Eastern Financiers

Brave New World

Edition 22

Dollar's strength or Weakness decides winners for each decade

Correlation between liquidity i.e., dollar strength and asset class beneficiary recipient of this liquidity.

First decade of this century was sort of an Golden era for most EMs as weakening dollar led investors scout opportunities in developing markets, which benefited with lower import costs (largely Oil).

Post 2011 as dollar gained momentum capital got pulled out of EMs and this decade we witnessed unmatched rally across US growth stocks aka FAANG .

What's your bet for the third decade? EMs or DMs or something else?

Active vs. Passive

How Often Do Active Investment Managers BEAT US Stocks?
2005 - 2023

Year	US Stocks Return	% Active Managers Beat US Stocks
2005	4.8%	65.5%
2006	15.6%	34.6%
2007	5.5%	60.9%
2008	-36.6%	54.6%
2009	25.9%	51.2%
2010	14.8%	25.6%
2011	2.1%	25.9%
2012	15.9%	40.7%
2013	32.2%	41.3%
2014	13.5%	17.4%
2015	1.4%	24.8%
2016	11.8%	28.7%
2017	21.6%	35.7%
2018	-4.3%	21.3%
2019	31.2%	25.2%
2020	18.0%	27.4%
2021	28.5%	19.2%
2022	-19.2%	61.6%
2023	8.7%	?

Active Stocks or Passive ETFs or Active Asset Allocation via Passive ETFs - Who do you think will be the winner in the coming decade?

Post GFC 'Liquidity beyond fundamentals' influenced asset allocation which led money moving to risk assets thereby chasing momentum winners. As liquidity reverses stance, will era of active investing be back?

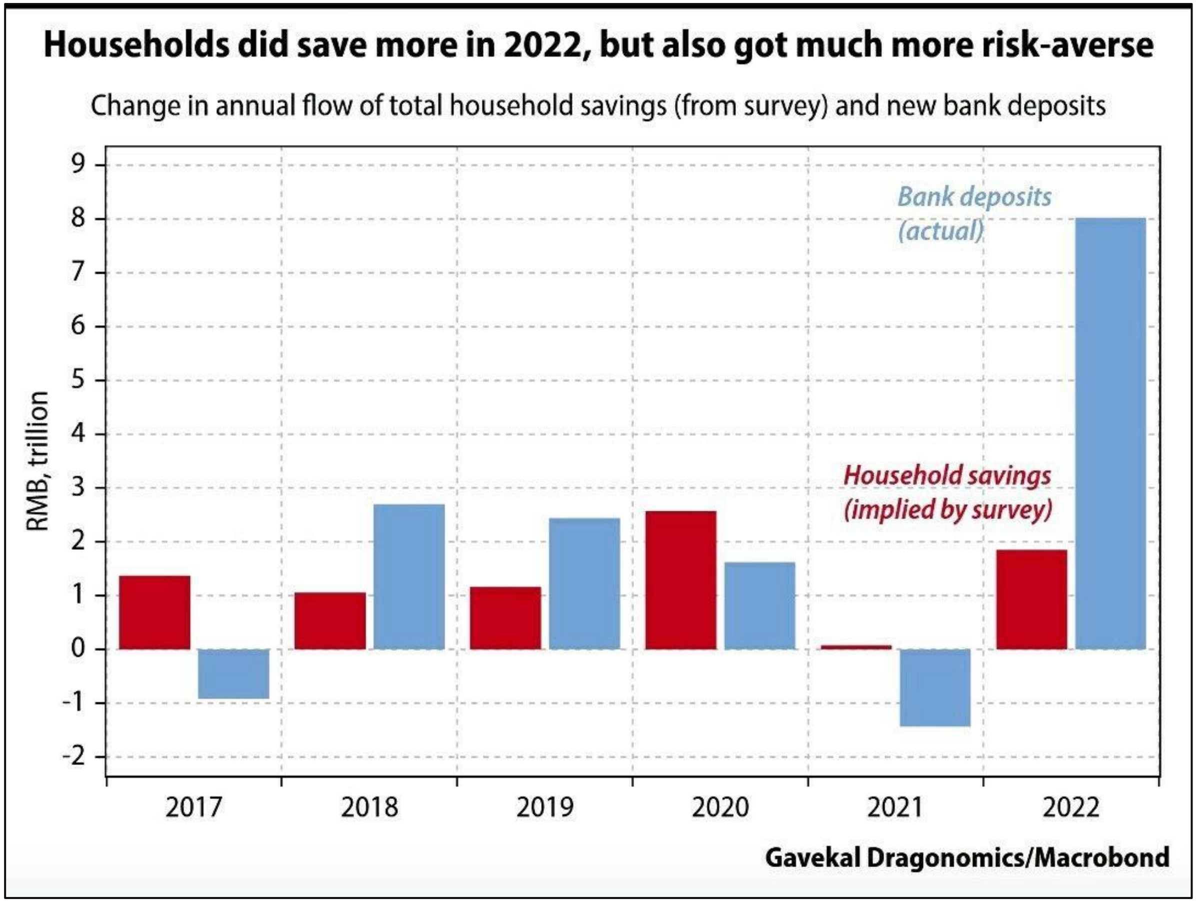
(Chart Source: Strategas Securities)

