



PACE 360

Weekly Report and Outlook on Global Markets

14th Jan 2022

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MARKET DEVELOPMENTS

U.S. venture capital deals notched all-time high of \$330 billion in 2021

U.S. venture capital deals activity

Venture capital activity in the United States reached an all-time high in 2021

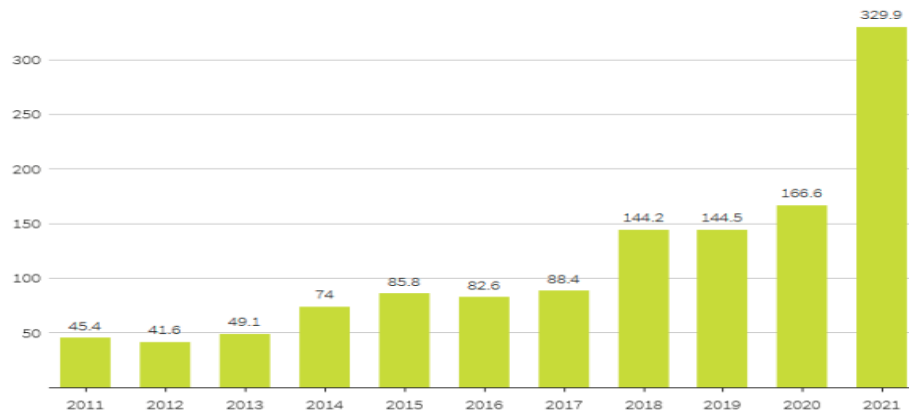


Figure 1: The above chart shows U.S. venture capital deals year wise

Venture capital dealmaking in the United States reached an all-time high in 2021 at nearly \$330 billion, buoyed by excess liquidity and an accommodative monetary policy. Venture capital firms ramped up bets on technology, biotech, healthcare and fintech sectors, announcing a record 17,054 deals in the year. It was also the best year on record for VC fundraising, which hit \$128.3 billion across 730 funds. The figure, which breached the \$100 billion-mark for the first time, was \$40 billion higher than the previous record in 2020

LG Energy Raises \$10.7 Billion in South Korea's Biggest IPO

Among Giants			
LG Energy Solution's IPO is the world's second-largest over the past year			
Company	Size		Listing venue
Rivian Automotive	\$13.7 billion		New York
LG Energy Solution	10.7		Seoul
< China Mobile	8.6		Shanghai
China Telecom	8.4		Shanghai
Kuaishou Technology	6.2		Hong Kong
Coupang	4.6		New York
DiDi Global	4.4		New York

Figure 2: The above chart shows world's largest IPOs of year 2021

LG Energy Solution priced shares to raise 12.75 trillion won (\$10.7 billion) in South Korea's biggest initial public offering, setting aside concerns about battery fires that led to a mass recall of Chevrolet Bolt electric cars. The offering was 2,023 times subscribed by institutional investors. By 2025, almost half of all electric cars made in the U.S. might use LG Energy's battery cells.

MAJOR MOVES THIS WEEK

Currencies

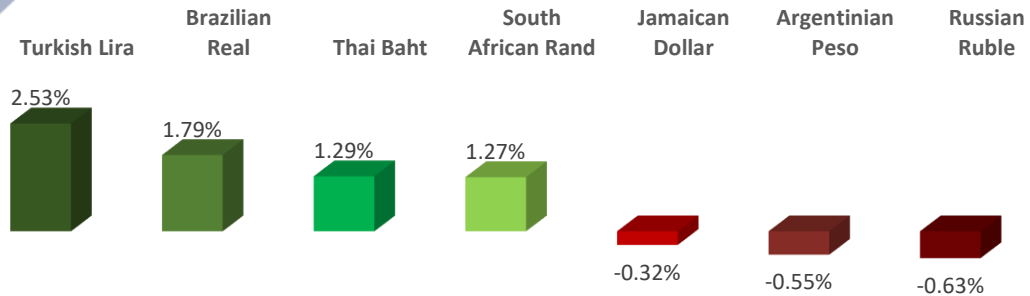


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen strong performance in the global currencies. Euro, British pound and Yen appreciated against the Dollar this week. Overall, this week dollar has lost its previous gains.

