



**PACE 360**

# Weekly Report and Outlook on Global Markets

21<sup>st</sup> May 2021

Market Developments	2
Major Moves This Week	4
Global Fund Managers' Statements	5
Global ETF Fund Flows	5
PACE 360's Future Outlook	6

# MARKET DEVELOPMENTS

## Big Firms Get Bigger

### Big Get Bigger

Market cap for top 50 firms equals 28% of global GDP

■ Market cap as % of global GDP

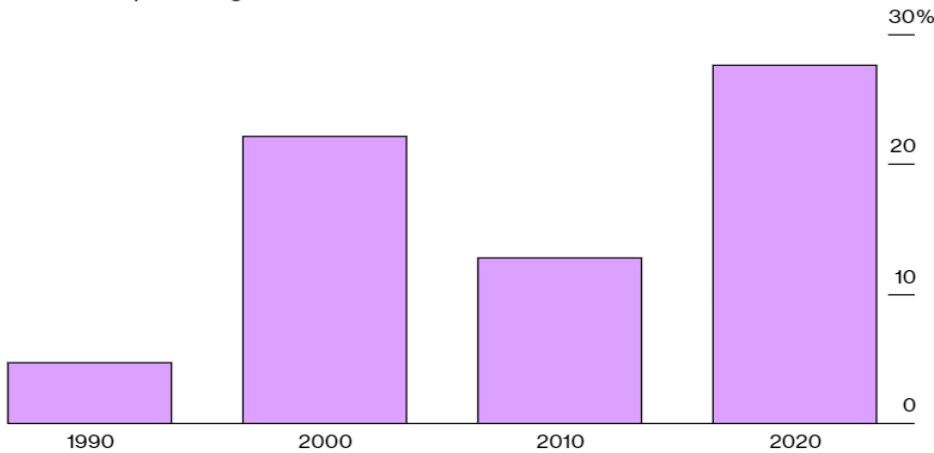


Figure 1: The chart represents Market Cap for top 50 firms as a % of global GDP

In 1990, there were no Chinese businesses among the top 50 exchange-traded companies; last year there were 8. Technology firms account for 21 of the top 50 spots.

The world's biggest businesses were doing fine until Covid-19 arrived. Now they're doing even better.

The top 50 companies by value added \$4.5 trillion of stock market capitalization in 2020, taking their combined worth to about 28% of global gross domestic product. Three decades ago the equivalent figure was less than 5%.

## Dollar Bond Risk Drops as Rating Firms Reassure: India Credit

### Rating Concerns Soften

Swaps insuring State Bank of India bonds, proxy for nation's bond risk, fell recently

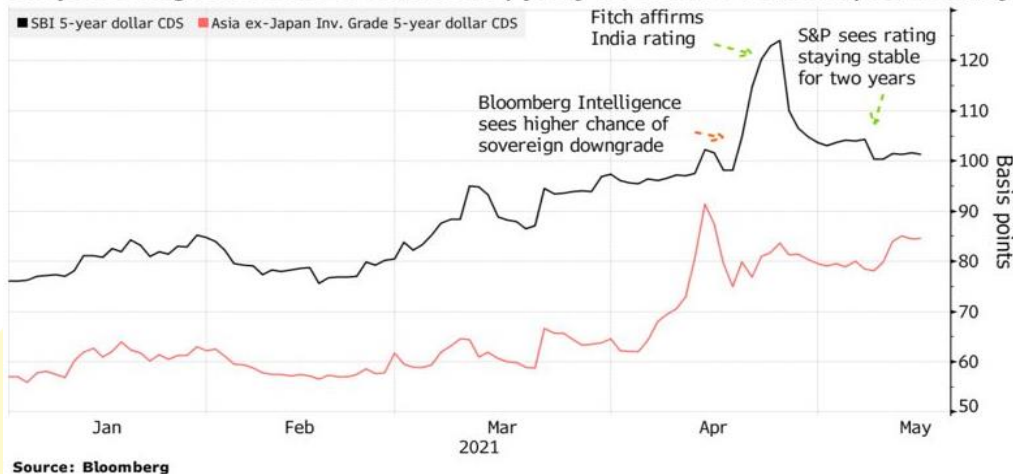


Figure 2: The chart represents SBI 5-Y CDS and Asian (ex-Japan) Inv Grade 5-Y CDS values

S&P Global Ratings expects no change in India's sovereign rating over the next two years. Moody's Investors Service forecasts a "strong rebound" in the economy in the second half of the year, it said last week. Fitch Ratings said last month that the new wave of cases is unlikely to derail the economic recovery.

