



# **BRAVE NEW WORLD**

DATE: 28<sup>th</sup> of July' 23



# US leading Economic Indicator

Despite leading economic indicators contracting sharply, the market has been moving higher. A similar divergence occurred during the Financial Crisis, which ended with the S&P 500 declining significantly.

## Contraction in Leading Economic Indicator



Year-Over-Year Changes in the S&P 500 and in the Conference Board Leading Economic Indicator



Dates: 1995 Through July 20<sup>th</sup> 2023  
Source: Bloomberg L.P., The Conference Board, Game of Trades.  
Leading indicator data is through June 2023.



# Reindustrialisation

The US is quietly reindustrializing. We can already see the impact on wages of white collar workers, who are rising faster than blue collar workers.

## DRIVERS OF UNPRECEDENTED LEVELS OF CONSTRUCTION STARTS

ONSHORING / RESHORING	ADVANCING TECHNOLOGY AND MANUFACTURING MODERNISATION	LEGISLATIVE ACTS
<ul style="list-style-type: none"> <li>Establishing or reestablishing US based manufacturing and production. Private sector and government funding</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing growth in technology related construction and the modernisation of US manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure, Chips and Science, and Inflation Reduction Acts amount to c. \$2tn of direct or indirect funding, further influencing onshoring and modernisation</li> </ul>
EXAMPLE SECTORS	EXAMPLE SECTORS	EXAMPLE SECTORS
<ul style="list-style-type: none"> <li>Semiconductors</li> <li>Liquid natural gas (LNG)</li> <li>Gigafactories</li> <li>Electrical equipment/appliances</li> <li>Chemicals</li> <li>Medical equipment</li> <li>Localised component parts supply chain (Tier 1)</li> </ul>	<ul style="list-style-type: none"> <li>Data centres</li> <li>Electric vehicles</li> <li>Gigafactories</li> <li>Artificial intelligence</li> <li>Utilities/grid</li> <li>Warehousing and distribution</li> </ul>	<ul style="list-style-type: none"> <li>Roads and bridges</li> <li>Airports and rail</li> <li>Renewable energy</li> <li>Broadband</li> <li>Water</li> <li>Semiconductors</li> <li>Gigafactories</li> </ul>

17 Full year results | 30 April 2023

Ashlead group

## LEGISLATIVE ACTS BOLSTERING AND ADDING TO ACTIVITY LEVELS

INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA) <sup>1</sup>	THE CHIPS AND SCIENCE ACT <sup>2</sup>	INFLATION REDUCTION ACT <sup>3</sup>																		
<ul style="list-style-type: none"> <li>\$1.2tn in federal spending, with net new commitment of funds of \$500bn</li> <li>32,000 specific announced projects across the US and Puerto Rico</li> <li>&gt;80% of new funds apply to the following segments:               <ul style="list-style-type: none"> <li>Roads and bridges</li> <li>Water / sewer / environmental</li> <li>Rail, transit and airports</li> <li>Electric power / grid</li> <li>Broadband</li> </ul> </li> <li>Projects largely commencing 2023 to 2025</li> </ul>	<ul style="list-style-type: none"> <li>\$250bn act boosting American semiconductor research, development, manufacturing and workforce development, including               <ul style="list-style-type: none"> <li>\$39bn in direct funding for US semiconductor manufacturers</li> <li>\$24bn in tax credits for domestic manufacturing facilities of semiconductors (equivalent to \$94bn in project cost at 25%)</li> </ul> </li> <li>All projects must start by December 2026 to qualify for funding</li> </ul>	<ul style="list-style-type: none"> <li>Investment focused on energy, climate and healthcare initiatives</li> <li>\$370bn of the Act invests in and incentivises clean energy production and manufacturing</li> <li>Extension of important tax credit arrangements</li> <li>Addition of c. 300 gigawatts of new solar generation by 2032, roughly tripling today's capacity</li> </ul>																		
PROGRESS TO DATE	PROGRESS TO DATE	PROGRESS TO DATE																		
<table border="1"> <thead> <tr> <th>Segment</th> <th>Announced / assumed</th> <th>% of total</th> </tr> </thead> <tbody> <tr> <td>Roads and bridges</td> <td>\$40bn</td> <td>3%</td> </tr> <tr> <td>Water / sewer / environmental</td> <td>\$17bn</td> <td>1%</td> </tr> <tr> <td>Rail, transit and airports</td> <td>\$17bn</td> <td>1%</td> </tr> <tr> <td>Electric power / grid</td> <td>\$8bn</td> <td>0%</td> </tr> <tr> <td>Broadband</td> <td>\$2bn</td> <td>0%</td> </tr> </tbody> </table>	Segment	Announced / assumed	% of total	Roads and bridges	\$40bn	3%	Water / sewer / environmental	\$17bn	1%	Rail, transit and airports	\$17bn	1%	Electric power / grid	\$8bn	0%	Broadband	\$2bn	0%	<ul style="list-style-type: none"> <li>4 semiconductor chip fabs started in FY23 totalling \$30bn in starts</li> <li>\$ semiconductor chip fabs forecast to start in FY24 totalling \$23bn in starts</li> </ul>	<ul style="list-style-type: none"> <li>14 EV/battery plants started in FY23 totalling \$31bn in starts</li> <li>8 EV/battery plants forecast to start in FY24 totalling \$12bn in starts</li> <li>16 solar and wind projects started in FY23 totalling \$11bn</li> <li>41 solar and wind projects forecast to start in FY24 totalling \$49bn in starts</li> </ul>
Segment	Announced / assumed	% of total																		
Roads and bridges	\$40bn	3%																		
Water / sewer / environmental	\$17bn	1%																		
Rail, transit and airports	\$17bn	1%																		
Electric power / grid	\$8bn	0%																		
Broadband	\$2bn	0%																		

