

## India: Adani Controversy, Macro Situation And Investment Strategy

India's red-hot stock market has taken a breather of late amid U.S. authorities' bribery charges against the Indian conglomerate Adani Group ([Chart 1](#)). The legal proceedings are still ongoing, and it is **too early to draw macro implications**. Nonetheless, it **serves as a reminder of the risks associated with investing in EM countries**, where corporate governance may fall short of DM standards, and therefore a healthy risk premium is warranted. On the economic front, **India's recent growth numbers have surprised to the downside**, with our India Business Cycle Indicator firmly trending lower ([Chart 2](#)). This, **combined with the Adani controversy, is likely to continue exerting downward pressure on Indian equities**.

That said, India remains a bright spot in the global economy, bolstered by a strong structural outlook and significantly improved macroeconomic stability. It is also one of the few countries likely least affected by another Trump presidency. As such, the ongoing correction in Indian stocks may ultimately present an excellent buying opportunity.

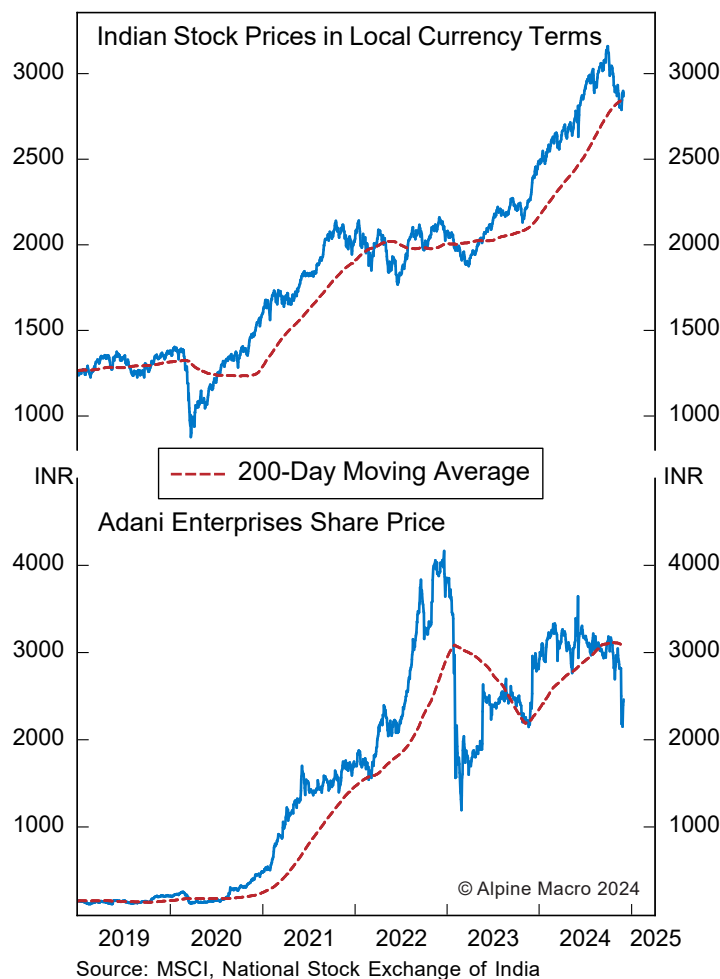
### Adani Controversy And Market Implications

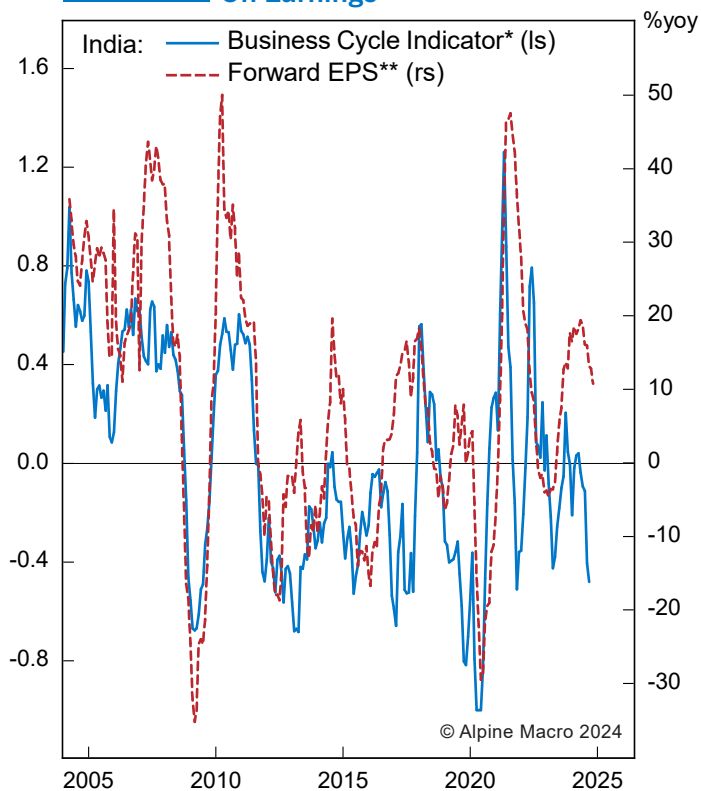
So far, Indian stock prices have been fairly resilient despite the sharp selloff of key companies of the Adani conglomerate. This is because the weight of Adani companies' total market cap in the Indian benchmark has shrunk massively in the past two years, following a high-profile fraud accusation by

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**Chart 1** Adani Debacle And Market Correction



**Chart 2** Growth Slowdown Will Weigh On Earnings

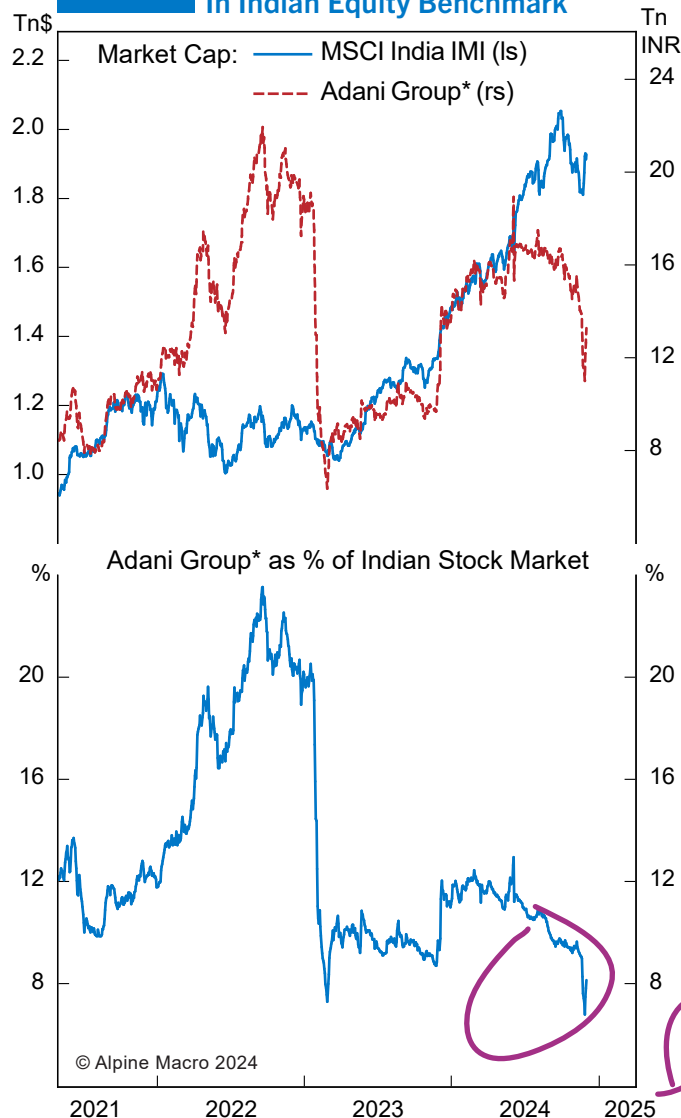
\*Truncated at -1 and shown as 3-month moving average;

Alpine Macro proprietary indicator

\*\*Source: MSCI

short sellers (**Chart 3**). Meanwhile, investors seem to believe that the Adani debacle is an isolated event, and the contagion in the broader equity market has been very limited.

The Adani investigation is still ongoing, and the situation warrants close attention going forward. As one of the largest and fastest-growing Indian enterprises, Adani investments and projects have been closely aligned with the Modi government's domestic and foreign policy priorities. Therefore, the government cannot be completely insulated from any fallout if the charges are proven. Meanwhile, this could cause reputational damage for the broader India Inc., complicating their overseas expansion ambitions. The Indian government may

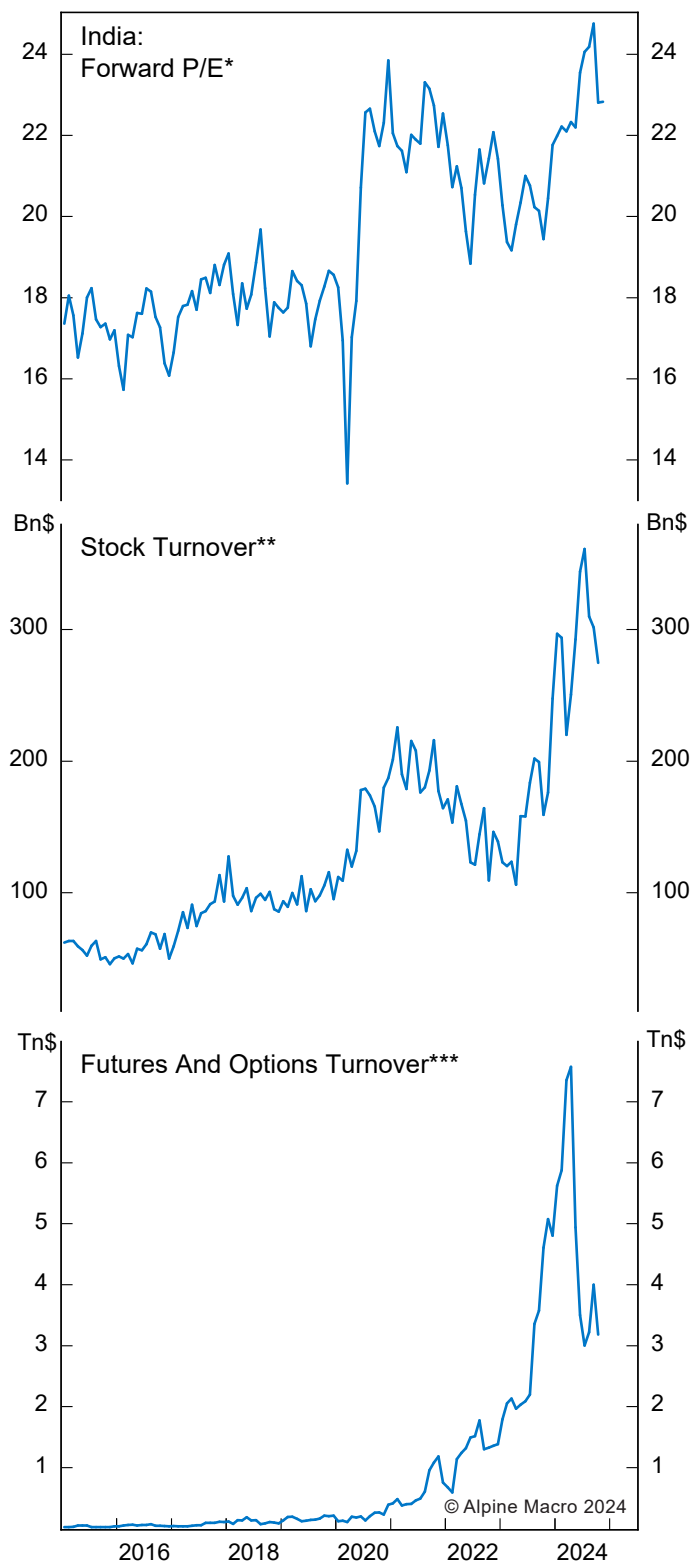
**Chart 3** Shrinking Weight Of Adani Group In Indian Equity Benchmark

\*Includes Adani Enterprises, Adani Green Energy, Adani Ports & SEZ, Adani Power, Adani Total Gas, Adani Transmission, Ambuja Cements Ltd, Acc Ltd

also be pressured to tighten the internal legal and regulatory mechanisms with a tougher stance on similar cases, spreading uncertainty in the corporate sector.

Indian stocks have dropped by 9% in local currency terms from their September all-time peak, and the benchmark is testing key technical support levels, as the top panel of **Chart 1** shows. The latest selloff has



**Chart 4 Still Frothy**

\*Source: MSCI

\*\*Source: NSE

\*\*\*Shown as 3-month moving average; source: NSE

taken out some speculative froth in Indian stocks (**Chart 4**), but they are still trading at huge premia both over their historical norms and their EM peers by all conventional valuation indicators, making them vulnerable to negative shocks. As such, **we doubt the downward adjustment process is over.** At a minimum, the risk-return profile of investing in Indian equities remains very poor.

