Weekly Report and Outlook on Global Markets

11th December 2020

Unprofitable Russell 3000 stocks are outperforming profitable ones and the index

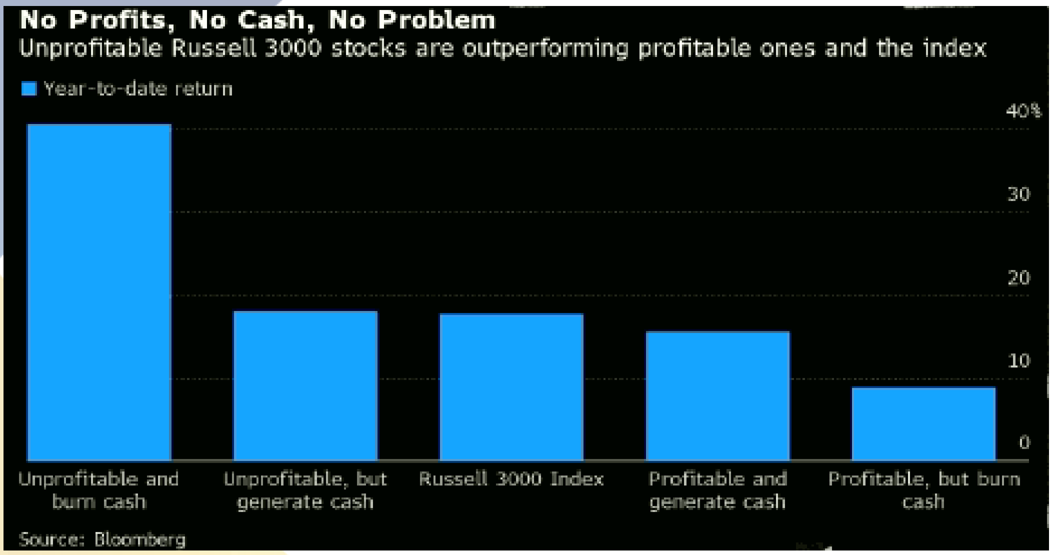


Figure 1: The chart depicts YTD returns for various type (based on Profitability and cash flow) of stocks within Russell 3000

Profitability and cash generation are hardly requirements anymore. Looking at the Russell 3000 Index, around 502 companies whose operations are unprofitable and burn cash, they've returned, on average, 40.6% this year, while those that generated both operating profits and cash flow returned 15.6%. Even firms that are unprofitable and generate cash are up 18%, which just beats an index that has returned 17.7% including dividends in 2020.

