



# Funky Correlations & Missing Links #10

## 'Rules of Thumb' for Busy Asset Allocators

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### Editorial - What Kind of Recovery are Equities Discounting?

Our analysis suggests that the Equity market is pricing in more than just a soft landing. The sector rotation looks to be discounting a rapid rebound in activity and pricing power – which may be at risk of disappointment as monetary policy bites.

### Powerful Chart Signals - Three Key Takeaways

What stands out: (1) our survey-based charts point to further sharp declines in US headline inflation; (2) US inflation breakevens remains critical for Asset Allocation (3) Credit has yet to discount earnings drawdowns and tighter lending standards.

### Prerequisites for Stocks to Underperform Bonds - Key Charts Inside

Stocks tend to underperform Bonds as output gaps turn more negative; as Credit spreads come under upward pressure; as Copper underperforms Gold; as Nowcasts tumble; as unemployment rates rise; and world trade contracts

### RELATED RESEARCH:

[Funky Correlations & Missing Links #9: 'Why Japan Could Matter for Asset Allocators in 2023'](#) 14<sup>th</sup> November 2022

[Funky Correlations & Missing Links #8: 'Why this Bear may have Further to Run'](#) 28<sup>th</sup> July 2022

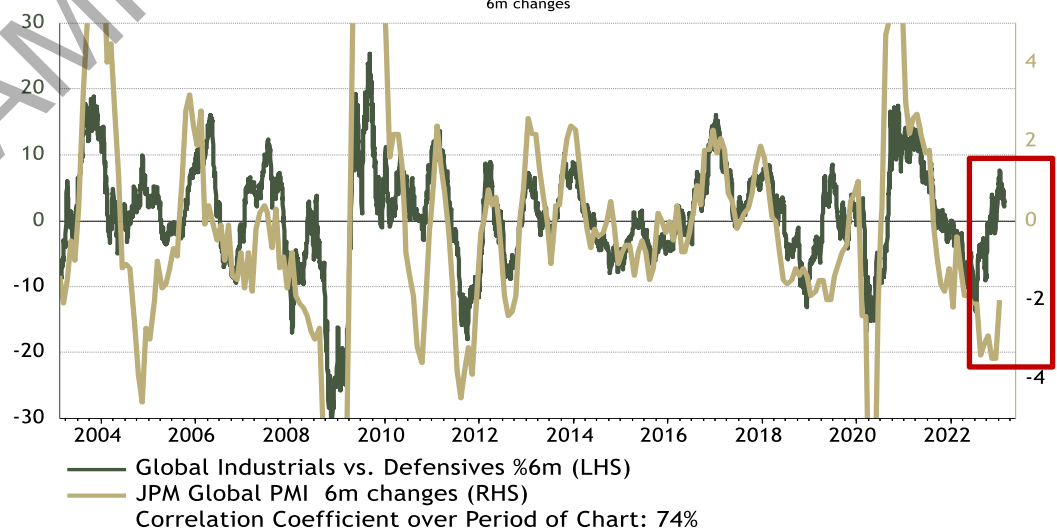
[Funky Correlations & Missing Links #7: 'Exploring Drivers of US Corporate-Credit Spreads'](#) 19<sup>th</sup> May 2022

[Funky Correlations & Missing Links #6: 'Rules of Thumb' for Busy Asset Allocators](#) 7<sup>th</sup> April 2022

[Funky Correlations and Missing Links #5: "What the US Output Gap can Tell Asset Allocators"](#) 4<sup>th</sup> February 2022

### Equity Sector Rotation Has Already Priced in an Economic Recovery

Global Manufacturing PMI and Global Industrials vs Defensives  
6m changes



Source: ASR Ltd. / Refinitiv Datastream