



PACE 360

Weekly Report and Outlook on Global Markets

04th March 2022

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MARKET DEVELOPMENTS

European natural gas prices halt their record-breaking rally as Russia ramps up flows

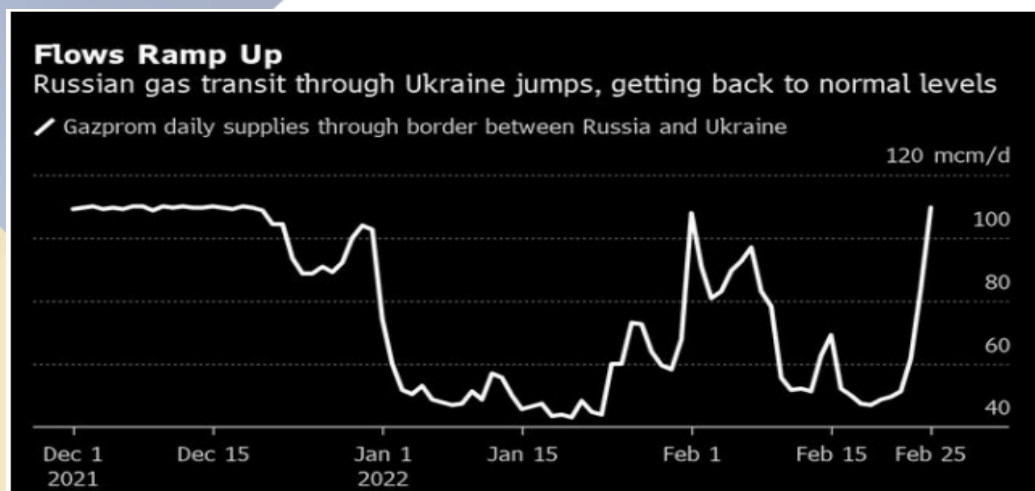


Figure 1: The above chart shows Gazprom daily supplies through border between Russia and Ukraine

European natural gas prices halt their record-breaking rally as Russia ramps up flows. Benchmark Gas futures slide as much as 33% after Thursday's surge. US defends decision not to sanction Russia's energy sector.

So far, flows into global equity funds remain strong

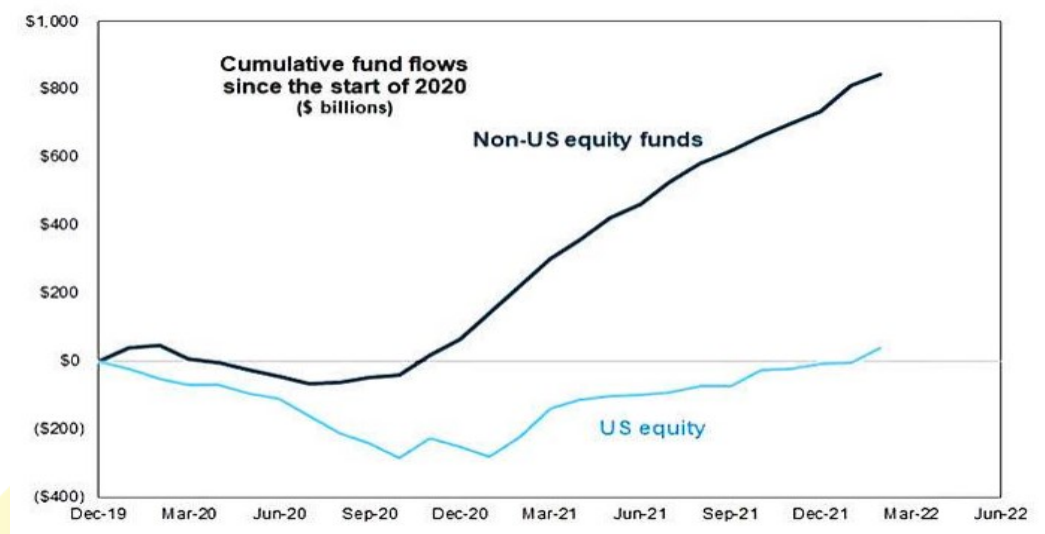


Figure 2: The above chart shows cumulative flows into the Non-U.S. equity funds and U.S. equity funds since the start of 2020

Since the start of 2020 Non-U.S. equity funds attracted massive funds while U.S. equity funds are merely into the positive territory.

