



Oct, 28th 2023

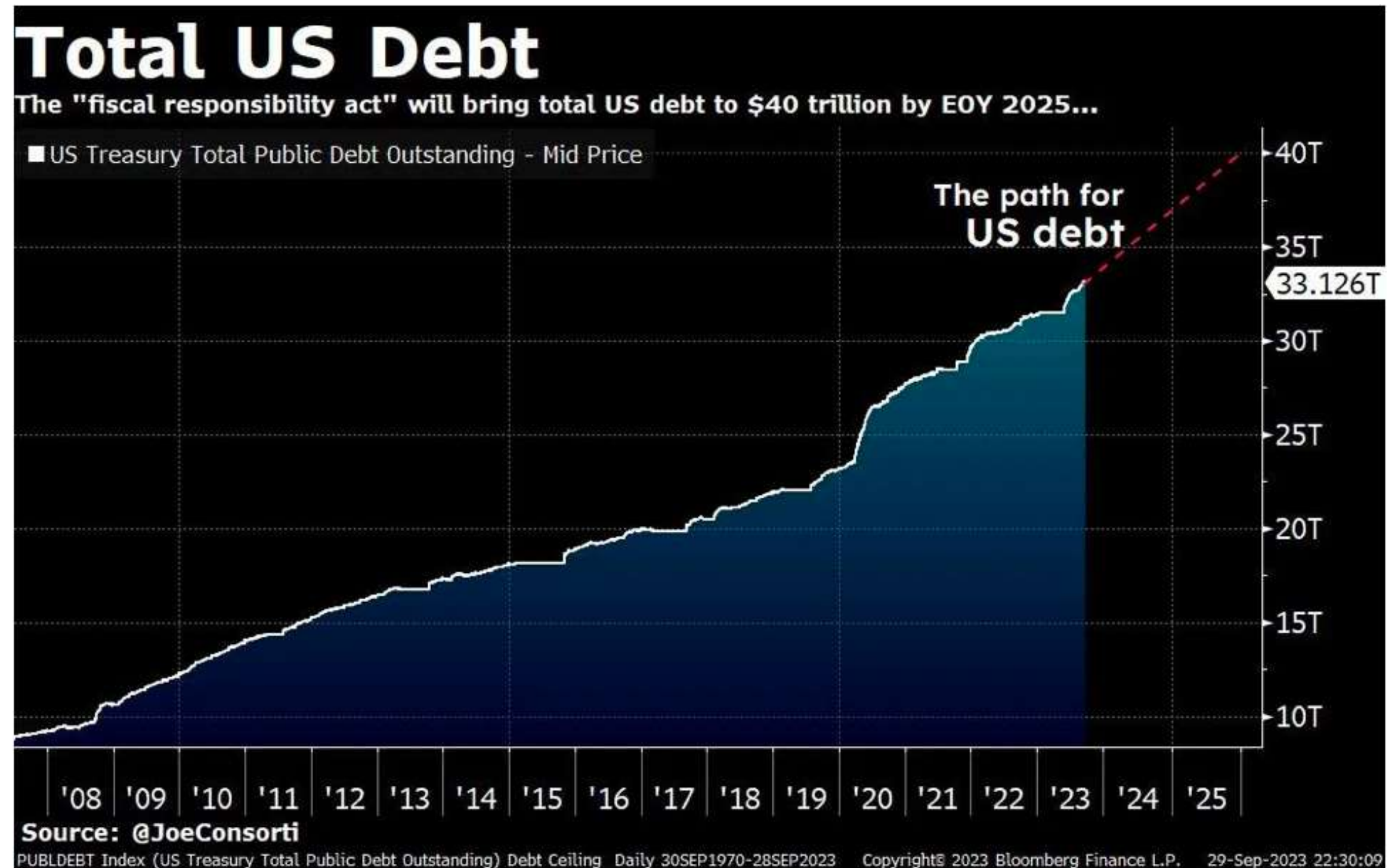
Brave New World



What has the US got to show for \$30T spent since 2000?

