Weekly Report and Outlook on Global Markets

09th October 2020

Agriculture Commodity Index at 9-month high

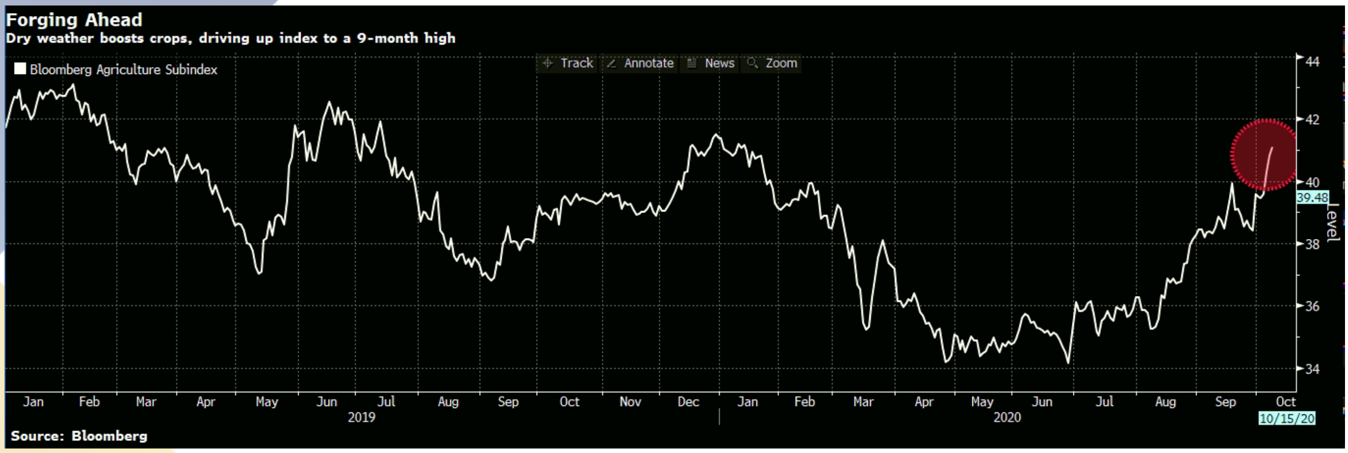


Figure 1: The figure depicts Bloomberg Agriculture Index price level since 2019. Index is composed of the following commodities:- Soybean, Corn, Soybean Meal, Wheat, Sugar, Soybean Oil, Coffee and Cotton

Surging wheat and soybean futures have sent the Bloomberg Agriculture Subindex to the highest level (~41) since January. Wheat is on track for the strongest close in more than five years, while soybeans are at the highest since 2018, as dry weather disrupts planting from the Americas to the Black Sea. The rally may stoke global food inflation at a time when Covid-19 is wreaking havoc on the global economy. Sugar and cotton have also climbed in the past few months. The thing to be noted is that even though agro-commodities have performed extremely well they are way below the high that it made in 2008, where the value of this index was just above 100.

Investors' Bet on Reflation Trade Increasing with Increasing Probability of a Biden Victory

