



Darius Dale Macro Voices Interview
Thursday, August 20, 2026

Updated and redacted 8/19/26. Content originally published to [42 Macro](#) clients throughout 2023-present.

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RESEARCH

LMN

Leadoff Morning Note

Thursday, June 18, 2026

ATH

Around The Horn

Saturday, June 13, 2026

MSR

Macro Scouting Report

Friday, June 5, 2026

SIGNALS

KISS Model Portfolio

Gross Exposure

USFR 40.0%

WisdomTree Floating Rate... 60.0%

VT Vanguard Total World Stock ETF 0.0%

GLDM SPDR Gold MiniShares 0.0%

FBTC Fidelity Wise Origin Bitcoin Fund 0.0%

Percent of Maximum Exposure

CASH 40%

STOCKS 100%

GOLD 0%

BITCOIN 0%

KISS

Dr. Mo

VAMS

RESOURCES

Sort by: Latest

Jun 18

Daily Summary

THE MACRO MINUTE

MM | Audio Only

MM | Transcript

Jun 13

Weekly Summary

ATH | Audio Only

ATH | Transcript

Jun 5

Monthly Summary

MSR | Audio Only

MSR | Transcript

VIDEO

THE MACRO MINUTE

HOW LONG WILL THE FED PRETEND TO BE HAWKISH?

Macro Minute Thursday, June 18, 2026

COMMUNITY

Darius Dale

RE: Humility: the "hackiest" of all "life hacks"

Hi friends,

I had the great privilege of delivering the sermon last Sunday (6/14/26). The lesson—how humbly of all "life hacks"—is a message that everyone no matter where they are on the socioeconomic spectrum can find the wisdom: <https://thegroves.com/sermon>

In quantum mechanics, measurement causes wave function collapse. In life, our thoughts, words, actions shape the world we reside in—first in our homes, then in our communities, and lastly, throughout our societies.

All told, OUR world is what WE make of it. Let's be intentional in turning this unnecessarily K-shaped economic downturn into a U-shaped opportunity.

Jesus Christ and I love you,

—Skipper

P.S. Please like and share on social media if you enjoyed this!

Thanks!

Darius Dale

Dashboard

Research

Video

Community

Signals

Resources

Pro to Pro Archive

KISS FAQ

Dr. Mo FAQ

Fourth Turning FAQ

Glossary

The Macro Class

Cognitive Biases FAQ

Edit Profile

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Dark Mode

Log out

Support

Guided Tour

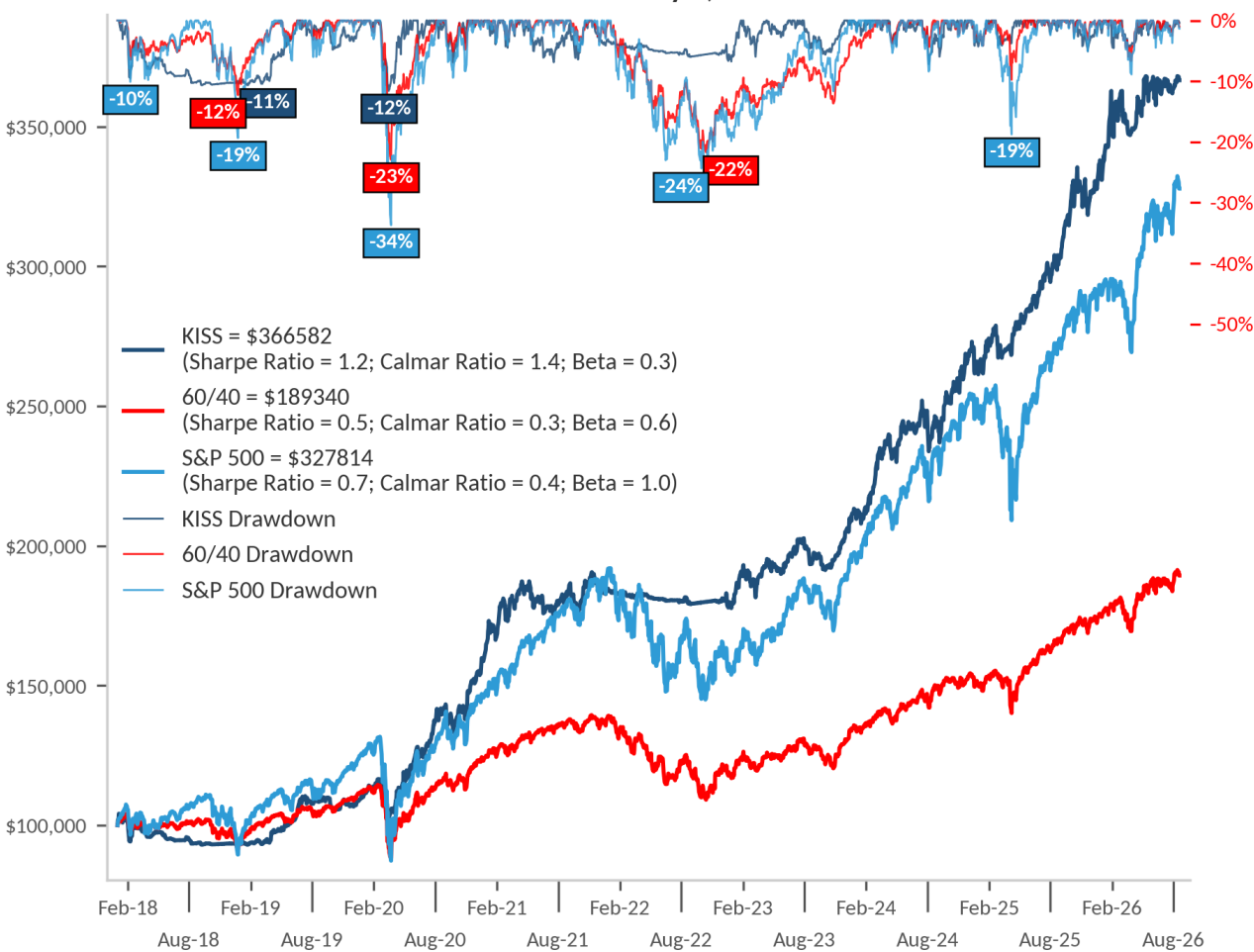
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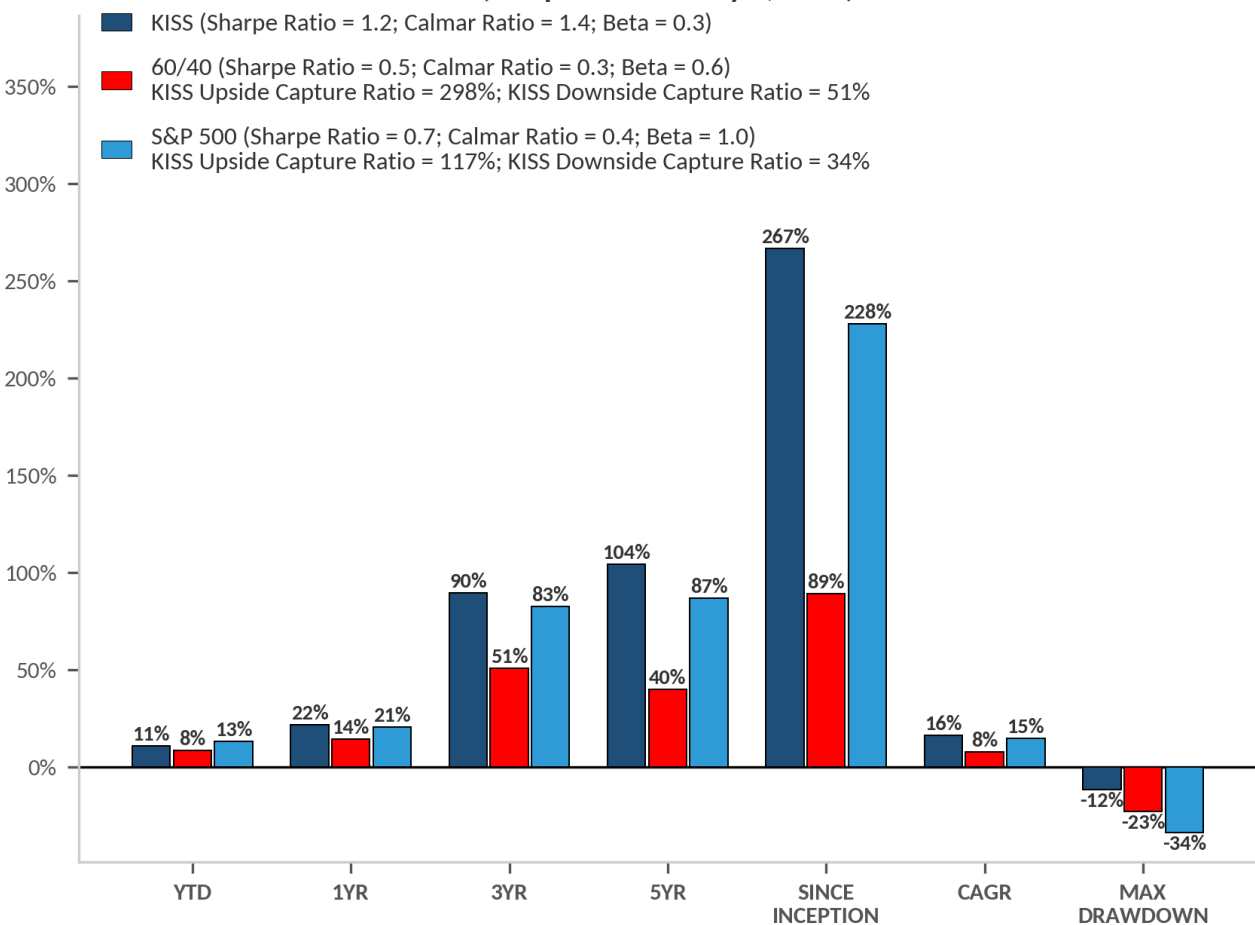
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KISS Model Portfolio Rolling Out-Of-Sample Backtest

Hypothetical Performance of a \$100,000 Portfolio
Since January 1, 2018

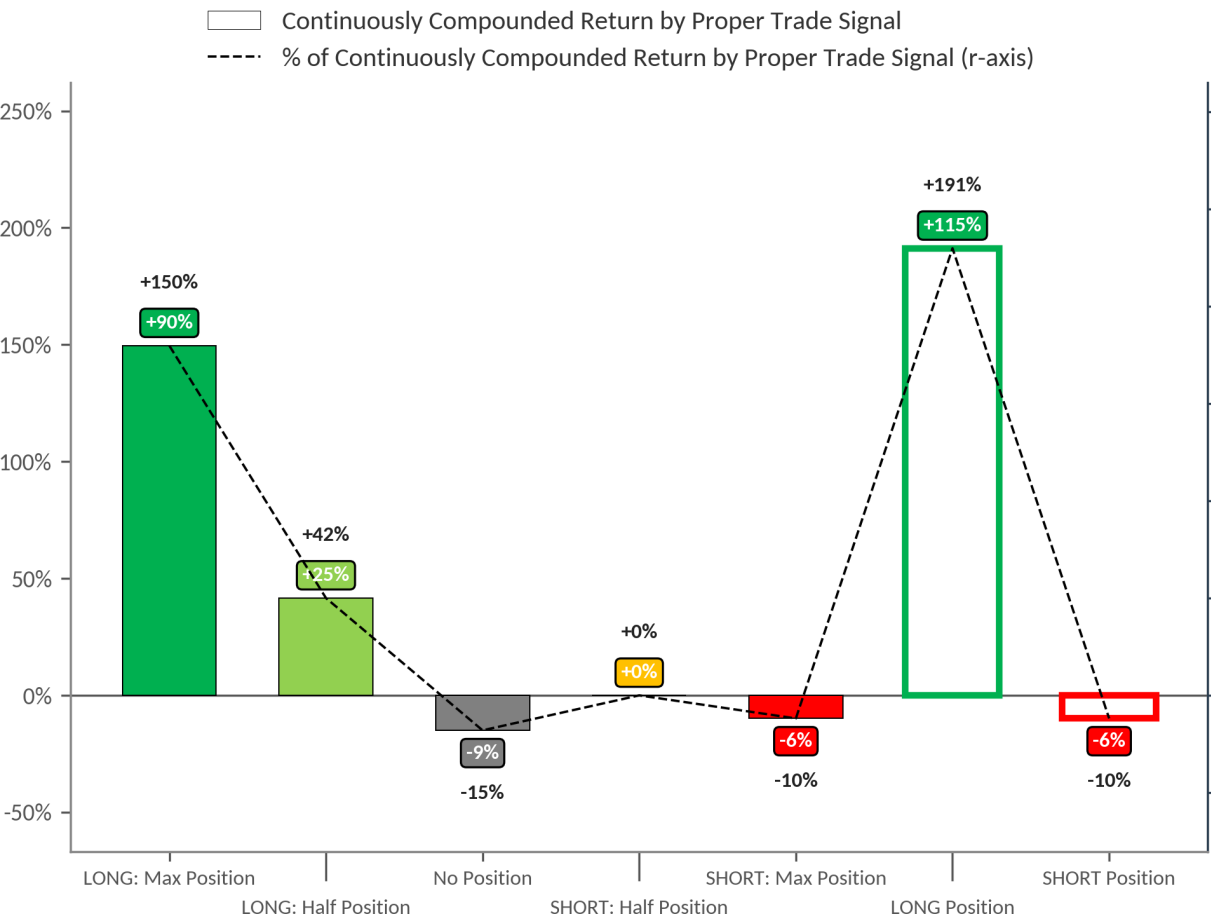


Hypothetical Performance of a \$100,000 Portfolio
Over Industry-Standard Reporting Horizons
(Inception = January 1, 2018)



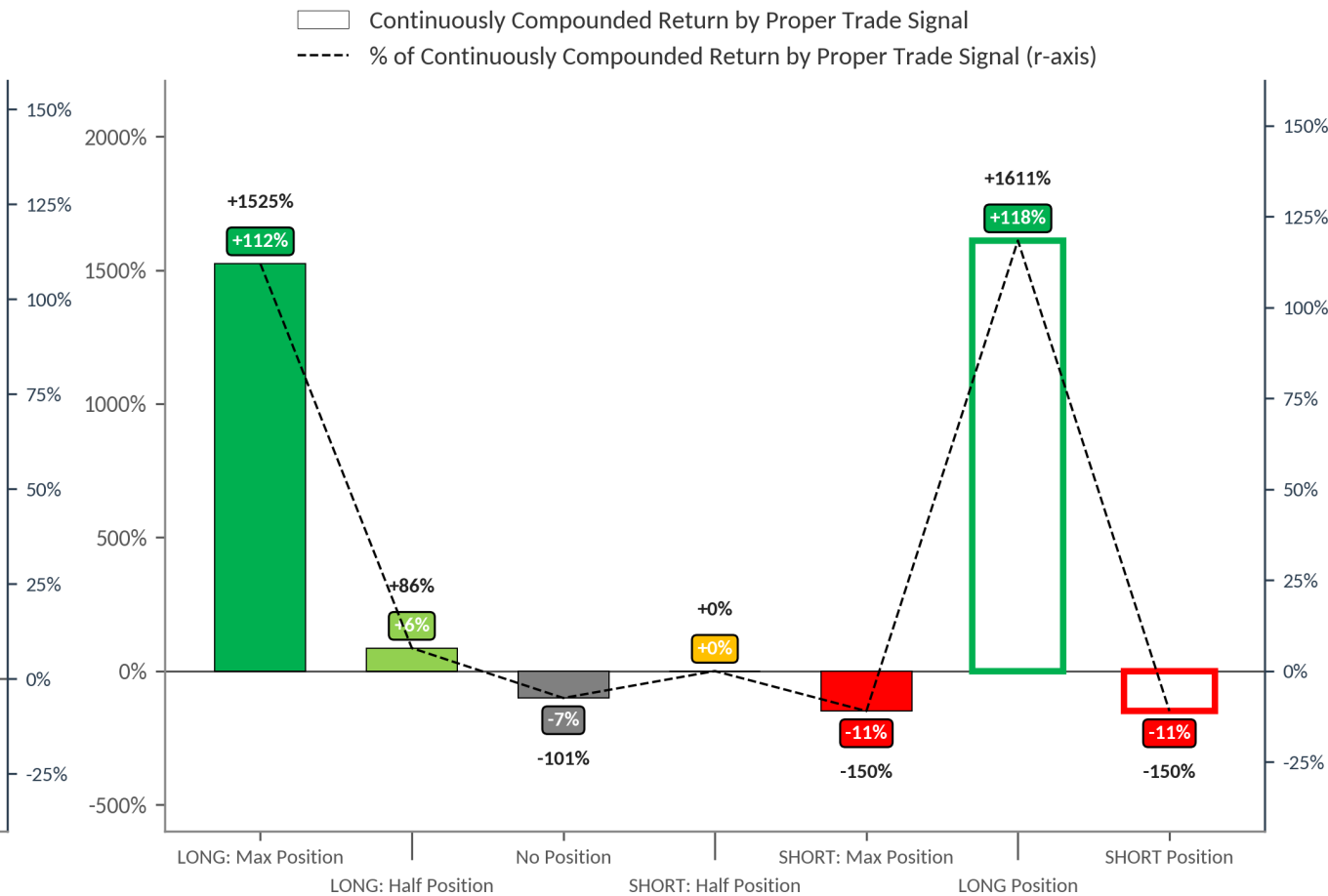
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Stocks

Total Global Stock Market \$VT



Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Crypto

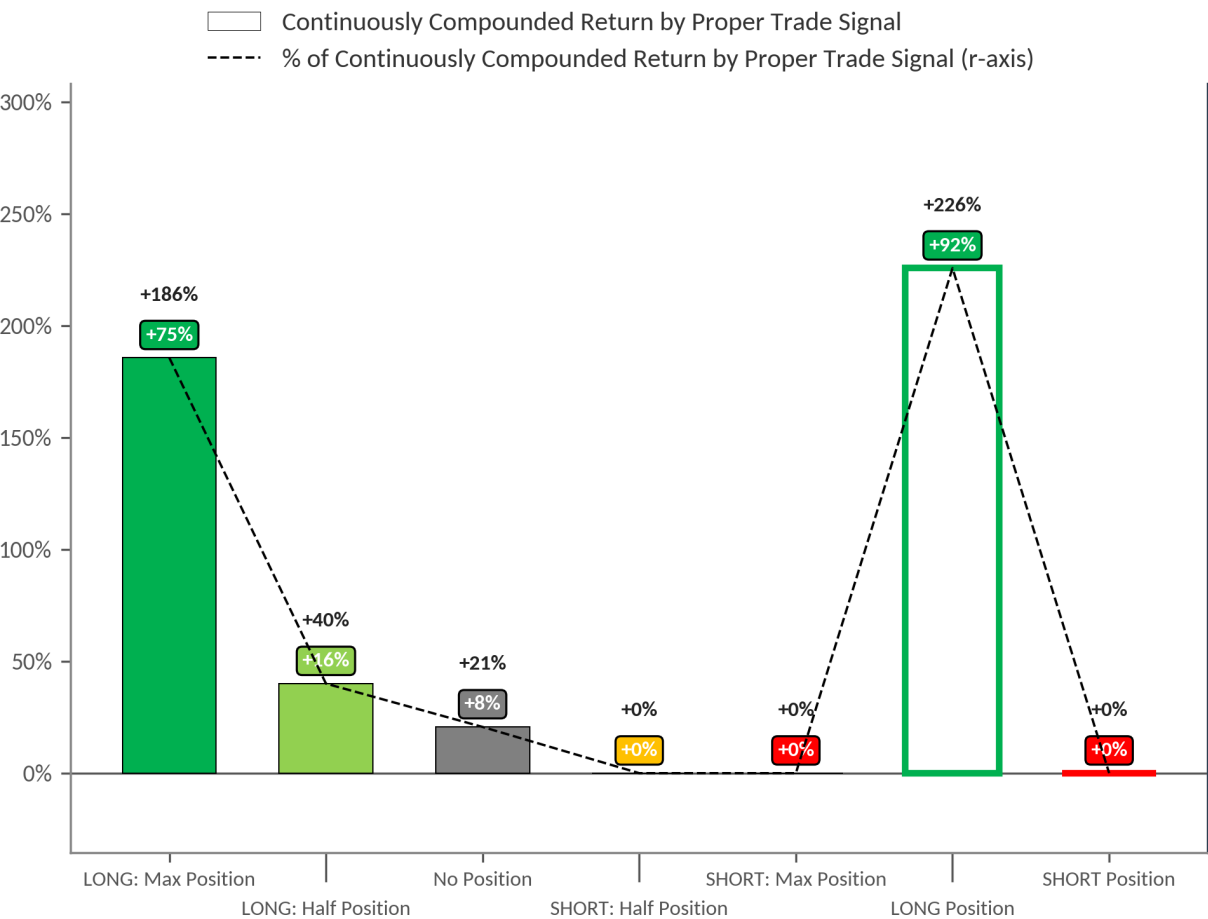
Bitcoin



© 42 Macro LLC. Data Source: Bloomberg. Color coding corresponds to each exposure, for each backtest. Continuously Compounded Return is determined by summing daily log total returns for each asset. Backtests begin in Jan-98. The Top-Down and Bottom-Up Risk Management Overlay pivots are lagged by a full day to simulate real-world trading conditions. If an ETF is **bullish** (or **bearish**) VAMS and that is in line with how the underlying asset should trade in the current Market Regime, then Dr. Mo will prescribe a “**LONG** (**SHORT**): Max Position”. If an ETF is **neutral** VAMS and it should be **bullish** (or **bearish**) in the current Market Regime, then Dr. Mo will prescribe a “**LONG** (**SHORT**): Half Position”. There are no **SHORT**: Half Positions for Equity and Crypto exposures. Dr. Mo will prescribe a “No Position” if the VAMS is the opposite of what it should be in the current Market Regime.

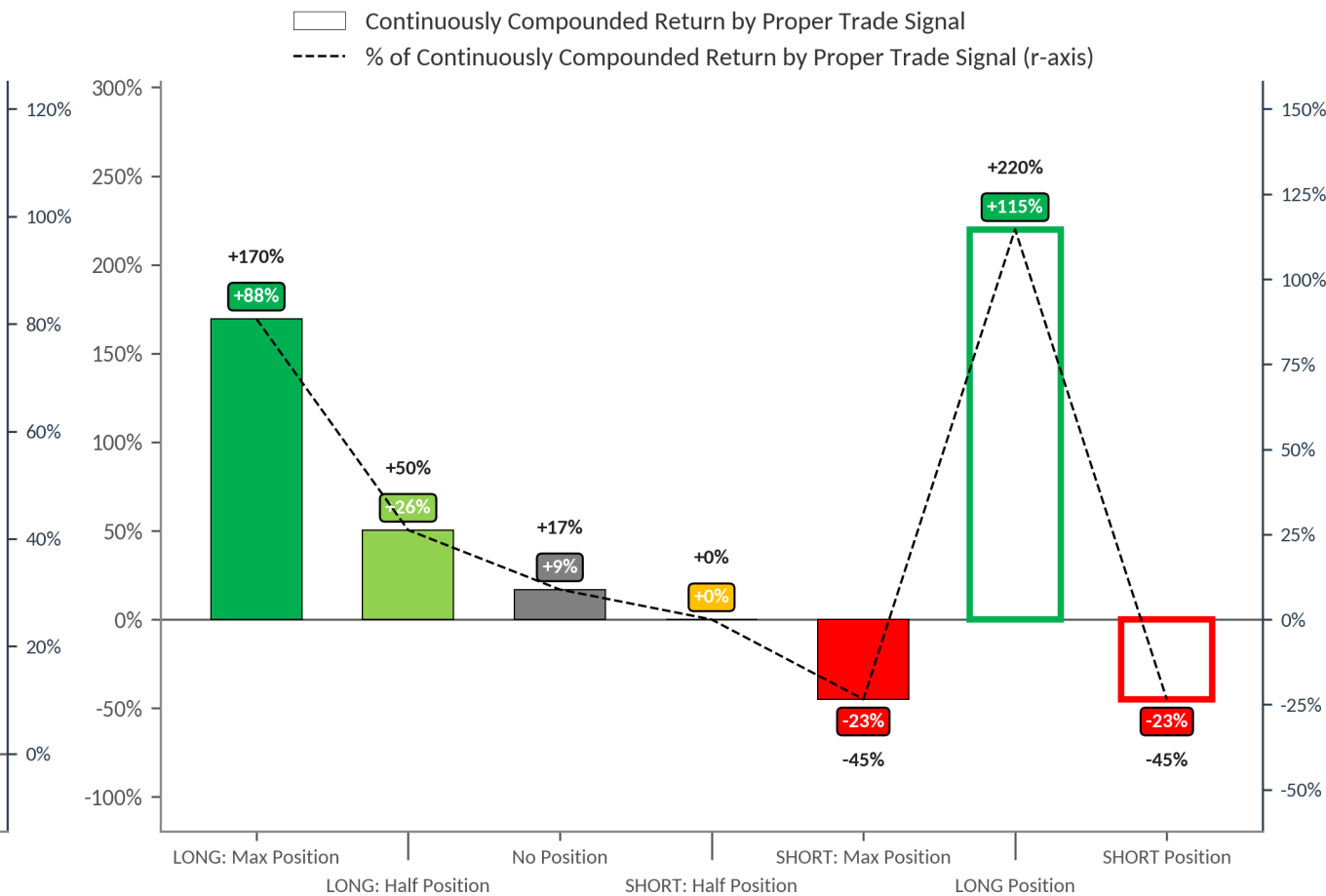
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: US Stocks

S&P 500



Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Global Stocks

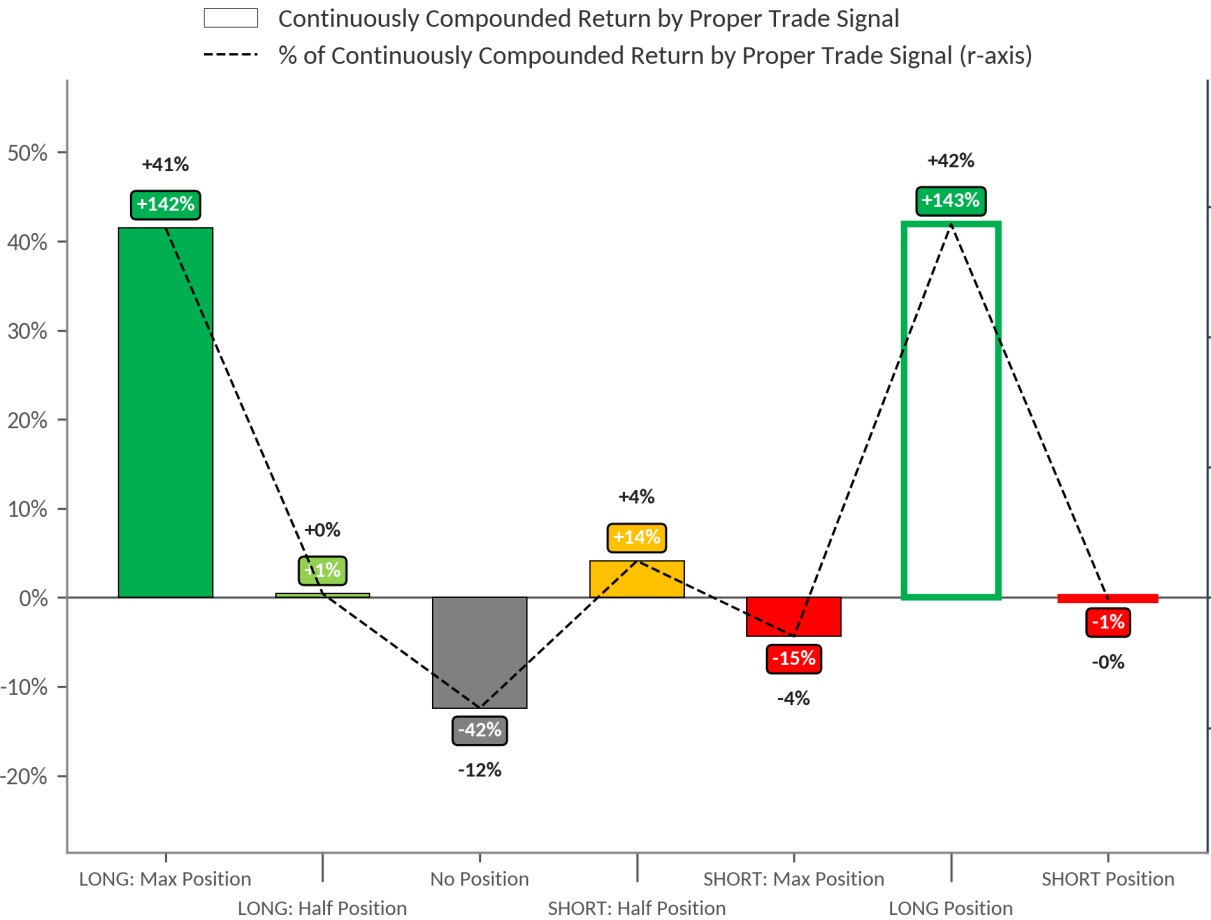
Global Equities ex-US



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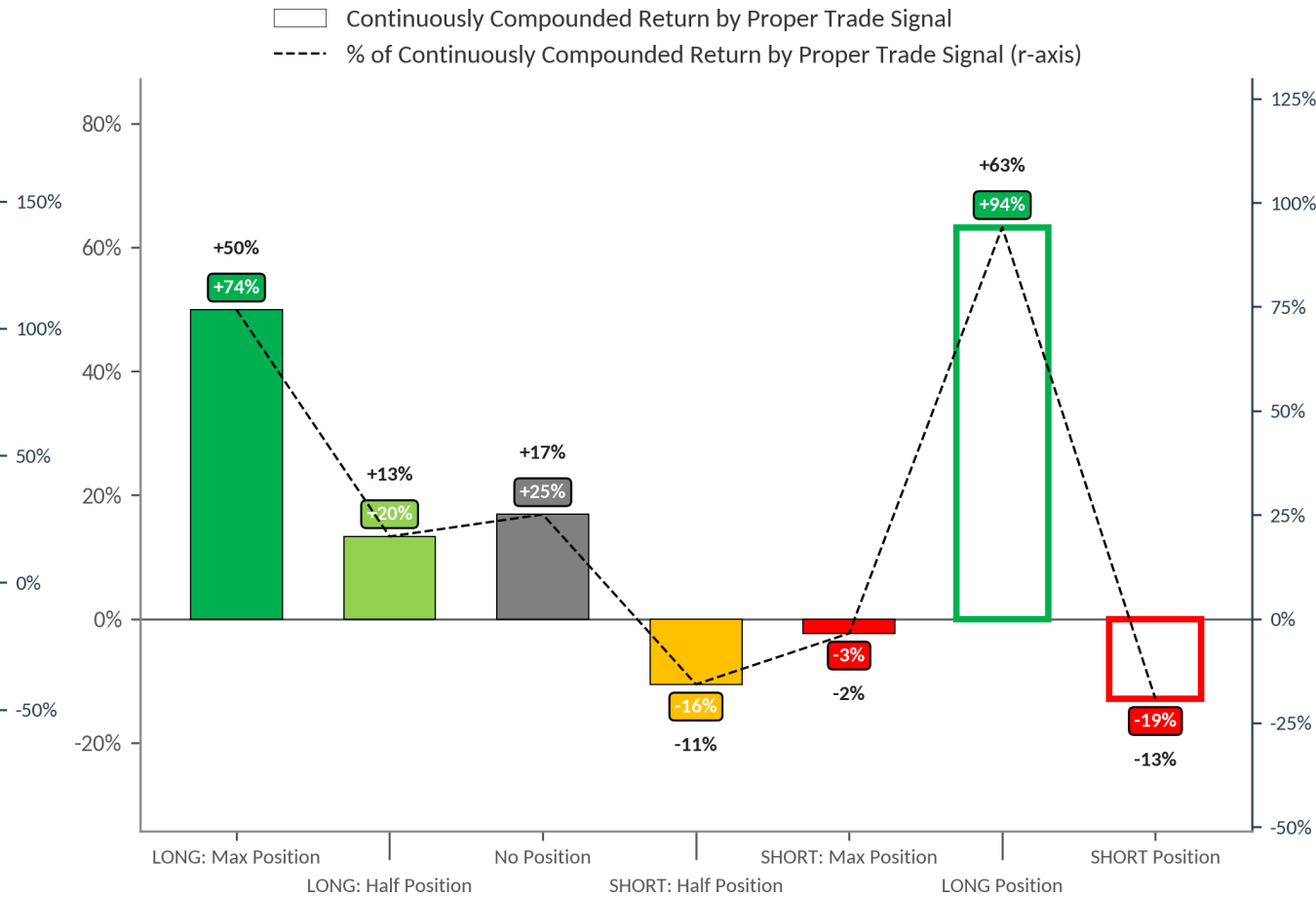
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: US Bonds

Long Bond



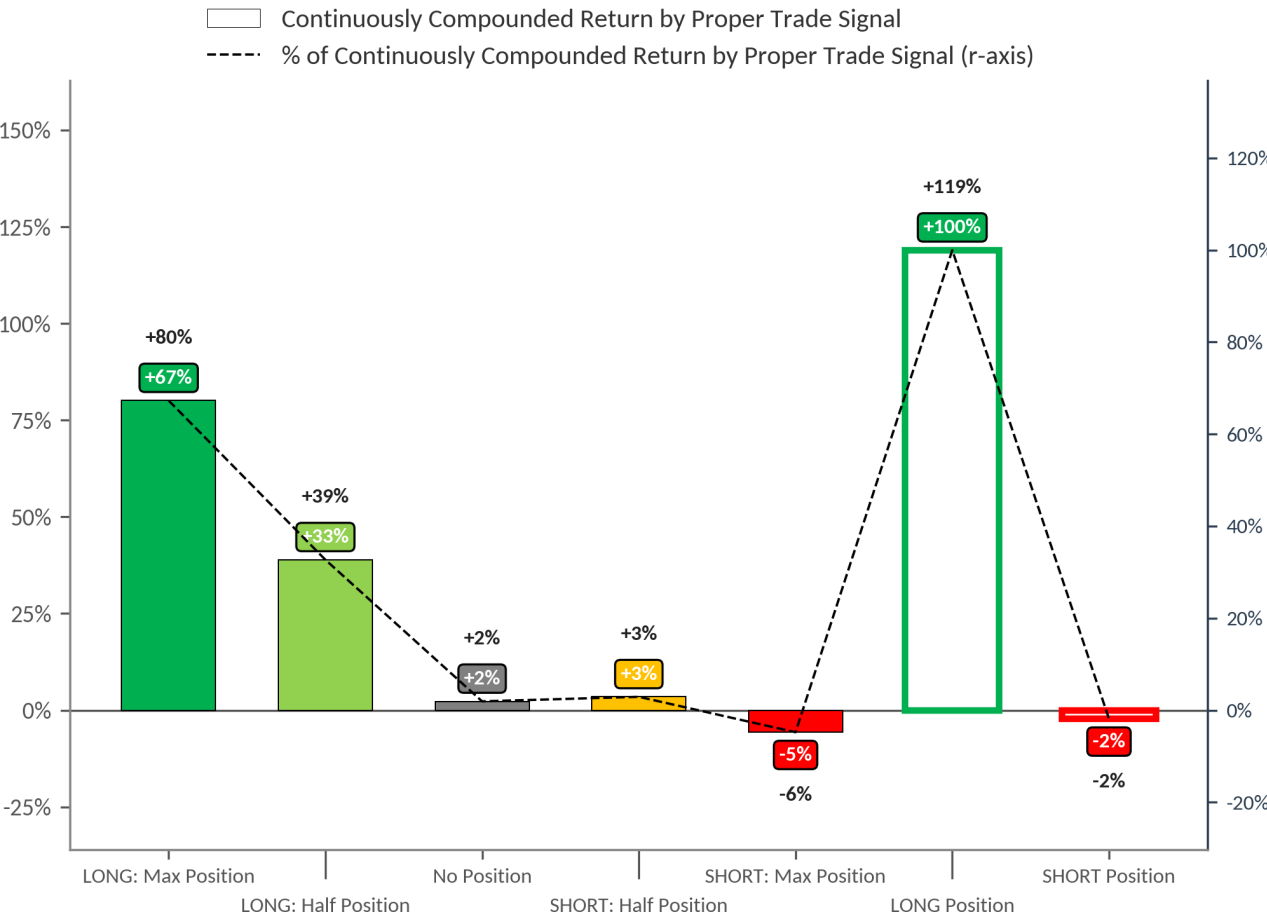
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Global Bonds

International Bonds



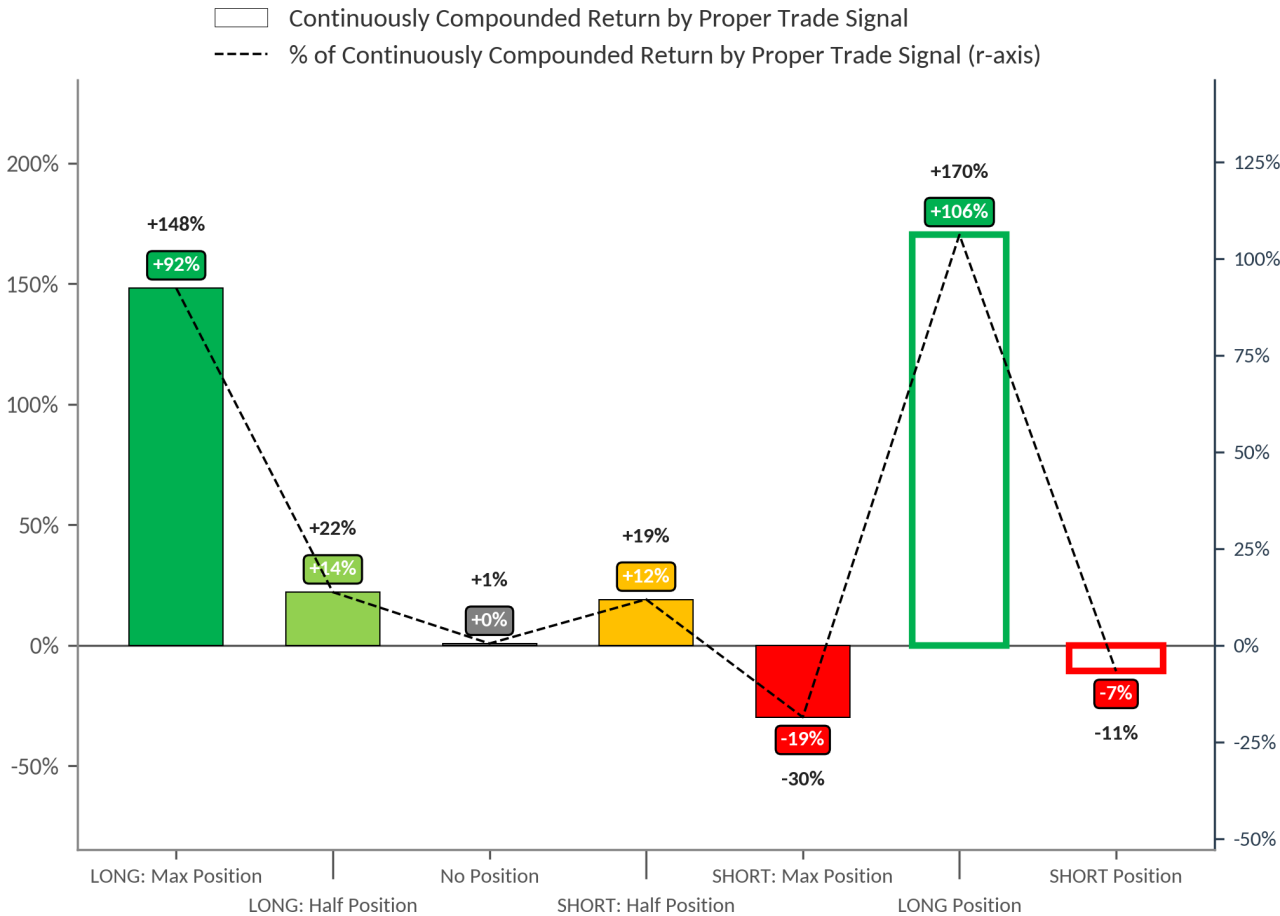
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: IG Credit

Investment Grade Credit



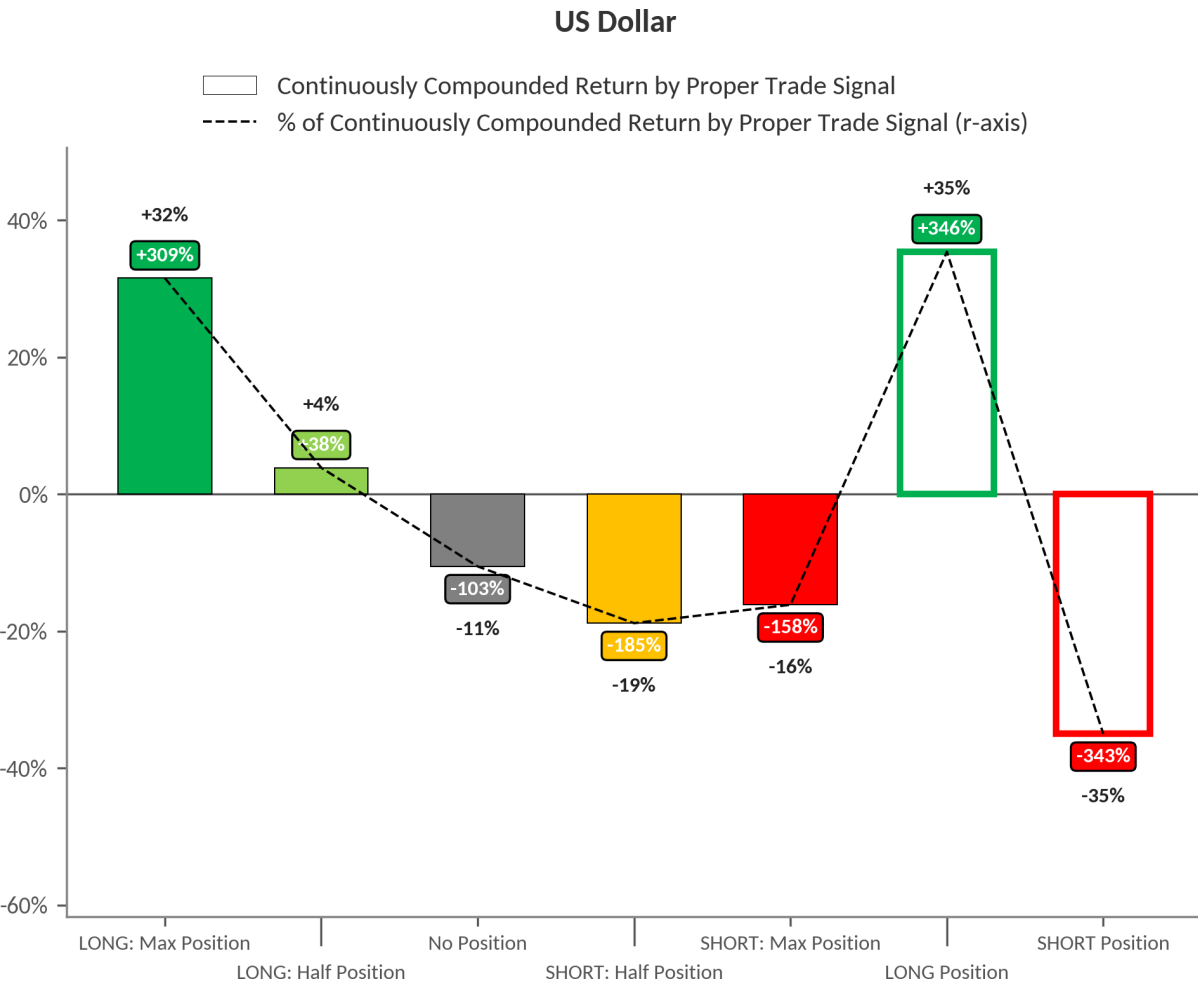
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: HY Credit

High Yield Credit

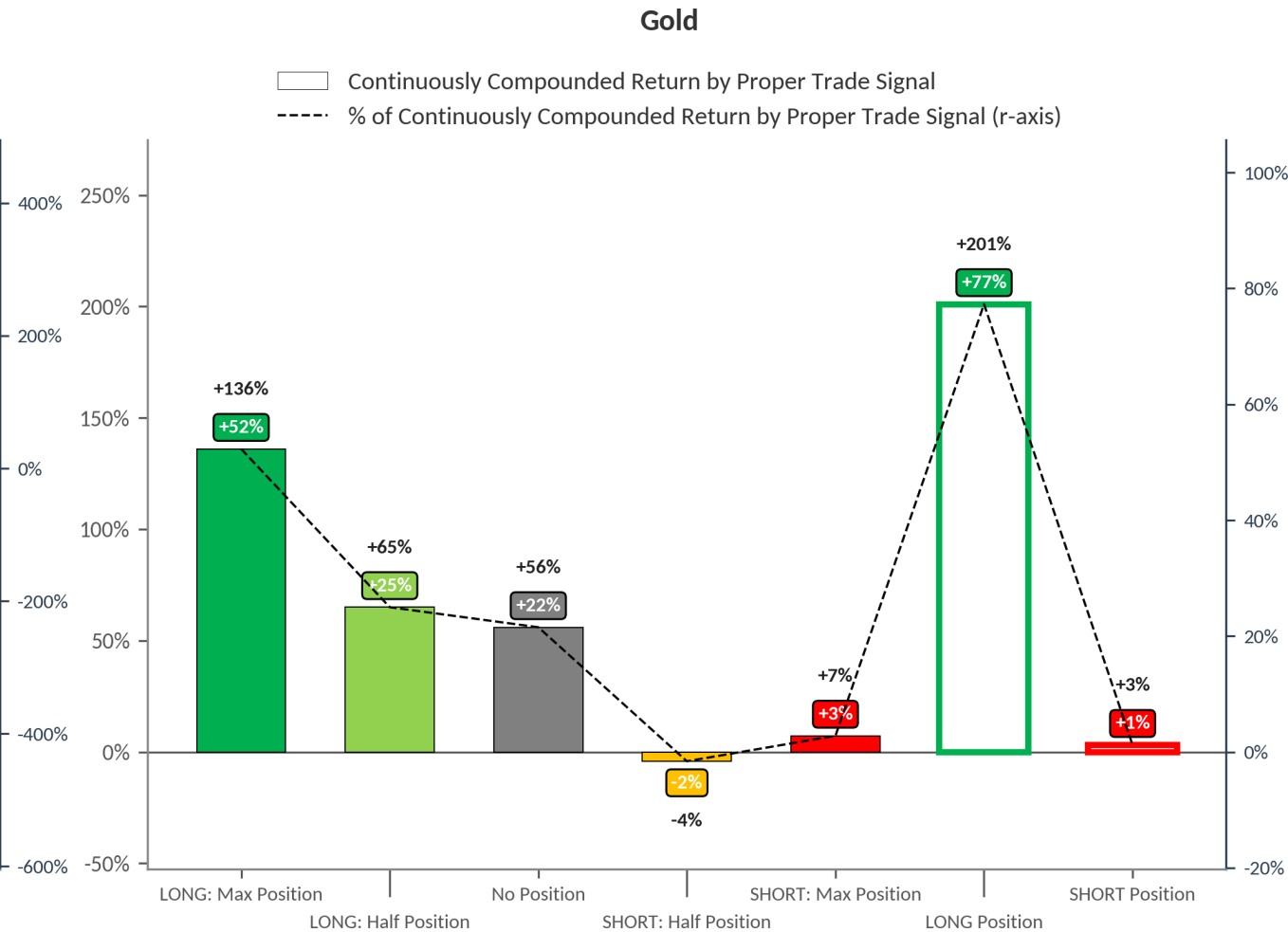


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Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: US Dollar

