



Weekly Report and Outlook on Global Markets

7th May 2021

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MARKET DEVELOPMENTS

Traders Ramp Up Bets on a Hawkish Fed Surprise at Jackson Hole

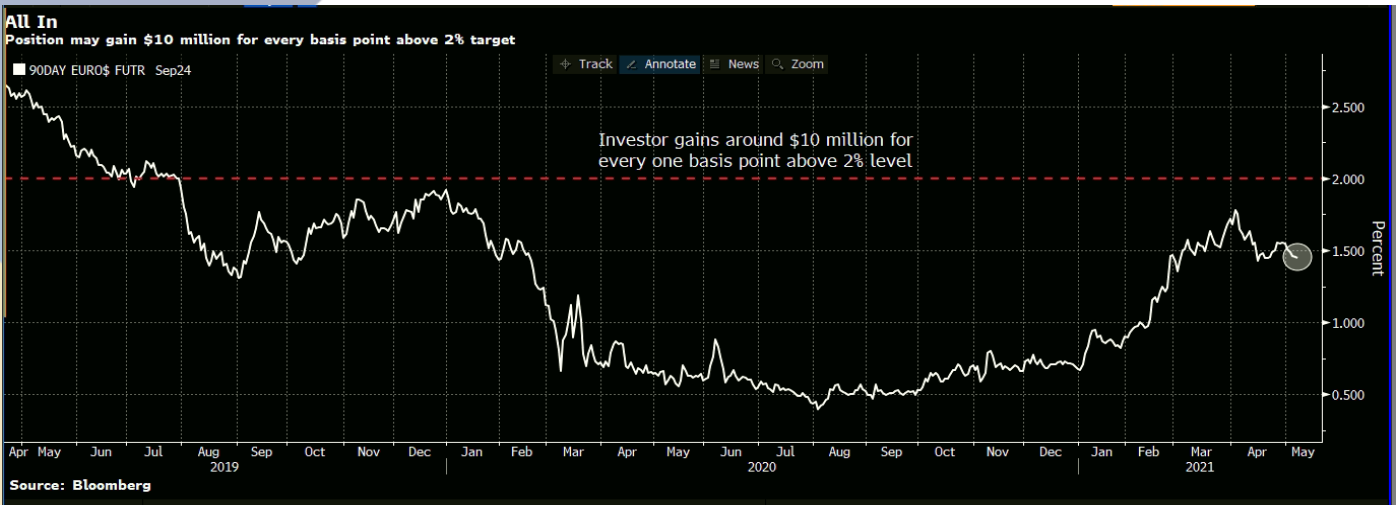


Figure 1: The chart represents 90 Day Eurodollar Futures for September 2024

A large option bet on quicker rate-hikes by the Federal Reserve got bigger this week, even as officials pushed back against hawkish expectations. The put option bought was the 98.00 strike, equivalent to markets pricing for a 2% Libor fix by September 2024 versus around the 1.50% that is expected now. There's been about 400,000 puts bought. Following Thursday's purchase, preliminary open interest -- a measure of outstanding positions -- surged again, with the position in this strike now the third largest of any Eurodollar options.

