Twitter Thread by DSP Mutual Fund

DSP Mutual Fund
@dspmf

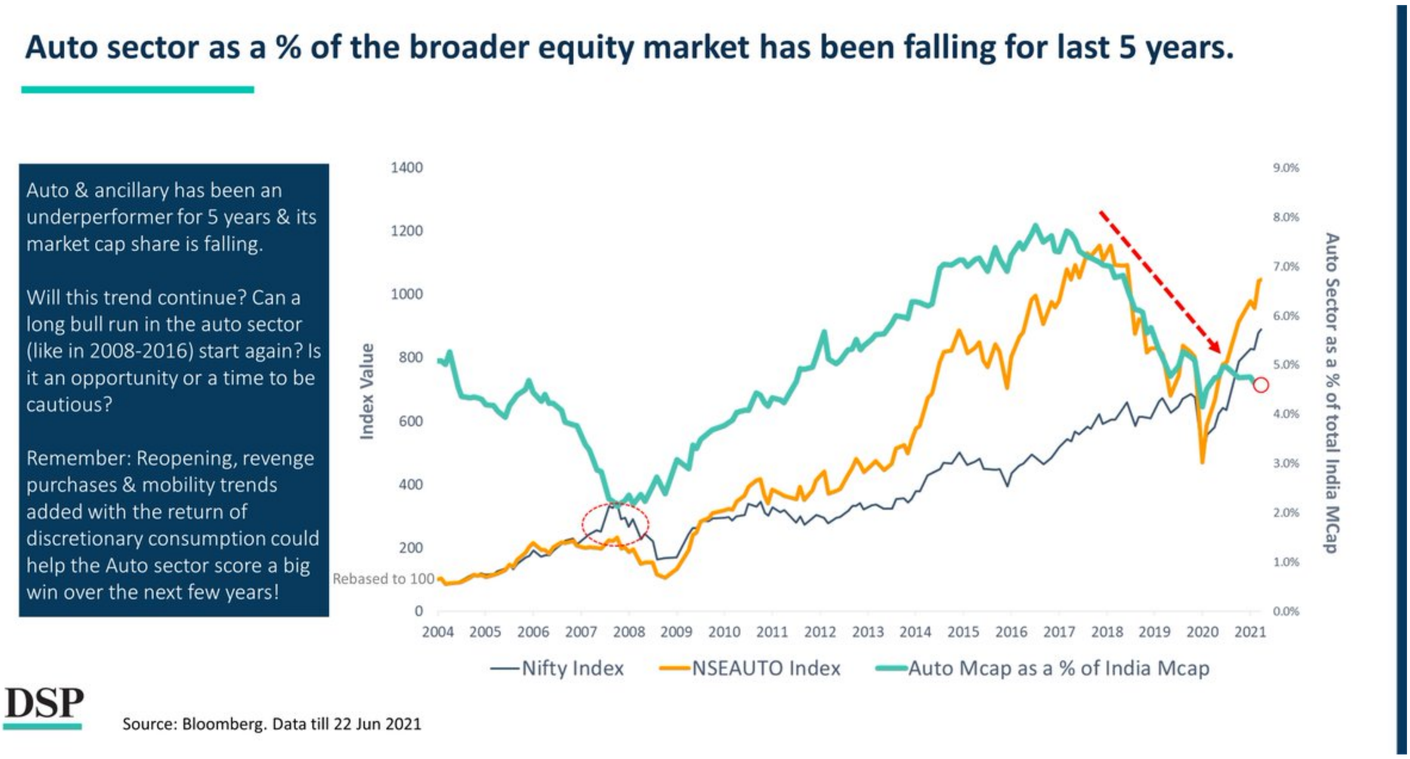
The July 2021 edition of 'Netra' (our 'Early Warning & Signals' guide through charts) is out now!■

Check out this thread■ for the latest update.

If you want the full document, download it here: https://t.co/wkwXBkvafQ

Auto & Ancillaries generally outperform Nifty in most upcycles. Can this sector repeat the same? If it does, it will be quite an opportunity!

