



PACE 360

Weekly Report and Outlook on Global Markets

12th Nov 2021

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MARKET DEVELOPMENTS

Fed's 'transitory' inflation plot thickens again with rate at 30-year high

Alternate inflation measures

Trimmed mean and median price indexes try to limit the influence of larger or smaller, outlying price increases. Those measures are also rising in an indication of broader price pressures.

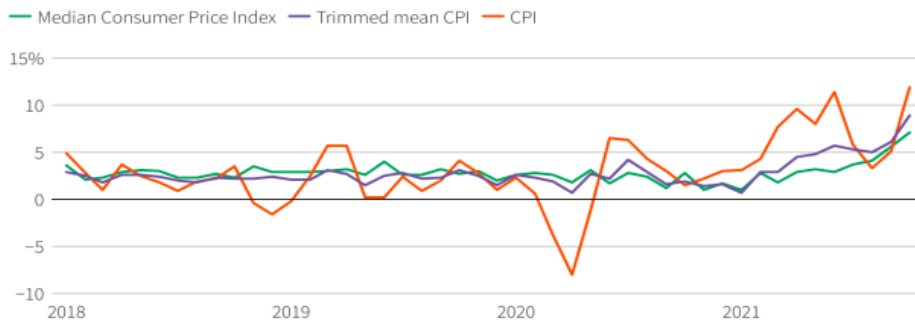


Figure 1: This chart shows rise in Trimmed mean CPI, Median CPI and CPI

Yields on two-year Treasury notes, a proxy for the outlook for the overnight interest rate set by the Fed, jumped 6 basis points, the most in three weeks and among the largest daily increases in the last year and a half, to 0.485% on Wednesday after the release of data showing consumer prices rose by 6.2% in October versus the year before. That was the largest one-year jump in prices in 30 years and applied across staples like food, energy and rent, as well as to items like automobiles where the Fed has expected the pace of price increases to ease alongside pandemic-driven "bottlenecks" in global supply chains. Both a Cleveland Fed "trimmed mean" index of consumer prices and one that tracks the median level of price increases surged in a sign that price pressures were rising across a more extensive set of goods and services.

Asian stock valuations decline to near 1-1/2 year low

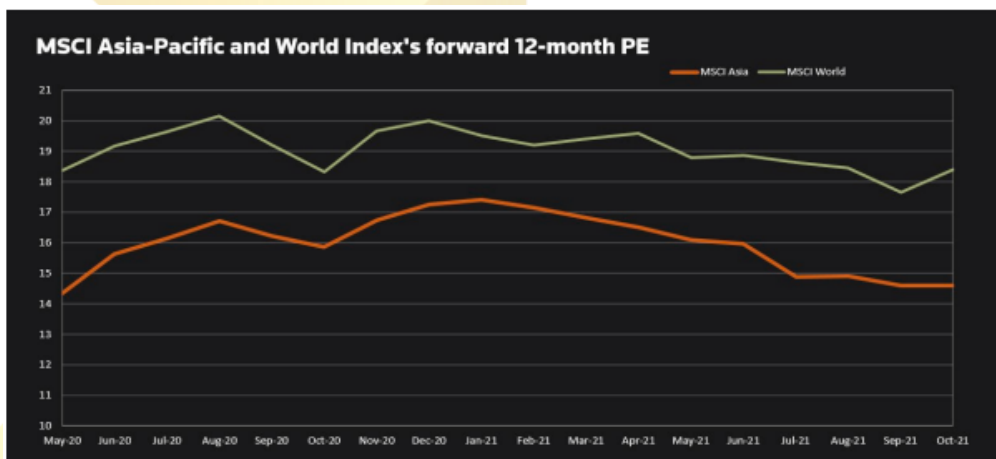


Figure 2: This chart shows forward 12-month PE of MSCI Asia-Pacific and World Index.

The valuations of Asian equities dropped to a 17-month low at the end of October on concerns over China's weakening economy. The forward 12-month price-to earnings ratio (P/E) for the MSCI Asia-Pacific index dropped to 14.59 at the end of October, the lowest since May 2020. The MSCI Asia Pacific index has shed 0.6% this year, compared with the MSCI United States index's gain of 24.5% and MSCI World index's 17.4%. Asia underperformed U.S. equities yet again as local factors weighed despite major central banks reinforcing the message that policy normalization will be slow and gradual.

