Weekly Report and Outlook on Global Markets

08 Oct 2021

Fall in China's $1.3 trln land sales to test local finances, economy

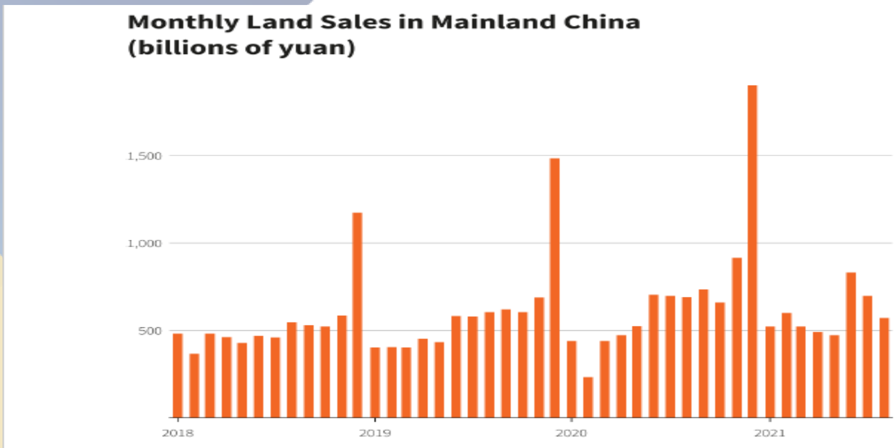

Figure 1:This chart shows monthly land sales in Mainland China

Sagging demand at China's urban land auctions amid a crackdown on borrowing by private developers risks squeezing regional finances, pressuring local governments to scramble for other income sources to fund investments and support the economy. Land sales soared to a record 8.4 trillion yuan ($1.3 trillion) in 2020, the equivalent of Australia's annual gross domestic product, bolstering fiscal budgets in a pandemic year. But tighter regulations on borrowing by private developers since the summer of last year are increasingly eroding demand for land. The value of nationwide land sales abruptly fell 17.5% on year in August, according to Reuters calculations of finance ministry data, the biggest slide since February 2020. To boost incomes, some local governments may be driven to issue more bonds, increasing their debt obligations. They may even hasten plans for a controversial property tax, analysts say.

Food Inflation Heats Up and Energy Crisis May Make It Worse

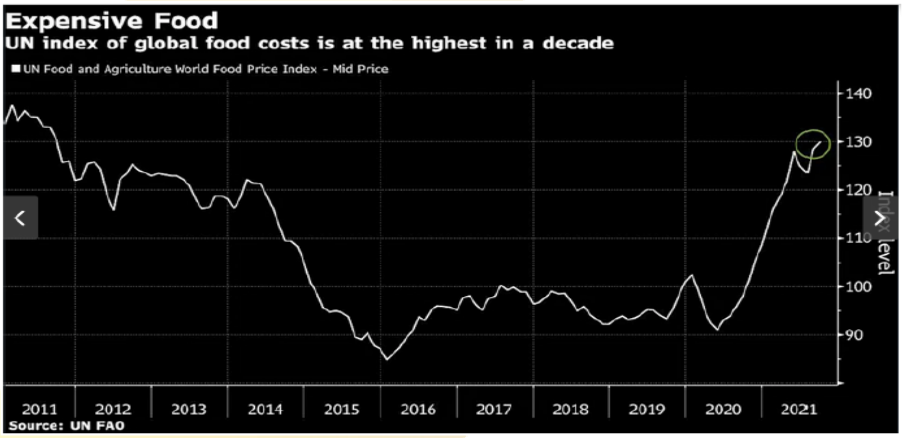

Figure 2: This chart shows global food costs which is at the highest in a decade

Food Inflation Heats Up and Energy Crisis May Make It Worse Harvest setbacks, strong demand and supply chain disruptions have sent a United Nations index of food costs up by a third over the past year. The latest leg up last month came as prices for almost all types of foodstuffs gained, adding to inflationary headaches for consumers and central banks. Soaring energy bills are now adding to the problem, escalating costs of producing fertilizers and transporting goods around the world, and making the run-up more reminiscent of the price spikes seen during food crises in 2008 and 2011. The energy rally could also prompt more crops to be diverted from food to making biofuels. While it'll take time for the latest increase in agricultural markets to filter through to grocery stores, consumers around the world have already been hit by higher prices, spurring governments to look for solutions to keep costs in check. Plus, rising freight costs and worker shortages along the supply chain have left supermarket shelves in countries like the U.K. short of items.