Crude held on tankers at sea dips below 100 million barrels

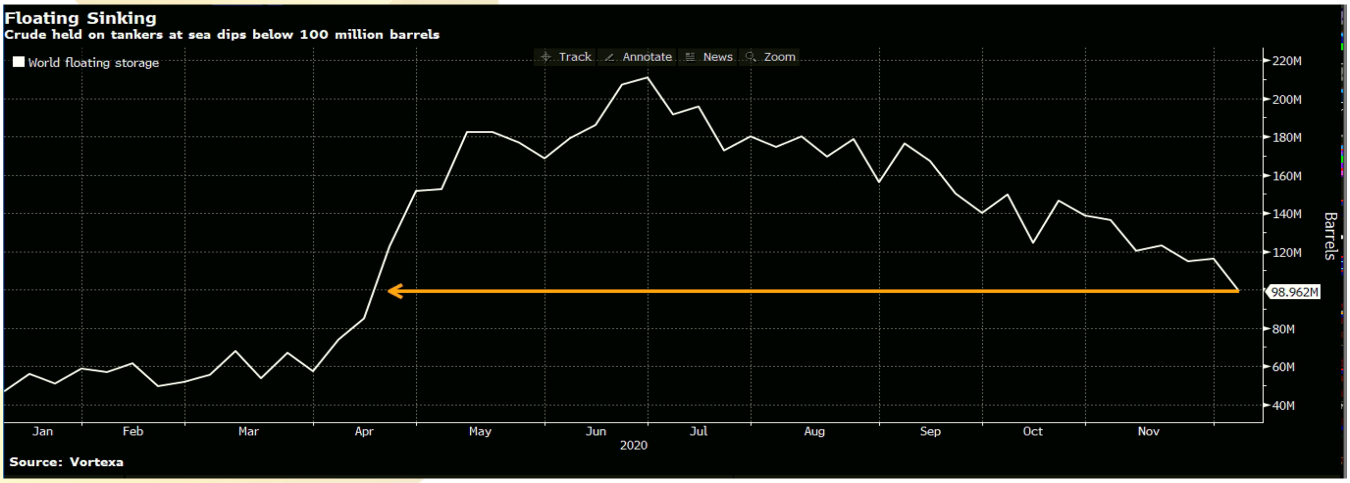


Figure 2: The figure depicts barrels of Crude oil held on tankers at sea

One of the oil market's surest signs of surplus supply -- crude being kept on tankers -- is steadily whittling away. The amount of oil held on so-called floating storage plunged below 100 million barrels last week to 98.96 million barrels, the first time it's shrunk to that level since April. Keeping barrels on tankers became popular during lockdown measures earlier this year as oil demand crashed at a time when producers weren't taking steps to restrict oil supply.

Global supply of bonds with negative yield hits record $18 trillion

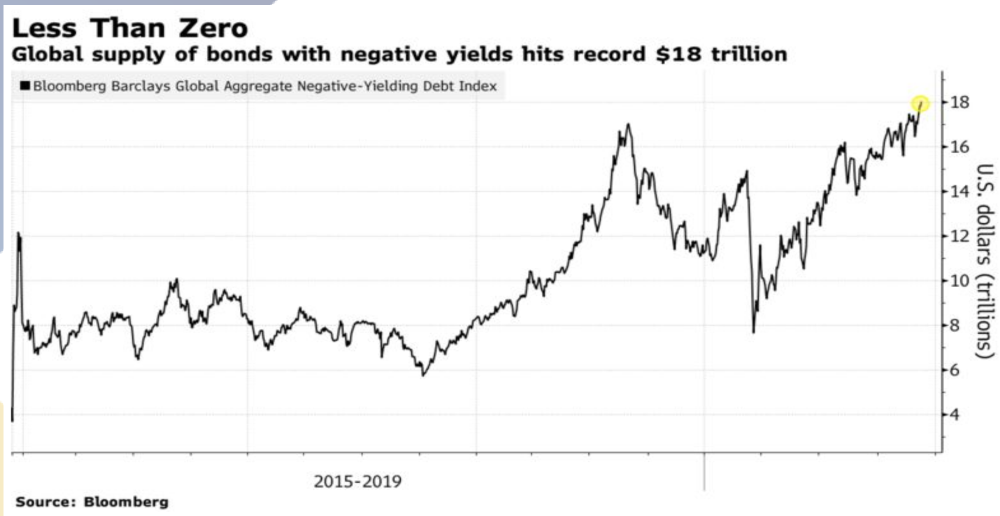


Figure 3: The chart depicts market cap of negative yielding debt

The world's stockpile of negative-yielding debt has swelled to a fresh record in a sign that demand for havens is just as intense as that for riskier assets.

The market value of the Bloomberg Barclays Global Negative Yielding Debt Index rose to $18.04 trillion on Thursday, the highest level ever recorded. About $1 trillion of bonds have seen their yields turn negative this week, meaning 27% of the world's investment-grade debt is now sub-zero.

