

Regime & Rotation Cheat Sheet

One page to read the cycle, tilt your sectors, and stress-test the result — with AI prompts you can paste in as-is. Companion to Chapters 3, 4 & 17 and Appendices A & B.

1 · WHERE ARE WE IN THE CYCLE? MATCH TODAY'S SIGNALS TO A QUADRANT.

Expansion

Confidence soars as markets climb.

SIGNALS

Rising asset prices · capex climbing to meet demand · rates rising off the lows

TILT

Buy: Financials, Technology, Energy, Comm. Services **Trim:** Staples, Health Care, Utilities

Watch-out: overvaluation

Pro tip: accumulate risk systematically — don't chase the last leg.

Peak

a.k.a. Slowdown

Euphoria grips the crowd.

SIGNALS

Overbought readings · capacity utilization tops out · policy turns more restrictive

TILT

Buy: Staples, Health Care, Energy **Trim:** Industrials, Materials, Cons. Discretionary, Real Estate

Watch-out: overvaluation

Pro tip: trim winners and rebalance before the turn, not after.

Trough

a.k.a. Recovery

Despair sets in, then the sun starts to rise.

SIGNALS

Oversold readings · growth below trend but turning · policy accommodative

TILT

Buy: Cons. Discretionary, Real Estate, Materials, Technology **Trim:** Health Care, Staples, Utilities

Watch-out: capitulation selling

Pro tip: fertile ground — this is where value gets built.

Contraction

a.k.a. Recession

Fear takes hold.

SIGNALS

Falling prices · rising unemployment · monetary policy starting to ease

TILT

Buy: Staples, Utilities, Health Care **Trim:** Comm. Services, Real Estate, Technology

Watch-out: capitulation selling

Pro tip: position for recovery — you're early on purpose.

2 · Ask the AI (Appendix B templates, verbatim)

Read the regime — Template 1.2

"Assess whether current market signals support a late-cycle shift. Include analysis of yield curve slope, PMI data, inflation trends, and earnings revisions."

Rank the tilts — Template 1.1, using the phase you just identified

"Rank the top three equity market sectors likely to outperform during the current [expansion / peak / contraction / trough] phase. Base your response on current macroeconomic data, including interest rates, inflation, employment, and corporate earnings."

Stress-test it — Template 1.7, Ch. 17 shock deck

"Apply the following five shock scenarios to my current portfolio and tell me which sector positions are most vulnerable in each case: (1) rates +100 bps, (2) oil +\$20, (3) credit spreads +150 bps, (4) VIX +15 points, (5) USD +5%. Suggest a hedge for each. My current allocation: [paste your sector weights]"

3 · The five shocks (Ch. 17)

- 1 Rates +100 bps
- 2 Oil +\$20
- 3 Credit spreads +150 bps
- 4 VIX +15 points
- 5 USD +5%

Before you act

Cross-check every AI output against the live indicator values in **Appendix A**. The model reasons well; it doesn't know today's numbers unless you give them to it.

Re-run all three prompts quarterly, or sooner after a major data release (CPI, Fed decision, jobs report).

This is a starting framework, not a signal to trade on alone — pair it with a licensed financial advisor suited to your situation.