Weekly Report and Outlook on Global Markets

14th March 2020

Consumer Demand Is Another Drag on China Stocks' Rebound Hopes

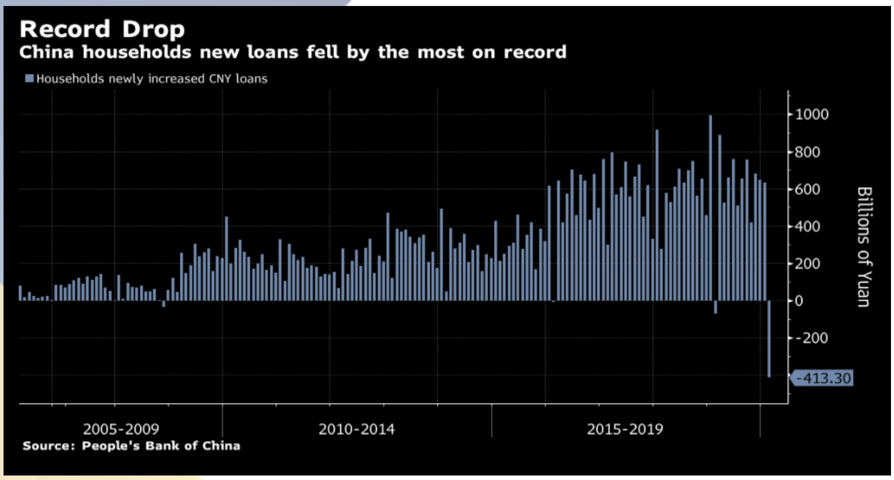


Figure 1: The chart represents the households newly increased CNY loans.

Chinese consumer demand is looking bleaker even as factories are gradually coming back online and the back to work rate is expected to be at 80-85% for the week ending 13th March. That's yet another headwind for the economy struggling to recover from the virus impact. An extension of China stocks' V-shaped rebound looks less assuring. The latest indicators showing deterioration are:

1. Core inflation, excluding food and energy, rose at the slowest pace since June 2010 last month, highlighting the slump in demand.
2. Services PMI posted its lowest ever reading of 26.5 in February, widening its gap with manufacturing which is at 40.3 to a record low. This suggests services companies will struggle more to make up their cash flow losses.
3. New household lending posted a net decline of 413.3b yuan last month on lower property and car sales. This is a clear example of a slump in property market -- a vital engine for economic growth

Monetary & Fiscal Stimulus to the rescue?

Bank of England, similar to the US Fed, cut its benchmark rates by 50 basis points in an emergency move saying that the coronavirus outbreak will damage economic activity.

Countries all over the world have announced massive fiscal stimulus to offset the intensifying downward pressure on their economy caused by the Covid-19 virus. Trump administration proposed economic stimulus which would suspend payroll taxes, extend sick leave, boost unemployment benefits which would cost above $ 1 trillion. In addition to this, the European central bank had decided on Thursday to buy up to 120 billion euros ($132 billion). Other countries which announced fiscal stimulus this week are Australia, Indonesia, South Korea and UK.

Region	Stimilus Package	Stimulus as a % of GDP
Australia	$ 11 Billion	0.76%
China	$ 283 Billion	1.99%
Euro-zone	$ 132 Billion	0.94%
Indonesia	$ 8.1 Billion	0.72%
United Kingdom	$ 39 Billion	1.34%
United States	$ 1000 Billion	4.72%

Figure 2: The chart represents the fiscal stimulus package given out by different countries in the week ending March 13th, 2020 and the fiscal package as a % of the country's GDP.

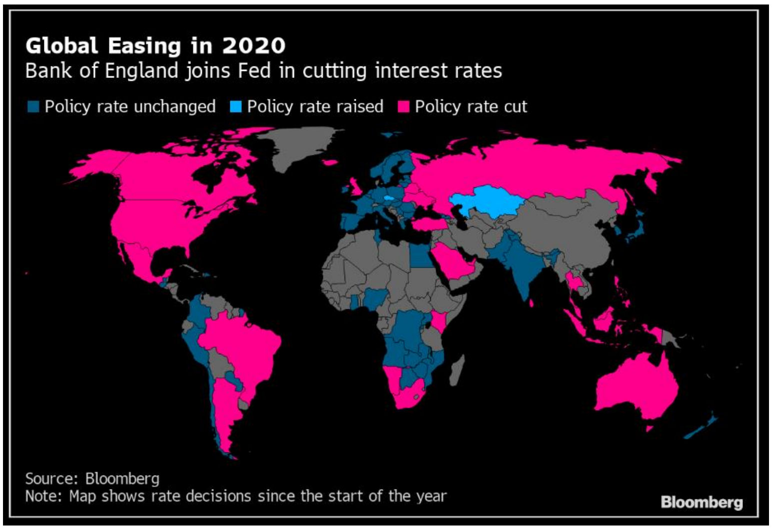


Figure 3: The chart represents the change in policy rates of different countries in the world.

