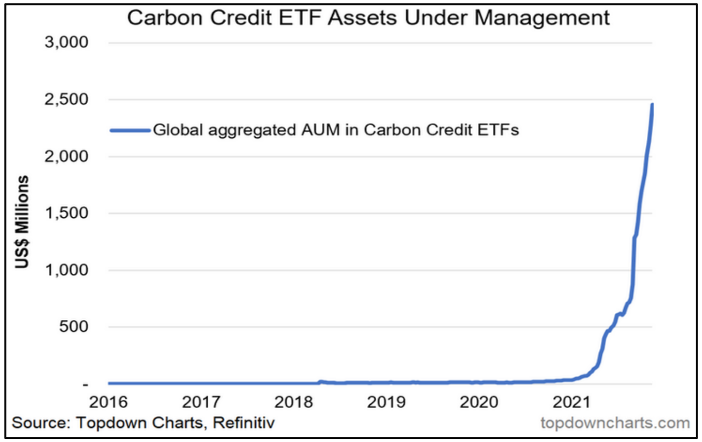
PINETREE MACRO

Brave New World

Edition 8

Carbon Credits : The New Asset Class?

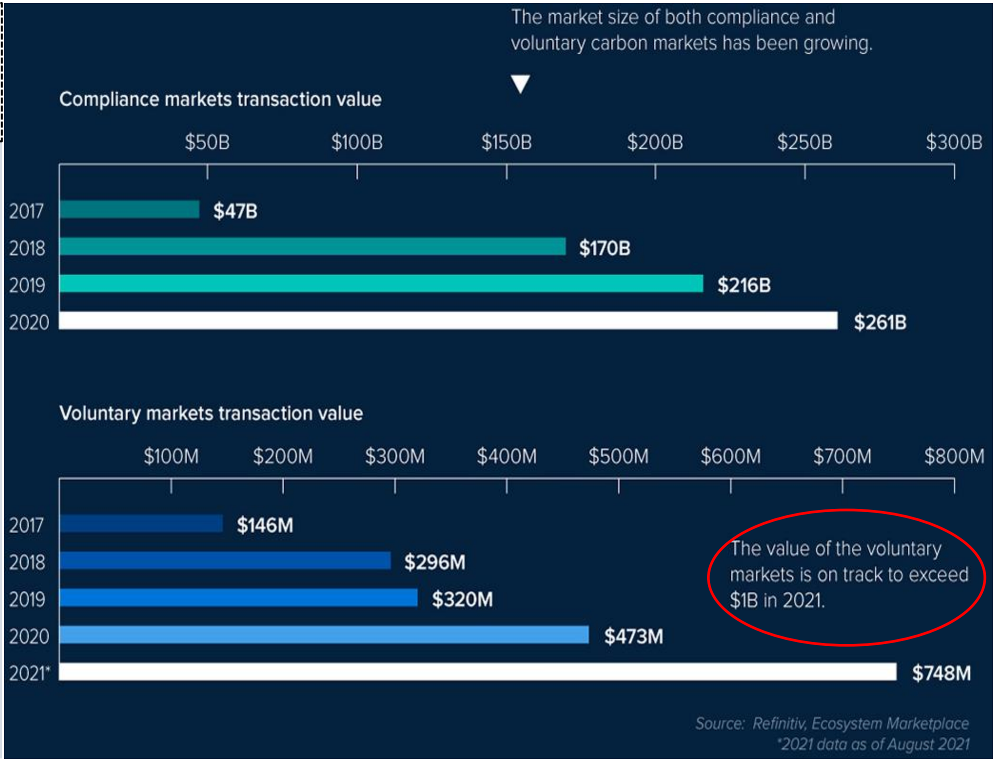
- New asset class that has born out of regulation – Carbon credits is witnessing surging fund flows in an ESG dominated volatile situation this year.
- Number of companies with net-zero targets has jumped ~200% between 2019 & 2020, up from 500 to 1,565. As per McKinsey's estimates the market for voluntary carbon credits could be worth upward of $50bn in 2030 *(Source: Visual capitalist)*
- The buyers of this credit are starting from energy & utility firms to corporate entities looking to put their green foot forward, to retail & speculative investors trying to catch the parabolic rise as price & volatility increases.



Carbon credits are an allowance that works on a 'cap & trade concept' regulators cap the amount of carbon emissions & then allow emitters to trade the credits.

The Krane Shares Global Carbon ETF (KRBN) which tracks the EU ETC carbon price can be subscribed to by Indian Resident Investors.

