Weekly Report and Outlook on Global Markets

15th Oct 2021

Metals Head for Record, Zinc Spikes as Energy Crisis Hits Supply

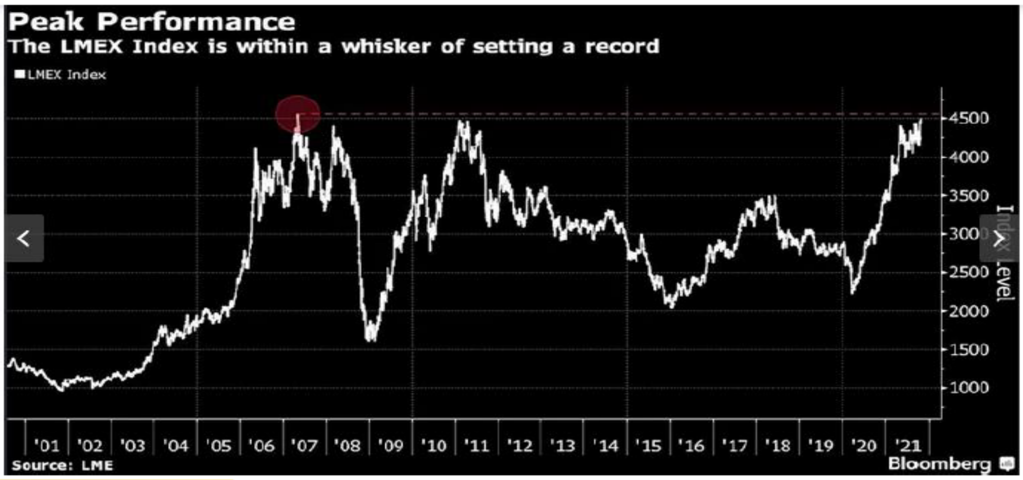


Figure 1:This chart shows performance of LMEX (London Metal Exchange) Index

Base metals surged, led by zinc which spiked to the highest since 2007 after European smelters became the latest casualties in a global energy crisis that's knocking supply offline and heaping pressure on manufacturers. Zinc rose as much as 6.9% on the London Metal Exchange, and a gauge of six industrial metals rapidly closed in on an all-time high. Aluminum, one of the most energy-intensive commodities, is at the highest since 2008. Copper bounced closer to the $10,000-a-ton mark, and spreads are pointing to a sharply tighter market -- spot copper contracts are trading at the biggest premium over futures in nearly a decade as global inventories shrink.

Over $1 Billion of Mutual Fund Inflows Is Flooding Into India's Market Monthly

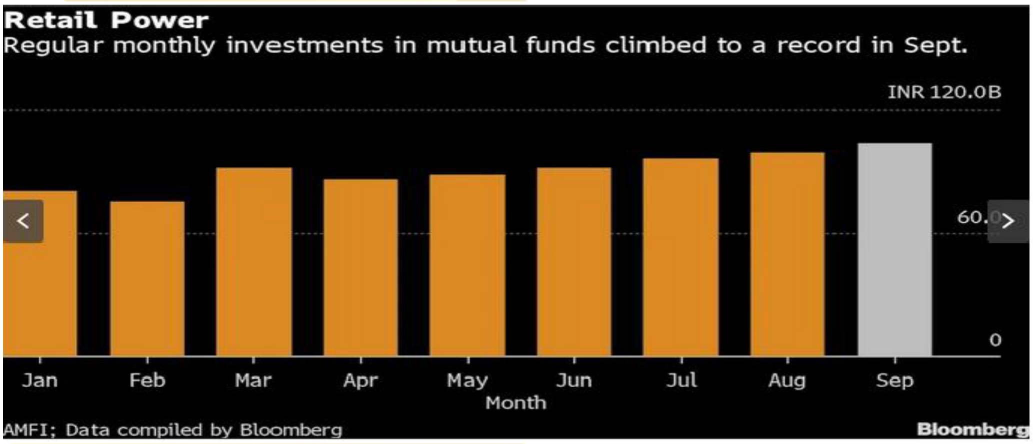


Figure 2: This chart monthly investments in mutual funds

The record run in India's equity market is finding strong support from retail mutual fund investors, who are pumping more than a billion dollars a month into stock plans. Inflows into mutual funds from regular contributions through systematic investment plans, or SIPs, hit an all-time high of 103.5 billion rupees ($1.4 billion) in September. Asset managers collected 82.8 billion rupees in 13 new funds launched in September as rising stocks boost the appeal of equity investments for individuals versus low-yielding bank deposits. An unprecedented 2.7 million new accounts were registered in September. The record-high participation via SIPs underscores a structural trend of savings shifting to equities. The surge in these flows, along with strong local institutional buying, is helping in mitigating volatility from foreign outflows.

