

Insights in 140 words

Macro

Indian elections - Narendra Modi is expected to perform miracles. He can start by pleasing the rain gods. Weathermen forecast a one in two chance of monsoon rainfall being more than five per cent below normal this year. The last three times that happened agriculture growth in India averaged zero. While only 15 per cent of total output, agriculture has significant second order effects. For instance between one-quarter and one-half of cars and two-wheelers are sold in rural areas. Estimates for the impact of a poor monsoon range from 0.5 to 1.75 percentage points off output and up to 2 percentage points on inflation. But Modi mania has pushed up Indian stocks by one-third since September in dollar terms - a valuation premium to regional equity indices not seen since markets cheered the 2009 election results. Investors need to pray for some rain too.

Strategy

Market extremes - The problem with historical comparisons when interpreting markets is they can be useless for a long time - until suddenly they explain everything. As the S&P 500 briefly touched 1900 this week its capitalisation overtook the annual output of the US economy. The ratio of market cap to output now lies squarely between 92 and 125 per cent, the cyclical peaks of 2000 and 2007 respectively. Those worrying about the current rally also point to Shiller's cyclically adjusted price to earnings multiple at 25 times - well above the long-term average of 17. The trouble is that the last two times the CAPE crossed 25 (in 1996 and 2003) the bull market was just getting started and ran for another four years. Similar 'extreme but may go extremer' arguments exist for volatility, eurozone periphery sovereign yields, high-yield corporate bond spreads and more.

Stocks

Sony - It is becoming harder to put Sony's epic implosion into words. Let's try. This week's warning of a loss for the year (analysts expected a \$60bn profit!) means the Japanese electronics maker will have been in the red for six out of the last seven years. Indeed aggregating Sony's net profits over a decade gives you a negative number. So much for ten years of restructuring, which has now cost one trillion yen (a lot of money in any currency) over the period. As well as being unprofitable no one wants what Sony makes either - its revenues are exactly the same today as in 2004 (as is the yen versus the dollar by the way). By contrast sales at Apple grew more than twenty fold. Sony shares are down 50 per cent in that time. Even dozy Microsoft's have doubled.

Finance

Investment banking - Investment bankers say it is all about returns nowadays but inside they still vibrate to movements in market share and rankings. So who were the winners and losers over the

first quarter? At first glance it looks like the same old procession with JPMorgan top in terms of global capital markets revenues and Goldman Sachs second - where they have placed respectively since 2011. But the former lost the number one spot in both FICC trading and advisory during the quarter. Citigroup is now top dog in FICC - with 10 per cent global share - and indeed wins the most improved award moving from seventh in 2011 to third place overall. Heading the other way Barclays global capital markets share dropped below 6 per cent for first time since 2007. More existentially UBS now risks falling out of the top ten altogether.

Digestif

Young achievers - Mark Zuckerberg turned 30 on Wednesday, with a billion dollars for every year alive. What next? Many greats peaked at 30. Alexander the Great, for instance, or John Lennon when The Beatles split. Bjorn Borg retired at 26. But others are just getting started at 30. Half of Sachin Tendulkar's 16,000 test runs came later in life, ditto ten of Jack Nicklaus's 18 majors. Michelangelo had finished his Pieta and David statues by 30 but still had the Last Judgment and Sistine Chapel to come. A 30- year old Marx penned the Communist Manifesto. Einstein's special theory of relativity came in his twenties with the general theory to follow later. Some greats changed course completely at 30. It was when the Buddha supposedly gave up his wealth in search of enlightenment. Mark still has 12 years to become America's youngest president.