



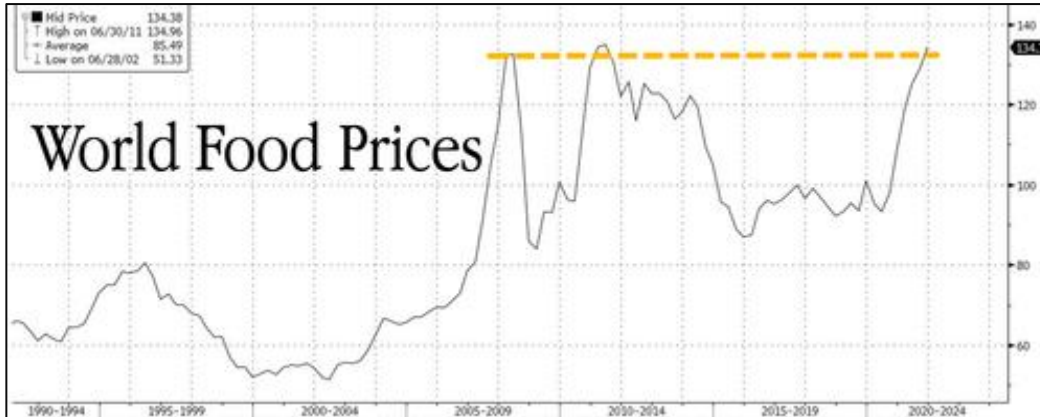
PINETREE MACRO

Brave New World

Edition 10

China hoards half of world's food grain

A country with < 20% of world's population has managed to stockpile > half of globe's maize & other grains, leading to steep price increases. Data from U.S. Department of Agriculture shows China has ~69% of globe's maize reserves in the first half of the crop year 2022, 60% of its rice and 51% of its wheat.



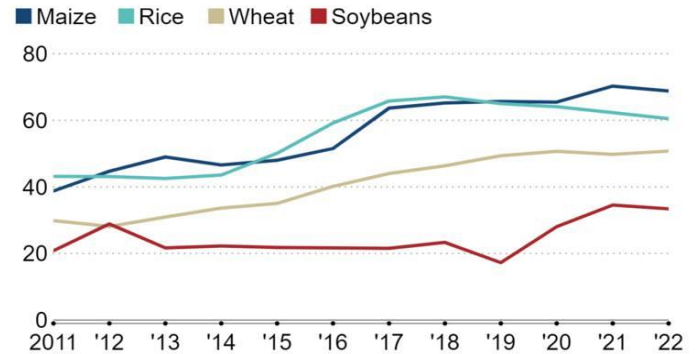
Beijing's long-known water scarcity problem increasingly appears to have begun to become acute & easiest way to store water is to store agricultural commodities. Secondly, energy is the master resource for most production activities & rising prices would begin to manifest in higher input costs for agricultural commodities.

While, Chinese state media has denied any food crises (so far), throughout history, food shortages have triggered popular unrest, contributing to uprisings that toppled Chinese dynasties. There are ETFs listed in US focused on Agriculture – DBA available for investment by Indian resident investors

Basket of Agricultural ETF are also available for investment on - <https://www.stockal.com/stacks/stackdetail?name=EFAGRI>

China's share of global grain stocks

(In percent; crop year)

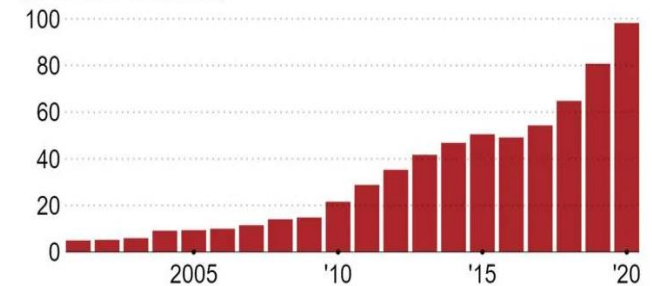


Source: Nikkei analysis based on USDA data

China's acquisition of the world's food supply has helped push food prices to decade highs. The U.N. Food and Agriculture Organization estimated the food price index is currently at a 10 year high.

