy** (XLE), **Cannabis** (TOKE), **Steel** (SLX), **Healthcare** (PINK), **Solana** (SOLZ), **High Yield Corporate Bond** (HYG)

SHORTS: **MSTR ETF** (MSTY), **Germany** (EWG), **Poland** (EPOL), **Interest Rate Hedge** (PFIX), **Switzerland** (EWL), **Denmark** (EDEN), **Canadian Dollar** (FXC)

[2] Intermediate-term TREND (introduced in prior quarters)

LONGS: **3-Month Treasury Bill** (TBIL), **CLOX ETF** (CLOX), **Gold Miners** (GDX), **Silver** (SLV), **CLOZ ETF** (CLOZ), **Nasdaq 100** (QQQ), **Quantum Computing** (QTUM), **Space Invaders** (UFO), **Global Value** (GVAL), **Australia** (EWA), **Uranium** (URA), **Russell 2000** (IWM), **Financials** (XLF), **Ethereum** (ETHA), **China** (KBA), **Short Yen ETF** (YCS), **Investment Grade Corporate Bond** (LQD), **Platinum** (PPLT), **Palladium** (PALL)

SHORTS: **Health Care** (XLV), **Equity Bear ETF** (HDGE), **Argentina** (ARGT), **Japanese Yen** (FXY), **Sugar** (CANE), **Philippines** (EPHE), **India** (INDA)

[3] Long-term TAIL (introduced < 3yrs ago)

LONGS: **Income Short Maturity** (BUXX), **Gold** (GLD), **Physical Gold** (AAAU)

SHORTS: **None**

Q4 2025 Macro Themes

HEDGEYE

[1] USA: Quad Count = 3-2-1

Stagflation → (Growth) Reflation → Goldilocks. A majestic Quad cadence infrequently observed in the wild! Changes in complex, dynamic systems don't conveniently adhere to calendar quarters and we've been articulating the expected 3-2-1 Quad trajectory for over a month now. In the presentation we'll shape the intuition and crystallize the underlying quantamental rationale. We'll review why basic diligence and macro midwittery won 3Q, detail the componentry driving our updated growth and inflation forecast, and qualify the key risks and path dependencies. We'll deep dive current labor conditions, profile emerging opportunities as asymmetries build at the intersection of macro fundamentals, policy catalysts, consensus positioning and market structure dynamics and review the practical approach to risk managing more rotational chop in the monthly Quads into 1H26.

[2] Global Inflation's Re-Acceleration

Broad tariffs and conflict-driven rerouting are lifting traded-goods costs and embedding a persistent risk premium in global freight. Power and energy costs are likely to remain structurally higher as gas/electricity volatility and grid investment from electrification and rising data center loads feed into administered prices. Meanwhile, wage growth is keeping services inflation sticky across major economies, with FX pass-through compounding pressures where currencies are weak. With fiscal deficits still large and central banks tilting toward easier settings, cyclical demand meets—rather than offsets—these structural cost pressures. Net-net, the balance of forces points to a near-term inflationary risk skew.

[3] Long Australia vs. Short Germany

Germany's shift from bearish to bullish and back again underscores how fragile its macro backdrop truly is. Over the past year, the economy benefitted from the easy comparisons of a multi-year industrial recession, but that tailwind is now fading. In the coming quarters, Germany will need to generate genuine growth, which looks unlikely given its chronic underinvestment in AI and digital infrastructure alongside weakening import demand from APAC. These pressures point to a stagflationary path, with Germany locked into a 3-3-3 Quad count. Growth slowing while inflation remains sticky, leaving the DAX vulnerable as its export-heavy, cyclical composition collides with structural headwinds. Australia, by contrast, sits firmly in a 2-2-2 Quad sequence, an outlier in a world where most developed markets are stuck in Quad 3. With iron ore, nickel, and lithium deposits tethering its economy to the global inflation trade and the RBA preparing to cut rates into accelerating growth, Australia is positioned to capture upside from both external demand and domestic reflation.

Data Source: Hedgeye Estimates

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Q4 2025 Macro Themes

USA: Quad Count = 3-2-1

HEDGEYE

Shutdown Impact Summary

With serial negative revisions, immigration dynamics and depressed response rates already reducing the signal in the data, the shutdown will only further amplify the noise.

GDP: Fed Baseline Estimate = ~-0.2% hit to GDP/week

Employees: Federal Employees Paid Retroactively, Federal Contract Workers Unpaid (in prior shutdowns)

Unemployment: Household Survey Period = Oct 12. Federal Workers on furlough counted as unemployed (or on Temporary Layoff)

NFP: Furloughed Federal Workers = No impact on BLS estimate of NFP from Establishment Survey

Jobless Claims: Federal Workers are line-itemed separately & shouldn't directly impact headline number

Data Reporting: September data (for October release) mostly already collected. October could be heavily impacted wrt data collection & quality of Survey responses. October CPI data collection – which spans the whole month and is labor intensive - could be meaningfully impacted.

Services: Potentially significant disruption of administrative support services associated with federal agencies (ie tax returns request processing for real estate transactions, etc)

WE GOT THE 17TH INSTANCE OF POLITICAL THEATRICS & PERFORMATIVE MORALISM HERE!

Past Government Shutdowns & the S&P 500
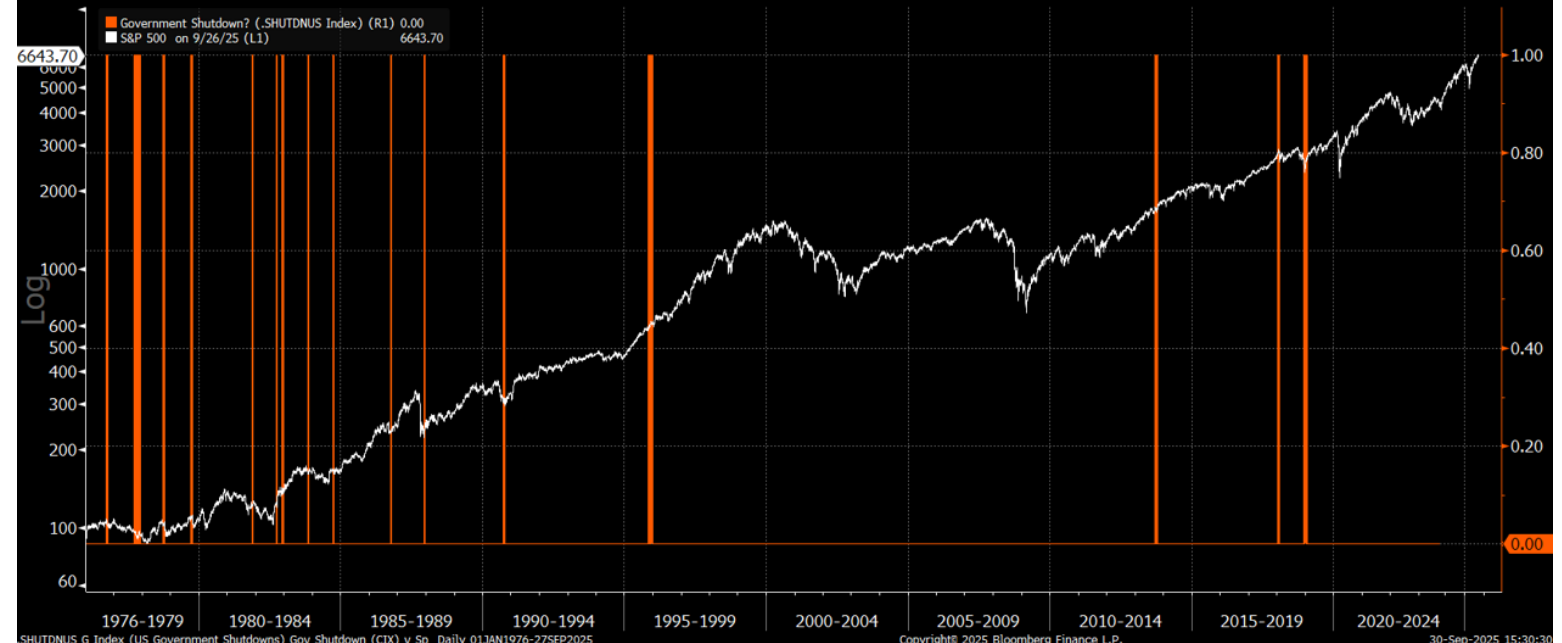
JUNE

JULY

AUG

SEPT

NOT RECESSIONARY

HEDGEYE

NOT RECESSIONARY

Inflation Expectations ↑
1Y Inflation Swaps

NOT RECESSIONARY

IG Corporate OAS ↓↓
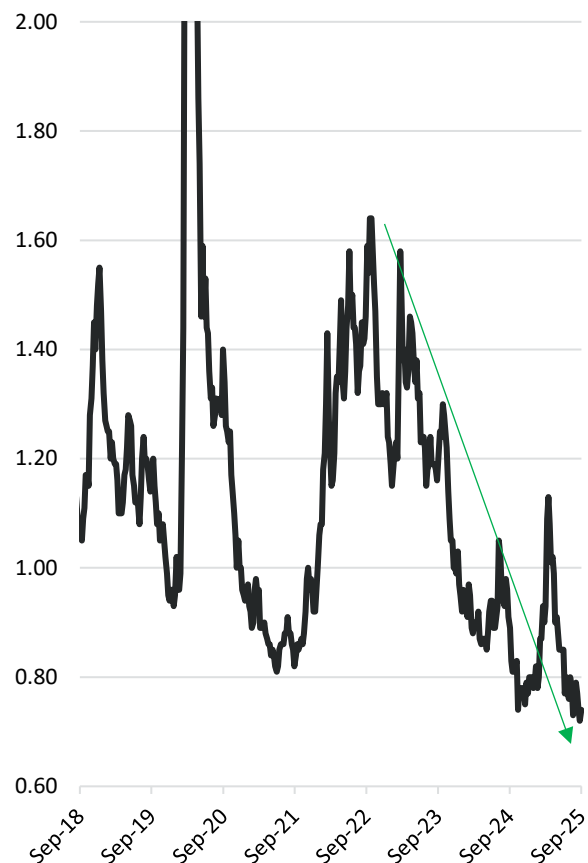
NOT RECESSIONARY

Yield Curve (Steepening)

