Leadoff Morning Note

Daily

Darius Dale, Founder & CEO

Thursday, November 2, 2023

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Executive Summary: Thursday, November 2, 2023

1. Yesterday Fed Chair Powell confirmed our expectation the FOMC would signal very little about the outlook for monetary policy and, in doing so, implicitly confirm our view that the institution is done hiking the policy rate. This effectively completes the Fed's transition to using TIME as the primary monetary policy tool, rather than the POLICY RATE or BALANCE SHEET ROLL OFF, which is likely to continue in the background for quite some time.

2. Asset markets have rallied sharply since Tuesday's close ($SPY +2%; $TLT +4%) on the heels of the FOMC and dovish surprise in the Q4 Quarterly Refunding Announcement by the US Treasury – which we also accurately presaged thanks to our deep understanding of monetary plumbing dynamics.

3. Our medium-term quantitative risk management signals currently see an extreme underweight in stocks by discretionary investors – the likes of which is typically only observed at major bear market bottoms in the stock market. My ~15yrs of experience on global Wall Street lead me to conclude when sentiment gets this extreme – in either direction – it pays to take the other side for a trade. That means bears should give this cross-asset relief some time to breathe – especially in the context of dramatically improving Nonfarm Productivity dynamics that may ignite renewed interest in soft landing trades among investors. In the context of our developing "sticky inflation" theme, October CPI on 11/14 may be the next truly bearish catalyst asset markets need to contend with.

Qualitative Research Summary: Thursday, November 2, 2023

Growth:

- The latest data indicates the "resilient US economy" theme we authored last summer persists. We expect the resiliency of the US economy to begin dissipating in Q4.
- Per our analysis of historical yield curve inversion cycles last fall, a recession has the highest probability of commencing in the US economy in the Nov-23 to Apr-24 timeframe. Leading indicators currently indicate a low probability of a near-term recession, however.
- Japan and India currently have the most favorable growth dynamics abroad. Canada and Switzerland currently have the least favorable growth dynamics abroad.

Inflation:

- The US economy is late in the process of transitioning from "immaculate disinflation" to "sticky inflation". We expect our "sticky inflation" theme to become consensus within 1-3 months.
- The escalating conflict in the middle east may perpetuate the rebound in energy inflation. Crude oil risks trending north of $100 per barrel if any reduction in Middle Eastern supply is not immediately offset by an increase in Venezuelan supply because the US energy sector cannot respond like it did last year.
- China and India currently have the most favorable inflation dynamics abroad. The Eurozone and UK currently have the least favorable inflation dynamics abroad.

Policy:

- We believe the Fed has concluded its policy rate tightening cycle. We expect balance sheet roll off to persist over the medium term and continue supplying upward pressure on nominal and real interest rates amid elevated incremental Treasury supply.
- While fiscal policy was a dominant driver of persistent upside surprises in US growth in recent quarters, it is unlikely to remain as supportive over the medium term. Transitory factors dramatically inflated the federal budget deficit throughout FY23 in ways that are unlikely to be matched in FY24.
- India and Brazil currently have the most favorable policy dynamics abroad. The Eurozone and UK currently have the least favorable policy dynamics abroad.

Today's Key Macro Event(s):

- Asset Markets Celebrate The Fed's Premature Victory Lap

Quantitative Risk Management Summary: Thursday, November 2, 2023

Short-Term Signals (<1mo):

- **Crowding Model:** Not currently generating any bullish or bearish signals.
- **Probable Range Model:** The **US Dollar Index (DXY)**, **2yr Nominal Treasury Yield**, and **10yr Nominal Treasury Yield** are oversold. The **S&P 500**, **NASDAQ 100**, **Russell 2000**, and **Base Metals** are overbought.

Short-to-Medium-Term Signals (1-3mos):

- **Dispersion Model:** Balanced flows into Defensive and Cyclical equity sectors and factors on a trend basis suggests long/short equity investors are not likely to experience a violent reversal in dispersion in the near term.
- **Positioning Model:** Investor positioning in US Rates and Commodities is at extreme bearish levels, which has historically been bullish for Bonds and bearish for Commodities. Discretionary investor positioning is likely to be extremely underweight equities per the AAII Survey. Systematic investor positioning is likely to be neutral equities per the trend in realized volatility. US Equities are unlikely to find valuation support at current levels. Cyclical growth expectations are the dominant driver of the S&P 500 on a trending basis and the floor Fed Funds Rate is the dominant driver of Bitcoin on a trending basis.
- **Volatility-Adjusted Momentum Signal (VAMS):** Risk Assets are mixed. Stocks are bearish, Commodities are bullish, and Crypto is bullish. Defensive Assets are mixed. Treasurys are bearish, Gold and the CVIX are neutral, and the US Dollar Index, MOVE Index, and VIX are bullish. Investors should generally fear bullish breakouts in the US dollar and bond market volatility because they are headwinds for global liquidity. Four Horsemen of Market Risk Signals: the VVIX/VIX Ratio, High Beta/Low Beta Ratio, Small Cap/Mega Cap Ratio, and Value/Growth Ratio are bearish.

Medium-Term Signals (3mos):

- **Global Macro Risk Matrix:** INFLATION is the Top-Down Market Regime. INFLATION is a risk-off regime in which investors are generally rewarded for reducing risk. That includes selling rips in Risk Assets and underweighting Cyclical sectors and factors until the Top-Down Market Regime transitions to GOLDILOCKS or REFLATION – the two risk-on regimes in our GRID process. Our Cross-Asset Correction Risk Indicator (CACRI) has broken out above the Consensus Complacency Threshold, which has historically increased the probability of significant risk-off market events by a meaningful degree.
- **Macro Weather Model:** Currently generating a bullish three-month outlook for the US Dollar, and a bearish three-month outlook for Stocks, Bonds, Commodities, and Bitcoin. The US economy is in a low-conviction REFLATION (growth ↑; inflation ↑) regime with a likely transition to DEFLATION (growth ↓; inflation ↓) over the medium term.

Research + Risk Management = Discretionary Investment Ideas
Summary: Thursday, November 2, 2023

TOP-DOWN MARKET REGIME: INFLATION

US EQUITY SECTORS	VAMS	ACTION	US EQUITY FACTORS	VAMS	ACTION	GLOBAL EQUITIES	VAMS	ACTION	FIXED INCOME SECTORS	VAMS	ACTION	MACRO EXPOSURES	VAMS	ACTION
Beta (SPY)	✖	SHORT: Max Position	Dividend Compounders (SPHD)	✖	No Position	Australia (EWA)	✖	SHORT: Max Position	0-5yr TIPS (STIP)	✖	SHORT: Max Position	Agriculture (DBA)	!	LONG: Half Position
Consumer Discretionary (XLY)	✖	SHORT: Max Position	Growth (IWF)	✖	SHORT: Max Position	Brazil (EWZ)	✖	SHORT: Max Position	1-3yr Treasurys (SHY)	✖	SHORT: Max Position	Australian Dollar (FXA)	✖	SHORT: Max Position
Consumer Staples (XLP)	✖	No Position	High Beta (SPHB)	✖	No Position	Canada (EWC)	✖	SHORT: Max Position	5-10yr TIPS (TIP)	✖	SHORT: Max Position	Base Metals (DBB)	✖	SHORT: Max Position
Communication Services (XLC)	!	SHORT: Half Position	Low Beta (SPLV)	✖	SHORT: Max Position	China (FXI)	✖	SHORT: Max Position	5-10yr Treasurys (IEF)	✖	SHORT: Max Position	Bitcoin (BITO)	✔	LONG: Max Position
Energy (XLE)	✖	No Position	Mega Caps (OEF)	✖	SHORT: Max Position	Emerging Markets (EEM)	✖	SHORT: Max Position	25+ Year Treasurys (TLT)	✖	SHORT: Max Position	British Pound (FXB)	✖	SHORT: Max Position
Financials (XLF)	✖	SHORT: Max Position	Mega Cap Growth (QQQ)	✖	SHORT: Max Position	Eurozone (EZU)	✖	SHORT: Max Position	Barclays Agg (AGG)	✖	SHORT: Max Position	Commodities (DBC)	✔	LONG: Max Position
Health Care (XLV)	✖	No Position	Mid Caps (VO)	✖	SHORT: Max Position	India (INDA)	!	SHORT: Half Position	BDCs (BIZD)	✖	SHORT: Max Position	Energy (USO)	!	LONG: Half Position
Industrials (XLI)	✖	SHORT: Max Position	Momentum (MTUM)	✖	SHORT: Max Position	Japan (DXJ)	✖	SHORT: Max Position	Convertibles (CWB)	✖	No Position	Euro (FXE)	✖	SHORT: Max Position
Information Technology (XLK)	✖	SHORT: Max Position	Quality (QUAL)	✖	SHORT: Max Position	United Kingdom (EWU)	✖	SHORT: Max Position	EM Local Currency Bonds (EMLC)	✖	SHORT: Max Position	Gold (GLD)	!	LONG: Half Position
Materials (XLB)	✖	SHORT: Max Position	Small Caps (IWM)	✖	SHORT: Max Position				EM USD Bonds (EMB)	✖	SHORT: Max Position	Japanese Yen (FXY)	✖	SHORT: Max Position
Real Estate (XLRE)	✖	No Position	Value (IWD)	✖	SHORT: Max Position				High Yield Credit (HYG)	✖	SHORT: Max Position	Swiss Franc (FXF)	✖	SHORT: Max Position
Utilities (XLU)	✖	No Position							Investment Grade Credit (LQD)	✖	SHORT: Max Position	US Dollar (UUP)	✔	LONG: Max Position
									Leveraged Loans (BKLN)	✖	SHORT: Max Position	60/40 Portfolio (BIGPX)	✖	SHORT: Max Position
									MBS (MBB)	✖	SHORT: Max Position			
									Preferreds (PFF)	✖	SHORT: Max Position			

 GREEN √ = bullish VAMS, ORANGE ! = neutral VAMS, and RED X = bearish VAMS.

If an ETF is bullish (or bearish) VAMS and that is in line with how it should trade in the current GRID regime, the model will recommend a LONG (SHORT): Max Position.

If an ETF is neutral VAMS and it should be bullish (or bearish) in the current GRID regime, the model will recommend a LONG (SHORT): Half Position.

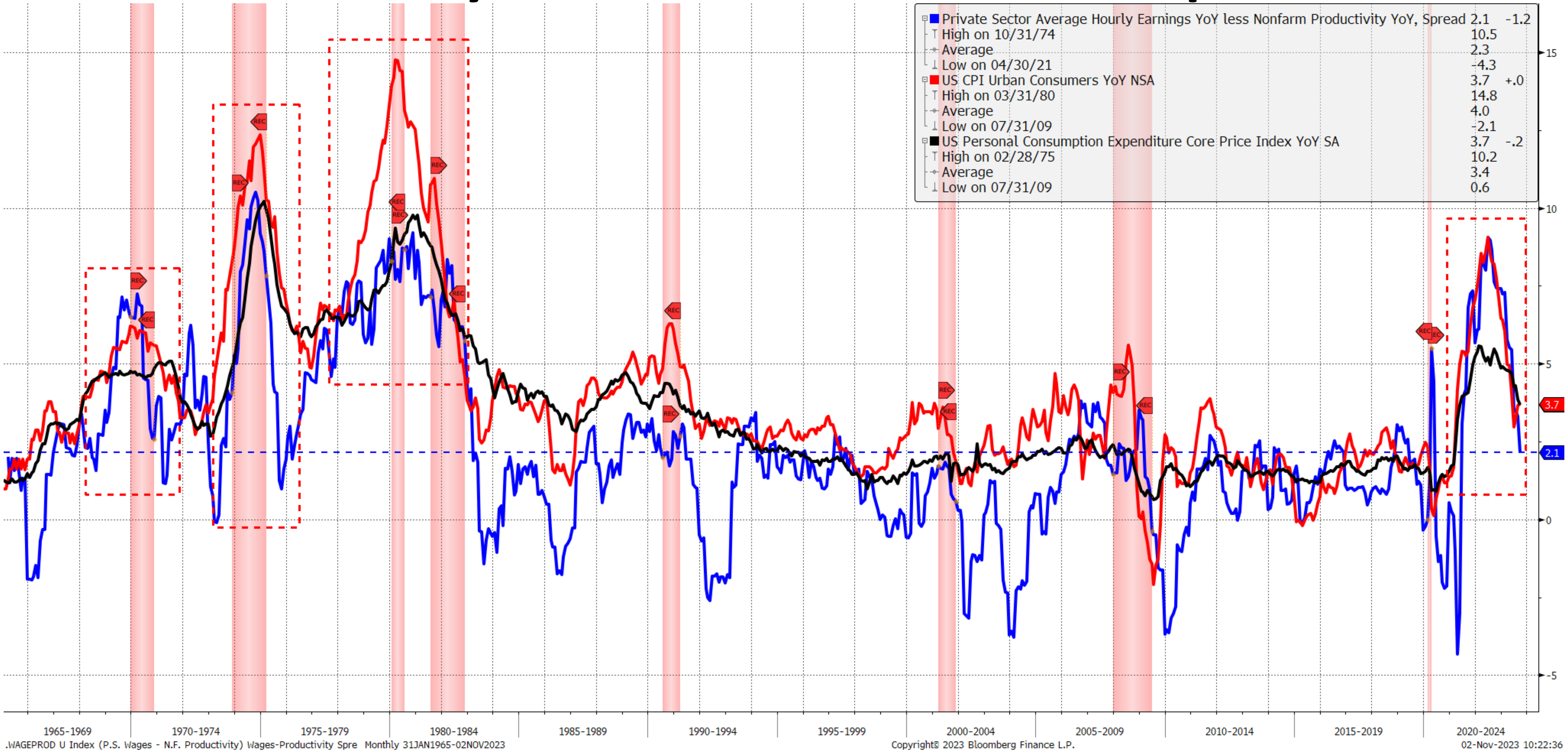
Max LONGS get cut to Half LONGS when the 14-Day RSI is above 75. Half LONGS get cut to No Position when the 14-Day RSI is above 75.

Max SHORTS and Half SHORTS get cut to No Position when the 14-Day RSI is below 35. Highlighted ETFs = changes in actionable signal from the prior publication.

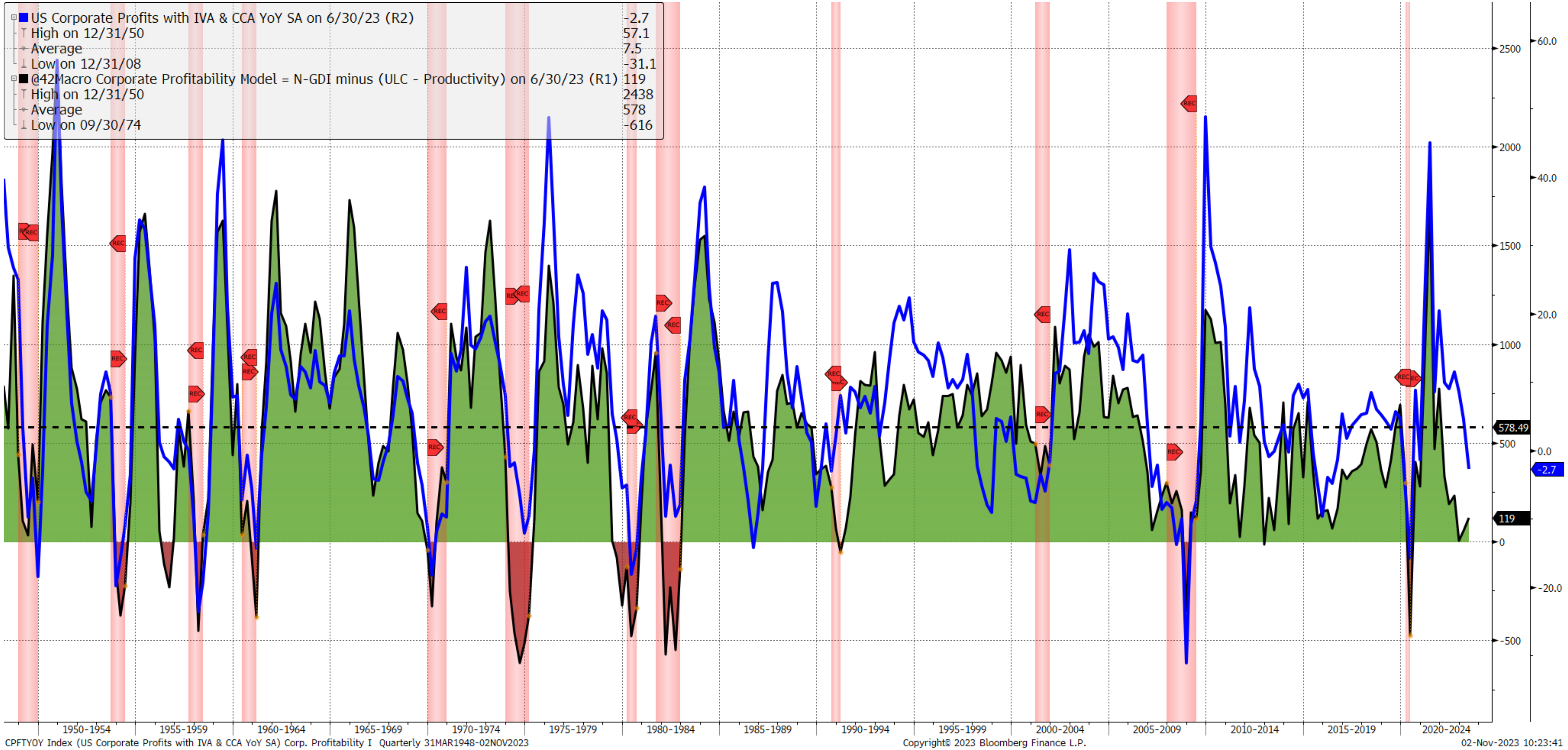
Today's Key Macro Event: Asset Markets Celebrate The Fed's Premature Victory Lap

- **Yesterday Fed Chair Powell confirmed our expectation the FOMC would signal very little about the outlook for monetary policy and, in doing so, implicitly confirm our view that the institution is done hiking the policy rate.**
- From our purview, the key passage that added to the rush to cover bond shorts was this: *"Slowing down is giving us, I think, a better sense of how much more we need to do, if we need to do more."* **This effectively completes the Fed's transition to using TIME as the primary monetary policy tool, rather than the POLICY RATE or BALANCE SHEET ROLL OFF, which is likely to continue in the background for quite some time.**
- **Asset markets have rallied sharply since Tuesday's close ($SPY +2%; $TLT +4%) on the heels of the FOMC and dovish surprise in the Q4 Quarterly Refunding Announcement by the US Treasury – which we also accurately presaged thanks to our deep understanding of monetary plumbing dynamics.** The relief rally in the stock market is about where we thought it would lose steam (~4300) and the relief rally in the bond market is a bit more extended than our ~4.75% expectation on the 10yr Nominal Treasury Yield.
- **Where to from here?** Our short-term quantitative risk management signals currently see stocks and bonds as tactically overbought and the US Dollar Index and VIX as tactically oversold – implying this is a good spot for discretionary investors to gross up risk-off INFLATION regime plays. **Our medium-term quantitative risk management signals currently see an extreme underweight in stocks by discretionary investors – the likes of which is typically only observed at major bear market bottoms in the stock market.**
- **My ~15yrs of experience on global Wall Street lead me to conclude when sentiment gets this extreme – in either direction – it pays to take the other side for a trade. That means bears should give this cross-asset relief some time to breathe – especially in the context of dramatically improving Nonfarm Productivity dynamics that may ignite renewed interest in soft landing trades among investors.**
- In the context of our developing "sticky inflation" theme, October CPI on 11/14 may be the next truly bearish catalyst asset markets need to contend with.

The Acceleration In Nonfarm Productivity Improves The Outlook For Inflation In The Eyes Of Astute Market Participants



Corporate Profitability Is Still Being Challenged, However, So There Is Still An Elevated Risk Of Firms Passing Through Unite Labor Cost Inflation To Consumers Over The Medium Term



Contextualizing The Latest Key Macroeconomic Data

Indicator	Delta	Momentum		Trends		Level Context		Delta Context	
Federal Funds Target Rate - Upper Bound	Nov-23	Oct-23	Nov-23	10YRMA	3MMA	Highest Since	Lowest Since	Fastest Since	Slowest Since
	0.0	5.5	5.5	1.4	5.5	-	-	-	-
Brazil Trade Balance FOB Exports YoY	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	10.3	(0.5)	9.8	5.0	3.3	May-23	-	May-23	-
Brazil Trade Balance FOB Imports NSA YoY	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	9.0	(21.6)	(12.6)	2.8	(17.9)	May-23	-	May-22	-
Brazil Selic Target Rate	Nov-23	Oct-23	Nov-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(0.5)	12.8	12.3	9.4	12.6	-	Apr-22	-	Jun-20
Australia Exports Goods & Services YoY%	Aug-23	Jul-23	Aug-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	1.2	(3.2)	(2.0)	9.1	(5.7)	May-23	-	Jul-23	-
Australia Imports Goods & Services YoY%	Aug-23	Jul-23	Aug-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(2.7)	(0.4)	(3.1)	5.9	(0.7)	-	Feb-21	-	May-23
US Auto Sales Total Annualized SAAR	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(0.2)	15.7	15.5	16.1	15.4	-	Aug-23	-	Aug-23
US Auto Sales Total Annualized SAAR YoY	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(12.1)	16.2	4.0	0.9	11.4	-	Aug-22	-	Mar-22
US Auto Sales Total Annualized SAAR 3mo SAAR	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(5.8)	(0.3)	(6.1)	2.5	(2.2)	-	Jul-22	-	Jul-23
Switzerland CPI All Items YoY	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	Lowest Since	Fastest Since	Slowest Since
	0.0	1.7	1.7	0.5	1.7	May-23	-	Sep-23	-
Switzerland CPI All Items MoM	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	0.2	(0.1)	0.1	0.0	0.1	Aug-23	-	Aug-23	-
Switzerland Consumer Confidence Indicator SA (New method)	Dec-23	Sep-23	Dec-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(13.0)	(27.0)	(40.0)	(17.6)	(40.0)	-	Dec-22	-	Sep-22
Spain Manufacturing PMI SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(2.6)	47.7	45.1	52.2	46.4	-	Oct-22	-	Oct-22
Italy Manufacturing PMI SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(1.9)	46.8	44.9	53.3	45.7	-	Jul-23	-	Jun-23
France Manufacturing PMI SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(1.4)	44.2	42.8	51.7	44.3	-	Jan-00	-	Sep-23

Contextualizing The Latest Key Macroeconomic Data

Indicator	Delta	Momentum		Trends		Level Context		Delta Context	
S&P Global/BME Germany Manufacturing PMI SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	1.2	39.6	40.8	53.0	39.8	May-23	-	Jan-22	-
Eurozone Manufacturing PMI SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(0.3)	43.4	43.1	53.0	43.3	-	Jul-23	-	Jul-23
Germany Unemployment Change SWDA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	18.0	12.0	30.0	(2.2)	21.0	Jun-23	-	Jun-23	-
Germany Unemployment Rate SWDA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	0.1	5.7	5.8	5.8	5.7	May-21	-	Jun-23	-
Challenger US Job Cut Announcements Year Over Year Percent Change	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(49.4)	58.2	8.8	51.4	111.3	-	Jul-23	-	Sep-23
UK Bank of England Official Bank Rate	Nov-23	Oct-23	Nov-23	10YRMA	3MMA	Highest Since	Lowest Since	Fastest Since	Slowest Since
	0.0	5.3	5.3	0.9	5.3	-	-	-	-
US Unit Labor Costs Nonfarm Business Sector Yearly % Change SA	Sep-23	Jun-23	Sep-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(1.8)	3.7	1.9	2.3	1.9	-	Jun-21	-	Dec-21
US Unit Labor Costs Nonfarm Business Sector QoQ % SAAR	Sep-23	Jun-23	Sep-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(4.0)	3.2	(0.8)	2.6	(0.8)	-	Dec-22	-	Jun-23
US Nonfarm Business Sector Output Per Hour Of All Persons YoY SA	Sep-23	Jun-23	Sep-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	1.0	1.2	2.2	1.4	2.2	Mar-21	-	Jun-23	-
US Labor Productivity Output Per Hour Nonfarm Business Sector QoQ SA	Sep-23	Jun-23	Sep-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	1.1	3.6	4.7	1.5	4.7	Sep-20	-	Jun-23	-
US Initial Jobless Claims SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	8.0	209.0	217.0	376.4	217.0	Aug-23	-	Jun-23	-
US Initial Jobless Claims 4 Week Moving Average SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	0.8	209.3	210.0	393.0	210.0	Aug-23	-	Aug-23	-
US Continuing Jobless Claims SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	113.0	1,705.0	1,818.0	3,226.8	1,818.0	Nov-21	-	Nov-22	-
US Continuing Jobless Claims NSA YoY	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	-	Lowest Since	-	Slowest Since
	(37.8)	29.4	(8.4)	46.4	(8.4)	-	May-23	-	May-23
Continuing Claims as a % of the Total Labor Force SA	Oct-23	Sep-23	Oct-23	10YRMA	3MMA	Highest Since	-	Fastest Since	-
	0.1	1.0	1.1	1.8	1.0	Apr-23	-	Nov-22	-

@42Macro Has A Simple 3-Step Process That Will Help You Know What Assets To Buy And Sell, When To Buy And Sell Them, And How Much To Buy And Sell

- **Step 1:** Organize the macroeconomy into distinct, investable regimes based on growth and inflation – the two principal components of asset market performance.

- **Step 2:** Backtest asset market performance and dispersion in the context of those distinct, investable regimes.

