Weekly Report and Outlook on Global Markets

3 Sep 2021

Hot India Property Stocks Seen Extending Run on Demand Surge

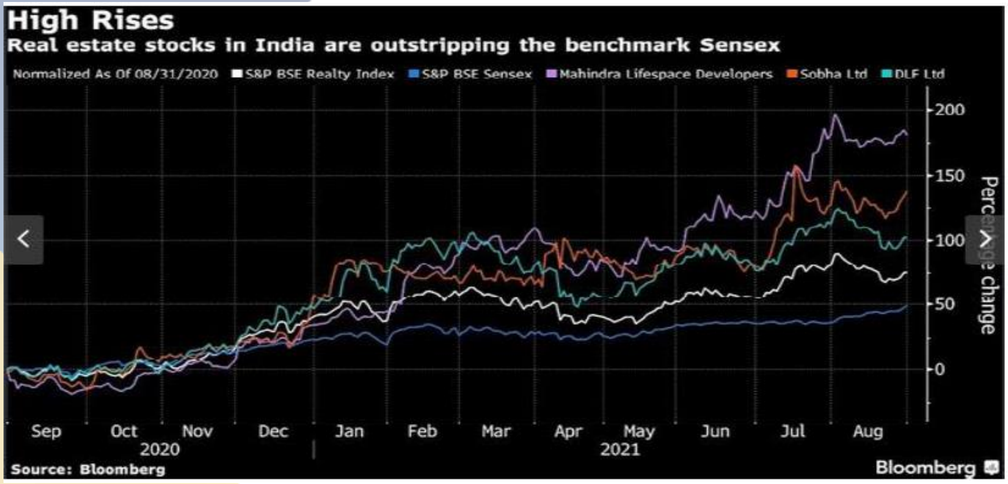


Figure 1:This chart shows outperformance of Indian realty stocks against benchmark Sensex

India’s property market is rebounding after being in a down cycle for the last six years as a series of headwinds ranging from the pandemic, a bad-loan crisis and a surprise 2016 cash ban hurt demand for new houses and apartments. Stronger sales and weak launches are leading to faster absorption of outstanding inventory and this favorable demand-supply situation has started to build a case for price increases.

Taper Welcomed by Risky Emerging Bonds with World-Beating Rally

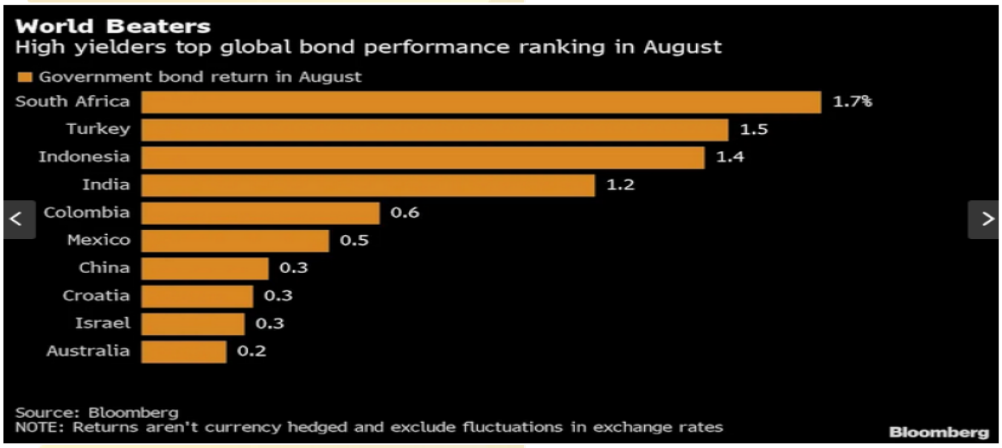


Figure 2: This chart shows performance of Government bond in August

Higher-yielding emerging-market government bonds outperformed their global peers in August, defying the prospects for higher borrowing costs as the Federal Reserve moves toward reducing monetary stimulus.
Investors are getting pushed into higher-yielding EM government bonds. Developed-market yields stayed persistently low even as Powell guided that the taper is set to start later this year. A possible decrease in local coronavirus infections may see more inflows in emerging-market debt, which still looks “under-owned”. The generally supportive tone taken by central banks toward lower interest rates has also contributed to positive bond returns. It is particularly true for countries with higher rates like South Africa, Turkey and Indonesia.

