



Weekly Report and Outlook on Global Markets

15th January 2021

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MARKET DEVELOPMENTS

Brent oil futures at a huge backwardation

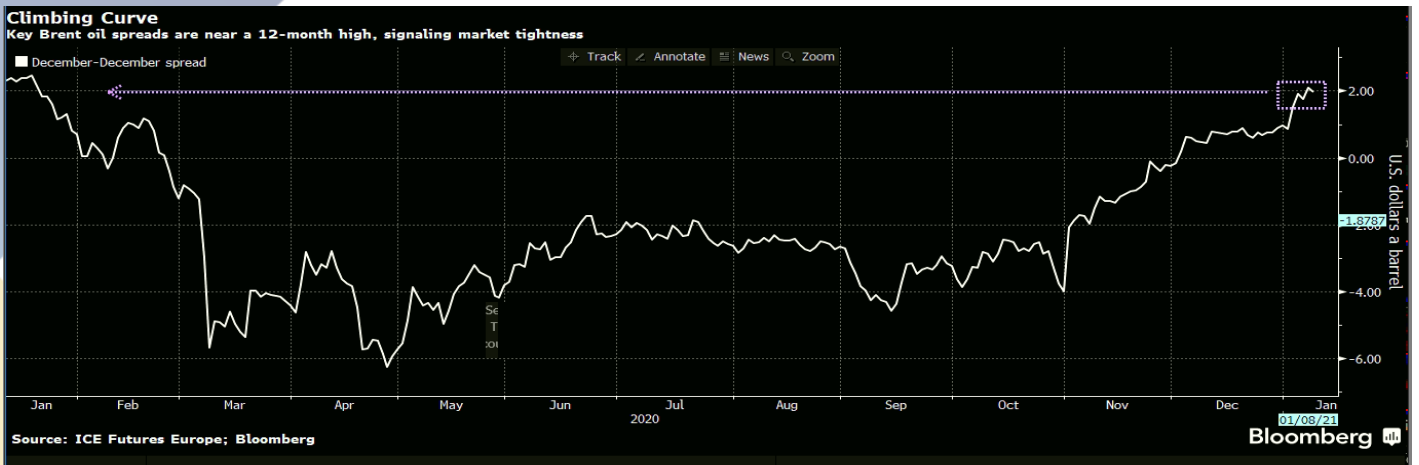


Figure 1: The chart represents spread between Brent future December 2021 minus Brent future December 2022

Saudi Arabia's surprise production cut is already showing signs of buoying the oil market, but don't expect prices to keep ballooning higher just yet. Much of the Brent forward curve is trading at its strongest level in a year, a sign that traders are baking in a scarcity of supply. With prices up 50% since late-October, technical indicators are all pointing to a market that's stretched. That has much of the market -- including Goldman Sachs Group Inc. -- eyeing a pullback in the very short-term.

