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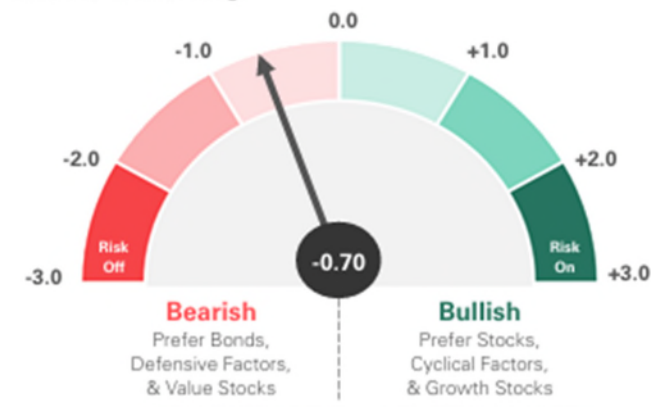
## US Risk Demand Indicator (USRDI)

May 9, 2025

### MarketDesk U.S. Risk Demand Indicator

May 9, 2025

Bull / Bear Market Gauge



Asset Class Ratings		Bullish-Bearish Narratives	
Underweight Ratings (Decrease Exposure)	Overweight Ratings (Increase Exposure)	Bear Case (Market Headwinds)	Bull Case (Market Tailwinds)
<ul style="list-style-type: none"><li>US Corp High Yield</li><li>Preferreds</li><li>US High Beta Factor</li><li>Value Factor</li><li>Industrials</li><li>Financials</li><li>Materials</li></ul>	<ul style="list-style-type: none"><li>Quality Factor</li><li>Equal Weight Factor</li><li>High Dividend Factor</li><li>Low Volatility Factor</li><li>Growth Factor</li><li>Health Care</li><li>Utilities</li><li>Consumer Staples</li><li>MBS</li><li>Long Duration Treasuries</li><li>Mid Duration IG Corporate</li></ul>	<ul style="list-style-type: none"><li>Risk Appetites Fading</li><li>Weak Sentiment / Low Confidence</li><li>Lagged Impacts of Rate Hike Cycle</li><li>Inflation Reacceleration Risk</li><li>Fed Shrinking Balance Sheet</li><li>Interest Coverage Ratios Declining</li><li>Pandemic Savings Depleted</li><li>Disinflation Drag on Sales Growth</li><li>Geopolitical Tensions</li><li>Fewer Rate Cuts Than Expected</li></ul>	<ul style="list-style-type: none"><li>Fed Started Cutting Rates</li><li>U.S. Earnings Breadth Rebound</li><li>Cash Sitting on Sidelines</li><li>Labor Market Remains Tight</li><li>Consumer Keeps Spending</li><li>Housing Market Reaccelerates</li><li>Investment Rises After Election</li><li>"Buy the Dip" Investor Base</li></ul>

## Reference:

Friday, March 14, 2025

Figure 1 – MarketDesk U.S. Risk Demand Indicator (USRDI)



Source: MarketDesk Quant Pack. As of 3/14/2025.

Figure 2 – MarketDesk U.S. Risk Demand Indicator (USRDI)



Source: MarketDesk Quant Pack. As of 3/14/2025.

## What is the U.S. Risk Demand Indicator?

The U.S. Risk Demand Indicator (USRDI) is a quantitative tool built to measure investors' risk appetite in real-time. Understanding risk regimes is crucial, as they impact asset class returns and inform asset allocation decisions. By tracking broad market trends, the indicator defines the current environment and answers a fundamental question: What portfolio beta exposures should we own?

## Knowing the Current Risk Regime is Key to Managing Portfolios

USRDI classifies the market into two risk environments: "Risk-On" (increase portfolio beta) and "Risk-Off" (decrease portfolio beta). The two regimes impact markets differently, including asset class returns, market volatility, and drawdown risk. Knowing the current risk environment helps investors manage equity and credit beta exposures, such as cyclical vs defensive sectors, high beta vs low volatility stocks, and investment grade vs high yield bonds. Adjusting portfolio betas to match the current risk environment can enhance risk-adjusted returns and reduce drawdowns.

## Note for Portfolio Moves

The USRDI provides a weighted-factor signal that may be used to guide portfolio changes. It is used to provide guidance on possible portfolio changes including over- or underweights to certain sectors. It's designed to be a quick reference. Most of the time, there's no immediate action required—if your portfolio is already well-positioned, you can stay the course. Tracking the indicator helps establish a structured framework for understanding market conditions and offers insight into the potential for volatility and drawdown risk. The key is to maintain a big-picture focus and compare your portfolio's beta exposures to the preferred betas for the current regime.

## **Firm Disclosures**

The information and opinions provided herein are provided as general market commentary only and are subject to change at any time without notice. This commentary contains forward-looking statements that are subject to various risks and uncertainties. None of the events or outcomes mentioned here may come to pass, and actual results may differ materially from those expressed or implied in these statements. No mention of a particular security, index, or other instrument in this report constitutes a recommendation to buy, sell, or hold that or any other security, nor does it constitute an opinion on the suitability of any security or index. The report is strictly an informational publication and has been prepared without regard to the investments and circumstances of the recipient.

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