



PACE 360

Weekly Report and Outlook on Global Markets

01st April 2022

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MARKET DEVELOPMENTS

April is by far the best month on average for European stocks



Figure 1: The above chart shows Stoxx Europe 600 Index 25-year average monthly returns

With a difficult first quarter just about done, investors are set to enter what is historically the best month of the year in a cheerier mood. Over the past 25 years, April has provided 2.3% gains on average for the Stoxx 600 Index and only seven negative returns, the least of any month. Timing of dividend payments, with a larger-than-average share of payouts made between March and May, as well as a low positioning after a dismal quarter, may help support equities in April.

Losses widen due to the unprecedented impact of covid-19 on air travel



Figure 2: The above chart shows profit/loss of China's biggest airlines

China's biggest airlines reported widening annual losses late Wednesday, with Air China Ltd. and China Southern Airlines Co. posting their worst results on record as covid-19 restrictions crimped travel. China Eastern Airlines Corp., in focus after one of its Boeing Co. jetliners crashed last week killing all 132 people on board, also reported a bigger loss than analysts expected. Combined, the so-called Big Three lost about 41 billion Yuan (\$6.5 billion) in 2021.

MAJOR MOVES THIS WEEK

Currencies

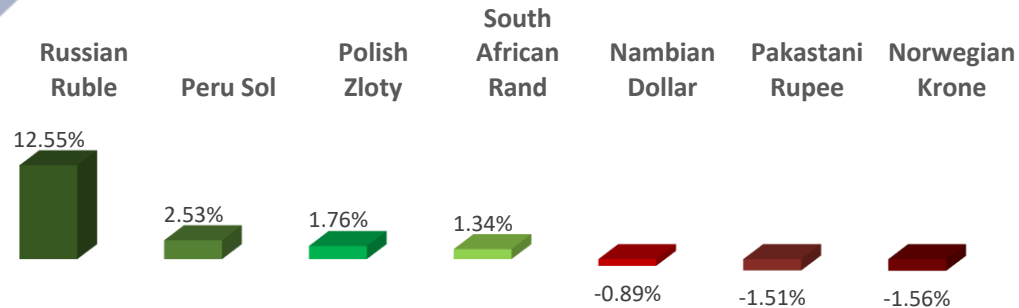


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen strength in the global currencies. Euro appreciated against the Dollar, while British pound and Yen depreciated this week. Emerging market currencies have shown strength against the dollar.

Equity Indices

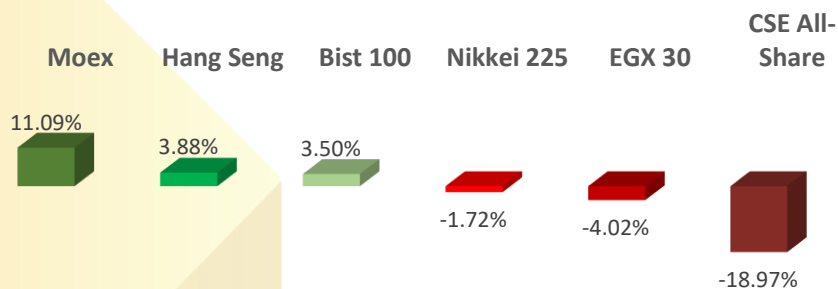


Figure 4: The chart represents the Equity Index returns over this week.

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

Commodity Futures

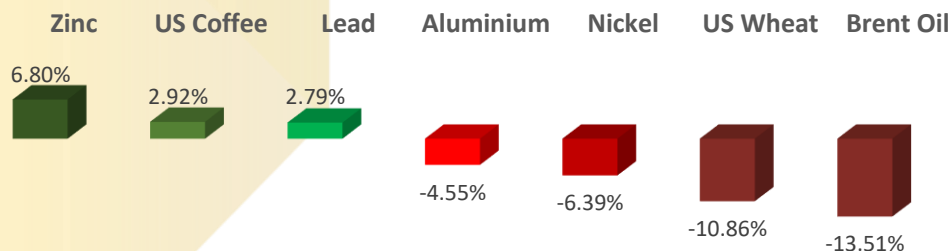


Figure 5: The chart represents the Commodity returns over the week.

