



The exaggerated death of 60:40

- If inflation isn't transitory then the Fed is committing a huge policy error – one that threatens both bond & equity returns. And the traditional 60:40 balanced fund suffers enormously under this scenario.



- Qi's [US 60:40](#) model has a 60% allocation to the S&P500 [SPY](#), 16.6% to US Treasuries [GOVT](#), 12.2% to IG credit [LQDE](#), & 11.2% to Mortgages [MBB](#).
- It is in regime & is bang in line with macro fair value. Spot was rich to macro through April but the subsequent correction has seen it retrace back in line with macro fundamentals.
- Those macro fundamentals are pointing lower but arguably most arresting is the overall profile. It's Goldilocks. Higher crude oil, higher inflation expectations, stronger growth, low risk aversion & tight credit spreads. Monitoring these for a regime shift will be critical but, on current relationships, it's not obvious much has changed & the death of 60:40 is exaggerated.

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