



Weekly Report and Outlook on Global Markets

23rd April 2021

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MARKET DEVELOPMENTS

Volatility has dropped as U.S. stocks reach record highs

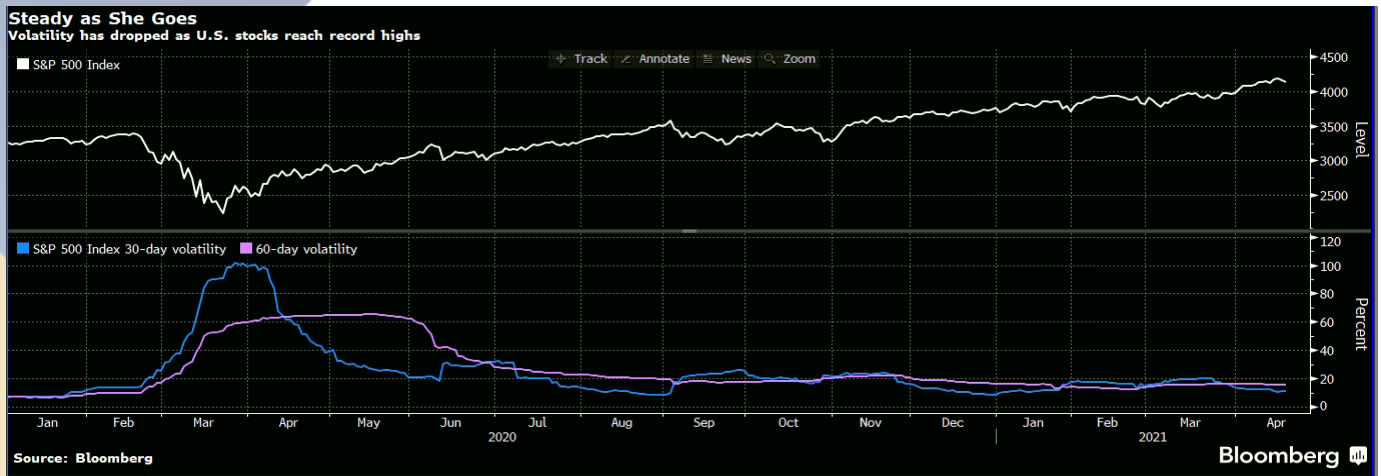


Figure 1: The chart represents S&P 500 Index and S&P 500 Index 30-day and 60-day volatility

Quants who buy and sell U.S. stocks depending on how much prices swing around are raising their market exposures as volatility drops to pre-pandemic levels. While discretionary funds have raised their equity allocations to records, systematic players are now playing catch up amid the calm, according to Deutsche Bank. Not only has the Cboe Volatility Index consistently traded below 20 this month for the first time since the pandemic, realized volatility has slipped near levels seen before the market mayhem last March.

European and Asian stocks pass valuation peak three years after U.S. shares do



Figure 2: The chart represents Price to sales ratio for MSIC EAFE (Europe, Australasia and the Far East) Index and S&P 500 Index

European and Asian stocks finally joined U.S. shares in surpassing peak valuations from the turn of the century. The MSCI EAFE Index, consisting of stocks from 21 developed markets, shows as much. About two weeks ago, the index's price-sales ratio exceeded 1.5 for the first time since at least 1995, according to data compiled by Bloomberg. The multiple almost reached that level at a high in December 1999. MSCI's gauge reached its milestone more than three years after the S&P 500 Index, whose price-sales ratio topped a March 2000 peak.

