Weekly Report and Outlook on Global Markets

20th March 2021

Value shares weeks away from a momentum boost.

Figure 1: Charts showing performance of MSCI World value/momentum Index and MSCI AC World value Index.

Value stocks are morphing into their once-feared momentum rivals, a shift that could accelerate in coming weeks and give their rally a fresh boost. Next Tuesday marks the 12-month anniversary of the MSCI All-Country World Value Index's eight-year low, a key milestone that many quantitative models use to screen for momentum shares to buy. May 6 would be the six-month anniversary of the relative low for value stocks against their growth and momentum peers -- their outperformance began after the election of U.S. President Joe Biden. There is a significant overlap emerging between deep value stocks and momentum stocks which could be the holy grail of quant and value investing.

U.S. Breakevens show that the inflation burst might be temporary.

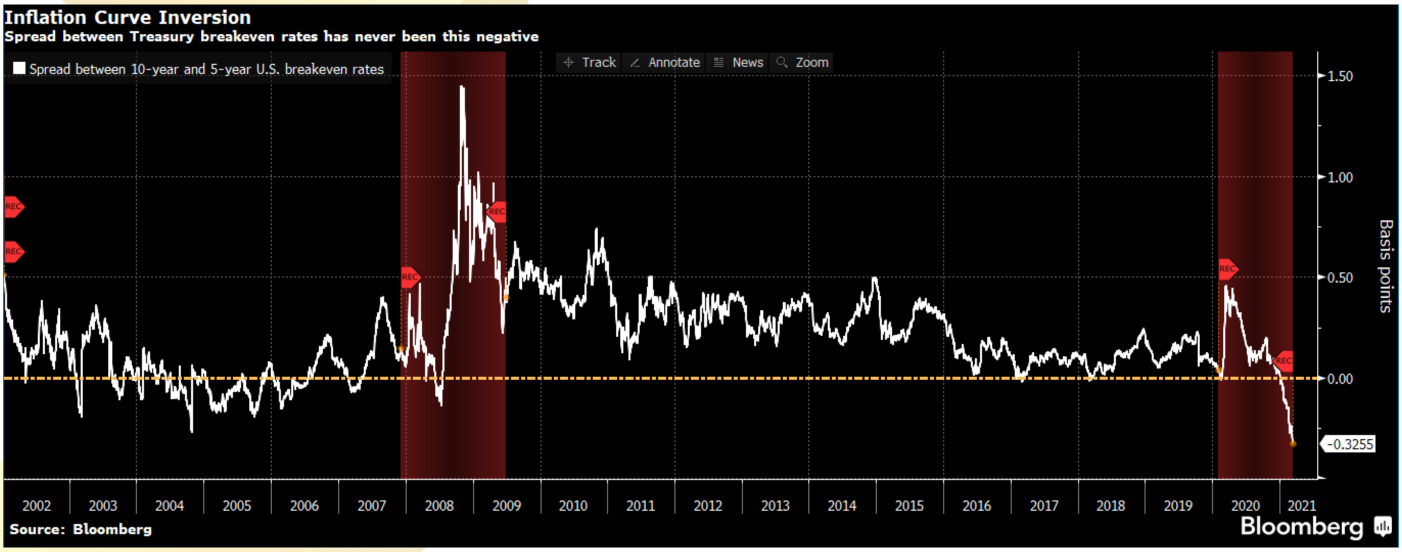


Figure 2: Spread between US 10 Year Breakeven and 5 year breakeven.

The five-year Treasury breakeven inflation rate has surged above the comparable 10-year rate since Democrats won the U.S. Senate in January, taking the spread to the most negative levels on record in data stretching back to 2002. It's an indication that bond investors expect any burst of inflation from fiscal stimulus to be relatively short-lived, mirroring interpretations offered by policy makers at both the White House and the Federal Reserve.

Lynch's 'Rule of 20' hits all time high.