Equity analysts have grown increasingly bullish on Asian Stocks

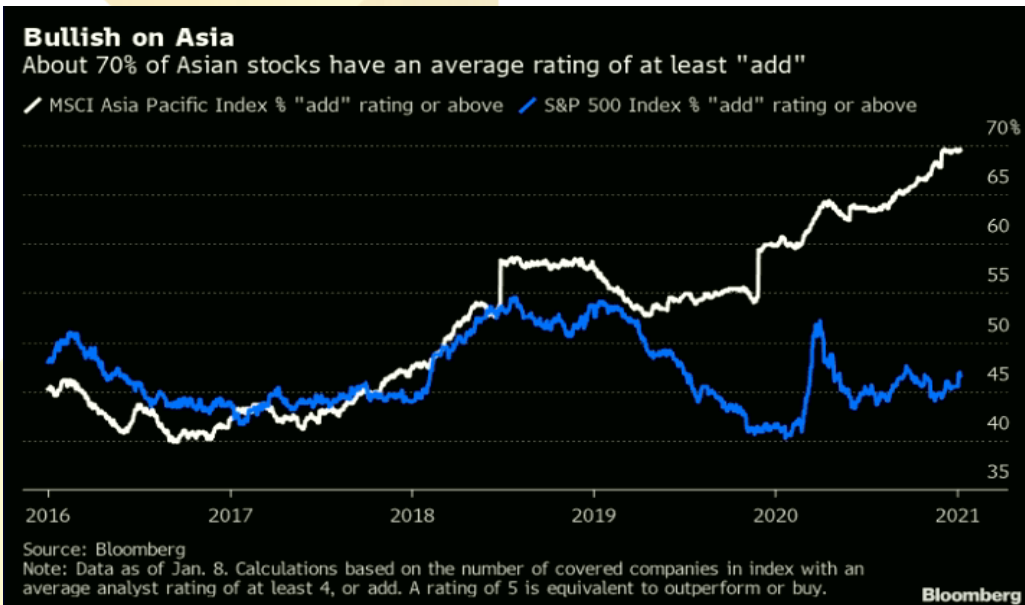


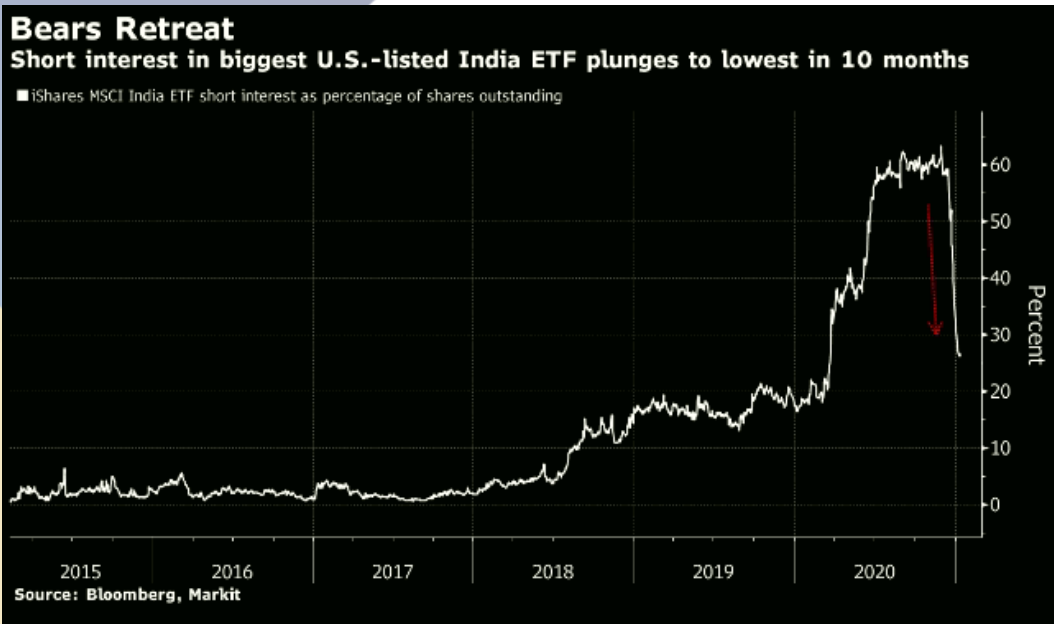
Figure 2: The chart depicts rating/recommendation given by Equity analyst to MSCI Asia Pacific Index's and S&P 500's stocks

Asian stocks have carried over their winning streak from the end of 2020 into a hot start to the new year, and analysts appear optimistic the good times will continue to roll.

Equity analysts have grown increasingly bullish as vaccine rollouts boost bets of a rebound in economies and corporate earnings across the region.

About 70% of companies in the MSCI Asia Pacific Index carry an average rating of at least 4, or add, on a 1-to-5 scale, with 5 as the highest, according to data compiled by Bloomberg. That's well ahead of the 47% seen for the S&P 500, the data show.

Short Interest plunges in India specific Equity ETF



Short interest in the largest U.S.-listed India-focused exchange-traded fund has dropped to the lowest level since March.

