Weekly Report and Outlook on Global Markets

7th August 2020

After Stockpiling Cash, Some Companies Are Looking to Spend

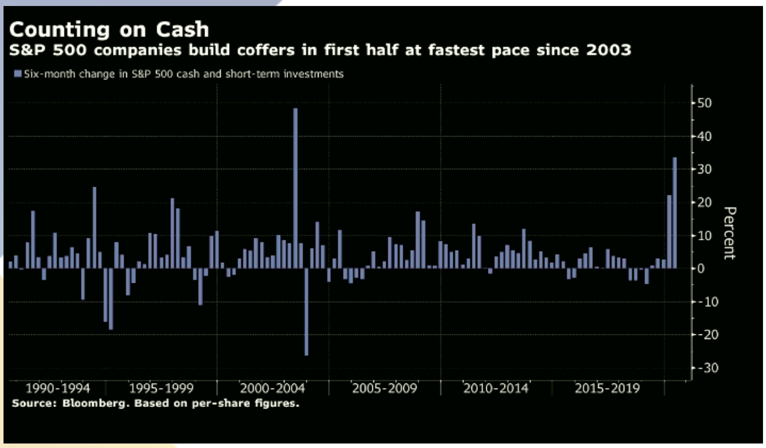


Figure 1: The figure depicts six month change in S&P 500 companies cash and short-term investments

Cash holdings of U.S. public companies amounted to $2.54 trillion during the latest reported quarter, up from $1.96 trillion at the end of 2019 and $1.86 trillion from the second quarter in 2019, according to S&P Global Market Intelligence.

Members of the S&P 500 Index increased holdings of cash and equivalent securities by 33.5% in the first half, according to per-share data compiled by Bloomberg. The surge was the biggest for any two quarters since the first six months of 2003. Reductions in stock buybacks are partly responsible for this year's growth.

While it can be reassuring for finance chiefs to have ample cash and liquidity amid the economic downturn, many executives feel they need to put their companies' capital to work, using it to seize growth opportunities and generate returns for shareholders.

The Collapse in Global Oil and Gas Drilling Deepened in July

Figure 2: The figure depicts Oil and gas rig counts globally excluding North America (USA and Canada)

The number of rigs drilling for oil and gas set a fresh record low in July, as activity continues to collapse outside of North America .Number of active rigs outside of North America at 17-year low .

The Baker Hughes International rig count fell to 743 in July, meaning the number of active rigs outside of North America was at its lowest since 2003. The worldwide rig count(which includes USA and Canada) dropped by 43 to 1,030 in monthly data, with regions beyond the U.S. and Canada accounting for almost 90% of the drop.

Though weekly data suggest activity in the U.S. may have bottomed out in recent weeks. Rig count in USA has fallen down from 193 to just180 in the last two months. This is in contrast to the rig counts decline in rest of the world.

Platinum May Benefit From Europe's Push to Hydrogen Economy

Figure 3: The figure depicts Spot Platinum values post 2007

Europe's push for a fiscal response to the financial crisis may be a salvation for platinum -- the rare, though oversupplied, metal. And that could give ESG investors a rare foothold in a commodity that's likely to be key to any future green economy.

Platinum, which is currently used to limit poisonous emissions from diesel-driven cars, has seen demand evaporate over a number of years, with prices never recovering from the 2008 collapse. But the metal is also used in fuel cells, part of the new hydrogen technology.

This technology, which promises zero emissions other than water at the point of use, could clean up cities in a stroke. Europe plans to become the world's first climate-neutral continent by 2050. And part of Germany's EUR130b($153b) recovery fund is going to the development of green hydrogen.

Platinum has been in oversupply for the past four years. But it won't take much demand to tip the eight-million-ounce market into a deficit. And supply will be sticky, with much of the available resource concentrated in South Africa. This metal has proved before that it's capable of explosive rallies, and it can repeat that trick on demand for clean energy.

