



Weekly Report and Outlook on Global Markets

31st Dec 2021

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MARKET DEVELOPMENTS

The Year of the Doge? 2021, crypto's wildest year yet

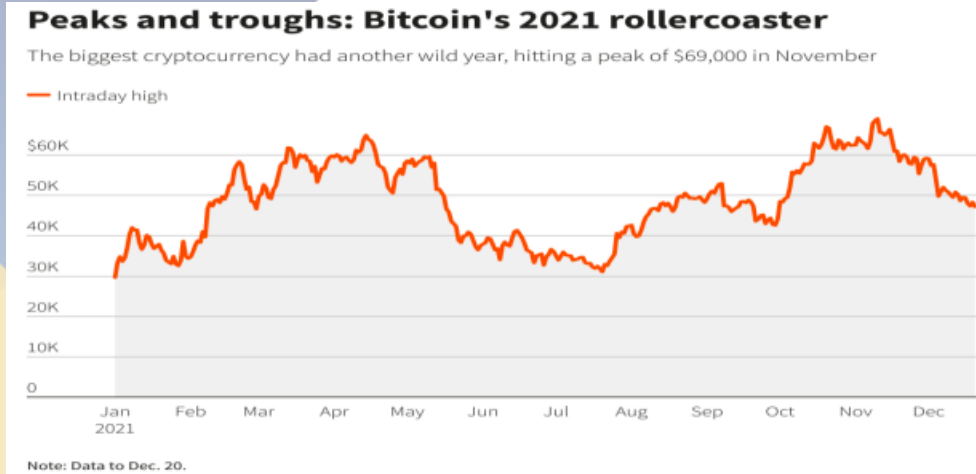


Figure 1: The above chart shows intraday highs made by bitcoin

Bitcoin close to \$70,000, "memecoins" worth billions of dollars, a blockbuster Wall Street listing and a sweeping Chinese crackdown: 2021 was the wildest yet for cryptocurrencies, even by the sector's volatile standards. Digital assets started the year with a stampede of cash from investors large and small. And bitcoin and its kin were rarely out of the spotlight since, with the language of crypto becoming firmly entrenched in the investor lexicon.

Saudi banks' credit to the private sector goes up by \$3.4bn

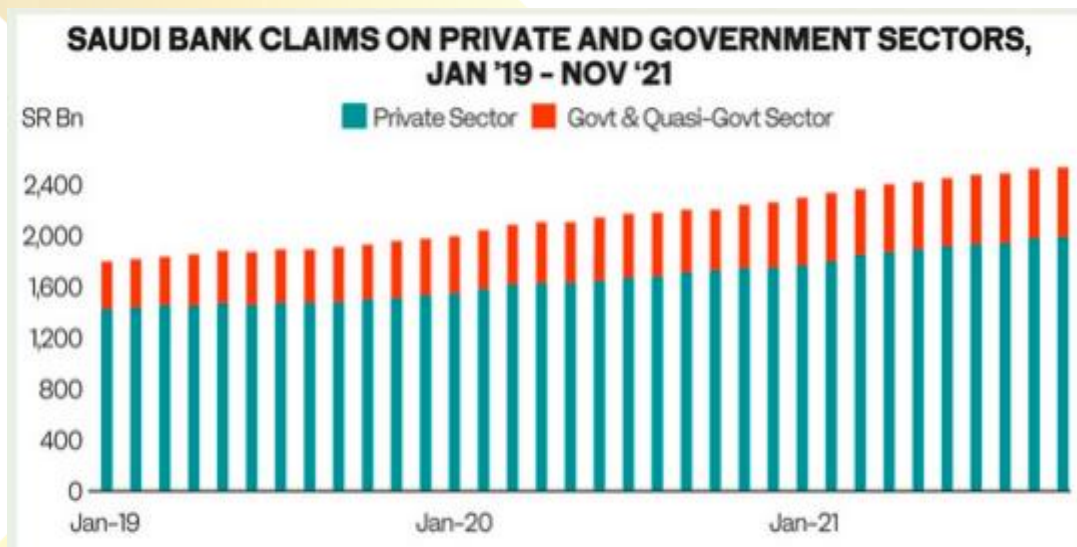


Figure 2: The above chart shows claims by Saudi bank on private and government sectors

