



**PACE 360**

# Weekly Report and Outlook on Global Markets

27<sup>th</sup> May 2022

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# MARKET DEVELOPMENTS

## Euro Stoxx 50's correlation to the euro hovers near a 10-year high



Figure 1: The above chart shows the 60 day correlation between Euro Stoxx 50 and Euro

The recent rebound in the euro from a five-year low hit earlier this month should be good news for European equities -- as long as it doesn't go too far. With the positive correlation between the single currency and the region's stocks near a 10-year high, a pause in the dollar's bull run looks supportive for equities. The euro has bounced nearly 4% against the dollar since its May 13 trough.

## A rising euro may help European cyclicals outperform the broader market

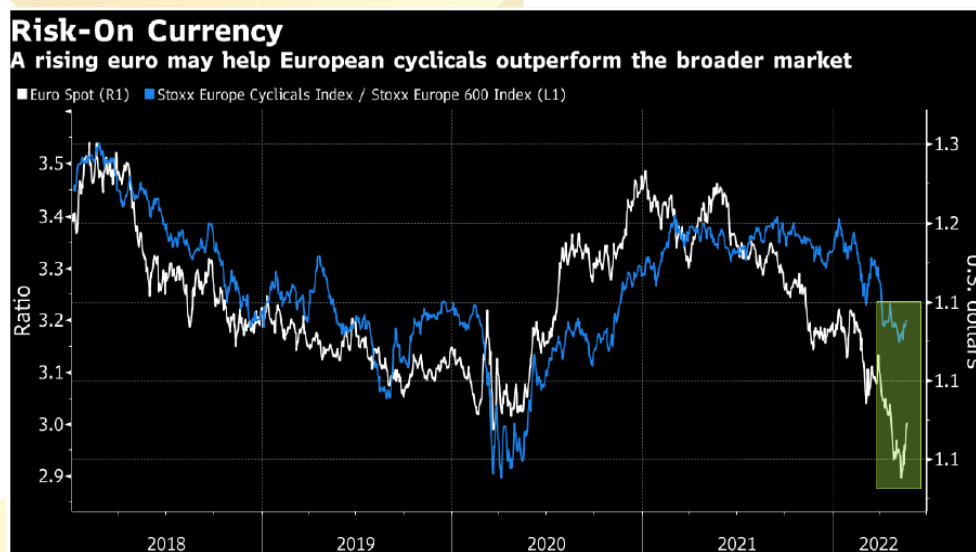


Figure 2: The above chart shows positive correlation between Euro spot and Stoxx Europe Cyclical Index relative to Stoxx Europe 600 Index

Cyclical stocks may find some relief in the euro's recovery as the European Central Bank turns more hawkish and tightens policy. The price of cyclicals relative to the Stoxx 600 Index has been closely following the move in the euro over the past five years, with the group underperforming since the start of 2022 as the single currency hit a 10-year low.

# MAJOR MOVES THIS WEEK

## Currencies

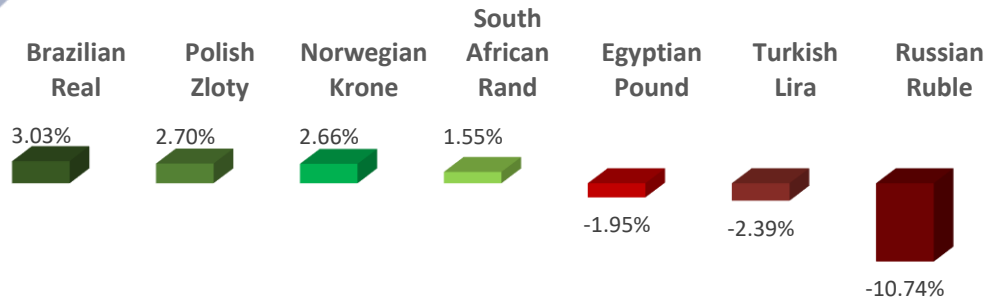


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

## Equity Indices

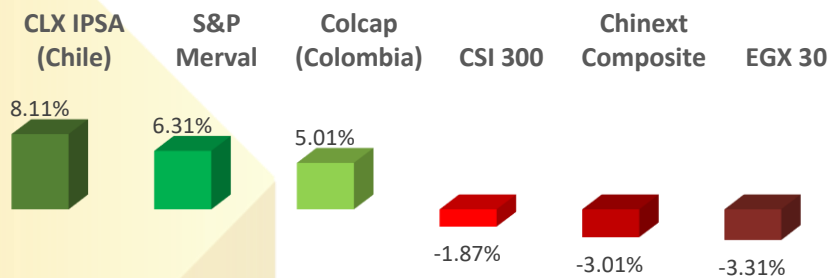


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen rally in the global equities markets. European equities have given a strong performance, Euro Stoxx 600 was a gainer during the week. Emerging market equity indices appreciated. Nasdaq 100 and S&P 500 have shown sharp upsides during the week.

