



# **BRAVE NEW WORLD**

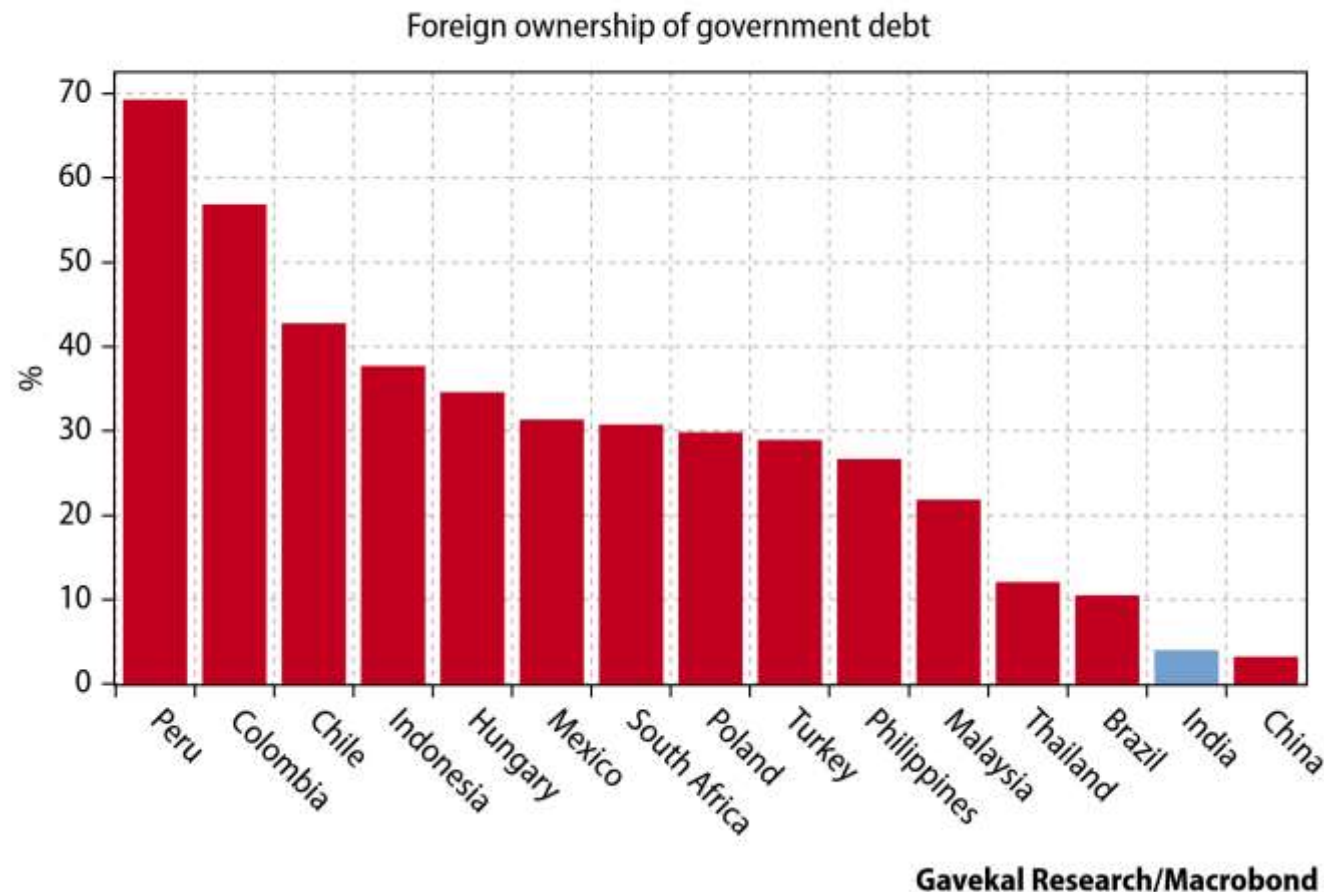
DATE: 14<sup>th</sup> Oct ' 23



# Foreigners will demand stable fiscal and monetary policies

The long-awaited inclusion of Indian government debt in JP Morgan's benchmark index for emerging market sovereign bonds should prove a watershed event, turbocharged by investors' need to find alternatives to China.