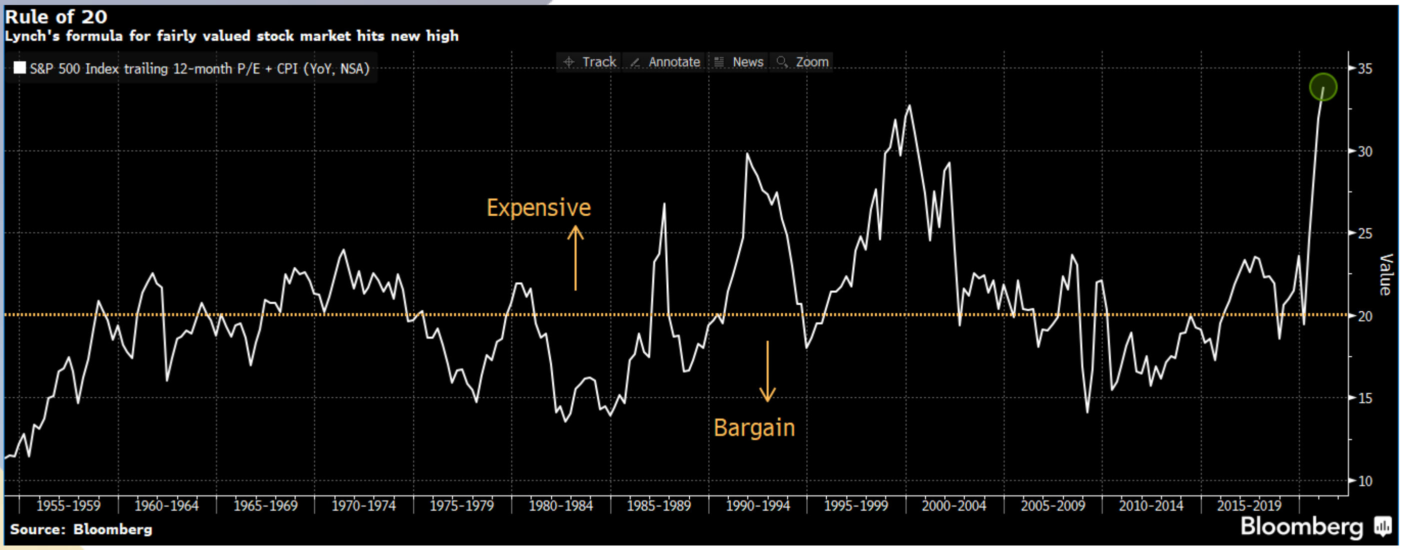


Figure 3: S&P 500 Trailing 12-month P/E + CPI (yoy)

The S&P 500 Index notched a fresh high for a third straight day and the Dow Jones Industrial Average made it four before the small correction last week. For a sense of their reach, consider this: Legendary investment manager Peter Lynch's "Rule of 20" -- which states that the stock market is fairly valued when its trailing price-to-earnings ratio plus the inflation rate equals 20 -- hit an eye-popping 33.9 Monday. That topped the metric's old record set in March of 2000 during the dot-com boom.

U.S.'s Solar surge to continue after record breaking 2020.

