



Weekly Report and Outlook on Global Markets

25th December 2020

Market Developments	2
Major Moves This Week	5
Global Fund Managers' Statements	5
Global ETF Fund Flows	5
PACE 360's Future Outlook	6

MARKET DEVELOPMENTS

Brexit Deal: What is in it?

A post-Brexit agreement on trade and other issues has been agreed, just a week before the transition period between the UK and the EU comes to an end. It avoids the disruption of a no-deal Brexit in the middle of the Covid pandemic, and marks a new era after more than 40 years of UK membership of the European Union.

Here are the major points of the deal

1. Fishing: One of the most difficult issues in the negotiations: How many fish will EU boats be able to catch in UK waters in future, and how long will any transition period last before new measures come into full force? UK initially wanted an 80% cut in the value of the fish caught by EU boats in UK waters, while the EU initially proposed an 18% cut. The value of the fish caught by the EU in UK waters will be cut by 25% - which is a lot less than the UK initially asked for. The cut will be phased in over a transition period lasting five and a half years - which is a lot shorter than the EU initially asked for. Once the transition period is over, the UK will fully control access to its waters, and could make much deeper cuts if it decides.
2. The "level playing field": There are level playing field measures which commit both the UK and the EU to maintain common standards on workers rights, as well as many social and environmental regulations. This was a key EU demand. They don't have to be identical in the future, so the UK does not have to follow EU law, but they do have to be seen to protect fair competition.
3. Dispute resolution: If either side moves away from common standards that exist on 31 December 2020, and if that has a negative impact on the other side, a dispute mechanism can be triggered which could mean tariffs (taxes on goods) being imposed. It is based around a "rebalancing" clause which gives both the EU and the UK the right to take steps if there are significant divergences.
4. Travel: UK nationals will need a visa if they want to stay in the EU more than 90 days in a 180-day period. They will still be able to use their EHICs which will remain valid until they expire. The UK government says they will be replaced by a new UK Global Health Insurance Card (GHIC), but there are no further details yet on how to obtain it.

Covid Fallout Means China to Overtake U.S. Economy Earlier

The Chinese economy is set to overtake the U.S. faster than previously anticipated after weathering the coronavirus pandemic better than the West, according to the Centre for Economics and Business Research.

Ranking (of 193 countries)	2020	2030	2035
U.S.	1	2	2
China	2	1	1
Japan	3	4	4
Germany	4	5	5
U.K.	5	6	6
India	6	3	3
France	7	7	7

Figure 1: Ranking of countries' economies by centre for economics & business research

The world's biggest and second-biggest economies are on course to trade places in dollar terms in 2028, five years earlier than expected a year ago, it said on Saturday.

In its World Economic League Table, the consultancy also calculated that China could become a high-income economy as soon as 2023. Further cementing Asia's growing might, India is set to move up the rankings to become the No. 3 economy at the end of the decade.

China's Soy Imports to Top 100 Million Tons as U.S. Supply Jumps

China's soybean imports will probably surge above 100 million tons in 2020-21, smashing the previous high set in the last marketing year, as local crushers ramp up capacity to take advantage of the country's burgeoning demand for animal protein.

China has bought a massive amount of soybeans this year to feed a domestic herd that's recovering faster than expected from African swine fever. The buying frenzy helped spark a global price rally at a time investors are concerned about supply, particularly as the La Nina weather pattern causes dryness in Brazil and Argentina which could hurt crops. Corn, which is also used in pig feed, has seen a similar surge.

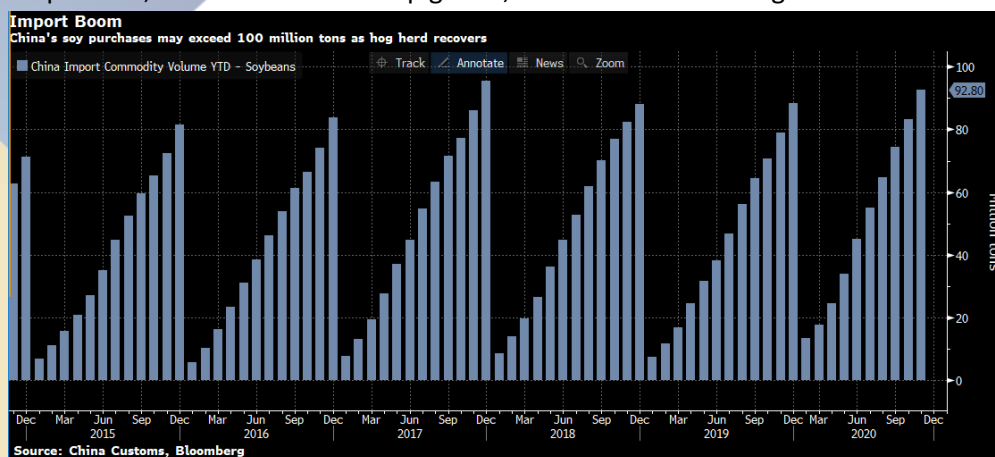


Figure 2: Year to date Soybean import volume-China

China's soybean imports from Brazil may slip to 56.9 million tons during 2020-21 from 69 million in the previous year, while purchases from Russia could halve to about 450,000 tons due to low planting acreage, Shi estimated. China's marketing year starts in October.

