

One of the challenges a disciplined investor faces is a dearth of opportunities as the market cycle grinds higher. If a deeper level of scrutiny is applied in decision-making, the more apparent phony values and overhyped growth fall apart. This makes it even easier to fall victim to sub-par underwriting.

One possible antidote to such a stage is to keep looking at various areas where stress may be building up; and where imbalances are being accumulated to staggering heights. Being nimble or opportunistic, a short seller can take advantage, as this build-up progresses towards distress stage. On the other hand, later, if and when the deflation occurs you may also be ready with a sense of epicenter and ripple effects – Plus some better sense of value.

So today, to my mind, the following two areas are worth keeping a watch on:

Canadian housing sector

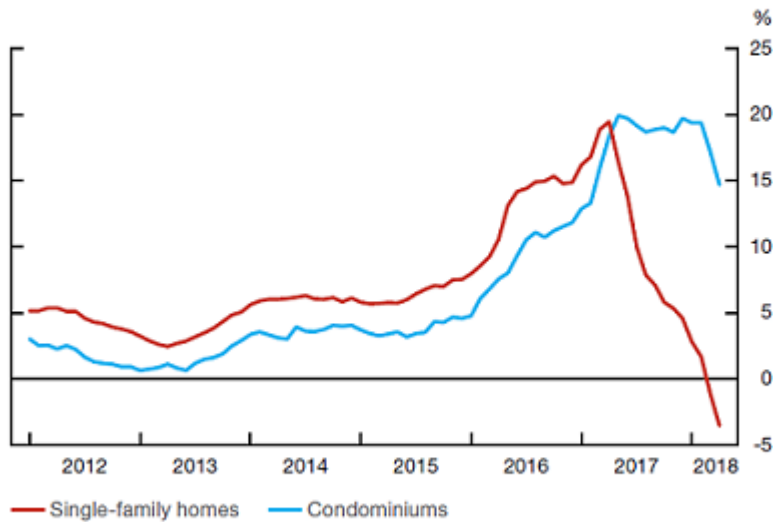
Australian housing sector

Without inflicting torture with too much detail, I would like to leave the reader with these intriguing charts given below:

Canadian Housing sector

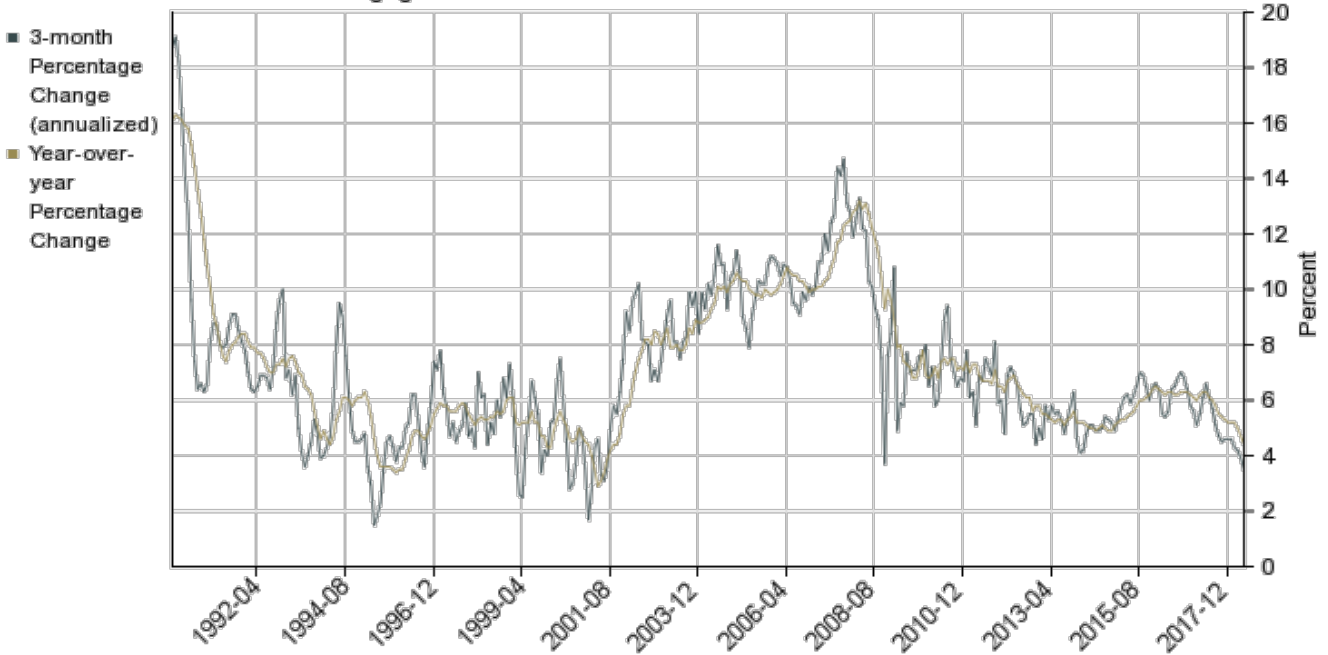
Chart 7: Prices for single-family homes grew faster than condominium prices in Canada until early 2017