Credit-default swaps for State Bank of India bonds -- considered a proxy for India's default risk -- have narrowed 2.6 basis points this month to 101.1, CMA data show.

That compares with a 7.7 basis point expansion for the broad Asian gauge. The Indian proxy is down from a nine-month high of 124 basis points hit in late April.

### Gauge of Global Earnings revision rises to record high



Figure 3: The chart above represents Citi Global Earnings Revision Index

The world's equity analysts have never been as optimistic. Citigroup Inc.'s Global Earnings Revision Index -- a worldwide measure of analyst upgrades minus downgrades of profit expectations -- has just hit a record high. The measure collapsed to all-time lows at the height of virus fears in March last year. Of the more than 1,000 companies in the MSCI World Index that have reported earnings this season, 77% have beaten estimates, according to data compiled by Bloomberg.

### Gap between ordering chip and getting it is growing

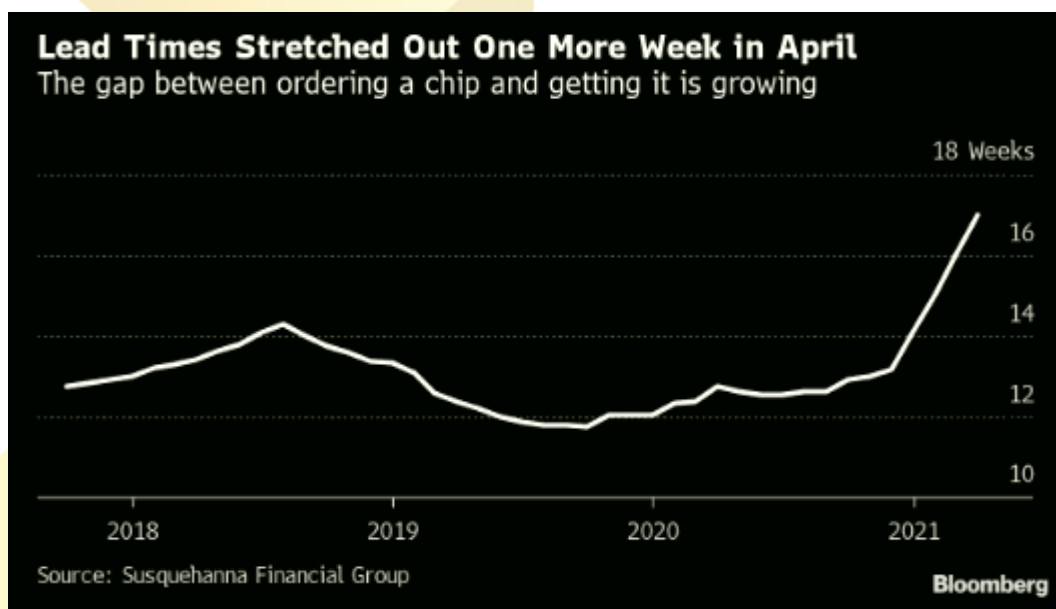


Figure 4: The chart represents Lead time between ordering and receiving chip

Shortages in the semiconductor industry, which have already slammed automakers and consumer electronics companies, are getting even worse, complicating the global economy's recovery from the coronavirus pandemic.

Chip lead times, the gap between ordering a chip and taking delivery, increased to 17 weeks in

April, indicating users are getting more desperate to secure supply, according to research by Susquehanna Financial Group. That is the longest wait since the firm began tracking the data in 2017, in what it describes as the "danger zone." The chip industry and its customers watch lead times as an indicator of the balance between supply and demand. A lengthening of the gap indicates that buyers of semiconductors are more willing to commit to future supply to avoid a recurrence of shortfalls.

