Weekly Report and Outlook on Global Markets

28th Jan 2022

Bullion-shy investors spoil gold's consumer demand comeback

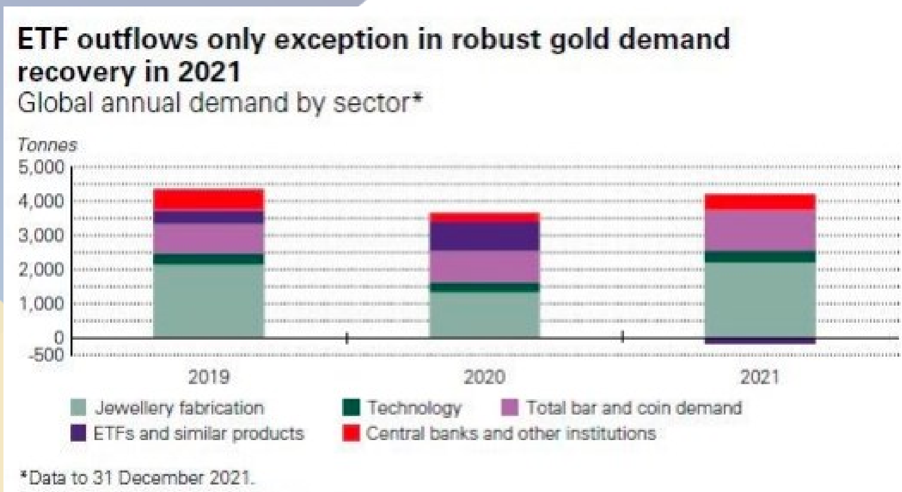


Figure 1: The above chart shows performance of U.K. two-year yield

Global demand for gold rose 10% last year but remained well below its level before the COVID-19 pandemic amid slack investor demand. A surge in jewellery purchases at the end of 2021 pushed demand in the fourth quarter to the highest level since April-June 2019. Gold buying by central banks rebounded last year and purchases of small bars and coins were the highest since 2013, but investors in exchange-traded funds sold more bullion than they bought, weakening overall demand. Total demand for gold in 2021 was 4,021 tonnes, up from 3,659 tonnes in 2020 but well below the average during the 2010s of around 4,440 tonnes. In 2020, the pandemic caused a collapse in jewellery sales but prompted stockpiling by investors seeking a safe place to store wealth. That reversed as economic growth recovered, boosting consumer spending and weakening investor appetite.

Gold Imports by India Hit Decade-High as Jewelry Demand Doubles

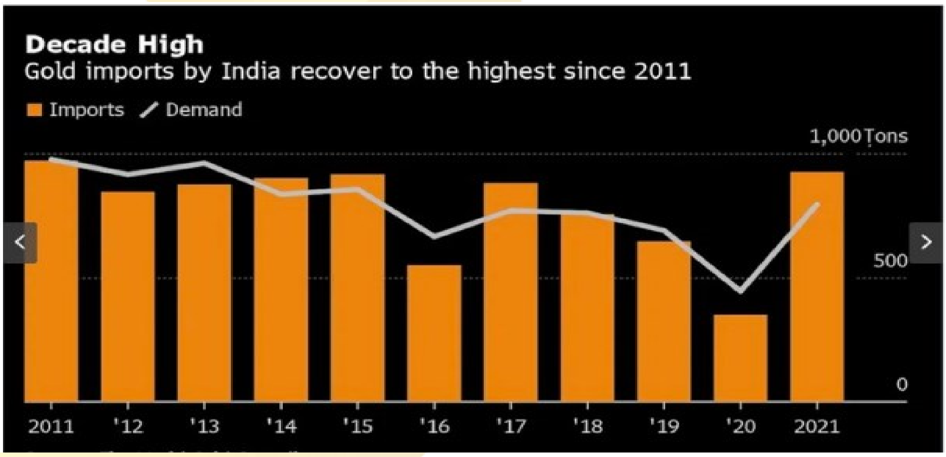


Figure 2: The above chart shows month to date foreign funds flow in Philippine's equity market

Gold imports by India accelerated to the highest level in a decade last year as jewellery sales almost doubled, with the demand outlook remaining bright. Demand revived after two bleak years as Indians once again flocked to jewellery stores in 2021 as fears of the pandemic eased. Weddings and celebrations picked up in full swing in the three months through December, more than doubling full-year imports to about 925 tons, the highest since 2011.

.

