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3EDGE ASSET MANAGEMENT

DeFred Folts III
Managing Partner
Chief Investment Strategist

Eric Biegeleisen, CFA®
Partner, Deputy Chief Investment Officer

View From the EDGE®

Investing in a Time of Radical Uncertainty

All major equity markets declined during the month of October, continuing the string of losses experienced during the third quarter. We also witnessed a dramatic rise in interest rates with the 10-yr U.S. Treasury yield rising to nearly 5% intra-month. The only major asset class to perform well during the month was gold, with a return of over 7%.

Asset Class	Negative		Mixed		Positive
Equities:					
U.S.		■			
Europe		■			
Dev. Asia				■	
EM / China				■	
India			■		
Fixed Income:					
Rates		■			
Credit	■				
Short Term Fixed Income & Cash				■	← ■
Real Assets:					
Gold			■		
Commodities		■			

Equities:

- **U.S. Equities:** Our model research continues to indicate that U.S. equities are overvalued. Additionally, other headwinds include rising long-term interest rates along with small increases in credit spread widening. It remains to be seen whether the Federal Reserve's monetary policy has reached a peak in interest rates – though if Fed rate hikes are complete, that helps remove one potential additional headwind to reinvestment in the months ahead. Overall, the potential risk/reward tradeoff in U.S. equities remains unattractive.
- **European Equities:** The European equities outlook remains decidedly negative as its yield curve measure as we calculate it is indicative of an economic slowdown. While inflation in the region has receded somewhat as is the case in the U.S., concerns remain regarding bringing inflation down to the targeted 2% level. This may force the European Central Bank to leave rates higher for longer which may continue to be a drag on the prospects for growth in the region.
- **Japanese Equities:** The outlook for Japanese equities remains favorable based on our research. Positive investor psychology measures along with the recent action by the Bank of Japan (BoJ) to remove the self-imposed 1% cap on the 10yr bond has helped steepen its yield curve, which could be a positive indicator for economic growth in the months ahead. With the Yen continuing to hover at the 150 ¥/$, a level which has indicated possible BoJ intervention in the past, a covering of the short Yen trade could lead to a Yen rally; therefore the preference is for exposure to currency-unhedged Japanese equities.
- **Emerging Market / Chinese Equities:** Emerging Market equities maintain a favorable outlook into November as low but rising short-term yields may indicate the potential for growth in emerging market economies along with attractive equity valuations. The potential for additional stimulus measures by the Chinese government may provide support for its economy and for emerging market equities more broadly.
- **Indian Equities:** The Reserve Bank of India's attempts to reduce inflation have contributed positively to the model's outlook; however, the outlook still remains cautious for India. India equities remain overvalued, and the yield curve measure we construct for the region remains uncompelling for potential growth in the short term.

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About 3EDGE

3EDGE Asset Management, LP, is a multi-asset investment management firm serving institutional investors and private clients. 3EDGE strategies act as tactical diversifiers, seeking to generate consistent, long-term investment returns, regardless of market conditions, while managing downside risks.

The primary investment vehicles utilized in portfolio construction are index Exchange Traded Funds (ETFs). The investment research process is driven by the firm's proprietary global capital markets model. The model is stress-tested over 150 years of market history and translates decades of research and investment experience into a system of causal rules and algorithms to describe global capital market behavior. 3EDGE offers a full suite of solutions, each with a target rate of return and risk parameters, to meet investors' different objectives.

3EDGE ASSET MANAGEMENT

View From the EDGE®

Investing in a Time of Radical Uncertainty

Fixed Income:

- **Rates**: In October, investors indicated concern that the Fed would need to keep interest rates higher for longer to combat inflation as the yield on the 10-yr Treasury rose to nearly 5% intramonth. However, following the recent Fed meeting, yields have settled down somewhat as investors are forming a narrative that the Fed may indeed begin cutting rates as early as June 2024. Given the risks that inflation may prove to be persistent along with an increasing supply of government debt issuance, we continue to favor shorter-term U.S. Treasury instruments, which earn an attractive yield with relatively low duration and credit risk and serve as dry powder for opportunities that may lay ahead.
- **Credit**: The inversion of the U.S. yield curve continues to signal the risk of a potential economic slowdown which is not presently reflected in corporate credit spreads. As a result, our outlook for the corporate credit markets remains cautious.

Real Assets:

- **Gold:** Gold was one of the few major asset classes that appreciated in October. However, the outlook remains cautious in the short term as the direction and elevated level of real yields continues to be a headwind. Our longer-term outlook remains positive towards gold, as it could serve as a better hedge than bonds against a potential downturn in the equity markets during a stagflationary environment and/or as a geopolitical hedge to the risk of current world conflicts widening in the months ahead.
- **Commodities:** Based on our model research, the weakening Chinese Yuan and widening credit spreads continue to contribute negatively to the outlook for commodities.

For more information about 3EDGE Asset Management or our offerings, please visit our website at 3edgeam.com.

3EDGE Asset Management, 999 Vanderbilt Beach Road, Suite 200, Naples, FL 34108
T 844.903.3343 **W** 3edgeam.com

3EDGE Solutions Designed to Smooth the Ride

Seeking to manage volatility and downside risk while providing the potential to be additive to investment returns

3EDGE Strategies		Potential Use Case
Tactical Multi-Asset Core Solutions		
Conservative Strategy Blended portfolio holding predominantly fixed income; also includes equities and real assets	1-3 yrs 	Fixed Income complement or outright replacement
Total Return Strategy Blended portfolio holding a mix of equities, real assets and fixed income	>3 yrs 	Blend with existing 60/40 portfolio
ESG Strategy Blended portfolio holding a mix of equities, real assets and fixed income with ESG focused ETFs	>3 yrs 	Blend with existing 60/40 portfolio with ESG focused ETFs
ESG Aggressive Strategy Blended portfolio with potential for high equity holdings; includes real assets and fixed income with ESG focused ETFs	>10 yrs 	Equity complement or outright replacement utilizing ESG focused ETFs
Growth Strategy Blended portfolio with potential for high equity holdings; also includes real assets and fixed income	>10 yrs 	Equity complement or outright replacement
Tactical Multi-Asset Income Solution		
Income Plus Strategy Blended portfolio of traditional equity income and fixed income sources as well as non-traditional sources of income	>3 yrs 	Income replacement strategy targeting a 4% yield with emphasis on minimizing drawdowns
Tactical All Equity Solution		
Global Equity Strategy Globally diversified equity portfolio with tactical shifts between geography and market capitalization	>10 yrs 	Global equity complement or outright replacement of ACWI holding
Tactical Crypto Solution		
Crypto Plus Strategy Disciplined approach to investing in crypto currency sources of income	>10 yrs 	Alternative store of value
Tactical Long/Short Solutions		
Systematic Strategy Pure quantitative representation of 3EDGE model; uses derivatives to hedge exposure	>10 yrs 	Pure representation of model research
Dynamic Strategy Quantitative and qualitative; uses derivatives to hedge exposure	>10 yrs 	Human and Machine inputs for allocations

Long/Short strategies are not suitable for all investors since they have the potential for heightened volatility and significant loss. They may use derivatives to hedge their investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. These strategies may also engage in short selling. Selling securities short could result in losses significantly higher than the original investment. Because there is no limit on how much a security's price may rise, securities sold short are subject to an unlimited risk of loss.

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