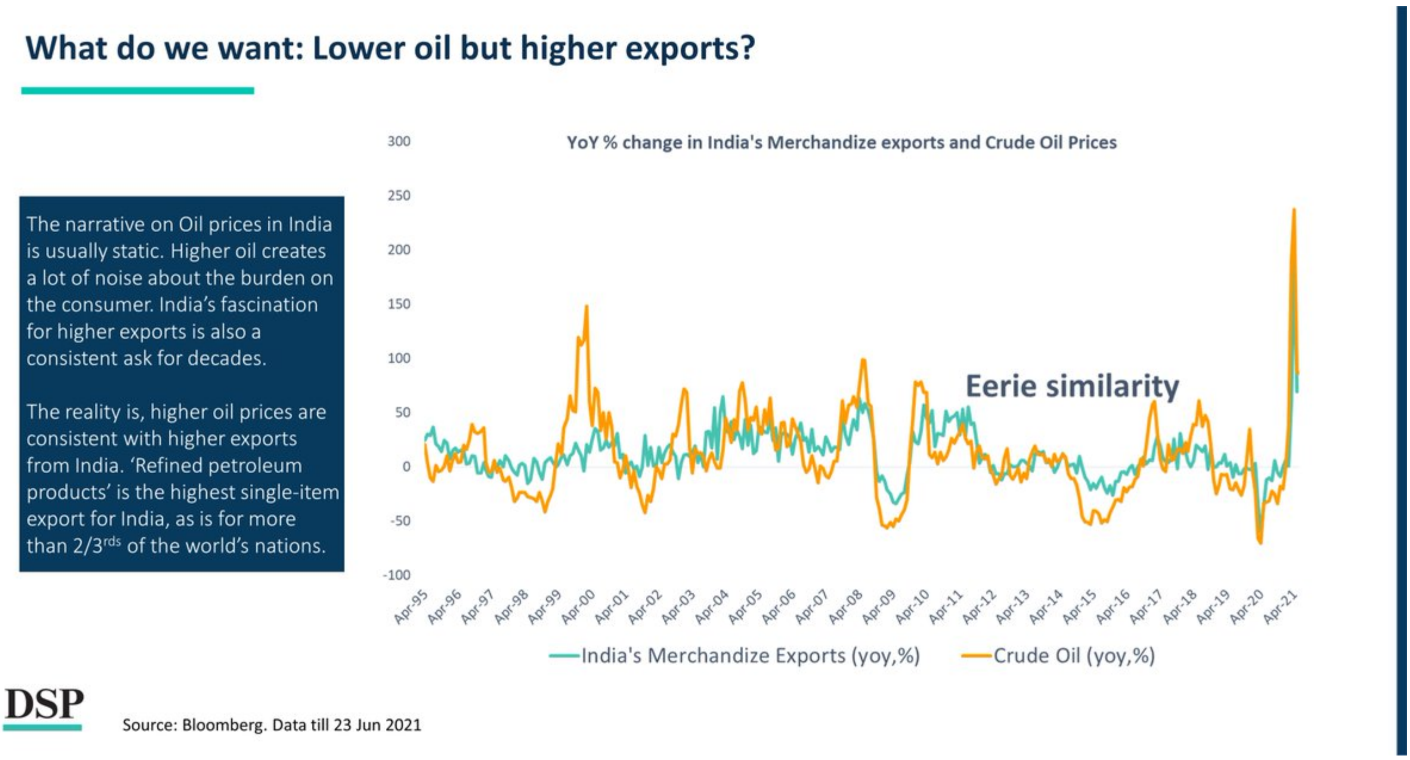
Download full deck: https://t.co/wkwXBkvafQ



Higher oil prices may not be all that bad, at least until they aren’t 'hurting'.

