



Weekly Report and Outlook on Global Markets

20th March 2020

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MARKET DEVELOPMENTS

Asian Credit markets suffer another Worst-in-Decade rout this week



Figure 1: The chart depicts the spread demanded by investors for holding Asian Dollar denominated bonds over Treasuries

Bloomberg Barclays Index. On the other hand in Europe, situation in their credit market has calmed a bit after the introduction of £750 billion bond buying package.

In Asia, the extra yield to hold dollar denominated corporate notes over government securities climbed the most since at least 2011.

Issuance of dollar notes dried up even more this week, dropping to \$500 million in just one deal from an already low \$2.65 billion last week, according to data compiled by Bloomberg.

Asia dollar bond spreads were little changed Friday morning, according to traders. They jumped 121 basis points this week through Thursday, the biggest increase since at least 2011, according to a

Spread of Corona Virus slowed in Asia, but Exponential growth persists in Europe and USA

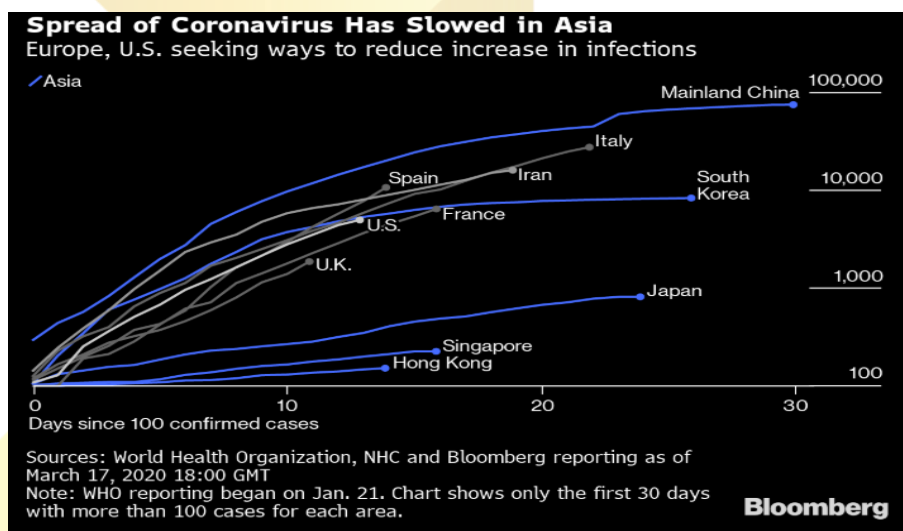


Figure 2: The chart represents Number of cases tested positive with respect to the number of days since 100 cases confirmed

The number of cases tested positive for Covid-19 are plateauing in Asia but they continue to grow exponentially in Europe and USA.

World Health Organization said the disease is now infecting people at a faster pace. It took three months for the first 100,000 cases, but only 12 days for the next 100,000.

Italy is set to reinforce and extend the near-total lockdown after fatalities surpassed those in China, which again reported no new cases in the outbreak's initial hub.

As a part of stimulus to combat the economic impact caused by the spread of the virus, Britain will set out a package to help save millions of jobs and Germany is considering emergency spending measures. California announced a statewide stay-in-place order, the most stringent U.S. effort yet to curb the spread of the virus. The dollar fell on fears other states may follow suit and push the world's largest economy into recession.

Spike in US Money Market Fund Assets



Figure 3: The chart represents Net assets in the US Money Market Fund (in US\$ Trillion) and S&P 500 Index

bonds. The ECB unveiled a temporary program of asset purchases worth 750 billion euros (\$820 billion) to fight the impact of the pandemic, following the launch of a program to support money-market mutual funds by the Fed.

Panic selling in risk assets has caused money to flow into liquid money market funds. A similar phenomenon was observed in the year 2008, where net assets in US money market funds reached a high of US\$ 3.9 trillion. Recently the figure is found to be around US\$ 3.8 trillion.

Policy makers around the world are increasingly rushing to counter what looks like a calamitous shock coming to their economies, but investors have been underwhelmed with many of the moves as the health crisis shows little sign of abating. The rush into cash and havens has battered risk assets almost everywhere, particularly stocks and high-yield

