



PACE 360

Weekly Report and Outlook on Global Markets

21st August 2020

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MARKET DEVELOPMENTS

Correlation between Asian and US stocks turns negative

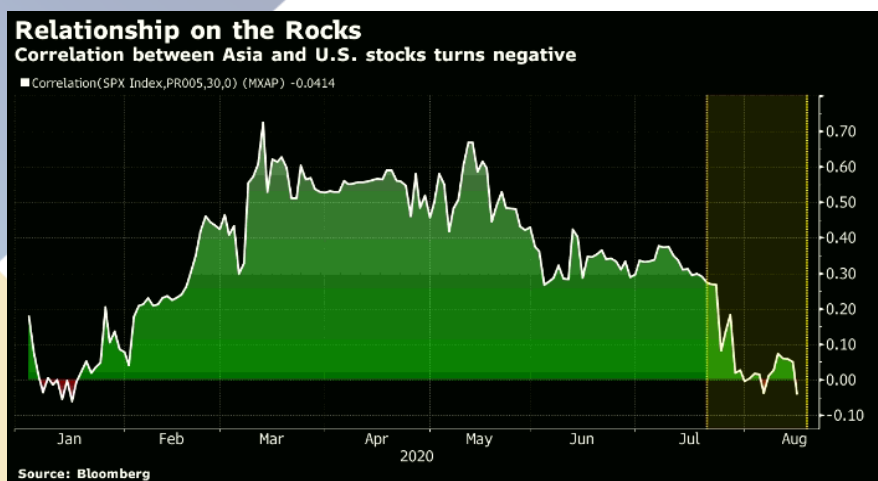


Figure 1: The figure depicts correlation between Asia and U.S. stocks for the year 2020

With the U.S. presidential election looming, the American market will be more affected by domestic politics going forward, which may pull those two regions in different directions

Money Managers bought Gold funds and sold Russell 2000 and S&P 500 in ETFs in second quarter: 13F

Money managers who oversee more than \$100 million in U.S. are supposed to file a form 13F within 45 days of each quarter's end to list those stocks, ETFs, options and convertible bonds which they have bought/sold. The filing doesn't show non-US securities, holdings that aren't publicly traded or cash. The following figures are an extract taken from these filings (for the second quarter) which shows investor's most favoured ETFs and ETFs that they sold the most.

Most Bought ETFs					Most Sold ETFs				
Name	Market Value	Mkt Val Chg	Position	Pos Chg	Name	Market Value	Mkt Val Chg	Position	Pos Chg
SPDR Gold Shares	3.52B	+1.57B	21M	+7.87M	iShares Russell 2000 ETF	1.06B	-1B	7.43M	-10.6M
Financial Select Sector SPDR Fund	322.7M	+188.3M	13.9M	+7.49M	SPDR S&P 500 ETF Trust	5.33B	-1.84B	17.3M	-10.5M
iShares Gold Trust	526.3M	+141.8M	31M	+5.46M	iShares iBoxx \$ Investment Grade Corporate Bond ETF	1.07B	-1.16B	7.93M	-10.1M
Vanguard FTSE Developed Markets ETF	799.1M	+281.2M	20.6M	+5.07M	Vanguard Short-Term Corporate Bond ETF	131M	-506.7M	1.58M	-6.48M
iShares China Large-Cap ETF	374.7M	+176.5M	9.42M	+4.14M	iShares MSCI Eafe ETF	493.2M	-276.8M	8.1M	-6.3M
VanEck Vectors Gold Miners ETF	775.9M	+374.8M	21.2M	+3.75M	iShares MSCI India ETF	58.7M	-140.8M	2.02M	-6.25M
AdvisorShares Ranger Equity Bear ETF	13.3M	+13.2M	2.74M	+2.72M	Invesco QQQ Trust Series 1	1.2B	-278.1M	4.85M	-2.92M
iShares MSCI China ETF	249.7M	+182.1M	3.82M	+2.63M	SPDR Bloomberg Barclays High Yield Bond ETF	78.5M	-264.6M	775.7K	-2.85M
iShares Core MSCI Emerging Markets ETF	580.8M	+190.4M	12.2M	+2.56M	Vanguard Intermediate-Term Bond ETF	27.6M	-227.5M	296.7K	-2.56M
Energy Select Sector SPDR Fund	241M	+124.6M	6.37M	+2.36M	Vanguard Total Bond Market ETF	173.9M	-189.6M	1.97M	-2.29M

