Weekly Report and Outlook on Global Markets

4th December 2020

OPEC+ Finds Its Way to an Exhausting Compromise on Oil Cuts

	Jan. 2021	Aug-Dec. 2020	Change
Algeria	877,000	864,000	13,000
Angola	1,267,000	1,249,000	18,000
Congo	270,000	266,000	4,000
Equatorial Guinea	105,000	104,000	1,000
Gabon	155,000	153,000	2,000
Iraq	3,859,000	3,804,000	55,000
Kuwait	2,330,000	2,297,000	33,000
Nigeria	1,517,000	1,495,000	22,000
Saudi Arabia	9,124,000	8,993,000	131,000
UAE	2,628,000	2,590,000	38,000
Azerbaijan	595,000	587,000	8,000
Bahrain	170,000	168,000	2,000
Brunei	84,000	83,000	1,000
Kazakhstan	1,417,000	1,397,000	20,000
Malaysia	493,000	486,000	7,000
Oman	733,000	722,000	11,000
Russia	9,124,000	8,993,000	131,000
South Sudan	108,000	106,000	2,000
Sudan	62,000	61,000	1,000
Total OPEC countries	22,132,000	21,815,000	317,000
Total non-OPEC countries	12,786,000	12,603,000	183,000
Grand total	34,918,000	34,418,000	500,000

Figure 1: OPEC & non-OPEC Countries production levels from January.

After five days of difficult talks that exposed new rifts between core members, OPEC+ agreed to gently ease output cuts next year. The deal appeared to satisfy the oil market and most of the cartel's members but strained the group's unity and set up testing times ahead.

Thursday's OPEC+ output deal raised production targets for the 19 participants by 500,000 barrels a day from Jan. 1, with further changes to be agreed at monthly meetings of all the group's oil ministers. Those changes could either raise or lower output targets and the collective monthly adjustment in either direction will be no bigger than 500,000 barrels a day, according to a statement released by the OPEC Secretariat. The process will end once 2 million barrels a day of supply has been added to the market.

January's increase will allow Russia and Saudi Arabia, the group's two biggest producers, to each pump an extra 131,000 barrels a day, which is equivalent to two super tankers per month. At the other end of the scale, the group's smallest members will be permitted to pump just 1,000 barrels a day more oil than they can now.

Asset Managers boost bearish dollar bets to fresh record

Figure 4: Asset managers net U.S. dollar positioning & Dollar index.

A deepening slide in the U.S. dollar has prompted asset managers to boost their bearish bets on the currency to record levels, according to data from the Commodity Futures Trading Commission going back to 2006. Net dollar short positions held by institutional investors such as pension funds, insurers and mutual funds hit an all-time high last week, based on an aggregate of positioning in eight currencies. The Bloomberg Dollar Spot Index slumped more than 2% in November as progress toward a number of coronavirus vaccines damped demand for the greenback as a haven.

Goldman Sees Further Gains in EM HY Credit After Strong Month

Goldman Sachs remains positive on emerging-market high-yield debt even after significant gains in November, extending its target on its trade recommendation to go long on a basket of sovereign bonds.

- While EM spreads remain wide relative to their history, the risk of default also remains high due to the Covid-19 pandemic, strategists Sara Grut, Teresa Alves and Kamakshya Trivedi in London write in a research note

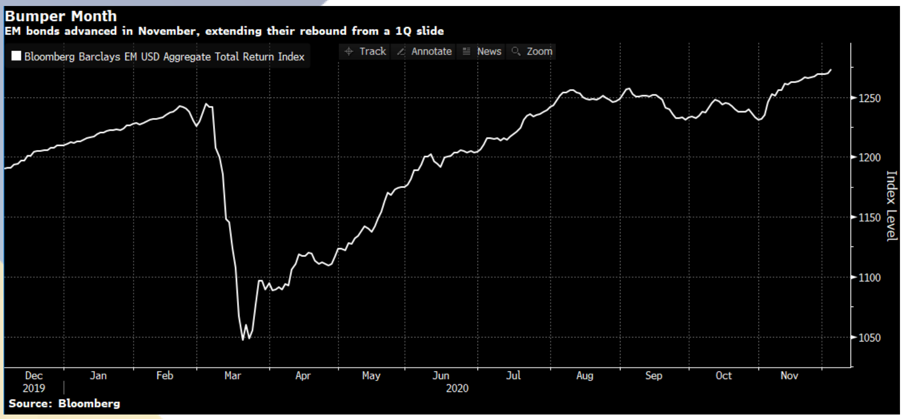


Figure 3: Bloomberg Barclays EM USD Aggregate total return index

- South Africa and Namibia appear particularly inexpensive, along with sovereigns with more idiosyncratic risks such as Costa Rica and Tunisia
- Countries with the highest risk of a debt event include Iraq, Angola, Gabon and Sri Lanka
- The maturity profile looks light going into December though there is a chance some EM sovereigns will come to market before year-end to take advantage of improved market conditions
- Credit issued by oil exporters have outperformed importers both in investment grade and high yield, making them vulnerable to near-term developments with OPEC+

