Weekly Report and Outlook on Global Markets

18th July 2020

India posts unexpected trade surplus after 18 years.

India's trade balance returned to a surplus in June after 18 years, as a decline in imports was sharper than exports. Exports contracted 12.4% from a year earlier, while imports declined 47.6%, leaving a trade surplus of $790 million, according to data released by the Commerce Ministry Wednesday. The balance was last in surplus in March 2002 ($491.28 million).

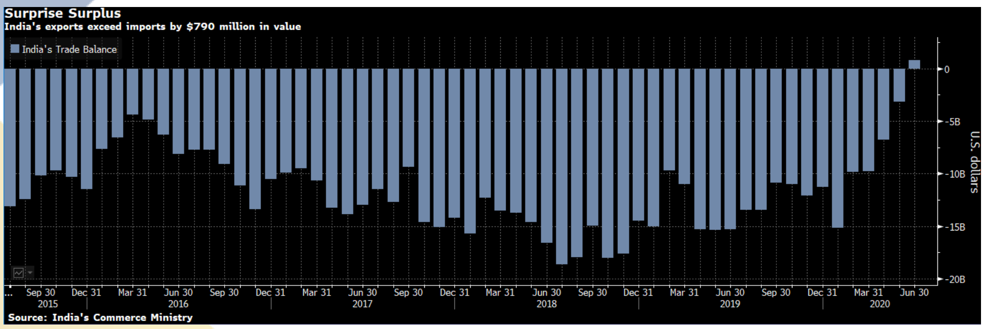


Figure 1: Quarterly India's trade balance from 2015

Key Insights

- The median estimate in a Bloomberg survey of economists was for a deficit of $4 billion
- Twelve of the country's top 30 export items showed growth in June, compared with only four in May, as a reopening of economies around the world stoked demand for goods
- The decline in imports were led by gold, which dropped 77.4% in June to $608.7 million
- Shrinking imports already helped India post a rare current-account surplus in the January-March quarter helped by a lower trade deficit then. That's a small consolation for an economy headed for its first contraction in more than four decades amid the Covid-19 pandemic
- A new wave of coronavirus infections in economies around the world is a risk, and could leave little room for demand recovery

OPEC+ is confident of reviving production without reviving prices.

OPEC+ is confident that it can start easing deep production cuts next month without hurting the recovery in oil prices. The group will proceed with its plan to gradually open the taps in August, adding at least 1 million barrels a day of supply to the market, Saudi Arabia's Energy Minister Prince Abdulaziz Bin Salman said on Wednesday.

OPEC+ is reviving supplies as fuel consumption picks up with the lifting of lockdowns around the world. The alliance's curbs, equivalent to almost 10% of global supply, helped more than double crude prices from the lows hit in late April, when demand plunged by more than 25%. Consumption has since recovered, but it's still down about 10% from a year ago. These data show that the tapering of production cuts is "fully in line with the current market trends," said Russian Energy Minister Alexander Novak. "Almost all of the output hikes will be consumed in domestic markets of the producing countries as the demand is recovering."

Saudi Arabia's own exports will not change next month, despite the output increase, as its domestic demand rises, said Prince Abdulaziz. OPEC+ would only consider calling an emergency meeting to reverse the easing of its cuts if severe economic lockdowns return, he said.

Singapore Slumps into Recession With Record 41.2% GDP Plunge

Singapore's economy plunged into recession last quarter as an extended lockdown shuttered businesses and decimated retail spending, a sign of the pain the pandemic is wreaking across export-reliant Asian nations.

Gross domestic product declined an annualized 41.2% from the previous three months, the Ministry of Trade and Industry said in a statement Tuesday, the biggest quarterly contraction on record and worse than the Bloomberg survey median of a 35.9% drop. Compared with a year earlier, GDP fell 12.6% in the second quarter, versus a survey median of -10.5%.

Figure 2 : Singapore's quarterly annualised GDP

Other key details of Singapore's GDP report:

- Manufacturing plunged 23.1% on a quarter-on-quarter, annualized basis, compared with growth of 45.5% in the first quarter. On a year-on-year basis, the sector grew 2.5%, mainly due to solid output in pharmaceuticals
- Construction was severely damaged by the lockdown restrictions, plummeting 95.6% on a quarter-on-quarter basis, and declining 54.7% year-on-year
- The services sector shrank an annualized 37.7% in the quarter, and 13.6% year-on-year. Tourism businesses, like airlines, hotels and restaurants, were affected by travel restrictions and the so-called "circuit breaker" measures from April 7 to June 1

China Snaps Up Steel as Pandemic Creates Two-Speed Global Market

China's steel buyers have pounced on cheap offers from around the world to feed buoyant demand at home, with flows to the biggest market reaching levels unseen since the global financial crisis.