Market Value:- The present AUM of the ETF
Mkt Val Chg:- Change in the AUM of the ETF with respect to the first quarter
Position:- Cumulative position of a particular ETF in the money managers' portfolio
Pos Chg:- Change in the Cumulative position of a particular ETF in money managers' portfolio

A New High for Markets, but Not for Most Companies

Bad Breadth

S&P 500 reclaims record high with fewer stocks participating

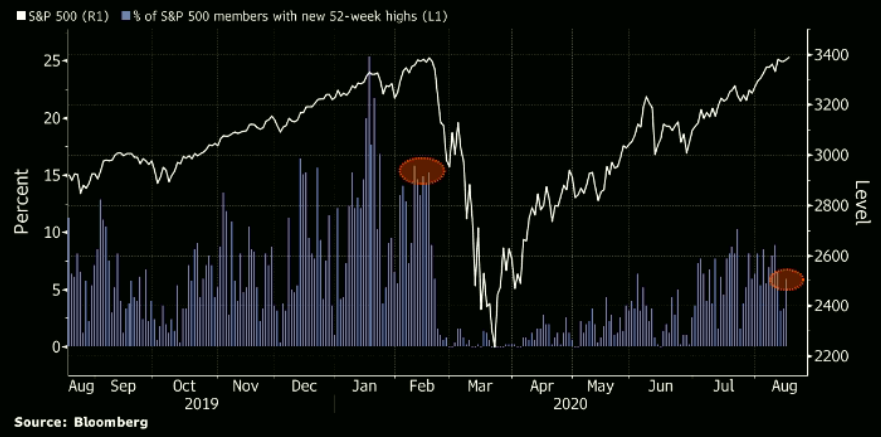


Figure 2: The figure depicts S&P 500 Index value and % of S&P 500 members with new 52-week highs

S&P 500 may have completed the fastest peak-to-peak reversal in history, but it came amid a backdrop of unusually sparse participation. Leading into it, fewer than 6% of S&P 500 members hit their respective 52-week highs. That compared with 15% on Feb. 19, when the index last reached a record. Since 1990, a fresh market high has typically been built on broader participation, with an average 13% of stocks joining the rally, data compiled by Bloomberg show.

It's the latest data to depict stark divisions between winners and losers in the pandemic market, where gains are increasingly confined to a handful of automated megacaps while the rest of the market basically hovers.

Tight Interbank Liquidity in China

Narrowing Gap

China sovereign bond yield spread narrows amid tighter interbank liquidity



Figure 3: The topmost figure depicts Yield spread between 1-year and 10-year Chinese sovereign bond and the figure below that is the Chinese 7-day repo rate

The yield spread between China's one- and 10-year government bonds is its smallest since mid-December as tight interbank liquidity weighs more on short-tenor debt. One-year notes led a bond rout Wednesday after an auction of such sovereign notes saw sluggish demand, while rates on 7-day repos have risen 25 basis points since Aug. 3 to the highest in more than a month. Even the Lenders have parked the smallest share of idle money at the People's Bank of China last month since February 2018, according to estimates by China Merchants Securities Co., suggesting liquidity conditions are tight and Beijing needs to keep easing. The ratio of cash banks handed to the PBOC on top of reserves and their total deposits (known as excess reserve ratio) slid to 1.4% in July from 2.6% in May.

