Around the Horn Weekly

Darius Dale, Founder & CEO

Friday, November 7, 2025

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New to 42 Macro research?

Take advantage of the following resources to speed up your learning journey:

KISS Model Portfolio FAQ:

https://app.42macro.com/kiss

Dr. Mo FAQ:

https://app.42macro.com/drmo

42 Macro Glossary:

https://app.42macro.com/glossary

The Macro Class:

https://app.42macro.com/macroclass

Fourth Turning FAQ:

https://app.42macro.com/fourthturning

Executive Summary: Friday, November 7, 2025

Market Regime: GOLDILOCKS is the current Market Regime. GOLDILOCKS is a risk-on regime in which investors are generally rewarded for increasing risk because policymakers are supporting or unlikely to restrain real economic growth that is perceived to be accelerating or persistently higher than expectations.

KISS Model Portfolio Pivots: Selling -500bps of Bitcoin. KISS is currently at 10% Cash $USFR, 60% Stocks $SPLG, 30% Gold $GLDM, and 0% Bitcoin $FBTC.

Nuance: The neutral-to-bearish VAMS phase transition in Bitcoin activates the Bottom-Up Risk Management Overlay for the asset class. Refer to the KISS rules on slide 8 for more details.

Fundamental Research Summary: Friday, November 7, 2025

Sticky Inflation (introduced: Jan-22; time horizon: 1yr+)

- US inflation is unlikely to durably return to the Fed's arbitrary 2% target without an actual recession.
- While the Fed may never officially abandon its arbitrary 2% inflation target, those of us who understand the role the monetary authority will be forced to play in this Fourth Turning know that its increasingly loose commitment to 2% inflation as the definition of "price stability" signals that their inflation target is evolving in a manner that is consistent with our 3% equilibrium Core PCE forecast and is unlikely to alert the frogs being boiled alive in the "pot" that is the Treasury bond market.

Resilient US Economy (introduced: Sep-22; time horizon: 1yr+)

- The US economy remains resilient due to historically strong private sector balance sheets, labor hoarding, expansionary monetary policy, substantial deregulation, and AI investment.
- There is a low probability of an actual recession in the US economy over a medium-term time horizon according to the 42 Macro Business Cycle Model and key high-frequency data.

Paradigm C (introduced: Apr-25; time horizon: through at least Nov-26)

- The Trump administration is likely guiding the US economy toward Paradigm C, which features the fiscal and monetary largesse that perpetuated the K-shaped economy of Paradigm A, plus trillions more in tax cuts, substantial deregulation, and some reshoring of industries deemed critical for national defense. In short, Paradigm C implies the net impact of fiscal, regulatory, and trade policy changes represents a multi-year positive shock to growth that Wall Street consensus still underappreciates.
- The key takeaway from our *Investing During a Fourth Turning Regime* presentation is that there is a growing, geopolitically driven supply-demand imbalance in the Treasury bond market and the Fed is the only institution in the world with a balance sheet large and flexible enough to fill the void. Given this precondition, an erosion of Fed independence is likely over the long term akin to the prior Fourth Turning. The Fed's increasing share of bills to match the Treasury's issuance pattern and reduce stress in funding markets is an early example of the erosion of Fed independence that we anticipate.
- The bipartisan commitment to fiscal largesse demands substantial monetary debasement and financial repression over the long term. We expect a reduction of the SLR by Mar-26. We expect forward guidance to evolve in a manner that supports a durably negative real floor Fed Funds Rate by Dec-26. We expect a targeted expansion of the Fed's balance sheet – such as MBS QE – by Dec-27. We expect the Fed to transition from targeting Fed Funds to Tri-Party Repo to facilitate basis trade expansion by Dec-28. We expect durable Fed yield curve control (YCC) by Dec-29.
- Fiscal dominance is also why Treasury net financing policy is likely to remain dovish for the foreseeable future. The concentration of issuance in bills — which has ample scope to increase — reduces duration risk across global financial markets and supports global liquidity.
- The path that asset markets may take to realize Paradigm C's upside risk is not linear. The worst of the U-shaped economy is likely still ahead of us and the slowdown in growth will flatter consensus recession fears. Trade policy uncertainty is likely to persist as well — and may even deteriorate.
- We view these transitory outcomes as scarecrows to be faded by every investor with an investment horizon that extends past this fall, because the administration's policy signaling continues to imply a low probability of a return to bearish Paradigm B. Focus on the forest, not the trees.

Highlighted callouts include material changes from the preceding 42 Macro research report.

Red = bearish for risk assets. Green is bullish for risk assets. Orange = neutral for risk assets.

Active Themes sourced from our monthly Macro Scouting Reports and daily Leadoff Morning Notes. In chronological order.

Quantitative Risk Management Summary: Friday, November 7, 2025

Short-Term Signals (<1 month):

- **Crowding Model:** Not currently generating any bearish or bullish signals.
- **Probable Range Model:** The **S&P 500** and **NASDAQ 100** are currently oversold.

Short-to-Medium-Term Signals (1-3 months):

- **Macro Weather Model:** Currently generating a bullish three-month outlook for Bonds and the US Dollar, and a bearish three-month outlook for Stocks, Gold, Bitcoin, and Commodities. The composite signals currently indicate a low probability of sustaining a risk-on Market Regime over the next three months.
- **Positioning Model:** Retail traders are neutral stocks, and professional traders are overweight stocks. Speculators are underweight stocks, underweight Treasurys, neutral the US dollar, and underweight commodities. Our Positioning Model signals reasonable risk of a correction (↓ 10%) in risk assets over the short-to-medium term.

Medium-to-Long-Term Signals (3-12+ months):

- **Dr. Mo Directionally Bullish Signals:** n/a
- **Dr. Mo Directionally Bearish Signals:** STIP, FXA, Bitcoin
- **Global Macro Risk Matrix:** GOLDILOCKS is the current Market Regime. GOLDILOCKS is a risk-on regime in which investors are generally rewarded for increasing risk because policymakers are supporting or unlikely to restrain real economic growth that is perceived to be accelerating or persistently higher than expectations. *The key portfolio construction considerations in GOLDILOCKS are: Risk Assets > Defensive Assets, High Beta > Low Beta, Cyclicals > Defensives, Growth > Value, SMID Caps > Large Caps, US > International, EM > DM, Spread Products > Treasurys, Short Rates > Belly > Long Rates, High Yield > Investment Grade, Industrial Commodities > Energy Commodities > Agricultural Commodities, and Gold > FX > USD.*
- **Global Liquidity Model:** Global liquidity is currently trending higher. Key leading indicators of global liquidity currently signal a significant uptrend over the medium term.
- **GRID Model:** REFLATION (growth ↑ and inflation ↑) is the modal outcome from a Bottom-Up Macro Regime perspective in the US economy over the medium term.
- **Positioning Model:** Investment advisors are overweight stocks, neutral bonds, and underweight cash. Systematic funds are overweight stocks. Market-neutral hedge funds are overweight risk assets from a gross exposure perspective. Risk asset valuations are consistent with major bull market peaks. Economic policy uncertainty is not consistent with major bull market peaks. Our Positioning Model signals high risk of a crash (↓ 20%) in risk assets over the medium-to-long term.

Highlighted callouts include material changes from the preceding 42 Macro research report.

Positioning Model correction/crash risk thresholds: < 25% = low, 25-50% moderate, 50-75% reasonable, and > 75% high.

Macro Weather Model RORO phase transition risk thresholds: < 25% = low, 25-50% moderate, 50-75% reasonable, and > 75% high.

The Following Content Is Intended For Use By Retail Investors And Should Not Be Reconciled With Our Fundamental Research Views Or Anything We Discuss Beyond Slide 16 Of This Presentation.

-Skipper

KISS Model Portfolio: Keep It Simple & Systematic

I. **Factor Selection Process: We have developed a 60/30/10 trend-following strategy that is likely to significantly outperform the standard 60/40 portfolio over the long term on both an absolute and risk-adjusted basis.**

- The 42 Macro KISS Model Portfolio offers a thoughtful alternative to the traditional 60/40 portfolio framework, particularly during a Fourth Turning regime. Our 60/30/10 trend-following strategy is designed to simplify investing, maximize upside capture during bull markets, and minimize downside capture during bear markets.
- **60% Stocks, which offensively expose your portfolio to productivity growth:** Our default exposure is the S&P 500 $SPLG. Investors may allocate that 60% to a diversified equity ETF(s) that better aligns with their individual investment preferences, risk tolerance, and/or product availability. Consult our Discretionary Risk Management Overlay aka "Dr. Mo" for ideas.
- **30% Gold, which defensively protects your portfolio from financial repression:** Our default exposure is Gold $GLDM. Investors may allocate that 30% to a diversified fixed income ETF(s) that better aligns with their individual investment preferences, risk tolerance, and/or product availability. Consult our Discretionary Risk Management Overlay aka "Dr. Mo" for ideas.
- **10% Bitcoin, which defensively protects your portfolio from monetary debasement:** Our default exposure is Bitcoin $FBTC. Investors may allocate that 10% to Bitcoin directly or to a diversified selection of digital or physical commodities that better aligns with their individual investment preferences, risk tolerance, and/or product availability. Consult our Discretionary Risk Management Overlay aka "Dr. Mo" for ideas.

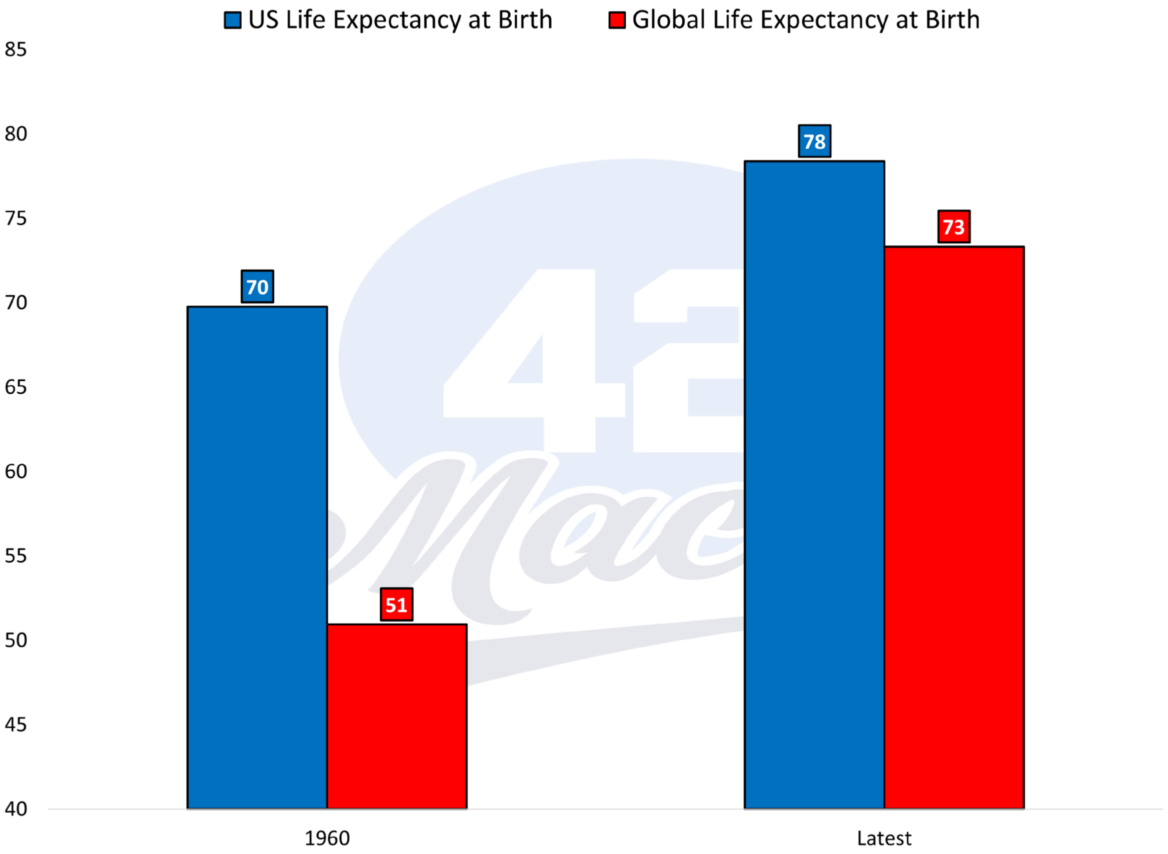
II. **Top-Down Risk Management Overlay: We use our Global Macro Risk Matrix to incorporate volatility targeting into our 60/30/10 trend-following strategy.**

