Ascentis
Asset Management

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Trend Report Commentary

G. R. I. P.

INTRODUCTION

The GRIP framework is a four-pillar approach to understanding the macro environment. **G**rowth, **R**isk appetite, **I**nflation and **P**olicy each convey distinct information about where we are in the business cycle and what lies ahead for markets. By measuring and synthesizing these factors using objective data, investors and advisors can better navigate shifts in the economic landscape. This monthly GRIP report focuses on conditions up to **December 2025**, drawing on the latest available data for each pillar. The aim is to provide context and insight for financial advisors and investors who must distill a torrent of headlines into actionable decisions.

For the **growth pillar**, we rely on the Conference Board's U.S. Leading Economic Index (LEI). The LEI aggregates ten forward-looking indicators—such as new orders, building permits, consumer expectations, manufacturing hours, and the yield curve—into a single gauge of future economic momentum. Movements in the LEI tend to precede turns in gross domestic product by several months. By taking the rate of change of the LEI over the 3-, 6- and 12-month horizons and applying a simple "majority rule" (positive in two or more horizons equals a positive signal and vice versa), we derive a **growth composite** that is either +1 (expansionary), 0 (neutral) or –1 (contractionary). We also compare the LEI to an exponential trend line and calculate standard-deviation bands to see when the index deviates significantly from its longer-term path. This approach looks past one-off monthly fluctuations and focuses on the direction and magnitude of change.

The **risk appetite pillar** gauges how willing investors are to take on risk. When risk appetite is high, credit spreads are narrow, stock markets are strong, cyclical commodities outperform safe-haven assets and speculative assets like Bitcoin rally. When risk appetite wanes, credit spreads widen and market breadth deteriorates as investors seek safety. Our risk composite combines three sub-components: (1) a price-based composite using high-yield credit spreads, global equity indices and Bitcoin; (2) a market-breadth composite based on a bullish percentage indicator; and (3) a cross-market composite using ratios such as stocks versus bonds, stocks versus gold, copper versus gold, lumber versus gold, small-cap versus large-cap equities and high-beta versus low-volatility stocks. Each series receives a signal determined by its 3-, 6- and 12-month rates of change (majority rule), with the high-yield spread signal inverted because wider spreads reflect lower risk appetite. We then overweight the price-based composite relative to breadth and inter-market signals to form the final risk score.

INTRODUCTION

The **inflation pillar** measures pricing pressures in the real economy using a blend of the consumer price index (CPI), producer price index (PPI), Brent crude oil prices and the ratio of Treasury Inflation-Protected Securities (TIPS) to long-term Treasury bonds (TIP/TLH). By examining the 3-, 6- and 12-month changes in each series and applying the same majority-rule methodology, we generate an inflation signal that indicates whether price pressures are building or receding. Using a composite helps smooth out the volatility inherent in any one inflation indicator and captures both consumer-level and producer-level price trends. In this report the latest CPI and PPI data run through **September 2025**, while market-based measures extend to late October. An inflation score of +1 means rising inflation across time horizons, 0 is neutral and –1 indicates broad disinflation.

Although the **policy pillar** is part of the GRIP framework, this report focuses on the interactions between growth, risk appetite and inflation. Policy is addressed in narrative form rather than through charts. In brief, the U.S. Federal Reserve has adopted a mildly supportive stance. The yield curve remains inverted—signalling tight financial conditions—but the Fed's decision to begin cutting rates and end its quantitative-tightening program provides offsetting support.

The sections that follow examine each pillar in turn. The report then synthesizes the pillars to determine the prevailing macro regime and offers thoughts on portfolio positioning. Three charts illustrate the historical evolution of the growth, risk appetite and inflation composites over the past decade.

Growth: A Decelerating Leading Indicator

Interpreting the LEI

The Conference Board's Leading Economic Index is designed to signal turning points in the business cycle. Ten sub-components—ranging from average weekly hours in manufacturing to stock prices and the interest-rate spread—are weighted and aggregated to produce the index. A rising LEI typically precedes faster GDP growth and improved labour market conditions, while a falling LEI warns of slower growth or recession. Because the indicator encompasses forward-looking series, it often leads actual economic activity by three to six months. In our composite, we evaluate whether the LEI's rate of change is accelerating or decelerating over multiple horizons. This helps filter out month-to-month volatility and focuses on the underlying trend.

