



Weekly Report and Outlook on Global Markets

12th March 2021

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MARKET DEVELOPMENTS

U.S. Cyclical stocks to Defensive stocks' ratio's third attempt to breach a critical level

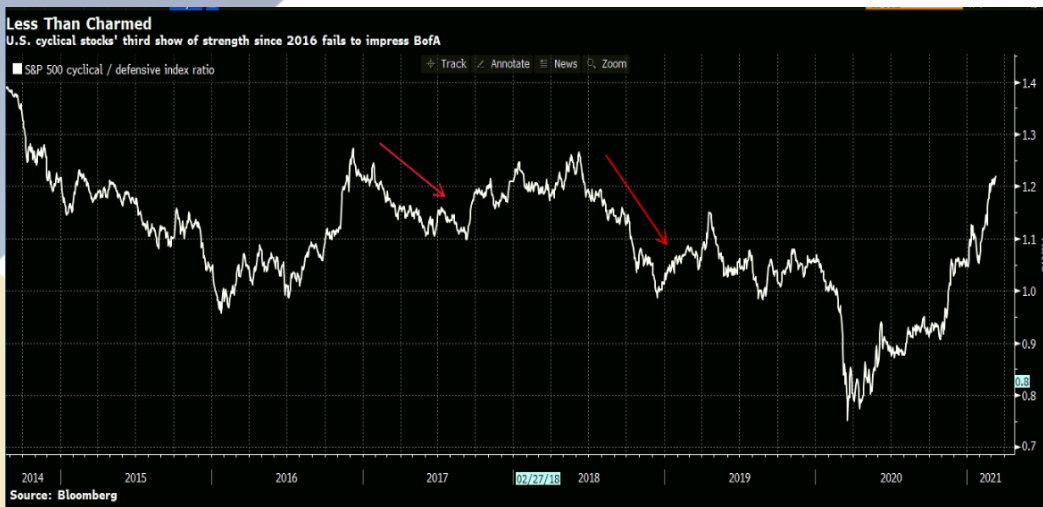


Figure 1: The chart depicts ratio between S&P500 Cyclical stocks and defensive stocks.

defensive shares, relatively unaffected by economic swings. A ratio between them has surged 62% from a low in March of last year, according to data compiled by Bloomberg. The indicator is near levels from which it retreated in 2016 and 2018, as Bank of America noted. “Good opportunities to take profits” may be coming soon.

The past year’s revival in the most economically sensitive U.S. stocks may go the way of earlier shows of strength, according to Bank of America Corp.’s research investment committee. The panel drew the conclusion in a report Tuesday that compared the S&P 500 Index’s cyclical stocks with

Indonesian Bonds look very attractive at current valuation

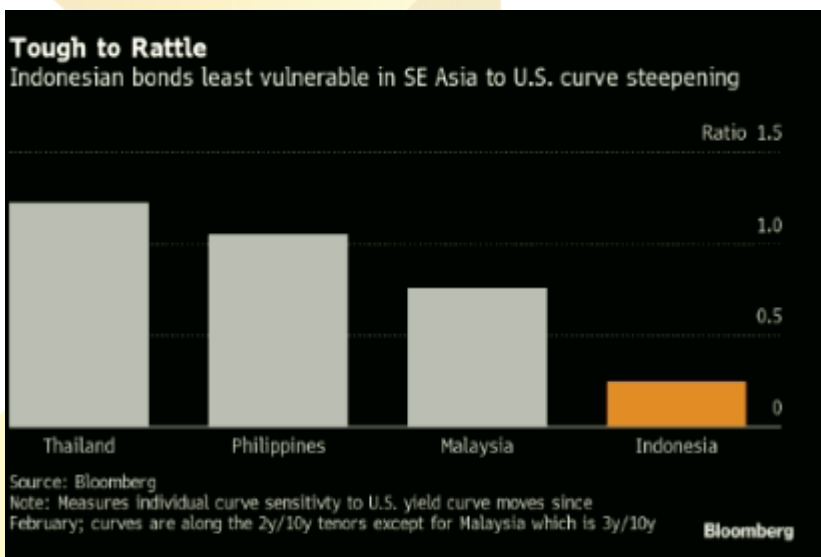


Figure 2: The figure depicts sensitivity of Asian countries’ bond yields with respect to US Treasuries.