Check this at - https://www.easternfin.com/international-investing



Water ETFs: $111 Billion For Water Infrastructure

- By 2025, it is estimated that 66% of the world will live in water-stressed areas according to the World Resources Institute. This is not just usual drought of California, North India (whose groundwater loss can be seen from space) or the Arabian Peninsula either, but a worldwide mismatch that will see a 40% gap between demand and supply emerge over the next 15 years.
- A significant issue in the Western world comes in the form of an ageing infrastructure that is prone to springing leaks. In the US, 13.7% of daily household water usage is lost through leaks, while almost a quarter of the UK's public supply goes the same way.
- Barclays Capital analysts forecast global freshwater requirements for food production to increase 40% by 2030. The global consumer staples sector faces a $200bn impact from water scarcity and is the most exposed of all sectors to the water risk.

There are ETFs listed in US focused on water space – PHO, FIW and CGW, available for investment by Indian resident investors via portal like Stockal.

SPR release by US: Do we see triple digit in Oil coming soon?

The US has already released a significant amount of oil from SPR with drawdowns accelerating lately – falling off a cliff in 2021. The most US can even sell is ~50-60 mpd which is only enough to soak up a few hours of global demand. Total global demand is touching 100mbpd. Total US demand is 20mbpd.

The Strategic Petroleum Reserve (SPR) is an emergency stockpile of petroleum maintained by the United States Department of Energy (DOE). It is the largest known emergency supply in the world.

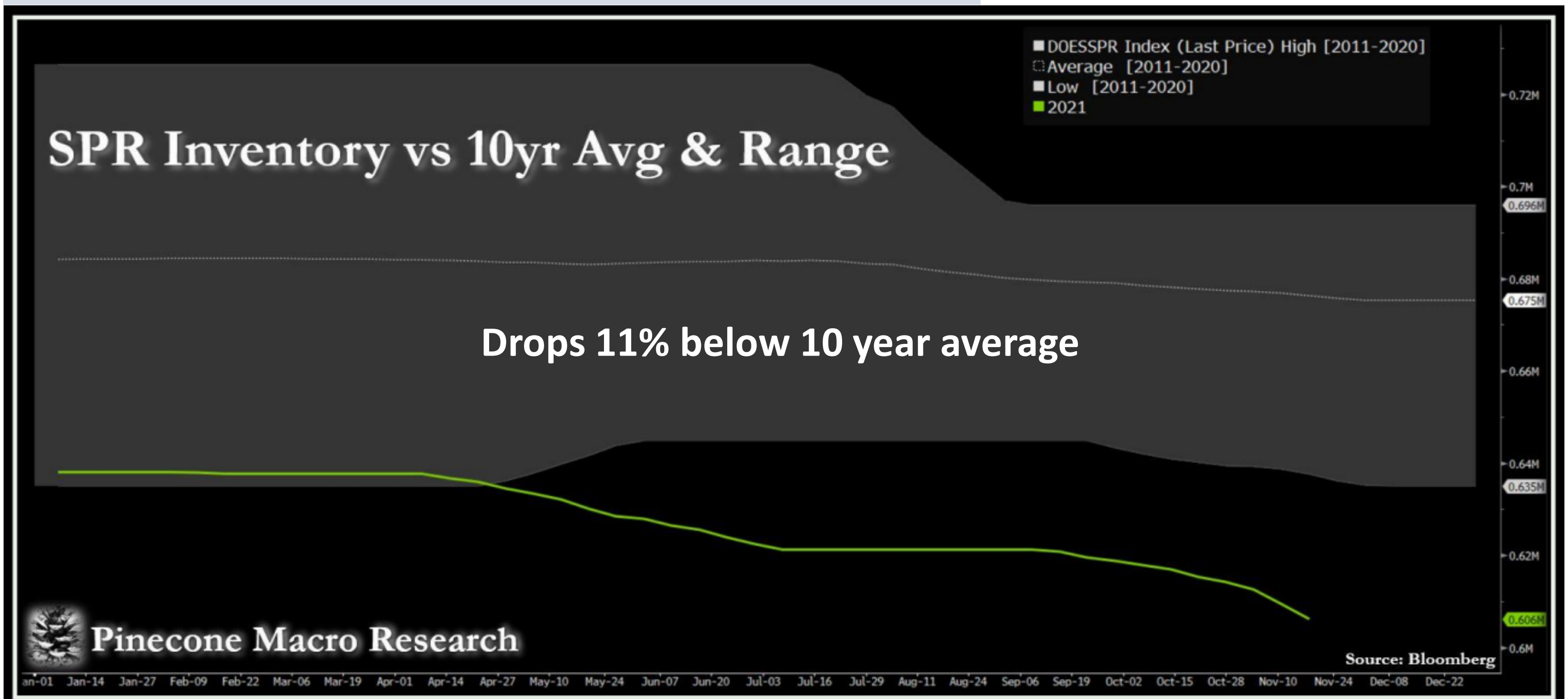
Biden releasing oil from Strategic Petroleum Reserve to help lower gas prices