Recent developments

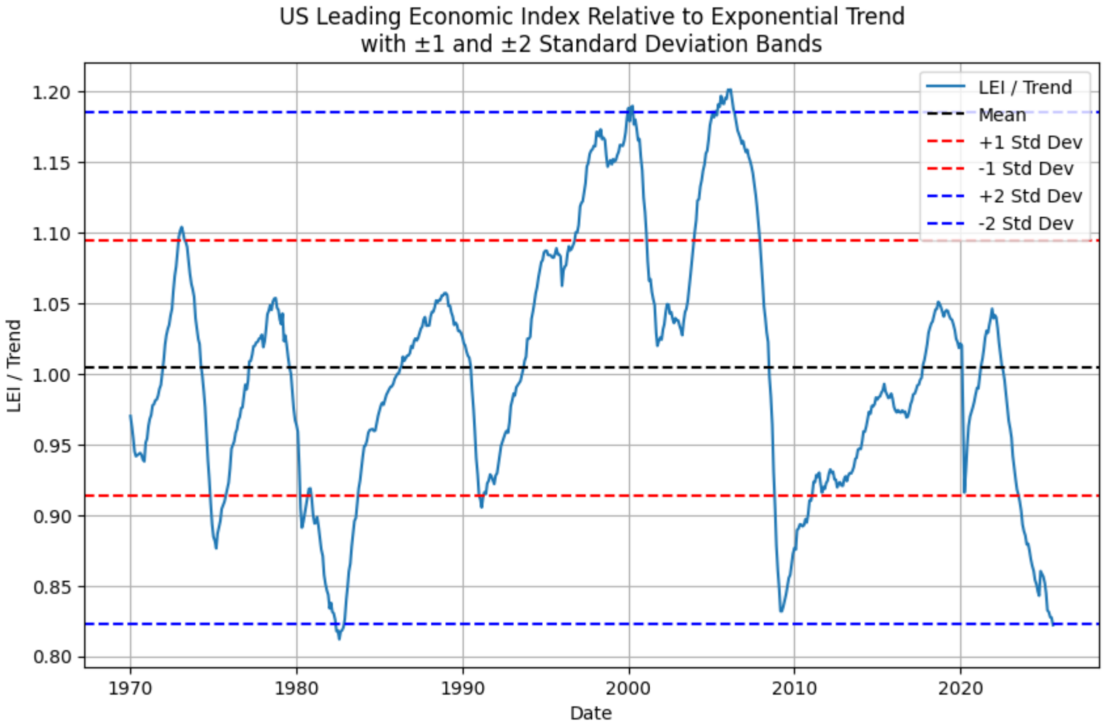
The LEI has been flashing caution signs for most of 2025. According to a September press release from the Conference Board, the index "tumbled by **2.8 percent** over the six months between February and August 2025, a faster rate of decline than the **0.9 percent** contraction over the previous six-month period." The report noted that the LEI slid **0.5 percent** in August after inching up in July, marking the largest monthly drop since April. Only two components—stock prices and the Leading Credit Index—contributed positively over that six-month span; the contribution from the yield spread turned negative for the first time since April. In other words, both financial and real-economy indicators have weakened. The Conference Board's analysts observed that the decline signals "more headwinds ahead," even though coincident indicators (which measure current conditions) continued to rise modestly.

The six-month change is particularly telling because it eliminates short-term noise. A sustained decline of more than **2 percent** over six months is historically associated with recessions. While the U.S. has avoided a recession thus far, the momentum of the LEI suggests that growth will be sluggish in late 2025 and early 2026. Indeed, the Leading Economic Index has fallen in nineteen of the last twenty-one months through August. Consumer expectations for business conditions, manufacturing hours, new orders and building permits have all softened. The housing market, which benefits from falling mortgage rates, has provided only a mild offset. Taken together, these data point to a broad slowdown that is already well under way.

Growth composite signal

Our growth composite assesses the LEI's momentum over the 3-, 6- and 12-month periods. If two or more of these periods show positive growth, the signal is **+1**; if two or more are negative, the signal is **–1**; otherwise it is **0**. At present the 3-month and 6-month changes in the LEI are negative, while the 12-month change is also firmly negative. The majority of negative time horizons yields a composite of **–1**—indicating a contractionary growth environment. This negative reading aligns with the Conference Board's commentary and other macro observations: manufacturing surveys are in contraction, business investment is tepid and consumers are becoming more cautious. In short, the economy is decelerating.

