



# ALTERNATIVE THINKING

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## Fire and Ice: Confronting the Twin Perils of Inflation and Deflation

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The COVID-19 pandemic and the responses to it by governments, central banks and consumers have unleashed both (clearly) disinflationary and (potentially) inflationary forces. We do not know whether inflationary or disinflationary forces will win over the longer term. But despite credible central banks and well-anchored near-term expectations, many investors feel that medium-term inflation uncertainty has risen. How should they respond?

In this article we explore the historical inflation sensitivities of a range of different investments and present the benefits of both risk-balanced asset allocations and dynamic directional strategies to prepare for uncertain times.

### About the Portfolio Solutions Group

The Portfolio Solutions Group (PSG) provides thought leadership to the broader investment community and custom analyses to help AQR clients achieve better portfolio outcomes.

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