

MARKET INSIGHTS

JULY 2025



As July begins, market regime indicators point to a risk-on environment. Notably, the probability of a Quad 3 inflation regime has dropped to just 5% suggesting markets have largely dismissed stagflation risks for now. This shift may reflect how consensus growth expectations had become overly pessimistic, as we highlighted in our May note. The bar for economic growth was set low, and a similar trend has shown up in analysts' muted earnings expectations ahead of S&P 500 earnings season.

While headlines continue to oscillate around tariff policy, we believe a more consequential issue is emerging: the debt ceiling. By the time we publish our August note, we expect it to be a dominate market narrative. Until Congress raises the ceiling, the Treasury General Account (TGA) will be drawn down creating a dynamic that typically supports market liquidity and favors risk assets. However, once the ceiling is lifted, especially if followed by increased coupon issuance, liquidity could tighten and tilt the regime back toward risk-off.

ASSET CLASS SIGNAL STRENGTH:

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

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

MODEL	EQUITIES			FIXED INCOME		
	RANGE	JULY 2025	JUNE 2025	RANGE	JULY 2025	JUNE 2025
BOND	--	--	--	-25 to 100%	45%	45%
PEA CORE STOCK	100%	100%	100%	--	--	--
MODERATE ARM	30 to 60%	60%	45%	10 to 40%	35%	20%
DIVIDEND INCOME	30 to 60%	49%	45%	10 to 40%	40%	20%
MACRO PERSIST	-40 to 40%	20%	20%	-40 to 40%	40%	30%
SYSTEMATIC MACRO	0 to 60%	60%	30%	--	--	--
ALL ASSET	-25 to 100%	40%	24%	-25 to 100%	30%	15%
FOCUS	-100 to 300%	10%	10%	-100 to 300%	23%	23%
Special Situation Equity	0 to 100%	85%	85%	--	--	--

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CURRENT MARKET REGIME: *current conviction score 48%*

Quadrant	MARKET REGIME	
	Current % Share	Previous % Share
GOLDBLOCKS / Quad 1	44%	34%
REFLATION / Quad 2	35%	33%
INFLATION / Quad 3	5%	16%
DEFLATION / Quad 4	16%	17%

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