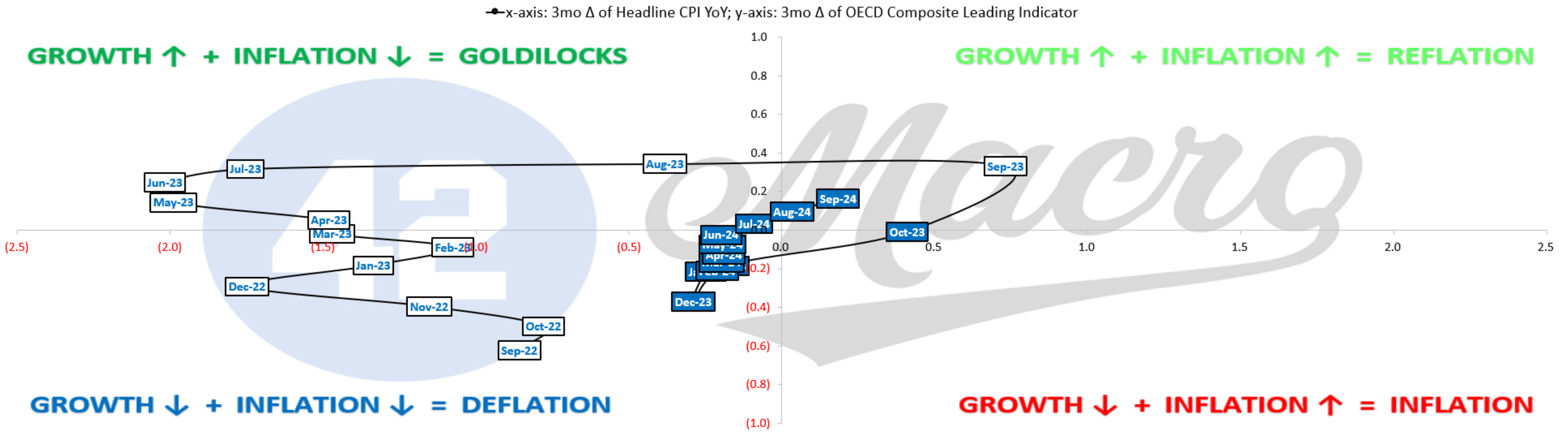
- **Step 3:** Nowcast which regime the economy is in along with other key macro factors to determine the likely performance and dispersion of asset markets.

Step 1: Simply Macro: We Use The @42Macro GRID Model To Organize The Macroeconomy Into Distinct, Investable Regimes

United States

42 Macro GRID Framework	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
	Actuals															
Macro Regime	I	I	I	I	I	D	D	D	D	D	D	D	D	G	G	G
Conditional Probability of GOLDILOCKS	2%	3%	6%	6%	2%	6%	13%	9%	14%	25%	32%	30%	32%	54%	47%	54%
Conditional Probability of REFLATION	26%	28%	17%	6%	9%	4%	2%	3%	3%	1%	1%	4%	7%	2%	3%	5%
Conditional Probability of INFLATION	68%	63%	56%	45%	71%	36%	10%	22%	15%	3%	3%	7%	11%	2%	3%	4%
Conditional Probability of DEFLATION	5%	6%	21%	43%	18%	53%	76%	66%	68%	71%	64%	59%	51%	43%	46%	38%
OECD Composite Leading Indicator	100.6	100.4	100.1	99.8	99.5	99.3	99.2	99.0	98.9	98.9	98.8	98.8	98.9	98.9	99.0	99.1
3mo Δ	-0.4	-0.5	-0.7	-0.8	-0.8	-0.8	-0.6	-0.5	-0.4	-0.3	-0.2	-0.1	0.0	0.1	0.1	0.2
Z-Score (t3yrs)	-0.3	-0.3	-0.4	-0.5	-0.5	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1
Headline CPI YoY	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	6.4	6.0	5.0	4.9	4.0	3.0
3mo Δ	1.5	0.8	0.7	0.5	0.3	-0.3	-0.9	-0.8	-1.2	-1.7	-1.3	-1.1	-1.5	-1.5	-2.0	-2.0
Z-Score (t3yrs)	0.9	0.2	0.1	0.0	-0.3	-0.8	-1.2	-1.1	-1.4	-1.7	-1.3	-1.1	-1.3	-1.4	-1.8	-1.7

42 Macro GRID Framework	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
	Actuals			Projections											
Macro Regime	G	G	R	I	D	D	D	D	D	D	D	D	G	R	R
Conditional Probability of GOLDILOCKS	61%	58%	13%	14%	19%	11%	19%	19%	21%	24%	26%	29%	30%	28%	26%
Conditional Probability of REFLATION	2%	11%	56%	34%	13%	6%	11%	12%	13%	16%	17%	19%	23%	31%	38%
Conditional Probability of INFLATION	1%	5%	25%	37%	28%	29%	26%	27%	26%	24%	23%	21%	20%	22%	21%
Conditional Probability of DEFLATION	36%	25%	6%	15%	41%	54%	44%	42%	40%	36%	34%	32%	26%	19%	15%
OECD Composite Leading Indicator	99.2	99.3	99.4	99.2	99.1	99.1	99.0	98.9	98.9	98.9	98.9	98.9	98.9	99.0	99.0
3mo Δ	0.3	0.3	0.3	0.0	-0.2	-0.4	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.1	0.2
Z-Score (t3yrs)	0.1	0.3	0.4	-0.1	-0.4	-0.6	-0.3	-0.2	-0.1	0.1	0.4	0.6	0.8	0.9	1.1
Headline CPI YoY	3.2	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.1	3.1	3.2
3mo Δ	-1.8	-0.4	0.7	0.4	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	0.0	0.2
Z-Score (t3yrs)	-1.4	-0.4	0.4	0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.1	0.2	0.4



Step 2: What To Buy Or Sell: We Use The @42Macro GRID Asset Market Backtests To Gain A Deep Understanding Of What Drives Markets

FACTOR (ETF)	Annualized Expected Return				Percent Positive Ratio				Volatility				Covariance w/ US Equity βeta				FACTOR (ETF)	Expected Sharpe Ratio Rankings			
	GOLDILOCKS	REFLATION	INFLATION	DEFLATION	GOLDILOCKS	REFLATION	INFLATION	DEFLATION	GOLDILOCKS	REFLATION	INFLATION	DEFLATION	GOLDILOCKS	REFLATION	INFLATION	DEFLATION		GOLDILOCKS	REFLATION	INFLATION	DEFLATION
Beta (SPY)	24%	10%	-8%	2%	66%	65%	43%	51%	9%	6%	12%	11%	1.00	1.00	1.00	1.00	Beta (SPY)	11	6	11	8
Consumer Discretionary (XLY)	53%	19%	-3%	11%	71%	65%	56%	64%	6%	8%	11%	12%	0.92	0.88	0.92	0.90	Consumer Discretionary (XLY)	3	2	10	5
Consumer Staples (XLP)	13%	-4%	13%	6%	71%	50%	63%	60%	4%	6%	5%	7%	0.84	0.81	0.59	0.84	Consumer Staples (XLP)	9	12	2	4
Communication Services (XLC)	54%	11%	-18%	11%	86%	55%	63%	60%	5%	6%	8%	11%	0.68	0.81	0.87	0.89	Communication Services (XLC)	1	5	12	2
Energy (XLE)	64%	-6%	28%	-3%	86%	60%	63%	48%	10%	12%	12%	18%	0.85	0.48	0.42	0.80	Energy (XLE)	7	11	3	9
Financials (XLF)	51%	10%	3%	-8%	71%	45%	50%	48%	7%	7%	8%	11%	0.96	0.80	0.88	0.87	Financials (XLF)	4	7	6	12
Health Care (XLV)	25%	10%	6%	8%	71%	65%	50%	52%	4%	5%	6%	8%	0.86	0.84	0.75	0.83	Health Care (XLV)	5	3	4	3
Industrials (XLI)	43%	11%	1%	2%	57%	50%	50%	56%	6%	6%	7%	11%	0.96	0.87	0.95	0.94	Industrials (XLI)	6	4	8	7
Information Technology (XLK)	57%	24%	0%	19%	86%	60%	56%	60%	5%	7%	9%	11%	0.77	0.87	0.97	0.94	Information Technology (XLK)	2	1	9	1
Materials (XLB)	31%	9%	3%	4%	57%	65%	56%	48%	6%	6%	8%	11%	0.92	0.77	0.90	0.94	Materials (XLB)	8	8	7	6
Real Estate (XLRE)	11%	7%	7%	-3%	71%	55%	56%	60%	3%	5%	7%	10%	0.94	0.62	0.78	0.86	Real Estate (XLRE)	10	9	5	10
Utilities (XLU)	-10%	5%	20%	-3%	71%	50%	63%	56%	3%	7%	6%	7%	0.63	0.33	0.82	0.69	Utilities (XLU)	12	10	1	11
Dividend Compounders (SPHD)	29%	6%	7%	5%	71%	55%	63%	64%	5%	5%	6%	9%	0.92	0.90	0.94	0.96	Dividend Compounders (SPHD)	4	10	1	4
Growth (IWF)	29%	18%	-6%	9%	67%	59%	53%	53%	11%	7%	10%	11%	0.97	0.92	0.96	0.96	Growth (IWF)	10	2	10	3
High Beta (SPHB)	72%	19%	-2%	7%	71%	55%	63%	56%	10%	8%	10%	15%	0.96	0.66	0.94	0.95	High Beta (SPHB)	3	4	5	5
Low Beta (SPLV)	20%	6%	-8%	7%	72%	50%	40%	55%	7%	6%	10%	9%	0.86	0.84	0.88	0.88	Low Beta (SPLV)	9	9	11	2
Mega Caps (OEF)	30%	11%	-3%	1%	66%	59%	49%	53%	8%	6%	9%	9%	0.98	0.99	0.99	0.99	Mega Caps (OEF)	6	8	8	10
Mega Cap Growth (QQQ)	56%	23%	-3%	16%	86%	65%	63%	56%	5%	7%	9%	11%	0.78	0.89	0.97	0.94	Mega Cap Growth (QQQ)	1	1	7	1
Mid Caps (VO)	45%	11%	0%	1%	57%	70%	69%	52%	6%	5%	7%	12%	0.97	0.81	0.95	0.96	Mid Caps (VO)	2	7	3	11
Momentum (MTUM)	28%	16%	-3%	2%	63%	59%	56%	57%	11%	7%	10%	9%	0.93	0.86	0.90	0.88	Momentum (MTUM)	11	3	6	7
Quality (QUAL)	33%	13%	-5%	3%	68%	59%	51%	49%	9%	6%	9%	9%	0.98	0.97	0.99	0.97	Quality (QUAL)	7	6	9	6
Small Caps (IWM)	55%	12%	0%	2%	71%	75%	57%	53%	10%	5%	12%	13%	0.83	0.67	0.93	0.91	Small Caps (IWM)	5	5	2	9
Value (IWD)	27%	4%	-1%	2%	70%	55%	53%	53%	9%	6%	8%	10%	0.95	0.91	0.96	0.95	Value (IWD)	8	11	4	8
Brazil (EWZ)	84%	-15%	2%	-7%	86%	35%	56%	48%	10%	12%	12%	17%	0.97	0.47	0.36	0.52	Brazil (EWZ)	2	7	2	7
China (FXI)	-8%	9%	-36%	9%	57%	55%	31%	52%	6%	8%	7%	14%	0.64	0.28	0.00	0.51	China (FXI)	7	3	7	3
Emerging Markets (EEM)	27%	3%	-20%	0%	57%	45%	44%	52%	5%	6%	5%	10%	0.85	0.53	0.77	0.79	Emerging Markets (EEM)	3	4	6	5
Eurozone (EZU)	32%	1%	-2%	3%	71%	55%	44%	56%	6%	5%	6%	9%	0.94	0.76	0.89	0.89	Eurozone (EZU)	4	6	3	4
India (INDA)	52%	12%	13%	-2%	86%	70%	56%	48%	4%	5%	6%	10%	0.72	0.58	0.66	0.60	India (INDA)	1	1	1	6
Japan (DXJ)	29%	10%	-6%	8%	70%	60%	48%	58%	10%	9%	9%	9%	0.46	0.30	0.30	0.65	Japan (DXJ)	5	2	4	2
United Kingdom (EWU)	30%	2%	-19%	19%	70%	60%	46%	54%	12%	8%	14%	19%	0.29	0.33	0.48	0.56	United Kingdom (EWU)	6	5	5	1
0-5yr TIPS (STIP)	9%	5%	2%	1%	100%	75%	63%	67%	0%	1%	1%	1%	(1.00)	0.31	0.49	0.77	0-5yr TIPS (STIP)	2	1	1	12
1-3yr Treasurys (SHY)	1%	1%	-2%	2%	100%	55%	31%	71%	0%	0%	1%	1%	(1.00)	(0.50)	0.15	0.08	1-3yr Treasurys (SHY)	1	7	11	1
5-10yr TIPS (TIP)	-1%	7%	-1%	2%	57%	60%	50%	68%	1%	2%	3%	3%	0.56	0.14	0.56	0.70	5-10yr TIPS (TIP)	13	5	6	11
5-10yr Treasurys (IEF)	-4%	1%	-5%	5%	29%	50%	25%	60%	1%	2%	2%	3%	0.14	(0.36)	0.23	0.22	5-10yr Treasurys (IEF)	14	13	10	4
25+ Year Treasurys (TLT)	-14%	0%	-13%	7%	43%	50%	31%	56%	2%	6%	5%	7%	0.81	(0.28)	0.24	0.12	25+ Year Treasurys (TLT)	15	15	12	7
Barclays Agg (AGG)	9%	3%	-1%	8%	66%	55%	42%	62%	4%	2%	5%	5%	0.25	(0.09)	0.38	0.42	Barclays Agg (AGG)	9	10	4	3
BDCs (BIZD)	60%	14%	9%	0%	86%	75%	56%	48%	7%	6%	5%	16%	0.90	0.67	0.87	0.84	BDCs (BIZD)	6	8	2	14
Convertibles (CWB)	124%	19%	-13%	10%	100%	60%	44%	63%	5%	5%	5%	8%	1.00	0.65	0.91	0.92	Convertibles (CWB)	3	4	13	5
EM Local Currency Bonds (EMLC)	8%	0%	-7%	4%	57%	45%	50%	56%	2%	2%	2%	4%	0.76	0.25	0.58	0.62	EM Local Currency Bonds (EMLC)	8	14	14	9
EM USD Bonds (EMB)	10%	1%	-10%	5%	71%	50%	44%	64%	1%	2%	3%	5%	0.96	0.38	0.72	0.69	EM USD Bonds (EMB)	7	12	15	8
High Yield Credit (HYG)	16%	6%	-4%	3%	86%	75%	50%	64%	2%	2%	3%	5%	0.90	0.66	0.84	0.86	High Yield Credit (HYG)	5	6	9	10
Investment Grade Credit (LQD)	12%	4%	-4%	12%	63%	66%	43%	66%	5%	2%	7%	6%	0.36	0.06	0.40	0.62	Investment Grade Credit (LQD)	10	11	7	2
Leveraged Loans (BKLN)	16%	7%	1%	2%	86%	85%	69%	64%	1%	1%	1%	5%	0.76	0.63	0.56	0.70	Leveraged Loans (BKLN)	4	2	3	13
MBS (MBB)	10%	3%	-1%	8%	69%	59%	36%	67%	4%	1%	6%	6%	0.24	0.01	0.38	0.30	MBS (MBB)	11	9	5	6
Preferreds (PFF)	5%	16%	-4%	-10%	71%	70%	50%	40%	3%	3%	4%	8%	0.90	0.76	0.68	0.66	Preferreds (PFF)	12	3	8	15
Agriculture (DBA)	1%	31%	8%	-7%	46%	70%	45%	47%	3%	6%	5%	7%	0.23	0.60	(0.09)	0.14	Agriculture (DBA)	7	3	2	5
Base Metals (DBB)	5%	22%	-9%	-14%	46%	70%	25%	35%	3%	3%	4%	4%	0.19	0.54	0.51	0.34	Base Metals (DBB)	3	1	7	7
Bitcoin (BITO)	142%	38%	50%	7%	57%	50%	50%	40%	15%	27%	26%	22%	0.25	0.05	0.18	0.42	Bitcoin (BITO)	1	6	1	3
Commodities (DBC)	3%	25%	-2%	-11%	46%	85%	40%	38%	2%	4%	4%	4%	0.23	0.64	0.27	0.28	Commodities (DBC)	4	2	6	6
Energy (USO)	78%	19%	14%	9%	86%	65%	56%	48%	11%	12%	14%	34%	0.75	0.55	0.11	0.44	Energy (USO)	2	4	4	4
Gold (GLD)	9%	12%	33%	7%	53%	51%	58%	56%	13%	8%	21%	11%	0.09	0.19	0.15	0.25	Gold (GLD)	6	5	3	1
US Dollar (UUP)	3%	-2%	0%	1%	55%	43%	53%	45%	3%	3%	6%	4%	(0.27)	(0.35)	(0.17)	(0.40)	US Dollar (UUP)	5	7	5	2

 Data Source: Bloomberg. Download a zoomable version of the table here: https://bit.ly/489ABLL.
You may have to copy/paste the link into your browser if clicking on it does not work.
GRID Asset Markets Backtest sample = [Jan-68 through Dec-82] + [Jan-18 through present].

Step 2: What To Buy Or Sell: Highest And Lowest Annualized Expected Returns For Equity Sectors And Factors By GRID Regime

Equity Sector Rankings

Rank	GOLDILOCKS	REFLATION	INFLATION	DEFLATION
1	Energy (XLE)	Information Technology (XLK)	Energy (XLE)	Information Technology (XLK)
2	Information Technology (XLK)	Consumer Discretionary (XLY)	Utilities (XLU)	Communication Services (XLC)
3	Communication Services (XLC)	Communication Services (XLC)	Consumer Staples (XLP)	Consumer Discretionary (XLY)
4	Consumer Discretionary (XLY)	Industrials (XLI)	Real Estate (XLRE)	Health Care (XLV)
5	Financials (XLF)	Health Care (XLV)	Health Care (XLV)	Consumer Staples (XLP)
6	Industrials (XLI)	Financials (XLF)	Financials (XLF)	Materials (XLB)
7	Materials (XLB)	Materials (XLB)	Materials (XLB)	Industrials (XLI)
8	Health Care (XLV)	Real Estate XLRE)	Industrials (XLI)	Energy (XLE)
9	Consumer Staples (XLP)	Utilities (XLU)	Information Technology (XLK)	Utilities (XLU)
10	Real Estate (XLRE)	Consumer Staples (XLP)	Consumer Discretionary (XLY)	Real Estate (XLRE)
11	Utilities (XLU)	Energy (XLE)	Communication Services (XLC)	Financials (XLF)

Equity Factor Rankings

Rank	GOLDILOCKS	REFLATION	INFLATION	DEFLATION
1	High Beta (SPHB)	Mega Cap Growth (QQQ)	Dividend Compounders (SPHD)	Mega Cap Growth (QQQ)
2	Mega Cap Growth (QQQ)	High Beta (SPHB)	Small Caps (IWM)	Growth (IWF)
3	Small Caps (IWM)	Growth (IWF)	Mid Caps (VO)	Low Beta (SPLV)
4	Mid Caps (VO)	Momentum (MTUM)	Value (IWD)	High Beta (SPHB)
5	Quality (QUAL)	Quality (QUAL)	High Beta (SPHB)	Dividend Compounders (SPHD)
6	Mega Caps (OEF)	Small Caps (IWM)	Mega Cap Growth (QQQ)	Quality (QUAL)
7	Growth (IWF)	Mid Caps (VO)	Mega Caps (OEF)	Small Caps (IWM)
8	Dividend Compounders (SPHD)	Mega Caps (OEF)	Momentum (MTUM)	Value (IWD)
9	Momentum (MTUM)	Beta (SPY)	Quality (QUAL)	Momentum (MTUM)
10	Value (IWD)	Low Beta (SPLV)	Growth (IWF)	Beta (SPY)
11	Beta (SPY)	Dividend Compounders (SPHD)	Low Beta (SPLV)	Mid Caps (VO)
12	Low Beta (SPLV)	Value (IWD)	Beta (SPY)	Mega Caps (OEF)

Data Source: Bloomberg. Intellectual property of @42Macro. GRID Asset Markets Backtests span [Jan-68 to Dec-82] and [Jan-18 to present].
Red lines indicate cutoff between positive and negative annualized expected returns.

Step 2: What To Buy Or Sell: Highest And Lowest Expected Sharpe Ratios, Across Asset Classes, By GRID Regime

GOLDILOCKS	REFLATION	INFLATION	DEFLATION
Top 3 Equity Factors	Top 3 Equity Factors	Top 3 Equity Factors	Top 3 Equity Factors
Mega Cap Growth (QQQ)	Mega Cap Growth (QQQ)	Dividend Compounders (SPHD)	Mega Cap Growth (QQQ)
Mid Caps (VO)	Growth (IWF)	Small Caps (IWM)	Low Beta (SPLV)
High Beta (SPHB)	Momentum (MTUM)	Mid Caps (VO)	Growth (IWF)
Bottom 3 Equity Factors	Bottom 3 Equity Factors	Bottom 3 Equity Factors	Bottom 3 Equity Factors
Beta (SPY)	Value (IWD)	Low Beta (SPLV)	Mid Caps (VO)
Momentum (MTUM)	Dividend Compounders (SPHD)	Beta (SPY)	Mega Caps (OEF)
Growth (IWF)	Low Beta (SPLV)	Growth (IWF)	Beta (SPY)
Top 3 Equity Sectors	Top 3 Equity Sectors	Top 3 Equity Sectors	Top 3 Equity Sectors
Communication Services (XLC)	Information Technology (XLK)	Utilities (XLU)	Information Technology (XLK)
Information Technology (XLK)	Consumer Discretionary (XLY)	Consumer Staples (XLP)	Communication Services (XLC)
Consumer Discretionary (XLY)	Health Care (XLV)	Energy (XLE)	Health Care (XLV)
Bottom 3 Equity Sectors	Bottom 3 Equity Sectors	Bottom 3 Equity Sectors	Bottom 3 Equity Sectors
Utilities (XLU)	Consumer Staples (XLP)	Communication Services (XLC)	Financials (XLF)
Real Estate (XLRE)	Energy (XLE)	Consumer Discretionary (XLY)	Utilities (XLU)
Consumer Staples (XLP)	Utilities (XLU)	Information Technology (XLK)	Real Estate (XLRE)
Top 5 Fixed Income Factors	Top 5 Fixed Income Factors	Top 5 Fixed Income Factors	Top 5 Fixed Income Factors
1-3yr Treasurys (SHY)	0-5yr TIPS (STIP)	0-5yr TIPS (STIP)	1-3yr Treasurys (SHY)
0-5yr TIPS (STIP)	Leveraged Loans (BKLN)	BDCs (BIZD)	Investment Grade Credit (LQD)
Convertible Bonds (CWB)	Preferreds (PFF)	Leveraged Loans (BKLN)	Core Aggregate (AGG)
Leveraged Loans (BKLN)	Convertible Bonds (CWB)	Core Aggregate (AGG)	5-10yr Treasurys (IEF)
High Yield Credit (HYG)	5-10yr TIPS (TIP)	MBS (MBB)	Convertible Bonds (CWB)
Bottom 5 Fixed Income Factors	Bottom 5 Fixed Income Factors	Bottom 5 Fixed Income Factors	Bottom 5 Fixed Income Factors
25+ Year Treasurys (TLT)	25+ Year Treasurys (TLT)	EM USD Bonds (EMB)	Preferreds (PFF)
5-10yr Treasurys (IEF)	EM Local Currency Bonds (EMLC)	EM Local Currency Bonds (EMLC)	BDCs (BIZD)
5-10yr TIPS (TIP)	5-10yr Treasurys (IEF)	Convertible Bonds (CWB)	Leveraged Loans (BKLN)
Preferreds (PFF)	EM USD Bonds (EMB)	25+ Year Treasurys (TLT)	0-5yr TIPS (STIP)
MBS (MBB)	Investment Grade Credit (LQD)	1-3yr Treasurys (SHY)	5-10yr TIPS (TIP)
Top 3 Macro Factors	Top 3 Macro Factors	Top 3 Macro Factors	Top 3 Macro Factors
Bitcoin (BITO)	Base Metals (DBB)	Bitcoin (BITO)	Gold (GLD)
Energy (USO)	Commodities (DBC)	Agriculture (DBA)	US Dollar (UUP)
Base Metals (DBB)	Agriculture (DBA)	Gold (GLD)	Bitcoin (BITO)
Bottom 3 Macro Factors	Bottom 3 Macro Factors	Bottom 3 Macro Factors	Bottom 3 Macro Factors
Agriculture (DBA)	US Dollar (UUP)	Industrial Metals (DBB)	Industrial Metals (DBB)
Gold (GLD)	Bitcoin (BITO)	Commodities (DBC)	Commodities (DBC)
US Dollar (UUP)	Gold (GLD)	US Dollar (UUP)	Agriculture (DBA)

GRID Asset Markets Backtest sample = [Jan-68 through Dec-82] + [Jan-18 through present].

