Strategy Report

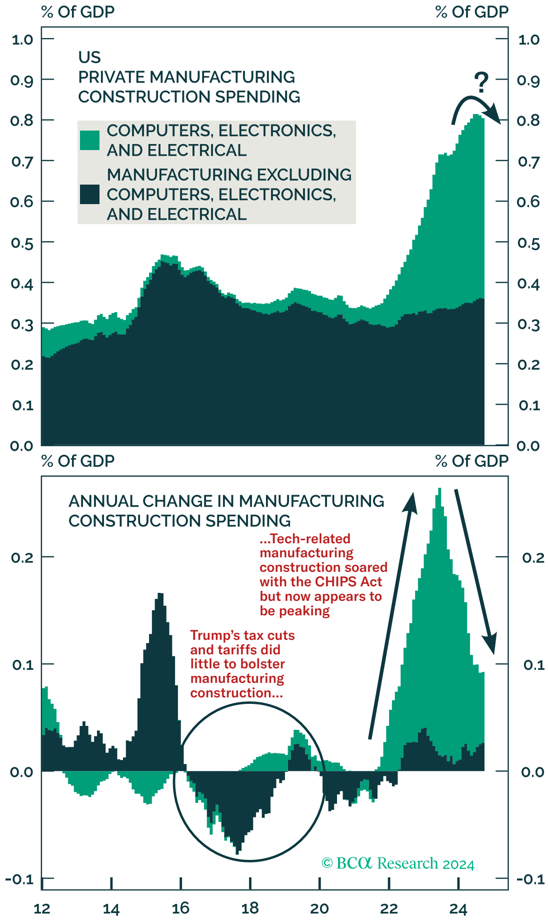
Raising Our US Recession Probability Following Trump's Victory

In this Issue

Executive Summary

- We are lifting our 12-month US recession probability from 65% to 75% following Trump's triumph at the polls.
- The rise in bond yields over the past eight weeks, partly in anticipation of Trump's victory, cannot be justified based on the expectation of faster GDP growth, since corporate tax cuts during Trump's first term only had a small effect on capital spending.
- On the contrary, the prospect of an escalation of the trade war is likely to depress corporate investment while lowering real household disposable income.
- The conventional central bank playbook suggests that the Federal Reserve should look through a transitory tariff-induced increase in consumer prices. However, we suspect that the Fed will be reluctant to do so after having been caught off-guard by the surge in inflation during the pandemic.

Manufacturing Construction May Be Peaking



NOTE: SHOWN AS 3-MONTH MOVING AVERAGES.

- Even in the absence of another trade war, a reduction in the corporate tax rate from 21% to 15% would raise S&P 500 EPS by only 4%. This is less than by how much the S&P 500 has increased just this week.

Bottom Line: The prospect of a new trade war more than offsets the other pro-business parts of Trump's agenda. With the labor market already weakening going into the election, the odds of a recession have risen.

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Raising Our US Recession Probability Following Trump's Victory

Trump Wins Bigly

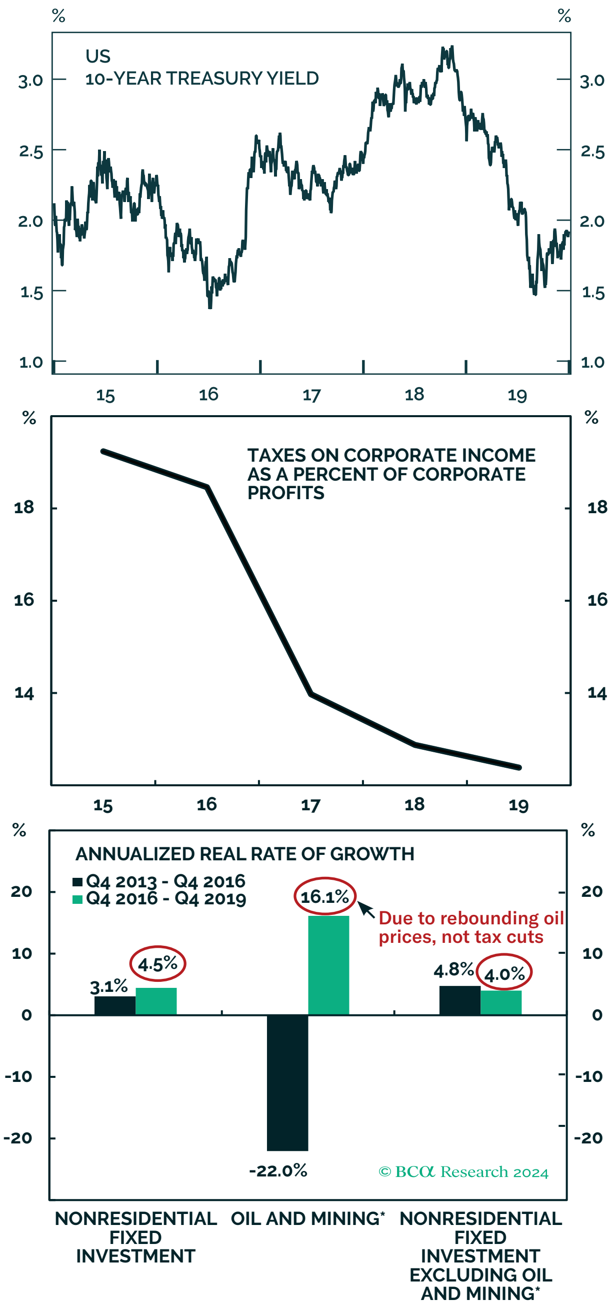
The Trump trade kicked into high gear following the former president's decisive victory on Tuesday. The S&P 500 hit a record high while the US dollar strengthened. Treasury yields initially jumped after the election but have come back down over the past two days. Nevertheless, the 10-year yield is still up 67 bps from its lows on September 16.

This week's price action was reminiscent of what transpired in the wake of the 2016 election. What is seemingly forgotten, however, is that while the 10-year Treasury yield rose from 1.8% in October 2016 to 3.2% in November 2018, it dropped to 1.5% by August 2019.

The decline in yields in late 2018 and 2019 occurred because capital spending failed to rise significantly following the passage of the 2017 Tax Cuts and Jobs Act (TCJA) (**Chart 1**). In addition, the first trade war, which began in earnest in July 2018, weighed on both US and global growth.

This time around, the potential size of any incremental tax cut is smaller than in Trump's first term, while the potential negative impact from a renewed trade war is larger.

CHART 1
Capital Spending Did Not Increase Significantly Following The Passage Of The 2017 Tax Cuts



* OIL AND MINING STRUCTURES AND EQUIPMENT.

Fiscal Policy Under Trump

With respect to the tax cuts, the non-partisan Committee for a Responsible Federal Budget has estimated that the extension of the provisions in the TCJA will increase the federal debt by $5.35 trillion over the next 10 years in its central scenario. Exempting overtime income from taxes would increase debt by a further $2 trillion. Ending taxation of Social Security benefits would raise debt by $1.3 trillion, while exempting tip income from taxes would increase debt by $300 billion. Lowering the corporate tax rate to 15% for domestic manufacturers and enacting and expanding tax breaks for small business would cost another $400 billion (**Table 1**).

