

# Brave New World

Edition 21



## Are US Equity valuations cheap?

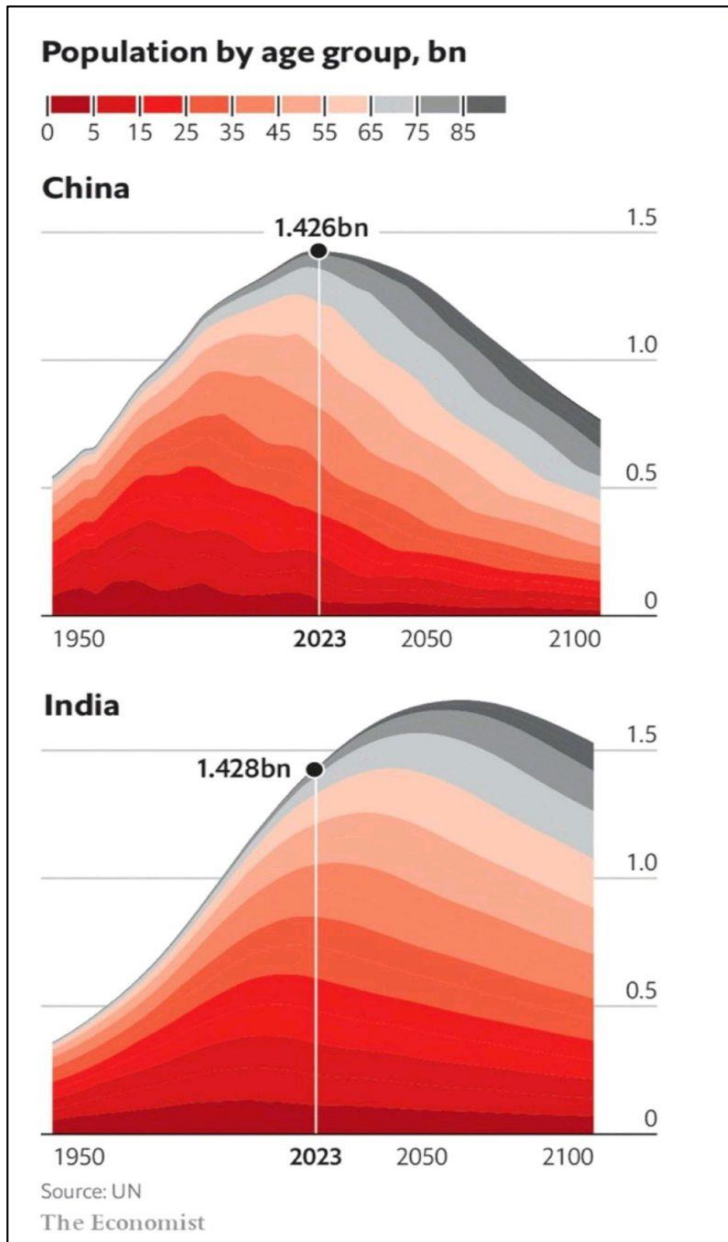
S&P 500 forward PE ratios at ~17.4x down from 2020/21 bubble highs just in line with historical average.

But, the problem with lower P/E ratios is that while the P has moved, the E is on thin ice and the cracks are starting to show...

(Source: Callum Thomas)



## India takes over China – on Demographics



India expected to overtake China as the most populous country in 2023 with Indian demographics better than Chinese.

Chinese labour have aged out and their costs have got up since 2000s. Now imagine if some part of the manufacturing had to shift to India over this decade, the kind of boom it could create.



