



PACE 360

Weekly Report and Outlook on Global Markets

29th Oct 2021

Market Developments	2
Major Moves This Week	3
Global Fund Managers' Statements	4
Global ETF Fund Flows	5
PACE 360's Future Outlook	6

MARKET DEVELOPMENTS

Interest Rates Aren't the Only Weapon in Global Inflation Fight

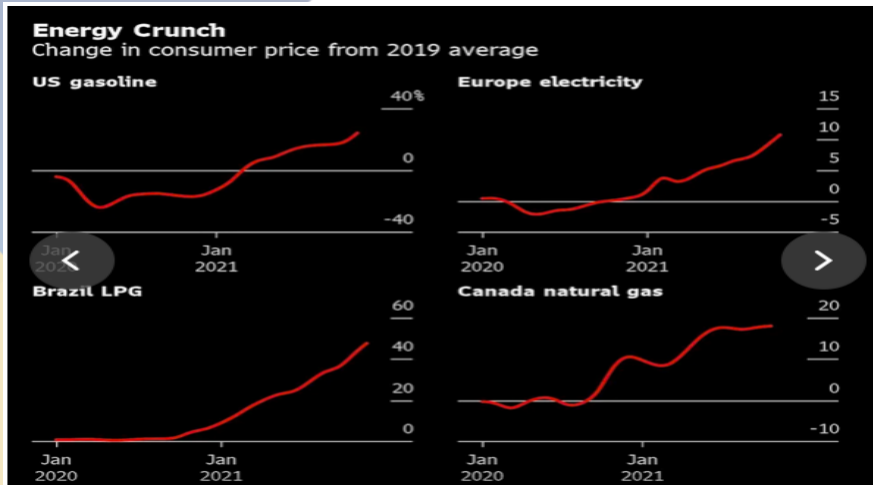


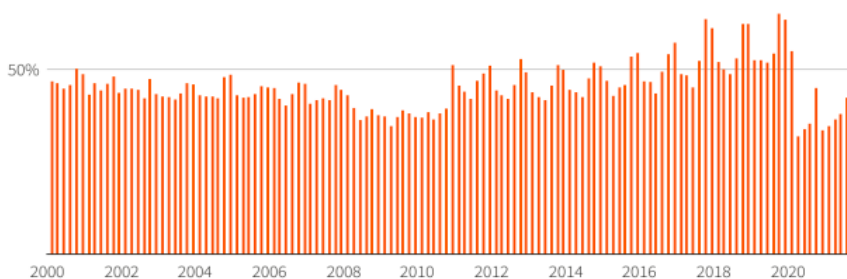
Figure 1: This chart shows consumer price from 2019 average

As the cost of living surges all over the world, governments aren't leaving the job of containing inflation to their central banks. They're responding in other ways too. There's a long history of other policies aimed at tamping down prices. Many of them — along with some new ones — are being wheeled out again now. Two bedrock rules of orthodox economics in recent decades have been that prices should be set on free markets, and that managing inflation is a job for monetary policy. But this year's pandemic price pressures -- following record stimulus by governments and central banks that's propped up demand all over the world -- are clouding the issue.

U.S. consumers gear up to hit the road and foreign destinations

Let's get out of Dodge!

A greater percentage of U.S. consumers said in October that they plan a vacation in the next six months than at any time since the onset of the coronavirus pandemic.



Note: Figures are the percentage of survey respondents saying they plan a vacation in the next six months

Figure 2: This chart shows percentage of U.S. consumers planning a vacation in next six months

U.S. consumers, itching for a change of scene after more than a year-and-a-half of constricted pandemic life, are as eager to travel as at any time since COVID-19 sent the world into rolling waves of lockdowns, and now a record number of Americans plan to get out of the country in the next six months. Nearly 48% of consumers plan a vacation in the next half year. Travel and leisure activities were the hardest hit by coronavirus lockdowns. They began improving notably early this year on the back of COVID-19 vaccinations but tailed off over the summer and early fall as the Delta variant swept through the country, especially regions with the lowest inoculation rates such as the South that are also popular vacation destinations.

