Weekly Report and Outlook on Global Markets

11th Mar 2022

U.S. Retirement Funds, Heavy on Stocks, Brace for Losses

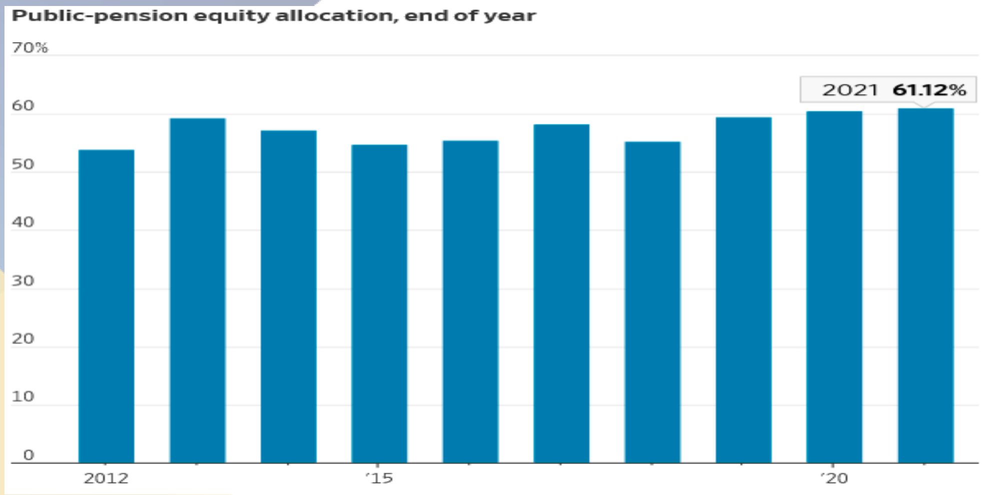


Figure 1:The above chart shows equity allocation of U.S. public pension funds.

Volatile stock markets are eroding the retirement savings of America's teachers and firefighters after public pension systems ended last year with equity holdings at a 10-year high. Public pension funds had a median 61% of their assets in stocks as of Dec. 31, up from 54% 10 years ago.

Chinese ADRs are down almost 70% from record

Figure 2: The above chart shows performance of Nasdaq golden dragon China index as of 16th feb, 2021

Global investors are losing faith in China's ability to navigate an increasingly complex maze of challenges. Global funds rapidly reducing China exposure. Country's stocks among world's worst since Russia's invasion. Chinese ADRs down 70% from high.

MAJOR MOVES THIS WEEK

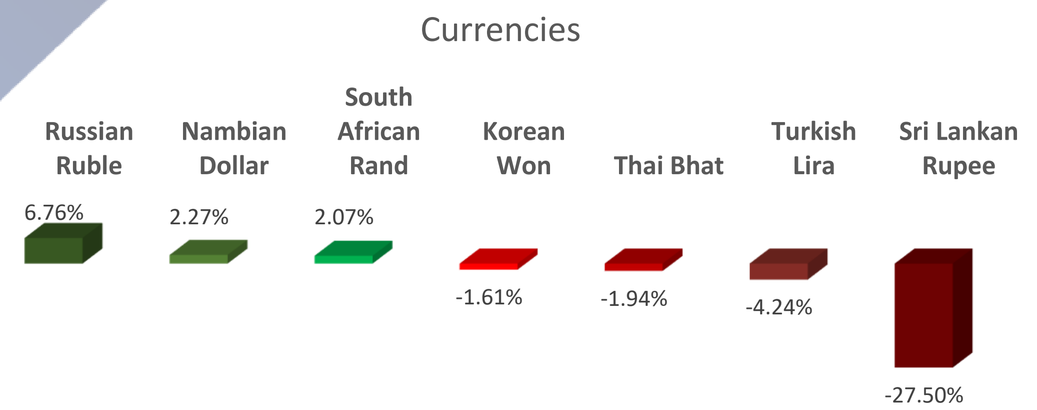


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

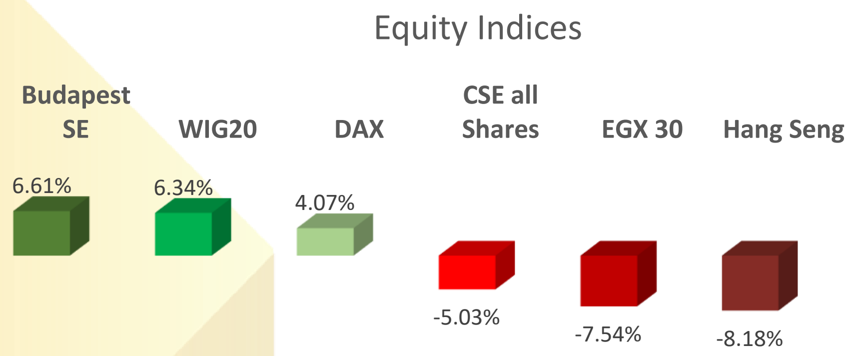


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen volatility in the global equities markets. European equities have performed strongly, Euro Stoxx 600 was a gained during the week. Emerging market equity indices depreciated. Nasdaq 100 and S&P 500 have shown sharp moves during the week and closed negatively for the entire week.

