Twitter Thread by The Captain

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What an amazing presentation! Loved how @ravidharamshi77 brilliantly started off with global macros & capital markets, and then gradually migrated to Indian equities, summing up his thesis for a bull market case!

@MadhusudanKela @VQIndia @sameervq

My key learnings: ■■■■■■

> Bubble or Bull Market? Join us for a short presentation and candid one on one on 27th Jan, 4pm with Shri \u2066@MadhusudanKela\u2069. \u2066@VQIndia\u2069 \u2066@sameervq\u2069 #bubbleorbullmarket pic.twitter.com/LBvlBrz6mS
>
> — Ravi Dharamshi (@ravidharamshi77) January 24, 2021

First, the BEAR case:

1. Bitcoin has surpassed all the bubbles of the last 45 years in extent that includes Gold, Nikkei, dotcom bubble.

2. Cyclically adjusted PE ratio for S&P 500 almost at 1929 (The Great Depression) peaks, at highest levels except the dotcom crisis in 2000.

3. World market cap to GDP ratio presently at 124% vs last 5 years average of 92% & last 10 years average of 85%. US market cap to GDP nearing 200%.

4. Bitcoin (as an asset class) has moved to the 3rd place in terms of price gains in preceding 3 years before peak (900%); 1st was Tulip bubble in 17th century (rising 2200%).

Now, the BULL case:

5. Global liquidity injection (~$10T) has been more than 10% of world's GPD (~$85-90T) so far, and counting.

6. Fiscal stimulus is reaching World War 2 levels, which was far more destructive to the global economy than COVID. Total govt. spending as % of GDP is nearing 40% compared to 20% pre-Covid.

7. Unprecedented low interest rates in human history ever, as central banks world over have emphatically brought them down.

8. In previous decades with such liquidity injections, world market cap went from $23T in 2001 to $63T in 2007, and from $32T in 2009 to $90T in 2020. So far in last 10 months (since march 2020), world market cap has increased from $65T to $$103T. Still a long way to go.

Indian markets:

9. Market cap to GDP of 100 presently, compared to 139 in 2007. Corporate profits to GDP at just 2.3%, at the cyclical bottom.

10. An unsustainable bubble forms with all of the below conditions:

Peak economic cycle ■
peak earnings growth ■
Peak valuations ■
Peak fund raising ■
Peak leverage ■

This does NOT seem to be the case now.

11. Peak of a cycle feels like this:

Economy is strong■
Earnings beat expectations for many quarters■
Media is full of good news■
People are confident, optimistic & greedy■
Few defaults■
Low skepticism■
Euphoria everywhere■

Again, this does NOT seem to be the case now.

12. In all likelihood, we were at the point of maximum pessimism in March 2020, when liquidity met extremely cheap valuations.

The economic/ market cycle doesn't turn in just 10 months and so we cannot be at the top of the cycle already.

13. India's real interest rates (adjusted for inflation) among most negative in the world. So it is likely that more money will move into equities & other asset classes as it is losing its value sitting in banks.

14. India did extremely well in managing COVID & its balance sheet compared to US, UK and other developed countries.

15. As John Templeton has said - "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria."

At best, we are at the skepticism stage of this bull market and lot of wealth should be created in the next 3-5 years.

16. Thank you so much @ravidharamshi77 @MadhusudanKela @VQIndia for such an intellectually stimulation session. ■I've acquired lots of knowledge & wisdom in these 2 hours. Hats off to you! ■

GOD BLESS INDIA!