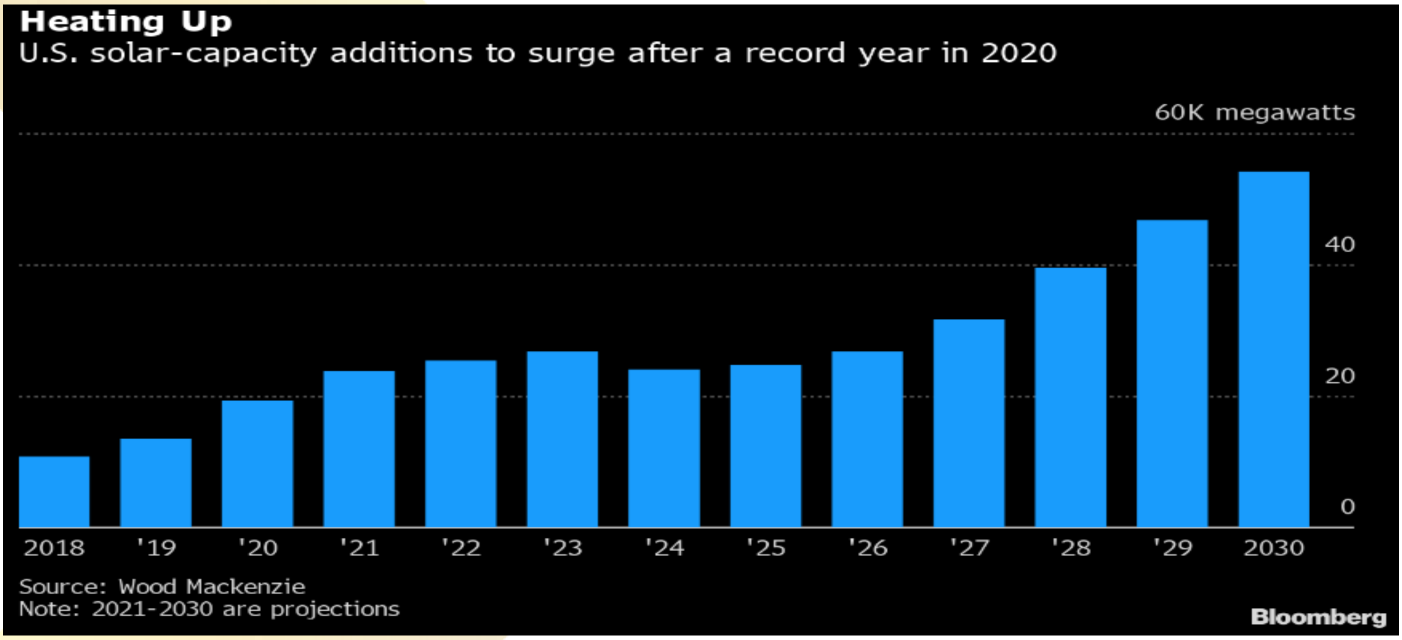


Figure 4: U.S. Solar capacity projections.

The U.S. solar industry is on the verge of a major growth spurt after installing a record 19.2 gigawatts of capacity last year, according to a report by the Solar Energy Industries Association and Wood Mackenzie. It projects the country's total operating solar fleet to more than quadruple over the next decade, propelled by factors including the extension of a federal tax credit and a desire for home resiliency after extreme weather events caused grid outages.

MAJOR MOVES THIS WEEKS

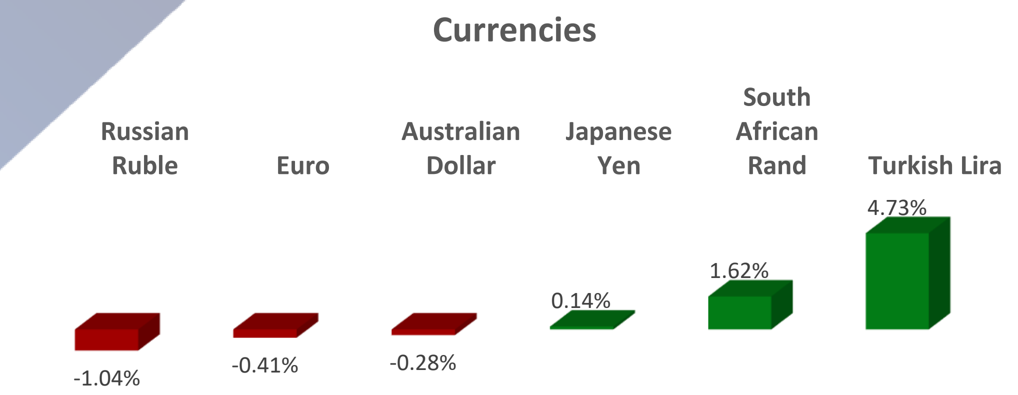


Figure 5: The graph represents weekly Currency returns with respect to US Dollar as the base currency.

Central banks across the world had their policy meetings this week which increased the volatility in the currency markets. TCMB (Turkey) did a surprise rate hike of 200 bps which pushed the Lira higher against the dollar. The FOMC's non action towards the yields and rate hikes pushed the bond yields higher putting pressure on Euro and other EM currencies.

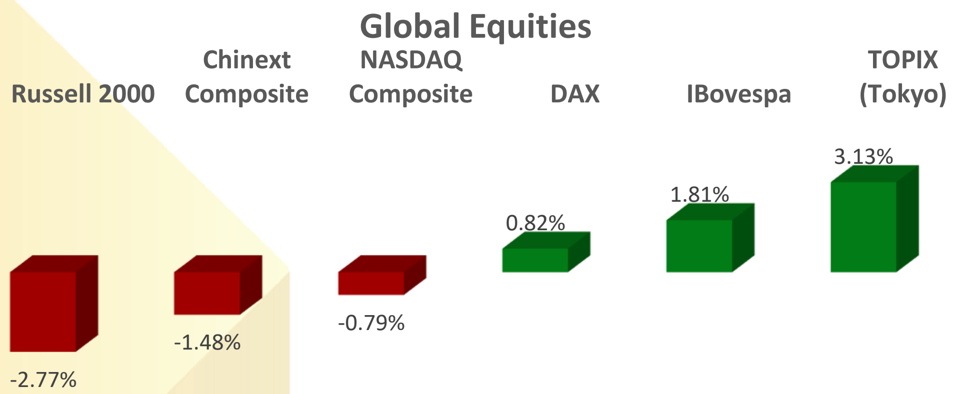


Figure 6: The chart represents the weekly equity index returns.