Junk Bond Supply Set to Beat 2019 Full-Year Volume

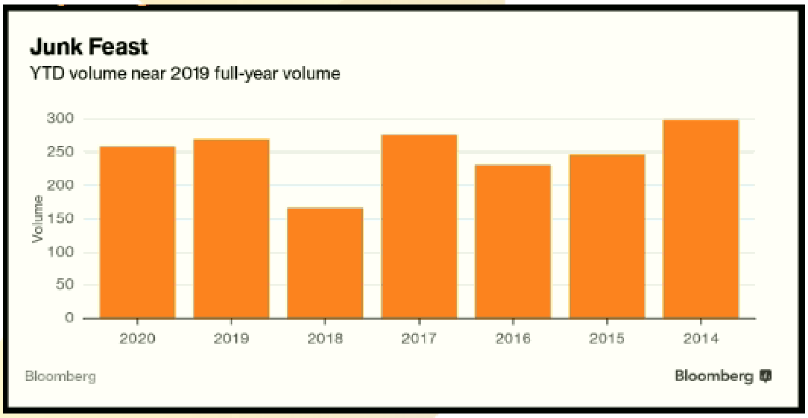


Figure 4: The figure depicts Junk bond issuance in USD billion

Junk bond sales are set to surpass the full-year total for 2019 as retail funds, flush with cash, propel demand for new bonds. The year-to-date volume will close at $257.69b, just $11.4b off the full-year figure for 2019.

The demand surge is expected to continue. The key drivers of the credit rally -- better than expected corporate earnings, revision of FY2020 earnings guidance, steady economic recovery with better jobs number and inflows into high yield funds -- remain intact and should drive yields and spreads lower. Yields are inching closer to the record low of 4.95% and may soon set a new low.

Should the current pace of issuance continue as more borrowers refinance existing debt and extend maturity at near record low yields, 2020 will soon be on track to be the biggest year since at least 2014.

MAJOR MOVES THIS WEEKS

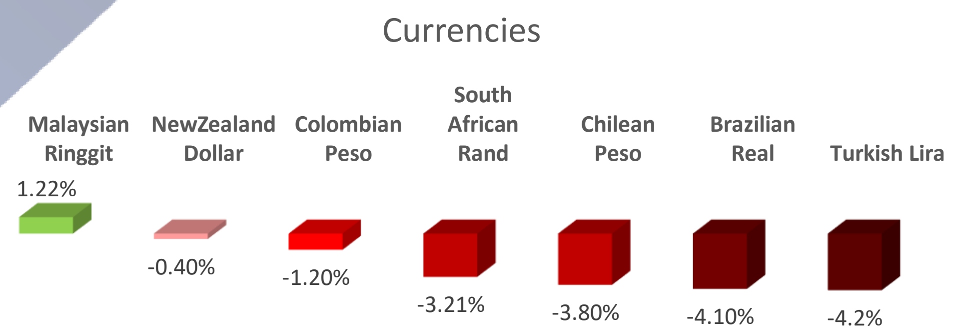


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week most of the major currencies were under pressure against dollar. They didn't complement the risk on move which was prevalent in the Equity markets. In the last few weeks we have seen major rallies in these currencies lead by Euro, which now seems to be cooling off. In Turkey the central bank has been trying to prop up the currency since the last few months but it seems the situation is getting out of their hands. Malaysian Ringgit was the exception among the EM currencies which appreciated this week.

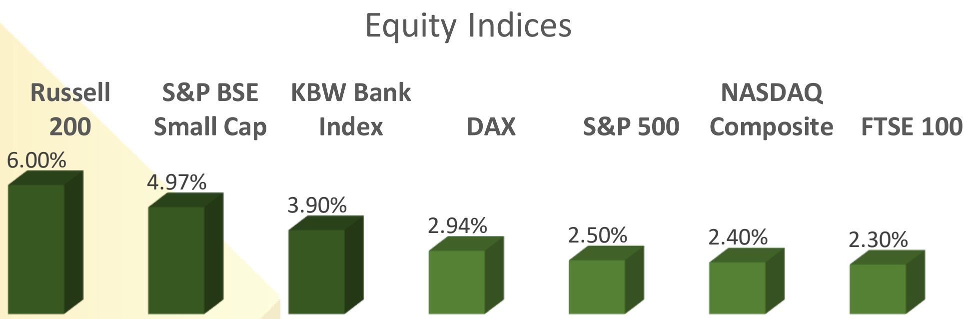


Figure 6: The chart represents the equity index returns over this week.

