Weekly Report and Outlook on Global Markets

30th May 2020

Turkey to explore for oil in Libya Accord waters within 4 months

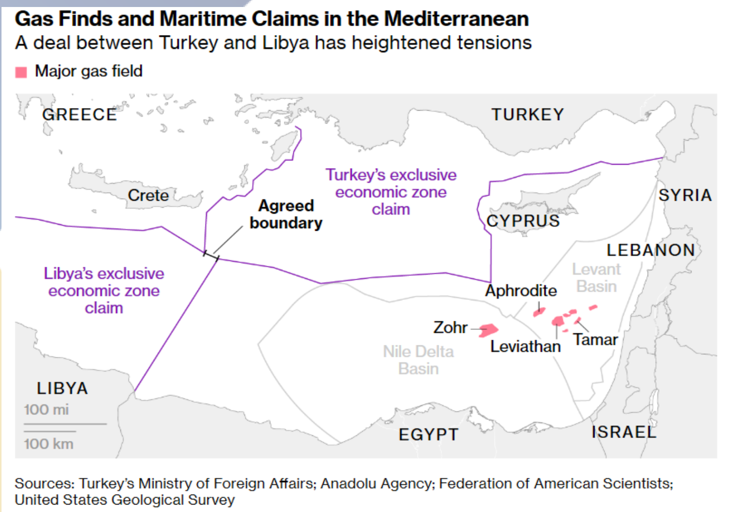

Figure 1: The chart depicts region-wise distribution of Maritime Claims in the Mediterranean

Turkey's planning to start oil exploration within maritime borders set by an accord with Libya's internationally recognized government in three to four months, state-run Anadolu Agency cited Energy Minister Fatih Donmez as saying on Friday. The new "Kanuni" drilling ship will sail into the Mediterranean for its first mission this year, Donmez said.

The eastern Mediterranean has become an energy hot spot with big finds for Cyprus, Israel and Egypt in recent years, and Turkey is now determined to secure a share of critical assets. A maritime agreement signed in November with Libyan Prime Minister Fayez al-Sarraj's administration prompted Turkey to claim rights to parts of the seabed that Athens says is Greek under international law.

Record flood of new deposits is a problem for Thai Banks

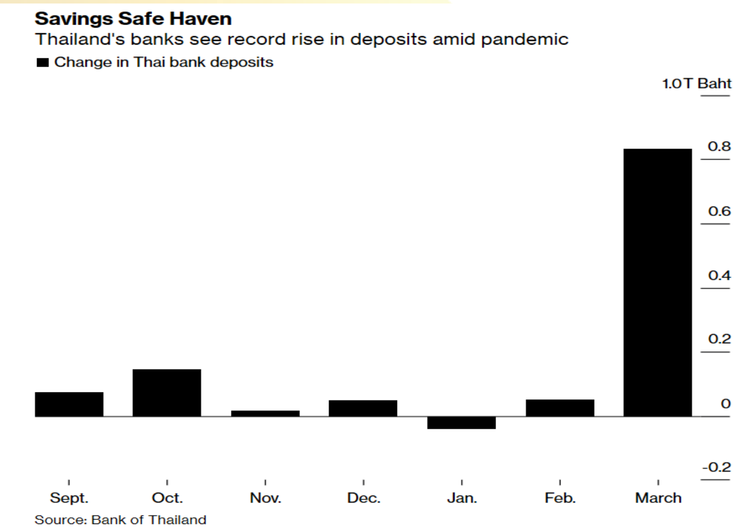

Figure 2: The chart depicts monthly change in Thai Bank Deposits

Thais are turning to banks as a safe haven, adding deposits at a record pace in the Covid-19 era. While that's a vote of confidence, the lenders are likely to face a hard time putting all the funds to good use.

Total deposits at all commercial banks surged by 833 billion baht ($26 billion) in March, a record for a single month, according to Bank of Thailand data dating back to 2001. That could signal pressure on net interest margins amid challenging lending conditions.

There's less opportunity to find enough borrowers as Thailand faces its deepest economic contraction since the late 1990s. The pandemic has badly damaged the nation's traditional drivers, tourism, and exports. A lockdown is being eased gradually but still prevents normal business operations. While deposit growth has largely been in the low-cost current and savings segment, a lack of opportunities to lend and lenders' risk aversion could pressure banks' loan-to-deposit ratios, and consequently hurt margins.