MAJOR MOVES THIS WEEK

Currencies

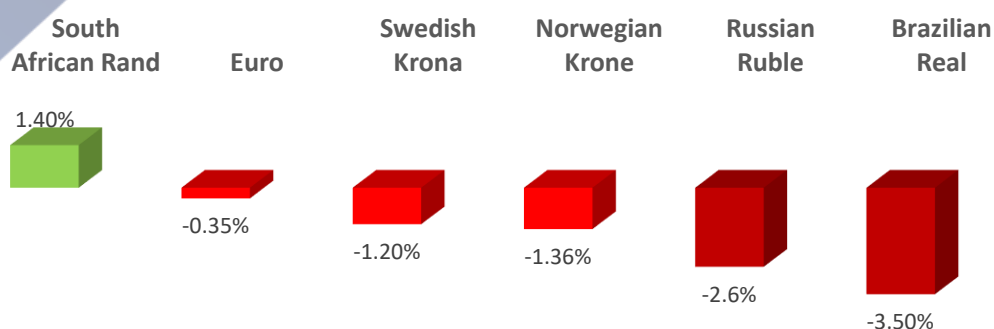


Figure 4: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week most of the major currencies were under pressure against US dollar. The major damage came in the second half of the week when Euro started to weaken against USD. Most of the currencies (emerging market and developed both) complemented Euro and underperformed USD. Brazilian real was the one which underperformed the most and so did Russian Ruble which also depreciated due to fall in crude oil prices. South African Rand was the one of the very few major emerging market currencies to have outperformed USD.

Equity Indices

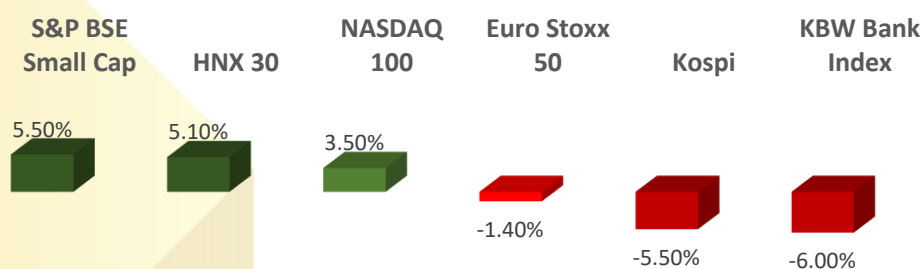


Figure 5: The chart represents the equity index returns over this week.

Nasdaq 100 was the outperformer among the developed market indices this week after giving muted returns in the last few weeks. US Banking index (KBW Bank Index) was the laggard losing 6%. South Korea and Taiwan's indices suffered this week after a report claimed that Huawei and ZTE will delay its deployment of 5G wireless network base station. Indian small cap index (S&P BSE Small Cap) outperformed the main benchmark indices by a huge margin. Vietnam's HNX 30 continue to perform well due to investor's optimism regarding their economy.

