



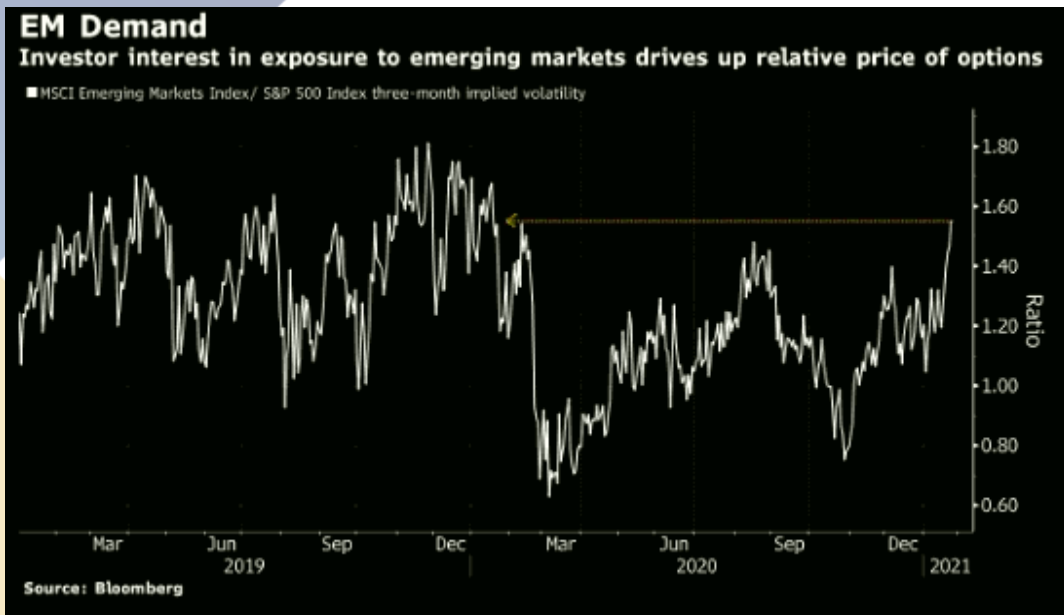
Weekly Report and Outlook on Global Markets

29th January 2021

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MARKET DEVELOPMENTS

Investors are more optimistic about Emerging Market Equities than US Equities



Strong demand for emerging-market equity exposure is driving up the cost of bullish stock bets in the options market.

The MSCI Emerging Markets Index has seen its three-month implied volatility -- a gauge of options prices -- climb to the highest in a year relative to the S&P 500 Index. That move is almost entirely driven by

Figure 1: The chart represents ratio between MSCI Emerging market index and S&P 500 index 3-month implied volatility

demand for upside calls as emerging-market stocks are uniquely positioned with both a strong cyclical and technology component.

Spread between VIX and S&P 500 realized volatility hits widest since at least 1990

