Weekly Report and Outlook on Global Markets

4th April 2020

Oil majors slash 2020 spending by 20% after prices slump

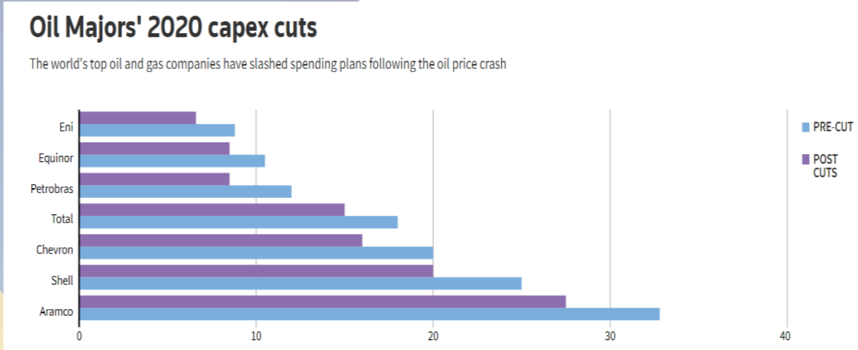

Figure 1: The chart represents capital expenditure (in US$ billion) by major oil producing firms, before and after capex cuts

The world's biggest oil and gas companies are cutting spending this year following a collapse in oil prices driven by a slump in demand because of the coronavirus crisis and a price war between top exporters Saudi Arabia and Russia .

Cuts already announced by eight major oil companies, including Saudi Aramco and Royal Dutch Shell, come to a combined $28 billion, or a drop of 20% from their initial spending plans of $142 billion.

Investors say if the current crisis is prolonged, the spending cuts announced by major oil companies may not be enough to let them maintain dividends without adding to their already elevated levels of debt.

The combined debt of Chevron, Total, BP, Exxon Mobil and Royal Dutch Shell stood at $231 billion at the end of in 2019, just shy of the $235 billion hit in 2016 when oil prices also tumbled below $30 a barrel.

OPEC+ delayed the meeting aimed at ending the oil price wars. Beyond the alliance, Saudi Arabia and Russia have indicated they want other oil countries to join in any output cuts, complicating efforts to call a meeting. The alliance is tentatively aiming to hold the virtual gathering on April 9.

Investors chased newly optimistic corporate credit bets after the Federal Reserve's cannonball

Credit markets weakened with stocks on Wednesday as President Donald Trump told the U.S. to brace for one of its toughest stretches as a nation, with the death toll from the virus projected to potentially top 200,000. The high-grade borrowing bonanza showed no signs of abating.

Overall in March, U.S. investment-grade issuance topped $259 billion for a new monthly record, while European supply passed 135 billion euros ($148 billion), the most since 2016. Asia's dollar market was quiet for most of the month

In European market more than 510 billion euros worth bonds were supplied in this quarter, mainly reflecting huge volumes at the start of the year, and lots of reverse Yankee issuance, which were to the tune of 40 billion euros.

Figure 2: The chart represents global corporate bond sales in the mentioned quarters

US Pension funds may pour $400 billion into stocks.

Over the next two quarters, US pension funds may por in $400 billion into stocks which may boost the battered equity markets. Weeks of asset price volatility may have pushed some fund managers to postpone rebalancing portfolios where equity allocations have been knocked out of whack by a sharp decline in stocks.

J.P. Morgan bank last week had estimated that U.S. corporate pensions will need to shift about $40 billion from fixed income into equities to maintain allocation targets. Its estimate now stands at $20 billion following last week's rally, Schumacher said.

At the same time, mutual funds, pensions and other asset managers rebalancing their portfolio may have stoked some of last week's gains.

EURO-ZONE Purchase Manager's Index.

