

Keen monthly insights on both the economy and the markets

THE ECONOMY

In what is being called by some, the 'Schumer Shutdown', economists are finding it difficult to find current data on the health of the US economy.

Anecdotal, and 'adjacent', economic data remains strong, with 3Q'25 GDP in the Eurozone stronger than expected. Economists are also encouraged with just how resilient the US labor market appears to be.

The bottom line being, despite the void of government data, we remain optimistic on the US economy, as well as the Trump Administration's ability to manage it.

THE MARKETS

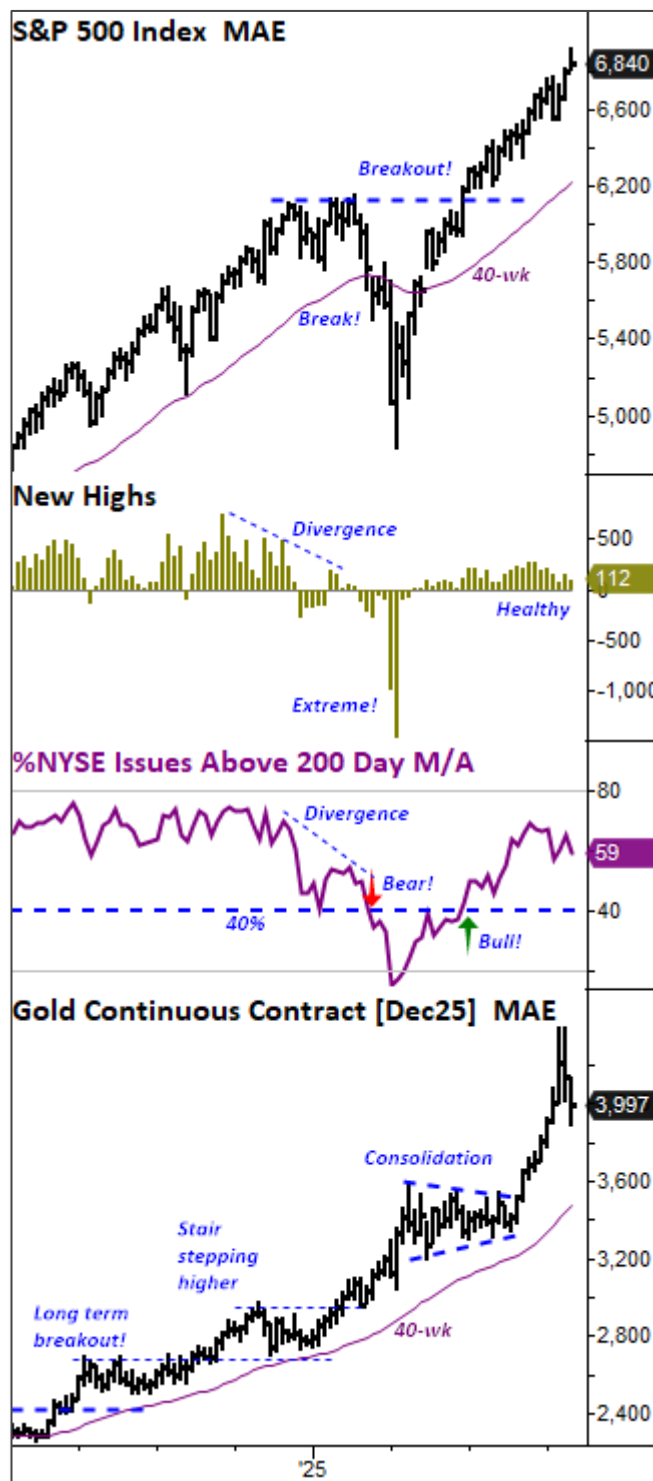
As for the markets, they remain healthy technically. The move to new all-time highs in the S&P was actually led by a new high in breadth, or the Advance-Decline Line. This strength in the S&P and market breadth has caused both to get extended over the short term.

Our most reliable indicator of long-term market trend is the purple line, or the "Percentage of Stocks which are Above their 200-day Average". The key demarcation line for this indicator is 40% and while not perfect, it does a good job of keeping us on the right side of the market.

The big news since our last installment has been the action in the precious metals. Both gold & silver now look to have 'gone parabolic', which is a term used to describe a market in the final stages of an advance.

While only time will tell if 'the tops are in' for both, having come so far in such a short time, argues that they now need a breather to digest their recent gains. This is a similar setup to what we saw in April, which led to the trading range, or consolidation, which lasted until August.

Mike Hurley, CMT
Chief Investment Officer



Charts courtesy of TradeStation, as of October 31, 2025

TRADITIONAL STRATEGIES

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

- 1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
- 2) Add gold to portfolios during periods of inflation
- 3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

ADAPTIVE STRATEGY

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

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