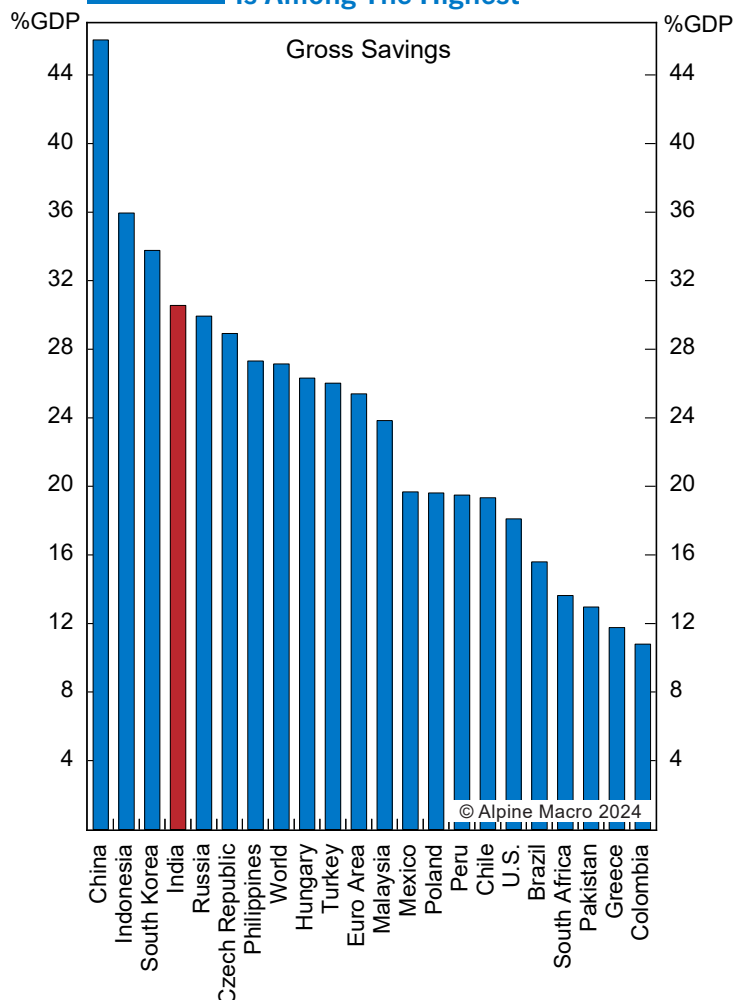
### The Bigger Picture

Nonetheless, investors should resist the temptation to become more bearish on India as stock prices drop. On the contrary, the latest drawdown will ultimately lead to a buying opportunity. We began discussing India's improved macro profile in 2019 in a report titled *India: From Micro Success To Macro Miracle*, and some recent developments have continued to support this theme. **Overall, three important structural forces underpin India's long-term bullish case.**

**The first is the country's improved savings and investment dynamics.** India's savings rate is among the highest in the world (**Chart 5**) and is set to rise further due to the country's demographics and the industrialization and urbanization process. **Chart 6** shows a **positive relationship between a country's working-age population and its gross savings rate.** Meanwhile, **industrialization and urbanization create higher value-added activities than subsistence farming, leaving more disposable income and savings.** This means that India's savings rate will likely continue to climb.

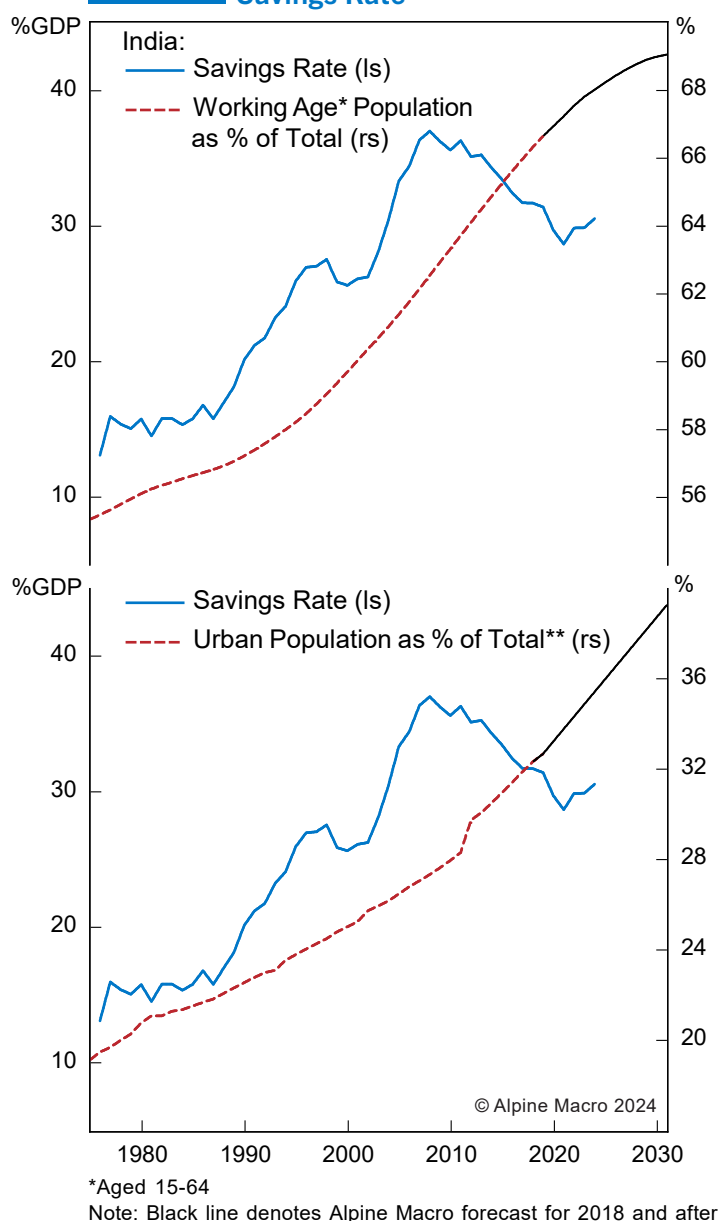
**A high and rising savings rate is a crucial positive factor for India, as it allows the country to invest domestically without dependence on foreign**

**Chart 5** India's Savings Rate Is Among The Highest

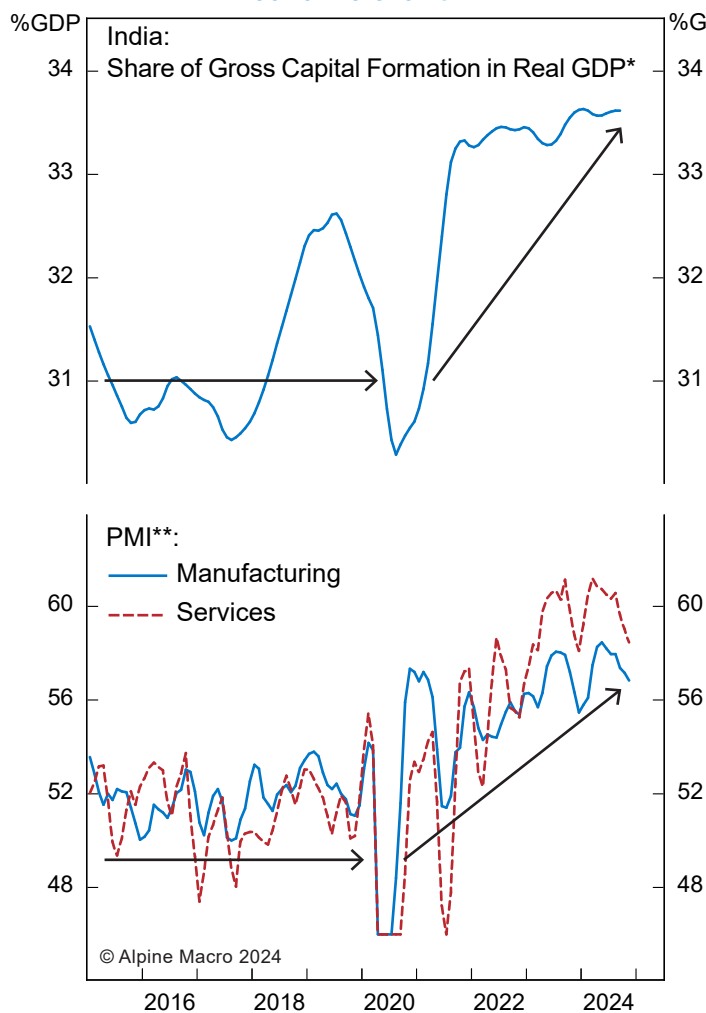


capital. Indeed, capital spending has accelerated strongly in recent years, which has not only been a major source of economic growth (Chart 7) but also helped improve the country's capital stock and lift productivity. Moreover, capacity buildup also eases bottleneck constraints and reduces domestic inflationary pressure. Externally, a higher savings rate has also significantly improved India's balance-of-payments situation. Currently, India's current account is roughly balanced, compared with a nearly 5% deficit about a decade ago, while GDP growth was at a similar rate. This makes India much less vulnerable to volatile foreign capital flows.

**Chart 6** Demographics And Savings Rate

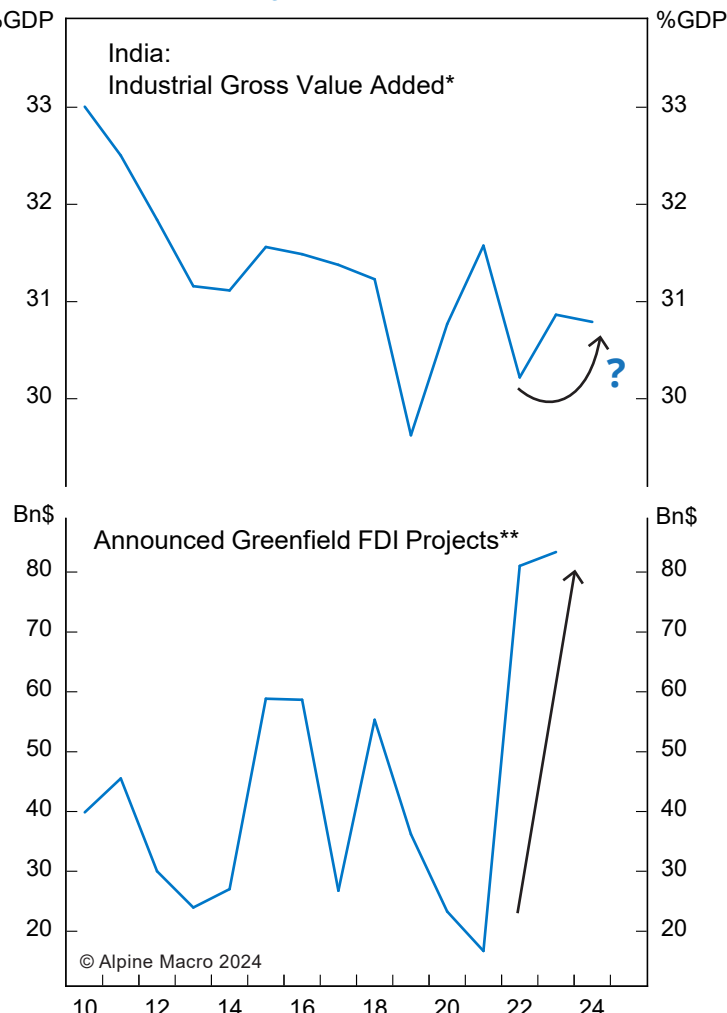


The second structural driving force is the Indian government's renewed push for industrialization, as opposed to the country's previous attempt to become a "service superpower." In recent years, the government has unleashed numerous initiatives under the broad **Make In India** scheme to boost the industrial sector. So far, these efforts have only had limited impact, and future success is far from

**Chart 7** Capital Spending And Economic Growth

\*Truncated at 29 and shown as 4-quarter moving average

\*\*Truncated at 46 and shown as 3-month moving average

**Chart 8** India's Industrialization Drive

\*Aggregate of manufacturing, mining &amp; quarrying, utilities and construction

\*\*Source: UNCTAD

guaranteed (Chart 8). Nonetheless, this strategy is designed to capitalize on the country's competitive advantage, i.e., its vast and young workforce, and, therefore, is more promising.

India's ambition to industrialize will also benefit from geopolitical tailwinds in the broader context of global supply chain reshuffling. India will likely be one of the few major countries relatively insulated in a Trump trade war. The U.S. has also had some trade disputes with India, but they

are likely far overshadowed by President-elect Trump's other priorities. Meanwhile, the U.S. will likely continue to court India as a key ally in Asia in its rivalry with China. All of this will provide a favorable external environment for India to attract foreign investment and boost manufacturing activity (Chart 8, bottom panel).

Finally, the supply-side reforms under Prime Minister Modi further strengthen the country's structural outlook. Even though Modi lost his



majority in this year's election and faces more policy constraints in his third term, the broader trend of deregulation, privatization, encouraging foreign investment, and fostering efficiency gains is unlikely to be reversed. All of this will further unlock the country's growth potential. The Indian economy is certainly not immune from global shocks and cyclical fluctuations, but all these positive factors suggest that the Indian economy will likely significantly outperform its global peers.

## The Cyclical Downturn

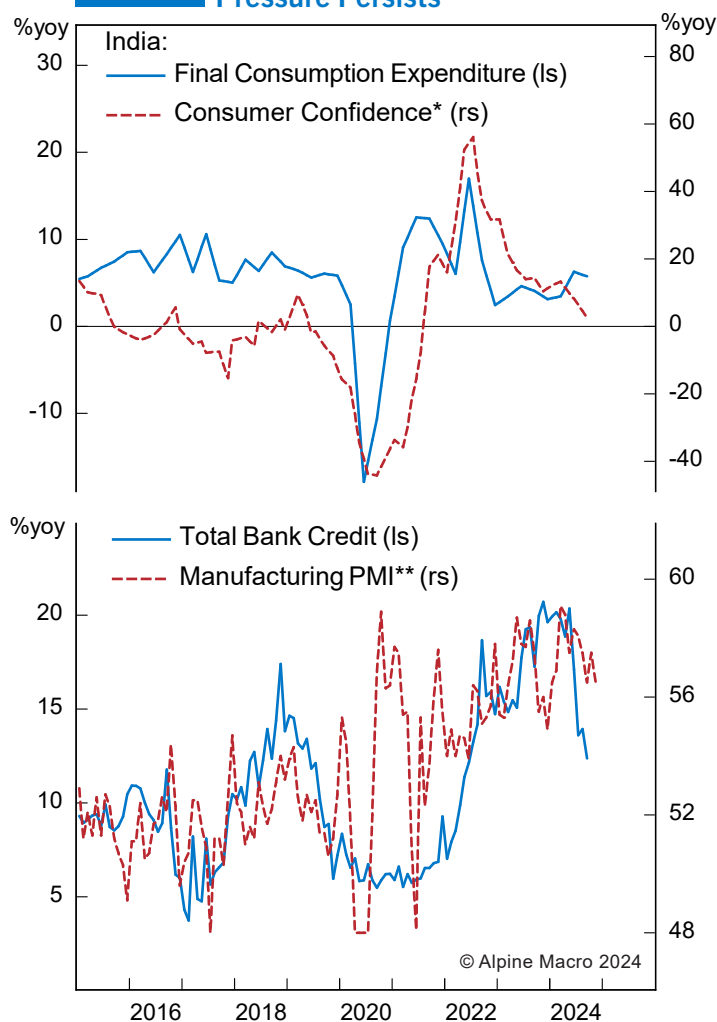
From a cyclical perspective, the Indian economy has decelerated notably. GDP growth in Q3 expanded by 5.4% from a year ago, a sharp slowdown from 6.7% in Q2. This is the slowest growth rate in nearly two years and compares with the 6.5% market expectations and the 7% estimate by the Reserve Bank of India.