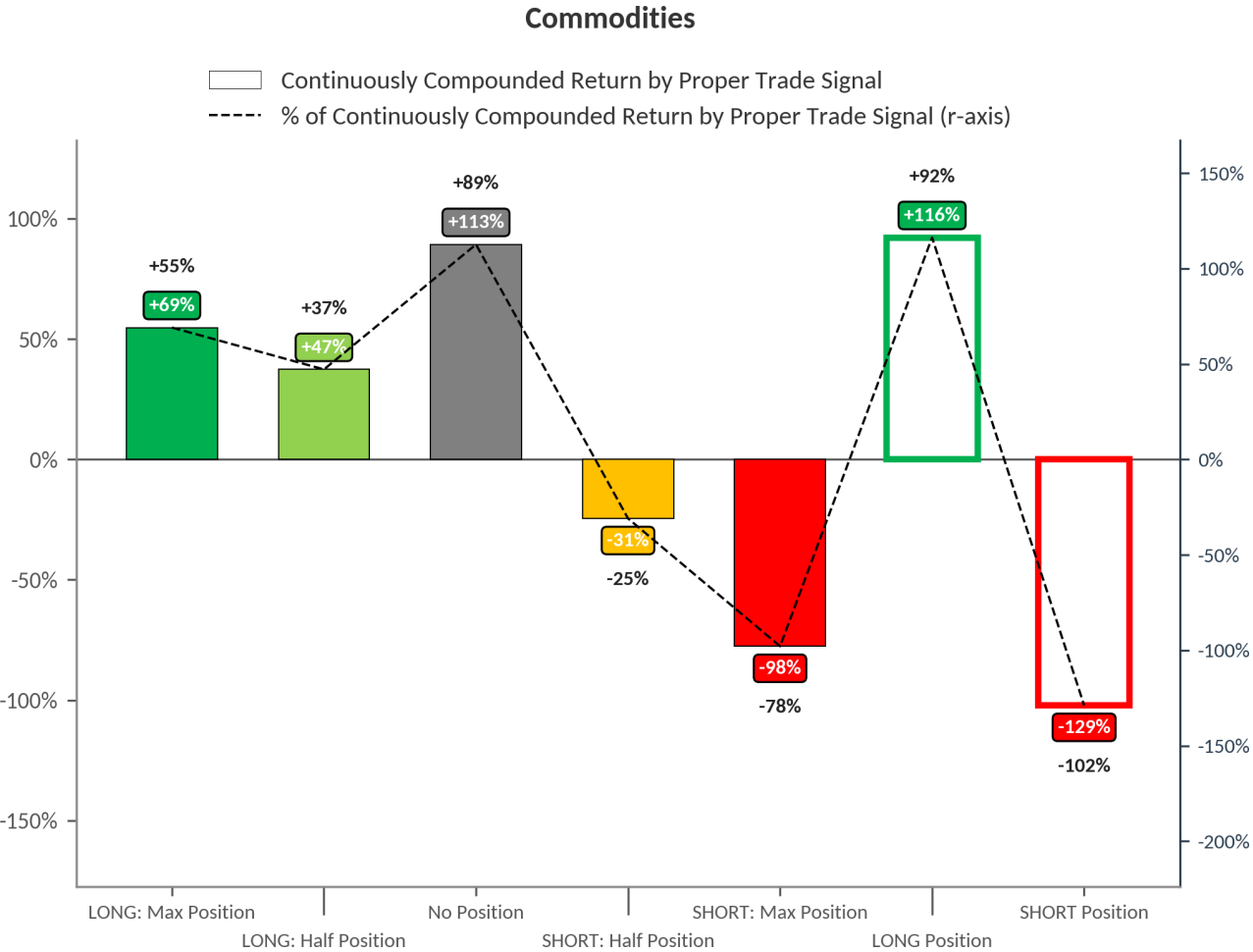


Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Gold

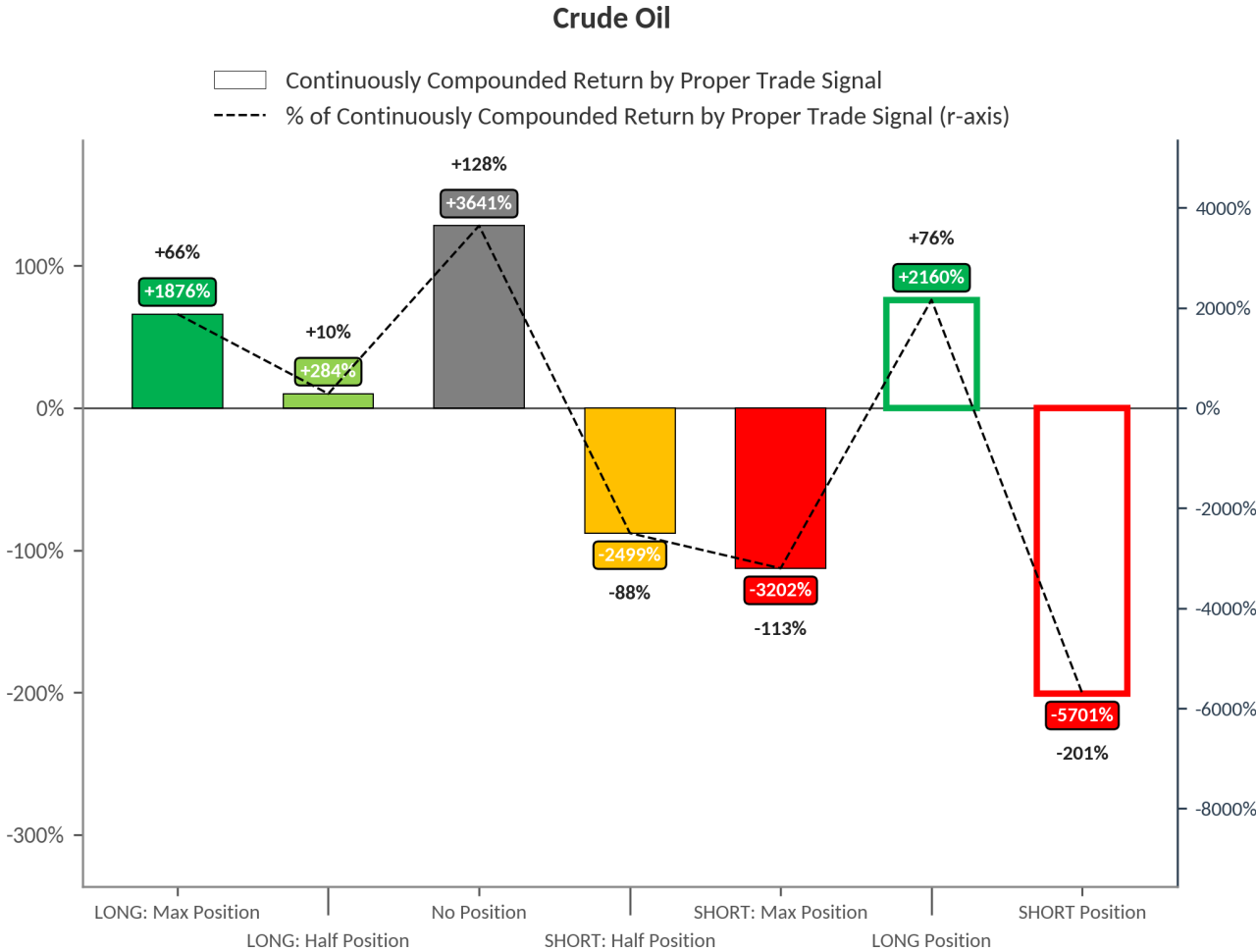


© 42 Macro LLC. Data Source: Bloomberg. Color coding corresponds to each exposure, for each backtest. Continuously Compounded Return is determined by summing daily log total returns for each asset. Backtests begin in Jan-98. The Top-Down and Bottom-Up Risk Management Overlay pivots are lagged by a full day to simulate real-world trading conditions. If an ETF is **bullish** (or **bearish**) VAMS and that is in line with how the underlying asset should trade in the current Market Regime, then Dr. Mo will prescribe a “**LONG** (**SHORT**): Max Position”. If an ETF is **neutral** VAMS and it should be **bullish** (or **bearish**) in the current Market Regime, then Dr. Mo will prescribe a “**LONG** (**SHORT**): Half Position”. There are no **SHORT**: Half Positions for Equity and Crypto exposures. Dr. Mo will prescribe a “No Position” if the VAMS is the opposite of what it should be in the current Market Regime.

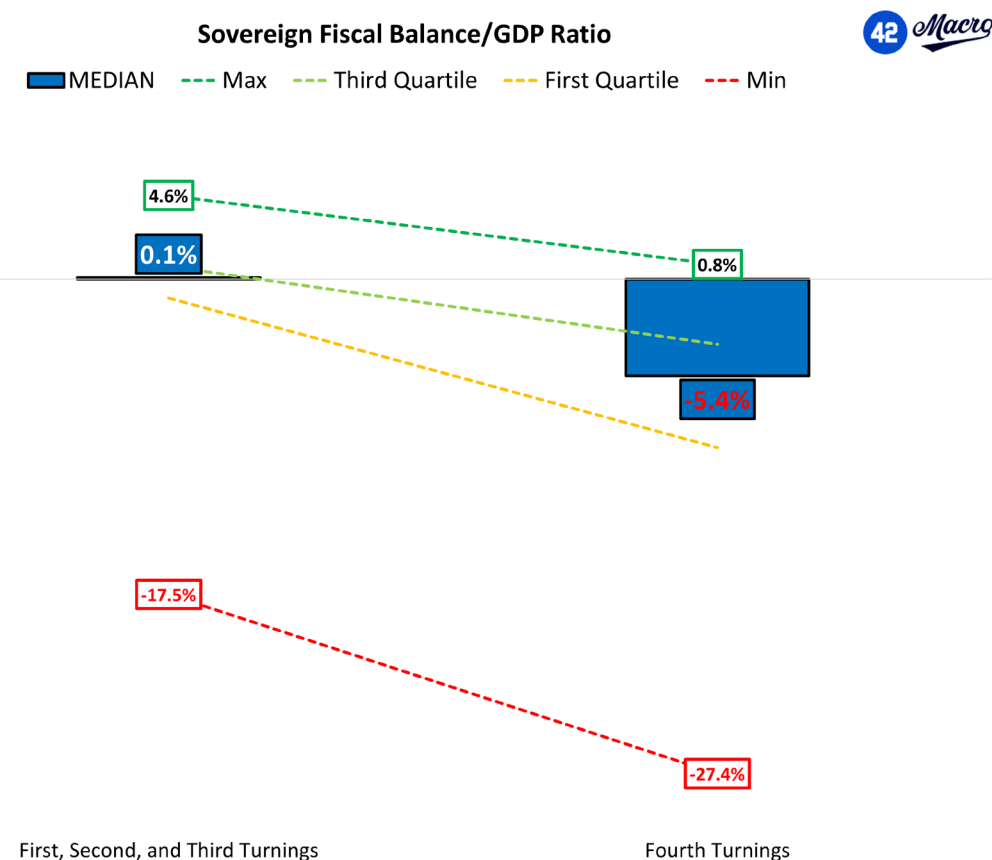
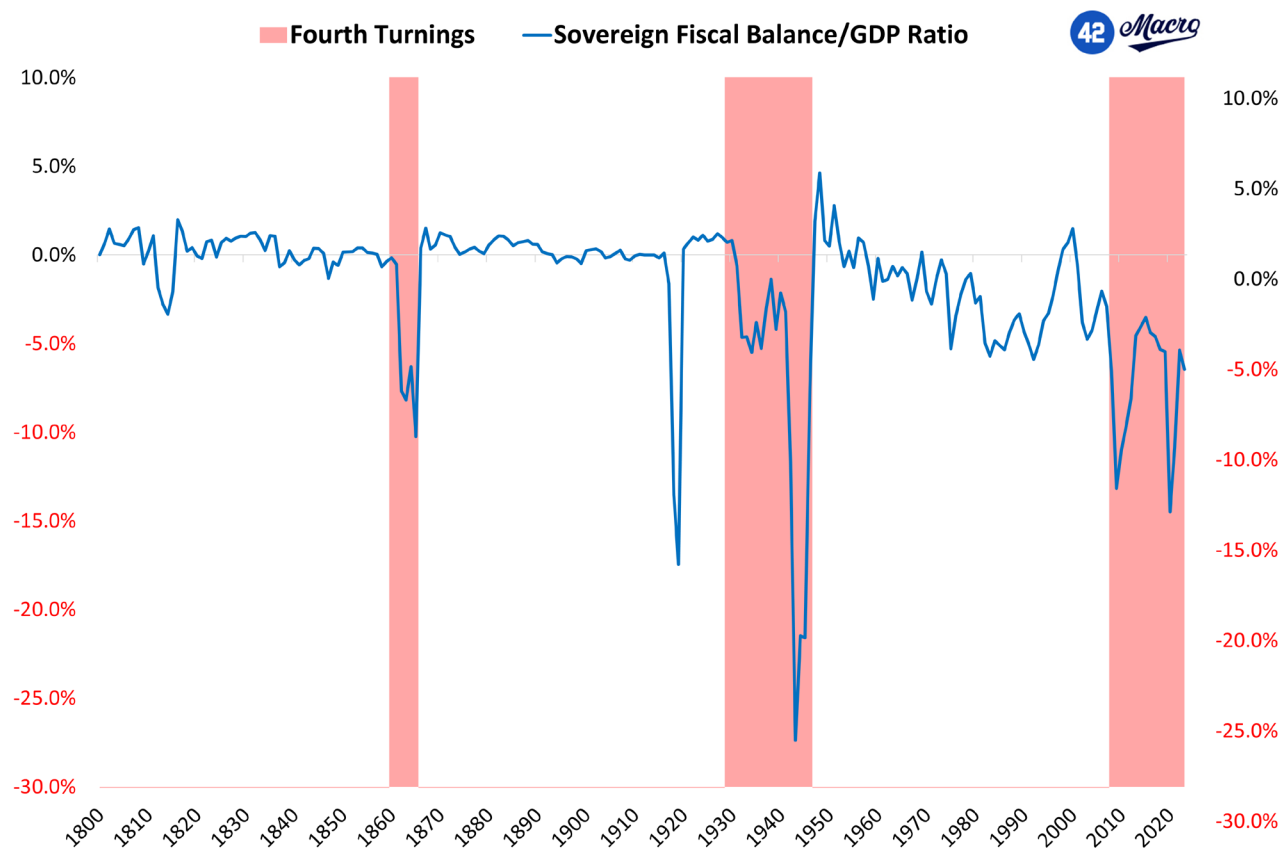
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Commodities



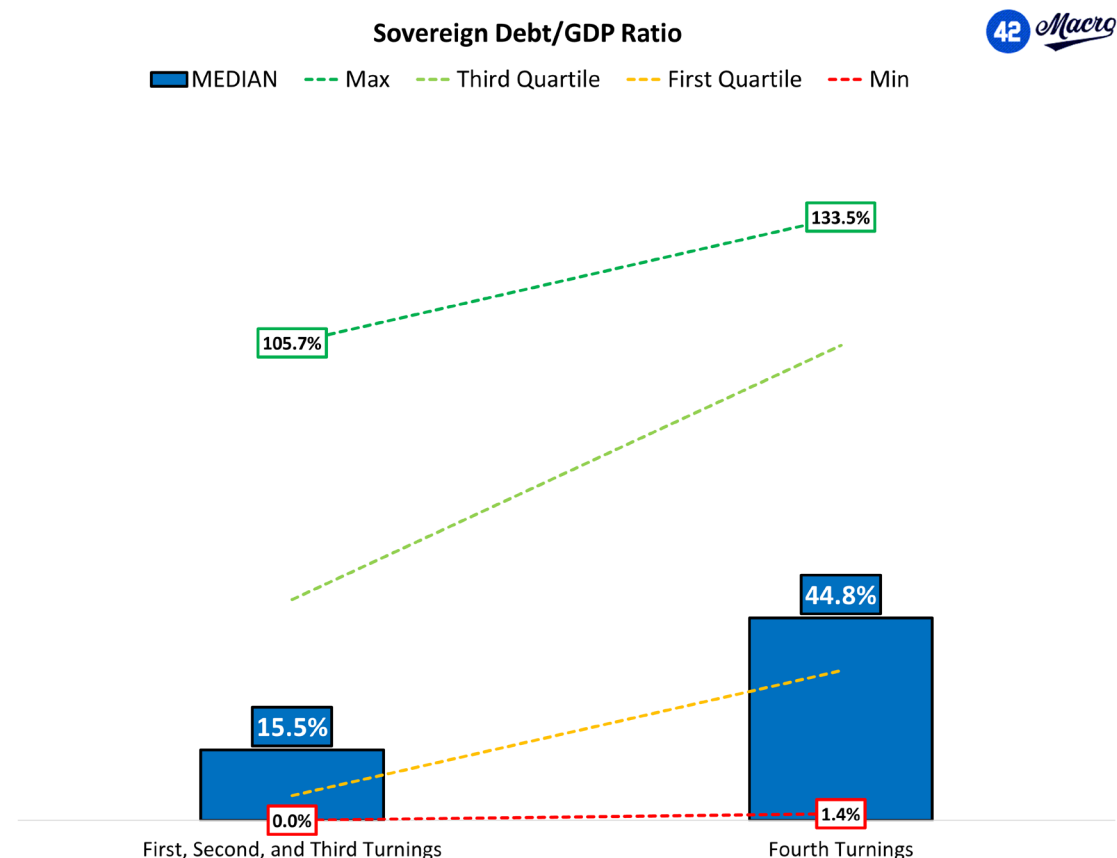
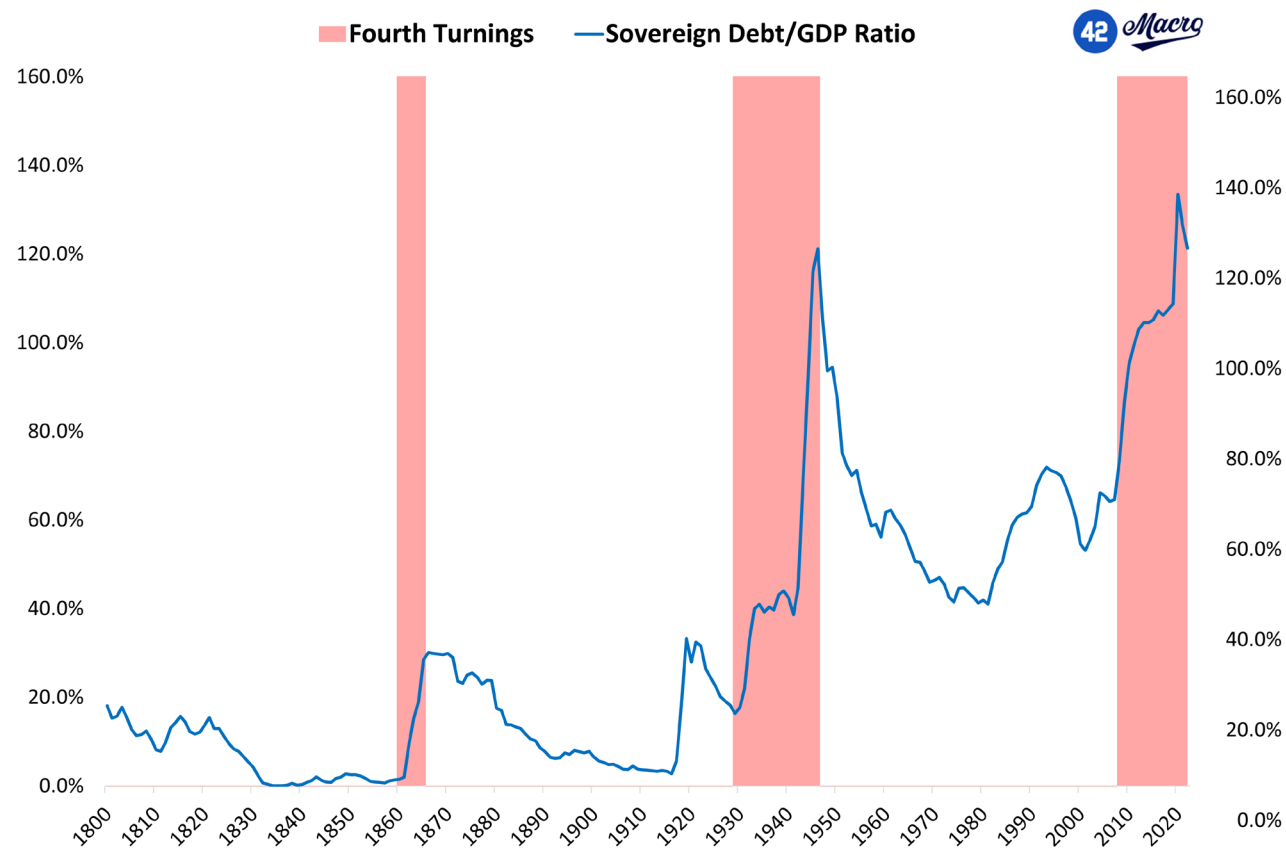
Discretionary Risk Management Overlay aka “Dr. Mo” Rolling Out-Of-Sample Backtest: Crude Oil



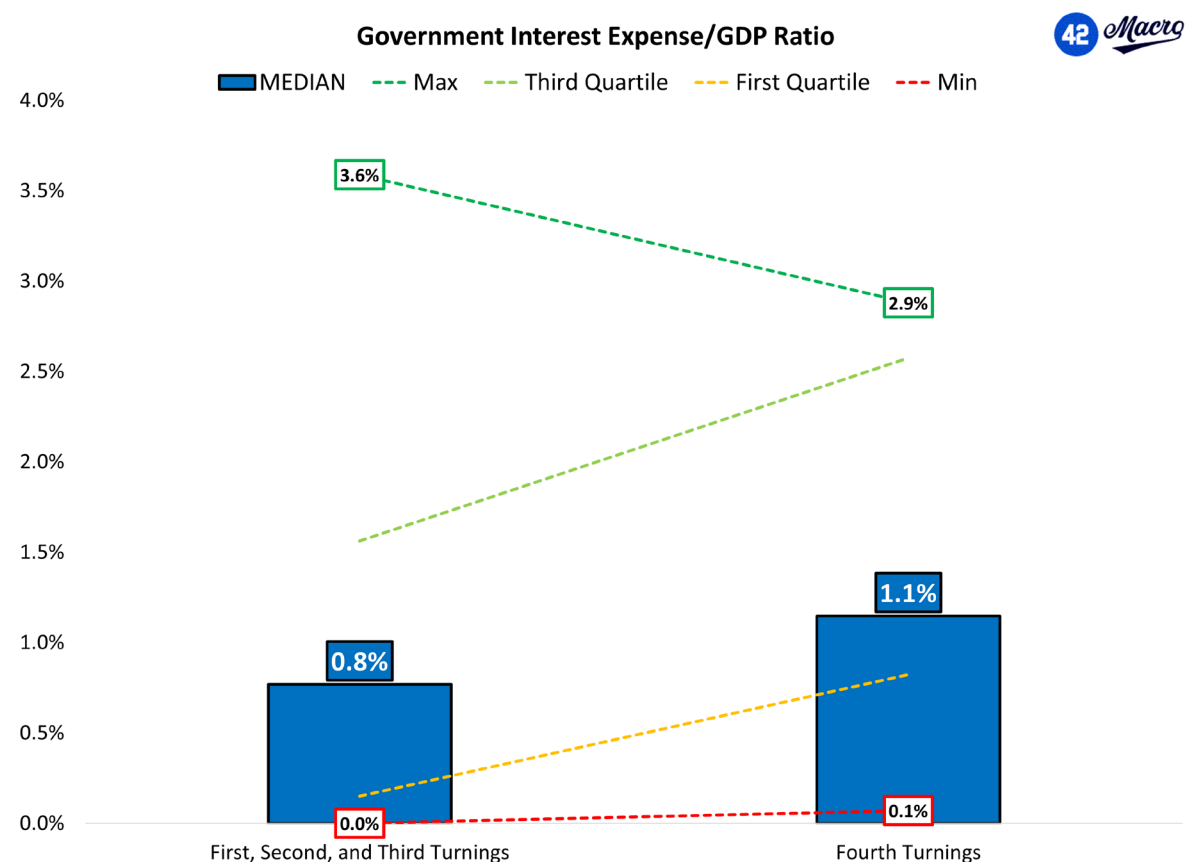
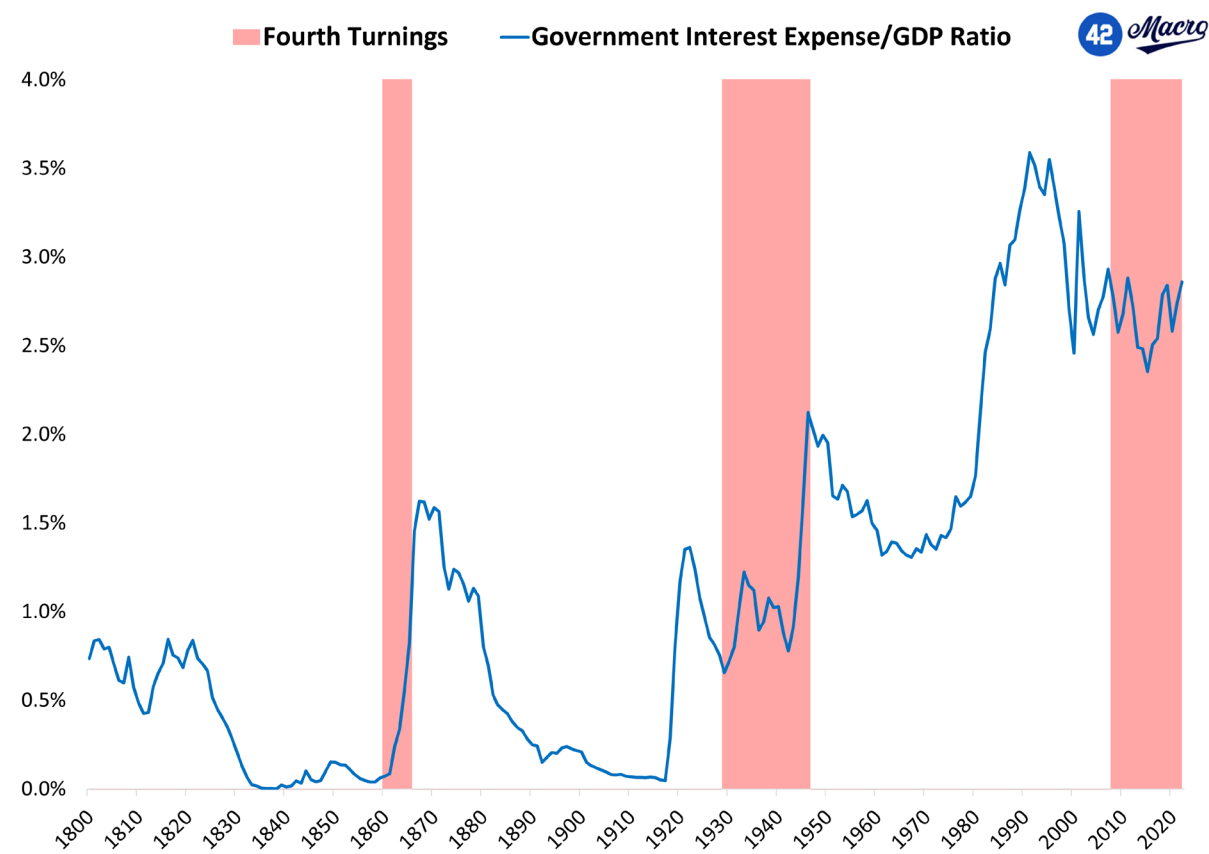
The Sovereign Fiscal Balance Tends To Deteriorate Sharply During Fourth Turnings



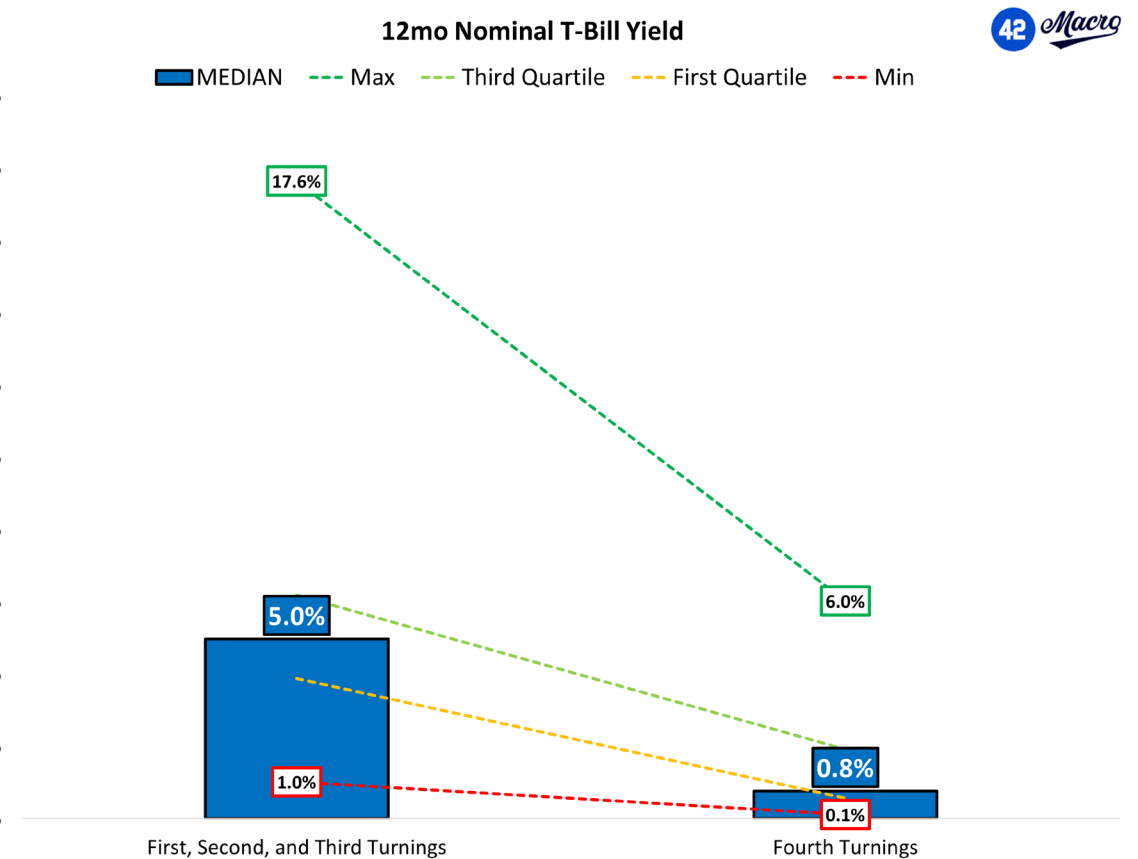
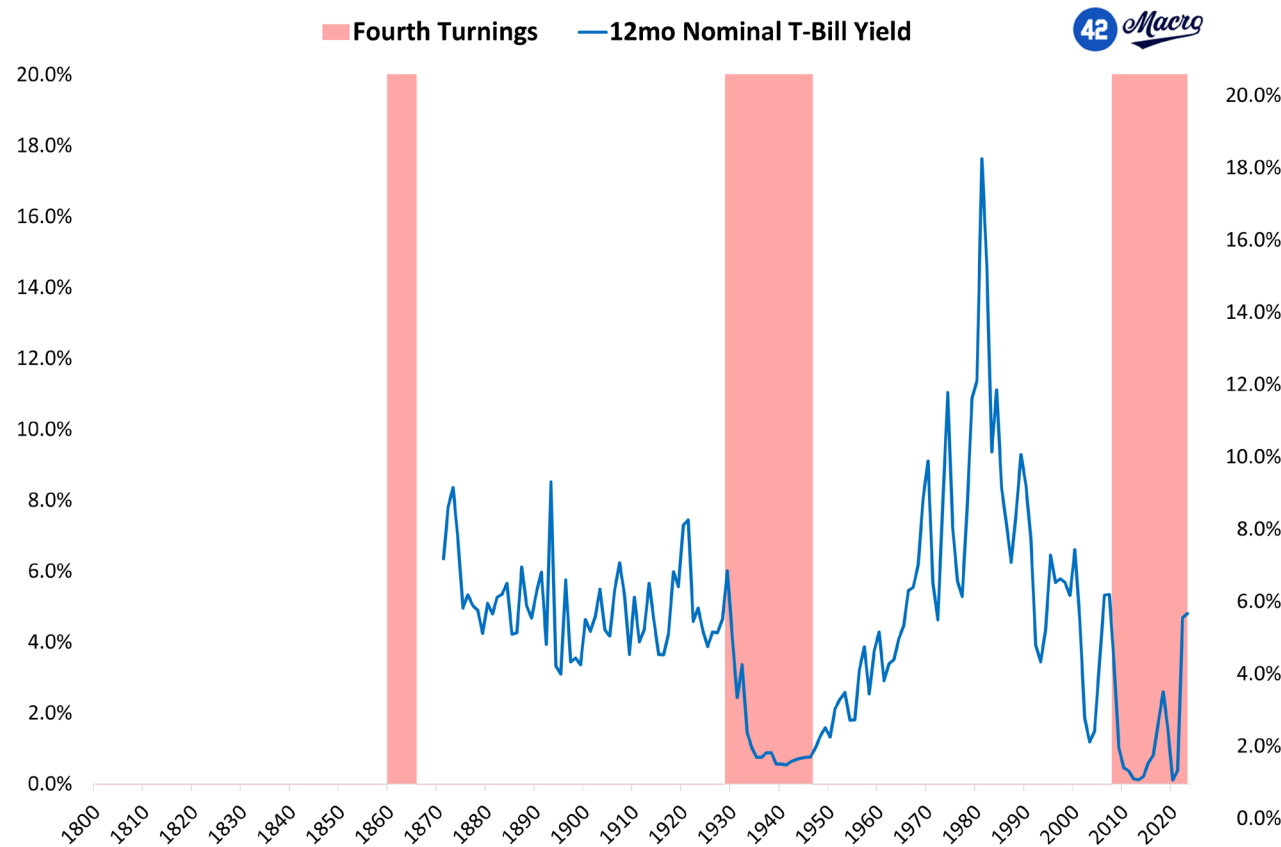
Sovereign Debt Tends To Increase Sharply During Fourth Turnings



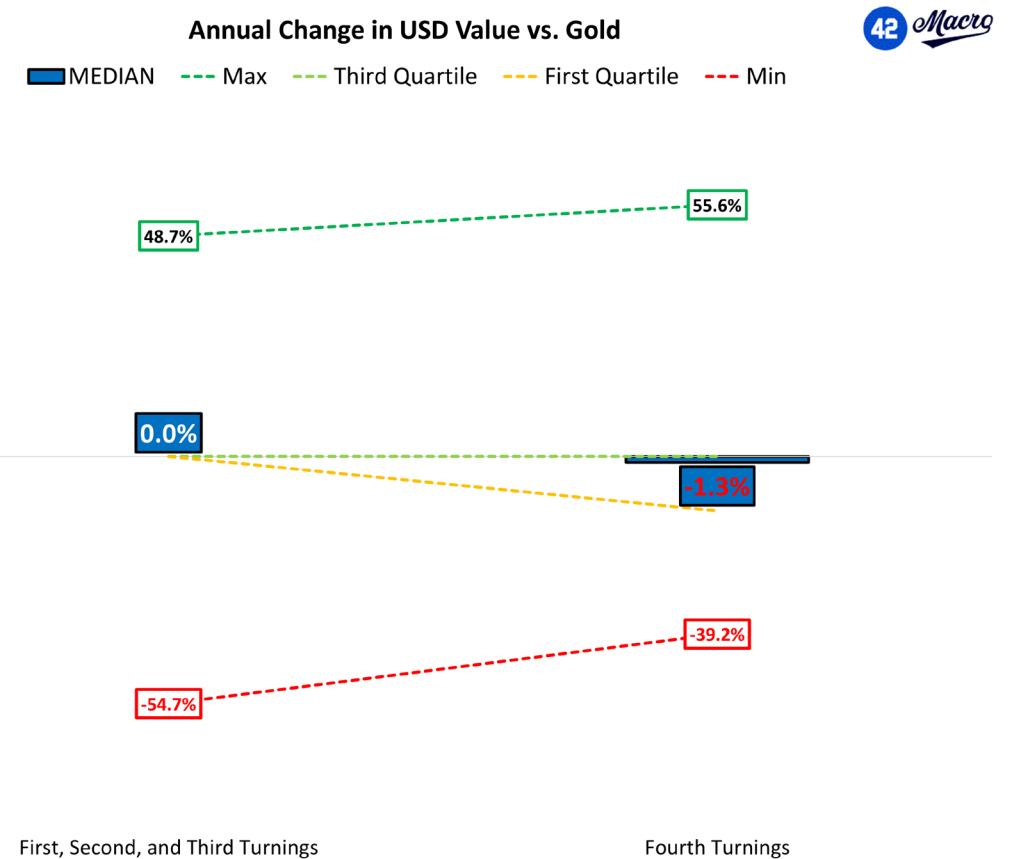
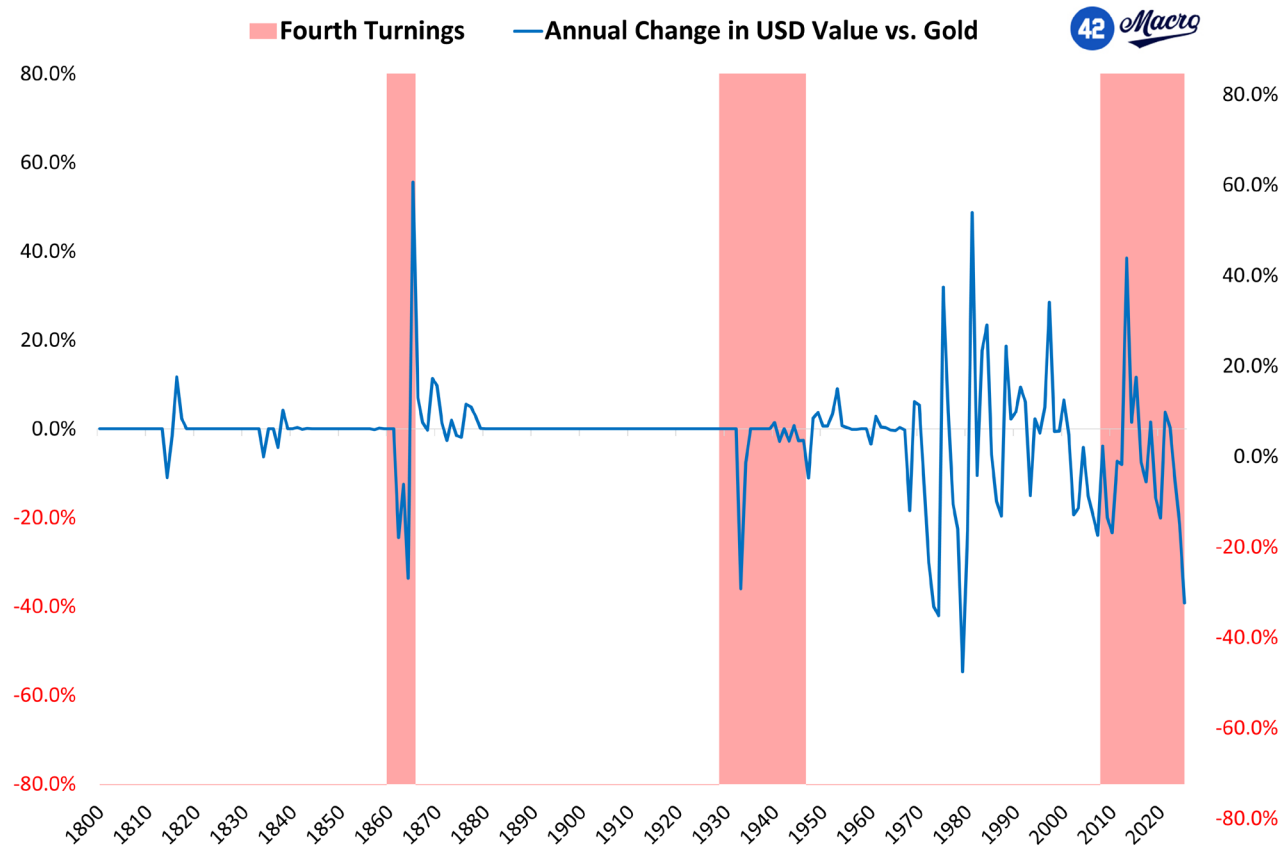
The Public Interest Burden Tends To Increase Sharply During Fourth Turnings



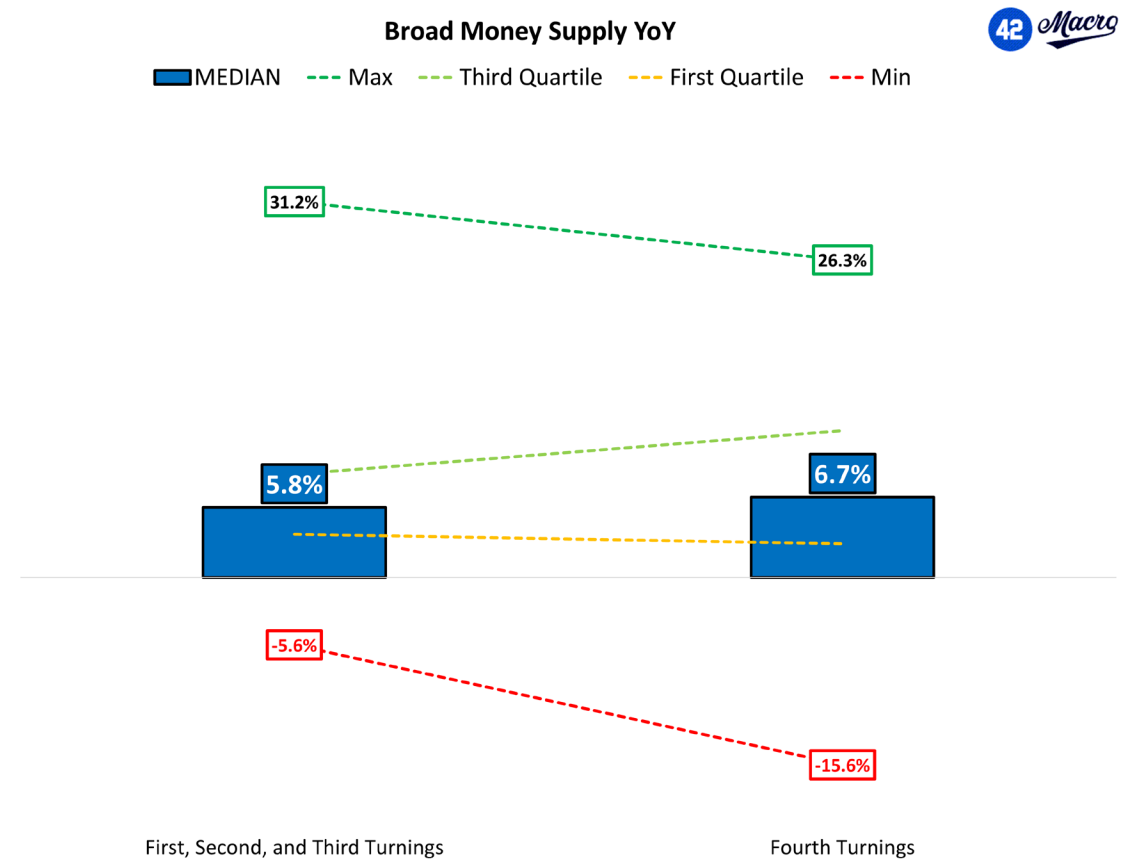
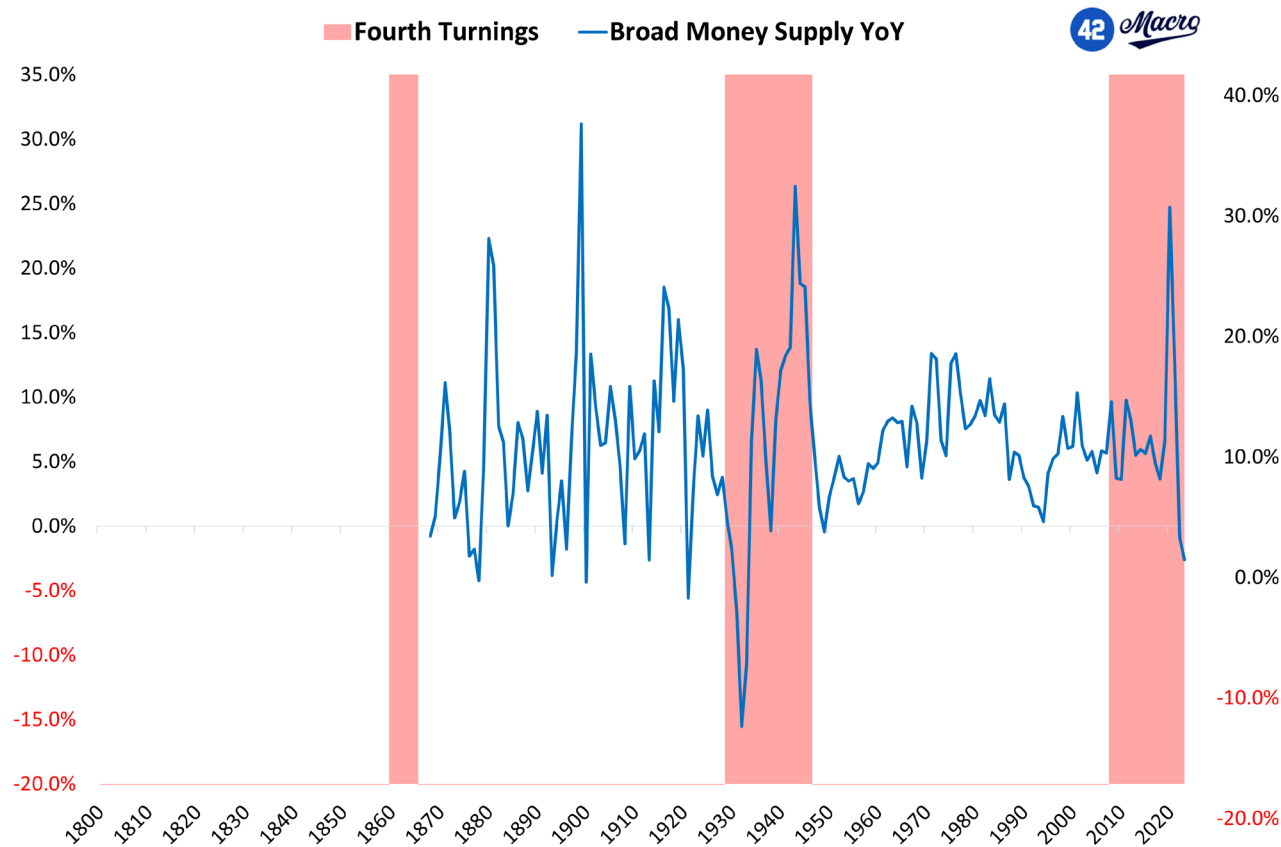
The 12mo Nominal T-Bill Yield Tends To Be Relatively Weak During Fourth Turnings