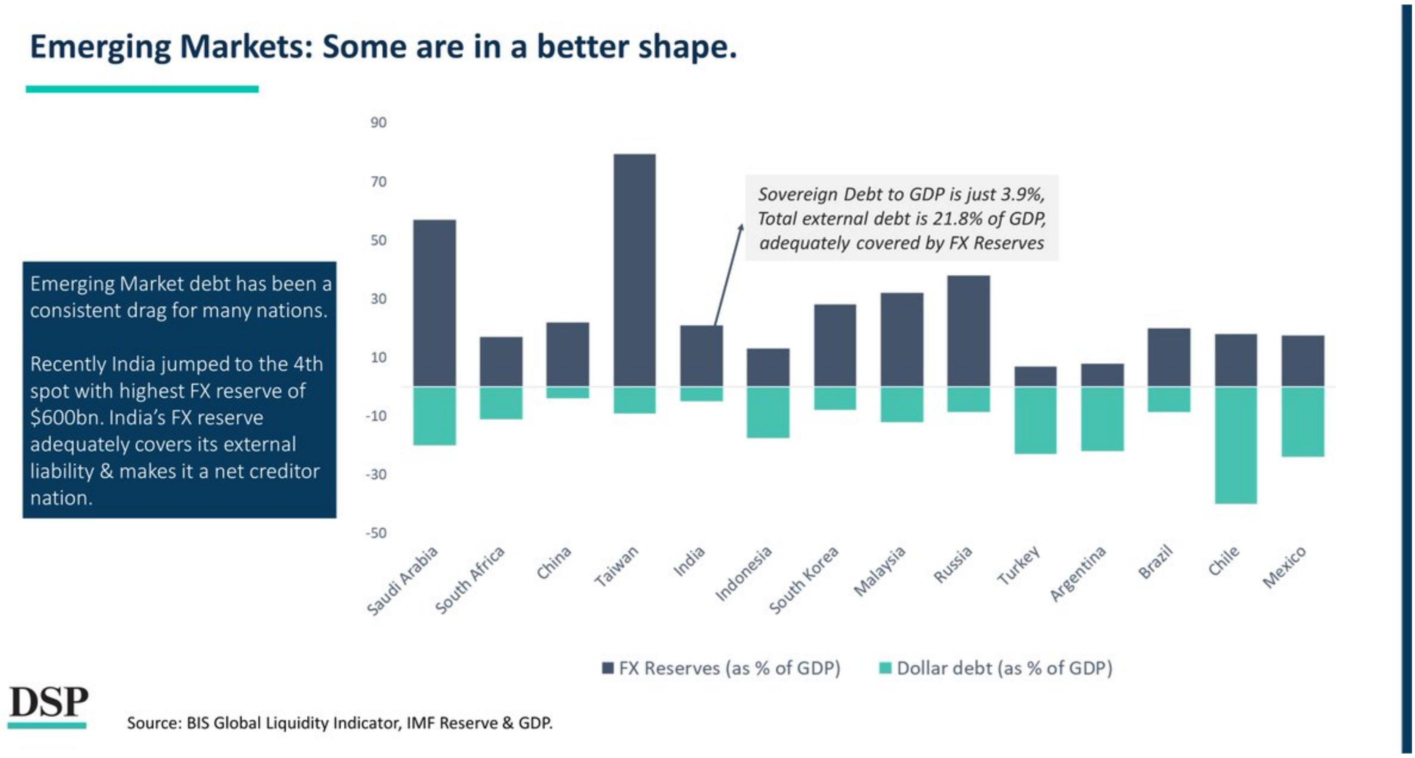
So the next time you see higher prices at the petrol pump, think about higher exports for India as a consolation.■

Download full deck: https://t.co/wkwXBkvafQ



India's FX reserves are higher than its external debt. That makes India better-placed to withstand external vulnerabilities like a ‘Taper Tantrum’ & makes it a ‘Buy the Dip’ play on a tantrum.

