



Weekly Report and Outlook on Global Markets

30th April 2021

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MARKET DEVELOPMENTS

Copper-mining stock gains are outperforming the metal's



Figure 1: Global Copper Competitive peers index & Copper 3 months futures.

Copper is on a remarkable run and companies mining it are doing even better. The metal's price reached a decade high this week and has more than doubled since hitting a low in mid-March of last year as the pandemic shuttered businesses and curtailed demand. During that span, an index of 30 producers' stocks tracked by Bloomberg Intelligence has jumped 400%, helped by low energy and credit costs that have fueled profit gains, and bets that a cautious approach toward spending will leave more money for shareholders in the form of dividends and buybacks.

U.S. Economy Likely grew 6.7% in First Quarter of 2021

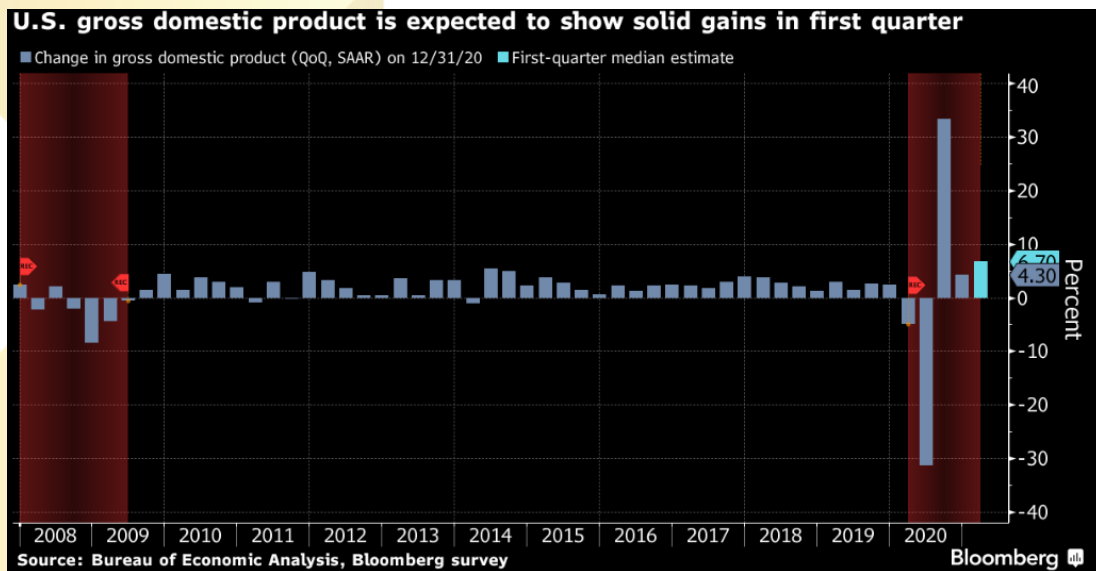


Figure 2: Change in GDP (QoQ)

The initial print on U.S. economic growth in the first quarter is likely to show a stronger-than-expected recovery underway. Gross domestic product is forecast to jump at a 6.7% annualized rate, according to the median estimate in a Bloomberg survey of economists. Separately, Bloomberg Economics sees an above-consensus 7%, reflecting the front-loading of growth at the expense of the second quarter, thanks in large part to massive waves of fiscal stimulus. Bloomberg Economic's full-year growth forecast of 7.7% is unchanged.

Asia Stocks' valuation discount to their Global peers' deep below 5-year average.



Figure 3: MSCI Asia Pacific's 12 month forward P/E – MSCI All Country World Index 12 month forward P/E Ratio

This year's underperformance of Asia stocks has sent their valuation relative to their global peers to the cheapest in six months. The MSCI Asia Pacific Index traded at about 16 times projected 12-month earnings last week, making its discount to the MSCI ACWI Index the biggest since October. The below-long-term-average valuation discount suggests the region is relatively attractive.

