Weekly Report and Outlook on Global Markets

18th Mar 2022

Foreign holdings of Kospi stocks drop to the lowest in nearly 12 years

Figure 1:The above chart shows foreign holdings of kospi stocks

Foreign investors hold less than 30% of the shares in companies listed on South Korea's benchmark Kospi, the lowest level since August 2010. Samsung Electronics Co. has seen an outflow of 1.6 trillion won ($1.3 billion) in foreign funds since the onset of Russia's war in Ukraine, the biggest amount of net-selling on the index, followed by LG Energy Solution and Hyundai Motor Co. Foreign investors see a lower profit outlook for Korea on the recent devaluation of the won against the U.S. dollar, geopolitical risks and U.S. policy-tightening risks.

Global investors conducted biggest net selling of Chinese stocks in two years

Figure 2: The above chart weekly buying/selling by overseas investors of Chinese stocks

Global investors are fleeing Chinese shares as rising commodity inflation and geopolitical tensions further darken the country's economic outlook. They sold a net 36 billion yuan ($5.68 billion) of mainland stocks via trading links with Hong Kong last week, the most since March 2020, amid a war-induced global shift away from risky assets and waning confidence in the world's No. 2 economy. There was disappointment at policymakers' reluctance to introduce stronger measures to reinvigorate a depressed housing market. The risk of sanctions on Chinese companies due to Beijing's overture toward Russia also hurt investor sentiment.

MAJOR MOVES THIS WEEK

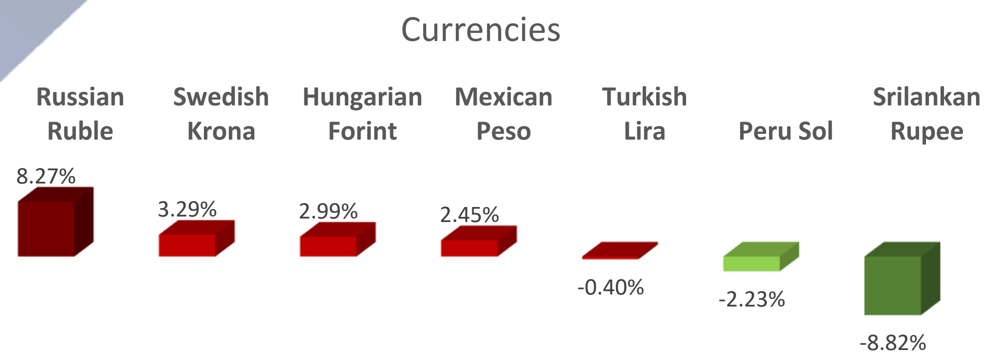


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen outperformance in the global currencies. Euro, British pound, and Yen all appreciated against the Dollar this week. Emerging market currencies have given a mixed performance against the dollar.

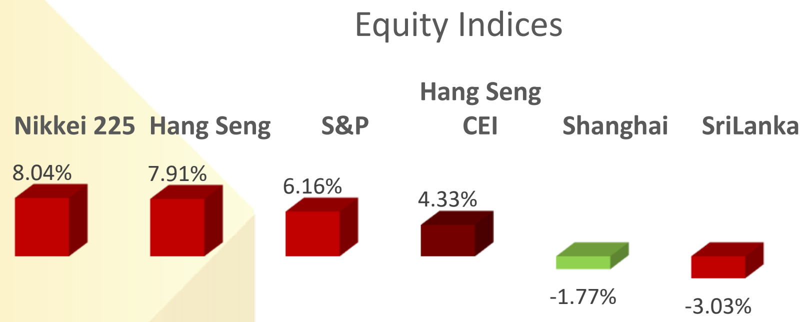


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen risk on moves in the global equities markets. European equities have performed strongly, Nasdaq 100 and S&P 500 have shown sharp upside moves during the week. Global equity performed this week. On average basis European equity gained 5 % point this week .

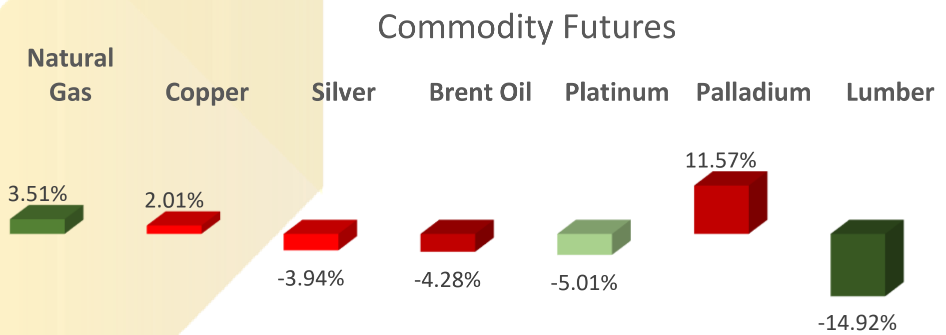


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen stability in industrial metals, n. Crude and Natural have lost some previous gains during the week. Gold and Silver have shown down moves during this. We have seen mixed and volatile performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