This week, we are also updating our **India Macro Watch** chartpack on the country's latest economic and market conditions. Overall, a few observations are worth noting:

First, forward-looking indicators suggest further downward pressure on the economy (Chart 9). Household confidence has weakened, underscoring further consumer retrenchment. Credit growth has continued to decline, indicating slowing corporate investment. Our Business Cycle Indicator for India has also continued to trend lower. The economic slowdown is broad-based and more pronounced in industrial sectors.

Second, sticky inflation will likely prevent the RBI from monetary easing in the near term. Headline

**Chart 9** Downward Economic Pressure Persists



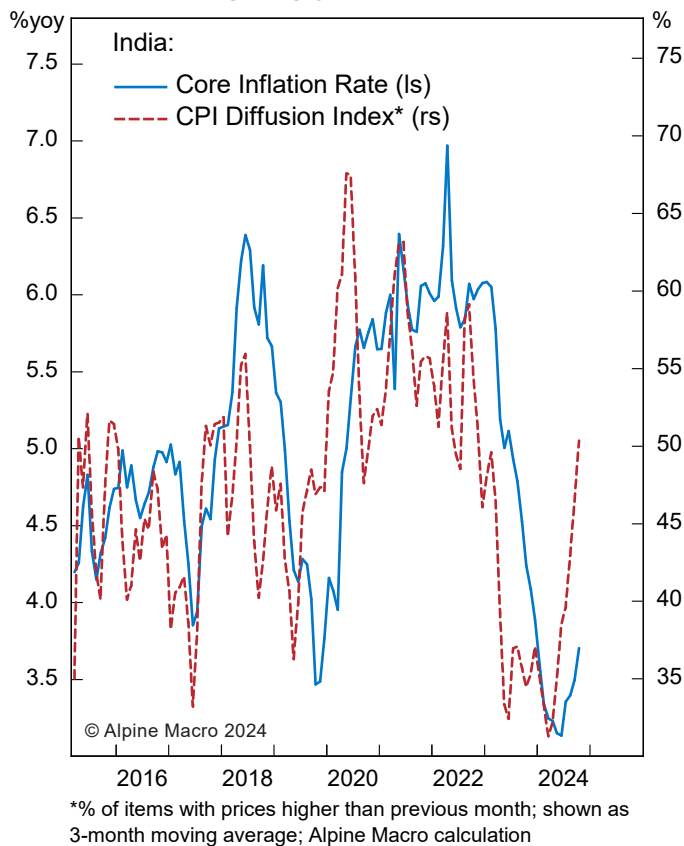
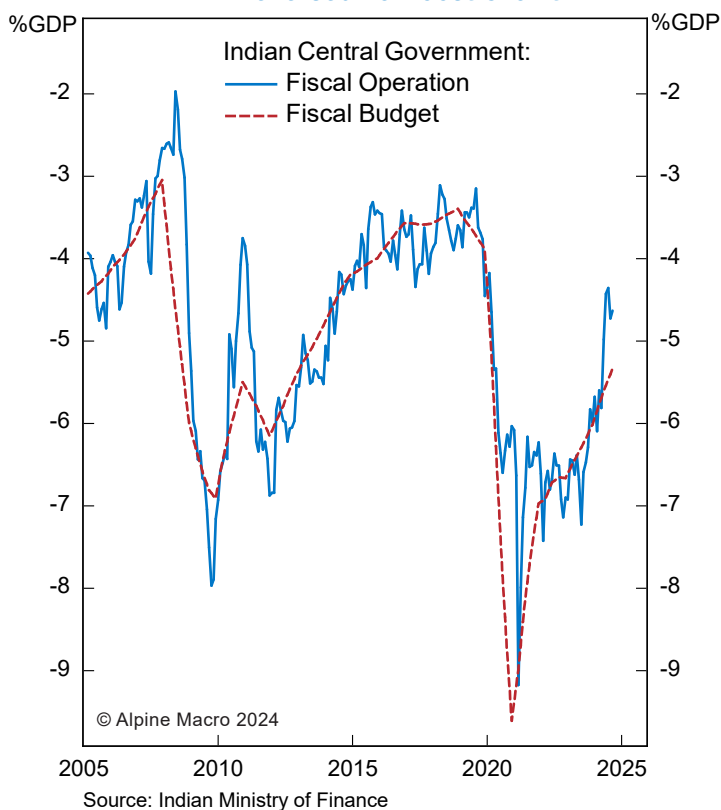
\*Source: Reserve Bank of India

\*\*Truncated at 48; source: S&P Global

inflation has spiked above 6%, breaching the upper limit of the RBI's inflation target zone. This is primarily due to rising food and vegetable prices, but core inflation has also accelerated slightly. Meanwhile, our inflation diffusion index, which measures the percentage of items experiencing rising inflation, has edged higher (Chart 10). While we doubt that Indian inflation will surprise much to the upside, the RBI is unlikely to cut rates until inflation stabilizes. The RBI will hold this week despite the latest growth disappointment.





**Chart 10** Inflation Will Put RBI On Hold**Chart 11** Fiscal Tightening Can Be Reversed To Boost Growth

Finally, the growth deceleration is likely a mid-cycle slowdown rather than a major downturn. PMI numbers remain comfortably above the expansion threshold, and there are some signs of improvement in economic activity in October. The recent growth slowdown is partially driven by a sharp fiscal drag, which is likely to reverse, especially if the economy continues to weaken (Chart 11).

Please continue to page 8 for the *India Macro Watch* chartpack.

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| Economic Barometer            |                                     |         |         |         |         |         |         |         |         |         |         |         |         |         |
|-------------------------------|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                               |                                     | 2023-10 | 2023-11 | 2023-12 | 2024-01 | 2024-02 | 2024-03 | 2024-04 | 2024-05 | 2024-06 | 2024-07 | 2024-08 | 2024-09 | 2024-10 |
| Business Survey               | Manufacturing PMI                   | 55.5    | 56.0    | 54.9    | 56.5    | 56.9    | 59.1    | 58.8    | 57.5    | 58.3    | 58.1    | 57.5    | 56.5    | 57.5    |
|                               | Capacity Utilization* (%)           | 19.6    | 19.6    | 19.6    | 24.9    | 24.9    | 24.9    | 18.7    | 18.7    | 18.7    | 15.1    | 15.1    | 15.1    |         |
|                               | Services PMI                        | 58.4    | 56.9    | 59.0    | 61.8    | 60.6    | 61.2    | 60.8    | 60.2    | 60.5    | 60.3    | 60.9    | 57.7    | 57.9    |
|                               | Business Optimism Index**           | 70.0    | 70.0    | 70.3    | 70.3    | 70.3    | 72.8    | 72.8    | 72.8    | 75.9    | 75.9    | 75.9    | 78.9    | 78.9    |
|                               | Consumer Confidence*                |         | 120.6   |         | 123.1   |         | 125.2   |         | 124.8   |         | 120.7   |         | 121.4   |         |
| Agriculture (%yoy)            | Fertilizer Production               | 5.3     | 3.3     | 5.9     | -0.6    | -9.5    | -1.3    | -0.8    | -1.7    | 2.4     | 5.3     | 3.2     | 1.9     | 0.4     |
|                               | Farm Tractor Sales                  | -5.3    | 1.5     | -21.3   | -14.5   | -25.7   | -19.5   | -2.9    | 0.5     | 3.5     | 1.4     | -5.5    | 2.4     | 21.0    |
| Labor Market                  | Unemployment Rate (%)               | 9.4     | 8.9     | 8.7     | 7.4     | 8.1     | 7.4     | 8.1     | 7.0     | 9.2     | 7.9     | 8.5     | 7.8     | 8.7     |
|                               | Annual New Payroll ('000)           | 277.1   | -169.5  | 259.5   | 418.8   | 330.1   | 100.8   | 186.1   | 427.9   | 247.9   | 304.6   | 445.8   | 681.5   |         |
| Production (%yoy)             | Industrial Production               | 11.9    | 2.5     | 4.4     | 4.2     | 5.6     | 5.5     | 5.2     | 6.3     | 4.9     | 4.7     | -0.1    | 3.1     |         |
|                               | Consumer Durables                   | 15.9    | -4.8    | 5.2     | 11.6    | 12.6    | 9.5     | 10.5    | 12.6    | 8.8     | 8.3     | 5.3     | 6.5     |         |
|                               | Consumer Non-Durables               | 9.3     | -3.4    | 3.0     | 0.3     | -3.2    | 5.2     | -2.5    | 2.8     | -1.0    | -4.3    | -4.5    | 2.0     |         |
|                               | Capital Goods                       | 21.7    | -1.1    | 3.7     | 3.2     | 1.7     | 7.0     | 2.8     | 2.6     | 3.6     | 11.8    | 0.5     | 2.8     |         |
|                               | Manufacturing                       | 10.6    | 1.3     | 4.6     | 3.6     | 4.9     | 5.9     | 4.2     | 5.1     | 3.5     | 4.4     | 1.1     | 3.9     |         |
|                               | Steel                               | 13.6    | 9.7     | 8.3     | 9.2     | 9.4     | 7.5     | 9.8     | 8.9     | 6.3     | 7.0     | 3.9     | 1.6     | 4.2     |
|                               | Cement                              | 16.9    | -4.7    | 3.8     | 4.1     | 7.8     | 10.6    | 0.2     | -0.6    | 1.8     | 5.1     | -3.0    | 7.2     | 3.3     |
|                               | Electricity Generation              | 21.9    | 5.8     | 0.4     | 7.9     | 6.4     | 8.0     | 10.0    | 14.6    | 9.7     | 6.8     | -3.8    | -1.3    | 0.5     |
|                               | Railway Freight                     | 8.5     | 4.3     | 6.4     | 6.4     | 10.1    | 8.6     | 1.4     | 3.7     | 10.1    | 4.5     | 0.0     |         | 1.5     |
|                               | Air: Cargo Traffic                  | 13.2    | 6.6     | 10.8    | 15.5    | 22.7    | 17.3    | 10.0    | 15.6    | 15.9    | 18.1    | 12.5    | 18.0    | 14.5    |
| Investment (%yoy)             | E-Way Bills                         | 30.5    | 8.5     | 13.2    | 16.4    | 18.9    | 13.9    | 14.5    | 17.0    | 16.3    | 19.2    | 12.9    | 18.5    | 16.9    |
|                               | Central Government Capex***         | 17.3    | 14.7    | 33.7    | 23.7    | 37.0    | 28.3    | 31.2    | 15.5    | 1.0     | 5.3     | 1.7     | -1.6    | -1.1    |
|                               | FDI***                              | -40.9   | -38.4   | -43.8   | -39.3   | -39.9   | -36.2   | -34.8   | -19.6   | -10.7   | 5.4     | 21.6    | 13.6    |         |
| Consumption & Services (%yoy) | Domestic Passenger Vehicle Sales    | 17.3    | 4.3     | 3.2     | 13.9    | 9.5     | 8.9     | 18.1    | 20.5    | 20.5    | 12.9    | -1.6    | -0.4    | 1.1     |
|                               | Domestic Two-Wheeler Sales          | 20.1    | 31.3    | 16.0    | 26.2    | 34.6    | 15.3    | 30.8    | 10.1    | 21.3    | 12.5    | 9.3     | 15.8    | 14.2    |
|                               | NPCI: Retail Payments               | 23.5    | 26.0    | 21.1    | 25.2    | 28.5    | 22.2    | 24.0    | 22.0    | 22.8    | 23.0    | 20.5    | 20.6    | 29.6    |
|                               | Government GST Revenue              | 13.4    | 15.1    | 10.3    | 10.4    | 12.5    | 11.5    | 12.4    | 10.0    | 7.6     | 10.3    | 10.0    | 6.5     | 8.9     |
|                               | Air Passenger Traffic               | 11.9    | 10.7    | 9.9     | 7.2     | 8.1     | 6.5     | 6.0     | 8.3     | 7.7     | 7.8     | 7.5     | 8.1     | 9.8     |
| Prices (%yoy)                 | CPI                                 | 4.9     | 5.6     | 5.7     | 5.1     | 5.1     | 4.9     | 4.8     | 4.8     | 5.1     | 3.6     | 3.7     | 5.5     | 6.2     |
|                               | Food                                | 6.6     | 8.7     | 9.5     | 8.3     | 8.7     | 8.5     | 8.7     | 8.7     | 9.4     | 5.4     | 5.7     | 9.2     | 10.9    |
|                               | Core                                | 4.2     | 4.1     | 3.9     | 3.6     | 3.3     | 3.2     | 3.2     | 3.2     | 3.1     | 3.4     | 3.4     | 3.5     | 3.7     |
|                               | Rural                               | 5.1     | 5.8     | 5.9     | 5.3     | 5.3     | 5.5     | 5.4     | 5.3     | 5.7     | 4.1     | 4.2     | 5.9     | 6.7     |
|                               | Urban                               | 4.6     | 5.3     | 5.5     | 4.9     | 4.8     | 4.1     | 4.1     | 4.2     | 4.4     | 3.0     | 3.1     | 5.0     | 5.6     |
|                               | WPI                                 | -0.3    | 0.4     | 0.9     | 0.3     | 0.2     | 0.3     | 1.2     | 2.7     | 3.4     | 2.1     | 1.2     | 1.8     | 2.4     |
|                               | Housing Price Index*                | 3.6     | 3.7     | 3.8     | 3.9     | 4.0     | 4.1     | 3.8     | 3.6     | 3.3     | 3.6     | 4.0     | 4.3     |         |
| External Sectors              | Merchandise Exports (%yoy)          | 5.8     | -3.3    | 0.8     | 4.3     | 11.9    | -0.6    | 2.0     | 13.3    | 2.4     | -1.9    | -9.6    | 0.5     | 17.2    |
|                               | Merchandise Exports (ex-oil)        | 8.9     | -1.7    | 5.9     | 2.2     | 13.8    | 7.9     | 0.2     | 8.2     | 7.6     | 3.1     | 0.2     | 6.8     | 25.6    |
|                               | Merchandise Imports (%yoy)          | 10.3    | -3.3    | -6.6    | 2.0     | 13.7    | -6.4    | 11.5    | 8.1     | 5.9     | 7.4     | 3.3     | 1.5     | 3.9     |
|                               | Merchandise Imports (ex-oil)        | 14.8    | -1.2    | 0.8     | 3.8     | 20.0    | -5.2    | 8.0     | 0.6     | 1.7     | 4.6     | 15.9    | 5.8     | 0.7     |
|                               | Services Exports (%yoy)             | 10.7    | 4.4     | 1.4     | 10.8    | 3.4     | -1.4    | 17.1    | 9.7     | 3.2     | 16.6    | 5.7     | 14.6    | 22.3    |
|                               | Services Imports (%yoy)             | -0.4    | -11.1   | -1.2    | 0.1     | 1.7     | -2.1    | 20.0    | 6.2     | -3.1    | 15.7    | 8.8     | 13.2    | 27.9    |
|                               | Annual Change in FX reserves (Bn\$) | 60.8    | 42.9    | 60.3    | 47.2    | 63.2    | 67.1    | 52.8    | 56.4    | 56.9    | 73.5    | 85.1    | 114.3   | 91.3    |
| Credit (%yoy)                 | M1                                  | 6.4     | 7.9     | 7.1     | 6.7     | 6.7     | 7.3     | 7.9     | 9.0     | 6.5     | 7.4     | 8.1     | 9.2     | 9.5     |
|                               | M3                                  | 10.8    | 11.2    | 11.0    | 11.0    | 10.9    | 11.1    | 10.9    | 12.1    | 9.7     | 10.0    | 10.2    | 10.8    | 11.1    |
|                               | Total Credit****                    | 15.5    | 16.3    | 15.8    | 16.2    | 16.5    | 16.3    | 15.3    | 16.2    | 13.9    | 15.1    | 15.0    | 14.4    | 12.8    |
|                               | Industrial Loans                    | 4.8     | 5.5     | 7.5     | 7.5     | 8.4     | 8.0     | 6.9     | 8.9     | 7.7     | 10.2    | 9.8     | 9.1     | 8.0     |
|                               | Services Loans                      | 20.4    | 22.2    | 20.0    | 21.0    | 21.4    | 20.8    | 19.5    | 20.7    | 15.1    | 15.9    | 15.6    | 15.2    | 14.1    |
|                               | Personal Loans                      | 18.0    | 18.7    | 17.6    | 18.2    | 18.0    | 17.6    | 17.0    | 19.3    | 16.6    | 17.3    | 16.9    | 16.4    | 15.8    |