A complete risk on was witnessed this week in the equity market. This time the rally wasn't lead by the Technology sector but was led by the Small Cap firms, not just in USA but even in the developing countries. One can see how Russell 200 (USA's small cap index) and BSE Small Cap Index (India's small cap index) performed. Even Banking sector had a decent run. Overall one can say it was a broad based rally.

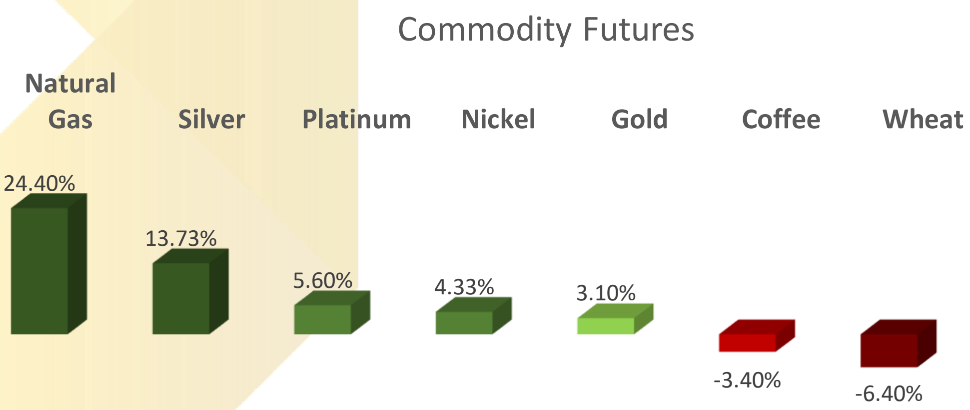


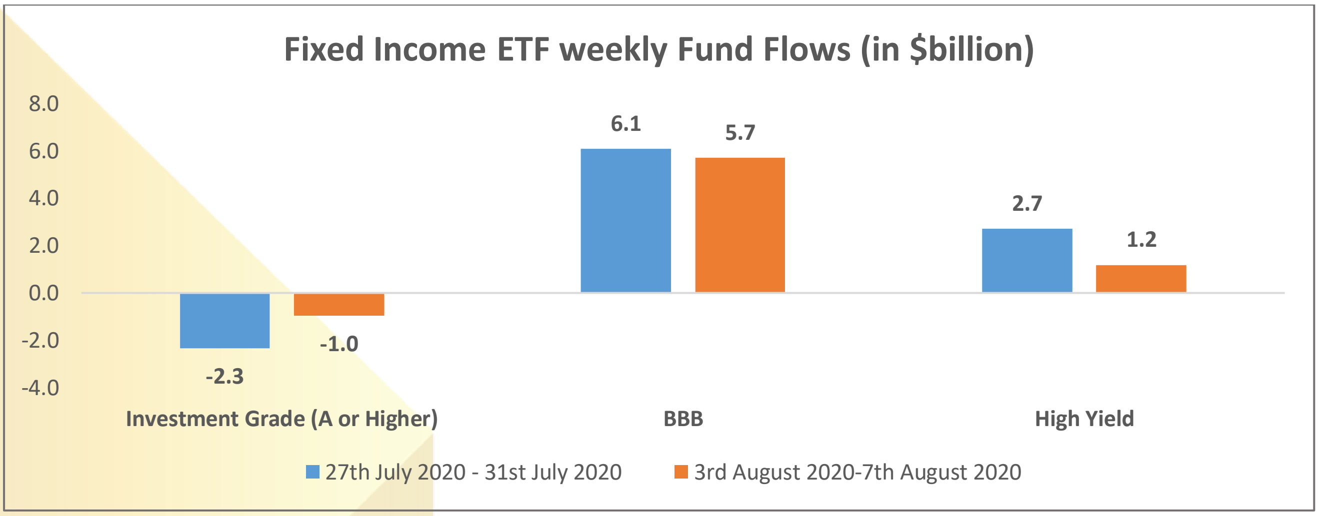
Figure 7: The chart represents the commodity returns over the week.