18 Full year results | 30 April 2023

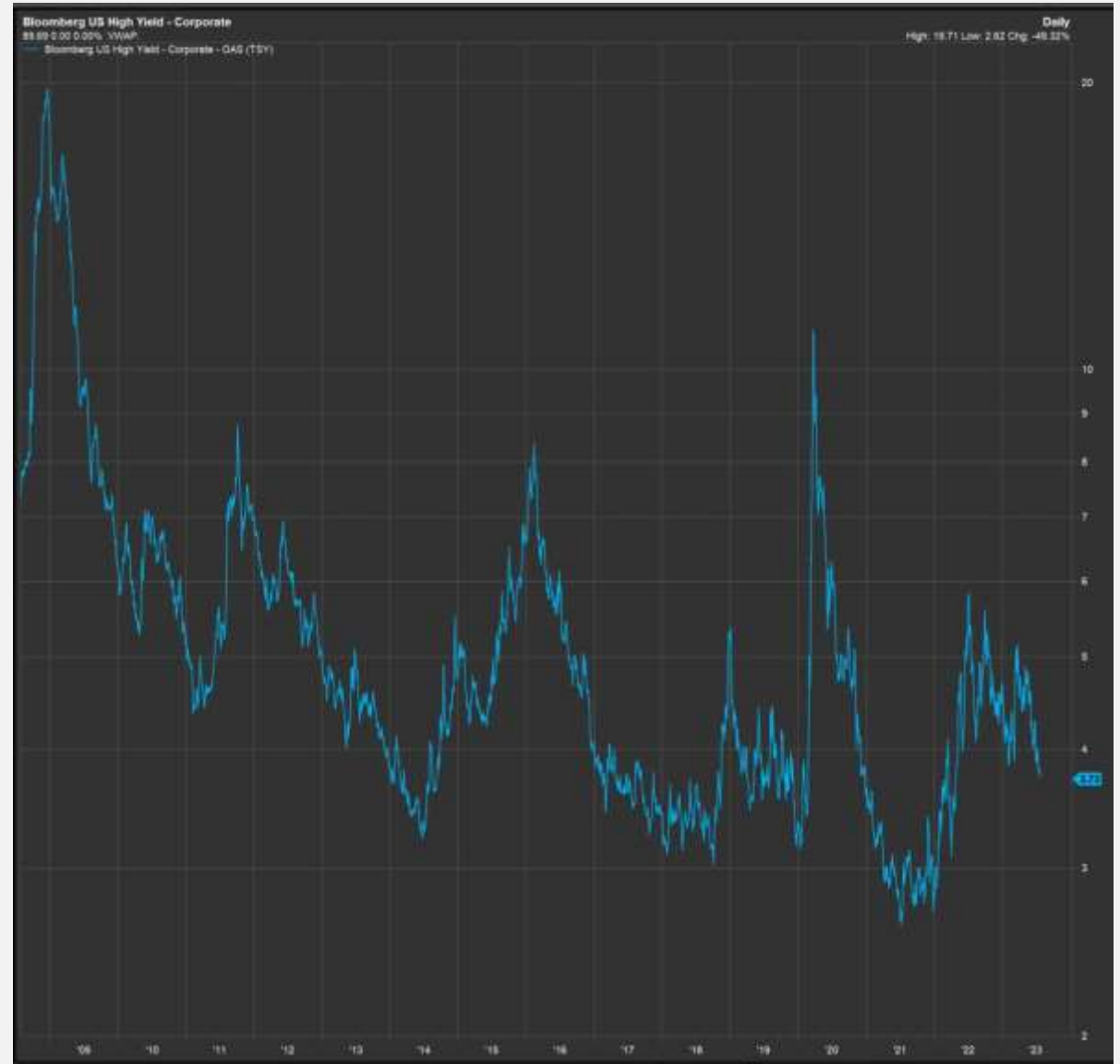
<sup>1</sup> Signed into law in November 2021  
<sup>2</sup> Signed into law in August 2022