While bearish bets as a percentage of shares outstanding for the iShares MSCI India ETF reached an all-time high of 63% last year, shorting Indian equities has been a losing trade as stocks continue to set records.

Figure 3: Short interest in MSCI India ETF lowest in 10 months

The start of a massive vaccination drive and expectations of a continued economic recovery suggest foreign inflows to the \$2.6 trillion market will continue, helping sustain a rally that’s overlooked stretched valuations.

Surging inflow reminiscent of last year’s rise and fall in Hang Seng Index



Figure 4: The figure depicts value of Hang Seng Index and Cross country exchange turnover(in HKD)

Record net buying of Hong Kong shares through the Shanghai and Shenzhen stock connect system could be a warning signal the Hang Seng Index is close to a near term peak. A similar surge in Chinese domestic investor demand for Hong Kong equities preceded a selloff of as much as 12% over the next three months for the city’s benchmark gauge last July. Hong Kong shares have climbed about 6% over the last month and are trading at their highest in almost a year.

MAJOR MOVES THIS WEEK

Currencies

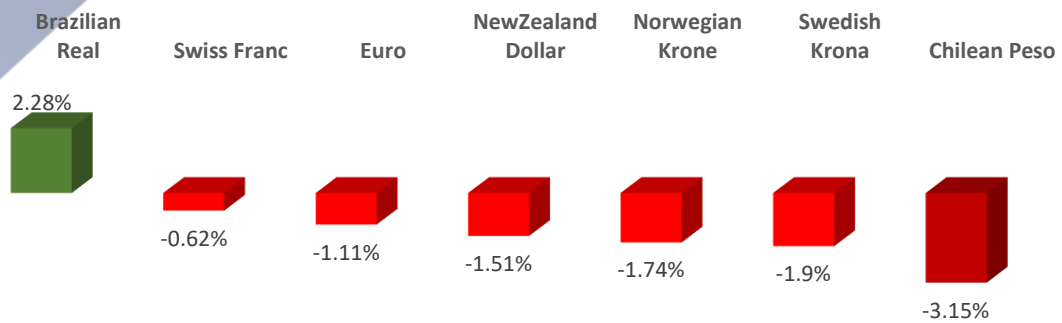


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week produced a risk off wave among developed market as well as emerging market currencies led by Euro which was down by more than 1%. Commodity linked currencies like New Zealand Dollar and Norwegian krone also went lower for the week. Chilean Peso was the underperformer after it tanked by more than 3%. Brazilian Real was the outperformer among currency segment after gaining 2.3%.

Equity Indices

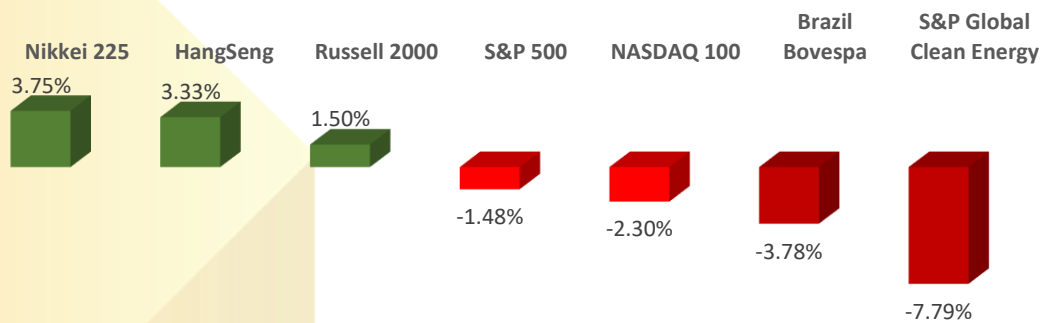


Figure 6: The chart represents the Equity Index returns over this week.