## Commodity Futures

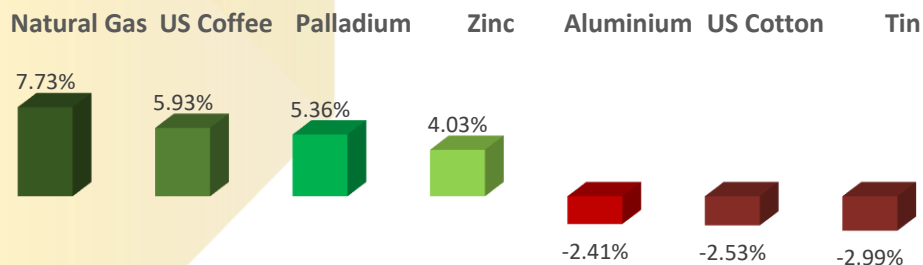


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a mixed performance during the week. We have seen strength in industrial metals. Crude and Natural gas appreciated during the week. Gold and Silver strengthened during the week. We have seen mixed performance in agricultural commodities.

## GLOBAL FUND MANAGERS' STATEMENTS

**Scott Miner** (**Guggenheim Partners Global Chief Investment Officer**): He also shared some downright apocalyptic thoughts about crypto, warning that the digital assets could experience an even more brutal wash out, with bitcoin BTCUSD, 4.06% potentially sliding all the way back to \$8,000.

"When you break below \$30,000 consistently, \$8,000 is the ultimate bottom, so I think we have a lot more room to the downside, especially with the Fed being restrictive," Miner said. The problem with crypto is that most coins are "junk" or "garbage."

Although he believes that both bitcoin and ethereum will ultimately survive the downturn, Miner said crypto likely hasn't found the right "prototype" yet to help drive more widespread adoption.

To put all this in context, a decline all the way to \$8,000 for bitcoin would represent a pullback of 70% from approximately \$30,000 per coin, bitcoin's price on Monday.

**Bill Ackman** (**Famed hedge fund manager of Pershing Square**): Rising inflation will continue to threaten U.S. equity markets and the economy, so the Federal Reserve needs to do everything to cool down rising prices. U.S. central bank needs to aggressively raise interest rates now.

"Until inflation is satisfactorily addressed investors don't know if and how long it will take the Fed to quell inflation. Uncertainty is the enemy of markets particularly in the short term," Ackman said on social media. "By raising rates aggressively now, the Fed can protect and enhance equity markets and the strength of the economy for all, while stymieing inflation that destroys livelihoods, particularly that of the least fortunate." How does this downward market spiral end? It ends when the Fed puts a line in the sand on inflation and says it will do 'whatever it takes,' said Ackerman. "Markets are imploding because investors are not confident that the federalreserve will stop inflation. If the Fed doesn't do its job, the market will do the Fed's job, and that is what is happening now."

**George Soros** (**Billionaire investor.**): "Russian President Vladimir Putin's bargaining position is "not as strong as he pretends" and Europe has leverage against him. In a letter to Italy's prime minister, Mario Draghi, Soros said Putin was "obviously blackmailing Europe" by threatening to — or actually — withholding gas supplies.