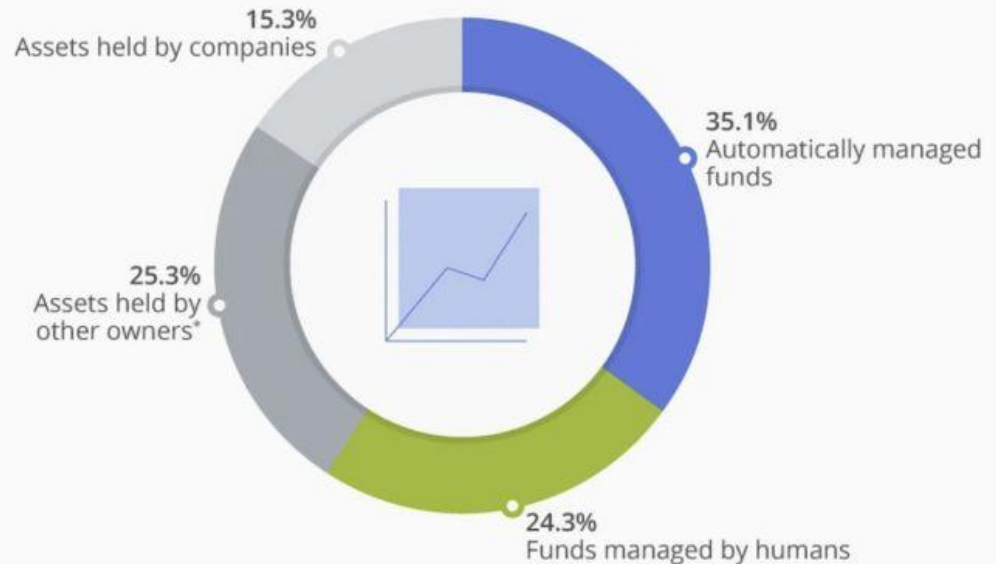
Apparently computers got more AUM than humans... These Algos are designed to trigger when markets run into anomalies...

Well Intriguing development anyway, with most likely intriguing impact on market structure/function if at all 2023 had periods of anomalies/volatility which auto trigger these Algos.

(Source: Statista)

## Computers Manage More U.S. Stocks Than Humans Do

U.S. public equities (worth \$31 trillion) by type



\* Governments, insurance, foreigners



Sources: Russel 3000, Federal Reserve, Bloomberg, Morningstar, EFT.com, HFR, Preqin and JPMorgan Chase via The Economist



## BOJ – Most important part of the liquidity puzzle

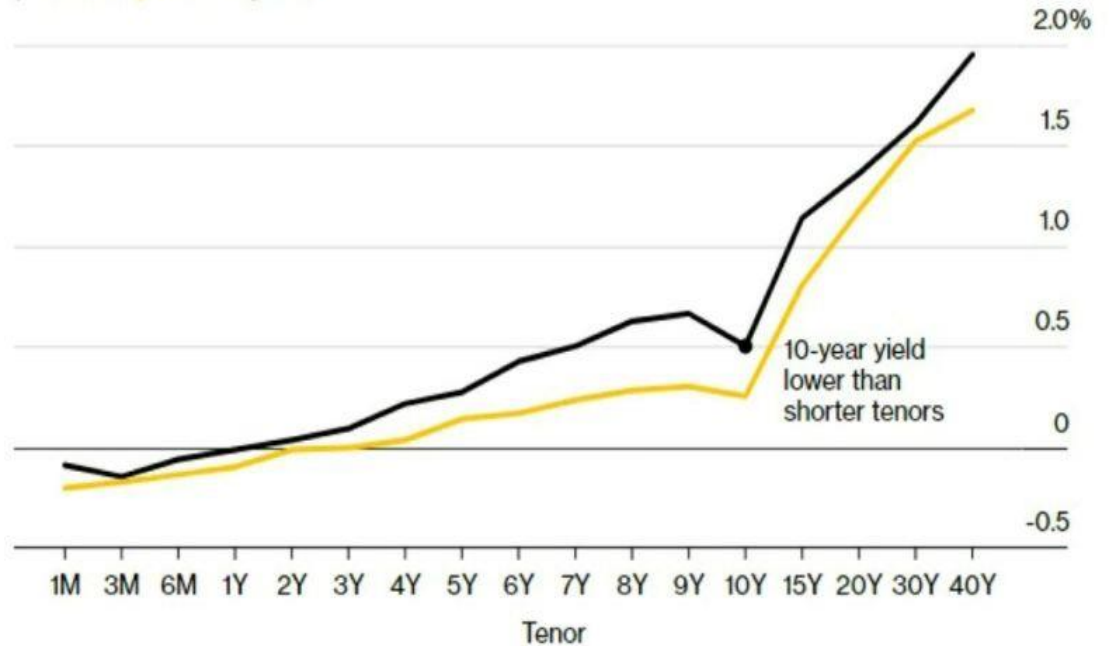
Estimates suggest that thus far this month the BoJ has spent JPY 18tn in its defense of the YCC which is now double their increased monthly limit which they set at their December meeting and we are barely past the half way point of January.

