



PACE 360

Weekly Report and Outlook on Global Markets

25th Feb 2022

Market Developments	2
Major Moves This Week	3
Global Fund Managers' Statements	4
PACE 360's Future Outlook	5

MARKET DEVELOPMENTS

Russian Aluminum Giant Rusal Tumbles on Fresh Sanction Fears

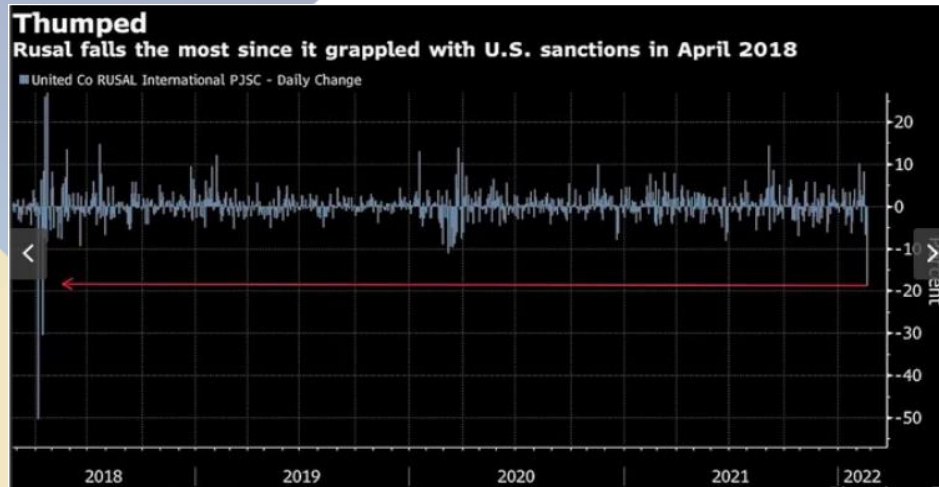


Figure 1: The above chart shows daily performance of United company Rusal international PJSC

United Co. Rusal International PJSC tumbled as much as 22% in Hong Kong as investors monitored the dramatic escalation in the West's stand-off with Moscow over Ukraine. That's the biggest fall since April 2018, when Rusal was hit by an earlier round of U.S. sanctions in response to what the U.S. Treasury then called Russia's "malign activity around the globe". The Ukraine crisis adds to risks for the major aluminum producer amid fears that rising tensions or further conflict in Ukraine could disrupt trade flows or trigger fresh sanctions against Russian entities.

South Korea Approves Extra Budget Amid Largest Coronavirus Wave

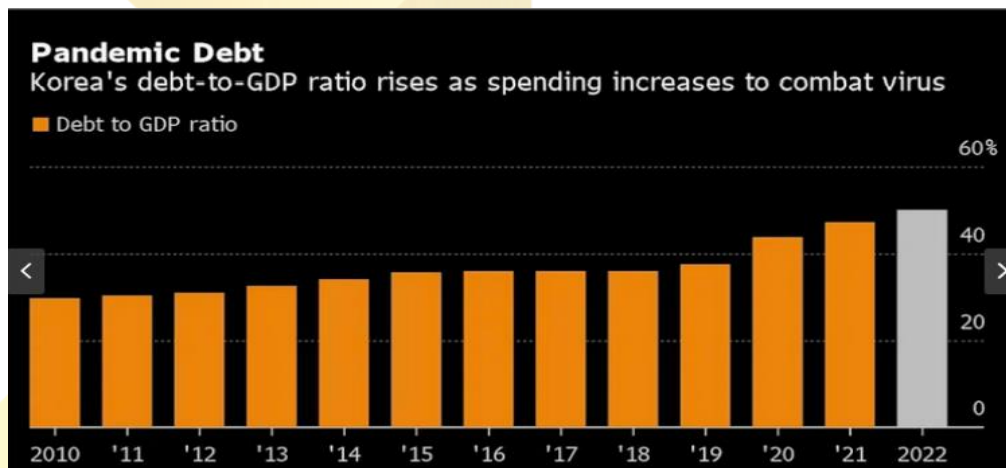


Figure 2: The above chart shows year wise Debt to GDP ratio of South Korea

South Korea's parliament passed a larger-than-planned first extra budget of the year as the government tries to shore up parts of the economy worst hit by the nation's biggest coronavirus outbreak of the pandemic. The 16.9 trillion won (\$14.2 billion) budget, approved by parliament late Monday, is aimed at compensating losses to businesses that have been laboring under some of the strictest conditions since Covid-19 erupted, as virus cases rose from thousands a day to over a 100,000.

MAJOR MOVES THIS WEEK

Currencies

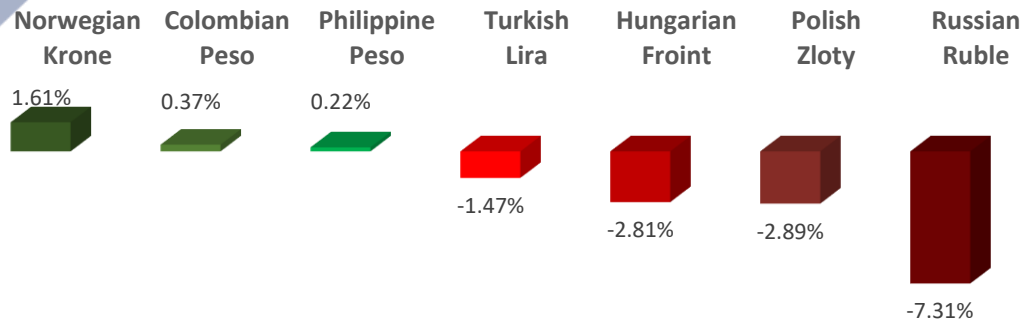


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen very weak performance in the global currencies. Euro, British pound, and Yen all depreciated against the Dollar this week. All major Emerging market currencies depreciated against the dollar.

