



PACE 360

Weekly Report and Outlook on Global Markets

18th December 2020

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MARKET DEVELOPMENTS

Chinese shipping rates have soared to a record high this year

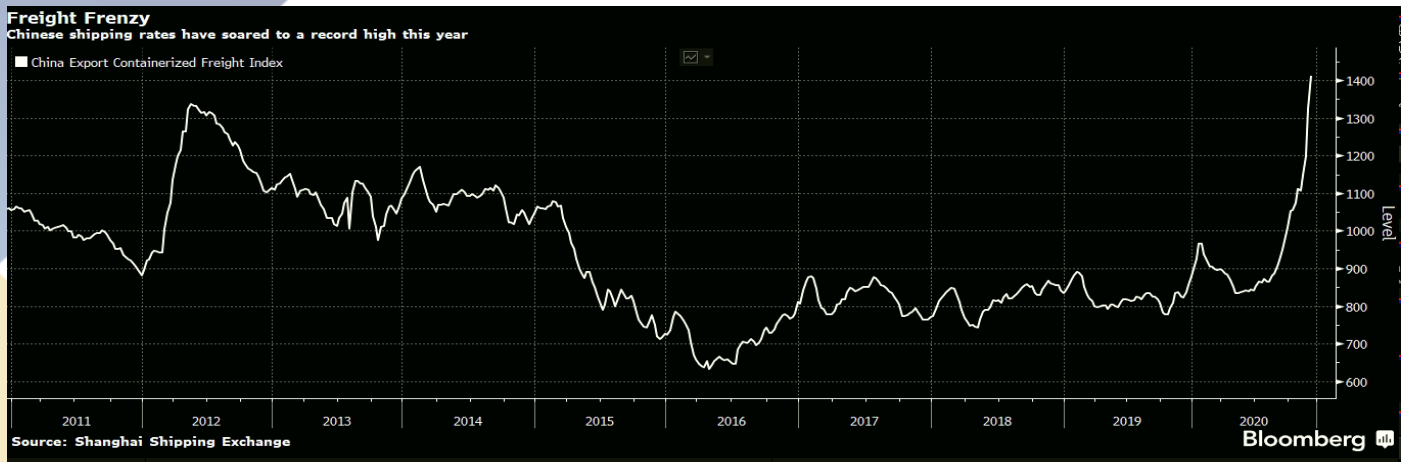


Figure 1: The chart depicts China Export Containerized Index which represents the Chinese freight rates

China's freight rates have soared to new heights in December, suggesting that last month's strong export performance is set to continue. An index tracking the cost of exports of the goods in containers from 10 Chinese ports has jumped more than 60% this year to reach a record high, exceeding the previous peak seen in 2012. Demand for shipping containers has surged in recent months, with Chinese companies exporting \$268 billion worth of goods in November, the most for any single month and more than 21% higher than the same period last year.

US stock option trading shows enthusiasm missing from equity-index contracts

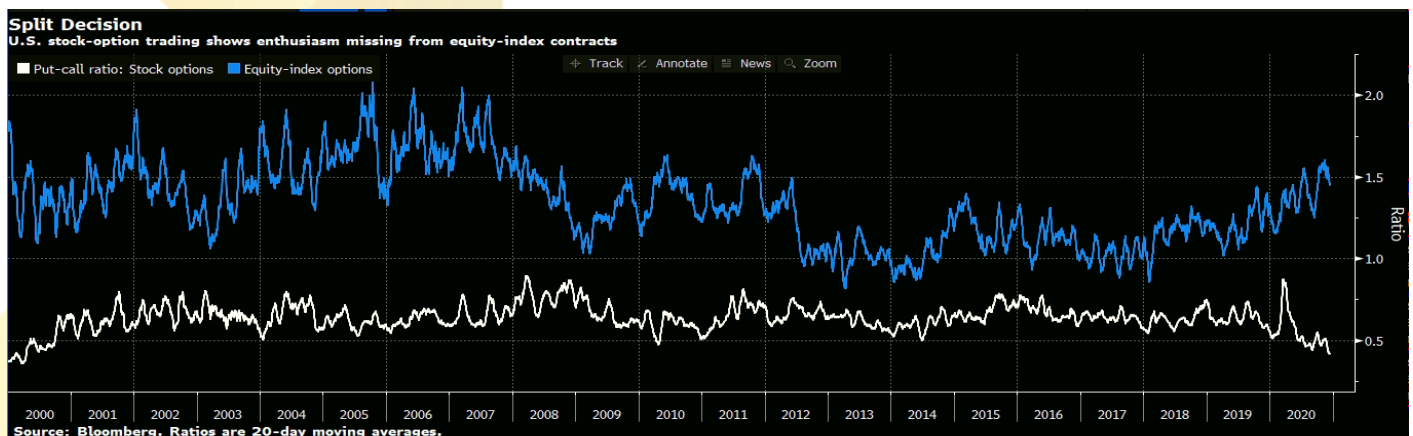


Figure 2: The figure depicts 20 day moving average for both, Put call ratio for US Stock Options (in white) and Put call ratio for Equity Index Options (in blue)