MAJOR MOVES THIS WEEK

Currencies

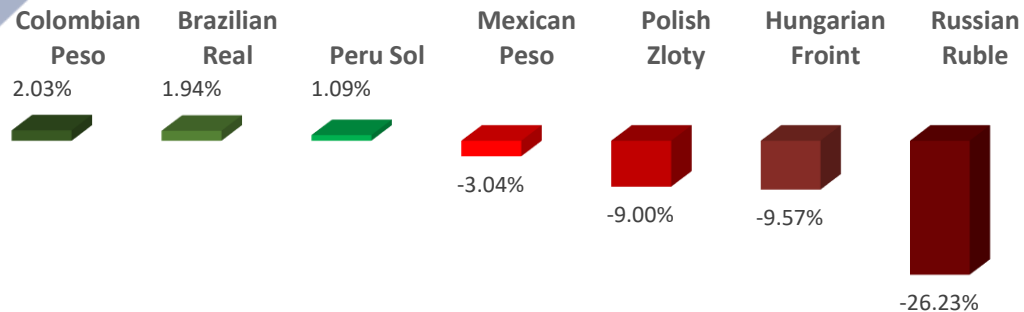


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weakness in the global currencies. Euro and British pound depreciated while Yen appreciated against the Dollar this week. Overall, this week dollar has strengthened.

Equity Indices

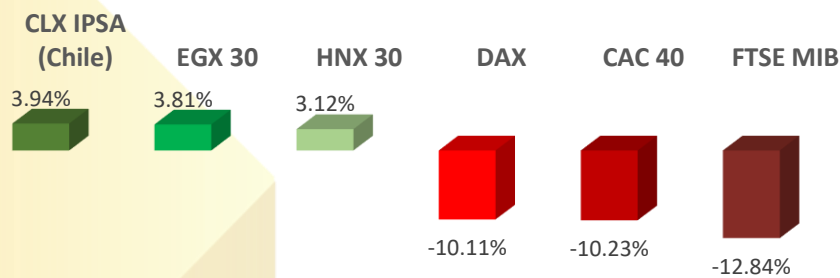


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen volatile performance in the global equities markets. European equities have performed very weak, Euro Stoxx 600 lost ground during the week. Developing markets have performed very weak. Nasdaq 100 and S&P 500 have also depreciated during the week.

Commodity Futures

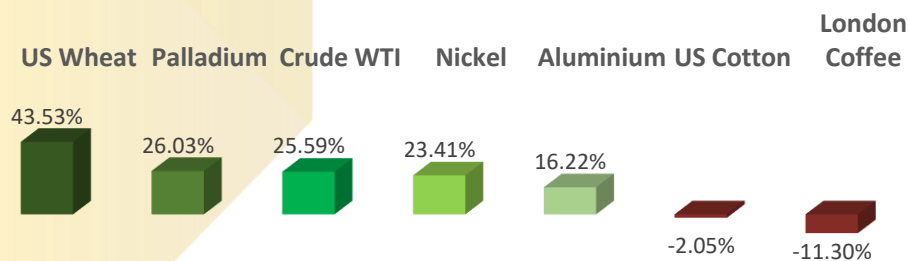


Figure 5: The chart represents the Commodity returns over the week.

Commodities have appreciated during the week. We have seen strength in industrial metals. Crude and Natural gas extended gains during the week. Gold and silver and other precious metals appreciated. We have seen strong performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Jonathan Evans (CEO of Lithium Americas): "Lithium is a metal that is used in almost all electronics today, with a surge in demand over the last two years pushing up the price more than ten times during that time.

The metal's production is concentrated in only a few countries, with 80% of the global production and refining coming from China. This presents a unique national and economic security challenge.

In fact, U.S. National Security Advisor Jake Sullivan has declared that lithium is "essential" to U.S. economic security and "critical" to national security. "Your phones, computers, power tools. It's ubiquitous in everything we do," he said. Lithium Americas (NYSE: LAC) is a lithium exploration company with lithium projects in Argentina and the United States.

According to the company, the Caucharí-Olaroz project in Argentina is advancing towards production and will become the largest new brine operation in over 20 years. The company's U.S. deposit in Nevada is the largest-known lithium deposit in the U.S. It has received Record of Decision from the Bureau of Land Management and is advancing towards construction.