China food imports by year

(In billions of dollars)



Source: General Administration of Customs of China



Japan has delivered U.S. like fundamental performance...but trades at a significant discount

- Compared to 12-month forward P/E of 21.5x for US, Nikkei only commands a P/E of 17.6x. The catalyst for investors to recognize the fundamental performance of Japanese stocks to re-rate upward likely going to be the beginning of Federal Reserve's tightening cycle. The Nikkei 225 (in USD) actually performs quite strongly when the Fed is raising interest rates.

Tightening cycle	Nikkei Performance
1/31/94 - 2/1/95	87.14% as of 7/15/94
10/1/98 - 5/16/00	104% as of 3/31/00
6/22/04 - 7/21/06	141.98% as of 5/8/06
12/10/15 - 12/19/18	65.98% as of 1/24/18

- Corporate performance across EM & Europe has averaged 3% p.a for last 10 years. Over the same period, however, fundamental performance in Japan has been 5.4% annually vs. 4.8% for U.S (4.2% excluding FAAMG stocks).
- So what changed in Japan – Faced with an aging society, shrinking workforce, rising pension liabilities and anemic growth political leaders implemented policies to make capital (vs. labour) more productive and to enhance returns for shareholders.
- 1994-2004 saw Japanese companies destroy fundamental value, by mid-2006 corporate Japan was back to breakeven on a 10-year basis and since Sept 2011, Japan's 10-year fundamental performance has been better than the U.S.

Emerging Markets and Europe have disappointed, but Japan outperformed the U.S.



Source: MSCI, GMO analysis

There are ETFs listed in US focused on Japan – DXJ available for investment by Indian resident investors



Source: WisdomTree, FactSet, MSCI, S&P. Returns measured in USD. You cannot invest directly in an index. Past performance is not indicative of future returns.

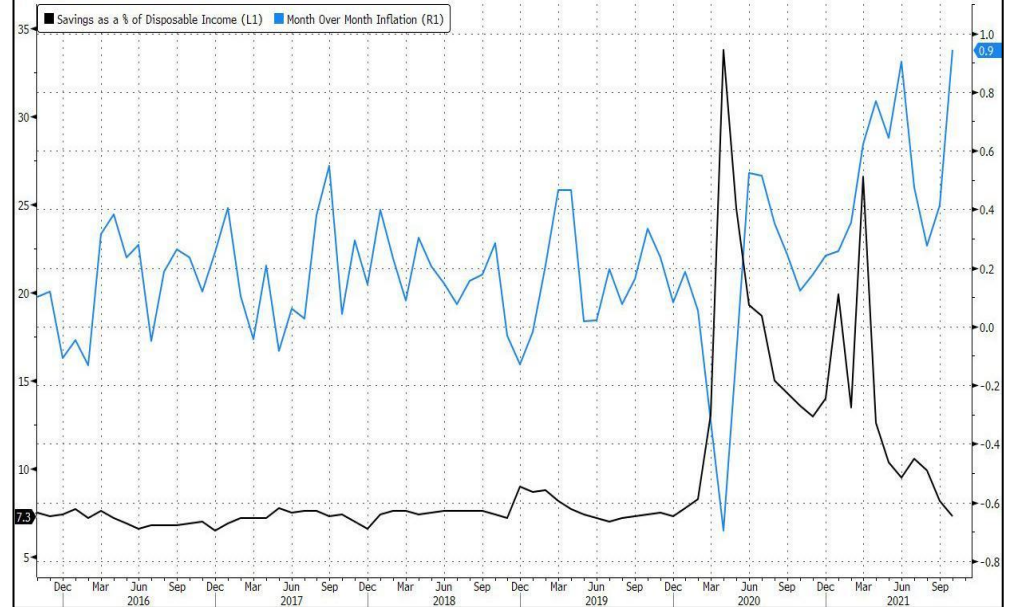


What will higher interest rate mean for buzzing real estate

- Led by ultra low policy rates the US housing market has had a hot year with home sales reaching the highest level in 15 years, with an estimated 6 mn homes sold in 2021.
- US saving rate is now at pre pandemic levels of 6%. High savings coupled with low mortgage rates gave a boost to housing sales with ~20% Y-o-Y price rise in Oct'21.
- Rising supply side driven inflation coupled with drop in cash reserves has vast implications for the working class and could prioritize consumer spending over discretionary purchases.

