



PACE 360

Weekly Report and Outlook on Global Markets

07th Jan 2022

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MARKET DEVELOPMENTS

U.K. Inflation Builds with Companies Planning 5% Price Increases

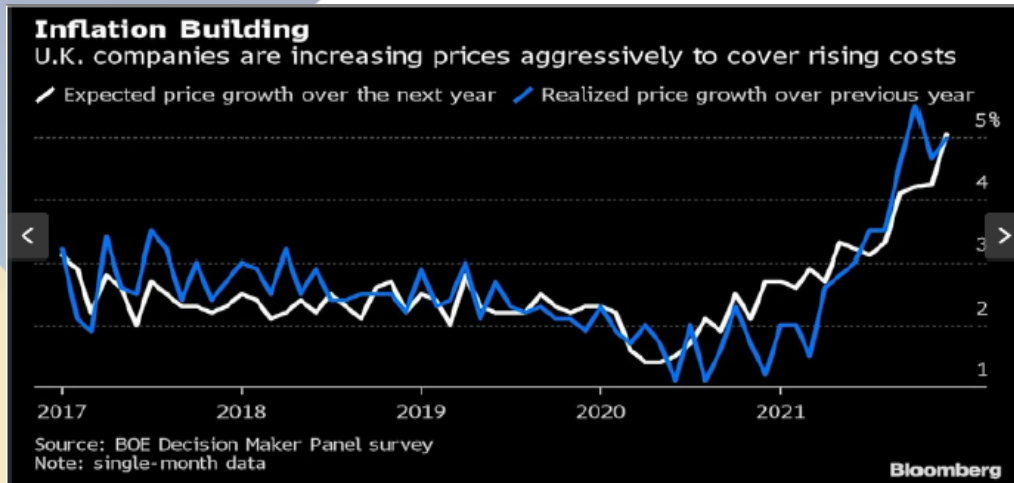


Figure 1: The above chart shows expected price growth of UK companies over the next years

British companies are planning to boost prices by 5% in the next year, a Bank of England survey showed, indicating increasing inflationary pressures across the economy.

The reading, contained in the central bank's monthly Decision Maker Panel survey of chief financial officers, was up sharply from 4.2% in November. It was the highest figure since the survey began in 2017.

The findings add to pressure on policy makers led by BOE Governor Andrew Bailey to rein in consumer-price growth that the central bank expects may reach 6% this year, triple its target. The surge in inflation reflects supply-chain pressures made worse by spread of the omicron variant of the coronavirus.

Electric cars hit 65% of Norway sales as Tesla grabs overall pole

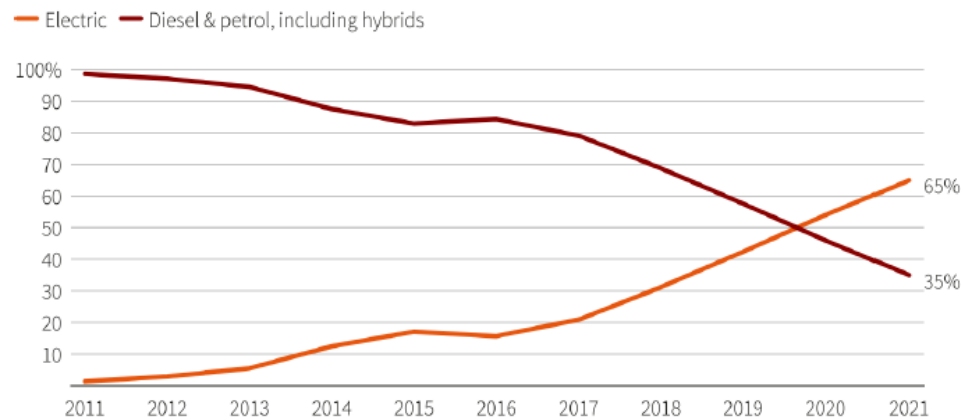


Figure 2: The above chart shows increase in share of electric cars in Norway

Electric cars made up nearly two thirds of Norway's new sales in 2021, with Tesla (NASDAQ:TSLA) the top selling automobile brand overall, as the country pursues its goal of becoming the first to end the sale of petrol and diesel cars. While Norway, with a population of 5.4 million, has the world's highest proportion of electric vehicles, China with its 1.4 billion people is by far the biggest overall car market. Oil-producing Norway has encouraged the switch to zero emission cars by exempting battery electric vehicles (BEVs) from taxes imposed on internal combustion engines (ICE (NYSE:ICE)).