European Technology IPO Proceeds Surge to 21-Year High

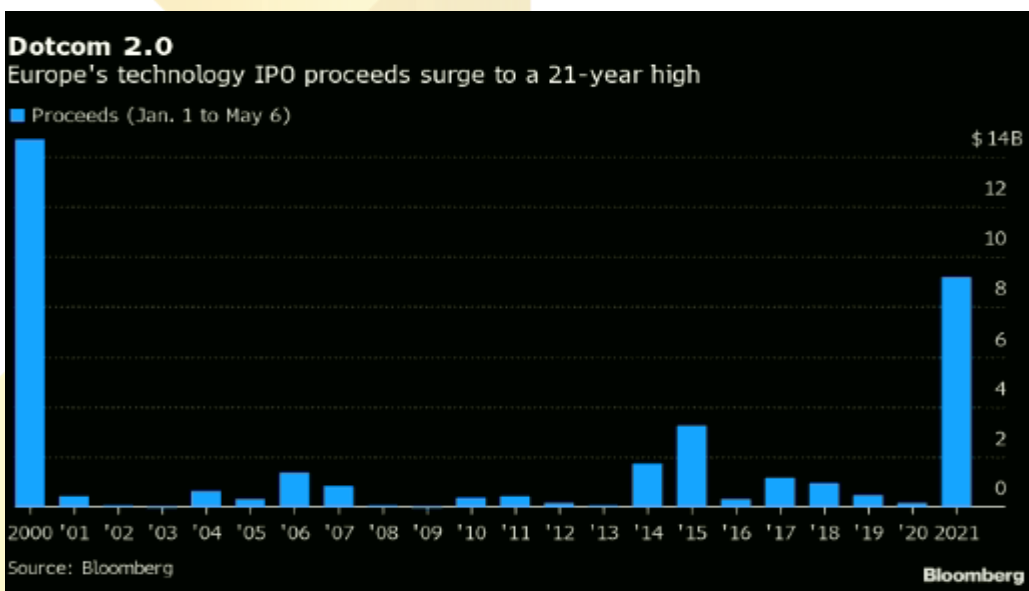
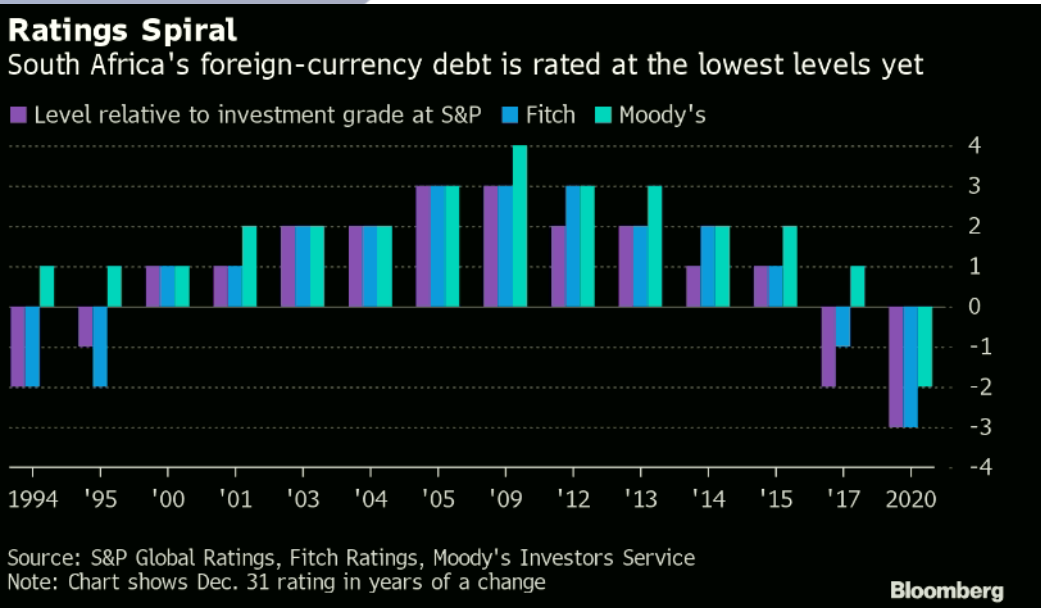


Figure 2: The chart represents European Technology IPO proceeds since 2000 during Jan 1 to May 06

Lured by lockdown-fueled gains and surging valuations, technology and internet firms have racked up proceeds of \$9.2 billion via initial public offerings on European exchanges this year through May 6, the most for the period since 2000, data compiled by Bloomberg show. And with more deals under way from the likes of semiconductor company

Alphawave and enterprise software developer SUSE, as much as \$3 billion could be added to the tally in the coming weeks

South Africa is likely to avoid a credit-rating downgrade



South Africa is likely to avoid a credit-rating downgrade on Friday, when Moody's Investors Service is scheduled to review its assessment of the nation's debt.

The ratings company will probably adopt a "wait-and-see" approach at least until next year's budget, after it kicked the country further into junk status in November

Figure 3: The chart above represents South Africa's foreign currency debt ratings relative to Investment grade

Risks remain as Finance Minister Tito Mboweni's pledge to rein in government spending and stabilize debt rely on contested plans to freeze civil-servant wages over the next three years.

