

Summary

We are living through a 'Fourth Turning,' as described by historian and demographer Neil Howe in his 2023 book 'The Fourth Turning is Here¹.' In his framework, this is when institutional, political, and financial systems are tested to their limits.

History doesn't move in a straight line — it moves in recurring cycles marked by *turnings*. Each turning lasts roughly 20–25 years and reflects a distinct generational mood that shapes institutions, values, and national direction.

A First Turning follows a crisis, when new institutions are built to restore order and stability. Confidence is high with civic cohesion, and the new framework reflects lessons learned from the previous collapse. The Second Turning is an awakening — society begins to question the established order, valuing individual expression and authenticity over collective action. During the Third Turning, those once-vital institutions drift from their founding purpose, becoming bloated, inefficient, or corrupted by complacency and self-interest.

Then comes the Fourth Turning — the reckoning phase. The old order can no longer sustain itself. Institutions are reformed, demolished, or collapse under their own weight, clearing the ground for renewal and the birth of a new First Turning.

In Howe's original 1997 book "The Fourth Turning - What Cycles of History Tell Us About America's Next Rendezvous with Destiny," he prophesized that the next Fourth Turning will begin in the late-2000s. Almost right on queue, the 2008 Financial Crisis was the shot across the bow marking the onset of this Fourth Turning. In his latest work, he estimates this cycle lasting through roughly 2033.

All three prior Fourth Turnings in American history — the Revolutionary War, the Civil War, and the Great Depression/World War II — have redefined the nation's political, economic, institutional, and social structure. Every prior Anglo-American Fourth Turning dating to the 1400s has culminated in a major war or transformational crisis (see Historical Perspective below).

Fourth Turnings Share Consistent Features:

- Fiscal dominance — when the need for government borrowing drives policy decisions.
- Monetary accommodation — central banks suppressing rates and monetizing debt to finance deficits.
- Trade protectionism, demographic decline, and reduced global cooperation.
- And, eventually, a narrowing of wealth and income inequality as systems reset.

In short, governments increasingly lean on markets — through regulation, incentives, or direct intervention — to fund persistent deficits.

¹ See www.fourthturning.com

Key Themes & Takeaways

Fiscal Policy

Explosive growth in government spending, deficits, and public debt has become the structural baseline. Both major political parties have contributed to this. This imbalance makes today's deficit trajectory unsustainable — even before the true crisis phase begins. A U.S. fiscal crisis remains a high-probability trigger for the eventual “climax” event of this Fourth Turning.

Monetary Policy

The Federal Reserve may eventually be forced to cap interest rates (“yield-curve control”) to stabilize Treasury markets. Expect persistently negative real yields, currency debasement, and banking re-regulation (designed to increase banks' capacity to buy Treasuries). We believe “fair value” for the 10-year Treasury yield is around 5.5%, well above current market levels — a sign of growing distortion between market rates and fundamental equilibrium.

The Stock–Bond Correlation Breakdown

For decades, the traditional 60/40 portfolio relied on a negative correlation between stocks and bonds — when equities fell, bonds typically rose, cushioning portfolios. That relationship began to unravel in 2022, when both the S&P 500 and the U.S. Aggregate Bond Index declined double digits in the same year for the first time in modern history. In fact, it was the worst performance in the last century for bonds.

This breakdown was not an anomaly; it was a regime shift. When inflation becomes persistent and policy-driven, both asset classes can fall together as interest rates rise, and liquidity tightens. In an era of fiscal dominance and higher structural inflation, investors can no longer assume bonds will provide reliable diversification or downside protection. This represents a foundational change for the “moderate-risk” investor, whose portfolios have historically depended on the 60/40 framework.

Geopolitical & Structural Risks

History suggests that large-scale conflict often accompanies Fourth Turnings. Potential catalysts today include de-dollarization and uncontrolled mass migration. The U.S. dollar's global dominance is gradually eroding — its share in world reserves, trade invoicing, and FX settlements continues to decline. Over time, income and wealth inequality typically peak and begin to compress as systems rebalance, often through fiscal redistribution or inflationary policy.

Economic & Market Trends

Nominal GDP growth, wages, and inflation are likely to remain above long-term trends, supporting strength in equities and gold (which is both a hard investment asset and a non-sovereign neutral monetary asset). However, volatility also rises: deeper market drawdowns (–20% or more) tend to occur more frequently. Corporate earnings become less predictable, even as long-term return potential remains positive. *Investors should expect a wider range of probable outcomes than at any other time in recent decades.*



Investor Guidance

Traditional forecasting tools — valuation ratios, mean reversion models, and static asset allocations — lose reliability when policy, inflation, and geopolitics drive markets, and are themselves going through turbulence. This uncertainty amplifies the value of quantitative risk-management overlays, which dynamically adjust exposure based on changing macro signals. Portfolio construction should de-emphasize bonds in lieu of alternative stores of value such as gold and even Bitcoin (also a non-sovereign neutral asset) provided investors adjust position sizes for their respective volatility. The world's former "safest" asset, the U.S. Treasury bond, may become quite a bit riskier which then becomes the excuse for Yield Curve Control).

Perspective and Opportunity

Periods like this are not solely defined by risk. They also bring innovation, productivity gains, and renewal. The conclusion of every prior Fourth Turning has set the stage for a new era of expansion and prosperity — built on restructured institutions, new technologies, and rising public trust.

Our role at Park Edge Advisors is to guide investors through this transition: balancing realism about risks with the potential for opportunity, using flexible, evidence-based, and disciplined risk-managed approaches suitable for this environment.

Closing Thought

"History does not repeat, but it rhymes. The lesson is not to predict the future, but to prepare for the pattern."

We believe the current environment demands adaptive thinking, disciplined risk management, and a long-term mindset. Our mission remains to help clients navigate uncertainty — and emerge stronger on the other side.



Key Terms (for Clarity)

Fourth Turning: The final crisis phase of an 80–100-year historical cycle.

Fiscal dominance: When government borrowing dictates monetary policy.

Financial repression: Policies that keep rates artificially low to reduce debt burdens.

Yield-curve control: Central-bank action to cap long-term interest rates.

Negative real yield: When interest rates are below inflation.

De-dollarization: Gradual decline in the U.S. dollar's global use.

Historical Perspective

Fourth Turning	Approx. Dates	Defining Crisis
War of the Roses	1450s – 1480s	English dynastic war
Armada Crisis / Glorious Revolution	1560s – 1680s	Religious and constitutional conflict
American Revolution	1770s – 1790s	Founding of the U.S.
Civil War	1860s – 1870s	National survival and abolition
World War II	1930s – 1940s	Global total war
Current Fourth Turning	~2008 – 2032 (est.)	Global debt, governance, and legitimacy crisis

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