

MARKET INSIGHTS

FEBRUARY 2025



PARK EDGE

The ongoing battle between Quad 2 - Reflation and Quad 3 - Inflation continues, with Reflation currently holding an edge over Inflation. Both regimes feature a resurgence of inflation—a trend we have highlighted since last fall—so the decisive factor will be economic growth. A slowdown would push us to Quad 3-Inflation while renewed acceleration would lengthen Quad 2-Reflation’s dominance. Over the next 3 to 12 months, economic data indicates that Inflation is likely to win out, leading to sustained pressure on bonds and increased volatility in equities.

The unprecedented policy shifts unfolding this year further complicate the landscape, expanding the range of potential market outcomes. Executive actions are well under way, and to the extent tariff policies restrict trade and/or immigration policies inadvertently tighten labor markets, they could result in a deeper Quad 3 (Inflation) environment, increasing volatility further into 2025.

Signs of heightened volatility are already evident, as implied equity volatility in January averaged approximately 5% higher than in the same period of 2024. Given these conditions, our base case remains for elevated market turbulence as growth expectations continue to evolve.

ASSET CLASS SIGNAL STRENGTH:

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

MODEL SNAPSHOT:

MODEL	EQUITIES		FIXED INCOME	
	FEBRUARY 2025	JANUARY 2025	FEBRUARY 2025	JANUARY 2025
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	24%	
REFLATION / Quad 2	38%	
INFLATION / Quad 3	26%	
DEFLATION / Quad 4	12%	

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