Palladium's Sustained Shortages Signal Record Rally Has Legs

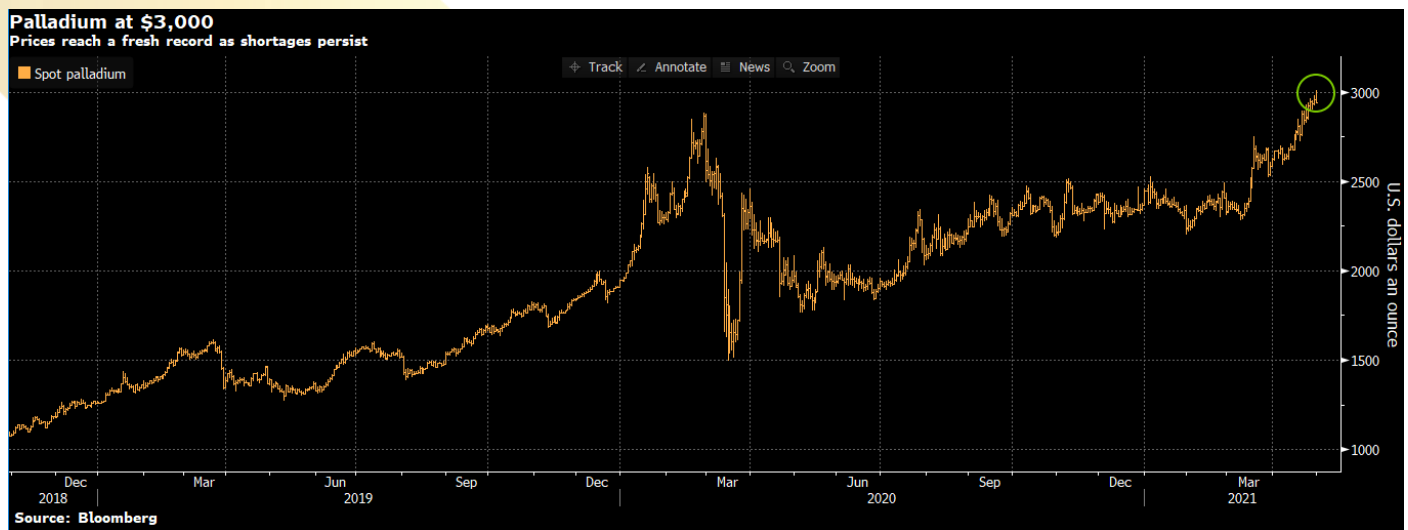


Figure 4: Palladium Spot in U.S. Dollars

Palladium just ran past another notable high, taking out \$3,000 an ounce for the first time on bets that the reopening of economies will bolster demand from the key car sector. And with the market facing a 10th straight annual shortage, there is no reason that prices won't power even higher.

Stricter emissions rules around the world -- and particularly in China -- are forcing automakers to use more palladium in auto catalysts, helping make the metal about 68% more expensive than gold. That is further tightening supplies of the material that is often mined as a by-product, meaning producers can't quickly respond to dramatic price changes.

MAJOR MOVES THIS WEEKS

Currencies

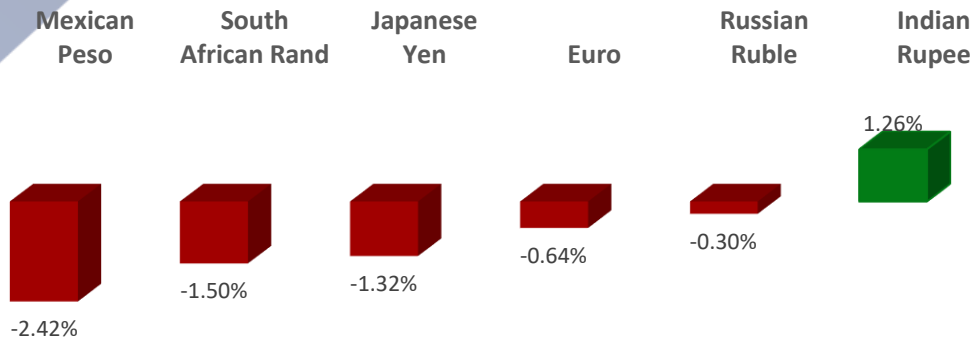


Figure 5: The graph represents weekly Currency returns with respect to US Dollar as the base currency.

With higher bond yields pulling the dollar higher, most developed market currencies depreciated against the dollar this week. There was a stark difference in the performance of Asian currencies and Latin American currencies with the former appreciating against the dollar and the latter depreciating. This was because the Asian currencies had already depreciated prior to this week and now are reverting to their mean.