The chart below plots the ratio of the LEI to its fitted exponential trend over the past decade, along with ±1 and ±2 standard-deviation bands. When the ratio moves below the lower bands, it signifies that the index is significantly underperforming its long-term trend, often preceding recessions. Conversely, ratios above the upper bands correspond to periods of overheating. As of the latest data (August 2025), the LEI ratio sits well below its trend and has breached the –2σ band, underscoring the severity of the slowdown.



Growth composite: LEI relative to trend

Figure 1. Ratio of the U.S. Leading Economic Index to its exponential trend, with ±1 (lighter) and ±2 (darker) standard-deviation bands. Values below the lower bands indicate a significant deceleration relative to trend.

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Implications and outlook

An extended decline in the LEI suggests that economic growth will remain sluggish in the near term. With the index far below trend, it will take several months of meaningful improvement in consumer confidence, manufacturing activity and housing to turn the tide. The LEI is not a perfect predictor of recessions, but its persistent decline across multiple time horizons is cause for vigilance. Historically, when the LEI has been as weak as it is today, GDP growth has averaged around **1 percent** annualized over the subsequent year. Employment growth tends to stall and business investment softens. We therefore classify the growth environment as **contractionary** heading into late 2025.

Looking ahead, there are reasons to believe that growth could stabilize in 2026. Interest rates have likely peaked, and the Federal Reserve's nascent easing cycle should begin to support credit conditions. Wage growth, although moderating, remains solid and could underpin consumer spending. Supply-chain bottlenecks have largely cleared, reducing input costs and delivering some relief to businesses. Nonetheless, in the absence of a sharp rebound in new orders, housing and industrial activity, the balance of risks to growth remains tilted to the downside in the near term.

Risk Appetite: Turning Cautious

Measuring risk appetite

Risk appetite reflects the willingness of market participants to bear volatility in pursuit of higher returns. When investors are confident about the economic outlook and financial conditions are supportive, riskier assets such as equities, high-yield bonds, commodities and speculative instruments tend to outperform. Conversely, during periods of uncertainty or economic stress, investors flock to safer assets like Treasuries, gold or cash, and riskier assets underperform. Our risk appetite composite combines three types of signals to capture this multifaceted concept:

1. **Price-based composite:** This looks at high-yield credit spreads, global equity performance (proxied by the MSCI All Country World Index, ACWI) and Bitcoin prices. When credit spreads narrow and equities and Bitcoin rise across multiple time horizons, the signal is positive; when spreads widen and risky assets fall, the signal is negative. Because wider credit spreads reflect higher perceived credit risk, we invert that signal.

2. **Market-breadth composite:** Using the bullish percent index (BPI) for the S&P 500, we assess whether a broad swath of stocks is participating in the market's trend. The BPI measures the percentage of stocks with bullish point-and-figure chart patterns. A rising BPI indicates broad participation, while a falling BPI suggests that gains are concentrated in a shrinking subset of stocks—often a sign of weakening risk appetite.

3. **Cross-market composite:** We evaluate several ratios that compare the performance of risk-on assets to defensive assets: ACWI versus Treasury bonds (ACWI:IEF), ACWI versus gold (ACWI:GLD), copper versus gold, lumber versus gold, small-cap versus large-cap equities (IJR:SPY) and high-beta versus low-volatility stocks (SPHB:SPLV). Positive momentum in these ratios implies a preference for cyclical or growth-sensitive assets relative to safe havens; negative momentum suggests the opposite.

Each underlying series is scored based on its 3-, 6- and 12-month rate of change. Positive readings on at least two horizons yield a +1; negative readings on at least two horizons yield a –1; mixed readings produce 0. We assign greater weight to the price-based composite, reflecting our view that actual asset-price movements encapsulate investors' risk preferences more directly than breadth or cross-market relationships. The breadth and cross-market composites are averaged to form an inter-market score. The total risk appetite score is then a weighted average of the price-based score and the inter-market score (with the price component receiving twice the weight).

Recent developments and the November signal

The risk appetite composite has deteriorated markedly over the past few months. After turning neutral in late summer, the composite fell into negative territory by **December 2025**. Several forces contributed to this shift:

- **High-yield credit spreads widened.** Spreads on high-yield corporate bonds, which had been trending near cycle lows earlier in the year, began to climb as investors grew uneasy about corporate earnings and refinancing risk. A small increase in spreads can translate into a meaningful negative contribution because the signal is inverted.