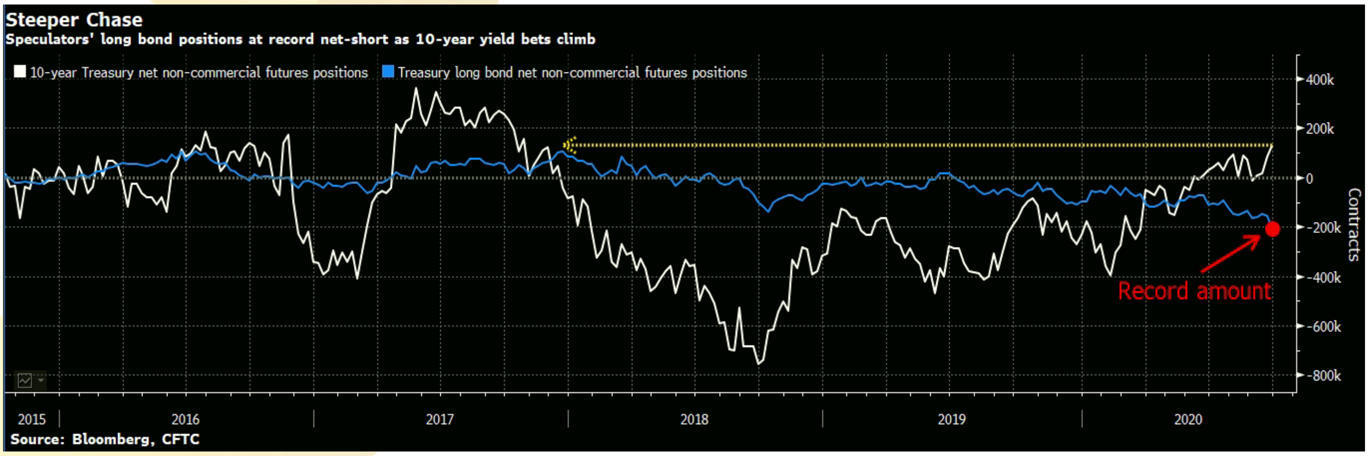


Figure 2: The figure depicts CFTC Positions on US 10 Year Treasuries and Longer dated US Treasuries

Hedge funds are positioning themselves more aggressively for a steeper U.S. yield curve. Speculative net short positions in longer dated bond futures have hit a record, while net long positions on 10-year Treasuries have climbed to their highest since October 2017, according to the latest Commodity Futures Trading Commission data. So-called steepener trades (going long on US Treasuries having maturity of 10 Years and below and short on US 20+ Year Treasuries) are often seen as bets on reflation, while investors are also positioning for the possibility of greater deficits should the Democratic Party prevail in November's election.

Renewable and Clean Technology Stocks are clear winners under a potential Democratic Government

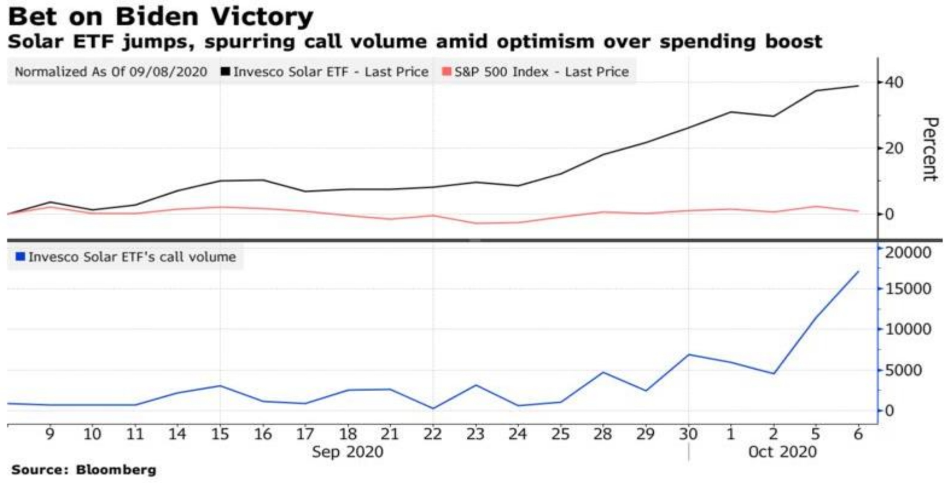


Figure 3: The first figure depicts performance comparison between Invesco Solar ETF and S&P500 and the second figure shows surge in Call option volume for the same ETF

Bets on a victory by Biden in the Nov. 3 election and a Democratic sweep of Congress have quickly become a scenario that investors can't afford to ignore.

Shares of renewable-energy companies expected to benefit from Biden's energy policy plans surged, continuing a trend of outperforming the broader market as the Democrat's chances to win improve.

The $2 billion Invesco Solar ETF has climbed ~47% since 4th September 2020, in comparison to S&P 500's 1.5%. The sheer optimism that one saw for FAANGM stocks in August can be seen for these renewable and clean technology stocks in the last few weeks. Options traders have piled into the exchange-traded fund, with a record 17,000 calls changing hands Tuesday this week. The infrastructure and green trade is a very 'blue wave' concept.