Slump in Credit Markets

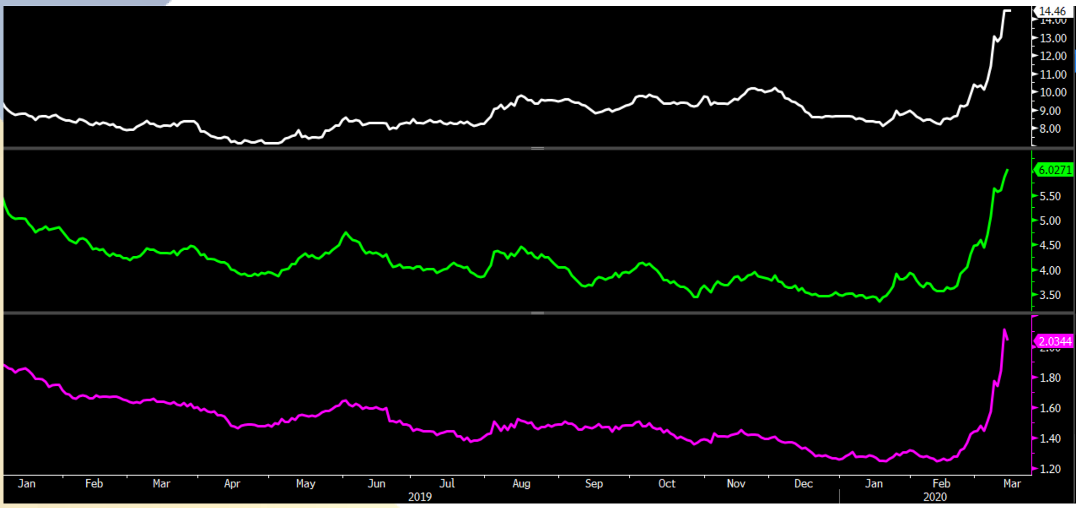


Figure 4: The chart represents the yield spreads of CCC, B and BBB rated bonds in US respectively.

Credit markets wavered towards the end of their worst week since the global financial crisis due to the rising anxiety that a coronavirus recession will trigger waves of corporate defaults.

Authorities from Beijing to London to Washington are pulling out all possible measures to limit the damage but are facing challenges as most companies were under debt loads even before the coronavirus crisis.

PBOC cute the banks' reserve requirement ratio by half to 1 percentage point from their original level of 12.5%. though this measure will not have any immediate impact on the deteriorating credit scenario, it helps increase the liquidity in banks by 550 billion yuan ($79 billion).

Investors pulled cash out from bond funds at the fastest rate ever during the week according to Bank of America Corp. the yield spread jumped to 14.46, 6.0271 and 2.03 points for CCC, B and BBB rated bonds in the US respectively. Outflows from investment grade bond funds were about $16 billion while $ 11.2 billion was pulled out of high yield.

MAJOR MOVES THIS WEEKS

Indian Nifty 50 & Brazilian Bovespa

Figure 5: The chart represents Indian nifty 50 & Brazilian Bovespa for the period :-9Th March, 2020 to 13th March, 2020.

Nifty 50 on 13th fell to a low of 8555.15 which was 22% from its last week close of 10979.55. However, it recovered by 16% and closed at 9955.25 levels. Bovespa followed a similar trajectory and fell to 69013 on 12th which was 29% down from its last week close of 97996.8. However, it closed at 82677.9 which is 19.8% up from its low.

Canada's TSX Index & Greece's Athex Composite

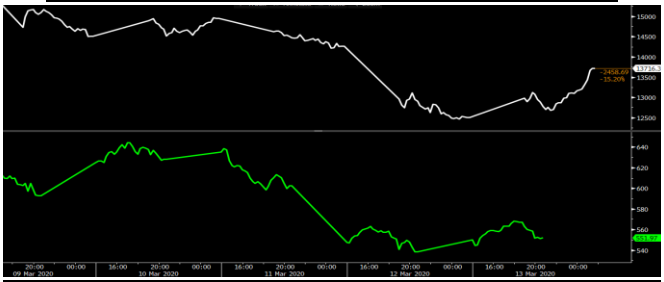


Figure 6: The chart represents Canada's TSX Index and Greece's Athex Composite for the period :- 9Th March, 2020 to 13th March, 2020.