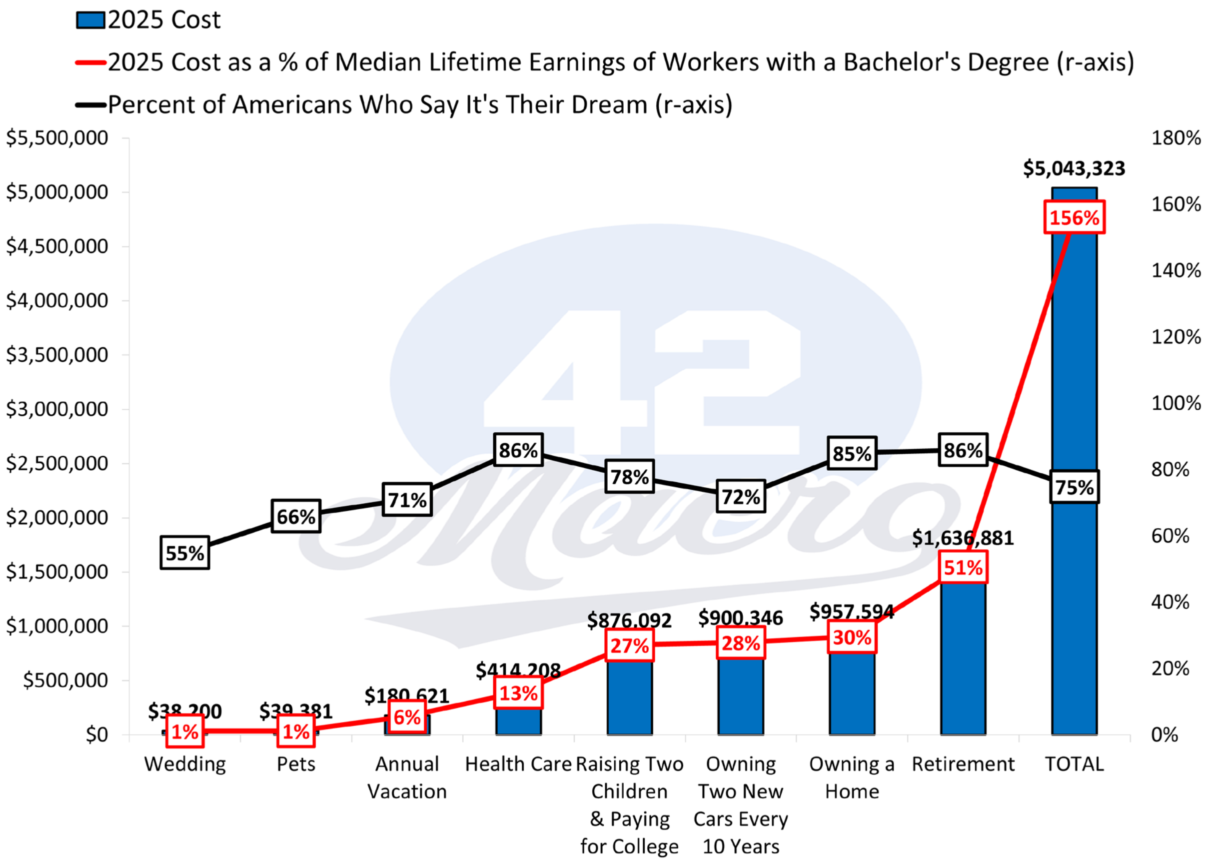
- **Stocks:** If the Market Regime is in a risk-on condition (i.e., GOLDILOCKS or REFLATION), then the Target Allocation for the SPLG ETF is maxed out at 60%. If the Market Regime is in a risk-off condition (i.e., INFLATION or DEFLATION), then the Target Allocation for the SPLG ETF is cut in half to 30%.
- **Gold:** Gold has historically performed well in all Market Regimes except INFLATION, where its absolute return is modestly negative. Extensive fundamental research suggests Gold is likely to have structurally better performance in INFLATION. As such, Gold's Target Allocation is fixed at 30%.
- **Bitcoin:** If the Market Regime is in a risk-on condition (i.e., GOLDILOCKS or REFLATION), then the Target Allocation for the FBTC ETF is maxed out at 10%. If the Market Regime is in a risk-off condition (i.e., INFLATION or DEFLATION), then the Target Allocation for the FBTC ETF is cut in half to 5%.

III. **Bottom-Up Risk Management Overlay: We use our Volatility-Adjusted Momentum Signal to incorporate dynamic position sizing into our 60/30/10 trend-following strategy.**

- If an ETF is Bullish VAMS, then the Actual Exposure = 100% of the Target Allocation.
- If an ETF is Neutral VAMS, then the Actual Exposure = 50% of the Target Allocation.
- If an ETF is Bearish VAMS, then the Actual Exposure = 0% of the Target Allocation.

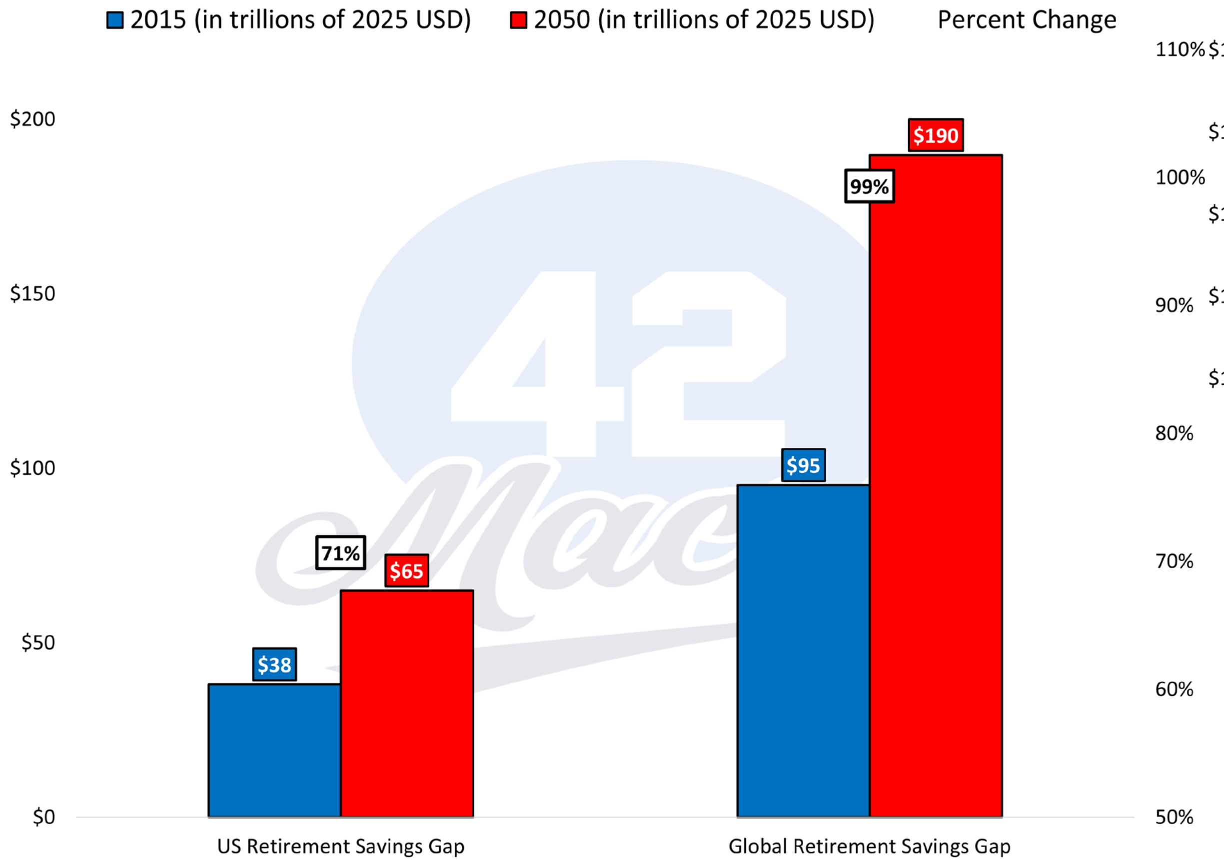
Why KISS? People Are Living Longer And Are Woefully Unprepared For How Much It Costs To Retire On Time And Comfortably

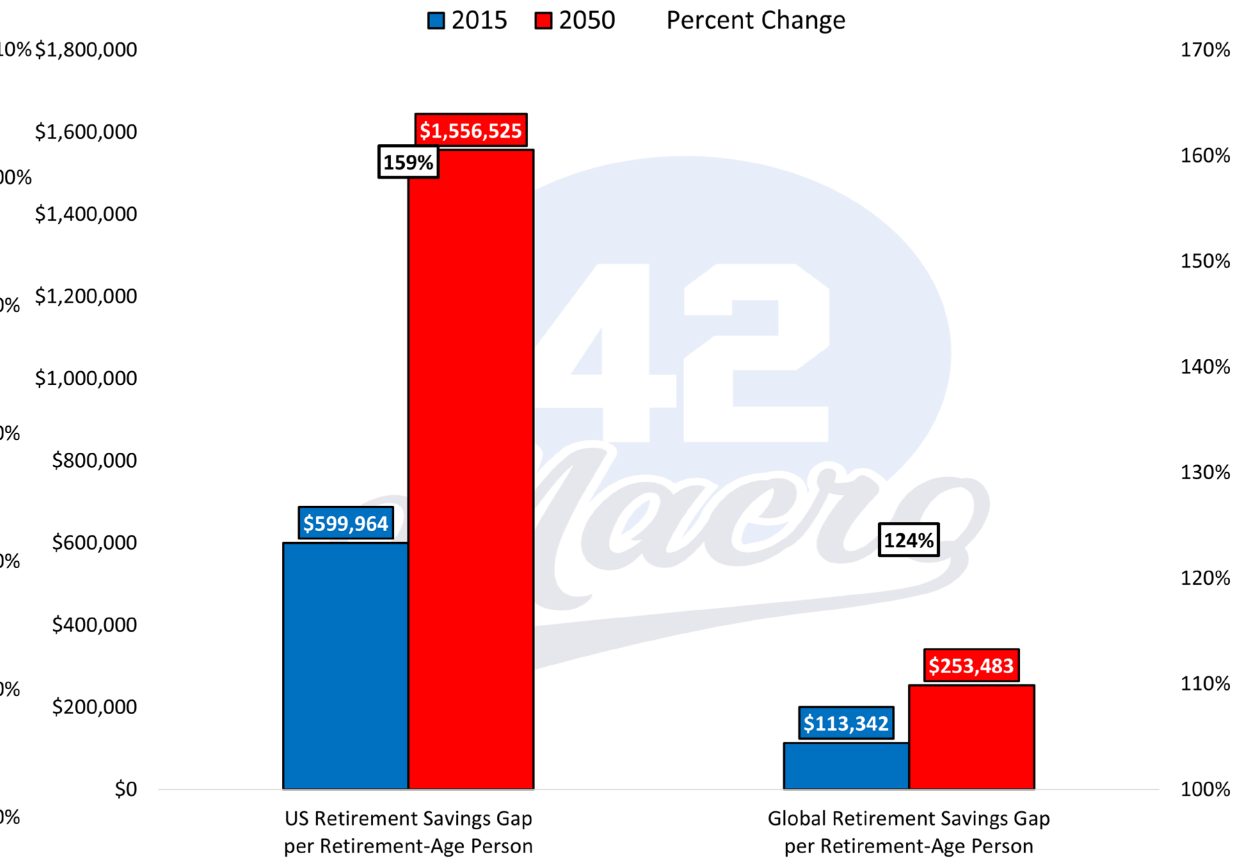




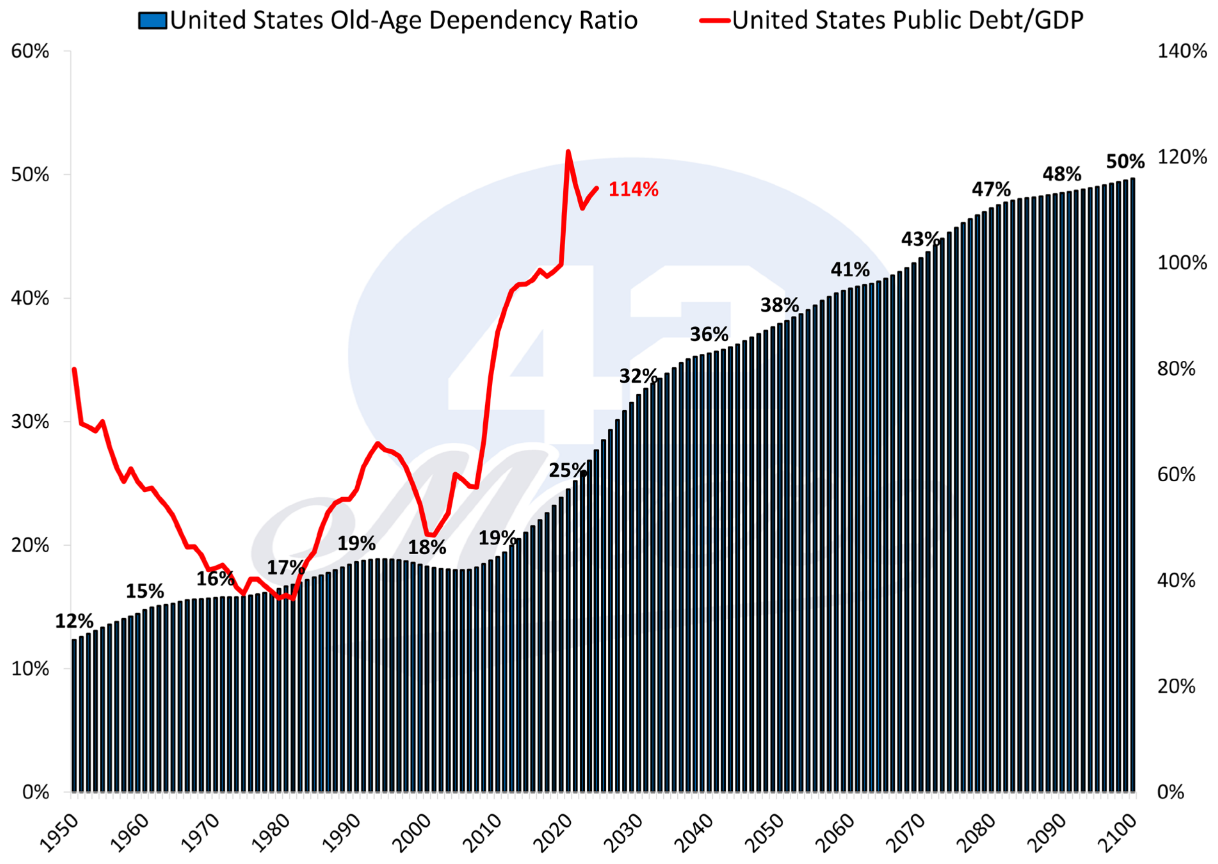
 Data Sources: Bloomberg, Investopedia 2025 American Dream Survey, Georgetown Center on Education and the Workforce.
The median lifetime earnings of US workers with a bachelor's degree = $3.2 million in 2025 dollars.