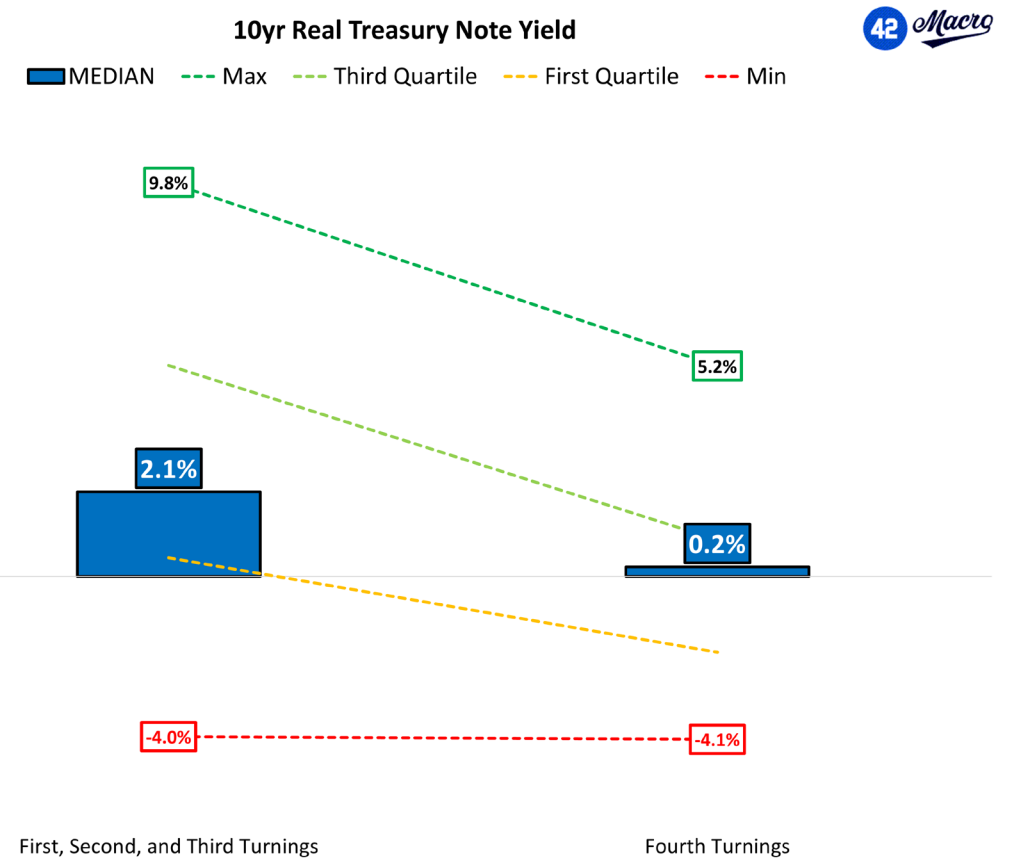
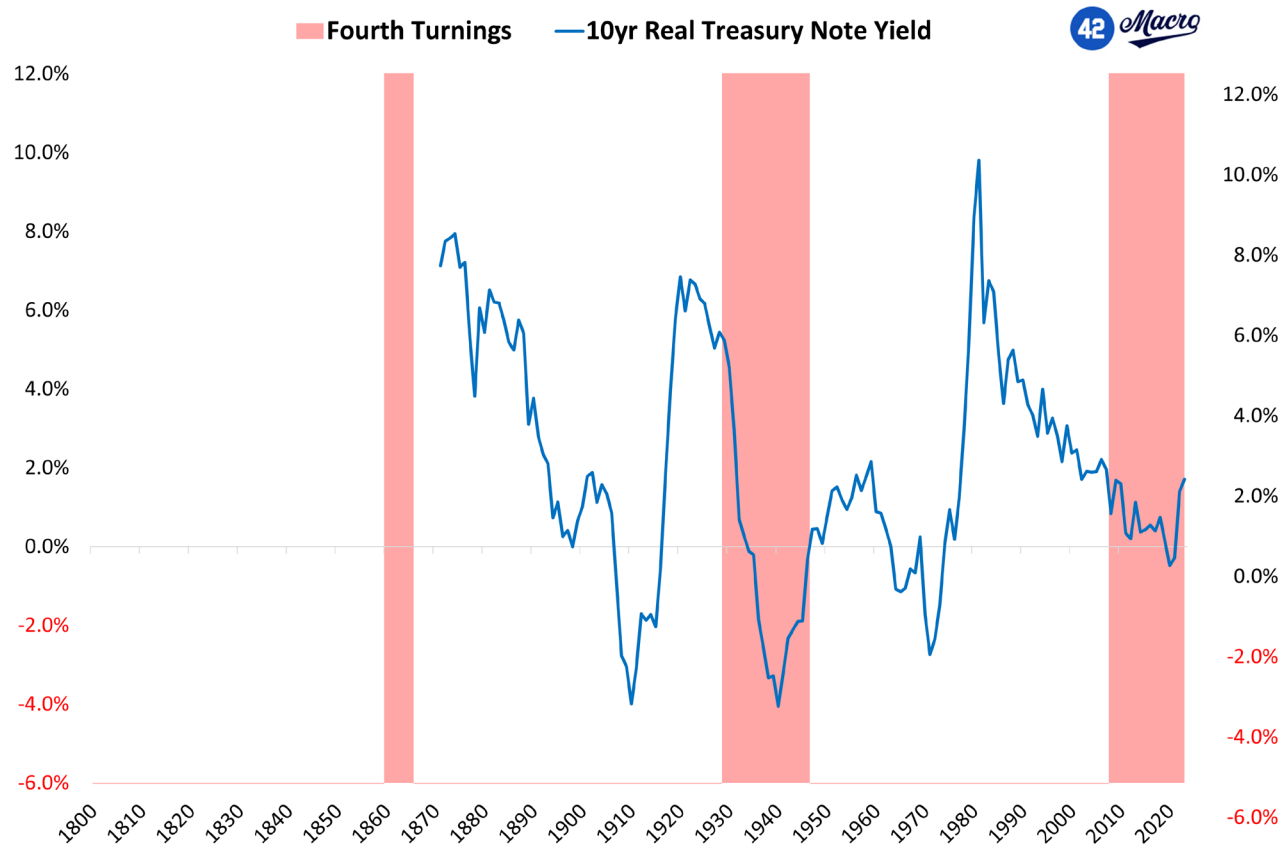
The US Dollar Tends To Be Debased Substantially During Fourth Turnings



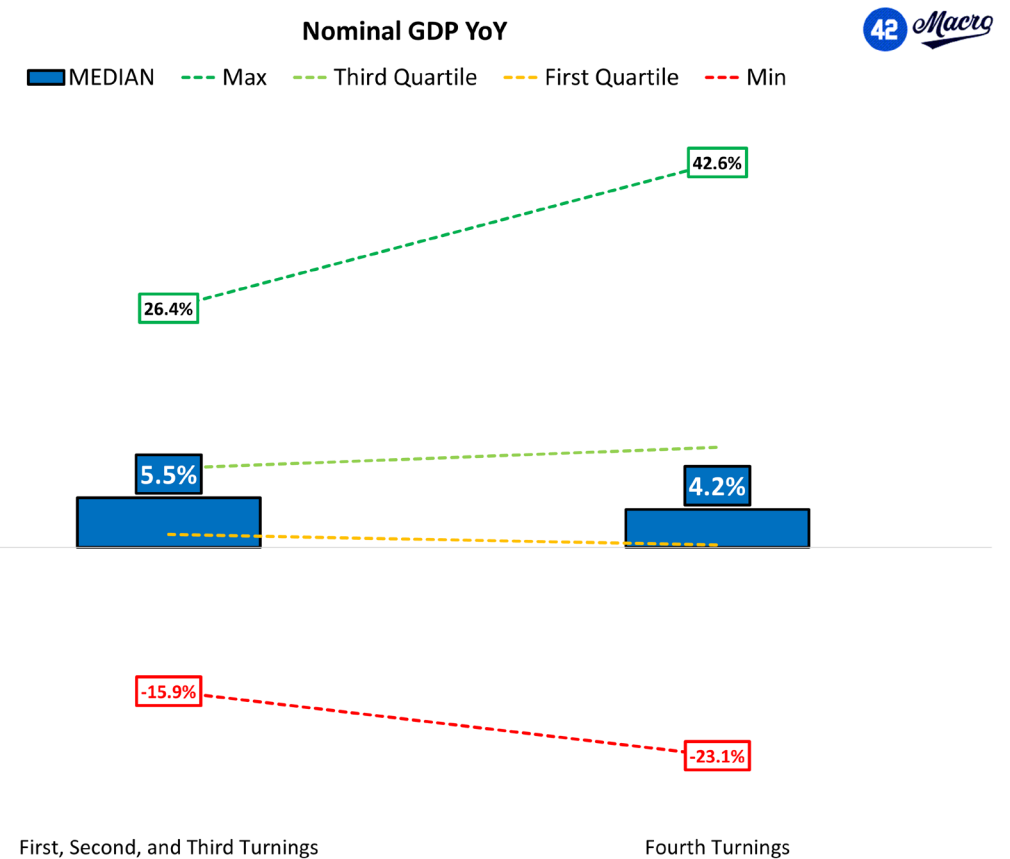
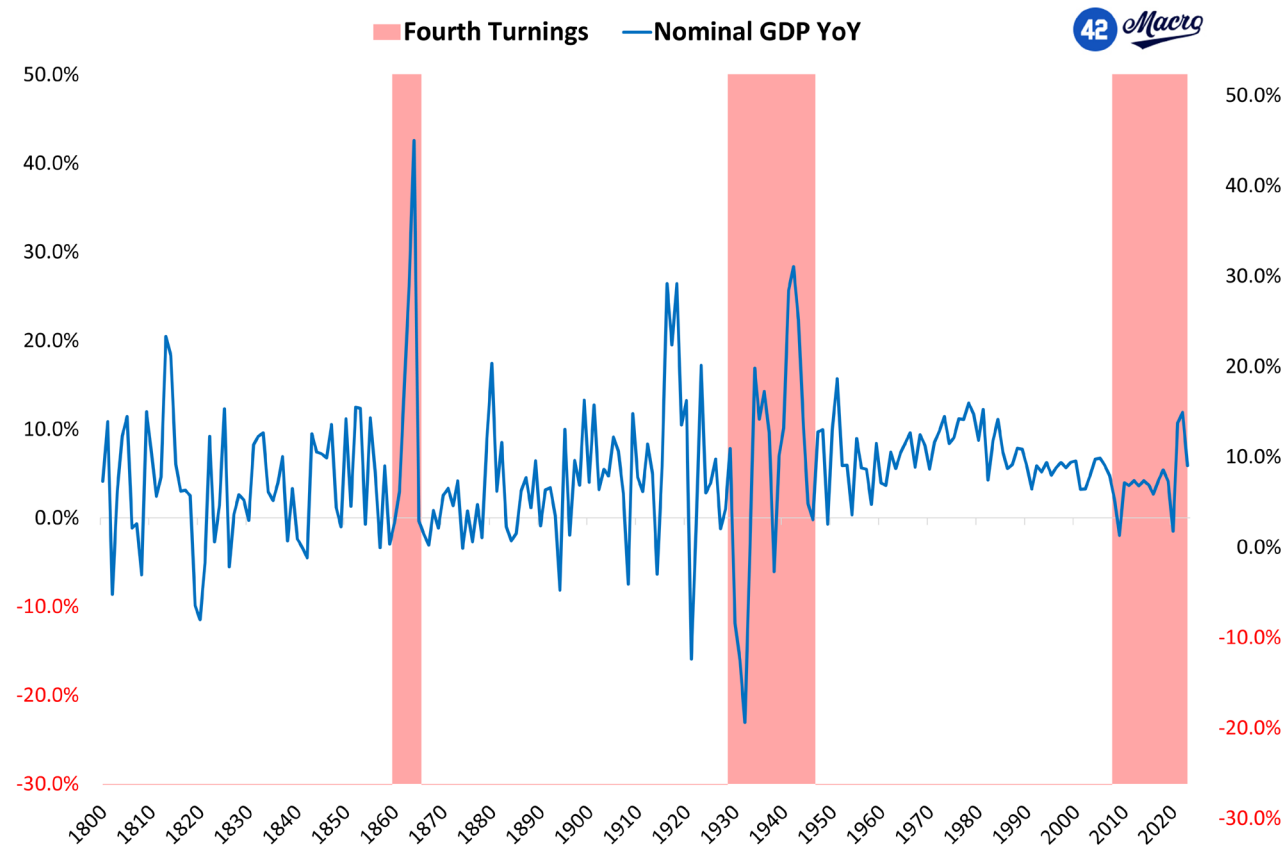
Money Supply Growth Tends To Accelerate Sharply During Fourth Turnings



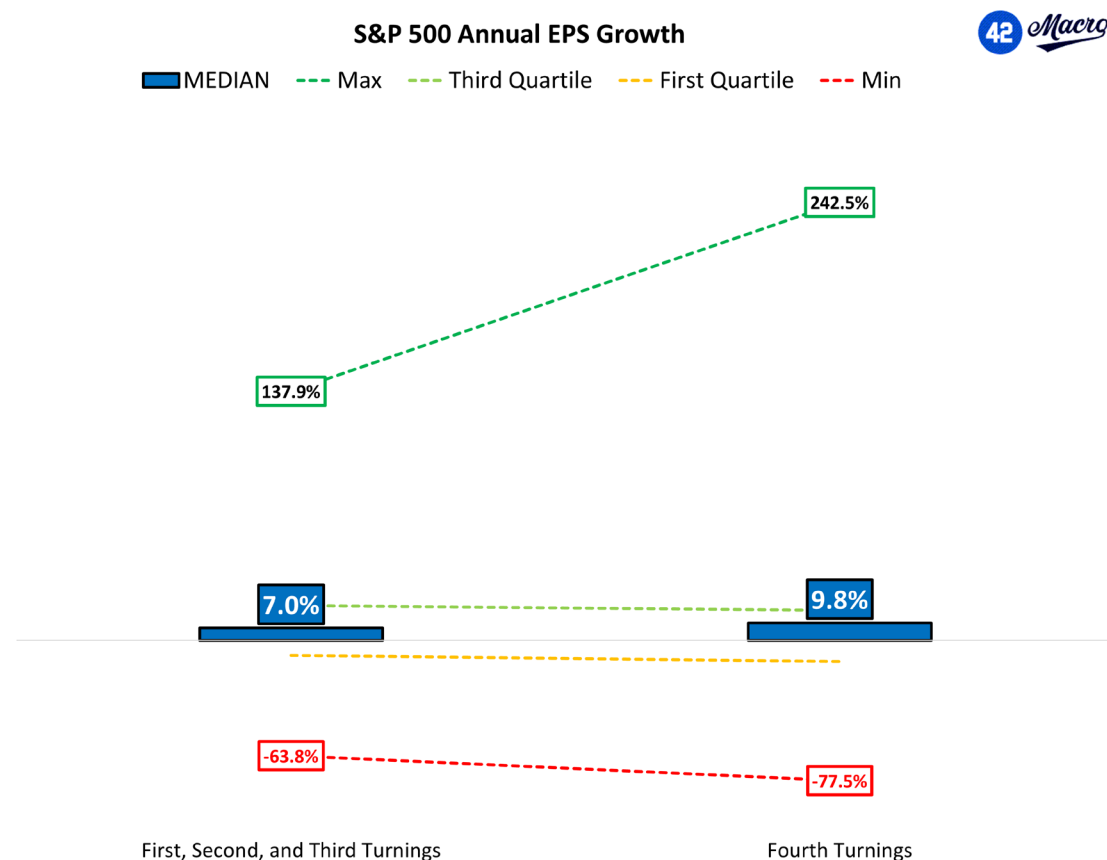
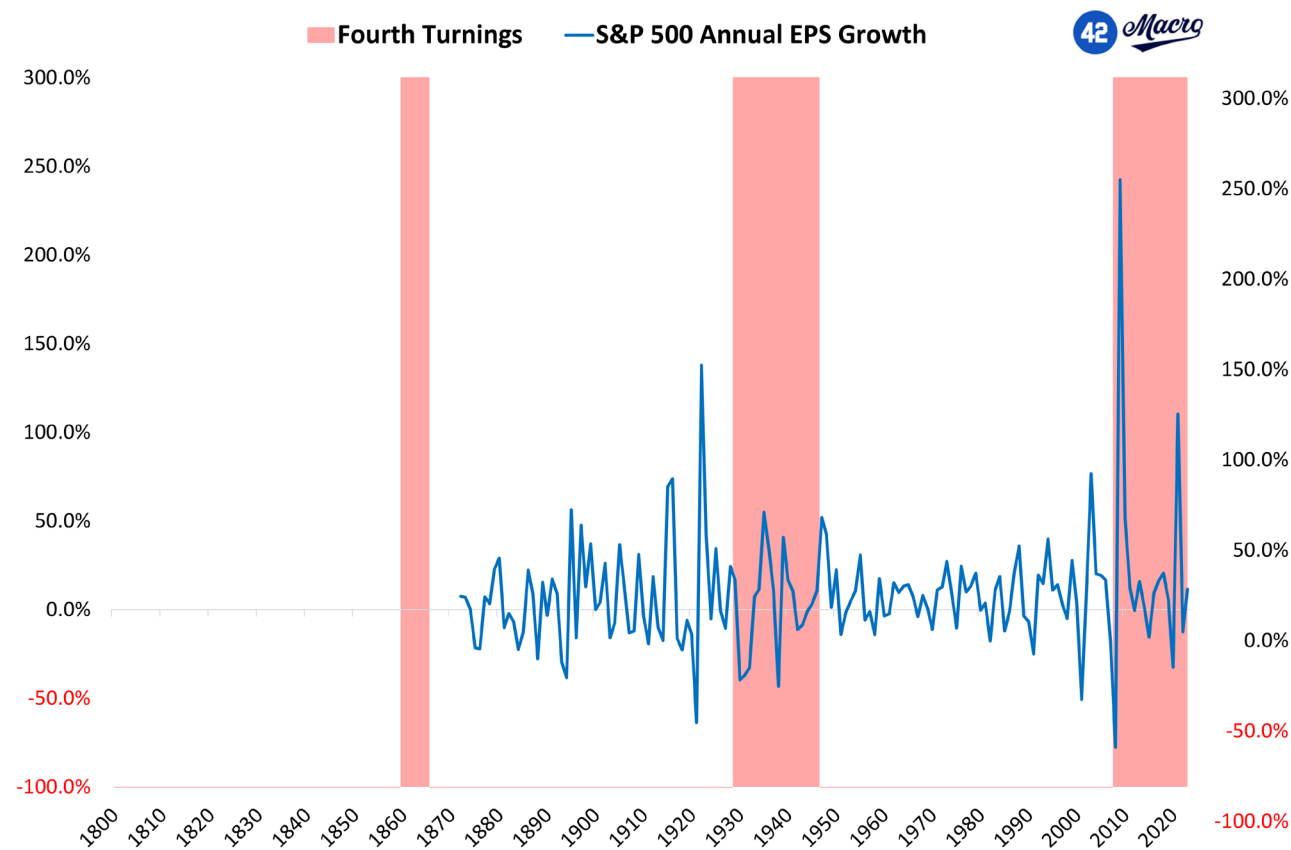
The 10yr Real Treasury Yield Tends To Decline Substantially During Fourth Turnings



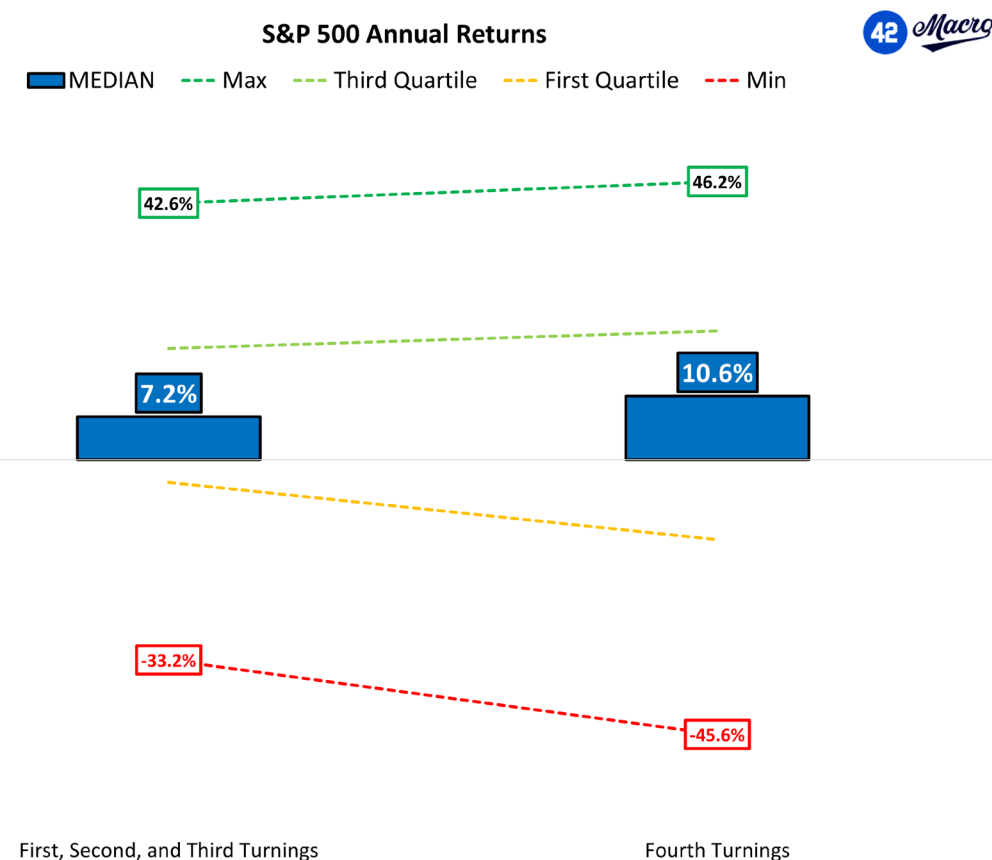
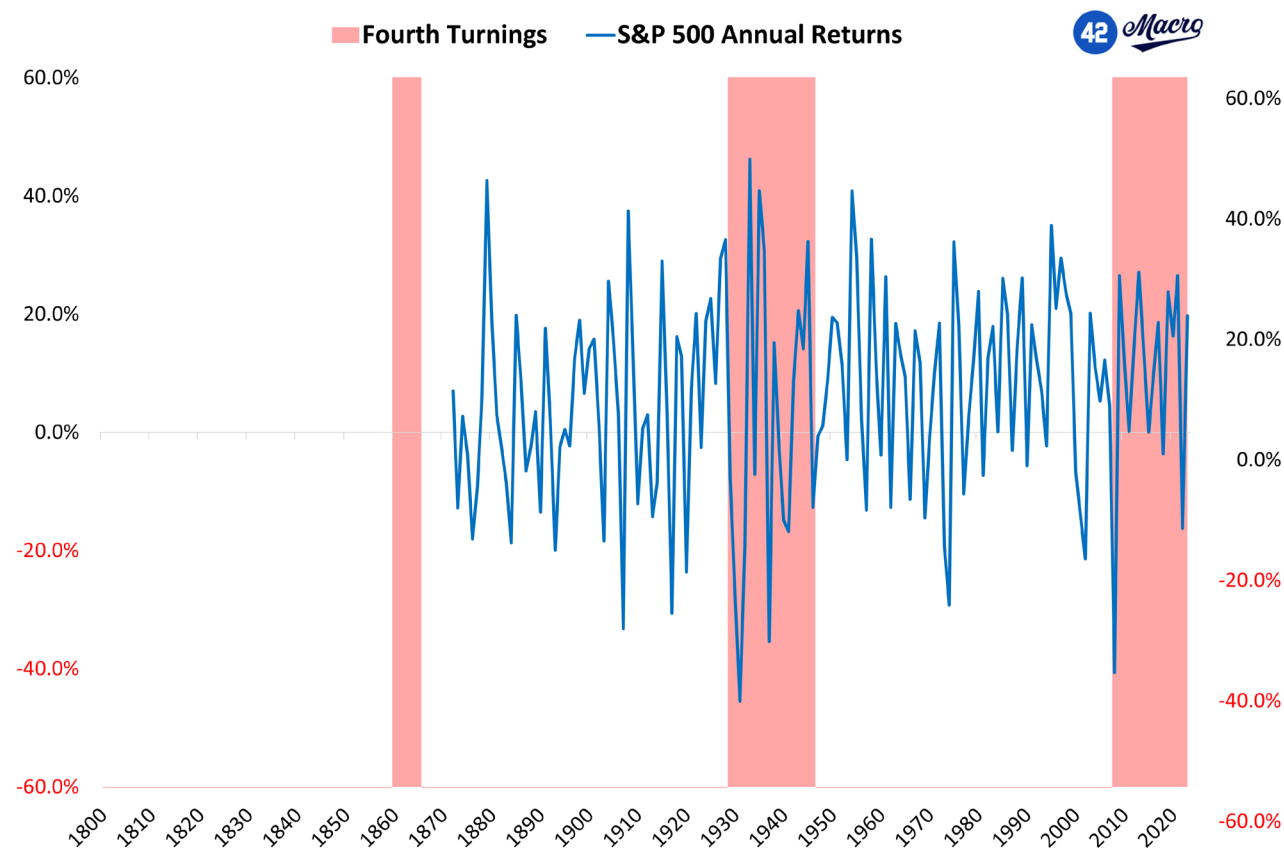
Nominal GDP Growth Tends To Accelerate Sharply During Fourth Turnings



S&P 500 Earnings Growth Tends To Be Relatively Strong During Fourth Turnings With More Volatility

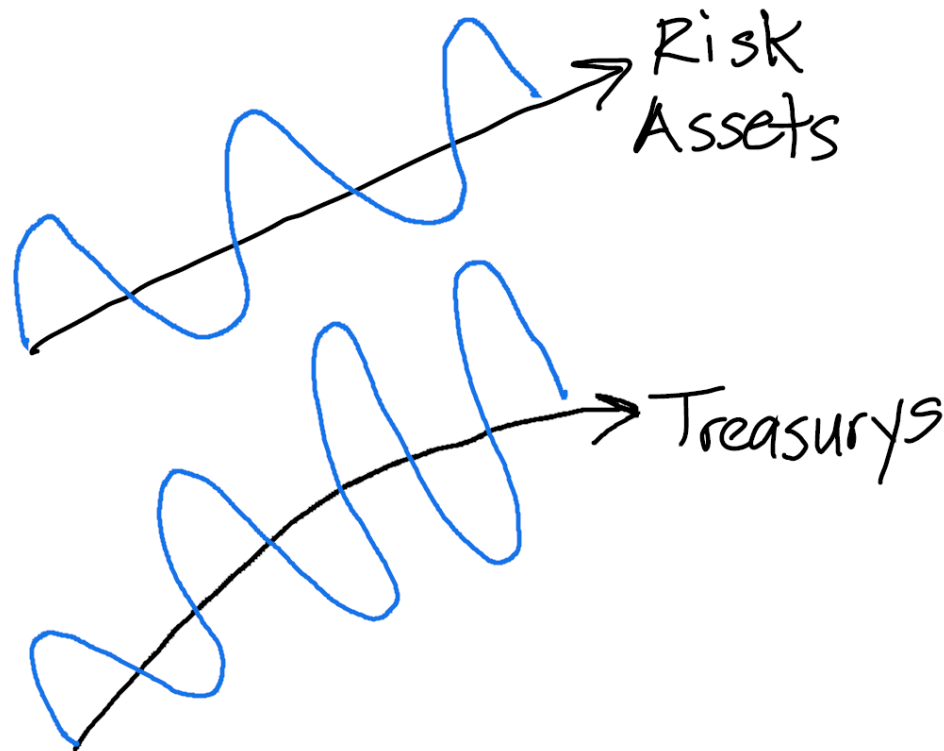


S&P 500 Returns Tend To Be Relatively Strong During Fourth Turnings With More Volatility

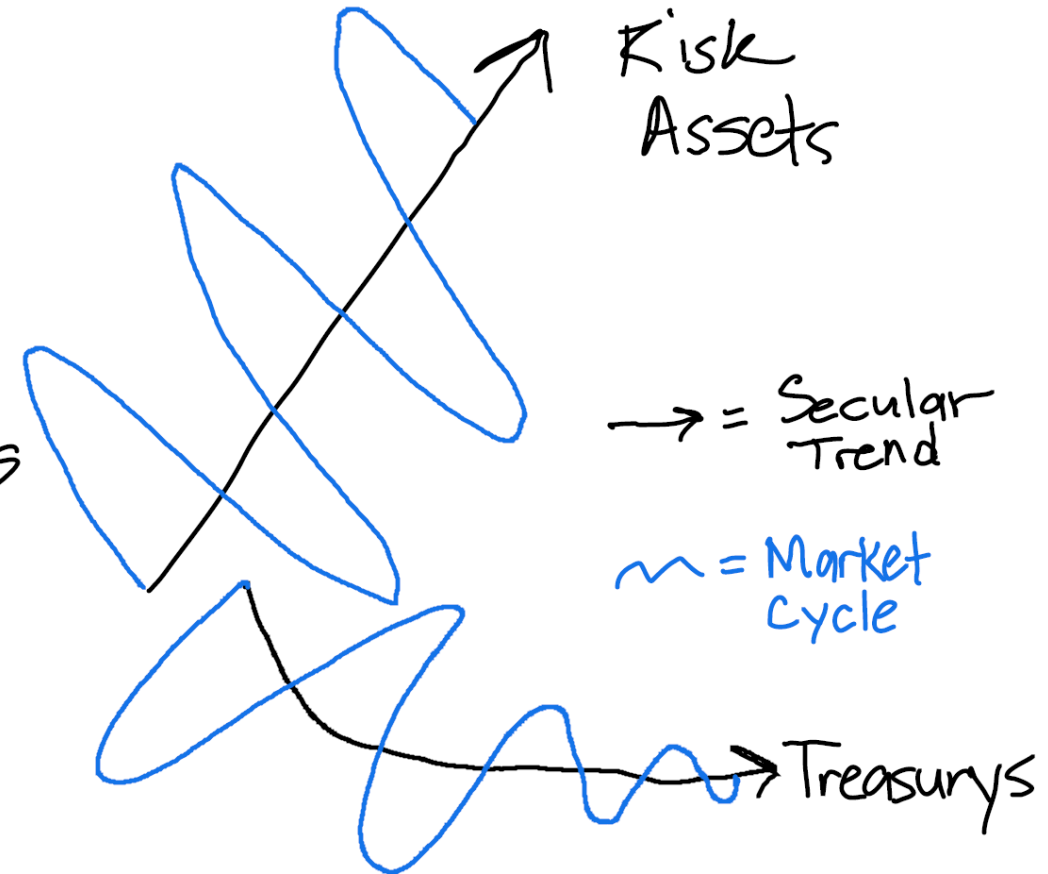


Risk Assets Tend To Appreciate Faster During Fourth Turnings, But Crashes Are More Frequent And Occur Each Time The Geopolitically Driven Supply-Demand Imbalance In The Treasury Bond Market Is Not Supported By Adequate Quantities Of Financial Repression And/OR Monetary Debasement

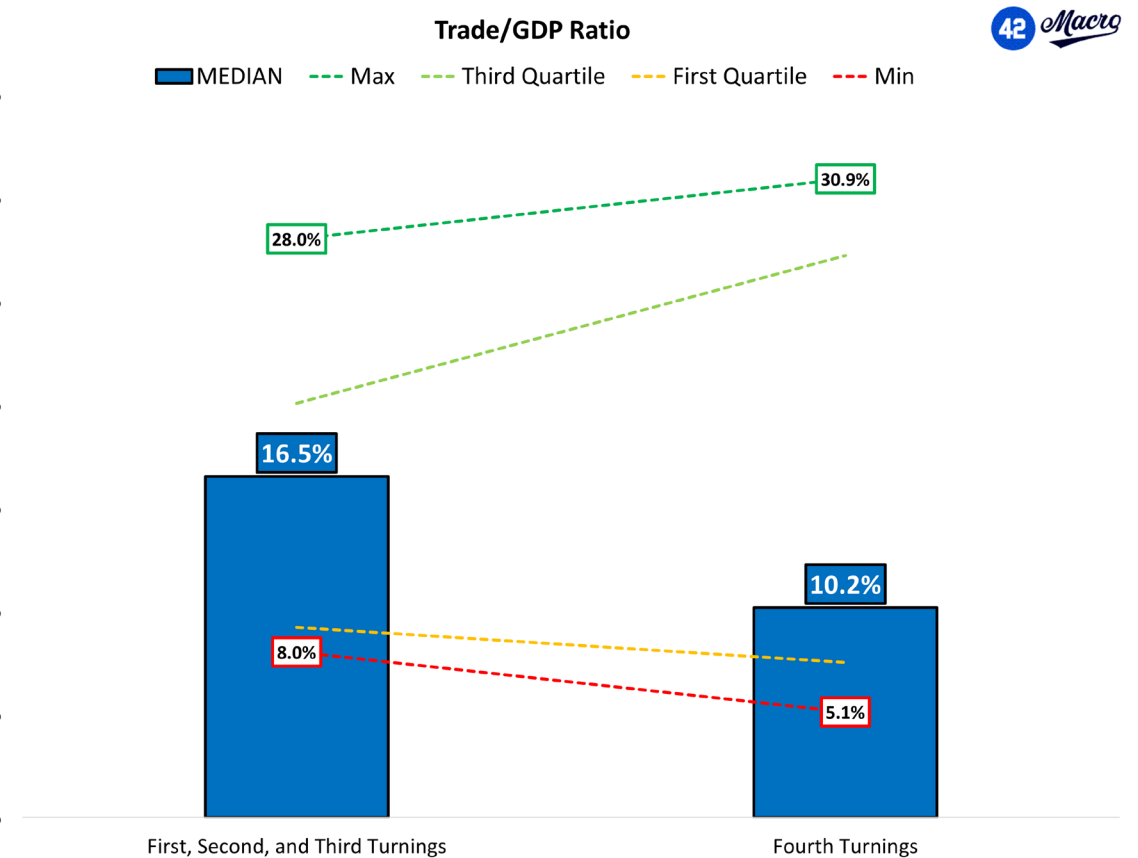
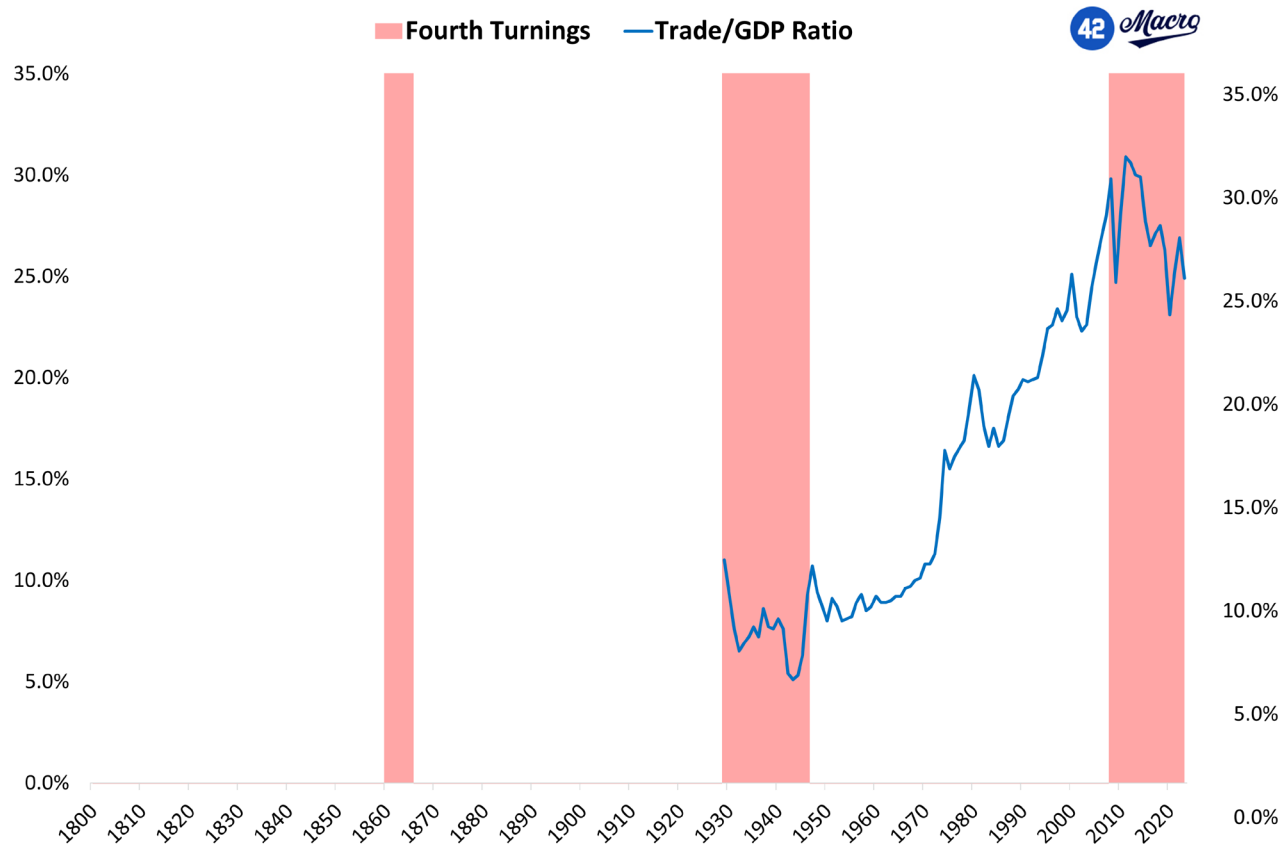
Asset Markets In A "Normal" Regime



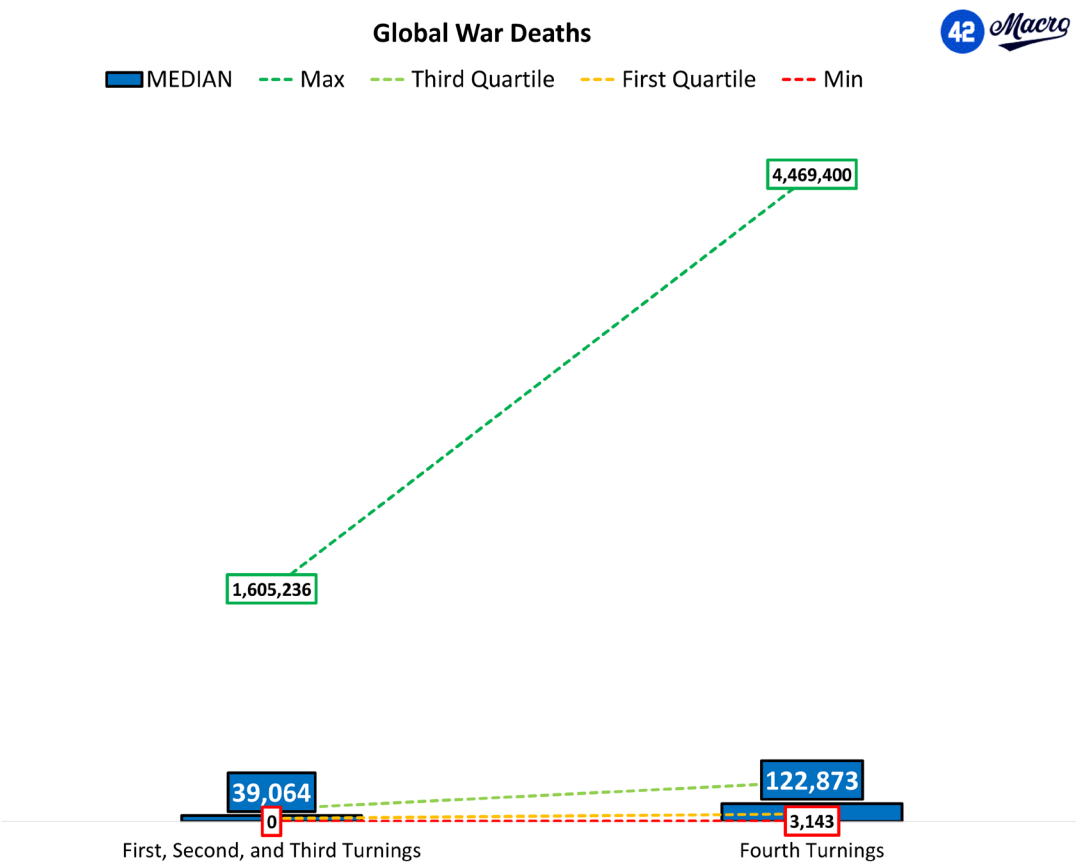
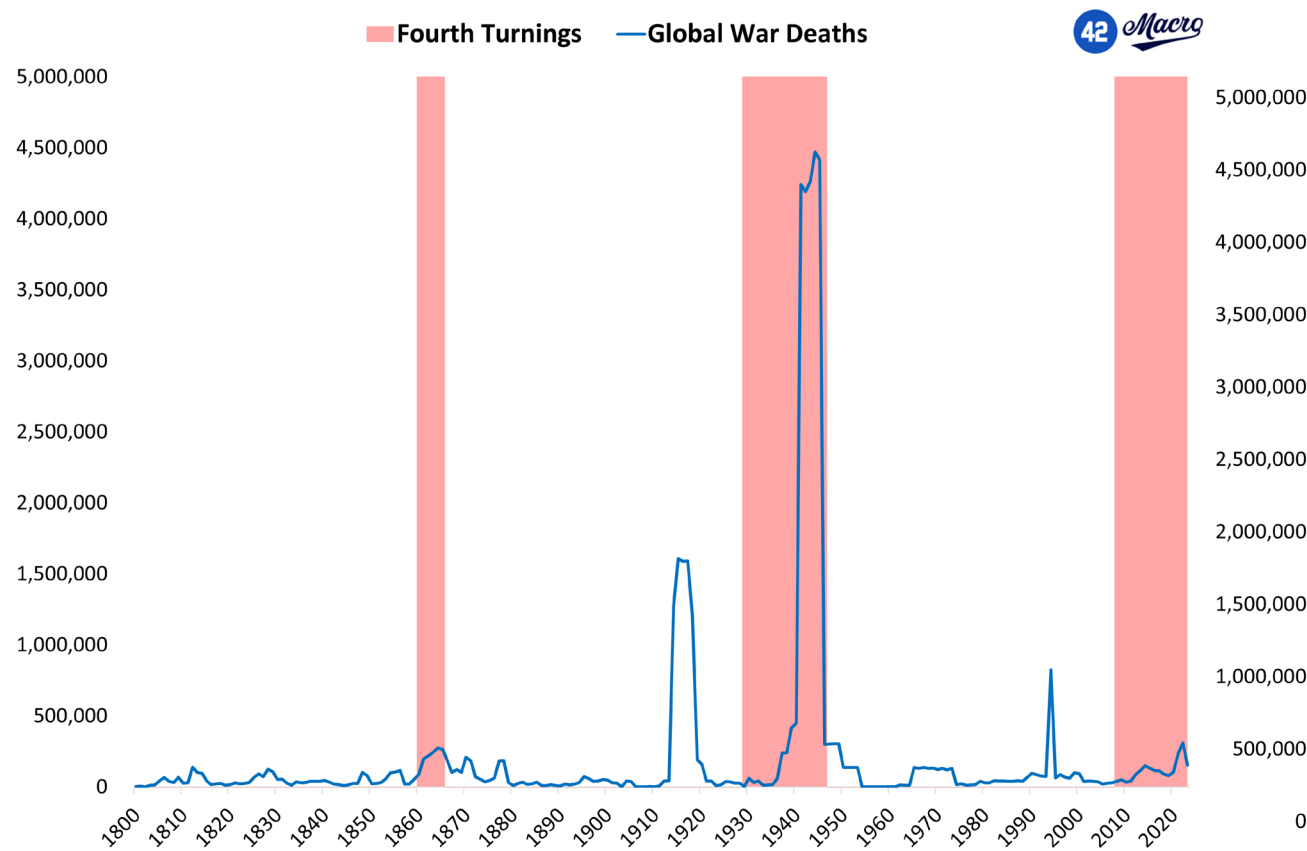
Asset Markets In A Fourth Turning Regime



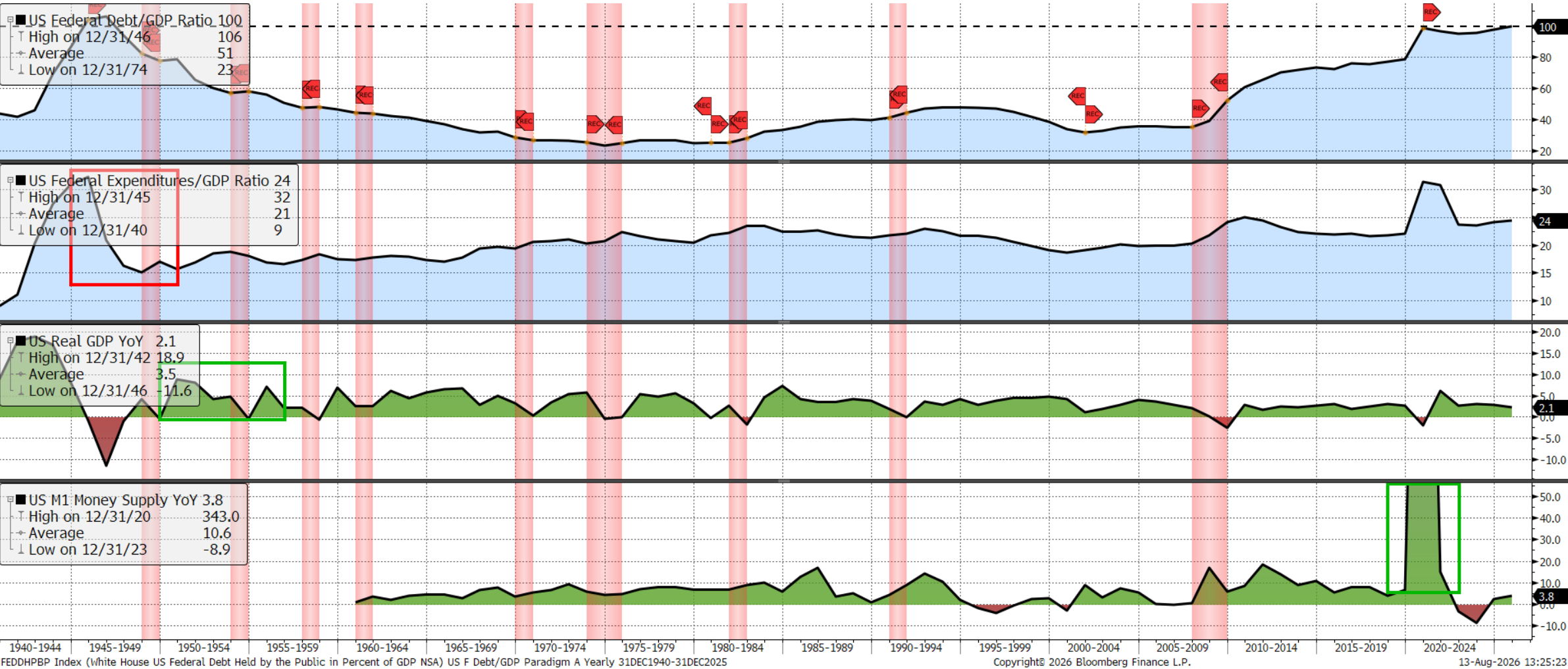
Trade Tends To Decline Sharply During Fourth Turnings



Wars Tend To Accelerate Globally During Fourth Turnings



The US sovereign has the “debt disease” (Paradigm A). Several millennia of economic history have proven there are only three acceptable treatment options for the debt disease: cut (Paradigm B), grow (Paradigm C), and print (Paradigm D). The alternatives—default and total war (Paradigm E)—are far more costly.