Argentina Reserves Slump Brings Faster Devaluation Ever Closer

Foreign currency held at the central bank tumbled 3% to $38.65 billion, the lowest in almost four years. Net reserves, which exclude the bank's foreign currency liabilities, stand at $4.6 billion

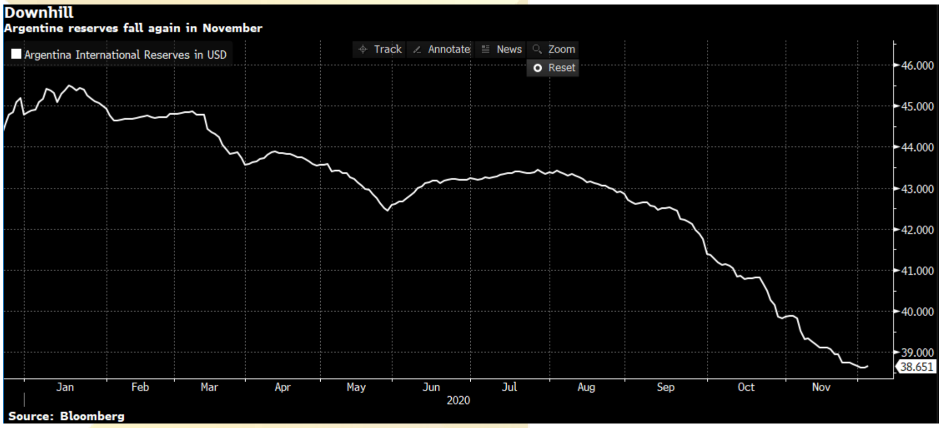


Figure 2: Argentine International Reserves in USD

That is not enough to allow policy makers to maintain the peso's controlled decline indefinitely. The bank spent $293 million propping up the currency last month and must make a $2.1 billion payment to the Paris Club in May. With many Argentines rushing to put their savings into dollars, the strain on the peso is only going to mount. The central bank currently allows the peso to weaken by between 0.1% and 0.2% a day.

Many Argentines think a bigger devaluation is on the way, fuelling pressure on the peso even as the central bank imposes currency controls and limits people to buying just $200 a month. Anything beyond that must be done through a series of financial trades or on the thriving black market, where greenbacks fetch more than 150 pesos per dollar, or almost double the official exchange rate.

Given that the reserves are going to be depleted in August or September, it is better for the government to make adjustment before the congressional election to be held in October 2021.

MAJOR MOVES THIS WEEKS

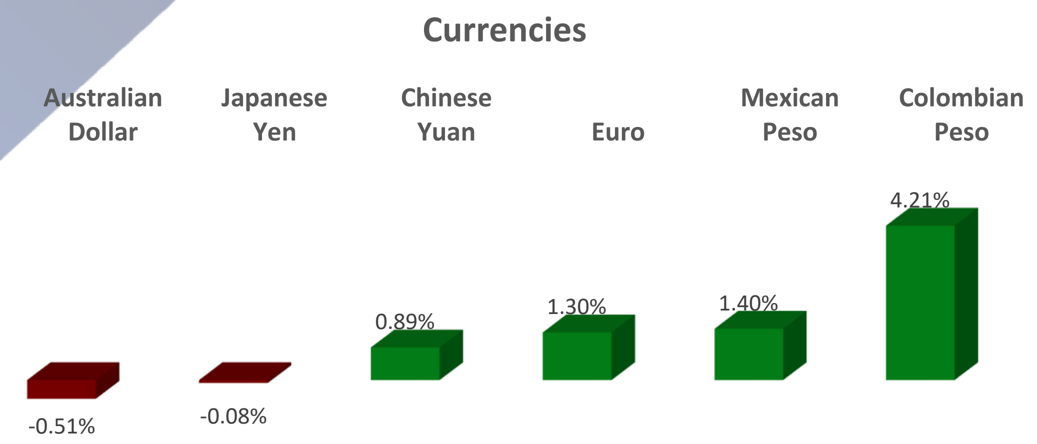


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week ended 13th November 2020

There was extreme bullishness throughout currencies tis week. With the OPEC+ deciding to postpone the production cuts and moderately increase it throughout next year, currencies like Russian Ruble, Colombian Peso, Norwegian krone appreciated. Euro had also broken above the 1.21 resistance levels and sustained above them.