Divergence between Chinese margin trading value and ChiNext composite

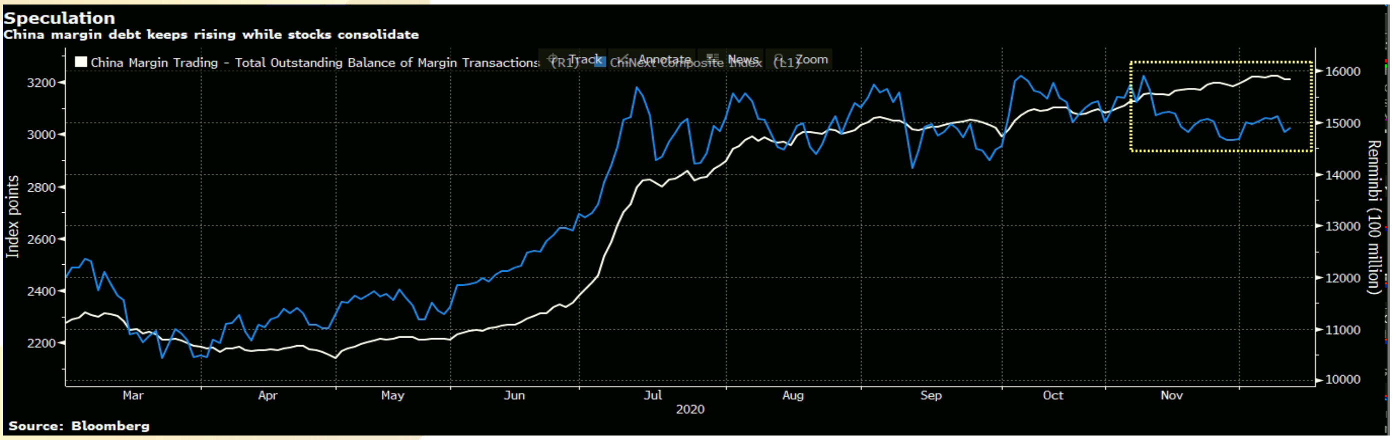


Figure 4: The graph depicts Chinese margin trading balance(in white, Right Axis) and ChiNext Composite Index (in Blue, Left Axis)

The outstanding balance of margin trading, which shows how much money investors are borrowing to buy stocks, has risen steadily in the second half of this year. The ChiNext Composite Index, which tends to be a target for speculators because it measures the performance of innovation and growth stocks, has tracked margin trading balances for most of that period. That is, until the past month, when the ChiNext pulled back from November's high and started consolidating.

The divergence has yet to widen significantly, but it's worth keeping an eye on because it could be a sign that investors can't get enough of borrowing money to buy risky assets. After all, leveraged speculation amid a market that is losing its upside momentum can lead to hasty position unwinding should things turn sour.

MAJOR MOVES THIS WEEK

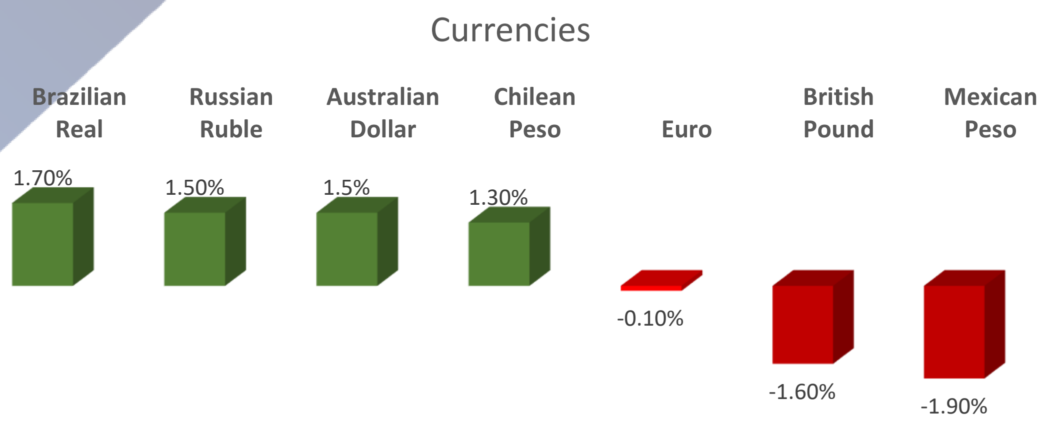


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week there was no major risk on/risk off behaviour visible across currencies. Their returns were majorly a function of internal factors. Euro and British pound were under pressure due to lack of progress over Brexit deal. Commodity linked currencies like Australian dollar, Chilean Peso and Columbian peso performed pretty good due to rising commodity prices. Mexican peso was one of the major underperformers among emerging market currencies.

