



**PACE 360**

# Weekly Report and Outlook on Global Markets

14<sup>th</sup> May 2021

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## MARKET DEVELOPMENTS

### U.S. Consumer Sentiment has a surprise drop due to rising costs.



Figure 1: University of Michigan Consumer sentiment Index, Index of inflation expectations over next year.

U.S. consumer sentiment unexpectedly declined this month amid increasing anxiety over the rising cost of goods. The University of Michigan's preliminary index fell to 82.8 in May from 88.3 the prior month, according to data released Friday. The figure was well below even the most pessimistic estimate in a Bloomberg survey of economists which was 84.

### Gold gets a green signal as real rates increase.

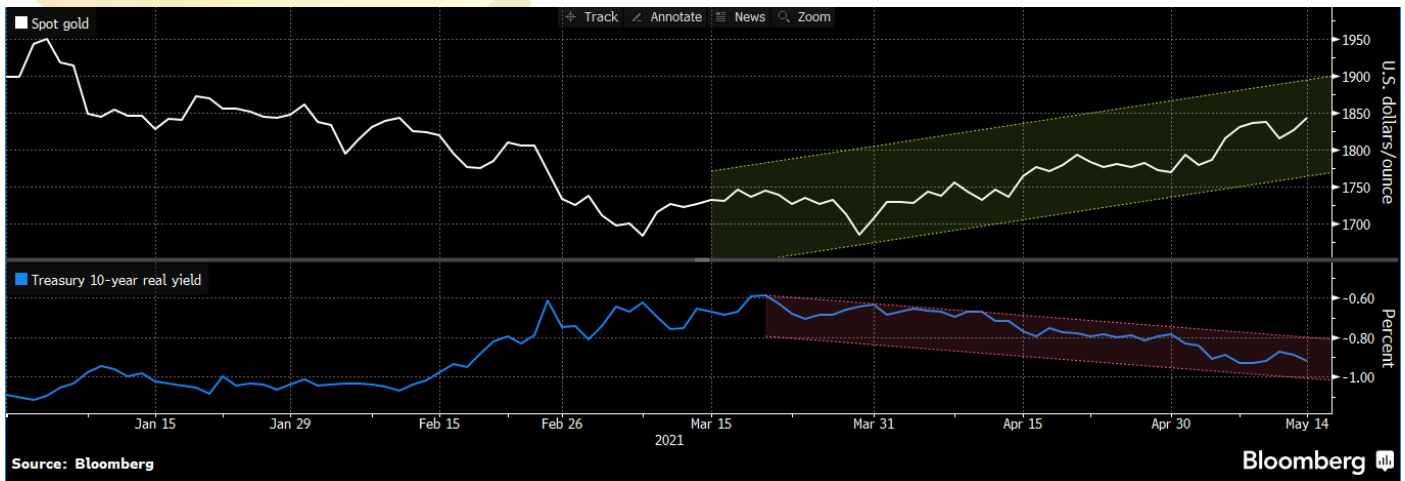


Figure 2: Spot gold vs 10 year treasury real yield.

Gold took a hit on Wednesday when bond rates surged after U.S. consumer prices came in much higher than expected, hurting demand for the non-interest-bearing bullion. But there are signs that rising inflation may be starting to boost the precious metal that is often used as a hedge. Inflation-adjusted Treasury yields are falling, gold is heading for its fifth weekly gain in six and exchange-traded funds backed by the metal are rebounding back to their levels seen in December 2020.

**Taiwan Stock traders lower the leveraged bets most since 2015.**



Figure 3: Taiex net Margin loan value

The worst drop in Taiwan stocks in 14 months was exacerbated by forced selling, as the market's highly leveraged traders faced margin calls from their brokers. The level of outstanding margin debt fell 12.4% or NT\$33.6 billion (\$1.3 billion) in the three days through Thursday, the fastest pace of unwinding since 2015, according to data compiled by Bloomberg. While the decline appears small relative to Taiwan's \$1.9 trillion stock market, it contributed to the benchmark's fall into a technical correction amid panic selling on the worsening pandemic situation.

