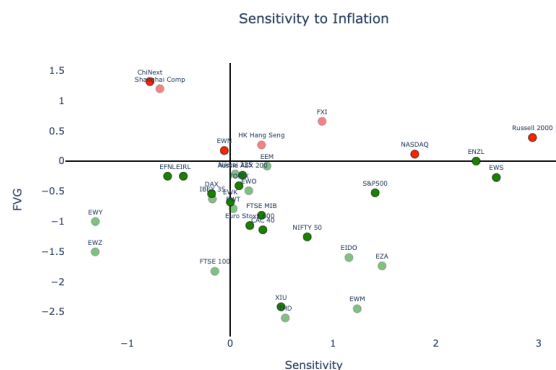




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Recession fears escalate - how Ai helps asset allocation

- Powell's testimony & the fall in crude oil has driven recession fears to the forefront of investors' minds.
- Traditionally, equity allocators needed to process hundreds of variables (bottom up & top down) to decide the relative winners & losers should the economic cycle turn deflationary.
- Or, they can **use Ai** to screen global **equity** markets for their independent relationship with **inflation expectations**.
- The chart below shows global equity indices. Markets to the right of the vertical line want rising inflation expectations & therefore suffer in a deflation scenario.
- The y-axis is the Qi Fair Value Gap: macro-warranted fair value. Indices in red above the zero bound are rich to model, the green below are cheap.



- For a US equity allocator, for example, the chart immediately identifies the [Russell 2000](#) as the most vulnerable to recession – highly reliant on rising inflation expectations & slightly rich to macro.
- For anyone with an Asian focus, Singapore [EWS](#) is slightly cheap to model but it is the most reliant on reflation.
- Qi portal users – use Optimise Trade Selection to screen your asset class for sensitivity to inflation expectations.
- Qi API users – replicate the chart above on your portfolio's holdings.

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