Commodities have cooled down during the week. We have seen weakness in industrial metals. Crude oil has depreciated while Natural gas gained during the week. Gold and Silver have depreciated for the week. We have seen mixed and volatile performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Charles Thomas Munger (Vice chairman of Berkshire Hathaway): Munger said that successfully navigating the investment world has gotten a lot harder over the past few decades. He also noted that costs of living in many parts of the U.S. are significantly higher than they've ever been, even accounting for inflation.

"It's going to be way harder for the group that's graduated from college now ... to get rich and stay rich," Munger, 98, said. "Think what it [used to] cost to own a house in a desirable neighborhood in a city like Los Angeles." "I think you have to figure out your level of skill, or the level of skill your advisor has," he said. "To everyone who finds the current investment climate hard and difficult and somewhat confusing, I would say: Welcome to adult life."

Dan Yergin (Vice chairman of S&P Global): Asia will become the default market for Russian oil as the country tries to find buyers for its energy exports.

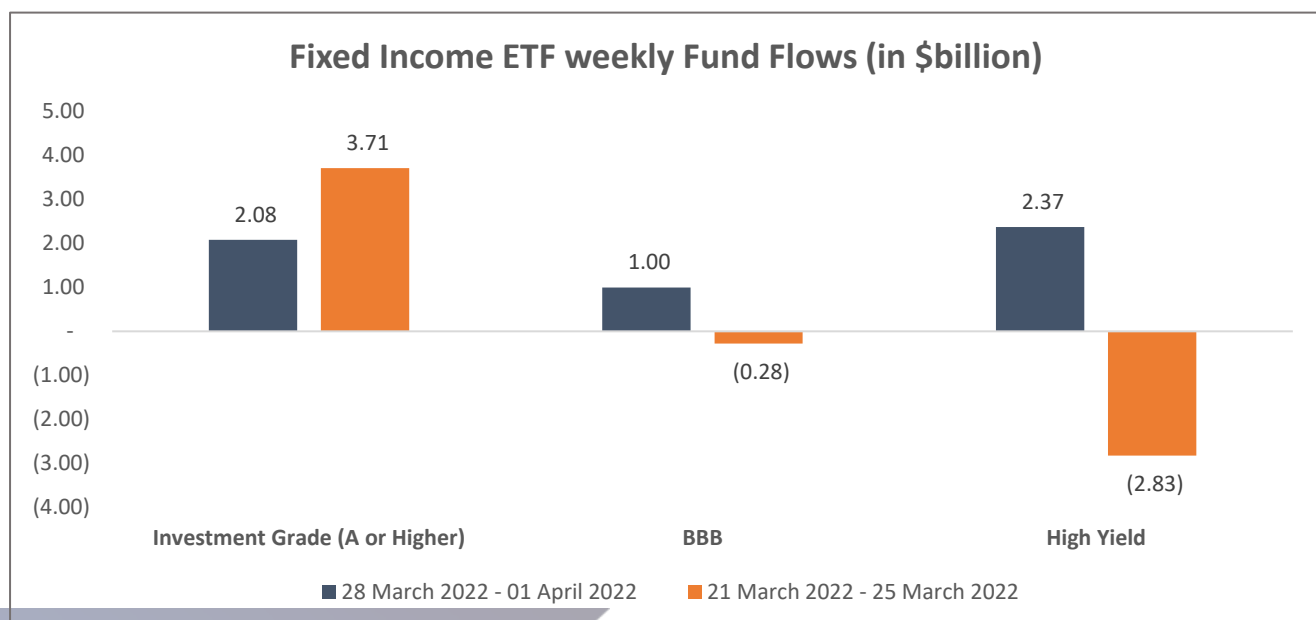
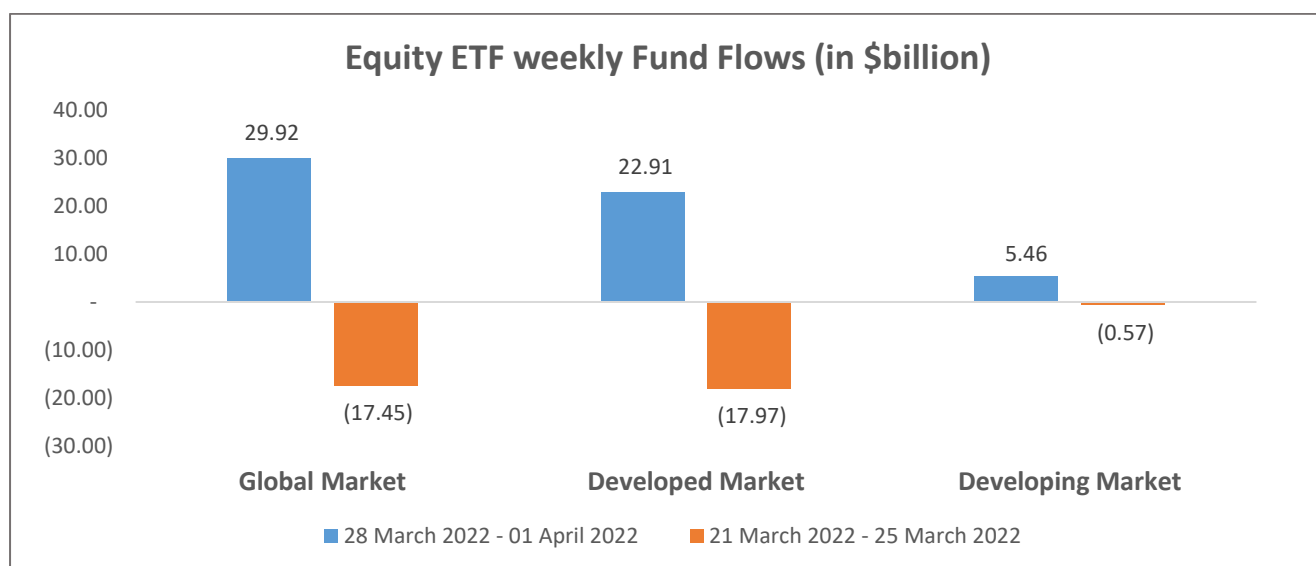
Major oil importers in Asia like China and India have been pressured by oil prices which have soared since Russia invaded Ukraine in late February. Besides the appeal of cheaper Russian oil, both Beijing and New Delhi have close ties with Moscow. The West has punished Moscow for the invasion economically with the U.S. banning Russian crude, the U.K. planning to do the same and the European Union weighing similar measures. Yergin added, "There's a lot of self-sanctioning that's going on that's simply people not picking up oil, banks not providing letters of credit, shippers not showing up and, indeed, people in some ports not receiving Russian oil."