Step 3: When And How Much To Buy Or Sell: We Use The @Macro Weather Model To Determine The Current And Future Macro Regime — Which Dictates Our Factor Preferences — And Target Allocation Per Position

Ten Principal Components of Macro: Real Economy Cycles | **United States 11/2/2023** | **Ten Principal Components of Macro: Financial Economy Cycles**

Growth	Previous Value	Latest Value	Previous Signal	Latest Signal
OECD Composite Leading Indicator	99.3	99.4	↑	↑
Bloomberg Consensus NTM Real GDP Δ	-210bps	-210bps	↓	↓

Stock Market – 3-Month Outlook

Latest Signal	Previous Signal	Latest Value	Previous Value	Liquidity
↓	↓	$5,996	$5,938	@42Macro Net Liquidity $bn
↓	↓	$129,415	$129,292	@42Macro Global Liquidity Proxy $bn

Inflation	Previous Value	Latest Value	Previous Signal	Latest Signal
Headline CPI YoY	3.7%	3.7%	↓	↑
Bloomberg Consensus NTM Headline CPI Δ	-130bps	-100bps	↓	↓

Bond Market – 3-Month Outlook

Latest Signal	Previous Signal	Latest Value	Previous Value	Credit
↓	↓	-3.6%	-0.9%	Domestic Broad Money Supply YoY
↓	↓	2.1%	5.1%	Global PPP-Weighted Broad Money Supply YoY

Employment	Previous Value	Latest Value	Previous Signal	Latest Signal
Unemployment Rate	3.8%	3.8%	↑	↑
Bloomberg Consensus NTM Unemployment Rate Δ	60bps	50bps	↑	↑

US Dollar – 3-Month Outlook

Latest Signal	Previous Signal	Latest Value	Previous Value	Interest Rates
↑	↑	5.50%	5.50%	Benchmark Policy Rate
↑	↑	-55bps	-56bps	2yr Nominal Yield-Benchmark Policy Rate Spread

Corporate Profits	Previous Value	Latest Value	Previous Signal	Latest Signal
Bloomberg Consensus NTM S&P 500 Sales Growth Rate	0.2%	0.2%	↓	↓
Bloomberg Consensus NTM S&P 500 EPS Growth Rate	-1.5%	-1.5%	↑	↑

Commodities – 3-Month Outlook

Latest Signal	Previous Signal	Latest Value	Previous Value	Fear
!	!	-4%	-2%	Aggregated US Dollar Positioning
✕	✕	-19%	-20%	Aggregated US Rates Positioning

Fiscal Policy	Previous Value	Latest Value	Previous Signal	Latest Signal
Sovereign Fiscal Balance/Nominal GDP	-5.6%	-6.3%	↓	↓
USD Real Effective Exchange Rate	107.7	109.1	↑	↑

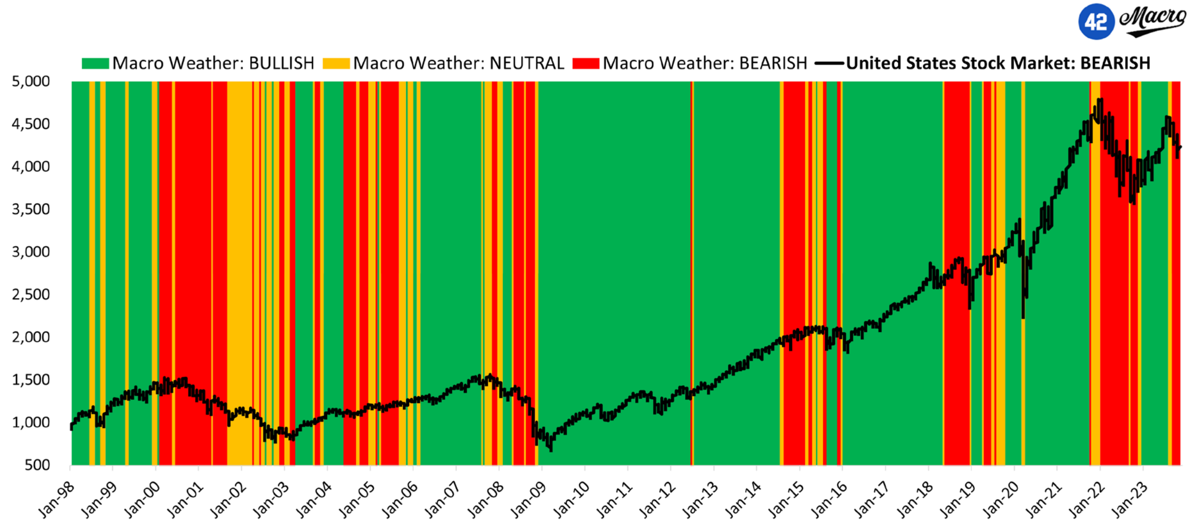
Bitcoin – 3-Month Outlook

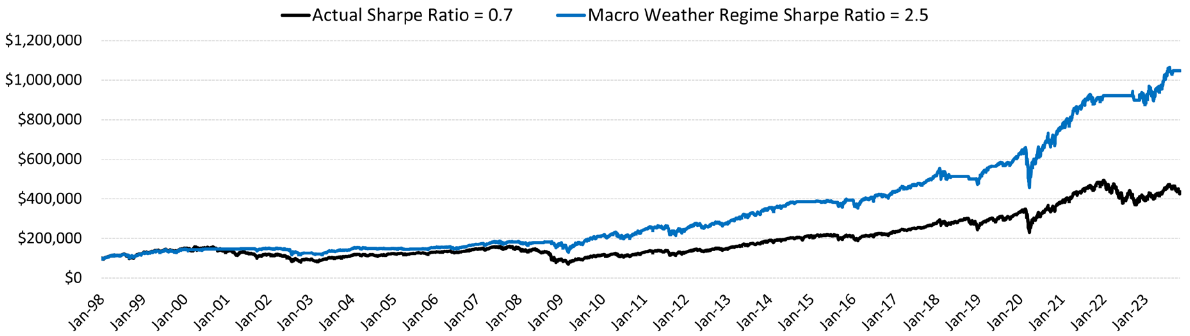
Latest Signal	Previous Signal	Latest Value	Previous Value	Greed
✕	✕	5%	4%	Aggregated Commodities Positioning
!	!	1%	-2%	Aggregated US Equities Positioning

GRID Regime: REFLATION
Conviction: LOW

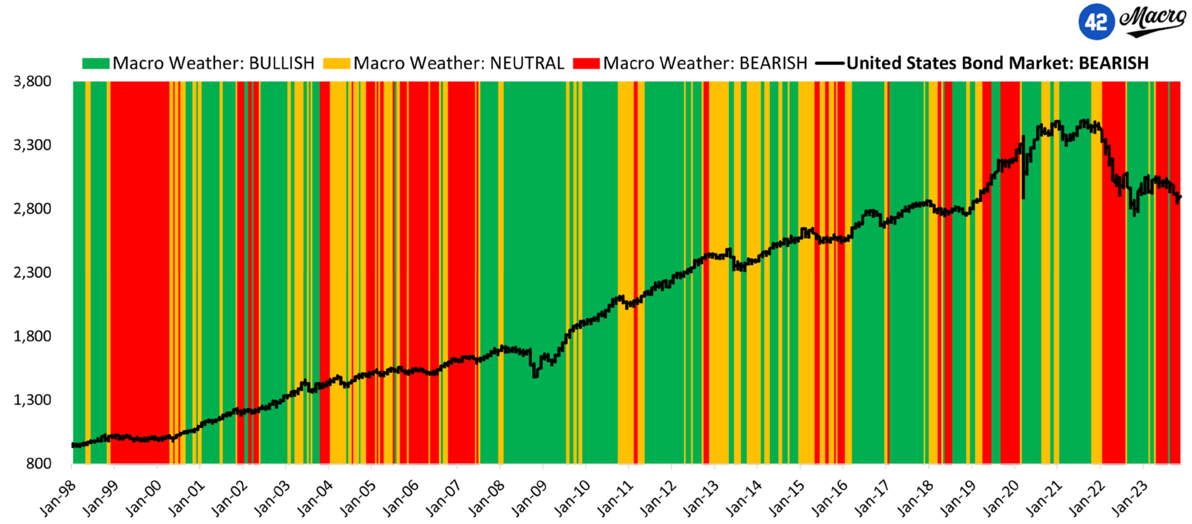
© 42 Macro LLC. Data Source: Bloomberg. How the model works: Each of the 20 features representing the Ten Principal Components of Macro contributes independently to the independent Composite Signals for each asset class. Each Composite Signal is designed to predict whether observed macroeconomic conditions – aka the "Macro Weather" – support buying, holding, or selling the asset class today with a 3-month investment horizon.

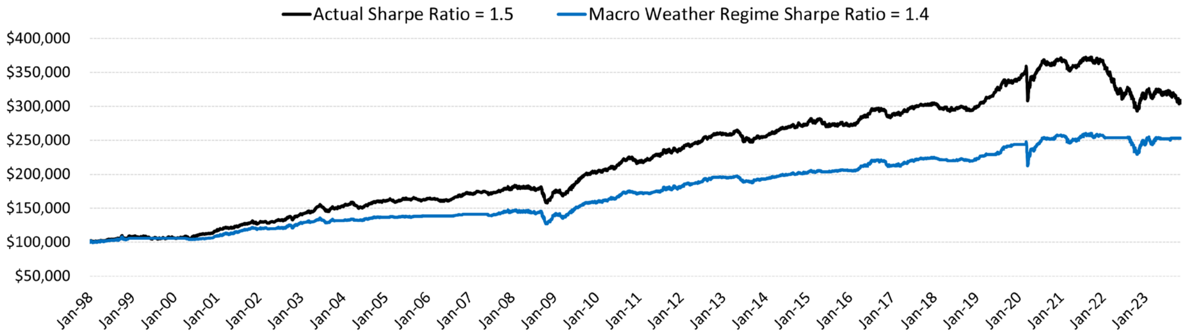
Weather Model Composite Signal: Stock Market





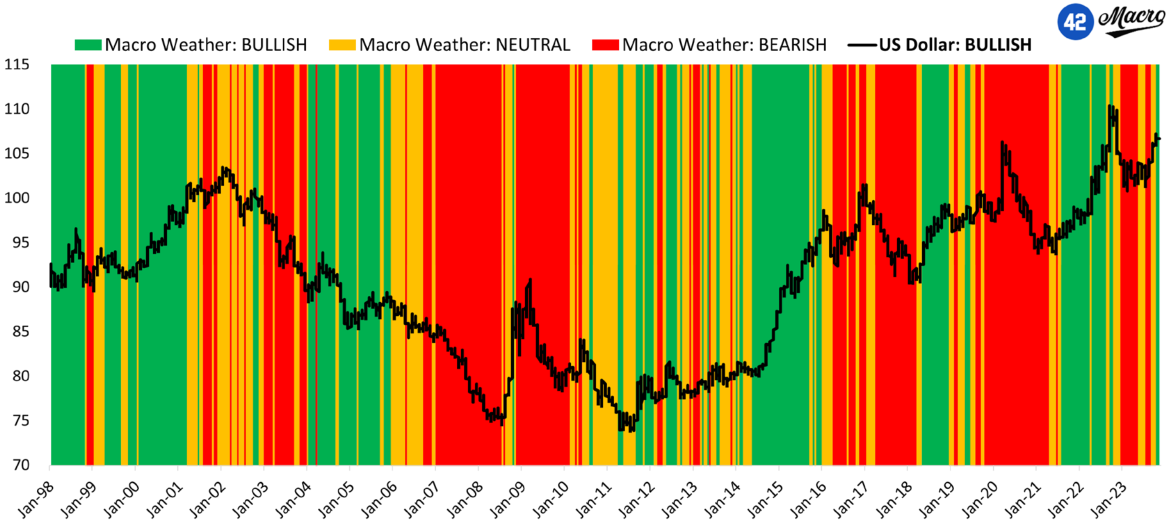
Weather Model Composite Signal: Bond Market

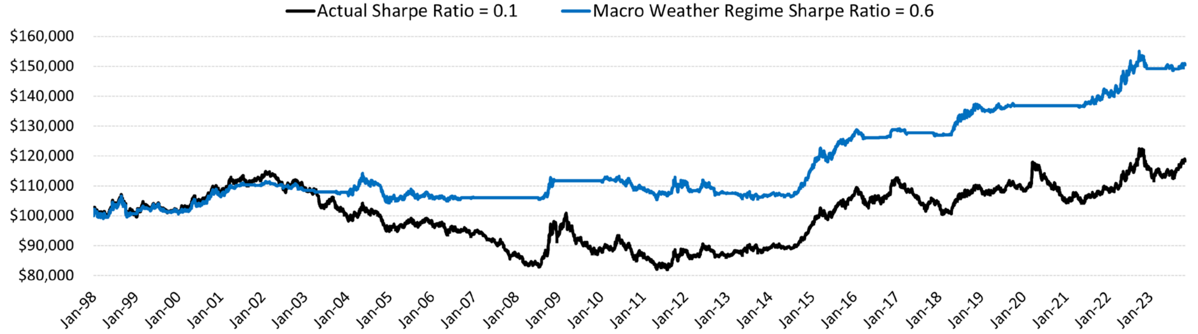




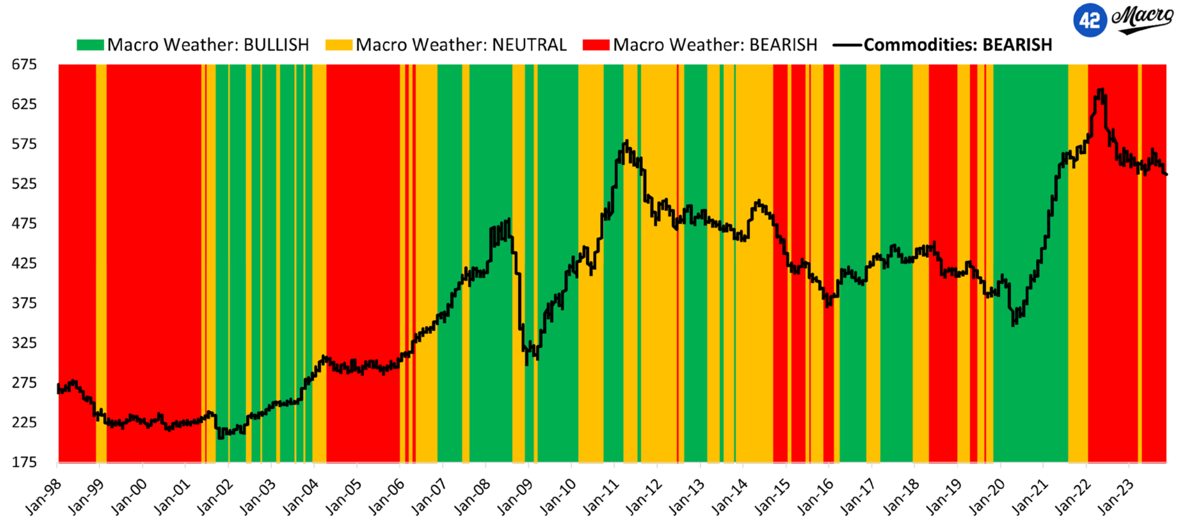
 Data Source: Bloomberg. Hypothetical growth of a $100,000 investment made on 1/1/98. The backtest goes long the exposure at the close in the subsequent trading day following a fresh bullish signal, cuts the position in half at the close in the subsequent trading day following a fresh neutral signal, and closes the long position at the close in the subsequent trading day following a fresh bearish signal. The lag is designed to simulate real-world trading conditions. The process works in reverse when exiting bearish periods.

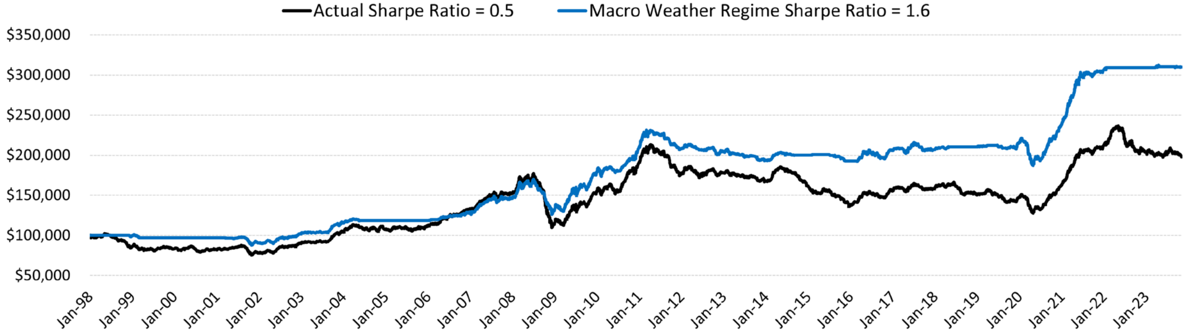
Weather Model Composite Signal: US Dollar





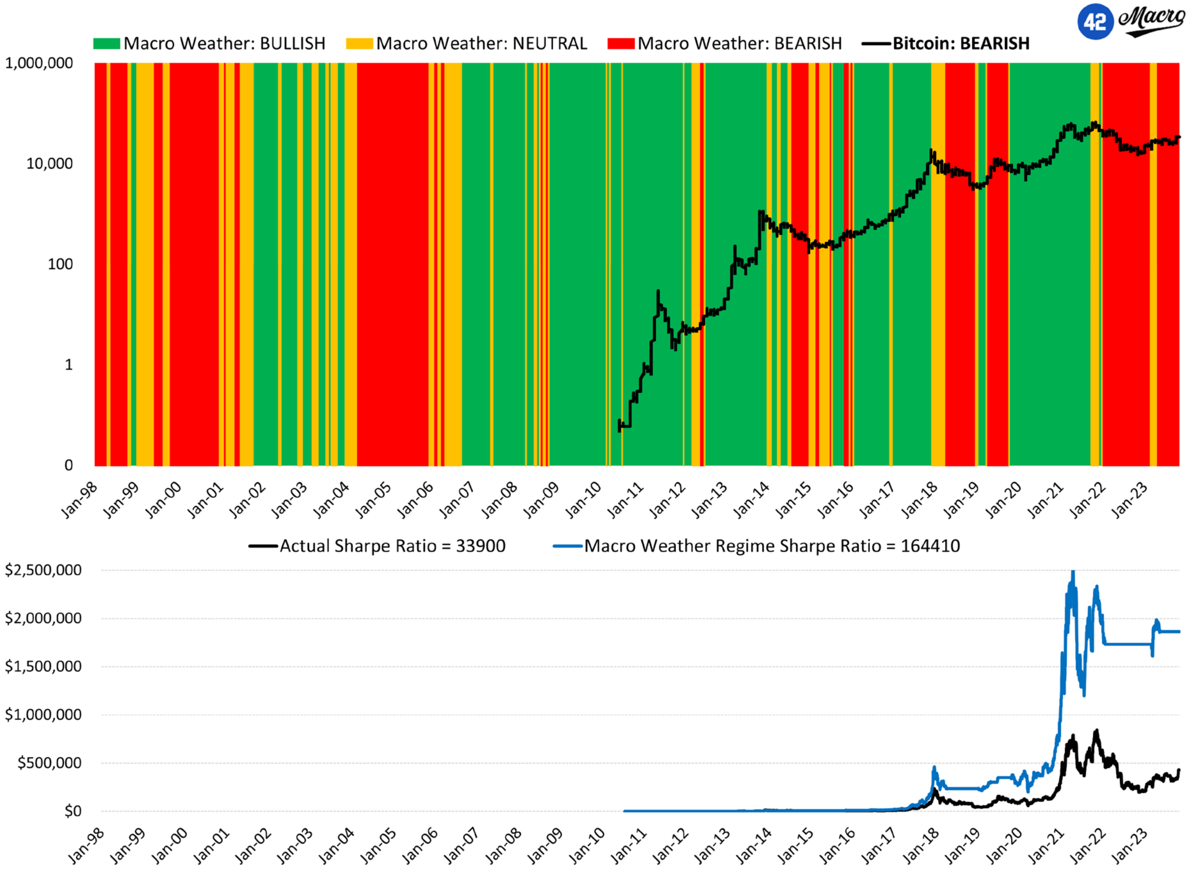
Weather Model Composite Signal: Commodities





 Data Source: Bloomberg. Hypothetical growth of a $100,000 investment made on 1/1/98. The backtest goes long the exposure at the close in the subsequent trading day following a fresh bullish signal, cuts the position in half at the close in the subsequent trading day following a fresh neutral signal, and closes the long position at the close in the subsequent trading day following a fresh bearish signal. The lag is designed to simulate real-world trading conditions. The process works in reverse when exiting bearish periods.

Weather Model Composite Signal:
Bitcoin



 Data Source: Bloomberg. Hypothetical growth of a $1 investment made on 7/19/10 (first day of Bloomberg data). The backtest goes long the exposure at the close in the subsequent trading day following a fresh bullish signal, cuts the position in half at the close in the subsequent trading day following a fresh neutral signal, and closes the long position at the close in the subsequent trading day following a fresh bearish signal. The lag is designed to simulate real-world trading conditions. The process works in reverse when exiting bearish periods.

Step 3: When And How Much To Buy Or Sell: We Use Our Volatility-Adjusted Momentum Signal To Determine Our Actual Exposure Per Position

11/2/2023	SPY	XLY	XLP	XLC	XLE	XLF	XLV	XLI	XLK	XLB	XLRE	XLU	SPHD	IWF	SPHB	SPLV	OEF	QQQ	VO	MTUM
9/22/2023	!	!	X	√	!	!	X	!	√	X	X	X	X	√	!	X	!	√	X	!
9/25/2023	!	!	X	√	!	!	X	X	√	X	X	X	X	√	!	X	!	√	X	X
9/26/2023	!	!	X	√	!	!	X	X	√	X	X	X	X	√	!	X	!	√	X	X
9/27/2023	!	!	X	√	!	!	X	X	√	X	X	X	X	√	!	X	!	√	X	X
9/28/2023	√	√	!	√	√	√	!	!	√	!	!	!	!	√	!	!	√	√	!	!
9/29/2023	!	!	X	√	!	!	X	X	√	X	X	X	X	√	!	X	!	√	X	X
10/2/2023	X	!	X	√	!	X	X	X	√	X	X	X	X	√	!	X	!	√	X	X
10/3/2023	X	!	X	√	!	X	X	X	√	X	X	X	X	√	!	X	!	√	X	X
10/4/2023	X	!	X	√	!	X	X	X	√	X	X	X	X	√	!	X	!	√	X	X
10/5/2023	X	!	X	√	!	X	X	X	√	X	X	X	X	√	!	X	!	√	X	X
10/6/2023	X	!	X	!	!	X	X	X	!	X	X	X	X	!	!	X	!	!	X	X
10/9/2023	X	!	X	!	!	X	X	X	!	X	X	X	X	!	!	X	!	!	X	X
10/10/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/11/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/12/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/13/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/16/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	!
10/17/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	!
10/18/2023	!	!	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/19/2023	!	X	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/20/2023	X	X	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/23/2023	X	X	X	!	!	X	X	X	!	X	X	X	X	!	X	X	!	!	X	X
10/24/2023	X	X	X	!	!	X	X	X	!	X	X	X	X	!	X	X	X	!	X	X
10/25/2023	X	X	X	!	!	X	X	X	X	X	X	X	X	X	X	X	X	!	X	X
10/26/2023	X	X	X	!	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10/27/2023	X	X	X	!	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10/30/2023	X	X	X	!	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10/31/2023	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
11/1/2023	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
11/2/2023	X	X	X	!	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R	0	0	1	0	0	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0
I	1	1	0	0	0	1	0	1	1	1	0	0	0	1	1	1	1	1	1	1
D	1	0	0	0	1	1	1	1	0	1	0	0	0	0	1	0	0	0	1	1
1D%Δ r to SPY (t3mo)	1.00	0.86	0.53	0.89	0.20	0.80	0.74	0.86	0.89	0.76	0.62	0.34	0.65	0.96	0.90	0.63	0.98	0.95	0.89	0.96
r²	1.00	0.74	0.28	0.79	0.04	0.64	0.54	0.74	0.79	0.57	0.38	0.12	0.43	0.92	0.82	0.39	0.96	0.89	0.79	0.93
1D%Δ r to TLT (t3mo)	0.24	0.27	0.20	0.24	0.02	0.18	0.16	0.25	0.11	0.20	0.52	0.32	0.35	0.20	0.24	0.33	0.20	0.20	0.33	0.25
r²	0.06	0.07	0.04	0.06	0.00	0.03	0.03	0.06	0.01	0.04	0.27	0.10	0.13	0.04	0.06	0.11	0.04	0.04	0.11	0.06
1D%Δ r to UUP (t3mo)	0.93	0.84	0.49	0.84	0.13	0.75	0.67	0.81	0.80	0.73	0.71	0.40	0.68	0.89	0.87	0.62	0.90	0.88	0.88	0.91
r²	0.87	0.71	0.24	0.70	0.02	0.57	0.45	0.66	0.64	0.53	0.50	0.16	0.46	0.79	0.75	0.39	0.82	0.77	0.77	0.82

11/2/2023	QUAL	IWM	IWD	EWA	EWZ	EWC	FXI	EEM	EZU	INDA	EWJ	EWU	STIP	SHY	TIP	IEF	TLT	AGG	BIZD	CWB
9/22/2023	√	!	√	X	!	!	X	X	X	!	!	X	X	X	X	X	X	X	√	!
9/25/2023	√	!	√	X	!	X	X	X	X	!	!	X	X	X	X	X	X	X	√	!
9/26/2023	√	!	!	X	!	X	X	X	!	!	!	!	X	X	X	X	X	X	√	X
9/27/2023	√	!	!	X	!	X	X	X	!	!	!	!	X	X	X	X	X	X	√	X
9/28/2023	√	!	!	!	√	!	!	!	!	√	√	!	X	X	X	X	X	X	√	!
9/29/2023	√	!	!	X	!	X	X	X	!	!	!	!	X	X	X	X	X	X	√	X
10/2/2023	√	!	!	X	!	X	X	X	!	!	!	!	X	X	X	X	X	X	√	X
10/3/2023	√	!	!	X	X	X	X	X	!	!	X	!	X	X	X	X	X	X	√	X
10/4/2023	√	!	!	X	X	X	X	X	!	!	X	!	X	X	X	X	X	X	!	X
10/5/2023	√	!	!	X	X	X	X	X	!	!	X	!	X	X	X	X	X	X	!	X
10/6/2023	!	!	!	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/9/2023	!	!	!	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/10/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/11/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/12/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/13/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/16/2023	!	X	X	X	!	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/17/2023	!	X	X	X	!	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/18/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/19/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/20/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/23/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	!	X
10/24/2023	!	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
10/25/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
10/26/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
10/27/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
10/30/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
10/31/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
11/1/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
11/2/2023	X	X	X	X	X	X	X	X	X	!	X	X	X	X	X	X	X	X	X	X
G	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	0	0	0
R	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	0	0
I	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1
D	0	1	1	1	1	1	1	1	1	0	1	1	0	0	0	0	0	0	1	1
1D%Δ r to SPY (t3mo)	0.98	0.81	0.86	0.79	0.52	0.72	0.48	0.71	0.74	0.61	0.66	0.72	0.14	0.03	0.26	0.21	0.24	0.27	0.56	0.82
r²	0.95	0.66	0.73	0.63	0.27	0.52	0.23	0.50	0.55	0.38	0.43	0.52	0.02	0.00	0.07	0.04	0.06	0.07	0.31	0.68
1D%Δ r to TLT (t3mo)	0.22	0.28	0.27	0.40	0.42	0.30	0.25	0.26	0.22	0.09	0.14	0.20	0.59	0.55	0.88	0.93	1.00	0.94	0.37	0.24
r²	0.05	0.08	0.07	0.16	0.18	0.09	0.06	0.07	0.05	0.01	0.02	0.04	0.35	0.30	0.77	0.86	1.00	0.88	0.14	0.06
1D%Δ r to UUP (t3mo)	0.90	0.81	0.82	0.87	0.64	0.75	0.57	0.78	0.78	0.62	0.68	0.75	0.32	0.21	0.51	0.49	0.53	0.56	0.64	0.81
r²	0.82	0.65	0.67	0.75	0.41	0.57	0.32	0.60	0.61	0.38	0.46	0.56	0.10	0.05	0.26	0.24	0.28	0.31	0.41	0.65

11/2/2023	EMLC	EMB	HYG	LQD	BKLN	MBB	PFF	DBA	FXA	DBB	BITO	FXB	DBC	USO	FXE	GLD	FXY	FXF	UUP	BIGPX
9/22/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	√
9/25/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	!
9/26/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	X
9/27/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	X
9/28/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	X
9/29/2023	!	!	!	!	√	X	!	!	!	X	X	!	√	√	!	X	!	!	!	X
10/2/2023	!	!	!	!	√	X	!	!	!	!	X	!	√	√	!	X	!	!	!	!
10/3/2023	!	!	!	!	√	X	!	!	!	!	X	!	√	√	!	X	!	!	!	!
10/4/2023	X	!	X	!	!	X	X	!	!	!	X	!	√	√	!	X	!	!	!	!
10/5/2023	X	!	X	!	!	X	X	!	!	X	X	!	√	!	!	X	!	!	!	!
10/6/2023	X	!	X	!	X	X	X	!	!	X	X	!	√	!	!	X	!	!	!	!
10/9/2023	X	!	X	!	X	X	X	!	X	X	X	X	√	!	X	X	X	X	√	!
10/10/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	!
10/11/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	!
10/12/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	!
10/13/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	X
10/16/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	X
10/17/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	X
10/18/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	X
10/19/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	X	X	X	√	X
10/20/2023	X	X	X	X	!	X	X	!	X	X	X	X	√	!	X	!	X	X	√	X
10/23/2023	X	X	X	X	!	X	X	!	X	X	!	X	√	!	X	!	X	X	√	X
10/24/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
10/25/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
10/26/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
10/27/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
10/30/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
10/31/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
11/1/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
11/2/2023	X	X	X	X	X	X	X	!	X	X	√	X	√	!	X	!	X	X	√	X
G	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	1	1	0	0
R	0	1	0	1	0	1	0	0	0	0	1	0	1	0	0	0	0	0	0	0
I	1	1	1	1	1	1	1	0	1	1	1	1	1	0	1	0	1	1	1	1
D	1	0	1	0	1	0	0	0	1	1	0	1	0	0	1	0	0	0	1	0
1D%Δ r to SPY (t3mo)	0.43	0.43	0.61	0.32	0.36	0.29	0.53	0.16	0.61	0.40	0.31	0.36	###	-0.17	0.20	0.01	0.01	0.37	-0.30	0.93
r²	0.19	0.19	0.37	0.10	0.13	0.09	0.29	0.03	0.37	0.16	0.09	0.13	0.00	0.03	0.04	0.00	0.00	0.14	0.09	0.87
1D%Δ r to TLT (t3mo)	0.65	0.85	0.73	0.95	0.35	0.91	0.72	####	0.45	0.23	0.07	0.24	0.04	-0.06	0.20	0.33	0.22	0.33	-0.27	0.53
r²	0.42	0.72	0.53	0.91	0.12	0.82	0.52	0.00	0.20	0.05	0.00	0.06	0.00	0.00	0.04	0.11	0.05	0.11	0.08	0.28
1D%Δ r to UUP (t3mo)	0.64	0.69	0.78	0.60	0.46	0.58	0.73	0.17	0.72	0.45	0.27	0.41	###	-0.19	0.28	0.09	0.10	0.43	-0.39	1.00
r²	0.41	0.48	0.60	0.36	0.21	0.33	0.53	0.03	0.52	0.21	0.07	0.17	0.00	0.03	0.08	0.01	0.01	0.19	0.16	1.00

GREEN √ = bullish VAMS, ORANGE ! = neutral VAMS, and RED X = bearish VAMS.