Canada's TSX on 12th fell to a low of 12464.95 which was 23% from its last week close of 16175.02. However, it recovered by 10% and closed at 13716.33 levels. Athex however made its week high on 10th march at 644.25 and its low on 12th March at 583.83 which is a fall of 9.37% in 2 days. It finally closed at 551.97 on Friday.

S&P 500

Figure 7: The Chart represents S&P 500 spot for the period :- 9Th March, 2020 to 13th March, 2020.

S&P on 12th March fell to a low of 2479 which was 16.6% from the last week's close of 2972.48 and recovered by 8.8%% to 2710.95

Precious metals

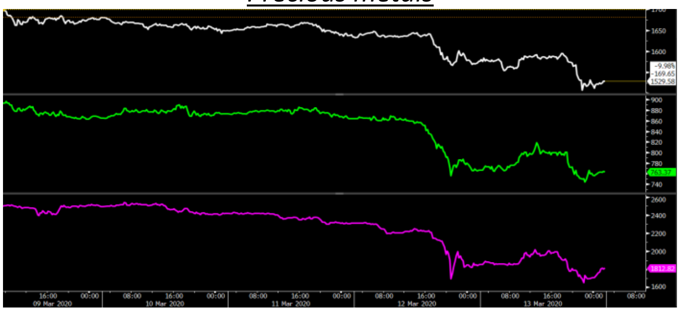


Figure 8: The chart represents Gold, Platinum and Palladium spot in $/ounce for the period:- 9Th March, 2020 to 13th March, 2020.

All the precious metals took at tumble on 12th March. Gold, Platinum and Palladium fell down this week by 9.7%, 15.5% and 29.8% respectively.

US Dollar/ Japanese Yen

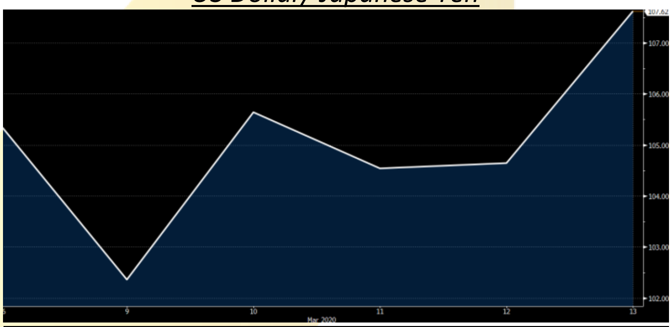


Figure 9: The chart represents the currency pair USD/JPY for the period: -- 9Th March, 2020 to 13th March, 2020.

Yen depreciated against US Dollar throughout the week in line with the risk off assets. USD/JPY made a low of 101.35 on 9th March and closed at 107.96 on 13Th March.

US Dollar/ Indian Rupee

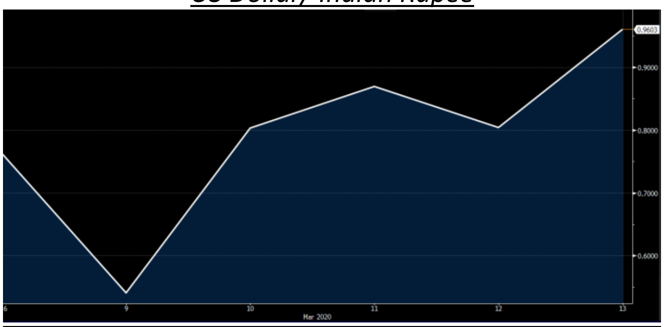


Figure 10: The chart represents the US 10 year yield fpr the period : - 9Th March, 2020 to 13th March, 2020.