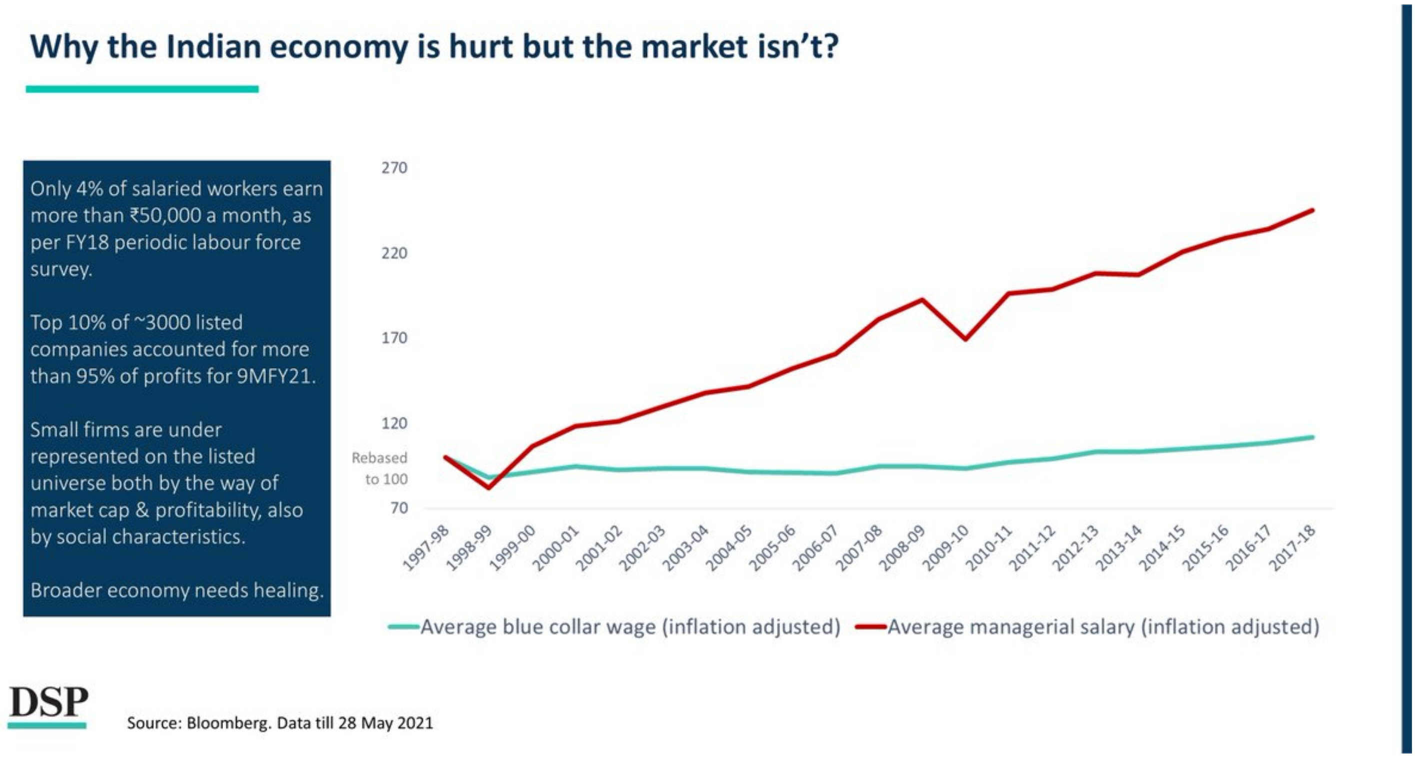
Download full deck: https://t.co/wkwXBkvafQ



Income-inequality is a sticky & legacy issue in India. Crises causes the weak to become weaker & calls for a policy intervention.

More often than not, the best curve is faster growth, not redistribution!

Download full deck: https://t.co/wkwXBkvafQ



Credit growth has been declining for many quarters. Industrial credit has been contracting.

Are we at the cusp of a recovery? If demand recovers, we have a good chance. Financials will benefit immensely from this.

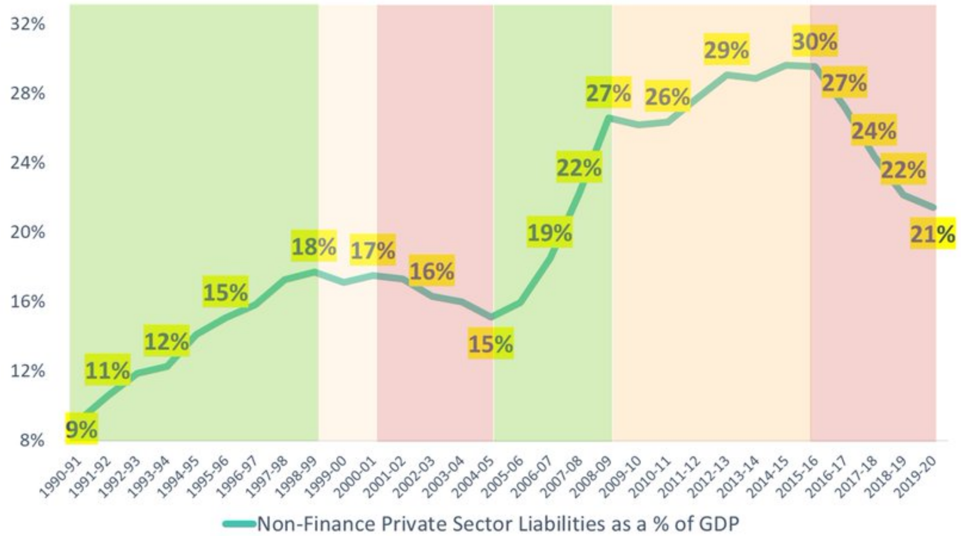
Download full deck: https://t.co/wkwXBkvafQ

Non-financial private sector: Debt to GDP - Another re-leverage cycle coming?

