

Bracing for the Hangover

It's not often that we don't run a relevant quote in at the beginning of an *Evergreen Virtual Advisor (EVA)*. However, there are enough gems in this week's Guest edition to obviate the need. The lead soundbite is by one of the people I most admire in the investment ecosystem, Howard Marks.

Before I get into my usual Guest *EVA* introduction, I would like to make another plug for the organization that Mr. Marks co-founded: No Labels. As mentioned in our [March 5th EVA](#), this bipartisan coalition is partnered with the Problem Solver's Caucus in Congress. Since I last touted No Labels, I've attended (virtually, of course) a couple of their Zoom events with DC heavyweights, including, most recently, Senator Joe Manchin (Dem, W. Virginia). As you may have read, Sen. Manchin is fighting to preserve the Senate filibuster rules against the wishes of some of the most partisan elements of his own party.

As this week's *EVA* author, Warren Pies, notes, when it comes to investing, politics is poison. In other words, it's best in normal times to ignore politics in making investment decisions. However, as Warren also points out, these are far from normal times. Unquestionably, the current policies emanating from DC are unlike anything we've ever seen...and we've seen some doozies over the last dozen years. This is why I believe nearly all Americans who don't align politically with the far left or far right should consider supporting No Labels. Our country's future is literally on the line. End of sermon. (However, many of you who read my good friend John Mauldin's *Thoughts from the Frontline* and/or are attending his prestigious Strategic Investment Conference will be learning much more about No Labels next month.)

This timely note by Warren, "Bracing for the Hangover", is on what I think is the preeminent issue facing investors right now: What will be the longer-term impact of the \$5 trillion – and counting – amount of Covid-related government stimulus on our nation's financial future?

As regular *EVA* readers know, in recent months I've been making the case that the economy would soon be entering a boom phase and that inflation fears would begin to emerge from their long slumber. Per Warren's first chart, in very short order, inflation has gone from bottom-of-mind to something bordering on an obsession. (Admittedly, this makes the congenital contrarian in me wonder if a countertrend move might be in store and perhaps that's already happening; this ADHD market has a hard time staying focused on one aspect, no matter how critical, for very long.)

For many years, I knew Warren in his role as the lead energy analyst for Ned Davis Research where I greatly respected his work. He's now on his own, publishing his 3Fourteen Research. As you will see, his reports are most readable and rich with interesting charts and tables. Like me, he's convinced it's going to take wild horses—or at least wild inflation readings—to move the Fed off of its ultra-dovish position. That's another reason why I believe we are looking at a decade in which inflation will generally surprise on the upside.

Warren also notes how much dispersion there is with inflation stats right now, with a number remaining in deep deflation (please see page 6). Personally, this makes me wonder what will happen to the CPI once those items start heading the other direction. For example, "lodging from home" still shows as deflating but after a recent very spendy stay in Sedona, Arizona, I

suspect that reading could look much different in the not-too-distant future. (Friends are telling me similar stories.)

Warren is highly approachable; thus, if you like what you see, feel free to reach out to him to inquire about his services. As you will read, he is a true professional. The investment industry has a serious deficit of deep and independent thinkers – like so many other things that are in short supply these days.

Click [here](#) to read “Bracing for the Hangover” by Warren Pies.

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