



# Weekly Report and Outlook on Global Markets

24 Dec 2021

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# MARKET DEVELOPMENTS

## U.S. crude oil production fell by 8% in 2020, the largest annual decrease on record

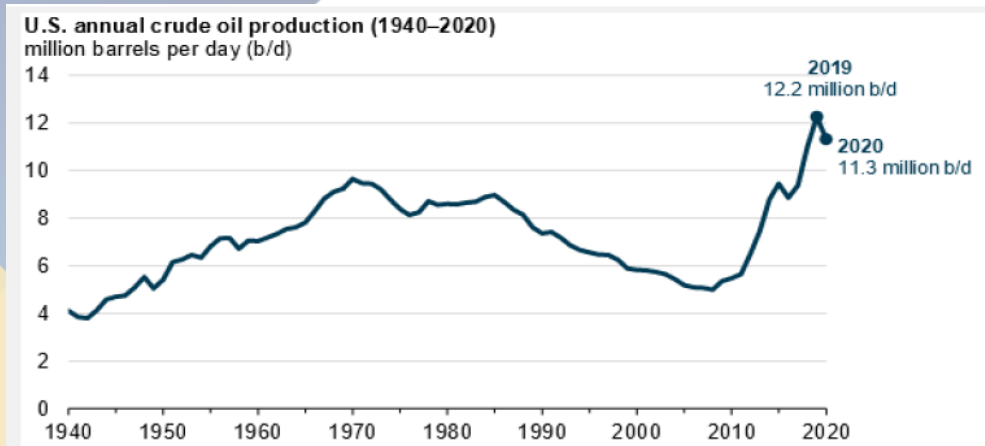


Figure 1: The above chart shows U.S. annual crude oil production

U.S. crude oil production averaged 11.3 million barrels per day (b/d) in 2020, down 935,000 b/d (8%) from the record annual average high of 12.2 million b/d in 2019. The 2020 decrease in production was the largest annual decline in the U.S. Energy Information Administration's records. The production decline resulted from reduced drilling activity related to low oil prices in 2020. In January 2020, U.S. crude oil production reached a peak of 12.8 million b/d. In March 2020, crude oil prices decreased because of the sudden drop in petroleum demand that resulted from the global response to the coronavirus (COVID-19) pandemic. The declining prices led crude oil operators to shut in wells and limit the number of wells brought online, lowering the output for the major oil-producing regions. In May, U.S. crude oil production reached its lowest average monthly volume for the year at 10.0 million b/d.

