Weekly Report and Outlook on Global Markets

17 Dec 2021

MARKET DEVELOPMENTS

<u>Company climate disclosures jump in 2021 as board pressure builds</u>

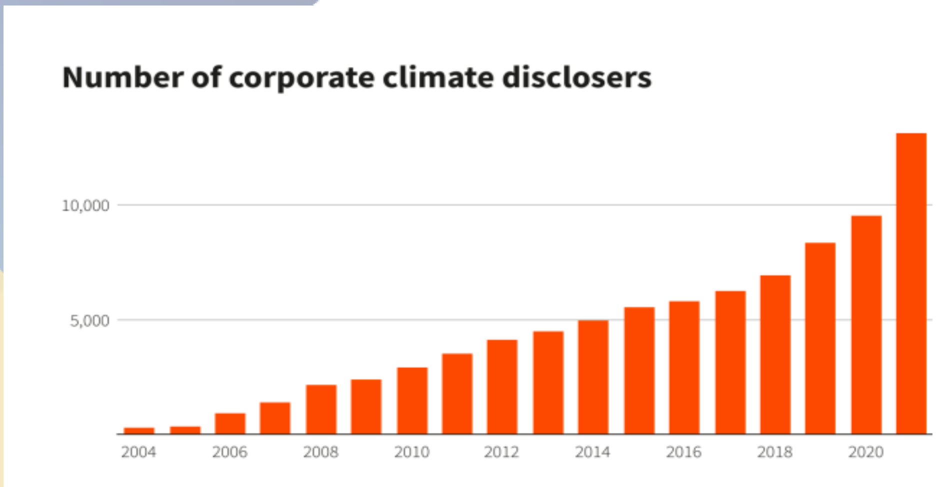


Figure 1:The above chart shows Number of unique corporate disclosures in the world

The number of companies sharing climate data with CDP, the world's leading disclosure platform, jumped by nearly 40% over the last year as investors and policymakers pressured boards. Most of the world's asset managers focus on climate change disclosures in their efforts to pick the winners of the transition to a low-carbon economy and to assess the risks for their portfolios.

<u>Norway wealth fund 'weeds out' nine firms over ESG risks</u>

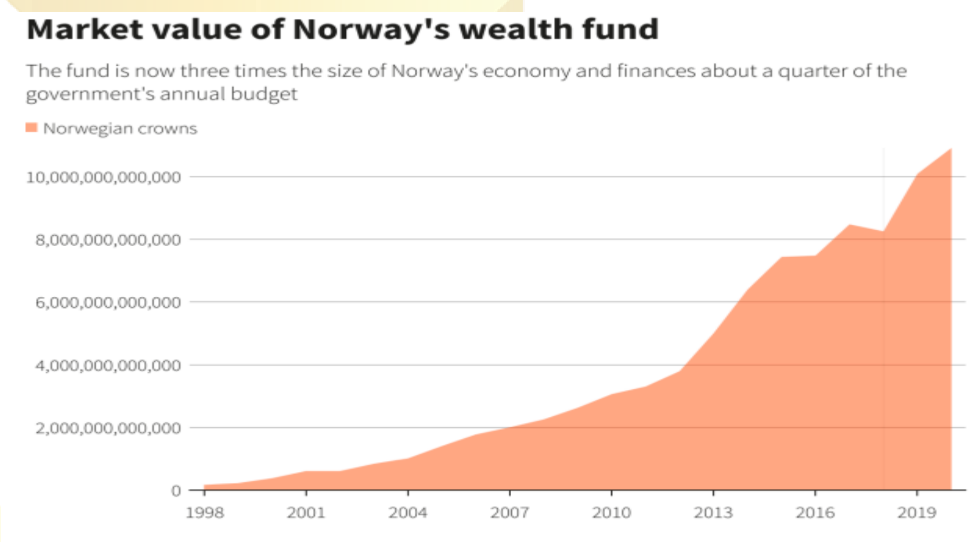


Figure 2: The above chart shoes Market value of Norway's wealth fund

Norway's $1.4 trillion sovereign wealth fund, the world's largest, has conducted a risk-based screening of 442 companies this year, concluding that it would refrain from investing in nine of those firms, it said on Tuesday. "Our pre-screening builds on and strengthens our long-standing work with riskbased divestments. It's about weeding out companies that we do not want to be invested in. The fund said it would not name the affected companies. The Norwegian fund invests in some 9,100 companies worldwide. It uses the FTSE Global All Cap index from FTSE Russell as the basis for its own reference index. As new stocks are included in the FTSE index, the fund can screen out companies it does not want in its own portfolio based on environmental, social and governance (ESG) risks.