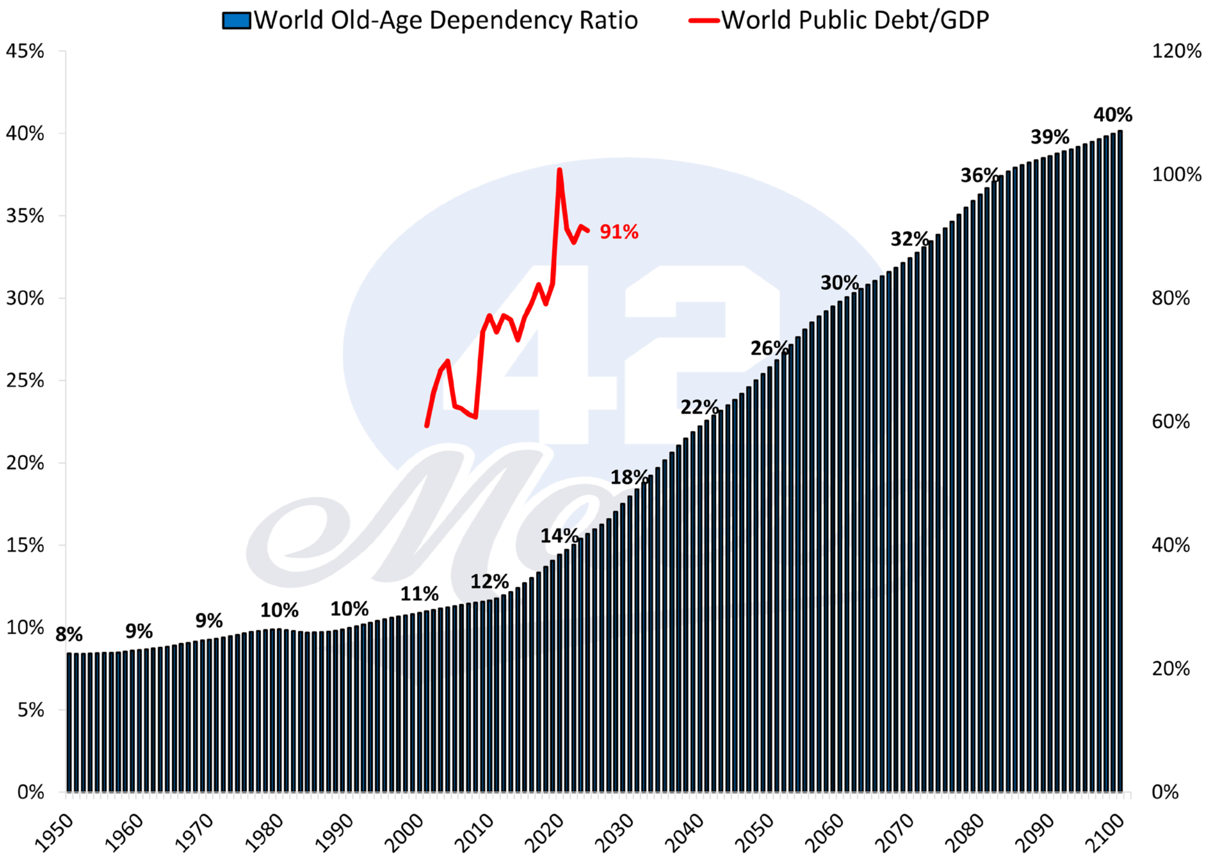
Why KISS? The Retirement Gap Is Already Uncomfortably Large And Projected To Widen Dramatically In The Coming Years



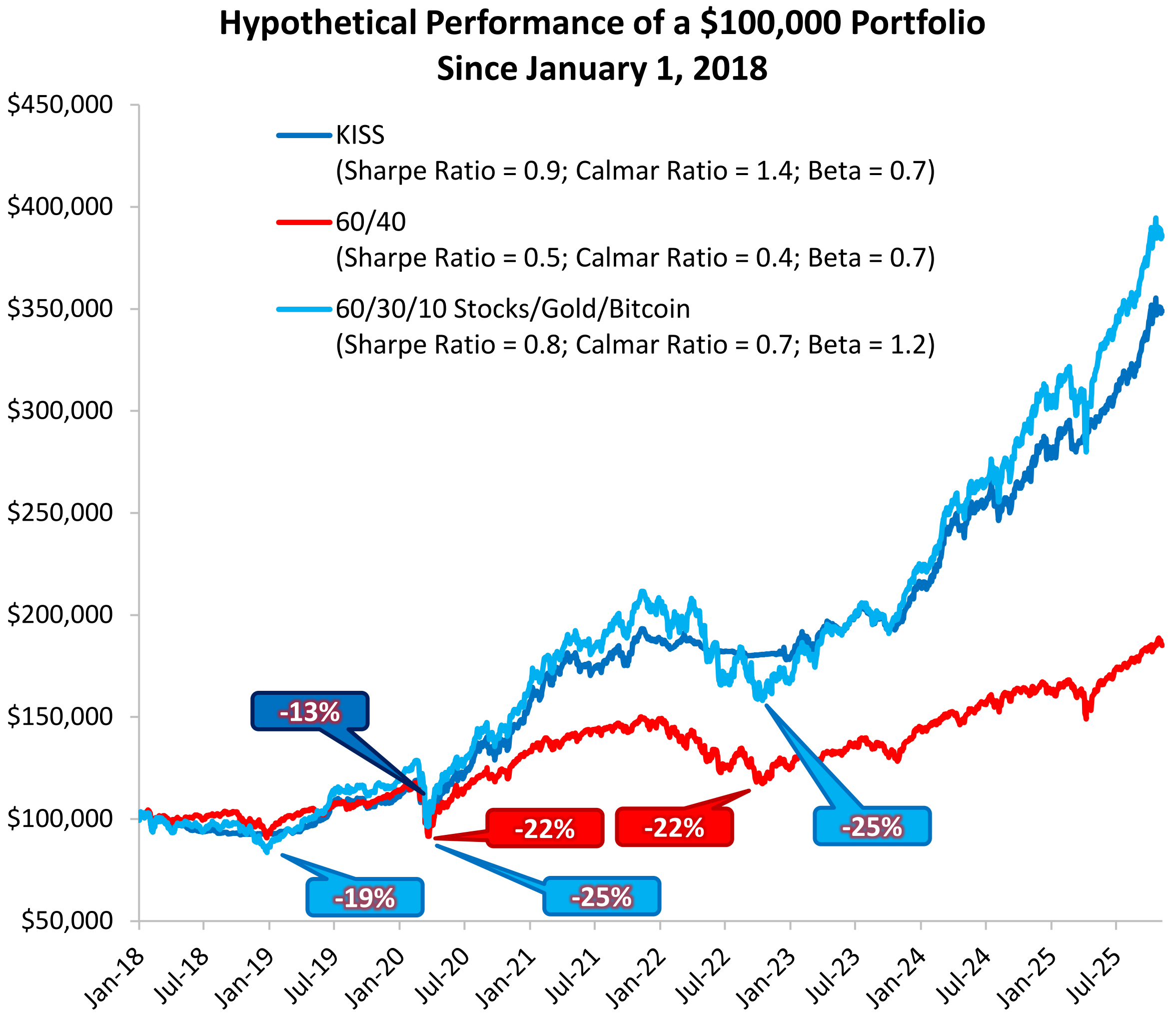


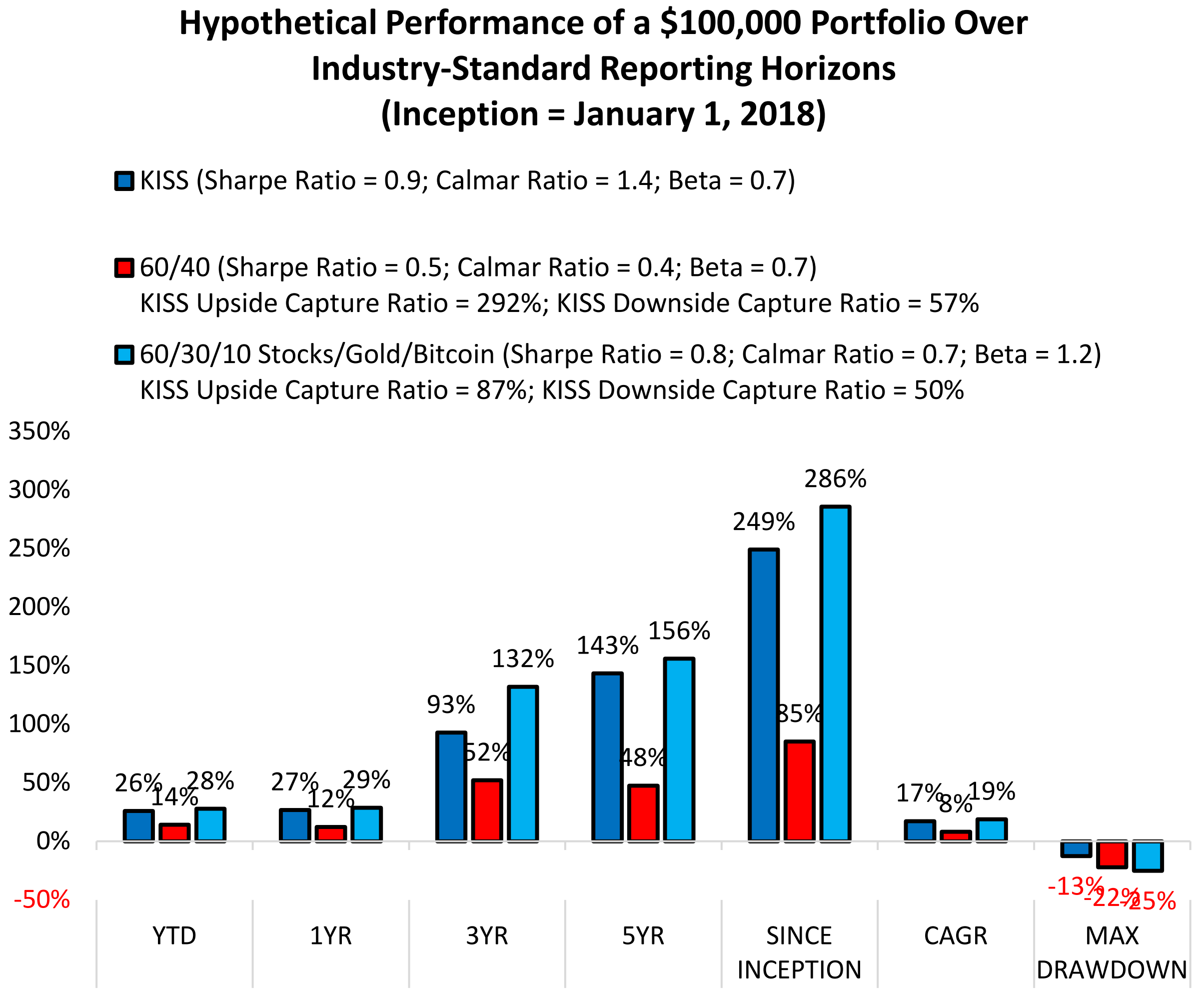
Why KISS? Poor Demographics And Record Public Sector Indebtedness All But Guarantee That Your Retirement Will Not Be Bailed Out By The Government





KISS Model Portfolio Backtest





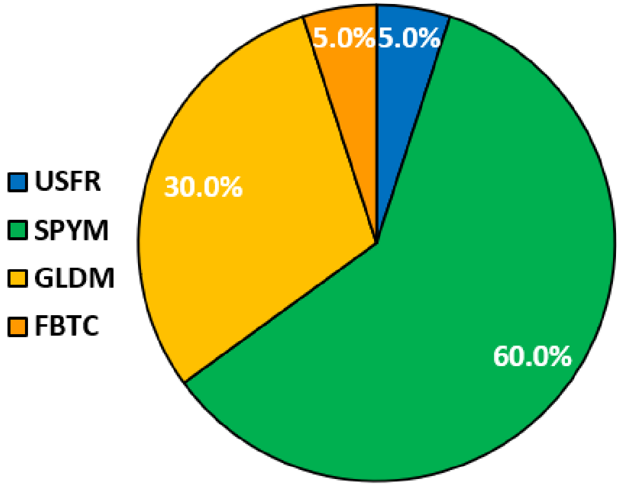
Out-of-sample backtest. KISS' Top-Down and Bottom-Up Risk Management Overlay pivots are lagged by a full day to simulate real-world trading conditions. KISS averages only two trades per month.

Prior KISS Model Portfolio

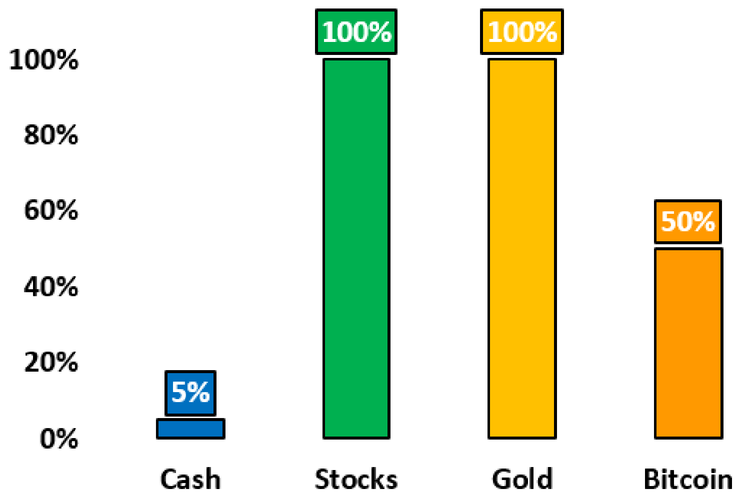
42 Macro KISS Model Portfolio

Cash (Percent of MAX Exposure of 100%): 5%	Market Regime Determines Target Allocation	VAMS Determines Actual Exposure	Δ Since Prior Update	6mo βeta to S&P 500
USFR	n/a	5.00%		-0.0
Stocks (Percent of MAX Exposure of 60%): 100%	**Top-Down Risk Management Overlay (G&R=60%; I&D=30%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
SPYM	60.00%	60.00%		1.0
Gold (Percent of MAX Exposure of 30%): 100%	**Top-Down Risk Management Overlay (GRID = 30%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
GLDM	30.00%	30.00%		-0.5
Bitcoin (Percent of MAX Exposure of 10%): 50%	**Top-Down Risk Management Overlay (G&R=10%; I&D=5%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
FBTC	10.00%	5.00%		1.3