- USYC1030 Index
- USYC2Y10 Index
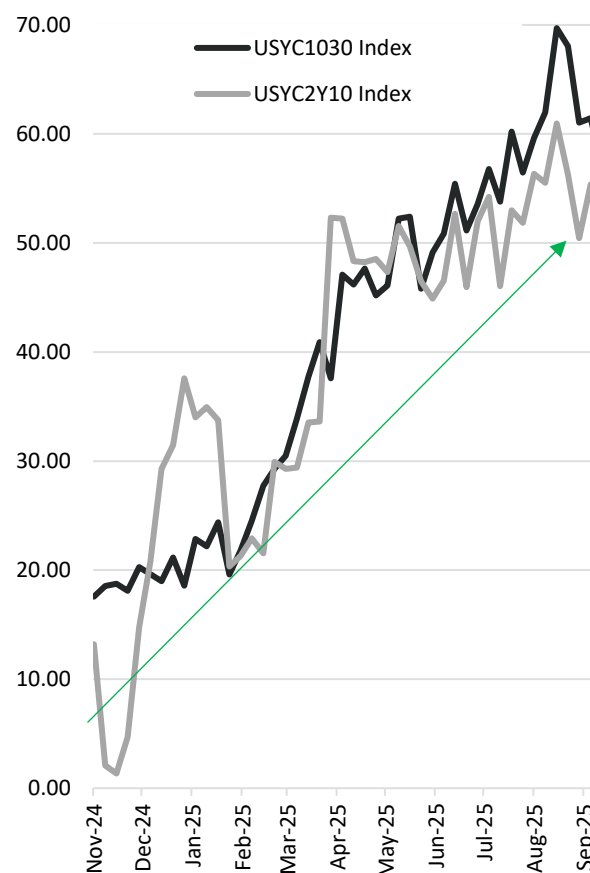
NOT RECESSIONARY

RATES VOL (MOVE INDEX) ↓↓
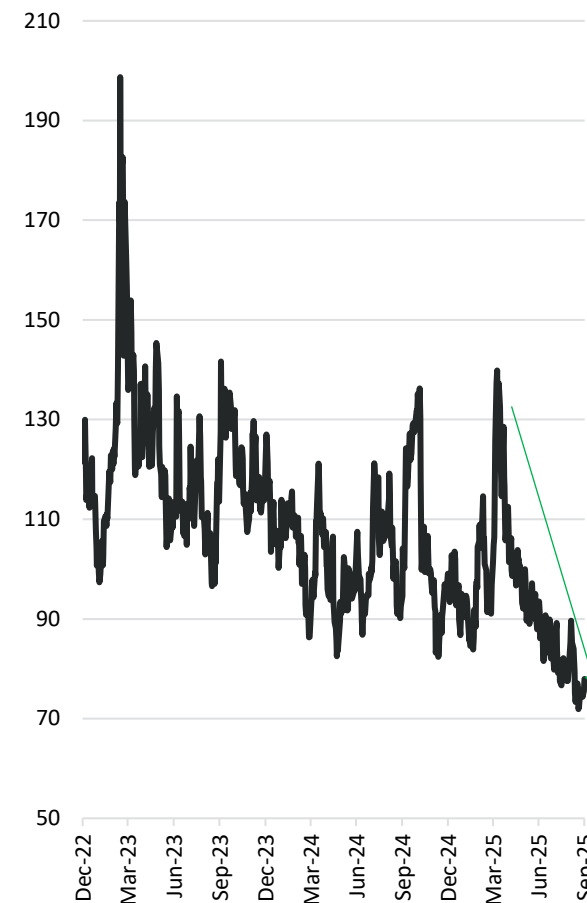
RATES VOL ↓ → SPREADS ↓ → ISSUANCE ↑ → Credit/Investment/Liquidity ↑

Viva la procyclical virtuous cycle ...
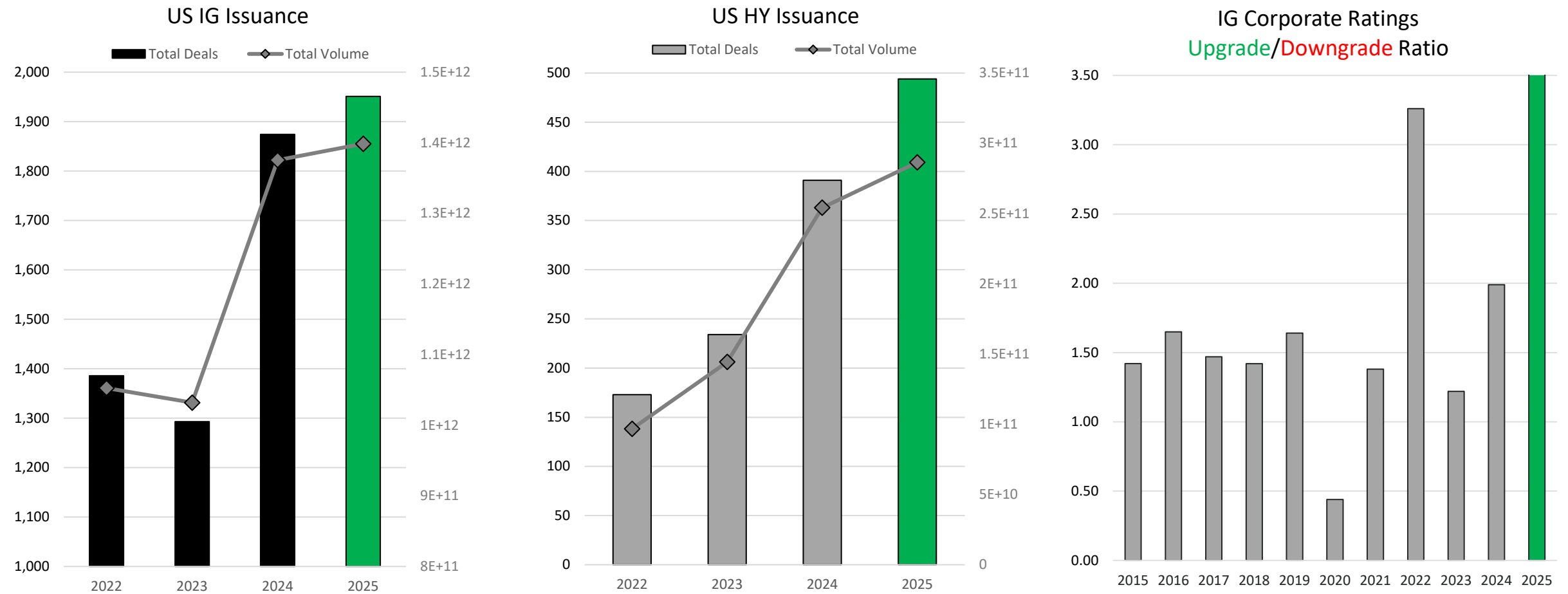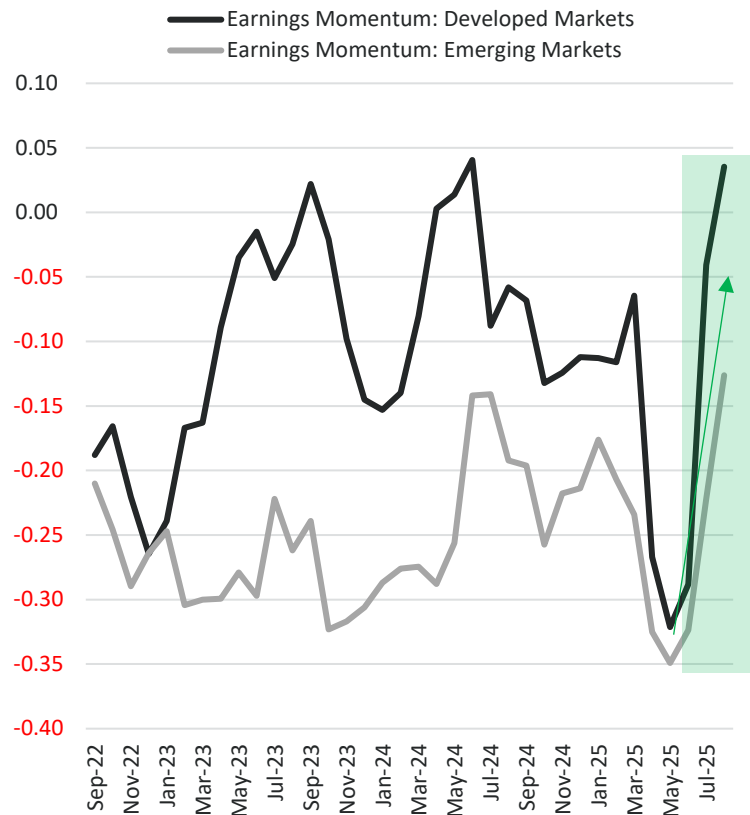
US IG Issuance