TABLE 1
Fiscal Policy Under Trump

Summary of Trump Plan, Savings/Costs(-) (billions, 2026-2035)			
Policy Proposals	**Low**	**Central**	**High**
Extend and Modify the Tax Cuts & Jobs Act (TCJA)	-$4,600	**-$5,350**	-$5,950
Exempt Overtime Income from Taxes	-$500	**-$2,000**	-$3,000
End Taxation of Social Security Benefits	-$1,200	**-$1,300**	-$1,450
Exempt Tip Income from Taxes	-$100	**-$300**	-$550
Lower Corporate Tax Rate to 15% for Domestic Manufacturers	-$150	**-$200**	-$600
Enact or Expand Other Individual and Small Business Tax Breaks	-$150	**-$200**	-$350
Strengthen and Modernize the Military	-$100	**-$400**	-$2,450
Secure the Border and Deport Unauthorized Immigrants	$0	**-$350**	-$1,000
Enact Housing Reforms, Including Credits for First-Time Homebuyers	-$100	**-$150**	-$350
Boost Support for Health Care, Long-Term Care, and Caregiving	-$50	**-$150**	-$300
Subtotal, Tax Cuts and Spending Increases	**-$6,950**	**-$10,400**	**-$16,000**
Establish a Universal Baseline Tariff and Additional Tariffs*	$4,300	**$2,700**	$2,000
Reverse Current Energy/Environment Policies and Expand Production	$750	**$700**	$550
Reduce Waste, Fraud, and Abuse	$250	**$100**	$0
End the Department of Education and Support School Choice	$200	**$200**	$0
Subtotal, Revenue Increases and Spending Reductions	**$5,500**	**$3,700**	**$2,550**
Net Interest	**-$200**	**-$1,050**	**-$2,100**
Total, Net Deficit Impact	**-$1,650**	**-$7,750**	**-$15,550**

* THE UNIVERSAL BASELINE TARIFF IS ASSUMED TO BE 20% IN THE LOW-COST ESTIMATE, AND 10% IN BOTH THE CENTRAL AND HIGH-COST ESTIMATE. THE CHINESE TARIFF IS ASSUMED TO BE 60% IN ALL SCENARIOS. THE HIGH-COST ESTIMATE ALSO INCORPORATES REVENUE LOSS FROM POTENTIAL DYNAMIC EFFECTS, SUCH AS A REDUCTION IN GDP.
SOURCE: COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET.
NOTE: FIGURES ROUNDED TO THE NEAREST $50 BILLION.

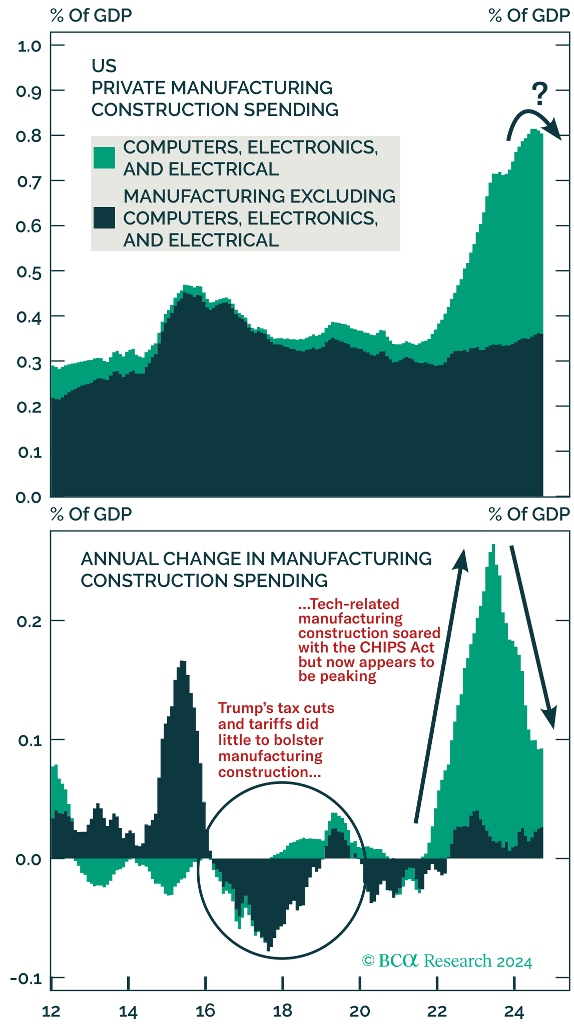
We expect a full extension of the TCJA and at least some token moves towards reducing taxes on tips. A further reduction in corporate tax rates is possible, but far from certain. Unlike in 2016, when the Republicans had a 47-seat majority in the House, their majority this time will be much smaller. The other tax measures Trump has mentioned are unlikely to come to pass given their high price tag and the fact that Trump did not emphasize them heavily on the campaign trail.

On the spending front, the conventional wisdom is that Trump will not cut spending, partly because his working-class base relies on many government programs. I am not convinced of this. While certain programs such as Social Security and Medicare are off limits, there is a large Republican contingent within Congress that would like to cut Medicaid, food stamps, housing assistance, and other programs which target the poor. Although most of these programs are not huge in absolute terms, they generate sizable multiplier effects because their recipients generally spend whatever income or transfer payments they receive.

Gutting the federal bureaucracy is also likely to be a priority under a Trump administration. Elon Musk's proposed government efficiency commission would likely serve as cover for that effort. Excluding defense, veteran affairs, and homeland security, the federal government employs around two million workers.

An additional question mark surrounds the status of the IRA and the CHIPS Act. Scott Bessent, an economic advisor to Trump and a front runner for treasury secretary

CHART 2
Manufacturing Construction May Be Peaking



NOTE: SHOWN AS 3-MONTH MOVING AVERAGES.

labelled the IRA a "doomsday machine for the budget" in an [interview with CNBC] on Wednesday. Donald Trump called the CHIPS Act a "bad deal" two weeks ago on Joe Rogan's podcast. Tech sector manufacturing construction was showing signs of peaking even before the election (**Chart 2**). A repeal of tech subsidies could expedite that.

Tariff Man

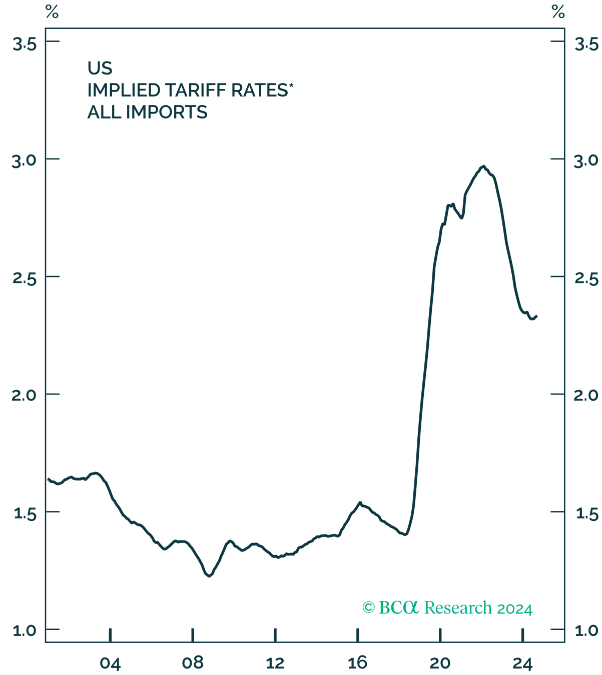
The current tariff rate on US imports is 2.3% (**Chart 3**). That is up from 1.4% in January 2018, but down from a peak of 3.0% in February 2022. The decline in the effective tariff rate over the past few years partly stems from China's efforts in redirecting some of its exports through countries such as Vietnam and Mexico that are subject to lower tariffs. Trump will clamp down on such practices, while also threatening to raise tariffs on most other countries, including American allies.