Pierre Lassonde (chairman emeritus of Franco-Nevada and CEO of Firelight Investments): The conflict in Eastern Europe is likely to be protracted, and energy prices will respond by rallying even higher from current levels.

"I think that Mr. Putin calculated that this was going to be an easy, quick win for him, to just roll into Ukraine and essentially put Humpty Dumpty back together, which was what he was trying to do. His plans are not turning out exactly as he had wished. With the Germans now changing tack and saying, we're going to provide military help, that has changed the possible outcome of this war quite dramatically. The longer it lasts, the more profound the impact is going to be, particularly on the energy market. If this goes on for two, three weeks, a month, I think you're looking at \$200 oil,"

Lassonde noted that with higher energy prices comes higher, sustained inflation. "We are seeing the same pressure today on inflation as we saw back in the 1970s", he said. "From 1976 to 1981, you had inflation going up every year, we had interest rates going up every year, you had the dollar going up every year, and you had gold going up every year. That's what we're going to see for the next four years."

On what the Federal Reserve is likely to do next in response to higher response, Lassonde said "it doesn't matter." "The Fed is in a box," he said. "They cannot raise interest rates more than 1.5% without putting the economy back in the toilet. They have nowhere to go. Mr. Powell has to feel like a porcupine in a balloon factory. It doesn't matter because the real rate of interest, which is what really matters to gold, is going to stay deeply negative for the next four years, which is exactly what happened in the 1970s."

Ken Griffin (Chief executive officer, co-chief investment officer, and 85% owner of Citadel LLC.): "A wide range of financial sanctions have been imposed on Russia due to the war in Ukraine. Russia has been suspended from SWIFT, the global interbank payments system. According to Reuters, the SWIFT system is used by almost all financial institutions worldwide to wire sums of money to each other. SWIFT is foundational for the international payments system. Griffin said that the sanctions imposed have "weaponized the dollar." "The U.S. dollar is the reserve currency for the world. That's an incredible asset for our nation, particularly as our nation faces record levels of indebtedness," said Griffin.

"When we put on the table that your dollars will be seized or you can't move dollars, we are telling the rest of the world to embrace other currencies in their portfolio, and we diminish the value of the dollar as the world's currency. American taxpayers are going to pay for this in the form of higher interest rates on our debt. It hurts our country in a profound way."

Mark Bristow (CEO of Barrick Gold): The crisis in Ukraine remains precarious, with no clear path to resolve the conflict, but what is clear is that protracting the war will be highly detrimental to financial markets.

