



PINETREE MACRO

Brave New World

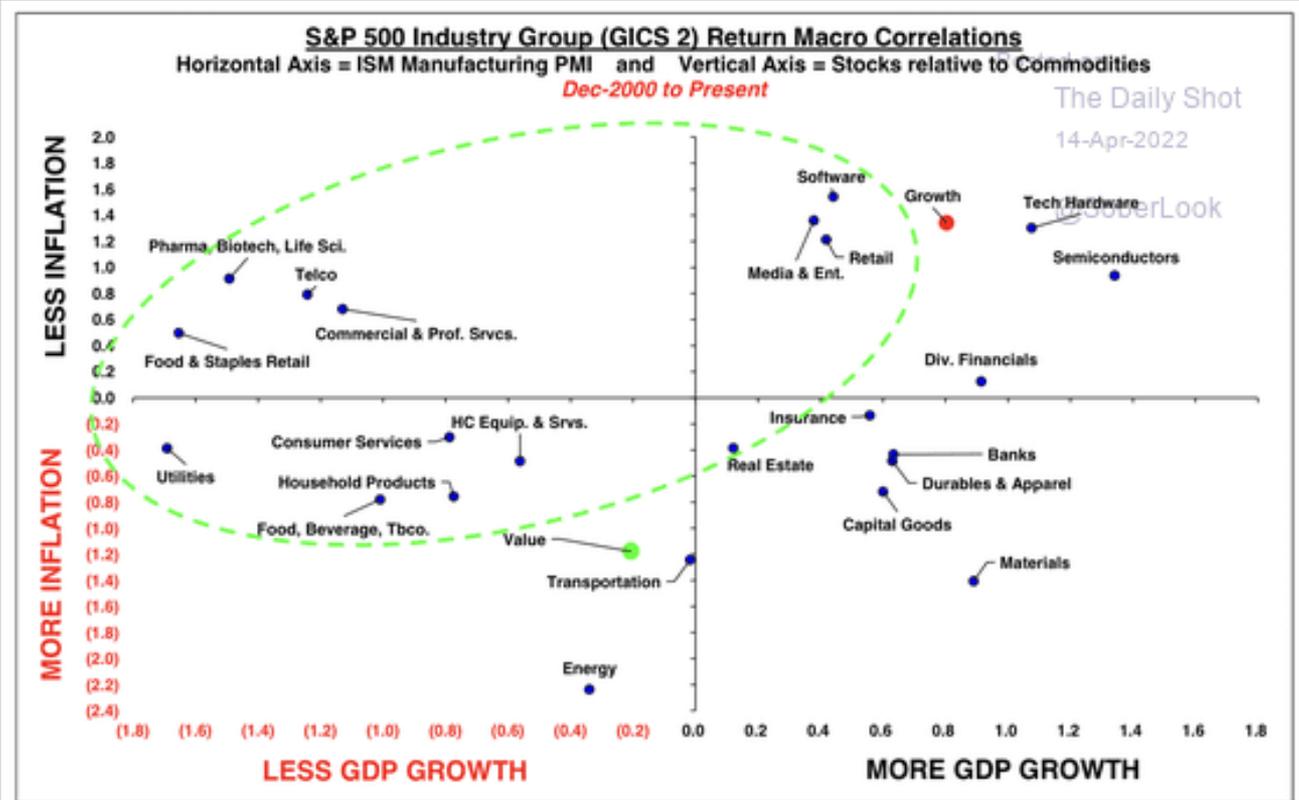
Edition 13

Equity sector performance during different macro conditions

- Although equities in general have performed quite poorly in high and rising inflation environments, there are potential areas that have historically performed better at the sector level.
- High growth stocks tends to underperform in a US rate hiking cycle with inflation scares leading to investors rotate away from high-multiple tech stocks and into sectors that hold up better in a rising rate environment. Those include financials, energy as well as industrials and real estate.
- For instance, the energy sector, which includes oil and gas companies, is one of them. Such firms beat inflation 71% of the time and delivered an annual real return of 9.0% per year on average.

- 2010-2020 was all above asset light + growth model. We believe next decade is all about asset heavy companies i.e., essentially industries which are capex intensive and see operating leverage kick in as volume increases. Prefer "Asset owners" for this decade.