Troubling times for the Bank who sooner rather than later will have to abandon the policy. Liquidity in the market is shocking, the repo market in Japan is barely functioning and shorter dated JGBs are yielding higher than the “artificial 10y”. Not a good look all round and one which is unsustainable

### Distortion Deepens

Japan's yield curve has bigger kink after December tweaks

Latest Dec. 19, 2022



Source: Bloomberg

## What if this is just the 'start' of Wage Inflation?

Biggest indicator of US decline: You could buy 6 BigMacs with 1 hour of minimum wage in 1980, but today you can't even buy one, despite minimum wage more than doubling.

	1980	2022
Minimum Wage	3.10	7.25
Big Mac	0.50	8.00
BM's per hour	6.20	0.91

Beyond CPI numbers, big mac index tracks real inflation by comparing purchasing power parity between two nations or between two time periods.

So, if this indicator proves correct, wage inflation is here to stay. To add on there are ageing demographics, obesity issues, labor strikes which add to the wage pressure.

# Team

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**Mr. Ritesh Jain**

Director

Master of Business Economics (MBE)

Executive MBA - Haskayne School  
(Calgary)

He has held many senior leadership roles including CIO – BNP Paribas Mutual Fund, where he was responsible for managing US\$1.2 billion of AUM and also has served as the CIO of Tata Mutual Fund, where he was responsible for managing AUM of 6 billion.

In 2019, LinkedIn rated him among the top three influencers in the world of Economy and Finance. He is also a recipient of numerous national and international awards in the field of fixed income and equity investments.



**Ms. Chanchal Agarwal**

Head - Products

Chartered Accountant

CFA Charterholder

She brings with her about 12 years of Industry experience spanning across verticals like Family Office Investment Advisory, Equity management, Investment banking, etc.

In 2020, AIWMI recognized her amongst the 'Top 100 women in Finance'. She has featured in the Audio talk series 'Show me the Money' by Meghna Pant (available on Audible Suno). Her article reflecting on 'What stops women from investing' was published in The Hindu Newspaper.

# Management

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**Mr. Ajoy Agarwal**

Founder, Chairman & Managing Director

One of the pillars of the Indian investment advisor's fraternity.

Over the last five decades, his contribution to the growth of financial literacy is immense, led by un-biased, focused and disciplined approach with strong emphasis on ethics and creating a sense of ownership amongst the employees.



**Mr. Abhishek Agarwal**

Director

Having started his career at the grass-roots level of the financial services industry, his dedication and strategic planning has enabled EF to enter into several remote towns across Eastern India, thus spreading its wings with a large network of company-owned branches.



**Mr. Amrish Agarwal**

Director

Aiming to change the speculative, traditional ways of trading by developing a sustainable, investment-based dealing platform.

His contribution helped catapult EF into the league of players actively catering to the discerning Institutional and High Net worth investors who are well aware of global developments and thus very demanding.



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# Thank You



## Get In Touch

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