China soybean meal demand may climb by as much as 10% in

2020-21 from 5.8% last year, as improvements in living standards continue to bolster demand for meat, eggs, and milk.

Brazil Inflation Surges Most Since 2018 in Challenge to Low Rate

Brazil posted in December the fastest mid-month inflation in more than two years as prices of food, housing and transportation jumped, challenging central bank efforts to keep its key interest rate at a record low.

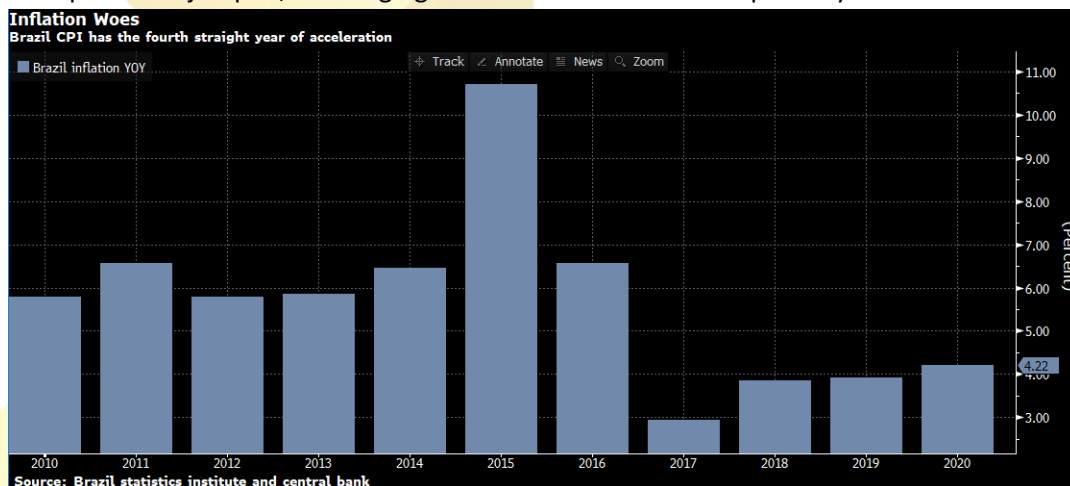


Figure 3: Brazil yearly Inflation figures.

The IPCA-15 index rose 1.06% from the month prior, less than the median estimate for a 1.17% gain from analysts in a Bloomberg survey. Annual inflation accelerated to 4.23%, above this year's target of 4%, the national statistics agency reported on Tuesday. The figures

confirm the central bank's warning that December will be another month of fast inflation in Latin America's largest economy. Fuelling an increase in the cost of living this year were local stimulus measures deployed by the government during the pandemic as well as higher commodities prices.

Earlier this month, the central bank indicated for the first time that conditions needed for low rates may not hold in the future. Its inflation forecasts show consumer prices nearing target both next year and in 2022 in an outlook that considers the benchmark Selic rising to 4.5% during that period. Brazil targets inflation at 3.75% in 2021 and 3.5% in 2022.

MAJOR MOVES THIS WEEKS

Currencies

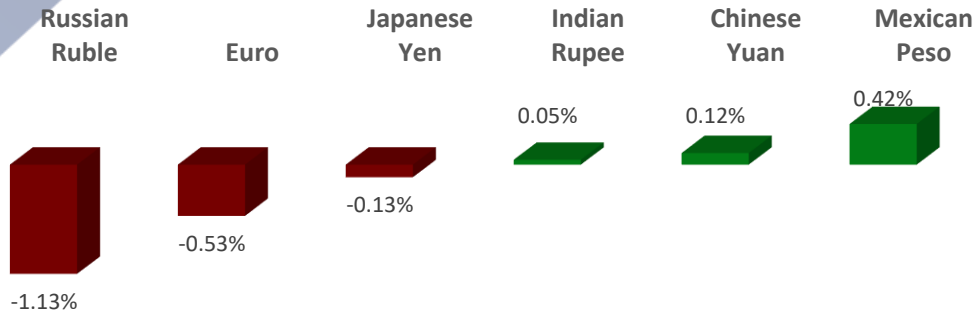


Figure 4: The graph represents Currency returns with respect to US Dollar as the base currency for this week ended 13th November 2020. Most currencies this week have depreciated against the dollar. After weeks of appreciation, a few currencies have made their tops against the dollar. The Emerging market currencies mimicked Euro this week.