We Use The @42Macro Global Liquidity Monitor To Track And Anticipate Changes In Key Macro Narratives

@42Macro Global Liquidity Monitor (11/2/23)	GROWTH												INFLATION								
	Real GDP QoQ SAAR*			Composite PMI			Unemployment			Econ Surprises			Headline CPI YoY			Core CPI YoY*			Inflation Surprises		
	Delta	Level	Trend	Delta	Level	Trend*	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend
Global	↑	2.0%	(0.0)	↓	50.5	(0.9)	↓	4.8%	(1.4)	↑	15	0.2	↑	6.2%	1.1	↑	6.6%	2.0	↑	(7)	(0.4)
Australia	→	1.6%	(0.1)	↓	47.3	(1.1)	↑	3.6%	(1.9)	↑	18	(0.2)	↑	5.6%	1.0	↓	5.2%	1.7	↑	(15)	(0.3)
Brazil	↓	3.6%	0.3	↓	49.0	(1.0)	↓	7.7%	(1.2)	-	-	-	↑	5.2%	(0.3)	↓	6.0%	0.1	-	-	-
Canada	↓	-0.2%	(0.3)	↑	53.1	(0.4)	↑	5.5%	(0.8)	↑	32	0.0	↑	3.8%	0.7	↓	3.2%	0.8	↑	(15)	(0.3)
China	↑	5.2%	(0.1)	↓	50.7	(0.5)	↓	5.0%	(0.8)	↑	8	0.3	→	0.0%	(1.8)	↑	0.8%	(1.1)	↑	(58)	(1.9)
Eurozone	↓	-0.4%	(0.2)	↓	46.5	(1.4)	↓	6.4%	(1.4)	↑	(47)	(0.7)	↓	2.9%	0.3	↓	4.2%	1.7	↓	(14)	(0.5)
India	↑	7.8%	0.3	↑	61.0	1.2	↑	8.0%	0.2	-	-	-	↑	5.0%	(0.2)	↓	4.6%	(0.6)	-	-	-
Japan	↑	4.8%	0.6	↓	49.9	(0.2)	↑	2.6%	(0.7)	↑	7	0.1	↓	3.0%	1.5	↓	2.8%	1.4	↓	(9)	(0.8)
Switzerland	↓	0.0%	(0.3)	↑	40.6	(2.0)	↑	2.1%	(1.5)	↑	(8)	(0.3)	↑	1.7%	1.0	↓	1.5%	1.5	↑	(31)	(1.0)
United Kingdom	↓	0.8%	(0.1)	↓	48.6	(1.0)	↑	4.3%	(0.4)	↓	(12)	(0.6)	↓	6.7%	1.3	↓	6.1%	2.0	↓	44	0.8
United States	↑	4.9%	0.3	↑	53.1	(0.9)	↑	3.8%	(0.7)	↓	54	0.8	↑	3.7%	0.4	↓	3.7%	1.0	↑	3	0.1

@42Macro Global Liquidity Monitor (11/2/23)	POLICY															SYSTEMATIC TRADE IDEAS		
	Liquidity Proxy			Policy Rate			Fiscal Balance*			Current Account			REER*					
	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend	Stocks	Bonds	FX
Global	↓	$129.5	1.2	↑	4.15%	3.3	↑	-4.8%	(0.3)	↑	-0.4%	(1.1)	↓	91	(1.8)	n/a	↓	n/a
Australia	↓	$2.3	1.2	→	4.07%	2.4	↑	1.4%	1.1	↓	1.2%	0.9	↓	106	(0.2)	n/a	n/a	n/a
Brazil	↓	$2.3	(0.0)	↓	12.25%	0.7	↓	-7.3%	(0.1)	↑	-2.7%	0.1	↑	117	(0.4)	↓	n/a	n/a
Canada	↓	$2.1	1.1	→	5.00%	2.9	↑	-3.2%	(0.3)	↓	-1.0%	1.1	↓	101	(0.6)	n/a	n/a	n/a
China	↓	$48.5	1.0	↓	3.45%	(1.3)	↓	-4.7%	(0.8)	↓	2.2%	0.7	↑	92	(1.9)	n/a	n/a	↓
Eurozone	↓	$23.7	0.8	↑	4.00%	3.9	↓	-3.8%	(0.6)	↑	0.2%	(2.0)	↑	102	0.9	↓	n/a	n/a
India	↓	$3.1	1.3	→	6.50%	0.5	↓	-6.6%	(1.2)	↑	-1.7%	(0.3)	↑	101	0.7	n/a	n/a	n/a
Japan	↓	$14.3	0.2	→	-0.10%	(0.5)	↓	-6.7%	(0.6)	↑	2.2%	(0.5)	↓	72	(2.4)	n/a	n/a	n/a
Switzerland	↓	$2.8	0.3	→	-0.75%	(0.6)	↑	1.4%	1.0	↑	9.8%	1.3	↑	101	1.2	n/a	n/a	n/a
United Kingdom	↓	$5.8	0.8	↑	5.25%	3.5	↓	-5.6%	(0.1)	↑	-1.8%	1.4	↓	108	0.7	↓	n/a	n/a
United States	↓	$28.6	1.2	→	5.50%	2.8	↑	-6.3%	(0.2)	↑	-3.2%	(1.2)	↑	109	1.7	n/a	n/a	n/a

Intellectual property of 42 Macro LLC. Data Source: Bloomberg. Delta = trailing 3mo Momentum. Trend = trailing 10yr Z-Score of latest value, except for the Composite PMI which is trailing 3yrs. Geographies in alphabetical order. The @42Macro Liquidity Proxy is the nominal $tn sum of the Central Bank Balance Sheet, Broad Money Supply, and FX Reserves ex-Gold. India Real GDP YoY, not QoQ annualized. Citi Economic and Inflation Surprise indices. US Core PCE Deflator. Sovereign Fiscal Balance and Current Account Balance quoted as shares of Nominal GDP. REER = Real Effective Exchange Rate. Sovereign Fiscal Balance figures for the World, China, and Japan are annual figures. Global REER = inverse USD REER. Systematic Trade Ideas: Long/Short Stocks = rising/falling PMI + positive/negative econ surprises + rising/falling liquidity; Long/Short Bonds = decelerating/accelerating H-CPI + decelerating/accelerating C-CPI + rising/falling liquidity; and Long/Short FX = rising/falling policy rate + rising/falling fiscal balance + rising/falling current account balance.

Highlighted systematic trade ideas include changes from the prior publication.

@42Macro Global Liquidity Proxy = Global Central Bank Balance Sheet + Global Broad Money Supply + Global FX Reserves ex-Gold.

We Use The @42Macro Global Macro Risk Matrix To Track And Anticipate Changes In Key Market Narratives

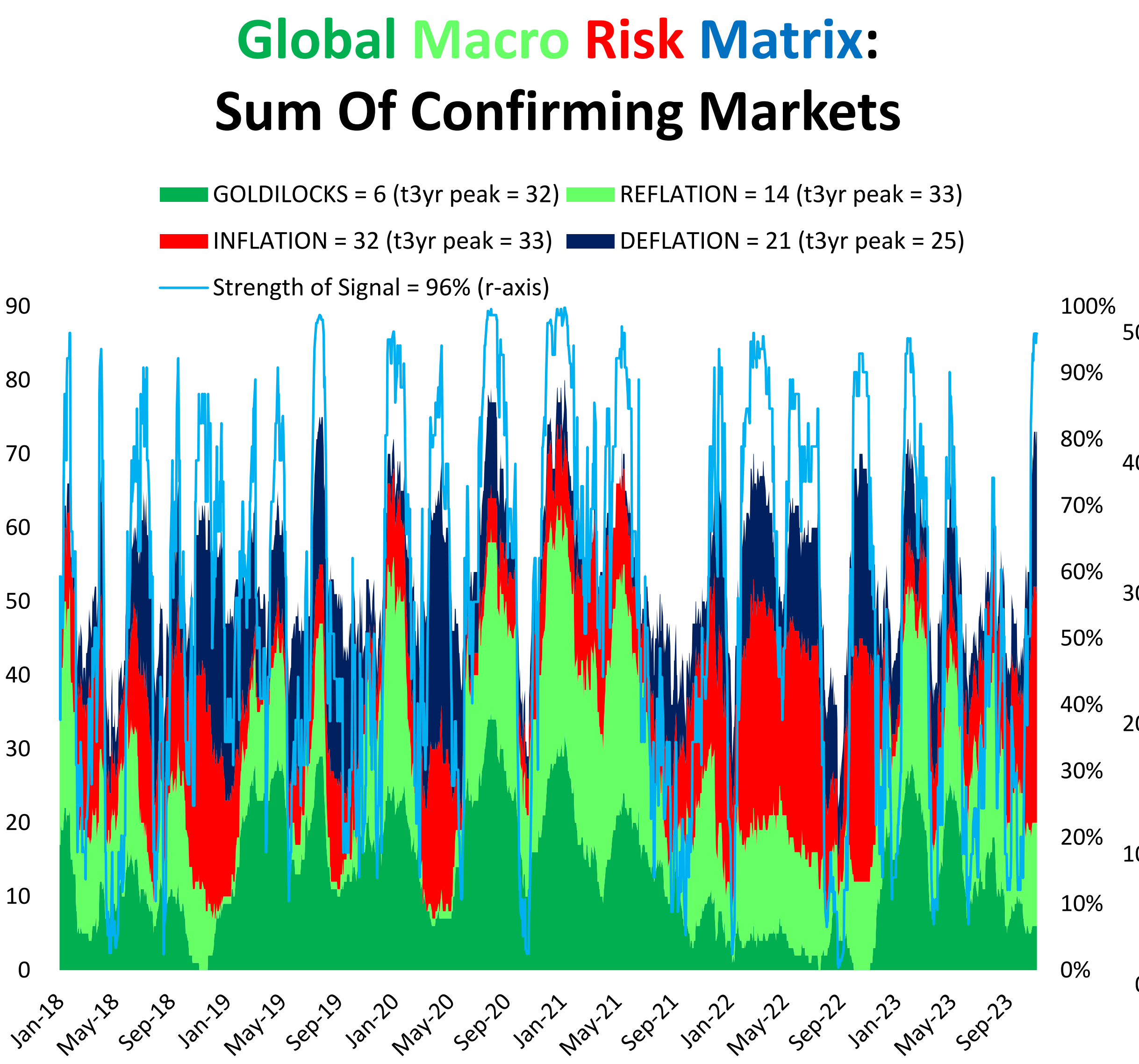
11/2/2023	DAX	ES1	MES1	NKY	NQ1	RTY1	SHCOMP	CVIX	MOVE	VIX	VVIX	BLX	CO1	CRB FOOD
9/22/2023	✗	!	!	✓	✓	!	!	!	!	✗	!	✗	✓	!
9/25/2023	✗	!	!	✓	✓	!	!	!	!	✗	!	✗	✓	!
9/26/2023	!	!	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
9/27/2023	!	!	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
9/28/2023	!	✓	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
9/29/2023	!	!	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
10/2/2023	!	!	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
10/3/2023	!	!	!	✓	✓	!	!	!	!	!	✓	✗	✓	!
10/4/2023	!	!	!	✓	✓	!	!	!	✓	!	✓	✗	✓	!
10/5/2023	!	✗	!	✓	✓	!		!	✓	!	✓	✗	!	✗
10/6/2023	✗	✗	!	✓	!	!		!	✓	!	✓	✗	!	✗
10/9/2023	✗	✗	!	!	!	!	!	✓	✓	!	✓	✗	!	✗
10/10/2023	✗	!	!	!	!	✗	!	✓	✓	!	✓	✗	!	!
10/11/2023	✗	!	!	✓	!	✗	!	✓	✓	!	!	✗	!	!
10/12/2023	✗	!	!	✓	!	✗	!	!	✓	!	!	✗	!	!
10/13/2023	✗	!	!	✓	!	✗	!	!	✓	✓	✓	✗	!	!
10/16/2023	✗	!	!	!	!	✗	!	!	✓	✓	✓	✗	!	!
10/17/2023	✗	!	!	!	!	✗	!	!	✓	✓	✓	✗	!	!
10/18/2023	✗	!	!	!	!	✗	!	!	✓	✓	✓	✗	!	!
10/19/2023	✗	!	✗	!	!	✗	!	!	✓	✓	✓	!	!	!
10/20/2023	✗	✗	✗	!	!	✗	!	✓	✓	✓	✓	!	!	!
10/23/2023	✗	✗	✗	!	!	✗	!	✓	✓	✓	✓	✓	!	!
10/24/2023	✗	✗	✗	✗	!	✗	!	✓	✓	✓	✓	✓	!	!
10/25/2023	✗	✗	✗	✗	!	✗	!	✓	✓	✓	✓	✓	!	!
10/26/2023	✗	✗	✗	✗	✗	✗	!	✓	✓	✓	✓	✓	!	!
10/27/2023	✗	✗	✗	✗	✗	✗	!	✓	✓	✓	✓	✓	!	✗
10/30/2023	✗	✗	✗	✗	✗	✗	!	✓	✓	✓	✓	✓	!	✗
10/31/2023	✗	✗	✗	✗	✗	✗	!	!	✓	✓	✓	✓	!	✗
11/1/2023	✗	✗	✗	✗	✗	✗	!	!	✓	✓	✓	✓	!	✗
11/2/2023	✗	✗	✗	✗	✗	✗	✗	!	✓	✓	!	✓	!	✗
G	0	0	0	0	0	0	0	0	0	0	0	1	0	0
R	0	0	0	0	0	0	0	0	1	0	0	1	0	0
I	1	1	1	1	1	1	1	0	1	1	0	1	0	0
D	1	1	1	1	1	1	1	0	0	1	0	0	0	1
1D%Δ r to SPX (t3mo)	0.58	1.00	0.71	0.16	0.95	0.81	0.11	-0.31	-0.14	-0.81	-0.70	0.30	-0.20	-0.03
r²	0.33	1.00	0.51	0.03	0.89	0.65	0.01	0.10	0.02	0.65	0.49	0.09	0.04	0.00
1D%Δ r to 10yr TIPS Yield	-0.21	-0.26	-0.39	0.00	-0.24	-0.30	-0.04	-0.26	0.43	0.23	0.16	-0.14	0.04	0.09
r²	0.04	0.07	0.15	0.00	0.06	0.09	0.00	0.07	0.18	0.05	0.03	0.02	0.00	0.01
1D%Δ r to DXY	-0.29	-0.26	-0.36	0.23	-0.27	-0.26	0.11	-0.14	0.10	0.10	0.12	-0.17	0.11	-0.06
r²	0.08	0.07	0.13	0.05	0.07	0.07	0.01	0.02	0.01	0.01	0.01	0.03	0.01	0.00

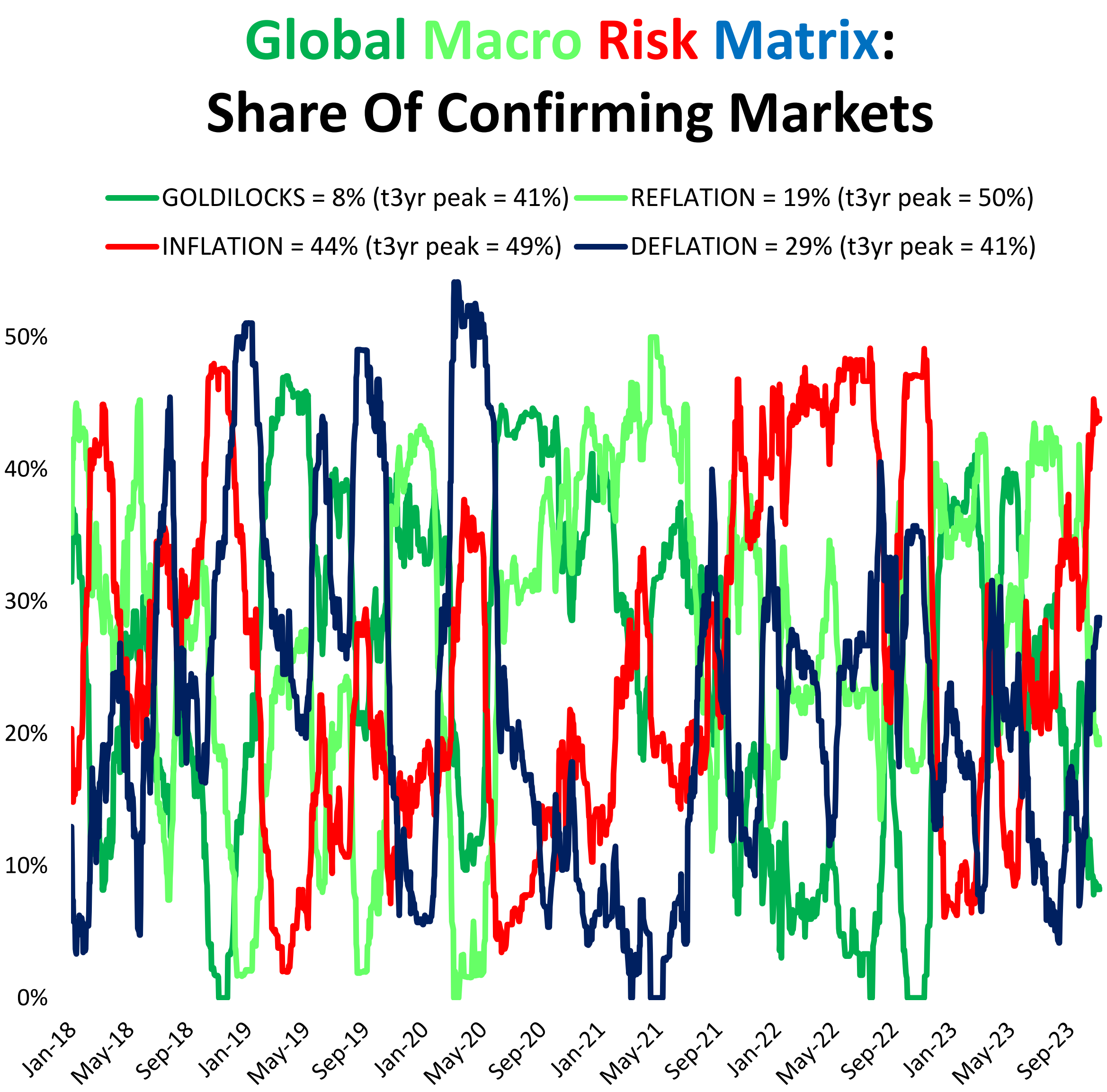
11/2/2023	CRB RIND	XAG	AUD	DXY	EUR	GBP	USDCHF	USDCNY	USDJPY	XAU	DEGGBE10	GDBR10	GJGB10	GUKG10
9/22/2023	!	✗	!	!	!	!	!	!	!	✗	✓	✓	✓	!
9/25/2023	!	✗	!	!	!	!	!	!	!	✗	✓	✓	✓	!
9/26/2023	!	✗	!	!	!	!	!	!	!	✗	✓	✓	✓	!
9/27/2023	!	✗	!	!	!	!	!	!	!	✗	✓	✓	✓	!
9/28/2023	!	✗	!	!	✗	!	!	!	!	✗	✓	✓	✓	!
9/29/2023	!	✗	!	!	✗	!	!	!	!	✗	✓	✓	✓	!
10/2/2023	✗	✗	!	!	✗	!	!	!	!	✗	✓	✓	✓	!
10/3/2023	✗	✗	!	!	✗	!	!	!	!	✗	!	✓	✓	!
10/4/2023	✗	✗	!	!	✗	!	!	!	!	✗	!	✓	✓	!
10/5/2023	✗	✗	!	!	✗	!	!		!	✗	!	✓	✓	!
10/6/2023	✗	✗	!	!	✗	!	!		!	✗	!	✓	✓	!
10/9/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/10/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/11/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/12/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/13/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/16/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/17/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/18/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/19/2023	✗	✗	!	✓	✗	!	✓	✓	✓	✗	!	✓	✓	!
10/20/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	!	✓	✓	!
10/23/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	!
10/24/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	!
10/25/2023	✗	✗	✗	✓	✗	✗	!	✓	✓	!	✗	✓	✓	!
10/26/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
10/27/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
10/30/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
10/31/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
11/1/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
11/2/2023	✗	✗	✗	✓	✗	✗	✓	✓	✓	!	✗	✓	✓	✓
G	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R	0	0	0	0	0	0	0	0	0	0	0	1	1	1
I	1	1	1	1	1	1	1	1	1	0	0	1	1	1
D	1	1	1	1	1	1	0	1	0	0	1	0	0	0
1D%Δ r to SPX (t3mo)	0.27	0.13	0.61	-0.26	0.24	0.38	-0.37	-0.16	-0.02	0.02	-0.05	-0.15	-0.02	-0.13
r²	0.07	0.02	0.37	0.07	0.06	0.15	0.14	0.03	0.00	0.00	0.00	0.02	0.00	0.02
1D%Δ r to 10yr TIPS Yield	-0.00	-0.34	-0.55	0.38	-0.40	-0.39	0.46	0.20	0.40	-0.34	0.13	0.50	0.11	0.49
r²	0.00	0.11	0.30	0.15	0.16	0.15	0.21	0.04	0.16	0.12	0.02	0.25	0.01	0.24
1D%Δ r to DXY	-0.08	-0.42	-0.67	1.00	-0.96	-0.83	0.68	0.32	0.50	-0.24	0.00	0.14	-0.09	0.20
r²	0.01	0.18	0.44	1.00	0.92	0.69	0.46	0.11	0.25	0.06	0.00	0.02	0.01	0.04

11/2/2023	LF98OAS	LF98YW	LUACOAS	LUACYW	S0042FC 1Y1M	S0133FC 1Y1M	S0141FC 1Y1M	UKGGBE10	USGG10YR	USGG2YR	USGG30YR	USGGBE10	USGGT10Y	USYC2Y10
9/22/2023	!	!	!	!	✓	!	!	✓	✓	✓	✓	✓	✓	✓
9/25/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
9/26/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
9/27/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
9/28/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
9/29/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/2/2023	!	!	!	!	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/3/2023	!	!	!	!	✓	✓	!	✓	✓	✓	✓	✓	✓	✓
10/4/2023	!	✓	!	!	✓	✓	!	✓	✓	✓	✓	✓	✓	✓
10/5/2023	!	✓	!	!	✓	✓	!	✓	✓	✓	✓	✓	✓	✓
10/6/2023	!	✓	!	!	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/9/2023	✓	✓	!	!	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/10/2023	!	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/11/2023	!	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/12/2023	!	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/13/2023	!	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/16/2023	!	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/17/2023	!	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/18/2023	!	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/19/2023	!	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/20/2023	✓	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/23/2023	✓	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/24/2023	✓	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/25/2023	✓	✓	!	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
10/26/2023	✓	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/27/2023	✓	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/30/2023	✓	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
10/31/2023	✓	✓	!	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
11/1/2023	✓	✓	✓	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
11/2/2023	✓	✓	✓	✓	✓	!	✗	✓	✓	✓	✓	✓	✓	✓
G	0	0	0	0	0	0	1	1	0	0	0	1	1	1
R	0	0	0	1	1	0	0	1	1	1	1	1	1	1
I	1	1	1	1	1	0	0	1	1	1	1	1	0	0
D	1	1	1	0	0	0	1	0	0	0	0	0	0	0
1D%Δ r to SPX (t3mo)	-0.51	-0.51	-0.39	-0.26	-0.14	-0.15	-0.17	-0.01	-0.21	-0.06	-0.26	0.07	-0.26	-0.29
r²	0.26	0.26	0.15	0.07	0.02	0.02	0.03	0.00	0.04	0.00	0.07	0.00	0.07	0.09
1D%Δ r to 10yr TIPS Yield	-0.07	0.65	0.15	0.92	0.66	0.34	0.40	0.03	0.94	0.73	0.88	0.18	1.00	0.51
r²	0.00	0.42	0.02	0.85	0.44	0.11	0.16	0.00	0.88	0.53	0.77	0.03	1.00	0.26
1D%Δ r to DXY	-0.03	0.31	-0.01	0.31	0.44	0.04	0.20	0.08	0.36	0.41	0.30	0.08	0.38	0.06
r²	0.00	0.10	0.00	0.09	0.20	0.00	0.04	0.01	0.13	0.17	0.09	0.01	0.15	0.00

GREEN √ = bullish VAMS, ORANGE ! = neutral VAMS, and RED X = bearish VAMS.

