



Brave New World

January 13, 2024

Something to keep an eye on

China's weight in the MSCI EM index has slumped; India's has doubled

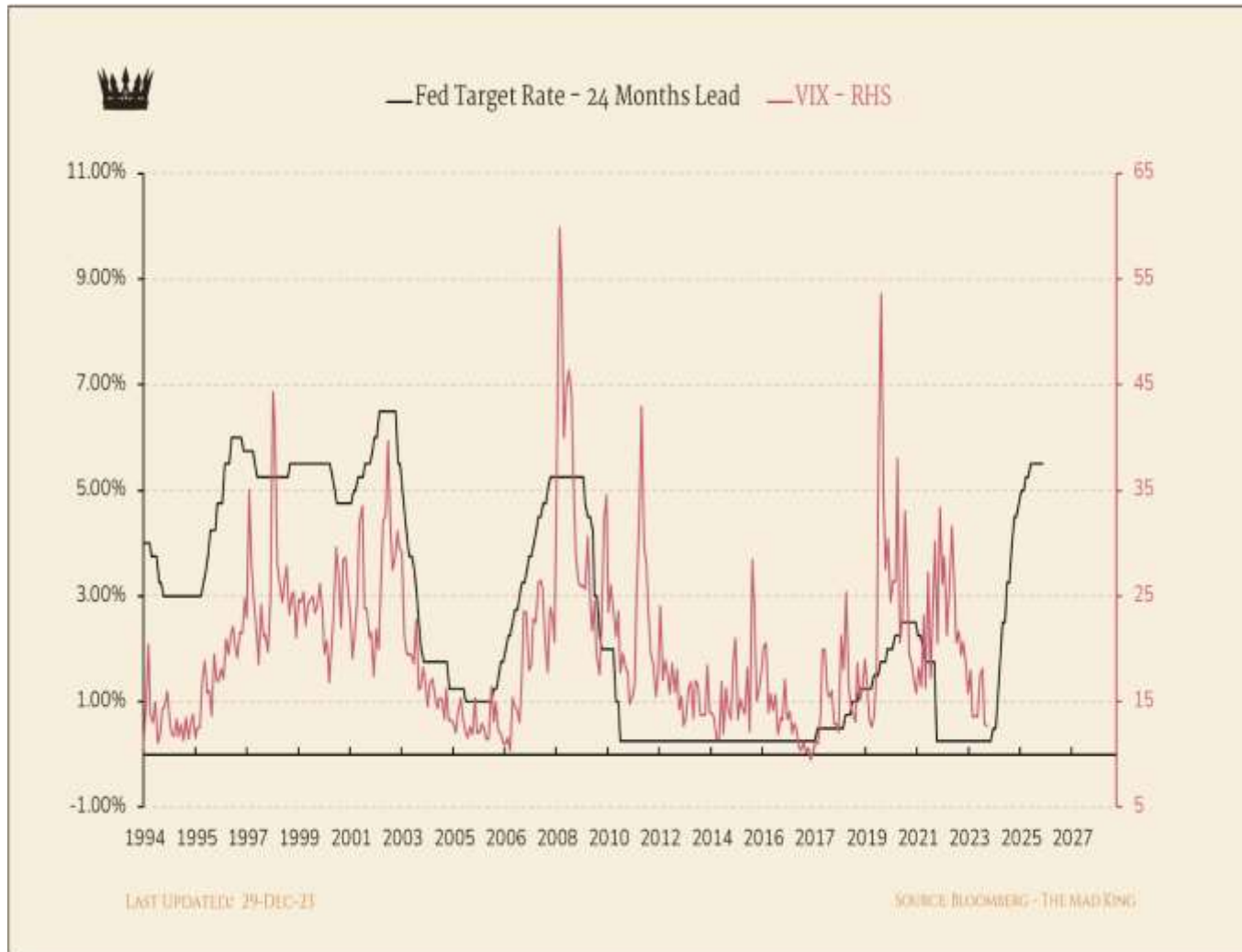
Country weights in MSCI IMI (Large, Mid & Small Cap) Emerging Markets index



Gavekal Research/Macrobond

Chinese stocks now make up 24.7% of the MSCI Emerging Markets index by capitalization, down from 40% three years ago and about the same as late 2015 after the devaluation of the renminbi that August. China remains the biggest single country by market cap in the index, but India's share has about doubled since 2020.