US HY Issuance

IG Corporate Ratings
Upgrade/Downgrade Ratio
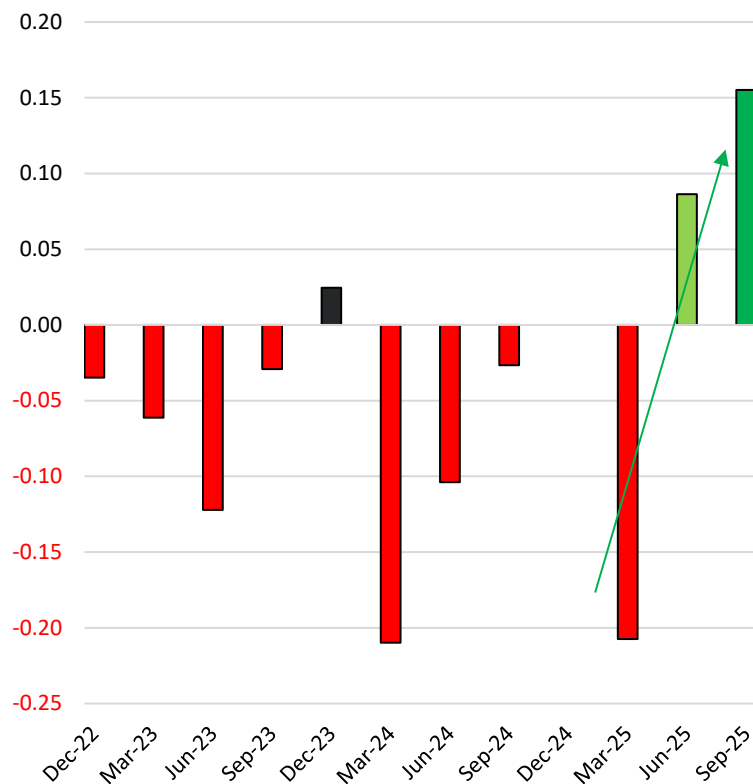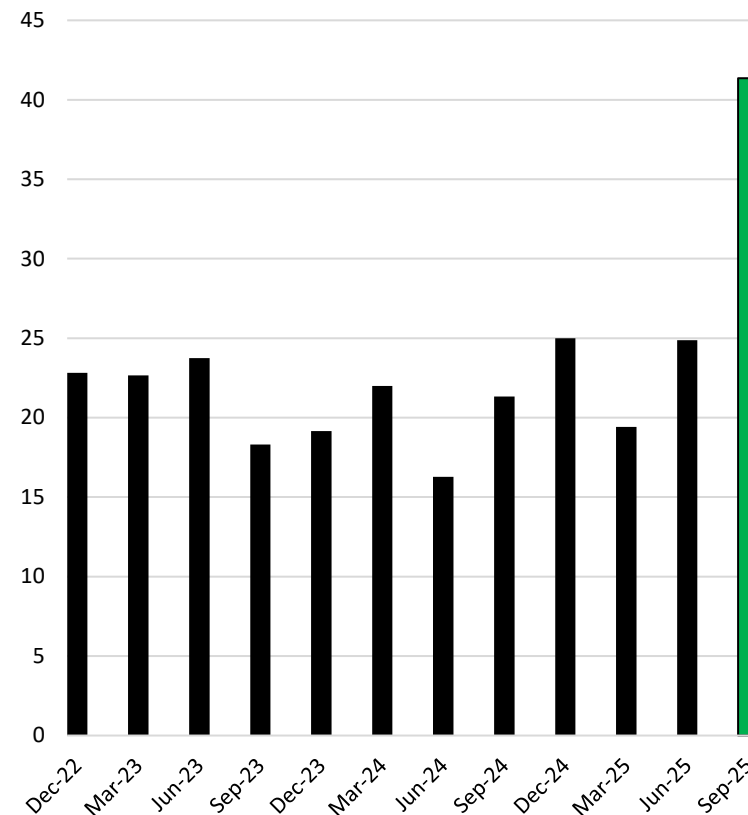
THE *RUN-IT-HOT* CASINO REMAINS OPEN (for now) …..

Out the risk curve and down the quality ladder as both duration & credit risk remain bid