Equity Indices

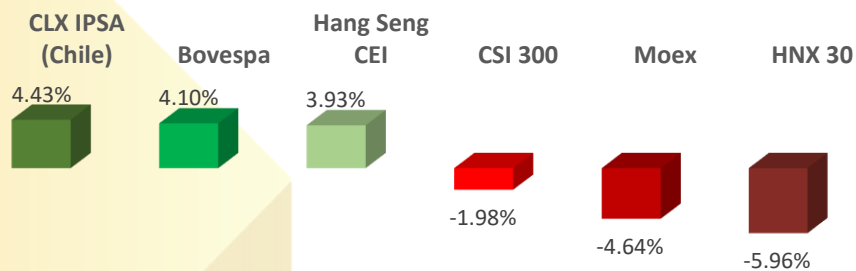


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen strong performance in the global equities markets. European equities have performed mixed with some major index gaining while Euro Stoxx 600 losing during the week. Developing markets have performed strongly. Nasdaq 100 and S&P 500 have shown sharp moves during the week, Nasdaq and S&P500 closed sideways for the week.

Commodity Futures

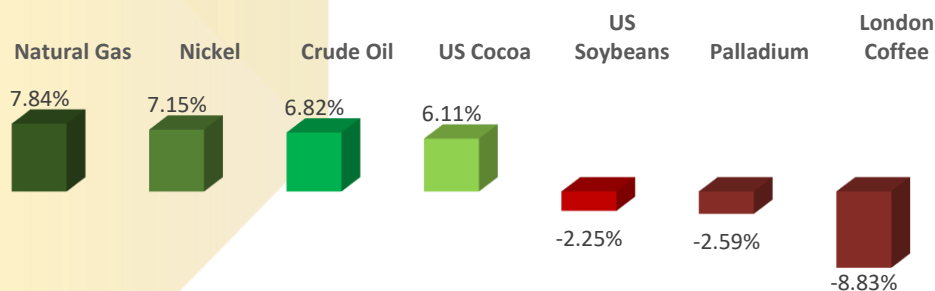


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a strong 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 appreciated. We have seen mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Jeffrey Gundlach (Double Line CEO): Inflationary pressure is building," Gundlach said. "If we look at the economy ... it's undeniable that's been supported by the quantitative easing and the Fed's balance sheet expansion. And since that's going away, it is just not plausible to think that we don't have more headwinds in 2022 for risk assets and, ultimately, for the economy. The signals from the bond market are starting to look a little bit like a pre-recessionary period."

Gundlach clarified that he is not calling for an imminent recession, but the U.S. consumer confidence and the yield curve data point to a potential slowdown. "We are going to be more on recession watch than we've been for the past two years," he said. The word "recession" or "recessionary" was mentioned 16 times during Gundlach's webcast as he listed numerous warning signals to watch out for. "It's getting to the point where the yield curve is starting to flash a weaker economy ahead," Gundlach said as he explained his analysis. "These are not recessionary yet, but similar to that consumer confidence, they are no longer sending a 'don't worry, be happy' signal. They're sending a 'start paying attention' signal. And we'll certainly be doing that as the year unfolds."

When looking at rising wage growth, the Fed does seem "pretty far behind the curve," which explains its latest hawkish shift. "It seems like every time [Fed Chair Jerome Powell] speaks, he's getting more and more hawkish about the potential need to raise interest rates," Gundlach pointed out. How aggressive could the central bank be this year? Gundlach sees rates going up to 1.5% before the bear market and recession pressures start to weigh on the economy. "When the next recession comes, the U.S. is going to have a challenge on its hands about what to do with the Fed funds rate, particularly if they have to reverse course at 1.5% or so, which may very well be the case," Gundlach stated. Inflation will remain high throughout 2022, and it is going to be above what most people are pricing in, the DoubleLine CEO added. "Economists think it's going to go back down to about 2.5% by the first quarter of 2023. That's a little bit of wishful thinking when we're starting up at around 7%," he said.