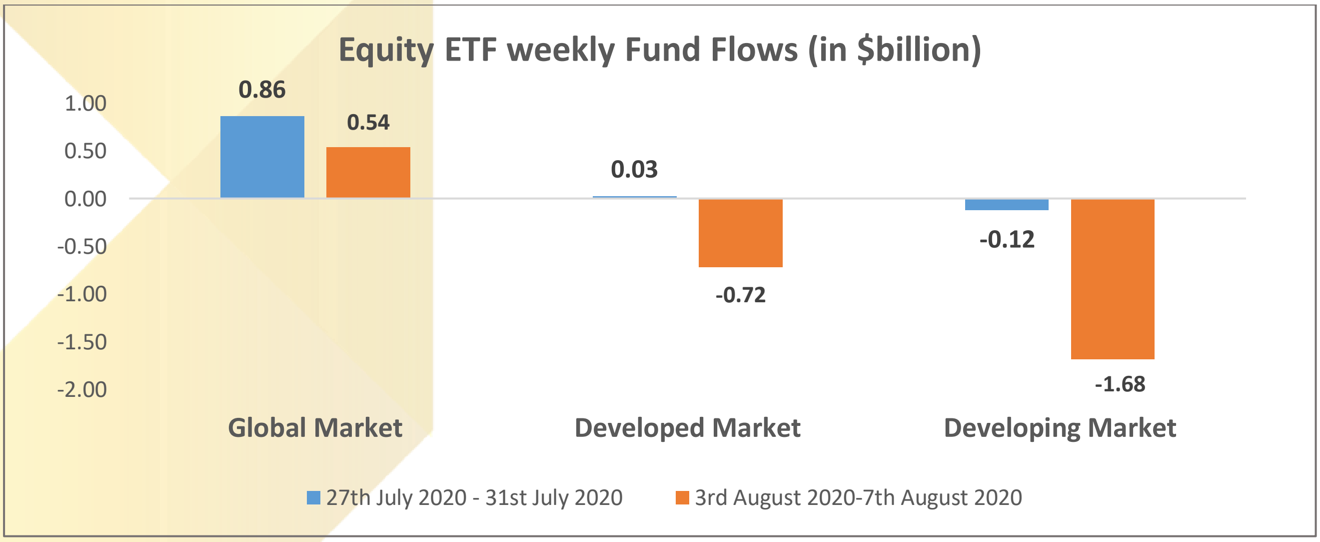
Natural gas prices rose after a demand supply mismatch and stricter environmental policy. Silver continued its outperformance against its precious metal peers. Rally among industrial metals was led by Nickel instead of copper. A cool down was observed in coffee after giving huge gains in the last few weeks, whereas wheat declined due to more than expected supply glut.

GLOBAL FUND MANAGERS' STATEMENTS

1) Ben Emons (head, global macro strategy Medley Global Advisors): "Historically when real yields reach a new bottom, it is followed by a higher MOVE," referring to the ICE BofA MOVE Index that tracks Treasury swings.

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

"Risk assets had another great last week. We believe the post pandemic rally is very close to topping out. We expect a 10% kind of correction in major equity indices over the next 4-5 weeks. We also believe that gold and silver are also topping out for the medium term. We also believe that Dollar index has bottomed out and will rally over the next few weeks."

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