ABSOLUTE STRATEGY RESEARCH

Equity Strategy

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Looking for Inflation Protection in Equities

Which Equities Help Hedge Potential Inflation Risks?

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Inflation Risk Mitigation Will be Important if Inflation Breaches 2.75%

Even before Fed Chair Powell suggested a more dovish Fed inflation stance, we had seen many more questions about mitigating inflation risks in Equity portfolios. The good news is that inflation needs to be above 2.75% for Equities to struggle.

Inflation is Always and Everywhere a Pro-Cyclical Phenomenon

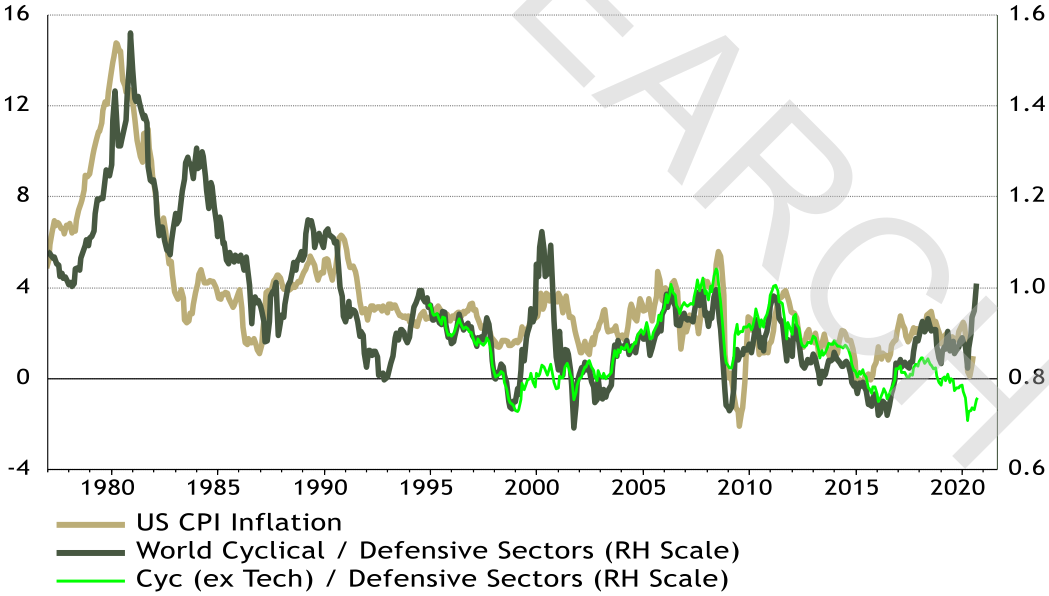
High Equity multiples are inconsistent with higher inflation and good long-run equity returns. Higher bond yields undermine long-duration assets such as Tech and Healthcare, with Cyclicals and Value outperforming vs Defensives & Growth.

Higher inflation favours EM, CARBNS and Banks at the expense of Tech

We identify inflation risk mitigation strategies for PMs who fear rising inflation: They should prefer Banks vs Tech; EM vs DM equities and Commodity Producer markets (the ASR CARBNS or UK). We also give long-short inflation screens at a stock level.

For Equity Investors Inflations is:

'Always and Everywhere a ~~Monetary~~ Pro-Cyclical Phenomenon'



Source: ASR Ltd. / Refinitiv

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