Weekly Report and Outlook on Global Markets

26th Nov 2021

A $100 Billion Wave of EV IPOs to Hit Market by 2023, BofA Says

Figure 1:This chart shows fundraising by EV, battery companies in 2021

A worldwide push toward electrification is causing a three-year wave of initial public offerings in the electric vehicle space that could raise about $100 billion until the end of 2023, according to Bank of America Corp.Growing investments in the sector, spanning from batteries to charging cars, will see companies spin off units as well as go public. The largest IPO of 2021 stems precisely from that sector; Electric-truckmaker Rivian Automotive Inc. raised $13.7 billion in its U.S. listing earlier this month and has gone on to soar 47% from its offer price.
Electric vehicle makers became investor darlings last year and their stocks have staged impressive rallies amid bets on growing demand for cleaner cars. Industry leader Tesla Inc. has almost doubled in value over the past year and billions have been raised through both IPOs and follow-on share sales.

Argentina Dollar Bonds Slip to 8-Month Low on Wait for Economic Plan

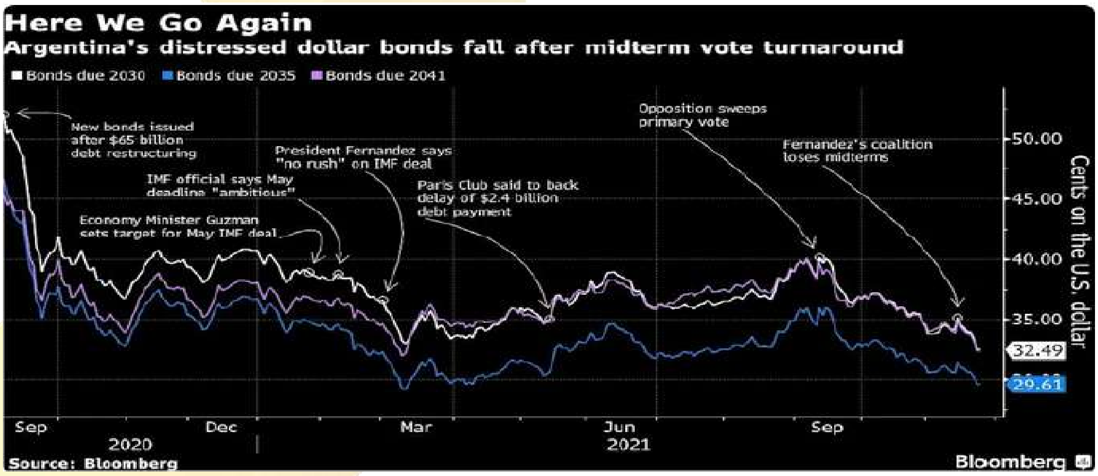


Figure 2: Argentina dollar bond performance since sep 2020

Argentina’s dollar bonds extended declines Wednesday, with its bonds trading at an eight-month low, amid jitters ahead of a key week in which the government is expected to submit a bill with details on its upcoming economic plan.The nation’s $20.5 billion in dollar-denominated bonds due in 2035 fell to as low as 29.3 cents on the dollar, the lowest since March, dropping further below the 30 cent benchmark. The bonds have returned -16% year-to-date, the worst performance in Latin America after El Salvador.
The slide comes just 10 days after investors cheered the outcome of midterm elections, in which President Alberto Fernandez’s leftist coalition lost control of the senate.