Ashlead group



# Bond spreads still support RISK

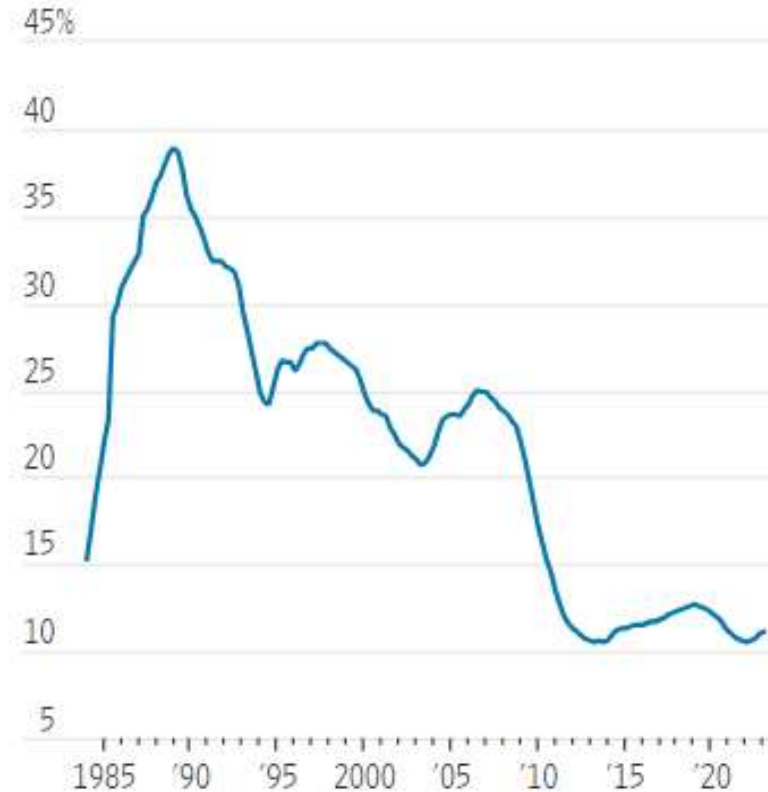
High-yield corporate bond spreads have fallen to their lowest level in more than a year. Rising spreads are like a canary in the coal mine for equities.



# US consumer is still going strong

Many Americans have locked in ultralow rates on debt like mortgages and auto loans, helping buffer household balance sheets during rising rates. Only 11% of outstanding household debt carries variable interest rates.