Global Equities

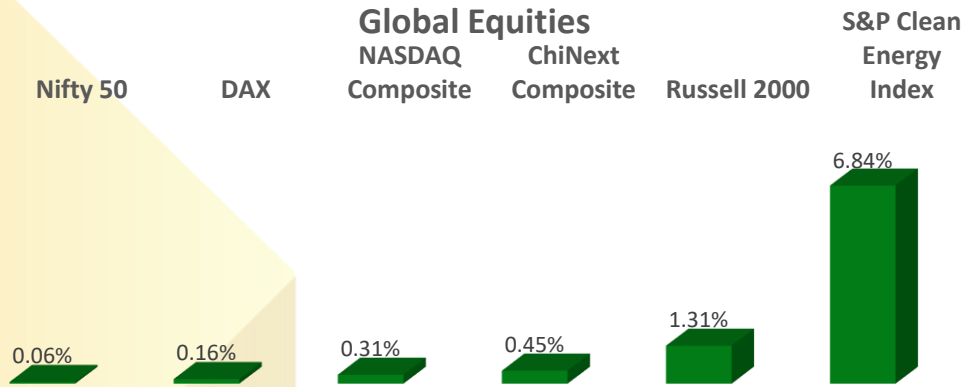


Figure 5: The chart represents the equity index returns over this week ended 13th November 2020. The sentiment on Clean energy has been soaring this week which drove inflows into the funds tracking clean energy companies. Asian Indices have also appreciated a lot this week. Small-cap indices like Russell out performed broader indices like S&P 500 & NASDAQ.