- **Global equities stumbled.** The MSCI ACWI had posted solid year-to-date gains through mid-2025, but equity markets retreated sharply in October and November. Rising oil prices, geopolitical tensions and concerns about a profit slowdown weighed on sentiment. Equity weakness drove negative momentum across all three rate-of-change horizons.

- **Bitcoin sold off.** After reaching record highs above **$125 k** in October, Bitcoin experienced a steep drawdown in November, falling by roughly one-third. This speculative asset is a useful barometer of risk appetite; sharp declines reflect waning animal spirits.

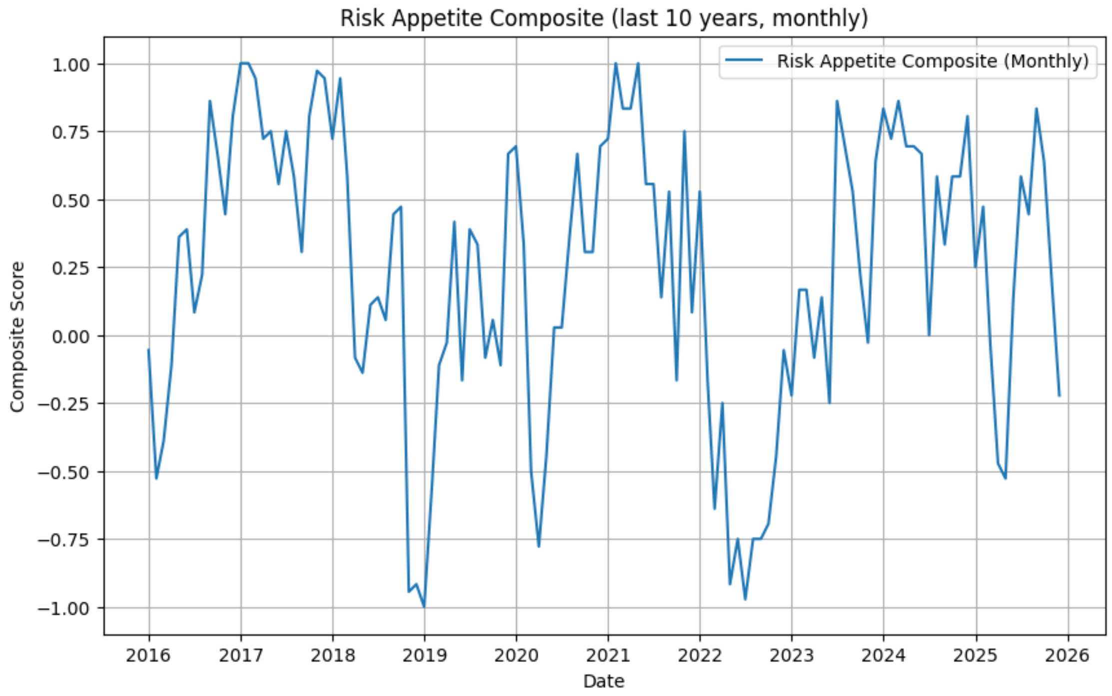
- **Market breadth narrowed.** The bullish percent index for the S&P 500 dipped below 50 percent, indicating that fewer than half of the index's constituents were in bullish technical formations. When breadth narrows, the index is often propped up by a handful of large stocks while many others weaken—an unhealthy setup that often foreshadows broader declines.

- **Cross-market ratios deteriorated.** ACWI underperformed both Treasuries and gold, while copper and lumber lagged gold. Small-cap stocks (proxied by the iShares Core S&P Small-Cap ETF, IJR) underperformed the S&P 500, and high-beta stocks underperformed low-volatility stocks. These patterns all signal an aversion to cyclical and higher-risk segments.

Collectively, these developments pushed the price-based composite to neutral (the positive signal from ACWI:IEF was offset by the negative signals from Bitcoin and credit spreads) and the market-breadth composite to negative. The cross-market composite was also negative, leading to an inter-market score of –⅔. When combined, the total risk appetite composite registered **–0.22** for December 2025, meaning risk appetite is negative. In practical terms, investors have become more cautious and are moving money into safer havens.