MAJOR MOVES THIS WEEK

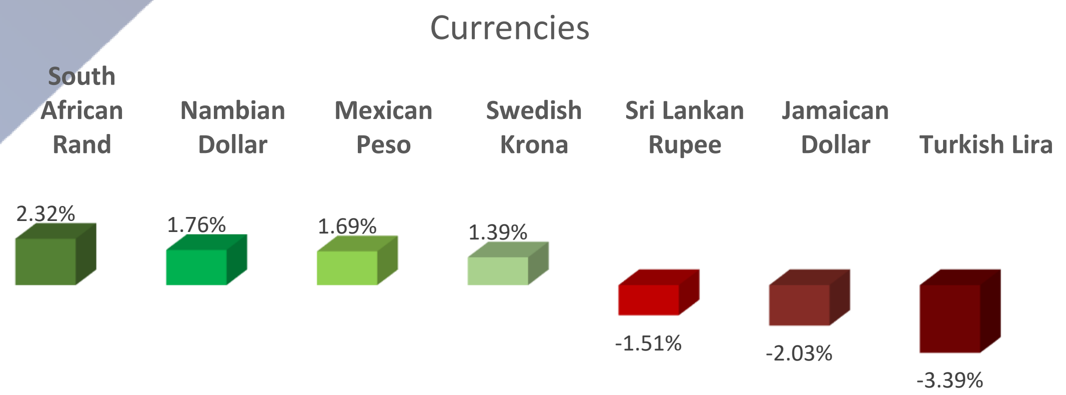


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen appreciation in broader currency markets against Greenback. EURO gained against the dollar, British Pound performed strongly, while Japanese Yen depreciated. Emerging markets were mixed performer, the gains were led by commodity exporting nations. Overall, it was stable week for Dollar.

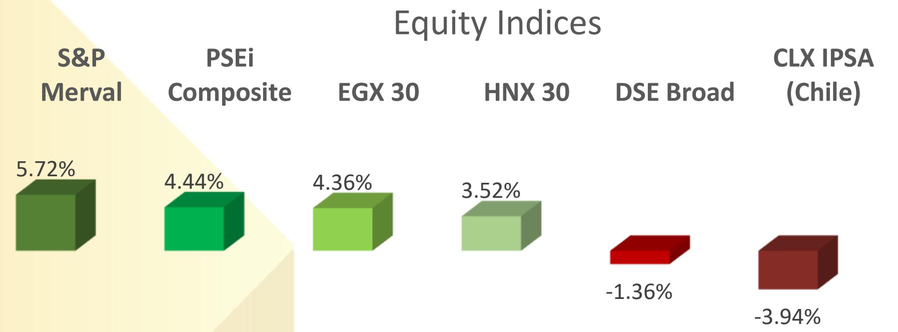


Figure 6: The chart represents the Equity Index returns over this week.

Reversing the past trend this week has seen gains in global equities. Emerging Markets equities have seen gains led by Asian Equities. Dow & S&P 500 gained strength this week and closed in the green with good gains.

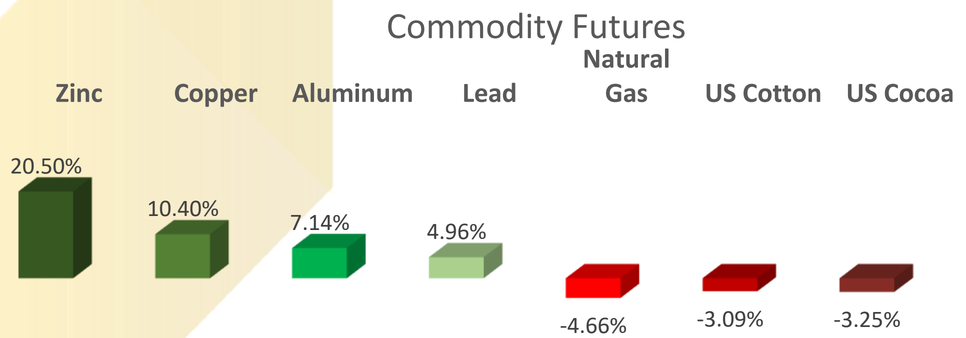


Figure 7: The chart represents the Commodity returns over the week.

Commodity also performed positively this week led by industrial metals. We have seen gains in industrial metals mainly in Zinc, Copper and Aluminium. Crude extended gains this week, while Natural gas weakened. Precious metals gained in the week, Silver has outperformed Gold this week. We have seen weakness in agricultural commodities.