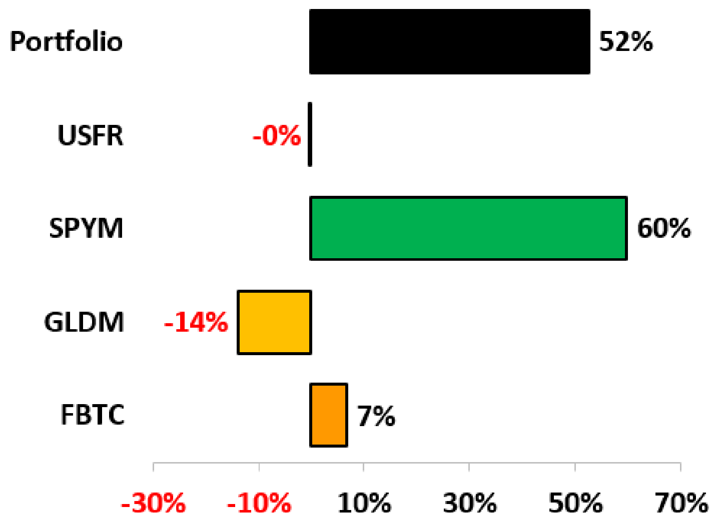
Gross Exposure



Percentage of Maximum Exposure



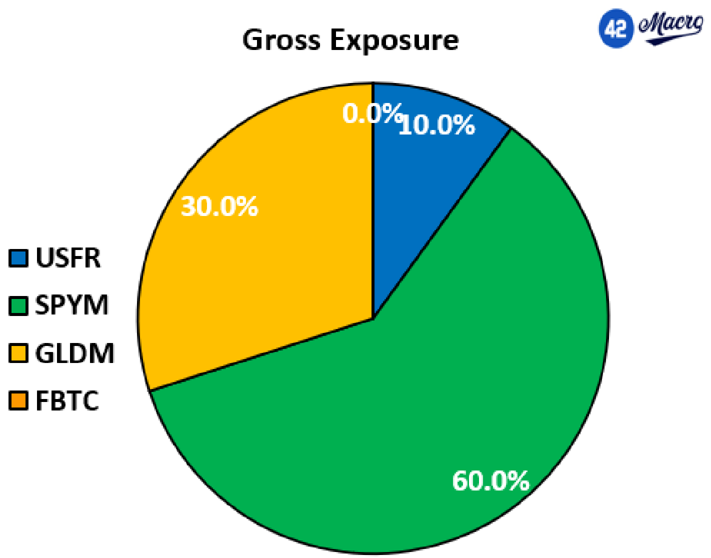
βeta-Adjusted S&P 500 Delta

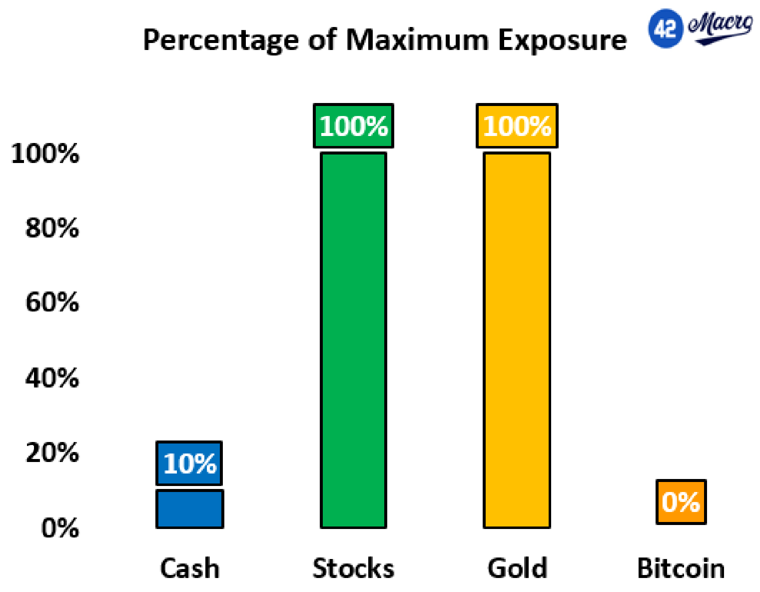


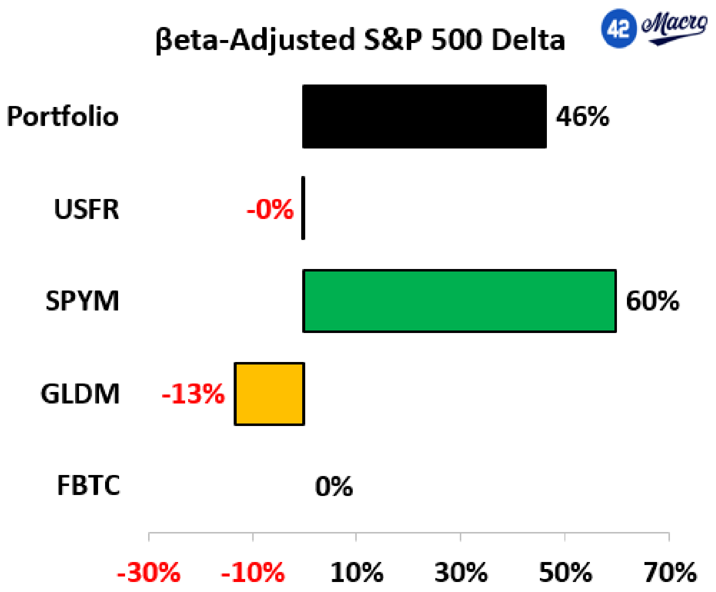
Current KISS Model Portfolio (Implement The Pie Chart): Friday, November 7, 2025

42 Macro KISS Model Portfolio

Cash (Percent of MAX Exposure of 100%): 10%	Market Regime Determines Target Allocation	VAMS Determines Actual Exposure	Δ Since Prior Update	6mo βeta to S&P 500
USFR	n/a	10.00%	+500bps	-0.0
Stocks (Percent of MAX Exposure of 60%): 100%	**Top-Down Risk Management Overlay (G&R=60%; I&D=30%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
SPYM	60.00%	60.00%		1.0
Gold (Percent of MAX Exposure of 30%): 100%	**Top-Down Risk Management Overlay (GRID = 30%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
GLDM	30.00%	30.00%		-0.4
Bitcoin (Percent of MAX Exposure of 10%): 0%	**Top-Down Risk Management Overlay (G&R=10%; I&D=5%)**	**Bottom-Up Risk Management Overlay (100%/50%/0%)**	**Δ Since Prior Update**	**6mo βeta to S&P 500**
FBTC	10.00%	0.00%	-500bps	1.3

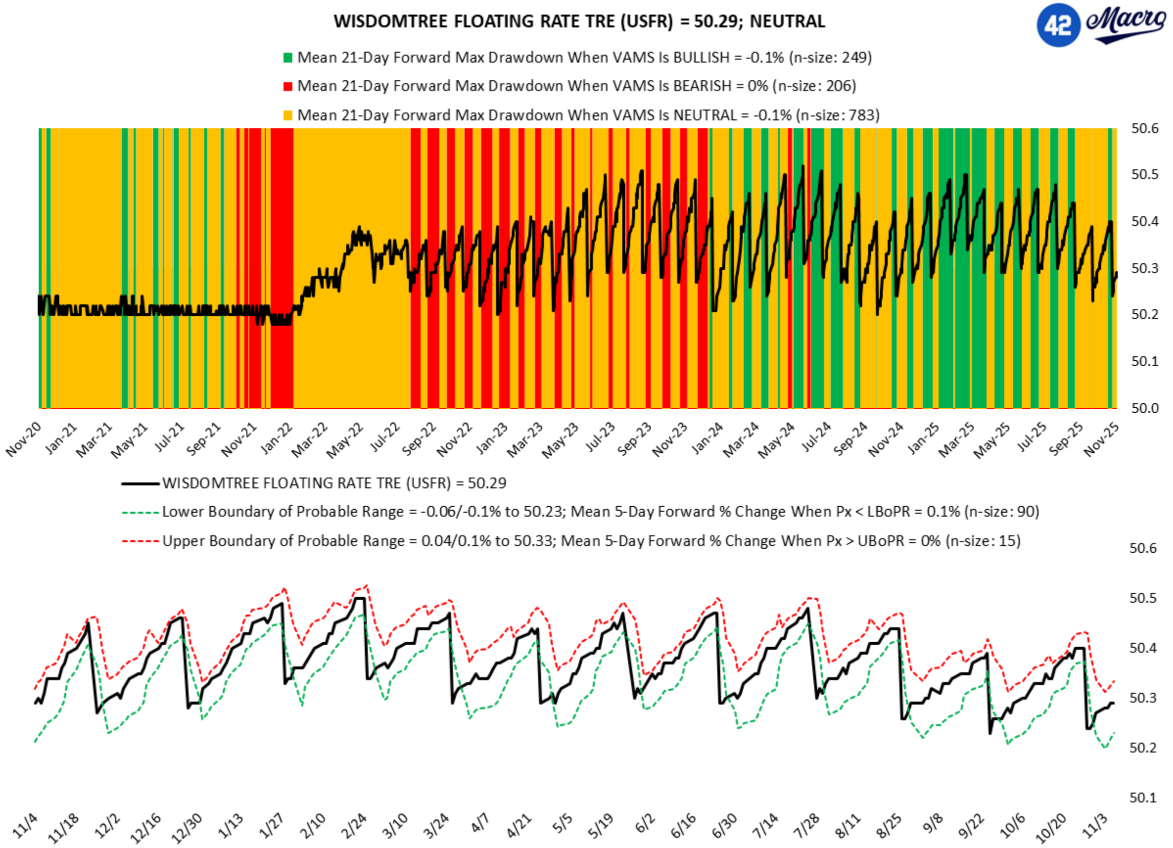


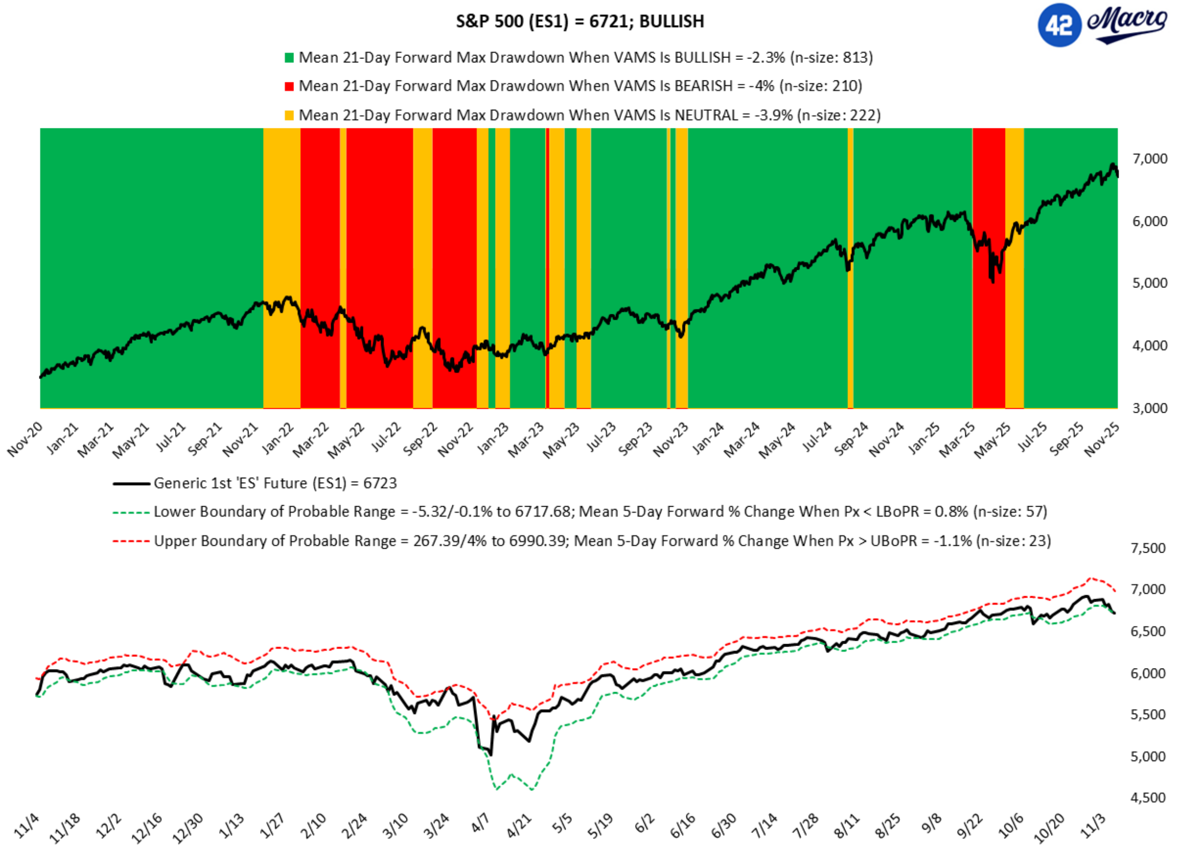




Liquidity Management:
Short-Term Floating Rate Treasurys (USFR)

Stocks (SPLG): The Actual Exposure = 100% Of The Current Target Allocation Of 60%

