PACE 360

Redefining and Revolutionizing Finance & Wealth

Weekly Report and Outlook on Global Markets

6th March 2020

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Market Developments

Economic Indicators

Country	Service PMI		Manufacturing PMI		Composite PMI		GDP Q4 (YoY)	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous
Italy	52.1	51.4	48.7	48.9	50.7	50.4	0.1%	0%
France	52.5	52.6	49.8	49.7	52	51.9	0.9%	0.8%
Germany	52.5	53.3	48	47.8	50.7	51.1	0.3%	0.3%
UK	53.2	53.3	51.7	51.9	53	53.3	1%	1.1%
Eurozone	52.6	52.8	49.2	49.1	51.6	51.6	0.9%	1%
Malaysia	NA	NA	48.5	48.8	NA	NA	3.60%	4.40%
Indonesia	NA	NA	51.9	49.3	NA	NA	4.97%	5.02%
South Korea	NA	NA	48.7	49.8	NA	NA	2.30%	2.20%
Philippines	NA	NA	52.3	52.1	NA	NA	6.40%	6.20%
Thailand	NA	NA	49.5	49.9	NA	NA	1.60%	2.40%
Taiwan	NA	NA	49.9	51.8	NA	NA	3.31%	3.38%
Japan	46.8	46.7	47.8	47.6	47	47	-6.31%	1.80%
China	26.5	51.8	40.3	51.1	27.5	51.9	6%	6%
India	57.5	55.5	54.5	55.3	57.6	56.3	4.70%	4.50%
Australia	49	48.4	50.2	49.8	49	48.3	2.20%	1.70%
Singapore	NA	NA	NA	NA	47	51.4	1%	0.80%
Russia	52	54.1	48.2	47.9	50.9	52.6	NA	NA

Chinese Stocks show resistance to Corona Virus

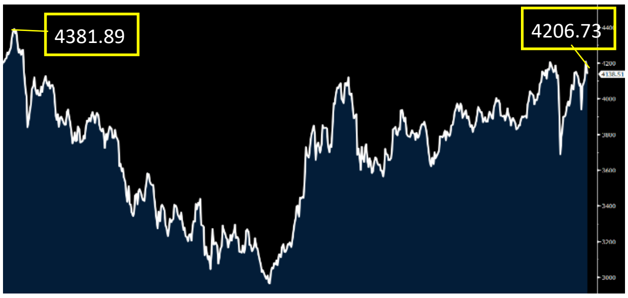


Figure 1: The chart represents CSI 300 Index that consists of 300 A-share stocks listed on Shanghai or Shenzhen Stock Exchanges for the period February 2018 to March 2020

Chinese stocks closed at their highest in two years on Thursday, erasing the last of the declines fueled by the coronavirus outbreak. The CSI 300 Index closed up on Thursday at CNY 4206.73, on pace for its best week since November 2015, before finally closing at CNY 4138.5 on Friday.

It took Chinese equities just two weeks to reverse a record $720 billion rout last month, part of the resilience its markets have shown in the face of the outbreak.

The move is a result of monetary and fiscal stimulus provided by the Chinese authorities by the means of cutting benchmark lending rates and injecting liquidity in the system. Stock investors have in recent days shifted to sectors like infrastructure which would benefit from fiscal stimulus pledged by authorities to stem the virus' impact. Stocks globally have recovered up to a certain extent from the bottoms they made last week though weakness still persists.

Turn of Events in the Democratic Presidential Nomination Process

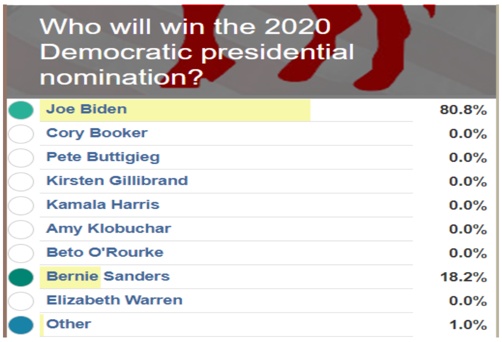


Figure 2: The poll has been taken from Hypermind- a leading prediction markets company

Super Tuesday's results boosted Biden's candidacy as he was awarded 512 delegates, whereas Bernie sanders was awarded 441 out of the 1357 delegates in contention. The total delegates present on super Tuesday accounted for about 34% of the total. Super Tuesday's results showed Biden won in Alabama, Arkansas, Maine, Massachusetts, Minnesota, North Carolina, Oklahoma, Tennessee, Texas and Virginia. Bernie Sanders however won in the delegate rich California primary as well as Colorado, Utah and Vermont.