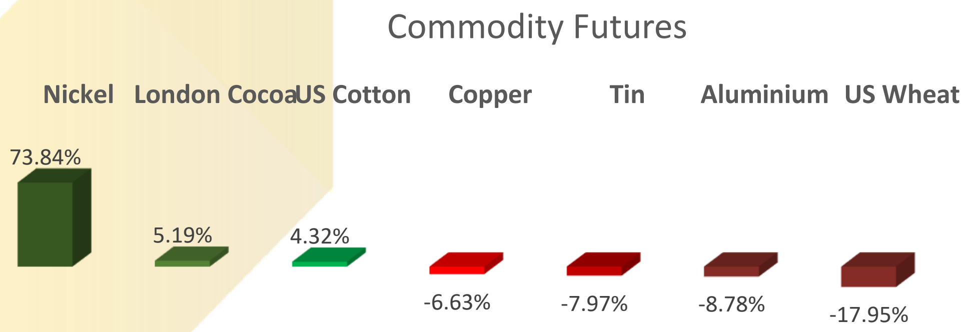


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen weakness in industrial metals, while Nickel has performed strongly on back of supply disruption. Crude and Natural have lost some previous gains during the week. Gold and Silver have shown sharp moves during the week and appreciated for the week. We have seen mixed and volatile performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Jeffrey Gundlach (DoubleLine Capital's) : U.S. inflation may approach 10% this year, according to DoubleLine Capital's Jeffrey Gundlach, a historic level that he said underscores the need for the Federal Reserve to aggressively tighten monetary policy even amid fresh uncertainty caused by Russia's war in Ukraine. he expects the central bank to raise interest rates by a quarter of a point at its March meeting, and sees the consumer price index rising to at least 9% before reaching a peak. Inflation may end the year as high as 7.5%, Gundlach said, with surging prices leading to "demand destruction" as food and energy soak up more of household budgets.

The economic outlook is "substantially worse" now than it was in September, he added. Gundlach reiterated his long-term bearish position on the U.S. dollar and cited an "insanely high" budget deficit, while recommending investors sell U.S. equities and buy emerging-market stocks.

Mark Mobius (Founder of Mobius Capital Partners LLP): Mark Mobius does not see any stagflationary situation for India as the founder of Mobius Capital Partners expects the country to grow rapidly at five percent annually or more.

''On average, I expect a 15-20 percent return from Indian markets over a three-to-five year period because India is a fast growing economy,'' Mobius said.

''Even though inflation in India will be high, I don't think it will get into double digits at this stage of the game,'' he added. The number of active investors in India - who invest based upon earnings of companies - has also increased, according to the veteran emerging markets investor. Talking about the situation in China and its market slump, Mobius explained that some of the money from the Middle Kingdom is beginning to find its way into India and other emerging markets.

Tech stocks in China have been under a lot of pressure lately, with shares diving amid surging inflation and Ukraine crisis.

Ken Griffin (Chief executive officer, co-chief investment officer, 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.

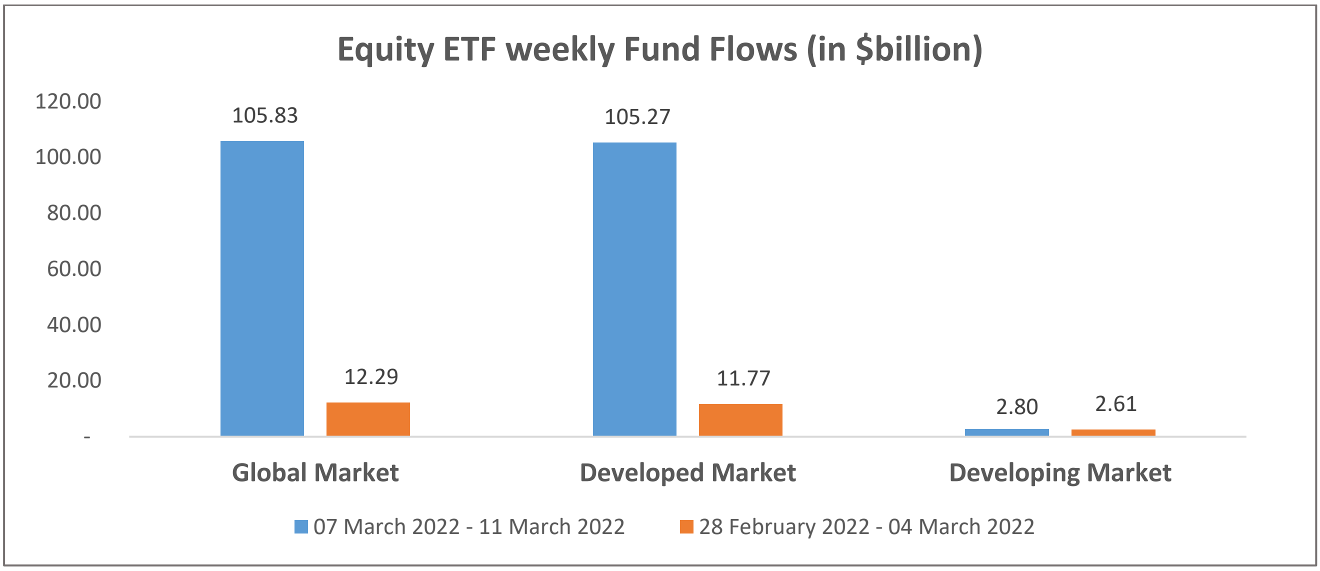
"When we put on the table that your dollars will be seized or you can't move dollars, we are telling the rest of the world to embrace other currencies in their portfolio, and we diminish the value of the dollar as the world's currency. American taxpayers are going to pay for this in the form or higher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