This week was very Volatile for the Equity markets. S&P 500 made new highs amid the risk on sentiment in the beginning of the week. Asian indices underperformed this week dragged down by tightening in China. Rise in the dollar Index pushed the export-based indices such as TOPIX & Swiss Market Index higher.

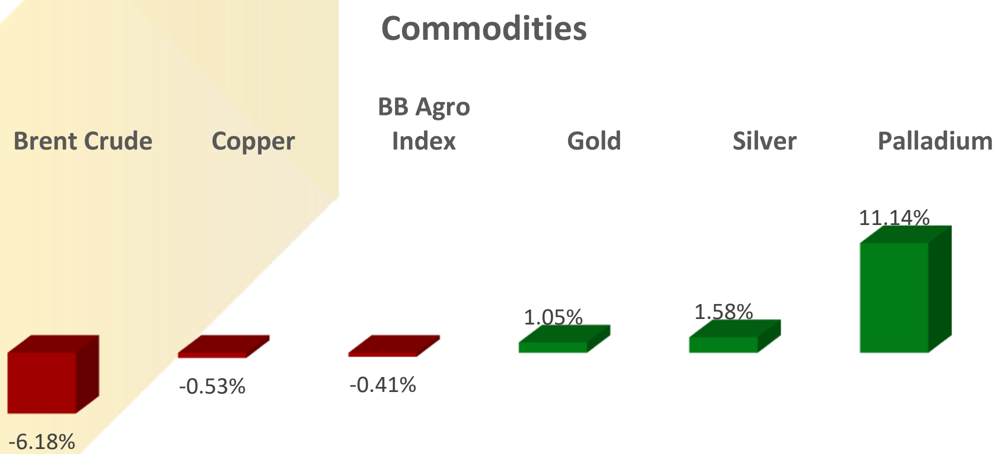


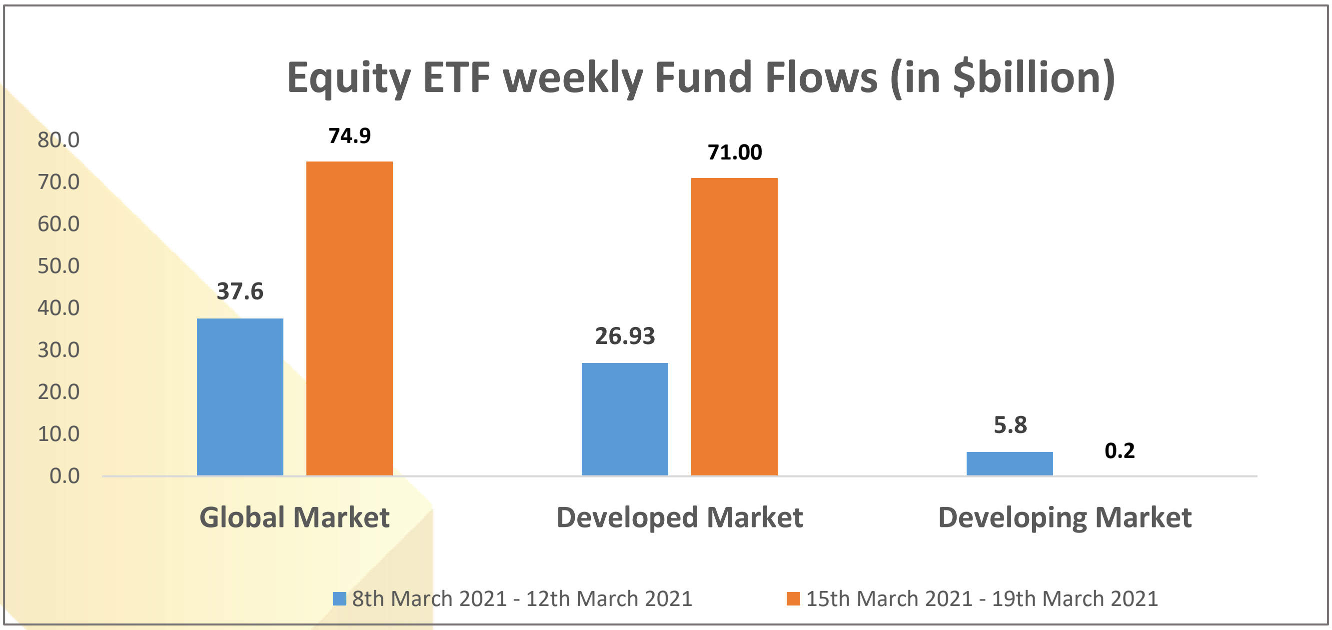
Figure 7: The chart represents the weekly commodity returns.