Equity Indices

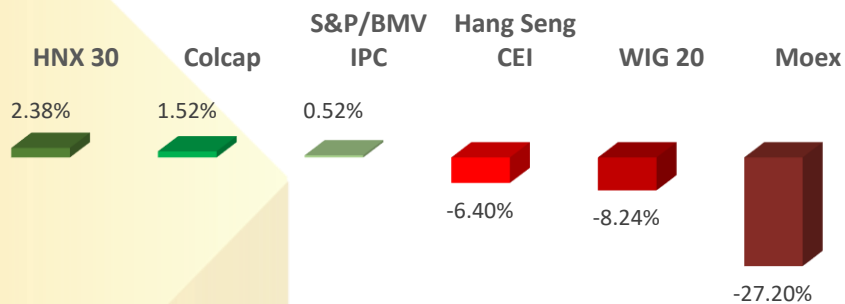


Figure 6: The chart represents the Equity Index returns over this week.

This week we have seen weakness in the global equities markets. European equities have performed weak, Euro Stoxx 600 lost ground during the week. Nasdaq 100 and S&P 500 have shown sharp moves during the week and closed with some gains for the entire week.

Commodity Futures

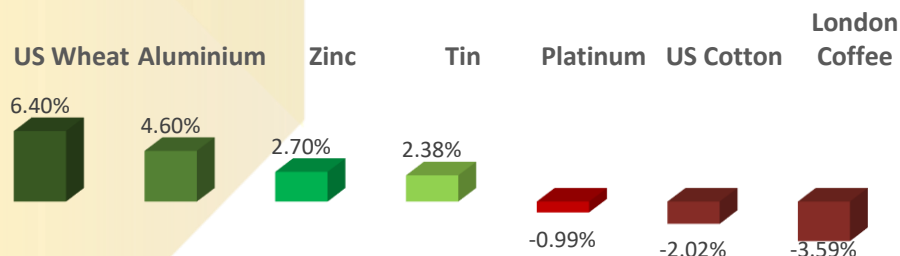


Figure 7: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen strength in industrial metals. Crude and Natural gas appreciated. Gold and Silver have shown sharp moves during the week silver appreciated while Gold depreciated for the week. We have seen mixed performance in agricultural commodities based on major region of production.

GLOBAL FUND MANAGERS' STATEMENTS

Mohamed El-Erian (Chief Economic Advisor at Allianz): El-Erian stressed that unwinding the balance sheet "need not be disorderly. If you can establish and you still have strong fundamentals, people will come in and take the leg up based on something much more lasting than a liquidity regime. The concern we have is by being late, the Fed also puts economic growth in play. And that means earnings become more uncertain. So that's why this is a very delicate period. There is still a window to get this right. But unfortunately, that window is closing."

In any case, El-Erian noted that the stakes are very high — not only in terms of market volatility and a drop in speculative asset prices (which has already been occurring), but also because of potential economic risk.

"In a perfect world, you want people to say this inflation is truly transitory," he explained. "I don't need to change my behaviour. But because inflation has stayed high for so long, people are changing their behaviour. They're asking for compensation, higher wages, companies are raising prices."

Mark Mobius (Mobius Capital Partners): Once the geopolitical crisis is over, the previous peaks will be surpassed and there is no question in my mind that the peak that we have seen in the Indian market, in the American market, in any equity market around the world, will be surpassed. Equities are adjusted to inflation. And if one looks at the record of indices of equity markets, we see they have always surpassed the previous peaks,". In your experience, during a geopolitical crisis, are the rewards in favour of going long or in favour of conserving cash?

Probably going long once the market comes down further. Of course, this is just the beginning. I believe that you will see markets come down but interestingly, not all markets are down. India in its downside has outperformed the S&P 500 but some markets like Saudi Arabia, Brazil are up. So, we have to pick and choose which markets look in.

Du Jun (Co-founder of cryptocurrency exchange Huobi): "Bitcoin may not see a bull market until late 2024 or the beginning of 2025, if past price cycles are any indication, according to the co-founder of Huobi, one of the world's largest cryptocurrency exchanges."

Du Jun said that bitcoin bull markets are closely tied to a process called halving, which occurs every few years.

This relates to so-called miners on the bitcoin network, which run powerful specialized computers to solve complex mathematical puzzles to validate transactions on the bitcoin network. Miners are rewarded in bitcoin as a result.

Halving is written into bitcoin's underlying code and cuts in half the reward that so-called miners get for validating transactions on the cryptocurrency's network. It occurs roughly every four years.

The last halving took place in May 2020, and in 2021, bitcoin topped an all-time high above \$68,000. A similar occurrence happened when halving took place in 2016. The following year, bitcoin hit what was at the time a record high.

PACE 360'S FUTURE OUTLOOK

Global equities rebounded strongly towards the end of the week. Worst of the geo-political events is now discounted, and markets seem to be on a solid footing. We expect risk assets to hold up well in the near term. The next wave down in the unfolding bear market is probably some time away. We expect long term Treasury yields to consolidate in a range before they move down. We expect Industrial metals to be sideways with a bullish bias. EM assets should also perform well over the next few weeks.

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