VIX Focussed ETFs gain most in a week since October.

Investors added $372.2 million to exchange-traded funds that protect against stock volatility with VIX index-based derivatives in the past week. Inverse-VIX ETFs that bet on smaller price swings were little changed.

- Weekly increase was biggest since Oct. 18.

- Investors added to VIX-focused ETFs for three straight weeks.

- The VIX index closed down 2.3 percent from the previous week at 27.51 points, the lowest level since Feb. 24. In the past month, the VIX reached a high of 40.32 points and a low of 25.92 points.

U.S. High-Yield Sales Up, Spreads Tighten, Transport Gains

High-yield corporate bond sales in the U.S. rose to $12.7 billion last week from 14 issuers, while benchmark index spreads decreased 43 basis points and the index posted 1.8% returns.

- New bond issues advanced 23% to $12.7 billion for the week ending May 29 vs $10.3 billion in 21 deals a week earlier.
    - So far this month, new issue supply was $39.8 billion vs. $29.2 billion over the same period a month earlier; year-to-date $150.8 billion vs. $122.3 billion in the same period a year earlier
- Option adjusted spreads narrowed to 637 basis points over Treasuries from 680 basis points, according to the Bloomberg Barclays High Yield index
    - Bloomberg Barclays High Yield index had a total return of 1.80% in the week, compared with 2.59% a week earlier
    - Ba-rated bonds returned 1.37% vs 2.47%
    - B-rated bonds returned 1.96% vs 2.73%
    - Caa-rated bonds returned 3.06% vs 2.88%
- Utilities widened the most and Transport companies narrowed the most
- 5y High yield CDS index spreads widened to 98 basis points from 95 basis points
- High-yield ETF net inflows totalled $1.6 billion and assets of the funds increased 2.46%; Year to date, the ETFs had $11.7 billion of inflows

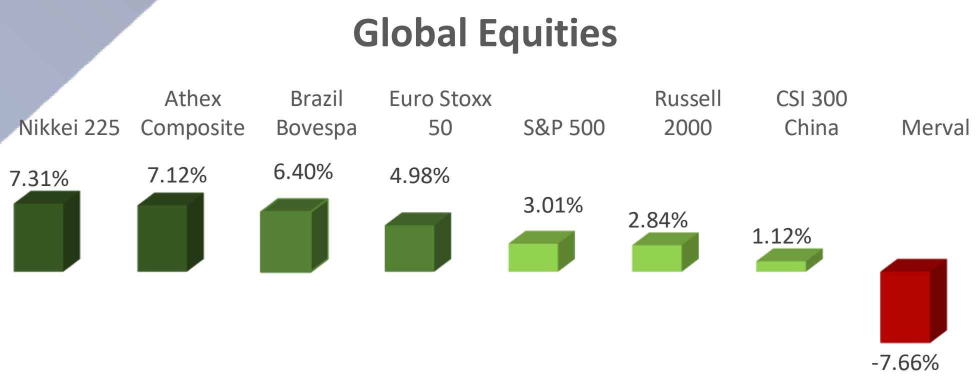

Figure 3: The chart represents the equity index returns over this week.

The world equity indices showed a bullish picture this week with indices like Nikkei, Athex and other Emerging country's indices gave a return of around 7%. However, indices from China Gave up their gains in the later part of the week as the tensions between US & China escalated and Hong Kong's special status was revoked.