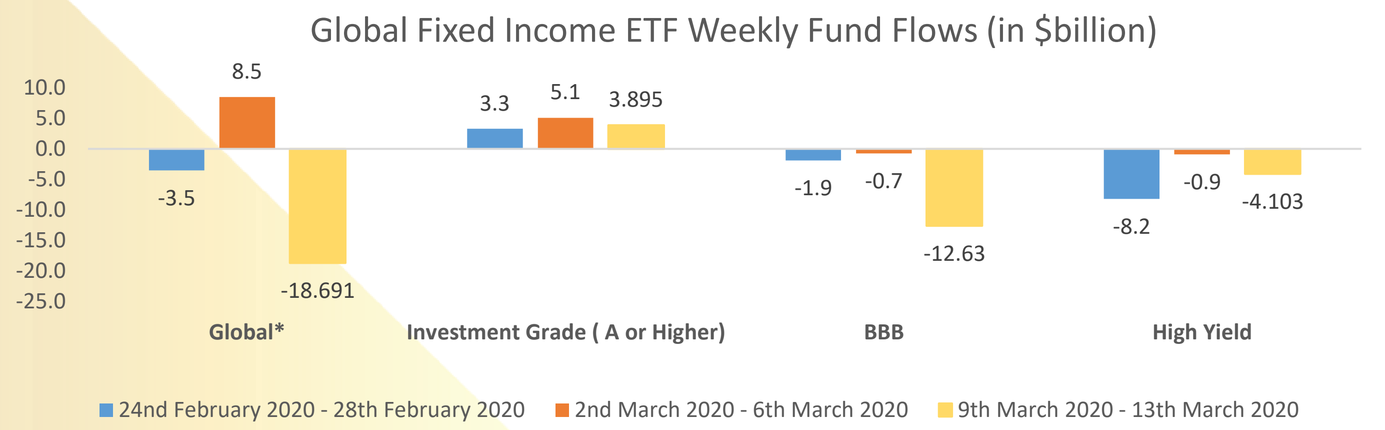
The US 10 year government bon yields have gone up by 42 basis points in the week ending 13Th march indicating the beginning of reflationary trade

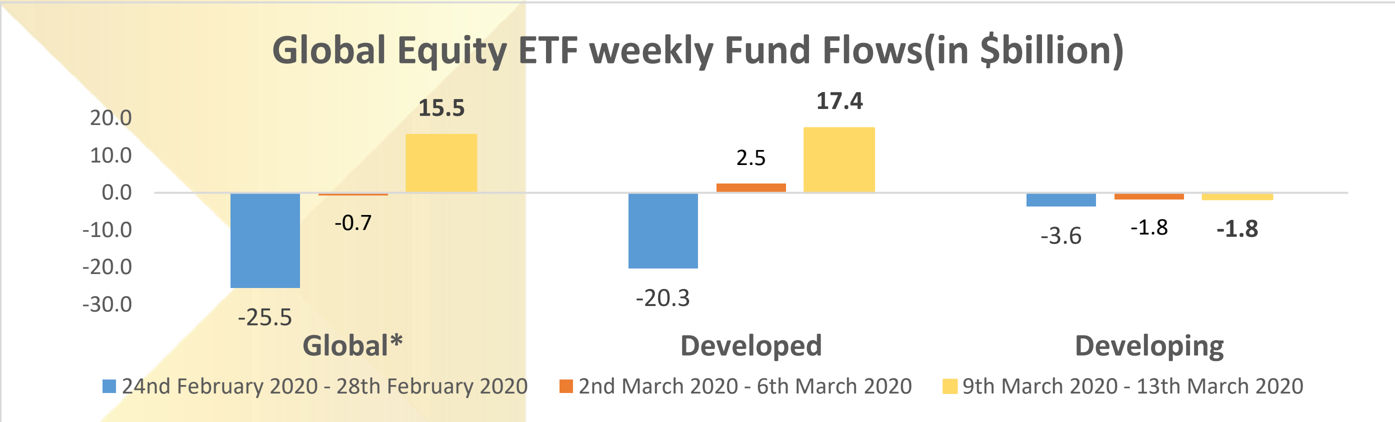
GLOBAL FUND MANAGER'S STATEMENTS

1) Jeffrey Gundlach (Founder, DoubleLine Capital LP) in an email to CNBC on 10th March 2020 – "I am concerned that. Things have to get worse – you don't have a move like this without disorder. It just never happens." " These calls for more Fed action seem early. The stock market isn't even down 20% from its all-time high"

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

"As expected at the end of last week, bearishness did unfold in all risk assets in the previous week. However, we must confess that the levels reached in various risk assets went far beyond our understanding as it stood at the end of last week. We now believe that most of the risk assets have bottomed out in the last 48 hours. We are expecting a reflation rally in all risk assets including equities, commodities and investment grade and high yield bonds over the next week. We expect substantial rallies over the next week to 10 days and many of the risk assets will come close to 50% retracement levels from the peak to the bottoms. Hence, we remain bullish on risk assets for the next week to 10 days as well as for the next 3 months. However, markets will remain volatile and there could be some stunning selling opportunities in risk assets as this reflation rally unfolds. We will inform you once we believe that the short-term rally has peaked out."

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