**S&P 500's 52 week highs hit the highest on record this week.**

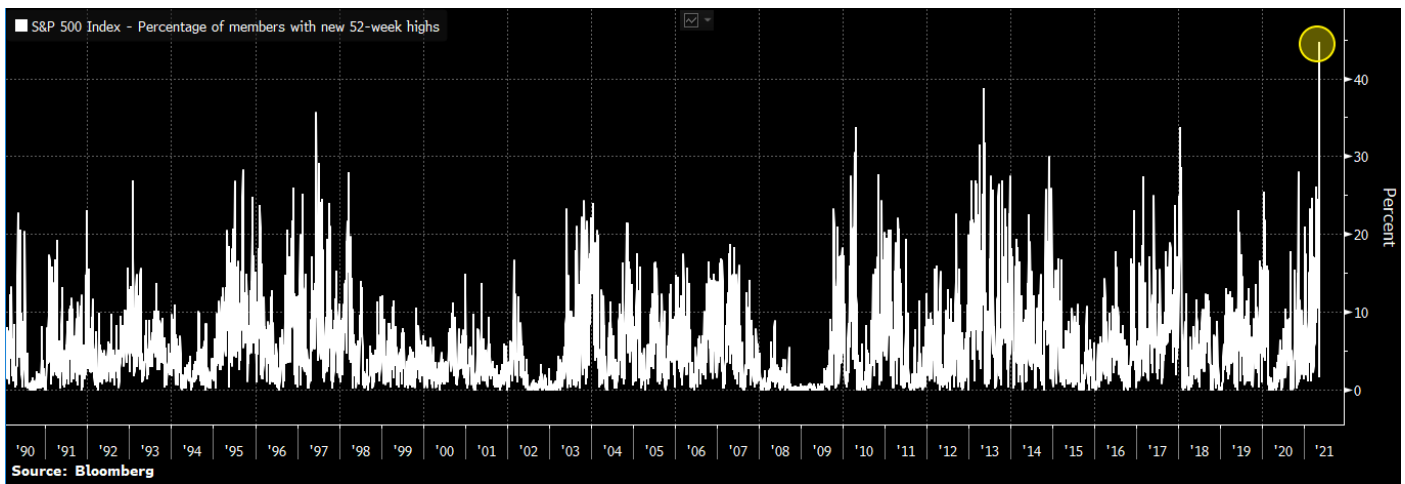


Figure 4: % of S&P members trading at 52 week high.

The recent weakness in the U.S. equity market comes despite signs of historically broad-based strength in the S&P 500. The percentage of index members trading at a 52-week high hit a record of 45% on Monday, according to data going back to 1990 compiled by Bloomberg. Bulls will be hoping the strong participation limits further downside in the U.S. benchmark, which fell for a second consecutive session on Tuesday on rising inflation concerns.

# MAJOR MOVES THIS WEEKS

## Currencies

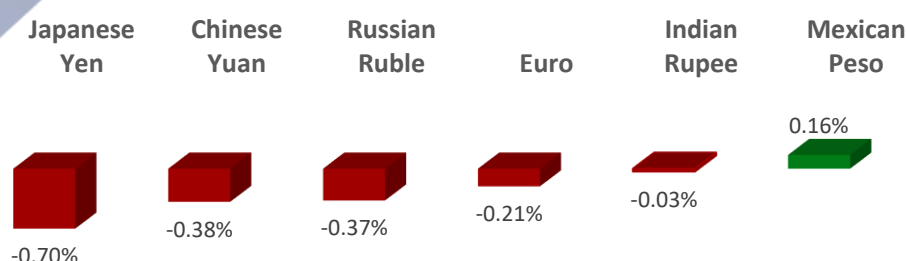


Figure 5: The graph represents weekly Currency returns with respect to US Dollar as the base currency.

Higher inflation figures in U.S. this week resulted in a spike in U.S. 10 year yield which was responsible for depreciation of most currencies against the dollar. However, a few currencies such as Peruvian sol, Indonesian Rupiah, Colombian Peso had appreciated because of their domestic political news.