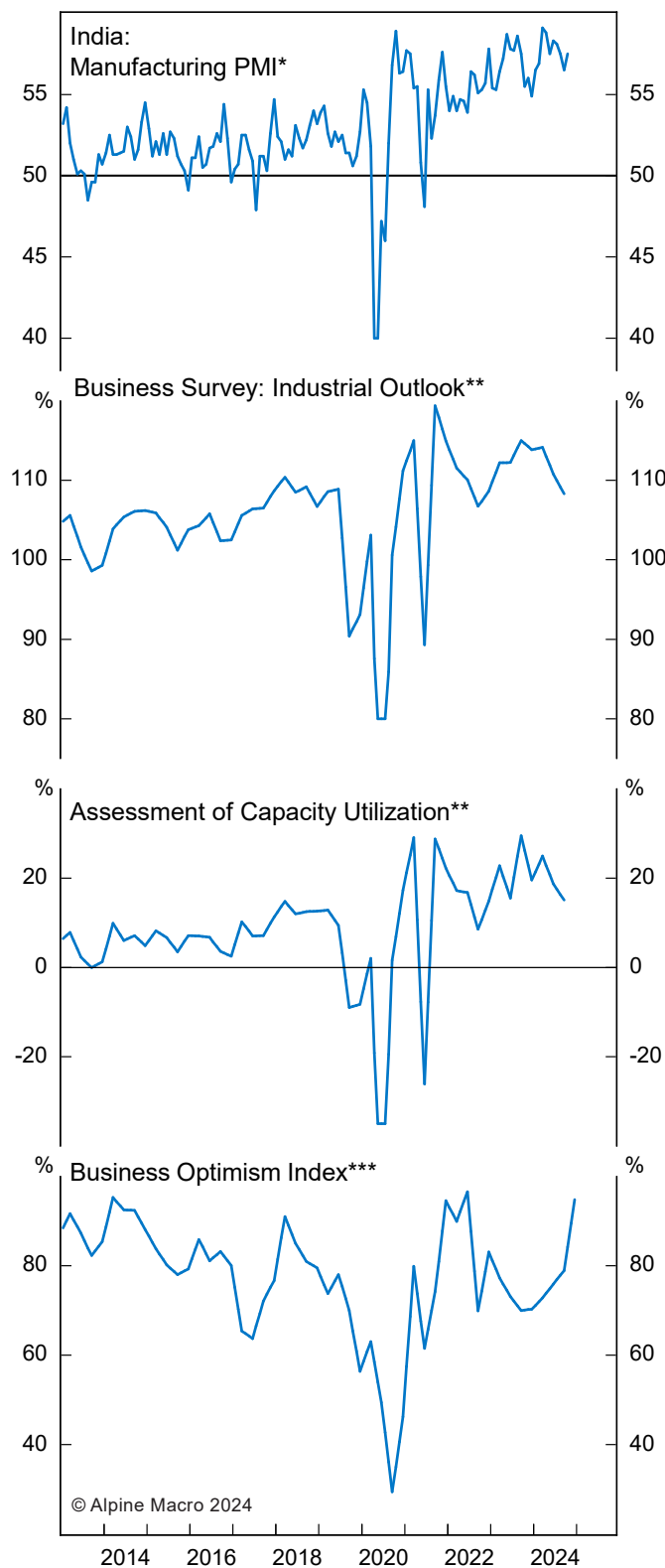
\*Source: Reserve Bank of India

\*\*Source: Dun &amp; Bradstreet

\*\*\*Calculation is based on 12-month moving sum

\*\*\*\*Excluding the impact of bank merger



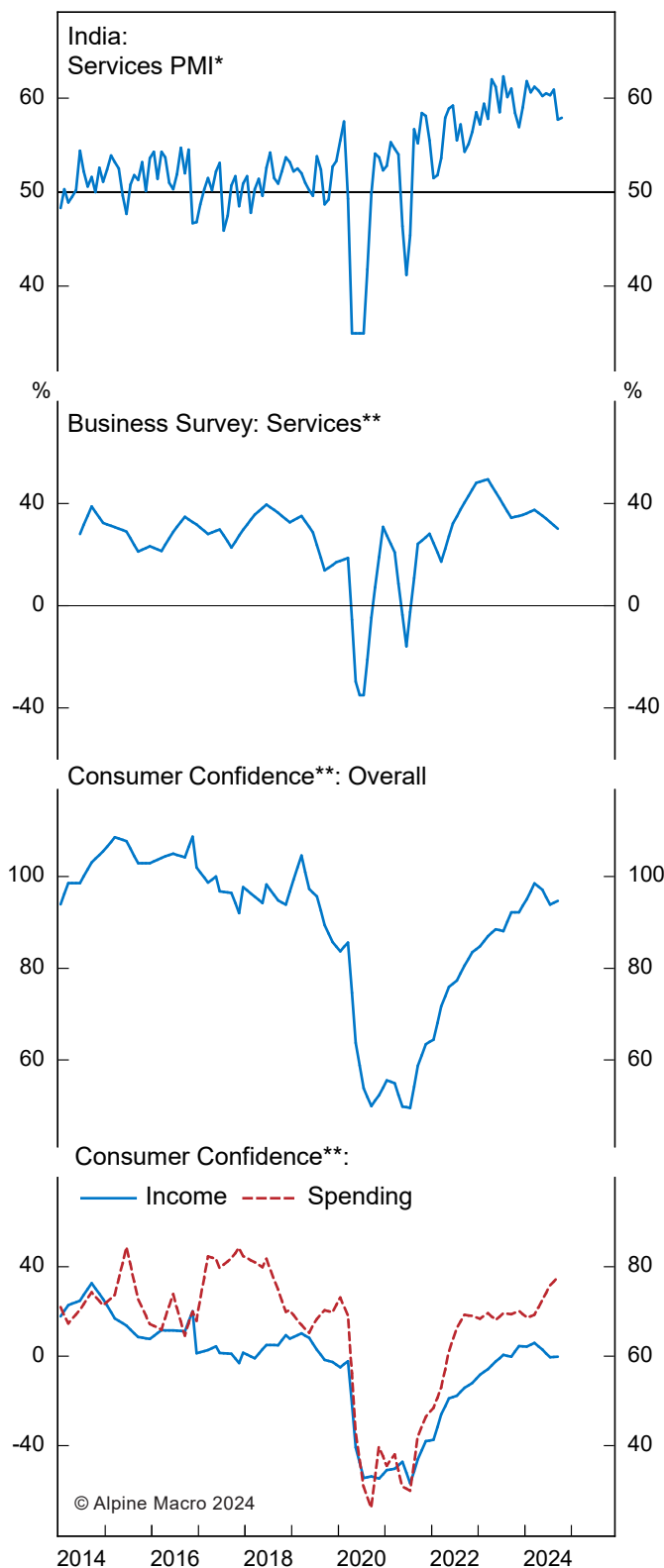


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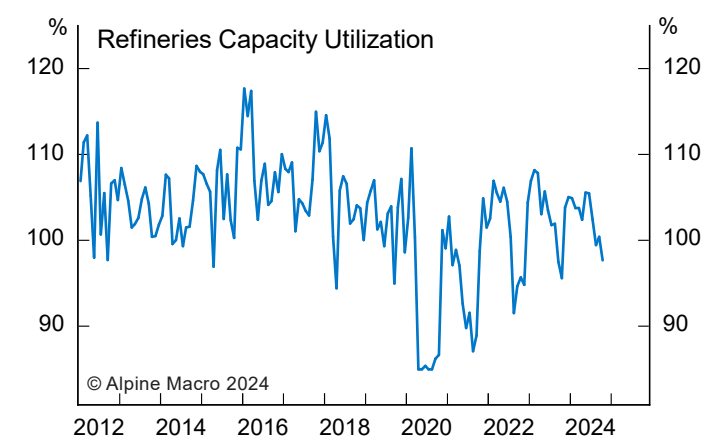
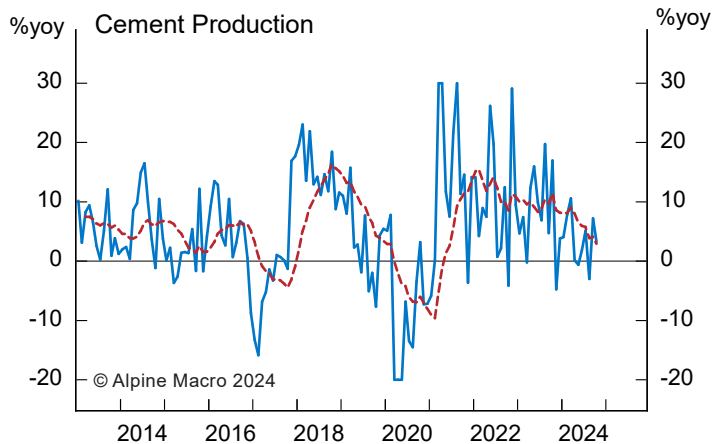
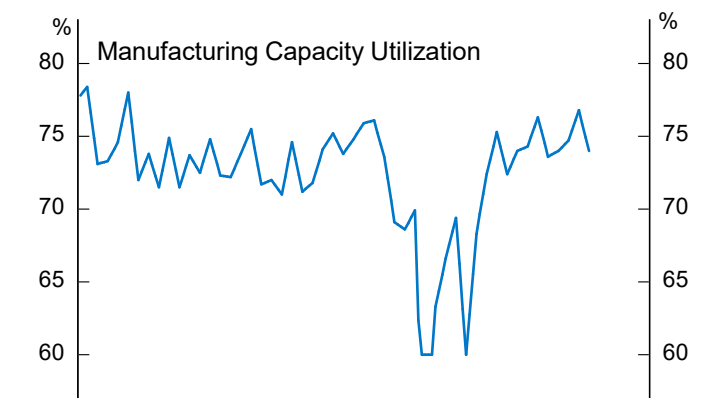
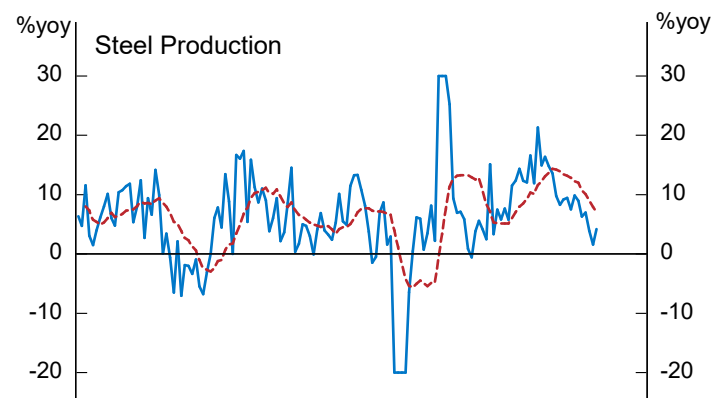
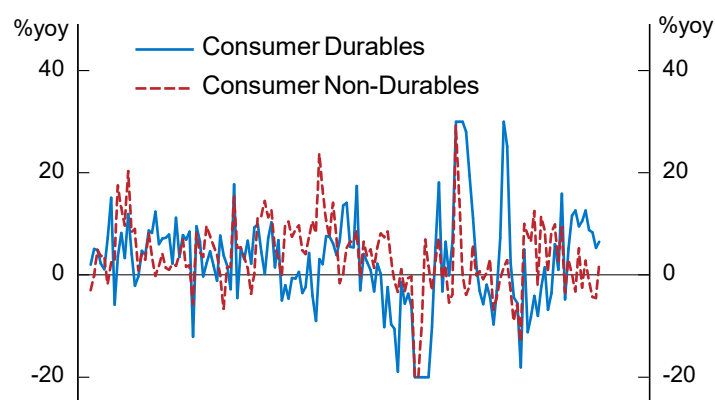
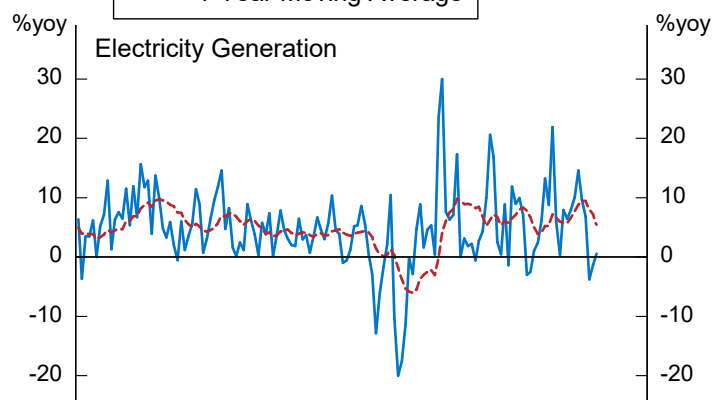