MAJOR MOVES THIS WEEK

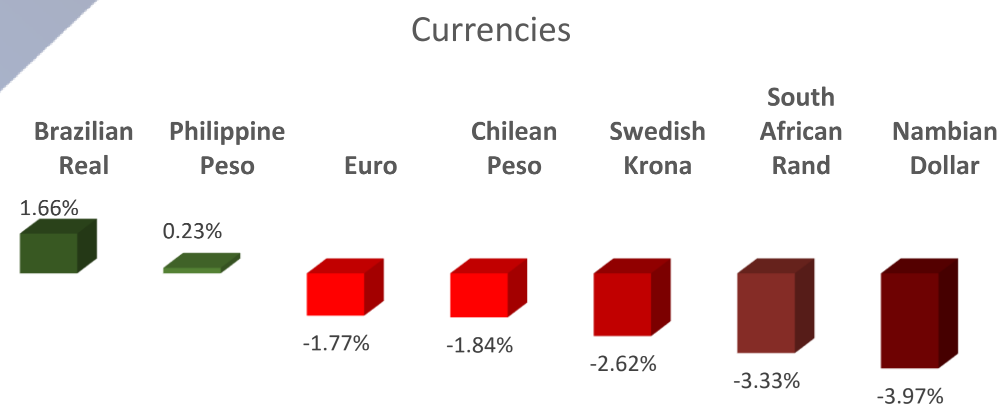


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weak performance in the global currencies. Euro, British pound, and Yen depreciated against the Dollar this week. Overall, this week dollar has strengthened after the hawkish Fed commentary.

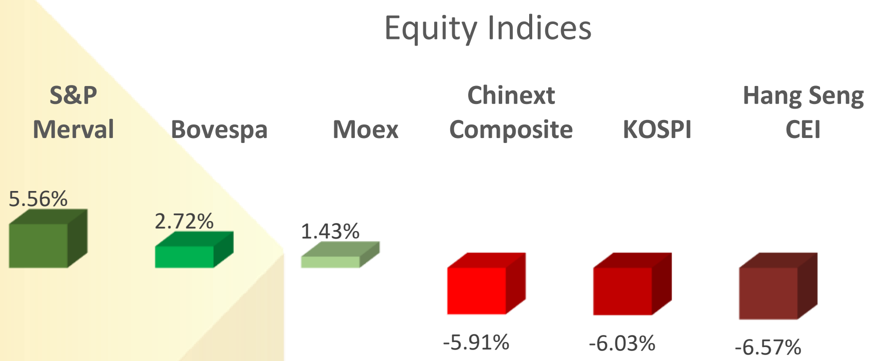


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen very weak performance in the global equities markets. European equities have performed weak, Euro Stoxx 600 losing during the week. Developing markets have performed very weak. Nasdaq 100 and S&P 500 have shown sharp moves during the week, Nasdaq and S&P500 closed in the positive.

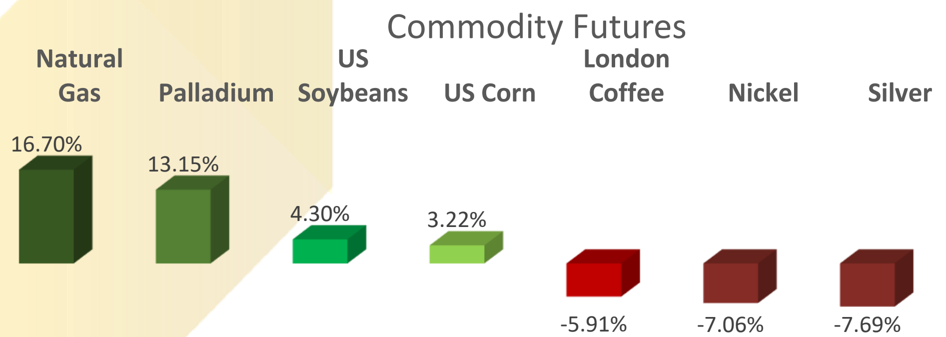


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen weakness in industrial metals. Crude and Natural Gas also extended gains during the week. Gold and Silver depreciated. We have seen mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS’ STATEMENTS

Mike Wilson (Chief U.S. equity strategist and Chief investment officer, Morgan Stanley’s): The S&P 500 is vulnerable to a 10% plunge despite Monday’s late buying binge. He warns investors are dangerously downplaying a collision between a tightening Federal Reserve and slowing growth.“This type of action is just not comforting. I don’t think anybody is going home feeling like they’ve got this thing nailed even if they bought the lows. Wilson, the market’s biggest bear, expects the painful drop will happen within the next three to four weeks. He anticipates challenging earnings reports and guidance will give investors a wake-up call regarding slowing growth.“I need something below 4,000 to get really constructive,” said Wilson. “I do think that’ll happen.”