MAJOR MOVES THIS WEEK

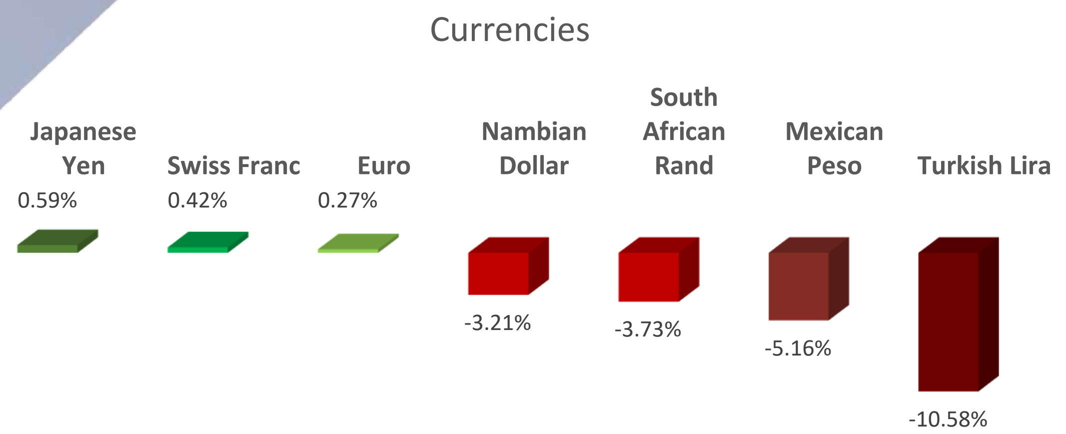


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen appreciation in safe haven currencies against Greenback. Euro and Yen appreciated while British Pound depreciated against Dollar this week. Emerging markets currencies depreciated this week. Overall, this week was weak for the dollar and EM currencies.

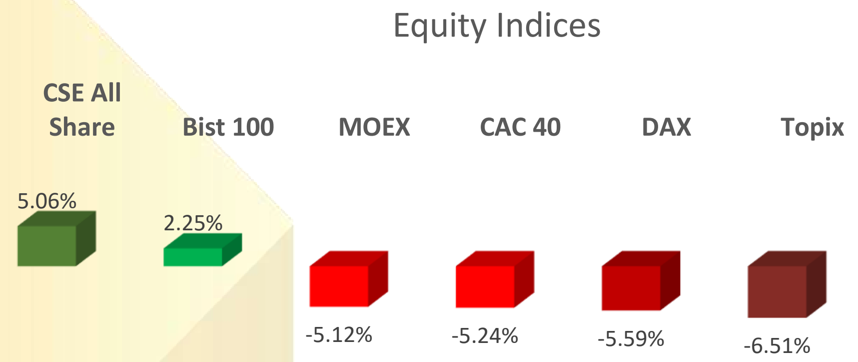


Figure 4: The chart represents the Equity Index returns over this week.

Global equities have given a weak performance this week. European equities, Asian, Latin American equities, Emerging Markets equities all have declined. Nasdaq and S&P 500 declined during the small trading window in the holiday season.

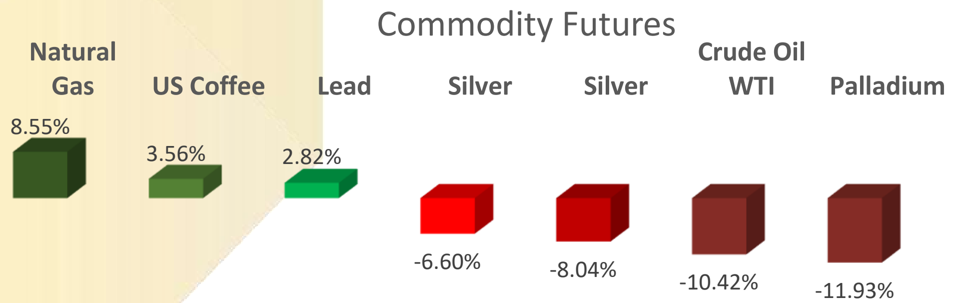


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a weak performance during the week. We have seen correction in industrial metals. 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 mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Sébastien Page (Head of global multi-asset at T. Rowe Price): I can make the statement that at the same time, stocks are both as expensive as they've ever been and as cheap as they've ever been. So how do I get to that statement? If I look at the price-earnings ratio on the S&P 500, it's in the 99th percentile compared to the last 30 years. But if you think stocks are expensive, have you looked at bonds recently? And if you compare the valuation of stocks -- that PE ratio, and you can invert it and look at the yield, which makes an easier comparison -- with bond yields and in particular real rates -- the yield you get on bonds after inflation -- then you get to the conclusion that it's in the bottom 1%. So stocks are as cheap as they've ever been.

