

MARKET INSIGHTS

MAY 2025



Market regime scores have recently flattened, driven by a rise in neutral signals, primarily across equities and currencies. This also reduces the conviction score to 21%, down from 52% in April.

Our market-based proxy for real growth continues to decline with a persistent negative signal, reinforcing our expectation of a Quad 3 Stagflation. However, it's worth noting that consensus growth estimates have been abruptly revised down, likely in response to 'Liberation Day,' such that estimates for both growth and inflation now sit below our expectations heading into the summer.

In our view, the street is underestimating inflation and may have become overly pessimistic on growth. While we still see Quad 3 as the most probable outcome, the combination of flattening regime scores with low conviction, and the possibility that consensus growth could get adjusted back up to correct the overshoot, we may experience transitory Quad 2 behavior before resolving in Quad 3.

ASSET CLASS SIGNAL STRENGTH:

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

PORTFOLIO SNAPSHOT *(new format shows current exposure relative to target range)*

MODEL	EQUITIES			FIXED INCOME		
	RANGE	MAY 2025	APR 2025	RANGE	MAY 2025	APR 2025
BOND	--	--	--	-25 to 100%	45%	45%
PEA CORE STOCK	100%	100%	100%	--	--	--
MODERATE ARM	30 to 60%	45%	45%	10 to 40%	20%	20%
DIVIDEND INCOME	30 to 60%	45%	45%	10 to 40%	20%	20%
MACRO PERSIST	-40 to 40%	20%	20%	-40 to 40%	30%	30%
SYSTEMATIC MACRO	0 to 60%	15%	0%	--	--	--
ALL ASSET	-25 to 100%	0%	0%	-25 to 100%	15%	15%
FOCUS	-100 to 300%	30%	42%	-100 to 300%	26%	22%
Special Situation Equity	0 to 100%	85%	85%	--	--	--

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CURRENT MARKET REGIME: *current conviction score 21%*

Quadrant	MARKET REGIME	
	Current % Share	Previous % Share
GOLDILOCKS / Quad 1	27%	18%
REFLATION / Quad 2	22%	11%
INFLATION / Quad 3	22%	30%
DEFLATION / Quad 4	29%	42%

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