Ray Dalio (Founder of Bridgewater Associates): He said investors need to be mindful of the current inflationary environment and stop viewing cash as a safe investment. "The mindset needs to change in which everybody looks at the returns in real terms," Dalio, the founder of Bridgewater Associates, told a virtual UBS Greater China conference this week. "In other words, inflation adjusted because you want buying power, that's what you're trying to store."

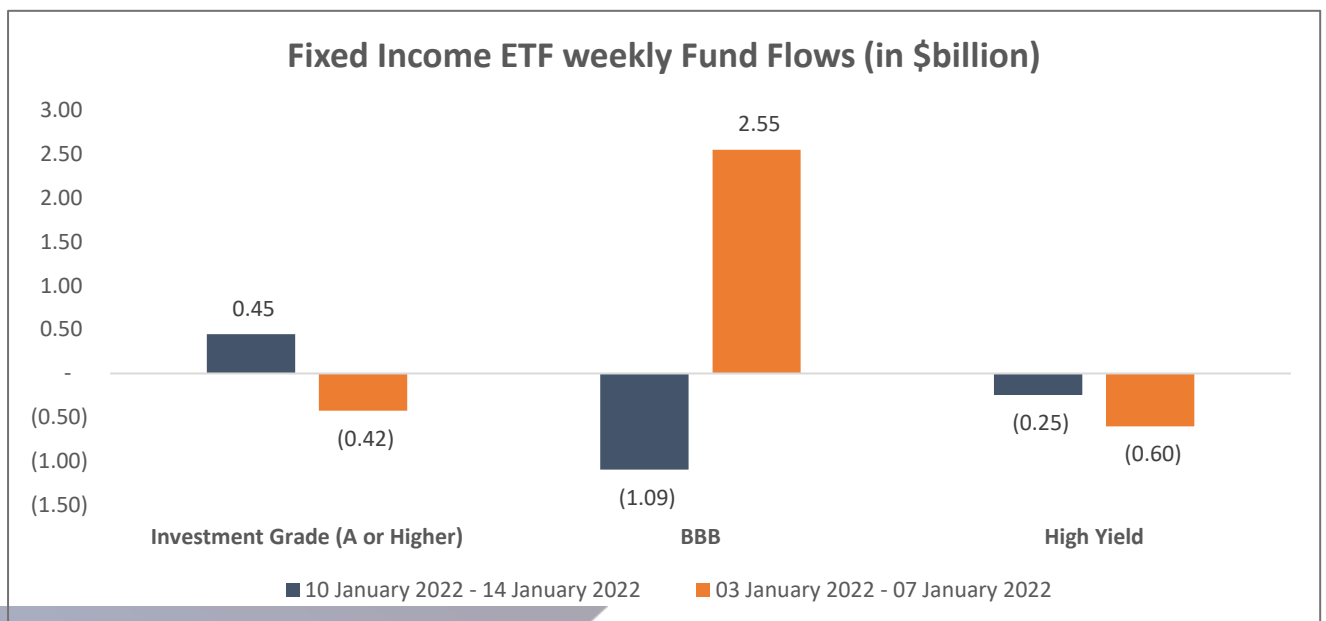
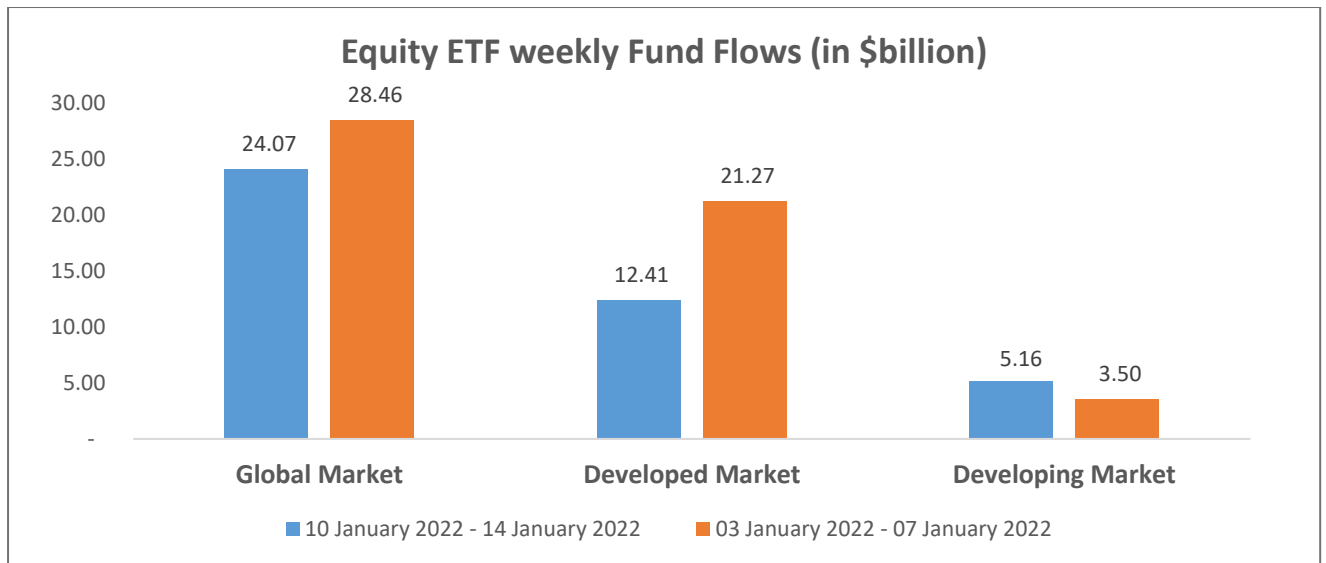
"If you're holding an asset that has very little return virtually and is not volatile, but loses to inflation.., you have to start to look at that and so basically for the most part underweighting or under-using that cash," he said. Instead, he suggested investors stay very well diversified, in terms of currency and geography, without elaborating further. Dalio also endorsed China's campaign to promote "common prosperity" among its people. He said Chinese leaders understand a cycle in which the country gets rich first and then makes effort to distribute opportunities in a more equal way.