Year-over-year growth in national quality-adjusted benchmark prices



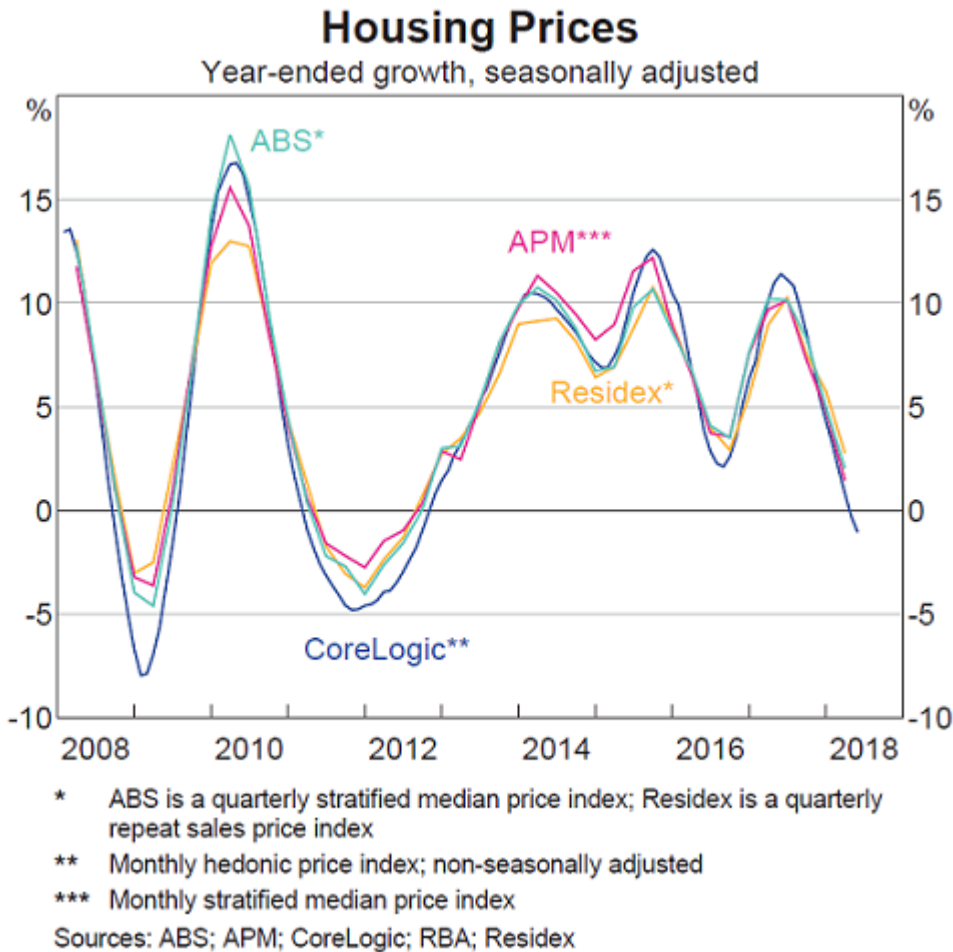
Sources: Canadian Real Estate Association and Bank of Canada calculations Last observation: April 2018

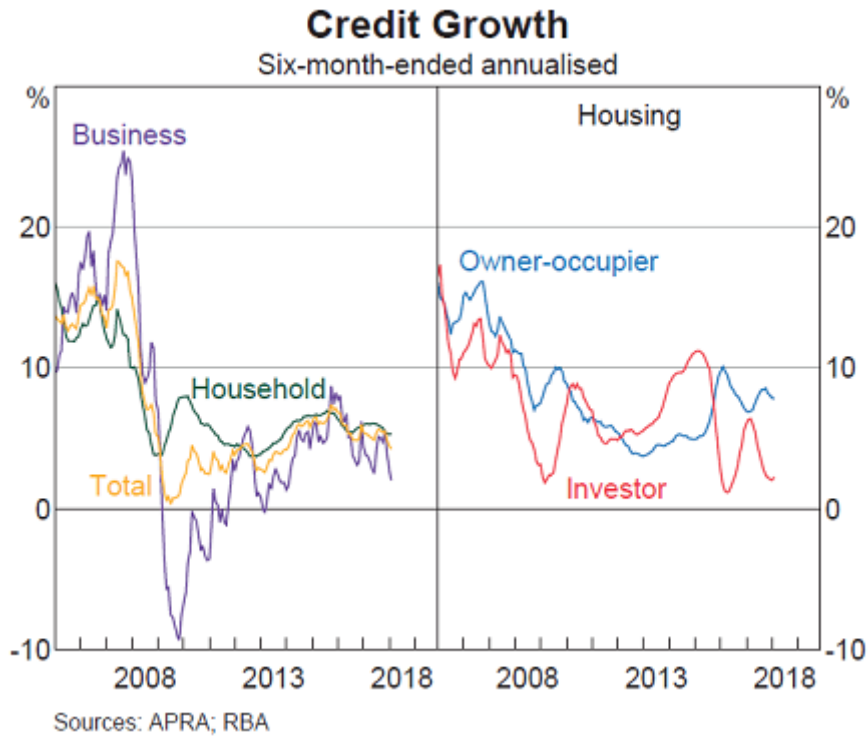
Residential Mortgage Credit



Source: Canada Central Bank

Australian Housing sector





Source: Reserve Bank of

Australia

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