MAJOR MOVES THIS WEEK

Currencies

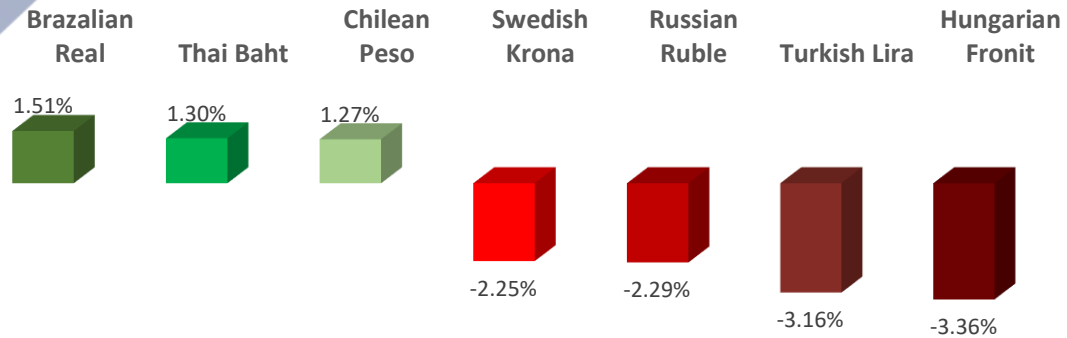


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen depreciation in broader currency markets against Greenback. Yen, EURO and British Pound weakened against Dollar this week. Emerging markets currencies appreciated against dollar this week led by also gain in emerging equities. Overall, it was a strong week for Dollar.

Equity Indices

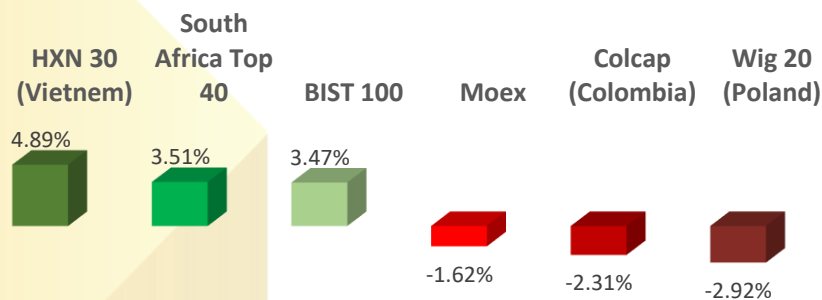


Figure 4: The chart represents the Equity Index returns over this week.

Continuing with the past week performance this week we have seen strength in global equities. Led by gains in Chinese and other Asian Equities. Broader Emerging Markets equities have performed strongly. Nasdaq & S&P 500 have shown weakness in the first half of the week and closed lower during the week after performing in the second half.

Commodity Futures

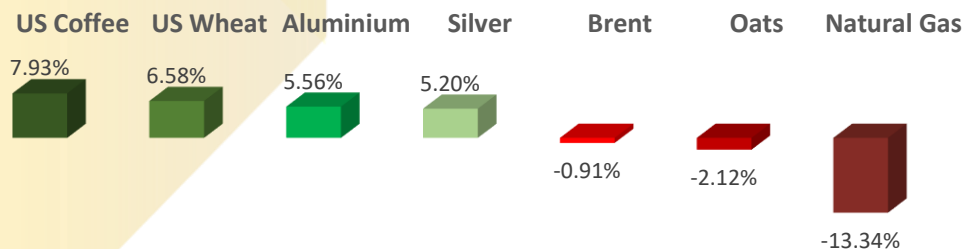


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown strength this week. We have seen gains in industrial metals mainly in Aluminium & Nickel this week. Crude corrected, while Natural gas fell sharply this week. Precious metals gained strength led by gains in silver and gold, other precious metals also strengthened during the week. We have seen strength in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Tony Dwyer (Chief market strategist, Canaccord Genuity): Extreme optimism and strong historical trends should offset overbought conditions in the market. "The market hasn't been that selective, frankly. It's been the mega cap growth theme as well as the cyclical," the long-term bull said.