Diverse pool of funding currency has boosted carry returns this year

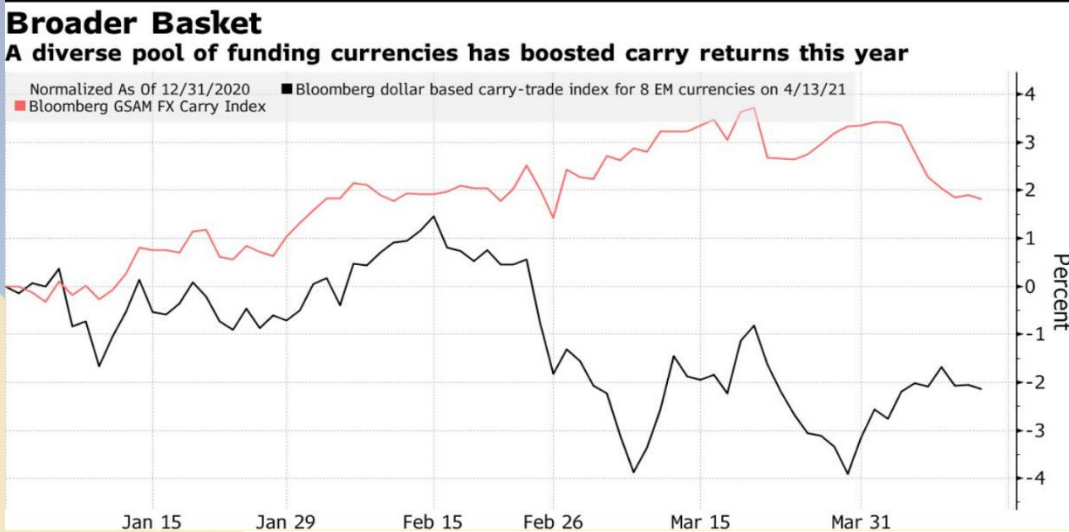


Figure 3: The chart above represents YTD carry trade return for two index where one is funded by USD (in Black) and the other one is funded by various low yielding currencies like Euro, Yen, USD etc (in red)

greenback, fell 3.1% in the first quarter, the first decline in a year. Meanwhile, a strategy that involves borrowing the lowest-yielding currencies to invest in higher-yielding assets jumped 3.4% in the first three months of the year.

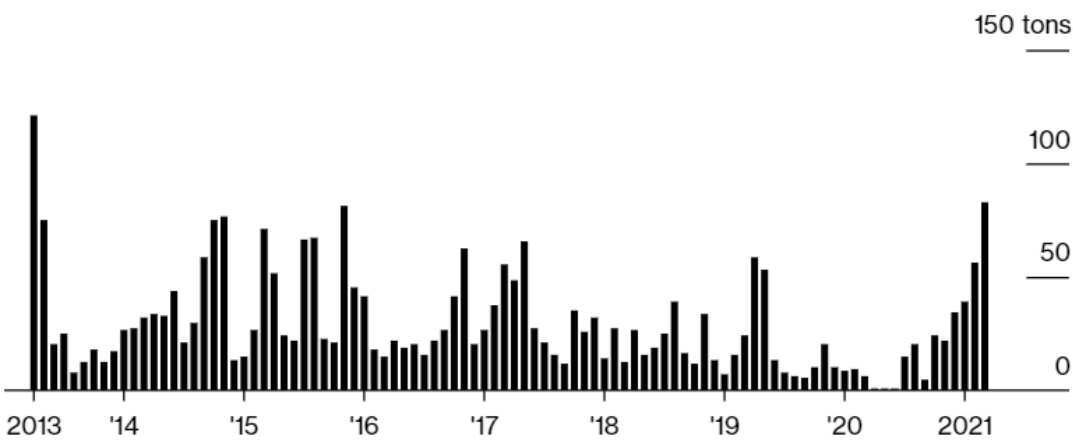
Carry traders blindsided by bouts of dollar strength are looking beyond the currency to fund their bets -- even if it means giving up some returns.

A Bloomberg index of carry-trade returns from eight developing-nation currencies, funded by short positions in the

India's Swiss gold imports rose to the highest in almost eight years

Strong Return

India's Swiss gold imports rose to the highest in almost eight years



Source: Swiss Federal Customs Administration

Figure 4: The chart represents Indian swiss gold imports

season. These latest numbers certainly demonstrate the degree of pent-up demand in the country after the implosion in 2020. Also, China's central bank is approving imports of about 75 tons a month to meet domestic consumption, according to people familiar with the matter.

Renewed buying from India and China after a year on the sidelines could provide support for the precious metal going forward. India's gold imports from Switzerland surged to highest in almost eight years in March as jewellery buyers took advantage of a dip in prices during the ongoing wedding