UPDATED ON: NOVEMBER 23, 2021 / 7:00 PM / CBS NEWS

Investors keen to build exposure to this asset class can check out ETFs like OIH, XLE available for investment by Indian resident investors.

BUSINESS

Japan to join U.S. and others in coordinated oil-reserve release



Active Management still didn't win in 2021

- For decades, active managers have claimed that in boring markets, don't expect them to outperform. If there ever was a year active management should have outperformed passive indexed strategies, 2020 *(most turbulent times since the great recession)* and the first half of 2021 should have been it.
- As per a recent report from S&P Dow Jones Indices : Over the 12-month period ending June 30, 58% of large-cap funds, 76% of mid-cap funds and 78% of small-cap funds trailed the S&P 500, S&P Mid Cap 400 and S&P SmallCap 600, respectively. *(Source: CNBC)*
- The performance of active managers gets much, much worse when you look at longer time horizons: over a 10-year period, only 25% of all active funds beat their passive counterparts, according to the Morningstar report.
- It's even worse among large-cap equity funds, which are what most investors hold: Only 11% of actively managed large-cap funds outperformed their passive peers over 10 years. *(Source: CNBC)*

Asset allocation accounts for a whopping **88 percent** of volatility and returns, according to Vanguard and the simplest and cost effective measure to gain exposure to any asset class is via ETFs. There are approximately 2200 ETFs/ETPs listed in the US markets with an AUM of $7.7 trn.

In one of the most volatile markets in decades, active fund managers underperformed again

PUBLISHED MON, NOV 1 2021•7:07 AM EDT | UPDATED MON, NOV 1 2021•12:28 PM EDT

Index	YTD return	% of members with positive YTD return	% of members with at least -10% drawdown from YTD high	Average member drawdown from YTD high
S&P 500	25%	83%	92%	-18%
NASDAQ	25%	63%	89%	-40%
Russell 2000	19%	68%	98%	-36%

Source: Charles Schwab, Bloomberg, as of 11/19/2021. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Past performance is no guarantee of future results.

Stock Market leverages spike: What will reverse this trend?

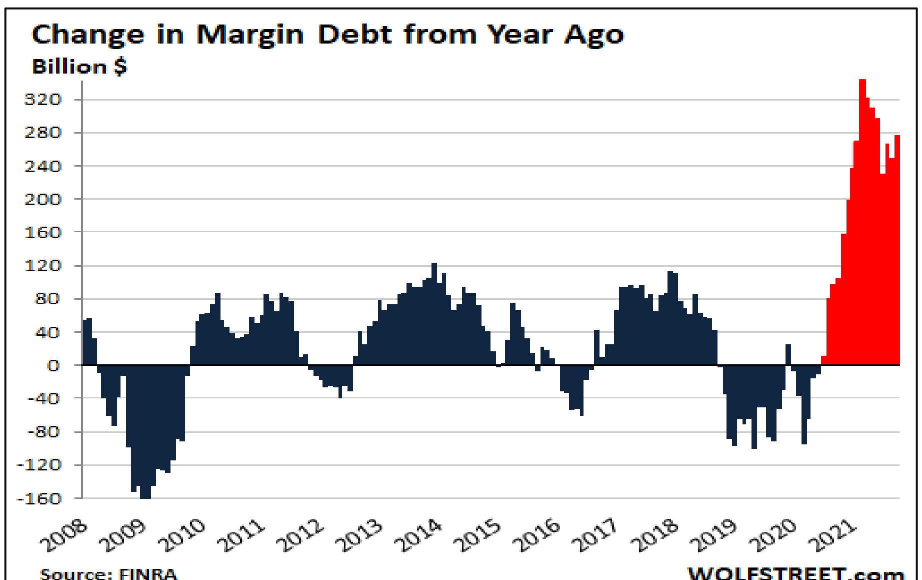
- Stock market margin debt spiked to another all-time high of $936 billion in Oct, up by 42% from a year ago and up by 67% from October 2019. Margin debt is a big accelerator both on the way up and way down for markets.
- While the direction of the market sentiments is difficult to predict but when this market starts going down, it will trigger massive bouts of forced selling as margin calls get triggered and leveraged investors have to sell stocks to pay down their margin debt, which then pushes down prices further, which then triggers more forced selling, and more fears of forced selling, as portfolios are being liquidated, thereby accelerating the swoon.
- In the financial stability report, Fed mentioned – 'The median leverage ratios of younger retail investors are more than double those of all investors, leaving these investors potentially more vulnerable to large swings in stock prices, as they have a larger debt service burden'