Before the super Tuesday Bernie Sanders won the popular vote in the Iowa caucus and claimed a victory in the Nevada caucus and the New Hampshire primary. Situation reversed when Pete Buttigieg dropped out of the race and started endorsing Joe Biden. It gave a much required spark to Biden's candidacy and as a result in most of the national polls Biden is leading by a healthy margin.

Major Moves this week

United States 10 Year Treasury Yield

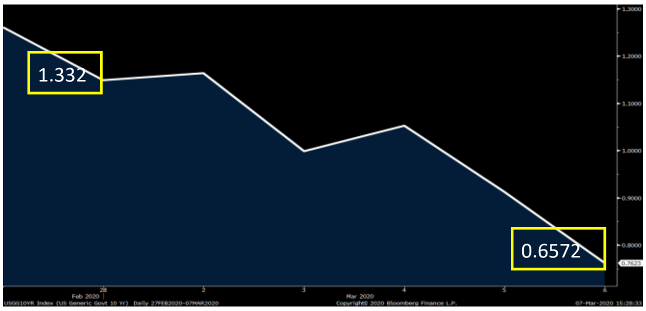


Figure 1: The chart represents United States 10 Year Treasury for the period:- 27 February 2020 to 6 March 2020

- US 10 year Bond yields fell to half of what it was on Thursday last week. This was predominantly due to Federal Reserve cutting 50 basis points from Fed Funds Rate, with more rate cuts yet to come, and also due to weakness in global equities

Euro/United States Dollar

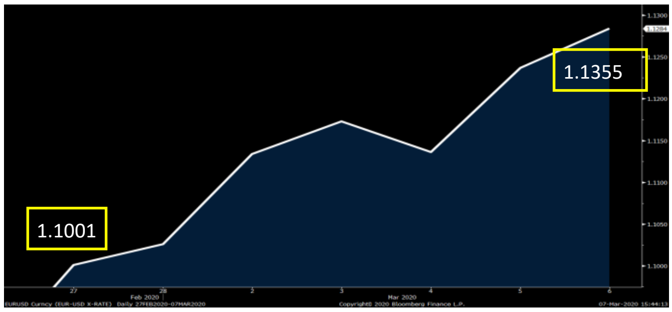


Figure 2: The chart represents the currency pair EUR/USD for the period:- 27 February 2020 to 6 March 2020

- Euro appreciated against dollar due to the anticipation that the interest rate differential which has already decreased by 50 basis points this week will reduce even further with more rate cuts

Brent Crude Oil(in US$ per barrel)

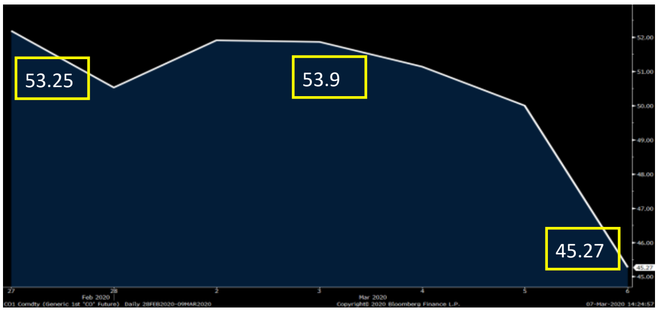


Figure 3: The Chart represents ICE Brent futures (in US$) for the period:- 27 February 2020 to 6 March 2020

- Crude oil initially recovered by 6% from last week's low due to hope of much anticipated production cuts from OPEC+ as well as central banks stimulus to combat corona virus but closed at $45.27 due to collapse of OPEC+ talks

Gold(in US$ per ounce)

