

Keen monthly insights on both the economy and the markets

THE ECONOMY

Now entering its 6th week, the conflict in Iran remains the primary driving force for both headlines – and of course the markets. The question being, will it disrupt economic activity globally (or not), and if so, how badly?

While many are actively weighing in, no one knows for sure. All we really know, is that crude remains stubbornly high and that we're now starting to see it at the pumps.

Interestingly, the Bloomberg Economic Surprise Index just hit the highest level in roughly 2½ years. While clearly no guarantee of future economic activity, it shows in real, black & white, terms that estimates of economic output by professional economists have been too low. Hopefully, the economists will continue to be wrong going forward.

THE MARKETS

As for stocks, it can still be argued they are 'bending, but not breaking'. Specifically, while the S&P 500 broke support in the 6,500 area, it is now trading back above it. This is despite crude oil closing higher on the week.

Additionally, one of our primary indicators of long-term trend (percentage of stocks above their 200-day moving average) is also back above the key 40% level – barely.

That being said, stiff resistance remains overhead and stocks are clearly not, 'out of the woods'. How the market trades in the weeks ahead will be a good window into its overall health.

Should stocks build on their recent gains, it would argue that they have seen a typical, garden variety, correction. Should the S&P 500 and NASDAQ fail at these areas of resistance deeper declines would be possible, if not likely.

Mike Hurley, CMT
 Chief Investment Officer

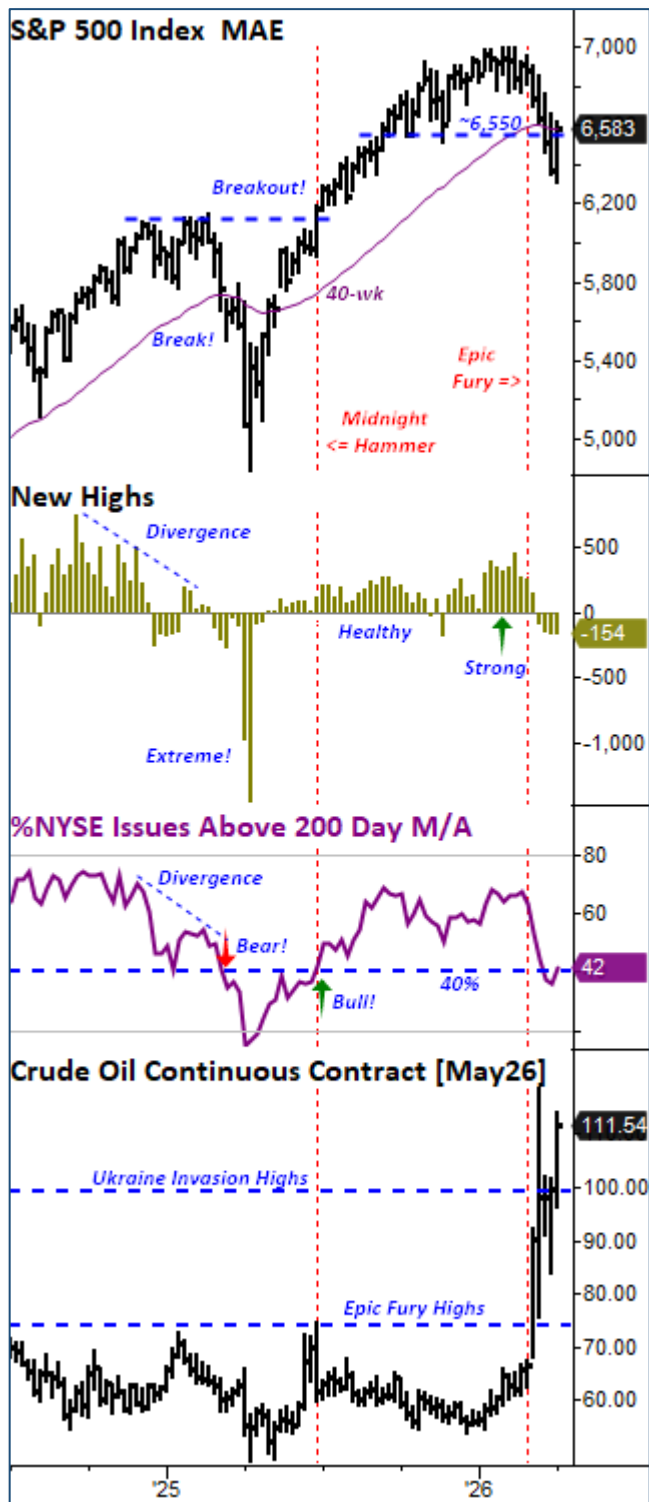


Chart courtesy of TradeStation – as of April 3, 2026

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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The S&P 500 is a market-capitalization-weighted index that tracks the market performance of the 500 largest U.S. publicly traded companies. The Bloomberg Economic Surprise Index shows the degree to which economic analysts under- or over-estimate the trends in the business cycle. The surprise element is defined as the percentage (or percentage point) difference between analyst forecasts and the published value of economic data releases.

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