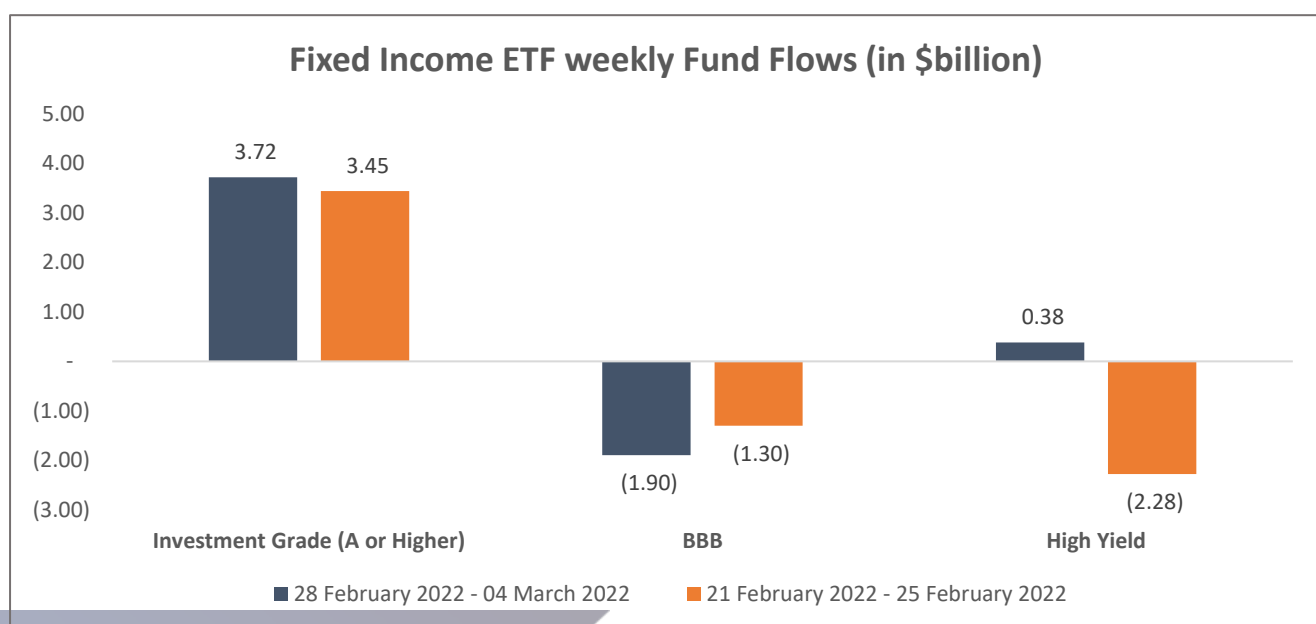
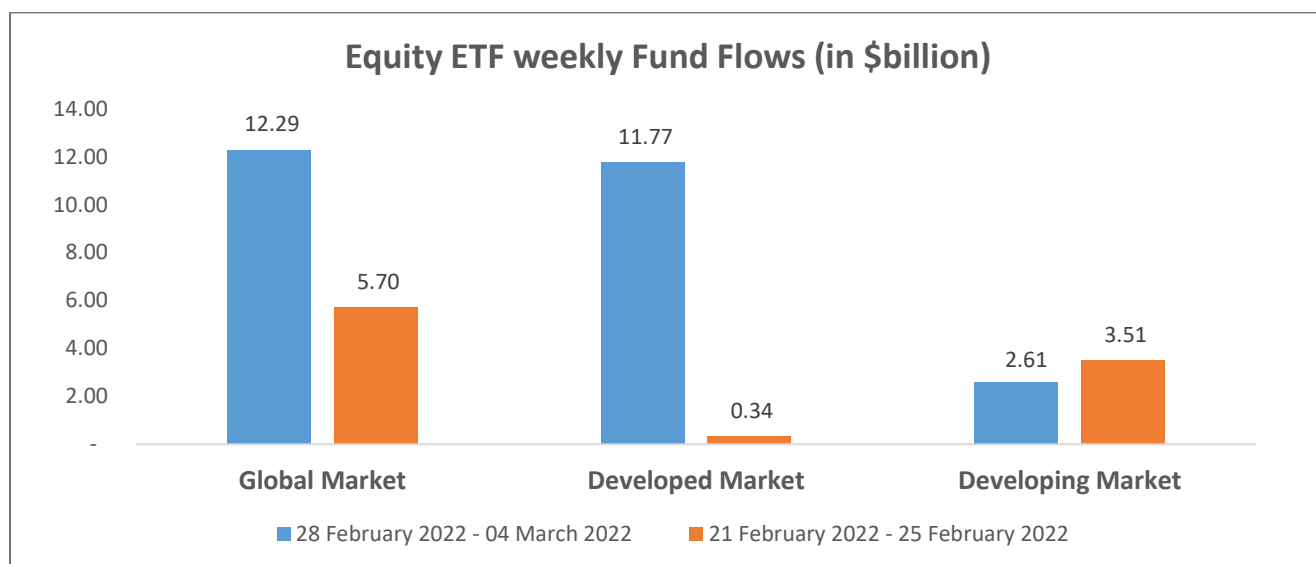
Bristow said that even though the conflict is so far only contained within Ukraine, the economic ramifications are global.

"If you look at this crisis, there's a whole lot of potential of unintended consequences. We've got very hot markets, and we are now going to really stress the global economy out. Everyone's going to be impacted. If this goes on for much longer...the threat of that is it could collapse the market," Bristow said.

After a series of sanctions imposed by Western nations, Russia's central bank raised its key interest rate on Monday to 20% from 9.5% in an emergency move in a bid to stop capital outflow from the country.

"And remember, we're in the longest bull run, ever, and markets don't go up forever. So, the whole thing is turned into, like, running in the dark right now," Bristow 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 worsening Ukraine crisis has upended the global financial markets. Risk premiums have skyrocketed across asset classes. We expect a gradual normalization to happen in the financial markets over the next 5-6 weeks. Hence equities should rebound over time just as commodities are expected to plateau out soon. We expect US Treasury yields to climb up over time and gold to become sideways in a range of 1900-2000 dollars a troy ounce.

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