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See The Forest For The Trees

A newsletter with investment views, observations & ideas.

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by Rob Zdravevski

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Inflation is now becoming stickier

The attached studies highlight that my analysis of U.S. and Australian inflation rates is pointing to the following conclusions.

Inflation rises over the longer term.

I think that Aussie inflation could reach 6%-7% and stay there for a period of time.

Commensurately, interest rates will rise and remain embedded.

As a result, bond prices will decline and the value of cash will erode.

This also means the stock prices of "asset light" and "high growth" type companies are stifled as should be the banks.

This also includes the 'indebted'.

Commodity prices will rise.

and selected industrial, materials and resources stocks (or "asset heavy" companies) will prosper.

And so, I'll be adjusting portfolios from higher (volatility) beta to lower beta.

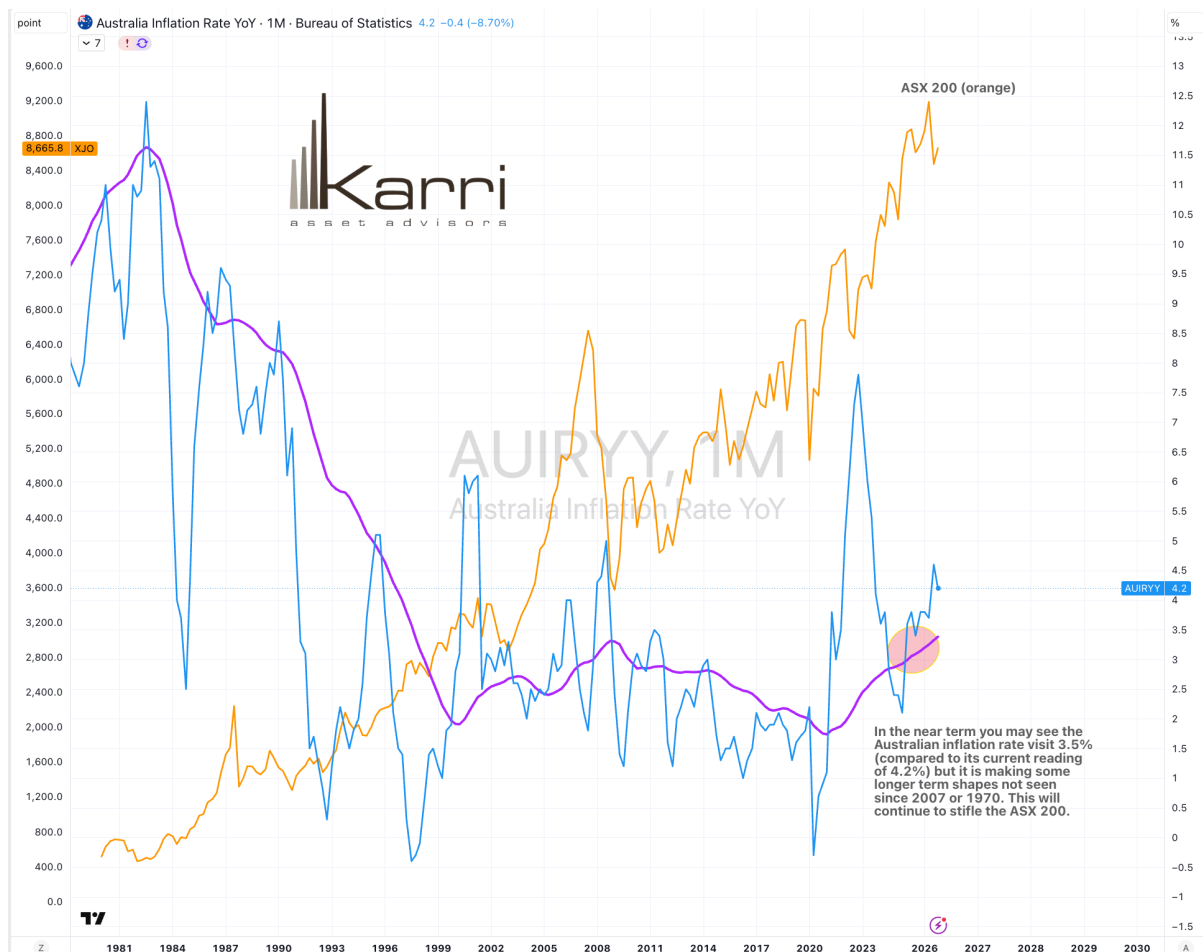
I'll prefer to own scarcity and structural deficits over scalability and abundance.