Investors Dust Off Trump Trade, This Time Betting He'll Lose

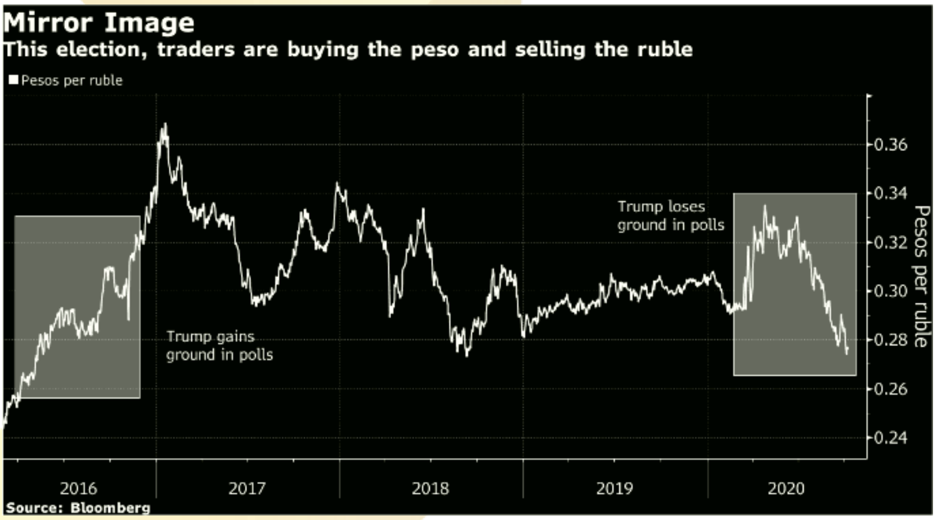


Figure 4: The figure value of Mexican Peso per Russian Ruble post Q2, 2016

Traders are reviving a currency pair from four years ago to bet on Donald Trump losing next month's presidential election. The trade involves the currencies of Mexico and Russia, the two emerging markets thought to be most affected by Trump's foreign policy.

In 2016 investors were buying the ruble and selling the peso in expectation the Republican candidate would mend relations with Russian President Vladimir Putin and cut trade ties with Mexico after winning the election. This time around, the trade has reversed as Joe Biden gains in the polls. The peso has rallied more than 6% against the dollar in the past three months, the best performance among major emerging-market currencies, as investors bet that increased stimulus under a Biden presidency will help boost Mexican exports to the U.S. The ruble has slumped almost 8% in the same period, with markets predicting that a Democrat in the White House will more likely impose harsher sanctions on Russia.

MAJOR MOVES THIS WEEK

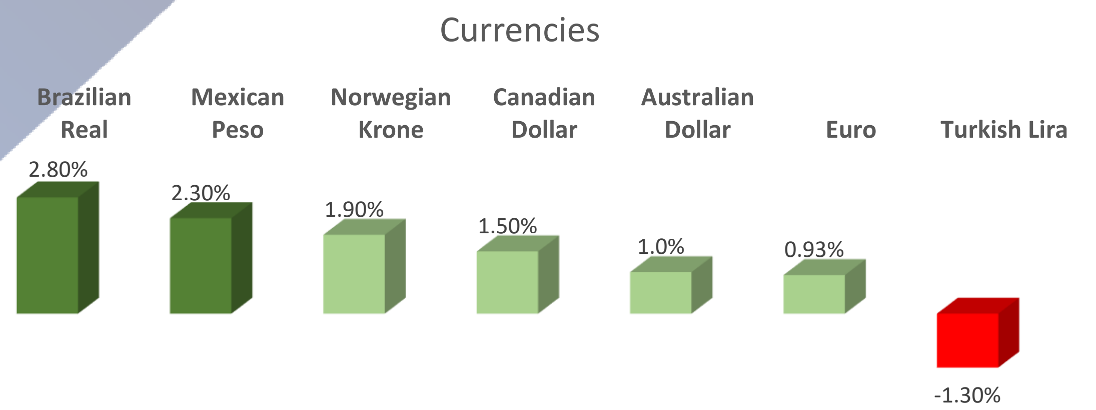


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

Emerging market currencies continued their uptrend against US dollar with increasing chances of Biden winning the US Elections. EM currencies will be the major beneficiaries due to improved trade relations with US. Euro also appreciated against USD and claimed back the 1.18+ levels. Along with Euro even other developed market currencies gave positive returns. Turkish lira closed in red due to increased probability of sanctions by US as they bought S-400 missiles from Russia and are even planning to test it.