Will Fed rising interest rates in response to inflation prints see mortgage home owners struggle between rising loan payments amid rising cost of living.

Savings and Income Drop as Inflation Rises



Average 30yr Fixed Mortgage Rates (daily)



U.S. home price growth

Year-over-year change in the S&P CoreLogic Case-Shiller Home Price Index

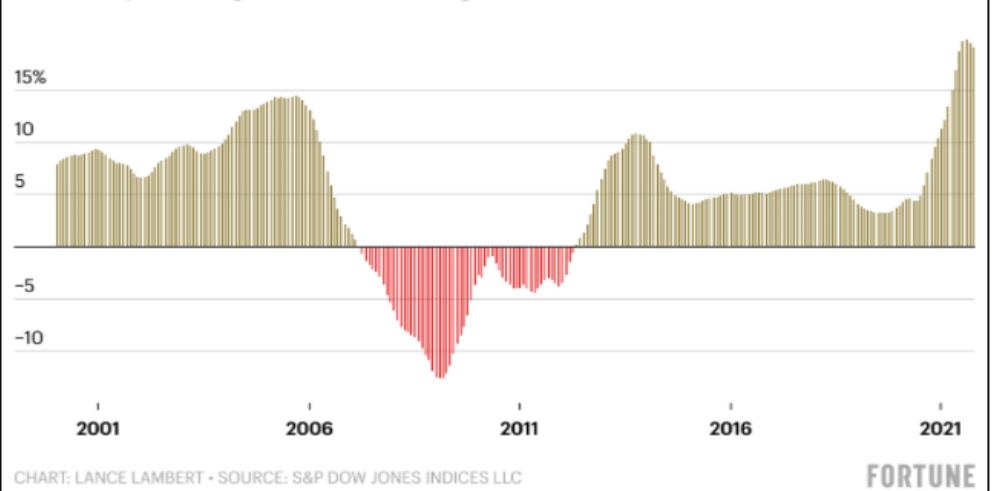


CHART: LANCE LAMBERT • SOURCE: S&P DOW JONES INDICES LLC

FORTUNE



Carbon credits : Emitters are net short and free float is shrinking

- Europe has a carbon market since more than 15 years. Companies that emit CO₂ in excess of carbon allowances they are assigned need to buy extra in the market, while those that use less are free to sell them. Expectations the EU will tighten supplies over time mean allowances will rise in value.
- In the near term, U.K.'s exit from the EU has removed a large, low-carbon power fleet from the market. That means that the average carbon intensity of the remaining EU power generators is higher. At the same time, the number of tradable allowances in the market is being steadily withdrawn into the so-called Market Stability Reserve, reducing supply and putting upward pressure on prices.



- If the company fails to procure the additional allowance then along with penalty for each shortfall in allowance, the shortfall obligation gets rolled forward to the next period, thus increasing the demand for next period's limited allowances.
- To add to this, total number of allowances placed by the Europe commission each year reduces and is based on the allowances remaining after Member states auction.
- While the EU ETS reduces its newly issued allowances, their scheme simultaneously encourages outside speculators to buy and hold existing allowances, soaking up supply knowing full well there is a forced buyer on the other side of the trade.
- Absent a political intervention it is difficult to see a scenario wherein a short squeeze on allowances can be avoided.