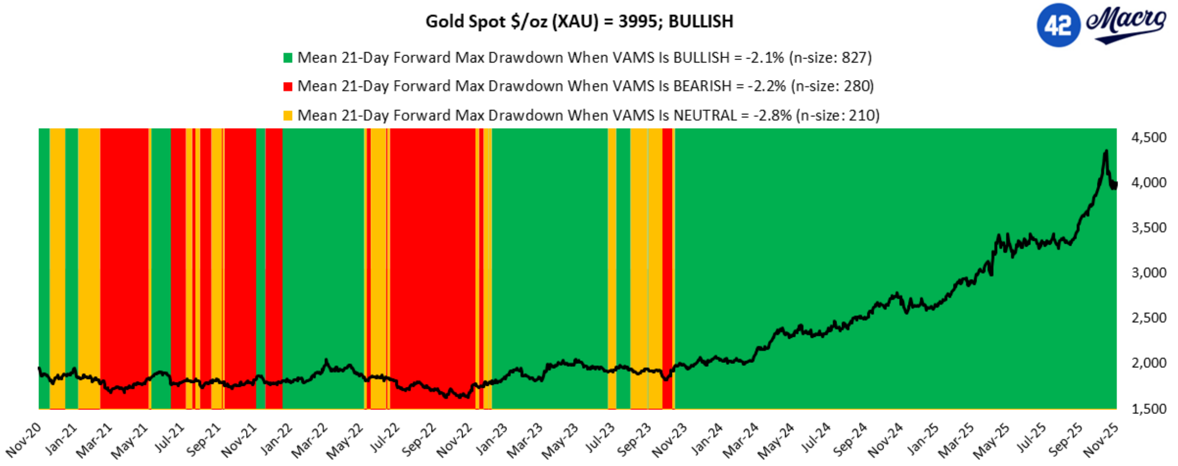


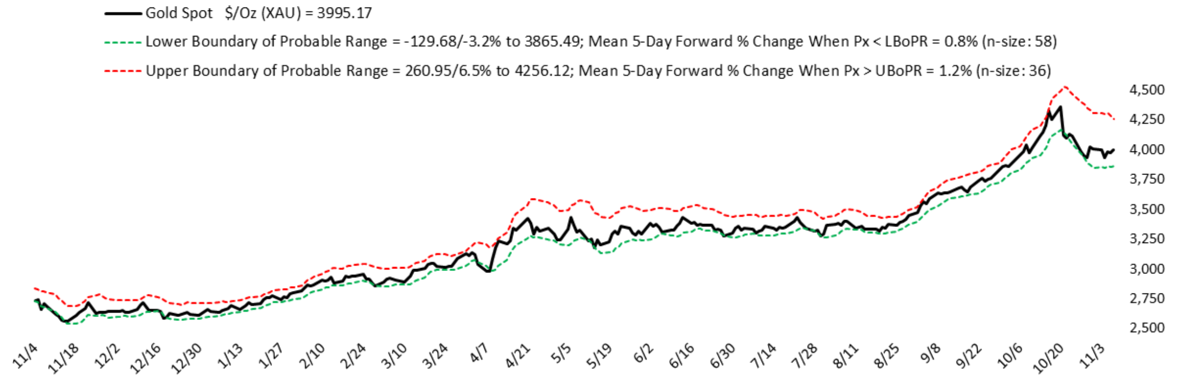


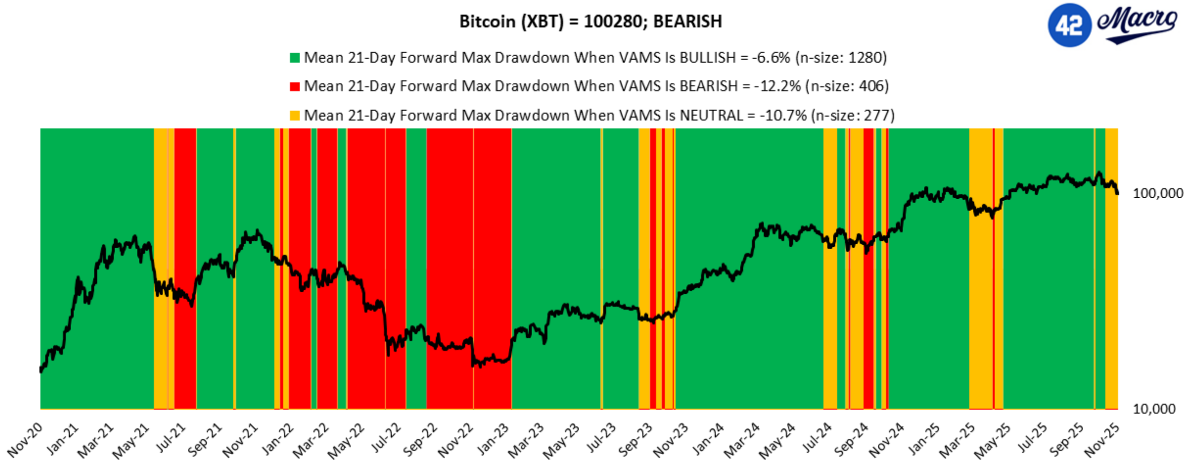
Bullish VAMS = GREEN; Bearish VAMS = RED; and Neutral VAMS = ORANGE.

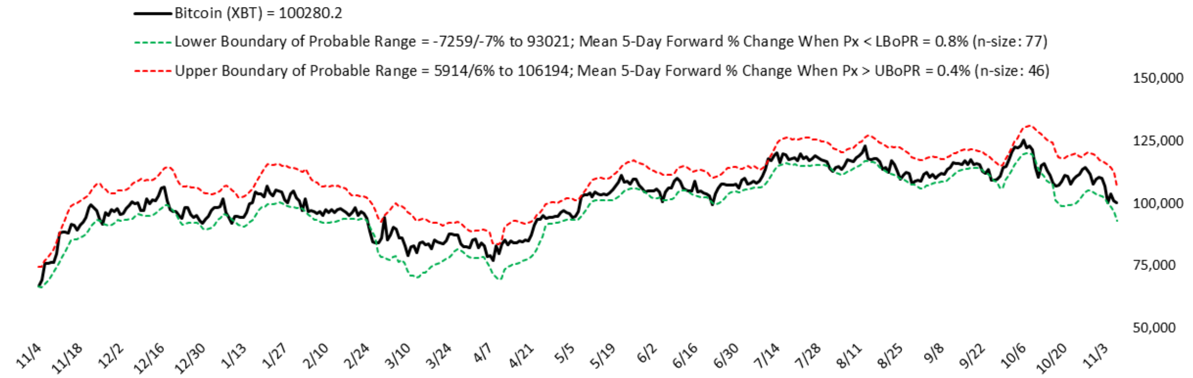
Gold (GLDM): The Actual Exposure = 100% Of The Fixed Target Allocation Of 30%

Bitcoin (FBTC): The Actual Exposure = 0% Of The Current Target Allocation Of 10%









Bullish VAMS = GREEN; Bearish VAMS = RED; and Neutral VAMS = ORANGE.

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-Skipper

The 42 Macro Risk Management Process

Identify And Position For The Market Regime

Global Macro Risk Matrix, KISS, and Dr. Mo

Prepare For Regime Change Using Quantitative Signals

GRID Model, Macro Weather Model, Positioning Model, and Global Liquidity Model

(visibility 3-12mos)

Prepare For Regime Change Using Qualitative Signals

Fundamental Research Themes

(visibility: 3-12mos; 3-10yrs)

42 Macro Factor Long-Short Preferences	Risk-On Market Regimes		Risk-Off Market Regimes	
	GOLDILOCKS	REFLATION	INFLATION	DEFLATION
General Bias	Risk Assets Defensive Assets	Risk Assets Defensive Assets	Defensive Assets Risk Assets	Defensive Assets Risk Assets
Beta	High Beta Low Beta	High Beta Low Beta	Low Beta High Beta	Low Beta High Beta
Cyclicality	Cyclicals Defensives	Cyclicals Defensives	Defensives Cyclicals	Defensives Cyclicals
Style	Growth Value	Growth Value	Value Growth	Growth Value
Market Cap	SMID Caps Large Caps	SMID Caps Large Caps	Large Caps SMID Caps	Large Caps SMID Caps
Regional	US International	International US	US International	US International
Geographic	Emerging Markets Developed Markets	Emerging Markets Developed Markets	Developed Markets Emerging Markets	Developed Markets Emerging Markets
Fixed Income	Spread Products Treasurys	Spread Products Treasurys	Treasurys Spread Products	Treasurys Spread Products
Treasury Curve	Short Rates Belly Long Rates	Short Rates Belly Long Rates	Short Rates Belly Long Rates	Long Rates Belly Short Rates
Credit	High Yield Investment Grade	High Yield Investment Grade	Investment Grade High Yield	Investment Grade High Yield
Commodities	Industrial Commodities Energy Commodities Agricultural Commodities	Industrial Commodities Energy Commodities Agricultural Commodities	Agricultural Commodities Energy Commodities Industrial Commodities	Agricultural Commodities Energy Commodities Industrial Commodities
Currencies	Gold Foreign Currencies US Dollar	Gold Foreign Currencies US Dollar	US Dollar Gold Foreign Currencies	Gold US Dollar Foreign Currencies

GOLDILOCKS = risk on with a disinflationary bias. REFLATION = risk on with an inflationary bias.
INFLATION = risk off with an inflationary bias. DEFLATION = risk off with a disinflationary bias.

Investors Should Use Our Discretionary Risk Management Overlay aka "Dr. Mo" As A Market Timing And Position Sizing Guide For Factor Long-Short Bets <u>OR</u> To Implement A Customized Version Of KISS: Friday, November 7, 2025

MARKET REGIME: GOLDILOCKS

US EQUITY SECTORS	VAMS	RSI	PROPER TRADE	US EQUITY FACTORS	VAMS	RSI	PROPER TRADE	GLOBAL EQUITIES	VAMS	RSI	PROPER TRADE	FIXED INCOME SECTORS	VAMS	RSI	PROPER TRADE	MACRO EXPOSURES	VAMS	RSI	PROPER TRADE
USA (SPY)	✔	48	LONG: Max Position	Dividend Compounders (SPHD)	!	35	LONG: Half Position	Australia (EWA)	✔	41	LONG: Max Position	0-5yr TIPS (STIP)	!	33	LONG: Half Position	Agriculture (DBA)	✖	40	No Position
Communication Services (XLC)	✔	38	LONG: Max Position	Growth (IWF)	✔	47	LONG: Max Position	Brazil (EWZ)	✔	69	LONG: Max Position	1-3yr Treasurys (SHY)	✔	42	LONG: Max Position	Australian Dollar (FXA)	!	41	LONG: Half Position
Consumer Discretionary (XLY)	✔	47	LONG: Max Position	High Beta (SPHB)	✔	49	LONG: Max Position	Canada (EWC)	✔	44	LONG: Max Position	3-12mo Treasury Bills (BILS)	n/a	39	SHORT: Max Position	Base Metals (DBB)	✔	56	LONG: Max Position
Consumer Staples (XLP)	!	30	LONG: Half Position	Large Caps (IWB)	✔	47	LONG: Max Position	China (FXI)	✔	50	LONG: Max Position	5-10yr TIPS (TIP)	✔	41	LONG: Max Position	Bitcoin	✖	35	No Position
Energy (XLE)	✔	53	LONG: Max Position	Low Beta (SPLV)	!	38	LONG: Half Position	Commodity Producers (GNR)	✔	45	LONG: Max Position	5-10yr Treasurys (IEF)	✔	46	LONG: Max Position	British Pound (FXB)	!	37	LONG: Half Position
Financials (XLF)	✔	46	LONG: Max Position	Mega Cap Growth (QQQ)	✔	49	LONG: Max Position	Emerging Markets (EEM)	✔	52	LONG: Max Position	25+ Year Treasurys (TLT)	✔	46	No Position	Canadian Dollar (FXC)	!	31	LONG: Half Position
Health Care (XLV)	✔	64	LONG: Max Position	Mid Caps (IWR)	✔	42	LONG: Max Position	Eurozone (EZU)	✔	45	LONG: Max Position	US Aggregate (AGG)	✔	45	LONG: Max Position	Commodities (PDBC)	!	56	LONG: Half Position
Industrials (XLI)	✔	46	LONG: Max Position	Momentum (MTUM)	✔	37	LONG: Max Position	Global Equities (ACWX)	✔	50	LONG: Max Position	BDCs (BIZD)	!	39	LONG: Half Position	Crude Oil (USO)	✖	46	No Position
Information Technology (XLK)	✔	49	LONG: Max Position	Quality (QUAL)	✔	44	LONG: Max Position	India (INDA)	✔	47	LONG: Max Position	Convertibles (CWB)	✔	48	LONG: Max Position	Ethereum	!	33	LONG: Half Position
Materials (XLB)	!	33	LONG: Half Position	Small Caps (IWM)	✔	44	LONG: Max Position	Japan (EWJ)	✔	56	LONG: Max Position	EM Local Currency Bonds (EMLC)	✔	48	LONG: Max Position	Euro (FXE)	!	42	LONG: Half Position
Real Estate (XLRE)	!	38	LONG: Half Position	Value (IWD)	✔	47	LONG: Max Position	United Kingdom (EWU)	✔	55	LONG: Max Position	EM USD Bonds (EMB)	✔	52	LONG: Max Position	Gold (GLD)	✔	50	LONG: Max Position
Utilities (XLU)	✔	43	LONG: Max Position									High Yield Credit (HYG)	✔	40	LONG: Max Position	Gold Miners (GDX)	✔	45	LONG: Max Position
												International Aggregate (BNDX)	!	48	LONG: Half Position	Japanese Yen (FXY)	!	43	LONG: Half Position
												International Bonds (BWX)	✖	42	No Position	Silver (SLV)	✔	50	LONG: Max Position
												Investment Grade Credit (LQD)	✔	42	LONG: Max Position	Silver Miners (SIL)	✔	39	LONG: Max Position
												Leveraged Loans (BKLN)	✔	59	LONG: Max Position	Uranium (SRUUF)	✔	43	LONG: Max Position
												MBS (MBB)	✔	48	LONG: Max Position	US Dollar (UUP)	!	62	SHORT: Half Position
												Preferreds (PFF)	!	35	LONG: Half Position				

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. VAMS = Volatility-Adjusted Momentum Signal. RSI = 14-Day Relative Strength Index. Highlighted exposures indicate change in PROPER TRADE signal from the previous report. GREEN = directionally bullish change. RED = directionally bearish change. The PROPER TRADE signals do NOT correspond to KISS.

The key portfolio construction considerations in GOLDILOCKS are: Risk Assets > Defensive Assets, High Beta > Low Beta, Cyclicals > Defensives, Growth > Value, SMID Caps > Large Caps, US > International, EM > DM, Spread Products > Treasurys, Short Rates > Belly > Long Rates, High Yield > Investment Grade, Industrial Commodities > Energy Commodities > Agricultural Commodities, and Gold > FX > USD.