OUT

+

**D
O
W
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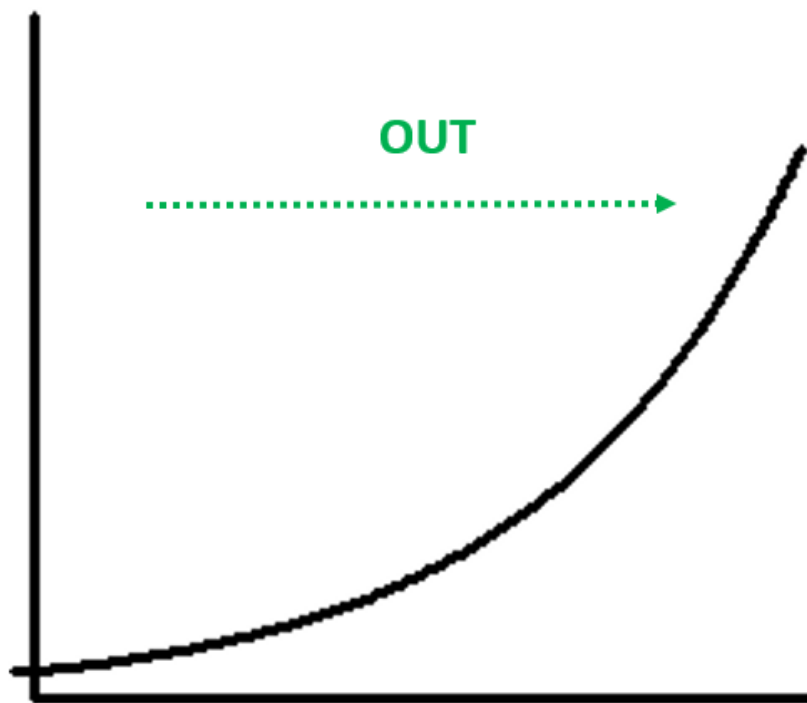
Risk Curve

Quality Ladder

Factor Basket Performance Since the April Low

- Bitcoin Sensitive Basket
- High Retail Sentiment
- Low Quality
- High Short Int
- SPX
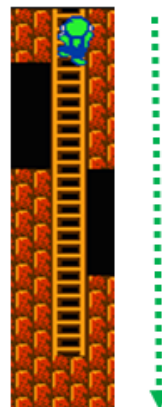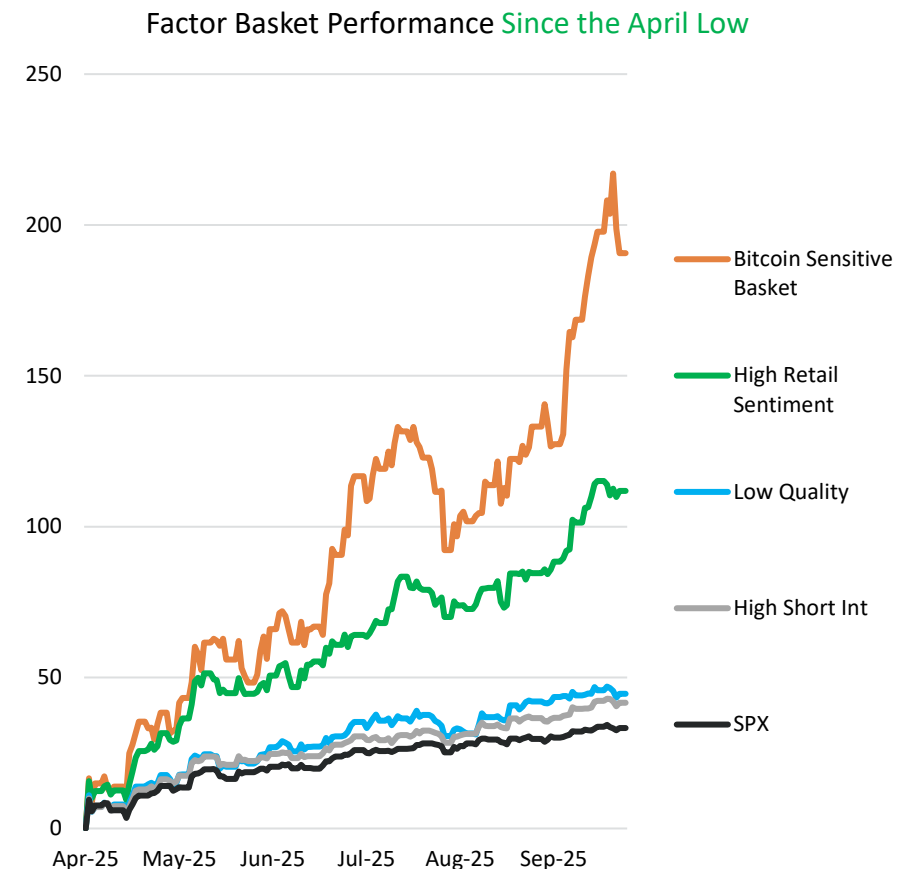
Deficit Spending Acceleration, Run-it-Hot policy and a dovish/passive Fed into accelerating growth/inflation and ATH Debt-to-GDP ratios globally. Gold Bugs love the sensational fiat end-game narrative … but Gold is legitimately bugging out currently as historically consistent relationships with Real Rates, the $USD, the yield curve, etc have broken down conspicuously. Meanwhile, shiny doorstops look set to flip Treasuries as a global reserve asset in the coming qtr(s) ….
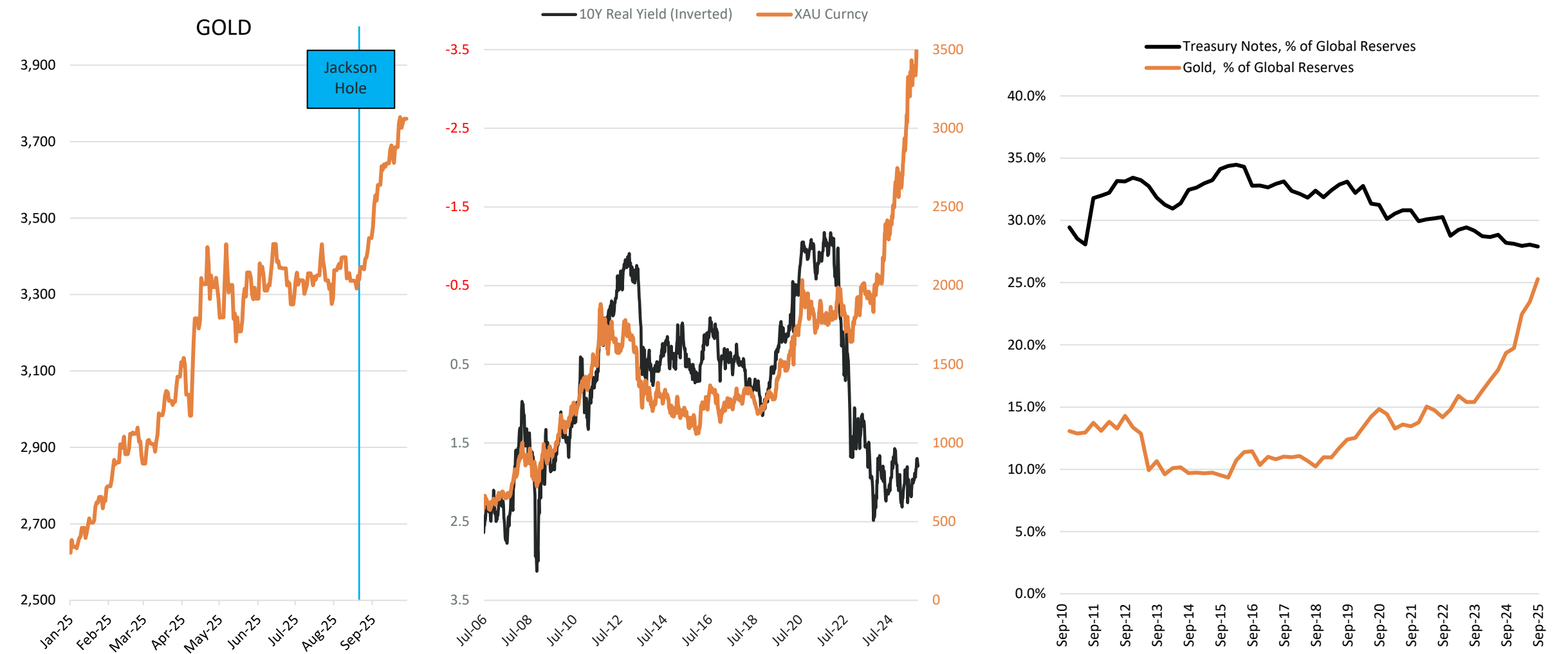
K - onsumption Resilience → Transforming the K ...
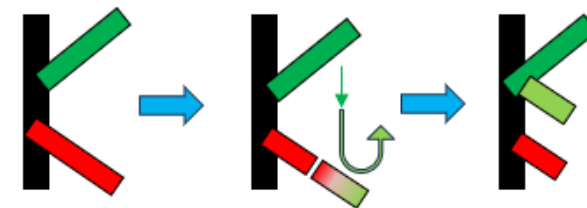
Today, **half of parents provide regular support to adult children** across necessities like groceries and rent.

To the extent that the top slant - asset owners who are net beneficiaries of both inflation driven price increases (via financial assets and yield on productive assets) and higher rates (trillions of $'s in personal interest income) - increasingly pass that net benefit through to children then the more acute outcomes associated with a top-heavy, increasingly bifurcated wealth and income distribution get diluted and/or forestalled.

How many parents financially support at least one of their adult (18+) children?

- 2023: 45%
- 2024: 47%
- 2025: 50%
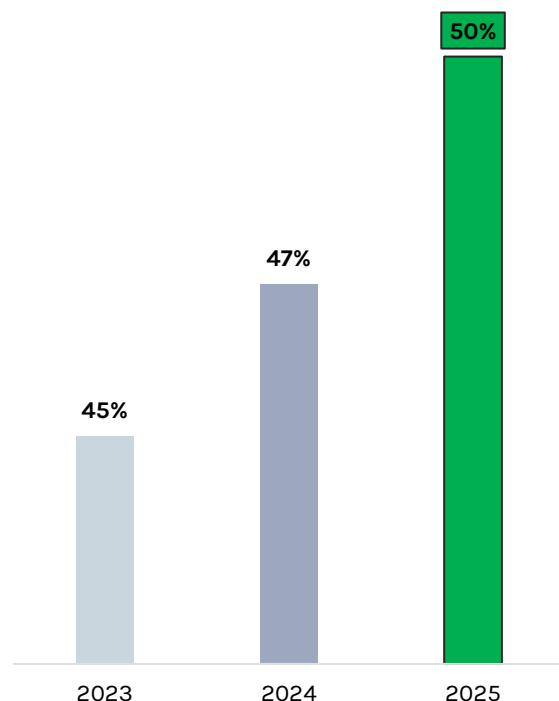
Costs Parents Help Their Adult Kids Cover in 2025

■ 18-28 ■ 29-44

Categories: Groceries, Cell Phone, Healthcare, Rent/Mortgage, Tuition, Leisure, Car, Discretionary Spend, Student Loans, Credit Cards
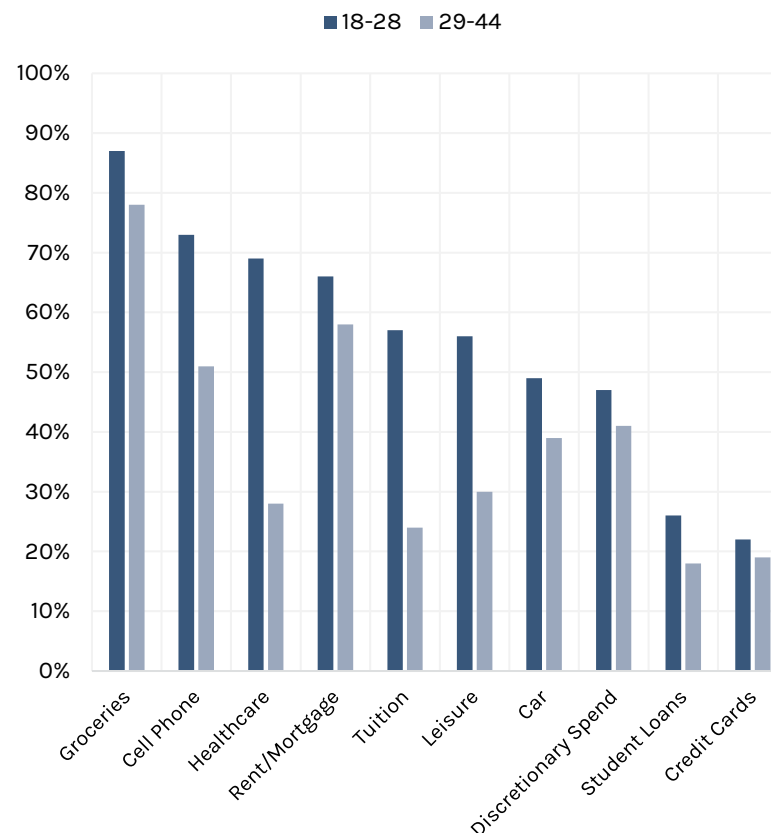
Americans Are Inheriting More Than Ever

Total amount received by the median inheritor household, in 2023 dollars and as a share of net worth

Amount (2023 dollars) — $125K, 100, 75, 50 (1989–2022)

Share of net worth — 25%, 20, 15, 10, 5 (1989–2022)
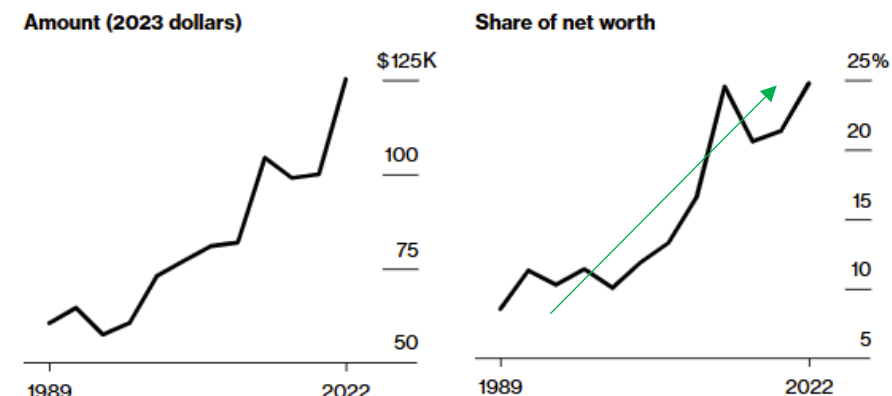
Source: Bloomberg analysis of Federal Reserve Survey of Consumer Finances
Note: Survey is conducted every three years. Each household can report up to three inheritances. Inheritance and net worth amounts have been inflation-adjusted to 2023 dollars using a historic CPI series compiled by the Federal Reserve Bank of Minneapolis.