## Foreigners have until now played an insignificant role in Indian bonds



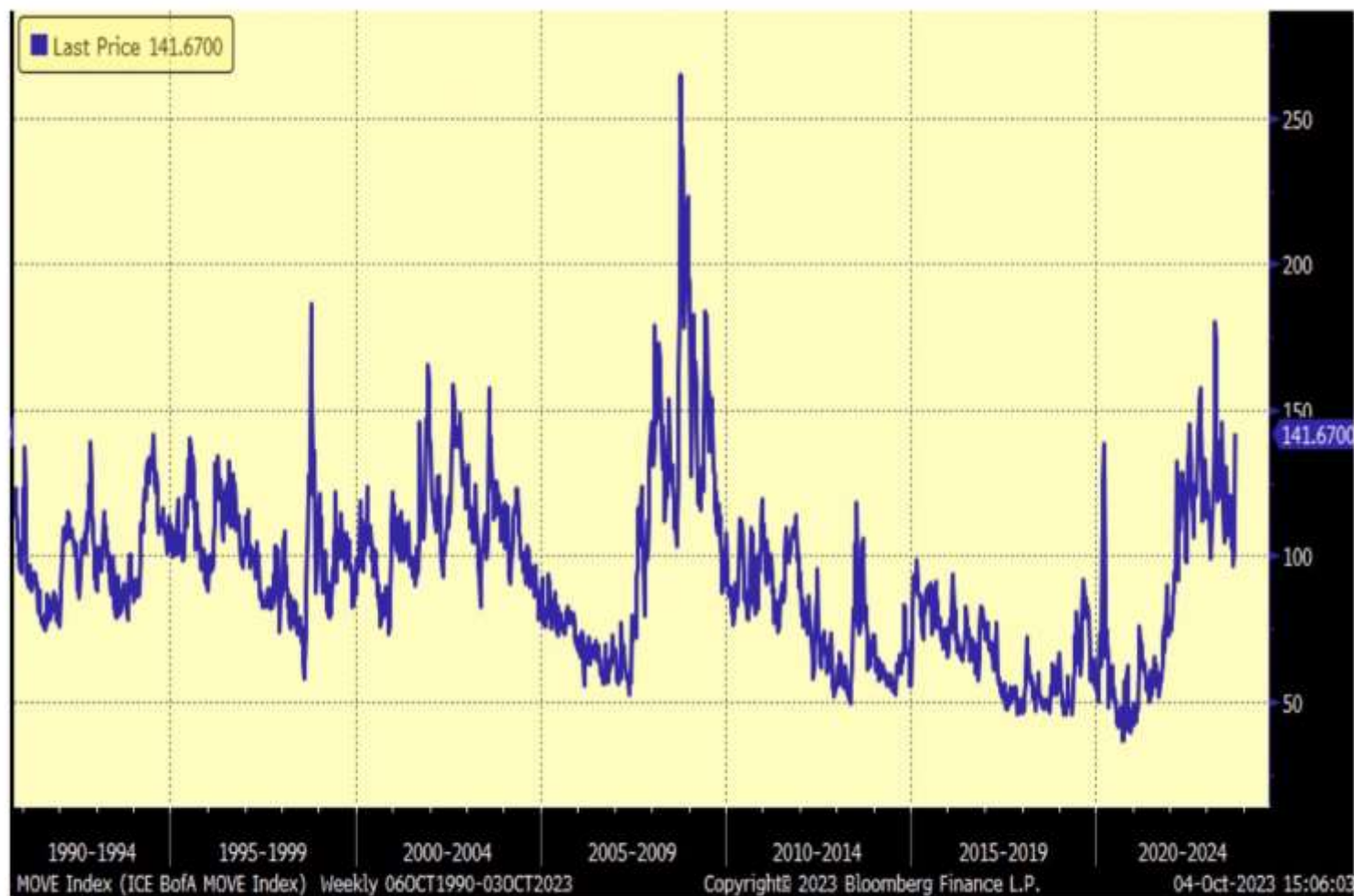
# Gold is outperforming US treasuries.