Whether Trump carries out these threats is open for debate. The consensus view among market participants is that, for the most part, he will not. Once again, I suspect the consensus is too optimistic.

For Trump, tariffs are not a means to an end; they are the end in themselves. Trump really does want to build a tariff wall around the US. That is why he routinely compares himself to William McKinley, who presided over the US when most government revenues derived from tariffs.

A recent study by The Budget Lab at Yale estimated that Trump's tariffs would reduce real disposable income for the median US household by somewhere between $1900 and $7600 (equivalent to about 2.4%-to-9.4% of median household income). Even if that money were entirely funneled back into tax cuts, the net impact on aggregate demand would be negative because tariffs disproportionately hurt lower-income consumers with high marginal propensities to spend.

CHART 3
Trump Is Likely To Reverse The Recent Downtrend In Tariff Rates

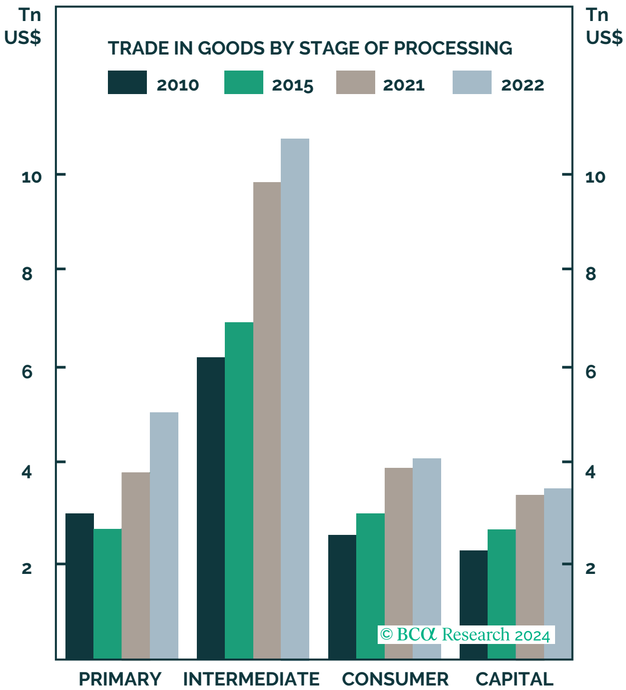


* DUTIES COLLECTED AS A PERCENT OF IMPORTS. SHOWN AS A 12-MONTH MOVING AVERAGE.
SOURCE: US INTERNATIONAL TRADE COMMISSION.

Then there are the potential supply-side implications. In standard Ricardian models of comparative advantage, the efficiency loss (or dead-weight loss, as it is sometimes called) rises with the square of the tariff rate. This means that a hike in the tariff rate on Chinese goods from 10% to 60% would increase the efficiency loss 36-fold.

In many respects, this calculation understates the potential efficiency loss because it does not account for other plausible losses stemming from supply-chain disruptions, diminished economies of scale, and retaliation. It also ignores the fact that more than half of global trade consists of capital equipment and intermediate goods (**Chart 4**).

CHART 4
The Majority Of Global Trade Is In Intermediate Goods



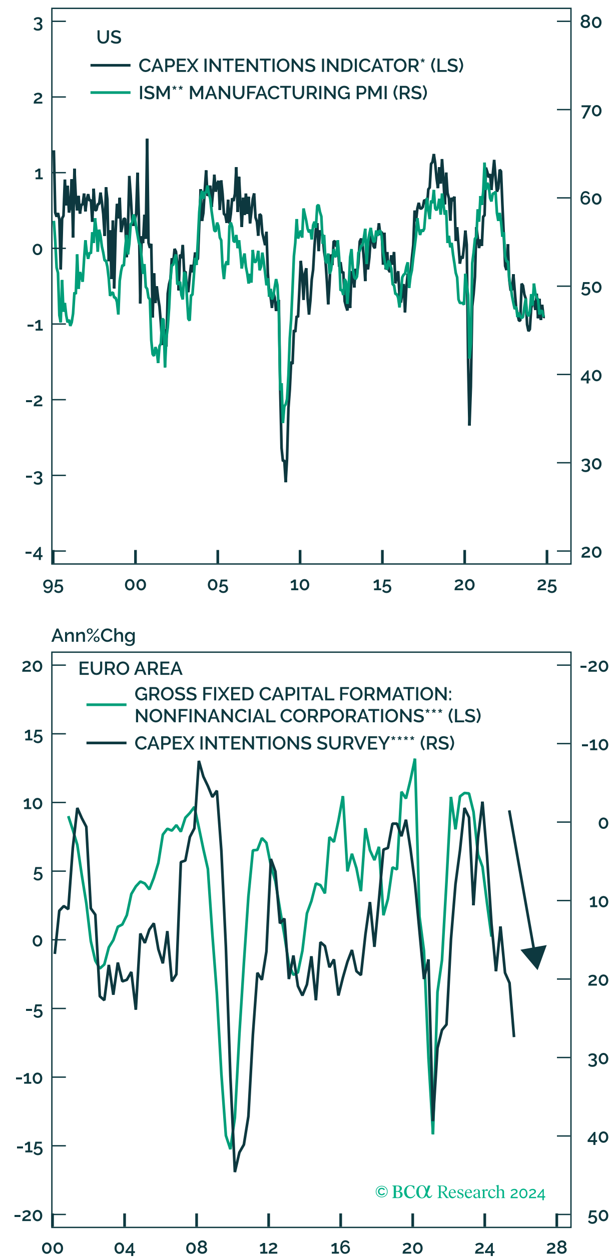
SOURCE: "KEY STATISTICS AND TRENDS IN INTERNATIONAL TRADE, 2023," UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD), (2024).

At a time when capex intentions are already depressed in both the US and Europe, a trade war would lead to less capital formation, and ultimately lower growth (**Chart 5**).

How the Fed Responds

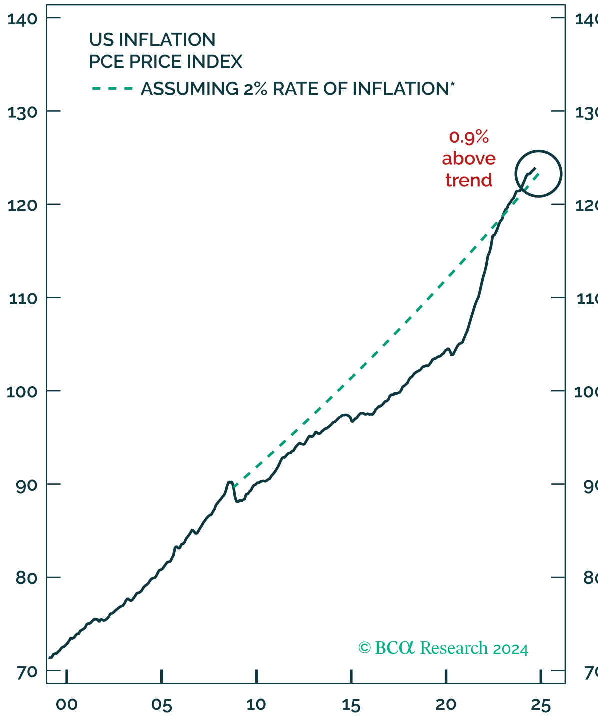
In September 2018, the Fed considered a scenario where the US imposed a 15% tariff on all non-oil imported goods and foreign economies retaliated with similarly-sized tariffs. In the case where the Fed reacted to the resulting increase in inflation by raising rates, the economy entered a mild recession. In the case where the Fed looked through the rise in import prices, GDP growth slowed to a snail's pace of 0.5% but the economy avoided an outright recession.