As predicted by our **U-Shaped Fiscal Policy** thesis, the Federal Budget Deficit is widening again due to OBBBA and “True Interest Expense.” The Federal Deficit/GDP Ratio has widened 100bps YoY to 6.3% in CY26. Driving this fiscal expansion are -15% and -58% declines in Corporate Income Taxes and Customs Duties, respectively, as well as 18% and 13% increases in Medicare expenditures and Net Interest, respectively.

42 Macro US Fiscal Policy Monitor	Annualized Nominal Calendar YTD Sum \$bn					Share of Total, by Category					Percent of Nominal GDP					YoY \$ Change					YoY % Change				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Federal Revenue (t3yr CAGR = 7%)	\$4870	\$4521	\$4893	\$5376	\$5590	100%	100%	100%	100%	100%	18%	16%	16%	17%	17%	\$575	(\$349)	\$372	\$483	\$213	13%	-7%	8%	10%	4%
Corporate Income Taxes	\$432	\$464	\$489	\$424	\$362	9%	10%	10%	8%	6%	2%	2%	2%	1%	1%	\$30	\$33	\$25	(\$65)	(\$62)	7%	8%	5%	-13%	-15%
Customs Duties	\$98	\$77	\$79	\$264	\$111	2%	2%	2%	5%	2%	0%	0%	0%	1%	0%	\$12	(\$21)	\$2	\$185	(\$154)	15%	-21%	2%	235%	-58%
Estate Taxes	\$33	\$35	\$30	\$31	\$44	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	\$5	\$2	(\$5)	\$1	\$13	20%	6%	-15%	4%	42%
Excise Taxes	\$88	\$77	\$106	\$102	\$107	2%	2%	2%	2%	2%	0%	0%	0%	0%	0%	\$8	(\$11)	\$29	(\$4)	\$6	10%	-13%	38%	-4%	6%
Federal Reserve Transfers	\$80	\$1	\$4	\$6	\$12	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	(\$23)	(\$80)	\$3	\$3	\$5	-22%	-99%	426%	78%	84%
Individual Income Taxes	\$2601	\$2197	\$2419	\$2744	\$3022	53%	49%	49%	51%	54%	10%	8%	8%	9%	9%	\$369	(\$404)	\$222	\$325	\$278	17%	-16%	10%	13%	10%
Miscellaneous Receipts	\$113	\$36	\$47	\$45	\$34	2%	1%	1%	1%	1%	0%	0%	0%	0%	0%	(\$21)	(\$78)	\$12	(\$2)	(\$11)	-16%	-69%	33%	-4%	-25%
Other Retirement Taxes	\$6	\$7	\$8	\$9	\$9	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	\$0	\$1	\$1	\$0	\$0	9%	14%	14%	5%	1%
Social Security Taxes	\$1440	\$1580	\$1667	\$1703	\$1837	30%	35%	34%	32%	33%	5%	6%	6%	5%	6%	\$176	\$140	\$87	\$35	\$135	14%	10%	6%	2%	8%
Unemployment Insurance Premiums	\$58	\$49	\$48	\$55	\$64	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	(\$5)	(\$10)	(\$0)	\$7	\$9	-7%	-16%	-1%	14%	17%
Federal Expenditures (t3yr CAGR = 7%)	\$6289	\$6305	\$6911	\$7043	\$7641	100%	100%	100%	100%	100%	23%	22%	23%	22%	24%	(\$586)	\$16	\$606	\$132	\$598	-9%	0%	10%	2%	8%
Administration of Justice	\$74	\$83	\$84	\$88	\$115	1%	1%	1%	1%	2%	0%	0%	0%	0%	0%	\$2	\$9	\$1	\$4	\$27	3%	12%	1%	5%	31%
Agriculture	\$38	\$36	\$38	\$48	\$52	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	\$6	(\$2)	\$2	\$10	\$4	19%	-6%	6%	27%	9%
Commerce and Housing Credits	(\$21)	\$161	(\$33)	(\$31)	(\$8)	-0%	3%	-0%	-0%	-0%	-0%	1%	-0%	-0%	-0%	(\$323)	\$182	(\$193)	\$2	\$23	-107%	856%	-121%	6%	75%
Community and Regional Development	\$68	\$87	\$98	\$72	\$71	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	\$21	\$19	\$11	(\$26)	(\$1)	46%	27%	12%	-26%	-2%
Education, Training, Employment, and Social Services	\$693	(\$17)	\$307	\$56	\$74	11%	-0%	4%	1%	1%	3%	-0%	1%	0%	0%	\$378	(\$710)	\$324	(\$251)	\$18	120%	-102%	1925%	-82%	32%
Energy	(\$12)	\$5	\$17	\$19	\$21	-0%	0%	0%	0%	0%	-0%	0%	0%	0%	0%	(\$17)	\$17	\$12	\$2	\$2	-340%	144%	220%	10%	13%
General Budget	\$132	\$30	\$31	\$28	\$33	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	(\$134)	(\$103)	\$1	(\$3)	\$5	-50%	-77%	3%	-9%	20%
General Science, Space, and Technology	\$38	\$42	\$42	\$42	\$38	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	\$2	\$3	\$0	\$0	(\$4)	7%	9%	0%	0%	-10%
Health	\$909	\$889	\$933	\$994	\$1001	14%	14%	13%	14%	13%	3%	3%	3%	3%	3%	\$73	(\$20)	\$44	\$62	\$7	9%	-2%	5%	7%	1%
Income Security	\$813	\$742	\$690	\$705	\$758	13%	12%	10%	10%	10%	3%	3%	2%	2%	2%	(\$857)	(\$71)	(\$51)	\$14	\$53	-51%	-9%	-7%	2%	8%
International Affairs	\$77	\$68	\$67	\$35	\$53	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	\$31	(\$9)	(\$1)	(\$32)	\$18	67%	-12%	-2%	-47%	51%
Medicare	\$737	\$866	\$939	\$1018	\$1201	12%	14%	14%	14%	16%	3%	3%	3%	3%	4%	\$43	\$129	\$73	\$79	\$183	6%	17%	8%	8%	18%
National Defense	\$775	\$844	\$898	\$922	\$920	12%	13%	13%	13%	12%	3%	3%	3%	3%	3%	\$17	\$70	\$54	\$24	(\$1)	2%	9%	6%	3%	-0%
Natural Resource and Environment	\$40	\$49	\$81	\$66	\$56	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	(\$2)	\$9	\$32	(\$15)	(\$10)	-5%	24%	65%	-18%	-15%
Net Interest	\$518	\$730	\$908	\$999	\$1133	8%	12%	13%	14%	15%	2%	3%	3%	3%	3%	\$151	\$213	\$177	\$92	\$134	41%	41%	24%	10%	13%
Social Security	\$1244	\$1392	\$1484	\$1609	\$1684	20%	22%	21%	23%	22%	5%	5%	5%	5%	5%	\$124	\$148	\$92	\$125	\$75	11%	12%	7%	8%	5%
Transportation	\$133	\$129	\$141	\$143	\$136	2%	2%	2%	2%	2%	0%	0%	0%	0%	0%	(\$21)	(\$4)	\$12	\$2	(\$7)	-14%	-3%	9%	2%	-5%
Undistributed Offsetting Receipts	(\$236)	(\$143)	(\$150)	(\$155)	(\$121)	-4%	-2%	-2%	-2%	-2%	-1%	-1%	-1%	-0%	-0%	(\$108)	\$93	(\$7)	(\$5)	\$34	-84%	39%	-5%	-4%	22%
Veterans Benefits and Services	\$271	\$313	\$350	\$386	\$423	4%	5%	5%	5%	6%	1%	1%	1%	1%	1%	\$30	\$43	\$37	\$36	\$37	13%	16%	12%	10%	9%
Federal Budget Balance (t3yr CAGR = 5%)	(\$1419)	(\$1784)	(\$2018)	(\$1667)	(\$2051)	100%	100%	100%	100%	100%	-5.3%	-6.3%	-6.8%	-5.3%	-6.3%	\$1161	(\$365)	(\$234)	\$351	(\$384)	45%	-26%	-13%	17%	-23%
FFTT True Interest Expense (t3yr CAGR = 9%)	\$3273	\$3832	\$4228	\$4548	\$4938	52%	61%	61%	65%	65%	12%	13%	14%	14%	15%	\$335	\$559	\$396	\$319	\$390	11%	17%	10%	8%	9%
True Interest Expense + Medicaid + VA (t3yr CAGR = 9%)	\$4146	\$4762	\$5207	\$5619	\$6084	66%	76%	75%	80%	80%	15%	17%	17%	18%	19%	\$434	\$616	\$445	\$412	\$465	12%	15%	9%	8%	8%
Everything Else (t3yr CAGR = 2%)	\$2414	\$1857	\$2054	\$1810	\$1979	38%	29%	30%	26%	26%	9%	7%	7%	6%	6%	(\$989)	(\$557)	\$197	(\$243)	\$169	-29%	-23%	11%	-12%	9%

Intellectual Property of 42 Macro LLC. Data Source: Bloomberg. FFTT "True Interest Expense" = Medicare + National Defense + Net Interest + Social Security. Aggregate Untouchables = FFTT "True Interest Expense" + Medicaid + Veterans Benefits and Services.

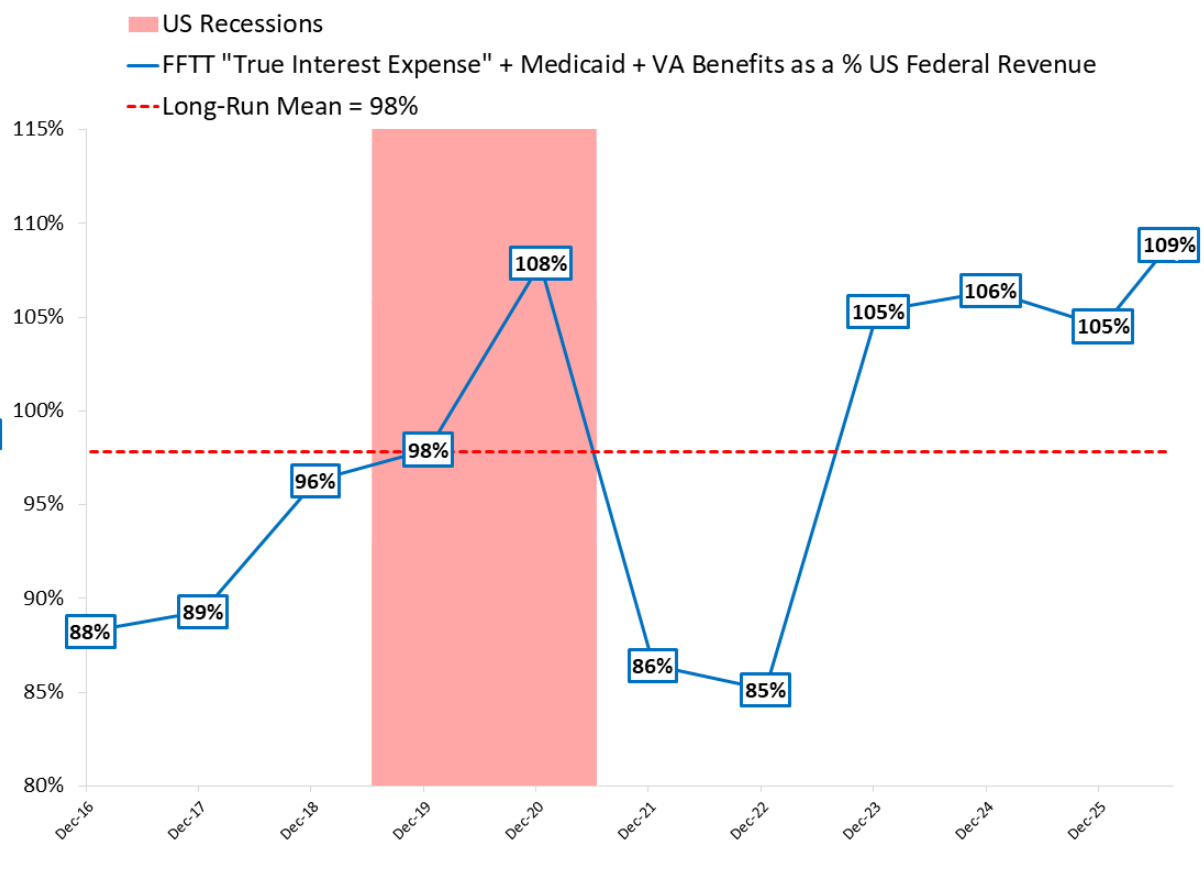
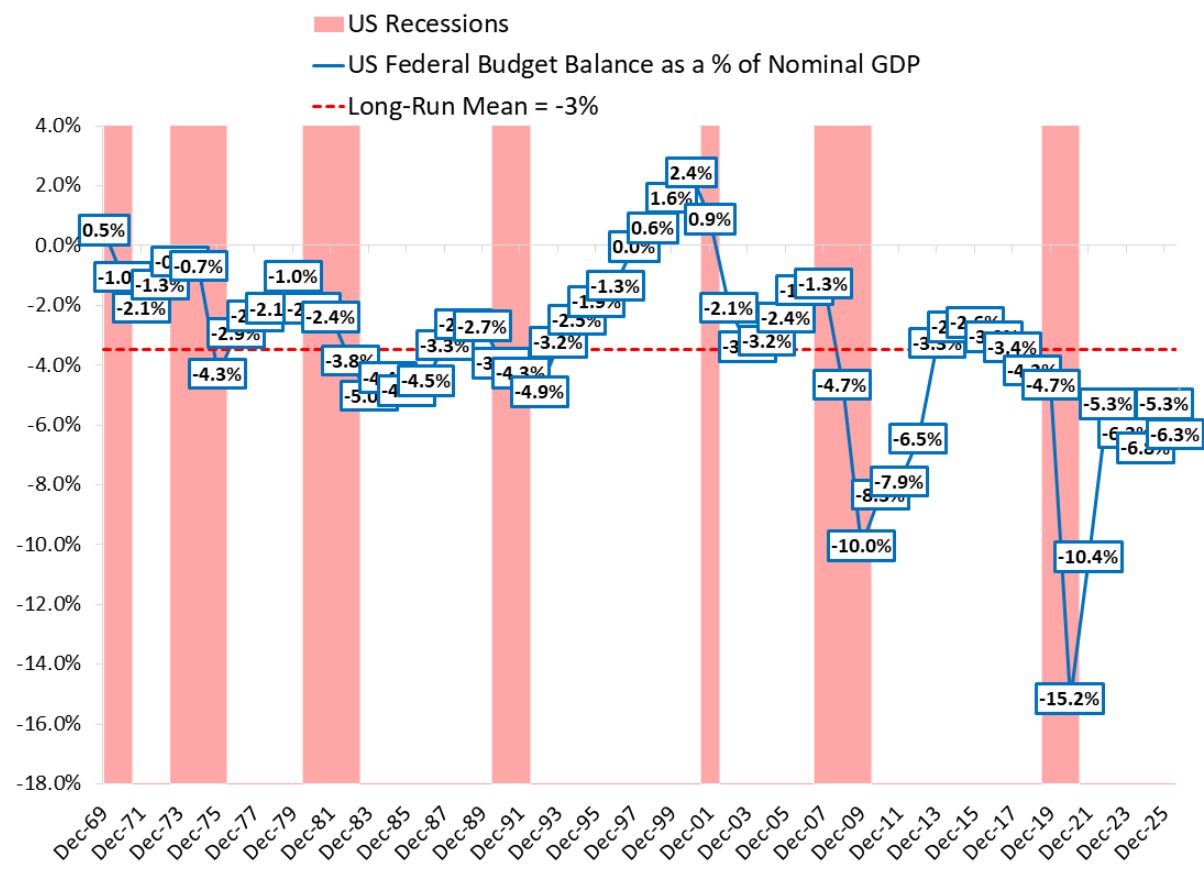
As predicted by our **U-Shaped Fiscal Policy** thesis, the Federal Budget Deficit is widening again due to OBBBA and “True Interest Expense.” The Federal Deficit/GDP Ratio has widened 90bps YoY to 6.6% in FY26. Driving this fiscal expansion are the -22% decline in Corporate Income Taxes, as well as the 15% increases in Medicare expenditures and Net Interest.

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Reminder: The US is running record non-war, non-recession federal budget deficits.

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The US federal government’s inability to cut spending—irrespective of which party is in control of Congress or the White House—is why the US is running record non-war, non-recession budget deficits amid a BOOMING Paradigm C economy. Worse, interest-like spending—whereby any reductions would be considered a default from the perspective of angry voters (Medicaid and VA Benefits), retirees (Social Security and Medicaid), investors (Net Interest), and the military industrial complex (National Defense)—is consuming over 100% of all tax receipts. The US must increasingly lever up to keep this game going.

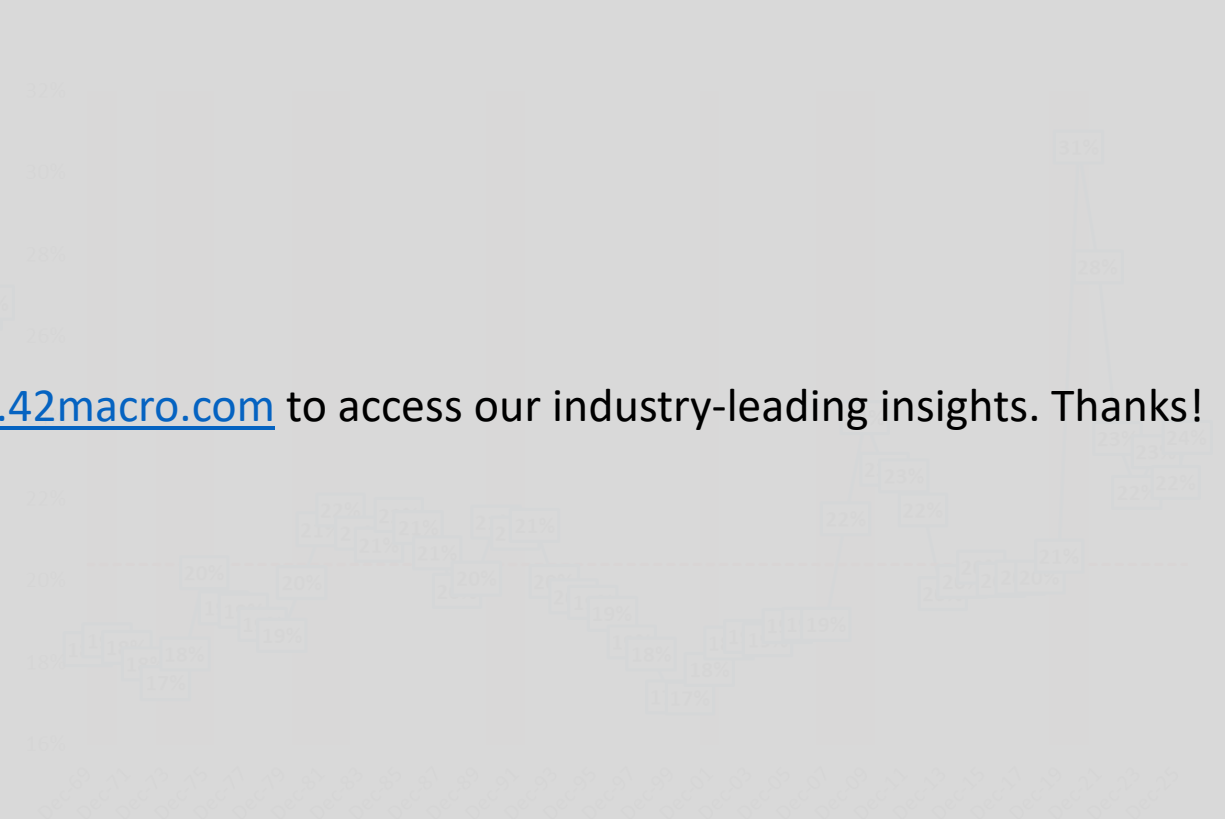


The US Federal Revenue/GDP Ratio is currently tracking at its long-run mean of 17% on a calendar YTD basis. Meanwhile, the US Federal Expenditures/GDP Ratio is currently tracking at 24% on a calendar YTD basis—roughly 400bps above its long-run mean. Financing substantial entitlements and industrial policy amid a rising cost of capital is increasingly expensive. **Paradigm C aka “Run It Hot”** remains the least bad option to deal with this political quagmire.

US Recessions — US Federal Revenue as a % of Nominal GDP — Long-Run Mean = 17%

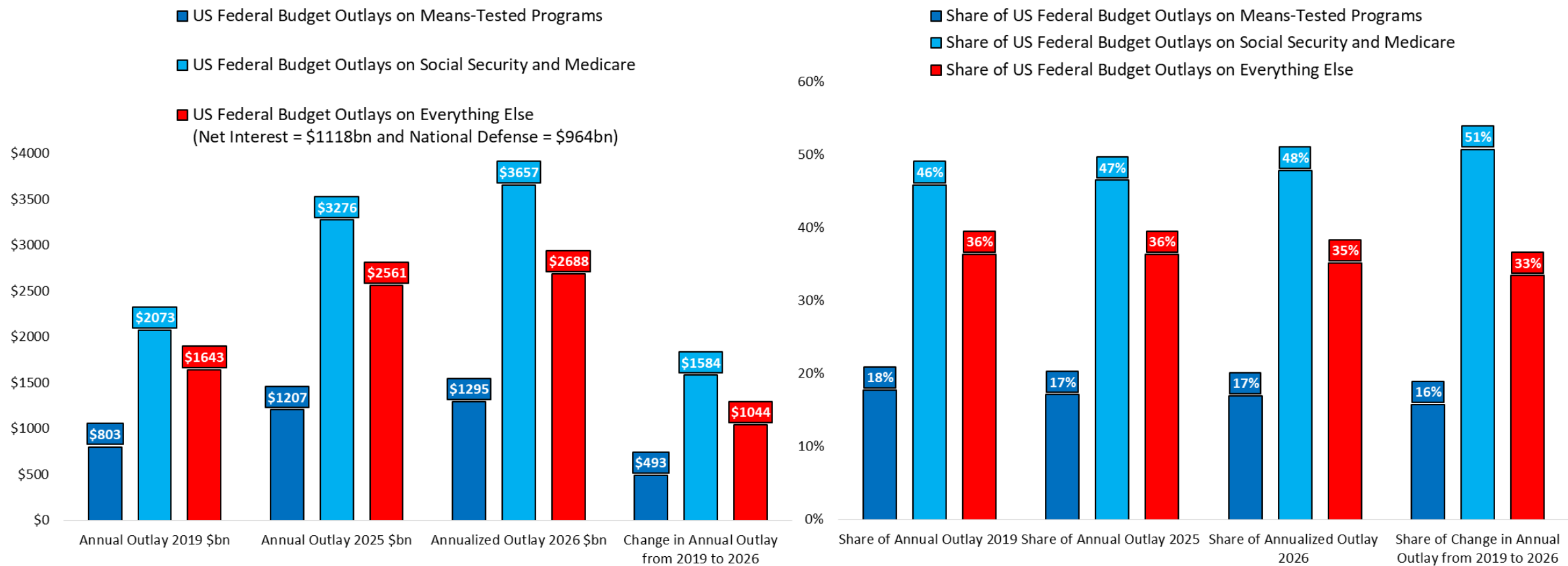


US Recessions — US Federal Expenditures as a % of Nominal GDP — Long-Run Mean = 20%

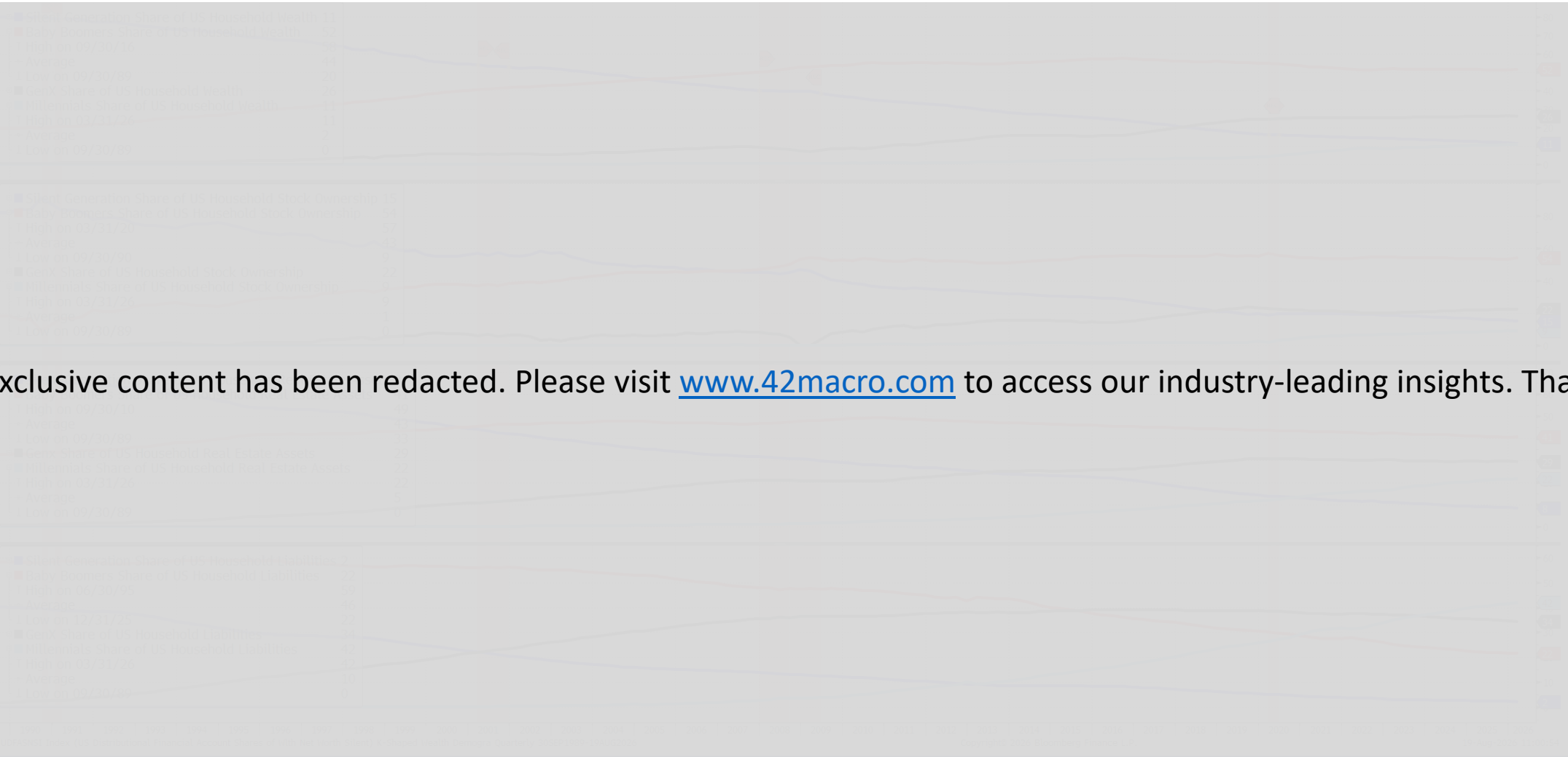


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Paradigm B aka “Cut the Deficit” remains a politically painful alternative. The spectacular failure of DOGE—which we accurately predicted in the fall of 2024—signaled little political will among either party to pursue this structurally sound strategy. The key question is where they would cut. \$0.83 of every dollar the US federal government spends winds up in the bank accounts of the elderly and the wealthy—i.e., the two most politically active cohorts via voter turnout and campaign finance. It’s political suicide to do anything that materially narrows the budget deficits because the federal gov’t does not spend enough money on poor people to make a dent.

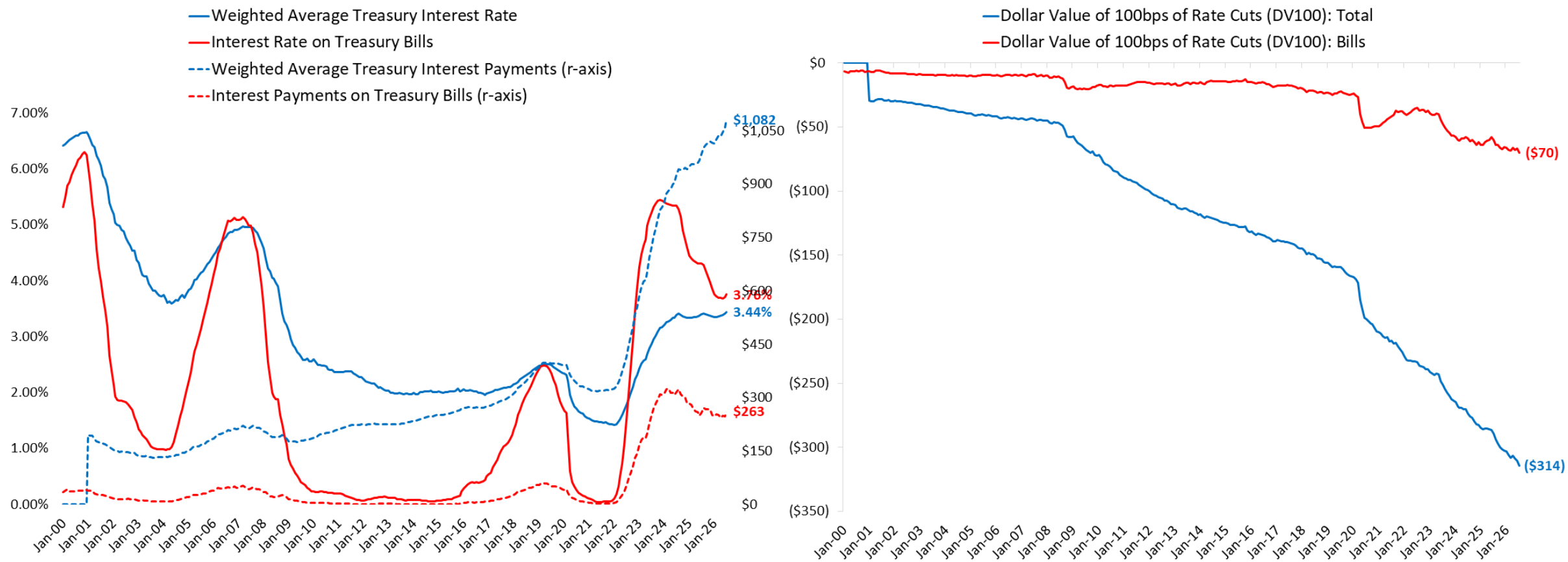


Reminder: The Silent Generation and Baby Boomers currently account for 63% of US household wealth. Distinctions like “elderly” and “wealthy” are not mutually exclusive among US voters.

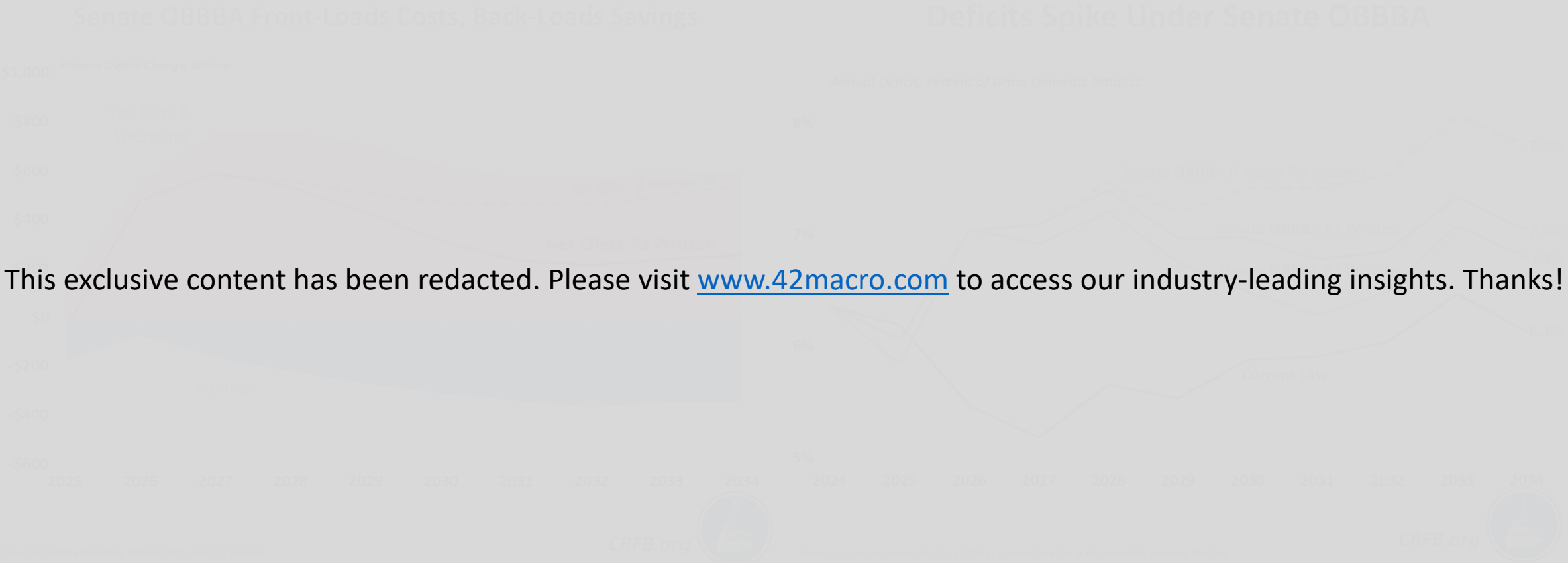


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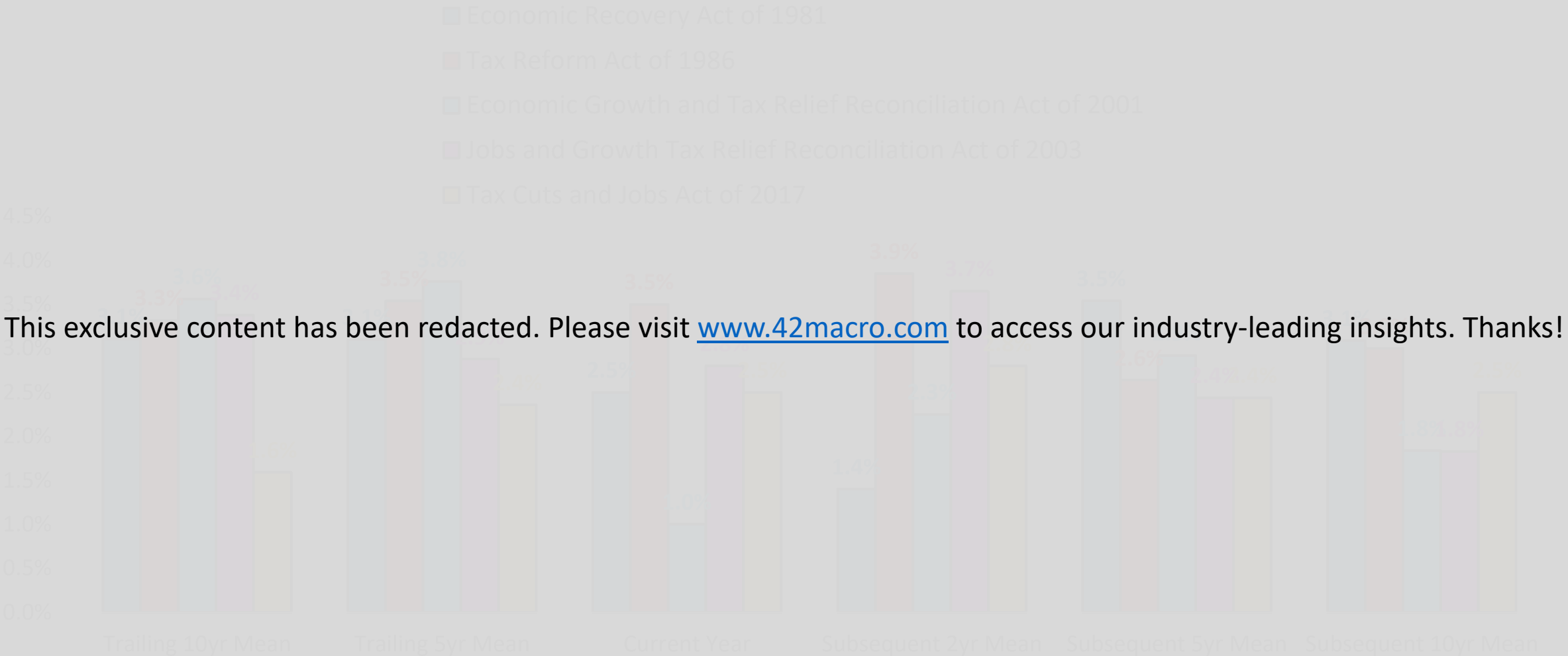
Paradigm D aka “**Print the Demand**” remains the highest probability outcome after **Paradigm C** concludes. In fact, we consider the Fed’s 175bps of rate cuts since 2023 amid **Sticky Inflation** and its Reserve Management Purchases (RMP) since Dec-25 as early signs of a gradual transition to **Paradigm D**. An additional 100bps of rate cuts by the Fed—which we view as near certainty throughout 2027—would save the federal government roughly a percent of GDP’s worth of interest payments based on the current composition of the debt stock. Investors would be remiss to discount this as a reason why gold bottomed and Treasury bonds are selling off.



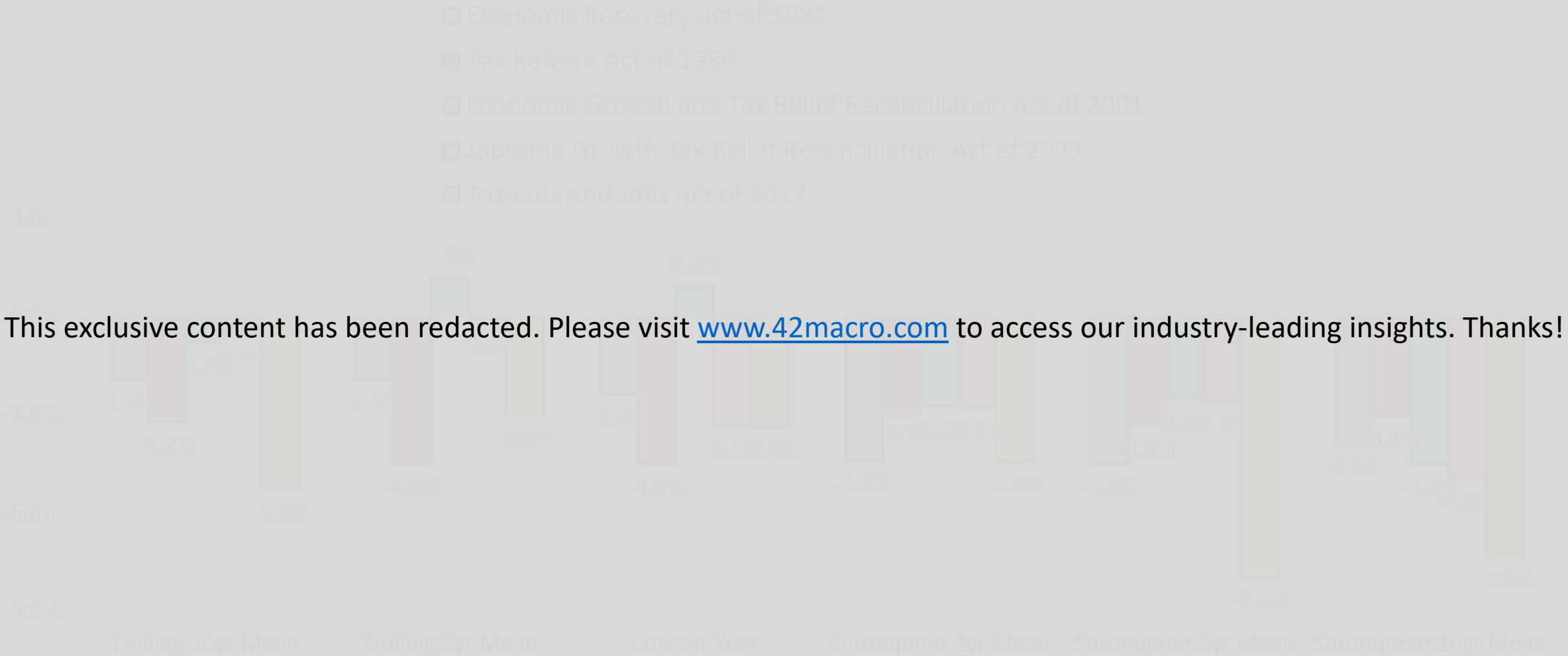
Reminder: The tax relief of OBBBA is front-loaded, while the spending cuts are back-loaded—if they ever materialize.



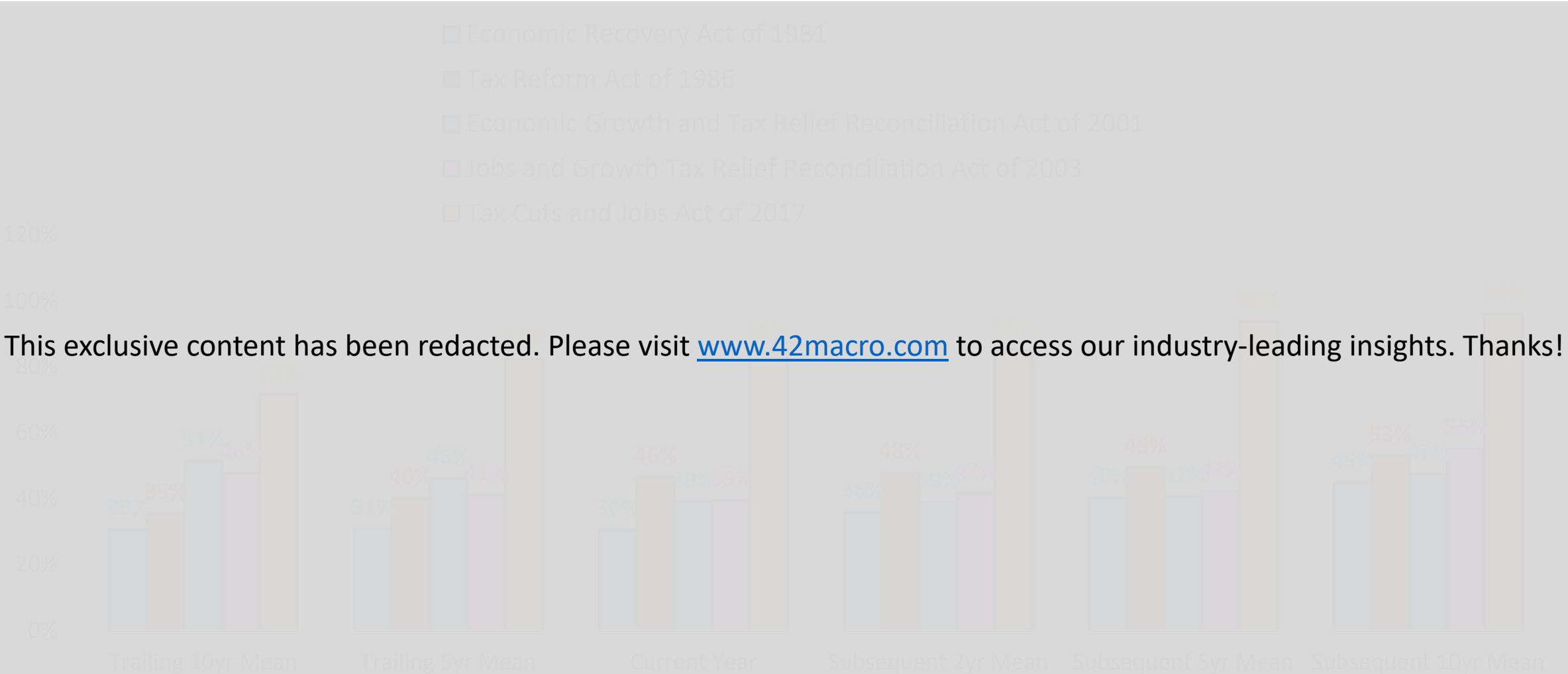
Reminder: There is scant evidence of Republican tax cuts catalyzing durable positive shocks to Real GDP growth. The record—**1 out of 5**—is paltry to say the least.



Reminder: There is abundant evidence of Republican tax cuts catalyzing durable negative shocks to the Federal Budget Balance. The record—**4 out of 5**—is concerning to say the least.



Reminder: There is abundant evidence of Republican tax cuts catalyzing durable negative shocks to the Federal Debt/GDP Ratio. The record—**5 out of 5**—is frightening to say the least.

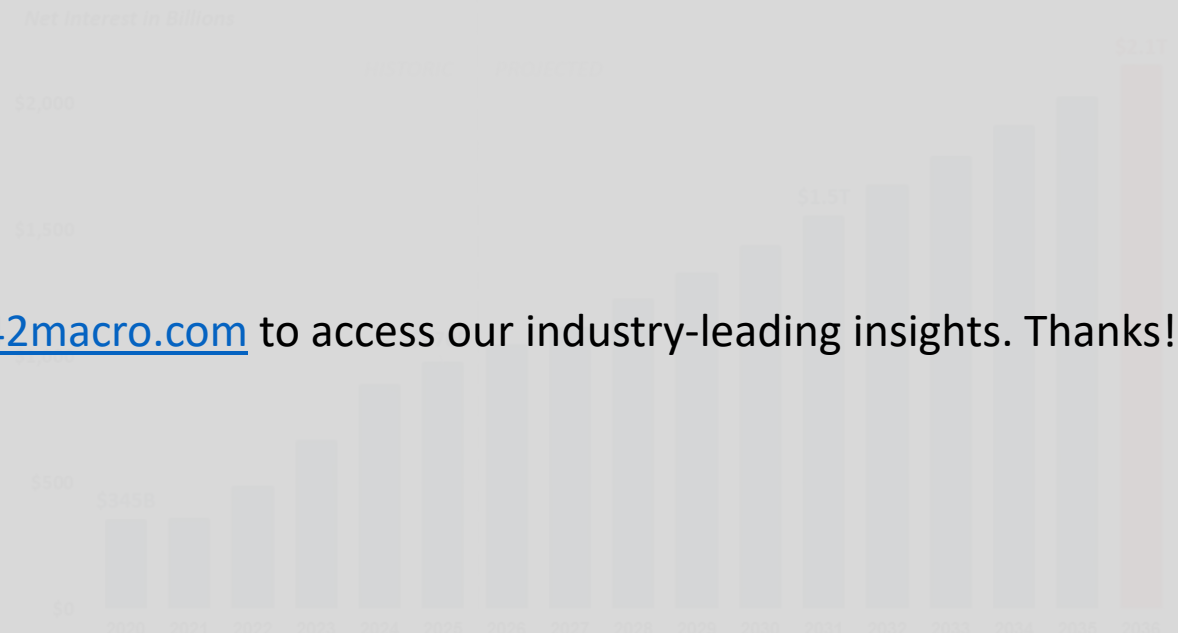


The US has already passed the point of no return in sovereign indebtedness terms.

