Weekly Report and Outlook on Global Markets

24th June 2022

Indian stocks have returned to their 10-year mean P/E ratio

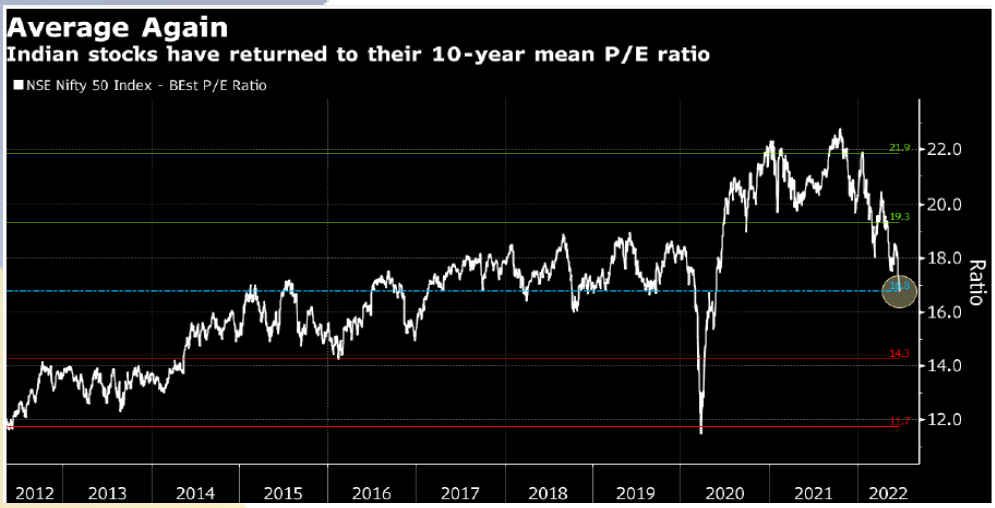

Figure 1: The above chart shows P/E ratio of Nifty 50 index

A three-month selloff in Indian stocks on the back of surging inflation, higher borrowing costs and an exodus of foreign funds has driven the market's valuations down from lofty levels. The NSE Nifty 50 Index has returned to its average 10-year price-to-earning ratio of 16.8 times after a mostly continuous climb to above 22 times last year. There are expectations of earnings downgrades for the coming one-two quarters, which is now reflected in stock valuations.

Global prices for the battery material are lagging China's declines

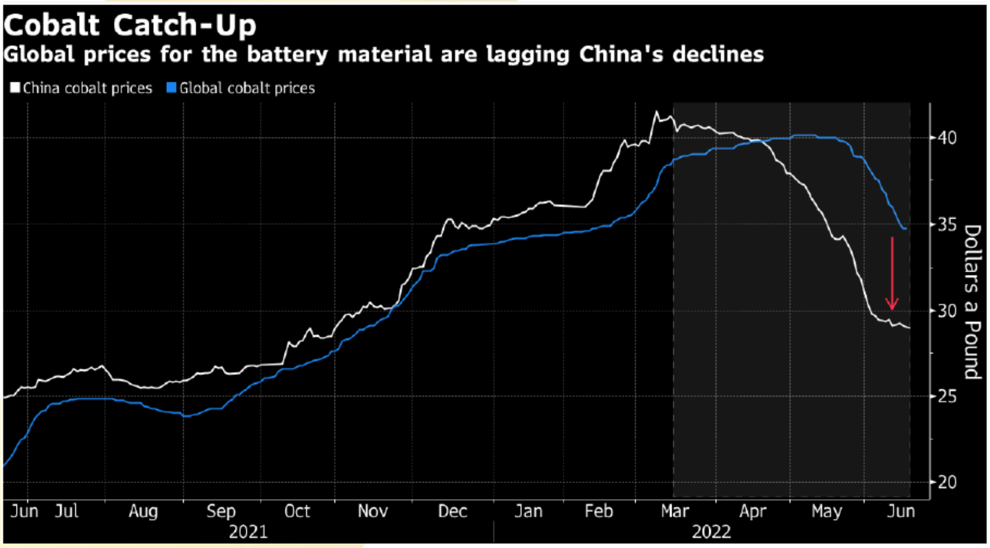

Figure 2: The above chart shows Cobalt prices in China vs Global

World cobalt prices are in retreat as months of severe disruptions to China's battery and electric-vehicle sectors force global suppliers to give customers there a break. Cobalt refineries in China were suffering as demand and domestic prices collapsed from March -- but the cost of imported feedstock stayed stubbornly high. This "abnormal" situation should ease as international prices fall to better reflects conditions in top market China. Cobalt metal on the world market just fell to its lowest since February.