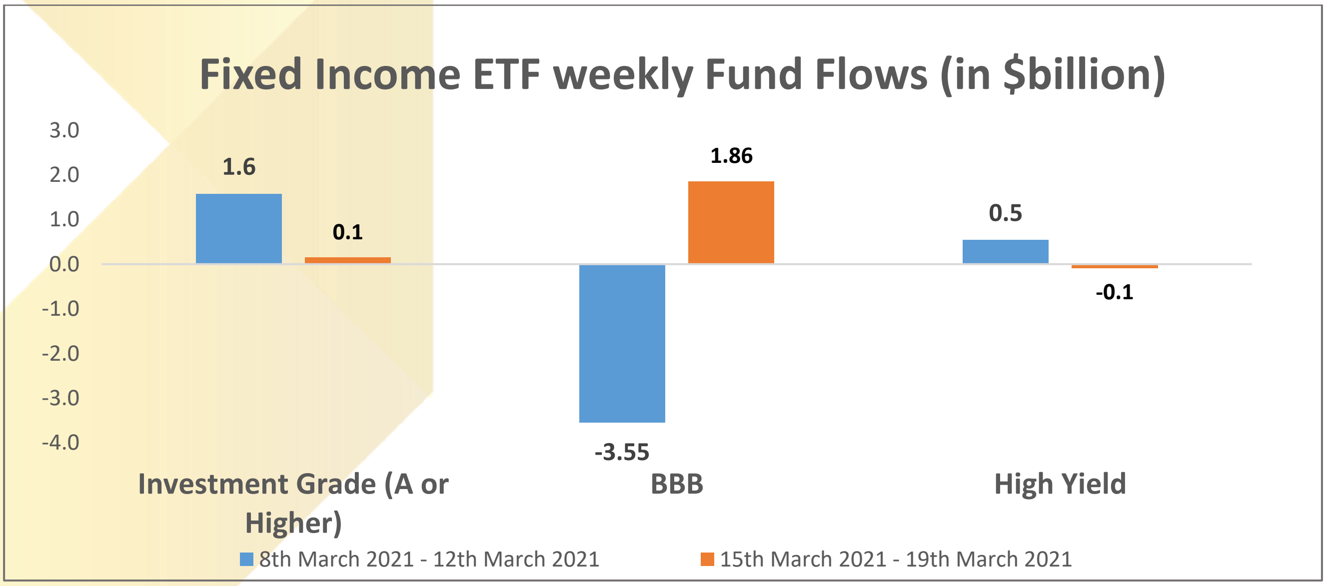
Precious metals had internal strength this week just after touching their monthly lows last week. Supply issues in Nornickel, Russia pushed palladium, Nickel, and a few Industrial commodities higher. Rise of COVID cases in Europe put pressure on Crude.

GLOBAL FUND MANAGERS' STATEMENTS

1) Scott Minerd (Guggenheim CIO): "I Don't see anything negative for the corporate sector for the next year. I think we are dramatically underestimating earnings especially for the hospitality & Airlines. There is a lot of money for consumption from the stimulus." "After a recession, the inflation shoots up in the next 12 months. After 3-6 months the inflation will drop down because of the base effect and the market fundamentally has not prised in this. According to our calculations there are a lot of components on the PCE (Personal Consumption Expenditure) turn negative. We can expect a snapback in the yields once the inflation starts to fall." – 18th March 2021, Bloomberg TV.

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

“S&P 500 and Russell went on to make new all-time highs this week though some of the EM Equities largely struggled. We expect global risk assets to remain sideways for some more time. We believe long term US treasury yields are making their rally tops and do not have much steam left in them. We continue to believe that gold has bottomed out for the long term and will give a breakout above 1765 very soon. Most of the industrial commodities have made their tops and are unlikely to go above their Feb-March highs in the medium term."

DISCLAIMER

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions –including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt PACE or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold PACE or any of its affiliates or employees responsible for any such misuse and further agrees to hold PACE or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

CONTACT US

+91-11-4742 1001

info@pace360.in

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

FOLLOW US ON SOCIAL MEDIA

Facebook.com/PaceThreeSixty

Twitter.com/PaceThreeSixty

Linkedin.com/company/50145027