MAJOR MOVES THIS WEEK

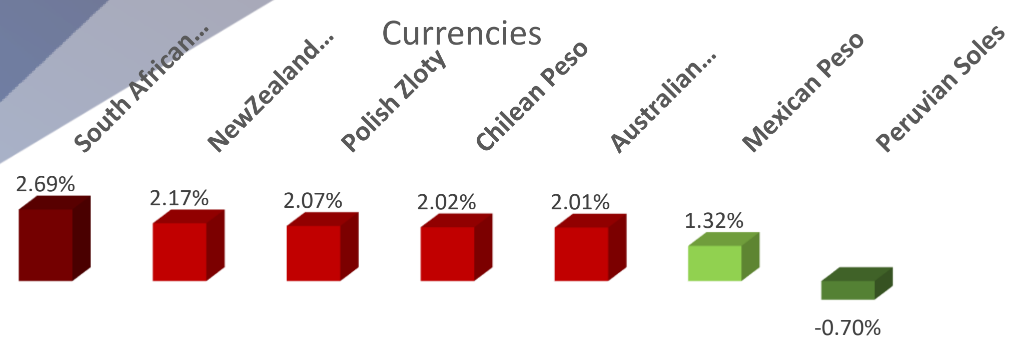


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen appreciation in broader currency markets including emerging market currencies. EURO also strengthen against Dollar this week on healthy note. Commodity producing countries was topmost outperformer against dollar this week, Asian currency also participated in rally against dollar.

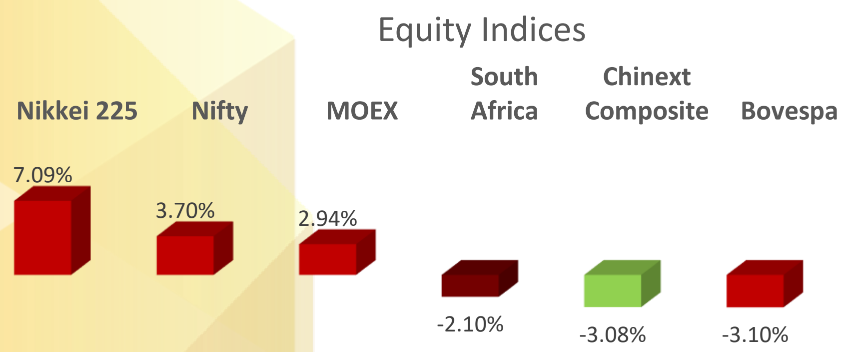


Figure 6: The chart represents the Equity Index returns over this week.

Again, stellar performance in global equity we have seen, few of equity indices in world closed at its lifetime high on Friday. Japanese equity was best performer along with gain in broader indices from India, Nifty has given all time closes on Friday. Dow Jones & Russel 2000 shows sideways move this week while Nasdaq 100 outperformed among US equity, In Asia Chinese equites was underperformer due to crackdown implemented in various sector by Chinese government.

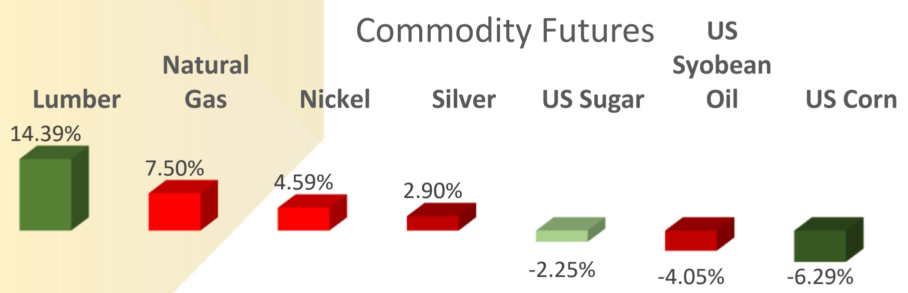


Figure 7: The chart represents the Commodity returns over the week.

Commodity also given positive move this week mainly risk on related commodities performed. We have seen stable performance in industrial metals mainly in Nickel & Aluminium this week .Natural gas extended its 52 week high while Brent has shown muted performance this week .Silver also performed this week while gold has shown marginal up move .Mainly we have seen weakness in Few agricultural commodities .

GLOBAL FUND MANAGERS' STATEMENTS

Bill H Gross (Co Founder,PIMCO): Bond yields have "nowhere to go but up," and the intermediate- to long-term bond funds that invest in them are "new contenders for the investment garbage can,". Gross calculates that 10-year Treasury yields rising to 2% in the next year from their current 1.3% would hand investors negative total returns of 2.5% to 3%.