How Family Money Unlocks Housing (and shows up in spending)

HEDGEYE

44% of Gen Z respondents to a Credit Karma survey say they plan to receive financial assistance from their parents to purchase their first home. 38% of Gen Z respondents who currently own a home admitted to having received financial assistance from their parents to pay for it. From 1994 to 2022, the proportion of young homebuyers relying on a co-signer of an older generation more than doubled according to Freddie Mac

More Than 1/3 of Young Americans Are Using Cash From Family to Fund Down Payments (36% vs 18% in 2019)

Save directly from paychecks	60%
Work a second job	39%
Cash gift from family	36%
Sell stock investments	29%
Pull money out of retirement funds early	22%
Sell another home	21%
Inheritance	16%
Live with parents/family to save money	13%
Sell cryptocurrency	13%
Take equity from another home I still own	12%
Contribute less to retirement savings	11%

Share of Young Adult (25-34 year olds) Borrowers with Co-Borrower Age 55+

INFLATION

The Fed maintains that 2% per year is the appropriate rate at which all passively held or saved dollars should lose their value.

In August, all dollars ever created that were held over the past year could buy 2.91% less stuff.

We have now been above target for 54 consecutive months and expect the rate at which passive savings loses value to accelerate over the coming months

■ Core PCE Inflation, Y/Y %   — Target
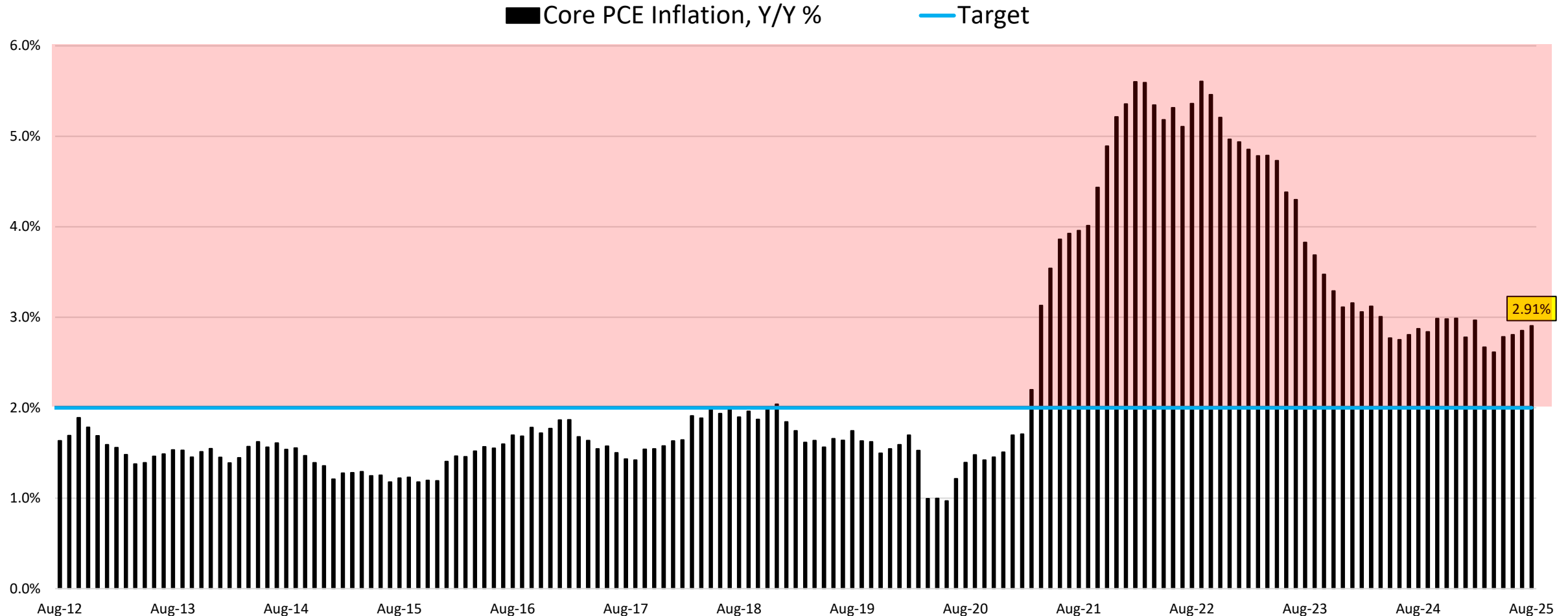
Q4 2025 Macro Themes

Global Inflation's Re-Acceleration
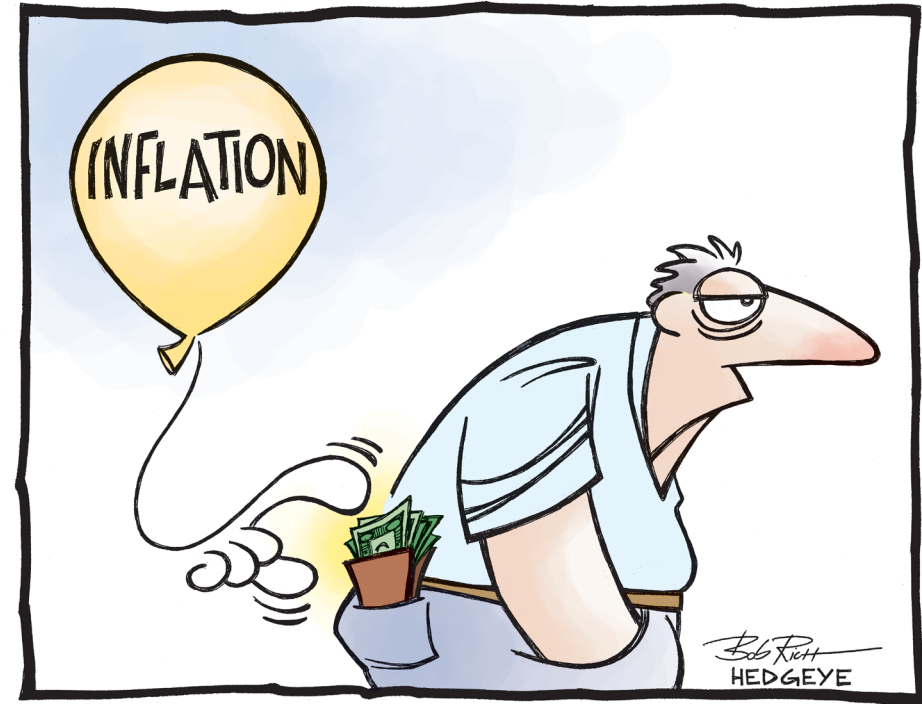
The Trajectory for the G20 in 4Q25 = Quad 2 / Quad 3

G20 GIP Model Summary

Hedgeye Macro GIP Model Signals

9/30/2025	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E
			Actuals								Estimates		
Argentina	3	2	3	3	2	4	1	1	1	4	4	1	4
Australia	4	1	4	4	4	4	2	1	2	2	2	2	3
Brazil	4	3	2	1	1	2	3	3	3	4	1	2	4
Canada	4	3	1	4	1	1	1	3	4	3	3	2	2
China	1	4	1	2	3	3	1	1	3	4	3	4	1
Eurozone	4	4	1	1	1	1	2	2	4	3	3	4	2
France	1	4	1	1	4	1	4	1	1	3	2	3	2
Germany	4	4	1	4	1	1	1	1	1	3	3	3	3
India	1	3	1	4	4	4	2	1	1	4	4	2	2
Indonesia	1	4	1	1	4	4	1	4	2	3	3	2	4
Italy	4	4	1	4	1	3	2	2	3	1	3	4	3
Japan	4	4	4	4	2	2	2	2	1	4	4	1	3
Mexico	4	1	4	3	2	1	1	1	3	1	2	2	2
Russia	1	2	3	2	3	3	2	1	4	1	1	1	1
South Africa	1	4	2	4	4	1	1	3	4	2	3	1	3
South Korea	4	1	2	1	4	4	4	3	1	1	3	4	2
Spain	4	4	2	1	2	1	2	4	3	3	4	1	3
Turkey	1	2	3	2	3	1	1	4	4	1	1	1	1
United Kingdom	4	4	4	1	1	1	2	3	2	2	2	3	3
United States	1	1	1	4	1	4	3	4	1	2	2	1	4
MODE/MEDIAN	4	4	1	4	1	1	2	1	3	4	3	1	3

GROWTH — Real GDP YoY / Strength Of Signal (Conditional Probability Of Est. Δ)