We Use Our Volatility-Adjusted Momentum Signal To Forecast The Likely Direction Of Asset Markets Over A Short-To-Medium-Term Time Horizon

11/7/2025	SPY	XLC	XLY	XLP	XLE	XLF	XLV	XLI	XLK	XLB	XLRE	XLU	SPHD	IWF	SPHB	IWB
10/1/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/2/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/3/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/6/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/7/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/8/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/9/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/10/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	✓
10/13/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	✓
10/14/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	✓
10/15/2025	✓	✓	✓	!	!	✓	✓	✓	✓	!	!	✓	✓	✓	!	✓
10/16/2025	✓	✓	✓	!	✗	✓	✓	✓	✓	!	!	✓	✓	✓	!	✓
10/17/2025	✓	✓	✓	!	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✓
10/20/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/21/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/22/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/23/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/24/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/27/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/28/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/29/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/30/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓
10/31/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
11/3/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
11/4/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
11/5/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
11/6/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
11/7/2025	✓	✓	✓	!	✓	✓	✓	✓	✓	!	!	✓	!	✓	✓	✓
G	1	1	1	0	1	1	1	1	1	0	0	1	0	1	1	1
R	1	1	1	0	1	1	1	1	1	0	0	1	0	1	1	1
I	0	0	0	0	1	0	1	0	0	0	0	1	0	0	0	1
D	1	1	1	0	0	0	1	0	1	0	0	1	0	1	0	1
1D%Δ r to SPY (t3mo)	1.00	0.70	0.78	-0.09	0.31	0.56	0.27	0.74	0.89	0.55	0.24	0.33	0.27	0.95	0.90	1.00
r²	1.00	0.48	0.62	0.01	0.09	0.31	0.07	0.55	0.79	0.31	0.06	0.11	0.07	0.90	0.82	0.99
1D%Δ r to TLT (t3mo)	-0.17	0.06	-0.06	0.25	-0.24	-0.12	-0.04	-0.04	-0.21	0.17	0.20	-0.11	0.17	-0.17	-0.21	-0.16
r²	0.03	0.00	0.00	0.06	0.06	0.01	0.00	0.00	0.04	0.03	0.04	0.01	0.03	0.03	0.05	0.02
1D%Δ r to UUP (t3mo)	-0.12	-0.21	-0.16	-0.21	0.05	-0.01	-0.30	-0.18	0.00	-0.37	-0.33	-0.03	-0.32	-0.05	-0.12	-0.12
r²	0.01	0.04	0.02	0.05	0.00	0.00	0.09	0.03	0.00	0.14	0.11	0.00	0.10	0.00	0.01	0.01
VAMS Δ Frequency	3%	1%	3%	3%	4%	4%	4%	3%	3%	4%	1%	4%	2%	2%	2%	3%
% of Time Trending	72%	88%	72%	61%	63%	69%	66%	73%	68%	73%	66%	62%	66%	71%	76%	73%

11/7/2025	SPLV	QQQ	IWR	MTUM	QUAL	IWM	IWD	EWA	EWZ	EWC	FXI	GNR	EEM	EZU	ACWX	INDA	EWJ	EWU
10/1/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/2/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/3/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/6/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/7/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/8/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/9/2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/10/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/13/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/14/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	!	✓	✓
10/15/2025	!	✓	!	✓	✓	!	!	!	!	!	!	!	!	✓	!	✗	✓	✓
10/16/2025	!	✓	!	✓	✓	!	!	!	!	!	!	!	!	✓	!	✗	✓	✓
10/17/2025	!	✓	!	✓	✓	!	!	!	!	!	!	!	!	✓	!	!	✓	✓
10/20/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/21/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/22/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/23/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/24/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/27/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/28/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/29/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/30/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10/31/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/3/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/4/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/5/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/6/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/7/2025	!	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
G	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
R	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
I	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0	1	0
D	0	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
1D%Δ r to SPY (t3mo)	-0.01	0.95	0.81	0.82	0.94	0.80	0.80	0.64	0.58	0.64	0.57	0.54	0.78	0.65	0.81	0.18	0.66	0.52
r²	0.00	0.91	0.65	0.67	0.89	0.64	0.64	0.41	0.34	0.41	0.33	0.29	0.61	0.42	0.66	0.03	0.43	0.27
1D%Δ r to TLT (t3mo)	0.24	-0.19	-0.02	-0.09	-0.12	-0.10	-0.09	0.09	-0.15	-0.07	-0.02	-0.06	-0.05	0.08	0.01	0.07	-0.01	0.07
r²	0.06	0.04	0.00	0.01	0.01	0.01	0.01	0.01	0.02	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.01
1D%Δ r to UUP (t3mo)	-0.21	-0.03	-0.24	-0.02	-0.16	-0.24	-0.19	-0.47	-0.34	-0.35	-0.21	-0.34	-0.27	-0.52	-0.45	-0.12	-0.34	-0.45
r²	0.04	0.00	0.06	0.00	0.02	0.06	0.04	0.22	0.11	0.12	0.04	0.11	0.07	0.27	0.20	0.02	0.11	0.20
VAMS Δ Frequency	2%	3%	3%	1%	1%	3%	3%	5%	4%	4%	3%	2%	3%	3%	2%	2%	4%	4%
% of Time Trending	70%	69%	77%	75%	77%	74%	76%	71%	59%	72%	58%	68%	69%	70%	76%	70%	70%	69%

11/7/2025	STIP	SHY	BILS	TIP	IEF	TLT	AGG	BIZD	CWB	EMLC	EMB	HYG	BNDX	BWX	LQD	BKLN	MBB	PFF
10/1/2025	✓	✓	✓	✓	✓	!	✓	!	✓	✓	✓	✓	!	!	✓	✓	✓	✓
10/2/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	✓	✓	✓
10/3/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	✓	✓	✓
10/6/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	✓	✓	✓
10/7/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	✓	✓	✓
10/8/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/9/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/10/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/13/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/14/2025	✓	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	!	✓	✓
10/15/2025	✓	✓	✓	✓	✓	✓	✓	✗	!	!	✓	!	!	✗	✓	✗	✓	!
10/16/2025	✓	✓	✓	✓	✓	✓	✓	✗	!	!	✓	!	!	✗	✓	✗	✓	!
10/17/2025	✓	✓	✓	✓	✓	✓	✓	✗	!	!	✓	!	!	✗	✓	✗	✓	!
10/20/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	!	✓	✓
10/21/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	!	✓	✓
10/22/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	!	✓	✓
10/23/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	!	✓	!	✓	✓
10/24/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	!	✓	✓
10/27/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	!	✓	✓
10/28/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	!	✓	✓
10/29/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/30/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
10/31/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
11/3/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
11/4/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
11/5/2025	✓	✓	✓	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
11/6/2025	!	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	✓
11/7/2025	!	✓	!	✓	✓	✓	✓	!	✓	✓	✓	✓	!	✗	✓	✓	✓	!
G	0	1	0	1	1	0	1	0	1	1	1	1	0	0	1	1	1	0
R	0	1	0	0	0	0	1	0	1	1	1	1	0	0	1	1	0	0
I	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
D	0	1	0	1	1	1	1	0	0	0	0	0	0	0	1	0	1	0
1D%Δ r to SPY (t3mo)	-0.01	-0.02	-0.06	-0.01	-0.12	-0.17	0.03	0.41	0.82	0.51	0.48	0.68	-0.05	0.06	0.19	0.34	0.03	0.72
r²	0.00	0.00	0.00	0.00	0.01	0.03	0.00	0.17	0.67	0.26	0.23	0.46	0.00	0.00	0.04	0.12	0.00	0.52
1D%Δ r to TLT (t3mo)	0.53	0.59	0.20	0.82	0.91	1.00	0.91	0.03	-0.25	0.28	0.54	0.14	0.75	0.66	0.83	-0.01	0.84	0.19
r²	0.28	0.35	0.04	0.67	0.83	1.00	0.82	0.00	0.06	0.08	0.29	0.02	0.56	0.44	0.69	0.00	0.71	0.04
1D%Δ r to UUP (t3mo)	-0.41	-0.44	-0.14	-0.48	-0.56	-0.47	-0.58	0.01	-0.09	-0.74	-0.43	-0.34	-0.42	-0.87	-0.58	-0.17	-0.56	-0.33
r²	0.17	0.19	0.02	0.23	0.31	0.22	0.34	0.00	0.01	0.55	0.18	0.12	0.17	0.77	0.33	0.03	0.32	0.11
VAMS Δ Frequency	2%	3%	1%	4%	3%	3%	2%	2%	2%	2%	1%	2%	2%	2%	2%	3%	2%	2%
% of Time Trending	75%	74%	63%	82%	84%	83%	80%	69%	85%	63%	71%	79%	71%	56%	65%	71%	80%	66%

11/7/2025	DBA	FXA	DBB	Bitcoin	FXB	FXC	PDBC	USO	Ethereum	FXE	GLD	GDX	FXY	SLV	SIL	SRUUF	UUP
10/1/2025	!	✓	✓	✓	✓	!	!	!	✓	✓	✓	✓	!	✓	✓	✓	✗
10/2/2025	!	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/3/2025	!	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/6/2025	!	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/7/2025	✗	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/8/2025	✗	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/9/2025	✗	✓	✓	✓	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/10/2025	✗	✓	✓	✓	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/13/2025	✗	✓	✓	✓	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/14/2025	✗	✓	✓	✓	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/15/2025	✗	✓	✓	✓	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/16/2025	✗	✓	✓	✓	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/17/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/20/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/21/2025	✗	✓	✓	!	✓	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/22/2025	!	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/23/2025	!	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/24/2025	!	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	✗
10/27/2025	!	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/28/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/29/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/30/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
10/31/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
11/3/2025	✗	✓	✓	!	!	!	!	✗	✓	✓	✓	✓	!	✓	✓	✓	!
11/4/2025	✗	✓	✓	!	!	!	!	✗	!	!	✓	✓	!	✓	✓	✓	!
11/5/2025	✗	✓	✓	!	!	!	!	✗	!	!	✓	✓	!	✓	✓	✓	!
11/6/2025	✗	✓	✓	!	!	!	!	✗	!	!	✓	✓	!	✓	✓	✓	!
11/7/2025	✗	!	✓	✗	!	!	!	✗	!	!	✓	✓	!	✓	✓	✓	!
G	0	0	1	0	0	0	0	0	0	0	1	1	0	1	1	1	0
R	0	0	1	0	0	0	0	0	0	0	1	0	0	1	0	1	0
I	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0
D	1	0	0	1	0	0	0	1	0	0	1	1	0	0	1	0	0
1D%Δ r to SPY (t3mo)	0.19	0.68	0.38	0.67	0.21	0.19	0.22	0.17	0.69	0.11	0.07	0.13	-0.08	0.08	0.20	0.21	-0.12
r²	0.03	0.46	0.15	0.45	0.05	0.04	0.05	0.03	0.48	0.01	0.01	0.02	0.01	0.01	0.04	0.05	0.01
1D%Δ r to TLT (t3mo)	-0.11	0.10	-0.06	0.01	0.42	0.28	-0.31	-0.34	-0.06	0.41	0.05	-0.08	0.50	-0.08	0.01	-0.08	-0.47
r²	0.01	0.01	0.00	0.00	0.18	0.08	0.10	0.12	0.00	0.17	0.00	0.01	0.25	0.01	0.00	0.01	0.22
1D%Δ r to UUP (t3mo)	-0.14	-0.49	0.07	-0.24	-0.86	-0.63	0.14	0.27	-0.25	-0.98	-0.28	-0.26	-0.79	-0.22	-0.29	-0.10	1.00
r²	0.02	0.24	0.00	0.06	0.73	0.40	0.02	0.07	0.06	0.96	0.08	0.07	0.63	0.05	0.08	0.01	1.00
VAMS Δ Frequency	2%	3%	2%	2%	2%	3%	1%	2%	1%	2%	2%	3%	3%	2%	3%	1%	2%
% of Time Trending	73%	63%	75%	89%	68%	60%	74%	60%	95%	57%	88%	73%	47%	79%	74%	79%	59%

Data Source: Bloomberg. If the latest Volatility-Adjusted Momentum Signal (VAMS) corresponds to how the underlying exposure should trade in a particular GRID Regime, the ETF will receive a “1” at the bottom of the table. The ETF will receive a “0” if the VAMS is incongruent with a particular GRID Regime.
GREEN √ = bullish VAMS, ORANGE ! = neutral VAMS, and RED X = bearish VAMS.