Interest Costs Outpace Major Spending Categories



Net Interest Costs Are Rising Rapidly



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Source: Department of the Treasury, Congressional Budget Office

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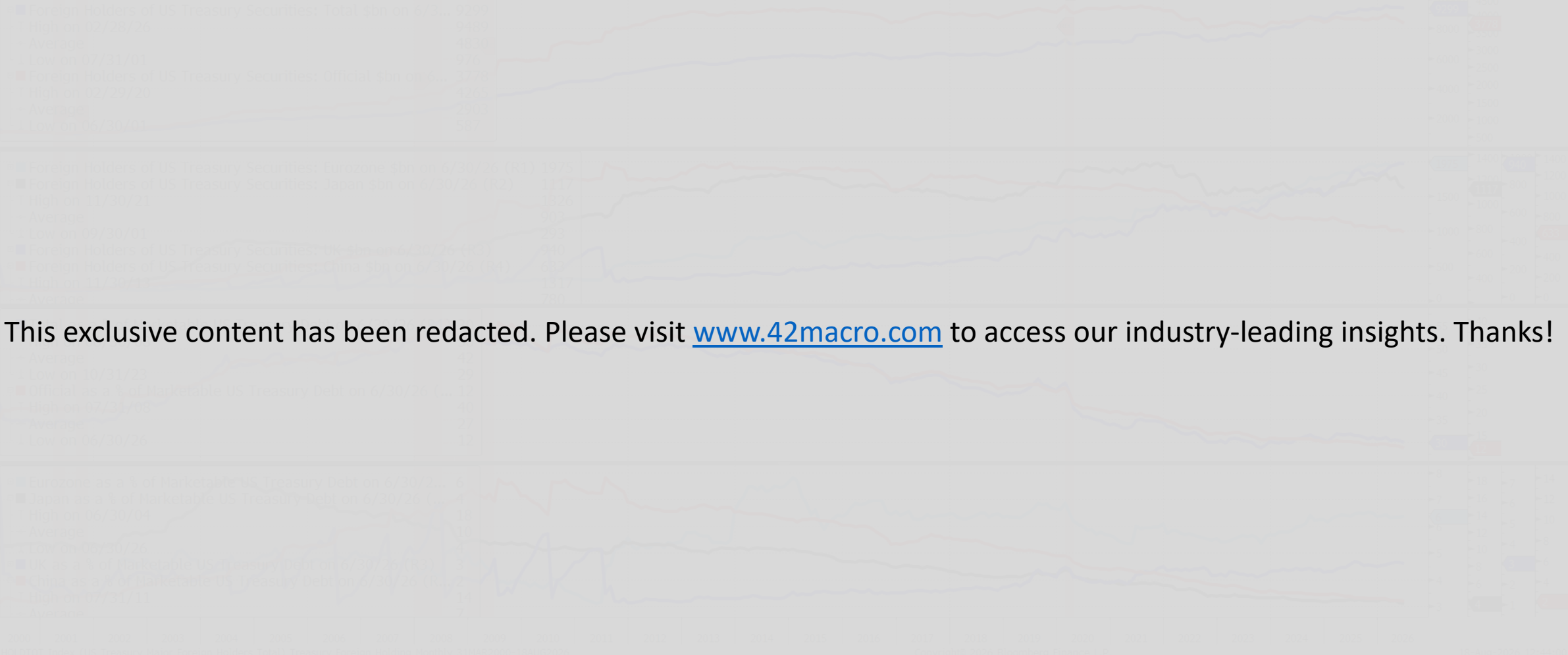


Source: Department of the Treasury, Congressional Budget Office

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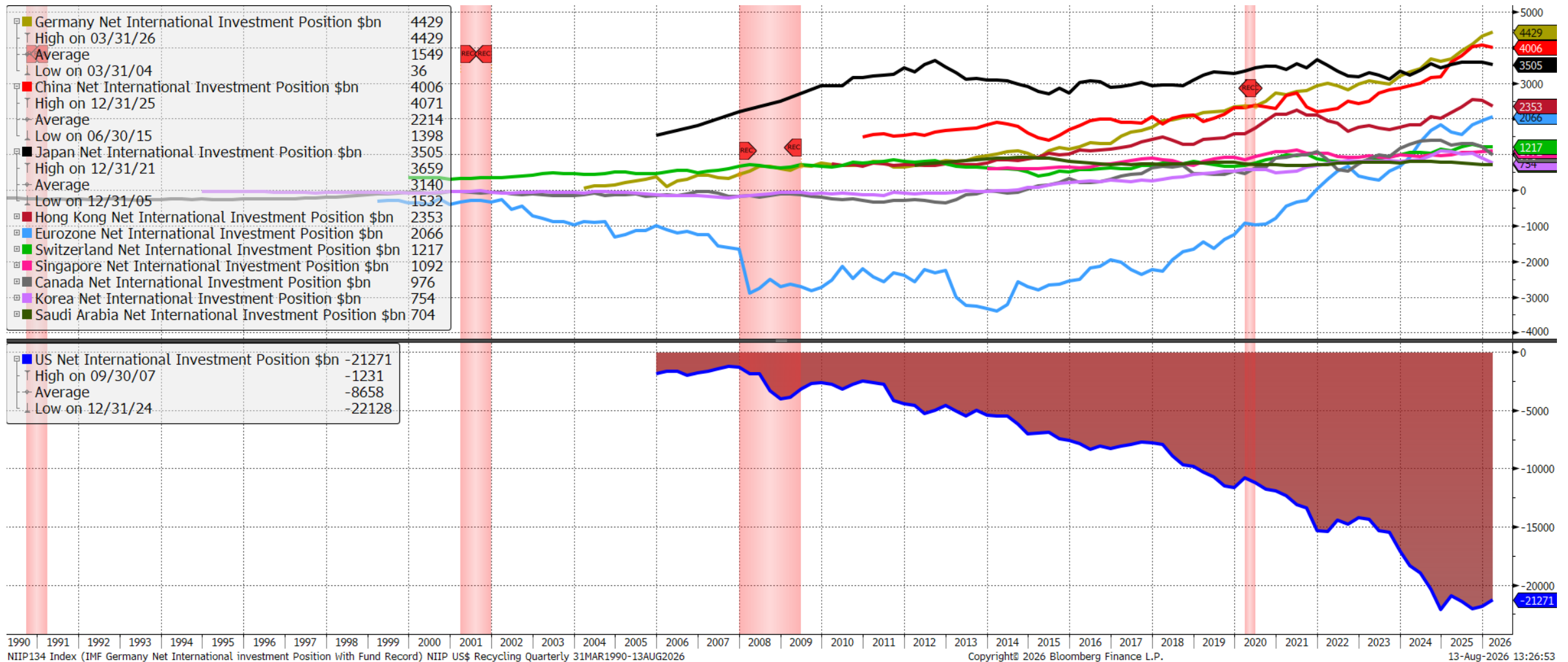


The US violating *Ferguson's Law* is concerning given that foreign creditors own roughly a third of marketable US Treasury securities.

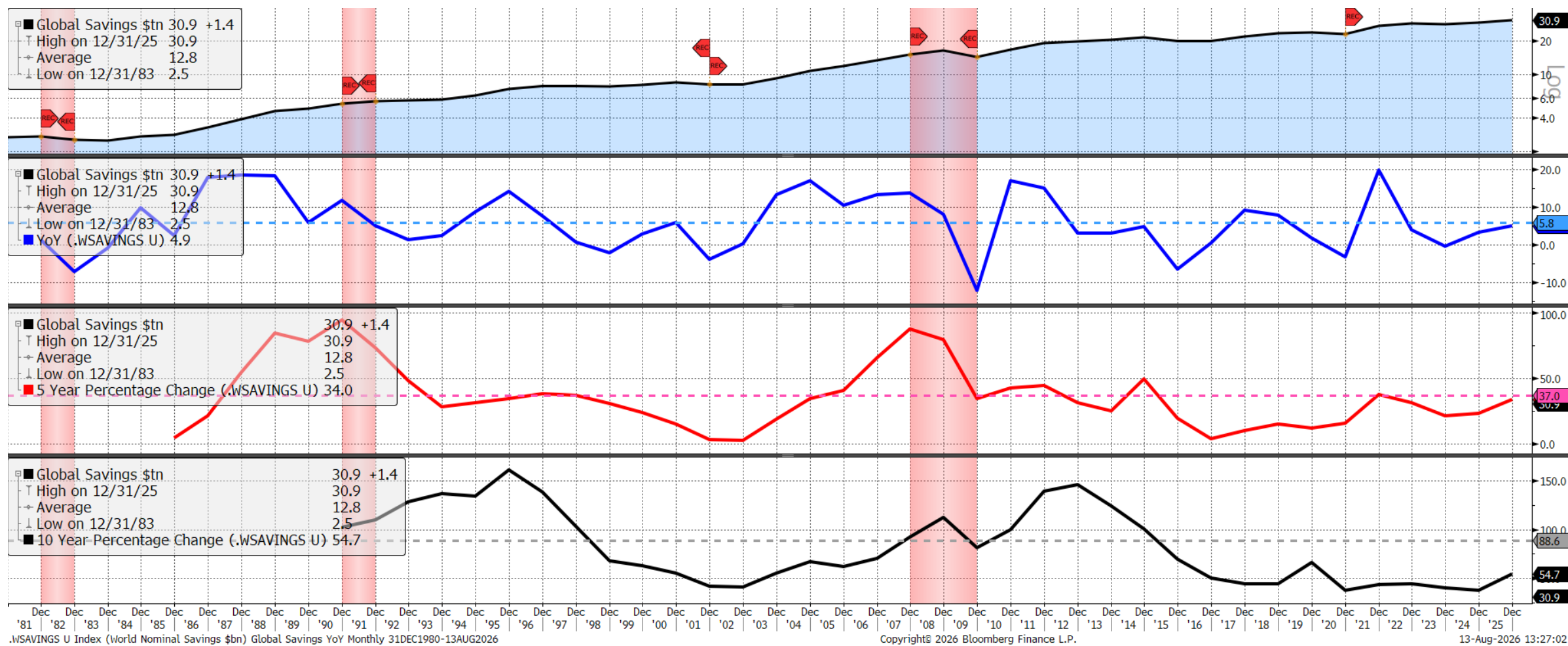


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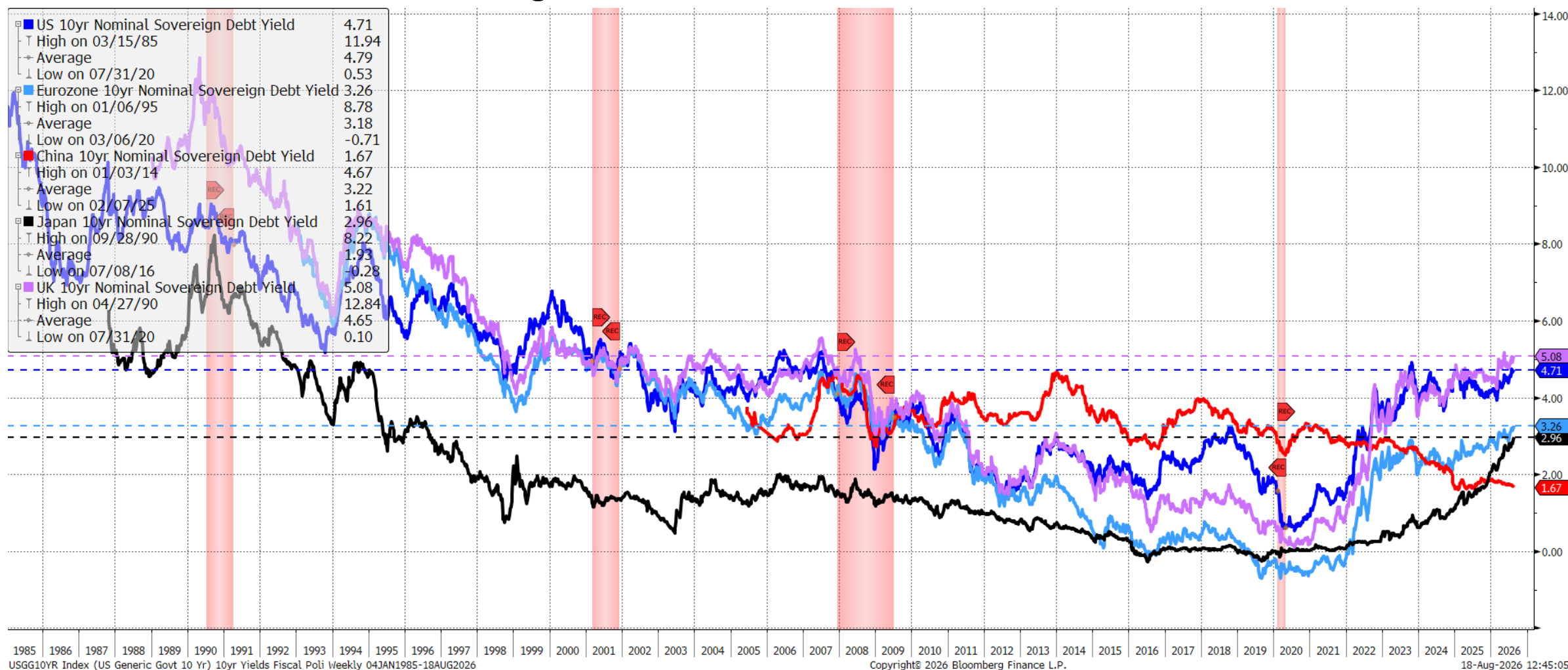
Europe remilitarizing, Japan reflating, China decoupling, and BRICS+ members generally disfavoring US dollar hegemony each represent a durable negative demand shock for marketable Treasury debt.



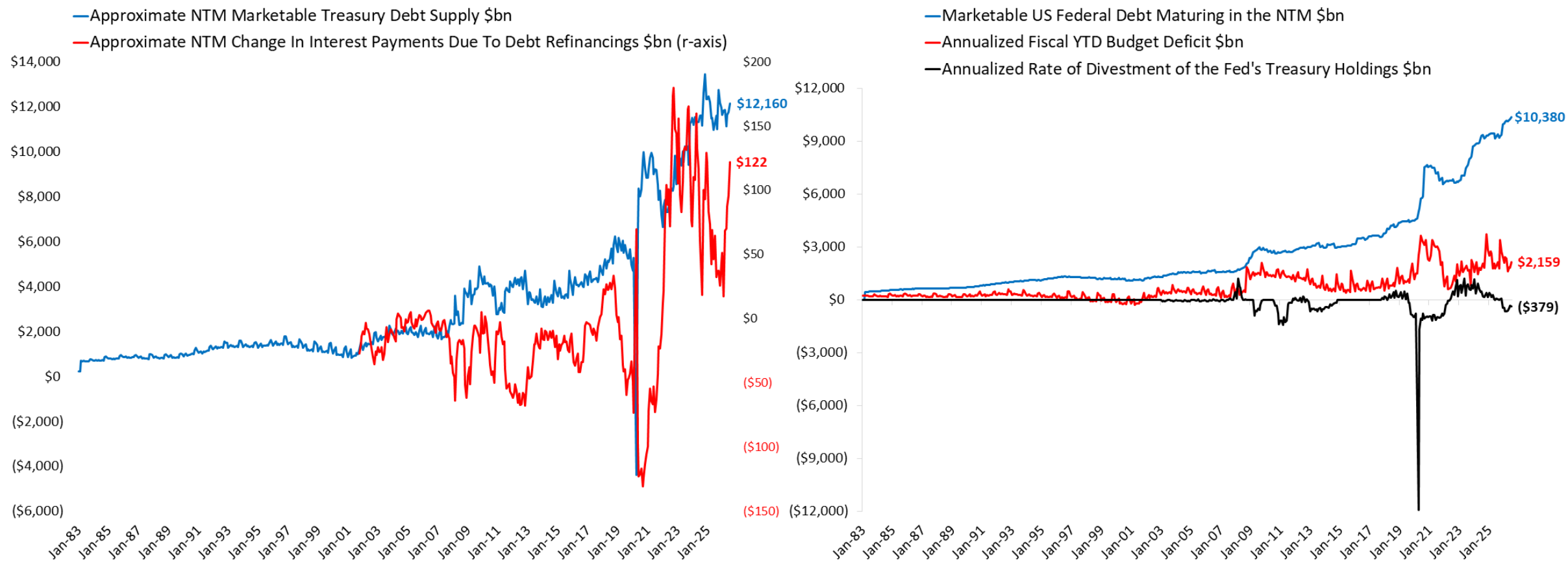
The trailing 10-year growth rate of global savings is among the lowest on record and well below its long-run mean. This dynamic is unlikely to meaningfully or durably improve given the ongoing shift to a multi-polar world and all the added fiscal expenditures on defense and infrastructure that it entails.



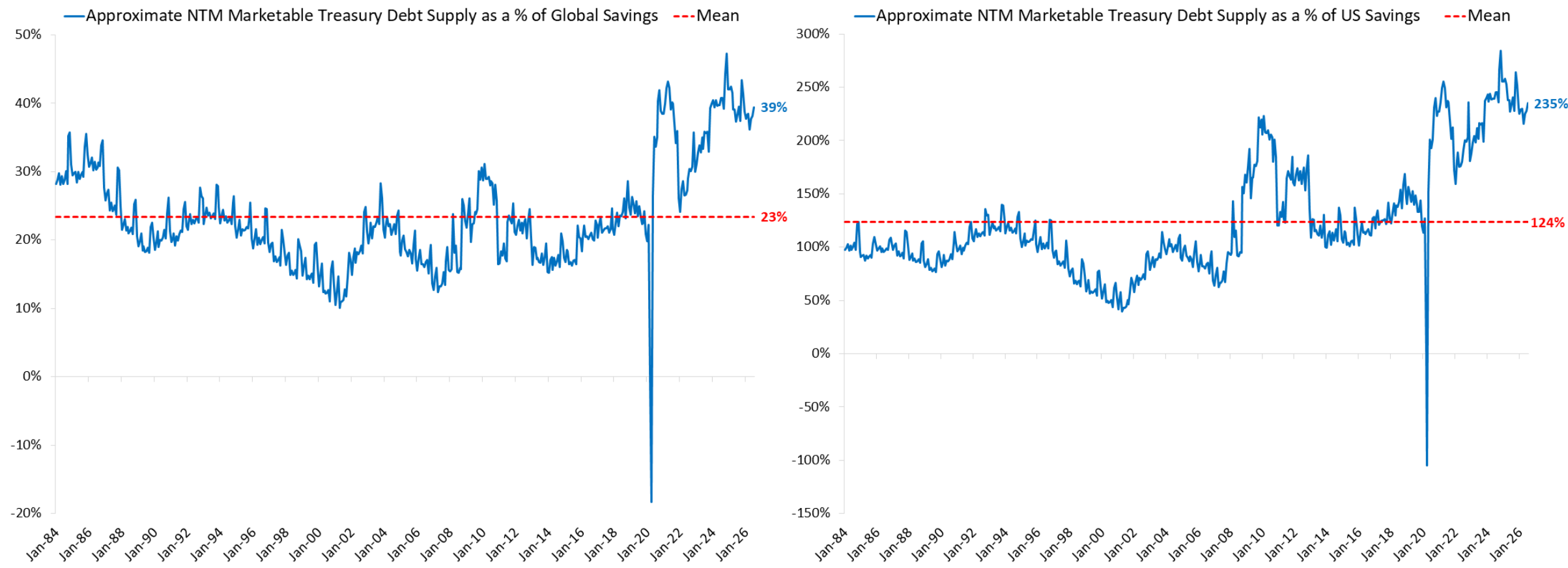
The ~15-year high in 10yr Nominal Eurozone Gov't Bond Yields, ~20-year high in the 10yr Nominal UK Gilt Yield, and ~30-year high in the 10yr Nominal JGB Yield are telltale signs that the supply of global savings continues to deteriorate at the margins.



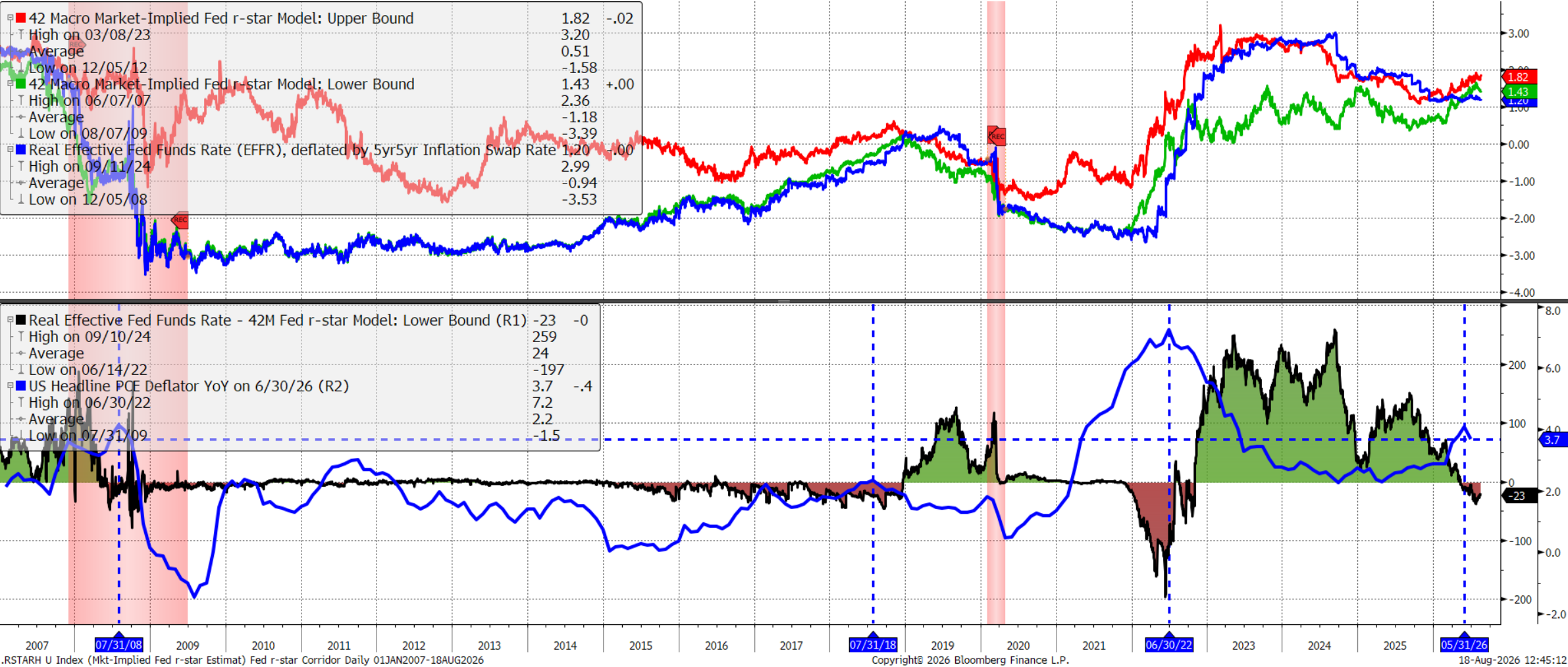
Meanwhile, Treasury Secretary Bessent must finance over \$12tn over the NTM—more than double the Treasury’s capitalization needs just prior to COVID.



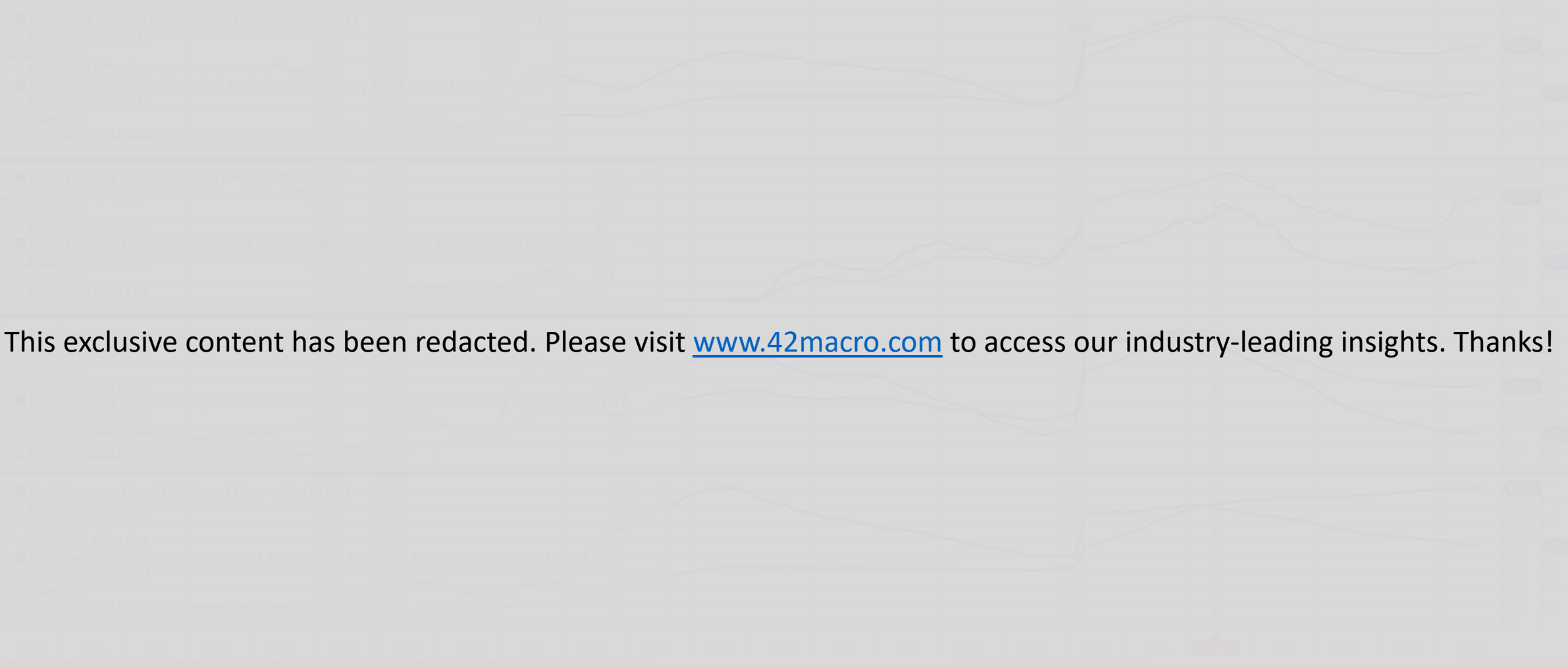
The likely durable reversal of global capital flows, the likely durable deceleration in global savings growth, and the likely durable acceleration in marketable Treasury debt supply are each key contributors to the **Geopolitically Driven Supply-Demand Imbalance in the Treasury Bond Market**—i.e., **Paradigm A**.



The increased competition for capital has pushed up r-star in the US by 50-75bps since February per the **42 Macro Market-Implied Fed r-star Model**. The Real Effective Fed Funds Rate is now below the lower bound of our estimate range. The Fed risks agitating bond vigilantes via **Sticky Inflation** if it does not hike.



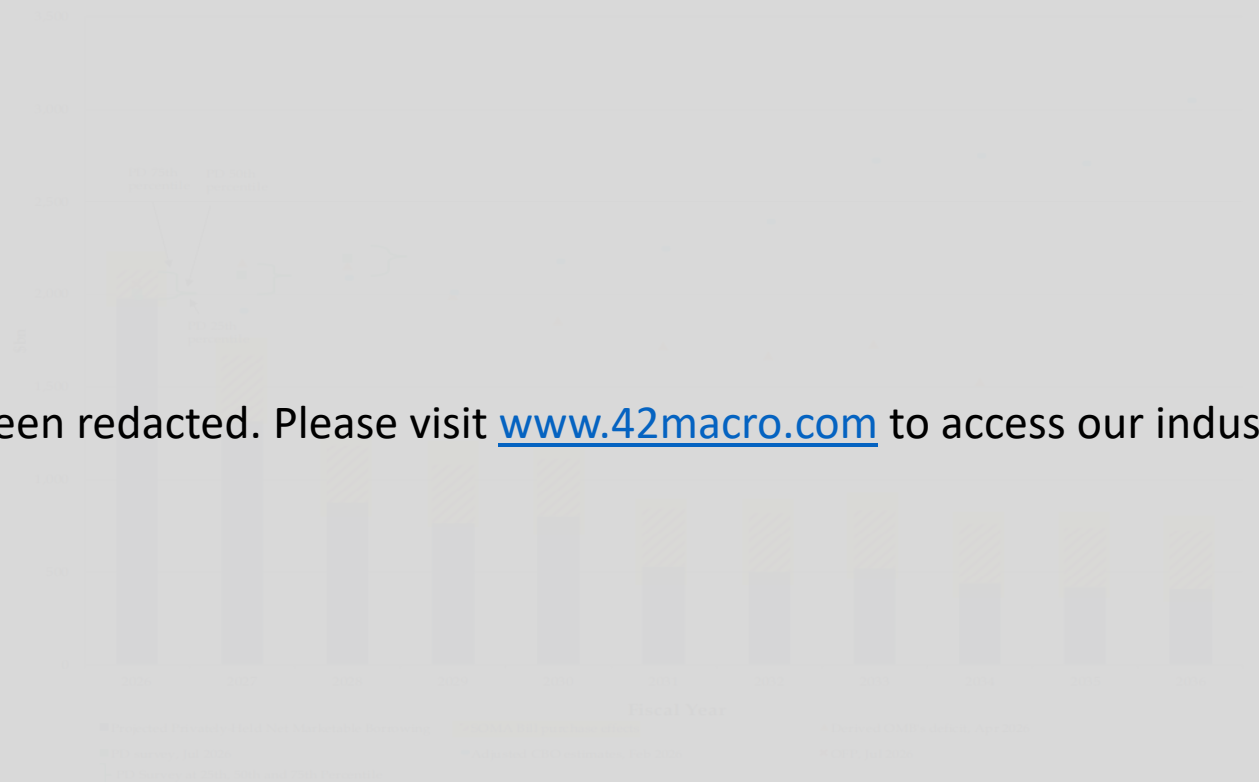
The persistence and likely deepening of the **Geopolitically Driven Supply-Demand Imbalance in the Treasury Bond Market** are why the Fed has no choice but to continue monetizing US sovereign debt over the long term. Kevin Warsh was likely appointed because he's the most credible "dove in hawk's clothing."



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The US Treasury Department currently expects \$200-400bn per annum in net financing support from the Fed indefinitely. There is a high probability that these projections increase year after year indefinitely.

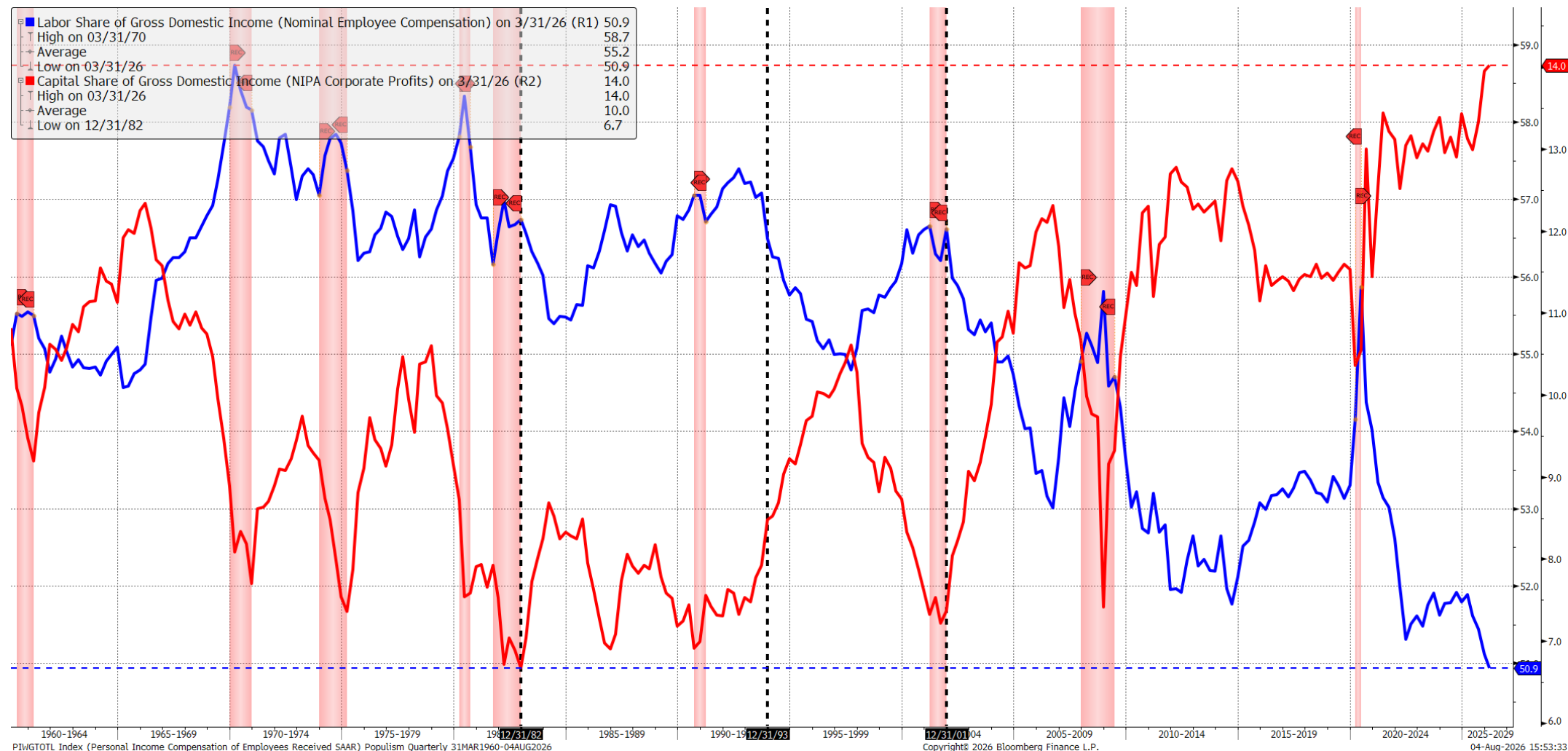
Projected Privately-Held Net Marketable Borrowing
Assuming Private Coupon Issuance & Privately-Held Bills Outstanding Remain Constant as of 7/31/2026*



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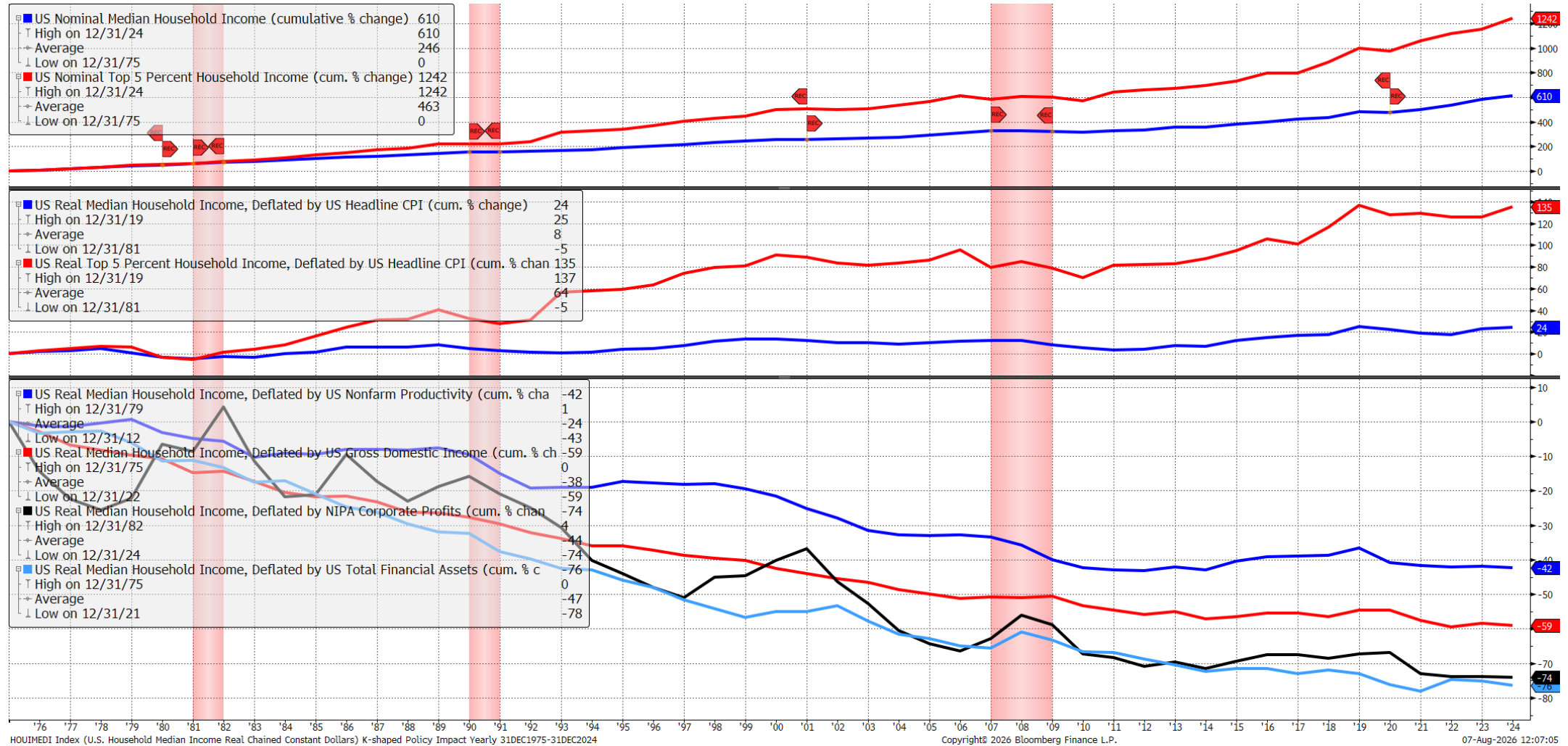
*Treasury's latest primary dealer survey median/interquartile range estimates can be found on page 18. CBO's projections are from Table 1-3 of "The Budget and Economic Outlook: 2026 to 2036," February 2026. OMB's deficit projections are derived from Table 8-1 and Table 15-1 of "Budget of the U.S. Government: Analytical Perspectives Fiscal Year 2027," April 2026. OMB's borrowing estimates are not available for this refunding. In addition, all privately-held net marketable borrowing estimates are normalized with a cash balance assumption of \$950 billion. SOMA purchase effects are estimated based on recent MBS principal payments and reserve management purchases.

"Members of the capital/K-1 class accumulating wealth at arguably the fastest rate since the Gilded Age" would be a historic achievement and worthy of broad celebration IF it were not at the direct expense of the less-fortunate members of the labor/W-2 class. Worse, this dynamic is being perpetuated by the **Reverse Robin Hood effect** whereby the wealthy elites pay top dollar to rig election outcomes, legislation, and regulation on their behalf to siphon income from low-to-median-income families.



© 42 Macro LLC. Data Source: Bloomberg. Black dotted lines = 1982 Merger Guidelines, NAFTA signed into law (Dec-93), and China's inclusion into the WTO (Dec-01). Under the Reagan administration, William Baxter, head of the DOJ's antitrust division, issued new merger guidelines that were grounded in market-concentration economics that made far more mergers presumptively lawful. The S&P 500 has compounded at 23% per annum on a total return basis since the start of Jan-23. 23% compares to a long-run mean of 12%.

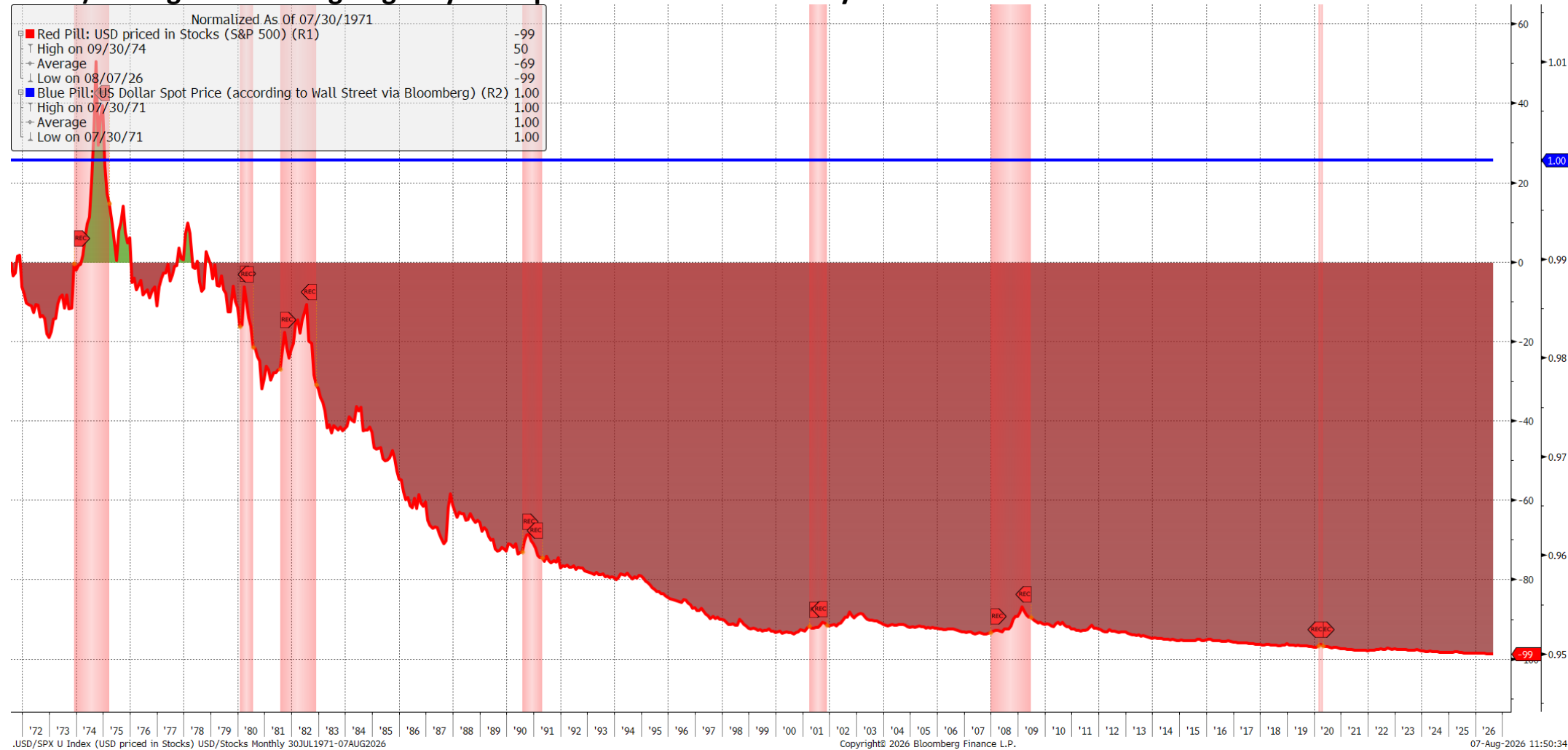
According to Dr. Peter Turchin of the Complexity Science Hub, the technical term for "the wealthiest members of society having controlling stakes in government and using this outsized political influence to siphon income and wealth from non-elites" is the "wealth pump." We call it the **Reverse Robin Hood effect**.



© 42 Macro LLC. Data Source: Bloomberg. While the US Median Household Income has grown sevenfold in nominal terms over the past 50 years (12.2ppt. p.a.), it has increased only 24% on a real basis (0.5ppt. p.a.). Worse, it has declined **-42%** in real terms when deflated by Nonfarm Productivity, **-59%** when deflated by Gross Domestic Income, **-74%** when deflated by Corporate Profits, and **-76%** when deflated by Asset Prices.

This means the median US household is participating in an ever-declining share of the productivity, income, profits, and wealth that it helps create.

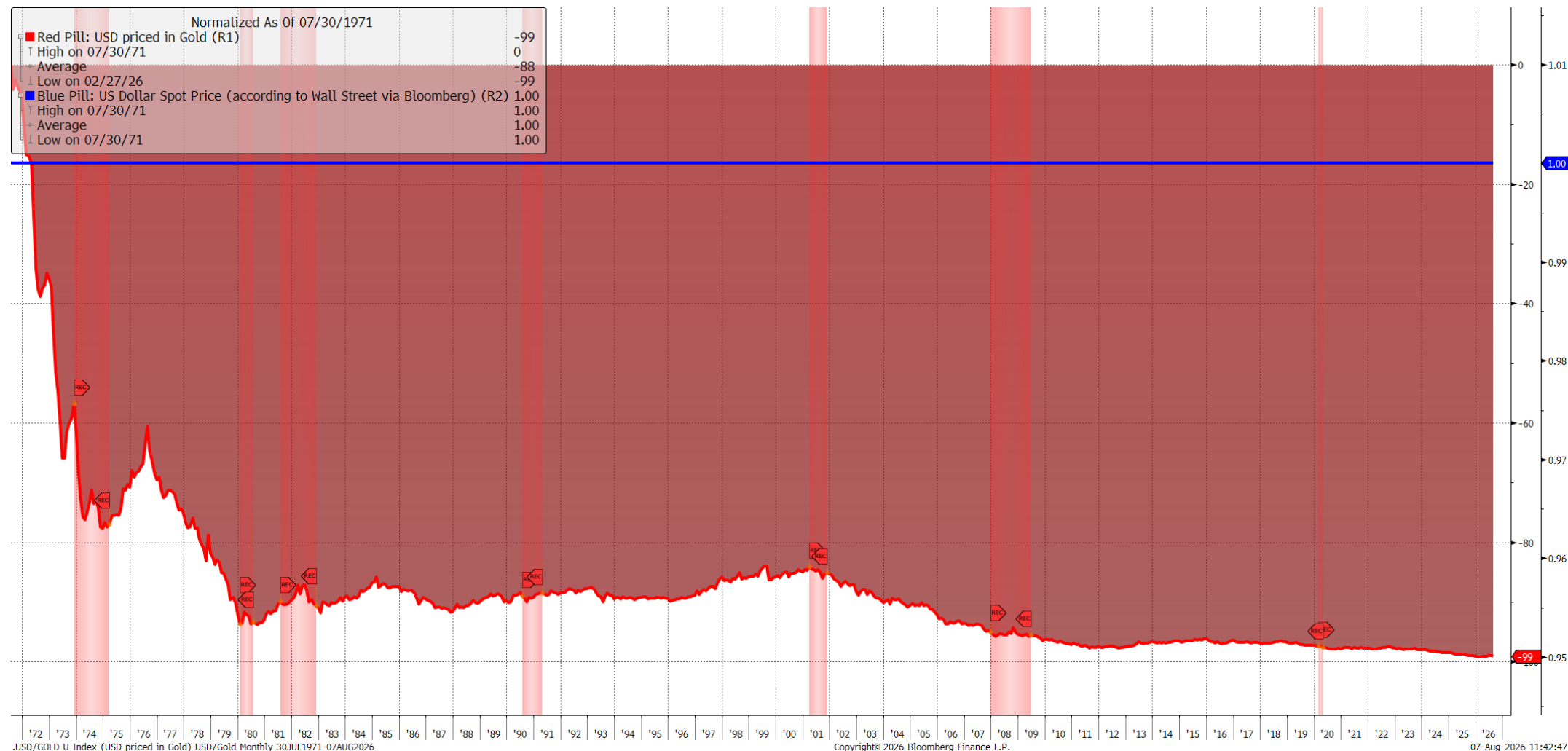
The **historic Cantillon effect** is also a key driver of the **K-shaped Economy Crisis (KEC)** and our **Sticky Inflation** theme because excess demand for goods and services from households that benefit from the **Reverse Robin Hood effect** pushes up prices for low-to-median-income households that acquire these goods and services on a lag. The US dollar has lost **-99%** of its value relative to stocks (geometric mean = **-8%**) throughout the ongoing 55-year experiment with fiat money.



