Weekly Report and Outlook on Global Markets

19th Nov 2021

China to Ease Developer Funding Limits in $152 Billion Market

Figure 1:This chart shows fall in China junk bond yields from record highs

China plans to let property companies resume issuance of asset-backed securities, ending a three-month market freeze as authorities move to insulate higher-rated developers from an industrywide funding crunch. China plans to relax a rule that limits the size of new interbank bond issuance by developers to 85% of their outstanding interbank debt. The relaxation will apply only to high quality issuers, though it couldn't immediately be learned how that label will be defined. Regulators are fine tuning their long-running crackdown on the property sector after a credit crunch at China Evergrande Group and other junk-rated developers began spreading to higher-rated peers, banks and even some tech companies.

Powell's Five Inflation Benchmarks Are Starting to Flash Amber

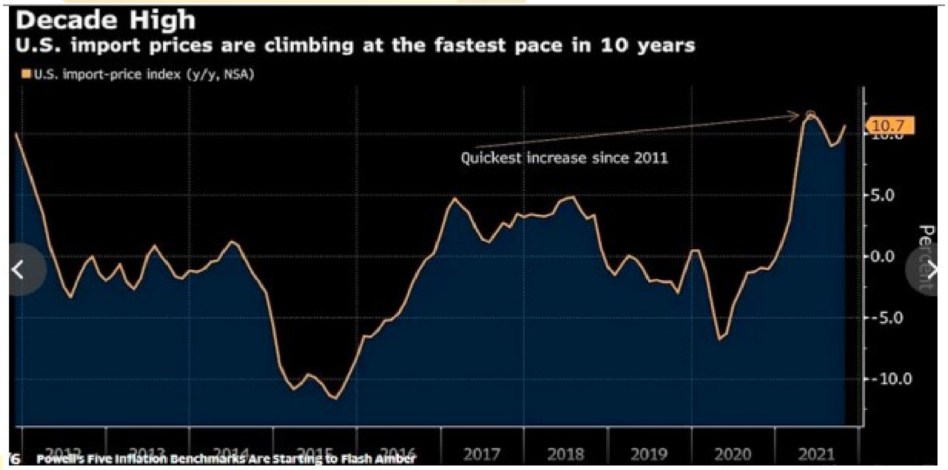


Figure 2: This chart shows U.S. import prices which are climbing at the fastest pace in 10 years

Federal Reserve Chairman Jerome Powell's inflation dashboard is starting to show some signs of overheating. From spreading price increases to rising wages, it's signaling more caution on the inflation front than when Powell unveiled the benchmarks less than three months ago. Powell sketched out five ways of assessing the outlook for inflation and argued that each of them suggested there was no cause for alarm. But a report last week showed consumer prices skyrocketed by 6.2% in October from a year earlier, led by cars, food, gasoline, electricity and fuel oil. The personal consumption expenditures price index, the Fed's favored inflation gauge, rose at a year-on-year rate of 4.4% in September, the most since 1991 and well above the central bank's 2% target.