Saudi commercial banks' credit to the private sector rose by SR12.7 billion (\$3.4 billion) in November when compared to the previous month, Saudi Central Bank data showed. In percentage terms, however, the increase was a marginal 0.6 percent. Additionally, financing provided by banks to government and quasi-government institutions was SR21.9 billion, or 4 percent, higher in November. Meanwhile, the banks' total assets jumped by 1.3 percent, to be valued at SR3.24 trillion by the

MAJOR MOVES THIS WEEK

Currencies

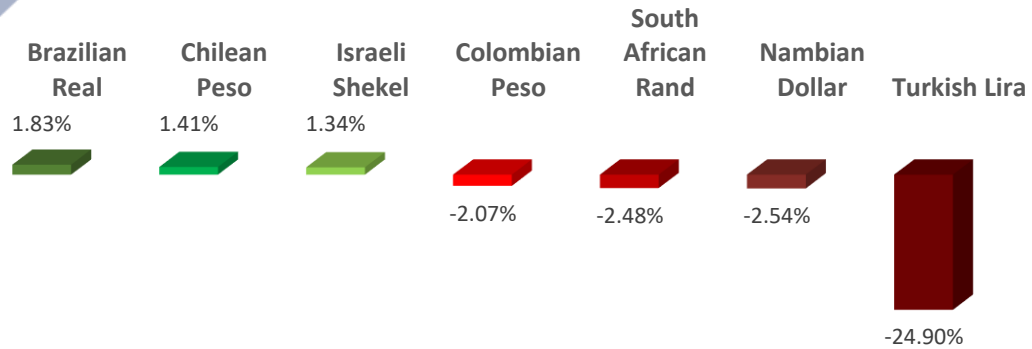


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen mixed performance in the global currencies. Euro regained strength, Yen and British Pound depreciated against the Dollar this week. Overall, this week the dollar remained sideways.

Equity Indices

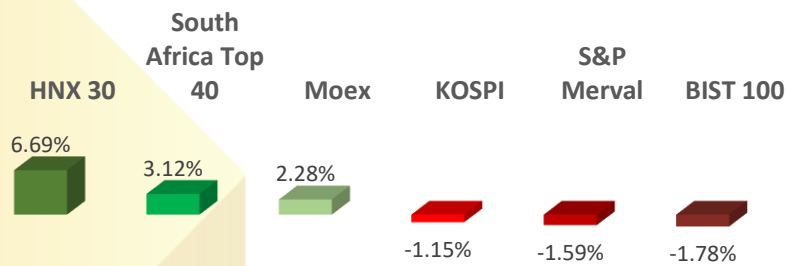


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen strong performance in the global equities markets. European equities have performed strongly and Developing markets have also performed strongly. Nasdaq 100 and S&P 500 performed strongly during the start of the week but weakened during the later half of the week. S&P 500 closed with a gain during the week, Nasdaq 100 closed sideways.

Commodity Futures

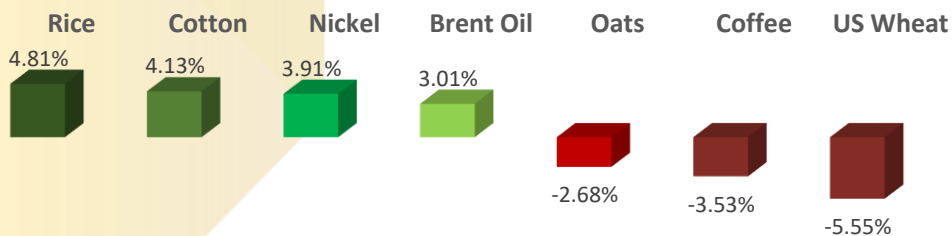


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen mixed performance in industrial metals. Crude and Natural Gas strengthened during the week. Gold, Silver and other precious metals performed strongly. We have seen mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Chris Ailman (Chief investment officer, California State Teachers' Retirement System): "It's going to be a challenging year,". The S&P 500 probably won't come anywhere close to matching the 27% advance it clocked in the past 12 months, he said. "Historically, I'd expect a very low single-digit year."