Nikolaos Panigirtzoglou (Strategists, JPMorgan.): This quarter's rotation away from bonds and into equity funds will slow in the coming quarters, meaning less bond fund selling and less equity fund buying starting from 2Q and beyond. Historically, severe bond fund outflows don't last beyond one quarter outside crisis periods JPMorgan estimates bonds allocations by investors globally stand at 18% currently, the lowest level since 2008

Investors' positioning has returned to pre-Lehman crisis norms, 14 years of previous counterweights have been erased Analysis suggests that 90bp rise in the global aggregate bond index yield YTD more than compensates for the expected \$1.9t deterioration in the balance between global bond demand and supply for 2022 For equity funds this year, JPMorgan forecasts \$170b decline relative to 2021, which implies equity fund inflow of around \$900b.

Peter Oppenheimer (Strategists, Goldman Sachs): "To be clear, we see little upside now in the shorter term,". Both Goldman and UBS GWM have a year-end target of 4,700 index points for the S&P 500, less than 2% higher from current levels for the U.S. benchmark. They also both see the gauge dropping by around 22% to 3,600 index points in a downside scenario. For Goldman's team, instead of playing specific styles such as growth versus value stocks, investors must look for individual companies "that can innovate, disrupt, enable and adapt" and focus on margins.

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 had a positive week even though US markets corrected sharply from their intra-week highs. We believe global equities will largely be sideways for the coming few weeks with most indices expected to be stuck in a range rather than making significantly higher highs from their last week's tops. We expect industrial commodities to remain sideways even though they look bearish over the longer term. We expect precious metals to remain rangebound and consolidate at lower levels for the coming few weeks. We remain bullish on longer term US Treasuries for the next couple of years.

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