

# MARKET INSIGHTS

FEBRUARY 2024



As indicated in the bottom table, the Market Regime of Goldilocks has been front-running the increased probability of a “soft landing” which is being confirmed by flattening Economic Regime probabilities. However, the market is pricing in a 75% probability of a soft landing, which is too high in our opinion. The catalyst that ushered in the Goldilocks regime may now face a headwind. As we called out last month, the Treasury has become the marginal determinant of market liquidity, overtaking the Fed. Whereas their last Quarterly Refunding Announcement (QRA) of Oct 31 neutralized the Fed’s Quantitative Tightening and sparked a rally, the just-released Jan 31 announcement indicates the increased supply of long-duration bonds will put upward pressure on long-term bond yields, creating a headwind for stocks.

## ASSET CLASS SIGNAL STRENGTH:

| ASSET CLASS    | FEBRUARY 2024   | JANUARY 2024    | FEBRUARY 2023   |
|----------------|-----------------|-----------------|-----------------|
| EQUITIES       | OFFENSIVE LONG  | OFFENSIVE LONG  | DEFENSIVE SHORT |
| FIXED INCOME   | DEFENSIVE LONG  | DEFENSIVE LONG  | DEFENSIVE SHORT |
| COMMODITIES    | DEFENSIVE SHORT | DEFENSIVE SHORT | DEFENSIVE LONG  |
| US DOLLAR      | DEFENSIVE LONG  | DEFENSIVE LONG  | OFFENSIVE LONG  |
| RFR (3M TBILL) | OFFENSIVE LONG  | OFFENSIVE LONG  | OFFENSIVE LONG  |

## MODEL SNAPSHOT:

| MODEL                    | EQUITIES       |                | FIXED INCOME   |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | FEBRUARY 2024  | JANUARY 2024   | FEBRUARY 2024  | JANUARY 2024   |
| BOND                     | NO POSITION    | NO POSITION    | DEFENSIVE LONG | DEFENSIVE LONG |
| PEA CORE STOCK           | OFFENSIVE LONG | OFFENSIVE LONG | NO POSITION    | NO POSITION    |
| MODERATE ARM             | OFFENSIVE LONG | OFFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG |
| DIVIDEND INCOME          | OFFENSIVE LONG | OFFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG |
| MOD L/S ARM              | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG |
| RME                      | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG |
| RME FOCUS                | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG | DEFENSIVE LONG |
| Special Situation Equity | DEFENSIVE LONG | DEFENSIVE LONG | NO POSITION    | NO POSITION    |

## MARKET REGIME & ECONOMIC OUTLOOK:

| Quadrant              | MARKET REGIME   | ECONOMIC REGIME OUTLOOK |                       |
|-----------------------|-----------------|-------------------------|-----------------------|
|                       | Current % Share | 3 Month % Probability   | 6 Month % Probability |
| GOLDSILLOCKS / Quad 1 | 43%             | 24%                     | 25%                   |
| REFLATION / Quad 2    | 22%             | 24%                     | 20%                   |
| INFLATION / Quad 3    | 8%              | 25%                     | 24%                   |
| DEFLATION / Quad 4    | 27%             | 27%                     | 31%                   |

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