CHART 5
Capex Intentions Are Downbeat On Both Sides Of The Atlantic



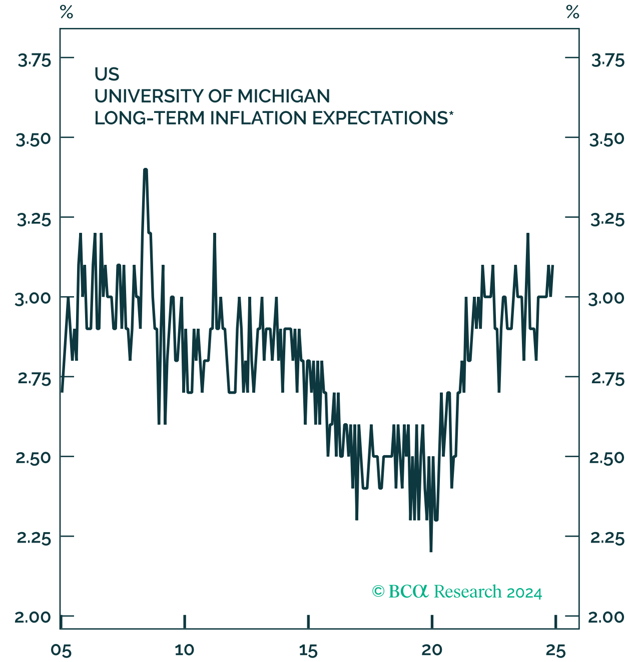
* AVERAGE OF STANDARDIZED CAPITAL EXPENDITURE EXPECTATIONS FOR THE NFIB SURVEY (3-TO-6 MONTHS), DALLAS, KANSAS CITY, NEW YORK EMPIRE, PHILADELPHIA, AND RICHMOND FED REGIONAL SURVEYS (6 MONTHS). LATEST DATA POINT IS AN ESTIMATE.
** INSTITUTE FOR SUPPLY MANAGEMENT.
*** SHOWN AS A 3-MONTH MOVING AVERAGE. SOURCE: OECD.
**** INVESTMENT GOODS INDUSTRY SURVEY: PRODUCTION CAPACITY. SHOWN ADVANCED BY 3 QUARTERS. SOURCE: DG ECFIN.

CHART 6
The PCE Deflator Is Now Slightly Above Its Target Line



* SINCE OCTOBER 2008.
SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA).

CHART 7
Long-Term Inflation Expectations Have Risen Since Trump's First Term



* MEDIAN INFLATION EXPECTATIONS OVER THE NEXT 5-TO-10 YEARS.
SOURCE: UNIVERSITY OF MICHIGAN, SURVEY OF CONSUMERS.

The Fed concluded:

> *The more accommodative policy response considered here attenuates the output decline considerably relative to the previous scenario without much effect on inflation. Accordingly, the see-through policy would seem an appropriate response to a tariff hike. However, the desirability of this strategy depends on firmly anchored inflation expectations and the pass-through of cost shocks into inflation being relatively short lived. If those conditions do not hold, then the alternative approach assumed in the previous scenario could be more attractive. In particular, inflation and inflation expectations might run persistently higher if the tariff hike leads workers to raise their wage demands or firms to raise their markups. These effects might be intensified in a very tight labor market.*

Since the Fed published this paragraph, inflation has been on a roller-coaster ride, first surging during the pandemic and then retreating towards more moderate – though still somewhat above-target – levels. The current level of the PCE deflator is 0.9% above where it would have been if consumer prices rose in line with the Fed's 2% target since 2008 (**Chart 6**). Long-term inflation expectations in the University of Michigan survey stand at 3.1%, around half a percentage point higher than in 2018 (**Chart 7**).

Having been so badly burned by the whole "transitory" narrative, our guess is that the Fed would be initially circumspect in cutting rates for fear that another rebound in inflation could unanchor inflation expectations. This could potentially exacerbate the economic downturn.

Immigration Crackdown

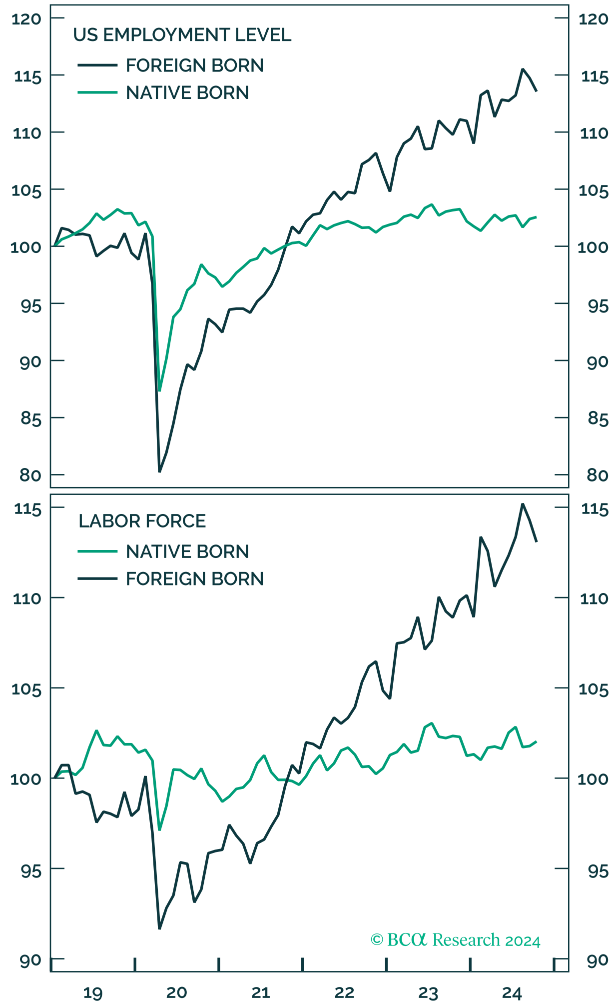
According to the Pew Research Center, there were 8.3 million unauthorized immigrants in the US workforce in 2022, accounting for 4.8% of the overall workforce. This number has almost certainly increased over the past two years given that immigration has accounted for nearly the entirety of labor force growth (**Chart 8**).

The Trump administration is highly likely to bring back its "Remain in Mexico" policy, which required migrants seeking asylum to remain in Mexico until their US immigration court date. Trump is also likely to end the Biden administration's policy of allowing up to a combined 30,000 migrants per month from Cuba, Haiti, Nicaragua, and Venezuela to come to the US legally.

Deporting millions of illegal immigrants would be much more difficult. Our expectation is that the Trump administration will mainly focus on requiring companies to better screen job applicants for immigration status. This could erode the incentive for migrants to enter the US illegally.