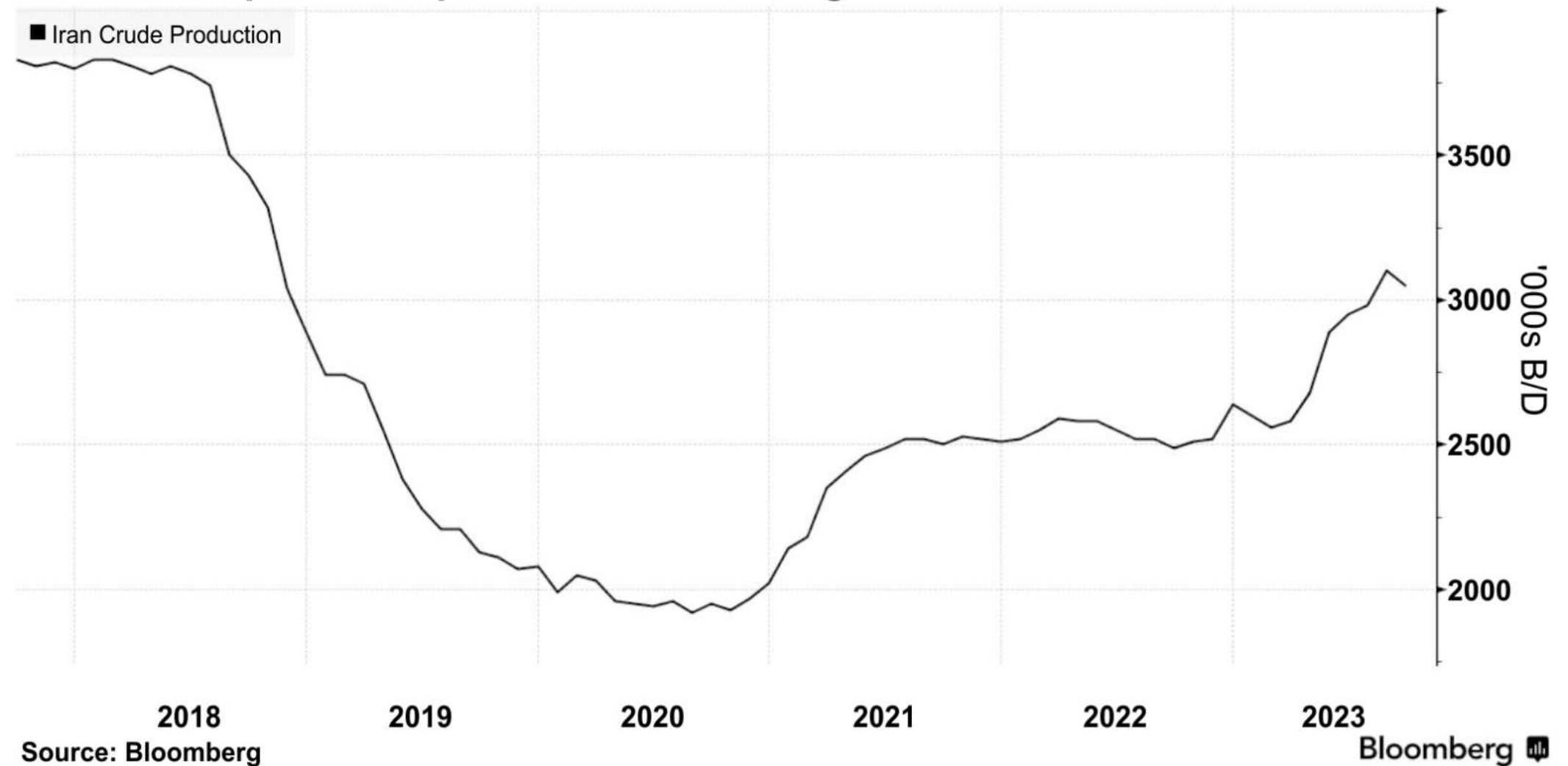
When you pile on the debt it's got to be for productive stuff which generates income in the future.

If you are just running up the credit card debt to fund your current spending, that's problematic.