China's Trade Surges as Global Stimulus Keeps Export Boom Going

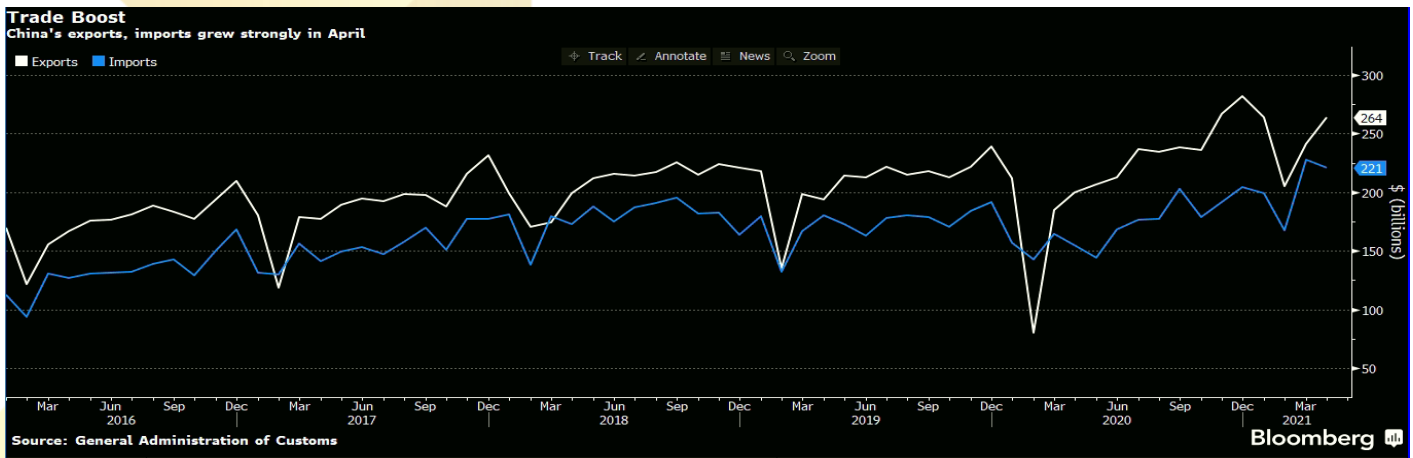


Figure 4: The chart represents China's Export and Import values since

Exports grew 32.3% in dollar terms in April from a year earlier, the customs administration said Friday, exceeding the 24.1% median estimate in a Bloomberg survey of economists. Imports climbed 43.1%, a sign of strong domestic demand and soaring commodity prices, resulting in a bigger-than-expected trade surplus of \$42.85 billion for the month. The low base from a year ago also helped to underpin the strong results, but even on a two-year average growth basis which strips out those effects, April's export growth was 16.8%, much stronger than pre-pandemic levels, according to analysis by Bloomberg Economics.

MAJOR MOVES THIS WEEK

Currencies

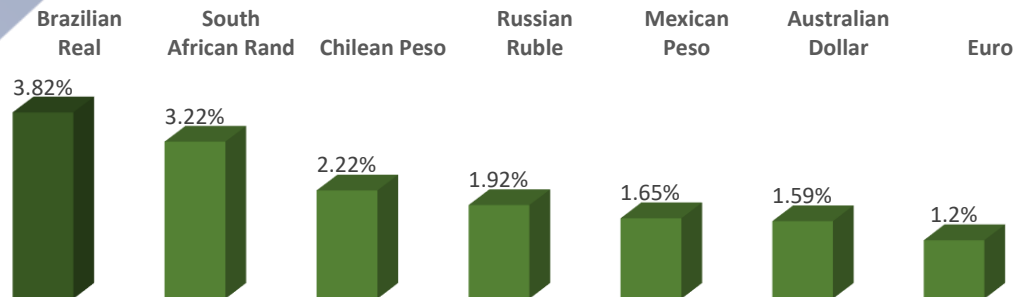


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

Emerging market and developed market currencies both had a decent week against US Dollar. Soaring commodity prices led the gains for emerging currencies like Brazilian Real, South African Rand and Chilean Peso. Since these countries are highly dependent of commodities. Euro also recovered from the losses that it had in the previous week. Major part of currencies gains took place on Friday due to disappointing jobs data cause Bond yields to fall and euro to rise.