MAJOR MOVES THIS WEEK

Currencies

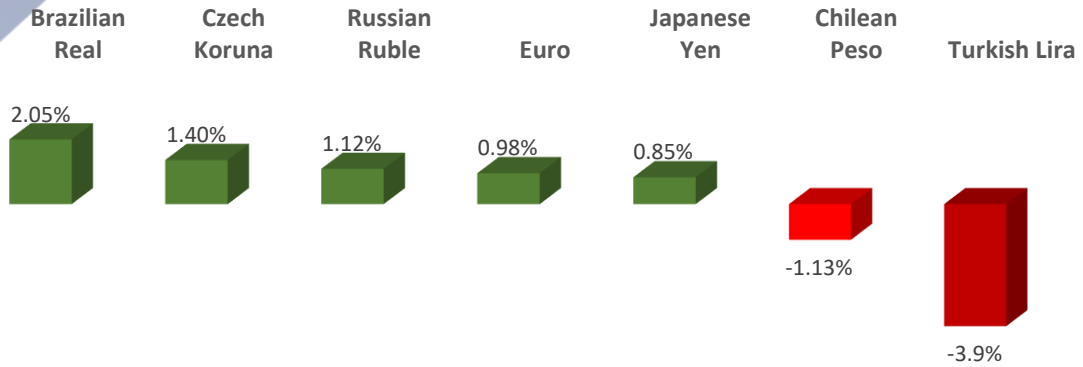


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

Emerging market and developed market currencies both had a mixed week against USD. European currencies like Euro and Czech Koruna went up due to stronger than expected PMIs. Among Latam currencies Brazilian Real was the outperformer gaining more than 2%. Russian Ruble continues to appreciate on the back of softer expected US sanctions. Turkish lira depreciated due to growing concerns over its financial stability.

Equity Indices

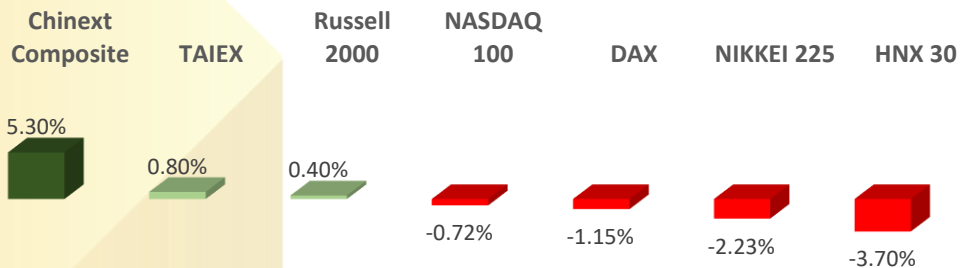


Figure 6: The chart represents the Equity Index returns over this week.

This week most of the global equities closed flat. US equities were very volatile throughout the week due to tax hikes proposal by Biden administration. However after a steep fall they manage to recover all of it. Among Asian equities Chinese equities were the outperformer. Even FII have now started buying Chinese equities in bulk. Vietnam's HNX 30 has given a pullback after appreciating in the last few weeks.