David Rubenstein (Cochairman, Carlyle Group): The big lesson of Russia-Ukraine with respect to energy is we are still very dependent on carbon, Europe is still very dependent on carbon. And while everyone wants renewables and the environmental benefits from it, we still have a very small percentage of our global energy market really coming from renewables,"

"When there's a crisis you can't say, 'Let's get more renewables,' because it's not ready yet," he said. "So I think carbon is gonna be important for quite some time. I wish it wasn't the case, but it's the reality."

Rubenstein added: "The big story at CERA this week is that basically people recognize that carbon is still a major factor in the global energy market. And while there's been more discussion on renewables over the last year than carbon, in truth, carbon energy is still here and we still are very dependent on it – and it's not gonna change any time soon."

Michael Hartnett (Bank of America chief investment strategist): Investors are starting to get very nervous about the market's near-term direction, and it shows in their actions.

"Russia/Ukraine drives fund manager cash levels to highest since April 2020 (COVID), global growth optimism to lowest since Jul'08 (Lehman). Hartnett notes growth expectations among fund managers is at a 14-year low. The majority of those surveyed expect inflation to be "permanent." As for risks, the Russia-Ukraine war is seen as the number one "tail risk" for markets followed closely by a global recession.

Amid these risks, fund managers took their allocation of cash to 5.9% from 5.3% in the prior month. This was the highest allocation to cash since March 2020."Cash levels are rececessionary," Hartnett points out. A rare bright spot is that investors haven't totally thrown in the towel on stocks.

Mark Mobius (Mobius Capital Partners LLP): The Federal Reserve will increase interest rates at a cautious pace in light of Russia's war against Ukraine. "I think the Fed is going to be much more cautious in this kind of environment, which, of course, is happy news for people in the bond market," the co-founder of Mobius Capital Partners said in a televised interview from Singapore. "But they're definitely going to raise interest rates but not as aggressively as they thought they would because of this situation."

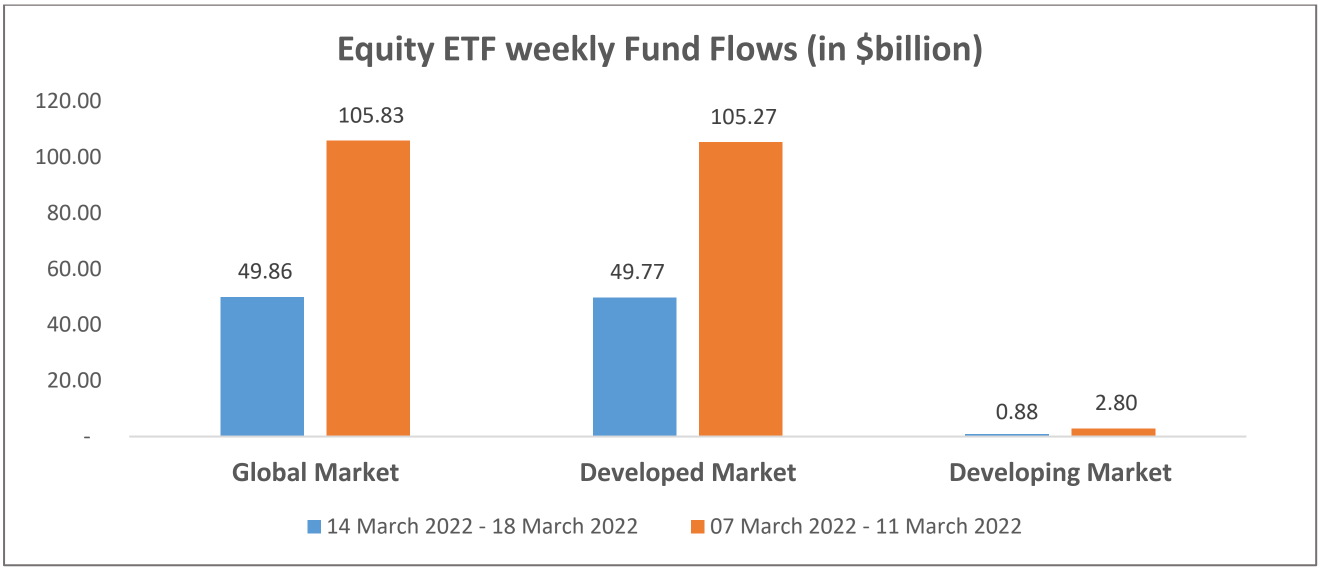
Goldman Sachs said Friday it sees the risk of the US entering a recession as high as 35% as a surge in commodity prices should hurt consumer spending, particularly in lower-income households. But Mobius said he doesn't foresee the world's largest economy shrinking.

