

MARKET INSIGHTS

DECEMBER 2024



PARK EDGE

Inflation is poised to inflect higher causing consensus estimates to be revised up and rate cut expectations to fade. Reflation and Inflation may continue their battle for regime leadership over the next few months with the former eventually giving way to the latter by 2nd quarter. All of this will be influenced by policy dynamics that are likely to dominate throughout 2025. Spending cuts that reduce the Treasury's financing needs and tax cuts on production are potential positive drivers, while immigration reform that tightens labor markets and tariffs that increase the cost of trade are potential negatives. The size and scope of each will be key bi-directional market drivers and the sequence in which they occur (i.e., earlier based on executive action or later requiring legislative action) will be important.

ASSET CLASS SIGNAL STRENGTH:

ASSET CLASS	DECEMBER 2024	NOVEMBER 2024	3 - 12 MONTH OUTLOOK *
EQUITIES	OFFENSIVE LONG	OFFENSIVE LONG	FAVORABLE
FIXED INCOME	DEFENSIVE LONG	DEFENSIVE LONG	FAVORABLE
COMMODITIES	DEFENSIVE LONG	DEFENSIVE LONG	NEUTRAL
US DOLLAR	DEFENSIVE SHORT	DEFENSIVE SHORT	UNFAVORABLE
RFR (3M TBILL)	DEFENSIVE LONG	DEFENSIVE LONG	NEUTRAL
BITCOIN	DEFENSIVE LONG	DEFENSIVE LONG	UNFAVORABLE

MODEL SNAPSHOT:

MODEL	EQUITIES		FIXED INCOME	
	DECEMBER 2024	NOVEMBER 2024	DECEMBER 2024	NOVEMBER 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
MACRO PERSIST	OFFENSIVE LONG	OFFENSIVE LONG	DEFENSIVE LONG	DEFENSIVE LONG
SYSTEMATIC MACRO	OFFENSIVE LONG	OFFENSIVE LONG	DEFENSIVE LONG	DEFENSIVE LONG
RME	OFFENSIVE LONG	OFFENSIVE LONG	DEFENSIVE LONG	DEFENSIVE LONG
RME FOCUS	OFFENSIVE LONG	OFFENSIVE LONG	DEFENSIVE LONG	DEFENSIVE LONG
Special Situation Equity	OFFENSIVE LONG	OFFENSIVE LONG	NO POSITION	NO POSITION

CURRENT MARKET REGIME:

Quadrant	MARKET REGIME	<i>* As mentioned last month, the Economic Regime outlook 3- & 6-month probability has been replaced with a 3-12 month outlook for each asset class above. The outlook is derived quantitatively based on the expected rate of change in both real economy (growth, inflation, employment, corporate profits and fiscal policy) and financial economy (liquidity, credit, monetary policy, positioning and sentiment) variables. We hope this change is more informative to readers.</i>
	Current % Share	
GOLDILOCKS / Quad 1	23%	
REFLATION / Quad 2	30%	
INFLATION / Quad 3	28%	
DEFLATION / Quad 4	19%	

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