His strategy: Double down on defensive trades ahead of the predicted setback. He warns virtually every S&P 500 group will see more trouble due to frothiness and is making decisions on a stock by stock basis.

“We’re not making a big bet on cyclicals here like we were a year ago because growth is decelerating. People got a little too excited on these cyclical parts of the market, and we think that’s wrong-footed,” he said. “There’s going to be a payback in demand this year. We do think margins are a potential issue.”Wilson doubts the Federal Reserve’s two-day policy meeting which kicks of Tuesday will provide meaningful comfort to investors.“They’re not going to back off because the market sold off a bit here.

Bill Smead (Chief investment officer at Smead Capital Management): The market has been in denial about the “inflation wolverine” and could now face multiple bear markets and “wild” price action in the coming years. Smead argued that the Fed’s inaction over the course of the last year, based on its belief that spiking inflation was “transitory,” had led the market into complacency. “The market has been in denial about what we call ‘the inflation wolverine.’ They trotted this out in the pandemic, raising inflation as a way to heal the economy like a friendly puppy dog, and inflation is not a friendly puppy dog and you’ve got a confluence of dynamics, certainly in the United States,” he said.

In particular, Smead noted that since the onset of the pandemic, a disproportionately large quantity of people between the ages of 30 and 45 in the U.S. had grown to covet owning houses and cars, and living outside the main coastal cities and commercial hubs. He argued that this paradigm shift will not be arrested by this “late attack” from the Fed.

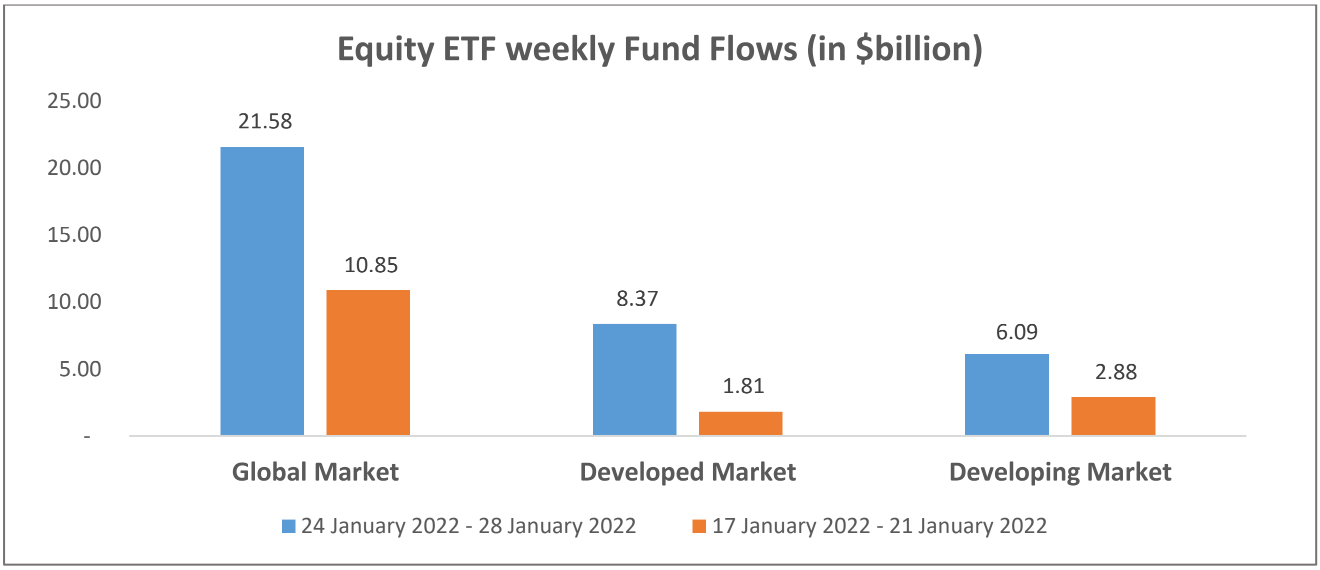
Anthony Scaramucci (Founder of SkyBridge Capital and former White House Communications Director): “Bitcoin has fallen more than 50% off its November 2021 highs, but long-term investors should not be worried about the cryptocurrency’s ability to reach its maximum potential. Scaramucci was previously a critic of cryptocurrencies but has since changed his mind on digital assets. Now, SkyBridge Capital manages funds that invest directly into Bitcoin and cryptocurrency companies. The First Trust SkyBridge Crypto Industry and Digital Economy ETF has $6.4 billion in assets under management as of , 2021. Scaramucci said that Bitcoin’s true value lies in its growing network.