© 42 Macro LLC. Data Source: Bloomberg. *The Money Illusion* is a term popularized by Irving Fisher in his 1928 book of the same title.

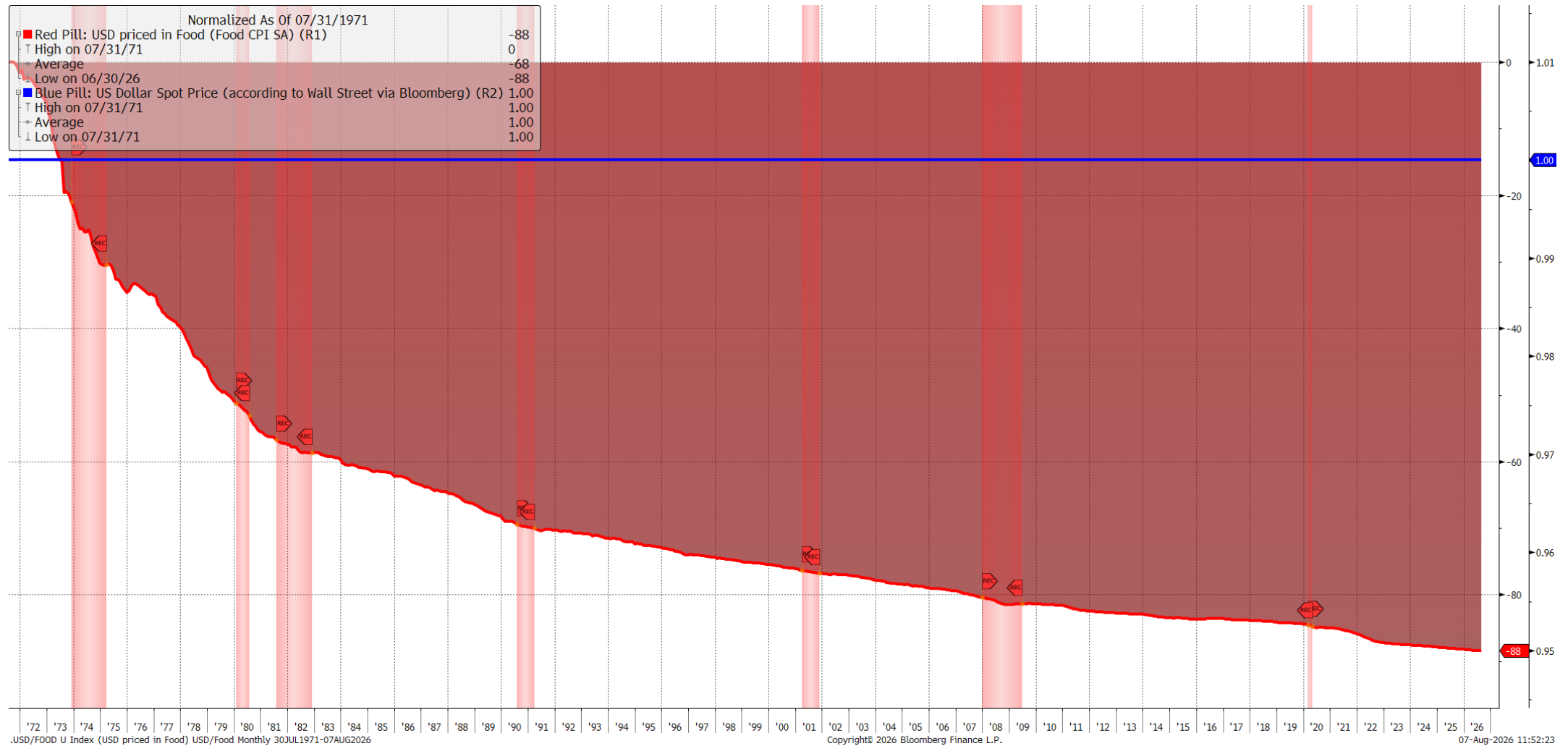
President Nixon, acting under the counsel of Treasury Secretary John Connally, suspended the convertibility of the US dollar into gold on Sunday, August 15, 1971—thereby ending the Bretton Woods monetary order and ushering in the current fiat money regime.

See through the “Money Illusion”: The US dollar has lost **-99%** of its value relative to gold (geometric mean = **-8%**) throughout the ongoing 55-year experiment with fiat money.



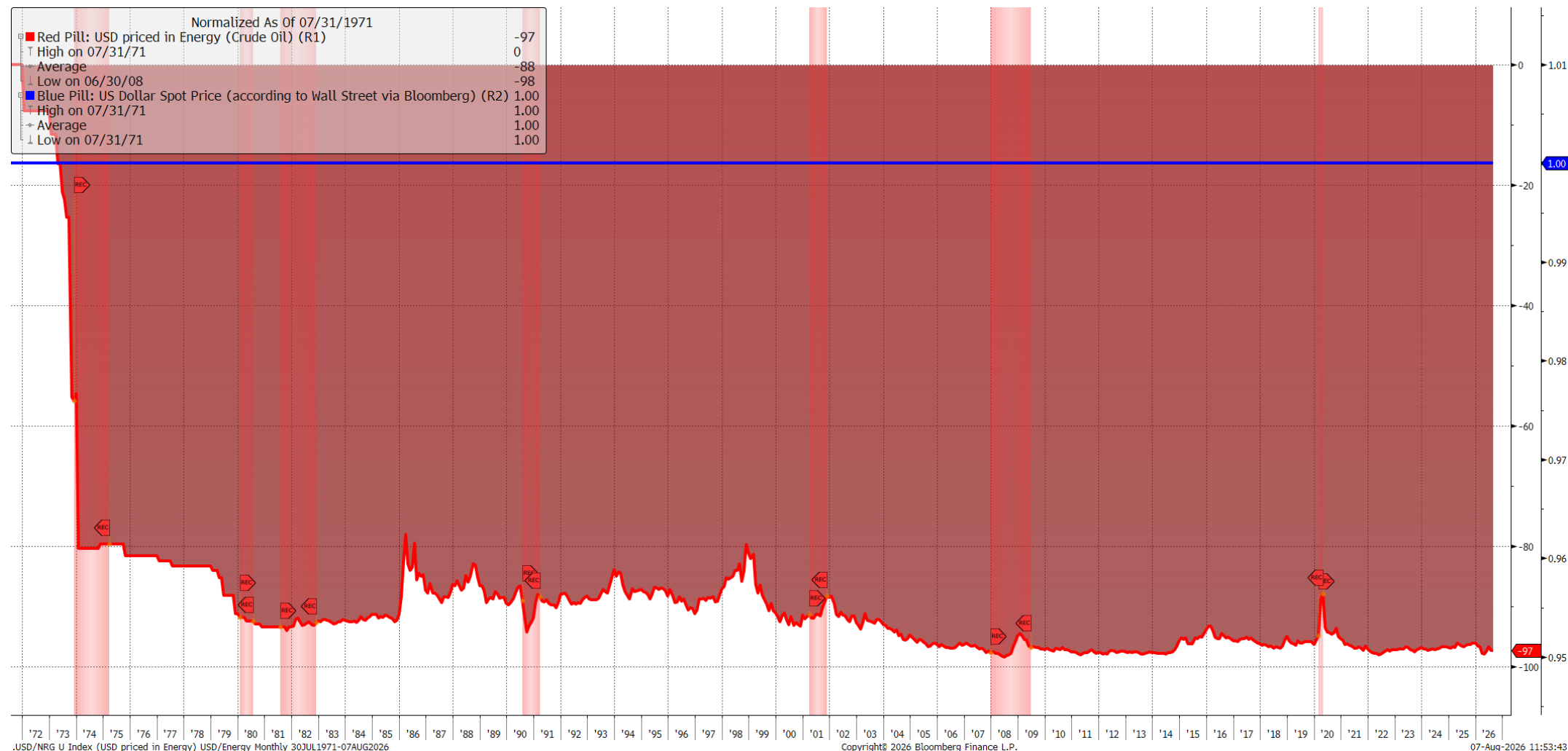
© 42 Macro LLC. Data Source: Bloomberg. *The Money Illusion* is a term popularized by Irving Fisher in his 1928 book of the same title. President Nixon, acting under the counsel of Treasury Secretary John Connally, suspended the convertibility of the US dollar into gold on Sunday, August 15, 1971—thereby ending the Bretton Woods monetary order and ushering in the current fiat money regime.

See through the “Money Illusion”: The US dollar has lost **-88%** of its value relative to food (geometric mean = **-4%**) throughout the ongoing 55-year experiment with fiat money.



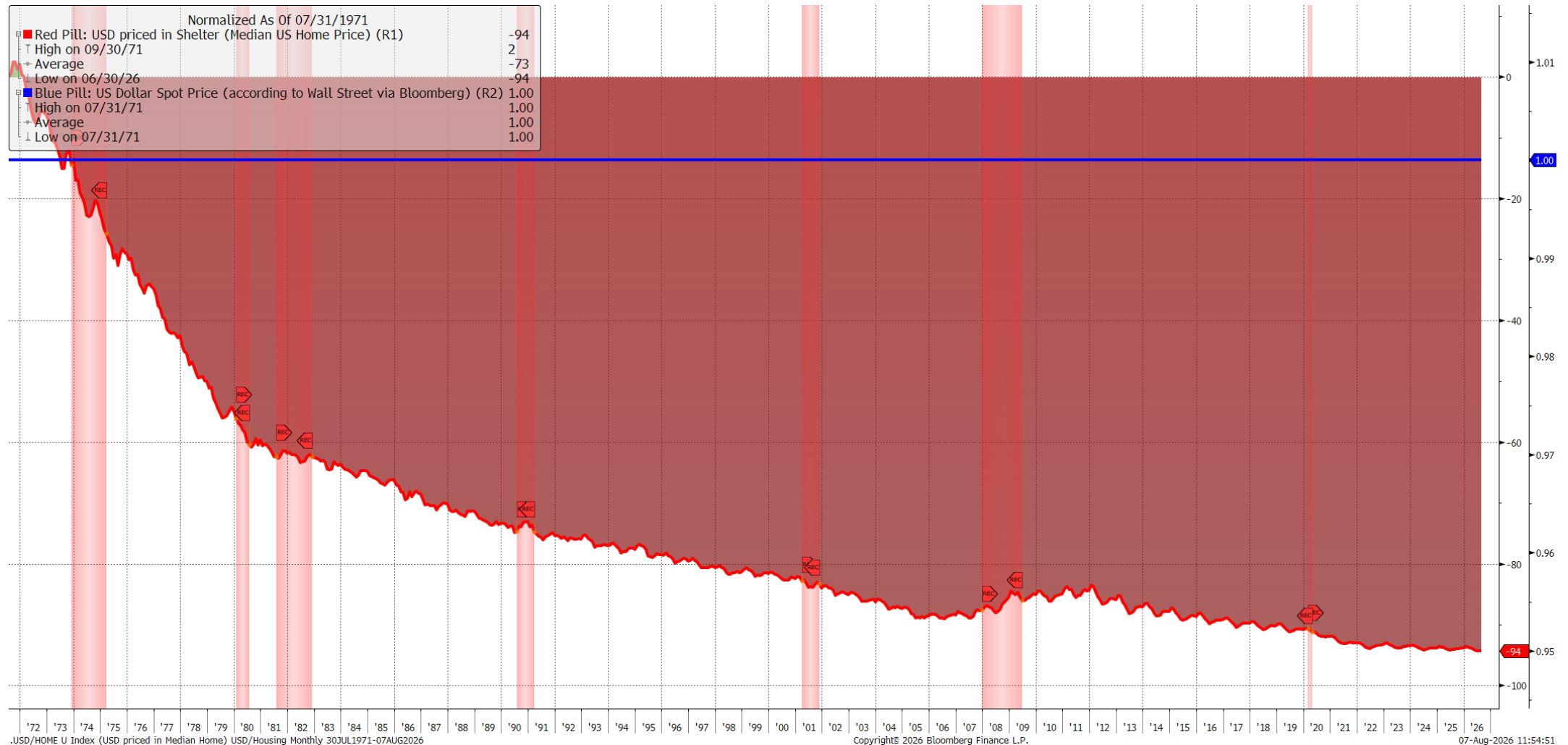
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See through the “Money Illusion”: The US dollar has lost **-97%** of its value relative to energy (geometric mean = **-6%**) throughout the ongoing 55-year experiment with fiat money.



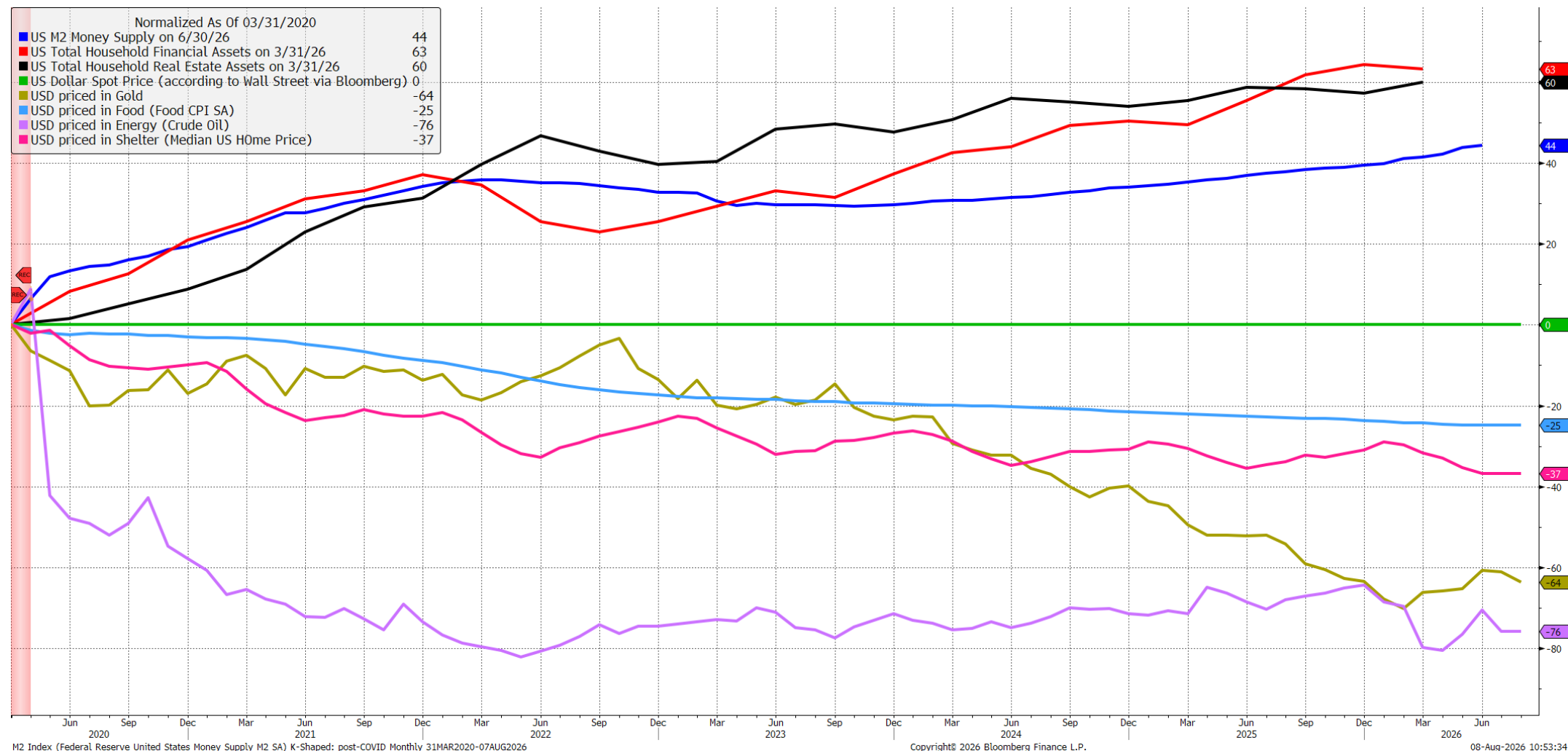
© 42 Macro LLC. Data Source: Bloomberg. *The Money Illusion* is a term popularized by Irving Fisher in his 1928 book of the same title. President Nixon, acting under the counsel of Treasury Secretary John Connally, suspended the convertibility of the US dollar into gold on Sunday, August 15, 1971—thereby ending the Bretton Woods monetary order and ushering in the current fiat money regime.

See through the “Money Illusion”: The US dollar has lost **-94%** of its value relative to shelter (geometric mean = **-5%**) throughout the ongoing 55-year experiment with fiat money.

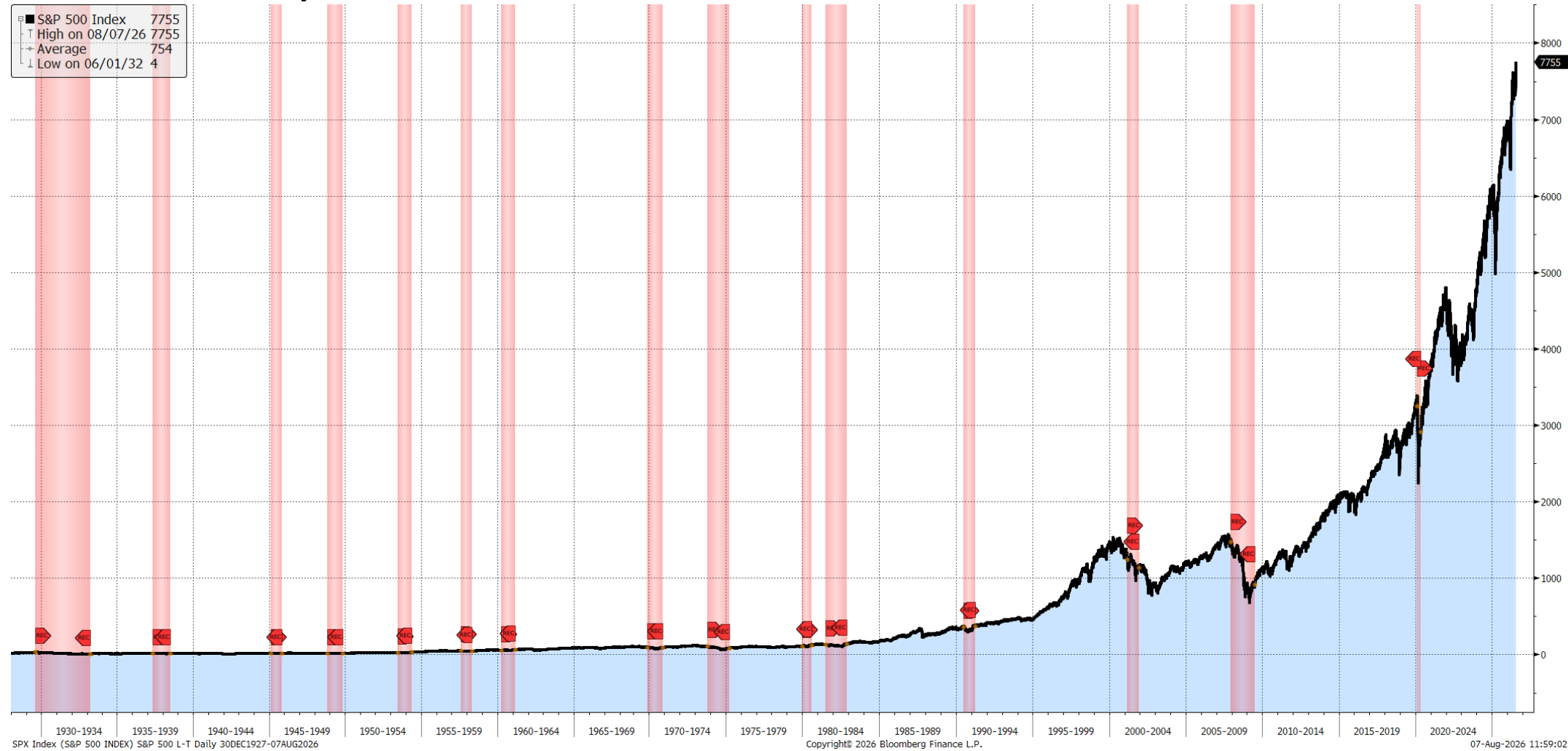


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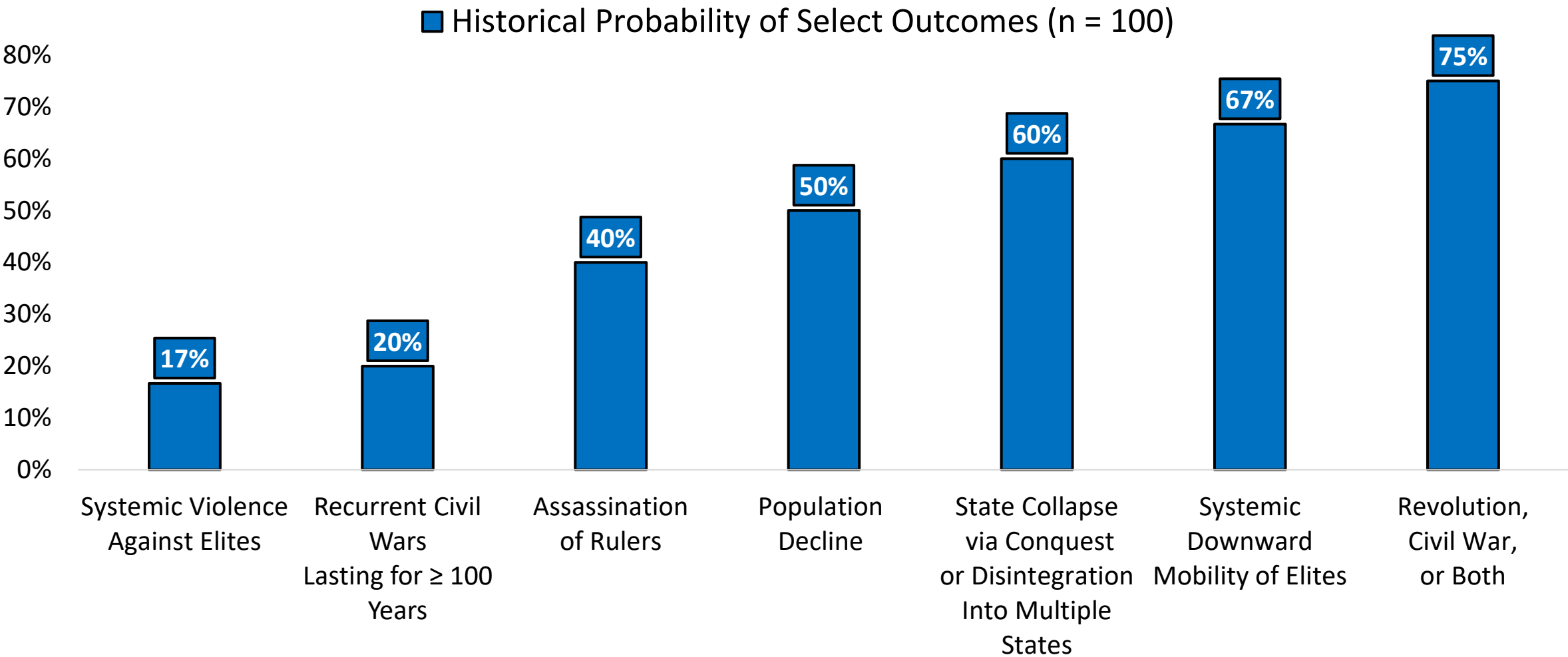
The US' 55-year experiment with fiat money debasement has accelerated in the post-COVID economy due to record non-war, non-recession fiscal and monetary largesse. Since the Mar-20 explosion of public sector liquidity provision, the US dollar has lost **-25%** of its purchasing power in food terms (CAGR = **-4%**; long-run mean = **-4%**). The dollar has lost **-37%** of its purchasing power in shelter terms (CAGR = **-7%**; long-run mean = **-5%**). The dollar has lost **-64%** of its purchasing power in gold terms (CAGR = **-15%**; long-run mean = **-8%**). The dollar has lost **-76%** of its purchasing power in energy terms (CAGR = **-20%**; long-run mean = **-6%**).



True or False?: This looks like the chart of a stock market of an economy in which the wealthiest members of society have increasingly purchased controlling stakes in government and are using this outsized political influence to siphon income and wealth from non-elites.

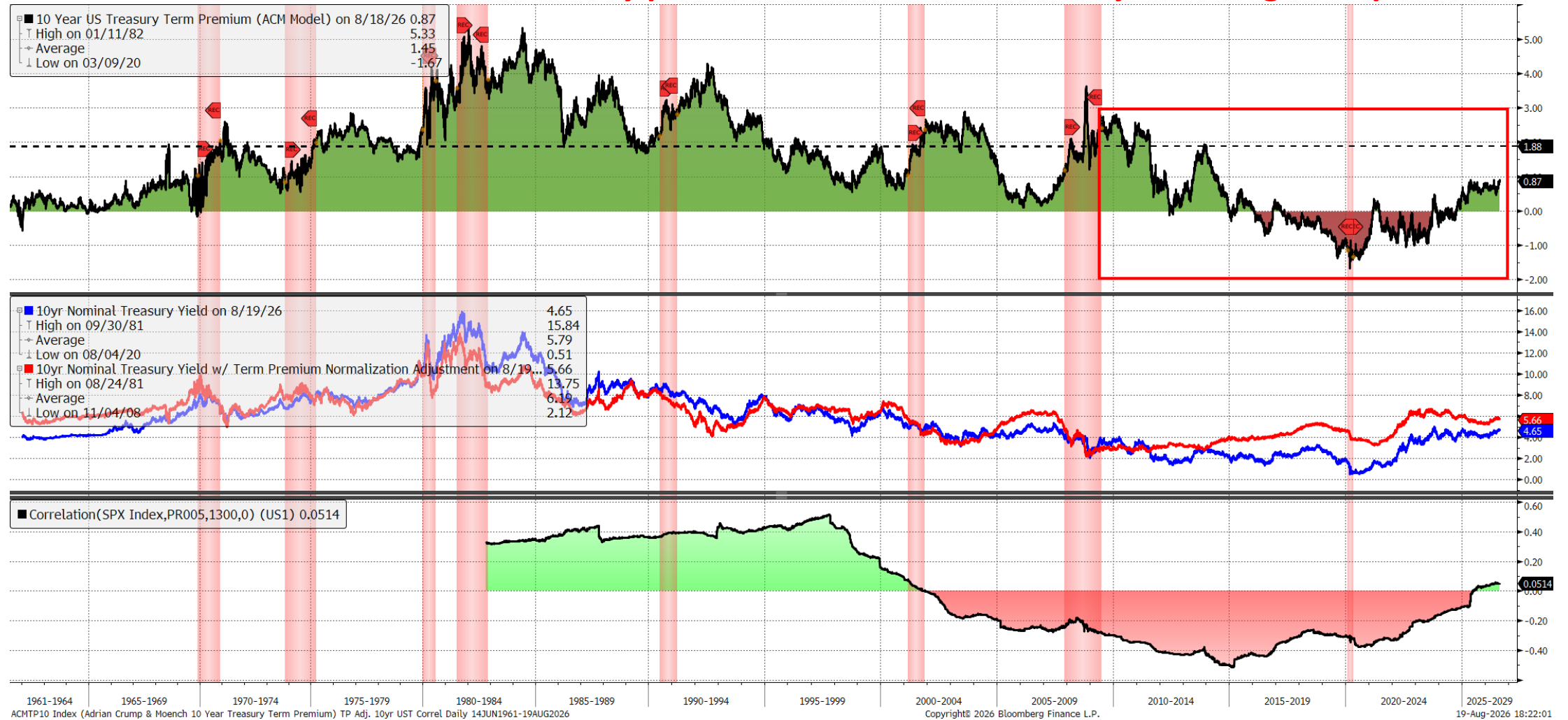


The historical track record of societies that share the US' wealth pump/**Reverse Robin Hood effect** dynamics is extremely poor, to say the least.



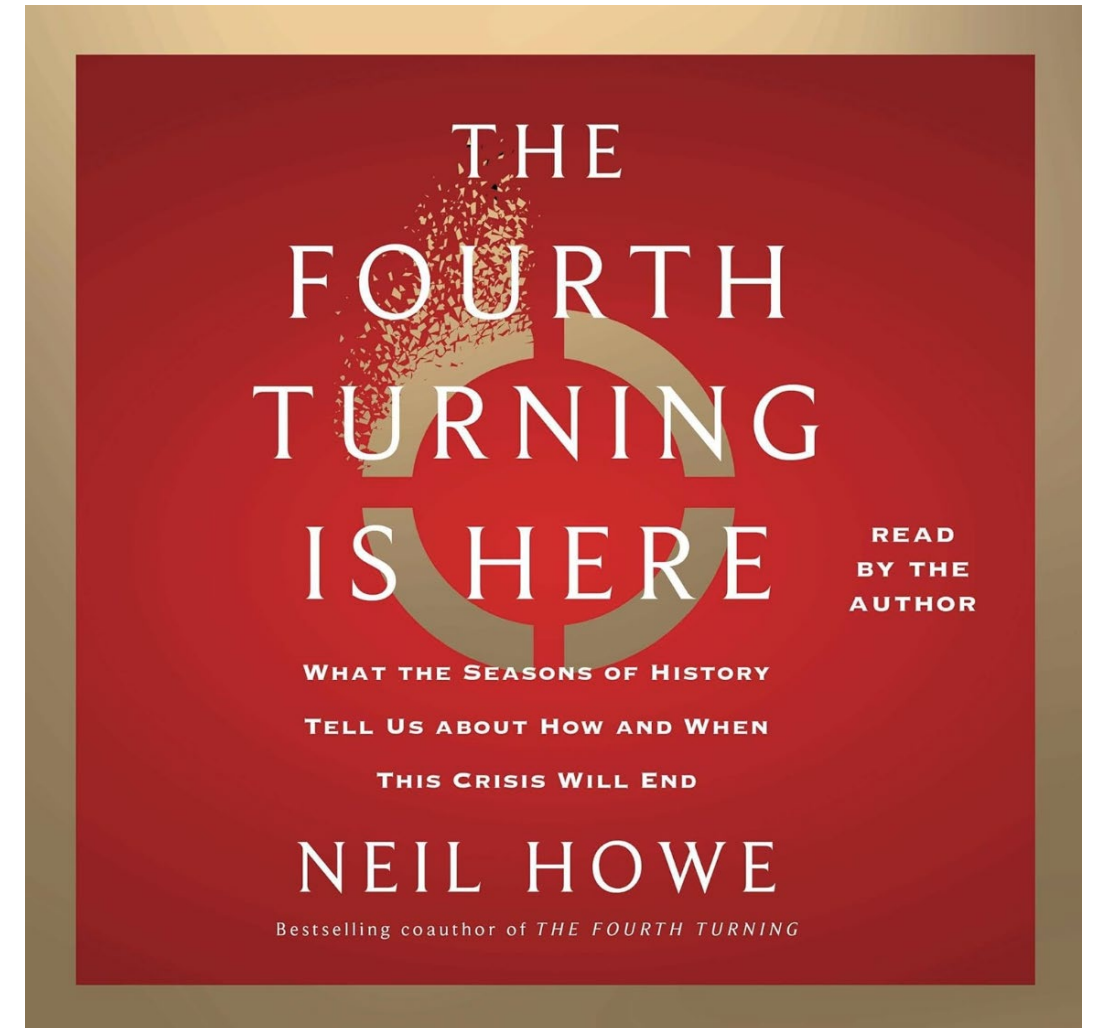
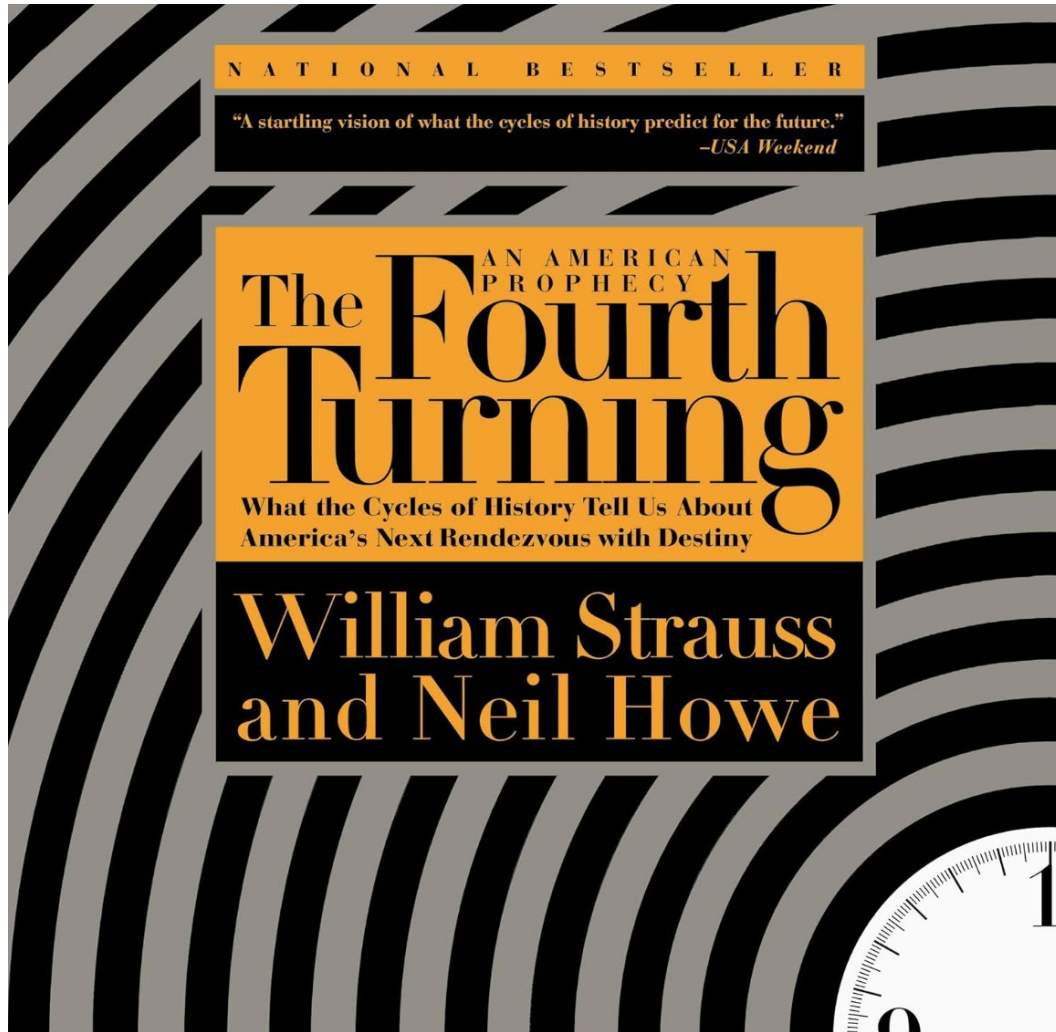
Because the net impact of Fed Chair Warsh's five task forces is likely to be dovish, the Fed may opt to **Play-Action Pass to Set Up the Run** by tightening now to create scope for substantial easing over the long term.

1) The Communications task force will likely produce a hawkish outcome by widening term premia.

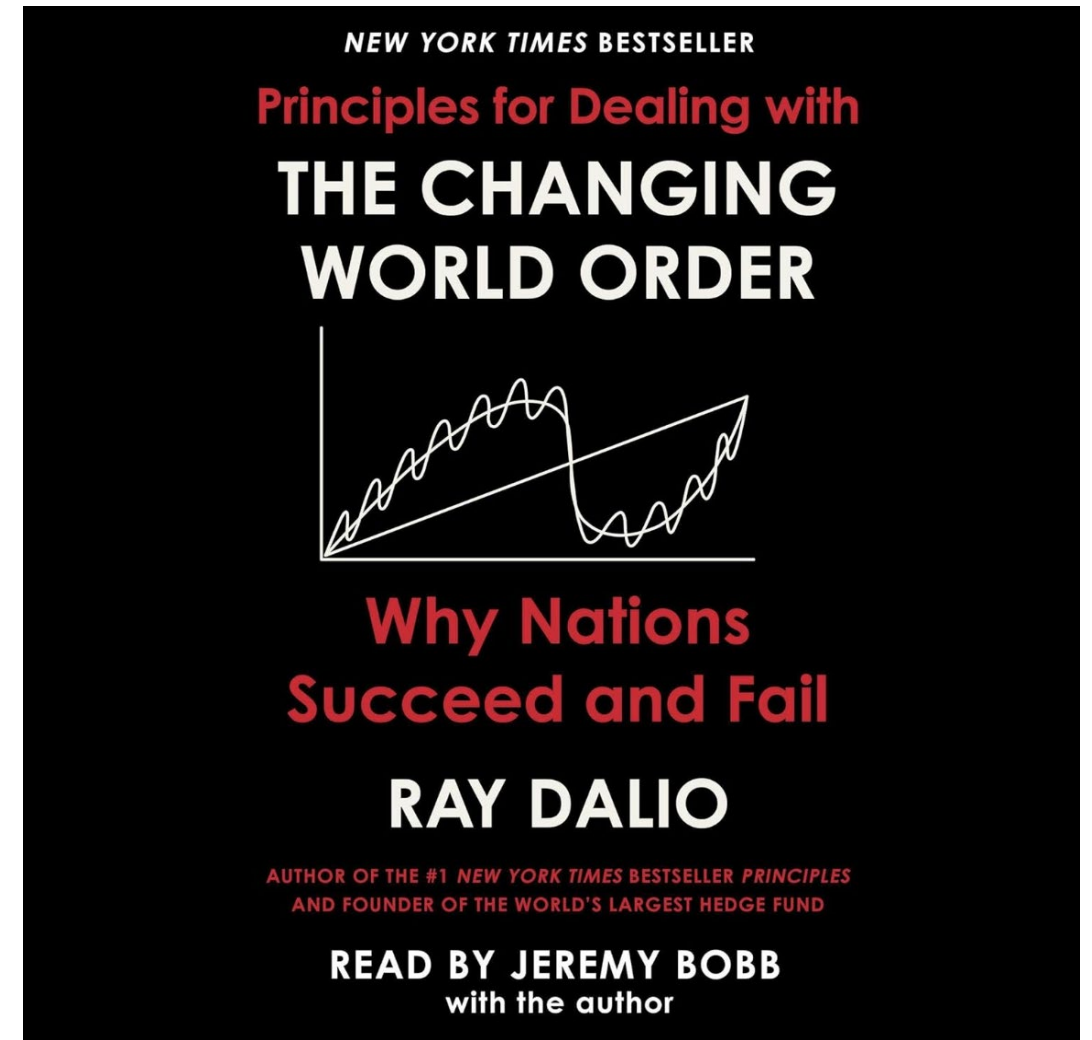
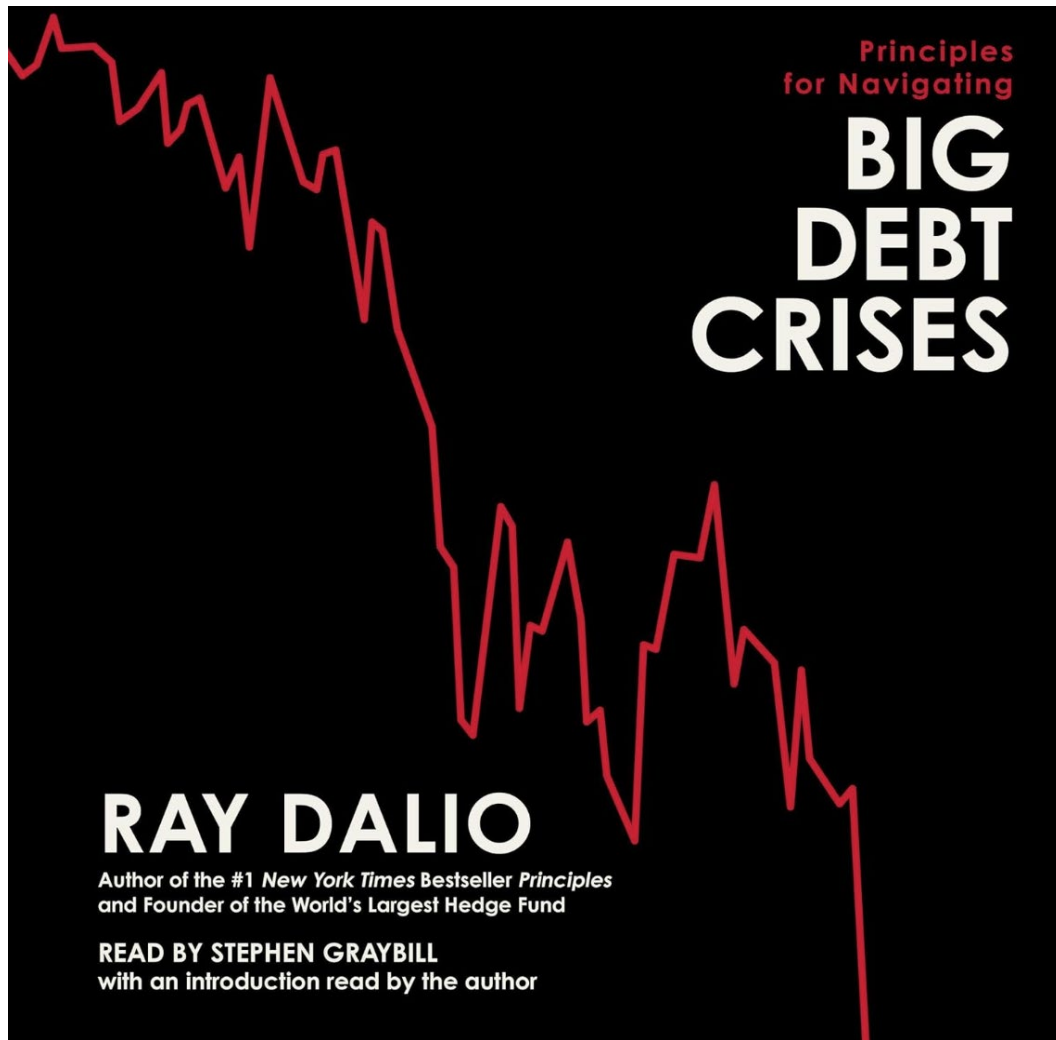


© 42 Macro LLC. Data Source: Bloomberg. Black dotted line = historical mean through 2008.
Nominal Interest Rate = Expected Nominal Rate (trend Real GDP + trend Headline CPI)
+ Nominal Term Premium (Real Term Premium + Inflation Risk Premium).