S&P Clean Energy Index

Global Equities

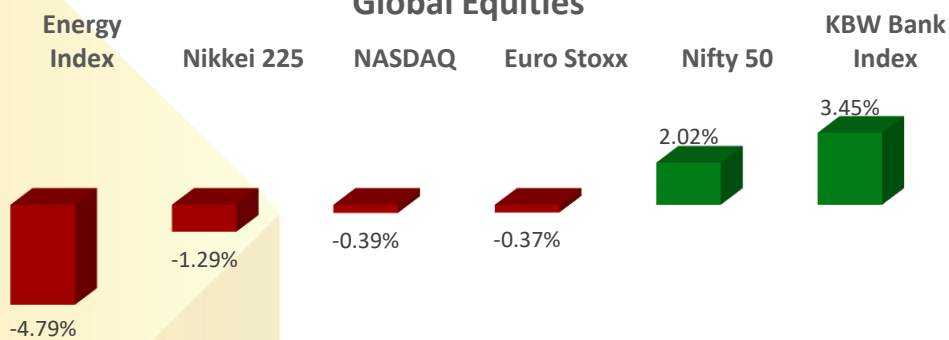


Figure 6: The chart represents the weekly equity index returns.

After touching the 4,200 mark, S&P 500 and other U.S. benchmark indices took a breather this week. Stringer bond yields put pressure on NASDAQ and pushed the banking stocks higher. A small risk off sentiment was also seen across the Europe and Asia with a very few exceptions. Nifty 50 showed gains this week because of domestic buying.