42 Macro

Total Returns Since The Start Of The Current Risk-On Market Regime Condition

CURRENT MARKET REGIME CONDITION: RISK-ON

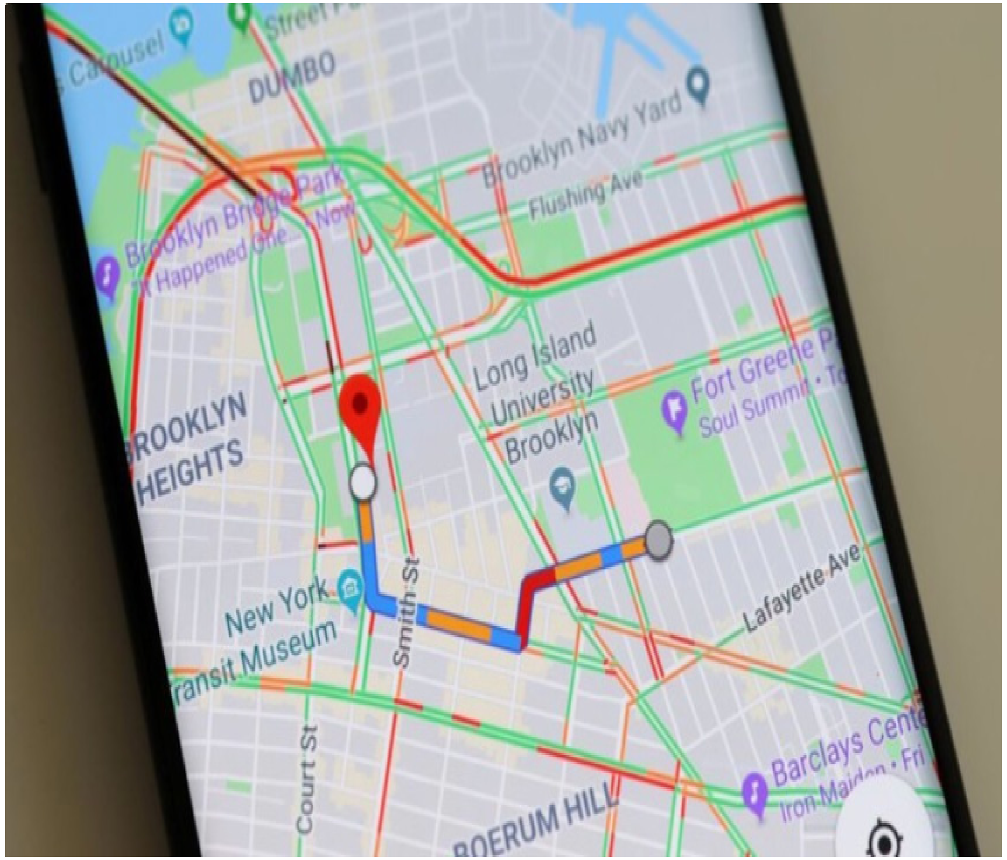
US EQUITY SECTORS	% Δ 5/13/25 to 11/7/25	US EQUITY FACTORS	% Δ 5/13/25 to 11/7/25	GLOBAL EQUITIES	% Δ 5/13/25 to 11/7/25	FIXED INCOME SECTORS	% Δ 5/13/25 to 11/7/25	MACRO EXPOSURES	% Δ 5/13/25 to 11/7/25
USA (SPY)	15%	Dividend Compounders (SPHD)	2%	Australia (EWA)	6%	0-5yr TIPS (STIP)	3%	Agriculture (DBA)	-5%
Communication Services (XLC)	13%	Growth (IWF)	19%	Brazil (EWZ)	15%	1-3yr Treasurys (SHY)	3%	Australian Dollar (FXA)	1%
Consumer Discretionary (XLY)	10%	High Beta (SPHB)	25%	Canada (EWC)	15%	3-12mo Treasury Bills (BILS)	2%	Base Metals (DBB)	15%
Consumer Staples (XLP)	-4%	Large Caps (IWB)	14%	China (FXI)	14%	5-10yr TIPS (TIP)	4%	Bitcoin	-4%
Energy (XLE)	5%	Low Beta (SPLV)	-1%	Commodity Producers (GNR)	10%	5-10yr Treasurys (IEF)	5%	British Pound (FXB)	-0%
Financials (XLF)	3%	Mega Cap Growth (QQQ)	19%	Emerging Markets (EEM)	20%	25+ Year Treasurys (TLT)	7%	Canadian Dollar (FXC)	-1%
Health Care (XLV)	12%	Mid Caps (IWR)	6%	Eurozone (EZU)	9%	US Aggregate (AGG)	5%	Commodities (PDBC)	5%
Industrials (XLI)	9%	Momentum (MTUM)	9%	Global Equities (ACWX)	14%	BDCs (BIZD)	-7%	Crude Oil (USO)	2%
Information Technology (XLK)	25%	Quality (QUAL)	10%	India (INDA)	-1%	Convertibles (CWB)	15%	Ethereum	20%
Materials (XLB)	-1%	Small Caps (IWM)	16%	Japan (EWJ)	16%	EM Local Currency Bonds (EMLC)	7%	Euro (FXE)	4%
Real Estate (XLRE)	1%	Value (IWD)	9%	United Kingdom (EWU)	13%	EM USD Bonds (EMB)	9%	Gold (GLD)	22%
Utilities (XLU)	13%					High Yield Credit (HYG)	4%	Gold Miners (GDX)	52%
						International Aggregate (BNDX)	3%	Japanese Yen (FXY)	-4%
						International Bonds (BWX)	2%	Silver (SLV)	46%
						Investment Grade Credit (LQD)	6%	Silver Miners (SIL)	58%
						Leveraged Loans (BKLN)	4%	Uranium (SRUUF)	9%
						MBS (MBB)	6%	US Dollar (UUP)	1%
						Preferreds (PFF)	5%		

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. "% Δ" = percentage change since. GREEN and RED color coding highlights the BEST-performing and WORST-performing exposure in the respective sample.

The 42 Macro Risk Management Process Is Orthogonal And Likely Additive To Your Investment Process

How Most Investors Manage Risk:
Responding To Failed Predictions

How 42 Macro Manages Risk:
Responding To Bayesian Observations



 Most investors failed to predict the most important macro catalyst in each of the past six years:
2019: COVID-19 in 2020; **2020:** vaccine-and-stimulus-fueled jump condition from the COVID crisis to a booming economy in 2021;
2021: the jump condition to a ~40yr high in inflation in 2022; **2022:** the jump condition from a technical recession to a booming US economy in 2023;
2023: the jump condition from a deflationary regional banking crisis and a ~40yr high in the Fed Funds Rate to a boom in asset markets in 2024; and
2024: the jump condition from Paradigm A to Paradigm B and the jump condition from Paradigm B to Paradigm C in 2025.

Why The 42 Macro Risk Management Process Works

- **Regime Segmentation:** *"I knew which shifts in the environment caused asset classes to move around, and I knew that those relationships had remained essentially the same for hundreds of years. There were only two big forces to worry about: growth and inflation. Each could be rising or falling, so I saw that by finding four different investment strategies – each one of which would do well in a particular environment (rising growth with rising inflation, rising growth with falling inflation, and so on) – I could construct an asset allocation mix that was balanced to do well over time while being protected against unacceptable losses."*
–Ray Dalio, Principles pg. 70

- **Bayesian Inference:** *"Subjective confidence in a judgment is not a reasoned evaluation of the probability that this judgment is correct. Confidence is a feeling, which reflects the coherence of the information and the cognitive ease of processing it. It is wise to take admissions of uncertainty serious, but declarations of high confidence mainly tell you that an individual has constructed a coherent story in his mind, not necessarily that the story is true."*
–Danny Kahneman & Amos Tversky, Thinking, Fast and Slow pg. 212

- **Volatility as a Leading Indicator for Price:** *"You cannot beat the market, says the standard market doctrine. Granted. But you can sidestep its worst punches."*
–Benoit Mandelbrot, The (Mis)Behavior of Markets pg. 249

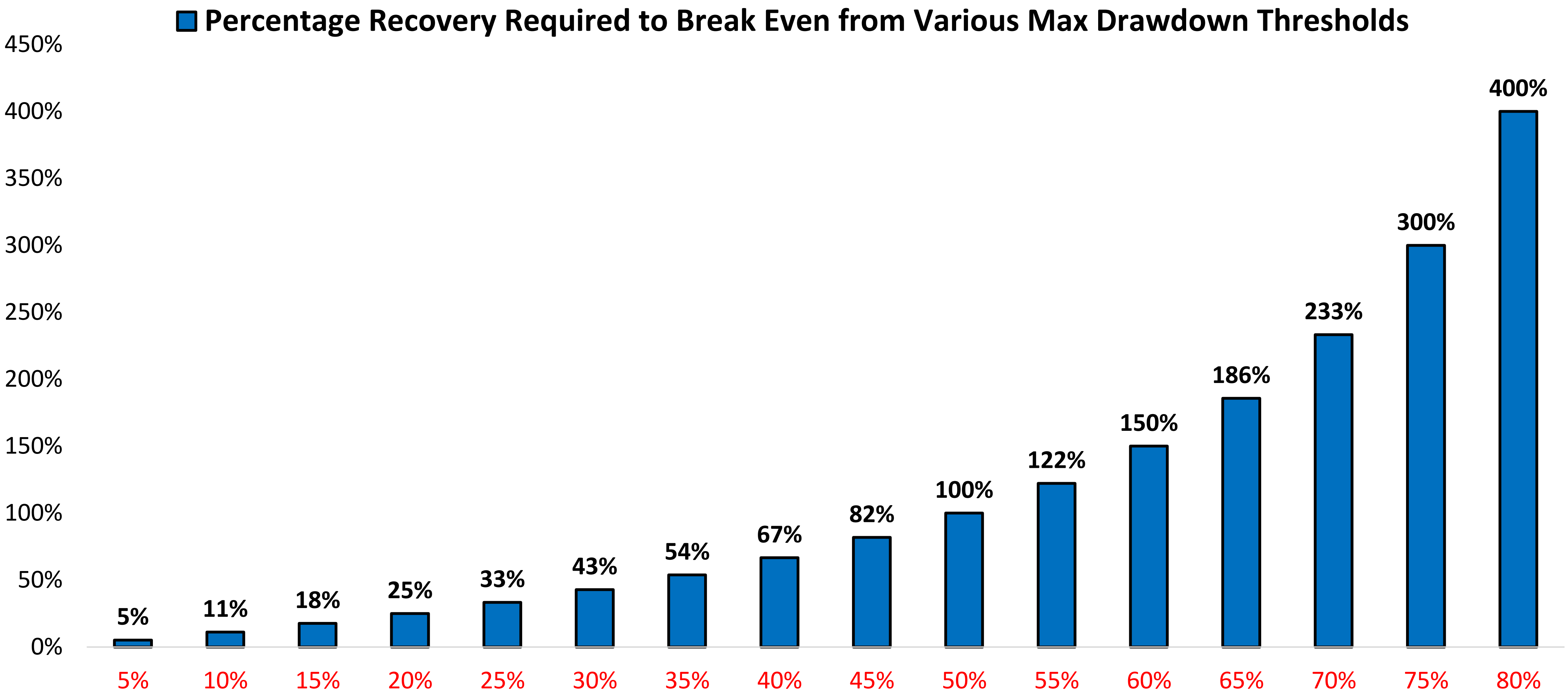
Common Behavioral Heuristics That Prevent Investors From Achieving Their Strategic Investment Objectives, Part I

- **Action Bias:** The action bias describes our tendency to favor action over inaction. Source: https://thedecisionlab.com/biases/action-bias
- **42 Macro Solution:** Clear risk management signals that communicate DO NOTHING when there is no change in signal and TAKE ACTION only when the signal changes.
- **Availability Heuristic:** The availability heuristic describes our tendency to use information that comes to mind quickly and easily when making decisions about the future. Source: https://thedecisionlab.com/biases/availability-heuristic
- **42 Macro Solution:** Our Quantitative Risk Management Summary and Fundamental Research Summary, each refreshed daily.
- **Confirmation Bias:** The confirmation bias describes our underlying tendency to notice, focus on, and give greater credence to evidence that fits with our existing beliefs. Source: https://thedecisionlab.com/biases/confirmation-bias
- **42 Macro Solution:** Consistently performing research on the full distribution of probable economic outcomes, as evidenced by the Modal Outcome, Left Tail Risk, and Right Tail Risk sections of our monthly Macro Scouting Reports, and reviewing every meaningful economic release in our daily Leadoff Morning Note – bullish or bearish.
- **Disposition Effect:** The disposition effect refers to our tendency to prematurely sell assets that have made financial gains, while holding on to assets that are losing money. Source: https://thedecisionlab.com/biases/disposition-effect
- **42 Macro Solution:** The Top-Down and Bottom-Up Risk Management Overlays featured in our KISS Model Portfolio help investors block out countercyclical noise to maximize upside capture in bull markets and minimize downside capture in bear markets.
- **Hindsight Bias:** The hindsight bias describes our tendency to look back at an unpredictable event and think it was easily predictable. Source: https://thedecisionlab.com/biases/hindsight-bias
- **42 Macro Solution:** Consistent and thorough discussions regarding the then-consensus narratives and positioning dynamics of past market cycles, as well as backtesting each of our quantitative risk management signals and econometric models on a rolling out-of-sample basis.
- **Hyperbolic Discounting:** Hyperbolic discounting is our inclination to choose immediate rewards over rewards that come later in the future, even when these immediate rewards are smaller. Source: https://thedecisionlab.com/biases/hyperbolic-discounting
- **42 Macro Solution:** Avoiding frameworks that [often erroneously] attempt to predict every wiggle in the stock market like dealer flows, CTA positioning, etc.
- **Illusion of Explanatory Depth:** The illusion of explanatory depth describes our belief that we understand more about the world than we actually do. Source: https://thedecisionlab.com/biases/the-illusion-of-explanatory-depth
- **42 Macro Solution:** The 10 principal component features in our Macro Weather Model, refreshed daily, remind investors that the narrow scope of oft-esoteric topics being discussed on Twitter/X, TikTok, and other social media platforms are not the only drivers of asset markets.