India's non-financial private sector has undergone a de-leveraging cycle over the last 5 years.

Balance sheets are healthier than before, interest rates are lowest in decades & a demand recovery is probable in FY22-24.

Are we in for a massive credit led recovery?



DSP

Source: Bloomberg. Data till 31 Mar 2020

Inflationists will tell you that bond markets are under the control of central banks. But are they really?

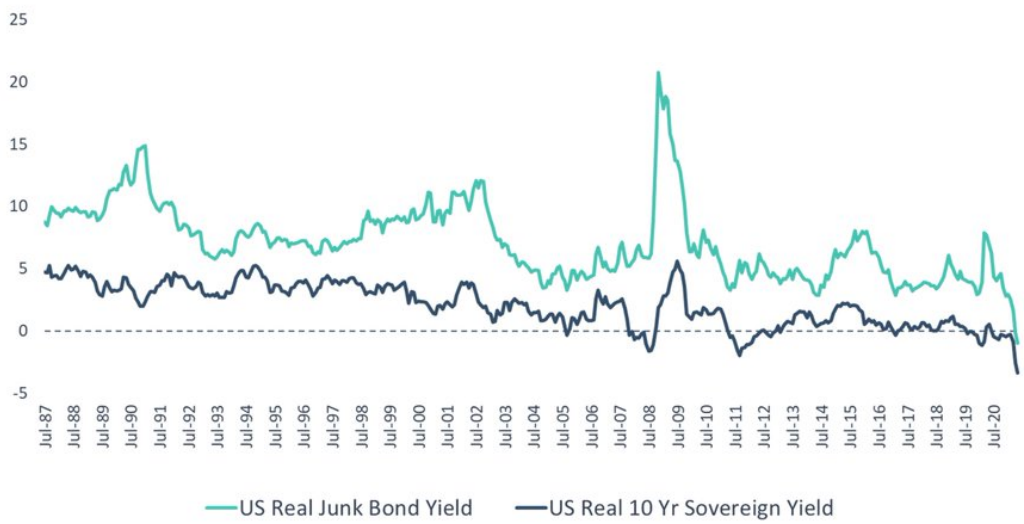
When was the last time the yield on Junk bonds became negative, while inflation & growth were rebounding? Never!

Download full deck: https://t.co/wkwXBkvafQ

Not just sovereign, but US junk bond real yields have turned negative.

Adjusted for US consumer price inflation, Junk bonds in the US yield negative. That means, you pay from your pocket (adjusted for inflation) for the value of your investments.

Is this the best of times or the most complacent times? Financial conditions are so easy in the US.



DSP

Source: Bloomberg, Data as on 31 May 2021

Market-implied measures of inflation are better at indicating inflationary pressures than Central Bank rhetoric or economist consensus readings.