While enthusiasm for individual U.S. stocks is at an extreme among option traders, the same can't be said for equity indexes. Option-based indicators compiled by Cboe Global Markets show the contrast. The ratio between stock-specific put and call options closed this week near the lowest level since April 2000, based on 20-day averages. This shows contracts that rise along with specific stocks are much more in demand than usual. Yet the put-call ratio for index options is near a nine-year high.

Global Copper inventories at lowest level since 2014



Figure 3: The chart depicts Global Copper Inventories in metric tons

Copper stockpiles tracked by leading exchanges have dwindled to the lowest level in six years, and should outflows be sustained, holdings may soon hit the smallest since 2008. The slump highlights tightness in the global market, with prices rallying toward \$8,000 a ton as economies recover from the coronavirus pandemic, vaccines get rolled out, and the U.S. dollar retreats. Morgan Stanley says it's "all systems bullish" for the key metal, while Goldman Sachs Group Inc. expects that a substantial deficit will pave the way for prices to test \$10,000 a ton.

American consumer's economic expectations took a hit this month

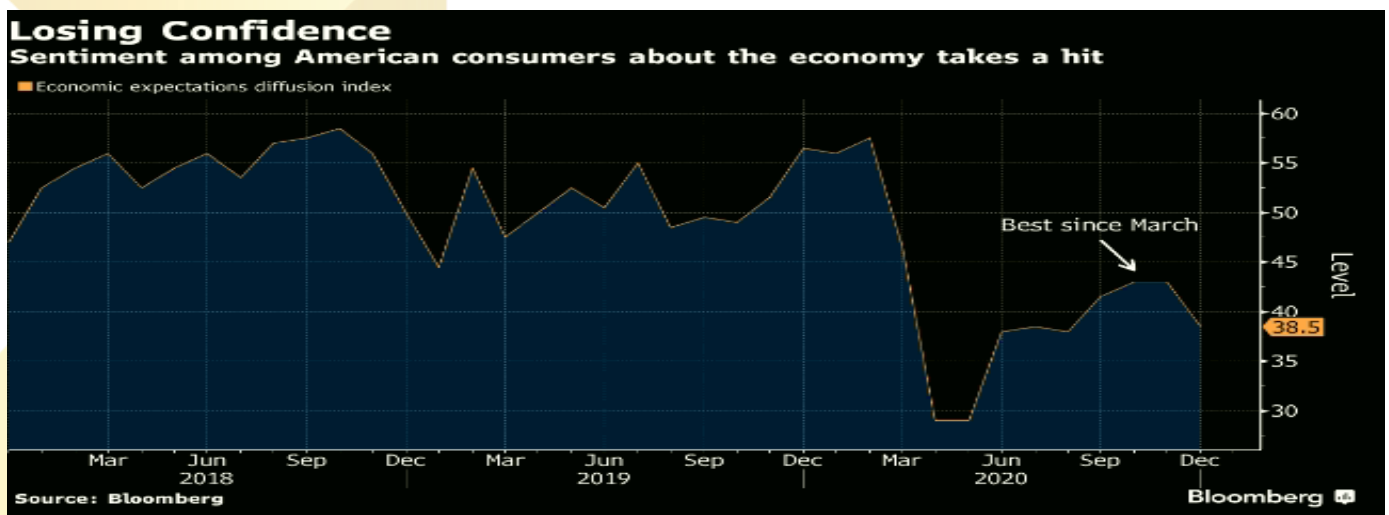


Figure 4: The graph depicts US Consumer Economic Expectation Index

A surge in coronavirus cases is dampening the spirits of Americans about the economy. The Bloomberg Consumer Economic Comfort Index's monthly expectations gauge fell to 38.5 in December, dropping from its highest level since March, according to a weekly survey released Thursday. Still, that's 9.5 points better than its pandemic low earlier this year, but trails its average of 41.9 this century.