Monthly Trend Report – GRIP Framework

The chart below shows the risk appetite composite over the past ten years. Each point represents the monthly reading, with higher values indicating robust risk appetite and lower values signalling risk aversion. The composite oscillates between roughly –1 and +1; protracted negative periods coincide with market stress (e.g., late 2015, early 2018, the pandemic sell-off in 2020 and the recent 2025 downturn). After recovering from the pandemic shock, risk appetite improved through 2023–24 but rolled over in mid-2025. The latest reading is the lowest since early 2020.



Risk appetite composite – 10-year history

Figure 2. Ten-year history of the risk appetite composite. Positive values (above zero) reflect rising risk appetite, while negative values (below zero) correspond to risk aversion. The latest reading (December 2025) has turned negative.

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Implications and outlook

The decline in risk appetite has several implications for portfolio management. First, when investors are risk-averse, they demand higher risk premiums to hold equities and high-yield bonds. That typically translates into downward pressure on stock prices and wider credit spreads. Second, risk aversion is often self-reinforcing: as prices fall, volatility rises and more investors de-risk, creating a feedback loop. Finally, a negative risk signal often coincides with deteriorating economic fundamentals, as investors worry about slower growth or rising default risk.

Looking forward, a sustained improvement in risk appetite would require a combination of stabilizing growth expectations, declining inflation and supportive policy. If the Federal Reserve cuts rates more aggressively than expected or if geopolitical tensions subside, risk appetite could rebound. Conversely, if growth continues to weaken and inflation remains sticky, risk appetite may stay subdued. For now, the prudent course is to maintain a cautious stance, emphasizing high-quality fixed income, defensive equity sectors and diversified alternative assets while avoiding concentrated exposure to highly leveraged or speculative segments.

Inflation: Sticky but Easing

Understanding the inflation composite

Inflation is a central consideration for both policymakers and investors. Persistent inflation erodes real purchasing power, squeezes corporate margins and prompts central banks to raise interest rates. Conversely, disinflation or deflation can depress investment and growth. Our inflation composite blends four series to capture consumer prices, producer prices, energy costs and market-based inflation expectations:

1. **Consumer Price Index (CPI):** The all-items CPI measures the average change in prices paid by urban consumers for a basket of goods and services. We look at the headline CPI to gauge broad price pressure.

2. **Producer Price Index (PPI):** The PPI for final demand tracks prices received by domestic producers for their output. It is often a leading indicator of consumer inflation, as changes in input costs can be passed through to consumers.

3. **Brent Crude Oil prices:** Energy costs feed into both consumer and producer prices. Oil is a key input across many sectors; when oil prices rise, transportation, manufacturing and household energy costs typically increase.

4. **TIP/TLH ratio:** The ratio of an exchange-traded fund of Treasury Inflation-Protected Securities (TIP) to a long-duration Treasury bond fund (TLH) provides a market-based measure of inflation expectations. When investors expect higher inflation, TIPS outperform nominal Treasuries, causing the ratio to rise.

As with the other pillars, each series is assessed over the 3-, 6- and 12-month horizons using the majority-rule. The composite is the simple average of the four signals, yielding a score of +1 (inflationary), 0 (neutral) or –1 (disinflationary).

Monthly Trend Report – GRIP Framework

Recent developments and the September signal

Inflation remained above the Federal Reserve's 2 percent target through the autumn of 2025, but there were signs of moderation. The Bureau of Labor Statistics (BLS) reported that the CPI rose **0.3 percent** in September 2025 after a **0.4 percent** increase in August. On a twelve-month basis, the all-items index was up **3.0 percent**, down from the highs seen in 2022. Energy prices drove a notable portion of the monthly increase: gasoline costs jumped following OPEC production cuts and geopolitical disruptions. The food index rose **0.2 percent** in September, with grocery prices continuing to climb. At the same time, shelter inflation decelerated modestly, reflecting a cooling rental market.

Producer prices told a similar story. According to the BLS, the PPI for final demand advanced **0.3 percent** in September after falling **0.1 percent** in August, while the index for final demand goods rose **0.9 percent**. In year-over-year terms, the PPI was up **2.7 percent**, well below its 2022 peak but still elevated relative to the Fed's comfort zone. Rising oil and food prices contributed to the acceleration, while price pressures in the services sector remained subdued.