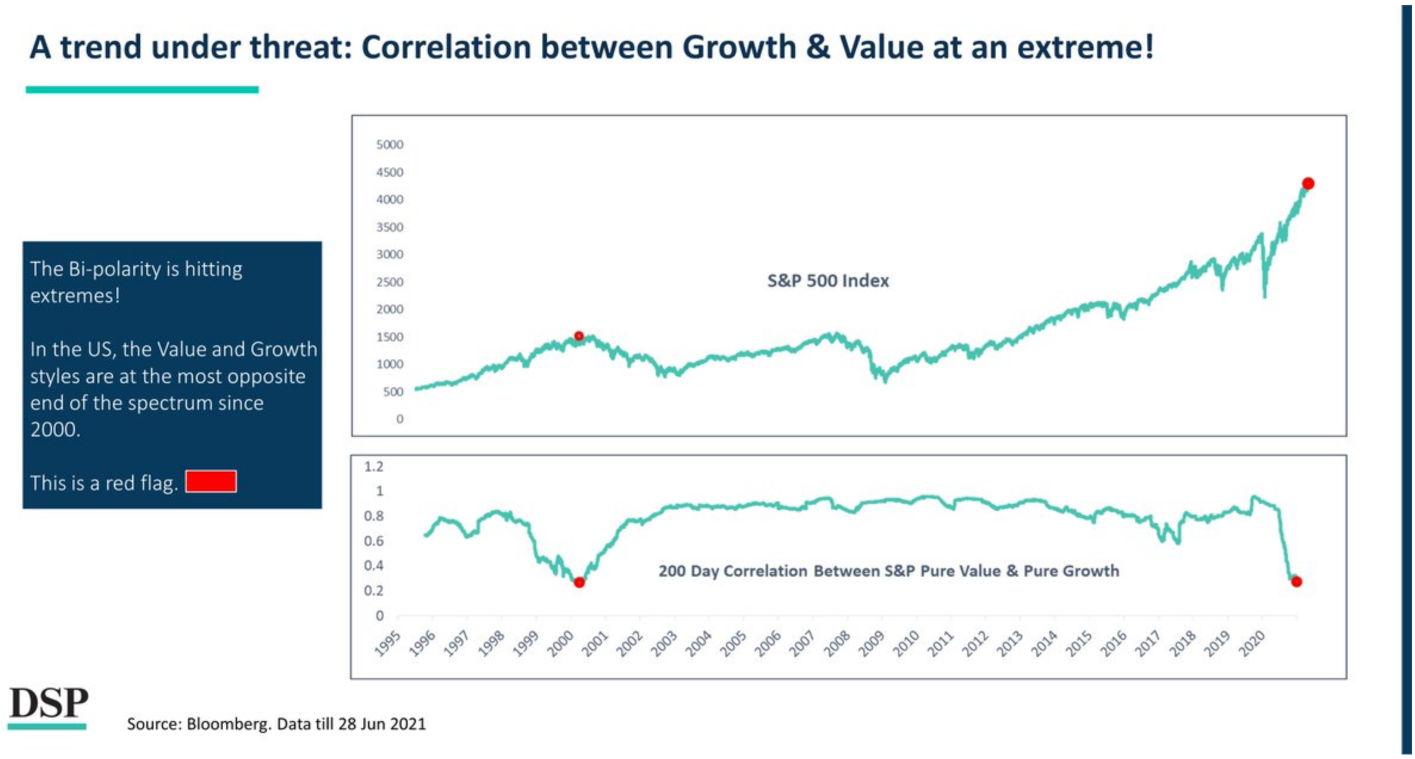
In fact, market participants have missed 3 decades of disinflation in developed markets!

Download full deck: https://t.co/wkwXBkvafQ

'Value' & 'Growth' styles have diverged over the last decade and COVID accelerated the trend towards Growth.

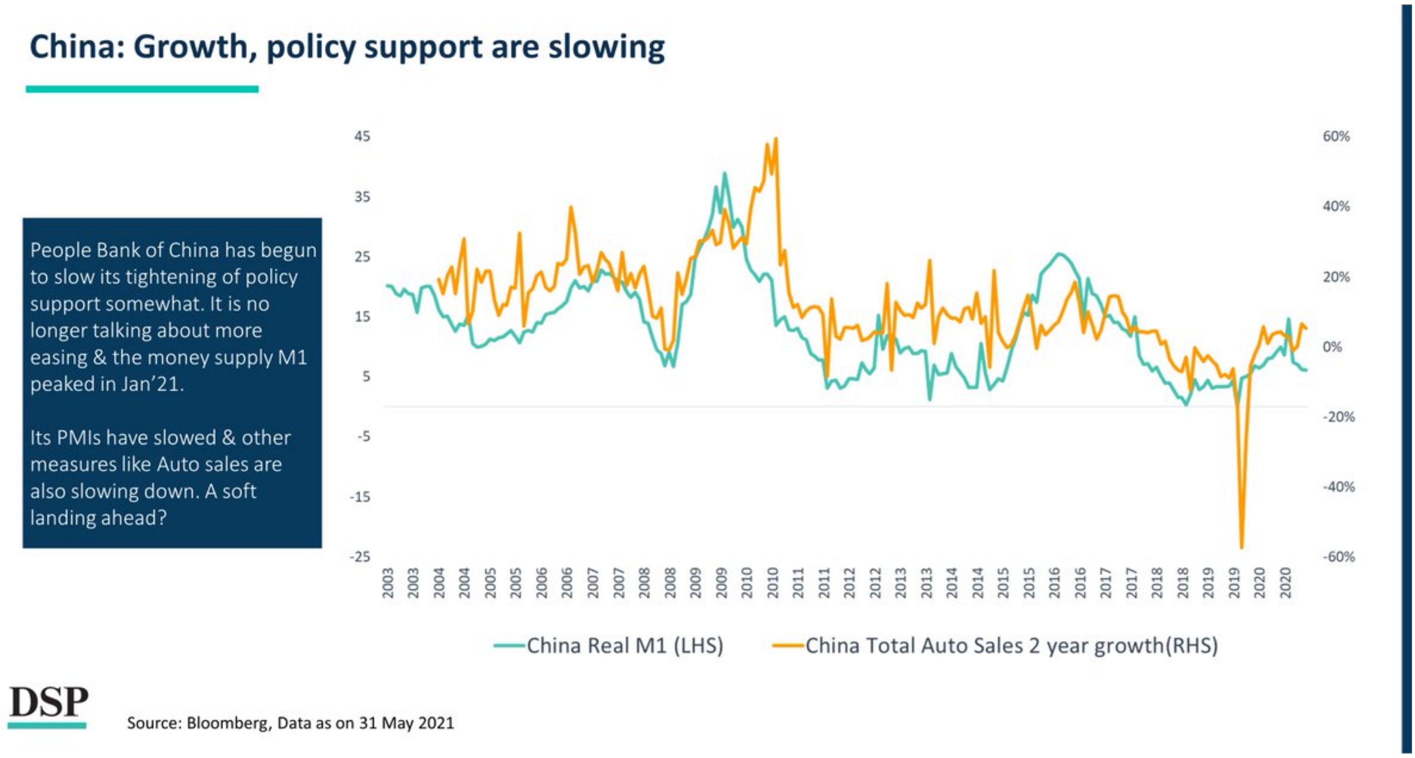
This divergence is now at a historic extreme. Buckle up!