MAJOR MOVES THIS WEEK

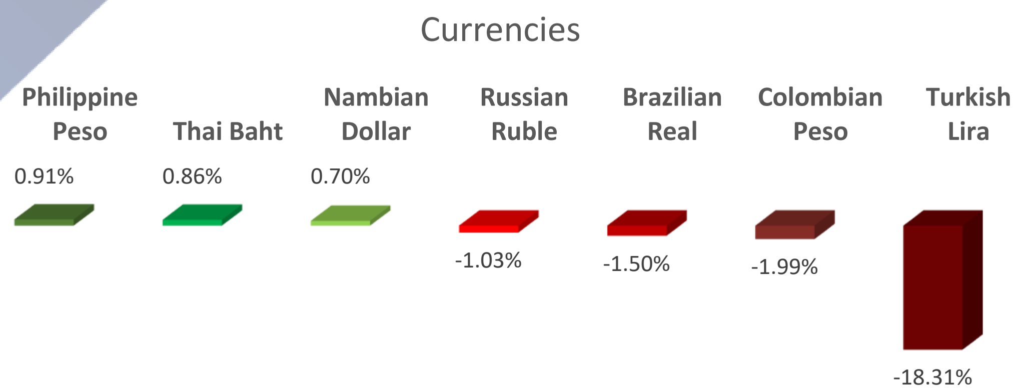


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weak performance in the global currencies. Euro, British Pound and Yen depreciated against the Dollar this week. Dollar index appreciated this week

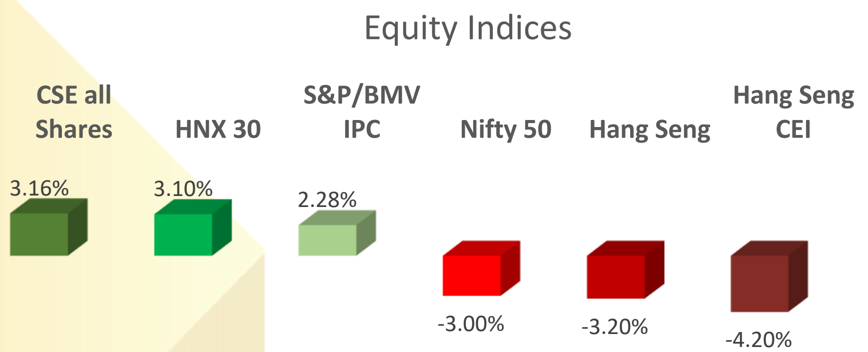


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen weak performance in the global equities markets. European equities have weakened, developing markets have given a mixed performance. Nasdaq 100 and S&P 500 declined amid increasing volatility in the global markets.

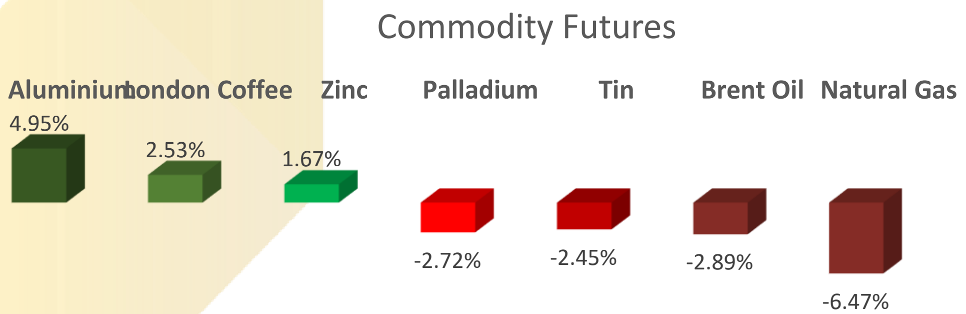


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen strong performance in industrial metals. Natural Gas and Crude corrected during the week. Gold and Silver appreciated due to risk-off environment. We have seen mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Kristina Hooper (Chief investment officer at Invesco): She expects that once the Federal Reserve starts to raise interest rates, the focus will turn to just how high those rates can go. "The 10-year yield will probably go up next year, but we don't see a dramatic rise," she said. "The Terminal rate is still going to be pretty low."

Hooper said that she expects the gold market to remain relatively flat next year, with prices continuing to hover around $1,800 an ounce.