MAJOR MOVES THIS WEEK

Currencies

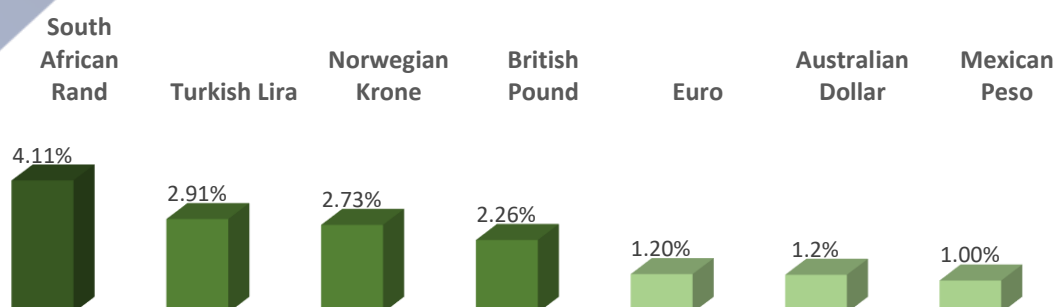


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week brought good amount of appreciation in both emerging market and developed market currencies. Apart from bullishness from vaccine rollouts, risk on environment in commodities have caused decent amount of up move in currencies and especially in commodity linked currencies. Among emerging market South African Rand was the outperformer gaining 4.1% followed by Turkish Lira. British pound also appreciated pretty handsomely even after negative statements being passed from both EU and UK.

Equity Indices

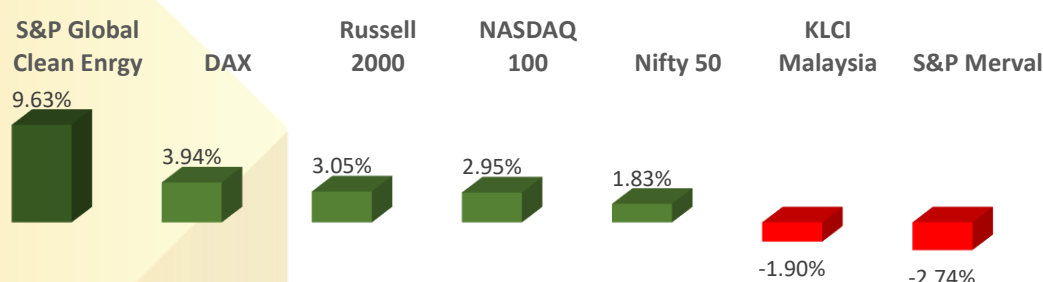


Figure 6: The chart represents the Equity Index returns over this week.

Developed market equities outperformed emerging market equities this week. This was one of the very few weeks where in US both technology stocks (NASDAQ 100) and small cap stocks (Russell 2000) have gone up and both outperformed the broader market. Renewable energy and clean technology stocks also went up pretty handsomely. Argentina's equity index S&P Merval underperformed the most.