Imports of finished steel products jumped last month to nearly 1.9 million tons, just short of the haul seen in September 2009. Then, as now, imports rose as a domestic recovery made it more profitable to ship in some products as prices languished on a global market still crippled by an economic collapse.

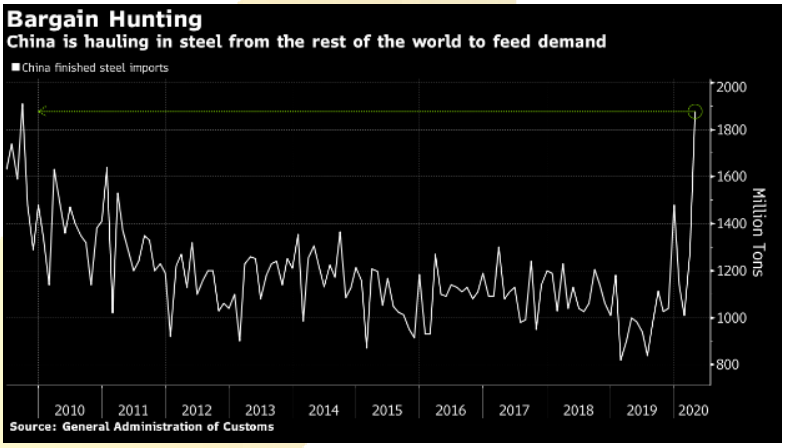


Figure 3: China's finished steel imports.

China's domestic hot-rolled coil prices have traded at unusual premiums to international prices as the coronavirus pandemic ravages international demand. The World Steel Association expects China's usage will rise 1% this year thanks to government spending on infrastructure -- in sharp contrast to the 17% decline predicted for developed economies.

China's imports cover only a small portion of overall consumption. The nation remains the world's biggest producer of steel by producing more than 50% of the total world steel. Although outbound volumes shrank last month to their lowest in eight years as external demand has cratered.

MAJOR MOVES THIS WEEKS

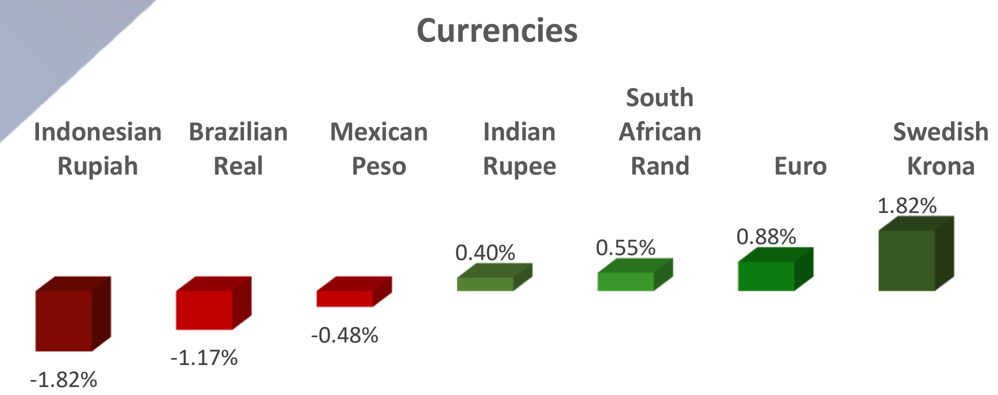


Figure 4: The bar graph represents Currency returns with respect to US Dollar as the base currency for this week

This week, the currency market showed a mixed picture. The markets were mostly driven by the local news of their respective countries with some currencies like South African Rand and Indian Rupee seeing inflows due to carry trade and positive trade surplus respectively. Indonesian Rupiah depreciated against the dollar due to the rate cut done for the second month in a row.

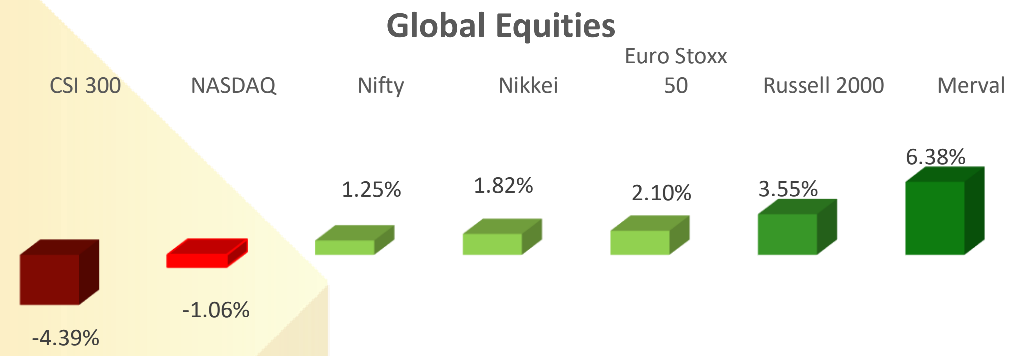


Figure 5: The chart represents the equity index returns over this week.