Brent crude oil prices have fallen to $63, trending lower across two out of the three time periods we monitor. The TIP/TLH ratio, which compares Treasury Inflation-Protected Securities to long-duration nominal Treasuries, drifted lower over the spring and summer. Market participants interpreted the downturn as a sign that inflation expectations were softening even as headline prices remained sticky.

Brent crude and the TIP/TLH ratio both exhibited negative momentum across multiple horizons. We therefore treat them as **negative contributors** to the composite. We overweight these two "leading" indicators relative to the CPI and PPI. Specifically, Brent and TIP/TLH each receive a weight of **30 percent**, while the CPI and PPI each receive **20 percent**. The signals themselves are determined by the majority rule: if the 3-, 6- and 12-month rates of change are negative for at least two horizons, the series receives a –1; if at least two horizons are positive, it receives a +1; otherwise it is neutral. For September 2025 the CPI and PPI both register +1 (inflationary) because they continue to rise year-over-year, while Brent and TIP/TLH register –1 because their short- and medium-term momentum is negative. The weighted composite for September 2025 is –**0.20**, indicating that forward-looking inflation pressures have turned **mildly disinflationary** despite elevated year-over-year readings.

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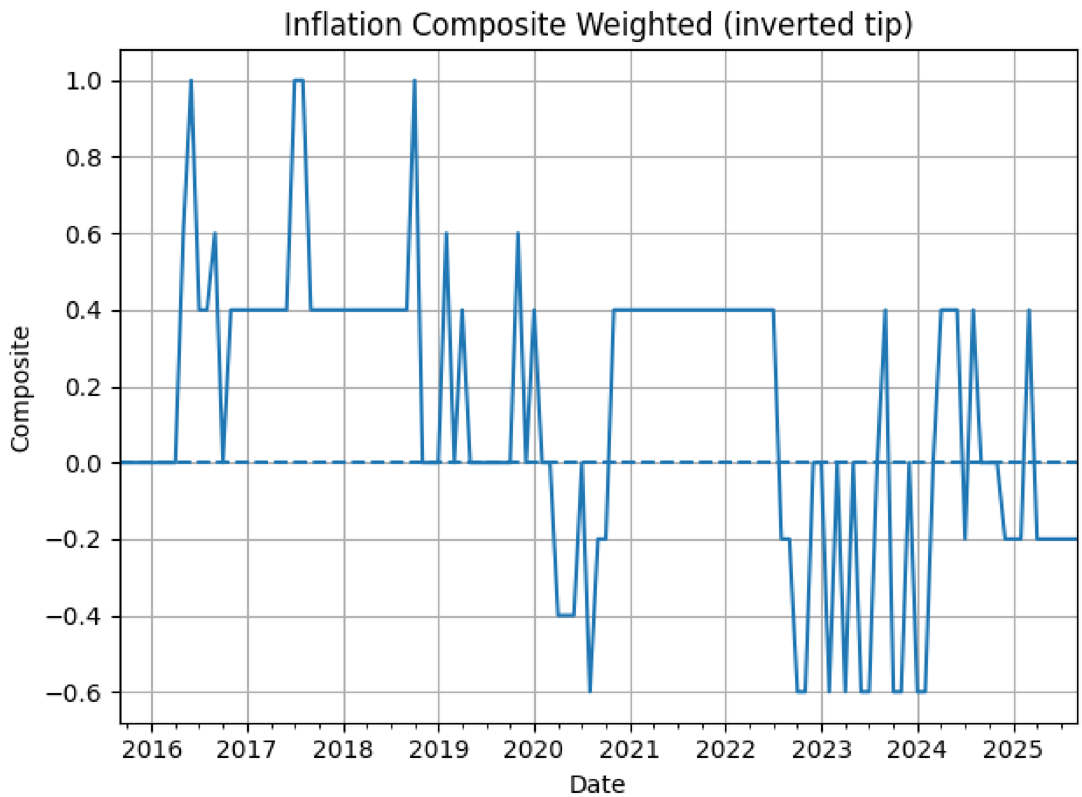
Monthly Trend Report – GRIP Framework

The chart below shows the weighted inflation composite over the last ten years. Positive values indicate rising inflation pressures, while negative values reflect a disinflationary or deflationary tilt. The weighted composite spiked during the post-pandemic reopening in 2021–2022, moderated in 2023, and has drifted lower since late 2023. Under the new methodology, the composite is slightly negative in 2025, reflecting the recent downtrend in energy prices and inflation expectations.