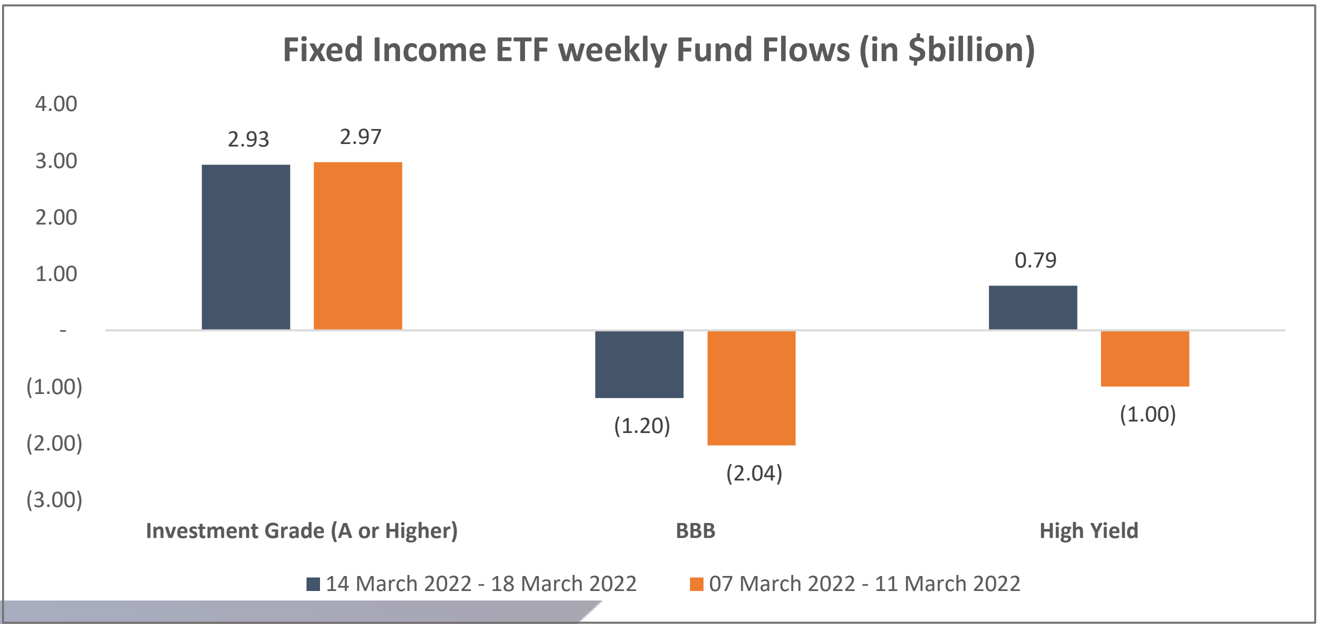
Briton Hill (President of Weber Global Management): Commodities are my go-to. Stocks are a good hedge for moderate inflation, but we are past that. I like gold because it is stable," emphasized Briton Hill. "There are also some good broad commodity ETFs that cover the whole spectrum. I like DBC, which is an Invesco ETF. It covers gold, wheat, oil and all sorts of things. This is a good ETF for investors to hold in their portfolios," Hill continued.

Hill said that gold could trade between $2,500 to $3,000 an ounce and silver could rise to $50 an ounce in the next two years. "Right now, I need to be in something that is preserving my wealth, and that's why gold is a heavy part of my portfolio. It has been for the last couple of years," Hill disclosed. "But times like these create enormous opportunities. There are some screaming deals out there, but it's a matter of weighing the economic factors with the valuations, and then deciding when it's a good time to buy."

"Gold is a favorite of mine, along with silver. But silver is a wild animal, meaning it has massive swings, and it kind of shoots all over the place," Hill added.

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

Global equities just had their best week in a long time. We believe the global equities are still in an uptrend, but the upside potential is somewhat muted now considering the massive burst we have witnessed this week. We believe S&P 500 could move up to around 4600 levels and Nasdaq 100 could move upto around 15000 levels by end of April. We believe industrial commodities will largely remain rangebound in the near term. We believe the longer-term US Treasury yields have topped out and will remain in a range for now. We believe gold will remain rangebound between 1850-2000 levels for the next few months.

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