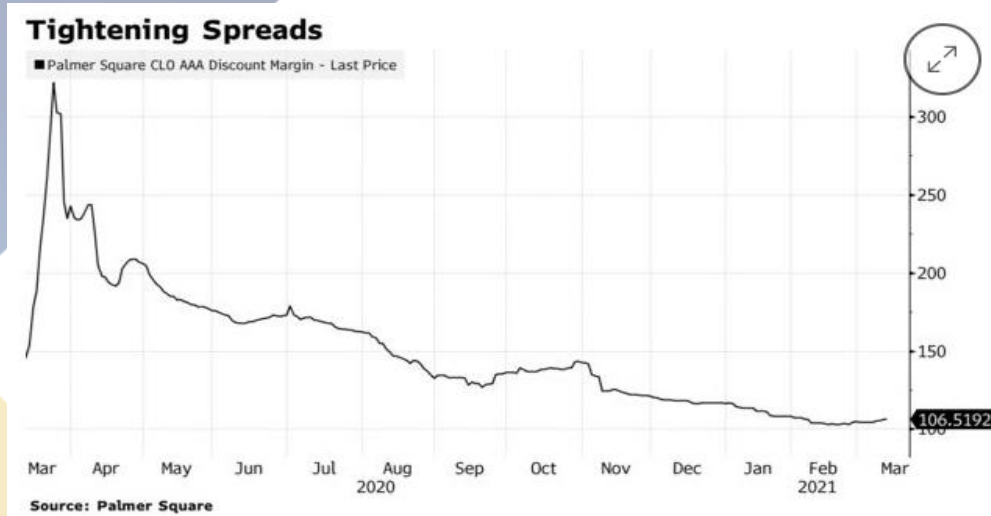
week, up from as low as 5.89% late in December, as the prospect of a global economic recovery fueled a selloff in bonds around the world. The securities have handed investors a loss of 5.6% this year in dollar terms, after a gain of 13% in 2020, according to Bloomberg Barclays indexes.

Indonesian bonds have been beaten down in recent weeks but they have too many positives to stay on the canvas for very long.

Favorable factors that should help revive investor interest include inflation that remains below the bottom of the central bank’s target, a dovish outlook for monetary policy, and a currency that is undervalued on a number of metrics, most notably its real effective exchange rate.

Indonesia’s benchmark 10-year yields climbed to a five-month high of around 6.80% this

CLO Rally Flirts With Post-Crisis High as Risk Premiums Tighten



Collateralized loan obligations are rallying the most in three years as money managers rotate into floating-rate securities as Treasury yields creep higher.

Risk premiums for new bonds, which package and sell leveraged loans into tranches of varying risk and potential return, are the tightest they've been since 2018, according to

Figure 3: The chart depicts spread between CLO and USD Libor rate

data compiled by Bloomberg. Moreover, they are poised to bust through a key post-crisis level not seen since February.

Key U.S. Crude oil spread closes at \$5 a barrel, first time since 2019



Figure 4: The graph depicts spread between present month future contract and 12-month future contract.

The backwardation in West Texas Intermediate crude closed at its widest gap since 2019, a bullish price signal indicating supplies are tightening. The shift to a structure where nearer contracts trade at a premium to subsequent months comes as OPEC+ has pledged to keep supply curbs in place and the rollout of Covid-19 vaccines boosts the outlook for global consumption. The spread ticked higher Thursday with headline futures prices also strengthening as signs emerged that a recovery in fuel demand is starting to gain more traction.

MAJOR MOVES THIS WEEK

Currencies

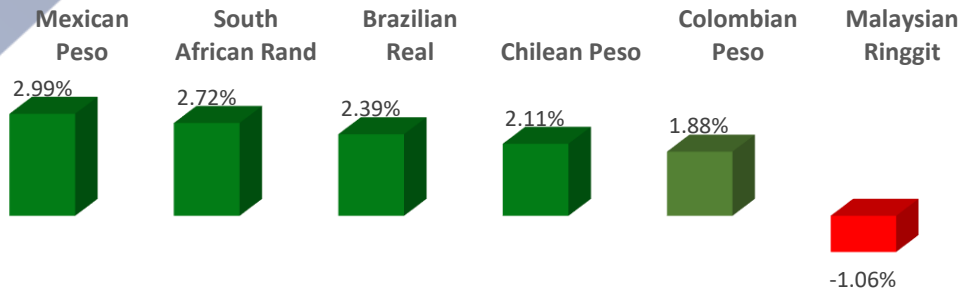


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week there was a complete risk on in currencies with Latin American currencies outperforming others. Mexican peso gained the most among its peers. Stabilizing bond yields and Euro paved the way for this massive appreciation after being the reason behind currency depreciation in the previous two weeks. Malaysian Ringgit was an outlier that closed in red against US Dollar.