This week a mixed picture was observed among various major indices. In US, technology focused Nasdaq 100 underperformed the broader market whereas the small cap index i.e. Russell 2000 gave decent returns due to fresh stimulus announcement by Biden. Renewable stocks were brutally hammered after their massive outperformance recently. In Asia, Japanese and Hong Kong's indices were the outperformers while other equity indices in Asia were mostly flat or closed in red.

Commodity Futures

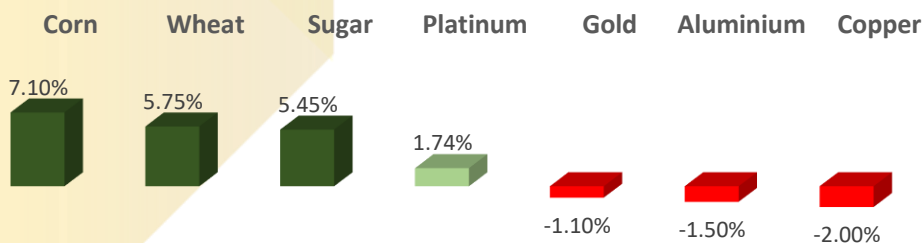


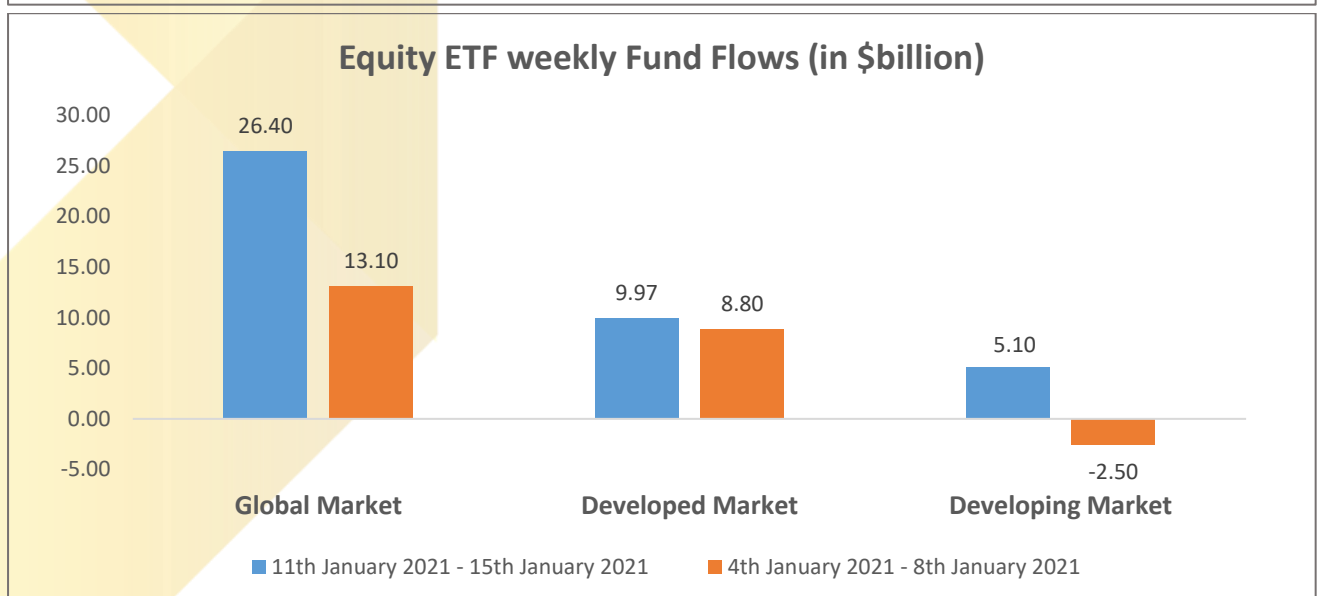
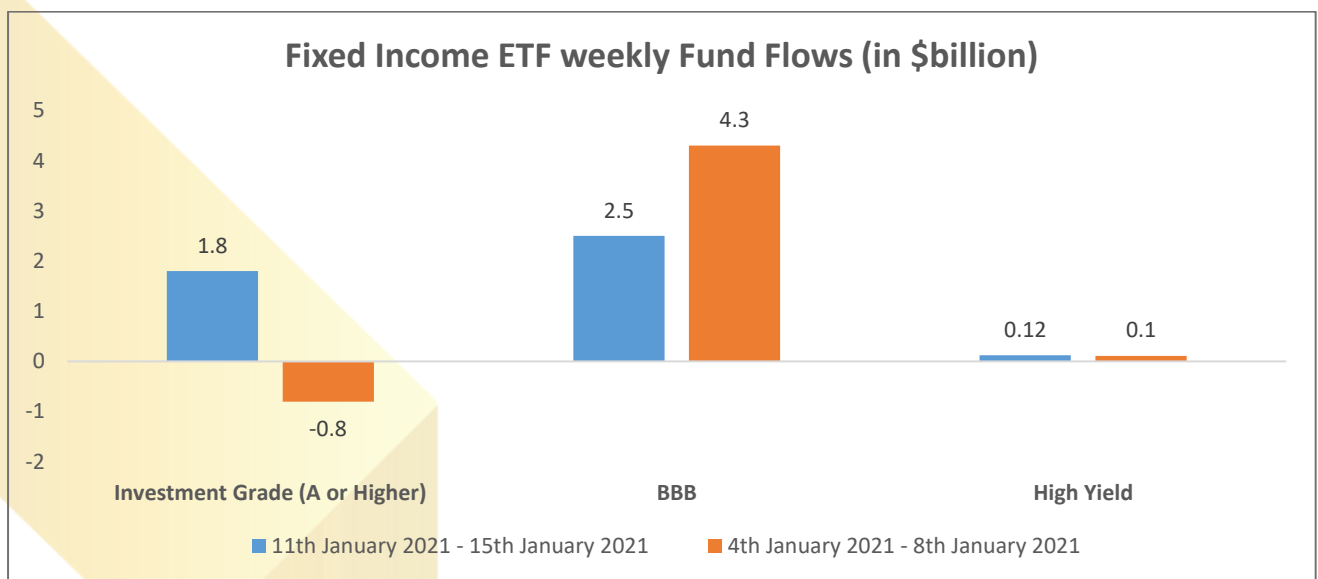
Figure 7: The chart represents the Commodity returns over the week.

