

MARKET INSIGHTS

SEPTEMBER 2025



Powell's Jackson Hole Pivot

Powell may have been reading over our shoulder when we wrote last month's note. At Jackson Hole he turned dovish, effectively resetting the Fed's inflation tolerance toward 3%. Framed as "flexibility," the move re-anchored risk sentiment and helped fuel the late-summer rally.

Quad 1 vs. Quad 2: Neck and Neck

Macro data point to a photo finish between Quad 1 (growth up, inflation down) and Quad 2 (growth up, inflation up). Inflation's stickiness tilts the balance toward Quad 2, but the bigger surprise is growth. Consensus underestimated its strength, and we continue to see room for estimates to move higher.

Asset Class Implications

Equities: Quad 1 would drive multiple expansion while Quad 2 favors cyclicals. Either way, resilient growth supports risk assets, and we lean toward a Quad 2 setup where quality cyclicals might lead.

Fixed Income: Quad 1 would open the door to bond rallies, but Quad 2 keeps yields sticky and duration vulnerable. With a recent bearish tilt to the 3-12 month outlook, rate-hedged and shorter duration (~5yr) structures remain the cleanest way to hold exposure, while credit stays supported despite razor-thin spreads.

Commodities: Quad 2 provides a floor under oil and industrials, giving large-cap energy producers room to outperform even without a breakout in the price of oil. However, positioning in crude is extremely bearish currently, raising the odds of a surprise upside spike.

Currencies: a US Dollar bear market remains intact. Powell's implicit 3% target undermines the dollar while boosting gold, bitcoin, and emerging markets.

Across the board volatility in Equities, Gold and Bitcoin should be treated as an entry point, not an exit. Watch for positioning opportunities that arise due to consensus still being too low on growth even as it catches up on inflation.

ASSET CLASS SIGNAL STRENGTH:

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

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

MODEL	EQUITIES			FIXED INCOME		
	RANGE	SEPT 2025	AUG 2025	RANGE	SEPT 2025	AUG 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%	--	--	--

CURRENT MARKET REGIME: *current conviction score 92%*

Quadrant	MARKET REGIME	
	Current % Share	Previous % Share
GOLDILOCKS / Quad 1	39%	41%
REFLATION / Quad 2	38%	37%
INFLATION / Quad 3	9%	9%
DEFLATION / Quad 4	14%	12%

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