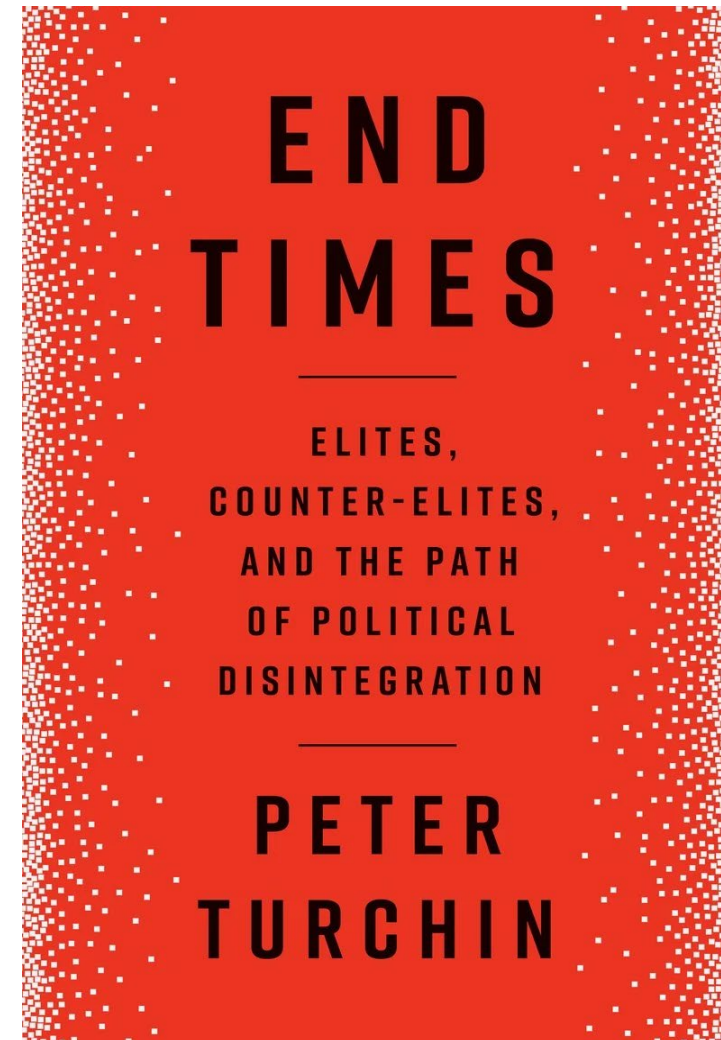
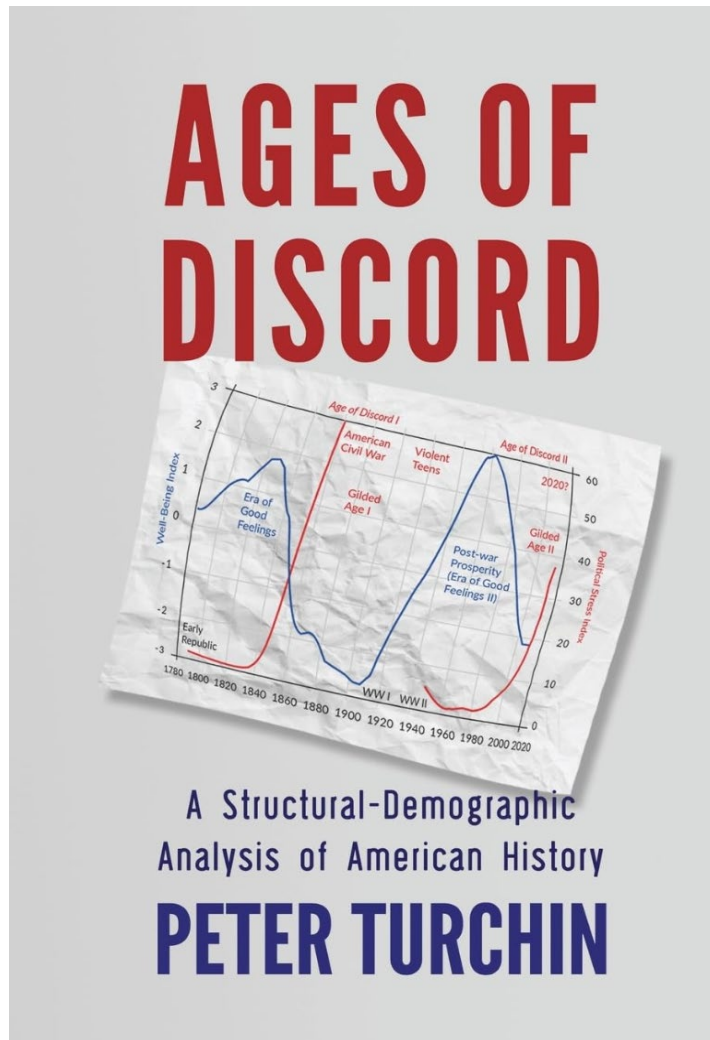
Recommended Reading: Neil Howe



Recommended Reading: Ray Dalio



Recommended Reading: Peter Turchin



We Are All Frogs Being Boiled Alive In A Pot Of Financial Repression And Monetary Debasement; KISS And Dr. Mo Help Investors Navigate **The Non-Linearity Of This Process** Much Better Than Solely Relying On Fundamental Research



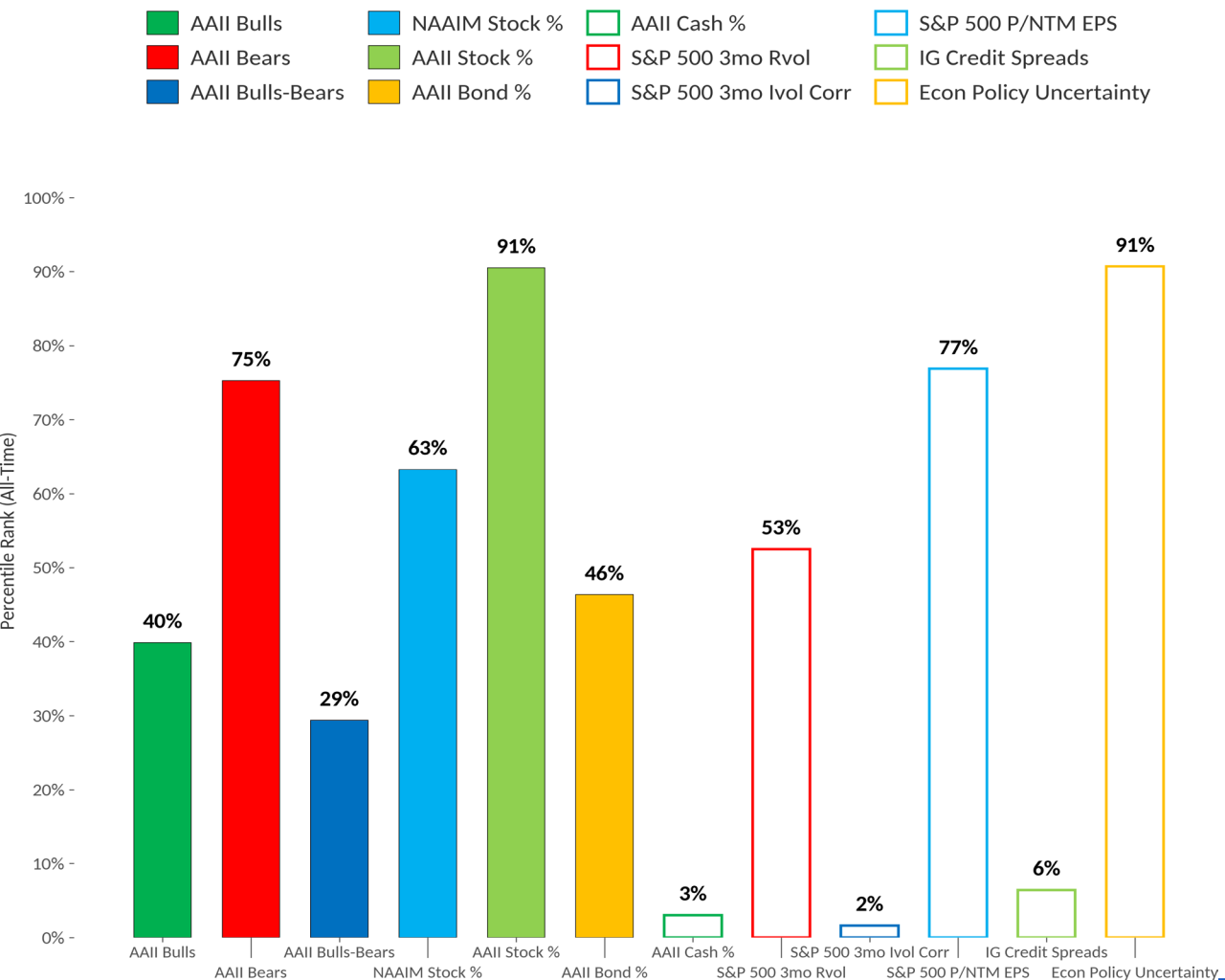
We Use Our Macro Weather Model To Assess The Probability Of Regime Change In Asset Markets Over A Short-To-Medium-Term Time Horizon

GROWTH								Short-to-Medium Term Outlook (2-3mos)	INFLATION										
	3mo SAAR (3mo Mean*)		6mo SAAR (6mo Mean*)	6mo SAAR (6mo Mean*)		YoY % Change (1yr Mean*)	Condition			3mo SAAR (3mo Mean*)		6mo SAAR (6mo Mean*)	6mo SAAR (6mo Mean*)		YoY % Change (1yr Mean*)	Condition			
Real GDP ex-Gov't & Net Exports	3.2%	>	2.7%	2.7%	>	2.5%	strong positive impulse		Stocks  Bonds 	Headline CPI	0.5%	<	3.8%	3.8%	>	3.3%	weak negative impulse		
Private Sector Labor Income	1.3%	<	2.3%	2.3%	<	3.3%	strong negative impulse			Core PCE Price Deflator	2.9%	<	3.7%	3.7%	>	3.3%	weak negative impulse		
Nonfarm Productivity	1.9%	>	1.1%	1.1%	<	2.2%	weak positive impulse			Brent Crude Oil	-1%	<	54%	54%	>	35%	weak negative impulse		
S&P 500 Next Fiscal Year EPS*	\$403	>	\$392	\$392	>	\$354	strong positive impulse			5Y5Y Inflation Swap Rate*	2.40%	<	2.40%	2.40%	<	2.43%	strong negative impulse		
Consensus Short-Run Potential Real GDP Estimate*	2.1%	>	2.1%	2.1%	>	2.1%	strong positive impulse	Consensus Short-Run Potential Headline CPI Estimate*		2.9%	>	2.9%	2.9%	>	2.8%	strong positive impulse			
current market risk assessment: meaningful tailwind (8/19/2026)								current market risk assessment: modest tailwind (8/19/2026)											
MONETARY POLICY								Short-to-Medium Term Outlook (2-3mos)	FISCAL POLICY										
	3mo SAAR (3mo Mean*)		6mo SAAR (6mo Mean*)	6mo SAAR (6mo Mean*)		YoY % Change (1yr Mean*)	Condition			3mo SAAR (3mo Mean*)		6mo SAAR (6mo Mean*)	6mo SAAR (6mo Mean*)		YoY % Change (1yr Mean*)	Condition			
Fed Funds Rate*	3.75%	=	3.75%	3.75%	<	3.83%	weak easing impulse		US Dollar  Gold 	TTM Sovereign Fiscal Balance/GDP Ratio*	-5.6%	<	-5.5%	-5.5%	>	-5.6%	weak easing impulse		
2yr Nominal Treasury Yield - Fed Funds Rate Spread*	43bps	>	26bps	26bps	>	-10bps	strong tightening impulse			TTM Federal Revenue	-5%	<	-2%	-2%	<	4%	strong easing impulse		
Fed Treasury Holdings/Marketable Treasury Debt Ratio*	14%	>	14%	14%	>	14%	strong easing impulse			TTM Federal Expenditures	11%	>	7%	7%	>	3%	strong easing impulse		
Bank Reserves/Commercial Bank Assets Ratio*	12%	<	12%	12%	<	12%	strong tightening impulse			Bills/Marketable Treasury Debt Ratio*	22%	<	22%	22%	>	22%	weak tightening impulse		
SOFR-IORB Spread*	-2bps	>	-2bps	-2bps	<	1bps	weak tightening impulse	Treasury General Account Balance/Bank Reserves Ratio*		32%	>	31%	31%	>	31%	strong tightening impulse			
current market risk assessment: modest tailwind (8/19/2026)								current market risk assessment: modest tailwind (8/19/2026)											
LIQUIDITY								Short-to-Medium Term Outlook (2-3mos)	POSITIONING										
	3mo SAAR (3mo Mean*)		6mo SAAR (6mo Mean*)	6mo SAAR (6mo Mean*)		YoY % Change (1yr Mean*)	Condition			Current Crowded Bullish Positioning		Bubble Peak Mean		Everything Bubble Peak (Jan-22)		Housing Bubble Peak (Oct-07)		Dot Com Bubble Peak (Mar-00)	
Global Liquidity: 42 Macro Global Liquidity Proxy \$bn*	\$148,037	>	\$146,837	\$146,837	>	\$144,067	strong positive impulse		Bitcoin  Commodities 	1. NAAIM Mean Stock Exposure %	63%	<	66%		76%		56%		—
US Liquidity: 42 Macro Net Liquidity \$bn*	\$5,825	>	\$5,789	\$5,789	>	\$5,729	strong positive impulse			2. S&P 500 Price-to-NTM EPS Multiple	77%	>	72%		86%		36%		94%
MOVE Index*	73	<	76	76	>	73	weak easing impulse			3. S&P 500 3mo Implied Volatility Correlations	98%	>	69%		83%		54%		—
10yr US Treasury Term Premium*	69bps	>	69bps	69bps	>	67bps	strong tightening impulse			4. US Investment Grade OAS	94%	>	53%		81%		42%		35%
US Dollar Index*	100	>	100	100	>	99	strong tightening impulse	5. AAIL Bulls-Bears Spread		29%	<	79%		50%		88%		98%	
current market risk assessment: modest tailwind (8/19/2026)								current market risk assessment: modest headwind (8/19/2026)											

Intellectual Property of 42 Macro LLC. Data Source: Bloomberg. Positioning cycle indicators ranked according to the degree of dispersion observed between bull market peaks and bear market troughs. 42 Macro Global Liquidity Proxy = total assets on global central bank balance sheets + global broad money supply + global fiat FX reserves. 42 Macro Net Liquidity = total assets on the Fed's balance sheet - Treasury General Account (TGA) balance - Fed Reverse Repo Facility (RRP) balance.
 Strong positive impulse = 3mo > 6mo > 12mo. Weak positive impulse = 3mo > 6mo < 12mo. Weak negative impulse = 3mo < 6mo > 12mo. Strong negative impulse = 3mo < 6mo < 12mo.
 Probability of sustaining or returning to a risk-on Market Regime = HIGH.

© 42 Macro LLC. Data Source: Bloomberg. How the Macro Weather Model works: Each of the six key macro cycles contributes independently to the independent Composite Signals for each asset class. Each Composite Signal is designed to signal whether observed macroeconomic conditions – aka the “Macro Weather” – support **buying**, **holding**, or **selling** the asset class today with a 1-to-3-month investment horizon.

We Use Our Positioning Model To Assess The Probability Of Significant Reversals In Momentum Across Asset Markets, Over Multiple Time Horizons



S&P 500 Peaks	AAII Bulls	AAII Bears	AAII Bulls-Bears	NAAIM Stock %	AAII Stock %	AAII Bond %	AAII Cash %	S&P 500 3mo Rvol	S&P 500 3mo Ivol Correlations	S&P 500 P/NTM EPS	IG Credit Spreads	Economic Policy Uncertainty
Aug-87	100%	0%	100%					29%				
Jul-90	60%	49%	56%		8%	78%	91%	42%		13%	13%	45%
Jul-98	41%	13%	66%		97%	9%	15%	54%		95%	3%	1%
Mar-00	100%	9%	99%		97%	0%	41%	91%		94%	47%	17%
Oct-07	92%	30%	88%	55%	78%	2%	65%	80%	47%	36%	59%	22%
Apr-11	52%	52%	51%	67%	36%	89%	31%	45%	75%	8%	59%	35%
Sep-18	31%	58%	35%	72%	79%	31%	25%	5%	15%	60%	35%	21%
Feb-20	65%	35%	68%	80%	72%	76%	1%	16%	20%	79%	26%	23%
Jan-22	51%	51%	51%	76%	91%	31%	10%	54%	19%	86%	21%	74%
Feb-25	19%	93%	9%	86%	84%	31%	18%	45%	2%	97%	3%	96%
25th Percentile	44%	17%	51%	68%	72%	9%	15%	32%	16%	36%	13%	21%
MEDIAN	56%	42%	61%	74%	79%	31%	25%	45%	20%	79%	26%	23%
75th Percentile	85%	52%	83%	79%	91%	76%	41%	54%	40%	94%	47%	45%
CURRENT	40%	75%	29%	63%	91%	46%	3%	53%	2%	77%	6%	91%

S&P 500 Troughs	AAII Bulls	AAII Bears	AAII Bulls-Bears	NAAIM Stock %	AAII Stock %	AAII Bond %	AAII Cash %	S&P 500 3mo Rvol	S&P 500 3mo Ivol Correlations	S&P 500 P/NTM EPS	IG Credit Spreads	Economic Policy Uncertainty
Dec-87	10%	85%	10%		2%	85%	95%	99%				
Oct-90	3%	97%	2%		6%	70%	96%	82%		1%	36%	70%
Oct-98	10%	57%	23%		72%	23%	44%	95%		78%	48%	94%
Mar-03	36%	79%	24%		3%	64%	99%	83%		14%	78%	95%
Mar-09	1%	100%	0%	0%	1%	93%	95%	97%	91%	0%	99%	97%
Oct-11	32%	92%	13%	1%	23%	83%	64%	97%	98%	0%	94%	81%
Dec-18	10%	93%	6%	10%	52%	51%	46%	85%	63%	15%	68%	73%
Mar-20	39%	96%	10%	2%	62%	82%	6%	98%	91%	11%	97%	99%
Oct-22	8%	98%	2%	4%	44%	36%	59%	87%	74%	33%	75%	84%
Apr-25	4%	100%	1%	22%	62%	47%	35%	87%	65%	63%	45%	99%
25th Percentile	5%	87%	2%	1%	4%	48%	44%	86%	67%	1%	48%	81%
MEDIAN	10%	94%	8%	3%	34%	67%	62%	91%	82%	14%	75%	94%
75th Percentile	26%	98%	12%	8%	60%	83%	95%	97%	91%	33%	94%	97%
CURRENT	40%	75%	29%	63%	91%	46%	3%	53%	2%	77%	6%	91%

Percentile Of Implied **Crowded Bullish Positioning** According To Our Positioning Model:

	Percentile of Implied Crowded Bullish Positioning											
	AAll Bulls-Bears	NAAIM Stock %	AAll Stock %	AAll Bond %	AAll Cash %	S&P 500 3mo Rvol	S&P 500 3mo Ivol Correlations	S&P 500 P/NTM EPS	IG Credit Spreads	Policy Uncertainty	Mean	Median
Aug-87						71%					71%	71%
Jul-90	56%		8%	22%	9%	58%		13%	82%	55%	38%	38%
Jul-98	66%		97%	91%	85%	46%		95%	94%	99%	84%	92%
Mar-00	99%		97%	100%	59%	9%		94%	34%	83%	72%	88%
Oct-07	88%	55%	78%	98%	35%	20%	53%	36%	41%	78%	58%	54%
Apr-11	51%	67%	36%	11%	69%	55%	25%	8%	41%	65%	43%	46%
Sep-18	35%	72%	79%	69%	75%	95%	85%	60%	65%	79%	71%	74%
Feb-20	68%	80%	72%	24%	99%	84%	80%	79%	74%	77%	74%	78%
Jan-22	51%	76%	91%	69%	90%	46%	81%	86%	79%	26%	70%	78%
Feb-25	9%	86%	84%	69%	82%	55%	98%	97%	97%	4%	68%	83%
Median	56%	74%	79%	69%	75%	55%	80%	79%	74%	77%	72%	74%
Aug-26	29%	63%	91%	54%	97%	47%	98%	77%	94%	9%	66%	70%

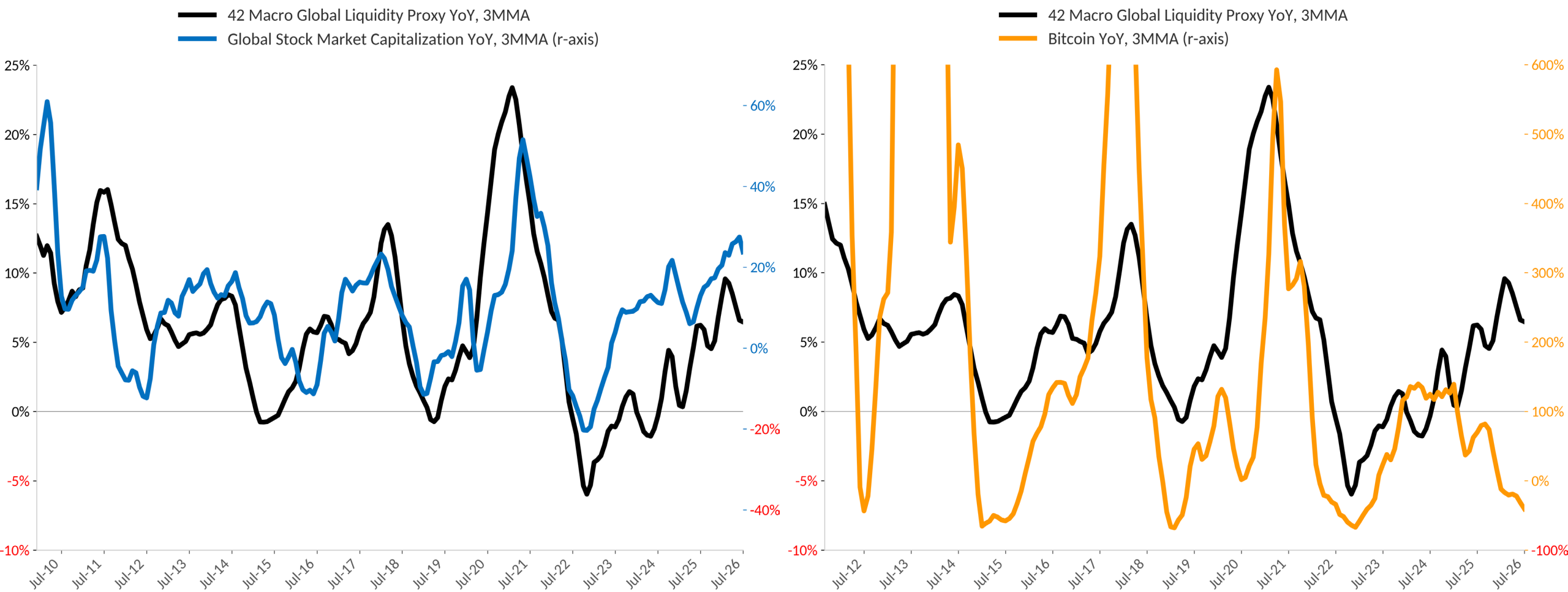
© 42 Macro LLC. Data Source: Bloomberg. Percentile ranking of latest value (all-time). The positioning implications of S&P 500 Rvol & Ivol Correlations, IG Credit Spreads, and Policy Uncertainty are inverted. Asset class signals are aggregated non-commercial net length as a percent of open interest in the combined futures and options markets. **Bottom third = underweight. Middle third = neutral. Upper third = overweight.**
Positioning Model correction/crash risk thresholds: < 25% = low, 25-50% moderate, 50-75% reasonable, and > 75% high.

We Use Our **Global Liquidity Model** To Nowcast The Leading Indicators Of Private And Public Sector Liquidity Across Geographies

42 Macro Global Liquidity Model (3/23/26)	GROWTH									INFLATION												POLICY															LIQUIDITY			SYSTEMATIC TRADE IDEAS		
	Composite PMI			Consensus R-GDP Exp.			Econ Surprises			Headline CPI YoY			Core CPI YoY*			Consensus H-CPI Exp.			Inflation Surprises			Consensus N-GDP Exp.			Policy Rate			Fiscal Balance*			Current Account			REER*			Liquidity Proxy					
	Delta	Level	Trend*	Delta	Level	Trend*	Delta	Level	Trend	Delta	Level	Trend*	Delta	Level	Trend	Delta	Level	Trend*	Delta	Level	Trend	Delta	Level	Trend	Delta	Level	Trend*	Delta	Level	Trend*	Delta	Level	Trend*	Delta	Level	Trend	Stocks	Bonds	FX			
Global	↑	52.6	(0.1)	↓	3.0%	1.6	↑	37	0.7	↑	4.2%	0.0	↓	3.6%	(0.1)	↑	3.8%	(1.5)	↑	(4)	(0.6)	↑	6.8%	(1.1)	↑	3.05%	0.6	↑	-4.7%	(0.3)	↑	0.1%	(1.0)	↓	92	(1.8)	↑	\$149	1.8	n/a	n/a	n/a
Australia	↑	53.2	2.2	↓	1.8%	(1.4)	↑	11	(0.4)	↓	3.8%	1.1	↑	3.6%	0.4	↓	3.5%	2.8	↓	(56)	0.8	↓	5.2%	2.1	→	4.35%	1.1	↑	-1.2%	0.1	↓	-3.0%	(0.5)	↑	116	0.8	↓	\$3	1.5	n/a	↑	n/a
Brazil	↓	48.8	0.3	↑	1.9%	0.3	↓	5	0.2	↑	4.4%	(0.5)	↓	4.5%	0.0	↑	4.4%	2.8	↑	11	(0.7)	↑	6.3%	2.9	↓	14.00%	1.3	↓	-10.0%	(0.2)	↑	-2.7%	(1.4)	↑	118	(0.5)	↑	\$3	0.7	↑	↓	n/a
Canada	↓	49.7	(0.4)	↓	1.2%	(0.6)	↑	55	0.2	↑	3.0%	(0.2)	↑	1.9%	0.0	↑	2.3%	0.4	↓	(3)	0.6	↓	3.5%	(0.4)	→	2.25%	0.2	↑	-1.1%	0.0	↓	-1.1%	0.5	↓	96	(1.6)	↓	\$2	1.1	n/a	n/a	↓
China	↓	49.3	(0.9)	→	4.5%	2.3	↓	(25)	(0.4)	↓	0.5%	(0.5)	↓	0.9%	0.0	↑	1.1%	(1.7)	↑	22	0.1	↑	5.7%	(0.4)	→	3.00%	(1.7)	↓	-5.1%	(0.6)	↑	3.9%	2.1	↑	92	(1.7)	↑	\$63	2.5	n/a	↓	n/a
Eurozone	↑	52.0	0.6	↓	1.0%	0.0	↑	80	0.3	↓	2.9%	(0.2)	↑	2.5%	0.2	↑	2.5%	(1.1)	↓	9	(0.3)	↓	3.5%	(0.6)	↑	2.25%	0.8	↑	-2.9%	(0.1)	↓	1.7%	(0.5)	↓	103	2.0	↓	\$26	0.9	n/a	↓	n/a
India	↓	54.3	(0.4)	↓	7.0%	3.5	↓	5	0.2	↑	4.5%	(2.1)	↑	4.2%	(0.2)	↑	3.3%	(2.2)	↑	11	(0.7)	↑	10.4%	(1.2)	→	5.25%	(0.4)	↑	-4.4%	0.1	↓	-0.6%	0.7	↓	90	(2.7)	↑	\$2	1.5	n/a	↓	n/a
Japan	↑	52.7	1.1	↓	0.8%	0.9	↑	69	0.8	↑	1.7%	0.5	↓	1.6%	0.8	↑	2.0%	1.6	↑	(1)	(1.6)	↓	2.8%	2.2	↑	1.00%	3.7	↑	-1.7%	1.0	↑	5.2%	1.7	↓	65	(1.6)	↓	\$13	(0.8)	n/a	n/a	n/a
Switzerland	↓	53.2	1.2	↓	1.2%	(1.5)	↓	(29)	(0.5)	↓	0.4%	(0.6)	→	0.3%	(0.2)	↓	0.6%	(1.8)	↑	(40)	(0.3)	↓	1.8%	(1.8)	→	0.00%	(0.1)	↓	0.0%	0.2	↓	5.1%	1.2	↓	102	1.7	↓	\$3	1.6	↓	↑	↓
United Kingdom	↓	52.2	1.3	↑	1.1%	(1.8)	↓	37	(0.1)	↑	2.9%	0.0	↑	2.6%	0.1	↑	2.8%	0.5	↑	(3)	(0.6)	↑	3.9%	(1.7)	→	3.75%	1.0	↑	-4.0%	(0.2)	↑	-2.4%	0.4	↑	111	1.5	↑	\$5	1.2	↑	n/a	n/a
United States	↑	54.2	1.3	↑	2.1%	2.7	↓	15	0.8	↓	3.4%	(0.2)	↑	3.3%	0.1	→	2.8%	(0.5)	↑	(9)	(0.7)	↑	5.0%	2.1	→	3.75%	0.7	↓	-6.0%	0.3	↑	-3.0%	(1.4)	↑	108	0.9	↑	\$30	0.8	↑	n/a	↑

Bloomberg data. Delta = trailing 3-month level change. Trend = trailing 10yr Z-Score of latest value, except for the PMI, Consensus Real GDP, Headline CPI, and Nominal GDP Expectations, and Liquidity Proxies, which are trailing 3yr Z-Scores. Geographies in alphabetical order. The 42 Macro Liquidity Proxy is the nominal \$tn sum of the Central Bank Balance Sheet, Broad Money Supply, and FX Reserves ex-Gold. Citi Economic and Inflation Surprise indices. Sovereign Fiscal Balance and Current Account Balance quoted as shares of Nominal GDP. REER = Real Effective Exchange Rate. *US Core PCE Deflator. *Sovereign Fiscal Balance for the World, China, and Japan are annual figures. *Global REER = inverse USD REER. STI: long/short Stocks = Consensus R-GDP Expectation rising/falling with positive/negative Economic Surprises; long/short Bonds = Consensus H-CPI Expectation falling/rising with negative/positive Inflation Surprises; and long/short FX = Blended N-GDP Expectation rising/falling with a flat-to-up/flat-to-down Policy Rate.

Global Liquidity Is A Key Driver Of Asset Markets



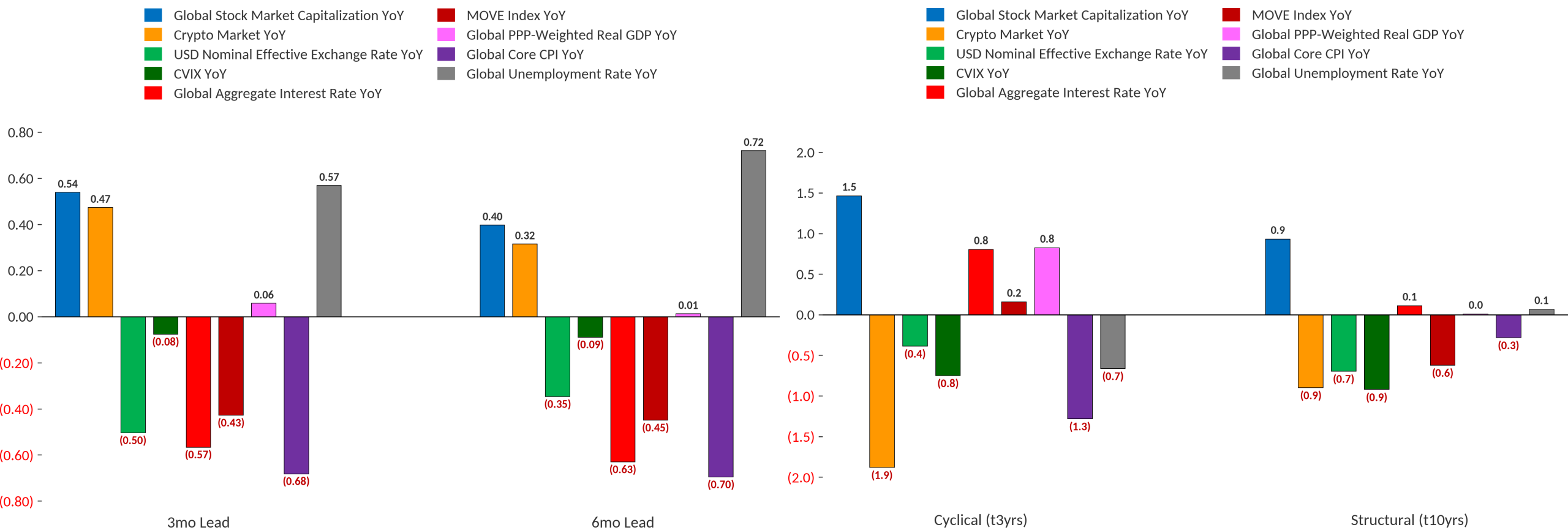
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42 Macro Global Liquidity Proxy = Total Assets on Global Central Bank Balance Sheets
+ Global Broad Money Supply + Global Fiat FX Reserves.

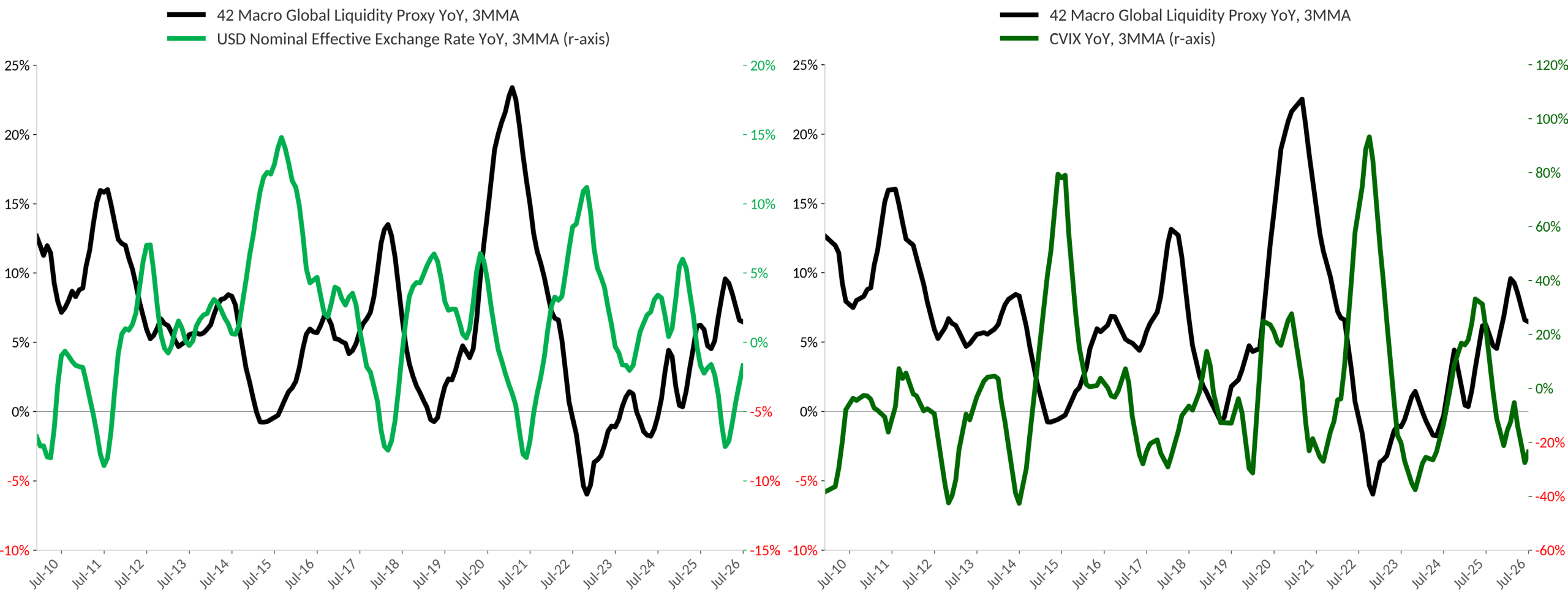
It Is Not Enough To Simply Know That Global Liquidity Is Trending Higher Or Lower; Investors Must Forecast It Accurately To Have An Informed Outlook For Asset Markets

Trailing 10yr Correlation of Key Leading Indicators
of the YoY % Change of the 42 Macro Global Liquidity Proxy

Z-Scores of the Latest Values of Key Leading Indicators
of the 42 Macro Global Liquidity Proxy



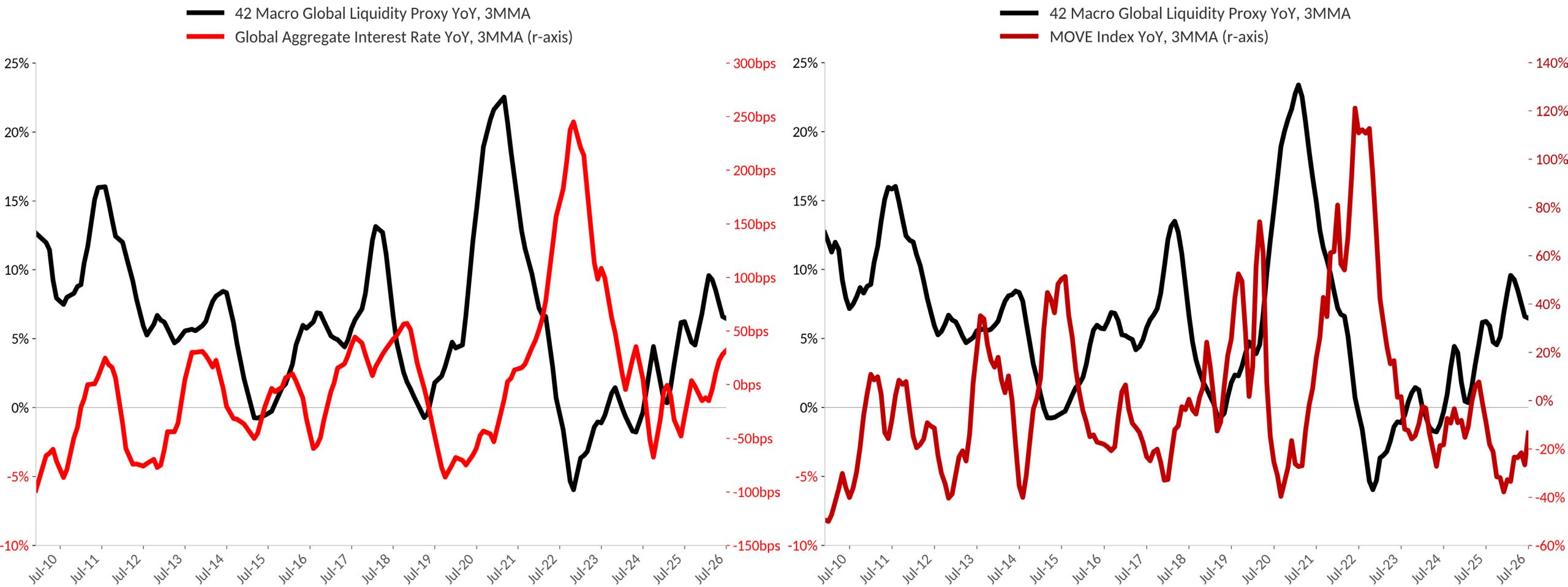
The US Dollar And Currency Volatility Are Among The Best Real-Time Countercyclical Leading Indicators Of Global Liquidity



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42 Macro Global Liquidity Proxy = Total Assets on Global Central Bank Balance Sheets
+ Global Broad Money Supply + Global Fiat FX Reserves.

Global Interest Rates And Bond Volatility Are Also Among The Best Real-Time Countercyclical Leading Indicators Of Global Liquidity

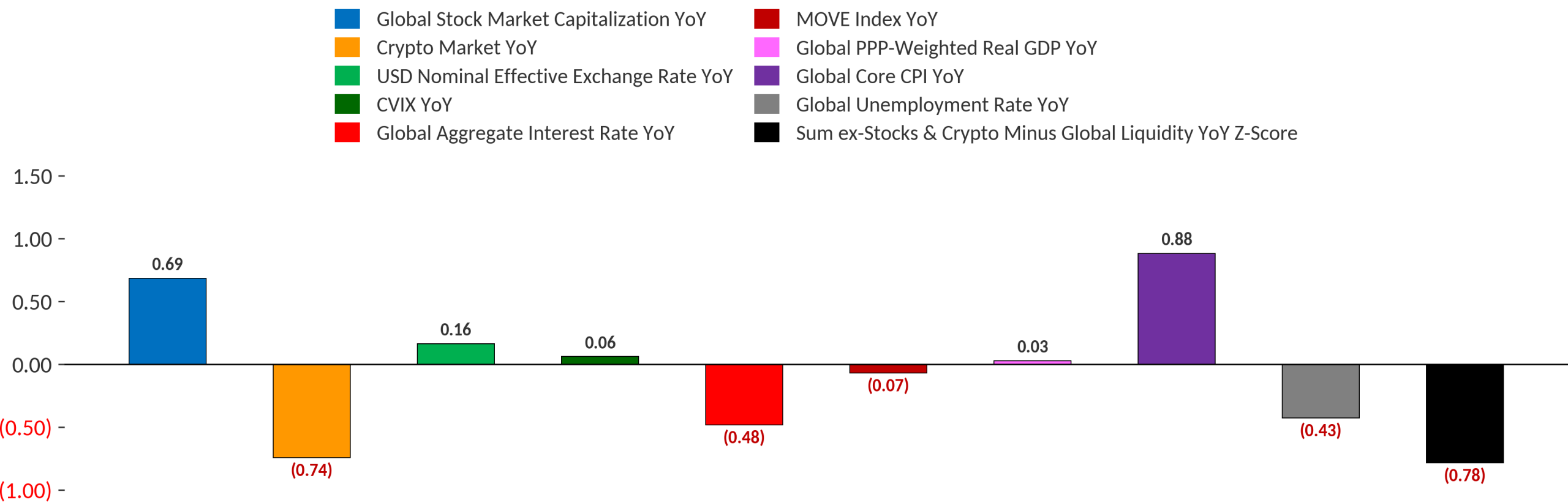


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42 Macro Global Liquidity Proxy = Total Assets on Global Central Bank Balance Sheets
+ Global Broad Money Supply + Global Fiat FX Reserves.

Key Leading Indicators Of Global Liquidity Currently Signal A Meaningful Downtrend Over The Medium Term

Correlation-Adjusted Z-Score (t10yrs) of
Key Leading Indicators of the 42 Macro Global Liquidity Proxy



Correlation Adjusted Z-Score (t10yrs)

© 42 Macro LLC. Data Source: Bloomberg.

42 Macro Global Liquidity Proxy = Total Assets on Global Central Bank Balance Sheets
+ Global Broad Money Supply + Global Fiat FX Reserves.

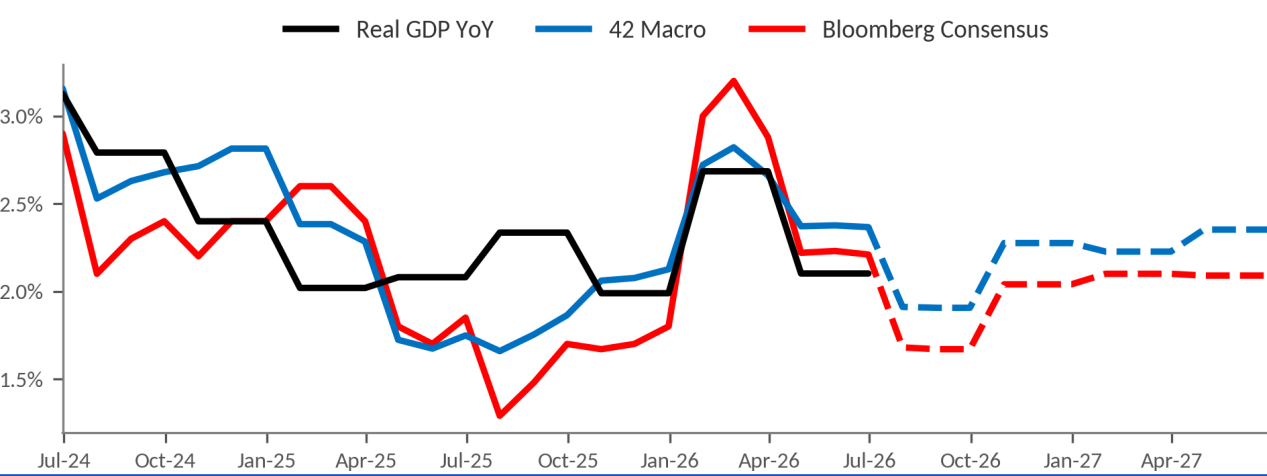
If sum minus GLP Z-Score = $y = [0.1-0.5]$, then “modest” uptrend/downtrend. If $y > [0.5]$, then “meaningful” uptrend/downtrend.

If sum minus GLP Z-Score = $y = [0.0-0.1]$, then peaking uptrend/bottoming downtrend.

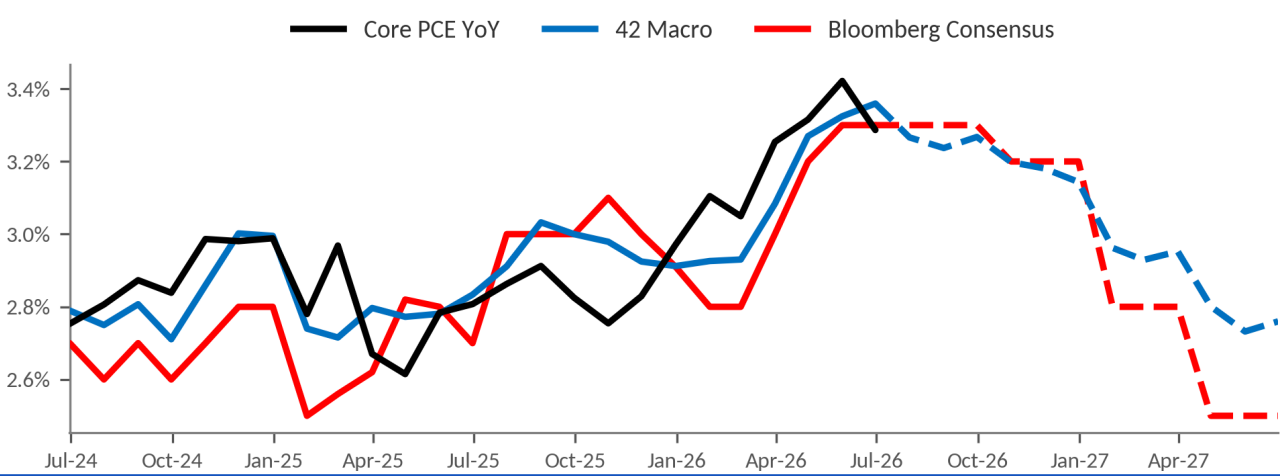
We Use Our GRID Model To Assess The Probability Of Regime Change In Asset Markets Over A Medium-To-Long-Term Time Horizon

United States	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27		
Bottom-Up Macro Regime	G	D	I	I	I	I	I	D	D	D	G	G	R	R	R	R	D	D	G	I	R	R	R	I	I	I													
42 Macro	D	D	D	D	R	R	R	D	D	D	I	I	I	I	R	R	R	G	G	I	G	R	R	R	I	I	I	D	D	D	G	G	G	D	D	D	G	G	G
Hit Rate (t10yrs; Luck = 25%)	54%	54%	54%	54%	54%	54%	54%	54%	54%	55%	55%	54%	53%	53%	54%	55%	55%	54%	54%	54%	54%	54%	54%	54%	54%	54%	D	D	D	G	G	G	D	D	D	G	G	G	
Bloomberg Consensus	R	I	I	D	R	R	R	G	G	G	I	I	I	I	I	I	R	R	G	I	G	G	R	I	I	I	I	I	I	I	G	G	G	G	G	G	D	D	D
Hit Rate (t10yrs; Luck = 25%)	42%	41%	42%	42%	42%	42%	42%	42%	42%	42%	42%	41%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	41%	41%	41%	40%	41%	41%	41%	41%	41%	40%	41%	41%	41%	41%	42%	42%	42%
Real GDP YoY	3.1%	2.8%	2.8%	2.8%	2.4%	2.4%	2.4%	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%	2.3%	2.3%	2.3%	2.0%	2.0%	2.0%	2.7%	2.7%	2.7%	2.1%	2.1%	2.1%														
Z-Score (vs. 2015-19 Trend)	0.9	0.4	0.4	0.4	-0.2	-0.2	-0.2	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.3	-0.3	-0.3	-0.9	-0.9	-0.9	0.2	0.2	0.2	-0.7	-0.7	-0.7														
42 Macro	3.2%	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%	2.4%	2.4%	2.3%	1.7%	1.7%	1.7%	1.7%	1.8%	1.9%	2.1%	2.1%	2.1%	2.7%	2.8%	2.7%	2.4%	2.4%	2.4%	1.9%	1.9%	1.9%	2.3%	2.3%	2.3%	2.2%	2.2%	2.2%	2.4%	2.4%	2.4%		
Z-Score (vs. 2015-19 Trend)	1.4	0.1	0.3	0.4	0.5	0.7	0.7	-0.2	-0.2	-0.4	-1.5	-1.6	-1.5	-1.7	-1.5	-1.2	-0.8	-0.8	-0.7	0.5	0.7	0.4	-0.2	-0.2	-0.2	-1.1	-1.2	-1.2	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.2	-0.2	-0.2		
Directional Accuracy (t10yrs; Luck = 50%)	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	68%	68%	68%	65%	65%	65%	62%	62%	62%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Average Absolute Forecast Error (t10yrs)	71bps	71bps	71bps	71bps	71bps	70bps	70bps	70bps	70bps	70bps	70bps	70bps	70bps	70bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	70bps	70bps	70bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	71bps	
Bloomberg Consensus	2.9%	2.1%	2.3%	2.4%	2.2%	2.4%	2.4%	2.6%	2.6%	2.4%	1.8%	1.7%	1.9%	1.3%	1.5%	1.7%	1.7%	1.7%	1.8%	3.0%	3.2%	2.9%	2.2%	2.2%	2.2%	1.7%	1.7%	1.7%	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	
Z-Score (vs. 2015-19 Trend)	0.9	-0.6	-0.3	-0.1	-0.4	-0.1	-0.1	0.3	0.3	-0.1	-1.2	-1.4	-1.1	-2.2	-1.8	-1.4	-1.5	-1.4	-1.2	1.1	1.5	0.9	-0.4	-0.4	-0.4	-1.4	-1.5	-1.5	-0.8	-0.8	-0.8	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7		
Directional Accuracy (t10yrs; Luck = 50%)	65%	65%	65%	65%	68%	68%	68%	65%	65%	65%	62%	62%	62%	60%	60%	60%	62%	62%	62%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Average Absolute Forecast Error (t10yrs)	76bps	76bps	76bps	76bps	75bps	74bps	73bps	74bps	74bps	74bps	74bps	74bps	73bps	73bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	74bps	
Core PCE YoY	2.8%	2.8%	2.9%	2.8%	3.0%	3.0%	3.0%	2.8%	3.0%	2.7%	2.6%	2.8%	2.8%	2.9%	2.9%	2.8%	2.8%	2.8%	3.0%	3.1%	3.0%	3.3%	3.3%	3.4%	3.3%														
Z-Score (vs. 2015-19 Trend)	4.8	5.0	5.3	5.2	5.8	5.7	5.8	4.9	5.7	4.5	4.2	4.9	5.0	5.3	5.5	5.1	4.8	5.1	5.7	6.3	6.0	6.9	7.1	7.6	7.0														
42 Macro	2.8%	2.7%	2.8%	2.7%	2.9%	3.0%	3.0%	2.7%	2.7%	2.8%	2.8%	2.8%	2.8%	2.9%	3.0%	3.0%	3.0%	2.9%	2.9%	2.9%	2.9%	3.1%	3.3%	3.3%	3.4%	3.3%	3.2%	3.2%	3.2%	3.2%	3.1%	3.0%	2.9%	3.0%	2.8%	2.7%	2.8%		
Z-Score (vs. 2015-19 Trend)	5.3	5.1	5.3	4.9	5.6	6.2	6.2	5.0	4.9	5.3	5.2	5.2	5.5	5.8	6.4	6.2	6.1	5.9	5.8	5.9	5.9	6.6	7.4	7.7	7.8	7.8	7.4	7.3	7.4	7.1	7.0	6.9	6.0	5.9	6.0	5.3	5.0	5.1	
Directional Accuracy (t10yrs; Luck = 50%)	62%	62%	62%	63%	64%	63%	62%	63%	63%	62%	63%	63%	64%	65%	65%	66%	67%	67%	67%	67%	66%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	
Average Absolute Forecast Error (t10yrs)	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	17bps	18bps	18bps	18bps	3.3%	3.3%	3.3%	3.2%	3.2%	3.2%	2.8%	2.8%	2.8%	2.5%	2.5%	2.5%	
Bloomberg Consensus	2.7%	2.6%	2.7%	2.6%	2.7%	2.8%	2.8%	2.5%	2.6%	2.6%	2.8%	2.8%	2.7%	3.0%	3.0%	3.0%	3.1%	3.0%	2.9%	2.8%	2.8%	3.0%	3.2%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.2%	3.2%	2.8%	2.8%	2.8%	2.5%	2.5%	2.5%	
Z-Score (vs. 2015-19 Trend)	4.8	4.3	4.8	4.3	4.8	5.2	5.2	3.9	4.2	4.4	5.3	5.2	4.8	6.1	6.1	6.1	6.6	6.1	5.7	5.2	5.2	6.1	7.0	7.5	7.5	7.5	7.5	7.5	7.5	7.0	7.0	7.0	5.2	5.2	5.2	3.9	3.9	3.9	
Directional Accuracy (t10yrs; Luck = 50%)	39%	38%	39%	40%	41%	40%	40%	41%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	41%	41%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%	
Average Absolute Forecast Error (t10yrs)	25bps	25bps	25bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	26bps	27bps	27bps	27bps	27bps	27bps													

United States



United States



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G = GOLDILOCKS = growth ↑ and inflation ↓. R = REFLATION = growth ↑ and inflation ↑.