She said gold remains an attractive inflation hedge and safe-haven asset in a world faced with growing geopolitical uncertainty. However, she added that U.S. economic growth supports risk assets even if momentum slows next year.

Mohamed El-Erian (Chief economic adviser at Allianz SE.): The Federal Reserve's decision to label inflation as 'transitory' might be the worst call in the central bank's history. "The characterization of inflation as transitory -- it's probably the worst inflation call in the history of the Federal Reserve," El-Erian told CBS's "Face the Nation" on Sunday. "It results in a high probability of a policy mistake."

The Fed will have to act fast to respond to rising inflation, El-Erian said as markets were still digesting Friday's U.S. inflation number that showed the fastest annual pace in nearly 40 years, rising 6.8% in November.

"The Fed must quickly, starting this week, regain control of the inflation narrative and regain its own credibility. Otherwise, it will become a driver of higher inflation expectations that feed off themselves." El-Erian does not think inflation has peaked or is a short-term problem. During the past year, he stated many times that the U.S. central bank was underestimating the inflation problem.

"We've seen a very interesting transition. The original drive of inflation, supply disruptions, labor shortages. The drive is still there, but less powerful. But the driver has planted all these other seeds for other sorts of inflation. And that's not a problem because of what the White House is or is not doing. This is a problem because of what the Federal Reserve is failing to do," he explained.

Cathie Wood (Ark Invest): She repeated her warning that deflation, rather than inflation, will be the largest risk for financial markets and the economy in the year ahead"We feel like we're experiencing the same kind of naysaying right now" as when Ark previously made large bets on Tesla (NASDAQ:TSLA) Inc and bitcoin before both rallied more than 1,000%, Wood said. "Our confidence in our strategy has increased" despite the stock losses for the year to date, Wood added.

Wood sees companies that profit from stay-at-home trends as part of an innovation category that includes Tesla and biotech shares. Among the arguments for innovation stocks are signs from the bond market that inflation expectations are moderating and a broad decline in commodity prices.

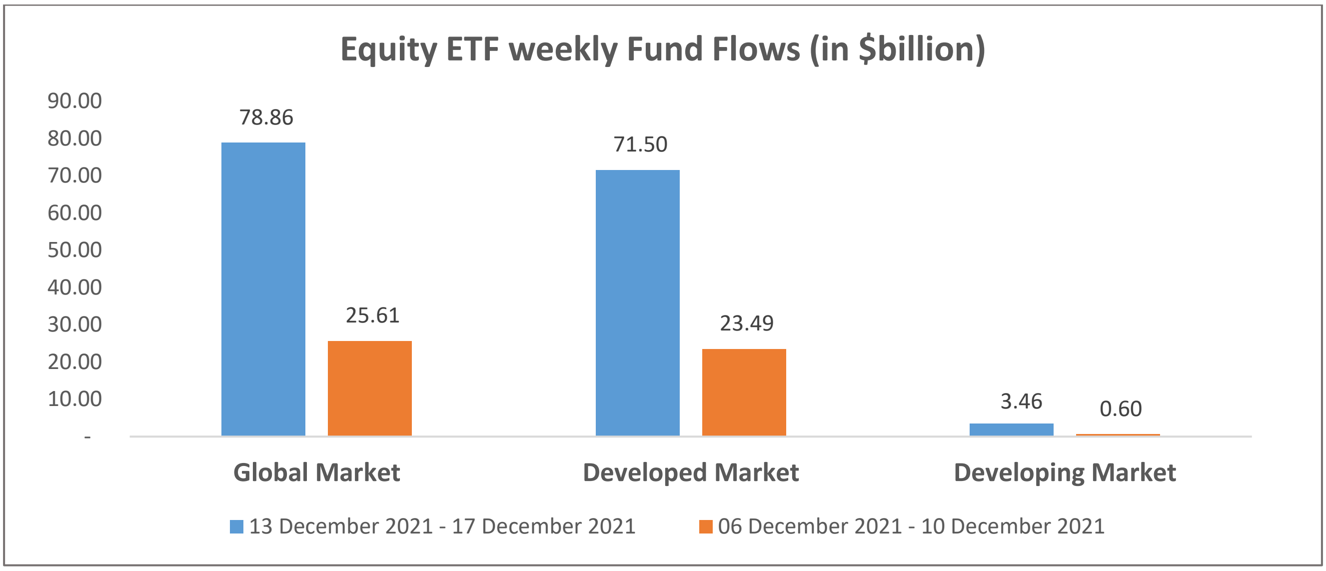
Peter Boockvar (Chief investment officer at Bleakley Advisory): Peter Boockvar is slamming the Federal Reserve over surging inflation that's driving up the cost of essential, big-ticket items.As Fed policy makers gather for their two-day meeting on interest rates, Boockvar warnsthere's little they can do to cool prices.