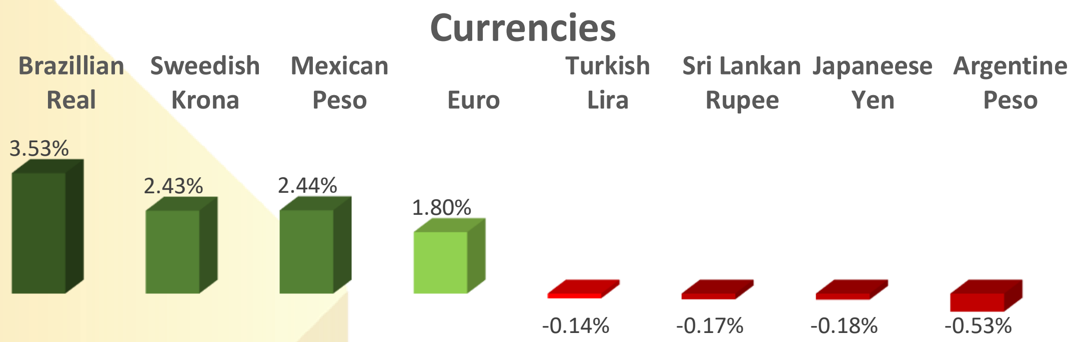

Figure 4: The bar graph represents Currency returns with respect to US Dollar as the base currency for this week

The Currencies throughout the world showed a risk on sentiment with Brazilian Real, Mexican Peso appreciating against the U.S. Dollar. However Turkish Lira, Agrentine Peso were the exceptions de tot their internal political and financial issues.

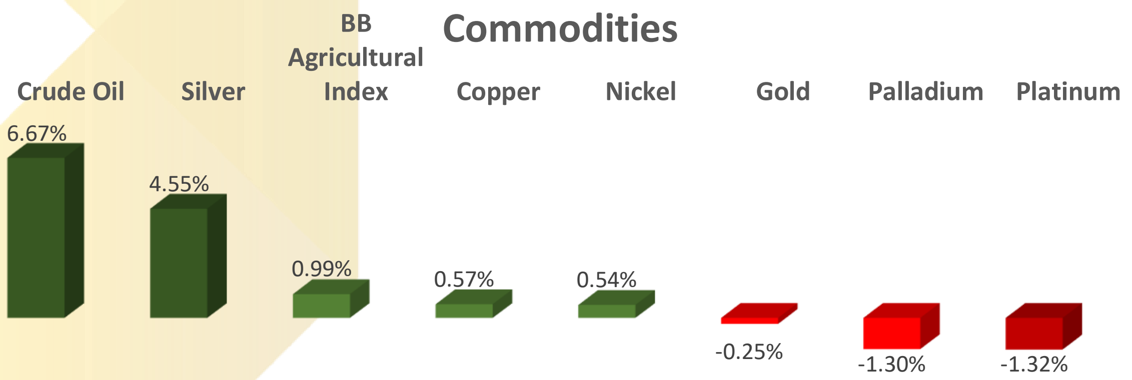

Figure 5: The bar graph represents weekly commodity returns.

Crude oil was again the top gainer commodity this week due to continued increase demand from asian countries which resumed their domestic flight and opened up their economies form the strict lockdown. Silver continued its gains this week increasing by about 4.5%. Though there was a risk on sentiment in the markets, industrial commodities remained flat. Safe heavens like gold, platinum and palladium were in red his week due to the bullish sentiment in the world markets.

GLOBAL FUND MANAGER'S STATEMENTS

1) Scott Minerd (CIO & Chairman of Guggenheim Partners) : "There are two possible explanations for the divergence between stock prices and the real economy. The first is that the economy will recover much faster than many expect. This seems highly unlikely since it could take at least four years for economic activity to return to the levels seen in the fourth quarter. The most likely explanation is that stock appreciation is explained by the Marshallian K, where liquidity exceeds nominal economic growth and overflows into asset bubbles such as the Internet bubble, the housing bubble, and the corporate debt. There will be more bubbles in the future.- Tweeted on 27th May 2020.

2) George Soros (Chairman, Soros Fund Management LLC) : "European Union could break apart in the wake of the new coronavirus pandemic unless the block issued perpetual bonds to help weak members such as Italy. damage to the euro zone economy from the new coronavirus would last "longer than most people think" – Tweeted on 23rd May 2020.

PACE 360'S FUTURE OUTLOOK

"Risk assets globally had a stellar last week. EM currencies have also posted very robust returns over the last two weeks. We expect tailwinds to continue to support risk assets over the coming week. The tailwinds include positive expectations from ECB on Thursday, further progress on another fiscal relief package from US and the May-June crossover which has been bullish most of the tines. With all these tailwinds largely intact, expecting a bullish outcome sounds largely reasonable to us. However, on a longer-term basis the valuations we are going to see next week may not entirely be sustainable making us more circumspect for the medium term."

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