Large flow of liquidity could come from China this time

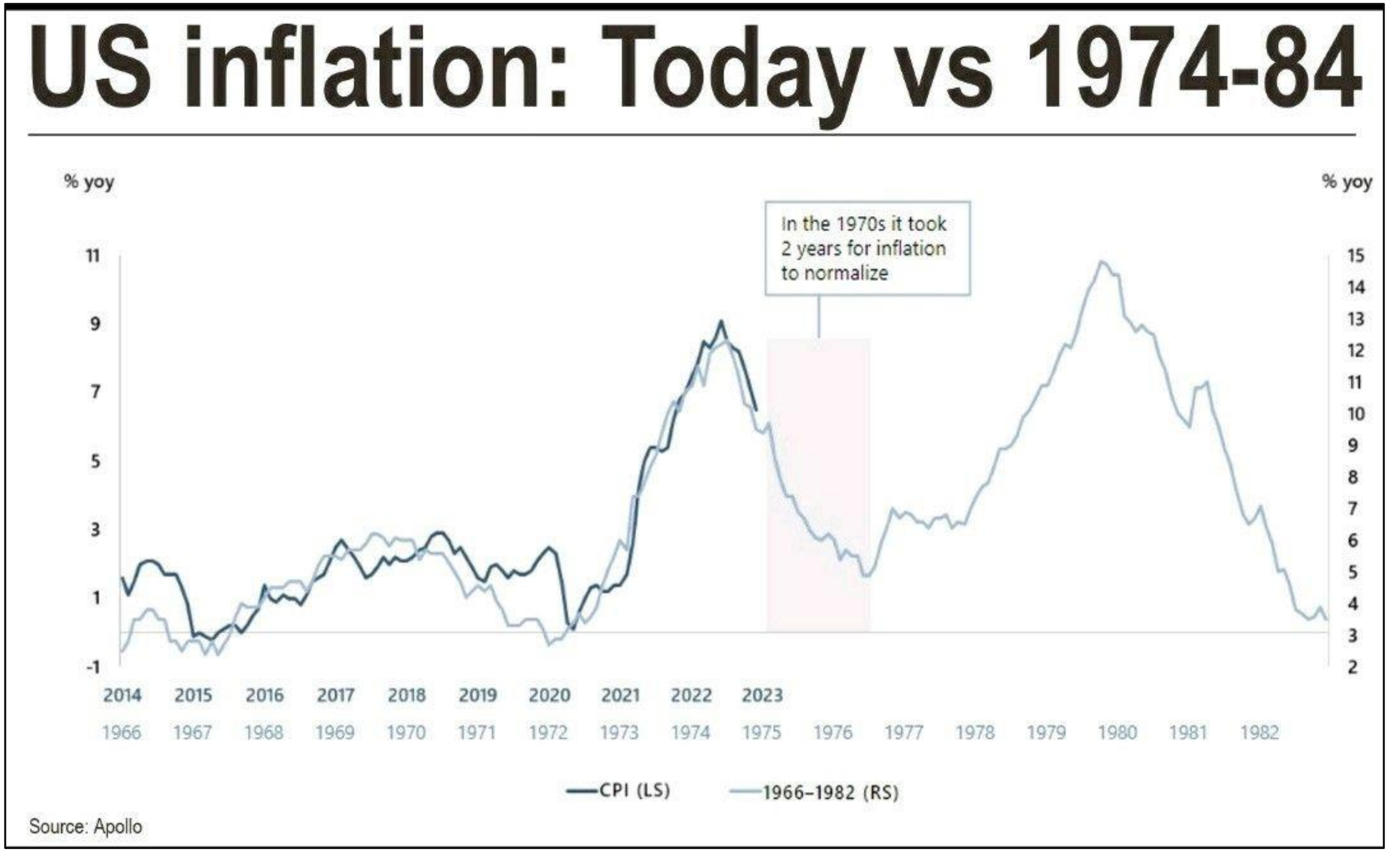
The surge in Chinese household savings is well spoken of. Infact the increase outpaces the rise in savings implied by the government surveys.