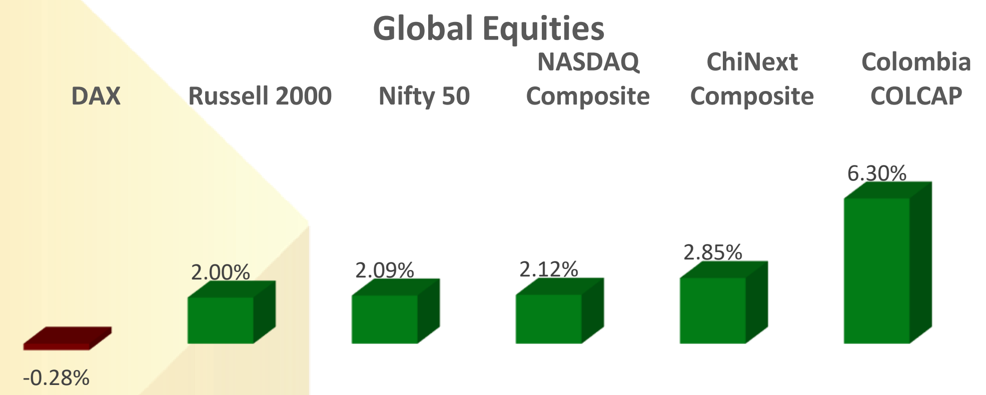


Figure 6: The chart represents the equity index returns over this week ended 13th November 2020.

Global equities have again shown extreme risk on sentiment this week. About 80% of the world indices have closed higher than last week. Value indices gained more than the growth this week.

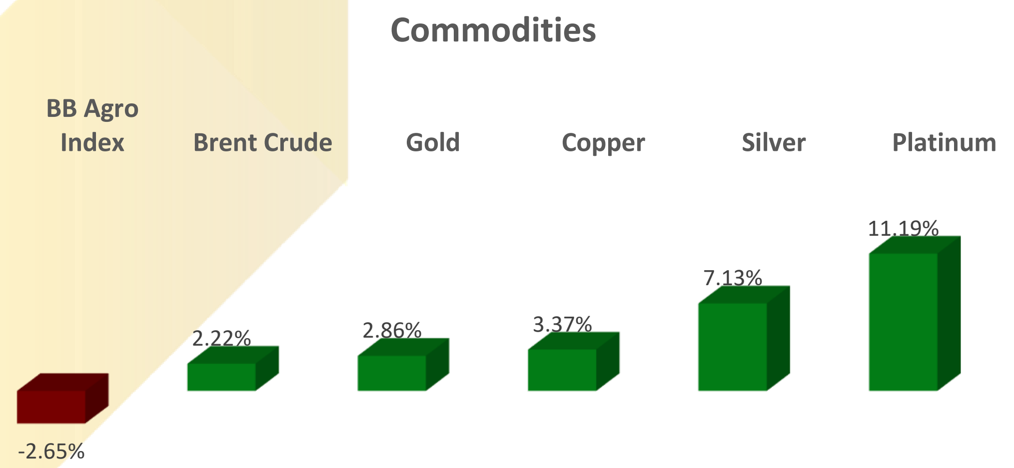


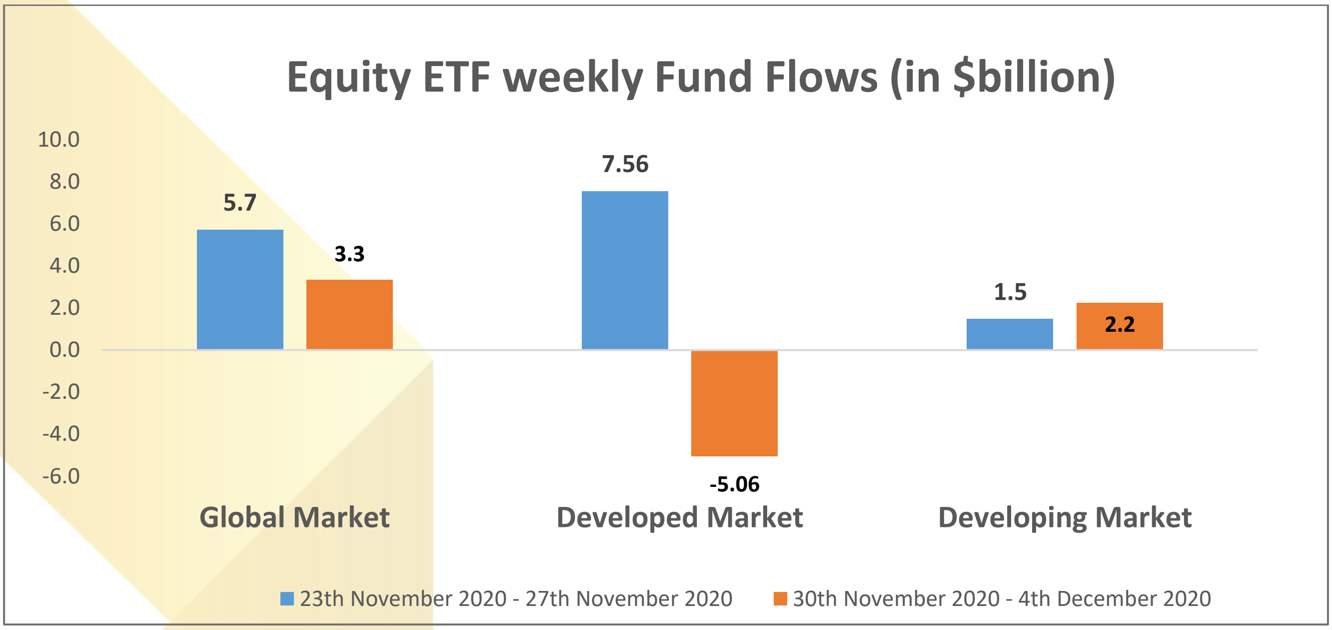
Figure 7: The chart represents the commodity returns over the week ended 13th November 2020.