So it's a confusing time for asset allocators. We just had a debate between the bulls and the bears in our asset-allocation committee. So as we look into 2022, the bears are arguing that we've borrowed from the recovery. In other words, valuations are a sign of that, and monetary and fiscal policy have been so extreme that one of our committee members said, look, every inch of recovery will get taken away by the Fed's need to taper. And on the fiscal side, we're at the end of the days of sending checks to people. One reason to worry about asset valuations is that it's been liquidity driven.

Jeremy Siegel (Wharton finance professor) : Long-term market bull Jeremy Siegel expects a serious pullback that isn't tied to Covid-19 surge risks.His tipping point: a drastic change in Federal Reserve policy in order to deal with hot inflation.

"If the Fed suddenly gets tougher, I'm not sure that the market is going to be ready for a U-turn that [chair] Jerome Powell may take if we have one more bad inflation report,". Siegel criticizes the Fed for being far behind the curve in terms of taking anti-inflationary action.

"Generally, since the Fed has not made any aggressive move at all, the money is still flowing into the market," Siegel said. "The Fed is still doing quantitative easing."He speculates the moment of truth will happen at the Fed's Dec. 14 to Dec. 15 policy meeting.

If it signals a more aggressive approach to contain rising prices, Siegel warns a correction could strike.

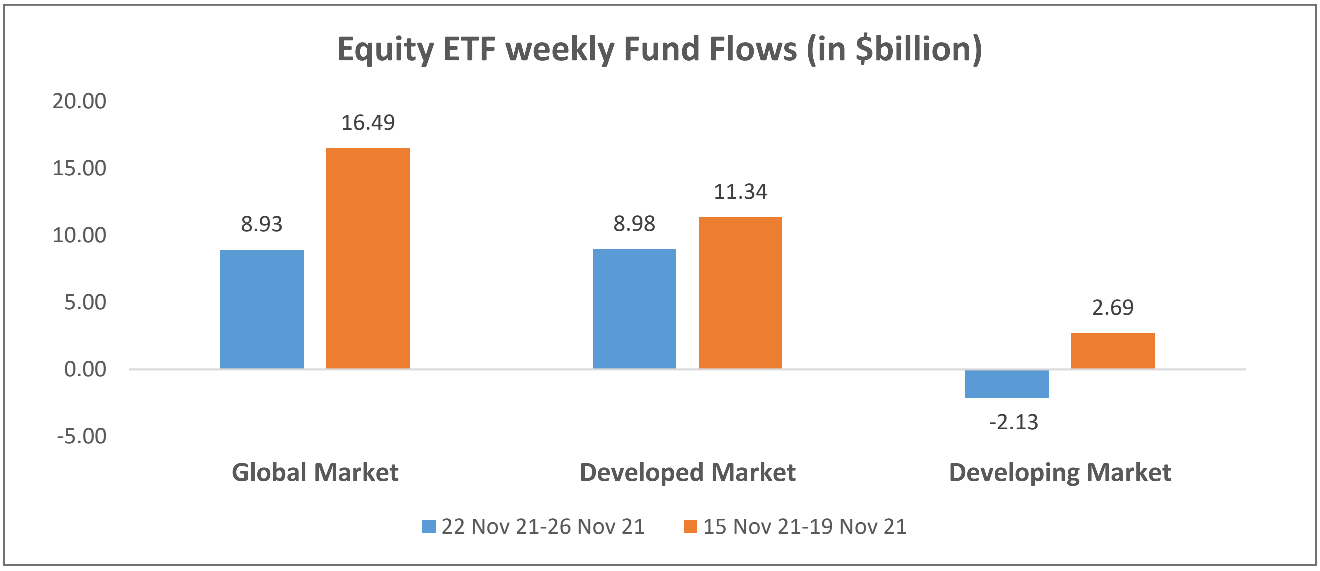
Tariq Dennison (GFM Asset Management's): China's regulatory crackdown on tech could last decades, but that's not likely to deter long-term investors from putting money in them. "If you ask me I'd say, give it at least another 20 or 30 years,". "All this has happened in stages – look how far tech regulation has come in just the past 30 years," the wealth manager said. "These things may look like they happen in steps, but there're many, many steps over a very, very long road." Still, he doesn't expect long-term investors to be deterred by the uncertain regulatory outlook.