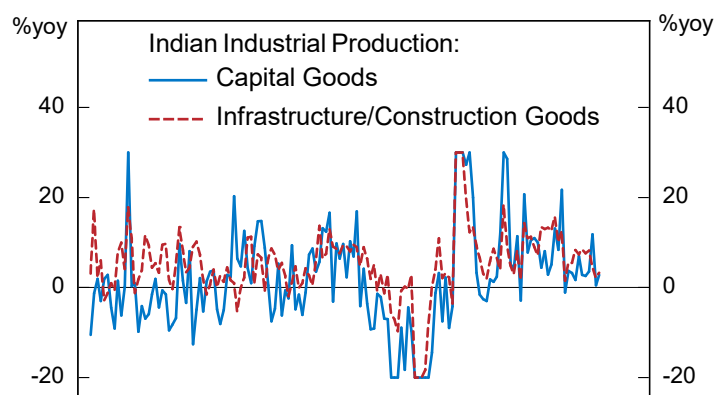
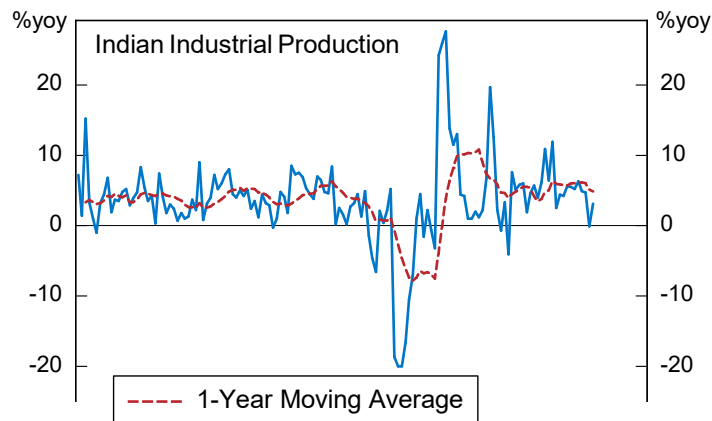
Note: Series are truncated for legibility purposes



\*Source: S&amp;P Global

\*\*Source: Reserve Bank of India

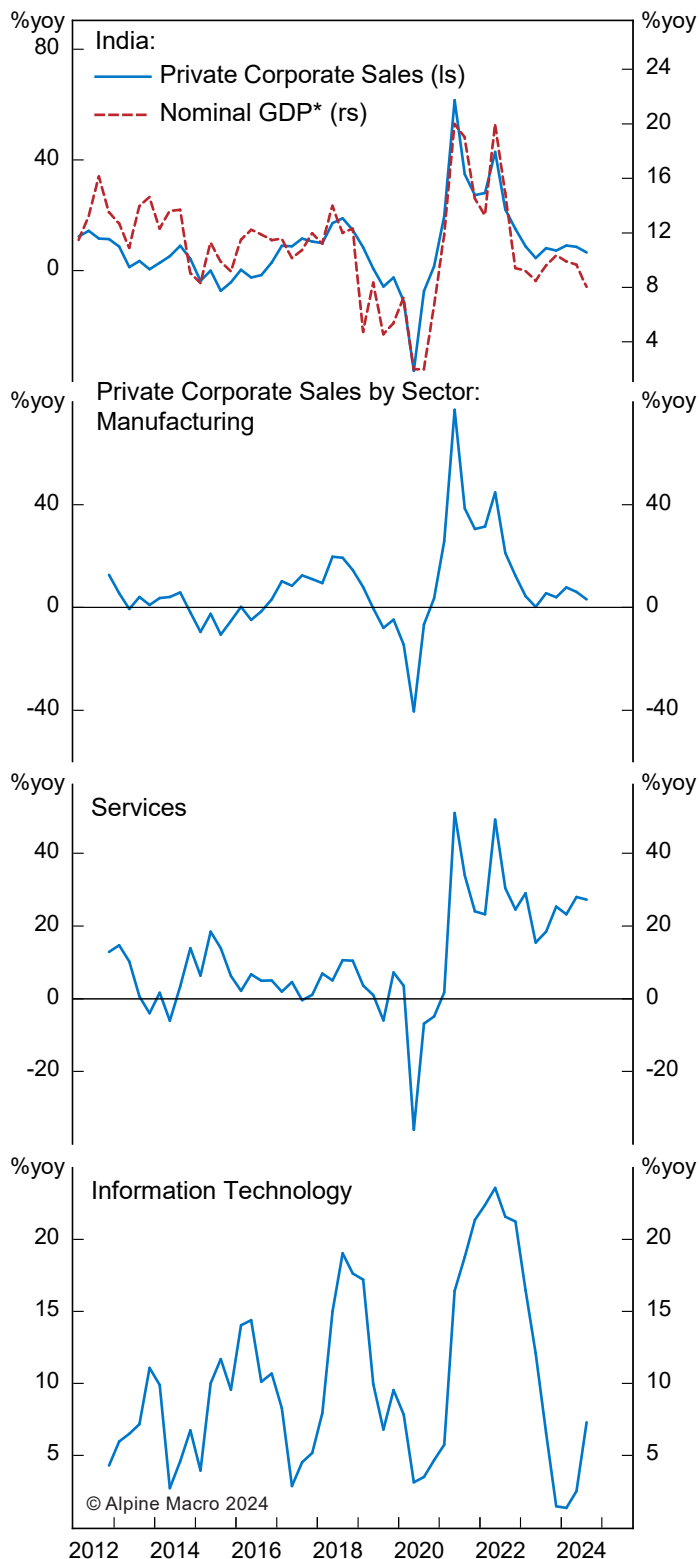
Note: Series are truncated for legibility purposes



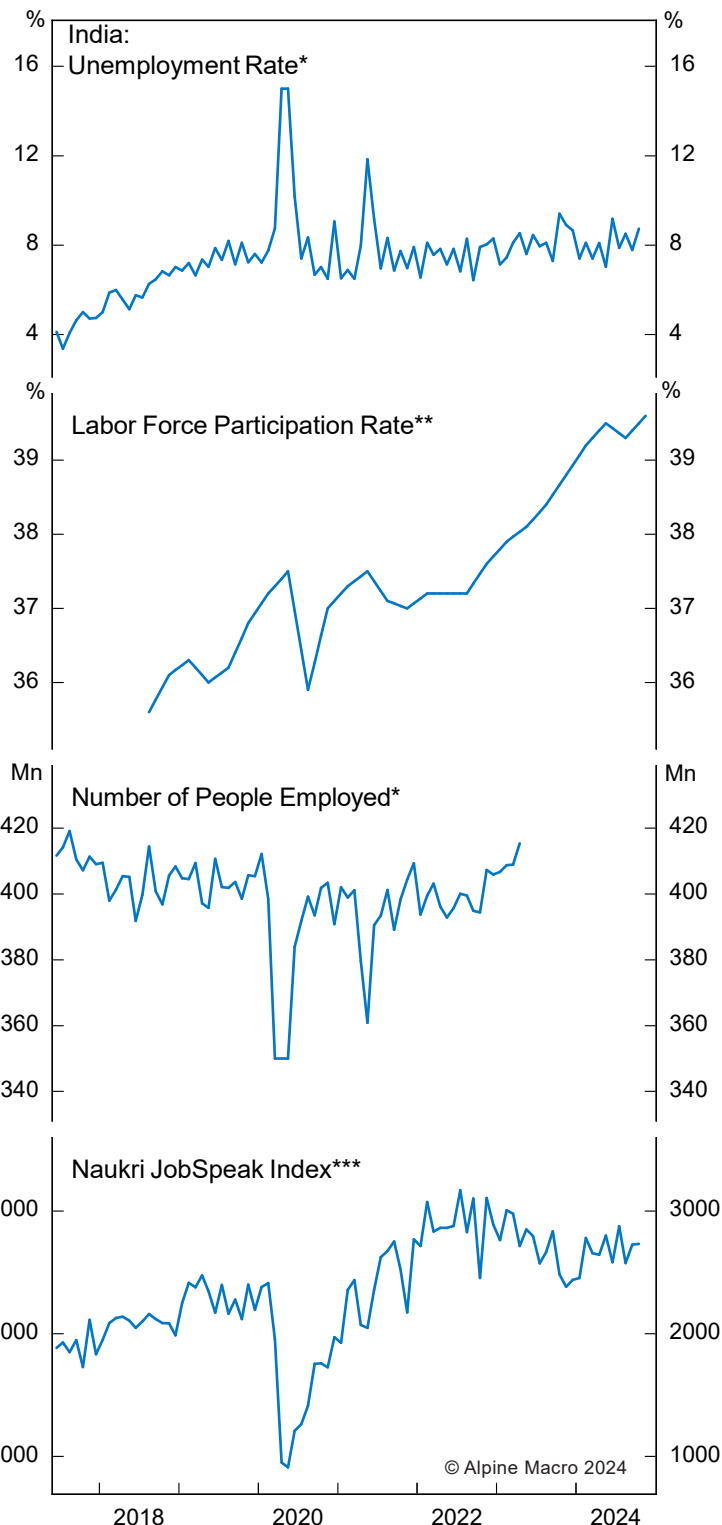
Note: Series are truncated for legibility purposes

Note: Series are truncated for legibility purposes





\*Truncated at +20/+2  
Source: CEIC



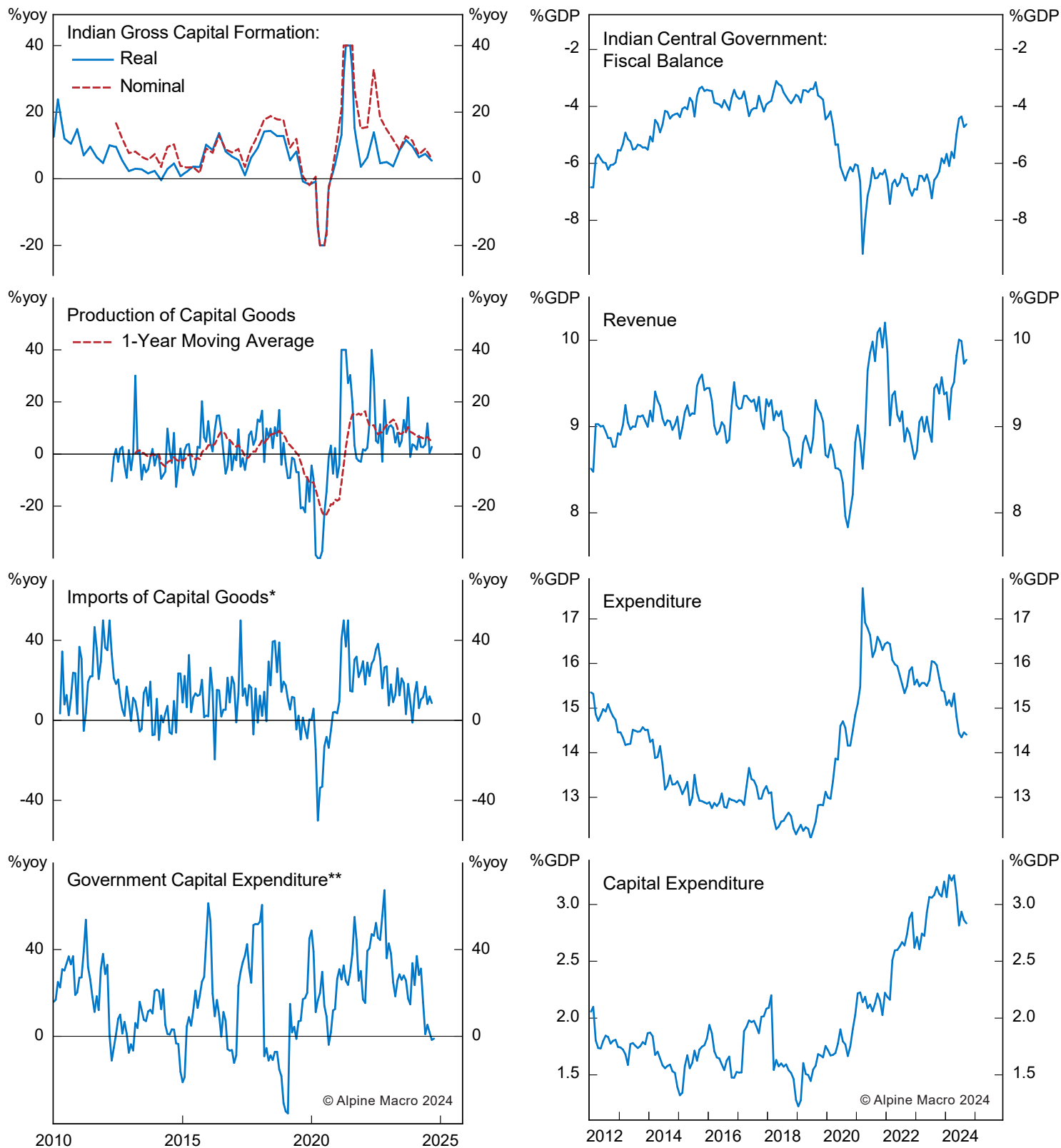
\*Source: Centre for Monitoring Indian Economy Pvt. Ltd. (CMIE)