## Japan's Focus on Wealth Equality Rattles Financial Hub Dream

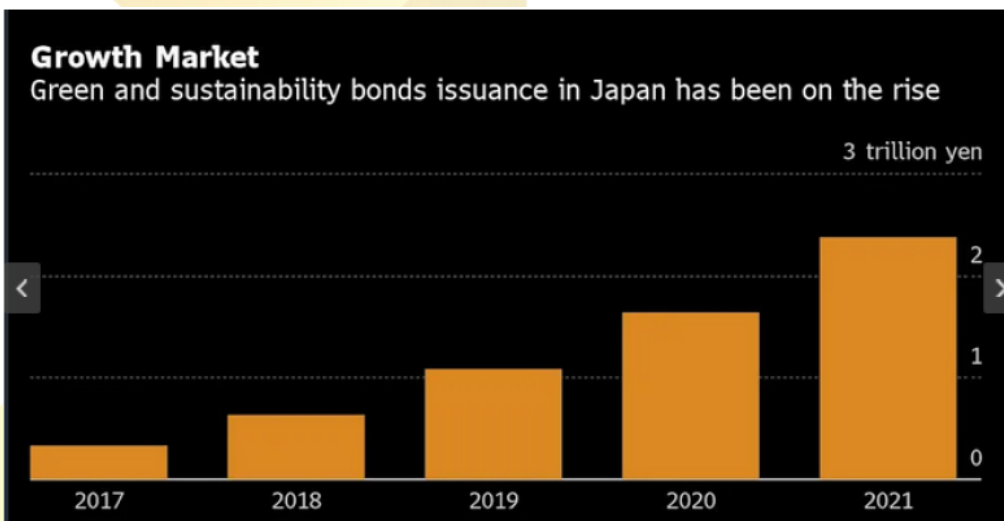


Figure 2: The above chart shows annual bond issuance in Japan

Just 12 months ago, leaders in Tokyo were hoping to capitalize on Hong Kong's troubles to win back lucrative banking business. China's crackdown on Hong Kong created an opening for Japan. While Japan has some hope of using a green investment strategy to raise its profile among investors, the focus seems to have shifted.

# MAJOR MOVES THIS WEEK

## Currencies

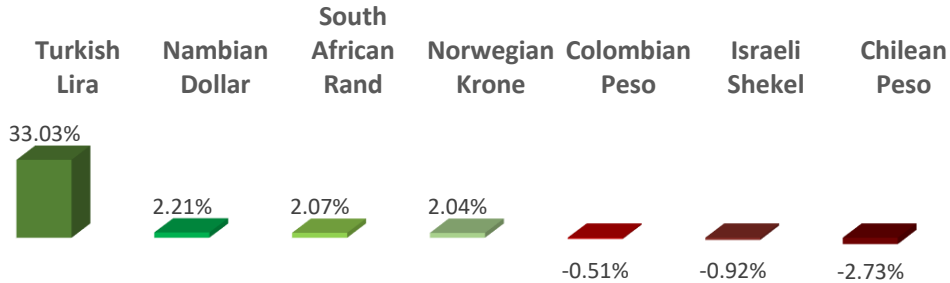


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen appreciation in in the global currencies against greenback. Euro move higher, Yen depreciated, and British Pound appreciated against the Dollar this week. Turkish lira done remarkable recovery during volatile week ,Lira appreciated 33 % current week .Major European currencies also done better against dollar in anticipation of EURO appreciation

## Equity Indices



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

This week we have seen mix performance in the global equities markets. We have seen weakness particular in Major Asian equity indices. Major Chinese index remains in negative territory this week while Japanese equity outperformed. Developed index worldwide showed strength & Nasdaq closed on robust note while S&P 500 just few points away from its all-time high .Major European equities also shown strength & added more than two percentage points.

## Commodity Futures

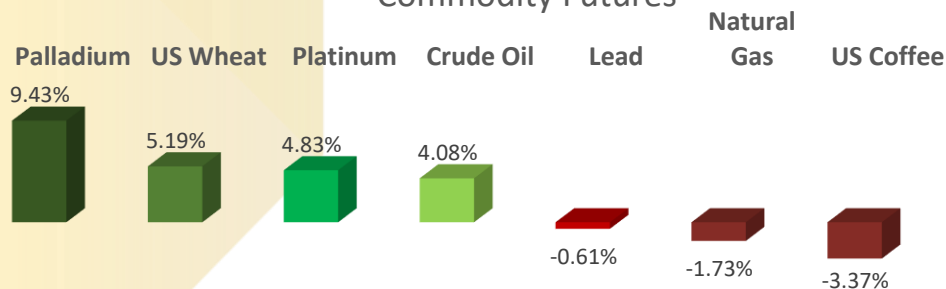


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown good performance during the week. Fall in greenback resulted strength in global commodities including agriculture commodity. Precious metal, industrial metal & energy all key segment we have observed strength current week. Palladium added more than 10 % gain this week & best performer precious metal while Gold & Silver also shown strength.

# GLOBAL FUND MANAGERS' STATEMENTS

**Mohamed El-Erian (Chief economic adviser at Allianz SE.):** A currency crisis is bad enough for Turkey. A full-blown economic crisis would be much worse. The country moved a little closer to one on Friday, but it can still avoid the worst-case scenario if it acts quickly to contain the spreading financial instability and maintain its considerable economic potential. The rest of the emerging world has a stake in this, too. The widening financial instability fueled concerns about adverse spillovers to other parts of the economy, from a

further boost to inflation, which is already above 20% and eroding households' purchasing power and savings, to industrialists sounding the alarm about damage to production and investments.

