



Weekly Report and Outlook on Global Markets

13th May 2022

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MARKET DEVELOPMENTS

India Bans Wheat Exports as Food Security Comes Under Threat

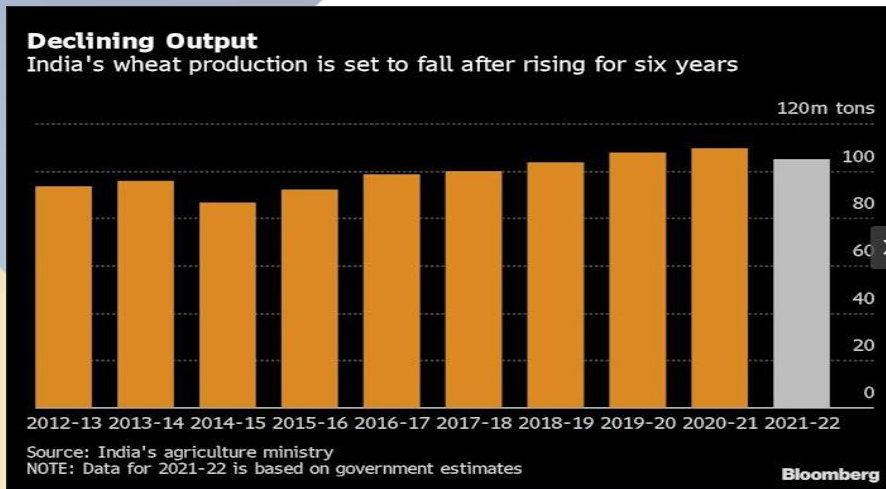


Figure 1: The above chart shows Indian wheat production on yearly basis

India prohibited wheat exports that the world was counting on to alleviate supply constraints sparked by the war in Ukraine, saying that the food security of the nation is under threat. Exports will still be allowed to countries that require wheat for food security needs and based on the requests of their governments, India's Directorate General of Foreign Trade said in a notification dated May 13. All other new shipments will be banned with immediate effect.

\$11 Trillion and Counting: Global Stock Slump May Not Be Over

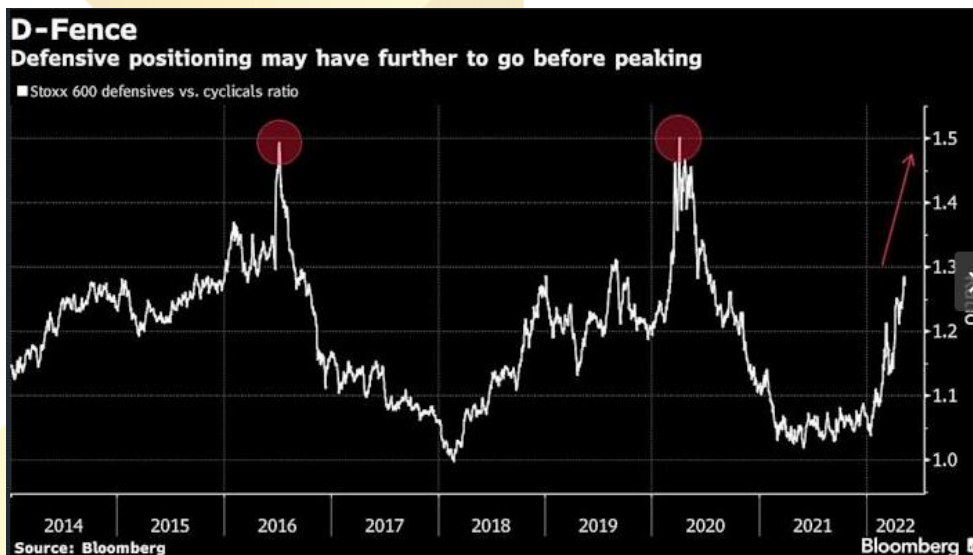


Figure 1: The above chart represents the ratio between Stoxx600 defensive vs cyclicals

The selloff in the MSCI ACWI Index has dramatically lowered valuations of companies across the US and Europe, but strategists ranging from Michael Wilson at Morgan Stanley to Robert Buckland at Citigroup Inc. expect stocks to fall further amid worries of high inflation, hawkish central banks and slowing economic growth, especially in the US. Money is continuing to leave every asset class and the exodus is deepening as investors rush out of names like Apple Inc.