Commodity Futures

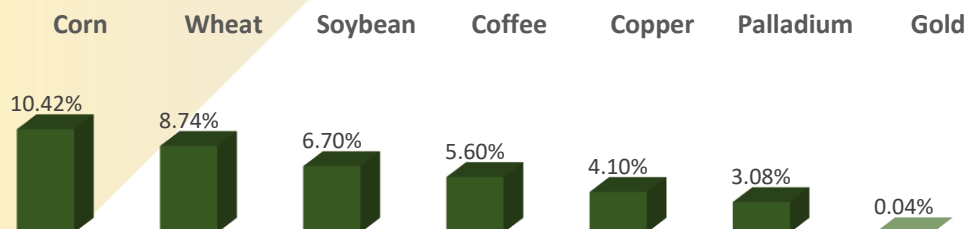


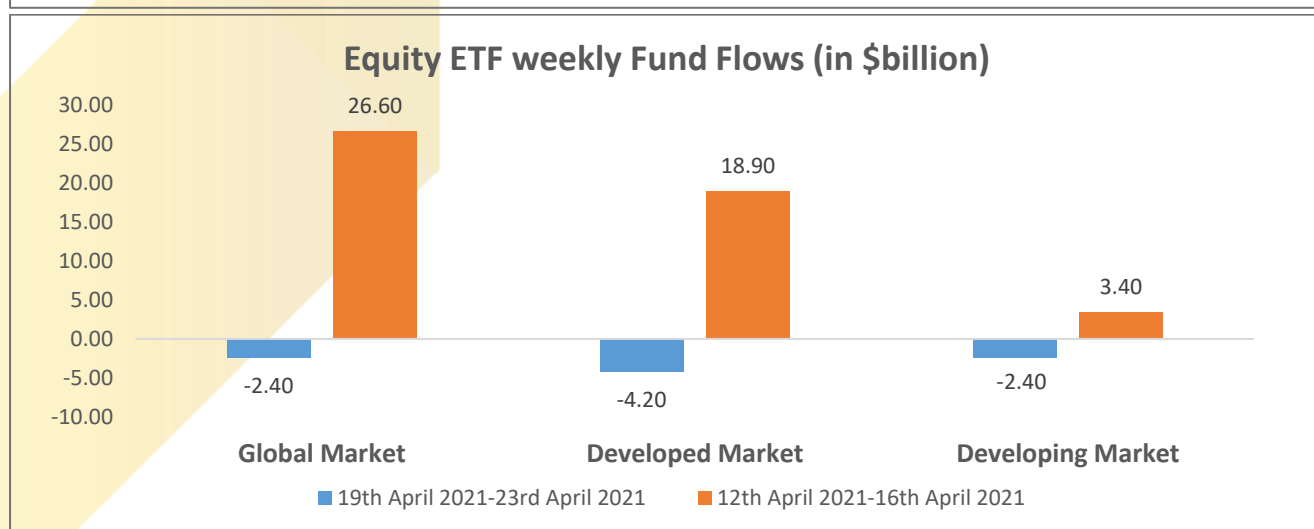
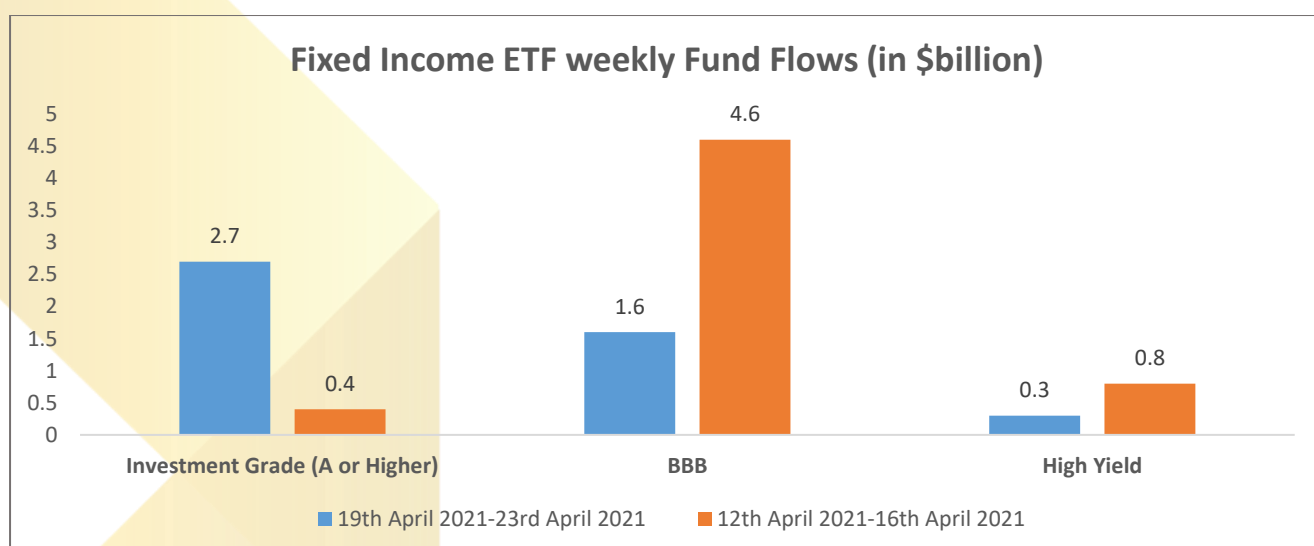
Figure 7: The chart represents the Commodity returns over the week.

This week the limelight was taken by agriculture commodities due to their massive outperformance against peer commodity segments. Precious metals had a decent week with palladium again outperforming its peers. Gold and Silver were flat. Industrial metals also had a decent week with copper outperforming its peers.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Mark Mobius (Founder, Mobius Capital Partners): "The US equity market is not overpriced, despite the stellar run-up in valuations that has taken place over the past 12 months. Talking about inflation, although prices are rising as a result of currency devaluation, efficiency gains, globalisation and other factors are increasing people's purchasing power. In terms of purchasing power, your ability to earn money is going up faster than the value of the money, so we're in a deflationary environment"- AIM Summit , 21st April 2021
- 2) Jim Paulsen (Chief investment strategist, Leuthold Group): "As the stock market moves up while bond yields increase, investors are forced to reconsider allocations. If yields keep rising while economic growth and earnings boom, inflow to equities may get even stronger."-BloombergTV , 18th April 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

“Global Equities were broadly sideways last week and Bitcoin took a deep tumble. We expect global equities to have an upside bias in the coming weeks. We expect Bitcoin to stabilise in the near term even though we remain extremely bearish on all crypto currencies for the long term. We expect US long term bond yields to remain sideways in the near term though we expect them to be bearish over the long term. We remain bullish on Gold and silver for the long term.”

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