Share of household debt that adjusts with market interest rates

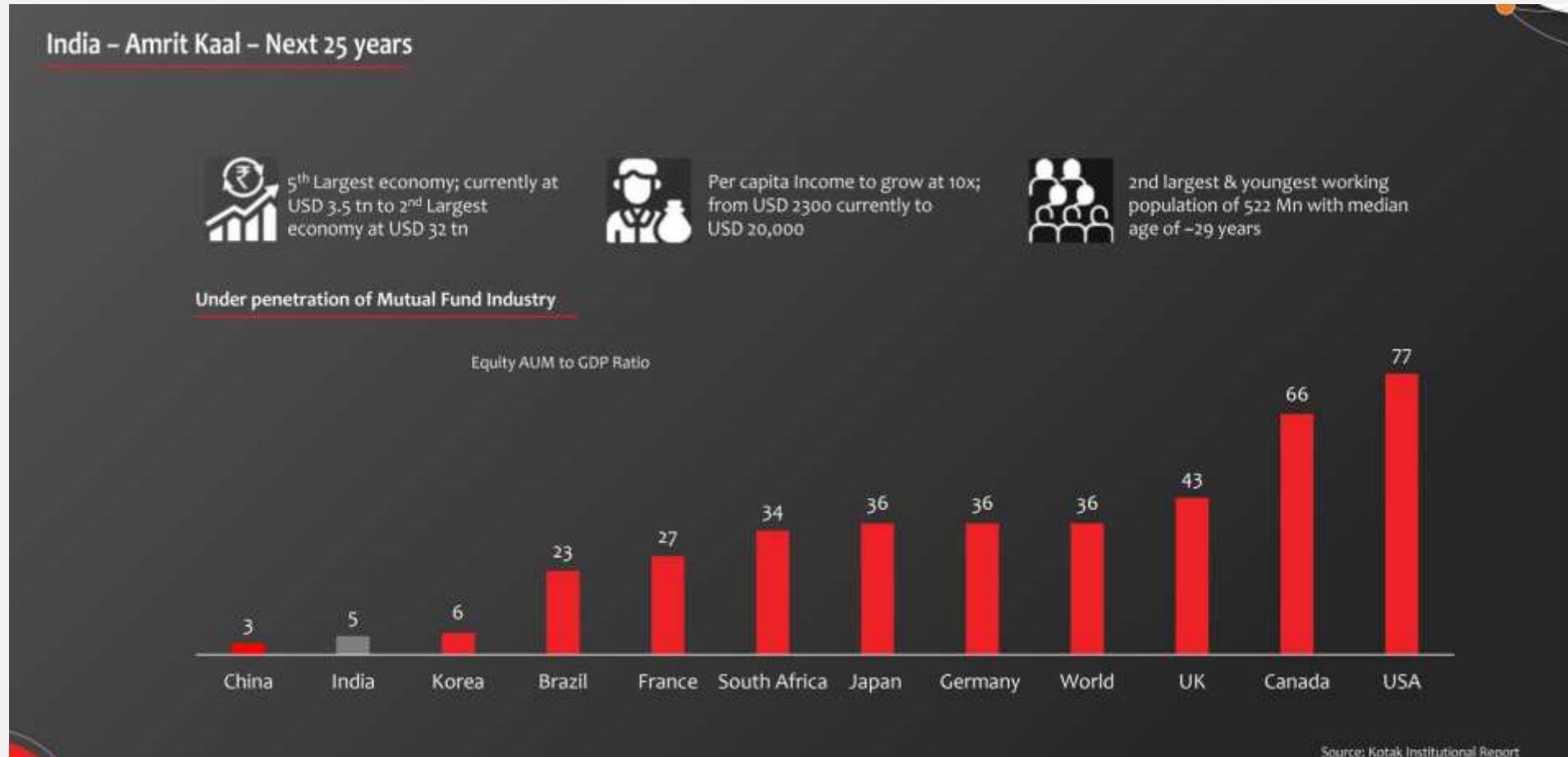


Source: Moody's Analytics



# Unique opportunity

This is what makes asset management and wealth management a unique opportunity in India.



# FOLLOW US:

You can also subscribe to our **WEEKLY UPDATES**

[Insights – PINETREE MACRO](#)

Website: [PINETREE MACRO – Offshore Investments](#)

I can be reached at:

**Ritesh Jain**

**Twitter:** @riteshmjn

**LinkedIn:** <https://www.linkedin.com/in/riteshmjain>



# Disclaimer

*Pine Tree Macro Pvt Ltd (“Pine Tree”): This information provided is for the exclusive and confidential use of the addressee only. Any distribution, use or reproduction of this information without the prior written permission of Pine Tree is strictly prohibited. The information and any material provided in this document or in any communication containing a link to Pine Tree’s website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Pine Tree to any registration requirement within such jurisdiction or country. Neither the information, nor any material or opinion contained in this document constitutes a solicitation or offer by Pine Tree or its, directors and employees to buy or sell any securities, futures, options or other financial instruments or provide any investment advice or service. We do not represent that the information and any material provided on this website is accurate or complete. Pine Tree makes every effort to use reliable, comprehensive information; but makes no representations or warranties, express or implied or assumes any liability for the accuracy, completeness, or usefulness of any information contained in this document. All investments are subject to market risks. In no event will Pine Tree or its directors and employees be liable for any damages including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising out of and in connection with this website, or in connection with any failure of performance, error, omission, interruption, defect, delay in operation or transmission, computer virus or system failure.*

*Anantam International SPC Fund (“Fund”) & Aparna Investment Management (“Manager”): This report does not constitute an offer to sell, nor a solicitation of an offer to buy, interests in Anantam International SPC Fund and is not intended to create any rights or obligations*

*Aparna Investment Management shall not accept any liability if this report is used for an alternative purpose from which it is intended, nor to any third party in respect of this report. While all reasonable care has been taken in preparing this report, no responsibility and liability is acceptable for errors of fact or for any opinion expressed herein*

*The Anantam International SPC Fund and/or any of its officers, directors, personnel and employees shall not be held liable and responsible for any loss, damage of any nature, including but not limited to direct, indirect, incidental, punitive, special, exemplary, consequential, as also any loss of profit, revenue in any way arising from or in connection with the use of this statement in any manner whatsoever.*

*Past performance is not indicative of future results. The Anantam International SPC Fund does not provide any assurances as to the reliability of such information and you should not rely on this information when making an investment decision.*

*Opinions, projections and estimates contained in this report are subject to change without prior notice.*