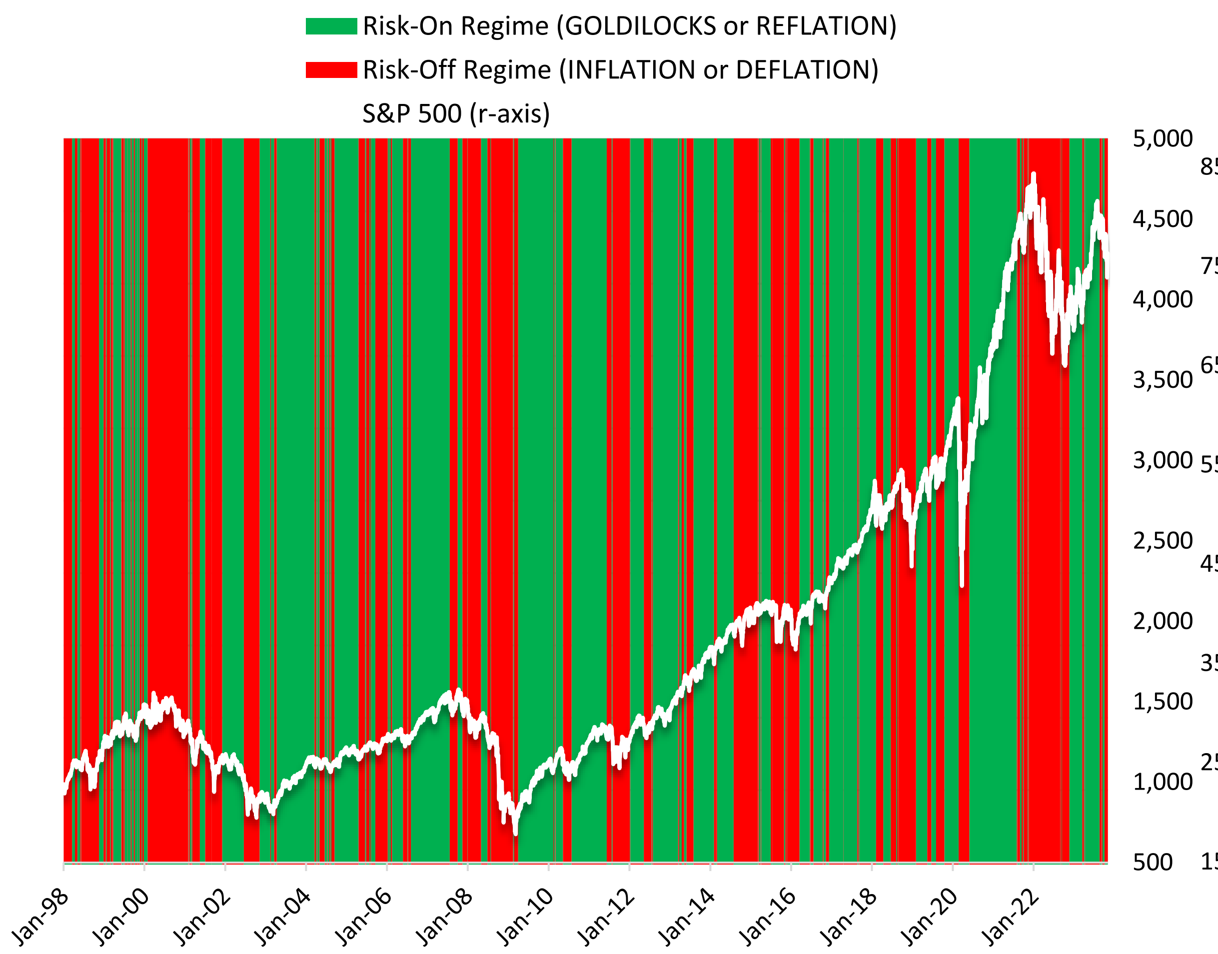
Ticker Key: https://bit.ly/3IOdA60. You may have to copy/paste the link into your browser if clicking on it does not work.



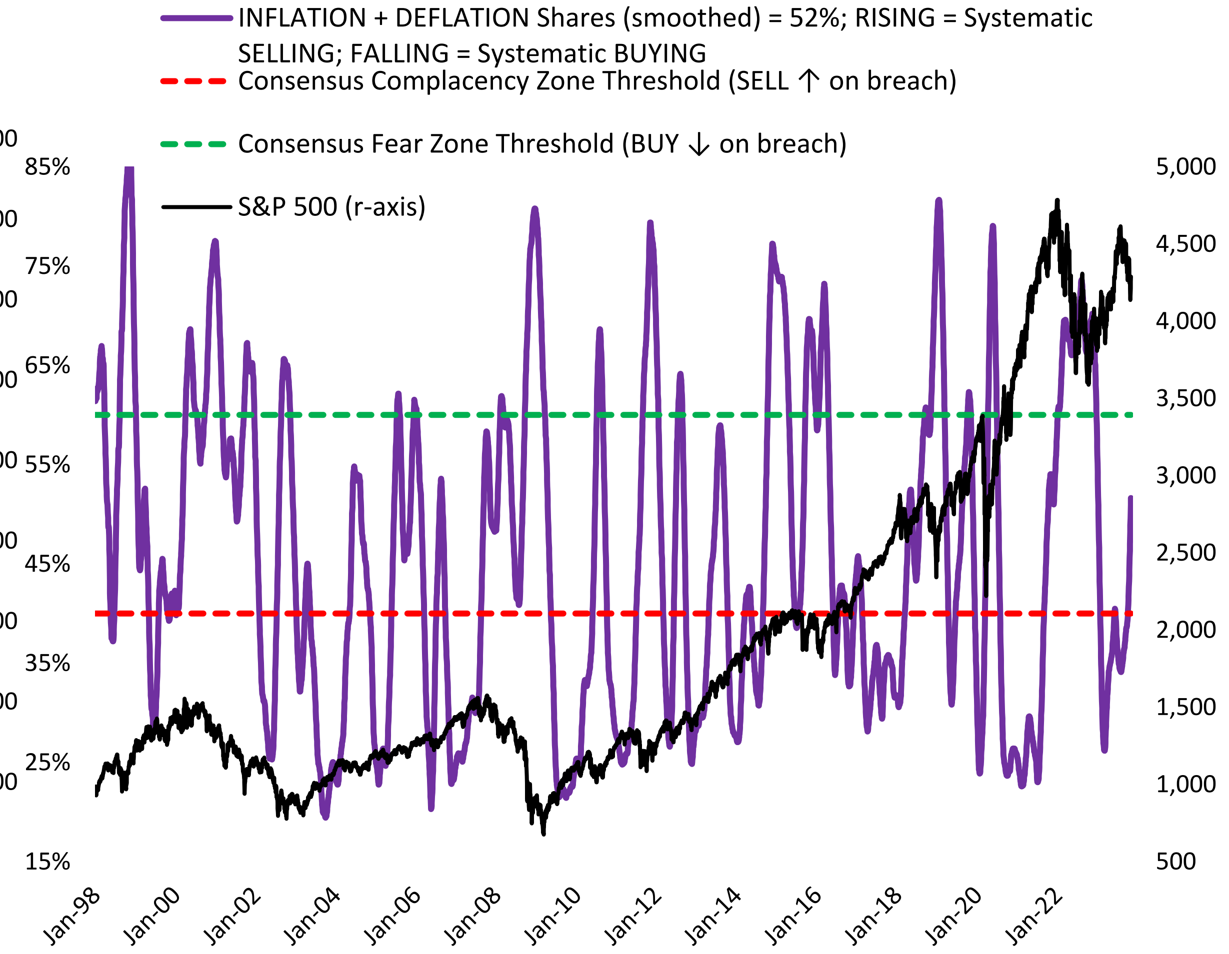


GOLDILOCKS = risk on with a disinflationary bias. REFLATION = risk on with an inflationary bias.
INFLATION = risk off with an inflationary bias. DEFLATION = risk off with a disinflationary bias.

Global Macro Risk Matrix: Top-Down Market Regime

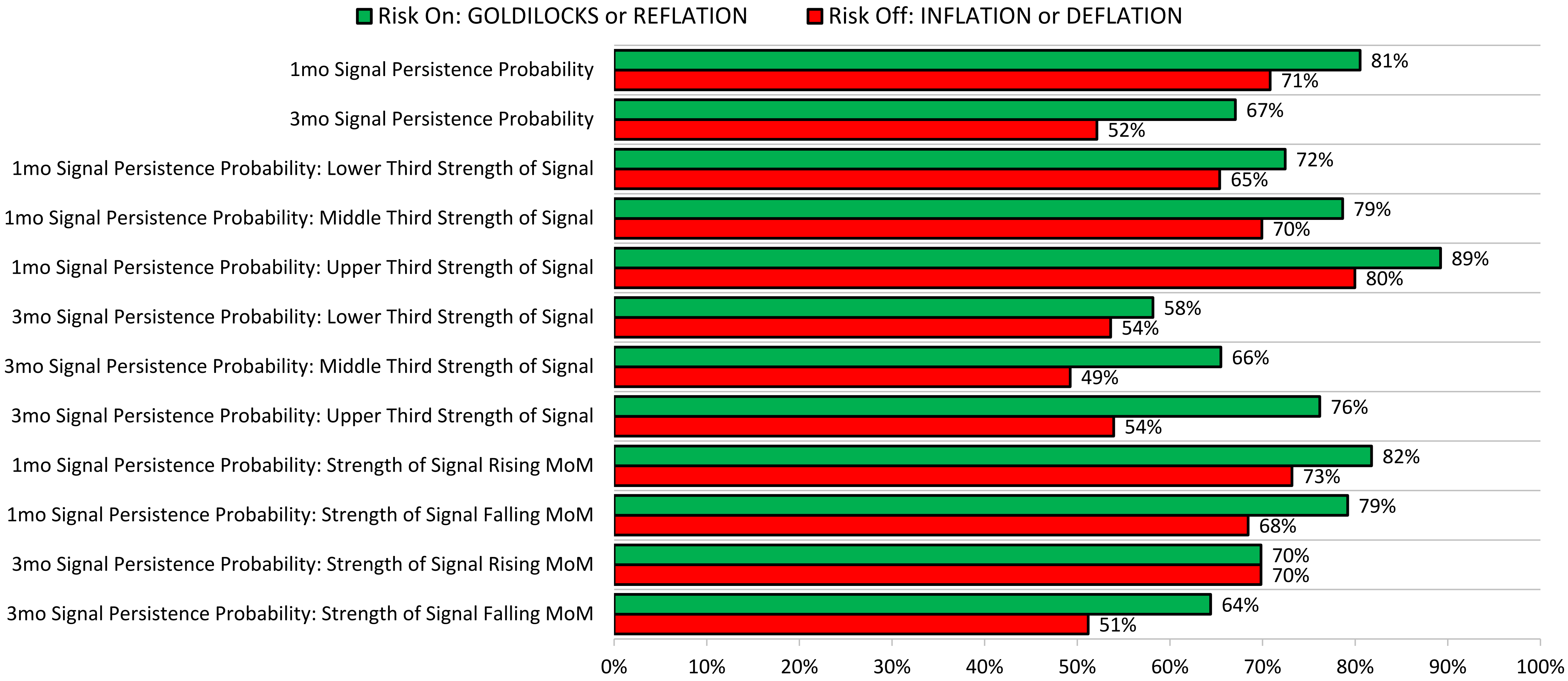


Global Macro Risk Matrix: Cross-Asset Correction Risk Indicator



GOLDILOCKS = risk on with a disinflationary bias. REFLATION = risk on with an inflationary bias.
INFLATION = risk off with an inflationary bias. DEFLATION = risk off with a disinflationary bias.

Global Macro Risk Matrix Top-Down Market Regime Persistence Probabilities



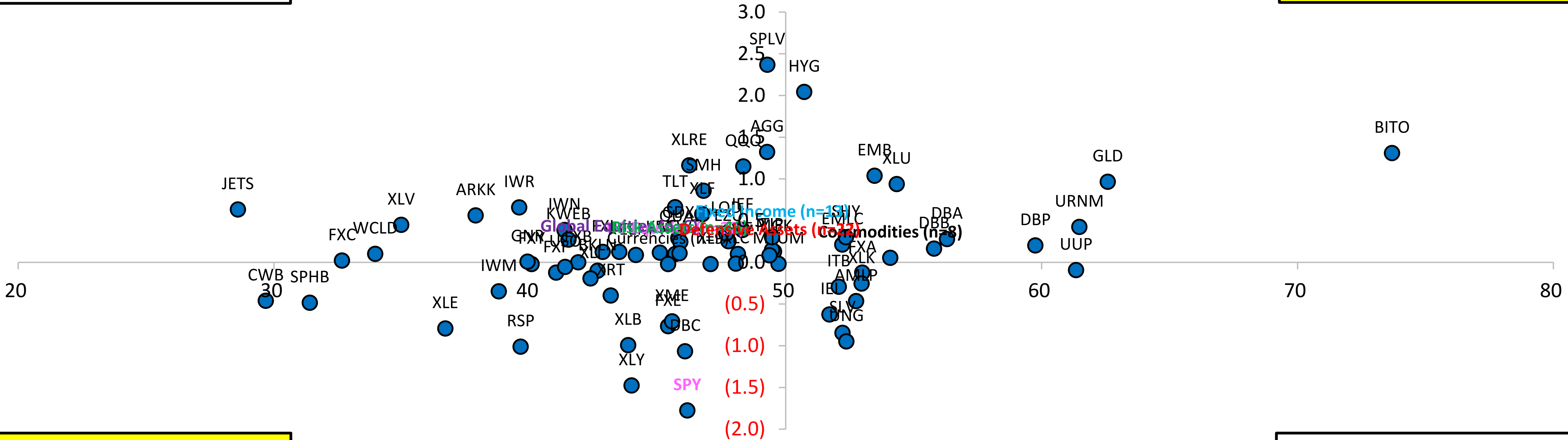
 Data Source: Bloomberg. **Bolded** figures correspond to the current setup. Study begins in Jan-98.
GOLDILOCKS = risk on with a disinflationary bias. REFLATION = risk on with an inflationary bias.
INFLATION = risk off with an inflationary bias. DEFLATION = risk off with a disinflationary bias.

We Use Our Crowding Model To Spot Tactical Trading Opportunities Across Global Asset Markets

Fund Flow Dynamics: NOISE
-Underlying Asset Oversold
-Investors Buying the Dip Already

x-axis: 14-Day RSI;
y-axis: 3mo Z-Score of ETF Fund Flows; 11/2/2023

Fund Flow Dynamics: SIGNAL
-Underlying Asset Overbought
-Investors Chasing Local Highs

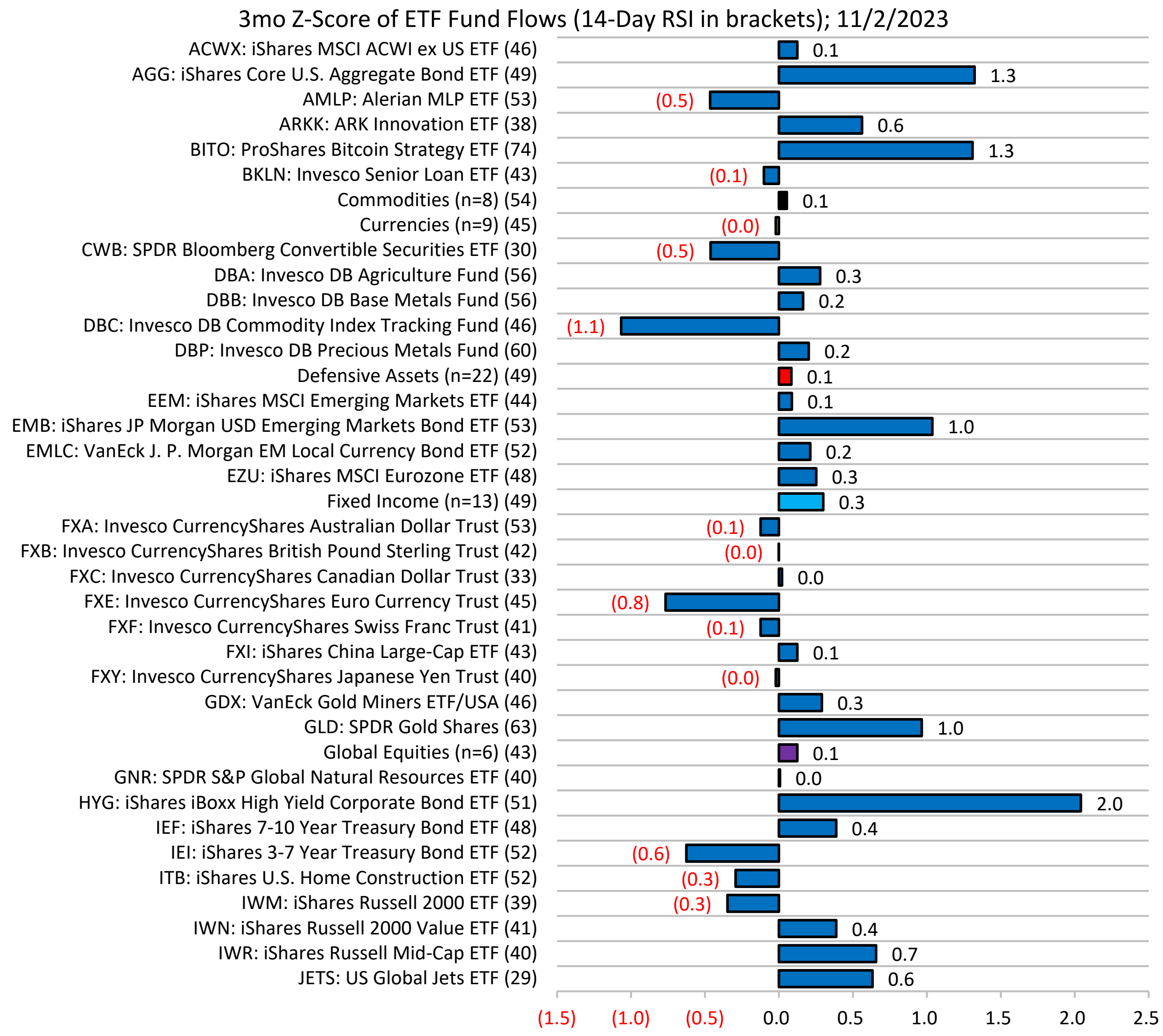


Fund Flow Dynamics: SIGNAL
-Underlying Asset Oversold
-Investors Puking Local Lows

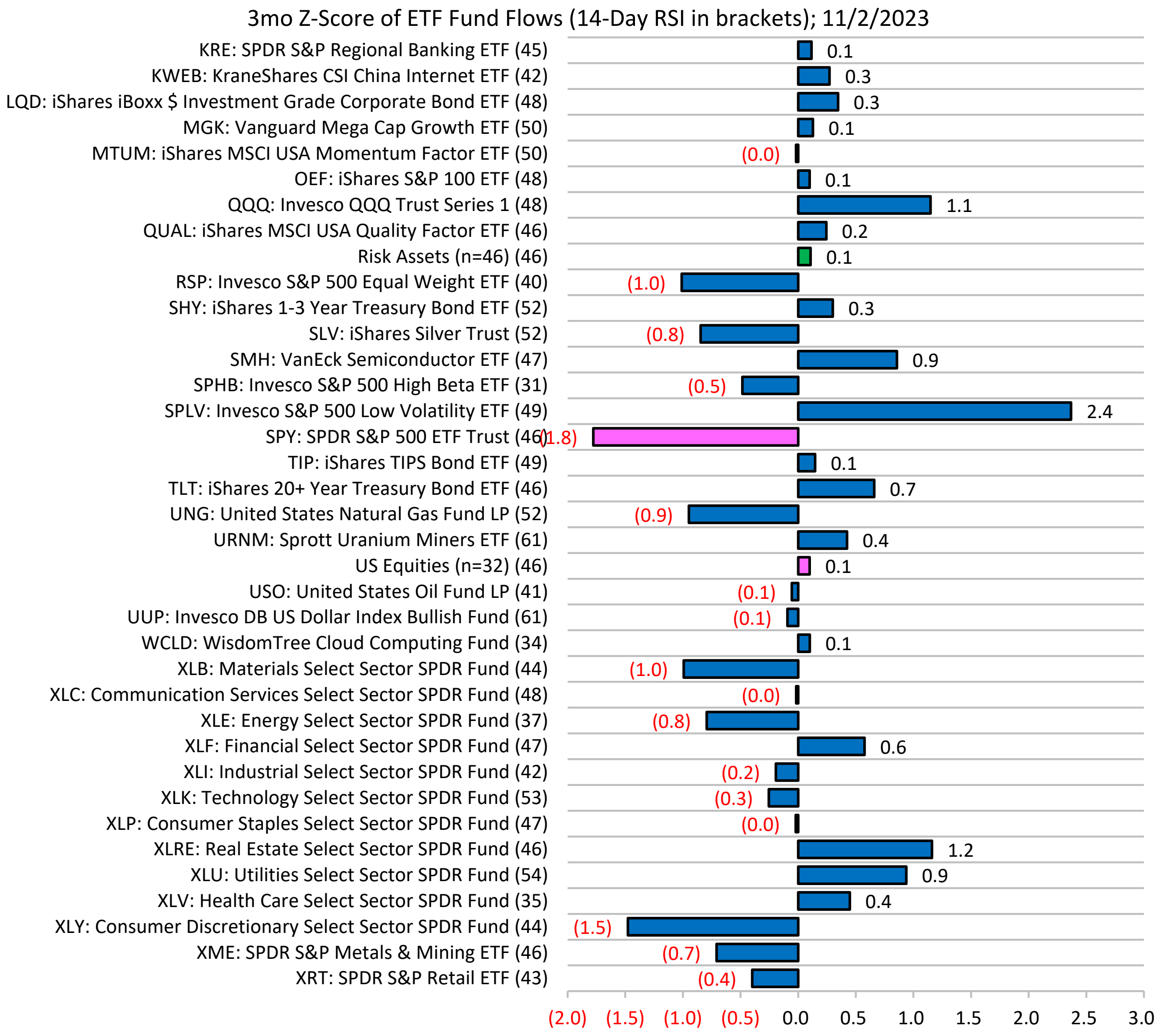
Fund Flow Dynamics: NOISE
-Underlying Asset Overbought
-Investors Selling the Rip Already

CROWDING signals tend to work on a short-term (< 3wks) time horizon.

Crowding Bar Chart

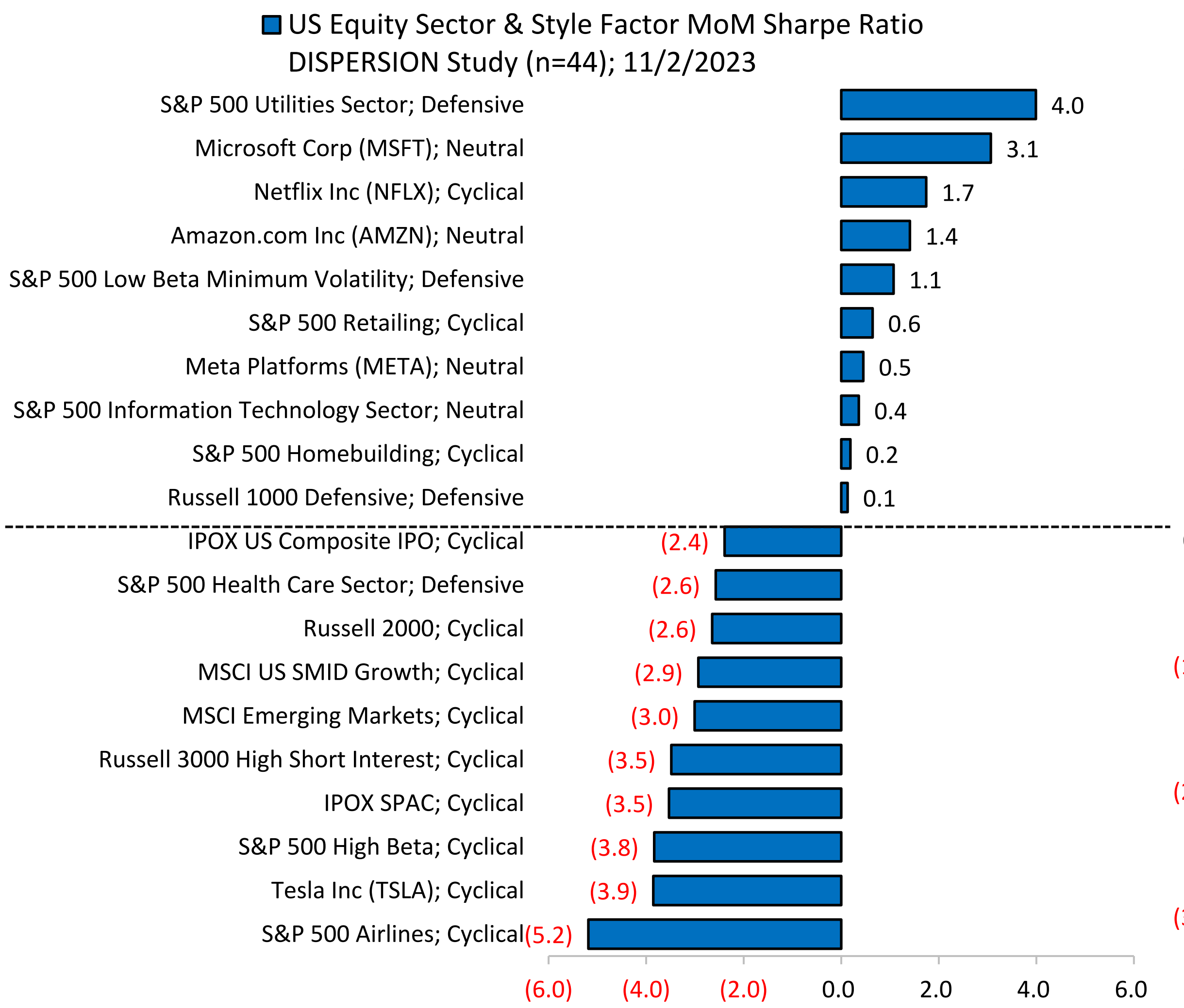


Crowding Bar Chart (cont.)