A decrease in the number of immigrants entering the US would reduce the supply of labor. However, it would also diminish the

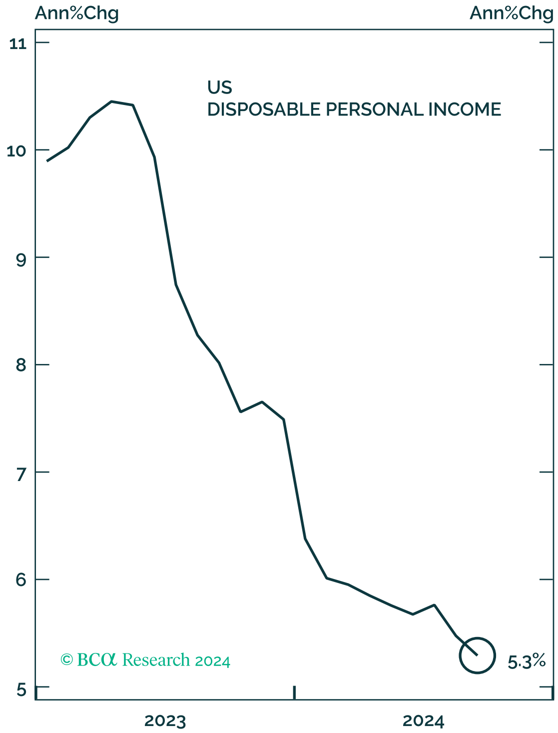
CHART 8
Immigration Has Accounted For Almost The Entirety Of Labor Force And Employment Growth



NOTE: ALL SERIES REBASED TO JAN. 2019 = 100.
SOURCE: BUREAU OF LABOR STATISTICS (BLS).

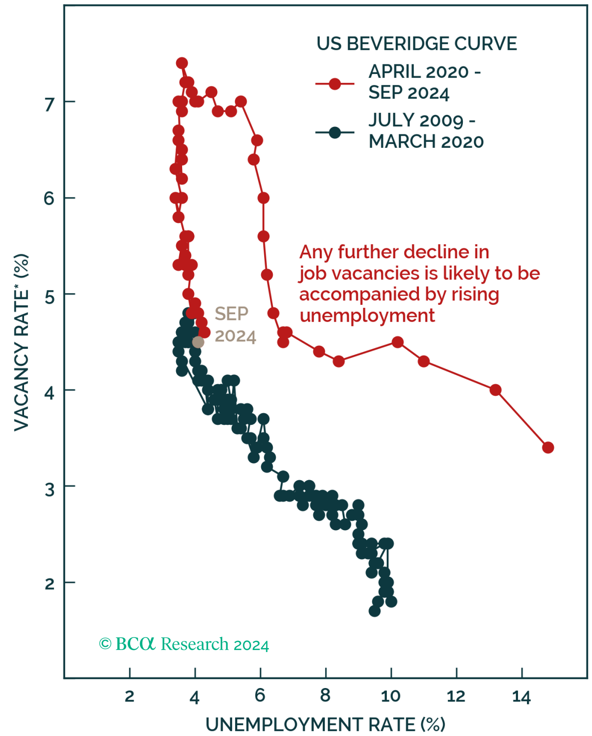
demand for labor by curbing income growth, which has already been trending lower since mid-2023 (**Chart 9**). On balance, our sense is that an immigration crackdown would result in a modest tightening of the labor market but that other forces will play a much more critical role in determining the path for unemployment.

CHART 9
Disposable Income Growth Is Slowing



SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA).

CHART 10
The Job Vacancy Rate Has Reached A Tipping Point



* SOURCE: JOB OPENINGS AND TURNOVER SURVEY (JOLTS), BLS.

Labor Market Showing Cracks

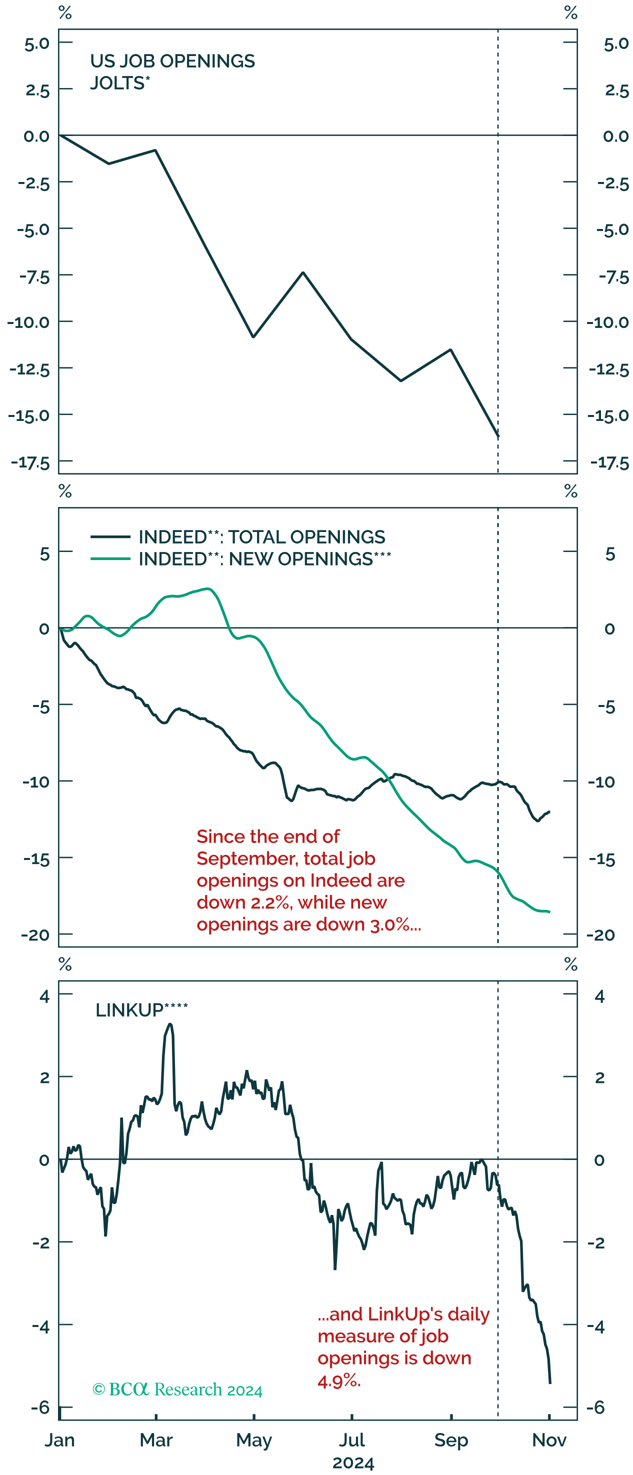
Despite the consensus narrative about how the US labor market is in great shape, the data suggest otherwise. Payrolls grew by only 12K in October. While many commentators were quick to note that the hurricanes and the Boeing strike subtracted from payrolls, the fact that massive spending on the election probably inflated payrolls seemingly went unnoticed.

A refinement to its seasonal adjustment calculations prompted the BLS to revise down nonfarm payrolls by a combined 112K in August and September. A downward revision for October looks more likely than not: Had the BLS used the same seasonal adjustment factor this year that it used for September and October 2023, payrolls would have contracted by 53K.

