



# Funky Correlations & Missing Links

## 'Rules of Thumb' for Busy Asset Allocators

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### The Return of Pricing Power

The past month has seen a realisation by Central Bankers that supply may no longer be as elastic as it was pre-COVID – and that supply constraints could take time to resolve. But in the short-term this pricing power could support earnings.

### But Should Investors Worry about Systemic Supply-Chain Tail Risks?

Our editorial explores whether these supply-chain issues will naturally unwind – or whether the combination of cyclical and secular pressures could lead to a crisis of confidence in the 'just-in-time' model. There are interesting parallels with the GFC.

### This Month We Explore some Funky Correlations around Oil and Gold

The Oil-Gold Ratio provides a useful asset allocation crosscheck on Stocks vs Bonds, Inflation Breakevens, High Yield vs Investment Grade, Energy vs Staples, Norway vs Switzerland, and the direction of 30yr Treasuries (see pages 5 & 6)

### RELATED RESEARCH:

[AA Quarterly: Risk assets to rally as Goldilocks returns in 2022](#) 16<sup>th</sup> Sep 21

[Asset Allocation Survey: Investors Join the Transitory Inflation Camp](#) 23<sup>rd</sup> Sep 21

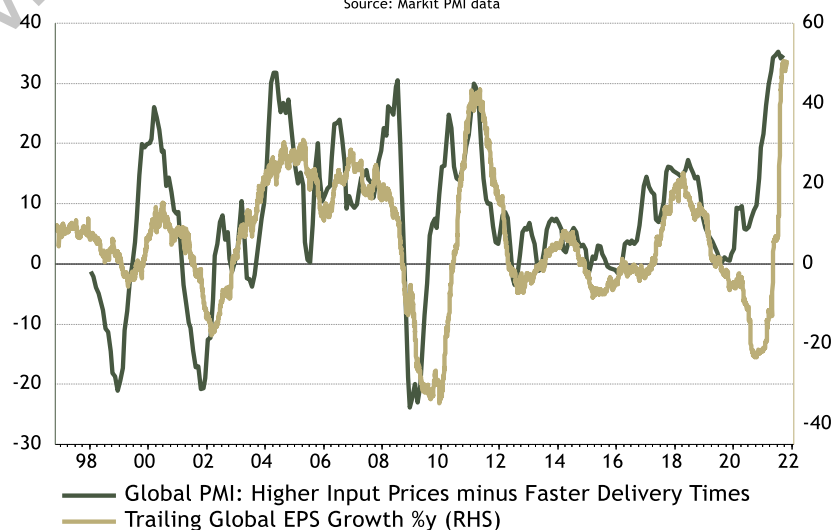
[Funky Correlations and Missing Links: #2](#) 19<sup>th</sup> Aug 21

[Funky Correlations and Missing Links: Some 'Rules of Thumb' for Busy Asset Allocators](#) 7<sup>th</sup> Jun 21

### Chart of the Month: Supply Constraints Boost Corporate Earnings

Global EPS Growth and Manufacturing "Input Prices" vs "Delivery Times"

Source: Markit PMI data



Source: ASR Ltd. / Refinitiv Datastream