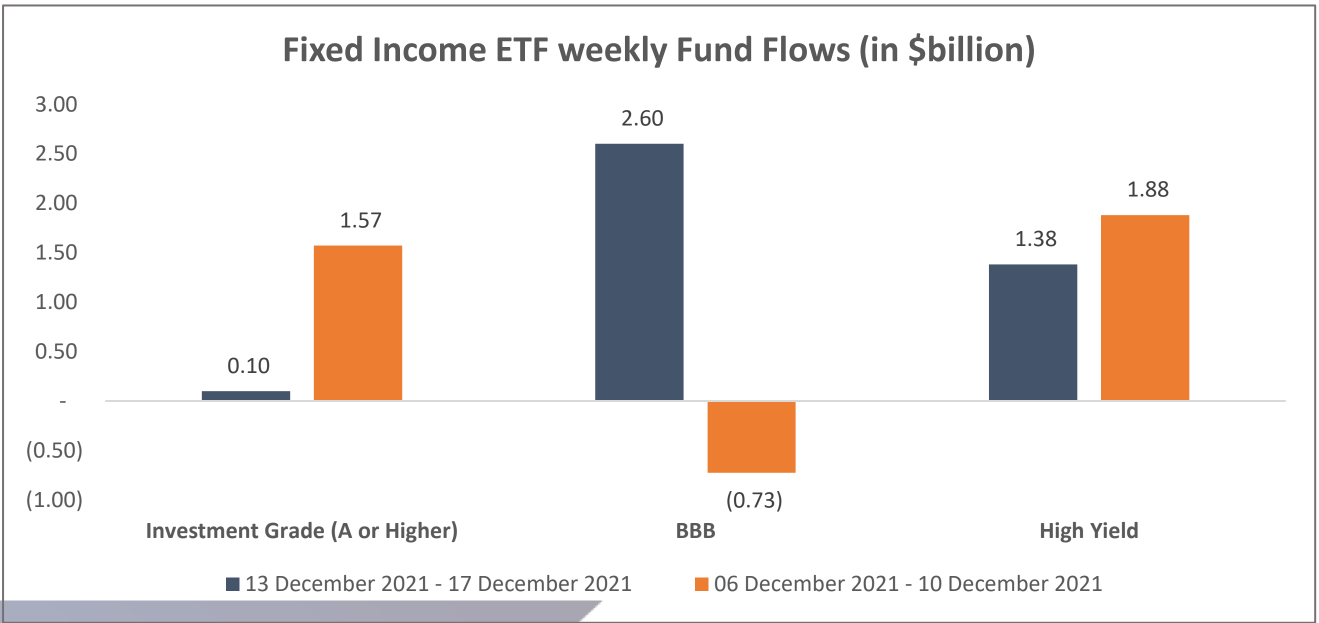
"Monetary policy mostly and pretty much predominantly influences the demand side of the economy, particularly the interest rate sensitive areas of the economy," . His warning extends particularly to housing and autos.

"A home is up 20% year to year. If you're looking to rent an apartment or a house, those prices are rising 18%," said Boockvar. "Car prices are at record highs partly because of supply, but also cheap money influencing demand." "The Fed needs to pull back," the CNBC contributor said. "The mistake was not doing it earlier. So, now they're just playing catchup."

Boockvar also sounded the alarm on the Fed's policy impact on the housing market during an August interview on "Trading Nation." He warned first-time homebuyers paying down payments of 5% or less in this environment were most vulnerable to dramatic losses.His concerns now stretch into corporate America as inflation takes a toll on profit margins.

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 countenanced the hawkish FED on 15th December rather effortlessly and till the opening of US equities the next day were holding up well with S&P500 almost at its all-time high. However, from then till Friday close there was a near blood bath for global equities with Nasdaq 100 taking the worst hit led by losses in Apple and Microsoft. We believe equities may remain sideways for some more time in a fast-evolving bear market. We expect CY2022 to be a deeply negative year for most risk assets particularly led by the global equities. We remain bullish on gold and gold miners for the long term.

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