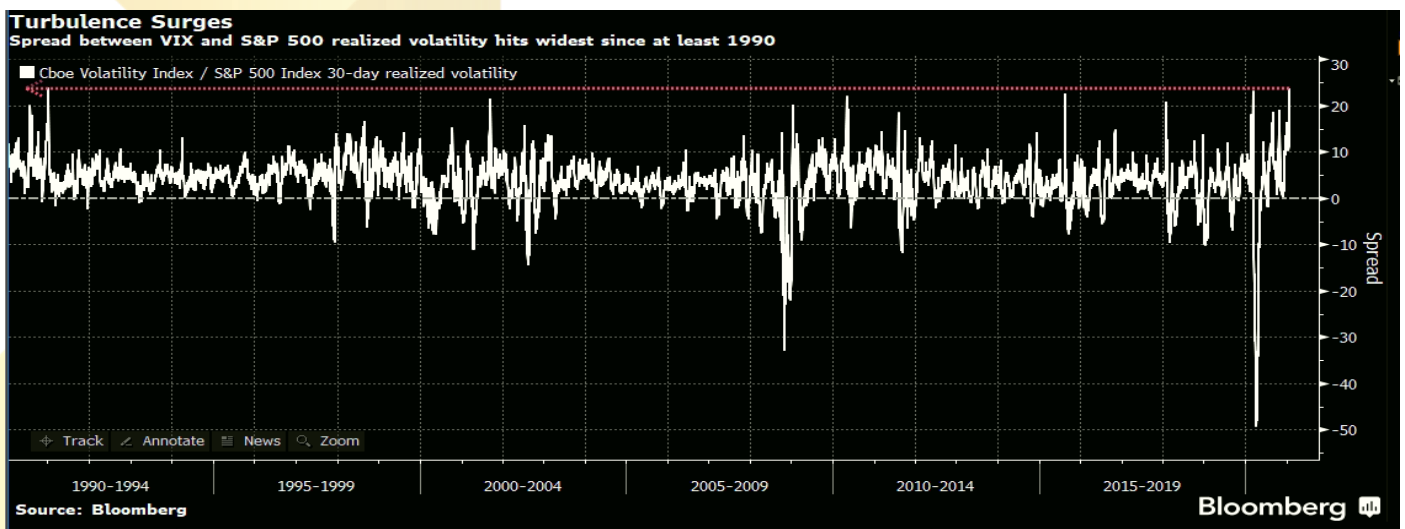


Figure 2: The chart represents spread between CBOE S&P 500 VIX index and S&P 500 30-Day historical Volatility

The wild ride in the U.S. stock market on Wednesday saw the closing spread between the Cboe Volatility Index and the S&P 500 Index's 30-day realized volatility jump to the widest in Bloomberg data back to 1990. It peaked at just under 24 points, following a late surge in the fear gauge. Expectations for future volatility against a period of prior days' price changes in the equity benchmark have never been greater.

Realized correlation for US Stocks slumps to extended lows



Figure 3: The chart represents S&P 500 stock's three-month correlation (white) and S&P500 Index value (Blue)

U.S. stocks are moving ever less in tandem, to a degree that has preceded equity market selloffs in recent years. The S&P 500 Index's three-month realized correlation -- a gauge of how closely the top stocks in the benchmark move relative to each other -- has fallen to 0.16. A maximum possible correlation of 1 would signify all the shares are moving in lockstep. Behind much of the decline is a combination of the reflation trade stock rotation and equity moves due to earnings season. But low correlations are also seen as a sign of weakening market breadth and have occurred before recent stock market corrections, including "Volmageddon" in early 2018.

Chinese Banks net bought the most yuan for clients since 2014 in December 2020

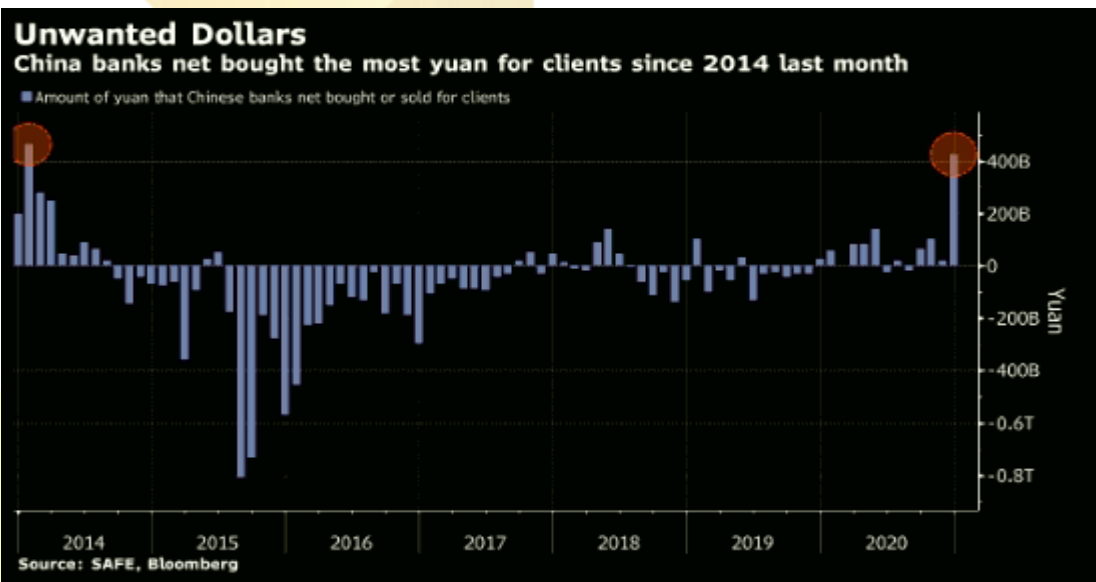


Figure 4: The chart depicts Net purchases of Chinese Yuan by Chinese Banks for domestic clients

Chinese banks net bought the most yuan for their clients in the spot foreign-exchange market since early 2014 last month, according to official data, suggesting that domestic corporations were bullish on the currency amid a slide in the U.S. dollar.

The yuan has climbed more than 1.5% versus

the greenback since the start of December, underpinned by China's fast recovery from the pandemic and the appeal of its interest-rate premium over the rest of the world. That makes it one of the best performing currencies in Asia over the period.