\*\*Source: Periodic Labour Force Survey

\*\*\*Index that depicts hiring activity based on job listings on Naukri.com; source: CEIC

Note: Series are truncated for legibility purposes



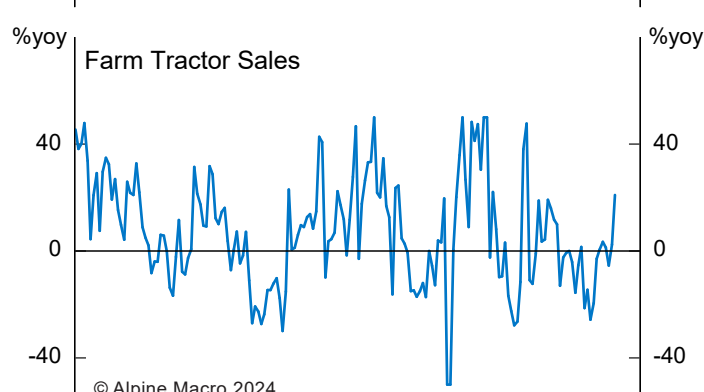
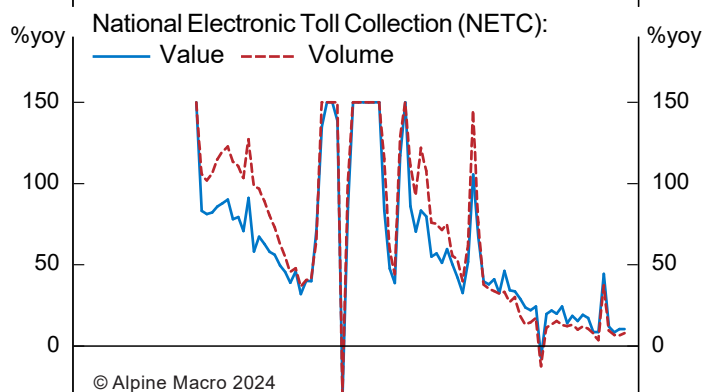
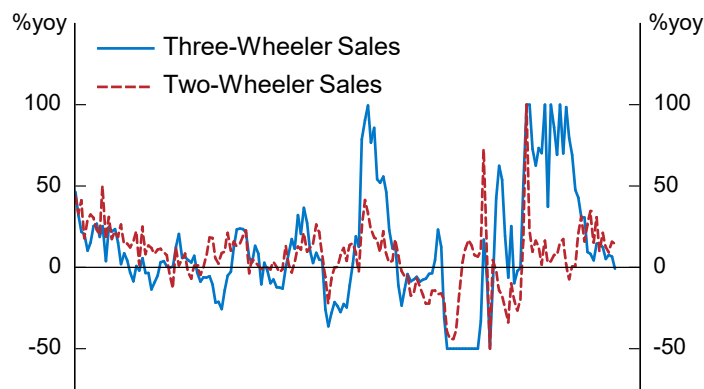
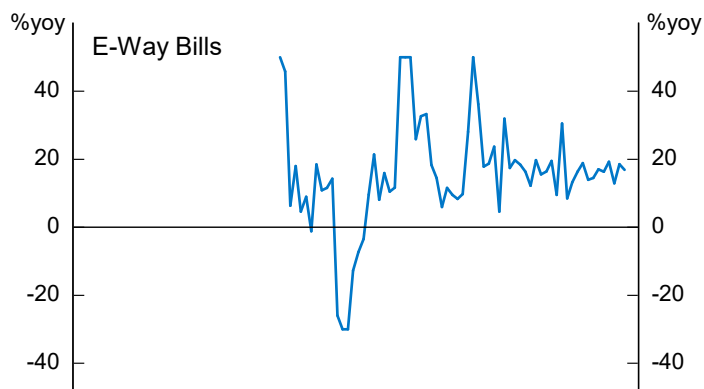
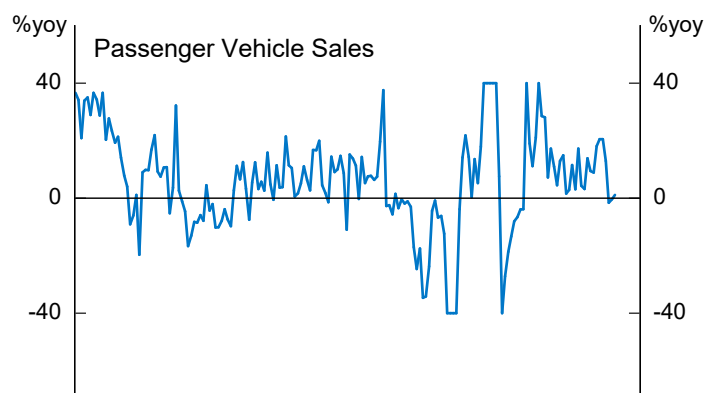
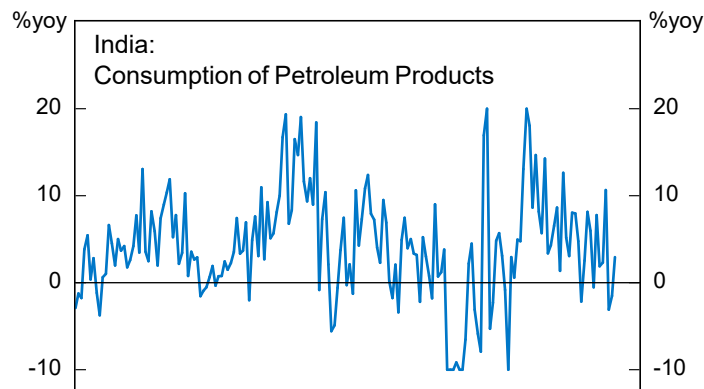
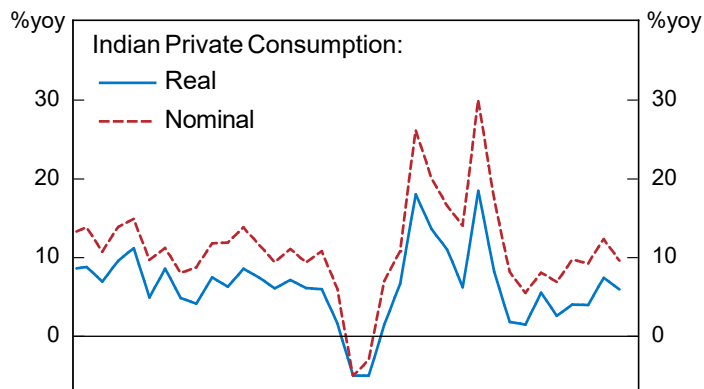


\*Sum of imports of optical, medical & surgical instruments, electronic items, machinery, and transport equipment

\*\*Shown as 12-month moving average

Note: Series are truncated for legibility purposes





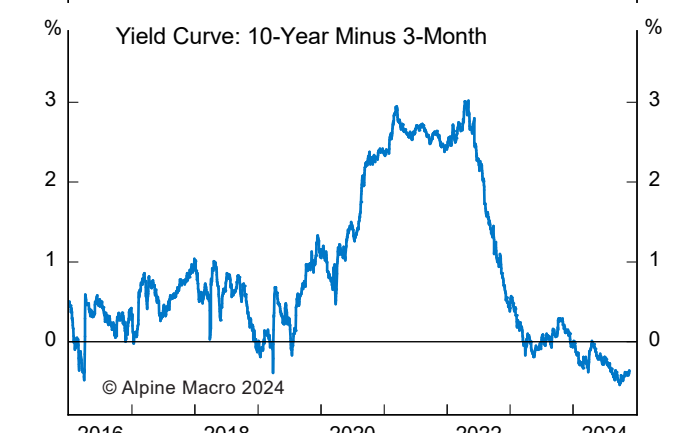
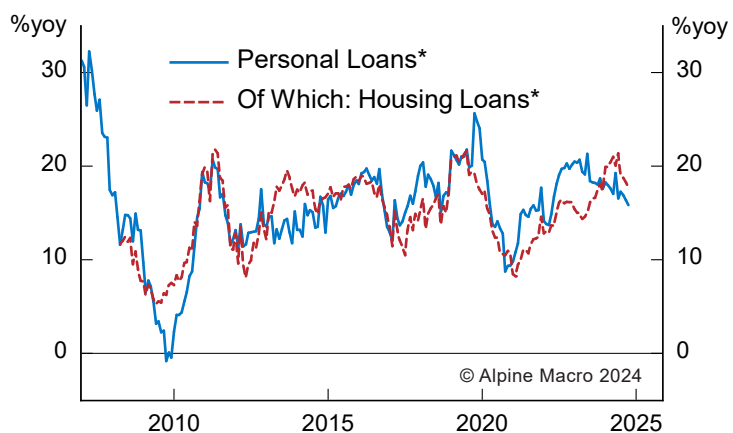
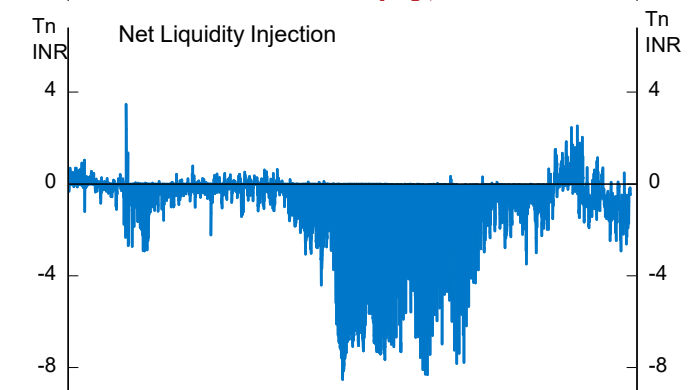
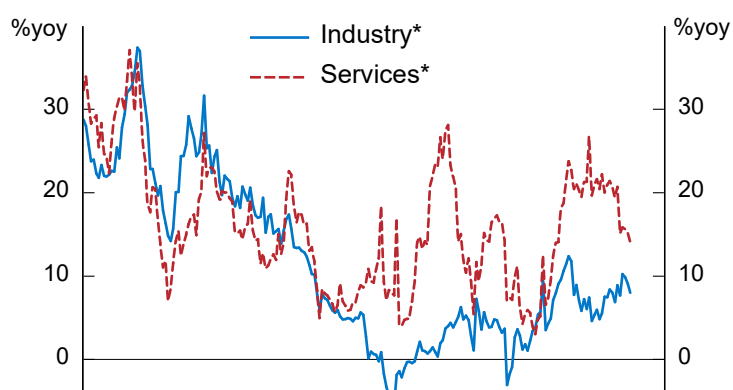
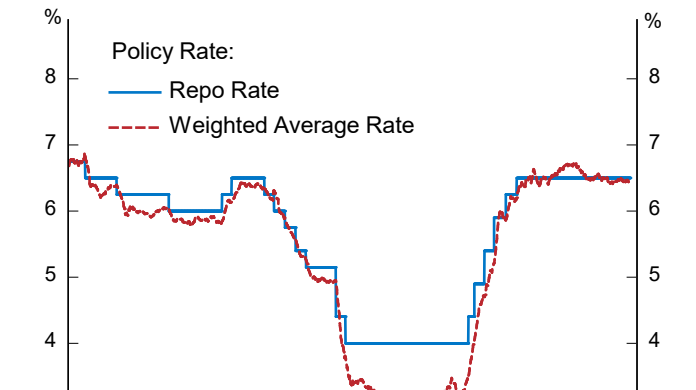
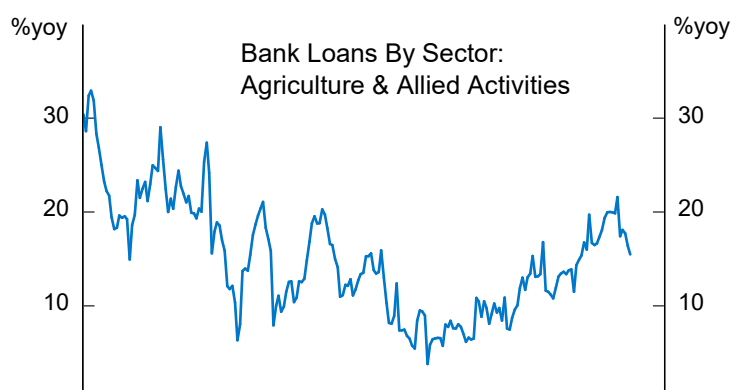
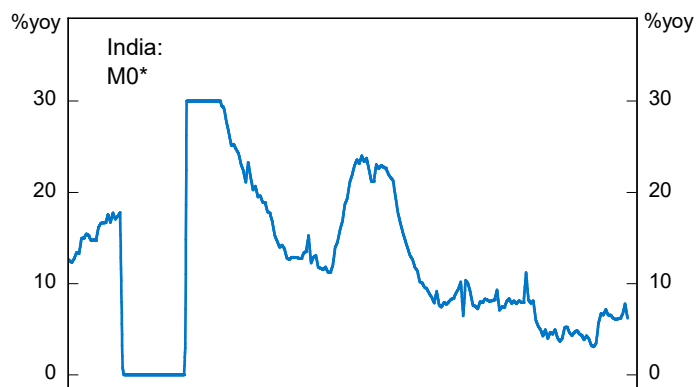
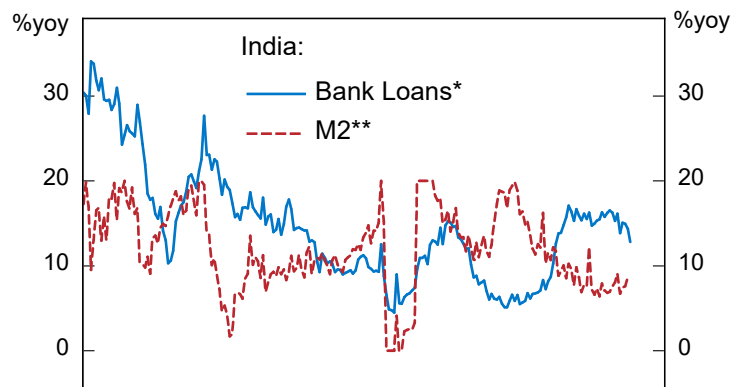
2016 2018 2020 2022 2024