MAJOR MOVES THIS WEEK

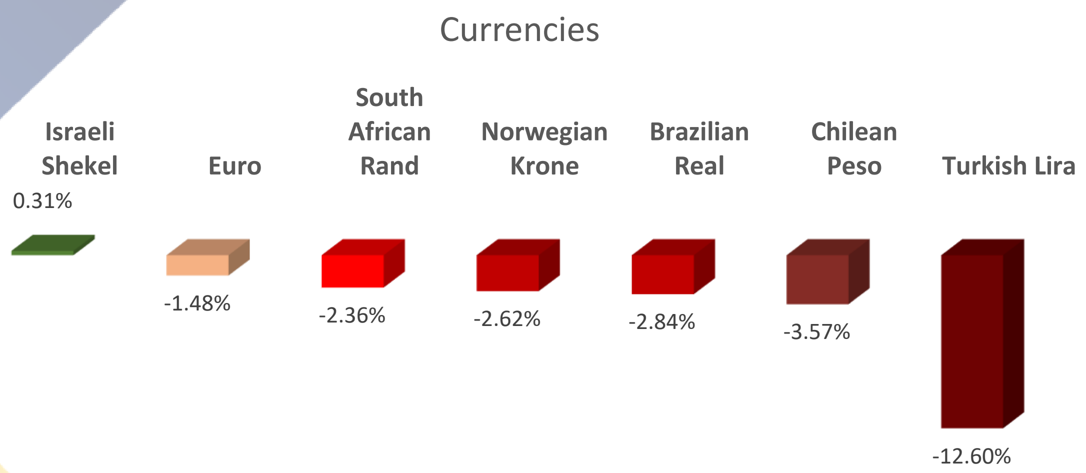


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen depreciation in broader currency markets against Greenback. Euro Depreciated; Yen corrected while British Pound gained some strength against Dollar this week. Emerging markets currencies depreciated this week. Overall, it was a very strong week for the Dollar.

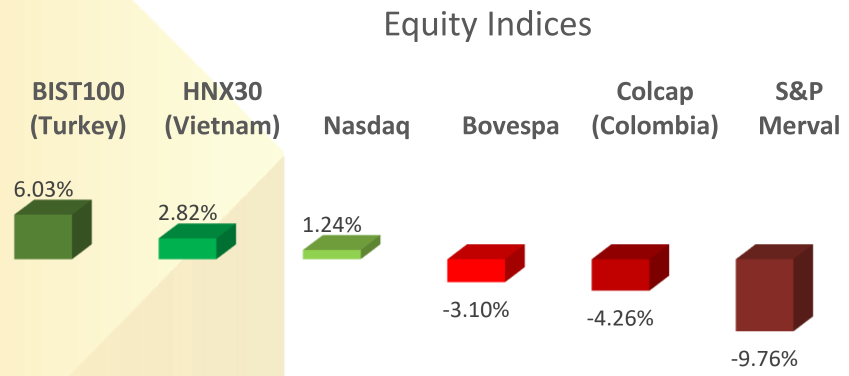


Figure 4: The chart represents the Equity Index returns over this week.

Global equities have given a mixed performance this week. Asian equities led by China have strengthened while Latin American equities declined. Broder Emerging Markets equities have performed mixed. Nasdaq and S&P 500 gained strength this week. European equities have given a mixed performance

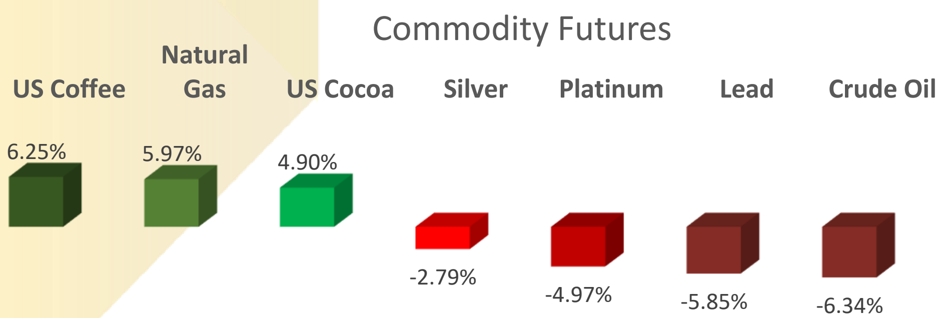


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a weak performance during the week. We have seen correction in industrial metals mainly in Lead, Copper & Zinc this week. Crude corrected sharply, while Natural gas gained during week. Precious metals declined; Silver and Gold corrected sharply after sustaining their levels during the first half of the week. We have seen weakness in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Peter Schiff (Chief economist and global strategist at Euro Pacific Capital): Soaring inflation is going to get worse, creating dire consequences for the U.S. economy, according to him.Higher prices for food, gasoline and most other items helped pushed consumer sentiment to an 11-year low in October."Inflation is going to help push the economy into recession.". "It's a bunch of nonsense what everybody is saying about how inflation is a good problem, and it's just a consequence of our strong economy," he added. "A strong economy doesn't produce inflation. It actually produces the reverse, because a strong economy means that your economy is productive, you're producing more goods and services, and you're growing the supply. We have shortages because we have a weak economy.

But Schiff said the real inflation rate is "well north of 10%" and "as bad, if not worse, than any year in the 1970s." The way the consumer price index is calculated was changed in the 1990s.