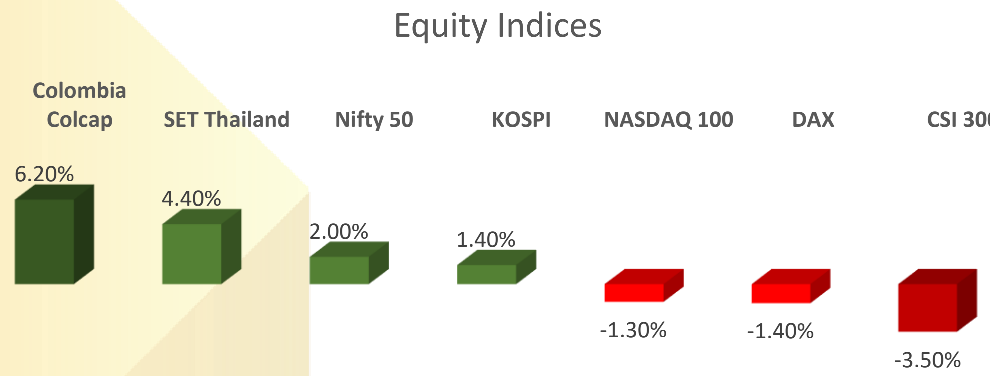


Figure 6: The chart represents the Equity Index returns over this week.

This week US and European indices gave muted returns as they took a breather after appreciating in the past few weeks. European and UK stocks have also discounted the negative Brexit statements passed from both the sides. For the emerging market stocks this was a decent week. Colombian Colcap have outperformed its peers after gaining 6.2%. China was the outlier which lost 3.5% this week.

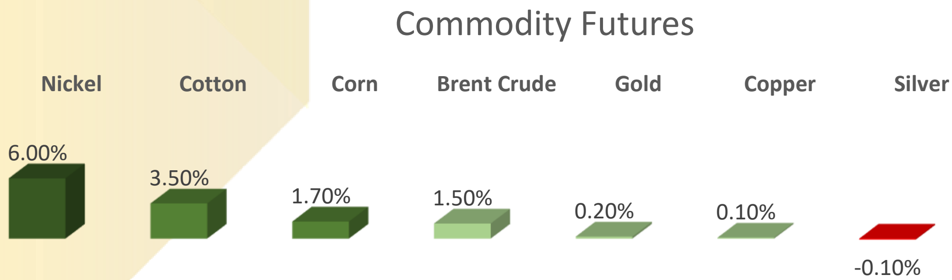


Figure 7: The chart represents the Commodity returns over the week.

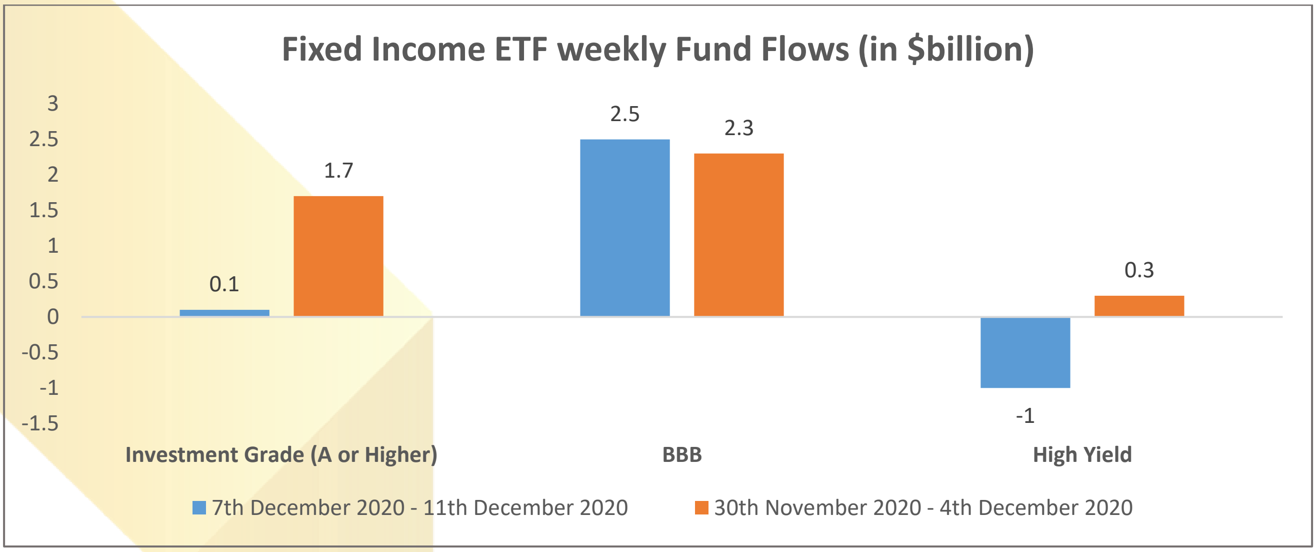
Among precious metals gold and silver both were volatile throughout the week however, both gave flat returns with respect to the previous week. Nickel was the outperformer among industrial metal segment gaining 6% this week . Copper also had a decent week though it gave away its gains on the last trading session. Soybean and corn both remained sideways for this week as well. Among agriculture commodities cotton outperformed its peers after gaining 3.5%.