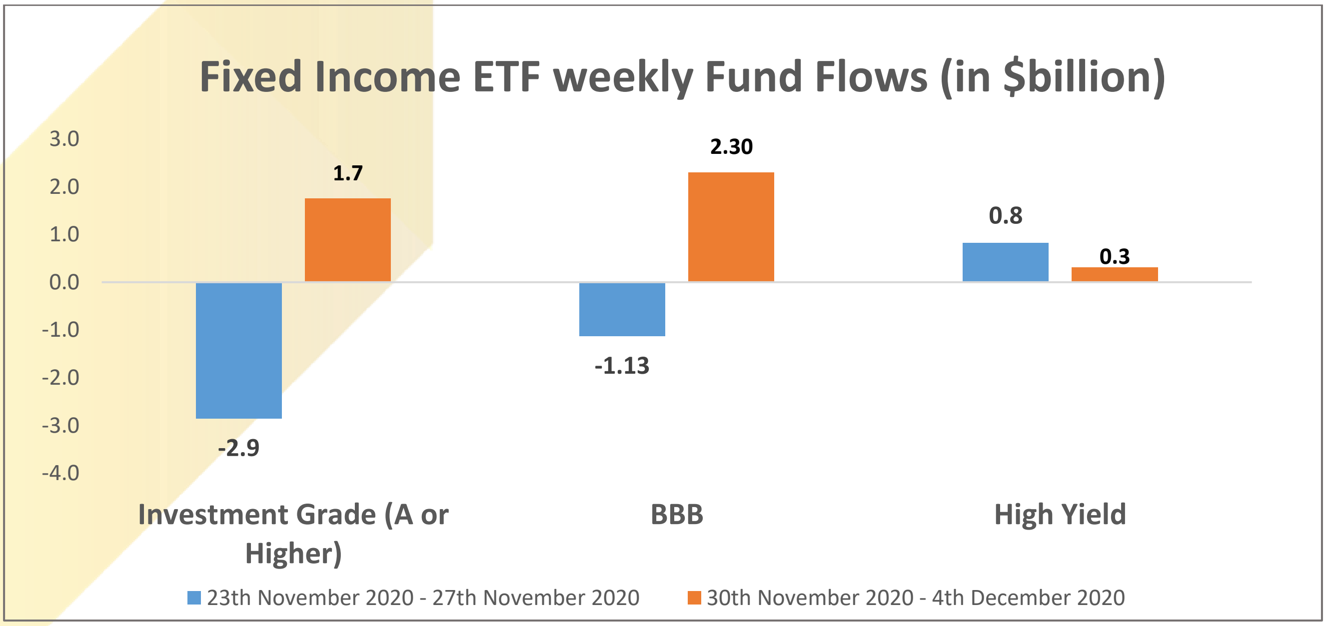
With OPEC+ giving a clear plan about the production cuts, crude and related products performed well this week. Most precious metals have also given up their losses that occurred last week.

GLOBAL FUND MANAGERS' STATEMENTS

1) Jin Rogers (co-founder of the Quantum Fund and Soros Fund Management): "The debt taken on by the U.S. government and the unprecedented amount of money printed by the Federal Reserve are the biggest risks for 2021. If Janet Yellen is the next Secretary of the Treasury, she loves to print and spend money. Silver is much cheaper than gold on a historical basis. I will buy both (silver and gold), but I will buy more silver." – December 4th, 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

" There has been complete bear capitulation in risk assets in the last few days. In fact, bears have virtually deserted the markets because of the sheer ferocity of the up move. Even bulls fear booking profits as prices go up practically every single day. Though there are not too many historical precedents of this extreme situation, we believe a sharp correction is on the horizon. This correction may materialise over the next few days or may take a few weeks but is bound to happen as we reach bull exhaustion. We remain extremely bullish on Gold and US Treasuries over the longer term."

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