Ballooning public debt burdens worldwide, and the probability that "the $120 billion-a-month Federal Reserve deluge will probably end sometime in mid-2022" mean that governments will find it hard to sell their bonds at the current low yields, he explains. "Cash has been trash for a long time but there are now new contenders for the investment garbage can. Intermediate to long-term bond funds are in that trash receptacle for sure," Gross writes.

Chris Wheldon (Fund Manager, Magellan High Conviction Fund): Tencent's "large and important gaming, social media and other content businesses are exposed to regulatory, social and political tail risks that we cannot handicap," said Chris Wheldon, who co-manages the Magellan High Conviction Fund.

Some assets were shifted to a stake in Amazon after the Seattle-based company's shares dropped in the wake of its second-quarter results. Amazon's price fall "coincided with a change in our risk-adjusted views regarding the Tencent investment case," he said. The U.S. e-commerce and cloud-computing firm is "right in the center of the dartboard in terms of business quality and long-term compounding potential," Wheldon said, adding that the fund previously "had a question mark next to its valuation."

Marc Mobius (Founder, Mobius Capital Partners LLP): Investors should have 10% of a portfolio in gold as currencies will be devalued following the unprecedented stimulus rolled out to fight the coronavirus pandemic.At this stage, "10% should be put into physical gold," said Mobius. "It is going to be very, very good to have physical gold that you can access immediately without the danger of the government confiscating all the gold," Mobius, a long-time fan of the metal.

John Paulson (Portfolio manager at Paulson & Co): Paulson said that he prefers gold over bitcoin and that the precious metal looks attractive in the current inflationary environment. "Gold does very well in times of inflation," he said. "The last time gold went sort of parabolic was in the 70s when we had two years of double-digit inflation."

Paulson added that gold can go "parabolic" because it is relatively small compared to the overall financial market.

"If you own long-term Treasury bonds that are yielding 2% and interest rates move up to 5%, those bonds fall materially in value. Likewise, if you have cash sitting in a bank that you are earning 0% on and inflation's 4%, you're gradually eroding the value of your money,"

"As inflation picks up, people try and get out of fixed income. They try and get out of cash. And the logical place to go is gold," he added. "Because the amount of money trying to move out of cash and fixed income dwarfs the amount of investable good, the supply and demand imbalance causes gold to rise and the more it rises it sort of feeds on itself and as the potential to go parabolic."

On Crypto-"I would describe them as a limited supply of nothing," he said. "So to the extent there's more demand than the limited supply, the price would go up. But to the extent the demand falls, then the price would go down. There's no intrinsic value to any of the cryptocurrencies except that there's a limited amount."

Chris Harvey (Wells Fargo Securities): Chris Harvey recently cut software to underweight from neutral and declared it a crowded trade. He based the decision on technical and earnings fundamentals and high valuations.

"From a valuation point of view, you're paying about a 75% premium to the market for software and that's too rich,"

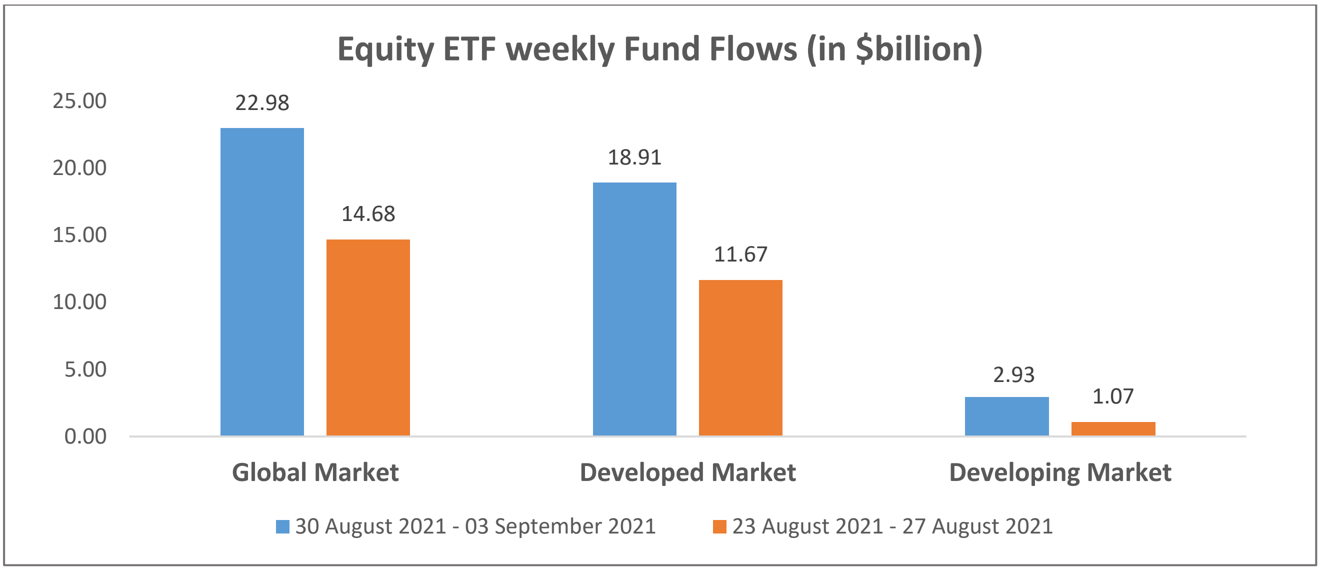
"It is a work from home play," said Harvey. "We just don't think there's a whole lot of opportunity in the short term."