Returns typically lag after a few boom years, and the likelihood of a U.S. recession increases if rising inflation spurs the Federal Reserve to tighten monetary policy, Ailman said. Diversifying portfolios is difficult because of low bond yields and uncertainty in real estate, with office buildings and malls lacking tenants, he said. Extreme weather events such as this week's Colorado wildfire shows yet again why climate change is becoming a growing consideration for investors, he said. That underscores why the fund has been pushing for change at the likes of Exxon Mobil Corp.

Jim Paulsen (Chief investment strategist at the Leuthold Group): He sees the benchmark index powering above 5,000 before an eventual downturn and recovery back to that level at the end of the year. With the S&P 500 topping record highs into the year end, 2022 is likely to be volatile, Paulsen said.

"A lot of people think we might give some of this back as we enter the new year," he added. "That could happen, but I think we're going to maybe go above 5,000 during the first half of the year on excitement that finally we may be moving Covid from a pandemic to an epidemic and on the realization that inflation is moderating." Investors are anticipating a drawdown of market gains after the Fed's rate hikes, but Paulsen said it's not yet time to "run away from stocks" as long as the 10-year Treasury yield stays below 3%.

"One of the things I think is important for investors to focus on is: rates are going to go up, but until you get back above the 3% level, the history of the stock market is awful encouraging for stock investors," he said. Paulsen sees earnings and fundamentals of the economy remaining strong next year. Additionally, he expects prices to moderate thanks to flattening breakevens and commodity prices, but that there may be less belief inflation will return to the Fed's 2% goal.

Tom Stringfellow (Chief investment strategist at Argent Trust.): "A lot of the inflationary pressures will likely prove to be transitory, just not in the near term or as quickly as Powell believed," This is undoubtedly true for some items. Vehicle prices will eventually come down in 2022 as chip production increases and port traffic jams abate. Meanwhile, energy inflation doesn't look quite so bad when you look past year-over-year comparisons to depressed 2020 demand.

