

Brave New World

Edition 23



Cost of money is rising, a little too fast

364 Day T-bill Auctions



Chart: Capitalmind • Created with Datawrapper

On 08 March, the 1 year government T-Bill auction yielded 7.46%. This is the second highest rate since 2015. The last “high” in 2018 was 7.73%.

With inflation at 6.5% and the government’s largest expense being interest payments, will rates stay higher for longer?

Rise of India's middle class

Interesting chart posted by Zerodha founder - Nikhil Kamath.

Assuming this income pyramid shift holds true and we are to have much bigger middle and upper middle class over the next decade, which industry you think will prosper the most ?

Our bet is on Wealth Management Industry!!!

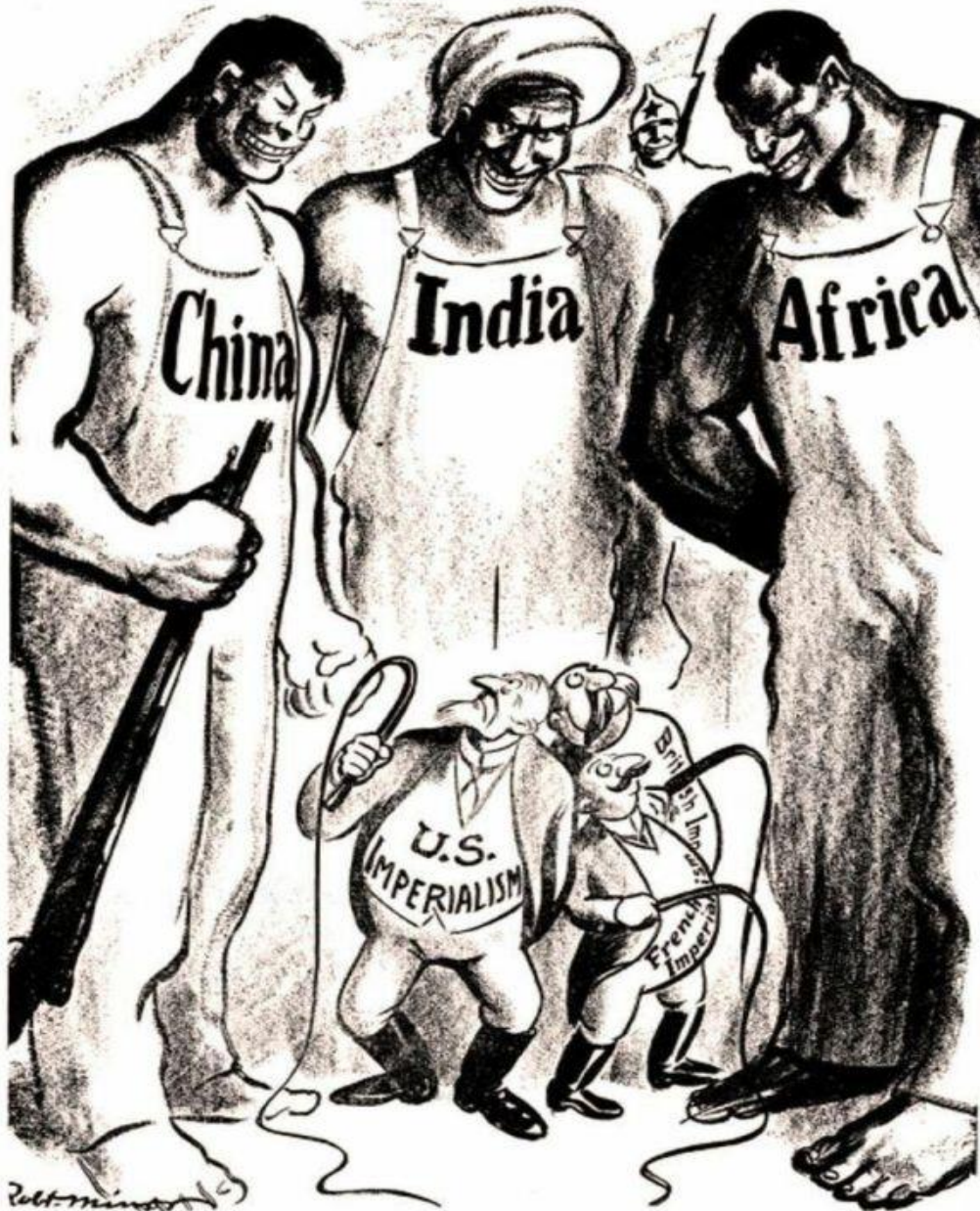
India's Income Pyramid

(Population in million)



* Annual household income at 2020-21 prices

Source: ICE360; The Rise of India's Middle Class



One day they'll wake up

Almost 100 years ago, famous U.S. cartoonist Bob Minor had a realization: Western nations ruled the world because they were rich in money and guns. China, India, and Africa were poor in money and guns, but rich in people. One day, the balance of power would shift. Minor drew this cartoon in 1925. Now, 98 years later, the people of the world are waking up and realizing something has changed.



Liquidity movement decides the Asset Allocation



This chart depicts relationship between Money i.e. liquidity (USD) and 'Cost of Money' i.e., interest rate (USD 10Y yield). This relationship held pretty tight and moved in tandem in 2021 & 2022. In 2023, the gap has started to emerge with cost of money shooting higher and liquidity i.e., USD running behind to catch up. The last time Treasury yields were at these levels, the US Dollar index was 5-10% higher than current levels.

What happens to risk assets if USD runs faster to catch up to new high 10 year yields? FYI - Last time this happened all assets other than USD went bleeding...

Global markets valuation basis PE and CPI parameters

Market	Current Fwd PE	Avg PE for CPI Percentile	PE Premium	CPI Percentile Bucket
Netherlands	20.2	14.7	137%	Top Third
France	13.6	11.4	119%	Top Third
US	18.0	15.7	115%	Top Third
Switzerland	17.6	15.9	111%	Top Third
India	19.5	17.6	111%	Middle Third
Taiwan	14.1	13.1	107%	Top Third
Australia	14.0	13.1	107%	Top Third
Germany	11.6	11.4	102%	Top Third
Spain	11.1	11.0	101%	Top Third
UK	10.5	10.6	100%	Top Third
Canada	12.5	13.1	96%	Top Third
China	10.2	10.8	94%	Middle Third
Japan	13.1	14.0	93%	Top Third
Mexico	12.6	13.9	91%	Top Third
Hong Kong	13.7	15.1	91%	Middle Third
Italy	8.4	9.5	88%	Top Third
South Africa	9.4	11.8	80%	Top Third
Brazil	6.9	10.5	66%	Middle Third

9 out of 18 global equity markets trade at a PE premium relative to that historically implied by their CPI levels and be at the risk of disappointment should inflation remain stubbornly high.

P.S – Have you seen Brazil valuations?

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. 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.

Thank You



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