Global Equities

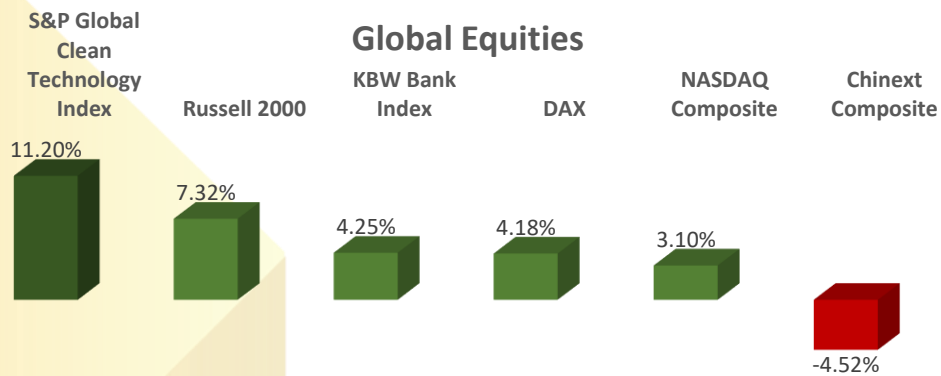


Figure 6: The chart represents the Equity Index returns over this week.

US and European equities had a complete risk on mode throughout the week. Among the major US indices Russell 2000 which is their small cap index rose the most with 7.3% outperforming the broader market. Rising Yields also supported Banking Stocks with KBW bank index gaining 4%. Asian Indices gave muted returns this week with most of the indices closing in red or flat. Renewable and green energy stocks also gained massively this week after loosing in the previous few weeks.