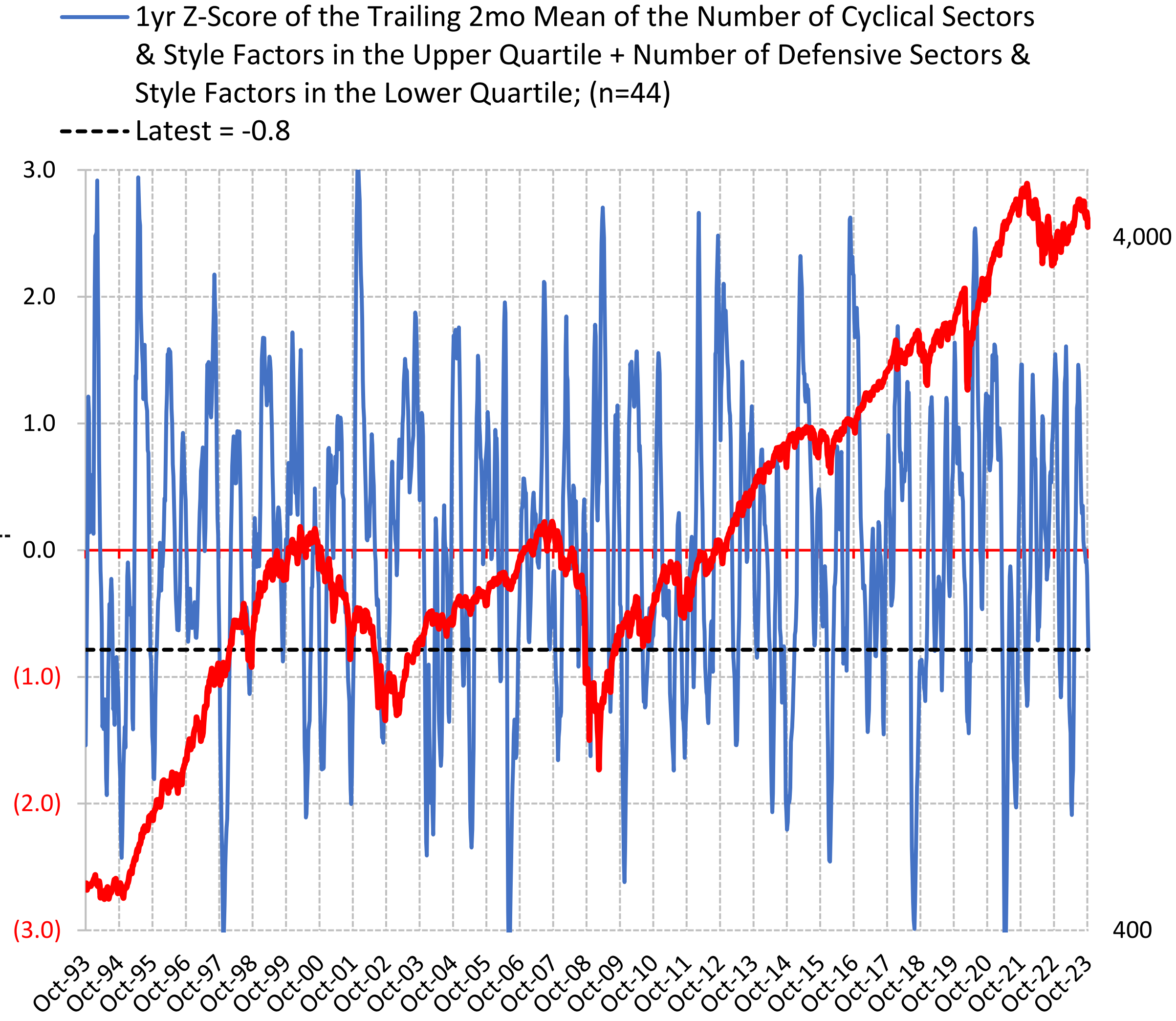


CROWDING signals tend to work on a short-term (< 3wks) time horizon.

Dispersion Bar Chart



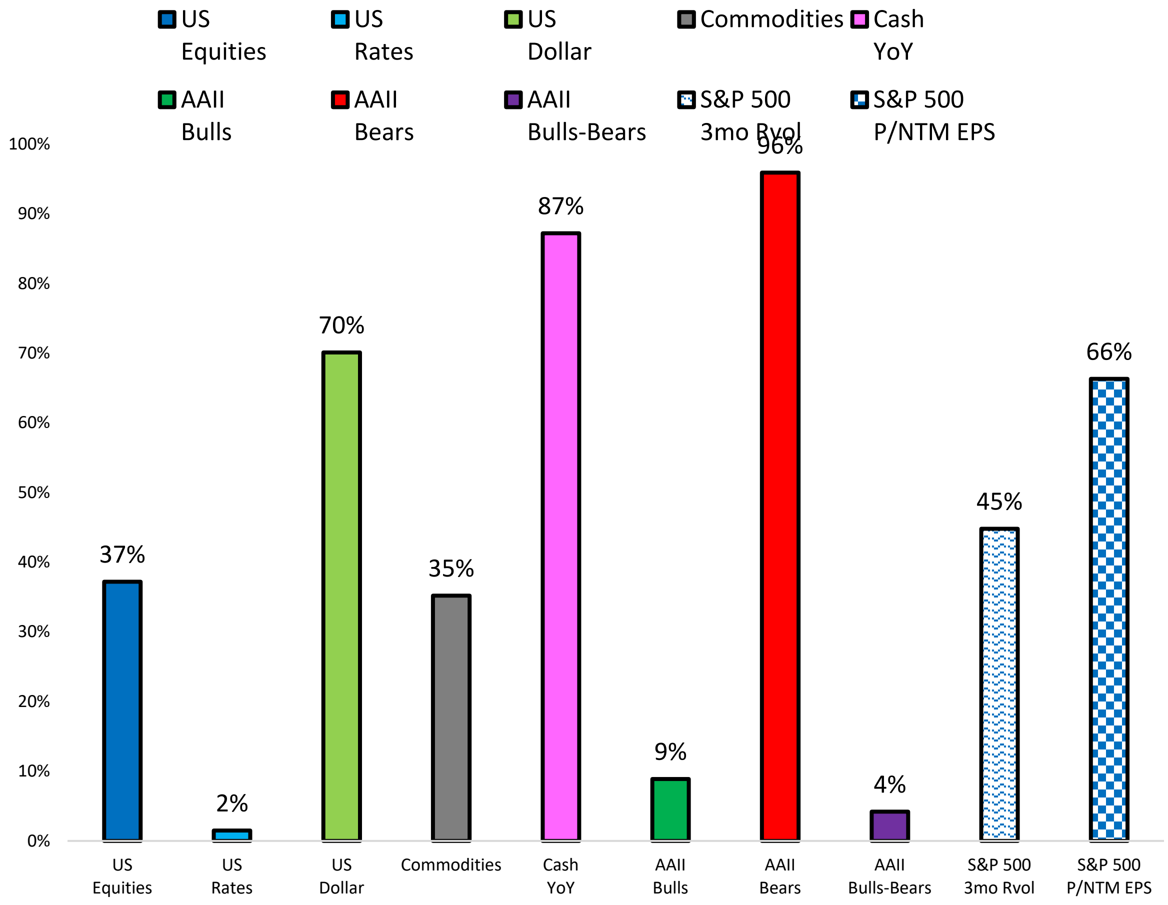
Dispersion Time Series



A HIGH number in the DISPERSION Time Series chart implies market internals have rotated in favor of Cyclicals.
A LOW number in the DISPERSION Time Series chart implies market internals have rotated in favor of Defensives.

Aggregated Cross-Asset Positioning: Latest

Aggregated POSITIONING: Non-Commercial Net Length as a % of Total Open Interest (Percentile Ranking of the Latest Value)



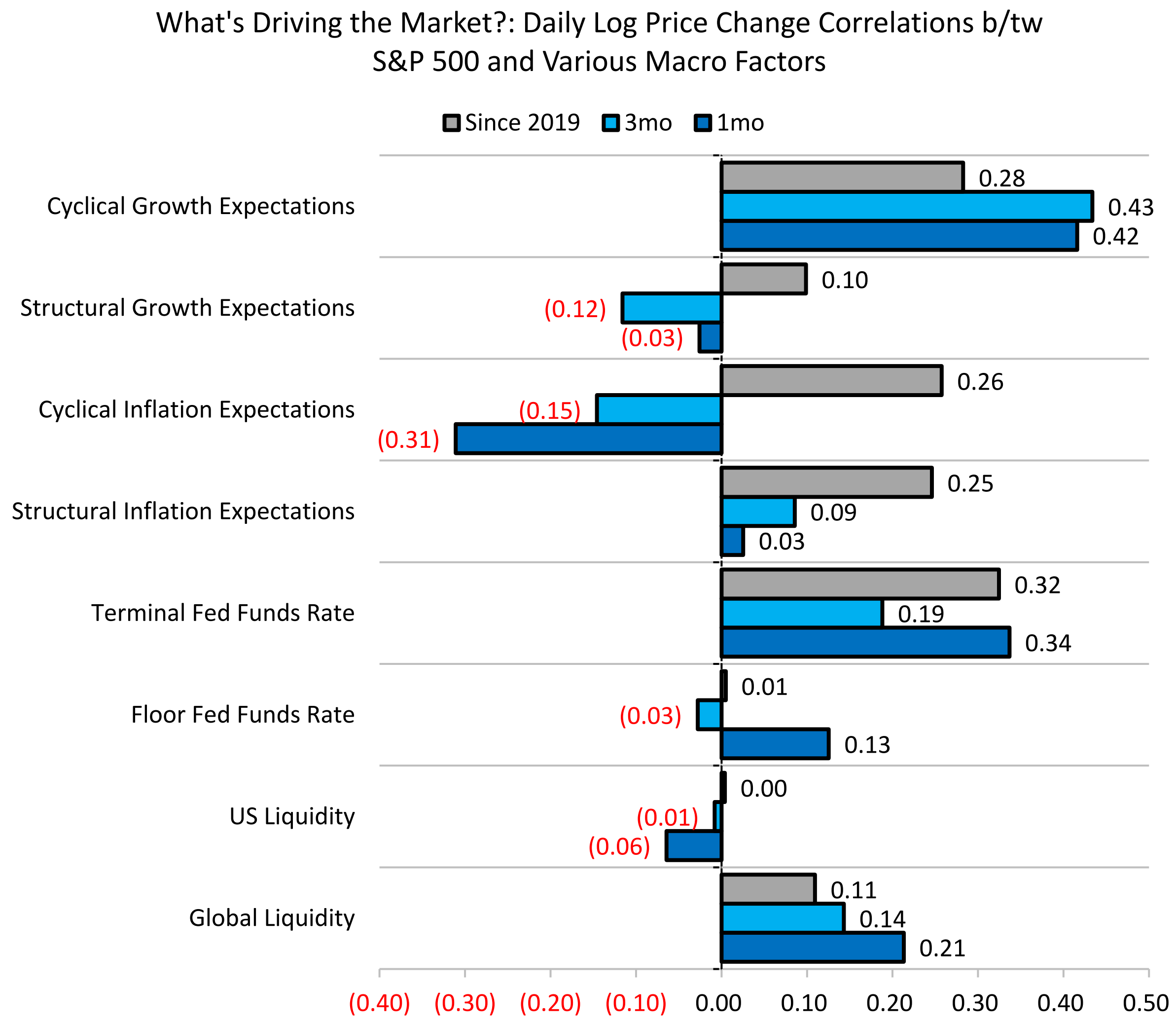
Aggregated Cross-Asset Positioning: All-Time

S&P 500 Peaks	US Equities	US Rates	US Dollar	Commodities	Cash YoY	AAII Bulls	AAII Bears	AAII Bulls-Bears Spread	SPX 3mo Rvol	SPX P/NTM EPS
Aug-87						91%	50%	80%	29%	
Jul-90					76%	60%	50%	56%	43%	
Jul-98	33%	73%	69%	7%	84%	41%	13%	65%	53%	95%
Mar-00	56%	75%	86%	57%	67%	100%	10%	98%	90%	93%
Oct-07	18%	95%	8%	61%	94%	94%	32%	90%	79%	30%
Apr-11	62%	97%	0%	88%	11%	53%	53%	50%	48%	7%
Sep-18	72%	2%	93%	19%	44%	32%	60%	34%	6%	53%
Feb-20	61%	22%	38%	48%	71%	63%	45%	60%	17%	80%
Jan-22	70%	15%	74%	94%	53%	34%	64%	34%	52%	86%
MEDIAN	**61%**	**73%**	**69%**	**57%**	**69%**	**60%**	**50%**	**60%**	**48%**	**80%**
25th Percentile	**44%**	**19%**	**23%**	**33%**	**51%**	**41%**	**32%**	**50%**	**29%**	**41%**
75th Percentile	**66%**	**85%**	**80%**	**74%**	**78%**	**91%**	**53%**	**80%**	**53%**	**89%**

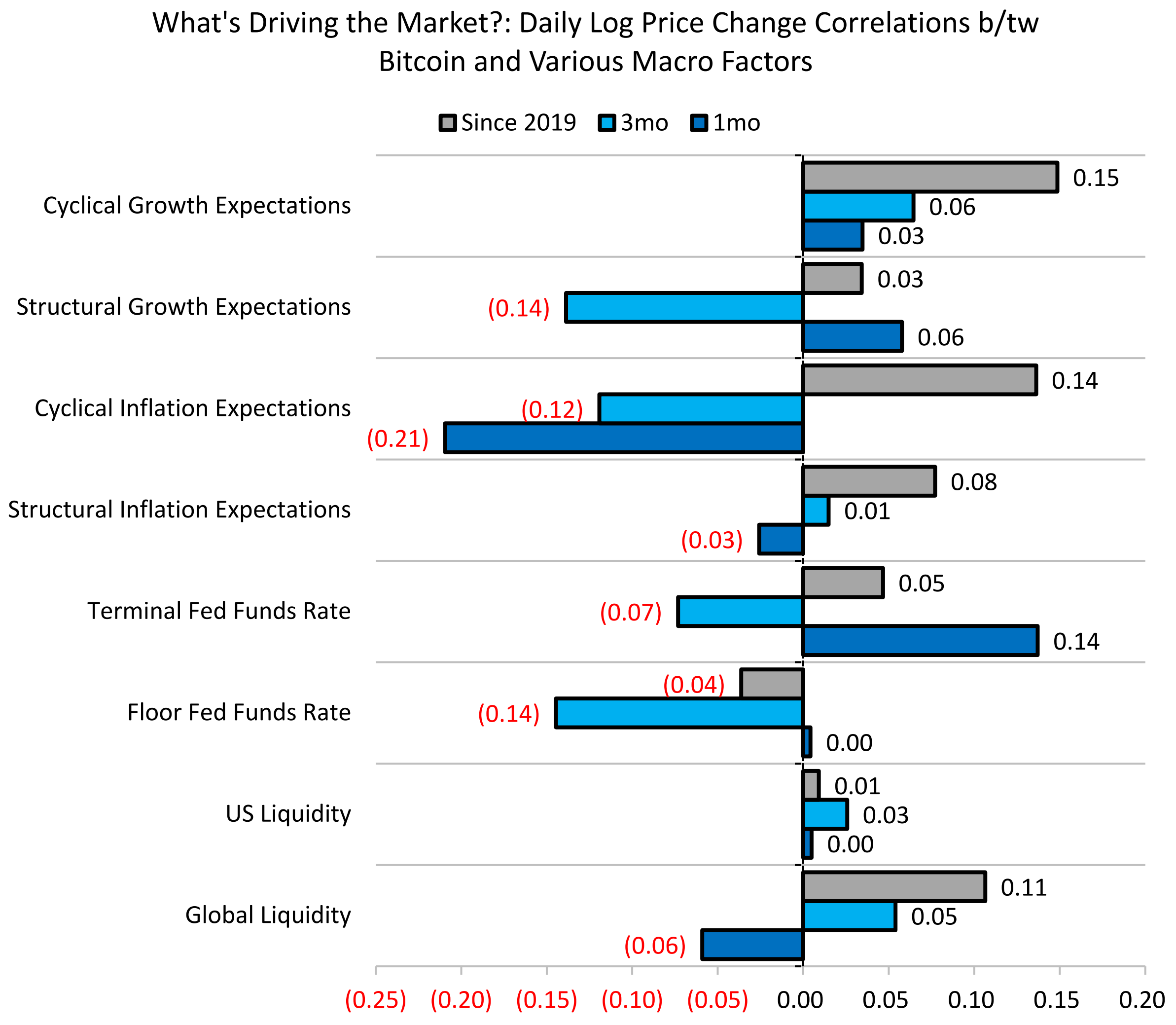
S&P 500 Troughs	US Equities	US Rates	US Dollar	Commodities	Cash YoY	AAII Bulls	AAII Bears	AAII Bulls-Bears Spread	SPX 3mo Rvol	SPX P/NTM EPS
Dec-87						10%	86%	10%	99%	
Oct-90					70%	3%	97%	2%	81%	
Sep-98	2%	85%	95%	0%	89%	6%	82%	10%	91%	80%
Mar-03	12%	98%	13%	27%	19%	40%	97%	10%	82%	12%
Mar-09	88%	31%	47%	23%	58%	17%	98%	4%	97%	0%
Oct-11	16%	74%	69%	43%	10%	43%	91%	18%	96%	0%
Dec-18	70%	10%	86%	49%	51%	30%	96%	9%	84%	13%
Mar-20	41%	40%	39%	31%	98%	34%	97%	9%	98%	19%
Oct-22	24%	5%	79%	69%	33%	3%	99%	1%	87%	28%
MEDIAN	**24%**	**40%**	**69%**	**31%**	**54%**	**17%**	**97%**	**9%**	**91%**	**13%**
25th Percentile	**14%**	**21%**	**43%**	**25%**	**29%**	**6%**	**91%**	**4%**	**84%**	**6%**
75th Percentile	**56%**	**79%**	**82%**	**46%**	**74%**	**34%**	**97%**	**10%**	**97%**	**23%**

Intellectual property of 42 Macro LLC. Data Source: Bloomberg. Cash YoY = ICI Money Market Fund Total Assets.