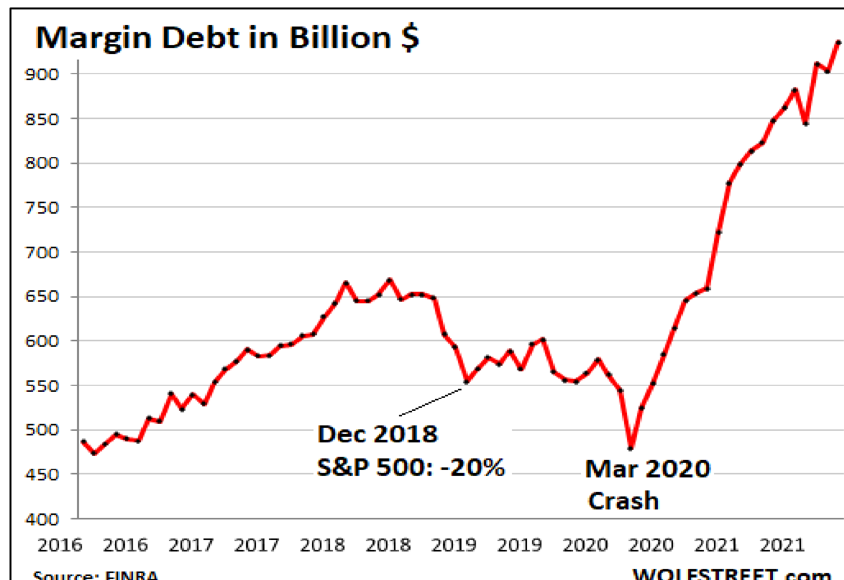
With hedge fund managers announcing closure, fresh signs of lockdown emerging, dollar index gaining strength – we treat 'Cash' as an important asset to be deployed opportunistically.


Hedge Fund Perma Bear Clark Shuts Down Amid Historic Bull Market

By Nishant Kumar +Follow

11 November 2021, 19:40 GMT+5:30





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.

Thank You

Get In Touch

Registered Office
PineTree Macro Pvt Limited
102, 104 & 210 Lords, 7/1, Lord Sinha
Road, Kolkata, India - 700 071

To read more visit -
LinkedIn – Pine Tree Macro
Twitter - @PineTreeMacro

Write to us
info@pinetreemacro.com

Disclaimer

The above material is neither investment research, nor investment advice.

This document may contain confidential, proprietary or legally privileged information. It should not be used by anyone who is not the original intended recipient. If you have erroneously received this document, please delete it immediately and notify the sender. The recipient acknowledges that PineTree Macro Ltd ("PineTree") or its subsidiaries and associated companies, as the case may be, are unable to exercise control or ensure or guarantee the integrity of/over the contents of the information contained in document and further acknowledges that any views expressed in this document are those of the individual sender and no binding nature of this shall be implied or assumed unless the sender does so expressly with due authority of PineTree or its subsidiaries and associated companies, as applicable. This document is not intended as an offer or solicitation for the purchase or sale of any financial instrument / security or as an official confirmation of any transaction.

Investment Disclaimer

Investment Products are not obligations of or guaranteed by PineTree Macro Ltd or any of its affiliates or subsidiaries, are not insured by any governmental agency and are subject to investment risks, including the possible loss of the principal amount invested. Past performance is not indicative of future results, prices can go up or down. Investors investing in funds denominated in non-local currency should be aware of the risk of exchange rate fluctuations that may cause a loss of principal.

This document does not constitute the distribution of any information or the making of any offer or solicitation by anyone in any jurisdiction in which such distribution or offer is not authorized or to any person to whom it is unlawful to distribute such a document or make such an offer or solicitation.