GLD/TLT ratio is putting a new all time high. Taking all things in account, GOLD has held up relatively well



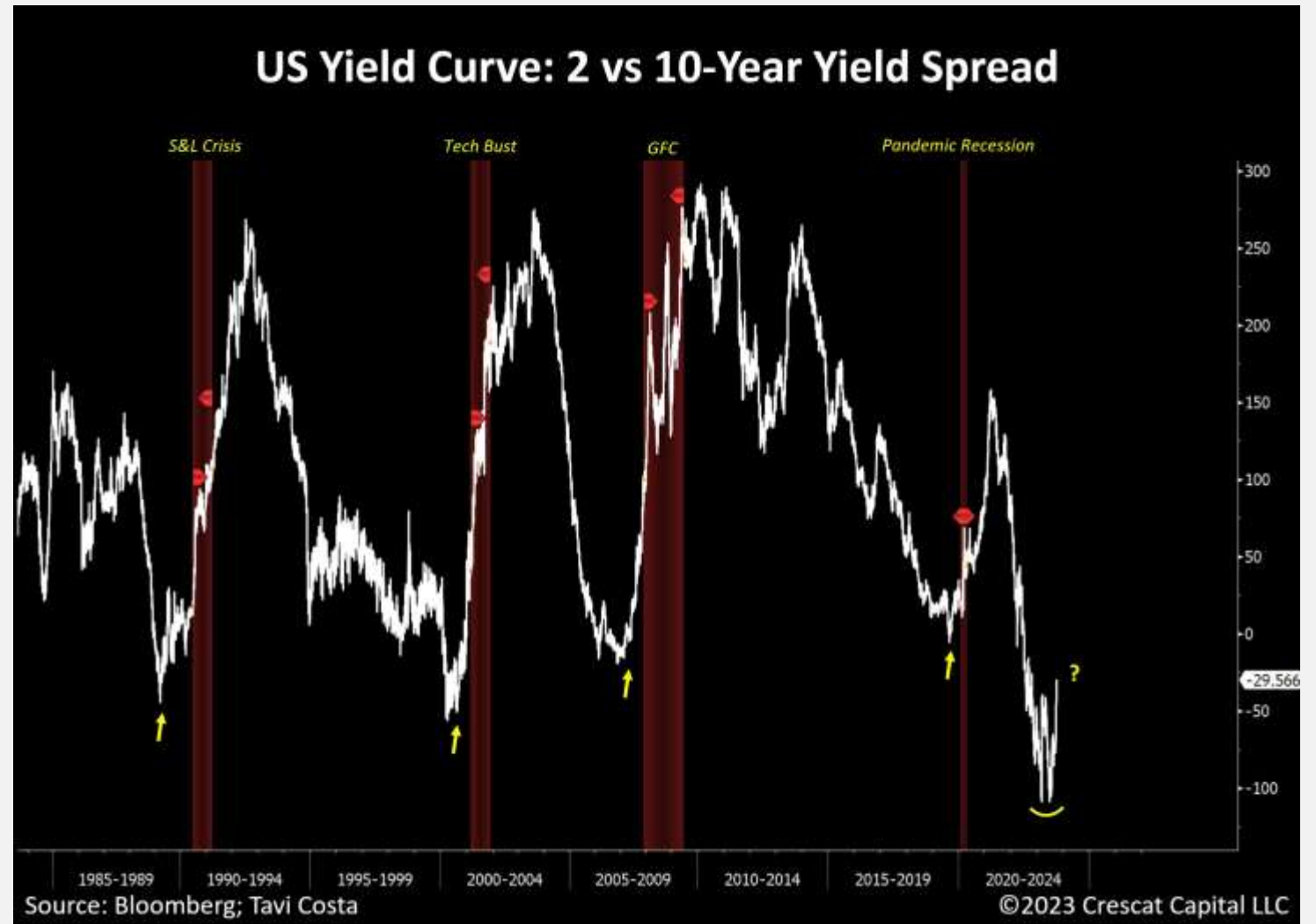
# Bond market is becoming increasingly nervous.