Inflation composite – 10-year history

Figure 3. Ten-year history of the weighted inflation composite (Brent and TIP/TLH overweighted). Positive values correspond to rising inflation pressures; negative values indicate disinflation.

Implications and outlook

Although inflation has moderated from its 2022 highs, the revised composite suggests that forward-looking pressures are easing even more than the headline numbers imply. The labour market has cooled but not cracked, allowing wage growth to stay solid. Shelter inflation is decelerating but remains elevated, and energy prices are vulnerable to geopolitical shocks. Nonetheless, the downtrend in oil prices and the TIP/TLH ratio indicates that markets expect inflation to continue easing. With the composite now mildly negative, there is a stronger case for believing that inflation will drift toward the Fed's target over the next year. This supports the prospect of additional rate cuts and could reduce the risk of a wage-price spiral.

While headline CPI and PPI still show year-over-year increases, they are easing rapidly. Forward-looking indicators such as Brent crude and the TIP/TLH ratio have turned negative on a rate-of-change basis, signalling that markets expect inflation to continue drifting lower. This suggests that price pressures are no longer above target but instead are **decelerating** toward the Federal Reserve's goal. A negative inflation signal therefore implies that price pressures are receding, giving policymakers some breathing room to ease rates if growth remains weak. Policymakers must, however, remain alert to geopolitical risks and supply shocks that could reignite inflation.

Looking ahead, the inflation composite could remain negative if core goods deflation persists, energy prices stay subdued and market-based expectations of inflation continue to fall. Conversely, a rebound in commodity prices or a re-acceleration of service-sector wages would push the composite back toward zero or positive. The healing of global supply chains and the tapering of pandemic-era fiscal stimulus reduce the risk of a renewed inflation surge, but unexpected shocks—such as new geopolitical conflicts or supply bottlenecks—cannot be ruled out. Investors should monitor both spot inflation data and market-based expectations to gauge whether the disinflationary trend is durable.

Combining Growth and Inflation: Identifying the Regime

The GRIP framework not only evaluates each pillar individually but also maps the combination of growth and inflation signals onto one of four macro regimes. These regimes correspond to the **Gavekal/42Macro** "GRID" or the **Brazen Capital** matrix of economic quadrants. The four regimes are:

1. **Disinflationary boom (Quadrant 1):** Growth is strong and accelerating, while inflation is decelerating. This environment is conducive to risk assets such as equities and credit because companies enjoy rising revenues and profits without margin pressure. Interest rates may trend lower, supporting valuations.

2. **Inflationary boom (Quadrant 2):** Both growth and inflation are accelerating. Economic momentum is robust, but rising prices can pressure margins and force central banks to tighten monetary policy. Cyclical sectors and commodities often outperform in this environment.

3. **Inflationary bust or stagflation (Quadrant 3):** Growth is decelerating while inflation is accelerating or remains elevated. This regime is the most challenging: economic momentum falters, but price pressures prevent central banks from easing aggressively. According to the Gavekal framework, in this environment "people have difficulty finding jobs" and "the cost of living continues to increase," making it especially difficult for policymakers.

4. **Deflationary bust (Quadrant 4):** Growth is decelerating and inflation is decelerating. Demand is weak, prompting disinflation or even deflation. Central banks usually ease policy aggressively. Defensive assets like long-term bonds and high-quality credit tend to perform well.

Monthly Trend Report – GRIP Framework

Our current composites place the U.S. squarely in the **deflationary bust** quadrant. The growth composite is firmly negative, signalling a contractionary outlook. The inflation composite is **negative**, indicating that price pressures are receding across the 3-, 6- and 12-month horizons. This combination implies a **disinflationary or deflationary regime**, reminiscent of episodes when both economic momentum and inflation slowed together. Historically, such regimes favour **defensive assets** like long-term government bonds, high-quality credit and cash, as falling inflation supports higher real bond returns and riskier assets can struggle. Equities with stable dividends and essential-service providers may also provide some resilience, while commodities and inflation-protected securities tend to underperform when price pressures recede.

In the current context, risk appetite is **negative**, reinforcing the deflationary bust interpretation. When growth is slowing, inflation is falling and investors are risk-averse, markets tend to be volatile and range-bound. In such environments, diversification across asset classes, regions and investment styles becomes critical. Tactical allocations may emphasize capital preservation over aggressive growth. Portfolio hedges—such as a modest allocation to long-duration Treasuries, high-quality corporate bonds or cash—can help manage downside risk, while keeping some exposure to equities in defensive and value-oriented sectors.