There was a mixed picture in the Equities this week with majority of them closing in the green. Chinese indices took a hit this week because of increased number of infections in Hong Kong and the US signing Hong Kong sanctions bill. Russell this week out performed NASDAQ showing a risk on sentiment in USA despite increased virus infections and halt in the opening of economy.

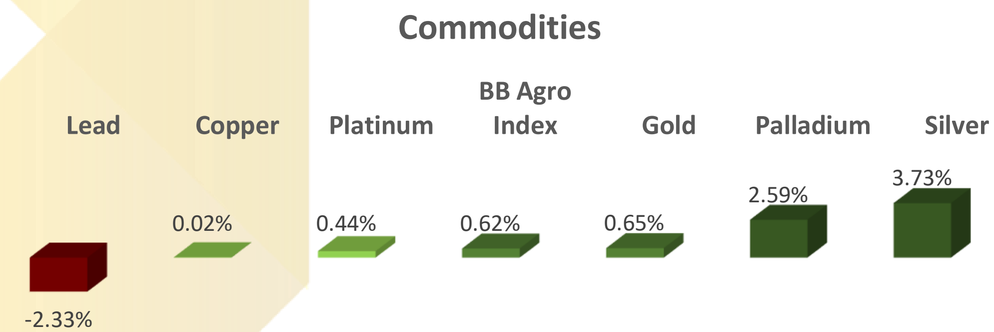


Figure 6: The chart represents the commodity futures returns over the week.

This week, most of the industrial commodity futures were down showing a risk off sentiment in the commodity market. Copper however remained flat showing strength in the demand for copper as most countries further open the economy. The precious metals were up this week due to the risk off sentiment. Silver outperformed the all the commodities this week.

GLOBAL FUND MANAGER'S STATEMENTS

1) Frank Giustra(CEO of Fiore Group of Companies and Co-Chair of International Crisis Group) : "Powel recently acknowledged what many have known all along. We are now in a period of forever zero rates and endless money printing. History has proven time and time again, that this will not end well. Trust is already waning. China may be the first to exit the U.S. dollar. America's policy of economic containment and its potentially long campaign over trade and technology is giving China good reason to diversify out of their massive dollar holdings. There is no current alternative to the U.S. dollar, so some other global trading and finance unit — perhaps one made up of a combination of currencies or tied to a basket of commodities — will eventually emerge.", 13th July 2020.

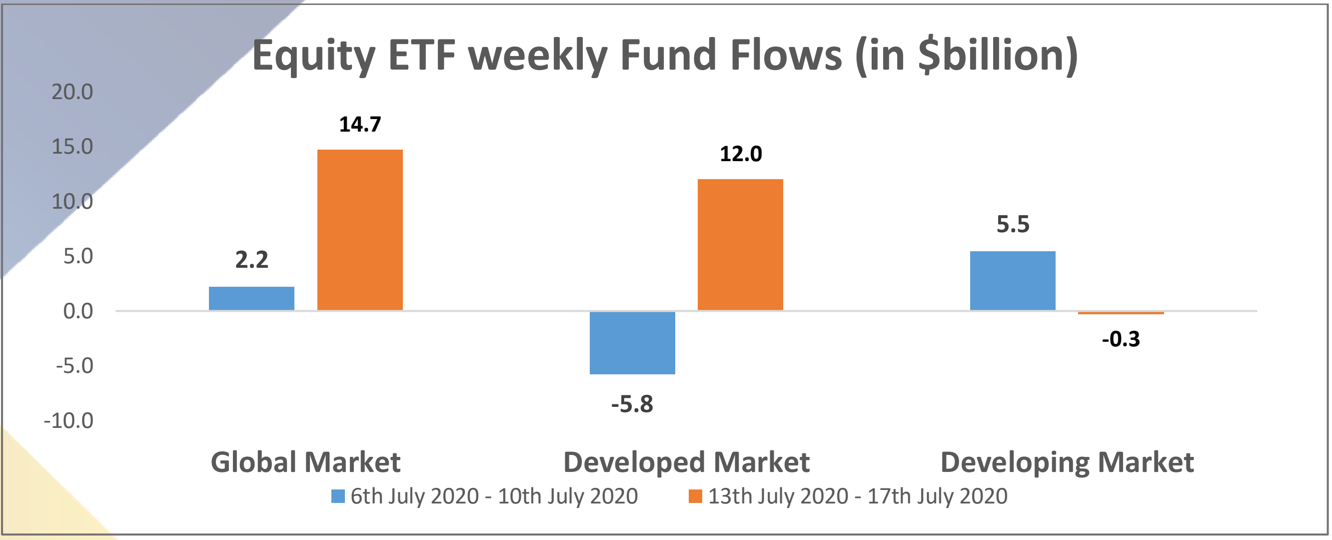
2) Ray Dalio(CIO, Bridgewater Associates) : "The United States and China are now in an economic war that could conceivably evolve into a shooting war" – in a 8000 word long post on LinkedIn, 17th July 2020