The chart is of MOVE index which is equivalent of VIX but for bonds. The MOVE @ 140 implies a yield change of ~9bp a day for the next month, that is not sustainable; similar to the VIX near 50, or ~3.1% a day for a month.



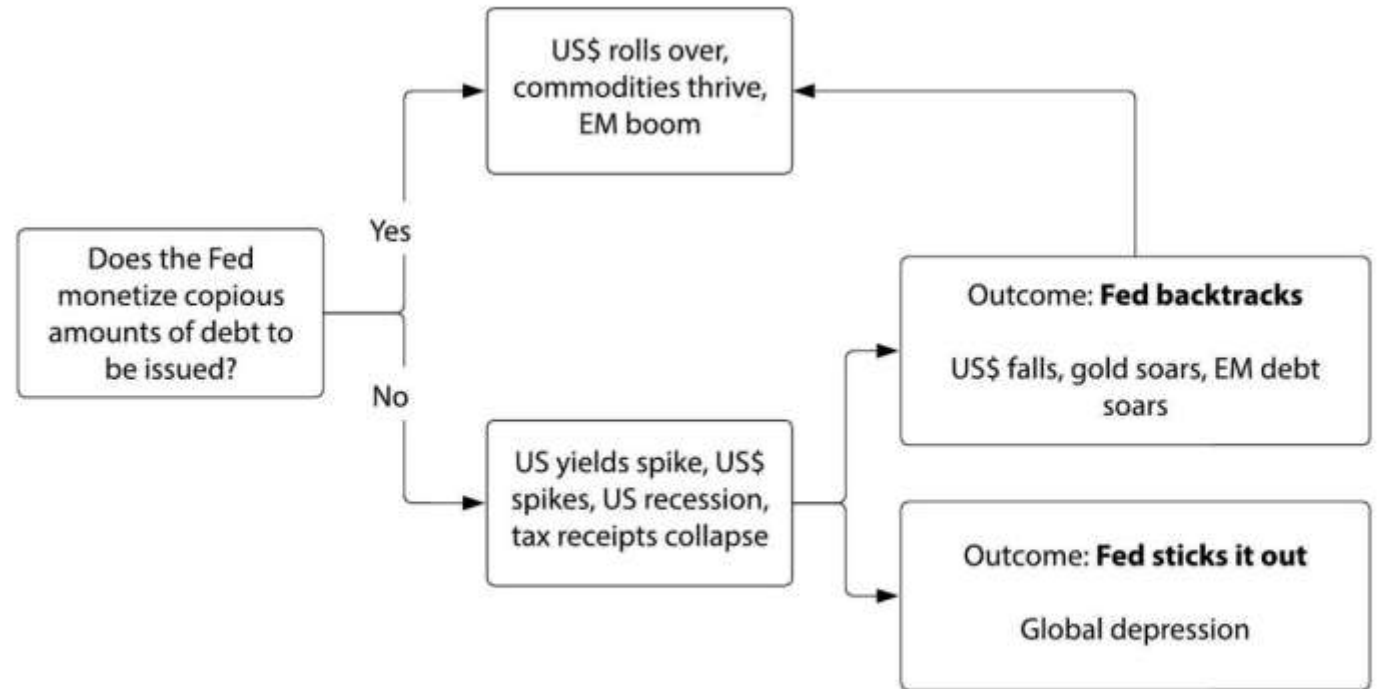
# Finally, more concrete signs of recession.

We believe that inverted curve is not the real leading indicator of recession. It is the steepening of curve after the inversion which is a sign of impending recession



# Roadmap is clear.

Simple thesis profound implications



Gavekal Research



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