This tax break is expected to help drive the proportion of overall electric sales as high as 80% in 2022, ahead of a deadline to end petrol- and diesel-powered car sales by 2025.

MAJOR MOVES THIS WEEK

Currencies

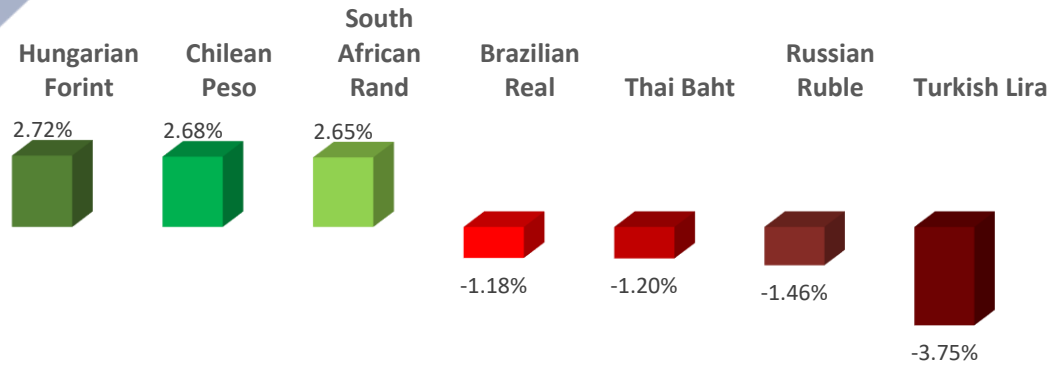


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen mixed performance in the global currencies. Euro remained sideways; British pound appreciated, and Yen depreciated against the Dollar this week. Overall, this week the dollar lost the previous gains.

Equity Indices

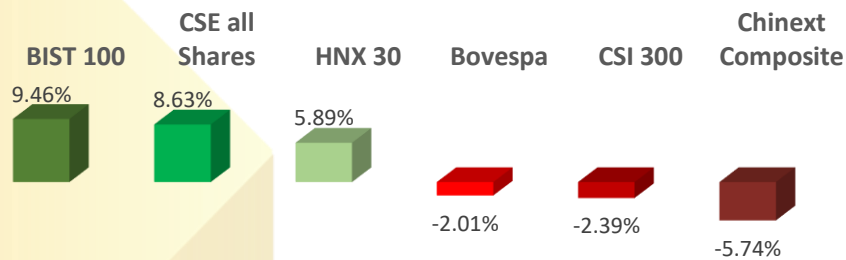


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen mixed performance in the global equities markets. European equities have performed mixed with major index gaining while Euro Stoxx 600 losing during the week. Developing markets have performed weakly. Nasdaq 100 and S&P 500 corrected sharply during the week.

Commodity Futures

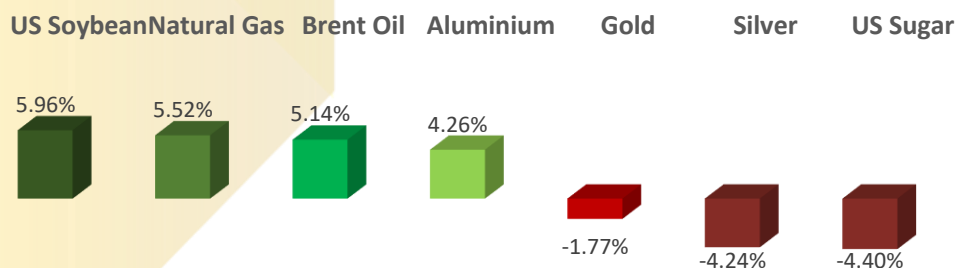


Figure 5: The chart represents the Commodity returns over the week.