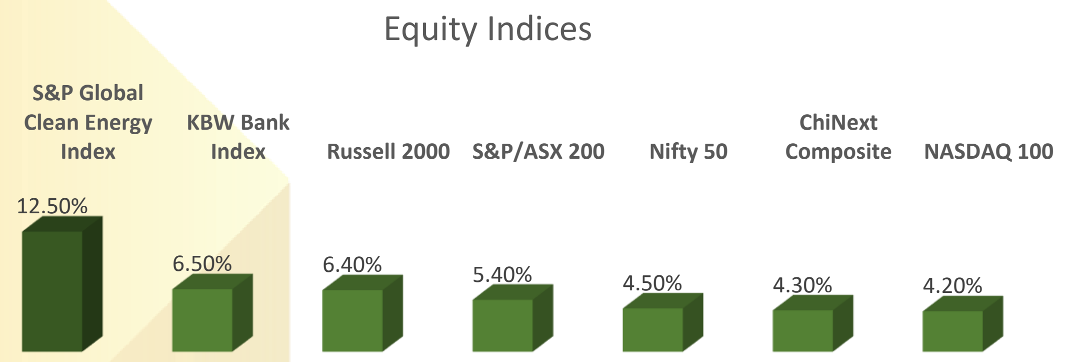


Figure 6: The chart represents the Equity Index returns over this week.

Declining uncertainty of US elections gave Equity markets a boost this week. Most of the major indices globally closed big in green. Small Cap and Banking sector outperformed the broader market in US. Emerging markets like India and China also enjoyed the risk-on period One can clearly see how investors are pricing in Biden's victory with clean technology and renewable energy index outperforming the global indices.

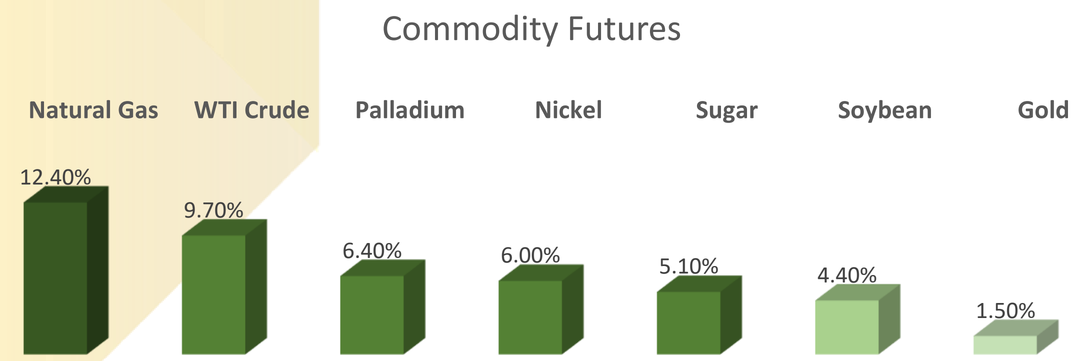


Figure 7: The chart represents the Commodity returns over the week.

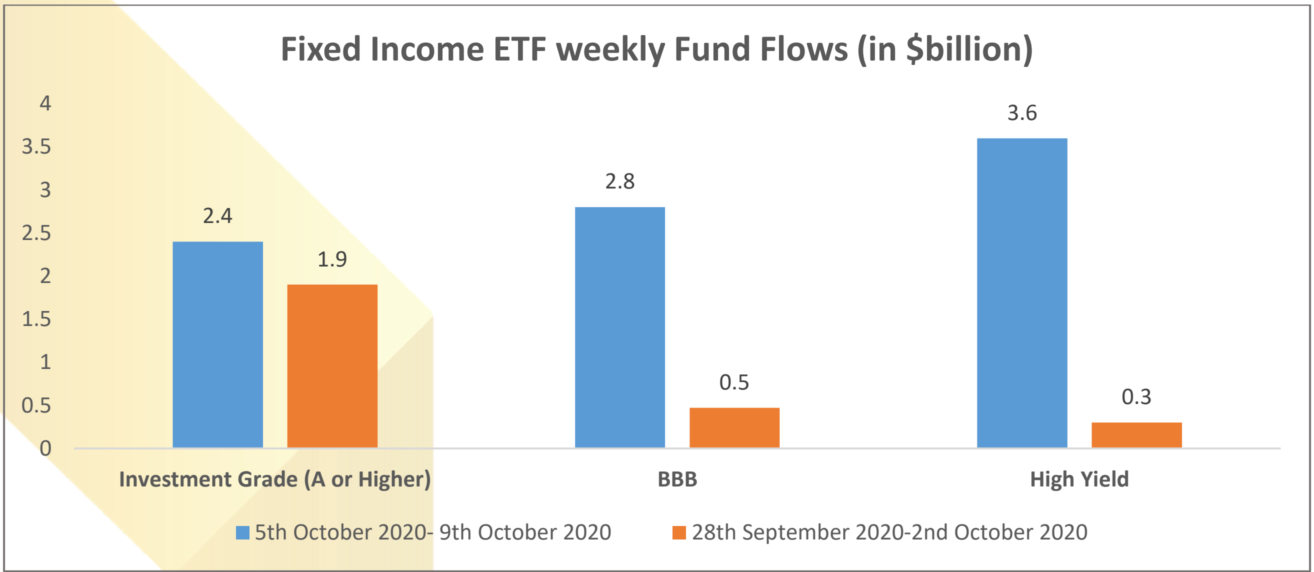
It was an eventful week for commodities across various categories. Palladium outperformed its precious metals segment peers. Nickel was the outperformer among industrial metals. Sugar and Soybean lead the way for Agriculture commodities. Crude oil bounced back handsomely after falling in the previous week. Natural gas also recovered from the last week's fall.