Meanwhile, the official job vacancy rate published by the Bureau of Labor Statistics fell to 4.5% in September (**Chart 10**). This is exactly the level that Fed Governor Christopher Waller has identified as the tipping point at which unemployment could start rising rapidly if openings keep falling.

CHART 11

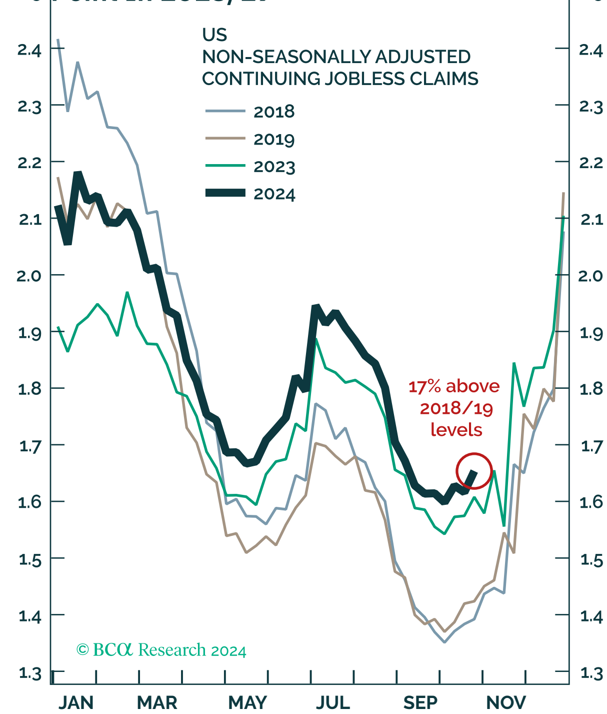
Real-Time Data Suggest That Openings Continue To Decline



* SERIES INDEXED TO JAN. 1, 2024 = 0%. SOURCE: JOB OPENINGS AND LABOR TURNOVER SURVEY (JOLTS), BLS.
** SERIES INDEXED TO JAN. 1, 2024 = 0%. SOURCE: INDEED.
*** SHOWN AS A 3-MONTH MOVING AVERAGE.
**** SERIES INDEXED TO JAN. 1, 2024 = 0%. SOURCE: LINKUP.
NOTE: VERTICAL LINE DENOTES SEPTEMBER 30, 2024.

CHART 12

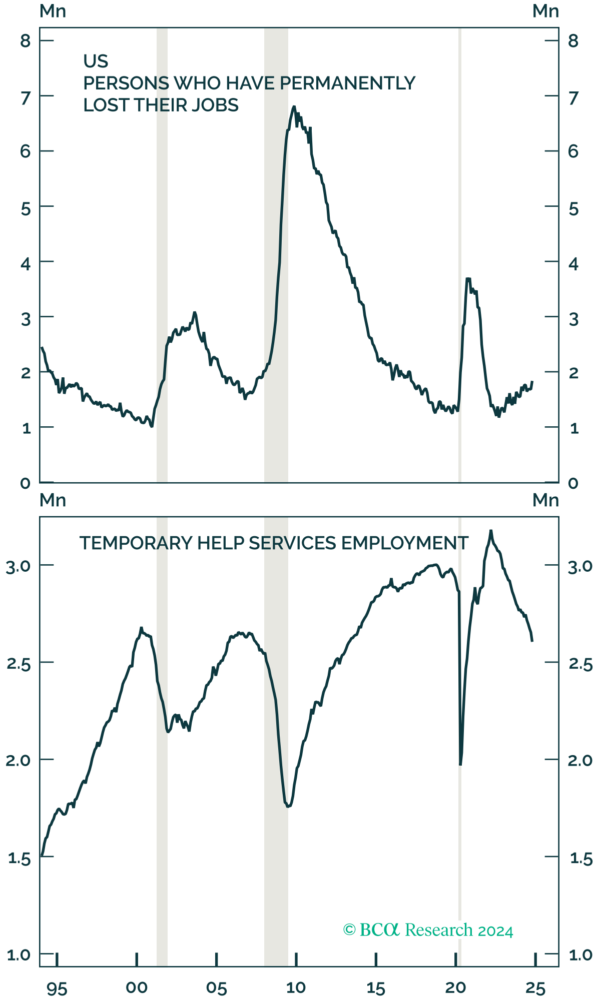
Continuing Unemployment Claims Are 17% Higher Than They Were At This Point In 2018/19



Unfortunately, the real-time data for October and early November suggest that openings continue to decline (**Chart 11**). *Indeed*'s measure of total openings is down 2.2% since the end of September, while new openings are down 3.0%. LinkUp's daily estimate of job openings posted by the 10,000 global employers with the most job vacancies in the US has fallen by 4.9% over this period.

The growing difficulty that laid-off workers are experiencing in finding new jobs has pushed up continuing unemployment claims to a three-year high on a seasonally adjusted basis. On a non-seasonally adjusted basis, continuing claims are 17% higher than where they were at this time of the year in 2018/19 (**Chart 12**). The number of permanent job

CHART 13
The Number Of Permanent Job Losers Hit A Cycle High In October, While Temp Employment Continues To Slide



SOURCE: BUREAU OF LABOR STATISTICS (BLS).
NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.

losers hit a cycle high in October and is now more than 40% above where it was at the start of 2020 (**Chart 13**). Temp employment, which consistently weakens in the lead-up to recessions, continues to slide.

Bond Yields Are At Restrictive Levels

Back in February 2023, when I was still bullish on stocks and predicting an "immaculate disinflation," I wrote a report entitled *There Won't Be A Recession Until More People Are Convinced That There Won't Be A Recession*. The report concluded that "Ironically, increased confidence that the economy can withstand higher bond yields may be necessary to lift yields to a level that is actually detrimental to growth."

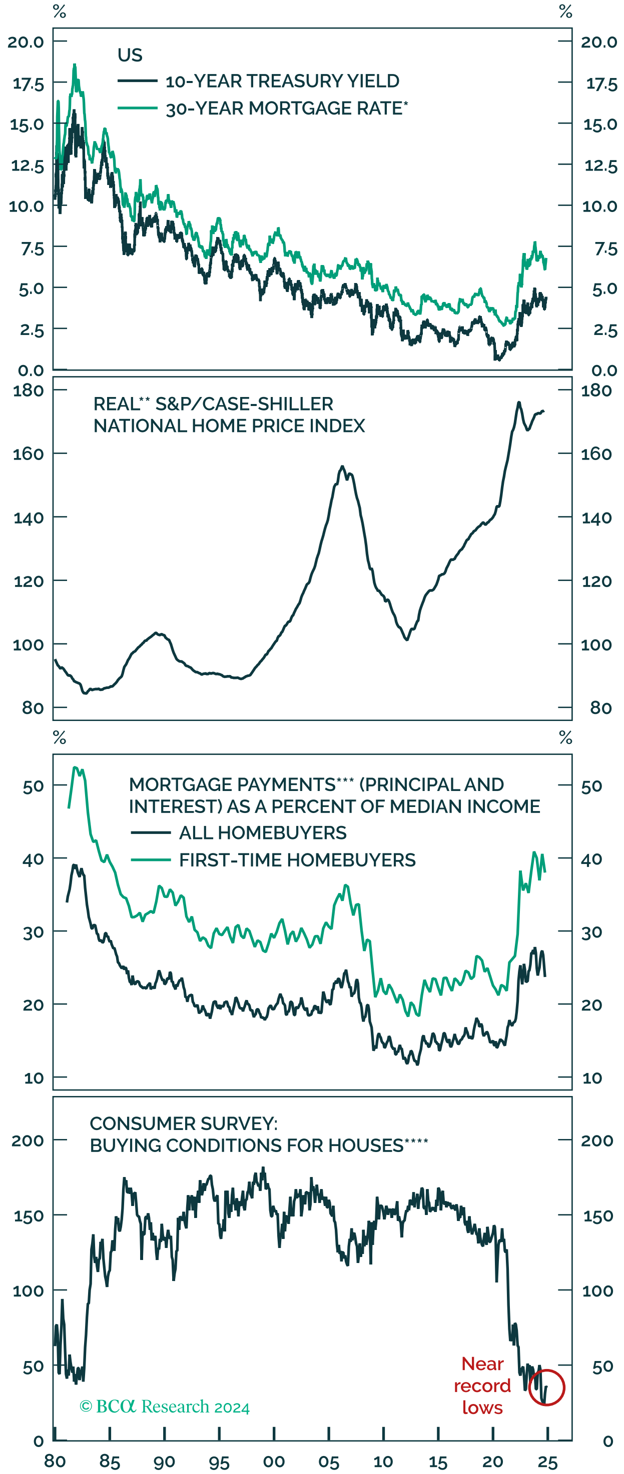
Twenty-one months later, those words continue to ring true. A 10-year Treasury yield in excess of 4% and a mortgage rate of 7% may have been appropriate in the second half of the 1990s when homes were cheaper and the economy was in the throes of a massive, disinflationary capex boom (**Chart 14** and **Chart 15**).

