



Weekly Report and Outlook on Global Markets

1st January 2021

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MARKET DEVELOPMENTS

Indian stocks witnessed largest fourth quarter foreign inflows

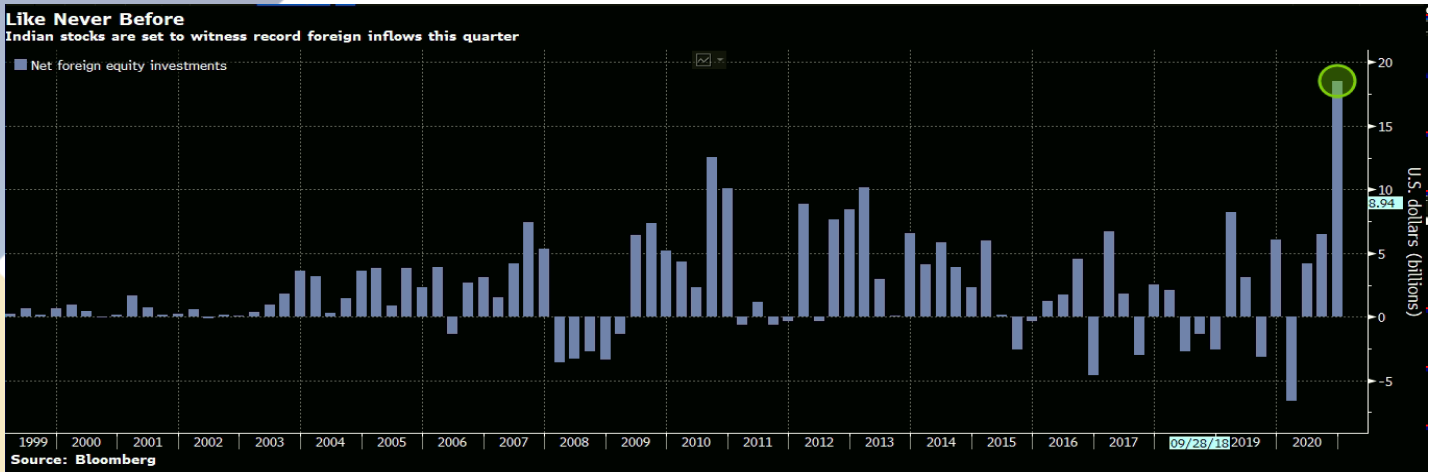


Figure 1: The chart represents quarterly foreign inflows in Indian Equity market

Foreign flows into Indian stocks are headed for a record quarter, a big force behind the benchmark S&P BSE Sensex Index's recent surge to successive all-time highs. Overseas investors have bought a net \$18.5 billion this quarter -- representing more than 80% of their overall purchases of Indian shares in 2020 -- thanks to mounting optimism for a rebound in economic growth after a series of vaccine breakthroughs. Other emerging countries like S.Korea and China have also seen huge foreign inflows in this quarter in their equity market.

Global Liquidity kept on surging till the end of the Year



Figure 2: The figure represents global M2 money supply in US\$

Global liquidity kept on surging till the very end and at present stands at \$95.08 Trillion. This is up from \$80 Trillion in the starting of this year. Global liquidity in the given chart is defined as M2 money supply in Eurozone, USA, Japan, Australia, China, S.Korea, Canada, Switzerland, Mexico, Brazil and Taiwan.

Investors have reduced bearish bets on US Government bonds considerably



Figure 3: The figure depicts Net future position on US 2 Year treasury (right) and US Treasury (both shorter and longer tenure bonds)(left)

Despite a near consensus expecting higher bond yields next year, speculators are pulling back from their bearish bets on short- and long-dated Treasuries. Speculative net short positions in two-year Treasuries have been slashed to less than half their mid-November record, and equivalent bets on long bonds are down by almost a third over the same period, according to the latest Commodity Futures Trading Commission data. The still-raging coronavirus outbreak is casting doubt on the ability of the U.S. economy to return to normal anytime soon, while the Federal Reserve is committed to keeping interest rates low for a prolonged period.