MAJOR MOVES THIS WEEK

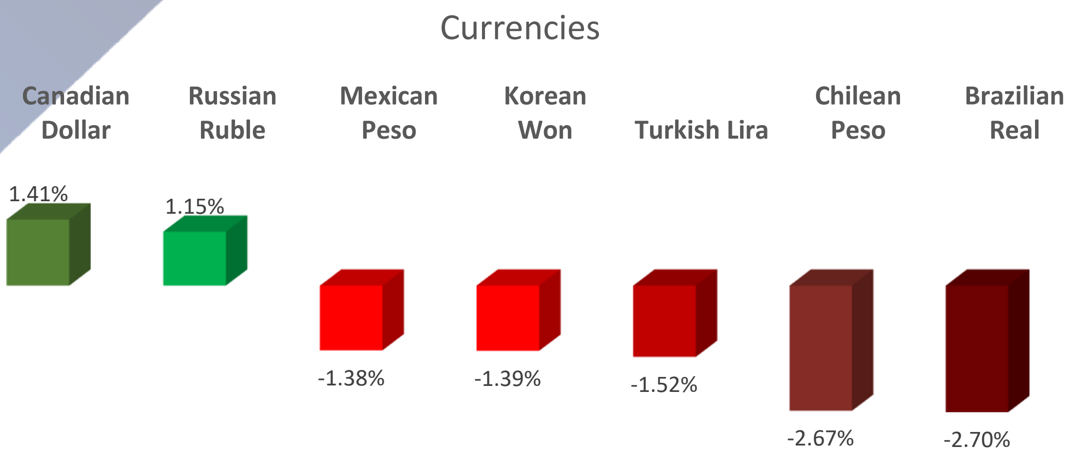

Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen depreciation in broader currency markets against Greenback. EURO weakened against the greenback this week, while Pound and Canadian dollar strengthened. Emerging markets under performed against dollar this week. Overall, this week marked strength in dollar.

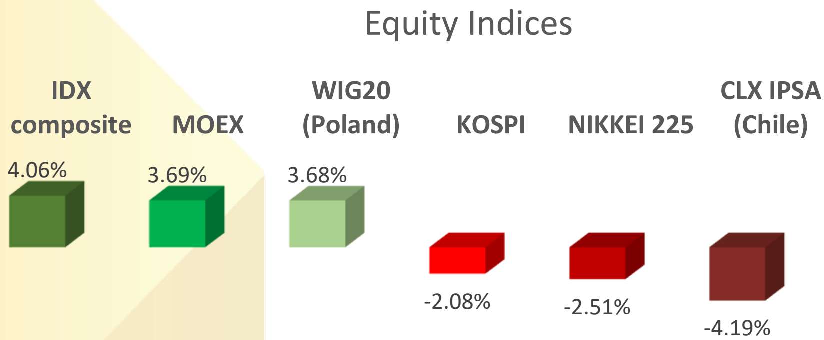

Figure 6: The chart represents the Equity Index returns over this week.

This week is marked by gains in global equities. While it was one of the best weeks for global equities, Japan and Korean equities have seen sharp correction this week. The week has been positive for Nasdaq & S&P 500, and European equity Indices.

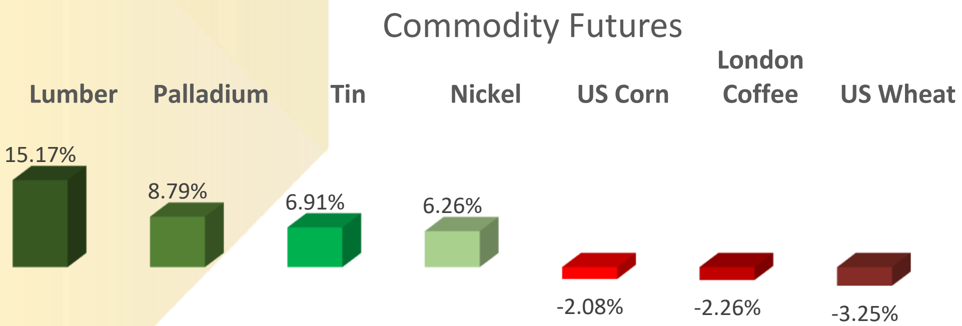

Figure 7: The chart represents the Commodity returns over the week.