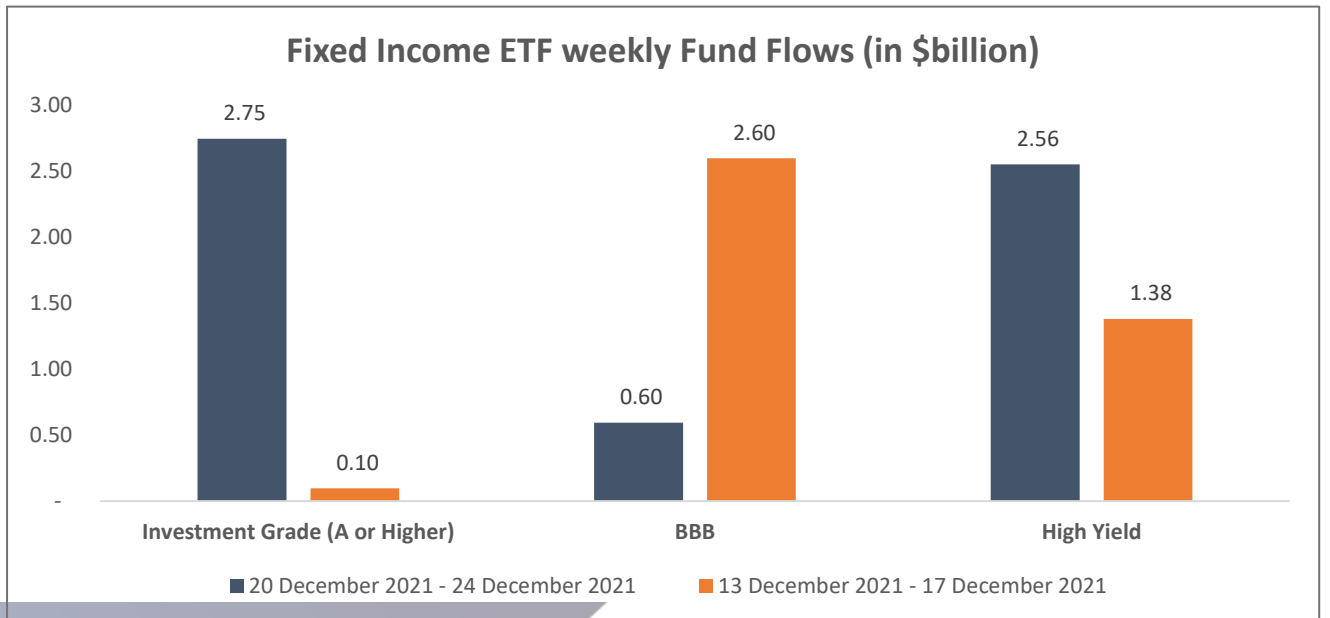
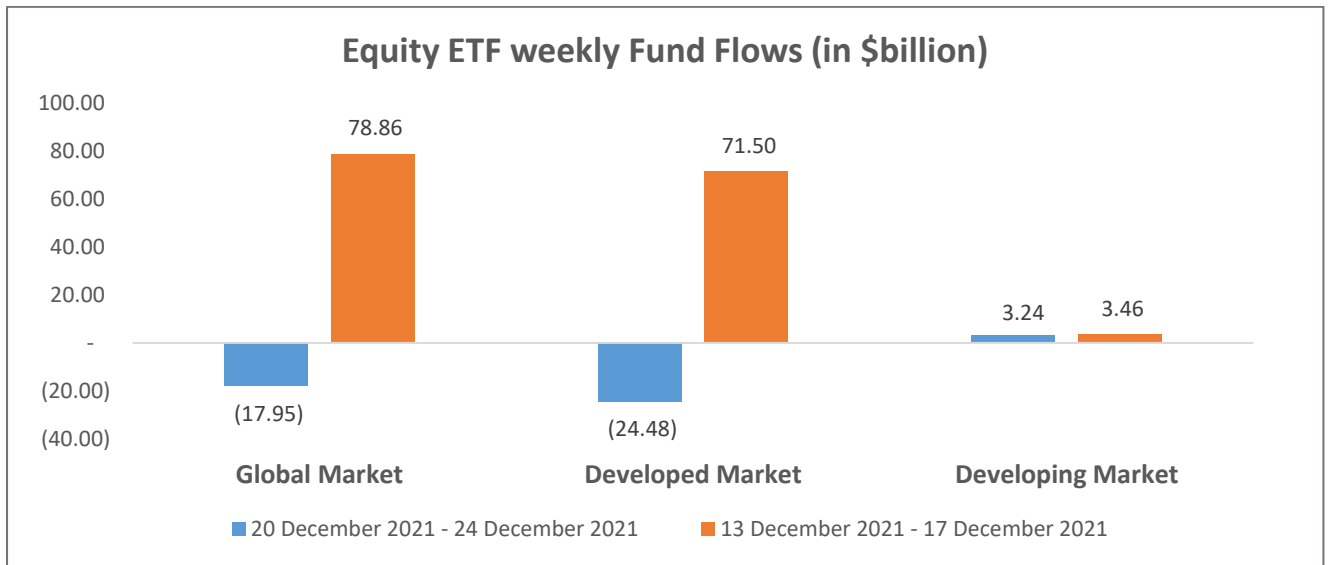
Until last week, it seemed as if only the lira was taking the brunt of this unorthodox monetary policy, losing half its value this year despite central bank foreign-exchange interventions. Measured in local currency, the stock market had done relatively well, especially because many viewed it as the best inflation hedge domestically. On Friday, however, that "hedge" fell victim to a growing realization of the risk of mounting and severe damage to an economy with otherwise strong attributes.