Volatility - Long



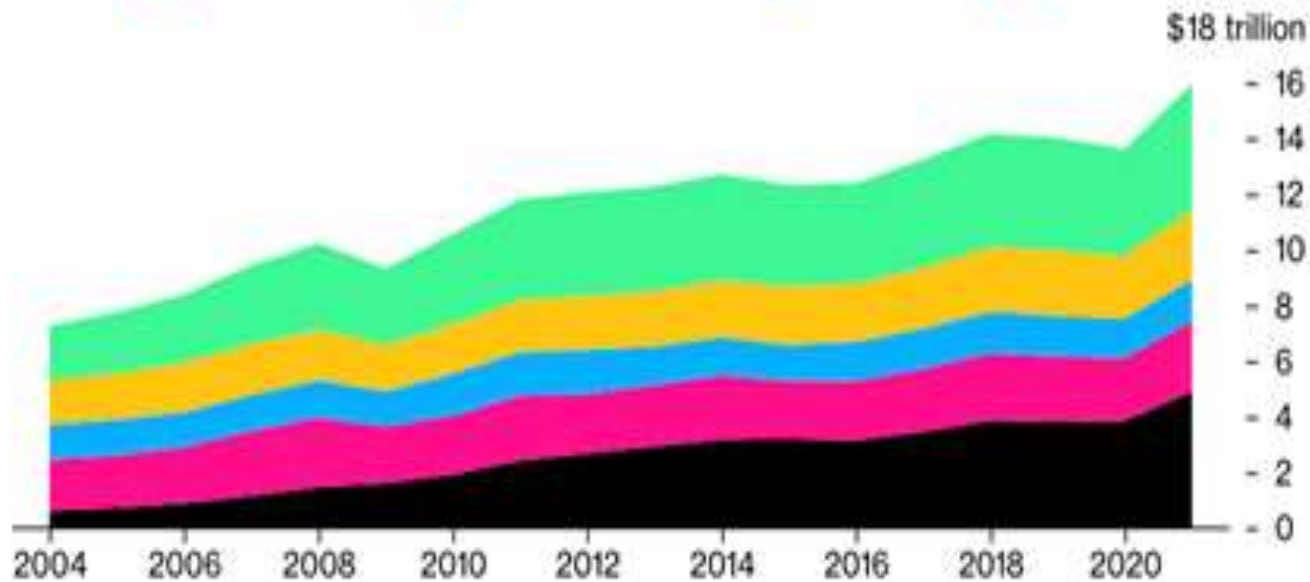
Should a market correction occur, we can anticipate a resurgence in volatility. This would be due largely to the impact of high yields on the economy, which typically has a two-year delay. If historical patterns are any indication, the year 2024 could be marked by significant volatility.