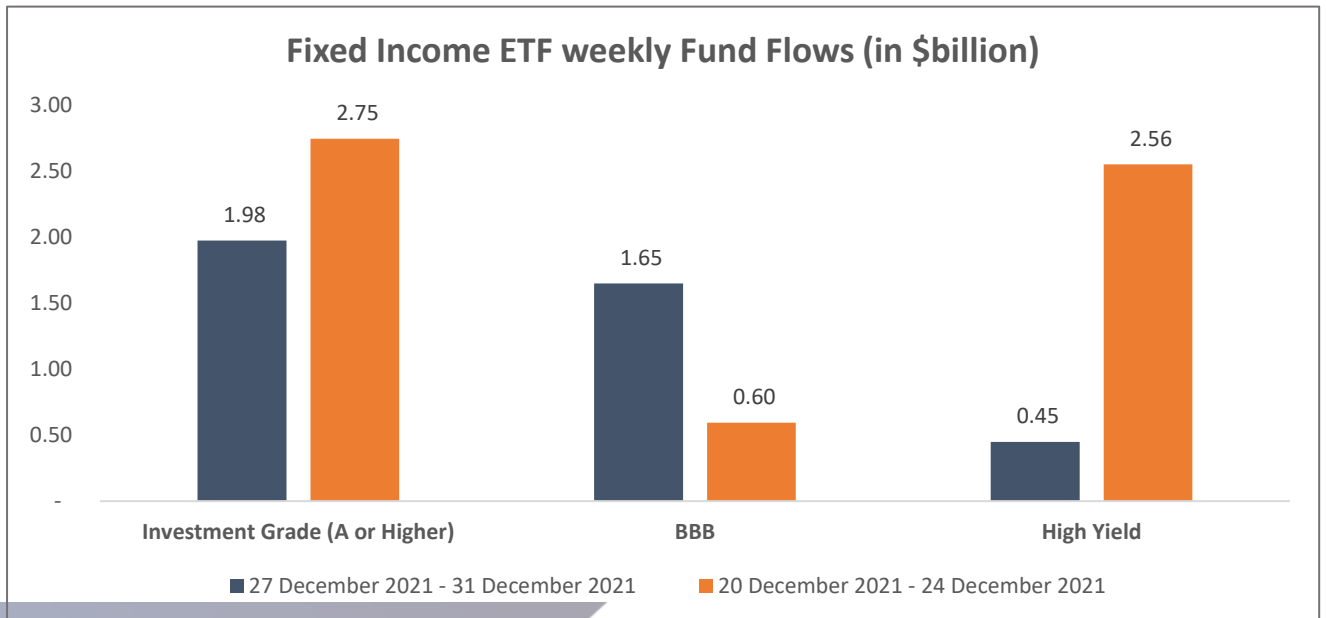
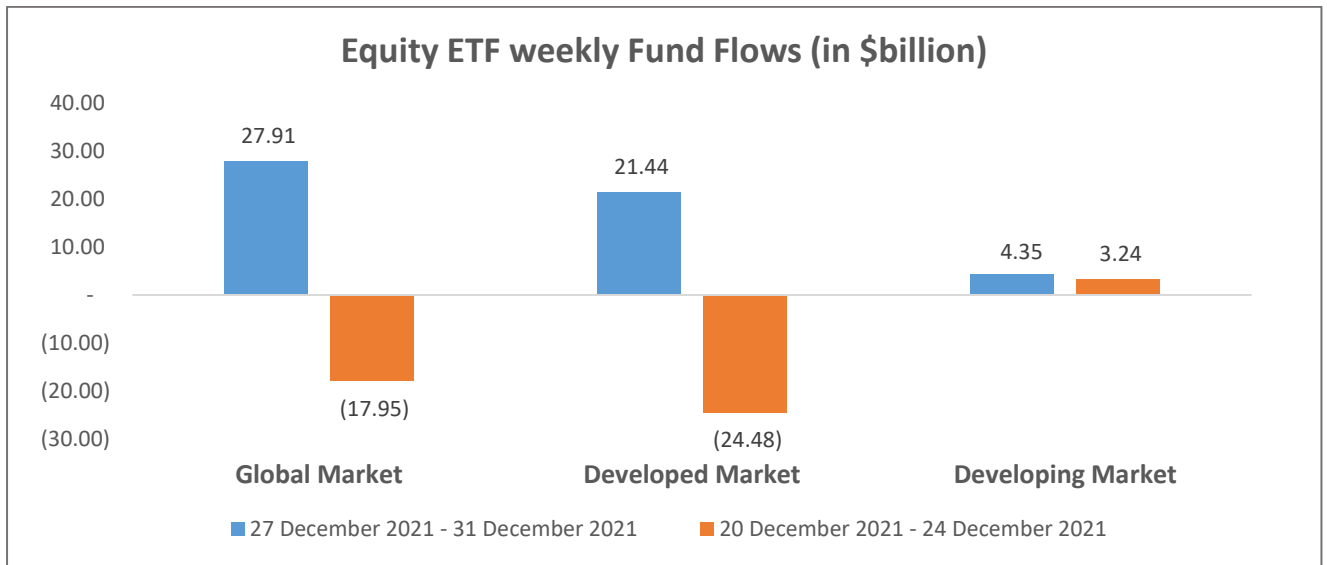
But some items may see gains in 2022. After enduring a year of falling pay, for instance, wage growth is likely to accelerate next year. Rent prices are another area that's unlikely to come back down to earth.

Michael Arone (Chief Investment Strategist, State Street Global Advisors US SPDR): First thing investors should do is blend quality and value in the core of their equity portfolios. So here's the thing Brian, in the early days of the stock market recovery during the pandemic, companies that didn't earn any money did just fine, I think it was indiscriminate buying.

But interestingly enough, since May of 2021, companies that earn a profit have outperformed those that don't. And in fact, over the last three months, companies with healthier balance sheets, more stable earnings and dividends have outperformed the market by 6.5%.

And on the value side, we expect as the economy recovers, rates and inflation drift higher, those value stocks will continue to do well in 2022. If we can just get past the surge, which I expect sometime in the first quarter, we think value is a good place to be as well.

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

We believe that global risk assets are in the process of making long term tops even though they are largely sideways as of now. We expect global equities to remain sideways for a few more weeks before we see a deep correction. We believe that inflationary pressures are peaking out in the western world and FED's rate hike cycle will be a lot more modest than what the current dot plot would suggest. This would pave the way for the biggest ever bull run in gold prices over the next few years. We continue to be bullish on long term US Treasuries while we remain long term bearish on crypto currencies. We continue to be medium term bullish on Euro.

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