# MAJOR MOVES THIS WEEK

## Currencies

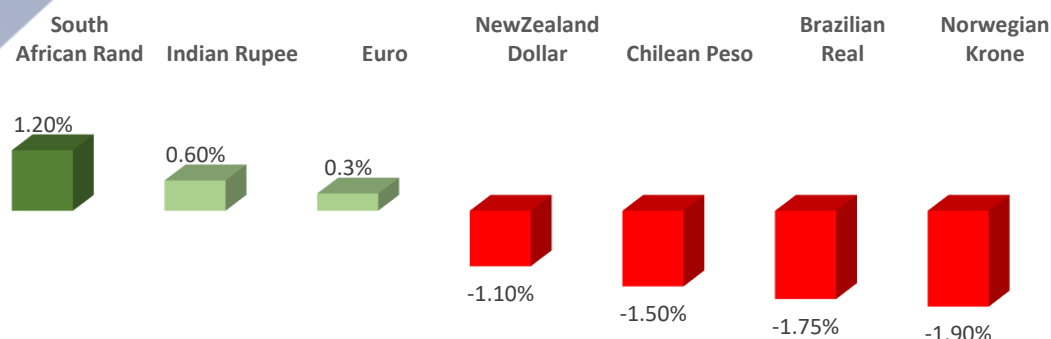


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

There was a mixed performance this week among major currencies. South African rand continues its appreciation and was the outperformer. Stall in rising commodity prices didn't stop rand from appreciating, however it did affect New Zealand dollar, Brazilian Real and Norwegian Krone. Indian rupee also appreciated as confidence in the country increased due to fall in covid cases. Chilean Peso fell down due to political unrest which has not only affected its currency but even equity market.

## Equity Indices

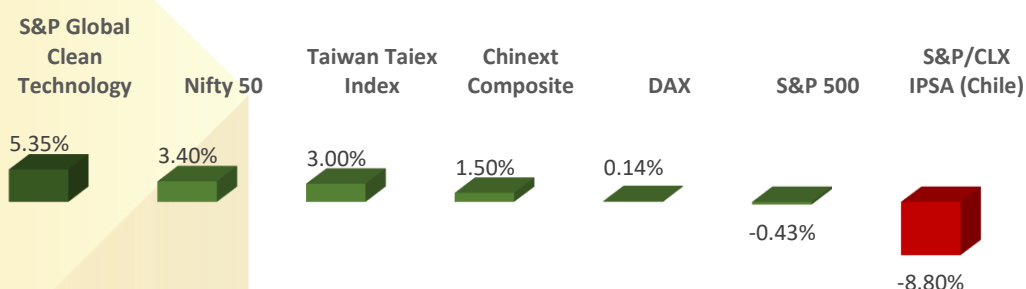


Figure 6: The chart represents the Equity Index returns over this week.

This week most of movement happened in Asian and other emerging markets. Indian Nifty was the outperformer among major EM Broader market Indices gaining 3.4% Taiwan's Taiex Index also recovered after a one way downfall a couple of weeks back. FIIs have started pouring money back in these countries. Rest in western countries most of the indices closed flat on a week on week basis though they were very volatile throughout the week. Chilean Equity index was the underperformer losing more than 8% due to political unrest in the country.