In his monthly strategy picture book out Monday, Dwyer made a case for a 3% to 5% gain between now and the end of December based on the typical trend. "We believe the year-end opportunity still exists based on history of strong years through October, the improved tactical backdrop, and our core fundamental thesis — but, we would be patient buyers," wrote Dwyer. He contends the market backdrop is very different than his "summer of indigestion" forecast. "The broad market is acting better," said Dwyer.

But potential heartburn may still be around the corner. Dwyer warns the final weeks of the year will get choppy.

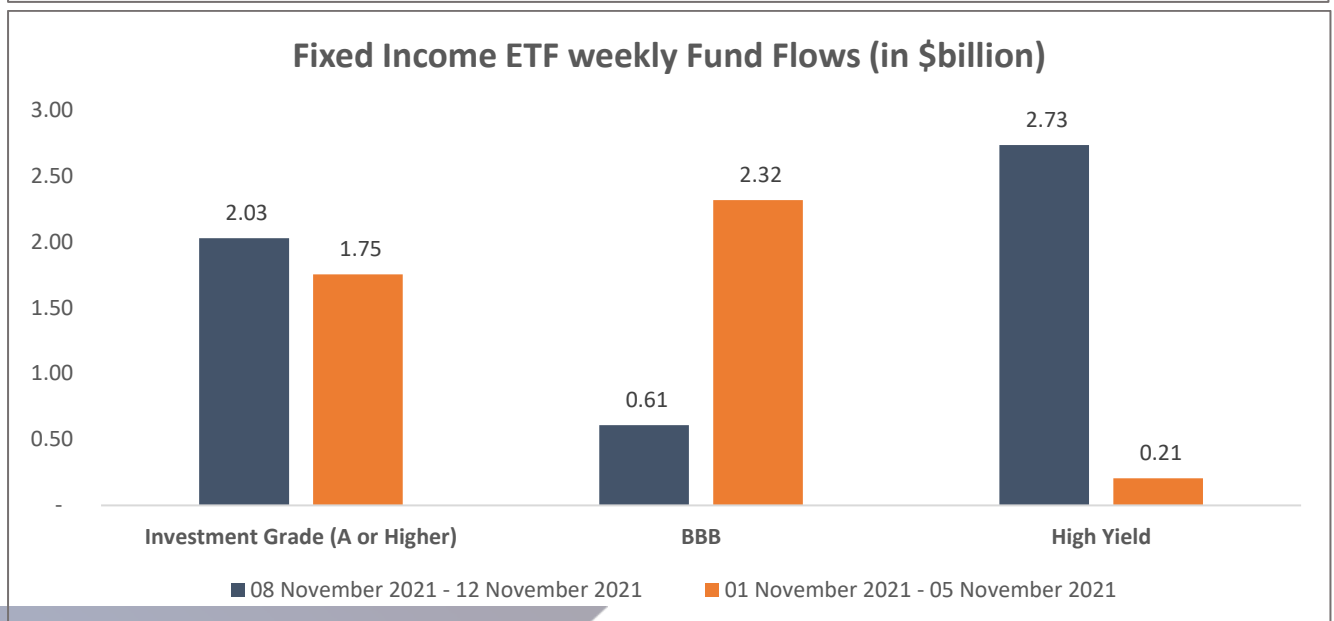
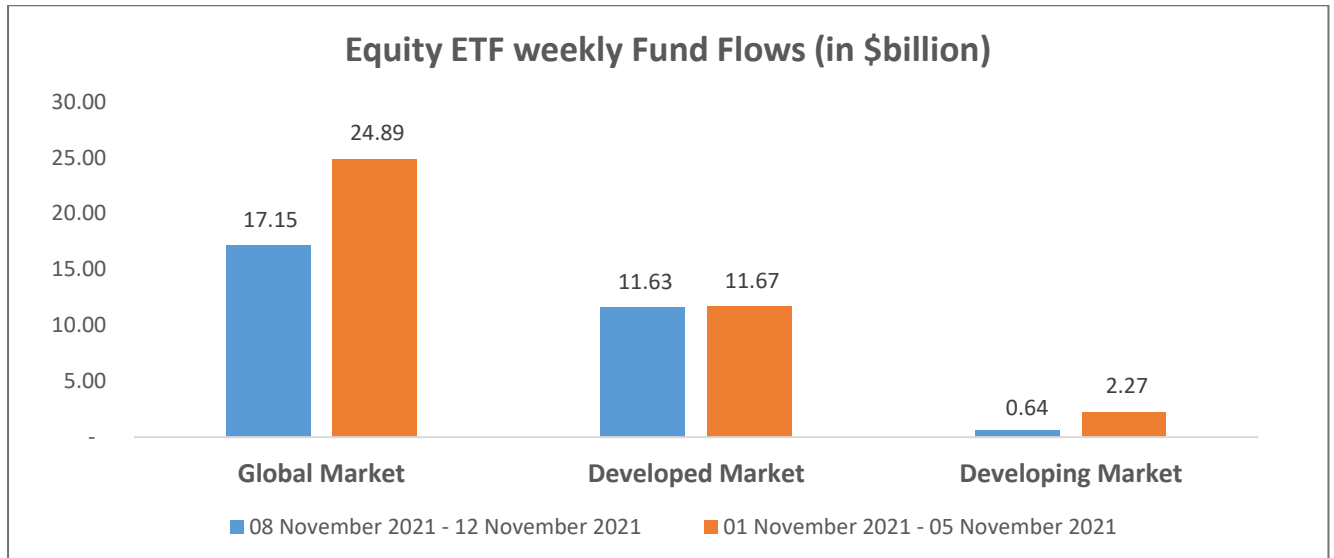
"Broadly, the market should continue higher — a few more percent into year end," he said. "But it's going to be a lot more difficult than the last really 9% in the last five weeks." Dwyer, who upgraded the market to buy on October 4 from neutral, prefers cyclical groups right now. He likes financials, industrials and materials best.