Precious metals gave muted returns this week. With gold lagging its peers and platinum outperforming by a decent margin. Most of the industrial metals gave negative returns with copper and aluminium being the underperformers by losing 2% and 1.5% respectively. Agriculture commodities were the outperformers among major commodity segments this week by a huge margin. This also reflected in the speculative position of agriculture commodities where the net longs are at a multi-year high.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Jeffrey Gundlach (Founder, DoubleLine Capital LP): "Asian demand for longer dated US Treasuries seems to be rising due to somewhat higher US yields and a lower dollar. Yield peak in place, at least for the short term. 'I'm neutral on gold and bitcoin,' 25% of your portfolio should be in real assets." – Webcast, 13th January 2021
- 2) Scott Miner (CIO, Guggenheim Partners): "I'm a pretty conservative guy but right now given the Fed purchase program, the idea that we're going to get a lot of stimulus out of Washington. I think stocks have a green light till the first quarter of this year." - CNBC , 15th January 2021

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 the party in global risk assets is coming to an end. Many of the global equity indices including Dow, S&P and Nasdaq closed lower this week. We expect a correction of 10-20% in most global equity indices from last week's peak till about February end. We expect dollar index to go up by about 3-4% from here and most EM currencies to lose 5-7% from the current levels. When we look at the mania in Bitcoin we are reminded of the Tulip Mania of 17th century. We expect all crypto currencies to go down to zero during the course of this decade. We expect gold to go up a lot over the long term even though it may remain sideways in the near term.”

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CONTACT US



+91-11-4742 1001



info@pace360.in



A-1/291, Safdarjung Enclave, New Delhi – 110029

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