The value of Chinese stocks getting shorted has jumped in 2020

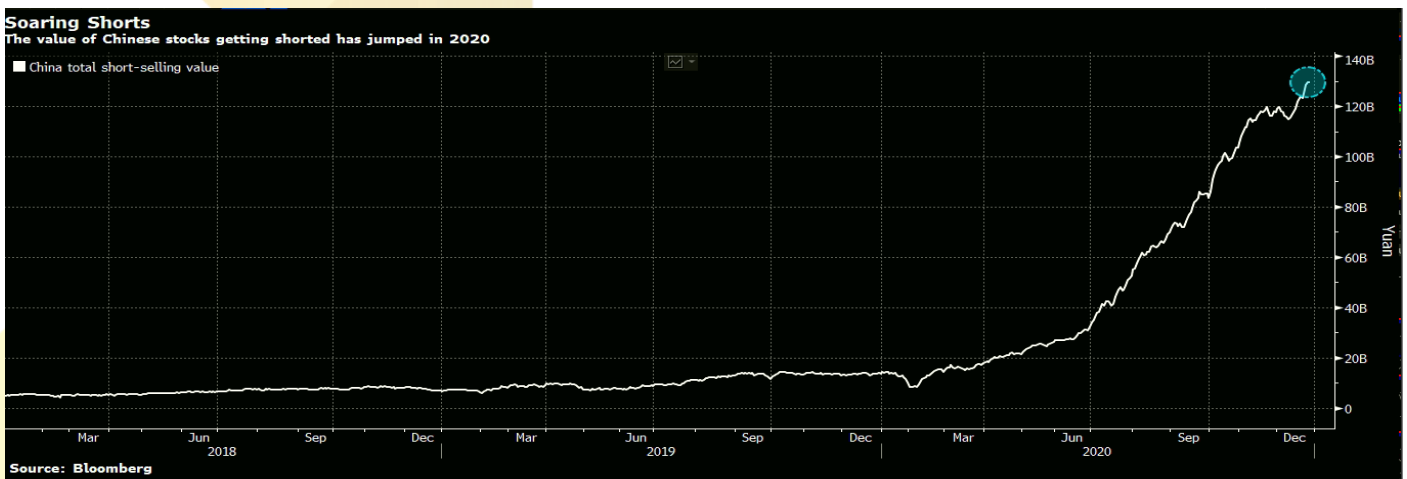


Figure 4: The figure depicts value of Chinese stocks being shorted in Billion Yuan

The value of Chinese stocks getting shorted has risen to a record 129 billion yuan (\$19.8 billion), according to the latest data from China Securities Finance Corp. While some of the bearish wagers are likely against consumer and renewable-energy shares that have surged in 2020, the increase is also due to regulators easing rules on short-selling, including expanding the pool of equities that can be shorted. The inclusion of Chinese equities into global indexes is also helping make the securities-lending market more liquid.

MAJOR MOVES THIS WEEK

Currencies

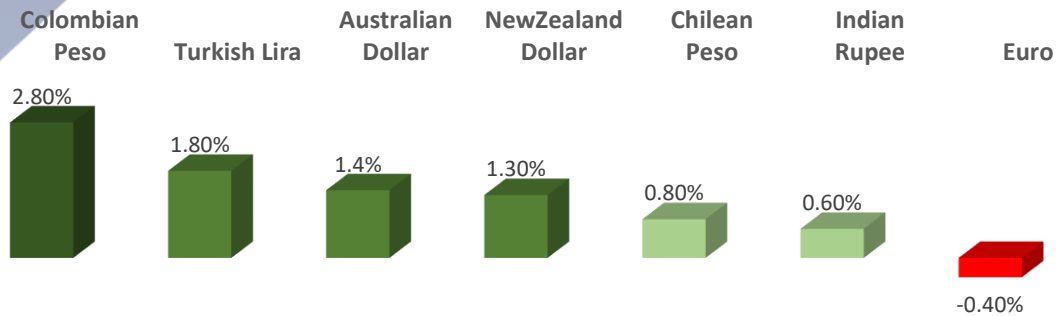


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week there was no major trend among currencies since their performance varied to a great extent. Among Latam currencies Colombian peso outperformed peers. Commodity linked currencies like New Zealand dollar and Australian dollar also gave decent returns. Indian rupee continued its uptrend against dollar. Euro closed flat for the week. Turkish lira continued its outperformance due to their central bank's hawkish stance going forward.