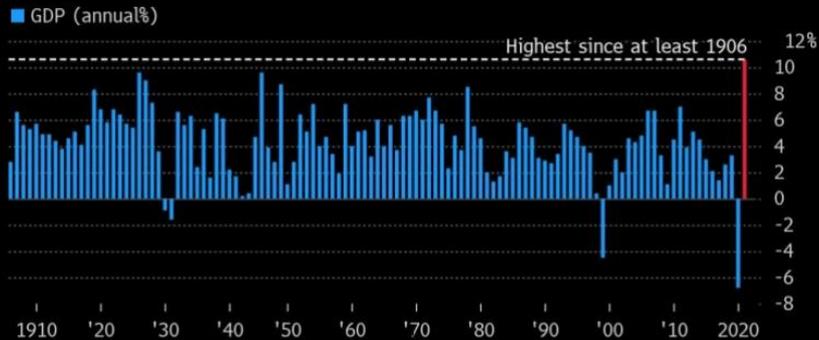
There are ETFs listed in US focused on Real Asset Investing – RAAX available for investment by Indian resident investors.



Colombia : This LATAM country grows at the fastest pace since past 115 years

Record Expansion

Colombia GDP expanded 10.6% in 2021 after 7% plunge in 2020



Sources: Departamento Administrativo Nacional de Estadística; Banco Central de la Republica de Colombia.

Note: Data from 1905 -1974 = 1975 base; 1975 to 2020 = 2015 base.

Bloomberg

If this decade is all about high commodity prices then commodity centric regions like LATAM should see positive impact as they boost exports (with currency depreciation of 2021 as an added advantage) and public revenue.

Latin America Could Be Among the Winners in 'New World Order', BlackRock CEO Says

■ In analyzing the current global political and economic panorama, Larry Fink offered some forecasts of who could best take advantage of the context generated by the war in Ukraine

Why the UAE's Latin America push makes perfect economic sense

DP World already has established a presence on the continent with its ports

Published: March 20, 2022 09:44
John Bailey, Staff Reporter

Economy | Business and Economy | Bloomberg

Record expansion: Colombia's economy grows the most in 115 years

A consumption boom and soaring prices for basics like oil, coal and coffee caused gross domestic product to rocket 10.6 percent in 2021.

There are ETFs listed in US focused on Latin American markets – LATAM available for investment by Indian resident investors.



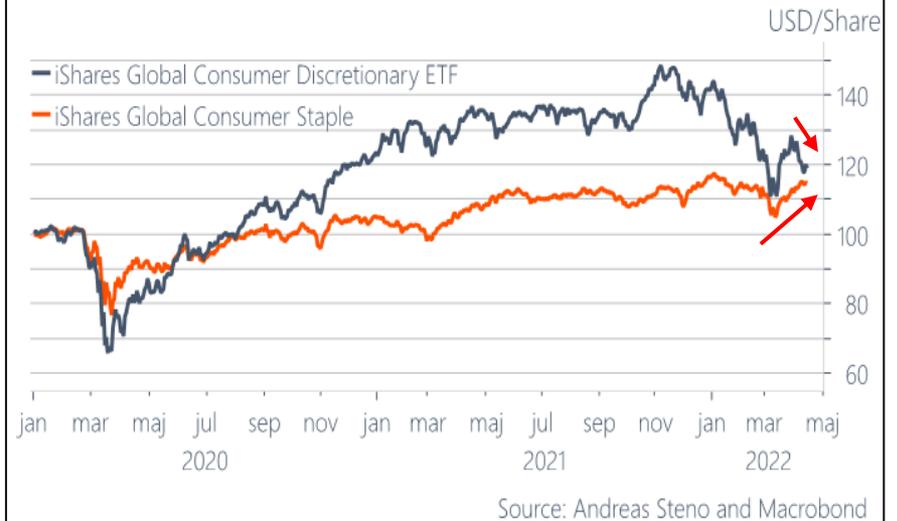
Inflation hits the Grocery store

- The current supply squeeze is one of the worst seen ever. The disconnect between demand fundamentals and food and energy prices is simply eye-catching.
- The FAO's gauge of global prices has jumped about 75% since mid-2020, eclipsing levels seen in 2008 and 2011 that contributed to global food crises. Last month's surge helped prices round out a seventh straight quarterly gain, the longest such run since 2008.
- The weekly earnings in U.S. are now running below trend, when you adjust for the most recent price trends, which is a massive change in scenery when compared to 2020 and 2021.
- When necessities turn more costly, it simply means people will stop buying discretionary stuff soon. This also means that the price on everything you need will remain high, but the price on everything you don't need will start dropping soon.
- Will this lead to disinflationary trends on non-essentials in H2-2022 in to 2023?