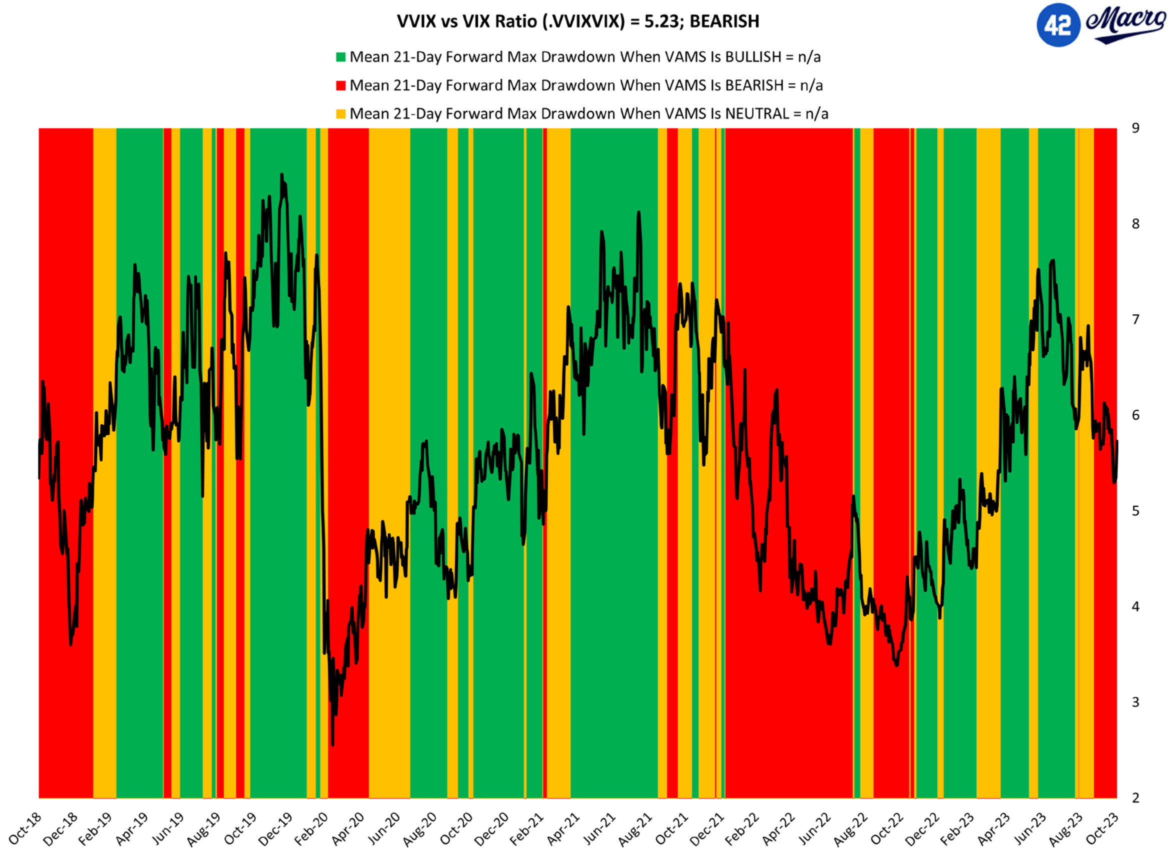
Multi-Factor Correlation Study: S&P 500



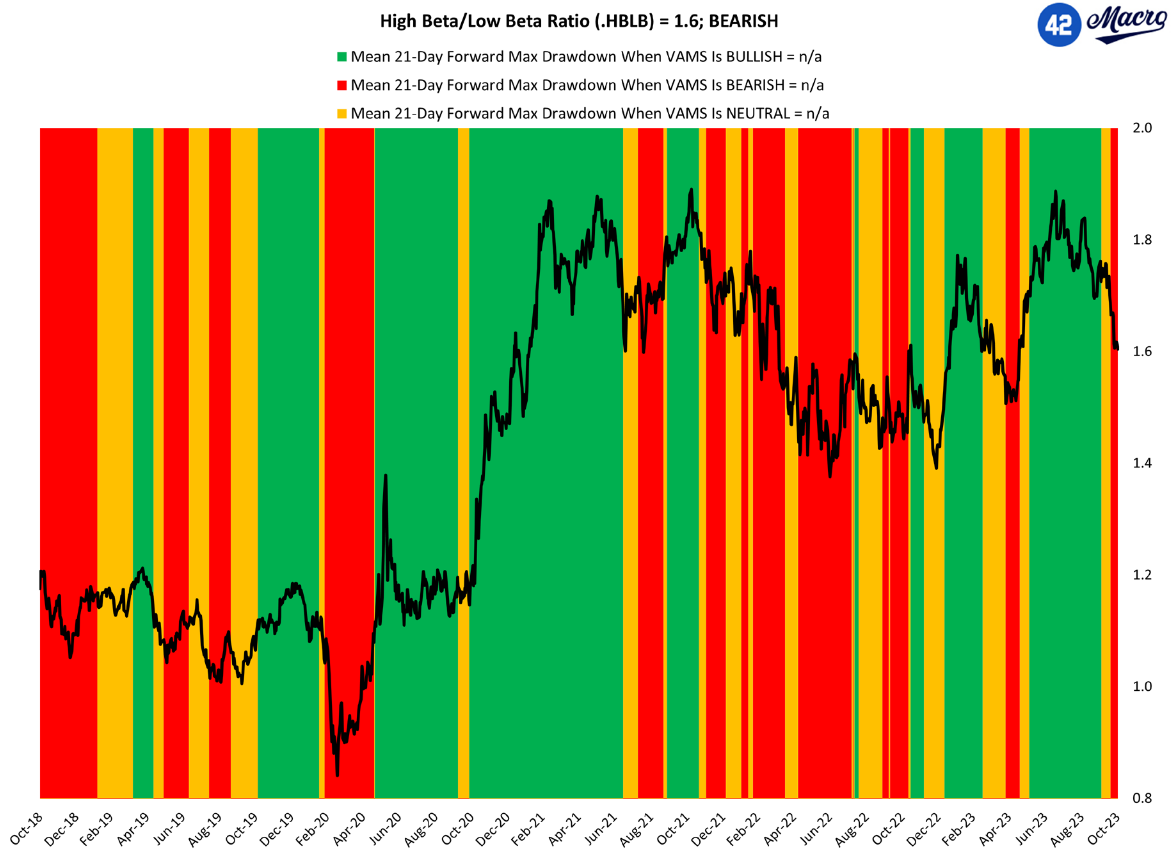
Multi-Factor Correlation Study: Bitcoin



VVIX/VIX Ratio

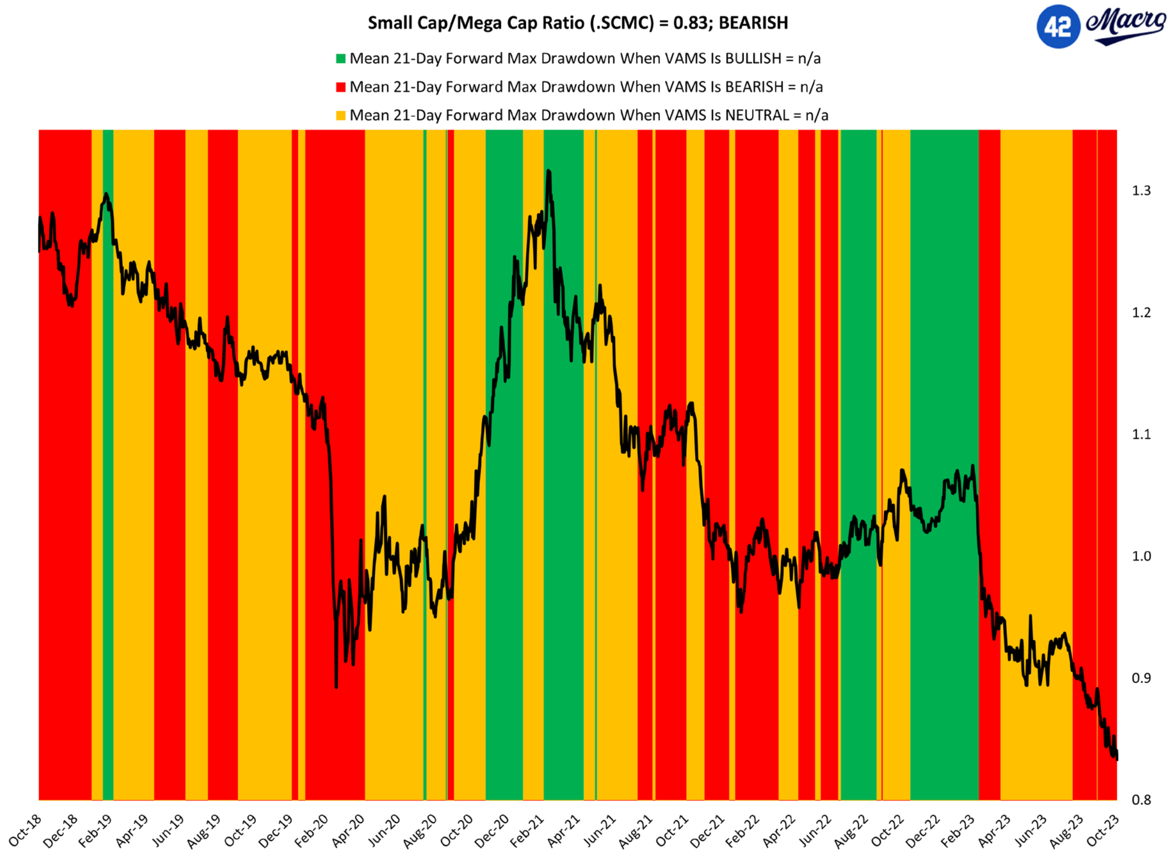


High Beta/Low Beta Ratio

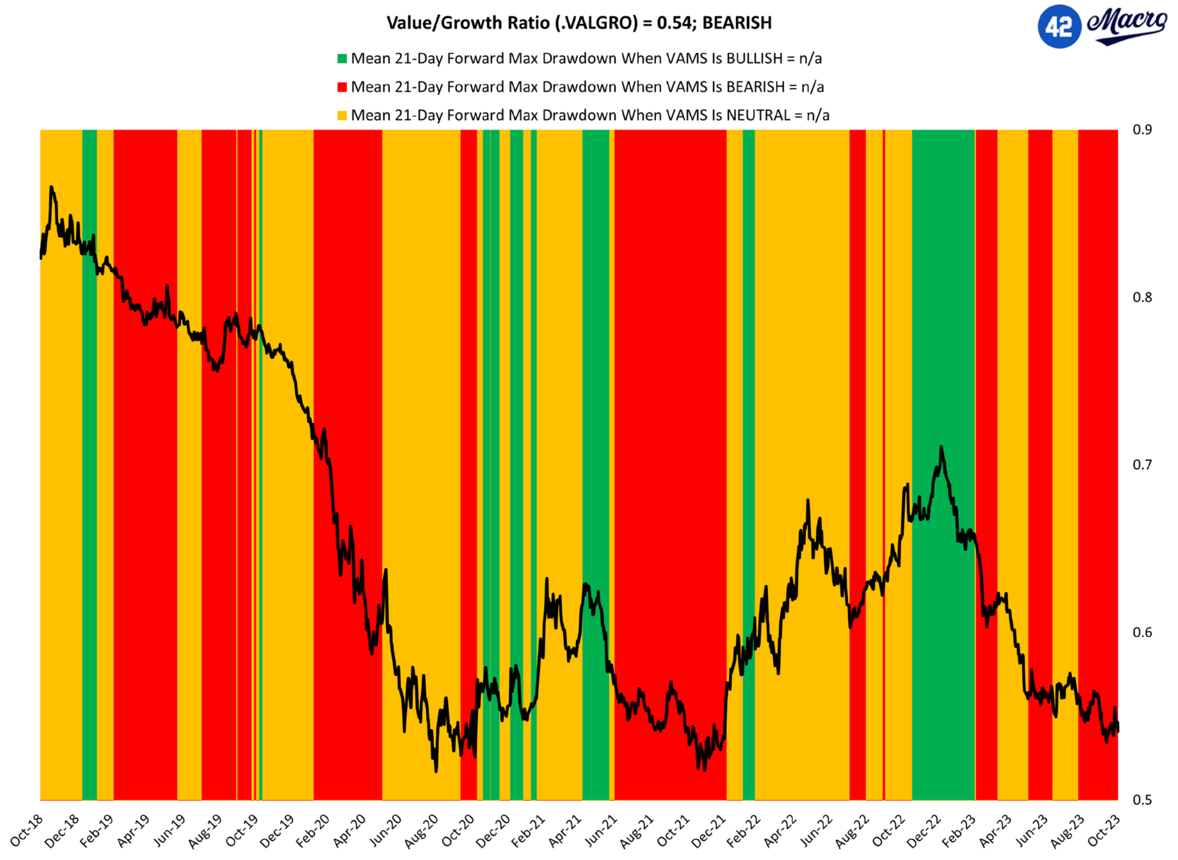


 Data Source: Bloomberg. GREEN = bullish VAMS, ORANGE = neutral VAMS, and RED = bearish VAMS.
Volatility adjustment factor for the VVIX/VIX Ratio = Goldman Sachs US Financial Conditions Index.
Volatility adjustment factor for the High Beta/Low Beta Ratio = USD High Yield OAS.

Small Cap/Mega Cap Ratio

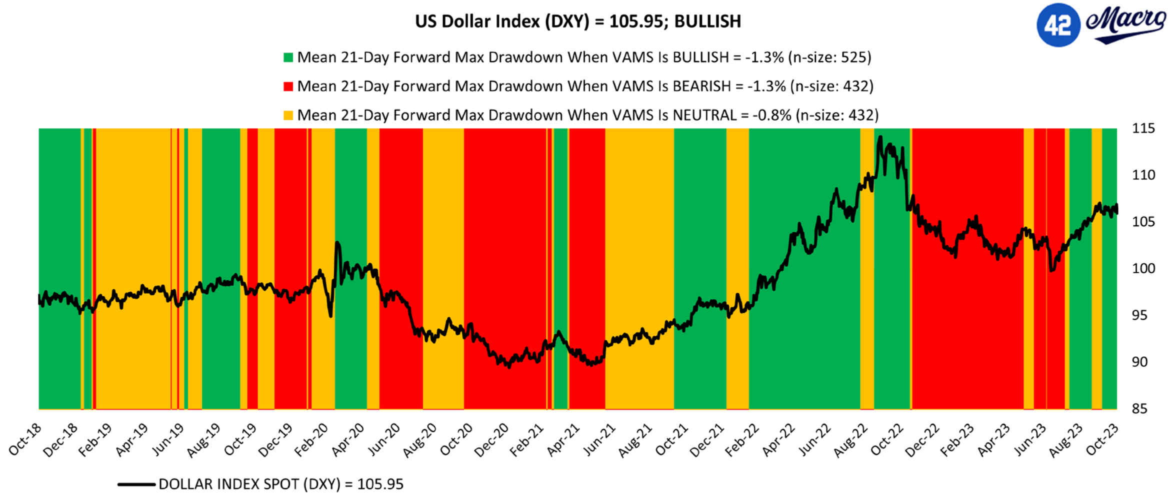


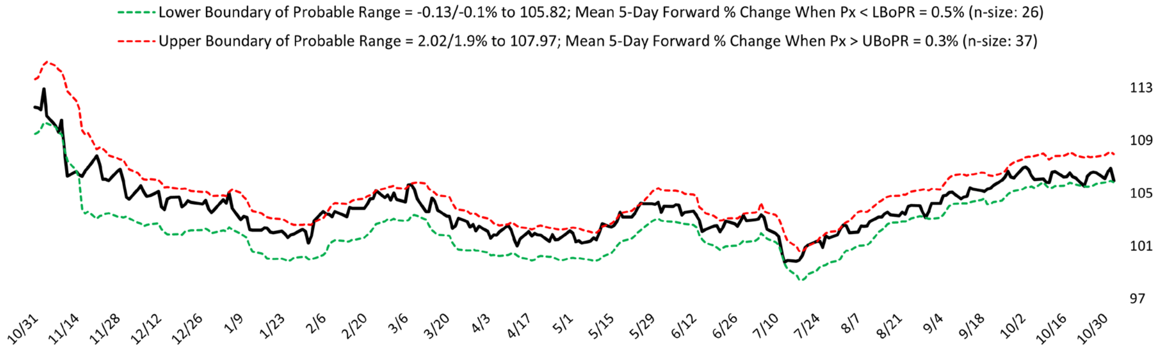
Value/Growth Ratio



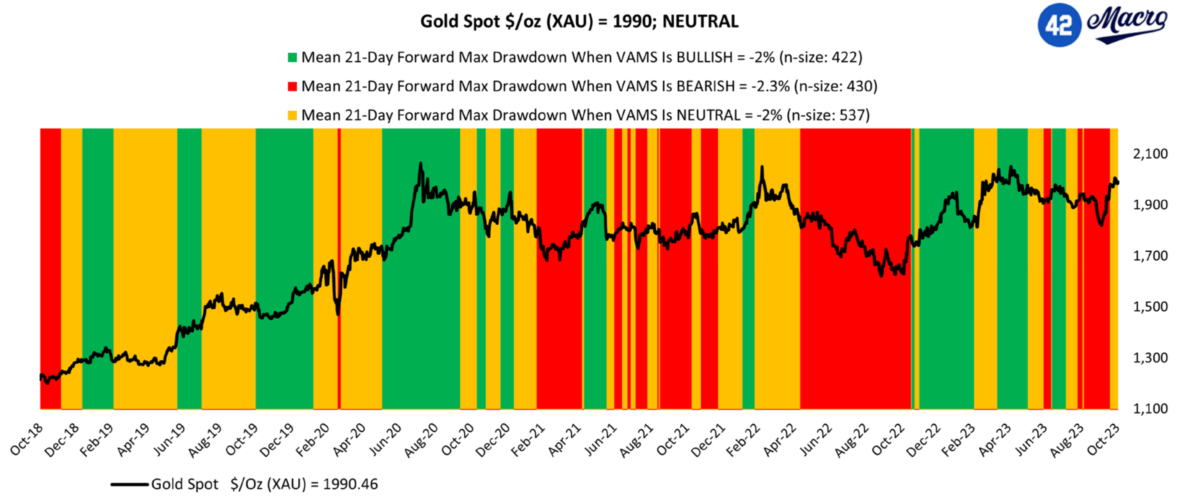
 GREEN = bullish VAMS, ORANGE = neutral VAMS, and RED = bearish VAMS.
Volatility adjustment factor for the Small Cap/Mega Cap Ratio = VIX.
Volatility adjustment factor for the Value/Growth Ratio = US Dollar Index.

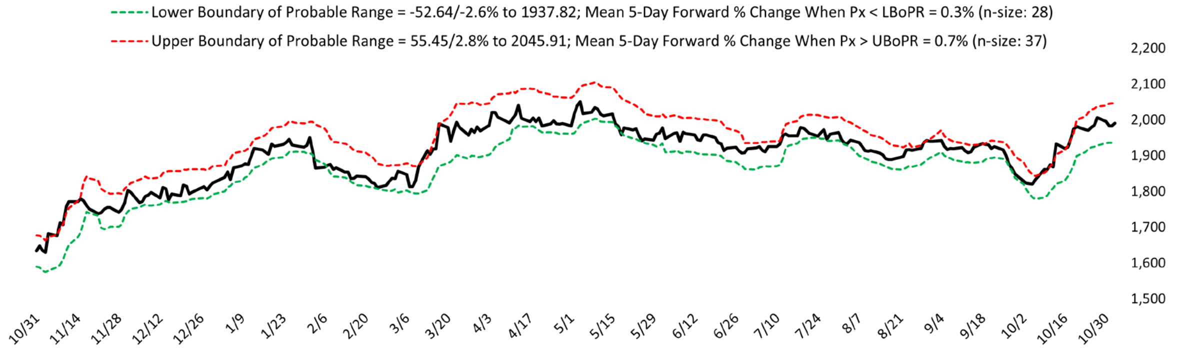
US Dollar



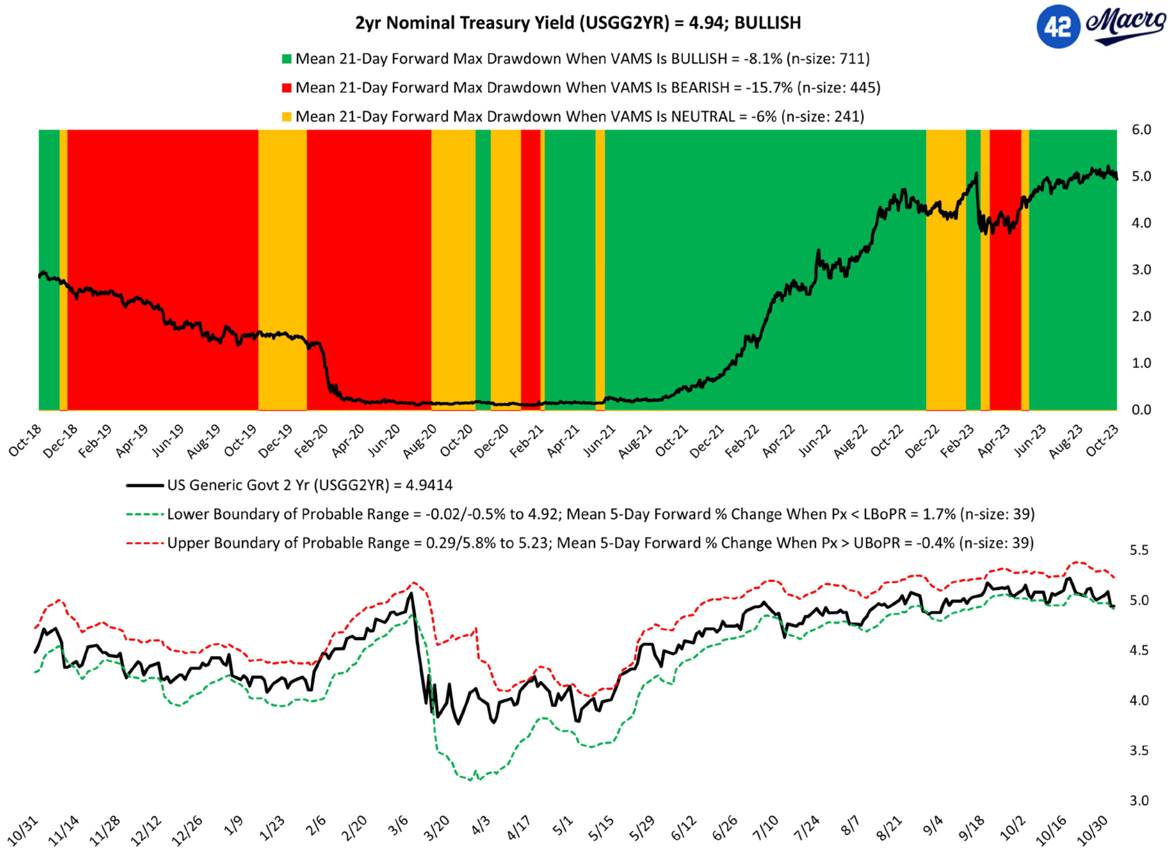


Gold

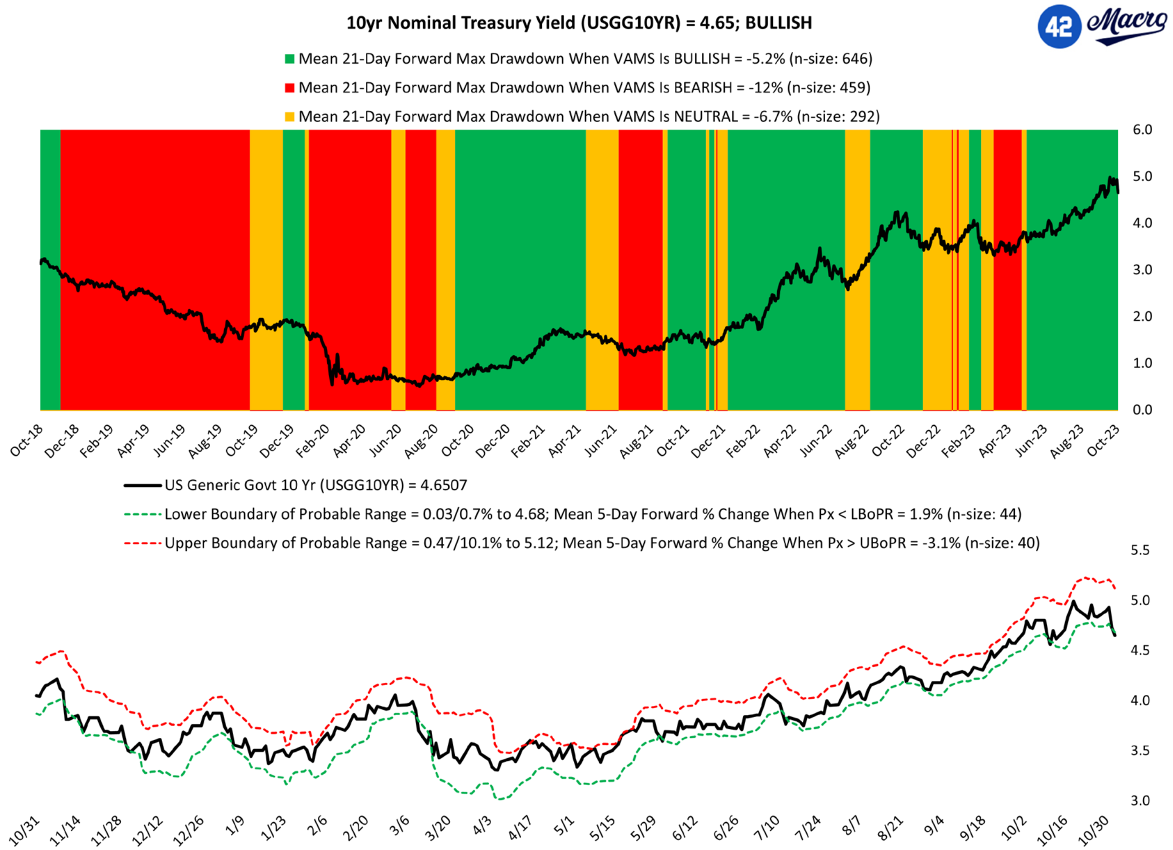




2yr Nominal Treasury Yield

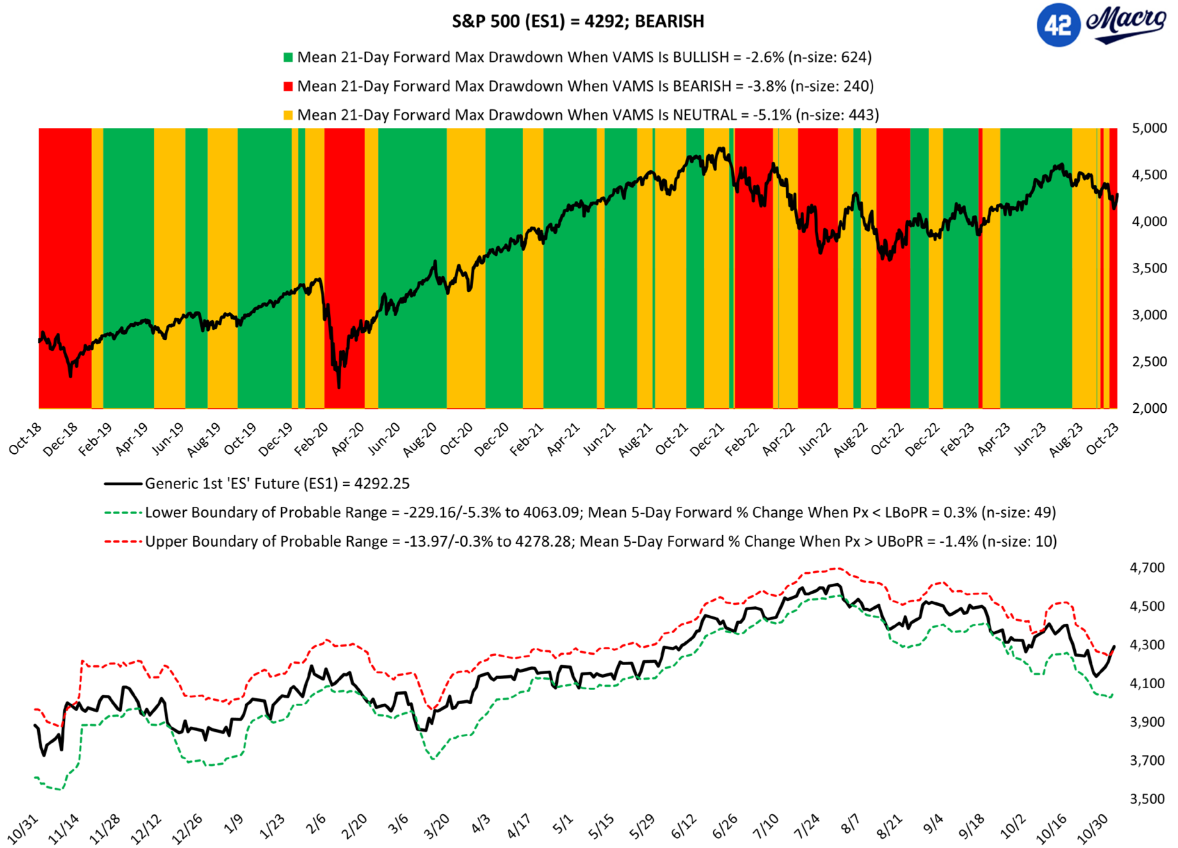


10yr Nominal Treasury Yield

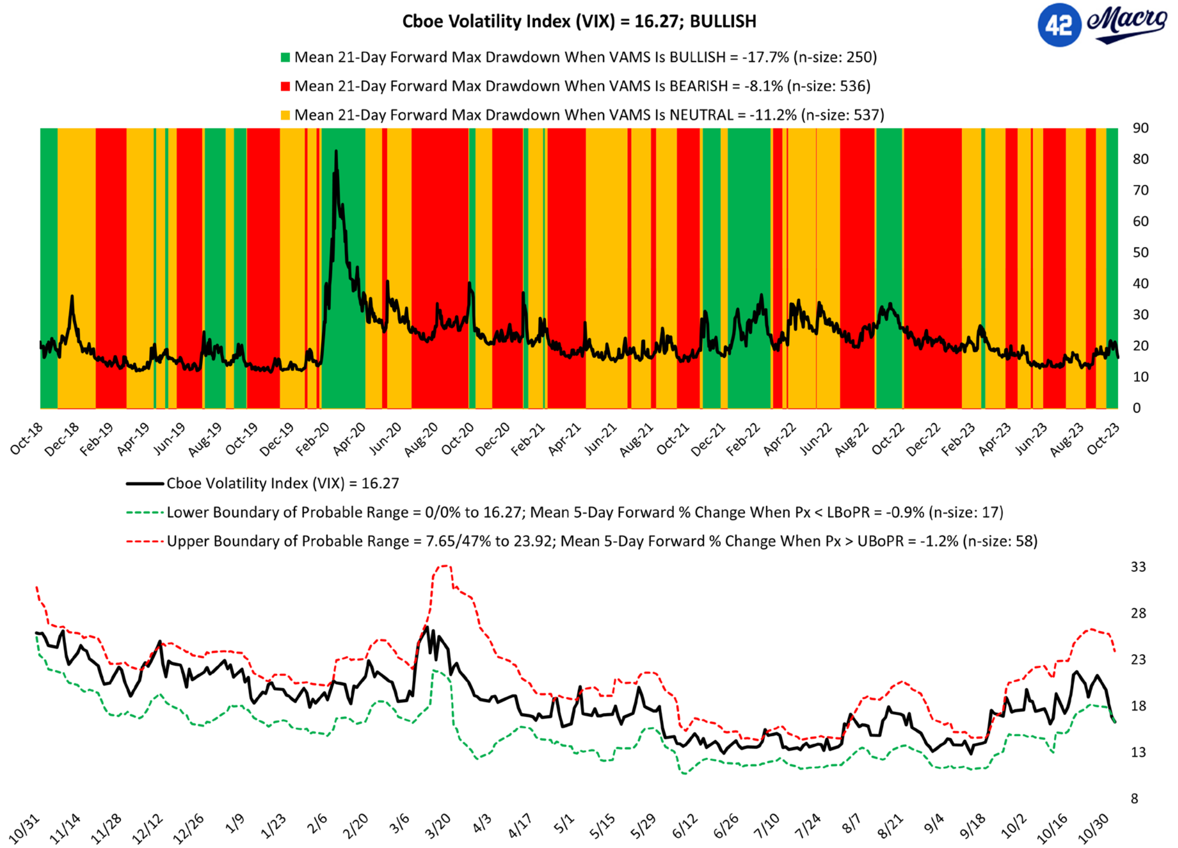


GREEN = bullish VAMS, ORANGE = neutral VAMS, and RED = bearish VAMS.