Equity Indices

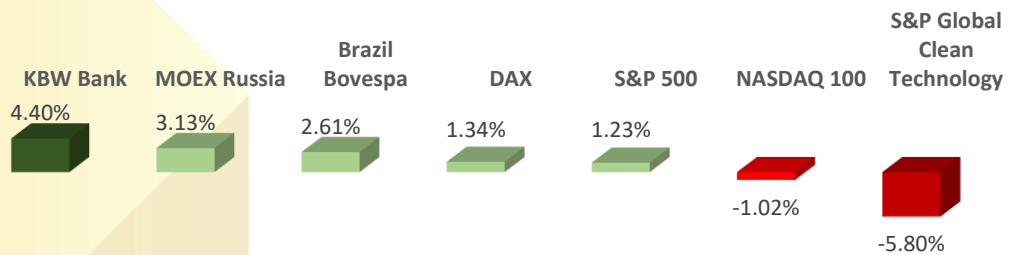


Figure 6: The chart represents the Equity Index returns over this week.

This week most of the Developed market equities closed in green. US banking index was the outperformer after it gained 4.4%. In US S&P 500 and Dow Jones were the outperformers whereas technology sector closed in red. European Indices were mostly closed in green. Asian Indices however gave muted returns with markets like China, Taiwan and KOSPI closed flat to red.