**Meghan Shue (Wilmington Trust's, Firm's head of investment strategy):** The stock market's volatility jump may be in its early stages. Despite a bullish 2022 outlook, Meghan Shue expects the wild swings to ramp up as investors digest a less accommodative Federal Reserve and assess new risks tied to the Covid omicron variant. "While we're overweight to equities, we're holding elevated cash because we think there are probably going to be more opportunities presenting themselves," "When you combine that with elevated valuations and then continued uncertainty around omicron, you just get a recipe for continued volatility and a possible correction," Her base case calls for stocks to correct as much as 10% over the next two to three months. But she refers to it as a buying opportunity.

**Zhang Zhijun (Chairman of private fund manager Beijing DingNuo Investment Management Co):** His firm has not bought Evergrande bonds since May after its previous holdings matured. Two of his company's credit-focused funds have beaten 99% of peers this year, with one of them reaping a return of 84.7% as of Dec. 17, according to Simuwang.com, a Chinese financial-data provider. Those gains were made largely on bottom-fishing onshore bonds of distressed companies including China Fortune Land Development Co. and chip-maker Tsinghua Unigroup Co., Zhang said. His firm had more than 568 million yuan (\$89 million) in assets under management as of Tuesday. "We once tried to gauge the recovery ratio of Evergrande onshore bonds, but we gave up buying them as it has excessive wealth management products and financing off its balance-sheet," Zhang said.

Zhang says he will continue seeking investment opportunities in oversold distressed debt, particularly bonds with shorter duration, at a time when risks continue to simmer. Long considered one of the industry's healthier players, Shimao Group Holdings Ltd. has recently seen its bonds tumble to record lows on concerns about payment difficulties.

# 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 equity markets had a bullish week even though on a fortnightly basis the markers were largely sideways. We believe that markets will largely continue to remain sideways for some more time before eventually giving way to a bear market. We remain long term bearish on industrial commodities. Longer term US Treasuries look attractive at the current levels while Dollar Index may have more downside in the near term.

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