Commodity also given positive move this week, industrial metals gained, while agricultural commodities have shown a mixed performance. We have seen stable performance in precious metal, Gold has shown marginal down move, and Silver performed positively this week. while Crude has extended gains this week continuing with the trend of past seven weeks.

GLOBAL FUND MANAGERS' STATEMENTS

Andrew McCaffery (Global Chief investment officer, Fidelity's) : "There are companies that have seen good haircuts on their debt that are not justified,". "Lots are starting to present opportunity right now," he said, describing the selloff as "indiscriminate". The firm's China Special Situations portfolio manager Dale Nicholls added he was already dipping back into equity markets, where leading tech and e-commerce giants Tencent and Alibaba (NYSE:BABA) have lost 40% and 50%, respectively, since February.

"I am putting more money to work here" Nicholls said."I think risk-reward (for Chinese stocks) is stacking up quite well here," he explained. "The IT area is probably presenting the most opportunity right now".

Kathryn Kaminski (AlphaSimplex, Portfolio Manager and Chief Research Strategist): "KATHRYN KAMINSKI: Unfortunately, I have to say the big theme that we've seen has to do with how inflation is going to change the markets. And today may be a day of respite, a day where we're sort of seeing a little bit of recovery from what future themes could be, but I think the key theme is that inflation is much more persistent than we had anticipated and then the Fed had anticipated. And you can take today as an example. Oil markets are still up while we're seeing some recovery in equities. So, I think we may see a bounce back, but we're definitely going to have to figure out how this inflation narrative continues before we know where the end is of this turbulence.

Dawn Fitzpatrick (CEO and Chief investment officer of Soros Fund Management): Soros Fund Management, the asset management company founded by billionaire investor and philanthropist George Soros, has revealed that it owns the cryptocurrency bitcoin.

The family office owns "some coins … but not a lot," Dawn Fitzpatrick, CEO and chief investment officer of Soros Fund Management. "I'm not sure bitcoin is only viewed as an inflation hedge here," Fitzpatrick said. "I think it's crossed the chasm to mainstream."Soros Fund Management, which is renowned for making large profits on traditional currency investment

Kevin O'Leary, (Investor, Venture capitalist): O'Leary said that stablecoins pegged to the U.S. dollar or another anchor, fiat currency, could operate in the same way as a central bank digital currency, and all the government needs to do is regulate stablecoin issuers like banks.

"I think that you and I will still be talking about this 20 years from now. I think what's more likely to happen is that they will regulate issuers of stablecoins as banks," he said. "That would be a good outcome. I would be OK with that too. The idea that the Fed itself issues its own stablecoin, I actually don't think they're set up to do that, they don't have the infrastructure yet, doesn't mean they couldn't do it." O'Leary added that innovations in capital markets need to come from the private sector, not the Fed, which is not an entrepreneurial enterprise but rather, a regulator.

"The amount of innovation, and the deals that I see now, all the ideas that are coming out of decentralized finance, I never expect the governments to deliver that. I expect somebody sitting in a basement, dreaming that up," he said. O'Leary's comments come as the Fed is working with crypto experts, including researchers from the Massachusetts Institute of Technology, to release a technical paper on how the Fedcoin might work.

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PACE 360'S FUTURE OUTLOOK

We believe the global equities are wildly overvalued at this point even though some of the markets have come off from their September highs. We see an oversized possibility of a deep correction of 10-12% in global equity indices over the next 6-8 weeks. There could be a bubble burst in Indian equities as well considering they are the one of the most absurdly overextended equities in the global landscape. We are bearish on industrial commodities also from the current levels. We are bullish on US 30 year Treasuries from their current levels. Gold may consolidate in a range for more time but is very likely to break out on the upside over the coming months.

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