Equity Indices

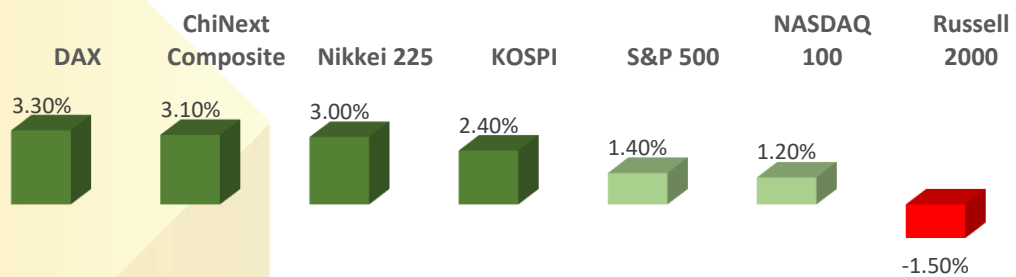


Figure 6: The chart represents the Equity Index returns over this week.

Asian and other emerging countries saw a risk on move in their respective equity markets. Japanese Nikkei made a 30 year high after gaining 3% this week. Among European markets German's DAX outperformed its peers with most of them closing flat for the week. In US equities the large cap growth stocks outperformed the small cap and value stocks. In fact this trend has been witnessed throughout the month where growth has outperformed value stocks. This has happened for the first time post August this year.

