

INDIAN ECONOMY AND MARKET AT A GLANCE

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On a recent *China of Tomorrow* podcast, Liqian and Aneeka chatted with senior portfolio manager Wei Huang of The Stanley-Laman Group, who manages active China and India portfolios. We've written before on how [India and China are similar due to their heavy reliance on imported oil and domestic coal](#).

In this episode, Wei and Aneeka see three tailwinds for the Indian economy in 2022: (1) continued [dovish monetary policy](#), (2) the government's plan to sell off state assets to finance infrastructure investment, similar to China 20 years ago, and (3) sectors like software and real estate that can reap the benefits of domestic and global growth.

The [International Monetary Fund \(IMF\)](#) projected India's 2022 growth at 9%, the highest among developing economies.

World Economic Outlook, January 2022 Update: Selected Economies Real GDP Growth (percent change)

	Estimate		Projections		Difference from October 2021 WEO Projections 1/	
	2020	2021	2022	2023	2022	2023
Argentina	-9.9	10	3	2.5	0.5	0.5
Brazil	-3.9	4.7	0.3	1.6	-1.2	-0.4
China	2.3	8.1	4.8	5.2	-0.8	-0.1
Egypt	3.6	3.3	5.6	5.6	0.4	0
India	-7.3	9	9	7.1	0.5	0.5
Indonesia	-2.1	3.3	5.6	6	-0.3	-0.4
Korea	-0.9	4	3	2.9	-0.3	0.1
Malaysia	-5.6	3.5	5.7	5.7	-0.3	0
Mexico	-8.2	5.3	2.8	2.7	-1.2	0.5
Philippines	-9.6	4.6	6.3	6.9	0	-0.1
Poland	-2.5	5.4	4.6	3.7	-0.5	0.2
Russia	-2.7	4.5	2.8	2.1	-0.1	0.1
Saudi Arabia	-4.1	2.9	4.8	2.8	0	0
South Africa	-6.4	4.6	1.9	1.4	-0.3	0
Thailand	-6.1	1.3	4.1	4.7	-0.4	0.7
Turkey	1.8	11	3.3	3.3	0	0
United States	-3.4	5.6	4	2.6	-1.2	0.4

Source: International Monetary Fund's World Economic Outlook, 1/22

India’s wholesale price inflation has been running high, sometimes above 5%, the threshold the Reserve Bank of India watches for heightened inflation risk. But the expectation is that its monetary stance is still on the looser side, and it won’t flirt with rate increases until 2023, setting itself apart from other emerging markets (EM) countries like Brazil, Russia and Korea that have aggressive rate tightening.

India Treasury Curves with Different Maturities



Source: Dataytes

Historically, Indian equities have traded at rich valuations. As of January 31, 2022, the [MSCI India Index](#) had a slightly higher [price-to-earnings ratio \(P/E\)](#) than the [S&P 500](#). Earnings weighting instead of market-cap weighting made the portfolio substantially more value-oriented and less growth-oriented, as the [WisdomTree India Earnings Index](#) shows. Plus, an earnings-weighted index has higher quality measures, such as [return on equity \(ROE\)](#).

Characteristic	MSCI India Index	WisdomTree India Earnings Index	SP 500
Price/Earnings (P/E)	25.4	11.6	24.1
Percent Negative Earn	2.43%	0.78%	1.11%
Price-Cash Flow (P/CF)	18.19	9.12	16.96
# of Stocks	107	553	505
Wgt Ave. Est. Long-Term Growth	27.1%	19.9%	15.7%
Return on Equity (ROE%)	15.4%	17.2%	18.3%
Leverage	4.42	4.91	4.55

Sources: WisdomTree, FactSet, 1/31/22

We mentioned that as the developed world becomes more accustomed to working from home, India’s software services industry will continue benefiting from both domestic and

global outsourcing businesses. He's positive on India's pharmaceutical industry for its high pricing power and India's real estate sector.

For those interested, please listen to the full conversation below.

Interview with Stanley-Laman Group and WisdomTree Europe

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

Related Funds

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DEFINITIONS

Dovish: Description used when stimulation of economic growth is the primary concern in setting monetary policy decisions.

Monetary policy: Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

International Monetary Fund: international organization for global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth around the world.

MSCI India Index: A market capitalization-weighted index designed to measure the performance of the Indian equity market.

Price-to-earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

WisdomTree India Earnings Index: A fundamentally weighted Index that measures the performance of companies incorporated and traded in India that are profitable and that are eligible to be purchased by foreign investors. Companies are weighted in the Index based on their earnings in their fiscal year prior to the Index measurement date, adjusted for a factor that takes into account shares available to foreign investors.

Return on Equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.