MAJOR MOVES THIS WEEK

Currencies

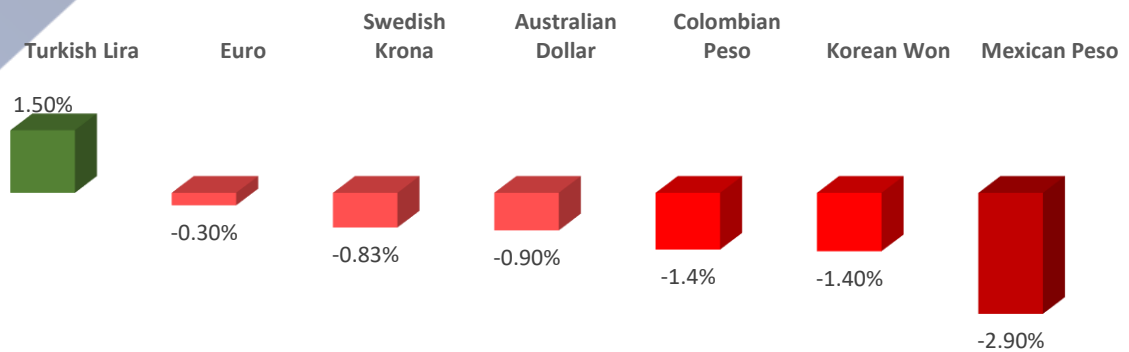


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week one can observe a slight risk off sentiment in currency markets. Mexican Peso depreciated the most after falling 2.9% with major part of beating happening in the last trading session. Among Asian currencies Korean won was the underperformer after losing 1.4%. Even commodity linked currency like Australian Dollar fell by 1%. Euro on the other hand closed flat for the week. Turkish Lira was the outperformer among currencies gaining 1.5% against US Dollar.

Equity Indices

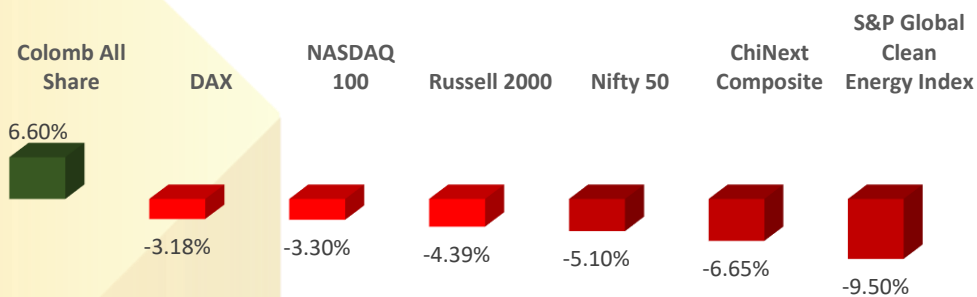


Figure 6: The chart represents the Equity Index returns over this week.

This week was a complete risk off in equities. Globally there was a sell off in this particular segment of the capital market. US equities were led down by their small cap stocks with Russell 2000 down by more than 4%. Tech stocks also bled in this week so did the renewable energy stocks. In Asia Kospi, Chinext Composite, PSEI and Nifty all took major hit along with other Asian Equity Indices. Sri Lankan Colombo All Share was the only outlier within Equities to have gained handsomely closing 6.6% up for the week.

