SUMMARY

- **Emerging Market equities** remain the most attractive of the global equity asset classes we model, due in part to the weakening U.S. dollar and easier credit conditions resulting from the extraordinary monetary stimulus provided by the Federal Reserve. **U.S. equities** also continue to benefit from monetary and fiscal stimulus though remain significantly overvalued. **Japanese** and **German equities** remain moderately positive.

- All areas of the **fixed income** market have been heavily influenced by policy actions from the Fed in response to the COVID-19 global pandemic, placing the entirety of the fixed income asset class into the category of being overvalued relative to inflationary expectations and credit risk. **Credit** continues to benefit from narrowing spreads thanks to extraordinary Fed intervention, though risks of a unwind remain.

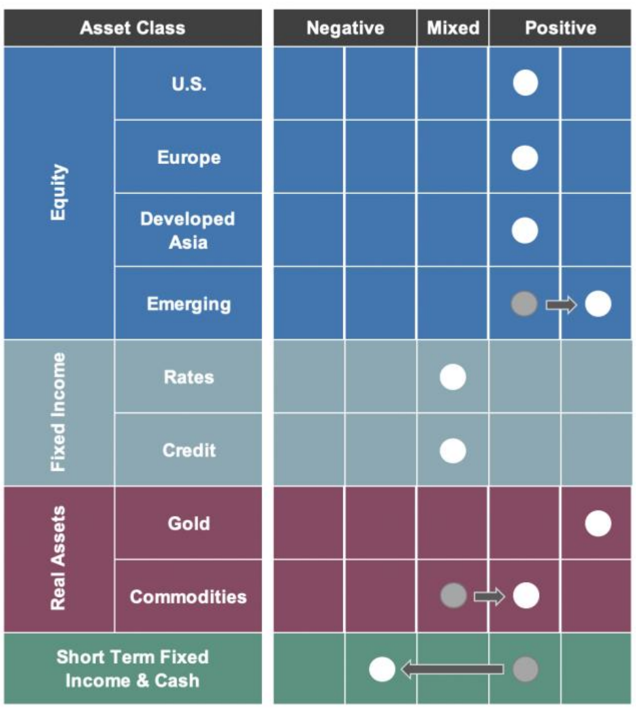
- A significant weakening of the U.S. dollar in July and a continued decline in real yields (nominal yields less inflation expectations) continue to make **gold** an attractive asset class. The weaker U.S. dollar has also served to make **Commodities** more attractive than they have been previously.

From the desks of:

DEFRED FOLTS III
MANAGING PARTNER,
CHIEF INVESTMENT
STRATEGIST

ERIC BIEGELEISEN, CFA
MANAGING DIRECTOR,
RESEARCH
PORTFOLIO MANAGER

ASSET CLASS VIEWS



ABOUT 3EDGE ASSET MANAGEMENT

3EDGE is a multi-asset investment management firm that utilizes a proprietary model to analyze market valuation metrics (long-term), economic forces (medium-term), and investor behavioral factors (short-term) that we believe drive the global capital markets. Our team of professionals draws on decades of investment management experience and their research in quantitative methods, including system dynamics, machine learning, artificial intelligence, and multi-player game theory to seek to identify undervalued and overvalued asset classes across the globe that may be poised to enter a period of market outperformance or underperformance. While we aim to generate attractive risk-adjusted returns, we also prioritize risk-management in an effort to limit portfolio declines for our clients, particularly during periods of extreme market disruptions. Our clients include individuals, family offices, institutional investors, and registered investment advisors.

OUTLOOK

During the month of July, the dollar decreased in value by more than 4% against a basket of international currencies, the steepest monthly decline since 2010. A weaker U.S. dollar is beneficial to **Emerging Market equities** since a material portion of EM debt is denominated in U.S. dollars. A weaker dollar also allows EM countries to pursue their own easier monetary policies without the burden of having to defend their currencies. EM equities are also benefitting from steepening yield curves and tightening credit spreads - two factors that are also facilitated by the Fed's monetary policy actions. Lastly, EM equities are currently benefitting from positive investor psychology and commensurate upside momentum. **U.S. equities** continue to be supported by monetary and fiscal stimulus. However, they remain significantly overvalued, and there is growing uncertainty over the potential for an economic recovery as the coronavirus continues to be widespread in the U.S. **Japanese** and **German equities** also continue to benefit from their own monetary and fiscal stimulus measures and steepening yield curves.

Our model research indicates that in response to the COVID-19 global pandemic, the entirety of the **bond** market has been heavily influenced by policy actions from the world's central banks and in particular the Federal Reserve. As a result, interest rates continue to hover around all-time lows, placing fixed income as an asset class into the category of being overvalued relative to inflationary expectations and credit risk. The **credit** markets continue to benefit from narrowing corporate spreads thanks to extraordinary Fed intervention. However, this Fed induced narrowing of credit spreads also brings the potential for an unwind which indicates an unattractive risk / return trade-off.

The dramatic weakening of the U.S. dollar in July accompanied by declining real yields (nominal yields less inflation expectations) continues to make **gold** an attractive asset class. **Commodities,** which have underperformed as an asset class over the last several years, are also now more attractive thanks to the recent decline in the U.S. dollar. Commodities are another example of an asset class that can benefit from a weaker U.S. dollar, as they are generally priced in U.S. dollars.

Short-Term Fixed Income & Cash has served as dry-powder and much has been deployed to invest in the opportunities presented in EM equities, gold, and commodities.

Commentary as of August 4, 2020

DISCLOSURES: This commentary and analysis is intended for information purposes only and is as of August 4, 2020. This commentary does not constitute an offer to sell or solicitation of an offer to buy any securities. The opinions expressed in View From the EDGE™ are those of Mr. Folts and Mr. Biegeleisen and are subject to change without notice in reaction to shifting market conditions. This commentary is not intended to provide personal investment advice and does not take into account the unique investment objectives and financial situation of the reader. Investors should only seek investment advice from their individual financial adviser. These observations include information from sources 3EDGE believes to be reliable, but the accuracy of such information cannot be guaranteed. Investments including common stocks, fixed income, commodities, ETNs and ETFs involve the risk of loss that investors should be prepared to bear. Investment in these Strategies entails substantial risks and there can be no assurance that the Strategies' investment objectives will be achieved. Past performance may not be indicative of future results.

*Short-Term Fixed Income and Cash includes cash, cash equivalents, money market funds, and fixed income funds with an average duration of 2 years or less. Intermediate-Term Fixed Income includes fixed income funds with an average duration of greater than 2 years and less than 10 years. Real Assets (Gold & Commodities) includes precious metals such as gold as well as investments that operate and derive much of their revenue in real assets, e.g., MLPs, metals and mining corporations, etc.