Today, however, the economy needs lower yields. Residential investment is the only component of GDP that reliably declines in the lead-up to recessions (**Table 2**). It has shrunk in both Q2 and Q3 and is on track to shrink again in Q4 according to the Atlanta Fed's GDPNow model. The weak state of the housing market is screaming at investors that monetary policy is restrictive. Entranced by the Trump trade, they are not listening.

With the economy weaker than generally perceived, and with the spectre of a new trade war on the horizon, we are lifting our 12-month US recession probability from 65% to 75%.

CHART 14

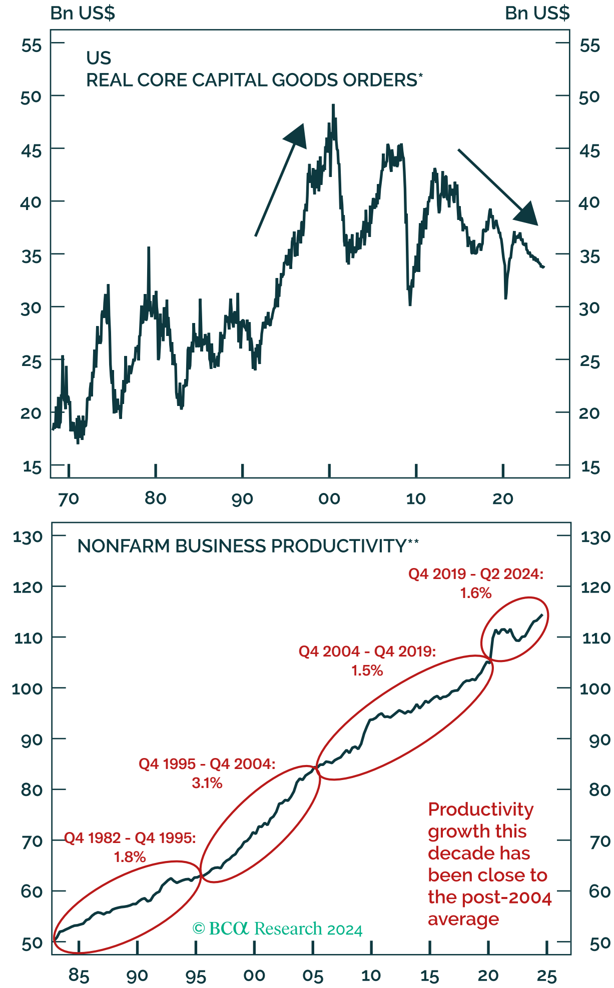
Rates Are Too Restrictive Right Now...



* SOURCE: FREDDIE MAC.
** DEFLATED BY HEADLINE CPI, REBASED TO JAN. 1990 = 100.
*** SOURCE: NATIONAL ASSOCIATION OF REALTORS.
**** QUESTION POSED: GENERALLY SPEAKING, DO YOU THINK NOW IS A GOOD TIME OR A BAD TIME TO BUY A HOUSE? SOURCE: UNIVERSITY OF MICHIGAN, SURVEY OF CONSUMERS.

CHART 15

...Because This Ain't The Late 1990s



* MANUFACTURING NONDEFENSE CAPITAL GOODS EXCLUDING AIRCRAFT. DEFLATED BY PPI FOR PRIVATE CAPITAL EQUIPMENT. SHOWN IN 1982 US DOLLARS.
** SOURCE: BUREAU OF LABOR STATISTICS (BLS).
NOTE: VALUES IN RED DENOTE ANNUALIZED GROWTH.

Implications for Stocks, Bonds, and the US Dollar

Calculations by both Bank of America and Goldman Sachs suggest that a decline in the corporate tax rate from 21% to 15%, as Trump has proposed, would boost S&P 500 EPS by about 4%. This is less than by how much the S&P 500 has increased just this week.

TABLE 2
Residential Investment Is The Only Component Of GDP That Typically Contracts In The Lead-Up To Recessions

	MEDIAN CONTRIBUTION TO REAL GDP GROWTH (PERCENT, ANNUALIZED)	
	Non-Recessionary Quarters Q2 1947 - Q3 2024	4 Quarters Prior To Recession Q2 1947 - Q3 2024
REAL GDP GROWTH	3.50	2.69
PERSONAL CONSUMPTION EXPENDITURE	2.29	1.75
SERVICES	1.24	1.03
GROSS PRIVATE DOMESTIC INVESTMENT	1.17	0.18
FIXED INVESTMENT	1.01	0.34
NONRESIDENTIAL	0.83	0.63
RESIDENTIAL	0.20	-0.34
CHANGE IN PRIVATE INVENTORIES	0.19	0.03
NET EXPORTS	-0.22	0.20
GOVERNMENT	0.35	0.50

SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA).

Admittedly, other parts of Trump's agenda, including deregulation and laxer anti-trust enforcement, could provide additional tailwinds to corporate earnings. However, those tailwinds must be assessed in light of possible headwinds such as tariffs.

Analysts at Barclays estimate that a 60% tariff on Chinese imports and a 10% tariff on imports from other countries would reduce S&P EPS by 3.2%. The hit to earnings would rise to 4.7% if, as is likely, other countries retaliated. The impact on earnings would be even greater if higher tariffs led to lower capex and weaker productivity growth.

A stronger dollar would also reduce earnings. As a rule of thumb, a 1% appreciation in the trade-weighted dollar lowers S&P 500 EPS by about 0.25%. Since other countries, in aggregate, run a trade surplus with the US, a broad-based shrinkage in global trade would hurt economies such as Germany and China more than the US. It is not surprising that both the euro and the RMB have weakened in recent days.

As far as bonds are concerned, while a trade war would be inflationary at the outset, it would be deflationary later on because it would lead to weaker growth. The passage of the Smoot-Hawley Tariff Act in 1930 is a good reminder of that point.