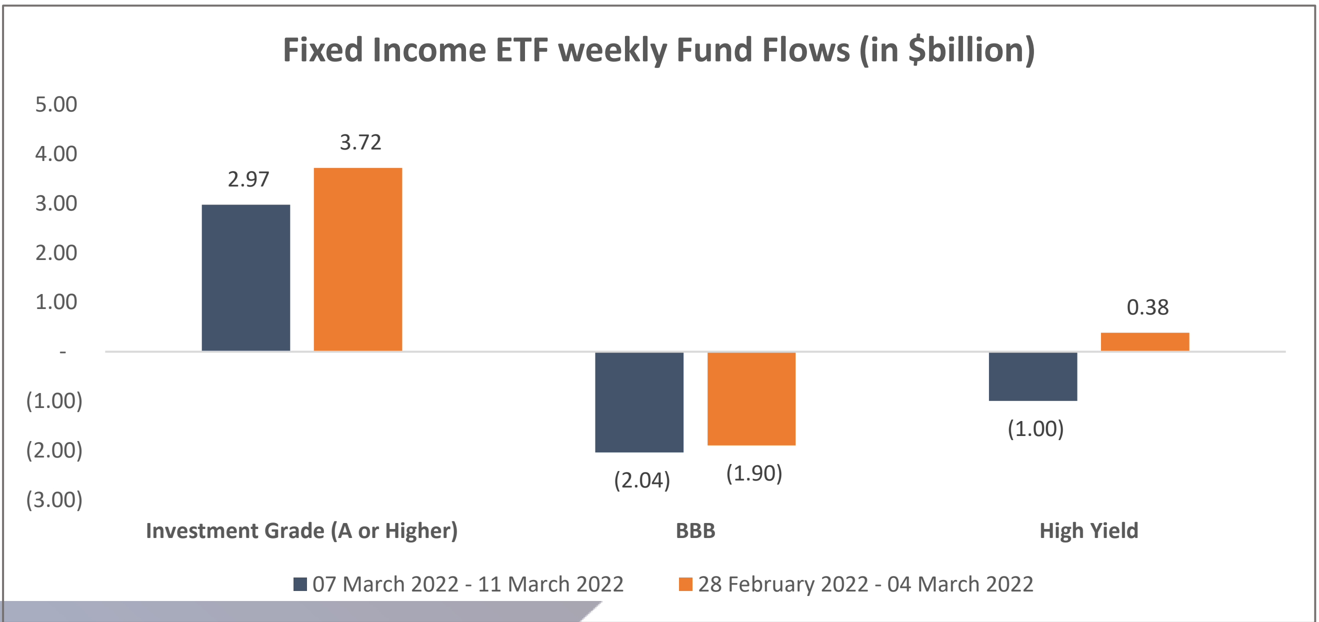
Pierre Lassonde (chairman emeritus of Franco-Nevada and CEO of Firelight Investments): "I think that Mr. Putin calculated that this was going to be an easy, quick win for him, to just roll into Ukraine and essentially put Humpty Dumpty back together, which was what he was trying to do. His plans are 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."

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 hit a bottom on 8th March and commodity complex hit the peak the same day. We see reversion to the mean happening over the next 6 weeks with equities climbing up and Commodities softening further. We are medium term bullish on global equities as well as High yield corporate bonds from the current levels. We see US long term Treasury yields going up further in the coming months and we see gold being largely sideways (with negative bias) between levels of 1850-2020.

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