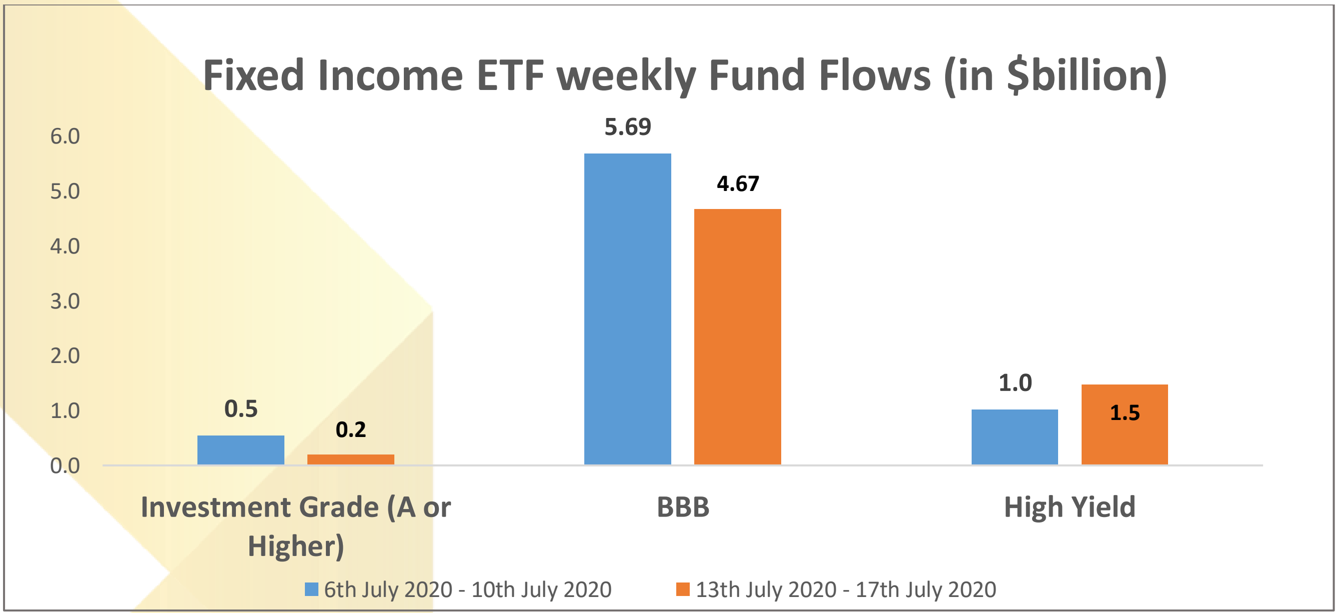
3) Mark Mobius(founder of Mobius Capital Partners LLP): "Investors should hold gold in their portfolios as currencies, including the U.S. dollar, the euro and the yen, could be devalued eventually"," The price of gold will continue its upward trajectory particularly because of the increase in money supply that we're seeing around the world" – 15th July 2020.

4) Jeffrey Gundlach (Founder, DoubleLine Capital LLP): "A quick economic recovery is highly optimistic and not even possible given that a rebound to pre-covid levels will at least take a year to materialise. I think that whatever the consensus is on the so-called shape of the recovery, I'm taking the under" – Interview with Yahoo Finance, 2nd July 2020.

5) Scott Minerd(CIO, Guggenheim Partners): "My bet is that monetary policy will remain loose enough to continue to drive risk assets higher","For people who are looking to maximize returns, the best thing is probably to remain long at this point."

GLOBAL ETF FUND FLOWS





Please note that the Global ETF fund flows under Equity ETF weekly flows category 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

"Last week was a tumultuous one for global markets. Within the week we witnessed a sharp fall in Nasdaq 100 from its intra week peak. Similarly, we saw sharp falls in Chinese stocks and copper. We continue to be bearish on global risk assets over the medium term. However, the next week may remain largely sideways as the earnings season rolls out."

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