The Iranian risk is two-fold

Production Recovering
Iran's oil output and exports have been rising



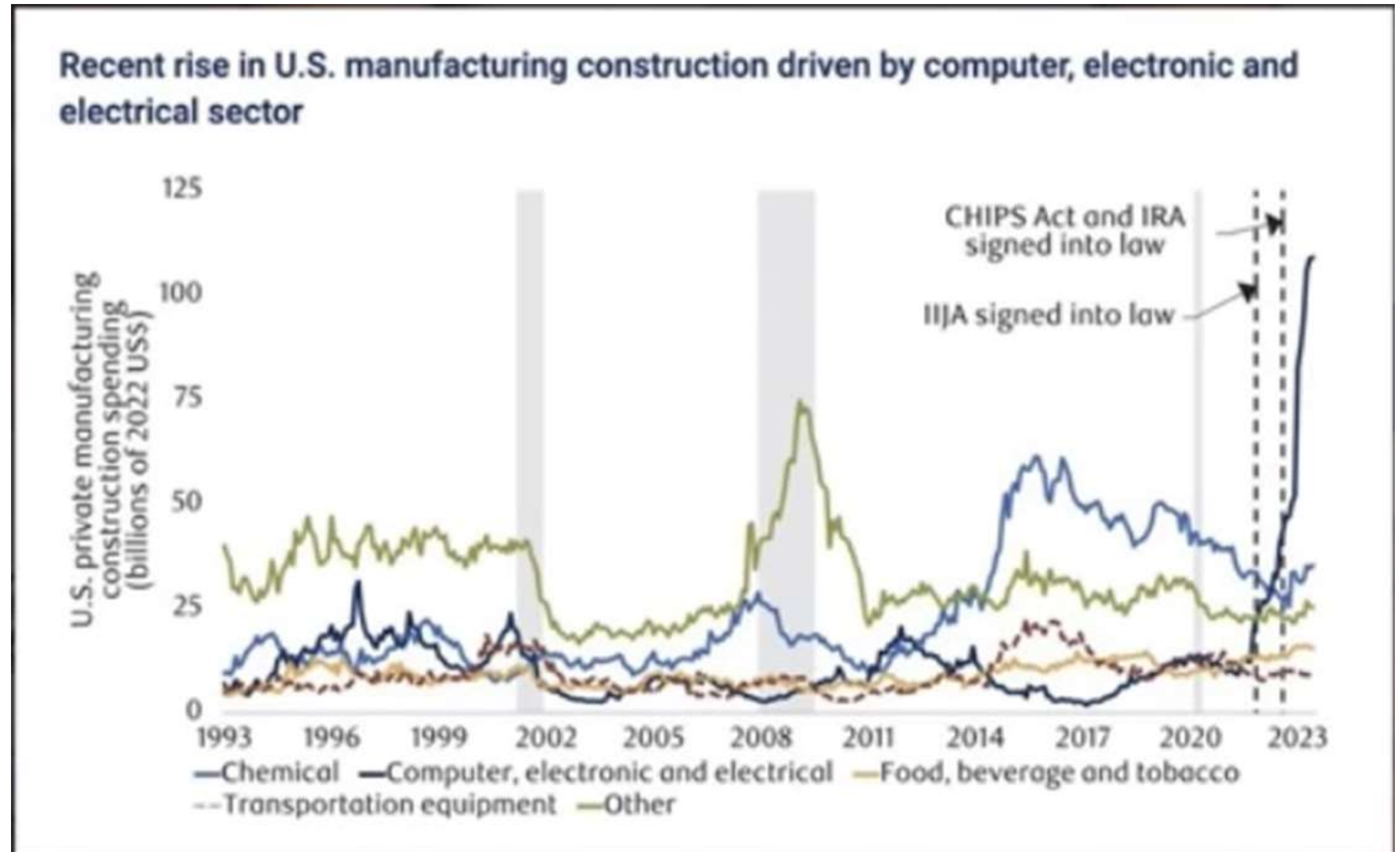
The U.S. could enforce sanctions more tightly.

The Iranians could institute a blockade of the Strait of Hormuz, through which one-fifth of the world's crude oil passes - a longstanding fear among the Western countries.

Computer, electronic, and electrical manufacturing booming in US

Since the signing of the CHIPS Act, Inflation Reduction Act (IRA), and the Infrastructure Investment and Jobs Act (IIJA), the US has witnessed a spike in construction for computer, electronic, and electrical manufacturing facilities.

We believe electrification will be the biggest macro theme of this decade.



