

What to Expect in 2021

“Our best view is that the effect on inflation will be neither particularly large nor persistent.” And if it does pick up in a more concerning way, “we have the tools to deal with that.”

- Federal Reserve chair, Jerome Powell on Tuesday

Over the past several weeks, a sharp spike in bond yields has created volatility in equity markets. In particular, the Nasdaq and many tech companies have come under scrutiny as investors have reconsidered their exposure to these historically expensive securities. Inflation has also been a red-hot topic as new stimulus gets distributed and further stimulus is being discussed in Washington. Despite recently passing a \$1.9 trillion spending package to combat the economic impact of the coronavirus, hot on the heels of \$900 billion in stimulus passed in December, the Biden administration is eyeing an additional \$3 trillion infrastructure package. This has led to inflation fears among some investors and lawmakers, even as Fed-head Jerome Powell downplayed concerns during his Tuesday testimony to the House Financial Services committee.

Last month, Felix Zulauf and Jeffrey Gundlach sat down with guest moderator Charles Payne to discuss rising bond yields, inflation, and other pertinent topics. For those who are unfamiliar with these names, Felix Zulauf is the owner and president of Zulauf Asset Management, a Switzerland-based hedge fund, and a former long-time member of the prestigious *Barron's* Roundtable. Jeffrey Gundlach, who was dubbed the “King of Bonds” in a February 2011 *Barron's* cover story, is an American investor and founder of \$85 billion asset manager DoubleLine. Since we expect these topics to be front-and-center for investors in 2021, we decided to change up our typical long-form newsletter this week, and instead share fascinating perspectives on inflation, bond yields, the US dollar, and the global economy from two very highly respected investors. Please enjoy.

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