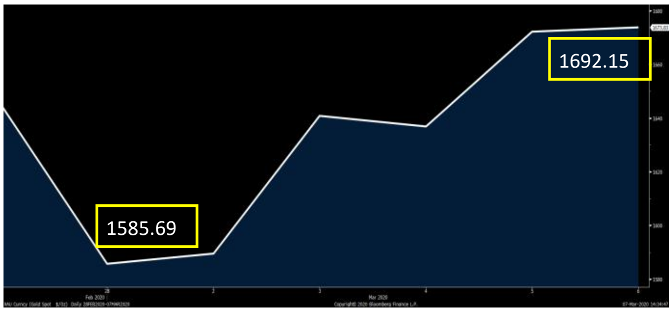


Figure 4: The chart represents Gold Spot in $/ounce for the period:- 28 February 2020 to 6 March 2020

- The safe haven gold recovered from last week's close price of $1585.69/ounce and reached a new all time high of $1692.15/ ounce on Friday, owing to record low US Treasury yields and uncertainty in the financial markets

US Dollar/ Japanese Yen

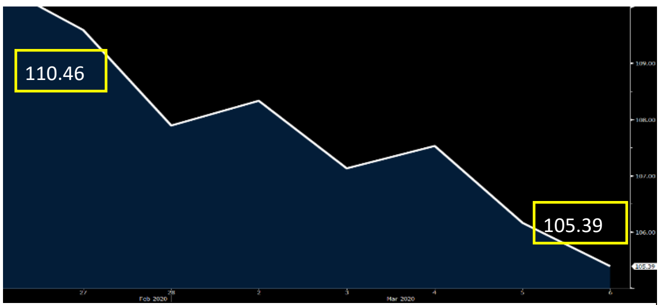


Figure 5: The chart represents the currency pair USD/JPY for the period:-27 February 2020 to 6 March 2020

- Yen appreciated against US Dollar throughout the week due to a decrease in interest rate differential between USA and Japan, and also due to increase in the demand of the safe haven asset class in the present risk off environment

US Dollar/ Indian Rupee

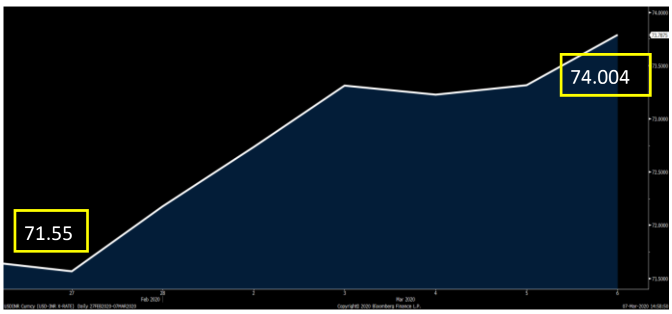


Figure 6: The chart represents the currency pair USD/INR for the period:- 27 February 2020 to 6 March 2020

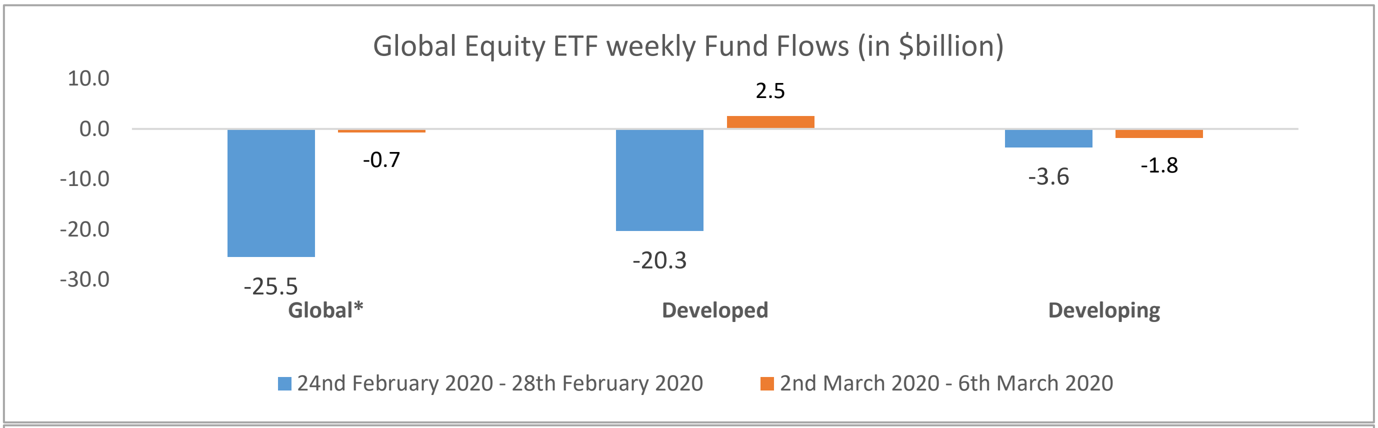
- The currency pair USD/INR has been appreciating since the starting of the week owing to reversal of carry trade, weak equity market and recent corona virus cases found in the country

