Gerard Minack exclusive: US to lead cycle, inflation to boom

By David Llewellyn-Smith in Australian Shares at 11:00 am on April 15, 2021 | 4 comments

Exclusively from Gerard Minack’s Downunder Daily
Inflation corrodes most asset values. It's harder for investors to protect themselves against high inflation than against deep recession. Investors in developed markets haven’t had to worry about inflation risk for several decades, but now that risk is rising. This note looks at what investments have succeeded in previous periods of high inflation.

Inflation has rarely been a concern for investors in developed markets over the past 30 years. But aggressive fiscal stimulus, backstopped by central banks, is increasing the risk that inflation rises to uncomfortable levels for investors. History suggests that there are fewer places to hide in a high-inflation environment than there is in recession. This note draws heavily on recent research The Best Strategies for Inflationary Times, by Henry Neville, Teun Draaisma, Ben Funnell, Campbell Harvey & Otto Van Hemert. (All the authors are associated with MAN Group. Ben & Teun are old colleagues of mine. The full report, available here (https://ssrn.com/abstract=3813202), has more detail than I will use now.)

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<td>Core International benchmark**</td>
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<td>Tactical Growth</td>
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<tr>
<td>Tactical Growth benchmark**</td>
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*Inception returns are per annum. The above returns include trading and investment costs but not administration fees. Note individual client performance will vary based on the amount invested, ethical overlays and the date of purchase. Past performance is not an indication of future performance.

**Tactical growth benchmark is Australian Inflation (CPI) + 4.5% Core international benchmark is the MSCI World Index

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