## Global Equities

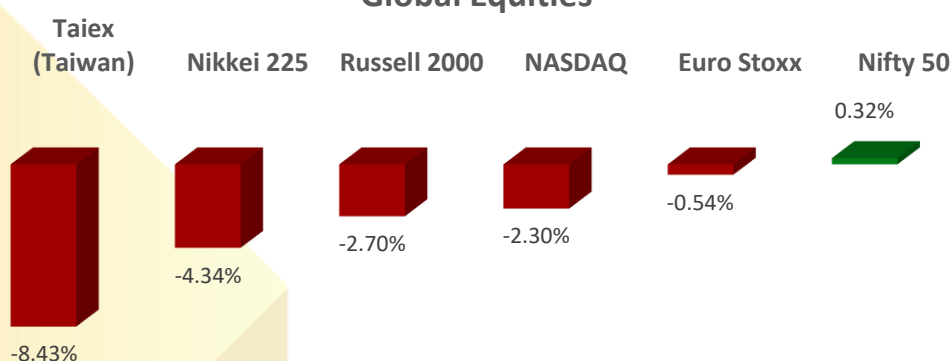


Figure 6: The chart represents the weekly equity index returns.

Increase in covid cases and unwinding of leverage bets in Taiwan resulted in Taiex taking a tumble this week. There was also a bearish sentiment prevalent in the world markets which resulted in major equity indices closing in the red this week.

