



PACE 360

Weekly Report and Outlook on Global Markets

25th September 2020

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MARKET DEVELOPMENTS

Biden leads Trump nationally, but race much tighter in key states

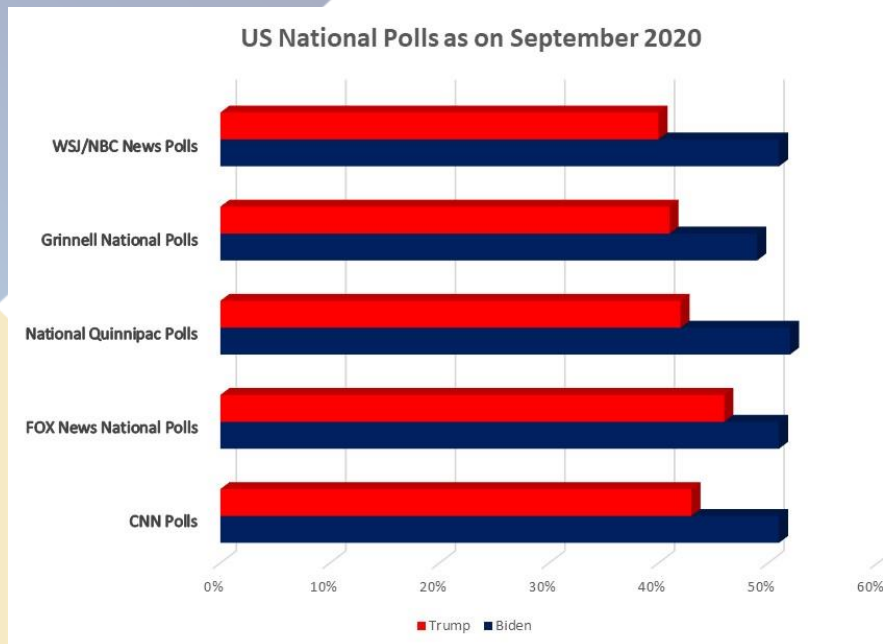


Figure 1: U.S. National Polls as on September 2020

The US presidential race is much closer than national surveys suggest, according to Reuters/Ipsos opinion polls in battleground states that show Democrat Joe Biden with only a slim lead over President Donald Trump in three highly competitive states and in a dead heat in three others.

The online state polls, conducted earlier in September and released this week, found Biden and Trump tied among likely voters in Florida and North Carolina. Biden led by 1 percentage point in Arizona, 3 points in Pennsylvania and 5 points in Wisconsin and Michigan.

Turkey Tightens Monetary Policy Further After Surprise Rate Hike

Turkey's central bank offered local lenders just a fraction of their daily liquidity requirements from its cheapest funding window on Friday, tightening monetary policy further after raising rates unexpectedly this week.

The central bank offered 5 billion liras (\$660 million) through its one-week repo auction, where the cost of money was

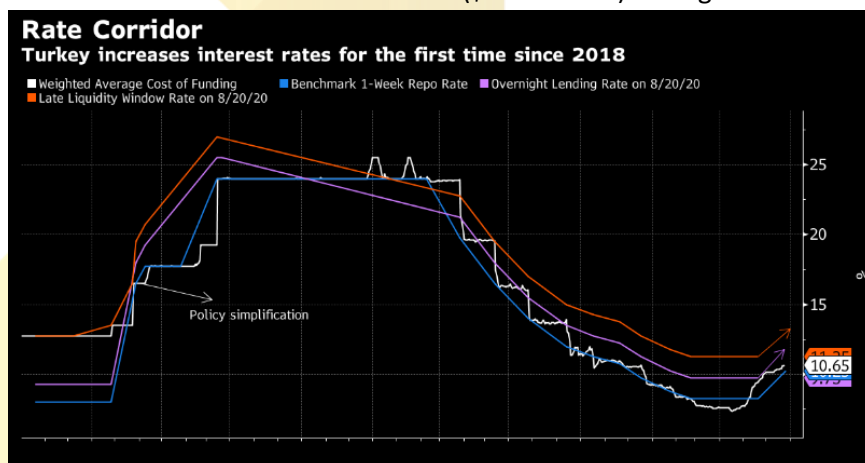


Figure 2: Higher cost of funding in Turkey

raised to 10.25% in a surprise rate hike on Thursday. That's going to force lenders to tap the monetary authority's costlier tools to meet the rest of their funding needs, pushing the average cost of funding higher.

More than a month of tightening by stealth has pushed up the average cost of cash provided by the central bank to 10.69% on Thursday from as low as 7.34% in July. It's been higher than Turkey's new benchmark level since Sept. 11.

Hedge Funds flee the Bullion at fastest pace since March 2020.

