

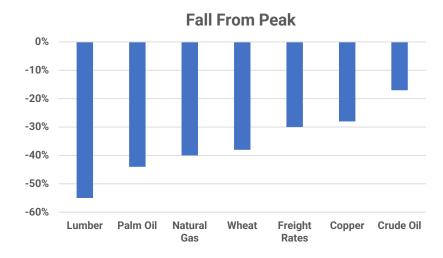
Maslow's Hammer

The law of the instrument, otherwise known as Maslow's hammer is a cognitive bias that involves an over-reliance on a familiar tool. As Abraham Maslow said in 1966, "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail."

Russia is responsible for approximately 12% of global oil production which is now largely off limits to western democracies. As a result, since the Ukraine invasion on 24 February 2022, the price of oil has increased by 18%. When combined with labour shortages and supply chain disruptions, inflation (ie. the nail) has moved ahead of the RBA's 2-3% target range.

Interest rate rises (ie. the hammer) will not solve the Russia/Ukraine problem, increase the supply of labour or improve supply chains. What they will do is serve to reduce demand and potentially induce a recession. Central banks know this and that is why they have been slow and reluctant to act.

Since their peak, the prices of key indicators that we closely follow have all experienced significant declines.



Source: Sintra Capital, Bloomberg

While the effect is yet to flow through to the supermarket shelf or petrol bowser, the bond market is still predicting, somewhat surprisingly in our view, an official RBA cash rate of 3% by the end of 2022.

The Sintra Global Fund officially launched on Friday. A big thanks to everyone for their support.