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

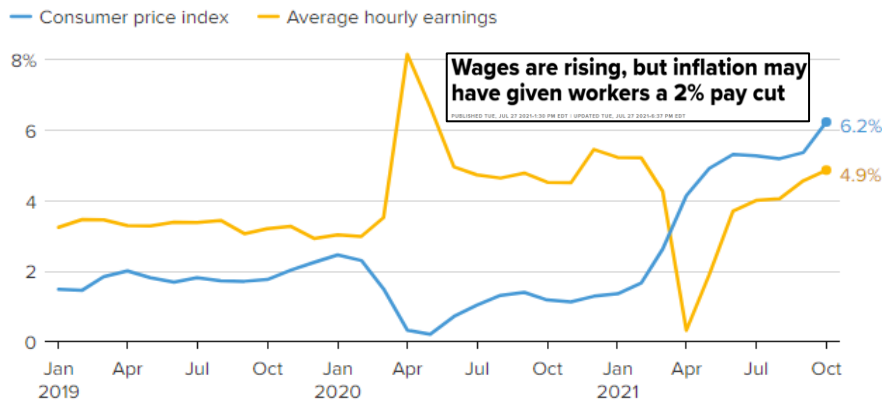


Have we entered Financial Repression? – Inflation exceeds Earnings

- US CPI inflation reading at 7% in December came in at the highest level since past 40 years. We are witnessing a classic negative return trajectory wherein real hourly wages have been lagging inflation for 9 straight months - indicating start to Financial repression.
- The purchasing power of the consumer's dollar dropped further.
- Financial repression comprises "policies that result in wage earners/savers earning returns below the rate of inflation." resulting in negative real rate of return or income pay cut.
- This further widens the divide between top 1% and rest of wealth earners and negative interest rate benefits asset owners over savers.

Inflation is outpacing wage growth

Year-over-year change in U.S. **consumer prices** and **earnings**



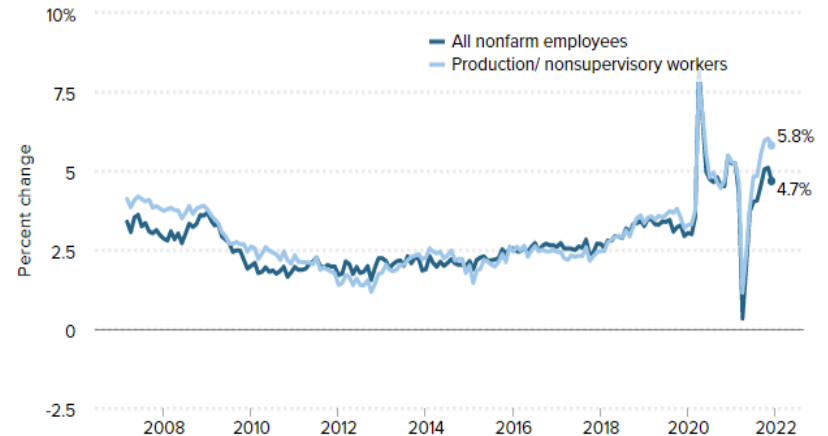
Source: U.S. Bureau of Labor Statistics. As of October 2021. Wage data covers private sector.



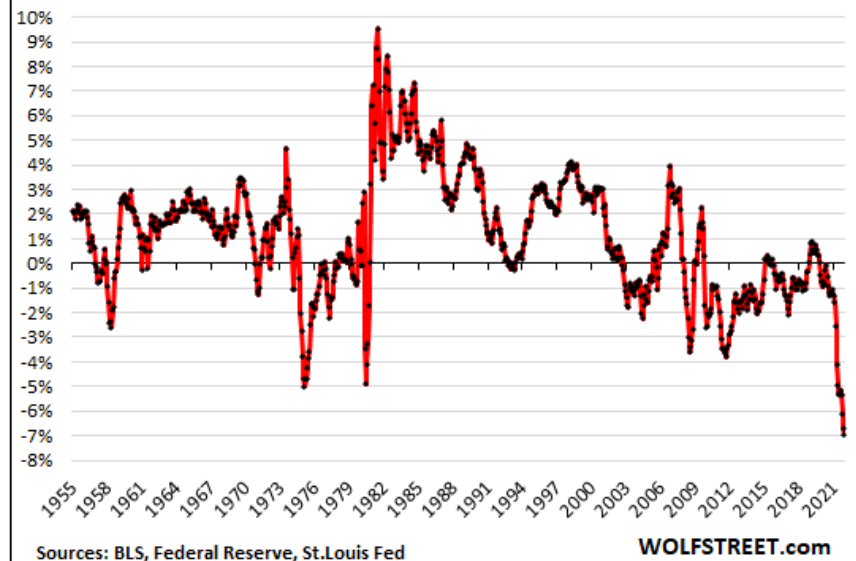
There are ETFs listed in US focused on Inflation – INFL available for investment by Indian resident investors

Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007–2021



Effective Federal Funds Rate minus CPI Inflation



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Master of Business Economics (MBE)
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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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