Commodity Futures

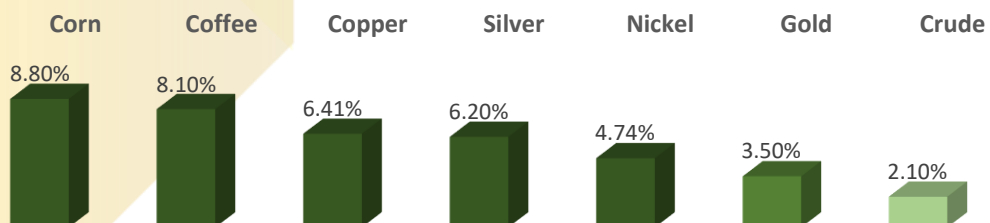


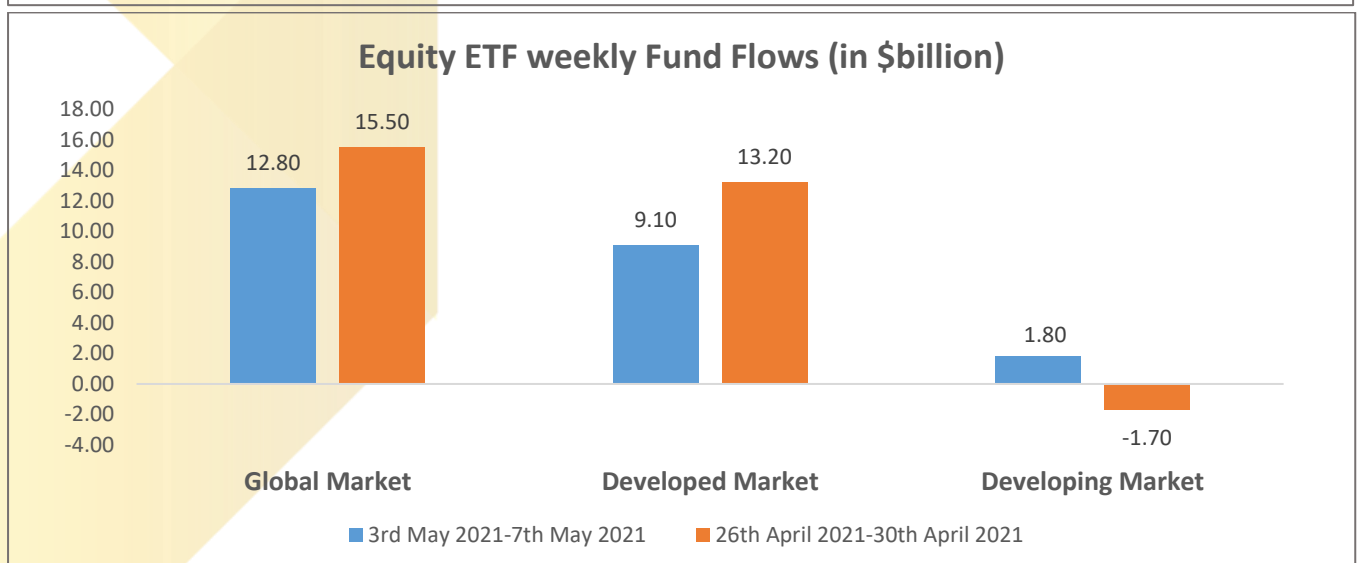
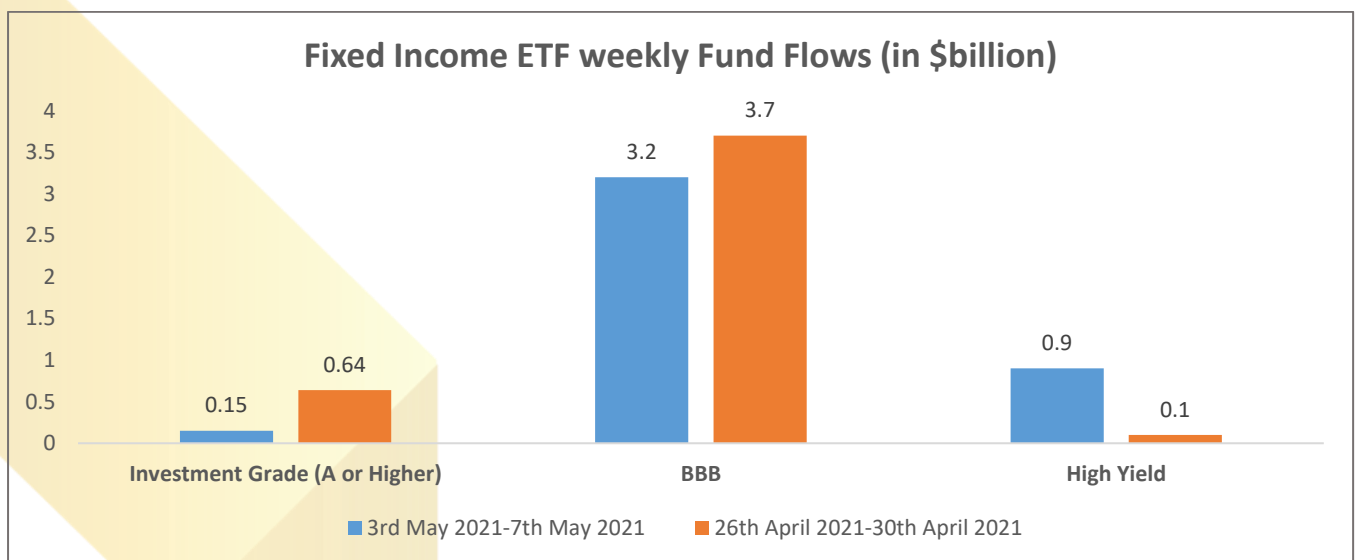
Figure 7: The chart represents the Commodity returns over the week.

This week all the commodities have given massive returns. Among Agriculture commodities coffee and corn were the outperformers gaining more than 8% each due to supply constraints. Industrial metals also rallied pretty handsomely with copper gaining more than 6% and nickel just short of 5%. Precious metals also gave decent returns and gold finally broke the \$1800 level that was a psychological hurdle.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Scott Miner (CIO, Guggenheim Partners): " The #jobs report validates the #Fed's patient stance and supports their new policy of reacting to actual data rather than acting pre-emptively on forecasts. Expectations for taper talk to begin this summer are misplaced. Supply chain disruptions are widespread but will be short lived as more capacity is brought online. Rising prices today means challenging base effect for inflation in 2022"- Tweet , 21st May 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

“S&P 500 closed at a new all-time high yesterday but NASDAQ and RUSSELL 2000 had a relatively more sombre closing this week. We expect US equities to remain broadly sideways for some more time. We believe industrial commodities are evolving into a massive bubble though they still may go higher in the near term. Parts of US markets like SPACs and IPOs are already facing pressure and things may get worse for them over time. Bitcoin largely looks sideways while smaller crypto currencies continue to inflate even bigger bubbles in the near term. Gold and silver had a stellar week; they may not have much upside left in them in the near term but are looking very promising over the long term.”

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