S&P 500



VIX



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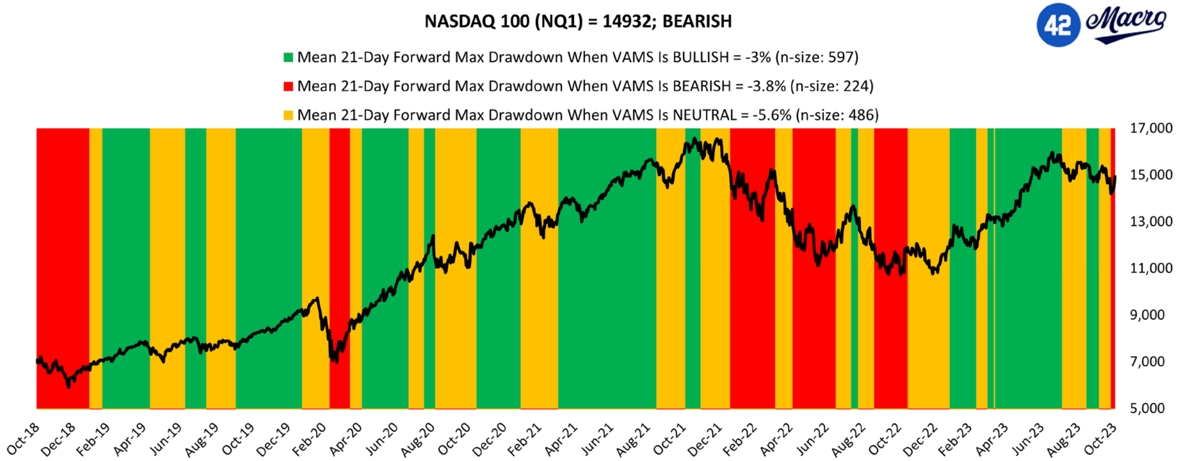
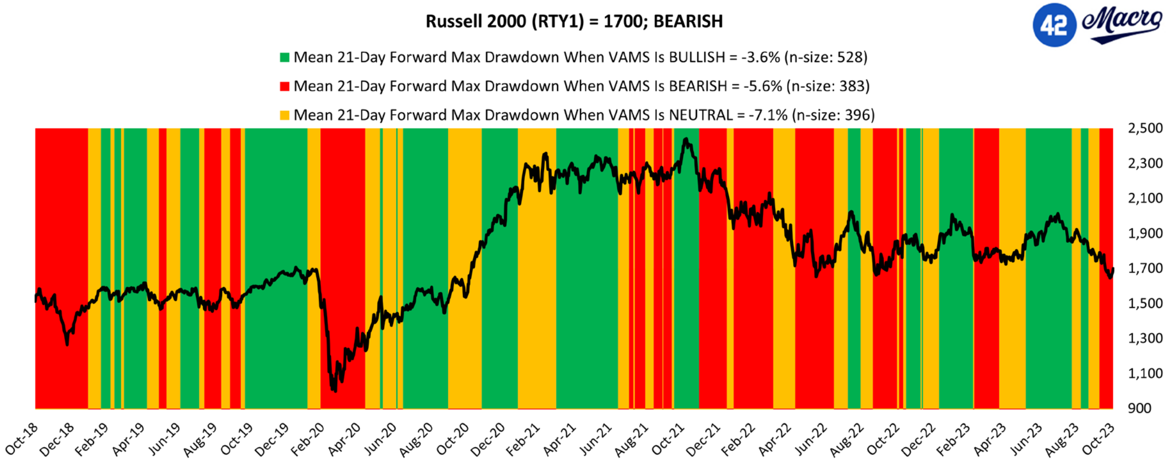
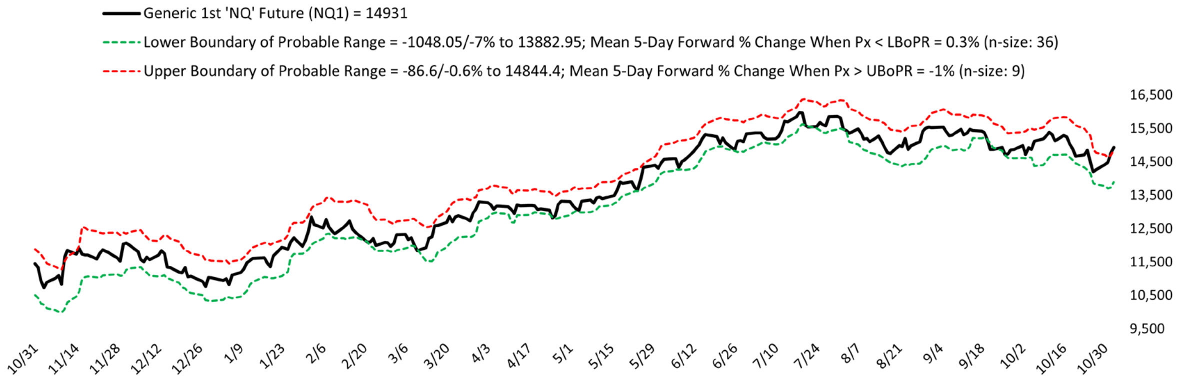
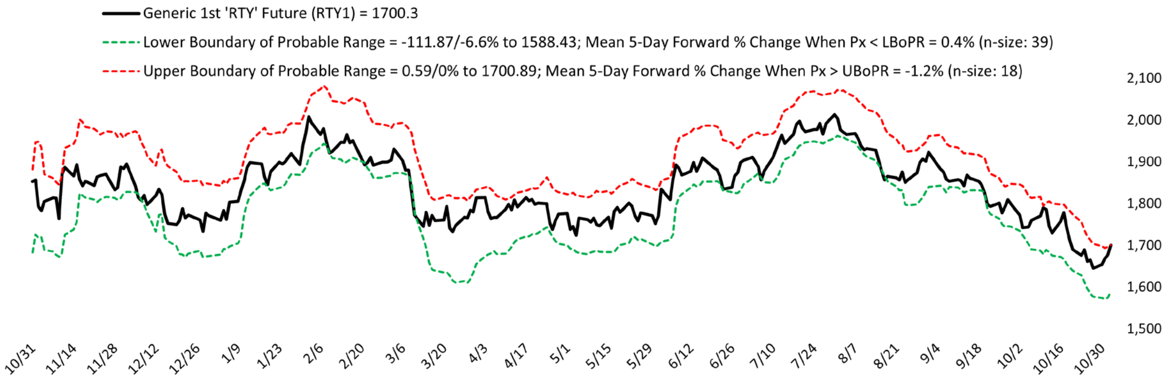
NASDAQ 100

Russell 2000









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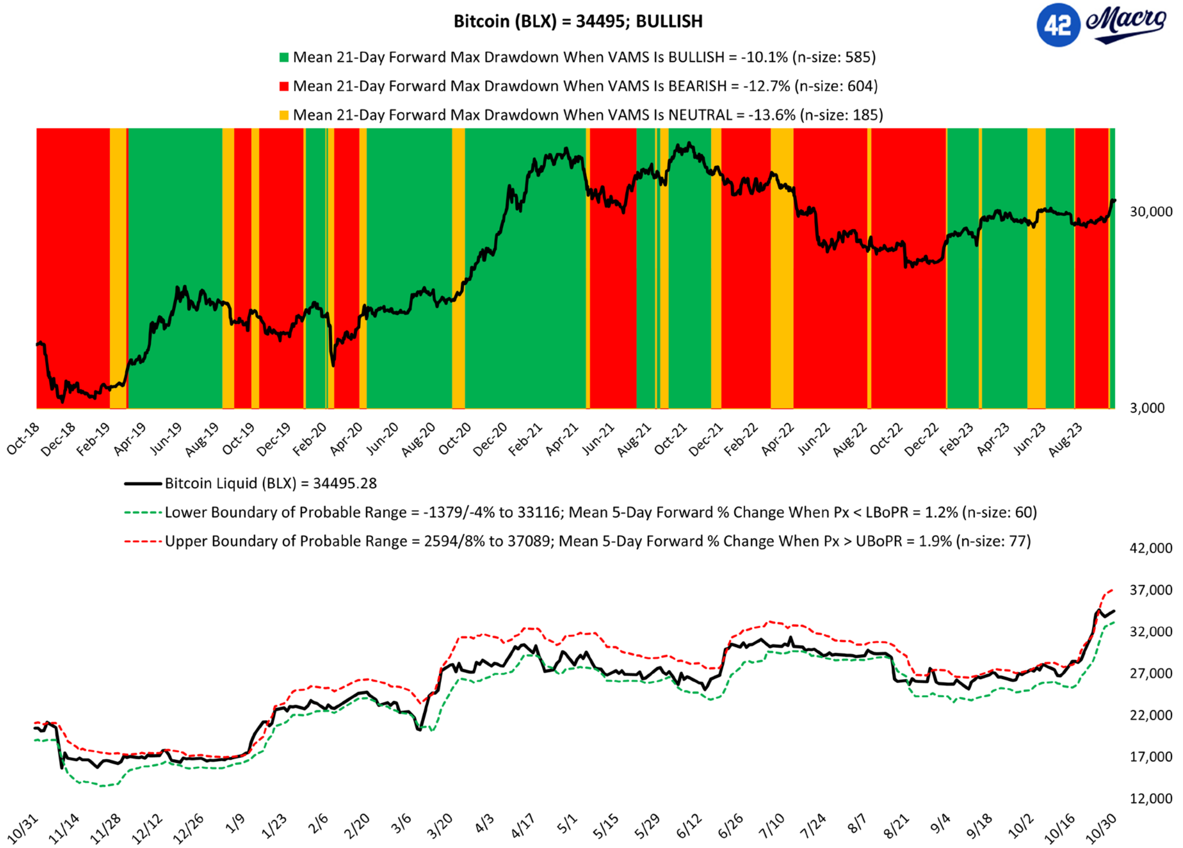
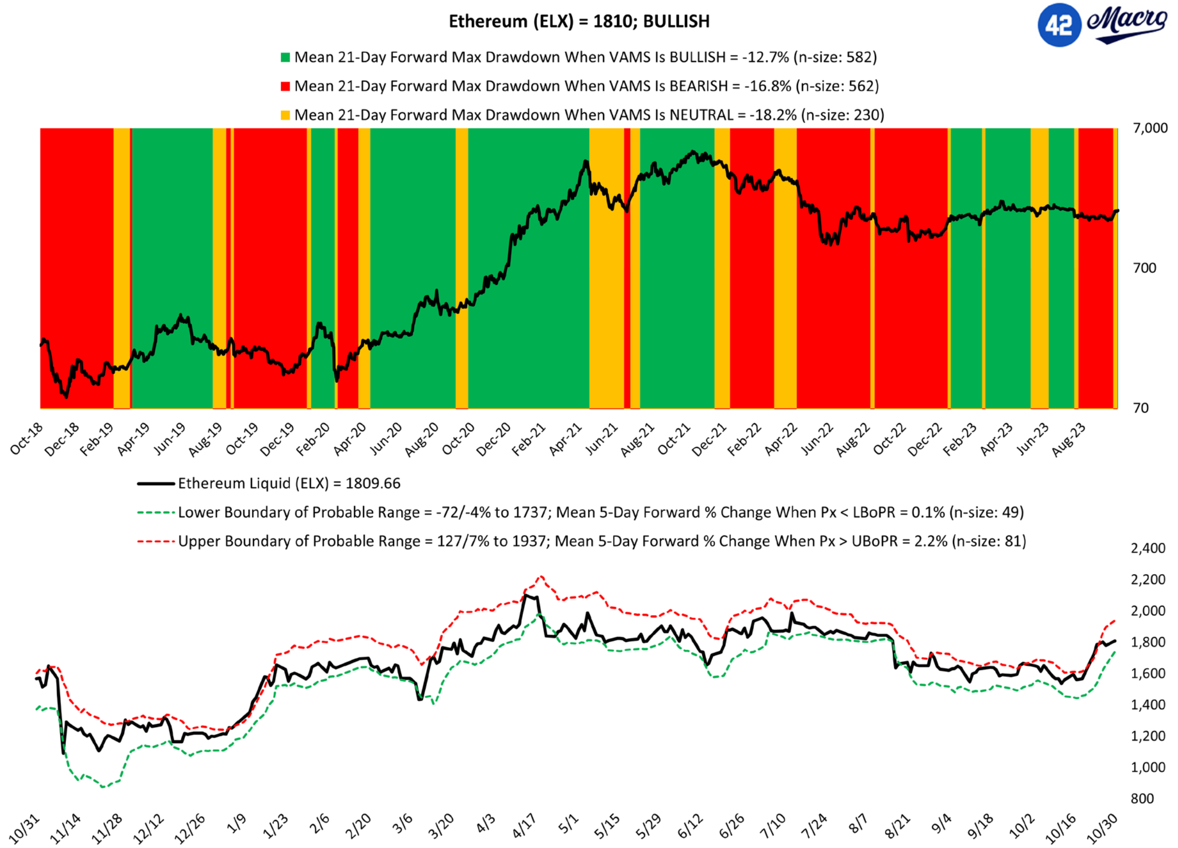
Bitcoin



Ethereum



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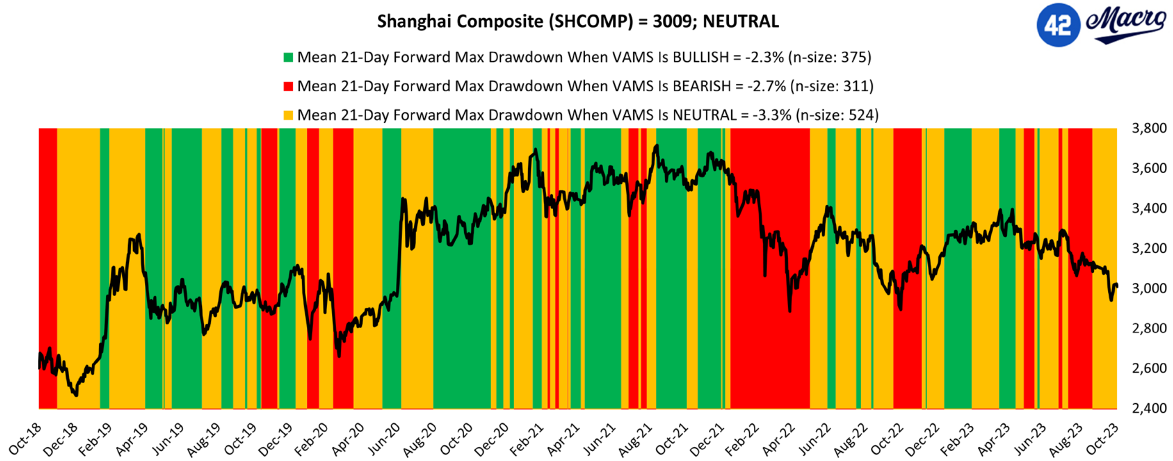
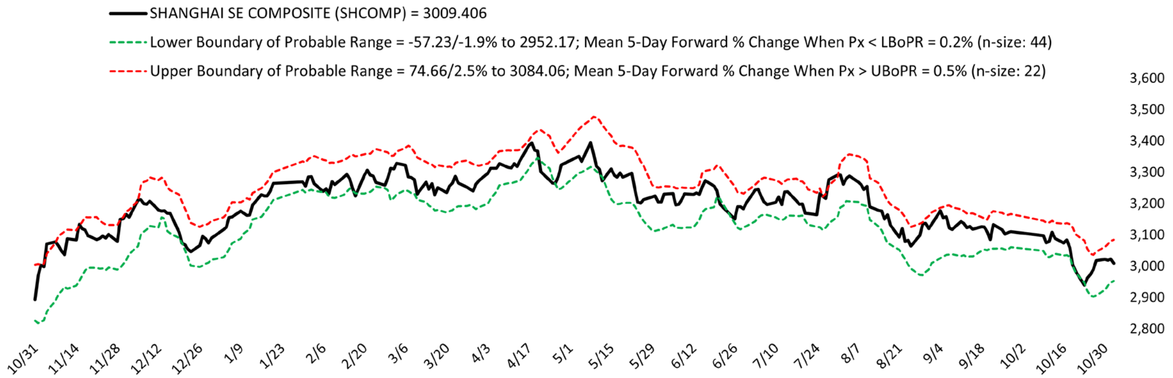
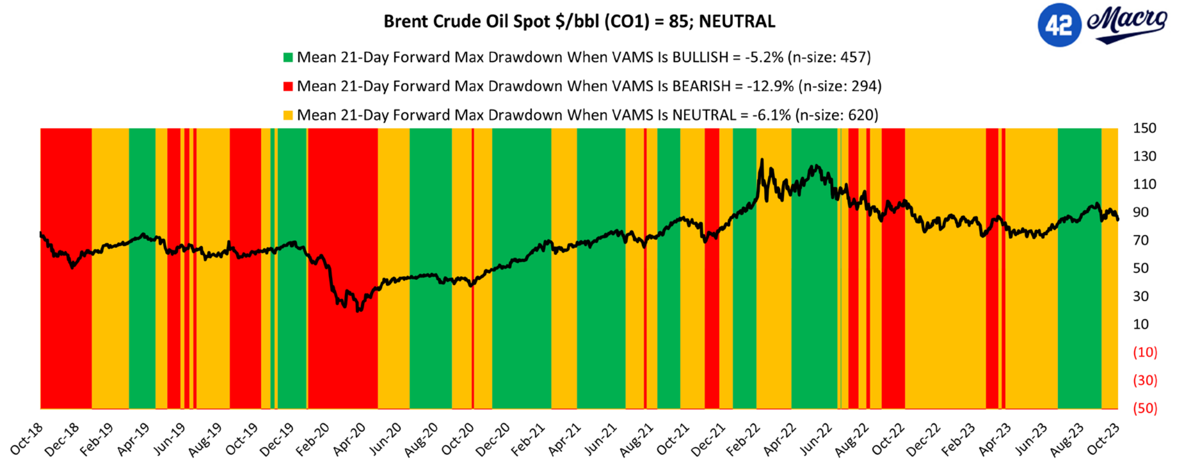
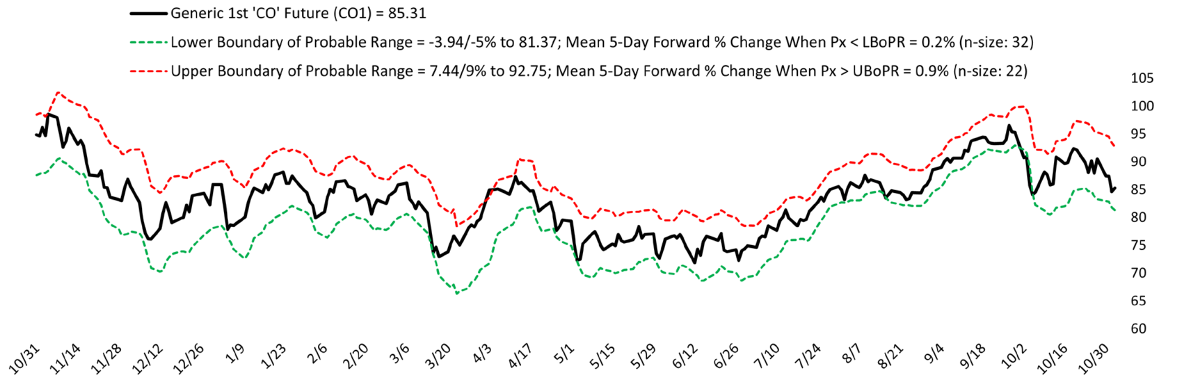
Shanghai Composite





Brent Crude Oil





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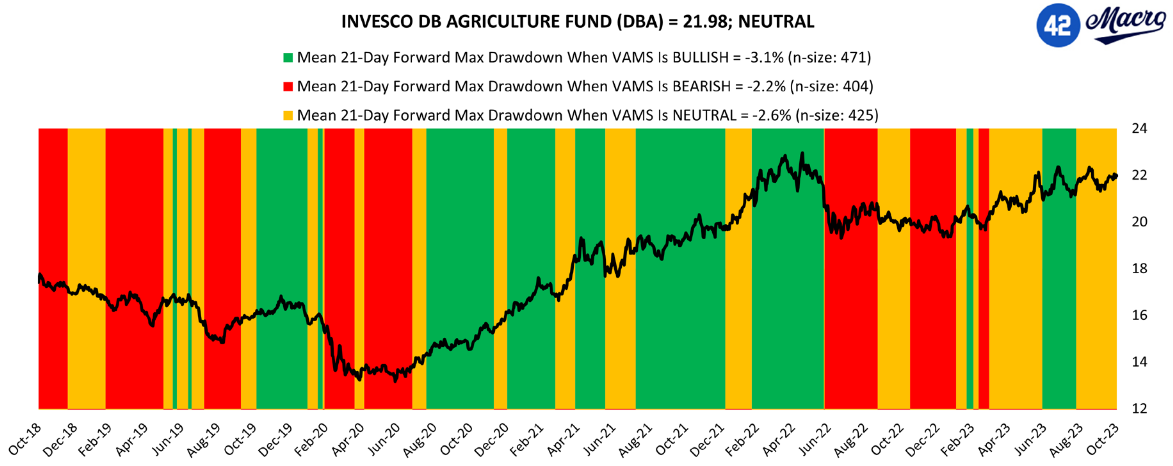
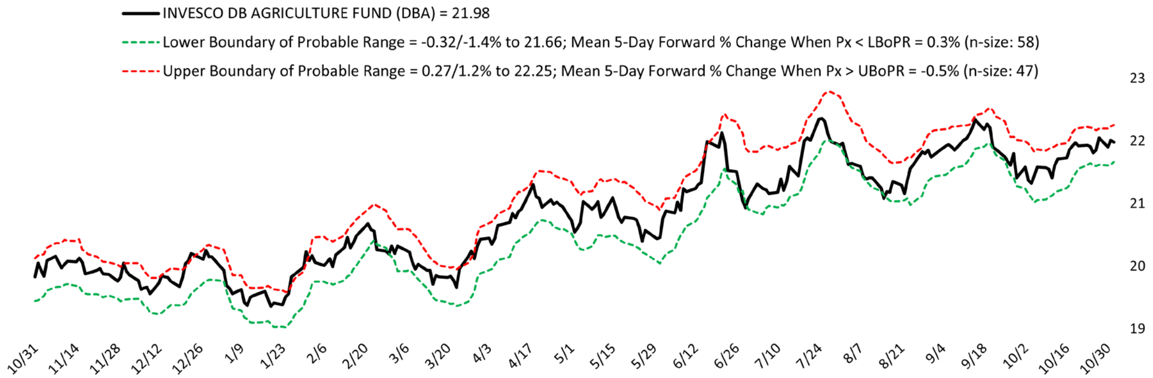
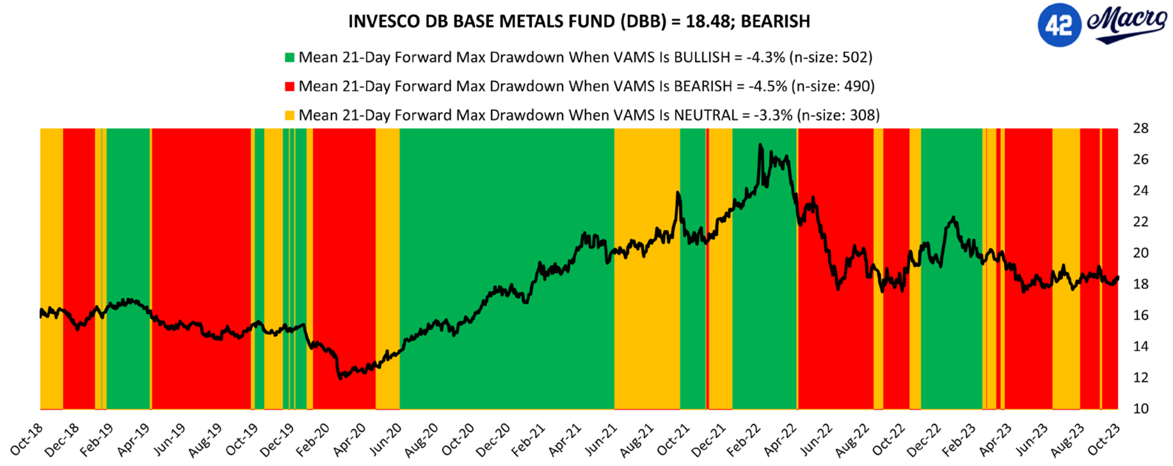
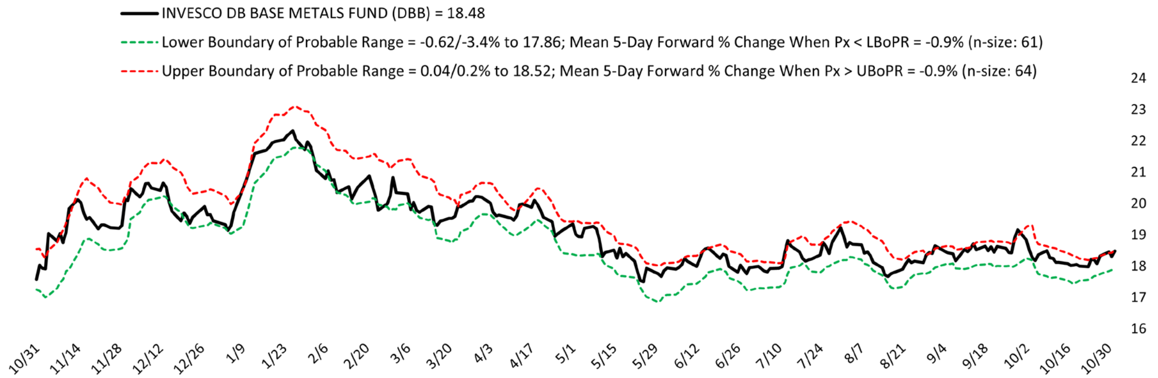
Agricultural Commodities





Industrial Commodities





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Thanks for reviewing.
Have a great day!

42 Macro Product Walkthroughs:

https://42macro.com/walkthrough

42 Macro Playbook:

https://42macro.com/the-playbook/