Note: Series are truncated for legibility purposes

2010 2015 2020 2025

Note: Series are truncated for legibility purposes; source: CEIC



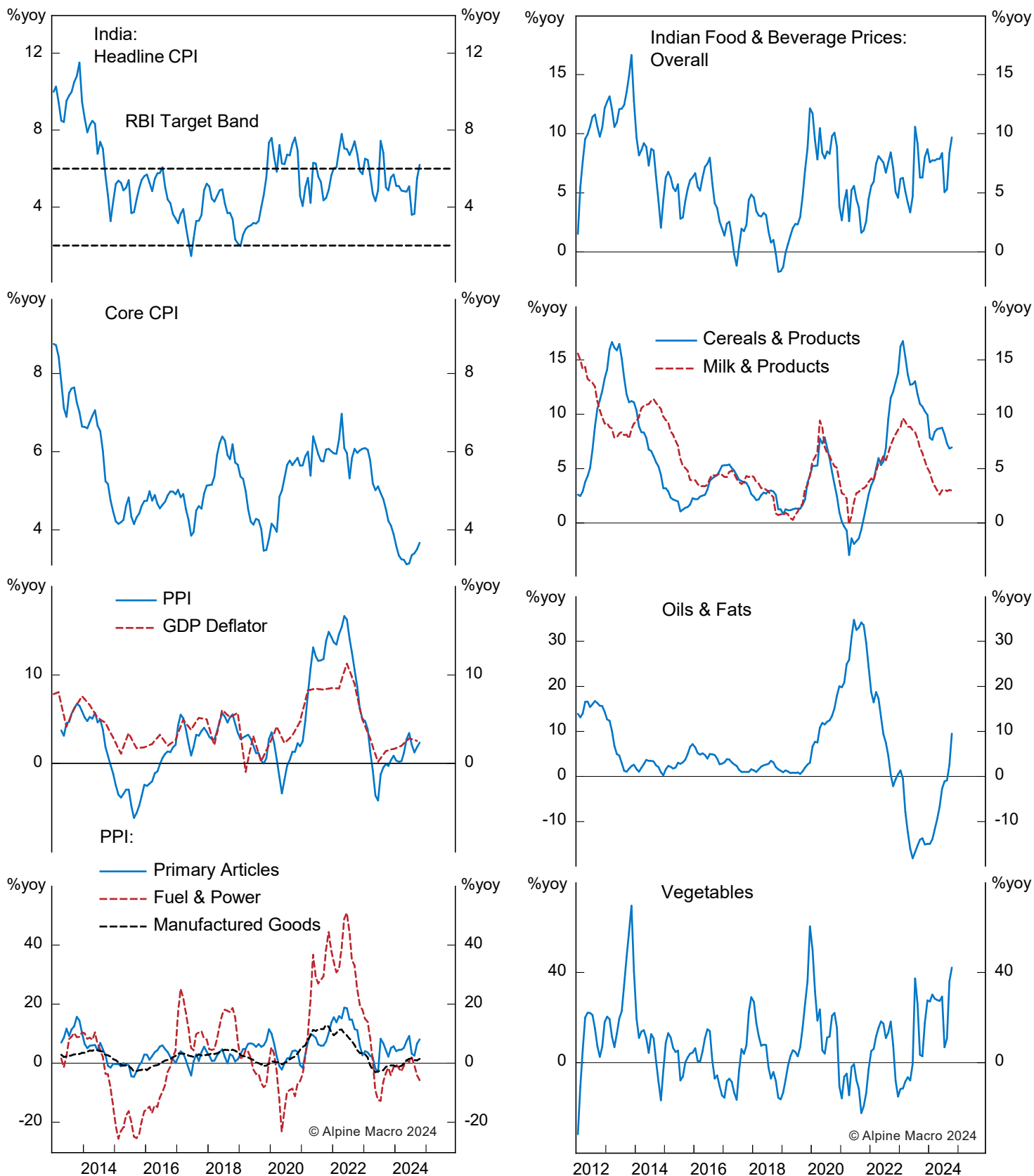


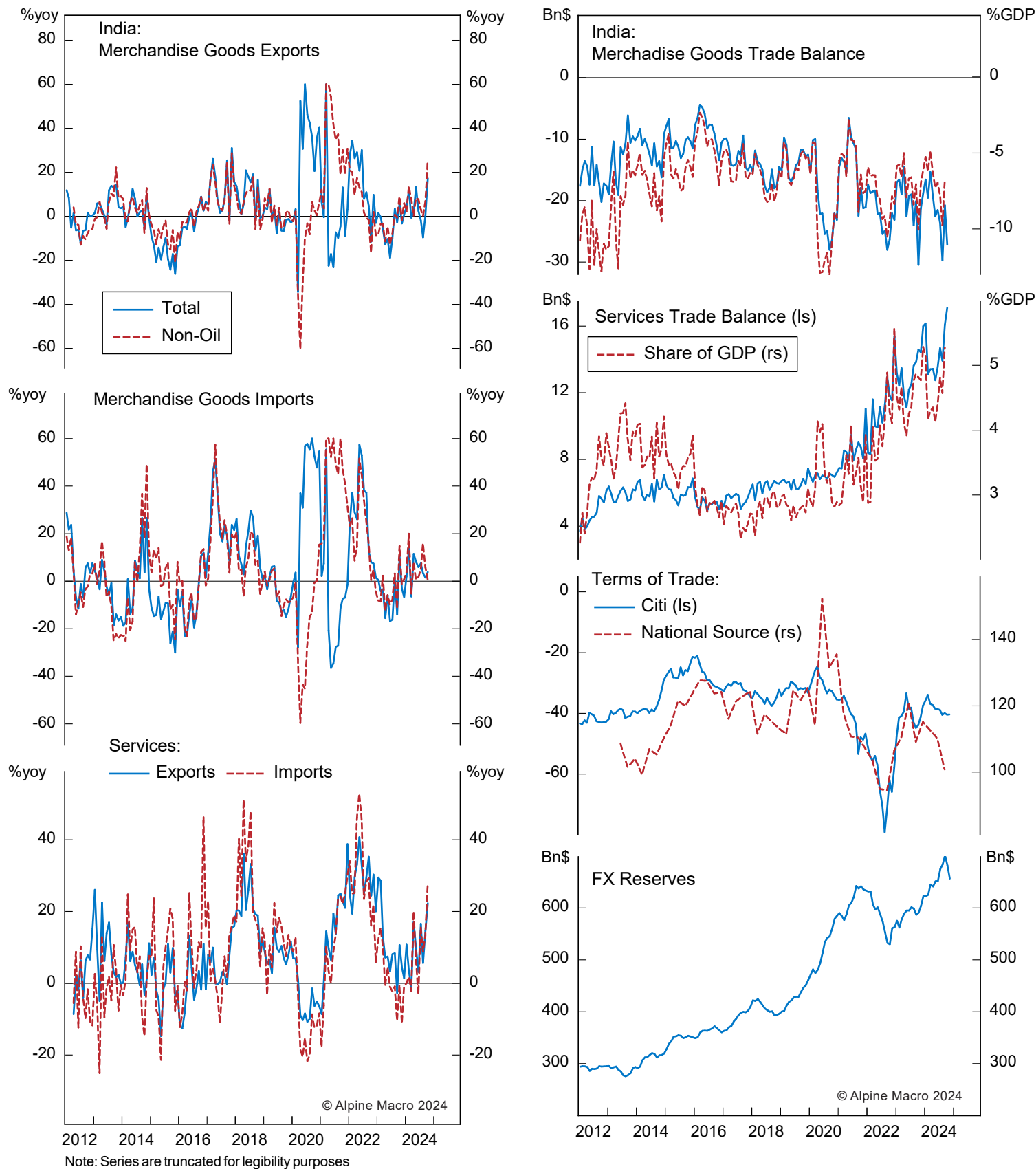
\*Excluding the impact of bank merger; source: CEIC

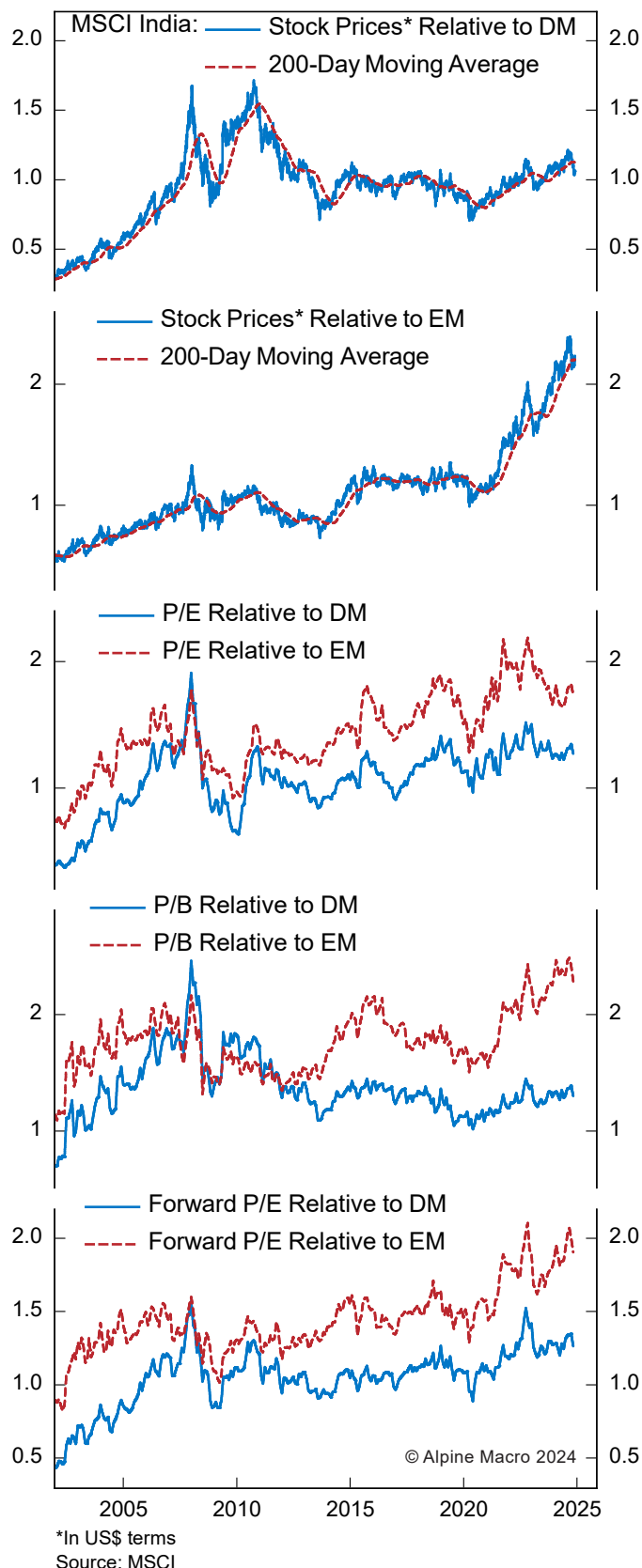
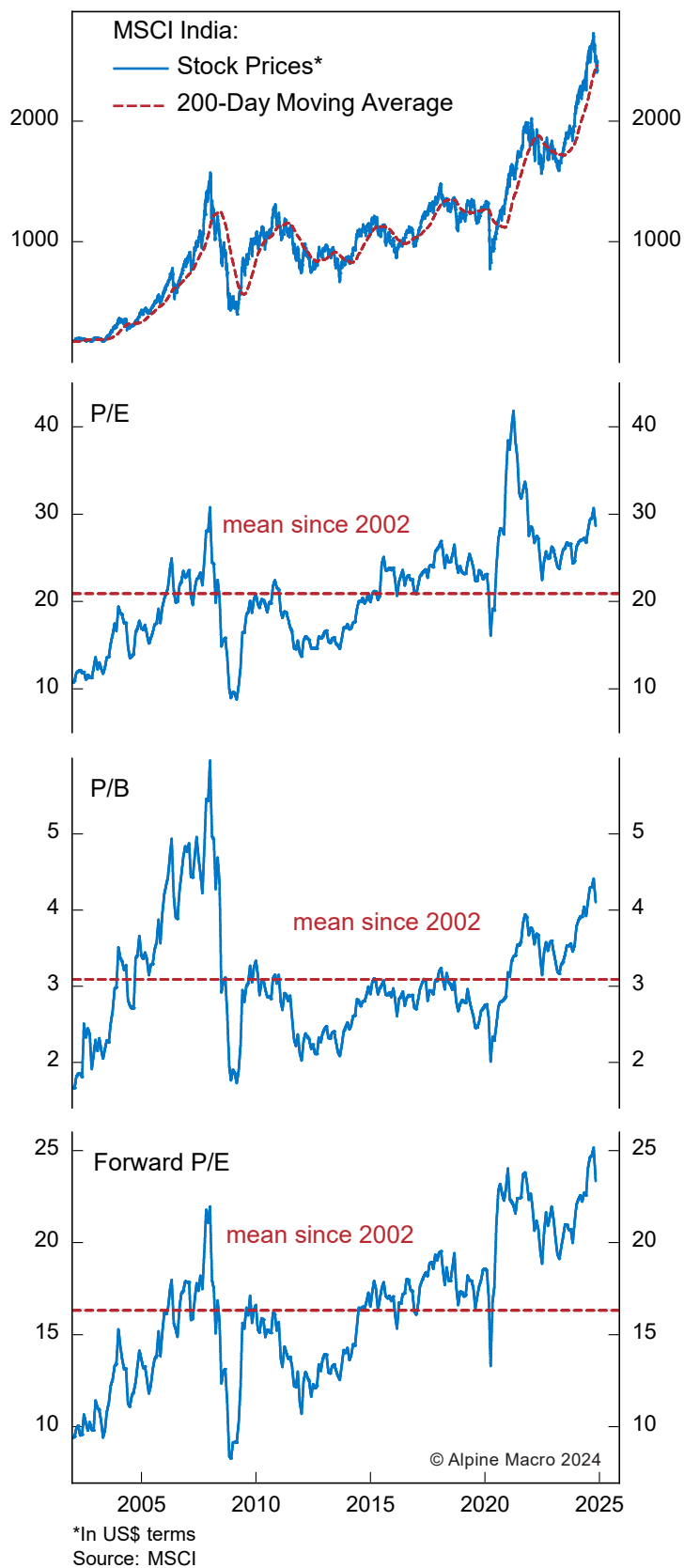
\*\*Truncated at +20/0