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MAJOR MOVES THIS WEEK

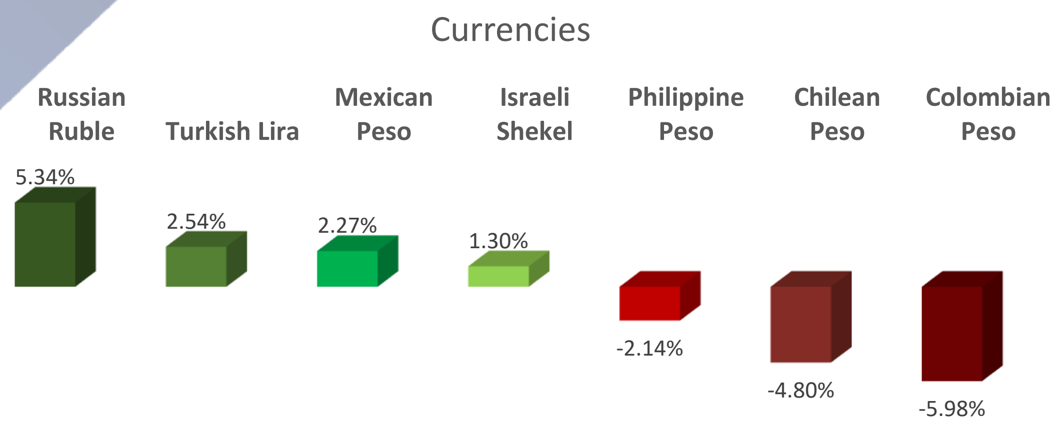


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

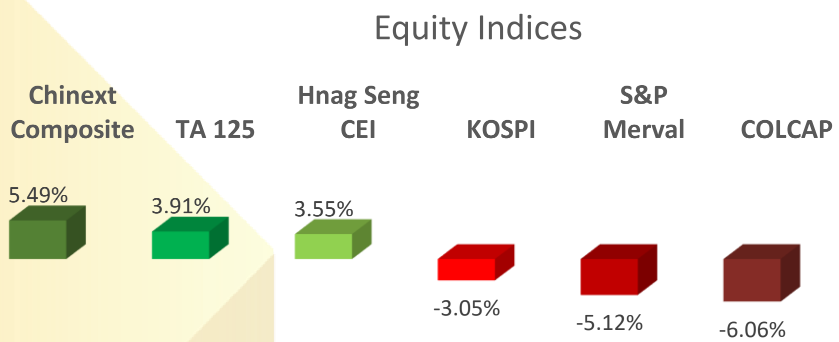


Figure 4: The chart represents the Equity Index returns over this week.

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

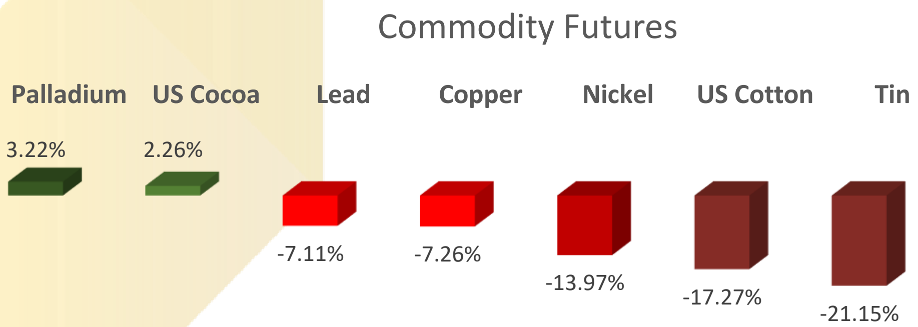


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown weakness 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 weakness in agricultural commodities.

GLOBAL FUND MANAGERS’ STATEMENTS

Seth Klarman (Head of the Baupost Group): he sees the value of holding some gold as uncertainty continues to dominate the marketplace. At the sametime, he touted cryptocurrencies as pointless.