Commodities

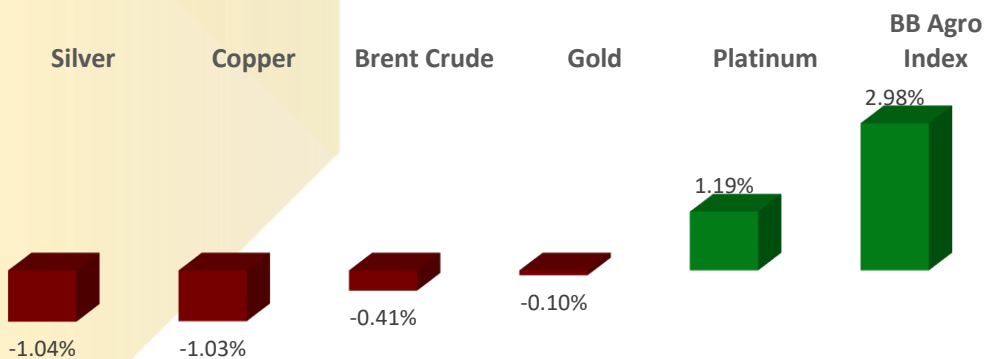
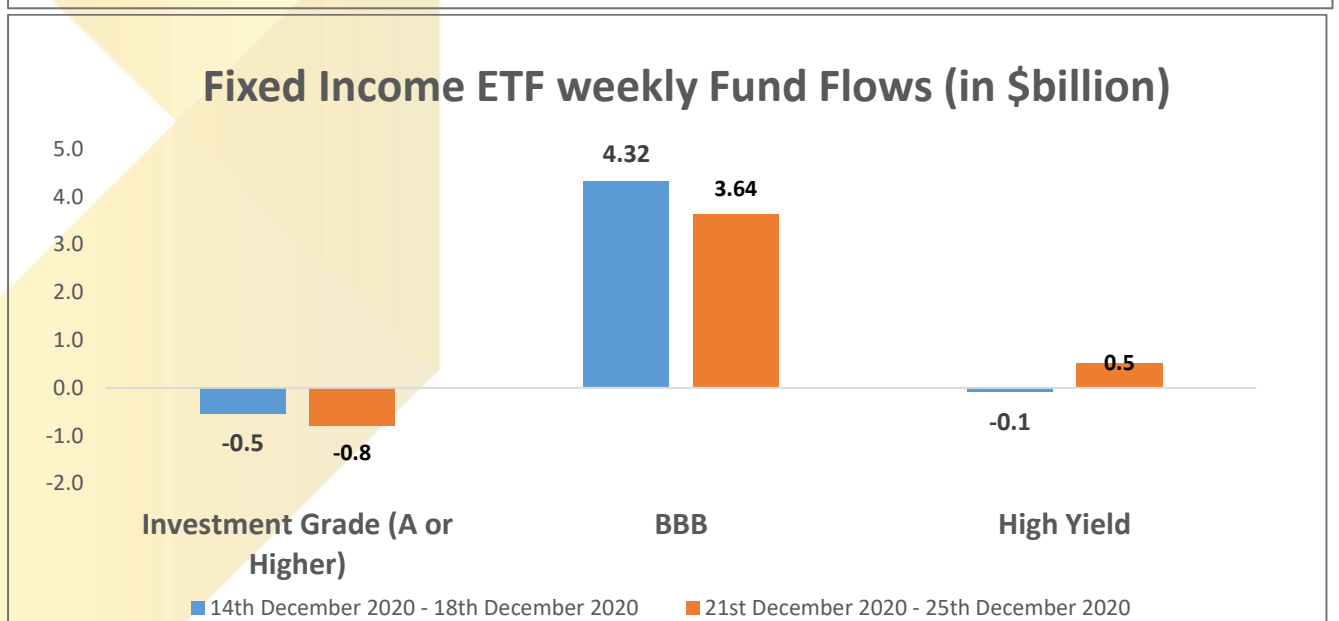
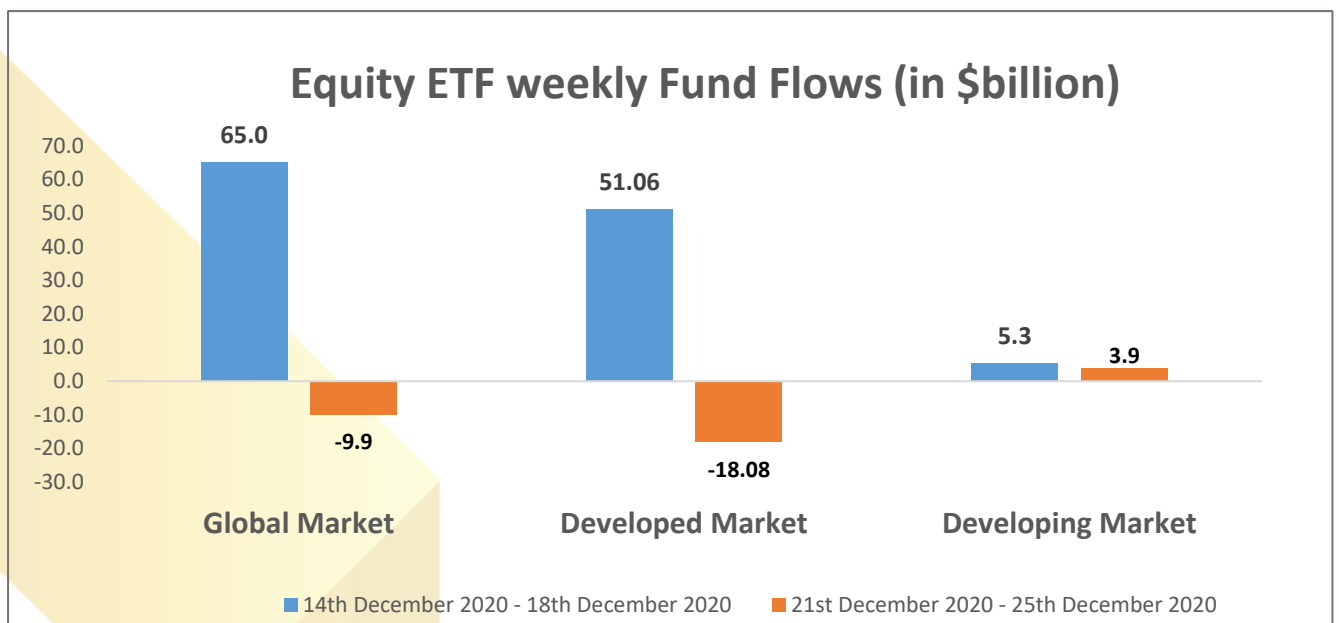


Figure 6: The chart represents the commodity returns over the week ended 13th November 2020. With no further positive outlook on Crude, Brent oil closed in red this week. Precious metals have been sideways to negative this week. Agricultural indices performed well this week.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Stanley Drukenmiller (American investor, hedge fund manager): "You've had a bunch of equities benefiting greatly from work from home" "A lot of money has rotated into them. They are overvalued." "But then you've got a whole other sector of the market that has struggled mightily because of Covid," "They're selling at under-value relative to, say, a three-to-five-year outlook. So, the rotation into that would seem entirely rational."

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

"We continue to believe that all risk assets are in the process of peaking out. Some of them seem to have already peaked out, particularly many of the industrial commodities and some of the EM currencies. Rest will probably peak in the next few days and weeks. We see a big reversal in all risk assets between now and March next year. We remain very bullish on long term US Treasuries and on gold."

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