## Commodities

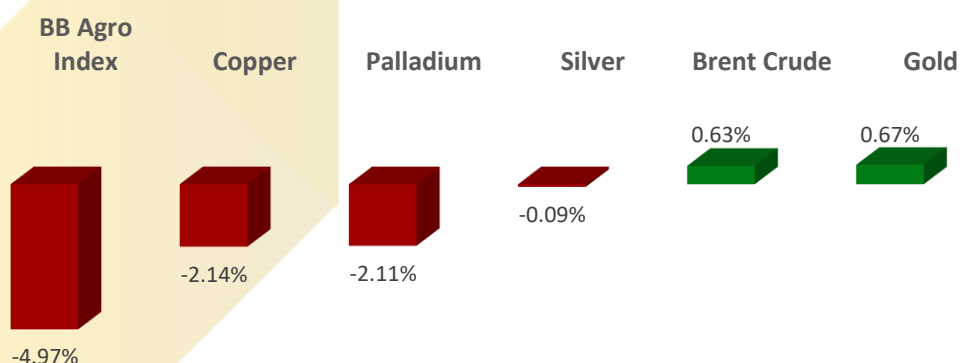


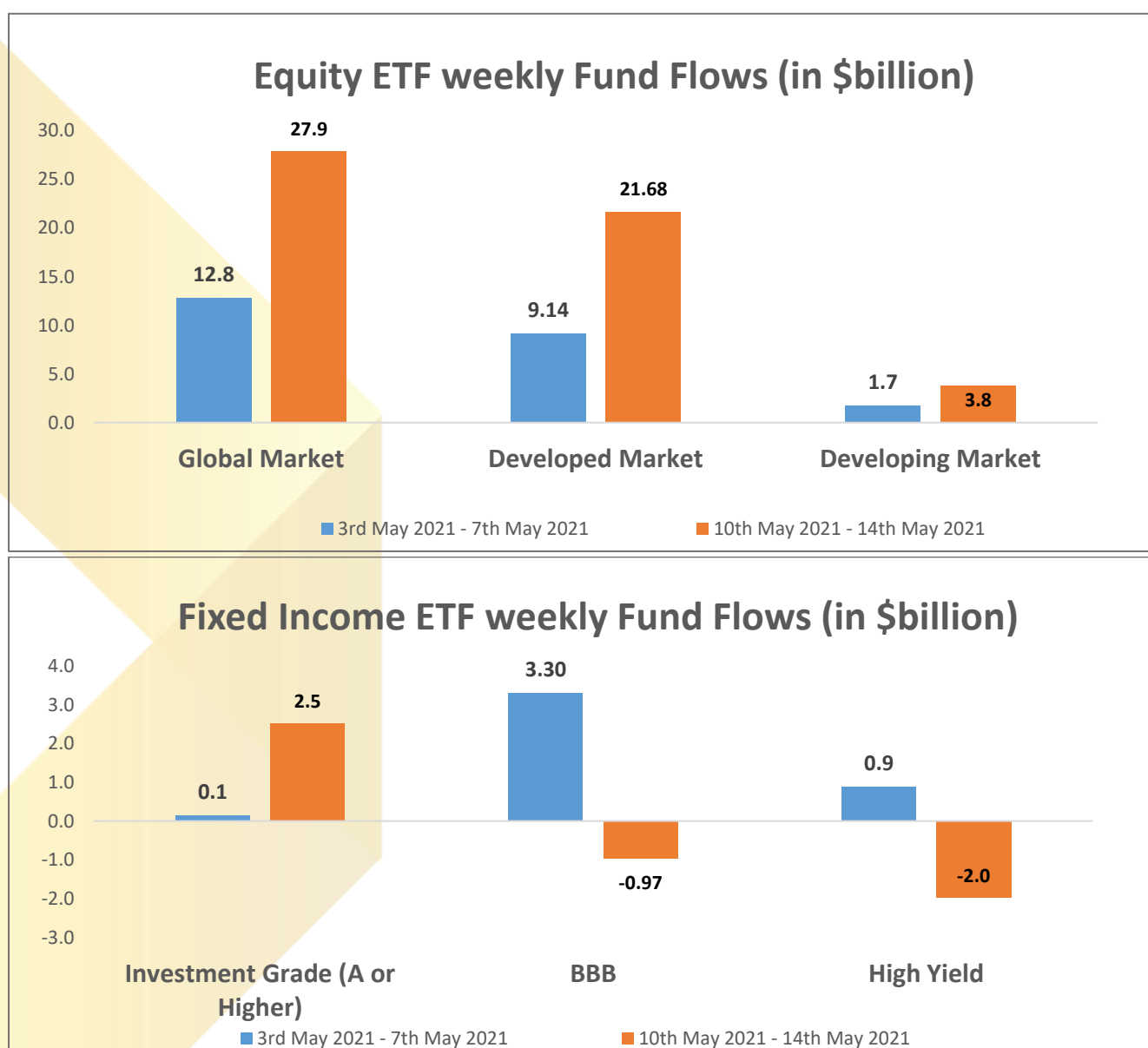
Figure 7: The chart represents the weekly commodity returns.

The Risk off sentiment in the world and also the Chinese Government's regulatory action resulted in a fall in most industrial commodities this week. Agricultural commodities have also fallen because of the increased supply from Brazil and Latin American countries. Precious metals held their ground because of higher inflation expectations.

## GLOBAL FUND MANAGERS' STATEMENTS

- 1) Stanley Druckenmiller : "I have no doubt that we are in a raging mania in all assets. I also have no doubt that I don't have a clue when that's going to end. I knew we were in a raging mania in '99, but it kept going on, and if you had shorted the tech stocks in mid '99, you were out of business by the end of the year.'" "I cannot find any period in history where monetary and fiscal policy were this out of step with the economic circumstances. We are still acting like we're in a black hole, when in fact the economy's accelerating.'" "I'm worried for the first time that within 15 years we (U.S. Dollar) lose reserve currency status and all the unbelievable benefits that accrued from it." – Interview with CNBC on 13t May 2021.

## 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

"Global Equities took a tumble this week but recovered most of the lost ground by the end of the week. We believe equities are largely going to be sideways for now. We believe industrial commodities and even some of the agricultural ones have topped out and we are bearish on the entire complex for the next one year and may be even longer. Crypto currencies seem to be peaking out too and we expect price destruction to happen over the next few years. US long term bond yields have topped out and we expect the yields to fall over the next two years. Gold is looking supremely bullish over the next two years even if it remains in a range in the near term."

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