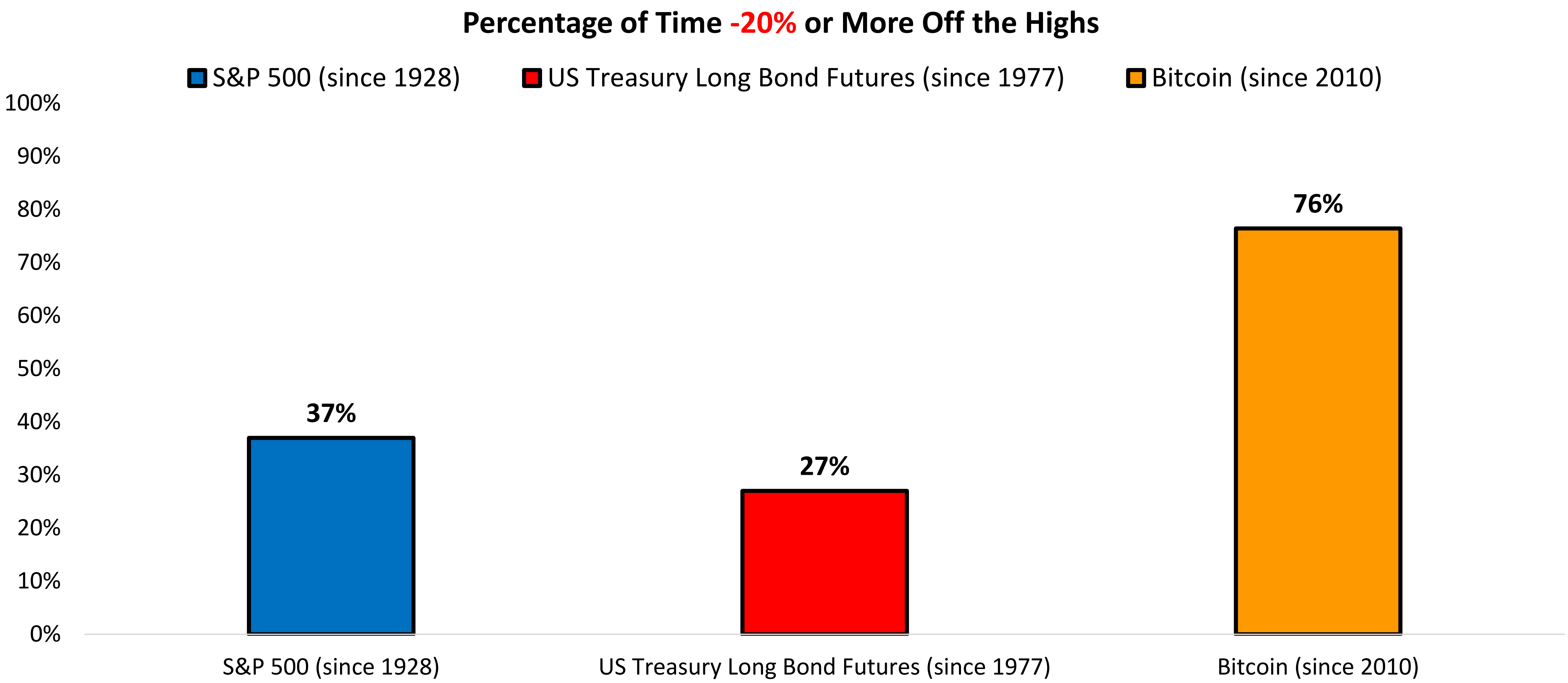
Common Behavioral Heuristics That Prevent Investors From Achieving Their Strategic Investment Objectives, Part II

- **Illusion of Validity:** The illusion of validity is a cognitive bias that describes our tendency to be overconfident in the accuracy of our predictions. Source: https://thedecisionlab.com/biases/illusion-of-validity
- **42 Macro Solution:** An institutional research process that is heavy on observation and light on predictions. When we do make predictions, they are generated by models that apply proven quantitative techniques to time series that span multiple economic and market cycles, while also quantifying and proudly publishing the error rate of each of our econometric models.
- **Myopic Loss Aversion:** Myopic loss version is a cognitive bias that occurs when investors take a view of their investments that is strongly focused on the short term, leading them to react too negatively to recent losses, which may be at the expense of long-term benefits. Source: https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/myopic-loss-aversion
- **42 Macro Solution:** Clear risk management signals that communicate DO NOTHING when there is no change in signal and TAKE ACTION only when the signal changes. Asset markets tend to appreciate over time, so our general disposition towards them is “fully invested, until a risk management signal(s) instructs us to book gains”.
- **Negativity Bias:** The negativity bias is a cognitive bias that results in adverse events having a more significant impact on our psychological state than positive events. Source: https://thedecisionlab.com/biases/negativity-bias
- **42 Macro Solution:** Avoiding bear porn at all costs – even to the point of ridiculing it publicly. Asset markets tend to appreciate over time, so our general disposition towards them is “fully invested, until a risk management signal(s) instructs us to book gains”.
- **Optimism Bias:** The optimism bias refers to our tendency to overestimate our likelihood of experiencing positive events and underestimate our likelihood of experiencing negative events. Source: https://thedecisionlab.com/biases/optimism-bias
- **42 Macro Solution:** An institutional risk management process that values being the second investor in a confirmed trade more than being first in a trade that may or may not come to fruition.
- **Recency Bias:** The recency bias refers to our tendency to better remember and recall information presented to us most recently, compared to information we encountered earlier. Source: https://thedecisionlab.com/biases/recency-effect
- **42 Macro Solution:** Only making marginal changes to our Fundamental Research Summary when new data builds or erodes our conviction in a theme, rather than making wholesale changes.
- **Sunk Cost Fallacy:** The sunk cost fallacy is our tendency to follow through on something that we’ve already invested heavily in (be it time, money, effort, emotional energy, etc.), even when giving up is clearly a better idea. Source: https://thedecisionlab.com/dailybiases/the-sunk-cost-fallacy
- **42 Macro Solution:** Proven risk management signals that help investors dispassionately book small losses before they turn into big losses.
- **Zero Risk Bias:** Zero risk bias relates to our preference for absolute certainty. Source: https://thedecisionlab.com/biases/zero-risk-bias
- **42 Macro Solution:** Having enough humility to avoid declarations of certainty and/or extreme confidence regarding our predictions at all cost. No reputable institutional investor speaks with certainty about the future, and you shouldn’t either.

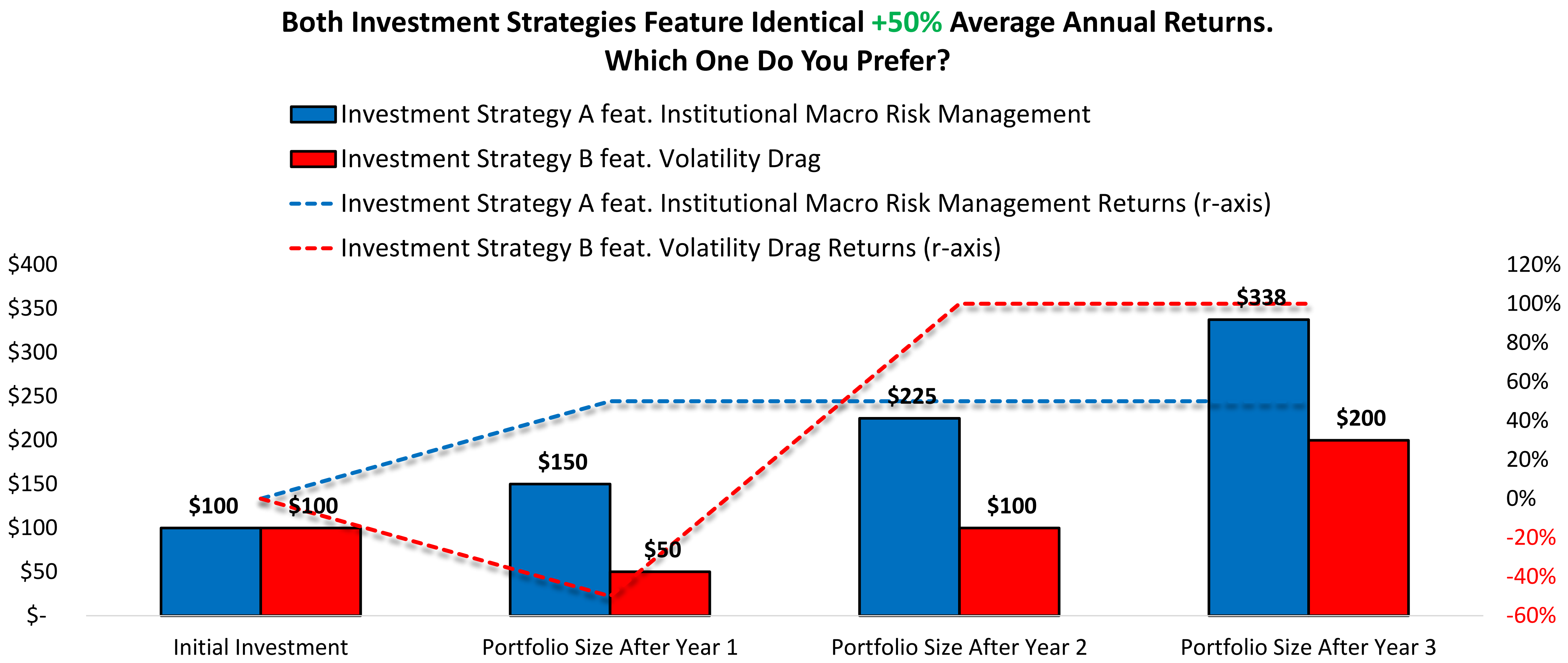
The Three Most Important Concepts In Investing: Rule #1 = Don't Lose Money



The Three Most Important Concepts In Investing: Rule #2 = Do Not Invest Money You Cannot Afford To Lose

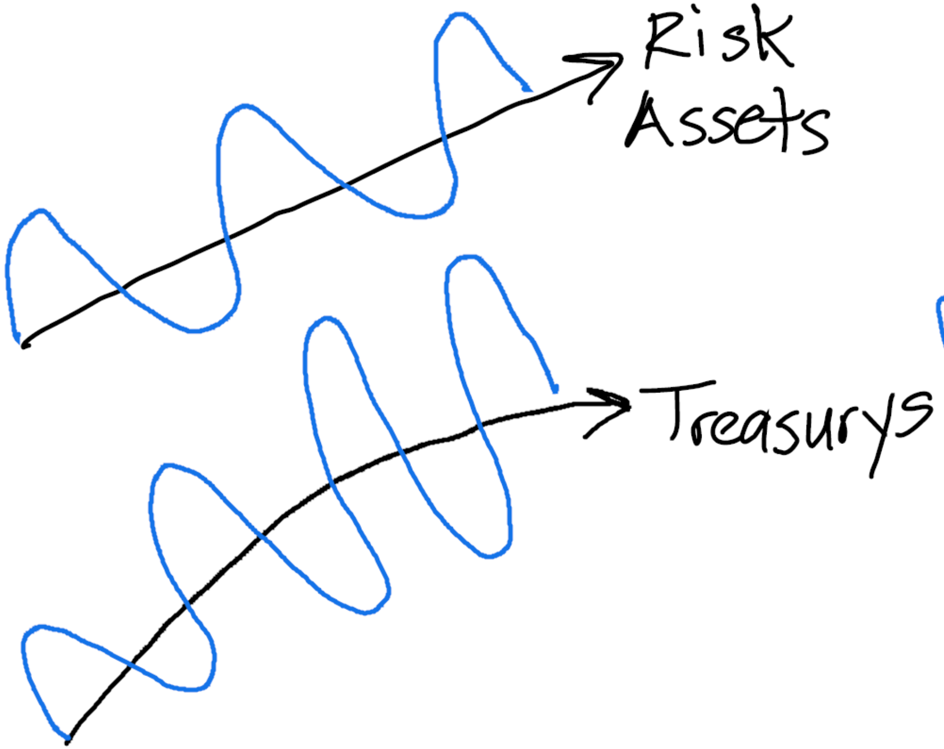


The Three Most Important Concepts In Investing: Rule #3 = The Journey Matters More To Your Financial, Mental, And Physical Health Than The Destination

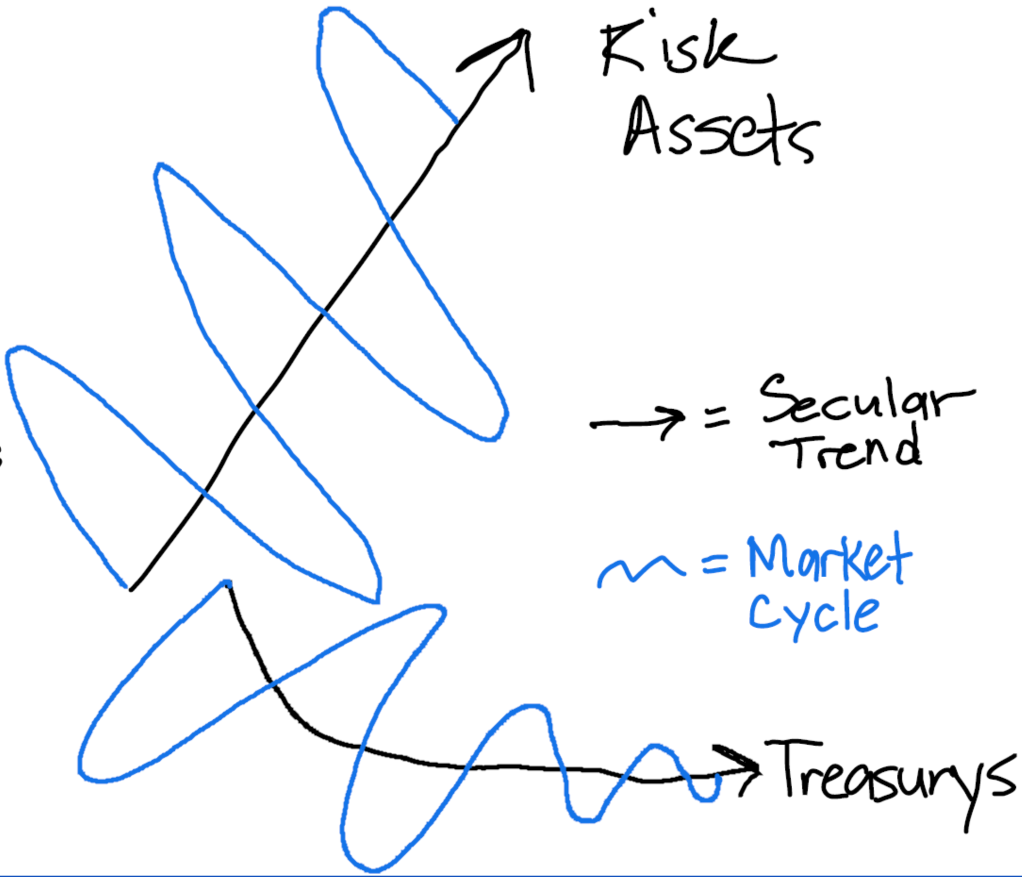


Risk Assets Tend To Appreciate Faster During Fourth Turnings, But Crashes Are More Frequent And Occur Each Time The Geopolitically Driven Supply-Demand Imbalance In The Treasury Bond Market Is Not Supported By Adequate Quantities Of Financial Repression And/Or Monetary Debasement

Asset Markets In A "Normal" Regime



Asset Markets In A Fourth Turning Regime



We Are All Frogs Being Boiled Alive In A Pot Of Monetary Debasement And Financial Repression; KISS And Dr. Mo Will Make Your #FrogLife Better

Thanks for reviewing.
See you Saturday!

New to 42 Macro research?

Take advantage of the following resources to speed up your learning journey:

KISS Model Portfolio FAQ:
https://app.42macro.com/kiss
Dr. Mo FAQ:
https://app.42macro.com/drmo
42 Macro Glossary:
https://app.42macro.com/glossary
The Macro Class:
https://app.42macro.com/macroclass
Fourth Turning FAQ:
https://app.42macro.com/fourthturning