Country	Purchase Manager's Index		
	Manufacturing	Service	Composite
Italy	40.3	17.4	20.2
France	43.2	27.4	28.9
Germany	45.4	31.7	35
Euro-Zone	44.5	26.4	29.7
UK	47.8	34.5	36

MAJOR MOVES THIS WEEKS

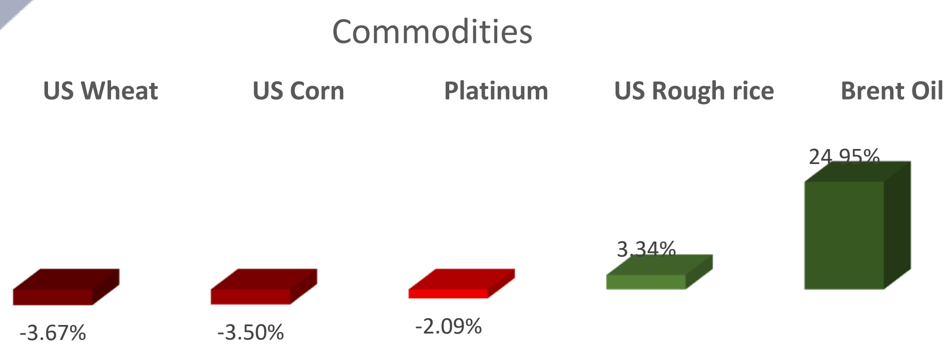

Figure 3: The bar graph represents weekly return comparison of the respective commodities

This week in anticipation of communication between the OPEC+ with respect to the production cuts, the price of crude oil jumped by 24%. Due to the high volatility in the markets and massive inflow of cash into the economy as a result of fiscal stimulus, there have been drastic movements in the agricultural commodities as well.

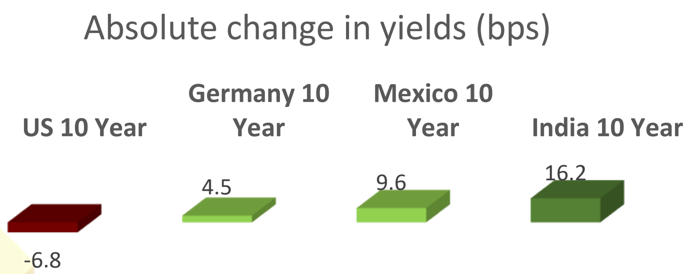

Figure 4: The bar graph represents weekly yield change of various country's 10 year yields in basis points.

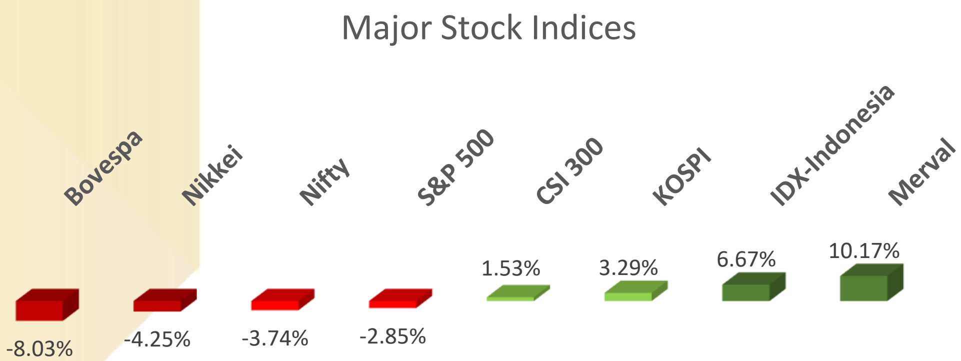

Figure 5: The chart represents Weekly returns of major Stock Index

After a last week's rally in the rally in the equity markets, most of the major indices have largely been sideways due to the uncertainty in the current situation caused by the covid-19 pandemic.

GLOBAL FUND MANAGER'S STATEMENTS

1) Jeffrey Gundlach (Founder, DoubleLine Capital LP) on twitter :- " I think we're going to get something that resembles that panicky feeling again during the month of April," – April 1st 2020.

2) Mark Mobius (Founder Mobius Capital Partner LLP) :- Mark mobius says that the bottom is here and shops for pharma and luxury stocks" We may have already hit the bottom. The difference this time is the massive bailout programmes that are feeding money into the market. Whenever you see a massive flow of cash coming into the market, equities will adjust." – March 31st 2020.

PACE 360'S FUTURE OUTLOOK

"We continue to believe that most of the risk assets bottomed out in March. Some risk assets like EM currencies will probably bottom out this month. We continue to be bullish in risk assets over the next two months period and also over the next 6 months. We would recommend taking advantage of any weakness over the next 3 months to add to longs on risk assets. We continue to be bullish on gold, silver and Euro for long term. We believe that volatility will move lower across asset classes and we will continue to be short on volatility. We believe that it will pay to be a contrarian bull at this juncture if your horizon is at least a few months."

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