

March 2022 Takeaways

- *Before we all set our hair on fire about the current spike in inflation, let's take a step back and look under the hood for some guidance.* At first glance, we can point to the ongoing conflict in Ukraine impacting prices at the pump and the ongoing supply chain disruption affecting the prices at the supermarket.
- *On a deeper level, it is impossible to ignore the monetary and fiscal origins of inflation.* On the monetary front, Fed Chair Jay Powell finally hit lift-off on interest rates, which has been overdue. It is hoped that they will match rising rates with an equal effort to reduce the Fed's balance sheet.
- *On the fiscal front, there is still no signs of Washington curbing printing and throwing money at the challenges facing the economy.* Anyone who has even a rudimentary grasp of economics knows that too many dollars chasing too few goods, ends up with inflation and eventually recession.
- *Speaking of recession, forecasts of impending doom are probably premature.* As most of you know, we have a model that has nailed every recession going back over 50 years. You can see the latest reading here on the [Recession Predictor](#). The indicator is rising, but is still a long way from signaling a recession. Even when it does ring the bell, we usually have several months to react.
- *The valuation question is also receding.* According to our [Relative Value](#) (click link to view) chart, although stocks have been sluggish so far this year, we still have a decent upside target for 2022. We will be watching the actual and forecast earnings reports for the first quarter, which will begin coming in over the next several weeks.
- *Finally, we need to revisit another model we built two years ago that estimates when the market has bottomed.* I had been tentatively testing this based on its accuracy during the pandemic correction. We called it the One Percent Days at the time, and it accurately called the market bottom in 2020. It has been renamed the [Rule of 25](#) (sounds smarter) and sure enough, it appears to have nailed the bottom again this month! But I could be wrong!! More next time.

Disclosures:

Opinions expressed are as of the current date and subject to change without notice. Intrinsic Investors, LLC shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses or opinions contained herein or their use, which do not constitute investment advice, are provided as of the date written, are provided solely for informational purposes and therefore are not an offer to buy or sell a security.

This commentary is for informational purposes only and has not been tailored to suit any individual. References to specific securities or investment options should not be considered an offer to purchase or sell that specific investment.