Klarman warned that the U.S. economy faces a challenging environment of slower economic growth and rising inflation. He added even with the current selloff, equity markets are still too elevated. The comments come as the S&P 500 has dropped roughly 23% this year, entering bear-market territory.

He added that equity markets will continue to slide as interest rates move higher. He said that the bond market has been in a bull market for 35 years, and the current selloff could be a big shock for investors who have been forced to take more risks to find better yields.

'"Interest rates are starting to move higher, and they should move higher because they've been held artificially low for a long time," Klarman said in the Harvard Business School interview. "I think it's going to jolt some people, and even the system, when they start to move higher."

Ray Dalio (Bridgewater Associates founder and co-chief investment officer): Ray Dalio said it's naive for anyone to think the Federal Reserve's plan to raise rates quickly to quell inflation will "make things good again."

It's simply not how the economic machine works, Dalio wrote on LinkedIn on Wednesday.

"While tightening reduces inflation because it results in people spending less, it doesn't make things better because it takes buying power away," he wrote,"It just shifts some of the squeezing of people via inflation to squeezing them via giving them less buying power."

Jim Bianco (Bianco Research president):" Until inflation peaks and the Federal Reserve stops hiking rates, market forecaster Jim Bianco warns Wall Street is on a one way trip to misery.

“The Fed only has one tool to bring in inflation and that is they have to slow demand, We may not like what’s happening, but over in the Eccles building in Washington, I don’t think they’re too upset with what they’ve seen in the stock market for the last few weeks.” “We’re in a bad news is good news scenario because you’ve got 390,000 jobs in May,” said Bianco. “They [the Fed] feel like they can make the stock market miserable without creating unemployment.”

Adrian Day (Chairman and CEO of Adrian Day Asset Management): Adrian Day Asset Management, said that it is too late for the Federal Reserve to control inflation, and that a return to 2 percent inflation will not happen "for the foreseeable future." He explained, "If [the Fed] gets inflation down from 8.5 to 5 or 4 percent… they'll declare victory at that point. Forget 2 percent."

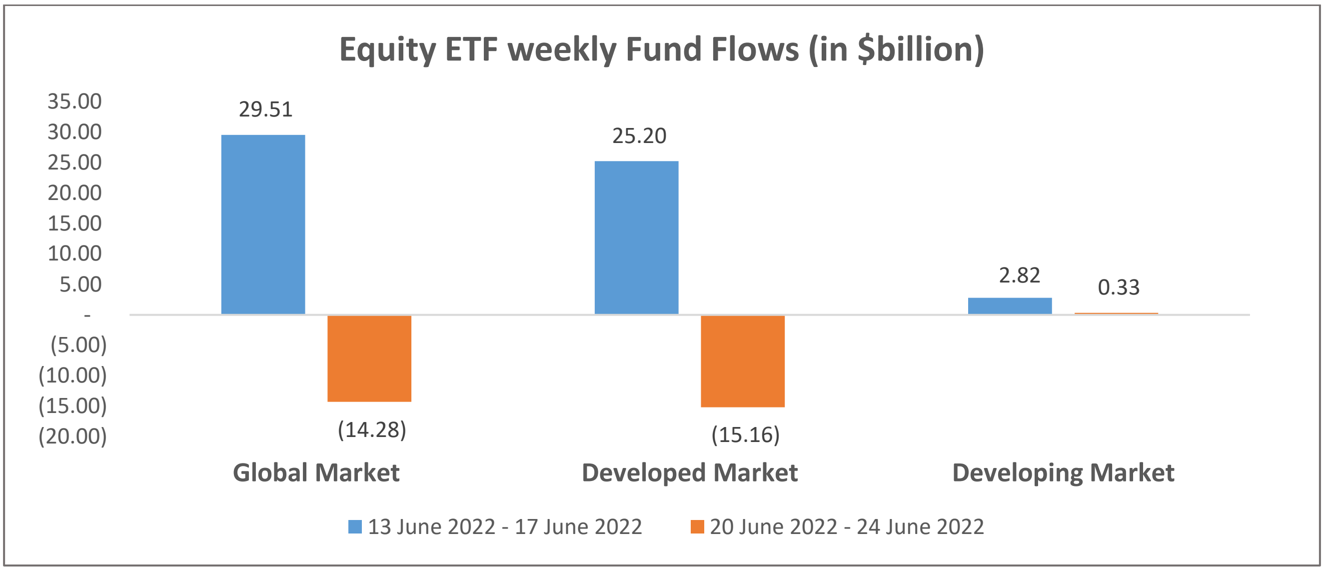
If we see unemployment go up dramatically, this Fed and Powell will choose employment over inflation," Day remarked.