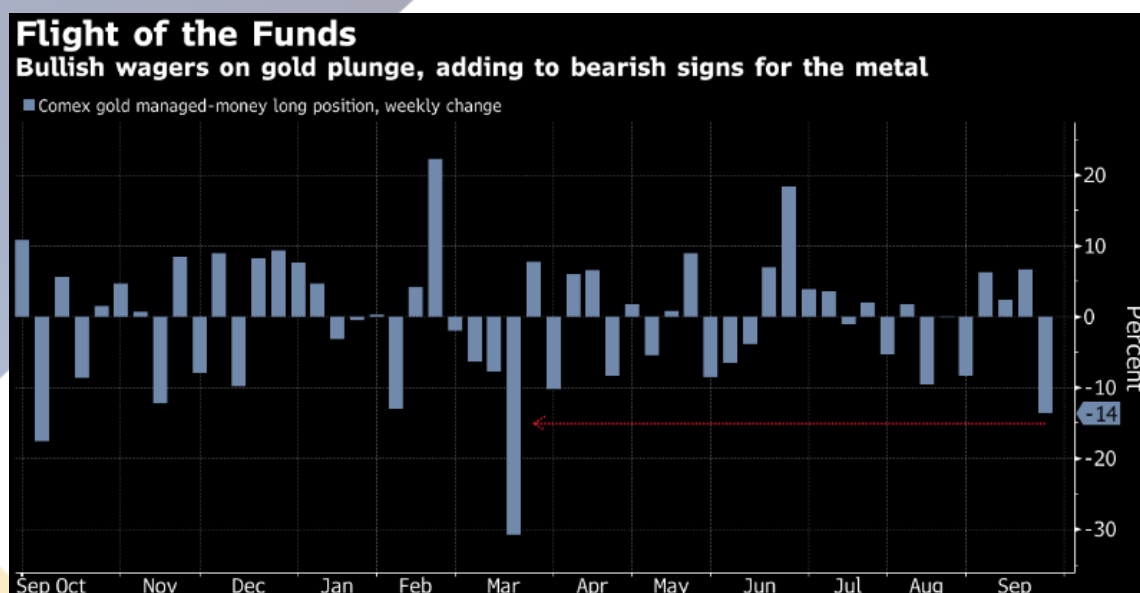


Figure 3: weekly change in Comex gold long/short positions

Gold's rally is stumbling, and hedge funds are taking note. Money managers cut their bullish bets in bullion futures and options at the fastest pace since March in the week ended Sept. 22, government figures showed Friday. A rebounding dollar is reducing the appeal of the precious metal, sending prices toward their biggest monthly loss since November 2016.

Brazil Is Shipping More Coffee Than Ever Before:

Brazil's bumper coffee crop is starting to translate into record shipments as growers capitalize on the local currency's slide against the dollar, according to one of the world's largest traders of the commodity.

Green coffee exports are expected to top 3.5 million bags this month, which would be the highest ever for September and the most since December 2018, said Carlos Alberto Fernandes Santana, a director at Empresa Interagropecuária SA, a

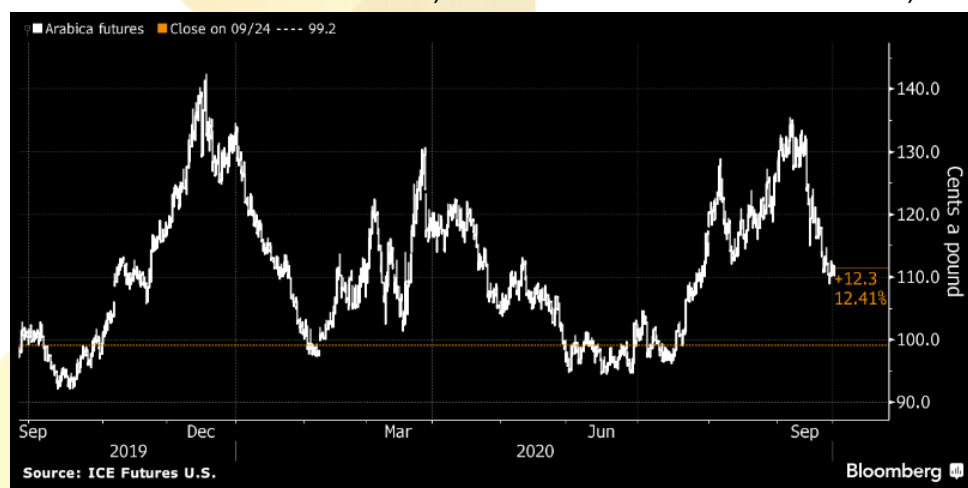


Figure 4: Arabica ICE Futures U.S.

unit of trader Ecom Agro industrial Corp. Shipments are on track to hit a record in the three months through November after falling in August, he said.