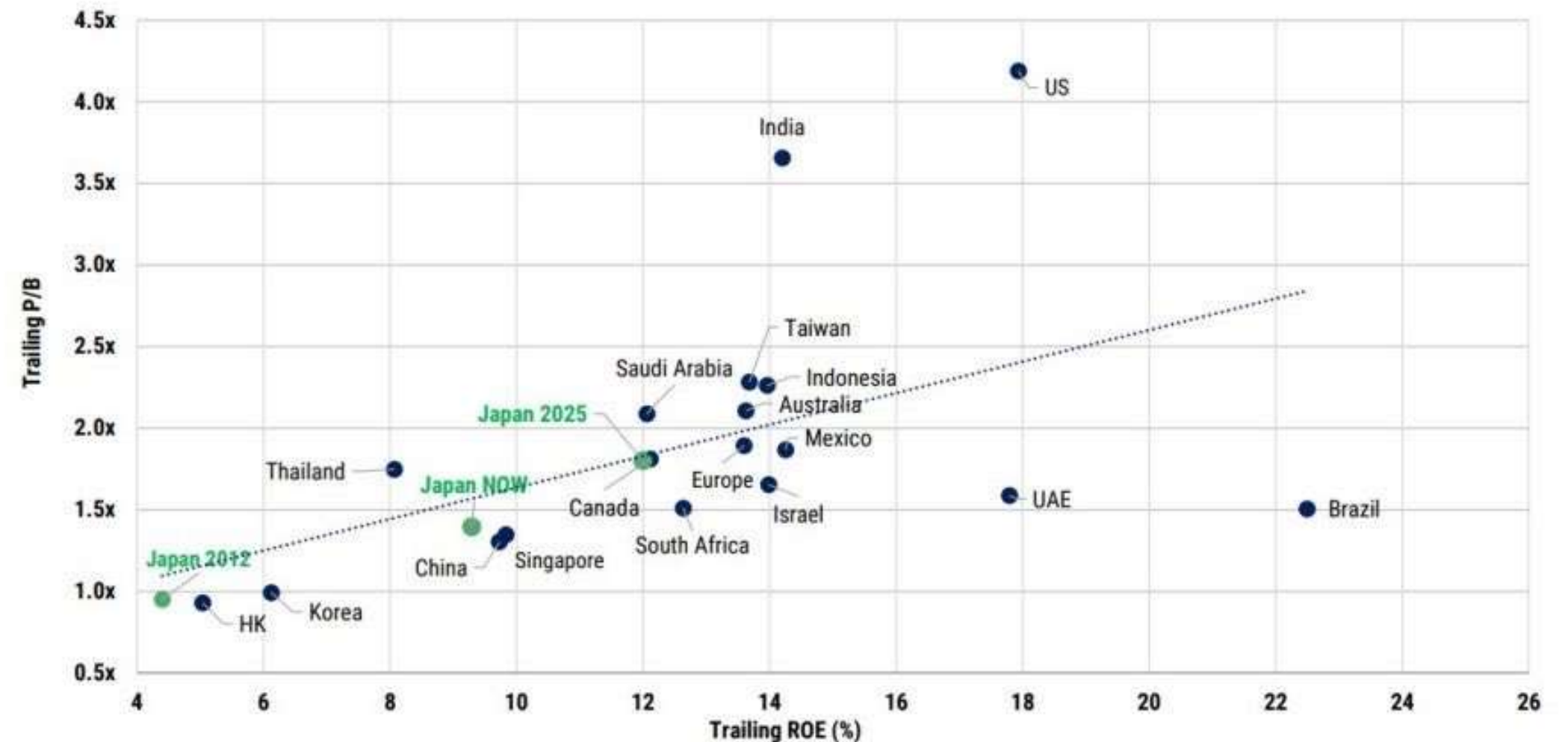
Source : Seth Golden (FINOM Group)

Japan continues to be our favorite market

We continue to be positive about Japan and believe that it is in a structural bull market

Morgan Stanley

P/B vs. ROE for Global Equities - We expect Japan equities to continue the ROE journey to 12% in 2025 with 1.8x P/B multiple achievable



Source: Factset, MSCI, RIMES, Morgan Stanley Research. Note: Price index to compute P/B as of Oct 11, 2023. Other data as of end Sep, 2023. Numbers are based on MSCI indices for each economy. 2025 here refers to calendar year ending 2025.



Chances of Hyperinflation in the US

- *“Did you know that the Fed began running a quasi-fiscal deficit in Sept-2022 for the first time in its 107-history (as the Fed’s interest payments on its liabilities exceeded its interest income)?”*
- *“Did you know the last American Central Bank to run a quasi-fiscal deficit was the Confederate Central Bank after the Civil War, and they suffered hyperinflation?” (Source: Geoffrey Fouvry, @GraphFinancials on X)*
- *“Did you know that Central Bank quasi-fiscal deficits preceded multiple Latin American inflations of the 1980s and 1990s?”*

Our base-case is US witnessing a prolonged period of high-inflation

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