Jamie Dimon (CEO, JPMorgan Chase): Megabanks including JPMorgan Chase and Citigroup are disclosing that hot inflation in one area — employee wages — is casting a shadow over the next few years. JPMorgan's professional class in particular — trading personnel, investment bankers and asset management employees — have seen pay swell during two straight years of strong performance. "Please don't say I'm complaining about wages; I think wages going up is a good thing for the people who have the wages going up," Jamie Dimon, the bank's chairman, said. "CEOs shouldn't be crybabies about it. They should just deal with it

Julian Emanuel (Evercore ISI): Market bull Julian Emanuel sees a dot-com era dynamic that could shatter the S&P 500's record highs. In his first TV interview since starting at Evercore ISI, Emanuel emotionally charged public could drive the index to 5,509 this year.

"They really haven't committed sort of every last dollar in the way that was the case in '99 and '00," the firm's senior managing director of equity, derivatives and quantitative strategy said Monday. "If you get that kind of emotion, particularly if the pandemic turns endemic at mid-year, that's how you get that kind of overshoot."

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

US equities had a negative week while EM equities had broad-based gains. We expect global equities to broadly remain range bound for a few more weeks. However, we do believe that US equities have peaked out for the long term and we also believe that the big move for global equities over the next few years is going to be down and not up. We believe Euro may have peaked out for now even though we remain long term bullish on the same. We believe US long term Treasury yields are close to their intermediate peak and will move down eventually. We remain long term bullish on gold and we remain long term bearish on crypto assets.

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