"Despite logistical bottlenecks at ports, the flow of exports has increased a lot, signalling record volumes for this month and the next two," Santana said in an interview.

Arabica-coffee futures are heading for their steepest monthly decline since January on concern that rising Covid-19 cases will spur new lockdowns in Europe and hurt consumption at a time when favourable weather conditions in producing countries signal good crops.

MAJOR MOVES THIS WEEKS

Currencies

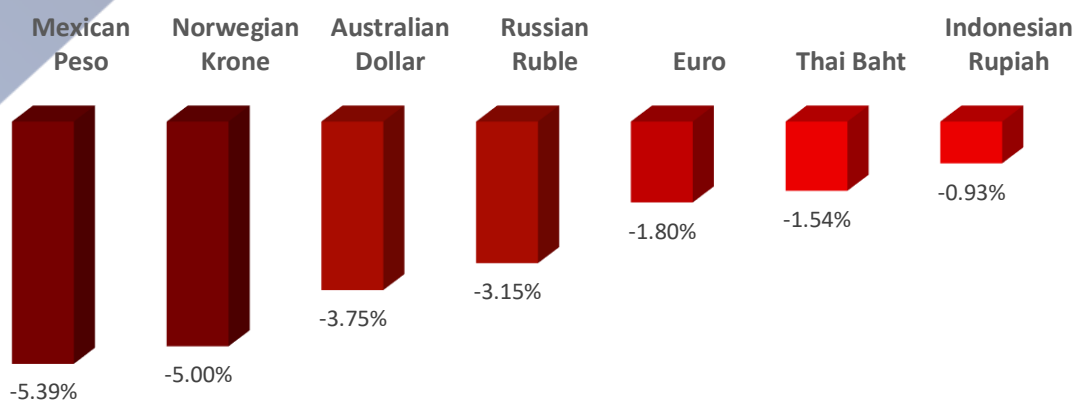


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

The rise in dollar index due to the risk off sentiment in the world led to Developed market currencies depreciating this week. The Emerging market currencies have also depreciated with Mexican Peso losing the most this week.

Global Equities

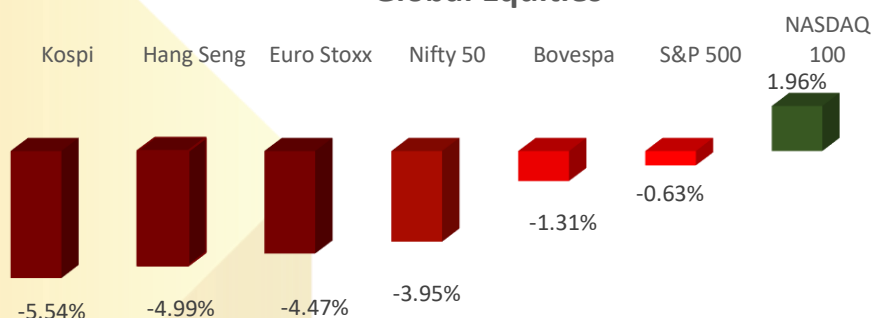


Figure 6: The chart represents the equity index returns over this week.

The risk off this week was apparent in all the indices throughout the world except very few such as the NASDAQ 100, Merval and Bist (Turkey). Nasdaq went up due to the positive sentiment in the technological stocks due to the resurgence of Covid-19 in several parts of the world. Banking sector was one of the most hit sectors this week.