Policy Considerations

Although this report emphasizes growth, risk and inflation, it is important to briefly assess policy. Monetary policy has been the primary driver of market dynamics over the past decade. In 2025 the Federal Reserve found itself in a difficult position: inflation remained above target even as growth slowed and the labour market softened. The Fed opted to begin cutting its policy rate in late 2025, reversing the cumulative tightening of the previous two years. At the same time, the central bank signalled an end to its quantitative-tightening program, which had been shrinking the balance sheet. These actions provide liquidity support and should, over time, ease financial conditions.

However, the yield curve (the difference between short- and long-term interest rates) remained inverted in late 2025. An inverted curve is often a precursor to recession and indicates that monetary policy is restrictive. In our policy composite this contributes a positive signal when the Fed funds rate is above the 2-year Treasury yield (tight policy) and a negative signal when the curve steepens (easier policy). The Fed's rate cuts and the end of quantitative tightening offset some of this restriction, yielding a mildly supportive policy score of about **+0.33**. In simple terms, policy is no longer aggressively restrictive but is not yet fully accommodative. As the Fed continues to cut rates and the yield curve steepens, the policy pillar could become more supportive in 2026.

Fiscal policy also plays a role, though it is beyond the scope of this composite. The U.S. government's 2025 budget maintained moderate deficits, and new industrial policies aimed at supporting semiconductors, infrastructure and AI will inject funds into certain sectors. These initiatives may provide pockets of growth even if overall demand remains soft.

Conclusion and Portfolio Considerations

The December 2025 GRIP report presents a mixed but cautious picture of the U.S. macro environment. **Growth** is clearly decelerating. The Conference Board's LEI has fallen sharply relative to trend, and our growth composite has been negative across multiple horizons, signaling contractionary conditions. **Risk appetite** has turned negative after a brief neutral phase. Widening high-yield spreads, falling global equities, Bitcoin's sell-off, weak market breadth and deteriorating cross-market ratios all point to rising risk aversion. **Inflation** pressures have receded significantly, reflecting declining energy prices and softening market-based expectations. Our inflation composite registers a **mild negative** reading, signalling that price pressures are easing across horizons. **Policy** is shifting from restrictive to mildly supportive, with the Federal Reserve beginning to cut rates and ending quantitative tightening while the yield curve remains inverted.

Combining these signals places the economy in the **deflationary bust quadrant**: low growth and receding inflation with investors increasingly risk-averse. Historically such regimes favour **defensive assets**—long-duration government bonds, high-quality corporate credit, cash and dividend-paying equities—because falling inflation supports higher real bond returns while riskier assets can struggle. Exposure to inflation-linked securities can be modest when inflation is decelerating, but maintaining some diversified equity exposure in essential-service providers and value-oriented sectors may still offer relative resilience. Diversification across geographies and asset classes is especially important when risk appetite is low. Tactical opportunities may arise if inflation re-accelerates or if policy becomes more stimulative sooner than expected. Conversely, a prolonged deflationary environment could warrant an even more conservative stance focused on capital preservation and liquidity.

The GRIP framework is dynamic. As new data emerge, the composites will evolve, potentially moving the economy into a different quadrant. Advisors should monitor these indicators regularly and be prepared to adjust allocations accordingly. In the meantime, patience and prudence are paramount. The current environment requires balancing the need for growth with the imperative to protect capital. By staying attuned to the interplay between growth, risk appetite, inflation and policy, investors can navigate the uncertainty with greater confidence.

References

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3. Gavekal article explaining the four economic quadrants and describing the difficulties of the inflationary bust regime.

4. Brazen Capital's overview of the 42Macro GRID framework, describing disinflationary booms, inflationary booms, deflationary busts and inflationary busts.

5. Dallas Federal Reserve commentary on yield curve inversion signalling restrictive monetary policy.

6. Bureau of Labor Statistics Consumer Price Index news release for September 2025, noting the monthly increase of 0.3 percent and year-over-year inflation of 3.0 percent.

7. Bureau of Labor Statistics Producer Price Index report for September 2025, highlighting the 0.3 percent monthly increase and 2.7 percent twelve-month rise.

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