UN Food Price Index



ETF Consumer Staples vs. Discretionary (Index 100 in 2020)

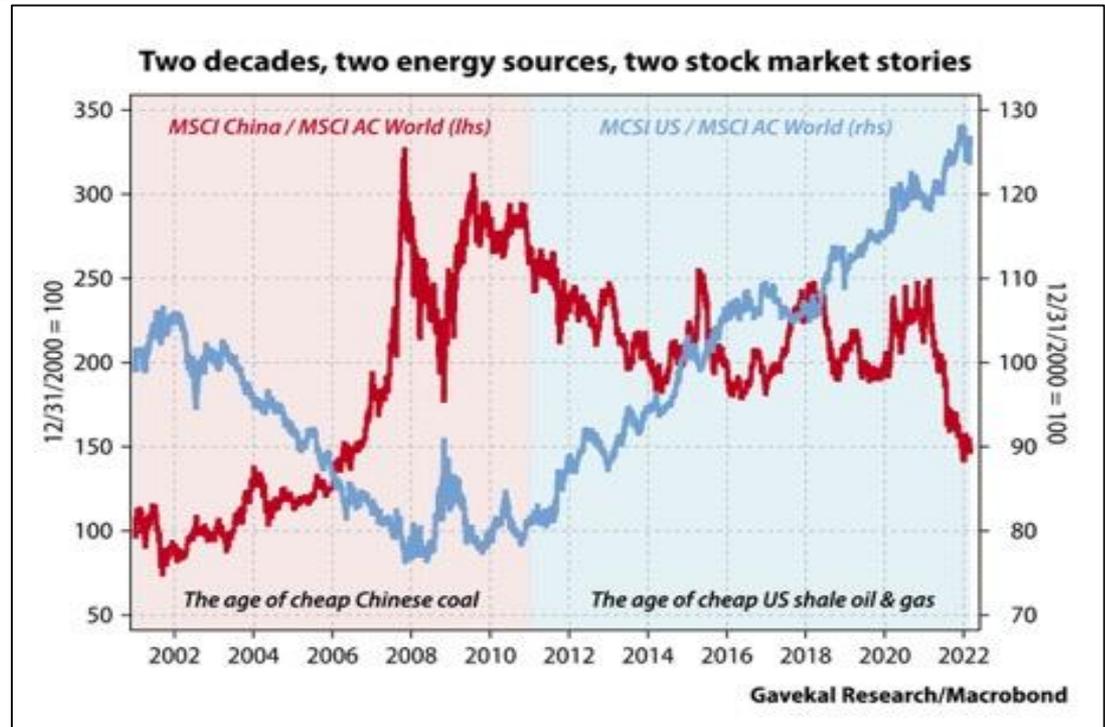


There are ETFs listed in US focused on agriculture & related companies – DBA available for investment by Indian resident investors.

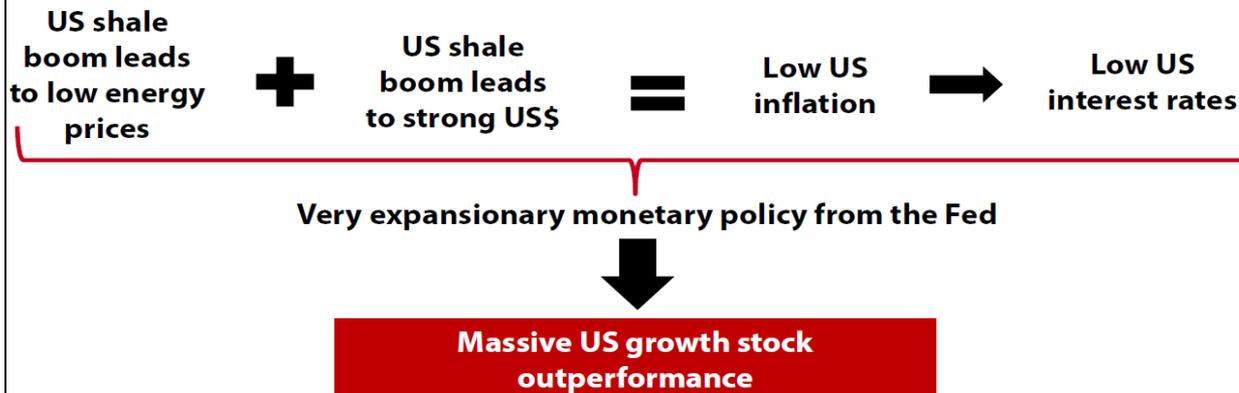


Economic Activity is energy transformed

- Ultimate resource which acted as decision maker for global liquidity flow was 'Energy'.
- Until 2000 – 2010 middle east and developing countries like China dominated era of cheap fuel which in turn reflected in their Stock market returns.
- However, past decade saw tables turned as massive US shale oil & gas exploration which led them to be energy independent. US equity index has seen unparallel journey upwards since then.
- But, after destroying much capital, the shale revolution is now over as witnessed by rising prices (on the rise even before the Ukraine invasion) and lower production.