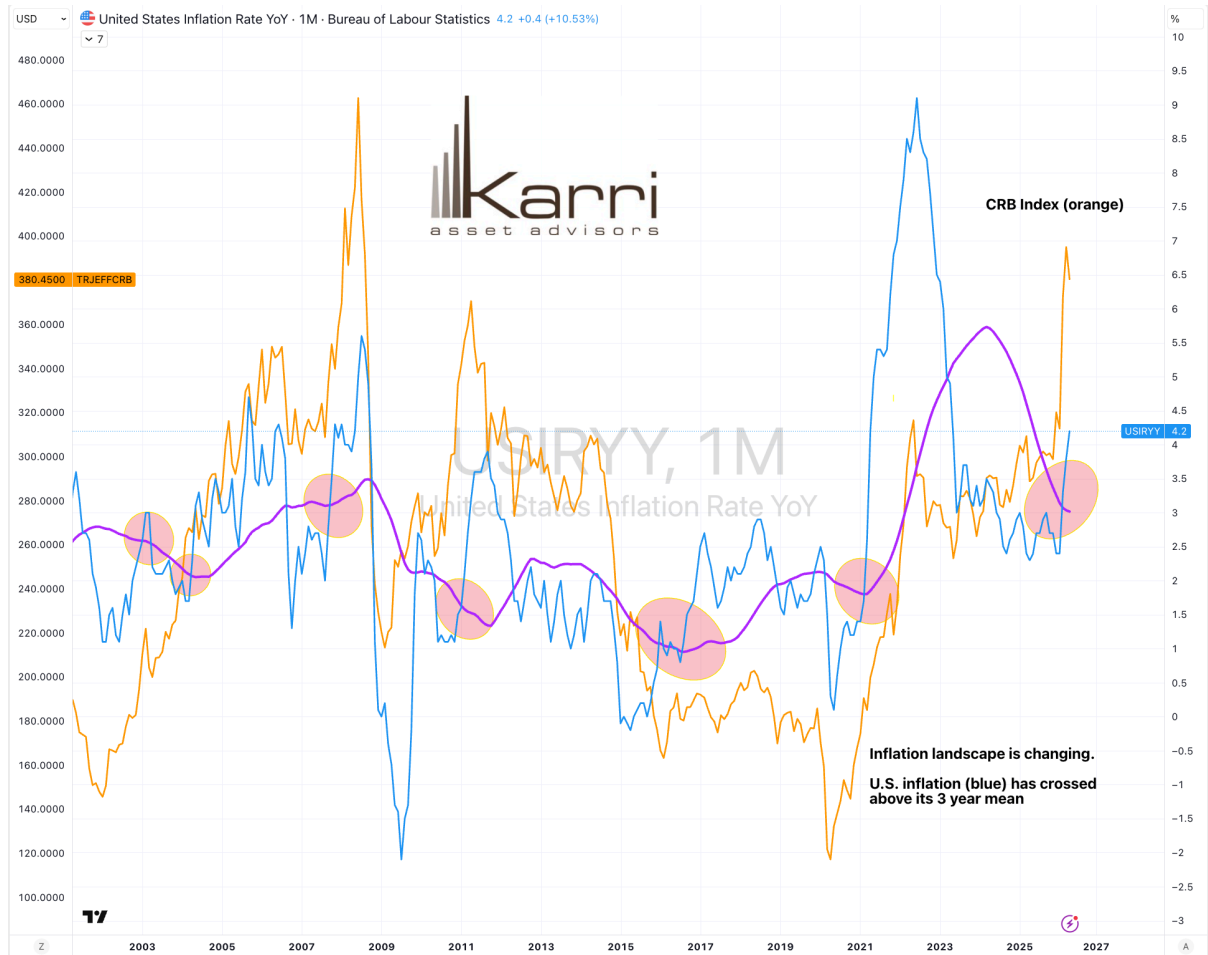
For example, it take 12 years to bring a copper mine into production but only a moment to issue a software license.

Another way to look at it is to avoid companies which rely on the kindness of a stranger to use their product or service while cement or lumber is required with the main decision being whom to buy it from. main decision being whom to buy it from.

Those companies with production capacity will be benefit from their operational leverage.

And the Australian Dollar should continue its gradual rise.





Until next time,

Rob Zdravevski

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In between newsletters, you can read my varied commentary across a range of markets and asset classes on my [blog](#) or [Linkedin](#) page.

Feel free to pass this onto your friends and professional associates. They are also welcome to contact me on +61 438 921 403 or send an email to rob@karriasset.com.au

“I think diversification and all the stuff they’re teaching at business school today is probably the most misguided concept everywhere” - Stanley Druckenmiller

“If you can’t accept volatility in the value of your assets, allow me to introduce you to a bank term deposit” - Me



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