Christopher Wood (Global head of equity strategy at Jefferies) : Investors should buy growth and value stocks in order to beat the rising inflation, advised Christopher Wood. Typically, growth stocks are those companies where the rise in sales and earnings is expected to be at a faster clip than the market average over a period of time. Value investing, on the other hand, is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

"GREED & fear maintains the preference for the long-recommended barbell approach (of owning growth and value stocks) because the inflation risks are far from over, though the peaking out of supply chain problems will at some point trigger a narrative to that effect in the markets," Wood said.

Mohamed El-Erian (Chief economic advisor at Allianz): The Federal Reserve is losing credibility over its long-standing view that inflation is transitory. "I've argued that it is really important to reestablish a credible voice on inflation and this has massive institutional, political and social implications." El-Erian contended that the Fed's inflation stance weakened the central bank's forward guidance and undermined President Joe Biden's economic agenda**.** He said that people shouldn't forget that those on low incomes are hardest hit by rising consumer prices.

"So, it is a big issue and I hope that the Fed will catch up with developments on the ground," he added. "We are in this transition of central banks mischaracterizing inflation. The repeated narrative: 'It is transitory, it is transitory, it is transitory.' It is not transitory," El-Erian said, warning the Fed risked making a major policy mistake.

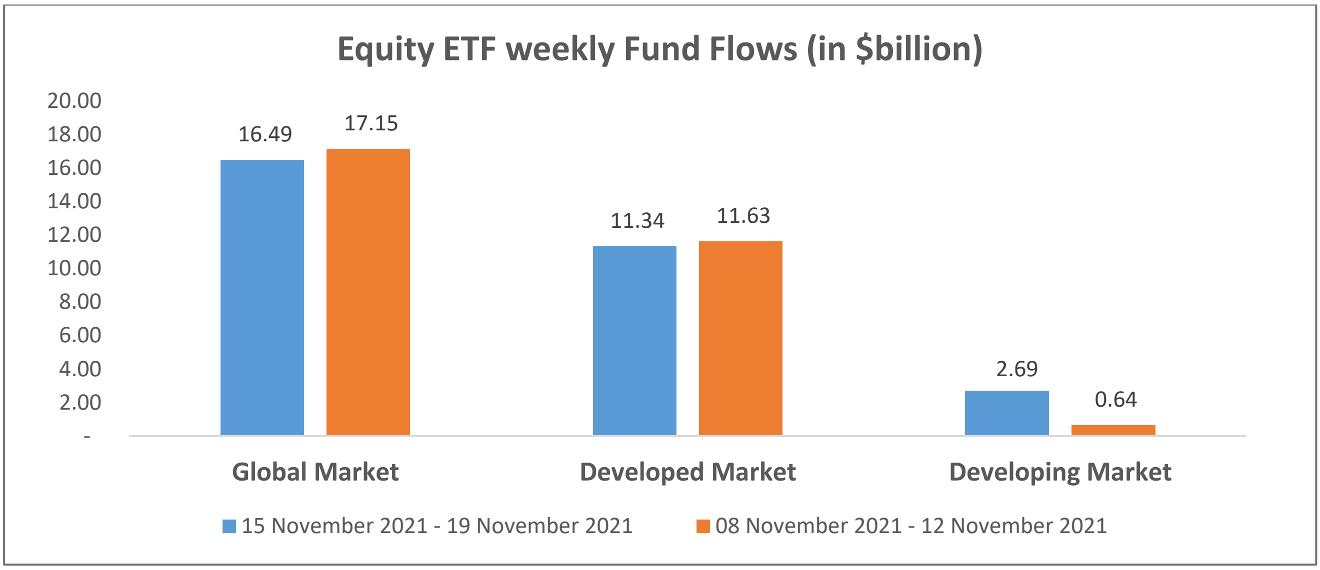
"We have ample evidence that there are behavioral changes going on," El-Erian said. "Companies are charging higher prices [and] there's more to come. Supply disruptions are lasting for a lot longer than anybody anticipated. Consumers are advancing purchases in order to avoid problems down the road — that of course puts pressure on inflation. And then wage behaviors are changing."