COUNTRY	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	NTM Δ (2Q26E Less 3Q25E)	3Q25E	4Q25E	1Q26E	2Q26E
Argentina	6.30	3.45	2.32	2.67	2.59	-86bps	93	67	55	51
Australia	1.82	1.85	1.95	2.37	2.21	36bps	51	54	67	57
Brazil	2.22	1.51	1.54	1.55	1.31	-20bps	68	51	50	56
Canada	1.21	0.55	0.52	1.60	1.91	136bps	68	51	80	59
China	4.80	3.43	2.83	2.33	2.77	-66bps	82	64	62	60
Eurozone	1.50	1.08	0.80	0.60	1.06	-3bps	60	57	55	61
France	0.76	0.39	0.69	0.62	0.93	54bps	60	58	52	58
Germany	-0.20	0.46	0.44	0.39	0.35	-11bps	68	51	51	51
India	7.81	6.63	6.00	6.17	6.34	-29bps	73	62	53	53
Indonesia	5.12	5.02	4.58	4.82	4.63	-39bps	56	76	64	61
Italy	0.40	0.70	0.60	0.55	0.53	-17bps	57	52	51	50
Japan	1.70	1.07	0.52	0.62	0.32	-75bps	72	69	54	60
Mexico	0.05	0.33	0.92	0.93	1.34	101bps	56	61	50	58
Russia	1.05	1.44	0.92	1.52	1.60	16bps	60	63	65	52
South Africa	0.60	1.39	1.33	1.62	1.46	7bps	68	51	57	54
South Korea	0.60	1.40	1.31	1.20	2.27	87bps	97	55	56	98
Spain	3.05	2.52	2.02	2.19	1.99	-52bps	60	59	53	53
Turkey	4.80	3.03	3.14	3.21	4.05	101bps	88	52	52	68
United Kingdom	1.40	1.47	1.51	1.27	1.17	-30bps	51	51	54	52
United States	2.08	2.12	2.15	2.77	2.62	50bps	52	51	75	56
MODE/MEDIAN	1.60	1.46	1.42	1.58	1.75	30bps	64	56	54	56

INFLATION — Headline CPI YoY / Strength Of Signal (Conditional Probability Of Est. Δ)

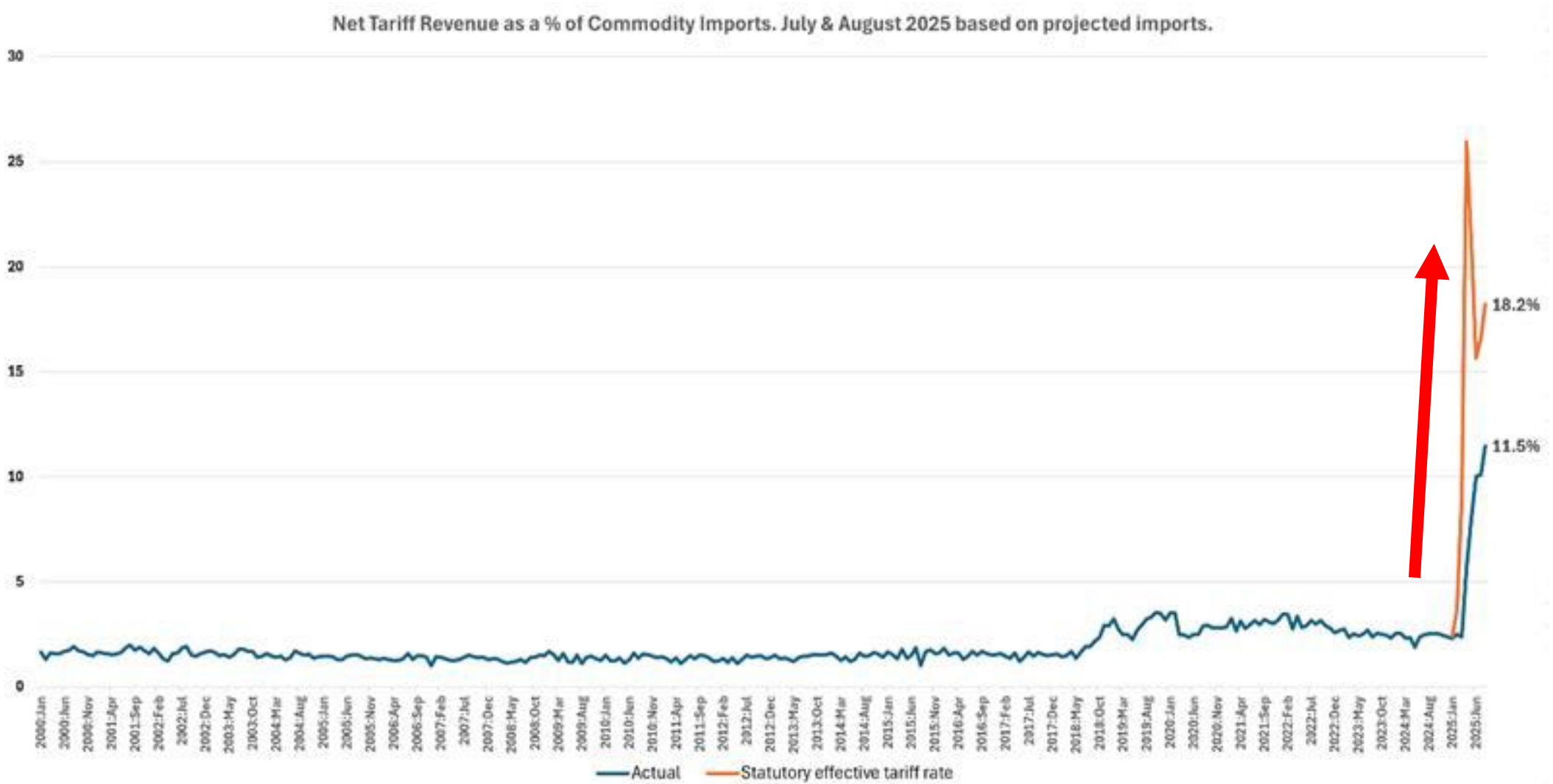| COUNTRY	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	NTM Δ (2Q26E Less 3Q25E)	3Q25E	4Q25E	1Q26E	2Q26E
Argentina	43.40	34.10	29.41	26.48	22.16	-1193bps	73	62	57	61
Australia	2.77	2.88	2.94	3.11	3.20	32bps	63	57	70	62
Brazil	5.40	5.13	4.72	4.78	4.30	-83bps	64	71	53	75
Canada	1.78	1.84	2.01	2.06	2.17	32bps	57	66	55	61
China	-0.03	-0.04	0.29	0.28	0.11	15bps	50	77	51	64
Eurozone	2.03	2.05	2.13	1.78	1.88	-16bps	51	56	73	57
France	0.79	0.96	1.30	1.46	1.57	61bps	65	81	65	60
Germany	2.10	2.10	2.12	2.17	2.22	12bps	50	51	53	53
India	2.70	1.91	1.81	2.94	3.51	160bps	93	56	98	82
Indonesia	1.81	2.37	2.51	3.04	2.42	5bps	93	61	90	97
Italy	1.83	1.77	1.94	0.98	1.63	-14bps	54	61	98	88
Japan	3.47	2.95	2.38	2.13	2.22	-73bps	98	98	73	58
Mexico	4.22	3.56	3.84	4.01	3.66	10bps	98	71	62	76
Russia	9.84	8.29	7.15	6.38	6.20	-209bps	94	82	72	55
South Africa	2.87	3.53	4.05	4.03	4.06	52bps	98	98	52	53
South Korea	2.07	1.85	1.90	1.85	2.03	18bps	72	55	55	69
Spain	2.17	2.80	2.40	2.30	2.37	-43bps	88	74	56	54
Turkey	36.10	32.31	29.77	26.18	24.27	-804bps	80	70	78	65
United Kingdom	3.50	3.88	3.93	3.98	4.05	17bps	73	53	53	54
United States	2.45	2.92	3.32	3.12	3.03	11bps	93	86	68	58
MODE/MEDIAN	2.57	2.84	2.45	2.99	2.72	-12bps	73	68	64	61

Data Source: Government Statistic Agencies, BIS, World Bank, and IMF. Intellectual Property of Hedgeye Risk Management.

LIGHT BLUE header = Hedgeye Nowcast Model estimates. BLUE header = Hedgeye Comparative Base Effects Model estimates. GREEN/RED shading in GDP and CPI projections denotes sequential acceleration/deceleration.