MAJOR MOVES THIS WEEK

Currencies

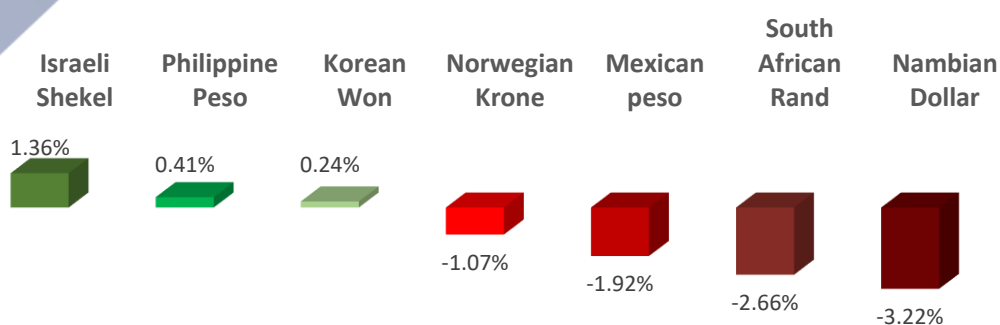


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen depreciation in broader currency markets against the Greenback this week. EURO and British Pound weakened against the dollar, Japanese Yen too depreciated. Emerging markets were mixed performer, commodity exporting nations performed weakly during the week

Equity Indices

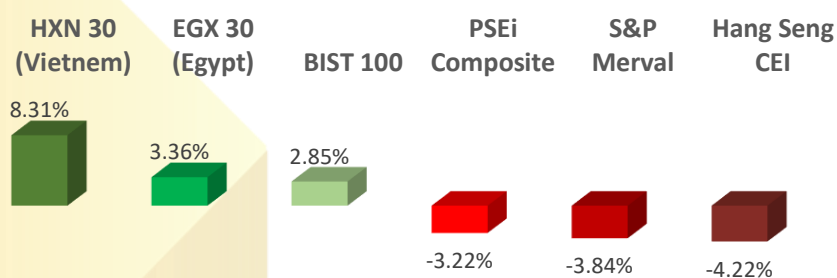


Figure 4: The chart represents the Equity Index returns over this week.

Broader Equity markets have performed mixed during the week. Emerging Markets equities largely corrected and have seen selling pressure. Dow & S&P 500 gained strength this week and closed in the green with good gains, European equities also gained during the week.

Commodity Futures

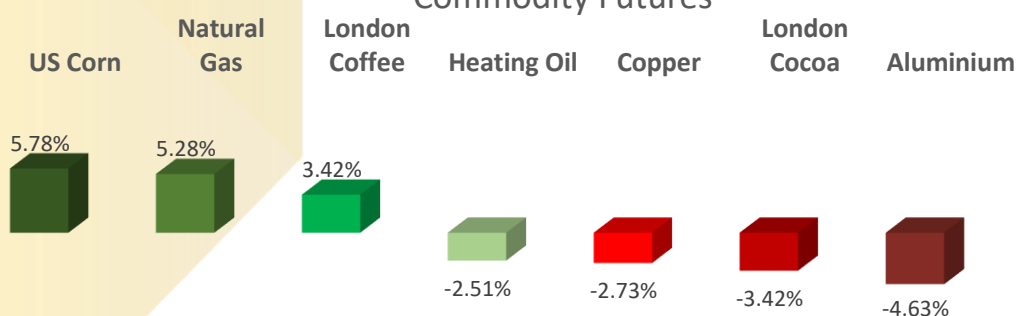


Figure 5: The chart represents the Commodity returns over the week.