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

GLOBAL FUND MANAGERS' STATEMENTS

Byron Wien (Vice chairman of Blackstone's private wealth solutions business): "The price of gold rallies by 20% to a new record high. Despite strong growth in the U.S., investors seek the perceived safety and inflation hedge of gold amidst rising prices and volatility. Gold reclaims its title as a haven for newly minted billionaires, even as cryptocurrencies continue to gain market share,". This would also mark a reversal of a bearish trend in gold, which saw prices fluctuate between \$1,850 and \$1,650 for most of 2021 despite annual inflation in the U.S. rising to the highest level in 39 years. Gold has also been competing with bitcoin for investors' safe-haven appetite throughout 2021.

If Wien's prediction proves correct, gold will hit new record highs of above \$2,160 an ounce this year. Wien explained that a "surprise" event is something he believes is "probable" (has a more than 50% chance of happening), but an average investor would only assign "a one out of three chance of taking place.

Ray Dalio (Co-chief investment officer, Bridgewater Associates) : According to billionaire investor Ray Dalio, it's reasonable for everyday investors to hold a small amount of bitcoin, the largest cryptocurrency by market value. Dalio owns "a little bit" of bitcoin himself, he previously disclosed. Dalio acknowledges that bitcoin has "pros and cons": Though it has become prominent, he told Green he has concerns about the government outlawing the cryptocurrency and about its use in ransomware attacks.