Stan Druckenmiller (Chairman and CEO of Duquesne Family Office LLC) : Druckenmiller has warned that everything is in a bubble, mentioning cryptocurrency, meme stocks, equities, and bonds in particular. "This bubble is in everything, every asset on the planet,". The current bubble is not a narrow one like the dot-com bubble, Druckenmiller emphasized. "Everybody tries to compare this with '99. That was a bubble in technology and, in some sense, a well-deserved bubble because the market figured out 20 years ahead of time the networking effect and that companies could come out of nowhere and have 2 billion customers. But it was a very, very narrow bubble." "I don't know what value means. I'm sure there's value out there but I'm unable to see what it is, it's really not my methodology."

Ray Dalio (Founder of Bridgewater Associates): Ray Dalio sounded the alarm bell on Thursday after inflation in the U.S. surged to the highest level since 1990 and warned his followers that rising portfolio values don't actually signify increasing wealth. "Some people make the mistake of thinking that they are getting richer because they are seeing their assets go up in price without seeing how their buying power is being eroded,". "When a lot of money and credit are created, they go down in value, so having more money won't necessarily give one more wealth or buying power," Dalio wrote, adding that real wealth becomes a function of production capacity over time. "Printing money and giving it away won't make us wealthier if the money isn't directed to raise productivity.

Mark Mobius (Founder of Mobius Capital Partners LLP) : Mark Mobius has allocated almost half of his emerging-markets fund to India and Taiwan to help offset a slide in China shares that has dragged down returns from developing nations as a whole. "India is on a 50-year rally," even if there are short bouts of bear markets. "India is maybe where China used to be 10 years ago," he said, adding the government policies of unifying rules across states will help the country in the long run.

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

Global equities had a minor down week while Chinese equities bounced back. We believe global equities are close to their peak and will fall over the next few months even if they remain rangebound in the very short term. We are bearish on industrial commodities. We are bullish on long term US Treasuries from their current levels. We see EM currencies appreciating over the next couple of weeks

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