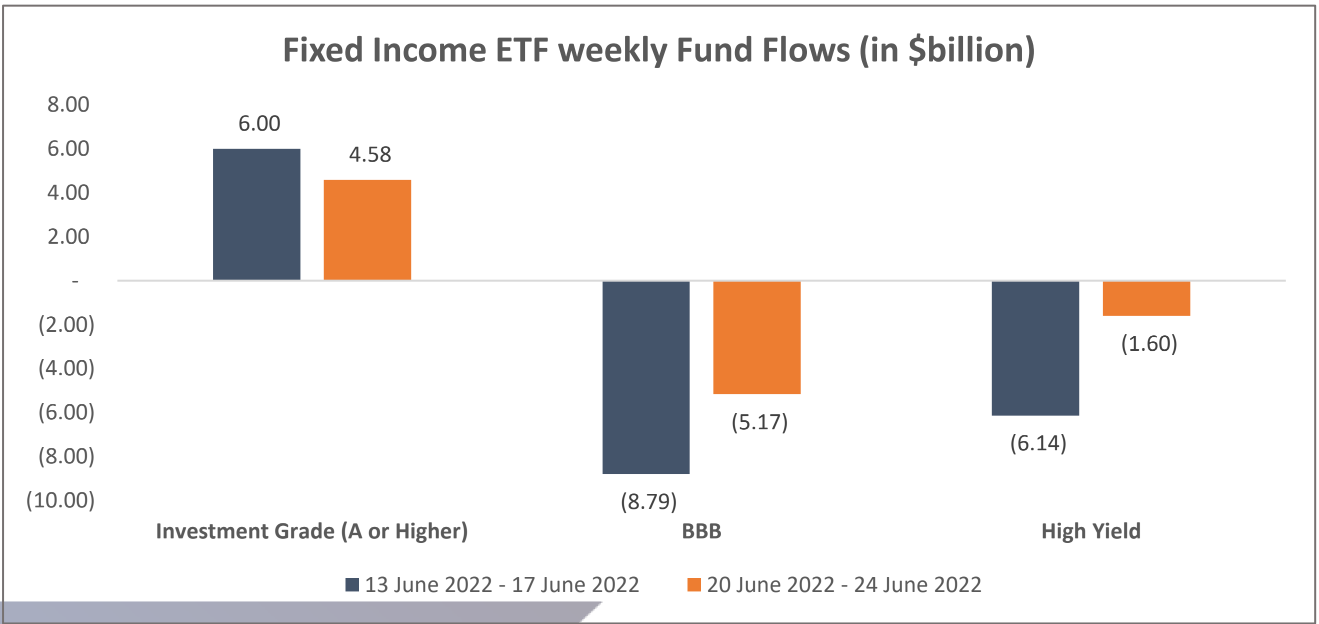
He added that the Fed's talk of 2 percent inflation within a few years is "fantasy."

"They simply cannot bring inflation down, to a reasonable level, without causing a recession," Day said. "… The only thing that will prevent a recession at this point is the [Biden] administration and Congress doing more unfunded spending, more modern monetary theory, which the Fed will go along with, which means we're boosting inflation again."

Day dismissed claims that inflation is due to supply-chain issues and the war in Ukraine. "This stuff about Russia, it's a total misunderstanding of what inflation is… Inflation is caused by excess money creation," he explained. "So if you have supply chain issues, you have a war in Russia… that means oil prices go up… but that's not inflation. Because if you have a stable money supply, then as the oil price goes up, other prices go down to offset it."

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 witnessed a massive rally last week with Nasdaq having the best week in a long time. We believe US equities will now become range-bound for the next few weeks while EM equities may outperform over the same time frame. Longer term government bonds rallied strongly all over the world and we expect US 30 year Treasuries to unleash a powerful bull run over the next 1-2 years. We expect that industrial commodities will stop falling for now and be in a range over the next few weeks. We remain extremely bullish on precious metals for the long term.

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