Commodities

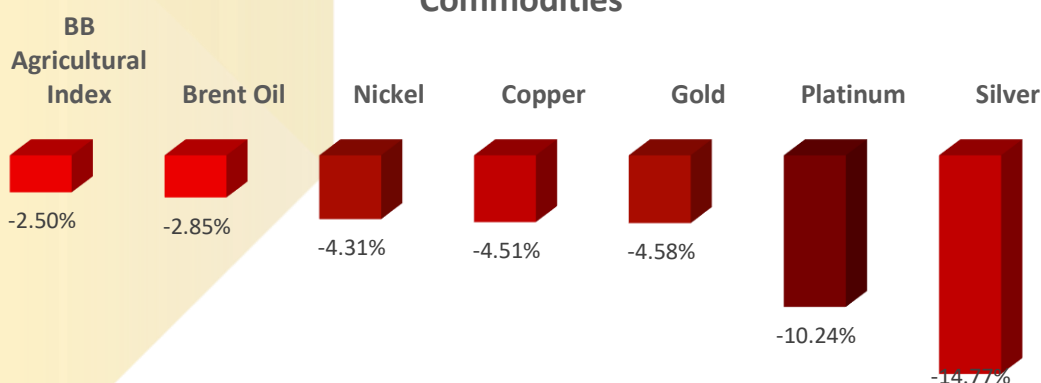


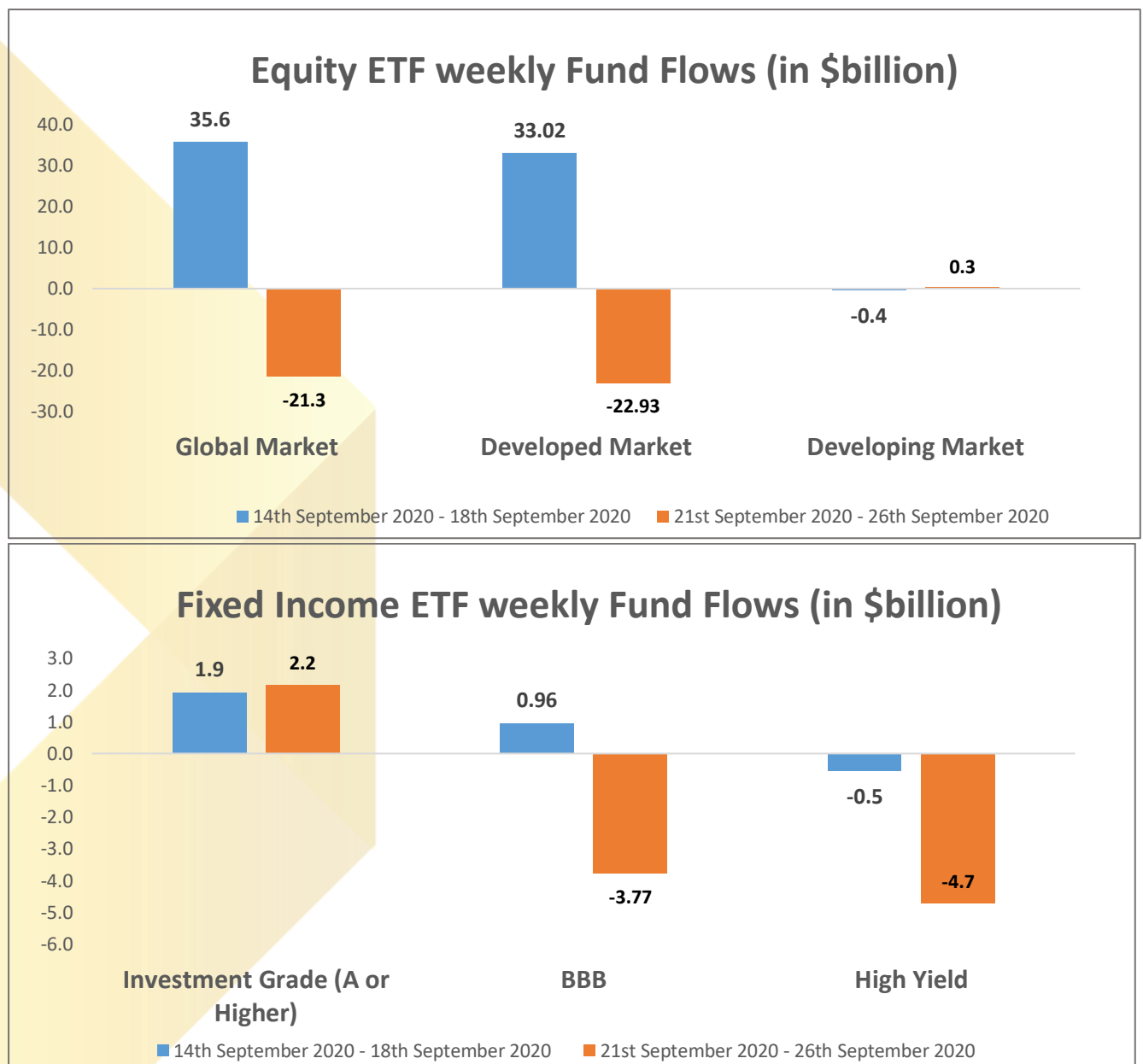
Figure 7: The chart represents the commodity returns over the week.

Since most of the commodities move in correlation with Euro, its fall resulted in almost all the commodities taking a beating this week. Silver was one of the worst performing commodities this week falling by about 14%.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Jim Paulsen (CIO, Leuthold Group LLP): "Markets could fall even further and this correction could have further down to go. They could fall by 15% from the recent tops" – Bloomberg Surveillance, 25th September 2020.

GLOBAL WEEKLY ETF 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 subcategories as well

PACE 360'S FUTURE OUTLOOK

"Global risk assets took in a savage cut last week and it was across the board with Equities, commodities and EM currencies all tumbling down. We expect the markets to take a bit of a breather and become sideways for some time before their next big move. It would be reasonable to expect a relief rally in gold and silver."

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