MAJOR MOVES THIS WEEK

Currencies

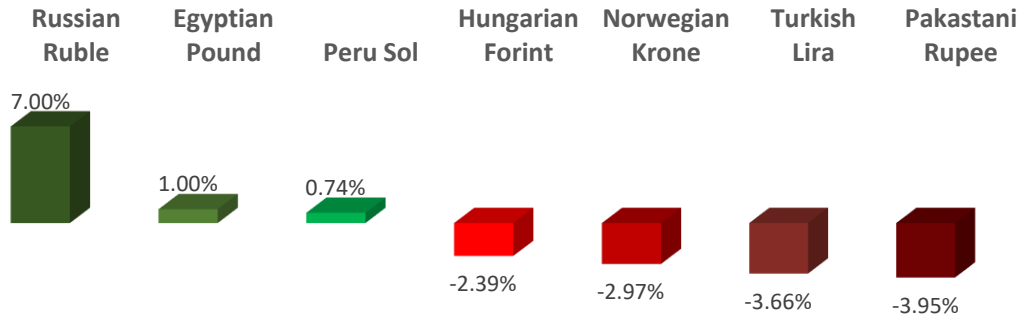


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

Equity Indices

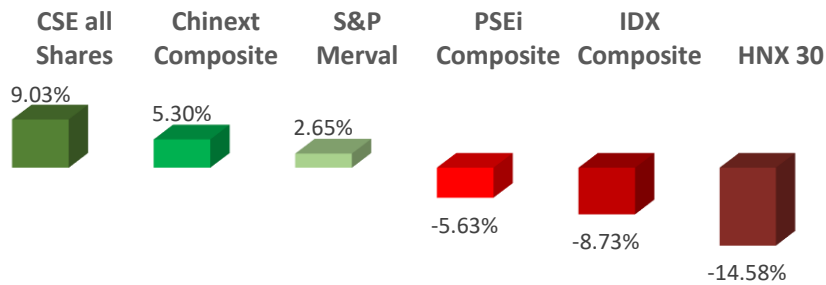


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen weakness 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 depreciated. Nasdaq 100 and S&P 500 have shown sharp moves and depreciated during the week.

Commodity Futures

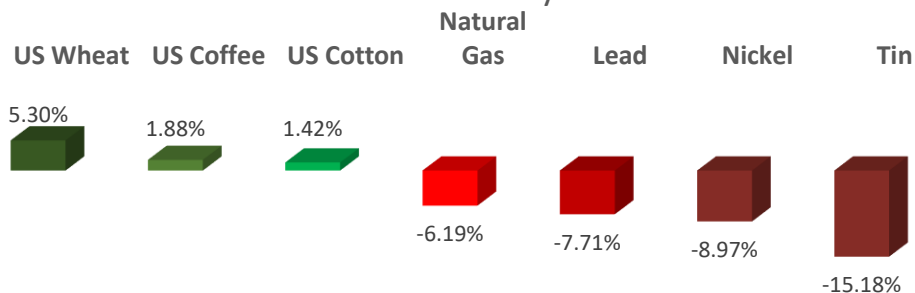


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a weak performance during the week. We have seen weakness in industrial metals. Crude and Natural gas depreciated during the week. Gold and Silver weakened during the week. We have seen strong performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Mohamed Faiz Nagutha (ASEAN economist at Bank of America Securities): Southeast Asia will face a “big risk” of social unrest if there are “big surges” in food prices.

That’s because, relative to other countries, food consumption accounts for a large proportion of what people spend on in countries like the Philippines, Indonesia, and Vietnam. In 2021, Filipino households spent nearly 40% of their total expenditure on food and non-alcoholic beverages, according to the Philippine Statistics Authority.

In comparison, U.S. households spent 8.6% of their disposable income on food, the Economic Research Service reported.

“Having said this, ASEAN food inflation in particular, has been a little bit less volatile (and) more contained than in the past because we depend a lot on intra-regional trade and there is a lot of government support in place to keep food inflation contained.

Chris Wood (Jefferies global equity strategist): Chris Wood continues to believe in India’s growth story, terming it as Asia’s best long-term structural story in terms of equities in his latest GREED & fear note. Despite the headwinds that domestic markets are facing, Chris Wood advised investors to accumulate their favourite Indian stocks on weakness. The ace market strategist said that the government remains focused on reforms despite the inevitable setbacks triggered by Covid.

Chris Wood highlighted those reforms will be fruitful for India as he singled out the Insolvency and Bankruptcy Code as one such reform. He further added that the political position remains strong in favour of the current government.

Frank Giustra (CEO of Fiore Group): The gold price has been “manipulated” by central bank authorities in particular, the Federal Reserve for decades in a broader scheme to maintain U.S. dollar supremacy in the global monetary system “It’s been no secret that since the U.S. abandoned gold in 1971, they’ve tried to suppress it to allow the U.S. dollar to maintain its supremacy. That supremacy is important in terms of your home interest rates keeping them low, it’s important to anchor inflation expectations, it’s important for a whole bunch of reasons. In September 2020, JPMorgan was found guilty of spoofing the metals futures markets by the CFTC and was subsequently fined \$920 million.

“What I’ve noticed is that lately, when there’s a massive sell order, when there’s the crushing of the gold price, it’s quite vicious. To me, it looks like it’s done on purpose,” he noted.

Giustra said that he believes the Federal Reserve is one of the key actors in orchestrating a larger price manipulation movement.

PACE 360'S FUTURE OUTLOOK

Global equities had yet another down week even though there was a sharp recovery on Friday from intra-week lows. We believe that global equities have bottomed out for now and there should be a relief rally over the next 3-4 weeks from the extremely oversold levels as of this week. We believe industrial metals are also oversold and should rally from here. We expect US Treasuries and precious metals to be rangebound in the near term even though they look very bullish for the longer term

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CONTACT US



+91-11-4742 1001



info@pace360.in



A-1/291, Safdarjung Enclave, New Delhi – 110029

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