Barry Sternlicht (**Chairman and CEO of Starwood Capital Group):** He continues to hold a cautious view on investing in China. "We're not investors directly in China,". "It's not a China thing, so much as countries where we think the deck is stacked or we can't underwrite the political risk of the investment. It's just, why bother?"

Sternlicht's comments Wednesday follow Beijing's recent regulatory crackdown on all manner of industries, including technology and private education firms. The developments thrust back into the spotlight concerns many overseas investors have had about operating in China, where the communist government can be unpredictable in exerting its far-reaching power over businesses. "It would strategically be a nightmare for the United States," Sternlicht said. "Semiconductors will be more important than oil for this country," he added. "Forget reserves. We need a semiconductor reserve because your washing machine will stop working. It's a serious issue."

"That is, really, the risk to the equity market because we will most likely start with a sanction, global sanctions against China. They think in 100-year intervals. We have investors that buy companies for weeks, not even months, so they will wait us out," he added. ... They have a huge competitive advantage."

Bob Prince (Co-chief investment officer at Bridgewater Associates): Bridgewater Associates is warning investors that inflation will not be transitory and central banks worldwide will be powerless to contain price surges without hurting the economy.

"We're in this situation where you still have this inertia from demand, it is pushing up against constrained supply and that has pushed inflation up,". "And while the consensus is that that will be very transitory and bounce right back, we don't think so, because there is plenty of inertia from that spending to continue and it's just not going to be that easy to resolve these supply constraints, particularly as Covid remains an issue." "It starts to look a bit like the 70s and the oil shocks," Prince added. "Raising interest rates isn't going to increase oil supply. "According to Prince, central banks are powerless in the face of more permanent inflation pressures because the only solution would be to raise rates significantly, which hurts the economic recovery.

"If there is inflation, the Fed is in a box because the tightening won't really do much to reduce inflation unless they do a lot of it, because it is supply driven. And if they do a lot of it, it drives financial markets down, which they probably don't want to do," Prince said. "Deciding between the lesser of two evils, what do you choose? I think most likely you choose inflation because you can't do much about it anyway. "This problem is already being considered by the Bank of England, which could raise rates as soon as this year in an attempt to control inflation.

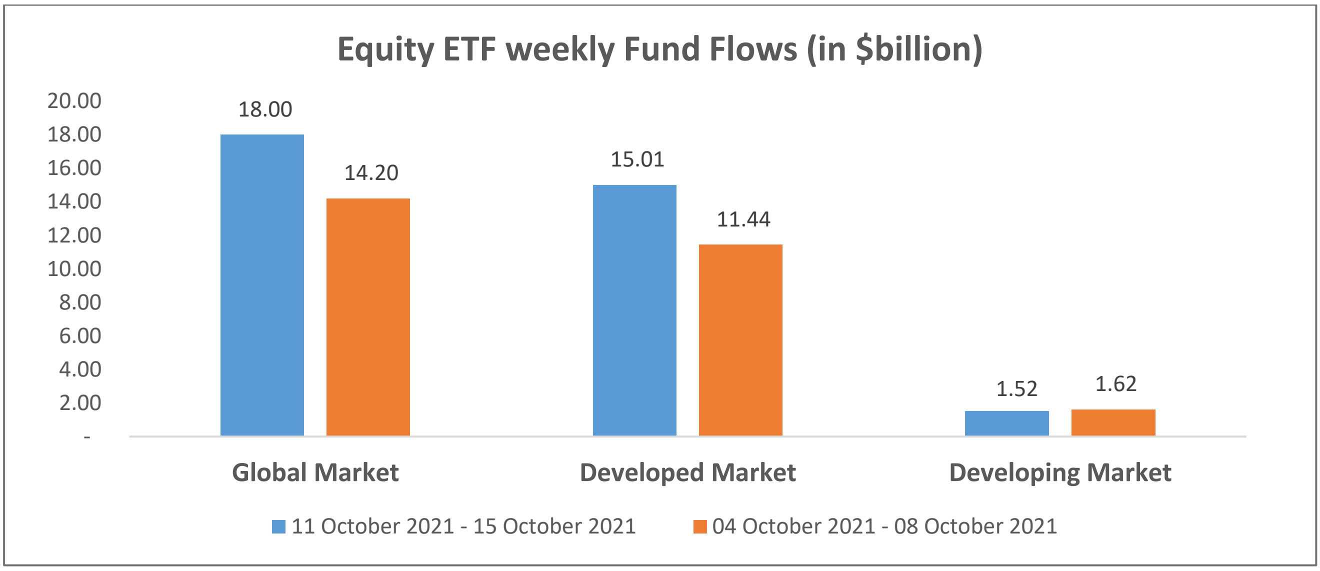
Jamie Dimon (JPMorgan Chase chairman and CEO): "I personally think that bitcoin is worthless," But, "I don't want to be a spokesperson — I don't care. It makes no difference to me," he said. "Our clients are adults. They disagree. That's what makes markets. So, if they want to have access to buy yourself bitcoin, we can't custody it but we can give them legitimate, as clean as possible, access."