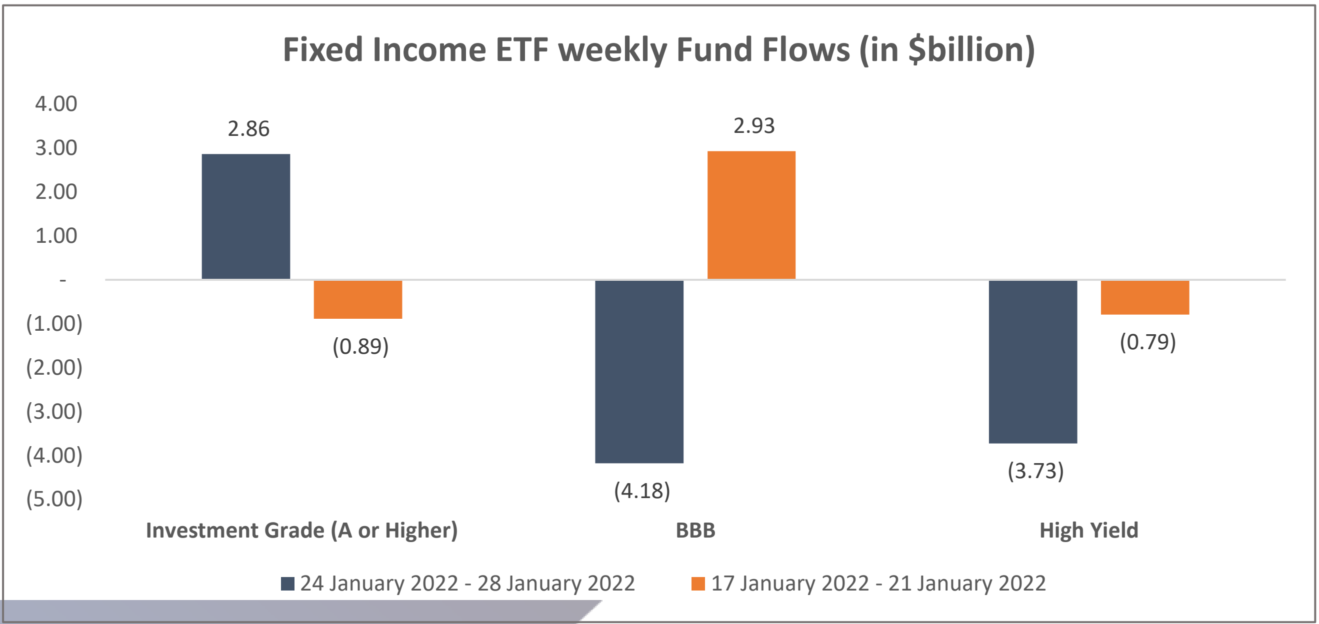
“Fundamentally, you can value Bitcoin related to the network. Remember what Robert Metcalfe, the MIT professor, once said, the fax machine is probably worthless but 100 million of them is probably worth something. The network itself is worth something,” he said. The price of Bitcoin will eventually rise to a point where the market value of Bitcoin will surpass that of gold’s he said. “When you just look at it from a box checking exercise about store of value, Bitcoin hits more of those than gold does, but again, it’s early. And so, it’s an early adoption story, it’s going to come with volatility. I believe that when Bitcoin is mature, it will be more valuable than gold because of all the technical properties associated with it. 10 years from now, I’ll make a prediction, that Bitcoin has a larger market capitalization than gold. It took gold 5,000 years to get to its current market capitalization. Bitcoin will surpass that in under 25 years from its inception,” he said. Most estimates have the total circulating market value of gold at around $11 trillion to $13 trillion.

George Milling-Stanley(Chief market strategist at State Streat Global Advisors): Although the Federal Reserve is looking at raising interest rates with the potential for three or four rate hikes this year, high inflation pressure means that real yields will remain in negative territory.Discussion on what is driving the gold market as prices remain near a two-month high around $1,840 an ounce.

"If we do get four rate hikes in 2022, interest rates are going to be a 1%. That's nothing to be terrified about. Paul Volcker took interest rates up into the teens in percentage terms back in the 1980s, when we had much higher inflation," he said.

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

The biggest ever bubble in the history of Capitalism is in the process of getting deflated. This process will take at least 3-4 years to come to its logical conclusion. US equities stabilized in the latter half of last week and may become rangebound for a couple of weeks before the next wave down begins. Most of the global risk assets including industrial commodities, corporate bond spreads and even crypto are going to move in virtual lockstep with US equities. We continue to be bullish on 30-year US Treasuries and gold for the next few years.

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