

MARKET INSIGHTS

JANUARY 2025



PARK EDGE

The battle between reflation and inflation continues, and the two are now tied for regime leadership. Both feature inflation reaccelerating, a theme we've stressed since last fall, so the determining factor is whether economic growth slows (Inflation) or reaccelerates (Reflation). Our 3-12 month outlook suggests the Inflation regime will prevail, prolonging the headwinds facing bonds and reintroducing volatility in stocks. Given the unprecedented potential policy changes, investors should prepare for a wide range of market outcomes, with the size, scope and sequence of such changes acting as the primary catalysts driving market action for the year. Executive action is expected to precede legislative action, and to the extent tariff policy restricts trade and immigration policy inadvertently tightens labor markets, we could face a deeper Quad 3 and 2025 could get off to a bumpy start before any benefits arrive from spending reductions, tax cuts and deregulation. As usual, rather than forecast a particular scenario, we'll allow our signals to guide us as we seek to remain aligned with the dominant regime, however it unfolds.

ASSET CLASS SIGNAL STRENGTH:

ASSET CLASS	JANUARY 2025	DECEMBER 2024	3 - 12 MONTH OUTLOOK *
EQUITIES	OFFENSIVE LONG	OFFENSIVE LONG	UNFAVORABLE
FIXED INCOME	DEFENSIVE LONG	DEFENSIVE LONG	NEUTRAL
COMMODITIES	DEFENSIVE LONG	DEFENSIVE LONG	FAVORABLE
US DOLLAR	DEFENSIVE LONG	DEFENSIVE SHORT	NEUTRAL
RFR (3M TBILL)	DEFENSIVE LONG	DEFENSIVE LONG	NEUTRAL
BITCOIN	OFFENSIVE LONG	DEFENSIVE LONG	UNFAVORABLE

MODEL SNAPSHOT:

MODEL	EQUITIES		FIXED INCOME	
	JANUARY 2025	DECEMBER 2024	JANUARY 2025	DECEMBER 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

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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	18%	
REFLATION / Quad 2	32%	
INFLATION / Quad 3	32%	
DEFLATION / Quad 4	18%	

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