

BITESIZE

# PORTFOLIO ADVISORY INSIGHTS

## There is no **inflation** problem.

**The RBA surprised markets by hiking 0.25% in October. The Bank remains hawkish. More rate hikes are set to follow over the rest of 2022.**

But the RBA's move to slower hikes makes it the first central bank to acknowledge that a recession is both unnecessary and very avoidable. We expect the Fed to reflect that in coming months. The Bank remains hawkish. More rate hikes are set to follow over the rest of 2022.

**This move to a pause will extend the economic cycle, and that is going to be good for investors' diversified portfolios.**

We expect both the RBA and the Fed are moving to a pause in the rate cycle, sooner than markets expect. **This is because:**



**There is no outbreak in inflation expectation.**



**There is no wage spiral.**



**Disinflation or deflation will be the Fed's bigger concern in 6-12 months.**

In this case, longer-dated government bonds are offering **good income, diversification, and downside protection.**

The extension of the economic cycle will also be supportive for Australian and US equities.

This will be a **welcome outcome** for investors after the bruising year that diversified portfolios have experienced year-to-date.

Contact PAS for further information.



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Isaac is the Global Chief Investment Officer and Portfolio Manager for Oreana Financial Services. With experience across investment strategy, portfolio and risk management, research and central banking in Asia, the UK and Australia, he leads the team in monitoring economic and market outlooks.