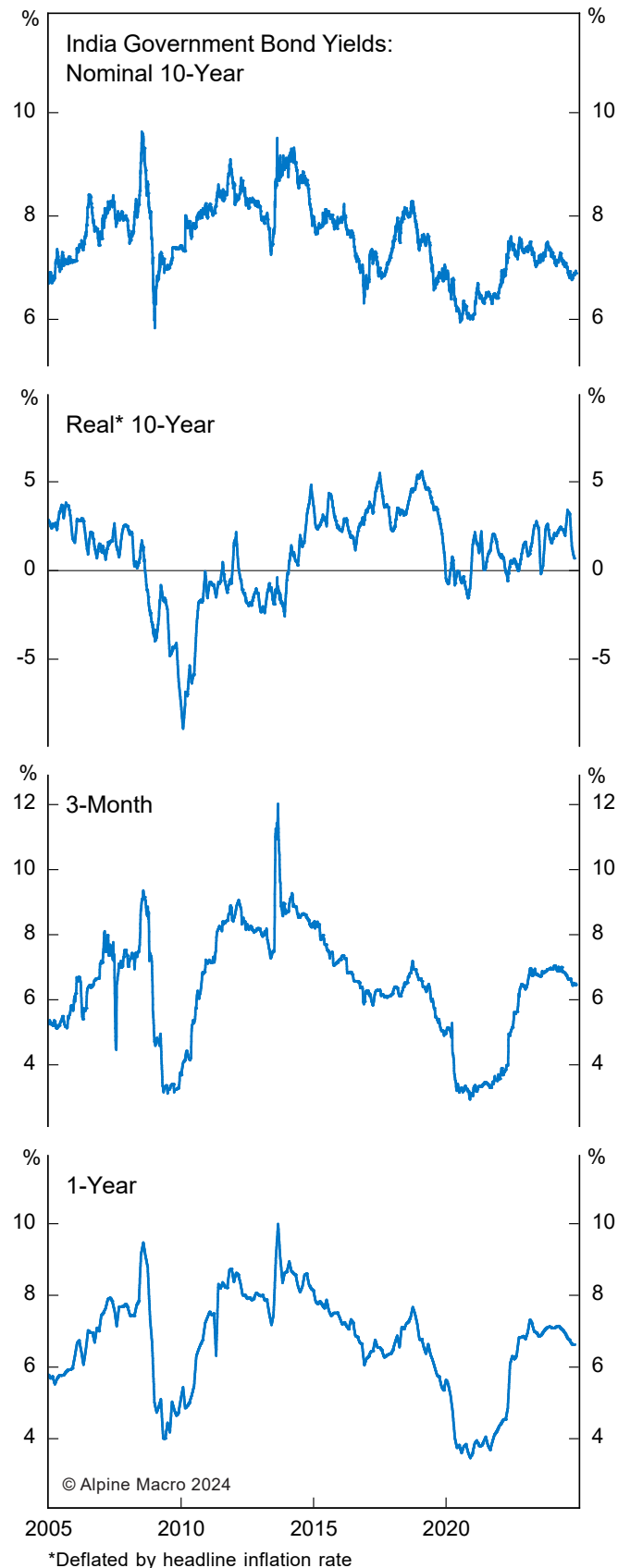
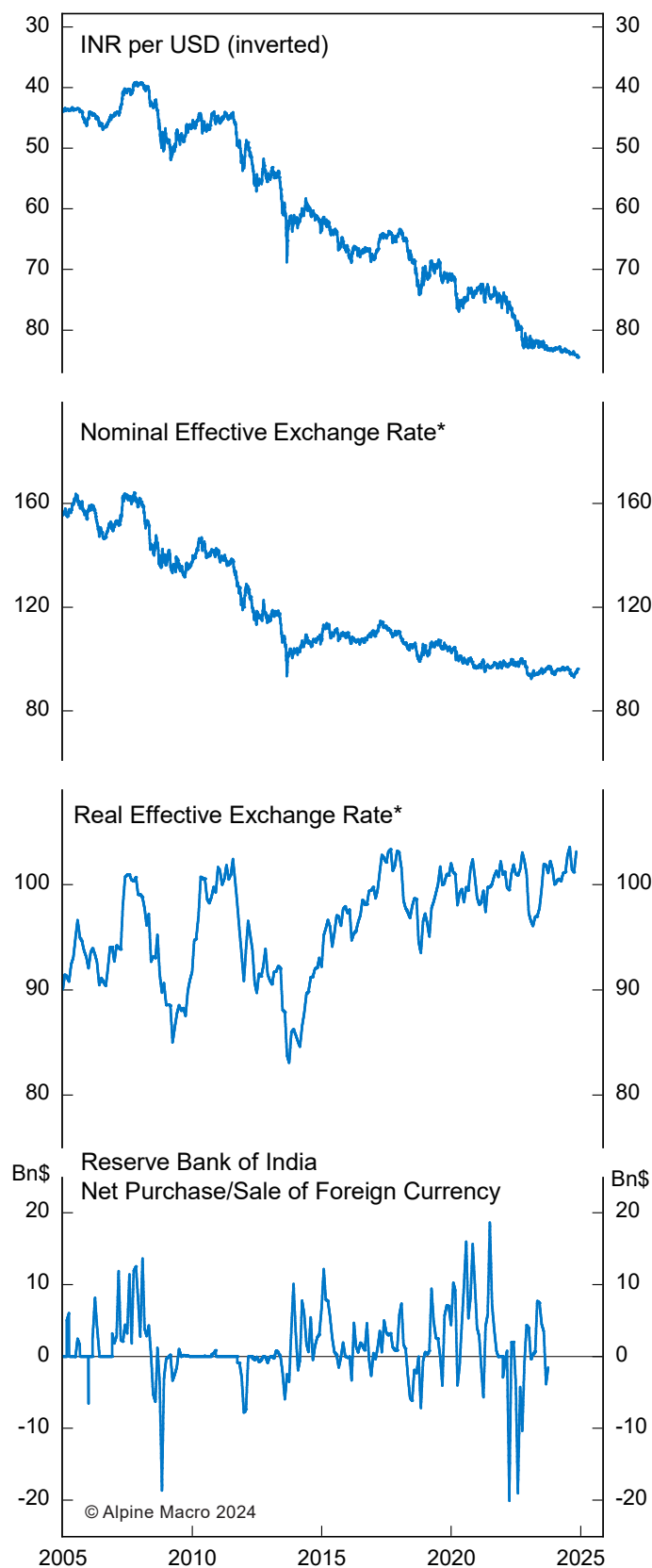
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## Investment Recommendations

## Strategic Positions (6 - 12 months)

| Recommendations   | Open Date  | Closing Date | Total P&L | Notes   |
|---|------------|--------------|-----------|---|
| Long Colombian 10-year Government Bond, Currency Unhedged | 11/21/2023 |              | 1.8%      | Long Colombian 10-year Government Bond, Currency Unhedged; <b>stop point at -10%.</b> |
| Long MSCI Greece Equity Index                             | 11/21/2023 |              | 1.6%      | Long MSCI Greece Equity Index in US\$ terms; <b>stop point at -10%.</b>               |
| Long Indian 10-year Government Bond, Currency Unhedged    | 06/04/2024 |              | 4.3%      | Long Indian 10-year Government Bond, Currency Unhedged; <b>stop point at -10%.</b>    |
| Long Malaysian Equities, Currency Unhedged                | 08/20/2024 |              | -3.7%     | Long MSCI Malaysia Equity Index in US\$ terms; <b>stop point at -10%.</b>             |
| Long ASEAN Equities, Currency Unhedged                    | 09/17/2024 |              | -9.3%     | Long MSCI EM ASEAN Index in US\$ terms; <b>stop point at -10%.</b>                    |
| Long BRL/MXN  | 09/23/2024 |              | -4.1%     | Long Brazilian Real versus Mexican Peso; <b>stop point at -10%.</b>                   |
| Short CNY/JPY   | 10/29/2024 |              | 4.4%      | Short Chinese Yuan against Japanese Yen; <b>stop point at -5%.</b>                    |

## Tactical Investment Positions (3 - 6 months)

| Recommendations              | Open Date   | Closing Date | Total P&L | Notes  |
|------------------------------|-------------|--------------|-----------|--|
| Short CZK/HUF                | 06/05/2023  |              | 0.8%      | Short Czech Koruna versus Hungarian Forint; <b>rolling stop point at -5%, or 0.1% from current level.</b>  |
| Long MSCI China Equity Index | 02/20/2024  |              | 20.3%     | Long MSCI China Equity Index in US\$ terms; <b>rolling stop point at -10%, or -3% from current level.</b>  |
| Short COP/CLP                | 03/05/2024  |              | 8.3%      | Short Colombian Peso versus Chilean Peso; <b>rolling stop point at -5%, or -2.2% from current level.</b>   |
| Long CSI 300 Index           | 02/20/2024* |              | 8.0%      | Long China A-shares Index in US\$ terms; <b>stop point at -10%.</b><br>*Trade opened on Feb 20, 2024, closed on Sep 13, 2024 and reopened on Sep 24, 2024. |
| Short CNY/USD                | 10/29/2024  |              | 2.2%      | Short Chinese Yuan against US Dollar; <b>stop point at -5%.</b>  |
| Short THB/SGD                | 11/05/2024  |              | 0.3%      | Short Thai Baht versus Singapore Dollar; <b>stop point at -5%.</b>   |

## EM Equity Country Allocation

| Strong Overweight | Overweight   | Neutral | Underweight    | Strong Underweight |
|-------------------|--------------|---------|----------------|--------------------|
|                   | Brazil       |         | India          |                    |
|                   | Chile        |         | Czech Republic |                    |
|                   | China        |         | Hungary        |                    |
|                   | Colombia     |         | Mexico         |                    |
|                   | Greece       |         | Peru           |                    |
|                   | South Africa |         | Poland         |                    |
|                   | Indonesia    |         | Taiwan         |                    |
|                   | Philippines  |         | Turkey         |                    |
|                   | Malaysia     |         |                |                    |
|                   | Thailand     |         |                |                    |
|                   | South Korea  |         |                |                    |

## EM Equity Sector Allocation

| Strong Overweight      | Overweight             |
|------------------------|------------------------|
|                        | Materials              |
|                        | Health Care            |
|                        | Consumer Discretionary |
|                        | Consumer Staples       |
| Neutral                |                        |
| Energy                 |                        |
| Communication Services |                        |
| Information Technology |                        |
| Financials             |                        |
| Strong Underweight     | Underweight            |
|                        | Industrials            |
|                        | Utilities              |

## EM Local-Currency Government Bond Allocation

| Overweight | Neutral      | Underweight    |
|------------|--------------|----------------|
| Indonesia  | Poland       | Czech Republic |
| Peru       | Hungary      | Thailand       |
| Brazil     | South Korea  | China          |
| Colombia   | Malaysia     | Taiwan         |
| Chile      | Philippines  | Turkey         |
| India      | South Africa |                |
|            | Mexico       |                |



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