Commodity Futures

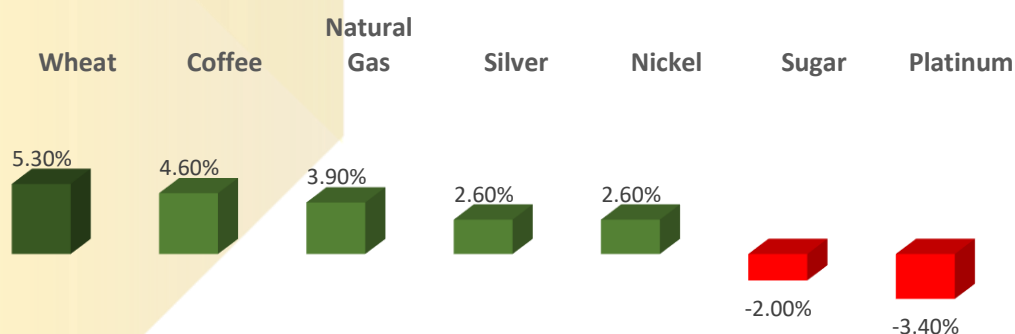


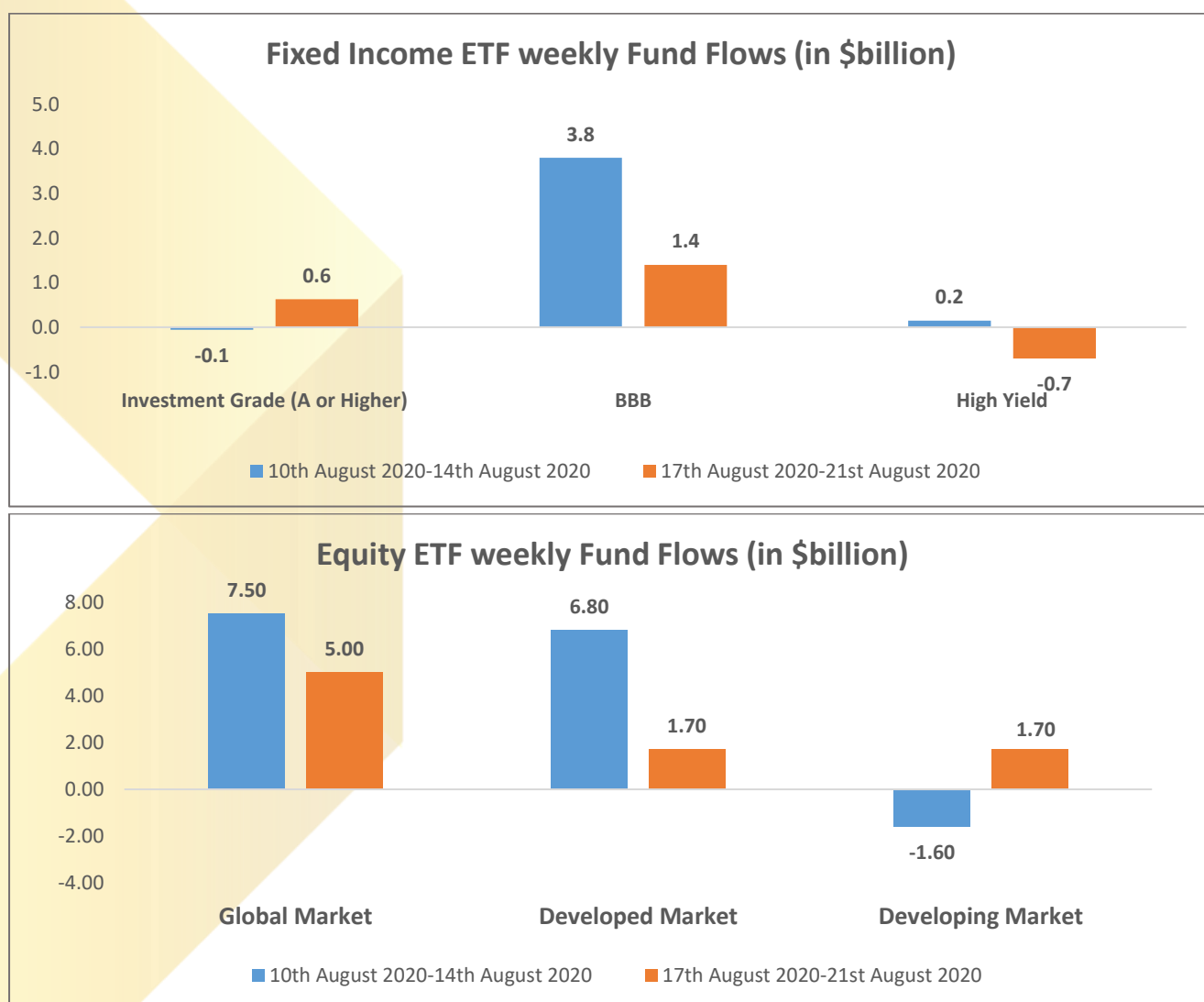
Figure 6: The chart represents the commodity returns over the week.

In recent weeks agriculture commodities have been doing well and even this week they have given decent returns. Wheat and Coffee were the outperformers. Though Sugar price fell down by 2% but overall even this is still in an uptrend. It was a muted week for the precious metals segment with Silver outperforming its peers. Among Industrial metals Nickel and copper continue to perform well with respect to their peers

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Scott Miner (CIO, Guggenheim Investments): "I still see the US Treasury 10-year capped at 1%, and headed to negative-0.5% over the next 18 months, since it "looks like we've done some real permanent damage to the economy." – BloombergTV on 18th August 2020.
- 2) Mark Mobius (Founder, Mobius Capital Partners LLP): "The safest investments are equities and precious metals such as gold. However, I would not advise buying gold or precious metals at this time until a price correction has taken place. Joe Biden/Kamala Harris victory in the US presidential election will be 'disastrous' " - Financial News 19th August 2020

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

“The global rally in risk assets became significantly narrower last week. In the US while the Nasdaq 100 rocketed up , the Russell 2000 and non-tech S&P 500 actually went down. We believe that over the next 3-4 weeks there will be a sharp correction in global equities possibly led by Nasdaq and it will be accompanied by a rise in Dollar Index, fall in industrial commodities and even a fall in precious metals.”

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