Commodities

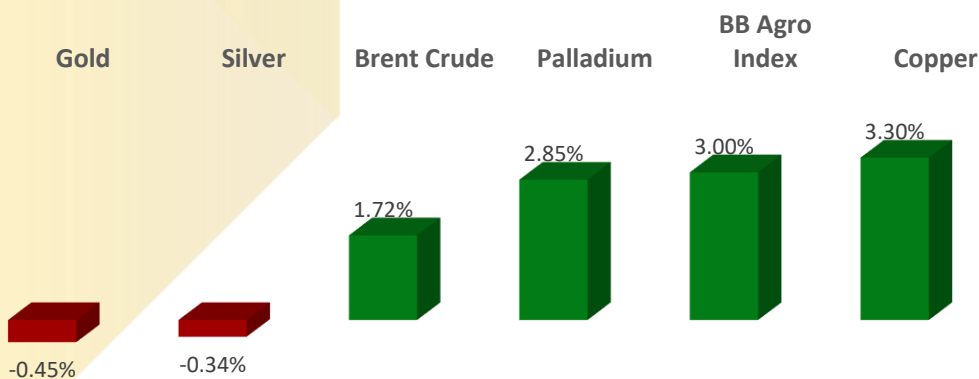


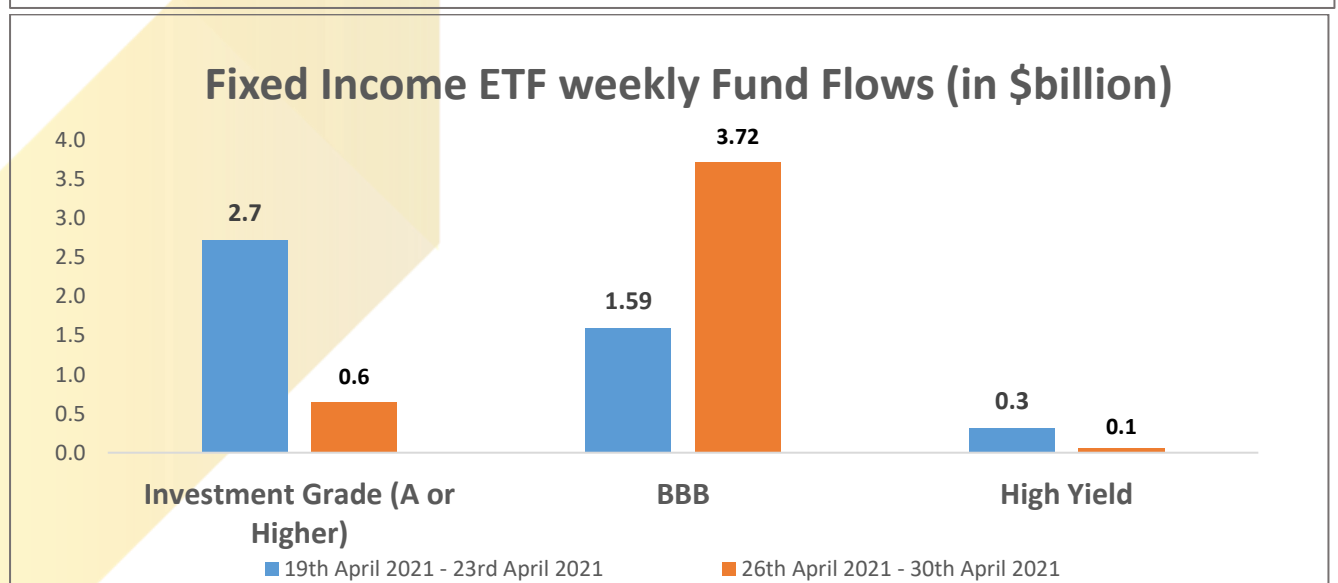
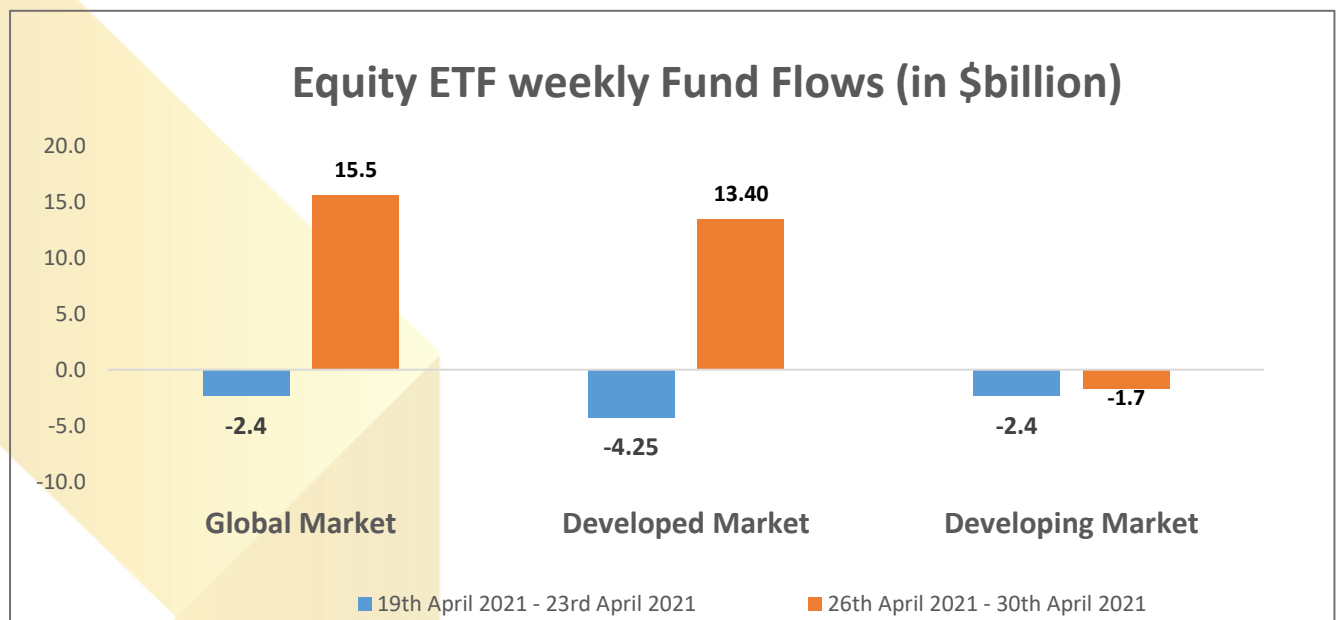
Figure 7: The chart represents the weekly commodity returns.

Industrial and Agricultural commodities had a stellar week and month. Due to the inability of the market to match the supply to the rising demand, commodities such as Palladium, Copper etc have outperformed most commodities. Precious metals took a hit this week due to the rising bond yields.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Scott Miner (CIO, Guggenheim): "The rise in core PCE in March is just the beginning of what Powell called "base effects and bottlenecks." The Fed is looking through this inflation as transitory—I agree and expect a return to below target inflation next year." Twitter, 1st May 2021.
- 2) Jim Paulsen (CIO, Leuthold Group): "I would put decent odds that it(Inflation) could get out of control and require the Fed and other policy officials [and] the bond market to kneejerk in order to shut down the overheat. Everyone looks at the policy that we put in place here as just so oversized and dramatic. That takes us right back to the inflationary period of the 1970s." Even though Paulsen is flagging inflation risks, he sees signs the U.S. economy may be able to weather them. He chalks it up to a vastly different economy than about a half century ago. – Interview with CNBC, 20th April 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 have rallied quite strongly over the last six weeks and are now largely looking sideways with a bit of downward bias. Industrial commodities are probably making longer term peaks even though there is positive momentum in the near term. Gold and silver may consolidate for more time before taking off on a long-term bull trajectory. We saw a massive rally in crypto currencies this week, but they will be largely sideways for some time. We remain long term bearish on crypto though.”

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