Commodities performed mixed this week. We have seen correction in industrial metals led by Copper and Aluminium. Crude corrected this week, while Natural gas extended gains. Precious metals corrected during the week; Gold has outperformed silver this week. We have seen strength in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Ray Dalio (X Co-chief investment officer, Bridgewater Associates): "I would support anything that is going to have the effect of being spent on increasing, creating equal opportunity and greater productivity," Dalio, the founder of hedge fund Bridgewater Associates, said at Saudi Arabia's flagship investment conference. "If it accomplishes those things, I will support it. I'm not sure that it does." The wide-ranging discussion touched on plans drawn up by Democratic lawmakers, with President Joe Biden's support, to tax ultra-high earners. The proposal would set the so-called billionaires' income tax at \$1 billion in assets, or three consecutive years of \$100 million or more in income, which would hit some 700 taxpayers.

David Rosenberg (The president of Rosenberg Research, Economist): David Rosenberg suggests hyperinflation warnings are irrational. The long-time bear, known for his contrarian views, blames rising prices on Covid-19-induced supply side shocks. According to Rosenberg, it's wrong to assume the impact will cripple the economy and feed into runaway inflation. "I'm actually rolling my eyes over the suggestion,". "To say that they're [inflation headwinds] not going to be resolved at some point, I think is actually absolving yourself of being respectful of what history tells you,". Rosenberg may be steering clear of the hyperinflation camp, but he's still worried about the markets and economy. He just sees a different kind of problem facing the U.S. economy: deflation.

Larry Fink (Blackrock CEO & Chairman): Larry sees addressing climate change as a massive potential for new businesses. "It is my belief that the next 1,000 unicorns — companies that have a market valuation over a billion dollars — won't be a search engine, won't be a media company, they'll be businesses developing green hydrogen, green agriculture, green steel and green cement,". Climate change is a business opportunity, Fink said, because addressing it will require that virtually every segment of industry will have to be reinvented. "Getting to net zero carbon emissions by 2050 is going to require a revolution in the production of everything we produce, and a revolution in everything we consume. The process of creating fuel, food and construction materials, with all the needs that we have as humanity, it all has to be reinvented," Fink said. "And that's going to require a large amount of investment, a large amount of ingenuity and a large amount of innovation."

Wade Guenther (Managing Partner, Wilshire Phoenix): Guenther said that rising inflation and the growing threat of stagflation are forcing many investors to reevaluate their need for inflation and safe-haven hedge. For the past five months, the U.S. Consumer Price Index has been above 5%.