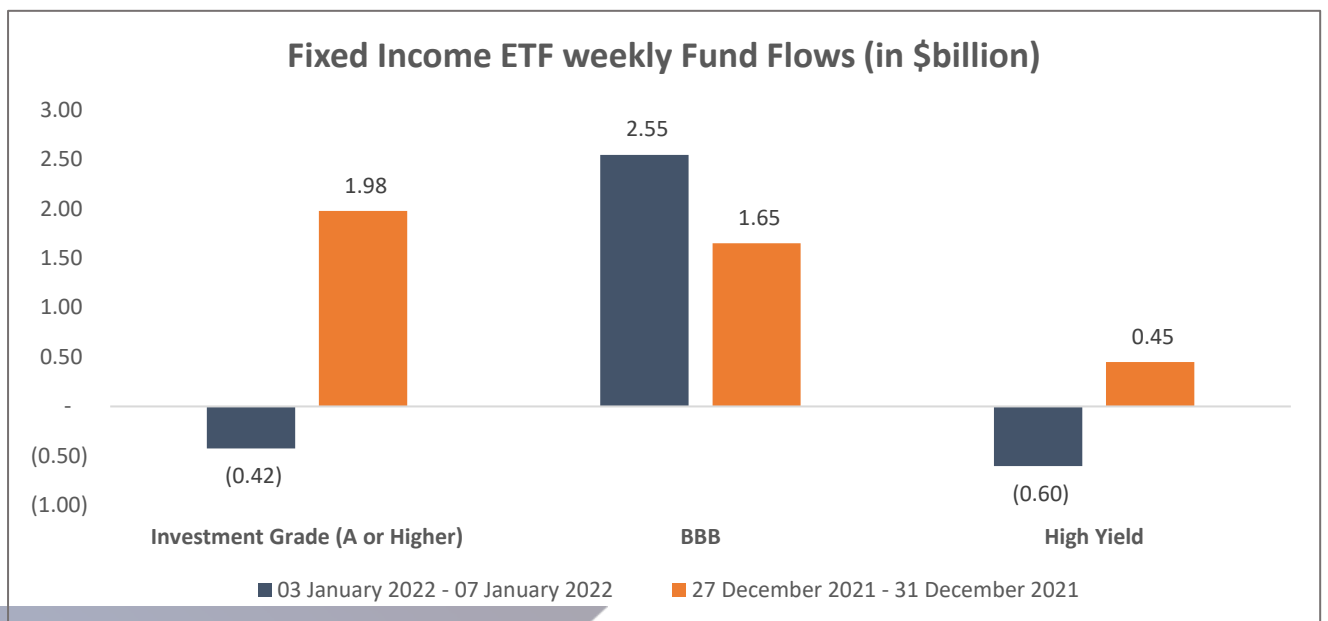
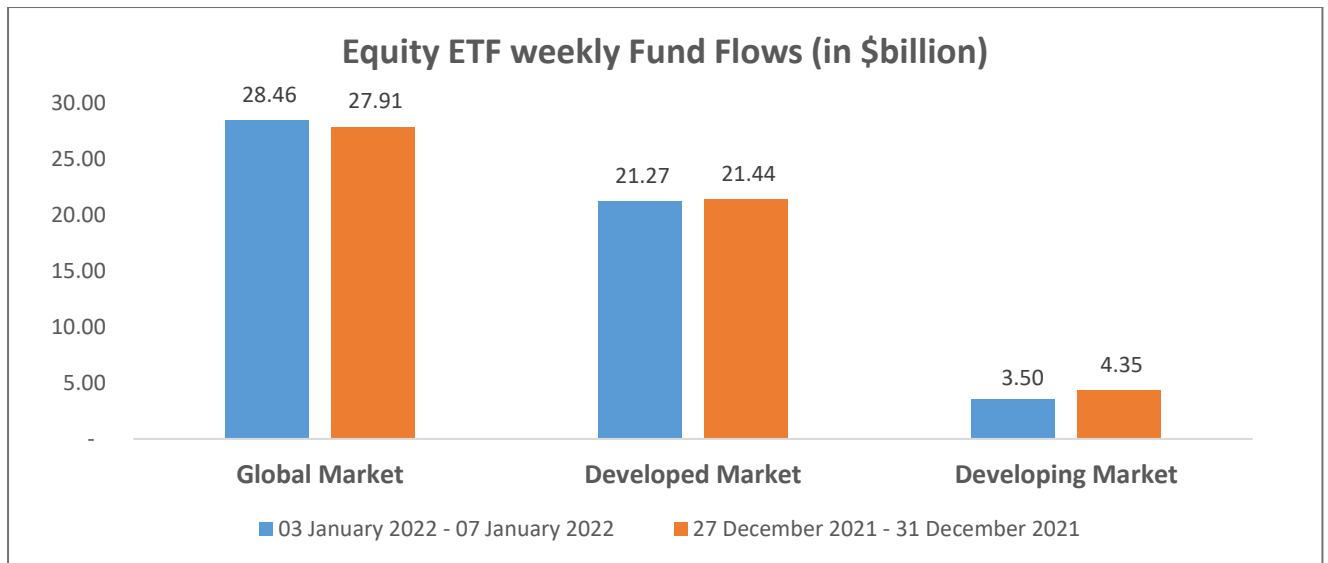
That's in part why his stance on the cryptocurrency isn't "black and white," Dalio said. Dalio also touched on the fact that bitcoin is seen as a digital gold and hedge against inflation by its supporters. He said it can be compared to gold, because, by design, there is a limited supply of bitcoin. "I think over time, inflation-hedge assets are probably likely to do better." "That's why I'm not favorable to cash and those types of things." Diversification is extremely important. But even when it comes to bitcoin, "one wonders, when does somebody take the money they made in bitcoin and then diversify that? There are other things that are developing, not only other coins, but nonfungible tokens and other things that become popular with that crowd. Does that diversify [bitcoin]?"

Mark Mobius (Founder of Mobius Capital Partners): "The companies that are earning money, have good earnings growth and, most importantly, strong balance sheets are the ones that will survive and do well. So the index may be affected. But I think you have to be very careful and not just looking at the index, but looking at individual companies," he said

Companies like Metropolis Healthcare are likely to perform well going forward, he said.

Mobius Capital Partners has remained bullish on India. In September, he had told that Mobius Capital Partners had roughly almost 22 percent of its whole portfolio in India, which was more than China or any other country.

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

S&P500 made its all time high in the first couple of days of the new year and then sharply corrected in the latter part of the week. The biggest tumble came in the Nasdaq stocks as the US 10 year bond yields made a fresh 52 week high. We believe global equities will largely remain sideways for the next few weeks even though some of the key global indices clearly seem to have made their tops in the last few days. Gold has weathered the rise in US 10 year yields rather well and should be a top performing asset class over the next few years. We expect US 10 year yields to top out in the next few days and then begin a downward journey. Euro still seems to be in bullish zone and will have a sanguine impact on EM assets in the near term.

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