

SUMMARY

- **Japanese and Emerging Market equities** continue to maintain positive outlooks due to relatively more attractive valuations and the continued steepening of their yield curve measures indicating better growth prospects. Our model research continues to indicate that **U.S. equities** remain overvalued. As of this writing, the results of the U.S. Presidential and Senatorial elections remain unresolved, thereby increasing the uncertainty surrounding the timing and size of a fiscal stimulus COVID relief package. Following significant underperformance by **German equities** in October, the outlook is negative in the short-term due to Europe's limited growth prospects. The seasonality of the coronavirus compounded by uneven government response to the virus seems to be contributing to a resurgence in COVID-19 in Europe and the U.S. suggesting continued risks to their respective equities outlook.
- **Fixed income** remains heavily influenced by Fed policy actions which has placed the entirety of the U.S. Treasury market yielding less than expected inflation. Risks of continued widening in corporate **credit** spreads that took place in September and October continues to make the outlook for credit mixed.
- **Gold** maintains a positive outlook. Negative and declining real yields continue to be supportive for gold. The outlook for **Commodities** remains mixed as the potential for an economic recovery in China is tempered by the threat of a resurgence in new coronavirus cases elsewhere.

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ASSET CLASS VIEWS

Asset Class		Negative	Mixed	Positive
Equity	U.S.			●
	Europe	●	●	
	Developed Asia			●
	Emerging			●
Fixed Income	Rates	●		
	Credit		●	
Real Assets	Gold			●
	Commodities		●	
Short Term Fixed Income & Cash		●		

OUTLOOK

October was an uneven month with commodities and Emerging Market equities notching gains while gold, bonds, and U.S., Japanese and German equities declined. Our model research continues to favor **Japanese and Emerging Market equities** as their respective yield curve measures continue to steepen, indicating the potential for future growth. This more positive outlook for these areas continues to be supported by their more effective handling of the coronavirus. The outlook for **U.S. equities** remains somewhat positive due to the support provided by monetary authorities; however, overvaluation as well as both the size and timing of any fiscal stimulus package remains uncertain with the outcome of the Presidential and Senate races still unknown as of this writing. **German equities** have a negative outlook at least in the short-term as the negative effects of an inverted yield curve are compounded by a strong resurgence in new coronavirus cases in Europe.

Fixed income remains heavily influenced by Fed policy actions which continue to place the entirety of the U.S. Treasury market yielding less than expected inflation. A small widening of **credit** spreads witnessed in September continued again in October. Risks of a continued unwind, i.e., a further widening of credit spreads particularly in the high yield market, makes the outlook for credit mixed.

The **Gold** outlook remains positive as negative and declining real yields (nominal yields less inflation expectations) continue to favor this asset class. The **Commodities** outlook is mixed as the signs of a continued economic recovery in China are offset by the threat of a resurgence in new coronavirus cases elsewhere.

Short-Term Fixed Income & Cash typically serves as dry-powder for clients, though much remains deployed in the opportunities presented in Japanese and EM equities as well as gold.

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.

Commentary as of November 4, 2020

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*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.

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