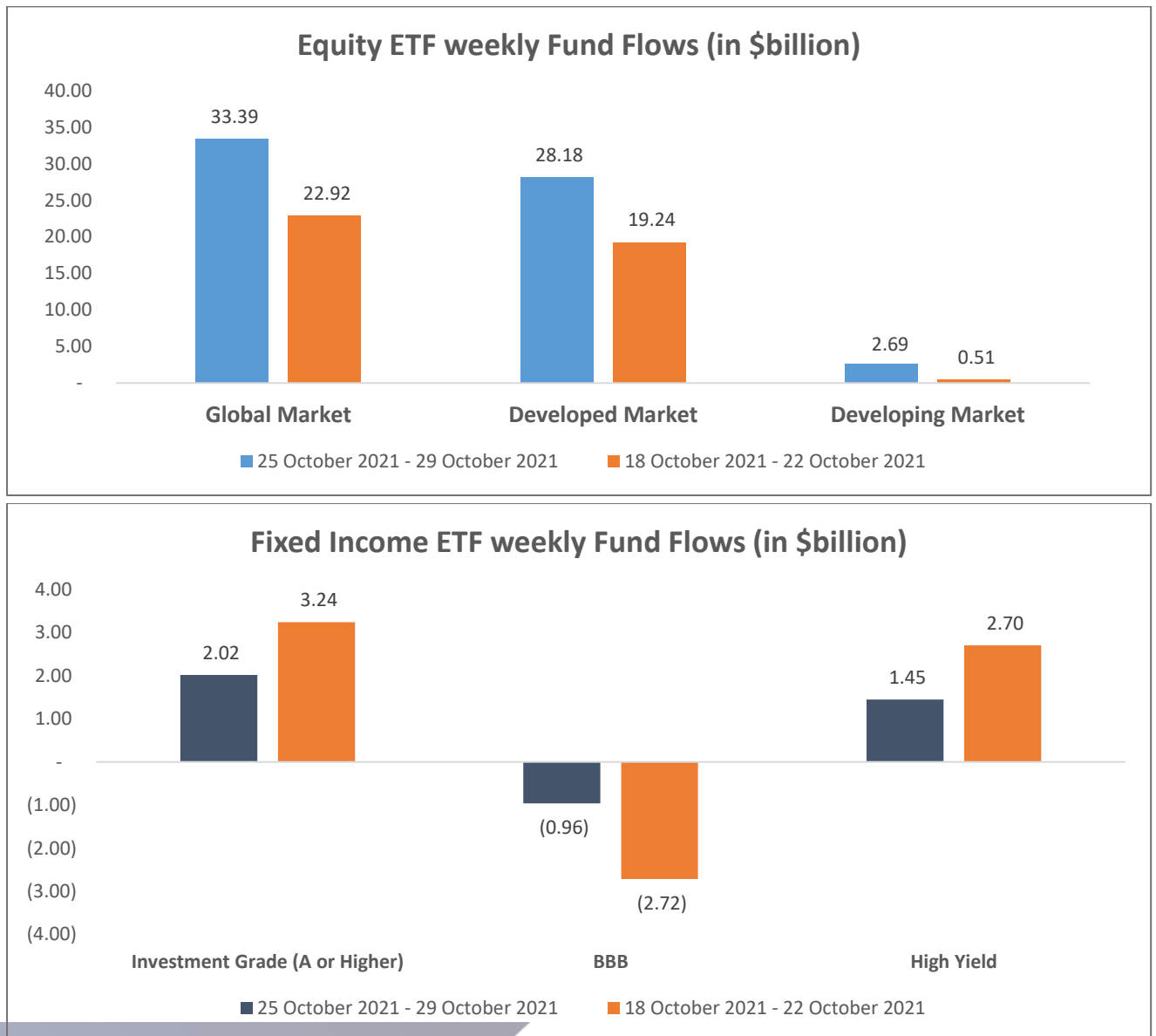
"If you had asked me last year if inflation was consistently over 5%, then we would believe that gold would be at record highs," said Guenther. However, instead of supporting gold prices, the inflation pressures have driven expectations for the Federal Reserve to tighten its monetary policy. Economists are expecting the Federal Reserve to reduce its monthly bond purchases before the end of the year. At the same time, markets are pricing in a rate hike as early as June of 2022.

"It feels like people still have faith in the Fed, but we just don't see the Fed getting in front of the inflation curve," said Guenther.

Zhang Kun' (Chinese celebrity fund manager): Zhang Kun's E Fund Quality Selected Mixed Fund now has 23% of its shares in the city after a change of mandate finalized on Sept. 9. The 21.7 billion yuan (\$3.4 billion) fund has snapped up the likes of Tencent Holdings Ltd., Hong Kong Exchanges & Clearing Ltd. and JD.com Inc., counting them among its largest holdings at the end of September, according to a filing Wednesday.

Chinese traders closely watch the moves of star manager Zhang Kun, who was the first in the country to oversee 100 billion yuan in mutual fund products, with his purchases of local liquor stocks during the rally earlier this year drawing copycats. .

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

This week we witnessed some major divergences in global equities where US markets made all-time highs and closed at a new all-time high. On the other hand, EM equities were largely down with significant down moves in India, Brazil and China among others. We expect global equities to be largely sideways in the near term though on a longer-term basis we expect the next big move to be down and not up. We expect US Treasuries, Gold and Industrial commodities to be sideways too in the near term.

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