Commodity Futures

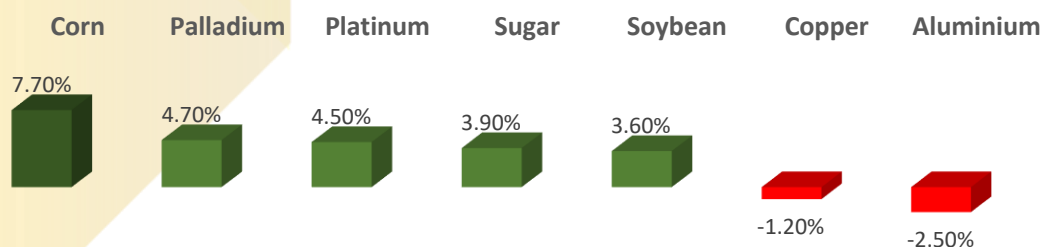


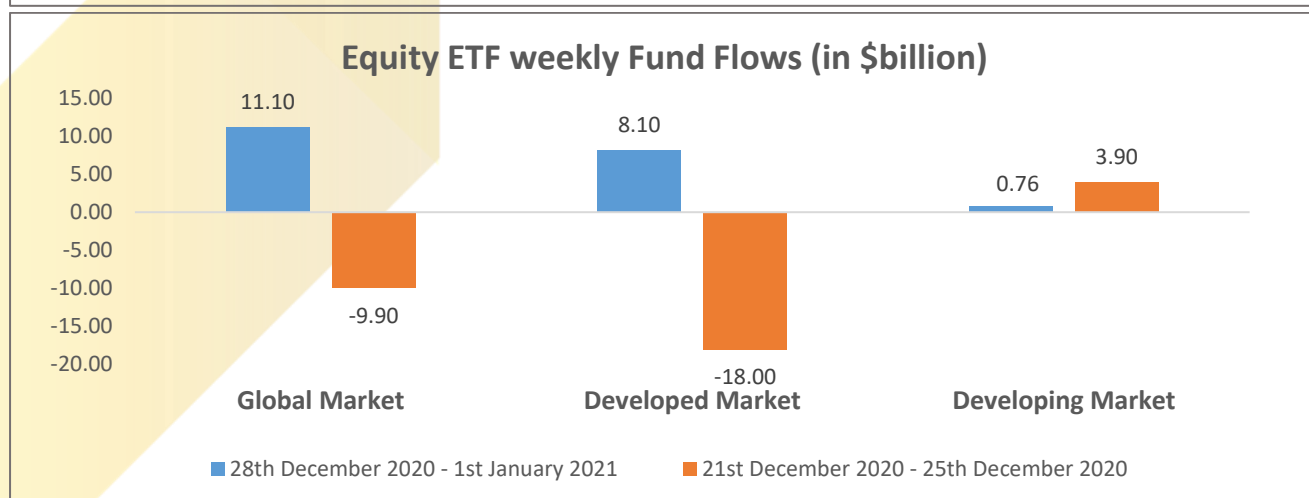
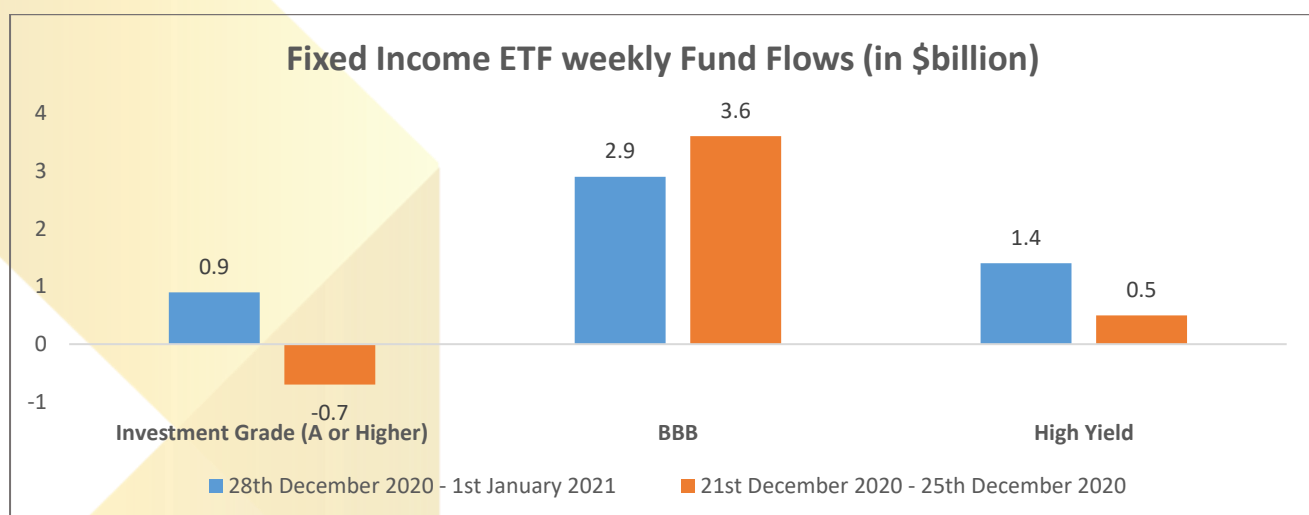
Figure 7: The chart represents the Commodity returns over the week.

Agriculture commodities have outperformed all other commodity segments this week. Corn was the outperformer gaining 7.7%. Sugar and soybean also gave decent returns. Among precious metals palladium and platinum outperformed gold (+1%) and silver (2.5%) by a pretty decent margin. Industrial metals underperformed massively this week even though other segments performed handsomely. Copper, Aluminium, Nickel etc most of the industrial commodities were down on a week on week basis.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Jim Rogers (Co-Founder, Quantum Fund): "Well, I'm not sure about anything. I think I see what's going on. I think I see the bubble developing, the bubble will become bigger and bigger, probably during 2021. But later in the year, the bubbles probably going to pop and a lot of people are going to suffer. I don't see any reason to be worried right now. Mr. Biden, and his crowd all wants to spend money and they will."– MarketPlace, 29th December 2020
- 2) Mark Mobius (Founder, Mobius Capital Partners): "The US tech stocks are in such a dominant position that they will continue to do well. I am not saying they are going to rise dramatically but I think they are going to maintain the leadership and will continue to rise but the real opportunity will be outside the US in countries that are now taking advantage of the technology, particularly in the frontier markets."- ETimes , 1st January 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

“After the best quarter for global risk assets in a very long time, we believe the asset prices are completely overstretched and over extended at this point. While one cannot exclude the possibility of some new year bump up as well, we believe global equities are headed for their worst year in a long time in CY21. The extremely rich valuations and extremely rosy future projections make global equities the biggest bubble in more than 100 years. We believe that this bubble will get pricked in this quarter itself even though it may take a few years for the entire bear market to run its course. We remain very bearish on all fiat currencies in the long term making gold an asset class of last resort for this entire decade.”

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