## Commodity Futures

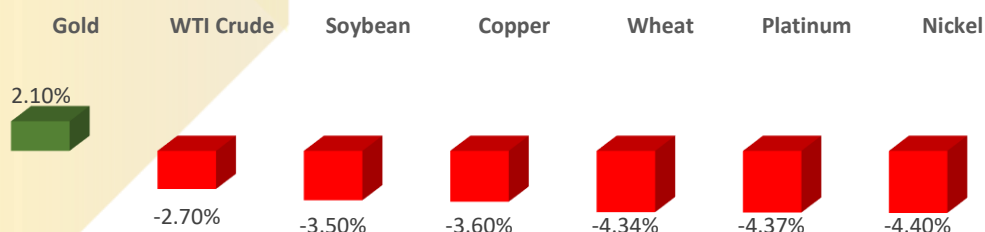


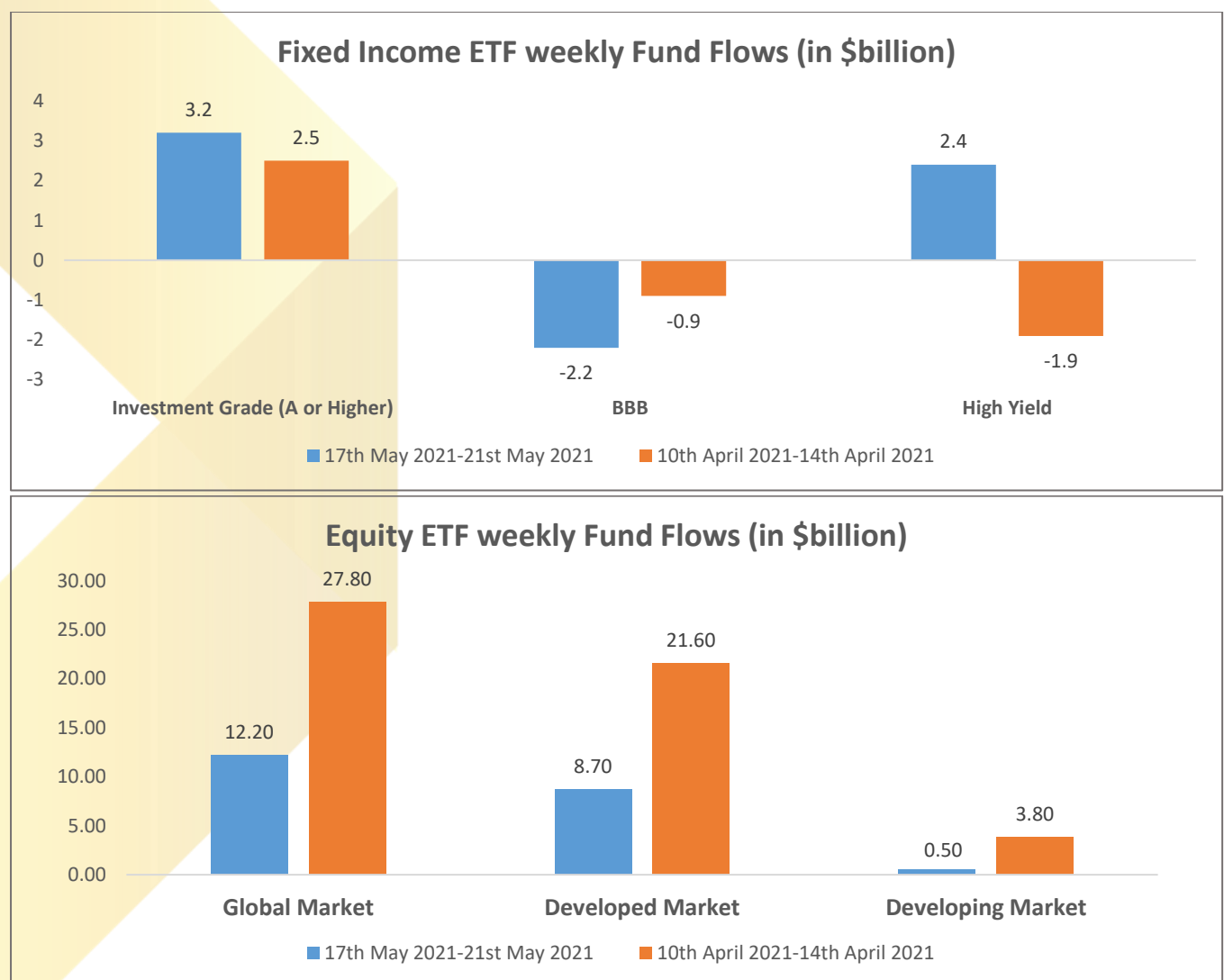
Figure 7: The chart represents the Commodity returns over the week.

This week we saw fall in commodity prices after rising one way in the last few weeks. Among precious metals gold was the outperformer gaining just more than 2%. Industrial metals closed deep in red with nickel underperforming the most losing 4.4%. Agriculture commodities also fell down pretty intensely this week.

## GLOBAL FUND MANAGERS' STATEMENTS

- 1) Mark Mobius (Founder, Mobius Capital Partners): " I continue to like gold and prefers holding physical gold to buying the not-so-profitable mining companies. I disagrees with the view that Bitcoin could one day replace gold as a hedge against inflation. I am not that excited about the oil sector because oil prices have had an incredible run as they recover from the pandemic crash and may not rise much more."- CNBC , 19<sup>th</sup> May 2021
- 2) Jeffrey Gundlach (CEO, DoubleLine Capital): Inflation is probably going to go higher in the next couple of months and might peak in July. If we keep going higher from there, then I think people are going to be seriously worried because the concept of transitory has everything to do with what they call the base effects.-BloombergTV , 17<sup>th</sup> 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

"We expect global equities to largely remain sideways in the near term. Industrial and Agro commodities have peaked out and should continue to be bearish for the next year or so. Crypto currencies will remain volatile within a broad range for now. Gold and silver having climbed a lot in the last 6 weeks would probably consolidate for some time."

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