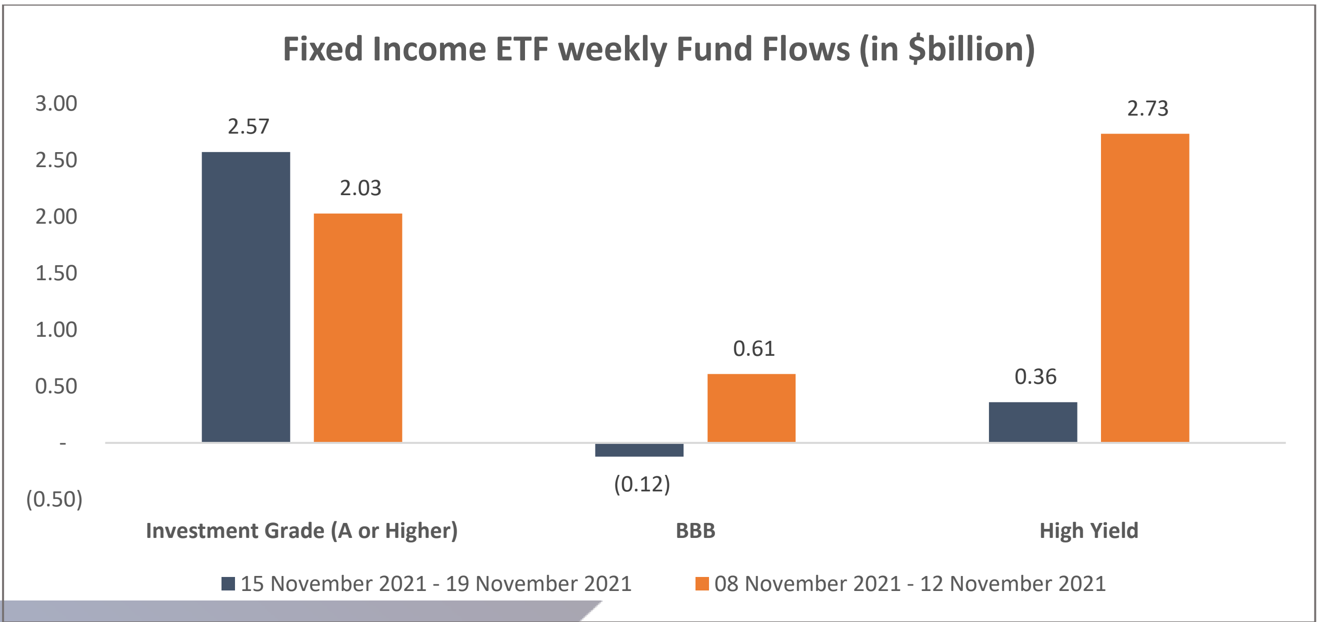
Julian Howard (Investment director of multi-asset solutions at GAM): Interest rates could remain at their record lows "forever," according to one asset manager, despite a recent rush to normalize policy by many of the world's central banks. Howard said the lower rates that we had seen in recent years were, therefore, "actually a return to a very, very long-term trend of yields falling over an extended period of time." He pointed to the economic damage caused by the coronavirus pandemic and climate change, which is set to have a "very, very negative effect on interest rates," he added.

"There's no context in which a central bank will be able to normalize, sort of 1990s style normalize, interest rates when there's going to be absolutely no growth," Howard explained.

Howard expected that the Federal Reserve would probably only start raising interest rates in the second half of 2022.

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

Most of the global equities had a down to sideways week while Nasdaq 100 was propelled upwards by the Fangma plus stocks. We believe US equities, and, by correlation, global equities are close to a historic peak and are getting ready for a powerful bear market. While equities may remain rangebound for the very short term we expect bears to take over within the next few months. We remain bearish on industrial commodities and crypto currencies. We remain bullish on long term US Treasuries and gold for the long term.

CONTACT US

+91-11-4742 1001

info@pace360.in

A-1/291, Safdarjung Enclave, New Delhi – 110029

FOLLOW US ON SOCIAL MEDIA

Facebook.com/PaceThreeSixty

Twitter.com/PaceThreeSixty

Linkedin.com/company/50145027