Download full deck: https://t.co/wkwXBkvafQ



In the wake of the 2008 financial crisis, People Bank of China came out all guns blazing & kept firing for far too long! It is not repeating the same mistake again. This could have negative implications for commodities.

Download full deck: https://t.co/wkwXBkvafQ



Shortage of manufacturing labor is a leading driver for 'Robot' demand in China, met by imports from Japan.

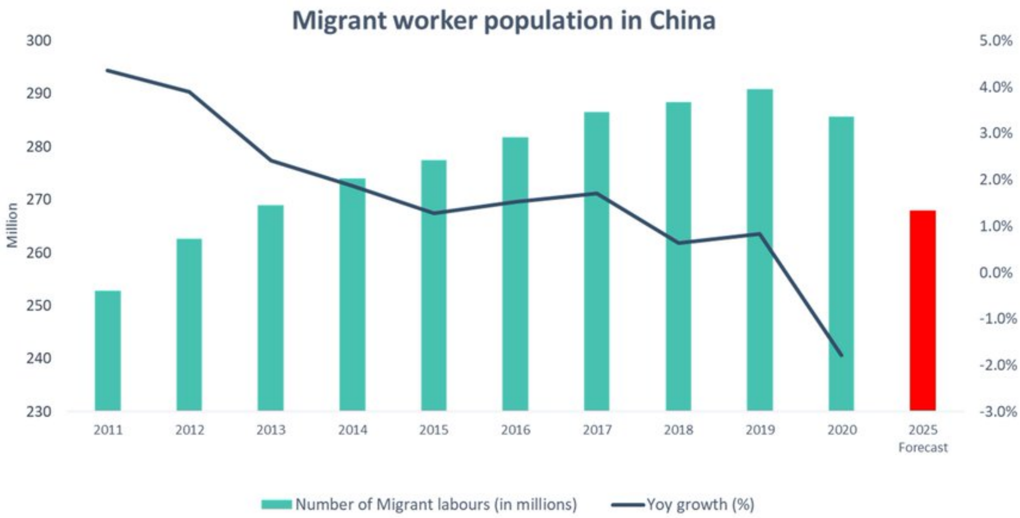
Is it an indication of a new era of automation & artificial intelligence, causing unemployment?

Download full deck: https://t.co/wkwXBkvafQ

Start of chronic shrinking of migrant worker population in China

Manufacturing labor shortage is the leading driver for ROBOT demand in China, met by imports from Japan.

Is it the indication of a new era of automation & artificial intelligence, causing unemployment?



Source: China National Bureau of Statistics; Wind; China Chief Economist Forum; Bernstein analysis
Note: The 2025 forecast is made by Caiyi Lin, Deputy Director of the China Chief Economist Forum research institute