Conditional probability inversely proportional to the prior base rate's percentile score within a 95% confidence interval band around the projected GROWTH or INFLATION rate in a given quarter.
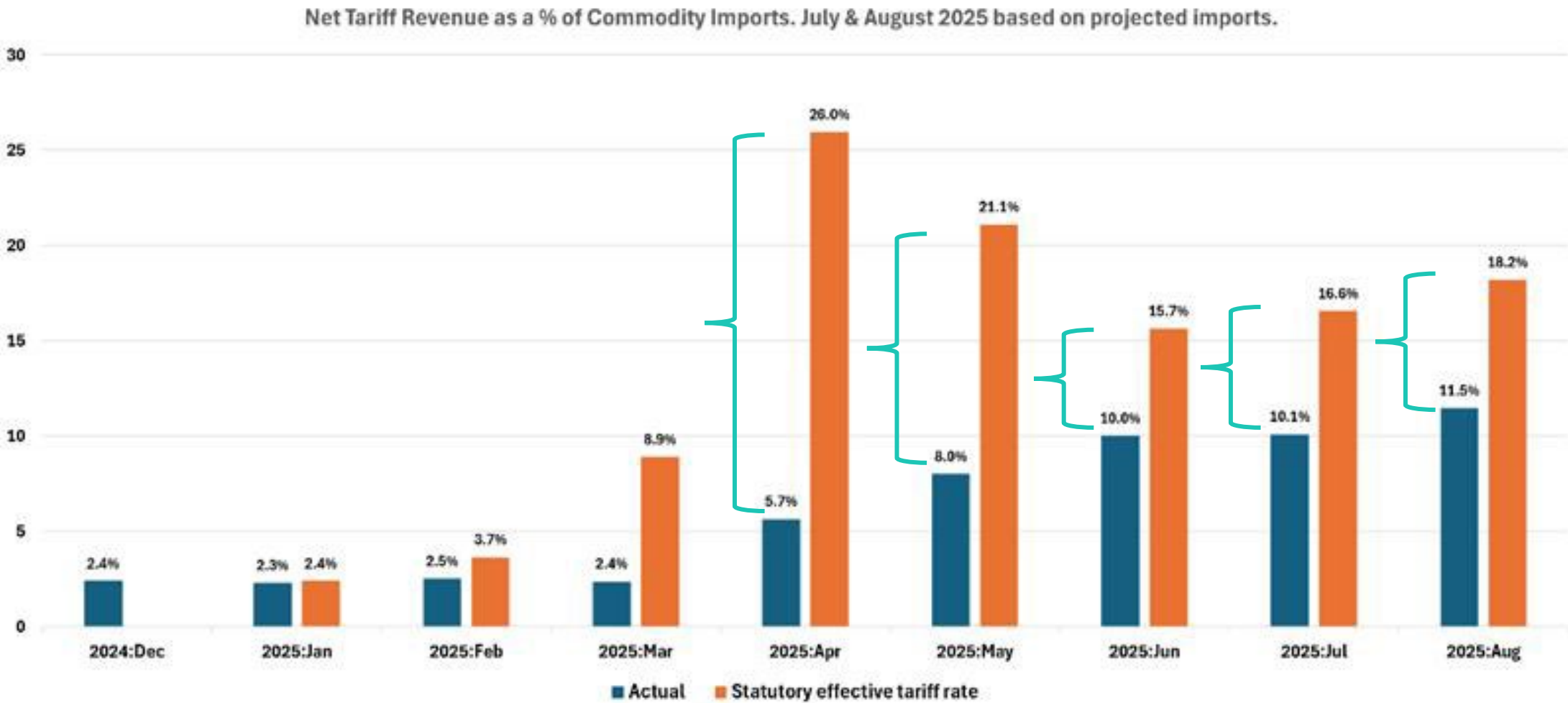
Another Y-Axis Bites The Dust...

On both an effective and statutory basis, net tariff revenue has exploded to multi-decade highs.

Net Tariff Revenue as a % of Commodity Imports. July & August 2025 based on projected imports.

Legend: Actual — Statutory effective tariff rate

Tariff Passthrough Potential Not Yet Fully Realized

The divide between actual and statutory tariff rates remains significant, indicating plenty of runway for additional passthrough to consumer prices – this passthrough occurs on a lag which can vary between a few weeks or a quarter or more depending on the goods category in question.

Net Tariff Revenue as a % of Commodity Imports. July & August 2025 based on projected imports.

■ Actual ■ Statutory effective tariff rate

~70% Of Tariff-related Price Increases Are Getting Passed Through

And as we noted in the prior slide, there is further catchup to be done.

Table 1. Spot Passthrough of 2025 Tariffs to PCE Core Goods & Durables Prices, June 2025

	Core Goods	Durables
Actual Overall Effective Tariff Rate	10.0%	10.0%
Actual PCE-Weighted Effective Tariff Rate		
Jun 2024	4.2%	2.8%
Jun 2025	12.1%	12.4%
Full-Passthrough Price Effect	2.1%	2.7%
Actual Price Rise, 2025 YTD & Against Trend	1.5%	1.7%-2.2%
Consumer Price Passthrough	**69.8%-72.3%**	**60.7%-79.8%**

Table: The Budget Lab • Source: BEA, Census, USITC, The Budget Lab analysis. • Created with Datawrapper

The Tariffed Share of Goods Imports Has Risen In a Broad-Based Way

For example, the share of goods imports from the EU has risen from the low-20s prior to Liberation Day to 61.7% as of June 2025.

Dutiable value as a percent of customs value. Percent.

Legend: Canada, Mexico, China, EU, ROW

Endpoint labels: 85.8%, 61.7%, 55.9%, 16.1%, 8.2%
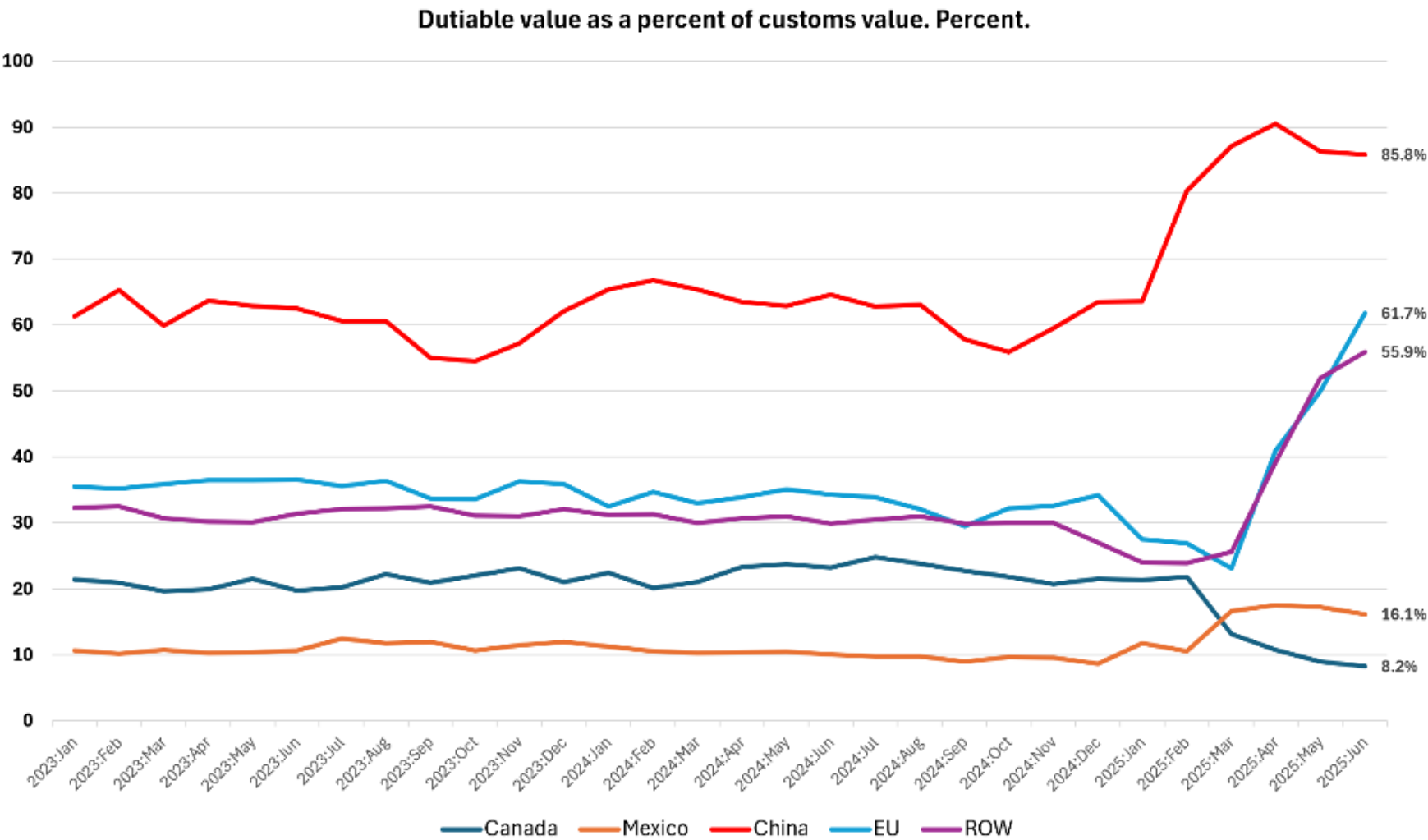
Core & Durable Goods Price Increases Represents A Trend Breakout

One possible indication that tariffs are raising consumer goods prices is that goods prices have broken with their prior behavior and increased since the beginning of the year, both in absolute terms and against reasonable estimates of pre-2025 trend.