Interestingly, large part of these savings were parked in risk free bank deposits and not risker financial products. What happens to China markets if these investors had to turn a little risk averse this year?

(Chart Source: Gavekal)



Inflation today vs 1974-84



In 1974, inflation was caused by rates that had been too low for too long and by the surge in energy prices caused by Arab oil embargo.

In 2022, the rise in inflation was due to too low rates for too long, post covid logistical issues and commodity price fluctuation due to Ukraine war. This time will inflation normalize without a second wave?

(Source: Stephane Monier)

What caused Disinflation?

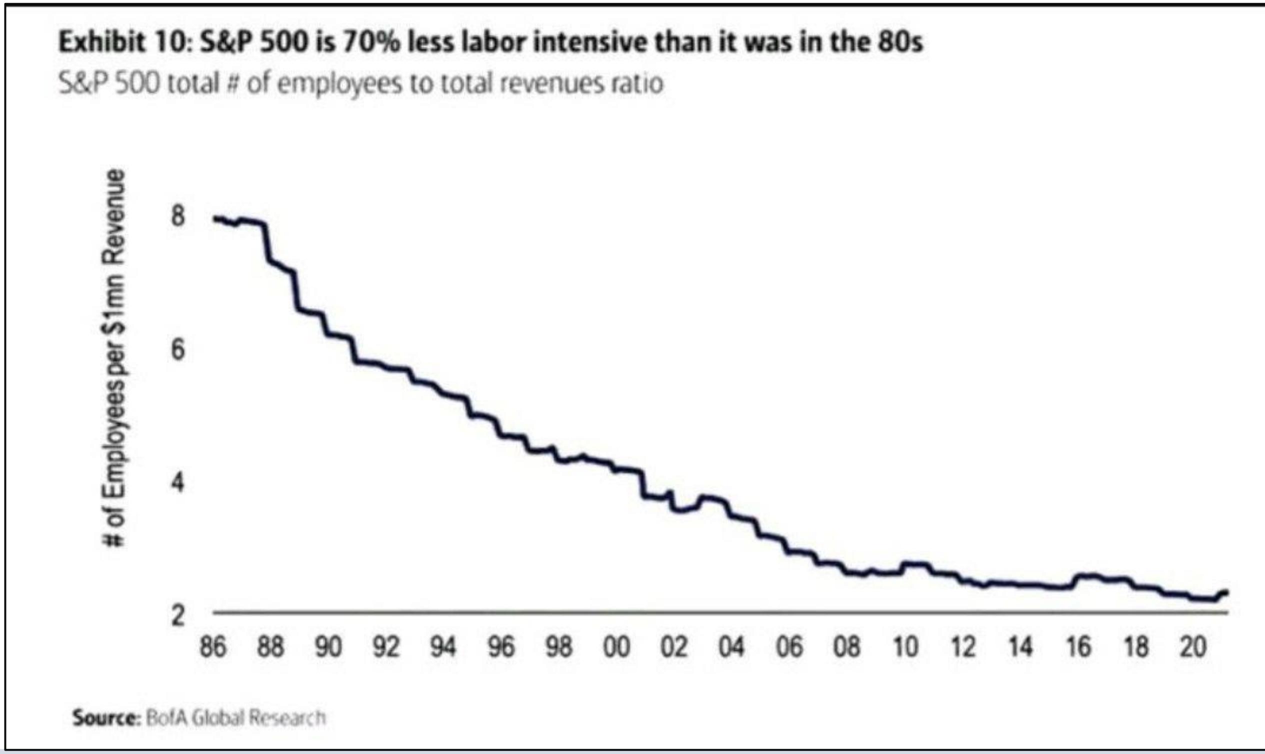


Exhibit 10: S&P 500 is 70% less labor intensive than it was in the 80s

S&P 500 total # of employees to total revenues ratio

Source: BofA Global Research

S&P 500 has become less labour intensive now vs the 1990s due to technology. Then it needed 8 employees to generate $1mn of revenue today it needs 2. While I agree to the technology part of this, but one more added reason and much bigger a reason for this is Globalization. From 1990s onwards we saw China's rise as factory of production to the World which caused change in US labour dynamics.

So does that mean if US is getting back to onshoring again and developing internal capacities, will the number of employees to generate $1mn increase to say...5? But, US employment numbers aren't showing any major weakness yet, so where will these additional employees come from?

Team

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

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. Ambrish 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.

Thank You

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