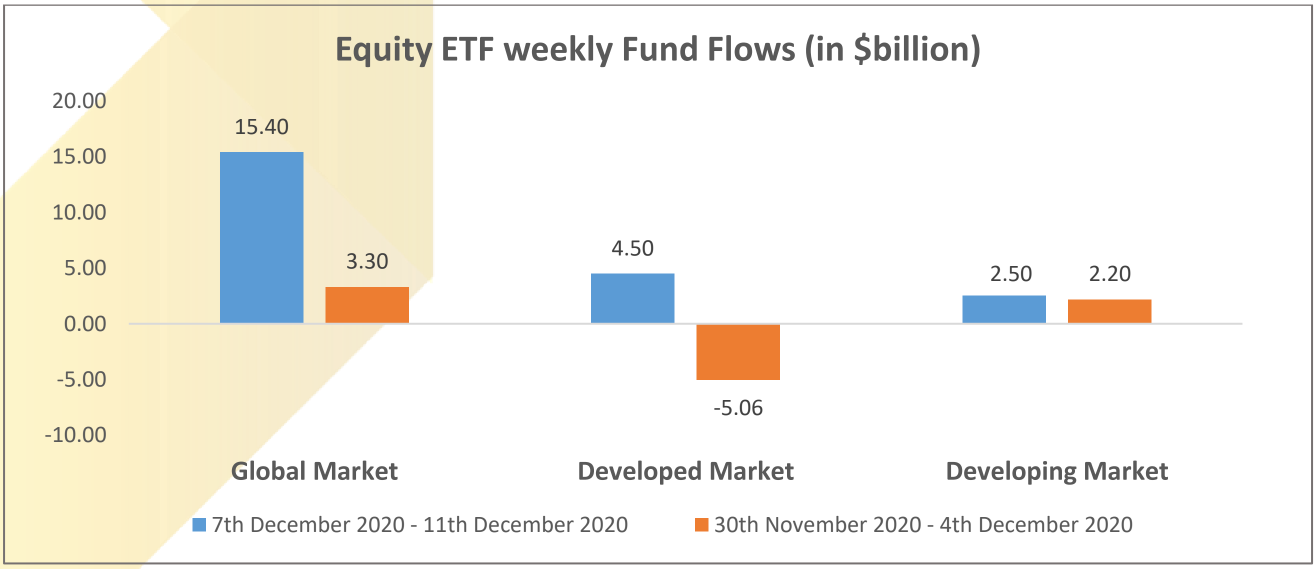
GLOBAL FUND MANAGERS' STATEMENTS

1) Jim Rogers (Co-Founder, Quantum Fund): "It is beginning to [a bubble] in some stocks and in other countries as well, but in the U.S. I don't know anywhere where there's a full-fledged bubble yet in any stock market. The bond market is in a bubble. The bond market all over the world is a bubble, but I don't know any stock market that's a full-fledged bubble yet."–KITCO News, 08th December 2020

2) Jeffrey Gundlach(Founder, DoubleLine Capital LP): "The US inflation will likely trough in the next several months and rise above 2% in 2021. The inflation may range from 2.25% to 2.4% in 2021. I am neutral on gold as of now. Looking at the copper-gold ratio, it suggests that 10-year Treasury yields should be higher, "fundamentals do not support today's Treasury levels.""- Webcast on Bloomberg , 08th 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 risk assets are in a complete bubble territory and this bubble is bigger than the ones in 1929 and 2000. We expect the bubble to pop over the coming months. There is a good chance that we may see a correction setting in over the next 2 weeks triggered by buying exhaustion and by year end rebalancing. We expect all risk assets to fall by 5-10% before December end. This will be only the first salvo in a very long bubble bursting process that may take a long time to fully unravel."

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