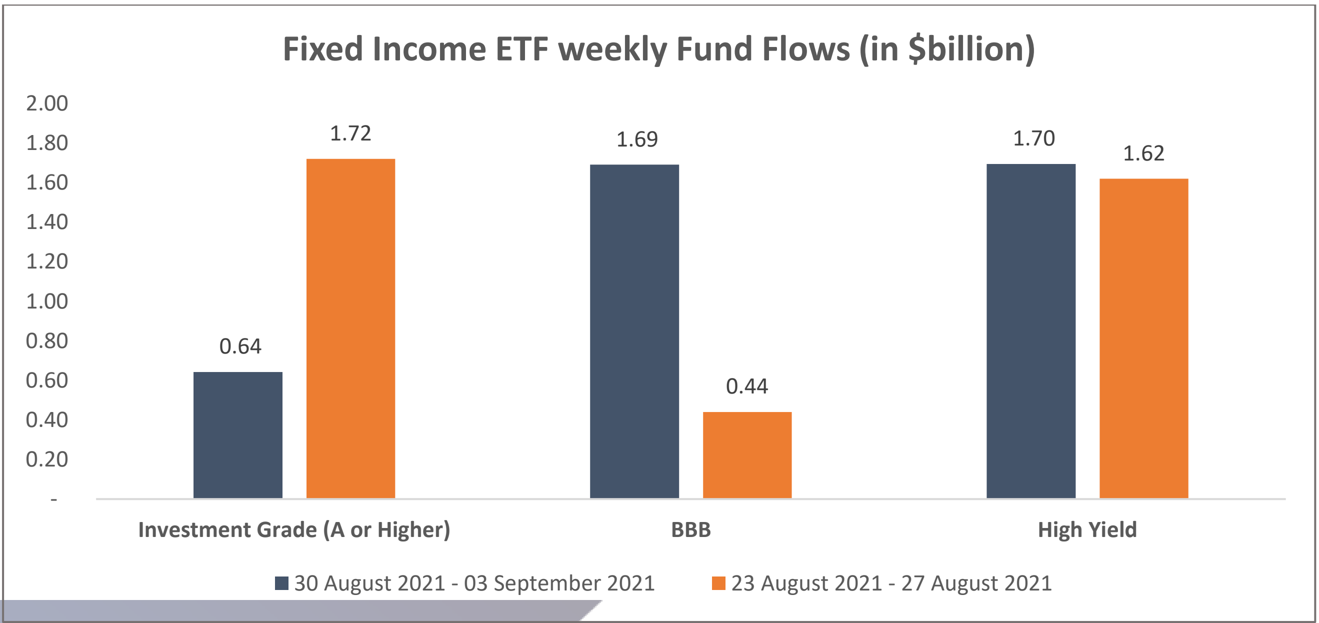
He finds the opposite is true for media and entertainment.

"When we downgraded software, we did upgrade media and entertainment," said Harvey. "If we look at the media and entertainment space, you're seeing better upward revisions, better growth opportunities. But you're only paying a 15% premium."

He boosted his media and entertainment group rating to overweight from neutral and listed it as his top market play.

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 believe risk assets are in the process of making their rally peaks and one can expect a sharp selloff soon. We believe we are very close to the end of the historical post-pandemic rally. We expect a sharp fall in all risk asset-classes incl equities, industrial commodities, EM currencies, crypto currencies, high yield bonds and even private equity and venture capital assets. In other words, we are very close to the end of the boom phase and to the beginning of a deflationary phase in the world economy and the global financial markets.

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