Commodity Futures

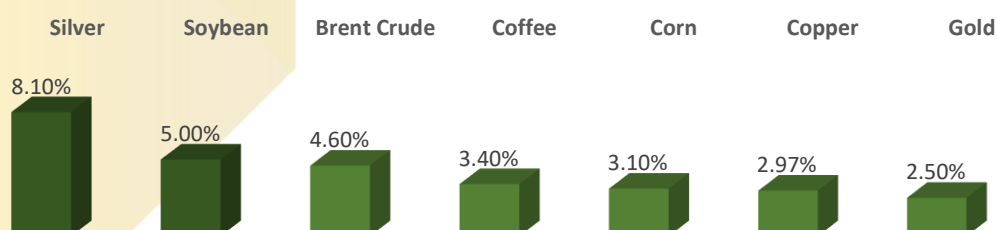


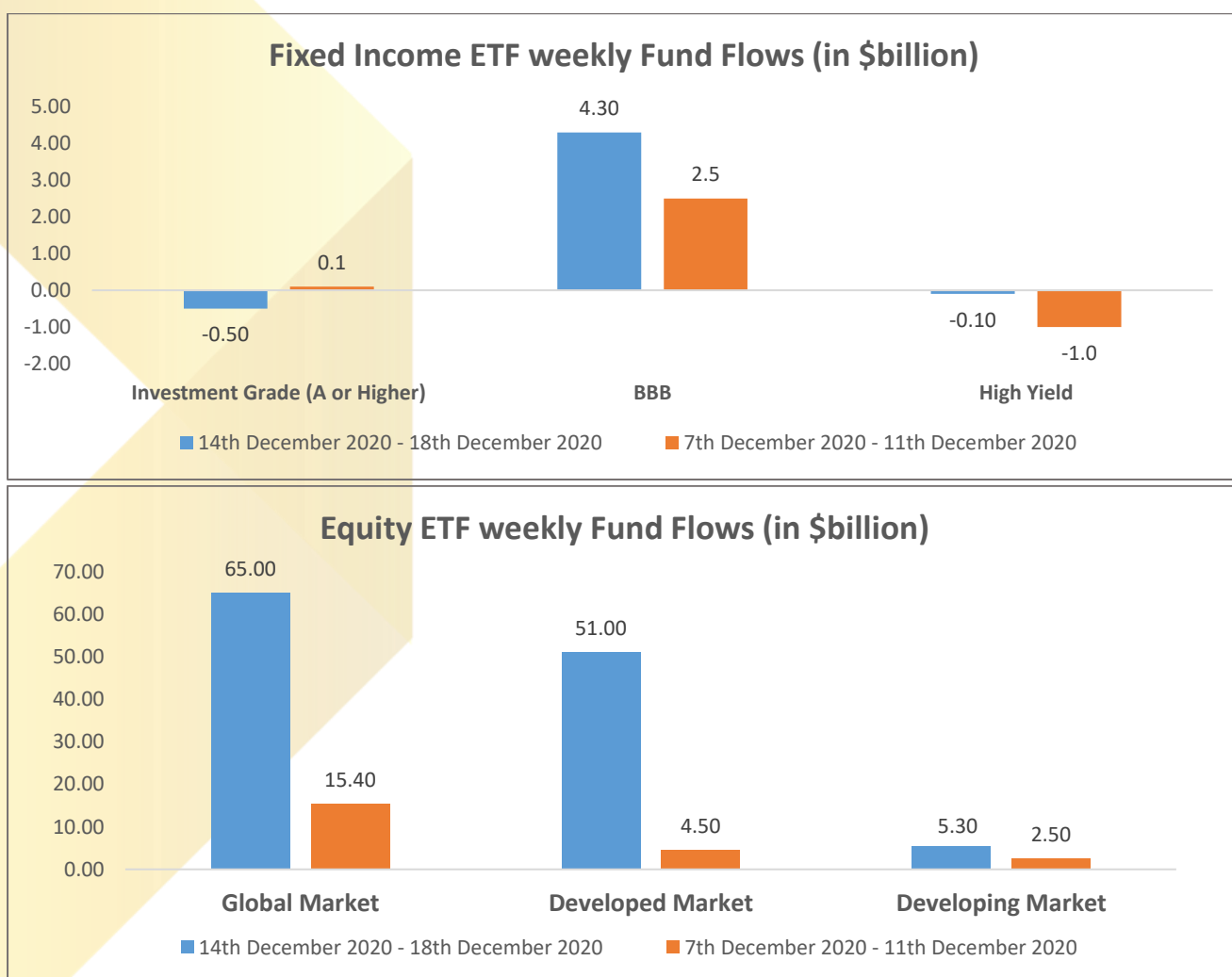
Figure 7: The chart represents the Commodity returns over the week.

Precious metals gave solid returns this week with silver outperforming by gaining 8.1%. This week was even good for industrial metals. Copper gained 3% after its inventory level had gone down to a six year low. Agriculture commodities after a few weeks of consolidation has broken out and gave good returns this week with soybean outperforming its peers. Crude oil continued its good run due to increase in demand.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Jim Rogers (Co-Founder, Quantum Fund): "Asia is going to be the place to be (in future) . Euro has staggering debt, japan too. US also doesn't look promising. If there is light in the tunnel its China and Asia. Even in Asia especially in China there are going to be problems where there are going to be bankruptcies and shocking things will happen but still I would prefer to be here only."—Investors Chronicles, 14th December 2020
- 2) Scott Minerd (CIO, Guggenheim Partners): "The Fed will have to stay committed to its asset purchase program until it sees the whites of inflation's eyes. Higher long rates will be self-defeating for the Fed because one of the only tools that it can use to directly affect the economy is containing long-term rates. The housing expansion, which has been a pillar of the economy, will slow markedly with higher mortgage rates. If a stimulus package passes and the Fed doesn't say something about modifying its purchase program, we're vulnerable to 10 year yields rising to 1.25 – 1.5%."— Tweet , 17th December 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 believe that risk assets are now a monstrous bubble waiting to be pricked. The process of unravelling of this bubble can start any time now even though it will take a few years to completely unfold. There is a reasonable probability that the first correction may get triggered by the year end rebalancing that is going to happen between now and 31st December. We remain bullish on US 30 year treasuries for the medium term and on gold for the long term."

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