Commodities

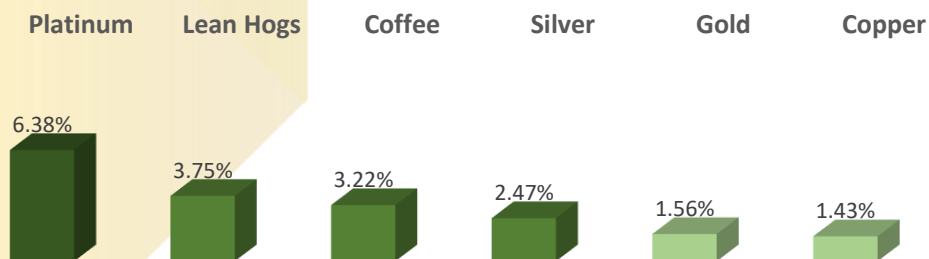


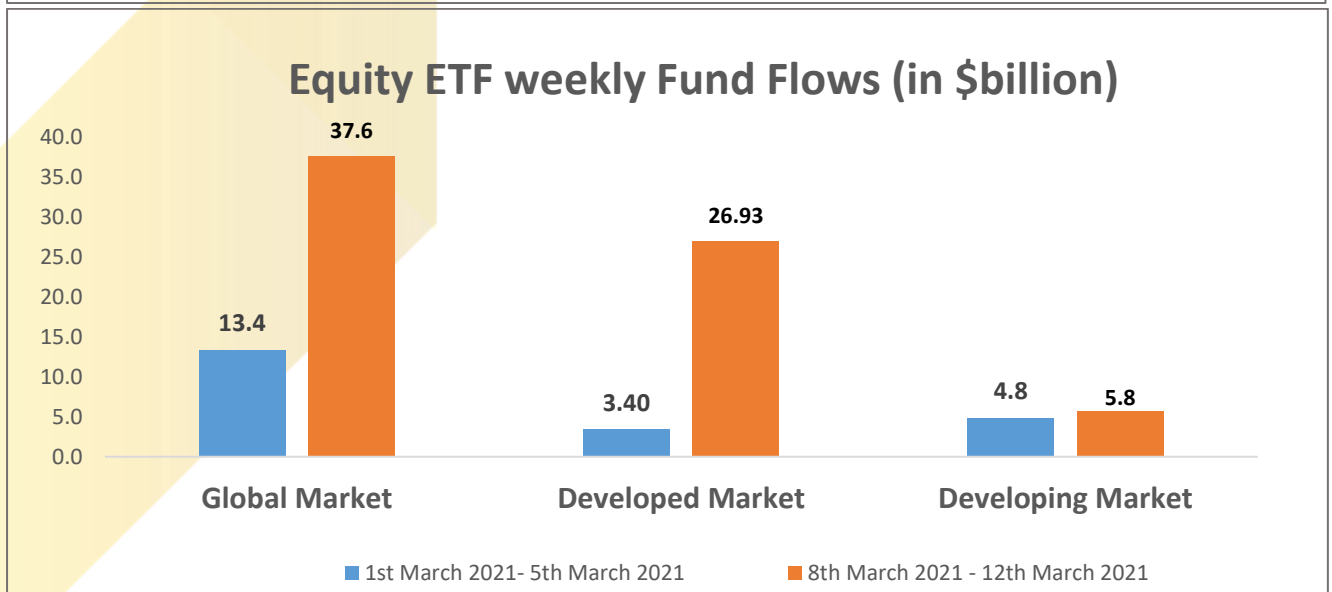
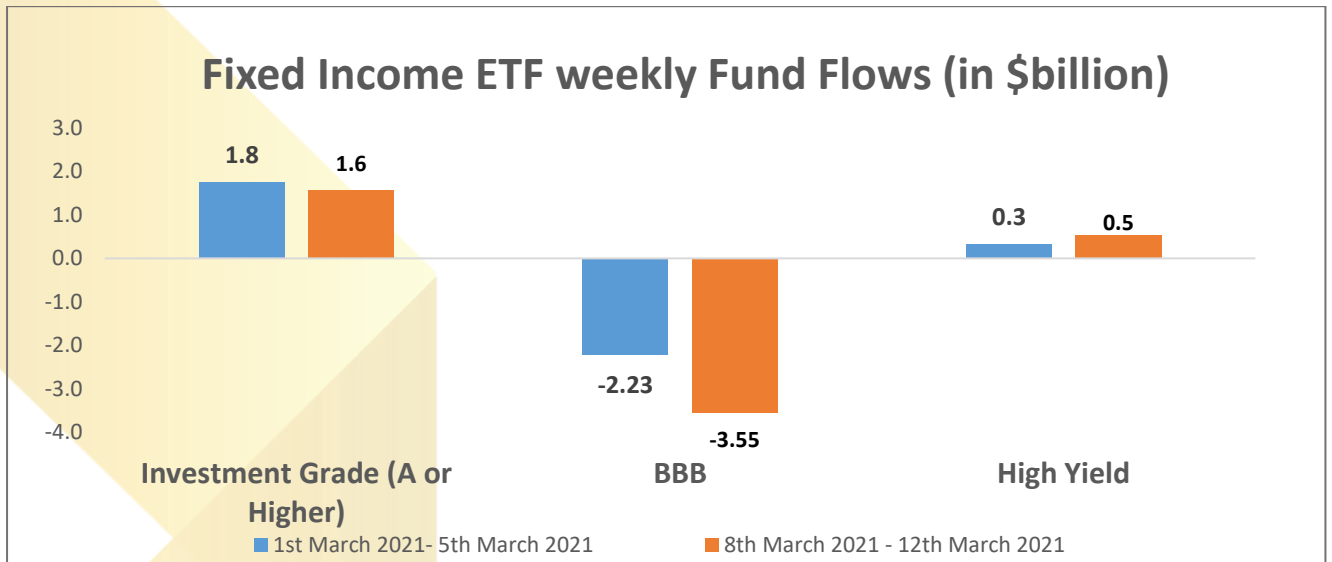
Figure 7: The chart represents the Commodity returns over the week.

It was a decent week for precious metals. Platinum outperformed its peers after gaining more than 6%. Gold and silver also gained on a week-on-week basis. Among industrial metals copper outperformed its peers after gaining 1.4%. Other industrial metals closed in red with nickel losing 2.5% and underperforming the most. Among agriculture commodities lean hogs and coffee were the outperformers.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Mark Mobius (Founder, Mobius Capital Patners): "I am not worried about higher yields affecting the stock market as historically there's "no clear correlation" between them. I don't see the 10-year yield hitting 2%, and expect it to likely settle at 1.6%"—Bloomberg, 10 March 2021
- 2) Jeffrey Gundlach(Founder, DoubleLine Capital LP): "Gold went down to \$1,681 on Monday on the close. That might be the low in gold for a while. Our model shows that gold is at fair value at \$1,761. The Fed chooses to be unconcerned about a period of time with inflation running above 3%. In my opinion, not only are they unconcerned, they welcome inflation being higher than interest rates. They like negative interest rates because they know that negative interest rates help to forestall the incredible deficit and unfunded liability problems the United States has."- KITCO, 10 March 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 that equity markets will remain sideways to positive over the coming couple of weeks. We believe gold has bottomed out and is getting ready for a rally in the near term. We believe that the FED policy on Wednesday could be a game changer for the global markets. If FED hints at yield curve control or other steps to rein in the long term bond yields this could be very bullish for gold as well as global equities.”

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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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