

Title:

## **The Word No One Wants To Hear**

What are insiders talking about? I'll tell you

Script:

Hello there, I'm Mark Pearlstein.

Super:

**Mark Pearlstein, Portfolio Manager & Wealth Advisor** *(with RBC logo)*

Script:

Let's talk about the word no one wants to hear. It's a word insiders whisper but don't want to say out loud.

It's a word that keeps central bankers up at night. In an economy that's slow growth and stubborn inflation, bankers can't cut rates without risking more inflation, and they sure don't want to raise rates and put a real damper on the economy, and subsequently the stock market.

So, we can't rely on central banks the way we used to. Their options are more limited in this kind of environment.

Have you guessed the word yet?

It's stagflation.

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## **Is Stagflation on the Horizon?**

Script:

Stagflation describes a stagnant economy with ongoing inflation. You can live with inflation if the economy keeps growing faster than inflation. On the other hand, you can also live with an economy slowing down if inflation decreases.

But stagflation is the worst of both worlds—a slowing economy with continuing inflation. How does that affect investors?

When growth is slowing, it becomes harder for equities to justify higher valuations. Keep this in mind when you're looking at the U.S. market—it's dominated by seven tech companies, each with very high valuations.

But remember, there is more to the market than those seven and the U.S. market in general.

And that leads me to commodities, hard assets, and other global marketplaces. By comparison, many hard asset companies could be seen as undervalued in a world actually built on those assets. Remember, central banks can print money, but they can't print hard assets.

As I've mentioned before, I've been following companies in markets such as South America, Asia, and, no surprise here, Canada. This is where diversification starts doing its job.

It's important to keep in mind that perceptions of specific equities will change as the environment evolves. And right now, we are in the midst of significant changes, many of which are being driven by geopolitical forces that are creating realignments.

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## **Frameworks for Successful Investing Coming Soon**

Script:

As I've been thinking about this, I have gathered my thoughts in a short PDF titled "Frameworks for Successful Investing," which I believe will help clients think through markets more clearly. I cover how to react when the environment changes, the benefits of pattern recognition, why I believe we're entering an era of physical restraint, and much more. This PDF will be on my website soon. I'll let you know when it's available.

I hope you've found this discussion helpful. I invite you to call me to discuss investments and market conditions. If you're a client, I'd be happy to review your portfolio and thank you for watching.