3EDGE
ASSET MANAGEMENT

View From the EDGE®

Buckle Up – It's Going to be a Bumpy Ride

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

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.

Following September's banner month, the trend largely continued in October with U.S., European, Japanese, Indian and emerging market equities all performing positively while China bucked the trend falling nearly 3.5%. Gold and commodities also had positive returns for the month with gold reaching a new all-time intraday high of $4,381/oz. before investor profit-taking kicked in.

The Federal Open Market Committee lowered interest rates by 25 basis points to a range of 3.75% - 4.00% while indicating that an additional cut in December is not guaranteed and will be data dependent. Additionally, they indicated an end to their Quantitative Tightening program in December with the balance sheet declining from a peak of nearly $9 trillion in mid-2022 down to around $6.6 trillion presently.

Also, the US and China reached a temporary trade truce that could help to reinvigorate trade between the two nations – allowing the U.S. to continue to source rare-earth minerals from China while resuming the sale of U.S. soybeans to China.

Everything and anything related to AI continued abuzz with OpenAI at the center of several circuitous deals with the other large AI players. While many of these announced deals have been funded with free cash flow from operations of their respective core businesses, we are seeing the beginning of a shift towards the use of debt financing to fund these large scale programs which is reminiscent of the dot-com era, and that we'll be watching closely for the signals of excitement to turn into doubt. Given that AI-related companies now dominate not only U.S. equity indices but also global equity indices, a correction in this highly priced sector could have ripple effects across the global economy.

Equities:

- **U.S. Equities:** Our model research has maintained the current outlook for U.S. equities in the mixed to slightly positive camp for now. As we've noted for quite some time, U.S. equities remain significantly overvalued by our measure with the P/S (price-to-sales) ratio reaching 3.4 at the end of September – an all-time high level – only to be eclipsed in October with a value over 3.5! This indicates that U.S. equities are the most expensive they have ever been and continue to get even more expensive. The outlook for U.S. equities is highly dependent on short-term factors such as price momentum, trend-following and investor's psychological fear of missing out. Given that these factors can reverse abruptly, we remain cautious and weary of the potential of a correction ahead.
- **European Equities:** European equities maintain a mixed to slightly negative outlook by our research. The yield curve measure is not sufficiently steep to be indicative of growth and monetary stimulative measures have potentially stalled out.
- **Japanese Equities:** We maintain our favorable outlook on Japanese equities with reasonable valuations and the recent election of the new Japanese prime minister, Sanae Takaichi. She has indicated a desire for increased fiscal stimulus for the Japanese economy which could bode well for its equity market.
- **Emerging Market / Chinese Equities:** We maintain a positive outlook for emerging market equities broadly, as an accommodative FED policy

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- continues to be a tailwind for the region. With U.S.–China trade negotiations at least temporarily resolved, both countries can continue to trade while looking elsewhere for new deals with other trade partners
- **Indian Equities:** Indian equities have moved firmly into a positive outlook. While U.S. and India trade negotiations have yet to be resolved, the two countries were able to sign a defense pact which is encouraging. While Indian equities are still overvalued by our measure, the yield curve measure we calculate for the region continues to be positively sloped which is indicative of the potential for future economic growth.

Fixed Income:

- **Rates**: Inflation has remained sticky, and its outlook may be elevated due to the longer-term impacts of the U.S. imposed tariffs. The government shutdown has temporarily closed the Bureau of Labor Statistics, which may delay or cancel future inflation reports resulting in increased uncertainty for policy makers and investors. Consequently, the potential for higher longer-term yields remains even alongside continued Fed rate cuts at the short-end should they occur. These factors continue to support concentrating fixed-income investments in shorter-term maturities.
- **Credit**: Corporate credit spreads remain historically tight, making the additional yield over and above so-called "risk-free" U.S. Treasuries unappealing at this time given the rising risk of a stagflationary environment, i.e., an economic slowdown coupled with rising inflation.

Hard Assets:

- **Gold:** Tariff measures proposed by the U.S. along with the threat of sanctions have encouraged foreign investors and central banks to seek alternatives to U.S. Dollar-based assets. Additionally, investors' concerns over geopolitical conflicts and relations, even among allied nations, have helped to boost the attractiveness of Gold as a haven asset. Given that the price of Gold has recently risen sharply within a short time frame, there is now a heightened risk of a consolidation and/or profit-taking period nearer-term. However, gold may find support if the Federal Reserve continues to ease its monetary policy to combat the threat of an economic slowdown with higher unemployment.
- **Commodities:** Like gold, weakening demand for U.S. dollars may also benefit commodities more broadly. In addition, while the prospect of a global economic slowdown reduces the potential demand for commodities, supply constraints may act to support prices. The outlook remains positive.

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

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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 Multi-Asset Investment Solutions

3EDGE Strategies	Risk Intensity	Asset Class Ranges^ Equities	Fixed Income	Hard Assets	Short-Term Fixed Inc / Cash	Potential Use Case
Tactical Core Solutions						
Conservative Strategy *Typical time horizon: 1-3 years*	Low	6–30%	10–88%	4–22%	2–80%	Fixed income, core bond, or annuity replacement
Total Return Strategy *Typical time horizon: >3 years*	Low	13–60%	10–81%	4–35%	2–73%	Traditional 60/40 portfolio replacement
Growth Strategy *Typical time horizon: >5 years*	Low-Medium	20–80%	10–81%	4–35%	2–73%	Growth replacement with an emphasis on minimizing volatility
Tactical Income Solution						
Income Plus Strategy *Typical time horizon: >3 years*	Medium	Equity Income Sources 0–40%	Fixed Income Sources 55–90%		Non-Traditional Fixed Income 5–25%	Income replacement strategy targeting a high yield with emphasis on minimizing drawdowns
Tactical Equity-Focused Solutions						
Aggressive Strategy *Typical time horizon: >10 years*	Medium-High	40–100%	0%	0–60%	0–60%	Equity complement or outright replacement of equity holdings
Global Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	Global equity complement or outright replacement of ACWI holdings
International Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	International equity (ex U.S.) complement or outright replacement
U.S. Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	U.S. equity complement or outright replacement of S&P 500 holdings
Tactical Crypto Solution						
CryptoPlus Strategy *Typical time horizon: >10 years*	Extreme	0%	0%	98%** ***crypto ETFs*	2%	Alternative store of value (i.e. cryptocurrency holdings in place of gold/real assets)

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