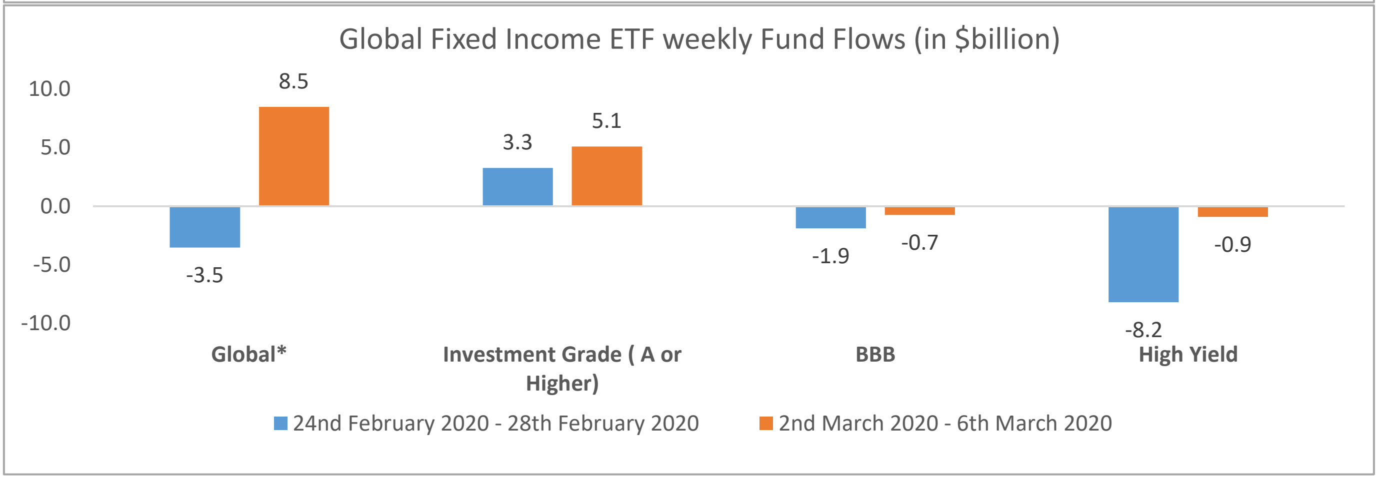
Global Fund Manager's Statements

1) **Jeffrey Gundlach (Founder, DoubleLine Capital LP) –** "The Fed is going to cut rates again. May be in the march meeting and the short term rates are heading towards zero and weekly initial jobless claims will be a key data point. The US Dollar is going to get weaker and 10 year US treasury yield is close to its low. Gold is an asset class that you are supposed to own."

2) **Scott Minerd (Founder, Guggenheim Partners)–** "While I believe this rate cut is a necessary act, I doubt it is sufficient to bail out the market. US stocks could fall an additional 15% or more from their current levels and the yield on 10-year Treasuries could fall to 0.25%, while 30-year bonds yielding 1% is almost inevitable at this point."

Global ETF Fund Flows





**Please note that the Global ETF fund flows for both the categories(Equity and Fixed Income) will not be equal to the sum of their respective sub-categories which are mentioned on their right side since there are other sub categories as well*

PACE 360's Future Outlook

"We believe that because of corona virus and the consequent disruptions in the economic activity in large parts of the world, financial markets have been extremely jittery over the last two weeks. However, we must take into consideration the huge amount of monetary and fiscal stimulus being thrown at the economy and financial markets by central banks and government all over the world. Hence once the worst of the corona virus related destruction are adequately discounted by the financial markets we can expect a robust rally in risk assets. Therefore we recommend that over the next two to three weeks one should closely track the risk assets and start buying them once their respective bottoms are in place. We will be on the lookout for such trends to play out and convey our investment recommendations and macro signals accordingly."

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