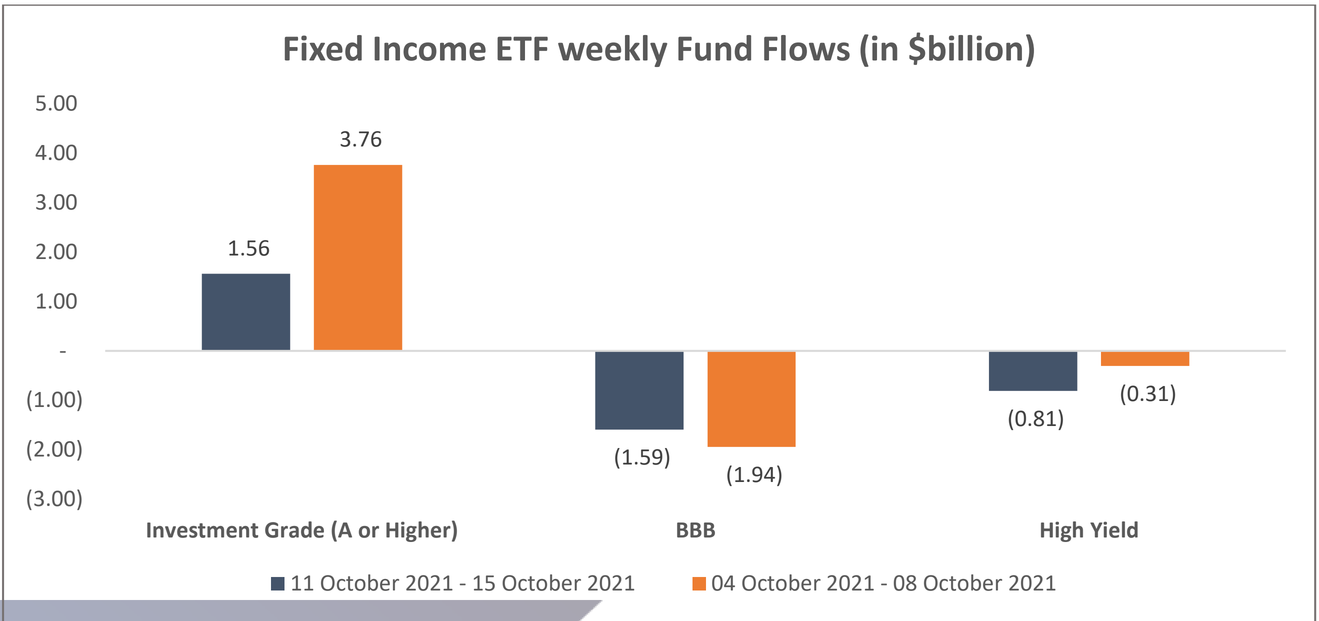
Gregory Peters (Co-chief investment officer, PGIM): "I'm not convinced that the Fed has any control around these issues," referring to higher consumer prices sparked by the pandemic disrupting global supply chains. "Pundits are talking about the Fed needs to prick the bubble, they need to raise rates. To do what, exactly? To fix the supply chain issues. Do you really want to crush the labor market? Do you want to see wages actually decline or rise less?". He added: "I do believe the issues of inflation are largely outside the Fed's control. For that reason, the central bank won't be "quick with the trigger" on any interest rate increase, Peters said. "They are focused on sustainability of growth.

David Solomon (Chief Executive Officer ,Goldman Sachs Group Inc.): Goldman Sachs Group Inc. Chief Executive Officer David Solomon said that inflation, particularly in wages, remains top of mind among corporate leaders and shareholders.

"Inflation is a topic that is front and center with every investor that I talk to -- and certainly with every CEO that's running a business of any size or any scope," Solomon said Friday in an interview with Bloomberg Television. "There is definitely inflation -- we haven't seen it in a while, and the question is what choices do we make from here.

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 that global equities may have bottomed out for the near term. Issues around stagflation and China crackdown on business have largely played out in the markets and may not cause much concern going forward. We believe equities may remain sideways with a bullish bias for the next 2-3 weeks. Post that a sizeable correction may materialise on economic growth and corporate profitability concerns. We remain long term bearish on global equities beyond this short term up move.

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