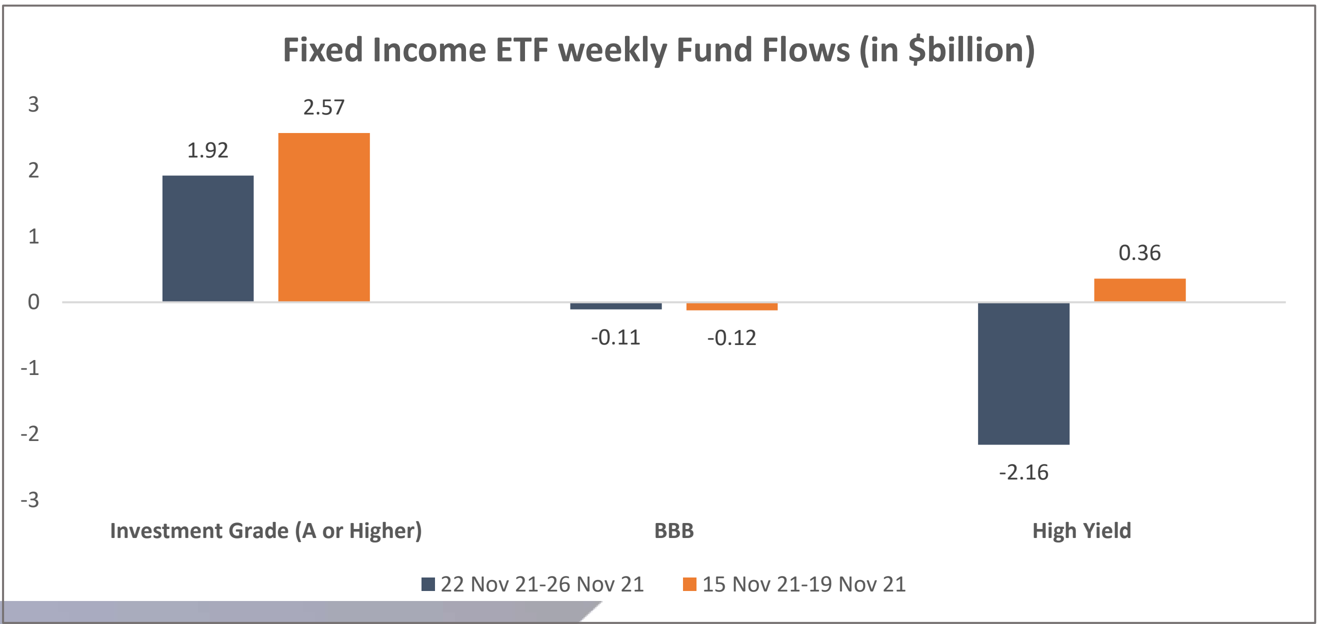
"I would say right now, patient capital is actually buying more and more shares of Baidu, Alibaba, Tencent and JD because they're looking at the long-term prospects," Dennison said. Patient capital generally refers to investments that have a longer time horizon and are less speculative in nature.

"These tech companies are the babies that've been thrown out with the property bathwater, the babies that've been thrown out with the regulatory bathwater," he added.

Belinda Boa(Head of active investments for Asia Pacific, BlackRock): BlackRock Inc. is trimming its investments in Indian equities and becoming more optimistic on China on attractive valuations amid expectations that policy hurdles will ease next year. Valuations are key right now. "Because of the outperformance we've seen in India this year, on a relative basis, we are starting to take profits" and becoming more positive on Chinese growth stocks. After a world-beating rally, sentiment on Indian shares has soured due to broker downgrades and concerns about tightening liquidity, worsened by a poor showing for the nation's biggest initial public offering. By contrast, there is growing belief among investors that Chinese stocks could bounce back as the worst is probably over for Beijing's regulatory scrutiny of private enterprises.

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

While equity markets were looking toppish post last Monday, the news on the South African Covid variant took the bottom out of the market on Friday. We expect equity markets to remain volatile as we find out more about the variant and the effectiveness of vaccines against it. We do expect a powerful bear market to unfold irrespective of the news on Covid. However, the alternate bouts of pessimism and euphoria will provide some spectacular trading opportunities in an evolving bear market.

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