Commodity Futures

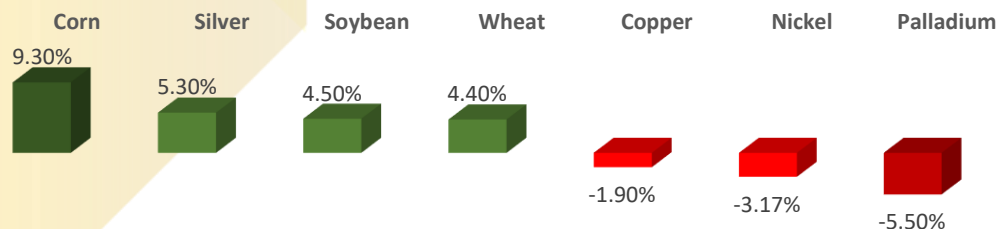


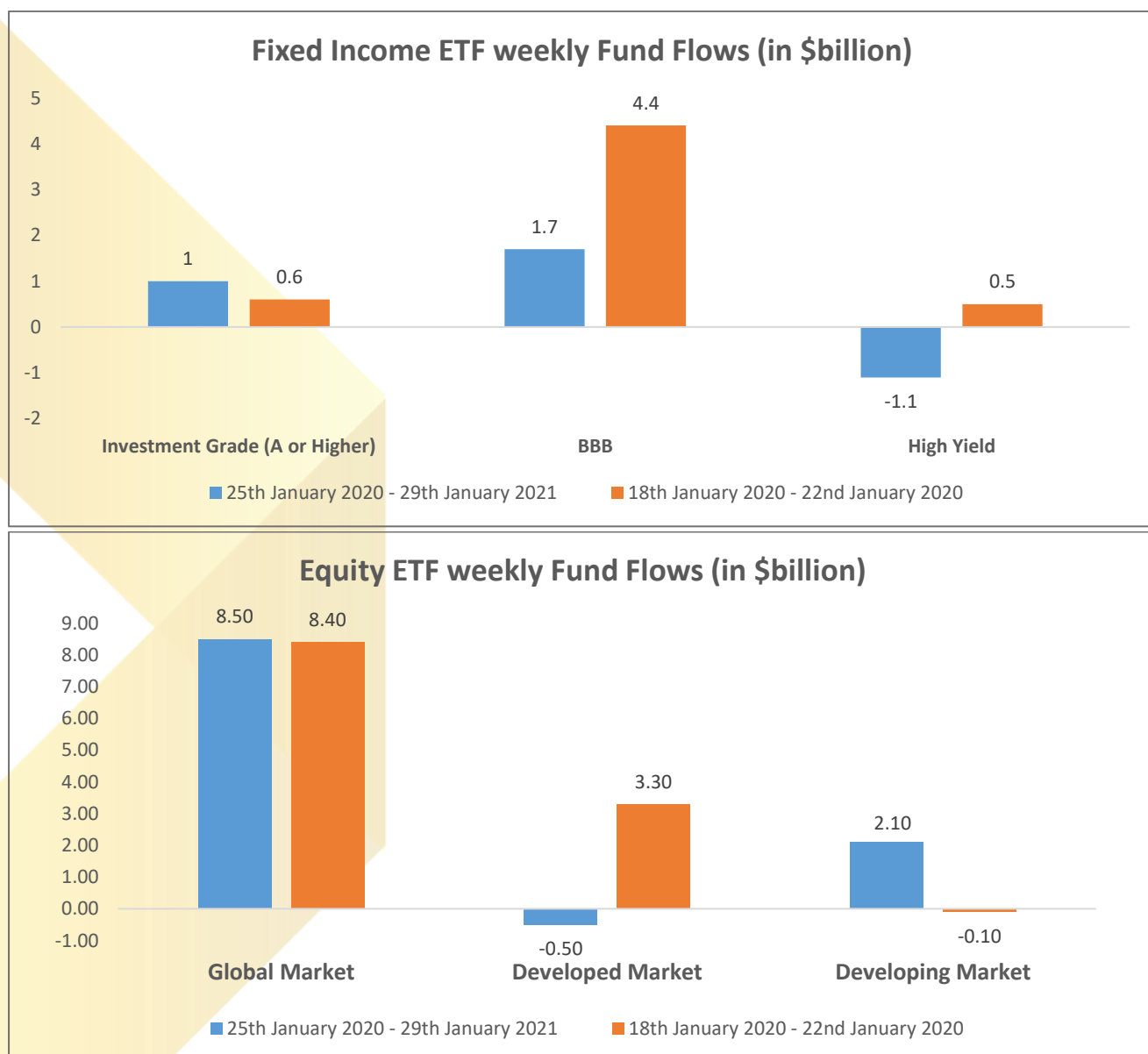
Figure 7: The chart represents the Commodity returns over the week.

Within Precious metals there was a huge divergence with silver rising more than 5% and palladium falling more than 5% while gold gave muted returns. Among industrial metals nickel underperformed the most by falling more than 3% and even Copper wasn't spared. This week agriculture commodities were the outperformers with corn outperforming the most after gaining 9.3% followed by wheat and soybean which rose by 4.5% this week.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Scott Miner (CIO, Guggenheim Partners): "Institutional investors alone aren't enough to sustain Bitcoin prices above \$30,000. Right now, the reality of the institutional demand that would support a \$35,000 price or even a \$30,000 price is just not there. I don't think the investor base is big enough and deep enough right now to support this kind of valuation."- BloombergTV , 29th 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

“The monstrous bubble in global risk assets has clearly started deflating in the last few days. This has a long way to go from here even though this journey will be interspersed with bear market rallies from time to time. We do continue to remain long term bearish on all risk assets. We remain bullish on Gold and long term US Treasuries.”

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