US shale revolution was perhaps most important macro event of past decade



There are ETFs listed in US focused on Energy Investing – OIH available for investment by Indian resident investors.



Will Fed rate hike be fast paced?

Current inflation prints of ~8.5% is the highest reading seen since the past 40 years. Market expectations are like the last time, Fed would hike rates to combat inflation, although this might lead to rise in unemployment with recession fears. Three reasons on why this time is different -

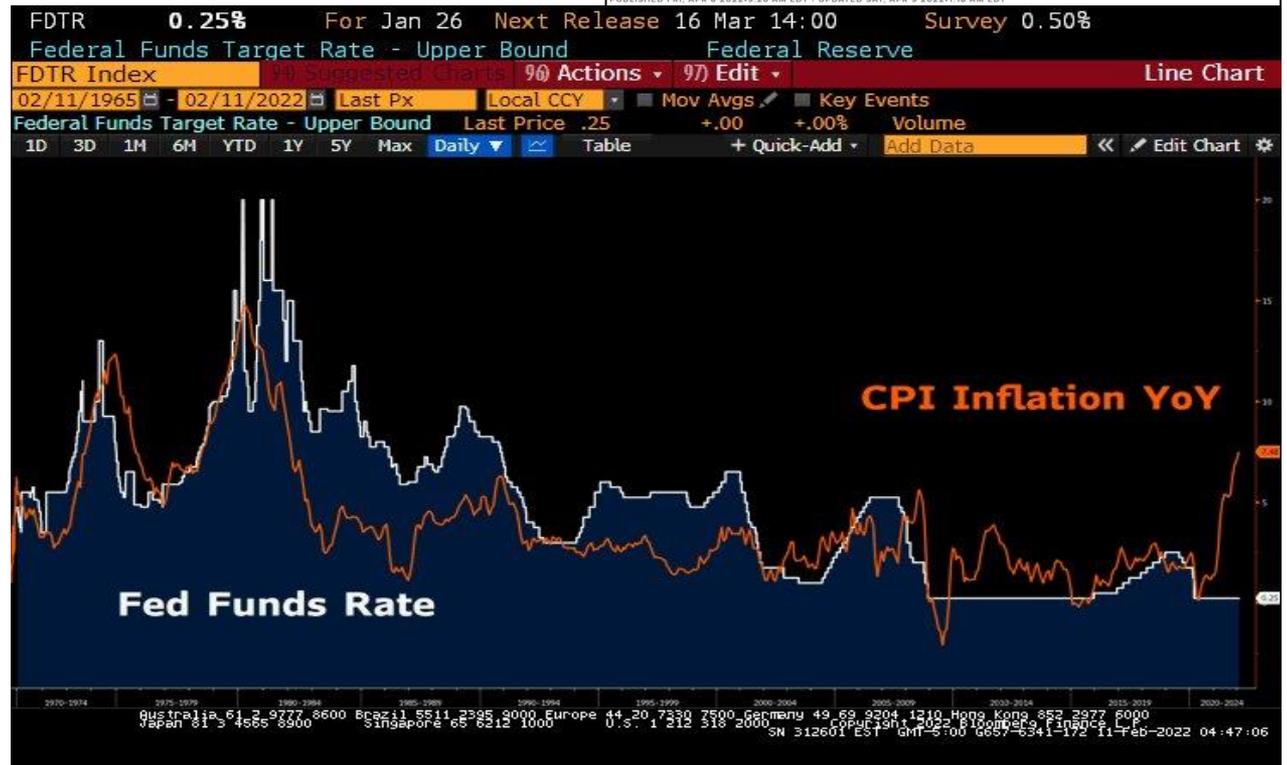
- With the highest inflation numbers on record, last seen 40 years ago, the Fed cannot raise rates sharply like it did in 1980 to fight inflation as even modest increase will impact US Debt/GDP simultaneously affecting both US interest expense outflow and tax receipts with lower GDP prints due to rate hike induced recession.

- U.S. is data driven economy and latest numbers indicate that consumer spending has been slowing down (*Consumer spending is ~70% of US GDP*)

- Fed minutes mention that they were prepared for 50 bps hike last time but had to trim this down due to situation in Ukraine. Will global instability rise due supply side issues after Russia sanction and will this force the reserve currency to slow down on the pace of hike (Egypt is dependent on wheat from Russia/Ukraine, Europe on energy imports from Russia)

While 50 bps of hike in May seems priced in, but Fed will keenly watch consumer spending data before talking about a June hike

THE BOTTOM LINE
As inflation bites and America's mood darkens, higher-income consumers are cutting back, too
PUBLISHED FEB. 11, 2022 9:26 AM EDT | UPDATED SAT. APR. 9, 2022 1:18 AM EDT



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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.



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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.



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