PCE Core Goods Price Level

Legend: Actual: Durable Goods Only · Actual: Core Goods (Goods ex. Food & Energy) · Forecast: Durable Goods · Forecast: Core Goods

30
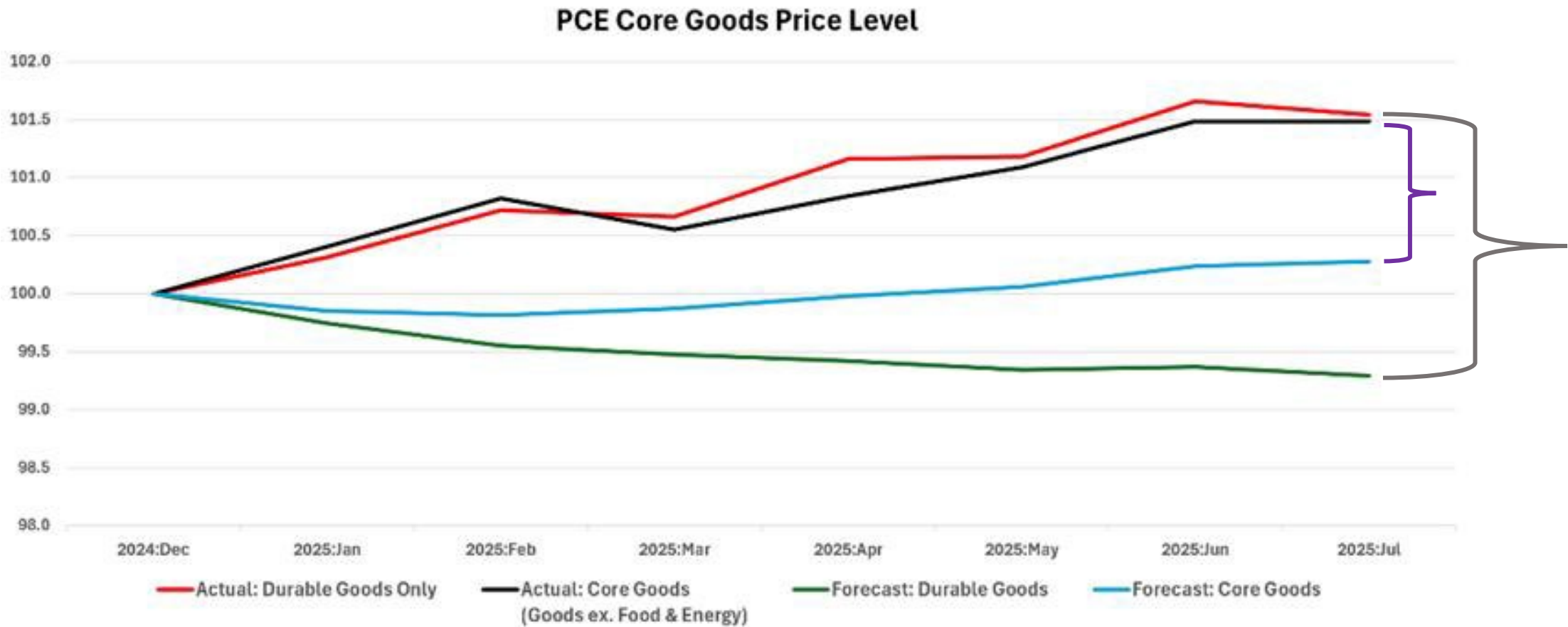
Q4 2025 Macro Themes

Long Australia vs. Short Germany

Australia: A Quad Outlier 2-2-2

An outlier amongst the developed nations
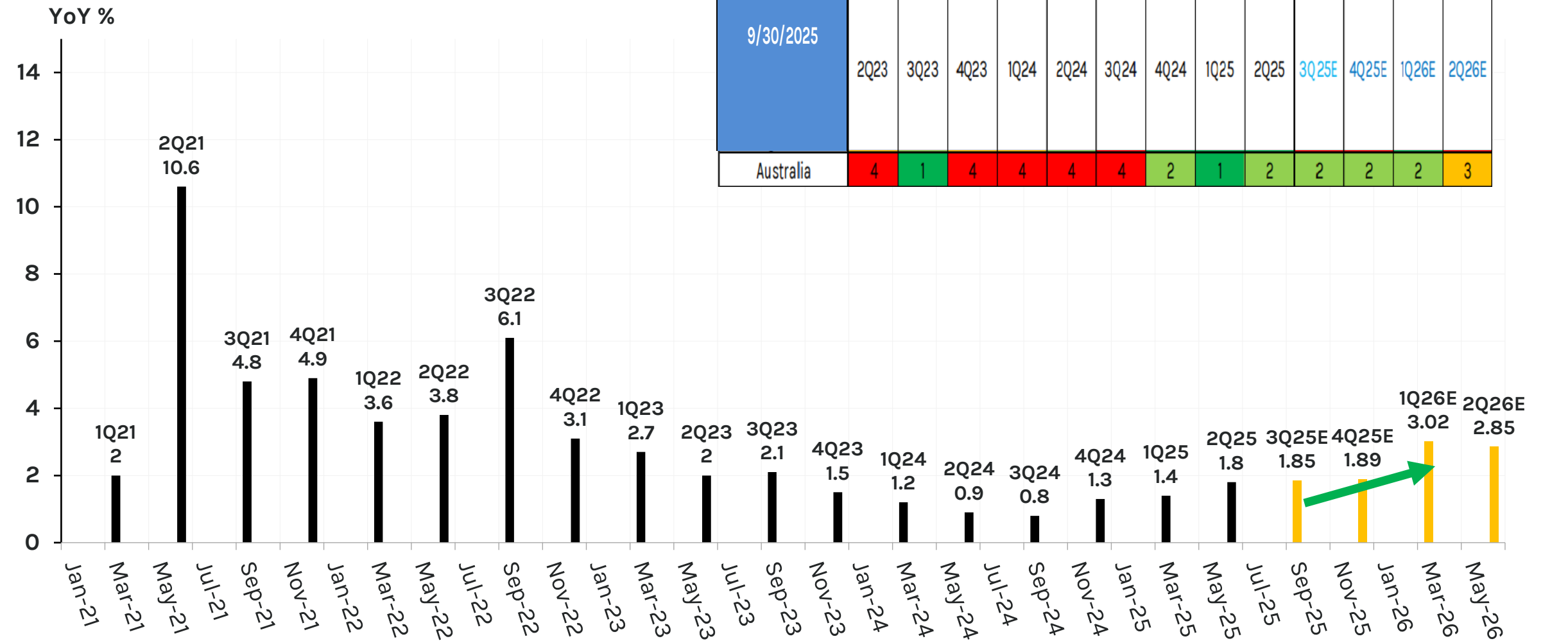
9/30/2025	Hedgeye Macro GIP Model Signals												
	Actuals									Estimates			
	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E
Australia	4	1	4	4	4	4	2	1	2	2	2	2	3

Germany: Back To Stagflation 3-3-3

After coming out of an industrial recession, Germany is heading back to stagflation

9/30/2025	Hedgeye Macro GIP Model Signals												
	Actuals									Estimates			
	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E
Germany	4	4	1	4	1	1	3	2	4	1	3	3	3
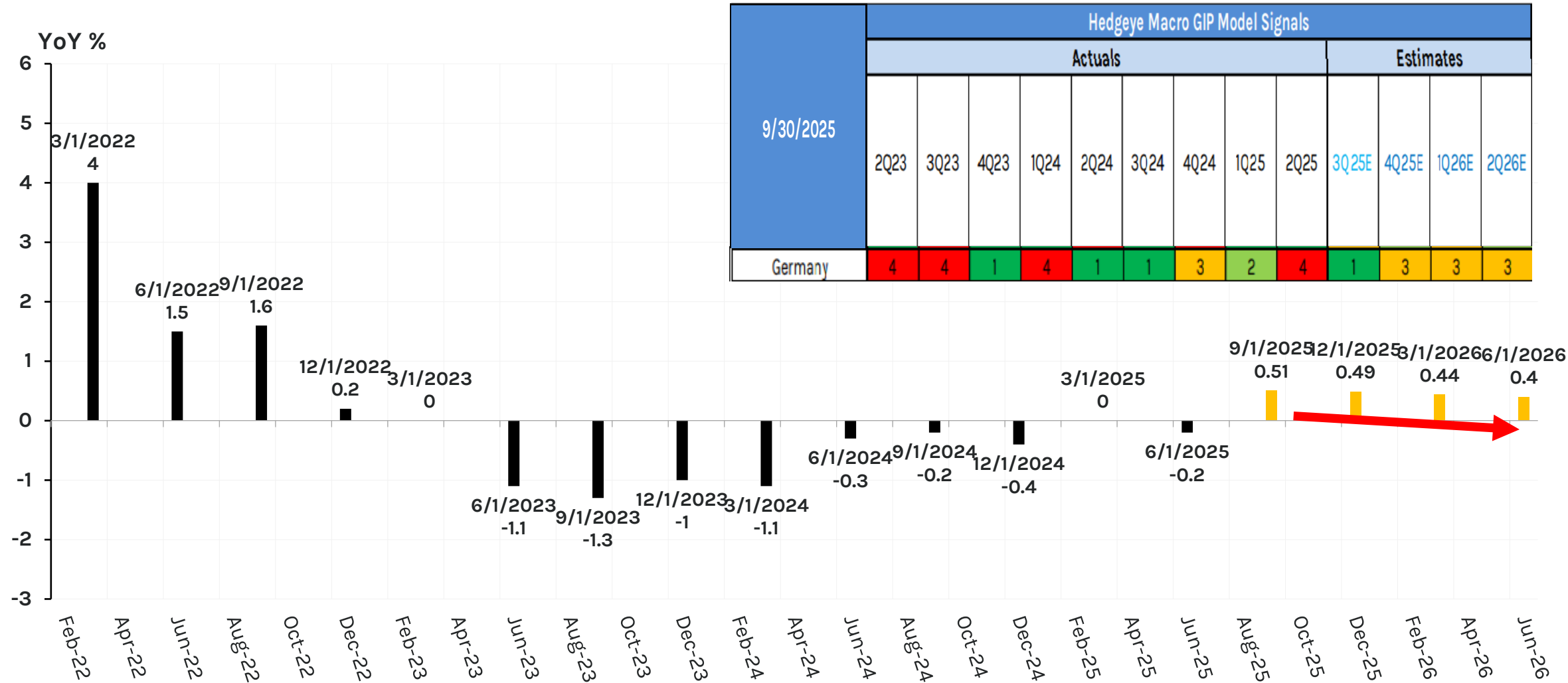
For more information, contact us at:

support@hedgeye.com