I = INFLATION = growth ↓ and inflation ↑. D = DEFLATION = growth ↓ and inflation ↓.

The 42 Macro model applies a proprietary methodology to smooth and nowcast quarterly GDP data on a monthly frequency.



Global GRID Models

42 Macro Bottom-Up GRID Regimes	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27				
United States	G	D	D	I	G	G	G	D	I	I	I	I	I	D	D	D	G	G	R	R	R	R	D	D	I	R	R	R	R	I	I	I	D	D	D	G	G	G	D	D	D	G	G	G			
Australia	D	D	D	D	D	D	D	D	D	D	R	R	G	G	G	R	R	R	G	G	R	R	R	R	R	R	R	R	R	R	I	I	I	D	D	D	I	D	D	G	G	G	-	-	-		
Austria	D	G	G	G	G	G	G	G	G	G	G	G	R	R	R	R	G	G	R	R	R	R	I	D	D	D	D	D	I	I	I	I	I	I	I	D	D	D	I	I	R	R	G	-	-	-	
Belgium	D	R	R	R	I	I	I	R	G	G	D	I	I	R	R	G	G	G	G	G	G	G	I	D	D	G	G	G	I	I	I	I	I	I	I	G	G	-	-	-	-	-	-	-	-		
Brazil	G	G	G	G	G	G	R	R	R	R	I	I	I	D	I	I	I	I	D	D	D	D	G	G	G	D	D	D	I	I	I	R	R	R	D	R	R	R	R	R	G	-	-	-			
Canada	D	D	D	D	G	R	G	G	G	G	R	D	I	I	I	I	D	D	D	D	I	I	D	I	D	I	D	I	I	I	I	I	I	I	R	D	G	G	G	G	G	-	-	-			
Chile	G	G	G	G	I	D	I	R	R	G	R	G	R	I	I	I	G	G	G	D	D	I	D	D	D	D	D	D	I	I	I	I	I	R	G	G	I	I	I	R	R	R	-	-	-		
China	G	G	G	G	I	D	I	I	I	I	I	G	G	G	G	G	D	I	I	I	I	D	D	I	I	I	I	R	R	I	D	D	I	D	D	D	D	D	I	I	I	I	G	G	G		
Denmark	G	I	I	I	G	R	R	R	G	G	I	I	I	D	I	D	I	D	I	R	R	R	D	I	D	G	G	G	D	D	I	I	I	I	I	I	D	G	G	G	I	I	I	-	-	-	
Eurozone	G	G	R	G	G	G	R	R	G	G	G	G	R	R	R	G	D	D	D	D	I	I	I	I	D	D	D	I	R	R	R	R	I	I	G	G	R	I	D	G	G	G	D	D	D		
Finland	G	G	G	G	G	G	G	R	G	G	I	D	D	D	D	D	D	D	D	G	R	R	G	G	G	R	R	R	R	R	R	I	I	D	D	R	R	R	I	I	D	-	-	-			
France	I	G	G	G	D	D	I	R	G	G	D	D	I	I	I	I	I	I	I	I	I	I	G	G	G	D	I	I	I	I	I	I	I	D	I	I	R	R	R	R	R	G	G	G	G		
Germany	G	R	R	G	D	I	I	R	G	G	G	R	R	R	R	G	G	G	G	D	D	I	I	I	I	G	G	R	R	R	R	G	G	R	R	R	R	D	D	D	I	D	G	G	R		
Greece	I	G	G	G	G	G	G	G	R	R	D	D	D	R	R	G	D	D	I	R	R	G	G	G	R	I	I	I	I	I	I	I	I	I	D	D	I	I	D	G	G	G	-	-	-		
India	I	R	G	G	D	D	I	D	D	I	R	R	G	D	D	D	D	D	D	G	G	G	D	D	D	I	I	I	I	I	I	R	I	I	I	I	D	I	I	G	G	G	-	-	-		
Indonesia	R	R	G	R	I	I	D	D	D	D	G	G	G	D	D	D	R	R	R	I	I	I	R	R	R	R	R	R	D	D	D	I	I	I	I	I	D	D	D	D	D	D	G	G	G		
Ireland	D	G	G	G	D	D	D	G	G	G	G	G	R	R	R	R	I	D	D	D	I	I	I	I	I	D	D	I	I	I	I	I	I	I	I	G	G	G	G	D	D	D	G	-	-	-	
Israel	D	G	G	G	I	I	I	R	R	R	R	G	G	I	I	I	D	D	D	G	G	G	R	R	R	D	D	D	R	R	G	D	G	G	D	D	D	R	R	R	R	D	D	I	I		
Italy	G	D	I	I	I	G	G	I	I	D	D	I	I	R	R	R	I	I	D	G	G	G	G	G	G	D	I	I	R	R	R	R	R	R	R	G	R	R	I	I	D	D	D	G	G	G	
Japan	D	D	D	I	I	I	I	R	R	G	D	D	I	R	R	G	G	G	G	D	D	D	D	I	D	D	D	D	G	R	R	R	R	R	I	I	R	R	R	I	I	I	D	D	D		
Korea	G	G	G	G	I	D	D	D	D	D	D	D	I	I	I	I	G	G	R	R	G	G	I	I	I	I	G	G	I	I	I	I	I	I	I	I	G	G	G	D	D	D	D	D			
Mexico	I	I	I	D	D	I	I	R	R	G	D	D	D	D	G	G	G	R	R	R	D	D	D	R	R	G	I	I	I	I	I	D	G	G	G	I	I	I	I	R	R	G	-	-	-		
Netherlands	R	R	R	R	G	G	R	R	R	R	G	R	R	D	D	D	I	D	D	D	D	I	R	R	G	D	D	D	R	I	I	I	I	I	D	D	I	I	I	I	R	G	G	-	-	-	
New Zealand	G	G	G	G	I	I	D	D	D	D	D	D	I	R	G	G	D	D	D	G	R	R	R	G	G	G	G	R	R	R	R	R	I	I	D	R	R	G	D	D	D	-	-	-			
Norway	R	I	D	D	G	G	G	G	G	R	D	D	D	G	R	R	I	D	I	R	R	R	D	D	D	R	G	R	I	I	I	I	D	D	D	D	R	R	R	G	G	G	-	-	-		
Poland	G	G	G	G	G	G	R	I	I	I	R	R	G	I	I	I	G	G	G	G	G	D	D	D	D	D	D	I	R	R	G	G	G	G	I	I	I	I	G	G	G	D	D	I			
Portugal	G	I	I	I	I	G	R	R	R	G	G	G	R	R	I	D	D	G	G	R	R	R	D	D	D	G	G	R	I	I	I	I	I	I	I	D	I	I	D	G	G	G	-	-	-		
Russia	I	R	R	R	I	I	I	I	I	I	I	G	G	R	I	I	I	I	D	D	D	D	D	G	G	G	D	D	I	I	D	D	G	R	R	I	I	I	I	G	G	G	-	-	-		
South Africa	G	D	I	I	D	D	D	G	G	G	G	G	G	R	R	G	G	G	R	R	R	I	I	I	I	G	G	G	I	I	I	I	I	I	I	I	I	I	D	I	I	-	-	-			
Spain	R	R	G	G	G	R	R	D	D	D	G	G	R	I	I	D	D	D	I	I	I	I	I	I	I	I	G	G	R	I	I	I	I	R	R	R	I	D	D	G	G	G	G	G			
Sweden	D	G	G	G	D	D	D	D	D	D	G	G	G	D	D	D	G	G	R	I	I	I	I	I	D	D	D	I	I	I	D	D	G	R	R	I	I	I	R	R	R	-	-	-			
Switzerland	R	D	D	D	R	R	R	D	D	D	D	D	D	D	G	G	G	D	D	D	I	I	I	G	G	G	D	I	I	R	R	R	R	G	G	G	R	R	R	I	I	D	-	-	-		
Taiwan	G	G	R	G	I	D	I	I	I	D	D	D	I	R	G	R	G	G	G	G	R	G	G	G	R	G	R	G	I	I	I	I	I	I	I	I	I	D	D	D	D	D	D	D			
Turkey	I	R	R	R	I	I	I	D	D	D	G	G	G	D	D	D	G	G	G	G	G	G	D	D	D	D	I	D	R	R	R	I	I	I	R	R	R	R	R	R	R	-	-	-			
United Kingdom	D	G	G	G	G	G	G	R	G	R	R	R	I	I	I	I	I	I	I	I	I	I	D	D	D	G	G	G	G	G	G	G	G	G	G	R	R	I	D	D	D	D	G	G	G		
World	G	G	G	G	I	I	D	G	G	G	G	G	R	I	D	D	G	G	G	G	R	R	I	D	D	D	G	G	R	I	I	I	I	I	I	I	D	R	R	R	R	R	R	G	-	-	-
MODE	G	G	G	G	I	I	D	G	G	G	G	G	R	I	D	D	G	G	G	G	R	R	I	D	D	D	G	G	R	I	I	I	I	I	I	I	D	R	R	R	R	R	R	G	-	-	-

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. G = GOLDILOCKS = growth ↑ and inflation ↓. R = REFLATION = growth ↑ and inflation ↑. I = INFLATION = growth ↓ and inflation ↑. D = DEFLATION = growth ↓ and inflation ↓.

© 42 Macro LLC. Data Source: Bloomberg.

G = GOLDILOCKS = growth ↑ and inflation ↓. R = REFLATION = growth ↑ and inflation ↑.

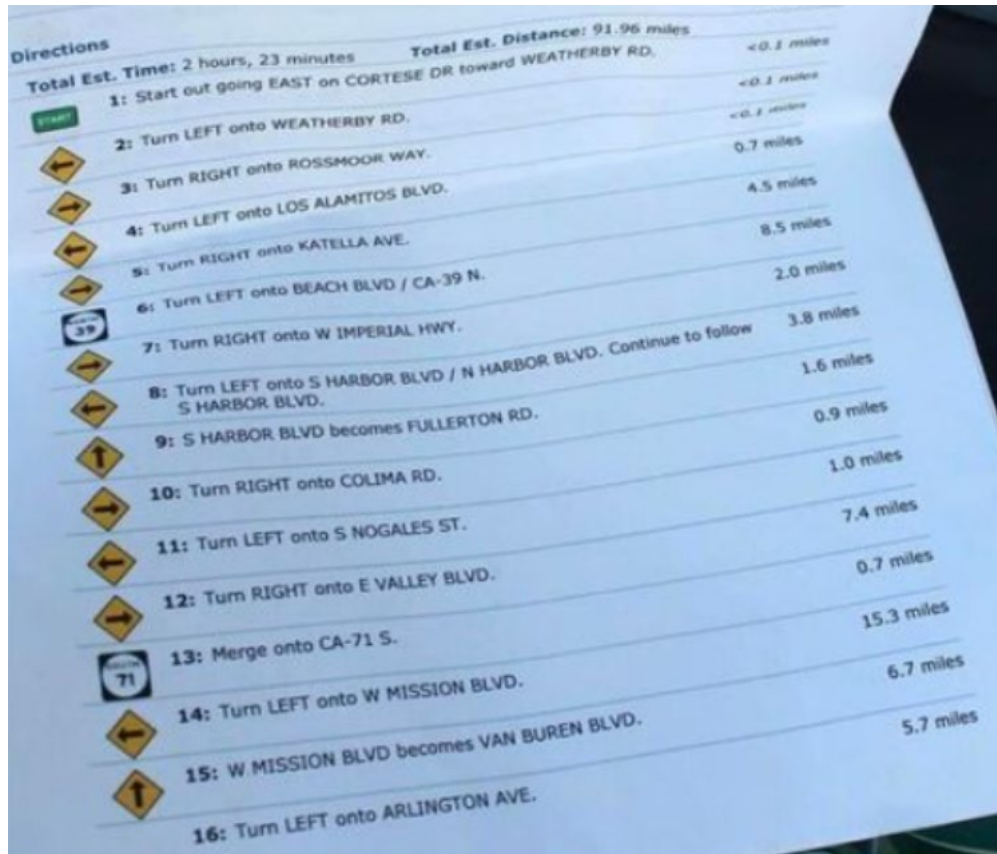
I = INFLATION = growth ↓ and inflation ↑. D = DEFLATION = growth ↓ and inflation ↓.

The 42 Macro model applies a proprietary methodology to smooth and nowcast quarterly GDP data on a monthly frequency.

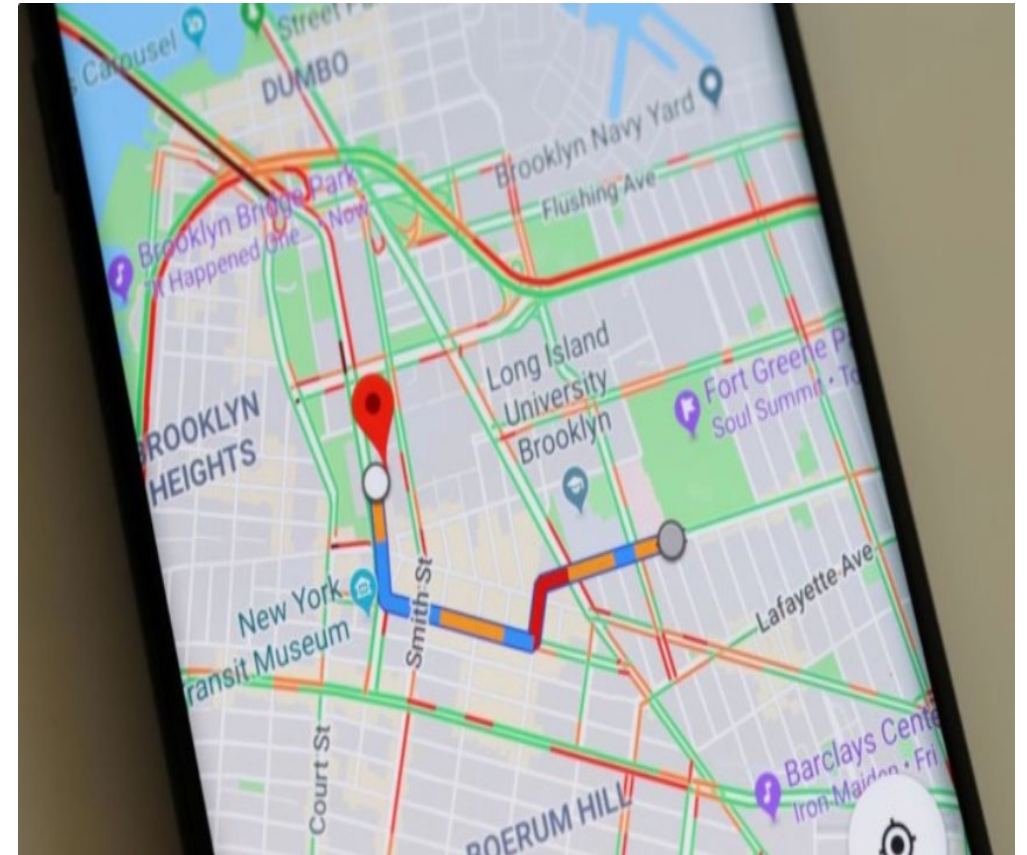


The 42 Macro Risk Management Process Is Orthogonal And Likely Additive To Your Investment Process

How Most Investors Manage Risk:
Responding To Failed Predictions



How 42 Macro Manages Risk:
Responding To Bayesian Observations



© 42 Macro LLC. Images sourced from Google. **Most investors failed to predict the most important macro catalyst in each of the past six years:**

2019: COVID-19 in 2020; **2020:** vaccine-and-stimulus-fueled jump condition from the COVID crisis to a booming economy in 2021;

2021: the jump condition to a ~40yr high in inflation in 2022; **2022:** the jump condition from a technical recession to a booming US economy in 2023;

2023: the jump condition from a deflationary regional banking crisis and a ~40yr high in the Fed Funds Rate to a boom in asset markets in 2024; and

2024: the jump condition from Paradigm A to Paradigm B and the jump condition from Paradigm B to Paradigm C in 2025.

Why The 42 Macro Risk Management Process Works

- **Regime Segmentation:** *“I knew which shifts in the environment caused asset classes to move around, and I knew that those relationships had remained essentially the same for hundreds of years. There were only two big forces to worry about: growth and inflation. Each could be rising or falling, so I saw that by finding four different investment strategies – each one of which would do well in a particular environment (rising growth with rising inflation, rising growth with falling inflation, and so on) – I could construct an asset allocation mix that was balanced to do well over time while being protected against unacceptable losses.”*
–Ray Dalio, Principles pg. 70
- **Bayesian Inference:** *“Subjective confidence in a judgment is not a reasoned evaluation of the probability that this judgment is correct. Confidence is a feeling, which reflects the coherence of the information and the cognitive ease of processing it. It is wise to take admissions of uncertainty serious, but declarations of high confidence mainly tell you that an individual has constructed a coherent story in his mind, not necessarily that the story is true.”*
–Danny Kahneman & Amos Tversky, Thinking, Fast and Slow pg. 212
- **Volatility as a Leading Indicator for Price:** *“You cannot beat the market, says the standard market doctrine. Granted. But you can sidestep its worst punches.”*
–Benoit Mandelbrot, The (Mis)Behavior of Markets pg. 249

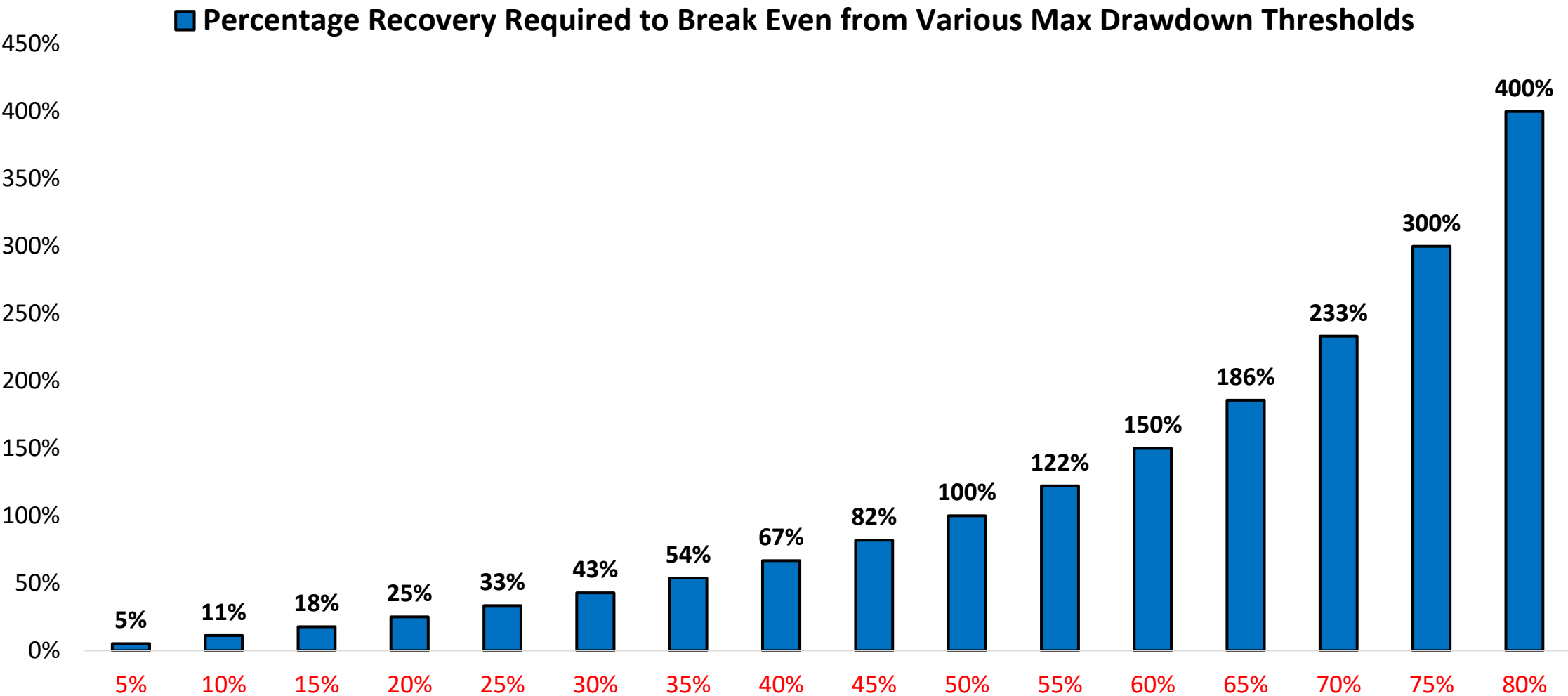
Common Cognitive Biases That Prevent Investors From Achieving Their Strategic Investment Objectives, Part I

- **Action Bias:** The action bias describes our tendency to favor action over inaction. Source: <https://thedecisionlab.com/biases/action-bias>
- **42 Macro Solution:** Clear risk management signals that communicate DO NOTHING when there is no change in the signal and TAKE ACTION only when the signal changes.
- **Availability Heuristic:** The availability heuristic describes our tendency to use information that comes to mind quickly and easily when making decisions about the future. Source: <https://thedecisionlab.com/biases/availability-heuristic>
- **42 Macro Solution:** Daily refreshes of our [Quantitative Risk Management Summary](#) and [Fundamental Research Summary](#).
- **Confirmation Bias:** The confirmation bias describes our underlying tendency to notice, focus on, and give greater credence to evidence that fits with our existing beliefs. Source: <https://thedecisionlab.com/biases/confirmation-bias>
- **42 Macro Solution:** Consistently performing research on the full distribution of probable economic outcomes in the Growth, Inflation, Monetary Policy, Fiscal Policy, Liquidity, and Positioning sections of our monthly Macro Scouting Report presentations, as well as reviewing every meaningful economic release in our daily Leadoff Morning Note — bullish or bearish.
- **Disposition Effect:** The disposition effect refers to our tendency to prematurely sell assets that have made financial gains, while holding on to assets that are losing money. Source: <https://thedecisionlab.com/biases/disposition-effect>
- **42 Macro Solution:** The Top-Down and Bottom-Up Risk Management Overlays featured in our KISS Model Portfolio help investors block out countercyclical noise to maximize upside capture in bull markets and minimize downside capture in bear markets.
- **Hindsight Bias:** The hindsight bias describes our tendency to look back at an unpredictable event and think it was easily predictable. Source: <https://thedecisionlab.com/biases/hindsight-bias>
- **42 Macro Solution:** Consistently thorough discussions regarding the then-consensus narratives and positioning dynamics of past market cycles, as well as backtesting each of our quantitative risk management signals and econometric models on a rolling out-of-sample basis.
- **Hyperbolic Discounting:** Hyperbolic discounting is our inclination to choose immediate rewards over rewards that come later, even when these immediate rewards are smaller. Source: <https://thedecisionlab.com/biases/hyperbolic-discounting>
- **42 Macro Solution:** Avoiding frameworks that [often erroneously] attempt to predict every wiggle in the stock market, such as dealer flows, CTA positioning, etc.
- **Illusion of Explanatory Depth:** The illusion of explanatory depth describes our belief that we understand more about the world than we actually do. Source: <https://thedecisionlab.com/biases/the-illusion-of-explanatory-depth>
- **42 Macro Solution:** The six principal component features in our [Macro Weather Model](#) (i.e., the Growth, Inflation, Monetary Policy, Fiscal Policy, Liquidity, and Positioning cycles) — which we refresh daily — remind investors that the oft-esoteric topics being discussed on Twitter/X, TikTok, and other social media platforms are not the only drivers of asset markets.

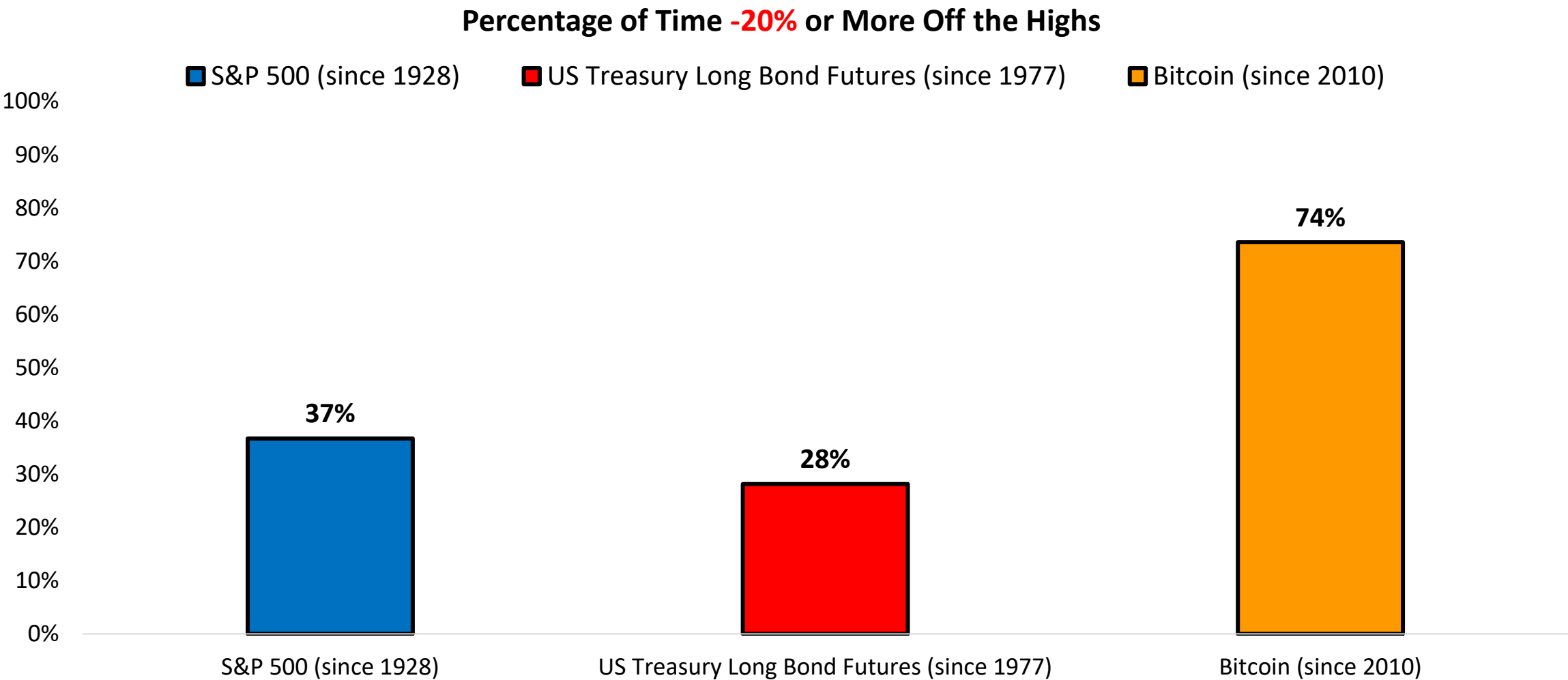
Common Cognitive Biases That Prevent Investors From Achieving Their Strategic Investment Objectives, Part II

- **Illusion of Validity:** The illusion of validity is a cognitive bias that describes our tendency to be overconfident in the accuracy of our predictions. Source: <https://thedecisionlab.com/biases/illusion-of-validity>
- **42 Macro Solution:** An institutional research process that is heavy on observation and light on predictions. When we do make predictions, they are generated by models that apply proven quantitative techniques to time series that span multiple economic and market cycles, while also quantifying and proudly publishing the error rate of each of our econometric models.
- **Myopic Loss Aversion:** Myopic loss aversion is a cognitive bias that occurs when investors take a view of their investments that is strongly focused on the short term, leading them to react too negatively to recent losses, which may be at the expense of long-term benefits. Source: <https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/myopic-loss-aversion>
- **42 Macro Solution:** Clear risk management signals that communicate DO NOTHING when there is no change in the signal and TAKE ACTION only when the signal changes. Asset markets tend to appreciate over time, so our general disposition toward them is “fully invested, until a risk management signal instructs us to book gains.”
- **Negativity Bias:** The negativity bias is a cognitive bias that results in adverse events having a more significant impact on our psychological state than positive events. Source: <https://thedecisionlab.com/biases/negativity-bias>
- **42 Macro Solution:** Avoiding bear porn at all costs – even to the point of ridiculing it publicly. Asset markets tend to appreciate over time, so our general disposition toward them is “fully invested, until a risk management signal instructs us to book gains.”
- **Optimism Bias:** The optimism bias refers to our tendency to overestimate our likelihood of experiencing positive events and underestimate our likelihood of experiencing negative events. Source: <https://thedecisionlab.com/biases/optimism-bias>
- **42 Macro Solution:** An institutional risk management process that values being the second investor in a confirmed trade more than being first in a trade that may or may not come to fruition.
- **Recency Bias:** The recency bias refers to our tendency to better remember and recall information presented to us most recently, compared to information we encountered earlier. Source: <https://thedecisionlab.com/biases/recency-effect>
- **42 Macro Solution:** Only making marginal changes to our [Fundamental Research Summary](#) when new data builds or erodes our conviction in a theme, rather than making wholesale changes.
- **Sunk Cost Fallacy:** The sunk cost fallacy is our tendency to follow through on something that we’ve already invested heavily in (be it time, money, effort, emotional energy, etc.), even when giving up is clearly a better idea. Source: <https://thedecisionlab.com/dailybiases/the-sunk-cost-fallacy>
- **42 Macro Solution:** Proven risk management signals that help investors dispassionately book small losses before they turn into big losses.
- **Zero Risk Bias:** Zero risk bias relates to our preference for absolute certainty. Source: <https://thedecisionlab.com/biases/zero-risk-bias>
- **42 Macro Solution:** Having enough humility to avoid declarations of certainty and/or extreme confidence regarding our predictions at all costs. No reputable institutional investor speaks with certainty about the future, and you shouldn’t either.

The Three Most Important Concepts In Investing: Rule #1 = Don't Lose Money

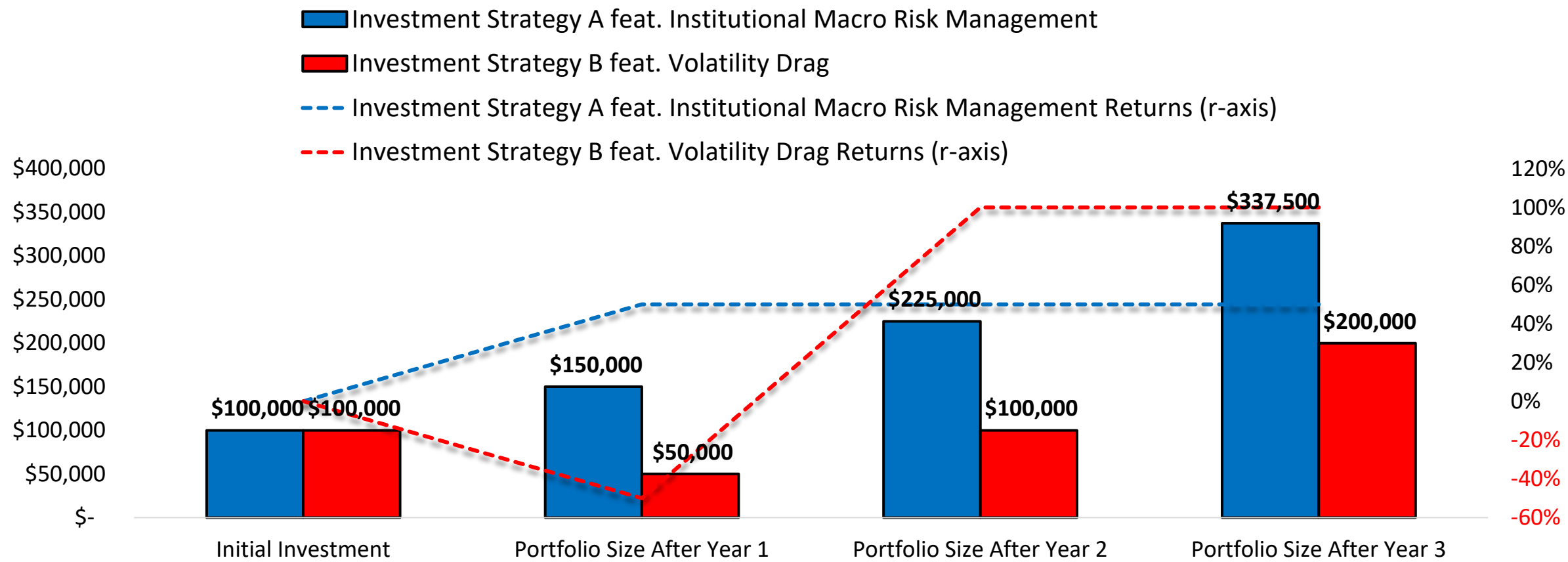


The Three Most Important Concepts In Investing: Rule #2 = Do Not Invest Money You Cannot Afford To Lose



The Three Most Important Concepts In Investing: Rule #3 = The Journey Matters More To Your Financial, Mental, And Physical Health Than The Destination

Both Investment Strategies Feature Identical **+50%** Average Annual Returns.
Which One Do You Prefer?



Fundamental Research Summary

Active Themes: **Sticky Inflation** (introduced: Jan-22; time horizon: 1yr+), **Resilient US Economy** (Sep-22; 1yr+), **Paradigm C aka “Run It Hot”** (Apr-25; 1yr+), **Productivity Boom** (Oct-25; 1yr+), **Jobless Recovery** (Oct-25; 1yr+), **Cooling Housing & Labor** (Dec-25; 1yr+), **Source of Funds** (Dec-25; 1yr+), **Play-Action Pass to Set Up the Run** (Jun-26; 3–6mos), **Bessent’s Bridge** (Aug-26; 3–6mos)

General Market Outlook: We view the NTM outlook as bullish because the growth, inflation, monetary policy, fiscal policy, and liquidity cycles are likely to generally be tailwinds through 2H27. The next few months, however, may prove volatile because the monetary policy and liquidity cycles may become headwinds amid positioning cycle headwinds. Buy the dip(s). Bubble risk is high.

Growth: Our Macro Weather Model currently views the growth cycle as a meaningful tailwind for asset markets. Our Resilient US Economy theme is supported by historically strong private sector balance sheet dynamics. Our Paradigm C aka “run it hot” theme is supported by procyclical fiscal easing and broad-based deregulation, which are likely to perpetuate a transitory boom in the economy throughout 2026 and 2027. Our Productivity Boom theme is supported by capital deepening and AI diffusion. Our Jobless Recovery theme is supported by the cyclical underperformance of employment growth and structural downtrends in both labor supply and labor demand.

Inflation: Our Macro Weather Model currently views the inflation cycle as a modest tailwind for asset markets. Our Sticky Inflation theme is supported by structural regime change across a bevy of key leading and coincident indicators and the fact that the Fed refuses to credibly pursue disinflation. Our Paradigm C aka “run it hot” theme is also supporting our Sticky Inflation theme. Our Cooling Housing & Labor theme is supported by our Productivity Boom and Jobless Recovery themes, as well as lagged disinflation in nationwide rents.

Monetary Policy: Our Macro Weather Model currently views the monetary policy cycle as a modest tailwind for asset markets. Our Sticky Inflation and Paradigm C aka “run it hot” themes suggest the Fed should tighten monetary policy to regain some credibility on its price stability mandate. Our Play-Action Pass to Set Up the Run theme acknowledges that the Fed does not have to tighten for economic reasons. Thus, tightening would only be necessary to limit financial stability risks stemming from a surprisingly dovish revision to the Fed’s reaction function because of the likely recommendations from Chair Warsh’s five task forces. The Fed risks upending the bond market if it pivots directly to a surprisingly dovish reaction function amid Sticky Inflation.

Fiscal Policy: Our Macro Weather Model currently views the fiscal policy cycle as a modest tailwind for asset markets. Our Paradigm C aka “run it hot” theme is supported by procyclical fiscal and regulatory easing. The Geopolitically Driven Supply–Demand Imbalance in the Treasury Bond Market (Paradigm A) has remained our core thesis since we first published our *Investing During a Fourth Turning Regime* analysis in the summer of 2023. History confirms there are only three options for sovereigns to address unfavorable disequilibrium in their bond markets: 1) cut the numerator—debt (Paradigm B); 2) grow the denominator—GDP (Paradigm C); or 3) print the demand (Paradigm D). Per Neil Howe, every *Fourth Turning* since the 15th century has featured major political realignment and total war (Paradigm E). The US’s violation of *Ferguson’s Law* signals that the probability of Paradigm E occurring within the next 5–10 years is greater than 50%.

Liquidity: Our Macro Weather Model currently views the liquidity cycle as a modest tailwind for asset markets. The Fed’s “reserve management” purchases are likely an early signal of the pending shift to Paradigm D. The Fed is the only institution in the world with enough balance sheet capacity and desire to counter the Geopolitically Driven Supply–Demand Imbalance in the Treasury Bond Market. Thus, Fed independence will likely continue to be eroded akin to the prior *Fourth Turning*. Our Bessent’s Bridge theme is supported by dovish net financing policy and JPY intervention.

Positioning: Our Macro Weather Model currently views the positioning cycle as a modest headwind for asset markets. Our Source of Funds theme is supported by the diffusion of AI throughout the global economy. History confirms capex bubbles tend to conclude with secular bear markets. Thus, a secular bear market is likely to follow the AI capex bubble, akin to the railroad, consumer durable goods, and IT capex bubbles. This thesis is supported by Ray Dalio’s *Big Cycle* framework—specifically the disintegrating domestic political and geopolitical orders—and Peter Turchin’s *Elite Overproduction* framework. Howe’s, Dalio’s, and Turchin’s independent frameworks point to a rising probability of significant redistributive policies, such as wealth taxes and trust-busting.

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Highlighted callouts include material changes from the preceding 42 Macro research report.

Red = bearish for risk assets. Green is bullish for risk assets. Orange = neutral for risk assets.

Active Themes sourced from our monthly Macro Scouting Reports and daily Leadoff Morning Notes. In chronological order.

Quantitative Risk Management Summary

Short-Term Signals (<1 month):

- **Crowding Model:** Not currently generating any bearish or bullish signals.
- **Probable Range Model:** **Industrial Metals** are currently oversold.

Short-to-Medium-Term Signals (2-3 months):

- **Macro Weather Model:** Currently generating a bullish outlook for Stocks, Gold, Bitcoin, and Commodities, and a bearish outlook for Bonds and the US Dollar. Our **Macro Weather Model** currently signals a high probability of sustaining a risk-on Market Regime over the short-to-medium term.
- **Positioning Model:** Retail traders are underweight stocks, and professional traders are neutral stocks. Our **Positioning Model** currently signals low risk of a correction (↓ 10%) in risk assets over the short-to-medium term.

Medium-to-Long-Term Signals (3-12+ months):

- **Dr. Mo Upgrades:** n/a
- **Dr. Mo Downgrades:** n/a
- **Global Macro Risk Matrix:** **REFLATION** is the current Market Regime. **REFLATION** is a risk-on regime in which investors are generally rewarded for increasing risk because policymakers are supporting or unlikely to restrain nominal economic growth that is perceived to be accelerating or persistently higher than expectations. The key portfolio construction considerations in **REFLATION** are: **Risk Assets** > **Defensive Assets**, **High Beta** > **Low Beta**, **Cyclicals** > **Defensives**, **Growth** > **Value**, **SMID Caps** > **Large Caps**, **International** > **US**, **EM** > **DM**, **Spread Products** > **Treasuries**, **Short Rates** > **Belly** > **Long Rates**, **High Yield** > **Investment Grade**, **Industrial Commodities** > **Energy Commodities** > **Agricultural Commodities**, and **Gold** > **FX** > **USD**.
- **Global Liquidity Model:** Global liquidity is currently trending higher. Key leading indicators of global liquidity currently signal a meaningful downtrend over the medium term.
- **GRID Model:** **GOLDILOCKS** (Real GDP ↑ and Core PCE ↓) is the consensus modal outcome for the US economy over the medium term.
- **Positioning Model:** Investment advisors are overweight stocks, neutral bonds, and underweight cash. Systematic funds are neutral stocks. Market-neutral hedge funds are overweight risk assets from a gross exposure perspective. Risk asset valuations are somewhat consistent with major bull market peaks. Economic policy uncertainty is not consistent with major bull market peaks. Our **Positioning Model** currently signals moderate risk of a crash (↓ 20%) in risk assets over the medium-to-long term.

© 42 Macro LLC. Data Source: Bloomberg.

Highlighted callouts include material changes from the preceding 42 Macro research report.

Positioning Model correction/crash risk thresholds: < 25% = low, 25-50% moderate, 50-75% reasonable, and > 75% high.

Macro Weather Model RORO phase transition risk thresholds: < 25% = low, 25-50% moderate, 50-75% reasonable, and > 75% high.

If you have questions regarding any of the preceding content...

The screenshot shows the 42 Macro website interface. A blue arrow points from the top text to the 'COMMUNITY' tab, which is circled in blue. Another blue arrow points from the 'COMMUNITY' tab to the 'KISS FAQ' item in the right-hand navigation menu.

RESEARCH

- LMN** Leadoff Morning Note Thursday, June 18, 2026
- ATH** Around The Horn Saturday, June 13, 2026
- MSR** Macro Scouting Report Friday, June 5, 2026

VIDEO

THE MACRO MINUTE
HOW LONG WILL THE FED PRETEND TO BE HAWKISH?
Macro Minute Thursday, June 18, 2026

SIGNALS

KISS Model Portfolio Jun 18, 08:31 AM ET

Gross Exposure

Asset	Exposure
USFR	40.0%
WisdomTree Floating Rate...	60.0%
VT	0.0%
Vanguard Total World Stock ETF	0.0%
GLDM	0.0%
SPDR Gold MiniShares	0.0%
FBTC	0.0%
Fidelity Wise Origin Bitcoin Fund	0.0%

Percent of Maximum Exposure

Asset	Exposure
CASH	40%
STOCKS	100%
GOLD	0%
BITCOIN	0%

RESOURCES

Sort by: Latest

- Jun 18: Daily Summary, THE MACRO MINUTE (MM | Audio Only, MM | Transcript)
- Jun 13: Weekly Summary, ATH (ATH | Audio Only, ATH | Transcript)
- Jun 5: Monthly Summary, MSR (MSR | Audio Only, MSR | Transcript)

COMMUNITY

Darius Dale 6/17, 7:59a

RE: Humility: the "hackiest" of all "life hacks"

Hi friends,

I had the great privilege of delivering the sermon last Sunday (6/14/26). The lesson—how humble of all "life hacks"—is a message that everyone no matter where they are on the socioeconomic spectrum can understand. The wisdom: <https://thegroves.com/sermon>

In quantum mechanics, measurement causes wave function collapse. In life, our thoughts, words, actions, and choices shape the world we reside in—first in our homes, then in our communities, and lastly, throughout our societies. All told, OUR world is what WE make of it. We are turning this unnecessarily K-shaped economic recovery into a U-shaped recovery.

Jesus Christ and I love you,

—Skipper

P.S. Please like and share on social media. Thanks!

The Seasons of Our Walk with Christ

Navigation Menu:

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- Dark Mode
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