MAJOR MOVES THIS WEEKS

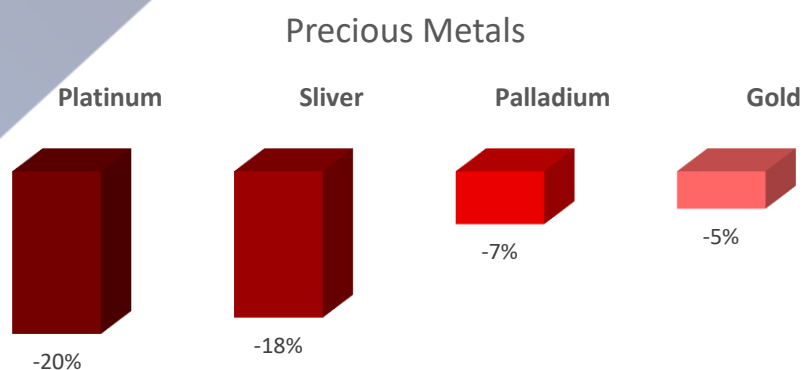


Figure 4: The bar graph represents weekly returns of the respective precious metals

This week was no different than the previous week for precious metals. Gold, which is considered to be an asset class to hold during uncertain times has given negative returns for two consecutive weeks now. Investors covering their position in these precious metals to offset their margin calls in equities could be the reason for this. Industrial precious metals like Platinum, Palladium and Silver have also continued their downtrend with platinum and silver sliding the most.

Currency Returns with respect to USD

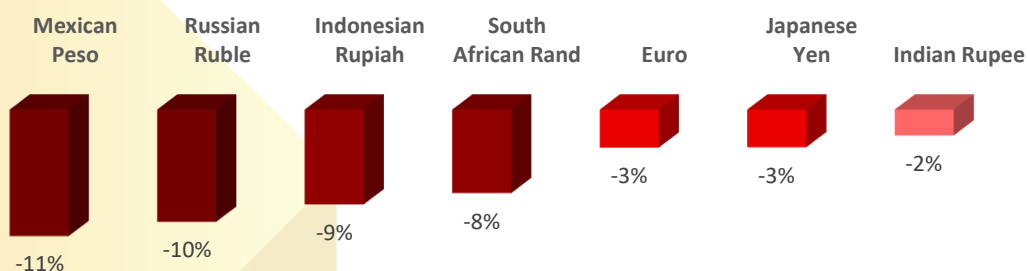


Figure 5: The bar graph represents Currency returns with respect to US Dollar as the base currency

Carry trade reversal and strength in US Dollar were primarily responsible for such a massive depreciation of Emerging currencies like Peso, Rupiah, Ruble, Rand and Rupee. Weakness in crude oil made Ruble and Peso the worst performing currencies this week. Japanese yen which is considered to be a haven currency also lost its ground in front of US dollar while Euro also continued its fall.

Major Stock Index

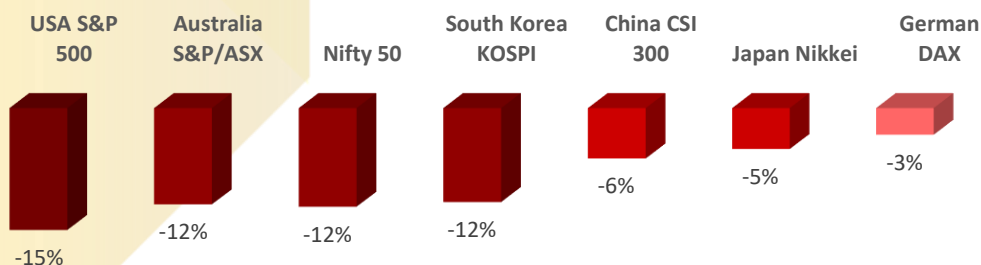


Figure 6: The bar graph represents weekly returns (with respect to last week's closing price) of major stock Index