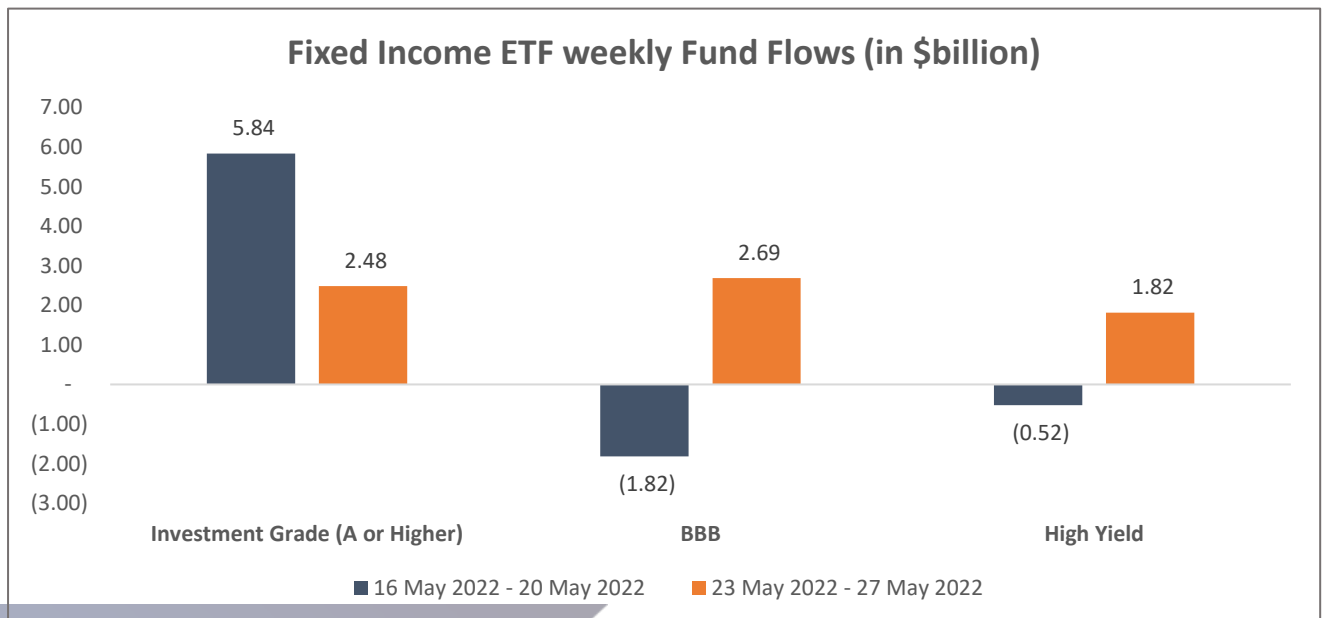
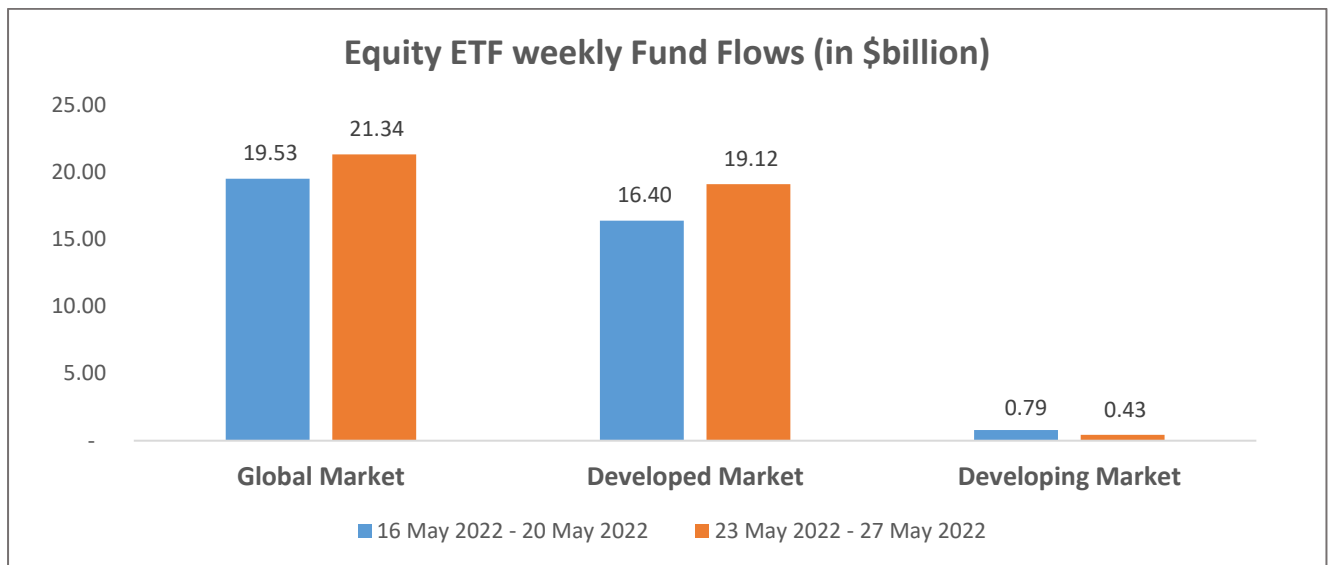
"That's what he did last season. He put gas in storage rather than supplying gas to Europe. This created a shortage, raised prices and earned him a lot of money, but his bargaining position is not as strong as he pretends," Soros wrote Monday. "It is estimated that Russian storage capacity will be full by July. Europe is his only market. If he doesn't supply Europe, he must shut down the wells in Siberia from where the gas comes. Some 12,000 wells are involved. It takes time to shut them down and once they are shut down, they are difficult to reopen because of the age of the equipment," Soros said in the letter.

**Ray Dalio** (**Hedge fund Bridgewater Associates**): Some say cash is king. But according to Ray Dalio, founder of the world's largest hedge fund Bridgewater Associates, it may not be wise to keep too much of your investment money in cash these days.

"Cash is not a safe investment, is not a safe place because it will be taxed by inflation,". Simply put, the purchasing power of cash is taking a big hit. In a recent conversation with another investing legend, Jeremy Grantham, Dalio said he's looking at countries with good income statements and balance sheets that can weather the storm.

"Emerging Asia is very interesting. India is interesting," he adds.

# 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 have had their best week in a year. We believe that the best part of the US equity bounce back from very oversold levels may be behind us and the US equities may become sideways now for the next few weeks. EM equities may have some more upside left in them for the next few weeks. However, we would want to reiterate that this is just a short term rally in a long-term bear market, which may last for another 2-3 years. We remain very bullish on long term US Treasuries and on gold.

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