China moving up the Value Chain - good news for Indian Manufacturing

Factory to the World

China's share of the value added of industrial output has surged

■ China ■ European Union ■ Japan & South Korea ■ United States ■ ROW

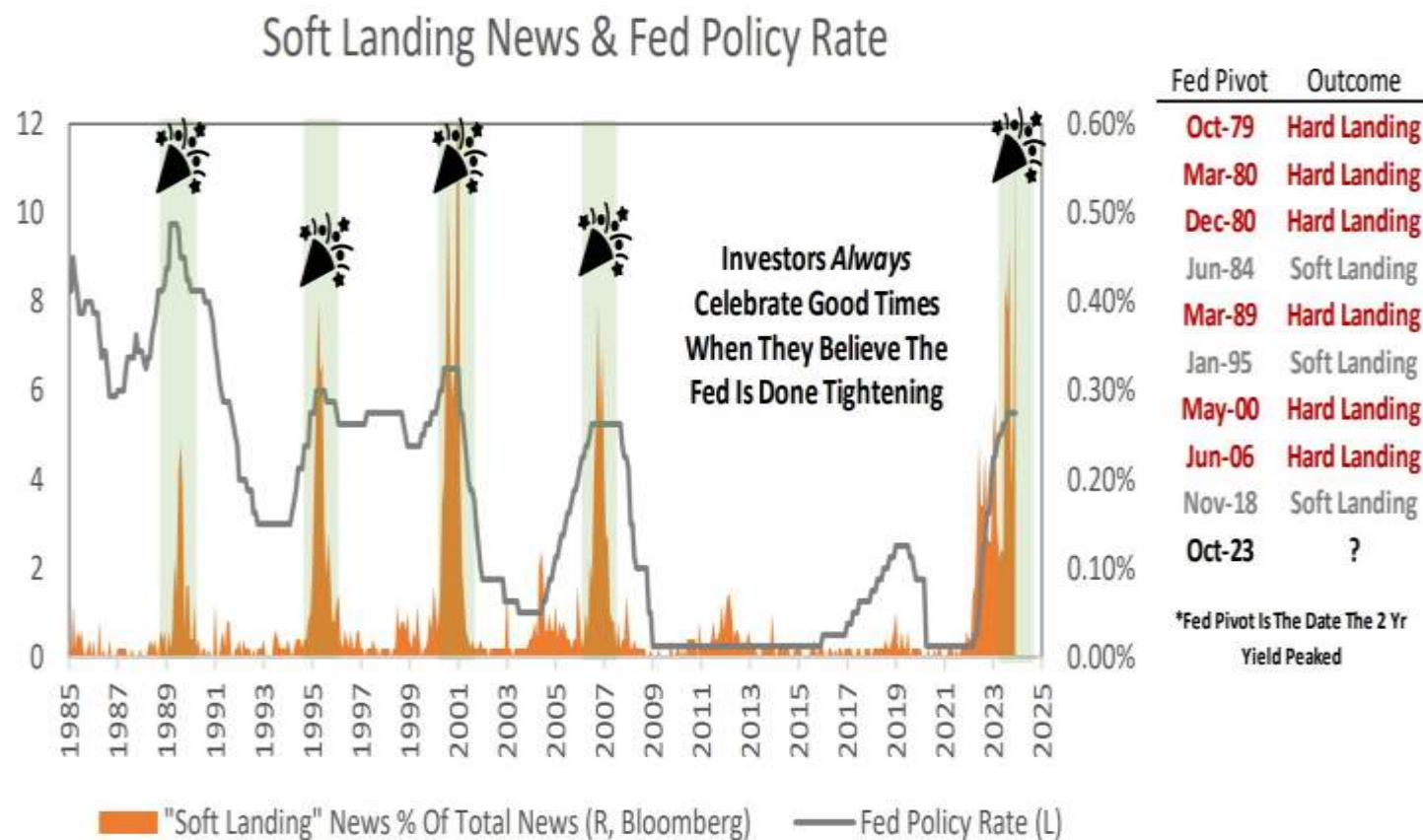


Source: World Bank

Chinese manufacturing has moved up the value chain. This might not be good news for China because it could increase the risk of trade war.

Bloomberg

Soft landing is a consensus...



Source: Michael Kantro

Soft landing becoming the consensus as the Fed pauses are totally normal.

The job market (initial claims) will determine the path from here; so far #jobmarket is holding up.

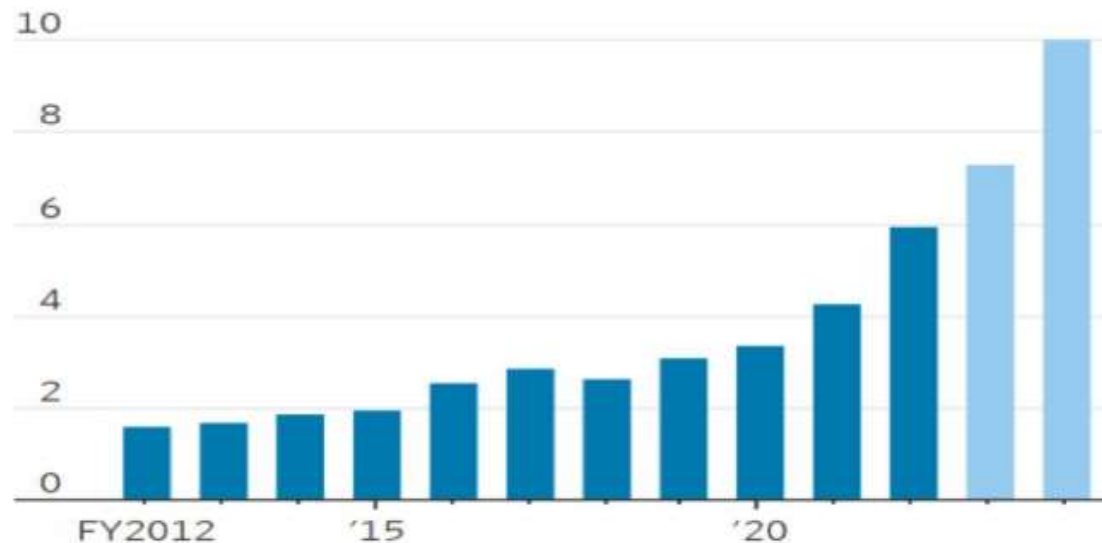
India Building boom

Building Boom

Investment in infrastructure has risen sharply in India as the government seeks to boost the economy.

Capital expenditure

12 trillion Indian rupees



Note: FY2023 and 24 are budget estimates. All other years are actual spending. 1 trillion rupees=\$12 billion
Source: CEIC; Indian Ministry of Finance

India moving from Digital Infra to Physical Infra build. Digital Infra allowed India to leapfrog Manufacturing directly to Services, and created an IT and Services boom. With Physical Infra push, India is headed for a Manufacturing boom.



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