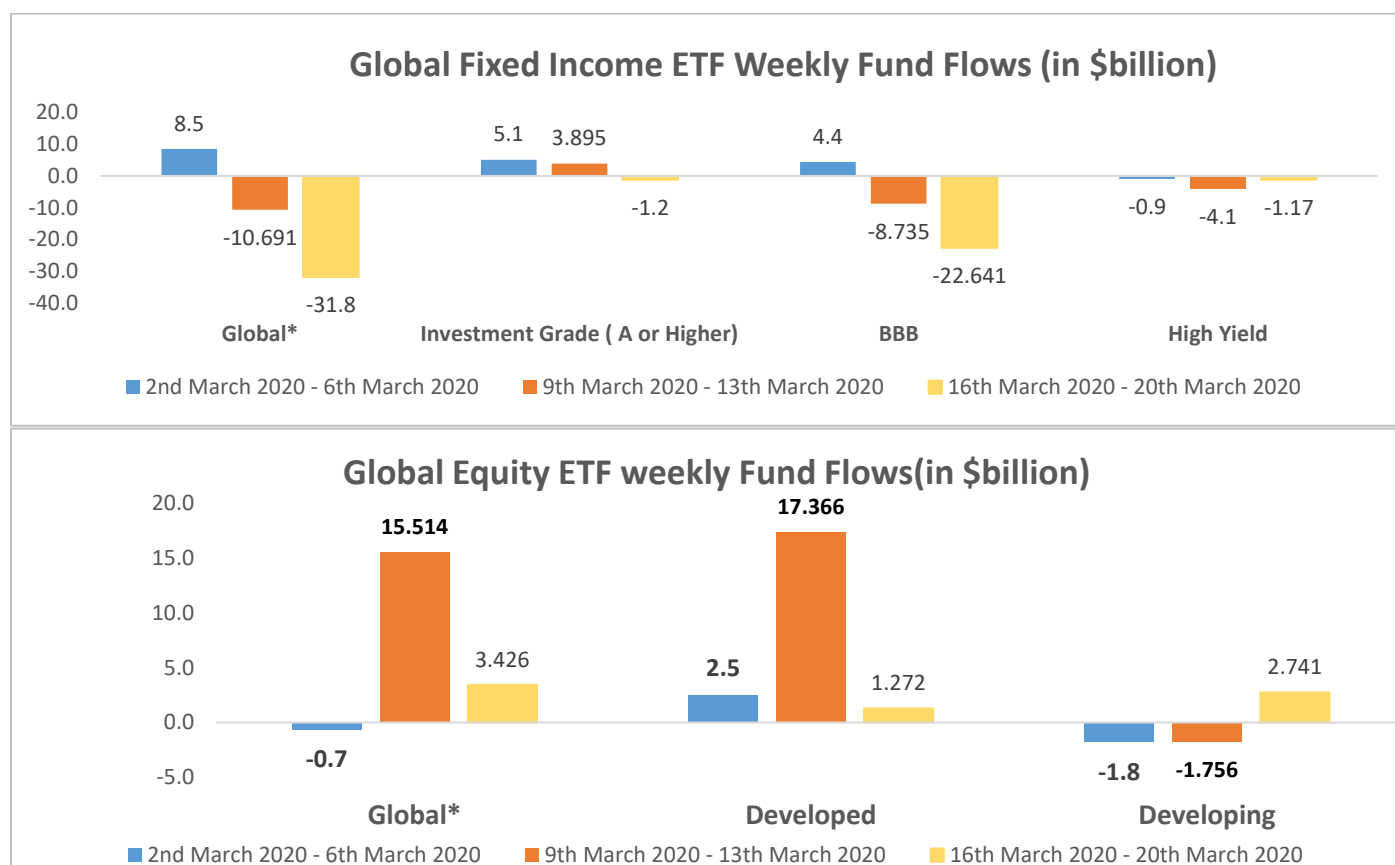
Stock markets of various parts of the world is still absorbing the economical loss caused by Covid-19. S&P500 continued its down trend this week as well. Australia whose service industry has been gravely affected by the virus outbreak is still not been able to recover. Chinese equities have started to show some positive signs with government providing ample amount of stimulus. Rising cases in India and Korea have been a cause of concern for both the countries.

GLOBAL FUND MANAGER'S STATEMENTS

- 1) Jeffrey Gundlach (Founder, DoubleLine Capital LP) on a webcast– “Ultimately gold will go higher, but will miners go up is another question, because they live in the stock market, and may fall alongside the broad market. For the first time in years I am now not short on any US stocks. I covered my last three shorts today at 2:37 PM EDT(on 19th March 2020). The profits were too great to not harvest. Chances of US going into recession is up to 90%.
- 2) Scott Miner (Chairman of Investments and Global CIO) -“ What Fed has done is necessary but not adequate. Corporate bond spreads have widened a lot, but we haven’t seen capitulation in areas like securitization. There is still downside room in stock market and ultimately this is going to be quantitative easing 5(QE), with about \$4.5 trillion in QE to address the shortfall of credit availability. Chances of a global depression are 10%-20% due to virus outbreak.”

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 subcategories as well.*



PACE 360'S FUTURE OUTLOOK

"We believe that gold has bottomed out this week at a level of around US\$ 1450 per troy ounce. We are extremely bullish on gold from that level and we believe that gold can retest its all time high of US\$ 1900 per troy ounce before the end of this year. We also believe that gold miner stocks have made a long term bottom this week. They represent a great value opportunity considering the rally we expect in gold and a potential normalization of equity sentiment over the coming months. We are also turning very bullish on Euro which we believe is very close to its long term bottom. We expect Euro to start a multi-year rally soon against US Dollar which will take it up to the levels last seen in 2008."

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