Taken together, these considerations lead us to recommend a modest underweight on stocks and a modest overweight on bonds. We intend to move our recommended stock allocation to maximum underweight, with a corresponding max overweight on bonds, once clearer evidence of a recession emerges.

Trade Updates

Our long iShares 7-10 Year Treasury Bond ETF (IEF) / short Vanguard S&P 500 ETF (VOO) was stopped out for a loss of 10%. To maintain our bearish bias on stocks, we are buying puts on the SPY ETF at $11.00 (June 30, 2025 contract, with a strike price of $550).

We are also closing our long December 2024 Canada 10-Year Bond futures contract (CNZ4) / short US 10-Year Treasury Note futures contract (TYZ4) for a gain of 914 bps. When we opened the trade, the Canadian 10-year yield was 21 bps above the comparable US yield. Today, US yields are 112 bps above Canadian yields, implying limited scope for further spread widening.

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Global Investment Strategy View Matrix

The Global Investment Strategy team (GIS) summarizes its views *via* a matrix featuring recommendations over a tactical 1-to-3 month horizon and a cyclical 6-to-12 month horizon. While GIS uses the MacroQuant model as one of several inputs into its decision-making process, the GIS views shown in this matrix may differ from the MacroQuant model's recommendations shown in the dedicated monthly MacroQuant reports.

Global Investment Strategy Views										
	1-To-3 Month					6-To-12 Month				
Global Asset Allocation	–		0		+	–		0		+
Equities	□	■	□	□	□	□	■	□	□	□
Fixed Income	□	□	□	■	□	□	□	□	■	□
Cash	□	□	■	□	□	□	□	■	□	□
Global Equities (Region)*	–		0		+	–		0		+
US	□	■	□	□	□	□	□	□	■	□
Euro Area	□	□	□	■	□	□	□	■	□	□
UK	□	□	□	■	□	□	■	□	□	□
Canada	□	□	■	□	□	□	■	□	□	□
Australia	□	□	□	■	□	□	■	□	□	□
Japan	□	▣	■	□	□	□	□	■	□	□
EM	□	□	□	■	□	□	□	■	□	□
Global Equities (Sectors)*	–		0		+	–		0		+
Communication Services	□	□	■	□	□	□	□	■	□	□
Consumer Discretionary	□	■	□	□	□	□	■	□	□	□
Consumer Staples	□	□	□	■	□	□	□	□	□	■
Energy	□	□	■	□	□	□	□	■	□	□
Financials	□	■	□	□	□	□	■	□	□	□
Health Care	□	□	□	■	□	□	□	□	□	■
Industrials	□	□	■	□	□	□	□	■	□	□
Information Technology	□	■	□	□	□	□	■	□	□	□
Materials	□	□	□	■	□	□	□	■	□	□
Real Estate	□	■	□	□	□	■	□	□	□	□
Utilities	□	□	□	■	□	□	□	□	□	■
Global Fixed Income**	–		0		+	–		0		+
Government	□	□	□	■	□	□	□	□	■	□
Investment Grade	□	■	□	□	□	□	■	□	□	□
High Yield	□	■	□	□	□	□	■	□	□	□
Duration	□	□	□	■	□	□	□	□	■	□
Inflation Protection	□	□	■	□	□	□	□	■	□	□
Currencies***	–		0		+	–		0		+
USD	□	▣	■	□	□	□	□	□	■	□
EUR	□	□	■	▣	□	□	■	□	□	□
GBP	□	□	■	▣	□	□	■	□	□	□
CHF	□	□	■	□	□	□	□	□	■	□
JPY	□	□	■	□	□	□	□	□	□	■
CAD	□	□	■	□	□	□	■	□	□	□
AUD	□	□	■	▣	□	□	■	□	□	□
EM Currencies	□	□	■	▣	□	□	□	■	□	□
Commodities (vs USD)	–		0		+	–		0		+
Energy	□	□	■	□	□	□	■	□	□	□
Base/Bulk Metals	□	□	■	□	□	□	■	□	□	□
Gold	□	□	□	■	□	□	□	□	■	□

LEGEND:
■ – CURRENT
▣ – PREVIOUS
1 (MOST LEFT) – STRONG SELL
2 – SELL
3 – NEUTRAL
4 – BUY
5 (MOST RIGHT) – STRONG BUY
* RELATIVE TO MSCI ACWI (CURRENCY UNHEDGED).
** RELATIVE TO BLOOMBERG GLOBAL AGGREGATE (CURRENCY-HEDGED).
***IN TRADE-WEIGHTED TERMS.

Special Trade Recommendations

This table provides trade recommendations that may not be adequately represented in the matrix on the preceding page.

Trade	Inception Level	Initiation Date	Return-To-Date*	Stop Loss	Comments
Long SPDR S&P 500 ETF (SPY) June 30, 2025 Put Contract (Strike Price $550)	**$11.00**	**Nov 8/2024**			
Long iShares 7-10 Year Treasury Bond ETF (IEF) / Vanguard S&P 500 ETF (VOO)	**100**	**Aug 22/2024**	**-10.3%**	**-10%**	**Closed at stop loss on November 8/2024**
Long Vanguard Health Care Index Fund ETF (VHT) / Vanguard S&P 500 ETF (VOO)	100	April 11/2024	-8.5%	-10%	
Long iShares 20+ Year Treasury Bond ETF (TLT)	$88.87	Sept 26/2023	7.6%	-10%	
Short USDJPY	144.82	June 29/2023	-12.2%	None	Long-term Trade; returns include carry
Long December 2024 Canada 10-Year Bond futures contract (CNZ4) / US 10-Year Treasury Note futures contract (TYZ4)**	**21 bps**	**June 30/2022**	**914 bps**	**-125 bps**	**Weight**: 0.74; Closed for a profit of 914 bps on November 8/24**
Short Bitcoin***	$63,267	Oct 21/2021	39%	None, but keep the position small to minimize risk	Special Shorting Technique***; closed half of the position for a 97.6% gain on May 10/2022

* THE MARK-TO-MARKET CALCULATIONS ARE BASED ON THE CLOSE OF EVERY THURSDAY, EXCEPT FOR THE IEF/VOO TRADE AND CNZ4/TYZ4 TRADE WHICH IS BASED ON THE FRIDAY CLOSE AND THE BITCOIN TRADE WHERE THE CALCULATION IS BASED ON THE MARKET PRICE OF BITCOIN AT 4:00PM (EST) FRIDAY.
** ROLLED FROM THE SEPTEMBER 2022, DECEMBER 2022, MARCH 2023, JUNE 2023, SEPTEMBER 2023, DECEMBER 2023, MARCH 2024, JUNE 2024, AND SEPTEMBER 2024 CONTRACTS. THE WEIGHT IS CALCULATED SUCH THAT THE LONG AND SHORT LEGS OF THE TRADE HAVE EQUAL DURATIONS.
*** THE PERFORMANCE OF THE SHORT BITCOIN TRADE IS MEASURED USING A SHORTING TECHNIQUE DESCRIBED IN THE GLOBAL INVESTMENT STRATEGY REPORT TITLED "HOW TO SHORT BITCOIN, OR ANYTHING ELSE, WITHOUT LOSING YOUR SHORTS," DATED APRIL 30, 2021.

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