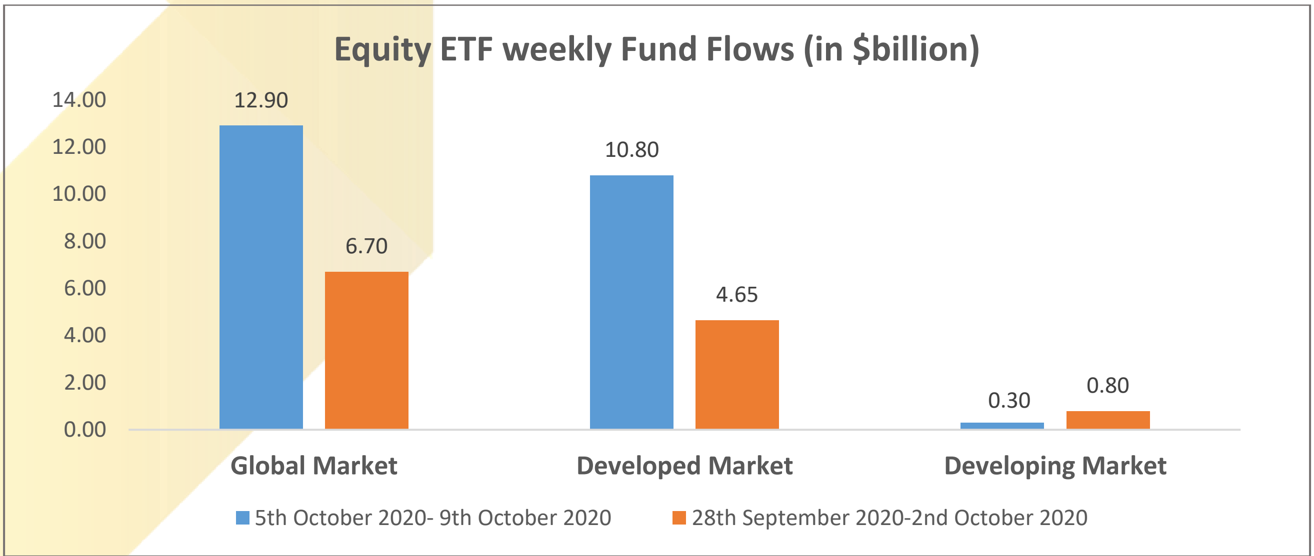
GLOBAL FUND MANAGERS' STATEMENTS

1) Jeffrey Gundlach (Founder, DoubleLine Capital): "I do think that within 18 months it's(Global Equities) going to crack pretty hard. When the next big meltdown comes, I think US is going to be the worst performing market. I am actually long on US dollar currently, though I don't believe in it at all. Betting against it will be the biggest trade for the years ahead ."–Business Insider, 9th October 2020

2) Carl Icahn (Founder, Icahn Enterprises): "Energy sector will bounce back one day but shareholders need to be very patient. The key to making money is to buy when companies are out of favour. I am bracing for a sweep of bankruptcies in the sector. In three years' time, people may kick themselves for not having snapped up inexpensive energy companies in 2020"- Reuters , 9th October 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

We witnessed a massive rally in global risk assets this week. This happened as markets discount not just a Biden victory but a Democratic sweep through both the White House and the Congress. We believe that the market's optimism on the extent of blue wave and its possible impact on the US and global economy is excessive and unjustified. In fact, we believe that financial markets have got disconnected from the current economic realities of the world. Global equities can sharply correct even before the US elections. However if that doesn't materialise then there will be a sharp fall between November and December. The bubble in the global markets is simply unsustainable.

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